Habib Metropolitan Bank Limited
Capital Adequacy and Leverage Ratio Disclosures - Consolidated
As at 31 December 2018

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 Group.

The Group'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 Group'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 Group's exposures based on eligible collateral.

Capital Management

The objective of managing capital is to safeguard the Group's ability to continue as a going concern. It is the policy of the Group to maintain a strong capital base so as to maintain investor, depositor and market confidence and to sustain future development of the business. The Group 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 holding company for the year ended December 31, 2018 stood at Rs. 10,478 million (2017: Rs. 10,478 million) and is in compliance with SBP requirements.

Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 11.90% 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, 2018. As at December 31, 2018 the Group was fully compliant with prescribed ratios as the Group's CAR was 13.09% whereas CET 1 and Tier 1 ratios both stood at 12.75%. The Group 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.

Habib Metropolitan Bank Limited
Capital Adequacy and Leverage Ratio Disclosures - Consolidated
As at 31 December 2018

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; and
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, foreign exchange translation reserves and subordinated debts (meeting the revised eligibility criteria).

1.1 Capital Structure

	Note	**31 December 2018**	31 December 2017	**Source based on reference number from note 1.3.2**
		-------- (Rupees in '000) --------		
Common Equity Tier 1 capital (CET 1): 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	(t)
Reserve for issue of bonus shares		**-**	-	
Discount on issue of shares		**-**	-	
General / Statutory reserves		**13,820,443**	12,573,046	(u)
Gain / (Loss) on derivatives held as cash flow hedge		**-**	-	
Unappropriated/unremitted profits / (losses)		**15,950,329**	14,159,430	(w)
Minority interests arising from CET 1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET 1 capital of the consolidation group)		**645,987**	978,206	(x)
CET 1 before regulatory adjustments		**43,446,059**	40,739,982	
Total regulatory adjustments applied to CET 1	*1.2.1*	**8,538,358**	485,152	
CET 1 after regulatory adjustments		**34,907,701**	40,254,830	
Additional Tier 1 (AT 1) Capital				
Qualifying AT 1 instruments plus any related share premium		**-**	-	
of which: classified as equity		**-**	-	
of which: classified as liabilities		**-**	-	
AT 1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)		**-**	-	
of which: instrument issued by subsidiaries subject to phase out		**-**	-	
AT 1 before regulatory adjustments		**-**	-	
Total regulatory adjustment applied to AT 1 capital	*1.2.2*	**-**	-	
AT 1 capital after regulatory adjustments		**-**	-	
Additional Tier 1 capital recognized for capital adequacy		**-**	-	
Tier 1 (T 1) Capital (CET1 + admissible AT1)		**34,907,701**	40,254,830	

Habib Metropolitan Bank Limited
Capital Adequacy and Leverage Ratio Disclosures - Consolidated
As at 31 December 2018

	Note	31 December 2018	31 December 2017	Source based on reference number from note 1.3.2
		-------- (Rupees in '000) --------		
Tier 2 (T2) Capital				
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		**-**	-	
T2 capital instruments subject to phase out arrangement issued under pre-Basel III Rules		**-**	-	
T2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group T 2)		**-**	-	
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		**1,236,190**	257,841	
Revaluation reserves (net of taxes)				
of which: revaluation reserves on fixed assets		**-**	-	
of which: unrealized gains / (losses) on AFS		**-**	668,292	(aaa)
Foreign exchange translation reserves		**-**	-	
Undisclosed / other Reserves (if any)		**-**	-	
T2 before regulatory adjustments		**1,236,190**	926,133	
Total regulatory adjustment applied to T2 capital	*1.2.3*	**320,868**	-	
T2 after regulatory adjustments		**915,322**	926,133	
T2 capital recognized for capital adequacy		**915,322**	926,133	
Portion of AT 1 capital recognized in T2 capital		**-**	-	
Total Tier 2 capital admissible for capital adequacy		**915,322**	926,133	
TOTAL CAPITAL (T1 + admissible T2)		**35,823,023**	41,180,963	
Total Risk Weighted Assets (RWA)		**273,721,847**	237,181,666	
Capital ratios and buffers (in percentage of risk weighted assets)				
CET 1 to total RWA		**12.75%**	16.97%	
Tier-1 capital to total RWA		**12.75%**	16.97%	
Total capital to total RWA		**13.09%**	17.36%	
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)		**6.75%**	10.97%	
National minimum capital requirements prescribed by SBP				
CET 1 minimum ratio		**6.00%**	6.00%	
Tier 1 minimum ratio		**7.50%**	7.50%	
Total capital minimum ratio		**11.90%**	11.275%	

