

Meezan Bank Limited

Capital Adequacy, Leverage ratio & Liquidity requirements disclosures - Unconsolidated

As at December 31, 2022

1. CAPITAL ADEQUACY

1.1 The State Bank of Pakistan (SBP) introduced guidelines with respect to disclosure of capital adequacy related information in the financial statements of banks vide its communication dated November 5, 2014. These guidelines are based on the requirements of Basel III which were introduced earlier by the SBP in August 2013 for implementation by banks in Pakistan. The disclosures below have been prepared on the basis of these new guidelines. The comparative information is as per requirements which were applicable last year.

The Bank's capital adequacy is reported using the rules and ratios provided by the State Bank of Pakistan. The capital adequacy ratio is a measure of the amount of a Bank's capital expressed as a percentage of its risk weighted assets (RWAs). Banking operations are categorized as either Trading Book or Banking Book and RWAs are determined according to specific treatments as per the requirements of SBP that measure the varying levels of risk attached to on balance sheet and off-balance sheet exposures. Under the current capital adequacy regulations, credit risk and market risk exposures are measured using the Standardized Approach and operational risk is measured using the Basic Indicator Approach. Credit risk mitigants are also applied against the Bank's exposures based on eligible collateral.

In implementing current capital requirements the State Bank of Pakistan requires all banks to maintain minimum Capital Adequacy Ratio (CAR) of 11.50% (on Standalone & Consolidated basis) as of December 31, 2022 whereas MBL's Standalone CAR stood at 18.42% at the year ended December 31, 2022.

1.3 Capital Adequacy Ratio (CAR) disclosure:

Particulars	2022	2021
	----- Rupees in '000 -----	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully paid-up capital / capital deposited with the SBP	17,896,243	16,269,312
Balance in share premium account	2,406,571	2,406,571
Reserve for issue of bonus shares	-	-
Discount on issue of shares	-	-
General / Statutory Reserves	25,781,250	20,986,627
Gain / (Losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated profits	69,900,300	42,831,655
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
CET 1 before Regulatory Adjustments	<u>115,984,364</u>	<u>82,494,165</u>
Total regulatory adjustments applied to CET1	<u>(2,644,470)</u>	<u>(1,591,085)</u>
Common Equity Tier 1	<u>113,339,894</u>	<u>80,903,080</u>
Additional Tier 1 (AT1) Capital		
Qualifying Additional Tier-1 capital instruments plus any related share premium of which:	-	-
- classified as equity	-	-
- classified as liabilities	7,000,000	7,000,000
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties - of which: instrument issued by subsidiaries subject to phase out	-	-
AT1 before regulatory adjustments	<u>7,000,000</u>	<u>7,000,000</u>
Total of Regulatory Adjustment applied to AT1 capital	<u>-</u>	<u>-</u>
Additional Tier 1 capital after regulatory adjustments	<u>7,000,000</u>	<u>7,000,000</u>
Tier 1 Capital (CET1 + admissible AT1)	<u>120,339,894</u>	<u>87,903,080</u>
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	13,990,000	13,990,000
Capital instruments subject to phase out arrangement issued	-	-
Tier 2 capital instruments issued to third parties by consolidated subsidiaries - of which: instruments issued by subsidiaries subject to phase out	-	-
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	6,972,210	5,870,018
Revaluation Reserves (net of taxes)	-	-
of which:		
- Revaluation reserves on fixed assets	-	-
- Unrealized gains/losses on AFS	-	4,040,077
Foreign Exchange Translation Reserves	-	-
Undisclosed/Other Reserves (if any)	-	-
T2 before regulatory adjustments	<u>20,962,210</u>	<u>23,900,095</u>
Total regulatory adjustment applied to T2 capital	-	-
Tier 2 capital (T2) after regulatory adjustments	<u>20,962,210</u>	<u>23,900,095</u>
Tier 2 capital recognized for capital adequacy	<u>20,962,210</u>	<u>23,900,095</u>
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy	<u>20,962,210</u>	<u>23,900,095</u>
TOTAL CAPITAL (T1 + admissible T2)	<u><u>141,302,104</u></u>	<u><u>111,803,175</u></u>
Total Risk Weighted Assets (RWA)	<u><u>767,057,315</u></u>	<u><u>627,873,310</u></u>

