



ECONOMIC POLICY AND COMPETITIVENESS
RESEARCH CENTER

ЭДИЙН ЗАСГИЙН БОДЛОГО, ӨРСӨЛДӨХ
ЧАДВАРЫН СУДАЛГААНЫ ТӨВ



Banking Competition Review

Quarter I,
2020



- ◇ Banking sector news
- ◇ Key indicators
- ◇ Featured: Policy Responses to COVID-19
- ◇ Total assets, loans, deposit and profit of 13 commercial banks

Banking system news in Mongolia

01.01 – “ASIAMONEY” magazine has been selecting the best banks in Asia in 6 categories since 2017. In 2019, Khan Bank was named the Best Bank in Mongolia, Transbank was named the Best SME Support Bank, TDB was named the Best Private Bank and Investor Bank, LendMN was named the Best Digital Bank and Arig Bank was named the Best Socially Responsible Banks. transbank.mn

01.02 – Khan Bank installed 100 kiosks nationwide and made banking services 24/7. khanbank.com

01.07 – TDB uses artificial intelligence to protect its customers from potential risks. tdbm.mn

01.13 XacBank has signed a \$ 100 million co-financing agreement with the Netherlands Development Agency. xacbank.mn

02.01 Khan Bank, TDB, State Bank and Transbank will implement the “BEST” program to improve sustainable business development and increase transparency in cooperation with “Development Solutions” NGO, funded by the United States Agency for International Development (USAID). khanbank.com

02.03 – Golomt, Bogd, Khan, State Bank and Capitron joined the COVID-19 anti-virus campaign and donated to NCCD. golomtbank.com

02.06 – Golomt Bank has agreed to finance “green projects” in cooperation with the International Bank for Economic Cooperation (IBEC). golomtbank.com

02.07 – Issuance of banknotes with updated security elements. 20,000 MNT banknotes of 2006 will be withdrawn from circulation. mongolbank.mn, MB

02.10 – As a State Bank international visa card holder, you can enjoy discounts at Korean health facilities. statebank.mn

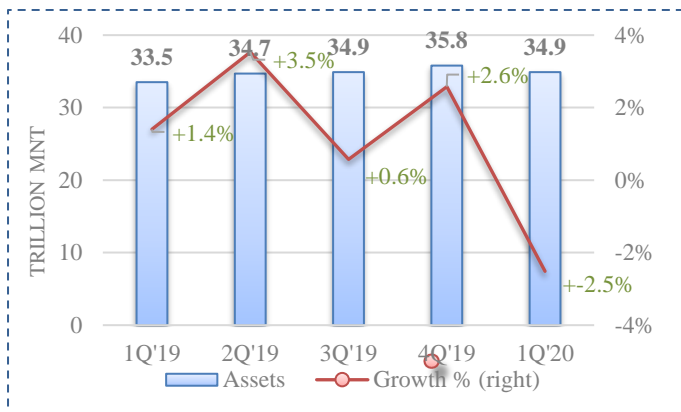
02.17 – Golomt Bank will cooperate with SBER Bank of Russia in the field of information technology and digital banking. golomtbank.com

03.01 – Transbank has established a correspondent account with Commerzbank of Germany. transbank.mn

03.05 – Khan Bank became the first bank in Mongolia to introduce SWIFT's GPI system. khanbank.com

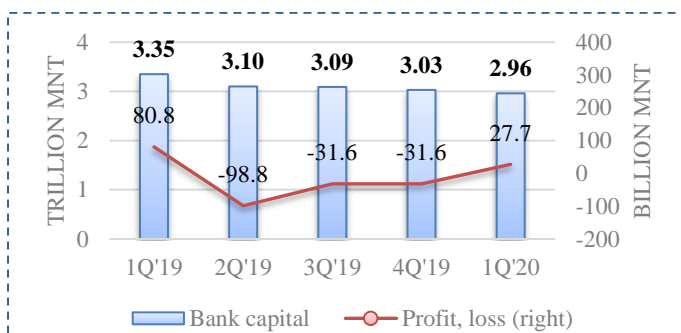
03.13 – With the COVID-19 virus spreading rapidly around the world and reaching the level of a pandemic, the Bank of Mongolia has begun to take comprehensive policy measures tailored to the specifics of its country. mongolbank.mn

03.20 – The Bank of Mongolia has made temporary changes to the collateral loan regulation until July 31, 2020. mongolbank.mn

