

YOUR FINANCIAL GATEWAY TO THE WORLD



ANNUAL REPORT 2019

TOGETHER TOWARDS PROSPERITY

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01

GENERAL OVERVIEW

WHO ARE WE

AS THE FIRST COMMERCIAL BANK OPERATING IN MONGOLIA, TDB ALWAYS AIMS TO BE THE LEADER OF INNOVATION AND ROLE MODEL FOR OTHERS.

TDB was formed along with establishment of a two tier banking system in Mongolia. As the two tier banking system was just established there was no clear direction, means and experience for us to follow and we had to find our way to innovate, prosper to become the leader of innovation, services, social responsibility, international relations and human resources.

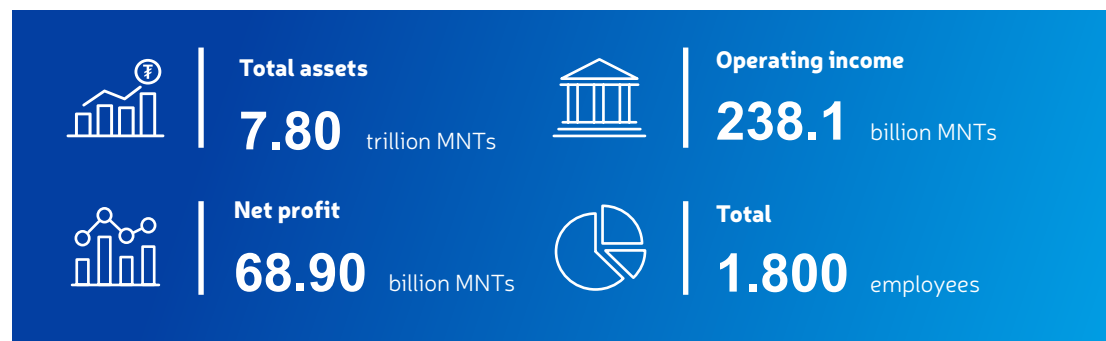
We aim to provide swift, satisfactory services to our clients through our sixty branches. We have been recognized globally as Best Commercial Bank in Mongolia, Best Corporate Bank in Mongolia, Best Trade Finance Bank and Safest of Bank of Mongolia numerous times from the prestigious magazines.

THIRTY YEARS OF GROWTH

In 2020, TDB is celebrating its 30th anniversary. During the democratic revolution of the 1990, the Government approved the proposal to establish a new bank on the foundation of State Bank General Committee's International Payment Department and on October 19th ordered to establish Trade and Development Bank of Mongolia. During this 30 year of growth, we are always proud to be helping people to realize their dreams and leading with innovation and examples.

We always strive towards prosperity and success with our esteemed clients and partners together.

We are always grateful for those who established TDB and TDB Culture and would like to extend our sincere gratitude and appreciation for all of the hard work and dedication to our founders, senior employees, management teams and employees.



TOGETHER TOWARDS PROSPERITY

Mission

We provide comprehensive financial services that exceed customer expectations through advanced technology for customers to achieve their aspirations.

Vision

Be the leading bank in prosperities of developing Mongolia.

Bank logo

The logo was designed based on a coin, symbolizing infinitely flowing wealth towards the money chest from cardinal directions with infinite circulation of money to grow and accumulate wealth and treasure in abundance.



Core values

Customer centric	Recognition	Excellence	Accessible	Teamwork	Outperforming	Respect
C	R	E	A	T	O	R
Б	Ү	Т	Э	Э	Г	Ч
Бидний харилцагч	Үнэлэмжтэй	Төгс төгөлдөр	Эгнэгт нээлттэй	Эвсэг баг	Гүйцэтгэл төгс	Чин хүндлэл

Slogan

“Together towards prosperity”

The slogan of TDB calls upon, unifies and inspires employees, customers and investors to walk towards development and prosperity together.

LETTER FROM THE PRESIDENT AND THE CEO



President

MEDREE Balbar

Dear esteemed clients, partners and shareholders, we are delighted to share our achievements of 2019.

In 2019 GDP grew by 5.1 percent, foreign trade balance increased by 31.2 percent and FDI increased by 6.2 percent. Even though the major economy indicators improved from 2018, Mongolia was grey-listed by FATF and price of copper and coal declined due to trade war between and US and China set major challenges. Despite these challenges we successfully navigated through rough waters in 2019.

Also, TDB fully repaid its medium term \$500 million notes from its internal liquidity and that signified TDB's reliability fifth time upon its investors and customers.

Despite the potential impacts on the bank's operations of continuing economic downturn caused by COVID-19 pandemic, we continue to work to support our customers to overcome financial difficulties, together.



Chief Executive Officer

ORKHON Onon

Thirty years of defining prosperity

In 2020, our bank will celebrate its 30th anniversary. During these years, we have been a pioneer in the sector and played an important role in laying the foundation and strengthening the two-tier banking system in Mongolia.

We firstly introduced payment cards, ATMs, internet banking, mobile banking and SWIFT international money transfer services for our customers. Also, we are the only private sector company in Mongolia that has issued bonds on the international market, five times and successfully repaid each of the bond at the maturity. It is a pleasure to note that proceeds of the bonds we issued have been used to support the country's FX reserve in uneasy times and have been used to provide cheaper financing for our customers as well as it was of significant importance for paving the road for other entities to issue bonds internationally.

On the occasion of our 30th anniversary, we plan to develop and continue many activities that will have positive impact on our society and economy. In addition, we have renewed our strategy for the next 30 years, renewed old concepts, values, and traditional banking operations, and started the transition to a new business model that will create more value for our clients in 2019. We would like to express our sincere gratitude to all current and former managers and employees of TDB and wish all of you a happy 30th anniversary.

Financial performance

We are pleased to present to you a few key financial indicators that confirm how successful 2019 has been for TDB. In the reporting year, the bank's total assets reached 7.8 trillion MNT, increasing by 519 billion MNT or 7.1 percent compared to the previous year. Net outstanding loans increased by 6.5 percent from the previous year to MNT 3.3 trillion, and deposits from customers increased by 6.2 percent to MNT 3.7 trillion. As of the end of 2019, the bank recorded a net profit of 68.9 billion MNT, an increase of 55.1 percent from the previous year's profit. As a result, return on equity increased by about 5 percent to 9.5 percent.

Strategy reform

At a time when technology and customer behavior are changing rapidly, we started our strategic reform. Organization's success and growth depend on its ability to adapt and evolve to changing environments. This requires vigilance and continuous change. We have renewed our vision and mission and defined our long-term goals as becoming a platform bank, international bank, and customer-centric bank. And certain reforms are already being implemented.

International banking

Mongolia getting gray-listed by the FATF resulted in tighter monitoring of international remittances from correspondent banks. As a bank that handles more than 80 percent of Mongolia's total international remittances, we are working to ensure that clients continue to make remittances smoothly and cost-effectively.

We have reaffirmed our position as the leading international bank in 2019, successfully handled more than 50 percent of total trade finance.

We have been selected as the banking service provider for the \$350 million compact of Millennium Challenge Corporation's water supply expansion of Ulaanbaatar city project.

We obtained and maintain credit lines with amount of over \$700 million from international banks and financial institutions, thus we are able to offer cheap financing to our clients.

In 2014, we opened a representative office in Tokyo, Japan for the first time among commercial banks. We are proud of developing partnerships of businesses from Mongolia and Japan to a new level and confident that it will continue to be a bridge between the two countries' economies and businesses.

Platform bank

2018 has been a year of preparation for digital transformation, and 2019 has been the beginning of the transformation and a year full of achievements and milestones. We have met all the requirements of the Bank of Mongolia in accordance with the National Payment System Law and renewed procedures, and for the first time among commercial banks, obtained the “Clearing System Operator” and “Payment Card Processor” licenses. Nine out of 13 commercial banks use TDB’s clearing systems for their card services. In the future, this integrated system will be critical in reducing duplicated costs banks incur for hardware, software, information security, and reliability.

In addition, TDB Online service has been updated with a brand new look and additional features. As a result, number of customers who use online banking services grew by 27 percent and number of online transactions increased by 45 percent.

Customer centric bank

In 2019, we have focused on becoming a customer-centric bank, one of the three long-term goals of strategic reform.

We have updated our customer segments to generate more value to our customers. We are also updating our sales channels and started the training of relationship managers. Clients will get all their banking services through their assigned relationship manager.

To support the trade operations and cash flow of our clients, we have opened 1.35 trillion MNT worth of letters of credit and guarantee. We have also successfully introduced new, non-collateralized business loans to support SMBs.

Sustainability

As Mongolia's leading bank for sustainable development and sustainable financing, we always try to set an example for others, share our experience and strive to be an environmentally and socially friendly bank.

In 2019, we continued to implement number of projects with great importance in order to further perfect our practices. Among them, we became an accredited organization of the Green Climate Fund that will enable us to offer affordable financing to our green-clients. Under the scope of our comprehensive actions, we reformed our operational policies, newly introduced and implementing Environmental and Social Responsibility Policy and Gender Equality Policy. We also became the first commercial bank in Mongolia to join the Green Investment Principles and the Mongolia Renewables Industries Association.

It is a pleasure to note that we implement eight of UN's 17 Sustainable Development Goals, that are relevant to our operations. As part of our social responsibility, we initiated the "Boundless Dreams" project, which aims to improve children's health, education and safe growth, and in 2019 had a positive impact on more than 25,000 children.

Acknowledgement | Next page

We would like to express our gratitude to all our clients, partners for your continued cooperation and support and would like to wish a happy 30th anniversary of the Trade and Development Bank of Mongolia. Also, thanks to our 1,800 employees who worked tirelessly for the successes and achievements of 2019. It is impossible to imagine TDB without our esteemed clients, reliable partners and valuable employees.

Due to the outbreak of COVID-19, 2020 and 2021 might be an economically challenging year, and it will require us to work sensitively and efficiently. However, in our 30 years of operation, we have successfully overcome many economic and social challenges. We are confident that we will overcome the challenges ahead of us.

With sincerest regards,

President

MEDREE Balbar

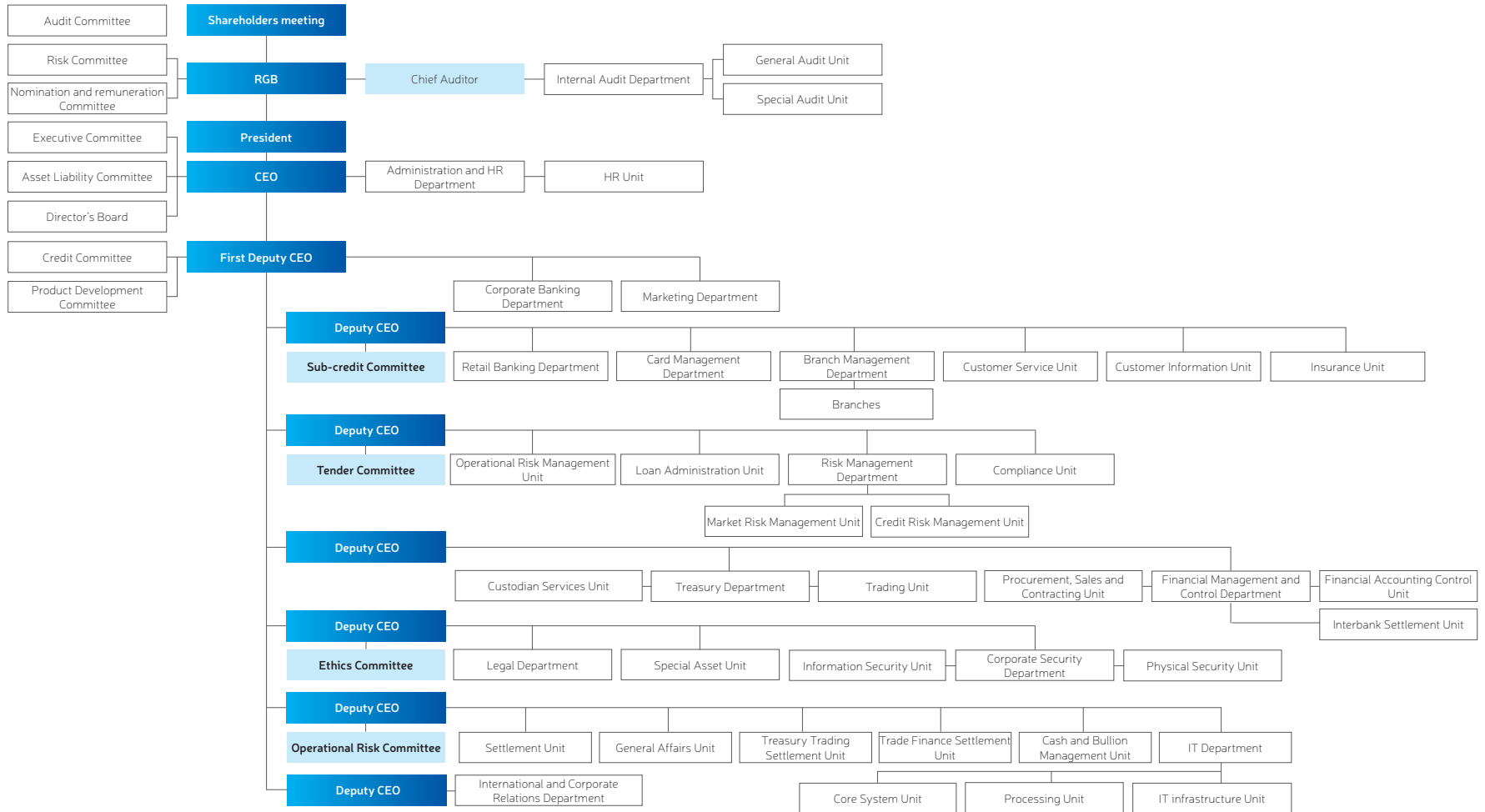


Chief Executive Officer

ORKHON Onon



ORGANIZATIONAL STRUCTURE



CORPORATE GOVERNANCE

Excellence in corporate governance is a fundamental aspect of corporate sustainability, and TDB supports a comprehensive governance framework in line with best international practices.