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Particulars	2022	2021
	Amount	
	Rupees in '000	
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	14.78%	12.89%
Tier-1 capital to total RWA	15.69%	14.00%
Total capital to total RWA	18.42%	17.81%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) of which:	8.00%	7.50%
- capital conservation buffer requirement	1.50%	1.50%
- countercyclical buffer requirement	-	-
- D-SIB or G-SIB buffer requirement	0.50%	-
CET1 available to meet buffers (as a percentage of risk weighted assets)	8.78%	6.89%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.00%	6.00%
Tier 1 minimum ratio	7.50%	7.50%
Total capital minimum ratio	10.00%	10.00%
CCB (Consisting of CET 1 only)	1.50%	1.50%
Total Capital plus CCB	11.50%	11.50%

Particulars	2022		2021	
	Amount	Pre-Base III treatment*	Amount	Pre-Base III treatment*
	Rupees in '000			

1.3.1 Common Equity Tier 1 capital: Regulatory adjustments

Goodwill (net of related deferred tax liability)	-	-	-	-
All other intangibles (net of any associated deferred tax liability)	1,843,984	-	1,495,810	-
Shortfall of provisions against classified assets	-	-	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-	-
Defined-benefit pension fund net assets	-	-	-	-
Reciprocal cross holdings in CET1 capital instruments	40,508	-	-	-
Cash flow hedge reserve	-	-	-	-
Investment in own shares / CET1 instruments	93,629	-	95,275	-
Securitization gain on sale	-	-	-	-
Capital shortfall of regulated subsidiaries	-	-	-	-
Deficit on account of revaluation from bank's holdings of property / AFS	666,349	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
Amount exceeding 15% threshold of which:				
- significant investments in the common stocks of financial entities	-	-	-	-
- deferred tax assets arising from temporary differences	-	-	-	-
National specific regulatory adjustments applied to CET1 capital	-	-	-	-
Investment in TFCs of other banks exceeding the prescribed limit	-	-	-	-
Any other deduction specified by SBP	-	-	-	-
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-	-
Total regulatory adjustments applied to CET1	2,644,470	-	1,591,085	-

1.3.2 Additional Tier 1 Capital: regulatory adjustments

Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	-	-	-
Investment in own AT1 capital instruments	-	-	-	-
Reciprocal cross holdings in Additional Tier 1 capital instruments	-	-	-	-

* This column highlights items that are still subject to Pre Basel III treatment during the transitional period

** As reported in last year annual financial statements.

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Particulars	2022		2021	
	Amount	Pre-BaseI III treatment*	Amount	Pre-BaseI III treatment*
	----- Rupees in '000 -----			
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-BaseI III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	-	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
Total of Regulatory Adjustment applied to AT1 capital	-	-	-	-

1.3.3 Tier 2 Capital: regulatory adjustments

Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-BaseI III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-	-	-
Reciprocal cross holdings in Tier 2 instruments	-	-	-	-
Investment in own Tier 2 capital instrument	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
Amount of Regulatory Adjustment applied to T2 capital	-	-	-	-

* This column highlights items that are still subject to Pre Basel III treatment during the transitional period

1.3.4 Additional Information - Risk Weighted Assets subject to pre-BaseI III treatment

	2022	2021
	----- Rupees in '000 -----	
Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-BaseI III Treatment)	-	-
of which: deferred tax assets	-	-
of which: Defined-benefit pension fund net assets	-	-
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	1,200,105	854,472
Significant investments in the common stock of financial entities	63,050	63,050
Deferred tax assets arising from temporary differences (net of related tax liability)	4,646,002	175,555
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	9,780,641	5,870,018
Cap on inclusion of provisions in Tier 2 under standardized approach	6,972,210	5,889,747
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

