Habib Metropolitan Bank Limited
Capital Adequacy Leverage Ratio and Liquidity Disclosures - Unconsolidated
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 Banks's CAR was 19.29% whereas CET 1 and Tier 1 ratios both stood at 16.39%. 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	(s)
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		**32,801,829**	27,855,767	(u)
Deficit on account of Revaluation from Bank's holding fixed assets / AFS Securities		**-**	-	
Unappropriated/unremitted profits/ (losses)		**54,867,002**	47,560,186	(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)		**-**	-	(x)
CET 1 before Regulatory Adjustments		**100,698,131**	88,445,253	
Total regulatory adjustments applied to CET1	*1.2.1*	**1,008,262**	325,218	
Common Equity Tier 1		**99,689,869**	88,120,035	
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)		**-**	-	(y)
of which: instrument issued by subsidiaries subject to phase out		**-**	-	
AT1 before regulatory adjustments		**-**	-	
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		**-**	-	
Tier 1 Capital (CET1 + admissible AT1) (11+20)		**99,689,869**	88,120,035	
Tier 2 Capital				
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		**-**	-	(n)
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)				(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		**5,380,728**	5,181,187	(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		**7,460,729**	(1,550,763)	(aa)
Foreign Exchange Translation Reserves		-	11,309	(v)
Undisclosed/Other Reserves (if any)		-	-	
T2 before regulatory adjustments		**17,619,301**	8,686,109	
Total regulatory adjustment applied to T2 capital	*1.2.3*	**-**	-	
Tier 2 capital (T2) after regulatory adjustments		**17,619,301**	8,686,109	
Tier 2 capital recognized for capital adequacy		**17,619,301**	8,686,109	
Portion of Additional Tier 1 capital recognized in Tier 2 capital		**-**	-	
Total Tier 2 capital admissible for capital adequacy		**17,619,301**	8,686,109	
TOTAL CAPITAL (T1 + admissible T2)	(21+37)	**117,309,170**	96,806,144	
Total Risk Weighted Assets (RWA)	*1.5*	**608,279,539**	530,033,138	
Capital Ratios and buffers (in percentage of risk weighted assets)				
CET1 to total RWA		**16.39%**	16.63%	
Tier-1 capital to total RWA		**16.39%**	16.63%	
Total capital to total RWA		**19.29%**	18.26%	
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)		**10.39%**	10.63%	
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%	

		31st December 2024	Amounts subject to Pre- Basel III treatment	31st 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)	**496,214**	-	323,254	(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)	**1,008,262**	-	325,218	
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)	-		-	(ac)
	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		-	(ad)
	Portion of deduction applied 50:50 to Tier 1 and Tier 2 capital l 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	-		-	
	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)	-		-	(ae)
	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		-	(af)
	Amount of Regulatory Adjustment applied to T2 capital (sum of 31 to 35)	-		-	

