Market Discipline-Disclosures on Risk Based Capital

For the year ended 31 December 2023

As per Guideline of Bangladesh Bank
Consolidated Basis

IFIC Bank PLC
Market discipline - Disclosures on Risk Based Capital
(Under Pillar 3 of Basel III Framework)
For the year ended 31 December 2023
(As per Guideline of Bangladesh Bank) (Consolidated basis)

IFIC Tower
61, Purana Paltan
Dhaka-1000
Bangladesh

BACKGROUND

In order to make the bank's capital adequacy assessment more risk sensitive and to abide by the international norms and practices, Bangladesh Bank took the initiative to implement Basel–III framework. Banks in Bangladesh implemented Basel–III Framework fully since 01 January, 2019. These disclosures under Pillar 3 of Basel III are made following 'Guidelines on Risk Based Capital Adequacy (RBCA) - Revised Regulatory Capital Framework for banks in line with Basel III' for banks. These quantitative and qualitative disclosures are intended to complement the Minimum Capital Requirement (MCR) under Pillar 1 and Supervisory Review Process (SRP) under Pillar 2 of Basel III. The purpose of these disclosures is to present relevant information on the adequacy of capital in relation to overall risk exposures of the Bank so that the market participants can assess the position and direction of the Bank in making economic decisions.

A) SCOPE OF APPLICATION

Qualitative Disclosures		
(a)	The name of the top corporate entity in the group to which this guidelines applies.	The Risk Based Capital Adequacy and related disclosures are applicable for "***IFIC Bank PLC*** " which is the top corporate entity of the group.
(b)	An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (a) that are fully consolidated; (b) that are given a deduction treatment; and (c) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted).	**Brief Description of the Subsidiaries:** 1. **IFIC Securities Limited [IFICSL]:** IFIC Securities Limited, a fully owned subsidiary company of IFIC Bank PLC was incorporated as a public limited company. The main objectives of this company are buying, selling, and settling of securities on behalf of investors and its own portfolio as well as other related services. The registered office of IFICSL located at IFIC Tower, 61, Purana Paltan, Dhaka – 1000. 2. **IFIC Money Transfer (UK) Limited:** IFIC Money Transfer (UK) Limited is a fully owned subsidiary of IFIC Bank incorporated as a private limited company with Companies House of England and Wales under registration no. 07379137 on 16 September 2010 and got registration from HM Customs and Excise on 17 January 2011 under Money Laundering Regulation. The company got registration from Financial Conduct Authority (FCA) [previously it was Financial Services Authority (FSA)] on 16 June 2011 under Payment Services Regulations 2009. The company commenced its operation on 31 August 2011. The registered office of the company is located at Ferrari House, 2nd Floor, 102 College Road, Harrow, Middlesex, United Kingdom HAI IES, London, UK. The principal activities of the company is remitting/transfer money and related services on behalf of its customers. 3. **IFIC Investment Limited [IFICIL]:** IFIC Investment Limited, a fully owned subsidiary company of IFIC Bank PLC was incorporated as a public limited company. IFICIL obtained full-fledge Merchant Banker Registration Certificate from Bangladesh Securities & Exchange Commission (BSEC) on 19 October 2021. The main objectives of this subsidiary are Issue Management, Underwriting & Portfolio Management activities. The registered office of IFICIL located at IFIC Tower, 61, Purana Paltan, Dhaka – 1000.

Brief Description of the Joint Ventures/ Associates of the Bank:

1. **Oman Exchange LLC, Oman:** Oman Exchange LLC, an exchange company incorporated under the laws of the Sultanate of Oman in 1985 as a joint venture between IFIC Bank and Omani Nationals. The principal activities of the company is, to remit/transfer money/fund to the different parts of the world including Bangladesh and related services. IFIC holds 49% shares of Oman Exchange LLC and the rest 51% shares is held by the Omani sponsors. The registered office is located Building no. 4699, Way no. 4567, Hamriya, PO Box 114, Post code 994, Hey Al Mina, Hamriya, Muscat, Sultanate of Oman.
2. **MCB Bank Ltd, Pakistan:** MCB Bank Limited is one of the largest Banks in Pakistan listed in Pakistan Stock Exchange. IFIC Bank had two branches in Pakistan, one at Karachi (in 1987) and the other at Lahore (in 1993). IFIC Pakistan operation was merged with NDLC on 02 October 2003 and renamed it NDLC-IFIC Bank Limited. It was subsequently renamed as NIB Bank Limited with effect from 28 November 2005. In 2017 NIB Bank Limited merged with MCB Bank Limited and IFIC's holding diluted significantly due to this merger. Now IFIC holds very minimal share in MCB Bank Limited.
3. **Nabil Bank Limited, Nepal:** Nepal Bangladesh Bank Limited (NBBL), a joint venture commercial bank between IFIC Bank PLC and the Nepali Nationals, started its operation with effect from 06 June 1994 in Nepal with 50% equity from IFIC Bank PLC and lastly it was 40.91%. NBBL has been merged with Nabil Bank Limited (NBL) of Nepal on 11 July 2022 with a Share Swap Ratio of (1:0.43) i.e. 0.43 shares of NBL for every share of NBBL. Upon this convergence process, IFIC holdings diluted and now IFIC holds 7.77% shares of NBL.

Brief Description of Off-shore Banking Unit (OBU): Off-shore Banking Unit (OBU) is a separate business unit of IFIC Bank PLC. The Bank obtained permission for OBU operations from Bangladesh Bank vide its letter no. BRPD (P-3) 744 (104)/2009-4233 dated 17 November 2009 and commenced its operation from 10 May 2010. The operation of OBU is governed under prudential regulations of Bangladesh Bank and solo basis Financial Statements of the Bank have been prepared treating OBU as a business line in equivalent Bangladeshi Taka as per BRPD circular no 2 dated 25 February 2019, a separate Financial Statements has been prepared for OBU.

Basis for Consolidation: The quantitative disclosures are made on the basis of consolidated audited financial statements of the bank and its subsidiaries as at and for the year ended December 31, 2023. The consolidated financial statements have been prepared in accordance with Bangladesh Accounting Standards 27: Separate Financial Statements and Bangladesh Financial Reporting Standards 10: Consolidated Financial Statements. The consolidated financial statements are prepared to a common financial year ended 31 December 2023. All intra-group transactions, balances and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gain, but only to the extent that there are no evidence of impairment.

(c)	Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.	N/A

Quantitative Disclosures

(d)	The aggregate amount of surplus capital of issuance subsidiaries (whether deducted or subjected to an alternative method) included in the capital of the consolidated group.	N/A

B) Capital structure

Qualitative Disclosures

(a)	Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in CET 1, Additional Tier 1 or Tier 2.	Under Basel-III capital adequacy framework, total regulatory capital of a bank are categorized into two tiers: (1) Tier 1 Capital (going-concern capital), and (2) Tier 2 Capital (gone-concern capital). The Tier 1 Capital is further subdivided into (a) Common Equity Tier 1 (CET1) and (b) Additional Tier 1. Total eligible regulatory capital of IFIC Bank PLC consists of partly CET1 Capital and partly Tier 2 Capital. The CET1 Capital of the bank comprises Paid-up Capital, Statutory Reserve, General Reserve and Retained Earnings. Paid-up Capital of the Bank is already above the minimum requirement of BDT 5,000.00 Million as per the directives of Bangladesh Bank. In addition, Tier 2 Capital includes General Provision, Sub-ordinated Bond. Banks are required to maintain a capital conservation buffer of 2.50% during the year 2023, above the regulatory minimum capital requirement of 10%. Banks may distribute dividends as per the DOS Circular no. 1 and 7 published in the year 2021. Capital conservation buffer is applicable both at the solo level as well as at the consolidated level. As per the Bangladesh Bank instructions contained in BRPD letter No. BRPD(BFIS)661/14B(P)/2015-18014 dated 24 December 2015, Deferred Tax Assets arising out of Specific Provision on Classified Loans is allowable to a maximum of 5% as Common Equity Tier 1 Capital (CET1) while calculating CET1 as per Basel III.

