Assignment and Assumption Agreement

(Second Private Sector Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

ZOOS BANK RECEIVERSHIP (BANK OF MONGOLIA)

and

STATE BANK OF MONGOLIA

Dated January 13, 2011
ASSIGNMENT AND ASSUMPTION AGREEMENT

AGREEMENT dated January 13, 2011, among:

(i) the INTERNATIONAL DEVELOPMENT ASSOCIATION, an international organization established under its Articles of Agreement, having its seat at 1818 H Street N.W., Washington, DC 20433, United States of America (the “Association”);

(ii) the ZOOS BANK RECEIVERSHIP COMMITTEE established through Order No. 650 of the Governor of the Bank of Mongolia, dated November 20, 2009, as amended/extended through November 20, 2011 (the “ZB Receivership”), in order to restructure and/or compulsory liquidate the Zoos Bank (as defined herein below); and

(iii) the STATE BANK OF MONGOLIA, a state-owned commercial bank established through Order No. 259 of the Mongolia’s Ministry of Finance, dated November 23, 2009, and Prime Minister’s Resolution No. 348, of the same date, and operating pursuant to the Mongolia’s Banking Law, as amended, and registered under State Registration No. 9016001018 (the “SBM”).

WITNESSETH:

WHEREAS, on September 8, 2005, Mongolia and the Association entered into a Development Credit Agreement whereby the Association extended a credit in various currencies equivalent to six million nine hundred ninety one thousand Special Drawing Rights (SDR\text{6,991,000}), for purposes of financing Mongolia’s Second Private Sector Development Project (the “Project”).

WHEREAS, the Project was intended to assist Mongolia in its efforts to promote private and financial sector development and reinforce the institutional capacity of the banking sector by: (a) increasing the availability of commercial bank-term lending to private investors; and (b) strengthening the financial intermediation function and resource allocation capabilities of participating financial institutions. To this effect, the Project provided for on-lending arrangements to eligible financial intermediaries operating in Mongolia provided that each such intermediary would have entered into independent legal agreements directly with both Mongolia (the “Subsidiary Loan Agreement”) and the Association (the “Project Agreement”).

WHEREAS, the Zoos Bank JSC, a commercial bank established under Mongolia’s Banking Law of September 2, 1993, registered under State Registration No 9010001020, with head office in 1 Khoroo, Baga Toiruu 7/1, Chingeltei District, Ulaanbaatar, Mongolia, and operating under its Charter dated May 18, 1999 (the “Zoos Bank”) became an eligible financial intermediary willing to participate in the Project, and accordingly entered into a Project Agreement with the Association, dated September 8, 2005 and into a Subsidiary Loan Agreement with Mongolia, dated January 20, 2006.

WHEREAS, in 2009 the Zoos Bank’s financial situation deteriorated dramatically, the bank became insolvent and, eventually, on November 20, 2009 it was set under receivership pursuant to Bank of Mongolia’s Order No. 650. In accordance with Order No. 650, the ZB
Receivership was entrusted with the restructuring of the Zoos Bank and/or its compulsory liquidation.

WHEREAS, through Mongolia’s Prime Minister Resolution No. 348, dated November 19, 2009 and Minister of Finance’s Resolution No. 259, dated November 23, 2009, Mongolia established the SBM, a stated owned bank with an initial capital of eight billion Tugrig (MNT8,000,000,000).

WHEREAS, on January 22, 2010, through Resolutions No. 180 and 181, the ZB Receivership assigned to SBM the Subsidiary Loan Agreement as well as the sub-loans extended by the Zoos Bank to private investors out of the resources made available to Mongolia by the Association under the Development Credit Agreement.

WHEREAS, through Minister of Finance’s Letter 6/4104, dated August 8, 2010, Mongolia has proposed that the Project Agreement between the Association and Zoos Bank be also assigned to the SBM, in order to facilitate resources to strengthen the institutional capacity of SBM, and manage the assigned sub-loans portfolio and/or continue the credit line for private investors.

