

SCHEDULE 1

FORMAT OF INVESTOR AGREEMENT

This **INVESTOR AGREEMENT** is made at [•] on this [•] day of [•], 2017 ("**Agreement**").

By and Between

1. **U MICROFINANCE BANK LIMITED**, a microfinance bank incorporated under the laws of Pakistan and having its registered office at Plot No. 13-B, College Road, F-7 Markaz, F-7, Islamabad (hereinafter referred to as the "**Issuer**", which expression shall mean and include, where the context so requires or admits, its successors-in-interest and permitted assigns);

And

2. [•], a [company / bank / development finance institution], incorporated under the laws of Pakistan and having its registered office at [•] (hereinafter referred to as the "**Investor**", which expression shall, unless repugnant to the context, mean and include its successors-in-interest and permitted assigns).

WHEREAS:

- a. The Issuer, for the purpose of financing its on-going business requirements, proposes to issue a commercial paper as an instrument of redeemable capital to investors, under Section 66 of the Act ("**Commercial Paper**") also being promissory notes, in accordance with the Regulations and the Guidelines (defined below).
- b. The Issuer proposes to issue the Commercial Paper up to an aggregate amount of PKR 1,000,000,000/- (Pak Rupees One Billion) ("**Issue Amount**") in the form of unsecured promissory notes ("**Notes**") at a discounted face value by way of private placement ("**Issue**"), to be subscribed to by various investors. The Issuer's obligations towards the investors will constitute unsecured obligations ranking equally in right of payment with all other unsecured indebtedness of the Issuer except those preferred as mandatory by law.
- c. The Investor has agreed to subscribe and pay for the Notes up to an aggregate amount of PKR [•]/- (Pak Rupees [•]) in terms of this Agreement and the Terms and Conditions (defined below).

NOW THEREFORE, THIS AGREEMENT witnesseth and it is hereby agreed by and between the parties as follows:

1. DEFINITIONS

1.1 Definitions

- 1.1.1 In this Agreement, unless it is repugnant to the context the following expressions shall bear the meaning as under:

"**Act**" means the Companies Act, 2017;

"**Agreement**" means this Investor Agreement;

“Escrow Account” means account no [•] of the Issuer established with the [•] Branch of the Escrow Agent, which account shall be under the exclusive lien and control of the IP Agent. The Issuer shall issue irrevocable instructions to the Escrow Agent in form and substance acceptable to the IP Agent for the operation of the Escrow Account in terms hereof;

“Escrow Agent” means United Bank Limited;

“Events of Default” means each of the events listed in Clause 6.1 of this Agreement;

“Face Value” means the amount of PKR 1,000,000/- (Pak Rupees One Million) (or in multiples thereof), payable by the Issuer in respect of each Note on its respective Maturity Date, and in the aggregate not exceeding an amount of PKR 1,000,000,000/- (Pak Rupees One Billion) for all Notes subscribed to by the Investors;

“Financial Indebtedness” means any indebtedness of the Issuer in respect of:

- (i) moneys borrowed or raised by the Issuer and debit balance at banks;
- (ii) any debenture, bond, note, loan stock or other security (whether or not transferable or negotiable);
- (iii) receivables sold or discounted (otherwise than on a non-recourse basis);
- (iv) the acquisition cost of any asset to the extent payable before or after the time of acquisition or possession by the party liable where the advance or deferred payment is arranged primarily as a method of raising finance or financing the acquisition of that asset;
- (v) leases (whether in respect of land, machinery, equipment or otherwise) entered into primarily as a method of raising finance or financing the acquisition of the asset leased;
- (vi) central excise duty and other statutory levies imposed by or payable to the Federal, Provincial or any Local Governments by virtue of or in respect of any of the above
- (vi) currency or interest swap, cap or collar arrangements;
- (vii) amounts raised under any other transaction having the commercial effect of a borrowing or raising of money; or
- (vii) any guarantee, indemnity or similar assurance against financial loss of any person;

“Financial Year” means the accounting year of the Issuer;

“Financiers” means the banks and financial institutions extending loans and advances to the Issuer;

“Guidelines” means the Guidelines on Commercial Paper issued by the SBP vide BPD Circular No. 28 dated August 23, 2003, as amended from time to time;

“Investors” means all the investors investing in the Notes pursuant to each investor agreement signed and shall include their respective successors-in-interests, permitted assigns;

“Issue Date” means, in respect of the Notes, [•] i.e. the first date of subscription, or such later date as the Investors may agree, being the effective date on which the Payment is required to

be made by the Investor to the Issuer in terms of this Agreement, and shall be the date specified as the Issue Date on the face of that Note;

“**IP Agent**” means **UNITED BANK LIMITED**, a banking company, established under the laws of Pakistan and having its registered office at 13th floor, UBL Building, Jinnah Avenue, Blue Area, Islamabad (which expression shall mean and include, where the context so requires or admits, its successors-in-interest and permitted assigns) appointed as issuing and paying agent for the Issue pursuant to the IPA Agreement;

“**IPA Agreement**” means Issue and Paying Agency Agreement dated [•];

“**Issue Price**” means the price payable by the each of the Investors for subscription / purchase of each Note of the Face Value of PKR 1,000,000/- (Pak Rupees One Million) (or in multiples thereof) each calculated in accordance with the formula prescribed in Schedule 3 hereto;

“**Material Adverse Effect**” means a material adverse effect on:

- (i) the business, assets or financial condition of the Issuer; or
- (ii) the ability of the Issuer to perform its obligations under this Agreement and / or in respect of the Notes;

“**Maturity Date**” shall mean the date on which the Face Value of the Notes is payable by the Issuer to the Note Holder (stated on each Note), being a date falling 9 (nine) calendar months (actual number of days will be taken for the purpose of calculation) from the Issue Date of the Notes;

“**Note**” shall mean the unsecured promissory notes (Commercial Paper) in the form attached hereto in Schedule 1, having a face value of PKR 1,000,000/- (Rupees One Million) each or in multiples thereof, issued by the Issuer at a discount to the Face Value to the Investors by way of private placement in accordance with the Regulations and the Guidelines, with an aggregate Face Value of up to PKR 1,000,000,000/- (Pak Rupees One Billion);

“**Note Holder(s)**” mean the person(s), including the Investors (and the subsequent endorsees / transferees of the Notes), for the time shown as the holder of any Note(s) in the register of Note Holders maintained by the Issuer;

“**Regulations**” means the Issue of Commercial Paper Regulations, 2013 issued by the SECP dated December 4, 2013 vide S.R.O. 1036(I)/2013, as amended by S.R.O 315(I)/2017 dated May 8, 2017, and as may be amended from time to time;

“**SBP**” means the State Bank of Pakistan;

“**SECP**” means the Securities and Exchange Commission of Pakistan; and

“**Terms and Conditions**” means the terms and conditions applicable in respect of the Notes, in the form set-out in Schedule 2 hereto and to be printed on the reverse of each Note.

