

Annual operational report /Form 1/

*Article 20 of the Securities Market Law stipulates the ongoing obligations of the issuer, and the issuer is responsible for submitting annual operational report to the Financial Regulatory Commission and the exchange in accordance with the below form, and shall disclose to the public through its website.*

<i>Reporting period /Example: January 1, 2020 to March 31, 2020/</i>	From January 1, 2023 to December 31, 2023
<i>Issuer's name, state registration certificate number, security code, phone number</i>	Name: "LendMN NBFI " JSC National Identification Number: 000166216 Securities code: MN0LEND05453 Phone numbers: 77222949, 77070101
<i>Name of listed exchange</i>	"Mongolian Stock Exchange" JSC
<i>Sector of business operation</i>	Financial Sector – Non-Banking Financial Sector
<i>Total number of shares issued by the issuer</i>	800,000,000 common shares (739,301,683 shares per rotation)
<i>Name of the specialist who prepared and reviewed the annual report</i>	The annual report was prepared by: Law and compliance specialist Kh.Khulan  The annual report was reviewed by: Secretary of the Board of directors B.Oyunbold

1.	<i>Financial statement for the reporting period /fill out the summary report indicators and attach the financial statement/</i>																																																																
	<p data-bbox="587 255 1129 284">Attached is the 2023 full year financial report.</p> <p data-bbox="587 331 1031 360"><b>Financial statement /Consolidated/:</b></p> <table border="1" data-bbox="587 405 1474 763"> <thead> <tr> <th data-bbox="595 412 847 479"><b>Property /billion MNT/</b></th> <th data-bbox="852 412 1054 479"><b>2021 / audited/</b></th> <th data-bbox="1059 412 1262 479"><b>2022 / audited/</b></th> <th data-bbox="1267 412 1466 479"><b>2023 audited/</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="595 486 847 553">Cash and cash equivalents</td> <td data-bbox="852 486 1054 553">4.90</td> <td data-bbox="1059 486 1262 553">5.22</td> <td data-bbox="1267 486 1466 553">7.89</td> </tr> <tr> <td data-bbox="595 560 847 589">Loan portfolio (net)</td> <td data-bbox="852 560 1054 589">32.43</td> <td data-bbox="1059 560 1262 589">69.59</td> <td data-bbox="1267 560 1466 589">123.46</td> </tr> <tr> <td data-bbox="595 595 847 624">Other assets</td> <td data-bbox="852 595 1054 624">0.76</td> <td data-bbox="1059 595 1262 624">1.05</td> <td data-bbox="1267 595 1466 624">0.51</td> </tr> <tr> <td data-bbox="595 631 847 660">Fixed assets</td> <td data-bbox="852 631 1054 660">0.76</td> <td data-bbox="1059 631 1262 660">0.59</td> <td data-bbox="1267 631 1466 660">1.25</td> </tr> <tr> <td data-bbox="595 667 847 696">Intangible assets</td> <td data-bbox="852 667 1054 696">0.45</td> <td data-bbox="1059 667 1262 696">0.40</td> <td data-bbox="1267 667 1466 696">0.36</td> </tr> <tr> <td data-bbox="595 703 847 732"><b>Total assets</b></td> <td data-bbox="852 703 1054 732"><b>39.30</b></td> <td data-bbox="1059 703 1262 732"><b>76.85</b></td> <td data-bbox="1267 703 1466 732"><b>133.47</b></td> </tr> </tbody> </table> <table border="1" data-bbox="587 801 1474 1240"> <thead> <tr> <th colspan="4" data-bbox="595 808 1466 837"><b>Liabilities and Total equity /billion MNT/</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="595 844 847 873"><b>Total liabilities</b></td> <td data-bbox="852 844 1054 873"><b>19.49</b></td> <td data-bbox="1059 844 1262 873"><b>52.63</b></td> <td data-bbox="1267 844 1466 873"><b>90.74</b></td> </tr> <tr> <td data-bbox="595 880 847 909">Source</td> <td data-bbox="852 880 1054 909">15.07</td> <td data-bbox="1059 880 1262 909">45.96</td> <td data-bbox="1267 880 1466 909">79.29</td> </tr> <tr> <td data-bbox="595 916 847 983">Secondary liabilities</td> <td data-bbox="852 916 1054 983">2.95</td> <td data-bbox="1059 916 1262 983">2.95</td> <td data-bbox="1267 916 1466 983">2.95</td> </tr> <tr> <td data-bbox="595 990 847 1019">Other liabilities</td> <td data-bbox="852 990 1054 1019">1.47</td> <td data-bbox="1059 990 1262 1019">3.72</td> <td data-bbox="1267 990 1466 1019">8.50</td> </tr> <tr> <td data-bbox="595 1025 847 1055"><b>Total equity</b></td> <td data-bbox="852 1025 1054 1055"><b>19.81</b></td> <td data-bbox="1059 1025 1262 1055"><b>24.22</b></td> <td data-bbox="1267 1025 1466 1055"><b>42.73</b></td> </tr> <tr> <td data-bbox="595 1061 847 1090">Share capital</td> <td data-bbox="852 1061 1054 1090">8.48</td> <td data-bbox="1059 1061 1262 1090">8.48</td> <td data-bbox="1267 1061 1466 1090">8.48</td> </tr> <tr> <td data-bbox="595 1097 847 1126">Retained earnings</td> <td data-bbox="852 1097 1054 1126">11.33</td> <td data-bbox="1059 1097 1262 1126">15.74</td> <td data-bbox="1267 1097 1466 1126">34.25</td> </tr> <tr> <td data-bbox="595 1133 847 1200"><b>Total liabilities and owners' equity</b></td> <td data-bbox="852 1133 1054 1200"><b>39.30</b></td> <td data-bbox="1059 1133 1262 1200"><b>76.85</b></td> <td data-bbox="1267 1133 1466 1200"><b>133.47</b></td> </tr> </tbody> </table>	<b>Property /billion MNT/</b>	<b>2021 / audited/</b>	<b>2022 / audited/</b>	<b>2023 audited/</b>	Cash and cash equivalents	4.90	5.22	7.89	Loan portfolio (net)	32.43	69.59	123.46	Other assets	0.76	1.05	0.51	Fixed assets	0.76	0.59	1.25	Intangible assets	0.45	0.40	0.36	<b>Total assets</b>	<b>39.30</b>	<b>76.85</b>	<b>133.47</b>	<b>Liabilities and Total equity /billion MNT/</b>				<b>Total liabilities</b>	<b>19.49</b>	<b>52.63</b>	<b>90.74</b>	Source	15.07	45.96	79.29	Secondary liabilities	2.95	2.95	2.95	Other liabilities	1.47	3.72	8.50	<b>Total equity</b>	<b>19.81</b>	<b>24.22</b>	<b>42.73</b>	Share capital	8.48	8.48	8.48	Retained earnings	11.33	15.74	34.25	<b>Total liabilities and owners' equity</b>	<b>39.30</b>	<b>76.85</b>	<b>133.47</b>
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	Credit loss expense	(0.73)	(1.44)	(2.68)
	Net interest and similar income after allowance for impairment	<b>10.42</b>	<b>14.83</b>	<b>35.63</b>
	Administrative and operating expenses	(5.95)	(8.29)	(10.26)
	Profit before income tax	<b>4.47</b>	<b>6.53</b>	<b>25.37</b>
	Income tax expenses	(0.47)	(1.01)	(5.57)
	Net profit for the year	<b>4.00</b>	<b>5.53</b>	<b>19.80</b>
	Loss after Tax (Discontinued Operations)	(0.11)	-	-
	Net profit for the year, representing total comprehensive income attributable to equity holders	<b>3.89</b>	<b>5.53</b>	<b>19.80</b>

