



ECONOMIC POLICY AND COMPETITIVENESS
RESEARCH CENTER

ЭДИЙН ЗАСГИЙН БОДЛОГО, ӨРСӨЛДӨХ
ЧАДВАРЫН СУДАЛГААНЫ ТӨВ



Banking Competition Review

Quarter III,
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

07.10 Golomt Bank supported National Programming Olympiad “Hackateen 2020” organized by Nest Education School with advanced training in information technology, received the finalists World Museum of Financial History. Trainings and presentations introduced on many important topics such as the impact of information technology and trends in technology development. golombank.com

07.20 XacBank has been named the Fastest Growing Partner Bank in East Asia and the Pacific in the ninth round of the International Trade Corporation's Global Trade Finance Partners program. Based on the results of 2019, 47 out of more than 500 banks operating around the world were selected, and XacBank was selected as the best for the third time. xacbank.mn

07.27 The State Bank has signed a \$ 23 million repo deal to attract cheap foreign funding. statebank.mn

08.03 SocialPay Digital Wallet, in partnership with UnionPay International co.,ltd, has introduced the EMV UnionPay QRC international payment service using a banking application abroad. golomtbank.com

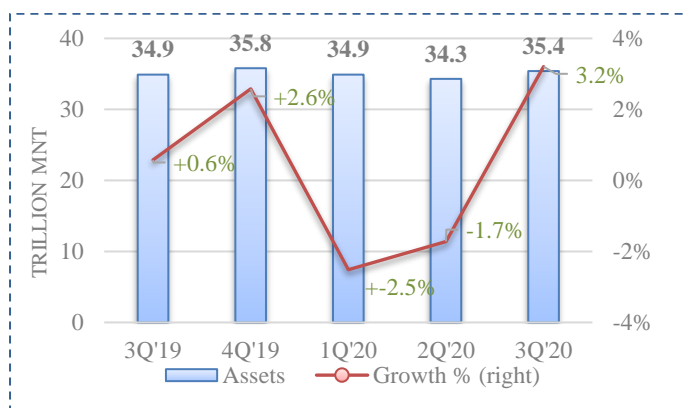
08.10 The interest rate for CNY and USD demand deposits, which will take effect starting on August 10, 2020. khanbank.com

08.17 Khan Bank is constantly updating the products and services offered to its customers, with a focus on security at a time when banking services are available online and remotely. khanbank.com

08.17 The State Bank has been gradually lowering interest rates to improve the financial capacity and living standards of its customers, and this time it has renewed its pension loan terms, supported women entrepreneurs, and introduced relatively low-interest loans to the market. statebank.mn

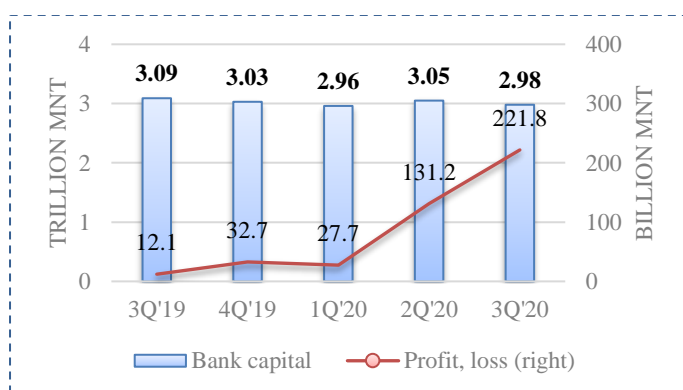
08.21 A draft parliamentary resolution has been submitted to approve a strategy to reduce interest rates. mongolbank.mn

09.17 The Trade and Development Bank of Mongolia (TDB) is implementing the “Infinite Dreams” project, which aims to support and help children grow up to be the right people to learn and develop in a comfortable environment. Within the framework of this comprehensive project for children, activities such as reducing infant mortality, protecting the right to education of children with disabilities, and making every student a friend with books have been successfully implemented. tdbm.mn

