МОНГОЛЫН БАНКНЫ ХОЛБОО

Banking & Finance Academy

BANKING SECTOR REVIEW

Report for the First Half of 2026

Ready to be shocked?

Ready to be shocked?

Banking sector indicators remained relatively stable and continued to grow, with total assets increasing by 26% compared with the same period of the previous year. Individuals primarily took out salary and pension loans. Bank lending continues to play an important role in supporting the recovery of economic sectors. In particular, business lending; especially loans to the mining, manufacturing, construction, trade, and services sectors has continued to increase. Driven by rising prices for livestock-derived raw materials and fuel, inflation has increased continuously over the past three months and has doubled compared with three months earlier.

Economic growth reached 7.7% in the first half of the year. Since the beginning of the year, sustained growth in the mining sector and, consequently, in the transportation and storage sector has made an important contribution to economic growth. The recovery of the agricultural sector after a prolonged period of weakness also supported economic growth. The gradual recovery of the construction and manufacturing sectors had a positive impact on economic growth. Mongolia's foreign exchange reserves increased by 47% compared with the previous year, reaching a record high.

The budget deficit is approaching levels seen during the pandemic. Increases in both current and capital expenditures are fueling inflation and creating conditions that could constrain economic growth. At a time when Mongolia's economy is vulnerable to a major supply shock due to external factors, the impact of a sharp increase in government spending is likely to be borne by households through higher inflation. Therefore, is the currently proposed budget prepared to withstand a shock to the economy?

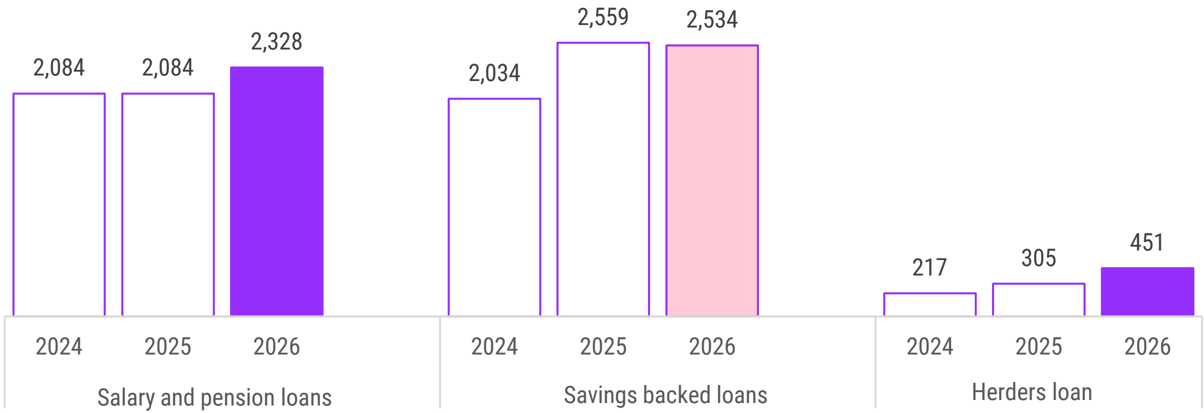
Consumer loans to individuals have increased.

The increase in consumer loans extended to herders was a key factor contributing to the overall growth in consumer lending to individuals.
Salary, pension, and credit card loans increased, while loans secured by deposits declined.

Key changes,
Simple explanation

Loans to individuals, 1st half of 2026

Billion MNT



Term definition

Newly issued bank loans

Note: The outstanding loan balance increases by the amount of new loans issued by banks during the year.

The volume of new loans issued to individuals increased by

7.4%

Performance of the 1st half of 2026

Source: Bank of Mongolia
National Statistics Office

KEY DEVELOPMENTS IN THE BANKING SECTOR IN THE FIRST HALF OF 2026 AND OUTLOOK

Growth in bank lending aimed at supporting businesses continues.

Amount of non-performing loans is low

Stable returns on MNT deposits played an important role in the growth of MNT deposits.

The financial performance of the five systemically important banks remains relatively strong.

Total assets of the banking sector increased by 27%

Banks have sufficient capital to support the various sectors of the economy.

KEY FINANCIAL INDICATORS OF BANKS

Performance of the 1st half of 2026

Banks' loan portfolio

Note: The outstanding loan balance increases with new loan disbursements and decreases with loan repayments.

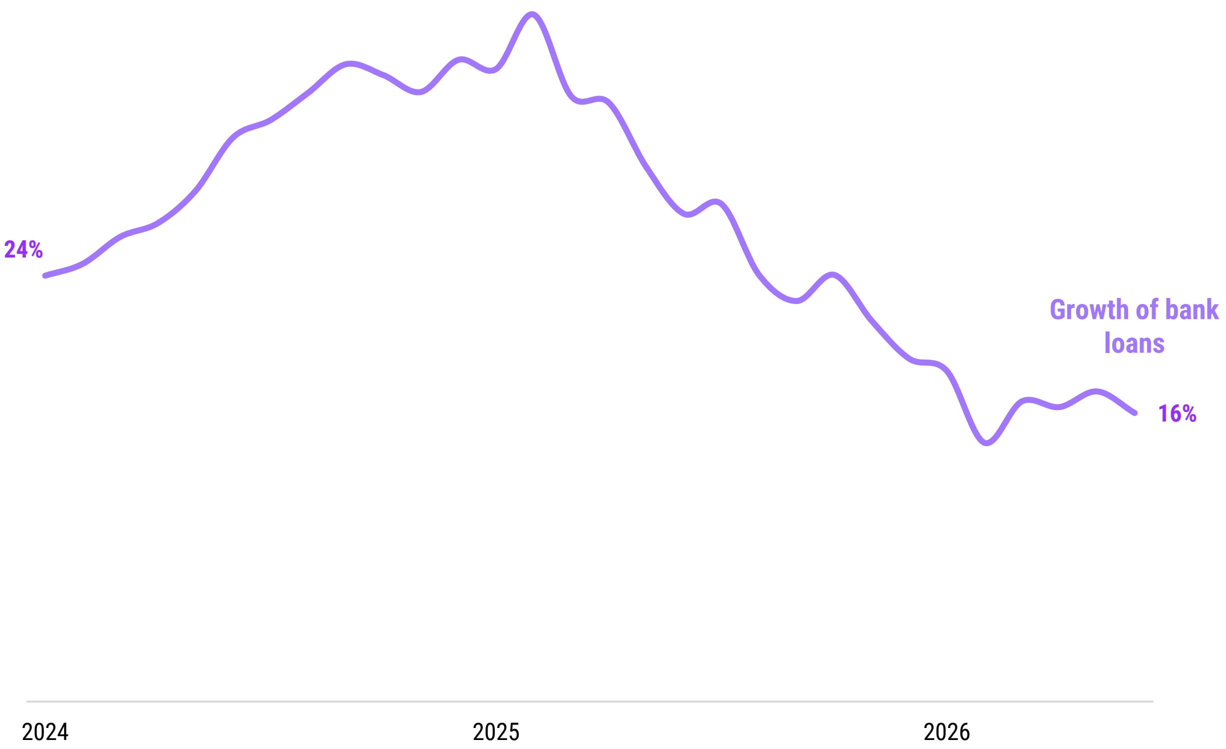
Outstanding loans increased by

+16%

Source: Bank of Mongolia
National Statistics Office

Growth in banking sector lending aimed at supporting economic growth continues.

Business lending aimed at supporting growth across economic sectors has increased.
Consumer lending to individuals continues to grow.

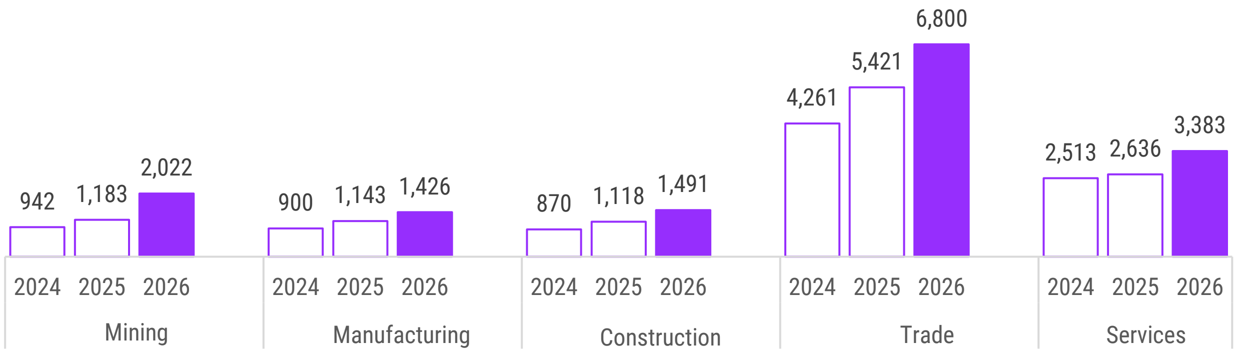


Business lending aimed at supporting economic sectors remains high.

Lending to the mining sector increased in response to higher global market prices for mineral commodities.
Lending to support the manufacturing, construction, trade, and services sectors remains high.

Billion MNT

Newly issued business loans, Q2 of each year



Newly issued loans

Note: The loan balance increases with the amount of new loans issued by banks during the year.

Newly issued business loans increased by

30%

Source: Bank of Mongolia
National Statistics Office

Loan quality of banks

Note: Loans overdue by more than 90 days are classified as non-performing.

