



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Framework of Rate of Return

BNM/RH/GL 007-5	Islamic Banking and Takaful Department	Framework of Rate of Return
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PART A: OVERVIEW

1. Introduction

1.1 On 16 October 2001, Bank Negara Malaysia (the Bank) issued the Framework of Rate of Return as part of the effort to standardise the method on the calculation of rate of return for the Islamic banking industry. The objectives of introducing the framework are to:

- (i) Set the minimum standard in calculating the rate of return;
- (ii) Provide level playing field and term of reference for the Islamic banking players in deriving the rate of return; and
- (iii) Provide the Bank with better means of assessing the efficiency of the Islamic banking institutions (IBIs) as well as their profitability, prudent management and fairness.

1.2 The need for the framework arises from the contractual relationship in Islamic banking, particularly the ***mudharabah*** (profit-sharing) contract between the depositors and the IBIs. Under the *mudharabah* contract, a depositor that deposits his funds with the IBI also assumes the role as capital provider. The IBI assumes the role as the entrepreneur where it will invest the depositor's funds. Profits accrued from investment and financing are shared between the depositor and the IBI based on pre-agreed profit sharing ratio. Losses, if any, will be borne by the depositor, except in cases where there is evidence of negligence by the IBI in managing the depositor's funds.

1.3 Given this unique relationship where the depositors would have a direct financial interest in the IBI, a standard calculation of the rate of return is imperative to ensure that depositors will receive their portion of the investment profits in a fair and equitable manner. It will also address the

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information asymmetry between the IBI and its depositors by enhancing the level of transparency of Islamic banking operations.

- 1.4 The broad concept of the framework is based on the return on assets (ROA) approach, which calculates the income of the balance sheet assets. The framework prescribes the methodology in calculating income generated from the balance sheet assets, including other income such as trading income. It also incorporates the type of expenses to be deducted from the total income such as impairment loss, income-in-suspense and profit distributable to other related parties i.e. specific investment deposit holders, bank capital and interbank placements.
- 1.5 While the framework is meant for calculating and distributing profit to the depositors, it also serves as a tool for the IBIs to assess and monitor their business strategies and financial performance.
- 1.6 Following feedbacks from the industry on the pilot implementation of the framework, the Bank has made a revision to the framework, particularly to address the implementation and operational issues. While the fundamental objectives of the framework remained unchanged, the revised framework aims to promote a higher level of capacity and efficiency of the IBIs in managing their Islamic banking operations. This would enable the IBIs to benefit from the flexibilities introduced in the framework.

PART B: POLICY REQUIREMENTS

2. The Framework

- 2.1 The underlying principle of the framework is that all deposits accepted by the IBIs shall only be utilised in the provision of finance (financing,

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advances and loans), investment in securities, inter-bank placements and other business prescribed by the Bank that complies with Shariah. In other words, the deposits cannot be used or utilised in other than these activities such as acquisition of fixed assets and investment in subsidiary or associate companies.

2.2 The framework encompasses two types of tables:

(i) CALCULATION TABLE (CT)

Objective:

To guide the IBIs in deriving the net distributable income to the depositors and the IBIs by incorporating the income generated from the assets, the relevant shared expenses and allowances between the IBIs and the depositors, and income attributable to the various types of depositors. In line with GP8-i, income generated is to be recognised on an accrual basis.

Features:

Comprises income generated from balance sheet assets; trading and other income; provisions; profit equalisation reserves; other expenses; income attributable to Islamic banking capital funds/ shareholders' funds (IBCF/SHF); specific investment deposits (SID); amount due to designated financial institutions; Islamic negotiable instruments and other deposits.

(ii) DISTRIBUTION TABLE (DT)

Objective:

To guide the IBIs on the proper distribution of the net distributable income posted from CT among other deposits or funds not included in the CT i.e. current, savings and general investment

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deposits. It requires the IBIs to segregate between *mudharabah* and non-*mudharabah* deposits to reflect the different risk profiles and to ensure fair distribution of profit between these two categories of deposits.

Features:

Reports the respective weightage, profit sharing ratio and distributable profit to depositors and the IBIs for each type of deposits, tenures and agreed profit sharing ratios.

3. Calculation Table (CT)

- 3.1 The methodology in deriving the net distributable income in the CT comprises two levels:

First level

- (i) Reports the income generated by all Islamic banking assets and calculates the weighted average rate of return (WAR) of each asset.
- (ii) The WAR reflects the percentage of income generated by each asset in a specific month. It also serves as a tool to evaluate the performance of the assets and to assist the IBIs in strategising their future activities. For example, a lower WAR for the current month as compared to the previous month implies that efforts should be intensified to enhance the performance of the assets.
- (iii) The WAR per annum of each asset is derived as below:

$$\text{WAR} = \frac{\text{Income}}{\text{Average daily amount of asset}} \times \frac{365}{\text{Number of days for the month}} \times 100\%$$

Illustration 1:
In June 2003

	Average daily amount (RM '000)	Income (RM '000)	WAR (%)
Loan, advances and financing of which:	100,000	850	10.34
House financing	30,000	240	9.73
Revolving credit	70,000	610	10.60

WAR of loan, advances and financing:

$$= \frac{(240 + 610)}{100,000} \times \frac{365}{30} \times 100\% = \mathbf{10.34\%}$$

