



Mongolian Market Update

Monthly Review - March 2025

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Overview

Bank of Mongolia published economic summary report in March 17th highlights steady financial sector growth, with key indicators showing year-over-year increases. The broad money supply (M2) rose to ₮41.8 trillion (+11.3% YoY), reflecting increased liquidity and economic activity. The banking sector's consolidated balance sheet expanded to ₮66.5 trillion (+22.3% YoY), signaling strong financial stability. Total loans reached ₮91.7 trillion (+13.7% YoY), driven by business and consumer lending, while mortgage loans surged to ₮9.7 trillion (+23.8% YoY), indicating rising housing demand. While these trends support economic expansion, they also require careful monitoring to manage inflation and financial risks.

The Monetary Policy Committee of the Bank of Mongolia met on March 6-7, 2025, and decided to raise the policy interest rate by **2 percentage points to 12%** to counter inflationary pressures. It also **set a 50% cap on the loan-to-income ratio** for consumer loans and introduced a new rule ensuring pensioners' post-loan income stays above the poverty line. Inflation reached 9.6% in January, driven by rising electricity prices, domestic demand, and wage growth, while **the economic growth forecast for 2025 was set at 7.6%**, led by mining and construction. The committee also addressed fiscal challenges, reporting a ₮776 billion budget deficit and declining revenues in early 2025. Despite growth in banking sector assets and loans, external risks persisted due to lower coal prices and weaker exports. The committee agreed on policy measures to stabilize inflation and support economic growth.

The economy has shown stable growth due to a high money supply, but with the recent increase in the policy rate, economic growth may slow in the coming months due to a reduced money supply and Mongol Bank's strategy to control inflation.

Economic Highlights

Official Rates of Bank of Mongolia: Since Bank of Mongolia raised the policy interest rate overnight deposit rate **raised to 10% from 8%** and repo rate **raised to 14% from 12%**.

Currency Rate: As of March 25, the exchange rate of the MNT against the USD stands at 3,480.61, reflecting a 2.99% year-over-year increase. The exchange rate remained stable from March to September 2024 but began to rise steadily from October onward.

February Inflation: The inflation rate in Mongolia for February 2025 was 9.6% nationwide, which remains unchanged from the previous month.

Main Factors Influencing Inflation:

- In February, the prices of staple goods such as meat, flour, milk, and eggs remained relatively stable compared to past years' fluctuations.
- Imported goods saw a slight price increase due to changes in the exchange rate of the dollar.

• Story of the Month

LendMN: Mongolia's First Fintech with MFR
Client Protection Certification! [MSE:LEND]

LendMN: Mongolia's First Fintech with MFR Client Protection Certification! [MSE:LEND]

LendMN NBFJ JSC, the leading fintech company of Mongolia, was the first fintech entity both in Mongolia and in the world to be awarded the **Silver Level (SILVER) Client Protection Certificate** by global **MFR rating agency**. Since its IPO, LendMN NBFJ JSC has continuously expanded its operations, introducing innovative products. Today, they offer not only microloans but also business loans, broadening their financial services.

MF Rating (MicroFinanza Rating) is a globally recognized rating agency specializing in inclusive and sustainable finance. With **over 20 years of experience**, they provide financial and social ratings, client protection certifications, and institutional assessments for financial service providers, investors, and regulators. They have conducted **more than 2,000 evaluations across 100+ countries**, making them one of the most experienced and reliable rating agencies in the sector. LendMN is the 7th Mongolian client to partner with MFR. Previously, Sendly NBFJ JSC [MSE:SEND], Invescore NBFJ JSC [MSE:INV], GSB Capital, and Gyals Turgur received their **Institutional Ratings** from MFR, while Bid and Credit Mongol earned both their **Microfinance Institutional Rating** and **Social Rating**.

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The **MFR Client Protection Certificate** is a key recognition that **confirms financial institutions uphold high ethical standards in treating clients fairly, ensuring transparency, and preventing over-indebtedness**. This certification aligns with global best practices, serving as a clear indication of an institution's dedication to responsible and sustainable finance. By adhering to rigorous methodologies that meet international standards, MFR strengthens transparency and accountability in the financial sector, establishing itself as a trusted partner for stakeholders across the globe.

This event will confirm LendMN's reputation by commitment to ethical practices and responsible lending. This certification will build greater trust with customers and investors, ensuring that LendMN's services are transparent, fair, and focused on protecting clients from over-indebtedness. By aligning with international standards, LendMN will strengthen its position in the competitive fintech market and attract more stakeholders who value sustainability and accountability.