Key indicators of banking sector¹

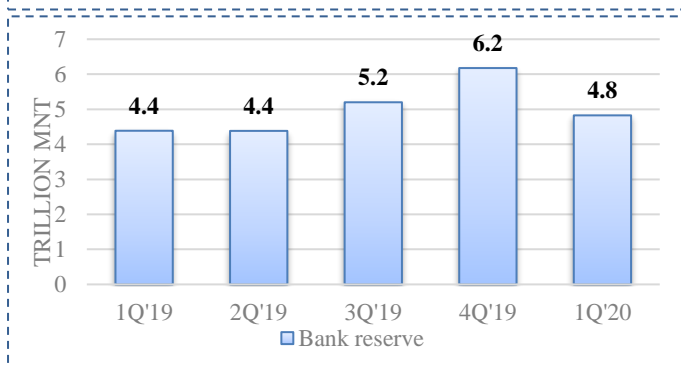
Total assets = MNT 34.9 trillion

Total assets of banking sector increased to MNT 34.9 trillion as of Q1, 2020, MNT 0.9 trillion (+2.5%) higher than the previous quarter, and MNT 1.4 trillion (+4.1%) higher than Q4, 2019.



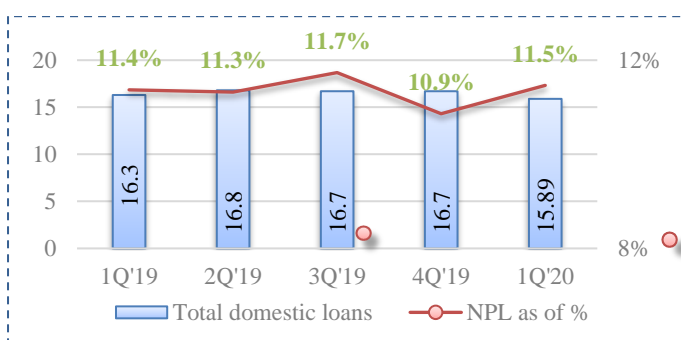
Loss = MNT -27.7 billion

Bank capital has reached MNT 2.96 trillion as of Q1, 2020 which is MNT 0.39 trillion lower than Q1, 2019. Banking sector's loss reached MNT -27.7 billion as of Q1, 2020.



Bank reserve = MNT 4.8 trillion

Bank reserve reached MNT 4.8 trillion as of Q1, 2020 which is MNT 0.4 trillion higher than the Q1, 2019. In comparison with the previous quarter, it increased by MNT 1351 billion.



Non-Performing Loans = 11.5%

Total loans (net) reached MNT 15.89 trillion as of Q1, 2020. However, NPL is still high. Total NPL reached MNT 1.8 trillion which account for 11.5% of the total domestic loans (net).

¹ Source: Central Bank of Mongolia

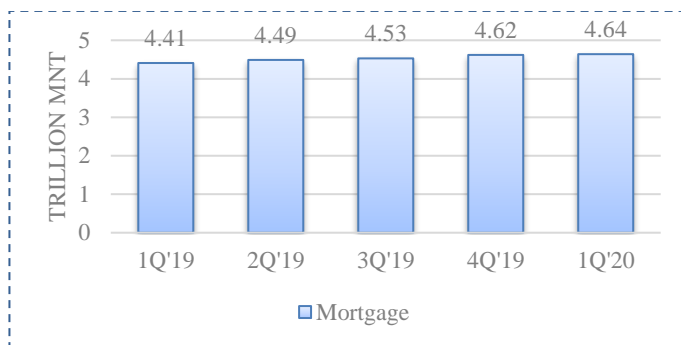
BANKING COMPETITION REVIEW

2020 – I Quarter



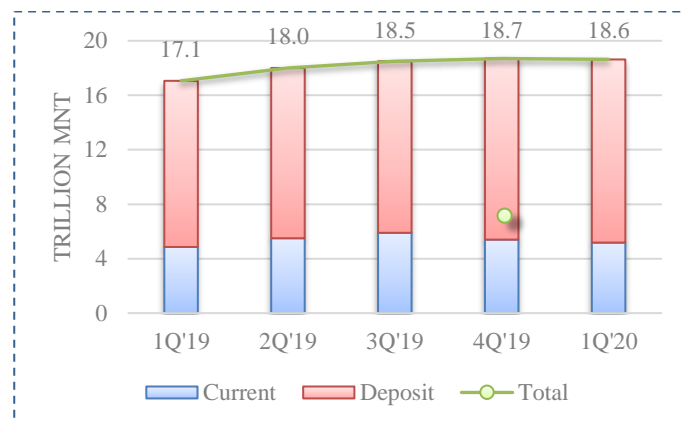
Mortgage = MNT 4.64 trillion

Total mortgage loan reached MNT 4.64 trillion as of Q1, 2020. Total mortgages have increased constantly since the 'Program on the Development of Sustainable System of Mortgage Financing' was implemented.



