Appendix 4 of "Securities Admission Rule",
approved by Financial Regulatory Committee resolution
#225 dated 11 June, 2021

<table>
<tr><td colspan="3">Annual operational report /Form 1/</td></tr>
<tr><td colspan="3">Article 20 of the Securities Market Law legislates the common obligations of the issuer, and the issuer is responsible for submitting information to the Financial Regulatory Committee as well as the listed exchange in the form stipulated below, and to publish information to the public through its own website.</td></tr>
<tr><td colspan="3"></td></tr>
<tr><td colspan="2">Reporting period:</td><td>From January 1st, 2024 to December 31st, 2024</td></tr>
<tr><td colspan="2">Issuer's name, state registration certificate number, securities symbol, phone number:</td><td>Issuer's name: XacBank JSC
State registration number: 9007001007
Ticker: XAC
Phone numer: +976-75771888</td></tr>
<tr><td colspan="2">Name of listed exchange:</td><td>Mongolian Stock Exchange</td></tr>
<tr><td colspan="2">Sector of business operation:</td><td>Banking, Finance</td></tr>
<tr><td colspan="2">Auditing company name and registration date:</td><td>Ernst and Young Mongolia Audit LLC,
FRC registration date: May 08, 2013</td></tr>
<tr><td colspan="2">Issued shares:</td><td>1,052,700,000</td></tr>
<tr><td colspan="2">Prepared by:
Reviewed by:</td><td>Prepared by: Tamir G. /Head of Financial Management Department/
Reviewed by: Erdenebayar G. /Chief Financial Officer/
Reviewed by: Munkhtselmeg N. /Corporate secretary/</td></tr>
<tr><td rowspan="5">1.</td><td colspan="2">Annual financial Reports /Attach financial statements/</td></tr>
<tr><td>Balance Statement</td><td rowspan="4">The audited financial statements of XacBank JSC as of December 31, 2024 are attached with the independent auditor's report /Attachment No. 1/</td></tr>
<tr><td>Income Statement</td></tr>
<tr><td>Equity Statement</td></tr>
<tr><td>Cashflow Statement</td></tr>
<tr><td>1.1.</td><td colspan="2">Auditing report on annual financial statements</td></tr>
<tr><td></td><td colspan="2">The audited financial statements of XacBank JSC as of December 31, 2024 are attached with the independent auditor's report /Attachment No. 1/</td></tr>
<tr><td>1.2.</td><td colspan="2">Auditing company statement /statement shall include the contents mentioned in the instruction/</td></tr>
<tr><td></td><td colspan="2">It is stated in the "Independent Auditor's Report" that Ernst & Young Mongolia Audit LLC, which audited the 2024 year-end financial statements of XacBank JSC, performed an independent external auditing in accordance with International Standards on Auditing ("ISA") and the Bank's financial position, financial results and cash flows of the financial year ended on December 31, 2024 are in accordance with the International Financial Reporting Standards ("IFRS") approved by the International Auditing and Assurance Standards Board ("IAASB")- It was concluded that it was presented objectively and without material errors. /Appendix No. 1/</td></tr>
<tr><td>2.</td><td colspan="2">Report and analysis on Internal and external factors affecting the financial performance of the Issuer. Brief explanation of strategies to use against the factors.</td></tr>
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<tr><td>2.1.</td><td>Operational performance /Financial ratios/</td><td>

Profitability:

During the reporting period, XacBank's net profit reached MNT 171.7 billion, which is a 20.9% increase compared to the previous year. The Bank's income-generating assets, such as loans and financial lease portfolios, grew by 34.5%, and the non-performing loans ratio in the total loan and lease portfolio decreased from 2.9% to 2.0%. This improvement in asset quality positively impacted profitability. During this period, the Bank's return on equity (ROE) reached 25.7%, and earnings per share (EPS) reached 163.1 MNT.

Loan and Lease portfolio:

The Bank's loan and financial lease portfolio grew by 34.5%, reaching MNT 3,697.4 billion. This includes: The retail bank loan portfolio grew by 34.6%, reaching MNT 2,587.1 billion; the corporate bank loan portfolio increased by 32.7%, reaching MNT 643.5 billion; and the XacLeasing portfolio grew by 36.1%, reaching MNT 466.8 billion.
The growth in retail bank loans was primarily influenced by the increase in consumer loans and loans for female entrepreneurs. The growth in the XacLeasing portfolio was driven by the expansion of cooperation with vendor companies and the stabilization of operations at car loan centers.

Current Accounts and Deposits:

As of December 31, 2024, the total balance of current accounts and deposits from the Bank's customers reached MNT 3,424.8 billion, which is a 19.1% increase compared to the previous year. During the reporting period, the Bank focused on increasing its deposits by offering various products to the market. Additionally, in collaboration with major national companies, the Bank has introduced long-term savings programs for the employees of those organizations.

Foreign Fund:

During the reporting period, the Bank entered into new loan agreements worth a total of USD 236 million with various international financial institutions, including FMO, the Asian Development Bank, DEG, EBRD, PROPARCO, Finnfund, Triple Jump, DWM, and Symbiotics. Out of this amount, USD 176 million has already been received. The remaining USD 50 million was received from the Asian Development Bank on February 18, 2025, and the USD 10 million from Finnfund is planned to be disbursed from Finnfund in the second quarter of 2025.

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<tr><td>2.2.</td><td>Liquidity and Capital Adequacy</td><td>

In % unless otherwise stated	Minimum threshold	as of Dec 31, 2024
Tier 1 Capital Ratio	>12.5%	19.2%
Capital Adequacy Ratio	>12%	19.2%
Liquidity Ratio	>25%	38.4%
Foreign Currency Exposure Ratio (Single Currency)	+/- 15%	-1.7%
Foreign Currency Exposure Ratio (Total)	+/- 30%	-2.0%

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<tr><td></td><td></td><td><table><tr><td>Credit Concentration</td><td><300%</td><td>41.7%</td></tr><tr><td>Deposit Concentration Ratio</td><td><25%</td><td>7.9%</td></tr></table></td></tr>
<tr><td>2.3</td><td>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 and development.</td><td>
External factors

In 2024, the Mongolian economy grew by 4.9%, the mining sector contributed 1.4 percentage points, the services sector contributed 4.8 percentage points, and the industrial and construction sectors together contributed 0.3 percentage points. However, due to the severity of the winter disaster, the agricultural sector contracted, which had a negative impact on economic growth, reducing it by 3.6 percentage points. Excluding the agricultural sector, the growth rate of other sectors was 9.7%.

The mining sector, particularly coal production, was the main driver of economic growth in 2024. Coal production reached 101 million tons, with approximately 80 million tons exported. This represented a 19% increase in quantity compared to the previous year.

The inflation rate, expressed by the Consumer Price Index, reached 9.0% at the end of 2024, which was higher than the target set by the Bank of Mongolia. Although inflation gradually decreased during the first half of the year, it was pushed up due to factors such as increased economic activity and expansion of government budgetary spending, which led to a rise in domestic food and goods prices. The national budget expenditure in 2024 increased by MNT 7.9 trillion compared to the previous year, reaching 38.3% of GDP. The Bank of Mongolia adjusted its policy rate in line with inflation, reducing it by 3 percentage points to 10%. However, in the monetary policy committee meeting of January 2025, the reserve requirement for banks was increased, signaling that the monetary policy would tighten further. With high inflation pressure, it is expected that there will be limited room for reducing the policy rate in the coming year.

In 2024, the foreign trade balance decreased by USD 1.7 billion compared to the previous year, reaching a surplus of USD 4.2 billion. Exports grew by 4%, but imports increased by 25%, which contributed to a decrease in the trade balance surplus. Most of the exports were made up of mining products, particularly coal, and coal export volumes reached a historic high of 80 million tons. However, due to a decrease in coal prices, the total value of coal exports fell by 3%. If the decline in coal prices continues, there is a risk that the current account deficit in the balance of payments will widen. Although the current account deficit reached USD 2.3 billion, a strong financial account surplus helped the balance of payments end with a surplus of 0.6 billion USD at the end of 2024. As a result, the Official Foreign Exchange Reserves (OFER) increased by about USD 600 million, reaching USD 5.5 billion by the end of the year. This positive balance in the payment balance and the OFER provided a foundation for maintaining the stability of the exchange rate throughout 2024.
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		Internal Factors Along with the improvement of Mongolia's credit rating by international rating agencies Moody's and Fitch Ratings, XacBank's credit rating was also upgraded to "B2 Stable" and "B+ Stable" respectively, with both ratings being raised by one notch. XacBank, in partnership with ICBC, has signed a memorandum of understanding to implement the "China-Mongolia Cross-border Digital Payment Solutions Cooperation Project." Once this project is realized, XacBank's customers will be able to make secure and fast payments using XacBank's digital app without needing to install or recharge any additional applications. They will simply scan the QR codes of any Chinese system directly through the app. XacBank has also obtained permission from the Bank of Mongolia to operate the "Payment Card Clearing System" in accordance with the National Payment System Law and relevant regulations. With the approval to operate this system, XacBank will now be able to facilitate card payment transactions between payment service providers in Mongolia, such as other commercial banks, NBFIs, and fintech companies, and offer clearing services. Additionally, XacBank, in collaboration with the Khanbogd Development Accelerator of OyuTolgoi Fund, has launched a program to support entrepreneurs. As part of the program, XacBank will offer subsidized loans to micro, small, and medium-sized businesses operating or planning to operate in the Khanbogd area with the fund's investment. The program also provides training, information, and consulting services to ensure sustainable business growth. In line with the decisions of the Board of Directors and the approvals from regulatory authorities, XacBank has started implementing a program to repurchase a certain portion of its publicly traded shares from the secondary market as treasury shares, with the goal of increasing the liquidity for its small shareholders.
2.4	*Information on off-balance sheet items*	Off-balance report is attached /Attachment №2/
2.5	*Information on loan repayments, collaterals, guarantees:*	In 2024, XacBank received a long-term unsecured loan of USD 176.0 million from foreign financial institutions. During the same period, a total of USD 52.5 million was repaid.
3.	*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/*	
	The Bank offers services to its affiliates and their related parties under the same terms and conditions as those provided to its customers pursuant to Article 56.2.4 of the Securities Market Law. Therefore, if the total exposure of a certain affiliated entity and its related parties is less than MNT 300 million (or less than MNT 200 million for mortgage loans), the loan will be approved in the ordinary course of business. However, these transactions will then be reviewed and ratified by the Board of Directors (the "**Board**") on a quarterly basis. If the loan amount exceeds these exposure limits, or if the terms and conditions differ from those offered to customers, the service will only be provided after prior review and approval by the Board. The Board Risk Management Committee (the "BRMC") monitors transactions with affiliated parties and their related parties. The Board makes decisions on these transactions periodically, ensuring compliance with the requirements outlined in Article 17.9 of the Banking Law, which stipulates that transactions with other parties	

conducted in ordinary course of the Bank's business must not be granted preferential terms. The information on related parties and conflicts of interest transaction have been consistently disclosed to the public on both the Bank's website and the Mongolian Stock Exchange's website. Please refer to the following link:

https://www.xacbank.mn/page/ad-hoc?lang=en
https://mse.mn/en/company/568

Additionally, in accordance with the Banking Law, the Bank compiles a quarterly report concerning loans and other equivalent assets provided to the related parties, and subsequently makes this information available to the public on its website. Please refer to the following link:

https://www.xacbank.mn/page/the-loans-and-other-equivalent-assets-provided-to-the-related-parties?lang=en

In 2024, the Board approved/ratified the following total of 13 conflict of interest and related party transactions:

№	Relationship	Amount of the deal (MNT
1	A governing person of the bank	10,000,000
2	A related party of the banking group	580,000,000
3	A related party of the banking group[1]	19,270,100,000
4	A governing person of the bank	100,000,000
5	A related party of a governing person of the bank	50,000,000
6	A related party of a governing person of the bank	50,000,000
7	A governing person of the bank	50,000,000
8	A related party of a governing person of the bank	45,000,000
9	A governing person of the bank	50,000,000
10	A related party of a governing person of the bank	173,000,000
11	A governing person of the bank	20,000,000
12	A governing person of the bank	200,000,000
13	A governing person of the bank	20,000,000

[1] The entity listed as a related party is no longer a related party of the Bank. Consequently, this transaction is no longer considered a related party exposure as of-December 31, 2024.

During the reporting period, no major transactions were approved.

4. *Information on remuneration:*

Remuneration information of the Bank was disclosed on Note 10 of audited financial statement. Total personnel expense reached MNT 96.1 billion, increased by 27% from previous year.

Follow the link below for audited financial statement:
https://www.xacbank.mn/page/audited-report

1. Directors' Remuneration

The remuneration of Directors is determined by the Shareholders' Meeting. The amount payable to a board director during the year shall be determined based on their attendance records of board, committee, and shareholders' meetings which they are required to attend. Remuneration is payable quarterly. In line with principles of good governance, the remuneration of an independent member of the Board is set to be no less than that of a Non-executive Director. A Director who does not hold a dual position in the Bank receives no other rewards or incentives except for the fee set by the shareholders and any increments associated with chairing a committee.

The Directors' remuneration was approved at the Annual General Meeting of the Bank Shareholders held on 29 April 2024. The resolution approving the remuneration is available on both the Mongolian Stock Exchange and the Bank's websites.

Board Directors' shareholdings in XacBank JSC as of 31 December 2024 are as follows:

№	Name	Position	Shareholding (direct)

[1] The entity listed as a related party is no longer a related party of the Bank. Consequently, this transaction is no longer considered a related party exposure as of December 31, 2024.

1	Sanjay Gupta	Chairman	0.08%
2	Albertus Bruggink	Non-Executive Director	-
3	Andrzej Witak	Non-Executive Director	-
4	Dominic Jacques	Non-Executive Director	-
5	Michael Madden	Non-Executive Director	-
6	Suzannah Carr	Non-Executive Director	-
7	Tsevegjav G.	Executive Director	0.18%
8	Tselmuun N.	Non-Executive Director	-
9	Niraj Vedwa	Independent Non-Executive Director	-
10	Stewart Hall	Independent Non-Executive Director	-
11	Ulambayar B.	Independent Non-Executive Director	-
12	Amy Choi	Independent Non-Executive Director	-

2. Remuneration of the CEO

The CEO's remuneration consists of a fixed salary and variable compensation based on annual performance. The Board annually evaluates the CEO's performance, considering the terms of the CEO's contract and recommendations from the Governance, Nomination, and Compensation Committee (the "GNCC"). This evaluation is based on key performance indicators and the Bank's strategic objectives serves as the basis for determining the CEO's compensation package.

The Board and the GNCC conducted a review of the CEO's performance and approved his performance based variable-compensation for the year 2024.

In addition, XacBank JSC implements a performance-based long-term incentive program, per its internal programs and core HR policies, to retain and incentivize qualified executives/management and to prepare succession planning for the bank. As the Bank's performance targets for 2023 were met, key executives and middle management were granted shares of the Bank during the 2024 reporting year under this program.

The percentage of shares held by the executive management in XacBank, including shares held under the above-mentioned program, as of 31 December 2024, is presented below:

№	Name	Position	Shareholding (direct)
1	Tsevegjav G.	Chief Executive Officer	0.18%
2	Erdenebayar G.	Chief Financial Officer	0.08%
3	Ulambayar E.	Chief Retail Banking Officer	0.05%
4	Erkin B.	Chief Corporate Banking Officer	0.04%
5	Dauryenbyek S.	Chief Leasing Officer	0.04%
6	Iliya Avramov	Chief Risk Officer	0.00%
7	Zul G.	Chief Operations Officer	0.04%
8	Unurbat Kh.	Chief Information Technology Officer	0.03%
9	Undarmaa E.	Chief Auditor	0.03%
10	Munkhtselmeg N.	General Counsel/ Corporate Secretary	0.01%

5. *Reports on corporate governance of the issuer:*

1. Board of Directors (the "Board")

According to the Bank's Charter, the Board consists of 12 Directors. Since the term of office of the Board Directors expired at the Annual General Meeting of Shareholders (the "**AGM**") held on 29 April 2024, the election of the Board Directors was held at the said meeting. By Shareholders' Resolution No. SR-2024-10, the Board Directors were elected cumulatively for tenure until 2026 AGM, in accordance with the Company Law. Pursuant to this resolution, the Board operated with the following composition during the reporting period:

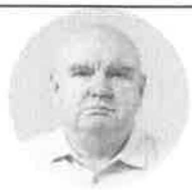
Sanjay Gupta
Chairman

Michael Madden
Non-executive director

Tselmuun Nyamtaishir
Non-executive director

Ulambayar Bayansan
Independent non-executive director

Niraj Vedwa
Independent non-executive director



Andrzej Witak
Non-executive director

Tsevegjav Gumenjav
Executive director

Albertus Bruggink
Non-executive director

Suzannah Herring Carr
Non-executive director

Amy Choi
Independent non-executive director

Dominic Jacques
Non-executive director

Stewart Donald Hall
Independent non-executive director

Note: Detailed information on Directors' education and work experience can be found on the bank's website.

Changes in the composition of the Board based on the decision of the AGM held on 29 April 2024:

Released from position	Newly appointed
1. Yves Jacquot- Non-Executive Director	1. Stewart Donald Hall- Independent Non-Executive Director
	2. Dominic Jacques - Non-Executive Director

2. Executive Management

During the reporting period, the Company conducted its operations with the following executive management composition:

Tsevegjav Gumenjav
Chief executive officer

Erdenebayar Ganzorig
Chief financial officer

Ulambayar Enebish
Chief retail banking officer

Erkin Bavaan
Chief business banking officer

Dauryenbyek Syerikjan
Chief leasing officer

Iliya Avramov
Chief risk officer

Zul Ganzorig
Chief operations officer

Unurbat Khurelbaatar
Chief information technology officer

Munkhtselmeg Nyamsuren
General counsel / Corporate secretary

Undarmaa Enkhbayar
Chief auditor

Changes in the composition of the executive management during the reporting year:

Changes in the Composition of the Executive Management
1. The Chief Business Development Officer, Munkhsaikhan J., was relieved of his duties and responsibilities on 29 December 2024, at his own request. This was publicly announced on the Mongolian Stock Exchange's website on 30 December 2024.

3. Meetings of the Board and Its Committees

In 2024, the Board convened a total of 23 meetings, including 4 regular meetings, 3 extraordinary meetings and 16 online votings, during which they passed a total of 53 resolutions. At each of these regular meetings, the Board received updates on the measures implemented in accordance with the decisions and recommendations adopted at its previous meeting.

Additionally, the Board Governance, Nomination and Compensation Committee ("GNCC") held 6 meetings, the Risk Management Committee conducted 20 meetings, and the Audit Committeeconvened 6 meetings, respectively. Each committees provided relevant recommendations to the Board throughout these sessions.

4. The Board Committees' Functions

The Board Committees conducted its activities with the following composition in the reporting year:

Governance, Nomination, and Compensation Committee	Risk Management committee	Audit Committee
Chair: Michael Madden	Chair: Albertus Bruggink	Chair: Ulambayar B. (independent director)
Members: Tselmuun N.	Members: Dominic Jacques	Members: Andrzej Witak
Ulambayar B. (independent director)	Ulambayar B. (independent director)	Suzannah Herring Carr
Amy Choi (independent director)	Amy Choi (independent director)	Amy Choi (independent director)
Niraj Vedwa (independent director)	Niraj Vedwa (independent director)	Niraj Vedwa (independent director)
Stewart Donald Hall (independent director)	Stewart Donald Hall (independent director)	Stewart Donald Hall (independent director)

The Governance, Nomination, and Compensation committee ("GNCC")

The GNCC oversees corporate governance matters, including the establishment of principles and policies, ensuring transparent and stable operations of the bank that align with the interests of all stakeholders. It also designs a governance framework encompassing necessary structures and processes for effective monitoring and oversight.

The Risk Management Committee ("BRMC")

The BRMC is tasked with establishing an appropriate internal control system for risk management and providing recommendations to the Board of Directors on risk-related matters. Its fundamental responsibilities include formulating risk management policies, devising plans to mitigate significant risks in each business line, assessing the effectiveness of the risk management function, setting risk appetite limits, ensuring the quality of the loan portfolio, and overseeing the loan authorization and write-offs.

The Audit Committee ("BAC")

The Audit Committee is tasked with overseeing the integrity, appropriateness, and effectiveness of the internal control system. Its responsibilities include appointing, re-appointing, or dismissing the external auditor, evaluating the performance of the internal audit department, ensuring compliance with financial reporting requirements and regulations, reviewing audited and unaudited annual and semi-annual financial statements, scrutinizing unusual transactions, monitoring changes in legislation affecting financial statements, and exercising primary responsibility for impact control. Additionally, the Audit Committee appoints the Chief Auditor and evaluates his/her performance.

5. Internal Regulations Approved by the Board

The Board approved, amended, and/or restated a total of 12 rules, regulations, policies, and governance codes, aligning with the applicable regulations for joint-stock companies as specified in the Company Law, policies of the Financial Regulatory Commission, and the stipulations of the Corporate Governance Code. These include the following:

Newly Approved:	Amended:
1. Transition Planning Roadmap of Climate Risk Management 2023-2025; 2. Share Redemption Procedures for Shareholders of XacBank in Relation to XacBank Merger; 3. Stakeholder Engagement Policy; 4. Board Training Program for 2024; 5. Board Action Plan after evaluation for 2024; and 6. Succession Policy for Executive Management.	1. Insider Trading Policy. **Amended and Restated:** 1. Dividend Policy of XacBank /approved by the shareholders at the AGM/; 2. Board Evaluation Policy; 3. Savings Incentive Match Plan for Employees; 4. Board Director Selection and Nomination Policy; and 5. Bank Audit Committee Charter and Internal Audit Documents.

6. The Code of Conduct, Conflict of Interest and Disclosure

The bank's Code of Conduct is grounded in the principles of honesty, integrity, fairness, and transparency. To ensure legal and ethical business practices, the Xacbank implements the "Code of Conduct and Conflict of Interest Policy" for directors and employees. This policy upholds the highest standards of internal ethical behavior and fosters a culture based on strong ethical values, which is actively practiced in the bank's operations.

All Directors of the Board and the executive management promptly disclose any changes in their related parties' information **semi-annually** and prepares disclosure letter, facilitating the identification of potential conflicts of interest beforehand. Furthermore, members of the Board declare any conflict of interest both at the onset and during the course of board meetings. If such a conflict arises, the concerned Director abstains from voting on relevant matters, as per the Company Law.

XacBank adheres to the "Conflict of Interest and Related Party Transaction Policy," ensuring that transactions do not entail preferential terms compared to those offered to other parties within the bank's regular operations.

XacBank has been disclosing its information regarding conflict of interest and related party transactions to the public through the bank's and the Mongolian Stock Exchange's websites, pursuant to Article 56.2.4 of the Securities Market Law.

7. Internal Audit Reports

The Audit Committee meets quarterly to review/discuss and report to the Board on audit reports conducted in accordance with the approved plan, amendments to documents, related party database information, and external audit findings.

8. Performance of the CEO

The Board annually evaluates the CEO's performance, considering the terms of the CEO's contract and recommendations from the Governance, Nomination, and Compensation Committee. Accordingly, the Board evaluated the CEO's performance for 2024 on 05 March 2025, and determined his actual performance as 105.99%.

9. Evaluation of the Corporate Governance Code Implementation

In accordance with the Corporate Governance Code guidelines assessment methodology approved by the Financial Regulatory Commission ("FRC"), the 2024 Report of XacBank "Implementation of the Corporate Governance Code" was reviewed and verified by the FRC and rated as **93.1%,** indicating **good and risk-free governance status.**

10. Engagement with the Bank's Stakeholders

Pursuant to the Stakeholder Engagement Policy and the Policy on Direct Communications with Shareholders, XacBank engages with the shareholders through its designated phone number (+976-8508-1888) and e-mail address (investor-relations@xacbank.mn).

11. Information Transparency

XacBank adheres to the Information Disclosure Policy in its operations to transparently report to and inform its shareholders and regulatory authorities about the Bank, in accordance with the requirements set forth in relevant laws and regulations. The Board oversees the implementation of this policy.

