

## Banking system news in Mongolia

10.06 – 13 commercial banks, members of Mongolian Bankers Association(MBA) and Development Bank of Mongolia signed the manifesto which ensures banks will apply ‘compliance’ and support the implementation of ‘Applying compliance policy in bank, determining guidance template’ [mba.mn](http://mba.mn)

10.17 –Golomt Bank signed 15 million USD trade finance credit agreement with the Bank of Inner Mongolia, China in order to support importers and exporters, increase bilateral foreign trade. [golomtbank.com](http://golomtbank.com)

10.27 – Bank of Mongolia officially announced the ‘Development strategy of Mongolian National Payment and Settlement system’ at XVI conference of National Payment Committee.  
[mongolbank.mn](http://mongolbank.mn)

11.07 – MBA, Khan Bank and Bank of Mongolia organized ‘Compliance forum 2016’ for the 4<sup>th</sup> year. Main goal of the forum is to find solutions, determine problems, discuss development and activities of compliance service of Mongolian commercial banks. [mba.mn](http://mba.mn)

11.13 – The leading banking and finance magazine FinanceAsia held its Platinum awards ceremony. Trade and Development Bank of Mongolia was honored as the leading banking and finance institute in Mongolia and obtained “Best Domestic Bank in Mongolia 2016” Platinum award. [tdbm.mn](http://tdbm.mn)

11.15 –Trade and Development Bank was awarded with “Deep Partnership Award” of Visa Worldwide for their long and successful partnership with them since 1992.  
[tdbm.mn](http://tdbm.mn)

11.17 – State Bank introduced automatic accumulation deposit service. By automatic accumulation deposit service, fraction of payment transaction which exceeds 5000 MNT will be computed as whole and difference will be sent to your deposit account automatically.

[statebank.mn](http://statebank.mn)

11.17 – State Bank, a government-run bank in Mongolia, announced a new partnership for issuing JCB branded cards. This will mark the first JCB card issuance in Mongolia. [statebank.mn](http://statebank.mn)

11.24 – During the Mongolian Sustainable Finance Forum, Arig Bank was recognized as the leading organization of Mongolian Sustainable Finance program 2017. [arigbank.mn](http://arigbank.mn)

11.25 – MBA successfully organized Mongolian Sustainable Finance Forum 2016. Around 400 representatives from state, private sector, international organizations participated in this forum and discussed about tendency of cooperation, further actions and former implemented actions under this program. [mba.mn](http://mba.mn)

11.27 – Golomt bank won "The Most Innovative Product" award from ‘Visa’ with their new Zes credit card. [golomtbank.com](http://golomtbank.com)

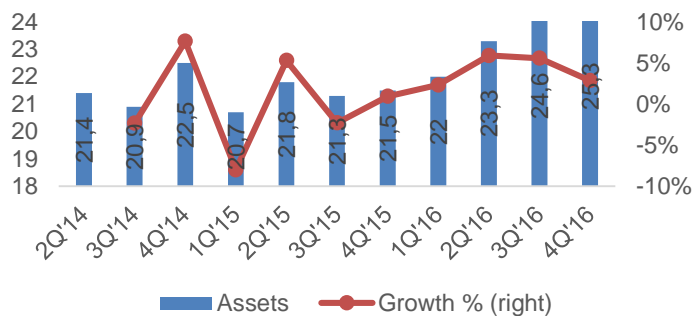
12.15 – MBA organized 11<sup>th</sup> meeting among all members. During the meeting, the term of president Orkhon.O and vice president Tumurkhuu.D was prolonged by 1 year.

[mba.mn](http://mba.mn)

12.20 – The Monetary Policy Committee meeting held on 19 December 2016, the Bank of Mongolia decided to cut its policy interest rate by 1 percentage point to 14.0 percent.  
[mongolbank.mn](http://mongolbank.mn)

## Key Indicators of Banking system

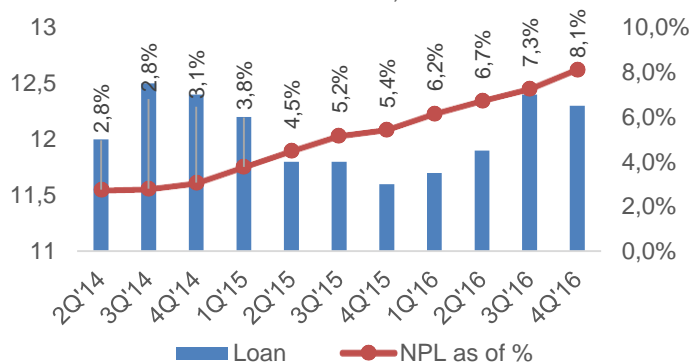
Assets, trillion MNT



Total assets = 25,3 trillion MNT

Total assets of banking sector rose to 25,3 trillion MNT as of 4Q, 2016 which is 0,7 trillion MNT higher than the previous quarter, 4 trillion MNT higher than the same quarter of the previous year. Total assets has risen constantly since 3Q, 2015.