2. ISSUE OF NOTES AND TERMS THEREOF

2.1 Issue of Notes and Terms Thereof

- 2.1.1 The parties agree that the Investor shall pay an amount equivalent to PKR [•]/- (Pak Rupees [•]) (the “**Payment**”) on the Issue Date, representing the aggregate Issue Price for Notes having an

- aggregate Face Value of PKR [•]/- (Pak Rupees [•]). The Issuer shall issue the Notes for an amount not exceeding the aggregate Face Value, and shall issue irrevocable instructions to the IP Agent to issue on clearance of the Payment, to the Investor or any other entity nominated by the Investor in writing, the Notes not exceeding the aggregate face Value. Payment for the Notes shall be effected by the Investor through a crossed cheque payable in the name of the Issuer and delivered to the IP Agent or in such other manner as may be agreed upon between the Investor and the IP Agent and as may be allowed under the Regulations / Guidelines.
- 2.1.2 On receipt of instructions from the Issuer and on receipt and clearance of the Payment by the IP Agent on or before the Issue Date, the IP Agent shall deliver the Notes (in physical form) to the Investor or its nominee, as the case maybe, within 3 (three) Business Days from the Issue Date.
- 2.1.3 The parties hereto agree that the Notes shall be mutatis mutandis in the form attached to this Agreement as Schedule 1 and shall be governed by the Terms and Conditions along with the Regulations and the Guidelines. Such Terms and Conditions shall be deemed to have been incorporated herein by reference and shall form an integral part of the Note.
- 2.1.4 The Issuer shall maintain a register of Note Holders wherein the names of all Note Holders and all transferees thereof shall be entered from time to time during the term of this Agreement.
- 2.1.5 The Issuer undertakes to pay the Face Value(s) of the Notes on the Maturity Date as stated on the Notes in the manner specified in paragraph 16 of the Terms and Conditions.
- 2.1.6 The Maturity Date as stated on the Notes shall be final and binding and the Issuer shall not be entitled to any extension thereof for any reason whatsoever including force majeure.
- 2.1.7 In the event that the Issuer fails to issue the Notes to the IP Agent and / or the IP Agent fails to deliver the Notes within the stipulated period in terms of this Agreement, due to any reason whatsoever, the Issuer will refund to the Investor within a period of 5 (five) Business Days from the Issue Date any amount paid by the Investor to the Issuer pursuant to this Agreement with profit / return thereon (“Profit”) to be calculated in accordance with the formula provided in Schedule 4 attached hereto. Upon such payment being made this Agreement shall stand terminated and no further liability shall accrue to the Issuer under this Agreement.
- 2.1.8 In case at any time after the signing of this Agreement but prior to the Payment there is a: (i) material adverse change in the condition (financial or otherwise) of the Issuer; or (ii) change in the financial or economic markets of Pakistan and / or any market where these Notes are to be placed, which in the reasonable opinion of the investors holding, in aggregate, more than 50% (fifty percent) in value of the outstanding Notes, has a Material Adverse Effect on the Issuer and / or the transaction contemplated under this Agreement, the Investor will have a right to renegotiate the terms and conditions of this Agreement with the Issuer or terminate this Agreement without incurring any obligation thereunder.
- 2.1.9 This Agreement will come into force on the date of execution hereof, and subsequently, once the Notes are issued, this Agreement will continue till payment in respect of the Notes, in terms of this Agreement on the Maturity Date, to the Investor and payment of all other amounts payable under this Agreement by the Issuer to the Investor.
- 2.1.10 This Agreement shall terminate in the event that the conditions precedent for the subscription specified under Clause 3.1.1 below are not complied with by the Issuer on or prior to the Issue Date.
- 2.1.11 The Issuer shall issue the Notes in accordance with the terms of this Agreement and the provisions of the Regulations within a period of 2 (two) weeks from the date of opening of the

subscription of the Notes. The Issuer undertakes that the Issuer shall not issue any Notes after such period in accordance with the Regulations.

3. CONDITIONS PRECEDENT TO SUBSCRIPTION

3.1 Conditions Precedent to Subscription

3.1.1 Subscription to the Notes by the Investor in terms of this Agreement is subject to compliance by the Issuer of the following conditions precedent, to the satisfaction of the Investor:

- (i) that the Issuer has the necessary power to enter into this Agreement, and that the execution and delivery of this Agreement by the Issuer and Issuing the Notes / Commercial Paper is duly authorized by a resolution of the Board of Directors of the Issuer passed in a meeting;
- (ii) that the signatories of this Agreement on behalf of the Issuer are duly empowered to sign this Agreement and to bind the Issuer into the covenants and undertakings herein contained or which arise as a consequence of the entering into this Agreement by the Issuer;
- (iii) completion and fulfilment of all the legal formalities for the documentation and the Issue by the Issuer and the IP Agent;
- (iv) compliance with all legal requirements and regulations, including compliance with the Regulation and the Guidelines, and all actions/consents including corporate actions for the issuance of the Notes;
- (v) the IPA Agreement is valid, binding, effective and enforceable against the parties in terms thereof;
- (vi) the Issuer has intimated the Financiers along with all Investors about the Issue Amount and Maturity Date and copies of such intimation have been provided to the IP Agent;
- (vii) the Issuer has obtained a minimum credit rating of "A-" (long term) and "A2" (short term). The rating should be current and not more than 6 (six) months old at the time of issue of the Notes.
- (viii) the Issuer has issued a certificate that there is no Event of Default or Material Adverse Effect as on the date thereof;
- (ix) the authorized person of the Issuer has issued a certificate that the Issuer is not in breach of any representation, warranty or covenant made under this Agreement;
- (x) the Issuer has a clear CIB Report (Credit Information Bureau report of the SBP), evidenced by a current CIB Report from SBP and which report is not more than 2 (two) months old;
- (xi) that the Issuer is in compliance with the Prudential Regulations of the SBP (to the extent applicable);
- (xii) that the Issuer has provided copies of the following to the Investor and the IP Agent:
 - (a) SECP certified Memorandum and Articles of Association;
 - (c) SECP certified Certificate of Incorporation;