Quantitative Disclosures

(b) The amount of Regulatory capital, with separate disclosure of:

BDT in Million

			Solo	***Consolidated***
(b)	CET1 Capital	Fully Paid-up Capital	18,305.59	18,305.59
		Statutory Reserve	9,353.91	9,418.45
		General Reserve	155.07	155.07
		Retained Earnings	4,097.14	8,049.82
		Total [A]	**31,911.71**	**35,928.93**
	Additional Tier 1 Capital	**[B]**	**Nil**	**Nil**
	Total Tier 1 Capital	**[C]=[A]+[B]**	**31,911.71**	**35,928.93**
	Tier 2 Capital	General Provision	4,149.96	4,421.10
		Sub-ordinated Debt	9,000.00	9,000.00
		Total [D]	**13,149.96**	**13,421.10**
(c)	Regulatory Adjustments / Deductions from capital	Deferred tax assets (DTA)[1]	2,927.68	2,927.68
		Total [E]	**2,927.68**	**2,927.68**
(d)	Total eligible capital	**[F]=[C]+[D]-[E]**	**42,133.98**	**46,422.35**

[1] As per the Bangladesh Bank instructions contained in BRPD letter No. BRPD(BFIS)661/14B(P)/2015-18014 dated 24 December 2015.

C) Capital Adequacy

Qualitative Disclosures				
(a)	A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities.	According to BB Guidelines, IFIC Bank is assessing Risk Based Capital Adequacy under Basel-III from 01 January 2015. Under Basel-III framework the capital requirement is determined for Credit Risk and Market Risk under Standardized Approach and Operational Risk under Basic Indicator Approach and summed-up to determine total Risk Weighted Assets and thereafter the Minimum Capital Requirement (MCR). The Bank assesses the capital requirement considering the existing size of portfolio, concentration of portfolio to different risk weight groups, asset quality, profit trend etc. on quarterly rest. The Bank also forecasts the adequacy of capital in terms of its capacity of internal capital generation, maintaining the size of the portfolio, asset quality, conducting credit rating of the borrowers, segregation of portfolio to different risk weight groups etc. IFIC Bank has maintained Capital to Risk-weighted Asset Ratio (CRAR) of 12.74% as on 31 December 2023, whereas Minimum Capital Requirement (MCR) is 12.50% from 01 January 2019 as per BRPD circular No.18 dated 21 December 2014. The Bank has thus maintained excess capital of 0.24% above the minimum requirement of 12.50%. However, the Bank is continuously evaluating its capital position in comparison to its risk weighted asset's position and exploring ways and means to raise capital both internally and externally.		
Quantitative Disclosures				
(b)	Capital requirement for Credit Risk		***BDT in Million***	
			Solo	***Consolidated***
		On-Balance Sheet	38,801.51	39,641.69
		Off-Balance Sheet	1,700.89	1,700.89
		Total	**40,502.41**	**41,342.58**
(c)	Capital requirement for Market Risk	Interest Rate Related Instruments	65.42	65.42
		Equities	1,770.73	1,770.73
		Foreign Exchange Position	81.86	81.86
		Commodities	Nil	Nil
		Total	**1,918.00**	**1,918.00**
(d)	Capital requirement for Operational Risk		**2,152.50**	**2,298.85**
(e)	Total capital, CET1 capital, Total Tier 1 capital and Tier 2 capital ratio: • For the consolidated group • For stand alone	***Ratios***		
		Total Capital	11.82%	12.74%
		CET1 Capital	8.13%	9.05%
		Total Tier 1 Capital	8.13%	9.05%
		Total Tier 2 Capital	3.69%	3.68%
(f)	Capital Conservation Buffer	As per Bangladesh Bank Transitional Arrangements for implementation of Basel III, creation of Capital Conservation Buffer (CCB) has been made effective from 1 January 2016, 2017, 2018 and 2019 at 0.625%, 1.25%, 1.875% and 2.50% respectively above the regulatory minimum capital requirement of 10%. The minimum total capital plus CCB for the year 2023 is 12.50%. IFIC Bank maintained CCB 2.13% over minimum requirement 6.00% for Tier-1 capital for the year 2023.		

(g)	Available Capital under Pillar 2 Requirement			***BDT in Million***
			Solo	***Consolidated***
		Total Eligible Regulatory Capital [A]	**42,133.98**	**46,422.35**
		Minimum Capital Requirement under Pillar 1[B]	35,658.33	36,447.54
		Capital Conservation Buffer[C][2]	8,914.58	9,111.89
		Minimum Capital Requirement including CCB[D=B+C]	**44,572.91**	**45,559.43**
		Available/(Shortfall) Capital for Pillar 2 [E=A - D]	**(2,438.92)**	**862.92**

Note: Bangladesh Bank, vide letter no. DOS(CAMS)1157/41(Dividend)/2024-1785 dated 29 April 2024 has allowed forbearance for BDT 1,600.00 million to IFIC Bank on maintaining of specific provision against Loans and Advances as on 31 December 2023. The mentioned specific provision amount BDT 1,600.00 million has to be maintained before the finalization of financial statement of the year 2024.

D) CREDIT RISK

Qualitative Disclosures		
(a)	The general qualitative disclosure requirement with respect to credit risk, including:	
	• Definitions of past due and impaired (for accounting purposes)	As per relevant Bangladesh Bank guidelines, the Bank defines the past due and impaired loans and advances for strengthening the credit discipline and mitigating the credit risk of the Bank. The impaired loans and advances are defined on the basis of (i) Objective/ Quantitative Criteria and (ii) Qualitative judgment. For this purpose, all loans and advances are grouped into four (4) categories, namely- (a) Continuous Loan (b) Demand Loan (c) Fixed Term Loan and (d) Short-term Agricultural & Micro Credit. **Definition of past due/overdue:** i. Any Continuous Loan if not repaid/renewed within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/ overdue from the following day of the expiry date; ii. Any Demand Loan if not repaid within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/overdue from the following day of the expiry date; iii. In case of any installment(s) or part of installment(s) of a Fixed Term Loan is not repaid within the fixed expiry date, the amount of unpaid installment(s) will be treated as past due/ overdue after six months of the expiry date. iv. The Short-term Agricultural or Micro-credit is not repaid within the fixed time limit for repayment will be considered “Overdue” after 06(six) months of the expiry date. However, a continuous loan, demand loan or a term loan which will remain overdue for a period of 02 (two) months or more but less than 03 (three) month, will be put into the “Special Mention Account (SMA)”, the prior status of becoming the loan into impaired/classified/ nonperforming.

[2]As per BB directive, it is applicable at 2.50% for the year 2023.