WHEREAS, the ZB Receivership wishes to assign to the SBM, and transfer to the SBM all of Zoos Bank’s rights, interests, titles and obligations under the Project Agreement.

WHEREAS, the SBM wishes to obtain such assignment and to assume all the rights, interests, titles and obligations of Zoos Bank under the Project Agreement.

WHEREAS, the Association wishes to consent to such assignment and assumption provided that: (i) the assignment is not deemed a novation; and (ii) SBM undertakes and succeeds the Zoos Bank in all its obligations under the Project Agreement, originated as of September 8, 2005 onward.

NOW, THEREFORE:

In consideration of the foregoing premises, the parties hereto hereby agree, as follows:

1. The ZB Receivership, exercising its functions and vested with the authority granted by the Bank of Mongolia to restructure and liquidate the Zoos Bank, hereby assigns and transfers all of Zoos Bank’s rights, interests, titles and obligations under the Project Agreement to SBM, including without limitation, the obligations to pay all amounts which may be due and owing by Zoos Bank under the Project Agreement.

2. The SBM hereby accepts the foregoing assignment and assumes all rights, interests, titles and obligations of the Zoos Bank under the Project Agreement, including, without reservations, the obligations to make all payments due and owing by the Zoos Bank under the Project Agreement.

3. The foregoing assignment and assumption does not constitute a novation of any of the obligations of Zoos Bank under the Project Agreement. The SBM shall succeed Zoos Bank in the Project Agreement, and be liable for any obligations arising thereunder as if it had directly assumed them as of the date of the Project Agreement.
4. The ZB Receivership shall cooperate with SBM to effect the foregoing assignment and assumption and shall promptly transfer to the SBM all records and documents related to the Project Agreement and the implementation of the rights and obligations thereunder.

5. The Association consents to the foregoing assignment and acceptance, and releases and discharges the ZB Receivership from any obligations, liabilities and duties under, and all claims and demands in respect of, the Project Agreement.

6. Except as expressly provided herein, all the terms and conditions of the Project Agreement shall remain unchanged and in full force and effect. The SBM and the Association agree that all references to the Zoos Bank in the Project Agreement, and supplemental letters thereto, shall be deemed to refer to the SBM.

7. Notices to the SBM in connection with, or related to, the Project Agreement shall be given to:

Chief Executive Officer  
State Bank of Mongolia  
1st Khoroo, Baga Toiruu 7/1  
Chingeltei District  
Ulaanbaatar  
Mongolia

Telephone: 976-11-322244  
Fax: 976-11-322244

and/or to any other addresses, telephones, faxes, e-mails and/or officers that the Chief Executive Officer of SBM may communicate from time to time in writing to the Association in accordance with Section 5.01 of the Project Agreement.

8. The capitalized terms not otherwise defined in this agreement shall have the respective meaning set forth in the Development Credit Agreement and/or the Project Agreement.

9. Each of the parties hereto represents and warrants that it has full corporate power and authority to enter into the execution and delivery of this agreement, and that its obligations hereunder constitute legal, valid and binding obligations, enforceable upon such party in accordance with their terms.

10. This agreement shall not become effective until the ZB Receivership and the SBM shall have furnished to the Association an opinion or opinions satisfactory to the Association of counsel acceptable to the Association or, if the Association so request, a certificate satisfactory to the Association of a competent official of Mongolia confirming on behalf of the ZB Receivership and the SBM the representations made and warranties extended in paragraph 9 above.

11. This agreement may be executed in a number of counterparts each of which when executed and delivered shall constitute an original.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names as of the day and year first above written.
INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Klaus Rohland
[Authorized Representative]

ZOOS BANK RECEIVERSHIP for
ZOOS BANK JSC

N. Ariunbat

STATE BANK OF MONGOLIA

By: Roberto Loggia
[Authorized Representative]