

Market Discipline- Disclosures on **Risk Based Capital**

For the year ended

31 December 2025

As per the 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 2025

(As per Guideline of Bangladesh Bank) (Consolidated basis)

IFIC Tower

61, Purana Paltan

Dhaka-1000

Bangladesh

Section-1: Introduction

1.1 Overview

IFIC Bank PLC (“the Bank”) is a scheduled commercial bank in Bangladesh, operating under the regulatory and supervisory framework of Bangladesh Bank. The Bank is required to maintain adequate capital and disclose relevant financial and risk information in accordance with the guidelines on **Risk-Based Capital Adequacy (Revised Regulatory Capital Framework for Banks in line with Basel III)** issued by Bangladesh Bank.

This report has been prepared in compliance with the **Pillar III Market Discipline Disclosure Requirements**, which aim to enhance transparency in financial reporting, strengthen market discipline, and provide stakeholders with a comprehensive understanding of the Bank’s risk profile, capital adequacy, and risk management practices.

The disclosures contained in this report are aligned with:

- Bangladesh Bank’s Basel III guidelines
- International best practices as prescribed by the **Basel Committee on Banking Supervision (BCBS)**

1.2 Reporting Scope and Basis

This Pillar III disclosure has been prepared for the reporting date **31 December 2025**.

The report covers both:

- **Solo basis:** IFIC Bank PLC (standalone entity)
- **Consolidated basis:** IFIC Bank PLC and its subsidiaries (where applicable)

All financial figures disclosed in this report are presented in **Bangladeshi Taka (BDT)**, unless otherwise stated.

The disclosures are based on regulatory returns and audited/management financial statements prepared in accordance with applicable accounting standards and Bangladesh Bank reporting requirements.

1.3 Regulatory Capital Framework

The Bank follows the **standardized approaches** prescribed by Bangladesh Bank for measuring capital adequacy:

- **Credit Risk:** Standardized Approach (SA)
- **Market Risk:** Standardized Measurement Method
- **Operational Risk:** Standardized Approach (Basic Indicator / Standardized as applicable)

The Bank does not currently apply Internal Ratings-Based (IRB) approaches for regulatory capital calculation.

1.4 Objectives of Pillar III Disclosure

The key objectives of this report are to:

- Provide market participants with key information on the Bank’s capital structure and adequacy
- Enhance transparency regarding the Bank’s risk exposures and risk management practices
- Promote market discipline through meaningful disclosure
- Support stakeholders in assessing the Bank’s financial strength and risk profile

1.5 Frequency and Validation

This disclosure is prepared on a **yearly basis**, in line with Bangladesh Bank requirements.

The report is subject to internal review and governance processes to ensure:

- Accuracy and consistency with regulatory submissions
- Compliance with applicable disclosure requirements
- Alignment with the Bank's internal risk management framework

1.6 Linkage with Internal Capital Adequacy Assessment Process (ICAAP)

The Bank's Pillar III disclosures are closely aligned with its **Internal Capital Adequacy Assessment Process (ICAAP)**, which serves as a key component of the overall risk management and capital planning framework.

The ICAAP provides a forward-looking assessment of the Bank's capital adequacy in relation to its risk profile, strategic objectives, and operating environment. It incorporates both **quantitative and qualitative assessments** of material risks, including those not fully captured under the regulatory capital framework, such as concentration risk, liquidity risk, interest rate risk in the banking book, and strategic risk.

The Pillar III report complements the ICAAP by:

- Providing transparent disclosure of the Bank's regulatory capital position and risk exposures
- Reflecting key risk drivers and capital consumption trends
- Supporting stakeholders' understanding of the Bank's capital adequacy under both current and stressed conditions

The Bank ensures consistency between:

- **Regulatory capital reporting (Pillar I)**
- **Supervisory review and ICAAP (Pillar II)**
- **Market discipline disclosures (Pillar III)**

The ICAAP is subject to regular review and approval by the Board of Directors and is an integral part of the Bank's risk governance framework. The outcomes of ICAAP, including stress testing results and capital planning strategies, are considered in strategic decision-making and risk appetite setting.

Section 2: Overview of Key Metrics and Risk-Weighted Assets (RWA)

2.1 Key Prudential Metrics (KM1)

This section presents an overview of key regulatory metrics of IFIC Bank PLC in accordance with Bangladesh Bank's Risk-Based Capital Adequacy (RBCA) framework and Basel III Pillar III disclosure requirements.

The commentary below highlights the key movements in capital, risk-weighted assets (RWA), leverage, and liquidity indicators for the period ended December 2025 compared to December 2024.

