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## VISION



Mongolia's global benchmark bank

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## MISSION



The genesis of prosperity

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## STRATEGY



Customer centric bank

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# Golomt Bank's HIGHLIGHTS IN 2020

Through SocialPay digital wallet, Golomt Bank enabled its customers to make international payments and purchases easily in over 50 countries using EMV UPI Standard QR/Bar.



Launched  
[www.finedu.mn](http://www.finedu.mn)

website to support our customers' financial education



**78,000**  
CUSTOMERS

became Virtual card users



SocialPay

became the  
**first Mongolian**  
digital wallet  
to enable international payments



Golomt Bank has  
**MAINTAINED ITS  
LEADING  
POSITION**

in the domestic gold market in 2020 by comprising

**52%**

of total gold delivered to the Bank of Mongolia



Virtual card transactions increased by  
**470%**





Golomt Bank celebrated its  
**25TH ANNIVERSARY**  
in 2020



Golomt Bank has  
been named as the  
**BEST DIGITAL BANK  
OF MONGOLIA**  
by Global Finance  
magazine



The entire line of Golomt  
Bank's international brand  
cards fully shifted to

**NFC**  
technology

**Infosys®**  
**INFOSYS CLIENT  
INNOVATION AWARD 2020**

Golomt Bank became Winner  
in "Modern Technologies Led  
Innovation" category for its  
Digital Bank 5.0 and UFC  
systems



Golomt Bank accounted for  
**64%**  
of the foreign trade  
guarantees



Golomt Bank was  
named as the  
**Distinguished  
Sustainable Finance  
Bank of the  
Year-2020**



Launched  
**[www.dua.golomtbank.com](http://www.dua.golomtbank.com)**  
platform to support corporate  
customers in making  
financial decision



## Greetings from the CHAIRPERSON



Dear Shareholders, Valued Customers, Partners and Colleagues,

2020 was a challenging year not only for the global economy but also for society at large. The Mongolian economy contracted by 5.3 percent in 2020, its worst contraction since the early 1990s. During these unprecedented times, the Board is proud that our bank was able to adapt to this challenging environment and continued to serve all our stakeholders efficiently, progressing our digital leadership and ramping up our sustainability efforts.

The pandemic situation further accelerated our efforts in digital transformation, and we are pleased to report that Golomt Bank has become the Leading Digital bank in Mongolia bringing innovative solutions to our customers and partners.

Looking forward, we can see immense potential for Golomt Bank's next stage of growth. Golomt Bank has been working on perfecting its governance practices allowing us to share some of the lessons learned to our peer banks not only in Mongolia but also internationally. We continue to evolve our business structure to better serve the business development needs of our clients as the Bank continues to rank as one of the top banks in all our main markets, namely Corporate, SME, Retail and Digital banking.

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Historically, Golomt Bank has been a pioneer in the Mongolian banking sector introducing new products and new standards of services into the market. Maintaining our tradition, Golomt Bank has established the first “Gender equality committee” in the banking sector appointing our Board director as “Gender Champion” to lead these efforts.

Although we are currently a Mongolian local bank, Golomt Bank is no stranger to global initiatives. As the only signatory Mongolian bank of the UNEP-FI Principles of Responsible Banking and the regional coordinator of these sustainable development goals, Golomt Bank continues to lead the efforts in promoting green economy through green financing.

We believe that corporate social responsibility starts from taking care of customers, employees and the community at large. During the pandemic, we took every initiative and responsibility of keeping safe environment for our customers, employees and stakeholders. The Board is satisfied of the Bank performance in the reporting period and feel confident in our position to progress on our sustainable journey of business development.

We remain committed in serving our customers through innovative solutions and supporting our employees, partner companies and shareholders throughout our growth path.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Munkhtsetseg Chultem'.

Chairperson of the Board  
Munkhtsetseg Chultem





## Greetings from the CHIEF EXECUTIVE OFFICER

2020 was a challenging year for the world and for Mongolia because of Covid-19. Lockdown due to Covid-19 made us re-recognize the convenience and merits of digital banking.



Dear Customers, Partners and Colleagues,

Golomt Bank celebrated its 25th anniversary in 2020. We appreciate all the customers and partners' support to the bank for the past quarter century. Starting from scratch, with courage, faith, and dedication of the Golomt team members and trust of valued customers, the bank has grown and been able to contribute to Mongolia's development for the 25 years.

2020 was a challenging year for the world and for Mongolia because of Covid-19. The pandemic and lockdown significantly affected customers' lives, business, and economy. After annual GDP growth of nearly 6 percent on average from 2017 to 2019, Mongolia's economy contracted 5.3% in 2020. The Bank of Mongolia (BoM) reduced policy rate from 11% to 6% in four times and changed regulations frequently to cope with the pandemic and to support the economy. The business environment changed materially throughout the year. Golomt Bank has been cooperating with the Government of Mongolia and BoM to implement deferrals of loans and provide customers with financing including the Government and BoM programs.

Lockdown due to Covid-19 made us re-recognize the convenience and merits of digital banking. At Golomt Bank, use of digital banking and remote work widely prevailed. Technological development and wide use of the digital technology continue changing the banking





business and practices further. In 2020, Golomt bank once again received the “Best Digital Bank in Mongolia” award from the Global Finance magazine strongly affirming our leading position in Mongolia’s digital banking frontier.

Under the materially changing business environment in 2020, the bank took prudent approach and net loans and advances to customers decreased 8.3% to MNT 3,031 billion from 2019. With our strong customer base and digital banking capability, however, we were able to increase customer deposits by 7.9% to MNT 5,286 billion. With increased liquidity, the bank increased investment in debt securities by 475% to MNT 1,364 billion from MNT 287 billion in 2019. The bank’s total assets grew MNT 0.6 trillion to MNT 7.3 trillion increasing its market share from 18% to 20.0%. Net interest income decreased 3.6% to MNT 204 billion while Net non-interest income increased 1.9% to MNT 83 billion. By reducing Operating expense by 1.0% to MNT 121 billion, the bank maintained Net operating profit of MNT 166 billion, 3% decrease from the previous year.

With Covid-19 impact, Non-performing loans increased in 2020 especially in consumer and SME segments. The bank continued focusing on collection and disposal of problem assets. The bank had credit and other assets’ provisioning expense at a high level of MNT 143 billion following the previous year’s MNT 146 billion. Our work on bad assets disposal and provisioning has come to the final corner to solve the problem asset issue. In December 2020, the bank added MNT 172 billion to Tier1 capital increasing the capital adequacy and liquidity to be prepared for external shocks. These are major achievements we had in 2020.

The bank addressed strengthening SME banking and enhancing “Golomt customer experiences” together with “error-free” and “easy to use” digital banking services. In 2021, we will implement the strategies including introduction of organizational changes.

In 2020, Golomt Bank continued promoting sustainable finance as one of signatory banks of UNEP-FI’s Principle of Responsible Banking. The bank made significant progress



in implementing the sustainable finance policy and received "Featured Sustainable Finance Bank of 2020" award from Bank of Mongolia and Mongolian Sustainable Finance Association (MSFA). The bank also received "A" rating in Sustainable Finance Assessment by MSFA based on International Financial Corporation's assessment methodology. In 2021, Golomt Bank established Gender Equality Committee to enhance support and financing for women. The bank issued our first Sustainable Development Report 2020 to implement accountable reporting of our Sustainable Finance activities.

Amendment of Mongolia's banking law adopted in January 2021 requires the bank to become open Joint-stock company by 30 June 2022 and to transform

shareholding structure so that no one shareholder owns more than 20% of the bank by end of 2023. The amendment will contribute to increasing governance and transparency of the banking industry and developing further the capital markets of Mongolia. Golomt bank takes this opportunity positively and will prepare for the Initial Public Offering (IPO) well. We recognize IPO will bring us a significant step for the bank to grow further together with our customers growth.

Golomt Bank aims to continue to work hard with all our employees to meet or exceed the expectations of our customers. We would like to thank our valued customers and partners for your continued support for the next quarter century at Golomt Bank.

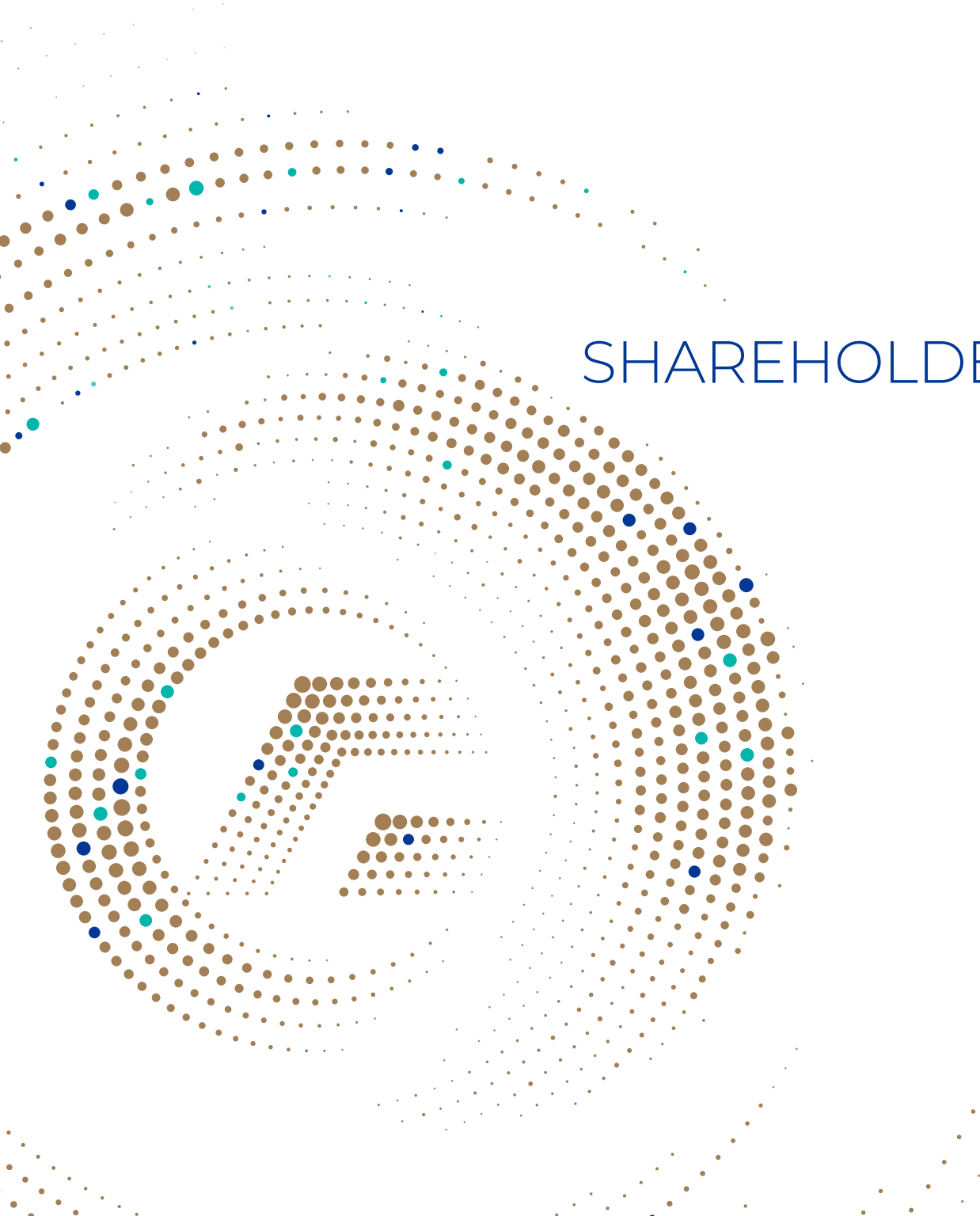
Sincerely,



Chief Executive Officer  
Norihiko Kato

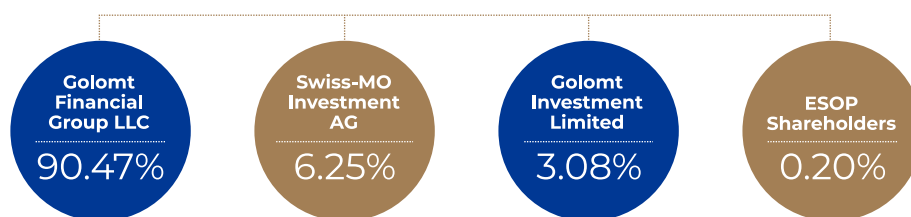


# SHAREHOLDERS



# SHAREHOLDERS

## GOLOMT BANK'S SHAREHOLDER STRUCTURE BY THE END OF 2020



**Golomt Financial Group LLC**, established in 2014, is one of the largest and leading financial groups in Mongolia incorporating the nation's leading financial institutions, Golomt bank, Golomt Capital, and Mandal General Insurance.

**Swiss-Mo Investments AG** is a Swiss investment fund, holds equity interests in exchange, airports, airlines and hotel businesses. It is majority-owned by leading Swiss philanthropist, investor, Mr. Urs Ernst Schwarzenbach.

**Golomt Investments Limited** was established in 2014 as a subsidiary and investment vehicle of Bodi International LLC, which is one of the first conglomerates in Mongolia. Established in 1993, Bodi International LLC manages more than 10 subsidiaries and associate companies in a variety of sectors including real estate development and management, construction, energy, and mining.

**Fortunate Golomt – ESOP** represents key employees of the Bank under the Employee Stock Ownership Program (ESOP). Although the ownership portion is 0.20%, the shareholders supported employee representation in the Board and assigned one seat to the ESOP

Golomt Bank has preferred shares, which is wholly owned by Mongolian citizen Mr. M. Zorigt.



# CORPORATE GOVERNANCE

The unprecedented pandemic situation caused many challenges and hurdles to individuals and to organization, to which we were no exception. Through our reliable governance system, which is well ingrained in our daily operations and relations between the stakeholders, Golomt Bank was able to adapt quickly to the new environment, and achieve many accomplishments and triumphs during the reporting period.



# CORPORATE GOVERNANCE

The unprecedented pandemic situation caused many challenges and hurdles to individuals and to organization, to which we were no exception. Through our reliable governance system, which is well ingrained in our daily operations and relations between the stakeholders, Golomt Bank was able to adapt quickly to the new environment, and achieve many accomplishments and triumphs during the reporting period. Our key achievements can be summarized in the following categories:

## **Renewal of major policies**

In line with our new strategy and changing external environment, Golomt Bank has renewed our major policies, namely:

- Risk Management Policy, Risk Appetite statement – metrics
- Compliance Policy – AML included
- Credit Policy
- Customer Service policy
- IT Policy
- Information Security Policy
- Data Management Policy
- HR Management Policy
- Asset and Liability Management Policy
- Marketing Policy
- Business Process Management Policy

## **Executive Management performance appraisal**

Golomt Bank has a good tradition set in place on performance appraisal of the Executive Management. During the reporting period, the Board in collaboration with the CEO, successfully completed another round of contract performance appraisals, and further improved our methodology and metrics.

## **Digitalization**

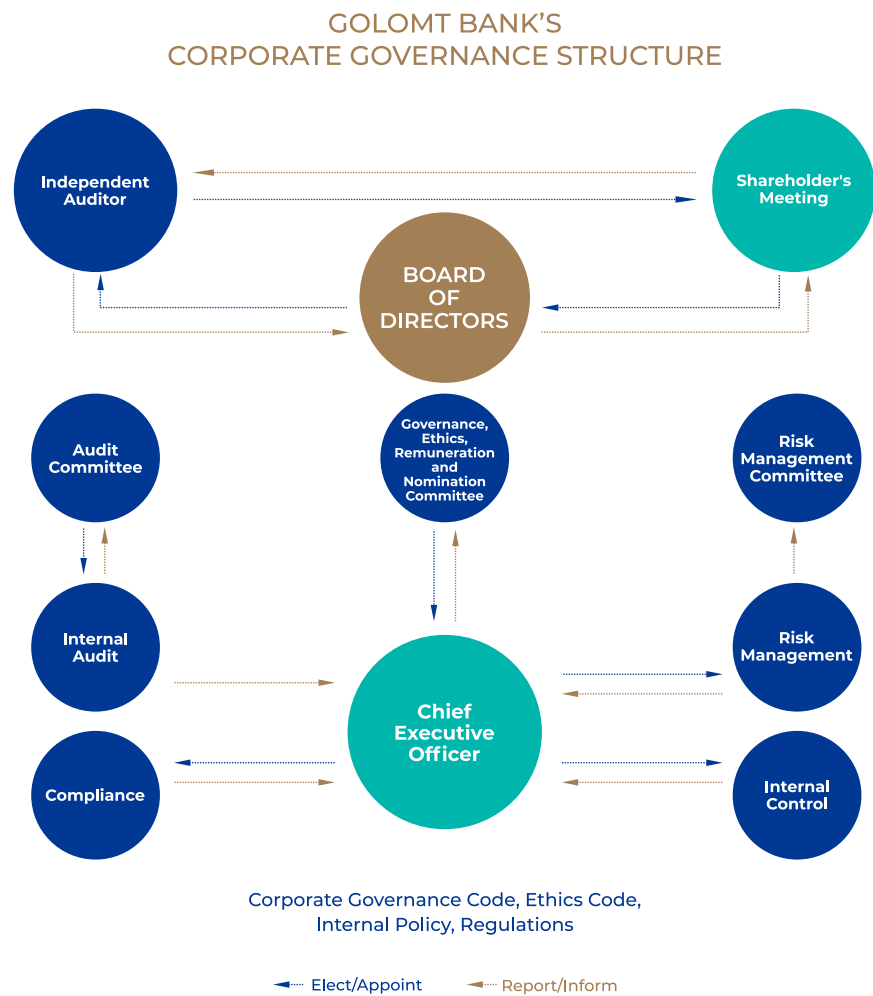
For the past several years, Golomt Bank had strategized to lead in digitalization of the banking and payment sectors, and has made major investments in technology as well as knowledge. During the reporting period, digital transformation accelerated even more, deepening Golomt Bank's efforts and establishing the bank as a leader in digital transformation, as a result of reaching many milestones in the area.

## **Gender Equality Committee**

Golomt Bank has a well-deserved reputation of being a pioneer in the banking sector of Mongolia, for its 26 years of history led by innovation. As such, another pioneering milestone was achieved during the reporting period with the establishment of the first "Gender Equality Committee" in the Mongolian banking sector, led by the newly appointed "Gender Champion" Mrs. L. Bolormaa, Board Director.

Green Finance

Climate change is affecting the entire world including Mongolia which is rightfully directing the focus to more environmentally friendly operations. One of the major strategies of Golomt Bank is to focus our efforts in contributing towards eradicating the negative effects of climate change through providing green financing. Golomt Bank has been leading the Mongolian commercial banks in the sustainability efforts by heading the integrated efforts of the banks for the past several years.



# BOARD OF DIRECTORS



Chairperson  
**Mrs. Munkhtsetseg Chultem**

Mrs. Munkhtsetseg graduated from the 3rd Soviet High School in 1988, the Polytechnic University in 1993 with a degree in Mining Electromechanical Engineering, and the Johns Hopkins University in 2001 with a master's degree in Business Administration.

She graduated Oxford University of the United Kingdom in 2015 and Harvard University of the United States in 2016. She started her career from the Mongolian Stock Exchange in 1996, and continued with consulting, managerial and executive roles at the World Bank, Asia Foundation, and Nepko Publishing Company. She founded Toim magazine in 2010. Mrs. Munkhtsetseg was appointed as a Board member of Golomt Bank in December 2012.



Member  
**Mr. Urs Ernst Schwarzenbach**

Mr. Schwarzenbach graduated from the University of Zurich. He worked for the Union Bank in Zurich in 1968 and in London in 1972. He started his own business in 1976. He was awarded an Honorary Doctorate of Law from St. Francis Xavier University in Nova Scotia, Canada in 2000. He is the Honorary Consul of Mongolia for the German speaking part of Switzerland since January 2010. Mr. Schwarzenbach has been a member of the Board since 2011.



Member  
**Mr. Unenbat Jigjid**

Mr. Unenbat holds Bachelor's degree in Economics and Statistics from Moscow State University of Economics and Statistics (1985), and Master's degree in International Affairs from Columbia University, USA (1994). He started his career at the Bank of Mongolia in 1990 and has extensive experience in banking and finance, working in the field of monetary policy and research. He was the Governor of the Bank of Mongolia 1996-2000. Mr. Unenbat was the Executive Director of the Corporate Governance Development Center during 2009-2015, also the Executive director of the Mongolian Bankers Association from 2015 till February, 2020. He was an independent Member of the Board in between 2010-2019, and became non-executive member since 2019.



Member  
**Mr. Munkhtur Dagva**

Mr. Munkhtur holds a Bachelor's degree in Financial Management from National University of Mongolia – School of Economic studies (1997), and a Master's degree in Business Administration from Oklahoma University, USA (2009). He joined the bank in 1996, and served as the Director of Credit Division, Director of Operations Division, and Executive VP and COO. Mr. Munkhtur was appointed as a member of the Board in December 2012.



Member  
**Mrs. Bolormaa Luvsandorj**

Mrs. Bolormaa holds a Bachelor's degree in Banking and Finance from National University of Mongolia, a Master's degree in International Economics from Virginia Polytechnic Institute and State University and a Master's degree from International University of Japan. She is a Chartered Financial Analyst (CFA). She started her career at Ardyn Bank in Mongolia in 1992, and expanded her professional experience at Deutsche Bank New York, USA and Tokyo, Japan in the field of investment, international market and risk management for nine years. She has been working for Golomt Financial Group LLC since 2015, and has more than 20 years of banking and financial experience. Mrs. Bolormaa was appointed as a Board member in March 2020. She was also appointed as the "Gender Champion" of the Golomt Bank leading the bank's efforts toward gender equality.



Independent Member  
**Mr. James Bernard Dwyer**

Mr. Dwyer holds a Bachelor's degree in Business Management from Notre Dame University, and a Master's degree in business administration from Columbia University, USA. He has an extensive investment banking experience, as he worked as the head of cross-border M&A for Union Bank of Switzerland since 1970, also worked at Wall Street based investment banks. He was lead investment banker for privatizations of Khan Bank, and Trade and Development Bank of Mongolia in 2001. He also served as the Director of Operations of North American Business Council, and in 2007 founded the Business Council of Mongolia, served as its Executive Director till 2017. He is an independent board member of Mandal Insurance JSC, Mongolia Growth Group LLC and Vice Chairman of Board of the Mongoljin Private Capital. He is also the Chairman and President of the Mongolian Education Fund. Mr. Dwyer joined the bank's Board in 2018.





Independent  
Member

**Mr. Antonio López Abelló**

Mr. López Abelló holds a Bachelor's degree in Law from University of Barcelona, and a Master's degree from IESE Business School. He is a certified lawyer of the Barcelona Law Association in Spain and is a Chartered Financial Analyst (CFA). Mr. López Abelló has over 20 years of investment banking experience and held senior positions in credit and derivatives structuring at Credit Suisse in Singapore, and at Goldman Sachs and Banque Paribas in London. He is a founder and a managing partner of the Turms Advisors LLP, a Singapore-based investing banking firm. Mr. López Abelló has been an Independent Member of the Board since 2014.



Secretary of the  
Board of Directors

**Mrs. Solongo Zalaa-Uul**


Mrs. Solongo holds a Bachelor's degree from Sardar Patel University in Gujarat, India, in 2003, and a Master's degree in Business Administration from the Institute of Finance and Economics in 2017. She participated in the Asia Regional Board Secretary's Master Program in Singapore organized by International Finance Corporation (IFC) in 2017. Mrs. Solongo has been working for Golomt Bank since 2007 at the level of Chief Executive Officer, Secretary, and Assistant. She has been the General Secretary of the bank's Board of Directors since March 2015.



Chief Audit  
Executive

**Mr. Odonbaatar Amarzaya**

Mr. Odonbaatar holds a Bachelor's degree in Banking Management from National University of Mongolia in 2008, and a Master's degree in Financial Management and Marketing Management from Bangalore University, India in 2013. He was an auditor at Golomt Bank's Internal Audit Department during 2008-2014, Director of the Zaisan Square Settlement Center 2014-2015, and Director of the Information Technology and Performance Audit Department of the Internal Audit Department 2015-2016. Mr. Odonbaatar was appointed as a Chief Audit Executive since 2016.



Golomt Bank is proud of its well established corporate governance practices and healthy Board of Director (BoD) s' composition in terms of skills mix as well as interest groups. The majority of the BoD comprises of Independent and minority shareholder representation, guaranteeing transparency and balanced process in decision making. The expertise and experience of the Board Directors are diverse and have their unique contributions to the BoD's operations. The Internal Audit Division as well as the Chief Audit Executive are appointed by the BoD and directly reports to the BoD and the Audit Committee.

In the reporting year of 2020, Golomt Bank's Board of Directors have convened regular and irregular meetings in total of 11 times, discussing 50 issues and resolving 31 issues.

## BOARD OF DIRECTORS' COMMITTEES

### Risk Management Committee

The Board Risk Management Committee is chaired by our Independent Director Mr. James B. Dwyer III, and comprises of all our Directors, except one. Golomt Bank fully recognizes the crucial role of risk management in the banking sector, hence the committee works closely with the Management in determining all risks, and our appetite based on respective evaluations and monitor its implementation. All Committees of the Board consistently provide their work report to the general Board of Director's meeting.

The Committee's main objective is on setting the policies that guide the overall risk management operations of the Bank, including but not limited, to financial, non-financial, credit, operational and compliance risks. Hence, the Committee charter as well as the organizational structure of the Bank, indicate the direct reporting line of the Chief Risk Officer (CRO) to the Board committee. Accordingly, the CRO not only presents the risk report directly to the Board, but also the main focus items and objectives set forth by the CRO to accomplish within the year, which is reviewed and commented on by the Committee members.

Credit risk is one of the major risks of any commercial bank, and regarded as priority focus issue of the Board as well. Risk Management Committee of the Board closely monitors credit risk, and has specific clause on reviewing any additional exposure higher than MNT 20 billion, on a single obligor basis, with a right to "VETO" the implementation of the Credit Committee decision which is headed by the CEO, if the additional exposure is deemed too risky.

In the reporting period, the committee convened 26 times and discussed 81 issues.

According to the recommendations of the Risk Management Committee, the Board revises and resolves the following main policy documents related to risk management, and monitors it implementation:

1. Risk Appetite Framework/Risk Appetite Statement (RAF/RAS)
2. Risk metrics
3. Credit Policy
4. Credit Committee charter
5. Compliance policy
6. Governance code, which includes the following policies:
  - Code of ethics
  - Anti-corruption policy
  - Conflict of interest regulation policy
  - Fair disclosure policy
  - Anti-fraud policy
  - Policy on making political contributions
  - Whistleblowing policy

The following are the risk reports reviewed by the Committee on a consistent basis:

1. Risk report:

- Financial risk:
    - Market risk/macro economy
    - Credit risk
    - Credit portfolio information - monthly
  - Non-financial risk:
    - Operational risk
    - Compliance risk
    - Anti money laundering and terrorism financing report
2. Executive Management level Risk Management Committee report
  3. Credit Committee report and review of high exposure Credit Committee decisions
  4. Report on implementation of Risk management policy – RAF/RAS risk metrics

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

The Committee is in charge of issues relating to the implementation of the Bank's Governance code and defining the system by which the recruitment process of the Executive Management is done, including but not limited to, the appointment, remuneration and performance appraisal. The committee reviews the issues in detail and provides recommendations to the Board to be finalized and resolved.

The regular meetings of the committee are scheduled on a quarterly basis, as set in the annual plan of the Board of Directors. The irregular meetings are convened on a need basis, as requested by Committee members and/or Management.

In the reporting period, the Committee, in collaboration with the CEO, completed the performance appraisal of the Executive Management team, improved the Management contract KPIs and the methodology, which compliments the complex full round system of the Executive Management performance monitoring and accountability.

With the expansion and development of the banking business, coupled with external environment changes, the Bank is consistently adapting and improving its organizational structure as deemed necessary. The Governance committee reviews the structure in detail and recommends to the full Board for discussion and approval. With the recommendation of the committee, the Board resolves the following policy documents:

1. Organizational Structure Change
2. HR Management Policy
3. Salary and Remuneration Policy

Another major objective of the Committee is to define the HR Policy of the Bank and monitor its implementation by reviewing HR related progress reports on a consistent basis, receive updates on changes to HR regulations and provide feedback and guidelines. For instance, the review of sales and head office employee salary system and remuneration regulations, recruitment policy, employee credit policy, employee care package etc. In relation to strategic planning, the following reports are reviewed by the committee:

- Manpower plan and employee related operational expenditure which is reviewed in detail by the Committee before integration into the full business plan of the coming year and presentation to the Board for approval.
- HR Director plans on key focus areas related to HR and operational plan.

During the reporting period, the committee convened 7 times and discussed 34 issues.



## Audit Committee

The Audit Committee is comprised of 5 members and Mr. James B. Dwyer, Independent Director of the Board of Directors, has been serving as the Director.

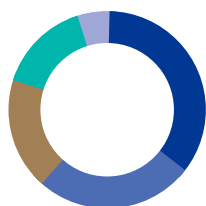
Audit Committee is in charge of the following functions:

- Matters in connection with the financial statements
- Matters in connection with the internal monitoring structure
- Matters in connection with the internal audit
- Matters in connection with the external audit
- Matters in connection with the reporting
- Matters in connection with other activities

## Matters discussed in 2020

In 2020, the Audit Committee had a total of 9 regular and extraordinary meetings, discussed 39 issues and made relevant recommendations and decisions.

### Matters discussed



- **36%** Matters in connection with Internal Audit Report
- **26%** Matters in connection with the Internal Audit division operations
- **18%** Matters in connection with the bank's operations /business plan, implementation/
- **15%** Matters in connection with the financial results
- **5%** Matters in connection with the external auditing

The Audit Committee organizes specialized inspection and examination, reviews confidential documents, and is authorized to request necessary materials from related officials within the bank. Issues and recommendation based upon the internal and external audit reports are presented to the Audit Committee directly.

The Audit Committee reviews the financial results monthly and gives recommendations to the Management team. Moreover, the Committee discusses external audit report and makes recommendation to approve the report to the Board of Directors.

The Audit Committee ensures to have the most up to date information on changes in the accounting standard and legal environment that could have major impact on financial reporting.

Moreover, the Audit Committee conducts and discusses authority, policy, and risk of Audit division and makes the relevant recommendations to the Board of Directors. Furthermore, the Committee monitors internal audit's efficiency, alignment with international standards, and implementation of recommendations. The Committee also makes recommendation on appointing or changing the Chief Audit Executive to the Board of Direction along with the Executive's performance review and remuneration.

## INTERNAL AUDIT OPERATION

Golomt Bank's internal audit functions are performed by the Audit Committee of the Board of Directors, the Audit Director, and the Internal Audit Department, which consists of General Audit Division, Information Technology Audit and Data Analyses Division, and Remote Audit and Quality Assurance Division.

The purpose of internal audit is to facilitate development of the bank, its units and operations, to create added value and to provide support in achieving the goals by providing risk-based, independent and objective assessment and consultancy. The Golomt Bank's internal auditors comply with the International Professional Practices Framework, the international good practice that was issued by the Institute of Internal Auditors.

