Loan Agreement

(Mortgage Finance Project)

between

ARAB REPUBLIC OF EGYPT

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated November 12, 2006
AGREEMENT dated November 12, 2006, between ARAB REPUBLIC OF EGYPT (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank 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 the Loan 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 two hundred fourteen million two hundred thousand Egyptian pounds (EGP214,200,000) (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Commitment Charge payable by the Borrower shall be equal to three-fourths of one percent (3/4 of 1%) per annum on the Unwithdrawn Loan Balance, subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.

2.04. The Front-end Fee payable by the Borrower shall be equal to one percent (1.0%) of the Loan amount, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay itself the amount of such fee.

2.05. The interest payable by the Borrower on the principal amount of the Loan withdrawn and outstanding from time to time for any Interest Period shall be at a rate equal to Loan Currency Swap Rate plus the Fixed Spread, subject to any waiver of a portion of such interest as may be determined by the Bank from time to time; 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.

2.06. The Payment Dates are March 15 and September 15 in each year.

2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

2.08. (a) In order to facilitate prudent debt management, the Borrower may at any time request a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa.

(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.

2.09. Without limitation upon the provisions of paragraph (a) of Section 2.08 of this Agreement and unless otherwise notified by the Borrower to the Bank in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to the aggregate principal amount of the Loan withdrawn during each Interest Period shall be changed from the initial Variable Rate to a Fixed Rate for the full maturity of such amount in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines, as such General Conditions may be modified to accommodate this Loan.

2.10. The Project Implementing Entity is designated as the representative of the Borrower for the purposes 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.

2.11. 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 to the Loan.
ARTICLE III - PROJECT

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article V of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV - EFFECTIVENESS

4.01. The Additional Condition of Effectiveness consists of the following:

(a) The Subsidiary Agreement has been executed on behalf of the Borrower and the Project Implementing Entity.

4.02. The Additional Legal Matters consists of the following:

(a) The Project Agreement has been duly authorized or ratified by the Project Implementing Entity, and is legally binding upon the Project Implementing Entity in accordance with its terms.

(b) The Subsidiary Agreement has been duly authorized or ratified by the Borrower and the Project Implementing Entity and is legally binding upon the Borrower and the Project Implementing Entity in accordance with its terms.

4.03. The Effectiveness Deadline is the date one hundred and eighty days (180) days after the date of this Agreement for the purposes of Article IX of the General Conditions.

ARTICLE V - REPRESENTATIVE; ADDRESSES

5.01. 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 are severally designated as representatives of the Borrower.
5.02. The Borrower’s Address is:

Ministry of International Cooperation
8 Adly Street,
Cairo, Egypt

Cable address:               Facsimile:
Ministry of International Cooperation (202) 391-2815
Cairo, Arab Republic of Egypt (202) 391-5167

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:               Telex:               Facsimile:
INTBAFRAD                  248423 (MCI) or 1-202-477-6391
Washington, D.C.            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/ Emmanuel Mbi
Acting Regional Vice President
Middle East and North Africa
SCHEDULE 1

Project Description

The objective of the Project is to assist the Borrower in supporting primary lenders in the financial market including banks and non-bank lenders to provide longer-term, market-based mortgage loan financing for residential housing.

The Project consists of the following part, namely the provision by the Project Implementing Entity of medium and longer-term financing to PMLs for Mortgage Loans on residential housing which satisfies the requirements of the Schedule to the Project Agreement.
SCHEDULE 2

Project Execution

Section I.  Subsidiary Financing; Institutional and Other Arrangements

A.  Subsidiary Agreement

1.  To facilitate the carrying out of the Project, the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity under a subsidiary agreement between the Borrower and the Project Implementing Entity, under terms and conditions satisfactory to the Bank, which shall include, inter alia, the following: (i) payment of interest, charges and premium; and repayment of such amount in accordance with Article II of this Agreement; (ii) payment of any other charges which may be required by the Borrower; (iii) benchmark interest rates which shall be market determined; and (iv) subordination of the debt service of the Subsidiary Loan to payments by the Project Implementing Entity on its outstanding bonds (“Subsidiary Agreement”).