Regulatory Capital

During the reporting period, the Bank experienced a significant contraction in its regulatory capital base, reflecting the prevailing stress conditions and balance sheet adjustments undertaken during the year.

- Both Common Equity Tier 1 (CET1) and Tier 1 capital declined by BDT 23,865.89 million (90.70%). This movement was primarily influenced by:
 - Earnings performance during the period, impacted by elevated credit costs and higher provisioning requirements

- Dividend distribution in line with regulatory permissions and internal policy considerations
- Changes in retained earnings along with regulatory adjustments, including prudential provisioning and other deductions as per Bangladesh Bank guidelines
- Total regulatory capital stood at BDT 10,643.33 million at end-December 2025. The movement in total capital was driven by:
 - Adjustments in Tier 2 capital instruments, including changes in subordinated debt position
 - Applicable regulatory deductions in line with prevailing supervisory requirements

Overall, the reduction in capital levels is aligned with the Bank's current operating environment and reflects the impact of legacy asset quality challenges, increased provisioning requirements, and ongoing balance sheet realignment efforts. Management remains focused on capital restoration through internal profit generation, recovery initiatives, and potential capital augmentation measures.

Risk-Weighted Assets (RWA)

Total Risk-Weighted Assets stood at BDT 586,315.48 million as at December 2025, compared to BDT 503,831.67 million as at December 2024, reflecting an increase of BDT 82,483.81 million, or 16.37%.

The movement was mainly driven by:

- **Credit Risk RWA** increased to BDT 557,463.45 million, mainly reflecting changes in the credit portfolio, portfolio mix, and asset quality-related risk weights.
- **Market Risk RWA** remained broadly stable at BDT 14,156.61 million, reflecting limited movement in market-risk-sensitive exposures.
- **Operational Risk RWA** decreased to BDT 14,695.42 million, reflecting changes in the income base under the Basic Indicator Approach.

Overall, the increase in RWA was primarily attributable to credit risk, which remains the dominant component of the Bank's risk-weighted asset base. The Bank continues to review portfolio quality, risk weights, and capital efficiency as part of its capital management and recovery-focused strategy.

Leverage Ratio

The leverage ratio stood at 0.41% as at December 2025, compared to 4.60% as at December 2024, reflecting a decline of 4.19 percentage points.

The movement was mainly driven by the significant reduction in Tier 1 capital during the period, while the overall exposure base remained material. This reflects the Bank's current stress condition and the impact of elevated provisioning, regulatory adjustments, and capital depletion.

Management continues to monitor the leverage position closely and remains focused on capital restoration, balance sheet optimization, and strengthening the Bank's loss-absorption capacity over time.

Liquidity Coverage Ratio (LCR)

- LCR stood at 236.13% (Regulatory minimum: 100%)

Movement driven by:

- Change in High Quality Liquid Assets (HQLA)
- Change in net cash outflows

Net Stable Funding Ratio (NSFR)

- NSFR stood at 115.98%

Movement driven by:

- Changes in deposit base (retail vs wholesale)
- Changes in loan portfolio composition

KM1: Key Metrics

Particular	Dec-24	Dec-25
CET1	26,330.86	2,445.57
Tier 1	26,330.86	2,445.57
Total Capital	36,621.72	10,643.33
RWA- Credit	473,884.59	557,463.45
RWA- Market	14,196.64	14,156.61
RWA- Operations	15,750.44	14,695.42
CRAR	7.27%	1.82%
Leverage Ratio	4.60%	0.41%
LCR	172.56%	236.13%
NSFR	112.56%	115.98%

2.2 Overview of Risk-Weighted Assets (OV1)

The following table presents the composition of RWA by risk type in accordance with Bangladesh Bank RBCA guidelines.

OV1: Overview of RWA

Risk Type	RWA (Current)	RWA (Previous)	Minimum Capital Requirement (10%)
Credit Risk	557,463.45	473,884.59	55,746.34
Market Risk	14,156.61	14,196.64	1,415.66
Operational Risk	14,695.42	15,750.44	1,469.54
Total RWA	586,315.48	503,831.67	58,631.55

Commentary on RWA Composition

- **Credit Risk** remains the dominant component of total RWA, contributing **95%** of total RWA.
- **Operational Risk** accounts for **3%**, calculated under **Basic Indicator Approach (BIA)**.
- **Market Risk** remains relatively moderate

2.3 Exposure at Default (EAD) and RWA by Asset Class

The following table provides a breakdown of exposures and RWA by major asset classes (i.e. loans and advance), aligned with Basel III disclosure principles.