6. *Report on market risks:*

Each year, the Bank reviews and approves the risk limits acceptable for its operations, aligning them with the business plan through the Risk Management Committee under the Board of Directors, and adheres to these limits in its operations.
In 2024, the Bank consistently met the requirements of the regulatory authority and the approved risk limits for market and liquidity risk indicators.
As part of liquidity risk management, the Bank not only fully complied with the minimum prudential ratio for liquidity ratio set by the Bank of Mongolia, but also managed other indicators within the applicable limits, including the liquidity buffer, short-term liquidity ratio, Liquidity Coverage Ratio (**LCR**), and Net Stable Funding Ratio (**NSFR**).
In terms of interest rate risk management, the Bank regularly conducted analysis of the interest rate sensitivity gap between assets and liabilities, as well as interest rate sensitivity analysis, and managed these in accordance with the financial risk management framework.
During this period, the Bank also fully complied with the foreign exchange position limits set by the regulatory authority and implemented a Value at Risk (VaR) limit system to control potential losses from the net open position.
Furthermore, in today's business environment, characterized by economic uncertainty, the Bank conducts stress tests at regular intervals to support decision-making and assess potential impacts on its financial condition, capital adequacy, and liquidity in the event of unexpected adverse scenarios.

7. *List of shareholders /Names, shares, number of shareholders who own more than 5% of the issuer/*

In June 2023, XacBank raised capital by offering 5.01% (or 52,700,000 shares) of its total issued common shares to the public, increasing its total paid-in capital to MNT 105,270,000,000.
As of December 31, 2024, 4.98% of XacBank JSC is owned by the public, while 94.99% is held by Tenger Financial Group LLC. The remaining 0.03% of shares were repurchased from the public and are now held as treasury shares.
Tenger Financial Group LLC is composed of 10 shareholders, including International Financial Institutions, reputable domestic and foreign companies, investment funds, and individuals.

Shareholder structure of XacBank as of December 31, 2024:

#	Shareholders	Shares	Stake	#	Shareholders	Stake
1	**TenGer Financial Group LLC (TFG)**	**1,000,000,000**	94.99%	1	MAK Invest Kft	19.37%
				2	International Finance Corporation (IFC)	16.63%
				3	ORIX Corporation	16.28%
				4	European Bank for Reconstruction and Development (EBRD)	12.50%
				5	National Bank of Canada (NBC)	10.18%
				6	Ronoc Partners Kft	9.83%
				7	Mongolia Financial Services Pte Ltd	6.42%
				8	Triodos Fair Share Fund	3.61%
				9	Individual	0.10%
				10	Individual	0.09%
2	**Public**	52,700,000	4.98%			
3	**Treasury stock**	296,678	0.03%			
Total		**1,052,700,000**	**100%**			

8.	*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 from the start of the project*
	During the reporting period, no funds were raised through a public offering of shares.
9.	*Report on dividends:*
	MNT 18.0 per share or a total of MNT 18.9 billion was distributed to the shareholders as a dividend from the net profit of the first half of 2024. Additionally, the declaration and distribution of dividend in the amount of MNT 27 per share or a total of MNT 28.4 billion to the shareholders was approved at the AGM of the Bank held on 29 April 2025. The dividend will be disbursed to the Mongolian Central Securities Depository (the "MCSD") by 30 April 2025. MCSD will distribute the dividends to the shareholders' nominal accounts.
10.	*Report on actions that were taken regarding corporate social responsibility:*
	Activities of corporate social responsibility: • XacBank, in collaboration with the National Metrology and Standards Agency, successfully implemented the "ISO Standard Implementation Program for Small and Medium Enterprises." Over 100 companies that aimed to implement 8 types of international standards related to quality, safety, and management systems expressed their interest and submitted materials. From these, 16 companies were selected, and XacBank financed up to 80% of the consulting and certification costs required for implementing the ISO standards. • The bank launched the "Future Millionaire Scholarship Program" and awarded scholarships to 100 students enrolled in bachelor's programs at accredited domestic universities, providing up to MNT 5 million for their tuition fees. • XacBank supported the "Transplantation Enhanced by Innovation" theme of the ICOT-2024 international conference, organized by the Mongolian Transplantation Association. • XacBank is collaborating as "Golden Partner" partner with the Mongolian National Olympic Committee (MNOC) for the 2023-2025 period. • XacBank has been sponsoring and collaborating with the XacBank Broncos professional basketball team since 2004, marking the 20th year of partnership. • The bank provided financial support for the "Erdenet Open-2024" team championship badminton tournament organized by the Orkhon Badminton Association in Erdenet. • XacBank continued its support for the "Importance of Professional Ethics" essay competition held by the University of Finance and Economics (UFE) to commemorate World Ethics Day, marking its second year of collaboration. • To help employees maintain a better work-life balance and create a more flexible and motivating work environment, XacBank reduced the workday by one hour to 7 hours. • XacBank contributed MNT 100 million to the "Heart Never Forget" project, which aims to provide life-saving support to children with heart conditions under the motto "Gift Life to Little Hearts."

Accuracy and validity of the report confirmed by:
Name: Tsevegjav G. Title: Chief Executive Officer Signature: .... (corporate seal)
Reviewed by:
Name: Erdenebayar G. Title: Chief Financial Officer Signature: .... Name: Munkhtselmeg N. Title: General Counsel and Corporate secretary Signature: ....
Prepared by:
Name: Tamir G. Title: Head of Financial Management and International Relations Division Signature: ....

XACBANK JSC
(Incorporated in Mongolia)

Audited Financial Statements
31 December 2024

Building a better working world

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REGISTERED ADDRESS:	XacBank Building Prime Minister Amar's Street, Sukhbaatar District, Khoroo 8 Post Branch # 46, P.O Box 721, Ulaanbaatar 14200 Mongolia
BOARD OF DIRECTORS:	Mr. Sanjay Gupta Mr. Tsevegjav Gumenjav Ms. Tselmuun Nyamtaishir Mr. Andrzej Witak Mr. Michael Madden Mr. Ulambayar Bayansan Mr. Albertus Bruggink Mr. Niraj Vedwa Ms. Suzannah Herring Carr Ms. Amy Choi Mr. Stewart Donald Hall (appointed as of 29 April 2024) Mr. Dominic Jacques (appointed as of 29 April 2024) Mr. Yves Jacquot (resigned as of 29 April 2024)
CORPORATE SECRETARY:	Ms. Munkhtselmeg Nyamsuren
AUDITORS	Ernst & Young Mongolia Audit LLC Certified Public Accountants

XACBANK JSC

Statement by executives

We, Tsevegjav Gumenjav being Chief Executive Officer of XacBank JSC (the "Bank") and Erdenebayar Ganzorig being Chief Financial Officer primarily responsible for the financial statements of the Bank, do hereby state that, in our opinion, the accompanying financial statements set out on pages 9 to 91 give a true and fair view of the financial position of the Bank as at 31 December 2024 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

TSEVEGJAV GUMENJAV
(Chief Executive Officer)

ERDENEBAYAR GANZORIG
(Chief Financial Officer)

Ulaanbaatar, Mongolia
Date: 17 March 2025

Building a better working world

Ernst & Young Mongolia Audit LLC
15/F, Altan Joloo Tower
Seoul Street 13/A
Ulaanbaatar 14252
Mongolia

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of XacBank JSC

Opinion

We have audited the financial statements of XacBank JSC (the "Bank"), which comprise the statement of financial position as at 31 December 2024 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to the matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Building a better working world

INDEPENDENT AUDITOR'S REPORT (CONT'D.)

To the shareholders of XacBank JSC

Key Audit Matters (Cont'd.)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Allowance for loan losses</td></tr>
<tr><td>
The impairment of loans and advances to customers at amortised cost is estimated by the Bank's management through the application of judgement and use of highly subjective assumptions.
Due to significance of loans and advances to customers at amortised cost, representing around 55% of the Bank's total assets as at 31 December 2024, and the related estimation uncertainty we considered impairment of loans and advances to customers as a key audit matter.
The impairment method is based on a forward looking Expected Credit Loss ("ECL") approach. Elements of the ECL model requires significant estimates and assumptions, including:

Staging of financial assets;
Development of ECL models and the choice of inputs, including probability of default ("PD") and loss given default ("LGD");
Determination of the Exposure at Default ("EAD"), including the credit conversion factor for the undrawn loan commitments;
Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL model; and
Calculation of allowance for impairment losses of individually assessed loans which are based on various assumptions and factors in determining the expected future cash flows.

Relevant disclosures of the accounting policy and critical accounting estimates and judgements are included in Notes 2.4 and 2.2 to the financial statements, respectively.
Other relevant disclosures of loans and advances to the customers and related credit risk management are included in Notes 9, 16 and 31.2 to the financial statements, respectively.
</td><td>
For assessment of impairment allowance of loans and advances to customers as of 31 December 2024, our audit procedures included the assessment of design and operating effectiveness of controls over the approval, recording and monitoring of ECL, and evaluating the methodologies, inputs and assumptions used by the Bank in its ECL model in calculation of impairment of loans and advances to customers.
In evaluating the methodologies, we obtained an understanding of the Bank's ECL model and management's basis for methodologies and assumptions applied and assessed the reasonableness of the model and compared to industry practices. We also considered the reasonableness of the assumptions applied, including the basis for staging classification, the appropriateness of the PD, LGD and EAD determination and the forward-looking macroeconomic variables incorporated in the model.
In testing the appropriateness of the stage classifications, we have tested loan overdue information, credit ratings assigned to the counterparties, where applicable, at initial recognition and as at the reporting date.
We have also tested the completeness of the ageing report by agreeing the amounts in the ageing report to the financial records and tested the adequacy of the ageing information based on a random sampling selection basis by verifying the information against other supporting documents.
We compared the key inputs to the ECL model to the Bank's internal available historical data, externally available industry, financial and economic data. Our testing included the followings:

Tested the accuracy of internal and external data applied for the calculation of historical PD and LGD on a random selection basis;
Checked the macroeconomic parameters to external data sources where available;
Checked the appropriateness of the EAD applied, including the assumptions of the credit conversion factors; and

</td></tr>
</table>

Key Audit Matters (Cont'd.)

Key audit matter	How our audit addressed the key audit matter
Allowance for loan losses	
	• For a sample of individually assessed loans subject to individual impairment assessment, we reviewed the Bank's assumptions on the expected future cash flows, including assumptions in respect of the realizable value of collateral. We also considered the consistency of judgement applied in the key inputs to the ECL model. We assessed the adequacy of the related disclosure in the notes to the financial statements.

Other Information included in the Annual Report

The Directors and executives are responsible for the other information. The other information comprises the other sections of the Annual Report but does not include the financial statements and our auditor's report thereon ("the Other Sections"), which are expected to be made available after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated

When we read the Other Sections of the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT (CONT'D.)

To the shareholders of XacBank JSC

Auditor's Responsibility for the Audit of the Financial Statements (Cont'd.)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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INDEPENDENT AUDITOR'S REPORT (CONT'D.)

To the shareholders of XacBank JSC

Other Matter

This report is made solely to the shareholders of the Bank, as a body. in connection with the audit requested by the shareholders in accordance with Article 94 of the Company Law of Mongolia and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Ernst & Young Mongolia Audit LLC

ERNST & YOUNG MONGOLIA AUDIT LLC
Certified Public Accountants

Signed by

KHABYLKHAIRAT BULANBAI
Director

Approved by

ADRIAN CHU
Partner

Ulaanbaatar, Mongolia
Date: 17 March 2025

GLOSSARY OF ABBREVIATION

AC	Amortised cost
ABS	Asset Backed Securities
BoM	Bank of Mongolia
ECL	Expected credit loss
EIR	Effective interest rate
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GoM	Government of Mongolia
GDP	Gross domestic product
IFRS	International Financial Reporting Standards
IFRS 7	IFRS 7 Financial Instruments: Disclosures
IFRS 9	IFRS 9 Financial Instruments
IFRS 13	IFRS 13 Fair Value Measurement
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
LGD	Loss given default
SOFR	Secured Overnight Financing Rate
OCI	Other comprehensive income
PD	Probability of default
RMBS	Residential Mortgage Backed Securities
SFC	Security Finance Corporation LLC
SPPI	Solely payments of principal and interest
VaR	Value at Risk
MIK	Mongolian Mortgage Corporation
SME	Small-to-medium enterprise
VAT	Value-Added Tax

XACBANK JSC

Statement of profit or loss and other comprehensive income
For the year ended 31 December 2024

	Notes	2024 MNT'000	2023 MNT'000
Interest and similar income from financial assets at AC	**4.1**	703,265,483	526,401,210
Interest and similar income from financial instruments at FVTPL	**4.2**	12,974,358	12,159,064
Interest and similar expense	**4.3**	(396,254,799)	(278,569,871)
Net interest income	**4**	**319,985,042**	**259,990,403**
Fees and commission income	**5**	44,072,758	36,904,130
Fees and commission expenses	**5**	(15,935,071)	(13,509,402)
Net fees and commission income	**5**	**28,137,687**	**23,394,728**
Net trading income	**6**	15,983,088	13,612,534
Net income from other financial instruments at FVTPL	**7**	7,639,026	5,376,193
Net other operating income	**8**	10,962,475	4,777,551
Total operating income		**382,707,318**	**307,151,409**
Net credit loss reversal	**9**	2,129,641	8,118,712
Net operating income		**384,836,959**	**315,270,121**
Operating expenses	**10**	(154,856,979)	(125,711,392)
Amortisation of deferred grants	**22**	484,712	1,129,888
Profit before tax		**230,464,692**	**190,688,617**
Income tax expense	**11.1**	(58,784,404)	(48,629,972)
Profit for the year		**171,680,288**	**142,058,645**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Movement in investment revaluation reserve, net of tax		(856,106)	277,438
Other comprehensive income for the year, net of tax		**(856,106)**	**277,438**
Total comprehensive income for the year		**170,824,182**	**142,336,083**
Earnings per share (MNT):			
Basic earnings per share	**12**	163.10	138.05
Diluted earnings per share	**12**	163.10	138.05

The accompanying notes form an integral part of the financial statements.

XACBANK JSC

Statement of financial position
As at 31 December 2024

	Notes	2024 MNT'000	2023 MNT'000
ASSETS			
Cash and balances with BoM	**13.1**	33,914,061	358,359,279
Mandatory cash balances with BoM	**13.2**	397,890,873	239,378,375
Financial instruments at FVTPL			
Derivative financial instruments	**14.2**	10,050,723	56,800,918
Financial instruments	**14.1**	112,300,780	110,309,146
Loans and advances to customers	**14.1**	209,855,668	93,116,520
Financial assets at FVTOCI			
Equity instruments	**15**	3,910,731	5,052,206
Financial assets at amortised cost			
Due from banks	**16.1**	776,096,768	393,769,064
Reverse repurchase agreements	**16.2**	-	99,740,669
Debt instruments	**16.3**	1,133,892,280	960,070,624
Loans and advances to customers	**16.4**	3,472,735,003	2,627,234,410
Other assets	**17**	61,573,787	71,277,148
Properties held for sale	**18**	1,089,949	1,387,250
Property, equipment and right-of-use assets	**19**	79,706,337	75,388,849
Intangible assets	**20**	16,833,961	18,667,114
Deferred tax assets	**11.2**	11,942,798	8,870,069
TOTAL ASSETS		**6,321,793,719**	**5,119,421,641**
LIABILITIES AND EQUITY			
LIABILITIES			
Financial instruments at FVTPL			
Derivative financial instruments	**14.2**	9,542,837	14,332,115
Financial liabilities at amortised cost			
Repurchase agreements	**21.1**	-	149,611,113
Due to banks	**21.2**	276,333,956	36,937,419
Due to customers	**21.3**	3,424,786,562	2,876,117,299
Borrowed funds	**21.4**	1,727,756,398	1,238,768,595
Deferred grants	**22**	12,397,895	12,564,957
Lease liabilities	**23**	7,233,884	7,675,609
Other liabilities	**24**	105,974,775	131,592,516
Income tax payable	**11.1**	26,164,657	29,759,280
TOTAL LIABILITIES		**5,590,190,964**	**4,497,358,903**
EQUITY			
Ordinary shares	**25**	105,270,000	105,270,000
Treasury shares	**25**	(29,668)	-
Share premium	**25**	30,388,871	30,586,768
Reserves	**26**	80,566,643	86,418,906
Retained earnings		515,406,909	399,787,064
TOTAL EQUITY		**731,602,755**	**622,062,738**
TOTAL LIABILITIES AND EQUITY		**6,321,793,719**	**5,119,421,641**

The accompanying notes form an integral part of the financial statements.

XACBANK JSC

Statement of changes in equity
For the year ended 31 December 2024

	Ordinary shares MNT'000 (Note 25)	Treasury shares MNT'000 (Note 25)	Share premium MNT'000 (Note 25)	Reserves* MNT'000 (Note 26)	Retained earnings MNT'000	Total equity MNT'000
At 1 January 2024	**105,270,000**	**-**	**30,586,768**	**86,418,906**	**399,787,064**	**622,062,738**
Profit for the year	-	-	-	-	171,680,288	171,680,288
Other comprehensive income	-	-	-	(856,106)	-	(856,106)
Total comprehensive income	**-**	**-**	**-**	**(856,106)**	**171,680,288**	**170,824,182**
Realised revaluation reserve	-	-	-	(176,244)	176,244	-
Cash dividends**	-	-	-	-	(61,056,600)	(61,056,600)
Purchase of treasury shares	-	(29,668)	(197,897)	-	-	(227,565)
Transfer to/(from) regulatory reserve	-	-	-	(4,819,913)	4,819,913	-
At 31 December 2024	**105,270,000**	**(29,668)**	**30,388,871**	**80,566,643**	**515,406,909**	**731,602,755**
At 1 January 2023	**100,000,000**	**-**	**1,817,773**	**95,708,103**	**278,161,784**	**475,687,660**
Profit for the year	-	-	-	-	142,058,645	142,058,645
Other comprehensive income	-	-	-	277,438	-	277,438
Total comprehensive income	**-**	**-**	**-**	**277,438**	**142,058,645**	**142,336,083**
Share issue	5,270,000	-	30,407,900	-	-	35,677,900
Transaction costs related to issue of share capital	-	-	(1,638,905)	-	-	(1,638,905)
Cash dividends	-	-	-	-	(30,000,000)	(30,000,000)
Transfer to/(from) regulatory reserve	-	-	-	(9,566,635)	9,566,635	-
At 31 December 2023	**105,270,000**	**-**	**30,586,768**	**86,418,906**	**399,787,064**	**622,062,738**

*Reserves include the regulatory reserve that is set up in compliance with BoM requirements and is distributable to Shareholders of the Bank subject to BoM's approval (Note 26).

** On 2 February 2024, the Shareholders of the Bank has resolved to distribute a dividend of MNT 15.5 billion to shareholders. The dividend disbursement was approved by BoM and was distributed by the Bank on 9 Feb 2024.

** On 29 April 2024, the Shareholders of the Bank has resolved to distribute a dividend of MNT 26.6 billion to shareholders. The dividend disbursement was approved by BoM and was distributed by the Bank on 30 Apr 2024.

** On 4 September 2024, the Shareholders of the Bank has resolved to distribute a dividend of MNT 18.9 billion to shareholders. The dividend disbursement was approved by BoM and was distributed by the Bank on 9 September 2024.

The accompanying notes form an integral part of the financial statements.

Statement of cash flows
For the year ended 31 December 2024

	Notes	2024 MNT'000	2023 MNT'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		230,464,692	190,688,617
Adjustments for:			
Loss on disposal of property and equipment	**8**	4,038	18,867
Loss on disposal of foreclosed properties	**8**	18,973	3,155,286
Gain on disposal of property held for sale	**8, 18**	(170,818)	(410,149)
Impiarment loss on properties held for sale	**8, 18**	116,937	-
Unrealised foreign exchange gain	**8**	(36,698,742)	(62,322,489)
Changes in fair value of financial derivatives	**8**	41,960,917	63,690,332
Net credit loss reversal	**9**	(2,129,641)	(8,118,712)
Fair value changes in financial instruments measured at FVTPL	**6, 7**	(1,660,544)	328,361
Depreciation of property and equipment	**10**	8,419,942	7,216,395
Depreciation of right-of-use assets	**10**	5,178,941	4,183,069
Amortisation of intangible assets	**10**	3,057,438	2,930,414
Property and equipment written off	**10**	84,910	206,848
Recognition/(reversal) of impairment on foreclosed properties	**8**	1,037,266	(6,939,062)
Amortisation of deferred grants	**22**	(484,712)	(1,129,888)
Interest income from financial assets measured at AC	**4.1**	(703,265,483)	(526,401,210)
Interest income from financial instruments measured at FVTPL	**4.2, 6, 7**	(23,462,323)	(21,592,850)
Interest and similar expense	**4.3**	396,254,799	278,569,871
Interest received on financial assets at AC and FVTPL		582,475,793	428,670,337
Interest paid on financial liabilities at AC and FVTPL		(262,971,939)	(178,052,611)
Operating cash flows before operating assets and liabilities		**238,230,444**	**174,691,426**
Changes in operating assets:			
Statutory deposits with BoM		(158,355,145)	16,338,808
Reverse repurchase agreements		99,787,135	(99,787,135)
Loans and advances to customers		(973,206,484)	(785,947,321)
Derivative financial instruments		44,840,761	50,181,457
Other assets		(1,280,970)	(26,768,831)
Changes in operating liabilities:			
Due to banks		239,101,048	(14,930,713)
Repurchase agreements		(149,611,113)	149,611,113
Due to customers		545,238,225	442,468,900
Other liabilities		(29,976,128)	62,559,753
Cash used in operations		**(145,232,227)**	**(31,582,543)**
Income tax paid	**11.1**	(65,166,388)	(46,440,564)
Net cash flows used in operating activities		**(210,398,615)**	**(78,023,107)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on debt instruments		130,107,544	108,559,054
Proceeds from financial investments at FVTPL		1,147,500	4,008,400
Purchase of debt instruments at AC		(40,000,000)	-
Proceeds from disposal of debt instruments at AC		3,280,993	17,274,729
Proceeds from disposal of property and equipment		7,917	18,745
Acquisition of property and equipment	**19**	(14,426,045)	(12,157,028)
Acquisition of intangible assets	**20**	(1,224,285)	(2,701,940)
Proceeds from disposal of properties held for sale	**18**	2,241,415	915,910
Proceeds from disposal of foreclosed properties	**17**	10,478,712	18,771,985
Net cash flows generated from investing activities		**91,613,751**	**134,689,855**

Statement of cash flows (Contd.)
for the year ended 31 December 2024

	Notes	2024 MNT'000	2023 MNT'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid on borrowed funds		(115,797,153)	(89,409,731)
Drawdown of borrowed funds		737,565,385	769,144,149
Repayment of borrowed funds		(238,665,336)	(308,886,646)
Issue of ordinary shares		-	34,038,995
Acquisition of treasury shares		(227,565)	-
Dividends paid		(61,056,600)	(30,000,000)
Deferred grants received	**22**	307,516	5,884,213
Payment of lease obligation		(5,946,764)	(5,264,491)
Net cash flows generated from financing activities		**316,179,483**	**375,506,489**
Effect of exchange rate changes on cash and cash equivalents		**(1,055,015)**	**(10,643,560)**
Net increase in cash and cash equivalents		**196,339,604**	**421,529,677**
Cash and cash equivalents brought forward		**1,699,995,935**	**1,278,466,258**
Cash and cash equivalents carried forward	**13.3**	**1,896,335,539**	**1,699,995,935**

Reconciliation of changes in liabilities arising from financing activities:

Lease liabilities		2024 MNT'000	2023 MNT'000
At 1 January		7,675,609	5,310,092
Non-cash additions		5,865,928	7,282,341
Termination of lease		(1,159,561)	(285,738)
Interest expense during the year		798,672	633,405
Payment of lease obligation		(5,946,764)	(5,264,491)
At 31 December	**23**	**7,233,884**	**7,675,609**

Borrowed funds		2024 MNT'000	2023 MNT'000
At 1 January		1,238,768,595	857,363,227
New disbursement		737,565,385	769,144,149
Repayment		(238,665,336)	(308,886,646)
Interest repayment		(115,797,153)	(89,409,731)
Non-cash repayments to BoM and GoM by transferring Senior RMBS		(25,434,300)	(69,240,700)
Foreign exchange movement		7,165,901	(14,142,939)
Interest expense accrued		124,153,306	93,941,235
At 31 December	**21.4**	**1,727,756,398**	**1,238,768,595**

The accompanying notes form an integral part of the financial statements.

