

# Invest with Impact

Reduce inequality with digital banking

## Remote, yet connected

Mongolia is one of the least densely populated countries in the world, with much of the population living in remote rural areas. Many still follow a nomadic or herder lifestyle that has not changed for centuries. For those especially, the realities of life in Mongolia are harsh; with monthly temperature variations of 45°C not uncommon and no city or town within a day's travel for most people. Yet since a few years, more and more Mongolians have a bank account. By now roughly 80% of the population have access via digital banking, supported by a widespread mobile telephony network, which serves as its backbone.

## Reaching out to the rural unbanked

Khan Bank, first established in 1991 as the Cooperative Agricultural Bank, is the largest commercial bank in Mongolia. Khan Bank has made it a key priority to provide financial services to people living in remote rural areas that would otherwise lack access to banking services. At least 5% of the portfolio is dedicated to small or micro-entrepreneurs; mostly families involved in the production and sale of agricultural products. Approximately 67% involves services to retail customers; individuals.

Khan Bank has been able to become the country's largest commercial bank by pioneering mobile banking in 2007 and embracing digital banking in 2013. While it serves a huge number of customers predominantly via digital and mobile services, it has more than 530 branches around the country, servicing over 78% of country's 3.2 million inhabitants. It is also making considerable inroads into the micro, SME and corporate banking segments and intends to grow this part of its business further.

## FMO Loan

Khan Bank has been an excellent FMO client since it first took out a loan facility in 2009. Most recently in 2018 FMO arranged a USD 120 million loan, the largest in the bank's history. As part of a financial sector-wide initiative to upgrade environmental and social standards led by the Mongolian Banking Association FMO will also support further initiatives to strengthen Khan Bank's environmental and social management system outside the loan facility.



## In perspective

Mongolia relies heavily on commodity exports. Its once fast-growing economy experienced a slowdown as a result of the decline in commodity prices since 2015. GDP growth was as low as -1% in 2016, but currently stands at 6.9% again.





While the economy was slowing down the IMF instigated Mongolia's central bank to appoint an independent auditor to review the asset quality of the whole Mongolian banking sector. The review, which took place in 2017, caused unrest in the sector and created reluctance from investors or financiers to support banks before the review ended.

As FMO and Khan Bank have a longstanding partnership FMO was confident that the bank's review would be acceptable and proceeded with the preparations for a new loan facility. The loan also signals FMO's own commitment to the Mongolian market, and the transaction is expected to help pave the way for further funding from other international financial institutions. As expected, Khan Bank had a positive review which e.g. also led to no requirement to adjust the Bank's loan loss provisioning charges.

Khan Bank uses the FMO arranged loan to continue to provide financial services to people that would otherwise lack access to banking services, financing micro and SME sub-loans. To achieve successful distribution Khan Bank will continue to develop its ability to reach the country's most remote regions, and to upgrade its mobile banking and digital banking capabilities.



## The development of

Kahn Bank		2018
	Customers	2.4 mln
	Employees	6,316
	Offices	538
	ATM's/POS machines	1,143/17,298
FMO investment		
Total syndicated loan		USD 120mln
FMO		USD 45 mln
Fund investment		USD 2.5 mln

“Creating access to financial services for those in the most remote parts of a country.”



### The Fund Manager

Privium Fund Management B.V. ('Privium') Privium is an Alternative Investment Fund Manager ('AIFM') and in that capacity avails of a license pursuant to section 2:65 of the Act on Financial Supervision of the Netherlands (Wft) as that section reads following the incorporation of the AIFM Directive in the Wft. ([www.afm.nl](http://www.afm.nl)) Privium Fund Management is a global business partner to different asset management initiatives.

#### Contact

**Privium** T: +31 20 46 26 644 W: [www.fmopriviumimpactfund.nl](http://www.fmopriviumimpactfund.nl)



### The Investment Advisor

FMO Investment Management BV ('FMO IM') is a MiFID licensed Dutch investment firm and 100% subsidiary of the Dutch development bank FMO NV. FMO IM advises on the loan portfolio at the request of the Fund Manager. All loans offered to the fund have successfully completed the investment process of FMO and have thus been added to FMO's own loan portfolio.

Published July 2019

## Don't take any unnecessary risk. Read the Key Investor Information Document.

The FMO Privium Impact Fund, a Dutch Fund for Joint Account (fonds voor gemene rekening, or FGR) is included in the register held by the Dutch Authority for the Financial Markets (Stichting Autoriteit Financiële Markten, see [www.afm.nl](http://www.afm.nl)). This document is provided for information purposes only and should not be treated as an offer to buy or a solicitation of an offer to buy participations in the FMO Privium Impact Fund. Potential investors are advised to read the prospectus, including the supplement, and the key investor information document carefully and obtain (legal and tax) advice prior to an investment decision. The value of an investment fund is dependent on developments on the financial markets and can fluctuate strongly due to its investment policy. The value of your investments can fluctuate. Past performances provide no guarantee for the future. The performance overviews and/or performance objectives have been carefully prepared by Privium Fund Management. However, no rights can be derived from that information. The prospectus and supplement of the FMO Privium Impact Fund can be downloaded from [www.priviumfund.com/funds](http://www.priviumfund.com/funds). The prospectus and supplement of the FMO Privium Impact Fund are the only authorised documents for offering of shares of the fund and may only be distributed in accordance with the laws and regulations of each appropriate jurisdiction in which any potential investor resides.

Don't take any unnecessary risks.

Read the Key Investor Information Document.

THIS IS A MANDATORY ANNOUNCEMENT