

Financial Cooperation in Northeast Asia

Bold Magvan, CEO, XacBank

Nineteenth Northeast Asia Economic Forum

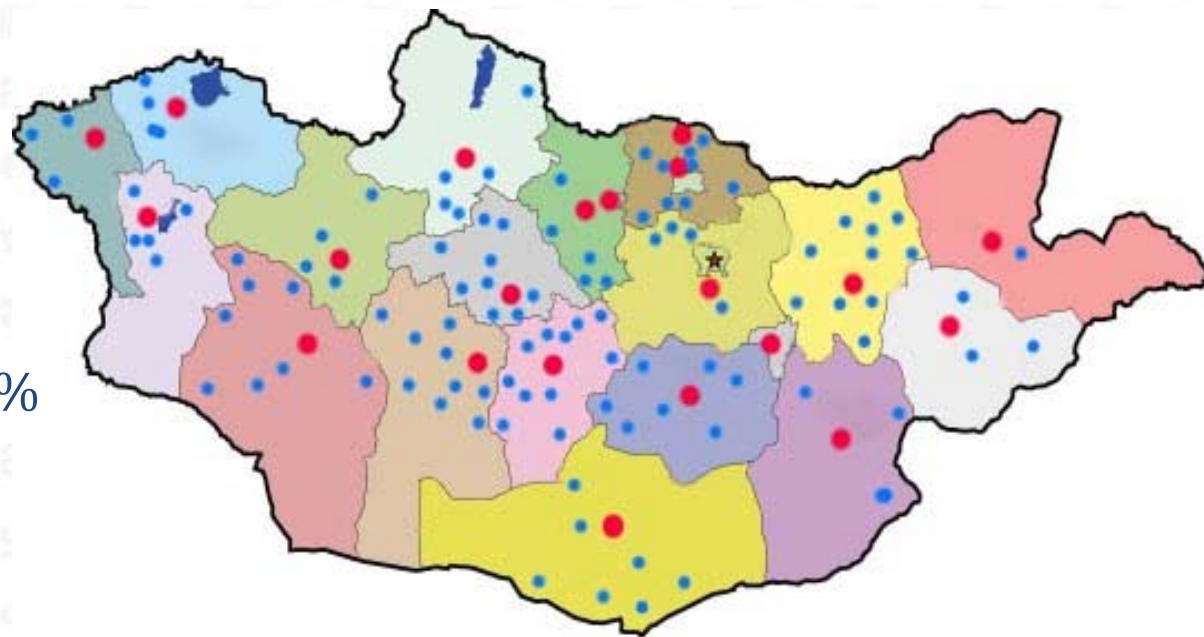
Ulaanbaatar, Mongolia

August 27th, 2010

We Love Our Mother Land !

