

**XACBANK:  
MSME Business Loan Program  
for GHG Emission Reduction**

**April 2018 | DA NANG, VIETNAM**



**XACBANK**





## XacBank: Introduction

- XacBank is a wholly-owned subsidiary of TenGer Financial Group (“TFG”). TFG 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 is the only Mongolian financial institution which is majority owned by a broad base of globally recognized institutional investors, including the IFC, ORIX, EBRD, the National Bank of Canada and Ronoc. The Bank regularly partners with these and many other MFIs and IFIs.

# P

## PLANET

## PEOPLE

## PROFIT

\$  
**1.0**  
billion

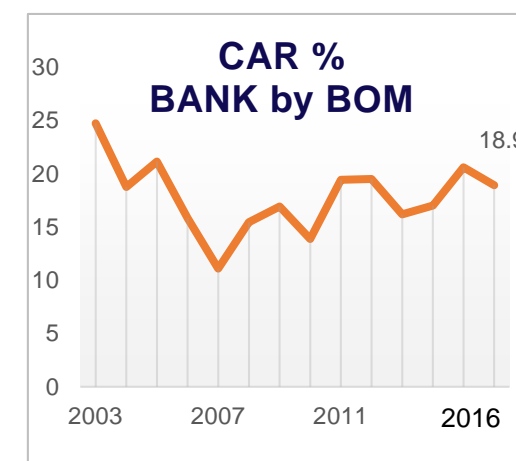
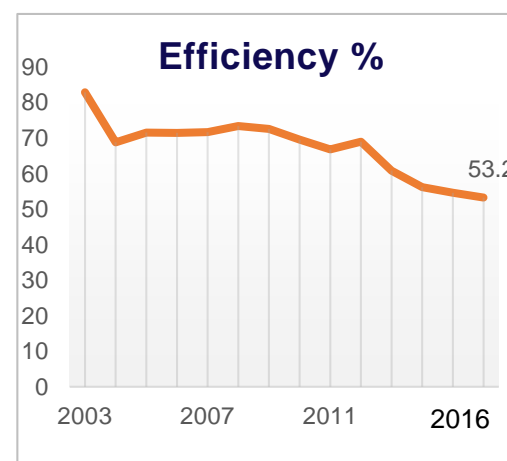
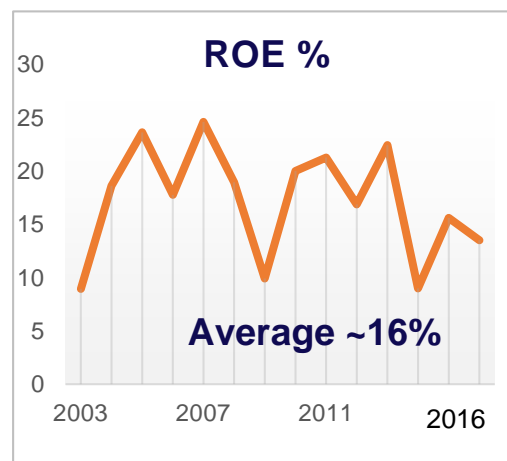
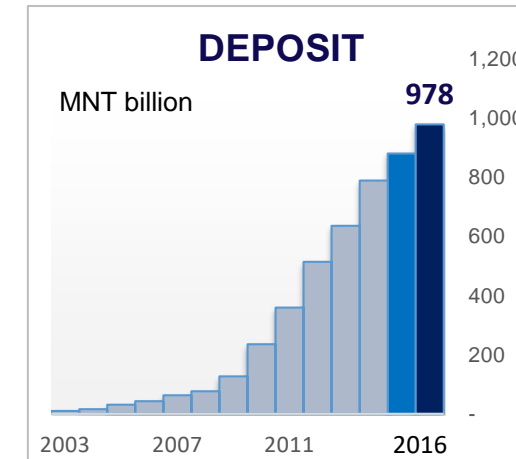
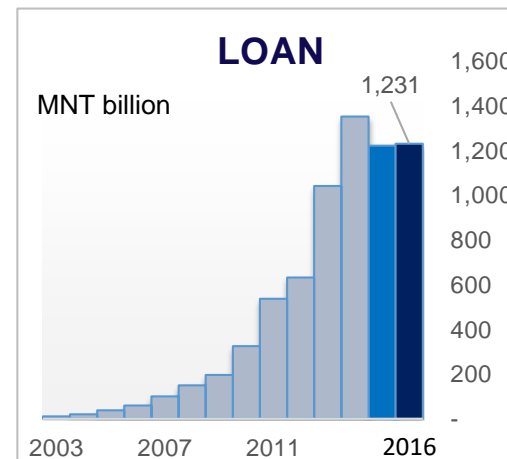
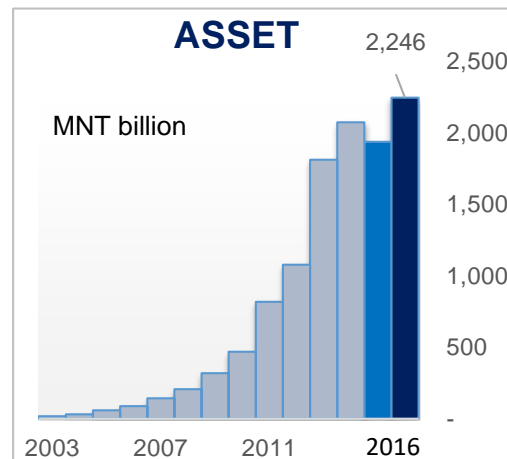
  