EAD and RWA by Asset Class

Asset Class	EAD (BDT million)	RWA (BDT million)
Capital market exposure	2,367.30	1,478.90
Claims fully secured by Residential Property	41,851.50	23,472.00
Claims on banks and non-bank financial institutions	584.90	260.60
Claims on Corporate	75,485.50	60,650.10
Claims on SME	8,137.6	6,796.20
Claims under Retail Exposure	1,336.70	920.40
Consumer Loans	11,260.40	3,500.40
Past due claims	301,129.90	397,708.50
Staff loan/Investment	1,141.20	223.60
Grand Total	443,295.00	495,010.90

Commentary

The Bank's Risk-Weighted Assets (RWA) profile reflects a concentration in credit risk exposures, with notable variation across asset classes driven by differences in risk characteristics and applicable regulatory risk weights.

- **Corporate exposures** continue to constitute a significant portion of the performing portfolio, contributing meaningfully to both Exposure at Default (EAD) and RWA. These exposures remain a core component of the Bank's lending activities, with risk weights broadly aligned to counterparty creditworthiness and collateral structure.
- **Retail and SME segments** provide portfolio diversification; however, these segments typically attract relatively higher risk weights due to their unsecured or partially secured nature. As a result, their contribution to RWA is proportionately higher relative to their share in total exposure.
- **Consumer lending and residential mortgage exposures** demonstrate differentiated risk profiles. While mortgage-backed exposures benefit from lower regulatory risk weights due to collateralization, unsecured consumer lending contributes comparatively higher RWA intensity.
- **Sovereign and interbank exposures** remain limited in proportion and continue to attract lower risk weights in line with Bangladesh Bank guidelines, thereby contributing marginally to total RWA.
- A **notable driver of overall RWA** is the level of **past due and classified exposures**, which account for a significant share of total RWA relative to their EAD. This reflects the application of higher regulatory risk weights and provisioning-linked adjustments associated with deteriorated asset quality.

Overall, the Bank's RWA profile is influenced by a combination of portfolio mix, asset quality dynamics, and regulatory risk weight application. Management remains focused on improving asset quality, optimizing portfolio composition, and enhancing risk-adjusted returns as part of its broader capital restoration and risk management strategy.

2.4 Key Observations (CRO Perspective – Recommended)

- The Bank's capital position has weakened materially during the period, primarily driven by elevated credit costs, high provisioning requirements, and legacy asset quality challenges.
- Risk-Weighted Assets (RWA) growth is predominantly credit-driven, with a significant concentration in higher-risk exposures, particularly past due and classified assets, indicating continued pressure on capital adequacy.
- The sharp decline in leverage ratio reflects erosion in Tier 1 capital against a relatively stable exposure base, highlighting the need for urgent balance sheet optimization and capital rebuilding.
- Asset quality remains the most critical risk driver, with a high proportion of non-performing and past due exposures materially inflating RWA and constraining capital efficiency.
- Despite capital stress, the Bank maintains strong liquidity buffers, with LCR and NSFR comfortably above regulatory thresholds, providing short- to medium-term resilience.
- Portfolio concentration in corporate and stressed segments underscores the need for diversification towards lower-risk and granular exposures, including retail and secured lending.
- Management focus remains on capital restoration through recovery of non-performing assets, disciplined credit underwriting, and potential capital augmentation initiatives.
- Strengthening risk governance, early warning systems, and recovery frameworks will be critical to stabilizing asset quality and improving risk-adjusted returns going forward.

A) SCOPE OF APPLICATION

Qualitative Disclosures		
(a)	The name of the top corporate entity in the group to which this guideline 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).	<p>Brief Description of the Subsidiaries:</p> <ol style="list-style-type: none"> 1. IFIC Securities Limited [IFICSL]: IFIC Securities Limited, a 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 are remitting/transfer money and related services on behalf of its customers. 3. IFIC Investment Limited [IFICIL]: IFIC Investment Limited, a 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. <p>Brief Description of the Joint Ventures/ Associates of the Bank:</p> <ol style="list-style-type: none"> 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 are, 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