Second level

- (i) This level prescribes the relevant allowances (such as general allowance, specific allowance, impairment loss and provisions for commitment and contingencies), profit equalisation reserves, direct expenses, other expenses and income attributable to IBI and various depositors in arriving at the net distributable income.
- (ii) In terms of direct expenses, handling fee for hire-purchase financing and brokerage fee for trading of securities are eligible to form part of direct expenses for the purpose of deduction from total gross income.
- (iii) In addition, commission payable to sales officers for introducing new financing activities approved to the customers are also recognised as an eligible direct expense subject to the following conditions:
 - (a) The commission is to be recognised after the new financing agreement has been completed by both the customer and the IBI; and

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- (b) Each payment of commission to the sales person must be documented.
- (iv) Other direct expenses shall be specified by the Bank from time to time.
- (v) The WAR of net income represents the percentage of income attributable to funds other than SID and IBCF/SHF and is derived as follows:

WAR of net income

$$= \frac{\text{Net income}}{\text{Average daily amount of (Total funds}^1 \text{ - SID - IBCF/SHF)}} \times \frac{365}{\text{Number of days for the month}} \times 100\%$$

- 3.2 The WAR of the net distributable income reflects the percentage of income over other deposits or funds not included in the CT. Normally, the deposits include current, savings and general investment deposits (inclusive of special general investment deposits [SGID]², if any).

Illustration 2:

WAR of net distributable income

$$100\% = \frac{\text{Net distributable income}}{\text{Total average daily amount of current, savings and general investment deposits}} \times \frac{365}{\text{Number of days for the month}} \times$$

¹ Total funds refer to total amount of deposits accepted, amount due to financial institutions, Islamic banking capital funds (IBCF) or shareholders' funds (SHF), converted fund (placement of conventional fund in Islamic banking operation) and other funds such as subordinated term financing. As for IBCF/SHF, the amount excludes amount utilised in non-banking business as per Para 2.1.

² Special general investment deposits (SGID) refer to general investment deposits offered with tenures other than of the GID such as odd number of days as well as negotiable PSR.

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4. Distribution Table (DT)

- 4.1 The IBIs are required to classify the current, savings and general investment deposits into *mudharabah* or non-*mudharabah* deposits.
- 4.2 For each current, savings, and general investment deposit, the IBIs are required to report the following:
- (i) Average daily amount of deposit;
 - (ii) [Deleted];
 - (iii) [Deleted];
 - (iv) Distributable profit (amount and percentage); and
 - (v) Depositors' and IBI's portion of distributable profit (amount and percentage).
- 4.3 SGID, if any, shall be reported in the DT under a separate item if such deposit is not reported in any tenure of general investment deposits (GID).

Weightage is not permitted

- 4.4 The application of weightage (to represent the varying risk reward attached to the different tenures) in determining the allocation of the net income to the different tenures of the deposits is **not permitted**. Profit sharing ratio (PSR) shall be the sole determinant of the distributable profit to depositor and IBI.
- 4.5 [Deleted]
- 4.6 [Deleted]
- 4.7 [Deleted]
- 4.8 [Deleted]

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[Deleted]

4.9 [Deleted]

Distributable profit

4.10 In arriving at the distributable profit for *mudharabah* and non-*mudharabah* deposits, the total average daily amount of each category of deposit is divided by the total average daily amount and multiplied by the total distributable profit.

Illustration 4:

Distributable profit for *mudharabah* deposit

$$= \frac{\text{Total average daily amount of } \textit{mudharabah} \text{ deposit}}{\text{Total average daily amount of deposits}} \times \text{Total distributable profit}$$

4.11 The distributable profit of each category of deposit (*mudharabah* and non-*mudharabah*) shall be used to determine the distributable profit of each type of deposits (current, savings and general investment). The average daily amount of a type of deposit is divided by the total average daily amount of each category of deposits and multiplied by the distributable profit of each category.

Illustration 5:

Distributable profit for each type of *mudharabah* deposit

$$= \frac{\text{Average daily amount}}{\text{Total average daily amount of } \textit{mudharabah} \text{ deposit}} \times \text{Distributable profit of } \textit{mudharabah} \text{ deposit}$$

4.12 [Deleted]

4.13 Percentage of distributable profit for each type of deposits per annum (referred as gross rate of return) is derived as follows:

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Gross rate of return

$$= \frac{\text{Distributable profit}}{\text{Average daily amount of deposits}} \times \frac{365}{\text{Number of days for the month}} \times 100\%$$

Profit distributable to depositor and IBI

4.14 The distributable profit is apportioned to the depositors and the IBI according to the PSR of the respective deposit types and tenures. The total amount of depositors' and IBIs' profit portions must be equal to the total distributable profit.

4.15 The percentage of profit distributable to depositors and IBIs per annum (net rate of return) is derived as follows:

$$\text{Net rate of return} = \text{Gross rate} \times \text{PSR}$$

5. Management of Funds

5.1 The funds of Islamic banking operations are classified into two categories i.e. restricted funds or unrestricted funds:

- (i) **Restricted funds** - These funds, either short-term or long-term, are to be managed separately, where the utilisation of the funds is identified and matched with specific funds. SID fall under this category.
- (ii) **Unrestricted funds** - These funds are co-mingled and managed on a pool basis. The utilisation of these funds are not identified nor matched with any specific funds. Current, savings, general investment and special general investment deposits fall under this category.

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- 5.2 For IBIs that offer restricted funds, they are required to prepare separate financial statements³, CT and DT⁴ for each type of funds. If an IBI offered more than one SID, each SID is required to have its own financial statements, CT and DT. This requirement also applies to IBIs that managed the IBCF/SHF separately.
- 5.3 In the main CT, the CT of each restricted fund shall be consolidated with the main CT to reflect the overall performance of the IBIs' operations. (Appendix 2).
- 5.4 Towards this end, it is important for IBIs that manage restricted and unrestricted funds to have in place a comprehensive internal policy to effectively support the separate management of funds to ensure effective monitoring of the funds.