In light of our dedication to establishing a new benchmark in the financial sector, we follow an ethical lending practice and safeguard the interests of our clients. This certification is in affirmation of these principles to which we are dedicated. To us, it is not an award but a commitment..

- Ts. Uuganbayar
CEO of LendMN NBFJ JSC



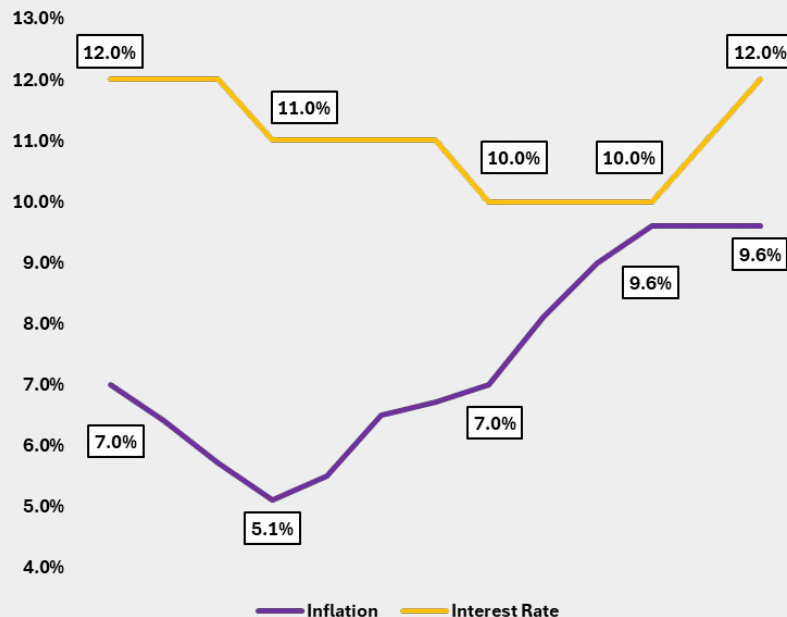
Chart of the Month: Battle Against Inflation

With inflation rising to 9.6% nationwide and 9.7% in Ulaanbaatar as of January 2025, the Bank of Mongolia has responded by **raising its policy rate by 2 percentage points to 12%**. This move aims to curb inflation driven by higher electricity prices, wage growth, and rising costs of services and imports. Additionally, new measures have been introduced to limit household debt, including a 50% cap on the debt-to-income ratio for consumer loans. As Mongolia navigates economic uncertainties, the effectiveness of these policies will be key to stabilizing inflation while sustaining growth.

The Mongol of Bank in the end of 2024 forecasts inflation to reach **8.8% in 2025** before gradually **easing to 6.0% in 2026**. Contributing factors include fiscal expansion, a weaker exchange rate, and external price pressures, alongside rising costs for utilities such as electricity, heating, and water. Food inflation is also expected to climb as global food prices increase and economic activity strengthens. These combined pressures suggest that inflation will remain elevated in the first half of 2025, reinforcing concerns about long-term price stability. As demand-driven and cost-push inflation continue to shape the economic outlook, the central bank's recent policy tightening reflects its effort to curb inflationary risks and ensure financial stability in the years ahead.

Going forward, Mongolia's economic trajectory will depend on the effectiveness of its monetary policies in balancing inflation control with sustainable growth. While inflation is expected to remain high in the near term, a gradual decline in 2026 suggests that current policy measures could help stabilize prices over time. However, external risks, fiscal expansion, and rising costs may continue to challenge economic stability.

Inflation vs Interest Rate (2024-2025)



Bond market

“Ulaanbaatar City” bond report

Last year, MNT 500 billion was raised from the domestic market through the “Ulaanbaatar City” bond, which was first municipal bond in Mongolia.

- As of Q1 2025, the bond utilization is as follows: The Booroljuut Power Plant **received full funding of ₮300 billion**
- Road construction and renovation projects were allocated **₮150 billion, with ₮149 billion** disbursed and MNT1 billion pending
- The Tuul-1 Collector Facility was allocated **₮40 billion, of which only ₮12 billion has been disbursed**, leaving ₮28 billion pending.
- The flood protection pipeline was allocated MNT **6 billion but has not yet received funding.**
- ₮4 billion was allocated for securities issuance and commission costs, which have been fully disbursed. In total, **₮465 billion has been disbursed out of the planned ₮500 billion**, with ₮35 billion still pending.

