

**MAJOR BANKS CONTINUE TO DO WELL IN 2011Q1, TDB'S ASSETS,
LIABILITIES, EQUITY AND PROFIT BEFORE TAX DOUBLE YOY TO 1.17B,
1.07B, 105M AND 6M USD**

2011Q1 results of banking market dominating trio

Khanbank(private,40% owned by Sawada Holdings and 13% by HS International, in 2008 has hired ING for 300M USD global medium term notes),

Golomt Bank(private, Board of Governors – D.Baysgalan,L.Boldkhuyag and M.Zorigt, may go public abroad in 2012, for example in HK,secured 30M USD convertible loan from a UAE fund recently)

TDB(private, controlled by Central Asia Mining LLC and D.Erdenebileg, issued USD150M three year Senior Notes on October 18, 2010 and USD25M of five year subordinated notes with conversion option to be approved by TDB, advised by ING)

Strong Profitability Indicators Continue

· **Khan's 2011Q1 interest and similar income 46B MNT(38M USD),29% of 2010 interest income, Golomt 32B MNT(27M USD), up 29% yoy and also 29% of 2010 interest income,TDB's interest income 26B MNT(21M USD) up 35% yoy and also again 29% of 2010 interest income.**

In the sharply rebounding economy, **profitability of the banks continues both yoy and qoq** with continued **more good loans** and interestingly,**all three banks have already exactly same 29% of their interest income performance in 2010. Khanbank's income is still 14B MNT(12M USD) away from No.2 Golomt, perhaps to due the size**

In Khan's case number of customers increased by 43% qoq and number of borrowers increased by 7% while number of branches and employees is virtually the same

- **Khan's gross fees, commissions and other operating income 4B MNT(3.5M USD),36% of 2010, Golomt's non-interest income 7B MNT(5.6M USD)up 32% yoy and 46% of 2010, TDB's non-interest income 10B MNT(8.6M USD)up 179% yoy and 54% of 2010**

Banks's fee, commission, etc. **non-interest business** is contining to **grow** well, in TDB's case for some reason with exceptional robustness approaching tripling 2010Q1 result, more and more people are using banks and bank's branching, etc customer outreach **strategies seem to continue to paying off.**

- **Khan's after tax net profit 11.6B MNT(9.7M USD), 38% of 2010, Golomt -7B MNT(5.9M USD)up 37% yoy and 35% of 2010,TDB's profit before tax – 7.3B MNT(6.1M USD)up 91% yoy and 29% of 2010.**

- Khan's capital adequacy ratio is 15.08,Golomt's is 13.44%,TDB's 13.09%

- In overall picture of the trio doing very well, TDB's 2011Q1 **before tax profit almost doubled yoy due to oversized other income in the quarter which almost tripled yoy.**

Balance Sheet Indicators

Robust asset growth

- **Khan's total assets are up 13% qoq to 1.75T MNT(1.46B USD),including 196B MNT of cash and balance with central bank, 275B MNT due from banks and 0.52B MNT of financial investments – available for sale, and 349B MNT of financial investments held for maturity**

- **Golomt's assets 1.59T MNT(1.33B USD),up 57% yoy and up 1.3%, including 167B MNT of cash and cash equivalents including 133B of current accounts with Bank of Mongolia , 325B MNT of investment in securities, including 312B MNT of Bank of Mongolia T-bills and 126B MNT of foreign assets,867B MNT of loans and advances**

- **TDB's Assets 1.4 trillion MNT(1.22B USD) up 99 % yoy** including 650B MNT of loans and advances,340B MNT securities/net/,**332BMNT of cash and cash equivalents**

Banks' asset growth seems to be strong and in case of TDB assets doubled yoy primarily due to robust growth in cash and cash equivalents, securities/net/, Mongolbank bills and other assets/net/.

Liabilities growth

- **Khan's total liabilities increased by 13.5% qoq to 1.59T MNT(1.33B USD)**
- **Golomt's total liabilities increased by 57% yoy and 1% qoq to 1.46T MNT (1.22B USD)**
- **TDB's liabilities increased by 101% yoy and by 5.1% qoq to 1.28T MNT(1.07B USD)**

Strong Equity growth

- **Khan's capital increased by 6.9 % qoq to 159B MNT (133M USD)** including 13B MNT of ordinary shares, 14B MNT of share premium, 492M MNT of revaluation surplus,121M MNT of other reserves and **105.5B MNT of retained profits and 26.35B MNT of subordinated debt.**
- **Golomt's total equity is 133B MNT(111M USD),up 63% yoy and 4% qoq** including 22B MNT of share capital,**62B MNT of profit before years,27B MNT of current profit and 42B MNT of reserve funds.**
- **TDB's total equity is 125B MNT(105B USD)up 76.8% yoy and 4.8% qoq,** including 6.6B MNT of common stock,7.4B MNT of additional paid-in capital,(6B MNT)Treasury shares,13.8B MNT reserve fund, 7.3B MNT of profit of current year, **66B MNT retained**

earnings and 28B MNT of subordinated term debt.