Corporate information

XacBank JSC is principally engaged in the business of providing banking and financial services pursuant to License No. 24 issued by the Bank of Mongolia (“BoM”). There have been no significant changes in the nature of the Bank’s activities during the year.

The Bank is a joint-stock company listed on the Mongolian Stock Exchange (“MSE”), incorporated and domiciled in Mongolia. The Bank’s registered address is at XacBank Building, Prime Minister Amar's Street, Sukhbaatar District, Khoroo 8, Ulaanbaatar, Mongolia and the principal place of business is at 9th floor, Blue sky tower, Peace Avenue Street 17, 1st khoroo, Sukhbaatar District, Ulaanbaatar 14240, Mongolia.

The Bank is 94.99% owned by Tenger Financial Group LLC (2023: 94.99%), 4.98% (2023:5.01%) is publicly traded and 0.03% (2023: Nil) is bought back from the public held as treasury shares.

The holding company of the Bank is TenGer Financial Group LLC, which is incorporated in Mongolia. The shareholders of the holding company are:

- MAK Invest Kft
- International Finance Corporation (IFC)
- ORIX Corporation
- European Bank for Reconstruction and Development (EBRD)
- National Bank of Canada
- Ronoc Partners Kft
- Mongolia Financial Services Pte. Ltd
- Triodos Fair Share Fund
- Boldoo Magvan
- Ganbold Chuluun

The financial statements of the Bank were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 17 March 2025.

1. Accounting policies

2.1 Basis of preparation

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

The financial statements of the Bank have been prepared on a historical cost basis, except for derivative financial instruments, debt and equity instruments at fair value through OCI, financial assets at FVTPL which have been measured at fair value and properties held for sale and foreclosed properties which are measured at the lower of carrying value and fair value less costs to sell. The financial statements are presented in Mongolian Togrog, which is denoted by the symbol MNT, and all values are rounded to the nearest thousands, except when otherwise indicated.

Presentation of financial statements

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 29.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

2.2 Significant accounting judgments, estimates and assumptions

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has exercised judgment and estimates in determining the amounts recognised in the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

2.2 Significant accounting judgments, estimates and assumptions (Contd.)

Measurement of ECL

The measurement of ECL involves significant management estimates and judgement in the following key areas:

- Significant increase of credit risk: ECL is measured as an allowance equal to 12-months ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward looking information.
- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.

  Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.
- Establishing the number and relative weightings of forward-looking scenarios for each type of product and determining the forward looking information relevant to each scenario: When measuring ECL the Bank uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
- Forward looking information: In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as:
  - GDP
  - Inflation rate

  When incorporating forward looking information, the Bank considers three scenarios (a base case, an upside and downside). The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.
- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions. See note 27 for further disclosures.

2.3 Application of new and amendments to International Financial Reporting Standards (IFRSs)

New standards and amendments to IFRSs that are mandatorily effective for the current year

The accounting policies adopted are consistent with those of the previous financial year, except for the following standards and amendments to IFRS that became effective for annual period beginning on or after 1 January 2024. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Amendments and interpretations apply for the first time in 2024, but do not have an impact on the financial statements of the Bank.

The new and amended standards and interpretations are effective for annual periods beginning on or after 1 January 2024, unless otherwise stated. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Effective for annual periods beginning on or after	New Standards or Amendments
1 January 2024	Amendments to IFRS 16 *Lease Liability in Sale and Leaseback* Amendments to IAS 1 *Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants* Amendments to IAS 7 and IFRS 7 *Disclosures: Supplier Finance Arrangements*

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

In September 2022, the IASB issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16.

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy in accordance with IAS 8 that results in information that is relevant and reliable.

The amendments did not have any significant impact on the Bank's financial statements.

Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures.

The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments clarify the characteristics of supplier finance arrangements. In these arrangements, one or more finance providers pay amounts an entity owes to its suppliers. The entity agrees to settle those amounts with the finance providers according to the terms and conditions of the arrangements, either at the same date or at a later date than that on which the finance providers pay the entity's suppliers.

The amendments require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.

2.3 Application of new and amendments to International Financial Reporting Standards (IFRSs) (Contd.)

New standards and amendments to IFRSs that are mandatorily effective for the current year (Contd.)

***Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7* (Contd.)**

The information on those arrangements is required to be aggregated unless the individual arrangements have dissimilar or unique terms and conditions. In the context of quantitative liquidity risk disclosures required by IFRS 7, supplier finance arrangements are included as an example of other factors that might be relevant to disclose.

The amendments did not have any significant impact on the Bank's financial statements.

Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants –Amendments to IAS 1

In January 2020 and October 2022, the IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer settlement must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
- Disclosure

Right to defer settlement
The IASB decided that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Furthermore, the IASB specified that the requirements in paragraph 72B apply only to liabilities arising from loan arrangements.

Existence at the end of the reporting period
The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies to covenants which the entity is required to comply with on or before the reporting date regardless of whether the lender tests for compliance at that date or at a later date.

Management expectations
IAS 1.75A has been added to clarify that the 'classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period'. That is, management's intention to settle in the short run does not impact the classification. This applies even if settlement has occurred when the financial statements are authorised for issuance. However, in these circumstances an entity may need to disclose information about the timing of settlement to enable users to understand the impact on its financial position.

Meaning of the term 'settlement'
The IASB added paragraphs 76A and 76B to IAS 1 to clarify what is meant by 'settlement' of a liability. The IASB concluded that it was important to link the settlement of the liability with the outflow of resources of the entity.

Settlement by way of an entity's own equity instruments is considered settlement for the purpose of classification of liabilities as current or non-current, with one exception.

In cases where a conversion option is classified as a liability or part of a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current. Only if the conversion option itself is classified as an equity instrument would settlement by way of own equity instruments be disregarded when determining whether the liability is current or non-current. Unchanged from the current standard, a rollover of a borrowing is considered the extension of an existing liability and is therefore not considered to represent 'settlement'

Disclosures
IAS 1.76ZA has been added to require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities as well as any facts and circumstances that indicate the entity may have difficulty complying with the covenants.

The amendments did not have any significant impact on the Bank's financial statements.

2.3 Application of new and amendments to International Financial Reporting Standards (IFRSs) (Contd.)

New standards and amendments to IFRSs that have been issued but are not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards, if applicable, when they become effective.

Effective for annual periods beginning or after	New Standards or Amendments
1 January 2025*	• Amendments to IAS 21 - *Lack of Exchangeability*
1 January 2026*	• Amendments to IFRS 9 and IFRS 7- *Amendments to the Classification and Measurement of Financial Instruments* • Volume 11 - *Annual improvements to IFRS Accounting standards* • Amendments to IFRS 9 and IFRS 7 – *Power Purchase agreements*
1 January 2027*	• IFRS 18 - *Presentation and Disclosure in Financial Statements* • IFRS 19 - *Subsidiaries without Public Accountability: Disclosures*
To be determined	• Amendments to IFRS 10 and IAS 28 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

* *The amendments are not expected to have any significant impact on the Bank's financial statements*.

Lack of exchangeability – Amendments to IAS 21

In August 2023, the IASB issued Lack of Exchangeability (Amendments to IAS 21).
The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.

When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments are not expected to have any significant impact on the Bank's financial statements.

Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7

On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only.

2.3 Application of new and amendments to International Financial Reporting Standards (IFRSs) (Contd.)

New standards and amendments to IFRSs that have been issued but are not yet effective (Contd.)

Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 (Contd.)

With respect to the amendments on the derecognition of financial liabilities that are settled through an electronic payment system, the Bank is currently performing an assessment of all material electronic payment systems utilised in the various jurisdictions it operates, in order to assess whether the amendments will result in a material change with respect to current practices and whether it meets the conditions to apply the accounting policy option to derecognise such financial liabilities before the settlement date. Moreover, the Bank is reviewing all its other payment systems (such as cheques, credit cards, debit cards) to ensure that the corresponding financial assets are derecognised when the right to cash flows are extinguished and that the corresponding financial liabilities are derecognised on settlement date.

In addition, the Bank is assessing the impact of the Amendments on its financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features, as well as on non-recourse financing and contractually linked instruments. Based on the initial assessment performed, the amendments in these areas are not expected to have a material impact on the financial statements, however, the assessment is yet to be concluded.

The amendments are not expected to have any significant impact on the Bank's financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. There are specific presentation requirements and options for entities that have specified main business activities (either providing finance to customers or investing in specific type of assets, or both).

It also requires disclosure of newly defined management-defined performance measures, which are subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes.

Narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The new standard is not expected to have any significant impact on the Bank's financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted.

The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

The amendments are not expected to have any significant impact on the Bank's financial statements

2.4 Material accounting policies

Foreign currency translation

The financial statements of the Bank are presented in Mongolian Togrogs (MNT), which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the statement of financial position date. All differences arising on non–trading activities are taken to 'Net other operating income/(expense)' in the statement of comprehensive income. Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non–monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit and loss for the period except for the exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Net interest income

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognised in 'Net interest income' as 'Interest and similar income' and 'Interest and similar expense' respectively using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period, under 'Net trading income/loss' and 'Net income from other financial instruments at FVTPL'. Interest income or expense on financial instruments that are measured at amortised cost and fair value through other comprehensive income is determined using the effective interest rate method.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net amortised cost or gross carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortised cost, net of the ECL allowance, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit adjusted effective interest rate is applied to the amortised cost.

(ii) Net fees and commission income

The Bank earns fees and commission income from a diverse range of services it provides to its customers. Fees and commission income are recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not typically include multiple performance obligations, as explained further below. When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time unless otherwise specified below.

The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

2.4 Material accounting policies (Contd.)

Recognition of income and expenses (Contd.)

(ii) Net fees and commission income (Contd.)

Fee and commission income from services where performance obligations are satisfied over time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include custody service fees.

Fee income from providing transaction services

Fees arising from negotiations or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance obligation are recognised after fulfilling the corresponding criteria of the performance.

The Bank provides a wide range of financial services in exchange for fee or commission income. As to depict the pattern of delivery of services, all of the commission income generated from provision of financial services, such as commission on operations with payment cards fees and commission on mobile-service provided fees which are not an integral part of the effective yield, are recognised on a point-in-time basis, i.e. when the performance obligation is completed. Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as applicable to the other participants.

Fee income forming an integral part of the corresponding financial instrument

Fees that the Bank considers to be an integral part of the corresponding financial instruments include: loan origination fees, loan commitment fees for loans that are likely to be drawn down and other credit related fees. The recognition of these fees (together with any incremental costs) form an integral part of the corresponding financial instruments and are recognised as interest income through an adjustment to the EIR. The exception is, when it is unlikely that a loan will be draw down, the loan commitment fees are recognised as revenue on expiry.

Fees and commission expense
Fee expense represents administration and fixed fee commission paid to the commercial banks. Fee expense is recognized when actual service has been provided.

Components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(iii) Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities 'held-for-trading'.

(iv) Net income from other financial instruments at FVTPL

Net income from other financial instruments at FVTPL includes all gains and losses from changes in the fair value of financial assets and financial liabilities at FVTPL.

Financial instruments – initial recognition and subsequent measurement

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between the fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVTOCI, resulting in an immediate accounting loss.

(i) Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes “regular way trades”: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

2.4 Material accounting policies (Contd.)

Financial instruments – initial recognition and subsequent measurement (Contd.)

(ii) Financial assets- Classification and measurement

The classification of financial assets is determined by the contractual cash flows test referred to as "solely payment of principal and interest" (SPPI) and a business model test.

Financial assets that fail the SPPI test is measured at FVTPL.

For assets passing the SPPI test, a business model test assesses the objective of holding the asset.

The business model test for financial assets is summarised below:

Financial assets are measured at amortised cost if they are held within a business model where the objective is to hold financial assets in order to collect contractual cash flows ("hold to collect" business model).

Financial assets are measured at FVTOCI if they are held within a business model where the objective is achieved by both collecting contractual cash flows and selling financial assets ("hold to collect and sell" business model).

Financial assets are measured at FVTPL if they do not meet the business model criteria of either "hold to collect" or "hold to collect and sell".

(iii) Financial assets measured at amortised cost

On initial recognition, financial assets are recognised at their fair value, including transaction costs directly attributable to the transaction as well as commissions related to the origination of the loans.
They are subsequently measured at amortised cost, including accrued interest and net of repayments of principal and interest during the past period. These financial assets are also subject from initial recognition, to the measurement of ECL allowance.

Interest is calculated using the effective interest method determined at inception of the contract.

This category includes, in particular, cash and balances with BoM, loans and advances to customers, due from banks, repurchase agreements and debt instruments issued by the Government of Mongolia (GoM) and BoM.

(iv) Financial assets measured at FVTOCI

Debt instruments

Debt instruments are classified at FVTOCI if the following two criteria are met:

- Business model criterion: Financial assets are held in a business model whose objective is achieved by both holding the financial assets in order to collect contractual cash flows and selling the financial assets ("collect and sale"). The latter is not incidental but is an integral part of the business model.

- Cash flow criterion: The principles are identical to those applicable to financial assets at amortised cost.

On initial recognition, financial assets are recognised at their fair value, including transaction costs directly attributable to the transaction. They are subsequently measured at fair value and changes in fair value are recognised in other comprehensive income. These financial assets are also subject to the measurement of an ECL allowance on the same approach as for debt instruments at amortised cost. On disposal, changes in fair value previously recognised in other comprehensive income are reclassified to profit or loss.
In addition, interest is recognised in the income statement using the effective interest method determined at the inception of the contract.

2.4 Material accounting policies (Contd.)

Financial instruments – initial recognition and subsequent measurement (Contd.)

(iv) Financial assets measured at FVTOCI (Contd.)

Equity instruments

All equity investments in scope of IFRS 9 are to be measured at fair value in the statement of financial position, with value changes recognized in profit or loss, except for those equity investments for which the entity has elected to present value changes in other comprehensive income. There is no cost exception for unquoted equities. On disposal of the equity instruments, changes in fair value previously recognised in other comprehensive income are not recognised in profit or loss. Only dividends, if they represent remuneration for the investment and not repayment of capital, are recognised in profit or loss. These instruments are not subject to impairment.

The Bank has elected to present value changes of equity investments in other comprehensive income.

(v) Financial assets measured at FVTPL

A financial instrument may be designated as at FVTPL only if such designation (a) eliminates or significantly reduces a measurement or recognition inconsistency; or (b) applies to a group of financial assets, financial liabilities or both, that the Bank manages and evaluates on a fair value basis; or (c) relates to a financial liability that contains an embedded derivative which is not evidently closely related to the host contract.

This category includes derivative financial instruments,investments in residential mortgage backed securities ("RMBS") and Junior asset backed securities ("ABS") and loans and advances to customers to be sold to wholly owned subsidiaries of MIK Holding JSC ("MIK").

(vi) Borrowed funds,subordinated loans and debt securities issued

Borrowed funds,subordinated loans and debt securities issued are contractual obligations to local and foreign financial institutions.

After initial measurement, borrowed funds,subordinated loans and debt securities issued are subsequently measured at amortised cost. The amortised cost of borrowed funds,subordinated loans and debt securities issued is calculated using EIR by taking into account any transaction costs related to the transaction.

An analysis of the Bank's borrowed funds issued is disclosed in Note 21.4.

(vii) Due to banks

This includes deposits from other banks and financial institutions in foreign currency and local currency accounts and time deposits placed by local and foreign commercial banks and BoM (Note 21.2).

After initial measurement, borrowings are subsequently measured at amortised cost using the EIR.

(viii) Due to customers

This includes current, savings and time deposits from customers (Note 21.3).

After initial measurement, due to customers are subsequently measured at amortised cost using the EIR.

(ix) Financial guarantees, letters of credit and undrawn loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Bank are initially recognised in the financial statements at their fair values, being the premium received. If not designated as at FVTPL and not arising from a transfer of a financial asset, financial guarantees are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Bank's revenue recognition policies.

2.4 Material accounting policies (Contd.)

Financial instruments – initial recognition and subsequent measurement (Contd.)

(ix) Financial guarantees, letters of credit and undrawn loan commitments (Contd.)

The premium received is recognized in the income statement in Net fees and commission income on a straight line basis over the life of the guarantee.

Financial guarantee contracts not designated at FVTPL are presented as provisions on the statement of financial position (within 'other liabilities') and the remeasurement is presented in profit or loss as Net credit loss expense.

The Bank has not designated any financial guarantee contracts as at FVTPL.

(x) Commitments to provide a loan at a below-market interest rate

Commitments to provide a loan at a below-market interest rate are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Bank's revenue recognition policies.
- Commitments to provide a loan below market rate not designated at FVTPL are presented as provisions in the statement of financial position (within 'other liabilities') and the remeasurement is presented in profit or loss as Net credit loss expense.

The Bank has not designated any commitments to provide a loan below market rate at FVTPL.

Impairment of financial assets measured at amortised cost

The impairment model for credit risk is based on expected losses. This model applies to loans and debt instruments measured at amortised cost, to loan commitments and financial guarantee contracts that are not recognised at fair value, as well as to trade receivables. No impairment loss is recognised on equity investments.

General model

The Bank identifies three 'stages' that correspond each to a specific status with regards to the evolution of counterparty credit risk since the initial recognition of the asset.

- 12-months ECL ('stage 1'): If at the reporting date, the credit risk of the financial instrument has not increased significantly since its initial recognition, this instrument is impaired at an amount equal to 12-months ECL (resulting from the risk of default within the next 12 months).
- Lifetime ECL for non-impaired assets ('stage 2'): The loss allowance is measured at an amount equal to the lifetime ECL if the credit risk of the financial instrument has increased significantly since initial recognition, but the financial asset is not credit impaired.
- Lifetime ECL for credit-impaired financial assets ('stage 3'): when an asset is "credit-impaired", the loss allowance is also measured at an amount equal to the lifetime ECL.

This general model is applied to all instruments within the scope of IFRS 9 impairment, except for purchased or originated credit-impaired financial assets and instruments for which a simplified model is used (see below).

The IFRS 9 expected credit loss approach is symmetrical, i.e. if lifetime ECL have been recognised in a previous reporting period, and if it is assessed in the current reporting period that there is no longer any significant increase in credit risk since initial recognition, the loss allowance reverts to a 12-months ECL.

Regarding interest income, under 'stage' 1 and 2, it is calculated on the gross carrying amount. Under 'stage' 3, interest income is calculated on the amortised cost (i.e. the gross carrying amount adjusted for the ECL allowance).

2.4 Material accounting policies (Contd.)

Impairment of financial assets measured at amortised cost (Contd.)

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Bank considers the following as constituting an event of default:

- the borrower is past due more than 90 days; or
- the borrower is unlikely to pay its credit obligations to the Bank in full.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators.

Significant increase in credit risk

The Bank monitors all financial assets, that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-months ECL.

The Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Bank monitors all financial assets, that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated when the financial instrument was first recognised. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information.

Economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral.

The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy.

Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Departments. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions.

Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

When the loan has been renegotiated or modified but not derecognised, the Bank considers that there has been a significant increase in credit risk and thus classifies the loan as Stage 2. Once an asset has been classified as forborne, it will remain forborne until it is reclassified out of the forborne category by meeting following criteria:

- All of its facilities have to be considered performing
- Regular and timely payments have been made during a six-month period according to the renewed repayment schedule
- The customer does not have any contracts that are more than 30 days past due

2.4 Material accounting policies (Contd.)

Write-off

Loans and debt instruments are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event.

However, a write-off in accounting terms does not imply debt forgiveness in the legal sense as recovery actions on cash due by the counterparty are pursued particularly if the latter's fortune improve. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities are recognized asother income.

Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement; and either:
  - the Bank has transferred substantially all the risks and rewards of the asset, or
  - the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the statement of comprehensive income.

Derivative financial instruments

The Bank enters into derivative financial instruments which are are held to manage its exposure to foreign exchange rate risk. Derivative held include foreign exchange forward contracts and cross currency swaps. Further details of derivative financial instruments are disclosed in Note 14.2.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain/loss is recognised in profit or loss. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

2.4 Material accounting policies (Contd.)

Determination of fair value (Contd.)

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Bank's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument. An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 27

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in statement of financial position.

Modification of financial assets/financial liabilities

Modification of financial assets

When the contractual cash flows of a financial asset are renegotiated or otherwise modified as a result of commercial restructuring activity rather than due to credit risk and impairment considerations, the Bank performs an assessment to determine whether the modifications result in the derecognition of that financial asset. For financial assets, this assessment is based on qualitative factors.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, as set out below, then it does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Modification of financial liabilities

When the modification of the terms of an existing financial liability is not judged to be substantial and, consequently, does not result in derecognition, the amortised cost of the financial liability is recalculated by computing the present value of estimated future contractual cash flows that are discounted at the financial liability's original EIR. Any resulting difference is recognised immediately in profit or loss.

For financial liabilities, the Bank considers a modification to be substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, non-restricted current accounts with BoM and amounts due from banks on demand or with an original maturity of three months or less.

Property and equipment

Premises comprising of land and buidings held for use for providing services or for administrative purpose are stated in the financial position at fair value less subsequent accumulated depreciation and subsequent accumulated impairment losses. All other items of property and equipment are stated at cost less less subsequent accumulated depreciation and subsequent accumulated impairment losses (if any).

2.4 Material accounting policies (Contd.)

Property and equipment (Contd.)

Properties in the course of construction for providing services or for administrative purposes are carried at cost, less any recognised impairment loss. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising from revaluation of property is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged.

A decrease in net carrying amount arising on revaluation of property and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is recognised so as to write off the cost or revalued amount of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

Depreciation of property and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Premises	40 years
Office furniture	10 years
Computer equipment and others	3 - 10 years
Vehicles	10 years
Leasehold improvements	Lower of lease term or useful lives

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

Intangible assets

The Bank's other intangible assets include the value of computer software and licenses, software under development and patents and rights.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.
Amortisation is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

Computer software	1 - 10 years
Patents and rights	1 - 10 years

2.4 Material accounting policies (Contd.)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Bank as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Bank allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to leases of branches that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:
- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Bank; and
- an estimate of costs to be incurred by the Bank in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Bank is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Bank obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property and equipment.

Right-of-use assets are presented within line item of property and equipment on the statement of financial position.

The Bank presents right-of-use assets that do not meet the definition of investment property or inventory in "property and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned. Right-of-use assets that meet the definition of investment property and inventory are presented within "investment properties" and "properties for/under development"/"properties for sale" respectively.

Refundable rental deposits
Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities
At the commencement date of a lease, the Bank recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

2.4 Material accounting policies (Contd.)

Leases (Cont'd)

The Bank as a lessee (Contd.)

Lease liabilities (Contd.)

The lease payments include:
- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Bank under residual value guarantees;
- the exercise price of a purchase option if the bank is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Bank exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Bank remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:
- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Leases liabilities are presented as a separate line item on the statement of financial position and disclosed separately in the notes.

Lease modifications

The Bank accounts for a lease modification as a separate lease if:
- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Bank remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Bank accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Bank allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Employee benefits

(i) Short term benefits

Wages, salaries and other salary related expenses are recognised as an expense in the year in which the associated services are rendered by employees of the Bank. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

2.4 Material accounting policies (Contd.)

Employee benefits (Contd.)

(ii) Defined contribution plans

As required by law, companies in Mongolia make contributions to the government pension scheme, Social and Health Fund. Such contributions are recognised as an expense in profit or loss as incurred. The Bank also contributes to a defined contribution pension plan. The contribution paid is recorded as an expense under "Pension fund expense" in proportion to the services rendered by the employees to the Bank.

Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Taxes

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.

Deferred tax asset are recognised for all deductible temporary differences, unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax asset are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax asset and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the statement of comprehensive income.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Bank applies IAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax asset and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

In assessing any uncertainty over income tax treatments, the Bank considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

2.4 Material accounting policies (Contd.)

Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholder.

Dividends for the year that are approved after the reporting date are disclosed as an event after the statement of financial position date.

Equity reserves

The reserves recorded in equity on the Bank's statement of financial position include:

'Regulatory reserve' is set up in compliance with the BoM requirement and is distributable to the Shareholder of the Bank subject to BoM's approval. The Regulatory Reserve is created as an appropriation of retained earnings based on the decision made by the management of the Bank or other authorised body, such as the Bank's management in accordance with the regulation of the BoM. Regulatory reserve mainly represents a difference between impairment provision determined for loan loss and impairment of foreclosed assets in accordance with the regulations of BoM and impairment provision determined under IFRS. This reserve represents a part of other reserve and is distributable to shareholder of the Bank subject to BoM's approval.

