

Investment Risk Reserve (IRR) – Disclosures
Islamic Microfinance Division (IMD)
U Microfinance Bank Ltd. (UMBL)

1. As the financing and market risk of the investment portfolio is to be borne by depositors being Rabb-ul-Maal in the Mudarabah arrangement with the IMD-UMBL, there may be scenarios where the pool may incur losses primarily due to unusually large write-offs and/or significant losses on sale of the pool's investments. Thus to absorb/off-set such losses IMD-UMBL may create the Investment Risk Reserve (IRR) to cover the future investment losses and develop models and basis to determine the size of the IRR and the periodic contributions to be made to build up the IRR.
2. IRR shall be the amount appropriated by the Islamic Bank out of the income of Depositors, after allocating the Mudarib share, in order to cushion the effects of future investment losses to cater against future investment losses for Depositors.
3. IMD-UMBL may allocate in IRR an amount up to 1% of the profit available for distribution amongst the pool's depositors after deduction of Mudarib share in every profit period.
4. The funds of IRR pool shall only be invested in Shari'ah compliant SLR eligible securities to be maintained as a separate pool and the returns earned on these funds shall also be credited into the IRR account. The profit-sharing ratio for IMD-UMBL as Mudarib for the pool shall not be more than 10% for managing IRR.
5. The losses, if incurred by the Pool, shall be covered from the balance available in IRR.
6. Amount transferred from IRR to Mudarabah Pool will be based upon Waqf/Tabarro concept.
7. The clause related to IRR is part of Account Opening Form of the IMD-UMBL.
8. Transfers to/ from this reserve shall be made on the recommendations of Pool Management Officer and approval by Shari'ah Advisor and Chief Financial Officer
9. The Shari'ah Advisor may on his own judgment advice to revise any of the provision of this policy at any point in time.



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