The Internal audit is independent of the Executive Management, other units and activities of the bank. The Board of Directors appoints the Director of Audit Department, approves the internal audit charter, structure, regulations, strategy, annual audit plans, risk-based audit plans, and budgets. Internal audit reports are introduced to the Audit Committee of the Board of Directors on a monthly basis while reports on implementation of planned audits and recommendations are submitted on a quarterly basis.

### Highlights

- To identify, verify and monitor emerging risks, the Internal audit adopted agile methodology and introduced scrum management techniques in its operations. In addition, the bank structured the quarterly risk assessment methodology according to Three Lines Protection Model while updating each metric and implemented continuous risk assessment through data analysis.
- The use of advanced data analysis methodologies and tools in internal auditing laid the foundation for the development of Digital audits by automating remote and field audits which require a significant audit resources. In addition to increasing the frequency of centralized distance audits for high-risk activities, the bank enhanced the use of data analysis during the planning and conducting remote audits which optimized sampling, saved audit resources, and created a system to detect suspicious and fraudulent transactions.
- Preparing for external quality assurance, the bank updated its internal audit guidelines in compliance with the international standards and best practice and developed Audit-Solution management system in accordance with agile audit methodology.
- The bank conducted a cultural audit covering all elements of the bank's culture and reported the results to the Audit Committee. As a result, the bank's risk appetite system was improved and banking culture was enhanced.
- The bank built a specialized cybersecurity team and conducted audit of all information technology components.
- Director of Internal Auditing served as a Chairman of the Board of the Institute of Internal Auditors Mongolia (IIA Mongolia Chapter) and Member of the Audit Committee of the Mongolian Banking Association in 2020.
- Within the framework of the Institute of Internal Auditors Mongolia (IIA Mongolia chapter), the bank conducted trainings on continuing professional education program and organized virtual Mongolian Internal Auditors Forum for the fourth year in a row. Moreover, the Bank represented Mongolia at the IIA Global Assembly for the second time.



# MANAGEMENT TEAM ORGANIZATIONAL STRUCTURE



# MANAGEMENT TEAM



**Mr. Norihiko Kato**  
CEO



**Mr. Ganbold Galsan**  
President



**Mrs. Nyamsuren Tumor-Ochir**  
Deputy CEO



**Mr. Badral Dandar**  
Deputy CEO



**Mr. Sainbileg Mandakh**  
CIO



**Mrs. Munkhtuya Suren**  
Director of Financial  
Management Division



**Mr. Narankhuu Munkhbat**  
Director of Credit  
Division



**Mrs. Baigalmaa Tserenjav**  
Director of Retail Banking  
Division



**Mr. Myagmardorj Zanaadorj**  
Director of  
Corporate Banking  
Division



**Mrs. Otgon Tolya**  
Director of Risk  
Management  
Division



**Mr. Ochirkhuyag Nariyakhuu**  
Director of Marketing  
and Public Relations  
Division



**Mrs. Uyanga Ganbold**  
Director of  
Human Resource  
Management Division



**Mr. Turbold Enkhtuvshin**  
Director of  
Treasury Management  
Division



**Mr. Purevbat Yondon**  
Director of Operation  
Division



**Mr. Purevdorj Khalzan**  
Director of  
Administration Division

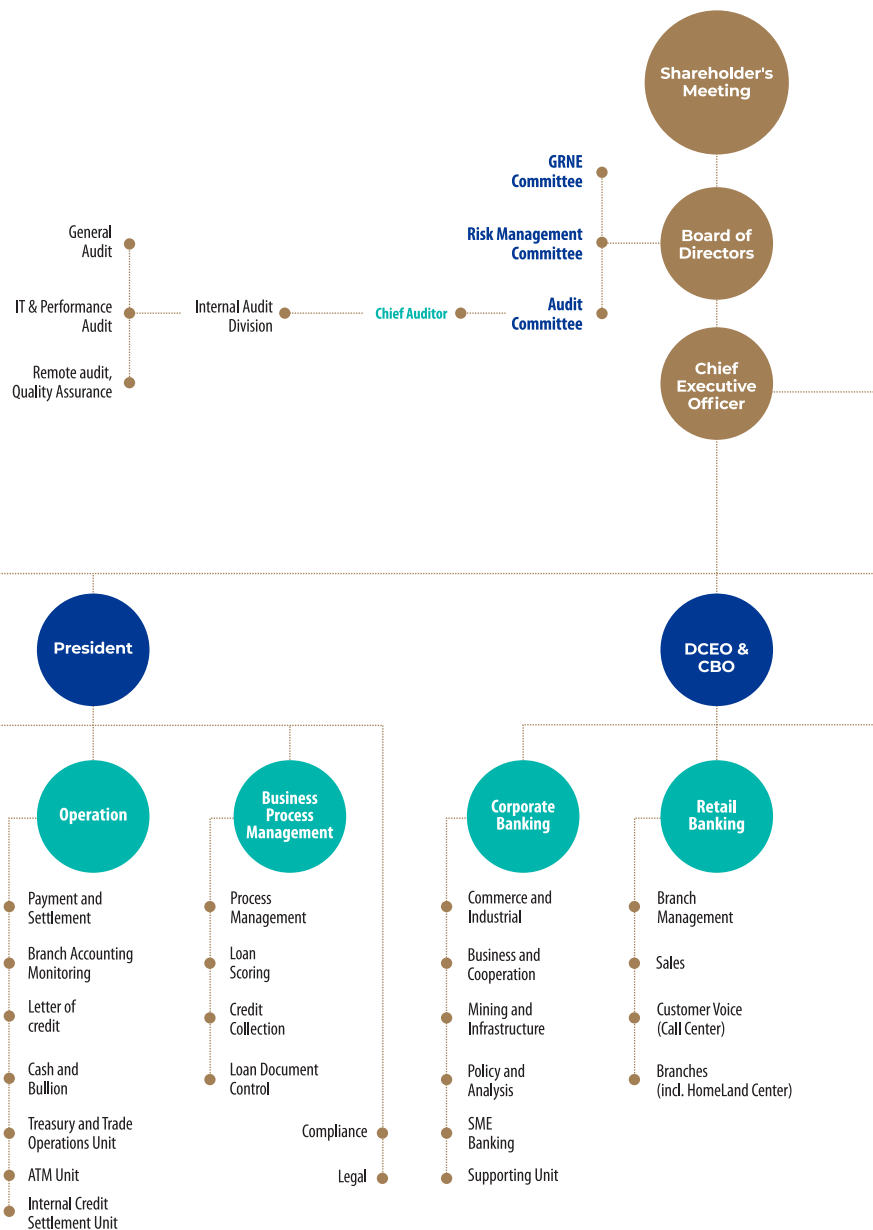


**Mr. Battengel Oidov**  
Director of  
Information Technology  
Division

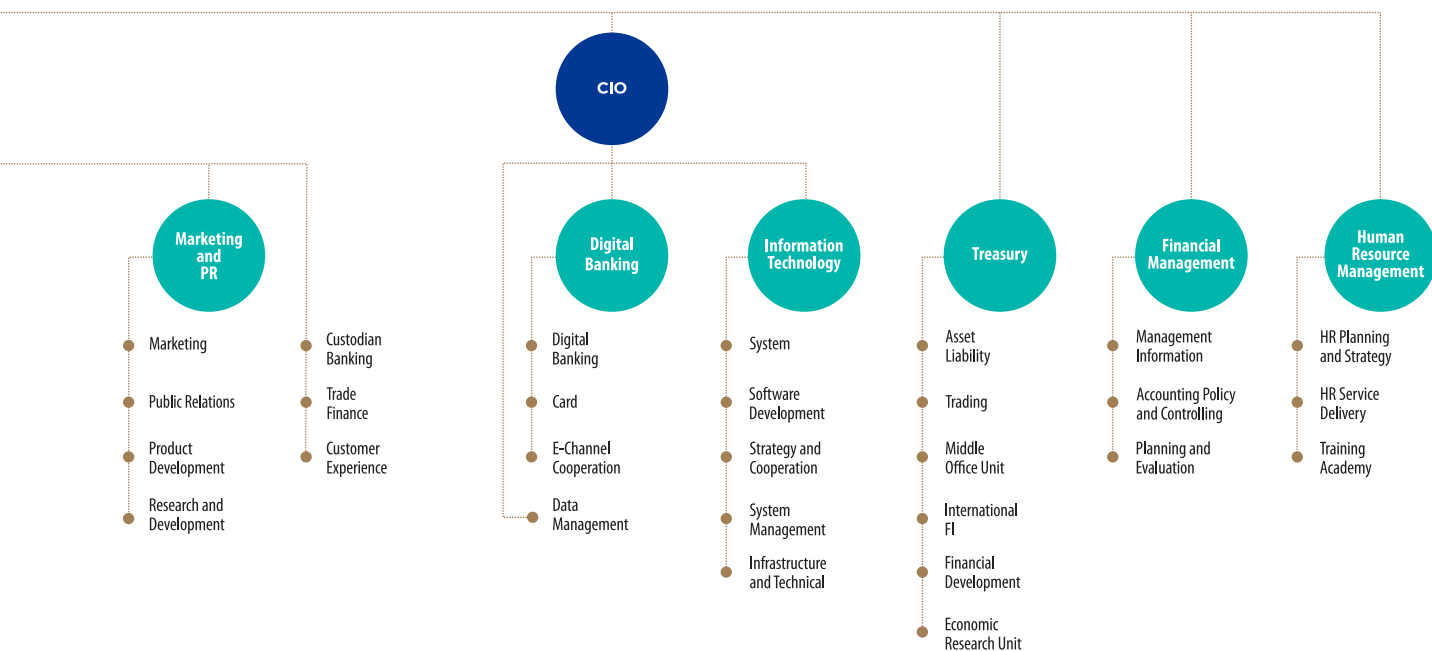


**Mr. Nyamsuren Amgalan**  
Director of Business  
Process Management  
Division

# ORGANIZATIONAL STRUCTURE OF GOLOMT BANK



- Executive Committee
- Asset Liability Committee
- Credit Committee
- Risk Management Committee
- HR Committee
- Product Development Committee
- IT & DX Steering Committee
- Gender Equality Committee







In 2020, the Mongolian economy contracted by 5.3% due to the COVID-19 pandemic impact, and the lockdown imposed in the first quarter of the year resulted in the sharpest drop of 50% in exports, budget revenues were disrupted and businesses suffered from diminished sales.



# ECONOMIC OVERVIEW, BANKING SECTOR



# ECONOMIC OVERVIEW

## DECLINE IN THE MINING AND PERTINENT DETERIORATION IN TRADE AND TRANSPORTATION SECTORS CAUSED A SUBSTANTIAL ECONOMIC DOWNTURN

COVID-19 outbreak or global pandemic dominated 2020, and the Mongolian authorities declared three lockdowns. In 2017-2019, the economic growth averaged 6%, however due to the COVID-19 pandemic impact the economy contracted by 5.3% in 2020, and in result of lockdown imposed in the first quarter of the year, exports showed the sharpest drop of 50%, budget revenues were disrupted, and businesses suffered from diminished sales. Fall in mining, and subsequent drop in trade and transportation sectors have mainly influenced the contraction in the economy. But the rise in agricultural sector had a positive impact.

### Real GDP growth in the first half (2010 constant prices)

Contribution by each sector	Real GDP growth in 2020 (2010 constant prices)			
	I	I-II	I-III	I-IV
Real GDP growth	-10.7	-9.7	-7.3	-5.3
Agriculture	0.5	1.9	1.6	0.8
Mining	-7.7	-6.2	-4.3	-2.0
Manufacturing (non food)	0.2	-0.3	-0.4	-0.1
Manufacturing (food)				
Electricity	0.2	0.1	0.0	0.0
Construction	0.1	-0.2	-0.2	-0.3
Trade	-1.2	-1.5	-1.5	-1.3
Transportation	-2.1	-1.8	-1.5	-1.5
Information	0.0	0.0	0.0	0.0
Service	0.2	-0.1	0.1	-0.2
Net taxes on products	-1.0	-1.6	-1.1	-1.1

Source: NSO

## FOREIGN TRADE RECORDED SURPLUS OF USD 2.2 BILLION WITH POSITIVE EFFECT ON THE BALANCE OF PAYMENTS

Exports declined by around 50% upon the first lockdown measures in 2020, but gradually recovered at the end of the year. While in 2018-2019, 1.4 million tons of copper concentrate were exported on average, in 2020 copper concentrate export decreased to 1.2 million. The average coal export of 36.6 million tons recorded in 2018-2019 dropped to 28.6 million tons in 2020. The declaration of a “green” mining in the second half of the year, contributed into the recovery of coal and copper exports. On the other hand, gold export grew by 327% that softened the sharp drop in total exports. Total imports decreased by 14% mainly due to diminished import of investment products and petroleum products. As a result, the foreign trade balance showed a surplus of USD 2.2 billion, which had a positive effect on the balance of payments.



## External sector, USD million

	2019	2020	YoY
Export	7,620	7,567	-0.6%
Coal	3,079	2,127	-31%
Copper	1,795	1,778	-1%
Gold	418	1,788	372%
Import	6,127	5,294	-14%
Trade surplus	1,492	2,282	53%
Coal export price, US dollar	83	78	-6%
Copper export price, US dollar	1,282	1,274	-0.6%
Gold export price, thous. US dollar	46	59	28.3%
Balance of Payment	453	787	73%
FDI	2,316	1,649	-28%
Foreign reserve	4,349	4,368	0
FX reserves/import coverage	5.5	7	-

Source: NSO

## MONGOLIA'S CREDIT RATING HAS REMAINED STABLE DESPITE THE ECONOMIC DOWNTURN

The state budget worsened as a result of the economic downturn caused by the COVID-19 pandemic, budget revenues fell by 13% indicating a shortage of MNT 1.3 trillion in projected revenues. On the other hand, budget expenditures increased by 22% in connection with financing of MNT 2.1 trillion for economic stimulus program during the pandemic. In particular, 39% of budget expenditures directed at providing subsidies and benefits resulted in the budget deficit of MNT 4.5 trillion at the end of 2020 that equals to 12.5% of GDP.

In 2020-2024, bonds repayment of USD 2.9 billion is scheduled that implies another financial burden for the Government of Mongolia. The Government of Mongolia issued USD 600 million Nomad Bonds in 2020 and refinanced repayment of bonds due in 2021. Despite the economic challenges caused by the pandemic, credit rating agencies have affirmed our country's credit rating outlook as stable. Delisting from the Financial Action Task Force (FATF) grey list and the European Union blacklist have positively affected Mongolia's position.

## Budget indicators

	Unit	2019	2020
Budget income/GDP	%	29.0%	25.9%
Budget expenditure/GDP	%	30.7%	38.4%
Budget balance/GDP	%	-1.7%	-12.5%

## THE BANK OF MONGOLIA HAS TAKEN MEASURES TO REDUCE BANKS' RESERVE REQUIREMENTS AND SOFTEN LOANS CLASSIFICATION

In result of slowdown in the economic activity, inflation reached 2.3% in 2020, which is relatively lower than the Bank of Mongolia's target level. Hence, the Bank of Mongolia had a room for a softening the monetary policy, and lowered the policy rate by 5% age points to 6% in order to support the economy through the banking sector channels. Although the weighted average interest rate on deposits and loans decreased, banks outstanding loans continued to decrease due to lower demand for loans from enterprises. Since these enterprises suffered from declined sales during the partial lockdown, their demand for financing has weakened. Therefore, the Bank of Mongolia has taken measures such as

reducing reserve requirements, softening loan classification requirements, and discouraging dollarization, in addition to traditional monetary policy instruments. In addition, the Bank of Mongolia announced a repo financing program at the end of 2020. Loans with two-year term and 10.5% interest rate were offered to non-mining exporters.

#### Money market indicators

	Unit	2019	2020
Inflation	%	5.2%	2.3%
M2/GDP	%	55.7%	65.4%
m2 growth	%	7.0%	16%
Policy rate	%	11%	6%
FX rate		2,727	2,850

Source: BoM

# BANKING SECTOR

Banks total assets reached MNT 36.7 trillion making up 99.2% of GDP, owed mainly to rise in holding Central Bank Bills of 73.7%

## DOLLARIZATION HAS INTENSIFIED WITHIN THE BANKING SECTOR

Banks lending declined significantly as corporate sales plummeted and demand for financing decreased during the pandemic. Hence, banks invested heavily into the BOM bills, despite losses on these transactions. From the beginning of 2020, dollarization in the banking system increased at a great extent, particularly in July, dollar deposits grew by more than 70%. However, the Bank of Mongolia had taken measures to discourage dollarization and the foreign currency outflows had diminished during the lockdown. As a result, dollarization had been reduced, and the growth rate of dollar deposits slowed to 33.2% at the end of 2020. In addition, the Bank of Mongolia took measures to reduce interest rate on demand deposits/current accounts to zero, which led to 14.8% reduction in foreign currency current accounts.

## THE ECONOMIC CHALLENGES AFFECTED BUSINESSES INCOME AND REDUCED DEMAND FOR LOANS

Last year, total loans decreased by 4.9% to MNT 17.2 trillion. Within the framework of the policy measures to support the economy during the pandemic, the Bank of Mongolia has temporarily amended the assets classification regulation and softened the loans classification. However, the quality of the loan portfolio has deteriorated compared to 2019. In particular, the non-performing loans ratio increased by 1.6% age points from 10.1% in 2019 to 11.7% in 2020. In other words, banks overdue loans grew by 54%, while non-performing loans soared by 10.1%. This implies that MNT 19 out of every MNT 100 lent by banks is overdue and/or non-performing.


As of 2020, in Mongolia there were 125,000 borrowers affected by the pandemic with loans totaling MNT 5.3 trillion that made up 33% of the total loan portfolio. Out of the above MNT 5.3 trillion loans affected by the pandemic, banks made amendments into MNT 3.7 trillion loans terms and postponed loan repayment. Out of amended loans, loans of MNT 1.2 trillion were consumer loans, while the remaining part comprised business loans. In 2020, the Bank of Mongolia lowered the policy rate by 5% age points to 6%, as a result, the weighted average interest rate on deposits (8.4%) and loans (14.8%) decreased by 2% age points. Although a credit crunch was observed in 2020, it is expected that banks would provide loans at favorable conditions and lower interest in the coming years.



## Banking sector indicators

Indicator	Unit	2019	2020	YoY
Total assets	MNT billion	35,859	36,685	2.3%
Total outstanding loans	MNT billion	18,096	17,207	-4.9%
Normal	MNT billion	15,447	13,928	-9.8%
Past due loans	MNT billion	824	1,269	54.0%
Non-performing	MNT billion	1,825	2,010	10.1%
NPL ratio	%	10.1%	11.7%	+1.6 p.p.
Current account, MNT	MNT billion	3,290	3,444	4.7%
Current account, FX	MNT billion	2,326	1,983	-14.8%
Deposit, MNT	MNT billion	11,120	13,398	20.5%
Deposit, FX	MNT billion	3,484	4,642	33.2%
Total equity	MNT billion	3,031	3,059	0.9%

Source: NSO



Colomt Bank's total assets increased by MNT 634.9 billion or 9.6% from the previous year reaching MNT 7.3 trillion, thus, expanded its market share from 18.4% in 2019 to 19.5%



# FINANCIAL HIGHLIGHTS



# FINANCIAL HIGHLIGHTS OF GOLOMT BANK

## MONGOLIA'S FINANCIAL OVERVIEW

- 2020 was full of challenges as the COVID-19 pandemic spread around the world significantly impacting countless economies. Mongolia took phased actions and approaches to prevent the pandemic and to respond by closing its borders and imposing lockdowns in addition to implementing economic stimulus program to support the economy. However, the economy contracted by 5.3% and the most sectors acutely felt the pandemic impact.
- Disrupted activities and operations of the individuals and businesses as well as the loss of income and revenue during the pandemic led to delays in their loan repayments and decline in sales. Moreover, the lockdowns decreased cash flows in the market and payments which directly affected banking sector profitability.
- The Bank of Mongolia has gradually lowered its policy rate to 6% which enabled banks to lower their deposit interest rate.

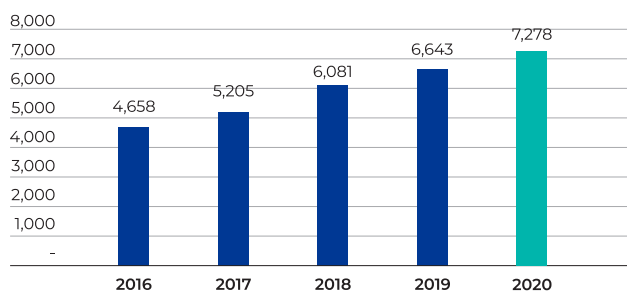
## KEY FINANCIAL ACHIEVEMENTS OF GOLOMT BANK

- Total assets increased by MNT 634.9 billion or 9.6% from the previous year reaching MNT 7.3 trillion, thus, the bank expanded its market share from 18.4% in 2019 to 19.5% in 2020.
- Increase in customers' deposits and financial resources raised from the international banks and financial institutions were the main drivers of the total assets growth. In 2020, the bank raised total of USD 129.5 million loan from Sumitomo Mitsui Banking Corporation of Japan, Cargill International and EMF Micro Finance Fund AGMVK. Also, the bank has successfully concluded long-term swap agreements with the Bank of Mongolia that enhanced MNT liquidity.
- Subordinated debt of MNT 172 billion was effectively converted into Tier 1 Capital, thus the Tier 1 ratio improved to 15.1%.

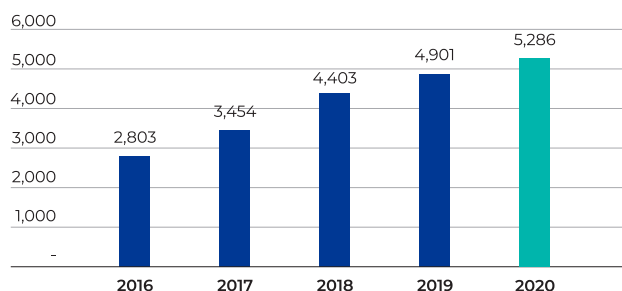
## BALANCE SHEET HIGHLIGHTS

In 2020, Golomt bank's total asset grew by 9.6% and reached MNT 7.3 trillion. Customer funds grew by 7.9% and reached MNT 5.3 trillion mainly due to retail customer funds growth.

Total assets (MNT bln)



Total customer deposits (MNT bln)

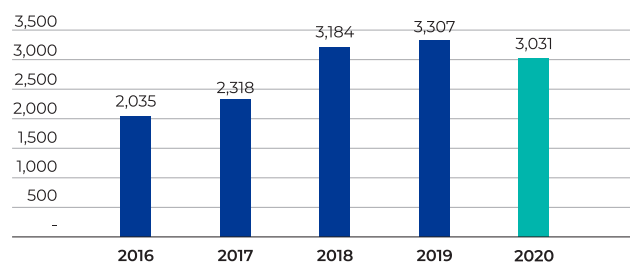


- Compared to 2019, total net loans declined by 8.3% to MNT 3.0 trillion. Non-performing loans increased despite the measures to postpone repayment of loans of the individual and corporate customers who were affected by the COVID-19 pandemic.

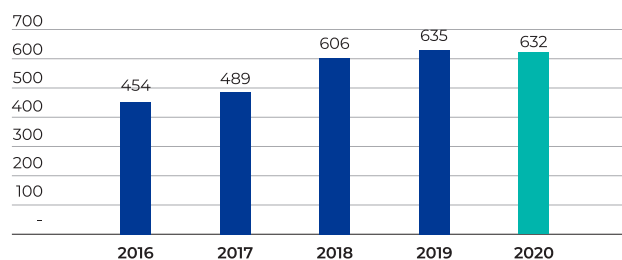


- The total capital reached to MNT 631.6 billion; however, the capital adequacy ratio and other requirements set by the regulatory institution have been met.

#### Net loans (MNT bln)



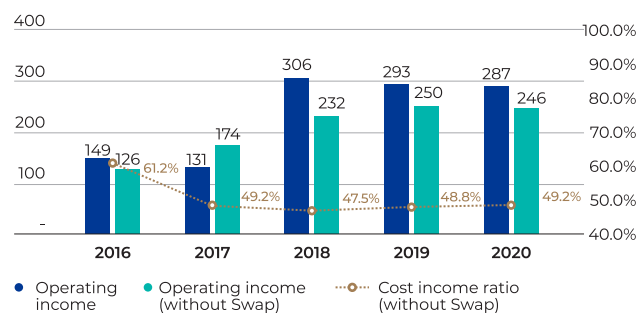
#### Total capital (MNT bln)



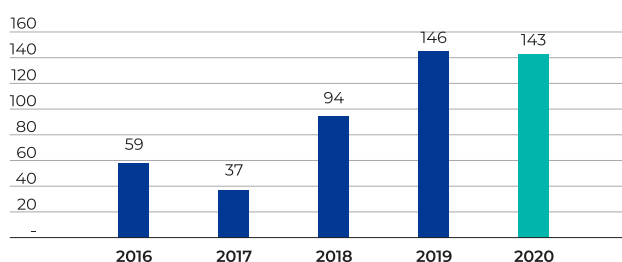
### PROFITABILITY

In 2020, the bank's operating income (without SWAP impact) was MNT 245.8 billion, which was lower than last year by 1.6%. As a result of operating expense was managed at the level of operating income, cost income ratio was 49.2%. In 2020, MNT 143.4 billion of provision & valuation expense was booked and net profit reached MNT 10.4 billion.

#### Operating income (MNT bln)



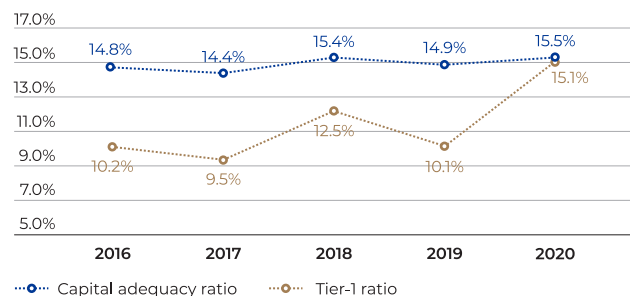
#### Provision & valuation expense (MNT bln)



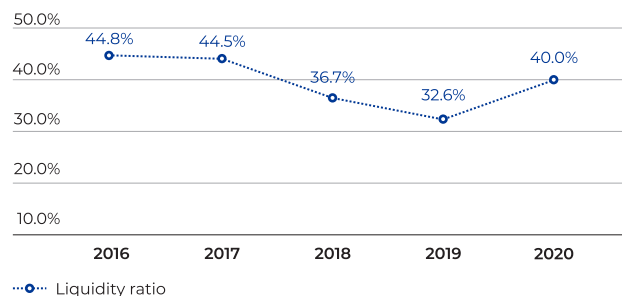
### PRUDENTIAL RATIOS

The Bank fully met all the prudential ratios set by the Bank of Mongolia including capital adequacy ratio, credit concentration ratio, liquidity ratio, and foreign exchange risk ratio.

#### Capital adequacy ratio



#### Liquidity ratio



## GOLOMT BANK'S FIVE YEAR FINANCIAL RESULT

Financial Indicators (MNT million)	2016	2017	2018	2019	2020
<b>Balance Sheet Indicators (MNT million)</b>					
Total Assets	4,658,343	5,204,584	6,081,113	6,643,136	7,277,990
Deposits	2,803,328	3,453,920	4,402,648	4,900,642	5,285,675
Borrowed funds - Co-financed funds	1,195,870	757,897	715,853	916,032	1,202,265
Net Loans	2,034,860	2,318,058	3,183,724	3,306,694	3,031,346
Total Capital	453,707	488,675	605,578	634,505	631,558
<b>Profitability Indicators (MNT million)</b>					
Interest Income	331,900	409,220	493,961	577,892	570,132
Interest Expense	(246,416)	(287,230)	(323,255)	(366,007)	(365,780)
Net Interest Income	85,484	121,990	170,706	211,885	204,353
Net Non-Interest Income	63,200	8,615	135,621	81,026	82,543
SWAP fair value impact	22,376	(43,217)	74,551	43,070	41,058
Operating Income	148,684	130,605	306,327	292,911	286,895
<b>Operating Income -without SWAP impact</b>	<b>126,308</b>	<b>173,822</b>	<b>231,775</b>	<b>249,841</b>	<b>245,837</b>
Operating Expense	(77,251)	(85,583)	(110,093)	(122,006)	(121,015)
Operating Profit	71,433	45,021	196,234	170,905	165,881
<b>Operating Profit -without SWAP impact</b>	<b>49,057</b>	<b>88,238</b>	<b>121,682</b>	<b>127,835</b>	<b>124,823</b>
Credit and other financial assets' provisioning and impairment loss	(58,686)	(36,947)	(94,034)	(146,010)	(143,392)
Decrease in value of properties charged to profit/loss		(20,158)	(26,600)	-	-
Pre-Tax Profit	12,746	(12,083)	75,600	24,895	22,489
Taxation	(7,473)	6,930	(22,054)	(8,590)	(12,095)
Post -Tax Profit	5,274	(5,153)	53,546	16,305	10,394
<b>Financial Structure</b>					
Deposits / Total Assets (%)	60.2%	66.4%	72.4%	73.8%	72.6%
Net Loans / Total Assets (%)	43.7%	44.5%	52.4%	49.8%	41.7%
<b>Profitability</b>					
Return on Average Assets (%)	0.1%	#N/A	1.0%	0.3%	0.2%
Return on Average Equity (%)	1.7%	#N/A	16.1%	3.3%	2.5%
Net Interest Margin (%)	2.8%	3.3%	4.1%	4.0%	4.0%
Cost Income Ratio (%)	52.0%	65.5%	35.9%	41.7%	42.2%
Cost Income Ratio -without SWAP impact (%)	61.2%	49.2%	47.5%	48.8%	49.2%
<b>Prudential Ratios</b>					
Capital Adequacy Ratio (%) (Before 2019 >14% )	14.8%	14.4%	15.4%	14.9%	15.5%
Tier I ratio (%) (Buffer: +1%)	10.2%	9.5%	12.5%	10.1%	15.1%
Forex Exposure Ratios:					
Total Currency <+/-30% (Before 2019 <+/-40% )	15.0%	16.3%	4.2%	12.7%	23.2%
Single Currency <+/-15%	7.5%	11.8%	1.9%	0.8%	11.7%
Single Borrower Exposure/Capital funds <20%	18.5%	16.8%	15.3%	15.0%	16.2%
Related Party Exposure <5%	4.6%	4.2%	3.8%	4.4%	4.0%
Related Party Exposure-Total <20%	17.0%	17.9%	16.6%	15.6%	13.2%
Liquidity Ratio (%)	44.8%	44.5%	36.7%	32.6%	40.0%



We maintained the leadership position in providing digital banking services, reducing our branches' workload through digitalization; innovating and improving our technology; simplifying payment procedure; introducing various new digital functions and decisions based on advanced analysis of customers' behavior and needs.



# LEADING DIGITAL TRANSFORMATION IN MONGOLIA



# DIGITAL BANKING

Golomt Bank is continuously developing algorithms based on artificial intelligence and machine learning by introducing new functions based on smart systems and automation into its banking products and services to develop user-friendly products and platforms.



Golomt Bank of Mongolia has been named as the “Best Digital Bank” by Global Finance magazine which sets the standard for excellence in banking and financial sector globally reaffirming the bank’s leadership in digital banking in 2020.