'Other reserves' which represent appropriations of retained earnings based on the decision of the Bank's Board of Directors. The purpose of this account is not specified at present.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

When the Bank receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the profit or loss over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grants.

Precious metals

Coins and cultural valuables are stated at the lower of cost and net realisable value.

Foreclosed assets

Foreclosed assets are initially recognised at the lower of their fair values less costs to sell and the amortised cost of the related outstanding loans on the date of the repossession, and the related loans and advances together with the related impairment allowances are derecognised from the balance sheet. Subsequently, foreclosed assets are measured at the lower of their cost and fair value less costs to sell and are included in 'Other assets'.

The Bank's policy is to determine whether a foreclosed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category. Assets that are determined better to be sold are immediately transferred to 'Properties held for sale'. Foreclosed assets where the Bank is yet to determine its use are retained under this account.

Properties held for sale

Properties held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Foreclosed assets are classified as properties held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

2.4 Material accounting policies (Contd.)

Segment information

The Bank's segment information is based on the following operating segments: retail banking, business banking, leasing and treasury.

Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity holders of the Bank (after adjusting for interest on the convertible preference shares and interest on the convertible bond, in each case net of tax, if any) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Transactions with related parties

A related party is a person or entity that is related to the Bank:

a. A person or a close member of that person's family is related to a Bank if that person:
   - (i) has control or joint control of the Bank;
   - (ii) has significant influence over the Bank; or
   - (iii) is a member of the key management personnel of the Bank.

b. An entity is related to a Bank if any of the following conditions applies:
   - (i) The entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   - (iii) Both entities are joint ventures of the same third party.
   - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   - (v) The entity is a post-employment benefit plan for the benefit of employees of the Bank. If the Bank is itself such a plan, the sponsoring employers are also related to Bank.
   - (vi) The entity is controlled or jointly controlled by a person identified in (a).
   - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
   - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Bank or to the parent of the Bank.

In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity. All material transactions and balances with the related parties are disclosed in the relevant notes to financial statements and the details are presented in Note 30.

3. Segment information

For management purposes, the Bank is organised into four operating segments based on products and services as follows:

Retail banking	- Individual customers and SME or smaller in size business services including current accounts, term savings, credit and debit cards, consumer loans, credit facility or loans for micro, small and medium companies and internally developed and marketed credit products such as green loan, women entrepreneur loans as well as regular banking account services from payments, currency exchange to cross border cash transfers and remittances.
Business banking	- Commercial banking activities for corporate customers including tailored credit offerings including products such as risk sharing facility, export/ import trade financing as well as customized account services from overdrafts, currency deposits to international remittances at preferential rates.
Leasing	- Financial leasing services with the portfolio mainly consisting of lease for commercial and passenger vehicles including used cars, complimented by lease products on medical and agricultural equipment.
Treasury & Funding	- Cash, currency and liquidity management, securities investments, interbank placements and any other financial instruments trading on an ad-hoc basis. Also excess funds from other segments allocated to Treasury for centralized assets and liability management purpose.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the financial statements. Income taxes are managed on a Bank wide basis and are not allocated to operating segments.

Interest income is reported net basis as management primarily relies on net interest revenue as a performance measure, not the gross income and expense.

Transfer pricing between operating segments are based on internal fund transfer method.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2024 and 2023.

Geographical information

All the Bank’s activities were carried out in Mongolia. Therefore, no geographical analysis is presented.

3. Segment information (Contd.)

The following table presents income and profit and certain asset and liability information related to the Bank's operating segments for 2024.

	Retail Banking	Business Banking	Leasing	Treasury & Funding	Total
	2024 MNT'000	**2024 MNT'000**	**2024 MNT'000**	**2024 MNT'000**	**2024 MNT'000**
Net income					
Third party	229,645,047	106,800,774	75,278,246	(29,016,749)	382,707,318
Inter-segment	14,005,759	(35,041,841)	(31,621,138)	52,657,220	-
	243,650,806	**71,758,933**	**43,657,108**	**23,640,471**	**382,707,318**
Net credit loss reversal/(expense)	(2,302,953)	3,750,893	838,605	(156,904)	2,129,641
Operating income	**241,347,853**	**75,509,826**	**44,495,713**	**23,483,567**	**384,836,959**
Results					
Net interest income	215,010,269	83,649,968	73,963,668	(44,999,837)	327,624,068
Net fees and commission income	23,410,005	3,413,104	1,314,578	-	28,137,687
Net trading gain	-	-	-	10,598,279	10,598,279
Derivative instruments	-	-	-	5,384,809	5,384,809
Depreciation of property and equipment	(6,784,285)	(678,428)	(278,801)	(678,428)	(8,419,942)
Depreciation of right-of-use assets	(5,000,920)	-	(178,021)	-	(5,178,941)
Amortisation of intangible assets	(2,445,950)	(229,308)	(229,308)	(152,872)	(3,057,438)
Other operating expenses	(100,315,186)	(16,840,591)	(14,755,998)	(6,288,883)	(138,200,658)
Amortisation of deferred grants	-	484,712	-	-	484,712
Net other operating income	(8,775,227)	19,737,702	-	-	10,962,475
Net credit loss reversal/(expense)	(2,302,953)	3,750,893	838,605	(156,904)	2,129,641
Inter segment	14,005,759	(35,041,841)	(31,621,138)	52,657,220	-
Segment profit before tax	**126,801,512**	**58,246,211**	**29,053,585**	**16,363,384**	**230,464,692**
Income tax expense	(32,321,664)	(14,868,870)	(7,416,688)	(4,177,182)	(58,784,404)
Profit for the year after tax	**94,479,848**	**43,377,341**	**21,636,897**	**12,186,202**	**171,680,288**
Other segment information					
Capital expenditures:					
Property and equipment	14,072,685	134,031	219,329	-	14,426,045
Other intangible assets	856,654	213,065	154,566	-	1,224,285
	14,929,339	**347,096**	**373,895**	**-**	**15,650,330**
Total segment assets	**3,664,698,886**	**618,070,661**	**461,592,799**	**1,577,431,373**	**6,321,793,719**
Total segment liabilities	**3,369,910,981**	**330,268,279**	**77,470,447**	**1,812,541,257**	**5,590,190,964**

3. Segment information (Contd.)

The following table presents income and profit and certain asset and liability information related to the Bank's operating segments for 2023.

	Retail Banking	Business Banking	Leasing	Treasury & Funding	Total
	2023 MNT'000	2023 MNT'000	2023 MNT'000	2023 MNT'000	2023 MNT'000
Net income					
Third party	155,087,344	79,831,585	53,730,066	18,502,414	307,151,409
Inter-segment	27,463,391	(31,203,739)	(23,273,760)	27,014,108	-
	182,550,735	**48,627,846**	**30,456,306**	**45,516,522**	**307,151,409**
Net credit loss reversal/(expense)	4,966,045	2,352,943	1,155,154	(355,430)	8,118,712
Operating income	**187,516,780**	**50,980,789**	**31,611,460**	**45,161,092**	**315,270,121**
Results					
Net interest income	135,250,517	72,417,083	52,809,116	4,889,880	265,366,596
Net fees and commission income	18,980,070	3,493,708	920,950	-	23,394,728
Net trading gain	-	-	-	11,973,708	11,973,708
Derivative instruments	-	-	-	1,638,826	1,638,826
Depreciation of property and equipment	(5,839,886)	(583,989)	(208,531)	(583,989)	(7,216,395)
Depreciation of right-of-use assets	(4,032,579)	-	(150,490)	-	(4,183,069)
Amortisation of intangible assets	(2,324,795)	(244,201)	(117,217)	(244,201)	(2,930,414)
Other operating expenses	(79,070,674)	(14,561,855)	(12,742,145)	(5,006,840)	(111,381,514)
Amortisation of deferred grants	-	1,129,888	-	-	1,129,888
Net other operating income	856,757	3,920,794	-	-	4,777,551
Net credit loss reversal/(expense)	4,966,045	2,352,943	1,155,154	(355,430)	8,118,712
Inter segment	27,463,391	(31,203,739)	(23,273,760)	27,014,108	-
Segment profit before tax	**96,248,846**	**36,720,632**	**18,393,077**	**39,326,062**	**190,688,617**
Income tax expense	(22,358,450)	(10,246,995)	(4,748,791)	(11,275,736)	(48,629,972)
Profit for the year after tax	**73,890,396**	**26,473,637**	**13,644,286**	**28,050,326**	**142,058,645**
Other segment information					
Capital expenditures:					
Property and equipment	9,444,727	1,588,731	1,123,570	-	12,157,028
Other intangible assets	1,888,459	476,497	336,984	-	2,701,940
	11,333,186	**2,065,228**	**1,460,554**	**-**	**14,858,968**
Total segment assets	**2,878,480,950**	**451,220,104**	**338,586,134**	**1,451,134,453**	**5,119,421,641**
Total segment liabilities	**3,057,376,986**	**253,370,302**	**19,471,931**	**1,167,139,684**	**4,497,358,903**

4. Net interest income

Interest and similar income

	2024 MNT'000	2023 MNT'000
4.1 Financial assets at amortised cost		
Loans and advances to customers	566,810,108	407,131,162
Debt instruments	116,546,166	97,600,543
Cash and balances with BoM	13,981,399	18,493,667
Due from banks	5,492,328	2,043,397
Reverse repurchase agreements	392,377	788,190
Security Finance Corporation (SFC)-Senior ABS	43,105	344,251
	703,265,483	**526,401,210**
4.2 Financial instruments at FVTPL		
Swap interest	4,016,676	7,883,806
Loans and advances to customers	8,957,682	4,275,258
	12,974,358	**12,159,064**
Total interest and similar income	**716,239,841**	**538,560,274**

4.3 Interest and similar expense

	2024 MNT'000	2023 MNT'000
Financial liabilities at amortised cost and FVTPL		
Due to customers	211,780,346	156,159,342
Borrowed funds	124,153,306	93,941,235
Swap interest	57,829,570	26,312,965
Interest expense for lease liabilities (Note 19.3)	798,672	633,405
Repurchase agreements	663,708	755,741
Due to banks	587,137	765,534
Other interest expenses	442,060	1,649
	396,254,799	**278,569,871**
Net interest income	**319,985,042**	**259,990,403**

5. Net fees and commission income

	2024 MNT'000	2023 MNT'000
Fees and commission income		
Card related fees and commissions	22,985,030	20,081,885
Remittance, trade finance and other service fees	17,098,602	12,861,959
Account service fees and commissions	3,767,530	3,535,503
Credit related fees and commissions	221,596	424,783
	44,072,758	**36,904,130**
Fees and commission expenses		
Card transaction charges	9,480,395	8,352,025
Bank service charges	6,262,338	5,096,477
Credit related fees and commissions	192,338	60,900
	15,935,071	**13,509,402**
Net fees and commission income	**28,137,687**	**23,394,728**

5. Net fees and commission income (Contd.)

	Retail Banking 2024 MNT'000	Business Banking 2024 MNT'000	Leasing 2024 MNT'000	Total 2024 MNT'000
Fee income from providing financial services at a point in time				
Card related fees and commissions	22,972,717	4	12,309	22,985,030
Remittance, trade finance and other service fees	12,497,227	3,280,563	1,314,578	17,092,368
Account service fees and commissions	3,745,996	15,052	6,482	3,767,530
Credit related fees and commissions	88,955	132,541	100	221,596
	39,304,895	**3,428,160**	**1,333,469**	**44,066,524**
Fee income earned from services that are provided over time				
Remittance, trade finance and other service fees	6,234	-	-	6,234
	6,234	-	-	6,234
Total revenues from contracts with customers	**39,311,129**	**3,428,160**	**1,333,469**	**44,072,758**

	Retail Banking 2023 MNT'000	Business Banking 2023 MNT'000	Leasing 2023 MNT'000	Total 2023 MNT'000
Fee income from providing financial services at a point in time				
Card related fees and commissions	20,063,925	15,927	2,033	20,081,885
Remittance, trade finance and other service fees	8,740,064	3,192,945	920,950	12,853,959
Account service fees and commissions	3,519,127	12,084	4,292	3,535,503
Credit related fees and commissions	124,020	300,763	-	424,783
	32,447,136	**3,521,719**	**927,275**	**36,896,130**
Fee income earned from services that are provided over time				
Remittance, trade finance and other service fees	8,000	-	-	8,000
	8,000	-	-	8,000
Total revenues from contracts with customers	**32,455,136**	**3,521,719**	**927,275**	**36,904,130**

6. Net trading income

	2024 MNT'000	2023 MNT'000
Foreign exchange	5,924,614	8,219,838
Derivative instruments	5,384,809	1,638,826
Interest income on Senior RMBS (FVTPL) (Note 27)	4,508,056	3,827,812
Precious metal	164,182	24,638
Fair value changes in Senior RMBS (FVTPL) (Note 27)	1,427	(98,580)
	15,983,088	**13,612,534**

7. Net income from other financial instruments at FVTPL

Net income from financial instruments mandatorily measured at FVTPL other than held for trading

	2024 MNT'000	2023 MNT'000
Interest income on Junior RMBS (Note 27)	5,914,399	5,213,724
Fair value changes in Junior RMBS (Note 27)	1,612,806	(375,381)
Interest income on SFC Junior ABS (Note 27)	65,510	392,250
Fair value changes SFC Junior ABS (Note 27)	46,311	145,600
	7,639,026	**5,376,193**

8. Net other operating income

	2024 MNT'000	2023 MNT'000
Unrealised foreign exchange gain	36,698,742	62,322,489
Other operating income	16,822,001	1,642,197
Rental income	409,045	328,139
Gain on disposal of properties held for sale (Note 18)	170,818	410,149
Loss on disposal of property and equipment	(4,038)	(18,867)
Loss on disposal of foreclosed properties (Note 17)	(18,973)	(3,155,286)
Impairment loss on properties held for sale (Note 18)	(116,937)	-
(Loss)/reversal of impairment on foreclosed properties (net) (Note 17)	(1,037,266)	6,939,062
Fair value change of swaps	(41,960,917)	(63,690,332)
	10,962,475	**4,777,551**

9. Net credit loss reversal

	2024 MNT'000	2023 MNT'000
(Reversal)/charge of ECL:		
Contingent liability and commitments (Note 24)	188,562	61,638
Debt instruments (Note 16.3)	137,146	(177,555)
Reverse repurchase agreements (Note 16.2)	(10,989)	10,989
Due from banks (Note 16.1)	(109,575)	(1,790)
Mandatory cash balances with BoM (Note 13.2)	(157,353)	(34,346)
Other financial assets (Note 17)	(219,691)	76,439
Loans and advances to customers (Note 16.4)	(1,957,741)	(8,054,087)
	(2,129,641)	**(8,118,712)**

10. Operating expenses

	2024 MNT'000	2023 MNT'000
Personnel expenses*	96,096,707	75,835,467
IT, network and communications	12,370,491	8,883,876
Depreciation of property and equipment (Note 19)	8,419,942	7,216,395
Deposit insurance expense	7,075,180	5,616,858
Depreciation of right of use assets (Note 19)	5,178,941	4,183,069
Marketing and advertising	3,947,679	3,515,287
Other operating expenses	3,120,041	2,537,058
Amortisation of intangible assets (Note 20)	3,057,438	2,930,414
Meeting and staff activity	2,268,966	2,058,636
Outside service fees	1,795,429	2,539,380
Stationary	1,702,962	1,499,652
Armored guard and security	1,648,124	1,305,559
Business trip	1,567,485	1,430,483
Utilities	1,362,651	1,388,531
Insurance	1,132,783	909,463
Transportation	935,257	867,331
Loan collection	908,421	447,496
Audit service fees	595,145	568,870
Donations	535,291	31,223
Expense relating to lease of low-value assets, excluding short term leases (Note 19.3)	389,846	493,265
Repairs and maintenance	360,729	868,639
Membership fees	187,441	220,173
Rental of premises (Note 19.3)	103,481	90,131
Property and equipment write-off (Note 19)	84,910	206,848
Penalty	11,639	67,288
	154,856,979	**125,711,392**

*** Personnel expenses**		
Salaries, wages and bonus	84,225,148	66,548,937
Contribution to social and health fund	10,674,122	8,398,102
Retirement savings plan	840,826	704,234
Staff training	356,611	184,194
	96,096,707	**75,835,467**

11. Corporate income tax

11.1 Income tax expense

The components of income tax expense for the year ended 31 December 2024 and 2023 are:

	2024 MNT'000	2023 MNT'000
Current tax:		
Current income tax	61,571,765	52,359,776
Deferred tax		
Relating to origination and reversal of temporary differences (Note 11.2)	(2,787,361)	(3,729,804)
Income tax expense for the year	**58,784,404**	**48,629,972**

The Bank provides for income taxes on the basis of its income for financial reporting purposes, adjusted for items which are not assessable or deductible for income tax purposes. The income tax rate for profits of the Bank in 2024 is 10% (2023: 10%) for the first MNT 6 billion (2023: MNT 6 billion) of taxable income, and 25% (2023: 25%) on the excess of taxable income over MNT 6 billion (2023: MNT 6 billion). Interest income on government bonds is not subject to income tax.

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Bank for the year ended 31 December 2024 and 2023 are as follows:

	2024 MNT'000	2023 MNT'000
Profit before tax	230,464,692	190,688,617
Tax at statutory tax rate of 25% (2023: 25%)	57,616,173	47,672,154
Effect of income tax subject to lower tax rate	(900,000)	(900,000)
Effect of income not subject to tax	(1,686,902)	(2,363,527)
Effect of expenses not deductible for tax purposes	4,976,249	3,650,693
Effect of the special tax for certain type of taxable income	554,091	570,652
Tax reduction*	(1,775,207)	-
Tax expense for the year	**58,784,404**	**48,629,972**

The effective income tax rate for 2024 is 25.51% (2023: 25.50%).

* In accordance with the new provisions of the tax law that were added in 2024, certain non deducible expenses meets the criteria for tax reduction and the Bank is entitled to a tax reduction of MNT 1,775 million for the current year.

Income tax payable

	2024 MNT'000	2023 MNT'000
Income tax payable as at 1 January	29,759,280	23,840,068
Income tax expense for the year	61,571,765	52,359,776
Tax paid	(65,166,388)	(46,440,564)
Income tax payable as at 31 December	**26,164,657**	**29,759,280**

11.2 Deferred tax assets

	2024 MNT'000	2023 MNT'000
At beginning of the year	8,870,069	5,232,744
Recognised in statement of profit or loss (Note 11.1)	2,787,361	3,729,804
Recognised in other comprehensive income	285,368	(92,479)
At end of the year	**11,942,798**	**8,870,069**

11. Corporate income tax (Contd.)

11.2 Deferred tax assets (Contd.)

Deferred taxes analysed by type of temporary difference

As at 31 December 2024	**1 January 2024 MNT'000**	**Recognised in statement of profit or loss MNT'000**	**Recognized in other comprehensive income MNT'000**	**31 December 2024 MNT'000**
Depreciation of property and equipment	(1,149,644)	(453,631)	-	(1,603,275)
Depreciation of right of use assets	30,499	53,091	-	83,590
Loans and advances to customers	2,609,541	1,096,765	-	3,706,306
Other liabilities				
Deferral of long term incentive plan	1,407,830	1,266,049	-	2,673,879
Accrued expense for employees	6,559,313	1,056,278	-	7,615,591
Accrued expense	478,310	(231,191)	-	247,119
Financial instruments at FVTOCI	(1,065,780)	-	285,368	(780,412)
Net deferred tax assets/(liabilities)	**8,870,069**	**2,787,361**	**285,368**	**11,942,798**

As at 31 December 2023	**1 January 2023 MNT'000**	**Recognised in statement of profit or loss MNT'000**	**Recognized in other comprehensive income MNT'000**	**31 December 2023 MNT'000**
Depreciation of property and equipment	(786,734)	(362,910)	-	(1,149,644)
Depreciation of right of use assets	18,732	11,767	-	30,499
Loans and advances to customers	1,698,218	911,323	-	2,609,541
Other liabilities				
Deferral of long term incentive plan	15,610	1,392,220	-	1,407,830
Accrued expense for employees	4,854,794	1,704,519	-	6,559,313
Accrued expense	405,425	72,885	-	478,310
Financial instruments at FVTOCI	(973,301)	-	(92,479)	(1,065,780)
Net deferred tax assets/(liabilities)	**5,232,744**	**3,729,804**	**(92,479)**	**8,870,069**

12. Earnings per share

The following table shows the income and share data used in the basic and diluted earnings per share calculations:

	2024 MNT'000	2023 MNT'000
Profit for the year	171,680,288	142,058,645
Weighted average number of ordinary shares for basic and diluted earnings per share	1,052,625,161	1,029,021,096

Earnings per share

	2024 MNT	2023 MNT
Equity holders of the Bank for the period:		
Basic earnings per share	163.10	138.05
Diluted earnings per share	163.10	138.05

Basic earnings per share are calculated by dividing the net profit by the weighted average number of ordinary shares in issue during the year. The weighted average of shares was after taking into account the effect of treasury shares held.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of these financial statements which would require the restatement of earnings per share.

13. Cash and bank balances

13.1 Cash and balances with BoM

	2024 MNT'000	2023 MNT'000
Current account with BoM	902,538	-
Overnight deposit with BoM	-	290,381,370
Cash on hand	33,011,523	32,165,664
Cash in transit	-	35,812,245
	33,914,061	**358,359,279**

13.2 Mandatory cash balances with BoM

	2024 MNT'000	2023 MNT'000
Mandatory cash balances with BoM	398,103,270	239,748,125
Less: Impairment allowance for Mandatory cash balances with the BoM	(212,397)	(369,750)
	397,890,873	**239,378,375**

	2024 MNT'000	2023 MNT'000
At beginning of the year	369,750	404,096
Reversal for the year (Note 9)	(157,353)	(34,346)
At end of the year	**212,397**	**369,750**

Current accounts with BoM are maintained in accordance with BoM's regulations. The balances maintained with BoM are determined at not less than 11.0% and 16.0% (2023: 8.0% and 18.0 %) of customer deposits in local and foreign currency, respectively on average balance of two weeks before period end. As at 31 December 2024, the average reserve required by BoM for that period of 2 weeks was MNT 301,261.92 million (2023: MNT 156,778.74 million) for local currency and MNT 96,841.35 million (2023: MNT 82,969.39 million) for foreign currency maintained in current accounts with BoM.

13. Cash and bank balances (Contd.)

13.3 Cash and cash equivalents

	Note	2024 MNT'000	2023 MNT'000
Cash and balances with BoM	**13.1**	33,914,061	358,359,279
Due from banks	**16.1**	776,456,708	394,238,579
BoM treasury bills	**16.3**	1,094,964,770	960,398,077
Less: BoM treasury bills pledged against borrowed funds from BoM		(9,000,000)	(13,000,000)
Total cash and cash equivalents		**1,896,335,539**	**1,699,995,935**

14. Financial instruments at fair value through profit or loss

14.1 Financial assets

	2024 MNT'000	2023 MNT'000
Debt instruments		
MIK-Junior RMBS	63,169,016	59,768,115
MIK-Senior RMBS	48,259,388	49,141,819
SFC-Junior ABS	872,376	1,399,212
	112,300,780	**110,309,146**
Loans and advances to customers at FVTPL	**209,855,668**	**93,116,520**

During the year, the Bank sold certain 5% to 8% mortgage loans with a carrying amount of MNT 28,616 million (2023: MNT 99,444 million) to MIK for which it received RMBS amounting to MNT 25,754 million (2023: MNT 89,500 million) senior tranche and MNT 2,862 million (2023: MNT 9,944 million) junior tranche, in return.