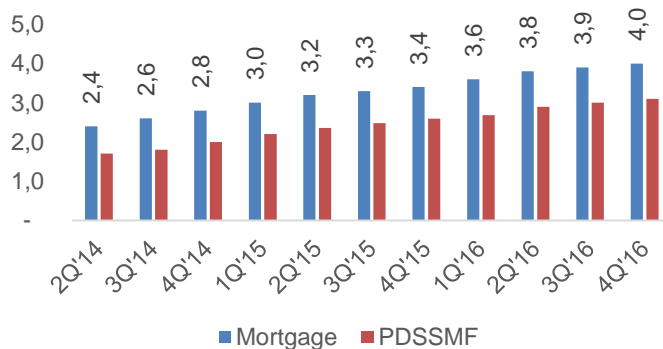
Loan and NPL as of %, trillion MNT



8,1% Non-Performing Loans

NPL was 2,8% in 2Q, 2014. However it has reached 8,1% as of 4Q, 2016 which means it has risen roughly 2,9 times since then. Total amount of NPL in Mongolian banking sector has reached 1 trillion MNT. NPL has increased constantly since 2Q, 2014.

Mortgage, trillion MNT



Mortgage = 4,0 trillion MNT

Total mortgage loan has reached 4,0 trillion MNT as of 4Q, 2016 and 3,1 trillion of it was financed by 'Program on the Development of Sustainable System of Mortgage Financing' (PDSSMF). Total mortgage has increased dramatically since the program was implemented.

Current and Deposit account, trillion MNT



Current+Deposit= 11,4 trillion MNT

Total current and deposit account of banking sector rose by 20% or ₮1,9 trillion compared to the same quarter of the previous year. Total of current and deposit account has increased constantly since 3Q, 2015.

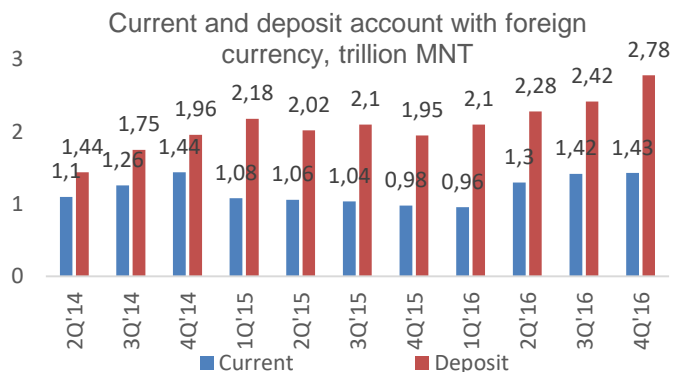
# BANKING COMPETITION REVIEW

2016 – IV quarter



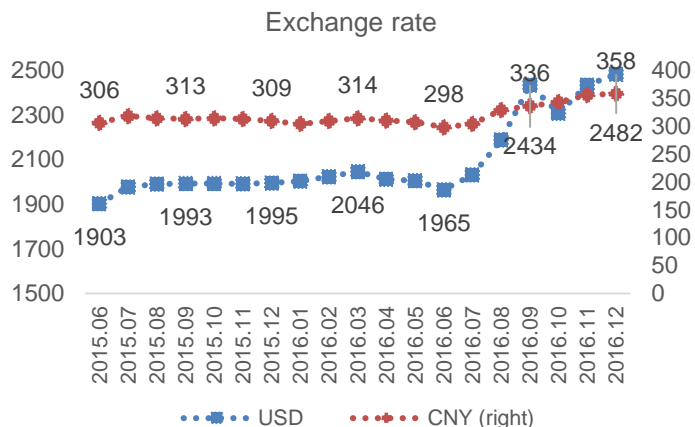
**Current and deposit account (foreign currency) = 4,2 trillion MNT**

Foreign currency current and deposit account rose by 34,6% and 15,2% respectively compared to the previous quarter. Total of foreign currency current and deposit account has reached 4,2 trillion MNT as of 4Q, 2016.



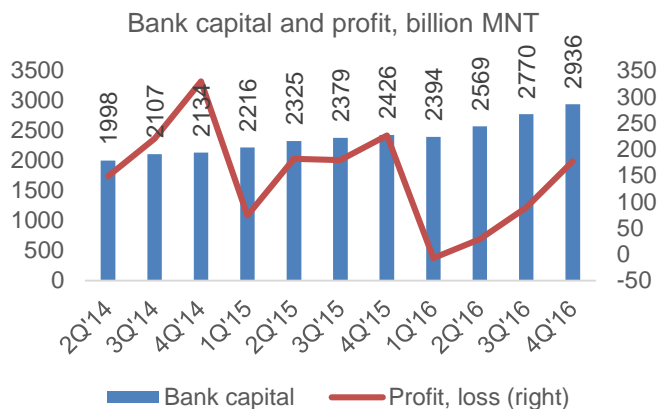
**1 USD=2482 MNT 1 CNY=358 MNT**

USD rate has increased drastically since June, 2016. USD has reached 2482 MNT whereas CNY has reached 358 MNT as of December, 2016. USD to MNT rose by 487 MNT, CNY to MNT rose by 49 MNT compared to the same period of the previous year. We used the official Foreign Exchange Rates on average for the month.



