

Interview on February 10<sup>th</sup> in *News of Mongolia*:

**Ben Turnbull: There is no truth in the press releases (Headline)**

**We have interviewed the CEO of the State bank Ben Turnbull to have answers regarding to the press releases that are saying the State bank was established based on the order by the EBRD and there were no need to abolish Zoos bank.**

**How is the State bank doing?**

First, I would like to make clear that I am speaking as a professional manager in State bank and I am not speaking for EBRD or anyone else.

As to State bank, we have reached the constant activity so far and all the branches and staffs are now fully working with their appointments.

**Is the State bank granting loans?**

I don't want to say when we are to actually grant loans fully for the SME clients and apartment loans, but we are working hard to grant them soon. We have 28 billion MNT of capital funds and it is considered as a very adequate and safe amount.

**How many branches and employees are there in the State bank?**

We have 15 branches and 13 bank shops, total 28 and 327 main employees with 53 contract employees.

**Let's continue with the bad news. Instead of the news of the State bank, there are many negative news around the State bank, saying the Zoos bank was abolished based on a plan.**

We gave a lot of answers and news to the public about the bankruptcy of the Zoos bank but I guess the people hearing them don't want to understand it. The Zoos bank was declared bankrupt and the Receiver took over control as ordered by the Bank of Mongolia because there were large loan and other liability problems.

EBRD is an organization that helps countries to improve their economy by making investments. Mongolia became the member country of EBRD in order to receive assistance in developing its economy. But the press is saying the opposite, that the EBRD is doing negative activities to the economy of Mongolia. In fact, the investment for the Zoos bank was negotiated and approved by the Bank of Mongolia and the Mongolian owners of Zoos bank to improve Zoos bank.

In 2007, Bank of Mongolia found out that the activity of the Zoos bank was weakened; after that discovery the EBRD invested in the bank to improve that situation. The EBRD invested both loan and capital funds in the Zoos bank. In addition, the EBRD provided Technical Assistance to restructure and improve Zoos bank operations. The EBRD also accepted the responsibility of becoming a member of the Supervisory Board. The consultants placed in the bank found out that there are several problems in the bank that needed deep research. The EBRD, Bank of Mongolia and the Board of Supervisors jointly decided that a new management team needed to be placed in the bank. That date was July 9<sup>th</sup>.

After the appointments took place, the management team worked hard and revealed that there were a lot violations and problems that weren't seen by the Board of Supervisors, Bank of

Mongolia or the external Auditors. The main problems were related to the non performing loans and the amounts were more than the capital funds of the bank. This condition was immediately informed to the Bank of Mongolia. As required by law, we published the financial figures of the bank in a newspaper in late October. After that people started to take their deposits from the bank.

**Your management team published the Zoos bank's financial figures that showed the loss of the Bank to the public and people started to take back their deposits and after your management team took over the bank there were no deposits gathered in the bank so far and refused to deposit them in the bank. Because of that the Zoos bank got into liquidity problems. In short it can be understood that the EBRD took down the Zoos bank.**

We never refused to take the deposits in the bank. There was one big deposit in the bank and the interest was very high, agreed with by the previous management. The Zoos bank was having a loss because of that high interest; suddenly that depositor made a demand to increase the interest rate. We didn't agreed to that, and that depositor took the deposit from bank. Maybe this was the source of that information. The interest rate was unacceptable for the bank and I think no other banks should accept that.

**What was the amount of the deposit?**

It was higher than 20 million USD and it was higher than 10 percent of the total deposit in the Zoos bank. We did have the liquidity to give back that amount at that moment; we were happy to give back that amount because the bank was losing 11 thousand USD per day. The Zoos bank would have lost 4 million USD if we kept that money in the bank for 12 months.

