Loan Agreement
(Cyprus Development Bank Project)

BETWEEN

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

AND

THE CYPRUS DEVELOPMENT BANK LIMITED

DATED JUNE 19, 1972
Loan Agreement

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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DATED JUNE 19, 1972
LOAN AGREEMENT

AGREEMENT, dated June 19, 1972, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and THE CYPRUS DEVELOPMENT BANK LIMITED (hereinafter called the Borrower), a company established and operating under the laws of Cyprus.

ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated January 31, 1969, with the same force and effect as if they were fully set forth herein, subject, however, to the modifications thereof set forth in Schedule 2 to this Agreement (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, as so modified, being hereinafter called the General Conditions).

Section 1.02. Wherever used in the Loan Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "sub-loan" means a loan or credit made or proposed to be made by the Borrower out of the proceeds of the Loan to an Investment Enterprise for an Investment Project and "free-limit sub-loan" means a sub-loan, as so defined, which qualifies as a free-limit sub-loan pursuant to the provisions of Section 2.02 (c) of this Agreement.

(b) "investment" means an investment other than a sub-loan made or proposed to be made by the Borrower out of the proceeds of the Loan in an Investment Enterprise for an Investment Project.

(c) "Investment Enterprise" means an enterprise to which the Borrower proposes to make or has made a sub-loan or in which it proposes to make or has made an investment.

(d) "Investment Project" means a specific development project to be carried out by an Investment Enterprise utilizing the proceeds of a sub-loan or investment.
(e) "Cyprus Pound" and "Ç£" mean the currency of the Guarantor.

(f) "foreign currency" means any currency other than the currency of the Guarantor.

(g) "Memorandum and Articles" means the Memorandum and Articles of Association of the Borrower dated May 30, 1963, as amended to the date of this Agreement.

(h) "subsidiary" means any company of which a majority of the outstanding voting stock is owned or effectively controlled by the Borrower or by any one or more subsidiaries of the Borrower or by the Borrower and one or more of its subsidiaries.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to three million dollars ($3,000,000).

Section 2.02. (a) The Borrower may withdraw from the Loan Account, to the extent set forth in paragraph (b) of this Section 2.02, amounts expended (or if the Bank shall so agree, required to meet expenditures to be made) by the Borrower under a sub-loan or investment to finance the reasonable cost of goods and services required for the Investment Project in respect of which the withdrawal is requested; provided, however, that no withdrawal shall be made in respect of a sub-loan or investment unless (i) the sub-loan or investment shall have been approved by the Bank; or (ii) the sub-loan shall be a free-limit sub-loan for which the Bank shall have authorized withdrawals from the Loan Account.

(b) Withdrawals from the Loan Account may be made in respect of:

(i) expenditures in currencies other than the currency of the Guarantor for goods (except goods described in subparagraph (ii) of this paragraph (b)) produced, or services supplied from, outside Cyprus;

(ii) the equivalent of eighty per cent (80%) of expenditures for goods produced outside Cyprus which are purchased from suppliers in
Cyprus and invoiced and paid for in the currency of the Guarantor; and

(iii) the equivalent of forty-five per cent (45%) of expenditures for works of hotel and industrial building construction carried out by local contractors.

(c) A free-limit sub-loan shall be a sub-loan in an amount to be financed under the Loan Agreement which, together with any other amount or amounts financed or proposed to be financed for the same project out of the proceeds of the Loan, and not repaid, shall not exceed in the aggregate the equivalent of one hundred thousand dollars ($100,000) and which, when added to all other free-limit sub-loans financed out of the proceeds of this Loan, shall not exceed in the aggregate the equivalent of seven hundred and fifty thousand dollars ($750,000), the foregoing amounts being subject to change from time to time as determined by the Bank.

(d) Except as the Bank and the Borrower shall otherwise agree and subject to the limitation contained in Section 5.01 (a) of the General Conditions, no withdrawals shall be made on account of expenditures made by an Investment Enterprise in respect of a sub-loan subject to the Bank's approval, or an investment, more than ninety days prior to the date on which the Bank shall have received in respect of such sub-loan or investment the application and information required by Section 2.03 (a) of this Agreement or, under a free-limit sub-loan, more than ninety days prior to the date on which the Bank shall have received in respect of such free-limit sub-loan the request and information required by Section 2.03 (b).

