

Banking system news in Mongolia

10.12 – Khan bank and Agricultural bank of China signed the Memorandum of Understanding of Cooperation on RMB and MNT Business. khanbank.com

11.03 – Bank of Mongolia submitted draft amendments to the Law on Banking to the Parliament. mongolbank.mn

11.09 – Now, Companies can pay their heat payment through State bank application. statebank.mn

11.13 – Bank of Mongolia introduced an amendment to the “Payment card regulation” in association with the law on national payment system that will be effective on Jan 1, 2018. mongolbank.mn

11.13 – Mongolian Bankers Association made a statement regarding several parliament members’ proposal to introduce a law which sets bank loan cap. mba.mn

11.13 – Global Climate Fund Board approved the financing of a renewable energy project submitted by XacBank. The agreement covers a USD 17.6 million project to build Mongolia’s second large-scale solar plant with a capacity of 10 MW. xacbank.mn

11.15 – XacBank and MIAT Mongolian Airlines partnered together to launch a MIAT credit card with brand new reward benefits. xacbank.mn

11.17 – Ulaanbaatar City Bank introduced a QPAY service. ubcbank.mn

11.23 – Fitch Ratings raised XacBank’s rating to a positive outlook from a negative outlook. xacbank.mn

11.23 – “Small and Medium Enterprises’ access to finance forum 2017” is held under the topic “Cooperation to increase an accessibility of finance”. mba.mn

11.24 – Bank of Mongolia made a decision to set minimum of bank joint stock at MNT 100 billion which will be effective on Dec 31, 2021. mongolbank.mn

12.01 – National Investment Bank will charge no fee on Euro remittances. nibank.mn

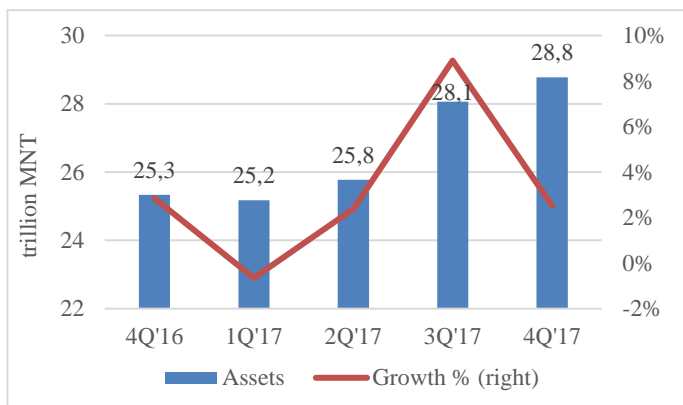
12.07 – Trade and Development bank released its’ first ever online brochure in order to reduce paper consumption. tdbm.mn

12.19 – Mongolian Bankers Association and Mongolian Insurers’ Association agreed to cooperate. mba.mn

12.19 – Mongolian Bankers Association held its’ 12th forum among members. mba.mn

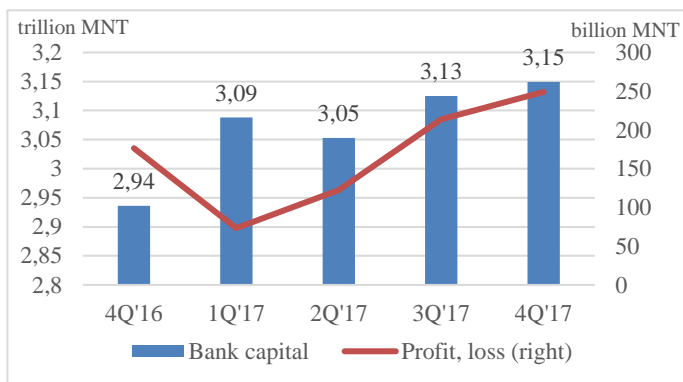
12.25 – The Monetary Policy Commission made a decision to reduce the Policy rate by 1.0 percentage point to 11 percent. mongolbank.mn

12.27 – TDB has become first custodian bank which has a license to hold securities-specific records. tdbm.mn