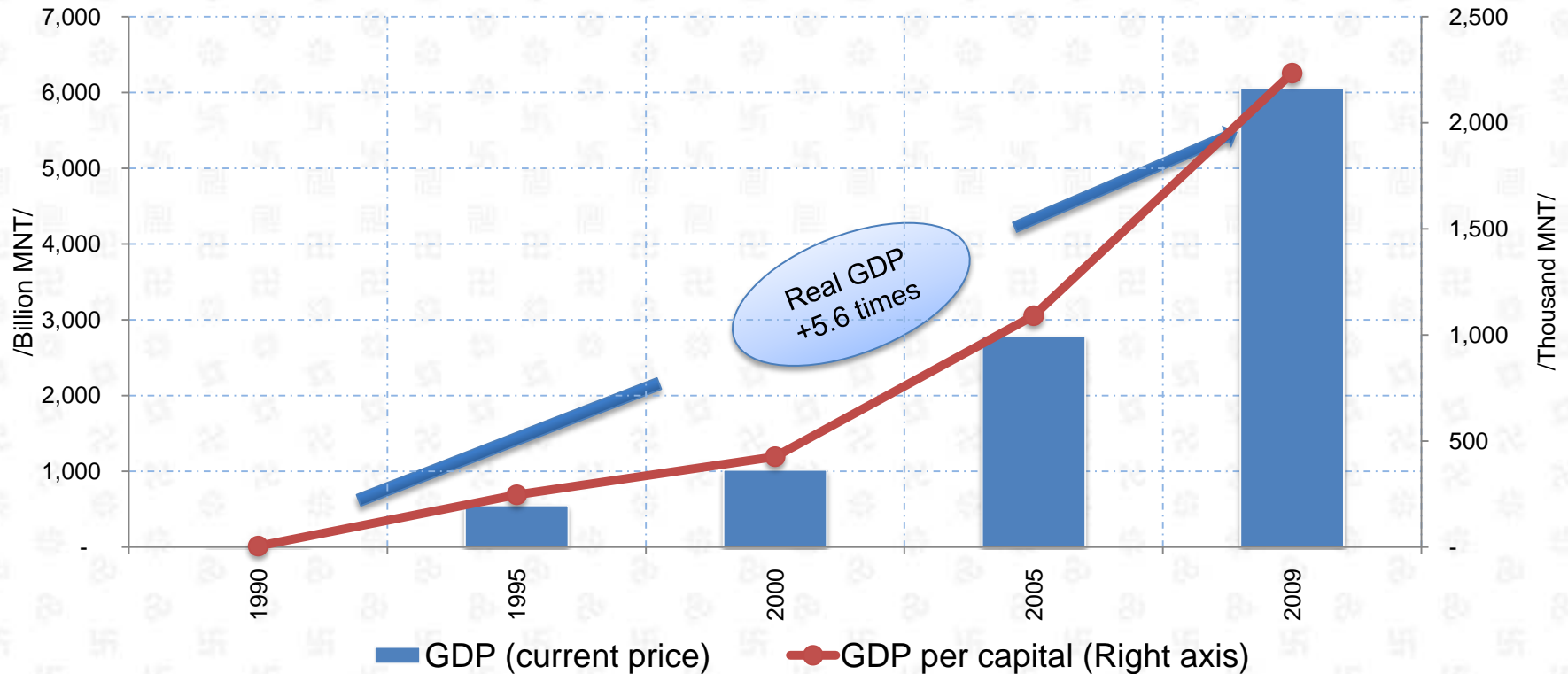
MONGOLIA - Country Overview

- Population – 2.8 million
- 3 Cities
- 21 Province centers
- 340 Soums
 - UB – 1.05 million
 - 62% нь Ger area
 - Province center – 22%
 - 600.000
 - Soum – 39%
 - 1.05 million



