TRADE AND DEVELOPMENT BANK OF MONGOLIA JSC
(Incorporated in Mongolia)

Audited Financial Statements
31 December 2024

TRADE AND DEVELOPMENT BANK OF MONGOLIA JSC

Audited financial statements

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General information

Board of directors	Mr. Koppa R (Chairman) Mr. Erdenebileg D Ms. Yanjmaa D Mr. Khurelbaatar.D Ms. Otgonbileg.D Ms. Enkhmend.A Ms. Bolormaa J Mr. Delgersaikhan J
Secretary of board of directors	Ms. Nyamsuren N
Registered office	Peace Avenue 19, Sukhbaatar District, 1st khoroo, Ulaanbaatar 14210, Mongolia
Auditors	Ernst & Young Mongolia Audit LLC Certified Public Accountants

We, Randolph Koppa, being the Chairman of the Board of Directors of Trade and Development Bank of Mongolia JSC (the "Bank"), Orkhon Onon, being the Chief Executive Officer, and Enkhtuya Dulamjav, being the 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 8 to 89 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 International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

Randolph Koppa	**Orkhon Onon**	**Enkhtuya Dulamjav**
Chairman of the Board of Directors	Chief Executive Officer	Chief Financial Officer

ХУДАЛДАА ХӨГЖЛИЙН БАНК ХК
TRADE AND DEVELOPMENT BANK JSC

Ulaanbaatar, Mongolia

Date: 26 March 2025

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Trade and Development Bank of Mongolia JSC

Opinion

We have audited the financial statements of Trade and Development Bank of Mongolia 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 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 matter

Key audit matters are those matters that, in our professional judgment, were of most significance in the 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 matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Allowance for loan losses	
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 the significance of loans and advances to customers at amortised cost, representing around 38% 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 the use of significant estimates and assumptions, including:	For assessment of the allowance for impairment losses of loans and advances to customers as of 31 December 2024, our audit procedures included the assessment of the 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 the 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 the 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, and the appropriateness of determination of PD, LGD and EAD, and the forward-looking macroeconomic variables incorporated in the model.

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Key Audit Matters (Cont`d.)

Key audit matter	How our audit addressed the key audit matter
Allowance for loan losses (cont`d) • 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 2.5 and 3 to the financial statements. Other relevant disclosures of loans and advances to the customers and related credit risk management are included in Notes 2, 8, 17 and 33.2 to the financial statements, respectively.	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 • For a sample of individually assessed loans subject to individual impairment assessment, we reviewed the Bank's assumptions of 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 disclosures 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 not including the financial statements and our auditor's report thereon ("the Other Sections"), which are expected to be made available after the date of this auditor's report.

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, to 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.

INDEPENDENT AUDITOR'S REPORT (CONT'D.)

To the shareholders of Trade and Development Bank of Mongolia JSC

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 IFRSs, 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 Responsibilities 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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, related safeguards.

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.

INDEPENDENT AUDITOR'S REPORT (CONT'D.)

To the shareholders of Trade and Development Bank of Mongolia JSC

Other Matter

This report is made solely to the shareholders of the Bank, as a body, in accordance 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

MANDAKHBAYAR DORJBAT
Partner

Approved by

ADRIAN CHU
Partner

Ulaanbaatar, Mongolia
Date: 26 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
SPPI	Solely payments of principal and interest on the principal amount outstanding
VaR	Value at Risk
MIK	MIK Holding JSC
MIK HFC	Mongolian Mortgage Corporation HFC LLC
SME	Small–to–medium enterprise
VAT	Value–Added Tax

TRADE AND DEVELOPMENT BANK OF MONGOLIA 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 income calculated using the effective interest method	**4**	1,032,641,544	721,933,116
Other interest and similar income	**4**	53,355,130	42,779,283
Interest and similar expense	**5**	(602,479,107)	(469,048,440)
Net interest income		**483,517,567**	**295,663,959**
Fee and commission income	**6**	116,984,755	94,518,640
Fee and commission expense	**6**	(40,361,041)	(33,159,051)
Net fee and commission income		**76,623,714**	**61,359,589**
Trading and other operating income	**7**	87,938,664	54,690,488
Total operating income		**648,079,945**	**411,714,036**
Credit loss expense	**8**	(22,633,058)	(35,419,047)
Net operating income		**625,446,887**	**376,294,989**
Operating expenses	**9**	(232,209,045)	(183,760,346)
Share of profit/(loss) of an associate	**15**	(5,031,979)	4,271,538
Profit before tax		**388,205,863**	**196,806,181**
Income tax expense	**10.1**	(89,570,244)	(45,587,714)
Profit for the year		**298,635,619**	**151,218,467**
Earnings per share (MNT)			
Basic and diluted earnings per share	**11**	5,902	3,043
Other comprehensive income/(loss) (net of tax):			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Net change in fair value of debt instruments at fair value through other comprehensive income	**30**	3,233,739	17,862,582
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):	**30**		
Revaluation gain on equity instruments at fair value through other comprehensive income	**30**	6,217,390	14,547,040
Gain on disposal of equity instrument at fair value through other comprehensive income	**14**	–	25,620,309
Other comprehensive income/(loss) (net of tax):		**9,451,129**	**58,029,931**
Total comprehensive income for the year, net of tax		**308,086,748**	**209,248,398**

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

TRADE AND DEVELOPMENT BANK OF MONGOLIA JSC

Statement of financial position

At 31 December 2024

	Notes	2024 MNT'000	2023 MNT'000
ASSETS			
Cash and balances with Bank of Mongolia	**12**	3,094,565,161	2,308,730,146
Due from other banks and financial institutions	**13**	1,396,738,984	1,651,798,375
Financial assets at fair value through profit or loss	**14**	362,849,232	362,410,004
Debt instruments at fair value through other comprehensive income	**14**	2,490,497,226	1,510,534,627
Equity instruments at fair value through other comprehensive income	**14**	50,632,562	41,972,381
Equity instruments at fair value through profit or loss	**14**	–	1,700,000
Debt instruments at amortised cost	**14**	–	1,311,976
Investment in associate	**15**	164,244	5,196,223
Derivative financial instruments	**16**	88,784,131	172,188,577
Loans and advances to customers	**17**	6,179,569,553	4,933,457,222
Other assets	**18**	555,310,649	509,238,462
Investment property	**19**	80,749,541	53,256,860
Assets held for sale	**20**	95,381,015	8,259,130
Property and equipment	**21**	548,521,958	567,974,583
Right-of-use assets	**22**	8,985,640	13,239,874
Intangible assets	**23**	47,618,788	25,308,105
TOTAL ASSETS		**15,000,368,684**	**12,166,576,545**
LIABILITIES			
Due to banks and other financial institutions	**24**	378,861,006	318,412,011
Repurchase agreements	**25**	25,675,412	51,285,052
Due to customers	**26**	10,337,810,771	9,086,817,412
Derivative financial instruments	**16**	70,630,118	159,109,749
Borrowed funds	**27**	1,664,137,365	872,667,777
Debt securities issued	**28**	670,569,956	–
Other liabilities	**29**	137,253,343	172,734,896
Lease liabilities	**22**	9,544,683	13,870,478
Income tax liabilities		77,219,441	76,907,413
Deferred tax liabilities	**10.2**	12,681,002	6,392,862
TOTAL LIABILITIES		**13,384,383,097**	**10,758,197,650**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK			
Share capital	**30**	340,852,905	340,852,905
Share premium	**30**	64,069,779	64,069,779
Other reserves	**30**	317,629,530	313,673,176
Retained earnings		893,433,373	689,783,035
TOTAL EQUITY		**1,615,985,587**	**1,408,378,895**
TOTAL LIABILITIES AND EQUITY		**15,000,368,684**	**12,166,576,545**

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

TRADE AND DEVELOPMENT BANK OF MONGOLIA JSC

Statement of changes in equity

For the year ended 31 December 2024

	Share capital MNT'000 (Note 30)	Share premium MNT'000 (Note 30)	Other reserves MNT'000 (Note 30)	Retained earnings MNT'000	Total equity MNT'000
At 1 January 2023	323,810,329	664	258,908,980	595,291,291	1,178,011,264
Profit for the year	–	–	–	151,218,467	151,218,467
Other comprehensive income	–	–	32,409,622	25,620,309	58,029,931
Total comprehensive income	**–**	**–**	**32,409,622**	**176,838,776**	**209,248,398**
Realised revaluation reserve	–	–	(2,172,039)	2,172,039	–
Dividend (Note 30)	–	–	–	(59,992,458)	(59,992,458)
Movement on regulatory reserve*	–	–	24,526,613	(24,526,613)	–
Share issue	17,042,650	66,448,901	–	–	83,491,551
Transaction costs related to issuance of new shares	–	(2,379,860)	–	–	(2,379,860)
Transfer	(74)	74	–	–	–
At 31 December 2023 and 1 January 2024	**340,852,905**	**64,069,779**	**313,673,176**	**689,783,035**	**1,408,378,895**
Profit for the year	–	–	–	298,635,619	298,635,619
Other comprehensive income	–	–	9,451,129	–	9,451,129
Total comprehensive income	**–**	**–**	**9,451,129**	**298,635,619**	**308,086,748**
Realised revaluation reserve	–	–	(4,176,217)	4,176,217	–
Revaluation of asset transfered to investment properties (Note 29)	–	–	4,061,458	–	4,061,458
Dividend (Note 30)	–	–	–	(104,541,514)	(104,541,514)
Movement on regulatory reserve*	–	–	(5,380,016)	5,380,016	–
At 31 December 2024	**340,852,905**	**64,069,779**	**317,629,530**	**893,433,373**	**1,615,985,587**

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

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		388,205,863	196,806,181
Adjustments for:			
Changes in fair value of financial derivatives	**7**	(13,881,202)	2,719,591
Loss/(gain) on disposal of property and equipment	**7**	5,306,473	(21,290)
(Gain)/Loss on disposal of assets-held-for sale, net	**7**	(158,782)	8,831
Valuation gain on investment property	**7**	(3,053,461)	(2,873,791)
(Gain)/Loss on disposal of foreclosed properties, net	**7**	(1,061,392)	(2,097,115)
Gain on disposal of investment properties	**7**	–	(385,314)
(Gain)/Loss on disposal of debt instrument measured at FVOCI	**7**	(620,874)	69,385
Fair value (gain)/loss on other loans receivables	**7**	(7,630,492)	8,311,181
Amortisation of deferred grant	**7**	(748,866)	(203,242)
Share of profit in associate	**15**	5,031,979	(4,271,538)
Credit loss expense	**8**	22,633,058	35,419,047
Depreciation of property and equipment	**9**	17,364,478	14,180,303
Amortisation of intangible assets	**9**	1,092,379	920,110
Depreciation of rights-of-use assets	**9**	7,386,391	6,782,507
Property and equipment written off	**9**	1,403,605	110,214
Intangible assets written off	**9**	967	1,809
Interest expense of borrowed funds	**5**	61,057,810	78,350,667
Interest expense of debt securities issued	**5**	4,200,696	–
Accretion of interest on lease liabilities	**5**	1,802,903	2,050,311
Unrealised foreign exchange difference		(81,232,686)	34,187,679
Operating profit before working capital changes		**407,098,847**	**370,065,526**
Changes in operating assets and liabilities:			
Statutory deposits with BoM		(129,587,811)	(201,639,684)
Due from other banks and financial institutions		(100,728,870)	185,324,854
Loans and advances to customers		(1,262,677,013)	(808,036,358)
Assets-held-for sale		(95,580,872)	(6,592,824)
Other assets		(52,433,613)	(78,573,913)
Due to banks		60,448,995	285,291,777
Repurchase agreements		(25,609,640)	(265,519,739)
Due to customers		1,336,250,669	2,909,901,740
Other liabilities		(100,407,322)	(102,875,012)
Cash generated from operations		**36,773,370**	**2,287,346,367**
Interest portion of the lease liabilities paid		(1,802,903)	(2,050,311)
Interest paid on borrowed funds		(91,648,527)	(48,603,736)
Interest paid on debt securities issued		–	–
Income tax paid		(85,257,310)	(30,393,733)
Net cash flows generated from operating activities		**(141,935,370)**	**2,206,298,587**

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

	Notes	2024 MNT'000	2023 MNT'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial investments		(838,105,697)	(380,367,125)
Proceeds from disposal of financial investments		361,715,278	844,281,732
Proceeds from financial derivatives		5,908,554	81,431,276
Proceeds from disposal of property and equipment		5,916,741	3,943,285
Proceeds from dividend received	**14**	221,276	194,694
Purchase of property and equipment	**21**	(28,574,973)	(74,749,691)
Purchase of intangible assets	**23**	(23,404,029)	(1,968,076)
Net cash flows (used in)/generated from investing activities		**(516,322,850)**	**472,766,095**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from drawdown of borrowed funds		3,758,252,939	342,417,862
Repayment of borrowed funds		(2,849,988,893)	(952,421,711)
Proceeds from issuance of debt securities		843,472,451	–
Repurchase of debt securities	**28**	(168,706,103)	–
Payment of deferred upfront fees		(13,368,143)	(94,179)
Dividend paid	**30**	(104,129,269)	(47,198,750)
Proceeds from grant received	**29**	307,720	613,771
Proceeds from issuance of shares	**30**	–	81,111,691
Payment of principal portion of lease liabilities		(7,084,674)	(6,180,280)
Net cash flows generated from/(used in) financing activities		**1,458,756,028**	**(581,751,596)**
Net increase in cash and cash equivalents		**800,497,808**	**2,097,313,086**
Cash and cash equivalents brought forward	**12**	4,212,696,578	2,115,383,492
Cash and cash equivalents carried forward	**12**	**5,013,194,386**	**4,212,696,578**
OPERATIONAL CASH FLOWS FROM INTEREST			
Interest paid		(585,204,954)	(419,723,524)
Interest received		1,069,500,834	738,867,664
NON-CASH ACTIVITIES			
Additions to right-of-use assets and lease liabilities	**22**	282,280	2,562,951
Modification of leases	**22**	2,581,034	2,020,078
Foreclosure of collaterals		106,732,257	8,697,682
Additions to property and equipment	**21**	–	63,652,848
Consideration for disposal of investment property		–	(29,614,685)

Reconciliation of changes in liabilities arising from financing activities:

Lease liabilities	2024 MNT'000	2023 MNT'000
At 1 January	13,870,478	15,869,783
Non-cash additions	282,280	2,562,951
Lease modification	2,581,034	2,020,078
Termination of lease	(104,435)	(402,054)
Interest expense during the year	1,802,903	2,050,311
Interest portion of the lease liabilities paid	(1,802,903)	(2,050,311)
Principal portion of lease liabilities paid	(7,084,674)	(6,180,280)
At 31 December	**9,544,683**	**13,870,478**

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

Reconciliation of changes in liabilities arising from financing activities (cont'd.):

	Borrowed funds MNT'000	**Debt securities issued MNT'000**
At 1 January 2023	**1,418,831,195**	**–**
New disbursement	342,417,862	–
Repayment	(952,421,711)	–
Interest repayment	(48,603,736)	–
Deferred upfront fee	(94,179)	–
Net repayment	(658,701,764)	–
Foreign exchange movement	34,187,679	–
Non-cash items arising from financing activities	34,187,679	–
Interest expense accrued and deferral amortisation	78,350,667	–
At 31 December 2023 and 1 January 2024	**872,667,777**	**–**
New disbursement	3,758,252,939	843,472,451
Repayment	(2,849,988,893)	–
Repurchase of debt securities	–	(168,706,103)
Interest repayment	(91,648,527)	–
Deferred upfront fee	(5,482,656)	(7,885,487)
Net repayment	811,132,863	666,880,861
Foreign exchange movement	(80,721,085)	(511,601)
Non-cash items arising from financing activities	(80,721,085)	(511,601)
Interest expense accrued and deferral amortisation	61,057,810	4,200,696
At 31 December 2024	**1,664,137,365**	**670,569,956**

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

1. Corporate information

Trade and Development Bank of Mongolia JSC (the "Bank") was incorporated under Mongolian law on 19 October 1990 and is engaged in the business of providing banking and financial services pursuant to License No. 8 issued by the Bank of Mongolia ("BoM") under the first Banking sector supervision act in 1993.

The Bank is a joint stock company listed on the Mongolian Stock Exchange ("MSE") and incorporated and domiciled in Mongolia. Its registered office is at Trade and Development Bank of Mongolia building, Peace Avenue 19, Sukhbaatar district, 1st khoroo, Ulaanbaatar 14210, Mongolia.

The shareholders of the Bank with the percentage of ownership are disclosed in Note 30.

The financial statements for the year ended 31 December 2024 were authorised for issue in accordance with the resolution of the board of directors on 26 March 2025.

2. Material accounting policies

2.1 Basis of preparation and statement of compliance

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 debt and equity instruments at fair value through other comprehensive income ("FVOCI"), financial assets at fair value through profit and loss ("FVTPL"), derivative financial instruments, buildings and land that are measured at fair value subsequent to its acquisition, investment property, precious metal that is measured at fair value and properties held for sale which are measured at the lower of its carrying amount 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.

2.2 Presentation of financial statements

The Bank presents its statement of financial position broadly in order of liquidity based on the Bank's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 36.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a currently enforceable legal right to offset the recognised amounts without being contingent on a future event and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense are not offset in the statement of profit or loss and other comprehensive income ("OCI") unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

2.3 Standards issued but 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 standards, if applicable, when they become effective.

Amendments to IAS 21	*Lack of Exchangeability*[1]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
IFRS 18	*Presentation and Disclosure in Financial Statement*[3]
IFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]

[1]*Effective for annual periods beginning on or after 1 January 2025*
[2]*Effective for annual periods beginning on or after 1 January 2026*
[3]*Effective for annual periods beginning on or after 1 January 2027*

These amendments are not expected to have a material impact on the Bank's financial statements.

2.4 New and amended standards and interpretations

The Bank has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective in these financial statements.

Other amendments and interpretations that were applied for the first time in 2024 are summarised below:

• Amendments to IAS 1	*Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants*
• Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*
• Amendments to IAS 7 and IFRS 7	*Disclosures: Supplier Finance Arrangements*

These amendments had no material impact on the financial statements of the Bank during the period.

2.5 Summary of material accounting policies

Foreign currency translation

The financial statements are presented in Mongolian Togrog ("MNT"), which is also the Banks functional currency. 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 from settlement or translation of monetary items are taken to the profit or loss.

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. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

Recognition of interest income

The effective interest rate method

Interest income is recorded using the effective interest rate ("EIR") method for all financial instruments measured at amortised cost ("AC") and financial instruments designated at FVTPL. Interest income on interest bearing financial assets measured at FVOCI are also recorded by using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the gross carrying amount or, amortised cost as appropriate of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

Interest and similar income/expense

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the statement of profit or loss for both interest income and interest expense to provide symmetrical and comparable information. In its interest income/expense calculated using the effective interest method, the Bank only includes interest on those financial instruments that are set out above.

Other interest income/expense includes interest on derivatives in economic hedge relationships and all financial assets/liabilities measured at FVTPL, other than those held for trading, using the contractual interest rate.

Interest income/expense on all trading financial assets/liabilities is recognised as a part of the fair value change in "Trading and other operating income/expense".

2.5 Summary of material accounting policies (cont'd.)

Recognition of interest income (cont'd.)

Interest and similar income/expense (cont'd.)

The Bank calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset. When a financial asset becomes credit-impaired and is therefore regarded as "Stage 3", the Bank calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the financial asset. The credit-adjusted EIR is the interest rate that, at initial recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI financial asset.

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.

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 commission income, custody fees and other services. where the customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs.

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) forms 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.

Net trading income

Net trading income includes all gains and losses from changes in fair value and the related interest income or expense and dividends, for financial assets and financial liabilities held for trading.

2.5 Summary of material accounting policies (cont'd.)

Net gain or loss on financial assets and liabilities designated at FVTPL

Net gain or loss on financial instruments at FVTPL represents financial assets and financial liabilities designated as at FVTPL and also non-trading assets measured at FVTPL, as required by or elected under IFRS9. The line item includes fair value changes, interest, dividends and foreign exchange differences.

Net gain or loss on derecognition of financial assets measured at amortised cost or FVOCI

Net gain or loss on derecognition of financial assets measured at amortised cost includes loss (or income) recognised on sale or derecognition of financial assets measured at amortised costs or FVOCI calculated as the difference between the book value (including impairment) and the proceeds received.

Financial instruments – initial recognition

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments, other than those measured at FVTPL, are initially measured at their fair value including respective transaction costs. While financial instruments at FVTPL are recognised at its fair value and any transaction costs are recognised in profit or loss. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

'Day 1' profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in trading and other operating income/expenses. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- FVOCI
- FVTPL

The Bank classifies and measures its derivative and trading portfolio at FVTPL. The Bank may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments, or the fair value designation is applied.

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2.5 Summary of material accounting policies (cont'd.)

Determination of fair value (cont'd.)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

- Level 1 financial instruments – Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Bank has access to at the measurement date. The Bank considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.
- Level 2 financial instruments – Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Bank will classify the instruments as Level 3.
- Level 3 financial instruments – Those that include one or more unobservable input that is significant to the measurement as whole.

The Bank periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Bank's financial instruments such as credit risk (CVA), own credit (DVA) and/or funding costs (FVA). Therefore, the Bank applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralised financial instruments. The Bank estimates the value of its own credit from market observable data, such as secondary prices for its traded debt.

The Bank evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the end of the reporting period.