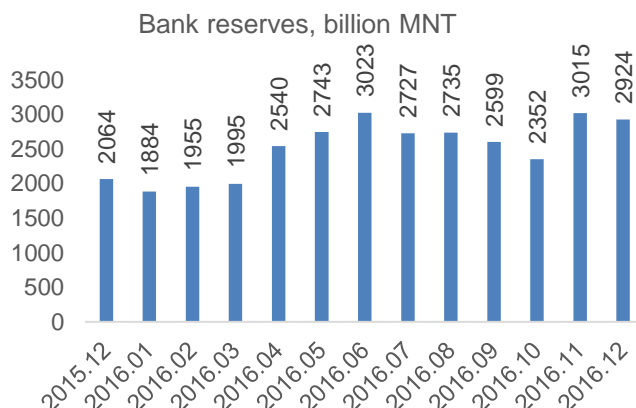
**Profit = 17 billion MNT**

Bank capital has reached 2,9 trillion MNT as of 4<sup>th</sup> quarter, 2016 and rose by 21% from the same period of the previous year. Banking system profit was 177 billion MNT as of 4<sup>th</sup> quarter, 2016. However it is 49 billion MNT lower compared to the same period of the previous year.



**Bank reserves = 2,6 trillion MNT**

Bank reserves has reached 2.9 trillion MNT as of 4Q, 2016. It rose by 41.6 percent compared to the same period of the previous year. Bank reserves has been very volatile through one year span.



## Banking system competition

14 commercial banks are operating in Mongolia as of 4<sup>th</sup> quarter, 2016. Khan, TDB, Golomt, Xacbank, State Bank, Ulaanbaatar City Bank are systematically important banks according to the Bank of Mongolia. These banks account for more than 90 percent of the banking system in terms of assets.

Financial reports of commercial banks are the main source of information which shows financial situation, operating results of banks.

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

- Assets
- Loan
- Current and Deposit account
- Profitability

We classified banks as Top 3, Medium 3 and small banks according to their amount of total assets. Trans and Capital banks are not included in this report.



### TOTAL ASSETS

### BANKS

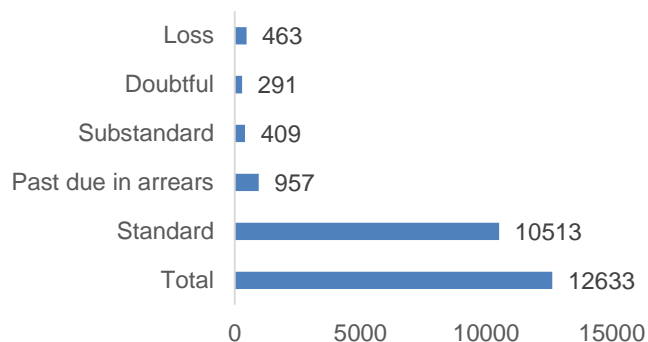
	TOTAL ASSETS	BANKS
<b>TOP-3 BANK</b>	<b>&gt;3 trillion MNT</b>	Trade and Development bank Khan bank Golomt bank
<b>MEDIUM-3 BANK</b>	<b>1-3 trillion MNT</b>	Xacbank State bank Ulaanbaatar City bank
<b>SMALL BANKS</b>	<b>&lt;1 trillion MNT</b>	Capital bank Chinggis Khan bank Capitron bank National Investment bank Arig bank Bogd bank Credit bank Trans bank

## Bank loan market

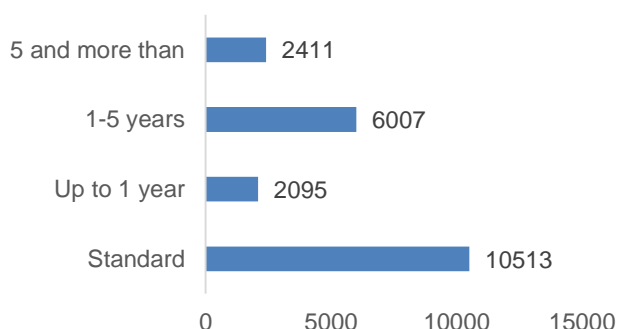
Commercial banks have granted 12,6 trillion MNT loans as of 4<sup>th</sup> quarter, 2016. 83% of total loans are standard and rest are divided into four classification such as past due in arrears, substandard, doubtful, loss.

