



VISION

MONGOLIA'S GLOBAL
BENCHMARK BANK

MISSION

THE GENESIS OF
PROSPERITY

STRATEGY

OPEN BANK

4-11

INTRODUCTION

2022 Highlights
Greetings

12-27

CORPORATE
GOVERNANCE

Shareholders
Governance
Board of Directors
Internal Audit Operation
Management Team, Organizational Structure

28-40

ECONOMY,
BANKING SECTOR

Economic Overview
Banking Sector
Golomt Bank's Financial Highlights

CONTENTS

42-57

BUSINESS
OPERATION

Corporate Banking
Small and Medium Enterprises Banking
Retail Banking
Digital Banking
International Business Cooperation
Treasury Management

58-64

SUSTAINABLE DEVELOPMENT
SOCIAL RESPONSIBILITY
HUMAN RESOURCES

66-71

RISK
MANAGEMENT

Risk Management
Compliance

73-131

AUDITED FINANCIAL
STATEMENTS



Green loans portfolio of Golomt Bank
recorded MNT 95.85 billion in Q4 of 2022.

13 CLIMATE
ACTION



INTRODUCTION



GOLOMT BANK
HIGHLIGHTS
ACHIEVEMENTS
2022

The Banker

Bank of the Year of Mongolia 2022

ASIAMONEY

The Best SME Bank in Mongolia 2022

**GLOBAL
FINANCE**

The Best Digital Bank in Mongolia 2022



Great Place to Work 2022



Mongolia's TOP-100 Enterprises /ranked 4th/

Total profit of
MNT
116.5
billion

Total assets
increased up to
MNT
9
trillion

Total equity
reached
MNT
861.9
billion

45%
of international
credit cards market

34%
of foreign payments

27%
of insurance
brokerage service

63.5%
of foreign
guarantees and
letters of credit

Total number of
SocialPay
transactions
+117%
Foreign transactions
by cards
+109%
The number of
digital transactions
+68%

OPEN BANK IPO

In November 2022, Golomt Bank offered
10.09% of its total shares or 80,402,743
shares to the public at a share price of
MNT 1,285, and became an

OPEN JOINT-STOCK
COMPANY

It was planned to raise funds of MNT
103.3 through an IPO.

Became an
open joint-stock company and
raised funds of

MNT
118.8
billion



The first day of
IPO was

110.7%
performance

The last day of
IPO was

169.2%
performance

In the history of the stock market of Mongolia, two great achievements have been recorded such as "The biggest IPO" and

MNT **110+** billion
collected from the public in the shortest time.

HISTORICAL ACHIEVEMENTS

Raised funds of
MNT **114.4**
billion
in the shortest time

The biggest IPO of
MNT **118.8**
billion

GREETINGS

"Although the global economy has faced certain challenges due to geopolitical tensions, Golomt Bank has conducted flexible and open business activities as well as implemented its internal policies and procedures. As a result, the Bank's total assets grew by 12.4% and reached MNT 9.0 trillion, and the market share increased to 19.4%"



Dear customers, partners, shareholders, and colleagues,

2022 was a year full of achievements for Golomt Bank, which entered the next stage of its development, turned a new page in its history and became an open joint-stock company. Initial public offering of shares of Golomt Bank was successfully completed by selling 92,463,154 shares or 11.43 percent of total shares to the public, and raising funds of MNT 118.8 billion.

Although the global economy has faced certain challenges due to geopolitical tensions, Golomt Bank has conducted flexible and open business activities as well as implemented its internal policies and procedures. As a result, the Bank's total assets rose by MNT 1 trillion or by 12.4 percent and reached MNT 9.0 trillion, and the market share expanded to 19.4%. The Bank increased its loan portfolio in the retail market segment, the total loans reached MNT 3.9 trillion, which represents a market share of 17.3%. Moreover, the Bank's operating profit increased by 47.4% to MNT 317.2 billion, while net profit increased 4.5 times from the previous year to MNT 116.5 billion.

Since its establishment, Golomt Bank has been a leading bank in technology-based and innovative products and services. Within the framework of the Open Bank Strategy, we have successfully introduced

Cardzone, a card management system with modern advanced technology that fully ensures the privacy and security of payment cards. This card system is an international standard card system that provides faster yet reliable technological opportunities for the customers.

As technology-based products and services enter the market, providing safe and reliable products and services to customers becomes critical. Golomt Bank took several important steps this year to create a safer and more reliable payment system. Within this framework, Golomt Bank took several important actions, including becoming the first member of the PCI Security Standards Council from Mongolia. In this way, Golomt Bank gained the opportunity to contribute to the development and adoption of PCI security standards, as well as collaborate with more than 800 global leading organizations to protect, improve and develop payment security worldwide. In line with UNEP FI Principals Responsible Banking as a founding member, we have assessed our Bank's impact on the environment and identified water and climate as our key target areas. To minimize our operational impact on the environment we have put in place Environmental and Social (E&S) Risk Management system, where more than 71 percent of the total loan has gone through E&S assessed in 2022. During the reporting period, Golomt Bank



was awarded as the Featured Sustainable Finance Bank by Mongolian Sustainable Finance Association and actively supported initiatives and projects that are socially and environmentally friendly. It should also be noted that, for the first time in Mongolia, the Bank was assessed as "Fully compliant with the International Standards for the Professional Practice of Internal Auditing and Code of Ethics of Internal Auditors", which has turned a new page in the development history of the Mongolian banking and financial sector and internal audit. These achievements indicate that the Bank's corporate governance, long-term sustainable development policy have yielded results, and that decisions and actions taken are fully consistent with the goal of compliance with the international standards.

These achievements led Golomt Bank to win the award for Bank of the Year-2022 by "The Banker", worldly renowned magazine for the second consecutive year. Golomt Bank also earned "Great place to work" certification from the Great Place to Work Institute for the first time in Mongolia's banking and financial sector. This recognition builds the pride in the organization as a whole and indicates outstanding satisfaction of every employee. We are ranked at the same level as the world's leading organizations in terms of human resources policy and employees' satisfaction, and we are the leader in

shaping organization's culture in Mongolia.

All the work and achievements of Golomt Bank in 2022 are the result of the hard work of all the Bank's customers, partner organizations, shareholders, and employees. We would like to express our sincere gratitude to all of you who have supported us for 28 years and trusted us. Thank you for being with us until now.

We believe that through technology-based products and services we will maintain our leading position in the banking and financial sector, and will work diligently to further strengthen our achievements.

Yours sincerely,

Chairperson of the Board
Munkhtsetseg Chultem

Chief Executive Officer
Norihiko Kato

CORPORATE GOVERNANCE





Golomt Bank's Gender Equality Committee conducts activities to ensure gender equality within the organization, moreover it pays attention to the gender issues and economic development of its customers, and takes actions to increase the portfolio of products for women entrepreneurs.



SHAREHOLDERS

Out of Golomt Bank's total shares,
11.6% or more than 93,000 shares are
owned by the public.



Golomt Financial Group LLC 77.20%

Golomt Financial Group LLC was established in 2014. This Company is with 100 percent Mongolian investment and engaged in investment and financing. The Company implements a long-term investment policy and owns Golomt Bank's ordinary shares and some loans convertible to shares.

Swiss-Mo Investment AG 5.21%

Swiss-Mo Investment AG is a Swiss investment fund established in 2010. The Fund holds shares of businesses engaged in currency exchanges, airport, airline, and hotel industries. It owns Golomt Bank's shares since 2011.

Bodi International LLC 3.42%

Bodi International LLC was established with national investment in 1993 and is one of the largest groups of companies. Currently, it operates in real estate development and management, construction, energy, mining, and leisure and tourism sectors.

Golomt Investment Limited 2.57%

Golomt Investment Limited was established in 2014 with the investment from Bodi International LLC, the first large group of companies in Mongolia.

Public 11.60%

Golomt Bank offered its shares to the public through an IPO in 2022, so the public owns more than 93,000 shares or 11.6% of its total shares.

GOVERNANCE

The independent members comprise the majority of Golomt Bank's Board of Directors ensuring independence from the influential shareholders.



Golomt Bank's Board of Directors (BOD) is composed of professionals with a rich expertise in commercial and investment banking. The BOD prioritizes the Bank's interests and emphasizes its sustainable and efficient operations in the long run.

Governance system

Golomt Bank adopted the vision of becoming a "Mongolia's global benchmark bank" in 2018, and has been directed at introducing and implementing the best practices in all its activities, including the governance system of the BOD. This practice alongside with other factors facilitated the Bank to become a public company.

Leadership

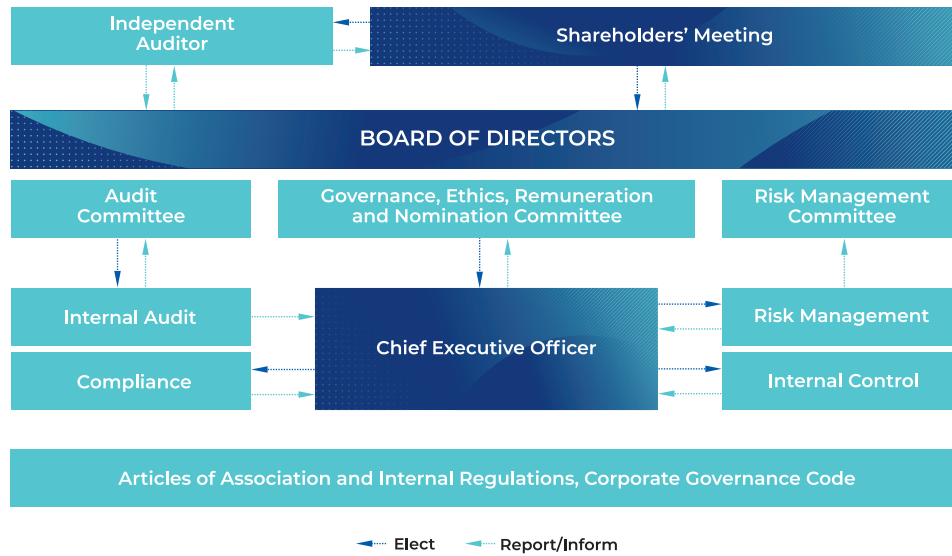
The BOD activity mainly directed at improving the corporate governance and creating a culture of ethical compliance. In collaboration with the executive management, the BOD provides directions for the mid- and long-term strategy, business plans to ensure sustainability and profitability, and updates the necessary rules, regulations to support decision-making that adheres to the right principles, values, and ethics and is for the best interest of the organization.

Strategy and Performance

In the reporting period, the BOD approved Golomt Bank's detailed strategy for 2022 and 2023. Within this framework, the Bank's main policy documents have been revised and renewed such as follows:

- Assets and Liabilities Management Policy
- Customer-Centric Banking Policy
- Internal Audit Policy and regulations
- Business Operations Management Policy
- Human Resources Management Policy
- IT Policy
- Compliance Policy
- Credit Policy
- Marketing Policy
- Stabilization Policy documents

GOLOMT BANK'S GOVERNANCE STRUCTURE



In 2022, the BOD worked on improving the strategic planning as well as enhancing the control over implementation of the budget and plan. The performance of the budget, implementation of planned activities and financial reports, verified by the Internal Audit Department were regularly presented to the BOD. The performance of the executive management was regularly evaluated; the contract terms were discussed in line with professional performance of an executives, performance of the team and the Bank, ensuring balance between independent decision-making and collaborative work with the team.

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 2013.



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

Mr. Ganjooloo Ochirpurev

Mr. O. Ganjooloo graduated from the Free University of Berlin, Germany with a master's and doctoral degree in economic theory. He is also a certified public accountant in the United Kingdom and Mongolia. He has worked in the branches of PwC international organization which is an auditing company in Germany and Mongolia. Also, he previously served as Chief Financial Officer of Bodi International LLC. O. Ganjooloo has been the CEO of Golomt Financial Group LLC since 2016. He was appointed as a member of the Board in 2022.



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 Singaporebased investing banking firm. Mr. López Abelló has been an Independent Member of the Board since 2014.



Independent Member
Mr. Alexander Picker

Mr. Alexander Picker holds a master's and doctoral degree in business and law from the University of Salzburg, Austria. He started his career in 1989 with the current Austrian Bank. He has many years of management experience as risk director, chief operating officer and CEO in Die ERSTE bank, International Moscow Bank (IMB), Unicredit Bank, JSC ATF Bank Hypo Alpe-Adria Bank, HBI Bundesholding AG. He is currently a Senior Advisor for big projects of World Bank and Chairman of the Supervisory Board of the Ipoteka Bank, Uzbekistan. He has also been an Independent member of the Board since 2021.



Independent Member
Mr. Robert W. van Zwieten

Mr. Robert W. van Zwieten holds law degrees from both Leiden University in the Netherlands and Columbia University School of Law in the United States, and obtained his MBA degree from the University of Chicago Booth School of Business. He brings more than three decades of experience spanning both global financial markets and sustainable development. He is currently a Founding Partner of Route17, an independent firm advising on SDG-aligned institutional investment strategies, and CEO of The Serendra Group, an emerging markets advisory firm. Prior to this, Mr. van Zwieten was the President and CEO of EMPEA (now renamed GPCA), the global industry association for private capital in emerging markets. Before this, he served as Director of the Private Sector Capital Markets Division at Asian Development Bank, following a global career in senior leadership positions at firms such as Singapore Exchange, Lehman Brothers, General Electric and ABN AMRO Bank. Mr. van Zwieten has also been an Independent member of the Board in 2023.



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.

BOARD COMMITTEES

Risk Management Committee

Golomt Bank's Risk Management Committee is chaired by an independent member of the Board and consists of all independent members and two ordinary members. The Committee holds a meeting twice a month, during which assesses bank's overall risk exposure, sets risk appetite metrics, and ensures proper implementation and risk management.

The Committee is responsible for approving and monitoring the risk policies and associated practices of the Bank including management of the overall risk, financial and non-financial risk, credit risk, operational and compliance risks. According to the Committee's Charter, the Chief Risk Officer (CRO) directly reports to the Committee, and the Committee discusses annual plans presented by the CRO and guides its implementation. To monitor credit risk, the Risk Management Committee reviews loans, and other equivalent assets with value of more than MNT 20 billion for a group of companies. Also, the Committee reviews decisions of Credit Committee headed by the CEO, and when the risk exposure is high, it has a right to forbid the relevant decision implementation. The Risk Management Committee held 27 meetings and discussed 97 issues.

The Risk Management Committee introduces to the Board, and the BOD approves and monitors the implementation of the following policies:

1. Risk Appetite Framework/Risk Appetite Statement
2. Risk Metrics
3. Credit Policy
4. Credit Committee Charter
5. Compliance Policy
6. Governance Code:
 - Code of Ethics
 - Anti-Corruption Policy
 - Regulation on resolving conflict of interest
 - Transparency Policy
 - Anti-Fraud Policy
 - Policy on making political contributions

The Risk Management Committee reviews regularly the following reports and documents:

1. Risk report:
 - Financial risk:
 - Market risk
 - Credit risk
 - Credit portfolio report - monthly
 - Non-financial risk:
 - Operational risk report
 - Compliance risk report
 - Anti money laundering and combating terrorism financing report
2. Executive Management level Risk Management Committee's report
3. Credit Committee decisions on issuance of loans with high risk exposure
4. Report on implementation of Risk Management Policy – RAF/RAS risk metrics

Governance, Ethics, Remuneration and Nomination Committee

The Committee is responsible for monitoring the implementation of all issues related to the Bank's Governance Code and relevant policies. The Committee provides recommendations and opinions on appointment, dismissal of executive management, remuneration and performance to the BOD. Also, the Committee is responsible for effective remuneration scheme for the Board members, executive management, and their performance evaluation system.

The regular meetings are held on a quarterly basis according to the schedule, approved at the beginning of the year. However, special meetings are convened in necessary cases. In the reporting period, the Committee reviewed performance of the Executive Management Team, in collaboration with the CEO, improved evaluation scheme for fulfillment of contractual responsibilities and obligations, thus, a comprehensive system for the appointment, performance evaluation, responsibilities, and remuneration was adopted.

In line with expansion and development of the banking activities, and changing market environment, the Bank improves its organizational structure. The Governance Committee reviews the structure and presents the relevant issues to the Board for approval.

The Governance, Ethics, Remuneration and Nomination Committee introduces to the Board, and the BOD approves the following policies and issues:

1. Changes in the organizational structure
2. Human Resources Management Policy
3. Remuneration Policy

In addition, the Committee reviews rules and regulations on implementation of the Bank's Human Resources Policy, and provides guidelines for their improvement. In particular, the Committee reviewed and improved the salary system of sales and head office employees and their performance-based incentives system, recruitment policy, regulation on discounted loans to employees, regulation on employees' benefits, and others. The Committee reviews regularly the following reports:

- Human Resources Plan and expenses on salaries and bonuses for the next year (upon the review by the Committee, these issues are included in the budget and plan, and presented to the BOD for approval).
- Report prepared by the Human Resources Director.
- Analyses on human capital flows and human resources plan.

The Committee held 5 meetings and discussed 15 issues.

Audit Committee

Golomt Bank's internal audit functions are performed by the BOD Audit Committee, the Chief Audit Executive, the Internal Audit Department and the Data Analysis Unit within the scope of the Chief Auditor's responsibilities. The Internal Audit Department consists of General Audit Division, Information Technology Audit Division, and Remote Audit and Quality Assurance Division.

The internal audit activities of Golomt Bank are in a compliance with the International Professional Practices Framework, the best international practice that was issued by the Institute of Internal Auditors. This assessment is unique in Mongolia and is done for Golomt Bank only.

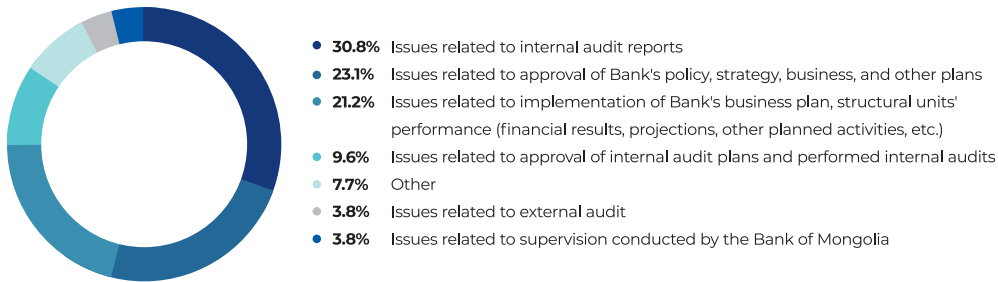
Internal audit activities were evaluated according to 5 attributes: "Business Alignment, Risk Focus", "Talent Model", "Quality and Innovation", "Technology", "Stakeholder Management and Service Culture", and categorized at the 5th level out of 6 levels or "Insight Generator" level. Also, internal audit activities were compared with about 500 internal audit units in the region, and it was concluded that the internal audit activity of Golomt Bank is leading in all aspects.

The internal audit functioning is independent of the executive management and other units and activities of the Bank. The BOD appoints the Chief Audit Executive, approves the internal audit charter, structure, internal auditing regulations, strategy, annual audit plans, risk-based audit plans, and budget. Internal audit reports are introduced to the Audit Committee of the BOD on a monthly basis, while reports on implementation of planned audits and recommendations are submitted on a quarterly basis.

Performance in 2022

The Audit Committee held 9 regular and irregular meetings with average attendance of 93 percent, discussed 52 issues, and provided the relevant recommendations and decisions.

Discussed issues



In necessary cases, the Committee has a right to organize special inspections, review Bank's confidential documentation, and request information from the officers within the framework of its responsibilities and functions. Internal and external audit reports, detected violations and recommendations are reported directly to the Audit Committee.

The Audit Committee evaluates the monthly financial indicators, assigns tasks, and provides recommendations to the Management Team, also, discusses external audit reports and presents to the BOD for approval.

The Audit Committee receives information about changes in the accounting standards and amendments in legislation affecting financial reporting on a continuous basis. The Committee reviews the Charter of the Internal Audit Department, its operational regulations, and risk-based internal audit plans, and submits relevant proposals to the BOD. The Audit Committee assesses internal auditing, its compliance with the international standards and adoption of the best practices; and ensures the implementation of audit recommendations stated in the reports. The Committee makes recommendations related to appointment/dismissal of the Chief Audit Executive, presents the performance evaluation and proposal on remuneration of the Chief Audit Executive to the BOD.

Audit Committee's functions

In 2022, the Audit Committee composed of five members provided guidelines on issues related to the following:

- Financial statements and reports
- Internal control system
- Internal audit activities
- External audit
- Compliance activities
- Reporting
- Other activities

INTERNAL AUDIT OPERATION

Internal audit activities were assessed by the Institute of Internal Auditors, reputable international organization, and Golomt Bank became the only Mongolian company that received an assessment "Fully compliant with the International Standards for the Professional Practice of Internal Auditing and Code of Ethics of Internal Auditors"



- In 2022, the internal audit functions were restructured, and the independent Data Analysis Unit was established within the responsibility framework of the Chief Audit Executive. The Data Analysis Unit aims at optimizing internal audit activities with the Predictive analysis, more advanced level of data analysis, and introducing robotic process automation.
- Data processing and dashboards developed to support audit activities were continuously updated and improved in line with the changes and improvements in audit activities. In 2022, special progress was made in the direction of automating analysis of the Bank's business plan indicators, remote audits, and suspicious transactions.
- In 2022, the internal auditors monitored implementation of the Quality Assurance and Improvement Program to ensure the internal quality, and a structural unit was created to improve quality operations and ensure compliance with the international best practices.
- The Internal Audit Department assessed the Bank's governance and new risks exposure, and provided consulting services to other organizations sharing its knowledge and skills.
- Internal auditors upgraded their professional skills, obtained certification from the international professional organizations, and became the Certified Information Systems Auditors (CISA®) and Scrum Masters, as well as Chartered Accountants certified by the Mongolian Institute.

