



KHAN BANK

GREEN BOND REPORT

2024





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I. INTRODUCTION

ABOUT KHAN BANK

Khan Bank, established in 1991 as the Agricultural Bank of Mongolia, has grown to become the largest commercial bank in the country, operating 545 branches and employing over 6,500 staff members. The Bank serves approximately 2.9 million clients, providing essential banking services to around 84 percent of Mongolian households through its extensive branch network and digital platforms.

As a leader in the banking sector, Khan Bank holds a significant market share, accounting for one-third of the industry. Over its 33 years of operation, the Bank has gained customer trust through strong financial performance and innovative fintech solutions, including mobile and internet banking. The Bank's infrastructure includes over 204 Express Banking centers, 1,431 ATMs, and 30,000 POS terminals, enhancing accessibility to digital banking services.

On its 31st anniversary, Khan Bank unveiled a brand refresh that underscores its commitment to sustainable development and community well-being, reaffirming its goal to remain Mongolia's most trusted bank for years to come.

OUR VISION

To be the most trusted bank that grows together with our customers.

OUR MISSION

We strive to bring the best and most innovative financial resources to our customers, at every step of their financial journey.

OUR VALUES

Be a champion of prosperity – Our role is not simply to provide banking solutions; we put our customers, employees, and shareholders on the path toward growth and prosperity.

Sustainability is the future – We don't stand still. We learn, adapt, and improve to build a truly sustainable business so that we continue to equip our customers for the future.

Provide access to the best digital tools – Everyone deserves the best experience, and we constantly innovate and extend access to the best financial tools.

Be a trusted advocate for our customers – For decades, customers have trusted us with their financial lives, and we will continue to be with them, progress for them, and help them reach their goals.





A LETTER FROM THE CEO

Dear investors, customers, shareholders, employees, and partners,

I am honored to present Khan Bank's 2024 Green Bond Report—a pivotal milestone in our enduring commitment to sustainable development in Mongolia and beyond. This year marks a significant chapter as we continue to advance initiatives that reinforce our leadership in green finance and contribute to building a resilient, low-carbon economy.

Since the issuance of our first green bond, Khan Bank has remained steadfast in our mission to support projects that drive renewable energy, improve energy efficiency, promote sustainable agriculture, and enhance climate resilience. In 2024, we are proud to have financed impactful initiatives that not only reduce greenhouse gas emissions but also foster Mongolia's socio-economic development. These achievements exemplify our belief that financial institutions have a transformative role in addressing climate challenges and enabling sustainable growth.

This report highlights the tangible outcomes of our green bond proceeds, showcasing projects that deliver measurable environmental benefits while upholding rigorous transparency and accountability standards. It reflects the trust placed in us by our investors and partners, whose collaboration empowers us to drive meaningful change and measurable progress.

At Khan Bank, sustainability is not just a guiding principle—it is the foundation of our vision and promise to future generations. It defines who we are, what we stand for, and how we aim to shape the future. As we look ahead, we remain dedicated to expanding our green finance portfolio and fostering innovative solutions that contribute to a cleaner, healthier, and more equitable world.

Our journey toward sustainability is one of collective effort and shared success. It is made possible through the unwavering commitment of our employees, the trust of our customers, and the confidence of our shareholders. Together, we are addressing today's challenges and laying the groundwork for a sustainable and prosperous future for Mongolia and beyond.

Thank you for your continued trust, support, and partnership on this vital journey.

With sincere appreciation,

Munkhtuya Rentsenbat

Chief Executive Officer



KHAN BANK GREEN BOND FRAMEWORK

Khan Bank's Green Bond Program supports Mongolia's Nationally Determined Contributions under the Paris Agreement, addressing climate change mitigation and adaptation. The program focuses on mobilizing financial resources for green economic development and funds projects that yield positive environmental and social outcomes through the issuance of green bonds.

To guide its green finance approach, the Bank has established four priority pillars:

Pillar 1: Reduce greenhouse gas emissions and environmental pollution

Pillar 2: Enable the transition to a low-carbon economy

Pillar 3: Promote a circular economy through resource efficiency, waste recycling, and pollution control

Pillar 4: Support sustainable agriculture and livestock management practices

The Green Bond Framework adheres to the Green Bond Principles (GBP) 2021, as set by the International Capital Market Association (ICMA). These voluntary guidelines emphasize transparency, disclosure, and integrity in the green bond market.

Khan Bank's Green Bond Framework is aligned with evolving market practices and regulatory developments, including expanding the categories of eligible uses for proceeds.

