

 Early Warning System

IFC-41748

Xac Subdebt



Quick Facts

Countries	Mongolia
Financial Institutions	International Finance Corporation (IFC)
Status	Proposed
Bank Risk Rating	FI
Borrower	XACBANK LLC
Sectors	Finance
Ring Fence	Small & Medium Enterprises



Project Description

According to IFC website, the proposed investment is a syndicated subordinated debt facility to XacBank, an existing partner of IFC and the fourth largest bank in Mongolia. It will include IFC's own account exposure of up to US\$10 million and mobilization of up to US\$35 million. The proposed investment intends to provide the needed Tier-2 capital to strengthen the Bank's capital structure, and to enable it to provide 3,600 to 8,000 additional loans to micro, small and medium enterprises in the country.



People Affected By This Project

- i) **Project Outcomes:** to strengthen capital position of a systemic bank in Mongolia, enabling it to provide 3,600 to 8,000 additional loans to Mongolian MSMEs and to improve access to finance. IFC expects the Bank's MSME loans to increase from the current 30% of its total loan portfolio to 40% by the end of the project period.
- ii) **Economy-wide Effects:** to deliver economy-wide effect through providing additional financing to MSMEs that will increase economic activity and job creation.
- iii) **Contribution to Market Creation:** to improve market competitiveness by motivating other players to increase lending to MSMEs.



Investment Description

- International Finance Corporation (IFC)

Financial Intermediary

Financial Intermediary: A commercial bank or financial institution that receives funds from a development bank. A financial intermediary then lends these funds to their clients (private actors) in the form of loans, bonds, guarantees and equity shares. Financial intermediaries include insurance, pension and equity funds. The direct financial relationship is between the development bank and the financial intermediary.

- [XacBank LLC](#) (Financial Intermediary)
- [XacBank LLC](#) (Financial Intermediary) **is owned by** [XacBank](#) (Parent Company)



Private Actor Relationship

There is often limited information publicly available about what development banks are funding through financial intermediaries. In 2021, the Early Warning System partnered with Oxfam International to incorporate information on high-risk projects being funded by financial intermediaries receiving funding from the International Finance Corporation (IFC) and the Dutch Development Bank (FMO).

The information listed below describes the relationship between the different private actors linked to high-risk sectors and subprojects of IFC and FMO's financial intermediary investments and/or the financial intermediary's parent companies made from 2017 through 2020, including any associated ring fences.

The database, however, does not explicitly or implicitly imply that IFC or FMO have material exposure to or are contractually or legally accountable to the sub-projects financed by their financial intermediaries or the financial intermediary's parent companies. It only shows a seemingly financial relationship among the different private actors, the financial intermediaries, and IFC or FMO.

Private Actors Description

XacBank is a commercial bank in Mongolia, offering retail, microfinance, SME and corporate banking services. As of December 31, 2017, the Bank had total assets of MNT3.0 trillion, and total shareholders' equity MNT201.2 billion. It has 82 branches, 139 ATMs and about 1,286 staff across the country.

XacBank is wholly owned by TenGer Financial Group LLC ("TFG"), which is a Mongolian financial service holding company offering banking (XacBank), financial leasing (XacLeasing), insurance (Tenger Insurance) and micro credit services through its subsidiaries. Shareholders of TFG include Mongolyn Alt (MAK) LLC (20%), IFC (17.17%), ORIX Corporation (16.81%), European Bank for Reconstruction and Development (12.91%), National Bank of Canada (10.52%), RONOC (10.15%), Mongolia Opportunities Partners (6.63%), Triodos Fair Share Fund (3.73%) etc.



Contact Information

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ACCOUNTABILITY MECHANISM OF IFC

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org. You can learn more about the CAO and how to file a complaint at <http://www.cao-ombudsman.org/>