MANAGEMENT TEAM



Mr. Norihiko Kato
CEO



Mr. Ganbold Galsan
President



Mr. Odonbaatar Amarzaya
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. Ganchimeg Altangerel
Director of SME Banking
Division



Mr. Battengel Oidov
Director of Information
Technology Division



Mrs. Enkhzaya Bayarsaikhan
Director of International
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. Sodbolor Bolor
Director of Treasury
Management Division



Mr. Purevdorj Khalzan
Director of
Administration Division

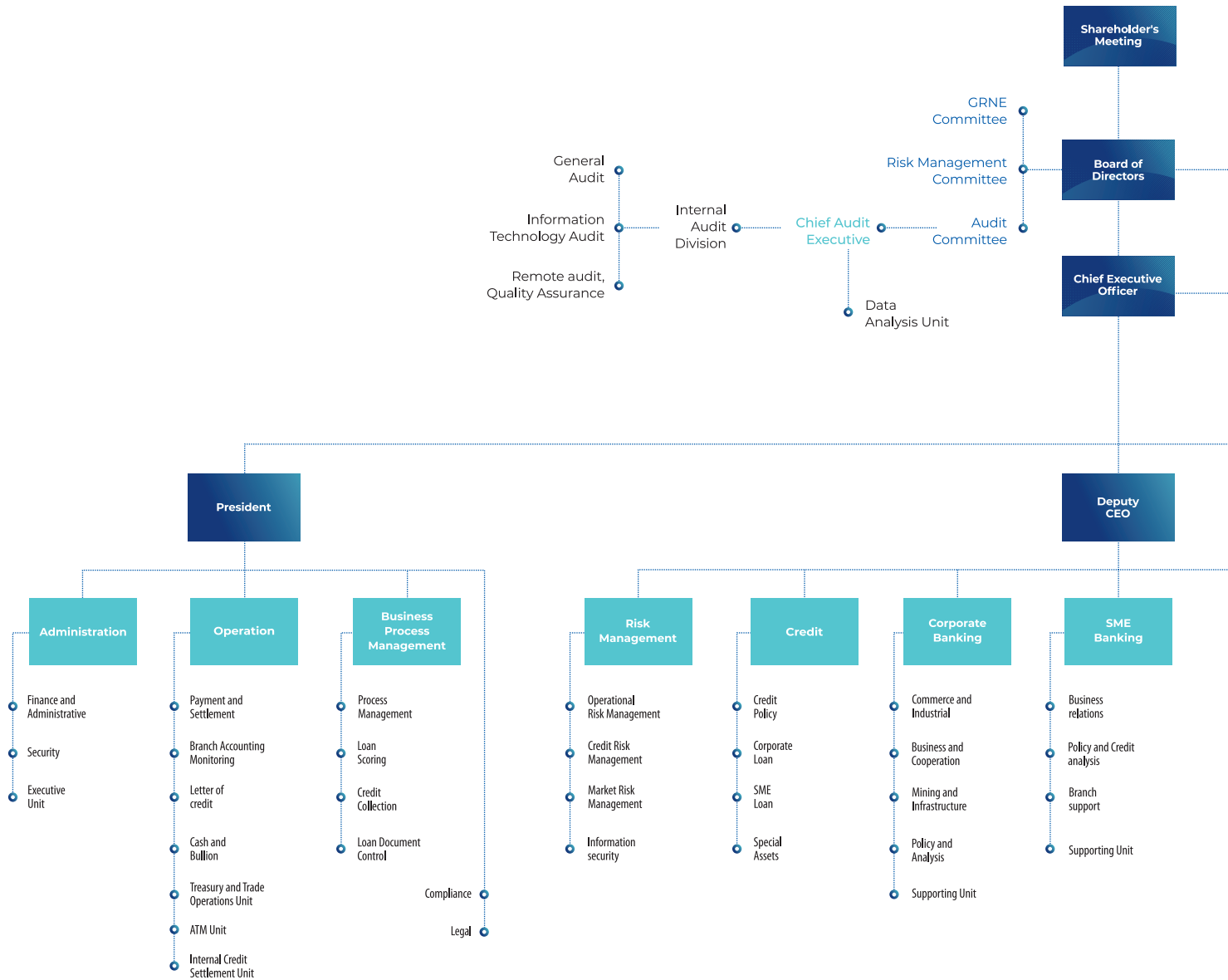


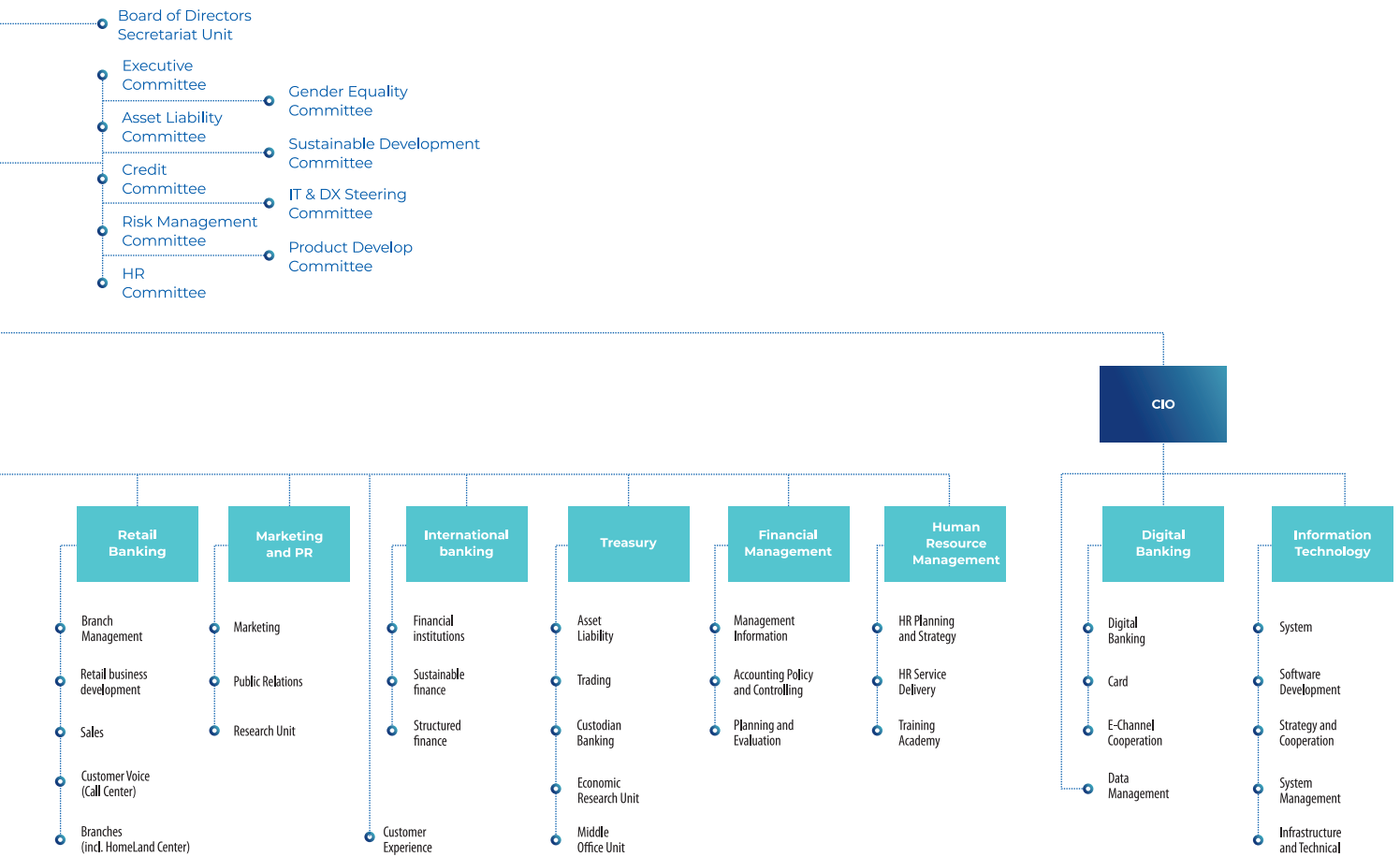
Mr. Purevbat Yondon
Director of Operation
Division



Mr. Nyamsuren Amgalan
Director of Business
Process Management
Division

ORGANIZATIONAL STRUCTURE







ECONOMY, BANKING SECTOR



The Mongolian Sustainable Finance Association has been conducting an external evaluation with the Bank of Mongolia and the International Finance Corporation in 2022, Golomt Bank has received an “A+” rating for Sustainable Finance.



ECONOMIC OVERVIEW

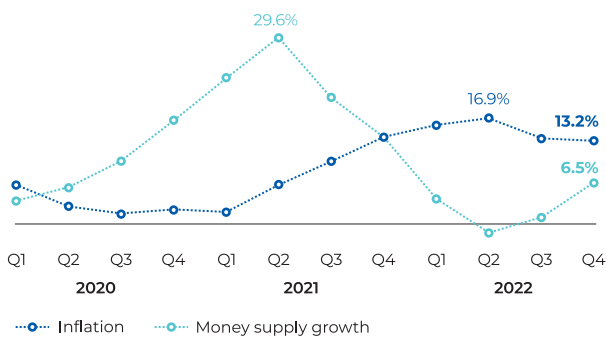
Moody's and S&P have maintained Mongolia's credit rating at "B3/Stable".



ECONOMIC REVIEW IN 2022

2022 has been a challenging year for the economy as well as policymakers due to the impact of the sudden war that started at the beginning of 2022 before the effects of the pandemic have subsided. Due to the Russian-Ukrainian war, international commodity prices have reached record highs, resulting in high inflation rates around the world. Therefore, due to the high inflation across many countries, the price of final goods has increased, and it has also affected our country through imported goods. On the one hand, geopolitical issues, and on the other hand, border barriers and transportation logistics issues caused by the "Zero Covid" policy have contributed to maintaining inflation at a high level 13.2 percent throughout the 2022 in Mongolia.

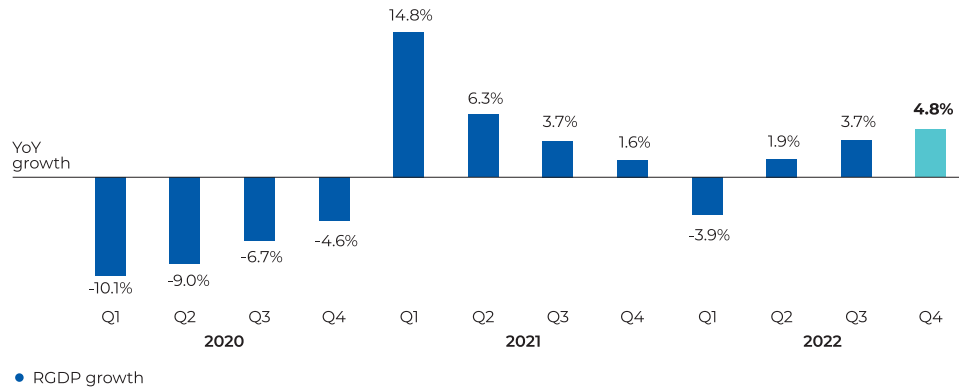
Inflation and money supply growth



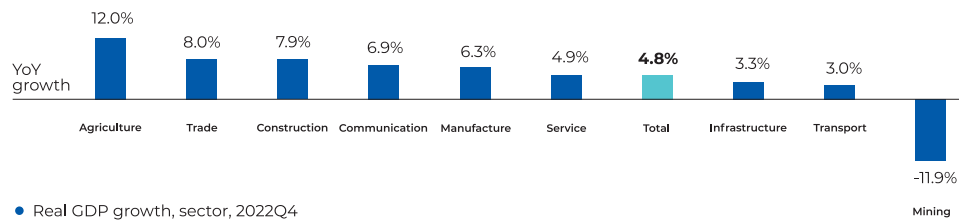
To abate overinflated inflation, central banks have started to implement strict monetary policy by raising interest rates. To take an example, the Federal Reserve increased the interest rate for the seven times from the 0-0.25 range at the beginning of 2022 to 4.25-4.5 percent in the end of the year. Therefore, due to the increase in US interest rates, the dollar strengthened against other countries' currencies. For our country, the dollar against the MNT has strengthened by more than 20 percent since the beginning of the year.

In order to reduce inflation and maintain the value of the Mongolian currency, the Bank of Mongolia repeatedly increased the policy interest rate up to 13 percent at the end of the year.

Economic growth



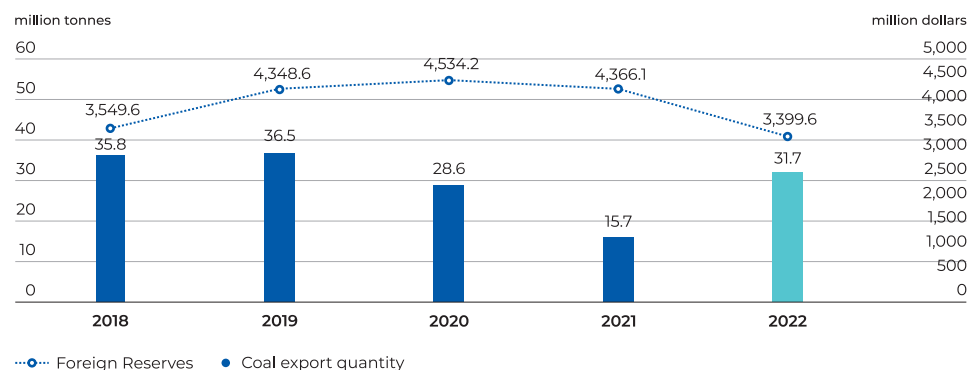
Economic growth /sector/



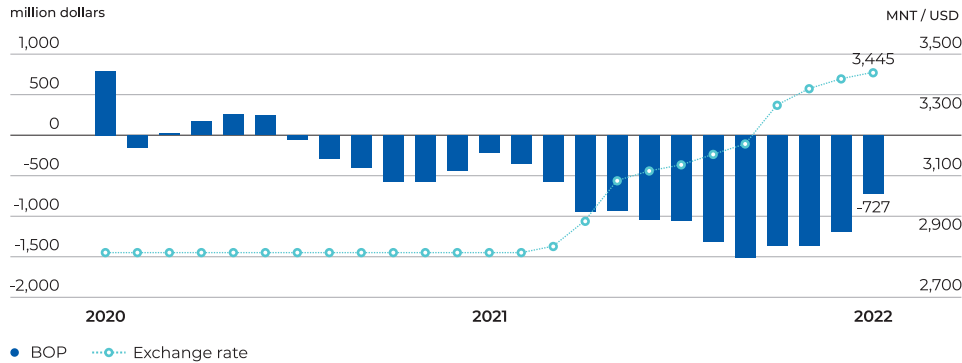
By the end of 2022, the economic growth has increased by 4.85 percent. Of which 1.68 percent was accounted for by the agricultural sector, 0.84 percent by the manufacturing and construction sector, 2.58 percent by the service and trade sector, while -1.62 percent was created by the mining sector. The mining, construction and transportation sectors have not yet recovered to their pre-Covid levels, i.e. 2019 levels, while the services, manufacturing and trade sectors have recovered to their pre-Covid levels.

This revival was greatly influenced by the 2 trillion MNT repo financing loan and the 0.5 trillion MNT loan to support agriculture under the "10 trillion to revive the economy" program. Due to the effect of the "Zero Covid" policy that started in the first half of 2021, the export of coal has been stagnant until the first half of 2022 which led to the recession of mining sector.

Coal export volume and foreign currency reserves



Balance of payment and USD exchange rate



From the second half of 2022, under the "New Revival" policy, the port's revival, 267 km of Tavantolgoi-Gashuunsuhait railway and 226.9 km of Zuunbayan-Khangai railway were put into operation. Newly built major railways and the gradual weakening of China's "Zero Covid" policy had a positive effect on exports. Therefore, in 2022 the total physical volume of coal exports has reached 31.7 million tons. By the end of 2022, total imports have increased by 27 percent and total exports by 35 percent compared to the same period last year.

The trade balance reached \$3.86 billion at the end of 2022, a 59 percent increase YoY, but the balance of payments showed a deficit of -\$0.7 billion. Although the trade balance is positive, the balance of payments is in deficit due to the advance payment for coal and the decrease in people's confidence in the MNT.

The deficit in the balance of payments contributed to the reduction of foreign currency reserves. Between 2019 and 2021, the amount of foreign currency reserves, which was relatively stable at 4.3-4.5 billion dollars, has reached its lowest level since the beginning of 2022, at 2.7 billion dollars. From the second half of 2022, due to the easing of border restrictions, coal exports have improved significantly to about 4 million tons per month, increasing foreign exchange inflows and raising foreign currency reserves to \$3.4 billion at the end of the year.

At the end of 2022, official foreign currency reserves increased, but the exchange rate of MNT against the US dollar reached 3,445 MNT, a decrease of 21 percent from the end of the year. In other words, the depreciation of MNT took place strongly.

BOND REPAYMENT AND CREDIT RATING

In December 2022, the repayment of "Chingis Bond" was completed. In 2012, a total of 1.5 billion dollars of "Chingis Bond" was issued by the government. \$500 million of this was repaid in 2017, while the remaining \$1 billion of the bond debt was paid in 2022. Considering the breakdown of bond repayment financing, 662.4 million dollars were provided from the newly issued "Century Bond", 200.8 million dollars from "Nomad Bond", and 136.8 dollars from the government budget.

Moody's and S&P have maintained Mongolia's credit rating at "B3/Stable". The agency expects Mongolia's economic growth to be relatively high in the coming years. This is because China's "Zero Covid" policy has weakened faster than expected and large mining projects are being implemented successfully. Furthermore, the government's debt management has improved and reached a stable level compared to the previous period. However, poor diversification of economic sectors and unstable political conditions contributed to the lack of improvement in the ranking.

BANKING

SECTOR

Interest rates on deposits and loans increased due to the policy rate, and at the end of 2022, the interest rate on deposits reached 10.9 percent and the interest rate on loans reached 15.7 percent.

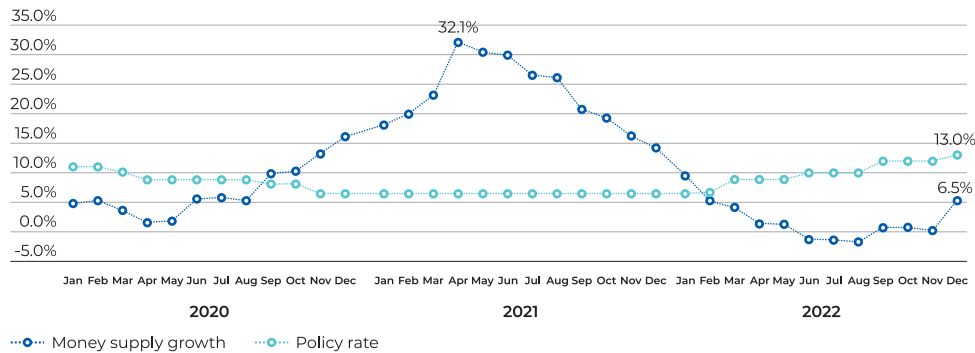


Banking sector performance

Indicators	unit	2020	2021H1	2021	2022H1	2022	YoY growth
Total assets	billion ₪	36,685	40,077	41,012	42,164	46,003	12.2%
Total loan balance	billion ₪	17,476	19,486	21,205	23,798	22,205	4.7%
Past due loans	billion ₪	1,265	1,184	932	1,099	1,123	20.5%
Non-performing loans	billion ₪	2,002	1,949	2,073	2,095	2,019	-2.6%
Non-performing loan ratio	%	11.5%	10.0%	9.8%	8.8%	9.1%	-7.0%
Retail loans, ₪	billion ₪	8,463	9,265	10,328	11,954	11,492	11.3%
Retail loans, \$	billion ₪	68	60	63	62	63	0.0%
PDL, Retail, ₪	billion ₪	250	224	177	285	269	52.1%
PDL, Retail, \$	billion ₪	1	0	4	1	1	-81.0%
NPL, Retail, ₪	billion ₪	471	512	472	422	479	1.5%
NPL, Retail, \$	billion ₪	26	25	22	22	22	-0.3%
Non-performing loan ratio, Retail, ₪	%	5.6%	5.5%	4.6%	3.5%	4.2%	-8.8%
Non-performing loan ratio, Retail, \$	%	37.6%	41.3%	34.9%	35.6%	34.8%	-0.4%
Corporate loan, ₪	billion ₪	6,488	7,713	8,580	9,637	8,980	4.7%
Corporate loans, \$	billion ₪	1,440	1,403	1,235	1,284	1,156	-6.4%
PDL, Corporate, ₪	billion ₪	684	647	449	546	690	53.8%
PDL, Corporate, \$	billion ₪	320	308	299	265	163	-45.4%
NPL, Corporate, ₪	billion ₪	1,271	1,215	1,425	1,467	1,358	-4.7%
NPL, Corporate, \$	billion ₪	222	191	146	176	151	3.5%
Non-performing loans ratio, Corporate, ₪	%	19.6%	15.7%	16.6%	15.2%	15.1%	-9.0%
Non-performing loans ratio, Corporate, \$	%	15.4%	13.6%	11.8%	13.7%	13.1%	10.6%
Total deposits	billion ₪	23,350	26,703	26,965	26,796	28,758	6.6%
Current account, ₪	billion ₪	3,513	5,142	5,854	5,625	6,693	14.3%
Current account, \$	billion ₪	1,983	2,483	2,345	3,232	4,947	111.0%
Saving account, ₪	billion ₪	13,314	14,872	14,963	13,816	12,657	-15.4%
Saving account, \$	billion ₪	4,609	4,270	3,904	4,340	4,694	20.2%
Equity	billion ₪	3,059	3,171	3,425	4,059	4,454	30.0%
Total liabilities	billion ₪	33,627	36,905	37,586	38,105	41,549	10.5%

As a result of tight monetary policy, overall credit and deposit growth in the banking sector declined.

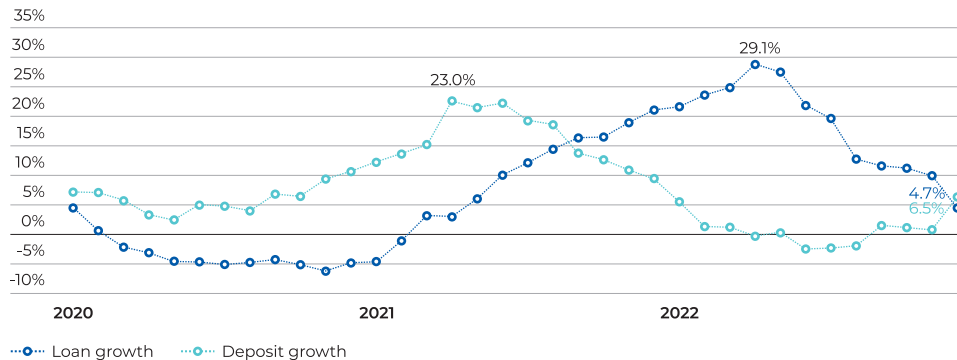
Money supply and policy rate



An increase in the policy interest rate leads to a decrease in the money supply.

Due to the effects of pandemics and wars, inflation reached high levels throughout the world. In the case of Mongolia, the inflation rate reached 16 percent at its peak in 2022. In order to reduce inflation and maintain the value of the MNT, the Bank of Mongolia repeatedly increased the policy interest rate to 13 percent at the end of the year. Due to the impact of tight monetary policy, money supply growth slowed to 6.5 percent at the end of the year, from a peak of 32 percent since the outbreak of the pandemic.

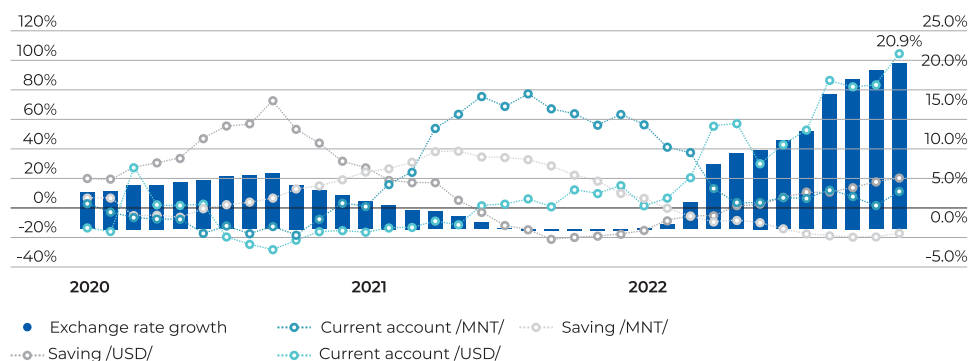
Loan and deposit growth



As interest rates rise, total credit growth decreases.

Interest rates on deposits and loans increased due to the policy rate, and at the end of 2022, the interest rate on deposits reached 10.9 percent and the interest rate on loans reached 15.7 percent. Thus, the growth rate of deposit increased by 6.5 percent at the end of 2022, which was at the peak of 23 percent since the outbreak of the epidemic. Furthermore, the loan amount reached 29.1 percent at its peak, and the growth rate slowed down to 4.7 percent at the end of the year. Total deposit balances reached 30.7 trillion at the end of 2022, an increase of 1.9 trillion or 6.5 percent compared to the previous year. As for the loan balance, it reached 22.2 trillion, and it increased by 1 trillion or 4.7 percent YoY.

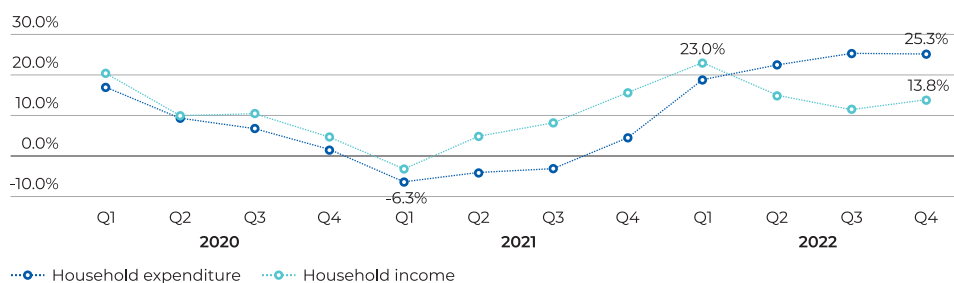
Exchange rate and deposit breakdown



Due to the decrease in people's confidence in MNT, the phenomenon of dollarization is taking place.

Since the beginning of 2022, the balance of payments has been in deficit, which has reduced the amount of foreign currency reserves in the Bank of Mongolia, putting a lot of pressure on the exchange rate. Since the beginning of 2022, the exchange rate of the MNT against the dollar has decreased by 21 percent, which has reduced people's confidence in the MNT. Due to this, the phenomenon of dollarization took place in the banking system. The money supply increased by 6.5 percent compared to the previous year, but the growth was mainly influenced by the growth of foreign currency current accounts and foreign currency saving accounts. Specifically, 9.3 percent of the annual change is explained by foreign currency current accounts, 3.4 percent by foreign currency deposit account, 2.5 percent by MNT current accounts, -0.1 percent by money outside savings institutions, and -8.7 percent by MNT saving accounts. At the end of 2022, compared to the previous year, foreign currency transactions increased by 111 percent, foreign currency savings increased by 20.2 percent, while MNT savings decreased by 15.4 percent.

Household income and expenditure



Due to the effect of inflation, the real income of the household has decreased while the real expenditure has increased.

In accordance with the law on preventing and combating the spread of the coronavirus infection, the moratorium on the payment of "mortgage loans" continued in 2022, which reduced the cost pressure of households. However, the decrease in total lending and the increase in loan interest payments, and the inflationary effect of high prices of consumer goods, are contributing to the increase in nominal household spending. However, if we take account the inflation effect, the real household expenditure increased by 8.6% as of 4th quarter of 2022. On the other hand, the nominal household income growth has declined since it's peak in 1st quarter of 2022. This is because government issued grants to every citizens during the peak period, which since then stopped. The continuation of certain allowance has helped the nominal household income growth at 13.8%; however, if we take account the inflation, the real household income has decreased by 0.7% by the end of the year.

GOLOMT BANK'S

FINANCIAL HIGHLIGHTS

The total assets increased by MNT 1 trillion or 12.4 percent from the previous year reached to MNT 9.0 trillion.



ECONOMIC BACKGROUND IN 2022

- 2022 was a year of slow global economic growth due to post-pandemic and Ukraine sanctions condition. Mongolia's economy growth accelerated to 4.8 percent growth in 2022 from 1.6 percent in 2021.
- Internationally, price of raw materials reached a historical high. Increased price of imported goods was the main driver of inflation rate growth and made up to 13.2%.
- In order to reduce high inflation, the Bank of Mongolia raised the policy rate from 6.0 percent to 13.0 percent in 5 consecutive sessions.
- The exchange rate of MNT against the US dollar weakened by 21 percent, US dollar reached MNT 3,444.6. State reserves of foreign currency decreased to 3.1 billion US dollars in June, and reached 3.4 billion US dollars at the end of the year.
- As recent amendments to the banking law, the Asset Quality Review performed on Systemically important banks of Mongolia by international auditing company.
- In 2022, according to amendments to the banking law, State Bank and Golomt Bank issued an IPO.