Habib Metropolitan Bank Limited
Capital Adequacy and Leverage Ratio Disclosures - Consolidated
As at 31 December 2018

1.2 Regulatory adjustments & additional information

1.2.1 Common Equity Tier 1 capital: Regulatory adjustments

	31 December 2018	**Amounts subject to Pre- Basel III treatment**	31 December 2017	**Source based on reference number from note 1.3.2**
	(Rupees in '000)			
Goodwill (net of related deferred tax liability)	-	-	-	
All other intangibles (net of any associated deferred tax liability)	**163,645**	-	265,952	(h) - (p)
Shortfall in 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 of banking, financial and insurance entities	**187,396**	-	219,200	(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	**5,714,027**	**-**	-	(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)	**39,556**	-	-	portion of (a)
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)	-	-	-	
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	**2,183,957**	-	-	(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	**249,777**	-	-	
Total regulatory adjustments applied to CET1	**8,538,358**	-	485,152	

Habib Metropolitan Bank Limited
Capital Adequacy and Leverage Ratio Disclosures - Consolidated
As at 31 December 2018

	31 December 2018	Amounts subject to Pre- Basel III treatment	31 December 2017	Source based on reference number from note 1.3.2
	-------------- (Rupees in '000)		--------------	
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 AT 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)	**249,777**	-	-	portion of (a)
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 T1 and T 2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from AT 1 capital	-	-	-	
Adjustments applied to AT 1 due to insufficient Tier 2 to cover deductions	-	-	-	
Regulatory adjustment applied to CET1 due to insufficient AT1	**(249,777)**	-	-	
Total of Regulatory Adjustment applied to AT1 capital	-	-	-	
1.2.3 Tier 2 Capital: regulatory adjustments				
Portion of deduction applied 50:50 to T1 and T 2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from T 2 capital	-	-	-	
Reciprocal cross holdings in T 2instruments of banking, financial and insurance entities	-	-	-	
Investment in own T 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)	**320,868**	-	-	portion of (a)
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	**320,868**	-	-	

Habib Metropolitan Bank Limited
Capital Adequacy and Leverage Ratio Disclosures - Consolidated
As at 31 December 2018

	31 December 2018	31 December 2017
1.2.4 Additional Information	**------ (Rupees in '000) ------**	
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	**4,348,299**	3,105,522
Significant investments in the common stock of financial entities	**-**	-
Deferred tax assets arising from temporary differences (net of related tax liability)	**5,918,100**	2,933,598
Applicable caps on the inclusion of provisions in T 2		
Provisions eligible for inclusion in T 2 in respect of exposures subject to standardized approach (prior to application of cap)	**1,236,190**	257,841
Cap on inclusion of provisions in T 2 under standardized approach	**2,942,729**	2,495,337
Provisions eligible for inclusion in T 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	**-**	-
Cap for inclusion of provisions in T 2 under internal ratings-based approach	**-**	-

Habib Metropolitan Bank Limited
Capital Adequacy and Leverage Ratio Disclosures - Consolidated
As at 31 December 2018

