



# TDB Presentation

April 2021

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## **> Mongolia Macroeconomic Developments**

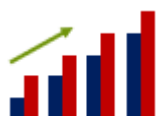
**Banking Industry**

**TDB Overview**

# Mongolia's macroeconomic overview

December 2020

## Main macroeconomic indicators



GDP

**-5.3%**  
(as of Q4 2020)



INFLATION

**2.3%**  
(as of Q4 2020)



POLICY RATE

**6.0%**  
(2020/11/24)



BUDGET  
DEFICIT

**MNT -4,539**  
billion



FOREIGN  
TRADE

**USD 2,282**  
million

## Mongolia's economic summary

**As a result of local spread of COVID-19 and dramatic changes in the economic conditions within a short period of time, the economic growth is expected to contract sharply in 2020, followed by a gradual recovery in 2021.** Although the economy has shown signs of recovery in the third quarter of 2020, the growth performed below expectations. The recovery in the production in construction, manufacturing, trade, transportation, and mining sectors has been slower than expected largely reflecting the adverse impact of the pandemic and the under-utilization of public capital expenditures.

The economy contracted by 5.3 percent in the fourth quarter of 2020, according to the preliminary estimation of production approach. Mining and quarrying sector accounts for -2.0 percentage points, service sector accounts for -3.0 percentage points, in which, transportation, information and communication sector accounts for -1.5 percentage points, wholesale and retail trade sector accounts for -1.3, and net taxes on products accounts for -1.1 percentage points.

### The budget deficit reached MNT -4,539 billion

Government revenues decreased by 12.8% and expenditures increased by 22% relative to the same period in 2019, resulting in a budget deficit of MNT -4,539 billion in December 2020..

### Inflation rate is 2.3%

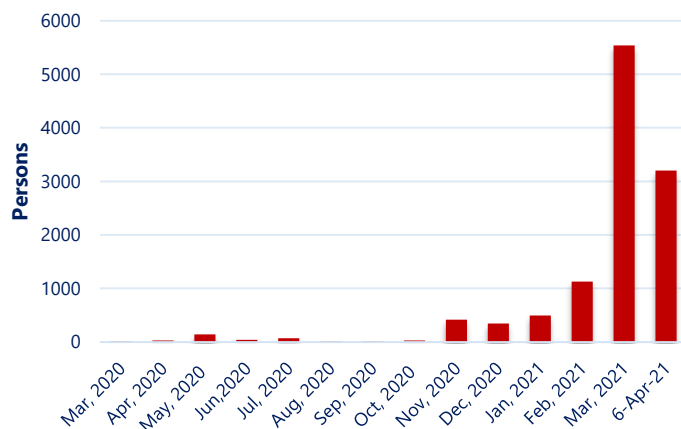
In December 2020, the national consumer price index decreased by 0.6% compared to November 2020 and increased by 2.3% in the year to date. The 2.3% increase in consumer price index from the end of previous year was mainly due to 8.5% increases in prices of food and non-alcoholic beverages group (meat and meat products by 9.2%), 4.2% increase in prices of alcoholic beverages and tobacco group, though prices of transport group decreased by 5.2%.

### Trade Balance surplus reached USD 2,282 million

In December, Total turnover of foreign trade reached MNT 12,870 billion, a 6.3% decrease compared to the same period in 2019. Exports decreased by 2.8% from the last year, while imports decreased by 12.4%. The trade surplus reached USD 1969 million.

# Summary of COVID-19 in Mongolia

Mongolia has taken early and decisive measures to prevent the inflow and outbreak of Covid-19. Despite the limited cases confirmed in Mongolia compared to other countries in the region, the household-level shocks caused by Covid-19 can be long-lasting and disproportionately hit the poor and vulnerable the hardest. The government of Mongolia and other regulatory authorities are working hard to contain the virus and reduce the negative socio-economic impact on households.



The Mongolian economy has faced sharp recession during the COVID-19 pandemic. The economic costs though were significant. The fall in external and domestic demand led to a 9.7 per cent contraction in GDP in the first half of the year. Adverse external shocks are reflected in the exchange rate and gross reserves. Compared to the beginning of the year, the domestic currency, the Togrog, depreciated against the US dollar by 4 per cent and gross international reserves have fallen by US\$700 million. Economic policy has loosened significantly to maintain stability and protect the most vulnerable. The domestic COVID-19 outbreak that began in November, however, has delayed economic recovery and increased uncertainty, but the baseline economic outlook remains favorable. The BOM projects a contraction of 5.4 per cent for 2020 and an expansion of 6 per cent for 2021. Inflation remains subdued and below the target level for 2020 and will likely stabilize around the target level of 6 per cent in 2021.

## Measures taken by regulatory authorities:

1. Following the domestic transmission, the Government of Mongolia imposed the strict lockdown measures for five days in the capital city (vehicle movement in direction from Ulaanbaatar to other provinces has been restricted) and public emergency readiness from November 11 to December 14, 2020, and again from December 23, 2020 until January 11, 2021.
2. The suspension placed on the cross-border freight movement at the Altanbulag border crossing checkpoint was extended until February 1, 2021. The movement at the checkpoint with Russia had been suspended until January 18, 2021 with a view to prevent from COVID-19 spread.
3. Most nonessential businesses were closed, though essential services and other designated industries, such as grocery stores, fuel stations, pharmacies, utilities, banks and media outlets continued to operate under special infection control conditions from November 11, 2020.
4. About 1.2 million people involved in COVID-19 testing: A total of 1,370 people were tested nationwide, of whom 509,170 people were tested with rapid diagnosis test and 661,200 with Polymerase Chain Reaction (PCR) tests.
5. At its irregular meeting convened on January 4, the Cabinet made a decision not to celebrate the Tsagaan Sar - Mongolian Lunar New Year in conjunction with the pandemic situation.
6. From 18 January, 2021 electronics, furniture and mobile phone sales, service booths, and ski resort services and from 22 January, 2021 some non-food retailers were opened up under infection control.

## Current snapshots of Covid-19 cases in Mongolia

<b>Confirmed infections</b>	<b>11,651</b>
<b>Deaths</b>	<b>13</b>
<b>Recovered cases</b>	<b>6,010</b>
<b>Active cases</b>	<b>5,628</b>

133,009,551 cases worldwide with 2,885,178 deaths, 107,254,420 recovered and infection has been detected in more than 210 countries. The fatality rate estimated at around 2%.

# Economic stimulus measures amid COVID-19

## *On May 6, 2020, the Government of Mongolia:*

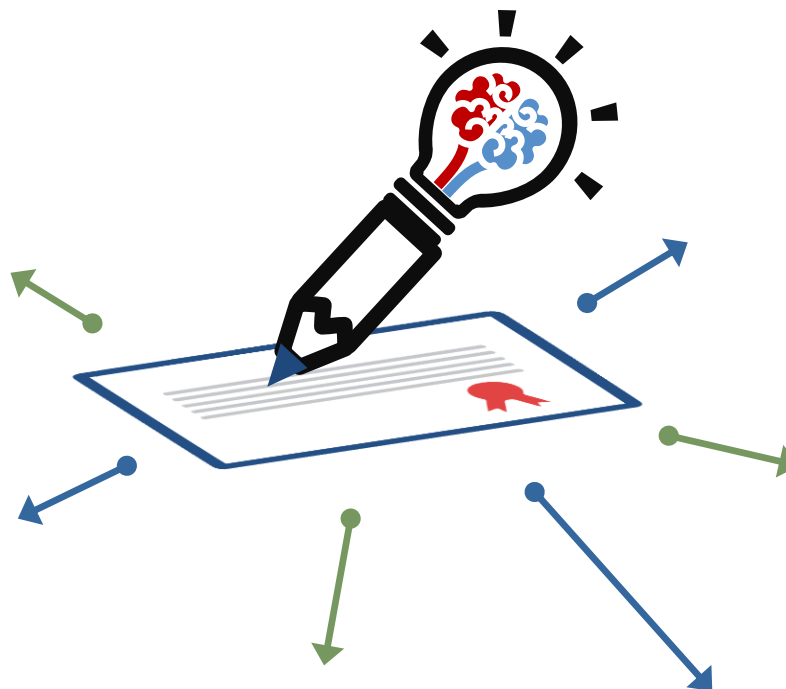
- raised the 'Child Money' monthly allowance to MNT 100,000 until October 1, given for a total of over one million children in Mongolia.
- The previously-increased MNT 30,000 from initial MNT 10,000 in the framework of the government's first March package of measures, was already granted to children in April 2020.

## *On September 14, 2020, the BoM:*

- cut the policy rate by 1 percentage point to 8 percent;
- introduced long-term repo financing instrument. Considering the current condition, outlook of the economy and financial market, inherent uncertainties and risks in the domestic and external environment, the BoM decision aims to support new loans issued by the banking sector to the real sector and lower interest rates.

## *On November 18, 2020, the Government of Mongolia decided to take the following measures:*

1. Providing 'Child Money' monthly allowance to children aged 0-18 was prolonged until July 1, 2021.
2. Business entities and organizations aside from state and local owned and partly state-owned entities were exempt of tax penalties and charges on late payment until July 1, 2021.
3. Mortgage loans and its interest were deferred at the request of the borrower starting November 1, 2020 to July 1, 2021.
4. Deferred the payment of principal and interest on loans to individuals and business entities until July 1, 2021.
5. Customs tax and VAT on certain imported goods were exempt.
6. Taxpayer who rents out a building or area for the purpose of shopping center, factory, service, private school, kindergarten and childcare service shall be subject to tax reduction, if he or she decreases the rental rate



## *On December 18, 2020, the BoM:*

- decided to issue up to MNT 250 billion under the long-term repo financing to support SMEs and non-mining exports in the first quarter of 2021.

## *On December 13, 2020, the Government of Mongolia:*

- households and enterprises were exempt from utility fees for 7 months until July 1, 2021.

## *On December 2, 2020, the Government of Mongolia:*

- announced that MNT 3 billion financial support will be granted to selected provinces affected by domestic transmissions

## *On November 23, 2020, the Bank of Mongolia (BoM):*

- reduced the policy rate by 2 percentage points to 6 percent;
- lowered the reserve requirements on banks' domestic currency liabilities by 250 bps to 6 percent;
- decided to continue implementing restructuring and extending of the maturity of consumer loans with repayment difficulties by 12 months until July 1, 2021;
- decided to introduce a long-term refinancing instrument aimed at supporting SMEs and non-mining exports.

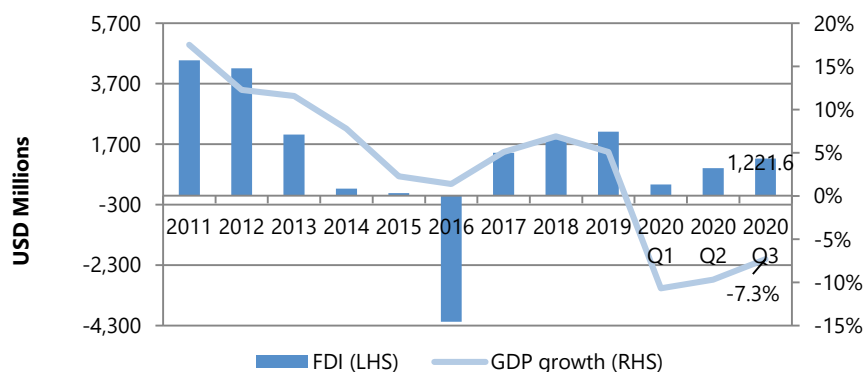
# Laying the Foundations for Long-Term Growth

## Projections of Mongolia's economy by MDBs and leading international financial institutions

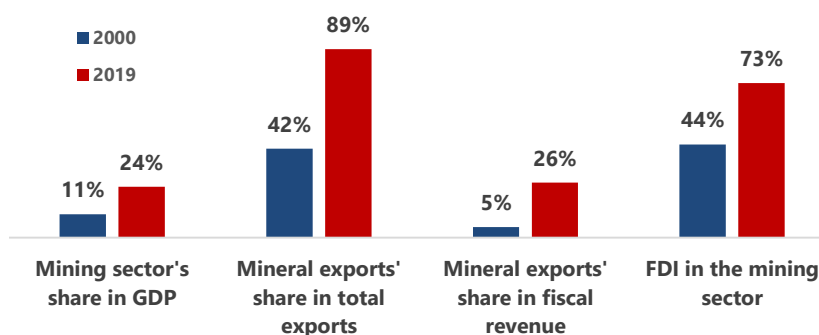
- IMF reports that, in the first half of 2020, Mongolian economy has contracted sharply due to the fall in external demand and domestic containment measures. However, economic activity has begun to recover starting on the second half of the 2020 as a result of the loosening in the policy mix, a resumption in mining exports to China, a pickup in credit growth, and the lifting of containment measures.
- Furthermore, most economists predict a one-percent contraction in GDP in 2020 as COVID-19's effects have substantially hurt Mongolia's services sector, which accounts for 30.8 percent of GDP, but the baseline economic outlook remains positive. Despite experiencing declines, mining and agriculture have been relatively resilient in the face of the pandemic, meaning Mongolia's broader economy should emerge less damaged than some of its peers.
- As for FDI in Mongolia, investors face few investment restrictions in the country, enjoying mostly unfettered access to the market. Franchises such as gyms, fast food, and convenience stores have outperformed expectations, suggesting investors can bring successful international business models to Mongolia's services sector. Mongolia's cashmere and agricultural sectors also show strong promise. However, investing into politically sensitive sectors of the Mongolian economy – such as mining – carries higher risk.

