

Presentation to:

**First Pakistan Islamic Banking & Money Market
Conference**

On

**Debut Local Currency Sukuk Issue for the
*Pakistan Water and Power
Development Authority (WAPDA)***

September 14, 2005

Introduction to Sukuk

- ◆ Trust certificates – investor returns are derived from legal or beneficial ownership of assets rather than interest-based debt obligations
- ◆ Investors have an undivided interest in the underlying assets and are therefore entitled to share jointly the related returns
- ◆ Sukuk are freely tradable and offer Islamic investors a Sharia' compliant secondary market liquidity in the international market
- ◆ May be structured with an underlying Ijara (Sukuk Al-Ijara) or Musharaka (Sukuk Al-Musharaka)
- ◆ Sukuk are most preferred in the Middle East, represent the most inclusive means of tapping the market and can be structured on an amortizing or bullet maturity basis
- ◆ The underlying assets are purely used as a means of transacting and do not constitute a transaction-specific pool of security
- ◆ Sukuk rank pari-passu with senior unsecured credit obligations and are structured not to contravene existing negative pledge provisions
- ◆ Investor documentation is usually governed by the English law or applicable local laws
- ◆ From a credit perspective, investors expect the Sukuk issue to represent the same credit risk as that of the ultimate issuer/guarantor

Transaction Background

- ◆ The Pakistan Water and Power Development Authority (“**WAPDA**”), established under the WAPDA Act as an autonomous body for the development and use of the water and power resources of Pakistan on a unified, multi purpose basis
- ◆ WAPDA’s financing requirement: PKR 8,000 million to (partially) fund the Mangla Dam Raising Project
- ◆ Key objectives for WAPDA were:
 - To raise financing in a cost efficient manner
 - Strengthen its presence in the local financial markets
 - Diversify and cultivate WAPDA’s investor base
 - Undertake a landmark transaction which will catalyze the promotion of Islamic Financial instruments and lead the way for other public sector entities
- ◆ Keeping in view WAPDA’s requirements and objectives, Citigroup proposed the Sukuk mode of Islamic financing to WAPDA
- ◆ WAPDA mandated Citigroup to act as Shariah Advisor and Joint Lead Manager for a domestic Sukuk Al-Ijara issue
- ◆ This transaction was inspired by the Government of Pakistan debut Sukuk offering executed earlier this year

Key Structuring Considerations

Which Issuing Entity?