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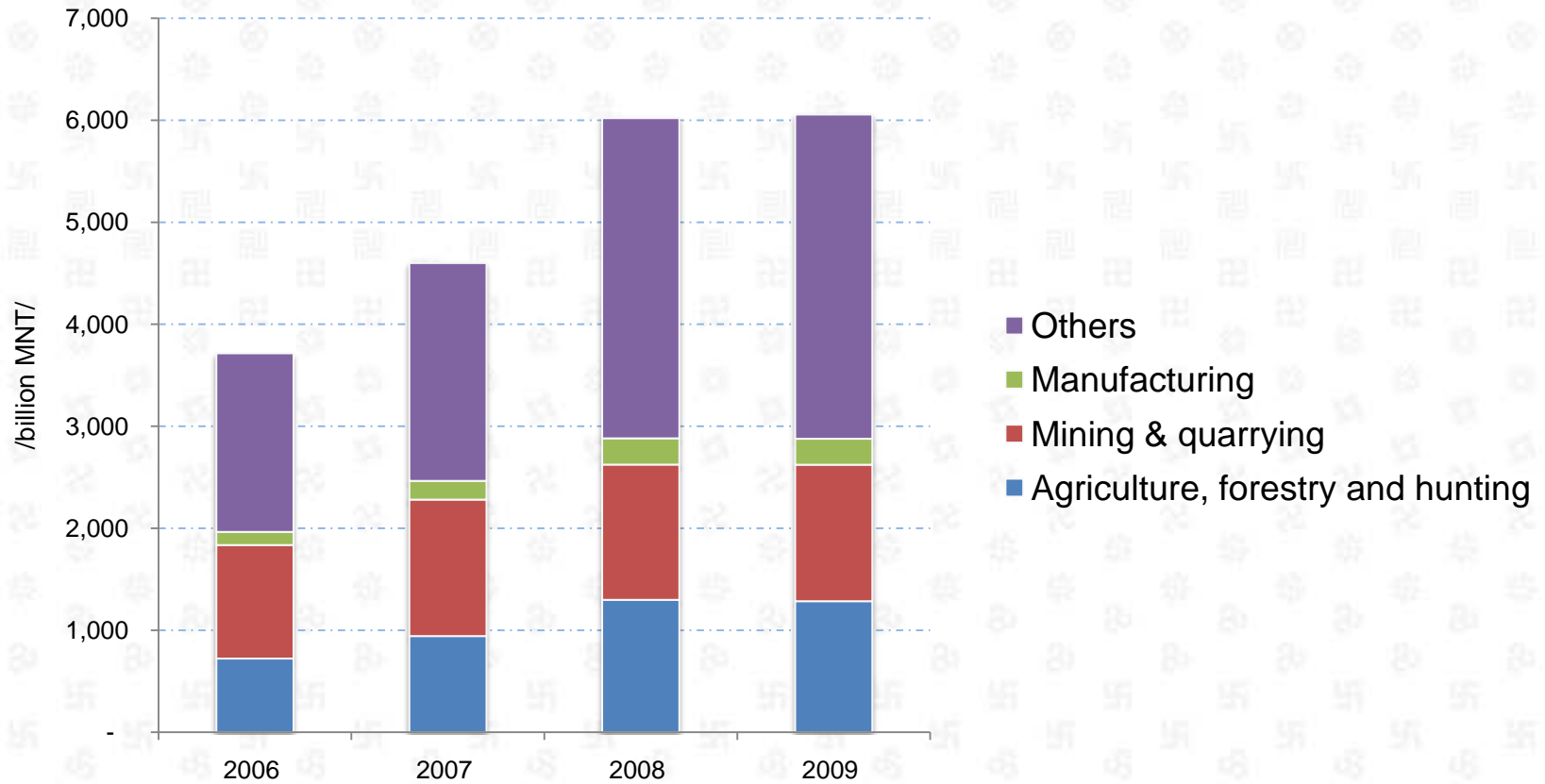
Mongolian Economy: GDP per capita



- ✓ GDP per capita increased 5 fold in last 10 years from USD400 to USD2,000.
- ✓ Private sector share in GDP went up from 0 percent in 1990 to 70.2 percent in 2009.

