

Market Disclosure under Basel - II
As on 31st December 2012 (As per Guideline of Bangladesh Bank)
(Consolidated basis)

a) Scope of application

Qualitative Disclosures	(a)	The name of the top corporate entity in the group to which this guidelines applies.	International Finance Investment & Commerce Bank Limited (IFIC Bank Limited)
	(b)	An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities ¹ 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).	IFIC Bank previously serving as a finance company since 1976 was converted and incorporated as a full-fledged banking company in 1983. It has two wholly owned Subsidiary Companies: IFIC Securities Limited incorporated to carry on the business of stock brokers, dealers in relation to shares and other securities and IFIC Money Transfer (UK) Limited to conduct money service business including international money transfers specially for remitting the hard-earned money of expatriates to home. Both the subsidiaries had started its business operations since the year 2011 after getting necessary approval from respective regulatory authorities at home and abroad.
	(c)	Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.	Transfer of funds or regulatory capital can be performed as per directives of the regulatory bodies.
Quantitative Disclosures	(d)	The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the name(s) of such subsidiaries.	<i>Figs in crore Tk.</i> Nil

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 Tier 1 or in Tier 2.	Paid-up Capital of the Bank is already above minimum requirement of Tk. 200.00 crore to be raised before August, 2011 as per the directives of Bangladesh Bank under Tier-I Capital. Government of Bangladesh holds about 32.75% of the shareholdings, Directors and sponsors hold 8.37% and the rest is held by general public. The Bank has the option of raising capital by issuing Right Shares or Subordinate Bonds. Moreover, the bank has statutory reserve required as per the directives of Bangladesh Bank, general reserve, retained earnings under Tier-I Capital. In addition, Tier-II capital includes general provision as per directives of Bangladesh Bank, asset and securities revaluation reserve up to 50%, provision for Off-Balance Sheet exposure.
Quantitative Disclosures	(b)	The amount of Tier 1 capital, with separate disclosure of: Paid up capital Non-repayable share premium account Statutory reserve General reserve Retained earnings Minority interest in subsidiaries Non-cumulative irredeemable preference shares Dividend equalization account Total amount of Tier 1 capital	<i>Figs in crore Tk.</i> 346.05 0.00 283.25 5.58 49.87 0.00 0.00 0.00 684.75
	(c)	The total amount of Tier 2 and Tier 3 capital.	118.50
	(d)	Other deductions from capital.	0.00
	(e)	Total eligible capital.	803.25

c) Capital Adequacy

<p>Qualitative Disclosures</p>	<p>(a) A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities.</p>	<p>According to BB Guidelines IFIC Bank is assessing Risk Based Capital Adequacy under Basel-II from 1st January, 2010. Under Basel-II 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). IFIC Bank has maintained Capital Adequacy Ratio of 10.21% as on December 31, 2012, whereas Minimum Capital Requirement (MCR) is 10% from 1st July, 2011 as per BRPD circular No.10 dated March 10, 2010. The Bank has thus maintained some excess capital than the minimum requirement of 10%. However, the Bank is continuously evaluating its capital position in comparison to its risk weighted assets position and exploring ways and means to raise capital both internally and externally.</p>
<p>Quantitative Disclosures</p>	<p>(b) Capital requirement for Credit Risk (c) Capital requirement for Market Risk (d) Capital requirement for Operational Risk (e) Total and Tier 1 capital ratio: • For the consolidated group; and • For stand alone</p>	<p style="text-align: right;"><i>Figs in crore Tk.</i></p> <p style="text-align: right;">632.62 73.92 80.40 85.25% 85.04%</p>

d) Credit Risk

<p>Qualitative Disclosures</p>	<p>(a) The general qualitative disclosure requirement with respect to credit risk, including:</p> <ul style="list-style-type: none"> • Definitions of past due and impaired (for accounting purposes); • Description of approaches followed for specific and general allowances and statistical methods; • Discussion of the bank's credit risk management policy; and 	<p>The unsecured portion of any claim or exposure that is past due for 90 days or more net of specific provisions is known as Past Due claims.</p> <p>Specific provision and General provision have been maintained as per Bangladesh Bank's circulars in this context. Risk Weighted Assets have been calculated under the Standardized Approach for Credit Risk.</p> <p>The Bank has a sound Credit Risk Management Policy guideline with detailed procedures of loan approval and disbursement, credit administration and credit risk grading etc. which is strictly followed at all levels.</p>
<p>Quantitative Disclosures</p>	<p>(b) Total gross credit risk exposures broken down by major types of credit exposure.</p> <p>(c) Geographical distribution of exposures, broken down in significant areas by major types of credit exposure.</p> <p>(d) Industry or counterparty type distribution of exposures, broken down by major types of credit exposure.</p> <p>(e) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.</p>	<p>Details in Annexure-1</p> <p>Details in Annexure-2</p> <p>Details in Annexure-3</p> <p>Details in Annexure-4</p>

