

Meezan Bank Limited
Capital Adequacy, Leverage ratio & Liquidity requirements disclosures - Unconsolidated
As at December 31, 2023

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, 2023 whereas MBL's standalone CAR stood at 22.39% at the year ended December 31, 2023.

1.3 Capital Adequacy Ratio (CAR) disclosure:

Particulars	2023	2022
	----- Rupees in '000 -----	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully paid-up capital / capital deposited with the SBP	17,912,532	17,896,243
Balance in share premium account	2,626,441	2,406,571
Reserve for issue of bonus shares	-	-
Discount on issue of shares	-	-
General / Statutory Reserves	34,455,716	25,781,250
Gain / (Losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated profits	118,992,231	69,900,300
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	173,986,920	115,984,364
Total regulatory adjustments applied to CET1	(2,387,990)	(2,644,470)
Common Equity Tier 1	171,598,930	113,339,894
Additional Tier 1 (AT 1) 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	7,000,000	7,000,000
Total of Regulatory Adjustment applied to AT1 capital	-	-
Additional Tier 1 capital after regulatory adjustments	7,000,000	7,000,000
Tier 1 Capital (CET1 + admissible AT1)	178,598,930	120,339,894
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	7,729,491	6,972,210
Revaluation Reserves (net of taxes)	-	-
of which:		
- Revaluation reserves on fixed assets	-	-
- Unrealized gains/losses on AFS	10,920,597	-
Foreign Exchange Translation Reserves	-	-
Undisclosed/Other Reserves (if any)	-	-
T2 before regulatory adjustments	32,640,088	20,962,210
Total regulatory adjustment applied to T2 capital	-	-
Tier 2 capital (T2) after regulatory adjustments	32,640,088	20,962,210
Tier 2 capital recognized for capital adequacy	32,640,088	20,962,210
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy	32,640,088	20,962,210
TOTAL CAPITAL (T1 + admissible T2)	211,239,019	141,302,105
Total Risk Weighted Assets (RWA)	943,643,895	767,057,315

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Particulars	2023	2022
	Amount	
	Rupees in '000	
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	18.18%	14.78%
Tier-1 capital to total RWA	18.93%	15.69%
Total capital to total RWA	22.39%	18.42%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) of which:	7.50%	8.00%
- capital conservation buffer requirement	1.50%	1.50%
- countercyclical buffer requirement	-	-
- D-SIB or G-SIB buffer requirement	0.0%	0.5%
CET1 available to meet buffers (as a percentage of risk weighted assets)	12.18%	8.78%
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	2023		2022	
	Amount	Pre-Basel III treatment*	Amount	Pre-Basel 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)	2,271,709	-	1,843,984	-
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	116,281	-	93,629	-
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	2,387,990	-	2,644,470	-

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

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Particulars	2023		2022	
	Amount	Pre-Base III treatment*	Amount	Pre-Base 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-Base 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-Base 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-Base III treatment

	2023	2022
	----- Rupees in '000 -----	
Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Base 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	1,129,521	1,200,105
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
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)	14,247,354	9,780,641
Cap on inclusion of provisions in Tier 2 under standardized approach	7,729,491	6,972,210
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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1.4 Capital Structure Reconciliation

Reconciliation of each financial statement line item to item under regulatory scope of reporting - Step 1

Particulars	Balance sheet as in published financial statements	Under regulatory scope of reporting
	As at Dec 31, 2023 ------(Rupees in '000)-----	
Assets		
Cash and balances with treasury banks	242,611,556	242,611,556
Balances with other banks	11,452,256	11,452,256
Due from financial institutions	34,964,299	34,964,299
Investments	1,572,387,620	1,572,387,620
Islamic financing and related assets	961,673,012	961,673,012
Fixed assets	58,618,336	58,618,336
Intangible assets	2,271,709	2,271,709
Deferred tax assets	-	-
Other assets	128,129,969	128,129,969
Total assets	3,012,108,757	3,012,108,757
Liabilities and Equity		
Bills payable	39,724,176	39,724,176
Due to financial institutions	377,494,612	377,494,612
Deposits and other accounts	2,217,473,924	2,217,473,924
Sub-ordinated sukuk	20,990,000	20,990,000
Deferred tax liabilities	4,213,492	4,213,492
Other liabilities	167,305,036	167,305,036
Total liabilities	2,827,201,240	2,827,201,240
Share capital	17,912,532	17,912,532
Reserves	37,082,157	37,082,157
Unappropriated profit	118,992,231	118,992,231
Minority Interest	-	-
Surplus on revaluation of assets - net of tax	10,920,597	10,920,597
Total liabilities and equity	3,012,108,757	3,012,108,757