Section 2.03. (a) When submitting a sub-loan (other than a free-limit sub-loan) or an investment to the Bank for approval, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, together with a description of the Investment Enterprise, an appraisal of the Investment Project (including a description of the expenditures proposed to be financed out of the proceeds of the Loan), the proposed terms and conditions of the sub-loan or investment and such other information as the Bank shall reasonably request.

(b) Each request by the Borrower for authorization to make withdrawals from the Loan Account in respect of a free-limit sub-loan shall contain a summary description of the Investment Enterprise and the Investment Project (including a description of the expenditures proposed to be financed out of the proceeds of the Loan) and the terms and conditions of such free-limit sub-loan.
(c) Except as the Bank and the Borrower shall otherwise agree, applications and requests permitted under paragraphs (a) and (b) of this Section shall be submitted to the Bank on or before June 30, 1974.

Section 2.04. The Closing Date shall be June 30, 1976 or such other date as shall be determined by the Bank.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of seven and one-quarter per cent (7-1/4%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on January 15 and July 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

Section 2.09. The amortization schedule applicable to each sub-loan shall provide for an appropriate period of grace, and, unless the Bank and the Borrower shall otherwise agree (i) shall not extend beyond fifteen years from the date of approval by the Bank of such sub-loan, or in the case of a free-limit sub-loan, of authorization by the Bank to make withdrawals from the Loan Account in respect thereof, and (ii) shall provide for approximately equal semi-annual, or more frequent, aggregate payments of principal and interest or approximately equal semi-annual, or more frequent, payments of principal.

Section 2.10. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VIII of the General Conditions.

Section 2.11. The Borrower shall from time to time, as required, notify the Bank of the person or persons designated by it as its authorized representatives for the purposes of Section 8.10 of the General Conditions.
ARTICLE III

The Project; Management and Operations of the Borrower

Section 3.01. (a) The purpose of the Project is to assist the Borrower in financing the development of productive facilities and resources in Cyprus. The Project consists in the financing by the Borrower of specific development projects, including construction, rehabilitation, expansion, modernization or equipment of tourist hotels, through loans to and investments in productive enterprises in Cyprus, in furtherance of the corporate purposes of the Borrower.

(b) The Borrower shall carry out the Project and conduct its operations and affairs in accordance with sound financial and investment standards and practices, with qualified and experienced management and personnel, and shall not act in conflict with its Memorandum and Articles.

Section 3.02. (a) The Borrower undertakes that, unless the Bank shall otherwise agree, any sub-loan or investment will be made on terms whereby the Borrower shall obtain, by written contract with the Investment Enterprise or by other appropriate legal means, rights adequate to protect the interests of the Bank and the Borrower, including, in the case of any such sub-loan and to the extent that it shall be appropriate in the case of any such investment the right of the Borrower to: (i) require the Investment Enterprise to carry out and operate the Investment Project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and to maintain adequate records; (ii) require that (1) the goods and services to be financed out of the proceeds of the Loan shall be purchased at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor, and, in the case of services, of their quality and the competence of the parties rendering them and (2) such goods and services shall be used exclusively in the carrying out of the Investment Project; (iii) inspect, by itself or jointly with representatives of the Bank if the Bank shall so request, such goods and the sites, works, plants and construction included in the Investment Project, the operation thereof, and any relevant records and documents; (iv) require that the Investment Enterprise shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice and that, without any limitation upon the foregoing, such insurance shall cover marine, transit and other hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of
use or installation, and that any indemnity thereunder shall be payable in a currency freely usable by the Investment Enterprise to replace or repair such goods; (v) obtain all such information as the Bank or the Borrower shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Investment Enterprise; and (vi) suspend or terminate the right of the Investment Enterprise to the use of the proceeds of the Loan upon failure by such Investment Enterprise to perform its obligations under its contract with the Borrower.

(b) The Borrower shall exercise its rights in relation to each Investment Project in such manner as to: (i) protect the interests of the Bank and the Borrower, (ii) comply with its obligations under this Agreement, and (iii) achieve the purposes of the Project.

Section 3.03. The Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the Investment Enterprises, the Investment Projects, and the sub-loans and investments.

Section 3.04. The Borrower shall duly perform all its obligations under agreements under which funds have been lent or otherwise put at the disposal of the Borrower by the Guarantor or its agencies or others for relending, investment or management. The Borrower shall promptly inform the Bank of any action which would have the effect of assigning, or of amending, abrogating or waiving any material provision of, any such agreement.