Key indicators of banking sector¹

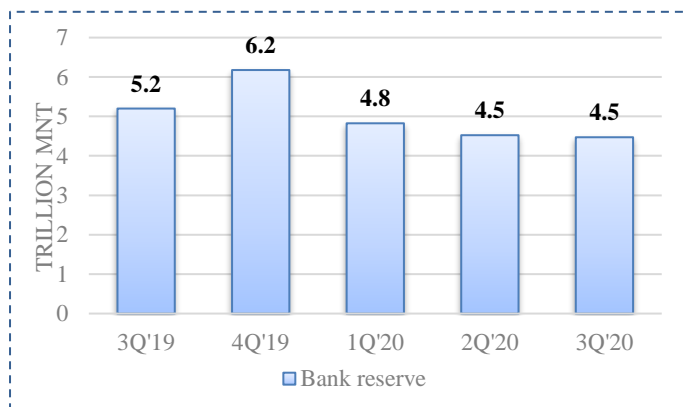
Total assets = MNT 35.4 trillion

Total assets of banking sector increased to MNT 35.4 trillion as of Q3, 2020, MNT 3.2 trillion (0.5%) higher than the previous quarter, and MNT 0.4 trillion (1.41%) higher than Q3, 2019.



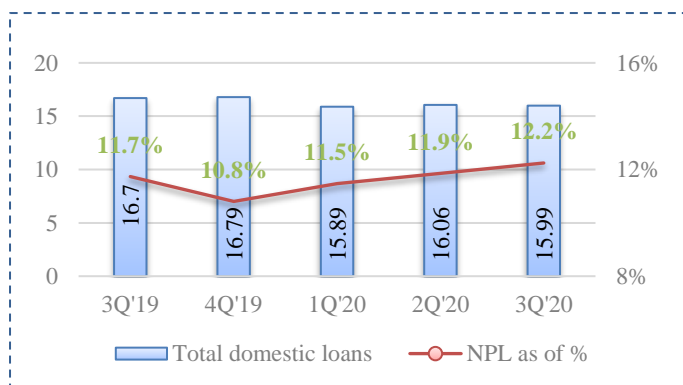
Profit = MNT 221.8 billion

Bank capital has reached MNT 2.98 trillion as of Q3, 2020 which is MNT 0.11 trillion lower than Q3, 2019. Banking sector's profit reached MNT 221.8 billion as of Q3, 2020.



Bank reserve = MNT 4.5 trillion

Bank reserve reached MNT 4.5 trillion as of Q3, 2020 which is MNT 0.7 trillion lower than the Q3, 2019. In comparison with the previous quarter, it decreased by MNT 52 billion.



Non-Performing Loans = 12.2%

Total loans (net) reached MNT 15.99 trillion as of Q3, 2020. However, NPL is still high. Total NPL reached MNT 1.9 trillion that account for 12.2% of the total domestic loans (net).