SUMMARY OF ISSUANCES

In April 2023, Khan Bank launched Mongolia's first-ever international green bond, with investment from the International Finance Corporation (IFC), Dutch Entrepreneurial Development Bank (FMO), and MicroVest Capital Management. This five-year bond successfully raised 60 million USD, which is equivalent to 209.7 billion MNT, with all proceeds fully utilized by May 2024.

Under the Green Bond Program, approved by the Financial Regulatory Commission in June 2023 and amounting to 30 million USD, the Bank issued its first local green bond on the Mongolian Stock Exchange in December 2023. This issuance, as the first tranche of 5 million USD (equivalent to 17 billion MNT), was fully utilized by September 2024. Both green bond issuances are included in this report.

The second tranche was an issuance of 25 million USD, funded by the Asian Development Bank (ADB) and the European Bank for Reconstruction and Development (EBRD). This represents the banking sector's first USD-denominated local bond. The issuance aims to diversify the stock market with green investment products, attract international institutional investors, and enhance the Bank's green lending portfolio to support sustainable financing initiatives within the financial sector.

Table 1 Khan Bank Green Bond Issuances












Green Bonds									
Nº	Bond	Settlement date	Issuance CCY	Amount issued (USD mln)	FX rate (USD/MNT)	Amount issued (MNT bln)	Investors	Maturity	Utilization
1	Green bond (private placement)	2023.04.17	USD	60.00	3,495.07	209.70	IFC, FMO, MicroVest	2028.04.17	100%
2	Green bond (ISIN:KBMG3036)	2023.12.15	MNT	5.00	3,400.00	17.00	Public	2026.12.15	100%
3	Green bond (ISIN: KBMG3048)	2024.10.17	USD	25.00	3,381.43	84.54	ADB, EBRD	2027.10.17	21.10%
	Total			90.00		311.24			



II. USE OF PROCEEDS

The proceeds from the green bond issuance will be exclusively allocated to finance or refinance projects and activities—referred to as green loans—that achieve positive environmental impacts and contribute significantly to climate change mitigation.

It is stipulated that eligible projects or activities be refinanced by the bond proceeds cannot exceed 20 percent of the total amount raised. Additionally, the look-back period for refinancing these projects will extend up to 180 days prior to the issuance date of the green bond.

Eligible Green Activities	Khan Bank Green Finance Pillars	SDG Alignment
Renewable energy	Pillar 1: Reduce greenhouse gas emissions Pillar 2: Enable the transition to a low-carbon economy	
Energy efficiency	Pillar 1: Reduce greenhouse gas emissions Pillar 2: Enable the transition to a low-carbon economy	  
Green building	Pillar 1: Reduce greenhouse gas emissions Pillar 3: Promote a circular economy through resource efficiency, waste recycling, and pollution control	 
Pollution prevention and control	Pillar 2: Enable the transition to a low-carbon economy Pillar 3: Promote a circular economy through resource efficiency, waste recycling, and pollution control	
Water management and water treatment	Pillar 3: Promote a circular economy through resource efficiency, waste recycling, and pollution control	
Sustainable agriculture and livestock	Pillar 4: Supporting sustainable agriculture and livestock management practices	 
Clean transport	Pillar 1: Reduce greenhouse gas emissions Pillar 2: Enable the transition to a low-carbon economy	



III. ALLOCATION REPORTING

EVALUATION AND SELECTION PROCESS

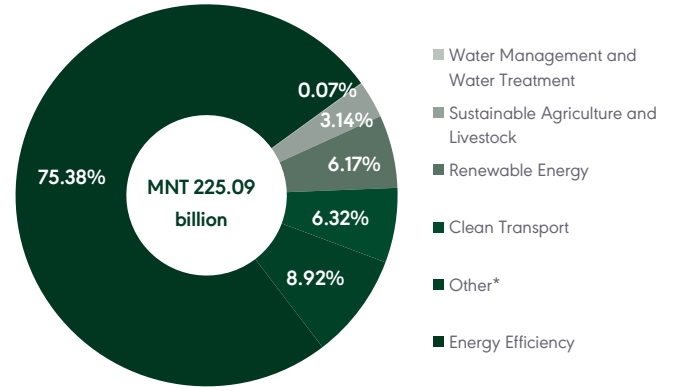
The green loan evaluation and selection process at Khan Bank is managed by the Green Banking team within the Credit Product Development and Green Banking Department, under the oversight of the Head Office Credit Risk Committee. Each request is assessed according to the Green Bond Framework and green activity eligibility.