MDBs/IFIs		Mongolia GDP growth rate, % per year		
	2019	2020		2021
ADB	5.1%	forecast as of September 2019	renewed f. as of September 2020	forecast as of September 2020
		6.1%	-2.6%	5.1%
WB		2020		2021
		forecast as of January 2020	renewed f. as of June 2020	forecast as of June 2020
		5.5%	-0.5%	4.9%
IMF		2020		2021
		forecast as of October 2019	renewed f. as of October 2020	forecast as of October 2020
		5.4%	-2.0%	6.0%
EBRD		2020		2021
		forecast as of November 2019	renewed f. as of May 2020	forecast as of September 2020
		5.4%	-1.0%	5.0%

## FDI has been moderately increasing in Mongolia in Q3 2020



## Rising importance of extractives in Mongolia's economy



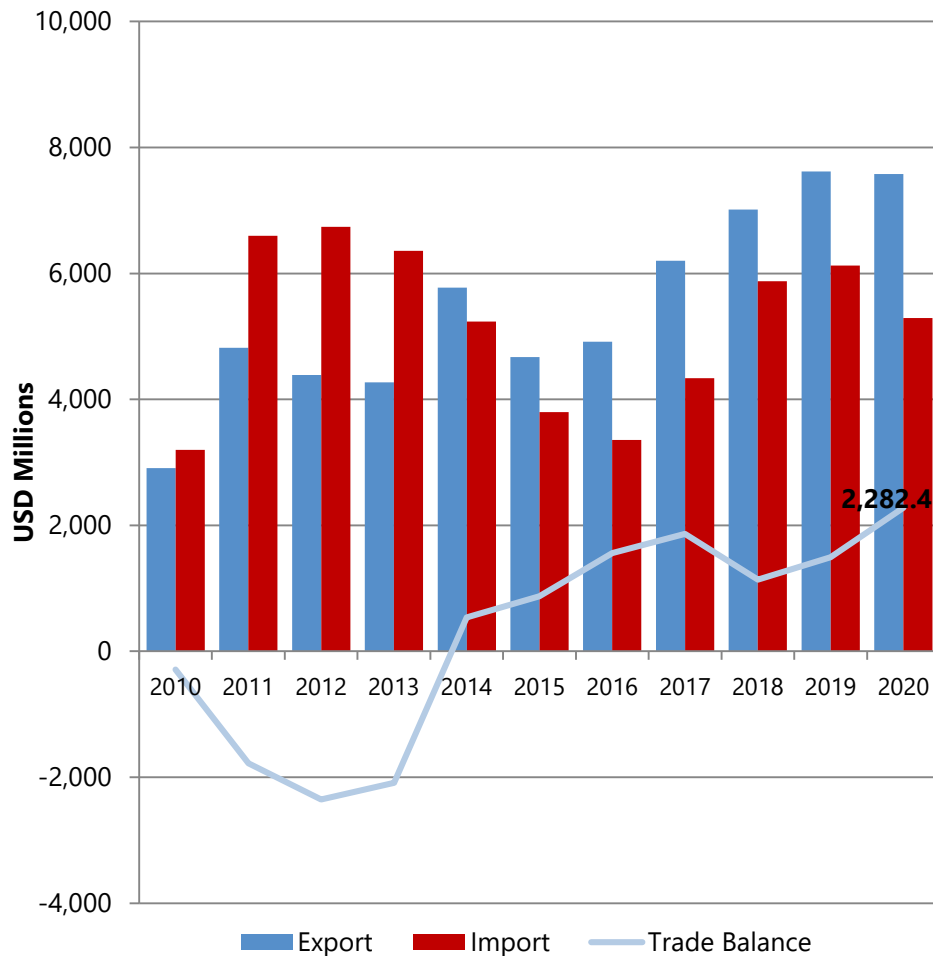
Source: National Statistical Office of Mongolia, Asian Development Bank, World Bank, IMF, EBRD, Bank of Mongolia

# The trade balance continues to show surplus

The main commodities export has temporarily declined due to the impact of COVID-19.

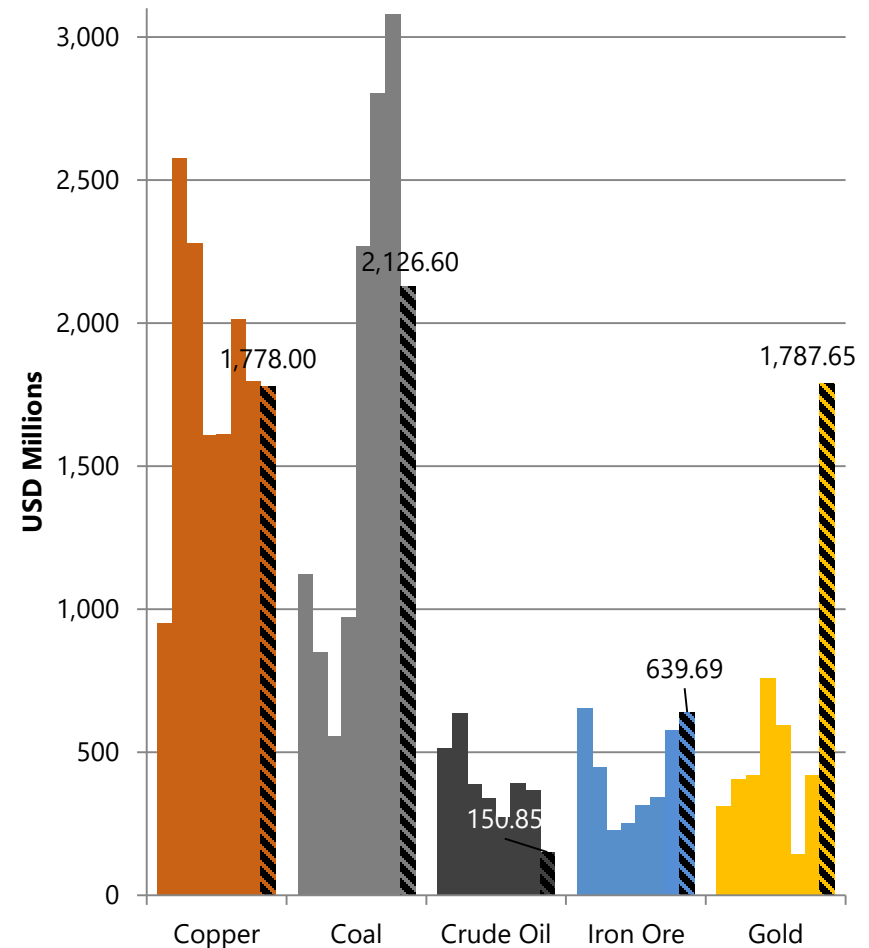
As of December 31, 2020, foreign trade turnover reached \$12.9 billion with \$2,282.4 million trade surplus.

External trade



Despite temporary border closure due to Covid-19, total export of main commodities remained at the same level as previous year.

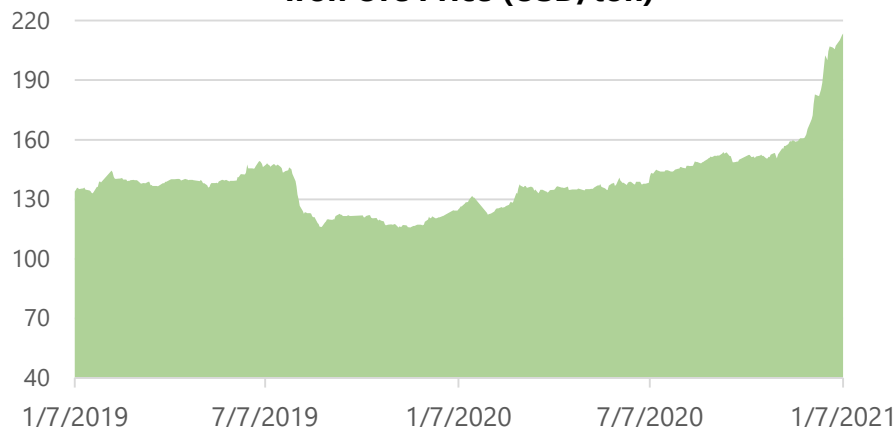
Export of main commodities  
(2013 through December 31, 2020)



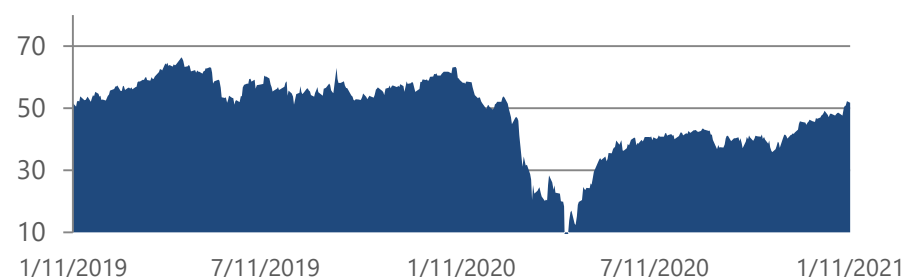
# Update on current price of main export commodities

The main commodities export has stabilized in the second half of 2020 cushioning the Covid-19 related trade.