Our governance structure determines the fundamental relations among the members of Representative Governing Board, management, shareholders, and other stakeholders. It defines the framework in which ethical values are established and the context in which corporate strategies and objectives are set.

Representative Governing Board

Our board operates and requires at all levels, impeccable values, honesty and openness. Through its processes, it achieves transparent, open governance and communications under all circumstances addressed. The board provides vision and strategy to direct and support banking operations.

Management team

The management team of TDB consists of competent managers in banking and finance. Prudent corporate governance structure, our governance policies and practices support the ability of directors to supervise management and enhance long term shareholder value.

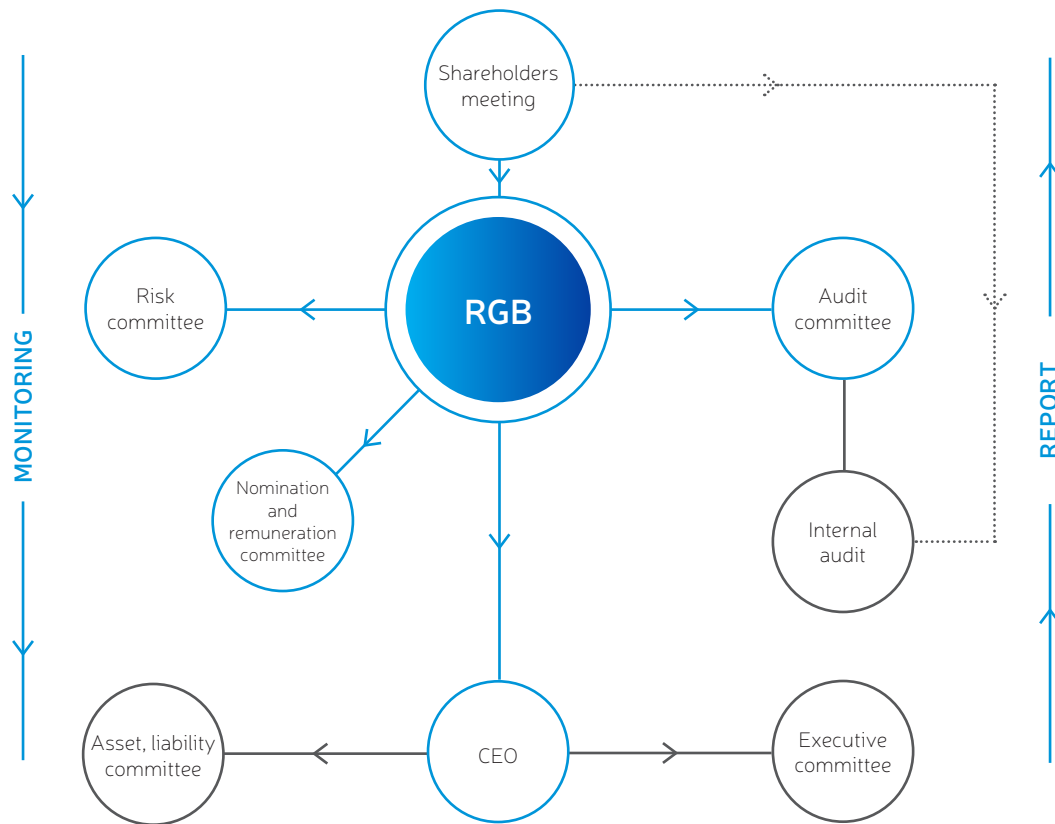
Employees

TDB is committed to providing faithful, safe, challenging and rewarding work, recognizing the importance of attracting and retaining high quality staff and consequently, being in a position to excel in customer service.

Us

TDB is strongly committed to maintain an ethical workspace, complying with legal and ethical responsibilities. As we work to serve our customers, clients, and communities and generate return for our shareholders, we understand that success is only meaningful when it is achieved in a noble way.

CORPORATE GOVERNANCE PURPOSE



Corporate governance purpose

Purpose of corporate governance is to improve corporate governance and bring it in line with international best practices. To be internationally recognized, to have a reputable value, and to be able to attract real investment.

REPRESENTATIVE GOVERNING BOARD

CHAIRMAN

Mr. **ERDENEBILEG** Doljin

DIRECTOR-EXECUTIVE VICE CHAIRMAN:

Mr. Randolph **KOPPA**

DIRECTOR:

Ms. **YANJMAA** Dagmid
Ms. **GANTUGS** Damdin

INDEPENDENT DIRECTOR:

Ms. **SHAGDARSUREN** Zuunai
Ms. **BOLORMAA** Jalbaa
Mr. **DELGERSAIKHAN** Jamsrandorj

INTERNAL AUDIT, INTERNAL AUDIT CONTROL SYSTEM

Internal audit, internal audit control system

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal audit department reports functionally to the Board of Directors, Audit committee and reports administratively to the Chief Executive Officer. Internal audit provides assurance and consulting services in all areas of the organization.

Internal control system

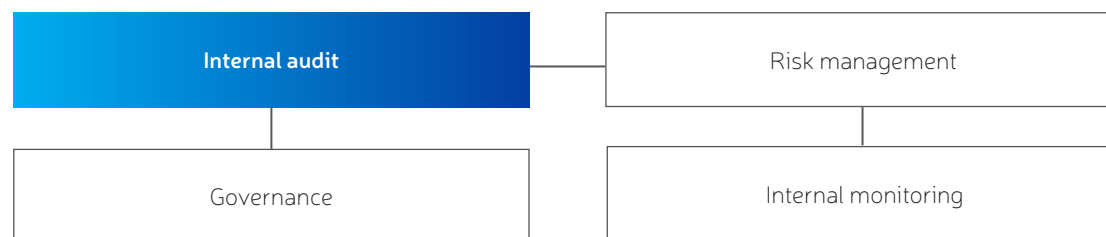
Internal audit system is an inseparable part of TDB and is required to have an optimal control system at all levels of business and operation. Executive management, employees and other stakeholders are responsible for implementation of the internal control system, audit committee and internal audit department evaluate efficiency, effectiveness of the system.

This includes management level control, controls for each specific department and unit, on-site control, compliance implementation, regulatory policy, guidelines and granting access to programs.

The bank takes actions continuously to improve the internal control system. For instance, all departments adhere to "Internal control matrix" approved by Chief Executive Officer's order, include internal control related provision in internal policy and procedures, control duties on job description of the staff and created positions related to control implementation and reporting.

Internal audit

Internal audit department adheres to "International Professional Practice Framework" issued by IIA Global and implements international good practices in assurance and consulting activities.



Accomplishments made in the reporting year related to Internal audit activity:

- We conducted assurance and consulting activities on an appropriate level and added value on the bank's operation.
- Significant transition was made in the audit approach and we started to conduct comprehensive audits according to C+4E audit approach (compliance + economy, efficiency, effectiveness, ethics).
- P.Gantuul Chief Audit Executive of TDB worked as a Director of Management of the "Institute of Internal Auditors Mongolia" which is the local chapter of the "Institute of Internal Auditors Global" in 2019.

SENIOR MANAGEMENT TEAM



Mr. MEDREE Balbar
President



Mr. ORKHON Onon
Chief Executive Officer



Mr. KHURELBAATAR Dambijav
Deputy CEO



Ms. OTGONBILEG Demchigjav
Deputy CEO



Ms. BAYARMAA Bayarbaatar
Deputy CEO



Mr. NYAMRENTSEN Dorj
Deputy CEO

BUSINESS MODEL

The Trade and Development Bank of Mongolia is redefining its medium-term strategic goals and objectives to increase the value it will deliver to all clients, employees and shareholders of the bank.

Within the framework of the medium-term strategic goal, the TDB has successfully started the “Digital Transformation”, preparing the Digital Strategy, and prepared to introduce a new “Customer-centric business model” in the bank’s operations.

In 2019, we redefined the bank’s business model, developed a “customer-centric business model”, defined the organizational structure to support the new business model, improved customer segmentation, and improved products, services, values and processes tailored to each segment.

FINANCIAL PERSPECTIVE

FINANCIAL PERSPECTIVE	
Optimize cost structure	<ul style="list-style-type: none"> Optimizing the bank’s operating and non-operating costs; Reduce the amount of non-performing loans in the portfolio.
Maximize resource utilization	<ul style="list-style-type: none"> Implement effective management of the Bank’s assets and shareholders’ assets and increase return; To meet appropriate banking criteria and increase non-interest income.
Expand market	<ul style="list-style-type: none"> Expand operations to foreign and domestic markets.

CUSTOMER PERSPECTIVE

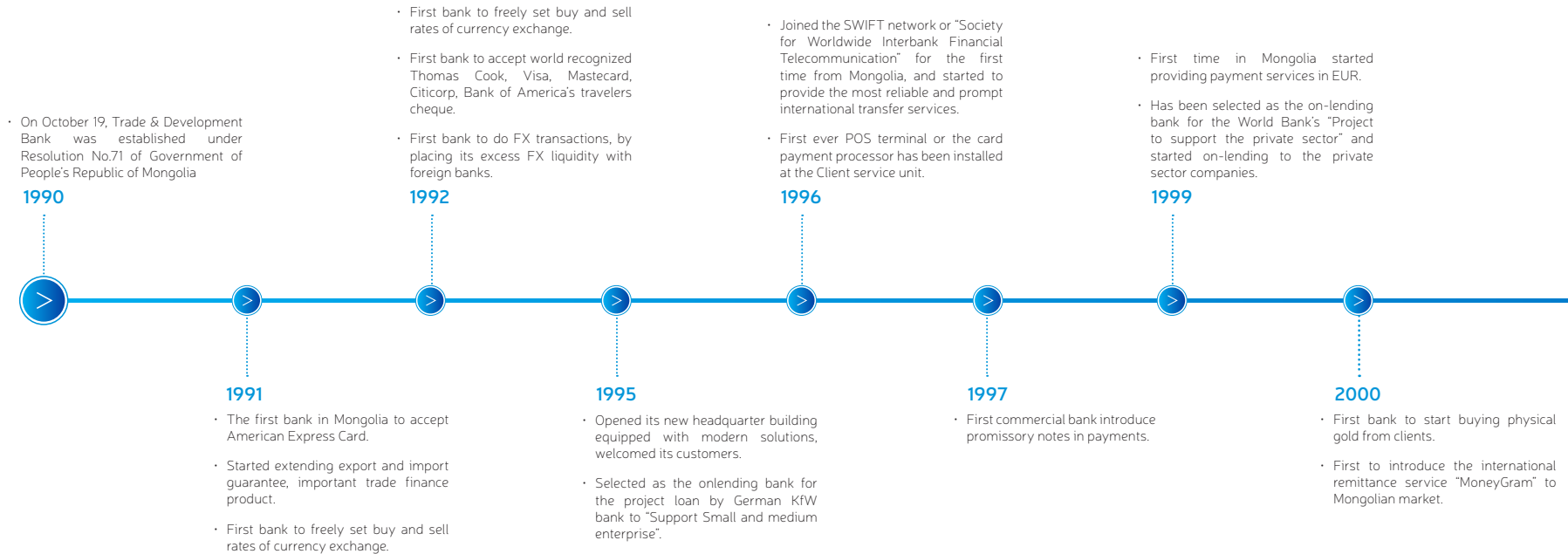
CUSTOMER PERSPECTIVE	
Enhance quality and simplicity of solutions to customers	<ul style="list-style-type: none"> Reach customers with simple solutions; Improve the quality of products and services.
Provide customized solutions	<ul style="list-style-type: none"> Offer solutions that meet client’s needs; Offer flexible packages tailored to each segment.
Increase customer lifetime value	<ul style="list-style-type: none"> Be a lifelong clients bank.
Develop long-term relationship with customers	<ul style="list-style-type: none"> Build long-term relationships with clients and increase the value they receive.
Strengthen local and international partnerships	<ul style="list-style-type: none"> Expand relations and increase cooperation with international and domestic organizations.

ALIGN AND ENHANCE CHANNEL CAPABILITIES	
Align and enhance channel capabilities	<ul style="list-style-type: none"> Increase accessibility of products and services through digital and trouble-free channels.
Optimize financial risk management process	
Improve process efficiency and cost effectiveness	<ul style="list-style-type: none"> Automate product and service processes and increase customer service speed; Improve decision making and reduce internal red tape.
Develop innovative and customized product and service based on customer needs	<ul style="list-style-type: none"> Introduce and develop financial solutions, products and services that incorporate technological advances.
Develop cross-segmentation synergy and optimal segment management	<ul style="list-style-type: none"> Create inter-segment synergy.
Build strong customer relationships	<ul style="list-style-type: none"> Improve client management system to communicate effectively with clients.
Support social and environment friendly business	<ul style="list-style-type: none"> Improve the environment and social responsibility system.