An analysis of fair values of financial instruments and further details as how they are measured are provided in Note 34.

Financial assets and liabilities per financial statement line

Due from banks, Loans and advances to customers, Financial investments at amortised cost

The Bank measures Due from banks, Loans and advances to customers and other financial investments at amortised cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment. The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model and, in particular, the way those risks are managed;
- Past experience with how the cash flows from these assets were obtained;
- The metrics used to measure and report on portfolio performance and reported to the key management;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

2.5 Summary of material accounting policies (cont'd.)

Financial assets and liabilities per financial statement line (cont'd.)

Business model assessment. (cont'd.)

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test. As a second step of its classification process the Bank assesses the contractual terms of financial instruments to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Bank enters into derivative transactions with various counterparties. These include interest rate swaps, cross currency swaps and forward foreign exchange contracts on interest rates and foreign currencies. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are included in other income unless hedge accounting is applied.

Financial assets or financial liabilities held for trading

The Bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

Debt instruments at FVOCI

The Bank classifies debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

The expected credit loss ("ECL") calculation for debt instruments at FVOCI is explained in Note 14. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

2.5 Summary of material accounting policies (cont'd.)

Financial assets and liabilities per financial statement line item (cont'd.)

Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss even upon derecognition. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Borrowed funds and debt securities issued

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

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

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. When establishing the accounting treatment of these non-derivative instruments the Bank first establishes whether the instrument is a compound instrument and classifies such instruments or components separately as financial liabilities, financial assets, or equity instruments in accordance with IAS 32. Classification of the liability and equity components of a convertible instrument is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when exercise of the option may appear to have become economically advantageous to some holders. When allocating the initial carrying amount of a compound financial instrument to its equity and liability components, the equity component is assigned the residual amount after deducting from the entire fair value of the instrument, the amount separately determined for the liability component. The value of any derivative features (such as a call options) embedded in the compound financial instrument, other than the equity component (such as an equity conversion options) is included in the liability component. Once the Bank has determined the split between equity and liability, it further evaluates if the liability component has embedded derivatives which would require separation.

Financial assets and liabilities at FVTPL

Financial assets in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9.

Financial assets at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss. Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using the contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as other operating income when the right to the payment has been established.

Financial guarantee, letter of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements (within 'other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and an ECL allowance as set out in Note 32.

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

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECL are disclosed in Note 32.

2.5 Summary of material accounting policies (cont'd.)

Financial assets and liabilities per financial statement line item (cont'd.)

Due to customers

This includes current, savings, time deposits and bank guarantee fund from customers. After initial measurement, due to customers are subsequently measured at amortised cost using the EIR.

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. The Bank recognises due to customer balances when funds reach the Bank. After initial measurement, due to banks are subsequently measured at amortised cost using the EIR.

Reclassification of financial assets

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

Modification of financial assets and 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
- Whether 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.

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

Derecognition other than for substantial modification

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 also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the asset; or
- It retains the right to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.

2.5 Summary of material accounting policies (cont'd.)

Derecognition of financial assets and liabilities (cont'd.)

Derecognition other than for substantial modification (cont'd.)

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the original asset), but assumes a contractual obligation to pay those cash flows to one or more entities (the eventual recipients), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients

A transfer only qualifies for derecognition if 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

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which 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 the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 profit or loss.

Forborne 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 Department.

Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

If modifications are substantial, the loan is derecognised, as explained above. Once the terms have been renegotiated without this resulting in the derecognition of the loan, 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 since initial recognition and thus classifies the loan as Stage 2. Once an asset has been classified as forborne, it reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing

2.5 Summary of material accounting policies (cont'd.)

Forborne modified loans (cont'd.)

- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period
- The customer does not have any contracts that are more than 30 days past due

Details of forborne assets are disclosed in Note 32.

Impairment of financial assets

Overview of the ECL principles

The Bank records an allowance for ECL for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or "LTECL"), unless there has been no significant increase in credit risk ("SICR") since origination, in which case, the allowance is based on the 12 months expected credit loss ("12mECL"). The Bank's policies for determining if there has been a SICR are set out in Note 33.

The 12mECL is the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 as described below:

Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired. The Bank records an allowance for the LTECL.

POCI: POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

Calculation of ECL

The Bank calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD: The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD: The Exposure at Default ("EAD") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD: The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD.

2.5 Summary of material accounting policies (cont'd.)

Impairment of financial assets (cont'd.)

Calculation of ECL

When estimating the ECL, the Bank considers three scenarios (a base case, an upside and a downside). Each of these is associated with different PDs.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in the earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

Stage 1:	The 12mECL is calculated as the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
Stage 3:	For loans considered credit-impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
POCI	POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECL since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR.
Loan commitments and letters of credit	When estimating LTECL for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECL are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within 'other liabilities'.
Financial guarantee contracts	The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in profit or loss, and the ECL provision. For this purpose, the Bank estimates ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios. The ECL related to financial guarantee contracts are recognised within 'other liabilities'.

Debt instruments measured at FVOCI

The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

Credit cards and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit its exposure to credit losses to the contractual notice period, but instead calculates ECL over a period that reflects its expectations of customer behaviour, the likelihood of default and its future risk mitigation procedures, which could include reducing or cancelling the facilities.

2.5 Summary of material accounting policies (cont'd.)

Impairment of financial assets (cont'd.)

Credit cards and other revolving facilities (cont'd.)

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, but greater emphasis is also given to qualitative factors such as changes in usage.

The interest rate used to discount the ECL for credit cards and overdrafts is based on annualised the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently not charged interest.

Forward looking information

In its ECL models, the Bank relies on a broad range of forward-looking information ("FLI") as economic inputs, such as:

- Inflation Rate
- Gross Domestic Product ("GDP") growth
- MNT/USD Exchange rate ("FX rate")
- Policy rate
- Credit Growth (YoY)
- Money M2 Growth (YoY)
- Unemployment rate
- Credit outstanding of commercial banks

The inputs and models used for calculating ECL 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.

Credit enhancements: Collateral valuation and financial guarantees

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position.

Cash flows expected from credit enhancements which are not required to be recognised separately by IFRS standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed, at a minimum, at inception and re-assessed on annual basis.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers or based on housing price indices.

Guarantees held are included in the measurement of loan ECL when either they are specified in the contractual terms of the loan or else are integral to the loan, in that they formed part of the basis on which the loan was extended.

Guarantees that are not integral to the loan's contractual terms are accounted as separate units of accounts subject to ECL.

Grants

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 on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Bank receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

2.5 Summary of material accounting policies (cont'd.)

Foreclosed properties

The Bank's policy is to determine whether a foreclosed asset can be 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 at the lower of their foreclosed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to "Assets held for sale" at their fair value (if financial asset) or fair value less cost to sell for non-financial assets at the repossession date. Assets that are expected to be sold beyond twelve months are included in "Other assets" and are measured at the lower of the cost and fair value less costs to sell.

Precious metals

Precious metals represent gold and silver which are carried at fair value.

Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Investment in associate

The Bank's investment in associate is accounted for using the equity method. An associate is an entity in which the Bank has significant influence. Significant influence is the power to participate in the financial and operating policies.

Under the equity method, the investment in an associate is carried on the statement of financial position at cost plus post acquisition changes in the Bank's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The statement of profit and loss and other comprehensive income reflects the Bank's share on the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Bank recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Bank and the associate are eliminated to the extent of the interest in the associate.

The Bank's share of profit of an associate is shown on the face of the statement profit or loss and other comprehensive income. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate, if any.

The financial statements of the associate are prepared for the same reporting period as the Bank. When necessary, adjustments are made to bring the accounting policies in line with those of the Bank.

After application of the equity method, the Bank determines whether it is necessary to recognize an additional impairment loss on its investment in its associate. The Bank determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Bank calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit of an associate' in profit and loss.

Upon loss of significant influence over the associate, the Bank measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Cash and bank balances

Cash and bank balances in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents comprises cash on hand, non-restricted current accounts with banks and amounts due from banks or with an original maturity of three months or less and BoM treasury bills with an original maturity of three months or less.

2.5 Summary of material accounting policies (cont'd.)

Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within 'Repurchase agreements', reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR. When the counterparty has the right to sell or re-pledge the securities, the Bank reclassifies those securities in its statement of financial position to indicate that they are pledged as collateral.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within 'Reverse repurchase agreements', reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in 'Interest and similar income' and is accrued over the life of the agreement using the EIR.

Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

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, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases

The Bank applies the short-term lease recognition exemption to its short-term leases of certain office spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date or spaces for ATMs). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

2.5 Summary of material accounting policies (cont'd.)

Leases (cont'd.)

Determining the lease term of contracts with renewal options

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 applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Bank included the renewal period as part of the lease term for leased office spaces due to the significance of these assets to its branch operations.

Property and equipment

Property and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property and equipment when the costs are incurred if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Bank recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Subsequent to initial recognition, items of property and equipment, except for buildings and land are subsequently stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Buildings and land are measured at fair value. Valuations are undertaken on a three to five year cycle. Between valuation dates, buildings are depreciated to the extent that reflect erosion of value. Any revaluation reserve is recorded in other comprehensive income and hence, credited to the asset revaluation reserve in equity, 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 recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing reserve on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Construction in progress is stated at cost which includes cost of construction equipment and other costs less any impairment in value. Construction in progress is not depreciated nor depleted until such time as the relevant assets are completed and put into operational use.

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 as follows:

Type of Asset	Estimated Useful Life in Years
Buildings and land	25 – 60
Office equipment and vehicles	3 – 15
Computers and others	2 – 13

Items of property and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statements of profit or loss when the asset is derecognised.

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

2.5 Summary of material accounting policies (cont'd.)

Intangible assets

The Bank's intangible assets include the value of computer software.

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 profit or loss 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 live of three to ten years.

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Bank considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Transfers are made to (or from) investment properties only when there is a change in use. For a transfer from investment properties to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Bank accounts for such properties in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Non-current assets held for sale

The Bank classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Impairment of non–financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's ("CGU") fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

2.5 Summary of material accounting policies (cont'd.)

Impairment of non–financial assets (cont'd.)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income.

Employee benefits

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.

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.

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 profit or loss net of any reimbursement.

Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components. All operating segments' operating results are regularly reviewed by the Bank's chief operating decision maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Taxes

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 statement of financial position date.

Deferred tax

Deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except for:

- 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 taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position 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 assets are reassessed at each statement of financial position 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.

2.5 Summary of material accounting policies (cont'd.)

Taxes (cont'd.)

Deferred tax (cont'd.)

Deferred tax assets 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 statement of financial position date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets 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.

Equity

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Share premium

The amount of contribution in excess of par value is accounted for as "Share premium". Share premium also arises from additional capital contribution from the stockholders.

Retained earnings

Retained earnings represent accumulated profits or losses, reduced by dividend declarations. These may also include prior period adjustments and effects of changes in accounting policies.

Asset revaluation reserve

The revaluation reserve is used to record the reserve arising from the revaluation of the Bank's land and buildings.

Regulatory reserve

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.

Fair value reserves

The fair value reserves comprise of the cumulative net change in the fair value of the debt instruments classified at FVOCI, less the allowance for ECL, and the cumulative net change in fair value of equity instruments at FVOCI.

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 for the year 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 weighted average number of 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.

2.5 Summary of significant accounting policies (cont'd.)

Transactions with related parties

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

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

An entity is related to a Bank if any of the following conditions applies:
- The entity and the Bank are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- 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).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Bank or an entity related to the Bank. If the Bank is itself such a plan, the sponsoring employers are also related to the Bank.
- The entity is controlled or jointly controlled by a person who has control or joint control of the Bank.
- A person who has control or joint control of the Bank 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).
- 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.

All material transactions and balances with the related parties are disclosed in the relevant notes to financial statements and the detail is presented in Note 35.

3. 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 made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. 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.

Measurement of impairment losses

The measurement of impairment losses across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic inputs, such as GDP, unemployment rates and inflation rates, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

It is the Bank's policy to annually review its models in the context of actual loss experience and adjust when necessary.

3. Significant accounting judgments, estimates and assumptions (cont'd.)

Fair value of derivative financial instruments

When the fair value of derivative financial instruments recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Changes in assumptions could affect the reported fair value of derivative financial instruments. See Note 34 for further disclosures.

Revaluation of properties

The Bank carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. In addition, the Bank measures its land and buildings at revalued amounts, with changes in fair value being recognised in OCI. The Bank engages an independent valuation specialist to assess fair value of both investment properties and the land and buildings. Properties were valued principally by reference to market-based evidence, using comparable prices and income approaches adjusted for specific market factors such as nature, location and condition of the buildings. The Bank engaged an independent valuation specialist to assess fair values as at 31 December 2024 for the investment properties and as at 31 December 2021 for land and buildings.

This valuation assessment requires exercise of judgment from management and independent valuer based on their experience of those properties as well as other assumptions described in Note 34.

Determination of significant influence over an entity in which the Bank holds less than 20% voting right

The Bank considers that it has significant influence over MIK Holding JSC ("MIK") even though it owns less than 20% of the voting rights. This is because the Bank is one of the largest shareholders of MIK with a 10% equity interest (effective interest of 13.58%) whilst the majority of the other shareholders hold less than 10% equity interests. Additionally, certain related parties of the Bank holds around 37.38% (effective interest of 50.78%) equity interests in MIK, thus the voting power of the Bank together with its related parties are larger than that of any other shareholder of MIK. Furthermore, the Bank enters into material transactions with MIK throughout the year on a regular basis. Although these transactions are entered into during ordinary course of business, the volume and amount are considered material.

4. Interest and similar income

	2024 MNT'000	2023 MNT'000
Interest income calculated using the effective interest method		
Loans and advances to customers	746,005,561	502,863,241
Debt instrument at FVOCI	200,625,130	122,654,748
Due from banks and financial institutions	53,800,126	39,322,246
Cash and balances with BoM	31,390,192	37,570,628
Reverse repurchase agreements	798,388	303,052
Debt instrument at amortised cost	22,147	19,219,201
	1,032,641,544	**721,933,116**
Other interest and similar income		
Financial assets at FVTPL	33,424,147	31,745,201
Loans and advances to customers measured at FVTPL	19,930,983	11,034,082
	53,355,130	**42,779,283**

5. Interest and similar expenses

	2024 MNT'000	2023 MNT'000
Due to customers	524,718,809	375,598,199
Borrowed funds	61,057,810	78,350,667
Repurchase agreements	4,627,135	10,962,353
Debt securities issued	4,200,696	–
Liabilities for loans sold to MIK with recourse (Note 17)	3,513,169	–
Due to banks and financial institutions	2,558,585	2,086,910
Lease liabilities (Note 22)	1,802,903	2,050,311
	602,479,107	**469,048,440**

6. Net fees and commission income

	2024 MNT'000	2023 MNT'000
Fees and commission income from providing financial services at a point in time:		
Card service	45,869,285	39,441,990
Wire transfer	21,330,572	18,975,795
Loan related service	10,790,682	9,789,095
Mobile and internet-banking service	9,831,325	7,581,552
Others	6,219,725	3,556,703
	94,041,589	**79,345,135**
Fee income earned from services that are provided over time		
Financial guarantee	18,956,006	12,084,388
Card service	3,987,160	3,089,117
	22,943,166	**15,173,505**
Total fee income	**116,984,755**	**94,518,640**
Fees and commission expenses		
Card service charges	35,385,841	27,875,380
Others	4,975,200	5,283,671
	40,361,041	**33,159,051**
Net fees and commission income	**76,623,714**	**61,359,589**

7. Trading and other operating income

	2024 MNT'000	2023 MNT'000
Foreign exchange gain, net	32,676,512	43,851,423
Precious metal trading gain, net	18,510,635	1,630,146
Unrealised gain/(loss) on fair value of derivatives	13,881,202	(2,719,591)
Fair value change of other receivables	7,630,492	–
Valuation gain on investment property (Note 19)	3,053,461	2,873,791
Gain/(loss) on disposal of foreclosed properties, net	1,061,392	2,097,115
Amortisation of deferred grant (Note 29)	748,866	203,242
Gain/(loss) of fair value of financial investments at FVOCI	620,874	(69,385)
Gain on disposal of financial investment at FVTPL (Note 14)	300,000	–
Dividend income (Note 14)	221,276	194,694
Gain on disposal of asset-held-for sale, net	158,782	–
(Loss)/gain on disposal of property and equipment, net	(5,306,473)	21,290
Net swap interest expense	(4,524,781)	(7,137,392)
Loss on repurchase of debt securities (Note 28)	(2,246,097)	–
Fair value change of equity instrument at FVTPL	–	1,700,000
Gain on disposal of investment property	–	385,314
Modification loss on other loans receivables	–	(8,311,181)
Others	21,152,523	19,971,022
	87,938,664	**54,690,488**

8. Credit loss expense

	2024 MNT'000	2023 MNT'000
Loans and advances to customers (Note 17)	16,564,682	11,761,534
Other assets (Note 18)	5,962,840	20,194,888
Debt instrument measured at FVOCI (Note 14)	2,589,426	334,357
Balances with BoM (Note 12)	160,376	138,967
Due from other banks and financial institutions (Note 13)	4,202	35,986
Credit commitment (Note 32)	(2,632,953)	3,116,152
Debt instrument measured at amortised cost (Note 14)	(15,515)	(162,837)
	22,633,058	**35,419,047**

9. Operating expenses

	2024 MNT'000	2023 MNT'000
Personnel expense	103,242,976	88,706,960
Insurance	18,837,531	16,126,922
Advertising and public relations	18,248,858	14,280,646
Depreciation on property and equipment (Note 21)	17,364,478	14,180,303
IT maintenance	8,742,276	6,651,094
Technical assistance and foreign bank remittance fee	7,908,945	5,431,175
Depreciation of right-of-use assets (Note 22)	7,386,391	6,782,507
Professional services fee	5,990,902	6,977,664
Stationery and supplies	4,207,310	4,064,581
Communication	3,935,631	3,376,244
Repairs and maintenance	3,576,900	1,040,921
Reception and entertainment	3,203,291	507,053
Cash handling	2,125,830	461,967
Utility expenses	1,843,831	1,701,473
Write-off of property and equipment (Note 21)	1,403,605	110,214
Business travel expenses	1,353,238	1,530,279
Amortisation of intangible asset (Note 23)	1,092,379	920,110
Rental expense	1,074,150	773,674
Transportation	593,274	506,333
Training expenses	365,836	646,280
Security	293,672	1,263,146
Write-off of intangible assets (Note 23)	967	1,809
Loss on disposal of asset held for sale	–	8,831
Others	19,416,774	7,710,160
	232,209,045	**183,760,346**

The professional service fee includes audit fees of MNT 980,469 thousand (2023: MNT 902,340 thousand).

10. Income taxes

10.1 Income tax expense

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

	2024 MNT'000	2023 MNT'000
Income tax:		
Current income tax	85,569,338	45,160,560
Deferred tax:		
Relating to temporary differences (Note 10.2)	4,000,906	427,154
	89,570,244	**45,587,714**

10. Income taxes (cont'd.)

10.1 Income tax expense (cont'd.)

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 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 income tax	388,205,863	196,806,181
Tax at statutory rate of 25% (2023: 25%)	97,051,466	49,201,545
Effect of expenses not deductible for income tax purpose	8,461,841	8,153,101
Special tax rate	1,476,229	941,635
Tax rate difference	(5,756,255)	(4,315,919)
Effect of non-taxable income	(799,235)	(1,410,671)
Effect of income exempted from taxation	(5,858,602)	(6,774,069)
Effect of tax credit	(5,005,200)	(207,908)
Tax expense	**89,570,244**	**45,587,714**

The effective income tax rate for 2024 is 23.07% (2023: 23.16%).

10.2 Deferred tax liabilities

As at 31 December 2024 **Deferred tax (assets)/liabilities**	**As at 1 January 2024 MNT'000**	**Recognised in other comprehensive income MNT'000**	**Recognised in profit or loss MNT'000**	**As at 31 December 2024 MNT'000**
Revaluation of financial investments measured at FVOCI	3,818,137	2,287,234	–	6,105,371
Revaluation of derivative financial instruments	3,058,458	–	3,470,301	6,528,759
Share of profit of an associate	(530,605)	–	530,605	–
Lease liabilities and ROU asset	46,872	–	–	46,872
	6,392,862	**2,287,234**	**4,000,906**	**12,681,002**

As at 31 December 2023 **Deferred tax (assets)/liabilities**	**As at 1 January 2023 MNT'000**	**Recognised in other comprehensive income MNT'000**	**Recognised in profit or loss MNT'000**	**As at 31 December 2023 MNT'000**
Revaluation of financial investments measured at FVOCI	254,219	3,563,918	–	3,818,137
Revaluation of derivative financial instruments	3,058,458	–	–	3,058,458
Share of profit of an associate	(957,759)	–	427,154	(530,605)
Lease liabilities and ROU asset	46,872	–	–	46,872
	2,401,790	**3,563,918**	**427,154**	**6,392,862**

11. 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 attributable to ordinary equity holders - basic and diluted	298,635,619	151,218,467
Adjusted weighted average number of ordinary shares for EPS	50,600,927	49,690,110
Earnings per share		
	MNT	**MNT**
Equity holders of the Bank for the period:		
Basic earnings per share	5,902	3,043
Diluted earnings per share	5,902	3,043

Basic earnings per share are calculated by dividing the net profit by the weighted average number of ordinary shares in issue during the year (See Note 30).

