

XACBANK:
**Climate Financing and Mongolia's
Sustainable Finance Environment**

June, 2017
Ulaanbaatar, Mongolia



AGENDA

- ✘ XacBank: Introduction
- ✘ XacBank: Governance, Transparency, and CSR
- ✘ Eco Banking Department: Strategy, Business, Experience
- ✘ Mongolia: Sustainable Finance & Development Environment
- ✘ Q & A

XacBank: Introduction

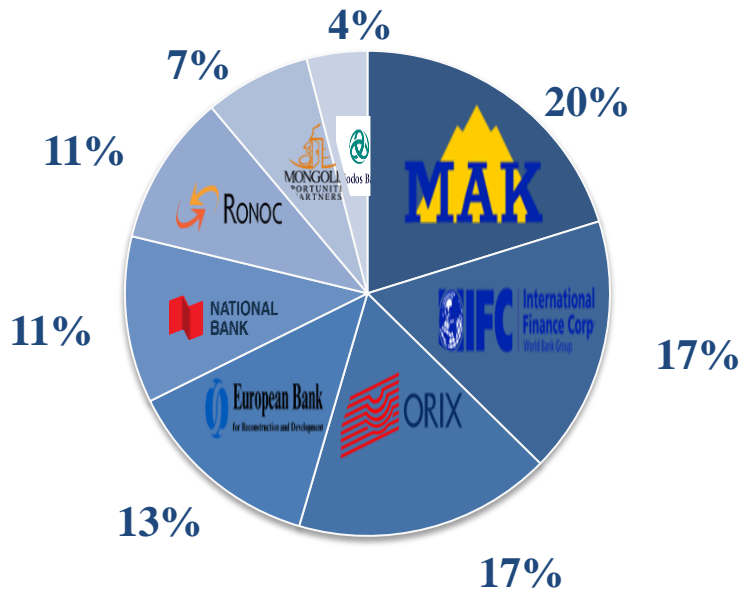
- ❖ XacBank is a wholly-owned subsidiary of TenGer Financial Group (“TFG” or the “Group”). TenGer Financial Group is a diversified financial services holding company with a portfolio of subsidiary companies in commercial banking, leasing, insurance, brokerage, investment banking and microfinance providing access to broad financial services to our customers.
- ❖ XacBank is a commercial bank founded in 2001 and headquartered in Ulaanbaatar, Mongolia. We provide deposit, loan, digital, card, payments services, trade finance and insurance brokerage across our two major business lines of retail and business banking through our branch and digital network.



XacBank: Introduction

PLANET
EOPLE
ROFIT

TFG is the only Mongolian financial institution which is majority owned by a broad base of globally recognized institutional investors



The Group's corporate governance follows international standards and XacBank is recognized for its transparency



XacBank: Governance, Transparency, and CSR

- ❖ In operation since 2001, implementing Social and Environmental Management System (SEMS) under ISO 14001 standardization.
- ❖ Corporate Social Responsibility (CSR) has been always a vital part of the Bank. Various activities and operations conducted under CSR, which are reported regularly to stakeholders and investors.
- ❖ Since joining the Global Reporting Initiative and Global Compact under the UN in 2007, the Bank operates under the relevant guidelines and regularly reports on Social and Environmental Implementation to investors.
- ❖ Adopted a comprehensive Social and Environmental Management System (SEMS) policy in 2002. Revised in 2008, 2011, and 2014.
- ❖ Monitors SME loans and advises on corrective actions that can be taken to comply with Social and Environmental Impact Assessment and CSR values.
- ❖ Sub-borrower's employee work place safety, health and hygiene practices and whether or not they cause any adverse effect to the local areas and community are also taken into consideration during the loan evaluation process.
- ❖ Furthermore, all sub-projects financed by the Bank must comply with the Bank's SEMS List of Excluded Activities and Mongolia's national environmental, health, safety and labor regulations and standards.

XacBank: Governance, Transparency, and CSR

Committed to community and environmental issues while operating based on sound commercial principles:

Financial Education for Children

Financial education training was provided for

38.000 children.



X.A.C NGO

The Bank staff volunteered to establish and finance from their salaries and wages X.A.C NGO. X.A.C NGO engaged in environmental and children welfare activities. XAC NGO has

1,536 members.



Xac Meadow

Altogether 27 Xac Meadow was created and planted between 2009-2014.

