

One should judge the performance of banks in developing countries on a different background that is uniformly applied for developed countries. Methods of evaluating bank performances such as Economies Value Added (EVA) or Method of Comparables are of little help as they heavily rely on the stock price of banks on exchange market which is often unavailable for most banks. And when it is available it is hard to assure the “fair market value” given the underdeveloped capital market. Therefore traditional accounting measurements for bank profitability, namely Return on Asset and Return on Equity are natural

candidates and are used for assessing the performance of Mongolian banks. Based on the respective analysis, a hypothesis that a bank size is an important factor for higher profitability is tested for a sample of banks which subsequently leads to a conclusion that bank size effect on profitability is rather insignificant.