

**Market Disclosure under Basel - II
as on 31st December, 2010**

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 was incorporated as a full fledged banking company in 1983 and previously it was serving as a finance company since 1976. Recently, a Subsidiary Company in the name of IFIC Securities Limited has been incorporated to handle brokerage and stock trading business. The subsidiary company has, however, not yet started its business operations since SEC's permission has not yet been obtained.
	(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.
<i>Figs in crore Tk</i>			
Quantitative Disclosures	(d)	The aggregate amount of capital deficiencies ² in all subsidiaries not included in the consolidation that are deducted and the name(s) of such subsidiaries.	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. 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.
<i>Figs in crore Tk</i>			
Quantitative Disclosures	(b)	The amount of Tier 1 capital, with separate disclosure of:	
		Paid up capital	217.98
		Non-repayable share premium account	0.00
		Statutory reserve	218.22
		General reserve	5.58
		Retained earnings	131.96
		Minority interest in subsidiaries	0.00
		Non-cumulative irredeemable preference shares	0.00
		Dividend equalization account	0.00
		Total amount of Tier 1 capital	573.74
(c)	The total amount of Tier 2 and Tier 3 capital.	97.63	
(d)	Other deductions from capital.	0.00	
(e)	Total eligible capital.	671.37	

¹ Entity = securities, insurance and other financial subsidiaries, commercial subsidiaries, significant minority equity investments in insurance, financial and commercial entities. ² A capital deficiency is the amount by which actual capital is less than the regulatory capital requirement. Any deficiencies which have been deducted on a group level in addition to the investment in such subsidiaries are not to be included in the aggregate capital deficiency.

c) Capital Adequacy

Qualitative Disclosures	(a)	A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities.	According to BB Guidelines IFIC Bank is assessing Risk Based Capital Adequacy under Basel-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 9.78% as on December 31, 2010, whereas Minimum Capital Requirement (MCR) is 9% as per BRPD circular No.10 dated March 10, 2010. The Bank has thus maintained some excess capital than the minimum requirement of 9%. 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.
	<i>Figs in crore Tk.</i>		
Quantitative Disclosures	(b)	Capital requirement for Credit Risk	474.74
	(c)	Capital requirement for Market Risk	70.28
	(d)	Capital requirement for Operational Risk	72.64
	(e)	Total and Tier 1 capital ratio:	
		• For the consolidated group; and • For stand alone	N/A 85.46%

d) Credit Risk

Qualitative Disclosures	(a)	The general qualitative disclosure requirement with respect to credit risk, including:	
		• Definitions of past due and impaired (for accounting purposes);	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.
		• Description of approaches followed for specific and general allowances and statistical methods;	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.
		• Discussion of the bank's credit risk management policy; and	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.

d) Credit Risk

Figs in crore Tk.

Quantitative Disclosures	(b)	Total gross credit risk exposures broken down by major types of credit exposure.	Details in Annexure-1	
	(c)	Geographical distribution of exposures, broken down in significant areas by major types of credit exposure.	Details in Annexure-2	
	(d)	Industry or counterparty type distribution of exposures, broken down by major types of credit exposure.	Details in Annexure-3	
	(e)	Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.	Details in Annexure-4	
	(f)	By major industry or counterparty type:		
		• Amount of impaired loans and if available, past due loans, provided separately;	SMA- 130.73 SS- 46.06 DF- 18.98 B/L- 161.39	
		• Specific and general provisions; and	193.75	
		• Charges for specific allowances and charge-offs during the period.	40.15	
	(g)	Gross Non Performing Asset (NPAs)		226.43
		Non Performing Assets (NPAs) to Outstanding Loans & advances		4.76%
		Movement of Non Performing Assets (NPAs)		
		Opening balance		232.03
		Additions		179.15
		Reductions		-184.75
		Closing balance		226.43
		Movement of specific provisions for NPAs		
		Opening balance		95.19
		Provisions made during the period		40.15
		Write-off		-3.02
		Write-back of excess provisions		-
Closing balance		132.32		

e) Equities: Disclosures for Banking Book Positions

Figs in crore Tk.