<i>Statement of retained earnings</i>	<b>Statement of changes in Equity:</b>					
	Statement of changes in Equity /billion MNT/	Share Capital	Treasury share	Other reserve	Retained earnings	Total equity
	At 31 December 2021	10.76	(2.34)	0.06	11.33	19.81
	Net profit for year representing total comprehensive income for the year				5.52	5.52
	Dividends paid				(1.11)	(1.11)

		At 31 December 2022	10.76	(2.34)	0.06	15.74	24.22
		Net profit year representing total comprehensive income for the year				19.80	19.80
		Dividends paid				(1.29)	(1.29)
		At 31 December 2023	10.76	(2.34)	0.06	34.25	42.73

		<b>Statement of Cash Flows /Consolidated/:</b>			
		<b>Statement of Cash Flows</b> /billion MNT/	<b>2021</b> /audited/	<b>2022</b> /audited/	<b>2023</b> /audited/
	<i>Statement of Cash Flows</i>	Net cash flow used in operating activities	(0.88)	(28.48)	(27.84)
		Net cash flow generated from (used in) investing activities	0.98	(0.28)	0.07
		Net cash flow generated from financing activities	(4.70)	29.08	30.44
		Net (decrease) /increase in cash and cash equivalents	(4.60)	0.32	2.67
		Cash and cash equivalents at beginning of the year	9.50	4.90	5.22

		Cash and cash equivalents at the end of the year	4.90	5.22	7.89
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1.1. *Audit report on annual financial statements*

In the consolidated financial statements ended on December 31, 2023, "Shonkhor Unelgee Audit" LLC issued an external independent audit conclusion, which is attached.

1.2. *Audit opinion letter /the reference letter must be developed within the context of the content mentioned in this instruction/*

In the consolidated financial statements ended on December 31, 2023, "Shonkhor Unelgee Audit" LLC has attached an audit determination letter, indicating it conducted an external independent audit and issued a conclusion.

2 *A brief description of factors affecting the issuer's financial condition and results of operations during the reporting period, as well as the management's assessment and the measures to be taken in the future.*

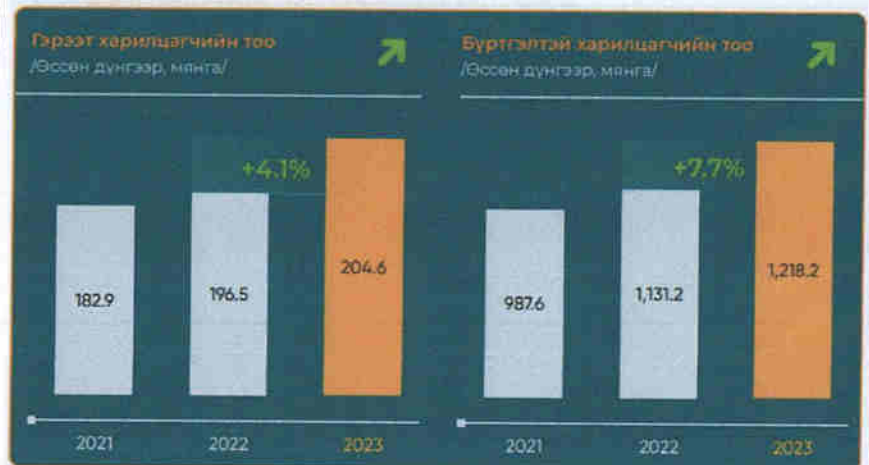
2.1. *Operational performance /financial ratios/*