LEARNING & GROWTH PERSPECTIVE	
Attract and retain high skilled and talented employees	
Gather and utilize big data and artificial intelligence effectively	<ul style="list-style-type: none"> Apply artificial intelligence, machine learning, and data processing tools to products and services based on advanced technology and solutions.
Optimize information infrastructure	<ul style="list-style-type: none"> Provide segment infrastructure supporting software and increase availability, accessibility, and development
Build customer centricity culture	<ul style="list-style-type: none"> Strengthen one organization and one brand culture

30 YEARS OF GROWTH TIMELINE

1990-1999



- First time in Mongolia installed ATM's for the provision of banking services 24 hours.
- Became a member of Visa International and introduced 4 types of Visa card on the market.
- Proved that the bank is capable of working on the international market by introducing financial derivatives services such as options, swaps and forward to the market.
- Started providing correspondent account services to the international banks by opening loro accounts.

2001



- First commercial bank in Mongolia to export gold on the international market.
- First Mongolian bank to receive financing from Asian Development Bank and International Financial Corporation.
- Established "Private banking center" to cater to the clients in the comfortable environment with high confidentiality of the client's financial information.
- Launched a high class credit card "Visa Platinum" to the card market.

2004



2002

- By transitioning to the online system of all branches and settlement centers and introduced the international standard "BANCS" program, Teller system, TDB Became the first bank to provide banking services from any point of Mongolia.
- First commercial bank to start non-physical gold trading, and introduced advanced banking service of "Mobile banking", "Escrow account", "Margin trade" services to the clients.
- First bank in Mongolia to create a centralized information backup database.
- First bank in Mongolia to establish corresponded relationship with PRC's Agricultural bank of China by opening CNY nostro account and started non cash payments and banknote services with Chinese banks.
- Established operator "Call center" to provide information on banking services 24 hours.



2005

- Launched an "Internet banking service" that is accessible from everywhere in the world.
- First bank in Mongolia to introduce Syndicated loan facility for the corporate clients in association with international partner banks.



2006

- The first Mongolian Commercial bank rated by "Moody's Investor Service."
- Joined "Bloomberg" platform for receiving world financial market information.



2007

- First Mongolian bank to enter the International capital market issued USD 75 mln within EMNT USD 150 mln.

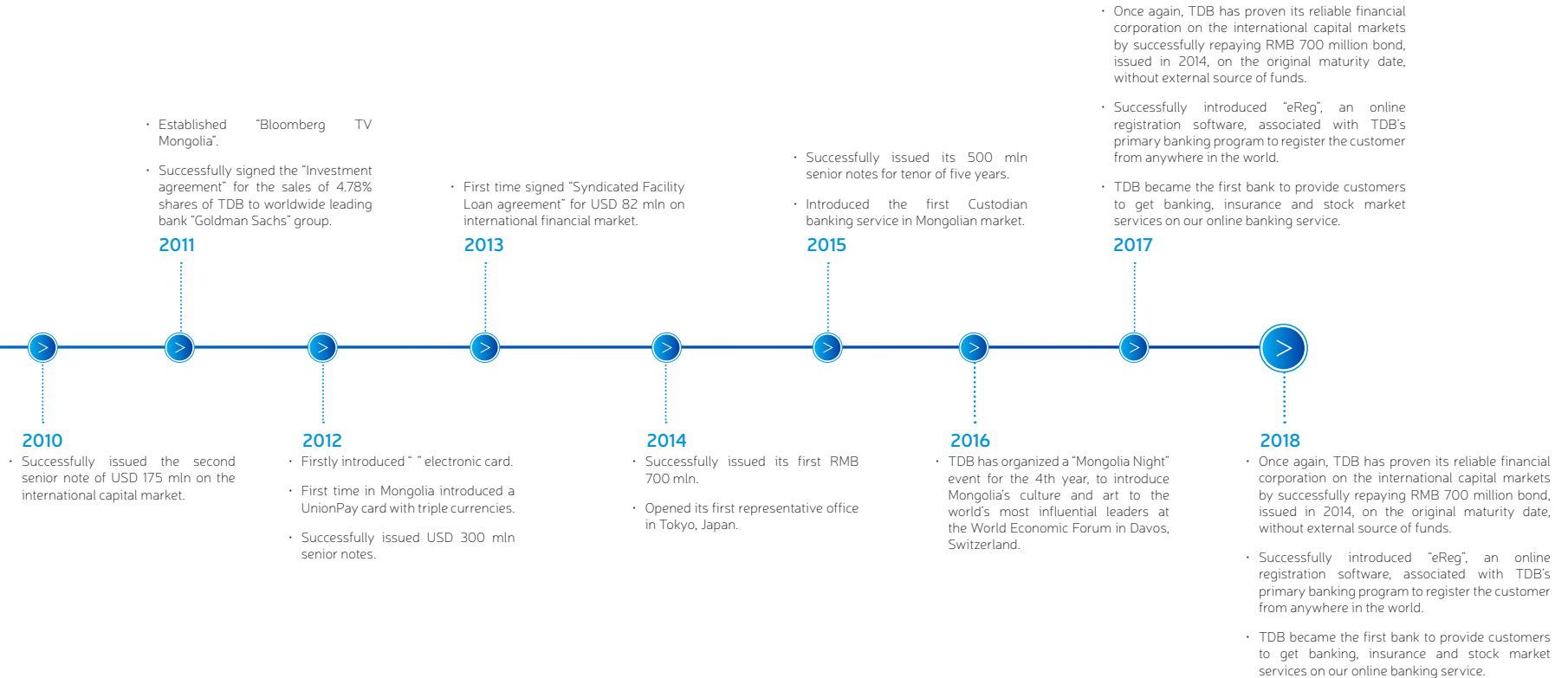


2009

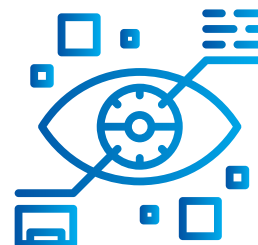
- Successfully repaid USD 75 mln senior notes issued on the international market at maturity.



30 YEARS OF GROWTH TIMELINE



A YEAR IN REVIEW



PLATFORM BANK

For the first time, the Bank of Mongolia has approved the “Clearing System Operator” and “Payment Card Processor” licenses from the banking sector. Nine out of 13 commercial banks are connected to TDB’s clearing system and utilize it in their card business and technology services. The clearing system processes 6 transactions per second, and in 2019, clearing transactions increased by 23%. Furthermore, in addition to commercial banks, NBFIs and fintech companies have been able to provide reliable products and services to their customers at low cost using the system.

TDB Online has been updated to meet the needs of its clients - introduced tax payments, bill payments, online loans, and the fingerprints and Face ID authentication.

60 service providers connected to the Corporate Gateway system and providing banking and settlement services to their customers.

Introduced “DAN” integrated identification system for online client identification and registration verification.



INTERNATIONAL BANK

Selected as the banking service provider for the \$350 million Millennium Challenge Corporation's Compact agreement aimed to expand the water supply of Ulaanbaatar city.

Celebrated 5th year anniversary of the Representative office in Tokyo, Japan, with esteemed guests and representatives from political, economic banking sectors.

Started effectively participating in bond trading on the international market. In 2019, the volume of bond trading increased 10 times compared to the previous year and also trading activity has been increased.

Concluded a sub-custodian agreement with ICBC (Asia) Bank in order to keep our customers' RMB bonds in the onshore and offshore zones and to place deposits with ICBC (Asia) at a higher interest rate than the market average.

Named as the Best Sustainable Bank for the third time.



CUSTOMER-CENTRIC BANK

Signed an issuing agreement of Mongolia's first ever UnionPay Diamond credit card.

To celebrate the 30th anniversary of TDB, it announced a "Cheers from the Heart" promotion campaign to send 30 clients to the Tokyo 2020 Summer Olympics. In addition, we are supporting 5 athletes representing our country in the Tokyo 2020 Summer Olympics.

Organized the 10th merchant conference among the top 400 merchant clients under the theme "Digital Development".

The Mongolian Sustainable Finance Association selected TDB as the "Best Sustainable Bank" of Mongolia for the third time.

Started providing micro business loans to SMB, POS, TDB Pay merchants without requiring real asset collaterals to support local manufacturers.

Collaborated with the leading securities companies and made a settlement of 45% of total domestic market transactions.

FINANCIAL HIGHLIGHTS

Statement of Financial Position

MNT BILLION

Assets	2016	2017	2018	2019
Cash and due from banks	1,188.8	1,073.9	1,294.8	1,394.3
Investment securities	1,525.4	2,026.3	1,759.1	1,791.5
Investment in associates and joint ventures	36.2	32.8	-	-
Loans and advances, net	2,835.2	2,765.0	3,054.7	3,253.1
Bills purchased under resale agreements		12.0		-
Subordinated loans	4.0	-	-	-
Property and equipment, net	323.9	324.1	397.5	425.0
Intangible assets, net	3.6	2.6	2.8	5.9
Investment properties	88.9	92.0	80.1	80.9
Foreclosed real properties, net	2.2	2.8	2.7	42.3
Other assets	602.9	522.7	627.2	810.0
Non-current assets held for sale			64.9	
Total assets	6,611.1	6,854.2	7,283.8	7,803.0
Liabilities	2016	2017	2018	2019
Deposits from customers	2,423.9	3,081.3	3,522.8	3,742.3
Deposits and placements by banks and other financial institutions	143.2	243.9	182.0	189.1
Bills sold under repurchase agreements	130.0	130.0	65.0	65.0
Borrowings	1,391.3	1,068.7	975.8	1,181.0
Debt securities issued	1,569.4	1,344.6	1,461.2	1,521.4
Subordinated debt securities issued	24.9	-	-	150.0
Other liabilities	203.7	141.9	148.2	226.2
Total Liabilities	5,886.4	6,010.4	6,355.0	7,075.0

MNT BILLION

Equity	2016	2017	2018	2019
Share capital	50.0	50.0	55.2	50.0
Share premium	19.3	19.3	210.4	19.3
Revaluation reserves	125.6	130.0	129.2	129.2
"Accumulated unrealised gain (loss) on available-for-sale financial assets"	30.2	13.7	10.8	22.3
Accumulated unrealised gain on valuation of cash flow hedges	14.9	72.4	29.4	19.8
Retained earnings	484.7	558.4	493.8	487.4
Total equity	724.7	843.8	928.8	728.0
Total liabilities and equity	6,611.1	6,854.2	7,283.8	7,803.0

Income statement

MNT BILLION

	2016	2017	2018	2019
Interest Income	593.2	612.9	664.5	700.1
Interest Expense	(401.0)	(434.6)	(476.3)	(519.6)
Net interest income	192.2	178.3	188.2	180.5
Net fees and commissions income	30.1	36.6	37.9	42.3
Other operating income/expense	10.7	60.0	38.8	15.3
Net non-interest income	40.8	96.6	76.7	57.6
Operating income	233.0	274.9	264.9	238.1
Operating Expenses	(84.8)	(85.5)	(91.1)	(133.2)
Reversal of (provision for) impairment losses	(92.0)	(115.6)	(129.1)	(36.0)
Profit before tax	56.2	73.8	44.7	68.9
Income tax expense	(0.1)	(0.2)	(0.3)	-
Net profit for the year	56.1	73.6	44.4	68.9

NET PROFIT

Ratios

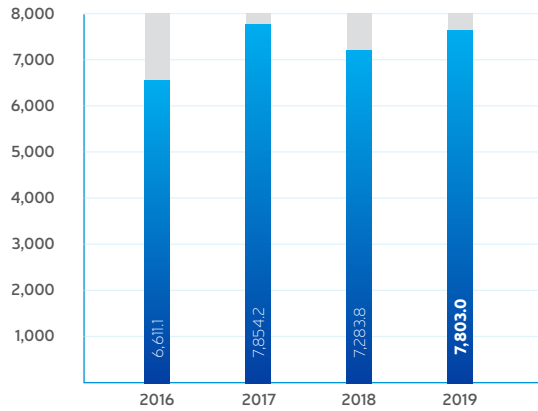
	2015	2016	2017	2018
Profitability				
Cost to income ratio	36.4%	31.1%	34.4%	56.0%
Net interest Margin	4.3%	3.7%	3.5%	3.2%
ROE	7.7%	8.7%	4.8%	9.5%
ROA	0.8%	1.1%	0.6%	0.9%
Growth rate				
Asset growth	19.7%	3.7%	6.3%	7.1%
Loan growth	7.2%	-2.5%	10.5%	6.5%
Deposit growth	9.6%	27.1%	14.3%	6.2%
Capital growth	12.0%	16.4%	10.1%	-21.6%
Asset quality				
Loans to deposit ratio	123.4%	98.4%	99.0%	97.9%
Loans to asset ratio	45.2%	44.2%	47.9%	46.9%
Liquidity ratio	46.0%	46.0%	42.3%	32.1%
Capital				
Tier 1 Capital Adequacy Ratio	10.6%	13.4%	16.6%	11.4%
Capital Adequacy Ratio	14.1%	16.4%	19.5%	17.0%

In 2019 total assets increased by 519.2 billion MNT or 7.1 percent and reached 7.8 trillion MNT. Investment securities increased by 1.8 percent and reached 1.79 trillion MNT. Loans and advances (net) increased by 6.5 percent and reached 3.25 trillion MNT.