14. Financial instruments at fair value through profit or loss (Contd.)

14.2 Derivative financial instruments

The table below shows the fair value of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

	Assets 2024 MNT'000	Liabilities 2024 MNT'000	Notional amount 2024 MNT'000
Derivatives held for trading			
Foreign currency swap contracts	494,359	-	(8,191,260)
Cross currency interest rate swap	8,777,086	9,494,471	1,496,074,352
Foreign currency forward contracts	779,278	48,366	1,308,080
	10,050,723	**9,542,837**	**1,489,191,172**

	Assets 2023 MNT'000	Liabilities 2023 MNT'000	Notional amount 2023 MNT'000
Derivatives held for trading			
Cross currency interest rate swap	56,789,344	14,096,897	1,230,483,155
Foreign currency forward contracts	11,574	235,218	(118,255)
	56,800,918	**14,332,115**	**1,230,364,900**

At their inception, derivatives often involve only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Bank.

Disclosures concerning the fair value of derivatives are provided in Note 27.

15. Financial assets at fair value through other comprehensive income

	Fair value 2024 MNT'000	Changes in fair value taken directly through OCI 2024 MNT'000	Fair value 2023 MNT'000	Changes in fair value taken directly through OCI 2023 MNT'000
Equity instruments				
Unquoted equities*	420,741	(96,265)	418,544	(97,913)
Quoted equities**	3,489,990	2,437,500	4,633,662	3,295,254
	3,910,731	**2,341,235**	**5,052,206**	**3,197,341**

* Unquoted equity instruments represent investments made in unquoted private companies.
**Quoted equities at fair value represent equity investment in MIK, listed on the Mongolia Stock Exchange.

Equity instruments designated at fair value through OCI include investments in equity shares of non-listed companies. The Bank holds non-controlling interests in these companies. These investments were irrevocably designated at fair value through OCI as the Bank considers these investments to be strategic in nature.

During the year, the Bank didn't receive any dividends.

Disclosures concerning the fair value of equities are provided in Note 27.

16. Financial assets at amortised cost

16.1 Due from banks

	2024 MNT'000	2023 MNT'000
Placement with BoM		
Term deposits	344,384,593	205,142,762
Placement with foreign banks and financial institutions		
Current accounts	68,374,841	90,754,026
Term deposits	86,142,003	-
Placement with local banks and financial institutions		
Current accounts	3,613,043	3,148,991
Term deposits	273,942,228	95,192,800
Gross carrying amount	**776,456,708**	**394,238,579**
Less: Impairment allowance for due from banks	(359,940)	(469,515)
	776,096,768	**393,769,064**

Impairment allowance for due from banks

	2024	2023
At beginning of the year	469,515	471,305
Reversal for the year (Note 9)	(109,575)	(1,790)
At end of the year	**359,940**	**469,515**

16.2 Reverse repurchase agreement

	2024 MNT'000	2023 MNT'000
Reverse repurchase agreements	-	99,751,658
Less: Impairment allowance for reverse repurchase agreements	-	(10,989)
	-	**99,740,669**

Impairment allowance for reverse repurchase agreement

	2024	2023
At beginning of the year	10,989	-
(Reversal)/charge for the year (Note 9)	(10,989)	10,989
At end of the year	**-**	**10,989**

16.3 Debt instruments

	2024 MNT'000	2023 MNT'000
BoM treasury bills (Note 13.3)	1,094,964,770	960,398,077
"Ulaanbaatar" bond*	40,109,589	-
SFC-Senior ABS	78,124	795,604
Less: Impairment allowance for debt instruments	(1,260,203)	(1,123,057)
	1,133,892,280	**960,070,624**

Impairment allowance for debt instruments		
At beginning of the year	1,123,057	1,300,612
Charge/(reversal) for the year (Note 9)	137,146	(177,555)
At end of the year	**1,260,203**	**1,123,057**

As at 31 Decemcer 2024, the carrying amount of BoM treasury bill which have been pledged as security for the borrowing obtained from BoM, is MNT 9.00 billion (2023: MNT 13.00 billion).

*On 25 June 2024, the bank acquired the “Ulaanbaatar” bond with a total investment of MNT 40 billion. These bonds carry a maturity period from 1 to 3 years and offer an annual interest rate between 12% and 14%.

16. Financial assets at amortised cost (Contd.)

16.4 Loans and advances to customers

	2024 MNT'000	**2023 MNT'000**
Loans and advances to customers at amortised cost*	3,249,645,394	2,466,452,241
Lease receivables	281,856,005	223,267,770
Less: Allowance for impairment losses	(58,766,396)	(62,485,601)
	3,472,735,003	**2,627,234,410**

Transferred financial assets that are derecognised in their entirety

Sale of mortgage pool

During the year, the Bank sold 100% of the rights of the cash flows arising from portfolios of fixed rate mortgage loans to wholly owned special purpose companies of MIK in exchange for RMBS. The Bank derecognised the loan portfolio and recognised the Senior RMBS and Junior RMBS received as financial assets (see Note 14.1).

Bank's continuing involvement in the transferred assets is also to act as servicer of the transferred assets until its maturity, with an quarterly servicing fee of 2.5% of serviced amount. The total servicing fee recognised in 2024 amounts to MNT 1,738 million (2023: MNT 1,507 million) included within Fees and commission income. The Bank may become obligated to repurchase the derecognised financial assets in the unlikely event of liquidation of the special purpose companies. The undiscounted cash outflows that may be required to repurchase derecognised financial assets amounts to MNT 354,644 million as of 31 December 2024 (2023: MNT 370,325 million).

Sale of SME loan pool

*On 20 February 2021, the GoM has approved a MNT 10 trillion "Economic recovery plan and citizen's health protection program". The program consisted of 5 components supporting SMEs, housing, strategically important projects, agricultural productions and access to education, expected to continue until 2023. Out of these 5 sub-programs, the sub-program in supporting SMEs began in March 2021 and the sub-program in supporting agricultural production began in May 2021.

As part of sub-program in supporting SMEs, the Bank participated in securitisation transactions with wholly owned special purpose companies of SFC in selling SME loan pools collateralized by immovable assets with recourse. The assets that does qualify for derecognition amounted to MNT 179 million (2023: MNT 1,879 million). The Bank recognized the Senior ABS and Junior ABS received as financial assets bearing an interest rate of 9.5% p.a with a maturity of over to 3 years (see Notes 14.1 and 16.3).

Bank's continuing involvement in the transferred assets is also to act as servicer of the transferred assets until its maturity, with an quarterly servicing fee of 0.5% of serviced amount. The total servicing fee recognised in 2024 amounts to MNT 7 million (2023: MNT 53 million) included within Fees and commission income. The Bank may become obligated to repurchase the derecognised financial assets in the unlikely event of liquidation of the special purpose companies. The undiscounted cash outflows that may be required to repurchase derecognised financial assets amounts to MNT 179 million as of 31 December 2024 (2023: MNT 1,879 million).

16. Financial assets at amortised cost (Contd.)

16.4 Loans and advances to customers (Contd.)

	2024 MNT'000	2023 MNT'000
Loans and advances to customers at amortised cost		
Gross carrying amount		
Stage 1	3,119,280,700	2,333,989,290
Stage 2	56,401,555	51,813,186
Stage 3	73,963,139	80,649,765
	3,249,645,394	**2,466,452,241**
Less: Allowance for impairment losses		
Stage 1	(13,539,827)	(10,531,240)
Stage 2	(1,039,522)	(4,992,341)
Stage 3	(40,849,157)	(42,950,129)
	(55,428,506)	**(58,473,710)**
Net loans and advances to customers	**3,194,216,888**	**2,407,978,531**

	2024 MNT'000	2023 MNT'000
Lease receivables at amortised cost		
Gross carrying amount		
Stage 1	278,442,392	218,512,893
Stage 2	2,410,849	3,035,616
Stage 3	1,002,764	1,719,261
	281,856,005	**223,267,770**
Less: Allowance for impairment losses		
Stage 1	(2,204,805)	(2,200,147)
Stage 2	(464,718)	(696,556)
Stage 3	(668,367)	(1,115,188)
	(3,337,890)	**(4,011,891)**
Net lease receivables	**278,518,115**	**219,255,879**

Impairment allowance for loans and advances to customers and lease receivables

	2024 MNT'000	2023 MNT'000
At beginning of the year	62,485,601	74,533,608
Reversal for the year (Note 9)	(1,957,741)	(8,054,087)
Written off	(1,761,464)	(3,993,920)
At end of the year	**58,766,396**	**62,485,601**

16. Financial assets at amortised cost (Contd.)

16.4 Loans and advances to customers (Contd.)

Lease receivables

MNT'000	**Lease payments 2024**	**Present value of lease payments 2024**	**Lease payments 2023**	**Present value of lease payments 2023**
Total minimum lease receivables				
Within 1 year (inclusive)	127,519,441	79,983,833	68,468,375	29,754,125
Over 1 year but within 2 years (inclusive)	95,108,655	60,948,262	90,345,646	62,346,326
Over 2 years but within 3 years (inclusive)	63,928,014	40,171,056	60,750,759	42,241,879
Over 3 years but within 4 years (inclusive)	46,060,458	28,686,737	40,729,256	28,094,396
Over 4 years but within 5 years (inclusive)	37,869,095	25,612,945	29,744,252	21,207,666
Over 5 years	57,192,619	46,453,172	47,174,939	39,623,378
Unguaranteed residual values	427,678,282	281,856,005	337,213,227	223,267,770
Gross investment in the lease	427,678,282	281,856,005	337,213,227	223,267,770
Less: Unearned finance income	(145,822,277)		(113,945,457)	
Present value of minimum lease payment receivables	281,856,005	281,856,005	223,267,770	223,267,770
Less: Impairment allowances	(3,337,890)	(3,337,890)	(4,011,891)	(4,011,891)
Net carrying amount of finance lease receivables	278,518,115	278,518,115	219,255,879	219,255,879

17. Other assets

	2024 MNT'000	2023 MNT'000
Other financial assets		
Receivables on cash and settlement services	480,250	22,086,651
Receivables from companies and individuals	13,706,262	6,342,330
Cash collaterals*	3,347,219	3,107,386
Deferred staff loan**	3,725,503	2,267,059
Other financial assets	63,636	212,191
Less: Impairment allowance for other financial assets	(1,692,728)	(1,924,534)
	19,630,142	**32,091,083**
Other non-financial assets		
Advance to vendor for goods and service	4,354,399	3,548,871
Consumables and other inventories	2,913,397	2,598,458
Prepaid expense	353,508	944,920
Precious metals	724,527	94,439
VAT receivables	25,924,837	20,569,659
Other non-financial assets	3,771,897	1,985,750
Foreclosed properties	6,279,207	10,784,829
Less: Impairment allowance for foreclosed properties	(2,378,127)	(1,340,861)
	41,943,645	**39,186,065**
Total other assets	**61,573,787**	**71,277,148**
Impairment allowance for other financial assets		
Stage 1	61,616	38,463
Stage 2	5,653	129,333
Stage 3	1,625,459	1,756,738
	1,692,728	**1,924,534**
Impairment allowance for other financial assets		
At beginning of the year	1,924,534	1,873,647
(Reversal)/charge for the year (Note 9)	(219,691)	76,439
Written off	(12,115)	(25,552)
At end of the year	**1,692,728**	**1,924,534**

* Cash collaterals are guarantee deposits placed with international card payment organisations for interchange service.

**The Bank provides loans to its employees at preferential rates. In accordance with IFRS, fair value adjustments at initial recognition are recognised as deferred employee benefits and are amortised according to the terms of the loan.

17. Other assets (Contd.)

	2024 MNT'000	2023 MNT'000
Foreclosed properties		
At beginning of the year	10,784,829	41,433,855
Add: Possession	15,992,063	1,582,320
Add: Transfer from properties held for sale (Note 18)	-	1,298,511
Less: Disposal during the year	(20,497,685)	(21,927,271)
Less: Transfer to loans and advances to customers (Note 31.2)	-	(11,602,586)
	6,279,207	**10,784,829**
Less: Allowances for impairment losses	(2,378,127)	(1,340,861)
At end of the year	**3,901,080**	**9,443,968**
Impairment allowance for foreclosed properties		
At beginning of the year	1,340,861	8,279,923
Charge/(reversal) for the year (Note 8)	1,037,266	(6,939,062)
At end of the year	**2,378,127**	**1,340,861**

Consideration from the sales of foreclosed properties during the year were MNT 20,478.71 million (2023: MNT 18,771.98 million), with an outstanding receivable of MNT 10,000.0 million. The loss on the sale of such properties amounted to MNT 18.97 million (2023: loss amounted to MNT 3,155.29 million) (Note8).

18. Properties held for sale

	2024 MNT'000	2023 MNT'000
At beginning of the year	1,387,250	2,063,167
Add: Transfer from property and equipment (Note 19)	1,080,169	59,081
Add: Possession	810,064	1,069,274
Less: Sold during the year	(2,070,597)	(505,761)
Less: Transfer to foreclosed properties (Note 17)	-	(1,298,511)
	1,206,886	**1,387,250**
Less: Allowances for impairment losses	(116,937)	-
At end of the year	**1,089,949**	**1,387,250**
Impairment allowance for properties held for sale		
At beginning of the year	-	-
Charge for the year (Note 8)	116,937	-
At end of the year	**116,937**	**-**

Proceeds from the sale of buildings during the year were MNT 2,241.41 million (2023: MNT 915.91 million). The gain on the sale of properties held for sale amounted to MNT 170.82 million (2023: MNT 410.15 million) and is recorded as part of “Net other operating income” (Note 8).

The Management assessed that those assets are available for immediate sale and can be sold to the buyer in its current condition. The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification.

19. Property, equipment and right-of-use assets

	Leasehold improve-ments MNT'000	Premises MNT'000	Vehicles MNT'000	Office furniture MNT'000	Computer equipment and others MNT'000	Construc-tion in progress MNT'000	Right-of-use assets MNT'000	Total MNT'000
At 31 December 2024								
At cost or revaluation								
At 1 January 2024	**2,797,004**	**39,918,888**	**6,590,726**	**4,825,047**	**51,434,112**	**1,668,305**	**18,481,302**	**125,715,384**
Additions	2,101,262	1,550,676	2,511,399	577,032	5,627,682	2,057,994	5,865,928	20,291,973
Write-off	(630,132)	-	-	(375,708)	(1,017,085)	-	-	(2,022,925)
Disposals	-	-	-	(55,371)	(11,237)	-	-	(66,608)
Termination of lease	-	-	-	-	-	-	(1,159,561)	(1,159,561)
Reclassification	178,100	310,672	-	6,864	1,170,327	(1,665,963)	-	-
Reclassification to other asset	(36,665)	-	-	-	-	(2,342)	-	(39,007)
Transfer to property held for sale (Note 18)	-	(1,116,338)	(339,405)	-	-	-	-	(1,455,743)
At 31 December 2024	**4,409,569**	**40,663,898**	**8,762,720**	**4,977,864**	**57,203,799**	**2,057,994**	**23,187,669**	**141,263,513**
Accumulated depreciation								
At 1 January 2024	**810,096**	**1,563,738**	**2,285,891**	**2,643,631**	**33,648,974**	**-**	**9,374,205**	**50,326,535**
Charge for the year (Note 10)	1,157,154	862,326	718,012	435,370	5,247,080	-	5,178,941	13,598,883
Write-off	(630,132)	-	-	(312,141)	(995,742)	-	-	(1,938,015)
Disposals	-	-	-	(46,671)	(7,982)	-	-	(54,653)
Transfer to property held for sale (Note 18)	-	(78,404)	(297,170)	-	-	-	-	(375,574)
At 31 December 2024	**1,337,118**	**2,347,660**	**2,706,733**	**2,720,189**	**37,892,330**	**-**	**14,553,146**	**61,557,176**
Net Carrying amount at 31 December 2024	**3,072,451**	**38,316,238**	**6,055,987**	**2,257,675**	**19,311,469**	**2,057,994**	**8,634,523**	**79,706,337**

19. Property, equipment and right-of-use assets (Contd.)

	Leasehold improve-ments MNT'000	Premises MNT'000	Vehicles MNT'000	Office furniture MNT'000	Computer equipment and others MNT'000	Construc-tion in progress MNT'000	Right-of-use assets MNT'000	Total MNT'000
At 31 December 2023								
At cost or revaluation								
At 1 January 2023	**811,172**	**38,429,041**	**6,136,760**	**5,421,538**	**46,731,879**	**1,459,295**	**11,484,699**	**110,474,384**
Additions	1,894,955	1,357,815	830,860	746,504	5,658,588	1,668,306	7,282,341	19,439,369
Write-off	-	-	-	(1,142,256)	(1,676,348)	-	-	(2,818,604)
Disposals	-	-	-	(205,768)	(11,991)	-	-	(217,759)
Termination of lease	-	-	-	-	-	-	(285,738)	(285,738)
Reclassification	90,877	132,032	216,340	5,029	731,984	(1,176,262)	-	-
Reclassification to other asset	-	-	-	-	-	(283,034)	-	(283,034)
Transfer to property held for sale (Note 18)	-	-	(593,234)	-	-	-	-	(593,234)
At 31 December 2023	**2,797,004**	**39,918,888**	**6,590,726**	**4,825,047**	**51,434,112**	**1,668,305**	**18,481,302**	**125,715,384**
Accumulated depreciation								
At 1 January 2023	**252,019**	**740,932**	**2,186,833**	**3,283,056**	**30,599,151**	**-**	**5,191,136**	**42,253,127**
Charge for the year (Note 10)	558,077	822,806	633,211	489,255	4,713,046	-	4,183,069	11,399,464
Write-off	-	-	-	(958,560)	(1,653,196)	-	-	(2,611,756)
Disposals	-	-	-	(170,120)	(10,027)	-	-	(180,147)
Transfer to property held for sale (Note 18)	-	-	(534,153)	-	-	-	-	(534,153)
At 31 December 2023	**810,096**	**1,563,738**	**2,285,891**	**2,643,631**	**33,648,974**	**-**	**9,374,205**	**50,326,535**
Net Carrying amount at 31 December 2023	**1,986,908**	**38,355,150**	**4,304,835**	**2,181,416**	**17,785,138**	**1,668,305**	**9,107,097**	**75,388,849**

19. Property, equipment and right-of-use assets (Contd.)

19.1 Revaluation of premises

Land and buildings are carried at fair value. Had the premises been measured on a historical cost basis, their carrying amount would have been MNT 20.5 billion as at 31 December 2024 (2023: MNT 20.3 billion).

19.2 Gross carrying amount of fully depreciated property and equipment

	2024 MNT'000	2023 MNT'000
Computer equipment and others	19,981,524	18,892,609
Office furniture	780,953	584,042
	20,762,477	**19,476,651**

19.3 Right-of-use assets and lease liabilities

The amounts recognised in profit or loss in relation to leases are as follows:

	2024 MNT'000	2023 MNT'000
Interest on lease liabilities (Note 4.3)	798,672	633,405
Depreciation charge of right-of-use assets (Note 10)	5,178,941	4,183,069
Expense relating to short-term leases (Note 10)	103,481	90,131
Expense relating to lease of low-value assets, excluding short-term leases (Note 10)	389,846	493,265
	6,470,940	**5,399,870**

Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee)

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has extension and/or termination options in a number of leases for office and branch spaces. These are used to maximise operational flexibility in terms of managing the assets used in the Bank's operations.

The Bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options or not to exercise the termination options. The potential exposures to these future lease payments for (i) extension options in which the Bank is not reasonably certain to exercise and (ii) termination options in which the Bank is not reasonably certain not to exercise are summarised below:

	Lease liabilities recognised as at 31 December 2024 MNT'000	Potential future lease payments not included in lease liabilities (undiscounted) MNT'000	Lease liabilities recognised as at 31 December 2023 MNT'000	Potential future lease payments not included in lease liabilities (undiscounted) MNT'000
Branches	4,535,969	5,313,180	5,078,146	5,710,789
Office space	2,697,915	2,973,630	2,597,463	2,969,118
	7,233,884	**8,286,810**	**7,675,609**	**8,679,907**

In addition, the Bank reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2024, there is no such triggering event.

Lease committments

As at 31 December 2024, the Bank has not entered into new leases that have not yet commenced.

20. Intangible assets

	Patents and rights MNT'000	Computer software MNT'000	Software under development MNT'000	Total MNT'000
At 31 December 2024				
At cost				
At 1 January 2024	9,929,982	18,148,399	1,028,511	29,106,892
Additions	294,717	779,083	150,485	1,224,285
Write-off	(2,723,595)	(4,007)	-	(2,727,602)
Reclassification	148,438	634,112	(782,550)	-
At 31 December 2024	**7,649,542**	**19,557,587**	**396,446**	**27,603,575**
Accumulated amortisation				
At 1 January 2024	5,179,739	5,260,039	-	10,439,778
Charge for the year (Note 10)	1,024,426	2,033,012	-	3,057,438
Write-off	(2,723,595)	(4,007)	-	(2,727,602)
At 31 December 2024	**3,480,570**	**7,289,044**	**-**	**10,769,614**
Net carrying amount	**4,168,972**	**12,268,543**	**396,446**	**16,833,961**
At 31 December 2023				
At cost				
At 1 January 2023	10,271,216	17,648,589	533,277	28,453,082
Additions	1,706,896	309,763	685,281	2,701,940
Write-off	(2,048,130)	-	-	(2,048,130)
Reclassification	-	190,047	(190,047)	-
At 31 December 2023	**9,929,982**	**18,148,399**	**1,028,511**	**29,106,892**
Accumulated amortisation				
At 1 January 2023	6,253,102	3,304,392	-	9,557,494
Charge for the year (Note 10)	974,767	1,955,647	-	2,930,414
Write-off	(2,048,130)	-	-	(2,048,130)
At 31 December 2023	**5,179,739**	**5,260,039**	**-**	**10,439,778**
Net carrying amount	**4,750,243**	**12,888,360**	**1,028,511**	**18,667,114**

21. Financial liabilities at amortised cost

21.1 Repurchase agreements

During its normal course of business the Bank sell securities under agreements to repurchase (repos) and purchase securities under agreements to resell (reverse repos).

The following table summarises the liability arising from the short–term repurchase agreement made with domestic banks. The Bank sold BoM bills at face value of Nil (2023: MNT 149.66 billion):

	2024 MNT'000	2023 MNT'000
Repurchase agreements	-	149,611,113
	-	**149,611,113**

21.2 Due to banks

	2024 MNT'000	2023 MNT'000
Current accounts from banks and financial institutions	2,410,125	2,002,159
Term deposits from banks and financial institutions	273,923,831	34,935,260
	276,333,956	**36,937,419**

21.3 Due to customers

	2024 MNT'000	2023 MNT'000
Government deposits		
- Current accounts	170,300,398	65,951,009
- Time deposits	78,212,948	35,196,737
Private sector deposits		
- Current accounts	468,168,356	459,353,656
- Time deposits	271,049,001	215,518,688
Individual deposits		
- Current accounts	225,800,541	177,574,386
- Demand deposits	200,924,056	170,993,684
- Time deposits	2,010,331,262	1,751,529,139
	3,424,786,562	**2,876,117,299**

Included in 'Due to customers' are deposits of MNT 15,303 million (2023: MNT 13,264 million) held as collateral for irrevocable commitments under financial guarantees provided by the Bank as at 31 December 2024.