¹ Source: Central Bank of Mongolia

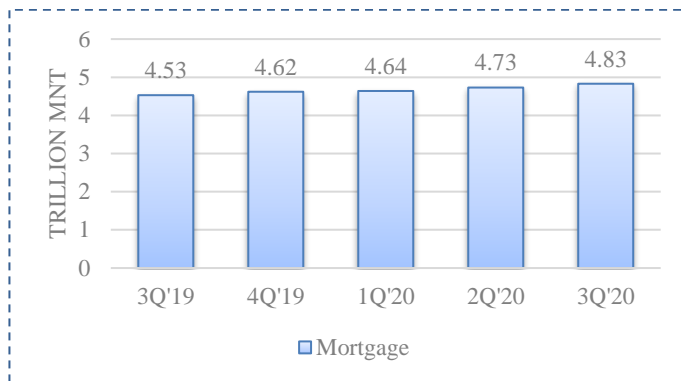
BANKING COMPETITION REVIEW

2020 – III Quarter



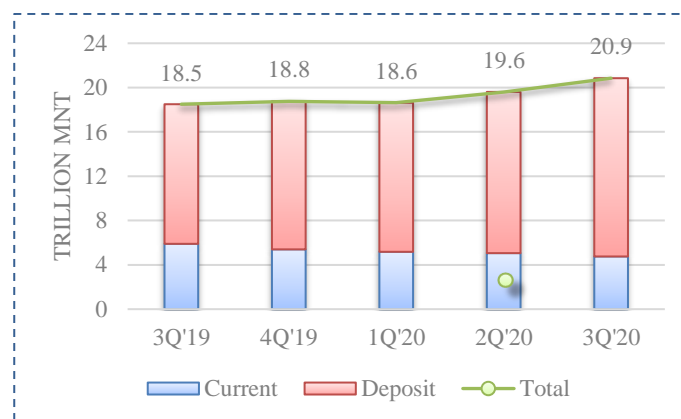
Mortgage = MNT 4.83 trillion

Total mortgage loan reached MNT 4.83 trillion as of Q3, 2020, which is 6.7% higher than the Q3, 2019.



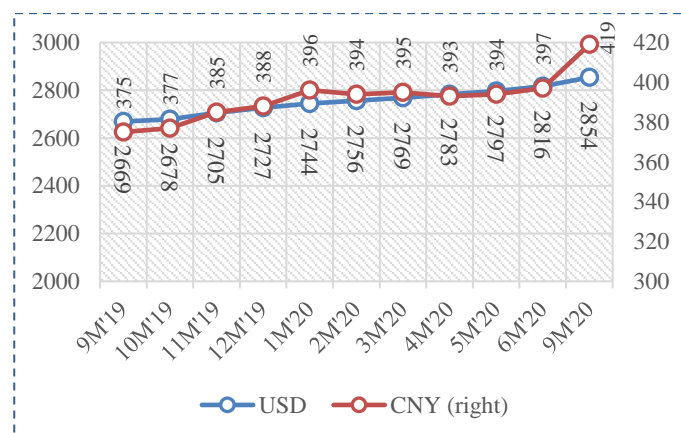
Current + Deposit = MNT 20.9 trillion

Total deposit reached MNT 16.9 trillion (28% growth since Q3, 2019) and total current account reached MNT 4.76 trillion (19% regression since Q3, 2019) as of Q2, 2020.



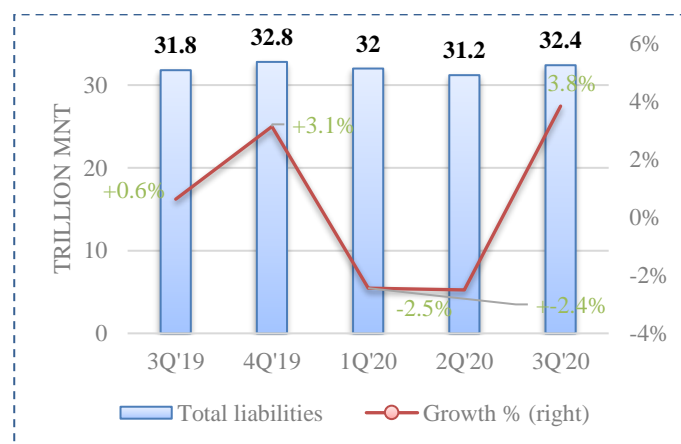
1 USD = 2854 MNT | 1 CNY = 419 MNT

Monthly average of official Foreign Exchange Rates: USD reached 2854 MNT whereas CNY reached 419 MNT as of the September 2020. USD to MNT rose by 162 MNT (+6.1%) and YUAN to MNT rose by 12 MNT (+3.1%) compared to the same quarter of the previous year.



Total liabilities = MNT 32.4 trillion

As of Q3, 2020, total liabilities reached MNT 32.4 trillion which is MNT 0.6 trillion (1.9%) higher than the same quarter of the previous year.



Featured: Policy Responses to COVID-19

On April 13, 2020, The Monetary Policy Committee held an unscheduled meeting and made the following decisions to ensure economic and financial stability.

1. The policy rate was reduced by 5 percentage points to 6 percent.

The decision to reduce the policy rate is a measure aimed at promoting economic and financial stability without compromising the inflation target. In the future, the economic outlook will depend on the extent and duration of the spread of the COVID-19 virus and the measures taken against the virus.