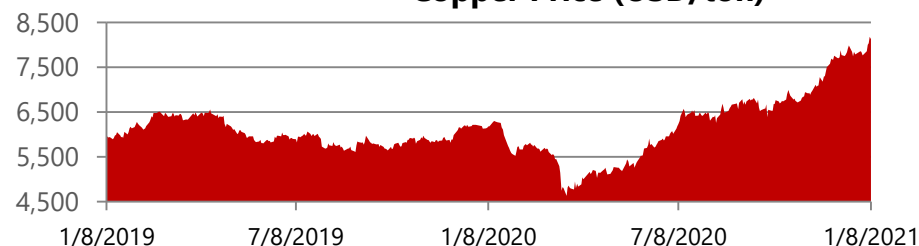
**Iron Ore Price (USD/ton)**



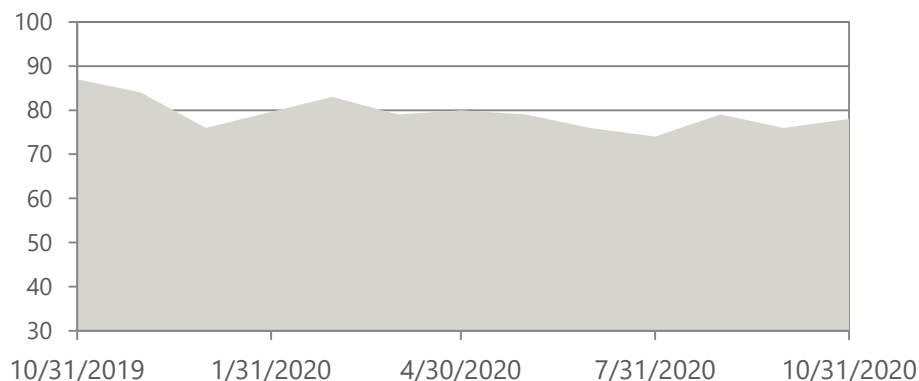
**Crude Oil Price (USD/barrel)**



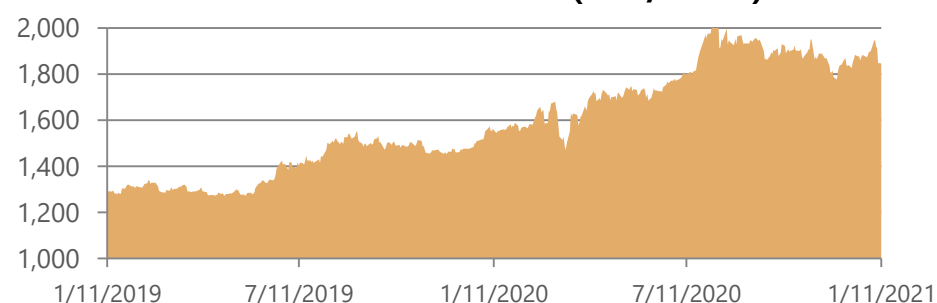
**Copper Price (USD/ton)**



**China Coking Coal Import Price from Mongolia (USD/ton)**



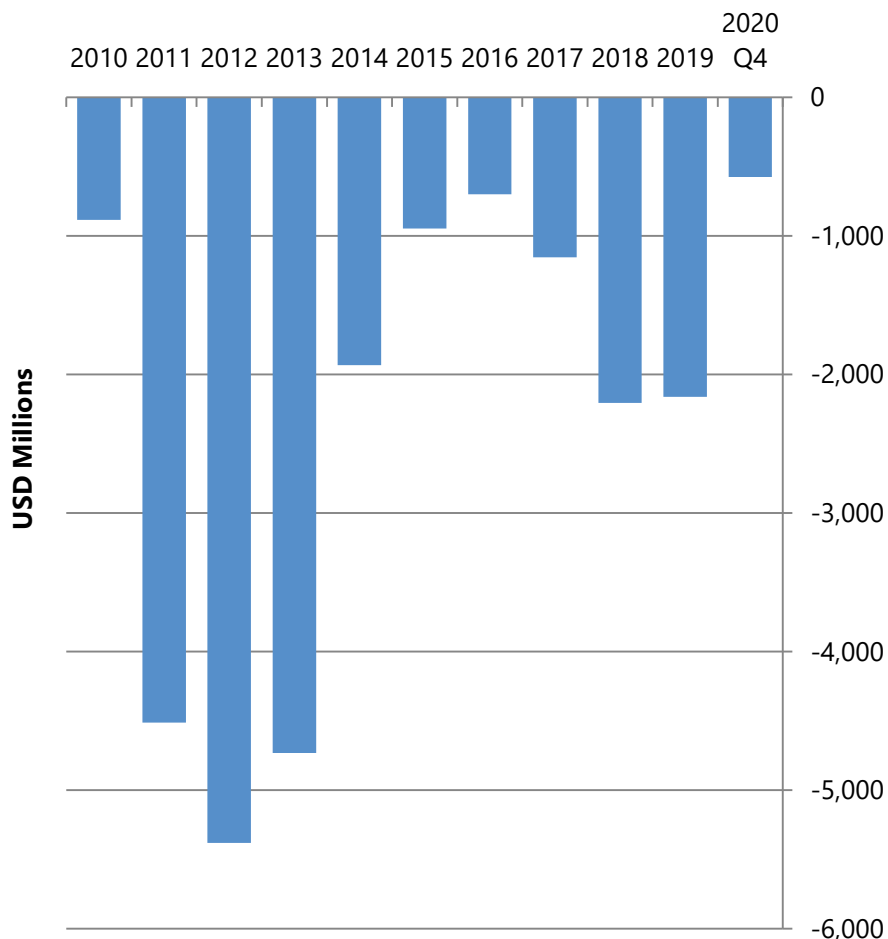
**Gold Price (USD/ounce)**



# External Accounts have stabilized

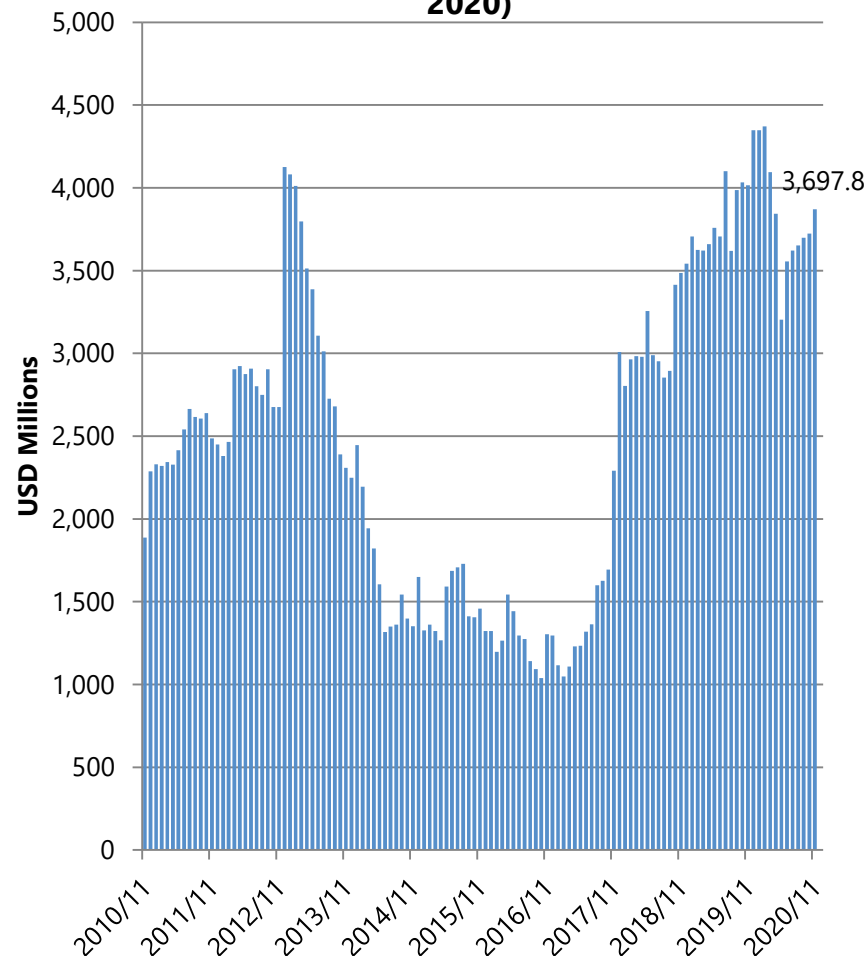
## Balance of payments

### Current Account Balance



## FX reserves are enough to cover imports for 10 months

### Gross Foreign Exchange Reserve (November 2020)



# Gross Domestic Product, by sectors

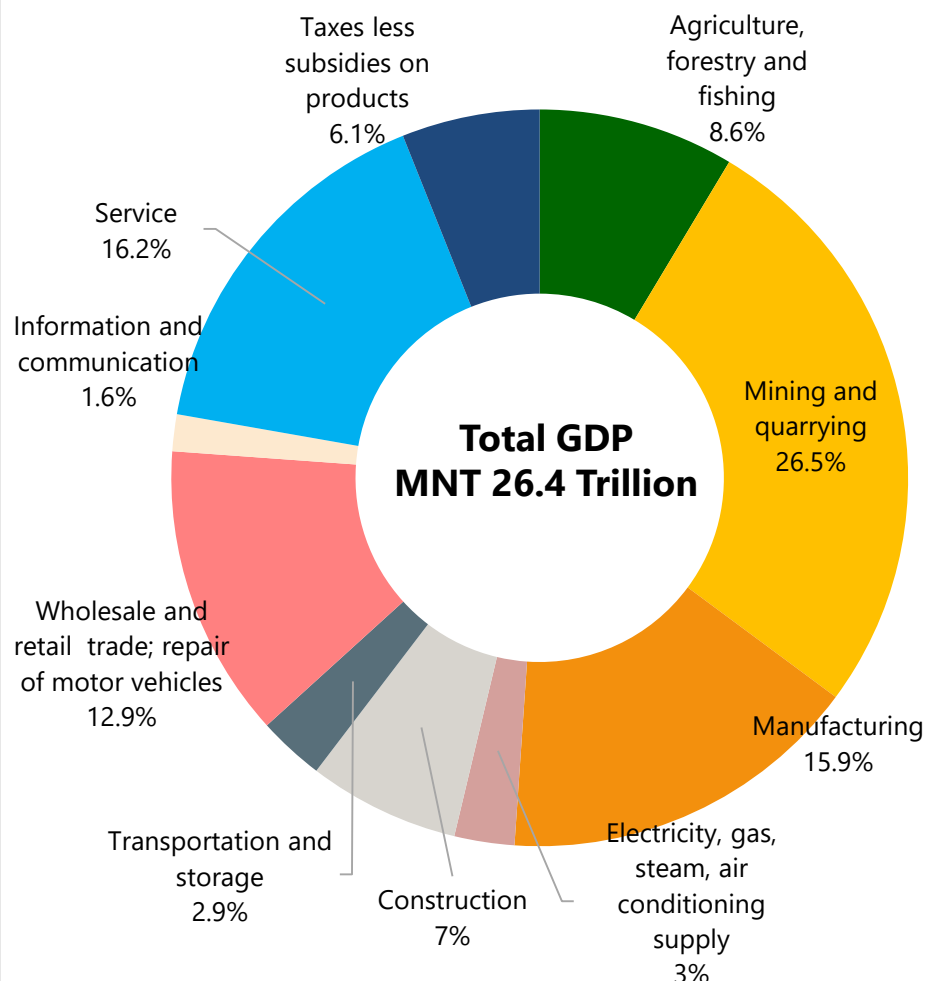
Government of Mongolia is diversifying the economy

## GDP Summary

The National Statistical Office reported Mongolia's GDP decreased by 7.3 percent, to MNT 26.4 trillion as of 2020 Q3.

GDP Composition by sectors	2017	2018	2019	2020
<b>Agriculture, forestry and fishing</b>	10%	10.9%	11%	8.6%
<b>Mining and quarrying</b>	23%	23.7%	23.8%	26.5%
<b>Manufacturing</b>	9%	9.2%	9.6%	15.9%
<b>Electricity, gas, steam. Air conditioning supply</b>	2%	2.1%	1.7%	3.0%
<b>Construction</b>	4%	3.3%	3.6%	7.0%
<b>Transportation and storage</b>	5%	4.7%	4.6%	2.9%
<b>Wholesale and retail trade, repair of motor vehicles</b>	10%	9.7%	9.2%	12.9%
<b>Information and communication</b>	2%	1.8%	1.8%	1.6%
<b>Service</b>	26%	23.7%	24%	16.2%
<b>Taxes less subsidies on products</b>	9%	11%	10.9%	6.1%

## GDP composition by sectors 2020



# IMF EFF Program Summary

In 2017, The Executive Board of IMF approved a 3-year extended arrangement under the Extended Fund Facility to stabilize the economy of Mongolia, restore its confidence and pave the way to economic recovery. The total financing package amounted to about \$5.5 billion, including support from the Asian Development Bank, the World Bank, Japan, Korea and China. During the three-year EFF which expired at end-May, 2020, Mongolia experienced rapid economic growth and was able to make some progress in the reduction of key vulnerabilities. Since 2017, growth has averaged 5.2 percent amid strong external demand and FDI. The primary balance averaged a surplus of 3 percent of GDP (8 ppts stronger than the debt-stabilizing level), helping public debt fall by almost 20 percentage points. And before the virus hit, net international reserves had increased by \$2.5 billion.

<p><b>IMF Executive Board</b> 24 May 2017 <b>Approved a 3-year extended arrangement under the Extended Fund Facility ("EFF") program</b></p>	<p><b>Funding Under the EFF Program:</b></p> <ul style="list-style-type: none"><li>• World Bank – US\$600 million concessional financing</li><li>• ADB – US\$600 million budget support concessional loan and US\$300 million concessional project loan. Country Partnership Strategy (2017–2020) is approved with amount of US\$1.2 billion</li><li>• Japan – US\$850 million in budget support concessional loan for consecutive 3 years</li><li>• Korea – US\$700 million in project financing</li><li>• China – RMB 15 billion swap line between the PBOC and BOM extended for another 3 years</li></ul> <p><b>Other Multilateral / Bilateral Support:</b></p> <ul style="list-style-type: none"><li>• USA – 2<sup>nd</sup> Millennium Challenge Compact Grant of \$350 million</li><li>• India – US\$1 billion in infrastructure and industry development project financing (in May 2015)</li><li>• China – US\$ 1 billion in infrastructure project financing</li></ul>
<p><b>IMF Program Mission</b> 19 Feb 2017 Reached a Staff-Level Agreement with the Government (GoM) and Bank of Mongolia (BoM)</p>	<p><b>Policy Measures and Strategy:</b></p> <ul style="list-style-type: none"><li>• Government – stabilize the economy, boost growth prospects, and restore debt sustainability. Significant fiscal adjustments, strengthen fiscal discipline at every stage of the budget process. Diversify the economy and improve its competitiveness</li><li>• Bank of Mongolia – maintain prudent monetary policy, strengthen the banking sector and not to engage in quasi-fiscal activities. Revision of a new central bank law in line with international best practice. Banks subject to an independent Asset Quality Review ("AQR")</li><li>• Development Bank of Mongolia (DBM) – operate in an independent and purely commercial manner with adoption of revised DBM law</li></ul>

On a side note, the Executive Board of the International Monetary Fund (IMF) approved Mongolia's request for emergency financial assistance under the **Rapid Financing Instrument (RFI)** equivalent about US\$99 million on June 3, 2020. The authorities intend to use the resources to help finance the budget deficit which has widened because of weak economic activity, emergency virus-related spending, and broader stimulus measures. IMF staff have assessed that Mongolia meets the qualification criteria for an RFI as its public debt is sustainable, though risks of distress remain elevated, and its capacity to repay the Fund is adequate.

# “Oyu Tolgoi” Project

## Oyu Tolgoi copper and gold mine project

- Oyu Tolgoi is one of the largest high-grade copper deposit in the world, located 80 km north of Chinese border
- Third largest copper mine after expansion
- Estimated 2.7 million tons of recoverable copper and 1.7 million ounces of recoverable gold in reserves
- Comprehensive Investment Agreement was signed in 2009
- Government of Mongolia owns 34% and Rio Tinto owns 66% through Turquoise Hill Resources
- Approximately US\$ 6.2 billion invested in the first phase development (OT Phase I) as of March 31, 2014
- Oyu Tolgoi started exporting copper concentrate from its open-pit operation in July 2013
- In May 2015, Government of Mongolia and Rio Tinto signed Oyu Tolgoi Underground Mine Development and Financing Plan (OT Phase II)
- USD 4.4 billion OT Phase II project financing facility agreement was signed on December 15, 2015. The project financing was closed on May 25, 2016 with full disbursement and the underground work has commenced.
- Estimated US\$ 6.8 billion capex, US\$ 9.0 billion onshore spending over 7 years during the OT Phase II development
- IMF estimates OT will generate up to 1/3 of Mongolia's GDP once it reaches full production

## Oyu Tolgoi's key development

### Key underground components

	Shaft 1 (early development and ventilation)	Shaft 2 (production and ventilation)	Shaft 5 (ventilation)	Shaft 3 (ventilation)	Shaft 4 (ventilation)
Total Depth	1,385 metres	1,284 metres	1,178 metres	1,148 metres	1,149 metres
Diameter	6.7 metres	10 metres	6.7 metres	10 metres	11 metres
Completion	2008	Expected 2016	Expected 2017	Expected 2021	Expected 2021
Remaining	Complete	Complete	~1,000 metres	Not started	Not started

- Shaft 5 related activities and construction of critical on-site facilities continued, and the bulk excavation component for the conveyor-to-surface work stream has been completed.
- Oyu Tolgoi's total expenditure in the domestic market since 2010 has reached US\$10.3 billion.
- Oyu Tolgoi is expected to produce 140,000 to 170,000 tons of copper and 120,000 to 150,000 ounces of gold in concentrates in 2020. Mill throughput for 2020 is expected to be approximately 40 million tons and operating cash costs are projected to be US\$ 800 million to US\$ 850 million.
- Oyu Tolgoi has completed the Shaft 2 of their world-class underground project in December 2019.

# Mongolia's first oil refinery

## Mongolia oil refinery project

- On Jun 22, 2018, Mongolia launched construction of its first oil refinery, a long-awaited project that is funded by India and designed to end the country's dependence on Russian fuel and to develop further ties with the landlocked country.
- The refinery, in southern Dornogovi province will be capable of processing 1.5 million tonnes of crude oil per year, said Mongol Oil Refinery state owned company. That is about 30,000 barrels per day (bpd).
- The refinery will be small by international standards, with most Chinese facilities each processing hundreds of thousands of barrels of crude per day, and India's Reliance Industries running one refinery at a record 1.2 million bpd.
- Still, Mongolia's new refinery, planned for completion in late 2022, will meet all of the nation's demand for gasoline, diesel, aviation fuel and liquefied petroleum gas (LPG).
- The cost of the refinery is estimated at \$1.35 billion, and it will include a pipeline and its own power plant.

## Mongolia oil refinery project's key development

- The refinery's financing is part of a \$1 billion credit line agreement between Mongolia and the Export-Import Bank of India, made during a 2015 visit by Indian Prime Minister Narendra Modi.
- On Jun 22, 2018, the government of Mongolia—through wholly state-owned Mongol Oil Refinery LLC—signed a Memorandum of Understanding with Engineers India Ltd. for delivery of additional work on the country's first refinery project now under construction on 150 hectares in Altanshiree Soum near Sainshand in the southeastern province of Dornogovi.
- On August 13, 2020, CEO of Mongol Oil Refinery D.Altantsetseg reported that the infrastructure work outside the oil refining plant has been completed, while the groundwork for the refinery's site and the construction of housing for workers are underway.
- Furthermore, a company, registered in India, to contract for the construction of the refinery's non-technological facilities has been selected, and the agreement is currently being developed, D.Altantsets announced. With the agreement established, the first stage of the refinery's construction is to kick off.

## Mongolia's oil refining complex

- Location: Altanshiree soum of Dornogovi province
- Capacity: 1.5 million tonnes of oil per year
- Products: gasoline, fuel, jet fuel, natural gas
- Product quality: MNS, Euro 5 standard.

Construction of the infrastructure of the oil refining complex has been completed:

- ✓ 27 km of railway,
- ✓ 17.2 km of 100 ton heavy highway,
- ✓ 110 kW power line.

Mongolia **will not be dependent** on fossil fuel imports

**SMEs** will prosper along the complex

### IMPACT ON THE ECONOMY

GDP will increase by  
**10%**

At least **600 new jobs** will be created

Foreign exchange outflows will be reduced by **20%**

Gasoline and fuel prices will be reduced by **20-30%**

# Renewable Energy (RE) development in Mongolia

## The renewable energy sector in Mongolia

- In 2015, the Parliament of Mongolia set the country's mid-to-long term targets in the energy sector and its plan for 2015-2030. According to which, Mongolia aims to increase the share of renewable energy generation in its total installed capacity to 20% by 2023 and 30% by 2030.
- Mongolia can use its vast renewable energy resources to bolster energy security, reduce pollution, meet global climate commitments and develop regional electricity exports.
- The National Renewable Energy Center estimates Mongolia's total renewable energy potential at 2,600 gigawatts (GW) of installed capacity of clean electricity generation per year. This is a potentially huge resource base for electricity production and export, which in the long-term could rely on the solar and wind potential of the country's Gobi Desert. Also, new policies promise to rapidly accelerate renewable energy development in the country.
- The amount is enough to meet the country's energy demand, and can meet northeast Asia's regional energy demand with a suitable transmission infrastructure.