		<p>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.</p> <p>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.</p> <p>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.</p> <p>Basis for Consolidation: The consolidated financial statements include the financial statements of IFIC Bank PLC and its subsidiaries, IFIC Securities Limited and IFIC Investment Limited, operating in Bangladesh and IFIC Money Transfer (UK) Limited operating in United Kingdom as those of a single economic entity. The separate financial statements are derived by combining the financial statements of main operation of IFIC Bank PLC as Domestic Banking Unit and the financial statements of Off-shore Banking Unit (OBU) in equivalent BDT denomination as per BRPD circular no 2 dated 25 February 2019. The consolidated and separate financial statements have been prepared in accordance with IFRS 10: Consolidated Financial Statements and IAS 27: Separate Financial Statements respectively. The consolidated financial statements are prepared to a common year ended 31 December 2025. Both consolidated financial statements and separate financial statements of the Bank comprises Balance Sheet, Profit & Loss Statement, Cash Flow Statement, Statement of Changes in Equity and relevant notes and disclosures.</p>
(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
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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.	<p>Under Basel-III capital adequacy framework, total regulatory capital of a bank is 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.</p> <p>Banks are required to maintain a capital conservation buffer of 2.50% during the year 2025, above the regulatory minimum capital requirement of 10%. Banks may distribute dividends as per the DOS Circular no. 1 and 7 of 2021 and DOS Circular no. 1 of 2025. 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.</p>
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Quantitative Disclosures

(b)	The amount of Regulatory capital, with separate disclosure of:		
		<i>BDT in Million</i>	
	CET1 Capital	<i>Solo</i>	<i>Consolidated</i>
	Fully Paid-up Capital	19,220.87	19,220.87
	Statutory Reserve	9,353.91	9,456.37
	General Reserve	155.07	155.07
	Retained Earnings	<u>(23,459.75)</u>	<u>(19,709.16)</u>
	Total [A]	5,270.10	9,123.15
	Additional Tier 1 Capital	[B]	Nil
	Total Tier 1 Capital	[C]=[A]+[B]	9,123.15
	Tier 2 Capital	General Provision	3,197.76
		Sub-ordinated Debt	5,000.00
	Total [D]	8,197.76	8,484.14
(c)	Regulatory Adjustments / Deductions from capital	Deferred tax assets (DTA) ¹	2,824.53
	Total [E]	2,824.53	2,824.53
(d)	Total eligible capital	[F]=[C]+[D]-[E]	10,643.33
		14,782.76	14,782.76

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.	<p>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.</p> <p>IFIC Bank has maintained Capital to Risk-weighted Asset Ratio (CRAR) of 2.45% as on 31 December 2025, whereas Minimum Capital Requirement (MCR) is 10% as per BRPD circular No.18 dated 21 December 2014. 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.</p>		
Quantitative Disclosures				
(b)	Capital requirement for Credit Risk		BDT in Million	
			<i>Solo</i>	
			<i>Consolidated</i>	
		On-Balance Sheet	54,006.84	55,571.25
	Off-Balance Sheet	1,739.51	1,739.51	
	Total	55,746.34	57,310.75	
(c)	Capital requirement for Market Risk	Interest Rate Related Instruments	86.16	86.16
		Equities	1,199.62	1,199.62
		Foreign Exchange Position	129.89	129.89
		Commodities	Nil	Nil
		Total	1,415.66	1,415.66
(d)	Capital requirement for Operational Risk		1,469.54	1,554.58
(e)	Total capital, CET1 capital, Total Tier 1 capital and Tier 2 capital ratio: • For the consolidated group • For stand alone	Ratios		
		Total Capital	1.82%	2.45%
		CET1 Capital	0.42%	1.04%
		Total Tier 1 Capital	0.42%	1.04%
	Total Tier 2 Capital	1.40%	1.41%	
(f)	Capital Conservation Buffer	<p>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 2025 is 12.50%. IFIC Bank maintained CCB 0.00% over minimum requirement 10.00% for the year 2025.</p>		

(g)	Available Capital under Pillar 2 Requirement	<i>BDT in Million</i>	
		<i>Solo</i>	<i>Consolidated</i>
	Total Eligible Regulatory Capital [A]	10,643.33	14,782.76
	Minimum Capital Requirement under Pillar 1[B]	58,631.55	60,281.00
	Capital Conservation Buffer[C] ²	<u>14,657.89</u>	<u>15,070.25</u>
	Minimum Capital Requirement including CCB[D=B+C]	73,289.44	75,351.25
	Available/(Shortfall) Capital for Pillar 2 [E=A - D]	(62,646.11)	(60,568.49)

Note: Bangladesh Bank, vide letter no. BSD-10 (21)/2026-424 dated 30 April 2026 has allowed forbearance for BDT 215,784.80 million to IFIC Bank on maintaining of provision against Loans and Advances as on 31 December 2025.

D) CREDIT RISK

Qualitative Disclosures

The general qualitative disclosure requirement with respect to credit risk, including:	
(a)	<ul style="list-style-type: none"> Definitions of past due and impaired (for accounting purposes) <p>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.</p> <p>Definition of past due/overdue:</p> <ol style="list-style-type: none"> 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; 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; In case of any installment(s) or part of installment(s) of a Fixed Term Loan is not repaid within the fixed expiry date / due date, the amount of unpaid installment(s) will be treated as past due / overdue from the following day of the due date; 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.