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Particulars	Balance sheet as in published financial statements	Under regulatory scope of reporting
	As at Dec 31, 2022 ----- (Rupees in '000) -----	
Assets		
Cash and balances with treasury banks	117,743,106	117,743,106
Balances with other banks	13,676,159	13,676,159
Due from financial institutions	34,964,299	34,964,299
Investments	1,283,210,287	1,283,210,287
Islamic financing and related assets	995,508,354	995,508,354
Fixed assets	40,426,520	40,426,520
Intangible assets	1,843,984	1,843,984
Deferred tax assets	4,646,002	4,646,002
Other assets	85,378,800	85,378,800
Total assets	2,577,397,511	2,577,397,511
Liabilities and Equity		
Bills payable	40,175,122	40,175,122
Due to financial institutions	573,326,439	573,326,439
Deposits and other accounts	1,658,490,118	1,658,490,118
Sub-ordinated sukuk	20,990,000	20,990,000
Deferred tax liabilities	-	-
Other liabilities	169,095,139	169,095,139
Total liabilities	2,462,076,818	2,462,076,818
Share capital	17,896,243	17,896,243
Reserves	28,187,821	28,187,821
Unappropriated profit	69,900,300	69,900,300
Minority Interest	-	-
(Deficit) / surplus on revaluation of assets - net of tax	(663,671)	(666,349)
Total liabilities and equity	2,577,397,511	2,577,394,833

Reconciliation of balance sheet to eligible regulatory capital - Step 2

Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
		As at Dec 31, 2022 ----- (Rupees in '000) -----	
Assets			
Cash and balances with treasury banks		117,743,106	117,743,106
Balances with other banks		13,676,159	13,676,159
Due from financial institutions		34,964,299	34,964,299

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Particulars	Reference	Balance sheet as	Under regulatory
		in published financial statements	scope of reporting
		As at Dec 31, 2022	
		----- (Rupees in '000) -----	
Investments		1,283,210,287	1,283,210,287
<i>of which:</i>			
- non-significant capital investments in capital of other financial institutions exceeding 10% threshold	a	-	-
- significant capital investments in financial sector entities exceeding regulatory threshold	b	-	-
- mutual Funds exceeding regulatory threshold	c	-	-
- reciprocal crossholding of capital instrument	d	40,508	40,508
- others	e	93,629	93,629
Islamic financing and related assets		995,508,354	995,508,354
- shortfall in provisions / excess of total EL amount over eligible provisions under IRB	f	-	-
- general provisions reflected in Tier 2 capital	g	9,780,641	6,972,210
Fixed assets		40,426,520	40,426,520
Intangible assets	k	1,843,984	1,843,984
Deferred tax assets		4,646,002	4,646,002
<i>of which:</i>			
- DTAs that rely on future profitability excluding those arising from temporary differences	h	-	-
- DTAs arising from temporary differences exceeding regulatory threshold	i	-	-
Other assets		85,378,800	85,378,800
<i>of which:</i>			
- goodwill	j	-	-
- defined-benefit pension fund net assets	l	-	-
Total assets		2,577,397,511	2,577,397,511
Liabilities and Equity			
Bills payable		40,175,122	40,175,122
Due from financial institutions		573,326,439	573,326,439
Deposits and other accounts		1,658,490,118	1,658,490,118
Sub-ordinated sukuk of which:		20,990,000	20,990,000
- eligible for inclusion in AT1	m	7,000,000	7,000,000
- eligible for inclusion in Tier 2	n	13,990,000	13,990,000
Liabilities against assets subject to finance lease			
Deferred tax liabilities of which:		-	-
- DTLs related to goodwill	o	-	-
- DTLs related to intangible assets	p	-	-
- DTLs related to defined pension fund net assets	q	-	-
- other deferred tax liabilities	r	-	-
Other liabilities		169,095,139	169,095,139
Total liabilities		2,462,076,818	2,462,076,818