## Wind Power Plants operating in Mongolia

### Installed capacity - 154.6 MW

- ✓ 49.6 MW Salkhit (2013)
- ✓ 50 MW Tsetsii (2017)
- ✓ 55 MW Sainshand (2019)

## Solar Power Plants operating in Mongolia

### Installed capacity - 60 MW

- ✓ 10 MW Monnaran (2015)
- ✓ 10 MW Darkhan (2017)
- ✓ 15 MW Gegeen (2017)
- ✓ 15 MW Bukhug (2018)
- ✓ 10 MW Sumber (2019)

## Installed power capacity in Mongolia

### Installed power capacity (2019) – 1329.9 MW (~1.3 GW)

Thermal power plants (total)	1090.0 MW	82.03%
Renewable power plants (total)	237.6 MW	17.8%
Diesel power plants (total)	2.3 MW	0.17%





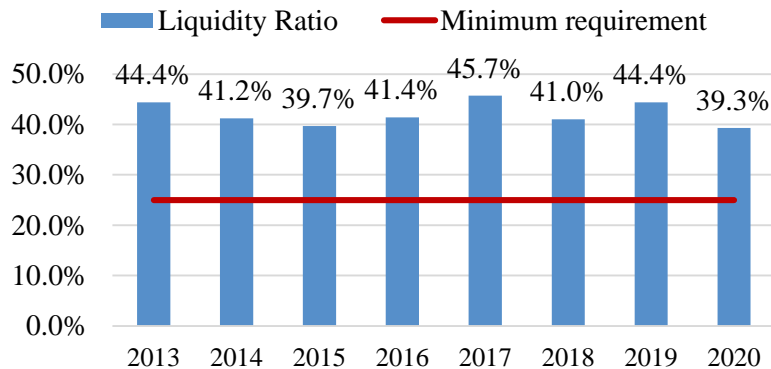
# Mongolia Macroeconomic Developments

## > Banking Industry

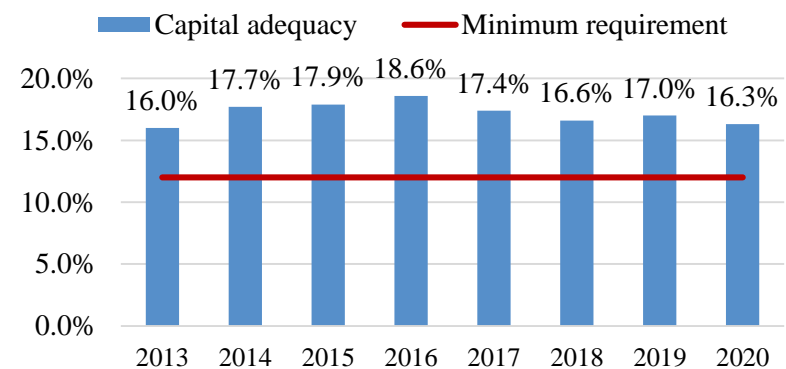
### TDB Overview

# Proactive Management of Banking Sector amidst Challenging Market Backdrop

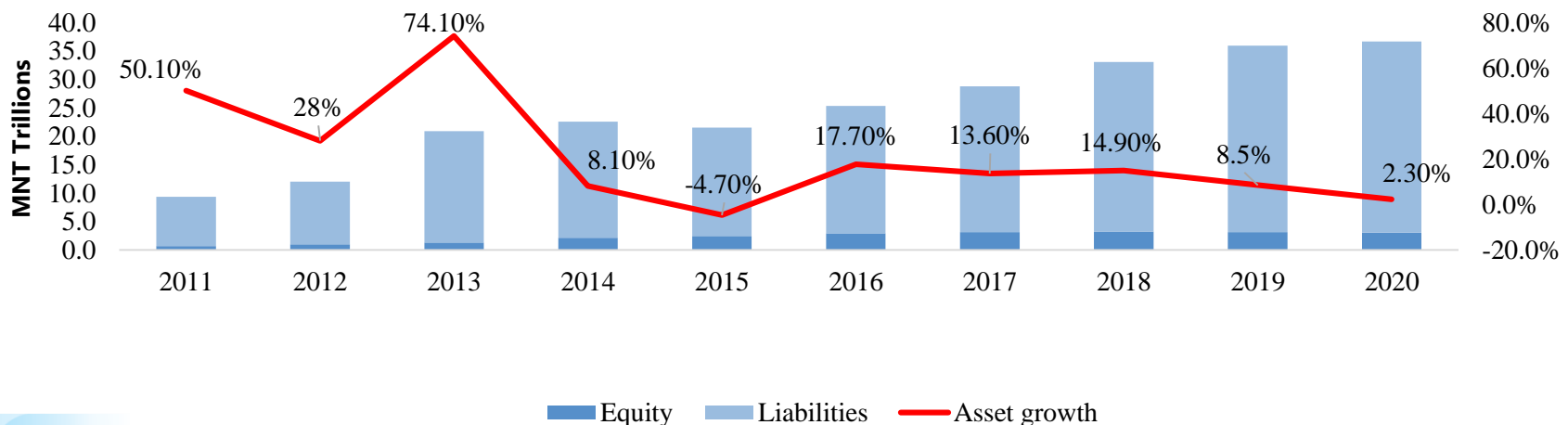
## Banking sector remains liquid



## Strong Capital Position



Banking sector asset has increased in 2020 Q4 which was declined in 2020 Q3 due to negative impact from the COVID-19 pandemic and TDB's USD 500 million bond repayment in May 2020.



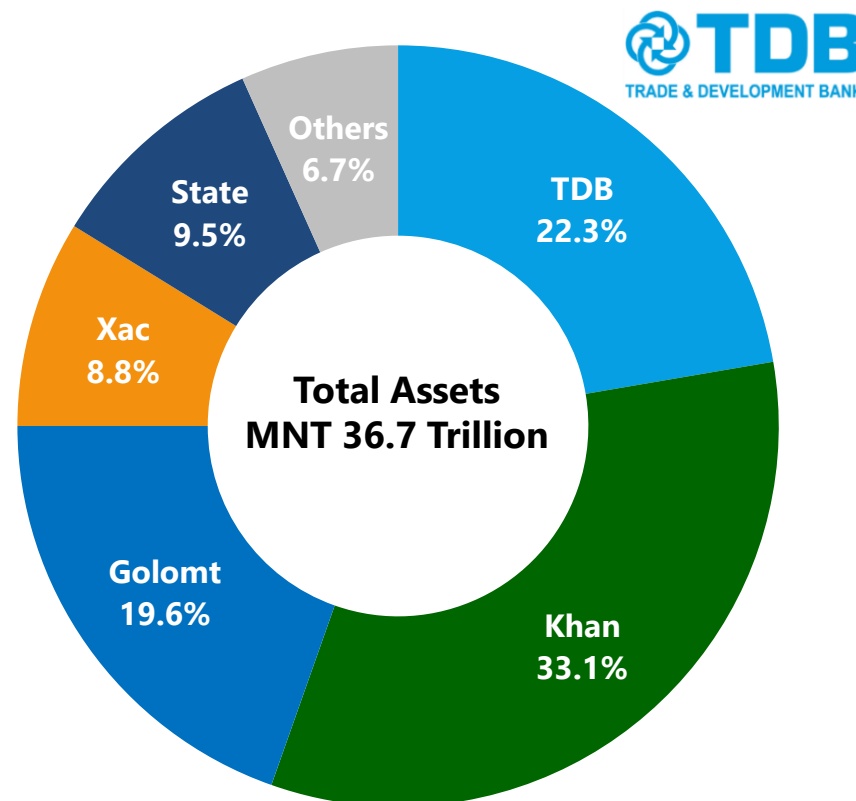
# Banking Sector in Mongolia: Overview

TDB and four other banks are classified as systematically important banks

## Banks play the largest role in Mongolia's financial system

- Commercial banks are the most important and integral part of Mongolia's overall financial system, accounting for approximately 93% of the system by assets.
- There are 11 commercial banks and one policy bank in Mongolia.
- Commercial banks are regulated by the Bank of Mongolia.
- Key players:
  - **TDB** was the number one corporate bank in 2020, with the highest share in the corporate loans market and increasing SME/retail banking share.
  - **Khan Bank** and **State Bank** have large branch networks and focus on retail banking.
  - **Golomt Bank** focuses on corporate banking.
  - **XacBank** focuses on microfinance and small business lending.
- TDB remains the only commercial bank to have accessed international bond markets.

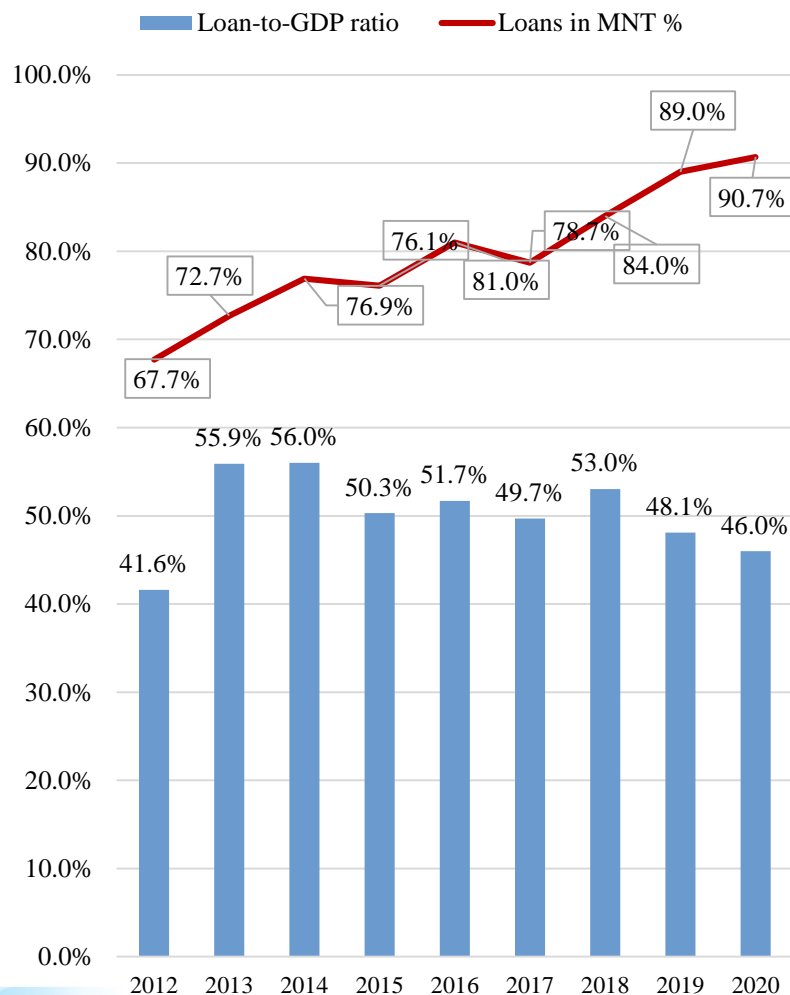
## Five largest banks account for 93.3% of the sector by total assets (2020)



# Banks are Navigating a Changing Environment

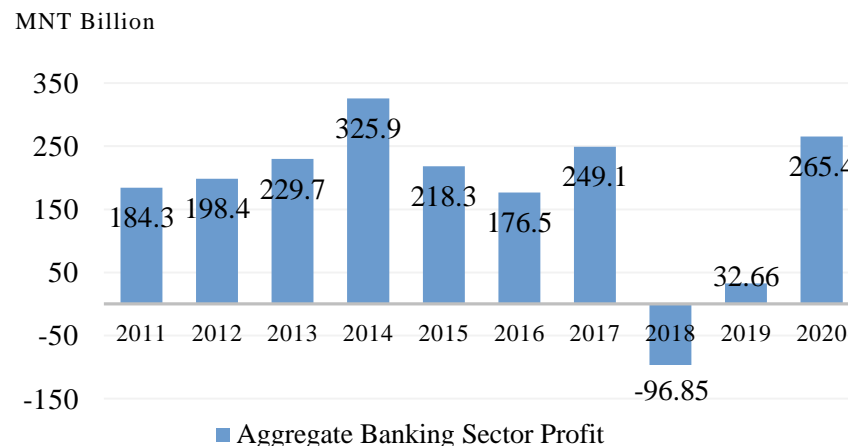
Despite a challenging macro environment, sector is managing well

## Banks play a prominent role in the economy with structural shift to increasing Tugrik loans

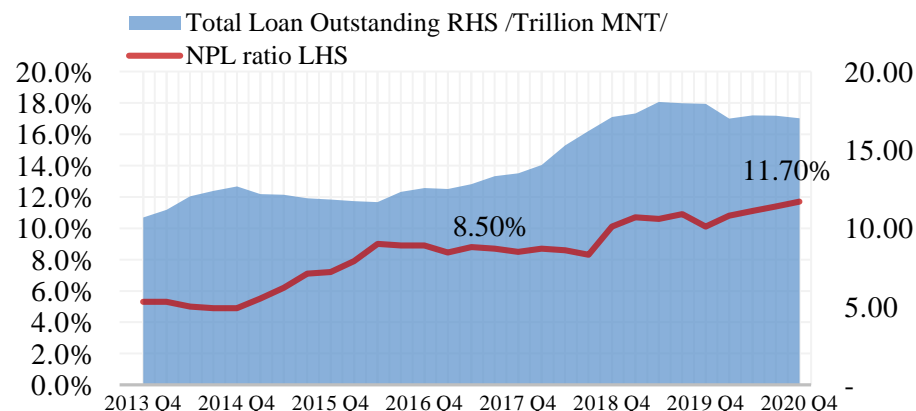


Source: National Statistical Office of Mongolia, Bank of Mongolia

## Banking Sector Profit



## NPL level (December 31, 2020)





# Mongolia Macroeconomic Developments

## Banking Industry

### > TDB Overview

# Key highlights of TDBMs business for 2020

**March**

At the 25th Board meeting of the Green Climate Fund (GCF) held in Geneva, Switzerland between 10th to 12th of March, 2020, TDB was approved as an Accredited Entity of the Fund.

**May 18**

TDB repaid its fifth medium term notes with an amount of USD 500 million wholly with its internal liquidity.

**June 29**

TDB and Ulaanbaatar City Bank, two systemically important banks of Mongolia have been consolidated.

- There have not been layoffs and management of the two banks has been integrated.

**September 1**

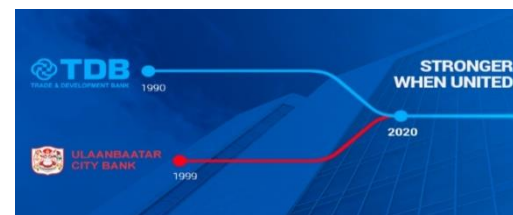
New organizational structure of TDB has been implemented that is designed to support the Bank to achieve its medium-term objectives of becoming a customer-centric bank, a platform bank and an international bank.

**October 5**

An Accreditation Master Agreement was signed between TDBM and the Green Climate Fund (as pre-requisite for the disbursement of funds for GCF-approved projects).

**December**

TDB has increased its core capital by MNT 150 billion and the Central Banks' approval on the registration of new capital has been issued.



# Leading Bank in Mongolia

A premier financial institution in the country, celebrating 30 years

- Most experienced and largest bank in corporate banking by corporate lending market share.
- Serves approximately 400 major Mongolian corporations in nearly every major sector.
- Well-established network of 95 branches and settlement centers, 283 ATMs and 9166 POS terminals as of December 31, 2020.
- Direct correspondent relationships with more than 200 foreign banks and financial institutions.
- Leading virtual banking services, e.g. Internet Banking service, Mobile Banking Service, E-Billing.
- The only commercial bank that has successfully issued bonds internationally, to date five USD and one CNH international bond issuances.