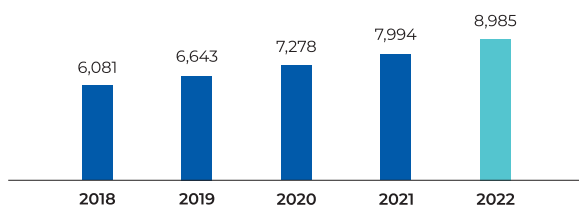
KEY FINANCIAL ACHIEVEMENTS IN 2022

- In 2022, Golomt Bank issued 11.43% of its total shares or 92,463,154 shares to the public through the IPO, and collected a total of MNT 118.8 billion.
- The total assets increased by MNT 1 trillion or 12.4 percent from the previous year reached to MNT 9.0 trillion, and the market share increased to 19.4%.
- By increasing the loan portfolio in the retail segment, the total amount of loans reached MNT 3.9 trillion and the market share reached 17.3%.
- Despite the unstable external environment, the bank provided clear, accessible and fast services based on the demands of customers and increased the number of customers. As a result, the bank's operating profit increased by 47.4% to MNT 317.2 billion, while net profit increased 4.5 times to MNT 116.5 billion.

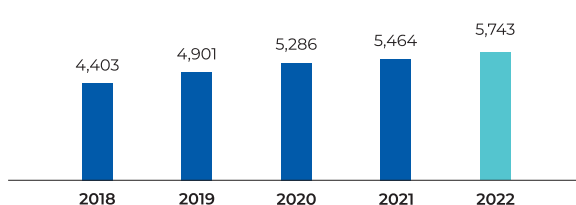
BALANCE SHEET HIGHLIGHTS

Total assets increased by 12.4 percent to MNT 9 trillion, and customer funds generated by 5.1 percent to MNT 5.7 trillion.

Total assets (MNT bln)



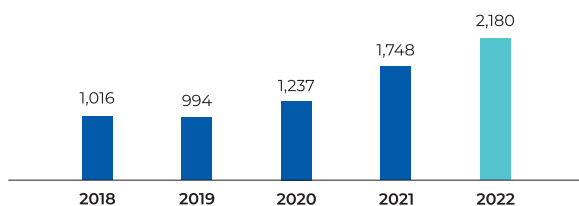
Customer funds (MNT bln)



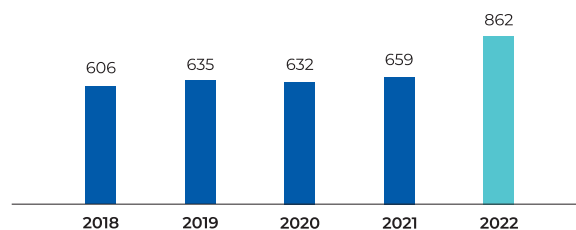
Golomt Bank continued collaboration with foreign banks and financial institutions, expanded operation by receiving funding US 53 million dollars. Also, Golomt Bank has been participating the government's mortgage financing program since 2014, last year increased its mortgage funds by MNT 101 billion and continues to actively provide mortgage loans to individuals.

As an open joint-stock company, Golomt Bank has collected MNT 118.8 billion from the public, while generating with a net profit of MNT 116.5 billion, and its total equity has reached MNT 861.9 billion. At the end of 2022, Golomt Bank's earning per share (diluted) was MNT 163.73, and the book value per share was MNT 1,039.94.

Other funds (MNT bln)



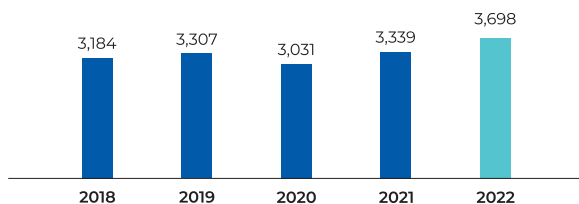
Total equity (MNT bln)



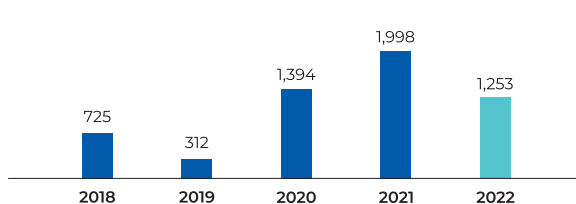
In 2022, due to the tight monetary policy, the bank's ability to expand loan portfolio was limited, yet it showed an accretion in retail segment.

The investment diminished by 37.3 percent and reached MNT 1.3 trillion. Due to the dollarization related to the weakening of the MNT exchange rate, which has influenced the decrease in the amount of securities of the Bank of Mongolia.

Net loan (MNT bln)



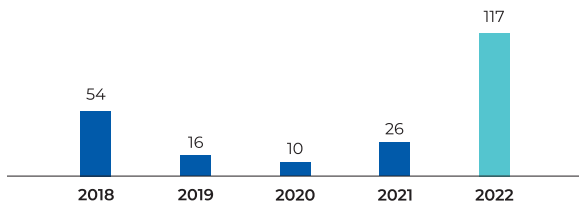
Investment (MNT bln)



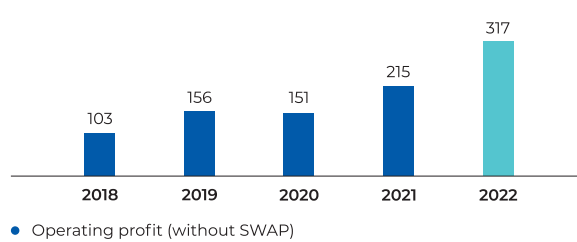
PROFITABILITY HIGHLIGHTS

Golomt Bank gained a profit of MNT 116.5 billion in 2022, and operating profit (without SWAP) reached MNT 317.2 billion, showing an increase by 47.4 percent from previous year.

Net profit (MNT bln)



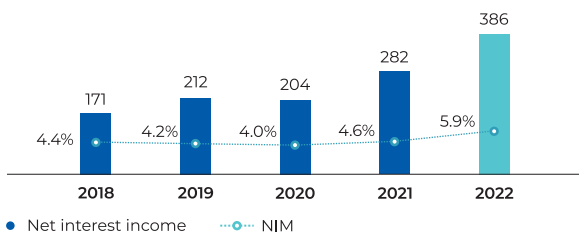
Operating profit (MNT bln)



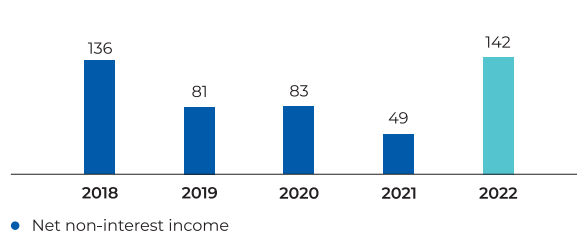
In 2022, due to the increase in the policy rate, as well as the suspension of interest on current accounts and demand deposits, the net interest income increased and the net interest margin ratio improved to 5.9 percent.

The Bank increased its net non-interest income by MNT 93.1 billion by providing clear, accessible and fast services based on the demands of its customers, and by increasing the number of payments, sales and customers.

Net interest income (MNT bln)



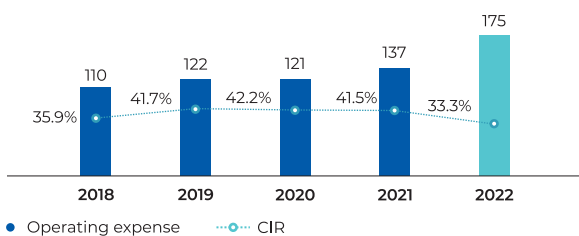
Net non-interest income (MNT bln)



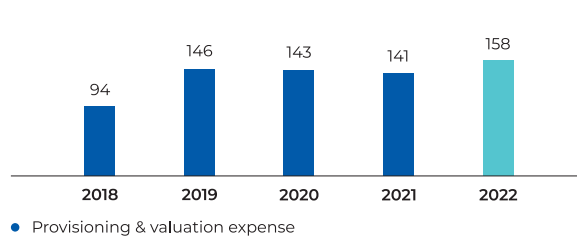
Due to the high level of inflation the bank's human resource expense and other operating expenses increased. Also, during the process of becoming a public company, the costs of consulting and professional services have increased, and the total operating expenses have reached MNT 175.3 billion. Despite the increase in operating expenses, the cost-to-income ratio improved from previous years to 33.3 percent.

Total provision expenses increased by MNT 17.3 billion to MNT 158.1 billion.

Operating expense (MNT bln)



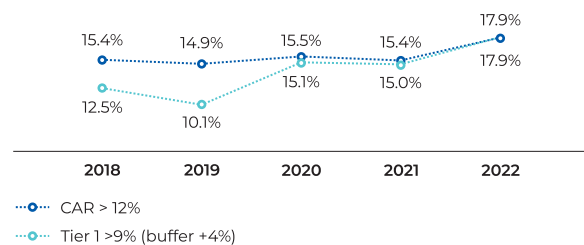
Provision expense (MNT bln)



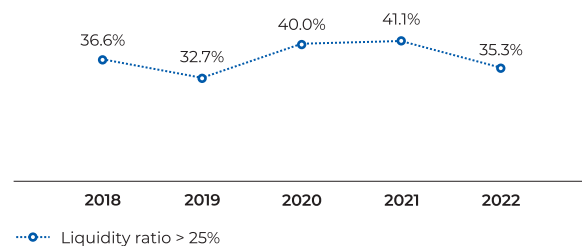
PRUDENTIAL RATIO

Golomt bank have fully met all prudential ratios set by the Bank of Mongolia.

Capital adequacy ratio



Liquidity ratio



GOLOMT BANK'S FIVE YEAR FINANCIAL RESULT

Indicators (MNT billion)	2018	2019	2020	2021	2022
Balance Sheet Indicators					
Total Assets	6,081	6,643	7,278	7,994	8,985
Customer funds	4,403	4,901	5,286	5,464	5,743
Other funds	1,016	994	1,237	1,748	2,180
Net Loans	3,184	3,307	3,031	3,339	3,698
Total Capital	606	635	632	659	862
Profitability Indicators					
Interest Income	494	578	570	555	610
Interest Expense	(323)	(366)	(366)	(273)	(224)
Net Interest Income	171	212	204	282	386
Net Non-Interest Income	136	81	83	49	142
Operating Income	306	293	287	331	527
Operating Expense	(110)	(122)	(121)	(137)	(175)
Operating Profit	196	171	166	193	352
<i>Operating Profit -without swap</i>	<i>103</i>	<i>156</i>	<i>151</i>	<i>215</i>	<i>317</i>
Provision expense	(94)	(146)	(143)	(141)	(158)
Change in value of properties	(27)	-	-	-	-
Pre-Tax Profit	76	25	22	53	194
Taxation	(22)	(9)	(12)	(27)	(77)
Post -Tax Profit	54	16	10	26	117
Profitability					
Customer funds to Total asset (%)	72.4%	73.8%	72.6%	68.3%	63.9%
Borrowed funds to Total asset (%)	16.7%	15.0%	17.0%	21.9%	24.3%
Net loan to Total asset (%)	52.4%	49.8%	41.7%	41.8%	41.2%
Profitability					
ROAA (%)	1.0%	0.3%	0.2%	0.3%	1.4%
ROAE (%)	16.1%	3.3%	2.5%	5.1%	19.5%
NIM (%)	4.4%	4.2%	4.0%	4.6%	5.9%
CIR (%)	35.9%	41.7%	42.2%	41.5%	33.3%
Prudential ratio					
CAR > 12%	15.4%	14.9%	15.5%	15.4%	17.9%
Tier1 >9% /buffer +4%/	12.5%	10.1%	15.1%	15.0%	17.9%
Foreign currency risk					
Total Currency < +/-30%	5.5%	12.7%	23.2%	12.6%	10.2%
Single Currency < +/-15%	2.0%	0.8%	11.7%	10.0%	7.6%
Single Borrower Exposure <20%	15.3%	15.0%	16.2%	13.3%	14.0%
Related Party Exposure<5%	3.8%	4.4%	4.0%	1.3%	3.7%
Related Party Exposure-Total <20%	16.6%	15.0%	13.2%	3.6%	8.2%
Liquidity Ratio > 25%	36.6%	32.7%	40.0%	41.1%	35.3%



12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



New loan products, namely the Sustainable and Green
Business Loans, Green House Loans based on the
International EDGE Standard, and Eco-Car Loans were
launched into the market in 2022.



BUSINESS OPERATION

CORPORATE BANKING

Colomt Bank greatly contributed into the development of the country by providing financing to all sectors that are the driving force of the economy.

Within the framework of the Bank of Mongolia to intensify the Gold-2 National Program in 2022, Golomt Bank granted MNT 36 billion financing loans to gold-mining enterprises and entities, making up 70 percent of the Program implementation.



FINANCED PROGRAMS AND PROJECTS

Manufacturing, trade, and services sectors

- Loans for financing working capital and for investment purposes in Mongolia's food production and trade sectors totaled MNT 86 billion, as a result, 735 new working places were created. Investments in the industry facilitated opening of shopping centers that can receive 48,600 people per day on average and are fully compliant with international standards.
- In total, financing of MNT 129 billion was provided for establishing reserves of 38,900 tons of oil products that contributed to the formation of state petroleum reserves aimed at ensuring the sustainable fuel supply.
- The Bank financed the project on building intravenous fluids and a syringe factory with a capacity to produce 70 million disposable syringes per year or supply 45% of the domestic market needs, and replace up to 60% of imported disposable syringes.
- The Bank issued a guarantee for the construction of water recycling plant financed according to the Compact Agreement between Mongolia and the United States. The plant would have capacity to recycle 50,000 cubic meters waste water per day, and 18.3 million cubic meters per year. As a result, 23 percent of the total consumption of drinking water in the capital city that was used only for industrial purposes would be saved.

Infrastructure, construction sectors

- The Bank collaborated with construction companies on implementation of projects introducing new standards, advanced technologies, and complex solutions, and granted loans of MNT 78 billion in total, as a result, 1,100 new home units were completed.
- The Bank issued a guarantee for the construction of 10MW solar power plant in Govi-Altai aimag, which is financed by the Asian Development Bank and implemented with the purpose to create renewable energy sources in remote regions located far from the central energy system.



- Financing of MNT 80 billion was provided for the power plant project aimed at increasing the capacity of power system in the central region.
- Within the framework of the Mongolian Government's New Revival Policy, the Bank issued financing and guarantees for construction of 550 km railways to increase foreign currency income and exports from Mongolia, thus contributed to the successful implementation of railway projects.
- The Bank issued financing and guarantees for the projects on construction of 150 km-length roads.

Education

- The Bank offered a comprehensive set of products, including salary cards, salary loans, and housing loan products and services with favorable conditions to more than 100,000 teachers and employees in the education sector.
- We have fully furnished and renovated 130 m2 area in a new building of the Teachers and Students Development Center of the Mongolian National University. "See The Future" students' digital hall was named after the Golomt Bank.

Mining

- Within the framework of the Bank of Mongolia to intensify the Gold-2 National Program, Golomt Bank granted MNT 36 billion financing loans to gold-mining enterprises and entities, making up 70 percent of the Program implementation
- With our financial support, the company implementing the main gold deposit project enhanced the possibility to increase gold output by 25 percent. The companies operating in the mining sector have updated their technical and equipment park, and their annual capacity of solids grinding increased by 10 million cubic meters.
- Golomt Bank developed long-term collaboration with subcontractors and suppliers of Oyu Tolgoi project, and provided them with the necessary financing. In total, 315 enterprises and entities received loans of MNT 357 billion as of 2022.



EVENTS

Gold Forum

The Gold Forum, which aims to support businesses leading the development in the mining, the main economic sector of Mongolia, was successfully organized for the 3rd year. About 150 representatives from 75 Mongolian top gold mining companies, manufacturers and suppliers of mining machinery and equipment participated in the Forum, discussed about the changes in the mining sector, including the gold market, the future trends and outlook, and exchanged their thoughts and opinions.



Financial manager's convention

Golomt Bank successfully organized the Financial Managers Convention-2022 with motto "Open To New Opportunities", engaging management and best financiers from 300 entities that are the beating heart of the Mongolian economy and pioneers in the economic development. During the event, information on the domestic and international economic conditions, future trends, digital banking, and Open Bank Strategy was shared with enterprises and entities.

Customer's event

Upon the Golomt Bank's becoming an open joint-stock bank, we organized a reception for more than 260 guests including Chairpersons of the Board of Directors, Shareholders, and Executive Management of Mongolia's top groups of companies in order to introduce our future goals and objectives, and expand our cooperation.

Wild adventure tour

With the purpose to improve cooperation and enhance the customers' satisfaction, Golomt Bank successfully organized Wild Adventure Tour, an event with a comprehensive program, for the management of its top 30 corporate customers for the 4th year. The specific feature of the Program is that it provides opportunity for entrepreneurs to spend their spare time in an adventurous, interesting, and productive way as well as opportunity to expand their cooperation.

SMALL AND MEDIUM ENTERPRISES BANKING

Portfolio of products and services worth MNT 6 billion was provided to more than 150 women entrepreneurs in total.



MENTORSHIP PROGRAM

The Mentorship-2022 Program with the main goal of introducing Golomt Bank's strategy directed at small and medium businesses market within the framework of the Open Bank Strategy was successfully implemented. Through the Program we supported all types of customers' business activities, facilitated the Bank's small and medium-sized businesses in reaching their goal in the long run, increasing their customers' base, learning from the experience and knowledge of top entities managers, receiving information on various projects and programs implemented by top companies, and developing the business culture. We provided suppliers and subcontractors, which meet the needs of our corporate customers, with the opportunity to connect with each other, grow their businesses and develop together, and supported their mutually beneficial and sustainable business activities.



In cooperation with the Department of Human Resources Management, the Bankers Club founded by the leading senior relationship managers, successfully organized 267 person/hours Relationship Managers Development Training, initiated and implemented Experience Exchange Program for 174 relationship managers in Ulaanbaatar, in 2022. Thus, the Bankers Club made a valuable contribution to improving the quality of customers' service, standards, and enhancing the professional skills.

Project loans portfolio
increased to
MNT

360
billion

The amount of total
funds reached
MNT

200
billion

Portfolio of products
and services of
MNT

6
billion

was provided to more
than 150 women
entrepreneurs

SOURCES, LOAN PORTFOLIO

- Golomt Bank's Corporate Banking Department has successfully introduced the Sustainable and Green Business Loan product for business entities and entrepreneurs, which use and/or intend to adopt environmentally friendly technologies in line with the Sustainable Financing Objectives for 2022-2025.
- We successfully introduced the Supporting Women Entrepreneurs loan product to the market based on researches conducted by the international and domestic policy-making organizations aimed at ensuring gender equality, which is a part of the United Nations Sustainable Development Goals. More than 150 women entrepreneurs were provided with portfolio services of about MNT 6 billion. Women entrepreneurs in rural area comprised 40 percent of total, while customers in the capital city made up 60 percent.
- Within the framework of "MNT 10 trillion Comprehensive Program to Support the Economy", implemented by the Government of Mongolia, and with the purpose to alleviate the negative impact of disruptions in supply and rises in price of main food products, the Bank provided loans from its own resources to customers conducting business in five priority areas of the agricultural sector. Also, we successfully cooperated on implementation of projects and programs financed by the international banks and financial institutions and aimed at supporting small and medium-sized enterprises and entities, sustaining their businesses in the long term though producing value-added products. As of 30 November 2022, the project loans portfolio increased to MNT 360 billion, and the attracted funds reached to MNT 200 billion, the historically highest level.



Business conference

Golomt Bank successfully organized the Business Conference-2022 for the management of 600 leading companies, small and medium businesses, operating in Mongolia.

RETAIL BANKING

The Bank generated an insurance premium income of MNT 8.2 billion, becoming a leader in the banking insurance intermediary services.



- In total, 3122 customers received mortgage loans in 2022.
- In the framework of sustainable financing, new housing loan product was launched in compliance with the Green Taxonomy.
- The customers purchasing goods and services from online stores were enabled to get a loan in a quick and easy manner, and with favorable conditions.
- In cooperation with VISA Inc., we successfully introduced "Visa B2B Connect" service, a completely new and innovative payment network, to streamline foreign transfers to 108 countries.

The share of salary loans in the market

21%

We have maintained our leading position in the market by offering favorable payday loan terms to our customers, and increased issuance of salary loans.

The loan portfolio

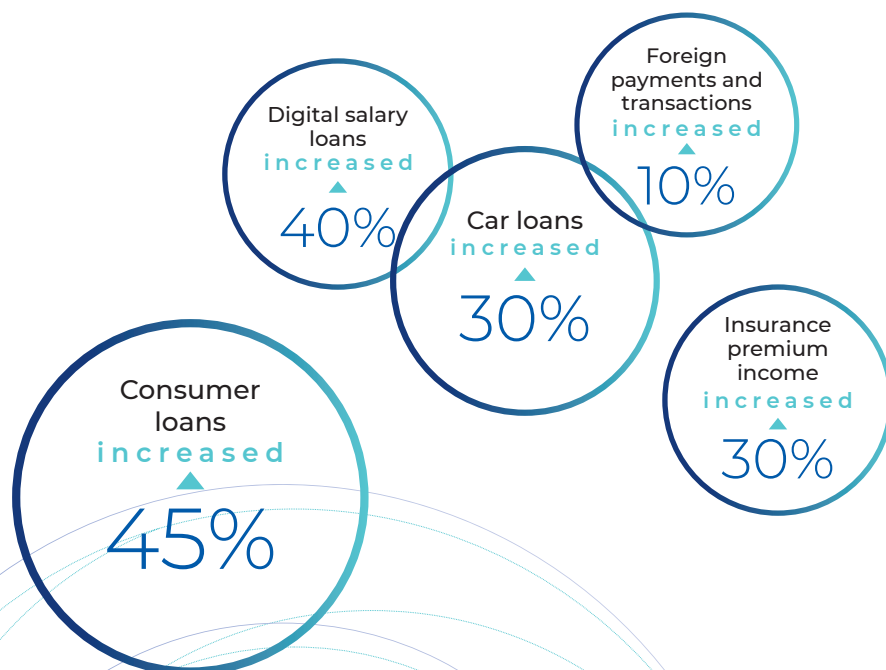
28%

Issuance of mortgage loans increased by 40%, partners collaborating in implementation of more than 50 projects recorded rise in mortgage loans of 40%, and more than 50 housing projects were supported by our loan sales.

Insurance market share

27%

The Bank preserved its leading position, insuring more than 180,000 customers that accounted for 27% of the market. Out of total mortgage loan borrowers, 91% was covered by insurance.



PROMOTION PROGRAMS, SALES

- In cooperation with 22 local maternity hospitals in Ulaanbaatar city and rural areas, we implemented the New Born Campaign. In result, the Bank's customers enriched by 850 new customers, and 1,471 products were sold.
- With the purpose to stimulate all customers of Golomt Bank and increase the number of valuable loyal customers, we successfully implemented the Big Loyalty Promotion Program. In total, the Program involved 563,000 customers who accumulated the loyalty points and enjoyed the relevant benefits.
- The GenZ Loyalty Promotion Program was implemented in order to expand the customers base by children and young people of a new generation, introduce to them the banking services in an innovative way, and 36,000 customers aged 7-25 participated in this campaign.



Customers' service

In total, 1.3 million inquiries and calls were made through the Customer Service Center, IVR and online, of which 99.5% was received/answered, and 99.7% of all complaints was successfully resolved in cooperation with the relevant units.

Direct sales service

In 2022, the direct sales team that delivers banking services to the customers at their premises visited more than 191 entities and organizations, and sold 26,000 products and services. The direct sales recorded loan portfolio of MNT 11 billion and more than 700 customers.

Telephone sales service

Telephone sales team, responsible for delivering banking services to customers by telephone, successfully contacted 388,000 customers and sold 64,000 products in total.

EXPANSION AND RENOVATION OF BRANCHES

Considering the customers' diversification and concentration, Golomt Bank opened a new Amgalan branch in the eastern region of Ulaanbaatar city.

In total, 14 branches were renovated and decorated according to the unified standards, in order to provide banking services to customers in a comfortable and convenient environment, and to enable employees to work productively in a pleasant environment.

DIGITAL BANKING

We have successfully introduced "CARDZONE", a card management system with modern advanced technology that fully ensures the privacy and security of payment cards.



Aimed at providing customer-centric banking services, Golomt Bank has been conducting flexible activities, paying special attention to fast delivery and easy access to its products and services. The Bank has been making improvements and developments to meet the customers rising needs and changing demands.

- Introduced two types of Android POS to the market, developed cards, SocialPay, VAT, additional features such as card discounts, and solutions on connecting third-party applications.
- In September 2022, Golomt Bank and TDB signed a cooperation agreement, reducing the fee to MNT 100, when the customers perform ATM transactions by cards issued by both banks.
- Golomt Bank collaborated with Digital Mall LLC, and offered the customers digital consumer loan products for their online shopping.

In 2022, the Bank made about 300 developments in its digital channels, of which 230 were innovations and improvements, and more than 70 were repairs carried out within the framework of error-free digital banking.