Golomt Bank was nominated in four categories for “Infosys Finacle Client Innovation Award 2020” and became a Winner in “Modern Technologies Led Innovation” category for its Digital Bank 5.0 and UFC systems. The bank is now being awarded two years in a row in 2019-2020.

## KEY UPDATES IN DIGITAL BANKING

**The smart function to organize the customers’ finances was introduced for the first time in the Mongolia’s banking sector**

"My Finance" menu in Golomt Bank’s Smart Banking based on AI technology provides customers with a user-friendly tool to monitor their daily finances and transaction; thereby, enhancing their financial knowledge and providing advices based on customers’ behaviors and needs.

**The bank introduced solution for recognizing customers’ national ID card photo**

The registration process for new customer was simplified. Moreover, the above solution facilitated remote registration of customers without requiring an in-person engagement, a critical advantage during the pandemic.

## 2020 highlights in numbers compared to 2019



Total number of digital channel users increased by

19%



Number of active Internet Banking customers increased by

10%



Number of active Smart Banking customers increased by

26%



Number of digital channel transactions increased by

35%

## NEW FEATURES OF THE BANK'S DIGITAL CHANNELS: INTERNET BANKING AND SMART BANKING

### New features of the Internet Banking

- Ordering debit card online – Customers can order cards online to be delivered to their home address
- Purchasing credit card with collateralized saving deposit – Customers can select from Gold, Steel and Copper credit cards by placing the saving deposit as a collateral
- Automatically renewing saving deposit – Customers can register any saving deposit into the auto-extension service mode which will automatically renew the saving deposit when it matures without any additional actions required from the customers
- Extending saving deposit after withdrawal – Customers can withdraw funds without closing the saving deposit once it matures and extend the account through Internet banking
- Sending an offline request - Customers can submit request for increasing the upper limit for their daily transactions, opening child welfare current account, opening children's Internet banking, and receiving savings backed loan and get responses within one business day
- Enabling two-factor authentication – Customers can enable mobile token verification method to access their Internet banking and other banking services via their smartphone
- Accessing Digital Corporate Banking – Corporate banking customers can take advantage of the new digital solutions, products and services that are developed based on the corporate customer behavior and needs.

### New features of the Digital Corporate Banking

- View the organization's account lists and relevant information with confidentiality
- Receive offline official requests, references and guarantees
- View the pending transactions on the homepage dashboard
- Make confirmation transactions in batches
- Conduct payroll transactions
- Pay fines
- Access Smart banking and verify transactions

### New features of the Smart Banking

- Customers can hide and/or consolidate account balances in the accounts' list menu;
- Customers can now easily and efficiently swipe the account to view the account statement and conduct transactions; to conduct transaction through drag-drop menu, repay loans, and make credit card payments;
- Customers are now able to conduct transactions within the Golomt Bank accounts and other banks' accounts by swiping the account to the left which previously only allowed between Golomt Bank accounts
- Customers can choose dark and light theme from their smartphone settings without changing the Dark mode from the personal settings menu
- Customers can now share completed transaction via messenger or an email through a share button that was added on the last page of any service without having the need to capture an image
- Customers can see their loan account balance on the homepage dashboard
- Customers can save their time by using redesigned Card and Payment menus

These new features are facilitating the customers to access the digital banking services more easily and efficiently during the COVID-19 pandemic.

### New features and highlights of Digital channels

Golomt Bank has pioneered adoption of a SIM card-based digital signature that enabled providing digital service with highly confidential information and preventing forgery or alteration of electronic documents. A digital signature is a

certificate which proves customers' identification online allowing them to sign a loan agreement using your digital signature without physically visiting the bank's branch.

### Digital banking highlights in numbers



### NEW FEATURES OF SOCIALPAY DIGITAL WALLET

SocialPay digital wallet is being widely used in the banking and financial sector for not only conducting payments, but also facilitating other various services that meet the customers' needs while becoming more user-friendly every year

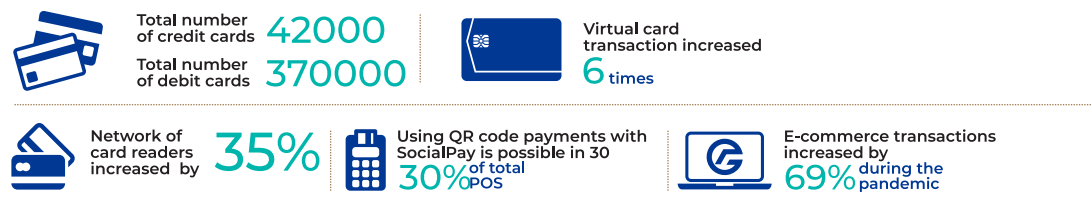
In 2020, the bank offered efficient, user-friendly and innovative products and services via our SocialPay digital wallet that fully meets the needs of our valued customers and market demands including:

- International payments - SocialPay is the first digital wallet in Mongolia that enables international payments. Using EMV UPI Standard QR/Bar code via SocialPay digital wallet, customers can conduct payments for purchases in chain stores and service centers in more than 50 countries including People's Republic of China, Singapore, Taiwan, Hong Kong, Russia and Australia
- Virtual UnionPay card network - Virtual SocialPay card has been included into the UnionPay card network. As a result, virtual card can be used for payments of purchases in shopping and services centers in Mongolia and other countries that joined UnionPay card network
- SocialPay is open for customers of other banks - Customers who do not hold an account with Golomt Bank can also use SocialPay by simply registering their phone number, full name, and national registration number, and linking their cards issued by other banks
- Children's SocialPay - Launched a new SocialPay service for children aged 7-17 who owns Golomt Bank's Color card to meet the financial needs of this particular customers' segment
- Payments via SocialPay from other applications – SocialPay digital wallet is linked with more than 30 applications including UBCab, OneFit, SkyGo, LookTV, SKYtel, MobiCom, MonPay, Mongolchat, Toki, Hippocards, Tomyo, Toktok, ENomin, Emart, and Storepay enabling the customers to make payments via SocialPay

### 2020 highlights in numbers compared to 2019



### CARD PRODUCTS



### Expanded virtual brand cards



In June 2020, Golomt Bank launched virtual debit card in cooperation with the UnionPay brand.

SocialPay is the first digital wallet in Mongolia that enabled international payments through QR/Bar code payment system allowing customers to conduct transaction via their smartphone domestically and internationally. The customers who don't own UnionPay brand cards can order the Virtual cards easily and conduct international payments

### Fully shifted to NFC technology



The entire line of Golomt Bank's international brand cards fully shifted to NFC technology

### Data Management, Quality, Advanced Analysis

For the first time in Mongolia's banking sector, Golomt Bank introduced the following:

- Data management project laying the foundation for introducing data governance
- Advanced analysis, artificial intelligence, machine learning, and robotic process automation in the back office as well as for its products and services
- [www.dua.golomtbank.com](http://www.dua.golomtbank.com), a platform for corporate customers, that hosts information on economic overview, researches and projections that would support corporate customers in making financial decision

### "Internship" program for digital specialists

Due to the pandemic, the annual "Internship" program was conducted online in 2020. Out of total 77 students, 14 interns were selected to gain practical skills to enrich their experience and learn to collaborate with others in real-world situations.







In 2020, Golomt Bank  
provided MNT 1.7 trillion  
loans to 1,300 SMEs to  
finance their working  
capital and for investment  
purposes, fostering job  
creation and revenue  
generation.



## SUPPORTING RETAIL AND SME BUSINESS OWNERS

# RETAIL BANKING

In 2020, Golomt Bank launched new products and services as well as nationwide campaigns by encouraging customers to create savings in order to be prepared for the pandemic's challenges. As a result, nearly 20% of Mongolian population joined the campaign and created savings for themselves.



## National Savings program

200,000 citizens have been enrolled in the National Savings program making saving as a habit.



## "World Savings Day - 2020" Campaign

The Bank of Mongolia, the Mongolian Bankers Association, and the Savings Banks Finance Group (Sparkassen Finanzgruppe) of Germany jointly organized the "World Savings Day - 2020" campaign to enhance people's financial education and promote saving habits.



## "VITAMIN ₮" Campaign

Promotional campaign on savings aimed at improving citizen's financial immunity has successfully been organized over 5 months in 2020. Over 400,000 customers proactively participated in the campaign by creating savings and supporting their financial immunity.



## Children's Package Products

The terms and conditions of "Altantulkhuur" saving deposits for children were updated and introduced a "Junior" financial package product for children comprised of saving deposit, payment tool and digital services, for children aged 7-17.

## Consumer loans



**CAR LOAN**  
Loan portfolio market share **21%**



**SALARY LOAN**  
Loan portfolio market share **18%**  
Loan portfolio growth **240%**



**PAID OFF PENSION LOAN**  
10 billion MNT loan for **2,300** borrowers



Consumer loan interest rate decreased

Introduced new loan product that allows the interest rate to be paid equally with supplier entity.

## Insurance brokerage



### MARKET SHARE 20%

The bank insured 55,000 customers and consolidated 4.2 billion MNT in insurance fee income which equals to the 20% of the banking sector market share.



### INSURED RATE INCREASES TO 70%

To ensure the implementation of "Ipotek Insurance Operation Policy", the bank increased the rate of insured Ipotek loan customers to 70% fully protecting them against potential risks.

### Introduced Cross selling standard

A new sales standard that guides the employees to cross sell products to customers with preferred terms that meet their needs was introduced. As a result, cross selling volume increased by 28% in 2020 and the customers are now able to receive key information and advices on products and services in one-stop.

### Improved telephone sales service

Telephone Banking Unit, responsible for delivering banking services to customers by telephone, sold 12 types of products and services in 2020 through successfully connecting with over 150,000 customers.

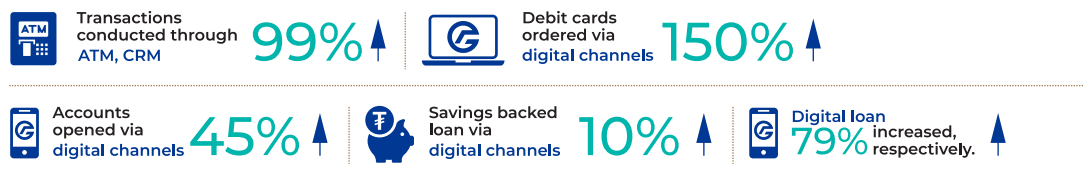
### Improved mobile sales and services

The direct sales team that delivers banking services to the customers at their premises visited more than 100 entities and organizations and sold 12,500 products using technological solutions which were appreciated by the customers greatly due to convenience and efficiency.

### “Digital Transformation Guide 2020” campaign

During the pandemic, two months long campaign on promoting the digital products that customers can get via online with guidelines on how to register and how to use was launched to reduce the foot traffic at the branches and mitigate potential risks.

### The campaign results



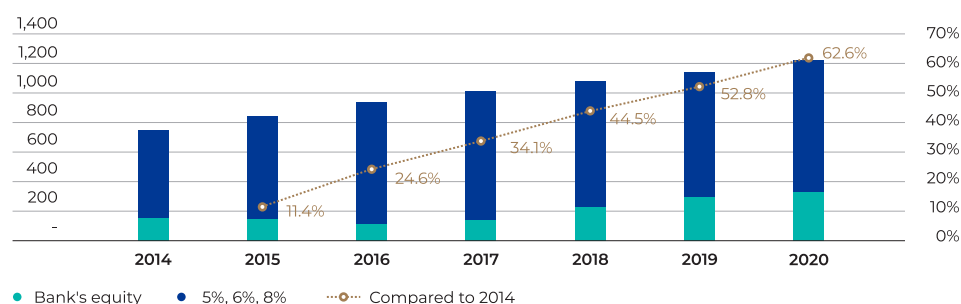
## REAL ESTATE MARKET

Since 2007, Golomt Bank has provided MNT 2.14 trillion loans to 38,041 borrowers in total, thus facilitating access to housing for 133,200 individuals. In 2020, within the framework of the housing financing program, the Bank has issued MNT 205.4 billion mortgage loans to 2,386 households.

### Highlights

- Loan portfolio increased by 15% comprising 25% of the market share and the bank successfully maintained its market leadership.
- Loans of MNT 105 billion were funded by the bank's own reserves and mortgage market share reached 28.4%.
- Issued MNT 100 billion mortgage loans with 8% and 6% rates.

## Mortgage loan portfolio growth (MNT billion)



## Cooperations in the real estate market



In 2020, the bank increased the number of joint projects by 30% by providing flexible terms of services and products depending on the specifics of every project and established cooperation with 80% of the top real estate project implementers. In addition, the bank provided a new opportunity for individuals, legal entities and organizations to receive long-term loans for purchasing office and commercial spaces.



The bank expanded its cooperation with 1,100 agents from more than 90 brokerage offices of reputable real estate brokers operating in the international market which enabled the bank to provide individuals with the information on the real estate market through trainings, events and promotions.

## Mortgage education

### Mortgage education

To provide an accurate knowledge and information on mortgage loans, the bank initiated "Mortgage Education" program and organized trainings, meetings, events, and disseminated the necessary information to more than 2,500 people. Within the framework of the program, the bank prepared and shared a series of training contents on topics such as "Mortgage Education" and "How to choose the right apartment?"

## 360\* degree advisory services



To assess the competitiveness of real estate projects and sales risk and to determine the terms of cooperation, the bank launched 360\* Degree Advisory Services in September 2018 and the Services have been developed in four directions and evaluated up to 70 projects within two years.

## Real estate loan market studies

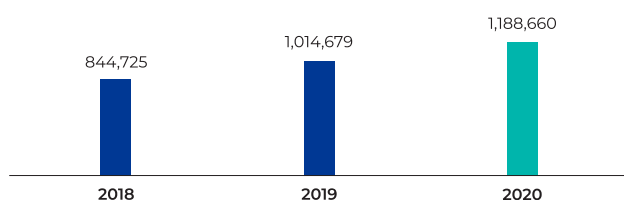
To determine the fair pricing of real estate, the bank conducted quarterly surveys on apartments prices, private house prices as well as offices and commercial spaces prices while enhancing its database with the relevant information from rural regions and added new data on 1,500 projects expanding its database capacity by six times.

## CUSTOMER SERVICE

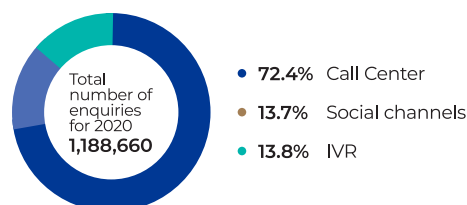
In 2020, 1.2 million customers received various services and information from the bank's Customer Service Center and online service channels.

Due to COVID-19 pandemic, the number of customers accessing the Bank's online service channels has increased by 300% compared to the regular business season.

Total number of customers who contacted Customer service center



Share of the channels that customers used



Despite the sharp increase in number of calls and online enquiries, the bank has successfully provided instant services and solutions to the customers with 95% resolution rate by effectively managing its human resources and employing new technological features.

- 53% of all enquiries were related to digital products and services.
- Automatic answering system were able to resolve issues such as card blocking; POS paper ordering and other POS related issues; thus, direct contacts to service center employees were reduced by 63%.
- Introduced Voice Mail service that signals to the team when customer's call has not been picked up for 20 seconds facilitating 9,400 customers to save their time and solve their issues.
- Delivered 8 types of services to 3,800 customers through telephone and online channels saving their time from having to physically visit branches.
- In the last month of 2020, more than 230 customers became Internet banking users upon receiving comprehensive support and advice via Video assistant call.
- Created a special database for customer service team which increased the service speed by 54% and enhanced customer service.
- Success rate of Outbound service was improved by 37%.

# SMALL AND MEDIUM ENTERPRISES BANKING

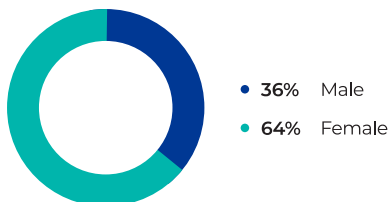
Golomt Bank continued to expand its cooperation with SMEs by providing comprehensive services and products to more than 22,000 SMEs that brought over MNT 1 trillion deposits.

## Supporting Bank for Women Entrepreneurs

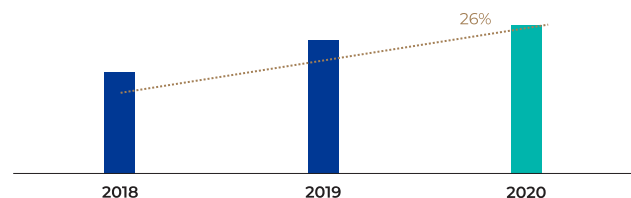
Golomt Bank supports women entrepreneurs by improving their financial capacity and providing them with opportunities to engage in production and services through various financial programs and discounted loans dedicated for women entrepreneurs. As a result, the number of loans issued to women entrepreneurs has increased by 20% and loan amount increased by 30% based on last five year's average.

Women account for 64% of the bank's total customers and more than 50% of total borrowers, and the number of female borrowers has increased by 26% over the last three years.

### Female borrowers



### Growth rate of the female borrowers



## "The Gender Equality Committee" was established

Board of Directors and Management team of Golomt Bank have supported the activities directed at ensuring gender equality within the Bank as well as being receptive to female customers and their economic empowerment. In 2020, the Gender Equality Committee was established to improve the women's financial inclusion, to support them in converting their skills into profitable businesses, to ensure that women's voices are heard in public, and to promote activities dedicated for social wellbeing.

## ACTIVITIES AIMED AT SUPPORTING SMEs

### Organized training and networking events for women entrepreneurs

The bank has successfully organized total of 10 training sessions and networking events with over 750 women entrepreneurs in attendance. 100 women entrepreneurs with start-up businesses were selected from attendees and received 150-hours of business advisory services from the bank to develop their businesses and increase profitability.





### A memorandum of understanding was signed with Development Solutions NGO



An MoU was signed with Development Solutions NGO, implementer of USAID-BEST project. The bank is collaborating with them to provide more opportunities for small and medium enterprises to receive financing.

### “Business Conference – 2020” was successfully organized

Analysts, experts and representatives from over 450 SME business entities discussed and exchanged their experiences on wide range of issues including the Mongolian economy, macroeconomic indicators, impact of the COVID-19 pandemic as well as the challenges and opportunities and role of digitalization in the financial sector under the theme of “New normal, New opportunity.”



### Supported SMEs in Uvs aimag



The bank supported local SMEs at the “New-Economy-UVS” forum that was organized in Uvs aimag. During the forum, the bank offered new business loan products with low interest, long term, and flexible terms that are designed for entrepreneurs in Uvs aimag to support them in expanding their business activities.

## INTRODUCTION OF NEW PRODUCTS AND SERVICES

### Retail trade loan and POS income backed loan products were launched

Close to 35% of SMEs operate in the retail trade sector. New products were introduced to SMEs for financing their working capital, reducing repayment burden, and receiving loan backed by their inventory at present value without requiring an additional collateral.

### Supported businesses by reducing the interest rate on business loans

Within the Government of Mongolia's strategy to reduce interest rate, the Bank of Mongolia lowered the policy rate. Golomt Bank has gradually reduced interest rate on SMEs loans by 20-30% in line with the Government's strategy which lowered the business loan interest rate from 1.35% to 1.2% per month providing much needed support to businesses.



# SUPPORTING POWERFUL BUSINESSES IN MONGOLIA

As the world faced  
unprecedented impact  
of the pandemic in  
2020, businesses faced  
the challenge to adapt  
to the new business  
environment



# CORPORATE BANKING

The best  
**Corporate  
Banking**  
in Mongolia



The total corporate deposits  
increased by 1.5% reaching  
**₮2,171,761** million



Golomt Bank's corporate  
loans' portfolio  
increased by **15%**



Interest income  
increased by 4% to  
**₮270** billion



The number of products being used by  
per corporate customer  
increased by **13.8%**

As the world faced unprecedented impact of the pandemic in 2020, businesses faced the challenge to adapt to the new business environment. As soon as the pandemic news broke out, Golomt Bank has promptly taken response measures by conducting various studies and analysis and delivered them to its customers.

## Conducted "COVID-19 Impact on Businesses" survey

To assess the actual impact of the COVID-19 pandemic on the economy and markets and to provide more accurate information to customers, the bank conducted "COVID-19 Impact on Businesses" survey that took place from 14 May 2020 to 1 July 2020 surveying more than 200 companies.

## Customer events



### Financial Management Convention - 2020

The bank successfully organized "Financial Managers' Convention," major event defining the current and future economic outlook, for the second year. Over 500 financial experts from over 400 companies attended the event and Financial Manager's Club has been established virtually to exchange vital information among the attendees. The bank produced "New Trends-New Opportunities" video content during the event that was a result of 150 days and 3,600 person/hours of work involving 8 studios and more than 50 shootings, expert opinions of over 20 experienced

Mongolian and international economists and experts, studies of 200 enterprises. The content was also featured in two large scale events with over 1,000 customers in attendance. Furthermore, the content was uploaded to the IPTV video library reaching over 3,000 users and provided high-quality information free of charge.

### Discover Mongolia - 2020

Within the framework of the 25th anniversary, Golomt Bank participated in "Discover Mongolia 2020", an International Mining Investors Forum, as a "Bank of the Event" and discussed current and future economic conditions and enhanced its reputation as the "The Best Corporate Banking in Mongolia" among the domestic and international businesses.

## Corporate digital solutions

Total sales of corporate digital products increased by 35% on average. Particularly:



## Cooperation and Partnership

- Within the framework of financing and developing green loans project, Golomt Bank collaborated with MCS International on its Uliastai 5MW solar power plant project.
- MCS Coca-Cola LLC, in partnership with MCS International LLC, replaced traditional raw coal burning technology with a gas-fired boiler. As a result, it became the first food factory with environmentally friendly engineering solutions in Mongolia removing the need of 7,000 tons of raw coal consumption annually, contributing to the fight against air pollution. Golomt Bank has issued a letter of credit to support the project's equipment as part of its commitment to sustainable development, social well-being, and climate change.
- MCS Coca-Cola LLC has been issued a letter of credit for Krones equipment required for a new line with a production capacity of 20,000 bottles per hour, the payment of which was assured together with Golomt Bank and BHF Bank of Germany.
- The bank supported a project for launching a new food processing and distributing system of CU convenience store chain, and financed new store opening.
- The Golomt Bank provided a short-term financing of MNT 92 billion to subcontractors and suppliers of Oyu Tolgoi mine.




- Within the framework of supporting the Government's policy to increase Mongolia's exports, including coal exports, Golomt Bank issued loans totaling MNT 200 billion to Erdenes Tavan Tolgoi LLC and its subcontractors in 2020.



- The Bank provided financing of MNT 100.0 billion for luxury and high-class residences for 2,000 households with the best design solutions and new construction standards in Ulaanbaatar through Sky Garden Residence, Baga Tenger City, Garden City and Marshall Town-4 projects
- Golomt Bank monetized export letter of credit issued by the Bank of China, which was the monetization of export letter of credit according to the international practice for the first time.
- Large international banks such as RosExim and MUFG Bank issued double guarantee for a substantial infrastructure projects to customers guaranteed by Golomt Bank.
- Golomt Bank issued short and long-term loans of MNT 31.5 billion, while successfully participating in the implementation of Gold-2 program aimed at ensuring the stable and adequate foreign exchange reserves, increasing the purchases of precious metals, and raising official foreign exchange reserves.





Golomt Bank has been  
calculating the Basel  
Committee's liquidity ratios  
including LCR and NSFR  
consistently recording  
them above 100%.



## TREASURY MANAGEMENT

# TREASURY MANAGEMENT

In 2020, Golomt Bank maintained its liquidity ratio at a stable high level despite the economic challenges caused by the COVID-19 pandemic. In particular, the bank maintained its liquidity ratio at 40 percent fully meeting the requirement set by the Bank of Mongolia. In addition, the bank has been calculating the Basel Committee's liquidity ratios including LCR (30-days liquidity ratio) and NSFR (1-year stable source), and the Bank's LCR and NSFR have consistently recorded above 100%.

Although bank's non-performing loans have been growing due to the pandemic impacting its profitability, Golomt bank made investments into other income generating assets besides loans. To improve the bank's profitability and enhance the balance sheet structure, the bank introduced a risk-adjusted return on investment metric in assets and liabilities management.

## Foreign currency trading

As a leader in the Mongolia's banking system, Golomt Bank has successfully maintained its leading position in the foreign exchange market. Although domestic foreign exchange market has been highly volatile, Golomt Bank has been consistently meeting foreign exchange needs of its customers and provided financial derivatives for mitigating exchange rate risk which contributed to maintaining the foreign exchange market stability. Golomt Bank is capable of making daily payments and transactions in 15 different currency combinations by adding the Turkish lira in 2020 as the newest currency option.

## Hedging

Golomt Bank introduced currency and commodity hedging services to the market in 2019 by offering hedging services to the Mongolia's largest petroleum importers and gold mining companies. Thus, the customers were able to hedge their funds and mitigate various risks. Going forward, the bank intends to introduce hedging services on all types of commodities and foreign currencies.

## Gold trading



Gold trading  
**52%**

Golomt Bank has maintained its leading position in the domestic gold market in 2020 by comprising 52% of total gold delivered to the Bank of Mongolia. To enhance the investment opportunities for its customers, the bank introduced new "Intangible Gold Trading" service that made it possible for customers to own and invest gold in their accounts.



### Hybrid savings

To increase the customers' monetary assets and profit margins, the bank continues to offer hybrid savings product facilitating investment in international markets. Hybrid savings have successfully boosted customers' profit margins despite COVID-19 pandemic causing global economic downturn and drop in interest rates domestically. The main advantage of hybrid saving deposit is that the funds can be invested in the international stock exchanges in MNT which makes it possible for customers to earn returns during market fluctuations in commodities prices, currencies and stocks.







Golomt Bank's issued  
import letters of credit  
accounted for 39% of the  
domestic market and  
guarantees in foreign  
trade accounted for 64% of  
the domestic market



# INTERNATIONAL BUSINESS COOPERATION

# INTERNATIONAL BUSINESS COOPERATION

## Loans and credit lines from international partners

In 2020, Golomt Bank expanded its cooperation with international financial and banking institutions; thereby, expanding its credits lines and financing to provide flexible and low cost external trade financing to its customers. Within this framework, Golomt Bank signed new trade financing loan agreements totaling USD 48 million with SMBC of Japan, Credit Bank of Moscow of Russia, and Cargill International of the United States. In addition, credit lines totaling USD 44 million were renewed with the Bank of Inner Mongolia of China, ICBC, Hungarian Eximbank, and Taiwan Eximbank.

Golomt Bank has also signed a three-year, USD 5 million loan agreement with Enabling Capital AG, an investment fund in Liechtenstein, to support the growth of its SME customers' businesses. The loan facilitated medium and long-term financing solutions to the SME customers which resulted in expanding their business, creating jobs, and supporting the economic development.

## Correspondent banking relationship

In 2020, the Golomt Bank provided vast international payment network to the customers via its correspondent banking relationships with 26 internationally reputable banks. Within this framework, Golomt Bank opened HKD correspondent account at OCBC Bank of Singapore and USD and EUR correspondent accounts at Russia's Credit Bank of Moscow enhancing opportunities for foreign transactions. Moreover, a cooperation agreement for foreign exchange trading was signed with Sberbank of Russia making it possible to expand the bank's services with wide range of options to meet the demand for foreign currency.

## Foreign trade financing



Market share  
of import  
letters of  
credit **39%**



Market share  
of foreign  
trade  
guarantees **64%**

Bank issued letters of credit and guarantees on goods and products imported from the United States, Japan, Korea, Turkey, Denmark, Germany, Poland, Spain, and Italy facilitating foreign trade operations conducted by the customers and supported them to reduce the cost of financing.

Golomt Bank has effectively cooperated with the Chinese and Russian banks to support trade with neighboring countries. Letters of credit provided by Golomt Bank comprised 47% of total letters of credit issued for Chinese partners and 43% of the guarantees issued to Russian partners.

## Short-term loans to support imports

In collaboration with international banks and partners, Golomt Bank provided MNT 106 billion financing for imports of goods.

- The bank has expanded its cooperation with Sumitomo Mitsui Banking Corporation and Credit Bank of Moscow, and received discounted loans that facilitated financing of import goods and franchising services totaling MNT 106 billion.
- In cooperation with Commerzbank AG, ODDO BHF AG, Atlantic Forfaitierungs AG, SMBC, International Investment Bank, International Bank for Economic Cooperation and ICBC, Bank of Inner Mongolia of China, the bank financed imports of fuel, construction materials, automobiles, equipment, food and consumer goods in USD, EUR, CNY and JPY.
- In cooperation with foreign banks, Golomt Bank issued tender guarantees and performance guarantees for financing the purchases of energy-efficient, low-waste industrial equipment as well as the construction of solar power plant projects within the framework of ensuring sustainable trade financing in Mongolia.
- Golomt Bank enhanced its supply chain financing and successfully developed and implemented a financing scheme for the purchase of mining equipment that included foreign manufacturers, domestic dealers and buyers.

### Imports financing

To protect its customers from the foreign exchange risks, Golomt Bank financed imports of goods with low-cost MNT loans. As a result, its customers were able to choose between MNT or foreign currency when receiving a loan.

### Pre/post-export financing

Golomt Bank successfully financed USD 37 million in coal exports

- In cooperation with Chinese banks, Golomt Bank provided pre-export financing to exporters of coal, main exports product of Mongolia.
- The bank also supported exports of wool and cashmere products and provided export letters of credit.

### Counter guarantee service

Based on guarantees issued by the prestigious international banks, Golomt Bank provided domestic guarantee services of MNT 28.4 billion.

Based on foreign banks' guarantees, the bank issued tender guarantees, advance payment guarantees and performance guarantees for international companies participating in construction and infrastructure projects implemented in Mongolia.

### International payments and transactions

As of 2020, Golomt Bank established correspondent relationship with top 26 banks in the world enabling its customers to conduct international transactions efficiently.

In 2020, Golomt Bank held the leading position in the market by the number of international transfers made by its customers. According to SWIFT statistics, Golomt Bank made 58,859 transfers with value of USD 3.4 billion out of 205,887 transfers with value of USD 8.4 billion conducted by all banks in Mongolia.

## GOLOMT BANK IS THE LEADING BANK IN INTERNATIONAL TRANSACTIONS IN MONGOLIA

Market share by international transactions (as of YE 2020)



• 29% Foreign transfers  
(number of transactions)



• 40% Foreign transfers  
(by volume)

## INTERNATIONAL COOPERATION

In February 2020, the Golomt Bank held a meeting with the partner banks in Moskva, Russia. During the event, the Bank signed the MOU on “Partnership on IT and Digital Banking” with the Sberbank to exchange best practices, knowledge and know-how and implement IT projects in the areas such as Digital transformation, Data Analytics, Payments, Cybersecurity and Information Security.

Furthermore, the Golomt Bank also signed MOU on “Financing Green Projects” with the International Bank of Economic Cooperation creating opportunity to contribute in the development of the Green Economy in Mongolia through financing projects on environmentally friendly transportation, renewable energy, housing, and energy efficiency.