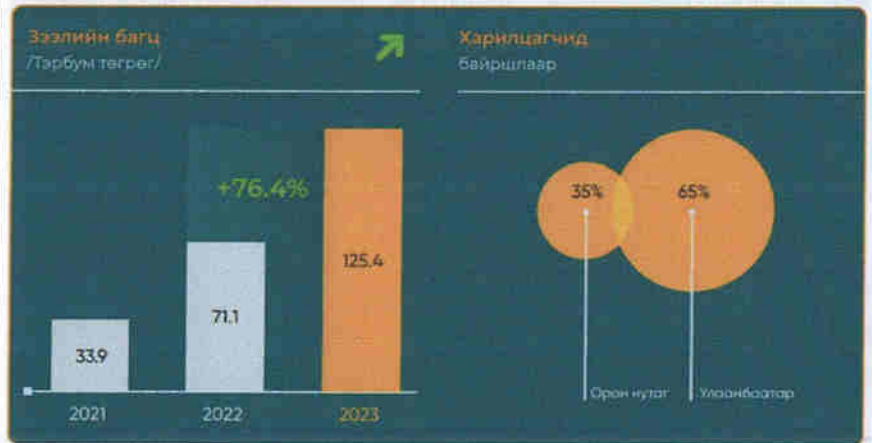
Comparison of financial indicators for 2023 with the same period of the previous 2 years:

Indicator	2021	2022	2023	% Change (2023 vs 2022)
Хүүгийн орлого (Тэрбум төгрөг)	12.5	20.2	47.8	+136.6%
Цэвэр ашиг (Тэрбум төгрөг)	3.9	5.5	12.8	+260%



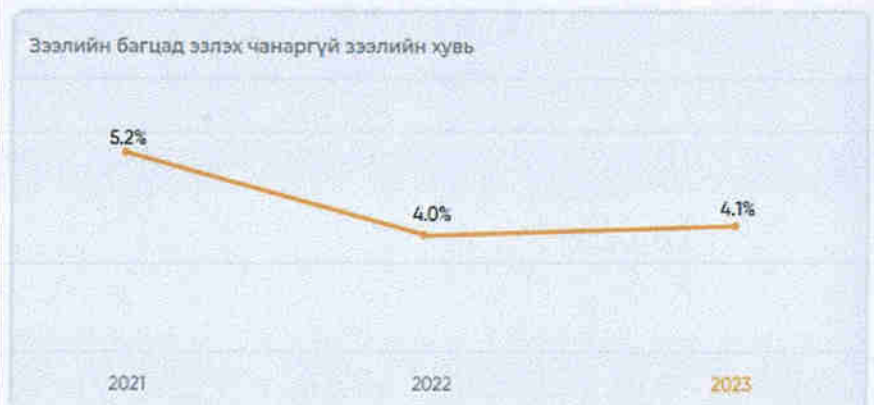
In 2023, loans totaling 3.3 million, amounting 996.6 billion MNT, were granted to all customers through the LendMN application. The number of registered customers in 2023 reached 1,218.2 thousand, marking a 7.7% increase from the previous year, while the loan portfolio increased by 76.4% and the amount of loans granted increased by 77.4%. This robust growth in LendMN's loan activity indicates its effect to meet the growing demand for customer services and innovative products. Additionally, it signifies that the loan portfolio has reached its highest level since the company was established.





### Credit portfolio quality indicators

In 2023, the proportion of non-performing loans escalated to 4.1%, while the reserve of the credit risk fund reached 5.7 billion MNT, or the adequacy of the credit risk fund reached 109.8%.



### Report of prudential ratios

"LendMN NBF1" JSC assesses credit risk and calculates credit impairment in accordance with International Financial Reporting Standard-9 (IFRS-9). According to the "Procedures for classifying NBFC's assets, establishing and spending asset risk funds" approved by the Financial Regulatory Commission, a credit risk reserve fund of 3.1 billion MNT was mandated to be established by the end of 2023, but according to IFRS-9, A loan risk reserve fund of 5.7 billion MNT was established. Based on the Financial Regulatory Commission's regulations, the credit risk reserve fund was established at a sufficient level, equal to 109.8% of the total non-performing loan portfolio.

In 2023, see the table below to fully meet the appropriate ratio criteria set by the regulatory body.

2.2.

*Liquidity ratios and financial resources*

Ratios and indicators	Appropriate	2021	2022	2023
Own capital of first grade and risk-weighted total assets ratio	At least 10%	48.6%	28.1%	27.7%
Own property and risk-weighted total active ratio	At least 20%	55.5%	31.5%	29.6%
Own capital of first grade and risk-weighted total assets ratio	At least 10%	50.3%	31.5%	31.6%
Quick payment ability ratio	More than 8%	29.4%	12.0%	11.2%
The difference between foreign assets and liabilities and appropriate property ratio	(+/-40%)	-11.1%	-39.8%	-39.5%
Trust Service Payables, appropriate own property ratio	Not exceeding 80%	33.5%	78.5%	79.7%
Appropriate proportion of debentures	Not exceeding 50%	32.3%	38.0%	26.5%