- In result of the Bank's digital transformation strategy, 63 percent of active customers have become active users of digital banking
- Out of total transactions, 97% was made through digital channels, up by 6% from the year ago.

NEW FEATURES AND OPPORTUNITIES OF DIGITAL CHANNELS

All digital channels

- The Share Trading menu was developed to enable customers, who wish to participate in Golomt Bank's IPO and share trading, to open a trading account and participate in the trading by charging their registered account.
- To expand cooperation with third-party organizations and provide equal access to digital banking services for all operators' users, we enabled our customers to use LIME electronic number.
- The maximum limit for 24/7 regular transactions between banks was increased from MNT 3 million to MNT 5 million.
- We improved privacy and security of digital channels users; protecting online accounts from unauthorized access and sending SMS OTP to the customer's registered mobile number/e-mail address when login from an unregistered device is recorded and when the login/confirmation password is changed.

Internet Banking

- It became possible to use a digital signature based on a SIM card in the digital services provided by Golomt Bank.
- The new Insurance menu was added allowing users to view reference on insurance service.
- All account numbers were given IBAN (International Bank Account Number).
- Card types were enriched with Amex Debit, UnionPay International, classic Oyu Card, T-Chip and Umoney T-Chip Cards.

SocialPay application

- We introduced the "Business QR" service, facilitating our corporate and retail customers in collecting the business income into their accounts and simplifying the process of depositing money into accounts.

EVENTS

Digital Erdenet

Within the framework of Open Bank Strategy, Golomt Bank initiated and organized the Digital Erdenet-2022 event in order to speed the digital transformation and foster financial inclusiveness in the rural areas. This event was organized with the motto "Unlocked Future" in Erdenet city on 28-29 September 2022. More than 40 organizations providing technology-based products and services participated in the event. Around 1,000 people participated in exhibition and discussion, organized during the event, and enjoyed various discounts and benefits.

Total number of digital channel users

15%

Number of active users of digital channels

27%

Number of transactions made through digital channels

68%

Total number of SocialPay users

16%

Number of active users of SocialPay

18%

Total number of transactions made through SocialPay

117%

Number of Corporate Gateway service users

37%

Open Tech Summit

Golomt Bank initiated and organized Mongolia's first Open Tech Summit. The forum was attended by more than 300 experts from the information technology industry, and presentations and panel discussions were held on topics such as open banking, Big Data & AI architecture, collaboration between the government and businesses, NFT future, and the legal environment of the information technology industry.



SocialPay Promotion Programs

- The customers who received insurance service using "Edaatgal" application of Tenger Daatgal LLC and paid insurance premium via SocialPay digital wallet, were gifted a coupon with 20% discount on the next insurance service.
- SocialPay promotion campaign was carried out between 10 May and 10 June 2022. SocialPay application users could send an invitation to a friend who is not registered via Invite a Friend menu in the application, and in the case of successful registration and login of these friends, the inviting person would receive MNT 1,000 into their account.
- In cooperation with card service organizations, Golomt Bank organized the "SocialPay Loves U" promotion program throughout the year. Customers, who received services from the certain organizations and made payment using SocialPay application, could get back up to 20% of the conducted payment.



CARDZONE

We have introduced an international standard card system.

Co-brand cards with partners

In 2022, the Teacher Card was issued. Golomt Bank has signed a memorandum of cooperation with the Ministry of Education and Science to accelerate the digital transformation of the education sector and implement budget and financial reforms. Within the memorandum framework, the Bank intends to offer its products and services with favorable conditions, including salary cards, salary loans, mortgage loan products to more than 100,000 teachers and other employees in the education sector, and provide them with the real support.

- Remax Agent
- Invescore credit
- Mongolian Basketball Association
- University of Science and Technology
- National University of Mongolia
- Gobi
- Teacher
- Freshpack
- Selbe



INTERNATIONAL BUSINESS COOPERATION

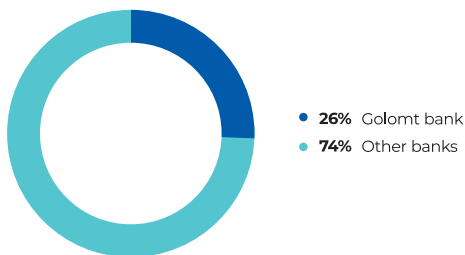
Our dedication and commitment to support the sustainability, financial inclusions, and green projects have driven us to cultivate innovative partnerships with impact funds, and asset management companies. As a collective effort, the Bank has secured long term funds amounting to USD 5.0 million from Enabling Qapital AG, and USD 8.0 million from Symbiotics Group SA.



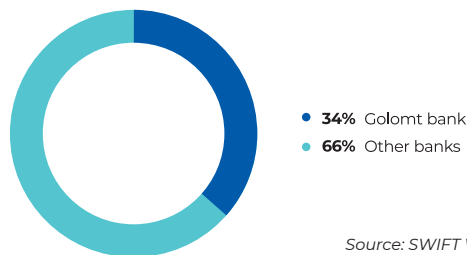
Golomt Bank has reached a significant milestone by successfully executing a transaction worth at USD 25.0 million with Frontclear Management B.V., one of the key players in the global money market. Moreover, the bank has proficiently obtained medium term funds in total of USD 15.5 million from Cargill Inc., and Wilben Trade to facilitate the local customers' trade activities, and has successfully increased its guarantee facility up to USD 20.0 million under the US Agricultural Support Program.

Golomt bank's market shares in cross border payments (via SWIFT)

Outgoing payments
/by number of transactions/



Outgoing payments
/by value of transactions/



Source: SWIFT Watch BI report

The Bank has further solidified its collaboration with international banks and institutions - such as Commerzbank, ODDO BHF, SMBC, ICBC, Mizuho, Agricultural bank of China, Atlantic Forfaitierungs, Exim bank of ROC, Hungarian Exim bank etc. in terms of trade finance activities as well.

Correspondent banking relationship

Throughout the period of heavy financial blow from neighboring country's sanction and the post-pandemic year of 2022, Golomt Bank's cross border remittance operations remained resilient, owing much of success to the support extended by the correspondent banks. Reflecting this favorable outcome, Golomt Bank has processed 34% of outgoing payment transactions of the entire banking sector in Mongolia.

Golomt bank has expanded its longstanding partnership with New Zealand's ANZ Bank by incorporating the New Zealand Dollar (NZD) into the list of supported currencies. This enhancement enables customers to seamlessly engage in foreign remittance in NZD.

CORRESPONDENT BANK NAME	Currency	SWIFT CODE	ACCOUNT NUMBER
KOOKMIN BANK, Korea	USD	CZNBKRSE	819-8-USD-0-15
OCBC BANK, Singapore		OCBCSGSG	503-474157-301
KEB HANA BANK, Korea		KOEXKRSE	963-THR-313-01-2
SHINHAN BANK, Korea		SHBKRRSE	0102245USD01
BANK OF CHINA, China (Erlian)		BKCHCNBJ880	155-605293946
MENGSHANG BANK, China (Baotou)		BTCBCNBJ	002-105599800020
ICBC BANK, China (Huhhot)		ICBKCNBJNMA	061-0040629200061234
BANK OF INNER MONGOLIA, China (Huhhot)		HSSYCNBH	115-914236000000184
BERLINER SPARKASSE, Germany (Berlin)		BELADEBE	10050000/3270000250
BANK OF CHINA, Hong Kong		BKCHHKHH	012-87560121220
DBS Bank, Singapore		DBSSSGSG	0710-000182-01-5
COMMERZBANK, Germany	EUR	COBADEFF	400 878 506 501
BERLINER SPARKASSE, Germany		BELADEBE	10050000/6630008373
AGRICULTURAL BANK OF CHINA China (Huhhot)	CNY	ABOCCNBJ050	059-99901040000053
BANK OF CHINA, China (Erlian)		BKCHCNBJ880	154-005293944
CHINA CONSTRUCTION BANK, China (Erlian)		PCBCCNBJNME	150-01658408052502177
MENGSHANG BANK, China (Baotou)		BTCBCNBJ	002-105599800010
ICBC BANK, China (Huhhot)		ICBKCNBJNMA	061-0040609200054391
BANK OF INNER MONGOLIA, China (Huhhot)		HSSYCNBH	115-901236000000122
BANK OF COMMUNICATIONS, China (Huhhot)		COMMCSHHHH	151-899991010003021570
BANK OF CHINA, Hong Kong		BKCHHKHH	012-87560118495
MIZUHO BANK, Japan	JPY	MHCBJPJT	6740010
SMBC, Japan		SMBCJPJT	8510413010009
MUFG Bank, Japan		BOTKJPJT	653-0432881
COMMERZBANK, Germany	GBP	COBADEFF	400 878 506 500
COMMERZBANK, Germany	CHF	COBADEFF	400 878 506 500
KOOKMIN BANK, Korea	KRW	CZNBKRSE	819-8-KRW-0-17
KEB HANA BANK, Korea		KOEXKRSE	0963FRW001000054
SHINHAN BANK, Korea		SHBKRRSE	0102245KRW01
OCBC, Singapore	SGD	OCBCSGSG	713-470888-001
ANZ, Australia	AUD	ANZBAU3M	920660AUD00001
COMMERZBANK, Germany	CAD	COBADEFF	400 878 506 500
OCBC BANK, Singapore	HKD	OCBCSGSG	503-257156-201
BANK OF CHINA, Hongkong		BKCHHKHH	012-875-60115674
mBANK, Poland	PLN	BREXPLPW	PL 52 114 000 000 000 114 851 001 001
IS BANK, Turkey	TRY	ISBKTRIS	TR 77 000 640 000 010 179 000 6893
ANZ, New Zealand	NZD	ANZBNZ22	920660NZD00001

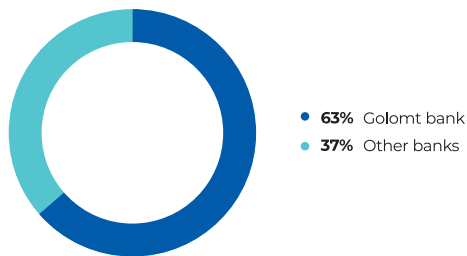
Trade finance

Trade finance services are carried out through collaboration with foreign banks, and financial institutions, utilizing a range of financial instruments to accommodate specific aspects of clients' import, export, large scale projects, and investments. Golomt Bank has offers diverse trade finance services to its customers, in conjunction with a network of over 100 foreign banks located around the world.

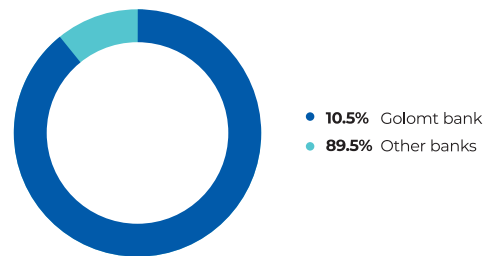
- Documentary operations: Import letter of credit (LCs), domestic letter of credit, foreign guarantees, counter guarantee, documentary collections.
- Supply chain finance: Pre- and post-shipment financing, distributor financing, payment collection, receivables financing.
- Structured trade finance: Export Credit Agency (ECA) covered loan, commodity finance, forfeiting.
- Short and medium term import loans: Letter of credit post financing, import loans, invoice financing.

Golomt bank's market shares in Trade finance business

Import LC issued



Export LC advised



Golomt Bank has played an important role in supporting exports of Mongolia by processing 89.5% of total export letters of credit for a total amount of MNT 261.1 billion.

Trade finance operation involves multiple parties, and require experienced and qualified staff due to its complexity. The bank takes pride in its team's 10 years of expertise in this field, allowing them to provide tailor-made trade finance services that precisely meet the customers' demands.



The trade finance services issued for the import of goods, commodities, and equipment have played a vital role in improving the inventory turnover of customers while reducing financing costs. Moreover, ensuring a steady supply of goods and facilitating timely payments even during challenge times.

The bank has consistently maintained its commitment to delivering trade finance services smoothly and efficiently, in partnership with the partner banks from countries like Germany, Japan, Korea, Spain, Czech Republic, Italy, Singapore, Vietnam and so on.

Within the framework of increasing the sustainable trade finance, Golomt bank issued green guarantees in cooperation with foreign banks to support the implementation of solar PV construction projects in Mongolia. One of them is the green guarantee that issued by in cooperation with ICBC, PRC, on behalf of the general contractor for the EPC contract for 10MW Moron solar PV in Khuvsgul province within the framework of the Upscaling Renewable Energy Sector Project. Once completed, the project will generate 99 gigawatt-hours of clean electricity annually, enabling the country to reduce its carbon dioxide (CO₂) emissions by 82,789 tons per year, thereby delivering clean electricity to 70,000 households.

TREASURY MANAGEMENT

Golomt Bank has successfully maintained its leading position in the foreign exchange market, introducing New Zealand Dollar, and conducting settlements in 16 different currencies.



Foreign currency trading

Golomt Bank successfully maintained its leading position in the foreign exchange market in 2022. Due to impact of external and internal environmental factors, geopolitical tensions, and the Chinese government's "Zero-COVID" policy, a shortage of foreign currency has occurred in the domestic foreign exchange market, resulting in a sharp depreciation of Togrog. However, in order to consistently meet the foreign exchange demand of our customers and mitigate exchange rate risk, we offered them various financial derivatives. Golomt Bank introduced New Zealand Dollar in its payment system in 2022. The Bank successfully maintained its leading position in the foreign exchange market by trading and making payments in 16 different currencies every day

Hedging

Golomt Bank introduced currency and commodity hedging services to the market in 2019. We offered 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. In the nearest future, the Bank intends to introduce hedging services on all types of commodities and foreign currencies.

Gold trading

Golomt Bank has maintained its leading position in the domestic gold market in 2022. 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. Furthermore, we aim to introduce and offer financial derivatives from the international market to our customers.

SUSTAINABLE DEVELOPMENT

Golomt Bank issued 667 business loans in total, of which 71% was assessed for environmental and social risks.

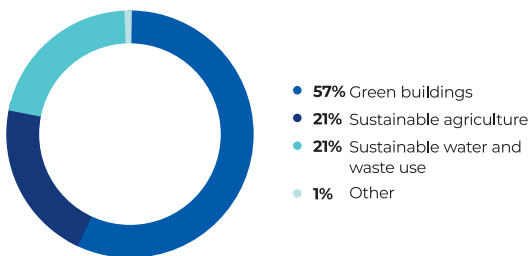


In 2022, Golomt Bank adopted Internal Regulations for Environmental and Social Risk Assessment, and made a few improvements such as adding a procedure to identify unacceptable high environmental and social risks, models for special basic assessment of more than 400 economic sub-sectors, modeling green loan assessment, and etc.

- Golomt Bank issued 667 business loans in total, of which 71% was assessed for environmental and social risks.
- The Bank adopted Internal Regulations for Environmental and Social Risk Assessment, and introduced basic assessment models for more than 400 economic sub-sectors.
- The Business Conference was held as a tradition, and in 2022, the "Best Sustainable Development Goal Implementer" was named.

We defined the industries with the most carbon dioxide emission, adopted the methodology for calculating their carbon dioxide emissions, and started to calculate greenhouse gas emission for each loan in these sectors. As a result, it became possible to calculate the greenhouse gas emission of our customers businesses, and work together with them to define the ways for reducing greenhouse gas emission. Also, Golomt Bank joined the Partnership for Carbon Accounting Financials, global initiative to assess and disclose the greenhouse gas emissions, and is going to introduce global standard to measure and report emission in its credit assessments.

Green loans portfolio totaled MNT 95.85 billion as of Q4, 2022.



Within the framework of the Sustainable Development Strategy, Golomt Bank set goals such as increasing the green loan portfolio, attracting more foreign sustainable and green investments, and enhancing the awareness and knowledge of employees and customers about sustainable financing. New loan products, namely the Sustainable and Green Business Loans, Green House Loans based on the International EDGE Standard, and Eco-Car Loans were introduced to the market in 2022.

The Mongolian Sustainable Finance Association's rating

Since 2016, the Mongolian Sustainable Finance Association (MSFA) has been conducting assessment of sustainable finance implementation by its member banks. In 2022, the MSFA collaborated with the Bank of Mongolia and the International Finance Corporation in assessing banks. Golomt Bank received an A+ rating, indicating improvement in sustainable finance implementation from the year ago. The Bank of Mongolia announces the "Best Sustainable Finance Bank" every year, and Golomt Bank was named the "Outstanding Sustainable Finance Bank" in 2022. Golomt Bank's new initiative to calculate greenhouse gas emission within the credit risk assessment was highlighted.

B+	A	A	A+
2019	2020	2021	2022

United Nations Environment Programme Finance Initiative (UNEP FI)

Golomt Bank adopted the Principles for Responsible Banking issued by the United Nations Environment Programme - Financial Initiative (UNEP FI), and adhered to United Nations Sustainable Development Goals and the Paris Agreement to make its contribution to combatting climate change. In accordance with the special methodology issued by UNEP FI within the framework of implementation of the UN Principles of Responsible Banking, Golomt Bank conducted an Impact Analysis of its loan portfolio or analysis of the Banks' loan portfolio impacts on society and the environment. By carrying out an Impact Analysis of the total loan portfolio, we identified impact areas; based on the results, assessed the impact of the loan portfolio on the climate and water reserves, and created baseline data in 2022. The Bank set the quantitative targets for reducing greenhouse gas emissions of the loan portfolio.

Sustainable Development Goals

The United Nations General Assembly organized an open day in September 2022 with the participation of about 120 representatives from the private sector, academia, and research organizations in order to introduce and promote the Sustainable Development Goals-2030 Program to the public. Golomt Bank also participated in the event, shared its good experience related to the 5th Goal of Sustainable Development (Achieve Gender Equality and Empower All Women and Girls), and presented to the public its products and services that support gender equality and sustainable development. During the event about 200 people joined us under the slogan "Let's Unite for Gender Equality", and we disseminated information about the Achieving Gender Equality Day to approximately 70,000 people through Golomt Bank's social channels.

In order to encourage and support the contribution of our customers into implementation of the Sustainable Development Goals, the Bank selected and named the "Best Sustainable Development Goal Implementer".

Employees of Golomt Bank joined and formed the "G-Volunteers" club. Members of the Club, dedicated for the welfare of the environment and society, proactively participated in the activities such as Marathon for People with Disabilities and Garbage-Free Mongolia Movement. "G-Volunteers" club and "G-Student" club joined and successfully organized the charity campaign "Let's Share Our Love" for children and children's organizations, a traditional social target group. Within the campaign framework, more than 200 children from the "Unur Bul" Children's Center and other childcare centers were provided with financial and other necessary assistance, in addition, a special training for girls was organized.

SOCIAL RESPONSIBILITY

Golomt Bank initiated the “Genesis of Heritage and Culture” historical and archeological project and started its implementation in cooperation with the Institute of Archeology, the Mongolian Academy of Sciences.



“Genesis of Heritage and Culture” project

Golomt Bank initiated the “Genesis of Heritage and Culture” historical and archeological project and started its implementation in cooperation with the Institute of Archeology of the Mongolian Academy of Sciences (MAS). The first activity within the project framework, archaeological excavations and research works at locations of the Wang Khan's Palace of Khurelds or the ruins of Turgeny Balgas-Tuul "Khar Tune Ord" historical place were successfully completed. The cooperation is not limited to this project, and in the future, we will work together and support other archeological projects for the preservation and protection of Mongolia's historical and cultural immovable monuments and physical heritage, researches; develop research activities according to the methodology; and promote cultural heritage worldwide. Due to shortage in funding, the Institute of Archeology of the MAS usually has been carrying out excavations and research works in cooperation with foreign organizations, but now, the Mongolian private sector joined the forces, and Golomt Bank became the first investor in this field.



“Heart Never Forgets” Project

Golomt Bank's Altantulkhur Children's Foundation supported and cooperated with "Heart Never Forgets" Project for the 3rd year. In 2022, the Project Team gave life to thousands of children in Mongolia, Kyrgyzstan, and Tuva by conducting examinations, diagnosis, and surgery. Golomt Bank not only provides financial support to the Project every year, but also provides other necessary assistance. In result of cooperation, 18,000 children have been examined and diagnosed; and more than 600 children have been successfully operated. The Project Team initially planned to operate on 44 children per year, but our cooperation resolved financial and other issues at a certain extent, and the number of operations per year increased to 350-360.

“Student scholarship” program

Golomt Bank, a supporter of education, successfully implemented "100 Students Scholarship Program" within the framework of social responsibility for the 18th year. As of 2022, more than MNT 1 billion scholarships were granted to 1,600 students in 15 branches of more than 50 universities and colleges. In addition to awarding scholarship to students, the Program provides them with the opportunities to work as a research student, join the “G-Student” Club, learn and develop as a club member, engage in community activities, and enhance their knowledge and skills. The students with any majors can be included in the Program. Upon the graduation, students participated in the Program can get a stable job at Golomt Bank. There are a few examples of students who have started their career at the Bank and have been promoted to the managerial positions.

Khuur Ensemble of Mongolia

To preserve the cultural heritage and promote the traditional Mongolian art, Golomt Bank has been supporting the Morin Khuur Ensemble for the last 12 years. The Morin Khuur Ensemble celebrated its 30th anniversary in 2022, and during the period of cooperation the Ensemble has performed more than 35 concerts.



HUMAN RESOURCES

For the first time in Mongolia's banking and financial sector, Golomt Bank received "Great Place to Work" certification from the internationally recognized Great Place to Work Institute.



Adhered to the long-term and stable growth and development, Golomt Bank adopted the employee-centered strategy, strengthened ethical culture, and created an employee-friendly system providing all employees with opportunities to learn, develop, and challenge themselves.

Total number of employees is

2,300

Golomt Bank, operating with the motto "Investing for a Brighter Future", for prosperity and happy life of every citizen received "Great Place to Work" certification from the internationally recognized Great Place to Work Institute for the first time in the banking and financial sector of Mongolia.

600

new employees joined the Bank

Within the framework of social responsibility, in cooperation with the Ministry of Education and Science, the University of Finance and Economics, and Otgontenger University, Golomt Bank financing the brighter future, has started implementation of "Introducing job-based training programs in the higher education system and increasing the employment of graduates" project financed by the European Union. Within the cooperation framework, we aim to learn and introduce the best experiences of Germany, France, Greece, and Romania, the partners of the European Union, to localize the job-based training program in Mongolia's banking and financial sector and higher education system. Currently, 26 students have successfully participated in the job-based training program at Golomt Bank.

Employees aged under 35 years comprised

70%

of total.

We regularly take measures and actions to strengthen the organizational culture, and cooperated with the State Academic Theatre of Opera and Ballet, the State Academic Drama Theatre and the Morin Khuur Ensemble. And our employees enjoyed the world's best works in 2022.

Golomt Bank participated in implementation of the project to improve the knowledge and practical use of English of 400,000 secondary school students and to empower 3,100 English teachers.

Out of total employees,

40%

was promoted.

- We planted fir trees in Golomt grove for the 3d year.
- We cooperated in the implementation of the project to improve the English language skills of 400,000 secondary school students and empower 3,100 English teachers.
- We helped to enhance the skills and knowledge of human resources staff of 30 small and medium businesses.
- Salaries of all employees were increased by 20% on average, and the salary scheme was updated.

EMPLOYEES' WELLBEING

- All employees have undergone preventive health check-ups, and based on examination results, we started to implement projects to enhance their physical, physiological, psychological and financial health and immunity.
- The Bank expanded remote and flexible work options for our employees.
- The Bank offered additional facilities and benefits, in particular paid leaves on employees' and their children's birthdays, programs to generate the employment of seniors, and shorter working hours for pregnant women.
- We implemented "Oin Bulag Zuslan" program, and the employees can go camping and enjoy fresh air and summer time with their families. Employees and their families can live in furnished, comfortable summer houses at the camp.



TRAINING, DEVELOPMENT

We carried out many innovative training and development activities with the motto "Employee is a key for success" and "Every manager is a trainer" to strengthen the culture of continuous learning and development, enhance the knowledge and skills of employees, provide them with opportunities to share the knowledge and experience.

Within the framework of continuous learning culture, in addition to digital training, we introduced micro-learning and blended-learning methods into our training and development activities, and digital training accounted for about 30% of the total. In such a way, employees were able to participate in training and development activities from anywhere and any time according to their available schedule.

Employees of Golomt Bank participate in the international and domestic training and development programs to enhance their professional skills and specialization. Trainings on professional skills comprised more than 30% of the total trainings.

Within the framework of implementation of the 4th Goal of the Sustainable Development (Ensure Inclusive and Equitable Quality Education and Promote Lifelong Learning Opportunities for All), with the purpose to support quality education and strengthen the culture of continuous learning, Golomt Bank in collaboration with Guren Academy obtained the Global Growth Institute's "World class manager" vol-1 training course with intellectual property rights and successfully included all employees of the Bank in the training. We will continue our cooperation in 2023, and we will have the opportunity to deliver the brand-new program "World class manager" vol-2 to employees through the Bank's Academy platform.

112,588

Training hours

49,750

Number of participants

68.1

Training hours per employee

150

Number of Trainers



EVENTS

Managers meeting

We organized the "Managers Meeting-2022" event with the purpose to ensure a common understanding of the main business objectives of the Bank by all managers, improve the managers' teamwork and communications, and connect them to support the achievement of the Bank's business objectives.