- (d) SECP certified Certificate of Commencement of Business;
 - (c) SECP certified latest Form 29 and Form A;
 - (d) Copies of CNIC of all directors duly certified by the Company Secretary;
 - (e) Company Secretary certified list of authorized signatories along with specimens of their signatures;
 - (f) Company Secretary certified list of directors;
 - (g) Basic Borrower Fact Sheet;
 - (h) Facility Application Form;
 - (i) Undertaking for appropriate utilization;
- (xiii) The IP Agent (upon receiving the necessary confirmations / documentation from the Issuer) has issued a certificate stating that:
- (a) the Issuer has obtained the minimum and the required (as per the Guidelines and the commercial agreement with the Issuer) credit rating from a credit rating company approved by SBP;
 - (b) that the aggregate amount of Commercial Paper raised by the Issuer is within the limit, as approved by its Board of Directors, in accordance with the Prudential Regulations or the quantum indicated by the rating agency for the specified rating, whichever is lower;
 - (c) the Issuer has met all regulatory requirements as prescribed the SECP and SBP (and has also informed SECP of the same);
 - (d) it has verified all the documents submitted by the Issuer i.e. a copy of the resolutions passed by the Board of Directors of the Issuer, signatures of authorized representatives, and certified that the documents are in order; and
 - (e) it has entered into the IPA Agreement with the Issuer which is valid and binding;
- (xiv) that the Issuer has issued irrevocable instructions to the Escrow Agent in form and substance acceptable to the IP Agent for the operation of the Escrow Account in terms of this Agreement;
- (xv) that the Issuer has issued irrevocable instructions to the Payment Account Bank in form and substance acceptable to the IP Agent for the operation of the Payment Account by the IP Agent in terms of this Agreement; and
- (xvi) a legal opinion has been obtained from the Transaction Legal Counsel confirming, *inter alia*, the validity, enforceability and binding effect of the obligations of the relevant parties under this Agreement.

3.1.2 The Investor shall confirm to the IP Agent in writing upon all conditions precedent as provided in Clause 3.1 above being met to the satisfaction of the Investor. Upon receipt of such confirmation from the Investor, the IP Agent shall inform the Issuer of the same.

4. REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties

4.1.1 The Issuer hereby represents and warrants that:

- (i) the Notes have been duly authorised and, when issued as provided in this Agreement and paid for, will be duly and validly issued and delivered and will constitute legal, valid, and binding obligations of the Issuer, enforceable against the Issuer in accordance with this Agreement, the Terms and Conditions, the Act, the Regulations, the Guidelines and the Negotiable Instrument Act, 1881;
- (ii) it is a microfinance bank validly existing under the laws of Pakistan, has the power to own its assets and carry on its business and is not in liquidation (nor it is threatened with liquidation);
- (iii) it is duly authorized by its Memorandum and Articles of Association to raise finance by way of issuance of the Notes;
- (iv) all conditions and things required by applicable law to be fulfilled or done in order to enable it to lawfully to enter into, and exercise its rights and perform its obligations under, this Agreement have been fulfilled or done;
- (v) it has obtained all necessary corporate and regulatory approvals for the purposes of the Issue;
- (vi) this Agreement constitutes its valid and legally binding obligations, enforceable against it in accordance with its terms;
- (vii) its Balance Sheet and Profit and Loss Account as at December 31, 2016 have been prepared in accordance with the applicable law and generally accepted accounting principles consistently applied and give a true and fair view of its financial condition as of that date and that there has been no change since that date having a Material Adverse Effect on it;
- (viii) neither the execution of, nor exercise of its rights or performance of its obligations under, this Agreement does or will:
 - (a) contravene any applicable law to which the Issuer or any of its properties and businesses are subject;
 - (b) contravene any contract, undertaking or instrument binding on the Issuer or any of its properties;
 - (c) contravene any provision of the Issuer 's memorandum or articles of association;
 - (d) require the Issuer to make any payment or delivery in respect of any Financial Indebtedness before the scheduled date of that payment or delivery; or
 - (e) cause any limitation on the power of the Issuer to incur Financial Indebtedness to be exceeded;
- (ix) no litigation, arbitration or administrative proceedings to which the Issuer is a party are taking place, pending or, to the knowledge of the Issuer, threatened against the Issuer or

any of its properties which, if adversely determined, could have, either separately or in aggregate, a Material Adverse Effect on it;

- (x) all information furnished by the Issuer to the IP Agent and the Investors is accurate and that it has not omitted or concealed any material facts which would render such information incorrect, misleading or inaccurate;
- (xi) the Issuer has disclosed to the Investors in writing all existing liabilities and commitments and all other matters which could have a Material Adverse Effect on it;
- (xii) no extraordinary circumstances and no change of law has occurred which would make it impossible for it to carry on the Purpose and its business or fulfil its obligations under this Agreement;
- (xiii) as of the date of execution of this Agreement, no material adverse change has occurred in the business, condition (financial or otherwise), operations, performance, properties or prospects of the Issuer, taken as a whole, other than as already disclosed to the Investors, that may have an impact on the ability of the Issuer to fulfil its obligations under this Agreement;
- (xiv) the Notes constitutes legal, valid and binding obligation of the Issuer, and that such Notes have been issued pursuant to the Regulations and the Guidelines;
- (xv) it shall be solely responsible for all stamp duty payments required to be made in respect of this Agreement, the Investor Agreements and the initial issue of the Notes;
- (xvi) there are no consents, authorizations, or approvals of, or filing with, any governmental authority required in connection with the issuance or transfer of the Notes by the Issuer or the performance of its obligations there under;
- (xvii) it has not defaulted in respect of any Financial Indebtedness, including by way of rescheduling or restructuring in the last 5 (five) years;
- (xviii) the Issue of Notes to the Investor is being made subject to and in compliance with the terms and provisions of the Regulations and the Guidelines; and
- (xix) the Issuer has been rated A- (single A minus) for long term and A2 (A - two) for short term by [•] in terms of their letter dated [•] which is in compliance with the Guidelines.

