

Banking system news in Mongolia

04.07 – TDB has started to grant loans for Oyu-Tolgoi caterers which pledges receivables. tdbm.mn

04.07 – State bank and “Mongolian Post” signed the Memorandum of Understanding on implementing a service which delivers cards via guaranteed mail to customers who ordered card. statebank.mn

04.10 – Bank of Mongolia implemented FX interbank matching system. This system allows reducing risk of information and transactions, fixing interest rate swap and enhancing transparency of forex trade. mongolbank.mn



SWAP

IN AN INTEREST RATE SWAP, THE PARTIES EXCHANGE CASH FLOWS BASED ON A NOTIONAL PRINCIPAL AMOUNT IN ORDER TO HEDGE AGAINST INTEREST RATE RISK OR TO SPECULATE.

INVESTOPEDIA

04.10 – Khan bank introduced “Glamour” credit card which is first card dedicated to women in Mongolia. khanbank.com

04.20 – State bank and China Construction bank signed the Memorandum of Understanding on developing its cooperation to the new level. statebank.mn

05.11 – The Green Climate Fund has completed the initial tranche of a USD 20 million financing package to XacBank. xacbank.mn

05.12 – Khan bank introduce Khan Business, a service specially designed for small and medium-sized enterprise entrepreneurs. khanbank.com

05.15 – Arig Bank and UNFPA signed the MOU which formalizes the partnership and a shared commitment to the development of young people and supporting victims of violence in Mongolia. arigbank.mn

05.18 – Khan Bank started offering salary loans with preferential terms at its sub-branches to select public employees. khanbank.com

05.31 – Bank of Mongolia established specialized inspection office to implement inspection of money laundering of terrorist financing by risk-based in line with international standards and requirements. mongolbank.mn

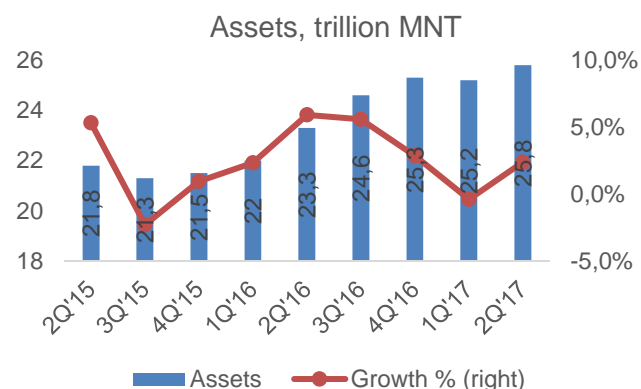
06.09 – The Overseas Private Investment Corporation (OPIC), IFC (International Finance Corporation), and XacBank LLC today signed a loan agreement to support access to finance in Mongolia for women-owned small and medium sized (SME) businesses. xacbank.mn

06.09 – UBCity bank and City traffic control center signed the Memorandum of Understanding on cooperation. ubcbank.mn

06.13 – UBCity bank introduced new loan service to businesses which pledges gold. www.ubcbank.mn

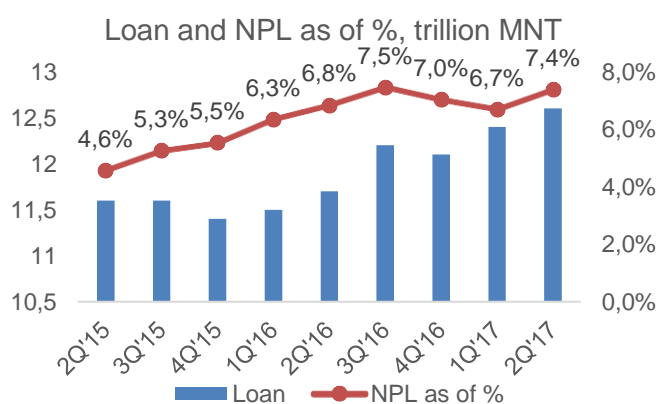
Key indicators of banking sector

/excluding banks in liquidation/



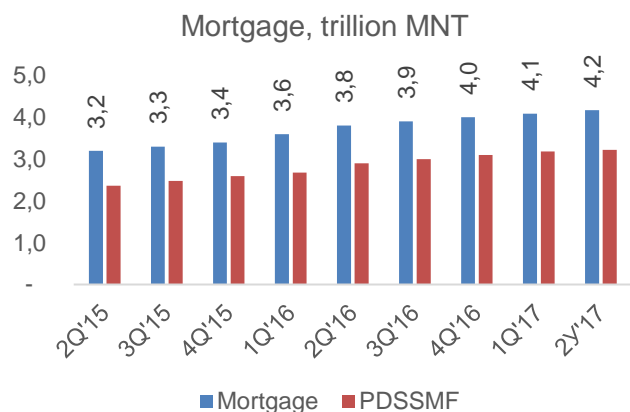
Total assets = 25,8 trillion MNT

Total assets of banking sector have increased to 25,8 trillion MNT as of 2Q, 2017 which is 0,6 trillion MNT higher than the previous quarter and 2,5 trillion MNT higher than the same quarter of the previous year.



