

ECONOMIC POLICY AND COMPETITIVENESS
RESEARCH CENTER

ЭДИЙН ЗАСГИЙН БОДЛОГО, ӨРСӨЛДӨХ
ЧАДВАРЫН СУДАЛГААНЫ ТӨВ



Banking Competition Review

Quarter III,
2019



- ◇ Banking sector news
- ◇ Key indicators
- ◇ Featured: Bank lending across provinces
- ◇ Total assets, loans, deposit and profit of 13 commercial banks

Banking system news in Mongolia

07.05 –World Bank Group, is providing a \$65 million loan to XacBank to support the expansion of access to finance for more than 44,000 micro, small and medium enterprises (MSMEs), to create jobs and promote economic diversification in Mongolia. xacbank.mn

07.09 –Regulation on lending process of the banks. mongolbank.mn

07.25 – The State Bank offers its customers a green loan service for free. statebank.mn

08.06 – “Trade and Development Bank initiated the ‘Boundless Dreams’ campaign, which aimed to reduce infant mortality in the long term”. tdbm.mn

08.07 – Golomt bank launched the "Student Talent program" for universities students. golomtbank.com

08.09 – Golomt won World’s best digital bank 2019 award from Global Finance. golomtbank.com

08.12 – Khangai region executives from banking sector conference has organised.. mongolbank.mn

08.20 – GME introduces money transfer services nibank.mn

09.03 – Khan bank is named a top CSR advocate in Asia for the ACES awards. khanbank.com

09.05 – Presidential Election of the Mongolian Banking Association has been held, and President of the Trade and Development Bank of Mongolia Mr. Medree Balbar has been re-elected by majority votes. tdbm.mn

09.05 – M.Otgonbayar the ceo of transbank, is elected the vice president of mongolian bankers association. transbank.mn

09.06 – TDB has signed a Memorandum of Understanding (MOU) on cooperation with Achilles Mongolia NGO for three years to promote social contributions and support people with disabilities. tdbm.mn

09.12 – The Khan Bank has begun to grant "Green Loans" at 8% interest per annum. khanbank.com

09.17 – TDB sponsored a marathon run by the Achilles Mongolian International Organization to support athletes with disabilities, to give them inspiration, energy and confidence. tdbm.mn

09.20 – Moody's assigns first-time ratings to Capitron Bank capitronbank.mn

09.22 – Bank Golomt declares that its activities will be aligned with the "Sustainable Development Goals" and "Paris Agreement against climate change". golomtbank.com

09.23 – The Bank of Mongolia's loan database rules are introduced. mongolbank.mn

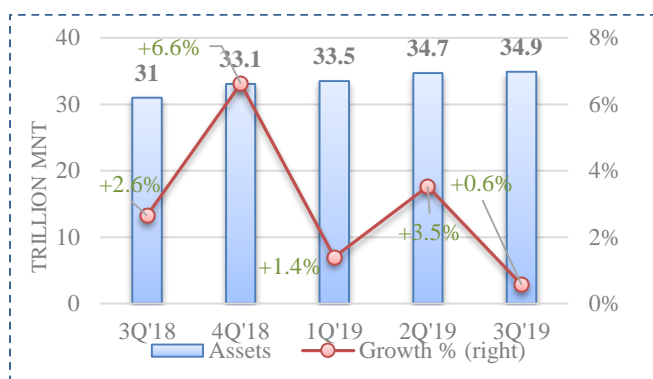
09.24 – Transbank has organized a closing activity of the collaborative project with JCI Ulaanbaatar NGO. transbank.mn

09.25 – Bogd Bank has agreement on cooperation with INTL FCStone Inc international financial organizations from England. bogdbank.com

09.27 –Khan Bank receives the national top employer –best social insurance premium payer award once again khanbank.com

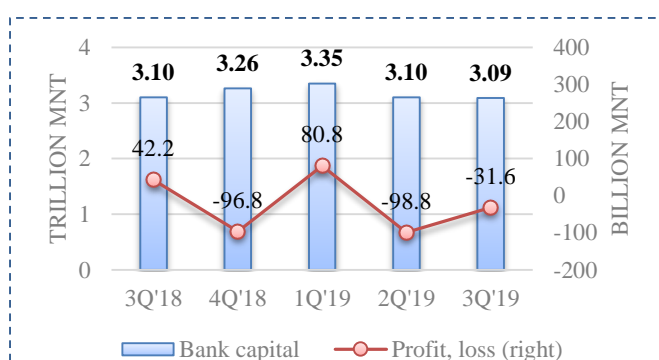
BANKING COMPETITION REVIEW

2019 – III Quarter

Key indicators of banking sector¹

Total assets = MNT 34.9 trillion

Total assets of banking sector increased to MNT 34.9 trillion as of Q3, 2019, MNT 1.1 trillion (+0.6%) higher than the previous quarter, and MNT 3.9 trillion (+0.1%) higher than Q3, 2018.