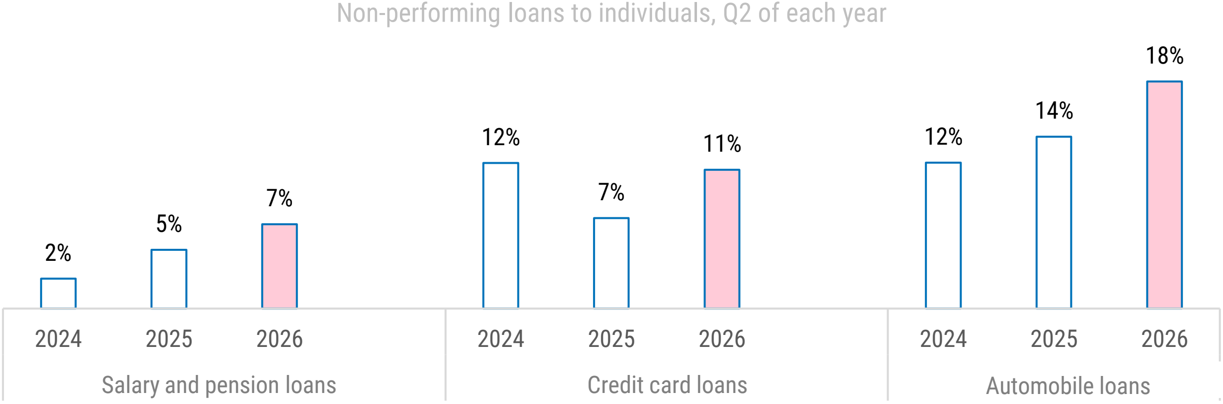
Non-performing loans in the banking sector

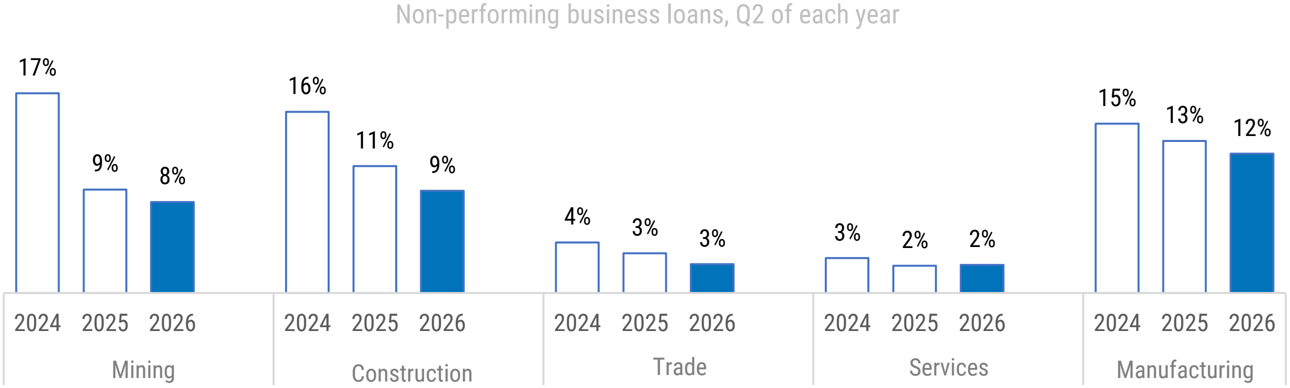
5%

Source: Bank of Mongolia
National Statistics Office

Non-performing loans in the banking sector increased slightly.

One in every 10 consumer loans to individuals is non-performing.
The relatively strong growth across economic sectors is contributing to a decline in non-performing business loans.

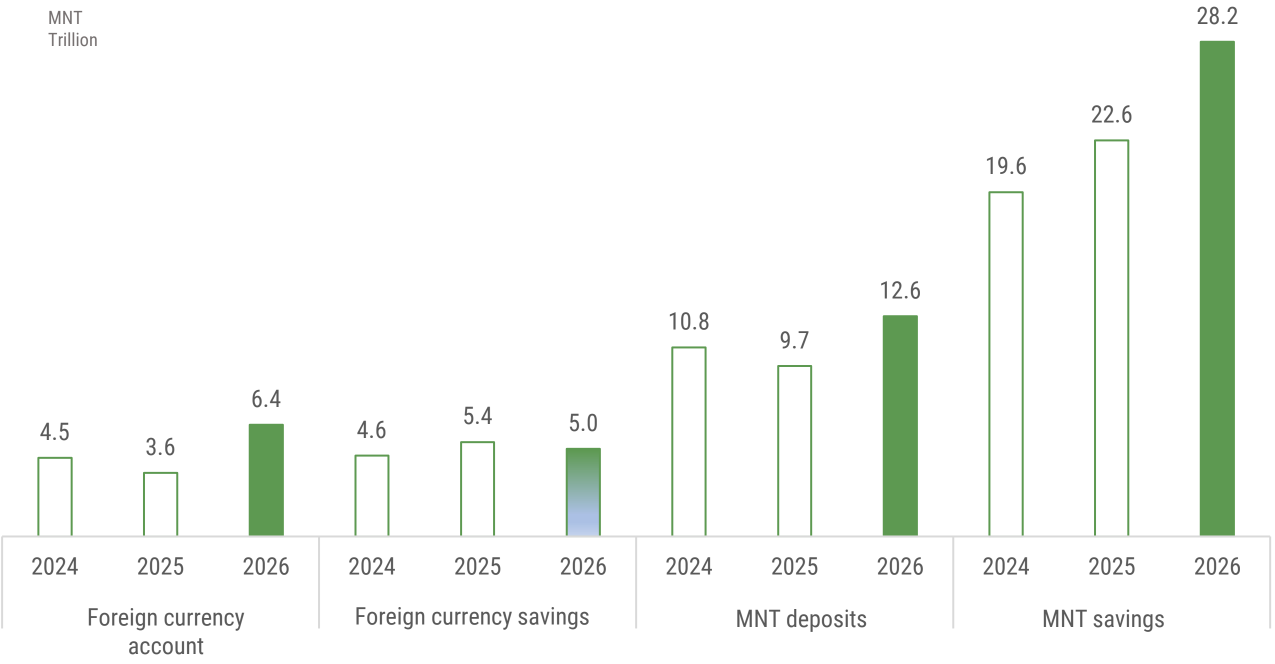




Confidence in term deposits among individuals has increased.

The relative stability of the MNT exchange rate and inflation has increased public confidence in the MNT.
Funds are increasingly being held in foreign currency current accounts and MNT current accounts rather than in foreign currency term deposits.

Bank Funding Sources, Q2 of Each Year



Bank Funding Sources

Note: This refers to current account balances and deposits mobilized by banks

MNT Savings increased by

25%

Source: Bank of Mongolia
National Statistics Office

Weighted average interest rate of banks

Note: This refers to the weighted average interest rate of banks' newly raised funding and loans issued, adjusted by time and amount.

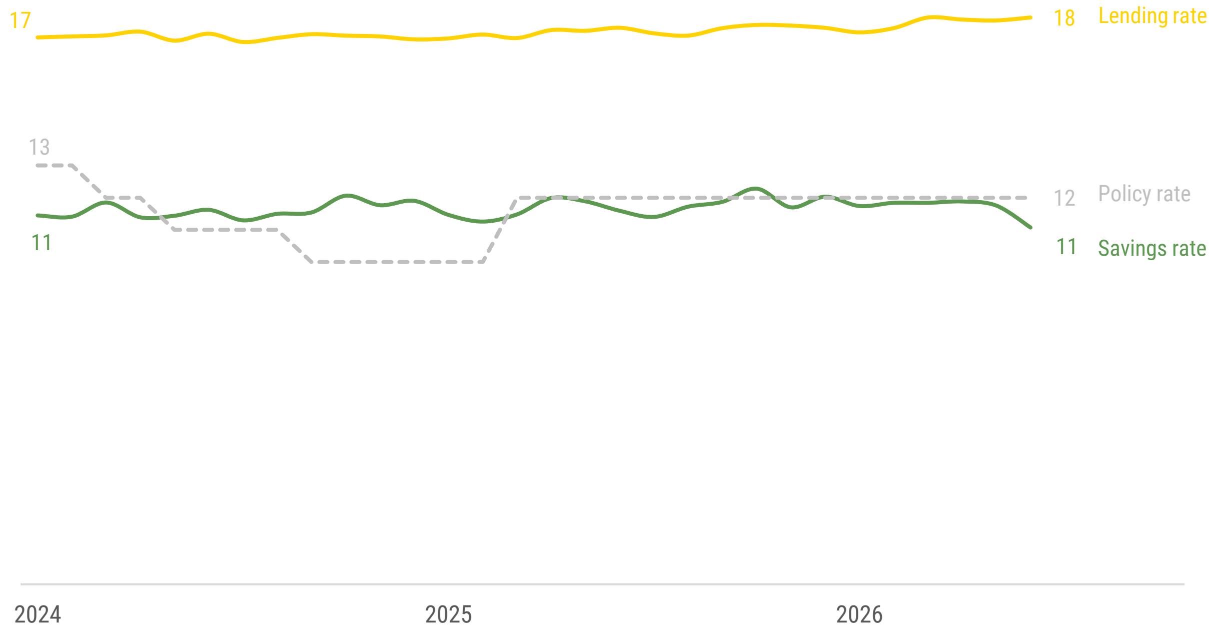
Loan interest rate

18%

Source: Bank of Mongolia

Interest rates remain stable.

Although the policy rate was increased in response to external and domestic economic conditions, interest rates have remained relatively stable.
The stabilization of the economy has raised expectations that lending rates will gradually decline.



Key Financial Indicators of Banks

Performance in the 1st half of 2026

Bank assets

Note: A bank's total liabilities plus shareholders' equity constitute the bank's assets..