6. Income and Expenses

- 6.1 Income and expenses of the Islamic banking operations are categorised based on the management of funds of the IBIs i.e. restricted and unrestricted funds. The general principles pertaining to income and expenses are as follows:

Restricted funds

- (i) All income and expenses reported in each fund's financial statements and CT must be clearly identified and matched with the utilisation of the specific fund. For example, IBIs that offer SID to fund mortgage financing are required to report the income and expenses related to the financing in the financial statements and CT of the SID.

³ For ROR Framework purposes, financial statements refer to balance sheet and income statements.

⁴ Distribution table for restricted funds is only applicable to SID if such account comprises more than one PSR and/or tenure. The table is not applicable to IBCF/SHF.

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- (ii) Income and expenses that cannot be identified or matched with any restricted fund shall be reported in the financial statements and CT of the unrestricted funds.

Unrestricted funds

- (i) All income and expenses arising from the utilisation of the depositors' funds or funds other than restricted funds shall be shared between the depositors and the IBI. Otherwise, the income and expenses shall belong to the IBI.

6.2 The classification for trading and fee-based income are as follows:

Trading income

- (i) All trading income, including income arising from intra-day transactions, are deemed to utilise depositors' funds. Therefore, these income shall be shared between the depositors and the IBI. Income generated from primary or originating deals i.e. sell-down activities shall belong to the IBI.
- (ii) If the IBCF/SHF is managed separately, and clearly identified and matched with the trading activities, such income shall belong to the IBI.

Fee-based income

- (i) Given that fee-based income generally does not arise from the utilisation of the depositors' funds, this income shall belong to the IBI. Nonetheless, income from fee-based activities that directly or indirectly arise from the utilisation of the depositors' funds, such as guarantee and underwriting, shall be shared between the depositors and the IBI unless the IBIs could justify that these activities are managed separately.

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6.3 Income attributable to IBCF/SHF is determined as follows:

- (i) Under restricted funds, the attributable income shall be derived from the income and expenses that can be identified and matched with the application of the funds.
- (ii) Under unrestricted funds, the attributable income shall be derived as follows:

Income attributable to IBCF/SHF

$$= \left[\frac{\text{IBCF/SHF}}{\text{Total unrestricted funds}} \times \left[\text{Net gross income after SID - Income solely belong to the IBI} \right] \right] + \text{Income solely belong to the IBI}$$

Direct expenses

6.4 The IBI is allowed to charge direct expenses⁵ incurred in relation to financing and/or investment activities carried out for the depositors in deriving the net distributable income, and shall be guided by the following principles:

- (i) the expenses are identifiable and measurable; and
- (ii) the expenses are compulsory and must be incurred in order to complete a specific financing and/or investment activity.

Examples are brokerage fee payable to the broker in trading Islamic financial instruments and handling fee payable to a third party which is incurred in finalising a financing asset transaction.

6.5 The IBI is required to develop a list of permissible direct expenses that must be approved by its Board of Directors and Shariah Committee. The list of permissible direct expenses must be reviewed at least annually to reflect a fair sharing of cost between the depositors and the IBI.

⁵ Decision of 16th meeting of Shariah Advisory Council (SAC) of BNM on 11 November 2000.

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- 6.6 General costs that are not identified to a specific investment activity are not allowed to be deducted⁶ from the profit to obtain the net distributable income. The IBI is also required to observe the negative list of disallowed items as per Appendix 6.

7. Provisioning

- 7.1 The IBIs are required to observe the relevant guidelines and circulars issued by the Bank on the classification and provisioning of non-performing financing (NPF) and securities. Under Islamic banking, these provisions are deemed to be shared⁷ between the depositors and the IBIs. For SPI banking institutions, they are required to make separate provisioning for the Islamic banking operations.
- 7.2 The provisions to be deducted in deriving the net distributable income shall be tagged with the respective fund i.e. restricted or unrestricted funds. These provisions include general allowance; specific allowance; impairment loss from investment securities; and provision for commitments and contingencies.
- 7.3 Provision for commitments and contingencies refer to the provision that arises from off-balance sheet items and is recognised when:
- (i) An IBI has a present obligation as a result of past event;
 - (ii) It is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation; and
 - (iii) A reliable estimate can be made of the amount of the obligation.

⁶ Decision of 82nd meeting of Shariah Advisory Council (SAC) of BNM on 17 February 2009.

⁷ The provisions are deemed shared between the depositors and the banks because the amounts are deducted prior to distributing the profit to the depositors and the bank.

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The provision for commitments and contingencies may arise from items such as letter of guarantee, letter of credit and sell and buy back agreement. The provision for commitments and contingencies such as litigation against the IBIs, shall not be deducted in deriving the net distributable income but shall be absorbed by the IBI.

7.4 [Deleted]

7.5 [Deleted]

7.6 [Deleted]

7.7 [Deleted]

8. [Deleted]

9. Profit Sharing Ratio (PSR)

9.1 Profit sharing ratio (PSR) refers to the portion of profit distributable to depositors and the IBI. For example, PSR of 70:30 refers to 70% of profit distributable to the depositors and the remaining 30% distributable to the IBI.

9.2 Taking into consideration the different funding strategy adopted by the IBIs, the IBIs are allowed to offer various PSR for the *mudharabah* deposits. This includes:

- (i) Similar PSR for all deposits
E.g. All deposits are offered at 70:30 PSR;
- (ii) Different PSR for respective tenure of deposits
E.g. A 3-month GIA is offered at 70:30 PSR while a 6-month GIA is offered at 80:20 PSR; or

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(iii) Multi PSR for each deposit

E.g. A 3-month GIA may be offered at 70:30 PSR and 80:20 PSR simultaneously.