2. Mandatory reserve requirement (MNT reserve) was reduced by 4.5 percentage points.

According to the resolutions of the Monetary Policy Committee meetings held on March 11 and November 23, 2020, it was decided to reduce the share of MNT tugrugs by 4.5 percentage points to 6.0 percent. These policy measures are aimed at 1) reducing the dollarization of banks' resources and encouraging them to raise funds in the national currency, and 2) increasing the resources available to banks, reducing interest rates, and thus supporting financial intermediation in the economy.

3. Decision to extend the term of the consumer loan for a borrower.

The Monetary Policy Committee has decided to extend the term of consumer loans for up to 12 months for borrowers who have difficulty repaying them. The measure will help boost private consumption, alleviate current difficulties and boost economic activity by easing the monthly debt burden of borrowers until July 1, 2021 and increasing cash flow.

4. Repayment of the government's mortgage loan has been temporarily postponed

Banks are given the opportunity to independently resolve the issue of changing the terms of the borrower's loan repayment, classifying defective loans and not temporarily reducing the credit history. As of October 1, a total of 38,152 borrowers had a 2.0 trillion MNT loan deferred for 6 months.

Banking system competition


Currently 12 commercial banks are operating in Mongolia. Khan, TDB, Golomt, Xacbank, State 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 2 and small banks, depending on their total amount of assets. Capital bank is not included in this report.

The figure below ranks the 12 banks, according to total assets under control. The banks were classified as Top 3, Medium 2 and Small banks. Ulaanbaatar city bank and Capital bank were 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
SMALL BANKS	<1 trillion MNT	Chinggis Khan Bank Capitron Bank National Investment Bank Arig Bank Bogd Bank Credit Bank Trans Bank

BANKING COMPETITION REVIEW

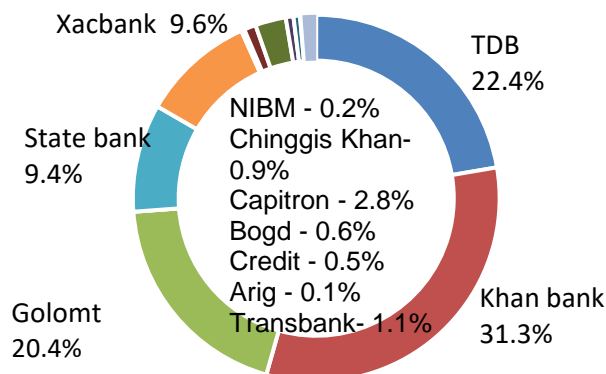
2020 – III Quarter

Assets

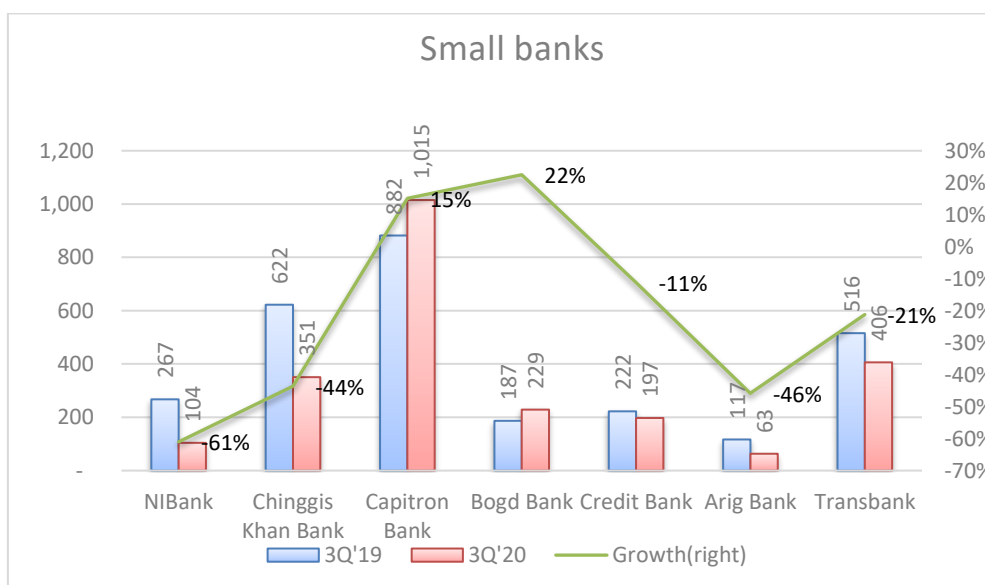
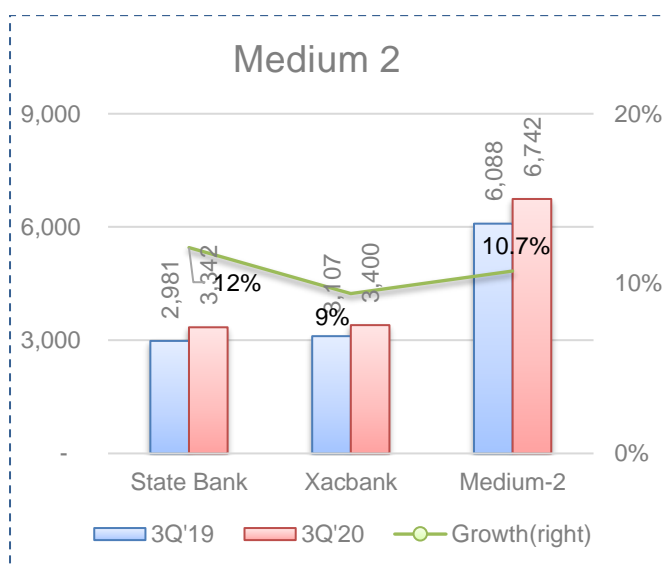
Total assets of the 12 commercial banks included in this review have reached MNT 35 trillion. Top-3 banks, medium-2 banks and small banks account for 74.3%, 19.1% and 6.7% of the sector respectively.