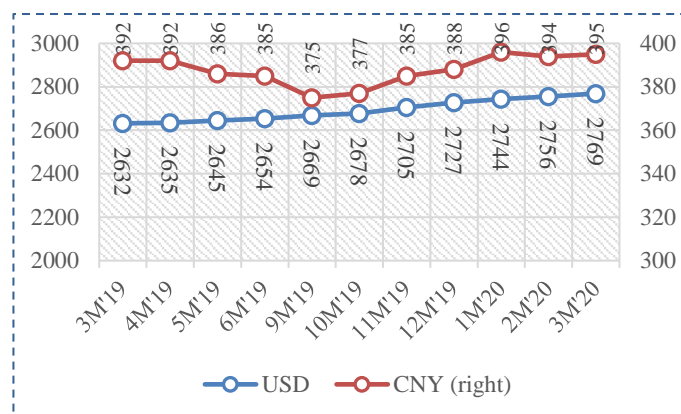
Current + Deposit = MNT 18.6 trillion

Total deposit reached MNT 13.45 trillion (10% growth since Q1, 2019) and total current account reached MNT 5.2 trillion (7% regression since Q1, 2019) as of Q1, 2020.



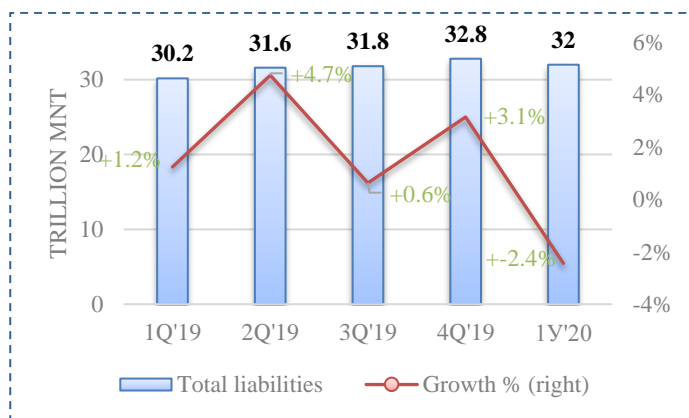
1 USD = 2769 MNT | 1 CNY = 395 MNT

Monthly average of official Foreign Exchange Rates: USD reached 2769 MNT whereas CNY reached 395 MNT as of the March 2020. USD to MNT rose by 119 MNT (+5%) and YUAN to MNT rose by 5 MNT (+1,2%) compared to the same quarter of the previous year.



Total liabilities = MNT 32.8 trillion

As of Q1, 2020, total liabilities reached MNT 32 trillion which is MNT 1.8 trillion (+6%) higher than the same quarter of the previous year.

