

Golomt Bank's Chief Information Officer Shines a Light on the Diversifying Economy of Mongolia

Would you ever consider investing in Mongolia? Sainbileg Mandakh, CIO at Golomt Bank, headquartered in the capital city of Ulaanbaatar, believes that private investors should learn more and consider an allocation, given what he and others see as the country's massive potential. He is embarking on a mission to increase awareness of the potential. Hubbis spoke with him to learn more.

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Mongolia is a landlocked country in East Asia, bordered by Russia to the north and China to the south. It is the 18th largest country in the world by land mass but with a tiny population of around 3.5 million, making it one of the least population countries globally. By comparison, India is roughly twice the size but has over 1.4 billion people.

Despite its vast land area, Mongolia is one of the least densely populated countries in the world. Most of its population is of Mongol ethnicity, with Kazakhs and other ethnic groups forming minorities. Ulaanbaatar, the capital and largest city, is the cultural, economic, and political heart of the country, where a significant portion of the population resides.

The government and private sector are working hard to diversify the economy, first towards financials and technology, with plans to develop business activity in a wide variety of sectors. This is partly because Mongolia's economy has faced challenges such as fluctuations in global commodity prices. However, the country continues to grow and develop, with increasing investment in sectors beyond mining, banking and technology, including tourism and renewable energy.

The Mongolian Stock Exchange (MSE) has approximately 225 listed companies. The MSE was established in 1991, following Mongolia's transition from a planned to a market economy. The total market valuation of the MSE and the daily average trading volume can vary significantly over time due to market conditions, economic factors, and investor sentiment, but in late 2023 was roughly MNT 11 trillion. (Source: MSE)

« Our country may be small, but our ambitions are significant, especially in the banking sector. We are committed to adopting digital and mobile banking and other cutting-edge services to ensure our competitiveness. Despite having 14 banks in Mongolia, of which six are listed on the MSE, we strive to deliver technology-driven products and services that are similar to those in Western nations, particularly in areas like payments and product development. »

Mongolia's economy is traditionally based on agriculture and livestock, with a significant portion also derived from mining and mineral resources, including coal, copper, gold, and other minerals. Mining is the major driving force in the economy, contributing to a significant part of Mongolia's GDP and export earnings, as well as attracting the most foreign investment.

What is Golomt Bank, and what do you do there?

Golomt Bank, one of Mongolia's leading financial institutions, plays a pivotal role in the Mongolian banking sector. Established in 1995, Golomt Bank has significantly contributed to Mongolia's economic development and

financial services expansion. It serves both individual and corporate clients, offering a comprehensive suite of products, including retail banking, corporate banking, SME, and digital banking services.

As a frontrunner in the digital transformation within Mongolia, Golomt Bank has been instrumental in introducing innovative banking technologies and services. This includes mobile banking applications, online banking platforms, and various digital payment solutions, catering to the growing demand for convenient and efficient banking services among Mongolians.

The bank's strategic focus on technology and customer service excellence has positioned it as a key player in Mongolia's competitive banking landscape. Golomt Bank's commitment to financial inclusion and its efforts to extend banking services to remote and underserved areas of Mongolia underscore its role in promoting sustainable economic growth and development across the country.

I am Chief Information Officer and also have the privilege of leading the digital transformation at Golomt Bank. Our country may be small, but our ambitions are significant, especially in the banking sector. We are committed to adopting digital and mobile banking and other cutting-edge services to ensure our competitiveness. Despite having 14 banks in Mongolia, of which six are listed on the MSE, we strive to deliver technology-driven products and services that are similar to those in Western nations, particularly in areas like payments and product development.

In my role as Chief Information Officer, I oversee not just the IT division but also our digital banking business, which

encompasses card services and all our technology-based offerings. This unique combination of IT and business oversight in my role is somewhat unconventional, both in the Mongolian context and when compared to international banks. It reflects our belief that digital transformation is not just about technology, but about integrating it seamlessly with our business strategy to provide superior value to our customers.

