



## Mongolia: Banking Sector | 2020/10/27



Bank of Mongolia

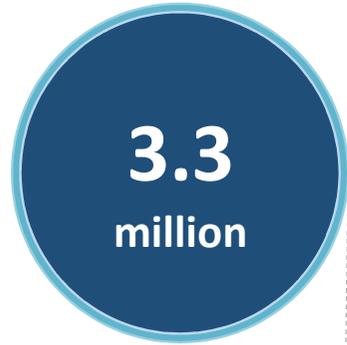
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## Country profile: Quick facts (2019/12/31)



Population



GDP per capita



GDP growth



Inflation



Unemployment

A country with vast quantities of untapped mineral and agricultural resources

Small open economy heavily dependent on commodity exports, thus highly prone to ups and downs at the global commodity market

Mining sector constitutes **23%** of GDP and **85%** of the total exports

Largest trading partner is China

Due to effects of COVID-19, GDP declined 10.7% for the 2020H1

It is expected that GDP will decline by 1-2 percent for 2020

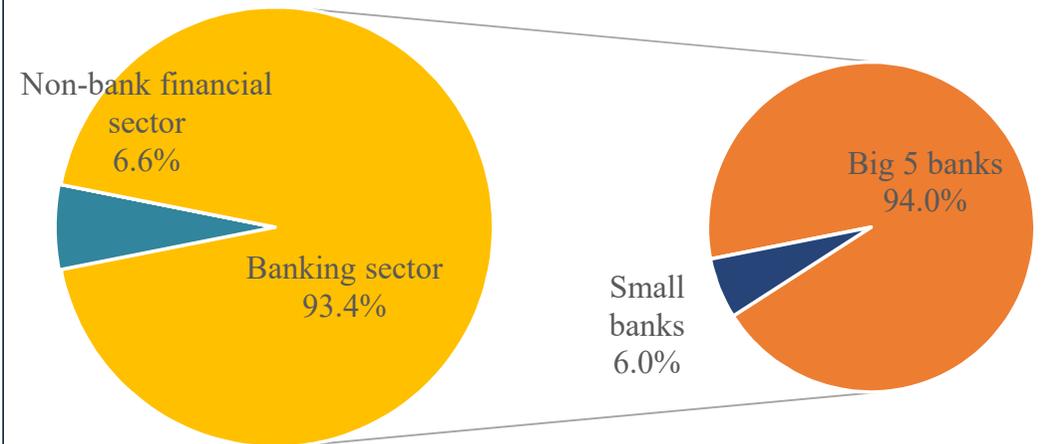
Currently, no domestic outbreaks of COVID-19

Government is implementing relief measures to affected households and businesses.

## Financial sector structure

- Total assets USD 13.13 billion
- Highly concentrated bank-dominated financial system
- 93 percent of total financial sector assets is in the banking sector
- 5 systemically important banks hold more than 90 percent of the total assets in the banking sector
- 12 commercial banks, 1 development bank and 5 foreign bank representative offices
- No merchant banks specializing in certain services

Financial sector structure (2020.09.30)



## Banking sector overview

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### ASSETS:

**USD12.26 billion**

yoy growth **-0.5%**

ytd growth **-1.9%**

monthly growth **2.5%**

### LIABILITIES:

**USD11.06 billion**

yoy growth **1.8%**

ytd growth **-1.4%**

monthly growth **3.2%**

### PRUDENTIAL RATIOS:

Tier I CAR **12.5%** (min. 9%)

CAR **15.3%** (min. 12%)

Liquidity ratio **42.9%** (min. 25%)

