

FINDEV CANADA TRANSACTION SUMMARY

Khan Bank JSC

This document provides an overview of the FinDev Canada transaction, including a summary of the anticipated development impacts and of the environmental and social (E&S) risk assessment performed, potential risks identified, and related mitigation measures to be implemented.



Transaction Description

Khan Bank, established in 1991, is the largest commercial bank in Mongolia. Headquartered in Ulaanbaatar, the bank operates exclusively within Mongolia, serving both urban and rural populations. As of 2024, it operates 548 branches and 1,262 ATMs across the country, reaching around 82% of the total population. FinDev Canada's investment is a USD50M senior unsecured loan ("Loan") to Khan Bank. The Loan will support Khan Bank in providing financial services to underserved populations vulnerable to economic or climate shocks, including micro, small and medium-sized enterprises (MSMEs) and women-owned or led MSMEs (WMSMEs).

Transaction Details

COUNTERPARTY	Khan Bank JSC
DOMICILE	Mongolia
COUNTRY(IES) OF OPERATION	Mongolia
TERM OF FINANCING	4 Years
SECTOR	Financial Industry
E&S CATEGORY	FI-2
FINANCING PRODUCT	Debt
2X CANADA TRANSACTION AMOUNT	N/A
FINDEV CANADA TRANSACTION AMOUNT	USD 50 million
DATE OF TRANSACTION DISCLOSURE	19/9/2025
DATE OF TRANSACTION SIGNING	21/11/2025
DATE OF TRANSACTION SUMMARY PUBLICATION	16/2/2026
2X ALIGNMENT	Yes, Employment and Portfolio Criteria

Summary of Anticipated Development Impacts

The development impact value proposition of this transaction is to contribute to sustainable, inclusive economic growth and development in Mongolia by improving access to finance for MSMEs, including women-owned/led enterprises, as well as climate mitigation and adaptation projects. The impact theory of change below summarizes how Khan Bank will contribute to FinDev Canada's long-term development impact goals and the Sustainable Development Goals.



MARKET DEVELOPMENT

- Improve access to finance for MSMEs:** Despite representing 77% of registered businesses, contributing to 18% of GDP and providing 70% of employment in Mongolia¹, MSMEs face a significant financing gap of \$1.27B, equivalent to 9.8% of GDP². Through Khan Bank's comprehensive range of financial products and services, the Bank is well positioned to support Mongolia's MSMEs through its nationwide network of branches and its dedicated financial products. To contribute to closing the financing gap, 40% of FinDev Canada's proceeds will support Khan Bank's MSME clients.

¹ Asian Development Bank, 2023. [Rebuilding Micro, Small, and Medium-Sized Enterprises Post-COVID-19 in Mongolia \(ADB Brief 266\)](#)

² SME Finance Forum, 2019. [MSME Finance Gap | SME Finance Forum](#)



GENDER EQUALITY

- **Improve access to finance for WMSMEs:** WMSMEs represent 40% of Mongolia's entrepreneurial landscape³, however, they face significant barriers in accessing finance compared to their male peers, ranging from stringent collateral requirements to elevated interest rates⁴. With a gender loan portfolio of \$475.8M as of 1H2025, Khan Bank has a track record in supporting WMSMEs. The Bank offers gender-focused financial products and services such as interest rate waivers and flexible collateral requirements, alongside non-financial support including the Women Entrepreneurship Program.
- **2X-qualification:** This transaction is 2X qualified under the Employment and the Portfolio criteria. Women's representation in the Bank's workforce is above the 45% 2X threshold and as part of this transaction, 30% of FinDev Canada's proceeds will be earmarked for the Bank's lending to WMSMEs.



CLIMATE AND NATURE ACTION

- **Support climate mitigation and adaptation activities:** To fulfil its NDC commitments, Mongolia requires an estimated \$6.3B for climate mitigation, and \$5.2B for adaptation by 2030⁵. Khan Bank is leading the way in advancing green finance in Mongolia, with the Bank holding a majority of the country's green market share. Khan Bank has a green loan portfolio of \$290.4M as of 1H2025 and provides a range of climate mitigation and adaptation loan products to its clients. This transaction will allocate 30% of FinDev Canada's proceeds to climate finance eligible activities in the Bank's portfolio.

Summary of Environmental and Social Assessment and Related Risk Mitigation Measures

The transaction is considered **Category FI-2** given the nature and size of its on-lending portfolio. The use of proceeds tied towards 30% to climate finance, 30% towards WMSMEs, and the remaining 40% earmarked towards MSMEs, including youth-owned/led MSMEs across Mongolia. On-lending associated with these sectors will have inherent risks that are few in number, typically site-specific, generally reversible, and readily addressed through mitigation measures.

The primary E&S risks associated with Khan Bank's on-lending operations are related to its exposure across green energy infrastructure, agribusiness, and real estate. These sectors have inherent exposure to hazards such as poor labor and working conditions, land acquisition and conversion, and community health, safety, and security. If these hazards are improperly managed, they may result in adverse impacts on individuals, communities, and nature.

The E&S Risk Rating of Khan Bank is **Medium-Low**, given the client's good track record and an on-lending pipeline including predominantly sectors with medium and low risk sectors. No Environmental & Social Action Plan was required for the transaction.

No recent material adverse media was identified. Given the nature of the transaction and the risk profile of the client's on-lending portfolio, FinDev Canada's E&S risk team did not undertake a site visit.

³ SME Finance Forum, 2019. [MSME Finance Gap | SME Finance Forum](#)

⁴ IFC, 2025. [Investing in Mongolia's Women Entrepreneurs](#)

⁵ UNFCCC, 2020. [First Submission of Mongolia's NDC.pdf](#)

FinDev Canada's E&S risk due diligence was undertaken between June 18th and 23rd, 2025, and consisted of track record searches, virtual engagement with the client's representatives and E&S personnel, and a review of environmental and social documentation including the following key documents:

- KH Bank ESMS
- KH Bank ESGRA
- KH Bank ESMS User Manual
- KH Bank Sustainable Development Policy
- KH Bank Green Bond Report
- KH Bank E&S Monitoring Report
- KH Bank Employment Equality Policy
- KH Bank Ethics committee procedure
- KH Bank Procedure for handling complaints
- KH Bank procedure on workplace harassment
- KH Bank Exclusion list

Khan Bank's operations were assessed against the IFC Performance Standards 1 and 2 and found to be broadly aligned, with no material gaps requiring inclusion in an ESAP. E&S risks are further mitigated through the Bank's existing ESMS, which is aligned with IFC Performance Standards and supported by strong E&S governance, including board-level oversight and dedicated E&S teams.

Khan Bank has robust E&S policies aligned with the IFC Performance Standards, and its risk-screening procedures incorporate comprehensive E&S considerations benchmarked against IFC Performance Standards 1 to 8. The Bank applies proportionate levels of E&S due diligence, monitoring, and site visits based on the outcomes of its E&S categorization process and the size of each loan

An exclusion list is applied for all transactions, and there are provisions to screen against child and forced labor, one of the key risks highlighted from country-level screening.