Key indicators of banking sector¹

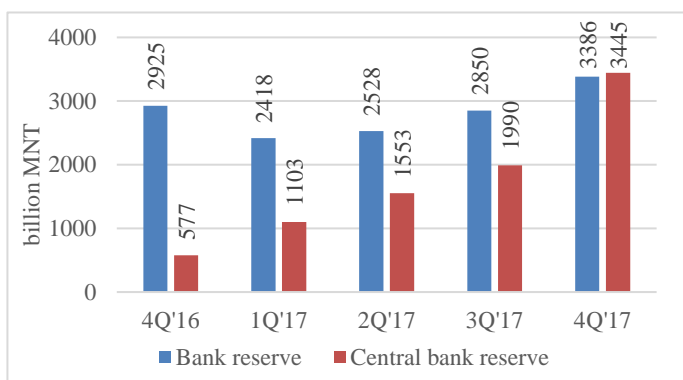
Total assets = MNT 28.8 trillion

Total assets of banking sector increased to MNT 28.8 trillion as of Q4, 2017, MNT 0.7 trillion higher than the previous quarter, and MNT 3.5 trillion higher than Q4, 2016.



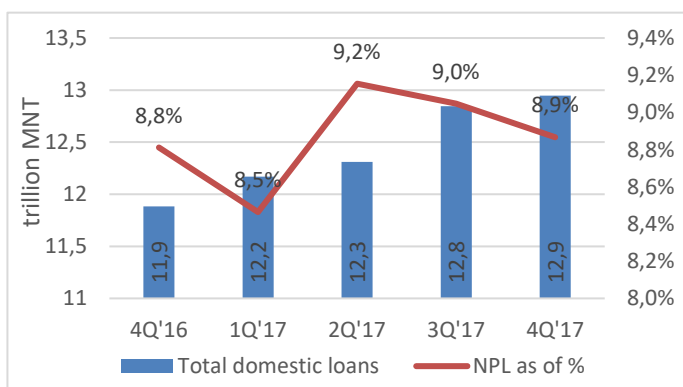
Profit = MNT 249 billion

Bank capital has reached MNT 3.15 trillion as of Q4, 2017 which is USD 0.21 billion higher than Q4, 2016. Banking sector's profit reached MNT 249.1 billion as of 4Q, 2017 and MNT 72.6 billion higher than the Q4, 2016.



Bank reserve = MNT 3.4 trillion

Bank reserve reached MNT 3386 billion as of Q4, 2017 which is MNT 251 billion higher than Q4, 2016. Central bank reserve rose roughly 6 times over the one year and reached MNT 3445 billion.



Non-Performing Loans = 8.9%

Total loans reached MNT 12.9 trillion as of Q4, 2017 which is MNT 1 trillion higher than Q4, 2016. However, NPL is still high. Total NPL reached MNT 1.15 trillion which is 8.9% of the total domestic loans.

