Loan Agreement

(Affordable Mortgage Finance Program Development Policy Loan)

between

ARAB REPUBLIC OF EGYPT

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated December 12, 2009
LOAN AGREEMENT

Agreement dated December 12, 2009, entered into between ARAB REPUBLIC OF EGYPT (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, inter alia, of (a) the actions which the Borrower has already taken under the Program and which are referred to in Section I.A of Schedule 1 to this Agreement and agreed between the Borrower and the Bank, and (b) the Borrower’s maintenance of an appropriate macro-economic policy framework consistent with the objectives of the Program. The Borrower and the Bank therefore hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II - LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of three hundred million dollars ($300,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement. (“Loan”).

2.02. The Borrower may withdraw the proceeds of the Loan in support of the Program in accordance with Section II of Schedule 1 to this Agreement.

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.

2.04. The interest payable by the Borrower on the principal amount of the loan withdrawal and outstanding from time to time for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions.
2.05. The Payment Dates are January 15 and July 15 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

2.08. The Ministry of Investment, through GSF, is designated as the representative of the Borrower for the purpose of taking any action required or permitted to be taken under the provisions of section 2.02 of this agreement and Article II of the General Conditions.

2.09. The Borrower represents that it has designated its Ministry of Finance for the purpose of handling, on behalf of the Borrower, debt service payments with respect of the loan.

2.10. Without limitation upon the provisions of Section 5.08 of the General Conditions, the Borrower shall promptly furnish to the Bank such information
relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

**ARTICLE III - PROGRAM**

3.01 The Program’s objective is to expand the residential mortgage market and to increase access to mortgage loans for low and middle income households in order to improve housing affordability. Specifically, the Program aims at moving towards a more inclusive, transparent and efficient demand-side subsidy program. The Program aims to improve the targeting of subsidies by linking them to affordable mortgage loans.

3.02 The Borrower, through the Ministry of Investment, declares its commitment to the Program and its implementation. To this end:

(a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Section I of Schedule 1 to this Agreement;

(b) prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and

(c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

**ARTICLE IV - EFFECTIVENESS; TERMINATION**

4.01. The Effectiveness Deadline is the date one hundred and eighty (180) days after the date of this Agreement or such later date as the Bank shall establish in accordance with Section 9.04 of the General Conditions.

**ARTICLE V - REPRESENTATIVE; ADDRESSES**

5.01. The Borrower’s Representative is the Minister of International Cooperation of the Borrower and the Under Secretary for International, Regional and Arab Financing Organizations of the Ministry of International Cooperation of the Borrower, equally and severally designated.
5.02. The Borrower’s Address is:

Ministry of International Cooperation
8 Adly Street
Cairo, Egypt

Cable address: Ministry of International Cooperation Cairo, Arab Republic of Egypt Facsimile: (202) 2391-2815 (202) 2391-5167

5.03. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address: INTBAFRAD Washington, D.C. Facsimile: 248423(MCI) or 1-202-477-6391 64145(MCI)

AGREED at Cairo, Arab Republic of Egypt, as of the day and year first above written.

ARAB REPUBLIC OF EGYPT

By /s/ Fayza Aboulnaga
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ Shamshad Akhtar
Authorized Representative
SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

A. Actions Taken Under the Program for First Tranche Release

The actions taken by the Borrower under the Program include the actions and policies designed to promote growth and achieve sustainable reductions in poverty and aimed at enhancing the mortgage finance program and strengthen the institutional infrastructure of the financial sector to encourage greater private sector participation and greater availability of mortgage finance for low and middle income housing as agreed between the Borrower and the Bank.

B. Actions to be Taken under the Program for Second Tranche Release

The actions to be taken by the Borrower under the Program for Second Tranche release include the following:

1. Strengthening of the legal, regulatory and institutional framework for the Mortgage Finance Subsidies Program through determination of the subsidy parameters in line with changes in macro-economic and housing sector changes.
2. Development of an effective and efficient mortgage finance subsidy mechanism through establishment by MOI of on-site and off-site monitoring and evaluation systems.
3. Improvement of the institutional framework to enhance transparency and targeting of housing subsidies through compilation of housing market information.

