MONETARY POLICY COMMITTEE STATEMENT

Regarding the Restructuring of Consumer Loans Subject to the Debt Service-to-Income Limit

No:2026/07

Date: November 3, 2026

The Monetary Policy Committee (MPC) of the Bank of Mongolia met on November 3, 2026, in its scheduled meeting dedicated to macroprudential policy and adopted the following decision.

1. To permit consumer loans subject to the debt service-to-income (DSTI) limit to be restructured for a total period of up to 48 months. The DSTI limit shall not apply to loans restructured on this basis, provided that no additional credit is extended in the process.

According to the systemic risk assessment, the financial cycle remains close to equilibrium, while credit growth has moderated and cyclical risks have eased. The banking sector continues to meet prudential requirements; however, vulnerabilities persist in certain loan segments, particularly consumer lending.

The Bank of Mongolia's stress test results indicate that the banking system's capital adequacy would remain above regulatory minimums even under significant adverse macroeconomic shocks, demonstrating adequate system-wide loss-absorption capacity. Nevertheless, amid continued external uncertainty, banks are expected to regularly assess their resilience and further strengthen risk management practices.

Risks associated with household indebtedness and consumer loan quality remain a concern. The inflow of newly non-performing consumer loans has slowed in recent months, but the risk of further deterioration in loans disbursed in earlier periods remains. In particular, the non-performing loan (NPL) ratio of consumer loans subject to the DSTI limit reached 9.1 percent in September 2026, up 2.7 percentage points from a year earlier. Furthermore, differences in the regulation of consumer lending by banks and non-bank financial institutions create scope for regulatory arbitrage and multiple borrowing, potentially increasing household debt burdens.

According to the Regulation on Asset Classification, Provisioning and its Disbursement, banks are permitted to restructure loans. However, the DSTI and loan maturity limits continue to apply to restructured consumer loans, including salary-backed, herder and automobile loans. Consequently, banks' ability to extend repayment periods and reduce instalment amounts for borrowers experiencing financial difficulties remains constrained. The amendment addresses this limitation by aligning the DSTI and maturity requirements with the restructuring provisions of said Regulation.

As of September 2026, approximately 1.2 million individuals had outstanding loans from the banking sector, of whom 66.4 percent had a DSTI ratio exceeding 45 percent, largely reflecting additional loans from the non-bank sector.

The amendments will provide banks with greater flexibility to restructure existing consumer loans without extending additional credit, thereby reducing monthly instalments for borrowers in financial difficulty, supporting continued loan servicing and restoring repayment capacity. The restructuring does not reduce the outstanding balance, and the total interest paid over the longer term will be higher. Accordingly, the DSTI and maturity requirements applicable to such consumer loans have been amended.

Taking into account the macroeconomic and financial outlook, the MPC maintains all other macroprudential policy settings unchanged, including the 45 percent DSTI limit and the 30-month maturity limit on new consumer loans and the reserve requirement ratios.

The MPC will continue to monitor macroeconomic and financial developments, particularly external uncertainties and household sector vulnerabilities, and take appropriate policy measures as necessary.

Extracts of the meeting minutes will be released on the Bank of Mongolia's official website in two weeks.

MONETARY POLICY COMMITTEE