From the left (first row): Mr. Maxim Osintsev, Global Head of Financial Institutions of Sberbank, Mr. Norihiko Kato, CEO of Golomt Bank



From the left: Mr. Norihiko Kato, CEO of Golomt Bank, Mr. Denis Ivanov, Chairperson of the IBEC

## INTERNATIONAL CREDIT RATING

MOODY'S

B3 Negative

S&P Global

B Stable

In 2020, Golomt Bank's credit rating was affirmed by S&P Global at 'B' with Stable Outlook, and Moody's assigned 'B3' credit rating with Negative Outlook in line with the Sovereign credit rating of Mongolia.


## Cooperations with the international banking and financial institutions



## Memberships with international organizations







Golomt Bank has strongly emphasized cohesion of business and sustainability in 2020. The bank carried out various significant activities on sustainable development and modernized its business and internal operations.



**SUPPORTING**  
SOCIETY'S  
WELL-BEING

# SUSTAINABLE DEVELOPMENT POLICY

Golomt Bank has been implementing a Sustainable Finance Policy since 2015 which was renamed as the Sustainable Development Policy in 2019 expanding its commitment to Sustainable Development Goals to cover all banking activities in addition to finance.

Through this Policy, the bank plans to implement the economic changes necessary to maintain the climate change balance via its products and services while aligning its internal operations with environmentally friendly practices. The main objectives of the bank's sustainable strategy is to conduct a sustainable business activities, contribute in resolving social and environmental issues, and create sustainable and satisfying working environment.

## SUSTAINABLE DEVELOPMENT ACHIEVEMENTS IN 2020

### Received an “A” rating from the Mongolian Sustainable Finance Association



Since 2016, the Mongolian Sustainable Finance Association (MSFA) has been conducting sustainable finance implementation assessments for its member banks. In 2020, Golomt Bank was assigned “A” rating and ranked among the leading banks in Mongolia. An assessment concluded that the bank's environmental, social and governance risk management was strong and financial and human resources were highly sufficient for financing green projects while the sustainable finance policy and training activities also received high scores. The 2020 rating strongly confirm the bank's progress and improvement in sustainable finance implementation as the bank's rating was “B” in 2019.

### Named as the “Distinguished Sustainable Finance Bank of 2020”



Within the framework of the Mongolian Sustainable Finance Program, the Bank of Mongolia and the MSFA announce banks with a significant progress in implementing the sustainable finance policy annually. Golomt Bank was named as the “Distinguished Sustainable Finance Bank of the Year-2020” and was recognized as a leader in environmental and social risk management, green financing, and sustainable finance capacity building.



## Mongolian Sustainable Finance Association



Golomt Bank became a member of the Mongolian Sustainable Finance Association (MSFA) since its establishment supporting and voluntarily implementing eight Principles of Sustainable Finance in Mongolia. Moreover, bank managers serve as members of MSFA Board of Directors contributing to the improvement of the Association's activities and enhancement of the corporate governance. Golomt Bank is introducing sustainable

finance capacity into its operations by building its human resources capacity through effectively participating in projects, programs and trainings implemented by MSFA.

## United Nations Environment Programme - Finance Initiative (UNEP FI)



In September 2019, Golomt Bank adopted the Principles of Responsible Banking issued by the United Nations Environment Programme - Finance Initiative (UNEP FI) and adhered to United Nations Sustainable Development Goals and the Paris Agreement to make its contribution to combating the climate change. Golomt Bank became a member of the UNEP FI Banking Committee in 2017 becoming one of the 30 signatory members who created Principles for Responsible Banking. Currently, 197 banks around the world joined the Principles for Responsible Banking and collaborating on issues related to implementing and reporting these 6 Principles.

## SUSTAINABLE DEVELOPMENT REPORT 2020



Golomt Bank renewed its business and internal operations within the sustainable development framework and published its first Sustainable Development Report in 2020 that highlighted the results of the key progress towards sustainability.

The Report featured wide variety of information including Golomt Bank's environmentally friendly business practice, corporate social responsibility, activities toward supporting education and health, preserving cultural heritage, green loan, gender equality, investments towards customers and their safety as well as keeping jobs and ensuring the employees' satisfaction.

## SUSTAINABLE FINANCING

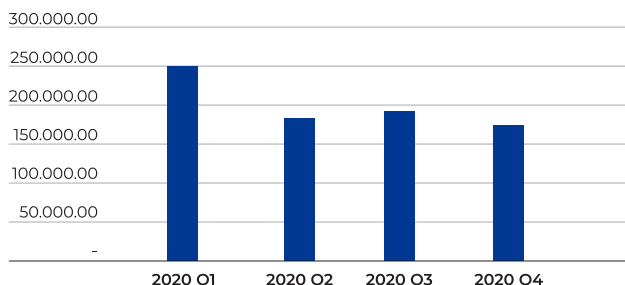
In 2020, Golomt Bank provided sustainable project loans totaling MNT 57.5 billion to 55 entities creating over 400 new jobs and retaining 706 jobs. During the COVID-19 pandemic, Golomt Bank supported the economy by granting discounted loans to SMEs, start-up companies and entrepreneurs.

## GREEN LOAN

In December 2019, the Bank of Mongolia, the Ministry of Finance, the Financial Regulatory Commission and the Deposit Insurance Corporation approved a joint resolution on the Green Taxonomy of Mongolia. A Green Taxonomy is a classification and criteria for environmentally and socially friendly green activities that banks, financial institutions, investors, and policymakers can use to identify green loans and projects.

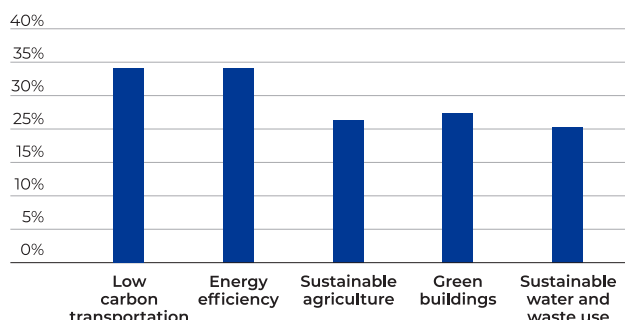
Upon the adoption of the Green Taxonomy, the Mongolian banks began to classify their green loans and report to the Bank of Mongolia voluntarily starting in the fourth quarter of 2019. Golomt Bank also reports its green loans portfolio in accordance with the Green Taxonomy on a quarterly basis and aims to increase its portfolio.

#### Green loan portfolio – 2020 (MNT million)



The share of green loans in the total loans portfolio is MNT 192,685.9 million as of the third quarter of 2020, equivalent of 6.4% of the total. As a result of the bank's commitment and support towards green projects and programs, green loans portfolio increased by 5% in 2019-2020.

#### Green loan portfolio categories



The green loans portfolio comprised of 8 main categories including renewable energy, low-pollution energy, energy efficiency, green buildings, pollution prevention and control, sustainable water and waste use, sustainable forest management and conservation as well as low carbon transportation.

## CREDIT POLICY

Within the framework of the Sustainable Development Policy, Golomt Bank takes into account environmental and social risks when deciding on project financing or loan and financing will be granted if the potential risks are manageable.

In September 2019, the bank hired an environmental and social risk assessment specialist and updated its environmental and social risk assessment methodology in accordance with the principles of IFC, the Bank of Mongolia and Sustainable Development Principles as follows:

- Protect the environment
- Protect human rights and society
- Protect cultural heritage
- Support ethical financing and corporate governance
- Lead by example

Introduced the assessment into the system to create a database on environmental and social risk assessments and to monitor, verify and report the findings.

Since January 2020, the Bank has been conducting environmental and social risk assessments of all business loans of MNT 100 million or above while evaluating environmental and social risks for loan requests with 12 months or longer terms. According to the Credit Policy, the bank does not provide financing for businesses that conducts prohibited activities and

completes a thorough environmental and social risk assessments for businesses which are engaged in activities marked as cautionary.

Credit policy defined the following activities as highly harmful to the environment and society:

- Gambling
- Human trafficking, pornography, child labor
- Arms trade and production
- Multilevel marketing or Network marketing
- Cultivation, production and transportation of narcotic plants
- Sale of unlicensed drugs and toxic substances
- Hunting of endangered species, illegal hunting and trade
- Transportation and disposal of hazardous waste
- Logging in special areas
- Online gaming activity

Decisions on financing are made after conducting environmental and social risk assessments for businesses that may have potential impact.

## SUSTAINABLE USE OF NATURAL RESOURCES

Within the framework of sustainable development, Golomt Bank is taking systematic measures in its internal operations to combat climate change and reduce its negative impacts on the environment.



To reduce waste, the bank placed waste sorting bins in offices and provided the employees with instruction on waste sorting. Golomt Bank cooperates with the “Add Color” project of the Mongolian National Recycling Association to send the sorted waste to the recycling plant. In total, 104 waste sorting bins were placed in 6 main offices and 52 branches in Ulaanbaatar that sorts paper, plastics, plastic bags, bottles and cans.

### Refused use of plastics

Single-use plastic cups, spoons, straws, napkins, and plastic bags account for half of the total waste, and only 9% of plastic waste can be recycled. To reduce the use of plastics in offices, the bank replaced single-use plastic products with glass bottles and glass cups as well as organizes plastic-free meetings and trainings. In total, 44 glass bottles and 323 glass cups have been placed in 5 headquarter offices.

### Green purchases

The bank added sustainable finance provisions to procurement contracts and procurement procedures to give preference to environmentally friendly products and services. New Year's gifts for employees comprised of recycled, eco-friendly and locally produced products.

# CORPORATE SOCIAL RESPONSIBILITY PROGRAM

## Official partner of the “Heart Will Not Forget” project



Golomt Bank's Altantulkhuur Children's Foundation signed a memorandum of understanding with Ulaanbaatar Songdo Hospital to become an official partner of the “Heart Will Not Forget” project. The project provides free treatment for children with congenital heart disease in Mongolia, and the Altantulkhuur Children's Foundation finances children's medical expenses and provides other necessary support. Moreover, the bank is appealing to Mongolia's public and private companies and organizations to join the bank in supporting the project.



## Official partner of the State Morin Khuur Ensemble

To promote and spread the traditional Mongolian art in the world and in Mongolia, Golomt Bank has been working as the official partner and general sponsor of the State Morin Khuur Ensemble for the past eight consecutive years.



### Annual Student Scholarship Program



As a socially responsible bank, Golomt Bank pioneered introduction of Student Scholarship Program in Mongolia aimed at enhancing and developing the students' desire to learn. Since the implementation of the Program, 1,400 students were awarded with MNT 1 billion in scholarships. In 2020, more than 700 students from 30 accredited universities and colleges competed for the annual scholarship and top 100 students majoring in 23 areas from 20 accredited universities and colleges received scholarship.

### Donated 100 million MNT to National Center for Communicable Diseases



Due to the widespread outbreak of COVID-19 around the world, the Government of Mongolia, the Ministry of Health, and the State Emergency Commission have immediately taken measures to move the state emergency level to a Disaster Preparedness. Golomt Bank expressed gratitude to all doctors, nurses and staff of the National Center for Communicable Diseases who stood at the forefront of the battle against the pandemic and donated MNT 100 million.

### Blood donation campaign



On the occasion of World Blood Donor Day and as part of the bank's corporate social responsibility, Golomt Bank successfully organized a Blood Donor Day in cooperation with the National Blood Transfusion Research Center. In total, over 50 employees donated their blood.



# EMPLOYEES ARE THE GENESIS OF PROSPERITY

In 2020, Golomt Bank successfully implemented series of training and development activities dedicated to encouraging its employees to continuously learn and share their knowledge with each other under the theme of “Employees are the genesis of prosperity”.



# HUMAN RESOURCES

## Employees' demographics



Out of total 2,300 employees, 87% are under 35 years old while 64% are women and 47% of the management team were women fully meeting the policy framework for promoting gender equality. Over 350 employees newly joined the Golomt family strengthening its human resource capacity. According to the bank's career map, more than 30% of the employees' rotation were comprised of promotion.

Despite the challenges caused by the COVID-19 pandemic in 2020, the bank introduced more flexibility in the labor relations enhancing the efficiency through remote working option, shorter working hours, and flexible work arrangements. During the pandemic, the bank provided its employees with learning and development opportunities, through increased digital trainings solidifying the foundation for digital and virtual learning culture.

## ACTIVITIES FOR SUPPORTING EMPLOYEES

### Awards

- Since 2007, Golomt Bank has a tradition to select and award its "Star" employees. For excellence in leadership, S.Tugsbileg, Director of Khan-Uul Business Center, was awarded with "Star Manager" certificate with two-bedroom apartment, and A.Gantulga, Systems Analyst of the Information Technology Department, was awarded with "Star Employee" certificate with Lexus RX-450 car.
- The 12 best employees were awarded with cash prizes, and 530 employees received awards from Government of Mongolia and other organizations.

### Wellness programs

In 2020, Golomt Bank emphasized health and wellbeing of its employees and implemented various programs throughout the year. In particular, the bank successfully organized vaccination campaigns, vitaminization campaigns, oxygen cocktail programs, oral health programs and health trainings. Due to COVID-19 pandemic, the bank has taken additional health related measures such as providing employees with additional health insurance coverage including Covid-19 testing, daily counseling in addition to the physical and mental health programs and trainings.

### Programs for employees' families

Golomt Bank has implemented a special program for employees' families at "Oin Bulag" summer camp, organizing Children's Day event and drawing competition. The bank continued the implementation of Student Internship-2 Program and Good Vibes-3 Program dedicated to improving the education and enhancing the knowledge of the employees' children through 580 hours of training with certificates.



### Elders' Day event

The bank continued its tradition and paid a tribute to retired employees who have contributed to the bank's growth. The event was organized during Tsagaan Sar and Elders Day as well as farewell and gratitude event for those who are retired in 2020.

## PROGRAMMES IN PARTNERSHIP WITH THE UNIVERSITIES TO PREPARE SKILLED AND QUALITY FUTURE EMPLOYEES

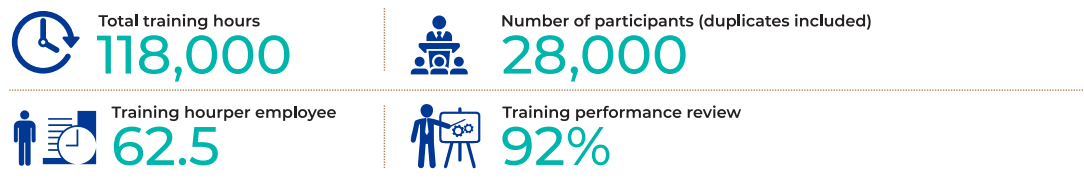
### Research Student Program

Since 2005, Golomt Bank has been implementing the Research Student Program aimed at helping the students to apply their theoretical knowledge in practice at the work and enhance students' participation in banking researches. The Program provides students with the opportunity to work on business projects, resolve challenges, attend comprehensive development training, to gain knowledge and experience, and receive monthly compensations. In 2020, 41 student with 11 different majors successfully participated in the Program and joined Golomt Bank's G-Student Club receiving year around free trainings.

### Internship Opportunity 2k20

Golomt Bank has been implementing the Internship Opportunity Program during the last five years. The Program provides students with opportunities to practice and gain experience working with banking systems, learn from the bank's employees, participate in personal development trainings, develop teamwork skills, and improve their overall knowledge and skills. Moreover, Golomt Bank offers a wide range of other opportunities including a monthly salary and a full-year scholarship. Therefore, the Program offers a substantial investment for students.

### Employee training and development programs



### Training programs for branch and settlement center employees

In 2020, Golomt Bank completely shifted its theoretical trainings for branch and settlement center employees into digital format while combining both theoretical and practical methods for training programs dedicated for Tellers, Bankers, Relationship managers, and Accounting supervisors.

### New Employee Guidance program

- The bank develops new programs to help new employees to adapt to the bank's values and culture and to support their productivity continuously. In 2020, the bank successfully launched the "Pre-boarding" program to provide new employees with comprehensive overview of work place.
- An essential part of the New Employee Guidance Program is the "Buddy" employee program that trains one employee from every unit who provides the much needed support to the new employee to adapt to the bank's culture, new team and internal processes.
- More than 100 top graduates of Mongolia's best universities started their careers at Golomt Bank. The bank successfully organized a New Graduate Talent event for its new employees for the first time in collaboration with the senior management team.

### **Specialization Program**

Golomt Bank's vision is to become Mongolia's Global Benchmark. To implement the vision statement, the bank provided training opportunities for its employees to further specialize in their careers. 20 employees participated in specialization programs for CFA, ACCA, and PMP as well as more than 200 employees attended compulsory training in accordance with the relevant laws of Mongolia.

### **Management Development Program**

The bank successfully implemented the long-term Management Training Program and Branch Manager Program through the Management Development Program as part of the systematic succession management strategy.

### **Internal Trainers' Training Program**

To improve internal capacity and develop trainers, the bank provided opportunities for the managers and trainers to participate in trainers' training and development programs.

### **Employee Development Program**

In 2020, more than 28,000 employees (duplicates included) successfully completed 118,000-hours of training and improved their knowledge and skills.

To support the employees' continuous development, a new Knowledge Sharing training was introduced and more than 1,000 employees were trained.

Moreover, within the framework of Sustainable Finance capacity building, the bank organized digital trainings jointly with the Mongolian Sustainable Finance Association and in-house digital trainings on sustainable finance which were attended by more than 85% of the total employees.



In 2020, Golomt Bank  
successfully updated its  
Risk Management System  
in accordance with the  
international standards  
within the framework of the  
vision to become “Mongolia’s  
Global Benchmark.”



## MANAGING RISK



# RISK MANAGEMENT

The bank improved and implemented the key components of the risk management system including risk governance, Three Lines Model, risk capacity, risk tolerance reserve building based on stress test, risk appetite statement, and Traffic Light methodology. Moreover, the bank adopted the Internal Capital Adequacy Assessment Process (ICAAP) of the Basel Committee on Banking Supervision, and strengthened its internal assessment of capital risks and risk management.

In the Risk Management System approved by the Board of Directors, the “Three Lines Model” provides an effective method for risk management defining functions, plans and performance evaluation of bank’s all units. Three Lines are identified as follows:

- “First Line” includes business units performing day-to-day business operations and assuming responsibilities for the risks according to the bank's policies, regulations as well as the units supporting the above units.
- “Second Line” includes the units responsible for monitoring the risk management of the First Line units and controlling overall risk of the bank.
- “Third Line” includes units with independent internal audit functions.

## Credit risk management

Credit risk is the probability of the bank’s loss due to a lenders’ potential default. Credit risk management aims to maximize the bank's profitability and returns by managing the credit risk using segments and products specific approaches.

Although 2020 was full of unforeseen challenges, Golomt Bank has successfully met all requirements and ratios set by the regulatory authorities and gradually improved its internal lending procedures and processes. Currently, studies and calculations related to issue of consumption, housing, SMEs and corporate loans can be done through the system which automatically produces the relevant reports. In addition, the introduction of behavioral scoring for SMEs and individuals facilitated improvement of risk management of total loan portfolio and enhancement of customers’ management. Moreover, the bank processed and resolved lenders’ applications to make changes into the terms of loan agreement due to COVID-19 pandemic using Robotic Process Automation (RPA) which saved time and increased productivity immensely.

The bank plans to continue the development of lending activities through improving the efficiency and effectiveness of lending activities, enhancing loan officers’ skills, strengthening loan studies, and advancing loan portfolio management.

## Credit collateral policy

In accordance with the bank's credit collateral policy, the bank accepts collateral from lenders and third parties to secure the fulfillment of obligations on loans, other equivalent assets and other contingent liabilities. Depending on the type of the collateral, the bank uses various asset valuation methods and approaches (market approach or comparison methods, cost approach and others) and valuation models while ensuring the independence and code of ethics of the valuers in accordance the International Valuation Standards to implement a comprehensive credit collateral policy.

## Environmental and social risk assessment

Golomt Bank conducts environmental and social risk assessments of business loan requests. The assessment studies applicant's business activity to verify its compliance with the legislation, norms and standards in environmental and social spheres as well as implementation of environmental and social responsibility. In 2020, the bank improved the methodology on environmental and social risk assessment of loans that were included in the relevant credit regulations. Environmental and social risk assessment became the part of the loan assessment and the Credit Committee will not make decision without this assessment.

## Market risk management

Market risk includes potential losses due to changes in market prices adversely impacting the value of financial instruments and future cash flows. The risk on the bank's open positions increases with the changes in interest rate, exchange rate, value of assets and other market movements.

Although the financial sector faced challenges and risks associated with changes in exchange rate, stock and commodity prices in the reporting year, Golomt Bank has strengthened its risk management system to safeguard against the potential losses through effective market risk management policies.

In 2020, Golomt Bank met the requirements set by the Bank of Mongolia for open foreign currency positions and fully complied with the Bank's risk appetite statement. In addition, potential losses from exchange rate risks are calculated on a daily basis using the Value at Risk Method.

## Liquidity risk management

Liquidity risk includes potential challenges in fulfilling the financial obligations due to shortage in cash or other highly liquid assets.

In the reporting year, the bank successfully implemented the policy to maintain highly liquid short- and long-term positions as stated in bank's business plan. Golomt Bank's liquidity ratio has been high meeting the requirements set by the Bank of Mongolia and complying with the bank's risk appetite statement during the year. As per the standards set by the Basel Committee on Banking Supervision, the bank regularly uses the Liquidity Coverage Ratio (LCR) to manage and control short-term liquidity risk and the Net Stable Funding Ratio (NSFR) to manage and control medium- and long-term liquidity risk. In addition, the bank assesses potential liquidity risks, performs stress testing regularly, and uses the results in risk monitoring decisions.

To develop the Bank's liquidity risk management and protect against potential risks, the bank improved and implemented its policies, regulations, methodologies and contingency plans according to the international standards.

## Operational risk management

Operational risk includes potential failure to maintain the risk at an adequate level due to the bank's inadequate or failed internal operations, control of systems, employees, and adverse external impact.

To effectively manage and control the operational risks faced by the bank's units, the "Risk Control Self-Assessment Methodology" is employed to identify and mitigate their operational risks in the reporting year. In addition, to mitigate the risk, the bank measured the operational risk of the branches and settlement centers by metric indicators on a monthly and quarterly basis.

The bank continues to improve its risk management by organizing trainings on risk management for the employees. To increase the effectiveness of the bank's operational risk management, to streamline decision-making process and to automate operations, the bank plans to develop and introduce an operational risk management system in 2021.

## INFORMATION SECURITY

Golomt Bank has created a new system for employees to work remotely during the COVID-19 pandemic to ensure smooth day-to-day operations of the bank. As per the State Emergency Preparedness regulations, only 500-1000 employees on average have been working daily at offices. The technology solution ensured information security and set particular rules for each employee that are user-friendly. Also, the bank is able to receive daily reports from employees who were working remotely.

### Complied with international standards

Golomt Bank aims to develop a benchmark information security system and has successfully implemented and have been certified with an international Information Security Standard (ISO27001) and Payment Card Industry Data Security Standard (PCI-DSS).

To ensure implementation of legislation on the personal data protection and establish sophisticated data protection process, the bank succeeded to meet the requirements of the General Data Protection Regulation (GDPR), regulation on data protection and privacy in the European Union, and have been certified. Annual audits of ISO27001 Standard and PCI-DSS Standard have been successfully conducted.



### Information security vulnerability assessment has been conducted on financial systems



In 2020, the Thales eSecurity, a leading global provider of advanced data security solutions and services, has conducted Golomt Bank's information security vulnerability assessment on the bank's financial systems.

### "More you are persuaded, better you check-2" campaign



In cooperation with the General Police Department and the Bank of Mongolia, Golomt Bank launched the "More you are persuaded, better you check-2" campaign in November 2020 under the slogan "Don't give fraudsters a chance" to prevent cybercrime. 1,499,748 citizens were provided with information on preventing from fraud during the campaign.

The co-organizers underlined that the campaign was a successful in preventing cybercrime, providing legal and financial education to citizens, and reducing the potential damages and losses.

### Golomt Bank's Guardian cybersecurity team began to deliver 4 types of services to customers



In digital transformation, the information becomes the organization's most valuable asset. Integrity, accessibility, and confidentiality of information are important for businesses to achieve their goals. Recent innovations in the telecommunications sector have led to restructuring of many organizations and entities by accelerating the development of information technology and expanding its use. Therefore, it is important to take appropriate Information Security measures to protect the communications infrastructure. An essential part of this process is receiving trusted information security expertise.

Golomt Bank's Guardian cybersecurity team provides the following 4 comprehensive services to ensure the information security of its customers:

- **Solution provider service:** After assessing the customer's operations and current positions, the team provides consulting services on information security concerning human resources, technology and processes, and offers information security solutions.
- **Education service:** The team provides special training for the customers' employees on information security issues (beginner, intermediate and advanced level), organizes testing and evaluation of their knowledge.
- **Penetration testing service:** The team reduces technology risk by detecting vulnerabilities in customer's information systems, software, and networks, and by conducting access testing.
- **Incident response service:** The team provides prompt response to cyber incidents and post-incident review and analysis.







Golomt Bank places utmost importance on corporate social responsibility and strict compliance with the international and Mongolian laws and regulations by making the necessary investment and resources. These are deeply rooted in the bank's culture of complying with regulation, high business ethics and conduct and fair competition



# COMPLIANCE

# COMPLIANCE OPERATIONS

The Board of Directors (BoD) of Golomt Bank has approved Corporate Governance Code that comprised of “Code of Ethics” with clearly defined principles and standards of conduct and ethical behavior mandated for all employees. Within the framework of compliance activity, the bank adopted Compliance Policy, Regulation on Preventing and Combating Corruption, Anti-Fraud Policy, and Breach of Conduct Reporting Policy (Whistle Blowing).

Risk Management Committee and Audit Committee of the BoD discuss compliance issues quarterly and make the relevant decisions. The Compliance Unit is well structured and conducts independent activity reporting directly to the BoD and the Chief Executive Officer (CEO).

Moreover, the bank established the Risk Management Committee at the Management level to support CEO and discuss compliance risk related issues monthly through identifying effective solutions, making relevant decisions and monitoring implementation. The Compliance Unit is responsible for developing and implementing a comprehensive policy for the effective management of compliance risks and for improvement of internal control programs as well as for regular monitoring and compliance assurance on anti-money laundering and counter-terrorism financing.

Golomt Bank places strong importance on compliance activities by directing financial resources for compliance practice and building employees capacity in line with the international practice through international trainings and specialization programs after the bank introduced an automated transaction monitoring system.

To develop the bank's compliance culture, engage all employees, and enhance their knowledge, duties and participation, the bank launched the “Compliance Ambassador” program that appoints Ambassadors from the bank's every unit to ensure efficient compliance measures.

## **Mongolia's National Risk Assessment of Money Laundering and Terrorism Financing**

The Financial Action Task Force has issued international standards on combating money laundering and terrorism financing which requires countries to conduct national risk assessments according to these standards.

Mongolia's first national risk assessment was conducted in 2016 while the second assessment is being conducted by the representatives from public organizations and private sector using the World Bank methodology which are in the final stages of completion. The National Risk Assessment Methodology, developed with the technical assistance from the World Bank, has 10 modules in total. Golomt Bank joined a sub-working group engaged in the assessment's third module focused on banking sector vulnerability through effective participation in compiling data on banking sector based on thorough analysis while participating in discussions and taking part in preparation of consolidated report.

## **Mongolia has been removed from the FATF's Grey List**

In October 2020, Mongolia was removed from the FATF's list of countries with strategic deficiencies ("Grey List"), as a result of an effective and efficient collaboration of the working groups comprised of representatives from the Bank of Mongolia, various public organizations and private sector.

## GOLOMT BANK

International Financial Reporting Standards  
Financial Statements and Independent Auditor's Report

31 December 2020





## Corporate Information

<b>Incorporation decision</b>	Golomt Bank (the “Bank”) was incorporated on 06 March 1995.	
<b>Certificate and License</b>	<p>The Bank holds the State Registration Certificate No. 9016001014 with registration No.2075377 newly granted to the Bank by the State Registration Office of Mongolia on 05 December 2005.</p> <p>The Bank holds the Special License No. 25 for Banking Activities dated 06 March 1995 issued by the Bank of Mongolia.</p>	
<b>Board of Governors</b>	<p>Ch. Munkhtsetseg</p> <p>Urs E. Schwarzenbach</p> <p>D. Munkhtur</p> <p>L. Bolormaa</p> <p>J. Unenbat</p> <p>López Abelló</p> <p>James B. Dwyer</p>	<p>Chairwoman</p> <p>Member</p> <p>Member</p> <p>Member</p> <p>Member</p> <p>Independent Member</p> <p>Independent Member</p>
<b>Executive Officers</b>	<p>K. Norihiko</p> <p>G. Ganbold</p> <p>T. Nyamsuren</p> <p>M. Sainbileg</p> <p>S. Munkhtuya</p> <p>D. Badral</p> <p>Ts. Baigalmaa</p> <p>B. Bayartbileg</p> <p>T. Otgon</p> <p>G. Uyanga</p> <p>M. Narankhuu</p> <p>O. Battsengel</p> <p>Yo. Purevbat</p> <p>Kh. Purevdorj</p> <p>J. Khishigjargal</p>	<p>Chief Executive Officer</p> <p>President</p> <p>Deputy CEO (Credit)</p> <p>Chief Information Officer</p> <p>Director of Financial Management Division</p> <p>Director of Corporate Banking Division</p> <p>Director of Retail and SME Banking Division</p> <p>Director of Credit Division</p> <p>Director of Risk Management Division</p> <p>Director of Human Resource Division</p> <p>Director of Business Process Management</p> <p>Director of Information Technology Division</p> <p>Director of Operations Division</p> <p>Director of Administration Division</p> <p>Director of Financial Institution and Investment Division</p>
<b>Registered office</b>	<p>Head Office of Golomt bank</p> <p>Sukhbaatar Square 5,</p> <p>P.O.Box 22</p> <p>Ulaanbaatar 15160, Mongolia</p>	
<b>Auditors</b>	<p>PwC Audit LLP</p> <p>34 Al-Farabi Avenue, Building A, 4th Floor</p> <p>Almaty 050059, Kazakhstan</p> <p>Medeel Audit LLC</p> <p>19-32B, Microdistrict 18</p> <p>Bayangol District ,Ulaanbaatar, Mongolia</p>	



## Independent Auditor's Report

To the Shareholder of Golomt Bank LLC

### Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Golomt Bank LLC (the "Bank") as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS).