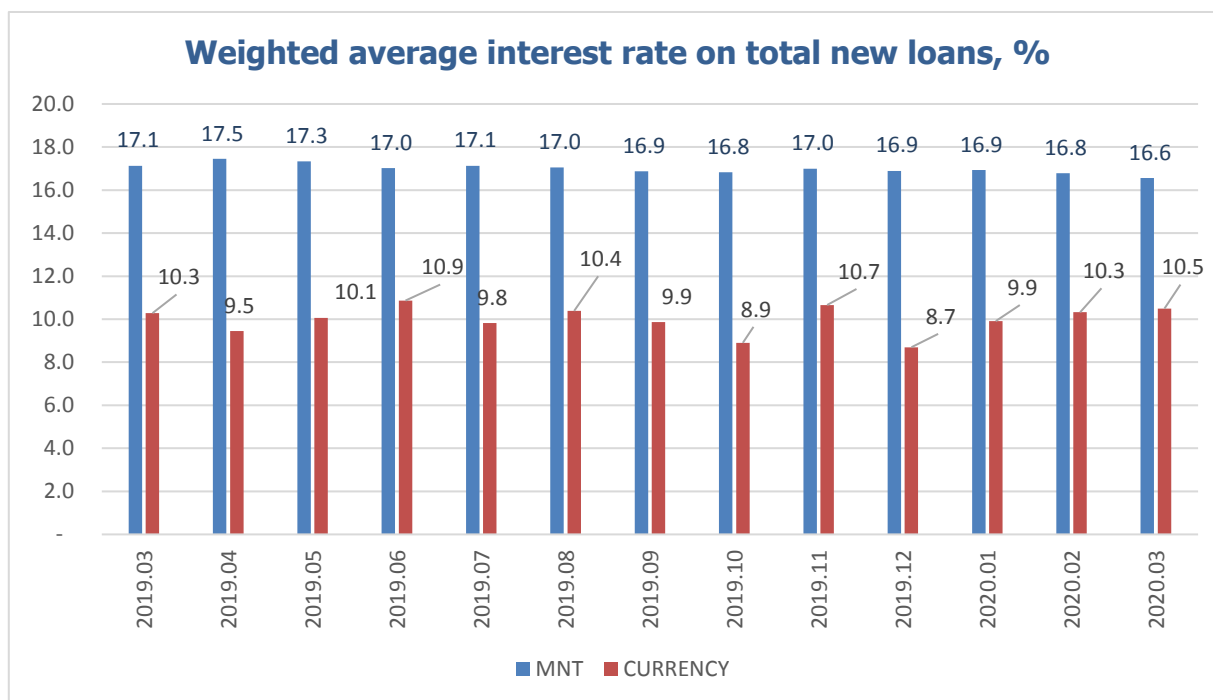


Featured: Policy Responses to COVID-19

On March 11, 2020, the Monetary Policy Committee made a number of changes to support financial intermediation, reduce the cost of bank financing, and increase economic activity.

1. Reduce the policy rate by 1 percentage point,
2. Reduce the required reserve ratio of MNT by 2 percentage points and free up MNT 324 billion,
3. Make a package of decisions to renew the policy interest rate corridor by +/- 1 percentage point of the policy rate.
4. To make temporary changes to the Bank's "Procedure for classification of assets, establishment and disbursement of asset risk fund" and "Procedure for establishing and monitoring the Bank's prudential ratios". (From January 3 to July 31, 2020)
 - For "normal" loans, up to 90 days instead of 15 days
 - "Attention" loan category 91-120 days,
 - The category of "non-performing" loans was set to be more than 121 days.
5. The central bank changed the procedure for providing collateral loans to commercial banks. As a result, banks have been able to obtain collateral from the Bank of Mongolia for a period of 6 months (which can be extended for another 6 months) at an interest rate of 11 percent, ensuring compliance with collateral conditions and requirements.

The changes are intended to ease the burden of the pandemic crisis, such as stimulating access to credit and boosting economic activity.



Banking system competition


Currently 13 commercial banks are operating in Mongolia. Khan, TDB, Golomt, Xacbank, State Bank, Ulaanbaatar City Bank are systematically important banks according to Bank of Mongolia. These banks account for more than 90 percent of the banking system in terms of assets.

Quarterly financial reports of banks were used in this report and compared by the following indicators:

- Assets
- Loan
- Current account, Deposit
- Profit

The banks were classified as Top 3, Medium 3 and small banks, depending on their total amount of assets. Capital bank is not included in this report.

The figure below ranks the 14 banks, according to total assets under control. The banks were classified as Top 3, Medium 3 and Small banks. Only Capital bank is not included in this review.

	TOTAL ASSETS	BANKS
TOP-3 BANK	>5 trillion MNT	Trade and Development Bank Khan Bank Golomt Bank
MEDIUM-3 BANK	1-5 trillion MNT	XacBank State Bank Ulaanbaatar City Bank
SMALL BANKS	<1 trillion MNT	Chinggig Khan Bank Capitron Bank National Investment Bank Arig Bank Bogd Bank Credit Bank Trans Bank