### LOANS OUTSTANDING:

**USD6.05 billion**

yoy growth **-4.0%**

ytd growth **-3.6%**

monthly growth **0.0%**

### EQUITIES:

**USD1.20 billion**

yoy growth **-9.8%**

ytd growth **-6.4%**

monthly growth **-3.5%**

### NPLs:

**USD 648.05 million**

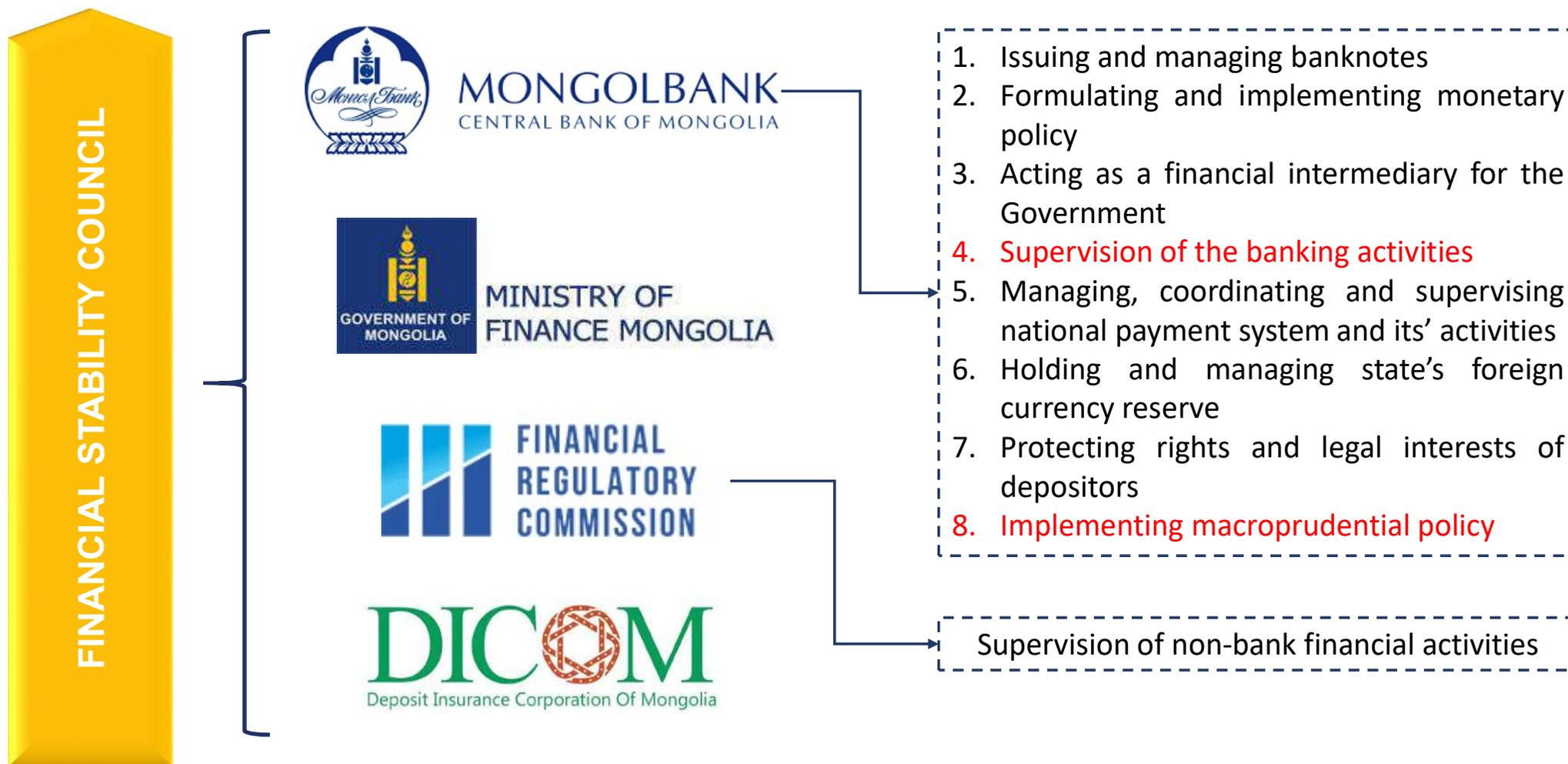
yoy growth **17.3%**

ytd growth **27.4%**

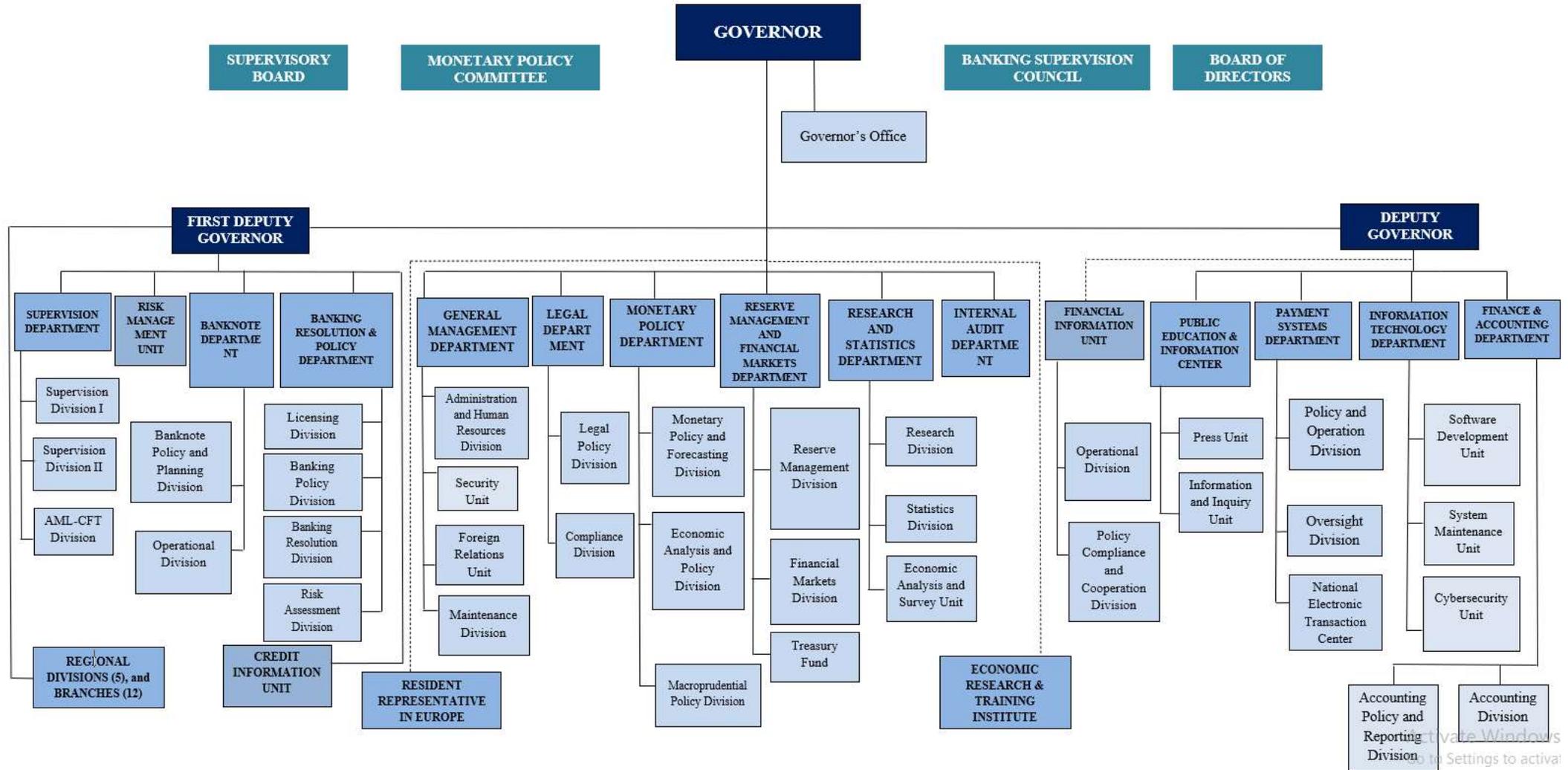
NPL rate **10.7%**



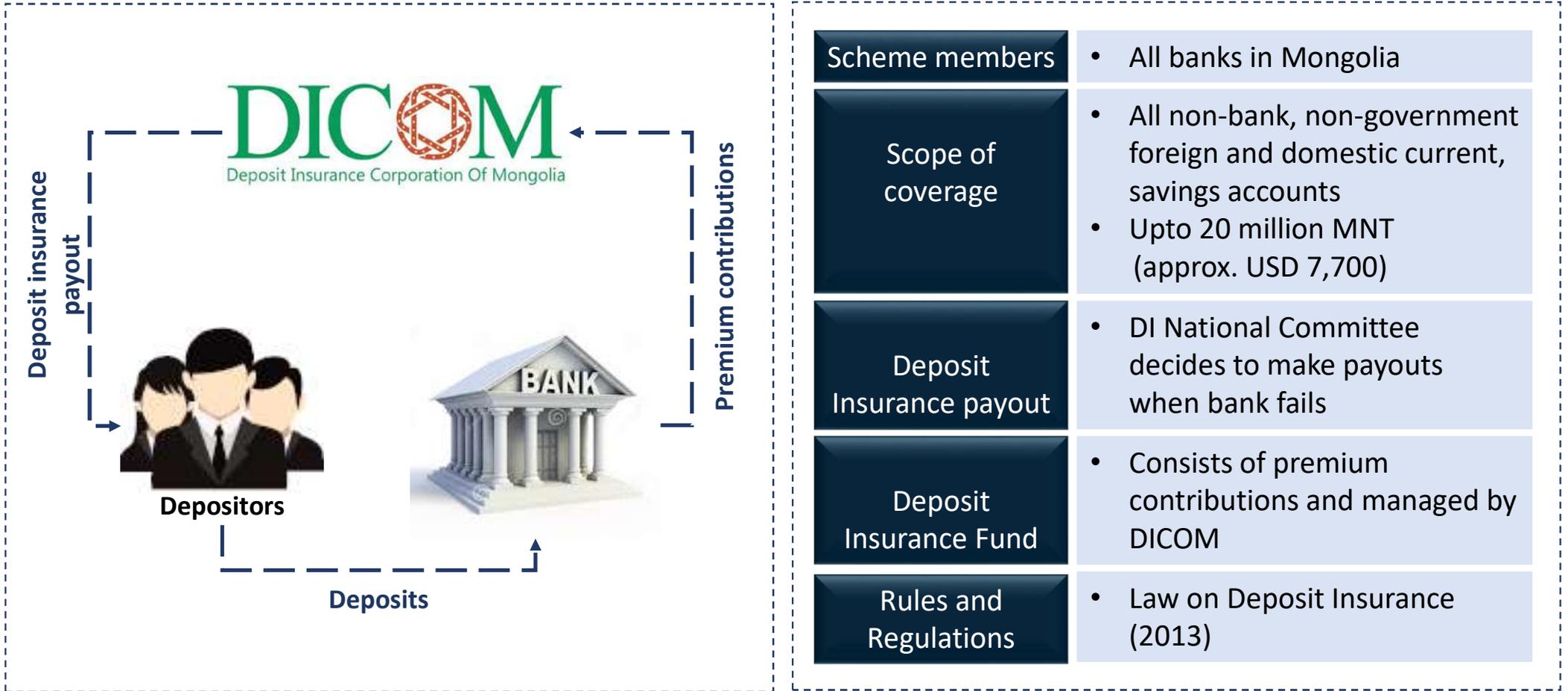