		31st December 2024	31st 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	**4,705,833**	3,847,497
	Significant investments in the common stock of financial entities	-	-
	Deferred tax assets arising from temporary differences (net of related tax liability)	-	5,654,927
	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)	**5,380,728**	5,181,187
	Cap on inclusion of provisions in Tier 2 under standardized approach	**5,693,184**	5,181,187
	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	
	31 December 2024		
	(Rupees in '000)		Ref.
Assets			
Cash and balances with treasury banks	86,815,817	86,815,817	
Balances with other banks	6,434,551	6,434,551	
Lendings to financial institutions	5,570,998	5,570,998	
Investments	810,875,400	810,875,400	
of which: Non-significant investments in capital instruments of banking, financial and insurance entities exceeding 10% threshold	-	-	a
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	512,048	512,048	d
of which: others	-	-	e
Advances	474,300,584	474,300,584	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	5,380,728	5,380,728	g
Fixed Assets	26,150,723	26,150,723	
of which: Intangibles	496,214	323,254	h
Deferred Tax Assets	-	-	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	-	-	i
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	j
Other assets	89,985,707	89,985,707	
of which: Goodwill	-	-	k
of which: Defined-benefit pension fund net assets	-	-	l
Total assets	**1,500,133,780**	**1,500,133,780**	
Liabilities & Equity			
Bills payable	28,478,822	28,478,822	
Borrowings	330,010,768	330,010,768	
Deposits and other accounts	927,132,777	927,132,777	
Sub-ordinated loans	-	-	m
of which: eligible for inclusion in AT1	-	-	n
of which: eligible for inclusion in Tier 2	-	-	
Liabilities against assets subject to finance lease	10,463,713	10,463,713	
Deferred tax liabilities	3,077,177	3,077,177	o
of which: DTLs related to goodwill	-	-	p
of which: DTLs related to intangible assets	-	-	q
of which: DTLs related to defined pension fund net assets	31,024	-	r
of which: other deferred tax liabilities	3,046,153	-	
Other liabilities	85,938,708	85,938,708	
Total liabilities	**1,385,101,965**	**1,385,101,965**	
Share capital	13,029,300	13,029,300	s
of which: amount eligible for CET1	13,029,300	13,029,300	t
of which: amount eligible for AT1	-	-	
Reserves	32,801,829	32,801,829	u
of which: portion eligible for inclusion in CET1 (statutory reserve, special reserve & revenue reserve)	32,801,829	32,801,829	v
of which: portion eligible for inclusion in Tier 2	-	-	
Unappropriated profit/ (losses)	54,867,002	54,867,002	w
Minority Interest	-	-	x
of which: portion eligible for inclusion in CET1	-	-	y
of which: portion eligible for inclusion in AT1	-	-	z
of which: portion eligible for inclusion in Tier 2	-	-	
Surplus on revaluation of assets	14,333,684	14,333,684	aa
of which: Revaluation reserves on Fixed Assets	4,777,844	4,777,844	
of which: Unrealized Gains/Losses on AFS-Recognised	7,460,729	7,460,729	aaa
of which: Unrealized Gains/Losses others	2,095,111	2,095,111	
In case of Deficit on revaluation (deduction from CET1)	-	-	
Total Equity	**115,031,815**	**115,031,815**	
Total liabilities and Equity	**1,500,133,780**	**1,500,133,780**	

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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)	117,309,170
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**	
Portfolios subject to standardised	**2024**	2022	**2024**	2022
approach (Simple)	**(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	**1,080,050**	1,466,656	**10,800,495**	14,666,555
Corporate	**24,903,429**	22,857,859	**249,034,294**	228,578,594
Retail	**924,631**	826,023	**9,246,308**	8,260,226
Residential mortgage finance	**500,918**	450,299	**5,009,183**	4,502,990
Past due loans	**70,309**	57,980	**703,087**	579,804
Operating fixed assets	**2,565,451**	2,331,649	**25,654,509**	23,316,486
Other assets	**1,053,349**	2,019,581	**10,533,485**	20,195,806
	31,796,651	31,415,901	**317,966,497**	314,159,000
Off-Balance Sheet				
Non market related	**12,079,910**	8,971,292	**120,799,103**	89,712,924
Market related	**309,347**	174,042	**3,093,471**	1,740,416
	12,389,257	9,145,334	**123,892,574**	91,453,340
Equity Exposure Risk in the Banking Book				
Under simple risk weight method e.g. Listed, Unlisted	**1,359,565**	888,261	**13,595,652**	**8,882,606**
Under Internal models approach	**-**	-	**-**	-
	1,359,565	888,261	**13,595,652**	8,882,606
Total Credit Risk	**45,545,473**	41,449,496	**455,454,723**	414,494,946
Market risk				
Capital requirement for portfolios subject to Standardised Approach				
Interest rate risk	**408,160**	67,682	**5,102,000**	846,025
Equity position risk	**-**	1,321	**-**	16,513
Foreign exchange risk	**263,492**	109,310	**3,293,647**	1,366,380
Total market risk	**671,652**	178,313	**8,395,647**	2,228,918
Operational risk				
Capital requirement for operational risks subject to Basic Indicator Approach	**11,554,334**	9,064,742	**144,429,169**	113,309,274
Total Risk Weighted Assets	**57,771,459**	50,692,551	**608,279,539**	530,033,138

