

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7396 - EGT

Project Agreement

(Mortgage Finance Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

EGYPTIAN COMPANY FOR MORTGAGE REFINANCING

Dated November 12, 2006

LOAN NUMBER 7396 - EGT

PROJECT AGREEMENT

AGREEMENT dated November 12, 2006, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and EGYPTIAN COMPANY FOR MORTGAGE REFINANCING (“Project Implementing Entity”) (“Project Agreement”) in connection with the Loan Agreement of same date between ARAB REPUBLIC OF EGYPT (“Borrower”) and the Bank (“Loan Agreement”). The Bank and the Project Implementing Agreement hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Loan Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Project Agreement have the meanings ascribed to them in the Loan Agreement or the General Conditions.

ARTICLE II - PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall:
 - (a) carry out the Project in accordance with the provisions of Article V of the General Conditions; and
 - (b) provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.
- 2.03. (a) For the purposes of carrying out of the Project, the Project Implementing Entity shall relend to each PML the equivalent of a portion of the proceeds of the Subsidiary Loan allocated from time to time to Category (1) of the table set forth in Section IV of Schedule 2 to the Loan Agreement, under a Participation Agreement under terms and conditions which shall have been satisfactory to the Bank.

- (b) The Project Implementing Entity undertakes that, for the purpose of providing financing under a Participation Agreement, a Mortgage Loan shall be made in accordance with the procedures and on the terms and conditions acceptable to the Bank and as set forth in the Annex to the Schedule to this Agreement.
- (c) The Project Implementing Entity shall exercise its rights in relation to each PML under the respective Participation Agreement in such manner as to: (i) protect the interests of the Bank and of the Project Implementing Entity; (ii) comply with its obligations under this Agreement and the Subsidiary Agreement; and (iii) achieve the purposes of the Project.

ARTICLE III - REPRESENTATIVE; ADDRESSES

3.01. The Project Implementing Entity's Representative is the Chairman of the Egyptian Company for Mortgage Refinancing.

3.02. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

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

3.03. The Project Implementing Entity's Address is:

Egyptian Company for Mortgage Refinancing
11 Nasr Road
Nasr City
Cairo
Arab Republic of Egypt

Facsimile:

(202) 5736721

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Emmanuel Mbi

Acting Regional Vice President
Middle East and North Africa

EGYPTIAN COMPANY FOR MORTGAGE REFINANCING

By /s/ Tarek Hassan Amer

Authorized Representative

SCHEDULE

Execution of the Project

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall duly perform all of its respective obligations under the Subsidiary Agreement. Except as the Bank shall otherwise agree, the Project Implementing Entity shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Agreement or any provision thereof.
2. The Project Implementing Entity shall not take any action to amend, waive or abrogate the Project Implementing Entity's Legislation or any provision thereof in a manner which would adversely affect the implementation of the Project.
3. The Project Implementing Entity shall ensure that each Mortgage Loan shall have been made in accordance with paragraphs 2, 3(a), 3(b) and 4 of the Annex to the Schedule to the Project Agreement.
4. Prior to the execution of a Participation Agreement with any PML, the Project Implementing Entity shall duly adopt and maintain: (a) a Credit Risk Management Policy, including eligibility criteria for PMLs to access Mortgage Refinancing Loans; and (b) an Asset-Liability Management (ALM) Policy, both such policies satisfactory to the Bank. The ALM Policy includes provisions on the Project Implementing Entity policies relating to: (i) investment; (ii) interest rate risk management; (iii) liquidity management; and (iv) capital adequacy management.
5. The Project Implementing Entity shall, at the request of the Bank, exchange views with the Bank with regard to the progress of the Project, the performance of its obligations under this Agreement and under the Subsidiary Agreement, and other matters relating to the purposes of the Loan.
6. The Project Implementing Entity shall maintain the managing director thereof with qualifications and terms of reference satisfactory to the Bank.

