

Habib Metropolitan Bank Limited
Capital Adequacy and Leverage Ratio - Consolidated
As at December 31, 2024

1. CAPITAL ASSESSMENT AND ADEQUACY

Scope of Applications

The State Bank of Pakistan (SBP) through its BPRD Circular No 6 dated August 15, 2013 has issued Basel III Capital instructions for Banks / DFIs. The revision to the previously applicable Capital Adequacy regulations pertain to components of eligible capital and related deductions. The amendments have been introduced with an aim to further strengthen the existing capital related rules. Basel III instructions have become effective from December 31, 2013; however, there is a transitional phase during which the complete requirements would become applicable with full implementation by December 31, 2019. This Capital Adequacy framework is applicable to the Bank.

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 requirement 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.

Capital Management

The objective of managing capital is to safeguard the Bank's ability to continue as a going concern. It is the policy of the Bank to maintain a strong capital base so as to maintain investor, depositor and market confidence and to sustain future development of the business. The Bank aims to maintain an optimum level of capital along with maximizing shareholders' return.

Statutory minimum capital requirement and Capital Adequacy Ratio

The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of accumulated losses) for Banks to be raised to Rs.10 billion by the year ending December 31, 2013. The paid-up capital of the Bank for the year ended December 31, 2024 stood at Rs. 10,478 million (2023: Rs. 10,478 million) and is in compliance with SBP requirements.

Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 11.50% of the risk weighted exposures of the Bank. Further, under Basel III instructions, Banks are also required to maintain a Common Equity Tier 1 (CET 1) ratio and Tier 1 ratio of 6.00% and 7.50%, respectively, as at December 31, 2024. As at December 31, 2024 the Bank was fully compliant with prescribed ratios as the Bank's CAR was 18.88% whereas CET 1 was 15.98% and Tier 1 was 15.99%. The Bank and its individually regulated operations have complied with all capital requirements throughout the year.

Tier 1 capital comprises of Common Equity Tier 1 (CET 1) and Additional Tier 1 (AT 1) capital.

CET 1 capital includes fully paid-up capital, balance in share premium account, general reserves as per the financial statements, net un-appropriated profits meeting the eligibility criteria.

AT 1 capital includes instruments meeting the prescribed SBP criteria e.g. perpetual non-cumulative preference shares.

The deductions from Tier 1 capital include mainly;

- i) Book value of goodwill / intangibles;
- ii) Deficit on revaluation of available for sale investments,;
- iii) Reciprocal cross holdings in equity capital instruments of other banks, financial institutions and insurance companies;
- iv) Investment in mutual funds above a prescribed ceiling;
- v) Threshold deductions applicable from 2014 on deferred tax assets and certain investments;

Tier 2 capital includes general provisions for loan losses, surplus on the revaluation of assets - net of tax and subordinated debts (meeting the revised eligibility criteria).