10,5 trillion MNT loans are in standard condition and loan term of 6 trillion MNT are 1-5 years. Whereas 2,1 trillion MNT loans are up to 1 year and 2,4 trillion MNT loans more than 5 years term.

Loan, billion MNT



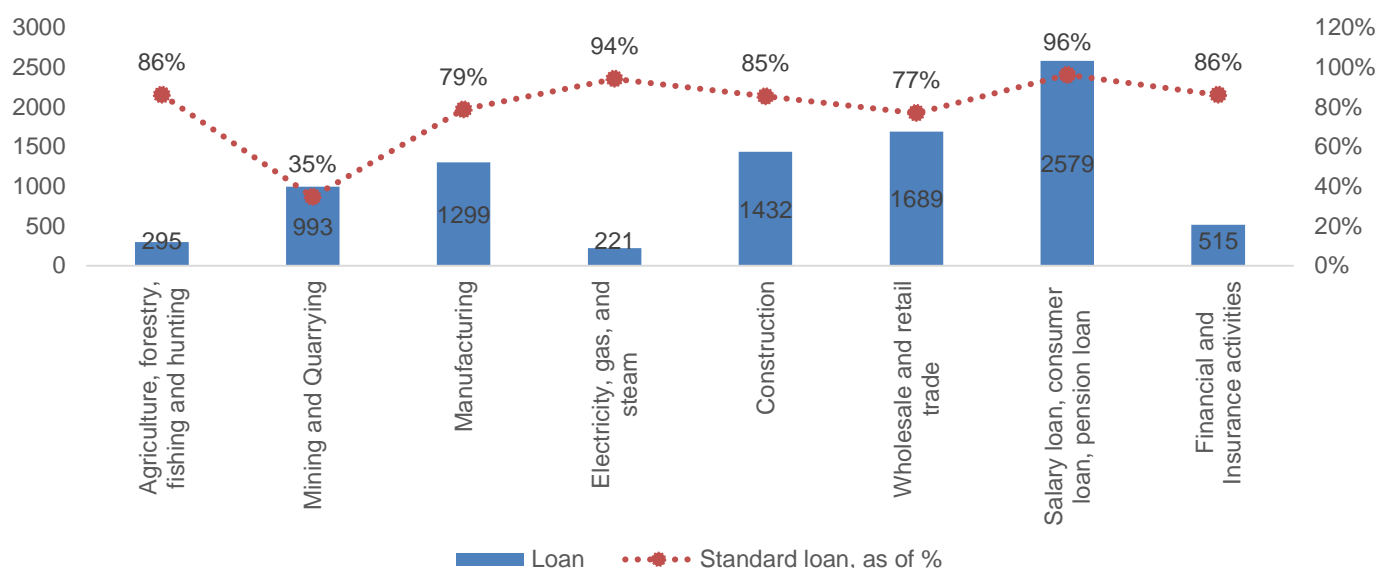
Loan, by term, billion MNT



Commercial banks are the main source of financing of economic sectors and support economic development. The below chart shows the sectors mostly financed by banks. Salary loan, consumer loan, pension loan, deposit secured loan, card loan are financed by banks more than other sectors and 96% of this type of loans are standard.

Banks also support wholesale and retail trade, construction, mining, manufacturing sectors by huge amount of loans. However only 35% of mining sector loans are standard.

