

Why Does Disclosure Matter For Investors?

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Why Does Disclosure Matter?

Financing options

Reasons for disclosure

Requirements

TDB experience

Financing options

- **Domestic Banks**
- **International Banks**
- **Debt markets**
- **Stock markets**

What do all have in common?

Fiduciary Responsibility

Managing Other Peoples' Money

- Banks have funds from depositors, other banks and lenders, plus shareholders to manage
- Asset managers have pension and life insurance funds to manage
- Hedge Funds and equity funds have investors' funds

Heavily Regulated Environment

- Banking Supervision
- Securities Laws
 - RegS
 - 144a
- SEC, FSA, JPX-R
- FATCA

Plus others, aimed at protecting investors against:



Fraud

- Naïve
- Untrained
- Vulnerable
- Investors



Tax Evasion



**“The only difference
between a tax man
and a taxidermist is
that the taxidermist
leaves the skin.”**



~Mark Twain

Money Laundering



How are Investor Risks Managed?

- Disclosure
- Use of experts such as audit firms, underwriters, legal firms, rating agencies
- All of whom must meet standards of expertise, ethics and professional responsibility

Key Disclosure Items

- **Financial**
- **Business**
 - History
 - Strategy
 - Operational
 - Risk management
 - Compliance

- International equity and debt markets require a minimum of two years statements audited by a qualified accounting firm
- The preference is for a Big 4 firm to provide an unqualified audit opinion

- Disclosure document prepared by the debt or equity issuer under guidance of the company's underwriters, accountants and lawyers
- Preparation of the document is thorough a process of due diligence undertaken by the underwriters and lawyers

TDB's Experience

- TDB recently issued \$500 million in 5 year notes
- Issued under US Securities Act Rule 144A and Regulation S
- Under 144A, the issue is a private placement into the US taken up by the underwriters, who then resell the notes to Qualified Institutional Buyers in the US
- Under Reg S, the notes are sold directly to investors outside the US
- The notes are traded on the Singapore Stock Exchange

Disclosure under 144A/Reg S

- TDB's Offering Memorandum was 579 pages
- TDB's international US lawyer issued a 10b-5 letter which states essentially that nothing has come to his attention that the information given in the OM is not complete and accurate in all material respects.
- TDB's auditors issued a comfort letter that essentially states that the firm has audited and reviewed TDB's most recent financial statements and that nothing has come to their attention since that would indicate the financial condition has materially changed
- Debt ratings from two rating agencies were required

TDB's Established Track Record of Debt Transactions

 USD 75,000,000 8.650% Senior Notes, due in 2010 USD 150,000,000 EMTN Programme <i>Fully repaid in 2010</i> ING  <i>January 2007</i>	 USD 150,000,000 8.500% Senior Notes, due in 2013 USD 300,000,000 EMTN Programme <i>Fully repaid in 2013</i> ING  <i>October 2010</i>	 USD 25,000,000 12.500% Subordinated Notes, due in 2015 USD 300,000,000 EMTN Programme ING  <i>October 2010</i>	 USD 300,000,000 8.500% Senior Notes, due in 2015 USD 700,000,000 EMTN Programme Bank of America Merrill Lynch  <i>September 2012</i>	 USD 82,000,000 Syndicated A/B Term Loan Facility FMO ING  <i>September 2013</i>	 CNH 700,000,000 10.000% Senior Notes, due in 2017 USD 700,000,000 EMTN Programme CLSA Deutsche Bank  ING  <i>January 2014</i>	 USD 500,000,000 9.375% Senior Notes, due in 2020 Guaranteed by the Government of Mongolia USD 500,000,000 GMTN Programme Bank of America Merrill Lynch  ING  <i>May 2015</i>
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Market recognition of TDBs commitment to the performance of its bonds

- TDB is the only Mongolian commercial bank that has successfully issued bonds internationally.
- US\$1.24 billion have been raised through five US\$ and one Dim Sum bond as well as a syndicate loan from the international markets.
- This consistent approach to maintaining a diversified funding portfolio is beneficial and allows TDB to weather changing market conditions better than its peers.

TDB's Bank Relations

- Maintains 41 nostro accounts in 15 currencies at 27 top rated foreign banks in 15 different countries
- Direct correspondent banking relationship with more than 150 foreign financial institutions
- Combined USD 522 million clean trade finance lines from 45 large foreign financial institutions (as of June 30, 2015)
- Only Mongolian commercial bank which has arranged syndicated club deals with foreign banks for MNT 58 billion and over USD 171.2 million since 2005
- Cooperation with MasterCard, Visa, JCB/Discover and Diners



Conclusions

- Raising funds from international banks, and the debt markets, requires significant disclosure, starting with audited financial statements
- Full disclosure of all aspects of the company's operations are required
- Investors must be continuously updated on the company's performance and compliance with all conditions of its debt obligations, as well as other local and international regulations
- Despite the effort and cost, the benefits of being able to access various types of debt and equity capital can provide important funds to enable the bank to grow and meet the needs of its clients and play an important role in the economy.

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