2.  The Borrower shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

B.  Institutional and Other Arrangements

1.  The Borrower shall, through the Ministry of Investment, establish by not later than January 15, 2007, and thereafter maintain the Advisory Committee within the auspices of the Ministry of Investment. The said committee shall include the membership of senior representatives of the Borrower’s Ministry of Investment, Ministry of International Cooperation, Ministry of Housing, Ministry of Justice, and Ministry of State for Administrative Development, as well as the Central Bank of Egypt, the Mortgage Finance Authority, the Egyptian Survey Authority and the Project Implementing Entity. The Advisory Committee shall be responsible for: (a) monitoring, reviewing and advising the Minister of Investment on any cross-cutting policy issues related to the efficiency of the mortgage market, property registration and enforcement of mortgage loan contracts which may arise during the implementation of the Project; and (b) conducting surveys to gauge the impact of the Project on various sectors affected by the mortgage market.
2. By not later than January 31, 2007, the Borrower shall, through the Ministry of Investment in consultation with the relevant ministries, take all necessary steps to simplify, streamline and expedite the processes of residential property registration of the new urban communities included within the Program.

3. The Borrower shall, through the Ministry of Investment, ensure that: (a) the Project Implementing Entity adheres at all times to prudent credit policies and asset-liability management policies that satisfy internationally accepted standards; (b) the Mortgage Refinancing Loans of the Project Implementing Entity shall be made subject to a one percent (1%) provision; (c) the debt securities of the Project Implementing Entity shall be eligible investments for banks, insurance companies and institutional investors, reflecting the high credit quality of such debt securities; and (d) the bonds of the Project Implementing Entity shall be included in the definition of liquid assets for banks.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. The Borrower shall, through the Ministry of Investment, monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators agreed with the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one (1) month after the end of the period covered by such report.

2. For purposes of Section 5.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than March 1, 2009.


1. The Borrower shall, through the Ministry of Investment, maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall, through the Ministry of Investment, cause the Project Implementing Entity to prepare and furnish to the Bank not later than forty five (45) days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
3. The Borrower shall, through the Ministry of Investment, cause the Project Implementing Entity to have its Financial Statements audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Project Implementing Entity (or such other period proposed by the Project Implementing Entity and agreed to by the Bank). The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

The Borrower shall ensure that the procurement of the housing civil works, goods and equipment to be financed out of the proceeds of the Mortgage Loans shall be undertaken by the Beneficiaries in accordance with established local private sector and commercial practices acceptable to the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank shall specify by notice to the Borrower to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the category of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to such Category, and the percentage of expenditures to be financed for Eligible Expenditures in such Category.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (Expressed in Egyptian pounds)</th>
<th>Percentage of Expenditures to be financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Mortgage Refinancing Loans</td>
<td>213,664,500</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>535,500</td>
<td>Amount payable pursuant to Section 2.04 of this Agreement in accordance with Section 2.07(b) of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>214,200,000</td>
<td></td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for: (a) payments made prior to the date of this Agreement; and (b) payments made for expenditures under Category 1 unless the Borrower shall have submitted to the Bank evidence, satisfactory to the Bank that the financial management system referred to in Section II (B.1) of this Schedule has been duly established in accordance with the provisions of Section 5.09 of the General Conditions.

2. The Closing Date is July 31, 2011.
SCHEDULE 3

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.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 15 and September 15 Beginning September 15, 2012 through September 15, 2025</td>
<td>3.57%</td>
</tr>
<tr>
<td>On March 15, 2026</td>
<td>3.61%</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.
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.
APPENDIX

Section I. Definitions

1. “Advisory Committee” means the committee to be established and maintained in accordance with the provisions of Section I.B (1) of Schedule 2 to this Agreement.

2. “Beneficiary” means any eligible borrower to which a PML (as such term is hereinafter defined) has made or proposes to make a Mortgage Loan (as such term is hereinafter defined) secured by a lien for financing the purchase of a residential housing unit or renovation thereof, and the term “Beneficiaries” means collectively all such borrowers that qualify as a Beneficiary.

3. “Category” means the category set forth in the table in Section IV of Schedule 2 to this Agreement.

4. “EGP” and “Egyptian pound(s)” each means the lawful currency of the Borrower.

5. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005, with the modifications set forth in Section II of this Appendix.

6. “Ministry of Investment” means the Borrower’s Ministry of Investment or any successor thereto.

7. “Mortgage Loan” means a mortgage loan secured by a lien and made or proposed to be made by a PML (as such term is hereinafter defined) for the purpose of providing financing to a Beneficiary for the purchase of a residential housing unit or renovation thereof.

8. “Mortgage Refinancing Loan” means a refinancing loan made or proposed to be made out of the proceeds of the Loan, by the Project Implementing Entity to a PML (as such term is hereinafter defined) which meets the eligibility criteria set forth in the Schedule to the Project Agreement.

9. “Participation Agreement” means an agreement entered into, or to be entered into between the Project Implementing Entity and each eligible PML (as such term is hereinafter defined) in accordance with Section I.B of the Schedule to the Project Agreement.
10. “PML” means any eligible participating mortgage lender to which a Mortgage Refinancing Loan is made by the Project Implementing Entity as set forth in the Schedule to the Project Agreement and as designated by the Project Implementing Entity as a mortgage originating and servicing institution, and the term “PMLs” means collectively all such participating mortgage lenders which qualify as a PML.