1.1 Capital Structure

| | Note | 31 December 2024 | 31 December 2023 | Source based on reference number from Note 42.4.2 |
|--|---------|---------------------|---------------------|--|
| ----- (Rupees in '000) ----- | | | | |
| Common Equity Tier 1 capital (CET1): Instruments and reserves | | | | |
| Fully Paid-up Capital/ Capital deposited with SBP | | 10,478,315 | 10,478,315 | (t) |
| Balance in Share Premium Account | | 2,550,985 | 2,550,985 | |
| Reserve for issue of Bonus Shares | | - | - | |
| Discount on Issue of shares | | - | - | |
| General/ Statutory Reserves | | 34,306,536 | 28,870,474 | (v) |
| Deficit on account of Revaluation from Bank's holding fixed assets / AFS Securities | | - | - | |
| Unappropriated/unremitted profits/ (losses) | | 54,342,480 | 47,254,919 | (w) |
| Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group) | | 292,452 | 217,067 | |
| | | - | - | (x) |
| CET 1 before Regulatory Adjustments | | 101,970,768 | 89,371,760 | |
| Total regulatory adjustments applied to CET1 | 1.2.1 | 1,064,124 | 370,297 | |
| Common Equity Tier 1 | | 100,906,644 | 89,001,463 | |
| Additional Tier 1 (AT 1) Capital | | | | |
| Qualifying Additional Tier-1 instruments plus any related share premium | | - | - | |
| of which: Classified as equity | | - | - | (t) |
| of which: Classified as liabilities | | - | - | (m) |
| Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1) | | 51,609 | 38,306 | (y) |
| of which: instrument issued by subsidiaries subject to phase out | | - | - | |
| AT1 before regulatory adjustments | | 51,609 | 38,306 | |
| Total regulatory adjustment applied to AT1 capital | 1.2.2 | - | - | |
| Additional Tier 1 capital after regulatory adjustments | | - | - | |
| Additional Tier 1 capital recognized for capital adequacy | | 51,609 | 38,306 | |
| Tier 1 Capital (CET1 + admissible AT1) (11+20) | | 100,958,253 | 89,039,769 | |
| Tier 2 Capital | | | | |
| Qualifying Tier 2 capital instruments under Basel III plus any related share premium | | - | - | |
| Tier 2 capital instruments subject to phase out arrangement issued under pre-Basel III Rules | | - | - | |
| Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2) | | 86,015 | 63,843 | (z) |
| 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 | | 5,931,382 | 5,360,820 | (g) |
| Revaluation Reserves (net of taxes) | | - | - | |
| of which: Revaluation reserves on fixed assets | | 4,777,844 | 5,044,376 | portion of |
| of which: Unrealized Gains/Losses on AFS | | 7,498,341 | (1,539,720) | (aa) |
| Foreign Exchange Translation Reserves | | - | 11,309 | |
| Undisclosed/Other Reserves (if any) | | - | - | |
| T2 before regulatory adjustments | | 18,293,582 | 8,940,628 | |
| Total regulatory adjustment applied to T2 capital | 1.2.3 | - | - | |
| Tier 2 capital (T2) after regulatory adjustments | | 18,293,582 | 8,940,628 | |
| Tier 2 capital recognized for capital adequacy | | 18,293,582 | 8,940,628 | |
| Portion of Additional Tier 1 capital recognized in Tier 2 capital | | - | - | |
| Total Tier 2 capital admissible for capital adequacy | | 18,293,582 | 8,940,628 | |
| TOTAL CAPITAL (T1 + admissible T2) | (21+37) | 119,251,835 | 97,980,397 | |
| Total Risk Weighted Assets (RWA) | 1.5 | 631,491,512 | 547,026,620 | |
| Capital Ratios and buffers (in percentage of risk weighted assets) | | | | |
| CET1 to total RWA | | 15.98% | 16.27% | |
| Tier-1 capital to total RWA | | 15.99% | 16.28% | |
| Total capital to total RWA | | 18.88% | 17.91% | |
| Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) | | 6.00% | 6.00% | |
| of which: capital conservation buffer requirement | | - | - | |
| of which: countercyclical buffer requirement | | - | - | |
| of which: D-SIB or G-SIB buffer requirement | | - | - | |
| CET1 available to meet buffers (as a percentage of risk weighted assets) | | 9.98% | 10.27% | |
| 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 | | 11.50% | 11.50% | |

| 31 December 2024 | Amounts subject to Pre- Basel III treatment | 31 December 2023 | Source based on reference number from Note 42.4.2 |
|---------------------|--|---------------------|--|
|---------------------|--|---------------------|--|