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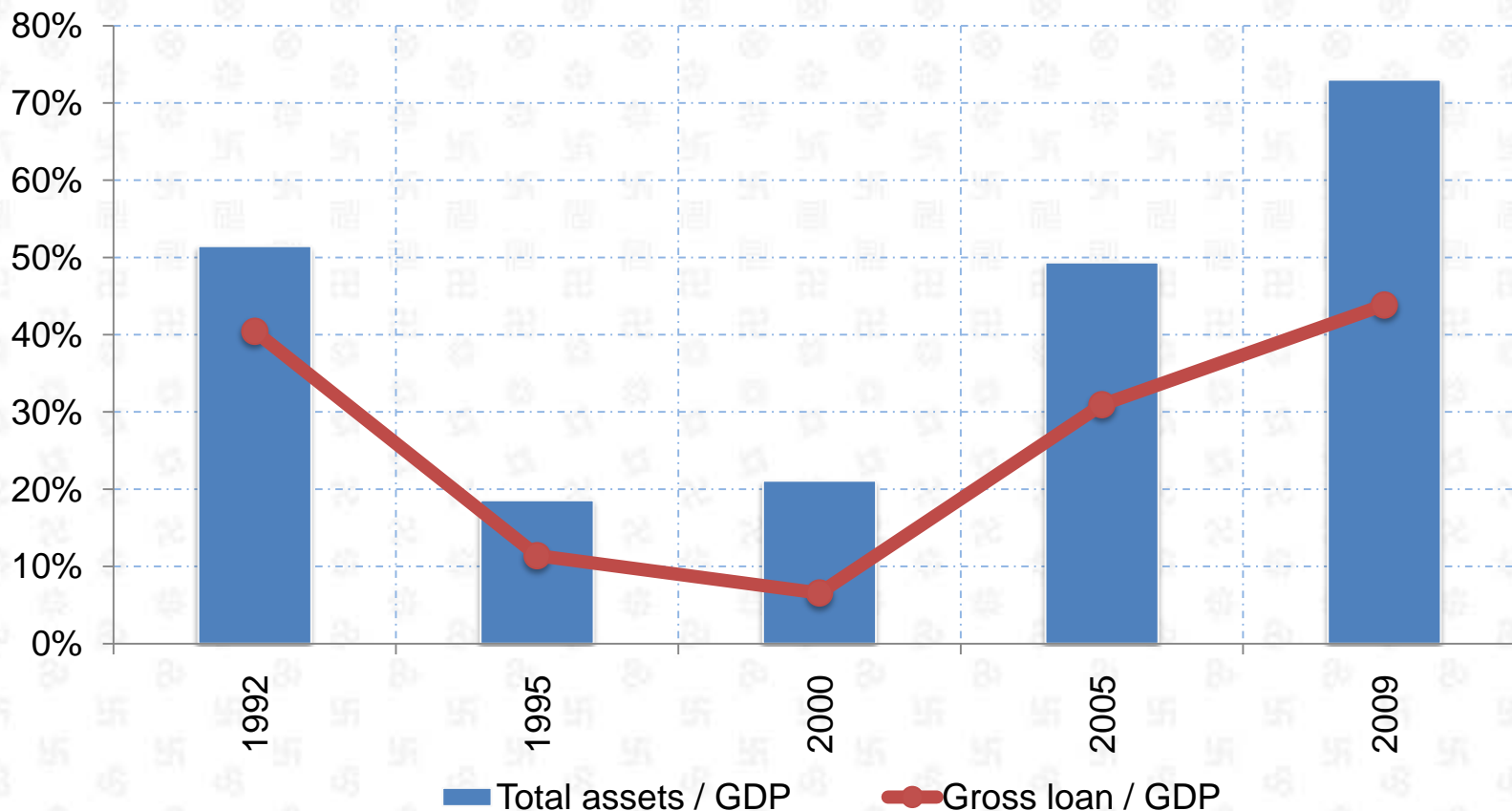
Mongolian Economy: GDP by sectors



✓ Economy is increasingly being diversified. Agriculture and mining sector are dominating.