BANKING COMPETITION REVIEW

2020 – I Quarter

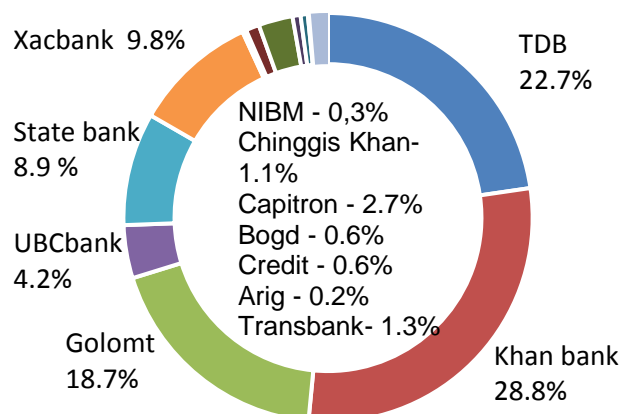


Assets

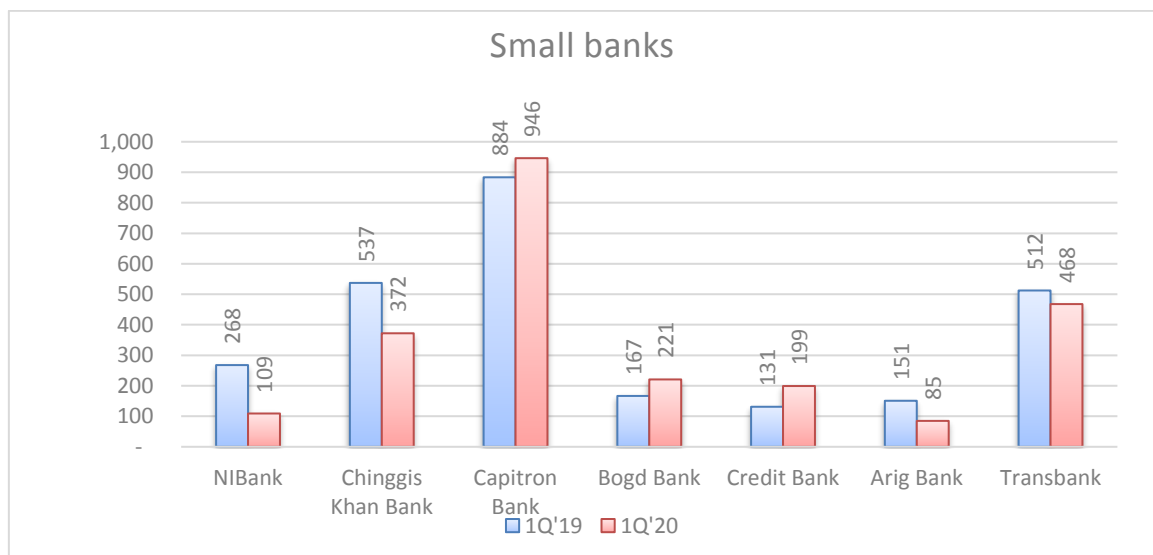
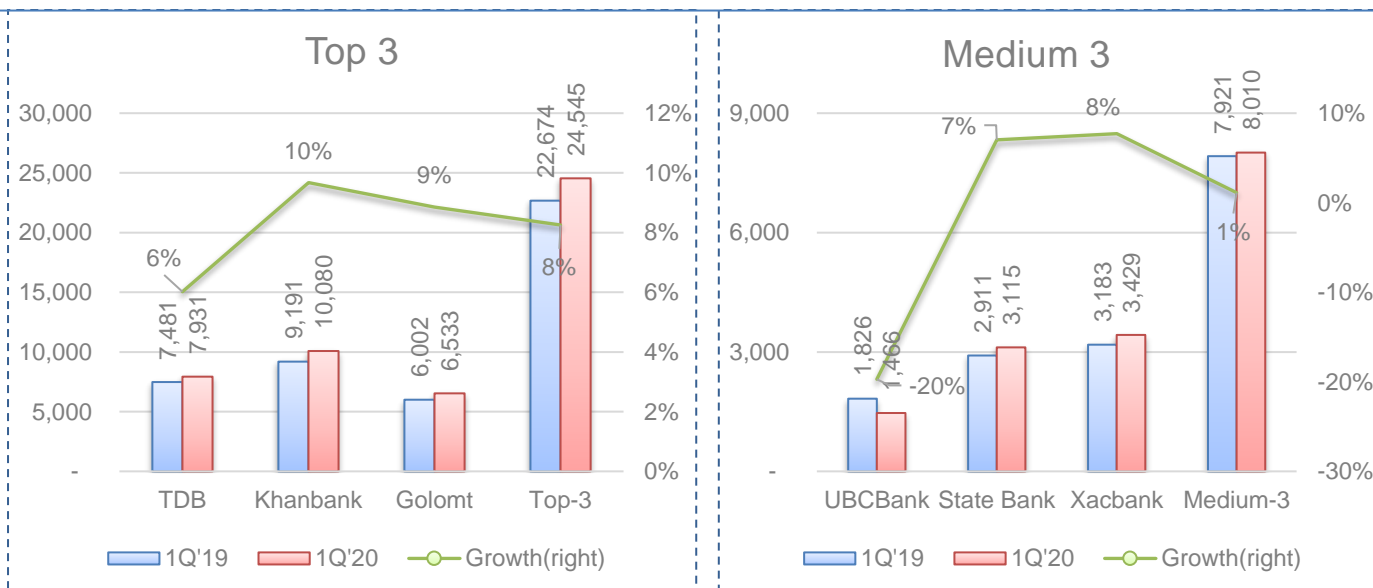
Total assets of the 13 commercial banks included in this review have reached MNT 34.9 trillion. Top-3 banks, medium-3 banks and small banks account for 70,2%, 18,7% and 6,9% of the sector respectively.