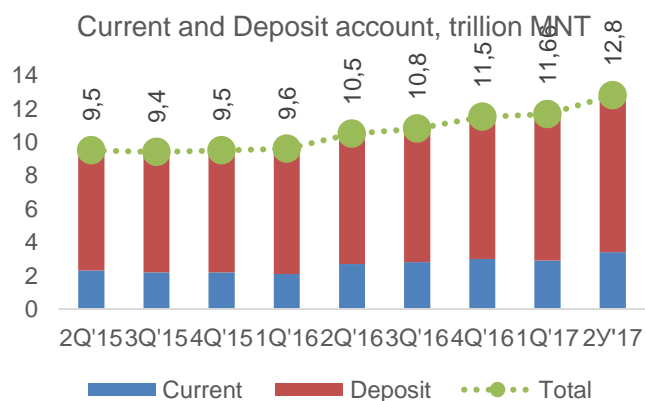
7,4% Non-Performing Loans

Total loans have reached 12,6 trillion MNT while total NPL have reached 0,93 trillion MNT. Non-Performing loans have increased for the first time after two consecutive quarters of decline.



Mortgage = 4,2 trillion MNT

Total mortgage loan have reached 4,2 trillion MNT as of 2Q, 2017 and 3,2 trillion of it was financed by the 'Program on the Development of Sustainable System of Mortgage Financing' (PDSSMF). Total mortgages have increased dramatically since the program was implemented.



Current+Deposit= 12,8 trillion MNT

Total current and deposit accounts in the banking sector rose by 22% or ₮2,3 trillion compared to the same quarter of the previous year. This figure has been increasing constantly since 3Q, 2015.

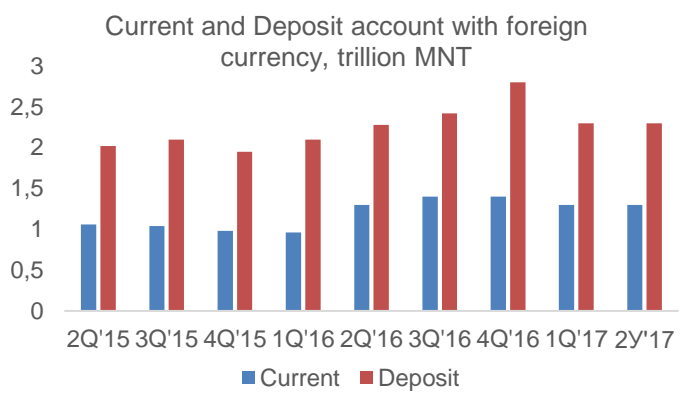
BANKING COMPETITION REVIEW

2017 – II quarter



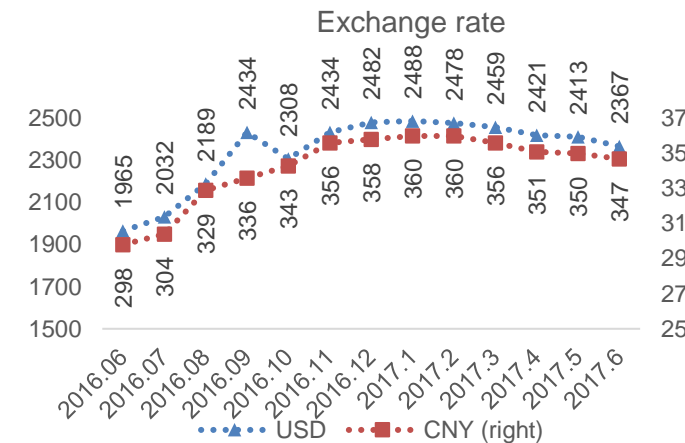
Current and deposit account (foreign currency) = 3,6 trillion MNT

Foreign currency current and deposit accounts have increased by 1% and 2% respectively compared to the same quarter of the previous year. The total of foreign currency current and deposit accounts has reached 3,6 trillion MNT as of 2Q, 2017.