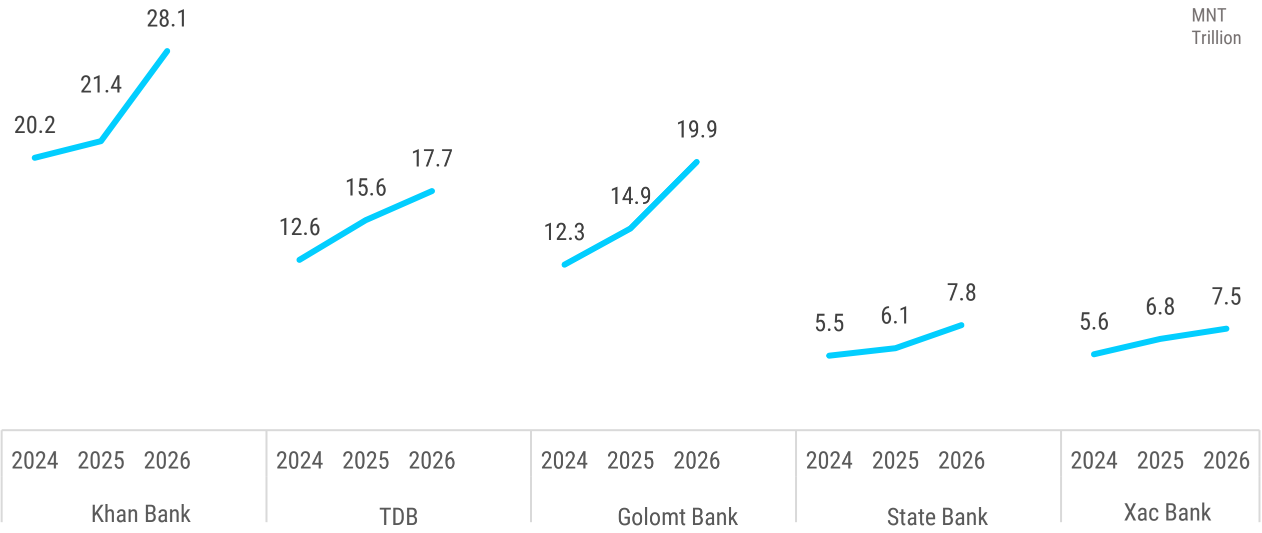
Assets of systemically important banks increased by

25%

The total assets of systemically important banks increased by MNT 16 trillion compared with the same period of the previous year.

Golomt Bank's assets increased by 33%, while Khan Bank's assets increased by 31%.

Bank assets, at Q2 of each year.

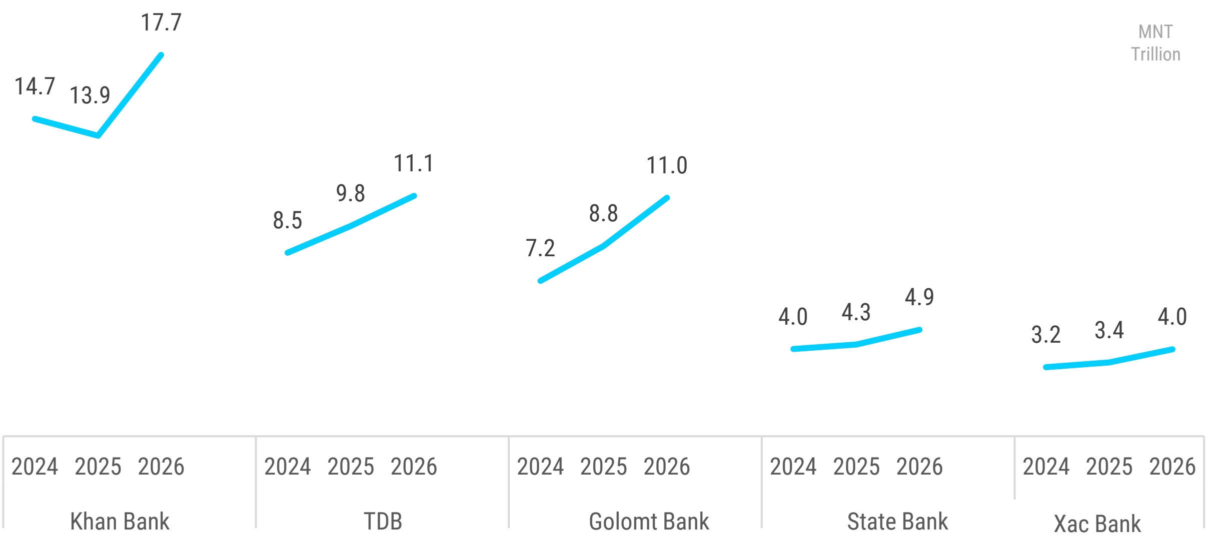


Source: Banks' unaudited financial reports

The total funding of systemically important banks increased by MNT 8.7 trillion compared with the same period of the previous year.

Khan Bank's funding increased by 27%, Golomt Bank's by 25%, and XacBank's by 18%.

Banks' total funding, at Q2 of each year



Total funding

Note: This refers to the amount of liabilities raised from individuals, enterprises, and investors

Banks' total funding increased by

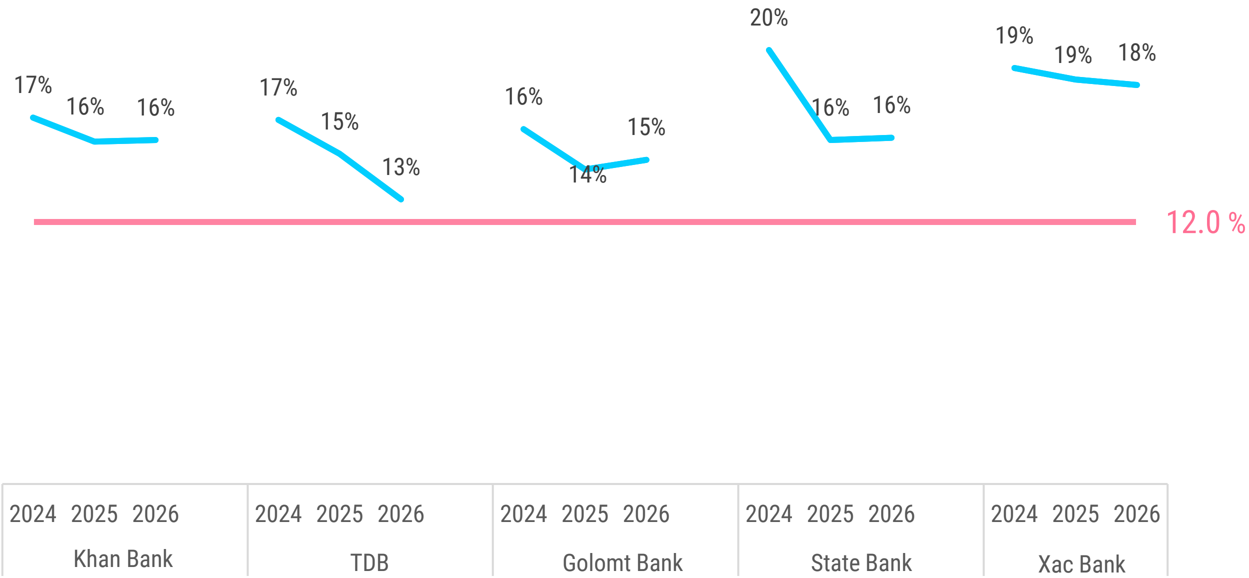
22%

Source: Banks' unaudited financial reports

Although banks’ capital adequacy has declined, they still have sufficient capital to extend loans.

Growth in lending aimed at supporting the economy and accelerating the recovery of key sectors contributed to a decline in banks’ capital adequacy.

Banks;’ capital adequacy, Q2 of each year



Өөрийн хөрөнгийн хүрэлцээ

Жич: Санхүүгийн болон үйл ажиллагааны эрсдэлээс гарах алдагдлыг хаахад хүрэлцэхүйц хэмжээний өөрийн хөрөнгөтэй эсэхийг тодорхойлсон үнэлгээг хэлдэг

Банкнуудын өөрийн хөрөнгийн хүрэлцээний дундаж

16%

Source: Banks’ Unaudited Financial Reports

Liquidity Ratio

Note: This is a ratio that measures the ability to meet short-term obligations on time.