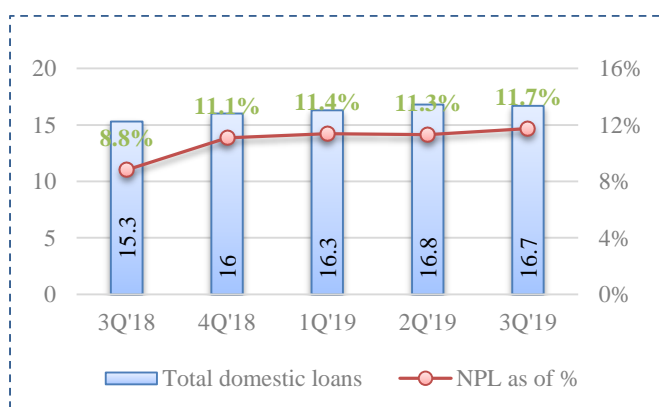
Loss = MNT -31.6 billion

Bank capital has reached MNT 3 trillion as of Q3, 2019 which is MNT 0.01 trillion lower than Q3, 2018. Banking sector's loss reached MNT -31.6 billion as of Q3, 2019.



Bank reserve = MNT 4.7 trillion

Bank reserve reached MNT 4.7 trillion as of Q3, 2019 which is MNT 1.6 trillion higher than the Q3, 2018. In comparison with the previous quarter, it increased by MNT 351 billion.



Non-Performing Loans = 11.7%

Total loans (net) reached MNT 16.7 trillion as of Q3, 2019. However, NPL is still high. Total NPL reached MNT 1.9 trillion which account for 11.7% of the total domestic loans (net).

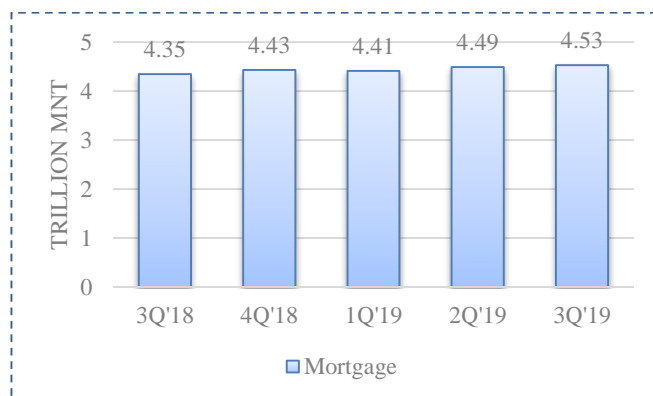
¹ Source: Central Bank of Mongolia

BANKING COMPETITION REVIEW

2019 – III Quarter

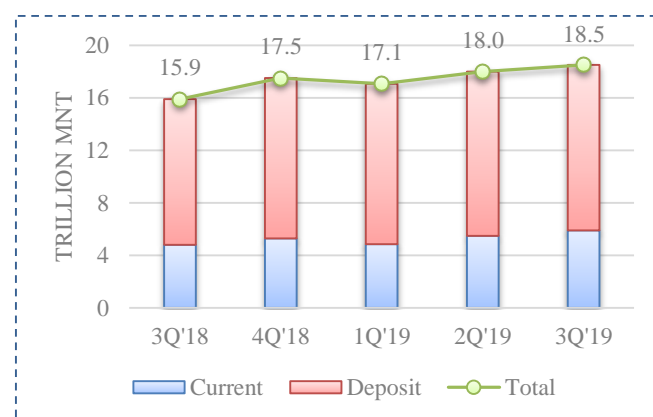
Mortgage = MNT 4.53 trillion

Total mortgage loan reached MNT 4.53 trillion as of Q3, 2019. Total mortgages have increased constantly since the 'Program on the Development of Sustainable System of Mortgage Financing' was implemented.