### What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

### 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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Ulaanbaatar, Mongolia  
Tel: +(976) 11 369511 Fax: +(976) 11 369511  
www.monicpa.mn

## 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 IFRS, 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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### Auditor's responsibilities for the audit of the financial statements (continued)

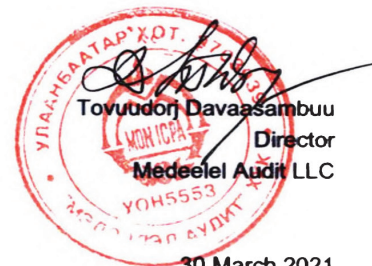
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Signed by



PricewaterhouseCoopers LLP

30 March 2021  
Almaty, Kazakhstan



Tovuudorj Davaasambuu  
Director  
Medeelel Audit LLC

30 March 2021  
Ulaanbaatar, Mongolia



## Statement of Financial Position

<i>In thousands of Mongolian Tugriks</i>	<b>Note</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Assets</b>			
Cash and balances with central bank (other than mandatory reserve)	7	561,259,957	1,110,252,507
Mandatory cash balances with the Bank of Mongolia	8	243,458,197	291,911,405
Due from other banks	9	1,273,144,461	906,564,709
Investments in debt securities	10	1,364,400,620	286,935,722
Investments in equity securities	11	29,495,322	24,697,234
Loans and advances to customers	12	3,031,345,915	3,306,694,312
Investment properties	13	39,671,913	42,387,502
Other assets	14	121,266,425	158,666,998
Deferred income tax assets	31	-	91,018
Derivative financial instruments	38	205,614,803	138,110,388
Intangible assets	15	16,754,344	14,370,011
Premises and equipment	16	144,135,456	147,748,830
Right of Use Assets	17	9,882,736	6,262,751
Repossessed collateral	18	210,576,325	151,317,600
Non-current assets classified as held for sale	19	26,983,976	57,125,324
<b>Total assets</b>		<b>7,277,990,450</b>	<b>6,643,136,311</b>
<b>Liabilities</b>			
Due to other banks	20	14,638,962	52,928,512
Customer accounts	21	5,285,675,177	4,900,641,622
Other borrowed funds	22	1,202,264,649	916,032,162
REPO arrangements	23	20,088,596	24,876,114
Current income tax liability	31	-	1,444,404
Deferred income tax liability	31	12,356,607	-
Lease liabilities	17	10,611,448	6,524,901
Other liabilities	24	100,796,545	106,156,139
Subordinated debt	25	-	172,027,616
<b>Total liabilities</b>		<b>6,646,431,984</b>	<b>6,180,631,470</b>
<b>Equity</b>			
Preferred shares	26	16,388,100	25,778,900
Share capital	26	42,159,537	32,014,498
-Share premium	26	291,843,805	135,171,702
Retained earnings		210,853,485	197,396,268
Other reserves		70,313,539	72,143,473
<b>Total equity</b>		<b>631,558,466</b>	<b>462,504,841</b>
<b>Total liabilities and equity</b>		<b>7,277,990,450</b>	<b>6,643,136,311</b>

Approved for issue and signed on behalf of the Bank's management on 30th March 2021.



CH. MUNKHTSETSEG  
Chairwoman, Board of Governors



K. NORIHIKO  
Chief Executive Officer



S. MUNKHTUYA  
Head of Financial Management Division

**Statement of Profit or Loss and Other Comprehensive Income**

<i>In thousands of Mongolian Tugriks</i>	<b>Note</b>	<b>2020</b>	<b>2019</b>
Interest income	27	551,881,787	556,957,598
Other similar income	27	18,250,599	20,934,133
Interest expense	27	(364,394,243)	(365,155,590)
Other similar expense	27	(1,385,422)	(851,077)
<b>Net interest income</b>		<b>204,352,721</b>	<b>211,885,064</b>
Credit loss allowance	12	(93,836,353)	(135,444,583)
<b>Net interest income after credit loss allowance</b>		<b>110,516,368</b>	<b>76,440,481</b>
Fee and commission income	28	49,077,568	55,098,342
Fee and commission expense	28	(15,595,724)	(17,094,328)
Losses less gains from financial assets at fair value through profit or loss		(1,023,322)	2,319,394
Gains less losses from modification of borrowed fund at amortised cost		1,847,344	-
Gains less losses from financial assets at fair value through other comprehensive income		2,217,585	(3,761)
Gains less losses from financial derivatives		14,504,028	15,029,328
Foreign exchange translation gains less losses		4,182,339	11,971,271
Gains less losses from trading in foreign currencies and precious metals		26,029,308	12,585,157
Losses less gains from loans at fair value through profit or loss		(5,970,851)	-
Losses less gains from modification of financial assets measured at amortised cost, that did not lead to derecognition		(549,771)	(288,293)
Reversal of expected credit loss allowance of debt securities at amortised cost		47,359	697,526
Impairment of debt securities at fair value through other comprehensive income	10	(2,581,031)	990,237
Reversal of impairment of due from banks		594,619	(839,402)
Losses on initial recognition of assets at rates below market	12	(922,974)	(5,348,937)
Provision charge for other assets	14	(761,576)	(2,689,233)
Losses less gains from non-current asset held for sale		(344,059)	1,792,301
Provision charge for repossessed collateral		(38,176,652)	(9,559,169)
Provision charge for guarantee and LC		(959,246)	1,461,464
Losses less gains on revaluation of investment properties	13	(1,778,646)	3,217,996
Dividend received		232,901	96,178
Other operating income and expenses	29	2,918,037	1,024,184
Administrative and other operating expenses	30	(121,014,584)	(122,005,830)
<b>Profit before tax</b>		<b>22,489,020</b>	<b>24,894,906</b>
Income tax expense	31	(12,095,260)	(8,590,226)
<b>Profit for the year</b>		<b>10,393,760</b>	<b>16,304,680</b>
<b>Other comprehensive income/(loss):</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Debt securities at fair value through other comprehensive income:			
- Gains less losses arising during the year		2,217,585	(3,761)
- Gains less losses reclassified to profit or loss upon disposal		(2,217,585)	3,761
<i>Items that will not be reclassified to profit or loss:</i>			
Gains less losses on investments in equity securities at fair value through other comprehensive income	32	3,905,911	(8,924,616)
Revaluation of premises and equipment	32	-	1,242,104
Income tax recorded directly in other comprehensive income	32	(976,478)	2,231,155
<b>Other comprehensive income</b>		<b>2,929,433</b>	<b>(5,451,357)</b>
<b>Total comprehensive income for the year</b>		<b>13,323,193</b>	<b>10,853,323</b>

## Statement of Changes in Equity

<i>In thousands of Mongolian Tugriks</i>	Note	Preferred shares	Treasury preferred shares	Share capital	Treasury shares	Share premium	Revaluation reserve for securities at FVTOCI	Revaluation reserve for premises	Other reserves	Retained earnings	Total equity
<b>Balance at 1 January 2019</b>		<b>75,778,900</b>	-	<b>32,321,857</b>	-	<b>127,629,293</b>	<b>(9,097,995)</b>	<b>6,855,242</b>	<b>76,745,659</b>	<b>202,842,670</b>	<b>513,075,626</b>
Profit for the year		-	-	-	-	-	-	-	-	16,304,680	<b>16,304,680</b>
Other comprehensive income		-	-	-	-	-	(6,693,461)	1,242,104	-	-	<b>(5,451,357)</b>
<b>Total comprehensive income for 2019</b>		-	-	-	-	-	<b>(6,693,461)</b>	<b>1,242,104</b>	-	<b>16,304,680</b>	<b>10,853,323</b>
Cancelation of shares	26	-	-	(5,954,264)	-	(81,045,736)	-	-	-	-	<b>(87,000,000)</b>
Cancelation of preferred shares	26	(50,000,000)	-	-	-	-	-	-	-	-	<b>(50,000,000)</b>
Conversion of the subordinated loans	26	-	-	5,646,905	-	88,588,145	-	-	-	-	<b>94,235,050</b>
Dividends declared	33	-	-	-	-	-	-	-	-	(9,009,657)	<b>(9,009,657)</b>
Transfer of revaluation surplus on premises		-	-	-	-	-	-	(350,676)	-	350,676	-
Transfer to regulatory reserve		-	-	-	-	-	-	-	3,442,600	(3,442,600)	-
Other disbursement		-	-	-	-	-	-	-	-	(9,649,501)	<b>(9,649,501)</b>
<b>Balance at 31 December 2019</b>		<b>25,778,900</b>	-	<b>32,014,498</b>	-	<b>135,171,702</b>	<b>(15,791,456)</b>	<b>7,746,670</b>	<b>80,188,259</b>	<b>197,396,268</b>	<b>462,504,841</b>
Profit for the year		-	-	-	-	-	-	-	-	10,393,760	<b>10,393,760</b>
Other comprehensive income		-	-	-	-	-	2,929,433	-	-	-	<b>2,929,433</b>
<b>Total comprehensive income for 2020</b>		-	-	-	-	-	<b>2,929,433</b>	-	-	<b>10,393,760</b>	<b>13,323,193</b>
Acquisition of treasury shares	26	-	(9,390,800)	-	(80,500)	(5,102,358)	-	-	-	-	<b>(14,573,658)</b>
Conversion of the subordinated loans	26	-	-	10,225,539	-	161,774,461	-	-	-	-	<b>172,000,000</b>
Dividends declared and paid	33	-	-	-	-	-	-	-	-	(1,695,910)	<b>(1,695,910)</b>
Transfer of revaluation surplus on premises		-	-	-	-	-	-	(251,127)	-	251,127	-
Transfer from regulatory reserve		-	-	-	-	-	-	-	(4,508,240)	4,508,240	-
<b>Balance at 31 December 2020</b>		<b>25,778,900</b>	<b>(9,390,800)</b>	<b>42,240,037</b>	<b>(80,500)</b>	<b>291,843,805</b>	<b>(12,862,023)</b>	<b>7,495,543</b>	<b>75,680,019</b>	<b>210,853,485</b>	<b>631,558,466</b>

**Golomt Bank LLC**  
**Statement of Cashflow**

<i>In thousands of Mongolian Tugriks</i>	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>			
<b>Profit/(loss) before tax</b>		<b>22,489,020</b>	<b>24,894,906</b>
Adjustments to:			
Credit loss allowance	12	93,836,353	135,444,583
Gains less losses from financial assets at fair value through other comprehensive income		(2,217,585)	3,761
Gains less losses from financial assets at fair value through profit or loss		1,023,322	(2,319,394)
Gains less losses from modification of borrowed fund at amortised cost		(1,847,344)	-
Gains less losses from financial derivatives	38	(14,504,028)	(11,081,513)
Gains less losses from modification of financial assets measured at amortised cost, that did not lead to derecognition		549,771	288,293
Losses less gains of loans at fair value through profit or loss		5,970,851	-
Impairment of Due from other banks		(594,619)	839,402
Impairment of debt securities at fair value through other comprehensive income		2,581,031	(990,237)
Reversal of expected credit loss allowance of debt securities at amortised cost		(47,359)	(697,526)
Losses on initial recognition of assets at rates below market		922,974	5,348,937
Gain on disposal of properties	32	(330,660)	1,536,773
Foreign exchange (gains)/losses		(4,182,339)	(11,971,271)
Provision for other assets	14	761,576	2,689,233
Reversal of provision for credit related commitment		959,246	(1,461,464)
Gains less losses from investment properties	13	1,778,646	(3,217,996)
Gains less losses from non-current asset held for sale	19	344,059	(1,792,301)
Depreciation expense	16, 17	20,893,854	14,015,517
Amortisation expense	15	3,300,686	2,860,510
Property and equipment written off	16	199,973	45,682
Impairment provision for repossessed collateral	18	38,176,652	9,559,169
Interest income	27	(570,132,386)	(577,891,731)
Interest expense	27	365,779,665	366,006,667
<b>Cash flows used in operating activities before changes in operating assets and liabilities</b>		<b>(34,288,641)</b>	<b>(47,890,000)</b>
Decrease in mandatory cash balances with the Bank of Mongolia		48,453,208	163,161,487
(Increase) in due from other banks		(263,571,706)	(305,824,959)
Decrease in debt securities at fair value true profit or loss		39,713,894	114,709,744
(Increase)/decrease in equity securities at fair value true profit or loss		(515,433)	9,794,053
(Increase) in loans and advances		(19,804,309)	(650,176,728)
(Increase)/decrease in other assets		2,613,223	(64,213,447)
(Increase) in repossessed collateral		(44,631,606)	(9,559,169)
(Increase)/decrease in non-current assets classified as held for sale		26,107,289	(20,555,934)
(Increase)/decrease in investment properties		-	(4,875,684)
Decrease in due to other banks		(38,289,550)	(95,838,215)
Increase in customer account		389,215,894	495,714,366
(Decrease)/increase in other liabilities		(6,318,838)	61,031,495
<b>Net cash used in operating activities before tax and interest</b>		<b>98,683,425</b>	<b>(354,522,991)</b>
Tax paid		(2,068,516)	(15,262,893)
Interest received		507,987,326	525,560,117
Interest income received on investment at fair value through profit or loss		10,458,601	205,299
Interest paid		(357,859,711)	(339,927,112)
<b>Net cash provided used in operating activities</b>		<b>257,201,125</b>	<b>(183,947,580)</b>

## Statement of Cashflow

In thousands of Mongolian Tugriks	Note	2020	2019
<b>Cash flows from investing activities</b>			
Acquisition of debt securities at fair value through other comprehensive income		(348,851,636)	(4,020,651,932)
Acquisition of equity securities at fair value through other comprehensive income		-	(9,012,274)
Proceeds from disposal of debt securities at fair value through other comprehensive income		200,806,180	4,260,523,837
Proceeds from disposal of equity securities at fair value through other comprehensive income		27,694,023	87,659
Acquisition of investment in debt securities carried at amortised cost		-	409,233
Proceeds from redemption of debt securities carried at amortised cost		6,581,628	34,161,381
Proceeds from disposal of investment property		7,705,891	-
Acquisition of premises and equipment	16	(12,180,906)	(31,325,390)
Proceeds from disposal of premises and equipment	16	3,313,026	847,712
Acquisition of intangible asset	15	(5,685,019)	(2,980,195)
<b>Net cash provided from investing activities</b>		<b>(120,616,813)</b>	<b>232,060,031</b>
<b>Cash flows from financing activities</b>			
Acquisition of treasury ordinary shares	26	(1,062,008)	(45,000,000)
Acquisition of treasury preference shares	26	(13,511,650)	-
Proceeds from repo arrangements		1,822,632,072	3,439,794,977
Repayment of repo arrangements		(1,829,718,400)	(3,571,210,255)
Proceeds from drawdown of other borrowed funds	22	357,938,206	395,226,792
Repayment of other borrowed funds	22	(23,120,151)	(89,115,105)
Repayment of principal of lease liabilities		(5,818,276)	(4,747,112)
Proceeds from subordinated loans	25	-	80,000,000
Repayment of subordinated loans	25	(27,616)	1,732,849
Dividends paid	33	(1,695,911)	(9,009,657)
Other disbursements		-	(9,649,500)
<b>Net cash provided from financing activities</b>		<b>305,616,266</b>	<b>188,022,989</b>
Effect of exchange rate changes on cash and cash equivalents		39,206,535	47,056,670
<b>Net increase in cash and cash equivalent</b>		<b>481,407,113</b>	<b>283,192,110</b>
Cash and cash equivalents at the beginning of the period		1,465,380,055	1,182,187,945
<b>Cash and cash equivalents at the end of the period</b>	<b>7</b>	<b>1,946,787,168</b>	<b>1,465,380,055</b>

Refer to Notes 3 and 10 for information on the MIK-SPC transactions that did not require the use of cash and cash equivalents and were excluded from the Statement of Cash Flows.

**7 Cash and Cash Equivalents**

**Cash and balances with central bank (other than mandatory reserve)**

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
Cash on hand	126,009,968	104,767,167
Current account with the Bank of Mongolia (other than mandatory reserve)	435,249,989	1,005,485,340
<b>Cash and cash balances with central bank</b>	<b>561,259,957</b>	<b>1,110,252,507</b>

Cash and balances with central bank (other than mandatory reserve) are not collateralised. Credit quality of current account with the Bank of Mongolia based on credit risk grade is “satisfactory” and had a B3 rating from Moody’s as at 31 December 2020 and 31 December 2019.

Cash and cash equivalents for the purposes of the cash flow statement are presented below:

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
Cash and balances with the central banks (Note 7)	561,259,957	1,110,252,507
Treasury bills of the Bank of Mongolia with original maturities of less than three months (Note 10)	1,096,937,280	168,951,043
Due from banks (Note 9)	288,589,932	186,176,505
<b>Total cash and cash equivalents</b>	<b>1,946,787,169</b>	<b>1,465,380,055</b>

For the purpose of ECL measurement, cash and cash equivalents balances are included in Stage 1 as of 31 December 2020 and 31 December 2019. The ECL for these balances represents an insignificant amount, therefore the Bank did not recognise any credit loss allowance for cash and cash equivalents.

**8 Mandatory reserves with the Bank of Mongolia**

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
Mandatory cash balances with the Bank of Mongolia	243,458,197	291,911,405
<b>Mandatory cash balances with the Bank of Mongolia</b>	<b>243,458,197</b>	<b>291,911,405</b>

Current accounts with the Bank of Mongolia are maintained in accordance with the regulations of the Bank of Mongolia. The mandatory cash balances maintained with the Bank of Mongolia are determined at not less than 8.5% in MNT and 15% in foreign currency (2019: 10.5% in MNT and 15% in foreign currency) of customer deposits for a period of 2 weeks. According to the Bank of Mongolia resolution dated 29 March 2018, the Bank maintains 50% of the mandatory reserve balance as at the reporting date.

Credit quality of current account with the Bank of Mongolia based on credit risk grade as at 31 December 2020 is “satisfactory” and neither past due nor impaired as at 31 December 2020 and 31 December 2019. For the purpose of ECL measurement, mandatory cash balances are included in Stage 1 as of 31 December 2020 and 31 December 2019.

The ECL for these balances represents an insignificant amount; therefore, the Bank did not recognise any credit loss allowance.

## 9 Due from Other Banks

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
Correspondent accounts with other banks		
Foreign	272,238,403	175,105,319
Domestic	2,686,086	10,776,841
Short-term placements with other banks		
Foreign	3,653,594	294,345
Domestic	10,011,849	-
Placements with other banks with original maturities of more than three months	984,554,529	720,388,204
<b>Total due from other banks</b>	<b>1,273,144,461</b>	<b>906,564,709</b>

Placements with other banks with original maturities of more than three months as at 31 December 2020 include current accounts with maturities ranging from 1 year to 5 years. The increase as at 31 December 2020 relates to a new placement at a foreign financial institution in the amount of USD 136,000 thousands which is collateralised for a borrowing from the same institution (refer to Note 22).

The following table contains an analysis of due from other banks balances by credit quality at 31 December 2020 and 31 December 2019 based on credit risk grades and discloses due from other banks balances by three stages for the purpose of ECL measurement.

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2020 Stage 1 (12-months ECL)</b>	<b>31 December 2019 Stage 1 (12-months ECL)</b>
- Excellent	1,111,583,041	713,235,350
- Good	17,051,805	5,587,220
- Satisfactory	16,406,584	12,889,393
- Special monitoring	128,347,814	175,692,148
<b>Gross carrying amount</b>	<b>1,273,389,244</b>	<b>907,404,111</b>
<b>Less: Credit loss allowance</b>	<b>(244,783)</b>	<b>(839,402)</b>
<b>Carrying amount</b>	<b>1,273,144,461</b>	<b>906,564,709</b>

## 10 Investments in Debt Securities

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
Debt securities at FVTOCI	1,242,830,827	169,387,815
Debt securities mandatorily measured at FVTPL	116,890,897	106,342,392
Debt securities at AC	4,741,411	11,315,389
Less: Credit loss allowance	(62,515)	(109,874)
<b>Total investments in debt securities</b>	<b>1,364,400,620</b>	<b>286,935,722</b>

The significant increase in Debt securities at FVTOCI relates to the additional investment in Bank of Mongolia Treasury Bills.

**10 Investments in Debt Securities (continued)**

The table below discloses investments in debt securities at 31 December 2020 by measurement categories and classes:

<i>In thousands of Mongolian Tugriks</i>	<b>Debt securities at FVTOCI</b>	<b>Debt securities mandatorily measured at FVTPL</b>	<b>Debt securities at AC</b>	<b>Total</b>
Treasury bills of the Bank of Mongolia (a)	1,096,937,280	-	-	<b>1,096,937,280</b>
MIK bonds – Senior RMBS (b)	-	5,394,927	-	<b>5,394,927</b>
MIK bonds – Junior RMBS (b)		111,495,970		<b>111,495,970</b>
Government bonds (c)	145,893,547	-	4,741,411	<b>150,634,958</b>
<b>Total investments in debt securities at 31 December 2020 (fair value or gross carrying value)</b>	<b>1,242,830,827</b>	<b>116,890,897</b>	<b>4,741,411</b>	<b>1,364,463,135</b>
Less: Credit loss allowance	-	-	(62,515)	<b>(62,515)</b>
<b>Total investments in debt securities at 31 December 2020 (carrying value)</b>	<b>1,242,830,827</b>	<b>116,890,897</b>	<b>4,678,896</b>	<b>1,364,400,620</b>

The table below discloses investments in debt securities at 31 December 2019 by measurement categories and classes:

<i>In thousands of Mongolian Tugriks</i>	<b>Debt securities at FVTOCI</b>	<b>Debt securities mandatorily measured at FVTPL</b>	<b>Debt securities at AC</b>	<b>Total</b>
Treasury bills of the Bank of Mongolia (a)	168,832,512	-	-	<b>168,832,512</b>
MIK bonds – Junior RMBS (b)	-	106,342,392	-	<b>106,342,392</b>
Government bonds (c)	555,303	-	11,315,389	<b>11,870,692</b>
<b>Total investments in debt securities at 31 December 2019 (fair value or gross carrying value)</b>	<b>169,387,815</b>	<b>106,342,392</b>	<b>11,315,389</b>	<b>287,045,596</b>
Less: Credit loss allowance	-	-	(109,874)	<b>(109,874)</b>
<b>Total investments in debt securities at 31 December 2019 (carrying value)</b>	<b>169,387,815</b>	<b>106,342,392</b>	<b>11,205,515</b>	<b>286,935,722</b>

**(a) Treasury bills of the Bank of Mongolia**

Treasury bills of the Bank of Mongolia at FVTOCI represents investment securities held for satisfying the liquidity and business model in a "held to collect and sell".



## (b) MIK bonds

The MIK bonds represent the bonds secured by the mortgage loans provided by the Bank to the customers. The MIK bonds are classified as the same category of contractually linked instrument (mortgage loans) at FVTPL. The Bank had an intention to sell the mortgage loans from the initial recognition (refer to Note 3.3.13). The bond represents Junior and Senior residential mortgage-backed securities (RMBS) obtained from a MIK-HFC securitisation transaction as disclosed in Note 3.

As described in Note 3 the Junior RMBS will only be redeemed after the full redemption of the principal of the Senior RMBS and the payments to Junior RMBS holders are subordinate in right of payment and priority to the Senior RMBS. Any shortfall in the net assets of MIK-HFC would be borne by the Senior and Junior RMBS holders (proportionally in accordance with their seniority in the right of payment and priority).

## (c) Government bonds

Debt securities classified at FVTOCI represents investment securities held for satisfying the liquidity and business model in a "held to collect and sell".

Debt securities classified at AC represents investment securities held for satisfying the liquidity and business model in a "held to collect".

Debt securities mandatorily classified as at FVTPL by the Bank represent securities held for trading and securities in a 'held to sell' business model as the Bank had an intention to realise a trading gain. On initial recognition, the Bank has designated government bonds at FVTPL. The government bonds at FVTPL are carried at fair value, which also reflects any credit risk related write-downs and best represents Bank's maximum exposure to credit risk, and are not collateralised.

### Investments in debt securities at FVTOCI

The following table discloses Treasury bills of the Bank of Mongolia measured at FVTOCI:

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2020 Stage 1 (12-months ECL)</b>	<b>31 December 2019 Stage 1 (12-months ECL)</b>
<b>Treasury bills of the Bank of Mongolia</b>		
- Satisfactory	1,097,569,862	168,951,043
Less: Fair value decrease	(632,582)	(118,531)
<b>Carrying value (fair value)</b>	<b>1,096,937,280</b>	<b>168,832,512</b>

Treasury bills of the Bank of Mongolia with original maturities of less than three months are MNT 1,097,569,862 thousands as at 31 December 2020 (2019: MNT 168,951,043 thousands) and included in cash and cash equivalents for the purposes of the cash flow statement (Note 7).

Treasury bills of the Bank of Mongolia with nominal amount of MNT 20,193,000 thousands and with maturity of 28 days were collateralised by Repo arrangement with Bank of Mongolia (Note 23).

The following table discloses Government bonds measured at FVTOCI:

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2020 Stage 1 (12-months ECL)</b>	<b>31 December 2019 Stage 1 (12-months ECL)</b>
<b>Government bonds</b>		
- Satisfactory	147,966,810	561,586
Less: Fair value decrease	(2,073,263)	(6,283)
<b>Carrying value (fair value)</b>	<b>145,893,547</b>	<b>555,303</b>

## 10 Investments in Debt Securities (continued)

The following table discloses the changes in the credit loss allowance and gross carrying amount debt securities carried at fair value through other comprehensive income between the beginning and the end of the reporting period:

<i>In thousands of Mongolian Tugriks</i>	<b>Credit loss allowance Stage 1 (12-months ECL)</b>	<b>Carrying value Stage 1 (12-months ECL)</b>
<b>Treasury bills of the Bank of Mongolia at FVTOCI</b>		
<b>At 1 January 2020</b>	<b>118,531</b>	<b>168,951,043</b>
Movements with impact on credit loss allowance charge for the period:		
New originated or purchased	632,582	5,793,478,851
Derecognised during the period	(118,531)	(4,864,860,032)
<b>At 31 December 2020</b>	<b>632,582</b>	<b>1,097,569,862</b>
<b>Government bonds at FVTOCI</b>		
<b>At 1 January 2020</b>	<b>6,283</b>	<b>561,586</b>
Movements with impact on credit loss allowance charge for the period:		
New originated or purchased	2,066,980	349,703,413
Derecognised during the period	-	(202,098,094)
<b>Total gross carrying value</b>	<b>2,073,263</b>	<b>148,166,905</b>
Movements without impact on credit loss allowance charge for the period:		
FX and other movements	-	(200,096)
<b>At 31 December 2020</b>	<b>2,073,263</b>	<b>147,966,809</b>

The following table discloses the changes in the credit loss allowance and gross carrying amount debt securities carried at fair value through other comprehensive income between the beginning and the end of the reporting period:

<i>In thousands of Mongolian Tugriks</i>	<b>Credit loss allowance Stage 1 (12-months ECL)</b>	<b>Carrying value Stage 1 (12-months ECL)</b>
<b>Treasury bills of the Bank of Mongolia at FVTOCI</b>		
<b>At 1 January 2019</b>	<b>1,110,022</b>	<b>366,256,329</b>
Movements with impact on credit loss allowance charge for the period:		
New originated or purchased	118,531	4,055,601,043
Derecognised during the period	(1,110,022)	(4,252,906,329)
<b>At 31 December 2019</b>	<b>118,531</b>	<b>168,951,043</b>
<b>Government bonds at FVTOCI</b>		
<b>At 1 January 2019</b>	<b>5,029</b>	<b>542,973</b>
Movements with impact on credit loss allowance charge for the period:		
New originated or purchased	1,254	-
<b>Total gross carrying value</b>	<b>6,283</b>	<b>542,973</b>
Movements without impact on credit loss allowance charge for the period:		
FX and other movements	-	18,613
<b>At 31 December 2019</b>	<b>6,283</b>	<b>561,586</b>

## Investments in debt securities at AC

The following table discloses investments in debt securities measured at AC:

<i>In thousands of Mongolian Tugriks</i>	31 December 2020 Stage 1 (12-months ECL)	31 December 2019 Stage 1 (12-months ECL)
<b>Government bonds</b>		
- Satisfactory	4,741,411	11,315,389
Less: Credit loss allowance	(62,515)	(109,874)
<b>Carrying value</b>	<b>4,678,896</b>	<b>11,205,515</b>
<b>Total investments in debt securities measured at AC (gross carrying amount)</b>	<b>4,741,411</b>	<b>11,315,389</b>
<b>Less: Credit loss allowance</b>	<b>(62,515)</b>	<b>(109,874)</b>
<b>Total investments in debt securities measured at AC (carrying amount)</b>	<b>4,678,896</b>	<b>11,205,515</b>

The following table discloses the changes in the credit loss allowance for investments in debt securities carried at amortised cost between the beginning and the end of the reporting period:

<i>In thousands of Mongolian Tugriks</i>	Credit loss allowance Stage 1(12-months ECL)	Gross carrying amount Stage 1(12-months ECL)
<b>Government bonds at AC</b>		
<b>At 1 January 2020</b>	<b>109,874</b>	<b>11,315,389</b>
Movements with impact on credit loss allowance charge for the period:		
Changes to ECL measurement model assumptions	20,589	-
Derecognised during the period	(67,948)	(6,573,242)
Changes in accrued interest	-	(6,573,978)
<b>Total movements with impact on credit loss allowance charge for the period</b>	<b>(47,359)</b>	<b>(6,573,978)</b>
<b>At 31 December 2020</b>	<b>62,515</b>	<b>4,741,411</b>

The following table discloses the changes in the credit loss allowance for investments in debt securities carried at amortised cost between the beginning and the end of the reporting period:

<i>In thousands of Mongolian Tugriks</i>	Credit loss allowance Stage 1(12-months ECL)	Gross carrying amount Stage 1(12-months ECL)
<b>Government bonds at AC</b>		
<b>At 1 January 2019</b>	<b>102,223</b>	<b>11,286,467</b>
Movements with impact on credit loss allowance charge for the period:		
Changes to ECL measurement model assumptions	7,651	-
Changes in accrued interest	-	28,922
<b>Total movements with impact on credit loss allowance charge for the period</b>	<b>109,874</b>	<b>11,315,389</b>
<b>Corporate bonds at AC</b>		
<b>At 1 January 2019</b>	<b>737,943</b>	<b>23,385,734</b>
Movements with impact on credit loss allowance charge for the period:		
Derecognised during the period	(705,177)	(21,781,922)
Changes in accrued interest	(32,766)	(1,603,812)
Other movements	-	-
<b>Total movements without impact on credit loss allowance charge for the period</b>	<b>-</b>	<b>-</b>
<b>As at 31 December 2019</b>	<b>109,874</b>	<b>11,315,389</b>

## 11 Investments in Equity Securities

<i>In thousands of Mongolian Tugriks</i>	31 December 2020	31 December 2019
Equity securities at FVTOCI	12,283,858	6,977,881
Equity securities at FVTPL	17,211,464	17,719,353
<b>Total investments in equity securities</b>	<b>29,495,322</b>	<b>24,697,234</b>

The table below discloses investments in equity securities at 31 December 2020 by measurement categories and classes:

<i>In thousands of Mongolian Tugriks</i>	Equity securities at FVTPL	Equity securities at FVTOCI	Total
Corporate shares	17,211,464	12,283,858	29,495,322
<b>Total investments in equity securities at 31 December 2020</b>	<b>17,211,464</b>	<b>12,283,858</b>	<b>29,495,322</b>

The table below discloses investments in equity securities at 31 December 2019 by measurement categories and classes:

<i>In thousands of Mongolian Tugriks</i>	Equity securities at FVTPL	Equity securities at FVTOCI	Total
Corporate shares	17,719,353	6,977,881	24,697,234
<b>Total investments in equity securities at 31 December 2019</b>	<b>17,719,353</b>	<b>6,977,881</b>	<b>24,697,234</b>

## (a) Investments in equity securities at FVTPL

Corporate shares at FVTPL represent securities held for trading and other quoted equity securities for which FVTOCI election was not made on initial recognition. Corporate shares mainly consist from quoted shares of Mongolian Mortgage Corporation and of APU JSC, both listed on Mongolian Stock Exchange, with fair value of MNT 15,304,300 thousands and MNT 1,270,304 thousands as of 31 December 2020 (2019: MNT 15,355,485 thousands and MNT 1,333,341 thousands).

