

Term Sheet

3/5-year Listed Fixed Rate of Return (FRR) GOP Ijarah Sukuk

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| Issue / Security | 3/5-year listed FRR GOP Ijarah Sukuk. |
| Issuer | Pakistan Domestic Sukuk Company Limited (PDSCL) - a wholly owned subsidiary of Ministry of Finance, Government of Pakistan. |
| Target Size | PKR 30 billion for each 3-year and 5-year instrument. |
| Issue Date | Jan 24, 2024 |
| Re-open Date | Feb 21, 2024 |
| Maturity Date | Jan 24, 2027 for 3-year Sukuk Jan 24, 2029 for 5-year sukuk In case the Maturity Date falls on a public holiday then the maturity of the Sukuk would be on the next working day. |
| Sukuk | A Shariah-compliant certificate/instrument that represents the undivided proportionate ownership of the Ijarah Asset. |
| Face Value | Face Value of each Sukuk would be PKR 5,000 which would represent the ownership share in the Ijarah Asset. The undivided percentage share of ownership in the Ijarah Asset for each Sukuk will be calculated as follows: Face Value per Sukuk / Total Market Value of the Asset. |
| Bid Amount Face Value | A single bid can be placed for Face Value of PKR 5,000 or any multiple of PKR 5,000. |
| Bid Price | means the price per Rs. 100 (upto 4 decimal spaces) at which an investor bids in the auction and does not include Price Premium. |
| Bid Price Realized Value | $Bid\ Amount\ Face\ Value \times \frac{Bid\ Price}{100}$ |

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| <p>Cut-off Price</p> | <p>Cut-off Price shall be the Bid Price accepted by the Ministry of Finance. In case, the Ministry of Finance does not accept any Bid Price, the auction shall stand rejected.</p> <p>This Cut-off Price along with Price Premium will be used to calculate the Purchase Price for each Sukuk</p> |
| <p>Price Premium</p> | <p>Price Premium is the per Sukuk Purchase Price premium to be paid by each investor over and above the Cut-off Price. This Price Premium is against the right of receiving higher first rental in comparison to the old investors. This would be paid upfront at the time of Sukuk issuance.</p> <p>The Price Premium for 3 year Sukuk would be PKR 61.5616/- for PKR 5,000 Face Value</p> <p>The Price Premium for 5 year Sukuk would be PKR 59.4137/- for PKR 5,000 Face Value</p> <p>Bid Face Value * (Cut-Off Rental of Fresh issue/365*Accrued Days)</p> |
| <p>Purchase Price</p> | <p>Purchase Price per Sukuk of a successful bid shall be equal to</p> $5,000 \times \frac{\text{Cut - off Price}}{100} + (\text{Price Premium})$ <p>Purchase Price per Sukuk shall be the price of the proportionate share purchased by the investor in the identified Ijarah Asset.</p> <p>Each Sukuk represents the undivided proportionate ownership share in the Ijarah asset upto the Face Value.</p> <p>The undivided percentage share of ownership in the Ijarah Asset for each Sukuk will be calculated as follow:</p> <p>Face Value per Sukuk / Total Value of the Asset</p> |

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| <p>Ijarah Rental</p> | <p>Ijarah Rental per Sukuk for the period ending on July 23, 2024 would be as follows</p> <p><i>Face Value x (Rental Rate +- Spread) x Number of Remaining days in a period divided by 365 +Price Premium</i></p> <p>For each of the subsequent 6-month ijarah periods, Ijarah Rental would be calculated as follows:</p> <p><i>Face Value x Rental Rate x Number of days in a period divided by 365</i></p> |
| <p>Rental Rate</p> | <p>Rental Rate for 3-year listed VRR GOP Ijarah Sukuk is 16.05%</p> <p>Rental Rate for 5-year listed VRR GOP Ijarah Sukuk is 15.49%</p> |
| <p>Cut-off Rate</p> | <p>Cut-off Rate shall be the Bid Rate accepted by the Ministry of Finance. In case, the Ministry of Finance does not accept any Bid Rate, the auction shall stand rejected.</p> |
| <p>Tenor</p> | <p>3 years and 5 Years</p> |
| <p>Joint Financial Advisors & Shariah Advisor to the Issue</p> | <p>Meezan Bank Limited, Dubai Islamic Bank (Pakistan) Limited, Bank Islami Pakistan Limited, Bank Alfalah Limited.</p> |