¹ Source: Central Bank of Mongolia

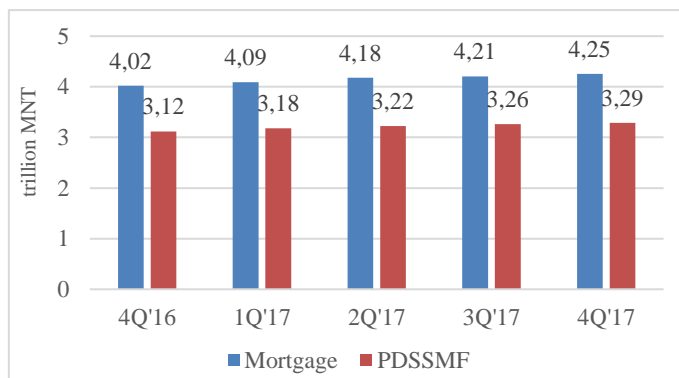
BANKING COMPETITION REVIEW

2017 – Q4



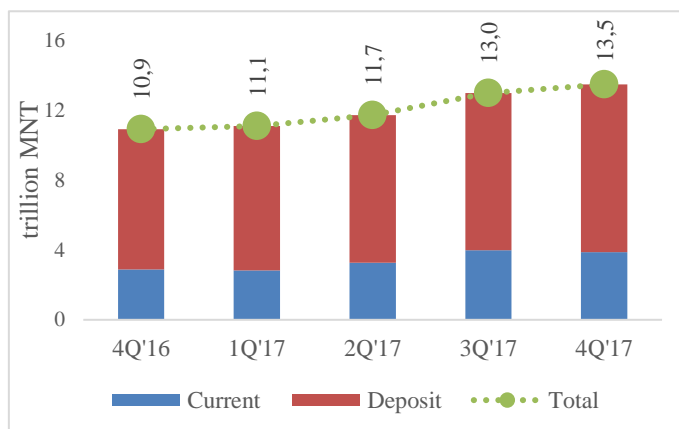
Mortgage = MNT 4.25 trillion

Total mortgage loan reached MNT 4.25 trillion as of Q4, 2017 and MNT 3.29 trillion of which is financed by the 'Program on the Development of Sustainable System of Mortgage Financing' (PDSSMF). Total mortgages have increased constantly since the program was implemented.



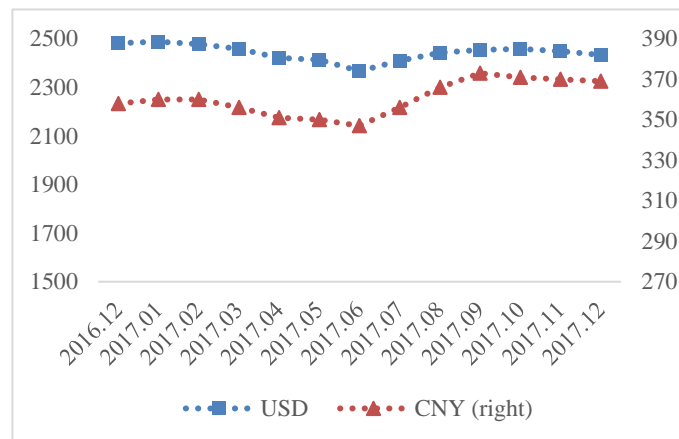
Current + Deposit = MNT 14.1 trillion

Total deposit reached MNT 9.6 trillion (19.5% growth since 4Q, 2016) and total current account reached MNT 3.9 trillion (34.4% growth since 4Q, 2016) as of 4Q, 2017.



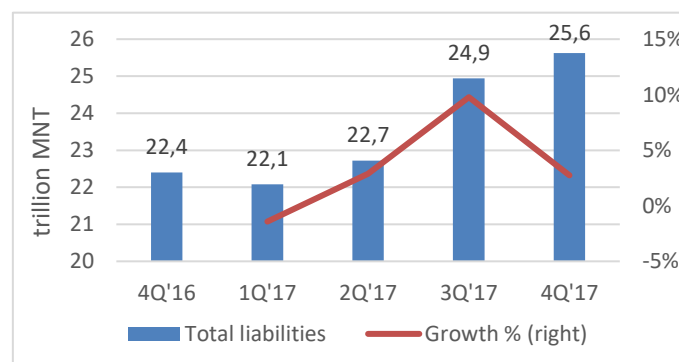
1 USD = 2433 MNT | 1 CNY = 369 MNT

Monthly average of official Foreign Exchange Rates: USD reached 2433 MNT whereas CNY reached 369 MNT as of the DEC 2016. USD to MNT fell by 49 MNT, YUAN to MNT rose by 11 MNT compared to the same period of the previous year.



Total liabilities = MNT 25.6 trillion

As of 4Q, 2017, total liabilities reached MNT 25.6 trillion which is 14.4% higher than the same quarter of the previous year.



Featured: Bank loans to individuals and SMEs