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, 2023 ------(Rupees in '000)-----	
Assets			
Cash and balances with treasury banks		242,611,556	242,611,556
Balances with other banks		11,452,256	11,452,256
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, 2023	
		------(Rupees in '000)-----	
Investments		1,572,387,620	1,572,387,620
<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	-	-
- others	e	116,281	116,281
Islamic financing and related assets		961,673,012	961,673,012
- shortfall in provisions / excess of total EL amount over eligible provisions under IRB	f	-	-
- general provisions reflected in Tier 2 capital	g	14,247,354	7,729,491
Fixed assets		58,618,336	58,618,336
Intangible assets	h	2,271,709	2,271,709
Deferred tax assets		-	-
<i>of which:</i>			
- DTAs that rely on future profitability excluding those arising from temporary differences	i	-	-
- DTAs arising from temporary differences exceeding regulatory threshold	j	-	-
Other assets		128,129,969	128,129,969
<i>of which:</i>			
- goodwill	k	-	-
- defined-benefit pension fund net assets	l	-	-
Total assets		3,012,108,757	3,012,108,757
Liabilities and Equity			
Bills payable		39,724,176	39,724,176
Due from financial institutions		377,494,612	377,494,612
Deposits and other accounts		2,217,473,924	2,217,473,924
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:		4,213,492	4,213,492
- 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		167,305,036	167,305,036
Total liabilities		2,827,201,240	2,827,201,240

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Particulars	Reference	Balance sheet as	Under regulatory
		in published financial statements	scope of reporting
As at Dec 31, 2023			
----- (Rupees in '000) -----			
Share capital		17,912,532	17,912,532
- of which: amount eligible for CET1	s	17,912,532	17,912,532
- of which: amount eligible for AT1	t	-	-
Reserves of which:		37,082,157	37,082,157
- portion eligible for inclusion in CET1 - Share premium		2,626,441	2,626,441
- portion eligible for inclusion in CET1 - Statutory reserve		30,617,082	30,617,082
- portion eligible for inclusion in CET1 - Gain on Bargain Purchase	u	3,117,547	3,117,547
- portion eligible for inclusion in CET1 -Employee Share option		654,321	654,321
- 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	118,992,231	118,992,231
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:		10,920,597	10,920,597
- Revaluation reserves on Property			
- Unrealized Gains/Losses on AFS	aa	10,920,597	10,920,597
- Unrealized Gains/Losses on Non-Banking Assets	ab	-	-
- In case of Deficit on revaluation (deduction from CET1)		-	-
Total liabilities and Equity		3,012,108,757	3,012,108,757

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	(s)	17,912,532
2 Balance in share premium account		2,626,441
3 Reserve for issue of bonus shares		-
4 General / Statutory Reserves	(u)	34,455,716
5 Gain / (Losses) on derivatives held as Cash Flow Hedge		-
6 Unappropriated / unremitted profits	(w)	118,992,231
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		173,986,920
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)	2,271,709
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)	-
15 Cash flow hedge reserve		-
16 Investment in own shares / CET1 instruments	(e)	116,281

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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		-
20		-
21		-
22		-
23		-
24		-
25		-
26		-
27		-
28		2,387,990
		171,598,930
Common Equity Tier 1		
Additional Tier 1 (AT 1) Capital		
29		7,000,000
30	(m)	7,000,000
31		-
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
		178,598,930
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	(n)	13,990,000
46 Capital instruments subject to phase out arrangement from Tier 2		-
47 Tier 2 capital instruments issued to third party by consolidated subsidiaries - of which: instruments issued by subsidiaries subject to phase out		-
48 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	7,729,491
49 Revaluation Reserves eligible for Tier 2 of which:		-
50 - portion pertaining to Property		-
51 - portion pertaining to AFS securities	(aa)	10,920,597
52 Foreign Exchange Translation Reserves		-
53 Undisclosed / Other Reserves (if any)		-
54 T2 before regulatory adjustments		32,640,088
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)		-
59 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		-
60 Amount of Regulatory Adjustment applied to T2 capital		-
61 Tier 2 capital (T2)		32,640,088
62 Tier 2 capital recognised for capital adequacy		32,640,088
63 Excess Additional Tier 1 capital recognised in Tier 2 capital		-
64 Total Tier 2 capital admissible for capital adequacy		32,640,088
TOTAL CAPITAL (T1 + admissible T2)		211,239,019