9.3 The IBIs are allowed to make changes on the PSR offered for the deposits. The revised PSR, however, shall only be applicable to new deposits. The previous PSR shall be applied to the existing deposits until the deposits matured.

10. Calculation of Dividend/Hibah

10.1 Dividend/hibah⁸ payable to the depositors is determined based on the net rate of return derived from the distribution table as per Para 4.14. The amount of dividend/hibah shall be accrued on a monthly basis and is determined based on the **actual net rate of return** which is the rate directly taken from the monthly DT. The accrued dividend/hibah is deemed paid to the depositors unless the depositors withdraw their deposits before maturity.

10.2 In the event where the IBIs do not accrue the dividend/hibah payable to depositors on a monthly basis but pay at maturity of the deposits, the amount shall be derived from the **average actual net rate of return** of each deposit based on their respective tenure. For example, the dividend/hibah payable to a 3-month GID depositors is calculated based on the average of three months actual rate while the amount payable to a 6-month GID depositors is derived from the average of six months actual rate.

⁸ Dividend/hibah refers to the profit distributable.

Illustration 8:

The rate of return for **3-month GID**

Month	Net rate of return (Actual)
Jan	3%
Feb	4%
Mar	5%
Apr	6%

Rate to be paid in April

$$= \frac{3\% + 4\% + 5\%}{3} = 4\%$$

Rate to be paid in May

$$= \frac{4\% + 5\% + 6\%}{3} = 5\%$$

- 10.3 An accurate calculation of dividend/hibah is imperative to ensure that the *mudharabah* depositors receive a fair portion of their investment profit. The calculation based on the average rate of each investment deposit reflects the risk exposure of each deposit to the yield of the IBIs' assets.

11. Declaration of Rates of Return and Board Rates

- 11.1 The board rates are the declared rates of return that reflect the profit distributable to the retail depositors. These rates are derived based on the average actual rates of return paid to depositors as illustrated in Illustration 8.
- 11.2 As a minimum requirement, the IBIs are required to prominently display the following in their premises:

- (i) Effective period;
- (ii) Types of deposit;

- (iii) PSR for respective deposits;
- (iv) ROR (in percentage) for respective deposits; and
- (v) Notice to the depositors that other information not displayed on the board is available at the counters.

Illustration 9:

ABC Bank		
Effective from:		To:
Types of Deposit	PSR	ROR (%)
General Investment Deposits:		
1-Month	XX:XX	X.XX
3-Month	XX:XX	X.XX
6-Month	XX:XX	X.XX
9-Month	XX:XX	X.XX
12-Month	XX:XX	X.XX
For other information, please refer to the counters.		

12. Declaration Date and Effective Period

12.1 The IBIs are required to declare their monthly rates of return on a specified date and the subsequent one month will be the effective period of the declared rates of return. For example, if an IBI declares its rates of return on 1 January 2004, the effective period of the declared rates of return would be from 1 January 2004 to 31 January 2004.

13. Compliance Requirement

13.1 The revised framework sets the platform for the Bank to regulate and monitor the prudence and fairness of the IBIs in deriving their rates of returns to depositors. The IBIs and the SPI banking institutions are the

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organs primarily responsible for the implementation of the revised framework.

- 13.2 The IBIs are also required to maintain the records of both tables to facilitate examination by Bank Negara Malaysia from time to time. The relevant authority of the IBIs shall endorse such records, at least the Head of Islamic Banking Division or the Head of the relevant department (for example Finance Department or Treasury Department).

14. Effective Date

- 14.1 The IBIs are required to implement the framework beginning on or after 1 October 2004. This document was last updated on 13 March 2013.

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PART C: APPENDICES

15. Appendix 1 - General Note on Calculation Table

Definition

- 1 **Deposits Placed and Reverse Repos (A1), Amount due from Designated FI (A2), Loan, Advances and Financing (A3), Dealing Securities (A4), Investment Securities (A5), Securities Sold Under Repo (A7) and Miscellaneous Assets (A8)**

Refers to the finance income generated by Islamic banking assets.

- 2 **Gross Income (A9)**

Refers to the total finance income of A1 to A8.

- 3 **Net Trading Income (A10)**

Refers to the total trading income after netting off the total trading losses arising from buying and selling of securities.

- 4 **Other Income (A11)**

Refers to the income that are not categorised under A9 and A10.

- 5 **Total Gross Income (A12)**

Refers to the total income of A9, A10 and A11.

- 6 **General Allowance (A13)**

Refers to the net general allowance provided during the month in compliance with Bank Negara Malaysia guidelines.

- 7 **Specific Allowance (A14)**

Refers to the net specific allowance provided during the month in compliance with Bank Negara Malaysia guidelines.

- 8 **Income-in-suspense (A15)**

Refers to the net income-in-suspense recognised during the month in compliance with Bank Negara Malaysia guidelines.

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9 Impairment Loss from Investment Securities (A16)

Refers to the net impairment loss from investment securities provided during the month.

10 Provision for Commitments and Contingencies (A17)

Refers to the net provision for commitments and contingencies provided during the month.

11 Direct Expenses (A18)

Refers to the expenses directly related to the financing and investment activities as per Para 6.4. These expenses do not include expenses incurred by the IBIs such as overheads, general and administrative, marketing and staff expenses.

12 Other Expenses (A19)

Refers to the other expenses that are not categorised under A13, A14, A15, A16, A17 and A18.