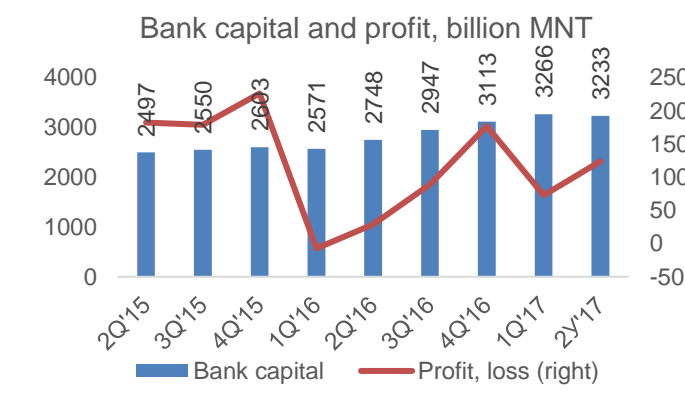
1 USD=2367 MNT 1 YUAN=347 MNT

Monthly average of official Foreign Exchange Rates: USD reached 2367 MNT whereas CNY reached 347 MNT as of Q2, 2016. USD to MNT rose by 402 MNT, YUAN to MNT rose by 49 MNT compared to the same period of the previous year.



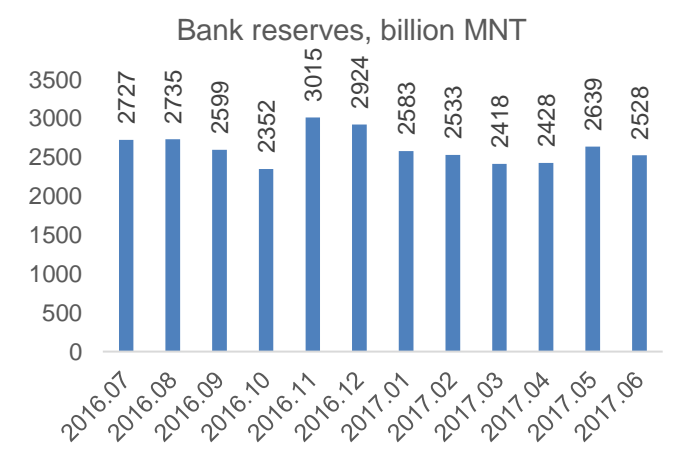
Profit = 124 billion MNT

Bank capital has reached 3,23 trillion MNT as of 2Q, 2017 which is 17,6% higher than the same period of the previous year. Banking sector's profits reached 124 billion MNT as of 2Q, 2017 which is 95 billion MNT higher than the same period of the previous year.



Bank reserves = 2,5 trillion MNT

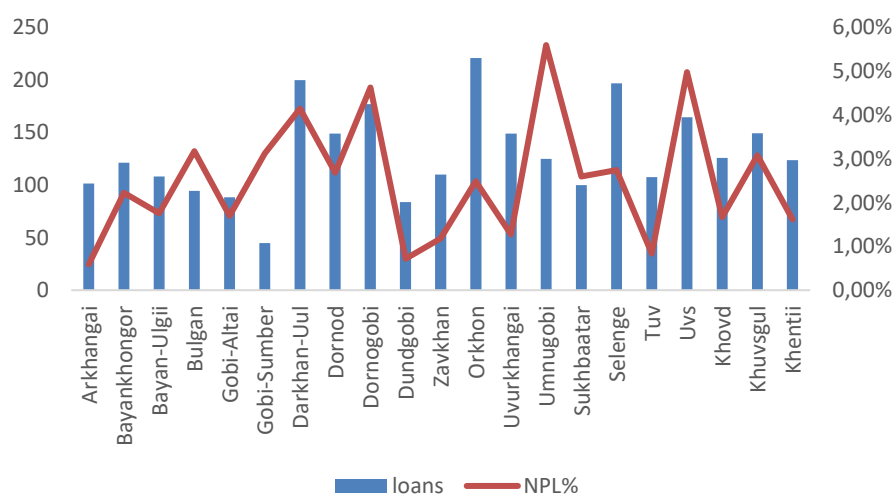
Bank reserves have reached 2,5 trillion MNT as of 2Q, 2017. Bank reserves fluctuated highly over one year span.



