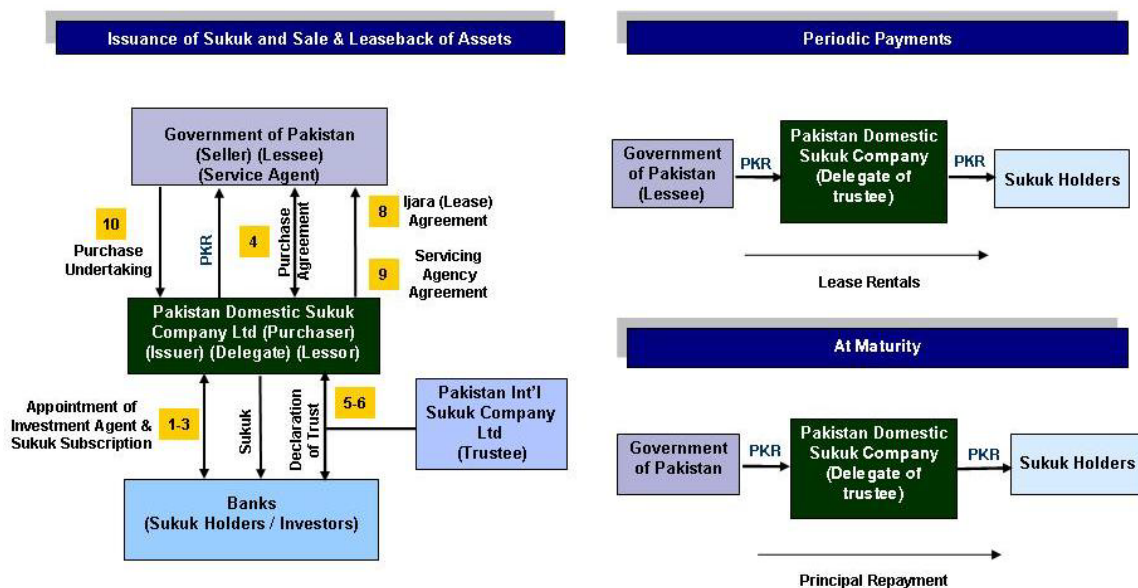


Transaction Structure of GoP Domestic Ijarah Sukuk (M2)

The Assets

The Highway Land together with all constructions and improvements thereon (M-2) (“Assets”) has been identified as the proposed Assets to facilitate issuance of the GoP Ijarah Sukuk (“Sukuk”). The valuation of the asset will be carried out by at least two PBA approved independent valuers and the lower of the two valuations will be used to determine the sale price of the Assets. The Assets are owned by the GoP whilst the title to the Assets is currently held by the Pakistan International Sukuk Company Limited (“PISCL”) as trustee for GoP. The GoP is owning the Assets since it purchased the same from International GoP Ijarah Sukuk Holders in the year 2010.

The Structure – Diagram



The Structure - Explanation

1. State Bank of Pakistan (“SBP”) will conduct an auction through which Sukuk Investors (“Investors”) will be identified.
2. The Investors will execute the **Sukuk Subscription Undertaking** in favor of Pakistan Domestic Sukuk Company Limited (“PDSCL”) & PISCL which will record the commitments of the Investors to subscribing the Sukuk to be issued by PDSCL. Under the Sukuk Subscription Undertaking, the Investors will also appoint PDSCL as their Agent.
3. A **Sukuk Issuance Undertaking** will be executed by PDSCL and PISCL in favor of the Investors, whereby PDSCL will undertake to issue the Sukuk to the Investors. The proceeds of the Sukuk will be used by PDSCL to purchase the Assets as an agent for and on behalf of the Investors. Each such Suk will represent an undivided ownership in the Assets.

Transaction Structure of GoP Domestic Ijarah Sukuk (M2)