**85**  
branches

  
**140**  
ATMs

  
**2,700**  
POS terminals

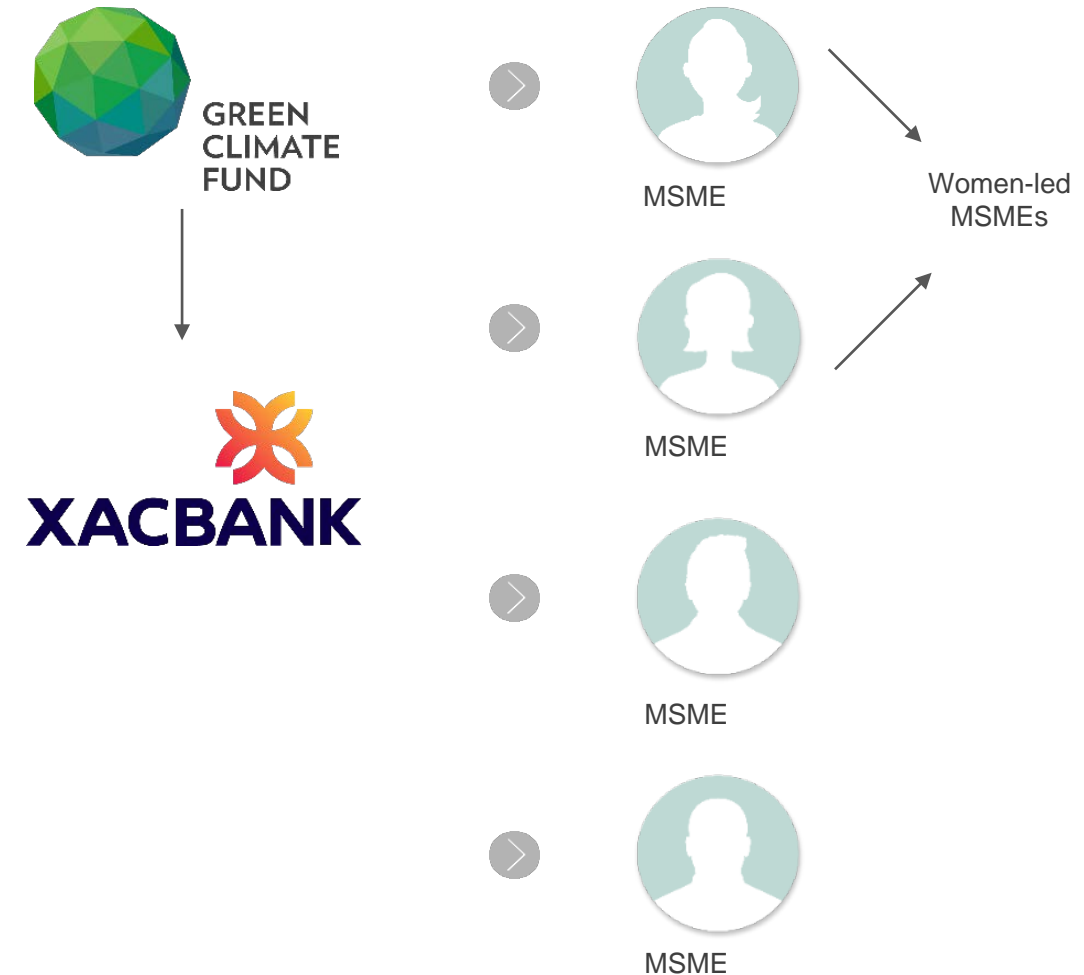
  
**700K**  
Clients

  
**1.4K**  
Employees



# Project Introduction: Business Loan Program for GHG Emissions Reduction

- In December 2016, XacBank submitted and received unanimous approval from the GCF board for its first funding proposal, a \$20 million MSME loan program aimed at supporting women-led businesses. MSMEs represent 90%++ of businesses in Mongolia.
- Women in Mongolia have a difficult time accessing adequate financing options.
- The program began implementation in August, 2017.
- To date, close to \$6 million in loans have been disbursed, of which nearly 50% is already towards women-led MSMEs.
- The program is aimed at producers, traders, users, and installation/service providers of EE/RE equipment and processes in Mongolia.