.4.1.2 The Investor represents and warrants that it is permitted to invest in the Issue in accordance with the provisions of the Act and shall only trade / transfer the Notes in accordance with the provisions of the Private Placement of Securities Rules, 2017.

4.2 Repetition of Representations and Warranties

4.2.1 The representations and warranties in Clause 4.1 above are taken to be repeated by the Issuer on the Date of Opening and the Issue Date(s), with reference to the law, facts and circumstances subsisting at that date.

4.3 Reliance on Representations and Warranties

4.3.1 The Issuer acknowledges that the Investor has entered into this Agreement in reliance on the representations and warranties in Clause 4.1 above. and agrees to hold harmless and indemnify the Investor in the event of any loss, damage, proceedings, claims, penalties, expenses and

liabilities whatsoever which may be taken or made against or imposed upon the Investor on account of any of the Representations and Warranties found to be false or misleading.

5. PARTICULAR COVENANTS

5.1 Particular Covenants

5.1.1 The Issuer hereby covenants as follows that it shall:

- (i) ensure that the proceeds from issuance of the Notes shall be used solely and exclusively for the purpose of financing the on-going business requirements of the Issuer and shall not be diverted for any other use whatsoever;
- (ii) ensure compliance with the Regulations, the Guidelines, along with all applicable laws, rules and regulations issued by all applicable authorities including but not limited to SBP and SECP;
- (iii) maintain books of accounts and other records of the Issuer so as to reflect the financial position of the Issuer, in conformity with the generally accepted principles of accounting;
- (iv) pay or keep paid up all taxes, dues, rents, rates and charges of any governmental or municipal authority or other competent authority;
- (v) act within the scope of its memorandum and articles of association;
- (vi) ordinary wear and tear excepted, maintain the buildings, sites, works, constructions, plants, equipments, facilities and other assets of the Issuer in a good state of repair and in good working order and condition and take all precautions against such risks including fire, arson, riots, earthquakes, and acts of terrorism;
- (vii) make prompt payment of all amounts due to the Investor under this Agreement;
- (viii) conduct and manage its business and affairs with diligence and efficiency in accordance with sound financial and business practices and with the assistance of qualified personnel;
- (ix) maintain its existence and right to carry on business and take all steps necessary to maintain and renew its lease / hire agreements, other contracts, rights, powers, privileges, concessions, licences and franchises (as applicable) which are necessary or materially useful for the conduct of its business and maintain its books of accounts and other records adequately to reflect truly and fairly its financial position and the results of its respective operations in conformity with generally accepted accounting principles consistently applied;
- (x) on the Maturity Date of the Notes, pay, through the IP Agent, the Face Value mentioned on the face of each Note to the Note Holders, on presentment of the Note.
- (xi) duly perform and observe the obligations in terms of this Agreement and the IPA Agreement;
- (xii) not engage in any inter-company inter-group investments / lending except as permitted by the laws, rules of the SECP and SBP from time to time and other laws as may be applicable from time to time;

- (xiii) maintain a minimum long term rating of at least A- (A Minus) and a minimum short term rating of A2 (A two) at all times while any amounts are due and payable by the Issuer in respect of the Notes;
- (xiv) ensure that the payment of all amounts by the Issuer to the Note Holders in respect of the Notes will be made free and clear of deductions for all taxes, withholdings and duties of any nature whatsoever and the intention is that the obligation or liability for payment of all the taxes, withholdings and duties shall be deemed to be that of the Issuer and that the payment in respect of the Face Value for each Note will be grossed up in the event of any deduction or withholding is required to be made for any such payment, by law, so that the Note Holders will receive the amount which they would have received had no such deduction or withholding been made PROVIDED that in case of the Issuer being required by law (pursuant to a statutory provision or lawful order or direction of competent authority made on the Issuer specifically) to deduct withholding tax/tax at source from payments of the Face Value or any portion thereof (representing profit / return) to the Note Holders and the amount deducted by the Issuer is available for the tax credit of the Note Holders according to the laws of the country where the relevant Note Holder(s) is domiciled and where the Note Holder will be receiving the payment of the Face Value, then the Issuer may make such deductions and provide duly paid challans evidencing credit of the deducted amount for the benefit of the Note Holder(s);
- (xv) maintain the following financial ratios as per the audited accounts for the financial year end:
 - a. PAR (being the value of all of the Issuer's outstanding loans / finance facilities / borrowings at the end of the reporting period that have one or more installments of principal amounts past due for more than 30 (thirty) days) of not more than 2.5%;
 - b. Operational Self Sufficiency Ratio (being the ratio of Issuer's operating revenues to its operating expenses including the financial costs and impairment losses on loans) of not less than 100% (one hundred percent); and
 - c. Total of non-performing loans does not exceed 2.5% of the gross advances portfolio of the Issuer;
- (xvi) intimate in writing to the Investor about the amount and tenor of the Issue contemplated by this Agreement, and copies of such intimation shall be provided to the IP Agent;
- (xvii) ensure that it has established and is maintaining the Escrow Account with the Escrow Agent;
- (xviii) transfer, at least 1 (one) Business Day prior to the Maturity Date, to the Escrow Account sufficient funds equal to the Face Value of the Note(s);
- (xix) intimate to the IP Agent and the Note Holders in there event of any change in the shareholding of the Issuer;
- (xx) not substantially change its disbursement and operating strategy till such time Notes are outstanding; and

(xxi) not sell, transfer, lease out or otherwise dispose of a substantial part of its undertaking or assets, or undertake or permit any merger, consolidation, dismantling or re-organisation of the Issuer till such time that the Notes are outstanding.