## Bank Ratings by Moody's (March, 2021)

Senior Unsecured	B3
LT/ST Bank Deposits (domestic currency)	B2
LT/ST Bank Deposits (foreign currency)	B3
LT/ST Issuer Rating	B3
Outlook	Stable

## Bank Ratings by Standard & Poor's (August, 2020)

Counterparty Credit Rating	B /Stable/B
Senior Unsecured	B
Counterparty Credit Ratings History (November 2018)	B/Stable/B

Note: \* Including all existing bonds issued,

\*\* approximate, as Bank of Mongolia does not disclose official data of the FX market

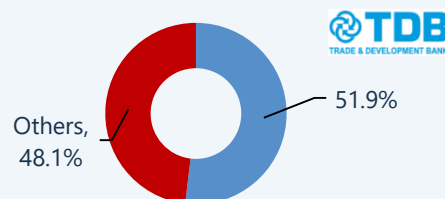
^ - total value of balance sheet items included in calculating CAR ratio

## Financial Results (USD mln, audited)

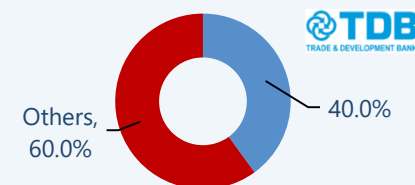
	2015	2016	2017	2018	2019	2020
<b>Total Assets</b>	2,777.6	2,669.3	2,832.5	2,756.0	2,862.1	2,848.5
<b>Total Loans (net)</b>	1,325.2	1,138.8	1,139.2	1,155.8	1,281.6	1,441.9
<b>Total Deposits*</b>	1,696.3	1,600.7	1,819.0	1,885.8	1,960.1	1,920.18
<b>Total Equity^</b>	349.6	314.9	360.7	351.4	257.4	357.1
<b>Net Profit</b>	30.8	27.1	30.4	16.8	23.6	7.4
<b>Capital Adequacy Ratio</b>	16.7%	14.6%	17.0%	19.5%	17.0%	16.3%
<b>ROAE</b>	10.5%	9.5%	8.7%	5.4%	7.0%	2.6%
<b>ROAA</b>	1.1%	1.1%	1.1%	0.6%	0.8%	0.3%
<b>MNT/US\$</b>	1,995.98	2,489.53	2,427.13	2,642.92	2,733.52	2,849.51

## TDB market shares

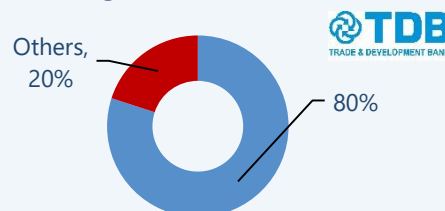
### Corporate Banking 2020



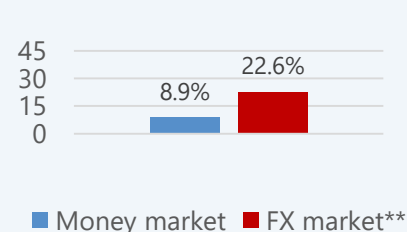
### Trade Finance Transactions 2020



### Foreign Settlement 2020



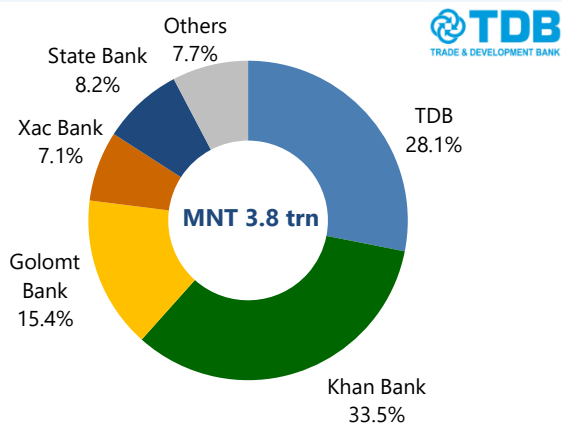
### Treasury Products 2020 Q4



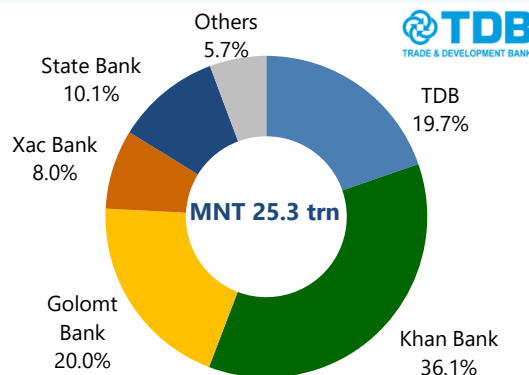
# Key Players and Performance

TDB is one of a leaders by key measures

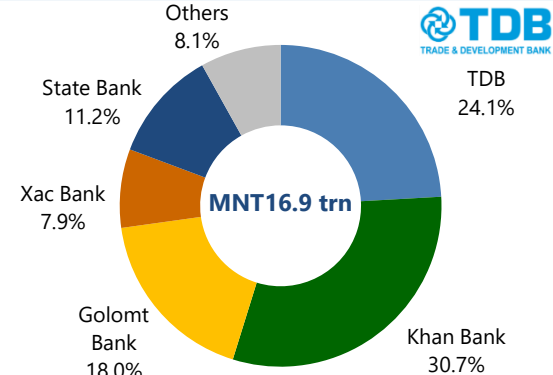
**Shareholders' equity market share (2020)**



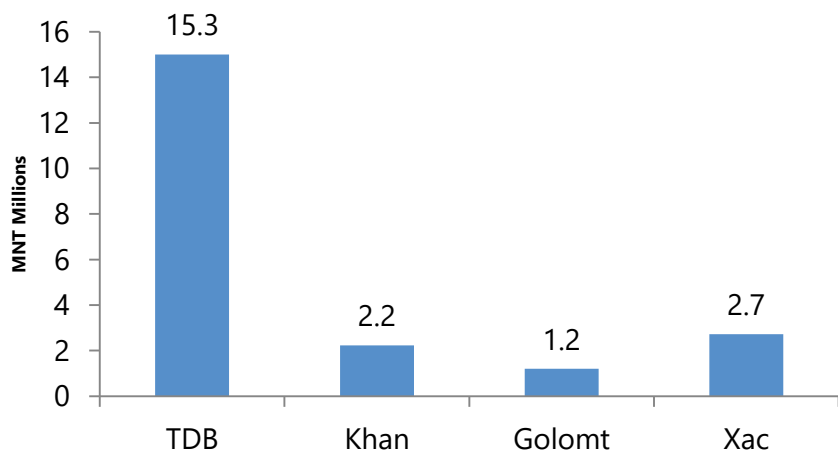
**Deposits market share (2020)**



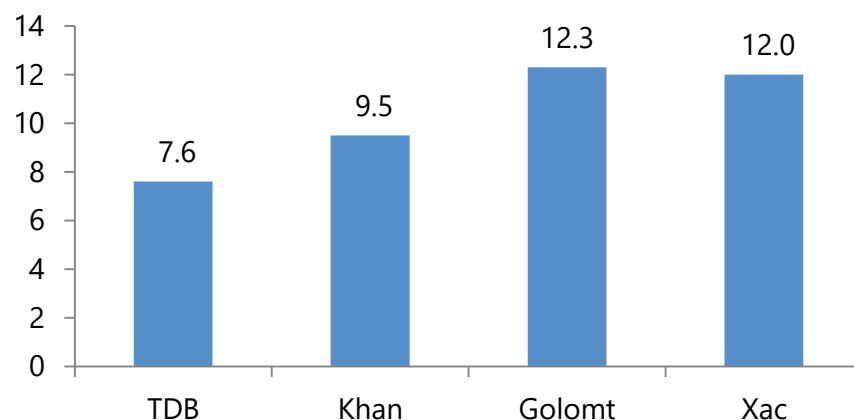
**Loans outstanding market share (2020)**



**TDB remains a leader in net profit per employee (2020 Q2)**



**Lowest leverage among peers\* (2020 Q4)**

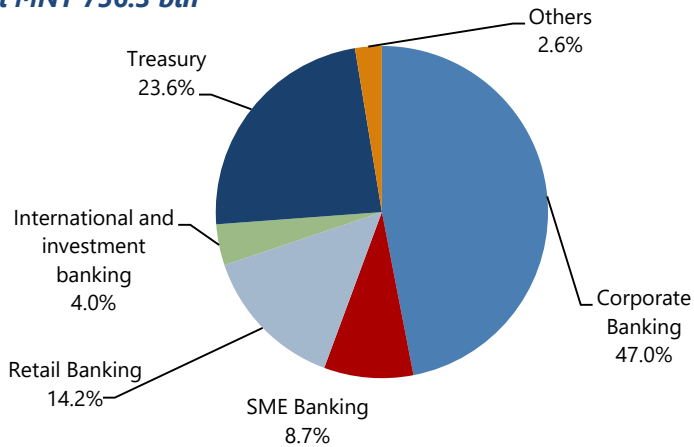


# Strong Fundamentals (1)

Diversified and reliable throughout business cycles

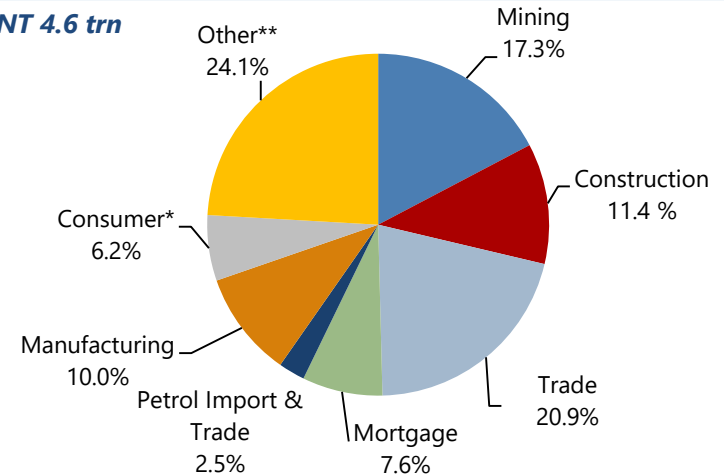
## Segment revenue (2020)

**Total MNT 756.3 bln**

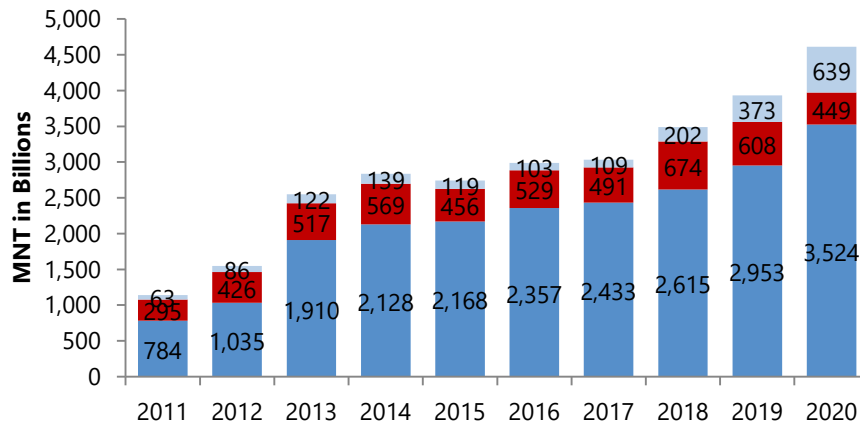


## Diversified loan portfolio (2020)

**Total MNT 4.6 trn**



## Managed growth in total loans



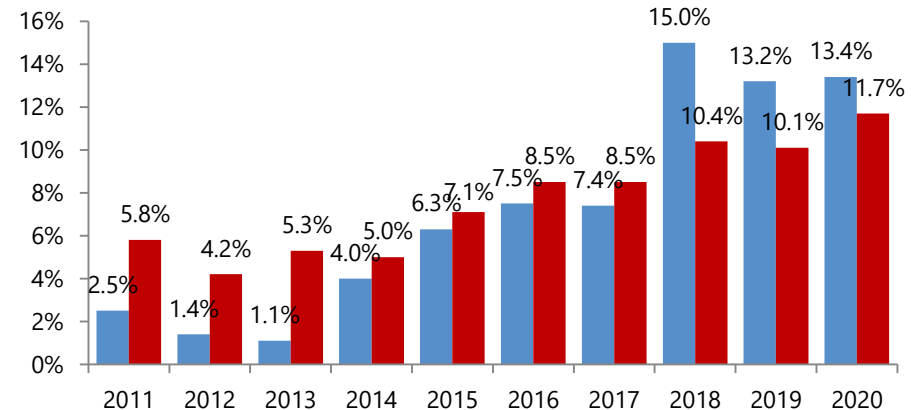
■ Corporate ■ Retail ■ SME

Source: Bank of Mongolia, Trade & Development Bank of Mongolia

Note: \* Consumer loan includes card loan and saving collateralized loan

\*\* Other loan includes transportation and communication; hotel, restaurant and tourism; financial services; agriculture; electricity and thermal energy; health; education and other services

## Non-performing loans compared to sector average

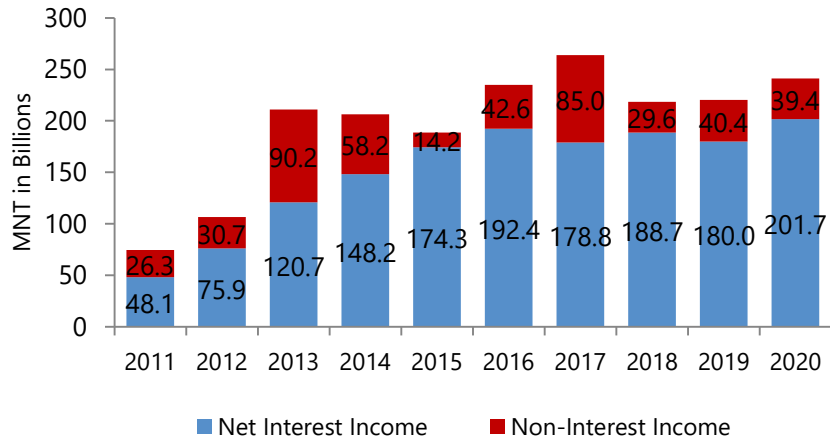


■ TDB ■ Banking Sector

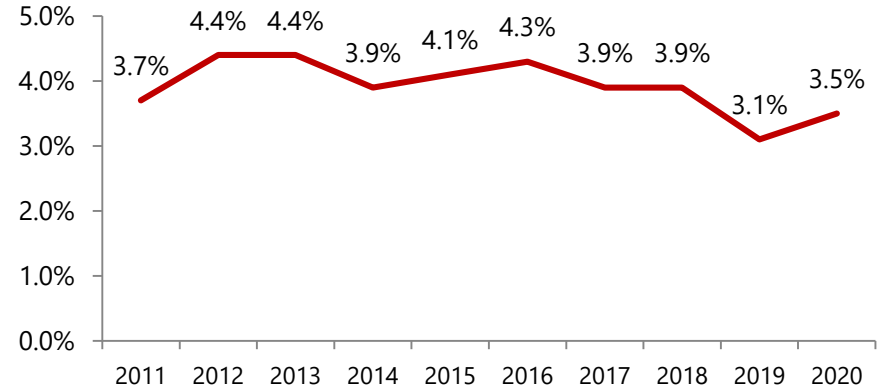
# Strong Fundamentals (2)