Loan by sectors, billion MNT



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2016 – IV quarter

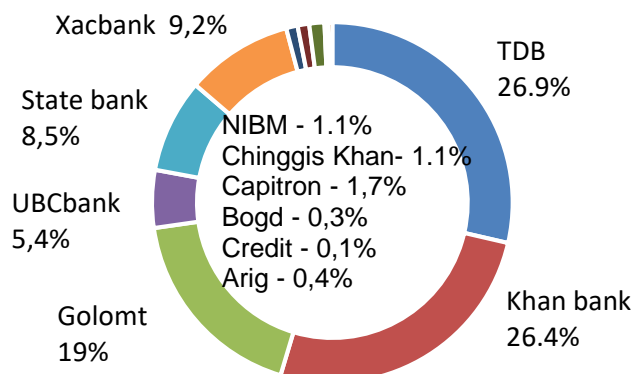


## ASSETS

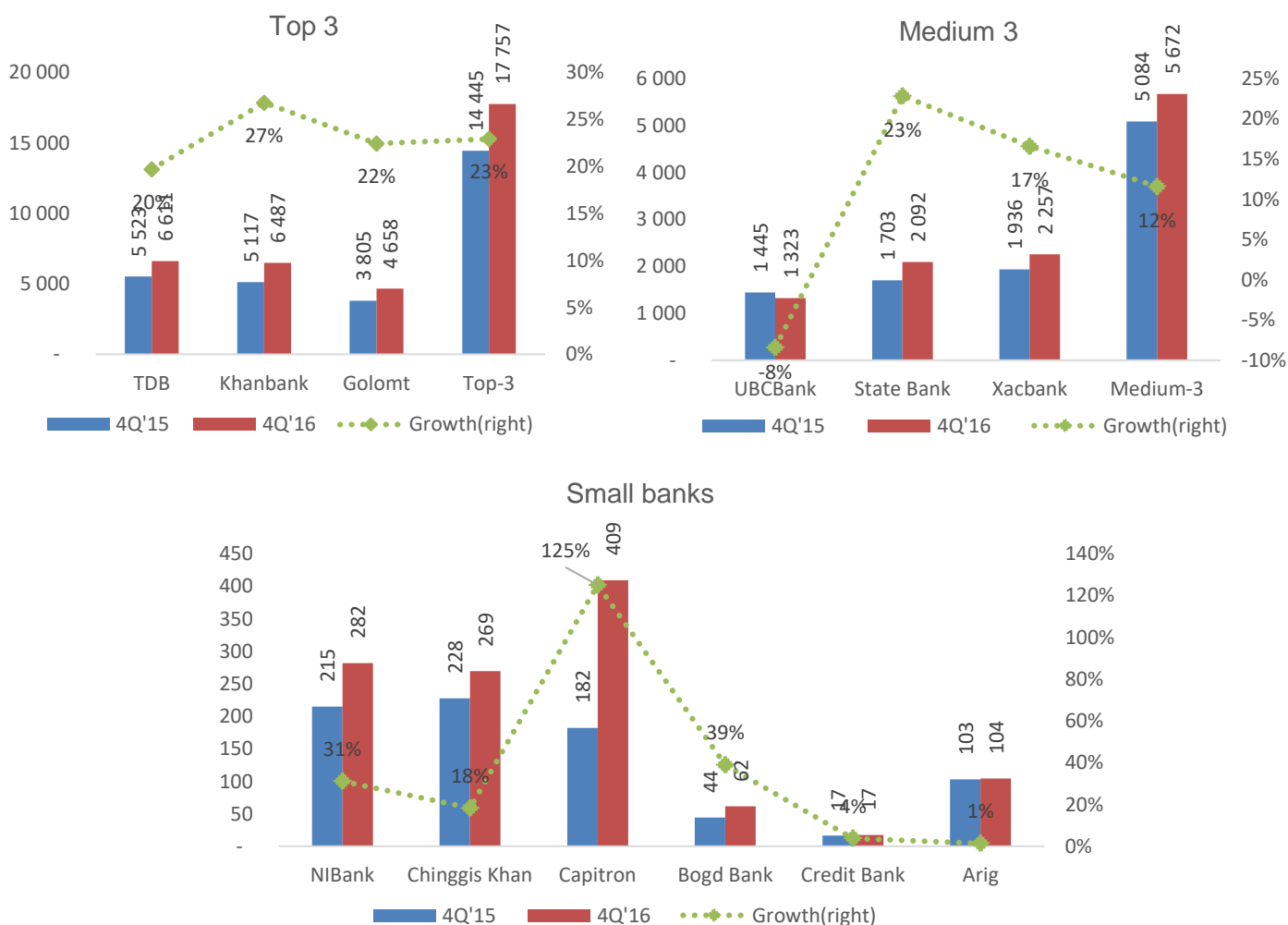
Total assets of 12 commercial banks which included in this review has reached 25,3 trillion MNT as of 4<sup>th</sup> quarter, 2016. Top-3 banks account for 72,3% of total assets which 0,7 percentage point higher than the previous quarter whereas Medium-3 banks and small banks account for 23,1% and 4,6% respectively.

The bank with the highest total assets is TDB with 6,6 trillion MNT assets. On the contrary Credit bank with 17 billion MNT assets is the lowest.