2.3.	<p><i>The external and internal factors affecting the operations of the issuer, its market share in the operating industry, changes or developments in the range of products and services, and measures planned to be taken by the issuer in response to changes in development</i></p>	<ul style="list-style-type: none"> <li>• In accordance with the Financial Regulatory Commission's "Regulations on Non-Banking Financial Loans", the Company officially registered its fintech loan products, including the LendMN application, with the Financial Regulatory Commission on June 20, 2023.</li> <li>• Additionally, pursuant the order of the Financial Regulatory Commission regarding the establishment of debt-to-income ratio for fintech loan products, the debt-to-income ratio has been set at 70 percent since January 1, 2023.</li> <li>• During the second quarter of 2023, Flexi has successfully completed the development of a new loan product, which was issued to a small number of borrowers and implemented on a trial basis. "LendMN Non-Banking Financial organization"JSC continues to progressively offer this product to customers.</li> </ul>
2.4.	<p><i>Details of off-balance sheet transactions and information on accounting policies</i></p>	<p>There will be no transactions or transactions recorded outside of the statement of financial position.</p>
2.5.	<p><i>Information on loan repayment which received during the reporting period, and loan pledges and guarantees</i></p>	<p>During the reporting period, a total of 50.8 billion MNT loans, 9 billion MNT bonds, and 31.4 billion MNT trust funds were withdrawn and 59.6 billion MNT repayments were made.</p> <p>Also, on September 8, 2023, 90,000 bonds with a nominal value of 100,000 (One hundred thousand) MNT, with an annual interest rate of 18.0 percent, secured by shares in the parent company group were issued to the public. The bond will expire on September 7, 2025.</p> <p>As of December 31, 2023, the company had a credit line of USD 1,250,000 with an annual interest rate of 12.0 percent from commercial banks that expires on November 29, 2024, including a normal loan portfolio with a book value of USD 2,500,000.</p>
3.	<p><i>Information on conflict of interest and significant transactions conducted by the issuer during the reporting period, the importance and the purpose of the transaction, and information about the person with a conflict of interest /all conflicts of interest transactions made during the reporting period shall be included/</i></p>	
<p><b>3.1 Bulk Transactions</b> There were no large transactions during the reporting period.</p> <p><b>3.2 Transactions with Conflicts of Interest</b> In 2023, in order to meet the ever-growing demand for the Company's credit operations and to increase resources, the Board of Directors of LendMN has approved a total of 6 conflict of interest</p>		

transactions related to receiving financing and guaranteeing from related parties in accordance with the procedures stipulated in the Company Law of Mongolia.

№	The other side of the agreement	Date of Permit	Goals of the agreement
1	“AND Systems” LLC (parent company)	2023.02.06	Taking into account the increase in the scope of services provided by "AND Systems" LLC, the fact that further cooperation will have a positive effect on the growth and development of the Company, and based on the fact that the inflation rate has increased compared to 2020, to make additions and changes to the Management Services Agreement concluded with "AND Systems" LLC
2	"AND Denoud" LLC and "AND Alternative Finance" LLC	2023.03.27	Cooperated with "AND Denoud" LLC and "AND Alternative Finance" LLC in order to concentrate the necessary resources for the company's credit operations, to manage the assets transferred by them to the Company in trust.
3	“AND Systems” LLC (parent company)	2023.06.27	Involve "AND Systems" LLC as a guarantor in guaranteeing the repayment of bonds to be offered to the public by the company, to conclude a tripartite "Share Pledge Agreement" with the underwriter "Rhynos Investments LLC" and "AND Systems" LLC.
4	“AND Systems” LLC (parent company)	2023.10.19	In order to open a line of credit for the company to make an additions and amendments in the "Financing Agreement" signed with "AND Systems" LLC
5	“AND Systems” LLC (parent company) and "Tenger Capital Securities Company" LLC	2023.11.09	Due to the need to ensure the repayment of the bonds offered as a closed offer by the company, a tripartite "Share Pledge Agreement" has been concluded with "AND Systems" LLC and "Tenger Capital UCC" LLC.
6	“ONDO” LLC	2023.11.09	To conclude a "service contract for sending text messages from a special number" with "ONDO" LLC in order for the company to provide its services and provide any necessary information related to the services to customers using the number of "ONDO" LLC.

4. *Information on Compensation (salary, bonus etc).*

**Salary and incentive information of the Board of Directors:**

The salary and budget for the Company's Board of Directors of the year 2023 were approved by the Annual General Meeting of Shareholders held on April 15, 2023 (hereinafter referred to as "AGM"), and The Board of Directors operates within the framework of the approved budget, and no additional awards, compensations, or other incentives are provided.

<b>№</b>	<b>Item of expense</b>	<b>Number of members</b>	<b>Salary per month (MNT)</b>	<b>Month</b>	<b>Total budget (MNT)</b>
<b>1</b>	Salary bonus budget	<b>10</b>	<b>10,600,000</b>	<b>12</b>	<b>143,100,000</b>
1.1	Chairman	1	1,500,000	12	18,000,000
1.2	Chairman of the committee	3	1,200,000	12	43,200,000
1.3	Member	5	1,000,000	12	60,000,000
1.4	Secretary	1	500,000	12	6,000,000
1.5	Social insurance fee costs				15,900,000
<b>2</b>	Meetings and other expenses				<b>10,000,000</b>
	<b>Total budget</b>				<b>153,100,000</b>

**CEO salary, prize and promotion information:**

The CEO operates within the framework of the agreement signed with the Board of Directors. The CEO's salary and bonuses are deliberated at the GOVERNANCE, NOMINATION AND SALARY INCENTIVES COMMITTEE, in accordance with relevant laws and regulations of the Company's Board of Directors. The amount of bonuses is confirmed in the CEO's contract, which is based on performance evaluation criteria issued annually, considering both financial and non-financial indicators.

After the conclusion of the financial year, the Management Nomination and Remuneration Committee will assess whether the CEO's performance during that period reaches the financial and non-financial indicators set out in the CEO's contract. Subsequently, the Committee will decide whether to grant rewards and incentives based on the company's annual performance situation. This decision making process will occur during the meeting of the Board of Directors, where discussions will adhere to policy of deliberation and resolution.

According to the resolution No. 24/06 dated February 5, 2024 of the Board of Directors of the company, it has been decided to grant the CEO a bonus for the achievement of 2023.

5. Information related to corporate governance

"LendMN NBFJ" JSC, as an open joint-stock company registered under the laws of Mongolia and the Mongolian Stock Exchange in Class I, is following the relevant regulations, governance rules and

codes of the Financial Regulatory Commission, the Mongolian Stock Exchange, as well as the Bank of Mongolia.