Total assets of top-3 and medium 2 have risen by 8%, 11% respectively, but small banks have decreased by 15.9%.

Market share, by assets, 3Q'20



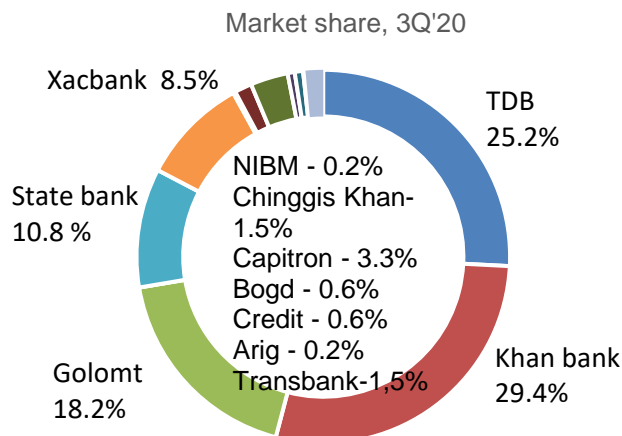
Assets, billion MNT and growth %



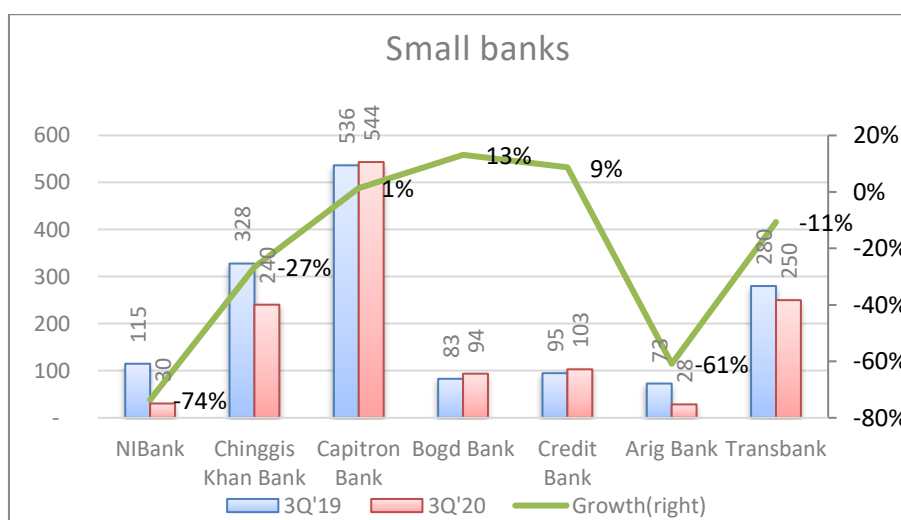
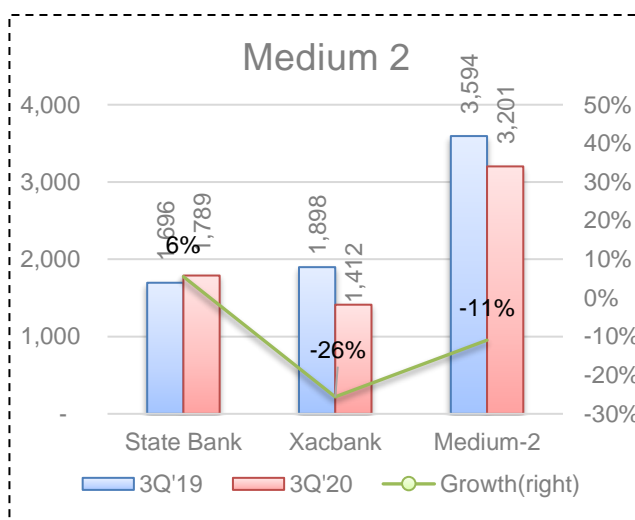
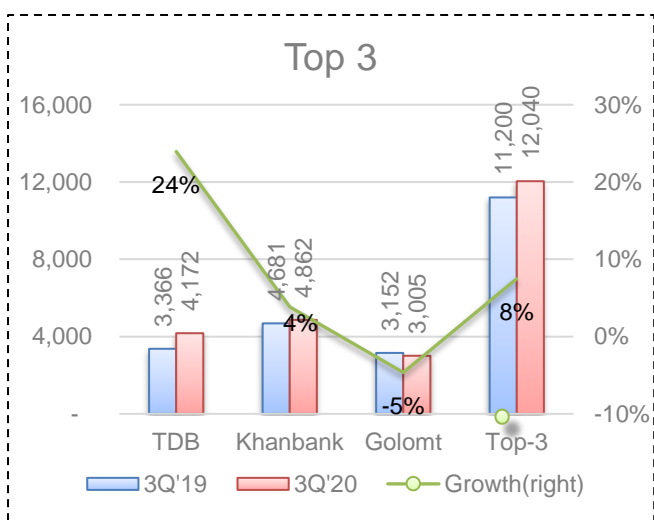
Loan

Total loans of the 12 commercial banks reached 16.6 trillion MNT as of Q2, 2020. Top-3, medium-2 and small banks account for 72.4%, 19.6%, 8% of total loans respectively.

Top-3 banks increased their total loans by 6.7% compared to Q2, 2019. But medium 3 banks and small banks decreased by 12.1% and 10% respectively. Overall total loans of these 12 commercial banks fell by 4.1%.