This time, we featured bank loans to individuals and SMEs. Mongolian banks issued loans which has weighted average interest rate of 19.4% and worth MNT 6.4 trillion, to over one million individuals. You can see general breakdown in the table 1. As shown in table 1, most individuals have salary loan from banks which accounts for 33% of the total loans. Over 750 thousand people have consumer, salary or pension loans but only 40,467 people have SME loans. Interest rate of mortgage and pension loans is below average because the most of them are government-supported loans.

Table 1. Bank loans to individuals, by loan types

	Loan, in terms of billion MNT	Number of borrowers	Weighted average loan interest rate
Total outstanding	6 439	1 003 311	19,4%
Mortgage	1 683	36 265	10,5%
SME	758	40 467	22,8%
Consumer loan	651	241 261	22,9%
Salary loan	2 131	286 222	22,4%
Pension loan	695	224 802	16,8%
Other	520	174 294	16,8%

Mongolian banks issued loans which has weighted average interest rate of 19.3% and worth MNT 1.45 trillion, to 5268 SMEs. In terms of loan types, banks have issued the most loan to the processing industry. Agricultural sector SMEs have the lowest average loan interest rate at 16.2%. However, processing industry SMEs have the highest average loan interest rate at 22.2%. You can see bank loans to SMEs by sectors from table 2.