"LendMN NBFJ" JSC pays special attention to strengthening the proper governance and governance system, ensuring openness and transparency of operations, thereby perfecting the complex relationship between the management team, board of directors, shareholders and other stakeholders, and international recognition of governance. has always aimed to create sustainable value in the long term by applying accepted principles and good practices in its operations.

In order to protect the interests of investors, shareholders and customers, establish effective communication with stakeholders, and deliver complete and accurate financial and non-financial information in a timely manner, the company adheres to the strategy of quarterly and half-yearly reporting on operational and financial performance. , a total of 3 reports have been made and delivered to the public.

Thus, the report for the first quarter of 2023 was released on May 4, 2023, the second quarter or semi-annual report was released on July 20, 2023, and the third quarter report was released on October 28, 2023. Investors, shareholders, customers and stakeholders were given the opportunity to receive information about the company's business, governance, financial indicators and prospects at any time, and cooperation with mutual trust and feedback was created.

In addition, the decisions of the Company's shareholders' meeting and the resolutions of the board of directors' meeting have been made available to the public every time.

#### **SHAREHOLDER'S MEETING**

"LendMN NBFJ" JSC, from the time of its establishment until today, has been an innovator and leader in the financial and capital market, and will continue to organize and organize the NEC without interrupting it by implementing good corporate governance.

In accordance with the Company Law of Mongolia, the Company will file the 2022 Annual General Meeting on April 15, 2023 at 12:00 p.m. at Corporate Hotel & Convention, Mahatma Gandhi Street-39, Mahatma Gandhi Street-39, Ulaanbaatar City, Khan-Uul District, District 15 The meeting was held in the Event Hall on the 2nd floor of the Corporate Hotel & Convention Center and the meeting became effective with the participation of shareholders holding 84.36% of the voting shares or 623,709,410 shares, and the following matters were discussed and approved. It includes:

- Presenting the company's 2022 operational and financial audited report;
- Discussing and approving the opinion of the Board of Directors regarding the company's 2022 operational and financial statements;
- Presenting the 2022 activity report of the Company's Board of Directors;
- Select the members of the Company's Board of Directors on a quarterly basis;
- Approve the 2023 budget of the Company's Board of Directors;
- Amendments to the Company's Articles of Association.

## **THE MEETING OF THE BOARD OF DIRECTORS (hereinafter referred to as "the BOARD") AND ITS ACTIVITIES**

The Board of Directors provides the general management and supervision of the company and gives the necessary directions to the Executive Management to manage the company's activities efficiently and effectively to strengthen the company's operations, to manage it at an appropriate level, to implement internationally recognized governance principles and good practices, and to achieve its strategic goals.

The Board of Directors of the company is regularly operating with the composition of 6 regular and 3 independent members, and during the past year, it has held 5 regular meetings and 7 special meetings and passed a total of 35 resolutions.

All resolutions of the Board of Directors are reported to the public through the website of the Mongolian Stock Exchange in accordance with the relevant regulations. In order for the Board of Directors to fully exercise its rights and duties and carry out its activities effectively, there are operating 1/ Risk Management Committee, 2/ Audit Committee, 3/ Governance, Name promotion and remuneration committees.

### **FUNCTIONS OF THE EXECUTIVE COMMITTEES OF THE BOARD OF DIRECTORS**

#### **Risk Management Committee** (hereinafter referred to as "Risk Management Committee")

The Risk Management Committee held a total of 5 meetings during the reporting year, determined the Company's business development, risk and resource policy, supported the optimal management of potential risks, and monitored the implementation of the situation.

**The composition of the risk management committee:** The chairman of the risk management committee is B. Itgel, a member of the board of directors, and the members are S. Enkh-Amgalan, V. Bayarsaikhan, D. Galkhyu, Ts. Uuganbayar, and B. Khos-Erdene.

#### **Audit Committee**

The Audit Committee held a total of 5 meetings during the reporting year, monitored the implementation of the Company's internal control system, reviewed the internal auditor's activity report, and gave the necessary suggestions and recommendations to relevant officials and the Company's offices and departments. In addition, the Company made a conclusion on conflict of interest transactions, appointed an external audit organization to verify the Company's financial statements, and monitored whether the Company's operations were made open and transparent.

**The composition of the audit committee:** J. Jargalsuren, an independent member of the board, O. Boldbaatar, and S. Borgil, an independent member of the board, are the members of the audit committee.

#### **Governance, Nomination and Remuneration Committee**

The Management Nomination and Remuneration Committee held a total of 3 meetings during the reporting year, discussed the issue of pre-election of the members of the Board of Directors and the

election of new regular and independent members of the Board of Directors, and decided to present them to the regular meeting of the Company's shareholders and decide on the results of the Company's work. gave recommendations related to the implementation of the incentive system related to the salary to the relevant officials, made conclusions related to the appointment of the executive director and the executive director's bonus. Composition of the salary and incentive committee for governance nomination: S. Enkh-Amgalan is the chairman of the salary and incentive committee for governance nomination, and S. Borgil and D. Galkhuu, independent members of the Board of Directors.

**The composition of the salary and incentive committee for governance nomination:** The chairman of the salary and incentive committee for governance nomination is S. Enkh-Amgalan, and the independent members of the board of directors are S. Borgil and D. Galkhuu.