12. Cash and balances with Bank of Mongolia

	2024 MNT'000	2023 MNT'000
Cash on hand	64,286,885	68,202,441
Current accounts with BoM	2,756,935,248	1,049,656,108
Deposit accounts with BoM	273,891,188	1,191,259,381
Gross carrying amount	**3,095,113,321**	**2,309,117,930**
Less: Allowance for impairment losses on balances with BoM	(548,160)	(387,784)
Net cash and balances with BoM	**3,094,565,161**	**2,308,730,146**

Current accounts with BoM are maintained in accordance with BoM regulations. The balances maintained with BoM are determined at not less than 11.0% (2023: 8.0%) of customer deposits for local currency and not less than 16.0% (2023: 18.0%) of customer deposits for foreign currency based on average balance of two weeks.

As at 31 December 2024, the average reserves required by BoM for that period of two weeks were MNT 653,611,546 thousand (2023: MNT 323,409,967 thousand) for local currency and MNT 537,712,745 thousand (2023: MNT 738,326,513 thousand) for foreign currency maintained on current accounts with BoM.

Impairment allowance for cash and balances with BoM

The table below shows the credit quality and the maximum exposure excluding cash on hand to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. As at 31 December 2024 and 2023, the balances have credit rating of B- and classified as stage 1. Details of the Bank's internal grading system and policies about whether ECL allowances are calculated on an individual or collective basis are set out in Note 33:

		Total	
	12 month PD range	Exposure at default Stage 1 MNT'000	ECL Stage 1 MNT'000
31 December 2024	2.481%	3,030,826,436	(548,160)
31 December 2023	2.447%	2,240,915,489	(387,784)

An analysis of changes in the ECL allowance as at 31 December 2024 and 2023 were as follows:

	2024 MNT'000	2023 MNT'000
At 1 January	387,784	248,817
Net charge for the year (Note 8)	160,376	138,967
At 31 December	**548,160**	**387,784**

12. Cash and balances with Bank of Mongolia (cont'd.)

Additional cashflow information

	2024 MNT'000	2023 MNT'000
Cash and balances with BoM (Note 12)	3,095,113,321	2,309,117,930
Due from banks and financial institutions (Note 13)	1,396,784,669	1,651,839,858
Unquoted BoM treasury bills - less than three months (Note 14)	1,837,294,011	1,363,375,430
Gross carrying cash and cash equivalents amount	**6,329,192,001**	**5,324,333,218**
Less: Minimum reserve with the BoM not available to finance the Bank's day to day operations	(1,191,324,291)	(1,061,736,480)
Less: Placement with foreign bank as cash collateral	(104,373,133)	(3,644,263)
Less: Unquoted BoM treasury bills - less than three months held as collateral	(20,300,191)	(46,255,897)
Net cash and cash equivalents	**5,013,194,386**	**4,212,696,578**

13. Due from other banks and financial institutions

	2024 MNT'000	2023 MNT'000
Current accounts with foreign banks and financial institutions	605,033,198	860,814,839
Current accounts with local banks and financial institutions	881,051	5,085,812
Placement with foreign banks and financial institutions	342,228,576	488,141,631
Placement with local banks and financial institutions	344,268,711	294,153,313
Placement with foreign bank as cash collateral	104,373,133	3,644,263
Gross carrying amount	**1,396,784,669**	**1,651,839,858**
Less: Allowance for impairment losses	(45,685)	(41,483)
Net due from banks and other financial institutions balance	**1,396,738,984**	**1,651,798,375**

Impairment allowance for due from other banks and financial institutions

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system and policies about whether ECL allowances are calculated on an individual or collective basis are set out in Note 33.

	12 month PD range	Total Exposure at default Stage 1 MNT'000	ECL Stage 1 MNT'000
At 31 December 2024			
Internal rating grade			
A- to AA+ rated	0.025% - 0.08%	938,894,009	1,237
BBB- to BBB+	0.255%	7,802,859	31
B- to BB+	0.814% - 2.605%	440,707,971	43,163
Not rated	8.33%	9,379,830	1,254
		1,396,784,669	**45,685**
At 31 December 2023			
Internal rating grade			
A- to AA+ rated	0.011%-0.043%	1,344,103,021	3,437
BBB- to BBB+	0.173%	1,618,714	4
B- to BB+	0.687%-2.735%	300,956,089	37,127
Not rated	10.89%	5,162,034	915
		1,651,839,858	**41,483**

13. Due from other banks and financial institutions (cont'd.)

An analysis of changes in the ECL allowance as at 31 December 2024 and 2023 are as follows:

	2024 Stage 1 MNT'000	2023 Stage 1 MNT'000
Gross carrying amount as at 1 January	**1,651,839,858**	**767,073,137**
New assets originated or purchased	83,022,870,997	57,190,702,069
Repaid amounts	(83,275,066,201)	(56,296,422,836)
Foreign exchange adjustments	(2,859,985)	(9,512,512)
At 31 December	**1,396,784,669**	**1,651,839,858**
ECL allowance as at 1 January	**41,483**	**5,497**
New assets originated or purchased	45,938	32
Assets derecognised or repaid (excluding write-offs)	(40,001)	(2,323)
Changes to assumptions	(1,735)	38,277
Net charge for the year (Note 8)	4,202	35,986
At 31 December	**45,685**	**41,483**

14. Financial investments

	2024 MNT'000	2023 MNT'000
Debt instruments measured at FVOCI:		
Bank of Mongolia bills (a)	1,837,294,011	1,363,375,430
Government USD bond (b)	492,330,245	105,989,124
Government MNT bond (c)	150,454,795	–
Green recycle bond, quoted (d)	10,418,175	–
MIK USD bond (e)	–	41,170,073
	2,490,497,226	**1,510,534,627**
Equity instruments measured at FVOCI		
Quoted equities (f)	47,094,211	38,804,358
Unquoted equities (g)	3,538,351	3,168,023
	50,632,562	**41,972,381**
Equity instruments measured at FVTPL		
Unquoted equities (h)	–	1,700,000
	–	**1,700,000**
Debt instruments at amortised cost		
Loan backed securities - Senior tranche (i)	–	1,311,976
	–	**1,311,976**
Financial assets at FVTPL		
Residential mortgage-backed securities (j)	362,556,440	360,010,446
Loan backed securities - Junior tranche (i)	292,792	2,399,558
	362,849,232	**362,410,004**
	2,903,979,020	**1,917,928,988**

(a) Unquoted BoM treasury bills are purchased either at par, premium or discount.
(b) Quoted government bonds represent investment in government bonds listed on foreign market.
(c) Quoted government MNT bonds represent investment in government bonds listed on domestic market.
(d) Quoted corporate bonds represent investment in Green recycle bond listed on domestic market.
(e) Quoted corporate bond represent investment in Mongolian Mortgage Corporation HFC LLC ("MIK HFC") bond listed on foreign market, which have fully matured in 2024.

14. Financial investments (cont'd.)

(f) Quoted equity securities represent investments made in Visa Inc. The Bank received dividends of MNT 221,276 thousand from its investment in Visa Inc (2023: MNT 194,694 thousand) (see Note 7).
(g) Unquoted equity securities represent investments made in unquoted private 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.
(h) During the year, the Bank disposed its unquoted equity securities in Mongolian National Rare Earth Corporation LLC and recognised a gain of MNT 300 million (see Note 7).
(i) Loan-backed securities ("LBSs") represent Junior and Senior tranches of, and interest-bearing long-term securities issued by, wholly owned special purpose companies of Securities Financing Corporation LLC ("SFC"). The Bank transferred fixed rate repurchase agreement financed business loans to SFC without recourse and received the LBSs in exchange.
(j) Residential mortgage-backed securities ("RMBSs") represent Junior and Senior tranches of interest-bearing long-term securities issued by MIK HFC (see Note 17).

Impairment allowance for financial investments

The table below shows the fair value of the Bank's debt instruments measured at FVOCI and measured at amortised cost by credit risk including ECL allowance, based on the Bank's internal credit rating system and year-end stage classification. As at 31 December 2024 and 2023, the debt instruments have credit ratings of B- to B+ and are classified as stage 1. Details of the Bank's internal grading system and policies for ECL allowances are set out in Note 33.

	2024 Fair value/ Gross carrying amount MNT'000	ECL MNT'000	2023 Fair value/ Gross carrying amount MNT'000	ECL MNT'000
Debt instruments at FVOCI				
As at 1 January	1,510,534,627	1,051,793	1,079,812,762	717,436
New assets originated or purchased	22,683,500,912	3,641,219	9,232,252,460	935,714
Payments and assets derecognised	(21,704,810,075)	(1,051,793)	(8,819,778,863)	(608,578)
Changes in fair value	859,083	–	5,751,514	7,221
Foreign exchange adjustments	412,679	–	12,496,754	–
Net charge for the year (Note 8)	–	2,589,426	–	334,357
As at 31 December	**2,490,497,226**	**3,641,219**	**1,510,534,627**	**1,051,793**
Debt instruments at AC				
As at 1 January	1,327,491	15,515	250,731,568	178,352
New assets originated or purchased	–	–	2,823,891	15,515
Payments and assets derecognised	(1,327,491)	(15,515)	(252,227,968)	(178,352)
Net reversal for the year (Note 8)	–	(15,515)	–	(162,837)
As at 31 December	**–**	**–**	**1,327,491**	**15,515**

15. Investment in associate

As of 31 December 2024, the Bank holds 10.00% (2023: 10.00%) (or effective holding around 13.58% (2023: 13.58%) taking into account of the effect of treasury shares) in MIK (see Note 3).

MIK's principal activities include purchasing of mortgage pools by issuing RMBS securitised by those mortgage pools in Mongolia or proceeds from its senior notes issued in the international capital market. MIK is a public entity that is listed on the MSE. The Bank holds a total of 2,070,932 MIK shares as of 31 December 2024 (2023: 2,070,932 shares), the closing price of MIK shares at MSE at 31 December 2024 was MNT 16,570 per share (2023: MNT 22,000 per share).

As of the date of this report, MIK has issued its audited financial statements for the year ended 31 December 2024. The Bank's interest in MIK is accounted for using the equity method based on MIK's audited financial statements as at 31 December 2024 and 2023.

15. Investment in associate (cont'd.)

	MNT'000
1 January 2023	924,685
Share of profit of an associate for the year	3,817,834
Adjustment in Company's share of profit/loss of prior year	453,704
Total share of profit of an associate	4,271,538
At 31 December 2023 and 1 January 2024	**5,196,223**
Share of loss of an associate for the year	(5,031,979)
At 31 December 2024	**164,244**

The following table illustrates the summarised financial information of the Bank's investment in MIK:

	2024 MNT'000	2023 MNT'000
Investee: MIK		
Total assets	5,107,401,668	5,180,166,368
Total liabilities	(5,106,192,211)	(5,141,902,576)
Equity	1,209,457	38,263,792
Bank's share of equity 13.58% (2023: 13.58%)	**164,244**	**5,196,223**
Net interest income for the year	51,027,270	83,224,706
Total comprehensive income/loss for the year	(37,054,335)	28,113,656

16. Derivative financial instruments

The table below shows the fair values 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.

	Notional amount MNT'000	Fair value Assets MNT'000	Fair value Liabilities MNT'000
At 31 December 2024			
Derivatives held for trading			
Cross-currency interest rate swaps with BoM (a)	1,126,233,035	11,492,365	9,808,999
Cross-currency interest rate swaps with MIK (b)	620,993,151	4,165,860	1,821,143
Cross-currency interest rate swaps with others (c)	62,351,320	2,764,817	–
Commodity swaps (d)	227,990,889	70,298,397	58,928,045
Forwards	35,604,803	62,692	71,931
	2,073,173,198	**88,784,131**	**70,630,118**
At 31 December 2023			
Derivatives held for trading			
Cross-currency interest rate swaps with MIK (b)	515,730,880	1,135,791	152,977,717
Cross-currency interest rate swaps with BoM (a)	726,552,450	167,518,868	6,132,032
Cross-currency interest rate swaps with others (c)	62,351,320	3,533,918	–
	1,304,634,650	**172,188,577**	**159,109,749**

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.

The Bank's exposure under derivative contracts is closely monitored as part of the overall management of its market risk. The Bank's risk management strategy and how it is applied to manage its risks is disclosed in Note 33.

16. Derivative financial instruments (cont'd.)

(a) The Bank enters into cross-currency interest rate swap agreements with BoM. At initiation, the Bank has paid USD funds to BoM and received MNT funds at the spot rate. During the term of the agreement with BoM, the Bank receives interest on USD funds at SOFR plus certain margin and pays interest on MNT funds at the central bank policy rate. At the end of the term of agreements, the parties shall exchange the principal payments at the exchange rate of the initial transaction.

(b) On 23 February 2024 and 15 April 2024, the Bank entered into cross-currency interest rate swap agreements with MIK HFC (derivative financial liability) and entered into a respective offsetting position with BoM (derivative financial asset) on the same day, whereby the Bank has acted as an intermediary institution. At initiation, the Bank received USD funds from MIK HFC and paid MNT funds at the spot rate, simultaneous to which the Bank has paid USD funds to BoM and received MNT funds at the spot rate. During the term of the agreement with BoM, the Bank receives interest on USD funds at SOFR plus a certain margin and pays interest on MNT funds at the central bank policy rate. Whereas during the term of the agreement with MIK HFC, the Bank pays interest on USD funds at rate equal to the rate received from BoM and receives interest on MNT funds at central bank repo rate plus 0.1%. At the end of the term of both agreements, the Bank shall pay or receive the difference incurred by the exchange rates at the end of the term.

(c) The Bank entered into cross-currency interest rate swap agreements with Digital Concept LLC (derivative financial liability) on 14 August 2023 and 2 October 2023, respectively, and entered into respective offsetting position with BoM (derivative financial asset) on the same days, whereby the Bank has acted as an intermediary institution. At initiation, the Bank received USD funds from Digital Concept LLC and paid MNT funds at the spot rate, simultaneous to which the Bank has paid USD funds to BoM and received MNT funds at the spot rate. During the term of the agreement with BoM, the Bank receives interest on USD funds at SOFR plus certain margin and pays interest on MNT funds at the central bank policy rate. Whereas during the term of the agreement with the company, the Bank pays interest on USD funds at rate equal to the rate received from BoM and receives interest on MNT funds at central bank repo rate plus 1%. At the end of the term of both agreements, the Bank shall pay or receive the difference incurred by the exchange rates at the end of the term.

(d) On 14 March 2024, the Bank has entered into a forward agreement with Boroo Gold LLC, along with a respective offsetting position commodity trading financial institution. The agreement is effective from 14 March 2024 until 30 June 2025. In relation with the trade with commodity trading financial institution, the Bank has placed cash deposits amounting to USD 28.7 million (MNT 98 billion), included within the placement with foreign bank as cash collateral. (Note 13).

17. Loans and advances to customers

	2024 **MNT'000**	**2023** **MNT'000**
Corporate	3,334,506,297	3,346,336,133
Retail loan	1,881,283,420	1,128,045,255
Small and Medium-sized enterprise (SME)	824,036,260	598,955,743
Loans to executives, directors and staffs	24,622,453	23,475,898
Gross loans and advances to customers	**6,064,448,430**	**5,096,813,029**
Allowance for impairment losses	(308,214,875)	(411,987,392)
Net loans and advances to customers	**5,756,233,555**	**4,684,825,637**
Loans and advances to customers at FVTPL	423,335,998	248,631,585
Total loans and advances to customers	**6,179,569,553**	**4,933,457,222**

Transferred financial assets that are derecognised in their entirety

Sale of mortgage pools

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 HFC in exchange for RMBS. The Bank derecognised the loan portfolio amounting to MNT 104,590,932 thousand (2023: MNT 279,126,790 thousand) and recognised the Senior RMBS and Junior RMBS received as financial assets (see Note 14). The Bank's continuing involvement in the transferred assets is also to act as a servicer of the transferred assets until their maturity, with a quarterly servicing fee of 2.5% of the serviced amount. The total servicing fee recognised in 2024 amounted to MNT 5,449 million (2023: MNT 5,205 million) which is included within Fees and commission income.

Loans and advances to customers at FVPL

As of 31 December 2024, the Bank holds mortgage portfolio of loans and advances to customers to be sold to MIK HFC amounting to MNT 423,336 million (2023: 248,632 million), which were classified as measured at FVTPL.

17. Loans and advances to customers (cont'd.)

Transferred financial assets that are not derecognised in their entirety

Furthermore, the Bank participated in monetisation transactions with MIK HFC for selling of loan pools collateralised by immovable assets with recourse. The Bank sold MNT 50,667 million (2023: nil) of loans to MIK, for which the Bank received funding bearing an interest rate of 12% p.a. The Bank retained all of the risks and rewards related to the loans sold to MIK HFC within these transactions. Therefore, the assets do not qualify for derecognition. The assets not qualified for derecognition amounted to MNT 44,418 million as at 31 December 2024 (2023: nil) (Note 29).

Impairment allowance for loans and advances to customers

The tables below show the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 33.

	Corporate MNT'000	SME MNT'000	Retail MNT'000	Total MNT'000
At 31 December 2024				
Gross carrying amount as at 1 January 2024	**3,346,336,133**	**599,615,465**	**1,150,861,431**	**5,096,813,029**
New assets originated or purchased	1,507,835,539	492,286,444	1,439,890,580	3,440,012,563
Assets derecognised or repaid	(1,396,875,752)	(251,101,989)	(695,064,953)	(2,343,042,694)
Net movement on accrued interest	(14,387,775)	(702,094)	9,537,608	(5,552,261)
Movement on segment change	15,189,645	(15,189,645)	–	–
Write-offs	(121,671,012)	(29,903)	(136,431)	(121,837,346)
Foreign exchange adjustments	(1,920,481)	(32,134)	7,754	(1,944,861)
At 31 December 2024	**3,334,506,297**	**824,846,144**	**1,905,095,989**	**6,064,448,430**

	Corporate MNT'000	SME MNT'000	Retail MNT'000	Total MNT'000
ECL allowance as at 1 January 2024	**359,678,015**	**36,171,813**	**16,137,564**	**411,987,392**
New assets originated or purchased	41,314,235	4,281,687	5,641,829	51,237,751
Assets derecognised or repaid	(76,679,779)	(11,819,363)	(6,381,776)	(94,880,918)
Net movement on accrued interest	8,610,636	356,759	1,202,999	10,170,394
Impact on ECL from stage transfers and input changes	40,281,273	6,459,969	3,296,213	50,037,455
Impact on ECL from segment changes	179,416	(179,416)	–	–
Net charge for the year (Note 8)	13,705,781	(900,364)	3,759,265	16,564,682
Write-offs	(121,671,012)	(29,903)	(136,431)	(121,837,346)
Foreign exchange adjustments	1,459,188	40,578	381	1,500,147
At 31 December 2024	**253,171,972**	**35,282,124**	**19,760,779**	**308,214,875**

17. Loans and advances to customers (cont'd.)

Impairment allowance for loans and advances to customers (cont'd.)

At 31 December 2023	Corporate MNT'000	SME MNT'000	Retail MNT'000	Total MNT'000
Gross carrying amount as at 1 January 2023	**3,238,302,119**	**420,167,378**	**628,521,161**	**4,286,990,658**
New assets originated or purchased	1,225,001,918	368,596,902	913,846,138	2,507,444,958
Assets derecognised or repaid	(1,014,257,559)	(183,611,608)	(391,952,628)	(1,589,821,795)
Net movement on accrued interest	(11,718,519)	(1,372,942)	488,148	(12,603,313)
Movement on segment change	4,145,829	(4,145,829)	–	–
Write-offs	(78,326,253)	(14,247)	(16,456)	(78,356,956)
Foreign exchange adjustments	(16,811,402)	(4,189)	(24,932)	(16,840,523)
At 31 December 2023	**3,346,336,133**	**599,615,465**	**1,150,861,431**	**5,096,813,029**
ECL allowance as at 1 January 2023	**429,176,309**	**33,990,825**	**17,517,692**	**480,684,826**
New assets originated or purchased	31,557,019	5,312,242	2,847,530	39,716,791
Assets derecognised or repaid	(29,181,950)	(9,156,939)	(5,413,433)	(43,752,322)
Net movement on accrued interest	6,940,724	239,847	270,390	7,450,961
Impact on ECL from stage transfers and input changes	1,532,900	5,866,785	946,419	8,346,104
Impact on ECL from segment changes	66,847	(66,847)	–	–
Net charge for the year (Note 8)	10,915,540	2,195,088	(1,349,094)	11,761,534
Write-offs	(78,326,253)	(14,247)	(16,456)	(78,356,956)
Foreign exchange adjustments	(2,087,581)	147	(14,578)	(2,102,012)
At 31 December 2023	**359,678,015**	**36,171,813**	**16,137,564**	**411,987,392**

	Corporate MNT'000	SME MNT'000	Retail MNT'000	Total MNT'000
At 31 December 2024				
Performing	2,696,367,463	779,988,555	1,853,791,196	5,330,147,214
Special mention	424,250,947	1,091,510	22,498,246	447,840,703
Substandard	78,491,924	16,000,384	13,829,626	108,321,934
Doubtful	377,025	1,514,920	4,819,774	6,711,719
Loss	135,018,938	26,250,775	10,157,147	171,426,860
Total	**3,334,506,297**	**824,846,144**	**1,905,095,989**	**6,064,448,430**
At 31 December 2023				
Performing	2,386,451,751	554,897,185	1,127,526,777	4,068,875,713
Special mention	391,754,945	4,121,198	5,528,808	401,404,951
Substandard	132,326,310	12,540,207	4,684,732	149,551,249
Doubtful	123,447,377	2,474,805	1,296,954	127,219,136
Loss	312,355,750	25,582,070	11,824,160	349,761,980
Total	**3,346,336,133**	**599,615,465**	**1,150,861,431**	**5,096,813,029**

The tables also include an analysis of changes in the gross carrying amount and the corresponding ECL allowances including the credit quality of the financial assets under IFRS 9, as follows:

17. Loans and advances to customers (cont'd.)

Impairment allowance for loans and advances to customers (cont'd.)