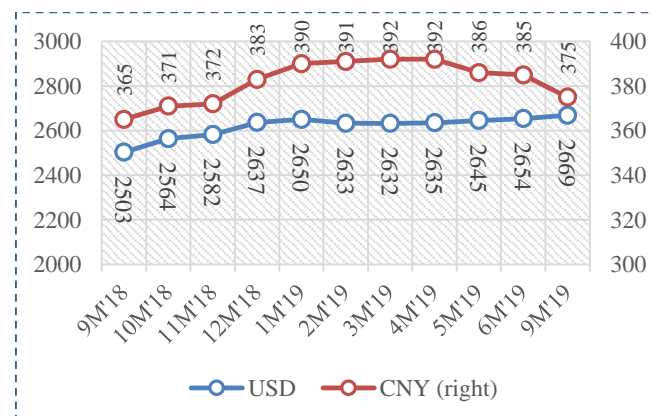
Current + Deposit = MNT 18.5 trillion

Total deposit reached MNT 12.5 trillion (16.8% growth since Q2, 2018) and total current account reached MNT 5.5 trillion (17.0% growth since Q2, 2018) as of Q2, 2019.



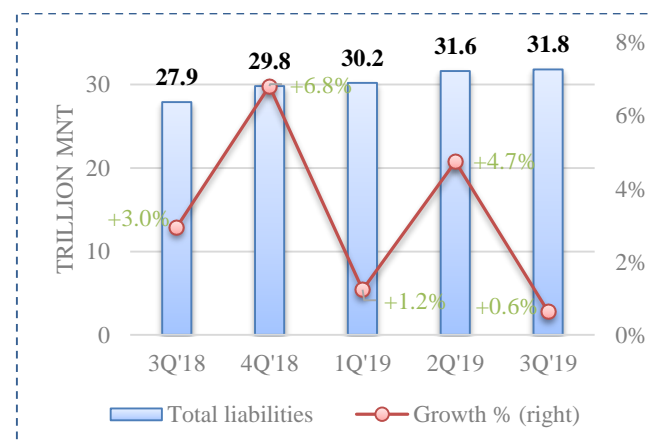
1 USD = 2669 MNT | 1 CNY = 375 MNT

Monthly average of official Foreign Exchange Rates: USD reached 2669 MNT whereas CNY reached 375 MNT as of the September 2019. USD to MNT rose by 166 MNT (+10%) and YUAN to MNT rose by 10 MNT (+2.7%) compared to the same quarter of the previous year.



Total liabilities = MNT 31.8 trillion

As of Q3, 2019, total liabilities reached MNT 31.8 trillion which is MNT 3.9 trillion (+13.9%) higher than the same quarter of the previous year.