21. Financial liabilities at amortised cost (Contd.)

21.4 Borrowed funds

	2024 MNT'000	2023 MNT'000
Borrowed funds from foreign financial institutions		
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (“FMO”)	309,519,010	231,666,969
International Finance Corporation ("IFC") (Note 30.c)	273,898,963	271,687,306
DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH	103,440,754	-
European Bank for Reconstruction and Development ("EBRD") (Note 30.c)	103,116,877	68,891,233
BlueOrchard Microfinance Fund	102,354,457	101,745,479
Green Climate Fund ("GCF")	94,247,915	98,972,749
Société De Promotion Et De Participation Pour La Coopération Économique S.A. (Proparco)	86,742,343	-
INCOFIN CVSO	68,100,695	67,648,011
Global Gender-Smart Funds S.A., SICAV-SIF	50,812,504	-
DWM Income Funds S.C.A. - SICAV SIF	46,523,116	34,321,628
Global Climate Partnership Fund S.A., SICAV-SIF	34,231,231	40,041,421
Triple Jump B.V.	33,962,143	-
Cardano Impact Financial Inclusion Fund	31,062,146	20,661,413
Micro, Small and Medium Enterprises Bonds S.A.	24,832,557	24,699,354
Financing for Healthier Lives, DAC	19,699,117	-
ResponsAbility Global Micro and SME Finance Fund	19,572,278	19,498,506
Covid-19 Emerging and Frontier Markets MSME Support Fund SCSp SICAV-RAIF	17,082,517	16,978,311
Microfinance Initiative for Asia (MIFA) Debt Fund SA, SICAV-SIF	17,082,517	16,978,311
Global Impact Investments Sàrl	17,014,773	16,907,976
ResponsAbility SICAV (Lux) Micro and SME Finance Debt Fund	16,481,918	16,419,795
Symbiotics SICAV II: SEB Microfinance	15,339,072	-
Symbiotics Sicav (Lux)	13,720,514	13,579,773
ResponsAbility SICAV (Lux) Financial Inclusion Fund	12,018,065	11,972,767
agRIF Coöperatief U.A.	10,263,878	10,155,933
INCOFIN CVSO CVBA SO	10,254,989	10,277,682
Symbiotics SICAV II: Impact Local Currencies Debt Fund	6,805,953	6,764,828
Symbiotics Sicav (Lux): SEB Microfinance life	5,113,024	-
ResponsAbility SICAV (Lux) Agriculture Fund	3,433,733	3,420,791
Monega kapitalanlagegesellschaft mbH	2,552,664	-
Symbiotics SICAV (Lux): Abendrot Microfinance Local Currency Fund	1,701,488	1,691,207
Asian Development Bank (“ADB”)	-	29,217,638
Total borrowed funds from foreign financial institutions	**1,550,981,211**	**1,134,199,081**
Borrowed funds from government organisations		
BoM	161,774,440	96,602,160
Ministry of Finance/ Asian Development Bank	6,204,586	350,222
Ministry of Finance/ Japan Bank for International Cooperation	5,710,680	6,905,535
"Oyu tolgoi" fund	2,500,000	-
SME Development Fund	585,481	711,597
Total borrowed funds from government organisations	**176,775,187**	**104,569,514**
Total borrowed funds	**1,727,756,398**	**1,238,768,595**

21. Financial liabilities at amortised cost (Contd.)

21.4 Borrowed funds (Contd.)

All borrowed funds from government organisations are related to the GoM.

The Bank did not have any defaults on principal or interest payments with regard to all liabilities as at 31 December 2024 and 2023.

As per their debt agreement, the funds raised from foreign lenders require compliance with certain financial covenants, which can be grouped in the following categories:

- capital related ratios (risk weighted capital adequacy ratio for both tier 1 and total capital)
- financial risks related ratios (such as maturity mismatches, currency mismatches, single currency and aggregate foreign currency exchange risk ratio, negative liquidity gap ratio, aggregate interest rate risk ratio and interest rate risk ratio);
- credit related ratios (such as portfolio at risk, open loan exposure ratio, write off ratio, related party lending ratio, single largest borrowers and aggregate of large exposures ratio);
- other financial ratios (deposits to loans ratio, interest coverage ratio, shareholding in single entity, fixed assets to total assets, fixed assets plus equity investments ratio, overhead ratio etc.).

In case of non-compliance to covenants, i.e., in the event of default and such event of default is subsisting, the borrowing becomes immediately payable on demand. For this reason, continuous monitoring of debt covenants is carried out by relevant departments and officers (Finance and Risk functions of Chief Financial Officer and Chief Risk Officer guidance). In case of anticipated or noted non-compliance with certain covenants, appropriate pro-active communication to lender as well as mitigating action is taken by management. The issue of covenant non-compliance is resolved through self-remedy based on mitigating actions or through acceptance of the breaches based either on request for temporary waiver or amendment to agreement.

As of 31 December 2024, the Bank is fully compliant with contractual debt covenants imposed by foreign lenders.

22. Deferred grants

	2024 MNT'000	2023 MNT'000
Micro Energy Credit Corporation ("MEC")	8,388,478	8,416,973
GCF Proceeds EECLP	3,320,105	3,450,049
Green Climate Fund Grant on MSME program	404,270	629,793
GCF Grant on ESIMD-RS	177,202	19,934
GCF Grant on NDA RS-2	79,369	11,992
Green Climate Fund Proceeds	15,463	20,568
GCF Grant on Mini-grid PPF	13,008	15,648
Total deferred grants	**12,397,895**	**12,564,957**

Movements in deferred grants are presented as follows:

	2024 MNT'000	2023 MNT'000
Balance at beginning of the year	12,564,957	7,970,706
Received during the year	307,516	5,884,213
Amortisation for the year	(484,712)	(1,129,888)
Foreign exchange movement	10,134	(160,074)
Balance at end of the year	**12,397,895**	**12,564,957**

Deferred grants received from MEC are carbon offset compensations which the Bank is obligated to use for future green projects and programs.

23. Lease liabilities

	2024 MNT'000	2023 MNT'000
Less than 12 month	3,930,957	3,493,085
1 to 2 years	2,106,778	3,070,720
2 to 3 years	572,610	839,156
3 to 4 years	623,539	167,820
4 to 5 years	-	104,828
	7,233,884	**7,675,609**

24. Other liabilities

	2024 MNT'000	2023 MNT'000
Other financial liabilities		
Clearing settlement	14,959,965	62,329,803
Other financial liabilities	28,574,529	17,139,135
Impairment allowance on off-balance exposures (Note 28)	471,071	282,509
	44,005,565	**79,751,447**
Other non-financial liabilities		
Accrued salary costs and bonuses	30,462,368	26,237,250
VAT payables	27,726,127	23,134,525
Taxes payable other than on income tax	1,046,453	718,836
Other non-financial liabilities	2,734,262	1,750,458
	61,969,210	**51,841,069**
Total other liabilities	**105,974,775**	**131,592,516**

Impairment allowance on off-balance exposures

	2024 MNT'000	2023 MNT'000
At beginning of the year	282,509	220,871
Charge for the year (Note 9)	188,562	61,638
At end of the year	**471,071**	**282,509**

25. Ordinary shares

	Number of shares authorised, issued and fully paid		Amount	
	31 December 2024	31 December 2023	31 December 2024 MNT'000	31 December 2023 MNT'000
Total ordinary shares	1,052,700,000	1,052,700,000	105,270,000	105,270,000

In accordance with "The Law on Amendment to the Banking Law of Mongolia", passed on the 29 January 2021 by the Parliament, and "The Law on Procedures for Enforcing the Law on Banking Law Amendments", the systemic five banks are obliged to restructure its form from a limited liability company to an open joint-stock company by 30 June 2023. In accordance with the Shareholders Meeting's decision, the Bank has offered 52,700,000 new shares in the share capital of the Bank, representing 5.01% of the fully-diluted share capital of the Bank. The Bank raised MNT 35.68 billion of gross proceeds from the offering of ordinary shares. An incremental costs directly attributable to the initial public offering of MNT 1.64 billion was recorded as a reduction against the share proceeds in equity.

As at 31 December 2024, the Bank's issued and authorised shares were 1,052,700,000 (2023: 1,052,700,000) at a par value of MNT 100.00 (2023: MNT 100.00) each.

25. Ordinary shares (Contd.)

The table below shows movements of share capital on 31 December 2024 and 2023:

	Number of ordinary shares	Ordinary shares MNT'000	Treasury shares* MNT'000	Share premium MNT'000
At 1 January 2023	**1,000,000,000**	**100,000,000**	-	**1,817,773**
New shares issued	52,700,000	5,270,000	-	28,768,995
At 31 December 2023	**1,052,700,000**	**105,270,000**	-	**30,586,768**
Purchase of treasury shares	-	-	(29,668)	(197,897)
At 31 December 2024	**1,052,700,000**	**105,270,000**	**(29,668)**	**30,388,871**

* During the year, the bank repurchased 296,678 shares on the Mongolian Stock Exchange's secondary market at total market value of MNT 227.57 million.

The shareholders of the Bank as of 31 December 2023 and 2024 and the percentages of ownership are as follows:

	2024 Ownership (%)	2023 Ownership (%)
Tenger Financial Group LLC*	94.99%	94.99%
Public	4.98%	5.01%
Treasury shares	0.03%	-
Total	**100.00%**	**100.00%**

*As of 31 December 2024, XacBank JSC is owned 94.99% by Tenger Financial Group LLC. Indirect shareholding of XacBank JSC by Tenger Financial Group LLC's shareholders are shown as per below:

	2024 Ownership (%)	2023 Ownership (%)
MAK Invest Kft	19.37%	19.37%
International Finance Corporation (IFC)	16.63%	16.63%
ORIX Corporation	16.28%	16.28%
European Bank for Reconstruction and Development (EBRD)	12.49%	12.49%
National Bank of Canada	10.18%	10.18%
Ronoc Partners Kft.	9.83%	9.83%
Mongolia Financial Services Pte. Ltd	6.41%	6.41%
Triodos Fair Share Fund	3.61%	3.61%
Boldoo Magvan	0.10%	0.10%
Ganbold Chuluun	0.09%	0.09%
Total	**94.99%**	**94.99%**

The Bank has one class of shares and each share carries one voting right. The dividend proposed by the board of directors is subject to approval by the shareholder in the annual general meeting.

26. Reserves

	Regulatory reserve MNT'000	Revaluation reserve for premises MNT'000	Investment revaluation reserve MNT'000	Other reserves MNT'000	Total reserves MNT'000
At 1 January 2024	**53,253,544**	**18,528,613**	**3,197,341**	**11,439,408**	**86,418,906**
Unrealised gain	-	-	(856,106)	-	(856,106)
Realised revaluation reserve	-	(176,244)	-	-	(176,244)
Transfer to/(from) regulatory reserve	(4,819,913)	-	-	-	(4,819,913)
At 31 December 2024	**48,433,631**	**18,352,369**	**2,341,235**	**11,439,408**	**80,566,643**
At 1 January 2023	**62,820,179**	**18,528,613**	**2,919,903**	**11,439,408**	**95,708,103**
Unrealised gain	-	-	277,438	-	277,438
Transfer to/(from) regulatory reserve	(9,566,635)	-	-	-	(9,566,635)
At 31 December 2023	**53,253,544**	**18,528,613**	**3,197,341**	**11,439,408**	**86,418,906**

Regulatory reserve

As of 31 December 2024, the regulatory reserve was MNT 48,434 million (31 December 2023: MNT 53,254 million) which consists of loan loss reserve of MNT 43,801 million (31 December 2023: MNT 43,231 million) and foreclosed asset impairment reserve of MNT 3,901 million (31 December 2023: MNT 9,291 million) and general reserves of MNT 732 million (31 December 2023: MNT 732 million). Regulatory reserve represents additional provision under BoM provisioning requirements on loans and foreclosed assets.

27. Fair value of financial instruments

Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Recurring fair value measurement			
	Level 1	**Level 2**	**Level 3**	**Total**
At 31 December 2024	**MNT'000**	**MNT'000**	**MNT'000**	**MNT'000**
Financial assets at FVTPL				
Derivative financial instruments				
Foreign currency swap contracts	-	-	494,359	494,359
Cross currency interest rate swap	-	8,777,086	-	8,777,086
Foreign currency forward contracts	-	779,278	-	779,278
MIK-Senior RMBS	-	-	48,259,388	48,259,388
MIK-Junior RMBS	-	-	63,169,016	63,169,016
SFC-Junior ABS	-	-	872,376	872,376
Loans and advances to customers	-	209,855,668	-	209,855,668
	-	**219,412,032**	**112,795,139**	**332,207,171**
Financial investments at FVTOCI				
Unquoted equities	-	-	420,741	420,741
Quoted equities	3,489,990	-	-	3,489,990
	3,489,990	**-**	**420,741**	**3,910,731**
Financial liabilities at FVTPL				
Derivative financial instruments				
Cross currency interest rate swap	-	9,494,471	-	9,494,471
Foreign currency forward contracts	-	48,366	-	48,366
	-	**9,542,837**	**-**	**9,542,837**
Non-financial assets				
Revalued premises	-	-	38,316,238	38,316,238
	-	**-**	**38,316,238**	**38,316,238**
At 31 December 2023				
Financial assets at FVTPL				
Derivative financial instruments				
Cross currency interest rate swap	-	56,789,344	-	56,789,344
Foreign currency forward contracts	-	11,574	-	11,574
MIK-Senior RMBS	-	-	49,141,819	49,141,819
MIK-Junior RMBS	-	-	59,768,115	59,768,115
SFC-Junior ABS	-	-	1,399,212	1,399,212
Loans and advances to customers	-	93,116,520	-	93,116,520
	-	**149,917,438**	**110,309,146**	**260,226,584**
Financial investments at FVTOCI				
Unquoted equities	-	-	418,544	418,544
Quoted equities	4,633,662	-	-	4,633,662
	4,633,662	**-**	**418,544**	**5,052,206**
Financial liabilities at FVTPL				
Derivative financial instruments				
Cross currency interest rate swap	-	14,096,897	-	14,096,897
Foreign currency forward contracts	-	235,218	-	235,218
	-	**14,332,115**	**-**	**14,332,115**
Non-financial assets				
Revalued premises	-	-	38,355,150	38,355,150
	-	**-**	**38,355,150**	**38,355,150**

27. Fair value of financial instruments (Contd.)

Transfers between level 1 and 2

There were no transfers between level 1 to level 2 of the fair value hierarchy for the financial assets and liabilities which are recorded at fair value.

The following table summarises information about how the fair values of financial assets and financial liabilities (both recurring and non-recurring) which are categorised as Level 2 and Level 3 are determined:

Financial assets/ financial liabilities	Fair value as at 31/12/2024 MNT'000	Fair value as at 31/12/2023 MNT'000	Fair value hierarchy	Valuation technique(s)	Key input(s)
1) Foreign currency swap contracts	494,359	-	Level 3	Market value, Interest rate parity	Repo rate and spot exchange rate
2) Cross currency interest rate swap	(717,385)	42,692,447	Level 2	Market value	SOFR rate, policy rate and spot exchange rate
3) Foreign currency forward contracts	730,912	(223,644)	Level 2	Market value, Interest rate parity	Repo rate, government bonds yield and spot exchange rate
4) MIK-Senior and MIK-Junior RMBS and SFC-Junior ABS	112,300,780	110,309,146	Level 3	Discounted cash flows	Future cash flows, PD, LGD and market interest rate of instruments
5) Unquoted equities	420,741	418,544	Level 3	Net assets value	Market share price, transaction price
6) Loans and advances to customers	209,855,668	93,116,520	Level 2	Projected cash flows	Future cash flows, PD, LGD and market interest rate of instruments
7) Revalued premises	38,316,238	38,355,150	Level 3	Depreciated replacement cost, market comparison	Market rental prices with appropriate adjustments

Financial assets and liabilities are categorised under level 2 where the Bank determined the fair value based on valuation technique (eg. discounted cash flow model) using market observable inputs.

Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

27. Fair value of financial instruments (Contd.)

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having short term maturity (less than one year), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, time deposits and variable rate financial instruments.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments available in Mongolia.

Set out below is a comparison of the carrying amounts and fair values of the Bank's financial instruments other than those with carrying amounts that approximate to fair value as at 31 December 2024:

	Note	2024 Carrying amount MNT'000	2024 Fair value MNT'000	2023 Carrying amount MNT'000	2023 Fair value MNT'000
Financial assets					
Loans and advances to customers	**16.4**	3,472,735,003	3,496,903,793	2,627,234,410	2,640,715,754
Financial liabilities					
Borrowed funds	**21.4**	1,727,756,398	1,721,763,552	1,238,768,595	1,234,908,415

Movements in fair value measurements within Level 3 are as follows:

	Note	2024 MNT'000	2023 MNT'000
Foreign currency swap contracts			
At beginning of the year		-	-
Change in fair value		494,359	-
At end of the year	**14.2**	**494,359**	**-**
Senior RMBS, at fair value			
At beginning of the year		49,141,819	29,528,142
Addition		25,754,600	89,499,600
Sold		(26,040,000)	(69,783,600)
Interest accrued	**6**	4,508,056	3,827,812
Interest received		(5,106,514)	(3,831,555)
Change in fair value	**6**	1,427	(98,580)
At end of the year	**14.1**	**48,259,388**	**49,141,819**
Junior RMBS, at fair value			
At beginning of the year		59,768,115	49,609,271
Addition		2,861,700	9,944,500
Interest accrued	**7**	5,914,399	5,213,724
Interest received		(6,988,004)	(4,623,999)
Change in fair value	**7**	1,612,806	(375,381)
At end of the year	**14.1**	**63,169,016**	**59,768,115**
SFC-Junior ABS, at fair value			
At beginning of the year		1,399,212	4,759,752
Sold		(541,800)	(3,465,500)
Interest accrued	**7**	65,510	392,250
Interest received		(96,857)	(432,890)
Change in fair value	**7**	46,311	145,600
At end of the year	**14.1**	**872,376**	**1,399,212**

27. Fair value of financial instruments (Contd.)

Movements in fair value measurements within Level 3 are as follows:

	Note	2024 MNT'000	2023 MNT'000
Unquoted investments, at fair value			
At beginning of the year		418,544	415,108
Change in fair value		2,197	3,436
At end of the year	**15**	**420,741**	**418,544**
Revalued premises, at fair value			
At beginning of the year		38,355,150	37,688,109
Additions and reclassifications	**19**	1,861,348	1,489,847
Depreciation charge for the period	**19**	(862,326)	(822,806)
Transfer to property held for sale	**19**	(1,037,934)	-
At end of the year		**38,316,238**	**38,355,150**

The sensitivity to reasonably possible changes to input used in the fair value measurement for level 3 measurement is described below:

31 December 2024	Fair value MNT'000	Reasonable change	Sensitivity of the input to fair value	Valuation technique	Significant unobservable inputs	Range of inputs
Financial assets						
MIK-Junior RMBS, at fair value	63,169,016	1%	+/- 631,690	Discounted cash flows	Future cash flows, PD, LGD and market interest rate of instruments	MNT 100,000
MIK-Senior RMBS, at fair value	48,259,388	1%	+/- 482,594	Discounted cash flows	Future cash flows, PD, LGD and market interest rate of instruments	MNT 100,000
SFC-Junior ABS, at fair value	872,376	1%	+/- 8,724	Discounted cash flows	Future cash flows, PD, LGD and market interest rate of instruments	MNT 100,000
Unquoted investments	420,741	10%	+/- 42,074	Net assets value	Market share price, transaction price	MNT 1,000-MNT 8,176,139
Revalued premises	38,316,238	10%	+/- 3,831,624	Depreciated replacement cost, market comparison	Market rental prices with appropriate adjustments	MNT 25,240-MNT 6,245,455

28. Contingent liabilities and commitments

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank.

The nominal values of such commitments are listed below.

	2024 MNT'000	2023 MNT'000
Contingent liabilities		
Performance and tender guarantees	39,838,374	29,971,282
Financial guarantees	36,572,654	37,792,391
Letters of credit	17,994,485	27,914,142
	94,405,513	95,677,815
Commitments		
Undrawn commitments to lend	175,079,999	101,212,803
Total	**269,485,512**	**196,890,618**

Contingent liabilities

Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry the same risk as loans even though they are of a contingent nature. No material losses are anticipated as a result of these transactions.

Undrawn commitments to lend

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

The potential credit loss is less than the total unused commitments since commitments to extend credit are contingent upon customers maintaining specific standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Analysis of the contingent liabilities and undrawn commitments subject to ECL loss allowance is given below:

As at 31 December 2024	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
As at 31 December 2023	192,924,675	3,941,739	24,204	196,890,618
New facilities granted	169,329,645	-	-	169,329,645
Changes in gross carrying amount				
- Transfer from stage 1	(14,149)	4,314	9,835	-
- Transfer from stage 2	58,549	(101,858)	43,309	-
- Transfer from stage 3	10,199	-	(10,199)	-
Utilisation or expiry of facilities	(93,089,731)	(3,631,018)	(14,002)	(96,734,751)
Gross outstanding exposure as at 31 December 2024	**269,219,188**	**213,177**	**53,147**	**269,485,512**
Loss allowance				
As at 31 December 2023	254,712	18,235	9,562	282,509
New facilities granted	309,833	-	-	309,833
Changes in gross carrying amount				
- Transfer from stage 1	(417)	20	397	-
- Transfer from stage 2	-	(203)	203	-
- Transfer from stage 3	5,637	-	(5,637)	-
Utilisation or expiry of facilities	(105,340)	(17,243)	(3,924)	(126,507)
Impact on ECL on transfers between stages and changes to inputs	(4,054)	(9)	9,299	5,236
Gross outstanding exposure as at 31 December 2024	**460,371**	**800**	**9,900**	**471,071**

28. Contingent liabilities and commitments (Contd.)

Analysis of the contingent liabilities and undrawn commitments subject to ECL loss allowance is given below (Contd.):

As at 31 December 2023	**Stage 1 MNT'000**	**Stage 2 MNT'000**	**Stage 3 MNT'000**	**Total MNT'000**
As at 31 December 2022	136,524,374	151,031	106,627	136,782,032
New facilities granted	129,182,432	-	-	129,182,432
Changes in gross carrying amount				
		3,902,433	22,926	
- Transfer from stage 1	(3,925,359)			-
- Transfer from stage 2	21,171	(21,171)	-	-
- Transfer from stage 3	9,368	-	(9,368)	-
Utilisation or expiry of facilities	(68,887,311)	(90,554)	(95,981)	(69,073,846)
Gross outstanding exposure as at 31 December 2023	**192,924,675**	**3,941,739**	**24,204**	**196,890,618**
Loss allowance				
As at 31 December 2022	201,752	373	18,746	220,871
New facilities granted	185,593	-	-	185,593
Changes in gross carrying amount				
- Transfer from stage 1	(11,562)	6,211	5,351	-
- Transfer from stage 2	9	(12)	3	-
- Transfer from stage 3	3,816	237	(4,053)	-
Utilisation or expiry of facilities	(105,977)	13,567	(14,377)	(106,787)
Impact on ECL on transfers between stages and changes to inputs	(18,919)	(2,141)	3,892	(17,168)
Gross outstanding exposure as at 31 December 2023	**254,712**	**18,235**	**9,562**	**282,509**

Other commitments

	2024 MNT'000	**2023 MNT'000**
Approved and contracted for:		
Property and equipment	1,014,954	1,275,947
Outside services	494,016	146,138
Intangible assets	424,825	1,567,714
Other services	137,483	259,064
Consumables and other inventories	54,104	170,379
Advertisement	8,150	380,316
	2,133,532	**3,799,558**

Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business. The Bank has an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claim may have on its financial position.

Legal case with Azrich LLC

During prior years, there has been a legal dispute between Azrich LLC (“Azrich”, the borrower) and XacBank JSC (“the Bank”) over the Az mall department store (“Az Mall”) which was previously accounted for as foreclosed property by the Bank according to an early resolution in March 2017 by the court, of which has been overruled according to a subsequent court resolution in late 2023, and the foreclosed property of the Bank was returned back to Azrich accordingly.

28. Contingent liabilities and commitments (Contd.)

Legal claims (Contd.)

XacBank claim against Azrich

In November 2023, the Bank filed a claim of MNT 38.7 billion against Azrich for its accumulated loan principal and interest, as well as estimated expenses incurred during the property's repossession. On 1 July, 2024, the Khan-Uul District Civil Trial Court ruled the case in favor of the Bank for Azrich to pay MNT 17.2 billion and declaring the remainder of the claim null and void. Azrich LLC filed an appeal to the appellate court and following this, on 10 Sep 2024, the Capital City Court of Civil Appeals ruled the case in favor of the Bank for Azrich to pay MNT 17.3 billion and declaring the remainder of the claim null and void. As of 31 December 2024, the loan from Azrich LLC was classified as stage 3, with the respective expected credit loss, and it is reported in the loans and advances to customers at amortised cost. (Note 16.4)

Azrich's final appeal to the Supreme Court was rejected on 05 December 2024 in the cassation procedure, and the case is now closed. The execution of the court order is currently underway.

Azrich claim against XacBank

During the year ended 31 December 2024, Azrich made a claim of MNT 53.3 billion against the Bank at the Sukhbaatar District Court. The claim comprises two primary components: 1) the amount of projected income loss from Az Mall during the Bank's possession amounting to MNT 38.6 billion, 2) an amount of MNT 14.7 billion relating to property & equipment damages and financial losses, including the cost of services in bringing the building back into normal operation and financial losses to executive directors and shareholders due to the long-term operational downtime. As of the date of this report, the date of trial has not yet been announced.