5.1.2 The Issuer further undertakes and covenants that it shall not, except with the prior written consent of the IP Agent:

(i) sell, transfer, lease out or otherwise dispose of a substantial part of its undertaking or assets, or undertake or permit any merger, consolidation, dismantling or re-organization of the Issuer;

(ii) change its memorandum or articles of association (including the objects clause) in a manner that materially and adversely effects its ability to perform its obligations under this Agreement, or change its fiscal year or change the nature of its business as stated in its memorandum of association;

(iii) issue any other commercial paper till the Issue Date;

(iv) accelerate repayment of any existing debt or financial liability to any one before its stated maturity date;

(v) sell its assets other than in the ordinary course of business;

(vi) declare any dividend during the tenor of the Issue, if, to the knowledge of the Issuer, there is, or if the declaration and payment of such dividend will result in, a violation of the provisions of this Agreement, or if an Event of Default has occurred and is subsisting;

(vii) take any action which may have a Material Adverse Effect on it; or

(viii) enter into any form of amalgamation of business or company with another entity.

5.1.3 The Issuer shall not commit any act of insolvency.

5.1.4 No delay or omission to exercise any right vested in or power or remedy accruing to the Investors or any Note Holder under the Agreement shall impair any such right, power or remedy or be construed to be a waiver of the same or acquiescence in any default of the Issuer, nor shall any action in respect thereof affect or impair any right, power, or remedy of the Investor or any Note Holder in respect of any subsequent default of the Issuer.

5.2 Costs Fees and Expenses

5.2.1 The Issuer agrees to bear and pay all costs, expenses, taxes, duties and levies at actuals which may be applicable to this Agreement and the Notes (including but not limited to, out of pocket expenses, fees of the Investor's legal and other advisors, arrangement fees payable to the arrangers of the Issue and the IP Agent) including, but not limited to, any costs and fees incurred in connection with any modification of this Agreement and/or of the related documents.

5.2.2 All sums required to be paid by the Issuer hereunder shall be paid by the Issuer (unless otherwise stated) within 3 (three) days after receiving a demand requiring payment from the Investor.

6 EVENTS OF DEFAULT

6.1 Events of Default

6.1.1 All amounts payable by the Issuer under the Notes shall become immediately due and payable by a declaration of the IP Agent or by Note Holder(s) of more than 50% (fifty percent) in value of the outstanding Notes (other than in case of Clause 6.1(i) below), notified to the Issuer, if any of the following events of default occur:

- (i) if the Issuer fails to pay the Face Value of the Note(s) on the Maturity Date. In such an event each Note Holder shall have the right to declare an immediate event of default;
- (ii) the Issuer does not comply with its undertakings or covenants or any other provision of this Agreement and / or the IPA Agreement and such non-compliance continues for 15 (fifteen) Business Days after the receipt by the Issuer of a written notice from the IP Agent, notifying the Issuer's non-compliance with the provisions of this Agreement and / or the IPA Agreement.
- (iii) a representation, warranty or statement made or repeated in or in connection with this Agreement, the IPA Agreement or in any document delivered by or on behalf of the Issuer under or in connection with the Issuer is or proves to have been incorrect or misleading in any material respect or any statement, representation or warranty made or repeated by the Issuer in any notice, certificate or statement referred to or delivered under this Agreement and / or the IPA Agreement, is or proves to have been incorrect or misleading in any respect or any such statement, representation or warranty is incorrect in any respect at any time and such defect is not rectified within 15 (fifteen) Business Days after the written notice is received by the Issuer from the IP Agent.
- (iv) liquidation, bankruptcy, cessation of business activities or cessation of the payment of debts of the Issuer, or any other legal or factual situation, including judicial or amicable settlement of debts, which may have a Material Adverse Effect in the opinion of the IP Agent;
- (v) attachment or assignment or transfer of delivery to or takeover of any properties or assets of the Issuer by any receiver, encumbrancer, assignee, or any other person or body whether appointed by the Issuer or a Court or the government under any law or regulation;
- (vi) any transformation of the existing form, nature or corporate objects of the Issuer, other than as mentioned under Clause 15.1.1(iv), without the approval of the Investors communicated through the IP Agent;
- (vii) making of any order which is not set aside within a period of 15 (fifteen) days or passing of a resolution for the winding up of the Issuer;
- (viii) the Issuer consolidates, merges, amalgamates or undertakes or permits any merger, amalgamation, consolidation, dismantling or re organisation of the Issuer or makes any acquisition of any other company, without the prior consent of all the Investors;
- (ix) one or more judgments, decrees or orders for the payment of money rendered against the Issuer which is likely to have a Material Adverse Effect on it in the opinion of IP Agent, and such judgments, decrees or order shall continue unsatisfied and in effect for a period of 7 (seven) consecutive days without being vacated, discharged, satisfied or stayed;
- (x) the taking of any step by the Issuer for the purpose of entering into a compromise or arrangement with any of its members/shareholders, or creditors, generally or any class of them whereby the interests of the Investor are affected in any manner;

- (xi) the occurrence of any event whatsoever which is likely to have a Material Adverse Effect on the Issuer in the opinion of the IP Agent;
- (xii) the occurrence of any of the following:
 - (a) any amount whatsoever becomes due and payable or becomes capable of being declared due and payable in respect of any Financial Indebtedness of the Issuer before the stated maturity of that Financial Indebtedness;
 - (b) any facility or obligation granted or owed by any person to the Issuer to provide or underwrite financial accommodation, or to acquire or assume any risk in respect of any Financial Indebtedness, is prematurely terminated;
 - (c) any event of default occurs in relation to any Financial Indebtedness of the Issuer;
 - (d) any amount owing by the Issuer in respect of any Financial Indebtedness is not paid when due for payments (having regard to any applicable grace period);
 - (e) any bond, debenture, note, certificate, redeemable securities or similar instrument issued by the Issuer is required to be redeemed prior to its stated maturity;
- (xiii) if the Issuer claims that all or any material provision of this Agreement or the IPA Agreement:
 - (a) do not have effect or cease to have effect in accordance with its terms; or
 - (b) are or become void, voidable, illegal or unenforceable;
- (xiv) if all or any material part of the properties of the Issuer is compulsorily acquired or expropriated by the federal government or any provincial governments; or
- (xv) any litigation proceedings being commenced against the Issuer which may have a Material Adverse Effect in the opinion of the IP Agent.