Average liquidity ratio of systemically important banks

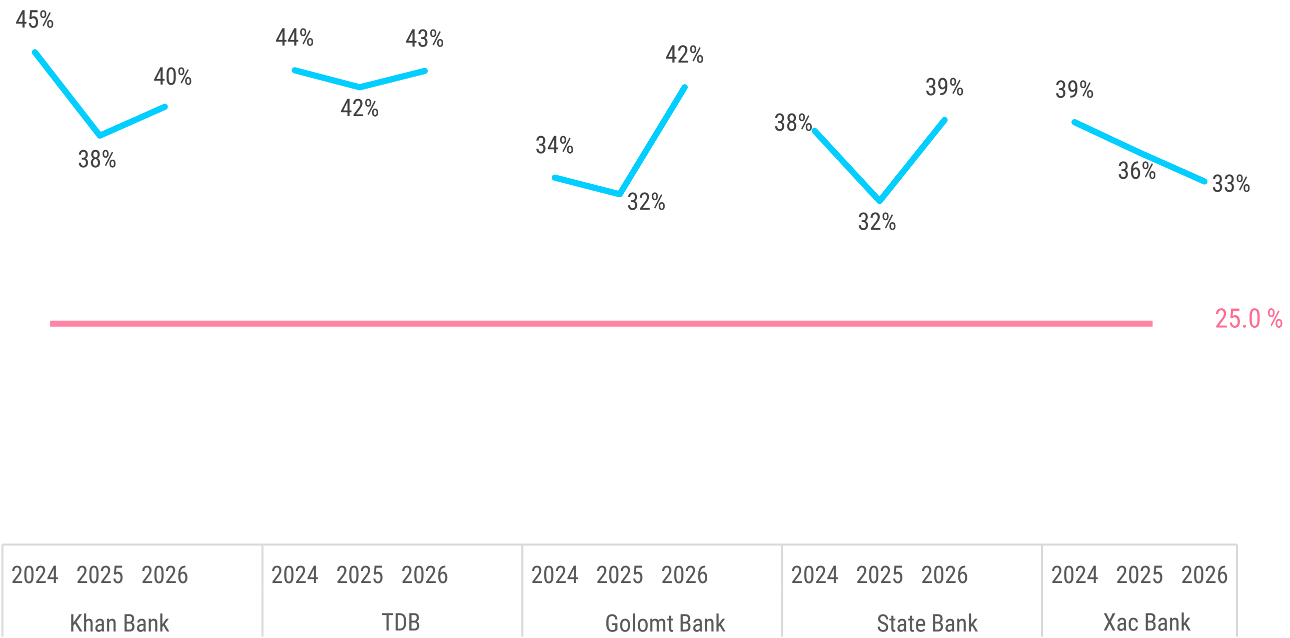
40%

Source: Banks' unaudited financial reports

The liquidity ratio of the five systemically important banks remains excessively high.

Banks' liquidity ratios have increased.

Banks' liquidity ratio, Q2 of each year



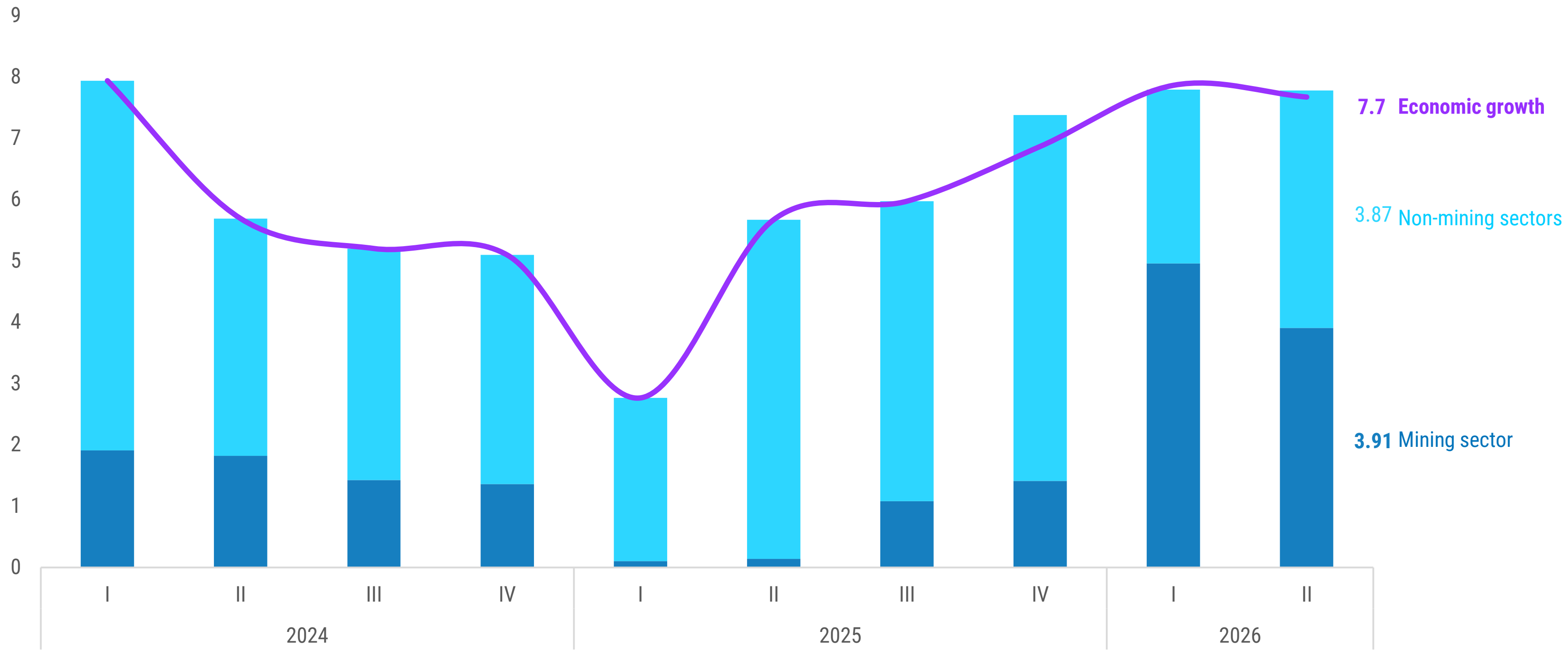
MACRO-ECONOMIC ENVIRONMENT

First Half of 2026: Economic growth reached 7.7%. Relatively rapid growth in the mining sector and, consequently, in the transportation and storage sector contributed positively to economic growth. The manufacturing and energy sectors are recovering. The recovery of the agricultural sector also supported economic growth. On the demand side, increases in consumption and investment strengthened the economic recovery, while declining imports also contributed positively to growth. Supply-side inflation is increasing.

Outlook: If fuel shortages and price increases persist, they could negatively affect all sectors, lead to supply-driven inflation, and ultimately slow economic growth. In particular, there is a risk of adverse impacts on growth in the transportation, logistics, and agricultural sectors.

The economy grew by 7.7% in the 1st half of 2026

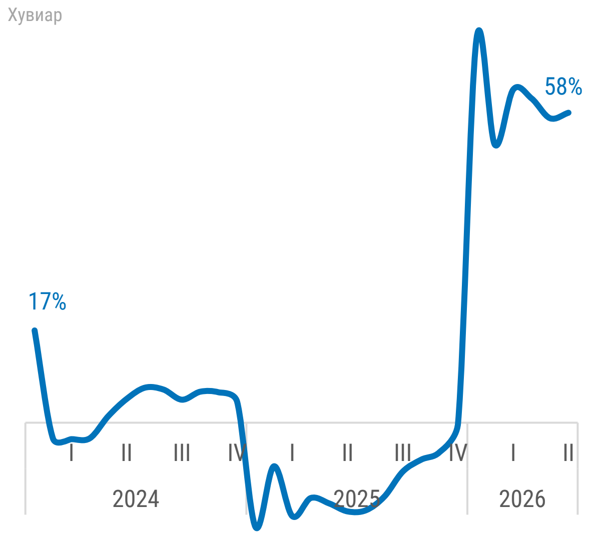
Growth in the mining sector, together with the resulting expansion in the transportation, storage, and services sectors, accounted for most of the economic growth.
The recovery of the manufacturing and construction sectors made an important contribution to economic growth.
The contraction of the agricultural sector due to weather conditions had a negative impact on economic growth.



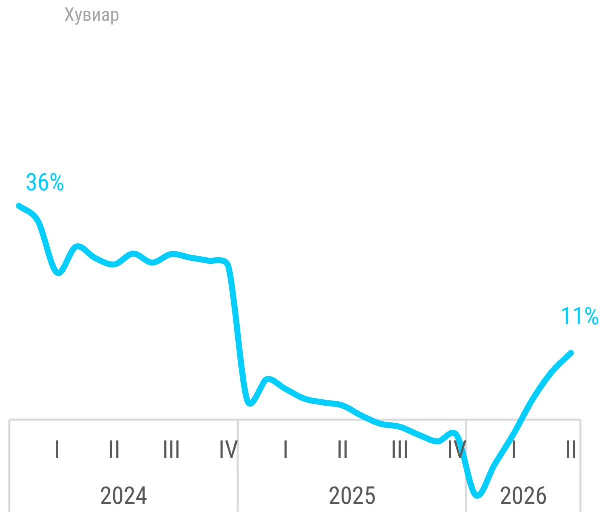
The foreign trade balance recorded a surplus of USD 4.3 billion.

Export volumes of coal and iron ore increased, alongside higher exports of livestock-derived raw materials.
Increased imports of goods, particularly higher consumption of gasoline and diesel fuel, accounted for the majority of import growth.

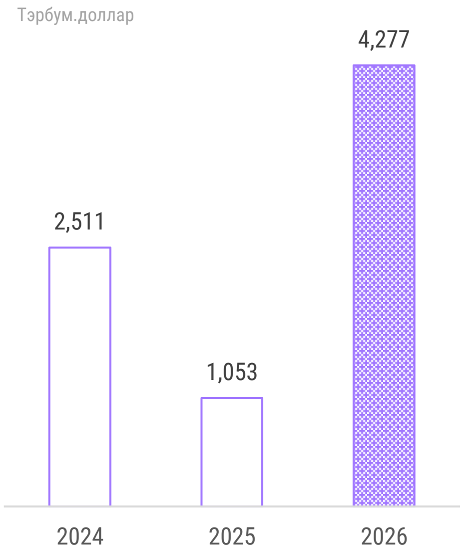
Increased production of key mining products contributed to export growth.



Imports of consumer goods and petroleum products increased.