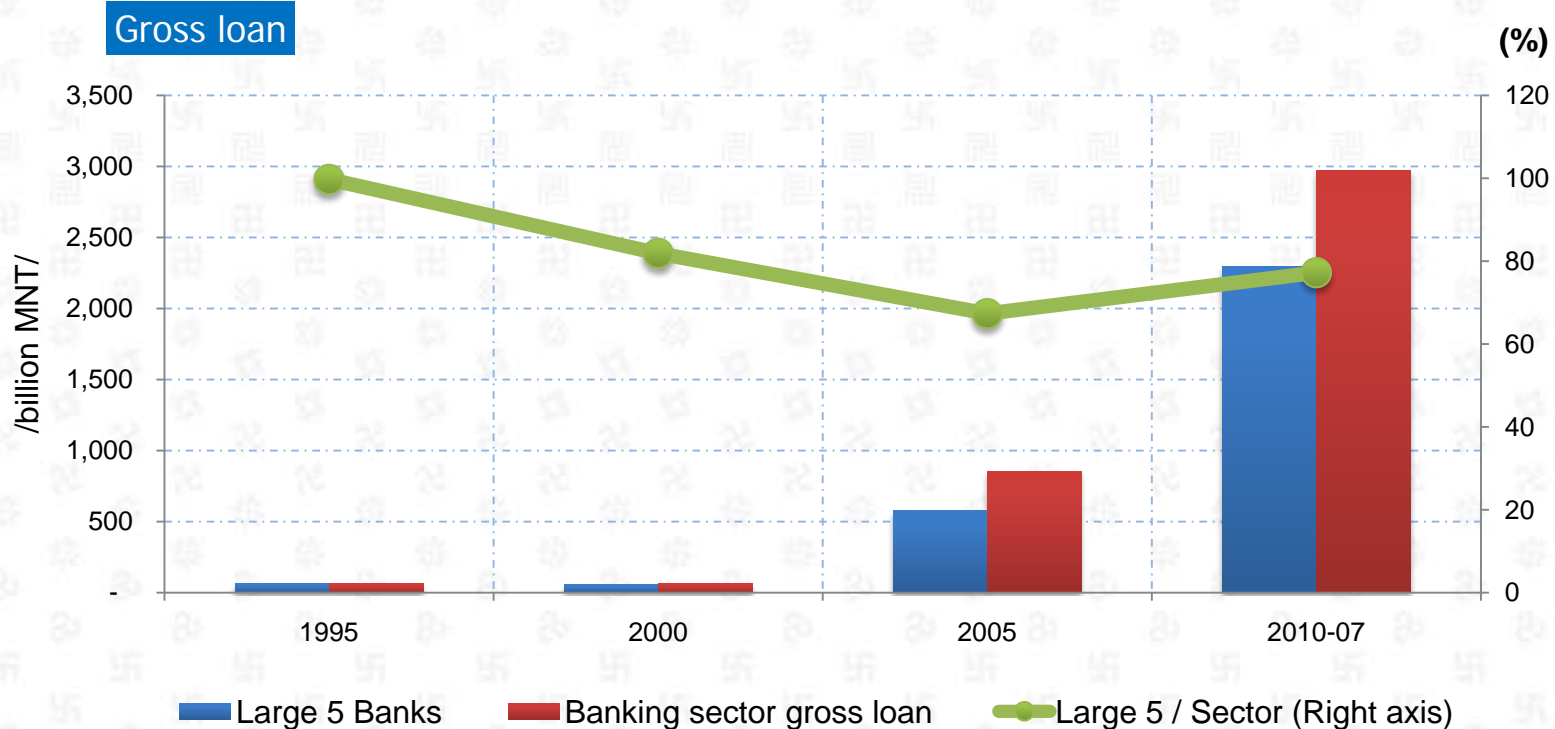
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Banking Sector



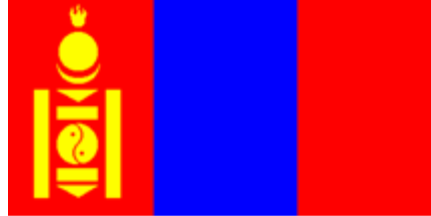
- ✓ Banking system intermediation increased to 73 percent of GDP in 2009 from 51 percent in 1996.
- ✓ Total loans accounted for 44 percent of GDP as 2009 whereas it was 6 percent only in 1976. *Yes, Our Mother Land!*

Banking Sector Concentration



- ✓ Total loans grew 5 fold over 2004-2010.
- ✓ Top 5 banks contributed 80 percent of the growth.

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Mongolia: Investment Opportunity is bright

“Mongolia may become the world’s fastest-growing economy in the next decade as untapped mineral deposits lure investors”

- *Head of Research, Renaissance Capital, Roland Nash*

“We think Mongolia may be able to position itself as the next Asian tiger or, as they prefer, Mongolian wolf, rather than the latest central Asian resource supplier”

- *Strategist, Renaissance Capital, Ovanes Oganisian*

“Mongolia will generate the highest growth rate of GDP in the world over the next 10 years, surpassing that of Qatar, which had fulfilled that role over the past decade and a half.”

- *CEO of Golomt Bank, John Finigan*

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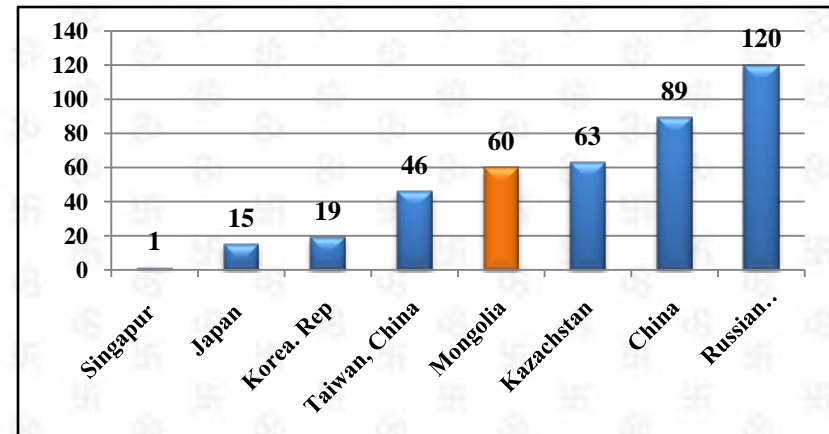
Mongolia: Investment Opportunity is bright