Market share, by assets, 4Q'16



Assets, billion MNT and growth %



# BANKING COMPETITION REVIEW

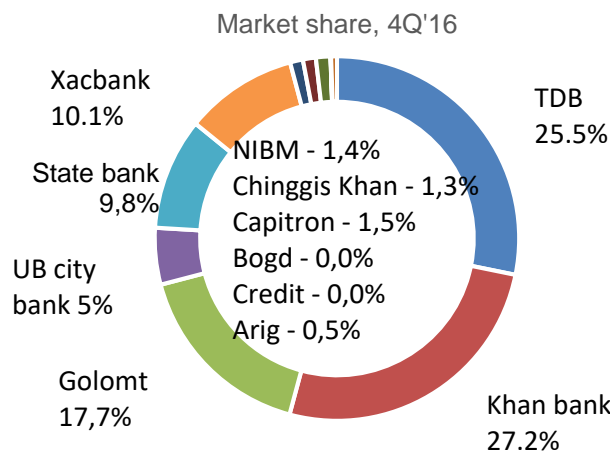
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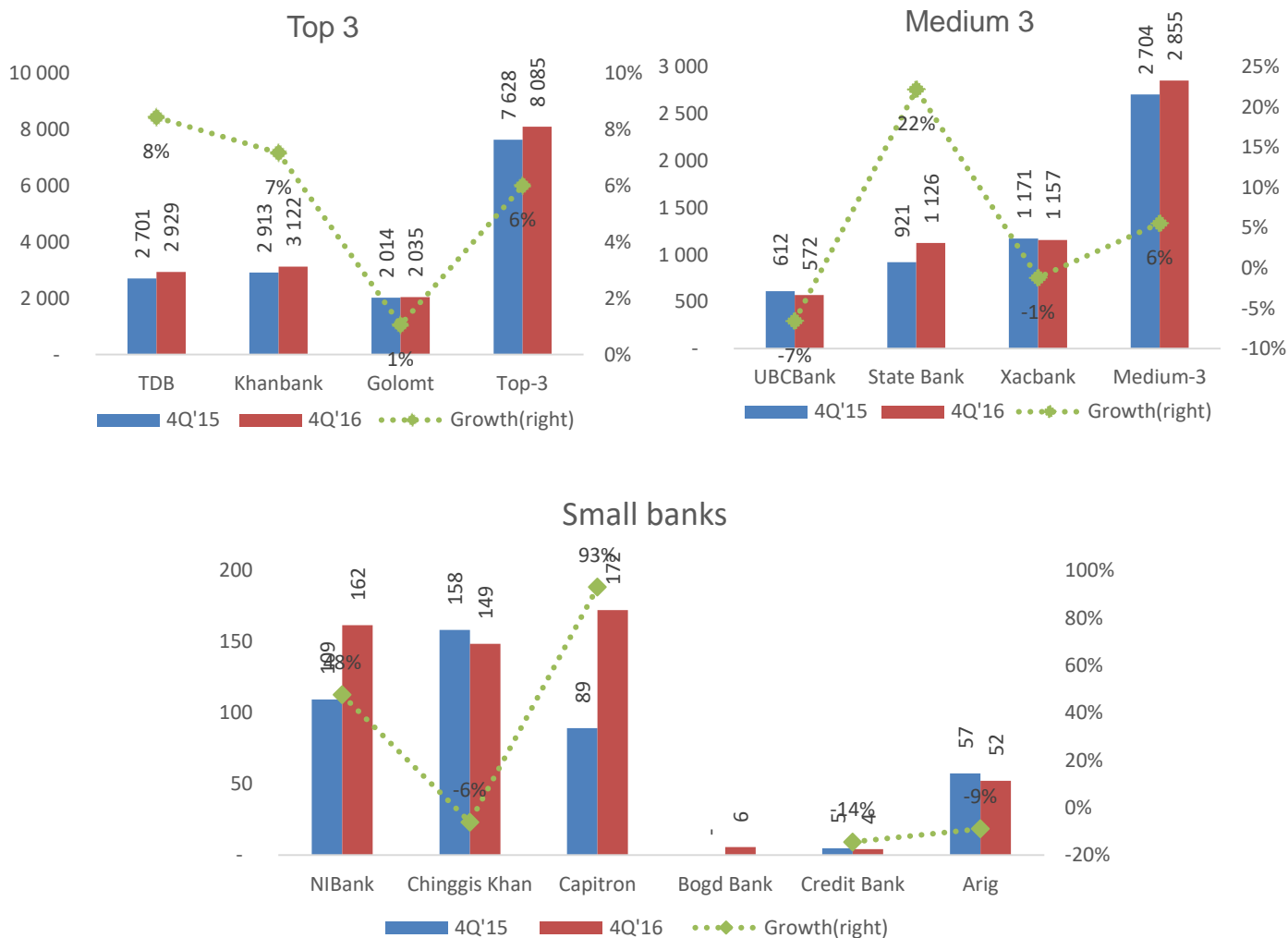
## LOAN

Total loans of 12 commercial banks included in this review has reached 11,5 trillion MNT as of 4<sup>th</sup> quarter, 2016. Top-3, medium-3 and small banks account for 70,4%, 24,9%, 4,7% of total loans respectively.

Khan bank surpassed TDB by total amount of loan. Total loan of Khan bank has reached 3,1 trillion MNT which is 0,1 trillion MNT higher than the previous quarter. Total loan of TDB has reduced to 2,9 trillion MNT which is 0,3 trillion MNT lower than the previous quarter.



