

Microfinance

Mongolia

SORONZONBOLD Lkhagvasuren
EVP, Banking



Population: 2.6 million

Area: 1.56 million sq km

Country profile

- GDP per capita
 - *USD 1,000*
- 632.5 thousand households
 - *40% live in rural areas*
 - *32% of households are under the poverty line * (less than USD2 per day)*
- 360 villages
 - *Average population is 2,500*
- 30,817 SMEs
 - *96 % < 50 employees*

Outreach

- 16 commercial banks
- 967 bank branches
 - UB: 215
 - Rural: 752
- Ranks #2 in the developing world in microfinance penetration (MIX, 2004)

Looking back to 1998

- 92% of total loan was concentrated in UB city
- Only 5% of households were able to access loan
- 38% of total loan portfolio was non-performing;

Today

- Interest rate 21% per annum (5 times)
- Loan portfolio USD 1.6 billion (22 times)
- 78% of loans are concentrated in the capital city
- PAR 6.4%
- 65% of households have loans from banks
- Every family has accounts in banks
- Individual micro-lending methodology
- Group lending pilots

Factors of Success

- Demand driven donor intervention
- Goodwill of Government agencies (Central Bank) to learn and experiment with microfinance
- Favorable legal and regulation environment
- Favorable overall economic conditions
- Institutional building with commercial focus from the start
- Fair competition environment

XacBank is microfinance market
pioneer and leader in Mongolia

Mission statement



First, to contribute to the Socio-Economic development of the country by providing access to comprehensive financial services to all citizens and legal entities, including those who are normally excluded, e.g. low-income and remote rural households.

Second, but equally important, to maximize the value of shareholders' investment, while creating a profitable and sustainable financial institution.

Historical highlights

Jul 05

Attracted three international investors

Dec 01

Received its banking license

Oct 01

Merger agreement signed

Sep 00

Merger discussions initiated

Apr 00

Goviin Ekhlel LLC – *SME lending* (Mercy Corps,USAID)

Sep 99

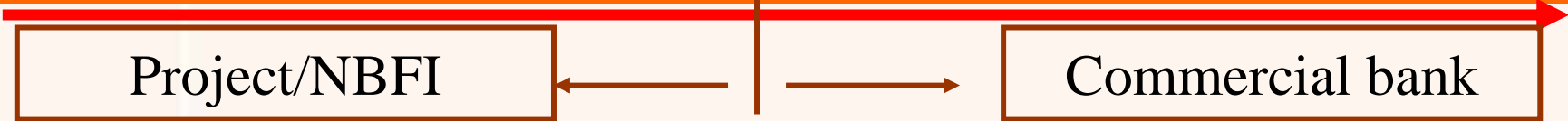
X.A.C. LLC was licensed as *the first NBF*

Sep 98

X.A.C. - started under UNDP *MicroStart-Mongolia* project

Loan products mix & modality

<i>Rural</i>		• Herder group	• Crop	• Herder					
<i>Other</i>			• Finance Leasing	• Apartment pledged • Deposit backed					
<i>Consumption</i>		• Household/ consumption	• Salary backed	• Student					
			• Overdraft	• Pension					
				• Housing					
<i>Business</i>		• Development		• Investment (SME)					
	• Start Up (Micro)	• Growth (SME) (Micro)							
1998	1999	2000	2001	2002	2003	2004	2005	2006	2007



Diversified product mix

- Micro
- Consumption
- SME loans
- Wholesale
- Mortgage
- Factoring
- Trade finance
- Franchise
- Children savings
- Deposits
- EuroGiro
- MasterCard
- VISA
- SWIFT
- Remittances

XacBank's outreach

- 182 villages
- Micro loan - USD 42
- 60,000 borrowers
- 52% of borrowers are female
- 80% of active loans are less than USD 1,500
- Opening deposit balance USD 2.6
- 50,000 children
- 12 IFIs - USD 42 million

Innovations

- Franchise service
- Mobile banking
- International remittances
- Mortgage backed securities

The Microfinance Centre for Central and Eastern Europe and the New Independent States (MFC) will organize its 11th annual conference for microfinance institutions on

29-31 May, 2008 in Ulaanbaatar, Mongolia

by invitation and under the auspices

of the President of Mongolia

and in partnership with XacBank

www.xacbank.mn