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Particulars	Reference	Balance sheet as	Under regulatory
		in published financial statements	scope of reporting
As at Dec 31, 2022			
----- (Rupees in '000) -----			
Share capital		17,896,243	17,896,243
- of which: amount eligible for CET1	s	17,896,243	17,896,243
- of which: amount eligible for AT1	t	-	-
Reserves of which:		28,187,821	28,187,821
- portion eligible for inclusion in CET1 - Share premium		2,406,571	2,406,571
- portion eligible for inclusion in CET1 - Statutory reserve	u	22,169,518	22,169,518
- portion eligible for inclusion in CET1 - Gain on Bargain Purchase		3,117,547	3,117,547
- portion eligible for inclusion in CET1 -Employee Share option		427,419	427,419
- portion eligible for inclusion in CET1 - General reserve		66,766	66,766
- portion eligible for inclusion in Tier 2 General reserve	v	-	-
Unappropriated profit	w	69,900,300	69,900,300
Minority Interest of which:			
- portion eligible for inclusion in CET1	x	-	-
- portion eligible for inclusion in AT1	y	-	-
- portion eligible for inclusion in Tier 2	z	-	-
Surplus on revaluation of assets of which:		(663,671)	(666,349)
- Revaluation reserves on Property			
- Unrealized Gains/Losses on AFS	aa	(666,349)	(666,349)
- Unrealized Gains/Losses on Non-Banking Assets	ab	2,678	-
- In case of Deficit on revaluation (deduction from CET1)		-	-
Total liabilities and Equity		2,577,397,511	2,577,394,833

Basel III Disclosure (with added column) - Step 3

Particulars	Source based on	Component of
	reference number from step 2	regulatory capital reported by bank (Rupees in '000)
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital		17,896,243
2 Balance in share premium account	(s)	2,406,571
3 Reserve for issue of bonus shares		-
4 General / Statutory Reserves		25,781,250
5 Gain / (Losses) on derivatives held as Cash Flow Hedge	(u)	-
6 Unappropriated / unremitted profits	(w)	69,900,300
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		-
8 CET 1 before Regulatory Adjustments		115,984,364
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)		-
10 All other intangibles (net of any associated deferred tax liability)	(h)	1,843,984
11 Shortfall of provisions against classified assets		-
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		-
13 Defined-benefit pension fund net assets		-
14 Reciprocal cross holdings in CET1 capital instruments	(d)	40,508
15 Cash flow hedge reserve		-
16 Investment in own shares / CET1 instruments	(e)	93,629

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Particulars	Source based on reference number from step 2	Component of regulatory capital reported by bank (Rupees in '000)
17		-
18		-
19	(aa)	666,349
20		-
21		-
22		-
23		-
24		-
25		-
26		-
27		-
28		2,644,470
		113,339,894
Common Equity Tier 1		
Additional Tier 1 (AT 1) Capital		
29		7,000,000
30		-
31	(m)	7,000,000
32		-
33		-
34		7,000,000
Additional Tier 1 Capital: regulatory adjustments		
35		-
36		-
37		-
38		-
39		-
40		-
41		-
42		-
43		7,000,000
44		7,000,000
		120,339,894
Tier 1 Capital (CET1 + admissible AT1)		

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Particulars	Source based on reference number from step 2	Component of regulatory capital reported by bank (Rupees in '000)
Tier 2 Capital		
45 Qualifying Tier 2 capital instruments under Basel III		13,990,000
46 Capital instruments subject to phase out arrangement from Tier 2	(n)	-
47 Tier 2 capital instruments issued to third party by consolidated subsidiaries - of which: instruments issued by subsidiaries subject to phase out	(z)	-
48 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	6,972,210
49 Revaluation Reserves eligible for Tier 2 of which:		-
50 - portion pertaining to Property		-
51 - portion pertaining to AFS securities	100% of (aa)	-
52 Foreign Exchange Translation Reserves	(v)	-
53 Undisclosed / Other Reserves (if any)		-
54 T2 before regulatory adjustments		20,962,210
Tier 2 Capital: regulatory adjustments		
55 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital		-
56 Reciprocal cross holdings in Tier 2 instruments		-
57 Investment in own Tier 2 capital instrument		-
58 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	-
59 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
60 Amount of Regulatory Adjustment applied to T2 capital		-
61 Tier 2 capital (T2)		20,962,210
62 Tier 2 capital recognised for capital adequacy		20,962,210
63 Excess Additional Tier 1 capital recognised in Tier 2 capital		-
64 Total Tier 2 capital admissible for capital adequacy		20,962,210
TOTAL CAPITAL (T1 + admissible T2)		141,302,104