7. The Project Implementing Entity shall, by not later than each October 31, prepare and submit to the Bank, each annual business plan related to the Project acceptable to the Bank prior to the adoption thereof by the board of directors of the Project Implementing Entity.
8. The Project Implementing Entity shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Loan, or the performance by the Project Implementing Entity of its obligations under this Agreement and under the Subsidiary Agreement.
9. The first seven proposed Mortgage Refinancing Loans to be made by the Project Implementing Entity shall be subject to prior Bank review, within a maximum of ten working days.

B. Terms and Conditions of Participation Agreements

1. Except as the Bank shall otherwise agree, the principal terms and conditions set forth or referred to in this Schedule shall apply for the purposes of Section 2.03(a) of this Project Agreement.
2. Mortgage Refinancing Loans to PMLs financed, or to be financed out of the proceeds of the Subsidiary Loan shall be: (a) denominated, and their interest, principal and other charges be payable, in Egyptian Pounds; and (b) market determined.
3. Prior to the execution of a Participation Agreement, PML shall submit to the Project Implementing Entity evidence satisfactory to the Project Implementing Entity to determine that such PML:
 - (a) is in compliance with the legal and regulatory requirements applicable to its operations;
 - (b) has had its financial statements, for its fiscal year preceding the year within which its respective Participation Agreement is to be entered into, audited by independent auditors with the report thereof being unqualified;
 - (c) has a sound financial structure and satisfactory financial performance; and

- (d) has adequate technical and administrative capacity and satisfactory operating policies and procedures required for the appraisal and monitoring of a Mortgage Loan portfolio and for the carrying out of its activities to be undertaken under the Project.
- 4. A Participation Agreement may be entered into with a newly established financial institution which has demonstrated, on the basis of an institutional development plan satisfactory to the Project Implementing Entity and the Bank, that it has the organization, management, staff and other resources required to comply with the requirements set forth in subparagraphs (c) and (d) of paragraph 3 above.
- 5. Each Participation Agreement shall contain provisions pursuant to which each PML shall:
 - (a) continue to be duly established under the laws of the Borrower and carry out its operations in accordance with the relevant provisions of all applicable banking or financial company laws;
 - (b) maintain a financial and operating policy acceptable to the Project Implementing Entity and the Bank to enable the PML effectively to appraise, originate, service and monitor the financial and economic feasibility of Mortgage Loans;
 - (c) exchange views with, and furnish all such information and documentation as may be reasonably requested by the Project Implementing Entity, with regard to the performance of its obligations under its respective Participation Agreement, and in connection with the appraisal, provision, supervision and monitoring of Mortgage Loans;
 - (d) promptly inform the Project Implementing Entity of any condition which interferes or threatens to interfere with the progress of its activities under its respective Participation Agreement; and
 - (e) not assign, amend, abrogate or waive any of its agreements providing for Mortgage Loans, or any provision thereof, without the prior approval of the Project Implementing Entity.

