

DETAILS OF IMPLEMENTATION ARRANGEMENTS

1. The Asian Development Bank (ADB) loan to Khan Bank is designed to provide access to finance for underserved micro, small, and medium-sized enterprises (MSMEs) in Mongolia. Khan Bank will be required to report on utilization of the ADB loan on an ongoing basis to ensure loan proceeds are deployed exclusively for onlending to MSMEs. ADB will field regular review missions to review financial performance and to discuss business progress (and any associated issues) with Khan Bank management, particularly with reference to implementation of the ADB loans. ADB will monitor the development objectives, as articulated in the design and monitoring framework, including safeguards (social impacts, environment, involuntary resettlement, indigenous peoples) and compliance issues, including measures to combat money laundering.
2. **Reporting.** Following the signing of the loan documentation, Khan Bank will provide (i) unaudited quarterly management accounts in electronic form; (ii) audited annual financial statements consistent with International Financial Reporting Standards; and (iii) quarterly compliance certificates for agreed financial covenants.
3. Khan Bank will provide in its quarterly management reports information on (i) the composition of assets, broken down by foreign and local currencies; (ii) income statements; (iii) the composition of restructured and nonperforming loans, by business segment and sector; and (iv) capital adequacy, including the composition of risk-weighted assets (credit, market, and operating risk) and capital as determined by the prevailing regulatory capital requirements of the Bank of Mongolia (BOM).
4. Khan Bank will provide a development effectiveness report annually, containing:
 - (i) information on statistical monitoring parameters outlined in the design and monitoring framework;
 - (ii) Khan Bank's portfolio, including the number of loan accounts disaggregated by gender;
 - (iii) progress on achieving MSME plan targets; and
 - (iv) the status of implementation and compliance with regulatory reforms, as required by the BOM.
5. During the ADB reviews, Khan Bank will provide (i) any material observations of the audit committee and audit department; (ii) a status update of Khan Bank's business plan and explanation of any material deviations; and (iii) progress on other strategic initiatives, including its funding strategy and any plans to raise capital.
6. Khan Bank will report at least annually to ADB on governance and compliance with safeguards. Such reporting will include:
 - (i) any changes in the composition of the supervisory board, management board, and audit committee;
 - (ii) any material changes in the ownership;
 - (iii) an environmental and social safeguard monitoring and compliance report, to be prepared by Khan Bank's environmental and social management system officer(s), covering subloans financed in accordance with the agreed system framework; and
 - (iv) material findings of the internal audit department and anti-money-laundering units.

7. **Monitoring.** ADB's Private Sector Operations Department will monitor the loans to Khan Bank through the required reporting mechanism and meetings with management. All ADB policies that address monitoring and supervision of nonsovereign operations will apply to this project, including project monitoring and supervision of safeguards and social dimensions, credit monitoring and management, and combatting money laundering and the financing of terrorism.