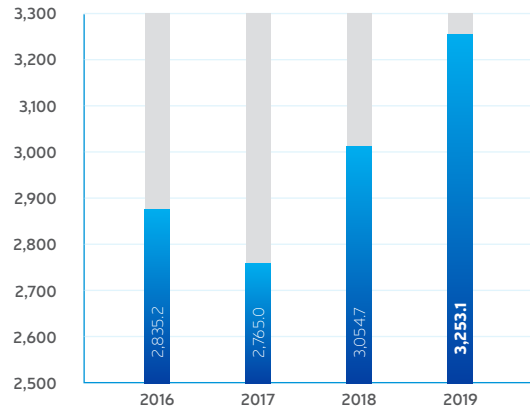
Total liabilities increased by 11.3 percent and reached 7 trillion MNT, deposits from customers increased by 6.2 percent and reached 3.74 trillion MNT, and borrowings increased by 21.0 percent and reached 1.18 trillion MNT.

In 2019 interest income increased by 5.4 percent and reached 700.1 billion MNT, interest expense increased by 9.1 percent and reached 519.6 billion MNT, net interest income reached 180.6 billion MNT. Operating income was 238.1 billion MNT, and net profit after tax was 68.9 billion MNT.

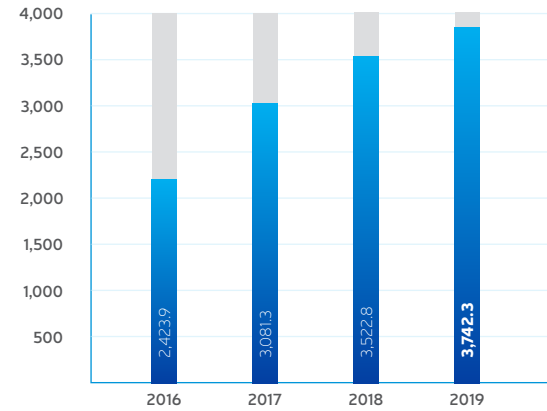
Total assets



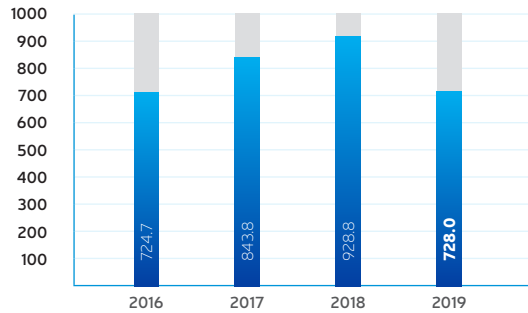
Net loan and advances



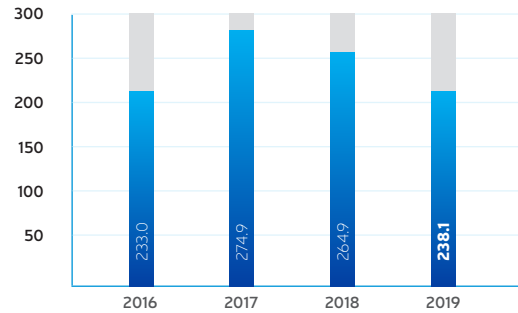
Total deposits



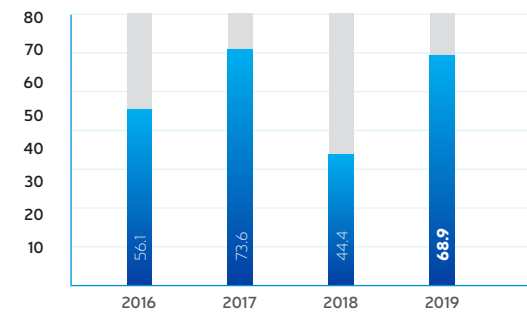
Total equity



Operating income



Net profit



MACROECONOMIC ENVIRONMENT

The size of the Mongolian economy as measured by its GDP reached MNT 37 trillion in 2019, growing by 5.1%, the lowest figure since Q1'2017. In terms of composition, household consumption accounted for 55.2% of GDP; government consumption 12.1%; Gross capital 35.8%; and net exports -3.15%. While initially cautiously positive (averaging 5.6% in 2020–21), the short to medium-term growth outlook has significantly worsened after the Covid-19 outbreak in China and has now been revised to 3.0-4.5%.

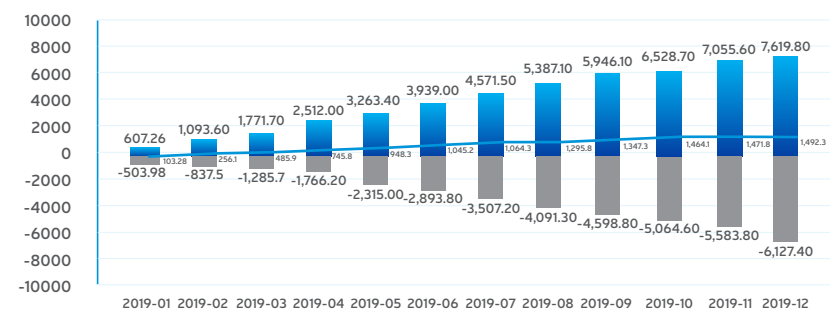
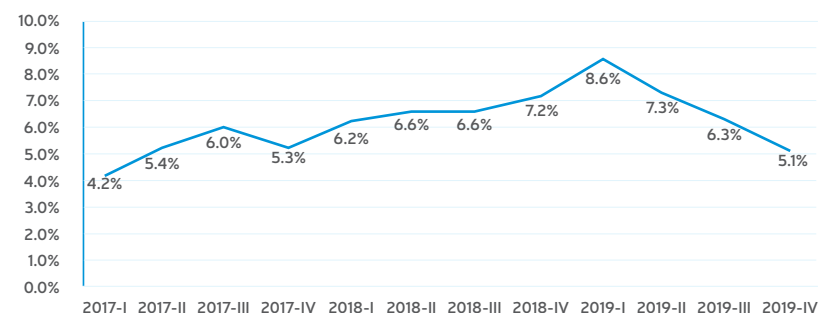
Unemployment rate increased by 0.4pps to 8.1% (Feb'20), as compared to yearend 2018, whereas the monthly average salary stood virtually unchanged at MNT 1.2 million (Dec'2019). Meanwhile, real household income continued to grow (8.6% y/y) as of Q3'19.

Major global uncertainties to the Mongolian economy are surrounding the impact of the recent trade deal between China and the USA, especially China's energy imports from non-US sources. In addition, given the strong economic linkages between China and Mongolia, the economic outlook has been adversely affected by the Covid-19 outbreak. Protracted China border closures due to virus- or weather-related shocks (e.g., drought/flooding, harsh winter) add to the existing uncertainties.

In terms of foreign trade, Mongolian foreign trade balance has been in surplus since 2014 and foreign trade surplus reached USD 1.5 billion in 2019, increased by USD 355.4 million (31.3%) from previous year. China is dominating destination for Mongolia's exports with a share of 89.1% in 2019. In total export of goods to China, 44% was coal and 26.4% was copper concentrate. In terms of outlook, the OT management indicated that copper production contracted by 8% in 2019. The gold production also contracted by 15.2% in 2019. The contraction in copper and gold

production is expected to continue in 2020, mainly due to lower grade ore. The shutdown of the concentration factory of the OT mine for maintenance reasons in September also contributed to a weaker performance. In 2021, higher grade ore and a significant increase in gold production are expected.

GDP Growth



● Export
● Import
— Balance

BANKING SECTOR

The 2019 annual increase in the total amount of corporate and retail loans outstanding was MNT 870.4 billion (+5.1%) from the same period of previous year. Out of a total outstanding of MNT 18.1 trillion, MNT 9.4 trillion (52.1%) were retail loans, MNT 8.7 trillion (47.9%) were corporate loans.

Systemically, this 5.1% increase is substantially lower than the 25.8% registered in 2018 and shows the effects of the stricter Bank of Mongolia macro-prudential measures aimed at limiting the debt-to-income ratio of individual borrowers from as high as 100 percent to 60 percent, reducing the maturity on non-mortgage household loans, and raising the risk rating on unhedged foreign currency borrowing.

The non-performing loans in the banking system make up 10.1% of total loans in December 2019, showing a decrease of 0.3 percentage points year-on-year. The persistently elevated level of NPLs raises concerns about the underlying health of the banking sector.

According to Bank of Mongolia, the system-wide capital adequacy ratio is currently above the minimum threshold of 12 percent. Bank reserves stood at about 27 percent of total deposits in December 2019, above the 10.5 percent reserve requirement ratio. Meanwhile, the ratio of liquid assets—including bank reserves, central bank bills, and government

bonds—to total bank liabilities was 37.2 percent in December 2019, above the minimum threshold of 25 percent imposed by the central bank.

At the end of November 2019, the weighted average rate of the loan in domestic currency was 17.0%, decreased by 1.2 percentage points, and the weighted average rate of loan in foreign currency was 10.7%, an increase by 1.9 percentage points from the same period of previous year. Domestic currency deposit rates—which were stable at around 13% on average during most of 2017—fell to 12% in 2018 and to 10.5% in 2019. The relatively slower rate of decrease in deposit rates reflects strong competition among banks for large deposits concentrated in the hands of a few depositors.

A recent study by Bank of Mongolia and the World Bank found that commodity prices and economic growth are the strongest contributing factors to private credit growth. Credit growth is, therefore, closely linked to macroeconomic shocks. To mitigate the negative impact of external shocks such as Covid-19 and slumping commodity prices, the authorities decided to loosen the monetary policy by reducing the policy rate by 100 basis points to 9% in April 2020. Further fiscal stimulus measures may follow. However, with the recent downward revisions of the economic outlook, an expansionary credit cycle is an unlikely scenario in 2020.

GLOBALLY RECOGNIZED TDB



SUSTAINABILITY

We strive to support long-term sustainable development in our society by supporting and financing environmentally friendly businesses, emphasizing sustainability and accountability in conducting our business operations.

In 2012, we became the first commercial bank in Mongolia to implement a completely new concept for Mongolia, the Environmental and Social Management System (ESMS), in partnership with the Development Bank of the Netherlands (FMO).

In November 2013, all Mongolian commercial banks signed a joint declaration to implement the "Mongolia Sustainable Finance (SF)" program, which is a major step forward for the future development of our country. By working together, commercial banks are committed to the vision of sustainable development by tackling environmental issues such as water, soil, air pollution, climate change, and human rights abuses, and reducing environmental and social risks.

Environment and social responsibility policy

In 2019, TDB revised its environmental and social responsibility policy. Within the framework of this policy, in addition to complying with the relevant laws and regulations of Mongolia, we aim to implement and adhere to the following principles.

- Ten principles of the UN Global Compact;
- UNEP Finance Initiative: Statement by financial institutions on the environment and sustainable development);
- Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (ILO);
- The International Finance Corporation (IFC) Eight Performance Standards;

- Eight principles of Sustainable Finance of the Mongolian Sustainable Finance Association (SFA);
- Seven Green Investment Principles for the Belt and Road Initiative in its operations and financial transactions.

Gender equality policy

In 2019, the Trade and Development Bank's "Gender Policy for Clients" and "Trade and Development Bank's Domestic Gender Policy" were consolidated to the "Gender Equality Policy" and prepared in accordance with international standards.

This policy and action plan takes into account Mongolia's legislation on gender equality, national programs and best practices of other international organizations, and is designed to support the UN Sustainable Development Goals on Gender Equality. In addition, it is in line with the Sustainable Development Concept of Mongolia 2030, the Law on Gender Equality, the National Program on Gender Equality (2017-2021), and the Gender Policy of Organizations and Agencies under the Ministry of Finance (2016-2024).

The policy aims to implement the necessary measures to ensure, to support gender equality. Supported projects and programs that, aimed at empowering women, to raise awareness, to balance gender relations and to prevent discrimination.



Financed 1,668 projects with amount of MNT 563 billion in line with the Sustainable Development Goals.



Became an accredited entity of the Green Climate Fund.



Selected as the Best TOC (Sustainable) bank for the third year.



Joined the Green Investment Principles as part of Belt and Road initiative.



Implemented 8 of Sustainable Development Goals in our operations.



Started Boundless Dream children aimed project.

SUSTAINABLE DEVELOPMENT GOALS

3 GOOD HEALTH AND WELL-BEING



GOOD HEALTH AND WELL-BEING

Targets

3.2 By 2030, end preventable deaths of newborns and children under 5 years of age, with all countries aiming to reduce neonatal mortality to at least as low as 12 per 1,000 live births and under-5 mortality to at least as low as 25 per 1,000 live births

3.8 achieve universal health coverage (UHC), including financial risk protection, access to quality essential health care services, and access to safe, effective, quality, and affordable essential medicines and vaccines for all

3.9 by 2030 substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water, and soil pollution and contamination

TDB's 2019 activities

For the third year in a row, TDB has participated in the Save Angels project to reduce infant mortality in partnership with JCI Mongolia and donated six newborn incubators to the AMGALAN maternity center in Bayanzurkh district.