Table 2. Bank loans to SMEs, by sectors

	Loan, in terms of billion MNT	Number of borrowers	Weighted average loan interest rate
Total outstanding	1 455	5268	19,3%
Agriculture	121	447	16,2%
Processing industry	453	1 169	22,2%
Construction	224	414	20,2%
Wholesale & Retail	249	1 125	17,6%
Service	107	693	20,2%
Other	301	1 420	18,3%

Banking system competition


Currently 14 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.

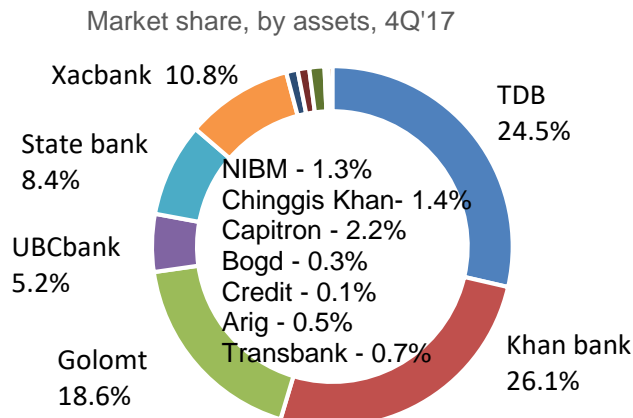
The figure below ranks the 14 banks, according to total assets under control. The banks were classified as Top 3, Medium 3 and Small banks. Only Capital bank is not included in this report.

	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

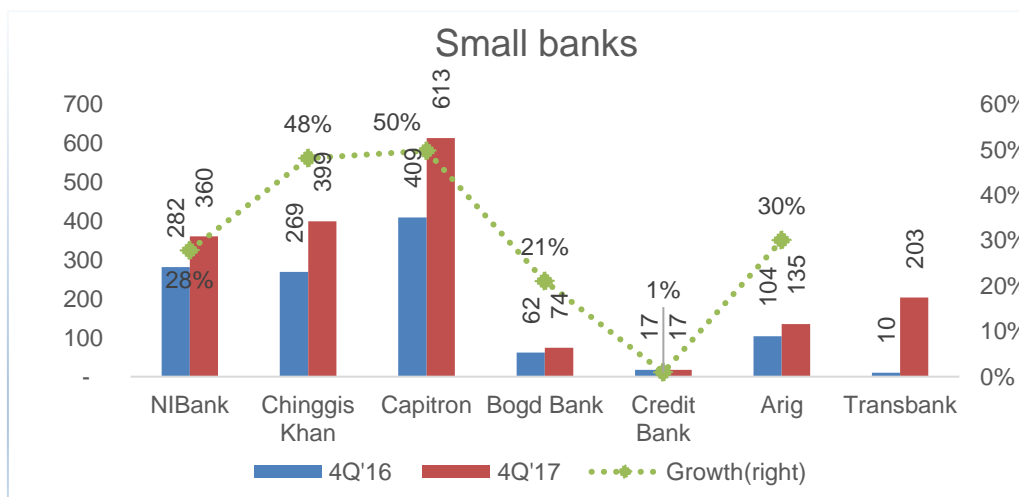
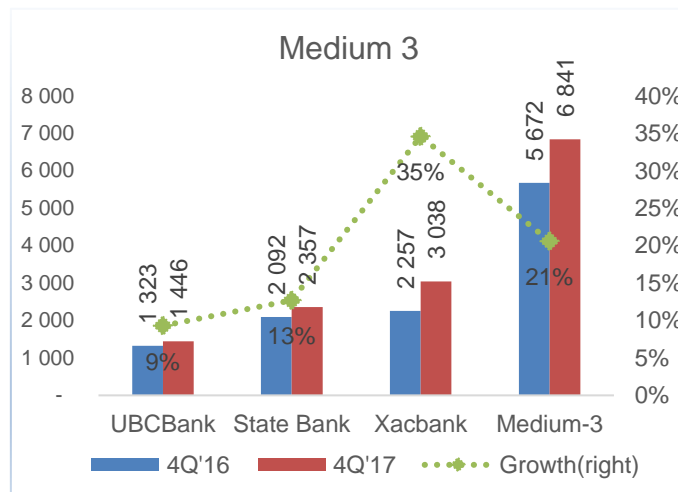
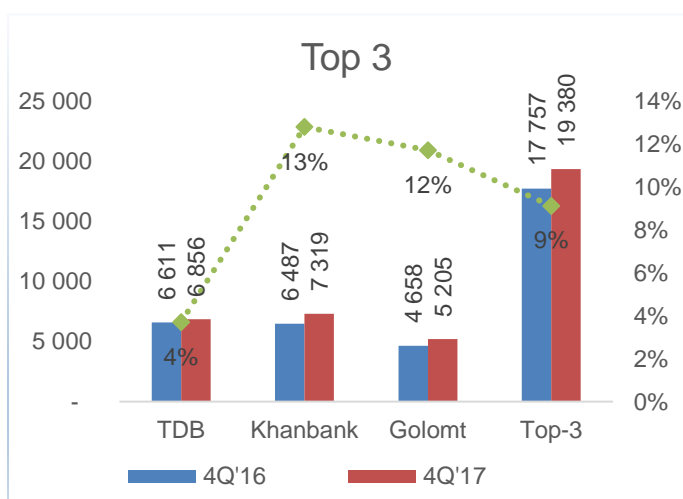
Assets