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| <p>Issuance Methodology</p> | <p>The 3/5 year FRR Sukuk issue dated Jan 24, 2024 would be reopened.</p> <p>The Investors would be invited to bid for purchase of an additional share in the existing underlying ijarah asset at either premium or at discount to the Face Value of the Sukuk. Subsequent to the auction the additional share in the ijarah asset would be leased out to GoP under similar terms and conditions.</p> <p>An investor may submit any number of bids to purchase the Sukuk in the manner prescribed by Pakistan Stock Exchange (PSX).</p> <p>Each bid must specify the Bid Amount and the Bid Price.</p> <p>The auction shall follow a single price methodology. All bids whose Bid Price is equal to or greater than (or the Rental Rate is equal to or lesser than) the Cut-off Price/Rental Rate shall be treated as successful bids. All the successful bidders shall be allocated the cut-off Price. All successful bidders would also be required to pay upfront the Price Premium against higher first rental.</p> |
| <p>Tradability</p> | <p>Tradable on Pakistan Stock Exchange (PSX).</p> |
| <p>Rental Payment Frequency</p> | <p>Semi Annual</p> |
| <p>Rental Payment Obligation & Asset Purchase Undertaking</p> | <p>Government of Pakistan.</p> |
| <p>Ijarah Asset Details & Valuation</p> | <p>Ijarah Asset means the asset share to be purchased by the Sukuk holders as defined in the Transaction Structure</p> |
| <p>Commingling of Assets</p> | <p>One day prior to the first Ijarah Rental payment date an asset commingling declaration would be executed whereby ijarah assets under initial issuance (dated 24 Jan, 2024) and ijarah assets under reopening would be comingled in accordance with the Transaction Structure.</p> |
| <p>Transaction Structure, Shariah Approval & Ijarah Asset Details</p> | <p>Transaction structure is based on Ijarah (sale & lease back of underlying assets).</p> <p>A detailed transaction structure (including Shariah Advisor's approval, asset details, transaction flow, related transaction risks & reward) as approved by the Shariah Advisor to the Issue is attached as Annex-A.</p> |

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| <p>Eligible Investors</p> | <p>All eligible investors as defined in the Government of Pakistan Sukuk Rules 2008 (amended in 2023) and as notified by SRO 1585(I)2023 issued by Ministry of Finance dated 17th November 2023 including the following:</p> <ul style="list-style-type: none"> • Individuals, Institutions, Trusts, funds of all types, bodies corporate including banks, non-banking finance companies, insurance and Takaful companies irrespective of their residential status. • RDA Customers. • Non-resident Pakistani. • Foreign Investors & International Islamic Banks & FIs. |
| <p>Eligible Participants</p> | <p>All Clearing Members of NCCPL shall be allowed to submit bids as Auction Participants in the auction process.</p> |
| <p>Non-Competitive Bid (NCB)</p> | <p>The investors may place NCBs on the auction date in the manner prescribed by PSX.</p> <p>NCB shall only specify the Bid Amount Face Value.</p> <p>A single investor shall not bid for an aggregate face value exceeding 0.25% of the Auction Target or PKR 500 million, whichever is lower.</p> <p>In case the aggregate Face Value of all NCBs is greater than the available cushion in the Ijarah Asset, the securities shall be issued on prorata basis to the relevant investors.</p> <p>All NCBs shall be treated as successful provided that the Ministry of Finance announces a cut-off price. No NCBs shall be treated as successful in case the auction is rejected.</p> <p>The calculation methodology of Face Value and Ijarah Rental for NCBs shall be the same as of the competitive bids.</p> |
| <p>Margin Requirement</p> | <p>Margins requirements shall be as per the applicable policies of PSX & NCCPL and shall be refundable in case of unsuccessful bids.</p> |
| <p>Sukuk Redemption</p> | <p>The Sukuk shall be redeemed on Maturity Date by paying the applicable Face Value.</p> |