## Financial sector regulators



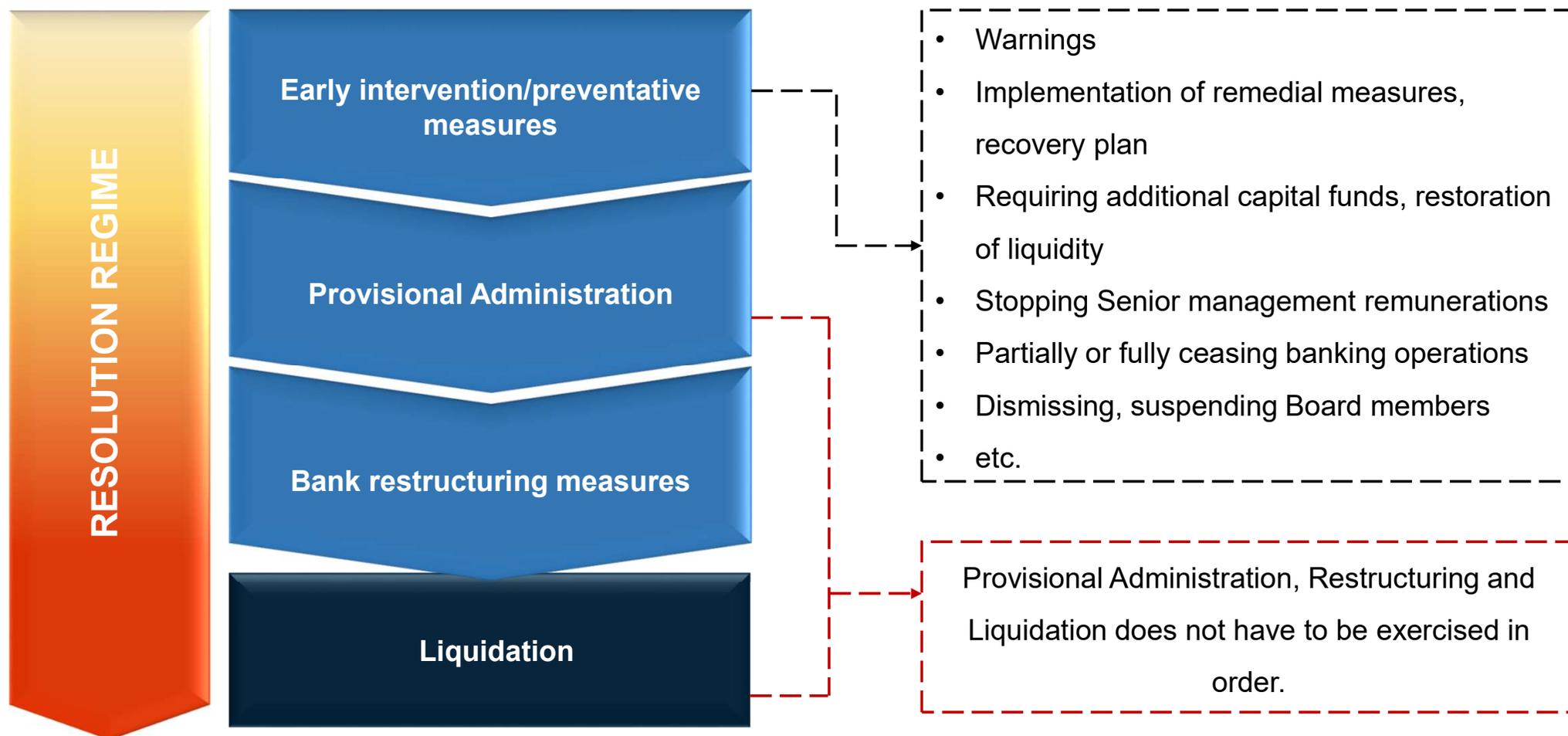
# Bank of Mongolia organizational chart



# Deposit Insurance Scheme in Mongolia



## Resolution regime



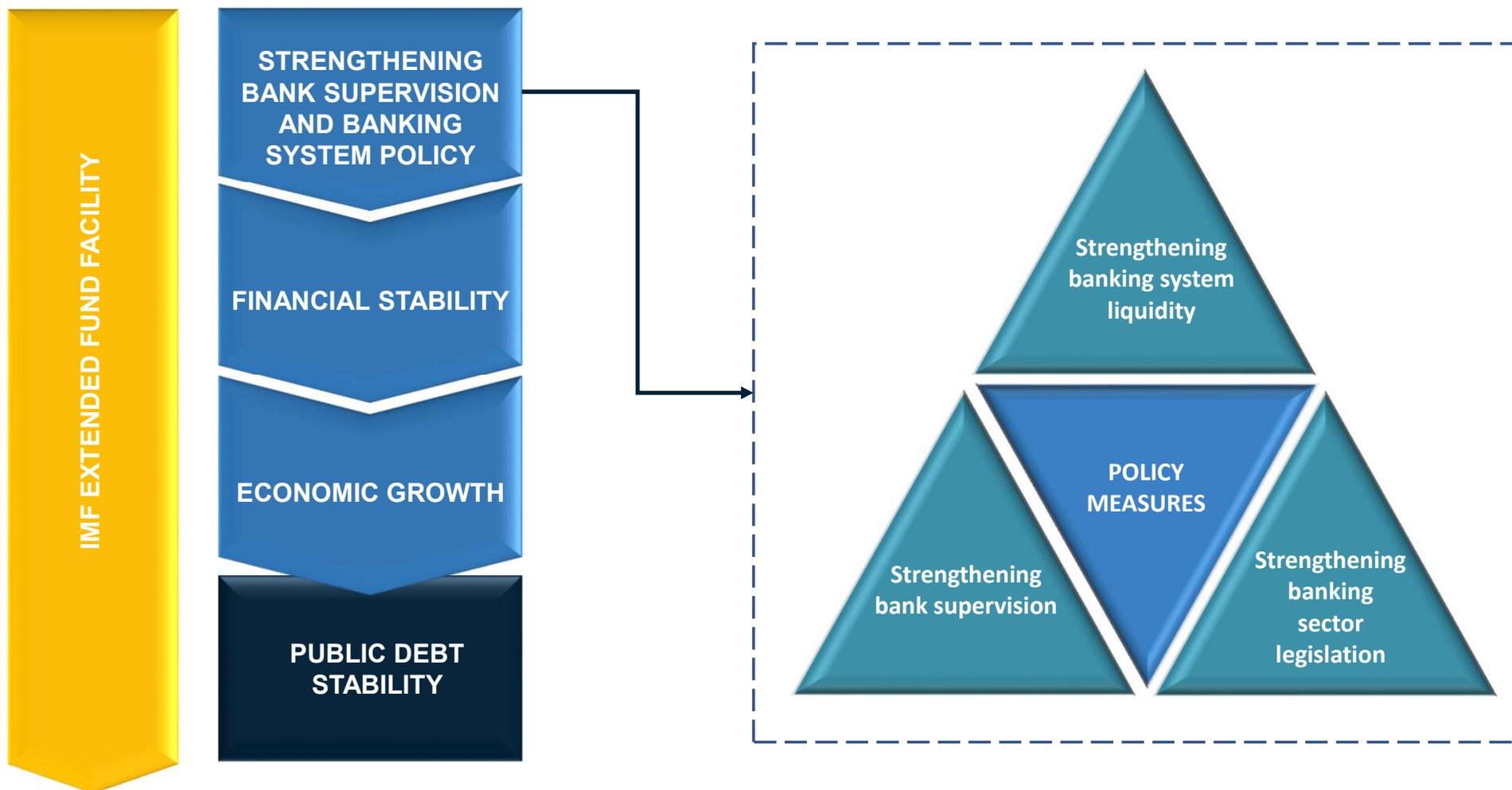
## IMF Extended Fund Facility

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- *Mongolia decided to undertake a large-scale policy adjustments and structural reforms as part of the \$5.5 billion IMF-led bailout package aimed to stabilize the economy, reduce debt pressure and rebuild foreign exchange reserves.*