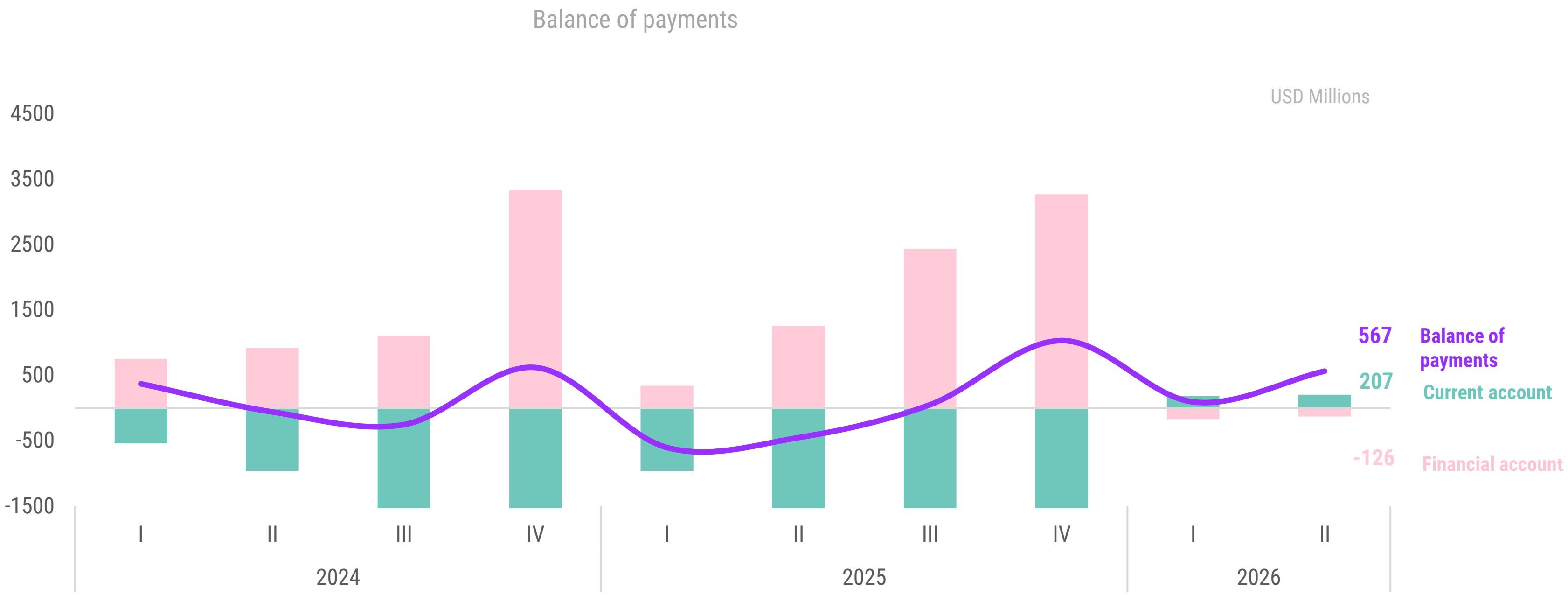
Export growth contributed to a trade surplus.



Source: National Statistics Office

The balance of payments recorded a surplus of USD 567 million.

The increase in exports of mining products contributed to the current account surplus.
At the same time, the decline in imports also had a positive impact on the current account balance.
The financial account is in deficit, reflecting a decline in foreign investment inflows into Mongolia.

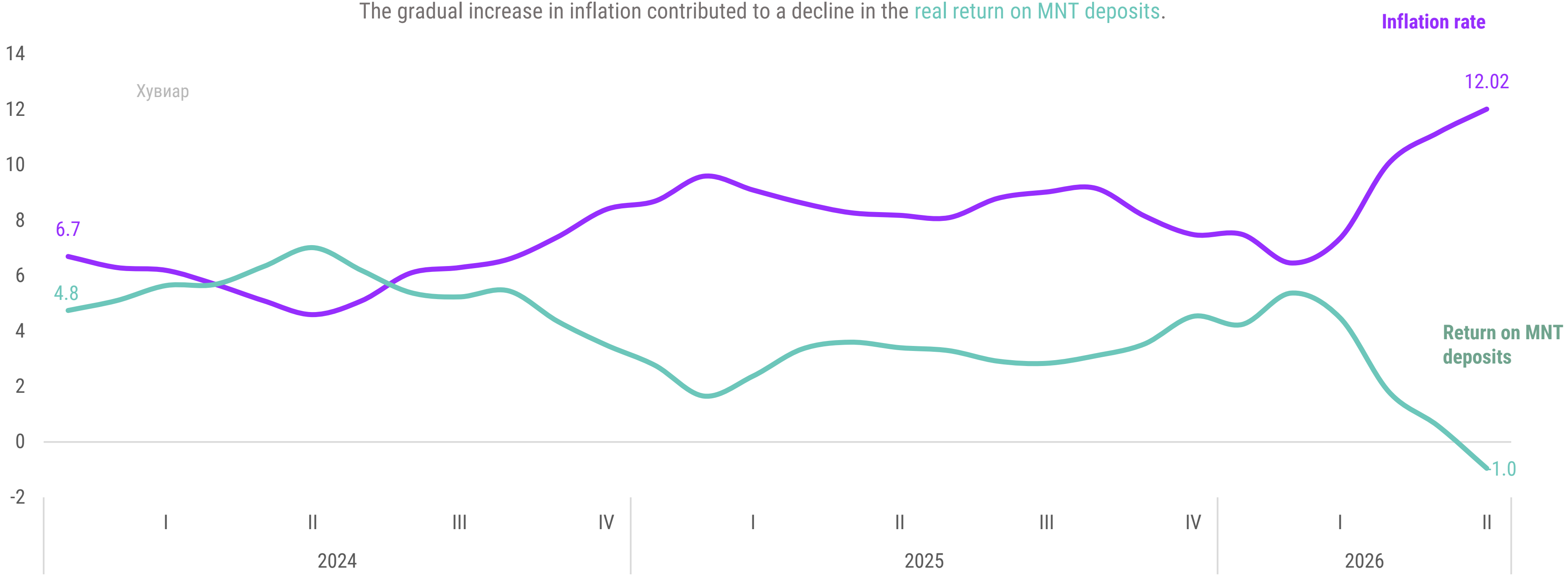


Source: National Statistics Office

The inflation rate has doubled since the first quarter of the year.

Rising prices of agricultural products, particularly meat, made a significant contribution to the increase in consumer prices.
The increase in oil prices resulting from the conflict in the Middle East contributed to higher prices of consumer goods.
The gradual increase in inflation has resulted in negative real returns on deposits.

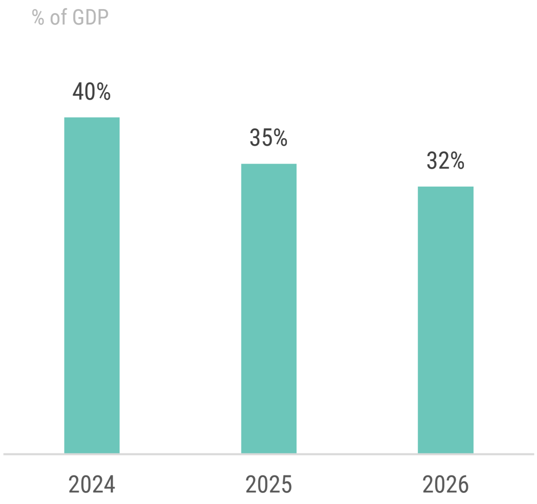
The gradual increase in inflation contributed to a decline in the real return on MNT deposits.



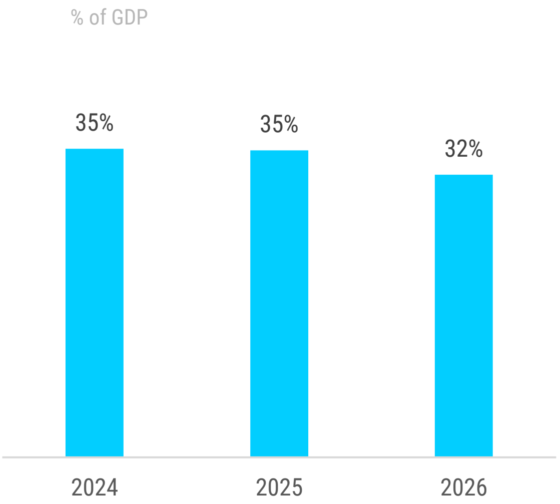
The budget balance recorded a deficit of MNT 2.1 trillion, increasing fiscal deficit pressures.

The increase in exports of mining products made an important contribution to the growth in budget revenue.
Increases in current and capital expenditures accounted for the majority of budget expenditure.
Although the primary balance remains in surplus, if the current trend continues, it is expected to move into deficit, further increasing fiscal deficit pressures.

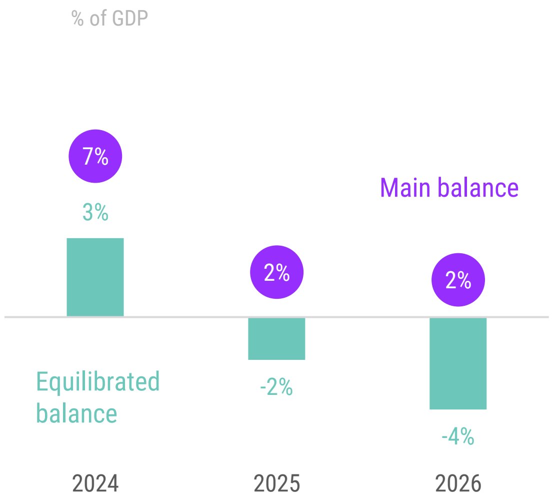
Tax revenue increased by 10% compared with the same period of the previous year.