----- (Rupees in '000) -----

1.2.1 Common Equity Tier 1 capital: Regulatory adjustments

| | | | | |
|--|------------------|----------|----------------|-------------------|
| Goodwill (net of related deferred tax liability) | - | - | - | (j) - (o) |
| All other intangibles (net of any associated deferred tax liability) | 552,076 | - | 368,333 | (h) - (p) |
| Shortfall in provisions against classified assets | - | - | - | (f) |
| Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) | - | - | - | {(i) - (r)} * x% |
| Defined-benefit pension fund net assets | - | - | - | {(l) - (q)} * x% |
| Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities | 512,048 | - | 1,964 | (d) |
| Cash flow hedge reserve | - | - | - | |
| Investment in own shares/ CET1 instruments | - | - | - | |
| Securitization gain on sale | - | - | - | |
| Capital shortfall of regulated subsidiaries | - | - | - | |
| Deficit on account of revaluation from bank's holdings of fixed assets/ AFS | - | - | - | (ab) |
| 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) | - | - | - | (a) - (ac) - (ae) |
| Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | - | - | - | (b) - (ad) - (af) |
| Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | - | - | - | (j) |
| Amount exceeding 15% threshold | - | - | - | |
| of which: significant investments in the common stocks of financial entities | - | - | - | |
| of which: 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 (sum of 1 to 21) | 1,064,124 | - | 370,297 | |

1.2.2 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 | - | - | - | |
| 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) | 51,609 | - | 63,843 | |
| 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 Tier 1 and Tier 2 capital 1 based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital | - | - | - | |
| Adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions | (51,609) | - | (63,843) | |
| Total of Regulatory Adjustment applied to AT1 capital (sum of 23 to 29) | - | - | - | |

1.2.3 Tier 2 Capital: regulatory adjustments

| | | | | |
|--|----------|----------|----------|--|
| Portion of deduction applied 50:50 to Tier 1 and Tier 2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital | - | - | - | |
| Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities | - | - | - | |
| 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 (sum of 31 to 35) | - | - | - | |

| 31 December 2024 | 31 December 2023 |
|---------------------|---------------------|
|---------------------|---------------------|

1.2.4 Additional Information

Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment

| | | |
|--|-----------|-----------|
| Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel 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 | 4,932,410 | 3,297,497 |
| Significant investments in the common stock of financial entities | - | - |
| Deferred tax assets arising from temporary differences (net of related tax liability) | - | 6,035,256 |
| 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) | 5,931,382 | 5,360,820 |
| Cap on inclusion of provisions in Tier 2 under standardized approach | 5,931,382 | 5,360,820 |
| 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 | - | - |

1.3 Capital Structure Reconciliation

1.3.1 Step 1

The accounting consolidation is identical to the scope of regulatory consolidation.