All applications undergo the standard credit analysis to ensure compliance with national regulations, KYC processes, and Khan Bank’s internal policies, including credit, operational, anti-money laundering (AML), counter-terrorist financing, and sanctions policies.

The credit analysis begins when a sub-branch loan officer receives a potential green loan request and seeks permission from the Green Banking team to process it. The team conducts an initial screening of eligibility criteria and grants permission to initiate the standard credit analysis. Simultaneously, technical experts perform a technical assessment of the loan request. The loan application, the technical assessment report,

and other expert input are submitted to the Credit Committee.

Graph 1 Khan Bank's allocation of fully utilized green bond assets, categorized by sector

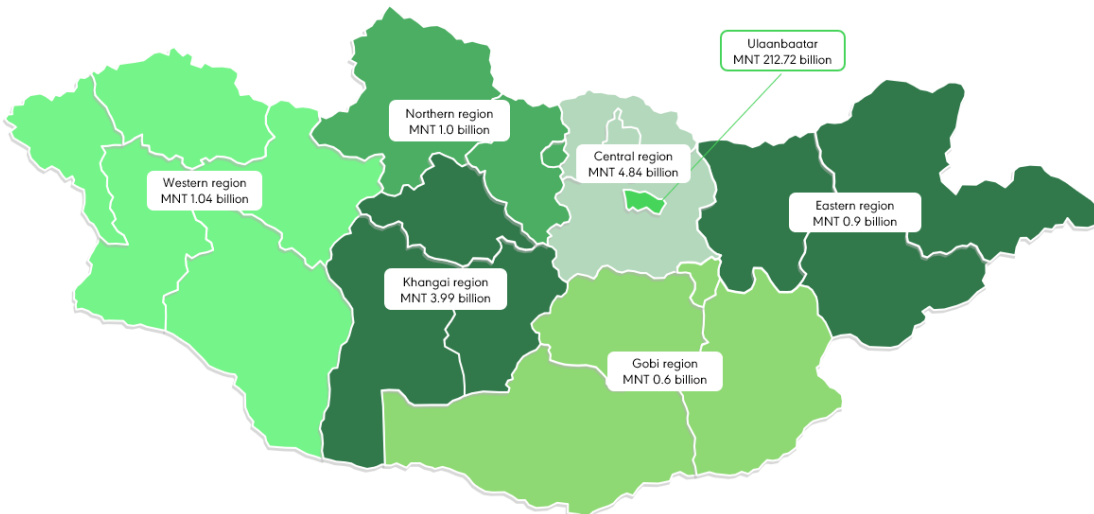


*Other categories include Green Building and Pollution Prevention and Control

Table 2 Khan Bank's allocation of fully utilized green bonds categorized by loan product type

Product type	Loan amount (MNT millions)	Percentage
Green business loan	223,328.51	99.22%
Green consumer loan	1,761.39	0.78%
Total	225,089.90	100.00%

Graph 2 Khan Bank's allocation of fully utilized green bonds categorized by region



IV. IMPACT REPORTING

PROJECT IMPACT

The anticipated impacts provide insight into the positive environmental effects of projects and assets financed or refinanced under Khan Bank's Green Bond Framework. We assess these impact metrics using data from clients and publicly available sources. Below is a summary of the allocation by category and the estimated impacts for the largest categories in our portfolio, with all data available as of September 30, 2024.

We are committed to refining our impact metrics and measurement methodologies. As market practices and standards evolve and we gain access to more comprehensive data, we will enhance our capacity to measure and report the environmental impacts of our financing initiatives.

Table 3 Impact measurement

Borrower industry	Total disbursed loan (MNT millions)	Total saved energy (MWh/yr)	Total GHG reduction (tCO ₂ e/yr)
Construction and real estate	144,307.12	7,188.51	7,542.32
Wholesale and retail trade	35,179.85	16,447.59	17,323.73
Electric power	12,053.12	60,108.972*	76,458.61
Healthcare	2,420.00	4,200.11	4,405.91
Nonmetallic mineral product manufacturing	1,605.35	1,202.25	1,261.16
Agriculture and forestry	367.20	-	0.47
Plastics and rubber	300.00	23.30	24.44
Transportation and warehousing	225.00	-	0.79
Textiles, apparel, and leather	130.90	92.40	96.93
Other	28,501.36	319.74	335.87
TOTAL	225,089.90	29,473.90	107,450.23

*The total renewable energy (RE) generated (MWh/year) by the electric power industry.