Based on the limited information available to date, the external expert's opinion, and the Bank's assessment after considering other possibilities, the outcome of the legal disputes is considered highly uncertain and therefore no liabilities have yet been recognized by the Bank as management has assessed that an outflow of resources are uncertain and improbable, respectively. The Bank will continue to monitor the situation, carry out necessary legal actions against the claims, and provide updates as necessary.

As at 31 December 2024, there were no major litigation cases involving the Bank other than above.

29. Maturity analysis of assets and liabilities

The table shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. See Note 31.3 Liquidity risk and funding management for the Bank's contractual undiscounted repayment obligations.

At 31 December 2024	Less than 12 months 2024 MNT'000	More than 12 months 2024 MNT'000	Total 2024 MNT'000
Financial assets			
Cash and balances with BoM	33,914,061	-	33,914,061
Mandatory cash balances with BoM	-	397,890,873	397,890,873
Financial instruments at FVTPL			
Derivative financial instruments	8,178,683	1,872,040	10,050,723
Financial instruments	6,905,021	105,395,759	112,300,780
Loans and advances to customers	7,362,673	202,492,995	209,855,668
Financial assets at FVTOCI			
Equity instruments	-	3,910,731	3,910,731
Financial assets at amortised cost			
Due from banks	776,096,768	-	776,096,768
Debt instruments	1,119,024,124	14,868,156	1,133,892,280
Loans and advances to customers	1,428,897,959	2,043,837,044	3,472,735,003
Other assets	14,073,416	5,556,726	19,630,142
	3,394,452,705	**2,775,824,324**	**6,170,277,029**
Non financial assets			
Other assets	41,849,206	94,439	41,943,645
Properties held for sale	1,089,949	-	1,089,949
Property, equipment and right-of-use assets	-	79,706,337	79,706,337
Intangible assets	-	16,833,961	16,833,961
Deferred tax asset	7,862,710	4,080,088	11,942,798
	50,801,865	**100,714,825**	**151,516,690**
Total	**3,445,254,570**	**2,876,539,149**	**6,321,793,719**
Financial liabilities			
Financial instruments at FVTPL			
Derivative financial instruments	3,314,108	6,228,729	9,542,837
Financial liabilities at amortised cost			
Due to banks	276,333,956	-	276,333,956
Due to customers	2,410,053,969	1,014,732,593	3,424,786,562
Borrowed funds	792,550,509	935,205,889	1,727,756,398
Lease liabilities	3,930,957	3,302,927	7,233,884
Other liabilities	29,488,862	14,516,703	44,005,565
	3,515,672,361	**1,973,986,841**	**5,489,659,202**
Non financial liabilities			
Deferred grants	12,397,895	-	12,397,895
Other liabilities	60,678,192	1,291,018	61,969,210
Income tax payable	26,164,657	-	26,164,657
	99,240,744	**1,291,018**	**100,531,762**
Total	**3,614,913,105**	**1,975,277,859**	**5,590,190,964**
Net position	**(169,658,535)**	**901,261,290**	**731,602,755**

29. Maturity analysis of assets and liabilities (Contd.)

At 31 December 2023	Less than 12 months 2023 MNT'000	More than 12 months 2023 MNT'000	Total 2023 MNT'000
Financial assets			
Cash and balances with BoM	358,359,279	-	358,359,279
Mandatory cash balances with BoM	-	239,378,375	239,378,375
Financial instruments at FVTPL			
Derivative financial instruments	50,246,921	6,553,997	56,800,918
Financial instruments	-	110,309,146	110,309,146
Loans and advances to customers	3,459,284	89,657,236	93,116,520
Financial assets at FVTOCI			
Equity instruments	-	5,052,206	5,052,206
Financial assets at amortised cost			
Due from banks	393,769,064	-	393,769,064
Reverse repurchase agreements	99,740,669	-	99,740,669
Debt instruments	960,070,624	-	960,070,624
Loans and advances to customers	1,131,689,669	1,495,544,741	2,627,234,410
Other assets	28,202,573	3,888,510	32,091,083
	3,025,538,083	**1,950,384,211**	**4,975,922,294**
Non financial assets			
Other assets	39,091,626	94,439	39,186,065
Properties held for sale	1,387,250	-	1,387,250
Property, equipment and right-of-use assets	-	75,388,849	75,388,849
Intangible assets	-	18,667,114	18,667,114
Deferred tax asset	7,037,623	1,832,446	8,870,069
	47,516,499	**95,982,848**	**143,499,347**
Total	**3,073,054,582**	**2,046,367,059**	**5,119,421,641**
Financial liabilities			
Financial instruments at FVTPL			
Derivative financial instruments	1,291,776	13,040,339	14,332,115
Financial liabilities at amortised cost			
Repurchase agreements	149,611,113	-	149,611,113
Due to banks	36,937,419	-	36,937,419
Due to customers	2,027,428,044	848,689,255	2,876,117,299
Borrowed funds	285,842,176	952,926,419	1,238,768,595
Lease liabilities	3,799,226	3,876,383	7,675,609
Other liabilities	46,821,011	32,930,436	79,751,447
	2,551,730,765	**1,851,462,832**	**4,403,193,597**
Non financial liabilities			
Deferred grants	12,564,957	-	12,564,957
Other liabilities	50,902,224	938,845	51,841,069
Income tax payable	29,759,280	-	29,759,280
	93,226,461	**938,845**	**94,165,306**
Total	**2,644,957,226**	**1,852,401,677**	**4,497,358,903**
Net position	**428,097,356**	**193,965,382**	**622,062,738**

30. Related party disclosures

The Bank is controlled by TenGer Financial Group LLC. TenGer Financial Group LLC is owned by the shareholders detailed in Note 1 (Corporate Information).

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions.

As at 31 December 2024 and 2023, the Bank had the following balances and transactions with related parties.

	2024 MNT'000	2023 MNT'000
a) Loans and advances to related parties:		
Shareholders of holding company	38,085	18,900
	38,085	**18,900**
Members of the Board of Directors and key management personnel of the Bank	2,122,179	1,591,672
Other related parties	94,084	245,182
	2,254,348	**1,855,754**

The loans and advances to related parties are secured, bear interest rates from 9.0% to 22.8% (2023: 9.0% to 22.56%) per annum and are repayable within one to 25 years. The interest income received from such loans during the financial year amounted to MNT 163 million (2023: MNT 90 million).

	2024 MNT'000	2023 MNT'000
b) Deposits from related parties:		
Holding company	7,100,120	1,307,189
Shareholders of holding company	1,173,422	488,864
	8,273,542	**1,796,053**
Members of the Board of Directors and key management personnel of the Bank	5,172,730	8,198,311
Other related parties	5,965,899	47,786,402
	19,412,171	**57,780,766**

The deposits from the above related parties bear interest rates from 0% to 12.0% (2023: 0% to 12.0%) per annum. The interest expenses paid to the above depositors during the financial year amounted to MNT 741 million (2023: MNT 833 million).

	2024 MNT'000	2023 MNT'000
c) Loans from related companies:		
Shareholders of holding company		
International Finance Corporation (“IFC”) (Note 21.4)	273,898,963	271,687,306
European Bank for Reconstruction and Development ("EBRD") (Note 21.4)	103,116,877	68,891,233
	377,015,840	**340,578,539**

The loans from the above shareholders of TenGer Financial Group LLC bear interest rates from 5.46% to 9.27% (2023: 1.636% to 17.23%) per annum. The interest expenses paid on such loans during the financial year amounted to MNT 33,776 million (2023: MNT 23,733 million).

30. Related party disclosures (Contd.)

	2024 MNT'000	2023 MNT'000
d) Contingent liabilities and commitments		
Shareholders of holding company	61,837	81,070
	61,837	**81,070**
Members of the Board of Directors and key management personnel of the Bank	230,089	98,574
Other related parties	182,323	141,208
	474,249	**320,852**
e) Commission income from related parties:		
Holding company	7,895	4,982
Shareholders of holding company	177	381
	8,072	**5,363**
Members of the Board of Directors and key management personnel of the Bank	13,108	10,843
Other related parties	33,370	15,785
	54,550	**31,991**
f) Compensation of key management personnel:		
Salaries and bonuses	22,136,423	16,756,659
Contribution to social and health fund	2,683,735	2,081,025
	24,820,158	**18,837,684**

Terms and conditions of transactions with related parties

The above mentioned transactions and outstanding balances arose in the ordinary course of business. The interest charged to and by related parties are at normal commercial rates. Outstanding balances except for loans and advances to related parties at the period-end are unsecured. The loans and advances are secured by future lease assets, other current assets and properties. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2024, the Bank has made impairment allowance in the amount of MNT 6.5 million (2023: MNT 7.8 million) relating to amounts owed by related parties.

31. Risk management

31.1 Introduction

Risk Management Approach

The primary function of the Bank's risk management is to advance the Bank's risk and control framework and to establish the risk function as a business enabler while simultaneously fostering three lines of defense. Each line of defense describes a specific set of responsibilities for risk management and controls, as follows:

The First Line of Defense owns and manages risk. It has ownership of and responsibility and accountability for directly assessing, controlling, and mitigating risk within its sight of control;

The Second Line of Defense oversees risk. It sets the risk management framework, policies and procedures, challenges risk limits and sets risk appetite, and monitors risk exposure. As such, the Second Line of Defense monitors the design and operation of the First Line of Defense's controls, as well as provides advice and guidance on an ongoing basis; and

The Third Line of Defense provides independent assurance. The independent audit function will provide the Board with assurance of the risk-based approach, covering how effectively the Bank assess and manages its risk profile and assessing the effectiveness of the first and second lines of defense.

Risk Governance and Committees

The ultimate responsibility for setting the Bank's risk appetite and effectively managing risks rests with the Board of Directors. The Board of Directors delegated its responsibility to the Board Risk Management Committee.

The key governance committees are:
- **The Board Risk Management Committee** provides ultimate oversight and independent on risk matters on behalf of the Board of Directors. Its responsibilities include approving the Bank's Risk Management Framework, reviewing the appropriateness and effectiveness of the Bank's risk management approach and risk controlling, including the approval of material credit exposure and ratification of write-off decisions;
- **The Bank Risk Management Committee** is the management level oversight committee to review, challenge and oversee the risk function, the implementation of the Risk Management Framework and the adherence to the approved risk appetite.
- **The Credit Management Committee** focuses on selected cases, which are either of significant risk or exposure, or cannot be resolved through the delegated authorities between the First and Second Line of Defense; and
- **The Operational Risk Committee** provides oversight over the Bank's control driven Operational Risk Framework and the Operational Risk Acceptance.

Risk Universe

The Bank assumes risk commensurate with its risk appetite. The Bank's risk universe defines those risk types the Bank is likely to face:
- **Credit Risk**, potential for loss due to failure of a counterparty to meet its obligation to pay the Bank in accordance with agreed terms;
- **Credit Concentration Risk**, potential for loss due to excessive credit exposure concentrations;
- **Market Risk**, potential for loss of earnings or economic value due to adverse changes in financial markets and/or prices;
- **Capital Risk**, potential inability to conduct business due to limited capitalization or short-fall against regulatory capitalization requirements, without incurring acceptable losses;
- **Liquidity Risk**, potential inability to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses;
- **Operational Risk** (including fraud), potential for loss resulting from inadequate or failed internal processes, people and systems or from the impact of external events, including legal risks;
- **Information Security Risk**, potential for harm or loss resulting from breaches of or attacks on information systems or loss of information;
- **Conduct Risk**, potential for loss resulting from delivery of unfair customer outcomes and/or breaches of the Bank's code of conduct;
- **Compliance Risk**, potential for loss resulting for failed compliance;
- **Reputational Risk**, potential for damage to the Bank's brand and reputation, resulting in loss of earnings; and
- **Strategic Risk**, potential for opportunity loss from failure to optimize the earnings potential of the Bank's business model.

31. Risk management (Contd.)

31.1 Introduction (Contd.)

Risk Appetite, Stress Testing and Risk Reporting

The Bank's Risk Appetite is reflected through the Bank's risk appetite statement, which complements the Bank's business plan. The Bank differentiates:

- **Risk Appetite**, which defines the amount of risk the Bank is willing to take in pursuit of the Bank's business model;
- **Risk and Exposure Limits**, which implement the Bank's Risk Appetite, for example through credit exposure limits or credit concentration limits
- **Risk Capacity**, which defines the amount of risk the Bank is able to take within its regulatory constraints; and
- **Stress Performance**, which defines the acceptable financial performance under predefined levels of stress.

The Bank's Risk Function periodically monitors the compliance against its risk appetite. Bespoke scenarios are applied to assess the Bank's financial performance under a mild and severe recession scenario. The Bank reviews alternative scenarios to assess the resilience of its business model. The alternative scenarios are complemented through a comprehensive contingent risk analysis.

31.2 Credit risk

The Bank's credit risk policy defines the framework for managing the Bank's credit risk. It describes the principles and basic practices to prudently manage credit risk in accordance with the approved credit risk appetite and in accordance with risk capacity and respective laws and applicable regulations of Mongolia.

Under the Bank's credit risk management framework, the business has ownership of and accountability for selecting customers, suggesting appropriate loan products including terms and conditions, assessing customer's ability to service debt, valuing collaterals, collecting, monitoring and reviewing the loans, detecting early warning signals, and taking appropriate measurements.

While the risk function sets credit related policies and procedures, challenges credit risk limits and sets credit risk appetite, and monitors credit risk exposures. It performs the ongoing monitoring of the design and operation of controls, as well as providing advice and guidance.

In accordance with the IFRS 9 standards, the Bank's credit risk disclosures reflect the expected credit loss (ECL) of the financial assets, measured on a collective and individual basis for financial assets.

Individually assessed allowances

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on financial assets that are not individually significant and for individually significant loans and advances where there is not yet objective evidence of individual impairment. Allowances are evaluated semi-annually with each portfolio receiving a separate review by the management.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of impairment in an individual assessment. ECL are estimated by taking into consideration of the probability of default (PD) and loss given defaults (LGD), as per each loan stage, adjusted by the probability weighted macroeconomic scenarios.

The Bank assumes probability weights for the next 12 months, considering the current economic condition and growth outlooks. Given the high correlation between the GDP growth and the probability of defaults, weighted PD/LGDs reflect the forward-looking macroeconomic situation.

The Bank's definitions for loan stages are as follows:

Stage 1: Good Credit Quality Exposure is determined as "Normal" in BoM's assessment and loans that are overdue until 30 days past due. For these loans, 12-month ECL are recognized;

31. Risk management (Contd.)

31.2 Credit risk (Contd.)

Collectively assessed allowances (Contd.)

Stage 2: Deteriorating Credit Quality Exposure is determined as loans that are overdue from 31 days to 90 days, restructured loans and internally assessed “watch-listed” performing loans. For these assets, lifetime ECL are recognized; and

Stage 3: Low Credit Quality Exposure, identified as “Non-performing” in BoM’s regulation, including substandard, doubtful and bad loans. For these assets, lifetime ECL are recognized.

The impairment allowance is then reviewed by Chief Risk Officer and Chief Financial Officer to ensure compliance with the Bank's overall policy.

Credit risk stress testing

Our forward-looking macroeconomic model was performed based on the historical data of PD by using the econometrical tools. The data set includes a quarterly time series of leading macro indicators and the probability of default for 2011–2024. Macro variables are taken from the database of the National Statistical Office, and PD is taken from the Bank's internal database. The main macro variables for modelling are selected based on their correlations with PD, which are the highest. After that, the Bank utilizes three macroeconomic scenarios to evaluate a range of possible outcomes. Risk model and analytics division produces macroeconomic forecasts under a baseline, upside and downside economic scenarios and their weight based on the current and the possible development of the macroeconomic condition.

The stress test was performed in worst, base, and optimistic scenarios by changing the weights of the three macroeconomic condition options which are mentioned above. On the other hand, according to the corresponding scenarios of the stress test, three weights options were selected, a forward-looking PD was obtained, and the stress test results were calculated using ECL calculations.

As for the base case scenario, we have chosen the downside scenario probability to be 30%, the baseline scenario probability to be 60%, and the upside scenario to be 10% based on the international organization's and internal forecasts that the Mongolian economy is expected to grow by an average of 5% in 2025 to perform ECL calculation. In the worst case scenario, economic growth will be around 3%, with the ECL estimating the downside weight to be 100%. In the optimistic scenario, the Mongolian economic growth is expected to be approximately 7% in 2025 and the ECL estimates the weight of the upside to be 100%.

The below table sets out the results of stress testing (ECL) under three different scenarios including base, upside and downside. The actual figure, or actual LLP as of 31 December 2024 chosen as the baseline scenario.

				MNT'000
Provision	**Loans**	**Leasing**	**Total ECL**	**Changes**
Upside forecast	41,824,683	1,694,395	43,519,078	15,247,318
Baseline forecast	54,533,796	4,232,600	58,766,396	-
Downside forecast	63,199,579	6,027,622	69,227,201	(10,460,805)

31. Risk management (Contd.)

31.2 Credit risk (Contd.)

The tables below analyze the movement of the loss allowance during the year per class of assets.

Due from banks at amortised cost

	2024 Total Stage 1 MNT'000	2023 Total Stage 1 MNT'000
As at 1 January	394,238,579	282,703,763
New financial assets originated or purchased	730,367,365	218,853,689
Payments and assets derecognised	(348,149,236)	(107,318,873)
Gross carrying amount as at 31 December	**776,456,708**	**394,238,579**
Loss allowance		
As at 1 January	469,515	471,305
Reversal for the year (Note 9)	(109,575)	(1,790)
Gross carrying amount as at 31 December	**359,940**	**469,515**

Loans and advances to customers at amortised cost subject to impairment

	Stage 1 12-month MNT'000	Stage 2 Lifetime MNT'000	Stage 3 Lifetime MNT'000	Total MNT'000
As at 31 December 2024				
As at 1 January 2024	2,552,502,183	54,848,802	82,369,026	2,689,720,011
New financial assets originated or purchased	2,438,644,827	-	-	2,438,644,827
- Transfer from stage 1	(71,288,460)	48,028,027	23,260,433	-
- Transfer from stage 2	1,226,746	(3,444,143)	2,217,397	-
- Transfer from stage 3	1,269,598	61,308	(1,330,906)	-
Payments and assets derecognised	(1,524,631,802)	(40,681,590)	(29,788,583)	(1,595,101,975)
Written-off	-	-	(1,761,464)	(1,761,464)
Gross carrying amount as at 31 December 2024	**3,397,723,092**	**58,812,404**	**74,965,903**	**3,531,501,399**
Loss allowance				
As at 1 January 2024	12,731,387	5,688,897	44,065,317	62,485,601
New financial assets originated or purchased	15,703,106	-	-	15,703,106
- Transfer from stage 1	(5,346,667)	695,379	4,651,288	-
- Transfer from stage 2	49,865	(276,875)	227,010	-
- Transfer from stage 3	1,036,392	40,114	(1,076,506)	-
Payments and assets derecognised	(6,846,910)	(3,330,957)	(15,220,096)	(25,397,963)
Written-off	-	-	(1,761,464)	(1,761,464)
Impact of exposure change, inputs and models used for ECL calculation	(1,582,541)	(1,312,318)	10,631,975	7,737,116
Gross carrying amount as at 31 December 2024	**15,744,632**	**1,504,240**	**41,517,524**	**58,766,396**

31. Risk management (Contd.)

31.2 Credit risk (Contd.)

Loans and advances to customers at amortised cost subject to impairment (Contd.)

	Stage 1 12-month MNT'000	Stage 2 Lifetime MNT'000	Stage 3 Lifetime MNT'000	Total MNT'000
As at 31 December 2023				
As at 1 January 2023	1,824,344,143	67,371,967	82,870,125	1,974,586,235
New financial assets originated or purchased	1,897,808,524	-	-	1,897,808,524
Transfer from foreclosed properties* (Note 17)	-	-	10,480,120	10,480,120
- Transfer from stage 1	(51,693,534)	34,538,531	17,155,003	-
- Transfer from stage 2	2,718,131	(7,690,813)	4,972,682	-
- Transfer from stage 3	2,071,406	259,357	(2,330,763)	-
Payments and assets derecognised	(1,122,746,487)	(39,630,240)	(26,784,221)	(1,189,160,948)
Written-off	-	-	(3,993,920)	(3,993,920)
Gross carrying amount as at 31 December 2023	**2,552,502,183**	**54,848,802**	**82,369,026**	**2,689,720,011**
Loss allowance				
As at 1 January 2023	11,006,127	15,870,423	47,657,058	74,533,608
New financial assets originated or purchased	12,197,834	-	-	12,197,834
Transfer from foreclosed properties	-	-	4,797,066	4,797,066
- Transfer from stage 1	(3,519,590)	783,626	2,735,964	-
- Transfer from stage 2	929,450	(2,292,475)	1,363,025	-
- Transfer from stage 3	2,588,465	197,774	(2,786,239)	-
Payments and assets derecognised	(5,971,163)	(7,894,891)	(12,342,512)	(26,208,566)
Written-off	-	-	(3,993,920)	(3,993,920)
Impact of exposure change, inputs and models used for ECL calculation	(4,499,736)	(975,560)	6,634,875	1,159,579
Gross carrying amount as at 31 December 2023	**12,731,387**	**5,688,897**	**44,065,317**	**62,485,601**

* On 27 June 2023, the Supreme Court of Mongolia made a decision for the Bank to return the foreclosed property back to a defaulted borrower which was under legal dispute. In accordance with this decision, the Bank has derecognized foreclosed property of MNT 11.6 billion and recognized loans and advances to customers of MNT 10.5 billion in its statement of financial position.

31. Risk management (Contd.)

31.2 Credit risk (Contd.)

Debt instruments at amortised cost

	2024 Total Stage 1 MNT'000	2023 Total Stage 1 MNT'000
As at 1 January	961,193,681	597,688,299
New financial assets originated or purchased	1,135,074,359	960,398,077
Payments and assets derecognised	(961,115,557)	(596,892,695)
Gross carrying amount as at 31 December	**1,135,152,483**	**961,193,681**
Loss allowance		
As at 1 January	1,123,057	1,300,612
Charge for the year (Note 9)	1,259,814	1,119,097
Reversal for the year (Note 9)	(1,122,668)	(1,296,652)
Gross carrying amount as at 31 December	**1,260,203**	**1,123,057**

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements.

Gross by classes	2024 MNT'000	2023 MNT'000
Loans and advances to customers at amortised cost	3,531,501,399	2,689,720,011
Debt instruments at amortised cost	1,135,152,483	961,193,681
BoM current accounts and due from banks	1,175,462,516	924,368,074
Loan commitments	175,079,999	101,212,803
Reverse repurchase agreement	-	99,751,658
Contingent liabilities	94,405,513	95,677,815
Other assets	21,322,870	34,015,617
Total	**6,132,924,780**	**4,905,939,659**

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Risk concentrations by industry

The table below shows the analysis of the Bank's credit risk concentration per class of financial assets. The amounts in table represent gross carrying amount before taking into account the fair value of the loan collateral held or other credit enhancements.