		Definition of impaired / classified /non-performing loans and advances are as follows: *Continuous loan is classified as follows:* **Substandard-** A Continuous Loan which will remain past due/overdue for a period of 03 (three) months or beyond but less than 09 (nine) months, the entire loan will be put into the “Sub-standard (SS)”. **Doubtful** - A Continuous Loan which will remain past due/overdue for a period of 09 (nine) months or beyond but less than 12 (twelve) months, the entire loan will be put into the “Doubtful (DF)”. **Bad/Loss** - A Continuous Loan which will remain past due/overdue for a period of 12 (twelve) months or beyond, the entire loan will be put into the “Bad/Loss (B/L)”. *Demand loan is classified as follows:* **Substandard** - A Demand Loan which will remain past due/overdue for a period of 03 (three) months or beyond but less than 09 (nine) months, the entire loan will be put into the “Sub-standard (SS)”. **Doubtful** - A Demand Loan which will remain past due/overdue for a period of 09 (nine) months or beyond but less than 12 (twelve) months, the entire loan will be put into the “Doubtful (DF)”. **Bad/Loss** - A Demand Loan which will remain past due/overdue for a period of 12 (twelve) months or beyond, the entire loan will be put into the “Bad/Loss (B/L)”. *Fixed Term Loans are classified are as follows:* In case of any installment(s) or part of installment(s) of a Fixed Term Loan is not repaid within the fixed expiry date, the amount of unpaid installment(s) will be treated as past due/ overdue after six months of the expiry date. In case of Fixed Term Loans: - **Substandard** - A Fixed Term Loan or any installment(s)/part of installment(s) of a Fixed Term Loan which will remain past due/overdue for a period of 03 (three) months or beyond but less than 09 (nine) months, the entire loan will be put into the “Sub-standard (SS)”. **Doubtful** - A Fixed Term Loan or any installment(s)/part of installment(s) of a Fixed Term Loan which will remain past due/overdue for a period of 09 (nine) months or beyond but less than 12 (twelve) months, the entire loan will be put into the “Doubtful (DF)”. **Bad/Loss** - A Fixed Term Loan or any installment(s)/part of installment(s) of a Fixed Term Loan which will remain past due/overdue for a period of 12 (twelve) months or beyond, the entire loan will be put into the “Bad/Loss (B/L)”. *Short-term Agricultural and Micro-Credit is classified as follows:* The Short-term Agricultural and Micro-Credit will be considered irregular if not repaid within the due date as stipulated in the loan agreement. If the said irregular status continues, the credit will be classified as 'Substandard ' after a period of 12 months, as 'Doubtful' after a period of 36 months and as 'Bad/Loss' after a period of 60 months from the stipulated due date as per the loan agreement. *Loan classification of Cottage, Micro and Small Credits under CMSME:* **Sub-standard -** If a Continuous Loan, Demand Loan, Fixed Term Loan or any installment(s)/part of installment(s) of a Fixed Term Loan remain(s) past due/overdue for a period of 06 (six) months or beyond but less than 18 (eighteen) months, the entire loan will be classified as

		"Sub-standard (SS)". **Doubtful -** If a Continuous Loan, Demand Loan, Fixed Term Loan or any installment(s)/part of installment(s) of a Fixed Term Loan remain(s) past due/overdue for a period of 18 (eighteen) months or beyond but less than 30 (thirty) months, the entire loan will be classified as "Doubtful (DF)". **Bad/Loss -** If a Continuous loan, Demand loan, Fixed Term Loan or any installment(s)/part of installment(s) of a Fixed Term Loan remain(s) past due/overdue for a period of 30 (thirty) months or beyond, the entire loan will be classified as "Bad/Loss (B/L)".
	• Description of approaches followed for specific and general allowances and statistical methods	The Bank is following the general and specific provision for loans and advances/investments on the basis of Bangladesh Bank guidelines issued from time to time (please refer to Annexure - I).
	• Discussion of the bank's credit risk management policy	The Board approves the credit policy, credit exposure limits and credit risk management policy keeping in view relevant Bangladesh Bank guidelines to ensure best practice in credit risk management and maintain quality of assets. Authorities are properly delegated ensuring checks and balance in credit operation at every stage, i.e. screening, assessing risk, identification, management and mitigation of credit risk as well as monitoring, supervision and recovery of loans with provision of early warning system. There is a separate credit risk management division for dedicated credit risk management, separate credit administration division for ensuring perfection of securities and credit monitoring, recovery division for monitoring and recovery of irregular loans and loan performance management division for detaining deteriorating loans from being newly classified and for maintaining asset quality appropriately. Internal control & compliance division independently assess the quality of loans and compliance status of loans at least once in a year.

Quantitative Disclosures

(b)	Total gross credit risk exposures broken down by major types of credit exposure.	Please refer to Annexure – II.
(c)	Geographical distribution of exposures, broken down in significant areas by major types of credit exposure.	Please refer to Annexure – III.
(d)	Industry or counterparty type distribution of exposures, broken down by major types of credit exposure.	Please refer to Annexure – IV.
(e)	Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.	Please refer to Annexure – V.
(f)	By major industry or counterparty type:	
	• Amount of impaired loans and if available, past due loans, provided separately	Please refer to Annexure – VI.

			BDT in Million
	• Specific and general provisions	Specific provision	10,693.76
		General provision	4,149.96
	• Charges for specific allowances and charge-offs during the period	Specific provision	2,514.76
		General provision	(1,421.91)

(g)	**Non-Performing Assets (NPAs):**	
		BDT in Million
	Gross non-performing assets (NPAs)	33,034.50
	Non-Performing Assets (NPAs) to Outstanding Loans & advances	7.99%
	Movement of Non-Performing Assets (NPAs)	
	Opening balance	19,879.39
	Additions	16,197.94
	Reductions	(3,042.83)
	Closing balance	33,034.50
	Movement of specific provisions for NPAs	
	Opening balance	8,179.00
	Provisions made during the period	2,458.73
	Recoveries of amounts previously written off	423.36
	Write-off	(367.32)
	Write-back of excess provisions	Nil
	Provision transferred to general reserve	Nil
	Closing balance	10,693.76

E) Equities: Disclosures for Banking Book Positions

Qualitative Disclosures		
(a)	i. The general qualitative disclosure requirement with respect to equity risk, including:	
	• differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and	Differentiation between holdings of equities for capital gain and those taken under other objectives is being clearly identified. Investment in equity securities is broadly categorized into two parts: **i. Quoted Securities** (Common or Preference Shares & Mutual Fund) that are traded in the secondary market (Trading Book Assets) through the organization itself or other Portfolio Manager. Investment in quoted shares/securities are revalued at the end of the reporting period. **ii. Unquoted securities** are categorized as banking book equity exposures which are further sub-divided into two groups: unquoted securities which are invested without any expectation that these will be quoted in near future, i.e. held to maturity (HTM), and securities those are acquired under private placement or IPO and are going to be traded in the secondary market after completing required formalities. Unquoted securities are valued at cost. The equity positions are reviewed periodically by the senior management.

	• discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.	Important policies covering equities valuation and accounting of equity holdings in the Banking Book are based on the use of the cost price method for valuation of equities. The primary aim is to invest in these equity securities for the purpose of capital gain by selling them in the future or held for dividend income. Dividends are recognized in Profit and Loss Account only when the Bank's right to receive payment of the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the Bank and the amount of the dividend can be measured reliably. Both Quoted and Un-Quoted equity securities are initially recognized at cost and necessary provisions are maintained if the prices fall below the cost price after comparing with their fair value. As per to Bangladesh Bank guidelines, the HFT equity securities are revalued once in each week using marking to market concept. However equity investment in associates/joint ventures are initially recognized at cost and provision is maintained if cost is higher than lower of market value and net assets value of that investee as per instruction of Bangladesh Bank. Preference is given to purchase of shares of strong companies at face value through placement/ IPO.
Quantitative Disclosures		
(b)	ii. Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values including mutual funds where the share price is materially different from fair value.	***BDT in Million*** Cost price of quoted shares 6,636.69 Fair value of quoted shares 6,953.54 **Increase in value 316.85**
(c)	iii. The cumulative realized gains (losses) arising from sales and liquidations in the reporting period	7.60
(d)	• Total unrealized gains (losses)	446.29
	• Total latent revaluation gains (losses)	Nil
	• Any amounts of the above included in Tier 2 capital.	Nil
(e)	Capital requirements broken down by appropriate equity groupings, consistent with the bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements.	