13 Profit Equalisation Reserve (A20)

Refers to the amount of profit equalisation reserve provided or written-back during the month.

14 Net Gross Income before Specific Investment Account (A21)

Refers to A12 minus the total of A13, A14, A15, A16, A17, A18, A19 and A20.

15 Specific Investment Account (SIA) (A22)

Refers to the total income attributable to the specific investment account (SIA) comprising amount attributable to the depositors and the IBI. The income is derived from Calculation Table: Restricted Fund - Specific Investment Account.

16 Net Gross Income after Specific Investment Account (A23)

Refers to A21 minus A22.

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17 Islamic Banking Capital Fund (IBCF)/Shareholders' Funds (SHF) (A24)

Refers to the total income attributable to IBCF/shareholders' funds of the banking institutions. IBCF of the SPI banking institutions and shareholders' funds of Islamic banks refer to item code 40000 in the Guidelines for Submission of Reports Under the Financial Institutions Statistical System (FISS).

18 Net Income (A25)

Refers to A23 minus A24.

19 Amount Due to Designated FIs (A26)

Refers to the amount of dividend/hibah paid to the amount due to designated FI comprising amount attributable to the depositors (designated FIs) and the IBI.

20 Islamic Negotiable Instruments (A27)

Refers to the amount of dividend/profit paid to the Islamic negotiable instruments (INI) comprising amount attributable to the depositors (INI holders) and the IBI. The amount attributable to the depositors consists of amount paid to the holders of Negotiable Islamic Deposits Certificate (NIDC) and Islamic Negotiable Instrument of Deposits (INID). The amount attributable to the IBI is the IBI's portion in INID.

21 Other Deposits (A28)

Refers to the amount of dividend/hibah/profit paid to deposits other than specific investment account (SIA), amount due to designated FI, Islamic negotiable instruments, general investment account, current account and savings account; and comprises amount attributable to the depositors and the IBI.

22 Net Distributable Income (A29)

Refers to A25 minus the total of A26, A27 and A28.

Note:

Net amount refers to the amount provided less any written-back amount and/or recoveries.

16. Appendix 2 - CALCULATION TABLE

CALCULATION TABLE

	Item	(RM)	W.A.R (%)
A1	Deposits Placed and Reverse Repos		
A2	Amount Due from Designated FIs		
A3	Loan, Advances and Financing		
A4	Dealing Securities		
A5	Investment Securities		
A7	Securities Sold Under Repos		
A8	Miscellaneous Assets		
A9	Gross Income		
A10	(±) Net Trading Income		
A11	(±) Other income		
A12	Total Gross Income		
A13	(±) General Allowance		
A14	(±) Specific Allowance		
A15	(±) Income-in-suspense		
A16	(±) Impairment Loss from Investment Securities		
A17	(±) Provision for Commitments and Contingencies		
A18	(-) Direct Expenses		
A19	(-) Other Expenses		
A20	(±) Profit Equalisation Reserve		
A21	Net Gross Income before Specific Investment Account		
A22	(-) Specific Investment Account of which: Amount Attributable to Depositors Amount Attributable to Bank	SIA A21 SIA A22 SIA A23	
A23	Net Gross Income after Specific Investment Account		
A24	(-) IBCF/SHF	IBCF/SHF A21	
A25	Net Income		
A26	(-) Amount due to Designated FIs of which: Amount Attributable to Depositors Amount Attributable to Bank		
A27	(-) Islamic Negotiable Instruments of which: Amount Attributable to Depositors Amount Attributable to Bank		
A28	(-) Other Deposits of which: Amount Attributable to Depositors Amount Attributable to Bank		
A29	Net Distributable Income	CT A29	

CALCULATION TABLE

RESTRICTED FUND - SPECIFIC INVESTMENT ACCOUNT

	Item	(RM)	W.A.R (%)
A1	Deposits Placed and Reverse Repos		
A2	Amount Due from Designated FIs		
A3	Loan, Advances and Financing		
A4	Dealing Securities		
A5	Investment Securities		
A7	Securities Sold Under Repos		
A8	Miscellaneous Assets		
A9	Gross Income		
A10	(±) Net Trading Income		
A11	(±) Other income		
A12	Total Gross Income		
A13	(±) General Allowance		
A14	(±) Specific Allowance		
A15	(±) Income-in-suspense		
A16	(±) Impairment Loss from Investment Securities		
A17	(±) Provision for Commitments and Contingencies		
A18	(-) Direct Expenses		
A19	(-) Other Expenses		
A20	(±) Profit Equalisation Reserve		
A21	Net Gross Income	SIA A21	
	of which: Amount Attributable to Depositors	SIA A22	
	Amount Attributable to Bank	SIA A23	

CALCULATION TABLE

RESTRICTED FUND - IBCF/SHF

	Item	(RM)	W.A.R (%)
A1	Deposits Placed and Reverse Repos		
A2	Amount Due from Designated FIs		
A3	Loan, Advances and Financing		
A4	Dealing Securities		
A5	Investment Securities		
A7	Securities Sold Under Repo		
A8	Miscellaneous Assets		
A9	Gross Income		
A10	(±) Net Trading Income		
A11	(±) Other income		
A12	Total Gross Income		
A13	(±) General Allowance		
A14	(±) Specific Allowance		
A15	(±) Income-in-suspense		
A16	(±) Impairment Loss from Investment Securities		
A17	(±) Provision for Commitments and Contingencies		
A18	(-) Direct Expenses		
A19	(-) Other Expenses		
A20	(±) Profit Equalisation Reserve		
A21	Net Gross Income	IBCF/SHF A21	

