

In the name of Allah, the Most Gracious, the Most Merciful

**ISLAMIC PRE-SHIPMENT FINANCE MUSHARAKAH
BY STANDARD CHARTERED BANK (PAKISTAN) LIMITED
PRONOUNCEMENT OF THE SCBPL SHARIAH BOARD**

All praise is due to Allah Almighty, the Cherisher of the World, and peace and blessing be upon the Holy Prophet of Allah on his family and all his companions

The Shariah Board has reviewed the structure and agreements relating to SCBPL's Islamic Pre-shipment Finance Musharakah product.

The idea behind the Islamic Pre-shipment Finance Musharakah Product is to provide financing to the Customers against their export orders. A brief outline of the product structure is given below:

1. Bank enters into a joint investment arrangement with the Customer whereby upon presentation of necessary trade finance documents, Bank agrees to invest funds in the Customer's business on a profit and loss sharing basis. The Customer will be appointed as the manager of the joint investment arrangement.
2. Customer's equity (including paid up capital and equity reserves) in the business and financing (in any form) obtained by the Customer for the purposes of the business is treated as his investment in the Musharakah.
3. Bank performs a credit analysis of the Customer and sanctions a suitable Pre-shipment Finance limit. It is agreed as per the terms of the contract that the Customer may utilize the funds from his limit upon presentation of Drawdown Request alongwith necessary trade documents acceptable to the Bank. Hence the Bank's investment in this business will vary from time to time subject to a maximum financing limit approved by the Bank.
4. At the end of the year, average daily outstanding of the limit will be used as the Bank's investment in the business. The Profits from the business will be shared between the Bank and the Customer as per a pre agreed ratio (e.g. 40:60).
5. The profit and loss sharing will be done based on the audited results of the Customer's business at the end of the year upon finalization of the audited financial statements.
6. The Customer will be required to pay provisional profit payments as per an agreed formula. This payment of provisional profit and Bank investment will, however, be subject to adjustment based on actual profit sharing.
7. In case of early termination, the Customer will make provisional profit payment till the date of termination alongwith the principal outstanding whereas actual settlement of profit/loss will be subject to finalization of audited accounts.
8. The Bank may offer to pay performance bonus to the Customer in case the actual profit comes out to be more than a predefined profit threshold level.
9. In case the audited results show a loss in the Customer's business, the same will be shared between the parties in the ratio of their respective investments.
10. The Bank will obtain security from the Customer to secure its obligations under the joint investment.

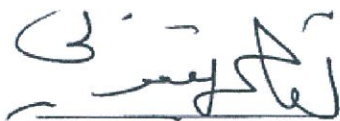
11. This product can also be offered under Islamic Export Refinance Scheme¹.

The Shariah Board has reviewed and approved the following document:

1. Musharaka Agreement

The Shariah Board has reviewed and approved the Pres-shipment Finance Musharakah Agreement and hereby rules that the Pre-shipment Finance Product is in accordance with the principles of Shariah and Customers can take advance of this facility which relieves them from interest-based products.

And Allah Almighty knows best.



Shaikh Nizam Yaqouby
Chairman Shariah Board



Mufti Muhammad Abdul Mubeen
Member Shariah Board



Mufti Irshad Ahmad Aijaz
Member Shariah Board



Mufti Muhammad Abdullah
Resident Shariah Board Member

SCBPL Shariah Board
Date: March 30th 2016

¹ Islamic Export Refinance Scheme is a concessional finance scheme offered by State Bank of Pakistan (SBP) to boost exports in the country. Under this scheme, SCB and SBP enters into a Musharakah Arrangement whereby SCB while acting as a managing partner provide financing to the customers under any approved mode of Islamic finance.