Capital Charge on Equities	***BDT in Million***
Specific Risk	708.29
General Market Risk	708.29
Total	**1,416.58**

F) INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

Qualitative Disclosures		
(a)	The general qualitative disclosure requirement including the nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits, and frequency of IRRBB measurement.	Interest Rate Risk is managed through the use of Gap analysis of rate sensitive assets and liabilities and monitored through prudential limits and stress testing. The IRRBB is monitored in movements/changes on a monthly basis and the impact on Net Interest Income is assessed. Interest rate risk is the risk where changes in market interest rates might adversely affect a bank's financial condition. Changes in interest rates affect both the current earnings (earnings perspective) as well as the net worth of the bank (economic value perspective). Re-pricing risk is often the most apparent source of interest rate risk for a bank and is often gauged by comparing the volume of a bank's asset that mature or re-price within a given time period with the volume of liabilities that do so. The short term impact of changes in interest rates is on the bank's Net Interest Income (NII). In a longer term, changes in interest rates impact the cash flows of the assets, liabilities and off-balance sheet items, giving rise to a risk to the net worth of the bank arising out of all re-pricing mismatches and other interest rate sensitive position. The ALCO formulates the policy and strategy depending on the market conditions to maximize Net Interest Income.
Quantitative Disclosures		
(b)	The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant).	Please refer to Annexure – VII.

G) MARKET RISK

Qualitative Disclosures		
(a)	Views of BOD on trading/investment activities	The trading/investment activities in the IFIC Bank PLC are managed cautiously so that maximum returns are obtained without taking undue risks. The Board approves all policies related to market risk, set limits and review compliance on a regular basis. The objective is to provide cost effective funding to finance asset growth and trade related transactions. Market risk is the possibility of losses of assets in the balance sheet and off-balance sheet positions arising out of volatility in market variables i.e., interest rate, exchange rate and price. Allocation of capital is required in respect of the exposure to risks deriving from changes in interest rates and equity prices in the bank's trading book, in respect of exposure to risks deriving from changes in foreign exchange rates and commodity price in the overall banking activity. The market risk covers the followings risks of the Bank's balance sheet: i. Interest rate risk ii. Equity price risk iii. Foreign exchange risk; and iv. Commodity price risk
	Methods used to measure Market risk	The Bank uses the Standardized (rule based) Approach to calculate the Market Risk for Trading Book Exposures. The total capital requirement in respect of market risk is the aggregate capital requirement calculated for each of the risky sub-categories. For each risk category minimum

		capital requirement is measured in terms of two separately calculated capital charges for 'specific risk' and 'general market risk'.
		Maturity Method has been prescribed by Bangladesh Bank in determining capital against market risk. In the maturity method, long or short positions in debt securities and other sources of interest rate exposures, including derivative instruments, are slotted into a maturity ladder comprising 13 times-bands (or 15 times-bands in the case of low coupon instruments). Fixed-rate instruments are allocated according to the residual term to maturity and floating-rate instruments according to the residual term to the next re-pricing date.
		In Standardized (rule based) Approach the capital requirement for various market risks (interest rate risk, price, and foreign exchange risk) are determined separately.
		The total capital requirement in respect of market risk is the sum of capital requirement calculated for each of these market risk sub-categories. e.g.:
		i. Capital Charge for Interest Rate Risk = Capital Charge for Specific Risk + Capital Charge for General Market Risk;
		ii. Capital Charge for Interest Rate Risk = Capital Charge for Specific Risk + Capital Charge for General Market Risk;
		iii. Capital Charge for Foreign Exchange Risk = Capital Charge for General Market Risk;
		iv. Capital Charge for Commodity Position Risk = Capital charge for General Market Risk.

	Market Risk Management system	The Asset Liability Management Policy of the Bank as approved by the Board ensures effective management of the Market Risk through a well-structured Treasury function which includes a Front Office, Mid Office and Back Office and an ALCO body. The aim of the Market Risk Management System is to minimize the impact of losses on earnings due to market fluctuations.
	Policies and processes for mitigating market risk	The policy contains sound Portfolio management procedures and best practices such as minimizing risks through diversification of portfolio. Policy for managing Market Risk has been set out by the Board of Directors of the Bank where clear instructions have been given to Loan Deposit Ratio, Wholesale Borrowing Guidelines, Medium Term Funding, Maximum Cumulative Outflow, Liquidity Contingency Plan, Local Regulatory Compliance, Recommendation/ Action Plan etc. Furthermore, special emphasis has been put on the following issues for mitigating market risk: ▪ **Interest Rate Risk Management:** Treasury Division reviews the risks of changes in income of the Bank as a result of movements in market interest rates. In the normal course of business, the Bank tries to minimize the mismatches between the duration of interest rate sensitive assets and liabilities. Effective Interest Rate Risk Management is done as under: i. **Market Analysis:** Market analysis over interest rate movements are reviewed by the Treasury Division of the Bank. The type and level of mismatch interest rate risk of the Bank are managed and monitored from two perspectives, being an economic value perspective and an earnings perspective

	ii. **Gap Analysis:** ALCO has established guidelines in line with the central Bank's policy for the management of assets and liabilities, monitoring and minimizing interest rate risks at an acceptable level. ALCO in its regular monthly meeting analyzes Interest Rate Sensitivity by computing GAP i.e. the difference between Rate Sensitive Assets and Rate Sensitive Liability and take the decision of enhancing or reducing the GAP according to the prevailing market situation aiming to mitigate interest rate risk. **Foreign Exchange Risk Management:** Risk arising from potential change in earnings resulted from exchange rate fluctuations, adverse exchange positioning or change in the market prices are considered as Foreign Exchange Risk. Treasury and International Division manage this risk in the following fashion: i. **Continuous Supervision:** The Bank's Treasury Division manages and controls day-to-day trading activities under the supervision of ALCO that ensures continuous monitoring of the level of assumed risks. Treasury Division monitors the foreign exchange price changes and Back Office of the Treasury Division verifies the deals and passes the entries in the books of account. ii. **Treasury Back Office separated from the Treasury Front Office; monitored by Treasury Mid Office:** Treasury Back Office is conducting its operation in separate locations apart from the Treasury Front Office. Treasury Back Office is responsible for currency transactions, deal verification, limit monitoring, settling of transactions and gathering the market rates from an independent source other than dealers of the same organization, which helps to avoid any conflict of interest. Meanwhile, Treasury Mid Office is responsible to independently monitor, measure and analyze risks inherent in treasury operations of the bank. iii. **Mark-to-Market Method for Approved Securities and Foreign Exchange Revaluation:** All foreign exchange reserves and balances along with approved securities are revalued at Mark-to-Market method according to Bangladesh Bank's guidelines. Such valuations are made after a specific time interval as prescribed by Bangladesh bank. iv. **Nostro Accounts**: Nostro accounts are maintained by the Bank with various currencies and countries. These Accounts are operated by the International Division of the Bank. All Nostro accounts are reconciled on a monthly basis. The management reviews outstanding entry beyond 30 days for settlement purpose. ▪ **Equity Risk Management:** Equity Risk is the risk of loss due to adverse changes in the market price of equities held by the Bank. Equity Risk is managed by the following fashion. i. **Investment Portfolio Valuation**: Mark-to-Market valuations of the share investment portfolio are followed in measuring and identifying risk. Mark-to-Market valuation is done against a predetermined cut loss limit. ii. **Diversified Investment to minimize Equity Risk**: IFIC minimizes the Equity Risks by Portfolio diversification as per investment policy of the Bank.