**Information on attendance and tenure of members of the Board of Directors:**

No	Names of the members of the Board of Directors	Attendance at the 2023 Board of Directors Meeting	Length of time and experience on the Board of Directors	Whether you own shares in the company
1	O. Boldbaatar	100%	It is the 6th year that he has been elected every time by the regular meeting of shareholders.	37,097 shares or 0.0046% of the total shares of the Company.
2	S. Enkh-Amgalan	91.7%	It is the 6th year that he has been elected every time by the regular meeting of shareholders	None
3	B.Bayarsaikhan	91.7%	It is the 2nd year that he has been elected every time by the regular meeting of shareholders.	None
4	B. Itgel	91.7%	It is the 2nd year that he has been elected every time by the regular meeting of shareholders	520 shares or 0.0001% of the Company's total shares
5	B. Khos-Erdene	100%	It is the 2nd year that he has been elected every time by the regular meeting of shareholders	None
6	Ts.Uuganbayar	100%	It is the 6th year that he has been elected every time by the regular meeting of shareholders	18,016 shares or 0.0023% of the Company's total shares
7	J. Jargalsaikhan	91.7%	It is the 2 <sup>nd</sup> year that he has been elected every time by the regular meeting of shareholders	None

8	S. Borgil	100%	It is the 2 <sup>nd</sup> year that he has been elected every time by the regular meeting of shareholders	7,076 shares or 0.0009% of the Company's total shares.
9	D. Galkhuu	100%	It is the 2 <sup>nd</sup> year that he has been elected every time by the regular meeting of shareholders	None

The members of the Board of Directors of the Company exercise their powers as stipulated in the Company Law of Mongolia, the relevant regulations and codes of the Financial Regulatory Commission and the Mongolian Stock Exchange, as well as the Company's Charter and the Board of Directors' Operating Procedures, and make any decisions independently. Any decision of the Board of Directors is valid by a majority vote, and a member of the Board of Directors can vote "for", "against" or "abstain" on the discussed matter. It can be seen from the attendance of the Board of Directors meeting that the members of the Board of Directors fully implemented their duties and worked diligently during the reporting period, and the necessary and important decisions for the normal operation of the Company were made without delay on the basis of perusing the relevant documents, studies and explanatory conclusions. , became one of the main factors of the company's success in 2023.

#### **RESOLUTIONS, TYPES AND OTHER INFORMATION OF THE MEETING OF THE BOARD OF REPRESENTATIVES**

№	Date of decision	Attendance	Form of decision	Number of approved resolutions
1	January 25, 2023	100%	External voting	4
2	February 6, 2023	100%	Regular meeting	9
3	March 3, 2022	100%	External voting	2
4	March 27, 2022	100%	External voting	1
5	May 24, 2023	77.8%	Regular meeting	3
6	June 27, 2023	100%	External voting	2
7	July 21, 2023	88.9%	External voting	1
8	August 3, 2023	88.9%	Regular meeting	2
9	October 19, 2023	100%	Regular meeting	2
10	November 9, 2023	100%	External voting	3
11	November 13, 2023	100%	External voting	1
12	December 22, 2023	88.9%	Regular meeting	5

Management organization	Finance	Grant of rights	Activity	Business strategy
16	6	6	5	2

## IMPLEMENTATION OF "COMPANY GOVERNANCE CODE" AND ITS EVALUATION

The company followed the revised "Corporate Governance Code" approved by Resolution No. 145 of the Financial Regulatory Commission dated March 23, 2022, and as of November 2023, it was implemented with 98.6% completion rate. In addition, the "Corporate Governance Code" is continuously implemented and the assessment is updated every time depending on the specifics of the operation, so the Company will work hard to achieve 100% performance.

№	Basic principle	Total score	Control score	Rate of assessment
1	Structure and organization of the board of directors	12	11	91.6 %
2	Committees under the Board of Directors and their functions	10	10	100%
3	Reporting, data transparency and status	6	6	100%
4	Audit and control system	6	6	100%
5	Risk management	8	8	100%
6	Salaries and bonuses of authorized officials	6	6	100%
7	Stakeholder interests	8	8	100%
8	Company culture	6	6	100%
9	Rights of Shareholders	10	10	100%
	Integrated sum	72	71	98.6%

## OTHER REPORTS AND INFORMATION

As of 2023, the following reports and information have been sent and communicated to the public in accordance with the relevant laws and regulations. It includes:

- 2022 annual financial and operational report;
- 2022 audited financial statements and audit opinion;
- Decisions and minutes of the 2023 Annual Meeting of Shareholders and related documents;
- Activity report for the first quarter of 2023;
- 2023 half-year report;
- Activity report for the third quarter of 2023;
- Resolutions issued by the board of directors in 2023;
- Current information related to the company's products and activities.

In addition, in order to ensure transparency of reporting and information, the Company's social channels and customer service center phone number 77070101 responded to the opinions, requests and questions of customers, shareholders and investors and exchanged information.



"LendMN non-bank financial" JSC participated in the discussion on "COMPLIANCE RISK ASSESSMENT" organized by the Financial Regulatory Commission on December 5, 2023 at Novotel Hotel. Itgel B., a member of the Board of Directors of LendMN, participated as a panelist in the "Implementation of the Code of Corporate Governance" section of the discussion, which was attended by representatives of open joint-stock companies, regulated entities and researchers.

6. *Information on market risks*

"LendMN NBFI" JSC, as a public company registered in the Mongolian Stock Exchange, has been working with the trust of its shareholders, investors, customers and co-workers, working with business ethics in mind and forming an effective risk management system within the framework of good governance.

According to the Risk Management Policy approved by the Board of Directors, the risk management system defines the "Three Lines Model" as follows, coordinating the functions, plans, and performance evaluation of all units of the company.