BoM current accounts and due from banks at amortised cost

Concentration by sector	2024 MNT'000	%	2023 MNT'000	%
Sovereign	743,390,401	63.2	735,272,257	79.5
Banking	432,072,115	36.8	189,095,817	20.5
Total	**1,175,462,516**	**100.0**	**924,368,074**	**100.0**

31. Risk management (Contd.)

31.2 Credit risk (Contd.)

Loans and advances to customers at amortised cost

Concentration by sector and product	2024 MNT'000	%	2023 MNT'000	%
Trading	825,155,243	23.4	679,264,558	25.3
Consumption	812,342,249	23.0	589,824,568	21.8
Deposit backed	470,750,200	13.3	378,730,243	14.1
Other	421,707,143	11.9	269,423,760	10.0
Production	295,694,682	8.4	249,339,476	9.3
Mortgage	227,562,067	6.4	184,367,390	6.9
Services	189,502,430	5.4	141,202,286	5.2
Construction	142,151,867	4.0	118,759,269	4.4
Mining	123,647,153	3.5	57,939,990	2.2
Agricultural	22,988,365	0.7	20,868,471	0.8
Total	**3,531,501,399**	**100.0**	**2,689,720,011**	**100.0**

Debt instruments at amortised cost

Concentration by sector	2024 MNT'000	%	2023 MNT'000	%
Sovereign	1,135,074,359	100.0	960,398,077	99.9
Corporate	78,124	0.0	795,604	0.1
Total	**1,135,152,483**	**100.0**	**961,193,681**	**100.0**

Loan commitments

Concentration by sector	2024 MNT'000	%	2023 MNT'000	%
Retail				
Micro business loan	14,964,172	8.5	12,966,299	12.8
Business loan	30,014,952	17.1	21,712,598	21.5
Unsecured loan	18,930,859	10.9	11,620,775	11.4
SME and Corporate				
Mining	56,620,523	32.30	3,428,297	3.4
Trading	25,355,596	14.50	31,456,887	31.1
Other	18,212,576	10.40	3,801,645	3.8
Production	10,580,971	6.00	16,203,638	16.0
Services	400,000	0.20	-	-
Construction	350	-	22,664	-
Total	**175,079,999**	**100.0**	**101,212,803**	**100.0**

Financial guarantees (un-funded)

Guarantees	2024 MNT'000	%	2023 MNT'000	%
Trading	32,028,376	33.9	33,212,553	34.7
Services	31,339,665	33.2	8,506,735	8.9
Construction	15,168,105	16.1	14,980,073	15.7
Production	11,216,224	11.9	6,007,470	6.3
Mining	2,220,229	2.4	2,650,064	2.8
Other	1,292,975	1.3	30,127,355	31.4
Agricultural	1,139,939	1.2	193,565	0.2
Total	**94,405,513**	**100.0**	**95,677,815**	**100.0**

31. Risk management (Contd.)

31.2 Credit risk (Contd.)

Collateral and other credit enhancements

The amount and type of collateral required depends on the assessment of the credit risk of the borrower or counterparty and the type of loan granted. The Bank's credit risk policy stipulates the eligible collaterals and loan acceptance to collateral value.

The main types of the Bank's eligible collaterals obtained are as follows:
(i) For immovable assets, the buildings, facilities, affordable houses and lands
(ii) For movable assets, the vehicles, equipment, cash, animals, inventory, future guaranteed funds and intangible assets.

The Bank performs physical inspection of the collateral and regularly monitors the market value of collateral, requests additional collateral in accordance with underlying agreement, and monitors the market value of collateral obtained during its review of adequacy of the allowance for impairment losses.

Type of collateral or credit enhancements		Fair value of collateral and credit enhancements held								
31 December 2024	**Maximum exposure to credit risk MNT'000**	**Property MNT'000**	**Goods in turnover MNT'000**	**Vehicles MNT'000**	**Cash deposits MNT'000**	**Equipment MNT'000**	**Other MNT'000**	**Total collateral MNT'000**	**Net exposure MNT'000**	**% of exposure subject to collateral requirements**	**Associa-ted ECL MNT'000**
Loans and advances to customers											
Corporate lending	636,052,011	716,104,941	561,663,600	30,889,025	-	57,235,287	-	1,365,892,853	(729,840,842)	214.7%	9,435,300
Small business lending	1,396,878,234	1,663,946,851	157,768,068	892,606,625	16,823,746	17,761,056	2,371,292	2,751,277,638	(1,354,399,404)	197.0%	29,313,615
Consumer lending	1,239,933,743	29,494,118	36,700	21,480,384	616,646,085	19,000	-	667,676,287	572,257,456	53.8%	16,312,925
Residential mortgages	468,493,079	805,838,870	700	530,101	-	-	-	806,369,671	(337,876,592)	172.1%	3,704,556
Total	**3,741,357,067**	**3,215,384,780**	**719,469,068**	**945,506,135**	**633,469,831**	**75,015,343**	**2,371,292**	**5,591,216,449**	**(1,849,859,382)**		**58,766,396**
31 December 2023											
Loans and advances to customers											
Corporate lending	476,002,363	644,273,937	365,813,696	66,920,502	2,000,000	26,763,998	–	1,105,772,133	(629,769,770)	232.3%	17,241,593
Small business lending	1,087,756,291	1,559,642,211	158,288,817	690,729,715	7,764,926	21,042,478	1,955,900	2,439,424,047	(1,351,667,756)	224.3%	27,056,693
Consumer lending	941,593,967	26,462,430	120,041	21,450,139	531,561,290	50,003	–	579,643,903	361,950,064	61.6%	12,941,451
Residential mortgages	277,483,910	484,419,961	700	539,793	–	200,900	12,000	485,173,354	(207,689,444)	174.8%	5,245,864
Total	**2,782,836,531**	**2,714,798,539**	**524,223,254**	**779,640,149**	**541,326,216**	**48,057,379**	**1,967,900**	**4,610,013,437**	**(1,827,176,906)**		**62,485,601**

31. Risk management (Contd.)

31.2 Credit risk (Contd.)

Credit quality per class of financial assets

The Bank uses the basic credit grading approach to categorize exposures according to the risk profiles, as follows:

Credit Grading	Moody's rating	Grade Description
A	Aaa to A3	Excellent
B	Baa1 to B3	Good
C	Caa1 to Caa3	Satisfactory
D	Ca	Monitoring
E	C, D	Impaired

This grading approach uses the risk parameters i.e. repayment pattern, collateral value and credit facility purpose to quantify the risk grade. It allows the management to compare the exposures across all lines of loans and advances to customers.

Apart from using this grading approach, the Bank applies the credit ratings assigned by the international rating agencies to the exposures for due from banks and financial investments.
The Bank does not rate the unquoted financial investments.

The table below shows that all financial assets exposed to credit risk in terms of credit grading. The amounts presented are gross of impairment allowances.

31. Risk management (Contd.)

31.2 Credit risk (Contd.)

Credit quality per class of financial assets (Contd.)

	2024				2023			
Grade	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total MNT'000	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total MNT'000
BoM current accounts and due from banks at amortised cost								
Excellent	876,584,690	-	-	**876,584,690**	798,712,916	-	-	**798,712,916**
Good	298,877,826	-	-	**298,877,826**	125,655,158	-	-	**125,655,158**
Total gross	1,175,462,516	-	-	**1,175,462,516**	924,368,074	-	-	**924,368,074**
Loss allowance	(572,337)	-	-	**(572,337)**	(839,265)	-	-	**(839,265)**
Carrying value	**1,174,890,179**	**-**	**-**	**1,174,890,179**	**923,528,809**	**-**	**-**	**923,528,809**
Loans and advances to customers at amortised cost								
Excellent	1,575,109,255	-	-	**1,575,109,255**	1,243,906,651	-	-	**1,243,906,651**
Good	314,607,405	-	-	**314,607,405**	191,177,036	-	-	**191,177,036**
Satisfactory	1,264,073,976	-	-	**1,264,073,976**	1,076,520,358	-	-	**1,076,520,358**
Monitoring	243,932,456	58,812,404	-	**302,744,860**	40,898,138	54,848,802	-	**95,746,940**
Impaired	-	-	74,965,903	**74,965,903**	-	-	82,369,026	**82,369,026**
Total gross	3,397,723,092	58,812,404	74,965,903	**3,531,501,399**	2,552,502,183	54,848,802	82,369,026	**2,689,720,011**
Loss allowance	(15,744,632)	(1,504,240)	(41,517,524)	**(58,766,396)**	(12,731,387)	(5,688,897)	(44,065,317)	**(62,485,601)**
Carrying value	**3,381,978,460**	**57,308,164**	**33,448,379**	**3,472,735,003**	**2,539,770,796**	**49,159,905**	**38,303,709**	**2,627,234,410**
Debt instruments at amortised cost								
Good	1,135,152,483	-	-	**1,135,152,483**	961,193,681	-	-	**961,193,681**
Total gross	1,135,152,483	-	-	**1,135,152,483**	961,193,681	-	-	**961,193,681**
Loss allowance	(1,260,203)	-	-	**(1,260,203)**	(1,123,057)	-	-	**(1,123,057)**
Carrying value	**1,133,892,280**	**-**	**-**	**1,133,892,280**	**960,070,624**	**-**	**-**	**960,070,624**
Loan Commitment								
Excellent	59,129,130	-	-	**59,129,130**	46,086,739	-	-	**46,086,739**
Good	65,516,435	-	-	**65,516,435**	5,381,276	-	-	**5,381,276**
Satisfactory	22,315,821	-	-	**22,315,821**	15,357,345	-	-	**15,357,345**
Monitoring	27,852,289	213,177	-	**28,065,466**	30,479,824	3,883,415	-	**34,363,239**
Impaired	-	-	53,147	**53,147**	-	-	24,204	**24,204**
Total gross	174,813,675	213,177	53,147	**175,079,999**	97,305,184	3,883,415	24,204	**101,212,803**
Loss allowance	(377,788)	(800)	(9,900)	**(388,488)**	(169,001)	(18,235)	(9,562)	**(196,798)**
Carrying value	**174,435,887**	**212,377**	**43,247**	**174,691,511**	**97,136,183**	**3,865,180**	**14,642**	**101,016,005**

31. Risk management (Contd.)

31.2 Credit risk (Contd.)

The table below provides an analysis of the gross carrying amount of loans and advances to customers by past due status.

Aging analysis of past due loans by class of financial assets

Loans and advances to customers

	2024 Gross carrying amount MNT'000	2024 Loss allowance MNT'000	2023 Gross carrying amount MNT'000	2023 Loss allowance MNT'000
0-30	48,562,132	1,050,947	35,011,153	1,171,457
31-60	11,298,405	807,741	23,912,571	1,722,502
61-90	13,387,228	736,024	4,289,848	2,100,166
91-180	11,728,765	5,201,812	4,402,530	2,243,438
More than 181 days	45,778,380	23,555,481	54,602,851	30,747,041
Total	**130,754,910**	**31,352,005**	**122,218,953**	**37,984,604**

31.3 Liquidity risk

The Bank's liquidity risk refers to potential inability to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. The Bank sets risk appetite on the liquidity metrics that should be in place to cover withdrawals at unexpected levels of demand. It is the Bank's policy to maintain a prudent mix of borrowed and core deposit base. In addition, the Bank maintains a statutory deposit with BoM equal to 11% and 16% of customer deposits in local and foreign currency, respectively.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial liabilities based on contractual undiscounted repayment obligations. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

31. Risk management (Contd.)

31.3 Liquidity risk (Contd.)

Analysis of financial liabilities by remaining contractual maturities (Contd.)

Financial liabilities	On demand MNT'000	Less than 3 months MNT'000	3 to 6 months MNT'000	6 months to 1 year MNT'000	1 to 5 years MNT'000	Over 5 years MNT'000	Total undiscounted financial liabilities MNT'000	Carrying amount MNT'000
At 31 December 2024								
Financial instruments at FVTPL								
Derivative financial instruments	-	575,444	70,296	2,668,368	6,228,729	-	9,542,837	9,542,837
Financial liabilities at amortised cost								
Due to banks	2,410,124	274,029,992	-	-	-	-	276,440,116	276,333,956
Due to customers	1,205,848,060	339,517,986	357,924,087	571,936,720	525,523,176	1,224,338,222	4,225,088,251	3,424,786,562
Borrowed funds	10,733,187	98,064,783	223,596,359	576,352,764	1,018,570,993	3,122,567	1,930,440,653	1,727,756,398
Lease liabilities	-	698,993	1,223,188	2,642,944	3,721,685	-	8,286,810	7,233,884
Other liabilities	-	35,434,922	19,579,673	30,119,138	48,260,493	4,516,942	137,911,168	44,005,565
Total	**1,218,991,371**	**748,322,120**	**602,393,603**	**1,183,719,934**	**1,602,305,076**	**1,231,977,731**	**6,587,709,835**	**5,489,659,202**
At 31 December 2023								
Financial instruments at FVTPL								
Derivative financial instruments	-	235,218	-	1,056,558	13,040,339	-	14,332,115	14,332,115
Financial liabilities at amortised cost								
Repurchase agreements	-	149,660,235	-	-	-	-	149,660,235	149,611,113
Due to banks	36,971,886	6,044	-	-	-	-	36,977,930	36,937,419
Due to customers	983,045,524	239,138,189	249,414,264	600,993,736	385,536,991	1,124,084,973	3,582,213,677	2,876,117,299
Borrowed funds	8,486,140	82,962,535	90,797,867	198,377,916	1,052,363,468	7,024,128	1,440,012,054	1,238,768,595
Lease liabilities	-	876,457	583,288	3,002,603	4,217,559	-	8,679,907	7,675,609
Other liabilities	-	50,682,566	13,133,173	26,249,434	86,906,426	3,158,573	180,130,172	79,751,447
Total	**1,028,503,550**	**523,561,244**	**353,928,592**	**829,680,247**	**1,542,064,783**	**1,134,267,674**	**5,412,006,090**	**4,403,193,597**
Contingent liabilities and commitments								
At 31 December 2024								
Contingent liabilities (Note 28)	29,952,551	19,028,880	19,932,462	21,122,761	4,353,248	15,611	94,405,513	94,405,513
Commitments (Note 28)	508,617	4,633,481	17,129,714	14,702,887	138,104,837	463	175,079,999	175,079,999
Total	**30,461,168**	**23,662,361**	**37,062,176**	**35,825,648**	**142,458,085**	**16,074**	**269,485,512**	**269,485,512**
At 31 December 2023								
Contingent liabilities (Note 28)	9,645,004	17,474,649	21,108,161	34,856,180	12,593,821	-	95,677,815	95,677,815
Commitments (Note 28)	2,841,000	4,177,668	29,378,878	10,089,163	54,712,094	14,000	101,212,803	101,212,803
Total	**12,486,004**	**21,652,317**	**50,487,039**	**44,945,343**	**67,305,915**	**14,000**	**196,890,618**	**196,890,618**

31. Risk management (Contd.)

31.4 Market risk

The Bank defines the market risk as potential for loss of earnings or economic value due to adverse changes in financial markets and/or prices. The Bank's financial risk policy is ensure the Bank's financial risks, i.e. market risk, capital risk and liquidity risk are adequately managed and the Bank's capital and liquidity resources are deployed as efficiently and effectively as possible.

Interest Rate Risk

The Bank defines interest rate risk as potential loss due to a negative impact from adverse changes in interest rates and their implied volatility. The Bank's lending, funding and investment activities give rise to interest rate risk. The immediate impact of variation in interest rate is on Bank's net interest income, while a long term impact is on the Bank's net worth since the economic value of the Bank's assets, liabilities and off-balance sheet exposures will be affected. The Bank's Risk Function periodically monitors the compliance against its risk appetite on the Bank's interest rate position.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank's statement of comprehensive income. The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2024 and 31 December 2023.

Currency	2024 Change in basis points	2024 Sensitivity of net interest income MNT'000	2023 Change in basis points	2023 Sensitivity of net interest income MNT'000
USD	+120	(1,006,646)	+120	(138,507)
MNT	+120	(4,989,288)	+120	(2,007,503)
USD	-120	1,006,646	-120	138,507
MNT	-120	4,989,288	-120	2,007,503

Foreign Currency Exchange Risk

The Bank defines the foreign currency exchange risk as potential loss due to adverse changes in currency exchange rates and their implied volatility. The Bank sets risk limits on the level of exposure by foreign currencies, which are monitored on a frequent basis against the approved risk appetite. Apart from using foreign exchange exposure mismatch, the Bank uses the Value-at-Risk ("VaR") approach to manage and measure foreign exchange risk.

The VaR approach

The VaR approach is an integral part of the Bank's risk management since March 2007. The VaR approach is designed to measure market risk in a normal market environment. It assumes that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution.

The Bank calculates the VaR losses using a 99% confidence level and a one day holding period. The calculation employs a Variance and Covariance technique and uses one year of historical market data as input variables. The one-day VaR losses are estimated at 99% confidence level, as follows:

Variance/ Covariance

	2024 MNT'000	2023 MNT'000
31st December	55,427	82,003
Average Daily	75,481	99,386
Highest	297,003	296,821
Lowest	18,345	9,584

31. Risk management (Contd.)

31.4 Market risk (Contd.)

Currency Risk (Contd.)

The table below summarises the Bank's exposure to foreign exchange risk as 31 December, 2024. Included in the table are the Bank's financial assets and liabilities at carrying amounts, categorised by currencies.

Financial assets and financial liabilities	MNT MNT'000	USD MNT'000	Euro MNT'000	Other MNT'000	Total MNT'000
As at 31 December 2024					
Financial assets					
Cash and balances with BoM	21,394,225	8,166,497	213,448	4,139,891	33,914,061
Mandatory cash balances with BoM	301,049,522	36,540,617	1,093,805	59,206,929	397,890,873
Financial instruments at FVTPL					
Derivative financial instruments*	22,605,239	1,558,273,956	-	-	1,580,879,195
Financial instruments	112,300,780	-	-	-	112,300,780
Loans and advances to customers	209,855,668	-	-	-	209,855,668
Financial assets at FVTOCI					
Equity instruments	3,910,731	-	-	-	3,910,731
Financial assets at amortised cost					
Due from banks	137,039,511	604,685,030	3,592,862	30,779,365	776,096,768
Debt instruments	1,133,892,280	-	-	-	1,133,892,280
Loans and advances to customers	3,430,651,462	42,083,541	-	-	3,472,735,003
Other assets	16,662,684	2,910,662	4,941	51,855	19,630,142
Total financial assets	**5,389,362,102**	**2,252,660,303**	**4,905,056**	**94,178,040**	**7,741,105,501**
Financial liabilities					
Financial instruments at FVTPL					
Derivative financial instruments*	1,511,288,526	13,681,000	-	55,401,783	1,580,371,309
Financial liabilities at amortised cost					
Due to banks	137,332,207	138,280,867	73,967	646,915	276,333,956
Due to customers	2,854,837,444	523,081,833	5,825,918	41,041,367	3,424,786,562
Borrowed funds	186,241,540	1,541,514,858	-	-	1,727,756,398
Lease liabilities	7,233,884	-	-	-	7,233,884
Other liabilities	36,513,330	5,683,104	498,924	1,310,207	44,005,565
Total financial liabilities	**4,733,446,931**	**2,222,241,662**	**6,398,809**	**98,400,272**	**7,060,487,674**
Net position	**655,915,171**	**30,418,641**	**(1,493,753)**	**(4,222,232)**	**680,617,827**

** The figure is shown at gross amount to reflect the actual currency position*

31. Risk management (Contd.)

31.4 Market risk (Contd.)

Currency Risk (Contd.)

The table below summarizes the Bank's exposure to foreign exchange risk as 31 December, 2023. Included in the table are the Bank's financial assets and liabilities at carrying amounts, categorised by currencies.

Financial assets and financial liabilities	MNT MNT'000	USD MNT'000	Euro MNT'000	Other MNT'000	Total MNT'000
As at 31 December 2023					
Financial assets					
Cash and balances with BoM	309,389,094	41,208,540	412,438	7,349,207	358,359,279
Mandatory cash balances with BoM	156,408,989	41,144,542	6,361,068	35,463,776	239,378,375
Financial instruments at FVTPL					
Derivative financial instruments*	14,076,452	1,268,000,745	379,166	1,204,415	1,283,660,778
Financial instruments	110,309,146	-	-	-	110,309,146
Loans and advances to customers	93,116,520	-	-	-	93,116,520
Financial assets at FVTOCI					
Equity instruments	5,052,206	-	-	-	5,052,206
Financial assets at amortised cost					
Due from banks	61,007,408	275,177,545	1,871,595	55,712,516	393,769,064
Reverse repurchase agreements	99,740,669	-	-	-	99,740,669
Debt instruments	960,070,624	-	-	-	960,070,624
Loans and advances to customers	2,626,670,357	564,053	-	-	2,627,234,410
Other assets	29,206,131	2,793,473	6,548	84,931	32,091,083
Total financial assets	**4,465,047,596**	**1,628,888,898**	**9,030,815**	**99,814,845**	**6,202,782,154**
Financial liabilities					
Financial instruments at FVTPL					
Derivative financial instruments*	1,201,972,549	15,220,395	-	23,999,031	1,241,191,975
Financial liabilities at amortised cost					
Repurchase agreements	149,611,113	-	-	-	149,611,113
Due to banks	1,010,871	35,851,901	2,947	71,700	36,937,419
Due to customers	2,384,123,117	412,333,492	8,734,726	70,925,964	2,876,117,299
Borrowed funds	93,978,704	1,144,789,891	-	-	1,238,768,595
Lease liabilities	7,675,609	-	-	-	7,675,609
Other liabilities	70,250,418	6,644,768	110,006	2,746,255	79,751,447
Total financial liabilities	**3,908,622,381**	**1,614,840,447**	**8,847,679**	**97,742,950**	**5,630,053,457**
Net position	**556,425,215**	**14,048,451**	**183,136**	**2,071,895**	**572,728,697**

** The figure is shown at gross amount to reflect the actual currency position*

Prepayment effect

Prepayment effect is the financial effect which will be caused by the customers and counterparties that repay or request repayment earlier than expected.

The Bank uses the simplified approach to project the impact of varying levels of prepayment on its net interest income.

If 20% of repayable financial instruments were prepaid at the beginning of the year, with all other variables held constant, the profit before tax for the year would be reduced by MNT 56,171 million (2023: MNT 21,578 million).

31.5 Operational risk

The Bank defines the operational risk as potential loss resulting from inadequate or failed internal processes, people and systems or from the impact of external events, including legal risks. The Bank's operational risk function guides process owners on the definition and implementation of effective controls aimed at prevention, detection, and mitigation of operational risks. Process reviews and controls readings define operational risk ratings which guide the operational risk acceptance and management.

32. Capital adequacy

The Bank actively manages its capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by BoM. During the past year, the Bank complied in full with all its externally imposed capital requirements.

Capital management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder's value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to the shareholder, return capital to the shareholder or issue new equity or equity related securities.

Regulatory capital

BoM requires commercial banks to maintain a minimum core capital adequacy ratio of 9% (2023: 9%) and risk weighted capital ratio of at least 12% (2023: 12%) compiled on the basis of total capital and total assets as adjusted for their intrinsic risk characteristics. The capital adequacy ratios of the Bank as at 31st December were as follows:

	2024 MNT'000	2023 MNT'000
Core capital ratio	19.3%	20.5%
Risk weighted capital ratio	19.3%	20.5%
Tier I capital		
Ordinary shares	105,270,000	105,270,000
Treasury shares	(29,668)	-
Share premium	30,388,871	30,586,768
Other reserves	11,439,408	11,439,408
Retained profits	515,406,909	399,787,064
Adjustment in accordance with BoM regulation	(81,392)	(81,392)
Total Tier I Capital	662,394,128	547,001,848
Tier II capital		
Other	-	-
Total Tier II Capital	-	-
Total capital /capital base	**662,394,128**	**547,001,848**

	2024 MNT'000	2023 MNT'000
Risk-weighted assets	3,439,528,364	2,664,401,661

33. Events after the reporting period

The Bank has declared a dividend of MNT 27 per share from its year end earnings on 18 February 2025. The dividend declaration is subject to the approval of BoM, which has not yet been granted by the BoM as of the date of issuance of these financial statements.

On 31 October 2024, the shareholder of the bank's holding company (Tenger Financial Group LLC), MAK Invest Kft, transferred its total shares to a related party, MAK Invest SG Pte Ltd. The Bank of Mongolia approved this restructuring on 23 January 2025. Subsequently, TFG's Shareholders by their extraordinary general meeting accepted MAK Invest SG Pte LTD as a shareholder on 19 February 2025. The process of updating TFG’s share registration with the Legal Entities Registration Office has not yet been finalised.

No other matter or circumstance has occurred subsequent to the period end that has significantly affected, or may significantly affect, the operations of the Bank.

34. Mongolian translation

These financial statements are also prepared in Mongolian language. In the event of discrepancies or contradictions between the English version and the Mongolian version, the English version will prevail.

XACBANK

STATEMENT OF OFF-BALANCE SHEET

As of 31 December 2024

(in MNT)

№	Items of off-balance sheet	Amount
1	Credit related commitments	269,485,511,871.5
2	Collateral received	6,160,955,705,646.6
3	Written-off loan and other assets	98,056,738,056.8
4	Derivative financial instruments	1,643,418,137,216.3
5	Fiduciary assets	-
6	Assets pledged	-
7	Other off-balance sheet accounts	354,823,567,149.3
	Total	**8,526,739,659,940.6**

CHIEF EXECUTIVE OFFICER TSEVEGJAV GUMENJAV

CHIEF FINANCIAL OFFICER ERDENEBAYAR GANZORIG

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