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1.6 Risk-weighted exposures	Minimum capital requirements		Risk weighted assets	
	2023	2022	2023	2022
Credit Risk	------(Rupees in '000)-----			
Portfolios subject to on-balance sheet exposure (Simple Approach)				
Cash and cash equivalents	-	-	-	-
Sovereign	1,844,686	1,409,782	18,446,855	14,097,816
Public sector entities	3,841,079	2,603,687	38,410,790	26,036,867
Banks	799,968	991,832	7,999,678	9,918,324
Corporate	37,294,616	34,077,791	372,946,164	340,777,913
Retail	3,749,106	4,366,031	37,491,064	43,660,307
Residential mortgage	867,334	821,077	8,673,343	8,210,769
Past due loans	95,011	79,057	950,108	790,571
Operating fixed assets	5,861,834	4,042,652	58,618,336	40,426,520
All other assets	988,115	1,675,850	9,881,151	16,758,499
Portfolios subject to off-balance sheet exposure - non market related (Simple approach)				
Banks	766,844	475,828	7,668,437	4,758,281
Corporate	4,160,998	3,869,570	41,609,981	38,695,698
Public sector entities	632,130	656,008	6,321,299	6,560,076
Retail	192,354	159,440	1,923,539	1,594,396
Others	112,684	93,214	1,126,837	932,136
Portfolios subject to off-balance sheet exposures - market related (Current exposure method)				
Banks	413,122	263,354	4,131,220	2,633,545
Customers	117,744	93,262	1,177,444	932,618
Equity Exposure Risk in the Banking Book				
Unlisted equity investments held in banking book	82,544	83,485	825,438	834,851
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	183,658	129,571	2,295,722	1,619,631
Equity position risk	2,033,505	1,409,593	25,418,810	17,619,906
Foreign Exchange risk	122,094	275,096	1,526,175	3,438,697
Operational Risk				
Capital requirement for operational risk	23,683,510	14,928,181	296,043,878	186,602,267
TOTAL	87,858,699	72,520,123	943,643,895	767,057,315
Capital Adequacy Ratio	Required	Actual	Required	Actual
	December-23		December-22	
CET1 to total RWA (including CCB & D-SIB buffer) *	7.50%	18.18%	8.00%	14.78%
Tier-1 capital to total RWA	9.00%	18.93%	9.50%	15.69%
Total capital to total RWA	11.50%	22.39%	12.00%	18.42%

* Capital Conservation Buffer requirement (CCB) was reduced by 1.0% by SBP under COVID-19 Relief measures till further instructions. In the latest assessment carried out by the SBP under the Framework for Domestic Systemically Important Banks (D-SIBs) introduced vide BPRD Circular No.04 of 2018 dated April 13, 2018, the Bank has been identified as a sample D-SIB. MBL was identified as designated D-SIB in 2021, however, the Bank was required 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>	
		Total Exposure	
Particulars		2023	2022
		----- Rupees in '000 -----	
On balance sheet exposures			
1	On-balance sheet items (excluding unrealised gain on forward contracts)	2,723,548,910	2,166,452,837
2	Forward exchange commitments with positive fair values	4,278,522	2,696,679
	Total on balance sheet exposures	2,727,827,432	2,169,149,516
Off balance sheet exposures			
3	Off-balance sheet items	675,529,384	768,581,067
4	Commitment in respect of forward exchange contracts	2,931,543	2,423,450
	Total Off balance sheet exposures	678,460,928	771,004,517
Capital and total exposures			
5	Tier 1 capital	178,598,930	120,339,894
6	Total exposures	3,406,288,360	2,940,154,033
Basel III leverage ratio		5.24%	4.09%