## (b) Investments in equity securities at FVTOCI

As of 31 December 2020, the Bank has invested in MNT 12,283,858 thousands of equity securities at FVTOCI. The FVTOCI designation was made because the investments are expected to be held for strategic purposes rather than with a view to profit on a subsequent sale, and there are no plans to dispose of these investments in the short or medium term.

## 12 Loans and Advances to Customers

<i>In thousands of Mongolian Tugriks</i>	31 December 2020	31 December 2019
Gross carrying amount of loans and advances to customers at AC	3,001,716,158	3,293,326,300
Less: Credit loss allowance	(160,124,524)	(121,193,516)
<b>Total carrying amount of loans and advances to customers at AC</b>	<b>2,841,591,634</b>	<b>3,172,132,784</b>
Loans and advances to customers at FVTPL / Mortgage/	165,418,490	110,816,093
Loans and advances to customers at FVTPL / Corporate/	24,335,791	23,745,435
<b>Total loans and advances to customers</b>	<b>3,031,345,915</b>	<b>3,306,694,312</b>

The bank holds a MIK mortgage portfolio of loans and advances to customers that does not meet the SPPI requirement for AC classification under IFRS 9. As a result, these loans and advances were classified as at FVTPL from the date of initial recognition. The corporate loan classified at FVTPL is a modified instrument that had been previously classified as a derivative financial instrument.

Loans and advances to customers at FVTPL are measured taking into account the credit risk. The carrying amount presented in the statement of financial position best represents the Bank's maximum exposure to credit risk arising from loans and advances to customers.

Gross carrying amount and credit loss allowance amount for loans and advances to customers at AC by classes at 31 December 2020 and 31 December 2019 are disclosed in the table below:

<i>In thousands of Mongolian Tugriks</i>	31 December 2020			31 December 2019		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
<b>Loans to corporate customers</b>						
Loans to Corporate	1,264,717,264	(21,067,845)	<b>1,243,649,419</b>	1,412,247,654	(42,888,585)	<b>1,369,359,069</b>
Loans to SME	690,021,507	(36,122,576)	<b>653,898,931</b>	703,654,824	(20,064,585)	<b>683,590,239</b>
<b>Loans to individuals</b>						
Consumer loans	734,739,072	(94,985,139)	<b>639,753,933</b>	887,861,057	(55,036,115)	<b>832,824,942</b>
Mortgage loans	312,238,315	(7,948,964)	<b>304,289,351</b>	289,562,765	(3,204,231)	<b>286,358,534</b>
<b>Total loans and advances to customers at AC</b>	<b>3,001,716,158</b>	<b>(160,124,524)</b>	<b>2,841,591,634</b>	<b>3,293,326,300</b>	<b>(121,193,516)</b>	<b>3,172,132,784</b>

More detailed explanation of classes of loans to legal entities is provided below:

- Loans to Corporate customers – loans issued to large commercial entities under standard terms;
- Loans to SME – loans issued to small and medium-sized enterprises;
- Consumer loans;
- Mortgage loans.

During 2020, loss on initial recognition of loans at rates below market in the amount of MNT 922,974 thousand (2019: MNT 5,348,937 thousand loss) has been recorded in profit or loss for the year.

The following table discloses the changes in the credit loss allowance and gross carrying amount for loans and advances to customers carried at amortised cost between the beginning and the end of the reporting period and comparative periods:

<i>In thousands of Mongolian Tugriks</i>	Credit loss allowances				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<b>Corporate</b>								
At 1 January 2020	4,853,248	2,261,756	35,773,581	<b>42,888,585</b>	838,752,587	321,364,372	252,130,695	<b>1,412,247,654</b>
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(284,134)	284,134	-	-	(35,930,304)	35,930,304	-	-
- to credit-impaired (from stage 1 and Stage 2 to Stage 3)	(462,891)	(795)	463,686	-	(52,549,884)	(110,384,373)	162,934,257	-
New originated or purchased	2,615,190	3,186	61,454	<b>2,679,830</b>	305,315,502	38,354,716	133,350,395	<b>477,020,613</b>
Derecognised during the period	(1,891,876)	(2,260,961)	(785,829)	<b>(4,938,665)</b>	(349,299,141)	(56,748,845)	(15,282,684)	<b>(421,330,670)</b>
Changes to ECL measurement model assumptions	-	(283,616)	772,273	<b>488,657</b>	-	(1,933,277)	(63,440,040)	<b>(65,373,317)</b>
Unwinding of discount	-	270,395	638,653	<b>909,048</b>	-	-	-	-
Changes in accrued interest	-	19,279	2,756,712	<b>2,775,991</b>	-	2,335,286	6,375,618	<b>8,710,905</b>
Credit loss allowance	-	-	59,073,116	<b>59,073,116</b>	-	-	-	-
Other movements	583,066	469,266	4,951,207	<b>6,003,539</b>	(83,199,194)	(43,721,853)	18,202,993	<b>(108,718,054)</b>
<b>Total movements with impact on credit loss allowance charge for the period</b>	<b>559,355</b>	<b>(1,499,112)</b>	<b>67,931,272</b>	<b>66,991,515</b>	<b>(215,663,021)</b>	<b>(136,168,042)</b>	<b>242,140,540</b>	<b>(109,690,524)</b>
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(83,259,960)	<b>(83,259,960)</b>	-	-	(83,259,960)	<b>(83,259,960)</b>
Transfer to repossessed collateral	-	-	(6,267,340)	<b>(6,267,340)</b>	-	-	(13,900,000)	<b>(13,900,000)</b>
FX and other movements	83,292	6,166	625,587	<b>715,045</b>	37,159,938	12,957,680	9,202,476	<b>59,320,094</b>
<b>At 31 December 2020</b>	<b>5,495,895</b>	<b>768,810</b>	<b>14,803,140</b>	<b>21,067,845</b>	<b>660,249,504</b>	<b>198,154,010</b>	<b>406,313,750</b>	<b>1,264,717,264</b>

Notes to the Financial Statement – 31 December 2020

During 2020, a loss on initial recognition of loans at rates below market in the amount of MNT 922,974 thousands has been recorded in profit or loss for the year. It is included in the new originated or purchased loans in above table.

The following table discloses the changes in the credit loss allowance and gross carrying amount for loans and advances to customers carried at amortised cost between the beginning and the end of the reporting period:

In thousands of Mongolian Tugriks	Credit loss allowances				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<b>Corporate</b>								
At 1 January 2020	21,500,948	8,807,706	46,451,834	<b>76,760,488</b>	1,011,649,613	55,820,064	350,654,181	<b>1,418,123,858</b>
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	-	-	-	-	(23,081,929)	23,081,929	-	-
- to credit-impaired (from stage 1 and Stage 2 to Stage 3)	-	(14,071)	14,071	-	-	(737,627)	737,627	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	-	-	-	-	-	-	-	-
- from Stage 3 to Stage 2	-	-	-	-	-	26,000,776	(26,000,776)	-
New originated or purchased	3,088,243	318,777	16,677,535	<b>20,084,555</b>	521,335,313	166,885,197	114,757,365	<b>802,977,875</b>
Derecognised during the period	(8,845,814)	(587,475)	(1,260,406)	<b>(10,693,695)</b>	(424,470,206)	(20,358,465)	(109,476,030)	<b>(554,304,701)</b>
Changes to ECL measurement model assumptions	(6,147,874)	1,936,586	16,389,165	<b>12,177,877</b>	(230,836,898)	104,846,594	92,167,048	<b>(33,823,256)</b>
Unwinding of discount	660,046	-	832,620	<b>1,492,666</b>	-	-	-	-
Changes in accrued interest	(2,369)	-	5,500	<b>3,131</b>	1,473,239	-	(2,718,059)	<b>(1,244,820)</b>
Credit loss allowance	-	25,513,022	69,927,094	<b>95,440,116</b>	-	-	-	-
Other movements	(5,213,046)	8,035	2,780,425	<b>(2,424,584)</b>	(12,703,131)	2,080,662	(43,445,597)	<b>(54,068,066)</b>
<b>Total movements with impact on credit loss allowance charge for the period</b>	<b>(16,460,814)</b>	<b>27,174,874</b>	<b>105,366,004</b>	<b>116,080,066</b>	<b>(168,283,612)</b>	<b>301,799,066</b>	<b>26,021,578</b>	<b>159,537,032</b>
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	(33,719,182)	(115,675,648)	<b>(149,394,830)</b>	-	(33,719,182)	(115,675,648)	<b>(149,394,830)</b>
FX and other movements	(186,886)	(1,642)	(368,609)	<b>(557,139)</b>	(4,613,414)	(2,535,576)	(8,869,415)	<b>(16,018,405)</b>
<b>At 31 December 2019</b>	<b>4,853,248</b>	<b>2,261,756</b>	<b>35,773,581</b>	<b>42,888,585</b>	<b>838,752,584</b>	<b>321,364,372</b>	<b>252,130,698</b>	<b>1,412,247,654</b>

During 2019, a loss on initial recognition of loans at rates below market in the amount of MNT 5,348,937 thousands has been recorded in profit or loss for the year. It is included in the new originated or purchased loans in above table.

	Credit loss allowances				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In thousands of Mongolian Tugriks</i>								
<b>SME</b>								
At 1 January 2020	2,340,345	778,844	16,945,396	<b>20,064,585</b>	492,018,337	43,602,419	168,034,068	<b>703,654,824</b>
Movements with impact on credit loss allowance charge for the period:								
Transfers:	(215,439)	215,439	-	-	(39,421,316)	39,421,316	-	-
- to lifetime (from Stage 1 to Stage 2)	(588,376)	(601,895)	1,190,271	-	(74,371,370)	(27,992,370)	102,363,740	-
- to credit-impaired (from stage 1 and Stage 2 to Stage 3)	47,657	(47,657)	-	-	6,462,290	(4,385,626)	(2,076,664)	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)		265,996.53	(265,997)	-		4,674,234	(4,674,234)	-
- from Stage 3 to Stage 2	1,606,187	521,520	1,273,034	<b>3,400,741</b>	274,801,753	40,924,229	48,259,504	<b>363,985,486</b>
New originated or purchased	(722,729)	(109,951)	(2,804,108)	<b>(3,636,788)</b>	(210,133,302)	(7,141,327)	(23,392,570)	<b>(240,667,199)</b>
Derecognised during the period	(11,984)	108,040	9,696,788	<b>9,792,844</b>	(1,062,252)	(8,543,403)	(12,521,361)	<b>(22,127,016)</b>
Changes to ECL measurement model assumptions	-	131,498	2,358,438	<b>2,489,936</b>	-	-	-	-
Unwinding of discount	-	(562)	2,805,228	<b>2,804,666</b>	-	(48,526)	9,557,029	<b>9,508,503</b>
Changes in accrued interest	-	-	-	-	-	-	-	-
Credit loss allowance	-	-	38,057	<b>38,057</b>	-	-	-	-
Other movements	(322,562)	(118,670)	1,747,729	<b>1,306,497</b>	(59,290,737)	(1,410,796)	(71,195,943)	<b>(131,897,476)</b>
<b>Total movements with impact on credit loss allowance charge for the period</b>	<b>(207,246)</b>	<b>363,759</b>	<b>16,039,443</b>	<b>16,195,956</b>	<b>(103,014,934)</b>	<b>35,497,731</b>	<b>46,319,501</b>	<b>(21,197,702)</b>
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(273,409)	<b>(273,409)</b>	-	-	(273,409)	<b>(273,409)</b>
FX and other movements	19,597	-	115,847	<b>135,444</b>	2,953,905	251,128	4,632,761	<b>7,837,794</b>
<b>At 31 December 2020</b>	<b>2,152,696</b>	<b>1,142,603</b>	<b>32,827,277</b>	<b>36,122,576</b>	<b>391,957,308</b>	<b>79,351,278</b>	<b>218,712,921</b>	<b>690,021,507</b>

	Credit loss allowances				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In thousands of Mongolian Tugriks</i>								
<b>SME</b>								
At 1 January 2019	4,053,895	280,435	51,963,818	<b>56,298,148</b>	510,808,326	12,980,965	151,061,939	<b>674,851,230</b>
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(93,683)	93,683	-	-	(12,581,081)	12,581,081	-	-
- to credit-impaired (from stage 1 and Stage 2 to Stage 3)	(170,692)	(14,071)	184,763	-	(15,116,673)	(9,517,195)	24,633,868	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	200,856	(57)	(200,799)	-	614,772	(102,455)	(512,317)	-
- from Stage 3 to Stage 2	-	7,790	(7,790)	-	-	25,646	(25,646)	-
New originated or purchased	1,935,074	622,249	1,182,258	<b>3,739,581</b>	375,659,580	28,421,557	30,296,242	<b>434,377,379</b>
Derecognised during the period	(1,616,769)	(46,792)	(11,114,123)	<b>(12,777,684)</b>	(258,864,770)	(3,337,550)	(40,604,986)	<b>(302,807,306)</b>
Changes to ECL measurement model assumptions	(1,182,433)	61,580	(589,522)	<b>(1,710,375)</b>	(65,282,217)	2,624,720	43,686,181	<b>(18,971,816)</b>
Unwinding of discount	247,703	648	2,585,206	<b>2,833,557</b>	-	-	-	-
Changes in accrued interest	(6,865)	(110)	128,300	<b>121,325</b>	(284,944)	(935)	5,291,155	<b>5,005,276</b>
Credit loss allowance	-	-	5,063,907	<b>5,063,907</b>	-	-	-	-
Other movements	(805,560)	(185,985)	(8,355,648)	<b>(9,347,193)</b>	(42,537,939)	(46,924)	(17,020,771)	<b>(59,605,634)</b>
<b>Total movements with impact on credit loss allowance charge for the period</b>	<b>(1,693,225)</b>	<b>498,756</b>	<b>(11,015,751)</b>	<b>(12,210,220)</b>	<b>(18,393,772)</b>	<b>30,647,945</b>	<b>45,743,726</b>	<b>57,997,899</b>
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(23,541,192)	<b>(23,541,192)</b>	-	-	(23,541,192)	<b>(23,541,192)</b>
FX and other movements	(20,323)	(347)	(461,481)	<b>(482,151)</b>	(396,220)	(26,489)	(5,230,404)	<b>(5,653,113)</b>
<b>At 31 December 2019</b>	<b>2,340,347</b>	<b>778,844</b>	<b>16,945,394</b>	<b>20,064,585</b>	<b>492,018,334</b>	<b>43,602,421</b>	<b>168,034,069</b>	<b>703,654,824</b>

**12 Loans and Advances to Customers (continued)**

	Credit loss allowances				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In thousands of Mongolian Tugriks</i>								
<b>Consumer</b>								
At 1 January 2020	7,955,628	5,746,710	41,333,777	<b>55,036,115</b>	806,979,991	31,547,121	49,333,945	<b>887,861,057</b>
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(268,807)	268,807	-	-	(15,568,885)	15,568,885	-	-
- to credit-impaired (from stage 1 and Stage 2 to Stage 3)	(674,461)	(2,980,290)	3,654,751	-	(56,985,442)	(14,292,877)	71,278,319	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	1,947,245	(1,444,848)	(502,397)	-	9,036,478	(8,457,884)	(578,594)	-
- from Stage 3 to Stage 2	-	29,920	(29,920)	-	-	56,747	(56,747)	-
New originated or purchased	2,826,533	285,119	2,274,465	<b>5,386,117</b>	219,993,617	1,324,695	3,730,097	<b>225,048,409</b>
Derecognised during the period	(993,913)	(269,926)	(2,706,390)	<b>(3,970,229)</b>	(216,867,250)	(3,619,395)	(4,373,972)	<b>(224,860,617)</b>
Changes to ECL measurement model assumptions	(1,782,210)	1,936,889	27,069,039	<b>27,223,718</b>	(2,152,652)	(3,209,680)	(13,336,956)	<b>(18,699,288)</b>
Unwinding of discount	-	907,016	5,855,545	<b>6,762,561</b>	-	-	-	-
Changes in accrued interest	-	80,494	6,264,077	<b>6,344,571</b>	-	3,423,903	7,089,241	<b>10,513,144</b>
Credit loss allowance	28,314	11,919	(40,202)	<b>31</b>	-	-	-	-
Other movements	1,290,939	(1,335,130)	(1,405,775)	<b>(1,479,966)</b>	(141,680,255)	(4,107,028)	(2,170,453)	<b>(147,957,736)</b>
<b>Total movements with impact on credit loss allowance charge for the period</b>	<b>2,343,640</b>	<b>(2,510,031)</b>	<b>40,433,194</b>	<b>40,266,803</b>	<b>(204,224,389)</b>	<b>(13,312,634)</b>	<b>61,580,935</b>	<b>(155,956,088)</b>
Movements without impact on credit loss allowance charge for the period:								
Write-offs	(28,855)	(16,833)	(276,669)	<b>(322,357)</b>	(28,856)	(16,833)	(276,668)	<b>(322,357)</b>
FX and other movements	1,816	1,661	1,101	<b>4,578</b>	3,105,192	47,453	3,815	<b>3,156,460</b>
<b>At 31 December 2019</b>	<b>10,272,229</b>	<b>3,221,507</b>	<b>81,491,403</b>	<b>94,985,139</b>	<b>605,831,938</b>	<b>18,265,107</b>	<b>110,642,027</b>	<b>734,739,072</b>



	Credit loss allowances				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In thousands of Mongolian Tugriks</i>								
<b>Consumer</b>								
At 1 January 2020	8,751,589	2,034,879	25,659,564	<b>36,446,032</b>	833,435,959	11,945,356	48,189,151	<b>893,570,466</b>
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(636,248)	636,248	-	-	(26,735,083)	26,735,083	-	-
- to credit-impaired (from stage 1 and Stage 2 to Stage 3)	(914,144)	(918,332)	1,832,476	-	(22,744,138)	(5,020,437)	27,764,575	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	435,634	(299,481)	(136,153)	-	2,087,204	(1,867,264)	(219,940)	-
- from Stage 3 to Stage 2	-	11,526	(11,526)	-	-	18,832	(18,832)	-
New originated or purchased	1,930,878	686,015	1,427,199	<b>4,044,092</b>	326,148,211	6,027,333	1,764,176	<b>333,939,720</b>
Derecognised during the period	(721,129)	(132,507)	(2,338,702)	<b>(3,192,338)</b>	(208,331,753)	(1,173,868)	(18,790,680)	<b>(228,296,301)</b>
Changes to ECL measurement model assumptions	(415,706)	3,656,148	16,006,673	<b>19,247,115</b>	(565,724)	(4,590,347)	(4,698,166)	<b>(9,854,237)</b>
Unwinding of discount	1,029,950	28,488	2,125,892	<b>3,184,330</b>	-	-	-	-
Changes in accrued interest	(2,178)	(462)	1,627,750	<b>1,625,110</b>	(1,758,030)	(812)	1,404,396	<b>(354,446)</b>
Credit loss allowance	207,022	-	6,952,292	<b>7,159,314</b>	-	-	-	-
Other movements	(1,403,026)	94,467	1,006,906	<b>(301,653)</b>	(93,979,326)	(483,063)	6,777,658	<b>(87,684,731)</b>
<b>Total movements with impact on credit loss allowance charge for the period</b>	<b>(488,947)</b>	<b>3,762,110</b>	<b>28,492,806</b>	<b>31,765,969</b>	<b>(25,878,638)</b>	<b>19,645,458</b>	<b>13,983,187</b>	<b>7,750,005</b>
Movements without impact on credit loss allowance charge for the period:								
Write-offs	(212,331)	(43,355)	(12,687,481)	<b>(12,943,167)</b>	(212,331)	(43,355)	(12,687,481)	<b>(12,943,167)</b>
FX and other movements	(7,698)	(6,924)	(218,098)	<b>(232,720)</b>	(365,001)	(338)	(150,908)	<b>(516,247)</b>
<b>At 31 December 2019</b>	<b>8,042,613</b>	<b>5,746,710</b>	<b>41,246,792</b>	<b>55,036,115</b>	<b>806,979,988</b>	<b>31,547,120</b>	<b>49,333,949</b>	<b>887,861,057</b>

	Credit loss allowances				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In thousands of Mongolian Tugriks</i>								
<b>Mortgage</b>								
At 1 January 2020	356,992	237,425	2,609,815	<b>3,204,232</b>	255,419,581	7,844,416	26,298,768	<b>289,562,765</b>
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(14,806)	14,806	-	-	(7,529,577)	7,529,577	-	-
- to credit-impaired (from stage 1 and Stage 2 to Stage 3)	(37,371)	(117,644)	155,015	-	(17,373,341)	(3,583,709)	20,957,050	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	95,793	(95,793)	-	-	3,356,160	(2,876,409)	(479,751)	-
- from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
New originated or purchased	683,676	39,769	8,086	<b>731,531</b>	86,859,750	1,339,810	1,292,942	<b>89,492,502</b>
Derecognised during the period	(18,215)	(20,485)	(229,783)	<b>(268,483)</b>	(26,041,906)	(859,648)	(1,985,526)	<b>(28,887,080)</b>
Changes to ECL measurement model assumptions	(114,267)	412,187	2,751,142	<b>3,049,062</b>	(468,791)	(235,264)	138,152	<b>(565,903)</b>
Unwinding of discount	-	39,219	276,672	<b>315,891</b>	-	-	-	-
Changes in accrued interest	-	13,136	271,417	<b>284,553</b>	-	1,059,943	611,152	<b>1,671,095</b>
Credit loss allowance	-	-	506	<b>506</b>	-	-	-	-
Other movements	538,762	(53,687)	175,943	<b>661,018</b>	(33,533,740)	(849,705)	(4,622,273)	<b>(39,005,718)</b>
<b>Total movements with impact on credit loss allowance charge for the period</b>	<b>1,133,572</b>	<b>231,508</b>	<b>3,408,998</b>	<b>4,774,078</b>	<b>5,268,555</b>	<b>1,524,595</b>	<b>15,911,746</b>	<b>22,704,896</b>
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(29,345)	<b>(29,345)</b>	-	-	(29,346)	<b>(29,346)</b>
<b>At 31 December 2020</b>	<b>1,490,564</b>	<b>468,933</b>	<b>5,989,467</b>	<b>7,948,964</b>	<b>260,688,136</b>	<b>9,369,011</b>	<b>42,181,168</b>	<b>312,238,315</b>

**12 Loans and Advances to Customers (continued)**

	Credit loss allowances				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In thousands of Mongolian Tugriks</i>								
<b>Mortgage</b>								
At 1 January 2019	350,927	120,955	2,923,728	<b>3,395,610</b>	225,292,664	2,651,487	15,677,891	<b>243,622,042</b>
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(28,074)	28,074	-	-	(5,079,126)	5,079,126	-	-
- to credit-impaired (from stage 1 and Stage 2 to Stage 3)	(11,941)	(105,221)	117,162	-	(5,957,589)	(1,758,769)	7,716,358	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	19,008	(6,830)	(12,178)	-	1,290,809	(734,743)	(556,066)	-
- from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
New originated or purchased	233,788	138,042	5,322	<b>377,152</b>	126,152,396	2,490,337	264,608	<b>128,907,341</b>
Derecognised during the period	(69,418)	(1,603)	(178,136)	<b>(249,157)</b>	(40,891,497)	(333,526)	(3,894,808)	<b>(45,119,831)</b>
Changes to ECL measurement model assumptions	(18,399)	26,578	558,504	<b>566,683</b>	(177,702)	(293,884)	(381,026)	<b>(852,612)</b>
Unwinding of discount	28,920	1,330	358,890	<b>389,140</b>	-	-	-	-
Changes in accrued interest	(466)	739	32,847	<b>33,120</b>	(879)	2,153	308,035	<b>309,309</b>
Credit loss allowance	(16,978)	(655)	13,521	<b>(4,112)</b>	(1,727,940)	105,255	297,594	<b>(1,325,091)</b>
Other movements	(130,226)	36,014	(1,209,847)	<b>(1,304,059)</b>	(40,675,694)	(573,807)	5,271,109	<b>(35,978,392)</b>
<b>Total movements with impact on credit loss allowance charge for the period</b>	<b>6,215</b>	<b>116,469</b>	<b>(313,915)</b>	<b>(191,231)</b>	<b>32,932,777</b>	<b>3,982,142</b>	<b>9,025,804</b>	<b>45,940,723</b>
Movements without impact on credit loss allowance charge for the period:								
FX and other movements	(148)	-	-	<b>(148)</b>	-	-	-	-
<b>At 31 December 2019</b>	<b>356,994</b>	<b>237,424</b>	<b>2,609,813</b>	<b>3,204,231</b>	<b>258,225,441</b>	<b>6,633,629</b>	<b>24,703,695</b>	<b>289,562,765</b>

Movements in the expected credit loss allowance for loans to legal entities and individuals during 2020 of are as follows:

	Loans to Corporate	Loans to SME	Consumer loans	Mortgage loans	Total
<i>In thousands of Mongolian Tugriks</i>					
<b>Expected credit loss allowance at 1 January 2020</b>	<b>42,888,585</b>	<b>20,064,585</b>	<b>55,036,115</b>	<b>3,204,231</b>	<b>121,193,516</b>
Credit loss allowance charge/(recovery) during the year	66,991,515	16,195,956	40,266,803	4,774,078	128,228,352
Transfer to repossessed collateral	(6,267,340)	-	-	-	(6,267,340)
Amounts written off during the year as uncollectible	(83,259,960)	(273,409)	(322,357)	(29,345)	(83,885,071)
Exchange difference	715,045	135,444	4,578	-	855,067
<b>Expected credit loss allowance at 31 December 2020</b>	<b>21,067,845</b>	<b>36,122,576</b>	<b>94,985,139</b>	<b>7,948,964</b>	<b>160,124,524</b>

During 2020, the Bank has recovered MNT 34,392,000 thousand from previously written-off loans as circumstances and expectations have changed positively for certain borrowers.

Movements in the expected credit loss allowance for loans to legal entities and individuals during 2019 of are as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>Loans to Corporate</b>	<b>Loans to SME</b>	<b>Consumer loans</b>	<b>Mortgage loans</b>	<b>Total</b>
<b>Expected credit loss allow-ance at 1 January 2019</b>	<b>76,760,488</b>	<b>56,298,148</b>	<b>36,446,032</b>	<b>3,395,610</b>	<b>172,900,278</b>
Credit loss allowance charge/(recovery) during the year	116,080,066	(12,210,220)	31,765,970	(191,231)	<b>135,444,585</b>
Amounts written off during the year as uncollectible	(149,394,830)	(23,541,192)	(12,943,167)	-	<b>(185,879,189)</b>
Exchange difference	(557,139)	(482,151)	(232,720)	(148)	<b>(1,272,158)</b>
<b>Expected credit loss allow-ance at 31 December 2019</b>	<b>42,888,585</b>	<b>20,064,585</b>	<b>55,036,115</b>	<b>3,204,231</b>	<b>121,193,516</b>

The credit loss allowance for loans and advances to customers recognised in the period is impacted by a variety of factors. Below main movements in the table are described:

- Transfers between Stage 1, 2 and 3 due to balances experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impact on the measurement of ECL due to changes to model assumptions, including changes in PDs, EADs and LGDs in the period, arising from update of inputs to ECL models;
- Unwinding of discount due to the passage of time because ECL is measured on a present value basis;
- Foreign exchange translations of assets denominated in foreign currencies and other movements; and
- Write-offs of allowances related to assets that were written off during the period. The following table contains an analysis of the credit risk exposure of loans and advances to customers measured at AC and for which an ECL allowance is recognised. The carrying amount of loans and advances to customers below also represents the Bank's maximum exposure to credit risk on these loans.