²As per BB directive, it is applicable at 2.50% for the year 2025.

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.

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 06 (six) 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 of 06 (six) 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 06 (six) 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 / due date, the amount of unpaid installment(s) will be treated as past due/ overdue from the following day of the due 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 period of 03 (three) months or beyond but less than 06 (six) 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 06 (six) 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

	<p>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.</p> <p><i>Loan classification of Cottage, Micro and Small Credits under CMSME:</i></p> <p>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)".</p> <p>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)".</p> <p>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)".</p>
<ul style="list-style-type: none"> • Description of approaches followed for specific and general allowances and statistical methods 	<p>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).</p>
<ul style="list-style-type: none"> • Discussion of the bank's credit risk management policy 	<p>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.</p>

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.
	• Specific and general provisions		BDT in Million
		Specific provision	7,928.51
	General provision	3,197.76	
(g)	• Charges for specific allowances and charge-offs during the period		
		Specific provision	(5,499.66)
		General provision	(93.07)
	Non-Performing Assets (NPAs):		
		BDT in Million	
	Gross non-performing assets (NPAs)	272,505.35	
	Non-Performing Assets (NPAs) to Outstanding Loans & advances	61.47%	
	Movement of Non-Performing Assets (NPAs)		
	Opening balance	245,856.13	
	Additions	40,402.66	
	Reductions	(13,753.44)	
	Closing balance	272,505.35	
	Movement of specific provisions for NPAs		
	Opening balance	13,428.16	
	Provisions made during the period	93.10	
	Recoveries of amounts previously written off	Nil	
	Write-off	(5,592.76)	
	Write-back of excess provisions	Nil	
	Provision transferred to general reserve	Nil	
	Closing balance	7,928.51	

E) Equities: Disclosures for Banking Book Positions

Qualitative Disclosures

(a)	i. The general qualitative disclosure requirement with respect to equity risk, including:	
	<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 	<p>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:</p> <ol style="list-style-type: none"> 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.
<ul style="list-style-type: none"> 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>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.</p>

Quantitative Disclosures

		<i>BDT in Million</i>
(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.	Cost price of quoted shares
		Fair value of quoted shares
		Increase/(Decrease) in value
		(1,336.48)
(c)	iii. The cumulative realized gains (losses) arising from sales and liquidations in the reporting period	3.85
(d)	• Total unrealized gains (losses)	(1,679.12)
	• 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		<i>BDT in Million</i>
Specific Risk		599.81
General Market Risk		599.81
Total		1,199.62

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.	<p>Interest Rate Risk (IRR) is managed through Gap analysis, which evaluates the difference between rate-sensitive assets and liabilities. This risk is continuously monitored using prudential limits and stress testing. The Interest Rate Risk in the Banking Book (IRRBB) is assessed monthly by analysing rate fluctuations and their impact on Net Interest Income (NII). IRR arises when market interest rate changes negatively affect a bank's financial position, influencing both short-term earnings (earnings perspective) and long-term net worth (economic value perspective).</p> <p>One of the primary sources of interest rate risk is re-pricing risk, which occurs when assets and liabilities re-price at different intervals. This risk is typically measured by comparing the volume of assets and liabilities that mature or re-price within a specified period. In the short run, fluctuations in interest rates directly impact a bank's NII, whereas in the long term, these changes affect the cash flows of assets, liabilities, and off-balance sheet items. This leads to potential risks for the bank's net worth due to re-pricing mismatches and other interest rate-sensitive positions. The Asset-Liability Committee (ALCO) formulates policies and strategies based on market conditions to optimize Net Interest Income.</p>

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	<p>IFIC Bank PLC manages its trading and investment activities with caution to ensure maximum returns while avoiding excessive risk. The Board is responsible for approving all market risk policies, setting limits, and regularly reviewing compliance. The primary goal is to secure cost-effective funding to support asset growth and trade-related transactions. Market risk refers to the potential loss of assets in both balance sheet and off-balance sheet positions due to fluctuations in key market variables such as interest rates, exchange rates, and prices. To mitigate these risks, capital allocation is necessary to cover exposures arising from changes in interest rates and equity prices within the bank's trading book, as well as risks associated with fluctuations in foreign exchange rates and commodity prices across the bank's overall operation.</p> <p>The market risk covers the followings risks of the Bank's balance sheet:</p> <ol style="list-style-type: none"> 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

	<p>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'.</p> <p>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.</p> <p>In Standardized (rule based) Approach the capital requirement for various market risks (interest rate risk, price, and foreign exchange risk) are determined separately.</p> <p>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.:</p> <ol style="list-style-type: none"> 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	<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>
Policies and processes for mitigating market risk	<p>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:</p> <ul style="list-style-type: none"> ▪ 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: <ol style="list-style-type: none"> i. Market Analysis: Market analysis over interest rate movements is 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.

delivers a comprehensive portfolio of competency-based programs aimed at closing skill gaps, enhancing professional proficiency, and improving operational effectiveness

These initiatives include structured foundation programs for Management Trainees and Trainee Assistant Officers, designed to build essential banking knowledge and practical skills. In parallel, specialized training in General Banking, Credit Management, and Foreign Exchange is systematically developed to address the evolving requirements of the financial sector.