6.1.2 Each Event of Default is several and independent from other Events of Default and one Event of Default shall not be limited by reference to another Event of Default.

6.1.3 At any time after the occurrence of the Events of Default as declared / notified by the IP Agent or by the Note Holder(s) holding, in aggregate, more than 50% (fifty percent) in value of the outstanding Notes or in case of a default in terms of Clause 6.1(i) by any Note Holder, each Note Holder may take such proceedings against the Issuer for enforcing their rights and remedies as it may deem fit under law in terms hereof, for the recovery of all amounts due and payable by the Issuer. The IP Agent will not be liable to take action on behalf of the Investor / Note Holders.

6.1.4 In case of default by the Issuer in respect of payments on the on the Maturity Date, the IP Agent shall not be responsible to seek recovery from the Issuer or initiate any action / legal proceedings against the Issuer either on its own or on behalf of the Investor.

6.1.5 The Issuer declares that as per the Regulations no guarantee by any bank or financial institution is provided to secure the risks in respect of the Commercial Paper.

7 MISCELLANEOUS

7.1 Miscellaneous

- 7.1.1 Any notice or request required or permitted to be given or made under the Agreement to the Investor or the Issuer shall be in writing. Such notice or request shall be deemed to have been duly given or made when it is delivered by hand or sent by registered post or courier addressed to the party concerned at its registered office or address or such other address as the party concerned shall have designated by notice to the giver of the notice or maker of the request.
- 7.1.2 The Issuer shall furnish or cause to be furnished to the Investor sufficient evidence of the authority of persons who will sign and execute the Agreement and have the same registered under the applicable law (if so requested) or who will, on behalf of the Issuer, take any other action or execute any other documents required or permitted to be taken or executed by the Issuer under the Agreement and the authenticated specimen signature of each such person.
- 7.1.3 If any sum due to Investor is to be collected or recovered by or under a process of law or any legal proceedings have to be initiated or defended by any of them to recover their dues or to obtain specific performance of any contract made by the Issuer or for any other reason the Issuer shall be liable to pay all expenses incurred by any of them in connection therewith including lawyer's fees and other incidental costs on solicitor and client basis.
- 7.1.4 Upon issuance of the Notes by the Issuer this Agreement, in conjunction with the Terms and Conditions shall govern the relationship between the Issuer and the Investor (and subsequent transferees thereof) and continue in force until all moneys payable under the Notes shall have been fully paid by the Issuer in accordance with the terms hereof.
- 7.1.5 This Agreement shall be governed by, and construed in accordance with, the laws of Pakistan. The parties hereto irrevocably agree for the benefit of Investor that the appropriate Courts at Islamabad and Karachi shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any dispute, which may rise out of or in connection with this Agreement and for such purpose irrevocably submit to the non-exclusive jurisdiction of such Courts.
- 7.1.6 The Issuer shall bear the stamp duty payable on the initial issuance of the Notes. All taxes, duties and costs payable on the transfer of the Notes shall be borne solely by the Investor / Note Holder affecting such transfer.
- 7.1.7 The Issuer shall pay the Face Value to the Note Holders on the Maturity Date of the Notes, through the IP Agent. The IP Agent shall only be obliged to make payment to the Note Holders upon the receipt of the requisite amounts from the Issuer. The IP Agent shall have no obligation under this Agreement or any other document to make any payment of Face Value in respect of the Notes, for which sufficient, available and cleared funds have not been provided by the Issuer.
- 7.1.8 Within 5 (five) days of the issuance of the Notes, the Issuer shall be required to notify the SECP of the amount of Notes issued by the Issuer along with all other requisite information required to be provided under the Regulations including, but not limited to, the information contained in Regulation 12(1)(d) of the Regulations.
- 7.1.9 In case of failure on the part of the Issuer to pay the Face Value of the Notes on the Maturity Date, the Issuer will continue to be liable to pay Profit calculated at the Applicable Rate (as defined in Schedules 3 and 4 hereto) at the Maturity Date on the outstanding amount of Face Value until paid in full, in addition to any other right or remedy available.
- 7.1.10 In the event that the Issuer has paid the entire Face Value of all the Notes prior to the Maturity Date to the IP Agent, in accordance with the provisions of this Agreement and the IPA

Agreement, and the same is not paid by the IP Agent to a Note Holder, the Note Holder represents, undertakes and warrants that it shall seek legal recourse solely against the IP Agent.

IN WITNESS WHEREOF the parties above named have executed this Agreement on the day month and year first above written.

In presence of the following Witnesses:

**For and on behalf of
U MICROFINANCE BANK LIMITED**

Name: _____

Designation: _____

CNIC No.: _____

1 Signature: _____

Name: _____

CNIC No.: _____

2 Signature: _____

Name: _____

CNIC No.: _____

In presence of the following Witnesses:

**For and on behalf of
[•]**

Name: _____

Designation: _____

CNIC No.: _____

1 Signature: _____

Name: _____

CNIC No.: _____

2 Signature: _____

Name: _____

CNIC No.: _____

SCHEDULE 1

FORM OF COMMERCIAL PAPER

COMMERCIAL PAPER

Reference Number: [•]

Issue Date: [•]

Maturity Date: [•]

PKR [•]/- (Pak Rupees [•])

We, **U MICROFINANCE BANK LIMITED**, a microfinance bank incorporated under the laws of Pakistan and having its registered office at Plot No. 13-B, College Road, F-7 Markaz, F-7, Islamabad promise to pay to [Name of Investor] or order on the Maturity Date specified above, the sum of PKR [•]/- (Pak Rupees [•]) for value received.