Corporate loan	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
Gross carrying amount as at 1 January 2024	**2,072,288,198**	**705,918,498**	**568,129,437**	**3,346,336,133**
New assets originated or purchased	1,507,835,539	–	–	1,507,835,539
Assets derecognised or repaid	(1,108,087,134)	(68,615,535)	(220,173,083)	(1,396,875,752)
Net movement on accrued interest	8,975,662	1,247,414	(24,610,851)	(14,387,775)
Movement on segment change	15,189,645	–	–	15,189,645
Transfer to/(from) Stage 1	37,582,819	(37,582,819)	–	–
Transfer to/(from) Stage 2	(41,353,945)	57,524,803	(16,170,858)	–
Transfer to/(from) Stage 3	(40,984)	(28,300,482)	28,341,466	–
Write-offs	–	–	(121,671,012)	(121,671,012)
Foreign exchange adjustments	(2,453,417)	490,148	42,788	(1,920,481)
At 31 December 2024	**2,489,936,383**	**630,682,027**	**213,887,887**	**3,334,506,297**
ECL allowance as at 1 January 2024	**43,034,486**	**96,236,367**	**220,407,162**	**359,678,015**
New assets originated or purchased	41,314,235	–	–	41,314,235
Assets derecognised or repaid	(35,836,750)	(20,932,585)	(19,910,444)	(76,679,779)
Net movement on accrued interest	(193,695)	9,301,125	(496,794)	8,610,636
Transfer to/(from) Stage 1	930,180	(930,171)	(9)	–
Transfer to/(from) Stage 2	(1,601,110)	2,308,355	(707,245)	–
Transfer to/(from) Stage 3	(520)	(2,641,291)	2,641,811	–
Impact on ECL from stage transfer and input changes	(26,224,921)	48,509,632	17,996,562	40,281,273
Impact on ECL from segment changes	178,459	957	–	179,416
Write-offs	–	–	(121,671,012)	(121,671,012)
Foreign exchange adjustments	(50,843)	68,261	1,441,770	1,459,188
At 31 December 2024	**21,549,521**	**131,920,650**	**99,701,801**	**253,171,972**
Gross carrying amount as at 1 January 2023	**1,388,205,286**	**1,065,059,888**	**785,036,945**	**3,238,302,119**
New assets originated or purchased	1,225,001,918	–	–	1,225,001,918
Assets derecognised or repaid	(856,280,160)	(50,136,183)	(107,841,216)	(1,014,257,559)
Net movement on accrued interest	(5,858,253)	13,286,446	(19,146,712)	(11,718,519)
Movement on segment change	4,027,653	118,176	–	4,145,829
Transfer to/(from) Stage 1	402,146,665	(373,017,891)	(29,128,774)	–
Transfer to/(from) Stage 2	(61,146,722)	64,599,609	(3,452,887)	–
Transfer to/(from) Stage 3	(10,980,676)	(6,480,932)	17,461,608	–
Write-offs	–	(4,476,807)	(73,849,446)	(78,326,253)
Foreign exchange adjustments	(12,827,513)	(3,033,808)	(950,081)	(16,811,402)
At 31 December 2023	**2,072,288,198**	**705,918,498**	**568,129,437**	**3,346,336,133**
ECL allowance as at 1 January 2023	**31,516,591**	**104,711,557**	**292,948,161**	**429,176,309**
New assets originated or purchased	31,557,019	–	–	31,557,019
Assets derecognised or repaid	(29,233,793)	(1,026,656)	1,078,499	(29,181,950)
Net movement on accrued interest	(315,829)	3,137,456	4,119,097	6,940,724
Transfer to/(from) Stage 1	21,296,491	(16,681,391)	(4,615,100)	–
Transfer to/(from) Stage 2	(2,115,175)	3,484,764	(1,369,589)	–
Transfer to/(from) Stage 3	(278,292)	(524,263)	802,555	–
Impact on ECL from stage transfer and input changes	(8,762,601)	8,090,161	2,205,340	1,532,900
Impact on ECL from segment changes	55,902	10,945	–	66,847
Write-offs	–	(4,476,807)	(73,849,446)	(78,326,253)
Foreign exchange adjustments	(685,827)	(489,399)	(912,355)	(2,087,581)
At 31 December 2023	**43,034,486**	**96,236,367**	**220,407,162**	**359,678,015**

17. Loans and advances to customers (cont’d.)

Corporate loan (cont’d.)

Credit quality of gross carrying amounts as at 31 December 2024 and 2023:

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
At 31 December 2024				
Performing	2,489,936,383	206,431,080	–	2,696,367,463
Special mention	–	424,250,947	–	424,250,947
Substandard	–	–	78,491,924	78,491,924
Doubtful	–	–	377,025	377,025
Loss	–	–	135,018,938	135,018,938
Total	**2,489,936,383**	**630,682,027**	**213,887,887**	**3,334,506,297**
At 31 December 2023				
Performing	2,072,288,198	314,163,553	–	2,386,451,751
Special mention	–	391,754,945	–	391,754,945
Substandard	–	–	132,326,310	132,326,310
Doubtful	–	–	123,447,377	123,447,377
Loss	–	–	312,355,750	312,355,750
Total	**2,072,288,198**	**705,918,498**	**568,129,437**	**3,346,336,133**

SME loan

	Stage 1 MNT’000	Stage 2 MNT’000	Stage 3 MNT’000	Total MNT’000
Gross carrying amount as at 1 January 2024	**538,704,781**	**20,313,602**	**40,597,082**	**599,615,465**
New assets originated or purchased	492,286,444	–	–	492,286,444
Assets derecognised or repaid	(233,652,370)	(4,198,273)	(13,251,346)	(251,101,989)
Net movement on accrued interest	(816,505)	180,421	(66,010)	(702,094)
Movement on segment change	(15,189,645)	–	–	(15,189,645)
Transfer to/(from) Stage 1	5,832,021	(4,241,667)	(1,590,354)	–
Transfer to/(from) Stage 2	(16,582,599)	16,582,599	–	–
Transfer to/(from) Stage 3	(9,245,992)	(8,860,618)	18,106,610	–
Write-offs	–	–	(29,903)	(29,903)
Foreign exchange adjustments	(9,494)	(22,640)	–	(32,134)
At 31 December 2024	**761,326,641**	**19,753,424**	**43,766,079**	**824,846,144**
ECL allowance as at 1 January 2024	**6,109,688**	**1,437,858**	**28,624,267**	**36,171,813**
New assets originated or purchased	4,281,687	–	–	4,281,687
Assets derecognised or repaid	(3,283,859)	(279,318)	(8,256,186)	(11,819,363)
Net movement on accrued interest	(63,470)	26,998	393,231	356,759
Transfer to/(from) Stage 1	1,400,441	(179,761)	(1,220,680)	–
Transfer to/(from) Stage 2	(220,589)	220,589	–	–
Transfer to/(from) Stage 3	(259,283)	(850,505)	1,109,788	–
Impact on ECL from stage transfer and input changes	(2,445,959)	861,412	8,044,516	6,459,969
Impact on ECL from segment changes	(178,459)	(957)	–	(179,416)
Write-offs	–	–	(29,903)	(29,903)
Foreign exchange adjustments	40,578	–	–	40,578
At 31 December 2024	**5,380,775**	**1,236,316**	**28,665,033**	**35,282,124**

17. Loans and advances to customers (cont'd.)

SME loan (cont'd.)

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
Gross carrying amount as at 1 January 2023	**354,463,706**	**20,071,784**	**45,631,888**	**420,167,378**
New assets originated or purchased	368,596,902	–	–	368,596,902
Assets derecognised or repaid	(170,908,911)	(2,821,350)	(9,881,347)	(183,611,608)
Net movement on accrued interest	(1,555,711)	155,604	27,165	(1,372,942)
Movement on segment change	(4,027,653)	(118,176)	–	(4,145,829)
Transfer to/(from) Stage 1	9,331,861	(8,857,971)	(473,890)	–
Transfer to/(from) Stage 2	(12,433,364)	12,888,288	(454,924)	–
Transfer to/(from) Stage 3	(4,751,975)	(1,010,462)	5,762,437	–
Write-offs	–	–	(14,247)	(14,247)
Foreign exchange adjustments	(10,074)	5,885	–	(4,189)
At 31 December 2023	**538,704,781**	**20,313,602**	**40,597,082**	**599,615,465**
ECL allowance as at 1 January 2023	**6,240,269**	**1,161,930**	**26,588,626**	**33,990,825**
New assets originated or purchased	5,312,242	–	–	5,312,242
Assets derecognised or repaid	(3,697,638)	(535,342)	(4,923,959)	(9,156,939)
Net movement on accrued interest	(77,365)	13,200	304,012	239,847
Transfer to/(from) Stage 1	746,073	(517,921)	(228,152)	–
Transfer to/(from) Stage 2	(435,641)	552,709	(117,068)	–
Transfer to/(from) Stage 3	(134,858)	(70,251)	205,109	–
Impact on ECL from stage transfer and input changes	(1,787,538)	844,377	6,809,946	5,866,785
Impact on ECL from segment changes	(55,902)	(10,945)	–	(66,847)
Write-offs	–	–	(14,247)	(14,247)
Foreign exchange adjustments	46	101	–	147
At 31 December 2023	**6,109,688**	**1,437,858**	**28,624,267**	**36,171,813**

Credit quality of gross carrying amounts as at 31 December 2024 and 2023:

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
At 31 December 2024				
Performing	761,326,641	18,661,914	–	779,988,555
Special mention	–	1,091,510	–	1,091,510
Substandard	–	–	16,000,384	16,000,384
Doubtful	–	–	1,514,920	1,514,920
Loss	–	–	26,250,775	26,250,775
Total	**761,326,641**	**19,753,424**	**43,766,079**	**824,846,144**
At 31 December 2023				
Performing	538,704,781	16,192,404	–	554,897,185
Special mention	–	4,121,198	–	4,121,198
Substandard	–	–	12,540,207	12,540,207
Doubtful	–	–	2,474,805	2,474,805
Loss	–	–	25,582,070	25,582,070
Total	**538,704,781**	**20,313,602**	**40,597,082**	**599,615,465**

17. Loans and advances to customers (cont'd.)

Retail loan

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
Gross carrying amount as at 1 January 2024	**1,113,951,815**	**19,103,770**	**17,805,846**	**1,150,861,431**
New assets originated or purchased	1,439,890,580	–	–	1,439,890,580
Assets derecognised or repaid	(676,473,390)	(10,932,175)	(7,659,388)	(695,064,953)
Net movement on accrued interest	(546,096)	57,110	10,026,594	9,537,608
Transfer to/(from) Stage 1	7,226,349	(5,705,234)	(1,521,115)	–
Transfer to/(from) Stage 2	(13,943,584)	14,450,195	(506,611)	–
Transfer to/(from) Stage 3	(26,530,458)	15,819,370	10,711,088	–
Write-offs	(77,816)	(8,271)	(50,344)	(136,431)
Foreign exchange adjustments	6,210	1,067	477	7,754
At 31 December 2024	**1,843,503,610**	**32,785,832**	**28,806,547**	**1,905,095,989**
ECL allowance as at 1 January 2024	**2,898,856**	**790,369**	**12,448,339**	**16,137,564**
New assets originated or purchased	5,641,829	–	–	5,641,829
Assets derecognised or repaid	(4,646,559)	(243,257)	(1,491,960)	(6,381,776)
Net movement on accrued interest	(54,182)	(5,337)	1,262,518	1,202,999
Transfer to/(from) Stage 1	863,124	(215,922)	(647,202)	–
Transfer to/(from) Stage 2	(84,654)	230,743	(146,089)	–
Transfer to/(from) Stage 3	(39,130)	542,689	(503,559)	–
Impact on ECL from stage transfer and input changes	(422,603)	78,029	3,640,787	3,296,213
Write-offs	(77,816)	(8,271)	(50,344)	(136,431)
Foreign exchange adjustments	(91)	2	470	381
At 31 December 2024	**4,078,774**	**1,169,045**	**14,512,960**	**19,760,779**
Gross carrying amount as at 1 January 2023	**591,488,998**	**15,401,768**	**21,630,395**	**628,521,161**
New assets originated or purchased	913,846,138	–	–	913,846,138
Assets derecognised or repaid	(384,111,529)	(2,487,112)	(5,353,987)	(391,952,628)
Net movement on accrued interest	144,467	107,194	236,487	488,148
Transfer to/(from) Stage 1	6,133,846	(5,477,567)	(656,279)	–
Transfer to/(from) Stage 2	(10,998,286)	13,110,071	(2,111,785)	–
Transfer to/(from) Stage 3	(2,531,755)	(1,548,764)	4,080,519	–
Write-offs	–	–	(16,456)	(16,456)
Foreign exchange adjustments	(20,064)	(1,820)	(3,048)	(24,932)
At 31 December 2023	**1,113,951,815**	**19,103,770**	**17,805,846**	**1,150,861,431**
ECL allowance as at 1 January 2023	**2,648,028**	**761,536**	**14,108,128**	**17,517,692**
New assets originated or purchased	2,847,530	–	–	2,847,530
Assets derecognised or repaid	(2,030,201)	(110,358)	(3,272,874)	(5,413,433)
Net movement on accrued interest	(75,323)	(32,340)	378,053	270,390
Transfer to/(from) Stage 1	634,930	(294,591)	(340,339)	–
Transfer to/(from) Stage 2	(114,698)	1,117,402	(1,002,704)	–
Transfer to/(from) Stage 3	(31,493)	(107,687)	139,180	–
Impact on ECL from stage transfer and input changes	(969,942)	(541,186)	2,457,547	946,419
Write-offs	–	–	(16,456)	(16,456)
Foreign exchange adjustments	(9,975)	(2,407)	(2,196)	(14,578)
At 31 December 2023	**2,898,856**	**790,369**	**12,448,339**	**16,137,564**

17. Loans and advances to customers (cont'd.)

Retail loan (cont'd.)

Credit quality of gross carrying amounts as at 31 December 2024 and 2023:

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
At 31 December 2024				
Performing	1,843,503,610	10,287,586	–	1,853,791,196
Special mention	–	22,498,246	–	22,498,246
Substandard	–	–	13,829,626	13,829,626
Doubtful	–	–	4,819,774	4,819,774
Loss	–	–	10,157,147	10,157,147
Total	**1,843,503,610**	**32,785,832**	**28,806,547**	**1,905,095,989**
At 31 December 2023				
Performing	1,113,951,815	13,574,962	–	1,127,526,777
Special mention	–	5,528,808	–	5,528,808
Substandard	–	–	4,684,732	4,684,732
Doubtful	–	–	1,296,954	1,296,954
Loss	–	–	11,824,160	11,824,160
Total	**1,113,951,815**	**19,103,770**	**17,805,846**	**1,150,861,431**

Impairment of loans receivables from Mongolian Copper Corporation LLC

As at the reporting date, the Bank has total outstanding loan receivable from Mongolian Copper Corporation LLC ("MCC") of MNT 181.8 billion (2023: MNT 182.8 billion). The recoverability of the loan is highly dependent on the favourable outcome of the ongoing discussions between MCC and the GoM regarding the takeover of the 49% equity interest in Erdenet Mining Corporation LLC. As of 31 December 2024, the Bank has provided an allowance for expected credit losses for the loan receivable from MCC of MNT 31.02 billion (2023: MNT 28.3 billion).

18. Other assets

	2024 MNT'000	2023 MNT'000
Prepaid expenses and advances	35,930,641	29,855,704
Settlement receivables	9,475,546	29,370,837
Consumables and other office supplies	14,513,521	5,151,016
Deferred employee benefit	1,547,185	1,743,267
Precious metals	163,162	24,703,649
Other receivables	142,950,850	170,800,519
Less: Allowance for other receivables	(38,720,423)	(36,678,145)
	165,860,482	**224,946,847**
Foreclosed properties	414,145,046	306,207,932
Allowance for impairment	(24,694,879)	(21,916,317)
Foreclosed properties, net of impairment	**389,450,167**	**284,291,615**
Total other assets	**555,310,649**	**509,238,462**

Included in prepaid expenses and advances are guarantee deposits held for international card payment organisations amounting to MNT 14,329 million (2023: MNT 12,773 million).

Settlement receivables mainly relates to the amount of receivables on cash and settlement services. Related balances are generally settled on the next working day.

Deferred employee benefit represents outstanding fair value adjustments of the loans granted 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.

Foreclosed properties represent non-financial assets acquired by the Bank in settlement of overdue loans. The Bank expects to dispose of these assets in the foreseeable future.

18. Other assets (cont'd.)

Other receivables include other loan receivables that represent interest free or lower interest rate receivables from various entities for which the Bank recognised a day 1 loss at initial recognition and modification loss upon the extension of term of these receivables and classified them as Stage 2. The total modification loss recognised with respect the receivables amount to nil as of 31 December 2024 (2023: MNT 8,311,181 thousand) (See Note 7).

A reconciliation of the allowance for impairment losses is as follows:

Impairment allowance	**Other receivables MNT'000**	**Foreclosed properties MNT'000**	**Total MNT'000**
2024			
As at 1 January	36,678,145	21,916,317	58,594,462
Charge for the year	42,214,137	2,778,562	44,992,699
Reversal	(39,029,859)	–	(39,029,859)
Net charge for the year (Note 8)	3,184,278	2,778,562	5,962,840
Write-off during the year	(1,142,000)	–	(1,142,000)
As at 31 December	**38,720,423**	**24,694,879**	**63,415,302**
2023			
At 1 January	38,884,014	–	38,884,014
Charge for the year	8,287,286	21,916,317	30,203,603
Reversal	(10,008,715)	–	(10,008,715)
Net charge/(reversal) for the year (Note 8)	(1,721,429)	21,916,317	20,194,888
Write off during the year	(484,440)	–	(484,440)
As at 31 December	**36,678,145**	**21,916,317**	**58,594,462**

The tables below show the credit quality and the maximum exposure to credit risk of other receivables based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are set out in Note 33.

	Stage 1 MNT'000	**Stage 2 MNT'000**	**Stage 3 MNT'000**	**Total MNT'000**
At 31 December 2024				
Performing	43,830,519	–	–	43,830,519
Special mention	–	76,281,573	–	76,281,573
Substandard	–	–	18,701	18,701
Doubtful	–	–	32,229	32,229
Loss	–	–	22,787,828	22,787,828
Total	**43,830,519**	**76,281,573**	**22,838,758**	**142,950,850**
At 31 December 2023				
Performing	52,792,595	587,308	–	53,379,903
Special mention	–	93,691,571	–	93,691,571
Substandard	–	–	10,548	10,548
Doubtful	–	–	4,213	4,213
Loss	–	–	23,714,284	23,714,284
Total	**52,792,595**	**94,278,879**	**23,729,045**	**170,800,519**

19. Investment properties

	2024 MNT'000	2023 MNT'000
At 1 January	53,256,860	79,997,754
Transfer from property and equipment (Note 21)	16,874,948	–
Transfer from foreclosed asset (Note 18)	3,502,814	–
Disposal	–	(29,614,685)
Change in fair value (Note 7, 30)	7,114,919	2,873,791
At 31 December	**80,749,541**	**53,256,860**

20. Assets held for sale

	2024 MNT'000	2023 MNT'000
Buildings and real estate	94,987,026	8,162,951
Vehicle	393,989	96,179
	95,381,015	**8,259,130**

The Management assessed that those buildings, real estates and vehicles 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. A potential buyer has been identified and negotiations as at reporting date are at an advanced stage.