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 2018		
	-------- (Rupees in '000) --------		Ref.
Assets			
Cash and balances with treasury banks	48,177,307	48,177,307	
Balances with other banks	1,916,548	1,916,548	
Lendings to financial institutions	11,984,795	11,984,795	
Investments	341,284,168	341,284,168	
of which: non-significant investments in capital instruments of banking, financial and insurance entities exceeding 10% threshold	610,201	610,201	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)	187,396	187,396	d
of which: others	-	-	e
Advances	236,112,844	236,112,844	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in T 2 capital	1,236,190	1,236,190	g
Fixed Assets	4,111,507	4,111,507	
of which: intangibles	163,645	121,442	h
Deferred tax assets	5,821,468	5,821,468	
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	2,183,957	2,183,957	j
Other assets	29,430,741	29,430,741	
of which: Goodwill	-	-	k
of which: defined-benefit pension fund net assets	-	-	l
Total assets	**678,839,378**	**678,839,378**	

Habib Metropolitan Bank Limited
Capital Adequacy and Leverage Ratio Disclosures - Consolidated
As at 31 December 2018

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	
	31 December 2018		
	-------- (Rupees in '000) --------		Ref.
Liabilities & Equity			
Bills payable	12,173,407	12,173,407	
Borrowings	53,008,774	53,008,774	
Deposits and other accounts	542,839,457	542,839,457	
Sub-ordinated loans	-	-	m
of which: eligible for inclusion in AT1	-	-	n
of which: eligible for inclusion in T2	-	-	
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	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	-	-	r
of which: other deferred tax liabilities	-	-	
Other liabilities	30,365,390	30,365,390	
Total liabilities	**638,387,028**	**638,387,028**	
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	13,820,443	13,820,443	u
of which: portion eligible for inclusion in CET1 (statutory reserve, special reserve & revenue reserve)	13,820,443	13,820,443	v
of which: portion eligible for inclusion in T2	-	-	
Unappropriated profit/ (losses)	15,950,329	15,950,329	w
Minority Interest	3,214,407	3,214,407	
of which: portion eligible for inclusion in CET 1	645,987	645,987	x
of which: portion eligible for inclusion in AT1	-	-	y
of which: portion eligible for inclusion in T2	-	-	z
Surplus on revaluation of assets	(5,562,129)	(5,562,129)	aa
of which: Revaluation reserves on Fixed Assets			
of which: Unrealized Gains/Losses on AFS-Recognised	-	-	aaa
of which: Unrealized Gains/Losses on AFS-Unrecognised	(5,562,129)	(5,562,129)	
In case of Deficit on revaluation (deduction from CET 1)	(5,562,129)	(5,562,129)	(ab)
Total Equity	**40,452,350**	**40,452,350**	
Total liabilities and Equity	**678,839,378**	**678,839,378**	

Habib Metropolitan Bank Limited
Capital Adequacy and Leverage Ratio Disclosures - Consolidated
As at 31 December 2018

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)	35,823,023
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 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

Habib Metropolitan Bank Limited
Capital Adequacy and Leverage Ratio Disclosures - Consolidated
As at 31 December 2018

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 approach (Simple)	**2018**	2017	**2018**	2017
	---------------------------- (Rupees in '000) ----------------------------			
On-Balance Sheet				
Cash and cash equivalents	**-**	-	**-**	**-**
Government of Pakistan and SBP	**-**	-	**-**	**-**
Public Sector Entities	**198,117**	236,674	**1,981,170**	**2,366,735**
Banks	**948,174**	926,261	**9,481,743**	**9,262,608**
Corporate	**14,571,537**	11,845,905	**145,715,373**	**118,459,046**
Retail	**1,094,264**	984,916	**10,942,637**	**9,849,161**
Residential mortgage finance	**85,902**	84,491	**859,020**	**844,909**
Past due loans	**242,763**	262,889	**2,427,634**	**2,628,886**
Operating fixed assets	**394,786**	315,246	**3,947,862**	**3,152,455**
Other assets	**1,089,597**	925,430	**10,895,971**	**9,254,302**
	18,625,140	15,581,812	**186,251,410**	155,818,102
Off-Balance Sheet				
Non market related	**4,416,826**	3,893,540	**44,168,257**	**38,935,401**
Market related	**104,542**	131,504	**1,045,419**	**1,315,040**
	4,521,368	4,025,044	**45,213,676**	40,250,441
Equity Exposure Risk in the Banking Book				
Under simple risk weight method e.g. Listed, Unlisted	**395,323**	355,841	**3,953,233**	**3,558,413**
Under Internal models approach	**-**	-	**-**	-
	395,323	355,841	**3,953,233**	3,558,413
Total Credit Risk	**23,541,831**	19,962,697	**235,418,319**	199,626,956
Market risk				
Capital requirement for portfolios subject to Standardised Approach				
Interest rate risk	**-**	2,006	**-**	**25,075**
Equity position risk	**72,121**	220,193	**901,513**	**2,752,413**
Foreign exchange risk	**53,586**	35,330	**669,829**	**441,619**
Total market risk	**125,707**	257,529	**1,571,342**	3,219,107
Operational risk				
Capital requirement for operational risks subject to Basic Indicator Approach	**2,938,575**	2,746,848	**36,732,186**	**34,335,603**
Total Risk Weighted Assets	**26,606,113**	22,967,074	**273,721,847**	237,181,666