On June 2, 2019, the Bank organized a “Hadgalamjtai Maamuu” children’s holiday event at Sukhbaatar Square on the occasion of the International Children’s Day. About 30,000 children and their parents came to the event. Event was full of surprises and super lotteries, and free eye and oral hygiene and dental examinations were provided to every interested child.

Every year, TDB, in cooperation with the National Center for Blood Transfusion center, organizes a voluntary blood donation campaign under the motto “Give Life to People”. For the fifth year in 2019, TDB employees donated blood.

Health benefits are provided annually to all employees to protect the health of employees.

The total amount of financing provided to organizations and individuals operating in the health sector is MNT 26.3 billion.

4 QUALITY EDUCATION



QUALITY EDUCATION

Targets

4.1 by 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes

4.3 by 2030 ensure equal access for all women and men to affordable quality technical, vocational and tertiary education, including university

4.5 by 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous people, and children in vulnerable situations

TDB's 2019 activities

Financing to preschools, schools, TVETs and other educational institutions amount to MNT 2 billion.

In 2019, the Library Project renovated 17 schools' libraries and contributed to the education of more than 25,000 children.

Employees donated books to Christina Noble Children's Foundation and Beyond book project.

A cooperation agreement was signed to establish a special financial education class at the Children's Palace of Mongolia.

In 2019, 7,800 employees in duplicated number, participated in 140 domestic and international trainings.

In collaboration with Nairamdal Rotaract Club's Dream Corner project, we financed the renovation of the studying room of the 25th special secondary school, the 186th special kindergarten and the children's play room of the National Mental Health Center.

5 GENDER EQUALITY



GENDER EQUALITY

Targets

5.1 end all forms of discrimination against women and girls everywhere

5.5 ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life

5.c adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels

TDB’s 2019 activities

Gender Committee has been established to oversee gender-related activities.

TDB’s Gender Equality Policy has been revised to contribute to the promotion of effective gender-sensitive participation of women and men by ensuring gender equality in the Bank’s operations, products and services.

54 percent of executives are female and 46 percent are male.

Sponsored a “Growth Management and Women’s Leadership” forum for Women Entrepreneurs

51 percent of the clients are female and 49 percent are male.

Supported State honoured athlete M.Urantsetseg to join the prestigious “Team Visa” program for the first time from Mongolia.

6 CLEAN WATER
AND SANITATION**CLEAN WATER AND SANITATION****Targets**

6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally

TDB's 2019 activities

Selected as the banking service provider for the \$350 million Millennium Challenge Corporation's Compact agreement aimed to expand the water supply of Ulaanbaatar city.

MNT 26.9 billion worth of financing provided for water supply, sewerage, waste management and treatment.

7 AFFORDABLE AND
CLEAN ENERGY



AFFORDABLE AND CLEAN ENERGY

Targets

7.a by 2030 enhance international cooperation to facilitate access to clean energy research and technologies, including renewable energy, energy efficiency, and advanced and cleaner fossil fuel technologies, and promote investment in energy infrastructure and clean energy technologies

TDB's 2019 activities

Financing in the renewable energy sector is MNT 724 million.

Became the first member bank to join the Mongolian Renewables Industries Association.

Globally, renewable energy has become more important than conventional energy due to environmental concerns. Therefore, banks and financial institutions are refusing to invest in projects that have a negative impact on the environment, and are focusing more on projects that use energy sources such as water, solar, wind, bioenergy, and geothermal to meet their energy needs.

8 DECENT WORK AND ECONOMIC GROWTH



DECENT WORK AND ECONOMIC GROWTH

Targets

8.3 promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage formalization and growth of micro-, small- and medium-sized enterprises including through access to financial services

8.10 Strengthen the capacity of domestic financial institutions to encourage and to expand access to banking, insurance and financial services for all

TDB's 2019 activities

For the 18th year in a row, selected as one of the Top 100 organizations by the Mongolian National Chamber of Commerce and Industry.

In 2019, a total of 354.9 billion MNT was disbursed to small and medium business clients.

Training and information session held for the 60 SMB clients regarding the new tax law, which will be effective in 2020.

TDB Online service has been updated to make financial services more accessible.

Opened the Narantuul branch to support the growth of SME and retail businesses located at the Narantuul International Market and provide them with access to banking and financial services.

Installed 28 deposit ATMs for clients to receive banking services quickly and without queuing.

Through the Corporate Gateway service, access to banking services has been increased by connecting to the core systems of 25 most commonly used payment system suppliers.

13 CLIMATE ACTION



CLIMATE ACTION

Targets

13.3 improve education, awareness raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction, and early warning

13.a implement the commitment undertaken by developed country Parties to the UNFCCC to a goal of mobilizing jointly USD100 billion annually by 2020 from all sources to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation and fully operationalize the Green Climate Fund through its capitalization as soon as possible

TDB's 2019 activities

Initiated the Green Hour campaign to save energy by turning off the lights for 1 hour every day.

Trash bins and plastic bins for used batteries and plastics were placed. The collected hazardous waste gets delivered to the Mongolian National Waste Recycling Association and the Center for Freshwater Resources and Environmental Protection.

For the fifth year in a row, TDB's staff has joined forces with "My Club" NGO to water more than 6,000 trees in the arboriculture area of Erdene soum, Tuv aimag.

As an accredited entity of the Green Climate Fund (GCF), now we're able to provide concessional funding for nationwide projects and programs in the field of climate change mitigation and adaptation.

Mortgage financing worth MNT 153.3 billion were provided to 1,668 households to reduce air pollution.

17 PARTNERSHIPS FOR THE GOALS



PARTNERSHIPS FOR THE GOALS

Targets

17.7 promote development, transfer, dissemination and diffusion of environmentally sound technologies to developing countries on favorable terms, including on concessional and preferential terms, as mutually agreed

17.3 mobilize additional financial resources for developing countries from multiple sources

17.14 enhance policy coherence for sustainable development

17.17 encourage and promote effective public, public- private, and civil society partnerships, building on the experience and resourcing strategies of partnerships

TDB's 2019 activities

Joined the Green Investment Principles as part of the Regional and Road Initiative. Implementing the principles of green investment will help reduce regional carbon emissions and increase environmental and climate risk management capacity.

Strengthening cooperation with international financial institutions and \$772 million credit line approved from 53 foreign banks and financial institutions.

Signed a three-year cooperation agreement with the Achilles NGO to co-sponsor the organization's Hope and Possibility marathon to support athletes with disabilities.

Signed a 3-year cooperation agreement with the Mongolian Football Association. Within the scope of this cooperation, one billion MNT sponsorship will be provided for the new football field being built in accordance with FIFA standards in Ulaanbaatar and for the training of national team athletes and clothing for international competitions.

We are working to lay the foundation for cooperation on Adolescent Development Program with the United Nations Children's Fund (UNICEF).

The preparations are underway to work with World Vision Mongolia to support vulnerable children.

CSR



BOUNDLESS DREAM PROJECT

Library project

We have continued our library project was started in 2018, contributing to knowledge and education of children and youth, and in 2019, renovated and enriched the libraries of 17 secondary schools nationwide. Only in 2019, the project reached more than 25,000 students nationwide. The book selections were made at the request of school teachers and librarians, and in addition to student books there are also books to support teachers. The bookshelf, which has the same shape as the map of Mongolia, not only bears the symbol of “educating and preparing Mongolian children with intelligence, knowledge and education”, but also became a beautiful work that attracted the interest of students.



In addition, 20 boxes or more than 900 books were voluntarily donated by the bank’s staff to the Beyond Book Library project for children and youth in Doloon Buudal, Chingeltei District, and to newly established Christina Nobel Children’s Foundation’s book club.

Save Angels project

For the third year in a row, TDB has participated in the Save Angels project to reduce infant mortality in partnership with JCI Mongolia and donated six newborn incubators to the Amgalan maternity center in Bayanzurkh district. The project also donated X-ray machines, printers, jaundice meters, and jaundice phototherapy machines, and renovated the treatment room.



Dream Corner project

In order to improve the learning environment for children, we supported the “Dream corner” project in cooperation with the Nairamdal Rotaract Club and equipped the study room of the 25th special secondary school, the 186th special kindergarten and the children’s playroom of the National Center for Mental Health. The successful implementation of this project has created a child-friendly and comfortable environment that can support the education of about 1,100 children a year.



Rainbow cover project

We sponsored the Rainbow Cover Project which Mongolia’s top graffiti artists drew colourful encouraging images on 10 wells in the ger area using art therapy techniques that can positively impact children’s psychological well-being through art, color, and painting.





Maamuu with savings

On the occasion of the International Children’s Day, the “Maamuu with Savings” children’s festival was organized at Sukhbaatar Square. More than 30,000 children and their parents attended the event, which was free to every child. The event had games, art performances, snacks, but also eye, visual and oral hygiene and dental examinations. During the event we introduced the Maamuu children’s payment card to the public.

ABU Robocon 2019

TDB sponsored the 18th ABU Robocon 2019, the first international robocon competition held in Mongolia. This competition is the largest and most prestigious competition for students and young people studying engineering, technology. Contestants must possess rich knowledge in programming, mechanical design and electronic circuit design and get a chance to put into practice the knowledge gained in the classroom. It is also important in teaching students creative thinking, teamwork, stress management and punctuality.

By supporting this international competition as a general sponsor, we had an opportunity to promote our brand internationally and promote our updated TDB online service. In addition, 6 students who represented Mongolia in the competition invited to work at TDB once they graduate.



Ulaanbaatar Marathon

TDB joined the Ulaanbaatar Marathon -2019 event, organized for the sixth year, that aims to promote active and healthy lifestyle, upon its employees initiative and gifted vouchers to attend the marathon to 1000 students from Secondary Schools No 64, 24, 117, 17 and 49.



Supported youth footballers for the fifth year

For the fifth year in a row, we sponsored four football teams from the 14th school and three teams from the “Children and Youth Special Education Complex” to take part in the “Boom 2020” indoor football tournament.

Attended 29th school New year for the 15 year

For the 15th year in a row, attended the 29th special secondary school's New Year celebration together and gave holiday gifts to more than 300 children.

SOCIAL RESPONSIBILITY

Supported Mongolian Football Federation and National Football team

This year marks the 60th anniversary of the Mongolian Football Federation. Coinciding with this historic anniversary, Mongolia's first commercial bank, the Trade and Development Bank, today signed a "three-year cooperation agreement" to support the Mongolian Football Federation and Mongolian national team.

One billion MNT sponsorship and financial support will be provided for the building of the new FIFA standard football stadium and for the training and clothing of the national team athletes.

The football field, being built in Yarmag is the largest in Mongolia, with a total area of 73 meters times 115 meters. In any sport, in addition to the training, mentality and hard work of athletes, the support and loyalty of national companies play a crucial part. In recent years, the development of football in our country has accelerated, and the achievements and rankings of the national team have been improving year by year. TDB will continue to support and co-operate with its pre-match training and competitions to ensure the success of its national team, that represents Mongolia internationally.



Donate blood campaign

Every year, TDB, in cooperation with the National Center for Blood Transfusion center, organizes a voluntary blood donation campaign under the motto "Give Life to People". For the fifth year in 2019, TDB employees donated blood.



United for a green future

TDB has a tradition of volunteering against climate change and desertification every year. For the fifth year, we have joined forces for a clean and green future by watering more than 6,000 trees in a tree nursery in Erdene soum, Tuv province, in partnership with the My Club NGO.

My Club NGO emphasizes that due to the low rainfall in recent years, there has been a lot of drought and the need for watering trees is more important than planting trees and calls upon everyone to join this volunteer work for the mother earth. TDB has been cooperating and supporting My Club since 2015 as part of its social responsibility, and has also signed a memorandum of understanding. During this 4 years, TDB employees participated in planting and watering more than 50,000 trees.



Sponsored “Growth Management and Women Leadership” Forum for Women Entrepreneurs

Sponsored the Forbes Mongolia Women’s Summit event which aimed at improving women’s participation and leadership in Mongolia, brought together women in senior positions of business and politics, as well as economists and independent experts, to discuss how to address the challenges women face in doing business in Mongolia.



State honoured athlete Urantsetseg Munkhbat became the first Team Visa athlete from Mongolia

Visa, the leader of payments and the official sponsor of the Olympics and Paralympics Games, and TDB have announced M.Urantsetseg, Mongolia’s state honoured athlete judoka is joining the Team Visa.

The Visa Team is a prestigious program selected from Olympic and Paralympic athletes and legendary world-class athletes to raise awareness and support athletes in the Olympic Games. Athletes are selected for this international program based on strict criteria and based on a study of the athlete’s positive impact on society and qualifications.



HUMAN RESOURCES

In 2019, we aimed to enter new steps to prosperity, prioritize success, improve managers' leadership skills, encourage employees to sustainable career development and solve their social needs that lead to constant increase of employees' job satisfaction and high productivity consequences.

HUMAN RESOURCES

From over 7000 job applicants, the bank expanded its workforce by 450 qualified bankers with core competencies under the process of international standardized recruiting and training methods. We also aim to provide employees sustainable career development, due to these 300 employees have been promoted vertically and horizontally while ensuring gender equality through the policy of gender equality of TDB.

The bank has provided disseminated knowledge and information for over 200 students who are majoring in banking management and willing to work in the banking sector.