I line	II line	III line
Business units responsible for the risks of their day-to-day business operations within the framework of the company's policies and procedures and their functions, and the units responsible for supporting them.	Units responsible for controlling the risk management of the units belonging to the "first line" and controlling and limiting the level of risk expected at the company level	Unit with independent internal audit functions

The risk control unit evaluated the risks arising depending on the method and form of delivery of Fintech credit products and services to customers, and the risks arising depending on the customer, and submitted recommendations to reduce them, developed action plans and implemented them in stages. Due to the formation of the legal framework, it was registered as a Fintech loan product in full compliance with the requirements of the Financial Regulatory Commission's "Non-Banking Financial Credit Operation Regulations".

**"Credit Risk Management"**

Credit risk refers to the probability of a non-bank financial institution incurring a loss due to the borrower's failure to fulfill contractual obligations. "LendMN NBFI" JSC's credit risk management focuses on maintaining the company's profitability and returns at the highest level by managing the impact of risk in accordance with the specific risk environment. A debt to equity ratio of 1.5 to 3.0 is considered normal for financial institutions. Increased equity capital improves the creditworthiness of non-bank financial institutions and reduces the cost of funding sources. In 2023, the total amount of loans granted by "LendMN" increased by 2 times, but also the equity capital increased the most, by 65%, and the ratio is the lowest, indicating a low risk of insolvency.

"Compliance Risk" Within the framework of compliance risk, the main task is to manage and control activities against money laundering and terrorist financing at the policy level and at the company level. As part of its obligations under the Law on Combating Money Laundering and Terrorist Financing, the Company regularly implemented measures to identify customers, assess risks, and monitor risks, and regularly took preventive measures. Every day, he made the relevant changes in accordance with his company's internal policies and procedures.

Within the scope of compliance risk management, the "Internal control and risk management program for the prevention of money laundering and terrorism financing", "Credit operation regulations" related to the approval of the "Regulations for credit operations of non-banking financial institutions" approved by the Financial Regulatory Commission's Resolution No. 160, and "Operational risk management procedures", "Internal labor procedures", "Confidentiality procedures", "Information technology infrastructure procedures", "Operational procedures for customer identification, settlement risk assessment and risk control", "Intangible data backup", rehabilitation procedure" and other procedures are updated and approved in accordance with their activities.

**The main risks of LendMN:**

Main risks	Risk events, consequences and impacts	Implementation of risk management
Market risk	<ul style="list-style-type: none"> <li>- Suffering financial losses due to changes in foreign exchange rates.</li> <li>- Suffering financial losses from the difference in the interest rate of the source and the asset.</li> </ul>	<ul style="list-style-type: none"> <li>- Maintained the open position of foreign currency at an appropriate level.</li> <li>- Resource and asset management was implemented optimally.</li> <li>- Calculated the fluctuation of foreign currency and securities exchange rates.</li> </ul>
Financial risk	<ul style="list-style-type: none"> <li>- Loss of prudential ratios' indicators.</li> <li>- Loss of solvency or inability to repay the investor's funds as originally required.</li> <li>- Failure to meet credit demand and growth.</li> <li>- Loss of appropriate ratio of capital adequacy.</li> </ul>	<ul style="list-style-type: none"> <li>- Planning is sufficiently implemented.</li> <li>- Regular reports were made.</li> <li>- Implemented internal control.</li> <li>- Managed resource concentration.</li> <li>- Adhered to the policies aligned with the capital market situation.</li> </ul>
Credit risk	<ul style="list-style-type: none"> <li>- Decreasing the quality of the loan portfolio.</li> <li>- Increased probability of loan default (PD) and loan loss occurrence (LGD).</li> </ul>	<ul style="list-style-type: none"> <li>- The company's internal policies, procedures, and product conditions have been updated.</li> <li>- The model and methodology of credit scoring and</li> </ul>

		<ul style="list-style-type: none"> <li>- An increase in the amount of credit contingency fund.</li> </ul>	<p>borrower evaluation have been updated again.</p>
	Operational risk	<ul style="list-style-type: none"> <li>- Cost of physical property.</li> <li>- Business interruption.</li> <li>- Financial loss (money loss).</li> <li>- Non-monetary damages (reputation etc. that cannot be measured in monetary terms).</li> </ul>	<ul style="list-style-type: none"> <li>- Updated internal policies, procedures and instructions.</li> <li>- Worked to ensure the implementation of internal control.</li> <li>- Assessed external and internal risks affecting the company's operations.</li> </ul>
	Information Security Risks	<ul style="list-style-type: none"> <li>- Loss of information and its misuse.</li> <li>- Damage or destruction of information base.</li> <li>- Become unable to access information.</li> <li>- Exploit system vulnerabilities.</li> </ul>	<ul style="list-style-type: none"> <li>- ISO 27001:2013 information security management system standard has been introduced.</li> <li>- Implemented the information security policy and revised the related procedures.</li> <li>- Conducted regular security tests to prevent risks such as system vulnerabilities and cyber attacks.</li> </ul>
	Environmental and social responsibility	<ul style="list-style-type: none"> <li>- Fintech provides financial services only to citizens. The risk of impacting the environment during the operation is relatively low compared to other industries, so it can be said that the operation is environmentally friendly.</li> </ul>	<ul style="list-style-type: none"> <li>- When launching new products and services, decisions are made taking into account whether there is a risk to society, law, regulation, or the environment.</li> <li>- Loans for environmentally friendly eco-cars were issued.</li> </ul>

7. *Information of shareholders ownership /names of shareholders with ownership of 5 or more percentage of total shares, and number of total shareholders/*

No	Share holders	Number of shares held (shares)	Ownership percentage
1	"AND Systems" LLC	600,000,000	75%
2	The public	139,301,683	17.41%
3	Treasury shares	60,698,317	7.58%
Total		800,000,000	100%