4. The PDSCL (acting as Agent for and on behalf of the Investors) will enter into a **Purchase Agreement** with GoP (acting through PISCL which is currently holding the bare legal title of the Assets on behalf of GoP) for purchase of undivided ownership (expressed in terms of percentage) in the Assets at an agreed price (“Purchase Price”) equivalent to the Sukuk issue amount (being the amount agreed under the Sukuk Subscription Undertaking). Such purchase will be affected by a proper offer and acceptance between PDSCL and GoP (acting through PISCL which is currently holding the bare legal title of the Assets on behalf of GoP). PDSCL as Agent for and on behalf of the Investors will collect the Purchase Price from the Investors in its bank account, and subsequently transfer the Purchase Price to the Seller’s (GoP) bank account. Each time there is an additional requirement of funds by the GoP, PDSCL (on behalf of the Investors) will purchase an additional undivided share (explicitly determined and expressed in terms of percentage ownership) in the Assets and purchase of such undivided share will be clearly reflected in each Purchase Agreement. Upon each such purchase by the Investors from GoP, the proportionate share of the Assets sold will be derecognized from GoP’s financial statements and recorded in the financial statements of PDSCL and the Investors. Such purchases by the PDSCL may continue until the whole value of the Asset is exhausted.
5. Pursuant to Purchase Agreement, ownership of the purchased share in the Assets will be transferred to PDSCL and the registered title will remain with PISCL. PISCL will execute a **Declaration of Trust** in favor of the Investors to the effect that the PISCL is holding the registered title in trust for the Investors. Once the ownership of the asset is transferred to the Investors, a document should be executed to prove that the possession of the Assets is handed over to PDSCL as Agent for and on behalf of the Investors which will legally confirm that all the risks and rewards of the Assets have passed on to the Investors.
6. Under the Declaration of Trust, PISCL will delegate its duties and powers under the trust to PDSCL, with the exception of holding the registered title to the Trust Assets. SBP-BSC may also be made delegate for the specified purposes.
7. PDSCL and SBP’s Banking Services Corporation will execute an **Agency Agreement** whereby PDSCL will appoint SBP BSC as Paying Agent, Reference Agent and Registrar for the Investors.
8. Following the purchase of an undivided share in the Assets, The PDSCL (as Delegate to the Trustee of Investors) will enter into an **Ijarah Agreement** with GoP (as Lessee) wherein the Investors’ undivided share in the Asses will be leased to GoP for a fixed period (3 years), against Lease Rental payments in accordance with the terms & conditions as specified in the Ijarah Agreement. Under the terms and conditions of the Ijarah Agreement, GoP will be allowed to nominate any of its affiliates, for e.g. NHA, to use, operate and maintain the Assets as its nominee. A separate Ijarah Agreement will be executed between PDSCL (acting as Delegate to

Transaction Structure of GoP Domestic Ijarah Sukuk (M2)

the Trustee of the Investors) and GoP for the lease of undivided share of the Assets intended to be leased under each tranche.

The Lease Rentals will comprise:

- a. an amount equal to the product of (i) the Rental Rate for such rental period, plus the Margin, (ii) the number of days in such rental period divided by 365, and (iii) the face value of the Sukuk issue; plus
 - b. Supplementary Rental being expenses incurred by the Service Agent in respect of maintenance, repair and insurance / takaful of the Sukuk Assets equal to the amount payable by the PDSCL under the Service Agency Agreement (as notified to the PDSCL by the Service Agent) in respect of the most recently completed rental period.
9. A **Service Agency Agreement** will be executed between PDSCL (as Delegate to the Trustee of Investors) and GoP whereby GoP will be appointed as Service Agent to undertake the servicing (e.g. major repair & maintenance and takaful etc.) of the Assets during the term of the lease in consideration for a nominal fee.
10. At maturity or upon an Event of Default, GoP will undertake to purchase (pursuant to a **Purchase Undertaking**) the Sukuk Assets at the Exercise Price. The Purchase Undertaking will clearly state the Exercise Price which will be an amount equal to the initial Purchase Price plus any due and payable amounts by the Lessee including any accrued amounts under the Ijarah Agreement with respect to Supplementary Rental or expenses to be claimed by the Service Agent.
11. GoP through a Cost Undertaking will undertake to pay all applicable fees & expenses and provide indemnities associated with the Sukuk Issuance

Transaction Structure of GoP Domestic Ijarah Sukuk (M2)

Key Documentation

| Documents | Signatories | Process Steps Reference |
|--------------------------------|-------------------------------|---------------------------------|
| Sukuk Subscription Undertaking | Investors | Please refer point 2 above. |
| Sukuk Issuance Undertaking | PISCL, PDSCL and GOP | Please refer point 3 above. |
| Purchase Agreement | PDSCL and GoP (through PISCL) | Please refer point 4 above. |
| Declaration of Trust | PDSCL, PISCL and SBP-BSC | Please refer point 5 & 6 above. |
| Agency Agreement | PDSCL and SBP-BSC | Please refer point 7 above. |
| Ijarah Agreement | PDSCL and GoP | Please refer point 8 above. |
| Service Agency Agreement | PDSCL and GoP | Please refer point 9 above. |
| Purchase Undertaking | GoP | Please refer point 10 above. |
| Cost Undertaking | GoP | Please refer point 11 above. |