New talent

Golomt Bank implements a variety of comprehensive programs to help new employees to adapt to the organizational culture, prepare them, and support their adaptation. The Bank has a unique practice.

For example, the "New Talent" outdoor training program aimed at introducing the Bank's culture to new employees was successfully organized for the 4th year.



Golomt Bank installed solar energy panels in its third office that produced 5,987 kW energy, saving 3.7% of the office's consumption. Compared to the previous year, total energy saving recorded 3.5%.



RISK MANAGEMENT



RISK MANAGEMENT

Golomt Bank joined PCI Security Standards Council, and received certification upon the successful audits of PCI-DSS standards on payment card security.



Golomt Bank has continuously improved the main components of risk management, including the risk appetite statement, traffic light assessment, and capital conservation buffer based on its risk governance, “Three lines model”, risk capacity, and stress test.

In addition to that, Golomt Bank implemented the control of capital adequacy by calculating “Internal Capital Adequacy Assessment Process”, proposed by the Basel Committee on Banking Supervision, and using it to bank-wide stress test.

Risk Management Framework

Risk Management Framework, approved by the Board of Directors, includes “Three lines defense” model, in which the roles, plan, and assessment are defined as follows:

The first line

Business units and their supporting units who are responsible for business risks within the Bank’s policy, procedure, and their roles

The second line

Units who oversee the risk management of “first line of defense” and control and limit the Bank’s risk bearing capacity

The third line

Units whose activities are related to independent internal audit

In 2022, in line with Banking sector reform program, asset quality review conducted on systemic important banks before conducting an Initial Public Offering. Golomt Bank’s assessment was carried out by PricewaterhouseCoopers Tax & Advisory LLP of the Republic of Kazakhstan.

Credit Risk Management

Credit risk is the expected loss that arises from a borrower failing to meet a contractual obligation. Golomt Bank’s risk management aims to maximize the return and profitability by managing the credit impact in obedience to the risk environment.

The bank has been developing and implementing methods for assessing and reducing the risk of the loan portfolio, successfully introducing a loss-based model for calculating loan impairment and establishing a risk fund in accordance with International Financial Reporting Standards, and in 2022, adding macroeconomic indicators, its forecast, transition matrix, and credit rating. more refined.

As a result of implementing the optimal management of the loan portfolio, Golomt Bank fully met the quantitative and qualitative objectives of the loan portfolio. In addition, the credit quality of retail segment was successfully improved as a result of process changes by bringing the bank's non-performing asset settlement operations to an international level.

Collateral Policy

According to the Bank's collateral policy, collateral is pledged from borrowers and third parties as security for loans, loan equivalent assets and other contingent liabilities. Moreover, the Bank implements a comprehensive collateral policy according to the requirements set by the International Valuation Standard (IVS), including asset valuation methodologies (market, cost, and other approaches) and valuation models that depending on collateral types and nature, along with a code of ethics that appraisers must comply with to maintain independence.

Market Risk Management

Market risk is the risk that affects the fair value and future cash flow of financial instruments, arising from movements in market prices. Interest rate, foreign exchange rate, margin trading, investment securities, asset value, or other market movements increase market risk of the Bank's open positions.

Even though there were high volatilities in foreign exchange rates, stock markets, and commodity prices during the reporting period, the Bank prevented the potential losses by implementing sound market risk management.

In 2022, Golomt Bank successfully met open position requirements set by the Bank of Mongolia and fully complied with risk appetite statement proposed by the Bank. Moreover, foreign exchange rate risk is calculated on daily basis using "Value at Risk" measure to prevent from breaching limit set by ALCO. In additionally, to manage counterparty and country risk, we set limit based on credit rating and financial statements.

Liquidity Risk Management

Liquidity risk is the risk that arises from difficulty in converting cash and other highly liquid assets to meet its financial obligation.

In 2022, Golomt Bank's liquidity was high enough to meet the Central Bank regulatory requirements and the Bank's risk appetite statement. The Bank regularly calculated liquidity coverage ratio (LCR) to promote the short-term resilience of the liquidity risk, and net stable funding ratio (NSFR) to reduce the funding risk over a broader time horizon. In addition to that, the Bank assesses the potential liquidity risk and performs stress test to make a prudent decision.

To further improve the Bank's liquidity risk management and prevent potential losses, the Bank developed and complied with internal policies, procedures, methodologies, and liquidity contingency plan by following international standards.

Operational Risk Management

Operational risk is risk of inability to maintain the acceptable level of risk due to inadequate or failed internal processes, people, and systems or from external events.

To effectively manage and monitor the operation risk of the Bank units, we use "Risk and control self-assessment" tool to define and mitigate the potential operational risk in units' operations during the reporting period. Moreover, Golomt Bank measures operational risk of all branches on a quarterly basis using the risk metrics. To increase the efficiency of operational risk management and automation of operation, Golomt bank utilizes operational risk management system. In order to ensure business continuity in line with international standards, consulting services are obtained from external organizations and operations are being improved.

Information security risk

In 2022, along with annual audits regarding ISO27001 Internationally Recognized Information Security Certificate, GDPR (European Union Personal Data Protection Law) audit to ensure the implementation of Personal Data Protection Law and Payment Card Security PCI-DSS standard audit, the Bank has become a member organization of the PCI Security Standards Council.

In doing so, the Bank will have a voice in the process of developing and setting security standards, and will work with more than 800 of the world's leading organizations to contribute to the protection, improvement, and development of the security of international payments.

In addition, Thales eSecurity, an international information security audit service provider company, regularly assesses the vulnerability of our banking system to ensure that the system is fully compliant.

The requirements of the Security Operations Maturity Model (SOMM) are fully met to protect against external cyber-attacks on the banking system. We are working to establish a Cyber Security Management Center. Moreover, we are sharing experiences by joining the call for mutual trust in cyber security in Paris, the largest international cooperation project on cyber security, which brings together more than 1,100 organizations from around the world.

Finally, Golomt Bank, in cooperation with the Mongolian Banking Association, the National Police Agency, and the Bank of Mongolia, launched the campaign "Do not give fraudsters a chance" in 2020 and 2021 in order to prevent fraud in the social environment, next campaign was "Unsend" campaign in 2022, which is included warning messages on preventing social fraud was sent through social networks, television, radio, and media channels.



Since July, 2017



Since March, 2018



Since October, 2018

COMPLIANCE

Compliance Policy

The Compliance Division is responsible for managing and controlling general compliance issues and anti-money laundering and combating terrorist financing activities within the policy framework. The Compliance Division is established within the responsibilities of the President of the Bank, and reports directly to the BOD and the Management Team.

In order to ensure protection of our customers, shareholders and employees from possible risk exposures in constantly changing socio-economic and market conditions, legal environment, and international situation, Golomt Bank adopted a comprehensive risk management policy. Adequate risk management and efficient system for anti-money laundering and combating terrorist financing are essential for the stable and long-term development of the Bank.

Golomt Bank conducted compliance activities in accordance with the international and the Mongolian legislation, requirements and recommendations issued by the regulatory organizations, balancing risk and return. Golomt Bank's Board of Directors and Executive Management are well aware and strengthen the importance of compliance activities, define and monitor the relevant policies.

They approved policies and resolved issues such as follows:

- Approved founding documents of risk management.
- Approved risk management policy and risk acceptance limits.
- Defined the risk categories and the units responsible for managing them.
- Indicators of the Business plan implementation and key indicators for evaluation the Bank's units operations were linked with risk indicators.
- Golomt Bank purchased special monitoring software for compliance activities for the first time in the banking system.
- Within the framework of meeting legal requirements, and developing and automating banking operations, Golomt Bank implemented significant projects and programs, adopted customer identification procedure and standards, established a special structural unit, and introduced a special system for saving and storing the personal information and files.
- We built a management team with international expertise and knowledge.

The Mongolia's Law on Combating Money Laundering and Terrorism Financing was approved in 2006. The Bank of Mongolia approved the relevant regulations on anti-money laundering and combating terrorist financing, implementation of which is obliged by banks. Golomt Bank strictly complies and implements these laws and regulations. The Bank conducts identification of customers and ultimate owners, transaction control, reporting and whistle-blowing in accordance with the relevant regulations and standards.

Golomt Bank appoints Ethical Representatives from its all units to prevent risks, ensure and monitor the implementation of the principles, rules and regulations stated in the Governance Code in accordance with the Compliance Policy, approved by the BOD. This practice enhances the role and responsibilities of the employees in all units of the Bank, and facilitates maintaining high quality and effective operations on a constant basis. Golomt Bank successfully organizes classroom and distance trainings, and a wide-range forums on issues related to risk management and compliance every year.

GOLOMT BANK

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

31 December 2022



Corporate Information

Incorporation decision	Golomt Bank (the "Bank") was incorporated on 06 March 1995.	
Certificate and License	<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>	
Board of Governors	<p>Ch. Munkhtsetseg</p> <p>Urs E. Schwarzenbach</p> <p>D. Munkhtur</p> <p>L. Bolormaa</p> <p>O. Ganjoolo</p> <p>J. Unenbat</p> <p>López Abelló</p> <p>James B. Dwyer</p> <p>Alexander Picker</p>	<p>Chairwoman</p> <p>Member</p> <p>Member</p> <p>Member</p> <p>Member</p> <p>Member</p> <p>Independent Member</p> <p>Independent Member</p> <p>Independent Member</p>
Executive Officers	<p>K. Norihiko</p> <p>G. Ganbold</p> <p>T. Nyamsuren</p> <p>D. Badral</p> <p>M. Sainbileg</p> <p>S. Munkhtuya</p> <p>Z. Myagmardorj</p> <p>Ts. Baigalmaa</p> <p>M. Narankhuu</p> <p>T. Otgon</p> <p>G. Uyanga</p> <p>B. Sodboldor</p> <p>N. Ochirkhuyag</p> <p>A. Nyamsuren</p> <p>O. Battsengel</p> <p>Yo. Purevbat</p> <p>Kh. Purevdorj</p>	<p>Chief Executive Officer</p> <p>President</p> <p>Deputy CEO and CRO</p> <p>Deputy CEO and CBO</p> <p>Chief Information Officer</p> <p>Director of Financial Management Division</p> <p>Director of Corporate Banking Division</p> <p>Director of Retail Business Division</p> <p>Director of Credit Division</p> <p>Director of Risk Management Division</p> <p>Director of Human Resource Management Division</p> <p>Director of Treasury Division</p> <p>Director of Marketing and PR Division</p> <p>Director of Business Process Management Division</p> <p>Director of Information Technology Division</p> <p>Director of Operation Division</p> <p>Director of Administration Division</p>
Registered office	<p>Head Office of Golomt bank</p> <p>Sukhbaatar Square 5,</p> <p>P.O.Box 22</p> <p>Ulaanbaatar 15160, Mongolia</p>	
Auditors	<p>PwC Audit LLC</p> <p>Central Tower, Floor 6, Suite 601</p> <p>Sukhbaatar Square, SBD-8,</p> <p>Ulaanbaatar 14200, Mongolia</p>	



Independent Auditor's Report

To the Shareholders of Golomt Bank JSC

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Golomt Bank JSC (the "Bank") as at 31 December 2022, and the Bank's financial performance and its 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 2022;
- 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.

Our audit approach

Overview

Materiality	<ul style="list-style-type: none">• Overall Bank materiality: Mongolian Tugriks ("MNT") 7,600,855 thousand, which represents 1% of total revenue for the year ended 31 December 2022.
Key audit matters	<ul style="list-style-type: none">• Assessment of expected credit losses allowance for loans and advances to customers made by management in accordance with the International Financial Reporting Standard 9, Financial Instruments (IFRS 9).

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Bank, the accounting processes and controls, and the industry in which the Bank operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Bank materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

Overall Bank materiality	MNT 7,600,855 thousand
How we determined it	1% of total revenue for the year ended 31 December 2022
Rationale for the materiality benchmark applied	The Bank is a commercial banking institution and we have been looking for appropriate benchmark from the statement of profit and loss and other comprehensive income. The revenue (being interest income calculated using the effective interest method, other similar income, fee and commission income and gains less losses from trading in foreign currencies and precious metals) is considered as the most appropriate and relevant measure for the operations of the Bank. We chose 1% which is consistent with quantitative materiality thresholds used for the selected benchmark.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Assessment of expected credit loss (ECL) allowance for loans and advances to customers in accordance with IFRS 9, Financial Instruments.</p> <p>We considered ECL allowance for loans and advances to customers as a key audit matter due to the significance of loans and advances to customer balance and a complex financial reporting standard, which requires significant judgement to determine the ECL allowance.</p> <p>The Bank performed ECL assessment:</p> <ul style="list-style-type: none"> • on an individual basis; • on a portfolio basis: same credit risk parameters (e.g. probability of default, loss given default) will be applied during the process of ECL calculations for the same homogeneous segments of the loan portfolio. <p>Key areas of judgement included:</p> <ul style="list-style-type: none"> • Classification of loans and advances to customers into stages in accordance with IFRS 9; • Key estimates and modelling assumptions used to estimate key risk parameters – probability of default, loss given default and exposure at default. <p>Note 3.3 “Critical Accounting Estimates and Judgements in Applying Accounting Policies”, Note 4 “Significant Accounting Policies”, Note 12 “Loans and Advances to Customers” and Note 38 “Financial Risk Management” to the financial statements provide detailed information on the credit loss allowance.</p>	<p>In assessing the ECL allowance we have performed, among others, the following audit procedures:</p> <ul style="list-style-type: none"> • We assessed the methodology and models for ECL allowance assessment developed by the Bank in order to evaluate its compliance with IFRS 9 requirements. We focused our procedures on: default definition, factors for determining a “significant increase in credit risk”, classification of the loans and advances to customers to stages, and estimation of key risk parameters. • On a sample basis we evaluated and tested the design and operational effectiveness of the controls on the processes that identify overdue loans. • On a sample basis we performed an individual assessment of the ECL allowance levels to determine if they were appropriate considering the risk profile, credit risk and the macroeconomic environment. We considered trends in the economy and industries to which the Bank’s borrowers are exposed. • On a sample basis, we assessed the Bank’s estimated future cash flows from various scenarios and key assumptions, including the timing of collateral collection for individual ECL assessment. We assessed the relevance of the scenarios used and their probability, and calculated calculation of the present value of the cash flows. • On a sample basis, we assessed valuation of collaterals taken into account in the calculation of ECL. • On a sample basis we tested segmentation and allocation to stages. • To verify data accuracy and quality, on a sample basis, we tested the data used in the ECL calculation by reconciling to source data, i.e. loan agreements, collateral agreements and loan account statements etc.;

	<ul style="list-style-type: none"> • We assessed the appropriateness of model design and formula used in recalculation of the probability of default, loss given default and exposure at default for collective ECL. • We performed detailed analytical procedures over ECL calculation disaggregated by stages, segments, and industries that borrowers operate in. • On overall basis we checked the Bank's assessment of effect of forward looking information on the ECL level, in particular, we assessed whether forecasted macroeconomic variables were appropriate (such as GDP, inflation level, loan rate, and exchange rates), traced input data to the external sources and checked appropriateness of the model used; • We assessed the adequacy and appropriateness of disclosures for compliance with the IFRS.
--	--

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

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

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

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

Responsibilities of management and those charged with governance for the financial statements

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

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's 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.

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

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

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



The engagement partner on the audit resulting in this independent auditor's report is Aigul Akhmetova.

30 March 2023

Ulaanbaatar, Mongolia

Approved by:

A handwritten signature in black ink, appearing to read "Shaukat Tapia".

Shaukat Tapia
Country Managing Partner
PricewaterhouseCoopers Audit LLC



Statement of Financial Position

<i>In thousands of Mongolian Tugriks</i>	Note	31 December 2022	31 December 2021
Assets			
Cash and balances with the Bank of Mongolia	7	1,142,404,090	694,954,420
Mandatory cash balances with the Bank of Mongolia	8	357,581,959	277,343,522
Due from other banks	9	1,566,963,380	1,056,447,510
Investments in debt securities	10	1,230,251,009	1,979,439,874
Investments in equity securities	11	22,513,491	18,472,715
Loans and advances to customers	12	3,697,633,345	3,339,174,837
Investment properties	13	10,276,475	17,427,586
Other assets	14	283,402,128	39,972,362
Derivative financial instruments	41	436,146,109	208,917,059
Intangible assets	15	20,948,388	17,848,672
Premises and equipment	16	151,367,641	150,019,342
Right of use assets	17	15,192,622	13,001,148
Repossessed collateral	18	43,191,321	106,953,168
Non-current assets classified as held for sale	19	6,687,575	74,084,536
Total assets		8,984,559,533	7,994,056,751
Liabilities			
Due to other banks	20	52,394,763	16,782,536
Customer accounts	21	5,743,297,867	5,463,543,390
Other borrowed funds	22	1,916,312,092	1,509,446,027
REPO arrangements	23	211,347,644	221,912,121
Current income tax liability	31	30,961,395	29,389,944
Deferred income tax liability	31	20,743,288	9,484,597
Lease liabilities	17	16,290,486	14,001,667
Other liabilities	24	131,306,235	70,834,446
Total liabilities		8,122,653,770	7,335,394,728
Equity			
Preferred shares	25	-	16,388,100
Share capital	25	202,164,327	168,638,148
Share premium	25	301,481,120	169,486,044
Retained earnings		283,420,821	242,436,053
Other reserves		74,839,495	61,713,678
Total equity		861,905,763	658,662,023
Total liabilities and equity		8,984,559,533	7,994,056,751

Approved for issue and signed on behalf of the Bank's management on 30th March 2023.



CH. MUNKHTSETSEG
Chairwoman, Board of Governors



K. NORIHIKO
Chief Executive Officer



S. MUNKHTUYA
Head of Financial Management Division

GOLOMT BANK JSC

Statement of Profit or Loss and Other Comprehensive Income

<i>In thousands of Mongolian Tugriks</i>	Note	2022	2021
Interest income calculated using the effective interest method	26	576,384,931	526,486,180
Other similar income	26	33,524,234	28,291,422
Interest expense	26	(222,857,161)	(271,257,957)
Other similar expense	26	(1,481,221)	(1,560,592)
Net interest income		385,570,783	281,959,053
Credit loss allowance	12	(45,969,488)	(35,770,454)
Net interest income after credit loss allowance		339,601,295	246,188,599
Fee and commission income	27	84,131,978	62,493,142
Fee and commission expense	27	(39,961,185)	(21,714,228)
Gains less losses from financial assets at fair value through profit or loss		7,326,760	1,695,813
Gains less losses from modification of borrowed fund at amortised cost		1,794,198	3,638,530
Losses less gains from disposal of financial assets at fair value through other comprehensive income		(48,339)	(626)
Gains less losses from financial derivatives		34,725,648	(21,818,582)
Gains less losses from trading in precious metals		7,815,364	4,785,518
Foreign exchange translation losses less gains		(10,060,088)	153,074
Gains less losses from trading in foreign currencies		58,228,967	20,398,503
Losses less gains from loans at fair value through profit or loss		(6,120,026)	(14,571,327)
Losses less gains from modification of financial assets measured at amortised cost, that did not lead to derecognition		(1,688,544)	(848,111)
Reversal of expected credit loss allowance of debt securities at amortised cost	10	4,181	(2,676)
Credit loss allowance for debt securities at fair value through other comprehensive income		(662,323)	(1,782,503)
Credit loss allowance of due from banks		(3,584,406)	13,591
Losses on initial recognition of assets at rates below market		(235,786)	(2,636,090)
Credit loss allowance of other assets	14	(868,016)	(539,852)
Gains less losses from non-current asset held for sale		5,413	(3,973,106)
Impairment provision charge for and loss from decrease in fair value of repossessed collateral	18	(96,897,798)	(78,887,826)
Provision (charge)/ reversal for guarantees and letters of credit		(509,336)	1,958,933
Losses less gains on revaluation of investment properties		(3,372,606)	(7,426,258)
Dividend received		32,813	204,394
Other operating income	28	1,154,973	3,835,000
Administrative and other operating expenses	29	(175,345,911)	(137,139,597)
Other (losses)/gains, net	30	(1,669,242)	(1,453,421)
Profit before tax		193,797,984	52,570,894
Income tax expense	31	(77,295,936)	(26,634,228)
Profit for the year		116,502,048	25,936,666
Other comprehensive income/(loss):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Debt securities at fair value through other comprehensive income:			
- Losses less gains arising during the year		(50,471,551)	2,680,637
- Gains less losses reclassified to profit or loss upon disposal		48,339	626
Income tax recorded directly in other comprehensive income		12,605,803	(670,316)
<i>Items that will not be reclassified to profit or loss:</i>			
Losses less gains on investments in equity securities at fair value through other comprehensive income	32	(558,251)	1,153,870
Income tax recorded directly in other comprehensive income	32	139,563	(288,468)
Other comprehensive income/loss		(38,236,097)	2,876,349
Total comprehensive income for the year		78,265,951	28,813,015
Basic earnings per share for profit attributable to the owners of the Bank	34	163.80	35.92
Diluted earnings per share for profit attributable to the owners of the Bank	34	163.73	35.92

Statement of Changes in Equity
31 December 2022

<i>In thousands of Mongolian Tugriks</i>	Note	Ordinary share capital	Preferred share capital	Treasury preferred shares	Treasury shares	Share premium	Revaluation reserve for securities at FVTOCI	Revaluation reserve for premises	Other reserves	Retained earnings	Total equity
Balance at 1 January 2021		42,240,037	25,778,900	(9,390,800)	(80,500)	291,843,805	(12,862,023)	7,495,543	75,680,019	210,853,485	631,558,466
Profit for the year		-	-	-	-	-	-	-	-	25,936,666	25,936,666
Other comprehensive income		-	-	-	-	-	2,876,349	-	-	-	2,876,349
Total comprehensive income for 2021		-	-	-	-	-	2,876,349	-	-	25,936,666	28,813,015
Increase in nominal value of shares		126,720,111	-	-	(241,500)	(126,478,611)	-	-	-	-	-
Transfer of Revaluation reserve on investment in equity securities at FVTOCI to retained earnings upon disposal		-	-	-	-	-	9,349,580	-	-	(9,349,580)	-
Dividends declared and paid	33	-	-	-	-	-	-	-	-	(1,709,458)	(1,709,458)
Transfer of revaluation surplus on premises		-	-	-	-	-	-	(250,441)	-	250,441	-
Transfer to regulatory reserve		-	-	-	-	-	-	-	(20,575,349)	20,575,349	-
Other		-	-	-	-	4,120,850	-	-	-	(4,120,850)	-
Balance at 31 December 2021		168,960,148	25,778,900	(9,390,800)	(322,000)	169,486,044	(636,094)	7,245,102	55,104,670	242,436,053	658,662,023
Profit for the year		-	-	-	-	-	-	-	-	116,502,048	116,502,048
Other comprehensive income		-	-	-	-	-	(38,236,097)	-	-	-	(38,236,097)
Total comprehensive income for 2022		-	-	-	-	-	(38,236,097)	-	-	116,502,048	78,265,951
Share issue		33,526,179	-	-	-	131,788,974	-	-	-	-	165,315,153
Acquisition of treasury shares		-	-	(16,388,100)	-	-	-	-	-	(14,271,600)	(30,659,700)
Share retirement		(322,000)	(25,778,900)	25,778,900	322,000	206,102	-	-	-	(206,102)	-
Transfer of Revaluation reserve on investment in equity securities at FVTOCI to retained earnings upon disposal		-	-	-	-	-	3,065,729	-	-	(3,065,729)	-
Dividends declared and paid	33	-	-	-	-	-	-	-	-	(555,404)	(555,404)
Transfer of revaluation surplus on premises		-	-	-	-	-	-	(250,440)	-	250,440	-
Transfer to regulatory reserve		-	-	-	-	-	-	-	47,699,164	(47,699,164)	-
Share-based payments		-	-	-	-	-	-	-	847,461	-	847,461
Other		-	-	-	-	-	-	-	-	(9,969,721)	(9,969,721)
Balance at 31 December 2022		202,164,327	-	-	-	301,481,120	(35,806,462)	6,994,662	103,651,295	283,420,822	861,905,763

As of 31 December 2022, other reserves mainly consist of the regulatory reserves required by Bank of Mongolia (BOM). In accordance with the regulation of the BOM, it is required to recognize the excess difference of credit loss allowance and provision for repossessed collaterals determined in accordance with the regulations of BOM ("BOM impairment provision") in comparison to credit loss allowance and provision for repossessed collaterals determined under IFRS as a reserve in the statement of changes in equity. This reserve is created as appropriation of the Bank's retained earnings, as such treatment is in accordance with IFRS and the new accounting regulations of the Bank of Mongolia and represents regulatory reserve.