1.3.2 Step 2

| | Balance sheet as in published financial statements | Under regulatory scope of consolidation | Ref. |
|--|--|---|------|
| | 31 December 2024 | | |
| | (Rupees in '000) | | |
| Assets | | | |
| Cash and balances with treasury banks | 86,903,001 | 86,903,001 | |
| Balances with other banks | 6,462,022 | 6,462,022 | |
| Lendings to financial institutions | 5,570,998 | 5,570,998 | |
| Investments | 807,496,585 | 807,496,585 | |
| <i>of which: Non-significant investments in capital instruments of banking, financial and insurance entities exceeding 10% threshold</i> | - | - | a |
| <i>of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold</i> | - | - | b |
| <i>of which: Mutual Funds exceeding regulatory threshold</i> | - | - | c |
| <i>of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)</i> | 512,048 | 512,048 | d |
| <i>of which: others</i> | - | - | e |
| Advances | 502,468,656 | 502,468,656 | |
| <i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i> | - | - | f |
| <i>general provisions reflected in Tier 2 capital</i> | 6,066,242 | 6,066,242 | g |
| Fixed Assets | 26,403,427 | 26,403,427 | |
| <i>of which: Intangibles</i> | 552,076 | 140,407 | h |
| Deferred Tax Assets | - | - | |
| <i>of which: DTAs that rely on future profitability excluding those arising from temporary differences</i> | - | - | i |
| <i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i> | - | - | j |
| Other assets | 90,279,655 | 90,279,655 | |
| <i>of which: Goodwill</i> | - | - | k |
| <i>of which: Defined-benefit pension fund net assets</i> | - | - | l |
| Total assets | 1,525,584,344 | 1,525,584,344 | |
| Liabilities & Equity | | | |
| Bills payable | 28,478,822 | 28,478,822 | |
| Borrowings | 350,224,431 | 350,224,431 | |
| Deposits and other accounts | 925,227,989 | 925,227,989 | |
| Sub-ordinated loans | - | - | m |
| <i>of which: eligible for inclusion in AT1</i> | - | - | n |
| <i>of which: eligible for inclusion in Tier 2</i> | - | - | |
| Liabilities against assets subject to finance lease | 10,519,685 | 10,519,685 | |
| Deferred tax liabilities | 2,722,825 | 2,722,825 | o |
| <i>of which: DTLs related to goodwill</i> | - | - | p |
| <i>of which: DTLs related to intangible assets</i> | - | - | q |
| <i>of which: DTLs related to defined pension fund net assets</i> | 31,287 | 31,287 | r |
| <i>of which: other deferred tax liabilities</i> | - | - | |
| Other liabilities | 87,517,942 | 87,517,942 | |
| Total liabilities | 1,404,691,694 | 1,404,691,694 | |
| Share capital | 13,029,300 | 13,029,300 | s |
| <i>of which: amount eligible for CET1</i> | 13,029,300 | 13,029,300 | t |
| <i>of which: amount eligible for AT1</i> | - | - | |
| Reserves | 34,306,536 | 34,306,536 | u |
| <i>of which: portion eligible for inclusion in CET1 (statutory reserve, special reserve & revenue reserve)</i> | 34,306,536 | 34,306,536 | v |
| <i>of which: portion eligible for inclusion in Tier 2</i> | - | - | |
| Unappropriated profit/ (losses) | 54,342,480 | 54,342,480 | w |
| Minority Interest | 4,843,038 | 4,843,038 | x |
| <i>of which: portion eligible for inclusion in CET1</i> | 292,452 | 292,452 | y |
| <i>of which: portion eligible for inclusion in AT1</i> | - | - | z |
| <i>of which: portion eligible for inclusion in Tier 2</i> | - | - | |
| Surplus on revaluation of assets | 14,371,296 | 14,371,296 | aa |
| <i>of which: Revaluation reserves on Fixed Assets</i> | 4,777,844 | 5,400,607 | |
| <i>of which: Unrealized Gains/Losses on AFS-Recognised</i> | 7,533,211 | 7,533,211 | aaa |
| <i>of which: Unrealized Gains/Losses others</i> | 2,095,111 | 2,095,111 | |
| <i>In case of Deficit on revaluation (deduction from CET1)</i> | - | - | |
| Total Equity | 120,892,650 | 120,892,650 | |
| Total liabilities and Equity | 1,525,584,344 | 1,525,584,344 | |

Habib Metropolitan Bank Limited
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1.4 Main features template of regulatory capital instruments

| | | |
|----|---|------------------------------|
| 1 | Issuer | Habib Metropolitan Bank Ltd. |
| 2 | Unique identifier (eg KSE Symbol or Bloomberg identifier etc.) | HMB |
| 3 | Governing law(s) of the instrument | Capital Market Law |
| | 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 | Group & standalone |
| 7 | Instrument type | Common Shares |
| 8 | Amount recognized in regulatory capital (Currency in PKR thousand, as of reporting date) | 119,251,835 |
| 9 | Par value of instrument | PKR 10 |
| 10 | Accounting classification | Shareholder equity |
| 11 | Original date of issuance | 1992 |
| 12 | Perpetual or dated | Perpetual |
| 13 | Original maturity date | No maturity |
| 14 | Issuer call subject to prior supervisory approval | Not Applicable |
| 15 | Optional call date, contingent call dates and redemption amount | Not Applicable |
| 16 | Subsequent call dates, if applicable | Not Applicable |
| | Coupons / dividends | Not Applicable |
| 17 | Fixed or floating dividend/ coupon | Not Applicable |
| 18 | coupon rate and any related index/ benchmark | Not Applicable |
| 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 | Not Applicable |
| 23 | Convertible or non-convertible | Non-convertible |
| 24 | If convertible, conversion trigger (s) | Not Applicable |
| 25 | If convertible, fully or partially | Not Applicable |
| 26 | If convertible, conversion rate | Not Applicable |
| 27 | If convertible, mandatory or optional conversion | Not Applicable |
| 28 | If convertible, specify instrument type convertible into | Not Applicable |
| 29 | If convertible, specify issuer of instrument it converts into | Not Applicable |
| 30 | Write-down feature | Not Applicable |
| 31 | If write-down, write-down trigger(s) | Not Applicable |
| 32 | If write-down, full or partial | Not Applicable |
| 33 | If write-down, permanent or temporary | Not Applicable |
| 34 | If temporary write-down, description of write-up mechanism | Not Applicable |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Not Applicable |
| 36 | Non-compliant transitioned features | Not Applicable |
| 37 | If yes, specify non-compliant features | Not Applicable |

