

Rules of Creation and Use of Reserves Relating to Distribution of Profit to Customers

Profit Equalization Reserve Rules (PER)

Profit Equalization Reserve (PER) is a voluntary contribution by the Bank and Investment Accounts out of Net Income of the Pool (NIP) as defined in the Profit Distribution Policy.

Following Rules shall be followed for its creation and use:

RULES

1. It shall be voluntary contribution from Investment Accounts and Equity.
2. It shall not be more than 1/50th (2%) of Net Income of the Pool (NIP) as defined in the Profit Distribution Policy. However, the Bank may decide any amount instead of a Ratio provided the same does not exceed declared ratio.
3. Maximum PER ratio shall be declared for each pool at the time of creation of Pool.
4. The Bank may, in the best interest of the depositors, allocate less amount of PER at time of distribution of profit.
5. PER created from a Pool shall be utilized for the same Pool.
6. PER ratio shall be such that the rate remains attractive and does not have a negative yield and customers do not feel penalized for choosing the Islamic Banking.
7. It shall be effective with prospective effects. It shall not have retrospective effects.
8. PER shall be created only if the remaining profit is sufficient so that the rate in any deposit category does not fall below total of 2.5% p.a. plus withholding taxes and any other taxes.
9. IBG shall declare the ratio or any change in the ratio after approval from Committee constituted for approval of Pool.
10. The ratio of PER shall be displayed on the Notice Board of the branches and shall also be available at the website of the Bank.
11. Accumulated balance in PER shall not exceed 30% of the IBF or equity of the IBG whichever is higher at any time.
12. Accumulated balance in PER shall be invested in SLR eligible Shariah Compliant Securities.
13. A PLS account called PER Account shall be maintained by the Bank in its own Bank or any other Bank to credit profit received on the Investment of the PER.
14. The Balance in PER Account shall be invested in SLR eligible Shariah Compliant Securities as soon as possible.



15. 50% of the PER shall be reflected as liability and remaining 50% shall be reflected as Reserve in Accounts.
16. In case of actual termination of a Pool, it's PER shall be distributed to the Pool.
17. Only those losses shall be set off by the PER of a Pool which directly relate to that Pool.
18. PER may be utilized for following purposes:
 - a. Utilize the PER to smoothening returns to Investment Accounts during period when the Pools profits are below market expectation.
 - b. Utilize the PER to cover losses, if any, incurred by the Pool to which this PER relates.
 - c. Off-set any specific loss or expense directly from PER without passing it through NIP which is expected to be recovered or recouped in future. In such cases, when loss is recovered or recouped, it shall be directly added back to the PER.
 - d. Adjustment of minor differences and mistakes in calculations or distribution of profit in Pool or its Sub Pool shall be made through PER.