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1.5 Main features of regulatory capital instruments

1.5.1 Disclosure for main features of Regulatory Capital Instrument - Common Shares

	Main Features	Common Shares
1	Issuer	Meezan Bank Limited
2	Unique identifier (eg PSX Symbol or Bloomberg identifier etc.)	MEBL
3	Governing law(s) of the instrument	Listing regulations of Pakistan Stock Exchange Limited
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	Solo & Group
7	Instrument type	Ordinary shares
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	17,896,243
9	Par value of instrument	10
10	Accounting classification	Shareholders' equity
11	Original date of issuance	August 16, 1997
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	N/A
18	coupon rate and any related index/ benchmark	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Deposits
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

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1.5.2 Disclosure for main features of Regulatory Capital Instrument - Additional Tier I Sukuk

Main Features		Additional Tier I Sukuk
1	Issuer	Meezan Bank Limited
2	Unique identifier (eg PSX Symbol or Bloomberg identifier etc.)	Meezan Bank Limited - Additional Tier I Mudaraba Sukuk
3	Governing law(s) of the instrument	Laws applicable in Pakistan
	Regulatory treatment	Additional Tier 1
4	Transitional Basel III rules	Additional Tier 1
5	Post-transitional Basel III rules	Solo & Group
6	Eligible at solo/ group/ group&solo	Subordinated debt
7	Instrument type	7,000,000
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	1,000,000
9	Par value of instrument	Liability - Subordinated Sukuk
10	Accounting classification	August 01, 2018
11	Original date of issuance	Perpetual
12	Perpetual or dated	N/A
13	Original maturity date	Yes
14	Issuer call subject to prior supervisory approval	Callable with prior approval of SBP on or after five years from the date of issue subject to regulatory conditions
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	Floating coupon
18	coupon rate and any related index/ benchmark	It is expected that profit may be similar to 3 month KIBOR plus 175 bps
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Partially discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Cumulative subject to weightage reduction to negligible
23	Convertible or non-convertible	Convertible
24	If convertible, conversion trigger (s)	Occurrence of a non-viability trigger event (the "PONV") or Pre-specified trigger event (the "PST")
25	If convertible, fully or partially	Fully/partially
26	If convertible, conversion rate	The conversion pricing formula is linked to the market value of the Common Shares on the date of PST/PONV trigger event and the fair value of the Sukuk determined by adding / deducting attributable profit / loss of the General Pool and any amount of profit held during the Loss Absorbency period
27	If convertible, mandatory or optional conversion	Option of SBP
28	If convertible, specify instrument type convertible into	Common Shares
29	If convertible, specify issuer of instrument it converts into	Meezan Bank Limited
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Deposits if the Sukuk is converted into common equity at PONV
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

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1.5.3 Disclosure for main features of Regulatory Capital Instrument - Tier II Sukuk