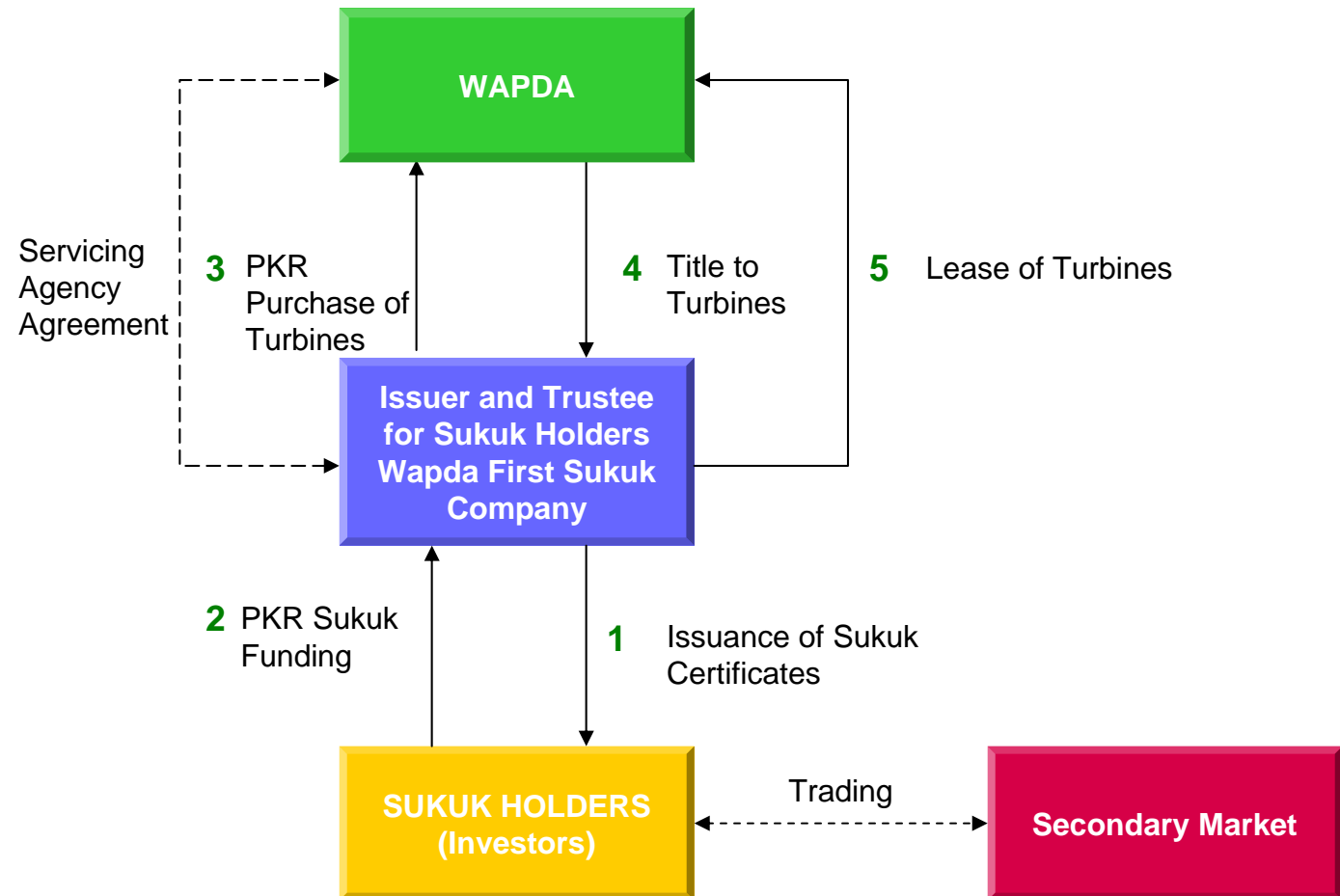
- ◆ Sukuk are usually issued through special purpose vehicle ('SPV')
- ◆ In Pakistan a Limited Liability Company has acted as the issuer and is registered with and regulated by SECP
- ◆ The Wapda First Sukuk Co is 100% owned by WAPDA and will act as the Issuer SPV for the WAPDA Sukuk

What Assets?

- ◆ Unencumbered at time of sale
- ◆ Direct/indirect ownership should vest with WAPDA
- ◆ Assets should economic value/estimated worth equal to the principal amount under lease
- ◆ Title of assets should be clearly transferable to the issuing SPV