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| Investment Agent | Pakistan Domestic Sukuk Company Limited. (By entering into the auction process, all investors to the issue shall agree to authorize Investment Agent to perform all actions required on their behalf as per the Transaction Structure & related documentation) |
| Investment Agent | Pakistan Domestic Sukuk Company Limited. |
| Legal Advisor | Ahmed & Qazi Advocates & Legal Consultants |
| Paying Agent | National Clearing Company of Pakistan Limited (NCCPL). |
| Registrar | Central Depository Company (CDC) Share Registrar Services Limited (wholly owned subsidiary of CDC). |
| Custodian & Transfer Agent | The Sukuk shall be inducted in Central Depository System (CDS) of CDC in book entry form and units (in term of volume) and will be reflected in the CDS account of the sukuk holders. Transfer of Securities shall be made in accordance with the Central Depositories Act, 1997 and CDC Regulations made under the Act. |
| Listing | Sukuk shall be listed on PSX. |
| SLR Eligibility | The Sukuk shall be an 100% SLR eligible instrument for all eligible investors, on the basis of Government of Pakistan Sukuk Rules 2008 (as amended in 2023), published in Government of Pakistan S.R.O 1585(I)2023 dated 17 th November 2023, issued by Ministry of Finance. |
| Other Terms & Conditions | <ul style="list-style-type: none"> ● No bid shall be considered if received after the deadline for bid submission. ● PSX shall notify the successful bidder ● Shariah structure and legal documentation shall be approved by Shariah Advisor of the Issue. ● Ministry of Finance, Government of Pakistan reserves the right to reject the bids without assigning any reason. |
| Appointment of Investment Agent by the Investors | The potential investors shall appoint the Pakistan Domestic Sukuk company Limited (PDSCL) as Investment Agent pursuant to the execution of Bid Terms and Conditions document prior to placement of Bids, whereby investors would authorize the Investment Agent to execute the transaction documents on behalf of the Investors |

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| <p>Disclaimer & Investor Advice</p> | <ul style="list-style-type: none"> ● Investors are advised to read the Term Sheet, Transaction Structure and related documentation to understand the risk and reward of the transaction and should not construe this Term Sheet, Transaction Structure and related documentation as financial, legal or tax advice and should conduct their own investigation and analysis of the transaction described herein before deciding to invest in the Sukuk. ● Investment in Listed Sukuk is subject to market risk, liquidity risk, asset risk, foreign exchange risk and prevailing market conditions. <p>The transaction is governed by the Transaction Structure and related legal documents, approved by the Shariah Advisor.</p> |
| <p>Governing Rules</p> | <p>Government of Pakistan Sukuk Rules, 2008 (as amended in 2023) and as notified by SRO 1585(I)2023 issued by Ministry of Finance dated 17th November 2023.</p> |
| <p>Governing Law</p> | <p>The Sukuk shall be subject to the laws of Islamic Republic of Pakistan.</p> |
| <p>Shariah Compliance</p> | <p>The overall issue has been structured and shall be executed in accordance to the guidelines provided by the Shariah Advisor of Joint Financial Advisors and all parties involved in the transaction shall commit to ensure compliance with these guidelines at all times.</p> |
| <p>Indemnification</p> | <p>The Issuer hereby indemnifies and agrees to hold harmless the Joint Financial Advisors and Shariah Advisor and each of their affiliates and each of its respective officers, directors, employees, agents, advisors and representatives (each an “Indemnified Party”) from and against any and all claims, damages, losses, liabilities, costs and expenses (hereinafter collectively referred as “Claim”), joint or several, that may be incurred by or awarded against any Indemnified Party, in each case arising out of or in connection with or relating to the Issue except to the extent such Claim has resulted from such Indemnified Party’s gross negligence or willful misconduct.</p> |
| <p>Arbitration</p> | <p>Any conflict shall be resolved with the mutual consent of respective parties involved. In absence of mutual consent, the matter shall be resolved through Pakistani courts.</p> |