Total assets of the 13 commercial banks included in this review have reached MNT 28 trillion. Top-3 banks, medium-3 banks and small banks account for 69.2%, 24.4% and 6.4% of the sector respectively.

Total assets of top-3, medium 3 and small banks have risen 9.1%, 20.6% and 56.2% respectively.



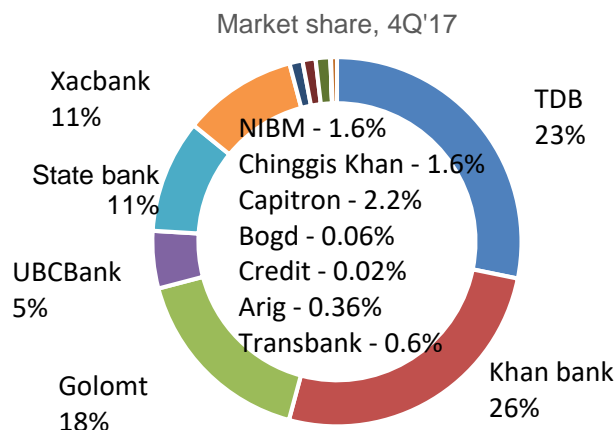
Assets, billion MNT and growth %



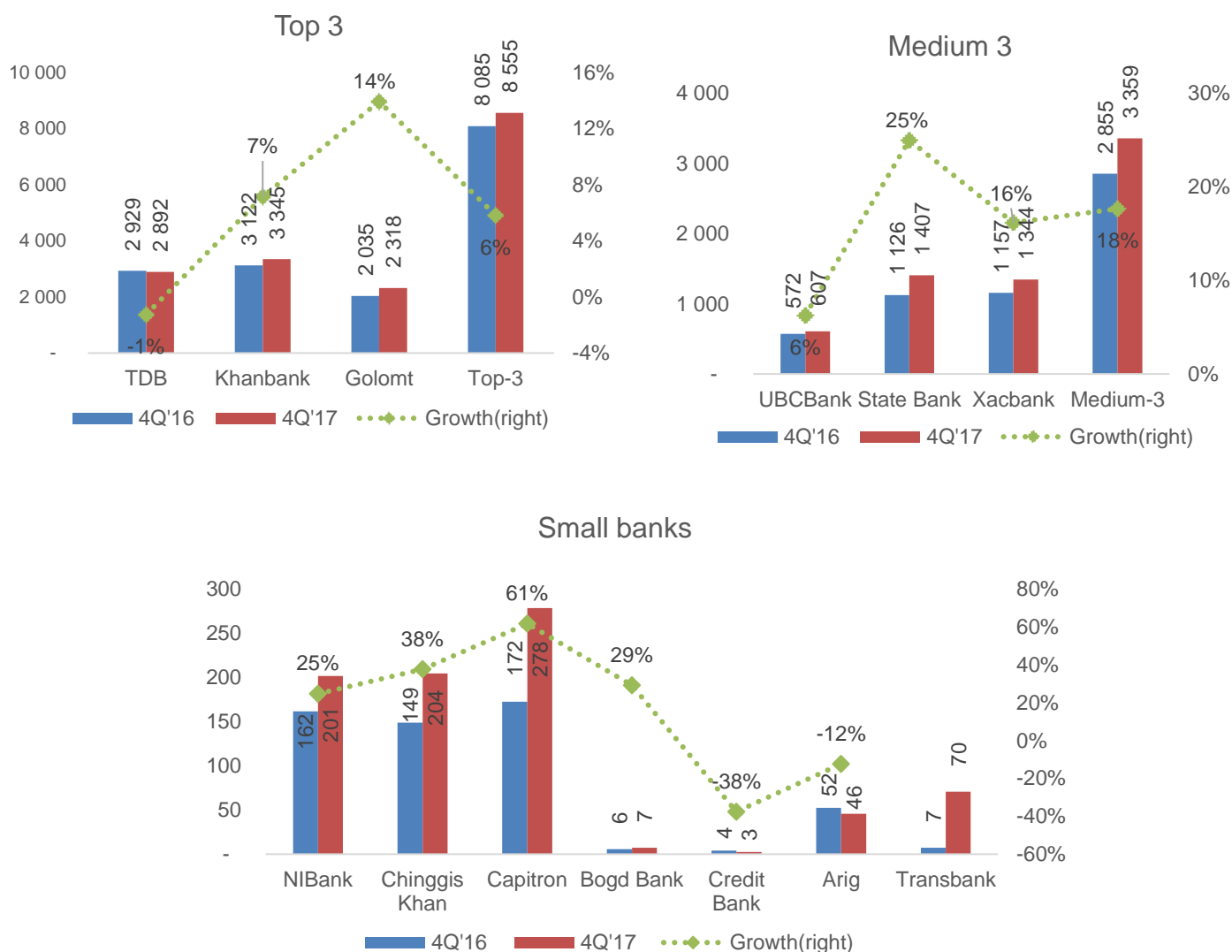
Loan

Total loans of the 13 commercial banks reached 12.7 trillion MNT as of Q4, 2017. Top-3, medium-3 and small banks account for 67.2%, 26.4%, 6.4% of total loans respectively.

Top-3, medium-3 and small banks increased their total loans by 5.8%, 17.6% and 46.8% respectively compared to Q3, 2016. Overall total loans of these 13 commercial banks increased by 10.7%.