Qualitative Disclosures	(a)	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 	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.
		<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. 	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 purchases share of strong companies at face value through placement/ IPO.
			<i>Figs in crore Tk.</i>
Quantitative Disclosures	(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.	Cost price of quoted shares : 146.18
			Fair value of quoted shares : <u>304.82</u>
		Increase in value : 158.64	
		=====	
	(c)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.	Realized Gains from sale of shares = 27.35
(d)	<ul style="list-style-type: none"> Total unrealized gains (losses) Total latent revaluation gains (losses) Any amounts of the above included in Tier 2 capital. 	Un realized gain =158.64	
		Nil	
		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 for Equity Exposure assessed for total amount without group segregation = 54.87	

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

Qualitative Disclosures	(a)	The general qualitative disclosure requirement including the nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits, and frequency of IRRBB measurement.	Interest Rate Risk is managed through use of Gap analysis of rate sensitive assets and liabilities and monitored through prudential limits. 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.
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).	<ol style="list-style-type: none"> At 1% increase in Interest Rate, fall in MVE (Market Value Equity) = 68.32 At 2% increase in Interest Rate, fall in MVE (Market Value Equity) =136.65 At 3% increase in Interest Rate, fall in MVE (Market Value Equity) = 204.97

g) Market risk

Qualitative Disclosures	(a)	Views of BOD on trading/investment activities	The trading/investment activities in IFIC Bank Limited are managed cautiously so that maximum returns are obtained without taking undue risks.
		Methods used to measure Market risk	The Bank uses the Standardized Approach to calculate the Market Risk for Trading Book Exposures.
		Market Risk Management system	The Asset Liability Management Policy of the Bank as approved by the Board ensures effective management of the Market Risk through a well-structured Treasury function which includes a Front Office, Mid Office and Back Office and an ALCO body. The aim of the Market Risk Management System is to minimize the impact of losses on earnings due to market fluctuations.
		Policies and processes for mitigating market risk	The policy contains sound Portfolio management procedures and good practices such as minimizing risks through diversification of portfolio.
Quantitative Disclosures	(b)	The capital requirements for:	
		Interest rate risk;	15.24
		Equity position risk;	54.87
		Foreign exchange risk; and	0.17
		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 by the Bank:</p> <ul style="list-style-type: none"> - Operational risk management responsibilities is assigned to the senior management within the business operation; - 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
<i>Figs in crore Tk.</i>			
Quantitative Disclosures	(b)	The capital requirements for operational risk	72.64

(Annexure - 1)

**Quantitative Disclosures on
major types of Credit Exposures**

Particulars	Amount in Crore Tk.
Claim on Corporate	1,690.43
Claims on Banks and NBFIs	678.41
Claims fully secured by Commercial real estate	582.49
Claims fully secured by residential property	581.50
Claims categorized as retail portfolio & SME	557.00
Claims on Bangladesh Government and Bangladesh Bank	539.24
All other assets	380.48
Claims under Credit Risk Mitigation	254.12
Past Due Claims	225.68
Investments in premises, plant and equipment and all other fixed assets	206.08
Capital Market Exposure	164.11
Cash	99.47
Claims on all fixed assets under operating lease	96.78
Consumer Loan	67.89
Claims on Public Sector Entities	7.90
Total:	6,131.59

(Annexure - 2)

**Quantitative Disclosures on
Geographical Distribution of Credit Exposures**

Division	Amount in Crore Tk.	Percentage (%)
Dhaka	3,518.30	73.97%
Chittagong	753.75	15.85%
Sylhet	50.89	1.07%
Rajshahi	288.66	6.07%
Khulna	126.12	2.65%
Barishal	18.63	0.39%
Total	4,756.34	100.00%

(Annexure - 3)

**Quantitative Disclosures on
Industry type distribution of Credit Exposures**

Sl. No.	Name of the Sector/Industry	Amount in Crore Tk.
1	Agriculture	40.92
2	Textile	308.99
3	Food Processing	150.50
4	Garments	750.80
5	Chemical and Chemical Products	168.96
6	Steel Engineering and Metallic Product Industries	150.35
7	Other Manufacturing	380.63
8	Service Industry	267.52
9	Trade Service	1401.31
10	Construction	511.64
11	Professionals and wage earners	427.41
12	Others	197.31
	Total	4756.34

(Annexure - 4)

**Quantitative Disclosures on
Residual maturity of Credit Exposures**

Loans & Advances	Amount in Crore Tk.
Repayable on demand	1.08
Over 1 Month Upto 3 Month	1,454.95
Over 3 Month Upto 12 Month	1,612.16
Over 1 year Upto 5 Years	1,216.62
Over 5 Years	471.53
Total	4,756.34