1.5 Risk Weighted Assets

The risk weighted assets to capital ratio, calculated in accordance with the SBP's guidelines on capital adequacy is as follows:

| Credit risk | Capital Requirements | | Risk Weighted Assets | |
|--|------------------------------|-------------------|-------------------------|--------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Portfolios subject to standardised approach (<u>Simple</u>) | ----- (Rupees in '000) ----- | | | |
| On-Balance Sheet | | | | |
| Cash and cash equivalents | - | - | - | - |
| Government of Pakistan and SBP | 604,661 | 1,048,699 | 6,046,610 | 10,486,985 |
| Public Sector Entities | 93,853 | 357,155 | 938,526 | 3,571,554 |
| Banks | 1,080,662 | 1,469,579 | 10,806,622 | 14,695,787 |
| Corporate | 26,296,758 | 23,727,764 | 262,967,583 | 237,277,643 |
| Retail | 1,704,165 | 1,448,931 | 17,041,654 | 14,489,306 |
| Residential mortgage finance | 500,918 | 450,299 | 5,009,183 | 4,502,990 |
| Past due loans | 70,640 | 71,632 | 706,398 | 716,318 |
| Operating fixed assets | 2,585,135 | 2,340,717 | 25,851,351 | 23,407,173 |
| Other assets | 630,038 | 1,851,368 | 6,300,380 | 18,513,677 |
| | 33,566,830 | 32,766,144 | 335,668,307 | 327,661,433 |
| Off-Balance Sheet | | | | |
| Non market related | 12,192,654 | 9,042,727 | 121,926,540 | 90,427,271 |
| Market related | 309,347 | 174,042 | 3,093,471 | 1,740,416 |
| | 12,502,001 | 9,216,769 | 125,020,011 | 92,167,687 |
| Equity Exposure Risk in the Banking Book | | | | |
| Under simple risk weight method e.g. Listed, Unlisted | 1,382,223 | 903,644 | 13,822,229 | 9,036,441 |
| Under Internal models approach | - | - | - | - |
| | 1,382,223 | 903,644 | 13,822,229 | 9,036,441 |
| Total Credit Risk | 47,451,054 | 42,886,557 | 474,510,547 | 428,865,561 |
| Market risk | | | | |
| Capital requirement for portfolios subject to <u>Standardised Approach</u> | | | | |
| Interest rate risk | 408,160 | 81,121 | 5,102,001 | 1,014,013 |
| Equity position risk | 55,480 | 2,262 | 693,501 | 28,275 |
| Foreign exchange risk | 269,042 | 109,311 | 3,363,025 | 1,366,383 |
| Total market risk | 732,682 | 192,694 | 9,158,527 | 2,408,671 |
| Operational risk | | | | |
| Capital requirement for operational risks subject to <u>Basic Indicator Approach</u> | | | | |
| | 11,825,795 | 9,260,191 | 147,822,438 | 115,752,388 |
| Total Risk Weighted Assets | 60,009,531 | 52,339,442 | 631,491,512 | 547,026,620 |
| Capital adequacy ratio | | | | |
| | 31 December 2024 | | 31 December 2023 | |
| | Required | Actual | Required | Actual |
| CET1 to total RWA | 6.00% | 15.98% | 6.00% | 16.27% |
| Tier-1 capital to total RWA | 7.50% | 15.99% | 7.50% | 16.28% |
| Total capital to total RWA | 11.50% | 18.88% | 11.50% | 17.91% |

0.1 Credit risk - General disclosures

The Bank uses the 'Standardised Approach' in calculation of credit risk and capital requirements.