**For and on behalf of
U MICROFINANCE BANK LIMITED**

Name: _____

Designation: _____

CNIC No.: _____

SCHEDULE 2

FORM OF TERMS AND CONDITIONS

U MICROFINANCE BANK LIMITED

PKR 1,000,000,000/- (Pak Rupees One Billion) Commercial Paper Issue

Terms and Conditions for the Issuance of Commercial Paper / Notes

1.1 In these terms and conditions, the following expressions shall have the following meanings which meanings shall apply to both the singular and plural of the terms:

“Act” means the Companies Act, 2017;

“Base Rate” means the 9 (nine) months Karachi Inter Bank Offered Rate (**“KIBOR”**) ask side. The **“KIBOR”** rates used for reference will be taken from Reuters page **“KIBR”**, as published at 11.30 a.m. Pakistan Standard Time by the Financial Markets Association (FMA) in respect of which the daily average of the 9 (nine) months Offer Rate will be used. In the event that this rate is not published on Reuters on the Base Rate Setting Date or if less than 8 (eight) banks provide their rates for the KIBOR fixing, the FMA or other relevant market body will be contacted for the relevant fixing rate;

“Issuer” means **U MICROFINANCE BANK LIMITED**, a microfinance bank incorporated under the laws of Pakistan and having its registered office at Plot No. 13-B, College Road, F-7 Markaz, F-7, Islamabad (which expression shall, unless repugnant to the context, include its successors-in-interest and permitted assigns);

“Financial Year” means the accounting year adopted by the Issuer;

“Face Value” means the amount payable by the Issuer in respect of each Note on its respective Maturity Date, being PKR 1,000,000/- (Pak Rupees One Million) (or in multiples thereof) in the aggregate not exceeding an amount of PKR 1,000,000,000/- (Pak Rupees One Billion) for the Notes subscribed to by the Investors;

“Material Adverse Effect” means a material adverse effect on:

- (i) the business, assets or financial condition of the Issuer; or
- (ii) the ability of the Issuer to perform its obligations under this Agreement and /or in respect of the Notes;

“Notes” means the unsecured promissory notes in the form attached hereto in Schedule 1, having a face value of PKR 1,000,000/- (Pak Rupees One Million) each (or in multiples thereof), being a Commercial Paper as an instrument of redeemable capital under Section 66 of the Act issued by the Issuer to the Investors by way of private placement in accordance with the Regulations and the Guidelines, with an aggregate Face Value of up to PKR 1,000,000,000/- (Pak Rupees One Billion);

“Note Holder(s)” mean the person(s) for the time being entered as holder of any Note(s), in the register of Note Holders maintained by the Issuer, including the Investor named on the Note and any endorsee / transferee thereof whose name has been recorded with the Issuer in the register of Note Holders on the relevant date for determination of the Note Holder

“Investor Agreement” shall mean the Investor Agreements dated [•] entered into between the Issuer and the Investor; and

- 1.2 All capitalized terms not specifically defined herein shall have the same meaning as ascribed thereto in the Investor Agreement.
2. The Issuer shall keep at its registered office in Islamabad, a register of Note Holders showing separately in respect of the Notes:
 - (i) the name and address of the past and present Note Holders;
 - (ii) amount, the serial number and maturities of the Notes held by each Note Holders;
 - (iii) the dates on which the names of the various Note Holders have been entered in respect of the Notes in question.
3. The Note Holder or any person authorised in writing by the Note Holder, shall be at liberty at all reasonable times to inspect the Terms and Conditions and to take copies or an extract from the same or any part of them. Furthermore, details of the list of Note Holders may be obtained from the IP Agent if the latter considers the same to be reasonable.
4. Each Note is issued as a single promissory note, specifying the Face Value payable on the relevant Maturity Date, by the Issuer as Commercial Paper being instruments of redeemable capital under Section 66 of the Act by way of private placement in accordance with the Regulations and Guidelines, with an aggregate Face Value of up to PKR 1,000,000,000/- (Pak Rupees One Billion). The Notes shall rank pari passu without any preference or priorities inter se.
5. Any Notes paid or redeemed or satisfied by the Issuer in the manner stated in paragraph 16 hereof shall stand automatically cancelled and the Issuer shall not keep the same alive for the purpose of reissuing the same or issuing any Notes in substitution thereof.
6. The Issuer shall recognize the Note Holder as the absolute owner thereof and shall not be bound to take notice or see to the execution of any trust whether express, implied or constructive to which any Notes may be subject, and the receipt by the Note Holder from the Issuer of any monies payable in respect thereof shall be a good discharge to the Issuer notwithstanding any claim it may have received whether express or otherwise of the right, title, interest or claim of any other person to or in such monies.
7. If any Note is worn out, defaced, lost or destroyed, the Issuer may issue a new Note in lieu thereof on payment of such fee (if any) not exceeding PKR 5/- (Pak Rupees Five) and all stamp duty (if any) payable on the new Note, but so that in the case of defacement the defaced Note shall be surrendered before the new Note is issued. In the case of loss or the Note Holder availing itself of the provisions of this condition it shall also pay to the Issuer (if demanded) all expenses incidental to the investigation of evidence of loss or destruction and the preparation of the requisite form of indemnity, as aforesaid, which will have to be executed.
8. Any notice may be given by the Issuer by sending the same by registered post or courier in an envelope addressed to the Note Holder at the address appearing in the register of the Note Holders.
9. Any notice given by registered post / courier shall be deemed to have been served at the time when it would have been received by the Note Holder in the ordinary course of post, and in proving such service it shall be deemed sufficient to prove that the envelope containing the

notice was properly addressed, registered and put into post. In the case of joint Note Holders, a notice given to the Note Holder whose name stands first in the register of Note Holders in respect of such Note shall be deemed as proper notice of all joint Note Holders.