21. Property and equipment

	Buildings and land MNT'000	Office equipment and vehicles MNT'000	Computers and others MNT'000	Construction -in-progress MNT'000	Total MNT'000
At 31 December 2024					
At cost/valuation					
At 1 January 2024	226,755,875	18,175,013	65,677,084	320,640,709	631,248,681
Additions*	5,794,186	40,108	20,511,628	2,229,051	28,574,973
Disposals*	(11,299,955)	(390,943)	–	–	(11,690,898)
Write-offs (Note 9)	(1,081,351)	(434,262)	(4,541,231)	–	(6,056,844)
Reclassification		1,544,449	(1,544,449)	–	–
Transfer to investment property (Note 19)	(17,715,601)		–	–	(17,715,601)
Transfer to assets held for sale (Note 20)	(1,265,299)	–	–	–	(1,265,299)
At 31 December 2024	201,187,855	18,934,365	80,103,032	322,869,760	623,095,012
Accumulated depreciation					
At 1 January 2024	10,730,951	11,082,877	41,460,270	–	63,274,098
Charge for the year (Note 9)	5,229,221	2,291,874	9,843,383	–	17,364,478
Disposals	(141,709)	(325,975)	–	–	(467,684)
Write-off (Note 9)	–	(418,413)	(4,234,826)	–	(4,653,239)
Transfer to investment property (Note 19)	(840,653)	–	–	–	(840,653)
Transfer to assets held for sale (Note 20)	(103,946)	–	–	–	(103,946)
At 31 December 2024	14,873,864	12,630,363	47,068,827	–	74,573,054
Net carrying amount as at 31 December 2024	**186,313,991**	**6,304,002**	**33,034,205**	**322,869,760**	**548,521,958**

21. Property and equipment (cont'd.)

	Buildings and land MNT'000	Office equipment and vehicles MNT'000	Computers and others MNT'000	Construction-in-progress MNT'000	Total MNT'000
At 31 December 2023					
At cost/valuation					
At 1 January 2023	230,776,304	17,450,498	71,553,865	202,686,413	522,467,080
Additions	–	315,850	20,132,393	117,954,296	138,402,539
Disposals	(4,020,429)	(143,122)	(887,987)	–	(5,051,538)
Write-offs (Note 9)	–	(110,081)	(1,618,732)	–	(1,728,813)
Reclassification	–	661,868	(661,868)	–	–
Transfer to intangible assets	–	–	(22,840,587)	–	(22,840,587)
At 31 December 2023	226,755,875	18,175,013	65,677,084	320,640,709	631,248,681
Accumulated depreciation					
At 1 January 2023	5,467,103	9,800,889	36,573,945	–	51,841,937
Charge for the year (Note 9)	5,365,425	1,528,431	7,286,447	–	14,180,303
Disposals	(101,577)	(139,979)	(887,987)	–	(1,129,543)
Write-offs (Note 9)	–	(106,464)	(1,512,135)	–	(1,618,599)
At 31 December 2023	10,730,951	11,082,877	41,460,270	–	63,274,098
Net carrying amount as at 31 December 2023	**216,024,924**	**7,092,136**	**24,216,814**	**320,640,709**	**567,974,583**

Construction-in-progress account mainly consists of costs for construction of the Bank's new office building. The Bank made a contract to build its new corporate head office with Riverstone (see Note 32). The building is expected to be completed in 2026.

Buildings are carried at fair value. Had these buildings been recognised under the cost model as at 31 December 2024, the carrying amount of land and buildings would have been MNT 132,684 million (2023: MNT 138,526 million). In 2021, the Bank engaged an accredited independent valuer, to determine the fair value of its land and buildings. The fair value is determined based on market comparable approach. Fair value hierarchy disclosures and valuation techniques used in measuring the fair value, including the description of significant inputs used are presented in Note 34.

22. Right-of-use assets and Lease liabilities

The Bank has lease contracts for branch office spaces used in its operations. These leases on average have lease term of four years. The Bank's obligations under its leases are secured by the lessor's title to the leased assets. The Bank also has certain leases of office spaces, garages and ATM spaces with lease terms of 12 months or less. The Bank applies the 'short-term lease' recognition exemption for these leases.

Set out below are the carrying amounts of right-of-use assets and lease liabilities and the reconciliation of movements during the year:

	Right-of-use assets MNT'000	Lease liabilities MNT'000
As at 1 January 2023	15,449,135	(15,869,783)
Additions	2,937,257	(2,562,951)
Lease modification	2,020,078	(2,020,078)
Termination of lease	(384,089)	402,054
Depreciation charge for the year (Note 9)	(6,782,507)	–
Accretion of interest (Note 5)	–	(2,050,311)
Lease payments	–	8,230,591
As at 31 December 2023 and 1 January 2024	**13,239,874**	**(13,870,478)**
Additions	643,803	(282,280)
Lease modification	2,581,034	(2,581,034)
Termination of lease	(92,680)	104,435
Depreciation charge for the year (Note 9)	(7,386,391)	–
Accretion of interest (Note 5)	–	(1,802,903)
Lease payments	–	8,887,577
As at 31 December 2024	**8,985,640**	**(9,544,683)**

The Bank recognised rent expense from short-term leases of MNT 1,074,150 thousand for the year ended 31 December 2024 (2023: MNT 779,986). Also included within Utility expenses of Operating expenses are variable lease payments that do not depend on an index or rate of MNT 673,573 thousand for the year ended 31 December 2024 (2023: MNT MNT 1,372,004). The maturity analysis of lease liabilities are disclosed in Note 36.

23. Intangible assets

	2024 MNT'000	2023 MNT'000
At cost		
At 1 January	40,955,934	16,153,277
Additions	23,404,029	24,808,663
Write-offs (Note 9)	(40,356)	(6,006)
At 31 December	64,319,607	40,955,934
Accumulated amortisation		
At 1 January	15,647,829	14,731,916
Charge for the year (Note 9)	1,092,379	920,110
Write-offs (Note 9)	(39,389)	(4,197)
At 31 December	16,700,819	15,647,829
Net carrying amount	**47,618,788**	**25,308,105**

In 2024, the Bank capitalized its new core system "Temenos" of MNT 21,658 million (2023: MNT 24,050 million) which was not brought into actual use as of 31 December 2024.

24. Due to banks and other financial institutions

	2024 MNT'000	2023 MNT'000
Current accounts from banks and financial institutions	23,232,611	23,869,685
Time deposits from banks and financial institutions	355,628,395	294,542,326
	378,861,006	**318,412,011**

At 31 December 2024, time deposits included deposit from local banks denominated in MNT, USD, and EUR, with interest rates ranging from 1.5% to 12.2% per annum and original maturity from 3 months (2023: time deposits with interest rate of 4-12.00% per annum and original maturity from 3 months).

25. Repurchase agreements

	2024 MNT'000	2023 MNT'000
Asset backed securities program	25,675,412	51,285,052

The Bank entered into long-term reverse repurchase agreement with BoM, whereas as of 31 December 2024 the Bank sold unquoted BoM bills amounting MNT 22 billion in total (2023: MNT 46 billion). The agreements bear annual interests ranging between 6% to 10.5% and latest one shall mature in May 2025.

26. Due to customers

	2024 MNT'000	2023 MNT'000
Government deposits		
- Current accounts	1,055,737,336	1,523,591,116
- Time deposits	862,019,275	237,000,800
- Guarantee and LC fund	1,477,605	12,425,170
Private sector deposits		
- Current accounts	2,302,439,462	2,203,683,611
- Time deposits	907,341,930	825,152,216
- Guarantee and LC fund	54,278,267	41,639,920
- Other	21,850,687	2,268,947
Individual deposits		
- Time deposits	3,804,997,072	3,137,438,603
- Current accounts	680,252,212	598,304,524
- Demand deposits	646,866,029	504,902,567
- Other	550,896	409,938
	10,337,810,771	**9,086,817,412**

27. Borrowed funds

	2024 MNT'000	2023 MNT'000
Borrowed funds from foreign banks and financial institutions		
United States International Development Finance Corporation	167,613,877	–
Cargill International Trading Pte Ltd	75,245,499	73,213,903
International Bank of Economic Cooperation	56,323,884	96,462,147
International Investment Bank	37,982,769	53,027,104
China Development Bank	32,254,075	49,995,866
Industrial and Commercial Bank of China	31,572,026	12,286,676
Crown Agents Bank	30,927,378	31,843,486
Exim Bank of Russia	25,670,923	34,219,794
Atlantic Forfaitierungs AG	24,994,584	21,717,365
Commerzbank AG	17,689,956	4,966,402
Japan International Cooperation Agency	17,885,220	15,755,391
Asian Development Bank	15,266,306	20,213,797
Deutsche Zentral-Genossenschaftsbank	11,860,986	527,455
Erste Group Bank	3,218,581	12,040,023
International Development Association	1,002,054	1,081,888
China Trade Solutions	932,483	1,275,202
Sumitomo Mitsui Banking Corporation	763,758	14,224,611
Kreditanstalt fuer Wiederaufbau	224,203	797,728
The World Bank	15,191	83,796
Crowdcredit Estonia OU	–	955,460
Huishang Bank	–	17,306,108
Borrowed funds from government organizations		
BoM overnight loan	800,378,326	–
Mortgage financing	306,950,437	187,069,081
Employment support	3,336,598	3,336,598
SME Development Fund	1,150,000	–
Ministry of Finance	878,251	847,159
Bank of Mongolia - Petroleum project	–	219,420,737
	1,664,137,365	**872,667,777**

Borrowings are all unsecured except for the funds obtained from China Development Bank with outstanding balance of CNY 24.2 million (2023: CNY 37.3 million) and USD 5.8 million (2023: USD 8.9 million) and fund obtained from Deutsche Bank Aktiengesellschaft with outstanding balance of USD 3 million (2023: nil). The funds obtained from China Development Bank and Deutsche Bank Aktiengesellschaft are secured by cash deposits amounting to USD 1 million (MNT 3.6 billion) and USD 694 thousand (MNT 2.4 billion), included within the placement with foreign bank as cash collateral (Note 13).
Some of the borrowing agreements require compliance with certain debt covenants, which can be grouped into the following categories:

- capital related ratios (such as risk weighted capital adequacy ratio, ratio between tier 1 capital and total capital);
- financial risks related ratios (such as aggregate foreign currency open position, single currency foreign exchange risk ratio, liquidity ratio);
- credit related ratios (such as single largest borrowers to the equity ratio, related party lending ratio and aggregate large exposures ratio);
- Other ratios (non-current assets to total assets, non-performing loans to total loan ratio, etc.).

In the case of non-compliance with covenants, the borrowing may become payable on demand, subject to the outcome of remedial actions of the Bank and waiver negotiations between the lender and the Bank. For this reason, the Bank monitors its compliance with BoM prudential ratios and other debt covenants on a monthly basis (See Note 37).

28. Debt securities issued

	2024 MNT'000	2023 MNT'000
Debt securities issued in foreign market	670,569,956	–

The bank issued a USD 50 million bond for green and social loan financing on 23 October 2024, and a USD 200 million bond for general operational financing on 23 December 2024, both listed on the Vienna Stock Exchange. The interest rates for these bonds are 9% and 8.5%, payable semi-annually, with maturity dates of 5 years and 3 years, respectively.

During the year, the Bank repurchased a portion of its Senior unsecured USD 200 million bond in principal amounts of USD 50 million, resulting in a loss on repurchase of debt securities amounting to MNT 2,246,097 thousand (see Note 7).

The senior notes had an outstanding balance of USD 150 million or MNT 670,569,956 thousand as at 31 December 2024.

29. Other liabilities

	2024 MNT'000	2023 MNT'000
Liabilities for loans sold to MIK with recourse (Note 17)	52,787,550	–
Delay on clearing settlement	37,544,195	115,757,845
Payables to third parties	26,167,129	31,601,877
Taxes payable other than income tax	6,241,458	5,674,019
Provision on off-balance sheet commitments (Note 32)	5,424,585	8,057,538
Contract liability (unearned fees and commission)	3,312,575	3,284,475
Deferred revenue and income	2,878,920	4,625,493
Deferred grant	359,404	795,459
Finance lease payable (computer lease)	–	14,226
Others	2,537,527	2,923,964
	137,253,343	**172,734,896**

Delay on clearing settlement accounts mainly related to the amount of payables on cash and settlements services. Related balances are generally settled on the next working day.

Deferred revenue and income pertains to partial advances received for sale of foreclosed properties.

All unearned fees and commissions at the end of the previous year have been recognised as revenue in the current year.

Deferred grant

The Bank entered into a grant support agreement with the United Nations Office for Project Services ("UNOPS") in 2022 for the Green Climate Fund, receiving a total of USD 291,772 to accelerate the private sector's contribution to achieving Mongolia's critical climate and development policy targets. As at 31 December 2024 the outstanding balance of the grant was USD 11,931 (2023: USD 53,270).

In 2023, the Bank entered into another grant support agreement with UNOPS for the Green Climate Fund, receiving a total project approval of USD 200,860 to support green regional development in Khanbogd soum, Mongolia. The Bank received the first tranche of USD 180,000 upon signing the agreement, which has been fully amortized as of 31 December 2024. The Bank received the second tranche in 2024 and the outstanding balance of the grant was USD 89,970 as at 31 December 2024. The total amortisation for the year amounted to MNT 748,866 thousand (2023: MNT 203,242) (See Note 7).

30. Share capital, Share premium and Other reserves

Share capital and share premium

	Number of ordinary shares		Share capital		Share premium	
	2024	**2023**	**2024 MNT'000**	**2023 MNT'000**	**2024 MNT'000**	**2023 MNT'000**
At 1 January	50,600,927	48,070,880	340,852,905	323,810,329	64,069,779	664
Issued during the year	–	2,530,047	–	17,042,650	–	64,069,041
Transfer	–	–	–	(74)	–	74
At 31 December	**50,600,927**	**50,600,927**	**340,852,905**	**340,852,905**	**64,069,779**	**64,069,779**

On 12 May 2023, the Bank was listed on the MSE. As part of initial public offering (IPO) the Bank issued 2,530,047 additional new shares at subscription price of MNT 33,000 per share, resulting in total net cash proceed of MNT 81,611,691 thousand after netting off transaction cost related to the IPO. Thereby, share capital was increased by MNT 17,042,650 thousand and share premium by MNT 64,069,041 thousands, respectively.

As of 31 December 2024, the Bank had 55,000,000 shares authorized for issue from which a total of 50,600,927 shares were issued. All issued shares were fully paid.

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

	2024	**2023**
Globull Investment and Development PTE Ltd	60.80%	60.80%
TDB Capital LLC	29.69%	29.69%
GS Mongolia Investment Limited (Goldman Sachs)	3.12%	3.12%
Public shareholders	6.39%	6.39%
	100.00%	**100.00%**

Dividend

On 5 April 2024 and 16 July 2024, the Bank declared a dividend of total MNT 104,541,514 thousand (2023: MNT 59,992,458 thousand) to its shareholders in proportion to their ownership. The BoM had approved the dividend disbursement on 23 April 2024 and 23 September 2024, respectively. As of 31 December 2024, MNT 412,245 thousand of dividend has not yet been paid out and is included within other liabilities in Note 29.

30. Share capital, Share premium and Other reserves (cont'd.)

Other reserves

	Asset revaluation reserve MNT'000	FVOCI revaluation reserve MNT'000	Regulatory reserve MNT'000	Total MNT'000
At 1 January 2024	143,479,413	35,415,035	134,778,728	313,673,176
Net gain on FVOCI instruments	–	9,148,937	–	9,148,937
Deferred tax liability (Note 10.2)	–	(2,287,234)	–	(2,287,234)
Transfer of revaluation reserve due to disposal	(4,176,217)	–	–	(4,176,217)
Revaluation of asset transfered to investment properties (Note 19)	4,061,458	–	–	4,061,458
Net changes in allowance for ECL on debt instruments at FVOCI	–	2,589,426	–	2,589,426
Movement on regulatory reserve	–	–	(5,380,016)	(5,380,016)
At 31 December 2024	**143,364,654**	**44,866,164**	**129,398,712**	**317,629,530**
At 1 January 2023	145,651,452	3,005,413	110,252,115	258,908,980
Net gain on FVOCI instruments	–	35,639,183	–	35,639,183
Deferred tax liability (Note 10.2)	–	(3,563,918)	–	(3,563,918)
Transfer of revaluation reserve due to disposal	(2,172,039)	–	–	(2,172,039)
Net changes in allowance for ECL on debt instruments at FVOCI	–	334,357	–	334,357
Movement on regulatory reserve	–	–	24,526,613	24,526,613
At 31 December 2023	**143,479,413**	**35,415,035**	**134,778,728**	**313,673,176**

Regulatory reserve represents additional provision required under BoM provisioning guidelines that is in addition to IFRS requirements.

31. Segment reporting

Segment information is presented in respect of the Bank's business segments. The primary format, operating segments, is based on the Bank's management and internal reporting structure. Operating segments pay to and receive interest from the Treasury on an arm's length basis to reflect the allocation of capital and funding costs. Segment capital expenditure is the total cost incurred during the period to acquire property and equipment and intangible assets other than goodwill.

Operating segments

The Bank comprises the following main operating segments:

Corporate Banking: Includes loans, deposits and other transactions and balances with corporate customers. The Bank classifies its customer as Corporate Banking customer, where the loan amount is greater than MNT 3 billion, or the borrower's sales amount reported in the financial statements is greater than MNT 6 billion (or, for customers whose financial statements are unavailable to the Bank, two-year average total income transacted through the current account held with the Bank is greater than 4 billion), and State-owned enterprises.

Small and Medium sized Enterprise ("SME") Banking: Includes loans, deposits and other transactions and balances with SME customers (both individuals and entities). The Bank classifies its customer as SME Banking customer, where the loan amount is below MNT 3 billion, or the borrower's sales amount is below MNT 6 billion (or, for customers whose financial statements are unavailable to the Bank, two-year average total income transacted through the current account held with the Bank is below 4 billion), and individuals receiving products and services with business nature.

Retail Banking: Includes individual's mortgage, consumers loans and deposits and other transactions and digital banking with retail customers. The Bank classifies its salary and fixed income customers as retail. Retail segment consists sub segments, depending on their income, deposits and asset level: Premier, VIP, Comfort and classic.

International Banking: Includes the Bank's trading, corporate finance, borrowing from foreign financial institutions, issues of debt securities and bond in the international capital market.

31. Segment reporting (cont'd.)

Others: Includes Headquarter operations and central shared services operations that manage the Bank's premises and certain corporate costs. And also includes, the Bank`s funding and centralised risk management activities through borrowings, use of derivatives for risk management purposes and investing in assets such as short term placements and corporate and government debt securities.

As the Bank's operations are located in Mongolia, no further geographical segment information is provided. No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2024 or 2023.

At 31 December 2024	**Corporate Banking MNT'000**	**SME Banking MNT'000**	**Retail Banking MNT'000**	**International Banking MNT'000**	**Other MNT'000**	**Total MNT'000**
Segment results						
External revenue						
Interest income	371,554,525	115,918,655	253,068,774	–	345,454,720	1,085,996,674
Interest expense	(146,412,553)	(52,399,810)	(357,004,235)	(35,820,784)	(10,841,725)	(602,479,107)
Fee and commission income	11,619,433	25,749,524	50,811,868	224,250	28,579,680	116,984,755
Fee and commission expenses	(1,700)	–	(17,564)	–	(40,341,777)	(40,361,041)
Trading and other operating income, net	30,468,941	1,531,850	2,123,475	–	53,814,398	87,938,664
Intersegment revenue/(expense)	(105,871,414)	(293,041)	216,942,204	40,051,404	(150,829,153)	–
Total segment revenue	161,357,232	90,507,178	165,924,522	4,454,870	225,836,143	648,079,945
Operating expense	14,007,185	5,513,987	15,148,573	4,461,493	193,077,807	232,209,045
Share of loss of an associate	–	–	–	–	5,031,979	5,031,979
Credit loss expense/(reversal) on financial assets	10,195,913	(9,854,385)	(5,763,209)	–	28,054,739	22,633,058
Profit/(loss) before tax	137,154,134	94,847,576	156,539,158	(6,623)	(328,382)	388,205,863
Income tax expense	–	–	–	–	89,570,244	89,570,244
Net profit/(loss) for the year	**137,154,134**	**94,847,576**	**156,539,158**	**(6,623)**	**(89,898,626)**	**298,635,619**
Segment assets	**3,572,318,639**	**805,954,776**	**2,209,097,713**	**4,835,324**	**8,408,162,232**	**15,000,368,684**
Segment liabilities	**3,909,215,149**	**1,611,769,118**	**4,979,780,354**	**1,377,796,639**	**1,505,821,837**	**13,384,383,097**
Depreciation and amortisation	36,365	28,395	34,588	44,414	25,699,486	25,843,248
Capital expenditure*	–	–	–	–	51,979,002	51,979,002

31. Segment reporting (cont'd.)

At 31 December 2023	Corporate Banking MNT'000	SME Banking MNT'000	Retail Banking MNT'000	International Banking MNT'000	Other MNT'000	Total MNT'000
Segment results						
External revenue						
Interest income	282,741,360	74,395,401	139,039,750	–	268,535,888	764,712,399
Interest expense	(111,191,503)	(35,372,318)	(266,434,935)	(42,648,072)	(13,401,612)	(469,048,440)
Fee and commission income	36,942,324	20,289,902	24,604,037	215,356	12,467,021	94,518,640
Fee and commission expenses	(2,261)	–	–	–	(33,156,790)	(33,159,051)
Trading and other operating income/(expense), net	(13,829,991)	2,255,837	979,817	–	65,284,825	54,690,488
Intersegment revenue/(expense)	(142,088,083)	2,292,186	207,598,120	49,966,660	(117,768,883)	–
Total segment revenue	52,571,846	63,861,008	105,786,789	7,533,944	181,960,449	411,714,036
Operating expense	13,767,489	4,057,485	9,793,448	3,065,786	153,076,138	183,760,346
Share of profit of an associate	–	–	–	–	4,271,538	4,271,538
Credit loss expense on financial assets	24,169,806	4,375,414	1,503,397	–	5,370,430	35,419,047
Profit before tax	14,634,551	55,428,109	94,489,944	4,468,158	27,785,419	196,806,181
Income tax expense	–	–	–	–	45,587,714	45,587,714
Net profit/(loss) for the year	**14,634,551**	**55,428,109**	**94,489,944**	**4,468,158**	**(17,802,295)**	**151,218,467**
Segment assets	**3,314,253,597**	**573,122,136**	**1,336,492,445**	**206,360**	**6,942,502,007**	**12,166,576,545**
Segment liabilities	**4,095,233,216**	**1,169,744,290**	**4,135,160,702**	**447,828,712**	**910,230,730**	**10,758,197,650**
Depreciation and amortisation	48,382	35,664	6,826,928	41,070	14,930,876	21,882,920
Capital expenditure*	–	–	–	–	76,717,767	76,717,767

*Represents total cash additions to property and equipment and intangible assets.