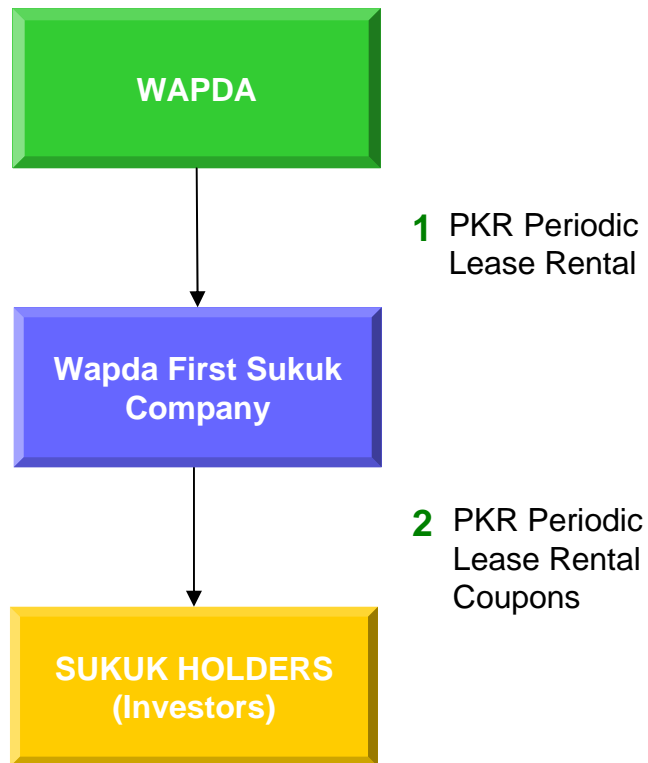
Transaction Structure

At Inception

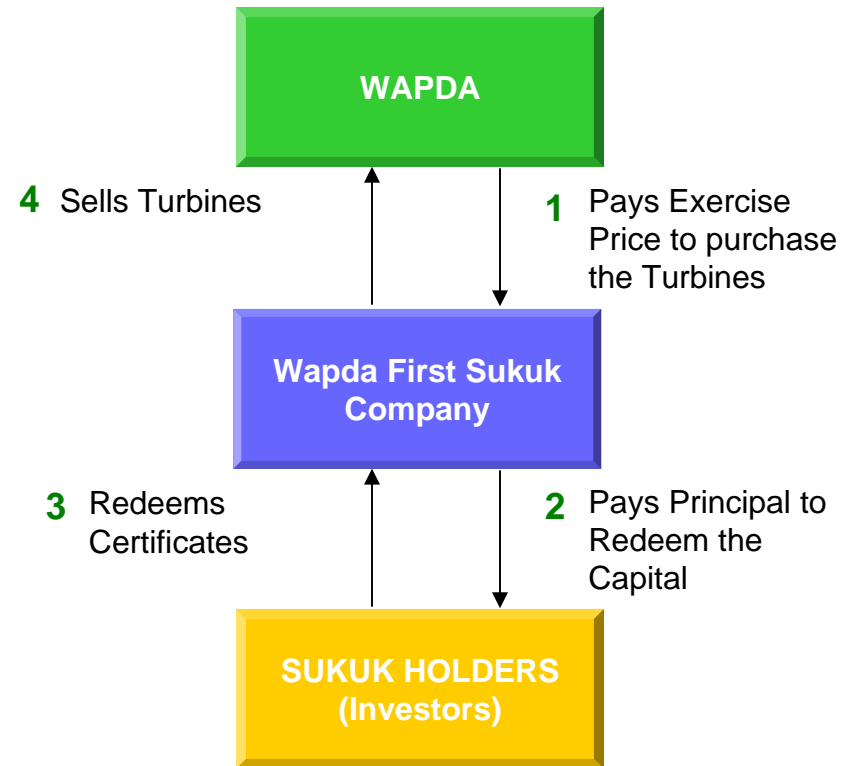


Transaction Structure...Cont'd

Periodic Distribution



At Maturity or Dissolution



Offering Summary

Principal Amount	PKR 8,000 mn
Periodic Distribution	6 month KIBOR + 35 bps
Tenor	7 years
Issuance Format	Privately Placed LCY Floating Rate Notes
Structure	Trust Certificates (Sukuk)
Issuer	WAPDA First Sukuk Company Limited
Lessee	WAPDA
Underlying Assets	WAPDA's 10 Mangla Dam Hydel Power Generation Units
Governing Law	Islamic Republic of Pakistan
Structuring Advisor	Citi Islamic Investment Bank E.C.