		<i>(Figs. in crore)</i>
(g)	• Amount of impaired loans and if available, past due loans, provided separately;	SMA- 128.65
		SS- 63.06
		DF- 20.01
		B/L- 326.49
	• Specific and general provisions; and	296.36
	• Charges for specific allowances and charge-offs during the period.	120.83
	Gross Non Performing Asset (NPAs)	409.56
	Non Performing Assets (NPAs) to Outstanding Loans & advances	5.22%
	Movement of Non Performing Assets (NPAs)	
	Opening balance	257.81
Additions	284.12	
Reductions	-132.37	
Closing balance	409.56	
Movement of specific provisions for NPAs		
Opening balance	100.20	
Provisions made during the period	120.83	
Write-off	-	
Write-back of excess provisions	-	
Closing balance	221.03	

e) Equities: Disclosures for Banking Book Positions

Figs in crore Tk.

<p>Qualitative Disclosures (a)</p>	<p>The general qualitative disclosure requirement with respect to equity risk, including:</p> <ul style="list-style-type: none"> • differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and • 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. 	<p>Differentiation between holdings of equities for capital gain and those taken under other objectives is being clearly identified. The equity positions are reviewed periodically by the senior management.</p> <p>Important policies covering equities valuation and accounting of equity holdings in the Banking Book are based on use of the cost price method for valuation of equities. Preference is given to purchase of shares of strong companies at face value through placement/ IPO.</p>
<p>Quantitative Disclosures</p>	<p>(b) 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 where the share price is materially different from fair value.</p> <p>(c) The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.</p> <p>(d) • Total unrealized gains • Total unrealized losses • Any amounts of the above included in Tier 2 capital.</p> <p>(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.</p>	<p style="text-align: right;"><i>Figs in crore Tk.</i></p> <p>Cost price of quoted shares : 390.93 Fair value of quoted shares : <u>332.46</u> Decrease value : (58.47) =====</p> <p>Realized Gains from sale of shares = 26.97 crore</p> <p style="text-align: right;">35.57 94.04 Nil</p> <p>Capital charge for Equity Exposure assessed for total amount without group segregation = 60.88</p>

f) Interest rate risk in the banking book (IRRBB)

<p>Qualitative Disclosures (a)</p>	<p>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.</p>	<p>Interest Rate Risk is managed through 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. The ALCO formulates the policy and strategy depending on the market conditions to maximize Net Interest Income.</p>
<p>Quantitative Disclosures (b)</p>	<p>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).</p>	<p style="text-align: right;"><i>Figs in crore Tk.</i></p> <p>1) At 1% increase in Interest Rate, fall in MVE (Market Value of Equity)=45.27</p> <p>2) At 2% increase in Interest Rate, fall in MVE (Market Value Equity) = 90.55</p> <p>3) At 3% increase in Interest Rate, fall in MVE (Market Value Equity) = 135.83</p>

g) Market risk

<p>Qualitative Disclosures</p>	<p>(a) Views of BOD on trading/investment activities</p> <p>Methods used to measure Market risk</p> <p>Market Risk Management system</p>	<p>The trading/investment activities in IFIC Bank Limited are managed cautiously so that maximum returns are obtained without taking undue risks.</p> <p>The Bank uses the Standardized Approach to calculate the Market Risk for Trading Book Exposures.</p> <p>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.</p>
	<p>Policies and processes for mitigating market risk</p>	<p>The policy contains sound Portfolio management procedures and good practices such as minimizing risks through diversification of portfolio.</p>