GOLOMT BANK JSC

Statement of Cash Flow

<i>In thousands of Mongolian Tugriks</i>	Note	2022	2021
Cash flows from operating activities			
Profit before tax		193,797,984	52,570,894
Adjustments for non-cash income and expenses:			
Credit loss allowance	12	45,969,488	35,770,454
Losses less gains from financial assets at fair value through other comprehensive income		48,339	626
Gains less losses from financial assets at fair value through profit or loss		(7,326,760)	(1,695,813)
Gains less losses from modification of borrowed fund at amortised cost		(1,794,198)	(3,638,530)
Losses less gains from financial derivatives	41	(34,725,648)	21,818,582
Losses less gains from modification of financial assets measured at amortised cost, that did not lead to derecognition		1,688,544	848,111
Losses less gains of loans at fair value through profit or loss		6,120,026	14,571,327
Reversal of credit loss allowance of due from other banks		3,584,406	(13,591)
Impairment of debt securities at fair value through other comprehensive income		662,323	1,782,503
Credit loss allowance of debt securities at amortised cost		(4,181)	2,676
Losses on initial recognition of assets at rates below market		235,786	2,636,090
Losses on disposal of premises and equipment and investment properties		1,669,242	1,453,421
Foreign exchange (gains)/losses		10,060,088	(153,074)
Credit loss allowance for other assets	14	868,016	539,852
Reversal of provision for credit related commitment		509,336	(1,958,933)
Losses less gains from revaluation of investment properties	13	3,372,606	7,426,258
Losses less gains from non-current asset held for sale	19	(5,413)	3,973,106
Depreciation expense	16,17	27,077,479	24,555,445
Amortisation expense	15	6,063,280	3,837,579
Property and equipment written off	16	66	18,397
Impairment provision charge for and loss from decrease in fair value of repossessed collateral	18	96,897,798	78,887,826
Interest income	26	(609,909,165)	(554,777,602)
Interest expense	26	224,338,382	272,818,549
Cash flows used in operating activities before changes in operating assets and liabilities		(30,802,176)	(38,725,847)
(Increase) in mandatory cash balances with the Bank of Mongolia		(79,911,039)	(33,853,818)
(Increase) / decrease in due from other banks		(290,629,936)	95,873,906
Decrease / (increase) in debt securities at fair value true profit or loss		12,343,979	(2,188,600)
(Increase) / decrease in equity securities at fair value true profit or loss		(95,171)	1,029,277
(Increase) in loans and advances		(567,177,200)	(514,728,118)
(Increase) / decrease in other assets		(14,297,782)	80,328,375
Decrease / (increase) in repossessed collateral		85,278,199	(44,115,715)
(Increase) / decrease in non-current assets classified as held for sale		(44,592,847)	76,700,121
Increase in due to banks		31,075,728	2,102,465
Increase in customer account		284,574,136	256,942,420
Increase / (decrease) in other liabilities		60,809,914	(28,003,168)
Net cash (used in) operating activities before tax and in-terest		(553,424,195)	(148,638,702)
Income tax paid		(51,720,490)	(1,075,077)
Interest income received		616,840,938	557,033,125
Interest income received on investments at fair value through profit or loss		4,715,191	8,317,135
Interest paid		(225,243,451)	(382,483,341)
Net cash (used in)/from operating activities		(208,832,007)	33,153,141

Statement of Cash Flow

In thousands of Mongolian Tugriks	Note	2022	2021
Cash flows from investing activities			
Acquisition of debt securities at fair value through other comprehensive income		(112,280,200)	(93,473,456)
Proceeds from disposal of equity securities at fair value through other comprehensive income		138,979	12,837,742
Proceeds from disposal of investment property		7,516,430	18,648,928
Acquisition of premises and equipment	16	(21,121,361)	(25,795,226)
Proceeds from disposal of premises and equipment	16	508,280	704,525
Acquisition of intangible assets	15	(9,162,995)	(4,931,907)
Prepayment for non-current assets	14	(230,000,000)	-
Net cash used in investing activities		(364,400,867)	(92,009,394)
Cash flows from financing activities			
Proceeds from repo arrangements		424,211,523	562,558,030
Repayment of repo arrangements		(447,033,190)	(367,560,485)
Proceeds from drawdown of other borrowed funds	22	1,201,130,206	1,205,497,008
Repayment of other borrowed funds	22	(970,908,033)	(854,325,119)
Repayment of principal of lease liabilities		(5,758,791)	(5,205,254)
Issue of ordinary shares		165,315,153	-
Acquisition of treasury shares		(30,659,700)	-
Dividends paid	33	(555,404)	(1,709,458)
Other disbursement		(6,600,000)	-
Net cash from financing activities		329,141,762	539,254,722
Effect of exchange rate changes on cash and cash equivalents		84,779,713	7,540,251
Net (decrease) / increase in cash and cash equivalent		(159,311,400)	487,938,720
Cash and cash equivalents at the beginning of the period		2,434,725,888	1,946,787,169
Cash and cash equivalents at the end of the period	7	2,275,414,488	2,434,725,888

7 Cash and Cash Equivalents
Cash and balances with the Bank of Mongolia (other than mandatory reserve)

<i>In thousands of Mongolian Tugriks</i>	31 December 2022	31 December 2021
Cash on hand	101,014,387	115,856,223
Current account with the Bank of Mongolia (other than mandatory reserve)	1,041,389,704	579,098,197
Cash and cash balances with the Bank of Mongolia	1,142,404,090	694,954,420

Cash and balances with the Bank of Mongolia (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 2022 and 31 December 2021.

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

<i>In thousands of Mongolian Tugriks</i>	31 December 2022	31 December 2021
Cash and balances with the Bank of Mongolia (Note 7)	1,142,404,090	694,954,420
Treasury bills of the Bank of Mongolia with original maturities of less than three months (Note 10)	647,154,123	1,563,001,736
Due from banks (Note 9)	489,364,658	176,769,732
Less: credit loss allowance	(3,831,939)	-
Total cash and cash equivalents	2,271,582,549	2,434,725,888

For the purpose of ECL measurement, cash and cash balances with the Bank of Mongolia are included in Stage 1 as of 31 December 2022 and 31 December 2021. The ECL for these balances represents an insignificant amount, therefore the Bank did not recognise any credit loss allowance for cash and cash equivalents with the Bank of Mongolia. However, credit loss allowance is mainly related to due from Russian banks in which is classified in Stage 3.

8 Mandatory reserves with the Bank of Mongolia

<i>In thousands of Mongolian Tugriks</i>	31 December 2022	31 December 2021
Mandatory cash balances with the Bank of Mongolia	357,581,959	277,343,522
Mandatory cash balances with the Bank of Mongolia	357,581,959	277,343,522

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% in MNT and 18% in foreign currency (2021: not less than 6% in MNT and 18% 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 is “satisfactory” as at 31 December 2022 and 31 December 2021. For the purpose of ECL measurement, mandatory cash balances are included in Stage 1 as of 31 December 2022 and 31 December 2021.

The ECL for these balances represents an insignificant amount, therefore the Bank did not recognise any credit loss allowance for mandatory cash balances with the Bank of Mongolia.

9 Due from Other Banks

<i>In thousands of Mongolian Tugriks</i>	31 December 2022	31 December 2021
Correspondent accounts with other banks		
Foreign	387,577,033	122,837,341
Domestic	18,085,531	25,735,787
Short-term placements with other banks		
Foreign	40,384,037	18,208,629
Domestic	39,809,673	9,987,975
Placements with other banks with original maturities of more than three months	1,081,107,105	879,677,778
Total due from other banks	1,566,963,380	1,056,447,510

Placements with other banks with original maturities of more than three months as at 31 December 2022 include current accounts with maturities ranging from 1 year to 5 years.

The following table contains an analysis of due from other banks balances by credit quality at 31 December 2022 and 31 December 2021 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>	31 December 2022 Stage 1 (12-months ECL)	31 December 2021 Stage 1 (12-months ECL)
- Excellent	1,339,750,190	989,550,544
- Good	37,997,524	16,788,646
- Satisfactory	55,955,196	36,098,905
- Special monitoring	137,076,068	14,240,607
Gross carrying amount	1,570,778,978	1,056,678,702
Less: Credit loss allowance	(3,815,598)	(231,192)
Carrying amount	1,566,963,380	1,056,447,510

10 Investments in Debt Securities

<i>In thousands of Mongolian Tugriks</i>	31 December 2022	31 December 2021
Debt securities at FVTOCI	1,003,207,697	1,808,800,791
Debt securities mandatorily measured at FVTPL	222,344,690	165,954,333
Debt securities at AC	4,698,623	4,684,750
Total investments in debt securities	1,230,251,009	1,979,439,874

The significant decrease in debt securities at FVTOCI relates to the disposal of Bank of Mongolia Treasury Bills.

The table below discloses investments in debt securities at 31 December 2022 by measurement categories and classes:

10 Investments in Debt Securities (continued)

<i>In thousands of Mongolian Tugriks</i>	Debt securities at FVTOCI	Debt securities mandatorily measured at FVTPL	Debt securities at AC	Total
Treasury bills of the Bank of Mongolia (a)	742,100,282	-	-	742,100,282
MIK bonds – Senior RMBS (b)	-	34,374,181	-	34,374,181
MIK bonds – Junior RMBS (b)	-	137,676,182	-	137,676,182
Government bonds (c)	205,799,112	-	4,759,631	210,558,743
SFC bonds – Senior (d)	-	35,105,919	-	35,105,919
SFC bonds – Junior (d)	-	11,803,902	-	11,803,902
Corporate bonds (e)	55,308,303	3,384,506	-	58,692,809
Total investments in debt securities at 31 December 2022 (fair value or gross carrying value)	1,003,207,697	222,344,690	4,759,631	1,230,312,018
Less: Credit loss allowance	-	-	(61,009)	(61,009)
Total investments in debt securities at 31 December 2022 (carrying value)	1,003,207,697	222,344,690	4,698,623	1,230,251,009

The table below discloses investments in debt securities at 31 December 2021 by measurement categories and classes:

<i>In thousands of Mongolian Tugriks</i>	Debt securities at FVTOCI	Debt securities mandatorily measured at FVTPL	Debt securities at AC	Total
Treasury bills of the Bank of Mongolia(a)	1,563,001,736	-	-	1,563,001,736
MIK bonds – Senior RMBS (b)	-	41,800,489	-	41,800,489
MIK bonds – Junior RMBS (b)	-	121,956,669	-	121,956,669
Government bonds (c)	186,149,725	-	4,749,941	190,899,666
Corporate bonds (d)	59,649,330	2,197,175	-	61,846,505
Total investments in debt securities at 31 December 2021 (fair value or gross carrying value)	1,808,800,791	165,954,333	4,749,941	1,979,505,065
Less: Credit loss allowance	-	-	(65,191)	(65,191)
Total investments in debt securities at 31 December 2021 (carrying value)	1,808,800,791	165,954,333	4,684,750	1,979,439,874

(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".

Treasury bills of the Bank of Mongolia with original maturities of less than three months are MNT 647,154,123 thousands as at 31 December 2022 (31 December 2021: MNT 1,563,001,736 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 205,728,000 thousands (31 December 2021: MNT 223,554,000 thousands) and MNT 42,800,000 thousands with maturity of 28 days were collateralised by Repo arrangement (Note 23) and by Project on gold production-2 (Note 22) with Bank of Mongolia, respectively.

(b) MIK bonds

The MIK bonds represent the bonds secured by the mortgage loans provided by commercial banks 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. The bond represents Junior and Senior residential mortgage-backed securities (RMBS) obtained from a MIK-HFC securitisation transaction.

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".

Government bonds with nominal amount of MNT 180,152,580 thousands (31 December 2021: nil) were collateralised to obtain borrowings from foreign bank. Please see Note 22.

(d) SFC bonds

The SFC bonds represent the bonds secured by the SME loans provided by commercial banks to the customers. The SFC bonds are classified as the same category of contractually linked instrument (SME loans) at FVTPL. The Bank had an intention to sell the SME loans from the initial recognition. The bond represents Junior and Senior asset backed securities obtained from a SFC securitisation transaction.

The Junior SFC will only be redeemed after the full redemption of the principal of the Senior SFC and the payments to Junior SFC holders are subordinate in right of payment and priority to the Senior SFC. Any shortfall in the net assets of SFC would be borne by the Senior and Junior SFC holders (proportionally in accordance with their seniority in the right of payment and priority).

(e) Corporate bonds

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 corporate bonds at FVTPL. The corporate 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. Corporate bonds classified at FVTOCI represents investment securities held for satisfying the liquidity and business model in a "held to collect and sell". The corporate bonds at FVTOCI are listed on the Mongolian Stock Exchange and issued by Mongolian Mortgage Corporation with annual interest rate of 8.85%. Corporate bonds classified at FVTOCI with nominal amount of MNT 38,372,844 thousands (31 December 2021: nil) were collateralised by Repo arrangement. Please see Note 23.

Investments in debt securities at FVTOCI

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

10 Investments in Debt Securities (continued)

<i>In thousands of Mongolian Tugriks</i>	31 December 2022 Stage 1 (12-months ECL)	31 December 2021 Stage 1 (12-months ECL)
Treasury bills of the Bank of Mongolia		
- Excellent	743,009,418	1,563,953,019
Total AC gross carrying amount	743,009,418	1,563,953,019
Less: Credit loss allowance	(909,136)	(951,283)
Carrying value (fair value)	742,100,282	1,563,001,736

The following table discloses government bonds measured at FVTOCI:

<i>In thousands of Mongolian Tugriks</i>	31 December 2022 Stage 1 (12-months ECL)	31 December 2021 Stage 1 (12-months ECL)
Government bonds		
- Excellent	235,807,611	185,898,487
Total AC gross carrying amount	235,807,611	185,898,487
Less: Credit loss allowance	(3,208,263)	(2,675,792)
Less: Fair value adjustment from AC to FV	(26,800,236)	2,927,030
Carrying value (fair value)	205,799,112	186,149,725

The following table discloses corporate bonds measured at FVTOCI:

<i>In thousands of Mongolian Tugriks</i>	31 December 2022 Stage 1 (12-months ECL)	31 December 2021 Stage 1 (12-months ECL)
Corporate bonds		
- Satisfactory	77,283,289	60,510,603
Total AC gross carrying amount	77,283,289	60,510,603
Less: Credit loss allowance	(1,033,273)	(861,273)
Less: Fair value adjustment from AC to FV	(20,941,714)	-
Carrying value (fair value)	55,308,303	59,649,330

The following table discloses the changes in the credit loss allowance and gross amortised cost amount of 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>	Credit loss allowance Stage 1 (12-months ECL)	Carrying value Stage 1 (12-months ECL)
Treasury bills of the Bank of Mongolia at FVTOCI		
At 1 January 2022	951,283	1,563,953,019
Movements with impact on credit loss allowance charge for the period:		
New originated or purchased	909,136	10,764,975,676
Derecognised during the period	(951,283)	(11,585,919,277)
At 31 December 2022	909,136	743,009,418
Government bonds at FVTOCI		
At 1 January 2022	2,675,792	188,825,517
Movements with impact on credit loss allowance charge for the period:		
New originated or purchased	532,471	12,699,418
Total gross carrying value	3,208,263	201,524,935
Movements without impact on credit loss allowance charge for the period:		
FX and other movements	-	37,209,706
Fair value adjustment from AC to FV	-	(29,727,266)
At 31 December 2022	3,208,263	209,007,375
Corporate bonds at FVTOCI		
At 1 January 2022	861,273	60,510,603
Movements with impact on credit loss allowance charge for the period:		
New originated or purchased	172,000	3,676,959
Total gross carrying value	1,033,273	64,187,562
Movements without impact on credit loss allowance charge for the period:		
FX and other movements	-	12,849,960
Fair value adjustment from AC to FV	-	(20,695,946)
At 31 December 2022	1,033,273	56,341,576

10 Investments in Debt Securities (continued)

The following table discloses the changes in the credit loss allowance and amortised cost amount of 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>	Credit loss allowance Stage 1 (12-months ECL)	Carrying value Stage 1 (12-months ECL)
Treasury bills of the Bank of Mongolia at FVTOCI		
At 1 January 2021	632,582	1,097,569,862
Movements with impact on credit loss allowance charge for the period:		
New originated or purchased	951,283	1,563,953,019
Derecognised during the period	(632,582)	(1,097,569,862)
At 31 December 2021	951,283	1,563,953,019
Government bonds at FVTOCI		
At 1 January 2021	2,073,263	147,966,809
Movements with impact on credit loss allowance charge for the period:		
New originated or purchased	602,529	40,904,496
Total gross carrying value	2,675,792	188,871,305
Movements without impact on credit loss allowance charge for the period:		
FX and other movements	-	(45,788)
At 31 December 2021	2,675,792	188,825,517
Corporate bonds at FVTOCI		
At 1 January 2021	-	-
Movements with impact on credit loss allowance charge for the period:		
New originated or purchased	861,273	60,533,309
Total gross carrying value	861,273	60,533,309
Movements without impact on credit loss allowance charge for the period:		
FX and other movements	-	(22,706)
At 31 December 2021	861,273	60,510,603

Investments in debt securities at AC

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

<i>In thousands of Mongolian Tugriks</i>	Credit loss allowance Stage 1 (12-months ECL)	Carrying value Stage 1 (12-months ECL)
Government bonds		
- Satisfactory	4,759,632	4,749,941
Total investments in debt securities measured at AC (gross carrying amount)	4,759,632	4,749,941
Less: Credit loss allowance	(61,009)	(65,191)
Total investments in debt securities measured at AC (carrying amount)	4,698,623	4,684,750

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)	Carrying value Stage 1 (12-months ECL)
Government bonds at AC		
At 1 January 2022	65,191	4,749,941
<i>Movements with impact on credit loss allowance charge for the period:</i>		
Derecognised during the period	(4,181)	-
Changes in accrued interest	-	9,691
Total movements with impact on credit loss allowance charge for the period	(4,181)	9,691
At 31 December 2022	61,009	4,759,632

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)	Carrying value Stage 1 (12-months ECL)
Government bonds at AC		
At 1 January 2021	62,515	4,741,411
<i>Movements with impact on credit loss allowance charge for the period:</i>		
New originated or purchased	2,676	-
Changes in accrued interest	-	8,530
Total movements with impact on credit loss allowance charge for the period	2,676	8,530
As at 31 December 2021	65,191	4,749,941

11 Investments in Equity Securities

<i>In thousands of Mongolian Tugriks</i>	31 December 2022	31 December 2021
Equity securities at FVTPL	22,103,523	17,927,851
Equity securities at FVTOCI	409,968	544,864
Total investments in equity securities	22,513,491	18,472,715

The table below discloses investments in equity securities at 31 December 2022 by measurement categories and classes:

<i>In thousands of Mongolian Tugriks</i>	Equity securities at FVTPL	Equity securities at FVTOCI	Total
Corporate shares	22,103,523	409,968	22,513,491
Total investments in equity securities at 31 December 2022	22,103,523	409,968	22,513,491

11 Investments in Equity Securities (continued)

The table below discloses investments in equity securities at 31 December 2021 by measurement categories and classes:

<i>In thousands of Mongolian Tugriks</i>	Equity securities at FVTPL	Equity securities at FVTOCI	Total
Corporate shares	17,927,851	544,864	18,472,715
Total investments in equity securities at 31 December 2021	17,927,851	544,864	18,472,715

(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 20,740,142 thousands and MNT 1,266,411 thousands as of 31 December 2022 (2021: MNT 15,345,248 thousands and MNT 2,450,864 thousands) respectively.

(b) Investments in equity securities at FVTOCI

As of 31 December 2022, the Bank has invested in MNT 409,968 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.

The decrease in equity securities at FVTOCI relates to the fact that the Bank has sold its investment in a listed company due to significant fall in the value of the shares.

12 Loans and Advances to Customers

<i>In thousands of Mongolian Tugriks</i>	31 December 2022	31 December 2021
Gross carrying amount of loans and advances to customers at AC	3,459,083,356	3,110,945,995
Less: Credit loss allowance	(199,150,359)	(160,974,133)
Total carrying amount of loans and advances to customers at AC	3,259,932,997	2,949,971,862
Loans and advances to customers at FVTPL / Mortgage/	394,529,262	304,232,064
Loans and advances to customers at FVTPL / SME/	17,260,939	83,823,576
Loans and advances to customers at FVTPL / Corporate/	25,910,147	1,147,335
Total loans and advances to customers	3,697,633,345	3,339,174,837

The bank holds a MIK mortgage portfolio, and a SME loan portfolio financed by long term REPO financing by the Bank of Mongolia with business model “hold to sell” 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 2022 and 31 December 2021 are disclosed in the table below:

<i>In thousands of Mongolian Tugriks</i>	31 December 2022			31 December 2021		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Loans to corporate customers						
Loans to Corporate	1,163,669,938	(103,906,237)	1,059,763,701	1,220,124,468	(26,680,865)	1,193,443,603
Loans to SME	949,395,836	(36,581,312)	912,814,523	825,665,816	(39,873,780)	785,792,036
Loans to individuals						
Consumer loans	887,392,253	(53,826,353)	833,565,900	722,421,933	(87,273,003)	635,148,930
Mortgage loans	458,625,329	(4,836,457)	453,788,872	342,733,778	(7,146,485)	335,587,293
Total loans and advances to customers at AC	3,459,083,356	(199,150,359)	3,259,932,997	3,110,945,995	(160,974,133)	2,949,971,862

More detailed explanation of classes of loans to legal entities and individuals are 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.

As of 31 December 2022, loss on initial recognition of loans at rates below market in the amount of MNT 235,786 thousand (31 December 2021: MNT 2,636,090 thousand) has been recorded in profit or loss for the year.

12 Loans and Advances to Customers (continued)

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:

	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>								
Corporate								
At 1 January 2022	4,952,809	910,058	20,817,997	26,680,865	887,463,025	194,269,029	138,392,414	1,220,124,468
<i>Movements with impact on credit loss allowance charge for the period:</i>								
<i>Transfers:</i>								
- to lifetime (from Stage 1 to Stage 2)	(9,723,568)	9,647,699	-	(75,869)	(171,813,770)	171,813,770	-	-
- to credit-impaired (from stage 1 and Stage 2 to Stage 3)	-	(4,614,545)	76,913,785	72,299,240	-	(103,046,660)	103,046,660	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	41,800	-	-	41,800	12,730,853	(12,730,853)	-	-
- from Stage 3 to Stage 2	-	-	-	-	-	2,739,324	(2,739,324)	-
New originated or purchased	10,543,639	-	-	10,543,639	631,981,497	-	-	631,981,497
Derecognised during the period	(3,350,487)	-	(3,591,034)	(6,941,521)	(480,596,160)	(122,948,008)	(80,206,493)	(683,750,661)
Changes to ECL measurement model assumptions	-	-	(105,037)	(105,037)	-	-	-	-
Unwinding of discount	274,269	-	1,283,204	1,557,473	-	-	-	-
Changes in accrued interest	(25,483)	-	2,597,181	2,571,698	(4,667,786)	(117,736)	4,527,675	(257,846)
Other movements	83,563	99,459	2,696,872	2,879,894	2,735,740	182,273	751,198	3,669,211
Total movements with impact on credit loss allowance charge for the period	(2,156,268)	5,132,614	79,794,971	82,771,316	(9,629,625)	(64,107,889)	25,379,716	(48,357,799)
<i>Movements without impact on credit loss allowance charge for the period:</i>								
Write-offs	-	-	(5,117,648)	(5,117,648)	-	-	(5,117,648)	(5,117,648)
FX and other movements	(27,542)	(99,459)	(301,296)	(428,296)	(2,735,740)	(182,273)	(61,070)	(2,979,083)
At 31 December 2022	2,769,000	5,943,213	95,194,025	103,906,237	875,097,660	129,978,867	158,593,412	1,163,669,938

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:

	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>								
Corporate								
At 1 January 2021	5,495,895	768,810	14,803,140	21,067,845	660,249,504	198,154,010	406,313,750	1,264,717,264
<i>Movements with impact on credit loss allowance charge for the period:</i>								
<i>Transfers:</i>								
- to lifetime (from Stage 1 to Stage 2)	(7,800,225)	7,652,535	-	(147,690)	(126,182,477)	126,182,477	-	-
- to credit-impaired (from stage 1 and Stage 2 to Stage 3)	-	(6,742,476)	6,603,060	(139,416)	-	(35,166,024)	35,166,024	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	221,412	(518)	-	220,894	44,197,542	(44,197,542)	-	-
- from Stage 3 to Stage 2	-	-	-	-	-	29,737,826	(29,737,826)	-
New originated or purchased	11,214,561	-	-	11,214,561	754,858,575	-	-	754,858,575
Derecognised during the period	(4,218,461)	(810,028)	(795,595)	(5,824,084)	(434,809,749)	(80,441,719)	(255,613,518)	(770,864,986)
Changes to ECL measurement model assumptions	(150,867)	147,691	17,622,200	17,619,024	-	-	-	-
Unwinding of discount	136,090	41,735	207,392	385,217	-	-	-	-
Changes in accrued interest	(17,284)	(52,390)	(116,222)	(185,896)	(2,170,795)	(705,527)	(679,465)	(3,555,787)
Other movements	(68,245)	(95,301)	(1,049,639)	(1,213,185)	(11,038,897)	(124,198)	21,964	(11,141,131)
Total movements with impact on credit loss allowance charge for the period	(683,019)	141,248	22,471,196	21,929,425	224,854,199	(4,714,707)	(250,842,821)	(30,703,329)
<i>Movements without impact on credit loss allowance charge for the period:</i>								
Write-offs	-	-	(17,482,784)	(17,482,784)	-	-	(17,482,784)	(17,482,784)
FX and other movements	139,933	-	1,026,446	1,166,379	2,359,322	829,726	404,269	3,593,317
At 31 December 2021	4,952,809	910,058	20,817,998	26,680,865	887,463,025	194,269,029	138,392,414	1,220,124,468