		Margin Accounts are monitored very closely: Where Margin loan is allowed, security of investment, liquidity of securities, reliability of earnings and risk factors are considered and handled professionally.

Quantitative Disclosures			
(b)	The capital requirements for:		***BDT in Million***
		Solo	***Consolidated***
	▪ Interest rate risk	52.34	52.34
	▪ Equity position risk	1,416.58	1,416.58
	▪ Foreign exchange risk	65.48	65.48
	▪ Commodity risk	Nil	Nil

H) OPERATIONAL RISK

Qualitative Disclosures		
(a)	Views of BOD on system to reduce Operational Risk	IFIC Bank manages its operational risk by identifying, assessing, monitoring, controlling and mitigating the risk, rectifying operational risk events and implementing any additional procedures required for compliance with regulatory requirements. Operational risk management responsibilities are assigned to the senior management. Internal auditors are assigned for recording, identification and assessment of operational risks and to prepare reports for the Audit Committee. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputation risk. It is inherent in every business organization and covers a wide spectrum of issues. The Board of Director (BOD) of the Bank and its Management firmly believe that this risk through a control based environment in which processes see documented, authorization as independent and transactions are reconciled and monitored. This is supported by an independent program of periodic reviews undertaken by internal audit, and by monitoring external operational risk events, which ensure that the group stays in line which industry best practice and takes account or lessons learned from publicized operational failures within the financial services industry. The BOD has also modified its operational risk management process by issuing high level standards, supplemented by more detailed formal guidance. This explains how the bank manages operational risk by identifying, assessing, monitoring, controlling and mitigating the risk, rectifying operational risk events, and implementing any additional procedures required for compliance with local regulatory requirements. The Bank maintains and tests contingency facilities to support operations in the event of disasters. Additional reviews and tests are conducted in the event that any branch of the bank is affected by a business disruption event, to incorporate lessons learned in the operational recovery from those circumstances. Plans have been prepared for the continued operation of the bank's business, with reduced staffing levels. Operational risk loss data are collected and reported to the senior management. Identifying, monitoring and recording of fraud, irregularities, unauthorized works, system breakdown, etc. are done by the Management and details of the untoward incidents are reported to the Bank's Audit Committee.

Performance gap of executives and staffs	The Human Resources Division emphasizes a robust learning culture to enhance workforce expertise. Through the HR Development and IFIC Bank Training Institute, the Bank provides analysis-based training programs to bridge skill gaps and foster desired organizational behaviors, thus improving operational effectiveness. The IFIC Bank Training Institute, the private sector's oldest institution, was established as an in-house training center to address the Bank's internal training needs. It is equipped with a professional library, modern training aids, and experienced faculty covering various subjects such as banking, economics, accounting, management, and marketing. Main training activities consist of in-depth foundation programs for MTs and Others. Specialized training programs in areas like General Banking, Credit, Foreign Exchange etc. are also organized by the Institute depending on need. During its many years of existence, the Institute not only conducted courses, workshops, and seminars as required by the Bank, but it also organized training programs for Nepal Bangladesh Bank Limited (NBBL). IFIC Bank maintains a robust internal training infrastructure and collaborates with esteemed institutions like BBTA and BIBM. Our focus on compliance training, particularly in Anti-Money Laundering (AML) and Information and Communication Technology (ICT), ensures adherence to Bangladesh Bank policies and guidelines. In 2023, the Bank conducted large-scale training sessions to upskill existing employees and cultivate potential leaders. Despite Bangladesh Bank's restrictions on overseas training due to ongoing crises, IFIC Bank remains committed to leadership development. We organize local and foreign-led leadership programs, including workshops by institutions like the ANZ Institute. These initiatives, such as Leading Teams and Deep Change workshops, equip our senior management with essential leadership and strategic managerial skills. Our indoor and outdoor leadership development programs cover areas like sales, negotiation, team building, and leadership, empowering our employees to excel in their roles. IFIC Bank is dedicated to fostering a continuous learning and leadership excellence culture, ensuring our workforce remains adaptable and competitive in an ever-evolving industry landscape.
Potential external events	Losses from external events, such as a natural disaster that damages a firm’s physical asset or electrical or telecommunications failures that disrupt business, are relatively easier to define than losses from internal problems, such as employee fraud and product flaws. It is needless to say that there are certain risk factors which are external in nature and can affect the business of the Bank. The factors discussed below can significantly affect the business: ▪ **External rules and regulations:** Potential for actual or opportunity loss due to failure to comply with laws or regulations, or as a result of changes in laws or regulations or in their interpretation or application. ▪ **Damage to assets:** Potential for loss or damage to physical assets and other property from natural disaster and other events. ▪ **Safety and security:** Potential for loss or damage to health or safety of staff, customers or third parties arising from the effects of external events.

	▪ **External financial crime:** Potential for loss due to criminal acts by external parties such as fraud, theft and other criminal activity. ▪ **Political condition and general business:** IFIC's performance greatly depends on the general economic conditions of the country. The effect of recession is still unfolding which may result to slow down in business environment. Political stability is must for growth in business activities. ▪ **Credit quality of borrowers:** Risk of deterioration of credit quality of borrowers is inherent in banking business. This could result due to the global economic crisis and supply side distortion. The changes in the import prices affected the commodity sectors and ship breaking industry. A deterioration in credit quality requires provisioning. ▪ **Basel-III implementation:** Basel-III is fully effective from 2019 and IFIC needs to be complied with respect to credit risk management, its supervision and establishment of effective internal control. The grading of the borrowers and its link with the capital required may slow down the credit expansion. The establishment of effective control requires more investment in technology and operating expenses are likely to increase. ▪ **Equity markets Volatility:** The Bangladesh Securities and Exchange Commission and the stock exchanges improved their supervisory role, but the equity market is still volatile. If volatility continues, it is likely to affect the performance of the bank. ▪ **Changes in market conditions:** Changes in market conditions, particularly interest rates on deposits and volatility in the foreign exchange market are likely to affect the performance of the bank. Depositors are becoming increasingly price sensitive and any unilateral upward change by a bank will exert pressure on the interest rate structure of the banking sector. It is feared that wage earners remittances may decline due to fall in job opportunity in international market. Unless offset by export performances, there may be pressure in the foreign exchange market. ▪ **The litigation risk:** In the ordinary course of business, legal actions, claims by and against the bank may arise. The outcome of such litigation may affect the financial performance of the bank.
Policies and processes for mitigating operational risk	The Operational Risk Management Policy adopted by the Bank outlines organizational structure and detailed processes for management of operational risk. The basic objective of the policy is to closely integrate operational risk management system into day-to-day risk management process of the bank by clearly assigning roles in effectively identifying, assessing, monitoring and controlling and mitigating operational risk. Operational risks in the Bank are managed through a comprehensive and well-articulated internal control frameworks.
Approach for calculating capital charge for operational risk	The Bank follows the Basic Indicator Approach (BIA). The BIA stipulates the capital charge for operational risk is a fixed percentage, denoted by α (alpha) of average positive annual gross income of the Bank over the past three years. It also states that if the annual gross income for any year is negative or zero, that should be excluded from both the numerator and denominator when calculating the average gross income. The capital charge for operational risk is enumerated by applying the following formula:

		$K = [(GI_1 + GI_2 + GI_3) \times \alpha] / n$ Where: K = the capital charge under the Basic Indicator Approach GI = only positive annual gross income over the previous three years (i.e., negative or zero gross income if any shall be excluded) α = 15 percent n = number of the previous three years for which gross income is positive. Besides, Gross Income (GI) is calculated as "Net Interest Income" plus "Net non-Interest Income". The GI is also the net result of: i. Gross of any provisions; ii. Gross of operating expenses, including fees paid to outsourcing service providers; iii. Excluding realized profits/losses from the sale of securities held to maturity in the banking book; iv. Excluding extraordinary or irregular items; v. Excluding the income derived from insurance.

