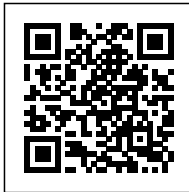


# MONGOLIAN BANKS UNDERGO AQR IN LIGHT OF UPCOMING IPOS

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Asset quality review (AQR) was conducted at systemically influential banks in the Mongolian banking system according to the Bank of Mongolia. About 70% of the total loan portfolio of the five influential banks in the system was evaluated. Results of the review showed that banks need to raise additional capital of MNT 22.2 billion or 0.05 percent of GDP. To reduce the impact of the pandemic, the Parliament, the Government, and the Bank of Mongolia implemented regulatory measures to support banks and financial institutions. As a result, the required amount of additional capital was relatively low.

In addition to meeting the minimum requirement of MNT 100 billion, the reserve risk fund and additional reserves have been accumulated since the previous asset quality review in 2017. Due to the requirement that the bank's total capital adequacy ratio should not be less than 12 percent, the capital adequacy ratio of these five banks was 14.5 percent.

The Bank of Mongolia has been implementing the "Banking Sector Reform Program" since 2020 to reduce the concentration of ownership in the banking sector, increase external control and transparency, improve risk-bearing capacity, and ensure the stability of the sector. Correspondingly, these banks must change the loan categories, create an additional risk fund, and increase the capital by the required amount within a specified period.