11. “Program” means the national property registration reform program designed to change, through systematic title adjudication, survey and registration process, the property registration system in urban areas from a deeds recordation system to a title registration system.

12. “Project Implementing Entity” means the Egyptian Company for Mortgage Refinancing, a financial institution established as an Egyptian joint stock company pursuant to Law No. 159 of 1981, Law No. 95 of 1992, Law No. 148 of 2001 and the Executive Regulations thereof, for the purpose of providing a source of medium and longer-term financing for PMLs.


14. “Subsidiary Agreement” means the agreement referred to in Section I.A of Schedule 2 to this Agreement pursuant to which the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity.

Section II. Modifications to the General Conditions

1. For the purpose of the terms of this Loan, any covenant under the General Conditions pertaining to any Currency Conversion or the setting of limits on the applicable Variable Rate by the establishment of an Interest Rate Cap or Interest Rate Collar on such Variable Rate, shall not be applicable.

2. Section 3.04(c) is deleted in its entirety.

3. The following definitions set forth in the Appendix to the General Conditions for Loans of the Bank, dated July 1, 2005, are modified to read as follows:

   “39. “Fixed Rate” means upon an Interest Rate Conversion from the Variable Rate, a fixed rate of interest applicable to the amount of the Loan to which said Conversion applies, equal to the interest rate reasonably determined by the Bank, by taking the average of the Loan Currency Reference Rates in respect of the days on which any amount of the Loan is withdrawn, weighted by the amount of the Loan so withdrawn on each such day.”
“40. “Fixed Spread” means the Bank’s fixed spread of 0.25% in respect of the Loan Currency.”

“87. “Variable Rate” means, for this Loan, a variable rate of interest applicable to the Withdrawn Loan Balance equal to the sum of: (i) the initial Loan Currency Swap Rate; plus (ii) the Fixed Spread; provided, that upon an Interest Rate Conversion from the Fixed Rate, the variable rate of interest applicable to the amount of the Loan to which the Conversion applies shall be equal to the Loan Currency Reference Rate as reasonably determined by the Bank in accordance with the Conversion Guidelines.”

4. The following definitions are added to the Appendix to the General Conditions for Loans of the Bank, dated July 1, 2005, to read as follows:

“92. “Loan Currency Swap Rate” means, in respect of any Interest Period, the annual Egyptian pounds swap ask rate for cross currency interest rate swap transactions out of US dollars into Egyptian pounds with a duration as close to the duration of the Loan as possible without exceeding such duration, expressed as a percentage which appears on the Reuters screen BAREMEGP1 page [under the heading “swap”] at the close of business in Cairo, on the day that is two Banking Days prior to the first day of the relevant Interest Period, or in the case of the initial Interest Period, the day two Banking Days prior to the first or the fifteenth of the month in which the Loan Agreement is signed, whichever day immediately precedes the date of the Loan Agreement; provided, that if the date of the Loan Agreement falls on the first or the fifteenth day of such month, that day shall be the day two Banking Days prior to the date of the Loan Agreement.

In the event Reuters screen BAREMEGP1 page is not published or swap ask rates having a duration of at least two years are not shown on said Reuters screen page, then the Local Currency Swap Rate will be determined by the Bank after consultation with the Borrower using either: (a) the most recent Local Currency Swap Rate published on the Reuters screen BAREMEGP1 page used by the Bank; or (b) the latest published yield of the bond issued by the Borrower having a duration closest to the duration of the Loan without exceeding such duration.”

“93. “Banking Day” means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in Cairo, London and New York.”
“94. “Loan Currency Reference Rate” means, in respect of any day on which an amount of the Loan is withdrawn by the Borrower, the annual Egyptian pounds swap ask rate for cross currency interest rate swap transactions out of the US dollars into Egyptian pounds with a duration as close to the duration of the Loan as possible without exceeding such duration, expressed as a percentage which appears on the Reuters screen BAREMEGP1 page [under the heading “swap”] at the close of business in Cairo, on the day that is two Banking Days prior to the day of such withdrawal plus the Fixed Spread.

In the event Reuters screen page BAREMEGP1 is not published or swap ask rates having a duration of at least two years are not shown on said Reuters screen page, then the Local Currency Reference Rate will be determined by the Bank after consultation with the Borrower using either: (a) the most recent Local Currency Reference Rate published on the Reuters screen BAREMEGP1 page used by the Bank; or (b) the latest published yield of the bond issued by the Borrower having a duration closest to the duration of the Loan without exceeding such duration.”