32.000 trees and bushes

Average survival rate of the planted trees is +80%



Eco Banking Department

- ❖ The Eco Banking Department is the only banking unit in the whole banking system of Mongolia specializing in measuring energy efficiency and identifying emission baselines for different project cases in Mongolia.
- ❖ It is the only banking team experienced in carbon monitoring and the carbon MRV (Monitoring Registration Validation) process.
- ❖ The EBD has previous experience in implementing various EE/RE projects and programs, and co-operation with many international and bilateral organizations, including GCF, Kiva, FMO, GCPF, IFC, EBRD, MEC, JCM, OECC, ADB, and more.
- ❖ International Financial Institutions that provide grants, subsidies and provisional loans to emission reduction projects have strong interest in maintaining bilateral relations with our Department.



Eco Banking Department: Sustainable Finance Strategy

Reinforcing the sustainable energy market through lending to both Supply and Demand side

Reinforcing the Sustainable Energy Market DEMAND



To encourage the consumption of:

- ❖ products that reduce GHG emissions, save energy, or utilize renewable energy solutions.

Building up the market demand for green SMEs by encouraging green consumption,

Reinforcing the Sustainable Energy Market SUPPLY



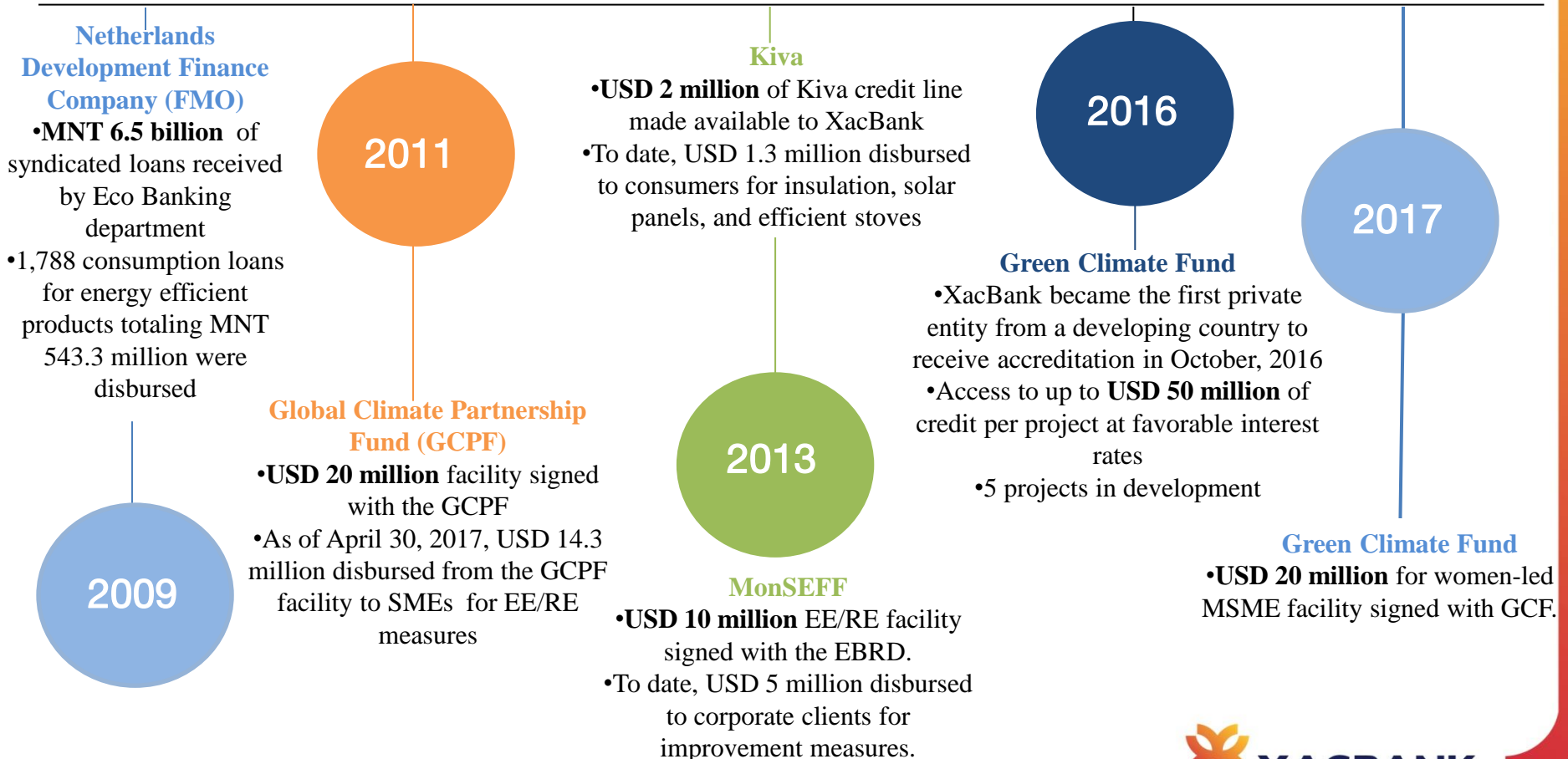
To support the companies:

- ❖ producing, selling or adopting solutions that reduce emissions, save energy, or utilize renewable energy by providing concessional loans.