Main Features		Tier II Sukuk
1	Issuer	Meezan Bank Limited
2	Unique identifier (eg PSX Symbol or Bloomberg identifier etc.)	Meezan Bank Limited - Tier II Mudaraba Sukuk
3	Governing law(s) of the instrument	Laws applicable in Pakistan
	Regulatory treatment	Tier 2
4	Transitional Basel III rules	Tier 2
5	Post-transitional Basel III rules	Solo & Group
6	Eligible at solo/ group/ group&solo	Subordinated debt
7	Instrument type	13,900,000
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	1,000,000
9	Par value of instrument	Liability - Subordinated Sukuk
10	Accounting classification	January 09, 2020 & December 16, 2021
11	Original date of issuance	Dated
12	Perpetual or dated	January 08, 2030 & December 15, 2031
13	Original maturity date	Yes
14	Issuer call subject to prior supervisory approval	Callable with prior approval of SBP on or after five years from the date of issue
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	Floating coupon
18	coupon rate and any related index/ benchmark	It is expected that profit may be similar to 6 month KIBOR plus 90 bps & 6 month KIBOR plus 35 bps
19	Existence of a dividend stopper	N/A
20	Fully discretionary, partially discretionary or mandatory	Partially discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Convertible
24	If convertible, conversion trigger (s)	Occurrence of a non-viability trigger event (the "PONV")
25	If convertible, fully or partially	Fully
26	If convertible, conversion rate	The conversion pricing formula is linked to the market value of the Common Shares on the date of PONV trigger event and the fair value of the Sukuk determined by adding / deducting attributable profit / loss of the General Pool and any amount of profit held during
27	If convertible, mandatory or optional conversion	Option of SBP
28	If convertible, specify instrument type convertible into	Common Shares
29	If convertible, specify issuer of instrument it converts into	Meezan Bank Limited
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Deposits if the Sukuk is converted into common equity at PONV
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

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1.6 Risk-weighted exposures	Minimum capital requirements		Risk weighted assets	
	2022	2021	2022	2021
Credit Risk	------(Rupees in '000)-----			
Portfolios subject to on-balance sheet exposure (Simple Approach)				
Cash and cash equivalents	-	-	-	-
Sovereign	1,409,782	360,597	14,097,816	3,605,966
Public sector entities	2,603,687	1,725,217	26,036,867	17,252,170
Banks	991,832	1,636,069	9,918,324	16,360,691
Corporate	34,077,791	28,836,704	340,777,913	288,367,044
Retail	4,366,031	4,092,357	43,660,307	40,923,570
Residential mortgage	821,077	715,387	8,210,769	7,153,867
Past due loans	79,057	99,459	790,571	994,587
Operating fixed assets	4,042,652	3,395,795	40,426,520	33,957,947
All other assets	1,675,850	466,168	16,758,499	4,661,683
Portfolios subject to off-balance sheet exposure - non market related (Simple approach)				
Banks	475,828	301,729	4,758,281	3,017,291
Corporate	3,869,570	4,432,456	38,695,698	44,324,563
Public sector entities	656,008	285,211	6,560,076	2,852,106
Retail	159,440	225,828	1,594,396	2,258,279
Others	93,214	69,905	932,136	699,049
Portfolios subject to off-balance sheet exposures - market related (Current exposure method)				
Banks	263,355	204,587	2,633,545	2,045,870
Customers	93,262	170,546	932,618	1,705,464
Equity Exposure Risk in the Banking Book				
Unlisted equity investments held in banking book	83,485	84,197	834,851	841,973
Recognised portion of significant investment	15,763	15,763	157,625	157,625
Market Risk				
Capital Requirement for portfolios subject to Standardised Approach				
Interest rate risk	129,571	103,447	1,619,633	1,293,087
Equity position risk	1,409,592	1,497,070	17,619,906	18,713,370
Foreign Exchange risk	275,096	236,023	3,438,697	2,950,293
Operational Risk				
Capital requirement for operational risk	14,928,181	10,698,945	186,602,267	133,736,815
TOTAL	72,520,124	59,653,460	767,057,315	627,873,310
Capital Adequacy Ratio	Required	Actual	Required	Actual
	December-22		December-21	
CET1 to total RWA	8.00%	14.78%	7.50%	12.89%
Tier-1 capital to total RWA	9.50%	15.69%	9.00%	14.00%
Total capital to total RWA	12.00%	18.42%	11.50%	17.81%

* Capital Conservation Buffer requirement (CCB) was reduced to 1.5% by SBP under COVID-19 Relief measures till further instructions. MBL has been identified as Sample D-SIB, however, the Bank shall continue to meet Higher Loss Absorbency capital charge (D-SIB buffer) of 0.5% in form of CET-1 capital till June 30, 2023.