To ensure adherence to regulatory frameworks and best practices, IFIC Bank PLC collaborates with esteemed institutions such as the Bangladesh Bank Training Academy (BBTA), Bangladesh Institute of Bank Management (BIBM), Bangladesh Association of Banks (BAB), Metropolitan Chamber of Commerce and Industry (MCCI), and Bangladesh International Arbitration Center (BIAC), Bangladesh Foreign Exchange Dealers Association (BFEDA), J.P. Morgan, Bangladesh Financial Intelligence Unit (BFIU), Bureau Veritas (Bangladesh) Private Limited, The Institute of Chartered Accountants of Bangladesh, ISACA Dhaka Chapter, Asian Development Bank (ADB), Malaysian Institute of Management (MIM), World Bank etc. Our compliance training, particularly in Anti-Money Laundering (AML) and Information and Communication Technology (ICT), Negotiation, Mediation and Arbitration Strategy is strategically designed to align with Bangladesh Bank policies and guidelines, reinforcing ethical banking practices and risk mitigation.

As one of the oldest private-sector training institutions in the country, IFIC Bank Training Institute continues to operate as a center of excellence. It offers access to a well-resourced professional library, modern training infrastructure, and faculty comprising experienced industry practitioners. Covering a wide range of disciplines including banking, economics, accounting, management, and marketing, the Institute ensures comprehensive and continuous development for employees across all levels.

IFIC Bank remains steadfast in its mission to nurture a culture of continuous learning, professional growth, and leadership excellence. By equipping employees with the knowledge, skills, and confidence to navigate an ever-evolving industry landscape, we reinforce our commitment to innovation, adaptability, and long-term success.

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.

	<ul style="list-style-type: none"> ▪ 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 framework.
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

		<i>BDT in Million</i>	
		<i>Solo</i>	<i>Consolidated</i>
(b)	The capital requirements for operational risk:	1,469.54	1,554.58

D) LIQUIDITY RATIO

Qualitative Disclosures

(a)	Views of BOD on system to reduce liquidity Risk	<p>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.</p> <p>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.</p>
	Methods used to measure Liquidity risk	<p>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.</p> <ul style="list-style-type: none"> ▪ 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

	<p>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.</p> <p>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.</p>
Liquidity risk management system	<p>At IFIC Bank PLC, liquidity risk is primarily managed at the management level by the Treasury Division (Front Office) under the supervision of the Asset Liability Committee (ALCO), which is led by the Managing Director along with other senior executives. The Treasury Division (Front Office) reviews overall funding requirements daily and formulates strategies to ensure a stable and adequate liquidity position. This is done by considering key factors such as the bank’s approved credit-deposit ratio, liquid assets to total assets ratio, asset-liability maturity profile, profitability, and overall market conditions and sentiment.</p> <p>Additionally, the Basel Unit plays a crucial role in monitoring and measuring liquidity risk in accordance with Basel III liquidity measurement tools, including the Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), and Leverage Ratio. The unit regularly assesses key issues and provides strategic recommendations to relevant divisions to ensure compliance with Basel III liquidity standards.</p>
Policies and processes for mitigating liquidity risk	<p>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:</p> <ul style="list-style-type: none"> ▪ To maintain CRR <ol style="list-style-type: none"> 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

	<p>by way of investment in approved securities.</p> <ul style="list-style-type: none"> ▪ 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- <ul style="list-style-type: none"> 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.
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Quantitative Disclosures

(b)	<i>BDT in Million</i>
Liquidity Coverage Ratio (LCR)	236.13%
Net Stable Funding Ratio (NSFR)	115.98%
Stock of high quality liquid assets	102,444
Total net cash outflows over the next 30 calendar days	43,384
Available amount of stable funding	473,585
Required amount of stable funding	407,963

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	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