Quantitative Disclosures

BDT in Million

		Solo	*Consolidated*
(b)	The capital requirements for operational risk:	**1,722.00**	**1,839.08**

I) LIQUIDITY RATIO

Qualitative Disclosures

(a)	Views of BOD on system to reduce liquidity Risk	In line with the provisions of liquidity risk management under Basel III, Bangladesh Bank has identified the (i) Liquidity Coverage Ratio (LCR); (ii) Net Stable Funding Ratio (NSFR); and (iii) Leverage under the purview of 'Liquidity' ratio vide BRPD Circular No. 18 dated 21 December 2014 and DOS Circular No. 1 dated 1 January 2015. The Board of Directors (BOD) reviews the liquidity risk of the Bank on quarterly rest while reviewing the Quarterly Financial Statements, Stress Testing Report etc. ALM Policy Guideline approved and revised time to time by the Board of Directors. An overview on liquidity position and liquidity ratios are submitted annually to the BOD and the BOD approve the strategic plan for managing optimum liquidity. The Board always strives to maintain adequate liquidity to meet up Bank's overall funding need for the depositors, borrowers' requirements as well as maintain regulatory requirements comfortably.
	Methods used to measure Liquidity risk	The maintenance of Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR) are considered as the fundamental methods/tools to measure the liquidity position/risk of IFIC Bank. However, under Basel III, the following methods and tools are mandated for measuring the liquidity risk. ▪ **Liquidity Coverage Ratio (LCR):** Liquidity Coverage Ratio ensures to maintain an adequate level of stock of high quality liquid assets that can be converted into cash to meet its liquidity needs (i.e. total net cash outflows) over the next 30 calendar days. ▪ **Net Stable Funding Ratio (NSFR):** Net Stable Funding Ratio aims to limit over-reliance on short-term wholesale funding during times of

	abundant market liquidity and encourage better assessment of liquidity risk across all on- and off-balance sheet items. The minimum acceptable value of this ratio is 100 percent, indicating that, available stable funding (ASF) should be at least equal to required stable funding (RSF). ASF consists of various kinds of liabilities and capital with percentage weights attached given their perceived stability. RSF consists of assets and off-balance sheet items, also with percentage weights attached given the degree to which they are illiquid or "long-term" and therefore requires stable funding. In addition to the above, following measures have been put in place to monitor the liquidity risk management position of the Bank on a continued manner: i) Asset-Liability Maturity Analysis (Liquidity profile); ii) Wholesale borrowing capacity; and iii) Maximum Cumulative Outflow (MCO). Besides, following tools are also used for measuring liquidity risk: i) Stress Testing (Liquidity Stress); and ii) Net open position (NOP) limit - to monitor the FX funding liquidity risk.
Liquidity risk management system	At the management level of IFIC Bank PLC, the liquidity risk is primarily managed by the Treasury Division (Front Office) under oversight of Asset Liability Committee (ALCO) which is headed by the Managing Director along with other senior management. Treasury Division (Front Office) upon reviewing the overall funding requirements on daily basis sets their strategy to maintain a comfortable/adequate liquidity position taking into consideration of Bank's approved credit deposit ratio, liquid assets to total assets ratio, asset-liability maturity profile, Bank's earning/profitability as well as overall market behavior and sentiment etc. Apart from the above, Basel Unit also monitors & measures the liquidity risk in line with the Basel III liquidity measurement tools, namely, LCR, NSFR, Leverage Ratio. The unit addresses the key issues and strategies to maintain the Basel III liquidity ratios to the respective division(s) on regular interval.
Policies and processes for mitigating liquidity risk	The Asset-Liability Management Guideline leads the process & procedures for mitigation of liquidity risk of IFIC Bank. The Assets-Liability Committee (ALCO) works under specific Terms of References approved by the Board. Treasury Division (Front Office) and ALM desk under regular supervision of Top Management reviews the overall liquidity position of IFIC Bank and takes appropriate strategy, process in line with the industry position for managing liquidity risk of the Bank. The general liquidity risk management policies of the bank are as follows: ▪ **To maintain CRR** i. Under the surplus liquidity condition, treasury will handle the excess liquidity by providing more loans, investing the excess liquid fund in highly marketable fixed income securities, and lending to other Banks, Financial Institutions and Reverse Repo to Central Bank ii. The treasury will assess the level of interbank borrowing capacity and raise funds to meet liquidity from the most reliable sources. ▪ **To maintain SLR:** Statutory Liquidity Requirement (SLR) is maintained as per directives of Bangladesh Bank from time to time by way of investment in approved securities. ▪ **To maintain NOP:** The treasury manages the necessary foreign currency required by the Bank by using its own intelligence and skill

		and they do the following trade- Spot, Forward, Swap, Other Foreign Exchange Deals by using different hedging techniques. ▪ **To maintain Advance-to-Deposit Ratio (ADR):** The business of the Bank is forecasted based on the current loan, investment and funding strategies, and anticipated funding need. ▪ **To maintain LCR:** Liquidity coverage is maintained by- i. Increasing investment in T-bills, BGTB, BB Bill, Reverse Repo ii. Additional investment in Govt. Security shall be made in short/mid/long combination to meet liquidity as well as optimize the return iii. Balance in FC Accounts with BB to be increased iv. Deposit from FIs and Borrowing are to be reduced and replaced by increasing Customer Deposit, and v. Lending/Placement with FI should be more preferable than lending to others. ▪ **To maintain NSFR:** Stable Funding is maintained by increasing Capital, increasing stable customer Deposits, increasing Mortgage Loan and Lending having 50% risk weight, decreasing Investment in Capital Market, and controlling growth of Fixed Assets.