Training, development

In order to prepare professionals who are recognized not only in Mongolia but also internationally, we have been supporting our employees to seek professional qualifications, certifications every year. Currently, professional certified employees make up 10% of total staff.

We have successfully organized the second part of the Comprehensive Management program with 5 modules training to support leadership of the bank's senior specialists and middle managers. This was a step forward in bringing the management approach to the international level.

As of the end of 2019, more than 7800 employees were involved in 273 domestic and international trainings of 140 areas. On average an employee of the bank participated in 5 training sessions.

The bank supports the development of our staff to learn foreign languages, increase their professional skills and upgrade their academic education. Under the support program of 2019 the bank increased its budget by 33% from the previous year, and has resolved requests from a total of 67 employees.

Development

As part of its strategy to become an international bank, a five-day business trip for bank employees was organized in Japan to learn from the best practices of digitized banks in developed countries. The trip involved 22 senior specialists of TDB's departments and divisions. The event has improved the coordination of operations and was a major step in unifying the vision of the bank's successors. The business trip plan includes a visit to the Representative office of Trade and development bank of Mongolia in Tokyo, a tour of Japan's major correspondent banks, meetings with executives to discuss views and experiences, a visit to the Government House and the Currency Museum of Japan to learn about the history of the financial sector. Training of Japanese bank customer care service was included.

The bank introduced additional monthly compensation to support employees' well-being, development, work-life balance, and social issues. It has a positive effect on employees' engagement, satisfaction, and productivity as well.

We are implementing the "TDB Family" program for employees' families and children. This year, we successfully organized the "Little TDB'ers" event for 1400 children of all employees on international children's day in the National amusement park of Ulaanbaatar. During this event, "TDB in my eyes" children's hand drawing competition was held on, and we exhibited all received drawings in park area, also all children who sent drawing were received their drawing on a t-shirt as a gift.

We created an "HR Volunteer team" which consists of volunteer employees who are contributing their hands to organize all the most significant events, training, conferences, and other celebrations.

In order to help employees spend leisure time properly and quality, the "Good Readers" book club was established in 2019, and an electronic library was created on the internal website, so that any employee could read e-books about self-improvement, biography, profession, and post book reviews of what they read.





02

**BUSINESS
OPERATIONS**



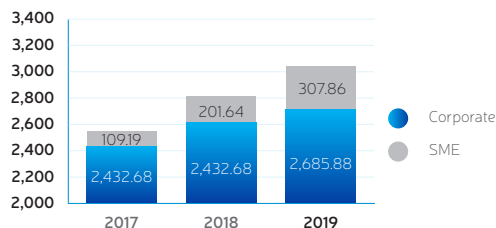
CORPORATE BANKING

The bank has been pursuing to support over 1,500 of its customer companies' business operations, on-going projects by offering an integrated service through over 40 products and services such as corporate deposit and savings account, swift international transfer, all types of loan, trade finance, and bank assurance.

The bank has been pursuing to support over 1,500 of its customer companies' business operations, on-going projects by offering an integrated service through over 40 products and services such as corporate deposit and savings account, swift international transfer, all types of loan, trade finance, and bank assurance.

Within the purpose, TDB has been a reliable financial partner to its customer companies by financing mining, manufacturing, construction, trade and sales projects with flexible domestic and foreign funding conditions. The bank's Corporate and SME loan portfolio reached up to 2.9 trillion MNT in 2019, an increase by 3.0% from previous year with making up 31.2% of the corporate market maintaining its leadership position.

Loan portfolio of Corporate and SME /MNT in billion/



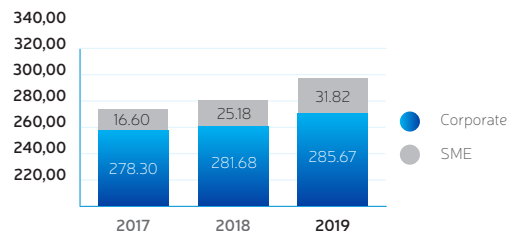
As a contributor in significant projects and a successful co-implementer of State policy for development of the country, we successfully implemented "Cashmere program" by Development Bank Mongolia, "Meat program" implemented by

Ministry of Food, Agriculture and Light Industry in year 2019. Regarding those projects, TDB has disbursed a total of MNT34.5 billion government subsidized loans to companies that in an effort to maintain stable operation, increase capacity and employment.

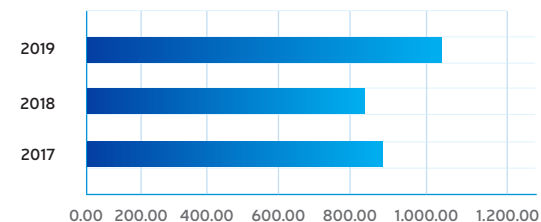
Moreover, last year TDB issued a total of MNT137.3 billion receivable backed loans to total 40 suppliers for the purpose of meeting their financial needs and expanding their cooperation with Mongolian companies such as Oyu Tolgoi LLC, Energy resource LLC, etc.

With its reputation in domestic and international market, successful cooperation with our customers, effective management and efficient team work, the bank's total interest revenue has risen to MNT317.5 billion, resulting in a 3.5% year on year increase in 2019.

Interest income from Corporate and SME loans /MNT in billion/



Trade finance /MNT in billion/



In addition, we successfully organized an appreciation event for our loyal female business owners to have their insights and expand our cooperation. Respectively, we held a bus tour offering an opportunity to visit construction site to see its progress, design and structure. Furthermore, we are planning to regularly organize such events to promote successful projects of our customers and support their activities.

As part of our strategy, to become a customer-centric bank, we are aiming to strengthen our leading position in the market and will continue to be a reliable business partner for our customer by providing our customers with all kinds of comprehensive products and services with a flexible and favorable basis/conditions through all possible channels with speed and quality and regularly organizing programs and events to support their operations.



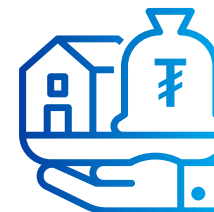
RETAIL BANKING

The retail banking department develops products and services that meet the needs of its customers and delivers to them through bank branches and digital channels. In 2019, we focused on expanding the range of products that can be provided remotely. The following list includes the achievements of the retail banking market in the reporting year.



ASSETS

Aimed at supporting the savings growth, promoting its benefits to customers, organizing planned activities to increase financial literacy, and keeping product conditions competitive. Therefore, we have worked according to the strategy of encouraging customers to have savings, reducing fees, increasing the possibility of opening a customer's account via online, reducing the requirement documents for customers, eliminating duplication, providing better customer service, and increasing customer satisfaction.



LOANS

We have pursued a policy of reducing interest rates in order to deliver loan products to customers quickly, reduce the number of documents required to obtain a loan by introducing innovative products and services based on advanced technology, deliver credit services remotely, improve credit conditions, and support small and medium businesses.

Launched DAN decentralized authentication system

In order to save customers' time and simplify banking products and services, the latest advanced technology has been used in cooperation with the National Data Center to identify and verify customers remotely through an electronic channel, allowing customers to open accounts not visiting branches. The reliability of information is ensured by obtaining the personal information of citizens from a government organization, reliable source and applying it for Know-Your-Customer (KYC) procedure.

"Deligation of Junior customers"

For the seventh year, we honored our 18-year-old customers and held our Junior Customers event as a tradition. In this year's event, 200 young customers joined. Guest speakers from the Institute of Finance and Economics B.Uyanga and S.Erdenebold gave a presentation on career development, self development, and effective learning method for new things. Singer Chojjoo also joined the event and entertained our young customers.

Launched micro business loan

Wholesale and retail traders, merchants using POS terminal and TDB Pay loans up to MNT 30,000,000.00 (thirty million) by collateralizing their inventory, account income and or movable asset. The unique feature of this loan is that it does not require real estate collateral.

"Business Loan Open Day"

In cooperation with the Credit Guarantee Fund, "Business Loan Open Day" was organized for business owners. Registration was made via online and branch and more than 60 customers attended the event and received information on business and project loan advice and Credit Guarantee Fund activities.

Maamuu savings account

In order to encourage children to have their own savings, we have collaborated with “World Vision” an international organization to organize event on “The International Children’s Day” ;therefore, Maamuu savings account with the balance of MNT20,000 with presents were given to 147 children from the target group in Songinokhairkhan district and handed them over with gifts. During the event, the children posed for pictures with Aami and Taami, the cartoon characters of the Maamuu brand and had a fun time singing and dancing together. In addition, a “Financial Education” training was held for parents and guardians of children, and advice was given on the importance of savings and how to further increase savings, and an open discussion was held.

On the occasion of International Children’s Day, Maamuu delivered age-appropriate holiday gifts to children’s depositors and organized a “Children’s Day with Maamuu” event for children aged 3-6.

Introduced Thailand Baht currency current accounts

Introduced Thai Baht denominated current account for individual and corporate customers successfully. The Trade and Development Bank is now able to open current accounts in 16 different currencies, the largest in the market.



Celebrated World's Savings Day



The Bank of Mongolia, the Mongolian Banking Association, Savings Banks Foundation for International Cooperation and commercial banks jointly celebrated World Savings Day in October 2019 for the eighth year in a row. The event aims to contribute to children's financial education and to help them become financially disciplined future citizens. "How does your child save money?" the photo contest was organized and all children who submitted their works to the contest were given presents. During the "World Savings Day" open event, the children were taken photo with Aami



and Taami, the cartoon characters of the Maamuu brand, and had a great time learning about savings.

As in previous years, a training on "Today's Savings-Tomorrow's Future" was organized for primary school students this year too. The training provided primary school students with an understanding of the value of money, needs of money and savings, wise consumption and the importance of saving in the future and the benefits of saving.

Branch and ATM accessibility

In order to deliver modern, comfort and enhanced customer service, whilst at the same time improving workplace conditions, renovation was made at 20 branches in 2019, 30% of the whole branches of the bank. Compared with previous years, total number of renovated branch was the highest.

In order to provide comprehensive banking products and services to the customers, in Narantuul International Trading Center, we launched our “Narantuul branch” in Dec, 2019.

In the reporting year, we have installed 28 ATMs (deposits & withdrawals allowed) near the branches to improve customer service, increase accessibility, reduce the workload at the branch, deliver excellent customer service by providing fast banking services and to save our customers time. As a result, the number of transactions at the branch has decreased and the ability of providing swift banking services in a comfortable environment has increased.

To promote the use of digital banking platforms, we have established a number of new self-service units based on the 365/24/7, providing customers with quick and orderly access to banking services at any time and expanding the scope of the network of our banking service.

To provide efficient banking services for our valuable customers in a comfortable environment, we aim relocated Enkhtaivan, Zaisan and Shangri-La branches to deliver VIP services in accordance with international standard. We are also planning to launch a Diplomatic Branch with qualified and multilingual staff, to provide special services and to improve customer satisfaction of our foreign customers.

Digital banking

We implemented technology and platform upgrade to make banking services more secure, more accessible and more tailored to the needs of each customer. It has made the Bank more agile and made a technical infrastructural base to be more efficient in the future.

The Bank is successfully integrated Corporate Gateway Solution with payment system of the {25} ERP system developers commonly used by companies operating in Mongolia, and enabled reliable and swift banking service.

During the reporting year, the number of digital customers increased rapidly and represented 92% of the total number of customers.

As of 2019, a total of 40,9 million transactions were made in the bank, 10% of which were cash and non-cash transactions executed at branches and 90% were made through digital channels, which is an increased by 2 points compared to 2018 meaning our customers prefer more digital services.



TDB Online

The Bank has been successfully upgrading and simplifying the digital access to the three pillars of financial market (banking, insurance, and securities) through its main digital channel, TDB Online.

In the reporting year, the bank focused on the needs of its customers by updating the TDB Online banking UX/UI, introducing tax payment, various billing services, and online lending, and improving the customer identification/verification system and using fingerprints and Face ID.

With the introduction of in-app notification services for digital customers, which enabled our customers are able to receive banking products, services information, and their transaction and balance information through their mobile application.

As part of bank digital strategy to bring banking services closer to its customers, the bank offers more than {150} API services to 3rd party services providers.

As of 2019, the bank integrated our banking system with more than 60 companies' system and enabled settlement service for their customers.

Additionally, the bank started to offer online ticketing & online shopping features to meet our customers' financial needs.

The number of TDB Online users has increased by 27% compared to the previous year. The number of transactions made through the online banking increased by 45% and the amount of transactions increased by 113% compared to the previous year accordingly.

Card and payment system

In the reporting year, the number of payment card users increased by 6% compared to 2018, and more than 40% of Visa card settlements in foreign countries is executed by our issued cards. It highlights our bank's market position and its reliable card infrastructure.

The bank still offers more than 40 types of payment cards under 3 different brands to its customers and provides 5 different types of international cards to Mongolian businesses and individuals.



First UnionPay Diamond credit card in Mongolia

UnionPay "Diamond" credit card is a premium card with access to VIP lounges of more than 800 international airports and VIP special services and discounts available in 177 countries around the world. As the first issuing bank in Mongolia, we successfully organized business launching ceremony during its joint meeting of its Northeast Asia, Southeast Asia and South Pacific Regional Member Councils where UnionPay International and 8 mainstream institutions joined.

Co-Brand Card

TDB has been successfully introducing co-branded cards to its target customers for 15 years.