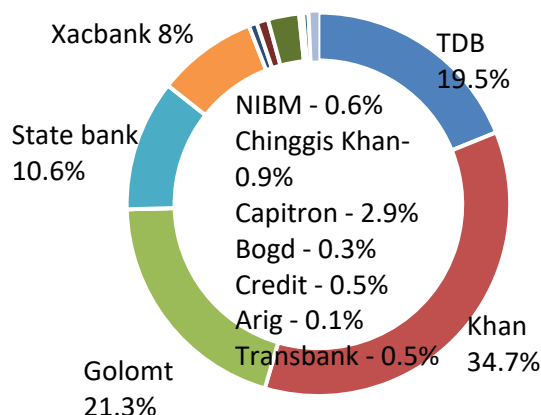
Loan, billion MNT and growth %



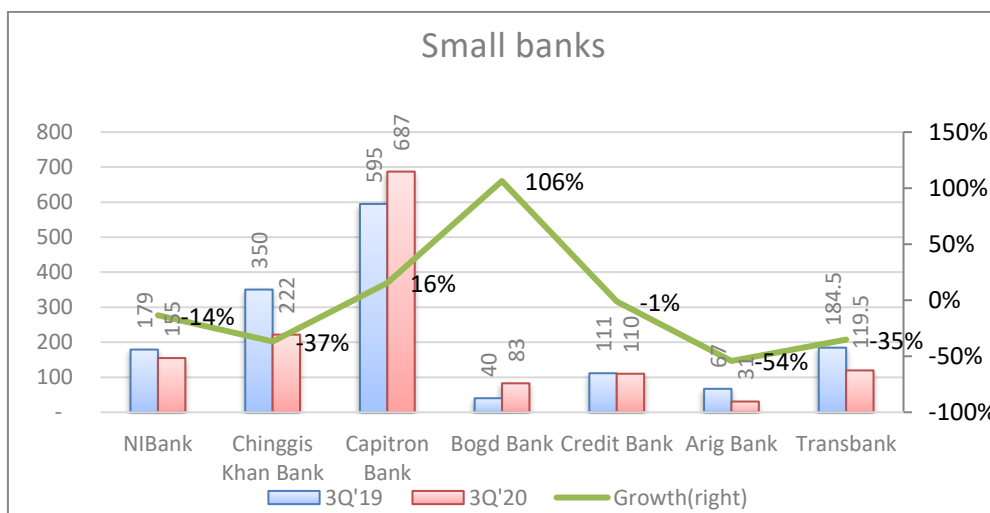
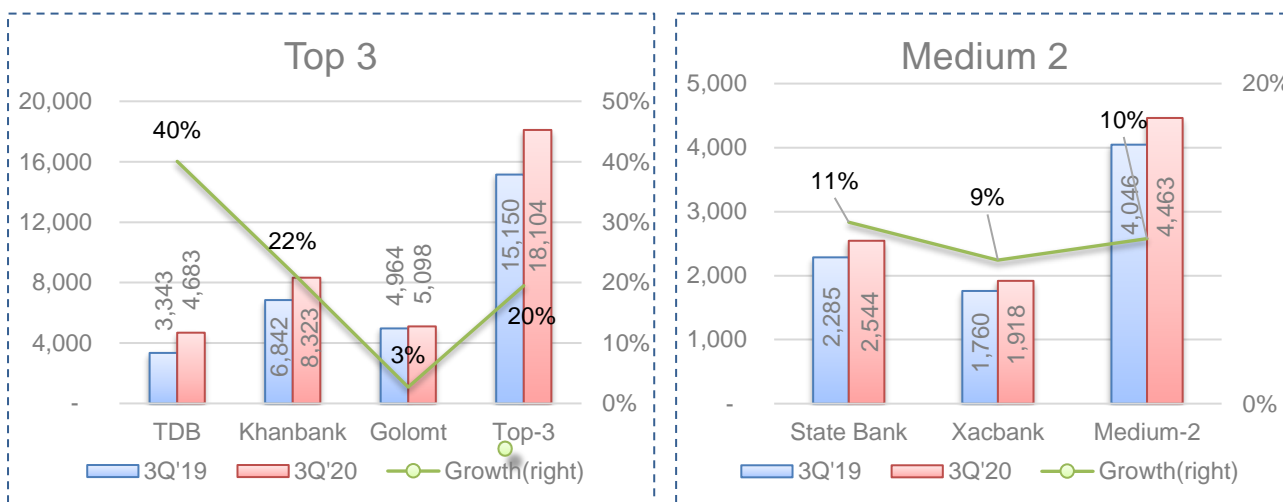
Current and deposit account

Total current and deposit accounts of the 12 commercial banks reached 23.9 trillion MNT. Top-3, medium-2 and small banks account for 75.5%, 18.6%, 5.8% of total current and deposit account respectively.

Compared to the same period of the previous year, Top-3 Bank increased its holdings by 18.1% and medium-2 bank by 10%, while small banks decreased their deposits by 8%. In total, current accounts and deposits increased by 6.6%.