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	2023		2022	
	Total Unweighted ¹ Value (Average)	Total Weighted ² Value (Average)	Total Unweighted ¹ Value (Average)	Total Weighted ² Value (Average)
	----- (Rupees in '000) -----		----- (Rupees in '000) -----	
High Quality Liquid Assets				
1 Total high quality liquid assets (HQLA)		1,002,019,479		682,411,975
Cash Outflows				
2 Retail deposits and deposits from small business customers of which:	1,600,430,088	142,529,490	1,112,289,519	96,731,674
2.1) Stable deposit	350,270,374	17,513,519	289,945,561	14,497,278
2.2) Less stable deposit	1,250,159,714	125,015,971	822,343,959	82,234,396
3 Unsecured wholesale funding of which:	491,582,272	192,992,221	496,582,252	160,324,570
3.1) Operational deposits (all counterparties)	491,582,272	192,992,221	496,582,252	160,324,570
3.2) Non-operational deposits (all counterparties)	-	-	-	-
3.3) Unsecured debt	-	-	-	-
4 Secured wholesale funding				
5 Additional requirements of which:	59,885,013	6,312,652	66,678,013	6,770,467
5.1) Outflows related to derivative exposures and other collateral requirements	360,167	360,167	114,073	114,073
5.2) Outflows related to loss of funding on debt products	-	-	-	-
5.3) Credit and Liquidity facilities	59,524,846	5,952,485	66,563,940	6,656,394
6 Other contractual funding obligations	42,333,851	42,333,851	10,208,836	10,208,836
7 Other contingent funding obligations	1,090,549,609	15,233,949	788,529,022	13,424,576
8 Total Cash Outflows		399,402,162		287,460,123
Cash Inflows				
9 Secured lending	4,330,291	4,330,291	15,413,914	15,413,914
10 Inflows from fully performing exposures	72,555,687	36,277,844	58,703,863	29,351,931
11 Other Cash inflows	14,314,103	4,407,690	11,649,696	3,226,017
12 Total Cash Inflows	91,200,081	45,015,824	85,767,473	47,991,863
21 Total HQLA		1,002,019,479		682,411,975
22 Total Net Cash Outflows		354,386,339		240,277,969
23 Liquidity Coverage Ratio		283%		284%

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 inflow

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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.

	2023				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	173,986,920			173,986,920
3	Other capital instruments	7,000,000		13,990,000	20,990,000
4	Retail deposits and deposit from small business customers:				
5	Stable deposits	320,771,888	18,589,523	10,908,964	332,756,855
6	Less stable deposits	1,299,287,322	75,296,905	44,186,785	1,276,893,911
7	Wholesale funding:				
8	Operational deposits				
9	Other wholesale funding	361,709,465	20,961,956	12,301,189	207,809,509
10	Other liabilities:				
11	NSFR derivative liabilities				
12	All other liabilities and equity not included in other categories		471,877,351	21,699,781	109,346,717
13	Total ASF				2,161,583,994
Required Stable Funding (RSF)					
14	Total NSFR high-quality liquid assets (HQLA)				11,921,506
15	Deposits held at other financial institutions for operational purposes	11,452,256			5,726,128
16	Performing loans and securities:				
17	Performing loans to financial institutions secured by Level 1 HQLA		179,905,418	65,164,739	324,664,461
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		109,754,237	39,754,813	206,384,445
20	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.		70,151,181	25,409,926	100,875,358
21	Other assets:				
22	Physical traded commodities, including gold		720,791,550	294,061,519	654,457,294
23	Assets posted a				
24	NSFR derivative				
25	NSFR derivative				
26	All other assets not included in the above categories		720,791,550	294,061,519	654,457,294
27	Off-balance sheet items			1,049,742,533	52,487,127
28	Total RSF				1,049,256,515
30	Net Stable Funding Ratio (%)				206%

	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		13,990,000	20,990,000
4	Retail deposits and deposit from small business customers:				
5	Stable deposits	286,869,877	31,330,509	7,355,756	300,635,201
6	Less stable deposits	896,358,418	97,895,831	22,983,918	889,929,264
7	Wholesale funding:				
8	Operational deposits				
9	Other wholesale funding	277,010,897	30,253,757	7,102,957	152,791,117
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	209,791,202
20	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.		201,648,075	12,795,750	81,125,224
21	Other assets:				
22	Physical traded commodities, including gold				
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	52,665,103
28	Total RSF				1,038,717,022
30	Net Stable Funding Ratio (%)				157%