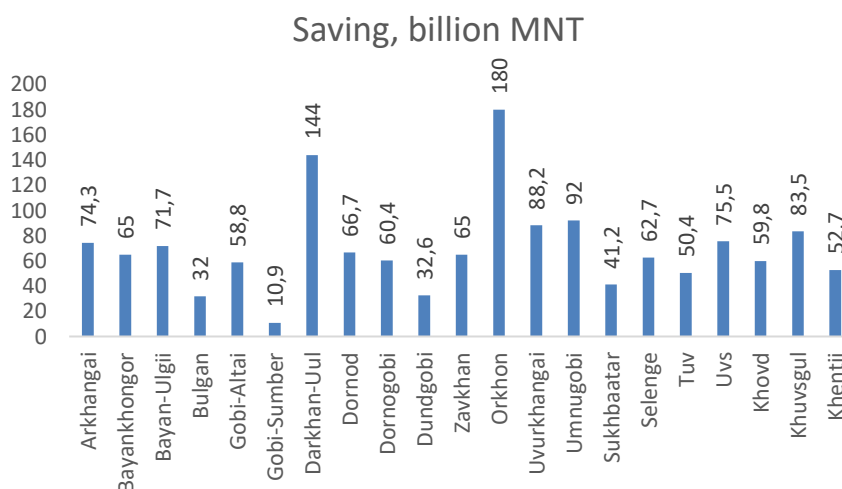
Featured: Loans and savings of provinces

By the end of 2016, total loans of provinces issued from commercial banks reached 2,7 trillion MNT. 2,7% or 73,7 billion MNT of these loans were Non-Performing loans. On the contrary, total savings of provinces were 1,46 trillion MNT and 76,8% of total savings was composed of term deposit.

Orkhon province has the highest amount of loans among provinces (221 billion MNT) whereas Gobi-Sumber province has the least loans. Umnugobi province has the most Non-Performing loans (5,6%) among provinces whereas Arkhangai province has the lowest amount of Non-Performing loans (0,59%).



Orkhon province has the highest amount of savings (180 billion MNT) of all provinces whereas Gobi-Sumber province has the lowest (10,9 billion MNT). Total savings of provinces have increased by 27,9% compared to the previous year which means that people and businesses in the provinces have become more inclined to save.



Banking system competition


14 commercial banks are operating in Mongolia as of 2nd quarter, 2017. 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.

Financial reports of commercial banks, which are the main sources of information, contain banks' financial situations and operating results.

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. Trans and Capital banks are not included in this report.