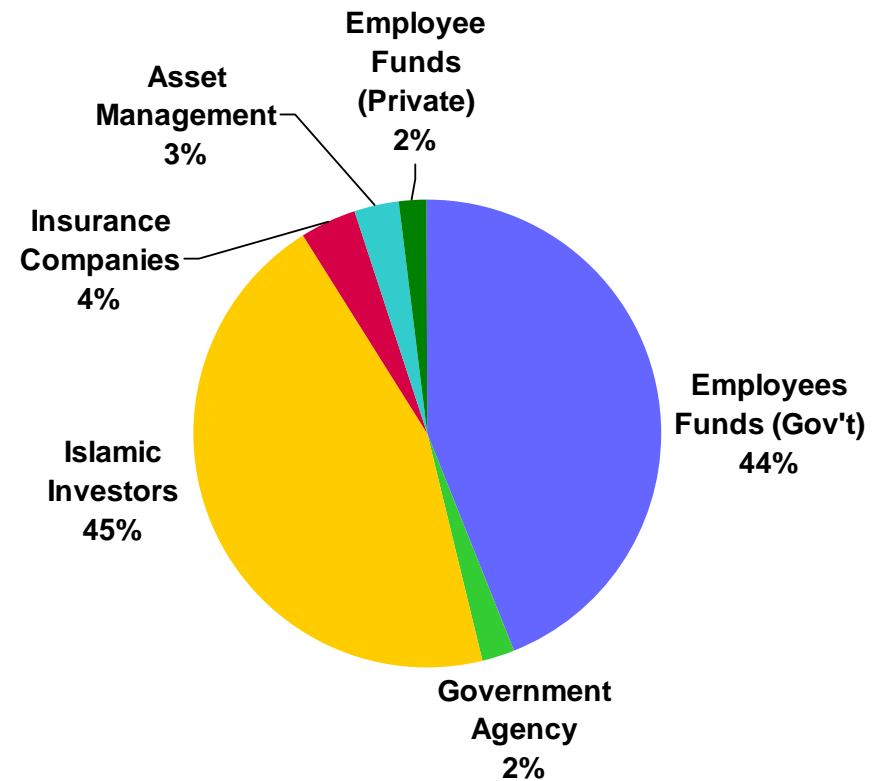
Marketing and Distribution

◆ Marketing

- All-encompassing approach:
 - Soft market to the investor universe through distribution of Transaction “Abridged Summary of the Offering”;
 - Dedicated marketing calls / presentations to select investors with PKR 500 million or more appetite;
 - Finalize investor list; and
 - Circulate Transaction Information Memorandum

◆ Distribution

- *While structured as a Shariah compatible issue, the transaction will appeal to a broad group of investors locally*
- We envisage the following breakdown by investors by type



Setting New Benchmarks...

- ◆ First ever local currency Sukuk issue for Pakistan
- ◆ International and local Sharia' endorsement:
 - Structure and documentation approved by the Sharia' board of Citi Islamic Investment Bank E.C. and under review by State Bank of Pakistan's Board
- ◆ SBP considering to endorse WAPDA Sukuk as Statutory Liquidity Requirement ('SLR') eligible security for approved Islamic Banks

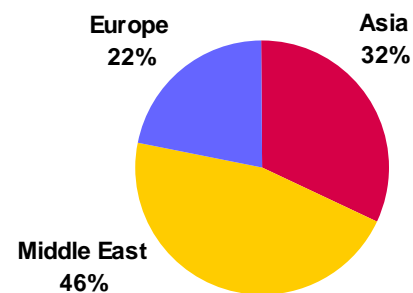
Government of Pakistan Debut Sukuk Offering

Offering Summary

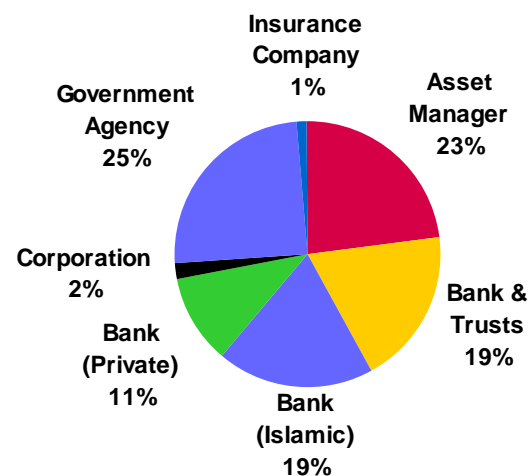
Principal Amount	US\$600mn
Ratings (S&P)	B+
Maturity Date	January 27, 2010
Periodic Distribution	6 month Libor + 220 bps
Pricing Date	January 18, 2005
Settle Date	January 27, 2005
1 st Coupon Date	27 July, 2005
Issuance Format	Reg S only
Structure	Trust Certificates (Sukuk)
Issuer	Pakistan International Sukuk Company
Lessee	President of the Islamic Republic of Pakistan
Underlying Assets	Highway Land (Motorway)
Joint Lead Managers/ Bookrunners	Citigroup, HSBC

Distribution

Geographical



Type



Conclusion and Q&A

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