Profitable, efficient and reliable

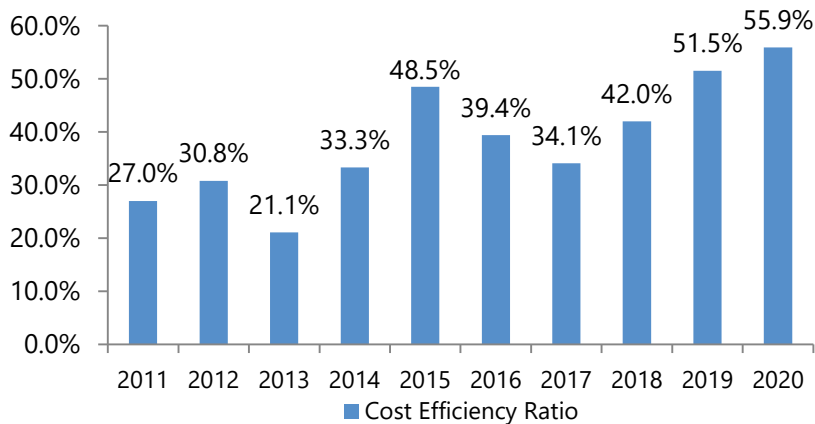
## Operating income remains strong, largely supported by net interest income



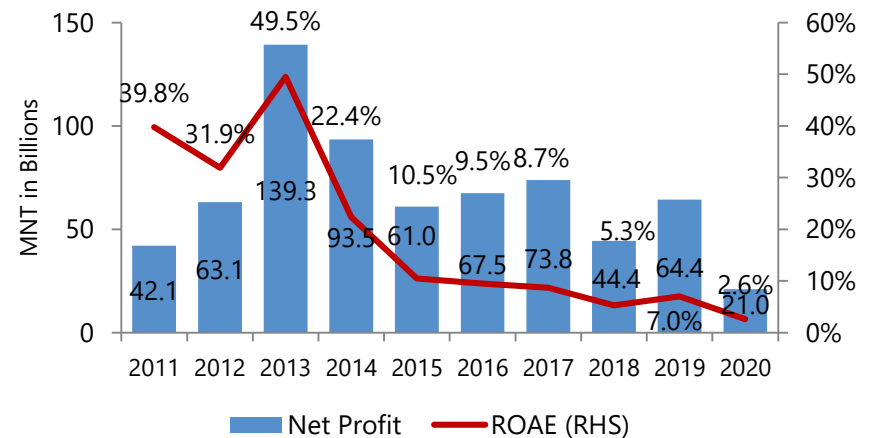
## Net Interest Margin



## Best-in-class operating efficiency



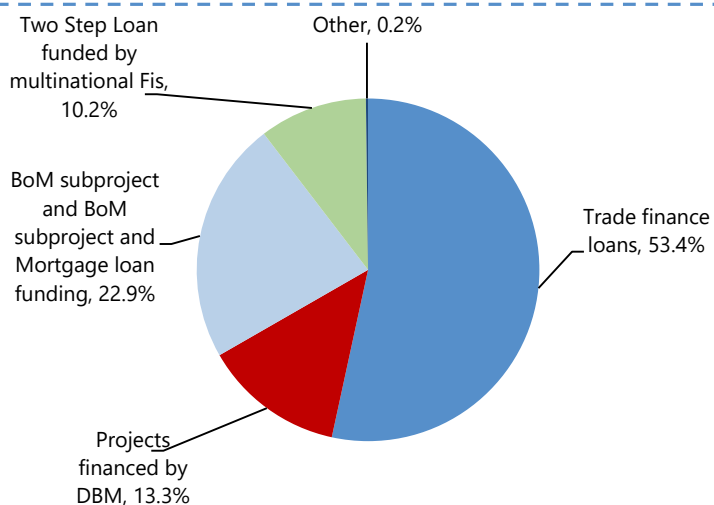
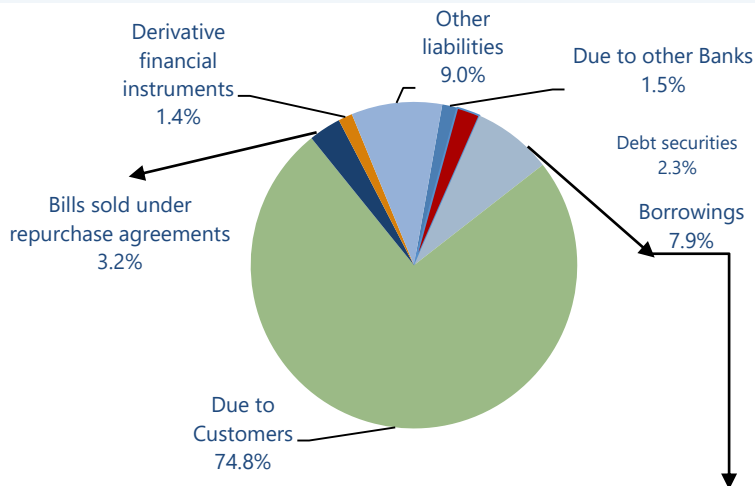
## Net profit and ROAE



# Low Cost and Diversified Funding Base

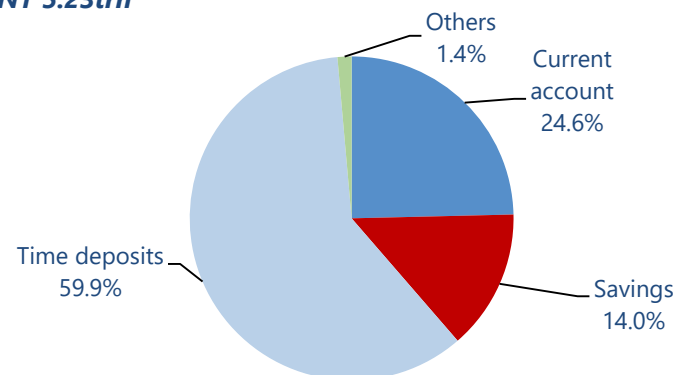
Strong and prudent balance sheet management

## The only commercial bank to complement local funding base with international debt issuance (2020)

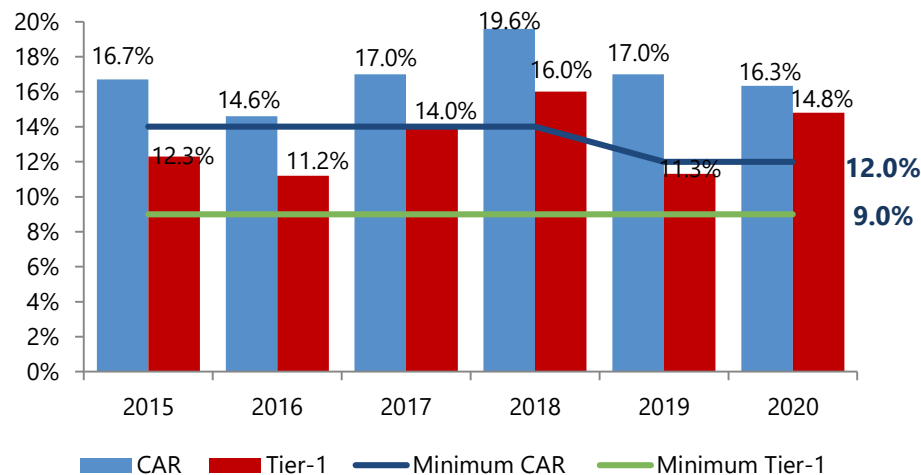


## High contribution of low-cost deposits (2020)

Total MNT 5.23trn



## Strong capital base, above regulatory thresholds



Source: Bank of Mongolia, Trade & Development Bank of Mongolia

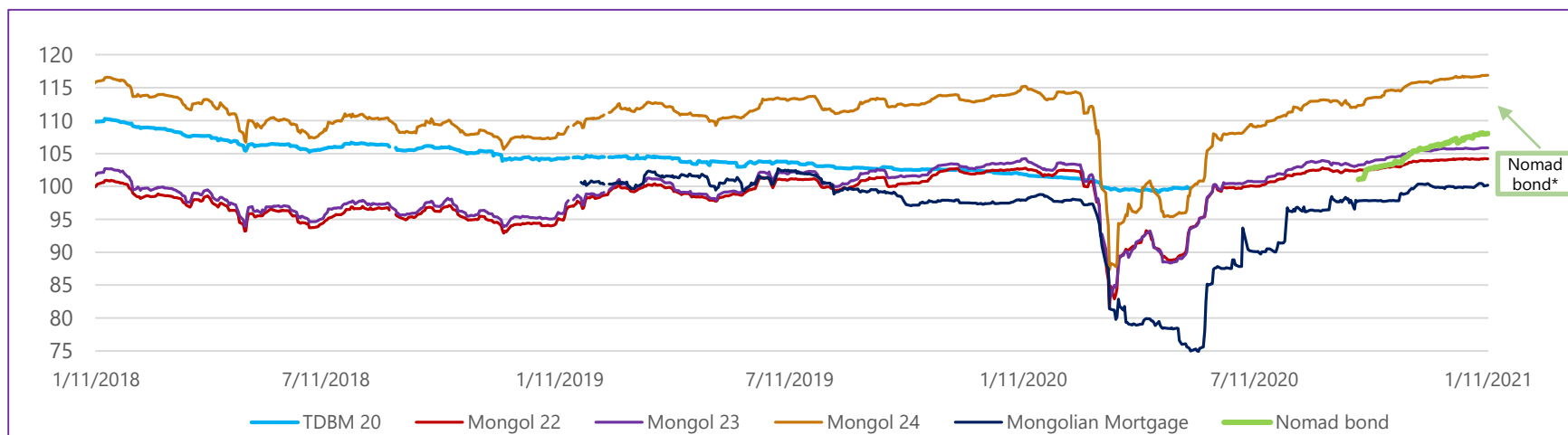
# Established Track Record of Debt Transactions

Market recognition of TDBs commitment to the performance of its bonds

- TDB is the only Mongolian commercial bank that has successfully issued bonds internationally.
- US\$1.24 billion have been raised through five US\$ and one Dim Sum bond as well as a syndicate loan from the international markets.
- This consistent approach to maintain a diversified funding portfolio is beneficial and allows TDB to weather changing market conditions better than its peers.

 <b>USD 75,000,000</b> 8.625% Senior Notes, due in 2010 USD 150,000,000 EMTN Programme Fully repaid in 2010 <b>ING</b>  <i>January 2007</i>	 <b>USD 150,000,000</b> 8.500% Senior Notes, due in 2013 USD 300,000,000 EMTN Programme Fully repaid in 2013 <b>ING</b>  <i>October 2010</i>	 <b>USD 25,000,000</b> 12.500% Subordinated Notes, due in 2015 USD 300,000,000 EMTN Programme Fully repaid in 2015 <b>ING</b>  <i>October 2010</i>	 <b>USD 300,000,000</b> 8.500% Senior Notes, due in 2015 USD 700,000,000 EMTN Programme Fully repaid in 2015 Bank of America Merrill Lynch  <i>September 2012</i>	 <b>USD 82,000,000</b> Syndicated A/B Term Loan Facility USD 82,000,000 Syndicated Loan Fully repaid in 2018 <b>FMO ING</b>  <i>September 2013</i>	 <b>CNH 700,000,000</b> 10.000% Senior Notes, due in 2017 USD 700,000,000 EMTN Programme Fully repaid in 2017 <b>CLSA</b>   <i>January 2014</i>	 <b>USD 500,000,000</b> 9.375% Senior Notes, due in 2020 Guaranteed by the GoM USD 500,000,000 GMTN Programme Fully repaid in 2020 Bank of America Merrill Lynch   <i>May 2015</i>
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## TDB 20's Stable Performance Relative to its Mongolian Asset Class



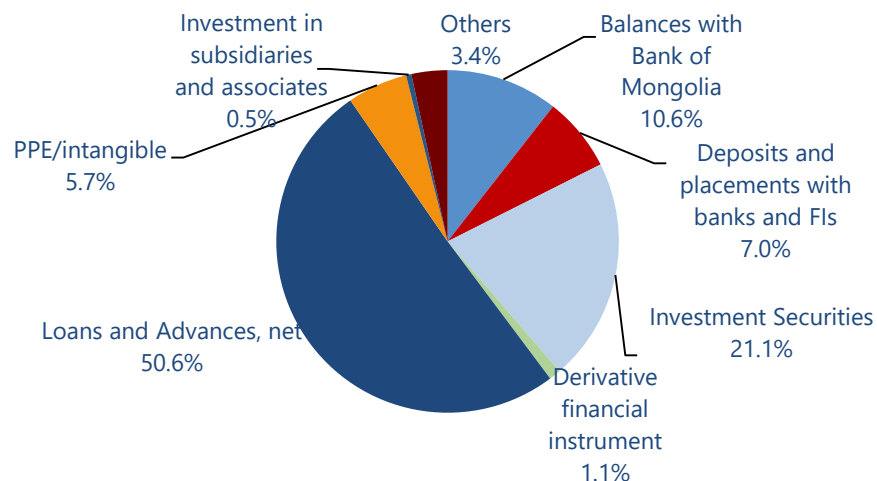
Source: Trade & Development Bank of Mongolia, Bloomberg

\*Note: On September 29, 2020, the Government of Mongolia together with the Bank of Mongolia issued 5.5-year 'Nomad' sovereign bond with 5.125 percent of annual coupon rate, raising USD 600 million on international capital market.