C. Actions to be Taken under the Program for Third Tranche Release

The actions to be taken by the Borrower under the Program for Third Tranche release include the following:

1. Strengthening of the legal, regulatory and institutional framework for the Mortgage Finance Subsidies Program by introduction of a mortgage insurance or guarantee function.
2. Further development of an effective and efficient mortgage finance subsidy mechanism through taking into account the results of the first impact evaluation.
3. Improvement of the institutional framework to enhance transparency and targeting of housing subsidies through expansion of the housing market
information database, by inclusion of a house price list by sector in main urban areas.

Section II. Availability of Loan Proceeds

A. General. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional arrangements as the Bank may specify by notice to the Borrower.

B. Allocation of Loan Amounts. The Loan shall (except for amounts required to pay the Front-end Fee) be withdrawn in three tranches. The allocation of the amounts of the Loan to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Loan expressed in Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Tranche</td>
<td>99,250,000</td>
</tr>
<tr>
<td>Second Tranche</td>
<td>100,000,000</td>
</tr>
<tr>
<td>Third Tranche</td>
<td>100,000,000</td>
</tr>
<tr>
<td>Front-end Fee</td>
<td>750,000</td>
</tr>
<tr>
<td>Premia for caps/collars</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>300,000,000</td>
</tr>
</tbody>
</table>

C. Tranches Release Conditions

1. Withdrawal shall be made in respect of each of the Second and Third Tranche, after an exchange of views as described in Sections 3.02 (a) and (b) of this Agreement based on: the progress achieved by the Borrower in carrying out the Program; that the macroeconomic policy framework of the Borrower is appropriate and is consistent with the objectives of the Program; and that the actions agreed between the Borrower and the Bank in respect of the above Tranches have been taken.

2. After this exchange of views, if the Bank has any comments with respect to the matters and actions referred to in paragraph 1 above, it may give notice to the Borrower to that effect and, if within one hundred and twenty (120) days after the notice, the Borrower has not taken the required actions, the Bank may, by notice to the Borrower, cancel all or any part of the Unwithdrawn Loan Balance.
D. Deposits of Loan Amounts

1. All withdrawals from the Loan Account shall be deposited by the Bank into an account designated by the Borrower and acceptable to the Bank; and

2. the Borrower shall ensure that upon each deposit of an amount of the Loan into this account, an equivalent amount is accounted for in the Borrower’s budget management system.

E. Excluded Expenditures

The Borrower undertakes that the proceeds of the Loan shall not be used to finance Excluded Expenditures. If the Bank determines at any time that an amount of the Loan was used to make a payment for an Excluded Expenditure, the Borrower shall, promptly upon notice from the Bank, refund an amount equal to the amount of such payment to the Bank. Amounts refunded to the Bank upon such request shall be cancelled.

F. Closing Date

The Closing Date is December 31, 2013.
SCHEDULE 2

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each January 15 and July 15</td>
<td></td>
</tr>
<tr>
<td>Beginning January 15, 2018 through January 15, 2036</td>
<td>2.63%</td>
</tr>
<tr>
<td>On July 15, 2036</td>
<td>2.69%</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such
date[, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
APPENDIX

Section I. Definitions

1. “Excluded Expenditure” means any expenditure:

   (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association has financed or agreed to finance, or which the Bank or the Association has financed or agreed to finance under another loan, credit, or grant;

   (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

<table>
<thead>
<tr>
<th>Group</th>
<th>Sub-group</th>
<th>Description of Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td></td>
<td>Alcoholic beverages</td>
</tr>
<tr>
<td>121</td>
<td></td>
<td>Tobacco, un-manufactured, tobacco refuse</td>
</tr>
<tr>
<td>122</td>
<td></td>
<td>Tobacco, manufactured (whether or not containing tobacco substitutes)</td>
</tr>
<tr>
<td>525</td>
<td></td>
<td>Radioactive and associated materials</td>
</tr>
<tr>
<td>667</td>
<td></td>
<td>Pearls, precious and semiprecious stones, unworked or worked</td>
</tr>
<tr>
<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors</td>
</tr>
<tr>
<td>728</td>
<td>728.43</td>
<td>Tobacco processing machinery</td>
</tr>
<tr>
<td>897</td>
<td>897.3</td>
<td>Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths’ or</td>
</tr>
</tbody>
</table>
for goods intended for a military or paramilitary purpose or for luxury consumption;