Capital adequacy ratio	**31 December 2024**		31 December 2023	
	Required	**Actual**	Required	Actual
CET1 to total RWA	**6.00%**	**16.39%**	6.00%	16.63%
Tier-1 capital to total RWA	**7.50%**	**16.39%**	7.50%	16.63%
Total capital to total RWA	**11.50%**	**19.29%**	11.50%	18.26%

1.6 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

	2023				
Exposures	**JCR - VIS**	**PACRA**	**S & P**	**Fitch**	**Moody's**
Corporate	√	√	-	-	-
Banks	√	√	√	√	√
Sovereigns	-	-	-	-	-
SME's	√	√	-	-	-
Securitisation	-	-	-	-	-
Others	-	-	-	-	-

1.7 Credit exposures subject to Standardized Approach

		2024			2023		
Exposures	**Rating Category**	**Amount Outstanding**	**Deduction CRM**	**Net Amount**	Amount Outstanding	Deduction CRM	Net Amount
		(Rupees in '000)					
Corporate	1	**202,144,398**	**68,569,368**	**133,575,030**	113,050,499	15,630,380	97,420,119
	2	**136,934,620**	**3,893,584**	**133,041,036**	138,210,055	2,217,085	135,992,970
	3,4	**20,005,906**	**-**	**20,005,906**	17,170,109	-	17,170,109
	5,6	**110**	**-**	**110**	-	-	-
Claims on banks with original maturity of 3 months or less		**5,671,094**	**-**	**5,671,094**	11,643,124	-	11,643,124
				-			-
Retail		**23,960,764**	**5,895,875**	**18,064,889**	18,969,701	4,600,092	14,369,609
Public sector entities	1	**21,053,910**	**12,649,658**	**8,404,252**	14,008,553	2,281,640	11,726,913
	2,3	-	-	-	2,571,346	31,976	2,539,370
Others		**938,236,048**	**6,963,750**	**931,272,298**	1,151,683,418	34,000,000	1,117,683,418
Unrated		**274,872,634**	**51,545,290**	**223,327,344**	225,155,520	47,092,171	178,063,349

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.

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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 2024 the Bank's Leverage ratio stood at 5.09% (2023: 4.78%) which is well above the minimum requirement of 3.0%.

	Note	**December 31, 2024**	December 31, 2023
		(Rupees in '000)	
Eligible Tier-1 Capital (A)	*1.1*	**99,689,869**	88,120,035
Total exposures (B)		**1,943,057,316**	1,843,597,631
Leverage Ratio (B/A)		**5.13%**	4.78%

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3 Liquidity disclosures

The SBP has introdued two liquidity standards throught its guidelines on Basel III: Liquidity Standards. These are the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The objective of the LCR is to ensure that banks have an adequate stock of unencumbered high quality liquid assets (HQLA) to survive a significant stress scenario. The objective of the NSFR is to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding on an ongoing basis.

LCR and NSFR results

The Bank calculates the Liquidity Coverage Ratio (LCR) on monthly basis as per SBP Basel Ill Liquidity Standards issued under BPRD circular no 08 dated 23 June 2016. The objective of LCR is to ensure the short-term resilience of the liquidity risk profile of the Bank and requires banks to maintain sufficient High Quality Liquid Assets (HQLAs) to meet stressed cash outflows over a prospective 30 calendar-days period. As of 31 December 2024, the Bank's LCR stood at 186 % against the SBP's minimum requirement of 100%.

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. Banks are expected to meet the NSFR requirement of at least 100% on an ongoing basis from 31 December 2017. As of 31 December 2024, the Bank's NSFR stood at 177%.

Main drivers of LCR results
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 SBP.

Composition of High Quality Liquid Assets (HQLA)
High Quality Liquid Assets composed of Level- l assets which can be included in the stock of liquid assets at 100% of their market value. The Bank has taken cash & treasury balances, investments in government securities classified as ‘Available for Sale’. Further, Level 2-B asset category includes investment in qualifying corporate bonds and equity investments classified as available for sales.

Currency mismatch in the LCR
Currency mismatch is minimal as PKR deposits are 86% of Bank's total deposits.