Moreover, Mongolia hosts a vibrant ecosystem of startups, non-banking financial institutions, and fintech companies, all eager to innovate and enhance the financial services landscape. We're part of this dynamic environment, learning from global trends and applying them to suit our unique market conditions.

At Golomt Bank, I can say we're not just participants in Mongolia's digital transformation journey; we aim to be leaders, driving change that not only benefits our customers but also sets new standards for banking in Mongolia and beyond.

Can you talk about some interesting aspects, developments and opportunities in Mongolia that relate to Golomt's business model?

Despite Mongolia's relatively small economy, our vast land and nomadic culture, we present unique challenges and opportunities in banking. Half of our population lives in the countryside in what is a vast country, underscoring the need to extend banking products and services beyond urban areas to these remote communities. The essence of our service is, therefore, far from just urban-centric; it encompasses facilitating transactions for individuals living far, far away.

« Over the last three years, we have observed a growing demand from our mid to *high-level customers* for more sophisticated investment opportunities. They are interested in various investment vehicles, including bonds, *capital markets*, real estate, and *cryptocurrencies*. This surge in customer demand underscores the importance of banks playing a more integral role in facilitating investment options, particularly in private wealth management. »

We're proud of the infrastructure we've built; nearly 99% of Mongolians have a bank account, access to 3G and 4G internet connections, and own mobile phones. Remarkably, with a population of just 3.5 million, we have over four million smartphones in circulation. This indicates a high level of technology adoption among our citizens, with many owning more than one smartphone. This widespread technology usage and infrastructure have allowed us to meet 99% of our population's basic banking needs, from account opening to card services.

Moreover, with this penetration and technological adoption, our customers' expectations have evolved. They seek more than just payment solutions, international cards, savings, loan products, or even FinTech innovations.

Our focus is now on addressing the more sophisticated financial needs such as wealth management. The rise of interest in cryptocurrencies a few years ago highlighted this shift in consumer demand. While we've been at par with global banking services in many areas for over seven years, wealth management and insurance remain the sectors where we see the potential for significant growth and development in Mongolia. These are the new frontiers we're eager to explore, aiming to bridge any gaps and enhance our overall financial service offering to meet the comprehensive needs of all Mongolians, wherever they may reside.

Can you expand on some of these points?

In Mongolia, banking, insurance, and investment are foundational to our economy's framework, yet the banking sector has historically taken the lead due to a lack of substantial investment capital and absence of large insurance companies. This imbalance has prompted Mongolian banks, including ours, to step in and fill these gaps, directing significant attention towards developing the insurance and investment sectors. While globally, our efforts in these areas might seem niche, they represent crucial steps towards a more diversified and robust financial ecosystem in Mongolia.

Over the last three years, we have observed a growing demand from our mid to high-level customers for more sophisticated investment opportunities. They are interested in various investment vehicles, including bonds, capital markets, real estate, and cryptocurrencies. However, our experience and expertise in these areas is still evolving. This surge in customer demand underscores the importance of banks playing a more integral role in facilitating investment options, particularly in private wealth management.

In response, we've spent the past two years focusing on how to incorporate these investment possibilities into our offerings. This has involved forging partnerships with other financial and insurance companies to provide our customers with a comprehensive range of services. While we have successfully met many of the banking needs of our Mongolian customers, we are therefore now committed to expanding our services to include these more sophisticated financial products. Our goal is not only to meet but exceed the expectations of our customers in terms of investment and wealth management opportunities.

This approach not only addresses the immediate needs of our customers but also positions us to contribute more significantly to the broader development of Mongolia's financial sector.

What can people invest in?