Total assets of top-3 and medium 3 have risen by 8%, 7% respectively, but small banks have decreased by 10%.

Market share, by assets, 1Q'20



Assets, billion MNT and growth %

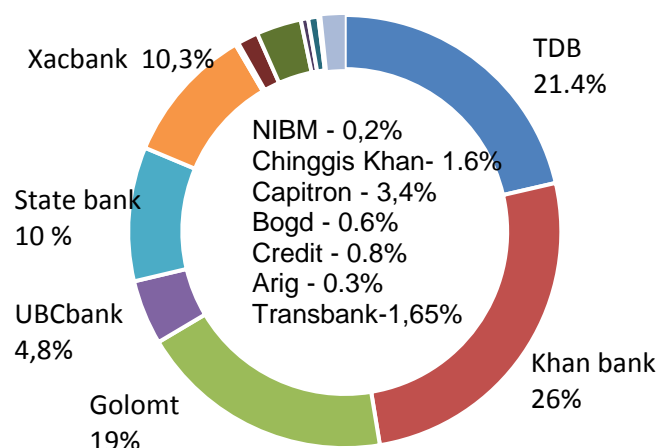


Loan

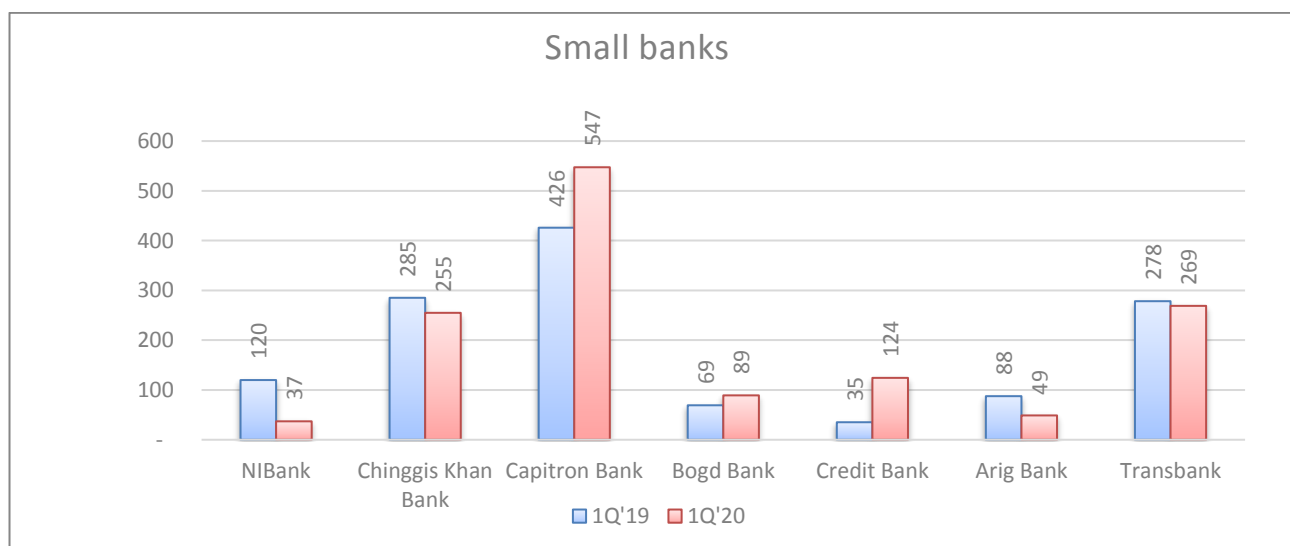
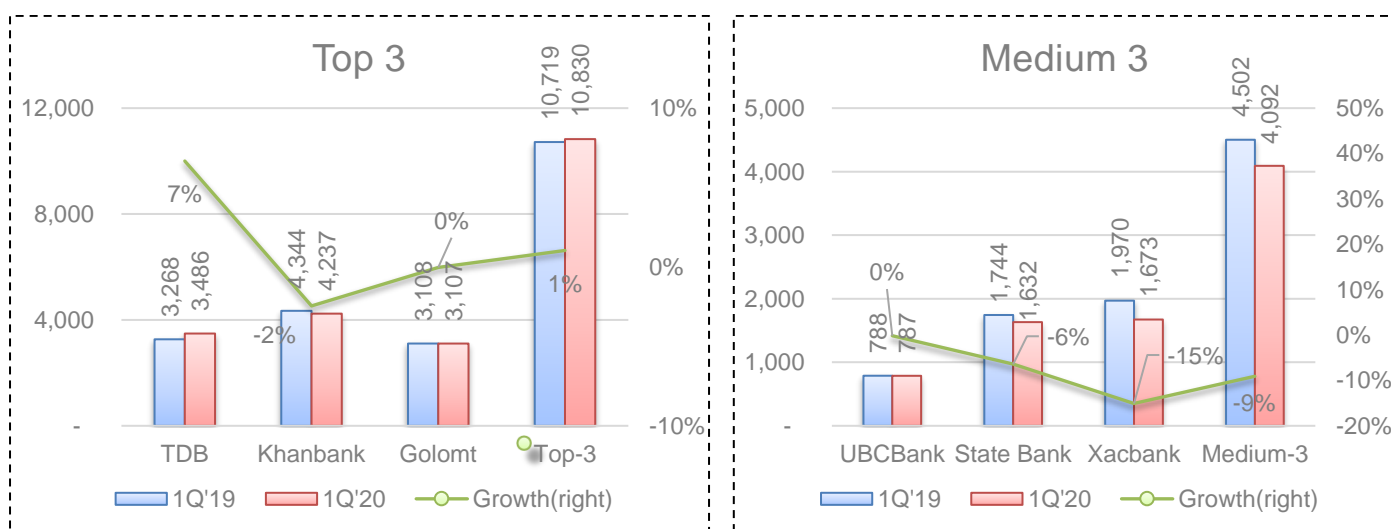
Total loans of the 13 commercial banks reached 16,2 trillion MNT as of Q1, 2020. Top-3, medium-3 and small banks account for 66.5%, 20%, 8.4% of total loans respectively.