**Savings bank and Post banks were approved the merging and the Zoos bank was becoming a part of that but suddenly it was changed and informed that the State bank is being established. The international organization said that if Zoos bank involves in the merging activity then the investments shall be stopped and right now there is a Stand By project taking place in Mongolia, which means there were some demands from the International Monetary Funds. How can you explain this?**

International Monetary Fund didn't involve itself in that merger activity and they do not have that right to be involved. The EBRD simply stated that any merger or purchase had to be done pursuing the related laws. The correct way for Savings bank to attempt to buy the shares of Zoos bank under the laws of Mongolia was to have made a preliminary price proposal to buy the shares to the Supervisory Board of Zoos Bank. The Members of the Supervisory board should first discuss it and then inform their opinion to the share holders. This takes a lot of time and we didn't have that time because of the run on the bank.

I was shocked that people are saying that the EBRD took down the Zoos bank. That statement is not true and not logical. As an investor, EBRD understood completely that their investment and loan funds would be lost in Zoos bankruptcy. To think that EBRD would want to lose their investment is not logical at all, and I don't understand how people could think it.

**There are some prediction that the after establishing the State bank it shall be sold after several years and the EBRD is planning to have a lot more money with destroying their investment money and shareholders money also. The EBRD is the buyer of the bank after several years.**

That is strangely interesting but also not logical. The State bank shall be sold at some point in the future by following the procedure for the privatization of any governmental organization, which is a public process and supervised by the State Property Committee. The EBRD has their rule to invest no more than 25% in any organization. The EBRD is an organization whose mission is to support their member country's economic situation.

**You are now becoming a news main man after working as a CEO of the State bank. It is interesting of you and there are many analyzes made in the news that your history and abilities so far? Would you mind introduce your self a bit?**

I have been working in banking since 1966, which means more than 40 years of experience. I am lucky man who graduated from USA's Princeton University. I was in the US Navy for 4 years. After leaving the Navy, I worked for the International Division of Citibank for 4 years; most of my time at Citibank was in the Philippines. Next I managed the Asian business of the largest bank in the American State of Georgia for 14 years. Then I ran the International Business for the largest bank in the State of Florida for 10 years. After that I ran a bank in Poland for 4 years. Then I came to Mongolia and worked as a Deputy CEO of the Khan bank from 2003 through 2006. For the year of 2007, I was Chief Operating Officer at the Afghanistan International Bank in Kabul. I returned to Mongolia as a long-term consultant in March 2008 and have been working here ever since.

I have never had this kind of attention from the press. Right now I am working hard along with my fellow managers to improve the activity of the State bank.

**I heard that your salary is 21 thousand USD. Who gives the salary of the management team?**

The EBRD has been willing to support the Mongolian economic situation in this crisis situation and they are sponsoring the expat management team in both Zoos bank and State bank. It is false information that my salary is 21 thousand USD. I take the average compensation of the international consultant performing this type of work. The news was saying that T.Ochirkhuu takes higher salary than me but it is false information too. He is working in the bank because it is an appointment that serves the public. He takes the salary same as all other governmental organization officers from the Government of Mongolia. In addition, he and the other members of the Board of Supervisors receive a relatively small Directors' Fees in compensation for their time spent on State bank issues.

**I am sorry for asking a question that might little too bit interested in you. The state bank is a fund of the Mongolian Government. It might be the main interest in you because the EBRD employee is working as a CEO and taking salary from them.**

This is the key question. EBRD is cooperating with other donors and with the Government of Mongolia to improve the Mongolian economic situation. We are in an emergency situation. Stabilizing the banking system is central to future growth of the Mongolian economy. When the Receiver took over Zoos bank, there were not just bad loans but also good loans and customers remaining in the bank. The State bank was established to provide a bank for this good business. EBRD and the Government of Mongolia believe that expat management is needed for period of time to properly run State bank and the business of the customers it inherited from Zoos Bank. The support EBRD is giving is part of a large effort to put the Mongolian banking system back on a sound foundation. I am honored to be a small part of that effort.

**Why did the Government of Mongolia issue the bonds amounting to MNT 100 billion? Is it money laundering?**

The Government of Mongolia guaranteed the deposits in the banking system. The bonds are issued to cover that obligation. It's not money laundering. The bonds were approved to make the operation of the bank sustainable and effective. At that moment we all believe that the amount of funds required to secure the deposits in Zoos bank is MNT 100 billion. You can say that best estimate of the total loss of the Zoos bank is about 100 billion MNT. The bonds are needed to offset that loss.