32. 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 (see Note 32).

	2024 MNT'000	2023 MNT'000
Uncovered Guarantees and Letters of credit	646,648,741	522,557,915
Undrawn credit lines	635,742,427	455,919,038
	1,282,391,168	**978,476,953**

The table below shows the movement on allowance for impairment losses recognised on off-balance commitments:

	Uncovered Guarantees and Letters of credit MNT'000	Undrawn credit lines MNT'000	Total MNT'000
ECL allowance as at 1 January 2024	**5,170,512**	**2,887,026**	**8,057,538**
New exposures	2,140,630	860,440	3,001,070
Exposures derecognised or matured/lapsed	(2,082,476)	(683,292)	(2,765,768)
Impact on ECL from stage transfer and input changes	(1,448,619)	(1,419,636)	(2,868,255)
Net reversal for the year (Note 8)	(1,390,465)	(1,242,488)	(2,632,953)
At 31 December 2024	**3,780,047**	**1,644,538**	**5,424,585**
ECL allowance as at 1 January 2023	**2,566,608**	**2,374,778**	**4,941,386**
New exposures	3,817,460	3,672,654	7,490,114
Exposures derecognised or matured/lapsed	(1,108,222)	(885,201)	(1,993,423)
Impact on ECL from stage transfer and input changes	(105,334)	(2,275,205)	(2,380,539)
Net charge for the year (Note 8)	2,603,904	512,248	3,116,152
At 31 December 2023	**5,170,512**	**2,887,026**	**8,057,538**

An analysis of changes in the outstanding exposures and the corresponding ECL allowance as at 31 December 2024 and 31 December 2023 including credit quality is, as follows:

Uncovered Guarantees and Letters of credits:

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
Outstanding exposure as at 1 January 2024	**504,036,573**	**17,427,106**	**1,094,236**	**522,557,915**
New exposures	454,098,454	–	–	454,098,454
Exposures derecognised or matured/lapsed	(318,554,882)	(11,252,444)	(200,302)	(330,007,628)
Transfer to/(from) Stage 1	6,134,062	(6,174,662)	40,600	–
At 31 December 2024	**645,714,207**	**–**	**934,534**	**646,648,741**
ECL allowance as at 1 January 2024	**4,582,687**	**43,772**	**544,053**	**5,170,512**
New exposures	2,140,630	–	–	2,140,630
Exposures derecognised or matured/lapsed	(2,024,559)	(23,373)	(34,544)	(2,082,476)
Transfer to/(from) Stage 1	19,321	(19,327)	6	–
Impact on ECL from stage transfer and input changes	(1,657,699)	(1,072)	210,152	(1,448,619)
At 31 December 2024	**3,060,380**	**–**	**719,667**	**3,780,047**

32. Contingent liabilities and commitments (cont'd.)

Uncovered Guarantees and Letters of credits (cont'd.)

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
Outstanding exposure as at 1 January 2023	**308,769,629**	**11,809,226**	**918,662**	**321,497,517**
New exposures	429,013,252	–	–	429,013,252
Exposures derecognised or matured/lapsed	(226,282,340)	(1,586,389)	(84,125)	(227,952,854)
Transfer to/(from) Stage 1	1,875,880	(1,875,880)	–	–
Transfer to/(from) Stage 2	(9,339,848)	9,080,149	259,699	–
At 31 December 2023	**504,036,573**	**17,427,106**	**1,094,236**	**522,557,915**
ECL allowance as at 1 January 2023	**3,522,506**	**(955,898)**	**–**	**2,566,608**
New exposures	3,817,460.0	–	–	3,817,460
Exposures derecognised or matured/lapsed	(1,085,518.0)	(21,561)	(1,143)	(1,108,222)
Transfer to/(from) Stage 1	27,080.0	(27,080)	–	–
Transfer to/(from) Stage 2	(188,441.0)	131,080	57,361	–
Impact on ECL from stage transfer and input changes	(1,510,400.0)	917,231	487,835	(105,334)
At 31 December 2023	**4,582,687**	**43,772**	**544,053**	**5,170,512**

Credit quality of gross carrying amounts as at 31 December 2024 and 2023:

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
At 31 December 2024				
Performing	645,714,207	–	–	**645,714,207**
Special mention	–	–	–	**–**
Substandard	–	–	934,534	**934,534**
Total	**645,714,207**	**–**	**934,534**	**646,648,741**
At 31 December 2023				
Performing	504,036,573	–	–	**504,036,573**
Special mention	–	17,427,106	–	**17,427,106**
Substandard	–	–	1,094,236	**1,094,236**
Total	**504,036,573**	**17,427,106**	**1,094,236**	**522,557,915**

Undrawn credit balances:

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
Outstanding exposure as at 1 January 2024	**454,478,513**	**1,333,132**	**107,393**	**455,919,038**
New exposures	357,170,324	2,352,287	–	359,522,611
Exposures derecognised or matured/lapsed	(178,927,333)	(740,476)	(31,413)	(179,699,222)
Transfer to/(from) Stage 1	2,395,055	(2,393,661)	(1,394)	–
Transfer to/(from) Stage 2	(229,439)	229,439	–	–
Transfer to/(from) Stage 3	(1,068)	(24,881)	25,949	–
At 31 December 2024	**634,886,052**	**755,840**	**100,535**	**635,742,427**

32. Contingent liabilities and commitments (cont'd.)

Undrawn credit balances (cont'd.)

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
ECL allowance as at 1 January 2024	**2,829,379**	**53,570**	**4,077**	**2,887,026**
New exposures	833,632	26,808	–	860,440
Exposures derecognised or matured/lapsed	(672,140)	(7,076)	(4,076)	(683,292)
Transfer to/(from) Stage 1	5,190	(5,186)	(4)	–
Transfer to/(from) Stage 2	(411)	411	–	–
Transfer to/(from) Stage 3	(438)	(20,000)	20,438	–
Impact on ECL from stage transfer and input changes	(1,430,415)	(12,825)	23,604	(1,419,636)
At 31 December 2024	**1,564,797**	**35,702**	**44,039**	**1,644,538**
Outstanding exposure as at 1 January 2023	**243,344,806**	**4,817,058**	**85,520**	**248,247,384**
New exposures	313,013,943	637,122	70,298	313,721,363
Exposures derecognised or matured/lapsed	(101,885,134)	(4,091,946)	(72,629)	(106,049,709)
Transfer to/(from) Stage 1	464,972	(452,080)	(12,892)	–
Transfer to/(from) Stage 2	(422,978)	422,978	–	–
Transfer to/(from) Stage 3	(37,096)	–	37,096	–
At 31 December 2023	**454,478,513**	**1,333,132**	**107,393**	**455,919,038**
ECL allowance as at 1 January 2023	**2,340,987**	**33,782**	**9**	**2,374,778**
New exposures	3,611,247	57,331	4,076	3,672,654
Exposures derecognised or matured/lapsed	(846,481)	(34,613)	(4,107)	(885,201)
Transfer to/(from) Stage 1	441	(438)	(3)	–
Transfer to/(from) Stage 2	(1,041)	1,041	–	–
Transfer to/(from) Stage 3	(4,069)	–	4,069	–
Impact on ECL from stage transfer and input changes	(2,271,705)	(3,533)	33	(2,275,205)
At 31 December 2023	**2,829,379**	**53,570**	**4,077**	**2,887,026**

Credit quality of gross carrying amounts as at 31 December 2024 and 2023:

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
At 31 December 2024				
Performing	634,886,052	–	–	**634,886,052**
Special mention	–	755,840	–	**755,840**
Substandard	–	–	100,535	**100,535**
Total	**634,886,052**	**755,840**	**100,535**	**635,742,427**
At 31 December 2023				
Performing	454,478,513	–	–	**454,478,513**
Special mention	–	1,333,132	–	**1,333,132**
Substandard	–	–	107,393	**107,393**
Total	**454,478,513**	**1,333,132**	**107,393**	**455,919,038**

As of 31 December 2024, the Bank had capital commitments for construction in progress of USD 83.4 million (2023: USD 74 million) (Note 21) and other contractual commitments of MNT 2,920 million (2023: MNT 3,100 million).

Contingent liabilities

Guarantees and letter of credits commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to tender and bid auction. They generally carry the same risk as loans even though they are of a contingent nature.

32. Contingent liabilities and commitments (cont'd.)

Commitments

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

Undrawn credit lines

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Commitments to extend credit represent unused portions of authorized credit line. With respect to credit risk on commitments to extend credit, the Bank can be exposed to loss in an amount equal to the total unused credit commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining certain specific credit standards.

Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss can be reasonably estimated, the Bank makes provision to account for any adverse effects on its financial statements.

As at 31 December 2024 and 2023, there were no major litigation cases involving the Bank.

Tax legislation

Mongolian tax legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by tax authorities.

Mongolian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged by tax authorities. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Mongolian transfer pricing legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions, including those related to domestic transfer pricing. In case of deviation of transaction terms from market terms, the tax authorities have the right to adjust taxable items and to impose additional taxes, fines and interest penalties. Given the brief nature of the current Mongolian transfer pricing rules, the impact of any such challenge cannot be reliably estimated. However, it may be significant to the financial position and/or the overall operations of the entity.

Mongolian tax legislation does not provide definitive guidance in certain areas, specifically in areas such as VAT, withholding tax, corporate income tax, personal income tax and other areas. From time to time, the Bank adopts interpretations of such uncertain areas that reduce the overall tax rate of the Bank. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices. The impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity.

Management performs regular re-assessment of tax risks, and its position may change in the future as a result of the change in conditions that cannot be anticipated with sufficient certainty at present.

33. Risk management

(1) Introduction

The main risks inherent in the Bank's operations are credit risks, liquidity risks and market risks. The Bank's Credit Underwriting Department ("CUD") is responsible for managing the Bank's credit risks, while Risk Management Policy and Validation Department is responsible for managing market, liquidity risks and supporting risk management activities in general. This note provides information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Board of Directors

The Board of Directors ("BoD") is responsible for establishing sound management framework and approving the risk management policies and the Bank's risk appetite in general.

Internal Audit

Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the result of which are reported to the BoD. Internal audit examines both the efficiency of the procedures and the Bank's compliance with the procedures.

Executive Committee

The Executive Committee consists of all the executive management of the Bank and is chaired by the CEO and holds regular meetings to discuss and decide the Bank's strategic issues and planning required for sustainable business management.

Asset and Liability Committee ("ALCO")

ALCO is responsible for providing centralized assets and liabilities management of the funding, liquidity, foreign currency exposure, maturity mismatch and interest rate risks to which the Bank is exposed. The purpose of ALCO is to set up the asset and liability structure of the Bank's balance sheet conducive for sustainable growth of the Bank, its profitability and liquidity through comprehensive management.

Risk Management Committee ("RMC")

The Risk Management Committee is responsible for approving risk management policy, Risk appetite, ICAAP, ILAAP and other risk management tools within the framework of its main purpose, monitor their implementation, and make suggestions and recommendations for changes if necessary.

Credit Committees

The Bank's Credit Committee's structure was established to manage the Bank's credit risk at various levels. The Bank has following types of credit committees for loan approval and monitoring:

1. Credit committee is responsible for the overall credit policies and procedures of the Bank and currently approves all credit exposures above MNT 1.5 billion.
2. Credit subcommittee is responsible for approving all credit exposures above MNT 800 million and up to MNT 1.5 billion.
3. Credit council is responsible for approving all credit exposures exceeding branch credit authorization limit and up to MNT 500 million.
4. Branch credit council approves all loans except for consumer loan, business micro loan, easy loan and car loans that amounts exceeding authorization limits of Branch director and up to authorization limit of Branch credit council.
5. Credit council approves consumer loans exceeding MNT 50 million and business micro loan, easy loan and car loans exceeding MNT 100 million.
6. Branch credit council, depending on the branch size approves credit exposures from MNT 100 million up to MNT 300 million.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

33. Risk management (cont'd.)

(1) Introduction (cont'd.)

Risk measurement and reporting system

The Bank's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are estimated based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the current economic environment.

One of the key tools to monitoring and controlling risks is internal risk appetite limits. The Bank determines its risk appetite for its operations by taking into account various factors such as the laws of Mongolia, prudential criteria approved by the Bank of Mongolia, procedures for monitoring them, international recommendations for risk management issued by the Basel Committee, as well as the Bank's own risk management policy. All of these factors serve as a guide for the Bank to establish its risk appetite.

With the risk appetite established, the Bank determines the level of risk it will accept in a given year to achieve its strategic and medium-term goals while considering the main risks that may hinder the successful implementation of the Bank's strategic objectives.

Reports compiled from all the bank units are examined and processed in order to analyse, control and identify early risks. The findings are presented to the BoD, ALCO, RMC and Credit Committees, and the head of each business departments. Both ALCO and RMC receive a comprehensive risk report every quarter which is designed to provide all the necessary information to assess and conclude on the risk exposure of the Bank.

Risk mitigation

As a part of its risk management, the Bank uses scenario analysis to measure and analyse exposures resulting from changes in interest rates, foreign currencies, credit risks, and estimate potential exposures. The Bank mitigate its credit risks through collaterals and personal guarantees.

Concentration risk

The high concentration of loans granted to bank customers in one economic sector, a small number of borrowers, and certain products and services increases the credit risk. Therefore, the Bank adheres to the limits of credit concentration established by BoM in its daily operations, determines the optimal structure of the loan portfolio, and adheres to the policy and strategy of diversifying the over-concentrated structure.

In order to mitigate concentration risk, the Bank's policies and procedures include specific guidelines to focus on maintaining well-diversified portfolio.

To ensure a harmonized approach to managing credit concentration risks and the Bank's risk-bearing capacity, the regulatory body establishes limits in accordance with the 'Procedures for Establishing and Monitoring the Appropriateness of the Bank's Operations.'

- Loans granted to a single borrower and other assets classified as loans shall not exceed 20% of the equity of the Bank.
- Loans to single related party shall not exceed 5% of equity, and loans to all related parties shall not exceed 20% of equity.

(2) Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers, clients or counterparties fail to fulfil their contractual obligations. The Bank manages and controls credit risk by carefully screening credit applications, setting interest rate adjusted for risk level, and setting limits on credit exposures for individual counterparties, geographical area, and industry, and monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. The credit quality review process allows the Bank to identify potential losses and take early corrective actions.

The Bank regularly examines and improves credit policies and procedures to keep its lending activities in line with the best practice.

33. Risk management (cont'd.)

(2) Credit risk (cont'd.)

Credit-related Commitments Risks

The Bank makes available to its customers guarantees that may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. 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. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

Impairment assessment

Definition of default, impaired and cure

The Bank considers exposure to be in default for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments, or where the obligor is unlikely to repay the exposure fully without the Bank's realisation of collaterals.

As part of the qualitative assessment of whether an exposure is credit-impaired, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- An exposure is forborne or modified due to financial difficulties of the borrower
- The debtor's exposure to the Bank is more than 90 days past due
- Internal rating of the borrower indicating default or near-default
- The borrower is deceased or became disabled
- The borrower's operations had experienced unexpected operational risks
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- The debtor filing for official bankruptcy

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

The Bank's internal rating and PD estimation process

The Bank's Credit Underwriting Department operates its internal rating models. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. Where practical, they also build on information from international rating agencies, such as Moody's, Standard & Poor's and/or Fitch rating. These information sources are first used to determine the stage classification of the exposures.

The PD for loans and advances to customers is derived from historical data and adjusted to incorporate forward looking information using available forecasts projected from relevant macroeconomic factors, when applicable. The PD is defined as conditional PD given that the account has not defaulted in prior periods taking into account full and partial prepayments, therefore the marginal PD's are considered to build the PD curve. Further, the Bank uses cohort analysis to estimate the multi period PD curves.

The PD model used for financial assets other than loans and advances are based on rating matrices and are derived using international credit ratings of the counterparties, which intrinsically contains forward-looking information.

Treasury, trading and interbank relationships

The Bank's treasury, trading and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Bank's Risk Management Policy and Validation Department analyses publicly available external information such the ratings of international rating agencies, e.g. Moody's, and assigns the internal rating.

33. Risk management (cont'd.)

(2) Credit risk (cont'd.)

Corporate and SME loans

For corporate and SME loans, the borrowers are assessed by loan specialists under the supervision of the credit risk analysts from Credit Underwriting Department ("CUD"). The credit risk assessment takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties.
- Any macro-economic or geopolitical information relevant to the borrower and/or portfolio
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the borrower's performance.

The complexity and granularity of the rating techniques varies based on the exposure of the Bank and the complexity and size of the customer. Some of the less complex small business loans are rated within the Bank's models for retail products.

Retail loans

Retail loans comprises all types of consumer loans, mortgage loans, credit cards and overdrafts. These products along with some of the less complex SME loans are rated by methodology primarily driven by days past due. Herein: demographics, credit history of loan applicants, collateral, current income levels, changes in account income, outstanding liabilities and desired loan conditions.

The Bank's internal credit rating grades

Internal rating	Internal rating description	International rating (when applicable)
Performing	High grade	A- to AA+ rated
Special mention	Upper medium grade	BBB- to BBB+
Substandard	Lower medium grade	B- to BB+
Doubtful	Low grade	Caa-C
Loss	Credit impaired	–
Not rated	Not rated	–
Individually impaired	Individually impaired	–

Exposure at default

The EAD represents the estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD of a financial asset represents its gross carrying amount subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. EAD for credit cards and other revolving facilities is set out in Note 2.5.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type:

- For amortising product and bullet repayment loans, this is based on the contractual repayments owed by the borrower over 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by borrower. Early repayment/refinance assumptions are also incorporated into the calculation.
- For the revolving products, the EAD is predicted by taking current drawn balance and adding "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilization.

33. Risk management (cont'd.)

(2) Credit risk (cont'd.)

Loss given default

LGD represents the Bank's expectation of the extent of loss on defaulted exposure. LGD varies by customer segments, which represents customer potential and credit exposure. LGD is expressed as a percentage loss per unit of exposures at the time of default. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

LGD varies over time depending on the payments and the value of collateral. The key elements of the LGD coefficient are:

- Time dimension (dividing the EAD parameter into a secured and unsecured part) and
- Change in the value of collateral over time (in the case of such collateral as real estate, the value may remain unchanged)

In the absence of collateral for the financial instrument and sufficient historical data on default, the Bank applies expert judgment. Depending on the circumstances and completeness of the data at the reporting date, the Bank applies historical data approach or historical data from external sources to determine the LGD coefficient in stages.

Significant increase in credit risk

The Bank continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The Bank applies qualitative method for triggering a significant increase in credit risk for an asset, such as the account becoming forborne. In certain cases, the Bank may also consider that events explained in "Definition of default" are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECL on a collective basis for a group of similar assets, the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Grouping financial assets measured on collective basis

As explained in Note 2.5 *"Overview of the ECL principles"* dependant on the factors below, the Bank calculates the allowance for ECL either on collective or individual basis.

Asset classes where the Bank calculates ECL on an individual basis include:

- Stage 3 borrowers who have total exposure of more than MNT 5 billion
- Stage 3 borrowers with exposure of less than MNT 5 billion, who relate to a group of related parties for which the total group exposure exceed MNT 5 billion
- Large and unique exposures of the Corporate loan portfolio regardless of the staging

Asset classes where the Bank calculates ECL on a collective bases include all the remaining exposures not assessed individually. The bank groups these exposures into smaller portfolios, based on customer segments:

- Corporate loans
- SME loans
- Retail loans

33. Risk management (cont'd.)

(2) Credit risk (cont'd.)

Analysis of inputs to ECL model – forward looking information

The Bank has incorporated the effect of future macroeconomic developments into the ECL by applying forward-looking information on the component of the ECL, the PD. A simple linear model was built to analyse the relationship between the observed default rates and macroeconomic variables. The data set includes quarterly time series of main macro indicators and probability of default per customer segment. Macroeconomic variables are taken from the database of the National Statistical Office and BoM, and PD rates are derived from the bank's internal database. The Bank has selected Policy rate and Credit growth for Retail and Policy rate and GDP growth with one quarter lag for SME and Corporate loans for 2024 (2023: Policy rate and Inflation rate for Retail and Inflation rate and GDP growth with one quarter lag for SME and Corporate loans), which had the highest correlation with the default rate.

In terms of the methodology, correlation analysis was conducted initially to preselect the suitable macroeconomic variables. Then coefficients were estimated applying simple regression analysis. From the estimated coefficients and forecasts, adjustment factors to incorporate forward-looking information into PD were derived as the ratio between the predicted default rate and historical average default rate. These adjustment factors and adjusted PD rates are considered as Base scenario for ECL model, as it represents the best prediction of the future economic development. The good and bad scenarios are derived from historical adjustment factors based on the model predicted default rates and selected as certain quantiles of the adjustment factor distribution. Expected loss for different scenarios are calculated based on those estimated PD rates under the different scenarios, and the actual expected credit loss allowance is estimated as weights of 3 scenarios: 15% for Good and Bad, and 70% for Base scenario.

The following table sets out the results of adjustment factors under 3 different scenarios:

	Corporate loans	**SME loans**	**Retail loans**
31 December 2024			
Bad case	2.0961	2.0961	1.8730
Base case	0.5192	0.5192	0.4225
Good case	0.1163	0.1163	0.2349
31 December 2023			
Bad case	2.2921	2.2921	1.7680
Base case	0.7850	0.7850	0.5053
Good case	0.4222	0.4222	0.2669

Overview of modified and forborne loans

From a risk management point of view, once an asset is forborne or modified, the Bank's credit risk department and special department for distressed assets continues to monitor the exposure until it is completely and ultimately derecognised.