[illegible]

DISTRIBUTION TABLE (cont'd)

Types of Deposit	ADA ¹		Distributable Profit		Depositor			Bank		
	(RM)		(RM)	(%) ³	PSR ⁴	(RM)	(%) ⁵	PSR ⁴	(RM)	(%)
15-month										
18-month										
21-month										
24-month										
36-month										
48-month										
60-month										
SGIA ⁹										
			CT A29							

¹ Average daily amount² [Deleted]³ Actual gross rate of return⁴ Profit-sharing ratio⁵ Actual net rate of return⁶ Current account⁷ Savings account⁸ General Investment Account⁹ Special General Investment Account (if applicable)

DISTRIBUTION TABLE**RESTRICTED FUND - SPECIFIC INVESTMENT ACCOUNT**

Types of Deposit	ADA ¹		Distributable Profit		Depositor			Bank		
	(RM)		(RM)	(%) ³	PSR ⁴	(RM)	(%) ⁵	PSR ⁴	(RM)	(%)
			SIA A21							

¹ Average daily amount² [Deleted]³ Actual gross rate of return⁴ Profit-sharing ratio⁵ Actual net rate of return

17. Appendix 3 - Illustration

Illustration

ABC Bank Berhad Balance Sheet as at 30 June 20XX			
	Outstanding Amount (RM '000)	Average Daily Amount	
		Total	SIA
		(RM '000)	(RM '000)
Assets			
Deposits Placed and Reverse Repos	1,010.00	1,000.00	-
Amount Due from Designated FIs	9,900.00	10,000.00	-
Loan, Advances and Financing	100,500.00	100,000.00	-
Dealing Securities	20,050.00	20,000.00	-
Investment Securities	79,500.00	80,000.00	34,500.00
Securities Sold Under Repo	-	-	-
Miscellaneous Assets	8,900.00	9,000.00	-
Total	219,860.00	220,000.00	34,500.00
Liabilities and IBCF/SHF*			
Amount Due to Designated FIs	19,980.00	20,000.00	-
Deposits Accepted	150,500.00	150,000.00	-
of which: Current Deposits	9,900.00	10,000.00	-
Savings Deposits	5,100.00	5,000.00	-
General Investment Deposits	100,550.00	100,500.00	-
Specific Investment Deposits	34,950.00	34,500.00	34,500.00
Miscellaneous Liabilities	-	-	-
Islamic Banking Capital Fund	49,380.00	50,000.00	-
Total	219,860.00	220,000.00	34,500.00

* IBCF/SHF denotes Islamic banking capital fund/shareholders' fund

Other information:

1. Miscellaneous assets comprise:

	(RM '000)
Cash	5,000.00
Investment in Subsidiary Companies	3,000.00
Fixed Assets	1,000.00

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Other information:

	Total (RM '000)	SID (RM '000)
2. Income generated from:		
Deposits Placed and Reverse Repos	3.00	-
Amounts Due from Designated FIs	27.00	-
Loan, Advances and Financing	850.00	-
Dealing Securities	50.00	-
Investment Securities	250.00	115.00
Securities Sold Under Repos	-	-
Miscellaneous Assets	-	-
3. Others:		
Net Trading Income	100.00	-
Other income	20.00	-
of which: Shared income	10.00	
Income belong to the bank	10.00	
General Allowance	(15.00)	-
Specific Allowance	(30.00)	-
Income-in-suspense	(10.00)	-
Impairment Loss from Investment Securities	(20.00)	(5.00)
Provision for Commitments and Contingencies	-	-
Direct Expenses	-	-
Other Expenses	-	-
Amount Due to Designated FIs	50.00	
of which: Amount Attributable to Depositors	35.00	
Amount Attributable to Bank	15.00	

CALCULATION TABLE

	Item	(RM '000)	W.A.R (%)
A1	Deposits Placed and Reverse Repos	3.00	3.65
A2	Amounts Due from Designated FIs	27.00	3.29
A3	Loan, Advances and Financing	850.00	10.34
A4	Dealing Securities	50.00	3.04
A5	Investment Securities	250.00	3.80
A7	Securities Sold Under Repos	-	-
A8	Miscellaneous Assets	-	-
A9	Gross Income	1,180.00	6.53
A10	(±) Net Trading Income	100.00	
A11	(±) Other income	20.00	
A12	Total Gross Income	1,300.00	
A13	(±) General Allowance	(15.00)	
A14	(±) Specific Allowance	(30.00)	
A15	(±) Income-in-suspense	(10.00)	
A16	(±) Impairment Loss from Investment Securities	(20.00)	
A17	(±) Provision for Commitments and Contingencies	-	
A18	(-) Direct Expenses	-	
A19	(-) Other Expenses	-	
A20	(±) Profit Equalisation Reserve	(297.00)	
A21	Net Gross Income before Specific Investment Account	928.00	
A22	(-) Specific Investment Account	(110.00)	
	of which: Amount Attributable to Depositors	(77.00)	
	Amount Attributable to Bank	(33.00)	
A23	Net Gross Income after Specific Investment Account	818.00	
A24	(-) IBCF/SHF	(214.78)	
A25	Net Income	603.22	5.42
A26	(-) Amount due to Designated FIs	(50.00)	
	of which: Amount Attributable to Depositors	(35.00)	
	Amount Attributable to Bank	(15.00)	
A27	(-) Islamic Negotiable Instruments	-	
	of which: Amount Attributable to Depositors	-	
	Amount Attributable to Bank	-	
A28	(-) Other Deposits	-	
	of which: Amount Attributable to depositors	-	
	Amount Attributable to bank	-	
A29	Net Distributable Income	553.22	5.83