Total budget expenditure increased by 20%.

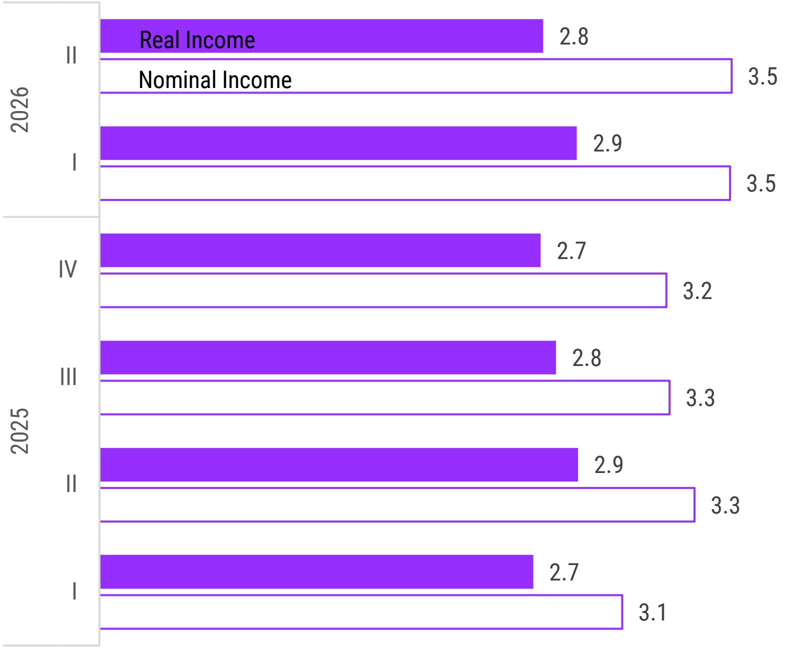


The primary fiscal balance remains in surplus.

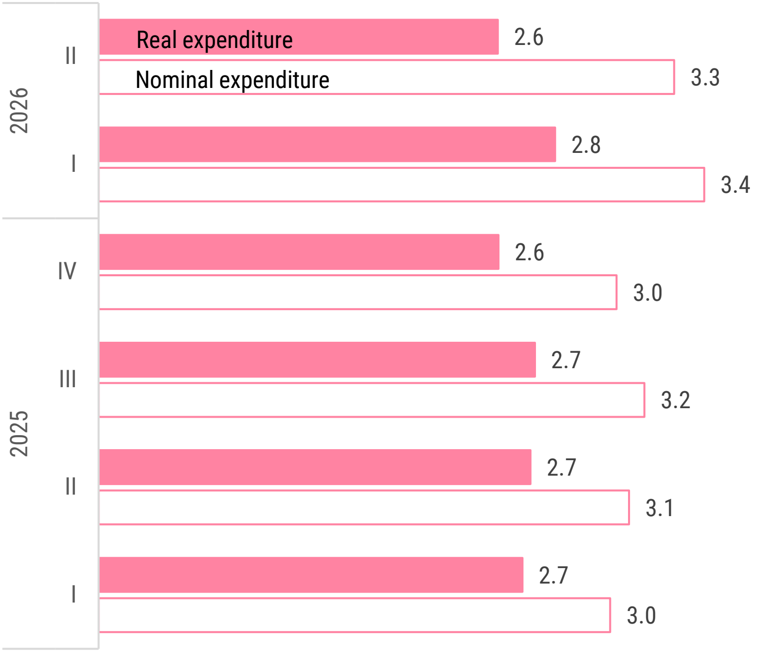


Household real income and expenditure decreased by 4.8% compared with the same period of the previous year.
Real income exceeded real expenditure by MNT 174 thousand.

The decline in household income from production and services contributed to the decrease in real income.



The decline in expenditure on non-food goods contributed to the decrease in real expenditure.

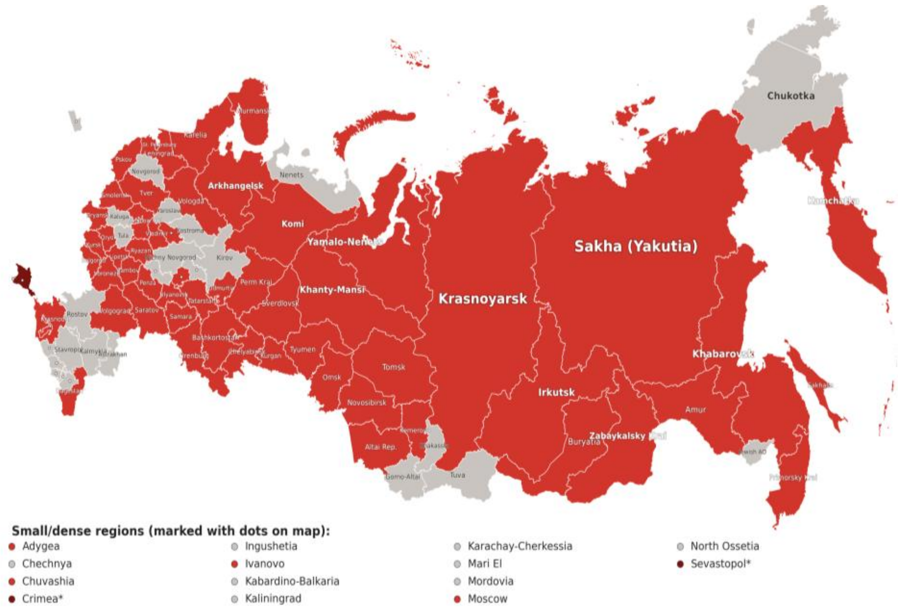


SUPPLY SHOCKS AND ECONOMIC CONDITIONS

Fuel restrictions are in place in 58 of Russia’s 89 regions.

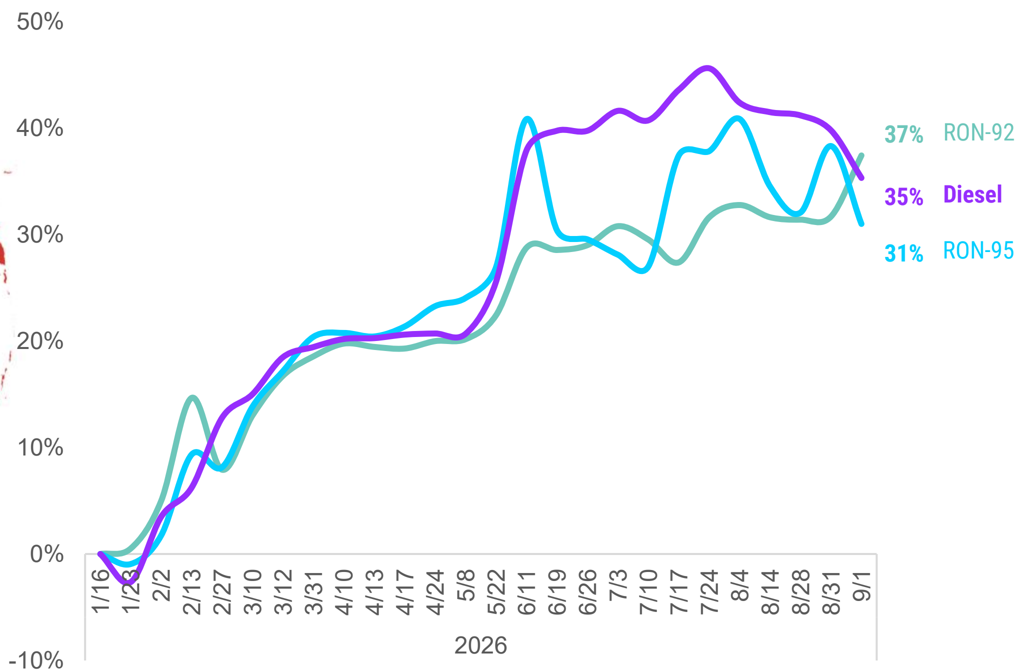
Under normal conditions, Russia produces 5.3–5.6 million barrels per day.
As of August this year, production stood at 3.6 million barrels per day.
This is the lowest level recorded since 2002.

Subject to restrictions
No information available.



Source: The Moscow Times. Datawrapper

Fuel prices increased gradually from the beginning of the year, with sharp increases in May and July.