Section 3.05. If the Borrower establishes or acquires any subsidiary, the Borrower shall cause such subsidiary to observe and perform the obligations of the Borrower hereunder to the extent to which such obligations shall or can be applicable thereto, as though such obligations were binding upon such subsidiary.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower represents that at the date of this Agreement no lien exists on any of its assets as security for any debt, except as provided by Section 17 of the Public Loans Law (Cap. 208), and the Borrower hereby covenants and agrees that, notwithstanding the provisions of the said Public Loans Law or any other law of the Guarantor or any law in effect in its territories, no debt of the Borrower shall have preference over the debt contracted by the Borrower to the Bank under this Agreement.
(b) The Borrower undertakes that, except as the Bank shall otherwise agree: (i) if the Borrower or any subsidiary shall create any lien on any of its assets as security for any debt, such lien will equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; and (ii) if any lien shall be created on any assets of the Borrower or of any subsidiary other than under (i) above, as security for any debt, the Borrower shall grant to the Bank an equivalent lien satisfactory to the Bank; provided, however, that the foregoing provisions of this paragraph shall not apply to: (1) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (2) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

Section 4.02. The Borrower shall not make any repayment in advance of maturity in respect of any outstanding debt of the Borrower which, in the judgment of the Bank, would materially affect the Borrower's ability to meet its financial obligations.

Section 4.03. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall not incur or permit any subsidiary to incur any debt if, after the incurring of such debt, the consolidated debt of the Borrower and all its subsidiaries then incurred and outstanding would be greater than five (5) times the consolidated capital and surplus of the Borrower and all its subsidiaries. For the purposes of this Section:

(a) "debt" means any debt incurred by the Borrower or any subsidiary maturing more than one year after the date on which it is originally incurred.

(b) Debt shall be deemed to be incurred: (i) under a loan contract or agreement on the date and to the extent the amount of the loan is drawn down and outstanding pursuant to such loan or agreement, and (ii) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into but only to the extent that the guaranteed debt is outstanding.

(c) Whenever in connection with this Section it shall be necessary to value in terms of Cyprus Pounds debt payable in foreign currency, such valuation shall be made at the prevailing lawful rate of exchange at which such foreign currency is, at the time of such valuation, obtainable by the Borrower for the purposes of servicing such debt.
(d) "consolidated debt of the Borrower and all its subsidiaries" means the total amount of debt of the Borrower and subsidiaries, excluding any debt owed by the Borrower to any subsidiary or by any subsidiary to the Borrower or to any other subsidiary.

(e) "consolidated capital and surplus of the Borrower and subsidiaries" means the unimpaired paid-up capital, surplus and reserves not allocated to cover specific liabilities of the Borrower and subsidiaries after excluding therefrom such amounts as shall represent equity interests of the Borrower in any subsidiary or of any subsidiary in the Borrower or any other subsidiary.

Section 4.04. The Borrower shall take such steps satisfactory to the Bank as shall be necessary to protect itself against risk of loss resulting from changes in the rates of exchange between the currencies (including Cyprus Pounds) used in its lending and borrowing operations.

Section 4.05. The Borrower shall maintain records adequate to record the progress of the Project and of each Investment Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower.

Section 4.06. The Borrower shall: (a) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, by independent auditors acceptable to the Bank, in accordance with sound auditing principles consistently applied; (b) furnish to the Bank, as soon as available but in any case not later than three (3) months after the end of each such year, certified copies of its audited financial statements for such year and an audit report by the said auditors of such scope and in such detail as the Bank shall have reasonably requested; and (c) furnish to the Bank such other information concerning the accounts and financial statements of the Borrower and the audit thereof as the Bank shall from time to time reasonably request.

ARTICLE V

Consultation and Information

Section 5.01. (a) The Bank and the Borrower shall cooperate fully to ensure that the purposes of the Loan will be accomplished. To that end, the Bank and the Borrower shall from time to time, at the request of either party, exchange
views through their representatives with regard to the performance of their respective obligations under the Loan Agreement, to the administration, operations and financial condition of the Borrower and its subsidiaries and to any other matters relating to the purposes of the Loan.

(b) The Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the administration, operations and financial condition of the Borrower and subsidiaries.

Section 5.02. The Bank and the Borrower shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the maintenance of the service thereof or the performance by either of them of its obligations under the Loan Agreement.