- Mongolia is set to become one of the fastest growing economies in the world by 2011, as a result of its huge mineral deposits, favorable business environment, stable political conditions, and its proximity to expanding markets in Asia. Opportunities for investors will present themselves across asset classes and sectors, and we highlight infrastructure, real estate and banking as particularly attractive.
- Our key views on the Mongolian economy include:
 Growth will average 9.6% between 2010 and 2014, on the back of rapidly increasing mineral exports and foreign investment; Mongolia's close proximity to resource-hungry Asian markets (particularly China) should ensure that demand for Mongolia's exports remains elevated;
 The political environment is stable, with a broad consensus among the main political parties towards economic liberalization, which should ensure investor confidence.

Mongolia's ranking in Doing Business 2010 *

Rank	Doing Business 2010
Ease of Doing Business	60
Starting a Business	78
Dealing with Construction Permits	103
Employing Workers	44
Registering Property	25
Getting Credit	71
Protecting Investors	27
Paying Taxes	69
Trading Across Borders	155
Enforcing Contracts	36
Closing a Business	110

Ease of doing business- Global Rank



*Mongolia is ranked 60 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.
 Source: World Ease of doing business report



TENGER
FINANCIAL GROUP LLC

TenGer – “sky” in Mongolian

Bankers Without Borders...

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❖ Investors:

- Triodos Bank (Holland)
- Mercy Corps (USA)
- BlueOrchard (Switzerland)
- International Financial Corporation (World Bank)
- European Bank for Reconstruction and Development
- EIT Capital Management (Mongolia)
- NGOs

❖ Subsidiaries:

- **ХасБанк**
- XacLeasing
- Horus Nomadic Solutions
- Tenger Insurance

XacBank – Successful Case Study



✘ **XacBank, one of the country's 5 largest banks, has:**

- ❑ Demonstrated: Microfinance and micro-lending can be profitable;
- ❑ Proved: Projects can be successful if run by a professional institution;
- ❑ Pioneered: Establishment of non-bank financial institutions;
- ❑ Collaborated: with Mongol Bank in developing Accounting Policies and Procedures Manual for NBFIs;
- ❑ Concluded: First merger in the Financial sector of Mongolia;

Triple Bottom Line Mission



To contribute to the socio-economic development of the country while creating a fair value for its shareholders. This will be achieved by providing inclusive, value adding, and reliable financial services to all people and entities of Mongolia through establishing a leading financial institution that is equally concerned about Planet, People, and Profit.



The Bank will embrace premium customer service, dedicated and talented employees, corporate social responsibility, efficient usage of ICT and innovation, and effective partnerships at all levels.

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✂ XacBank, demonstrated strong social mission and has:



- ❑ X.A.C NGO (Est. 2003), has donated MNT 530 million for Children and environmental issues since 2003

- ❑ Working for brighter future of Children:
 - 67,000 “Future Millionaire” savings
 - 2700 “Aspire”-girls financial education together with WWB
 - Initiated and has sponsored “Boom 2020” football tournament

- ❑ Eco products unit since mid of 2009

- ❑ Kiva: 1,124 borrowers, USD 1.2 million



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- ❑ To extend the banking service to those who are unbanked and have no access to financial services
- ❑ To decrease the cost of banking services compared to traditional banking channels
- ❑ Selected one of the 9 out of 70 participants from 38 countries