	<p>In 2023:  Total traded units - 25.2 million units  Total traded value - 1.056.0 million MNT.  Since the IPO, a total of 321.1 million shares worth 15.7 billion MNT have been traded.  Number of shareholders: more than 7,000.</p> <p>During the reporting period, the company did not buy back treasury shares, and did not implement a share ownership or incentive program for employees. As of December 31, 2023, the company's treasury shares are 60,698,317.</p>								
8.	<p><i>If the issuer has issued shares to the public for the purpose of implementing a project, a report on the progress of project implementation and the use of funds raised during the period from the start of the project to its completion.</i></p>								
	<p>"LendMN NBFI" JSC did not issue shares to the public for the purpose of implementing the project.</p>								
9.	<p><i>Dividend information</i></p>								
	<p>In accordance with the Dividend Policy of "LendMN NBFI" JSC, according to Resolution No. 23/09 of the meeting of the Board of Directors dated February 6, 2023, 23.4% of the net profit of "LendMN NBFI" JSC for 2022 or 1.75 MNT per share, a total of 1,293,778,000 (One billion two hundred ninety-three million seven hundred seventy-eight thousand) MNT dividends were decided to be distributed. On April 28, 2023, LendMN transferred the dividend through "Securities Central Savings Center" LLC.</p> <p>Also, according to resolution No. 24/03 of the meeting of the board of directors dated February 5, 2024, 29.9% of the net profit of "LendMN NBFI" JSC for 2023 or 8 (Eight) MNT per share or a total of 5,914,413,464 (Five billion nine hundred fourteen million four hundred thirteen thousand four hundred sixty four).</p> <div data-bbox="619 1377 1200 1809" data-label="Figure"> <table border="1"> <caption>Нэгж хувьцаанд зарлагдсан ногдол ашиг (₮/р)</caption> <thead> <tr> <th>Year</th> <th>Dividend per Share (₮/р)</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>₮ 1.50</td> </tr> <tr> <td>2023</td> <td>₮ 1.75</td> </tr> <tr> <td>2024</td> <td>₮ 8.0</td> </tr> </tbody> </table> </div> <p>Dividends for 2023 will be deposited into the shareholders' accounts on April 5, 2024 through the "Securities Settlement Central Depository" State-owned Joint Stock Company.</p>	Year	Dividend per Share (₮/р)	2022	₮ 1.50	2023	₮ 1.75	2024	₮ 8.0
Year	Dividend per Share (₮/р)								
2022	₮ 1.50								
2023	₮ 1.75								
2024	₮ 8.0								

10	Signature of the person who prepared the information, the person who confirmed the accuracy of the information and the date:
	<p>LendMN carried out the following activities within the scope of its social responsibility. It includes:</p> <ul style="list-style-type: none"> <li>• Actively participated in activities aimed at maintaining green future, ecological balance, and increasing green facilities every year. On May 13, 2023, 640 trees of 4 types were planted in the "Garden" located at the "Beaver Breeding and Domestication Center" in cooperation with the Board of Directors of the Association of Mongolian Non-Bank Financial Institutions, the Financial Regulatory Committee, and the Member Organizations.</li> <li>• On the occasion of "National Tree Planting Day", a tree was planted in the "Incheon Dream Grove" located in the 21st district of Songinokhairkhan district on May 14, 2023, in support of the initiative and appeal of the Financial Regulatory Commission. In this activity, more than 20 organizations led by the Financial Regulatory Commission, Mongolian Stock Exchange, Mongolian Mortgage Corporation, Securities Depository Center, and Mongolian Securities Clearing Center participated in the project.</li> <li>• The Association of Non-Banking Financial Institutions of Mongolia in cooperation with the "National Center for Blood Transfusion Research" organized the annual "Give Life" blood donation campaign for the 5th year on September 13 and 14, 2023. During 4 years, 71 members of the Federation and 910 employees of non-banking financial institutions participated and gave life to 3,000 people. Every year, the youth of LendMN actively participated in the "Give Life" blood donation campaign and contributed to this great cause.</li> <li>• In anticipation of Children's Day, LendMN worked as the "GENERAL SPONSOR" of the "HELLO, MY FUTURE" event for teenagers aged 13-18 who are future owners to choose the right profession and manage their finances. In addition to gifts from Lend's brothers and sisters, the children who came to the event were presented with information about Lend Plus-Investment products and aimed to contribute to their financial knowledge. Also, in cooperation with the "Mongolian Association of Non-Banking Financial Institutions", a children's drawing competition on the theme "We are a financial family" was successfully organized, and a total of 116 submitted works were exhibited at the Customer Service Center of "LendMN NBFI" JSC. On May 30, 2023, the works submitted to the hand drawing competition were summarized by a team of professional artist judges, and 9 children's works were selected as the best based on their imagination, drawing technique, and creativity. Children's Day gifts were presented to all the children who were selected as the best and those who participated in the competition, and it was a wonderful event filled with children's laughter.</li> <li>• The customer service center received a total of 285,063 calls in 2023 by providing necessary assistance to customers and served 99,350 customers through social channels and service halls. Assuming that one user spends at least 3 hours to get a loan, we have provided the fastest online loan service, allowing 204.6 thousand customers to save 614 thousand hours or 70 years of time spent on getting a loan. An average of 15 pages of paper is used for one loan. We document 3.3 million loans electronically 3,056 trees were saved by saving 130 tons of paper.</li> </ul>


Signature of the person who prepared the information, the person who confirmed the accuracy of the information and the date:

Surname and name: Ts. Uuganbayar

Position: CEO of "LendMN NBFI" JSC

Signature: .....

(Stamp/mark)

/This section was amended by Resolution No. 378 of 2022 of the Financial Regulatory Commission/

Signature and date of the person who prepared and submitted the information:

Surname and name: B. Oyunbold

Position: Secretary of the Board of Directors

Signature: .....

Date: February 22, 2024