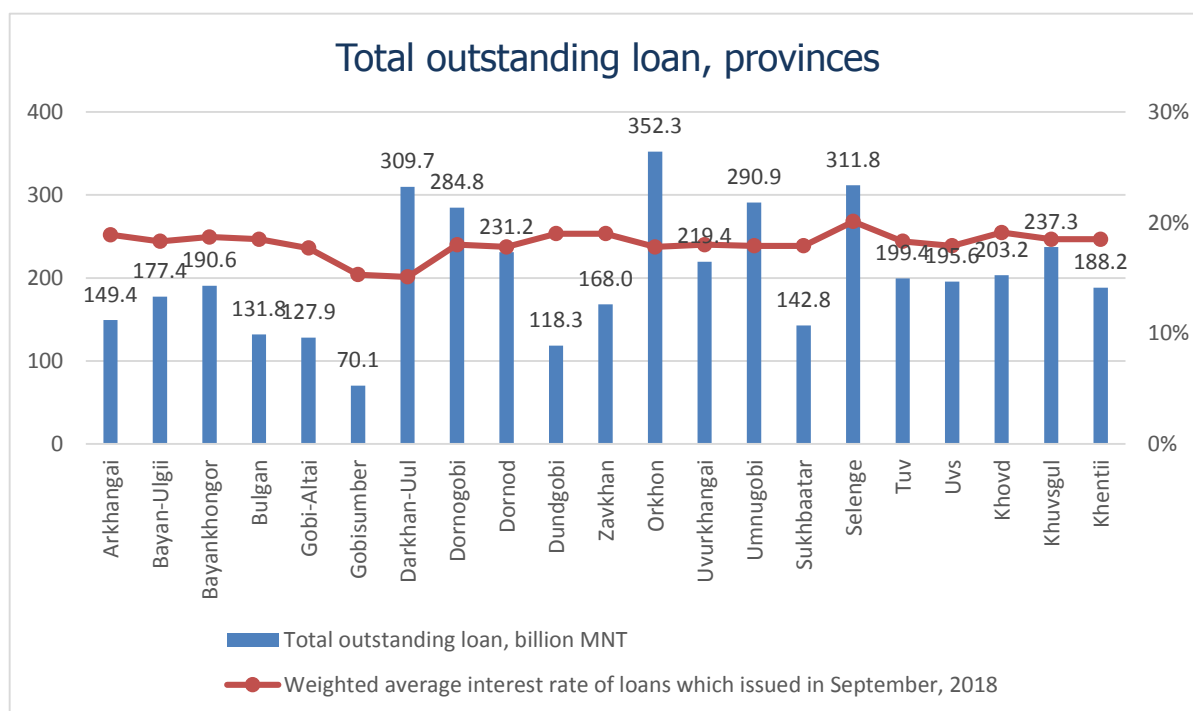


Featured: Bank lending across provinces

As of September 2019, around 659 thousand people from 21 provinces have borrowed from banks and have total outstanding loans of MNT 4.3 trillion. Only 2.5% of total outstanding loans is overdue or non-performing loans.

As shown in below figure, Orkhon province has the largest outstanding loans worth MNT 352.3 billion whereas Khentii province has the smallest outstanding loans worth MNT 188.2 billion. Gobisumber and Darkhan-Uul provinces have the lowest average loan interest rate (15.1%) whereas Selenge province has the highest average loan interest rate (20.1%) as for loans which issued only in Dec 2018.

MNT 2.2 trillion or 51% of total outstanding loans (MNT 4.3 trillion) of provinces are only salary and pension loans.



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	Chinggis Khan Bank Capitron Bank National Investment Bank Arig Bank Bogd Bank Credit Bank Trans Bank