The table below shows the gross carrying amount of restructured financial assets with corresponding ECL for the year ended 31 December 2024 and 2023, as follow:

	2024 **MNT'000**	**2023** **MNT'000**
Restructured loans		
Gross carrying amount	120,153,646	52,614,502
Corresponding ECL	(28,772,011)	(33,749,533)

33. Risk management (cont'd.)

(2) Credit risk (cont'd.)

Analysis of risk concentration

Disclosure of credit quality and maximum exposure for credit risk based on the Bank's internal credit rating system and year-end stage classification are disclosed in Notes 12, 13, 14 and 17 where relevant.

The table below show the analysis per industry sector of the Bank's loans and advances to customers (Note 17) in gross amounts, before taking into account the fair value of the loan collateral held or other credit enhancements.

	Gross maximum exposure			
	2024 MNT'000	**%**	**2023 MNT'000**	**%**
Trading	1,049,433,342	17%	939,847,708	18%
Mortgage loan	980,662,839	15%	609,560,516	11%
Card loan	897,243,240	14%	528,421,873	10%
Mining and quarrying	727,755,885	11%	594,847,744	11%
Manufacturing	632,796,023	10%	586,842,868	11%
Construction	410,270,276	6%	376,491,765	7%
Financial service	370,447,384	6%	377,195,935	7%
Transportation and communication	251,173,809	4%	259,503,316	5%
Hotel, restaurant and tourism	157,707,649	2%	135,283,643	3%
Deposit collateralized loan	155,630,363	2%	118,298,002	2%
Import and trade of fuel	98,754,286	2%	215,092,310	4%
Education	95,751,625	1%	72,855,274	1%
Health	64,329,812	1%	37,971,252	1%
Agriculture	45,799,175	1%	71,627,403	1%
Electricity and thermal energy	9,092,642	0%	11,654,177	0%
Other	540,936,078	8%	409,950,828	8%
	6,487,784,428	**100%**	**5,345,444,614**	**100%**

*The Bank classified the holding company that only owns shares of companies in other industries as financial services in accordance with the Bank's sector codification.

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 main types of collateral obtained are as follows:

- corporate lending: charges over real-estate properties, equipment and machineries;
- retail lending: charges over automobiles and assignment of income; charges over real estate properties; and mortgages over residential properties;
- small and medium-sized enterprise lending: charges over real estate properties.

The Bank regularly monitors the market value of collateral and requests additional collateral when necessary in accordance with the underlying agreement.

It is the Bank's policy to dispose of foreclosed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. The Bank does not occupy foreclosed properties for business use.

Disclosure of credit quality and the maximum exposure for credit risk per categories based on the Bank's internal credit rating system and year end stage classification are further disclosed in Notes 12, 13, 14 and 17.

Where financial instruments are recorded at fair value the amounts shown in Note 14 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.

33. Risk management (cont'd.)

(2) Credit risk (cont'd.)

Collateral and other credit enhancements (cont'd.)

The table below summarise the Bank's collateral for loans and advances:

	Gross carrying amount MNT'000	Fair value of collaterals MNT'000	Coverage %
31 December 2024			
Corporate	3,334,506,297	8,933,241,960	268%
SME	824,846,144	1,884,480,206	228%
Retail	1,905,095,989	2,459,326,960	129%
	6,064,448,430	**13,277,049,126**	
31 December 2023			
Corporate	3,346,336,133	8,664,934,415	259%
SME	599,615,465	1,648,591,251	275%
Retail	1,150,861,431	1,817,582,235	158%
	5,096,813,029	**12,131,107,901**	

Credit concentration ratio

As stipulated in the Banking Law of Mongolia, the total value of loans, loan equivalent assets and guarantees provided to single borrower or group of related borrowers shall not exceed 20% of the total equity of the Bank. The maximum value of loans, loan equivalent assets and guarantees provided to a shareholder, the chairman, a member of the Representative Governing Board, an executive director or a bank officer or any related person thereof shall not exceed 5% of the capital of the Bank, and the total amount shall not exceed 20% of the capital of the Bank respectively. There were no such breaches as at 31 December 2024.

(3) Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stressed circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank is exposed to frequent calls on its available cash resources from current deposits, maturing deposits and loan drawdowns. The Bank's ALCO sets limits on the minimum proportion of maturing funds available to cover such cash outflows and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of liquid assets to total liabilities, which is in line with the liquidity ratio described in Banking Law of Mongolia.

For this purpose the Bank maintains a liquidity ratio; calculated as a ratio of a the Bank's liquid assets, including cash on hand, deposits and placements with banks and other financial institutions, balances with BoM and investment securities to the Bank's liquid liabilities; including deposit from customers, deposits and placements from the banks and other financial institutions, loans from foreign financial institutions, taxation and debt securities issued.

Details of the reported ratio at the reporting date were as follows:

	2024	2023
At 31 December	49.5%	49.7%

Analysis of financial assets and financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Bank's financial assets and financial liabilities as at 31 December 2024 and 2023 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.

33. Risk management (cont'd.)

(3) Liquidity risk (cont'd.)

Analysis of financial assets and financial liabilities by remaining contractual maturities (cont'd.)

At 31 December 2024	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 MNT'000
Financial assets							
Cash and balances with Bank of Mongolia	2,821,222,133	274,128,477	–	–	–	–	3,095,350,610
Due from other banks and financial institutions	710,287,382	686,822,009	–	–	–	–	1,397,109,391
Financial investments	–	1,884,433,045	17,626,200	35,853,708	850,068,759	1,015,375,875	3,803,357,587
Gross settled swaps:							
- Inflows	–	20,965,874	15,537,676	30,895,142	79,479,349	–	146,878,041
- Outflows	–	(26,216,472)	(25,373,805)	(52,261,698)	(144,920,802)	–	(248,772,777)
Loans and advances to customers	433,915,693	866,768,140	754,524,616	1,542,779,329	3,401,461,935	2,227,369,984	9,226,819,697
Other financial assets	75,831,379	10,267,357	22,552,813	41,506,954	330,306,514	55,376,343	535,841,360
	4,041,256,587	3,717,168,430	784,867,500	1,598,773,435	4,516,395,755	3,298,122,202	17,956,583,909
Financial liabilities							
Due to banks and other financial institutions	23,232,611	345,283,487	3,589,115	–	7,318,679	–	379,423,892
Repurchase agreements	–	18,102,153	8,065,875	–	–	–	26,168,028
Due to customers	4,773,809,898	1,550,996,135	938,996,354	2,154,474,148	1,401,185,353	28,854,324	10,848,316,212
Gross settled swaps:							
- Inflows	–	22,124,396	21,371,730	44,090,204	107,629,960	–	195,216,290
- Outflows	–	(25,786,142)	(16,956,695)	(34,366,635)	(97,861,569)	–	(174,971,041)
Borrowed funds	–	876,900,717	48,564,401	457,242,608	367,993,982	78,699,158	1,829,400,866
Debt securities issued	–	–	29,927,188	29,927,188	838,344,318	–	898,198,694
Lease liabilities	–	–	–	5,417,926	–	–	5,417,926
Other financial liabilities	–	74,606,415	–	72,703,534	–	8,057,538	155,367,487
Uncovered Guarantees and Letters of credit	646,648,741	–	–	–	–	–	646,648,741
Undrawn credit lines	635,742,427	–	–	–	–	–	635,742,427
	6,079,433,677	2,862,227,161	1,033,557,968	2,729,488,973	2,624,610,723	115,611,020	15,444,929,522
	(2,038,177,090)	854,941,269	(248,690,468)	(1,130,715,538)	1,891,785,032	3,182,511,182	2,511,654,387

33. Risk management (cont'd.)

(3) Liquidity risk (cont'd.)

Analysis of financial assets and financial liabilities by remaining contractual maturities (cont'd.)

At 31 December 2023	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 MNT'000
Financial assets							
Cash and balances with Bank of Mongolia	1,117,858,549	1,193,856,976	–	–	–	–	2,311,715,525
Due from other banks and financial institutions	869,544,915	783,230,812	–	–	–	–	1,652,775,727
Financial investments	–	1,224,738,338	247,269,570	107,443,178	186,940,736	956,661,854	2,723,053,676
Gross settled swaps:							
- Inflows	–	39,750,576	3,646,159	4,473,604	11,755,341	–	59,625,680
- Outflows	–	(40,440,564)	(6,363,445)	(7,121,919)	(22,983,257)	–	(76,909,185)
Loans and advances to customers	554,076,511	802,131,637	615,471,775	1,415,886,826	2,876,815,855	1,877,285,064	8,141,667,668
Other financial assets	30,996,818	27,724,891	13,496,593	49,488,420	268,656,334	–	390,363,056
	2,572,476,793	4,030,992,666	873,520,652	1,570,170,109	3,321,185,009	2,833,946,918	15,202,292,147
Financial liabilities							
Due to banks and other financial institutions	23,863,949	294,709,383	–	–	–	–	318,573,332
Repurchase agreements	–	–	–	35,363,068	19,680,137	–	55,043,205
Due to customers	4,962,670,005	1,308,989,787	836,125,118	1,628,943,151	573,473,246	18,825,467	9,329,026,774
Gross settled swaps:							
- Inflows	–	41,396,162	3,087,757	2,583,633	8,858,627	–	55,926,179
- Outflows	–	(46,489,388)	(4,861,811)	(4,400,466)	(16,465,645)	–	(72,217,310)
Borrowed funds	–	159,310,715	83,352,194	536,071,195	131,063,322	25,411,246	935,208,672
Lease liabilities	–	2,089,904	1,979,903	3,841,872	7,888,740	–	15,800,419
Other financial liabilities	–	166,628,192	–	–	5,558,789	547,914	172,734,895
Uncovered Guarantees and Letters of credit	522,557,915	–	–	–	–	–	522,557,915
Undrawn credit lines	455,919,038	–	–	–	–	–	455,919,038
	5,965,010,907	1,926,634,755	919,683,161	2,202,402,453	730,057,216	44,784,627	11,788,573,119
	(3,392,534,114)	2,104,357,911	(46,162,509)	(632,232,344)	2,591,127,793	2,789,162,291	3,413,719,028

33. Risk management (cont'd.)

(4) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect bank's profitability, future cash flows or the fair values of financial instruments. 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. Interest rate risk is managed by increasing or decreasing positions within limits specified by the Bank's management. These limits restrict the potential effect of movements in interest rates on interest margin and on the value of interest sensitive assets and liabilities.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. An analysis of the Bank's sensitivity to a 100 basis point (BP) increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) is as follows:

	Change in basis points	Sensitivity of net interest income MNT'000	Risk limit set for profit or loss MNT'000	Sensitivity of equity MNT'000	Risk limit set for equity MNT'000
At 31 December 2024					
Currency					
USD	+/- 100	+/- 11,324,946	+/- 389,506,817	+/- 10,192,451	+/- 389,506,817
MNT	+/- 100	+/- 21,527,228	+/- 389,506,817	+/- 19,374,505	+/- 389,506,817
OTHER	+/- 100	+/- 2,341,557	+/- 389,506,817	+/- 2,107,401	+/- 389,506,817
At 31 December 2023					
Currency					
USD	+/- 100	+/- 789,541	+/- 328,411,715	+/- 710,587	+/- 328,411,715
MNT	+/- 100	+/- 8,001,304	+/- 328,411,715	+/- 7,201,174	+/- 328,411,715
OTHER	+/- 100	+/- 1,367,075	+/- 328,411,715	+/- 1,230,368	+/- 328,411,715

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. ALCO sets limits on the level of exposure by currencies (primarily USD), which are monitored on a frequent basis. The Bank manages its currency risk primarily through ensuring compliance with the prudential ratio for foreign currency open position established by the BoM and through assessing the impact of foreign currency exchange rate movements on the Bank's liquidity and profitability. Also the Bank uses limits, calculated using Value-at-Risk method, for foreign exchange risk management. ALCO approves stop loss limits for overall currency positions on a quarterly basis. Market Risk Department oversees that the currency exchange operations are managed within the approved limits.

Objectives and limitations of the VaR Methodology

The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the normal distribution assumption. VaR may also be under or over-estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level.

33. Risk management (cont'd.)

(4) Market risk (cont'd.)

Currency risk (cont'd.)

Objectives and limitations of the VaR Methodology (cont'd.)

VaR limits have been established for all foreign currency open positions and exposures are reviewed daily against the limits by management. The estimated potential one-day losses on its foreign currency denominated financial instruments, as calculated in the VAR models are the following:

	Historical Simulation 2024 MNT'000	2023 MNT'000
31 December	(248,091)	(58,141)
Average Daily	(432,318)	(792,656)
Highest	(14,770)	(24,615)
Lowest	(1,279,752)	(3,185,897)

The table below summarizes the Bank's exposure to foreign exchange risk as at 31 December 2024 and 2023. Included in the table are the Bank's financial assets and liabilities at carrying amounts:

	2024 MNT denominated MNT'000	2024 Foreign currencies MNT'000	2024 Total MNT'000	2023 MNT denominated MNT'000	2023 Foreign currencies MNT'000	2023 Total MNT'000
Financial assets						
Cash and balances with Bank of Mongolia	1,396,899,459	1,697,665,702	3,094,565,161	560,676,633	1,748,053,513	2,308,730,146
Due from other banks and financial institutions	171,235,411	1,225,503,573	1,396,738,984	224,175,940	1,427,622,435	1,651,798,375
Financial investments	2,401,179,297	502,799,723	2,903,979,020	1,770,718,631	147,210,357	1,917,928,988
Derivative financial instruments	88,784,131	–	88,784,131	172,188,577	–	172,188,577
Loans and advances to customers	5,065,234,190	1,114,335,363	6,179,569,553	3,881,801,871	1,051,655,351	4,933,457,222
Other financial assets	96,730,864	31,214,109	127,944,973	156,904,267	19,361,978	176,266,245
	9,220,063,352	4,571,518,470	13,791,581,822	6,766,465,919	4,393,903,634	11,160,369,553
Financial liabilities						
Due to banks and other financial institutions	176,001,370	202,859,636	378,861,006	71,414,293	246,997,718	318,412,011
Repurchase agreements	25,675,412	–	25,675,412	51,285,052	–	51,285,052
Due to customers	6,736,944,757	3,600,866,014	10,337,810,771	5,026,726,104	4,060,091,308	9,086,817,412
Derivative financial instruments	70,630,118	–	70,630,118	159,109,749	–	159,109,749
Borrowed funds	1,093,092,572	571,044,793	1,664,137,365	521,393,763	351,274,014	872,667,777
Debt securities issued	–	670,569,956	670,569,956	–	–	–
Lease liabilities	9,544,683	–	9,544,683	13,870,478	–	13,870,478
Other financial liabilities	42,032,282	77,004,119	119,036,401	106,936,691	43,361,221	150,297,912
	8,153,921,194	5,122,344,518	13,276,265,712	5,950,736,130	4,701,724,261	10,652,460,391
Off-balance foreign currency exposure, net		463,071,501			160,301,851	
Net foreign currency exposure		(87,754,547)			(147,518,776)	

33. Risk management (cont'd.)

(4) Market risk (cont'd.)

Currency risk (cont'd.)

An analysis of the Bank's open position sensitivity to a 10 percent appreciation or depreciation of MNT against USD (assuming all other variables constant) is as follows:

	Change in currency rate	Sensitivity of open position MNT'000	Risk limit for net positions MNT'000
At 31 December 2024			
Currency			
USD	+/- 10%	+/- 450,274	+/- 230,000,000
OTHER	+/- 10%	+/-671,904	+/- 230,000,000
At 31 December 2023			
Currency			
USD	+/- 10%	+/- 6,442,978	+/- 230,000,000
OTHER	+/- 10%	+/-255,377	+/- 230,000,000

Prepayment risk

Prepayment risk is the risk that the Bank will incur a financial loss because its customers and counterparties repay or request repayment earlier or later 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 interest income for the year would be reduced by MNT 217,199,335 thousand (2023: MNT 152,942,480 thousand).

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

34. Fair value disclosures

Determination of fair value and fair value hierarchy

Fair value is the amount at which a financial instrument or other asset could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. Where quoted market prices are not available, the Bank used valuation techniques.

34. Fair value disclosures (cont'd.)

Determination of fair value and fair value hierarchy (cont'd.)

The following table shows an analysis of financial instruments and other assets recorded at fair value by level of the fair value hierarchy.

At 31 December 2024	**Level 1 MNT'000**	**Level 2 MNT'000**	**Level 3 MNT'000**	**Total MNT'000**
Financial assets				
Debt instruments measured at FVOCI				
Quoted government bonds, USD	492,330,245	–	–	492,330,245
Quoted government bonds, MNT	150,454,795	–	–	150,454,795
Green recycle bond	10,418,175	–	–	10,418,175
Unquoted BoM treasury bills	–	1,837,294,011	–	1,837,294,011
Equity instruments measured at FVOCI				
Unquoted equities	–	–	3,538,351	3,538,351
Quoted equities	47,094,211	–	–	47,094,211
Financial assets at FVTPL				
Residential mortgage-backed securities	–	–	362,556,440	362,556,440
Loan backed securities - Junior tranche	–	–	292,792	292,792
Loans and advances to customers at FVTPL	–	423,335,998	–	423,335,998
Derivative financial instruments	–	88,784,131	–	88,784,131
Non-financial assets				
Revalued properties	–	–	186,313,991	186,313,991
Investment properties	–	–	80,749,541	80,749,541
	700,297,426	**2,349,414,140**	**633,451,115**	**3,683,162,681**
Financial liabilities				
Derivative financial instruments	–	70,630,118	–	70,630,118

At 31 December 2023	**Level 1 MNT'000**	**Level 2 MNT'000**	**Level 3 MNT'000**	**Total MNT'000**
Financial assets				
Debt instruments measured at FVOCI				
Quoted government bonds	105,989,124	–	–	105,989,124
Unquoted BoM treasury bills	–	1,363,375,430	–	1,363,375,430
MIK USD bond	41,170,073	–	–	41,170,073
Equity instruments measured at FVOCI				
Unquoted equities	–	–	3,168,023	3,168,023
Quoted equities	38,804,358	–	–	38,804,358
Equity instruments measured at FVTPL				
Unquoted equities	–	–	1,700,000	1,700,000
Financial assets at FVTPL				
Residential mortgage-backed securities	–	–	360,010,446	360,010,446
Loan backed securities - Junior tranche	–	–	2,399,558	2,399,558
Loans and advances to customers at FVTPL	–	248,631,585	–	248,631,585
Derivative financial instruments	–	172,188,577	–	172,188,577
Non-financial assets				
Revalued properties	–	–	216,024,924	216,024,924
Investment properties	–	–	53,256,860	53,256,860
	185,963,555	**1,784,195,592**	**636,559,811**	**2,606,718,958**
Financial liabilities				
Derivative financial instruments	–	159,109,749	–	159,109,749

34. Fair value disclosures (cont'd.)

Transfers between level 1, 2 and 3

There were no transfers between level 1, 2 and 3 of the fair value hierarchy for the assets and liabilities which are recorded at fair value.

The description of valuation technique and description of inputs used in the fair value measurement for level 2 measurements at 31 December 2024 and 2023:

	Fair value 2024 MNT'000	2023 MNT'000	Valuation technique	Inputs
Financial assets				
Unquoted BoM treasury bills	1,837,294,011	1,363,375,430	Market value approach	Central bank policy and repo rates
Loans and advances to customers at FVTPL	423,335,998	248,631,585	Discounted Cash Flow approach	Future cash flows, PD, LGD and market interest rate of instruments
Derivative financial instruments	88,784,131	172,188,577	Market value	SOFR rate, repo rate, government bond yield, exchange rate, commodity forward price, USD discount rate, PD
Financial liabilities				
Derivative financial instruments	70,630,118	159,109,749	Market value	SOFR rate, repo rate, government bond yield, exchange rate, commodity forward price, USD discount rate, PD

The were no change in valuation technique for level 2 recurring fair value measurements during the years ended 31 December 2024 and 2023.