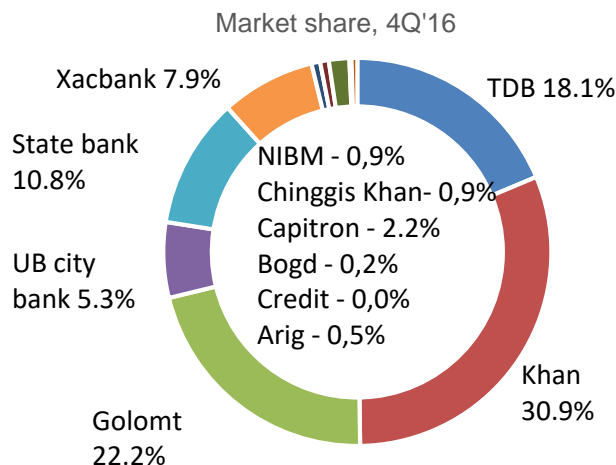
Loan, billion MNT and growth %



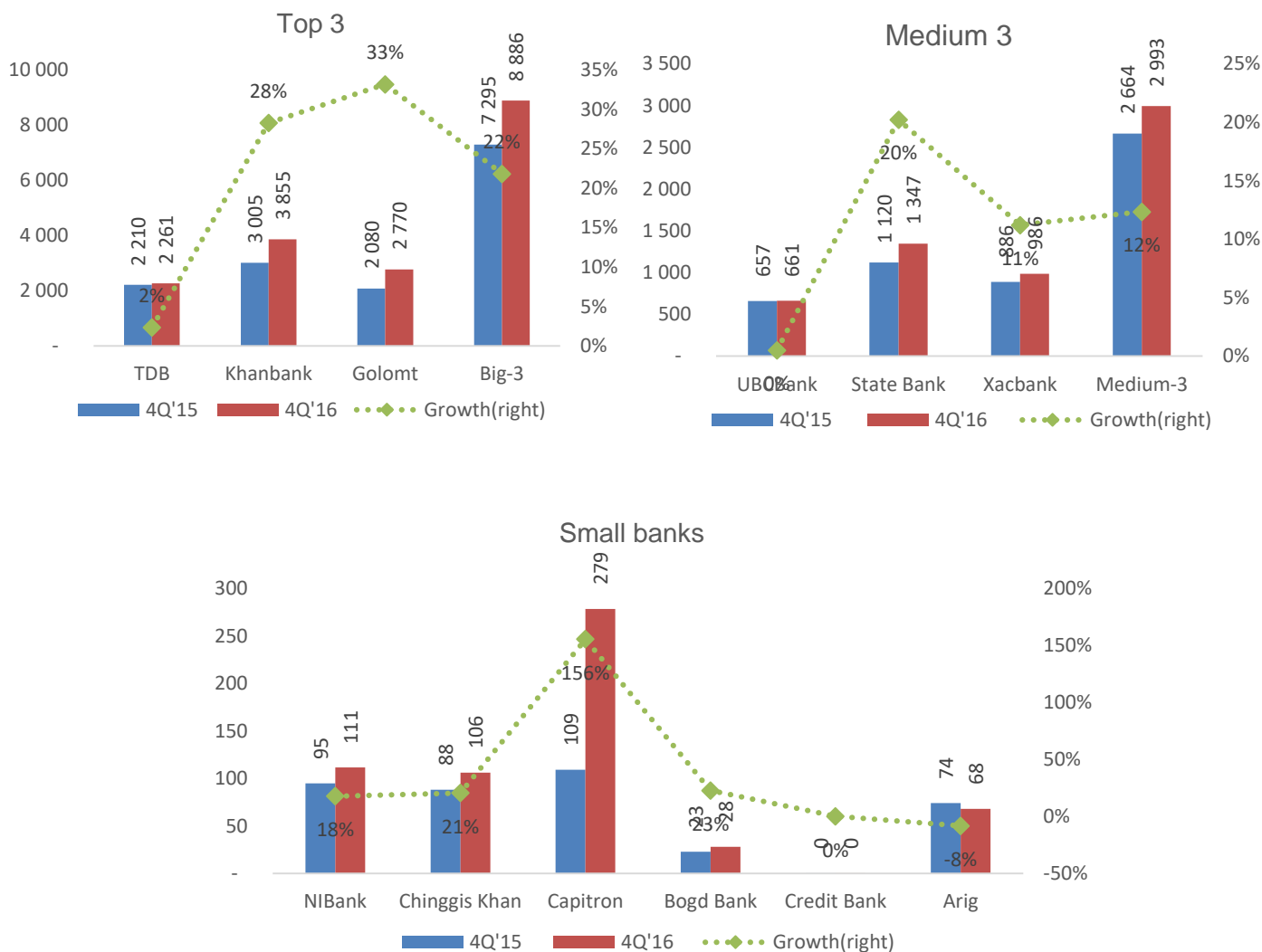
## Current and deposit account

Total current and deposit account of 12 commercial banks which included in this review has reached 12,47 trillion MNT as of 4<sup>th</sup> quarter, 2016. Top-3, medium-3 and small banks account for 71,3%, 24%, 4,7% of total current and deposit account respectively.