Source: St. Petersburg International Mercantile Exchange (SPIMEX

Oil giant Russia faces refinery bottleneck

Ukraine's intensifying attacks on Russian energy infrastructure are disrupting refinery operations, pushing one of the world's leading oil producers and exporters to import petroleum products

- Russia is the world's **2nd-largest crude oil producer**
- The government extended the temporary ban on gasoline exports **until Jan. 31, 2027**
- Gasoline production has **fallen to a level sufficient to meet only 65%** of domestic demand
- Russia has **imported more than 1 million barrels** of gasoline by sea since late July

July 2026

Daily average

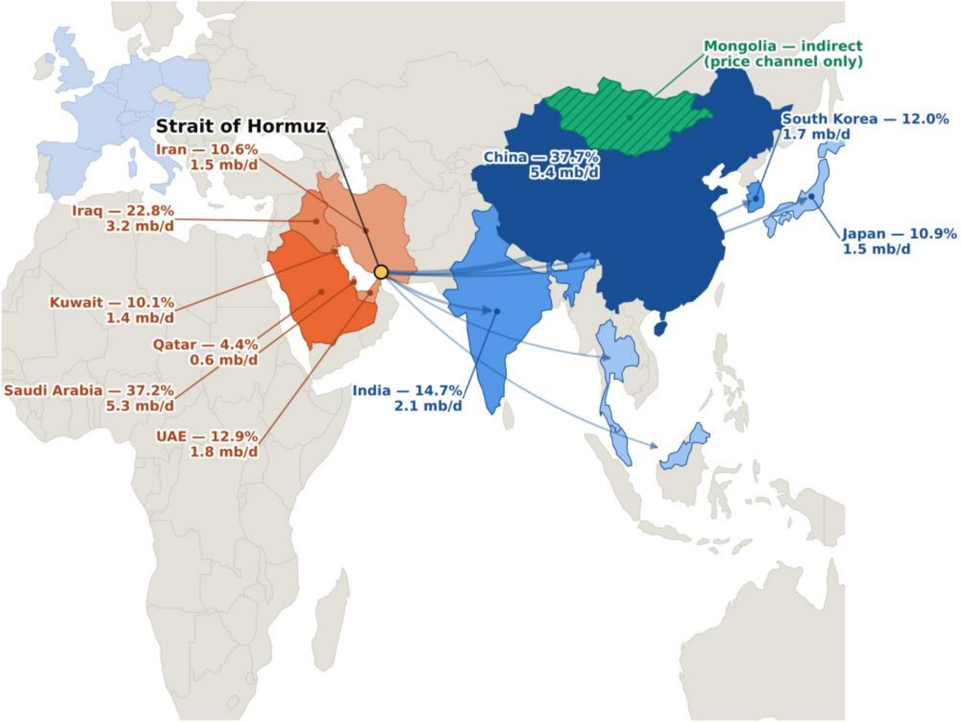
3.7 million barrels

Refinery processing volumes **remained 28% below the 2025 average**

August 25, 2026 Source: S&P Global Commodities at Sea (CAS), Kpler

Fuel imports passing through the Strait of Hormuz are having the greatest impact on Central Asian countries.

Under normal conditions, 20.4–20.7 million barrels of oil passed through the Strait of Hormuz each day.
Following the conflict, this fell to 14.6 million barrels, a decline of approximately 30%.
Imports to countries such as Japan, South Korea, India, and Malaysia declined, resulting in supply disruptions.



USD/barrel	Singapore Diesel Price	Brent Crude Oil Price	Border Prices of Petroleum Products
Average Prior to the Escalation of Tensions in the Middle East (2025.M1–2026.M2)	87	69	101
Average After the Escalation of Tensions	148	93	129
Price Increase	70%	36%	28%

Source: Researchers' calculations

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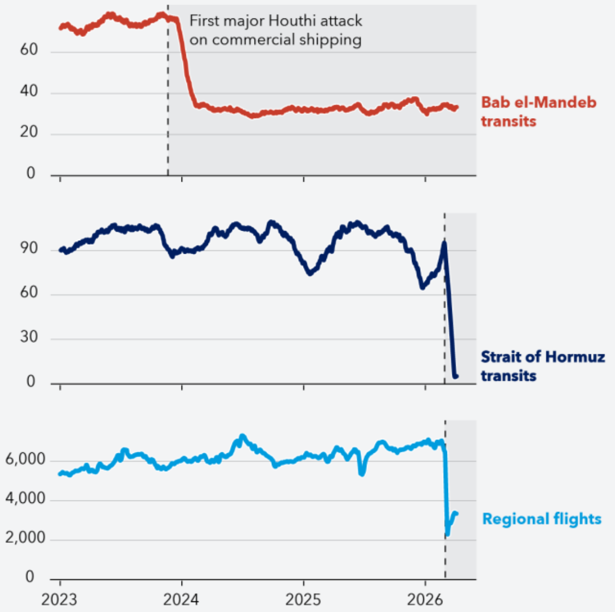
Disruptions to shipping and flights



Sources: IMF PortWatch; Flightradar. Note: Regional conflict may impair AIS reliability through GPS interference, signal spoofing, and intentional transponder shutdowns. PortWatch vessels include tankers, containers, dry bulk, roll-on/roll-off, and general cargo. Regional flights include routes to and from Bahrain, Iran, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, and the UAE. Flights: 7-day moving average. Shipping: 30-day moving average.

IMF

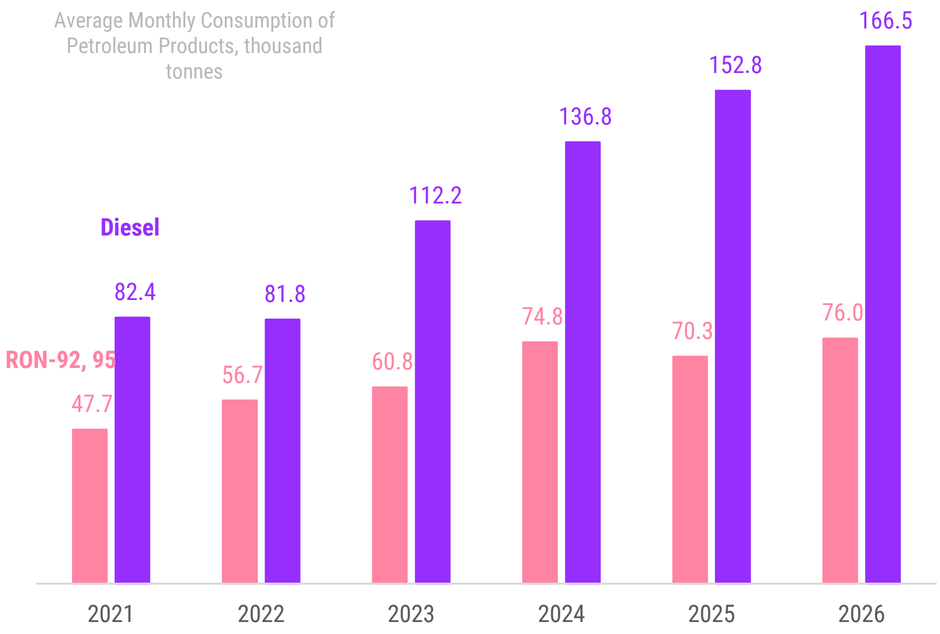
Bab el-Mandeb transits fell by roughly half after the first major Houthi attack on commercial shipping in late 2023, and have stayed there since.

Strait of Hormuz transits held up through repeated regional flare-ups until a sharp drop in 2026, following renewed escalation.

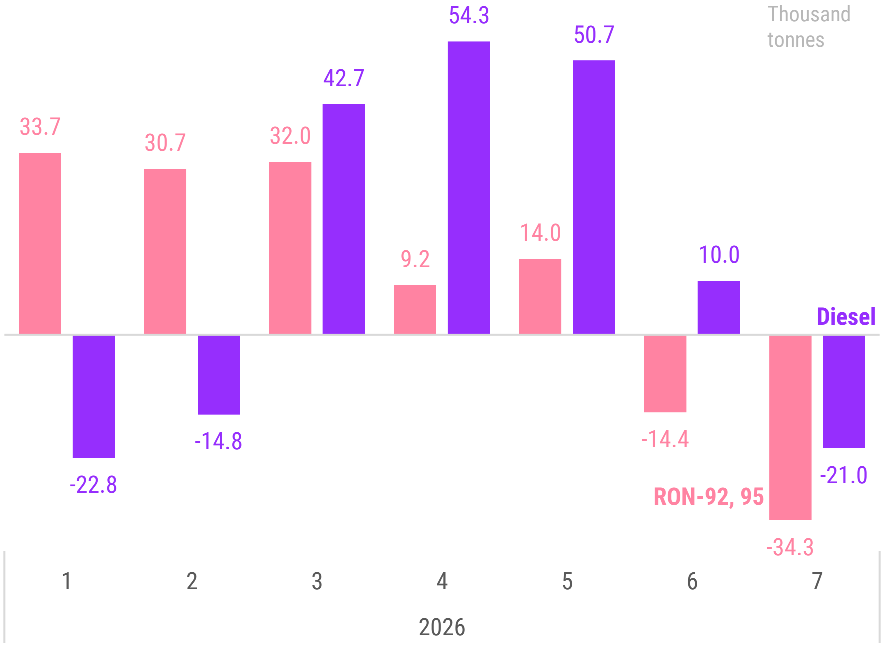
Regional flights (Bahrain, Iran, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, UAE) dropped off in tandem with the Hormuz decline.

In the first seven months of the year, Mongolia purchased 1.7 million tonnes of fuel for USD 1.5 billion. The supply of petroleum products fell below average monthly consumption, resulting in supply disruptions.

Over the past five years, consumption of petroleum products has increased by an average of 8.5% per year.



The supply of petroleum products began to decline sharply after the first half of the year.



Thus, the key risks that could affect the economic outlook are:

DOMESTIC ECONOMY

Rising food prices:

- Meat supply may decline due to the outbreak of highly contagious livestock diseases in the western provinces during the spring.
- Fuel restrictions and rising fuel prices may constrain the supply of meat and vegetables, leading to higher prices

Fuel-related risks:

- Supply restrictions may persist
- Prices may increase
- The pass-through effects of higher fuel prices may be greater than expected.

Rising inflation expectations:

Increasing fiscal pressures:

- The supplementary budget increased expenditure and the deficit by MNT 998 billion.
- The draft 2027 budget provides for an increase in expenditure of MNT 9.6 trillion, or 28%.