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

BANKING COMPETITION REVIEW

2017 – II quarter

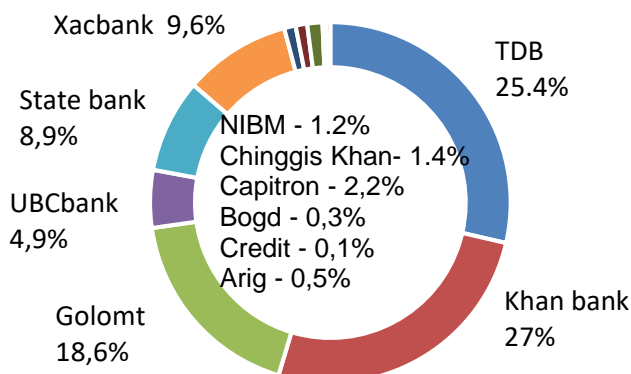


Assets

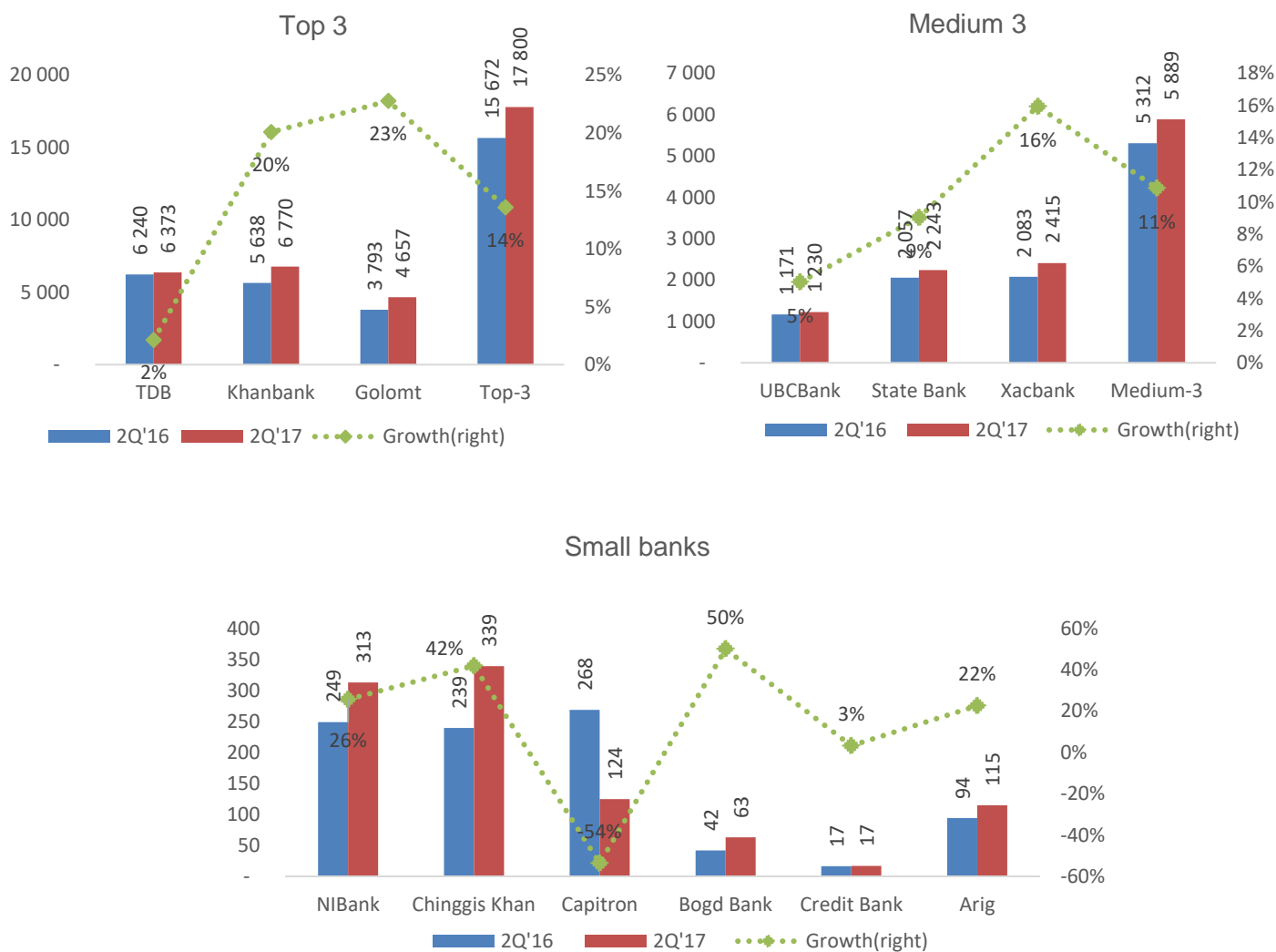
Total assets of the 12 commercial banks included in this review have reached 24,6 trillion MNT as of 2Q, 2017. Top-3 banks, medium-3 banks and small banks account respectively for 72%, 24% and 4% of the sector.

Total assets of top-3, medium 3 and small banks have risen 14%, 11% and 7% respectively. The bank with the highest total of assets is Khan Bank with 6,77 trillion MNT worth of assets. On the contrary, Credit bank, with 17 billion MNT worth of asset, is the smallest of all.