Quantitative Disclosures

(b)		***BDT in Million***
	Liquidity Coverage Ratio	140.69%
	Net Stable Funding Ratio (NSFR)	113.71%
	Stock of high quality liquid assets	77,581
	Total net cash outflows over the next 30 calendar days	55,143
	Available amount of stable funding	426,980
	Required amount of stable funding	375,484

J) LEVERAGE RATIO

Qualitative Disclosures

(a)	Views of BOD on system to reduce excessive leverage	An underlying cause of the global financial crisis was the build-up of excessive on- and off-balance sheet leverage in the banking system. In many cases, banks built up excessive leverage while apparently maintaining strong risk-based capital ratios. The BOD of IFIC Bank manages leverage risk and are conscious to address the risk of excessive leverage in a precautionary manner by taking due account of potential increases in the risk of excessive leverage caused by reductions of the bank's own funds through expected or realized losses, depending on the applicable accounting rules. The BOD primarily views on the growth of On and Off balance sheet exposures commensurate with its expected capital growth so that the excessive leverage is reduced. Within the On-balance components, again, the Board emphasizes on the growth of the prime component i.e. the loans and advances and maintaining good asset quality so as to maximize the revenue as well as the capacity to generate capital internally (in the form of retained earnings) to trade-off the excessive leverage supposed to be caused by asset growth.
	Policies and processes for managing excessive on- and off-balance sheet leverage	In order to avoid building-up excessive on- and off-balance sheet leverage in the banking system, a simple, transparent, non-risk based leverage ratio has been introduced by the Basel Committee. A minimum Tier 1 leverage ratio of 3% is being prescribed both at solo and consolidated level. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements. The

	leverage ratio is intended to achieve the following objectives- (a) constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy, and (b) reinforce the risk based requirements with an easy to understand and a non-risk based measure. Predominantly, Bank's policy is to maintain the Leverage Ratio well above the regulatory requirement. To this end, the striking components of balance sheet, namely, the deposits & borrowing, loans & advances, other liquid assets (treasury bills, bonds, fund placements) are analyzed. Measures are taken to contain the growth of overall size of balance sheet considering short term outlook of the industry indicators as well as possible growth of equity (Tier 1 capital) of the Bank on quarterly rest. With regard to managing the excessive leverage, the regulatory stance through the monetary policy initiatives i.e. the scope of expected business potential (growth), estimated money supply, inflation, resulting the estimated overall liquidity of the industry as well as the Bank in particular is also considered.
Approach for calculating exposure	The Bank follows the accounting measure of exposure for the leverage ratio. In order to measure the exposure consistent with financial accounts, the Bank applies following: i. On balance sheet, non-derivative exposures will be net of specific provisions and valuation adjustments. ii. Physical or financial collateral, guarantee or credit risk mitigation purchased is not allowed to reduce on-balance sheet exposure. iii. Netting of loans and deposits is not allowed. The formula for Leverage Ratio is as follows: **Leverage Ratio=** $$\frac{\textbf{Tier-1 Capital (considering all regulatory adjustments)}}{\textbf{Total Exposure}}$$ Where, Total Exposure = On-Balance Sheet Exposure + Off-Balance Sheet Exposure - Total Deduction from On and Off-Balance Sheet Exposure/Regulatory adjustments made to Tier 1 capital ▪ **On-Balance Sheet Items:** The Bank includes items using its accounting balance sheet for the purposes of the leverage ratio. Total On balance sheet exposure can be derived by deducting 'Total Specific Provision' from 'Total On-Balance Sheet Assets'. ▪ **Off-Balance Sheet Items:** The Bank calculates the off-balance sheet (OBS) items specified in Credit Risk chapter (Table 12) of 'Guidelines on Risk Based Capital Adequacy (RBCA) - Revised Regulatory Capital Framework for banks in line with Basel III' under the section of "Risk Weights Off-Balance Sheet Exposure" by applying a uniform 100% credit conversion factor (CCF). For any commitments that are unconditionally cancellable at any time by the bank without prior notice, a CCF of 10% is being applied.

Quantitative Disclosures			
(b)			*BDT in Million*
		Solo	***Consolidated***
	Leverage Ratio	5.43%	6.12%
	Tier-1 Capital (Considering all regulatory adjustments)	28,984.03	33,001.25
	On balance sheet exposure	513,454.68	519,242.77
	Off B/S exposure	22,807.63	22,807.63
	Total deduction from On and Off-balance sheet exposure/Regulatory adjustments made to Tier – 1 Capital	2,927.68	2,927.68
	Total exposure	533,334.63	539,122.72

K) Remuneration

Qualitative Disclosures		
(a)	Information relating to the bodies that oversee remuneration.	
	Name, composition and mandate of the main body overseeing remuneration.	The Board of Directors sets the remuneration structure. Based on approval of pay package from the Board, Human Resource Management Division disburses remuneration centrally which is supervised by the Management of the Bank.
	External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.	No external body/consultants are involved to seek advice. For market research, external data are collected informally while setting remuneration structure.
	A description of the scope of the bank's remuneration policy (eg by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches.	Bank's remuneration policy governs the IFIC Bank PLC., IFIC Securities Ltd. and IFIC Investment Ltd. for employees regardless of cost centers/business lines. Separate remuneration package is practiced in case of foreign subsidiaries.
	A description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group	Generally MANCOM members and Senior Management Team (SMT) members are considered as material risk takers.
(b)	Information relating to the design and structure of remuneration processes.	
	An overview of the key features and objectives of remuneration policy.	The remuneration structure of the Bank is primarily designation wise range based which is designed to be market competitive to attract and retain talents. It is directly linked to the annual performance of an employee. Based on annual performance rating of the employees, yearly increment (Inflationary adjustment & Performance Pay) is given.

	Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made.	There is no specific remuneration committee to review the policy. Since the remuneration structure is linked to performance, Management of the Bank decides every year whether to adjust the pay structure with national inflation and individual performance to make it more market competitive with the approval of the Board of Directors.
	A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.	Employees' remuneration is fully co-related with individual performance. At the beginning of the year, mutually agreed business targets/objectives are set for each employee irrespective of place of posting or cost center and end of the year employee performance is evaluated by immediate supervisor. The evaluation process is overviewed by "Performance Appraisal Review Committee". Hence, a fair performance evaluation is ensured and employees are remunerated independently of the businesses they oversee.
(c)	Description of the ways in which current and future risks are taken into account in the remuneration processes.	
	An overview of the key risks that the bank takes into account when implementing remuneration measures.	The business risk, compliance & reputational risk are mostly considered when implementing the remuneration measures for each employee/group of employees. Financial and liquidity risks are also considered.
	An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure (values need not be disclosed).	Performance based remuneration is a justified way to ensure equity in remuneration. The motto of "Performance Based Remuneration" is to attract talented & skilled workforce, increase employee motivation, productivity and reduce employee turnover.
	A discussion of the ways in which these measures affect remuneration.	While evaluating the performance of each employee annually, all the financial and non-financial indicators as per pre-determined set criteria are considered; and accordingly, the result of the performance varies from one to another and thus affect the remuneration as well.
	A discussion of how the nature and type of these measures has changed over the past year and reasons for the change, as well as the impact of changes on remuneration.	The performance-based pay package is offered to the suitable employees based on individual performance. This system has been introduced to motivate the talented staff and to attract the suitable resources.
(d)	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.	
	An overview of main performance metrics for bank, top-level business lines and individuals.	Based on Key Performance Indicators (KPI) for the Bank, Management segregates the target to the individual branches and division which ultimately helps in setting individual KPI at branch and head office level. The KPIs are based on the job responsibilities of the respective functional position.
	A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.	As part of yearly increment, performance pay (Individual performance & bank's performance) is adjusted through giving certain percentage load on consolidated salary to the eligible employees in addition to inflationary adjustment.

	A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak.	As the Bank adjusts remuneration of Individual employee based on performance, poor rating in the performance metrics may result lower/without benefit.
(e)	Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance.	
	A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance.	Not applicable.
	A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements.	Not applicable.
(f)	Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms.	
	An overview of the forms of variable remuneration offered (i.e. cash, shares and share-linked instruments and other forms.	Remuneration is offered in case of yearly increment/performance bonus which may be variable based on approval from the Board.
	A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees), a description the factors that determine the mix and their relative importance.	No other variable remuneration except yearly increment and performance bonus which are done based on performance.

Quantitative Disclosures

The quantitative disclosures detailed below covers only senior management and other material risk takers.