Eco Banking Department

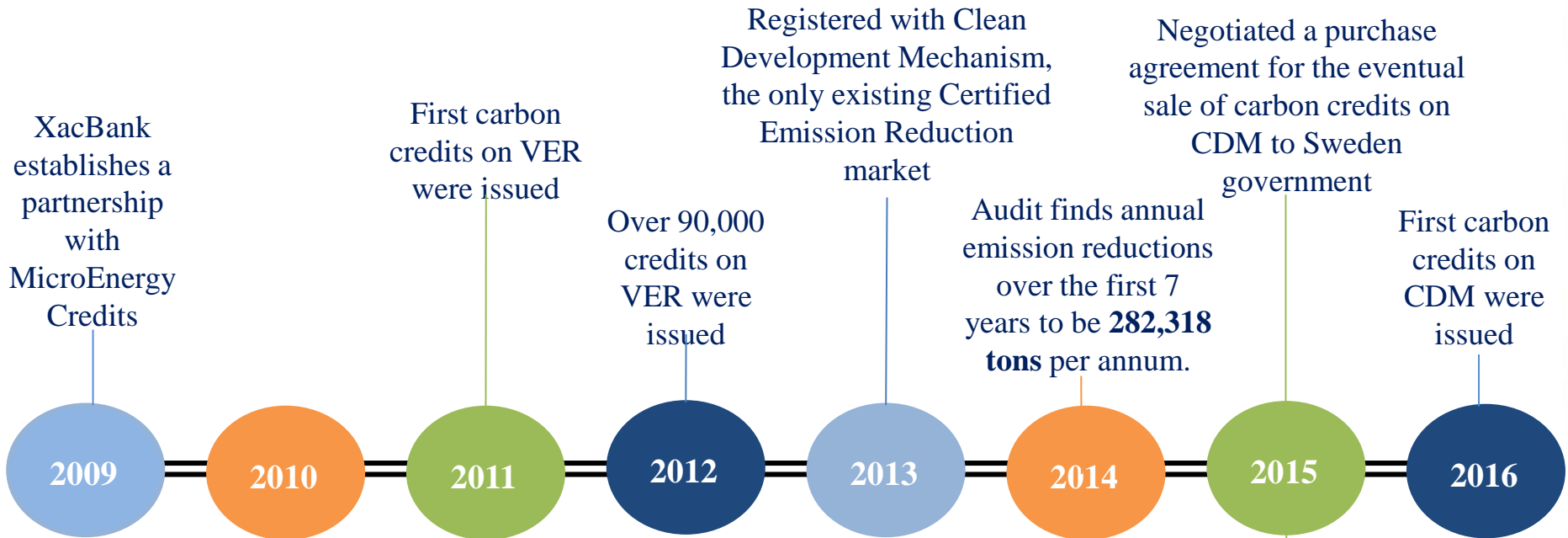
Three Main Business Lines

1. Sustainable Energy Finance



Eco Banking Department

2. Carbon Finance



3. Implementing Projects

Energy Efficient Product Distribution Program

Program initiated to supply energy efficient products to ger area households. Subsidies provided by: **Millennium Challenge Corporation, the Clean Air Fund, the UB Clean Air Program**

A total of 173,852 energy-efficient products distributed. 150,489 households in Ulaanbaatar's ger districts have purchased products through this program, which is **over 80% of ger district residents.**



Sustainable Energy Financing: GCF

- ❖ The Green Climate Fund (GCF) is a new financial mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) based in South Korea.
- ❖ It functions by transferring funds from developed to developing countries to mitigate greenhouse gas emissions and adapt to the impacts of climate change.
- ❖ XacBank became the first private sector entity from a developing nation to be accredited by the GCF in October, 2016. The fund currently has over USD 10 billion pledged.