12 Loans and Advances to Customers (continued)

<i>In thousands of Mongolian Tugriks</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<b>Loans to Corporate</b>				
- Excellent	660,249,504	-	-	660,249,504
- Good	-	198,154,010	-	198,154,010
- Satisfactory	-	-	342,598,449	342,598,449
- Special Monitoring	-	-	44,867,551	44,867,551
- Default	-	-	18,847,750	18,847,750
<b>Gross carrying amount</b>	<b>660,249,504</b>	<b>198,154,010</b>	<b>406,313,750</b>	<b>1,264,717,264</b>
Less: Credit loss allowance	(5,495,895)	(768,810)	(14,803,140)	(21,067,845)
<b>Carrying amount</b>	<b>654,753,609</b>	<b>197,385,200</b>	<b>391,510,610</b>	<b>1,243,649,419</b>
<b>Loans to SME</b>				
- Excellent	391,957,308	-	-	391,957,308
- Good	-	79,351,278	-	79,351,278
- Satisfactory	-	-	87,017,107	87,017,107
- Special monitoring	-	-	40,023,399	40,023,399
- Default	-	-	91,672,415	91,672,415
<b>Gross carrying amount</b>	<b>391,957,308</b>	<b>79,351,278</b>	<b>218,712,921</b>	<b>690,021,507</b>
Less: Credit loss allowance	(2,152,696)	(1,142,603)	(32,827,277)	(36,122,576)
<b>Carrying amount</b>	<b>389,804,612</b>	<b>78,208,675</b>	<b>185,885,644</b>	<b>653,898,931</b>
<b>Consumer loans</b>				
- Excellent	605,831,939	-	-	605,831,939
- Good	-	18,265,107	-	18,265,107
- Satisfactory	-	-	27,090,371	27,090,371
- Special monitoring	-	-	11,657,293	11,657,293
- Default	-	-	71,894,362	71,894,362
<b>Gross carrying amount</b>	<b>605,831,939</b>	<b>18,265,107</b>	<b>110,642,026</b>	<b>734,739,072</b>
Less: Credit loss allowance	(10,272,229)	(3,221,507)	(81,491,403)	(94,985,139)
<b>Carrying amount</b>	<b>595,559,710</b>	<b>15,043,600</b>	<b>29,150,623</b>	<b>639,753,933</b>
<b>Mortgage loans</b>				
- Excellent	260,688,136	-	-	260,688,136
- Good	-	9,369,011	-	9,369,011
- Satisfactory	-	-	9,985,627	9,985,627
- Special monitoring	-	-	11,834,340	11,834,340
- Default	-	-	20,361,201	20,361,201
<b>Gross carrying amount</b>	<b>260,688,136</b>	<b>9,369,011</b>	<b>42,181,168</b>	<b>312,238,315</b>
Less: Credit loss allowance	(1,490,564)	(468,933)	(5,989,467)	(7,948,964)
<b>Carrying amount</b>	<b>259,197,572</b>	<b>8,900,078</b>	<b>36,191,701</b>	<b>304,289,351</b>

The credit quality of loans to corporate and individual customers carried at amortised cost is as follows at 31 December 2019:

<i>In thousands of Mongolian Tugriks</i>	<b>Stage 1 (12-months ECL)</b>	<b>Stage 2 (lifetime ECL for SICR)</b>	<b>Stage 3 (lifetime ECL for credit impaired)</b>	<b>Total</b>
<b><i>Loans to Corporate</i></b>				
- Excellent	838,752,586	-	-	<b>838,752,586</b>
- Good	-	321,364,372	-	<b>321,364,372</b>
- Satisfactory	-	-	224,617,591	<b>224,617,591</b>
- Special Monitoring	-	-	5,365,537	<b>5,365,537</b>
- Default	-	-	22,147,568	<b>22,147,568</b>
<b>Gross carrying amount</b>	<b>838,752,586</b>	<b>321,364,372</b>	<b>252,130,696</b>	<b>1,412,247,654</b>
Less: Credit loss allowance	(4,853,248)	(2,261,756)	(35,773,581)	<b>(42,888,585)</b>
<b>Carrying amount</b>	<b>833,899,338</b>	<b>319,102,616</b>	<b>216,357,115</b>	<b>1,369,359,069</b>
<b><i>Loans to SME</i></b>				
- Excellent	492,018,337	-	-	<b>492,018,337</b>
- Good	-	43,602,419	-	<b>43,602,419</b>
- Satisfactory	-	-	68,865,525	<b>68,865,525</b>
- Special monitoring	-	-	27,378,394	<b>27,378,394</b>
- Default	-	-	71,790,149	<b>71,790,149</b>
<b>Gross carrying amount</b>	<b>492,018,337</b>	<b>43,602,419</b>	<b>168,034,068</b>	<b>703,654,824</b>
Less: Credit loss allowance	(2,340,345)	(778,844)	(16,945,396)	<b>(20,064,585)</b>
<b>Carrying amount</b>	<b>489,677,992</b>	<b>42,823,575</b>	<b>151,088,672</b>	<b>683,590,239</b>
<b><i>Consumer loans</i></b>				
- Excellent	806,979,991	-	-	<b>806,979,991</b>
- Good	-	31,547,121	-	<b>31,547,121</b>
- Satisfactory	-	-	5,399,039	<b>5,399,039</b>
- Special monitoring	-	-	7,154,440	<b>7,154,440</b>
- Default	-	-	36,780,466	<b>36,780,466</b>
<b>Gross carrying amount</b>	<b>806,979,991</b>	<b>31,547,121</b>	<b>49,333,945</b>	<b>887,861,057</b>
Less: Credit loss allowance	(7,955,628)	(5,746,710)	(41,333,777)	<b>(55,036,115)</b>
<b>Carrying amount</b>	<b>799,024,363</b>	<b>25,800,411</b>	<b>8,000,168</b>	<b>832,824,942</b>
<b><i>Mortgage loans</i></b>				
- Excellent	255,419,581	-	-	<b>255,419,581</b>
- Good	-	7,844,416	-	<b>7,844,416</b>
- Satisfactory	-	-	10,756,667	<b>10,756,667</b>
- Special monitoring	-	-	5,190,346	<b>5,190,346</b>
- Default	-	-	10,351,755	<b>10,351,755</b>
<b>Gross carrying amount</b>	<b>255,419,581</b>	<b>7,844,416</b>	<b>26,298,768</b>	<b>289,562,765</b>
Less: Credit loss allowance	(356,992)	(237,425)	(2,609,814)	<b>(3,204,231)</b>
<b>Carrying amount</b>	<b>255,062,589</b>	<b>7,606,991</b>	<b>23,688,954</b>	<b>286,358,534</b>

## 12 Loans and Advances to Customers (continued)

Economic sector risk concentrations within the customer loan portfolio are as follows:

<i>In thousands of Mongolian Tugriks</i>	31 December 2020		31 December 2019	
	Amount	%	Amount	%
Salary & Consumption	667,504,857	20.92%	791,226,907	23.08%
Trade - Whole & Retail	535,026,489	16.76%	545,913,879	15.93%
Mortgage & House maintenance	477,656,805	14.97%	400,378,858	11.68%
Mining & Exploration	426,436,540	13.36%	274,859,201	8.02%
Construction	279,347,880	8.75%	422,582,398	12.33%
Manufacturing	275,620,815	8.64%	394,394,457	11.51%
Finance	169,129,530	5.30%	193,418,394	5.64%
Maintenance	78,591,940	2.46%	48,673,118	1.42%
Transport & Communication	68,638,098	2.15%	106,902,945	3.12%
Car	47,885,259	1.50%	66,336,919	1.94%
Hotel & Restaurant	35,289,107	1.11%	39,039,653	1.14%
Real estate	32,808,066	1.03%	21,790,854	0.64%
Agriculture	20,937,472	0.66%	28,433,188	0.83%
Healthcare	19,865,872	0.62%	25,476,334	0.74%
Home appliances	17,374,134	0.54%	26,037,725	0.76%
Electricity & Oil	16,150,641	0.51%	17,297,396	0.50%
Education	13,070,122	0.41%	13,461,562	0.39%
Tourism	8,714,285	0.27%	8,135,169	0.24%
Social services	919,383	0.03%	1,160,716	0.03%
Entrepreneurship	465,679	0.01%	509,752	0.01%
Public service	37,465	0.00%	1,502,353	0.04%
Infrastructure	-	0.00%	356,050	0.01%
<b>Total loans and advances to customers carried at AC and at FVTPL before credit loss allowance</b>	<b>3,191,479,439</b>	<b>100%</b>	<b>3,427,887,828</b>	<b>100%</b>

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period. Description of collateral held for loans to corporate and individual customers carried at amortised cost is as follows at 31 December 2020:

<i>In thousands of Mongolian Tugriks</i>	Loans to Corporate	Loans to SME	Consumer loans	Mortgage loans	Total
Loans collateralised by:					
- residential real estate	71,249,885	158,907,316	22,947,352	245,173,411	498,277,964
- other real estate	599,718,580	310,092,998	8,335,725	14,711,414	932,858,718
- tradable securities	126,004,341	1,882,760	-	-	127,887,101
- cash deposits	17,921,830	108,736,295	88,284,548	4,111,038	219,053,712
- machinery and equipment	84,278,287	44,621,898	36,262,639	1,164,847	166,327,671
- inventories	86,055,092	9,169,615	468,602	243,360	95,936,669
- receivables	133,654,436	5,778,353	0	-	139,432,788
- guarantees	26,844,942	11,555,473	703,446	43,618,643	82,722,504
- other assets	60,409,684	21,192,004	14,056,187	163,022	95,820,897
<b>Total</b>	<b>1,206,137,077</b>	<b>671,936,712</b>	<b>171,058,499</b>	<b>309,185,735</b>	<b>2,358,318,022</b>
Unsecured exposures	58,580,187	18,084,795	563,680,573	3,052,580	643,398,136
<b>Total carrying value loans and advances to customers at AC (amount representing exposure to credit risk for each class of loans at AC)</b>	<b>1,264,717,264</b>	<b>690,021,507</b>	<b>734,739,072</b>	<b>312,238,315</b>	<b>3,001,716,158</b>

Description of collateral held for loans to corporate and individual customers carried at amortised cost is as follows at 31 December 2019:

<i>In thousands of Mongolian Tugriks</i>	<b>Loans to Corporate</b>	<b>Loans to SME</b>	<b>Consumer loans</b>	<b>Mortgage loans</b>	<b>Total</b>
Loans collateralised by:					
- residential real estate	121,294,142	201,463,485	29,609,654	243,763,450	<b>596,130,731</b>
- other real estate	682,053,392	316,121,294	16,830,603	10,835,824	<b>1,025,841,113</b>
- tradable securities	114,124,732	-	-	-	<b>114,124,732</b>
- cash deposits	33,447,223	42,592,228	128,973,886	3,132,481	<b>208,145,818</b>
- machinery and equipment	119,845,225	43,267,969	48,069,510	988,263	<b>212,170,967</b>
- inventories	117,015,893	16,246,445	556,196	534,443	<b>134,352,977</b>
- receivables	26,130,137	-	-	-	<b>26,130,137</b>
- guarantees	38,384,855	19,087,018	4,711,887	25,062,044	<b>87,245,804</b>
- other assets	17,259,441	4,621,984	6,411,919	870,636	<b>29,163,980</b>
<b>Total</b>	<b>1,269,555,040</b>	<b>643,400,423</b>	<b>235,163,655</b>	<b>285,187,141</b>	<b>2,433,306,259</b>
Unsecured exposures	142,692,615	60,254,401	652,697,402	4,375,624	<b>860,020,042</b>
<b>Total carrying value loans and advances to customers at AC (amount representing exposure to credit risk for each class of loans at AC)</b>	<b>1,412,247,654</b>	<b>703,654,824</b>	<b>887,861,057</b>	<b>289,562,765</b>	<b>3,293,326,300</b>

Other assets mainly include gold and licenses. The disclosure above represents the lower of the carrying value of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures. The carrying value of loans was allocated based on liquidity of the assets taken as collateral.

The following table provides information on carrying value of loans, for which the Bank did not recognise any expected credit loss allowance because of significant excess of collateral value over the gross carrying value of these loans.

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Loans to corporate customers:</b>		
Loans to Corporate	607,811,234	449,381,613
Loans to SME	347,677,015	265,337,211
<b>Loans to individuals:</b>		
Consumer loans	111,081,424	144,541,060
Mortgage loans	153,705,991	148,240,290
<b>Total significantly over-collateralised loans and advances to customers carried at AC</b>	<b>1,220,275,664</b>	<b>1,007,500,174</b>

The extent to which collateral and other credit enhancements mitigate credit risk for financial assets carried at amortised cost that are credit impaired, is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets"). The effect of collateral on credit-impaired assets at 31 December 2020 is as follows:

## 12 Loans and Advances to Customers (continued)

	Over-collateralized assets		Under-collateralized assets	
	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
<i>In thousands of Mongolian Tugriks</i>				
<b>Credit impaired assets:</b>				
<i>Loans carried at AC:</i>				
Corporate	222,081,376	507,198,232	184,232,373	83,543,565
SME	100,522,622	213,828,397	118,190,298	74,753,035
Consumer	6,033,221	10,814,585	104,608,807	6,578,462
Mortgage	20,199,438	36,405,950	21,981,731	15,582,589
<b>Total</b>	<b>348,836,657</b>	<b>768,247,164</b>	<b>429,013,209</b>	<b>180,457,651</b>

The effect of collateral on credit-impaired assets at 31 December 2019 is as follows:

	Over-collateralized assets		Under-collateralized assets	
	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
<i>In thousands of Mongolian Tugriks</i>				
<b>Credit impaired assets:</b>				
<i>Loans carried at AC:</i>				
Corporate	142,762,443	296,313,786	109,368,253	22,644,863
SME	96,966,368	277,719,491	71,067,700	31,649,676
Consumer	2,895,502	5,218,118	46,438,443	3,844,137
Mortgage	12,642,745	25,630,125	13,656,023	10,783,749
<b>Total</b>	<b>255,267,058</b>	<b>604,881,520</b>	<b>240,530,419</b>	<b>68,922,425</b>

The Bank obtains collateral valuation at the time of granting loans and generally updates it every one to two years, depending on the significance of the loan exposure. The values of collateral considered in this disclosure are fair value of the collateral and the bank applies haircut of 0-100%, considering liquidity and quality of the pledged assets.

Description of collateral held for loans to corporate and individual customers carried at FVTPL is as follows at 31 December 2020 and 31 December 2019:

	Mortgage	
	31 December 2020	31 December 2019
<i>In thousands of Mongolian Tugriks</i>		
<i>Loans collateralized by:</i>		
- residential real estate	164,535,646	110,344,678
- other assets	33,962	332,223
- other real estate	848,882	139,192
<b>Total</b>	<b>165,418,490</b>	<b>110,816,093</b>
Unsecured exposures	-	-
<b>Total carrying value loans and advances to customers at FVTPL (amount representing exposure to credit risk for each class of loans at FVTPL)</b>	<b>165,418,490</b>	<b>110,816,093</b>



Other assets mainly include land. The disclosure above represents the lower of the carrying value of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures. The carrying value of loans was allocated based on liquidity of the assets taken as collateral.

The extent to which collateral and other credit enhancements mitigate credit risk for financial assets carried at FVTPL, is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets"). There are loans at FVTPL in amount of MNT 141,130,778 thousands, which are over-collateralised, and MNT 48,623,503 thousands which are under-collateralised at 31 December 2020.

The outstanding contractual amounts of loans and advances to customers written off in the reporting period that are still subject to enforcement activity was as follows at 31 December 2020 and 31 December 2019:

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Loans to corporate customers:</b>		
Loans to Corporate	124,847,513	110,340,075
Loans to SME	30,922,453	20,498,090
<b>Loans to individuals:</b>		
Consumer loans	9,719,038	12,041,777
Mortgage loans	-	-
<b>Total</b>	<b>165,489,003</b>	<b>142,879,942</b>

The Bank's policy is to complete legal enforcement steps that were initiated even though the loans were written off, as there is no reasonable expectation of recovery.

Below is the information on changes in investment properties during the years ended 31 December 2020 and 31 December 2019:

<i>In thousands of Mongolian Tugriks</i>	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>Investment properties at fair value at 1 January</b>		<b>42,387,502</b>	<b>34,293,822</b>
Disposals		(7,454,724)	(1,179,756)
Transferred from non-current assets classified as held for sale	19	3,690,000	9,055,440
Transferred from repossessed collaterals		10,125,000	-
Transferred to premises and equipment		(3,627,173)	-
Transferred to repossessed collaterals		(3,670,046)	-
Transferred to non-current assets classified as held for sale	19	-	(3,000,000)
Fair value gain/(losses)		(1,778,646)	3,217,996
<b>Investment properties at fair value at 31 December</b>		<b>39,671,913</b>	<b>42,387,502</b>

The Bank's intention is to keep the premises for the purposes of earning rental income, capital appreciation, or both, and not to occupy premises by the Bank. Disposal of investment properties mainly related to sale of commercial spaces and offices in amounted to MNT 4,554,447 thousands and MNT 2,450,278 thousands respectively.

During 2020, office and commercial spaces in amount of MNT 3,627,173 thousands were transferred to premises and equipment for the purpose of occupation of the bank; and office and commercial spaces in amount of MNT 10,125,000 thousands were transferred from repossessed collaterals to investment property as the Bank's intention is to earn rental income.

## 14 Other Assets

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b><i>Other financial assets at AC:</i></b>		
Receivable from companies	5,201,377	10,388,560
Receivable from individuals	3,562,387	5,041,448
Receivables on cash and settlements services	942,541	2,048,296
Other financial assets	1,950,157	1,859,265
Less: Credit loss allowance	(5,537,260)	(5,724,292)
<b>Total other financial assets at AC</b>	<b>6,119,202</b>	<b>13,613,277</b>
Investment in investment fund	24,350,301	58,000,000
<b>Total other financial assets</b>	<b>30,469,503</b>	<b>71,613,277</b>
<b><i>Other non-financial assets:</i></b>		
Precious metals	67,896,022	67,091,760
Other non-financial assets	6,114,524	3,429,878
Prepayments for employees benefits	3,614,343	3,314,750
Prepayments for rent	500,125	516,992
Prepayment for maintenance of buildings	2,679,034	407,112
Prepayments for employees	20,164	145,886
Office materials and supplies	33,749	38,789
Other prepayments	9,938,961	12,108,554
<b>Total non-financial assets</b>	<b>90,796,922</b>	<b>87,053,721</b>
<b>Total other assets</b>	<b>121,266,425</b>	<b>158,666,998</b>

The receivables from companies and individuals decreased in 2020 as a result of the collections of receivables from prior year.

In 2013, the Government of Mongolia passed the law for investment funds to be formed. The first investment fund was subsequently established (the "Fund"). The Fund is managed by managing company domiciled in Mongolia, which is not related to the Bank's owners or management, and its main activity is making investments with funds of its customers. The Fund has operated since the special license was issued by the Financial Regulatory Commission in October 2015.

As at 31 December 2020, the Bank owned 4.17% (9.6% as at 31 December 2019) of investment units of the Fund, which invested its funds in real estate properties in early 2015. Management has assessed that it does not have control on the operating and financial decisions and activities of the Fund but exercises significant influence over the Fund through membership in the Board of Directors.

Therefore, the investment in investment fund is accounted under IAS 28 as investment in associate and accounted for equity method.

The decrease of the investment in associate is related to withdrawal of the investment during the year in relation to legislation requirement change. Comparative information has been updated in line with the classification of the investment in investment fund in current year as the Bank believes that such presentation is more transparent and coherent.

Precious metals mainly consist of gold.

<i>In thousands of Mongolian Tugriks</i>	Stage 1 (12-months ECL)	Stage 3 (lifetime ECL for credit impaired)	Total
<b>Receivables from companies</b>			
- Excellent	2,472,690	-	2,472,690
- Satisfactory	-	-	-
- Special monitoring	-	-	-
- Default	-	2,728,687	2,728,687
<b>Gross carrying amount</b>	<b>2,472,690</b>	<b>2,728,687</b>	<b>5,201,377</b>
Less: Credit loss allowance	(3,538)	(2,728,687)	(2,732,225)
<b>Carrying amount</b>	<b>2,469,152</b>	<b>-</b>	<b>2,469,152</b>
<b>Receivables from individuals</b>			
- Excellent	802,031	-	802,031
- Good	60	-	60
- Satisfactory	-	-	-
- Special monitoring	2,755	-	2,755
- Default	-	2,757,541	2,757,541
<b>Gross carrying amount</b>	<b>804,846</b>	<b>2,757,541</b>	<b>3,562,387</b>
Less: Credit loss allowance	(45,834)	(2,758,346)	(2,804,180)
<b>Carrying amount</b>	<b>759,012</b>	<b>(805)</b>	<b>758,207</b>
<b>Receivables on cash and settlements services</b>			
- Excellent	941,686	-	941,686
- Default	-	855	855
<b>Gross carrying amount</b>	<b>941,686</b>	<b>855</b>	<b>942,541</b>
Less: Credit loss allowance	-	(855)	(855)
<b>Carrying amount</b>	<b>941,686</b>	<b>-</b>	<b>941,686</b>
<b>Other financial asset</b>			
- Excellent	1,950,157	-	1,950,157
<b>Gross carrying amount</b>	<b>1,950,157</b>	<b>-</b>	<b>1,950,157</b>
Less: Credit loss allowance	-	-	-
<b>Carrying amount</b>	<b>1,950,157</b>	<b>-</b>	<b>1,950,157</b>

## 14 Other Assets (continued)

Tables below contain an analysis of the credit risk exposure of other financial assets at AC at 31 December 2019.

<i>In thousands of Mongolian Tugriks</i>	Stage 1 (12-months ECL)	Stage 3 (lifetime ECL for credit impaired)	Total
<b>Receivables from companies</b>			
- Excellent	7,537,685	-	7,537,685
- Good	400	-	400
- Satisfactory	1,226	-	1,226
- Default	-	2,849,249	2,849,249
<b>Gross carrying amount</b>	<b>7,539,311</b>	<b>2,849,249</b>	<b>10,388,560</b>
Less: Credit loss allowance	(32,641)	(2,849,249)	(2,881,890)
<b>Carrying amount</b>	<b>7,506,670</b>	<b>-</b>	<b>7,506,670</b>
<b>Receivables from individuals</b>			
- Excellent	2,208,280	-	2,208,280
- Good	125	-	125
- Satisfactory	4,773	-	4,773
- Special monitoring	2,113	-	2,113
- Default	-	2,826,157	2,826,157
<b>Gross carrying amount</b>	<b>2,215,291</b>	<b>2,826,157</b>	<b>5,041,448</b>
Less: Credit loss allowance	(15,424)	(2,826,157)	(2,841,581)
<b>Carrying amount</b>	<b>2,199,867</b>	<b>-</b>	<b>2,199,867</b>
<b>Receivables on cash and settlements services</b>			
- Excellent	2,047,476	-	2,047,476
- Default	-	820	820
<b>Gross carrying amount</b>	<b>2,047,476</b>	<b>820</b>	<b>2,048,296</b>
Less: Credit loss allowance	-	(820)	(820)
<b>Carrying amount</b>	<b>2,047,476</b>	<b>-</b>	<b>2,047,476</b>
<b>Other financial asset</b>			
- Excellent	1,859,265	-	1,859,265
<b>Gross carrying amount</b>	<b>1,859,265</b>	<b>-</b>	<b>1,859,265</b>
Less: Credit loss allowance	-	-	-
<b>Carrying amount</b>	<b>1,859,265</b>	<b>-</b>	<b>1,859,265</b>

Movements in the provision for asset impairment during 2020 are as follows:

<i>In thousands of Mongolian Tugriks</i>	Receivable from companies	Receivable from individuals	Other financial assets	Total
<b>Provision for asset impairment at 1 January 2020</b>	<b>2,881,890</b>	<b>2,841,582</b>	<b>820</b>	<b>5,724,292</b>
Provision/(reversal) for impairment during the year	675,270	86,306	-	<b>761,576</b>
Exchange difference	19,150	57,982	35	<b>77,167</b>
Amounts written off during the year as uncollectible	(844,085)	(181,690)	-	<b>(1,025,775)</b>
<b>Provision for asset impairment at 31 December 2020</b>	<b>2,732,224</b>	<b>2,804,180</b>	<b>855</b>	<b>5,537,260</b>

The receivables that is not expected to be fully paid are written off in accordance with the Board of Directors' resolution during 2020.

Movements in the provision for asset impairment during 2019 are as follows

<i>In thousands of Mongolian Tugriks</i>	Receivable from companies	Receivable from individuals	Other financial assets	Total
<b>Provision for asset impairment at 1 January 2019</b>	<b>5,403,448</b>	<b>2,854,230</b>	-	<b>8,257,678</b>
Provision/(reversal) for impairment during the year	2,492,716	195,697	820	<b>2,689,233</b>
Exchange difference	453,842	7,486	-	<b>461,328</b>
Amounts written off during the year as uncollectible	(5,468,116)	(215,831)	-	<b>(5,683,947)</b>
<b>Provision for asset impairment at 31 December 2019</b>	<b>2,881,890</b>	<b>2,841,582</b>	<b>820</b>	<b>5,724,292</b>

## 15 Intangible Assets

<i>In thousands of Mongolian Tugriks</i>	Computer software licences	Land use right	Total
<b>Cost at 1 January 2019</b>	<b>29,330,501</b>	<b>673,313</b>	<b>30,003,814</b>
Accumulated amortization	(15,753,488)	-	(15,753,488)
<b>Carrying amount at 1 January 2019</b>	<b>13,577,013</b>	<b>673,313</b>	<b>14,250,326</b>
Additions	2,980,195	-	2,980,195
Transfers	-	-	-
Amortisation	(2,860,510)	-	(2,860,510)
<b>Carrying amount at 31 December 2019</b>	<b>13,696,698</b>	<b>673,313</b>	<b>14,370,011</b>
<b>Cost at 1 January 2020</b>	<b>32,310,696</b>	<b>673,313</b>	<b>32,984,009</b>
Accumulated amortization	(18,613,998)	-	(18,613,998)
<b>Carrying amount at 1 January 2020</b>	<b>13,696,698</b>	<b>673,313</b>	<b>14,370,011</b>
Additions	5,311,699	-	5,311,699
Transfers	373,320	-	373,320
Amortisation	(3,300,686)	-	(3,300,686)
<b>Carrying amount at 31 December 2020</b>	<b>16,081,031</b>	<b>673,313</b>	<b>16,754,344</b>

16 Premises and Equipment

<i>In thousands of Mongolian Tugriks</i>	Premises	Motor vehicles	Office equipment and computers	Furniture	Leasehold improvement	Construction in progress	Total premises and equipment
<b>Cost/valuation at 1 January 2019</b>	<b>102,748,431</b>	<b>3,028,891</b>	<b>48,666,197</b>	<b>7,465,253</b>	<b>4,537,864</b>	<b>4,992,051</b>	<b>171,438,687</b>
Accumulated depreciation	(2,160,384)	(1,442,945)	(33,337,813)	(2,837,590)	(1,569,708)	-	(41,348,440)
<b>Carrying amount at 1 January 2019</b>	<b>100,588,047</b>	<b>1,585,946</b>	<b>15,328,384</b>	<b>4,627,663</b>	<b>2,968,156</b>	<b>4,992,051</b>	<b>130,090,247</b>
Additions	3,740,861	731,500	23,781,906	675,861	2,395,262	-	31,325,390
Transfers	-	(1,115)	4,309,290	33,422	-	(4,341,597)	-
Disposals	-	(121,986)	(177,242)	(20,414)	-	-	(319,642)
Write-offs	-	(397,228)	(2,354,793)	(239,793)	-	-	(2,991,814)
Charge for the year	(2,907,744)	(305,640)	(8,145,581)	(470,859)	(2,185,692)	-	(14,015,516)
Transfers	-	93	(4,797)	4,588	116	-	-
Disposals	-	80,332	177,242	16,386	-	-	273,960
Write-offs	-	384,600	1,531,472	228,029	-	-	2,144,101
Revaluation	1,242,104	-	-	-	-	-	1,242,104
<b>Carrying amount at 31 December 2019</b>	<b>102,663,268</b>	<b>1,956,502</b>	<b>34,445,881</b>	<b>4,854,883</b>	<b>3,177,842</b>	<b>650,454</b>	<b>147,748,830</b>
<b>Cost/valuation at 1 January 2020</b>	<b>107,731,396</b>	<b>3,240,062</b>	<b>74,225,358</b>	<b>7,914,329</b>	<b>6,933,126</b>	<b>650,454</b>	<b>200,694,725</b>
Accumulated depreciation	(5,068,128)	(1,283,560)	(39,779,477)	(3,059,446)	(3,755,284)	-	(52,945,895)
<b>Carrying amount at 1 January 2020</b>	<b>102,663,268</b>	<b>1,956,502</b>	<b>34,445,881</b>	<b>4,854,883</b>	<b>3,177,842</b>	<b>650,454</b>	<b>147,748,830</b>
Additions	4,259,824	65,000	6,832,365	438,605	992,525	-	12,588,319
Transfers	3,096,464	(32,954)	(294,603)	24,677	90	-	2,793,674
Disposals	(3,305,473)	-	(214,837)	(6,068)	-	-	(3,526,378)
Write-offs	-	-	(2,565,613)	(149,334)	(1,455,789)	-	(4,170,736)
Charge for the year	(3,031,063)	(316,976)	(10,849,388)	(473,959)	(1,316,560)	-	(15,987,946)
Transfers	530,707	29,483	(122,798)	(11,306)	-	-	426,086
Disposals	79,218	-	207,870	5,757	-	-	292,845
Write-offs	-	-	2,552,945	148,179	1,269,638	-	3,970,762
Revaluation	-	-	-	-	-	-	-
<b>Carrying amount at 31 December 2020</b>	<b>104,292,945</b>	<b>1,701,055</b>	<b>29,991,822</b>	<b>4,831,434</b>	<b>2,667,746</b>	<b>650,454</b>	<b>144,135,456</b>

Premises have been revalued at fair value as at 31 December 2020. The valuation was carried out by an independent firm of appraisers, M.A.D LLC and Gerege Estimate LLC, who hold a recognised and relevant professional qualification and who have recent experience in the valuation of assets in similar locations and in a similar category. The basis used for the appraisal was market value of the similar premises located in the Ulaanbaatar.

At 31 December 2020, the carrying amount of premises would have been MNT 97,048,529 thousands (2019: MNT 110,059,260 thousands) had the assets been carried at cost less depreciation.

The amount reconciles to the carrying value of the premises as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
Premises at revalued amount in the statement of financial position	104,292,945	102,663,268
Revaluation reserve presented in equity	(7,495,543)	7,746,670
Realised revaluation reserve	251,127	(350,676)
<b>Premises at cost less accumulated depreciation</b>	<b>97,048,529</b>	<b>110,059,262</b>

## 17 Right of Use Assets

The Bank leases various offices and spaces for ATM, garages and archives. Rental contracts are typically made for fixed periods of 1 year to 5 years but may have extension options as described below.

The right of use assets by class of underlying items is analysed as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>Buildings</b>	<b>Other</b>	<b>Total</b>
<b>Carrying amount at 1 January 2019</b>	<b>7,422,405</b>	<b>1,512</b>	<b>7,423,917</b>
Additions	2,582,021	3,123	2,585,144
Depreciation charge	(3,744,907)	(1,404)	(3,746,311)
<b>Carrying amount at 31 December 2019</b>	<b>6,259,519</b>	<b>3,231</b>	<b>6,262,750</b>
Additions	6,211,715	3,532,106	9,743,821
Disposals	(1,217,928)	-	(1,217,928)
Depreciation charge	(4,178,546)	(727,361)	(4,905,907)
<b>Carrying amount at 31 December 2020</b>	<b>7,074,760</b>	<b>2,807,976</b>	<b>9,882,736</b>

As of 31 December 2020, interest expense on lease liabilities was MNT 1,385,422 thousands (2019: MNT 851,077 thousands) and lease expense related to VAT was MNT 535,954 thousands (2019: MNT 312,608 thousands).

Expenses relating to short-term leases included in administrative and other operating expenses.

<i>In thousands of Mongolian Tugriks</i>	<b>2019</b>	<b>2018</b>
Expense relating to short-term leases	2,039,348	2,689,548

Total cash outflow for leases in 2020 was MNT 7,857,624 thousands (2019: MNT 7,299,303 thousands)

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as collateral for borrowings.

Extension and termination options are included in a number of property leases across the Bank. These are used to maximise operational flexibility in terms of managing the assets used in the Bank's operations. The majority of extension and termination options held are exercisable only by the Bank and not by the respective lessor.

## 18 Repossessed Collateral

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
Financial asset at fair value	121,292,776	131,581,132
Non-financial assets at cost	129,006,234	25,814,241
Less: Impairment provision	(39,722,685)	(6,077,773)
<b>Total repossessed collaterals</b>	<b>210,576,325</b>	<b>151,317,600</b>

Reposessed collateral represents real estate assets and financial assets acquired by the Bank in settlement of overdue loans. The Bank expects to dispose of the assets in the foreseeable future. In case of reposessed collateral in the form of financial asset such as equity securities, Bank classifies them for IFRS measurement purposes as investments in equity or debt securities and measures them at fair value. The assets were initially recognised at fair value less cost to sell when acquired.

During 2020, the Bank recognised MNT 95,255,910 thousands (2019: MNT 126,392,250 thousands) reposessed collateral through foreclosure process and reclassified assets in value of MNT 51,259,434 thousands (2019: MNT 75,217,941 thousands) to Non-Current Assets classified as Held for Sale, following the management's intentions in relation to those assets.

During the year, MNT 55,321,505 thousands of assets were transferred from Non-Current Assets classified as Held for Sale to reposessed collateral.

Financial assets at fair value as of 31 December 2020 represent shares (equity securities) in three companies which the Bank has acquired in the process of settlement of overdue loans. The Bank is currently negotiating to sell shares of one of these three companies. In 2020, fair value loss of those assets was MNT 16,288,356 thousands.

Non-financial assets at cost represent premises, which the Bank has acquired in the process of settlement of overdue loans. The impairment provision disclosed above fully relates to non-financial assets.

Movements in the provision for reposessed non-financial collaterals during 2020 and 2019 are as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>2019</b>	<b>2018</b>
<b>Provision for reposessed collaterals at 1 January</b>	<b>6,077,773</b>	<b>8,134,870</b>
Provision for impairment during the year	21,888,296	13,134,432
Provision of assets transferred to investment property	(1,978,658)	-
Provision of assets transferred from non-current assets held for sale	13,735,274	290,376
Amounts written off during the year as uncollectible	-	(15,481,905)
<b>Provision for reposessed collaterals at 31 December</b>	<b>39,722,685</b>	<b>6,077,773</b>

Significant increase in provision for reposessed collateral mainly relates to the buildings, factory and apartments.

## 19 Non-Current Assets Classified as Held for Sale

Non-current assets classified as held for sale were previously classified as reposessed collateral, acquired by the Bank in settlement of overdue loans. Management approved a plan to sell non-current assets on each transfer of asset. The Bank is actively marketing these assets and expects the sale to complete within 12 months.