# Tight Control on Asset Composition

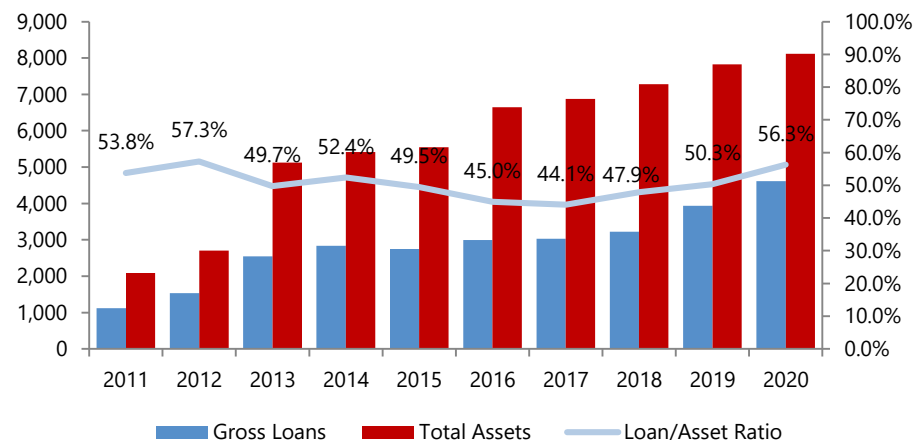
Focus on quality loans, prudent asset management and liquidity

## Balanced asset composition (2020)

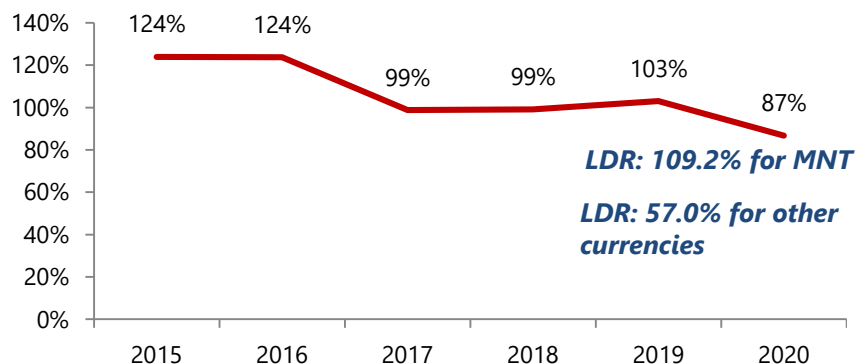


## Loans /Assets Ratio managed below 60%

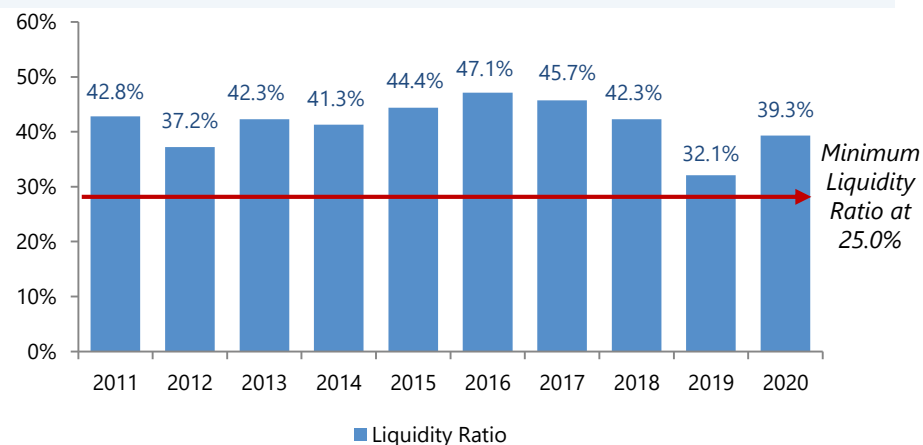
(MNT bn)



## Loan-to-deposit ratio



## Liquid assets significantly above regulatory thresholds



# International Recognition

Strong cross-border franchise, established network and recognized brand name

## 20 + international awards won since 2000

- **Asian Development Bank**  
2015-2017 "Leading Partner Bank in Mongolia"
- **GTR** 2012-2016 "Best Trade Finance Bank in Mongolia"
- **International Investment Bank**  
2020 "The Most Active Issuing Bank in Mongolia" under the TFSP
- **Green Climate Fund**  
2020 "Accredited Entity of the GCF"
- **The World Economic Forum** honoured TDB as a Global Growth Company
- **Euromoney**  
2017, 2015, 2013 "Best Bank in Mongolia"
- **FinanceAsia** 2016 "Best High Yield Bond"
- **FinanceAsia** 2014-2016 "Best Bank of Mongolia"
- **FinanceAsia** 2016 "Best Domestic Bank of Mongolia"
- **Global Banking & Finance Review** 2013-2020 "Best Commercial Bank in Mongolia"
- **Asiamoney** 2017, "Best Corporate and Investment Bank", "Best Private Bank" in Mongolia
- **Asiamoney** 2018, "Best Private Bank" in Mongolia
- **Asiamoney** 2019, "Best Commercial Bank" in Mongolia
- **VISA** 2017 "Best Innovative Product"
- **VISA** Risk Management Award 2018 "Best Acquirer" in Mongolia
- **Global Finance Magazine**  
2019 "Best Sub-Custodian Bank" in Mongolia  
2019 "Safest Bank" in Mongolia  
2015 "Best Trade Finance Provider Mongolia"
- **Financial and Banking Association of Euro-Asian Cooperation** "Standard of Stability"



## Cooperation with international FIs

- Maintains 50 nostro accounts in 16 currencies at 33 top rated foreign banks in 16 different countries
- Direct correspondent banking relationship with more than 200 foreign financial institutions
- Combined USD 266.9 mln from 30 foreign financial institutions /December 31, 2020/
- Cooperation with Visa, MasterCard, UnionPay, JCB, Diners Club and Discover



# Experienced Management Team

**With extensive industry experience in Mongolia and overseas, the management team has successfully steered the Bank through growth and downturns**

## Vision and Strategy

**Mr. Randolph S. Koppa**



**Executive  
Vice Chairman**  
*Over 50 years of experience*

**Mr. Orkhon Onon**



**Chief  
Executive Officer**  
*Over 20 years of experience*

**Mr. Banzragch Orig**



**First Deputy  
CEO**  
*Over 19 years of experience*

**Mrs. Enkhmend Avgaan**



**First Deputy  
CEO**  
*Over 15 years of experience*

## Strong Execution Capability and Industry Expertise

**Mrs. Otgonbileg  
Demchigjav**

**Deputy CEO and  
Chief Risk Officer**  
*Over 20 years of experience*

**Mrs. Bayarmaa  
Bayarbaatar**

**Deputy CEO**  
*Over 24 years of experience*

**Mr. Nyamrentsen  
Dorj**

**Deputy CEO**  
*Over 23 years of experience*

**Mr. Baatar  
Sukhbaatar**

**Deputy CEO**  
*Over 15 years of experience*

**Mrs. Solongo  
Chuluunbaatar**

**Deputy CEO**  
*Over 15 years of experience*

### An experienced and dedicated management team:

- The management team of TDB consists of Executives with significant experience.
- Proven success in maintaining TDB's strong leadership in corporate and international banking
- Good mix of foreign and domestic banking experience
- Successfully established strong relationships with a wide range of international financial institutions

# TDB's Vision and Mission

Long term strategy to be a customer-centric, international and platform bank

## Our Vision

We are the leading bank in Mongolia providing our customers with banking services and products at an international standard while creating value for shareholders

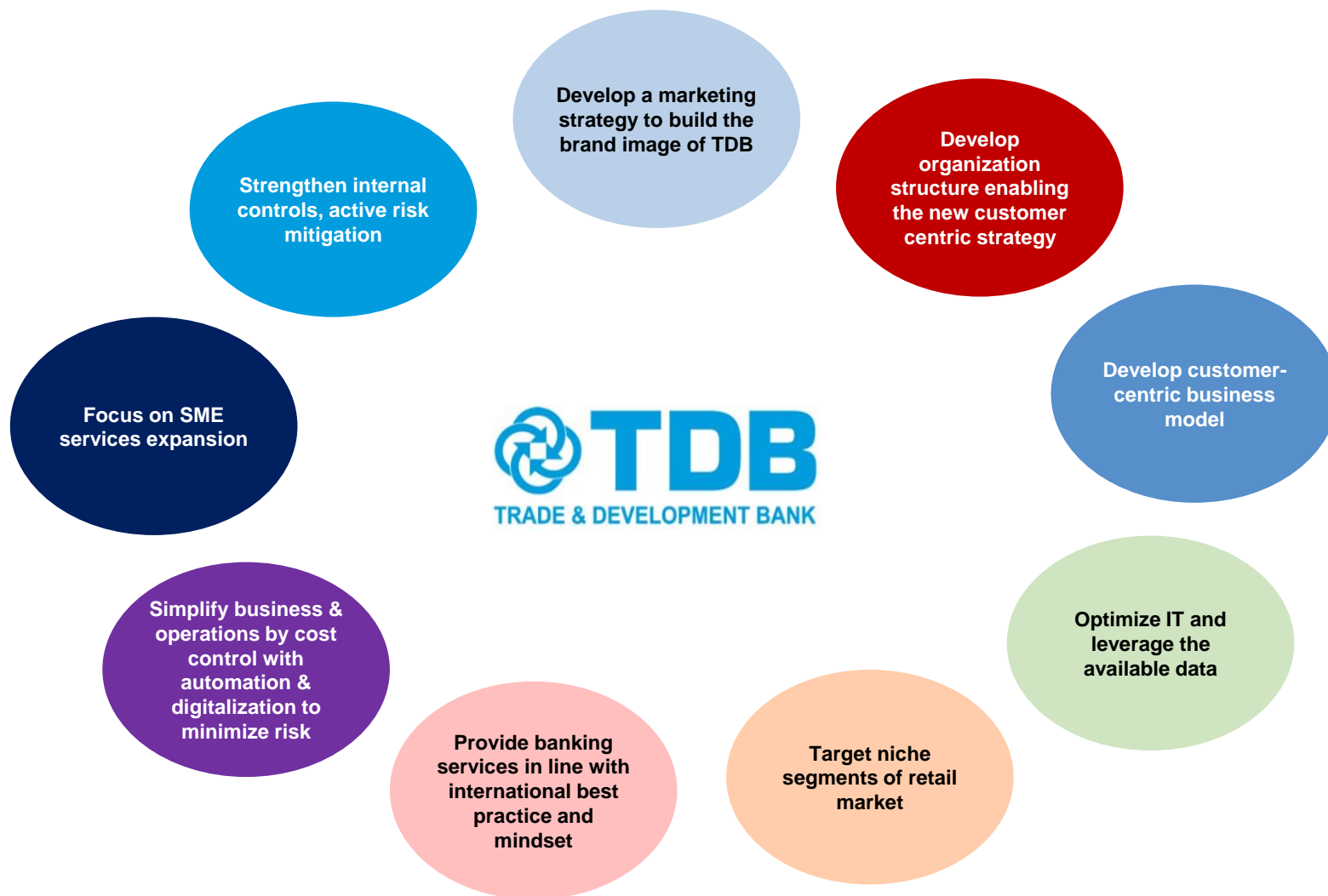
## Our Mission

Being close to the customers both in traditional and digital ways helping them to realize their aspirations

## Long Term Strategy



# TDB's Medium Term Strategy



# Robust Risk Management Framework

Leading risk management framework & robust corporate governance structure

## Market leader in risk management

- First Mongolian Bank to introduce an independent Risk Management Committee
- Appointed Chief Risk Officer to oversee risk governance framework reporting to the RGB and Risk Management Committee on quarterly basis
- Strive to apply Basel II / III principles for corporate loan portfolio and to be the most advanced bank in Mongolia to move towards international banking standards

## Strong corporate governance structure

- Established Audit Committee and Risk Committee in 2011
- Established General Audit Unit and Special Audit Unit to provide independent and objective assurance and consulting services
- Based on PwC recommendations implemented comprehensive compliance programmes
- Delgersaikhan Jamsrandorj was appointed on April 28, 2017 as an independent member on the RGB
- Bolormaa Jalbaa was appointed on April 29, 2016 as an independent member on the RGB

## Compliance management

- Back in 2010, TDB developed its AML/CTF policy in compliance with Mongolian AML law and other international regulations, and since then it was updated in 2013, 2016 and 2020 respectively. All policies and procedures had been approved by the Board of Directors.
- The TDB compliance-related policies and procedures include:

Customer acceptance  
and KYC/CDD policy

Transaction  
monitoring/sanction  
screening

Suspicious transaction  
reporting

Risk based approach,  
risk rating

Staff training

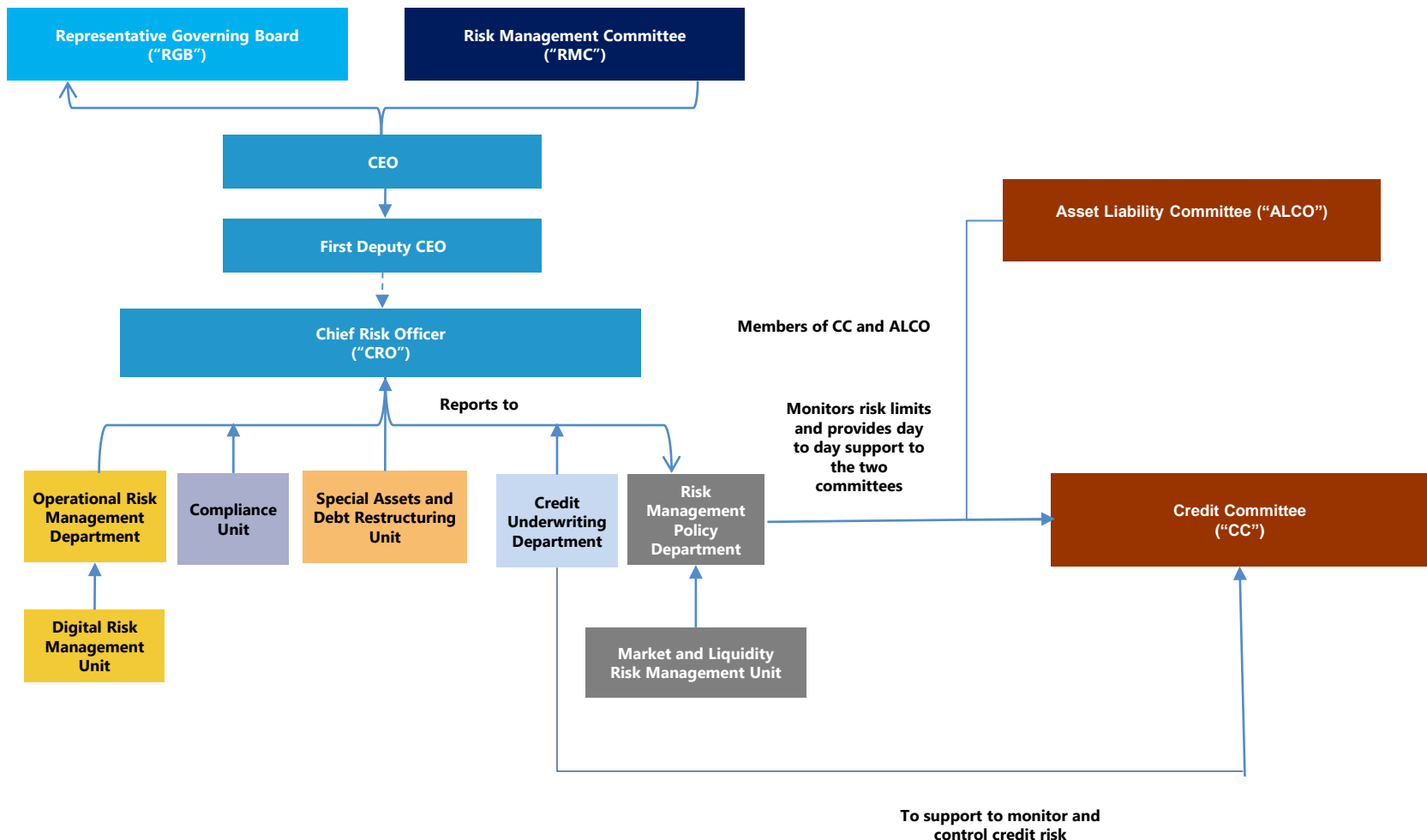
Record keeping

- In addition, TDB requires from its each and every employee to be a compliance officer, following Mongolian law and legislature along with the Bank's internal rules and regulations as well as compliance culture, thus, increasing the value and reputation of the Bank.



## Leading risk management framework & robust corporate governance structure

## Risk governance framework



**2012**

- TDB partnered with the Dutch Development Bank (FMO) and became the first bank in Mongolia to implement **Environmental and Social Risk Management System (ESRMS)** fully into its banking operation.
- TDB also launched its internal **Environmental and Social Responsibility policy** with corresponding procedures and evaluations (in accordance with IFC Performance Standard-8).

**2014-2015**

TDB has been continuing to implement its **Environmental and Social Responsibility policy** with corresponding procedures and evaluations.

**2016,  
2017, 2019**

TDB was nominated for "**The Best Sustainable Financing Bank**" Award in total three times by the Mongolian Sustainable Finance Association and the Bank of Mongolia.