BANKING COMPETITION REVIEW

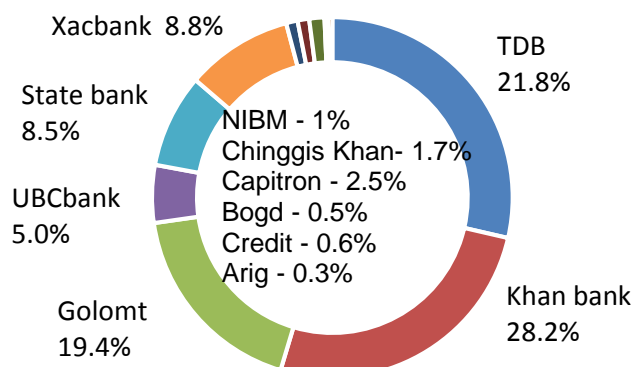
2019 – III Quarter

Assets

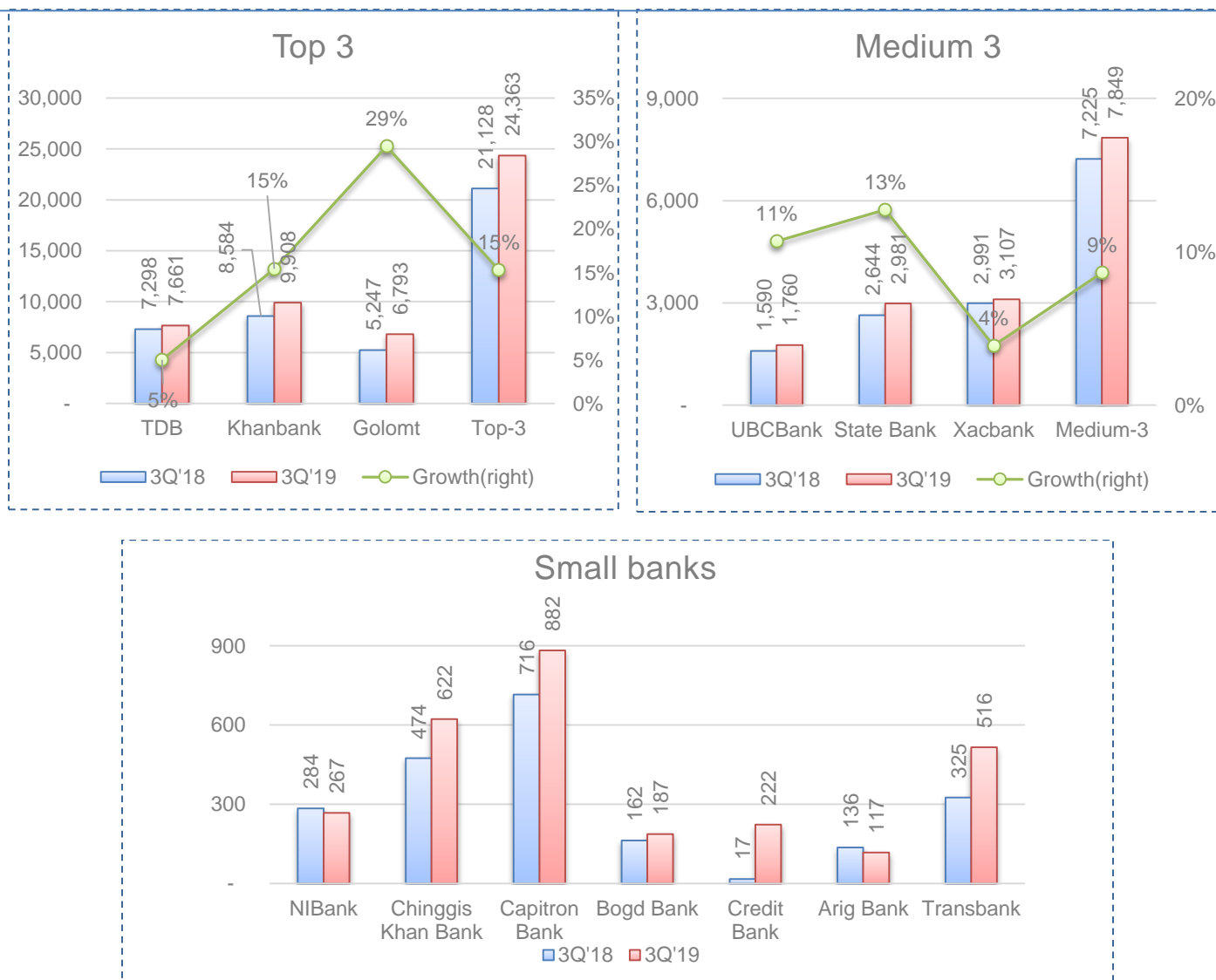
Total assets of the 13 commercial banks included in this review have reached MNT 34.9 trillion. Top-3 banks, medium-3 banks and small banks account for 69.6%, 22.4% and 8% of the sector respectively.

Total assets of top-3, medium 3 and small banks have risen 15%, 9% and 33% respectively.