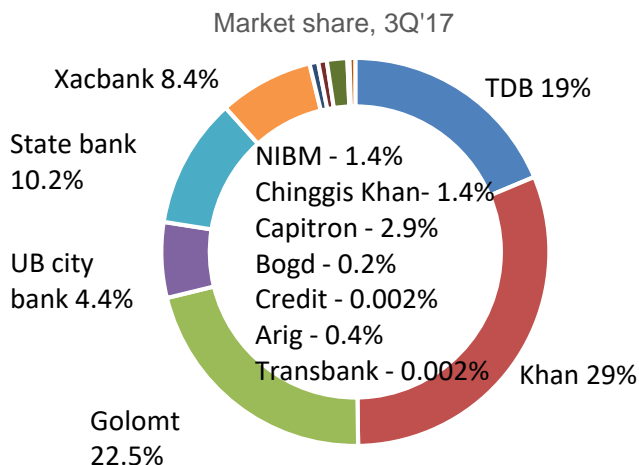
Loan, billion MNT and growth %



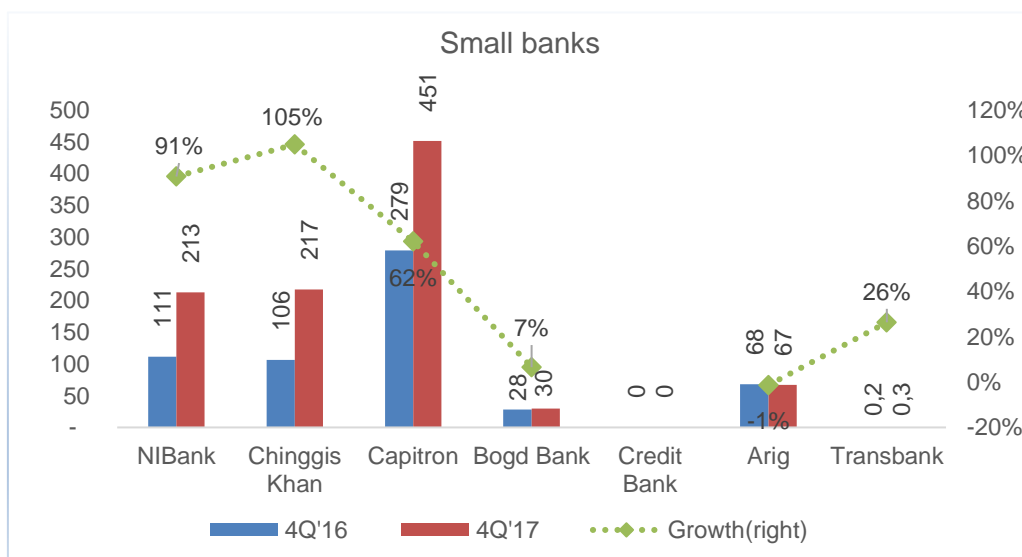
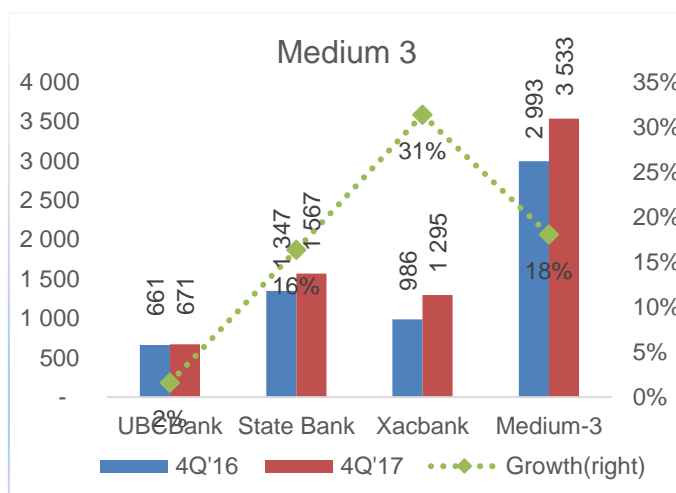
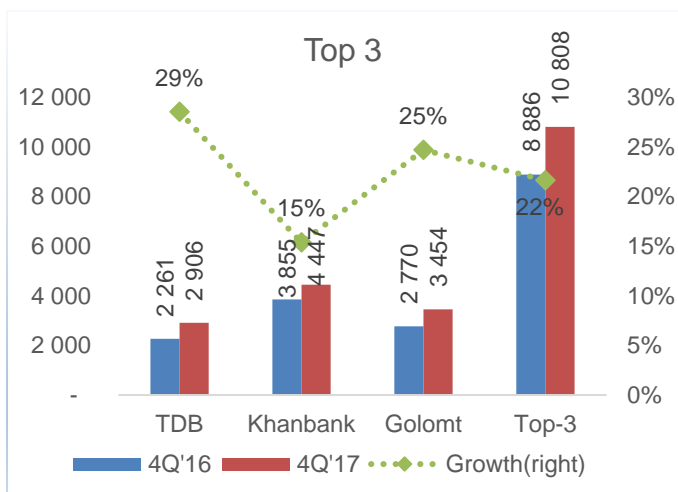
Current and deposit account

Total current and deposit accounts of the 13 commercial banks reached 15.3 trillion MNT. Top-3, medium-3 and small banks account for 70.5%, 23.1%, 6.4% of total current and deposit account respectively.

Top-3, medium 3 and small banks increased their current and deposit accounts by 22%, 18% and 65% respectively compared. Total current and deposit accounts of these 13 commercial banks increased by 22.8%.