Khan bank has 3,1 trillion MNT of current and deposit account which covers 30,9% of total amount.



## Current and deposit account, billion MNT and growth %

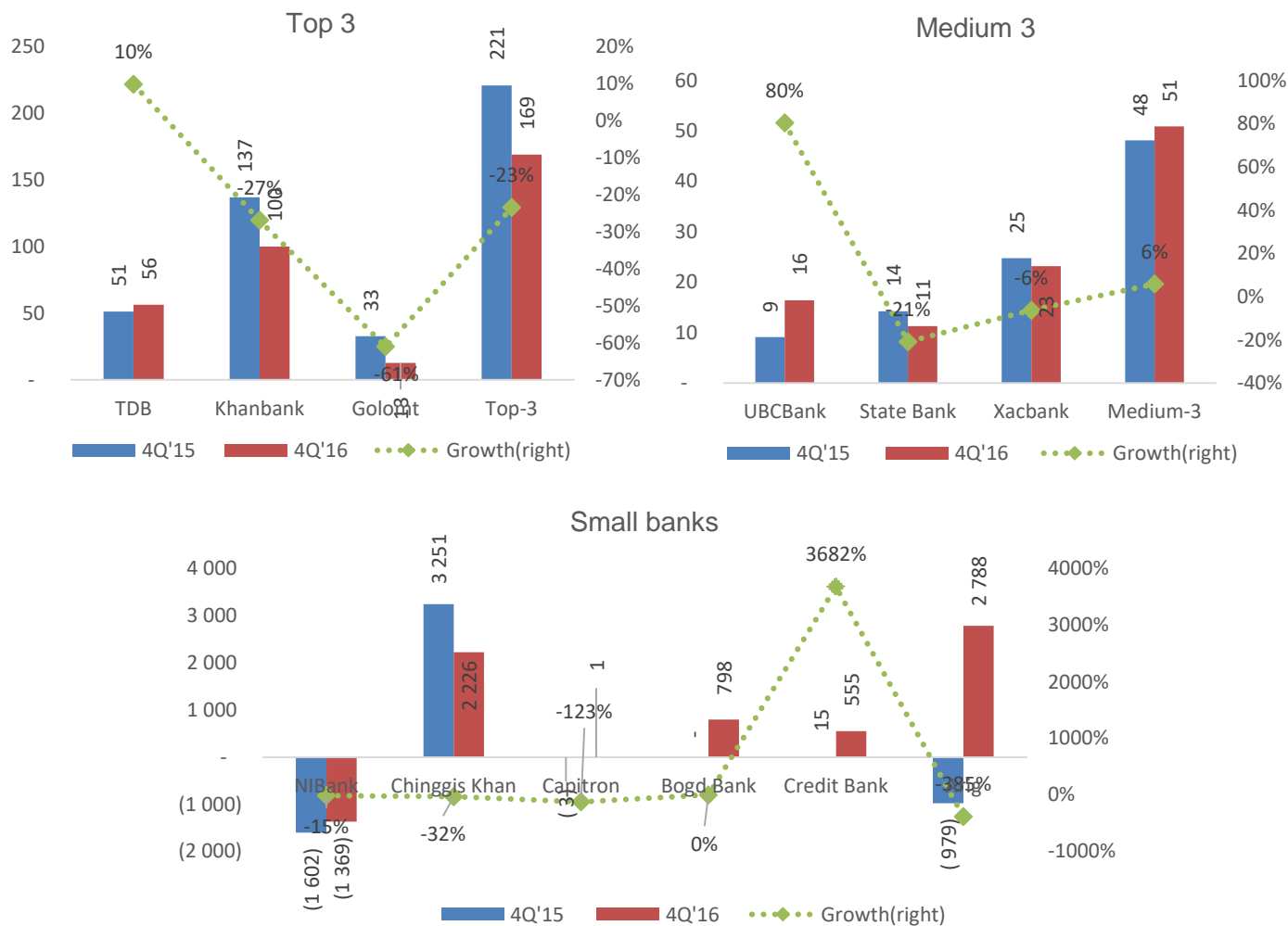




## Profitability

Total profit of 12 commercial banks included in this review has reached 224,8 billion MNT(after tax) as of 4<sup>th</sup> quarter, 2016 which is 7% lower than the same quarter of the previous year.

Profit and loss by billion MNT and growth %



Source:

1. Statistical Bulletin, Bank of Mongolia, December 2016
2. Mortgage Loans Report of Banks, Bank of Mongolia, December 2016
3. Key indicators of banking system consolidated balance sheet, Bank of Mongolia, December 2016
4. Monthly foreign exchange rate, Bank of Mongolia, December 2016
5. Quarterly financial report of commercial banks, 4<sup>th</sup> quarter of 2016
6. Loan Report of Banks, Bank of Mongolia, December 2016