CALCULATION TABLE

RESTRICTED FUND - SPECIFIC INVESTMENT ACCOUNT

	Item	(RM '000)	W.A.R (%)
A1	Deposits Placed and Reverse Repos	-	-
A2	Amounts Due from Designated FIIs	-	-
A3	Loan, Advances and Financing	-	-
A4	Dealing Securities	-	-
A5	Investment Securities	115.00	4.06
A7	Securities Sold Under Repo	-	-
A8	Miscellaneous Assets	-	-
A9	Gross Income	115.00	4.06
A10	(±) Net Trading Income	-	
A11	(±) Other income	-	
A12	Total Gross Income	115.00	
A13	(±) General Allowance	-	
A14	(±) Specific Allowance	-	
A15	(±) Income-in-suspense	-	
A16	(±) Impairment Loss from Investment Securities	(5.00)	
A17	(±) Provision for Commitments and Contingencies	-	
A18	(-) Direct Expenses	-	
A19	(-) Other Expenses	-	
A20	(±) Profit Equalisation Reserve	-	
A21	Net Gross Income	110.00	
	of which: Amount Attributable to Depositors	77.00	
	Amount Attributable to Bank	33.00	

DISTRIBUTION TABLE

Types of Deposit	ADA		Distributable Profit		Depositor			Bank		
	(RM '000)		(RM '000)	(%)	PSR	(RM '000)	(%)	PSR	(RM '000)	(%)
Non-mudharabah:										
Wadiah CA	5,000.00		23.95	5.83	0.50	11.97	2.91	0.50	11.97	2.91
Wadiah SA	2,500.00		11.97	5.83	0.00	0.00	0.00	1.00	11.97	5.83
	7,500.00		35.92	5.83		11.97	1.94		23.95	3.89
Mudharabah:										
CA	5,000.00		23.95	5.83	0.50	11.97	2.91	0.50	11.97	2.91
SA	2,500.00		11.97	5.83	0.54	6.47	3.15	0.46	5.51	2.68
GIA										
1-month	25,000.00		119.74	5.83	0.75	89.81	4.37	0.25	29.94	1.46
	20,000.00		95.80	5.83	0.80	76.64	4.66	0.20	19.16	1.17
2-month	-		-	-	0.75	-	-	0.25	-	-
3-month	10,000.00		47.90	5.83	0.75	35.92	4.37	0.25	11.97	1.46
4-month	-		-	-	0.75	-	-	0.25	-	-
5-month	-		-	-	0.75	-	-	0.25	-	-
6-month	10,000.00		47.90	5.83	0.75	35.92	4.37	0.25	11.97	1.46
	10,000.00		47.90	5.83	0.80	38.32	4.66	0.20	9.58	1.17
7-month	-		-	-	0.75	-	-	0.25	-	-
8-month	-		-	-	0.75	-	-	0.25	-	-
9-month	-		-	-	0.75	-	-	0.25	-	-

10-month	-		-	-	0.75	-	-	0.25	-	-
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DISTRIBUTION TABLE (cont'd)

Types of Deposit	ADA		Distributable Profit		Depositor			Bank		
	(RM '000)		(RM '000)	(%)	PSR	(RM '000)	(%)	PSR	(RM '000)	(%)
11-month	-		-	-	0.75	-	-	0.25	-	-
12-month	20,000.00		95.80	5.83	0.75	71.85	4.37	0.25	23.95	1.46
15-month	5,500.00		26.34	5.83	0.75	19.76	4.37	0.25	6.59	1.46
18-month	-		-	-	0.75	-	-	0.25	-	-
21-month	-		-	-	0.75	-	-	0.25	-	-
24-month	-		-	-	0.75	-	-	0.25	-	-
36-month	-		-	-	0.75	-	-	0.25	-	-
48-month	-		-	-	0.75	-	-	0.25	-	-
60-month	-		-	-	0.75	-	-	0.25	-	-
SGIA	-		-	-	-	-	-	-	-	-
	108,000.00		517.30	5.83		386.66	4.36		130.64	1.47
	115,500.00		553.22	5.83		398.63	4.20		154.59	1.63

DISTRIBUTION TABLE

RESTRICTED FUND - SPECIFIC INVESTMENT ACCOUNT

Deposit	ADA		Distributable Profit		Depositor			Bank		
	(RM '000)		(RM '000)	(%)	PSR	(RM '000)	(%)	PSR	(RM '000)	(%)
1-month	20,000.00		63.77	3.88	0.70	44.64	2.72	0.30	19.13	1.16
3-month	14,500.00		46.23	3.88	0.70	32.36	2.72	0.30	13.87	1.16
	34,500.00		110.00	3.88		77.00	2.72		33.00	1.16

18. Appendix 4 - Guidance on calculation

CALCULATION TABLE

1. WAR of asset

E.g.

