

Bulletin:

Trade And Development Bank Of Mongolia Has Sufficient Liquidity For Bond Repayment

May 11, 2020

HONG KONG (S&P Global Ratings) May 12, 2020--S&P Global Ratings today said that Trade and Development Bank of Mongolia LLC (TDB; B/Stable/B) has enough funds to repay its US\$500 million bond due on May 19, 2020. We expect the Mongolia-based bank to repay its obligations with its own liquidity--without relying on external financing or the government guarantee that is attached to the bond. We base our expectation on the assumption that TDB has no unexpected, large withdrawals of customer deposits in the interim.

TDB's funding and liquidity profiles will not significantly deteriorate after the bond repayment, given that the bank has been shoring up liquidity. Its liquidity ratio will also benefit from the government bond portfolio that the bank maintains in relation to the US\$500 million bond. This bond portfolio is currently excluded from TDB's accessible liquid assets but will become eligible for inclusion after the repayment. We also note that TDB had established a long-term currency swap with the Bank of Mongolia at a final exchange rate equal to the initial rate. This will reduce the bank's overall payment burden to some extent, given that the Mongolian tugrik has depreciated about 30% against the U.S. dollar in the past five years. As of March 31, 2020, TDB's regulatory liquidity ratio was about 35%, up from about 32% as of Dec. 31, 2019.

TDB's 2019 performance was better than our expectations. The bank's return on assets improved to about 0.9%, from about 0.6% in 2018, thanks to lower credit costs. We believe TDB's 2020 performance will be weighed down by challenging macro and market conditions as well as restrained credit growth. The maturing US\$500 million bond represents about 20% of the bank's total liabilities as of Dec. 31, 2019. Its high liquidity holdings also contribute to softening performance metrics, in our view.

This report does not constitute a rating action.

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