The Bank uses reputable and SBP approved rating agencies for deriving risk weight to specific credit exposures. These are applied consistently across the Bank credit portfolio for both on - balance sheet and off - balance sheet exposures. The methodology applied for using External Credit Assessment Institutions (ECAI's) inclusive of the alignment of alpha numerical scale of each agency used with risk bucket is as per SBP guidelines as is given below:

Types of Exposures and ECAI's used

| Exposures | 2024 | | | | |
|----------------|-----------|-------|-------|-------|---------|
| | JCR - VIS | PACRA | S & P | Fitch | Moody's |
| Corporate | √ | √ | - | - | - |
| Banks | √ | √ | √ | √ | √ |
| Sovereigns | - | - | - | - | - |
| SME's | √ | √ | - | - | - |
| Securitisation | - | - | - | - | - |
| Others | - | - | - | - | - |

0.2 Credit exposures subject to Standardized Approach

| Exposures | Rating Category | 2024 | | | 2023 | | |
|--|-----------------|--------------------|---------------|-------------|--------------------|---------------|-------------|
| | | Amount Outstanding | Deduction CRM | Net Amount | Amount Outstanding | Deduction CRM | Net Amount |
| ----- (Rupees in '000) ----- | | | | | | | |
| Corporate | 1 | 201,089,585 | 68,569,368 | 132,520,217 | 113,473,456 | 17,132,295 | 96,341,161 |
| | 2 | 142,905,465 | 3,893,584 | 139,011,881 | 124,108,694 | 3,290,673 | 120,818,021 |
| | 3,4 | 20,005,906 | - | 20,005,906 | 19,774,413 | - | 19,774,413 |
| | 5,6 | 110 | - | 110 | - | - | - |
| Claims on banks with original maturity of 3 months or less | | 5,671,094 | - | 5,671,094 | 50,965,641 | 35,103,923 | 15,861,718 |
| Retail | | 35,092,591 | 5,895,875 | 29,196,716 | 27,533,865 | 5,447,818 | 22,086,047 |
| Public sector entities | 1 | 21,053,910 | 12,649,658 | 8,404,252 | 17,894,289 | 99,902 | 17,794,387 |
| | 2,3 | - | - | - | 1,780,414 | 70,979 | 1,709,435 |
| Others | | 938,171,033 | 6,963,750 | 931,207,283 | 909,392,337 | 46,347,547 | 863,044,790 |
| Unrated | | 286,178,289 | 51,545,290 | 234,632,999 | 261,628,508 | 42,884,576 | 218,743,932 |

The forms of collateral that are deemed eligible under the 'Simple Approach' to credit risk mitigation as per SBP guidelines are used by the Bank and primarily includes cash, government and rated debt securities.

The Bank applies SBP specified haircut to collateral for credit risk mitigation. Collateral management is embedded in the Bank's risk taking and risk management policy and procedures. A standard credit granting procedure exists which has been well-disseminated down the line, ensuring proper pre-sanction evaluation, adequacy of security, pre-examination of charge / control documents and monitoring of each exposure on an ongoing basis.

Collateral information is recorded diligently in the Bank's main processing systems by type of collateral, amount of collateral against relevant credit exposures. A cohesive accounting / risk management system facilitates effective collateral management for Basel II reporting.

Habib Metropolitan Bank Limited
Capital Adequacy and Leverage Ratio - Consolidated
As at December 31,2024

2 Leverage Ratio

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. As at 31 December 2023 the Bank's Leverage ratio stood at 4.79% (2022: 4.14%) which is well above the minimum requirement of 3.0%.

| | <i>Note</i> | December 31, 2024 | December 31, 2023 |
|-----------------------------|-------------|------------------------------|----------------------|
| | | (Rupees in '000) | |
| Tier-1 Capital (B) | <i>1.1</i> | <u>100,958,253</u> | <u>89,039,769</u> |
| Total exposures (B) | | <u>1,974,617,349</u> | <u>1,860,804,377</u> |
| Leverage Ratio (B/A) | | <u>5.11%</u> | <u>4.79%</u> |