12 Loans and Advances to Customers (continued)

<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
SME								
At 1 January 2022	3,190,681	47,759	36,635,340	39,873,780	661,604,004	13,238,715	150,823,097	825,665,816
<i>Movements with impact on credit loss allowance charge for the period:</i>								
<i>Transfers:</i>								
- to lifetime (from Stage 1 to Stage 2)	(2,875,406)	2,760,253	-	(115,152)	(62,754,031)	62,754,031	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	(2,684,964)	3,196,345	511,380	-	(23,231,680)	23,231,680	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	4,433	(295,701)	-	(291,268)	5,375,340	(5,375,340)	-	-
- from Stage 3 to Stage 2	-	281,450	(281,474)	(24)	-	7,630,594	(7,630,594)	-
New originated or purchased	3,479,090	-	-	3,479,090	505,966,217	-	-	505,966,217
Derecognised during the period	(3,006,361)	(16,846)	(9,396,958)	(12,420,166)	(318,561,374)	(13,959,295)	(50,726,731)	(383,247,400)
Changes to ECL measurement model assumptions	-	-	51,140	51,140	-	-	5,100,090	5,100,090
Unwinding of discount	303,424	-	3,370,313	3,673,737	-	-	-	-
Changes in accrued interest	(15,405)	3	570,305	554,903	(570,442)	(120)	(1,213,284)	(1,783,846)
Other movements	(11,378)	(3)	1,380,626	1,369,245	79,711	0	(2,214,748)	(2,135,037)
Total movements with impact on credit loss allowance charge for the period	(2,121,604)	44,192	(1,109,702)	(3,187,115)	129,535,421	27,818,191	(33,453,587)	123,900,025
<i>Movements without impact on credit loss allowance charge for the period</i>								
Write-offs	-	-	(72,881)	(72,881)	-	-	(72,881)	(72,881)
FX and other movements	(3,755)	(0)	(28,717)	(32,472)	(79,711)	(0)	(17,412)	(97,123)
At 31 December 2022	1,065,322	91,951	35,424,039	36,581,312	791,059,713	41,056,905	117,279,217	949,395,836

	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>								
SME								
At 1 January 2021	2,152,696	1,142,603	32,827,277	36,122,576	391,957,308	79,351,278	218,712,921	690,021,507
<i>Movements with impact on credit loss allowance charge for the period:</i>								
<i>Transfers:</i>								
- to lifetime (from Stage 1 to Stage 2)	(3,285,934)	3,287,076	-	1,142	(49,635,585)	49,635,585	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	(3,583,626)	5,477,972	1,894,346	-	(54,255,301)	54,255,301	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	998,633	(1,389,277)	-	(390,644)	44,721,620	(44,721,620)	-	-
- from Stage 3 to Stage 2	-	920,838	(941,661)	(20,823)	-	28,767,092	(28,767,092)	-
New originated or purchased	5,414,768	-	-	5,414,768	547,116,848	-	-	547,116,848
Derecognised during the period	(1,749,590)	(1,169,200)	(2,457,227)	(5,376,017)	(276,988,379)	(44,654,934)	(68,259,192)	(389,902,505)
Changes to ECL measurement model assumptions	(131,553)	586	15,093,617	14,962,650	-	-	-	-
Unwinding of discount	96,836	592	2,441,449	2,538,877	-	-	-	-
Changes in accrued interest	(10,434)	(111)	2,247,273	2,236,728	(654,487)	(21,279)	2,261,059	1,585,293
Other movements	(269,428)	838,278	300,080	868,930	5,129,919	(875,798)	(9,044,669)	(4,790,548)
Total movements with impact on credit loss allowance charge for the period	1,063,298	(1,094,844)	22,161,503	22,129,957	269,689,936	(66,126,255)	(49,554,593)	154,009,088
<i>Movements without impact on credit loss allowance charge for the period:</i>								
Write-offs	(47,792)	-	(18,509,675)	(18,557,467)	(47,792)	-	(18,509,675)	(18,557,467)
FX and other movements	22,479	-	156,235	178,714	4,552	13,692	174,444	192,688
At 31 December 2021	3,190,681	47,759	36,635,340	39,873,780	661,604,004	13,238,715	150,823,097	825,665,816

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>								
Consumer								
At 1 January 2022	7,708,982	1,708,225	77,855,796	87,273,002	631,245,234	9,955,887	81,220,813	722,421,933
<i>Movements with impact on credit loss allowance charge for the period:</i>								
<i>Transfers:</i>								
- to lifetime (from Stage 1 to Stage 2)	(1,737,774)	2,196,353	-	458,579	(25,975,886)	25,975,886	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	(1,985,231)	7,417,074	5,431,843	-	(12,810,415)	12,810,415	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	10,929	(747,539)	-	(736,610)	1,412,203	(1,412,203)	-	-
- from Stage 3 to Stage 2	-	410,713	(474,808)	(64,095)	-	600,231	(600,231)	-
New originated or purchased	2,878,180	-	-	2,878,180	492,222,709	-	-	492,222,709
Derecognised during the period	(6,049,296)	(427,004)	(23,757,602)	(30,233,903)	(279,604,982)	(8,836,932)	(25,827,684)	(314,269,598)
Changes to ECL measurement model assumptions	16,837	-	(4,177,419)	(4,160,582)	-	-	-	-
Unwinding of discount	806,687	28,467	7,050,241	7,885,396	-	-	-	-
Changes in accrued interest	(19,498)	(2,579)	(2,986,913)	(3,008,990)	(1,201,860)	(7,675)	(3,282,503)	(4,492,037)
Other movements	23,031	9,027	3,032,275	3,064,333	77,896	1,329	6,434,769	6,513,995
Total movements with impact on credit loss allowance charge for the period	(4,070,904)	(517,793)	(13,897,152)	(18,485,849)	186,930,080	3,510,222	(10,465,234)	179,975,068
<i>Movements without impact on credit loss allowance charge for the period:</i>								
Write-offs	(17,422)	-	(14,893,680)	(14,911,102)	(17,422)	-	(14,893,680)	(14,911,102)
FX and other movements	(3,532)	(804)	(45,362)	(49,699)	(83,862)	(1,329)	(8,455)	(93,646)
At 31 December 2022	3,617,123	1,189,627	49,019,602	53,826,353	818,074,030	13,464,780	55,853,444	887,392,253

	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>								
Consumer								
At 1 January 2021	10,272,229	3,221,507	81,491,403	94,985,139	605,831,938	18,265,107	110,642,027	734,739,072
<i>Movements with impact on credit loss allowance charge for the period:</i>								
<i>Transfers:</i>								
- to lifetime (from Stage 1 to Stage 2)	(1,356,588)	2,314,222		957,634	(22,028,707)	22,028,707		-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)		(2,279,079)	11,418,080	9,139,001		(19,709,789)	19,709,789	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	178,801	(3,359,919)		(3,181,118)	6,122,716	(6,122,716)	-	-
- from Stage 3 to Stage 2		2,595,137	(2,796,578)	(201,441)		4,748,440	(4,748,440)	-
New originated or purchased	3,744,680	-	-	3,744,680	331,479,146	-	-	331,479,146
Derecognised during the period	(5,639,571)	(3,166,800)	(16,654,857)	(25,461,228)	(292,978,212)	(9,252,039)	(41,196,673)	(343,426,924)
Changes to ECL measurement model assumptions	26,206	1,560	(84,705)	(56,939)	-	-	-	-
Unwinding of discount	563,045	17,132	4,757,364	5,337,541	-	-	-	-
Changes in accrued interest	(71,680)	(2,714)	3,530,922	3,456,528	1,715,086	(12,202)	2,918,116	4,621,000
Other movements	17,039	2,368,907	(3,617,881)	(1,231,935)	1,077,602	12,107	(5,919,519)	(4,829,810)
Total movements with impact on credit loss allowance charge for the period	(2,538,068)	(1,511,554)	(3,447,655)	(7,497,277)	25,387,631	(8,307,492)	(29,236,727)	(12,156,588)
<i>Movements without impact on credit loss allowance charge for the period:</i>								
Write-offs	(27,290)	(1,728)	(189,927)	(218,945)	(27,290)	(1,728)	(189,927)	(218,945)
FX and other movements	2,111	-	1,975	4,086	52,954	-	5,440	58,394
At 31 December 2021	7,708,982	1,708,225	77,855,796	87,273,003	631,245,233	9,955,887	81,220,813	722,421,933

12 Loans and Advances to Customers (continued)

<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
Mortgage								
At 1 January 2022	1,393,864	123,078	5,629,543	7,146,485	301,572,105	3,937,257	37,224,416	342,733,778
<i>Movements with impact on credit loss allowance charge for the period:</i>								
<i>Transfers:</i>								
- to lifetime (from Stage 1 to Stage 2)	(149,762)	212,737	-	62,975	(12,642,982)	12,642,982	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	(182,236)	990,167	807,931	-	(7,076,722)	7,076,722	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	505	(142,352)	-	(141,847)	2,420,042	(2,420,042)	-	-
- from Stage 3 to Stage 2	-	126,285	(138,230)	(11,944)	-	1,817,236	(1,817,236)	-
New originated or purchased	185,074	-	-	185,074	185,066,363	-	-	185,066,363
Derecognised during the period	(1,265,216)	(4,494)	(3,374,267)	(4,643,977)	(53,411,547)	(888,706)	(9,399,287)	(63,699,540)
Changes to ECL measurement model assumptions	(6,017)	-	(16,662)	(22,679)	(4,419,223)	-	(104,405)	(4,523,628)
Unwinding of discount	154,142	98	609,707	763,947	-	-	-	-
Changes in accrued interest	(8,091)	(3)	(175,903)	(183,997)	(413,167)	(5)	(716,287)	(1,129,459)
Other movements	12,541	12,204	849,745	874,490	232,693	-	(54,877)	177,816
Total movements with impact on credit loss allowance charge for the period	(1,076,826)	22,240	(1,255,443)	(2,310,029)	116,832,179	4,074,743	(5,015,369)	115,891,552
<i>Movements without impact on credit loss allowance charge for the period:</i>								
Write-offs	-	-	-	-	-	-	-	-
At 31 December 2022	317,039	145,318	4,374,100	4,836,457	418,404,283	8,012,000	32,209,047	458,625,330

	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>								
Mortgage								
At 1 January 2021	1,490,564	468,933	5,989,467	7,948,964	260,688,136	9,369,011	42,181,168	312,238,315
<i>Movements with impact on credit loss allowance charge for the period:</i>								
<i>Transfers:</i>								
- to lifetime (from Stage 1 to Stage 2)	(68,857)	159,948	-	91,091	(10,638,700)	10,638,700	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	(168,478)	1,588,037	1,419,559	-	(10,524,656)	10,524,656	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	19,030	(494,397)	-	(475,367)	5,820,936	(5,820,936)	-	-
- from Stage 3 to Stage 2	-	367,417	(789,739)	(422,322)	-	3,606,408	(3,606,408)	-
New originated or purchased	810,752	-	-	810,752	147,061,004	-	-	147,061,004
Derecognised during the period	(932,356)	(743,660)	(1,454,752)	(3,130,768)	(99,805,381)	(3,256,654)	(11,513,457)	(114,575,492)
Changes to ECL measurement model assumptions	84,329	-	73,619	157,948	-	-	-	-
Unwinding of discount	76,405	467	296,528	373,400	-	-	-	-
Changes in accrued interest	(8,685)	(39)	157,248	148,524	(629,887)	(5,775)	267,500	(368,162)
Other movements	(77,318)	532,887	(220,037)	235,532	(924,003)	(68,841)	(618,215)	(1,611,059)
Total movements with impact on credit loss allowance charge for the period	(96,700)	(345,855)	(349,096)	(791,651)	40,883,969	(5,431,754)	(4,945,924)	30,506,291
<i>Movements without impact on credit loss allowance charge for the period:</i>								
Write-offs	-	-	(10,828)	(10,828)	-	-	(10,828)	(10,828)
At 31 December 2021	1,393,864	123,078	5,629,543	7,146,485	301,572,105	3,937,257	37,224,416	342,733,778

12 Loans and Advances to Customers (continued)

Movements in the expected credit loss allowance for loans to legal entities and individuals during 2022 of are as follows:

<i>In thousands of Mongolian Tugriks</i>	Loans to Corporate	Loans to SME	Consumer loans	Mortgage loans	Total
Expected credit loss allowance at 1 January 2022	26,680,865	39,873,780	87,273,003	7,146,485	160,974,133
Credit loss allowance charge/(recovery) during the year	82,771,316	(3,187,115)	(18,485,849)	(2,310,029)	58,788,324
Amounts written off during the year as uncollectible	(5,117,648)	(72,881)	(14,911,102)	-	(20,101,631)
Exchange difference	(428,296)	(32,472)	(49,699)	-	(510,467)
Expected credit loss allowance at 31 December 2022	103,906,237	36,581,312	53,826,354	4,836,456	199,150,359

During 2022, the Bank has recovered MNT 12,818,836 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 2021 of are as follows:

<i>In thousands of Mongolian Tugriks</i>	Loans to Corporate	Loans to SME	Consumer loans	Mortgage loans	Total
Expected credit loss allowance at 1 January 2021	21,067,845	36,122,576	94,985,139	7,948,964	160,124,524
Credit loss allowance charge/(recovery) during the year	21,929,425	22,129,957	(7,497,277)	(791,651)	35,770,454
Amounts written off during the year as uncollectible	(17,482,784)	(18,557,467)	(218,945)	(10,828)	(36,270,024)
Exchange difference	1,166,379	178,714	4,086	-	1,349,179
Expected credit loss allowance at 31 December 2021	26,680,865	39,873,780	87,273,003	7,146,485	160,974,133

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.

The credit quality of loans to corporate and individual customers carried at amortised cost is as follows at 31 December 2022:

<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
Loans to Corporate				
- Excellent	875,097,660	-	-	875,097,660
- Good	-	129,978,867	-	129,978,867
- Satisfactory	-	-	6,339,578	6,339,578
- Special Monitoring	-	-	18,273,609	18,273,609
- Default	-	-	133,980,225	133,980,225
Gross carrying amount	875,097,660	129,978,867	158,593,412	1,163,669,938
Less: Credit loss allowance	(2,769,000)	(5,943,213)	(95,194,025)	(103,906,237)
Carrying amount	872,328,660	124,035,654	63,399,387	1,059,763,701
Loans to SME				
- Excellent	791,059,714	-	-	791,059,713
- Good	-	41,056,905	-	41,056,905
- Satisfactory	-	-	30,986,840	30,986,840
- Special monitoring	-	-	19,123,366	19,123,366
- Default	-	-	67,169,010	67,169,010
Gross carrying amount	791,059,714	41,056,905	117,279,217	949,395,836
Less: Credit loss allowance	(1,065,322)	(91,951)	(35,424,039)	(36,581,312)
Carrying amount	789,994,392	40,964,954	81,855,178	912,814,524
Consumer loans				
- Excellent	818,074,030	-	-	818,074,030
- Good	-	13,464,780	-	13,464,780
- Satisfactory	-	-	6,933,549	6,933,549
- Special monitoring	-	-	7,404,755	7,404,755
- Default	-	-	41,515,139	41,515,139
Gross carrying amount	818,074,030	13,464,780	55,853,444	887,392,253
Less: Credit loss allowance	(3,617,123)	(1,189,627)	(49,019,602)	(53,826,353)
Carrying amount	814,456,907	12,275,152	6,833,841	833,565,900

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
Mortgage loans				
- Excellent	418,404,283	-	-	418,404,283
- Good	-	8,012,000	-	8,012,000
- Satisfactory	-	-	14,666,025	14,666,025
- Special monitoring	-	-	6,305,159	6,305,159
- Default	-	-	11,237,863	11,237,863
Gross carrying amount	418,404,283	8,012,000	32,209,047	458,625,330
Less: Credit loss allowance	(317,039)	(145,318)	(4,374,100)	(4,836,457)
Carrying amount	418,087,244	7,866,681	27,834,947	453,788,873

The credit quality of loans to corporate and individual customers carried at amortised cost is as follows at 31 December 2021:

<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
Loans to Corporate				
- Excellent	887,463,025	-	-	887,463,025
- Good	-	194,269,029	-	194,269,029
- Satisfactory	-	-	40,998,591	40,998,591
- Special monitoring	-	-	54,523,580	54,523,580
- Default	-	-	42,870,243	42,870,243
Gross carrying amount	887,463,025	194,269,029	138,392,414	1,220,124,468
Less: Credit loss allowance	(4,952,809)	(910,058)	(20,817,998)	(26,680,865)
Carrying amount	882,510,216	193,358,971	117,574,416	1,193,443,603
Loans to SME				
- Excellent	661,604,004	-	-	661,604,004
- Good	-	13,238,715	-	13,238,715
- Satisfactory	-	-	50,741,630	50,741,630
- Special monitoring	-	-	22,154,593	22,154,593
- Default	-	-	77,926,874	77,926,874
Gross carrying amount	661,604,004	13,238,715	150,823,097	825,665,816
Less: Credit loss allowance	(3,190,681)	(47,759)	(36,635,340)	(39,873,780)
Carrying amount	658,413,323	13,190,956	114,187,757	785,792,036

<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
Consumer loans				
- Excellent	631,245,233	-	-	631,245,233
- Good	-	9,955,887	-	9,955,887
- Satisfactory	-	-	22,447,365	22,447,365
- Special monitoring	-	-	11,090,333	11,090,333
- Default	-	-	47,683,115	47,683,115
Gross carrying amount	631,245,233	9,955,887	81,220,813	722,421,933
Less: Credit loss allowance	(7,708,982)	(1,708,225)	(77,855,796)	(87,273,003)
Carrying amount	623,536,251	8,247,662	3,365,017	635,148,930
Mortgage loans				
- Excellent	301,572,105	-	-	301,572,105
- Good	-	3,937,257	-	3,937,257
- Satisfactory	-	-	16,561,758	16,561,758
- Special monitoring	-	-	6,588,354	6,588,354
- Default	-	-	14,074,304	14,074,304
Gross carrying amount	301,572,105	3,937,257	37,224,416	342,733,778
Less: Credit loss allowance	(1,393,864)	(123,078)	(5,629,543)	(7,146,485)
Carrying amount	300,178,241	3,814,179	31,594,873	335,587,293

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 2022		31 December 2021	
	Amount	%	Amount	%
Trade - Whole & Retail	1,006,186,937	25.82%	774,870,662	22.14%
Mortgage & House maintenance	853,154,592	21.89%	646,858,857	18.48%
Individuals	848,222,438	21.77%	668,710,210	19.11%
Maintenance	333,185,231	8.55%	248,589,026	7.10%
Mining & Exploration	180,926,486	4.64%	404,192,337	11.55%
Manufacturing	157,543,374	4.04%	216,979,477	6.20%
Finance	141,467,760	3.63%	135,738,076	3.88%
Construction	125,427,382	3.22%	159,140,634	4.55%
Transport & Communication	59,924,675	1.54%	62,098,840	1.77%
Real estate	46,323,396	1.19%	32,773,630	0.94%
Home appliances	25,295,992	0.65%	17,093,077	0.49%
Agriculture	22,012,833	0.56%	19,795,614	0.57%
Electricity & Oil	20,902,331	0.54%	13,008,361	0.37%
Car	18,502,050	0.47%	27,062,774	0.77%
Hotel & Restaurant	17,466,763	0.45%	35,748,066	1.02%
Healthcare	14,080,113	0.36%	17,090,053	0.49%
Education	13,697,099	0.35%	15,688,844	0.45%
Others	7,928,507	0.20%	968,411	0.03%
Social services	1,939,963	0.05%	1,831,404	0.05%
Public service	1,599,804	0.04%	-	0.00%
Tourism	993,894	0.03%	1,733,770	0.05%
Entrepreneurship	2,084	0.00%	176,847	0.01%
Total loans and advances to customers carried at AC and at FVTPL before credit loss allowance	3,896,783,704	100.00%	3,500,148,970	100%

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 and credit enhancements held for loans to corporate and individual customers carried at amortised cost is as follows at 31 December 2022:

<i>In thousands of Mongolian Tugriks</i>	Loans to Corporate	Loans to SME	Consumer loans	Mortgage loans	Total
Loans collateralised by:					
- residential real estate	56,535,624	288,703,930	22,839,503	361,637,993	729,717,050
- other real estate	513,800,334	460,958,175	7,235,405	26,332,445	1,008,326,360
- tradable securities	27,145,303	1,000	-	-	27,146,303
- cash deposits	25,086,951	15,615,231	82,592,682	364,153	123,659,016
- machinery and equipment	96,652,818	92,248,858	17,036,761	840,134	206,778,572
- credit enhancements	396,868,391	69,745,772	13,053,704	67,060,834	546,728,701
Total	1,116,089,421	927,272,967	142,758,055	456,235,559	2,642,356,002
Unsecured exposures	47,580,517	22,122,869	744,634,198	2,389,771	816,727,354
Total carrying value loans and advances to customers at AC (amount representing exposure to credit risk for each class of loans at AC)	1,163,669,938	949,395,836	887,392,253	458,625,330	3,459,083,356

Description of collateral held for loans to corporate and individual customers carried at amortised cost is as follows at 31 December 2021:

<i>In thousands of Mongolian Tugriks</i>	Loans to Corporate	Loans to SME	Consumer loans	Mortgage loans	Total
Loans collateralised by:					
- residential real estate	80,280,827	265,275,064	16,207,872	243,945,345	605,709,108
- other real estate	468,541,385	327,122,525	6,460,246	22,510,689	824,634,845
- tradable securities	129,752,852	-	-	-	129,752,852
- cash deposits	10,796,273	75,751,586	120,818,490	2,419,928	209,786,277
- machinery and equipment	105,144,369	68,522,483	22,973,206	926,276	197,566,334
- credit enhancements	333,553,435	55,556,504	13,969,991	69,081,938	472,161,868
Total	1,128,069,141	792,228,162	180,429,805	338,884,176	2,439,611,284
Unsecured exposures	92,055,327	33,437,654	541,992,128	3,849,602	671,334,711
Total carrying value loans and advances to customers at AC (amount representing exposure to credit risk for each class of loans at AC)	1,220,124,468	825,665,816	722,421,933	342,733,778	3,110,945,995

Credit enhancements consist of the receivables, future revenues, guarantees, inventories and other assets. 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>	31 December 2022	31 December 2021
Loans to corporate customers:		
Loans to Corporate	186,542,460	373,390,027
Loans to SME	410,630,416	309,047,164
Loans to individuals:		
Consumer loans	187,508,773	146,419,606
Mortgage loans	246,612,918	155,746,393
Total significantly over-collateralised loans and advances to customers carried at AC	1,031,294,567	984,603,190

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 2022 is as follows:

<i>In thousands of Mongolian Tugriks</i>	Over-collateralized assets		Under-collateralized assets	
	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Credit impaired assets:				
Loans carried at AC:				
Corporate	80,004,838	165,096,832	78,588,574	21,005,188
SME	64,740,920	145,276,298	52,538,297	31,731,184
Consumer	2,722,128	5,852,395	53,131,316	2,769,202
Mortgage	17,636,564	34,160,043	14,572,483	10,833,002
Total	165,104,449	350,385,567	198,830,670	66,338,576

12 Loans and Advances to Customers (continued)

The effect of collateral on credit-impaired assets at 31 December 2021 is as follows:

<i>In thousands of Mongolian Tugriks</i>	Over-collateralized assets		Under-collateralized assets	
	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Credit impaired assets:				
<i>Loans carried at AC:</i>				
Corporate	95,558,168	179,300,282	42,834,246	4,837,438
SME	70,985,994	159,514,751	79,837,103	47,896,516
Consumer	4,828,399	8,606,612	76,392,414	4,986,262
Mortgage	17,846,401	29,320,936	19,378,015	14,167,618
Total	189,218,962	376,742,581	218,441,778	71,887,834

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 2022 and 31 December 2021:

<i>In thousands of Mongolian Tugriks</i>	Mortgage		SME		Corporate	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
<i>Loans collateralised by:</i>						
- residential real estate	393,228,095	302,657,034	1,307,089	13,261,329	-	-
- other real estate	1,301,167	1,464,031	14,486,014	65,604,828	5,841,778	-
- machinery and equipments	-	-	1,431,257	-	-	-
- inventories	-	-	9,625	-	20,068,368	-
- other assets	-	-	26,954	1,275,367	-	1,147,335
- guarantee	-	110,999	-	3,682,052	-	-
Total	394,529,262	304,232,064	17,260,939	83,823,576	25,910,146	1,147,335
Unsecured exposures	-	-	-	-	-	-
Total carrying value loans and advances to customers at FVTPL (amount representing exposure to credit risk for each class of loans at FVTPL)	394,529,262	304,232,064	17,260,939	83,823,576	25,910,146	1,147,335

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").

The effect of collateral on credit assets /FVTPL/ at 31 December 2022 and 31 December 2021 are as follows:

<i>Мянган төгрөгөөр</i>	31 December 2022		31 December 2021	
	Carrying value of the loan	Value of collateral	Carrying value of the loan	Value of collateral
Over-collateralised asset	330,152,328	420,429,864	331,305,512	467,877,994
Under-collateralised asset	107,548,020	89,384,863	57,897,463	42,602,000
Total	437,700,348	509,814,727	389,202,975	510,479,994

The cumulative total outstanding contractual amounts of loans and advances to customers written off that are still subject to enforcement activity was as follows at 31 December 2022 and 31 December 2021:

<i>In thousands of Mongolian Tugriks</i>	31 December 2022	31 December 2021
Loans to corporate customers:		
Loans to Corporates	149,037,792	155,066,038
Loans to SMEs	21,525,250	27,982,554
Loans to individuals:		
Consumer loans	23,071,612	8,420,915
Mortgage loans	-	-
Total	193,634,654	191,469,507

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 from normal collection processes.