# Financing Terms



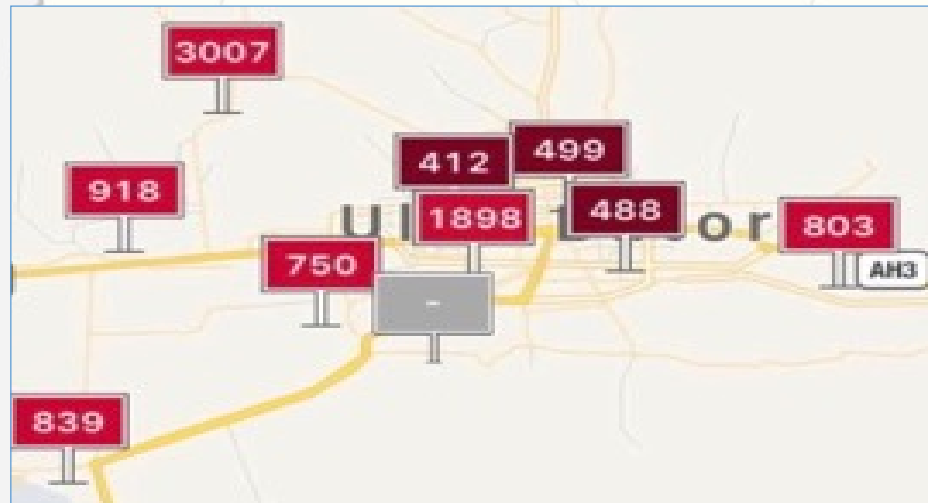
## Financial Tools Available to XacBank:

### 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 through case by case communication between Xac and the GCF, and are dependent on both national financial context (ie. cost of credit and risk profile) and environmental impact.

- The MSME program comprises of 4 co-financiers, and is an expansion of a previously existing XacBank program.
- Total financing of \$60 million, \$59.5 million in senior loans and \$500k in grant funding to build the AE and its clients' capacity in order to better implement the program, as well as for MRV activities.
- The main purpose of XacBank attracting funds from IFI's is to lower Mongolia's extremely high interest rates (20% - 28% p/a), as domestic funding is quite expensive.
- GCF disbursed funds directly to XacBank, with a term of 5 years, which can be extended to 8 years based on certain conditions.

# Climate Rationale & Impact





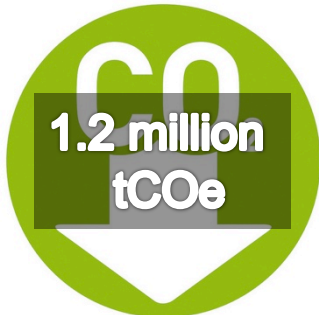
# Climate Rationale & Impact



- Ulaanbaatar is one of the most polluted cities in the world, home to more than 50% of Mongolia's 3 million citizens. More than 60% of Ulaanbaatar's residents live in peri-urban settlements known as the 'ger area', which are not connected to the central heating, water, or sewage systems, thus are forced to burn low quality coal and rubbish in traditional cook stoves to heat their homes during the 6 months long heating season, where temperatures drop as low as -40C during the night.



- Factories, buildings, and manufacturing processes in the country are still using extremely outdated and inefficient technology, which further contributes to the city's pollution and GHG emissions.



- By creating awareness, building capacity, and offering a financially viable product to MSMEs of Mongolia, the program aims to improve these conditions.

# Experience as a GCF DAE

## In order to fully take advantage of the DAE modality of the GCF:

- Develop a close relationship, formally as well as informally, with the National Designated Authority of your country. This allows governmental support of projects/programs through No Objection Letters, which are required to submit any proposal to the GCF. The NDA should also give guidance on project development.
- Early negotiation of terms and conditions deemed important to your proposal, so as to align priorities and not lose time toward the end on these matters, which can be complicated and time consuming.
- Work closely with the GCF's various specialists (gender, environmental, country programming, Secretariat, etc.) so as to fine-tune your proposal to meet the GCF's standards and requirements. Submit proposals well in advance, so as to leave time to make necessary adjustments to meet these standards and requirements.
- Be the driving force behind the timeline of GCF deadlines. The GCF is a relatively new institution, so in many cases, there are no set precedents yet, so DAE's have the opportunity to blaze a new path.
- Work on signing of Accreditation Master Agreement (AMA) as soon as possible, without the AMA effectiveness, disbursements cannot be made.





## Expanded Portfolio as a Result of DA Modality

- XacBank regularly works with IFI's to strive to bring world class financial services to its clients in Mongolia.
- Through DA modality, XacBank is able to expand its lending portfolio to include utility scale renewable energy power plants, and other similar large scale projects.
- With access to GCF funding through Direct Access, in order to finance a utility scale renewable energy power plant, XacBank would seek other IFI's or development financing organizations to co-finance the project.
- With DA modality, XacBank is able to expand upon its existing sustainable financing portfolio by increasing concessional funding to further support implementation of energy efficiency & renewable energy solutions in Mongolia.





**Thank you for your attention,  
any questions?**

**Green Climate Fund  
Structured Dialogue  
with Asia**

