

Profit Equalization Reserve (PER) - Disclosure
Islamic Microfinance Division (IMD)
U Microfinance Bank Ltd. (UMBL)

1. PER is a mechanism designed to counterbalance the volatility in profit rates resulting from flux of income or conversely, changes in the total deposits within the Mudarabah Pool.
2. The establishment of the PER serves the essential purpose of ensuring that IMD-UMBL maintains competitive and consistent profit rates, especially during periods of reduced profits for both depositors and investors. IMD-UMBL possesses the discretion to deploy resources from the PER to enhance and stabilize profit rates for its depositors and investors when necessary. Conversely, in scenarios where returns exceed expectations, IMD-UMBL has the option to bolster the PER by allocating funds from the Net Income of the pool. In essence, the PER functions as a strategic tool to uphold the long-term stability of Mudarabah profits.
3. Transfers to/ from this reserve shall be made on the recommendations of Pool Manager and approval by Shari'ah Advisor and Chief Financial Officer prior to the determination of "Net Income of the Pool (gross revenue less direct expenses and losses if any) of a pool before deducting the share of commingled Equity" for the month/period. Amount transferred from PER to Mudarabah Pool will be based upon WAQF/TABARRO concept.
4. Amount once transferred into PER shall not be utilized for any other purpose except to ensure/maintain consistency in monthly/periodical profit rates/payments of all deposit categories of Mudarabah Pool.
5. PER shall be the amount appropriated out of Net Income of Pool, IMD-UMBL may maintain PER from Net Income of Pool before allocating the Mudarib share. (Net Income of Pool i.e. the gross income less direct expenses and losses if any).
6. The deduction / utilization of PER shall only be at the level of Net Income of the pool. The monthly contribution into PER shall not exceed 2% of Net Income, and the accumulated balance of PER shall not exceed 30% of the Islamic Microfinance Fund of the Bank to ensure a balance relationship between Mudarib & Rabb-ul-Mal.
7. The 50% balance of PER shall be reflected as liability and remaining 50% as reserve in the books of IMD-UMBL.
8. The funds of PER shall only be invested in Shari'ah compliant SLR eligible securities and the returns earned on these funds shall be credited into the PER account. The profit-sharing ratio for IMD-UMBL as Mudarib shall not be more than 10% for managing PER.
9. IMD-UMBL may fully or partially utilize the amount of PER to improve the returns to the depositors, during periods when the Mudarabah Pool's profit is below the market expectations.
10. The PER related clause is part of Account Opening Form of the IMD-UMBL.
11. 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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