(d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party, and any other goods designated as environmentally hazardous by agreement between the Borrower and the Bank);

(e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(f) with respect to which the Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Borrower or other recipient of the Loan proceeds, without the Borrower (or other such recipient) having taken timely and appropriate action satisfactory to the Bank to address such practices when they occur.

2. “First Tranche” means the amount of the Loan allocated to the category entitled “First Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

3. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.

4. “Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated April 2, 2009 from the Borrower to the Bank declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution. The objective of the Program is to expand the residential mortgage market and to increase access to mortgage loans for low and middle income households in order to improve housing affordability. Specifically, the Program aims at moving towards a more inclusive, transparent and efficient demand-side
subsidy program. The Program aims to improve the targeting of subsidies by linking them to affordable mortgage loans.

5. “GSF” means the Guarantee and Subsidy Fund established in 2003 by the Presidential Decree No. 4.

6. “Second Tranche” means the amount of the Loan allocated to the category entitled “Second Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

7. “Third Tranche” means the amount of the Loan allocated to the category entitled “Third Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

8. “Tranche” means each or any of the First Tranche, Second Tranche or Third Tranche.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.

2. Sections 2.04 (Designated Accounts) and 2.05 (Eligible Expenditures) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.

3. Sections 5.01 (Project Execution Generally), and 5.09 (Financial Management; Financial Statements; Audits) are deleted in their entirety, and the remaining Sections in Article V are renumbered accordingly.

4. Paragraph (a) of Section 5.05 (renumbered as such pursuant to paragraph 4 above and relating to Use of Goods, Works and Services) is deleted in its entirety.

5. Paragraph (c) of Section 5.06 (renumbered as such pursuant to paragraph 4 above) is modified to read as follows:

“Section 5.06. Plans; Documents; Records

... (c) The Borrower shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Loan until two years after the Closing Date. The Borrower shall enable the Bank’s representatives to examine such records.”
6. Paragraph (c) of Section 5.07 (renumbered as such pursuant to paragraph 4 above) is modified to read as follows:

Section 5.07. Program Monitoring and Evaluation

... (c) The Borrower shall prepare, or cause to be prepared, and furnish to the Bank not later than six months after the Closing Date, a report of such scope and in such detail as the Bank shall reasonably request, on the execution of the Program, the performance by the Loan Parties and the Bank of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Loan.

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The definition of the term “Conversion Date” is modified to read as follows:

‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”

(b) The definition of the term “Variable Rate” is modified, in relevant part, to read as follows:

“(c) upon a Currency Conversion to an Approved Currency of an amount of the Withdrawn Loan Balance that accrues interest at a variable rate during the Conversion Period, the variable rate of interest applicable to such amount shall be equal to either: (i) the sum of: (A) LIBOR, or such other base rate as may be agreed by the Borrower and the Bank, for the Approved Currency; plus (B) the spread to LIBOR or to such other base rate, if any, payable by the Bank under the Currency Hedge Transaction relating to said Currency Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the interest rate component of the Screen Rate.”.

(c) The definition of the term “Eligible Expenditure” is modified to read as follows:
“‘Eligible Expenditure’ means any use to which the Loan is put in support of the Program, other than to finance expenditures excluded pursuant to the Loan Agreement.”

(d) The term “Financial Statements” and its definition are deleted in their entirety.

(e) The term “Project” is modified to read “Program” and its definition is modified to read as follows (and all references to “Project” throughout these General Conditions are deemed to be references to “Program”):

‘Program’ means the program referred to in the Loan Agreement in support of which the Loan is made.”