EXTERNAL ECONOMY

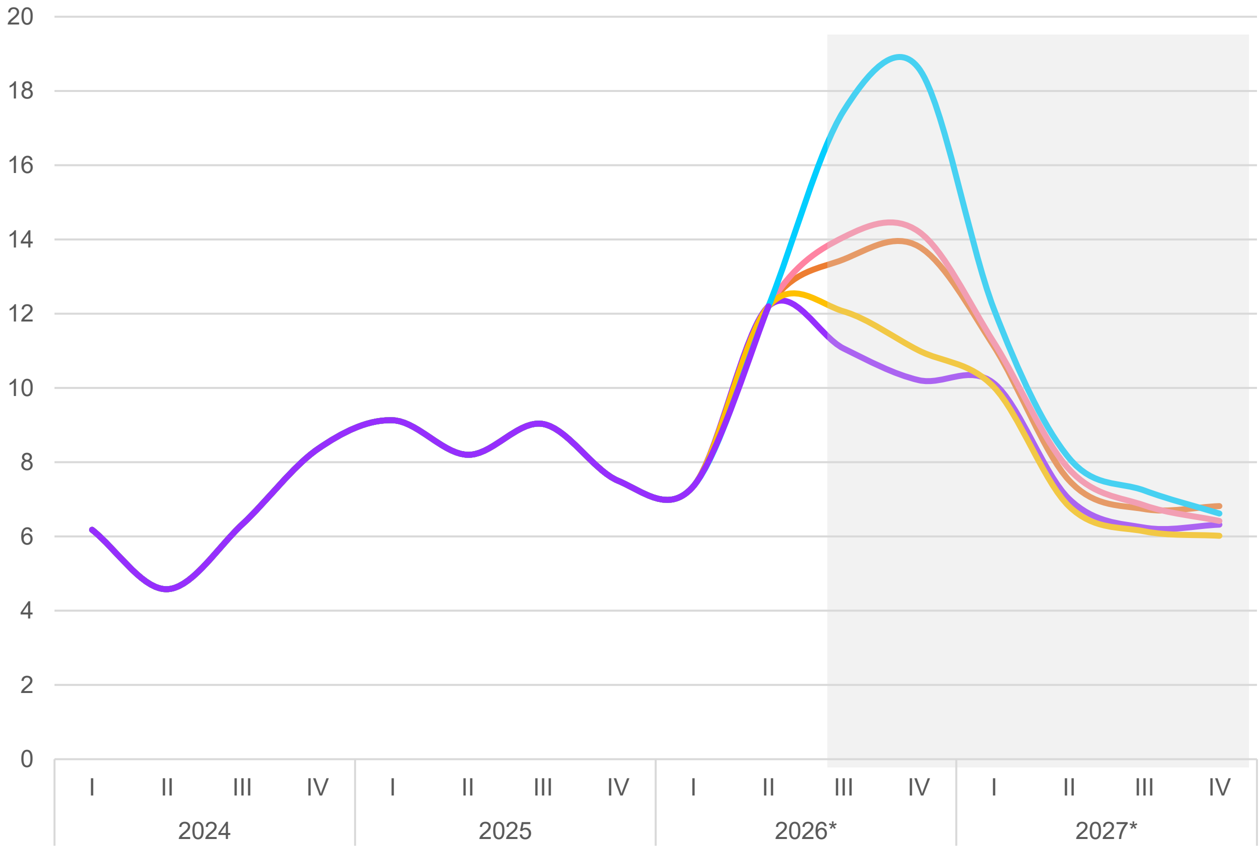
Geopolitical risks:

- The ongoing conflict in the Middle East may lead to changes in oil and commodity prices
- The Russia-Ukraine war may lead to higher oil prices and supply constraints

Other external risks:

- The volume and price of Mongolia's coal exports to China may continue to increase
- Copper and gold prices in global markets may continue to rise steadily

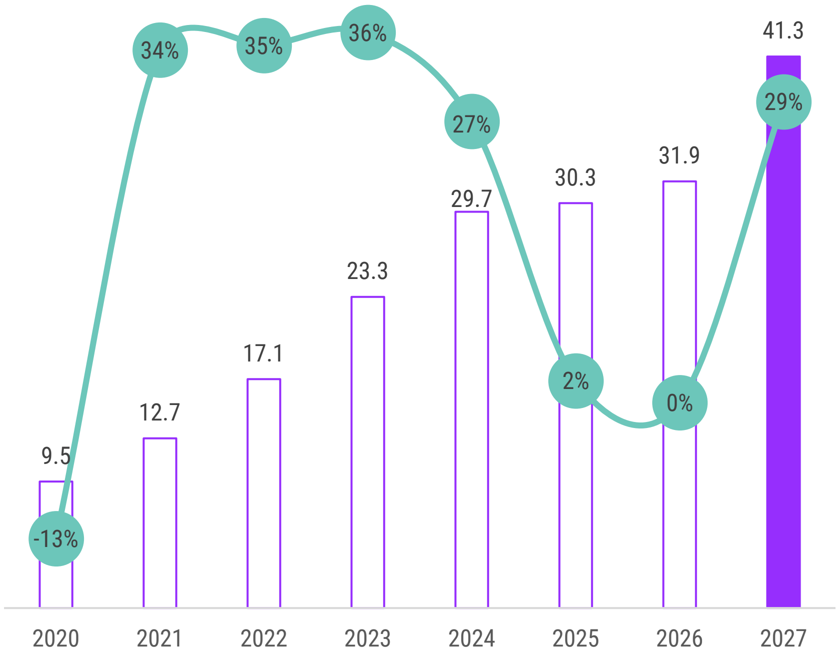
Rising fuel prices remain a key driver of inflation, pushing up the prices of meat and vegetables as well as transportation and logistics costs.



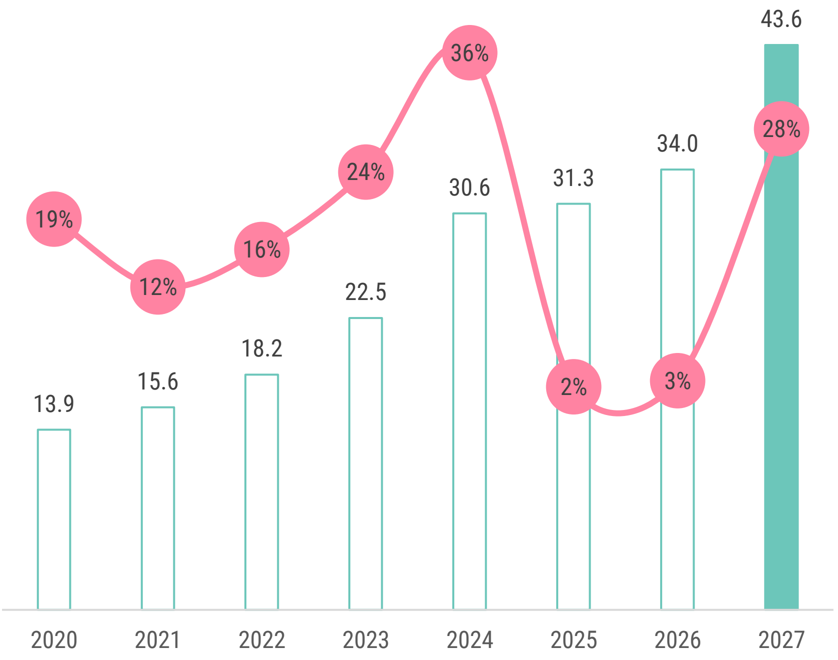
Forecast	2026*	2027*
Baseline	10.2	6.3
Fuel supply restrictions	13.8	6.8
Increase in fuel prices	14.2	6.4
Increase in mining exports	11	6.0
All of the above conditions	18.6	7.0

Increasing government spending at a time when supply-side inflation is rising carries the risk of further intensifying demand-driven inflation.

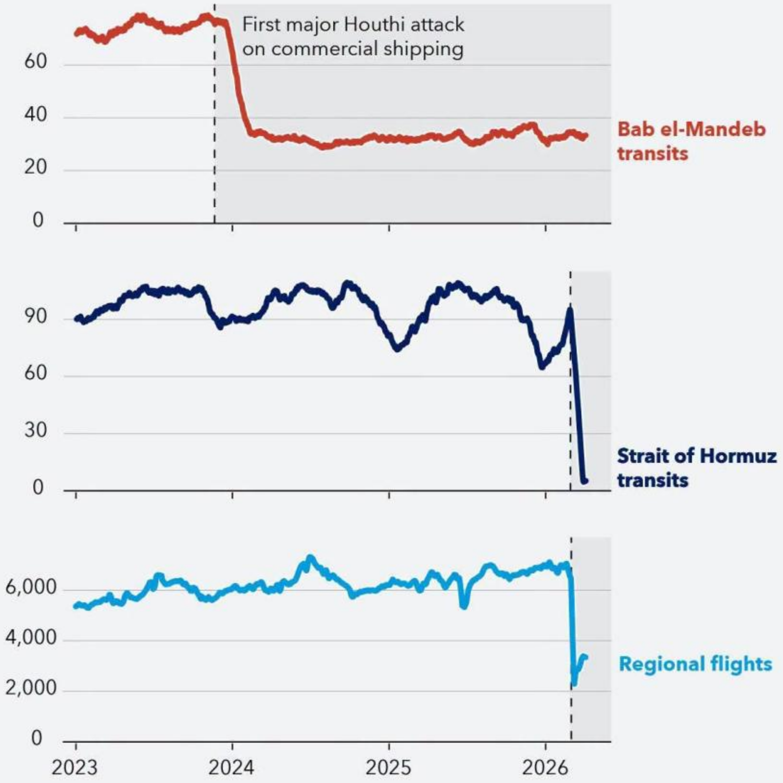
Budget revenues continue to be projected at high levels alongside the recovery in mining commodity prices.



Budget expenditure has been planned at a level three times higher than during the pandemic.



Disruptions to shipping and flights



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IMF