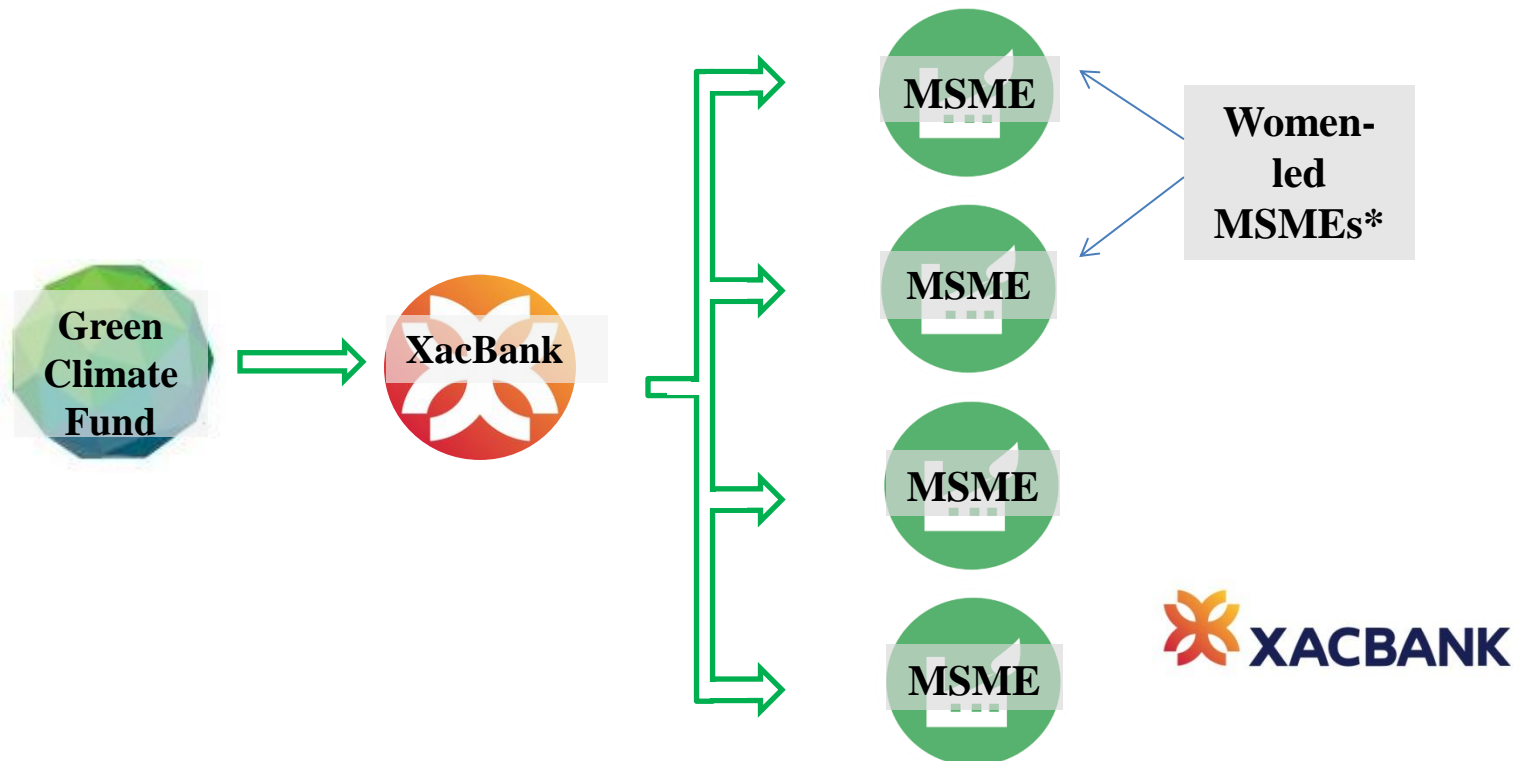
GREEN
CLIMATE
FUND

Financial Tools Available to XacBank: Concessionary Loans (senior), Guarantees, and Equity finance instruments.

The fund can also provide grant funding directly to XacBank if necessary for project viability. All financing terms are decided on “Case-By-Case” through communication between XacBank and the GCF, and are dependent on both national financial context (ie. cost of credit and risk profile) and environmental impact.

Business Loans for Emissions Reduction program

- ❖ XacBank submitted its first Funding Proposal for consideration at the December board meeting of the Green Climate Fund in Samoa. Facility of **US\$19.5 million of concessionary loans** with additional **US\$500,000 in grant** funding for technical assistance related to the program was **unanimously approved**.
- ❖ The facility is aimed at the Mongolian MSME market, and **covers all parts of the energy efficiency and renewable energy market supply chain**, with the goal of incentivizing the installation of these products in Mongolia; 50% of sub-projects must be women-led MSMEs.
- ❖ The program is titled “MSME Business Loan Program for GHG Emissions Reduction”



Thank you for your attention!
www.xacbank.mn/ecobank