In this context, for the first time in Mongolia, we are introducing a co-branded "Maamuu Loyalty" discount card for the children to improve their financial education and literacy. Also, we introduced membership card for younger customers.

Introduced Lounge key service

The Bank introduced a high-level “Lounge key” service to meet the needs and requirements of Visa Platinum and Visa Gold Credit card holders. With this service, our customers will be able to enter the VIP lounge of the airport without waiting for the flight time, regardless of the airline and flight category, and relax in a comfortable environment.

The number of POS terminals increased by 40%

Based on the needs of merchants, we reduced the number of documents required to provide POS terminals to customers quickly and without delays and introduced the latest innovative products and services such as IPPOS service which is integrated with customer’s cash register program. We also successfully organized the 10th Merchant Conference under name fo “Digital Progress” with representatives of the top 400 merchants as well as representatives of international card companies Visa international and other Fintech partners.

In order to expand the merchant business, an incentive campaign was

organized throughout the year. Merchant transactions increased by 32.4% compared to 2018 due to the incentive of rewarding valuable, loyal and best merchants with the prizes to travel abroad and customer care.

In addition, bank introduced un-secured merchant loan services for the short-term financial needs of our merchants.

In the reporting year, the Bank increased the number of ATMs by 17.3% compared to 2018, and provided self-service banking services to its customers during the year. By increasing cash recycling ATMs, we have reduced the workload of the bank branches by 14.5% and focused on managing customer choices in digital and self-service centers.





THE FIRST COMMERCIAL CLEARING BANK IN MONGOLIA

TDB became the first “Clearing” bank in the commercial banking industry in Mongolia and receiving business license of the “Clearing System Operator” and the “Payment Card Processor” from the Bank of Mongolia on November 13 in accordance with the newly adopted Law on the National Payment System and related regulations.

TDB's clearing system processed 6 transactions per second in the year, and the clearing transactions increased by 23% compared to 2018. In the reporting year, new 3 banks joined the clearing system to launch Mongolian T card, Visa Worldwide (Visa Inc.) and UnionPay International under the sponsorship of TDB.

With the approval of the Clearing System Operator and the Payment Card Processor, it will be a great opportunity to reduce the doubled investment costs and fees associated with commercial banks' payment systems, hardware and software security. In addition to commercial banks, NBFIs and FINTECH companies have been able to use this shared service to create their own products and services to their customers at low cost. That is very important in building payment infrastructure & ecosystem.



INTERNATIONAL BANKING AND FOREIGN RELATIONS

INTERNATIONAL BANKING AND FOREIGN RELATIONS

2019 Goals & Objectives:

- To expand the cooperation with corporate customers in every aspect;
- To maintain and increase funding from the customers;
- To introduce new products and services in line with customers' needs and international best practices;

TDB has been selected as the Banking and Financial Services provider for Millennium Challenge Account - Mongolia

On July 27, 2018, The Government of Mongolia and the Government of the United States of America, acting through the Millennium Challenge Corporation (MCC) have entered into a Millennium Challenge Compact for Millennium Challenge Account assistance to help facilitate poverty reduction through economic growth in Mongolia. In accordance with the Compact, the US Government will provide a \$350 million grant for the implementation of integrated projects designed to improve the water supply of Ulaanbaatar and Millennium Challenge Account – Mongolia will be organizing and taking responsibility for the implementation of the projects.

TDB has been selected as the banking and financial services provider for the MCA Mongolia by winning the "Procurement for Banking and Financial Services" tender. MCA Mongolia and TDB concluded a cooperation agreement. TDB will be providing comprehensive banking and financial services for the projects that are vital to the economic and social development of the country throughout the duration of the program to contribute to the implementation of the projects.

"UFF," an advanced payment solution has been introduced.

Trade and Development Bank has been cooperating with and providing comprehensive banking services to the United Nations Development Program (UNDP) since 2013. In the reporting year, we launched a new service that allows customers to receive and execute batch payment instructions in the "UFF" format. The service will enable customers to execute a large number of payments in a fast and secure way.

Accomplishments made within our Correspondent relations:

- To increase borrowings obtained from foreign banks and financial institutions
- To open new nostro and loro account in an effort to maintain smooth foreign remittances
- To get accreditation from Green Climate Fund

To increase borrowings obtained from foreign banks and financial institutions:

Trade and Development Bank of Mongolia (the "TDB") consolidated our market-leading position in the handling of international trade finance and remittance with correspondent banking relationships over 200 international financial institutions. As of today, we handle 80% of Mongolia's international remittances and successfully obtained a total of USD 772 million equivalent of credit lines from 53 international banks and financial institutions. Specifically, in 2019:

- In June 2019, TDB issued a guarantee of USD 20 million with ING Bank, Belgium under TF credit line of USD20 million by International Investment Bank (IIB) in order to support our customer's export of goods to the international market. As a result of successful efforts in 2019, the Bank was awarded in one of the most reputable nominations - "The Most Active Issuing Bank in Mongolia" under Trade Finance Support Program of IIB.
- In August 2019, SMBC (Sumitomo Mitsui Banking Corporation) approved a total of USD 45 million credit line to support trade finance transactions of our customers. Within this credit line, TT refinancing facility is allowed. With this facility, our customers are able to have access to affordable financing conditions and trade finance transactions to the exporter will be handled smoothly.
- In August 2019, TDB signed "Memorandum of Understanding on Cross-Border RMB Purchase and sale Business" with Agricultural Bank of China to support foreign trade between two countries. Back in 2002, TDB signed RMB settlement agreement with Agricultural Bank of China which is the first RMB transaction agreement for Mongolia. Since then, Mongolia has been able to make RMB international remittance without any recurring issues and successfully solved the payment issues facing in trade and economic relations for business owners. The signing of this memorandum will further stimulate the foreign trade turnover between two countries and our customers are able to have access to efficient transaction.
- In September 2019, TDB successfully obtained a bank-to-bank loan of RMB 120 million from Huishang Bank of Anhui Province, China. It is in

our best interest to cooperate Chinese regional banks in an effort to stimulate trade and economic relations between two countries.

- In December 2019, during the Prime Minister of Mongolia Ukhnaa Khurelsukh's visit to Russia, TDB signed "Memorandum of Understanding for the Implementation of Mutual Cooperation" with Russian Export Center and increased our credit line amount from USD70 million to USD110 million. With this facility, our customers involved in Russian trade are able to have access to affordable financing conditions.
- In December 2019, EXIAR (Russian Export Credit Agency) successfully extended USD 70,000,000 Credit Agreement of December 2017 with VTB Bank (PSJC) for another 3 years until 2023 in order to continuously meet the financing needs of domestic customers importing petroleum products from the Russian Federation. The extension of this facility emphasizes our profound cooperation with these institutions and allows our customers access to affordable financing conditions.

To open new nostro and loro account in an effort to maintain smooth foreign remittances:

TDB has direct correspondent relationships with more than 200 financial institutions and maintains 58 nostro accounts at top rated 27 foreign banks in 18 different countries which enables the Bank to execute smooth foreign remittances. In 2019, TDB opened THB (Thailand baht) and USD nostro account with Kasikornbank, Thailand and USD account with Promsvyazbank, Russia. TDB successfully introduced THB foreign remittance service in Mongolia for the first time.

In 2019, TDB has 14 lora accounts in 3 different currencies from 10 banks in 4 respective countries. In 2019, Promsvyazbank, Russia opened an MNT account with TDB.

To get accreditation from Green Climate Fund:

TDB, as part of our efforts to contribute to the climate change adaptation and mitigation efforts through finance by getting accredited by the Green Climate Fund (GCF), has approved and set in place the following frameworks and policies.

TDB has approved “TDB’s Gender Equality Policy”, “TDB’s Environmental and Social Risk Management Procedures for Climate Finance”, and “TDB’s Climate Finance Information Disclosure Policy”. Moreover, we have established a Gender Committee and Gender Network Club to facilitate our gender equality efforts and set gender sensitive mechanisms in place as outlined in our Gender Equality Policy.

- In April 2019, TDB signed up for the Green Investment Principles for the Belt and Road Initiative. We believe that adopting the Green investment principles will help us contribute more towards reducing greenhouse gas emission and increasing our capacity in our efforts to assess environmental and climate risks significantly.
- In November 2019, TDB became the first bank to be a member of the Mongolian Renewables Industries Association. In this day and age where the shift to renewable energy from traditional energy sources is taking place vastly in countries all over the world, banks and financial institutions are also taking a turn in being more conscious about the

footprint of their investment decisions by focusing more on clean energy projects that utilize natural sources such as hydro, wind, solar, biomass, geothermal etc. and rejecting project proposals with negative impact on the environment. Thus, we believe that by joining the MRIA, we will have more opportunities to partner on mega projects introducing renewable energy solutions and new technology.



ACCOMPLISHMENTS MADE WITHIN TOKYO REPRESENTATIVE OFFICE:

2019 Goals & Objectives:

- To increase brand image of TDB into Japanese market
- To connect our customers with Japanese companies and partners.

As a financial bridge connecting Mongolia to the rest of the world, TDB has broadened our operations by opening our first international representative office in Tokyo, the capital city of Japan, in the year of 2014. We celebrated the 5th anniversary of our representative office in 2019, with representatives and delegates from the Japanese government and financial and banking sectors attending. To acknowledge the results of our successful operation in 2019:

- In 2019, seven new Japanese companies opened their bank accounts in TDB and most of them are conducting business in the field of IT and software.
- In 2019, JPY denominated term and demand deposit products, and the English version of E-account service has introduced and launched in collaboration with the Retail banking department.
- In 2019, TDB successfully received MNT 2.2 billion funding in the form of crowdfunding from Japan's financial market in cooperation with Crowdfunder.
- In June 2019, the Mongolian-Japanese Business Partnership Meeting was successfully organized with Chiba Bank. A total of 10 companies from Japan, 17 companies from Mongolia participated.
- In September 2019, the Mongolian-Japanese Business Partnership Meeting was successfully organized with Mizuho Bank's Obihiro City Branch in Hokkaido Province. A total of 13 companies from Japan and 15 corporate customers of TDB participated.
- On November 27, 2018, Chuo business school and TDB signed a Memorandum of Understanding and TDB donated JPY 1.5 million to Chuo Business School to introduce Mongolian business and investment environment to their M&A students from various business sectors, such as healthcare, infrastructure, logistics, finance, and engineering. In Chuo business school, we have successfully launched courses "Developing Country Business Strategies," "Business Eco-Systems", "Field Work" under the MOU. On August 5, 2019, the "Field Work in Mongolia" seminar was successfully held at TDB.
- In October 2019, the Tokyo Representative Office successfully organized the fifth anniversary, and a total of 105 guests participated. During our anniversary, we successfully conducted meetings with three megabanks (SMBC, Mizuho Bank, MUFG) and other local banks (Tokyo Star bank) and security company (Merrill Lynch Japan Securities) in Japan to discuss our future cooperation on an executive level.
- In 2019, TDB BRAND advertisement was launched in Marunouchi Street, the leading financial center of the Japanese market to introduce Mongolian market and our bank's operation.



TREASURY MANAGEMENT

Foreign Exchange Market

As a leading market participant in the local foreign currency market, our bank bears a responsibility of providing foreign currency needs of all major businesses, state owned enterprises and individuals. Despite the currency shortage due to unexpected market shocks caused by the expectations of market participants, the Bank has successfully managed its positions and continued to meet foreign exchange requirements in the domestic market, consequently playing a key role in maintaining the stability of the MNT currency rate.

The Bank has increased trading profit from previous years as a result of flexible exchange rate policies and active efforts to meet the foreign currency demands of individuals and businesses enterprises.

In addition, we have strengthened our position as a market leader by introducing Thailand baht (THB) trade in October 2019 based on the needs of our customers and became available to trade in 16 different foreign currencies which is the most amongst commercial banks in Mongolia.

Money Market Operations

In this reporting period, TDB has actively operated on the international market whilst continuously met minimum reserve requirement set by Bank of Mongolia and maintained its leading position in the domestic money market by increasing its share of the money market by 1.7 percentage point to 26.2%.

The Bank has also intensified its management of foreign currency reserves (treasury asset) and effectively participated in bond trading on the international market. In 2019, the volume of bond trading increased 10 times compared to the previous year and also trading activity expanded by that much.

In addition to participating in domestic and foreign securities trading with its own reserves, the Bank has successfully traded securities to other domestic banks and financial institutions and has continuously fulfilled its intermediary role.

Asset and Liability Management

In the financial reporting year, the Bank has aimed to achieve sustainable growth and increased its net loan, total asset and deposit from customers by 6.5%, 7.1% and 6.2% respectively, as a result of prudent management of asset allocation and optimal structure of balance sheet.

The Bank's asset and liability management activities have been enhanced by introducing an analytical model that contains the bank's asset, deposit from customers, management activities and market sensitivity information, which is widely used by international regulators and analysts.

Furthermore, our bank is working to implement a series of measures to increase and protect customer funds, and to strengthen the bank's risk capacity by continuously improving proper management of balance sheet structure and efficiency.

Custodian Services

It was a successful and prosperous year for the bank's custodian services in 2019. The Bank has made a sub-custodian agreement with ICBC Asia Bank in order to keep our customers' RMB bonds in the onshore and offshore zones and to place deposits with ICBC Asia at a higher interest rate than the market average. Moreover, we have also signed a cooperation agreement to provide custodian services to investment funds established by foreign investment companies.