Market share, by assets, 3Q'19



Assets, billion MNT and growth %



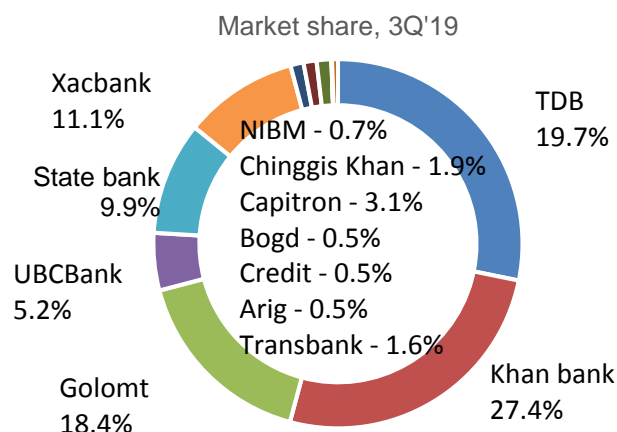
BANKING COMPETITION REVIEW

2019 – III Quarter

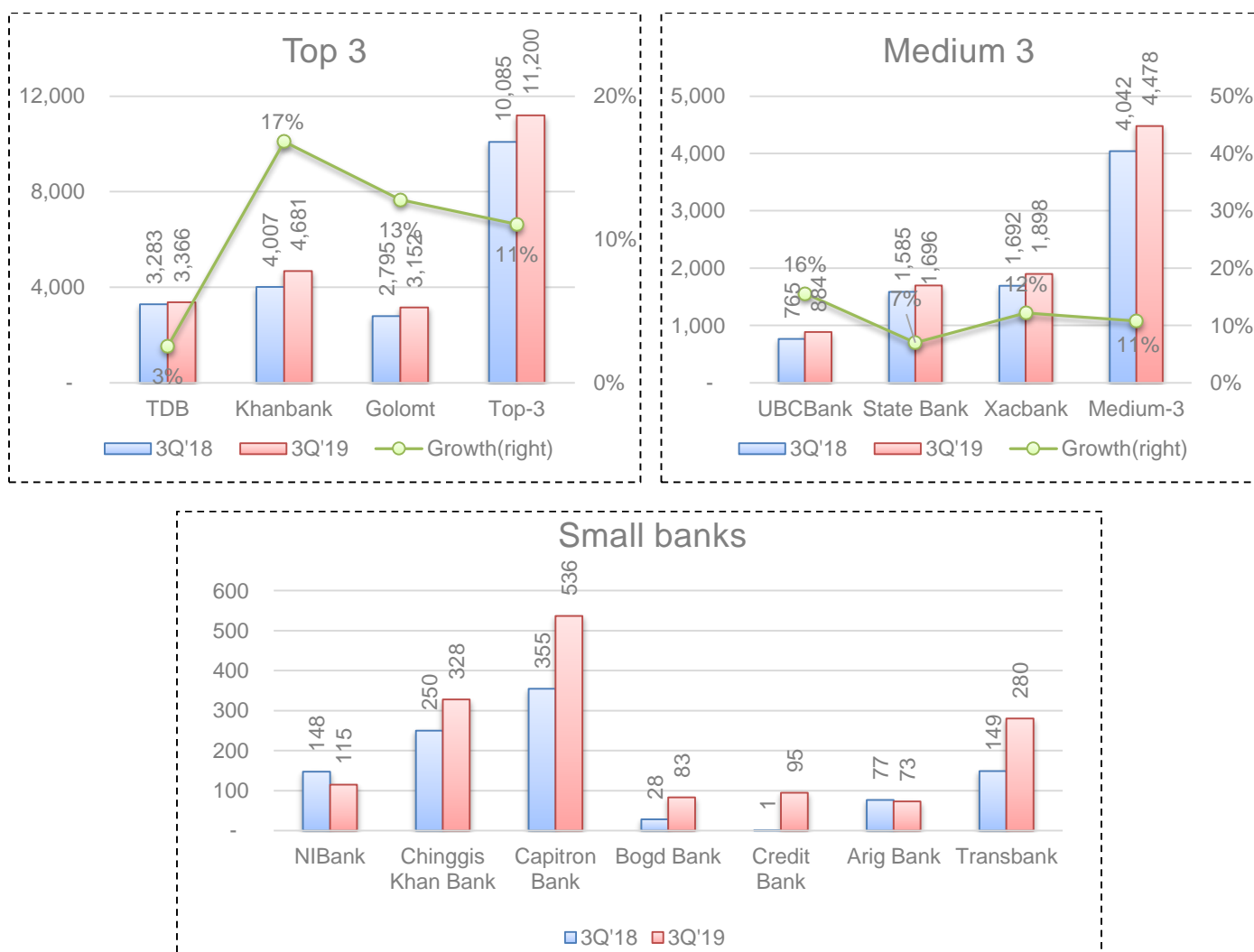
Loan

Total loans of the 13 commercial banks reached 17.1 trillion MNT as of Q3, 2019. Top-3, medium-3 and small banks account for 65.5%, 26.2%, 8.7% of total loans respectively.

Top-3, medium-3 and small banks increased their total loans by 11%, 11% and 50% respectively compared to Q3, 2018. Overall total loans of these 13 commercial banks increased by 13.5%.