Conclusion:

- **In sharply rebounding economy it appears that by robust growth indicators in 2010 and 2011Q1 the banks are displaying scalability of their business model and management's effective handle on execution.**
- **Economies of scale and increasing costs of competition in limited domestic market would stimulate need to M&A and consolidation within the industry**
- **Prospects for possible IPO as well as debt issuance by banks look positive.**

MAJOR BANKS DID VERY WELL IN 2010, KHAN'S NET PROFIT TRIPLED YOY TO 25M USD, ROE IN BANKING SUPERIOR TO ROE IN MINING

2010 results of banking market dominating trio of **Khanbank**(40% owned by Sawada Holdings and 13% by HS International), **Golomt Bank**(Board of Governors – D.Baysgalan,L.Boldkhuyag and M.Zorigt)and **TDB** (controlled by Central Asia Mining LLC and D.Erdenebileg)(all private)

Strong Profitability Indicators

- **Khan's** interest and similar income **160B MNT(133M USD) up 20% yoy**, **Golomt** **111B MNT(92M USD), up 36% yoy**,**TDB's** interest income **89B MNT(74M usd), up 15% yoy.**

In the sharply rebounding economy, **all three have done very well yoy** with giving **more good loans** and **Golomt appears to have had most robust loan business growth,however,**

Khanbank's income is 50B MNT away from closest competitor, it appears that size does matter in banking.

· **Khan's gross fees, commissions and other operating income 19B MNT(16M USD)up 25% yoy, Golomt's non-interest income 13B MNT(10M USD)up 20% yoy, TDB's non-interest income 16B MNT(13M USD)up 33%**

Banks's fee, commission, etc. **non-interest business** is **growing very well** as well, in Khan and TDB's case **faster than their loan business**, more and more people are using banks and bank's branching, etc customer outreach **strategies seem to be paying off**.

· **Khan's after tax net profit 30B MNT(25.5M USD)up 190%, Golomt -20B MNT(17M USD)up 52% with 5 year CAGR of 21%, TDB - 20B MNT, (16M USD)up 33%.**

· **Golomt's Return on Average Assets 1.7%, Return on Average Equity 26.6%, Cost Income Ratio 44%**

· In overall picture of the trio doing very well, Khan's **net profits rebounded 3 times yoy, higher than pre-crisis 2008 levels (Khan's net profit in 2008 was 22B MNT)**. It appears that retail banking's **economies of scale bring more profitability**.

· In comparison to mining, **Khan's net profit is 25M USD vs. MMC's 60M USD on Khan's total assets of 1.3B USD vs. MMC's total assets of 1B USD and Khan's total equity of 101M USD vs. MMC's total equity of 727M USD(all 2010)**

Balance Sheet Indicators

Robust asset growth

· **Khan's total assets 1.55T MNT(1.29B USD), up 43% yoy, including 276B MNT of**

cash and balance with central bank, up 35% yoy and 0.5B MNT of financial investments – available for sale, up 56% yoy, and **777B MNT of financial investments held for maturity, up 34% yoy**

- **Golomt's assets 1.57T MNT(1.25B USD)up 55% yoy and 5 year CAGR of 33%,** including **110B MNT of cash and cash equivalents** including 77B of current accounts with Bank of Mongolia up 23%, **367B MNT of investment in securities,** up 208% yoy including 356B MNT of Bank of Mongolia T-bills and **216B MNT of foreign assets, down 0.5% yoy**
- **TDB's Assets 1.3 trillion MNT(1.11B USD) up 65% yoy** including **553BMNT of cash with cash assets growth 107%, and 260BMNT investment securities with investment securities growth 188%.**

Liabilities growth related to deposits growth

- **Khan's total liabilities 1.4T MNT(1.2B USD) up 44% yoy, including 1.3T MNT due to customers, up 55% yoy, and 107B MNT debts issued, down 10% yoy.**
- **Golomt's total liabilities 1.44T MNT (1.2B USD) up 55% yoy including 1.3T MNT of deposits, up 66% yoy and 5 year CAGR of 32%**
- **TDB's liabilities 1.25T MNT(1B USD) up 68%,including 919B deposits from customers,**53B MNT deposits from banks and financial institutions, 50B MNT borrowings and 173B MNT debt securities issued.

Strong Equity growth

- **Khan's total equity is 121B MNT (101M USD),up 28% yoy** including 12B MNT of ordinary shares, 14B MNT of share premium, 503M MNT of revaluation surplus,121M MNT of share-based payment reserves and **94B MNT of retained profits.**
- **Golomt's total equity is 128B MNT(107M USD),up 63% yoy with 5 year CAGR of 39%,**including 22B MNT of share capital,**42B MNT of retained earning,20B MNT of current profit and 44B MNT of subordinated loans.**
- **TDB's total equity is 88B MNT(74B USD)up 31% yoy,** including 7B MNT of share capital,7B MNT of share premium,(6B MNT)Treasury shares,13B MNT revaluation reserves

and **67B MNT retained earnings.**

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