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2 LEVERAGE RATIO

According to Basel III instructions issued by the State Bank of Pakistan (BPRD circular no. 06 dated August 15, 2013), it is mandatory for all the banks to calculate and report the Leverage Ratio on a quarterly basis with the minimum benchmark of 3%.

The reason for calculating leverage ratio is to avoid excessive On- and Off-balance sheet leverage in the banking system. A simple, transparent and non-risk based Ratio has been introduced with the following objectives:

- Constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy; and
- Reinforce the risk based requirements with an easy to understand and a non-risk based measure.

The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage:

Leverage Ratio =		<u>Tier 1 capital (after related deductions)</u>	
		<u>Total Exposure</u>	
Particulars		2022	2021
		----- Rupees in '000 -----	
On balance sheet exposures			
1	On-balance sheet items (excluding unrealised gain on forward contracts)	2,166,452,837	1,847,134,807
2	Forward exchange commitments with positive fair values	2,696,679	3,433,084
	Total on balance sheet exposures	2,169,149,516	1,850,567,891
Off balance sheet exposures			
3	Off-balance sheet items	768,581,067	392,124,249
4	Commitment in respect of forward exchange contracts	2,423,450	2,052,185
	Total Off balance sheet exposures	771,004,517	394,176,434
Capital and total exposures			
5	Tier 1 capital	120,339,894	87,903,080
6	Total exposures	2,940,154,033	2,244,744,326
Basel III leverage ratio		4.09%	3.92%

3 LIQUIDITY COVERAGE RATIO

The Bank calculates the Liquidity Coverage Ratio (LCR) on monthly basis as per SBP Basel III Liquidity Standards issued under BPRD Circular No. 08 dated June 23, 2016. The objective of LCR is to promote the short-term resilience of the liquidity risk profile of the Bank and this standard requires the banks to maintain sufficient High Quality Liquid Assets (HQLAs) to meet stressed cash outflows over a prospective 30 calendar-days period.

Main drivers of LCR Results are High Quality Liquid Assets and Net cash outflows. Outflows are mainly deposit outflows net of cash inflows which consist of inflows from financing and money market placements up to 1 month. The inputs for calculation of LCR are as prescribed by the regulator.

Liquidity Coverage Ratio	2022		2021	
	Total Unweighted ¹ Value (Average) -----(Rupees in '000)-----	Total Weighted ² Value (Average) -----(Rupees in '000)-----	Total Unweighted ¹ Value (Average) -----(Rupees in '000)-----	Total Weighted ² Value (Average) -----(Rupees in '000)-----
High Quality Liquid Assets				
1 Total high quality liquid assets (HQLA)		682,411,975		464,998,495
Cash Outflows				
2 Retail deposits and deposits from small business customers of which:	1,112,289,519	96,731,674	929,158,334	82,702,356
2.1) Stable deposit	289,945,561	14,497,278	204,269,549	10,213,477
2.2) Less stable deposit	822,343,959	82,234,396	724,888,786	72,488,879
3 Unsecured wholesale funding of which:	496,582,252	160,324,570	438,706,216	157,546,433
3.1) Operational deposits (all counterparties)	496,582,252	160,324,570	438,706,216	157,546,433
3.2) Non-operational deposits (all counterparties)	-	-	-	-
3.3) Unsecured debt	-	-	-	-
4 Secured wholesale funding				
5 Additional requirements of which:	66,678,013	6,770,467	105,850,152	10,948,854
5.1) Outflows related to derivative exposures and other collateral requirements	114,073	114,073	404,265	404,265
5.2) Outflows related to loss of funding on debt products	-	-	-	-
5.3) Credit and Liquidity facilities	66,563,940	6,656,394	105,445,887	10,544,589
6 Other contractual funding obligations	10,208,836	10,208,836	3,795,380	3,795,380
7 Other contingent funding obligations	788,529,022	13,424,576	636,124,626	11,051,721
8 Total Cash Outflows		287,460,123		266,044,744
Cash Inflows				
9 Secured lending	15,413,914	15,413,914	32,440,662	32,440,662
10 Inflows from fully performing exposures	58,703,863	29,351,931	37,329,176	18,664,588
11 Other Cash inflows	11,649,696	3,226,017	17,539,932	6,184,851
12 Total Cash Inflows	85,767,473	47,991,863	87,309,770	57,290,100
21 Total HQLA		682,411,975		464,998,495
22 Total Net Cash Outflows		240,277,969		209,348,310
23 Liquidity Coverage Ratio		284%		222%

1 unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).