Market share, by assets, 2Q'17



Assets, billion MNT and growth %



BANKING COMPETITION REVIEW

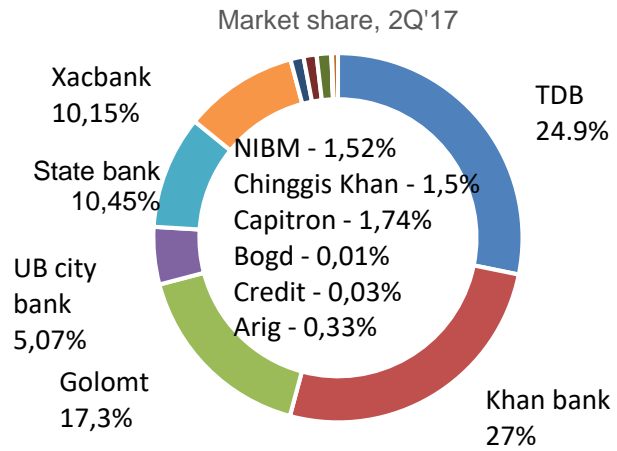
2017 – II quarter



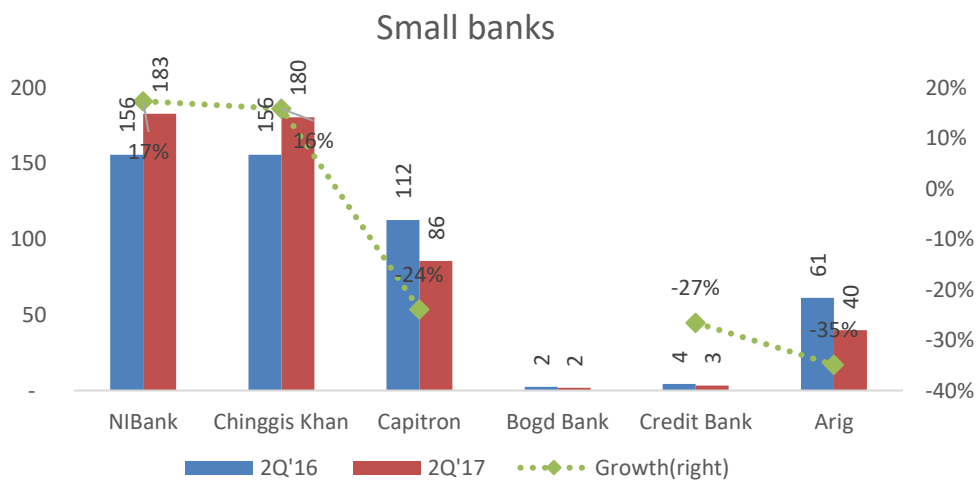
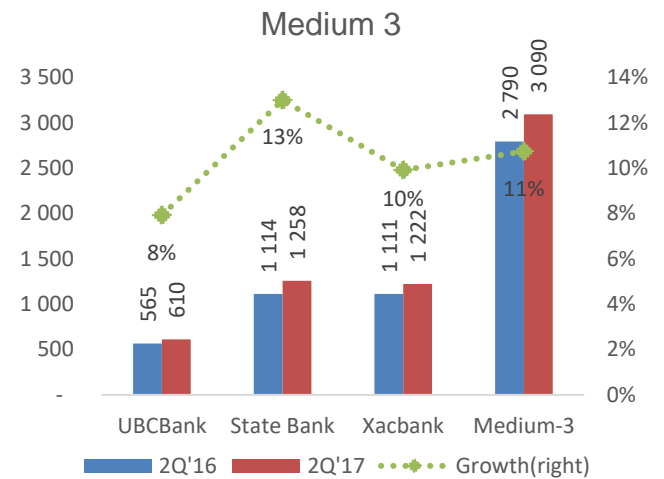
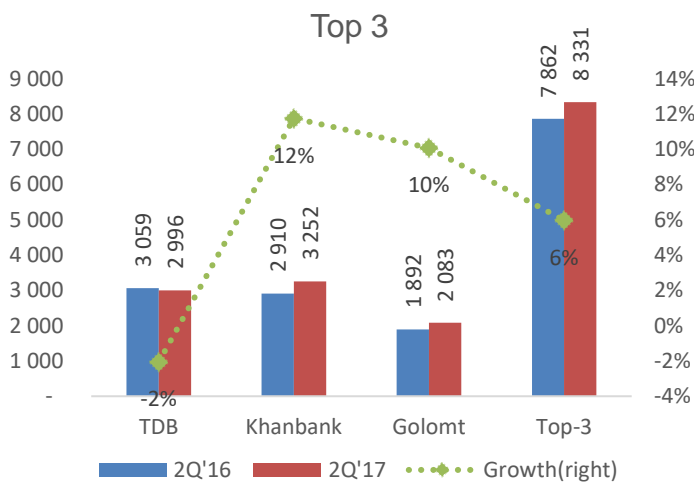
Loans

Total loans of the 12 commercial banks included in this review have reached 11,9 trillion MNT as of 1Q, 2017. Top-3, medium-3 and small banks account for 70%, 26%, 4% of total loans respectively.

Top-3, medium 3 and small banks increased their total loans by 6%, 11% and 0,3% respectively compared to the same quarter of the previous year. All in all, total loans of these 12 commercial banks increased by 7%.