V. CLIENT STORIES

FROM FIELD TO FACTORY: TUMEN SULJEE'S SUSTAINABLE JOURNEY

Founded in 2007, Tumen Suljee LLC produces cashmere clothing and markets affordable knitwear to wholesalers and retailers across Mongolia, exporting 20 percent of its inventory. The company exemplifies how green finance, such as Khan Bank's green loan program, can drive sustainability across an entire value chain—from nomadic herders raising cashmere goats to energy-efficient machinery enhancing factory productivity.

CEO Namkhajamts Erdenebat, son of founder Davaasuren Ayursed, underscores the company's commitment to transforming the industry. Tumen Suljee processes 13 tons of cashmere annually and collaborates year-round with herders to ensure the sustainable production of raw materials, significantly improving herders' quality of life and operational efficiency.

Bolor Arur, a herder supplying cashmere to Tumen Suljee, highlights the benefits of renewable energy. Payments facilitated by Khan Bank's green loans, including a dedicated green consumer loan for herders, enabled his family to purchase portable solar panels. These panels power a freezer for summer meat storage, an outdoor washing machine that saves hours of manual labor, and mobile charging for accessing banking apps, eliminating the need for lengthy trips to a rural bank branch.

Namkhajamts, who has been working with Khan Bank since the company's inception, has utilized nearly 10 loans, including one that financed a USD 70,000 energy-efficient finishing machine. This innovative equipment combines two weaving and sewing processes into one, reducing energy consumption by 21 percent, minimizing material waste, and expanding the company's product offerings.

The machine has also boosted productivity by 90 percent, enabling Tumen Suljee to purchase more cashmere from herders and hire additional factory workers. This expansion supports local employment, reduces labor migration, and fosters skills development. Namkhajamts emphasizes his dedication to sustainability, stating, "We can help workers enhance their skills while growing the country's manufacturing capacity and protecting the environment."

As Tumen Suljee's financial stability has strengthened, its support for herders has grown. The company now pays herders in full upon cashmere delivery, avoiding the installment payments common among competitors—a vital change that helps herders maintain their livestock. During natural disasters like the recent dzud—an extreme cold weather event linked to climate change—the company provides loans for livestock feed to sustain productivity. Tumen Suljee also donates vaccines and medicines for cashmere goats and collaborates with herders to prevent overgrazing, ensuring the sustainability of Mongolia's rangelands.

Please read more about Tumen Suljee, who is featured in the IFC story, [here](#).





PIONEERING SUSTAINABLE GROWTH IN MONGOLIA'S BEVERAGE INDUSTRY

Tses Khairkhan LLC (TSK) was established in 2008 with the vision of offering Mongolians locally-made products. The company has grown steadily, expanding from a 2,000-square-meter facility to 3,500 square meters in 2019. In 2020, TSK added two new on-site laboratories to ensure its products comply with national standards.

In September 2023, TSK procured a combi-block machine, but creating new product lines and testing 22 beverages for the company's expansion required another substantial investment. When Khan Bank began offering green loans funded by a green bond launched with IFC support, TSK saw an opportunity. After Khan Bank approved the loan, TSK began producing new beverages, including mint, berry, and cucumber-flavored water, all sourced from local producers.

The combi-block and new product lines have already increased TSK's productivity by 85 percent, boosting output from 10 million to 18.5 million bottles annually, and reducing energy consumption per output unit by 23 percent. "I feel strongly that, from a corporate social responsibility perspective, we had to go green and use more efficient technology," says CEO Erdenebayar Jamiyansengee. "We already see significant time and energy savings, and our goals are within reach."

TSK's commitment to energy savings made the green loan a natural fit, according to Javkhlan Otgonsuren, a green finance specialist at Khan Bank. "The bank selected clients like TSK, who had already procured and installed equipment, enabling them to put the loan to immediate use."

Supporting local businesses like TSK is crucial in Mongolia, where small and medium-sized enterprises account for about 70 percent of the workforce and contribute 17.8 percent of GDP.

As production speeds have accelerated to 200 bottles per minute—a significant increase from 33 bottles per minute with the previous equipment—Erdenebayar predicts TSK will eventually need to double its 75-person workforce. When that happens, he says, the company will be well-positioned to export its products across the region. While TSK already sells to over 2,000 Mongolian shops, restaurants, grocery stores, and markets, expanding beyond borders will demonstrate that Mongolia has the manufacturing capacity and expertise to grow sustainably, Erdenebayar believes.

To learn more about Tses Khairkhan, explore the feature on IFC [here](#).





VI. DISCLAIMER

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