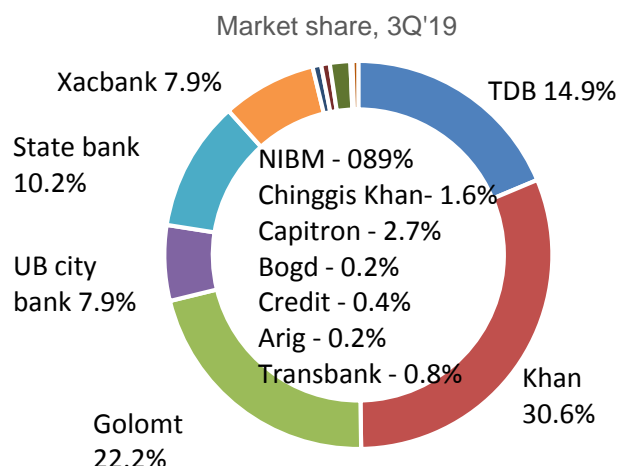
Loan, billion MNT and growth %



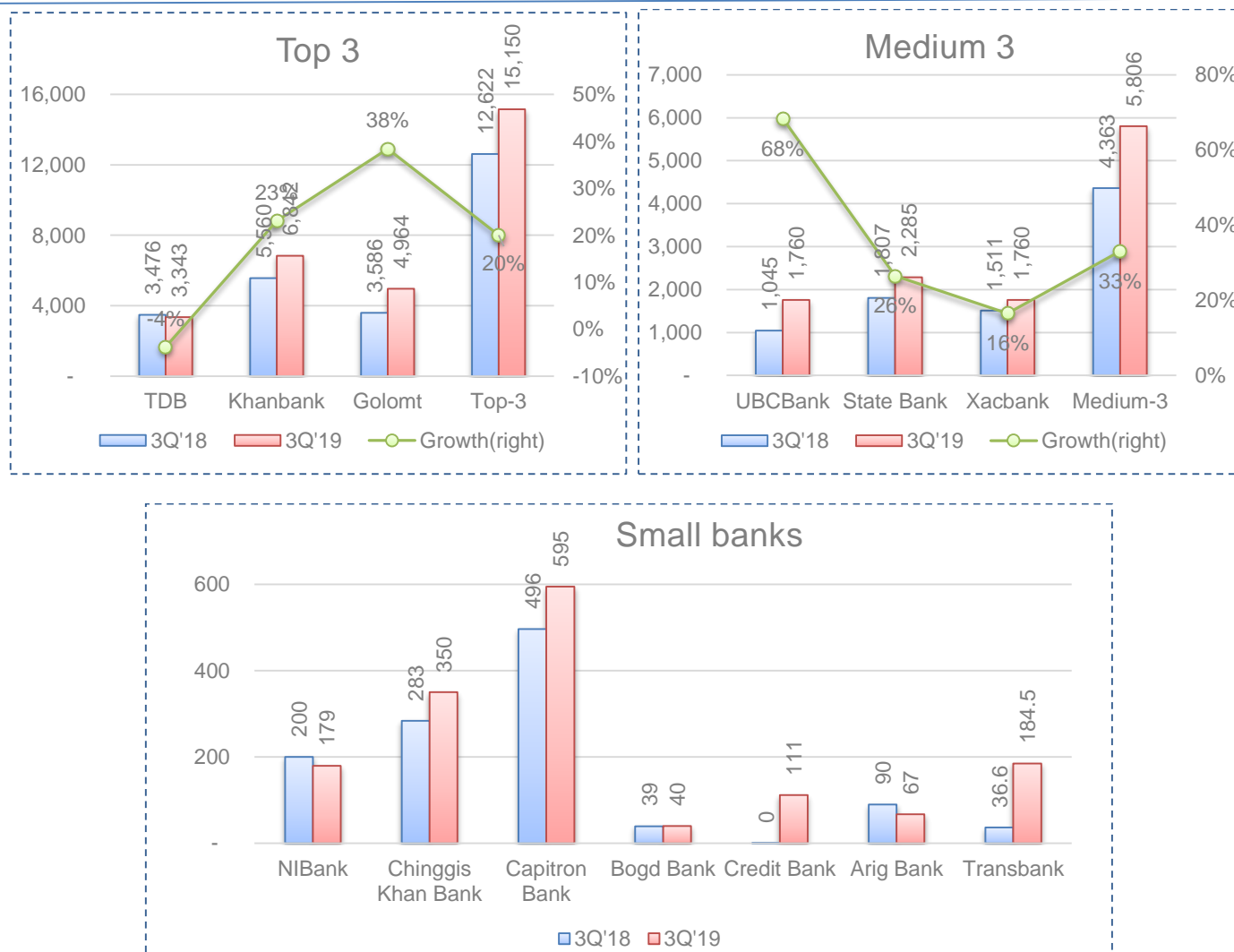
Current and deposit account

Total current and deposit accounts of the 13 commercial banks reached 22.4 trillion MNT. Top-3, medium-3 and small banks account for 67.3%, 25.8%, 6.7% of total current and deposit account respectively.

Top-3, medium 3 and small banks increased their current and deposit accounts by 20%, 33% and 33% respectively since 3Q, 2018. Total current and deposit accounts of these 13 commercial banks increased by 24%.