WAR of loan, advances and financing

$$= \frac{\text{Income}}{\text{Average daily amount of loan, advances and financing}} \times \frac{365}{\text{Number of days for the month}} \times 100\%$$

$$= \frac{850}{100,000} \times \frac{365}{30^*} \times 100\%$$

$$= 10.34\%$$

2. Profit equalisation reserve (RM '000)

(Assumed figure)

$$= 297$$

3. Amount attributable to IBCF/SHF (RM '000)

(In this case, IBCF/SHF is managed on a pool basis)

$$= \left[\frac{\text{IBCF/SHF}}{\text{Total unrestricted funds}} \times \begin{matrix} \text{Net gross income after SID} \\ - \text{Income solely belong} \\ \text{to the bank} \end{matrix} \right] + \begin{matrix} \text{Income solely} \\ \text{belong to the} \\ \text{bank} \end{matrix}$$

$$= \left[\frac{50,000 - 3,000 - 1,000}{(220,000 - 3,000 - 1,000 - 34,500)} \times (818 - 10) \right] + 10$$

$$= 214.78$$

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4. WAR of net income

$$\begin{aligned}
 &= \frac{\text{Net income}}{\text{Average daily amount of (Total funds – SID – IBCF/SHF)}} \times \frac{365}{\text{Number of days for the month}} \times 100\% \\
 &= \frac{603.22}{(220,000 - 34,500 - 50,000)} \times \frac{365}{30^*} \times 100\% \\
 &= 5.42\%
 \end{aligned}$$

5. WAR of net distributable income

$$\begin{aligned}
 &= \frac{\text{Net distributable income}}{\text{Total average daily amount of current, savings and general investment deposits}} \times \frac{365}{\text{Number of days for the month}} \times 100\% \\
 &= \frac{553.22}{(10,000 + 5,000 + 100,500)} \times \frac{365}{30^*} \times 100\% \\
 &= 5.83\%
 \end{aligned}$$

DISTRIBUTION TABLE

Calculation for 1-month General Investment Account (75:25 PSR)

6. [Deleted]

7. Distributable profit (RM '000)

$$\begin{aligned}
 &= \frac{\text{Average daily amount}}{\text{Total average daily amount of mudharabah deposit}} \times \text{Distributable profit} \\
 &= \frac{25,000}{108,000} \times 517.30 \\
 &= 119.74
 \end{aligned}$$

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8. Gross rate of return

$$= \frac{\text{Distributable profit}}{\text{Average daily amount of deposits}} \times \frac{365}{\text{Number of days for the month}} \times 100\%$$

$$= \frac{119.74}{25,000} \times \frac{365}{30^*} \times 100\%$$

$$= \mathbf{5.83\%}$$

9. Profit distributable to depositor (RM '000)

$$= \text{Distributable profit} \times \text{PSR}$$

$$= 119.74 \times 0.75$$

$$= \mathbf{89.81}$$

10. Net rate of return

$$= \text{Gross rate} \times \text{PSR}$$

$$= 5.83\% \times 0.75$$

$$= \mathbf{4.37\%}$$

* 30 denotes number of days in June

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19. Appendix 5 - Guidance on Statistical Submission to the Bank

Guidance on RORR of Statistical Submission

- (i) The purpose of this guidance is to assist the IBIs in completing the the Bank's statistical reporting as required under Guideline on submission of FISS Reports (Section 11: Rates of Return for Islamic Business).
- (ii) The table below provides the applicable basic item code (BIC) for each item in the CT.
- (iii) The definition of each BIC is provided in the Guidelines on Submission of FISS Reports.

The amount reported for items that share similar BIC represents the aggregate amount of the BIC. E.g. BIC of 60140 represents the aggregate of amount attributable to bank for A26, A27 and A28.

	Item	(RM)(BIC)	WAR (BIC)
A1	Deposits Placed and Reverse Repos	61190	66190
A2	Amount due from Designated FIs	61200	66200
A3	Loan, Advances and Financing	61100	66100
A4	Dealing Securities	61300	66300
A5	Investment Securities	61400	66400
A7	Securities Sold Under Repo	61500	66500
A8	Miscellaneous Assets	61600	66600
A9	Gross Income	61000 - 61920 - 61999	66000
A10	(±) Net Trading Income	62200 - 65200	
A11	(±) Other income	62999 + 61999	
A12	Total Gross Income	60000	
A13	(±) General Allowance	62430 - 65430	
A14	(±) Specific Allowance	62420 - 65420	
A15	(±) Income-in-suspense	61920 - 64920	
A16	(±) Impairment Loss from Investment Securities	62999 - 65320	
A17	(±) Provision for Commitments and Contingencies	62999 - 65999	
A18	(-) Direct Expenses	65900	
A19	(-) Other Expenses	65999	
A20	(±) Profit Equalisation Reserve	62470 - 65470	
A21	Net Gross Income before SIA	64999 + 65999	
A22	(-) Specific Investment Account		
	of which: Amount Attributable to Depositors	64105	
	Amount Attributable to Bank	60130	
A23	Net Gross Income after SIA		
A24	(-) IBCF/SHF	60110	
A25	Net Income	60910	66910
A26	(-) Amount due to Designated FIs		
	of which: Amount Attributable to Depositors	64200	
	Amount Attributable to Bank	60140	
A27	(-) Islamic Negotiable Instruments		
	of which: Amount Attributable to Depositors	64120	
	Amount Attributable to Bank	60140	
A28	(-) Other Deposits		
	of which: Amount Attributable to depositors	64199	
	Amount Attributable to bank	60140	
A29	Net Distributable Income	60920	66920

Note: The amount reported for items that share similar BIC represents sub-amount of BIC e.g. BIC 60140 of A26, A27 and A28 contribute to aggregate amount attributable to bank.

20. Appendix 6 - Negative list

The negative list refers to the expenses which are not allowed to be deducted from the profit to obtain the net distributable income amount in the CT. The expenses include but not limited to the following:

- (i) overheads expenses (e.g. utilities);
- (ii) salary expenses;
- (iii) depreciation of assets and amortisations expenses;
- (iv) general and administrative expenses;
- (v) general marketing expenses;
- (vi) general information technology (IT) expenses; and
- (vii) premiums paid to the Perbadanan Insurans Deposit Malaysia (PIDM).