Capital adequacy ratio	**31 December 2018**		31 December 2017	
	Required	**Actual**	Required	Actual
CET1 to total RWA	**6.00%**	**12.75%**	6.00%	16.97%
Tier-1 capital to total RWA	**7.50%**	**12.75%**	7.50%	16.97%
Total capital to total RWA	**11.90%**	**13.09%**	11.275%	17.36%

Habib Metropolitan Bank Limited
Capital Adequacy and Leverage Ratio Disclosures - Consolidated
As at 31 December 2018

1.6 Credit risk - General disclosures

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

The Group uses reputable and SBP approved rating agencies for deriving risk weight to specific credit exposures. These are applied consistently across the Group 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

	2018				
Exposures	**JCR - VIS**	**PACRA**	**S & P**	**Fitch**	**Moody's**
Corporate	√	√	-	-	-
Banks	√	√	√	√	√
Sovereigns	-	-	-	-	-
SME's	√	√	-	-	-
Securitisation	-	-	-	-	-
Others	-	-	-	-	-

1.7 Credit exposures subject to Standardized Approach

		2018			2017		
Exposures	**Rating Category**	**Amount Outstanding**	**Deduction CRM**	**Net Amount**	Amount Outstanding	Deduction CRM	Net Amount
		----------------------	----------------------	(Rupees in '000)	----------------------	----------------------	
Corporate	1	**24,117,478**	**455,860**	**23,661,618**	14,103,057	1,054,176	13,048,881
	2	**44,166,852**	**1,781,841**	**42,385,011**	11,404,154	135,481	11,268,673
	3,4	**7,009,370**	**-**	**7,009,370**	1,484,109	-	1,484,109
	5,6	-	-	-	-	-	-
Claims on banks with original maturity of 3 months or less		**16,600,943**	**3,138,596**	**13,462,347**	9,882,982	260,168	9,622,814
Retail		**22,350,956**	**4,732,720**	**17,618,236**	19,012,569	3,951,956	15,060,613
Public sector entities	1	**4,892,198**	**261,074**	**4,631,124**	9,598,961	59,425	9,539,536
	2,3	**3,535,030**	**-**	**3,535,030**	3,357,187	-	3,357,187
Others		**430,907,485**	**13,273,000**	**417,634,485**	483,101,975	11,468,000	471,633,975
Unrated		**177,416,343**	**30,633,581**	**146,782,762**	157,740,362	23,326,692	134,413,670

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

The Group applies SBP specified haircut to collateral for credit risk mitigation. Collateral management is embedded in the Group’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 Disclosures - Consolidated
As at 31 December 2018

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 2018 the Bank's Leverage ratio stood at 4.20% (2017: 5.04%) which is well above the minimum requirement of 3.0%.

	Note	**2018**	2017
		---------- (Rupees in '000) ----------	
Eligible Tier-1 Capital (A)	*1.1*	**34,907,701**	40,254,830
Total exposures (B)		**830,913,057**	800,369,680
Leverage Ratio (A/B)		**4.20%**	5.03%