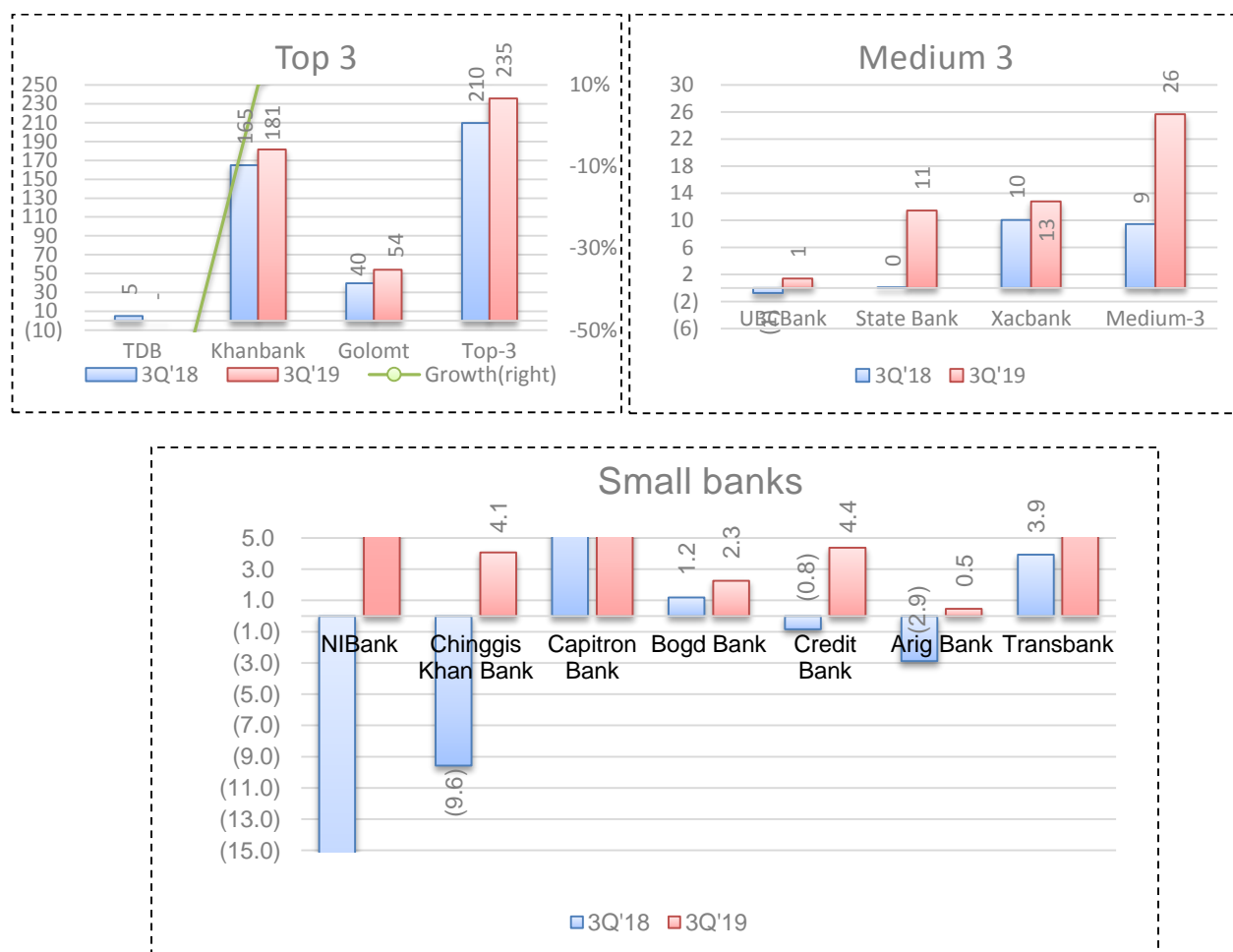
Current and deposit account, billion MNT and growth %



Profitability

Total net profit of the 13 commercial banks included in this review reached MNT 261 billion (after tax). Big-3 banks' profit (MNT 26 billion) have increased by 12% or MNT 50 billion compared to Q3, 2018 whereas profit of medium banks were increased by MNT 16 billion compared to Q3, 2018 and reached MNT 25.7 billion. Small banks are operating with a loss worth MNT 36.5 million.

Profit and loss by billion MNT and growth %



Sources:

1. Mortgage loan report, September 2019, Bank of Mongolia
2. Key indicators of banking system consolidated balance sheet, September 2019, Bank of Mongolia
3. Monthly foreign exchange rate, September 2019, Bank of Mongolia
4. Quarterly financial report of commercial banks, 3rd quarter of 2019
5. Loan report of banks, September 2019, Bank of Mongolia