Top-3 and small banks increased their total loans by 1%, 5% respectively compared to Q1, 2019. But medium 3 banks decreased by 11%. Overall total loans of these 13 commercial banks increased by 4.7%.

Market share, 1Q'20



Loan, billion MNT and growth %

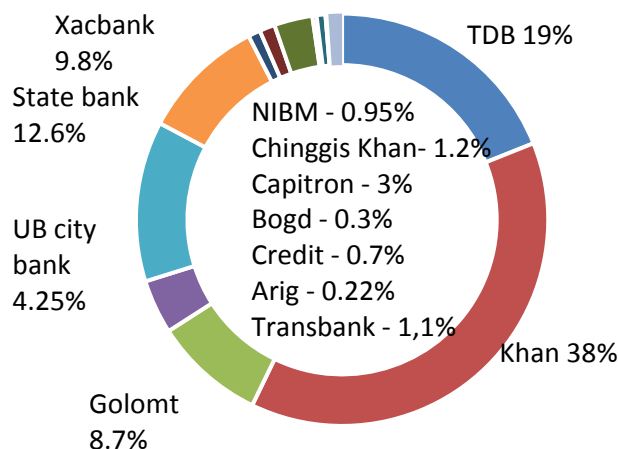


Current and deposit account

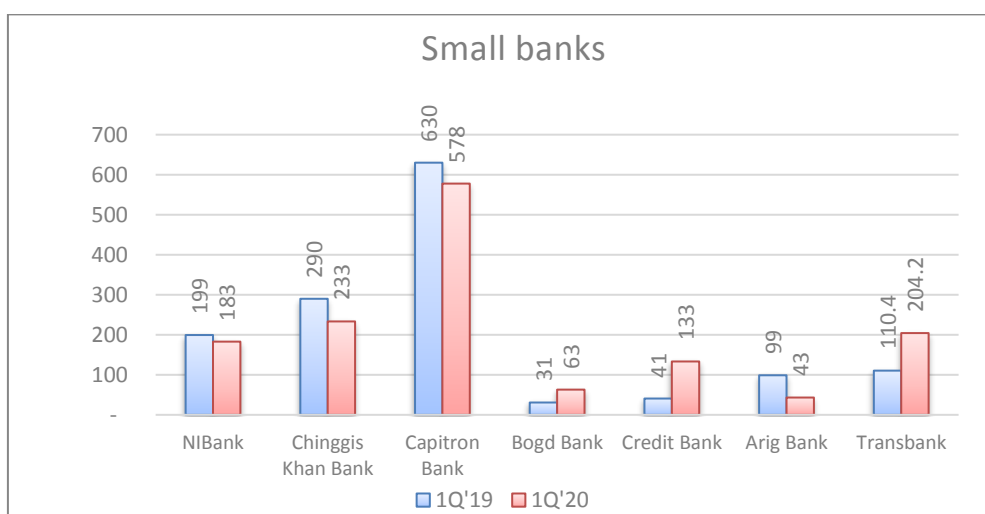
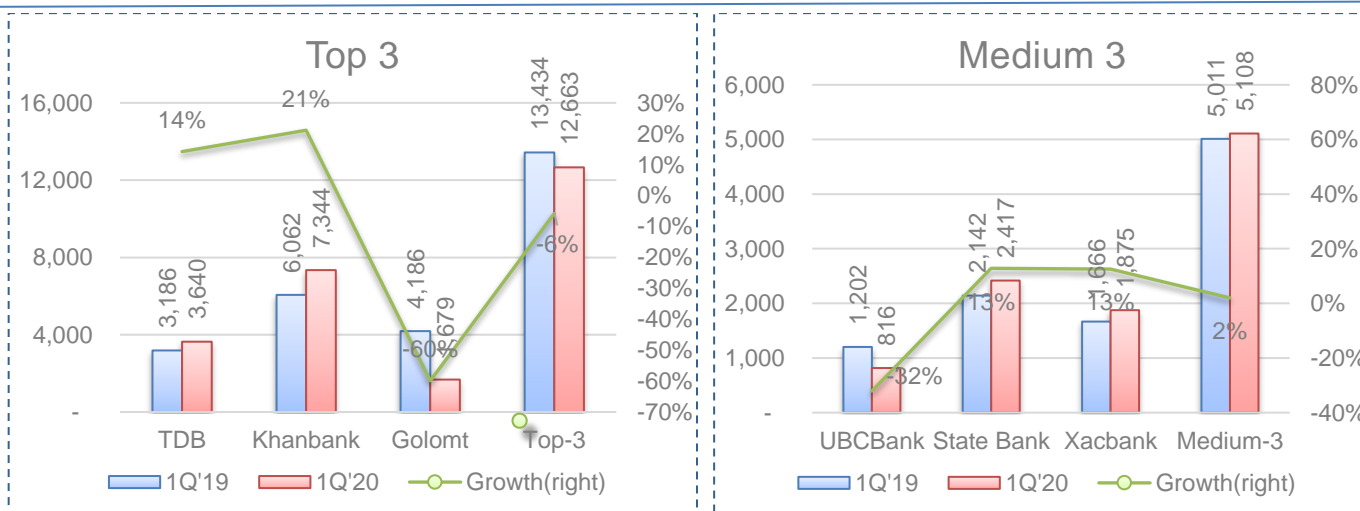
Total current and deposit accounts of the 13 commercial banks reached 19.2 trillion MNT. Top-3, medium-3 and small banks account for 66%, 22%, 7.5% of total current and deposit account respectively.

Medium 3 and small banks increased their current and deposit accounts by 13% and 3% respectively since 1Q, 2019. But top 3 banks decreased by 6%. Total current and deposit accounts of these 13 commercial banks increased by 10%.

Market share, 1Q'20



Current and deposit account, billion MNT and growth %



Profitability

Total net profit of the 13 commercial banks included in this review reached MNT 51.8 billion (before tax). Big-3 banks' profit (MNT 36 billion) have increased by 56% or MNT 45 billion compared to Q1, 2019 whereas profit of medium banks were decreased by 2% compared to Q4, 2018 and reached MNT 12,8 billion. Small banks are operating with a loss worth MNT 3.3 million.

Profit and loss by billion MNT and growth %



Sources:

1. Mortgage loan report, March 2020, Bank of Mongolia
2. Key indicators of banking system consolidated balance sheet, March 2020, Bank of Mongolia
3. Monthly foreign exchange rate, March 2020, Bank of Mongolia
4. Quarterly financial report of commercial banks, 1st quarter of 2020
5. Loan report of banks, March 2020, Bank of Mongolia