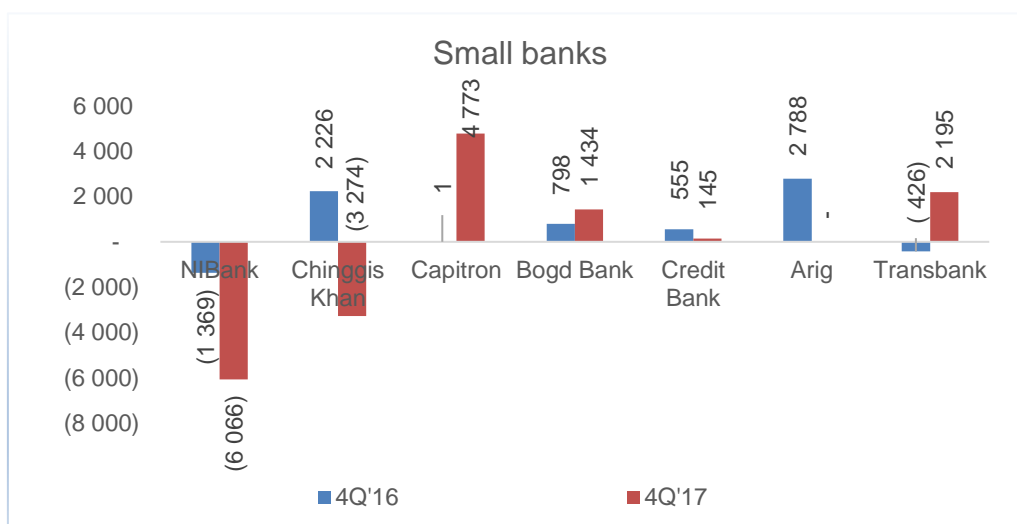
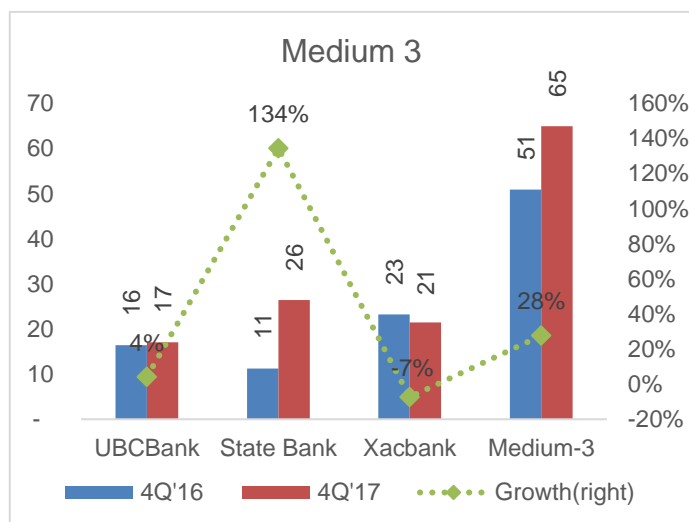
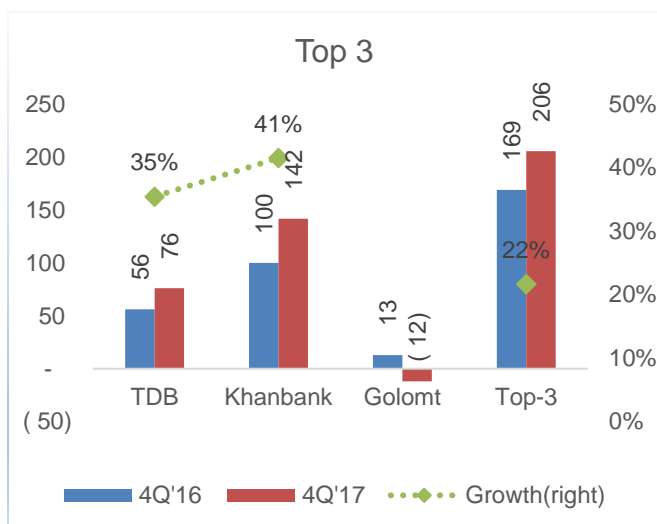
Current and deposit account, billion MNT and growth %



Profitability

Total net profit of the 13 commercial banks included in this review reached MNT 269.7 billion (after tax), MNT 45.3 billion higher than Q4, 2017. Big-3 banks and medium-3 banks have increased their profit by 22% and 28%, respectively, compared to Q4, 2017. Profit of small banks were decreased by 17%, because of huge loss of NIBank and Chinggis Khan bank.

Profit and loss by billion MNT and growth %



Sources:

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