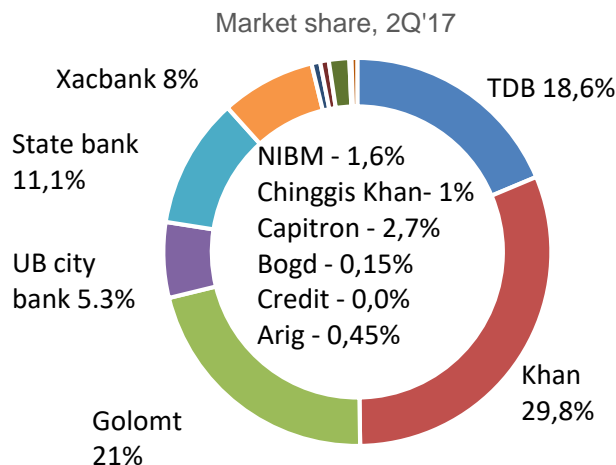
Loan, billion MNT and growth %



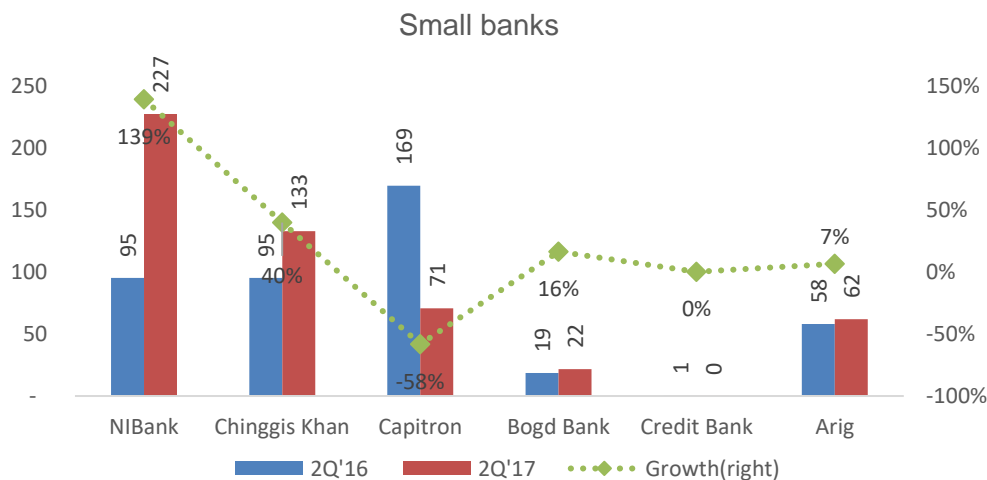
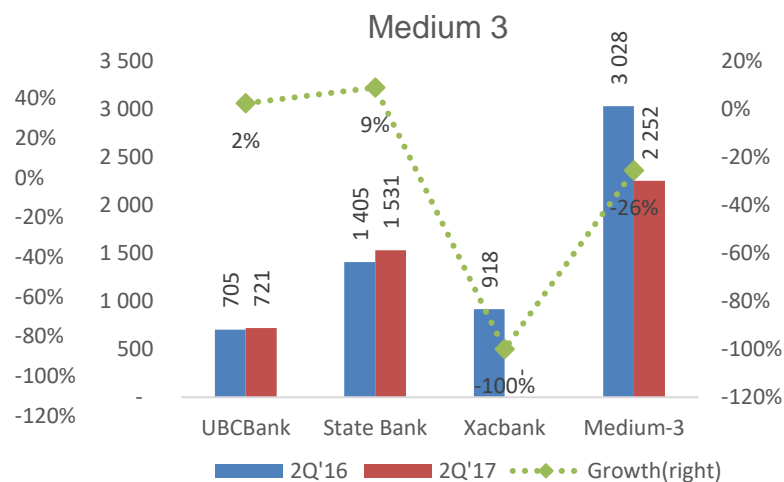
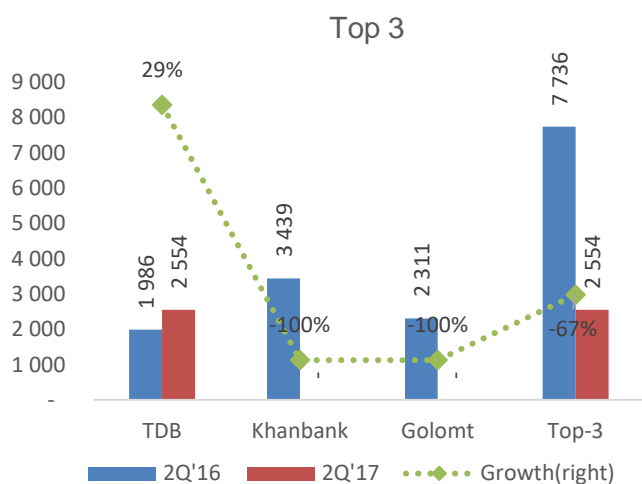
Current and deposit account

Total current and deposit accounts of the 12 commercial banks included in this review have reached 13,7 trillion MNT as of 2Q, 2017. Top-3, medium-3 and small banks account for 69,5%, 24,5%, 6% of total current and deposit account respectively.

Top-3, medium 3 and small banks increased their current and deposit accounts by 23%, 11% and 88% respectively compared to the same quarter of the previous year. Total current and deposit accounts of these 12 commercial banks increased by 22,3%.



