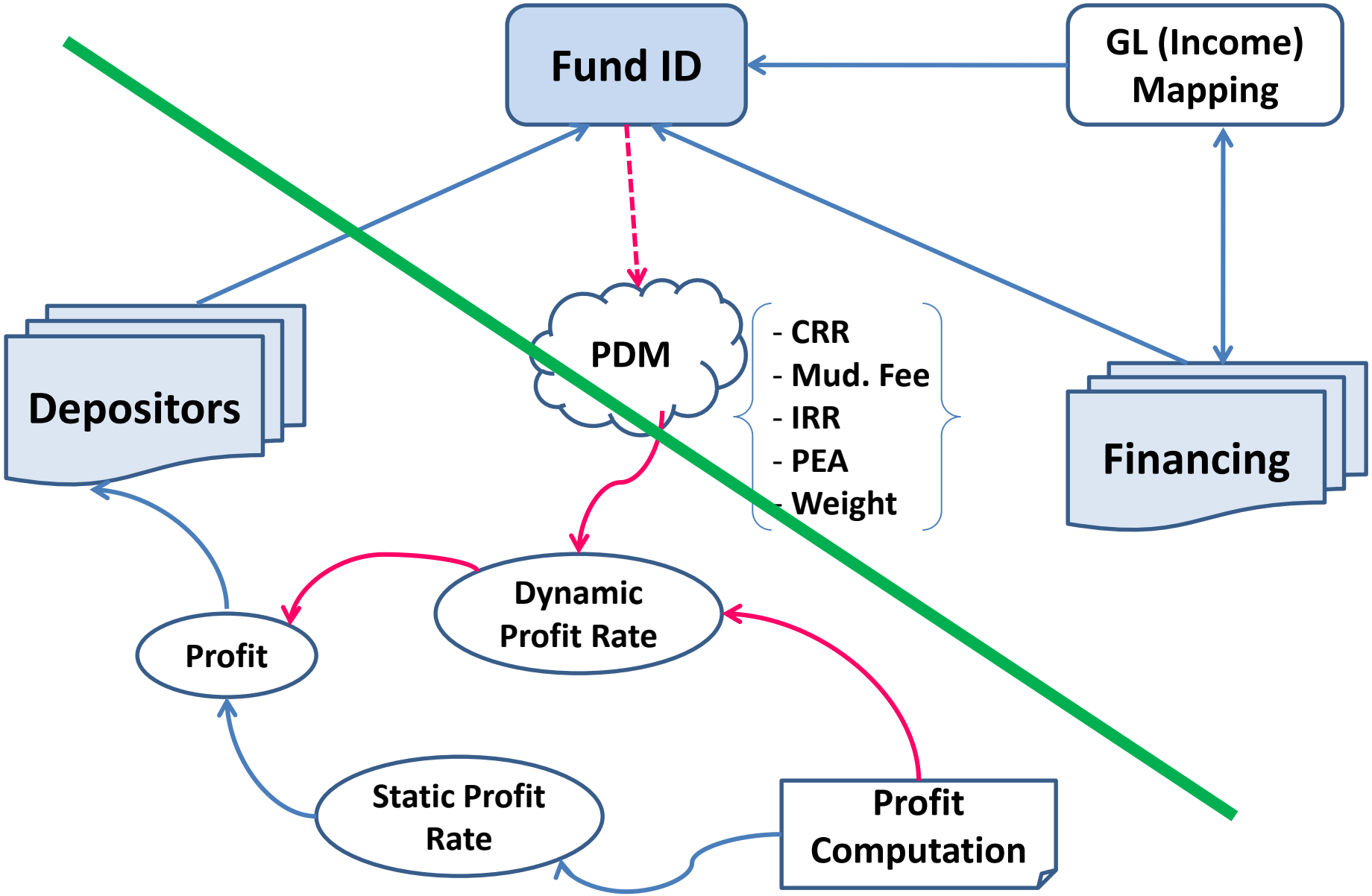
Schematic Flow of Profit Distribution



Example for PDM

Assume the rule for Depositors deposit weight amount calculation is as follows:

Tenor	Slab	PPO
0 – 1 Year = 60%	0 – 25,000 = 50%	M = 50%, Q = 60%
> 1 Year = 80%	> 25,000 = 75%	Y = 80%

As an example, Depositor 1 and 2 have following attributes:

Depositor 1	Depositor 2
Average Balance = 30,000	Average Balance = 20,000
Tenor = 1 Year	Tenor = 3 Year
PPO = M	PPO = Q

Hence, weighted deposit amount of each depositor:

Dep 1 = 30,000 x 60% x 75% x 50%
= **6,750**

Dep 2 = 20,000 x 80% x 50% x 60%
= **4,800**

Total weighted deposit: Dep 1 + Dep 2 = **11,550**

Assume we got total income (profit) from lending as 1,000

- Assume PEA is 10%, hence PEA amount = 100. This implies Net profit = 900
- Assume Mudaraba Fee is 40%, hence Mudaraba amount = 40% x 900 = 360. Then Net profit after deducting Mudarabah Fee is 900 – 360 = 540
- Let IRR be flat amount as 140. This implies, the most final net profit after IRR is 540 – 140 = **400**

Example for PDM……contd.

This implies that Profit Distribution Amount for each Depositors is:

$$\text{Dep. 1} = \frac{6{,}750}{11{,}550} \times 400 = \underline{233.76}$$

$$\text{Dep. 2} = \frac{4{,}800}{11{,}550} \times 400 = \underline{166.23}$$

Using Formula $\frac{P \times N \times R}{100} = I$

We can calculate Rate (**R**) $= \frac{I \times 100}{P \times N}$

Hence Profit Rate (R) of Depositor 1 and Depositor 2 will be as follows:

$$R_1 = \frac{233.76 \times 100}{30{,}000 \times (1/12)} = \mathbf{9.3504}$$

$$R_2 = \frac{233.76 \times 100}{20{,}000 \times (3/12)} = \mathbf{4.6752}$$

These R_1 and R_2 values will be used as **UDE** Profit Rate for each customers where the UDE will be dynamically updated by the system.