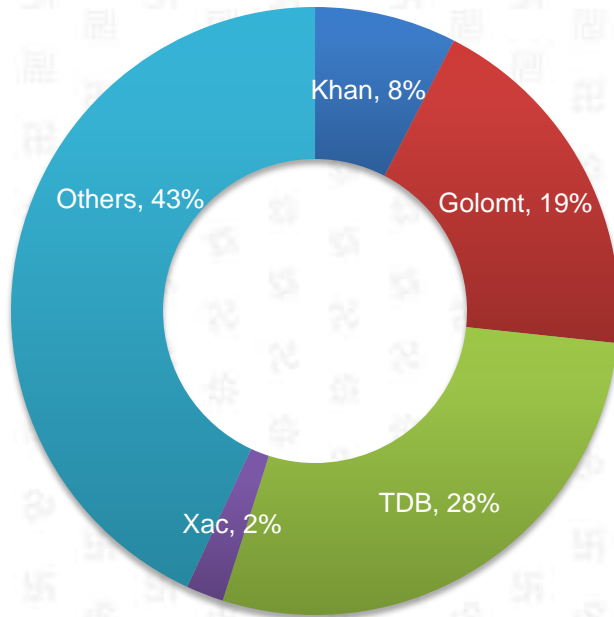
Officially launched on 2th July, 2009



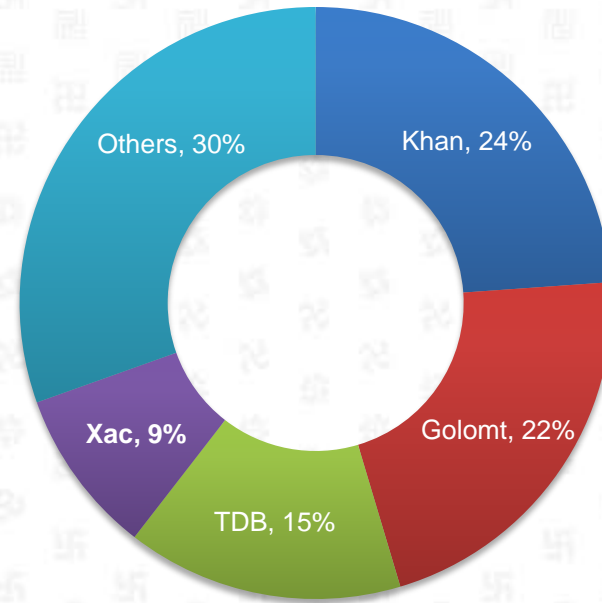
XacBank in Banking Sector (Gross loan)



2001



July 2010



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The Tenger Financial Group's, parent company of XacBank, strategy is to invest in a portfolio of MFIs in the Central Asia, Russia and China.



Need for credit, by countries

	Population (mln)	GDP per capita, PPP (USD)	Loans/ GDP (%)	Microfinance penetration (%)	Poverty (%)
China	1,325.6	3,480	-	-	15.9
Kazakhstan	15.7	9,690	61.4	0.1	3.1
Kyrgyzstan	5.3	2,140	20.0	8.7	21.8
Russia	141.8	15,630	62.0	0.2	<2
Tajikistan	6.8	1,860	18.4	8.4	21.5
Uzbekistan	27.3	2,660	15	0.7	46.3
Mongolia	2.6	3,480	58.1	15.7	22.4
Total	1,525.1	4,647		0.1	21.3

Sources:

WB, 2008

WB, 2008

CGAP, 2009

MIX Market, 2008

WB, 2008

UNDP, 2007

Notice

Total microfinance
assets /GDP

Population with less
than 1.25 USD
income per day

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Opportunities

- Progress in Microfinance has been slow and spotty over the past 20 years, relative to the microfinance growth in India and Bangladesh, so it is still early days for the microfinance industry
- Culture of high savings – market potential
- Microfinance demand in China is estimated at minimum of RMB1.7 – 3.2 trillion (US\$246 – 467 billion, while the estimated total microfinance supply is only RMB 0.45 trillion (US\$66 billion)

XacBank and TenGer in the Region

- South to South TA: Providing best practice microfinance training in Mongolia for over 30 MFIs from 13 countries in Eastern Europe, Central, East and South Asia
- Establishment of China representative office in Beijing
- Investment in Kyrgyz republic
- Relationships with key stakeholders (regulators, IFIs, and MFIs)
- Due diligence on several promising MFI targets in China, Russia and Central Asia

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Thank you!

www.xacbank.mn

www.TengerFG.mn

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