Current and deposit account, billion MNT and growth %



BANKING COMPETITION REVIEW

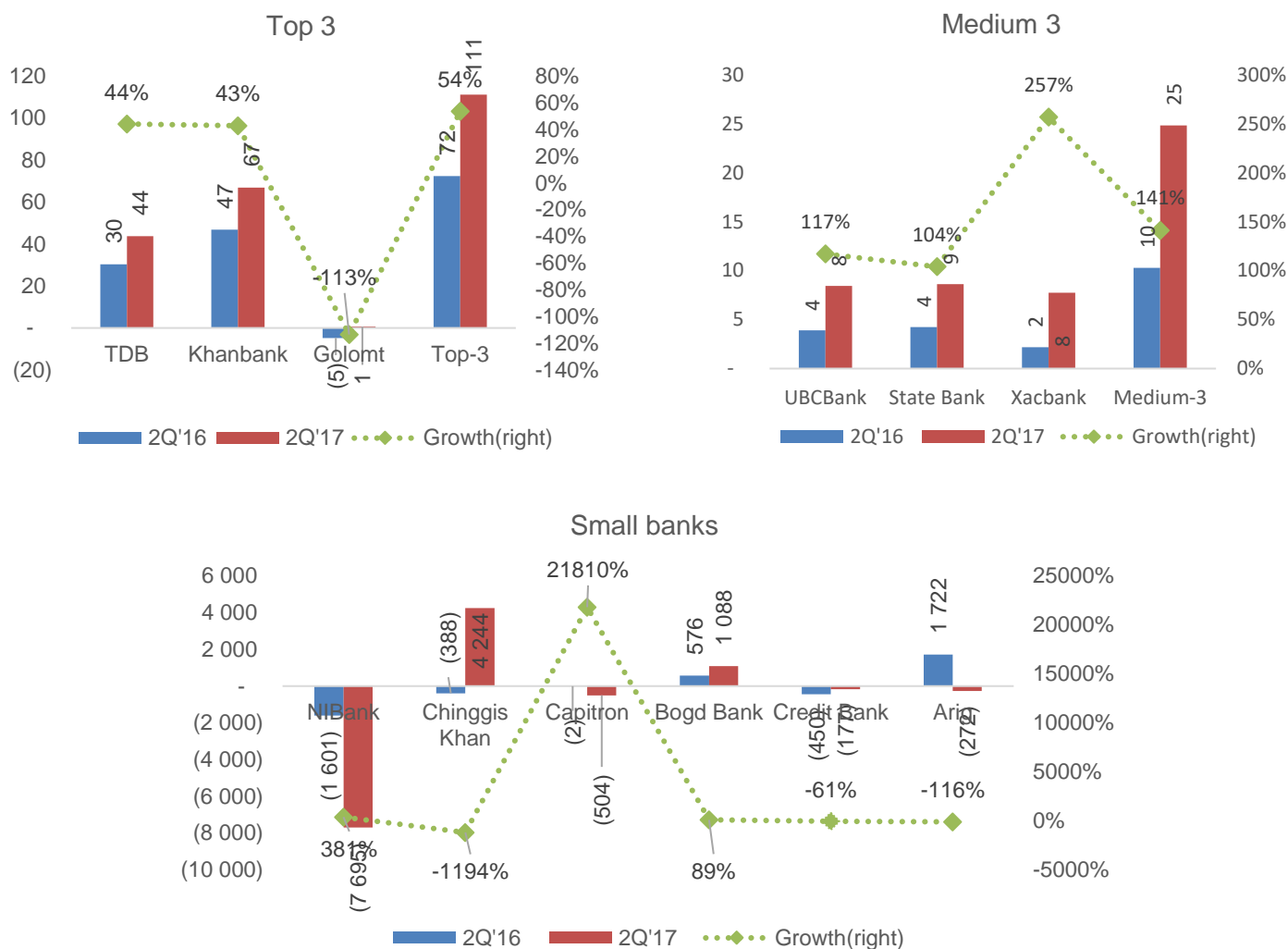
2017 – II quarter



Profitability

Total profit of the 12 commercial banks included in this review reached 133 billion MNT (after tax) as of 2Q, 2017, which is 53 billion MNT higher than the same period of the previous year. Big-3 banks and medium-3 banks have increased their profit by 54% and 141%, respectively, compared to the same quarter of the previous year.

Profit and loss by billion MNT and growth %



Source:

1. Mortgage loan report, June 2017, Bank of Mongolia
2. Key indicators of banking system consolidated balance sheet, June 2017, Bank of Mongolia
3. Monthly foreign exchange rate, June 2017 Bank of Mongolia
4. Quarterly financial report of commercial banks, 2nd quarter of 2017
5. Loan report of banks, June 2017, Bank of Mongolia