2 Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).

3 Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (i.e. cap on level 2B and level 2 assets for HQLA and cap on inflows).

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4 NET STABLE FUNDING RATIO

The objective of Net Stable Funding Ratio (NSFR) is to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress.

	2022				weighted value
	unweighted value by residual maturity				
	No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
(Rupees in '000)					
Available Stable Funding (ASF)					
1	Capital:				
2	Regulatory capital	113,339,894			113,339,894
3	Other capital instruments	7,000,000			20,990,000
4	Retail deposits and deposit from small business customers:				
5	Stable deposits	286,869,877	31,330,509	7,355,756	14,329,190
6	Less stable deposits	896,358,418	97,895,831	22,983,918	44,773,228
7	Wholesale funding:				
8	Operational deposits				
9	Other wholesale funding	277,010,897	30,253,757	7,102,957	13,836,732
10	Other liabilities:				
11	NSFR derivative liabilities				
12	All other liabilities and equity not included in other categories		586,323,204	24,996,760	99,665,802
13	Total ASF				1,628,565,640
Required Stable Funding (RSF)					
14	Total NSFR high-quality liquid assets (HQLA)				10,763,908
15	Deposits held at other financial institutions for operational purposes	8,850,530			4,425,265
16	Performing loans and securities:				
17	Performing loans to financial institutions secured by Level 1 HQLA		600,415,685	38,099,887	374,899,406
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions				
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		398,767,610	25,304,137	237,097,667
20	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.		201,648,075	12,795,750	119,895,115
21	Other assets:				17,906,624
22	Physical traded commodities, including gold			139,596,678	280,041,045
23	Assets posted a				-
24	NSFR derivative				-
25	NSFR derivative				-
26	All other assets not included in the above categories			139,596,678	280,041,045
27	Off-balance sheet items				1,053,302,057
28	Total RSF				1,038,717,022
29	Net Stable Funding Ratio (%)				157%

	2021				weighted value
	unweighted value by residual maturity				
	No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
(Rupees in '000)					
Available Stable Funding (ASF)					
1	Capital:				
2	Regulatory capital	82,494,165			82,494,165
3	Other capital instruments	7,000,000			20,990,000
4	Retail deposits and deposit from small business customers:				
5	Stable deposits	236,755,635	22,365,077	10,814,234	15,125,589
6	Less stable deposits	773,067,055	73,027,634	35,311,210	49,388,874
7	Wholesale funding:				
8	Operational deposits				
9	Other wholesale funding	199,356,708	18,832,194	9,105,971	12,736,286
10	Other liabilities:				
11	NSFR derivative liabilities				
12	All other liabilities and equity not included in other categories		263,142,128	22,067,959	54,327,070
13	Total ASF				1,370,517,865
Required Stable Funding (RSF)					
14	Total NSFR high-quality liquid assets (HQLA)				10,792,197
15	Deposits held at other financial institutions for operational purposes	16,177,509			8,088,755
16	Performing loans and securities:				
17	Performing loans to financial institutions secured by Level 1 HQLA		555,614,526	151,495,766	323,586,158
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions				
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		203,926,317	103,178,184	162,397,855
20	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.				63,737,469
21	Other assets:				74,774,584
22	Physical traded commodities, including gold			402,486,289	71,641,823
23	Assets posted a				-
24	NSFR derivative				976,644
25	NSFR derivative				-
26	All other assets not included in the above categories			589,903,685	158,248,195
27	Off-balance sheet items				731,124,531
28	Total RSF				828,986,424
29	Net Stable Funding Ratio (%)				165%