

# Invest with Impact

## Unlocking finance

### A countryside of vast and endless landscapes

Mongolia, the largest landlocked country in the world, spans an impressive 2392 km in length and 1259 km from north to south at its maximum. Home to just around 3 million people, it's one of the most sparsely-populated countries. Mongolia also boasts a wide range of geography—the Gobi desert, mountainous regions, and rich forests. By the 20th century, Mongolia was briefly under Chinese rule. It became the second socialist country and was under communist regime until 1990, after which it evolved into a planned economy with a democratic voting system.

Mongolia's economy has rapidly grown in recent years. In the past, it relied predominantly on agriculture and herding; today, Mongolia primarily extracts and exports minerals such as copper and coal. Manufacturing also bolsters the economy, mostly through processing domestic materials like meat, flour, clothing, and wood products. However, agriculture still employs a third of the country's labour force, especially in the vast rural areas.

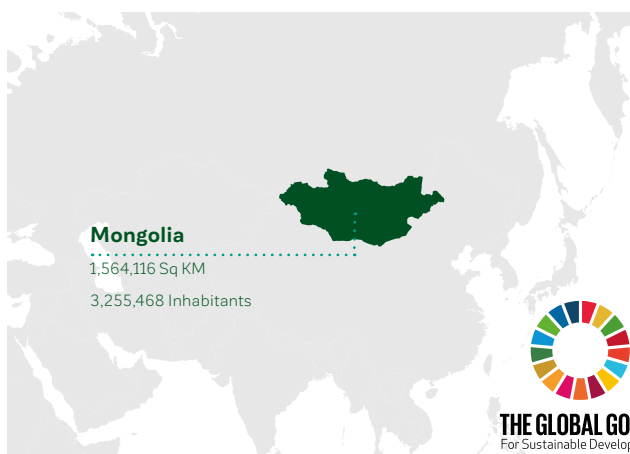
### Diversifying the Mongolian economy

Since the company was founded in 2001, XacBank has become one of Mongolia's largest systemic banks with a strong history in microfinance and supporting the

(M)SME sector. XacBank was created as a result of a merger of the two largest NBFIs in Mongolia. It now serves its one million customers via its 71 branches and 8,000 merchants located across the entire country. The bank originally focused on providing microfinance loans in both rural and urban Mongolia, but over the past decade the bank has moved upmarket and now mainly focuses on SMEs, Green Finance and retail lending. Over two-thirds of the bank's loan book is earmarked for retail and SME lending. With an emphasis on funding underserved segments, XacBank contributes to meaningfully diversifying Mongolia's mining-dependent economy. XacBank also has a Green Lending approach: the bank is accredited by the Green Climate Fund and co-lends in various renewable energy projects across Mongolia.

### The FMO Loans

XacBank has been an FMO client since 2007, receiving various loans over the years. For example, in 2019, FMO arranged a USD 100 mln syndicated loan to strengthen XacBank's long-term funding base and allow the bank to further grow and expand in its focus areas. More recently, in December 2022, FMO provided a USD 50 mln facility, with at least USD 15 mln dedicated to funding green projects.



## A broader perspective




Life in Mongolia can be challenging for many reasons. ICT connectivity can be difficult in more rural areas. The capital Ulaanbaatar is one of the most polluted capitals, with respiratory infections increasing **270%** in 10 years, due to a sharp rise in industrial emissions, coal usage, and engine exhaust. Climate change exacerbates the extreme weather, affecting the livelihood of nomadic herders. In the 2009-2010 winter, the severe temperatures killed almost **one-fourth of all livestock**, doubling meat prices. And perhaps the most sobering part of climate change in Mongolia is that temperatures in the country are rising twice as **fast as the global average**.

In a country where coal is the primary source of electricity generation, climate mitigation and economic diversification are an imperative. Companies like XacBank directly contribute to the improving of livelihoods, particularly for the parties that engage in the green economy. Through its **“Eco Banking Department”**, XacBank works with international funders for developing and implementing various energy-related projects and programs. XacBank focuses on fostering inclusive financial growth to reach underserved SMEs and create a viable case for a diversified local economy to ensure a sustainable long-term future for all Mongolians.



## The development of

### Impact

 Employees	1,152
 (deposit taking) ATMs	355
 Customers	1,000,000

[About us - XacBank](#)

### Financial

Total syndicated loan	USD 50 mln
Fund part	USD 2.5 mln

“XacBank has created sustainable growth in the banking and financial sector of Mongolia”



### The Fund Manager

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### 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.

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