In Mongolia, we attempted to establish funds related to certain key themes and topics, but not very successfully. Indeed, there are not many funds available within our financial system that represent a good entry point, especially for foreign investors, and we are working to improve that. Despite Mongolia's open call for foreign investment, the majority of the investments still flow into the mining sector, bypassing information technology and banking. We need to change that and offer better and broader access.

It is happening gradually, with choice increasing. Last year marked a significant milestone when the big five banks, including ours, were required to conduct their IPOs. This requirement came from the regulators, and it helped to introduce customers to financial products and services beyond traditional savings accounts and government-issued bonds.

The challenge lies not just in attracting investment but in diversifying the sectors that receive it, moving beyond the mining industry to include technology and banking and, in the future, other sectors. The recent IPOs have begun to shed light on the broader range of investment opportunities available, suggesting a path forward for enhancing Mongolia's wealth management services and financial sector diversity. But this is scratching the surface – there is far more to be achieved, and my efforts are a part of that.

What are the key points you want to communicate to our readers in terms of the opportunities in Mongolia?

The key point is the timing, as this is just the start. It is intriguing to note that international companies are drawn

to Mongolia due to our comprehensive infrastructure and the evident demand among our customers for services and sales. There is a keen interest for us to collaborate with firms that specialise in wealth management and investment. This interest is primarily driven by our higher-level customers who frequently inquire about the next steps for investing, not just within Mongolia but also abroad.

In terms of infrastructure, understanding, and customer needs - from both the banking and non-banking financial institutions, as well as government perspectives - we are exploring opportunities to invest in various sectors. This includes investments from Mongolia to other countries and vice versa.

While our experience in wealth management systems may be limited, we have developed 'super apps' that provide a wide array of services, similar to the multifunctionality of WeChat. One such application is 'SocialPay,' which we refer to as a SuperApp or lifestyle application. It encompasses a range of services, including those from banking, non-banking financial institutions, operating companies, and even government services. Within this app, we also offer capital services and investment opportunities, though we acknowledge that we are just at the initial stages of this journey."

Is it the case that Mongolia is now diversifying its economy from resource-led investment towards financial services, technology and other key sectors?

Yes, as I explained, it is about diversification, and I believe that Mongolia has the potential to serve as a benchmark or an exemplary model for other countries at a similar development level. Our approach to risk and cost in the banking and corporate sectors is streamlined, eliminating the need for extensive budgets. This makes Mongolia an attractive proposition for investment and financial innovation.

As people are aware, Mongolia's economy is heavily reliant on mining and agriculture. We have a private customer base that, while not exceedingly wealthy,

possesses significant capital derived from these sectors, including meat, copper, gold, and others. Currently, these customers and companies lack financial investment options, both on the funding and allocation sides.

I acknowledge that the initial scale of investment and wealth management in Mongolia may be small. However, when considering the relatively low costs and risks associated with investments here, Mongolia presents a compelling case, as the growth is robust.

The global market is filled with large investment and wealth management firms, yet there is room for entities looking to operate within niche markets. From my perspective, Mongolia represents such a niche market, offering unique opportunities for those willing to explore its potential.

Are more and more rich people travelling from Mongolia and investing overseas themselves?

Yes, indeed. I would like to share an interesting observation. In the December and January months, Mongolian people often travel abroad to escape the harsh winter, and many choose to visit warmer destinations such as Vietnam, Thailand, Singapore, and Hong Kong. During these travels, I have heard from some of our customers expressing their interest in purchasing properties in these countries. They are looking at options to invest in real estate, including houses and buildings, motivated by the fact that many Mongolians spend a few months each year in these countries to avoid the winter back home.

This interest has led us to initiate contact with building and infrastructure companies in Vietnam and Thailand to understand their proposals for houses, buildings, and even tourist camps. Such interactions reveal a significant opportunity for tourism-related investments, not just internationally but within Mongolia as well. This interest in overseas property investment underscores a broader trend among Mongolians looking for investment opportunities beyond our borders while also highlighting potential areas for growth within our own tourism sector." ■