The disclosure of significant unobservable inputs and sensitivity to reasonably possible changes to inputs used in the fair value measurement for level 3 financial instrument is described below:

At 31 December 2024	Fair value MNT`000	Reasonable change	Sensitivity of the input to fair value MNT'000	Valuation technique	Significant unobservable inputs	Range of inputs
Financial assets						
Residential mortgage-backed securities	362,556,440	+/- 1%	+/- 3,625,564	Discounted Cash Flow method	Market interest rates	9.0% - 13.0%
Loan backed securities - Junior tranche	292,792	+/- 1%	+/- 2,928	Discounted Cash Flow method	Market interest rates	9.5%
Unquoted equities	3,538,351	+/- 10%	+/- 353,835	Net assets value	Market share price, Transaction price	MNT 1,000 - MNT 5,691,675
Non-financial assets						
Revalued properties	186,313,991	+/- 10%	+/- 18,631,399	Market proxy	Equivalent property prices/Market proxy with appropriate adjustments for location, condition, and similar factors	MNT 0.5 million - 2.4 million per sq meter; MNT 2.5 - 8.7 million per sq.meters
Investment properties	80,749,541	+/- 10%	+/- 8,074,954	Market proxy	Equivalent property prices/Market proxy with appropriate adjustments for location, condition, and similar factors	MNT 8.3 million - 10.2 million per sq.meters

34. Fair value disclosures (cont'd.)

At 31 December 2023	Fair value MNT`000	Reasonable change	Sensitivity of the input to fair value MNT'000	Valuation technique	Significant unobservable inputs	Range of inputs
Financial assets						
Residential mortgage-backed securities	360,010,446	+/- 1%	+/- 3,600,104	Discounted Cash Flow method	Market interest rates	7.0% - 9.0%
Loan backed securities - Junior tranche	2,399,558	+/- 1%	+/- 23,996	Discounted Cash Flow method	Market interest rates	9.5%
Unquoted equities	4,868,023	+/- 10%	+/- 486,802	Net assets value	Market share price, Transaction price	MNT 1,000 - MNT 5,691,675
Non-financial assets						
Revalued properties	216,024,924	+/- 10%	+/- 21,602,492	Market proxy	Equivalent property prices/Market proxy with appropriate adjustments for location, condition, and similar factors	MNT 0.5 million - 2.4 million per sq meter; MNT 2.5 - 8.7 million per sq.meters
Investment properties	53,256,860	+/- 10%	+/- 5,325,686	Market proxy	Equivalent property prices/Market proxy with appropriate adjustments for location, condition, and similar factors	MNT 8.0 million- 9 million per sq.meters

There were no changes in valuation techniques during the year ended 31 December 2024 and 2023. Management believes that the fair value of financial assets is unlikely to be materially different from their carrying value as of 31 December 2024.

Movements in fair value measurements within Level 3 during the year

	2024 MNT'000	2023 MNT'000
Residential mortgage-backed securities		
At 1 January	360,010,446	260,184,968
Addition	106,602,800	279,302,268
Sold	(98,873,000)	(182,110,768)
Interest accrued	33,326,919	31,223,300
Interest received	(38,510,725)	(28,589,322)
At 31 December	**362,556,440**	**360,010,446**
Loan backed securities - Junior tranche		
At 1 January	2,399,558	5,832,160
Addition	–	700,500
Paid	(2,032,200)	(4,136,100)
Interest accrued	97,228	515,301
Interest received	(171,794)	(512,303)
At 31 December	**292,792**	**2,399,558**
Unquoted equity		
At 1 January	3,168,023	3,168,532
Addition	370,184	–
Disposal	–	(509)
Foreign exchange difference	144	–
At 31 December	**3,538,351**	**3,168,023**

34. Fair value disclosures (cont'd.)

Movements in fair value measurements within Level 3 during the year (cont'd.)

	2024 MNT'000	2023 MNT'000
Revalued properties		
At 1 January	216,024,924	225,309,201
Addition	5,794,186	–
Transfer	(18,036,301)	–
Disposal	(11,158,246)	(3,918,852)
Depreciation charged in profit or loss	(5,229,221)	(5,365,425)
Write-off	(1,081,351)	–
At 31 December	**186,313,991**	**216,024,924**
Investment properties		
At 1 January	53,256,860	79,997,754
Disposal	–	(29,614,686)
Transfer	20,377,762	–
Revaluation	7,114,919	2,873,792
At 31 December	**80,749,541**	**53,256,860**

Revaluation of properties and investment properties

The properties' fair values are based on valuations performed by an accredited independent valuer. The fair value of the land and buildings were determined using market approach. Market approach means that the valuations performed by the valuer were based on transactions and advertised process for similar buildings in the market, applying comparison adjustments for location, condition age, listing, and similar factors.

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:

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have short term maturity (less than one year), it is assumed that the carrying amounts approximate to their fair value. Based on fair value assessments performed by the management, the estimated fair values of due from banks of more than one year approximate their carrying amounts as shown in the statement of financial position. This is due principally to the fact that the current market rates offered for similar deposit products do not differ significantly from market rates at inception.

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 in the financial statements where there is a significant difference between the two values which are categorized in level 2.

34. Fair value disclosures (cont'd.)

Fixed rate financial instruments (cont'd.)

As at 31 December 2024	Carrying amount MNT'000	Fair value MNT'000
Financial assets		
Loans and advances to customers	6,179,569,553	6,387,826,556
Financial liabilities		
Due to customers	10,337,810,771	10,470,011,420
As at 31 December 2023		
Financial assets		
Loans and advances to customers	4,933,457,222	4,937,767,391
Debt instruments at amortised cost	1,311,976	1,327,492
Financial liabilities		
Due to customers	9,086,817,412	9,507,939,129

35. Related party disclosures

The following are considered as related parties of the Bank:

- Valiant Art LLC - The Bank's executive officer's immediate relative owns Valiant Art LLC
- TDB Securities LLC (former TDB Capital LLC), TDB Asset Management SC LLC, Supreme 17 Holding Limited – The companies are subsidiaries of TDB Capital LLC (former United Banking corporation LLC), the shareholder of the Bank.
- Mongolian National Rare Earth Corporation LLC ("MNREC") – Supreme 17 Holding Limited owns 90 % equity interest.
- MIK – An associate (see Note 15)
- Mongol General Leasing LLC and its subsidiaries ("MGL") – The Bank owns 10% equity interest in MGL and the company is owned by close family member of beneficial owner of the Bank
- National News Corporation LLC ("NNC") – The Bank owns 9.85% equity interest in NNC and the Bank's beneficial owner is a BoD member of the company
- NNC Publishing LLC, JCDecaux LLC - The companies are subsidiaries of NNC
- CNB Consulting LLC ("CNB") – CEO of CNB is immediate family member of the beneficial owner of the Bank
- Absolute Management LLC – The company is owned by close family member of beneficial owner of the Bank
- Times Media Corporation – The company is subsidiary of TDB Capital LLC
- Key management personnel – Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Bank and its employees. The Bank considers the members of the Board of Directors, Executive officers and their immediate relatives to be related parties.

Transactions with key management personnel of the Bank:

The aggregate remuneration of directors and members of the Board of Directors during the year, paid by the Bank, was as follows:

	2024 MNT'000	2023 MNT'000
Short term benefits:		
Salaries and other allowances	18,497,556	21,951,864
Contribution to social and health fund	2,312,195	2,361,190
	20,809,751	24,313,054

35. Related party disclosures (cont'd.)

Significant transactions and balances with related parties as of 31 December 2024 and 2023 and for the years then ended were as follows:

Outstanding balances:

At 31 December 2024	Deposit and accrued interest MNT'000	Loan and advances, accrued interest MNT'000	Receivables and prepayments MNT'000	RMBSs (Note 14) MNT'000	Accrued interest payable on swap MNT'000	Other liabilities MNT'000	Letter of credit and Letter of guarantee MNT'000	Undrawn credit line MNT'000	Derivative financial liability MNT'000
TDB Capital LLC	45,294,051	–	–	–	–	–	–	–	–
Globull Investment And Development Pte. Ltd	342	–	–	–	–	–	–	–	–
US Global Investment LLC	298	–	–	–	–	–	–	–	–
National News Corporation LLC	24,961	1,000,921	–	–	–	–	–	–	–
Mongol General Leasing LLC	6,326	–	–	–	–	–	–	–	–
Mongolian Banking Association	198,753	–	–	–	–	–	–	27,101	–
Credit Information Bureau LLC	72,720	–	–	–	–	–	–	–	–
ZGMM LLC	522	–	–	–	–	–	–	–	–
TDB Securities LLC	228,793,802	–	–	–	–	–	2,540	1,596	–
Supreme 17 Holding Limited	–	–	5,052,393	–	–	–	–	–	–
NNCUB Omni Media LLC	902	–	–	–	–	–	–	–	–
Luxor International LLC	508,436	–	–	–	–	–	–	–	–
Lagardere Mongolia LLC	938	–	–	–	–	–	–	–	–
MIK And Its Subsidiaries	96,606,808	9,062,962	2,273,635	362,556,440	4,165,860	52,787,550	–	–	1,821,143
Times Media Corporation LLC	37	–	–	–	–	–	–	–	–
TDB Leasing LLC	10,304,126	24,210,411	–	–	–	–	–	5,000	–
TDB Asset Management ScLLC	3,653	–	–	–	–	–	–	–	–
NNC Publishing LLC	9,508	–	–	–	–	–	–	–	–
JCDecaux LLC	4,831,943	–	–	–	–	–	–	–	–
Absolute Management LLC	7,595	–	–	–	–	–	–	–	–
Mongolian National Rare Earth Corporation LLC	71,279,585	16,693,320	–	–	–	–	–	–	–
Asia Diversified Real Estate Fund LLC	–	43,392,707	–	–	–	–	–	–	–
Valiant Art LLC	1,690	–	–	–	–	–	–	–	–
Beneficial Owner And Its Immediate Family	277,986	72,509	–	–	–	–	–	821,471	–
Key Management Personnel	1,879,516	2,389,470	–	–	–	–	–	552,901	–

35. Related party disclosures (cont’d.)

Outstanding balances (cont’d.):

At 31 December 2023	**Deposit and accrued interest MNT'000**	**Loan and advances, accrued interest MNT'000**	**Receivables and prepayments MNT'000**	**RMBSs MNT'000**	**Quoted USD bonds MNT'000**	**Accrued interest payable on swap MNT'000**	**Other liabilities MNT'000**	**Letter of credit and Letter of guarantee MNT'000**	**Undrawn credit line MNT'000**	**Derivative financial liability MNT'000**
TDB Capital LLC	62,403	16,835,868	547,500	–	–	–	–	–	–	–
Globull Investment and Development Pte. Ltd	354	–	–	–	–	–	–	–	–	–
US Global Investment LLC	309	–	–	–	–	–	–	–	–	–
JCDecaux LLC	4,270,253	–	–	–	–	–	–	–	–	–
MIK And Its Subsidiaries	96,657,784	9,577,149	2,289,826	360,010,446	41,170,073	1,135,791	–	–	–	152,977,717
TDB Securities LLC	140,443,557	1,500	–	–	–	–	–	2,540	2,500	–
TDB Leasing LLC	10,710,054	20,679,726	54,584	–	–	–	14,226	–	5,000	–
NNC LLC	7,614	300,430	–	–	–	–	–	–	700,000	–
NNC Publishing LLC	11,941	–	–	–	–	–	–	–	–	–
CNB Consulting LLC	–	9,651,352	22,732,386	–	–	–	–	–	–	–
Absolute Management LLC	7,642	–	–	–	–	–	–	–	–	–
Mongolian National Rare Earth Corporation LLC	1,456,184	19,058,632	–	–	–	–	–	–	478,216	–
Mongol General Leasing LLC	8,749	–	–	–	–	–	–	–	–	–
Times Media Corporation LLC	56	–	–	–	–	–	–	–	–	–
Valiant Art LLC	2,278	–	–	–	–	–	–	–	–	–
TDB Asset Management SC LLC	7,150	–	–	–	–	–	–	–	–	–
Supreme 17 LLC	–	–	10,053,446	–	–	–	–	–	–	–
Asia Diversified Real Estate Fund LLC	–	40,165,610	–	–	–	–	–	–	–	–
Beneficial owner and its immediate family	3,297,251	102,460	3,100,000	–	–	–	–	–	838,861	–
Key Management Personnel	711,453	2,082,041	–	–	–	–	–	–	607,969	–

35. Related party disclosures (cont'd.)

Transactions:

As at 31 December 2024	**Interest income on loan, advances and receivable MNT'000**	**Interest income on RMBSs MNT'000**	**Interest income on Swap MNT'000**	**Interest income on quoted USD bond MNT'000**	**Interest expense on deposits MNT'000**	**Purchase of Quoted USD bond**	**Services obtained MNT'000**	**Commission income MNT'000**
TDB Capital LLC	352,938	–	–	–	–	–	98,534	69,399
National News Corporation LLC	131,040	–	–	–	–	–	5,162,527	–
Mongol General Leasing LLC	–	–	–	–	–	–	–	24
Mongolian Banking Association	–	–	–	–	29,678	–	122,940	674
Credit Information Bureau LLC	–	–	–	–	8,820	–	–	14
TDB Securities LLC	–	–	–	338,426	439,584	168,706,103	147,650	1,442
Luxor International LLC	–	–	–	–	–	–	–	30
MIK And Its Subsidiaries	1,333,759	33,326,919	24,008,242	–	5,839,620	–	–	13,108
Times Media Corporation LLC	–	–	–	–	–	–	–	19
TDB Leasing LLC	3,812,164	–	–	–	376,655	–	163,315	5,872
TDB Asset Management ScLLC	–	–	–	–	–	–	–	13
NNC Publishing LLC	–	–	–	–	–	–	300	12
JCDECAUX LLC	–	–	–	–	424,559	–	560,413	281
Absolute Management LLC	–	–	–	–	–	–	–	21
Mongolian National Rare Earth Corporation LLC	–	–	–	–	8	–	–	54
Asia Diversified Real Estate Fund LLC	3,227,097	–	–	–	–	–	–	–
Valiant Art LLC	–	–	–	–	–	–	–	68
Beneficial Owner And Its Immediate Family	19,390	–	–	–	–	–	–	58
Key Management Personnel	213,401	–	–	–	57,533	–	–	4,480

35. Related party disclosures (cont'd.)

Transactions (cont'd.):

As at 31 December 2023	Interest income on loans, advances and receivable MNT'000	Interest income on financial instruments MNT'000	Interest income on RMBSs MNT'000	Interest income on Swap MNT'000	Interest expense on deposits MNT'000	Services obtained MNT'000	Commission income MNT'000
TDB Capital LLC	963,460	–	–	–	–	–	7,379
Globull	–	–	–	–	–	–	4
US Global Investment LLC	–	–	–	–	–	–	4
JCDecaux LLC	–	–	–	–	320,120	210,430	169
MIK	1,398,737	–	38,311,632	7,088,332	5,383,638	–	11,602
TDB Securities LLC	5	–	–	–	200,715	415,000	3,117
TDB Leasing LLC	2,706,094	–	–	–	538,866	72,793	10,494
NNC LLC	5,453	–	–	–	–	5,089,144	5,564
NNC Publishing LLC	–	–	–	–	–	–	13
CNB Consulting LLC	2,792,679	–	–	–	–	–	42
Absolute Management LLC	–	–	–	–	–	–	28
MNREC	1,532,062	–	–	–	–	–	8,136
Mongol General Leasing LLC	–	–	–	–	–	–	24
Times Media Corporation LLC	–	–	–	–	–	–	24
Valiant Art LLC	–	–	–	–	–	–	60
TDB Asset Management SC LLC	–	–	–	–	–	–	13
Supreme 17 LLC	–	–	–	–	–	–	–
Asia Diversified Real Estate Fund LLC	5,184,239	–	–	–	–	–	–
Beneficial owner and its immediate family	23,640	–	–	–	1,080	–	783
Key Management Personnel	245,122	–	–	–	33,724	–	2,928

Terms and conditions of transactions with related parties

The above outstanding balances and transactions 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. There have been no guarantees provided or received for any related party receivables or payables.

Key management have banking relationships with the Bank which are entered into in the normal course of business.

36. 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 33 'Liquidity risk' for the Bank's contractual undiscounted repayment obligations.

At 31 December 2024	**Less than 12 months MNT'000**	**More than 12 months MNT'000**	**Total MNT'000**
Assets			
Cash and balances with BoM	3,094,565,161	–	3,094,565,161
Due from other banks and financial institutions	1,396,738,984	–	1,396,738,984
Financial assets at fair value through profit or loss	21,179,446	341,669,786	362,849,232
Debt instruments at FVOCI	1,842,366,571	648,130,655	2,490,497,226
Equity instruments at FVOCI	–	50,632,562	50,632,562
Investment in associate	–	164,244	164,244
Derivative financial instruments	73,112,680	15,671,451	88,784,131
Loans and advances to customers	2,583,601,964	3,595,967,589	6,179,569,553
Other assets	100,998,697	454,311,952	555,310,649
Investment property	–	80,749,541	80,749,541
Assets held for sale	95,381,015	–	95,381,015
Property and equipment	–	548,521,958	548,521,958
Right-of-use assets	–	8,985,640	8,985,640
Intangible assets	–	47,618,788	47,618,788
Total assets	9,207,944,518	5,792,424,166	15,000,368,684
Liabilities			
Due to banks and other financial institutions	371,879,479	6,981,527	378,861,006
Repurchase agreements	25,675,412	–	25,675,412
Due to customers	9,149,529,248	1,188,281,523	10,337,810,771
Derivative financial instruments	59,151,775	11,478,343	70,630,118
Borrowed funds	1,336,297,329	327,840,036	1,664,137,365
Debt securities issued	3,721,897	666,848,059	670,569,956
Other liabilities	76,408,255	60,845,088	137,253,343
Lease liabilities	9,544,683	–	9,544,683
Income tax liabilities	77,219,441	–	77,219,441
Deferred tax liabilities	–	12,681,002	12,681,002
Total liabilities	11,109,427,519	2,274,955,578	13,384,383,097
Net*	**(1,901,483,001)**	**3,517,468,588**	**1,615,985,587**

36. Maturity analysis of assets and liabilities (cont'd.)

At 31 December 2023	Less than 12 months MNT'000	More than 12 months MNT'000	Total MNT'000
Assets			
Cash and balances with BoM	2,308,730,146	–	2,308,730,146
Due from other banks and financial institutions	1,651,798,375	–	1,651,798,375
Financial assets at fair value through profit or loss	26,422,303	335,987,701	362,410,004
Debt instruments at FVOCI	1,367,587,636	142,946,991	1,510,534,627
Equity instruments at FVOCI	–	41,972,381	41,972,381
Equity instruments at FVTPL	1,700,000	–	1,700,000
Debt instruments at amortised cost	6,376	1,305,600	1,311,976
Investment in associate	–	5,196,223	5,196,223
Derivative financial instruments	162,296,283	9,892,294	172,188,577
Loans and advances to customers	2,368,190,226	2,565,266,996	4,933,457,222
Other assets	121,706,721	387,531,741	509,238,462
Investment property	–	53,256,860	53,256,860
Assets held for sale	8,259,130	–	8,259,130
Property and equipment	–	567,974,583	567,974,583
Right-of-use assets	–	13,239,874	13,239,874
Intangible assets	–	25,308,105	25,308,105
Total assets	**8,016,697,196**	**4,149,879,349**	**12,166,576,545**
Liabilities			
Due to banks and other financial institutions	318,412,011	–	318,412,011
Repurchase agreements	32,787,807	18,497,245	51,285,052
Due to customers	8,637,077,230	449,740,182	9,086,817,412
Derivative financial instruments	156,992,593	2,117,156	159,109,749
Borrowed funds	656,533,954	216,133,823	872,667,777
Other liabilities	169,297,809	3,437,087	172,734,896
Lease liabilities	6,526,939	7,343,539	13,870,478
Income tax liabilities	76,203,276	704,137	76,907,413
Deferred tax liabilities	–	6,392,862	6,392,862
Total liabilities	10,053,831,619	704,366,031	10,758,197,650
Net*	**(2,037,134,423)**	**3,445,513,318**	**1,408,378,895**

*Certain classification of financial assets and liabilities were based on contractual 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.

37. Capital adequacy

The adequacy of the Bank's capital is monitored using the rules and ratios established by BoM.

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 healthy capital ratios to be able to absorb negative shocks.

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.

37. Capital adequacy (cont'd.)

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 31 December were as follows:

	2024	**2023**
Core capital adequacy ratio	14.80%	16.56%
Risk-weighted capital ratio	14.80%	16.56%

	2024 MNT'000	**2023 MNT'000**
Tier I Capital		
Share capital	340,852,905	340,852,905
Share premium	64,069,779	66,449,640
Retained earnings	887,536,052	745,028,843
Total Tier I Capital	1,292,458,736	1,152,331,388
Total Tier II Capital	–	–
Total capital /capital base	**1,292,458,736**	**1,152,331,388**

The breakdown of risk weighted assets into the various categories of risk weights as at 31 December was as follows:

%	**2024 Risk Assets MNT'000**	**Weighted MNT'000**	**2023 Risk Assets MNT'000**	**Weighted MNT'000**
0	5,436,224,452	–	3,970,590,870	–
20	1,559,295,864	272,456,343	1,850,945,772	303,501,968
50	2,445,582,209	1,192,951,993	1,858,520,029	907,607,991
75	19,306,661	14,407,596	–	–
100	6,122,090,877	5,613,238,183	4,925,159,162	4,578,195,448
150	1,239,103,055	1,541,635,918	1,056,959,222	1,034,018,974
Adjustments:				
Operational risk ratio	–	75,988,824	–	77,045,444
Foreign exchange risk ratio	–	19,525,490	–	56,861,978
Total	**16,821,603,118**	**8,730,204,347**	**13,662,175,055**	**6,957,231,803**

The core capital adequacy ratio and risk-weighted capital ratio presented above are prepared based on unaudited financial information and according to BOM regulations as of 31 December 2024 that were submitted by the Bank to BoM. The core capital adequacy ratio and the risk weighted capital ratio calculated based on the audited financial results prepared in accordance with IFRS are 14.79% and 14.79% (2023: 15.59% and 15.59%), respectively.

38. Events after reporting date

On 28 February 2025, the bank issued a Senior unsecured bond for principal amount of USD 100 million bond, listed on the Vienna Stock Exchange. The interest rate for the bond is 8.5% per annum, payable semi-annually, with maturity date of 3 years. The issued bond is to be consolidated and form a single series with the Senior unsecured USD 200 million bond due 2027, issued on 23 December 2024 (see Note 28).

Management is not aware of any other events that occurred after the end of the reporting period, which would have any impact on these financial statements.

39. Mongolian translation

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