Quantitative Disclosures	(b)	The capital requirements for:	<i>Figs in crore Tk.</i>
		Interest rate risk;	0.47
		Equity position risk;	67.39
		Foreign exchange risk; and	6.06
		Commodity risk.	0.00

h) Operational risk

Qualitative Disclosures	(a)	Views of BOD on system to reduce Operational Risk	<p>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. The following procedures are maintained in the Bank:</p> <ul style="list-style-type: none"> - 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 loss data is collected and reported to the senior management. Identifying, monitoring and recording of fraud, irregularities, unauthorized works, system break down 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	Performance goals are most often attained by executives and staff with a few exceptions.
		Potential external events	N/A
		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 for effectively identifying, assessing, monitoring and controlling and mitigating operational risk. Operational risks in the Bank are managed through comprehensive and well articulated internal control frameworks.
		Approach for calculating capital charge for operational risk	Basic Indicator Approach
Quantitative Disclosures	(b)	The capital requirements for operational risk	<i>Figs in crore Tk.</i> 80.40

Annexure-1

**Quantitative Disclosures on
Major types of Credit Exposures
(As per Consolidated basis)
As on 31st December 2012**

Particulars	Amount in Crore Tk.
	2012
Claim on Corporate	2,653.85
Claims on Banks and NBFIs	982.68
Claims fully secured by Commercial real estate	816.96
Claims fully secured by residential property	687.44
Claims categorized as retail portfolio & SME	1,161.38
Claims on Bangladesh Government and Bangladesh Bank	1,673.66
All other assets	313.63
Claims under Credit Risk Mitigation	368.71
Past Due Claims	141.26
Investments in premises, plant and equipment and all other fixed assets	236.76
Claims on OBU	42.99
Capital Market Exposure	273.86
Cash	190.29
Claims on all fixed assets under operating lease	82.16
Consumer Loan	64.94
Claims on Public Sector Entities	11.80
Unlisted Equity Investment	6.66
Total:	9,709.03

**Quantitative Disclosures on Geographical
Distribution of Credit Exposures
As on 31st December 2012**

Division-wise	Amount in Crore Tk.	Percentage (%)
Dhaka Division	5,631.09	71.78%
Chittagong Division	1,351.66	17.23%
Sylhet Division	55.81	0.71%
Rajshahi Division	467.65	5.96%
Khulna Division	202.75	2.58%
Barishal Division	30.29	0.39%
Rangpur Division	105.37	1.34%
Total	7,844.63	100.00%

**Quantitative Disclosures on industry
type distribution of credit exposures
As on 31st December 2012**

Sl. No.	Name of the Sector/Industry	Amount in Crore Tk.	Percentage
1	Agriculture Industries	64.35	0.82%
2	Jute Industries	56.17	0.72%
3	Textile Industries	311.44	3.97%
4	Garments Industries	958.97	12.22%
5	Chemical and Chemical Products	55.31	0.71%
6	Cement Industries	50.04	0.64%
7	Bricks & Ceramic	92.55	1.18%
8	Food Products and Processing	303.53	3.87%
9	Engineering & Metal	274.03	3.49%
10	Drugs & Pharmaceuticals	42.24	0.54%
11	Hospital & Clinics	127.76	1.63%
12	Paper & Paper Products Industries	67.52	0.86%
13	Other Small Industries	126.60	1.61%
14	IT Sector	15.26	0.19%
15	Other Service Industries	196.52	2.51%
16	Commerce & Trade	2,262.03	28.84%
17	IFIC Securities Ltd.	145.21	1.85%
18	Transport	21.13	0.27%
19	Construction Firms/Companies	373.20	4.76%
20	Housing Societies	760.14	9.69%
21	Cold Storage	13.72	0.17%
22	Non-Banking Financial Institutions	122.76	1.56%
23	Consumer Finance	521.77	6.65%
24	Energy	135.87	1.73%
25	Telecommunication	63.78	0.81%
26	Off-shore Banking	42.99	0.55%
27	Others	639.74	8.16%
	Total	7,844.63	100.00%

Annexure – 4

**Quantitative Disclosures on
Residual maturity of Credit exposures
As on 31st December 2012**

(Tk. in Crore)

Loans & Advances	Amount in Crore Tk.	Percentage
Repayable on demand	125.24	1.60%
Not more than 3 Months	3,068.17	39.11%
Over 3 Months but not more than 12 Months	2,558.75	32.62%
Over 1 year but not more than 5 Years	1,292.92	16.48%
Over 5 Years	799.56	10.19%
Total	7,844.63	100.00%