Section 5.03. The Borrower shall enable the Bank’s representatives to inspect the records referred to in Section 4.05 of this Agreement and any relevant documents.

ARTICLE VI

Taxes

Section 6.01. Subject to the exemptions conferred by the provisions of Sections 5.01 and 5.02 of the Guarantee Agreement, the Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration of the Loan Agreement, the Guarantee Agreement or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 6.02. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of the Loan Agreement, the Guarantee Agreement or the Bonds.

ARTICLE VII

Remedies of the Bank

Section 7.01. If any event specified in Section 7.01 of the General Conditions or in Section 7.02 of this Agreement shall occur and shall continue for the period,
if any, therein set forth, then at any subsequent time during the continuance thereof, the Bank, at its option, may by notice to the Borrower and the Guarantor declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, together with the interest and other charges thereon; and upon any such declaration such principal, interest and charges shall become due and payable immediately, anything to the contrary in this Loan Agreement or in the Bonds notwithstanding.

Section 7.02. For the purposes of Section 7.01 of the General Conditions the following additional events are specified:

(a) any part of the principal amount of any loan to the Borrower having an original maturity of one year or more shall, in accordance with its terms, have become due and payable in advance of maturity as provided in the relative contractual instruments, or any security for any such loan shall have become enforceable;

(b) a change shall have been made in the Memorandum and Articles without the Bank’s consent which, in the judgment of the Bank, shall be a substantial change, and such event shall continue for a period of 30 days;

(c) a resolution shall have been passed for the dissolution or liquidation of the Borrower; and

(d) a subsidiary or any other entity shall have been created or acquired or taken over by the Borrower, if such creation, acquisition or taking over would adversely affect the conduct of the Borrower’s business or the Borrower’s financial situation or the efficiency of the Borrower’s management and personnel or the carrying out of the Project and such situation shall not have been corrected within sixty days after notice thereof by the Bank to the Borrower.

ARTICLE VIII

Effective Date; Termination

Section 8.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 11.01 (c) of the General Conditions, namely, that an agreement between the Loan Commissioners constituted under the Public Loans Law (Cap. 208) of Cyprus and
the Borrower providing for a loan to the Borrower of not less than seven hundred and fifty thousand Cyprus pounds (£750,000), on terms and conditions satisfactory to the Bank, shall have been executed and delivered by the parties thereto and duly authorized or ratified by all necessary corporate and governmental action.

Section 8.02. The following is specified as an additional matter, within the meaning of Section 11.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the agreement referred to in Section 8.01 of this Agreement has been executed and delivered on behalf of, and duly authorized or ratified by, the parties thereto respectively and constitutes valid and binding obligations of the parties thereto in accordance with its terms.

Section 8.03. The date of September 17, 1972 is hereby specified for the purposes of Section 11.04 of the General Conditions.

**ARTICLE IX**

**Miscellaneous**

Section 9.01. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Bank:

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.

For the Borrower:

The Cyprus Development Bank Limited
2D10 Evagoras I Avenue
Nicosia, Cyprus
Cable address:

Devbank
Nicosia

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ J. Burke Knapp
Vice President

THE CYPRUS DEVELOPMENT
BANK LIMITED

By /s/ Andros A. Nicolaides
Authorized Representative
# SCHEDULE 1

Amortization Schedule

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* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.
SCHEDULE 2

Modifications of the General Conditions

For the purposes of the Loan Agreement, the provisions of the General Conditions are modified as follows:

(1) The following subparagraph (d) is added to Section 3.05:

"(d) The Bank and the Borrower may from time to time agree upon arrangements for prepayment of the Loan and the application of such prepayment in addition to, or in substitution for, those set forth in paragraph (b) of Section 3.05 and in Section 8.15."

(2) The words "Investment Projects" are substituted for the words "the Project" at the end of Section 5.03.

(3) Section 6.03 is deleted and replaced by the following new Section:

"Section 6.03. Cancellation by the Bank. If (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days or (b) by the date specified in paragraph (c) of Section 2.03 of the Loan Agreement no applications or requests permitted under paragraph (a) or paragraph (b) of such Section shall have been received by the Bank in respect of any portion of the Loan, or having been so received, shall have been denied, or (c) after the Closing Date an amount of the Loan shall remain unwithdrawn from the Loan Account, the Bank may by notice to the Borrower terminate the right of the Borrower to submit such applications or requests or to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice such amount or portion of the Loan shall be cancelled."