

INTERVIEW WITH MR. BEN TURNBULL, STATE BANK'S CEO

BCM NewsWire (BCM) interviewed Ben Turnbull (BT), the recently appointed CEO of Mongolia's newly formed State Bank. Mr. Turnbull previously worked in Mongolia's banking sector, first in 2003 for 4 years as Deputy CEO of Khan Bank and more recently as a banking consultant through EBRD. BCM spoke with Mr. Turnbull about the formation of the State Bank and the failure of the former Zoos Bank.

BCM: *Can you elaborate on what happened with Zoos Bank?*

BT: There has been substantial stress in the Mongolian banking system overall and has been for the last nine months since the world financial crisis caught up with Mongolia. In the case of Zoos Bank, that strain began to show itself in the first and second quarters of 2009. EBRD took an active role in addressing those problems and put a management team in place, in conjunction with its existing ownership. We had been here already and working in the bank for some while. So we had a very good running start to take over the management of the bank. Our charge was to determine the nature and magnitude of the problems and come up with a solution. As we began to work within the bank, we found the problems were far greater than anyone had yet identified. The difficulty that the bank was facing as we uncovered more and more of these specific problems, led us to believe that the bank couldn't solve its problems on its own. Over a period of time, the Bank of Mongolia also came to believe that.

BCM: *So it wasn't that EBRD said a merger shouldn't take place?*

BT: That's a big misunderstanding through the Press and bears clarification. EBRD had looked at the bank all along and said they are trying to help. That's why they invested in it in the first place. That's their mission, to improve banking systems in the countries that have memberships in EBRD. They had also paid for a substantial amount of technical assistance to improve the management functions here. When you have taken losses of that magnitude, you begin to understand that to pay in new funds of MNT 84 billion for a bank that had at its maximum obtained a size of MNT 250 billion is not a viable idea. It would take several eons to recover all of that even with the strongest earnings.

EBRD had said this was not only a specific mismanagement problem at Zoos Bank, but also general stresses in the banking system. They couldn't be expected to fix both of these all by themselves. The situation required, as in other countries where the banking system has gone into severe distress, government intervention. That had been EBRD's position over the past several months.

BCM: *Can you tell us about State Bank's management and future?*

BT: The State Bank is open and ready for business. We've been open for about two weeks and are functioning normally. There have been a few minor start-up problems, but nothing major. We have 100% support from the Government of Mongolia. We are keeping our old Zoos customers in the bank. We look forward to serving the future economic development of Mongolia.

For the full interview with Mr. Turnbull, please refer to the BCM website, BCM News & Press.