**2013**

TDB along with all other commercial banks of Mongolia joined the **Mongolia Sustainable Finance Initiative**, which was a huge step towards the development of sustainable finance in Mongolia.

**2019**

- In March, TDB signed up to the **Green Investment Principles (GIP)**.
- In October, TDB joined the **Mongolian Renewables Industries Association** and became the first ever bank to become its member.
- In December, TDB launched its **Gender Equality Policy**

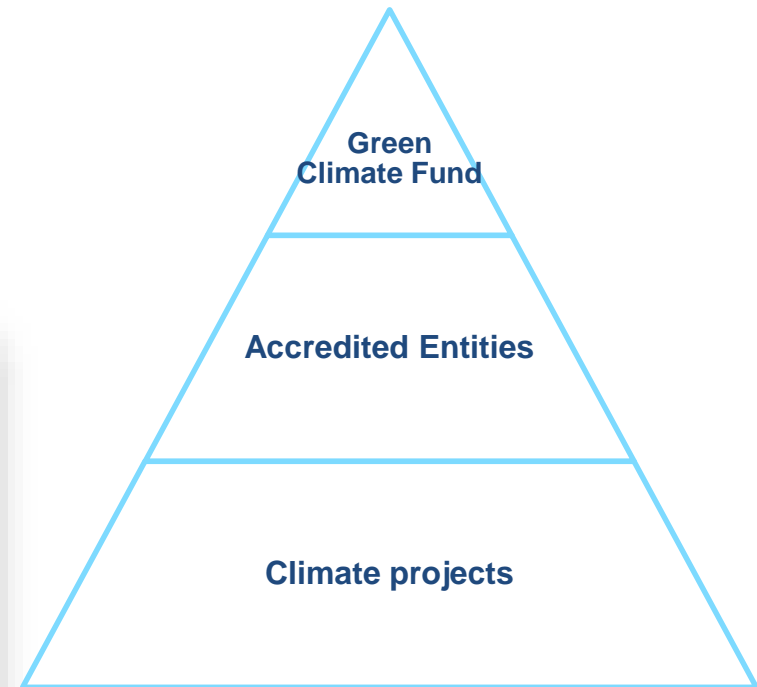
**2020**

- In April 2020, TDB became an **Accredited Entity of the Green Climate Fund (GCF)**.
- In September 2020, TDB released its **pipeline for green loans**, which includes loans for purchasing electric heaters, insulation materials, small treatment plants, eco-toilets, eco-cars & electric scooters, energy-efficient buildings & products.
- In September 2020, TDB launched its **Green Funding Office** with 4 employees.



## Trade and Development Bank of Mongolia becomes an Accredited Entity of the Green Climate Fund

- **Modes of access:** Direct access entity (National)
- **Size:** Medium (50-250 million \$)
- **Financial instrument:** Loan, Guarantee
- **E&S risk category:** Category B (medium risk)\*



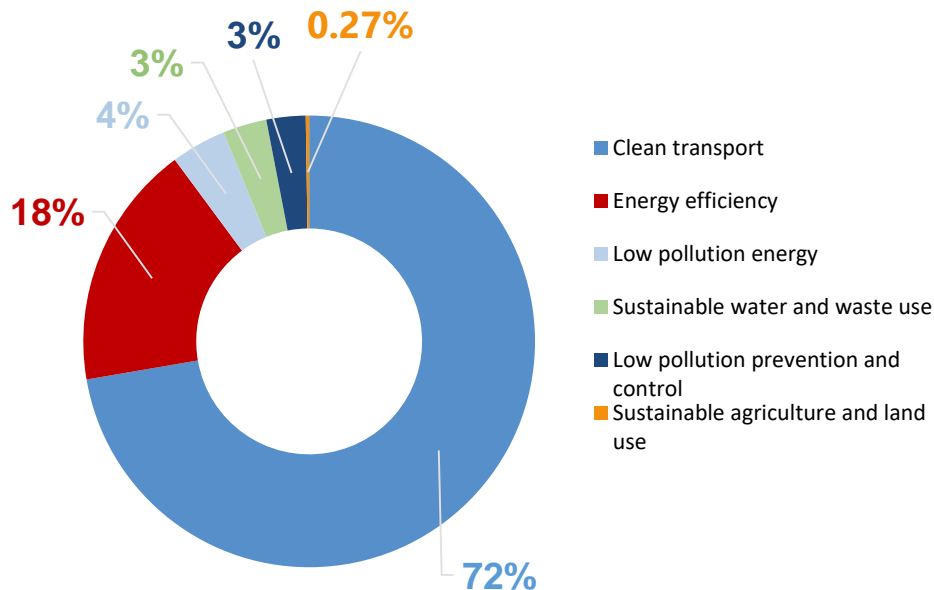
*\*Note: According to the [GCF's ESS policy](#), risk category B means that activities with potential limited adverse environmental and/or social risks and impacts that individually or cumulatively, are few, generally site-specific, largely reversible, and readily addressed through mitigation measures.*

# Green Loan Portfolio

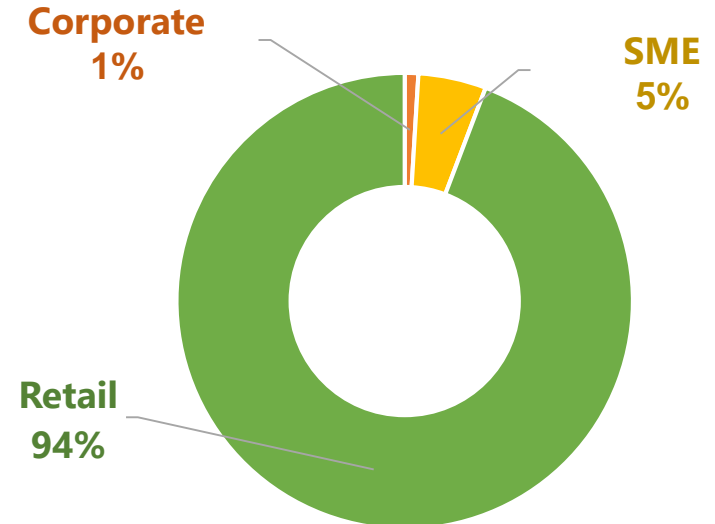
As of Q4 2020, TDBM's green loans amounted to the nominal value of MNT 55,624.6 million, or approximately USD 19.52 million

In the last 3 months of 2020, the Bank's green loan portfolio increased by around 67.8% and is expected to further rise in 2021 and beyond

## Green loans by categories



## Green loans by segments



# Governance strategy: improving our E&S policy

TDBM is planning to reach “Carbon neutral” by 2030, “Net-Zero” by 2050 through implementing various green projects, including its “Climate 30+” Programme, which aims to bring transformational change by enabling agribusiness, manufacturing industries, mining (non-fossil fuel) and logistics sectors to adapt climate-centric practices, operations and governance

Through the “Climate 30+” Programme, TDBM targets to provide **sustainable financing worth of USD 2 billion** to its client companies and, thus, will profoundly contribute to inclusive and sustainable economic growth of the country

The climate change impact of the “Climate 30+” Programme would be achieved through the transition of normal supply chains of Mongolian corporates into sustainable business cycles, by facilitating corporate best practices in **energy efficiency, renewable energy, solid waste, water management, green infrastructure, transportation and logistics, industry, etc.**

Within the framework of the “Climate 30+” Programme, the Bank will support the implementation of the disclosure practices of the **Task Force on Climate-related Financial Disclosures (TCFD)** in Mongolia’s banking sector. TDBM in cooperation with national and international stakeholders, will develop climate information reporting guideline as voluntary basis for Mongolian corporates



*\*Note: According to the [GCF's ESS policy](#), risk category B means that activities with potential limited adverse environmental and/or social risks and impacts that individually or cumulatively, are few, generally site-specific, largely reversible, and readily addressed through mitigation measures*

# Gender equality

In June 2017, the TDBM launched its Gender Equality Policy, and fully developed the policy in December 2019.

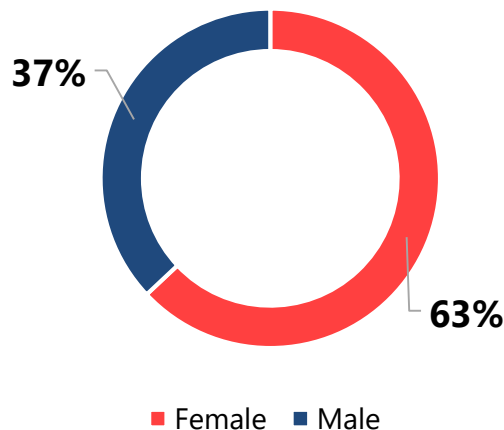
The TDBM will contribute to gender equality efforts by ensuring gender mainstreaming so that both women and men have the same rights and opportunities within the Bank, across its operations, products and services, as well as through its dedicated program to support women-led SMEs in Mongolia.

**5 GENDER  
EQUALITY**

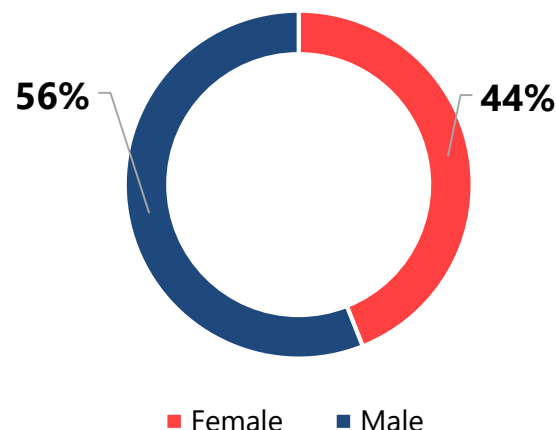


## Gender ratio of employees of TDBM (as of December 31, 2020)

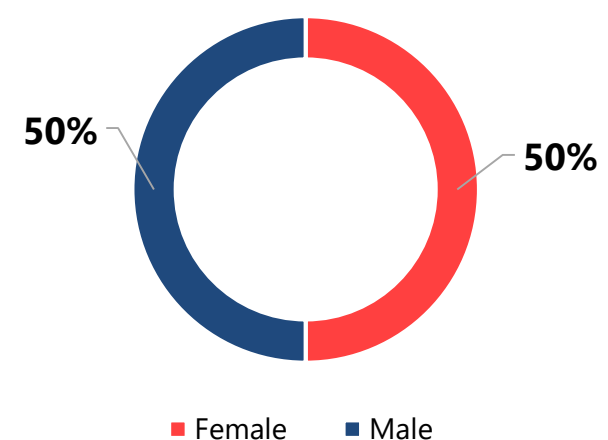
Staff by gender



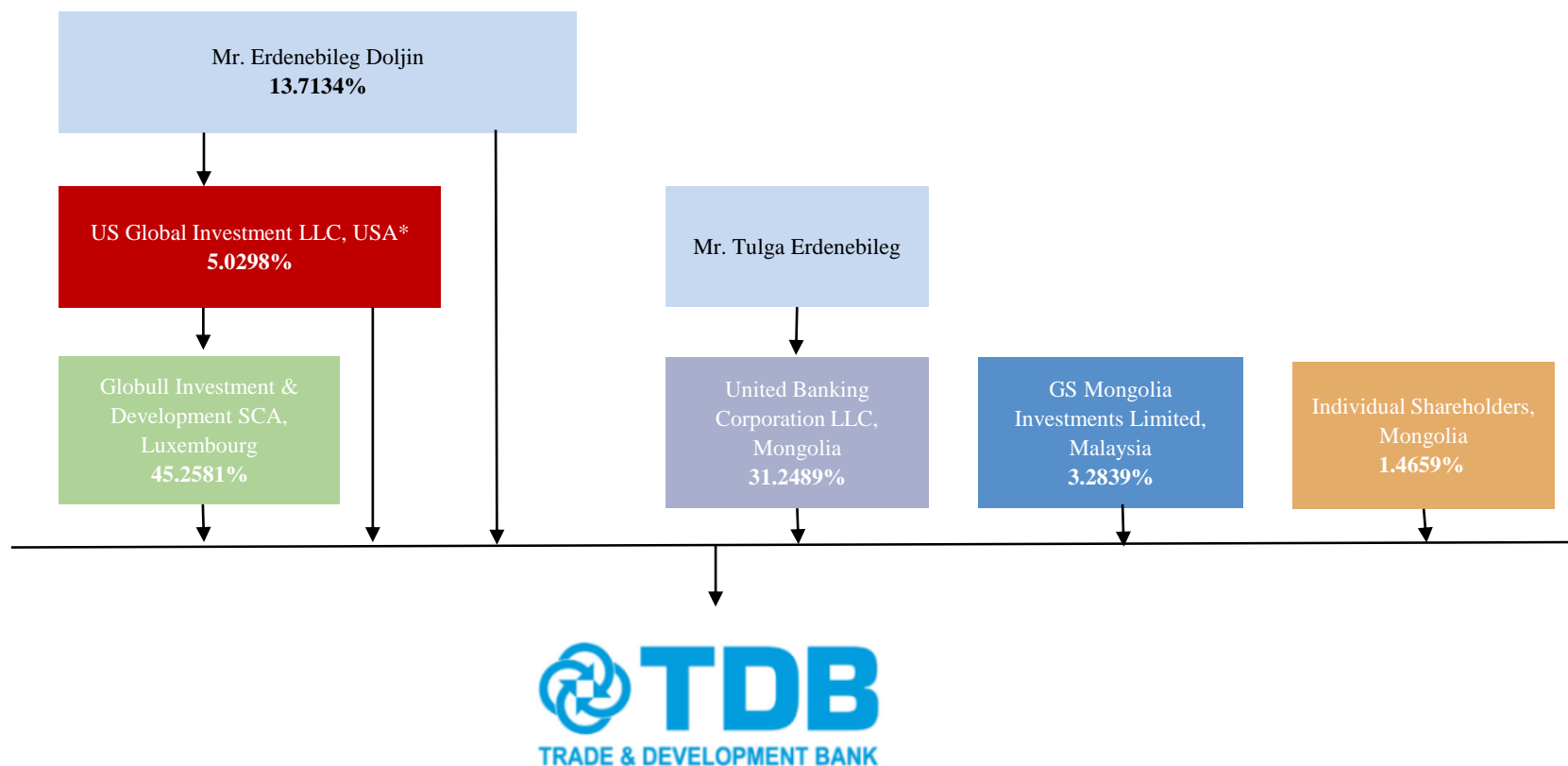
Middle management by gender



C-level executives by gender



# Stable Ownership Structure



- Mr. Erdenebileg Doljin (the Chairman of the Board) owns 13.7134% of shares of the bank directly.
- US Global Investment LLC is fully owned by Mr. Erdenebileg Doljin and owns 45.2581% shares of the bank indirectly through Globull Investment & Development SCA, and owns 5.0298% of shares directly.
- United Banking Corporation LLC is fully owned by Tulga Erdenebileg and owns 31.2489% of shares of the bank.



## Trade and Development Bank of Mongolia

**14210 Peace Avenue 19**

**Sukhbaatar District 1<sup>st</sup> Khoroo**

**Ulaanbaatar, Mongolia**

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# Thank you for your attention

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