Quantitative Disclosures

(b)	<i>BDT in Million</i>	
	<i>Solo</i>	<i>Consolidated</i>
Leverage Ratio	0.41%	1.05%
Tier-1 Capital (Considering all regulatory adjustments)	2,445.57	6,298.62
On balance sheet exposure	578,473.61	584,359.86
Off B/S exposure	20,578.23	20,578.23
Total deduction from On and Off-balance sheet exposure/Regulatory adjustments made to Tier – 1 Capital	2,824.53	2,824.53
Total exposure	596,227.31	602,113.56

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 determines the remuneration structure of the Bank. Based on the Board's approval, Human Resource Management Division centrally disburses remuneration, under the supervision of the Bank's Management.
	External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.	The Bank does not engage any external consultants for remuneration-related advice. However, external market data are informally considered while determining the 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.	The remuneration policy applies to IFIC Bank PLC., IFIC Securities Ltd., and IFIC Investment Ltd., covering all employees irrespective of business lines or cost centers. Separate remuneration arrangements are followed for 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	Members of the Management Committee (MANCOM) and the Senior Management Team (SMT) are generally 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 Bank follows a designation-based remuneration structure with defined ranges, designed to remain competitive in the market to attract and retain talent. Remuneration is directly linked to employees' annual performance. Based on performance ratings, annual increments—comprising inflationary adjustments and performance pay—are awarded.

	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.	The Bank does not have a separate remuneration committee. The Management reviews the remuneration structure annually, considering factors such as inflation and individual performance, and proposes adjustments for approval by 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 linked to individual performance. At the beginning of the year, mutually agreed targets and objectives are set for each employee, irrespective of posting or cost center. Performance is evaluated at year-end by the immediate supervisor and reviewed by the Performance Appraisal Review Committee. This ensures fair assessment, and that remuneration is independent of the businesses employees 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.	Business, compliance, and reputational risks are primarily considered in implementing remuneration measures for employees/groups of employees. Financial and liquidity risks are also taken into account.
	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 used to ensure fairness in pay. The approach aims to attract skilled talent, enhance employee motivation and productivity, and reduce turnover.
	A discussion of the ways in which these measures affect remuneration.	Annual performance evaluation considers both financial and non-financial indicators based on pre-defined criteria. As performance outcomes vary across employees, remuneration is accordingly differentiated.
	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.	No significant change has been made in the nature and type of performance-based remuneration measures over the past year. The existing system of performance-based pay continues to be applied to eligible employees based on individual performance. The framework remains focused on motivating talented employees and attracting suitable resources, with no material impact on the overall remuneration structure.
(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.	The Bank sets Key Performance Indicators (KPIs) at the organizational level, which are cascaded to branches and divisions and further translated into individual KPIs at branch and Head Office levels. These KPIs are aligned with the job responsibilities of each position.
	A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.	Annual performance pay is determined by considering both individual and bank-wide performance. Eligible employees receive a percentage-based adjustment on consolidated salary as part of the yearly increment, in addition to inflationary adjustment.

<p>A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak.</p>	<p>As remuneration is linked to performance, employees with lower performance ratings may receive reduced or no performance-based benefits.</p>	
(e)	<p>Description of the ways in which the bank seeks to adjust remuneration to take account of longer-term performance.</p>	
	<p>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.</p>	<p>Not applicable.</p>
	<p>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.</p>	<p>Not applicable.</p>
(f)	<p>Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms.</p>	
	<p>An overview of the forms of variable remuneration offered (i.e. cash, shares and share-linked instruments and other forms).</p>	<p>The Bank offers variable remuneration in two forms, both subject to Board approval and paid in cash. One is performance pay, which forms part of the annual increment along with COLA and is based on individual and bank performance, determined according to performance rating. The other is a one-time performance bonus, also based on performance rating and the Bank's performance.</p>
	<p>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.</p>	<p>The Bank does not have multiple variable remuneration components beyond performance pay (as part of yearly increment) and performance bonus, both based on performance rating. There is no differentiated mix across employees or groups.</p>

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*						
(h)	Number of employees having received a variable remuneration award during the financial year.	N/A						
	Number and total amount of guaranteed bonuses awarded during the financial year.	02 Festival Bonus & Pohela Boisakh Bonus for employee (Total amount BDT 11.21 Million)						
	Number and total amount of sign-on awards made during the financial year.	Nil						
	Number and total amount of severance payments made during the financial year.	Nil						
(i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	BDT in Million						
		<table border="0"> <tr> <td>Cash</td> <td style="text-align: right;">Nil</td> </tr> <tr> <td>Shares</td> <td style="text-align: right;">Nil</td> </tr> <tr> <td>Share-linked instruments</td> <td style="text-align: right;">Nil</td> </tr> <tr> <td>Other forms</td> <td style="text-align: right;">Nil</td> </tr> </table>	Cash	Nil	Shares	Nil	Share-linked instruments	Nil
Cash	Nil							
Shares	Nil							
Share-linked instruments	Nil							
Other forms	Nil							
	Total amount of deferred remuneration paid out in the financial year.	Nil						
(j)	Breakdown of amount of remuneration awards for the financial year to show:	BDT in Million						
	<ul style="list-style-type: none"> • fixed and variable. • deferred and non-deferred. • different forms used (cash, shares and share linked instruments, other forms). 	<p>11.21</p> <p>Nil</p> <p>Nil</p>						
(k)	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:							
	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.	Not applicable						
	Total amount of reductions during the financial year due to ex post explicit adjustments.	Not applicable						
	Total amount of reductions during the financial year due to ex post implicit adjustments.	Not applicable						