M-OTC market

- In response to **Mongol Bank’s 2% interest rate hike** in March, the **OTC market interest rate** rose significantly from **18.66% to 19.35%**.
- Primary market trade volume dropped sharply to **₮28 billion from ₮94 billion**, the secondary market surged to an **all-time high of ₮1.1 trillion**, up from ₮153 billion. This marks the highest trading volume ever recorded since the OTC market was organized.

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Benchmark indicators

Indicators	Date	Value	YoY
Policy rate	04.02.2025	12%	0 point
Bank deposit 12M average interest on	12.31.2024	11.9%	-
Public bonds average coupon rate	03.31.2025	17.5%	1 point
OTC bonds average coupon rate	03.05.2025	19.35%	-30 bp

Bonds traded on International Stock Exchanges

USD Bonds	Coupon	YTM	YTM bp MoM	Maturity
Mongol 2027	3.50%	6.8%	32 bp	07/07/27
Mongol 2028	8.65%	6.8%	38 bp	01/19/28
Mongol 2029	7.875%	6.89%	17 bp	06/05/29
Mongol 2030	6.625%	6.95%	8 bp	02/25/30
Mongol 2031	4.45%	7.24%	25 bp	07/07/31
DBM 2026	11.00%	7.5%	30 bp	03/07/26
MONMIN 2026	12.50%	6.03%	-104 bp	09/13/26
MGMTGE 2027	11.50%	11.09%	43 bp	01/18/27
GLMTMO 2027	11.00%	8.76%	24 bp	05/20/27
TDBM 8.5	8.5%	9.1%	9 bp	23/12/27

As of 4.02.2025

Market news

- In March, a total of **5,916** investors participated in secondary market trading, according to the Mongolian Securities Clearing Center. Of these, only **26** were foreign individuals or entities, while the remaining **5,890** participants were Mongolian—comprising **61** entities and **5,829** individual investors. During the same period, **5,943** trades were executed, with **95** involving debt instruments and the rest in equity instruments.
- The Mongolian Stock Exchange JSC [**MSE:MSE**] witnessed significant changes in its Top 20 index this March. Bogd Bank [**MSE:BOGD**] was delisted from the index, making way for Innovation Investments [**MSE:QPAY**] as a new entrant. This move positions Innovation Investments as the sole technology company in the Top 20, reflecting the increasing influence of the tech sector in Mongolia's capital markets.
- Tumen Shuvuut JSC [**MSE:TUM**] has announced a ₮1 billion stock buyback program, aiming to enhance shareholder value. The buyback price will be set at up to 120% of the average trading price over the last 30 days, signaling strong confidence in the company's financial health and future prospects. This move is expected to reduce outstanding shares and potentially boost stock prices.
- Golomt Bank JSC [**MSE:GLMT**] received a "B+/Stable" credit rating from Fitch Ratings, reinforcing investor confidence in the bank's stability. Key drivers behind this rating include Mongolia's midterm economic stability, the government's commitment to supporting major banks, and Golomt Bank superior performance compared to industry peers. The rating is expected to improve the bank's credibility and facilitate access to international funding.
- In a strategic move to align employee incentives with company growth, XacBank JSC [**MSE:XAC**] has announced plans to introduce an employee stock ownership program (ESOP). This initiative, widely adopted by global corporations, aims to foster long-term employee commitment while allowing staff to benefit from the company's financial success. The program is expected to enhance corporate culture and attract top talent in the financial sector.

Mongolian Stock Exchange Highlights

Indexes	Point	MoM	% YoY
TOP 20	50,171	-4.15%	12.26%
MSE A Index	19,422	-3.76%	9.12%
MSE B Index	14,729	-6.80%	20.93%
Market Summary		Value	
Market capitalization		₮12.81 trillion	
Daily turnover		1.7 billion	
Most Active		Close	Value
Xac Bank JSC		₮854.06	₮1.7 billion
Top Gainers		Close	% MoM
Sor JSC		₮6,395	53.00%
Top Losers		Close	% MoM
Genco Tour Bureau JSC		₮40.20	(34.00%)

As of 3.31.2025

- # What to expect in April, 2025

April 4, 2025: Trade Balance Report

April 10, 2025: Balance of Payment

April 14, 2025: Foreign Trade Overview

April 24, 2025: Monetary and Financial Statistics Presentation

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