6. When the proceeds of a Mortgage Refinancing Loan is drawn down, each PML shall provide to the Project Implementing Entity, in accordance with procedures satisfactory to the Bank, an irrevocable beneficial right and claim to Mortgage Loans equivalent to 120% of the principal amount of the Mortgage Refinancing Loan to such PML. Mortgage Loans will be required to have less than three months' arrear at the time of pledging to the Project Implementing Entity. As any of the Mortgage Loans pledged as collateral by a PML are redeemed, fall into arrears of more than three (3) months, or have normal or early payments of principal made, such PML shall pledge to the Project Implementing Entity additional Mortgage Loans or other low risk assets approved by the Project Implementing Entity, in order to obtain at the end of each calendar quarter an aggregate principal value of collateral of 120% of the outstanding balance of the Project Implementing Entity's Mortgage Refinancing Loans to such PML.
7. A Participation Agreement shall obligate the PML to: (i) maintain records and accounts adequate to reflect, in accordance with sound accounting practices, its operations and financial condition, including records and separate accounts regarding its activities under the Project; (ii) have such records and accounts, together with its financial statements (balance sheets, statements of income and expenses and related statements), for each fiscal year audited, in accordance with internationally accepted auditing standards and procedures consistently applied, by independent and qualified auditors acceptable to the Project Implementing Entity; (iii) furnish to the Project Implementing Entity no later than six (6) months after the end of each such year: (A) certified copies of its financial statements for such year as so audited; and (B) the report of such audit by said auditors of such scope and in such detail as the Project Implementing Entity shall have reasonably requested; and (iv) furnish to the Project Implementing Entity and the Borrower such information and documentation as the Borrower or the Project Implementing Entity shall reasonably request.
8. A Participation Agreement shall require the PML to make a Mortgage Loan to a Beneficiary on the terms and conditions set forth in the Annex to the Schedule to this Agreement, and to obtain, by written contract with the Beneficiary or by other appropriate legal means: (i) mortgages as security for the Mortgage Refinancing Loan and the right to execute foreclosure of the residential housing in case of noncompliance by the Beneficiary with the terms of the Mortgage Loan; and (ii) the undertaking of the PML to exercise, in relation to each Beneficiary, its rights under the Mortgage Loan in such manner as to protect its interests and the interests of the Project Implementing Entity and to accomplish the purposes of the Project.

9. Except as the Bank shall otherwise agree, each Participation Agreement shall provide that the right of a PML to use the proceeds of its Mortgage Refinancing Loan shall be: (a) suspended upon failure by such PML to perform any of its obligations under its Participation Agreement; and (b) terminated if such right shall have been suspended for a continuous period of thirty (30) days.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports for the Project in accordance with the provisions of Section 5.08(b) of the General Conditions and on the basis of indicators agreed with the Bank. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Borrower not later than two (2) weeks after the end of the period covered by such report for incorporation and forwarding by the Borrower to the Bank of the overall Project Report.
2. The Project Implementing Entity shall provide to the Borrower not later than January 15, 2009, for incorporation in the report referred to in Section 5.08(c) of the General Conditions all such information as the Borrower or the Bank shall reasonably request for the purposes of that Section.

B. Financial Management, Financial Reports; Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards satisfactory to the Bank, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.
2. The Project Implementing Entity shall have its financial statements referred to above audited, by independent auditors, in accordance with consistently applied auditing standards, both such auditors and standards to be satisfactory to the Bank. Each audit of these 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 period shall be furnished to the Borrower and the Bank not later than six (6) months after the end of the period.

3. The Project Implementing Entity shall 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.

ANNEX**Terms and Conditions of Mortgage Loans**

1. The principal terms and conditions set forth or referred to in this Schedule shall apply for the purposes of Section 2.03(b) of this Project Agreement.
2. Each Mortgage Loan shall be made by a PML on terms, including those relating to maturities, interest and other charges, which are in accordance with said PMLs financial and operating policies and procedures referred to in paragraph 5(d) under Section I.B of the Schedule to this Agreement.
3. Each Mortgage Loan shall be made by a PML only:
 - (a) to a Beneficiary which shall have established to the satisfaction of said PML that it is creditworthy;
 - (b) if the ratio of the Mortgage Loan to the appraised value of the property secured thereby does not exceed eighty percent (80%); and
 - (c) if the Beneficiary is a married couple, that both spouses have signed the Mortgage Loan contract, unless a spouse signs a written waiver.
4. The PML shall obtain, by written contract with the Beneficiary or by other appropriate legal means, rights adequate to protect the interests of the Project Implementing Entity and the PML, including, where applicable:
 - (a) that each Beneficiary shall undertake that the housing unit will be for residential use only; and
 - (b) provisions to ensure the right of the PML upon failure by such Beneficiary to perform its obligations under its Mortgage Loan: (i) to suspend or terminate the right of such Beneficiary to the use of the proceeds of the Mortgage Loan; and (ii) to execute foreclosure of the housing secured by such Mortgage Loan.