Major classes of non-current assets classified as held for sale are as follows:



<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
Office and commercial spaces	14,741,413	16,942,504
Buildings	10,991,262	3,000,000
Residential apartments or houses	1,047,145	37,137,820
Other	204,156	45,000
<b>Total non-current assets held for sale</b>	<b>26,983,976</b>	<b>57,125,324</b>

During 2020, the Bank sold offices, commercial spaces and residential apartments in amount of MNT 16,299,755 thousand.

## 20 Due to Other Banks

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
Short-term placements of other banks	14,638,962	20,070,762
Long-term placements of other banks	-	32,857,750
<b>Total due to other banks</b>	<b>14,638,962</b>	<b>52,928,512</b>

Amount due to other banks and financial institutions represent foreign currency and local currency accounts and time deposits placed with Mongolian and foreign banks. The decrease in amounts of due to other banks mainly relates to expiration of long term placements from a Development bank of Mongolia and Bogd bank.

At 31 December 2020, short-term placement relates to current accounts and demand deposit from local and foreign banks with interest rate of 2% (2019: from 6.8% p.a. to 12% p.a.).

## 21 Customer Accounts

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Individuals</b>	<b>3,085,685,582</b>	<b>2,683,544,463</b>
- Current/demand accounts	259,533,209	205,586,435
- Demand deposits	542,637,015	433,531,162
- Term deposits	2,283,515,358	2,044,426,866
<b>Legal entities</b>	<b>1,808,539,526</b>	<b>1,415,945,338</b>
- Current/settlement accounts	1,072,214,508	1,001,280,367
- Demand deposits	319,624,716	59,107,295
- Term deposits	416,700,302	355,557,676
<b>State and public organizations</b>	<b>325,361,021</b>	<b>749,455,811</b>
- Current/settlement accounts	70,395,910	598,852,742
- Demand deposits	184,537,147	26,940,128
- Term deposits	70,427,964	123,662,941
<b>Other</b>	<b>66,089,048</b>	<b>51,696,010</b>
- Current/demand accounts	41,513,031	33,757,181
- Demand deposits	696,098	858,825
- Term deposits	23,879,919	17,080,004
<b>Total customer accounts</b>	<b>5,285,675,177</b>	<b>4,900,641,622</b>

## 21 Customer Accounts (continued)

According to the Mongolian Civil Code, the Bank is obliged to repay deposits to individual depositors at short notice. If a fixed-term deposit is withdrawn by the depositor ahead of term, interest is payable at the rate paid by the Bank on demand deposits unless otherwise specified by the contract.

The management currently does not monitor concentration of customer accounts per economic sectors. Therefore, related information is not disclosed in these financial statements. At 31 December 2020, the aggregate amount of the top 30 biggest customers is MNT 1,162,976,433 thousands (31 December 2019: MNT 1,457,335,939 thousands) or 22% of total customer accounts (31 December 2019: 30%).

At 31 December 2020, included in customer accounts are deposits of MNT 52,103,068 thousands (2019: MNT 30,671,623 thousands) held as collateral for irrevocable commitments under bank guarantee.

## 22 Other Borrowed Funds

<i>In thousands of Mongolian Tugriks</i>	31 December 2020	31 December 2019
<b>(a) Borrowed funds under projects</b>		
Borrowed funds under Project /MNT/	214,051,054	228,664,832
Borrowed funds under Project /USD/	275,262	307,940
Borrowed funds under Project /EUR/	93	180,286
<b>Total borrowed funds under projects</b>	<b>214,326,409</b>	<b>229,153,058</b>
<b>(b) Borrowings from foreign banks and financial institutions</b>		
Borrowings from other foreign bank /USD/	931,920,970	538,666,774
<b>Trade finance from foreign banks and financial institutions</b>		
Trade finance from foreign banks and financial institutions /USD/	33,020,956	109,553,747
Trade finance from foreign banks and financial institutions /EUR/	21,165,174	35,429,480
Trade finance from foreign banks and financial institutions /JPY/	-	2,110,565
Trade finance from foreign banks and financial institutions /CNY/	1,831,140	1,118,538
<b>Total borrowings from foreign banks and financial institutions</b>	<b>987,938,240</b>	<b>686,879,104</b>
<b>TOTAL</b>	<b>1,202,264,649</b>	<b>916,032,162</b>

## (a) Borrowed funds under projects

<i>In thousands of Mongolian Tugriks</i>	31 December 2020	31 December 2019
Government price stabilization program		
Housing mortgage program	119,388,583	132,474,795
Project on gold production 2	10,067,210	-
Project loan of KFW bank	1,559,720	851,287
Other borrowing under project	937,500	1,320,500
Projects financed by Development Bank of Mongolia		
Project on national cashmere factories	37,898,469	42,886,928
Agriculture 2020 program	5,944,070	-
MNCCI leather processing project	202,196	5,385,350
Project on meat production	-	2,905,297
Other borrowing under project	-	1,425,390
Joint projects of Mongolian government and JICA		
Borrowings under SME industry support fund	7,594,175	9,921,098
Other government projects		
Borrowings under Agriculture and Rural Development Project	30,418,429	29,963,289
Other borrowing under project	275,262	307,940
Student development program	37,511	53,158
Borrowings under SME industry support fund	3,284	1,652,842
Borrowings under 40000 Housing Unit Development program	-	5,184
<b>Total</b>	<b>214,326,409</b>	<b>229,153,058</b>

As disclosed in Note 3, most of these funds are obtained for specific purposes (issuing loans at advantageous rates to target customers), defined by the lenders or the Government of Mongolia, and therefore they are obtained at interest rates which may be lower than rates at which the Bank could source the funds from other lenders. Interest rate on most of these borrowed funds ranges between 1% to 10.5% p.a., while interest rate on most of the loans issued from these sources range between 3% and 13% p.a. The management considered whether initial gain on recognition of these borrowings should be recognised and concluded that they meet definition of principal market and that no gains or losses should arise on initial recognition of related borrowings and loans to customers.

For management's judgments refer to Note 3. The major programs include funding from the Development Bank of Mongolia on funding specific sectors or types of projects that are related to key priorities for development of Mongolian economy (e.g. achieving diversification of economy) by the Government of Mongolia. These programs are briefly outlined below.

Under Housing Mortgage Program, the Bank received funds during 2014, 2015 and 2016 from the Bank of Mongolia for a mortgage loan program implemented by the Government at an interest rate of 4% p.a. Newly issued loans or refinanced loans need to meet specific requirements (apartments with maximum area of 80 square meters, down payment of at least 30% apartment purchase price, good customer's credit history with respective bank and other Mongolian banks etc.) in order to qualify for this program.

In 2016, the Bank received borrowings from Asian Development Bank at an interest rate of 4.5% p.a. The project purpose is to support agriculture and rural development project. The program was extended until 2027. The bank can grant loans with the interest rate of 8%. The Bank approves all loan disbursement or refinancing and bears the credit risk.

As a result of such financing, the Bank is able to advance funds to target customers as determined by its lenders, at advantageous rates of 8% p.a. (6% for loans issued after 1 October 2020) defined by the Bank of Mongolia i.e. the Bank has no discretionary rights in determining interest rates on issued loans. The Bank approves all loans disbursement or refinancing under 8% (6% for loans issued after 1 October 2020) interest rate and bears the credit risk.

In 2018, the Bank participated in the Government program to support the national cashmere factories for providing below market working capital loan to produce raw materials through Development Bank of Mongolia and the interest rate of the funding is 10% p.a. with maturity date of 27 December 2021. The Bank can grant loans to the customers at advantageous interest rate of 12%-13% p.a.

Since July 2014, the Bank participates in another Government project targeting specific industry, "Man-ufacturing and Processing of Leather Products (MNCCI)" with Development Bank of Mongolia. Related funding from the DBM is obtained at interest rate of 5% p.a. and related loans are issued to customers at advantageous interest rates of 7% p.a., as per terms of the arrangement. All customers must be approved by Ministry of Food and Agriculture. The Bank bears the credit risk in this arrangement.

In 2020, the Bank participated in two new programs. The program funded by Bank of Mongolia is for financing gold mining companies to increase the gold reserves and foreign exchange reserve of Bank of Mongolia. Under this program, the Bank obtained funding at interest rates of 9% p.a. with maturity date of 02 September 2021 and issued loans to mining companies at advantageous interest rate of 12% p.a.

Furthermore, the Bank participates in another program, Agriculture 2020, funded by Development Bank of Mongolia to support planting companies and individuals to stabilize the price of food and increase the stock of food. As a part of this arrangement, the Bank received funding at interest rate of 1% p.a. with maturity of one year. The Bank can issue loans to customers at advantageous interest rate of 3% p.a.

The Bank participates in the Government program of providing loans to individuals for purchasing apartments and providing financing to housing construction companies. As a part of this arrangement, the Bank received funding at interest rate of 7% p.a. with maturity of 10 years and interest rate on issued loan of 11% p.a., which represent advantageous interest rates. During 2020, the programs have ended as per the terms of the agreement. The Bank has fully repaid all of outstanding amounts within these programs.

Furthermore, within the Development bank of Mongolia project to support the expansion of meat processing in Mongolia, the Bank entered into an arrangement with the DBM on financing those companies which operates in related industry. The funding bears interest rate of 13.2% p.a. with maturity date of 28 February 2020. The Bank has discretionary rights to determine the interest rate up to 17.2% p.a., at which the loans are issued to the targeted customers. During 2020, the programs have ended as per the terms of the agreement. The Bank has fully repaid all of outstanding amounts within these programs.

**22 Other Borrowed Funds (continued)**

**(a) Borrowed funds under projects (continued)**

The terms of the borrowing agreements with government organizations, central bank, and international financial institutions are provided in below table.

Category	Funding source	Name of Project	Currency	Disbursement date	Maturity date	Principle balance as of 31 December 2020 in thousands of original currency	Principle balance as of 31 December 2020 in thousands of MNT
Government price stabilization program	Bank of Mongolia	Housing mortgage program	MNT	4/21/2016	12/15/2021	119,388,583	119,388,583
	Bank of Mongolia	Project on gold production 2	MNT	8/7/2020	9/2/2022	10,067,211	10,067,211
	Bank of Mongolia	Project loan of KFB bank	MNT	6/8/2012	6/25/2025	1,559,627	1,559,720
	Bank of Mongolia	Other borrowing under project	MNT	7/1/2020	7/1/2022	937,500	937,500
Projects financed by Development Bank of Mongolia	Development Bank of Mongolia	Project on national cashmere factories	MNT	6/28/2018	12/27/2021	37,898,469	37,898,469
	Development Bank of Mongolia	Agriculture 2020 program	MNT	9/17/2020	12/17/2021	5,944,070	5,944,070
	Development Bank of Mongolia	MNCCI leather processing project	MNT	5/9/2014	6/25/2021	202,196	202,196
Joint projects of Mongolian government and JICA	JICA	Borrowings under SME industry support fund	MNT	6/12/2009	10/1/2030	7,594,175	7,594,175
Other government projects	Government and ADB	Borrowings under Agriculture and Rural Development Project	MNT	5/5/2016	7/1/2027	30,418,429	30,418,429
	Government	Student development program	MNT	11/30/2016	11/30/2026	37,511	37,511
	Government	Borrowings under SME industry support fund	MNT	7/10/2012	1/10/2021	3,284	3,284
	Government	Other borrowing under project	USD	4/1/2010	5/1/2027	97	275,262

**(a) Borrowings from foreign banks and financial institutions**

Borrowings from other foreign bank represent loans obtained from foreign banks and financial institution in the amount of USD 100,000 thousands on 27 September 2018, USD 100,000 thousands on 28 March 2019 with maturities of 60 months and amount of USD 7,500 has borrowed on 26 September 2017 with maturity of 97 months.

During 2020, several borrowings have obtained including amount of USD 100,000 thousands on 17 June 2020 with maturities of 60 months, amount of USD 19,000 thousands on 28 July 2020 with maturities of 15 months, amount of USD 5,500 thousands on 14 December 2020 with maturities of 13 months and amount of USD 5,000 thousands on 04 September 2020 with maturities of 36 months.

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USD 305,000 thousands of those borrowings are collateralized by the Bank's current account at these banks (refer to Note 9).

The Bank obtained uncommitted revolving trade credit lines from international banks and financial institutions to fund its trade loans to customers. As of 31 December 2020 the Bank utilised MNT 106,120,996 thousands (31 December 2019: MNT 100,102,203 thousands) of related credit lines and issued loans for the same amount. International banks and financial institutions for the purpose of import financing of transactions of customers provide funding. The term of such funding is up to 2 years and cash flows from customers and payment to foreign banks are matching in terms of the timing of payment and principal amount. The Bank bears the credit risk in the case of non-payment by the customer.

As at 31 December 2020, the Bank has breached a covenant, non-performing loans ratio which was related to a borrowings from Asian Development Bank (ADB) on financing under Agriculture and Rural Development Project in the amount of MNT 30,418,429 thousands. According to the contract between the Bank and ADB, only when ADB concludes that the bank has significantly breached any contract obligation, the loan becomes payable on demand. For the breach of the

covenant, ADB concluded this to be insignificant and did not to recall the loan.

## 23 REPO Arrangements

As of 31 December 2020, sale and repurchase agreements relate to placements from local banks and financial institutions, bearing interest rate of 6.5% p.a. (2019: from 11.0% p.a.), with original maturities of 723 days (2019: 28 days). These placements are fully collateralized by the Bank of Mongolia treasury bills disclosed in Note 10 as at 31 December 2020.

## 24 Other Liabilities

Other liabilities comprise the following:

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Other financial liabilities at AC:</b>	<b>89,831,222</b>	<b>102,064,978</b>
Liabilities for loans sold to MIK with recourse	53,003,378	71,974,148
Liabilities for settlements of transactions	19,134,868	20,171,704
Provision for credit related commitments	2,897,006	1,937,760
Trade payable	1,529,535	1,955,831
Other	13,266,435	6,025,535
<b>Other non-financial liabilities:</b>	<b>10,965,323</b>	<b>4,091,161</b>
Taxes payable other than on income	9,236,305	2,521,925
Payables to employees	1,642,622	1,430,948
Other	86,396	138,288
<b>Total other liabilities</b>	<b>100,796,545</b>	<b>106,156,139</b>

During 2020, the Bank has not participated any of monetization transactions with MIK for selling of mortgage loans with recourse. The balance in other liability as of 31 December 2020 has decreased by the repayments of related loans. The Bank retained all the risks and rewards related to the loans sold to MIK within these transactions.

The increased amount of taxes payable other than on income relates to introduction of new revised Corporate Income Tax Law which became effective since 1 January 2020. The balance of taxes payable other than on income as of 31 December 2020 has increased due to the new legal provision of levying tax on interest income of all types of debt, payables, current and savings accounts, guarantees, sureties, loans and bond etc.

The Bank received deferred income of MNT 86,396 thousands from consulting service. According to the IFRS 15, the Bank allocates the transaction price of consulting service to each performance obligation.

Most of the other financial liabilities are expected to be settled within twelve months after the year-end. All non-financial liabilities are of a short-term nature.

## 25 Subordinated Debt

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
Subordinated loans from Golomt Financial Group	-	172,027,616
<b>Total</b>	<b>-</b>	<b>172,027,616</b>

**25 Subordinated Debt (continued)**

Subordinated loans as of the year ended 31 December 2019 were as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>Maturity date</b>	<b>Currency</b>	<b>Interest rate p.a.</b>	<b>Face value in currency</b>
Golomt Financial Group LLC (I)	31/12/2024	MNT	12.6%	80,000,000
Golomt Financial Group LLC (II)	31/12/2024	MNT	12.6%	80,000,000
Golomt Financial Group LLC (III)	31/12/2024	MNT	12.6%	12,000,000

The Bank received a MNT 160 billion, 5-year subordinated loan from Golomt Financial Group LLC in 31 December 2019 with interest rate of 12.6% per annum maturing on 31 December 2024. Also, the Bank received a MNT 12 billion, 5-year subordinated loan with same interest rate as the previous loan from Golomt Financial Group LLC on 19 December 2019.

These subordinated debts were initially funded by shareholders with an intention of equity injection during 2019. In December 2020, the Bank converted total of MNT 172,000,000 thousand subordinated debt from Golomt Financial Group into ordinary shares of the Bank. (See note 26). The accrued interest related to subordinated debt was fully paid to Golomt Financial Group LLC.

**26 Share Capital**

<i>In thousands of Mongolian Tugriks except for number of shares</i>	<b>Number of outstanding shares</b>	<b>Ordinary shares</b>	<b>Treasury shares</b>	<b>Share premium</b>	<b>Preference shares</b>	<b>Treasury preferred shares</b>	<b>Total</b>
<b>At 1 January 2019</b>	<b>32,321,857</b>	<b>32,321,857</b>	<b>-</b>	<b>127,629,293</b>	<b>75,778,900</b>	<b>-</b>	<b>235,730,050</b>
Cancellation of share issue	(5,954,264)	(5,954,264)	-	(81,045,736)	(50,000,000)	-	(137,000,000)
Conversion of the subordinated loans	5,646,905	5,646,905	-	88,588,145	-	-	94,235,050
<b>At 31 December 2019</b>	<b>32,014,498</b>	<b>32,014,498</b>	<b>-</b>	<b>135,171,702</b>	<b>25,778,900</b>	<b>-</b>	<b>192,965,100</b>
<b>At 1 January 2020</b>	<b>32,014,498</b>	<b>32,014,498</b>	<b>-</b>	<b>135,171,702</b>	<b>25,778,900</b>	<b>-</b>	<b>192,965,100</b>
Treasury stocks	(80,500)	-	(80,500)	(981,508)	-	(13,511,650)	(14,573,658)
Conversion of the subordinated loans	10,225,539	10,225,539	-	161,774,461	-	-	172,000,000
<b>At 31 December 2020</b>	<b>42,159,537</b>	<b>42,240,037</b>	<b>(80,500)</b>	<b>295,964,655</b>	<b>25,778,900</b>	<b>(13,511,650)</b>	<b>350,391,442</b>

The nominal registered amount of the Bank's issued share capital is MNT 42,159,537 thousands (2019: MNT 32,014,498 thousands).

Share premium represents the excess of contributions received over the nominal value of shares issued.

The number of ordinary shares issued in 2020 was 10,225,539 with par value MNT 1,000 and share premium represents the excess of contributions received over the nominal value of shares issued.

**Ordinary shares**

The total authorised number of ordinary shares is 42,159,537 shares (31 December 2019: 32,014,498 shares), with a par value of MNT 1,000 per share (2019: MNT 1,000 per share).

The following table shows issued and reacquired shares during 2020:

Shareholder	Number of shares	Par amount	Subscription price per share	Date
Golomt Financial Group LLC	10,225,539	1,000	16,821	12/30/2020
ESOP	(80,500)	1,000	13,193	9/16/2020

On 30 December 2020, Subordinated loan from Golomt Financial Group LLC in the amount of MNT 172 billion was converted into ordinary shares and 10,225,539 fully paid shares of the Bank were issued to Golomt Financial Group LLC. The amount of MNT 161,774,461 thousand arising from the issuance of ordinary shares has been included in the share premium account. The new ordinary shares issued rank pari passu in all respect with the existing ordinary shares of the bank.

In 2020, with a decision of shareholders meeting, 80,500 ordinary shares issued under the Employees' Share Ownership Program were repurchased for MNT 13,192.65 per share.

The shareholders of the Bank as of 31 December 2020 and 31 December 2019 and the percentages of ownership are as follows:

Shareholder	31 December 2020	31 December 2019
	Ownership (%)	Ownership (%)
Golomt Financial Group LLC	90.47%	86.63%
Swiss-Mo Investment A.G	6.25%	8.22%
Golomt Investment Co.,Ltd	3.08%	4.06%
ESOP	0.20%	1.09%
<b>Total</b>	<b>100%</b>	<b>100%</b>

#### Preferred shares

Mr.Zorigt, a business partner of Mr.Bayasgalan, holds 25,778,900 preferred shares with USD 15,000,000, which is equivalent to MNT 25,778,900 thousands issued on 19 December 2013 and terms are further amended on 26 December 2013. Preferred shareholders have a right to receive dividend income of 6% from its investment. Preferred shareholders have a priority right over ordinary share holders in case of liquidation.

In 2020, with a decision of shareholders meeting to purchase back its own preferred shares, 9,390,800 treasury preferred shares were reacquired at a price of MNT 1,438.82 per share.

Preferred shares are non-cumulative, perpetual and the agreement states that the Bank has a discretionary right to convert the preferred shares into ordinary shares based on the Board of Director's approval.

## 27 Interest Income and Expense

<i>In thousands of Mongolian Tugriks</i>	<b>2020</b>	<b>2019</b>
Interest income calculated using the effective interest method		
Loans and advances to customers at AC	477,412,592	470,513,477
Debt securities FVTOCI	36,740,081	41,537,995
Due from other banks at AC	22,218,950	20,652,385
Cash and cash equivalents	13,921,180	18,536,242
Debt securities at AC	1,308,470	5,138,380
Reverse repurchase agreements at AC	280,514	579,119
<b>Total interest income calculated using the effective interest method</b>	<b>551,881,787</b>	<b>556,957,598</b>
<b>Other similar income</b>		
Loans and advances to customers at FVTPL	6,387,102	10,475,532
Debt securities FVTPL	11,863,497	10,458,601
<b>Total other similar income</b>	<b>18,250,599</b>	<b>20,934,133</b>
<b>Total interest income</b>	<b>570,132,386</b>	<b>577,891,731</b>
<b>Interest expense</b>		
Customer accounts	(301,275,891)	(309,233,601)
Other borrowed funds	(38,491,510)	(39,129,879)
Subordinated loans	(21,612,625)	(6,259,246)
Due to other banks	(977,854)	(5,593,306)
Repurchase agreements	(2,036,363)	(4,939,558)
<b>Total interest expense</b>	<b>(364,394,243)</b>	<b>(365,155,590)</b>
<b>Other similar expense</b>		
Lease expense	(1,385,422)	(851,077)
<b>Total other similar expense</b>	<b>(1,385,422)</b>	<b>(851,077)</b>
<b>Total interest and other similar expense</b>	<b>(365,779,665)</b>	<b>(366,006,667)</b>
<b>Net interest income</b>	<b>204,352,721</b>	<b>211,885,064</b>

Interest income from cash and balances with central bank includes MNT 9,358,409 thousands (2019: MNT 14,047,899 thousands), which relates to interest income on placed mandatory reserves received from the Bank of Mongolia based on the resolution of the Bank of Mongolia applicable to all local banks, as the Bank maintained the required level of mandatory reserve during 2020.

Interest expenses of subordinated loans have increased due to the addition of subordinated loans in total amount of MNT 160,000,000 thousands in late December 2019. Decrease in interest expense on due to other banks is related to long term placements from Development bank of Mongolia and Bogd bank which have expired during the year. Interest income includes approximately MNT 15,610,229 thousands (2019: MNT 9,429,322 thousands) of interest income, recognised on credit impaired loans to customers.

Management believes that related amounts are fully recoverable, given that impaired loans and advances to customers have high collateral coverage and that non-recoverable amount of interest income is not recognised in the profit or loss account for 2020 and 2019 in accordance with IFRS requirements.



## 28 Fee and Commission Income and Expense

<i>In thousands of Mongolian Tugriks</i>	2020	2019
<b>Fee and commission income</b>		
Commissions on operations with plastic cards	25,937,813	30,182,400
Remittance and other service fees	13,432,640	14,782,946
Commissions on documentary business and guarantees	5,550,921	5,236,275
Account service fee and commissions	3,779,078	4,108,079
Brokerage and other service fee	377,116	788,642
<b>Total fee and commission income</b>	<b>49,077,568</b>	<b>55,098,342</b>
<b>Fee and commission expense</b>		
Card transaction expense	(11,560,522)	(13,044,239)
Bank service expense	(2,879,959)	(2,646,484)
Online transaction expense	(1,111,910)	(855,456)
Brokerage and other service fee	(43,333)	(548,149)
<b>Total fee and commission expense</b>	<b>(15,595,724)</b>	<b>(17,094,328)</b>
<b>Net fee and commission income</b>	<b>33,481,844</b>	<b>38,004,014</b>

## 29 Other Operating Income and Expenses

<i>In thousands of Mongolian Tugriks</i>	2020	2019
<b>Income from repayment of loans which were written off</b>	<b>1,846,809</b>	<b>1,753,453</b>
Gain or loss on disposal of premises and equipment	(330,660)	(1,536,773)
Other	1,401,888	807,504
<b>Total other operating income</b>	<b>2,918,037</b>	<b>1,024,184</b>

## 30 Administrative and Other Operating Expenses

<i>In thousands of Mongolian Tugriks</i>	Note	2019	2018
Staff costs		41,298,424	47,180,146
Information, consulting and other professional services		28,214,327	24,467,538
Depreciation of premises and equipment	16	15,987,946	14,015,516
Advertising and marketing services		3,691,587	4,596,148
Telecommunications expense		1,511,093	4,214,423
Depreciation of right of use assets	17	4,905,907	3,746,311
Amortisation of software and other intangible assets	15	3,300,686	2,860,510
Short term lease expense		2,039,348	2,689,548
Taxes (other than income tax)		1,996,394	2,049,702
Security expense		2,162,967	1,827,825
Loan collection expenses		1,710,913	1,728,379
Transportation		1,170,044	1,413,818
Utilities		1,256,955	1,216,332
Travelling expenses		426,321	1,124,938
Voluntary and mandatory insurance		618,156	745,739
Entertainment		920,460	689,375
Donations		11,126	20,771
Other		9,791,930	7,418,811
<b>Total administrative and other operating expenses</b>		<b>121,014,584</b>	<b>122,005,830</b>

**30 Administrative and Other Operating Expenses (continued)**

<i>In thousands of Mongolian Tugriks</i>	<b>2020</b>	<b>2019</b>
<b>Staff costs consist of:</b>		
Salaries, wages and bonus	38,388,570	40,489,040
Contribution to social and health fund	1,974,054	5,226,212
Staff benefits	521,645	643,356
Pension fund	219,093	198,147
Staff training	195,062	623,391
<b>Total staff costs</b>	<b>41,298,424</b>	<b>47,180,146</b>

**31 Income Taxes****(a) Components of income tax expense / (benefit)**

Income tax expense recorded in profit or loss for the year comprises the following:

<i>In thousands of Mongolian Tugriks</i>	<b>2020</b>	<b>2019</b>
Current tax	624,052	11,756,755
Deferred tax	11,471,208	(3,166,529)
<b>Income tax expense for the year</b>	<b>12,095,260</b>	<b>8,590,226</b>

**(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate**

The Bank provides for income taxes on the basis of 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% for the first MNT 6 billion (2019: MNT 3 billion) of taxable income, and 25% (2019: 25%) on the excess of taxable income over MNT 6 billion (2019: MNT 3 billion) in accordance with Mongolian tax legislation.

<i>In thousands of Mongolian Tugriks</i>	<b>2020</b>	<b>2019</b>
<b>Profit before tax</b>	<b>22,489,020</b>	<b>24,894,906</b>
Theoretical tax charge at statutory rate (2020: 25%; 2019: 25%)	5,622,255	6,223,727
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Effect of income subject to lower rate	(900,000)	(450,000)
- Income which is exempt from taxation	(1,247,957)	(565,048)
- Income which is taxed at different rates	649,048	(24,044)
- Non-deductible expenses	4,220,121	3,004,994
- Unrecoverable deferred tax asset	2,572,089	-
- Other	1,179,704	400,597
<b>Income tax expense/(credit) for the year</b>	<b>12,095,260</b>	<b>8,590,226</b>

**(c) Deferred taxes analysed by type of temporary difference**

Differences between IFRS and statutory taxation regulations in Mongolia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

The tax effect of the movements in these temporary differences in 2020 is detailed below and is recorded at the rate of 25%:

<i>In thousands of Mongolian Tugriks</i>	<b>1 January 2020</b>	<b>Credited/ (charged) to profit or loss</b>	<b>Charged directly to equity</b>	<b>31 December 2020</b>
<b>Tax effect of deductible / (taxable) temporary differences and tax loss carry forwards:</b>				
Loans and advances to customers - interest income on loans overdue more than 90 days	(8,382,130)	(3,440,232)	-	(11,822,362)
Fair valuation of securities at FVTPL	(1,388,575)	47,712	-	(1,340,863)
Fair valuation of equity securities at FVTOCI	5,263,819	-	(976,416)	4,287,403
Credit loss allowance of securities at AC and FVTOCI	58,673	633,418	-	692,091
Credit loss allowance of due from other banks	209,850	(148,655)	-	61,195
Fair value changes of derivative financial instruments	(28,541,465)	(10,392,201)	-	(38,933,666)
Loan and advances to customers	9,612,004	(5,887,986)	-	3,724,018
Prepaid income – loan origination fee and others	2,363,856	(57,764)	-	2,306,092
Impairment of buildings	10,728,578	(534,825)	-	10,193,753
Provision charge for repossessed collateral, gains less losses on revaluation of investment properties and provision for non-current asset held for sale	3,431,521	10,138,687	-	13,570,208
Unrecoverable deferred tax asset	2,572,089	(2,572,089)	-	-
Initial loss and modification loss related to loans and advances	4,685,154	90,015	-	4,775,169
Tax loss carry forwards	-	952,354	-	952,354
Other	(522,357)	(299,642)	-	(821,999)
<b>Net deferred tax asset/(liability)</b>	<b>91,017</b>	<b>(11,471,208)</b>	<b>(976,416)</b>	<b>(12,356,607)</b>

The tax effect of the movements in these temporary differences in 2019 is detailed below and is recorded at the rate of 25%:

<i>In thousands of Mongolian Tugriks</i>	<b>1 January 2019</b>	<b>Credited/ (charged) to profit or loss</b>	<b>Charged directly to equity</b>	<b>31 December 2019</b>
<b>Tax effect of deductible / (taxable) temporary differences and tax loss carry forwards:</b>				
Loans and advances to customers - interest income on loans overdue more than 90 days	(9,850,031)	1,467,901	-	(8,382,130)
Fair valuation of securities at FVTPL	(2,414,557)	1,025,982	-	(1,388,575)
Fair valuation of equity securities at FVTOCI	3,032,665	-	2,231,154	5,263,819
Credit loss allowance of securities at AC and FVTOCI	488,805	(430,132)	-	58,673
Credit loss allowance of due from other banks	-	209,850	-	209,850
Fair value changes of derivative financial instruments	(29,145,005)	603,540	-	(28,541,465)
Loan and advances to customers	12,782,841	(3,170,837)	-	9,612,004
Prepaid income – loan origination fee and others	2,737,249	(373,393)	-	2,363,856
Impairment of buildings	11,034,541	(305,963)	-	10,728,578
Provision charge for repossessed collateral, gains less losses on revaluation of investment properties and provision for non-current asset held for sale	1,912,404	4,091,206	-	6,003,610
Initial loss and modification loss related to loans and advances	4,559,226	125,928	-	4,685,154
Other	(444,804)	(77,553)	-	(522,357)
<b>Net deferred tax asset/(liability)</b>	<b>(5,306,666)</b>	<b>3,166,529</b>	<b>2,231,154</b>	<b>91,017</b>