- *In May 2017, IMF approved a three-year Extended Fund Facility (EFF) arrangement for Mongolia and the program was expired in May 2020.*
- *During the program Mongolia experienced rapid economic growth and was able to make some progress in the reduction of key vulnerabilities. However, with the outbreak of the global pandemic, the outlook has now deteriorated.*
- *As the immediate threat to the economy subsides, it is critical to resume key reforms begun during the recent Extended Fund Facility arrangement, which include stronger supervisory enforcement to ensure that all banks have sufficient capital.*



## IMF EFF: Policy measures



## IMF EFF: Banking sector policy measures

May 2017

Jan. 2018

### Asset Quality Review (AQR)

- Comprehensive asset quality review
- Estimation of banks' capital shortfalls
- Enforce banks' to increase capital

### Banking sector legal reforms

- Amendments to Banking Law
- Amendments to the Law on Central Bank
- Bank Recapitalization Law (new law)
- Adopt Basel II, III (Pillar II, broader definition of capital, capital buffer)

### Resolve and reduce non-performing loans

- Non-Performing Loan Strategy
- Formation of Asset management company
- Regulation on Collateral valuation
- Regulation on Loan origination

IMF EFF



МОНГОЛСАНХ

**THANK YOU FOR YOUR ATTENTION!**



Bank of Mongolia