(g)	Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.	N/A*

<table>
<tr><td rowspan="4">(h)</td><td colspan="2">Number of employees having received a variable remuneration award during the financial year.</td><td>N/A</td></tr>
<tr><td colspan="2">Number and total amount of guaranteed bonuses awarded during the financial year.</td><td>02 Festival Bonus & Pohela Boisakh Bonus
for employee (Total amount BDT 13.19 Million)</td></tr>
<tr><td colspan="2">Number and total amount of sign-on awards made during the financial year.</td><td>Nil</td></tr>
<tr><td colspan="2">Number and total amount of severance payments made during the financial year.</td><td>Nil</td></tr>
<tr><td rowspan="2">(i)</td><td>Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.</td><td colspan="2">BDT in Million
Cash Nil
Shares Nil
Share-linked instruments Nil
Other forms Nil</td></tr>
<tr><td colspan="2">Total amount of deferred remuneration paid out in the financial year.</td><td>Nil</td></tr>
<tr><td>(j)</td><td colspan="3">Breakdown of amount of remuneration awards for the financial year to show: BDT in Million
• fixed and variable. 26.19
• deferred and non-deferred. Nil
• different forms used (cash, shares and share linked instruments, other forms). Nil</td></tr>
<tr><td rowspan="4">(k)</td><td colspan="3">Quantitative information about employees’ exposure to implicit (e.g. fluctuations in the value of shares or performance units) and explicit adjustments (e.g. clawbacks or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration:</td></tr>
<tr><td colspan="2">Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.</td><td>Not applicable</td></tr>
<tr><td colspan="2">Total amount of reductions during the financial year due to ex post explicit adjustments.</td><td>Not applicable</td></tr>
<tr><td colspan="2">Total amount of reductions during the financial year due to ex post implicit adjustments.</td><td>Not applicable</td></tr>
</table>

* Management generally oversees remuneration on monthly basis.

Annexure

Annexure – I: Rate of general and specific provision for loans and advances as per Bangladesh Bank Guideline

Category of Loans & Advances	Rate (%) of provision
General Provision-for Unclassified	
Loans and advances (excluding SMA)	
Small and medium enterprise	0.25%
Consumer finance (house building)	1.00%
Loans to BHs/MBs/SDs share etc.	2.00%
Consumer Finance	2.00%
Consumer finance (card)	2.00%
Short Term Agri. Credit and Microcredit	1.00%
All other unclassified loans	1.00%
Special Mention Account (SMA)	
Small and medium enterprise	0.25%
Consumer finance (house building)	1.00%
Loans to BHs/MBs/SDs share etc.	2.00%
Consumer Finance	2.00%
Consumer finance (card)	2.00%
Short Term Agri. Credit and Microcredit	0.00%
All other unclassified loans	1.00%
Off-shore banking unit	
Unclassified loans	1.00%
Specific provision-for Classified	
Sub-standard	20.00%
Sub-standard- Short term Agri. Credit & Small, Cottage & Micro	5.00%
Doubtful	50.00%
Doubtful- Short term Agri. Credit	5.00%
Doubtful (Small, Cottage, Micro)	20.00%
Bad/loss	100.00%
Particulars of required provision on Off-balance Sheet Exposure	
Acceptances and endorsements	1.00%
Letters of guarantee	1.00%
Irrevocable letters of credit	1.00%
Bills for collection	0.00%

Annexure – II: Total gross credit risk exposures broken down by major types of credit exposure

Particulars	*BDT in Million*
Term loan industrial	15,514.51
Term loan consumer finance	1,058.72
Agricultural loan	8,247.26
Term loan women entrepreneur	21.74
Term loan-others	138,084.86
House building loans	91,328.36
Staff loan	920.42
Transport loan	22.30
Loan general	1,881.54
Demand loan	6,171.63
Overdrafts	107,126.34
Cash credit	18,257.92

Credit card finance	156.90
Loan against trust receipt (LTR)	813.06
Lease Finance	118.15
Margin Loan	3,984.24
Bills purchased and discounted	19,989.45
Off-shore banking unit	1,285.39
Total	**414,982.80**

Annexure-III: Geographical distribution of exposures, broken down into significant areas by major types of credit exposure

Particulars	*BDT in Million*
Dhaka Division	356,650.81
Chottogram Division	31,578.93
Sylhet Division	2,939.73
Rajshahi Division	8,287.18
Khulna Division	6,482.66
Barisal Division	1,501.79
Rangpur Division	4,400.92
Mymensingh division	3,140.78
Total	**414,982.80**

Annexure-IV: Industry or counterparty type distribution of exposures, broken down by major types of credit exposure

Particulars	*BDT in Million*
Agriculture Industries	9,747.27
Jute Industries	5,674.60
Textile Industries	22,534.09
Garments Industries	44,858.98
Chemical and Chemical Products	61.45
Cement Industries	6,252.92
Bricks & Ceramic	4,584.66
Food Products & Processing	3,275.84
Engineering & Metal	12,897.58
Drugs & Pharmaceuticals	9,422.22
Hospital & Clinics	202.81
Paper & Paper Products Industries	3,207.20
Other Small Industries	13,631.41
IT Sector	4,978.82
Other Service Industries	29,648.52
Trade & Commerce	52,154.84
Transport	696.18
Construction Firms/Companies	24,520.73
Housing Societies/Companies	32,314.05
Cold Storage	-
Consumer Finance	104,974.54
Energy	8,002.66
Telecommunication	10,692.53
NBFI's	77.00
Others	10,571.90
Total	**414,982.80**

Annexure-V: Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure

Particulars	*BDT in Million*
On demand	92,334.07
Up to 1 month	3,260.80
Over 1 month but not more than 3 months	20,498.81
Over 3 months but not more than 1 years	56,764.35
Over 1 year but not more than 5 years	97,220.02
Over 5 years	124,915.29
	394,993.35
Bill purchased and discounted	19,989.45
Total	**414,982.80**

Annexure-VI: Impaired and Past Due Loans

(*BDT in Million*)

Major Counterparty Type	Status-wise amount of impaired/ classified loans				Total
	SMA	Substandard	Doubtful	Bad/Loss	
Continuous Loan	679.06	3,929.20	1,418.12	9,358.76	**15,385.14**
Demand Loan	756.25	1,293.92	6.29	591.73	**2,648.20**
Term Loan	8,179.75	2,724.24	335.93	13,042.26	**24,282.17**
Other Loan	0.00	109.55	191.36	33.08	**334.00**
Total	**9,615.06**	**8,056.91**	**1,951.70**	**23,025.83**	**42,649.50**

Annexure-VII: Interest Rate Risk in the Banking Book

(BDT in Million)

CRAR before-shock (%)	**11.82**		
Interest rate stress	Minor	Moderate	Major
Assumed change in interest rate	**1.00%**	**2.00%**	**3.00%**
Net interest income impact			
<12 months	333.80	667.60	1,001.40
Capital after-shock	42,467.80	42,801.60	43,135.40
CRAR after-shock (%)	**11.91**	**12.00**	**12.10**
Change in CRAR after-shock (%)	0.09	0.19	0.28
Repricing impact			
Change in the value of the bond portfolio	-1,614.65	-3,229.31	-4,843.96
Capital after-shock	40,853.15	39,572.30	38,291.44
CRAR after-shock (percent)	**11.46**	**11.10**	**10.74**
Change in CRAR after-shock (%)	-0.45	-0.91	-1.36
Overall change in CRAR (NII and repricing impact,%)	-0.36	-0.72	-1.08