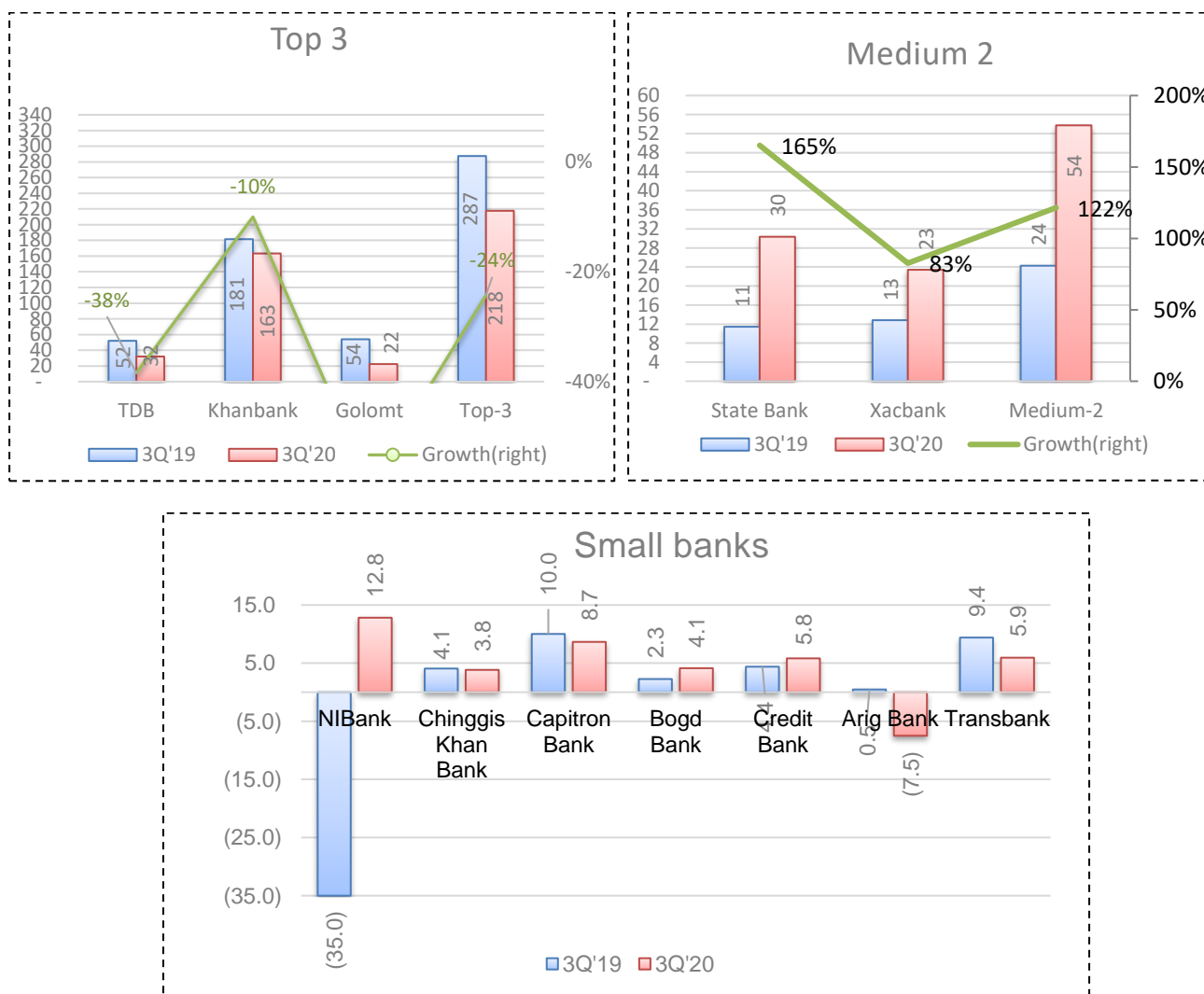
Current and deposit account, billion MNT and growth %



Profitability

Total net profit of the 12 commercial banks included in this review reached MNT 305 billion (before tax). Big-3 banks' profit (MNT 69 billion) have decreased by 24% or MNT 218 billion compared to Q3, 2019 whereas profit of medium banks were increased by 122% compared to Q2, 2019 and reached MNT 53.7 billion. Small banks are operating with a profit worth MNT 33.7 billion.

Profit and loss by billion MNT and growth %



Sources:

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