In terms of clearing services, we have collaborated with the leading securities companies and made a settlement of 89.7 billion MNT which accounted for a 45% of total domestic market transactions.

In addition, we have actively cooperated with regulatory agencies such as the Ministry of Finance and the Financial Regulatory Commission by providing comments and feedback on sectoral laws and regulations that are crucial for the development of the stock market and investment funds.



RISK MANAGEMENT

The bank complies with an Enterprise Risk Management (hereinafter ERM) framework across the organization and across all risk types. The framework fosters continuous monitoring of the risk environment and promotes risk awareness and sound operational as well as strategic decision making. The bank's shareholder's meeting, ultimate decision making body, sets the tone for strategic direction of the overall business, and the Board of Directors has ultimate responsibility for the efficient risk governance, effective management of risk and approves the Bank's risk appetite and other risk policy.

The Chief Risk Officer (CRO) of the bank monitors and manages daily operation of risk management functions, meanwhile, CRO reports the Risk committee, a board level committee in the bank. Also, the 2nd line of defense, including the Risk management department, Credit risk management unit, Market risk management unit, Operational risk management unit and Compliance unit, operates under the CRO.

Chief Risk Officer is the veto right member of Credit Committee, sub credit committee and Asset and Liability Committee, and the chairman of Tender committee and Non-performing asset committee, the main decision making bodies within executive management governance, with a main responsibility to provide support to the abovementioned committees.

The departments and units in the 2nd line of defense implements daily risk processes, such as risk identification, risk analysis, assessment, mitigation, monitoring and reporting.

The first line of defense, business lines, is responsible to manage risk allocated to them within the certain entitlement and limits. Moreover, the 3rd line of defense in the Trade and Development Bank of Mongolia is an

internal auditing function, including the Internal Audit Department, Chief Auditor and Audit Committee.

Credit risk management

In this reporting year, the bank set the loan classifications and relevant loan loss provision in accordance with "Regulation on asset classification, provisioning and its disbursements", and fully complied with the prudential ratios set by the Mongolbank.

The bank has implemented the risk management policies to align with the credit risk limit level (credit risk appetite) and to improve the quality of the loan portfolio as matter of priority which shall ensure the long and short term sustainability of the bank's business. Within this framework, the bank developed "Non-performing asset management and operating procedures" in order to define possible actions of earlier work outs on problem loans. The procedure assigns that the framework of non performing asset management, required actions on non performing assets and monitoring and reporting procedure as a whole. Special asset restructuring department and Non-performing asset committee were newly established to intensify actions taken on the non-performing loans.

Credit risk management unit has introduced the implementation of international and local standards of risk management within its aim of improving the risk management framework constantly. The unit has successfully implemented the following projects.

The bank developed its own Risk appetite statement which includes the advanced level approaches of calculating and setting risk limits of each key risk the bank is facing. The Risk appetite statement is the main part of implementing the international banking regulation standard of Basel II, Pillar II.

In accordance with implementing IFRS 9 standard, the unit developed the "Credit risk assessment procedure" and "Credit impairment methodology" to support the standard implementation.

The bank is prepared to apply advanced Credit rating and Credit scoring models which are based on machine learning algorithms, statistical models and the bank's historical data. This enables the credit approval process to become more sophisticated and more efficient. The bank is able to purpose loan terms which are more suitable for characteristics of the borrower.

"International Valuation Standards (IVS)" are implemented for the purpose of upgrading the bank's previous collateral policy, procedure and valuation methodology in line with international best practices.

Market risk management

Market risk management unit is responsible for development, improvement, introduction and back-testing of major risk assessments models in the bank and implements risk processes for liquidity, market and counterparty risks. Alongside, the bank does stress testing and sensitivity analysis based on the analysis report made by the market risk management unit. Then, the results of the assessments are reported:

Makes research, analysis reports on business sectors that have a significant impact to the bank, and reporting it to the corresponding decision making bodies.

Assesses, reports and makes suggestions on liquidity risk of the bank by behavioural cash flow GAP, Liquidity coverage ratio, Net stable funding ratio and concentration indicator weekly basis.

Estimates Value at risk of the market risk and monitors limit adherence in the bank on a daily basis.

Monthly estimates interest rate risk on banking book by evaluating cash flow gap suggested by Basel accord and reports it to the CRO and Asset Liability Committee.

Sets settlement and pre-settlement limits on each counterparty based on credit rating of the counterparty and evaluates by internally developed assessment model.

Environmental and social risk management

As the leading bank in Mongolia, we aspire to be a good model to the other banks through our environmental and social contributions.

The Bank, through the due diligence process of its Environmental and Social Risk Management System, partners with its clients to effectively assess and mitigate the environmental and social risks of their businesses thereby protecting them from possible financial losses and encouraging them to fulfill their environmental and social responsibilities.

Moreover, the Trade and Development Bank strives to achieve gender equality in all levels of its operation including products and services through gender mainstreaming, gender-responsive assessment, consultation, design implementation, and monitoring and evaluation processes.

In our efforts to implement Sustainable Finance principles in all stages of operation, we aimed to improve the skills and knowledge of all employees of the bank, especially our loan officers and risk analysts in the past year. Altogether 538 employees were provided with training on environmental and social risk management systems in 2019.

The Trade and Development Bank has issued 1006 “green” loans in 2019 including those designated to reduce air pollution, increase energy and water use efficiency, reduce waste generation as well as those related to renewable energy, and eco-friendly cars etc. In the future, TDB plans to promote development of green loan products and the growth of green loans.

TDB signed up to the Green Investment Principles for the Belt and Road Initiative

TDB signed up to the Green Investment Principles for the Belt and Road Initiative developed by the Green Finance Committee of China Society for Finance and Banking and the City of London Corporation’s Green Finance Initiative in March, 2019. The Bank has participated in the first plenary meeting of all signatories and has joined the following two working groups of the principles:

- Green financial product innovation
- Environmental and climate risk measurement

Delegates of Bai Tushum bank of Kyrgyzstan pay visit to TDB

Representatives of the Bai Tushum Bank of Kyrgyzstan visited the Trade and Development Bank of Mongolia to learn about TDB's experience of effectively integrating sustainability into its business through its Environmental and Social Risk Management System.

TDB named the Best ToC (Sustainable finance) Bank of Mongolia for the third year in a row

To celebrate the 95th anniversary of the banking sector in Mongolia, the "The Best Sustainable Finance Bank" contest, held every year to improve the risk management system and introduce international best practices of sustainable finance in the banking sector, was jointly organized by the Bank of Mongolia (BOM) and the Mongolian Sustainable Finance Association (MSFA). The Bank was awarded the Best ToC (Sustainable Finance) Bank for the third time for its excellence in all four categories of the contest.

Green Initiatives:

The Bank has started the Green Hour Initiative to reduce electricity usage by turning off the lights during the lunch hour every day in its head office.

In order to reduce environmental pollution caused by waste, the Bank has started classifying its waste. We placed bins to collect battery and plastic waste from the Bank. The battery waste is delivered to the "Mongolian Waste Recycling Association" and the "Fresh water resources and Nature Conservation Center".



INFORMATION TECHNOLOGY

TDB widely uses the latest hardware and software technologies in order to provide constant and reliable banking operations, delivery products and services that meet customer's needs, increase efficiency of employee's workforce, and as well as to ensure endless and secure work procedure of the bank, have advanced technology and tools that are met by international standards.

We implemented several projects to improve accessibility of banking service, features enabling to obtain necessary information via online and easier transaction execution:

Launched Online Lending service, made full integration with “HUR” and “DAN” systems of public service. As a result, customers are able to get a loan and other banking services through online and obtain references from the public information from the bank branches.

To ensure swift and secure service of the banking information system, implemented major hardware, software updates and solutions.

Bank’s main software system, database, server, service, devices and its operating system, information security, card encryption on employee’s systems are successfully verified by PCI-DSS (Payment Card Industry Data Security Standard) standards again.

Within the “Payment System Reform” project, cooperation with Bank of Mongolia, we have successfully implemented ACH system for low-value interbank transactions, making interbank low-value transactions more reliable.

Capital market service is more accessible to

customers and they are able to get various information, execute primary and secondary market trading by online, receive exchange rate trading execution in real-time, getting information from ordering databases by online, sending a request to withdraw money from the bank account.

We increased Diebold Nixdorf ATMs which allows withdrawal and deposit.

As part of our goal to increase our e-banking service accessibility, withdrawal using QR code from ATW has been implemented and our customers are now able to order their cards via online with courier service. We have successfully implemented the e-banking service which is able to withdraw cash from ATMs using QR code, as well as receive an ordered card by mail.



NOSTRO ACCOUNTS

Currencies	Nº	Correspondent Bank	SWIFT CODE
USD	1	KOREA EXCHANGE BANK	KOEXKRSE
	2	KOOKMIN BANK	CZNBKRSE
	3	CHINA CONSTRUCTION BANK CORPORATION, ERLIANHAOTE SUB BRANCH	PCBCCNBJNME
	4	INDUSTRIAL AND COMMERCIAL BANK OF CHINA	ICBKCNBJNMA
	5	BAOSHANG BANK	BTCBCNBJ
	6	BANK OF INNER MONGOLIA	HSSYCNBH001
	7	AO UNICREDIT BANK	IMBKRUUM
	8	SBERBANK (HEAD OFFICE)	SABRRUMM
	9	RUSSIAN AGRICULTURAL BANK	RUAGRUMM
	10	AO JSC VTB Bank	VTBRRUMM
	11	TRANSKAPITALBANK, RUSSIA	TJSCRUMM
	12	EXIM BANK OF RUSSIA	EXIRRUMM
	13	OVERSEA-CHINESE BANKING CORPORATION LIMITED	OCBCSGSG
	14	COMMERZBANK AG	COBADEFF
	15	BANK OF CHINA (HONG KONG) LIMITED	BKCHHKHH
	16	KASIKORNBANK PUBLIC COMPANY LIMITED	KASITHBK
	17	NOVICOMBANK, RUSSIA	CNOVRUMM
EUR	18	COMMERZBANK AG	COBADEFF
	19	EXIM BANK OF RUSSIA	EXIRRUMM
	20	TRANSKAPITALBANK	TJSCRUMM
	21	BAYERISCHE LANDESBANK	BYLADEMM
JPY	22	MITSUBISHI UFJ, LTD.,	BOTKJPJT
	23	MIZUHO CORPORATE BANK, LTD.	MHCBJPJT
	24	SUMITOMO MITSUI BANKING CORPORATION	SMBCJPJT
	25	FRANKFURT, GERMANY	COBADEFF
GBP	26	MITSUBISHI UFJ, LTD	BOTKGB2L
	27	COMMERZBANK AG	COBADEFF
	28	TRANSKAPITALBANK, RUSSIA	TJSCRUMM

CHF	29	COMMERZBANK AG	COBADEFF
AUD	30	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	ANZBAU3M
	31	COMMERZBANK AG	COBADEFF
KRW	32	KEB HANA BANK	KOEXKRSE
	33	KOOKMIN BANK	CZNBKRSE
CNY	34	AGRICULTURAL BANK OF CHINA, HUHEHAOTE, INNER MONGOLIA	ABOCCNBJ050
	35	CHINA CONSTRUCTION BANK CORPORATION, ERLIANHAOTE SUB BRANCH	PCBCCNBJNME
	36	INDUSTRIAL AND COMMERCIAL BANK OF CHINA	ICBKCNBJNMA
	37	BAOSHANG BANK	BTCBCNBJ
	38	SHANGHAI PUDONG DEVELOPMENT BANK	SPDBCNSH
	39	BANK OF CHINA (HONG KONG) LIMITED	BKCHKHKKH
	40	BANK OF CHINA INNER MONGOLIA BRANCH	BKCHCNBJ880
	41	BANK OF INNER MONGOLIA	HSSYCNBH001
CAD	42	COMMERZBANK AG	COBADEFF
	43	BANQUE NATIONALE DU CANADA	BNDCCAMMINT
RUB	44	AO UNICREDIT BANK	IMBKRUUM
	45	SBERBANK (BAIKALSKY HEAD OFFICE)	SABRRU66
	46	RUSSIAN AGRICULTURAL BANK	RUAGRUMM
	47	AO JSC VTB Bank	VTBRRUMM
	48	EXIM BANK OF RUSSIA	EXIRRUMM
	49	TRANSKAPITALBANK, RUSSIA	TJSCRUMM
	50	PROMSVYAZBANK, RUSSIA	PRMSRUMM
	51	NOVICOMBANK, RUSSIA	CNOVRUMM
NZD	52	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	ANZBNZ22
	53	COMMERZBANK AG	COBADEFF
HKD	54	MITSUBISHI UFJ, LTD., THE	BOTKHKHH
	55	COMMERZBANK AG	COBADEFF
SGD	56	OVERSEA-CHINESE BANKING CORPORATION LIMITED	OCBCSGSG
	57	COMMERZBANK AG	COBADEFF
SEK	58	NORDEA Bank AB (PUBL)	NDEASESS
	59	COMMERZBANK AG	COBADEFF
TRY	60	TURKIYE IS BANKASI	ISBKTRIS
THB	61	KASIKORNBANK PUBLIC COMPANY LIMITED	KASITHBK



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