10. A notice may be given to any Note Holder by sending the same by registered post or courier service in a letter addressed to such Note Holder at his registered address.
11. Every Note Holder shall be entitled to transfer the Notes held by such Note Holder, by an endorsement made on the same in accordance with the provisions of the Negotiable Instruments Act, 1881 and upon providing the details of such transfer to the Issuer, containing the name and address of the Note Holder, the transferee and CNIC Number where applicable, the same will be transferred in the register of Note Holders maintained by the Issuer. Furthermore, the Notes are tradable and transferable only among the persons as stipulated in the Private Placement of Securities Rules, 2017.
12. No transfer will be registered during the 10 (Ten) days immediately preceding the Maturity Date of a Note.
13. The executors or other personal representatives of a deceased Note Holder (not being one or several joint holders) and, in the case of the death of one or more of several joint holders, the survivor or survivors of such joint holders shall be the only persons recognized by the Issuer as having any title to such Notes.
14. Any person becoming entitled to any Note in consequence of the death or bankruptcy of any Note Holder shall be required to establish his claim to the Notes in accordance with law to the satisfaction of the Issuer whereupon the Note shall be transferred and registered in his name.
15. Every holder of the Note will be recognized by the Issuer as entitled to his Notes free from any equity set off or cross-claim on the part of the Issuer against the original or any intermediate holder of the Note.
16. The Face Value of the Notes shall be paid by the Issuer to the Note Holder(s) on their respective Maturity Date as an absolute and unconditional obligation of the Issuer. Upon receipt by the IP Agent, of the funds required for payment of the Face Value, the IP Agent shall pay the Note Holders by crossed cheque or pay order, or in such other manner permissible under the Regulations and the Guidelines as the IP Agent may deem expedient, on presentment of the said Notes by Note Holders at the counters of the IP Agent. The IP Agent's obligation to make payment to the Note Holders is subject to receipt of sufficient funds from the Issuer for such payments and the IP Agent will not be held responsible to seek recovery from the Issuer or initiate any action / legal proceedings against the Issuer, either on its own or on behalf of any Note Holder, if the Issuer fails to make such payments. The Note Holders have made their own independent risk assessments and are aware that investments made in terms hereof are subject to credit and other risks inherent in such instruments. Without prejudice to any other right or remedy, the Note Holders shall be entitled to receive, from the Issuer, profit calculated at the rate of Base Rate (prevailing 1 (one) day before the date on which the amounts became due) + 1% per annum, for the period of delay in payment of the Face Value at Maturity until fully paid.
17. No delay or omission to exercise any right vested in or power or remedy accruing to any Note Holder under these Terms and Conditions shall impair any such right power or remedy or be construed to be a waiver of the same or acquiescence in any default of the Issuer, nor shall any action in respect thereof affect or impair any right power or remedy of any Note Holder in respect of any subsequent default of the Issuer.
18. The Issuer waives the requirement for noting and protesting of the Notes, upon the occurrence of an Event of Default.

19. The Issuer irrevocably and unconditionally grants to the Note Holders a put option in the event of any change in the shareholding of the Issuer. Upon the occurrence of any change in the shareholding of the Issuer, each Note Holder shall have the option, collectively or individually, upon providing 10 (ten) days' written notice, to instruct the Issuer to redeem all the Notes held by such Note Holders for the amount (per Note) calculated in accordance with the formula detailed below (the "Put Option Value"):

$$\text{Put Option Value (for each Note)} = \text{Issue Price} + [(\text{Issue Price} \times \text{AR} \times \text{N}) / 365]$$

Where:

"Issue Price" shall have the same meaning as ascribed thereto in the Investor Agreement;

"AR" is the Applicable Rate, equal to the Base Rate prevailing 1 (one) Business Day before the notice + 1% (one percent); and

"N" is the number of days commencing from the receipt of Payment (in accordance with the provisions of the Investor Agreement) and ending on the day on which the entire Put Option Value is deposited by the Issuer into the Escrow Account in accordance with the provisions hereunder.

Upon the completion of the above mentioned period, the Issuer shall pay into the Escrow Account such amounts equal to the aggregate Put Option Value of the Notes to be redeemed. Such amounts, once received from the Issuer, shall be paid by the IP Agent to the relevant Note Holders. Upon payment of such amounts, the Notes shall be redeemed and no further amounts shall be payable to such Note Holders.

Schedule 3

Formula for Calculation of Issue Price

Issue Price = Face Value of Note / (1+(AR/365*N))

Where:

AR = Applicable Rate (as defined below)

N = 9 (nine) calendar months (actual number of days will be taken for the purpose of calculation)

“Applicable Rate” means the Base Rate plus 1.00%

“Base Rate” means the 9 (nine) months Karachi Inter Bank Offered Rate (“**KIBOR**”) ask side prevailing on the Base Rate setting date. The Base Rate will be the rate prevailing 3 (three) Business Days before the Issue Date (Base Rate Setting Date). The “KIBOR” rates used for reference will be taken from Reuters page “KIBR”, as published at 11.30 a.m. Pakistan Standard Time by the Financial Markets Association (FMA). The daily average of the 9 (nine) months Offer Rate will be used. In the event that this rate is not published on Reuters on the Base Rate Setting Date or if less than 8 (eight) banks provide their rates for the KIBOR fixing, the FMA or other relevant market body will be contacted for the relevant fixing rate.

Schedule 4

Formula for calculation of Profit

Profit = (Payment x AR x N) / 365

Where:

“Payment” shall have the same meaning as ascribed thereto in Clause 2.1, of the Investor Agreement

AR = Applicable rate (as defined below)

N = Number of days commencing from the receipt of Payment pursuant to Clause 2.1 of the Agreement and ending on the day on which the Payment amount along with the Profit is being refunded / paid by the Issuer to the Investor in accordance with Clause 2.1.7 of the Agreement.

“Applicable Rate” means the Base Rate plus 1.00%

“Base Rate” means the 9 (nine) months Karachi Inter Bank Offered Rate (“KIBOR”) ask side prevailing on the Base Rate setting date. The Base Rate will be the rate prevailing 3 (three) Business Days before the Issue Date (Base Rate Setting Date). The “KIBOR” rates used for reference will be taken from Reuters page “KIBR”, as published at 11.30 a.m. Pakistan Standard Time by the Financial Markets Association (FMA). The daily average of the 9 (nine) months Offer Rate will be used. In the event that this rate is not published on Reuters on the Base Rate Setting Date or if less than 8 (eight) banks provide their rates for the KIBOR fixing, the FMA or other relevant market body will be contacted for the relevant fixing rate.