* 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	
<i>Loans and advances (excluding SMA)</i>	
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	0.50%
All other unclassified loans	1.00%
<i>Special Mention Account (SMA)</i>	
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	0.50%
All other unclassified loans	1.00%
<i>Off-shore banking unit</i>	
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	20.00%
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	12,887.55
Term loan consumer finance	1,031.79
Agricultural loan	2,025.85
Term loan women entrepreneur	8.67
Term loan-others	171,393.78
House building loans	73,975.62
Staff loan	1,025.97
Transport loan	6.82
Loan general	1,846.39
Demand loan	6,843.97
Overdrafts	146,813.19
Cash credit	11,151.23

Credit card finance	159.23
Loan against trust receipt (LTR)	943.91
Lease Finance	86.90
Margin Loan	4,003.46
Islamic Investment	21.99
Bills purchased and discounted	10,101.89
Off-shore banking unit	668.51
Total	444,996.72

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

Particulars	BDT in Million
Dhaka Division	393,240.10
Chottogram Division	29,381.92
Sylhet Division	2,004.26
Rajshahi Division	6,839.95
Khulna Division	5,411.20
Barisal Division	1,360.93
Rangpur Division	3,873.69
Mymensingh division	2,884.66
Total	444,996.72

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

Particulars	BDT in Million
Agriculture Industries	3,634.68
Jute Industries	6,180.43
Textile Industries	19,199.11
Garments Industries	37,674.24
Chemical and Chemical Products	5.26
Cement Industries	7,549.94
Bricks & Ceramic	1,082.47
Food Products & Processing	4,758.83
Engineering & Metal	9,038.64
Drugs & Pharmaceuticals	2,371.63
Hospital & Clinics	195.77
Paper & Paper Products Industries	3,480.37
Other Small Industries	1,180.73
IT Sector	5,803.20
Other Service Industries	35,121.84
Trade & Commerce	94,080.40
Transport	593.82
Construction Firms/Companies	44,016.29
Housing Societies/Companies	35,015.53
Cold Storage	-
Consumer Finance	86,397.20
Energy	9,029.87
Telecommunication	11,424.47
NBFI's	35.37
Others	27,126.64
Total	444,996.72

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

Particulars	BDT in Million
On demand	165,797.64
Up to 1 month	3,401.08
Over 1 month but not more than 3 months	8,175.43
Over 3 months but not more than 1 years	21,156.53
Over 1 year but not more than 5 years	141,471.93
Over 5 years	94,892.21
	434,894.83
Bill purchased and discounted	10,101.89
Total	444,996.72

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	1,242.86	856.50	869.58	133,361.94	136,330.88
Demand Loan	977.42	37.71	387.60	6,750.40	8,153.14
Term Loan	26,400.20	2,350.60	2,943.25	124,811.71	156,505.76
Other Loan	4.08	3.86	2.73	129.46	140.13
Total	28,624.56	3,248.67	4,203.16	265,053.52	301,129.90

Annexure-VII: Interest Rate Risk in the Banking Book

(BDT in Million)

CRAR before-shock (%)	1.82		
Interest rate stress	Minor	Moderate	Major
Assumed change in interest rate	2.00%	3.00%	4.00%
Net interest income impact			
<12 months	(1839.27)	(2758.91)	(3678.54)
Capital after-shock	8804.05	7884.42	6964.78
CRAR after-shock (%)	1.50	1.34	1.19
Change in CRAR after-shock (%)	-0.31	-0.47	-0.63
Repricing impact			
Change in the value of the bond portfolio	(188.19)	(282.28)	(376.37)
Capital after-shock	8615.87	7602.14	6588.41
CRAR after-shock (percent)	1.47	1.30	1.12
Change in CRAR after-shock (%)	-0.03	-0.05	-0.06
Overall change in CRAR (NII and repricing impact,%)	-0.35	-0.52	-0.69