Losses less gains recognised in the profit or loss on modifications of loans with lifetime ECL that did not lead to derecognition was MNT 1,688,544 thousands and amortised cost of modified loans was MNT 17,685,494 thousands as of 31 December 2022 (31 December 2021: MNT 848,111 thousands, MNT 10,552,128 thousands respectively).

13 Investment Properties

Below is the information on changes in investment properties as follows at 31 December 2022 and 31 December 2021:

<i>In thousands of Mongolian Tugriks</i>	31 December 2022	31 December 2021
Investment properties at fair value at 1 January	17,427,586	39,671,913
Disposals	(9,124,994)	(17,818,069)
Transferred from non-current assets classified as held for sale	6,284,573	3,000,000
Transferred to premises and equipment	(938,084)	-
Fair value losses	(3,372,606)	(7,426,258)
Investment properties at fair value at 31 December 2022	10,276,475	17,427,586

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.

13 Investment Properties (continued)

During the year, MNT 6,284,573 thousands of assets /office and commercial spaces/ were transferred from Non-Current Assets classified as Held for Sale to Investment properties following management intention to keep it for the capital appreciation.

As of 31 December 2022, rental income of MNT 482,923 thousands (31 December 2021: MNT 113,524 thousands) was generated from investment properties. Direct operating expenses arising from investment property that generated rental income during the period was MNT 3,059 thousands (31 December 2021: MNT 18,157 thousands).

Where the bank is the lessor, the future minimum lease payments receivable under non-cancellable operating leases are as follows at 31 December 2022 and 31 December 2021:

<i>In thousands of Mongolian Tugriks</i>	31 December 2022	31 December 2021
Not later than 1 year	37,853	42,750
Later than 1 year and not later than 2 years	-	-
Total future operating lease payments receivable	37,853	42,750

14 Other Assets

<i>In thousands of Mongolian Tugriks</i>	31 December 2022	31 December 2021
Other financial assets at FV:		
Precious metals	160,633	6,400,182
Total other financial assets at FV	160,633	6,400,182
Other financial assets at AC:		
Receivables on cash and settlements services	22,199,583	1,513,068
Receivable from companies	5,161,812	5,864,935
Receivable from individuals	2,334,578	2,211,717
Other financial assets	2,649,865	3,174,862
Less: Credit loss allowance	(4,729,407)	(4,378,717)
Total other financial assets at AC	27,616,432	8,385,865
Total other financial assets	27,777,065	14,786,047
Other non-financial assets		
Prepayments for non-current assets	235,161,667	4,715,402
Prepayments for consultation services	-	2,640,000
Prepayments for employees' benefits	4,330,089	3,691,681
Prepayments for rent	584,218	676,680
Other prepayments	10,135,869	9,734,868
Other non-financial assets	5,413,220	3,727,684
Total non-financial assets	255,625,063	25,186,315
Total other assets	283,402,128	39,972,362

Receivables on cash and settlements services mainly consist of transaction settlement receivables. Significant increases from prior year were due to the transactions made on 31 December 2022 was settled in January as it was a non-business day.

Prepayments for non-current assets mainly relates to a long-term lease agreement the Bank entered into in 2022 to lease an office building which is currently under development. Commencement date of the lease is expected to start from 2024 with 20 years term. In relation to the lease, the Bank made prepayment for the first 10 years of lease payment in the amount of MNT 230,000,000 thousands and the lease payment of the following ten years will be negotiated. The lessor is a foreign company, registered in the Czech Republic, therefore a related party of the Bank has assisted the lessor during the year for contracting and concluding the deal.

The Bank did not recognise right-of-use asset and lease liability for this agreement as of 31 December 2022 as the commencement date of the lease has not started yet.

<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
Receivables from companies				
- Excellent	1,726,131	-	-	1,726,131
- Good	-	2,992	-	2,992
- Satisfactory	-	-	2,203	2,203
- Default	-	-	3,430,486	3,430,486
Gross carrying amount	1,726,131	2,992	3,432,689	5,161,812
Less: Credit loss allowance	(8,050)	(149)	(3,074,042)	(3,082,241)
Carrying amount	1,718,081	2,843	358,647	2,079,571
Receivables from individuals				
- Excellent	530,828	-	-	530,828
- Good	-	9,878	-	9,878
- Satisfactory	-	-	19,104	19,104
- Special monitoring	-	-	12,788	12,788
- Default	-	-	1,761,980	1,761,980
Gross carrying amount	530,828	9,878	1,793,872	2,334,578
Less: Credit loss allowance	(1,340)	(220)	(1,645,443)	(1,647,003)
Carrying amount	529,488	9,658	148,429	687,575
Receivables on cash and settlements services				
- Excellent	22,197,664	-	-	22,197,664
- Good	-	1,919	-	1,919
Gross carrying amount	22,197,664	1,919	-	22,199,583
Less: Credit loss allowance	(67)	(96)	-	(163)
Carrying amount	22,197,597	1,823	-	22,199,420
Other financial asset				
- Excellent	2,649,865	-	-	2,649,865
Gross carrying amount	2,649,865	-	-	2,649,865
Less: Credit loss allowance	-	-	-	-
Carrying amount	2,649,865	-	-	2,649,865

14 Other Assets (continued)

Tables below contain an analysis of the credit risk exposure of other financial assets at AC at 31 December 2021.

<i>In thousands of Mongolian Tugriks</i>	Stage 1 (12-months ECL)	Stage 3 (lifetime ECL for credit impaired)	Total
Receivables from companies			
- Excellent	2,568,375	-	2,568,375
- Good	454,157	-	454,157
- Default	-	2,842,403	2,842,403
Gross carrying amount	3,022,532	2,842,403	5,864,935
Less: Credit loss allowance	(68,490)	(2,842,403)	(2,910,893)
Carrying amount	2,954,042	-	2,954,042
Receivables from individuals			
- Excellent	869,709	-	869,709
- Default	-	1,342,008	1,342,008
Gross carrying amount	869,709	1,342,008	2,211,717
Less: Credit loss allowance	(19,588)	(1,342,008)	(1,361,596)
Carrying amount	850,121	-	850,121
Receivables on cash and settlements services			
- Excellent	1,513,068	-	1,513,068
Gross carrying amount	1,513,068	-	1,513,068
Less: Credit loss allowance	(34,286)	-	(34,286)
Carrying amount	1,478,782	-	1,478,782
Other financial asset			
- Excellent	3,174,862	-	3,174,862
Gross carrying amount	3,174,862	-	3,174,862
Less: Credit loss allowance	(71,942)	-	(71,942)
Carrying amount	3,102,920	-	3,102,920

Movements in the provision for asset impairment are as follows at 31 December 2022:

<i>In thousands of Mongolian Tugriks</i>	Receivable from companies	Receivable from individuals	Receivables on cash and settlement services	Other	Нийт
Expected credit loss allowance of other assets at 1 January 2022	2,910,893	1,361,596	34,286	71,942	4,306,775
Credit loss allowance charge/(recovery) during the year	334,305	567,835	(34,123)	-	868,016
Exchange difference	-	28,882	-	-	28,882
Amounts written off during the year as uncollectible	(162,957)	(383,251)	-	-	(546,208)
Expected credit loss allowance of other assets at 31 December 2022	3,082,241	1,575,061	163	71,942	4,729,407

The receivables that are not expected to be fully paid are written off in accordance with the Board of Directors' resolution during 2022.

Movements in the provision for asset impairment during 2021 are as follows:

<i>In thousands of Mongolian Tugriks</i>	Receivable from companies	Receivable from individuals	Receivables on cash and settlement services	Other	Нийт
Expected credit loss allowance of other assets at 1 January 2021	2,732,225	2,804,180	855	-	5,537,260
Credit loss allowance charge/(recovery) during the year	1,957	453,182	33,431	51,282	539,851
Transfer to repossessed collateral	-	(449,572)	-	-	(449,572)
Exchange difference	178,265	(21,723)	-	20,660	177,202
Amounts written off during the year as uncollectible	(1,553)	(1,424,472)	-	-	(1,426,025)
Expected credit loss allowance of other assets at 31 December 2022	2,910,893	1,361,596	34,286	71,942	4,378,717

15 Intangible Assets

<i>In thousands of Mongolian Tugriks</i>	Computer software licences	Land use right	Total
Cost at 1 January 2021	37,995,715	673,313	38,669,028
Accumulated amortization	(21,914,684)	-	(21,914,684)
Carrying amount at 1 January 2021	16,081,031	673,313	16,754,344
Additions	5,018,105	-	5,018,105
Transfers	12,079	-	12,079
Amortisation	(3,837,579)	-	(3,837,579)
Disposal	(98,278)	-	(98,277)
Carrying amount at 31 December 2021	17,175,359	673,313	17,848,672
Cost at 1 January 2022	42,944,586	673,313	43,617,899
Accumulated amortization	(25,769,226)	-	(25,769,226)
Carrying amount at 1 January 2022	17,175,359	673,313	17,848,672
Additions	9,142,996	20,000	9,162,996
Amortisation	(6,063,280)	-	(6,063,280)
Carrying amount at 31 December 2022	20,255,076	693,313	20,948,389

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
Cost/valuation at 1 January 2021	111,782,210	3,272,108	77,982,670	8,222,210	6,469,952	650,454	208,379,604
Accumulated depreciation	(7,489,265)	(1,571,053)	(47,990,848)	(3,390,776)	(3,802,205)	-	(64,244,148)
Carrying amount at 1 January 2021	104,292,945	1,701,055	29,991,822	4,831,434	2,667,746	650,454	144,135,456
Additions	1,311,709	750,800	20,682,789	461,722	2,588,206	-	25,795,226
Transfers	-	-	(26,308)	-	-	-	(26,308)
Disposals	-	(418,513)	(1,031,797)	(59,851)	-	-	(1,510,161)
Write-offs	-	-	(3,071,381)	(91,835)	-	-	(3,163,216)
Charge for the year	(3,444,849)	(327,855)	(12,901,737)	(532,962)	(2,063,179)	-	(19,270,582)
Transfers of accumulated depreciation	-	-	20,057	-	-	-	20,057
Disposals of accumulated depreciation	-	405,977	441,730	46,344	-	-	894,051
Write-offs of accumulated depreciation	-	-	3,053,815	91,004	-	-	3,144,819
Carrying amount at 31 December 2021	102,159,805	2,111,464	37,158,989	4,745,856	3,192,773	650,454	150,019,342
Cost/valuation at 1 January 2022	113,093,920	3,604,395	94,535,972	8,532,246	9,058,157	650,454	229,475,144
Accumulated depreciation	(10,934,114)	(1,492,931)	(57,376,983)	(3,786,390)	(5,865,385)	-	(79,455,803)
Carrying amount at 1 January 2022	102,159,805	2,111,464	37,158,989	4,745,856	3,192,773	650,454	150,019,342
Additions	4,025,018	658,000	14,732,326	844,575	2,810,824	-	23,070,743
Transfers	-	-	(175,297)	142,433	-	-	(32,864)
Disposals	-	(346,454)	(415,376)	(66,523)	-	-	(828,353)
Write-offs	-	-	(2,845,223)	(129,146)	-	-	(2,974,369)
Charge for the period	(3,474,442)	(367,312)	(15,193,738)	(523,770)	(1,852,211)	-	(21,411,473)
Transfers of accumulated depreciation	-	-	-	33,872	-	-	33,872
Disposals of accumulated depreciation	-	329,980	135,139	51,322	-	-	516,441
Write-offs of accumulated depreciation	-	-	2,845,195	129,108	-	-	2,974,303
Carrying amount at 31 December 2022	102,710,381	2,385,677	36,242,016	5,227,727	4,151,386	650,454	151,367,641

Premises have been revalued at fair value as at 31 December 2022. The valuation was carried out by an independent firm of appraisers, Fine Estimates LLC and Gerege Estimates LLC whom 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 use both market approach (average market value of the similar premises located in the Ulaanbaatar) cost approach side by side to neutralize any bias on the premises being valued.

At 31 December 2022, the carrying amount of premises would have been MNT 95,966,159 thousands (2021: MNT 95,165,144 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>	31 December 2022	31 December 2021
Premises at revalued amount in the statement of financial position	102,710,381	102,159,805
Revaluation reserve presented in equity	(6,994,662)	(7,245,102)
Realised revaluation reserve	250,441	250,441
Premises at cost less accumulated depreciation	95,966,159	95,165,144

17 Right of Use Assets

The Bank leases various offices and spaces for ATM, garages and warehouses. Rental contracts are typically made for fixed periods of 1 year to 10 years.

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

<i>In thousands of Mongolian Tugriks</i>	Buildings	Other	Total
Carrying amount at 1 January 2021	7,074,760	2,807,976	9,882,736
Additions	8,595,473	-	8,595,473
Disposals	(192,198)	-	(192,198)
Depreciation charge	(4,558,618)	(726,245)	(5,284,863)
Carrying amount at 31 December 2021	10,919,417	2,081,731	13,001,148
Additions	8,090,621	1,193	8,091,813
Disposals	(234,333)	-	(234,333)
Depreciation charge	(4,954,003)	(712,003)	(5,666,006)
Carrying amount at 31 December 2022	13,821,702	1,370,920	15,192,622

As of 31 December 2022, interest expense on lease liabilities was MNT 1,481,221 thousands (31 December 2021: MNT 1,560,592 thousands).

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

<i>In thousands of Mongolian Tugriks</i>	Note	31 December 2022	31 December 2021
Expense relating to short-term leases	29	1,923,903	1,397,273

Total cash outflow for leases as of 31 December 2022 was MNT 9,604,783 thousands (2021: MNT 8,117,052 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.

18 Repossessed Collateral

<i>In thousands of Mongolian Tugriks</i>	31 December 2022	31 December 2021
Financial assets at fair value	6,146,252	59,418,813
Non-financial assets at cost	123,115,315	109,706,448
Less: Impairment provision	(86,070,246)	(62,172,093)
Total repossessed collaterals	43,191,321	106,953,168

Repossessed 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 repossessed 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 2022, the Bank recognised MNT 16,901,051 thousands (2021: MNT 69,461,677 thousands) repossessed collateral through foreclosure process and reclassified assets in value of MNT 9,557,812 thousands to Non-Current Assets classified as Held for Sale, following the management's intentions in relation to those assets.

During the year, MNT 63,422,364 thousands (2021: MNT 11,860,012 thousands) of assets were transferred from Non-Current Assets classified as Held for Sale to repossessed collateral.

In 2022, fair value loss of financial repossessed collateral was MNT 45,272,561 thousands (2021: MNT 30,337,628 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 repossessed non-financial collaterals during 2022 and 2021 are as follows:

<i>In thousands of Mongolian Tugriks</i>	31 December 2022	31 December 2021
Provision for repossessed collaterals at 1 January	62,172,093	39,722,685
Provision for impairment during the year	51,625,237	17,013,863
Provision of assets transferred from non-current assets held for sale	-	5,086,192
Provision of assets transferred from other assets	-	449,572
Amounts written off during the year as uncollectible	(6,463,242)	(100,219)
Provision for sold assets	(21,263,842)	-
Provision for repossessed collaterals at 31 December	86,070,246	62,172,093

19 Non-Current Assets Classified as Held for Sale

Non-current assets classified as held for sale were previously classified as repossessed 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>	31 December 2022	31 December 2021
Office and commercial spaces	2,155,349	63,735,430
Residential apartments or houses	2,727,220	10,349,106
Buildings	900,000	-
Other	905,006	-
Total non-current assets held for sale	6,687,575	74,084,536

During 2022, the Bank sold offices, commercial spaces and residential apartments in amount of MNT 9,784,472 thousands (31 December 2021: 14,371,377 thousands). During the year, MNT 63,422,364 thousands of assets were transferred from Non-Current Assets classified as Held for Sale to repossessed collateral, MNT 9,557,812 thousands of assets were transferred from repossessed collateral to non-current asset held for sale.

20 Due to Other Banks

<i>In thousands of Mongolian Tugriks</i>	31 December 2022	31 December 2021
Short-term placements of other banks	52,394,763	16,782,536
Total due to other banks	52,394,763	16,782,536

Amount due to other banks and financial institutions represent foreign currency and local currency accounts with Mongolian and foreign banks. Significant increase in due to other banks related to MNT 40,000,000 thousands of overnight deposit with domestic bank.

21 Customer Accounts

<i>In thousands of Mongolian Tugriks</i>	31 December 2022	31 December 2021
Individuals	3,048,396,232	3,226,617,157
- Current/demand accounts	584,816,587	411,897,832
- Demand deposits	417,143,204	536,054,590
- Term deposits	2,046,436,441	2,278,664,735
Legal entities	2,111,440,787	1,886,308,143
- Current/settlement accounts	1,653,140,375	1,282,428,342
- Demand deposits	5,636,882	101,671,072
- Term deposits	452,663,530	502,208,729
State and public organizations	522,698,005	269,204,943
- Current/settlement accounts	481,916,068	59,415,348
- Demand deposits	3,046,468	185,260,970
- Term deposits	37,735,469	24,528,625
Other	60,762,843	81,413,147
- Current/demand accounts	38,191,925	49,176,296
- Demand deposits	9,416	492,516
- Term deposits	22,561,502	31,744,335
Total customer accounts	5,743,297,867	5,463,543,390

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 2022, the aggregate amount of the top 30 biggest customers is MNT 1,379,910,348 thousands (31 December 2021: MNT 1,175,753,305 thousands) or 24% of total customer accounts (31 December 2021: 22%).

At 31 December 2022, included in customer accounts are deposits of MNT 40,661,342 thousands (31 December 2021: MNT 50,981,406 thousands) held as collateral for irrevocable commitments under bank guarantee and letter of credit.

22 Other Borrowed Funds

<i>In thousands of Mongolian Tugriks</i>	31 December 2022	31 December 2021
(a) Borrowed funds under projects		
Borrowed funds under Project /MNT/	491,692,237	394,783,842
Borrowed funds under Project /USD/	222,145	229,457
Total borrowed funds under projects	491,914,382	395,013,299
(b) Borrowings from foreign banks and financial institutions		
Borrowings from other foreign bank /USD/	1,404,347,293	1,059,698,703
(c) Trade finance from foreign banks and financial institutions		
Trade finance from foreign banks and financial institutions /USD/	4,489,570	48,586,576
Trade finance from foreign banks and financial institutions /EUR/	12,018,424	6,147,449
Trade finance from foreign banks and financial institutions /CNY/	3,542,423	-
Total borrowings from foreign banks and financial institutions	1,424,397,710	1,114,432,728
TOTAL	1,916,312,092	1,509,446,027

(a) Borrowed funds under projects

<i>In thousands of Mongolian Tugriks</i>	31 December 2022	31 December 2021
Government price stabilization program		
Housing mortgage program	330,298,612	228,790,214
Fuel reserve program	86,094,425	71,278,311
Project on gold production 2	41,551,434	57,113,160
Project loan of KFW bank	576,307	992,000
Other borrowing under project	-	937,500
Projects financed by Development Bank of Mongolia		
Wheat program	-	300,374
Joint projects of Mongolian government and JICA		
Borrowings under SME industry support fund	5,779,061	6,020,716
Joint project of Credit guarantee fund and ADB		
Borrowings under SME industry support fund	2,522,545	904,084
Other government projects		
Borrowings under Agriculture and Rural Development Project	24,864,743	28,430,319
Other borrowing under project	222,145	229,457
Student development program	5,110	17,164
Total	491,914,382	395,013,299

The 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 range between 2% to 12% p.a., while interest rate on most of the loans issued from these sources range between 6% and 25.2% 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.

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 since 2014 from the Bank of Mongolia for a mortgage loan program implemented by the Government at an interest rate of 1%, 2% and 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.

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 5%, 6% and 8% p.a. 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 6% interest rate and bears the credit risk.

In 2021, the Bank participated in new program funded by Bank of Mongolia for financing fuel supply companies to increase the fuel reserves of Mongolia. Under this program, the Bank obtained funding at interest rates of 6-9.5% p.a. with maturity date of 28 December 2023 and issued loans to the companies at advantageous interest rate of 9-12.5% p.a. The Bank approves all loan disbursement and bears the credit risk.

In 2020, the Bank participated in a 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 6-12% p.a. with maturity date of 31 December 2025 and issued loans to mining companies at advantageous interest rate of 9-15% p.a.

Since 2012, the Bank participates in the KFW program to support employment for providing small and medium sized loans to enterprises to create workplaces and manufacturing. The Bank received related funding from Bank of Mongolia at interest rate of 5% p.a., with maturity date of 25 June 2025. The Bank bears the credit risk in this arrangement.

22 Other Borrowed Funds (continued)
(a) Borrowed funds under projects (continued)

In 2011, the Bank received borrowings from JICA at an interest rate of 2.0% p.a. The project purpose is to support SMEs and environmental protection projects. Under this program, the Bank obtained funding at interest rates of 2% p.a. with maturity date of 1 October 2032 and issued loans to SMEs at advantageous interest rate of 6% p.a.

During 2021, the Bank received borrowings from Asian Development Bank at an interest rate of 5% p.a. The joint project of Credit guarantee fund of Mongolia and ADB purpose is to support SMEs` in long term. The bank can grant loans with the interest rate of 8.88-12.34% depending on the guarantee percentages. Both the Bank and CGF approves the loan disbursement and bears the credit risk separately.

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 2029. The bank can grant loans with the interest rate of 8%. The Bank approves all loan disbursement or refinancing and bears the credit risk.

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 2022 in thousands of original currencies	Principle balance as of 31 December 2022 in thousands of MNT
Government price stabilization program	Bank of Mongolia	Housing mortgage program	MNT	6/14/2013	12/31/2024	330,298,612	330,298,612
	Bank of Mongolia	Fuel reserve program	MNT	12/31/2021	12/28/2023	86,094,426	86,094,425
	Bank of Mongolia	Project on gold production 2	MNT	7/8/2020	12/31/2025	41,551,434	41,551,434
	Bank of Mongolia	Project loan of KFW bank	MNT	5/16/2013	6/25/2025	576,307	576,307
Joint projects of Mongolian government and JICA	JICA	Borrowings under SME industry support fund	MNT	6/12/2009	10/1/2032	5,779,061	5,779,061
Joint projects of Credit guarantee fund and ADB	ADB	Borrowings under SME industry support fund	MNT	5/18/2021	12/31/2032	2,522,545	2,522,545
Other government projects	Government	Borrowings under Agriculture and Rural Development Project	MNT	12/28/2016	10/25/2029	24,864,743	24,864,743
	Government	Other borrowing under project	USD	4/1/2020	5/1/2027	64	222,145
	Government	Student development program	MNT	12/6/2016	12/5/2026	5,110	5,110

(b) Borrowings from foreign banks and financial institutions

Borrowings from other foreign bank represent loans obtained from foreign banks and financial institution in the amount between USD 5,000 thousands and USD 100,000 thousands with maturity range of 12 months to 100 months as of 31 December 2022 (2021: between USD 5,000 thousands and USD 100,000 thousands with maturity range of 12 months to 97 months). USD 300,000 thousands of those borrowings are collateralized by the Bank's current account at the lending banks and USD 25,000 thousands of borrowings are collateralized by Government securities at FVTOCI.

During 2022, several borrowings have been obtained with total amount of USD 53,250 thousands with original maturity range of 10 to 48 months.

(c) Trade finance from foreign banks and financial institutions

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 2022, the Bank utilised MNT 121,435,331 thousands (31 December 2021: MNT 159,228,691 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.

At 31 December 2022, the Bank has no breach on borrowings from foreign banks and financial institutions.

23 REPO Arrangements

As of 31 December 2022, MNT 169,906,728 thousands (31 December 2021: MNT 221,912,121 thousands) of sale and repurchase agreements relate to placements from local banks bearing interest rate ranging from 6.0% to 7.0% p.a. (2021: from 6-6.5% p.a.), with original maturities of 730 and 1095 days (2021: 723-730 days). These placements are fully collateralized by the Bank of Mongolia treasury bills disclosed in Note 10. Following the law of prevention, control and reduction of social and economic impact of coronavirus, the Bank participated in a government program to provide loans to non-mining export sector and small and medium enterprises with interest rate of 10.5%, financed by repo arrangements with the central bank.

During 2022, the Bank entered into MNT 41,440,916 thousands of sale and repurchase agreements to increase its USD reserves. These placements are fully collateralized by the corporate bond at FVTOCI bills disclosed in Note 10.

24 Other Liabilities

Other liabilities comprise the following:

<i>In thousands of Mongolian Tugriks</i>	31 December 2022	31 December 2021
Other financial liabilities at AC:	115,112,290	61,772,998
Liabilities for settlements of transactions	100,236,168	43,600,802
Liabilities for loans sold to MIK with recourse	739,444	1,010,996
Trade payable	124,846	284,818
Provision for credit related commitments	1,447,410	938,074
Other	12,564,422	15,938,308
Other non-financial liabilities:	16,193,945	9,061,448
Taxes payable other than on income	5,028,759	2,881,161
Payables to employees	7,135,889	3,850,364
Other	4,029,297	2,329,923
Total other liabilities	131,306,235	70,834,446

Liabilities for settlement transactions were increased as at 31 December 2022 in relation to the softening of the international border restrictions and the last day of the year was a non-business day which resulted an increase in international payments comparing to those in December 2021. The increase in payables to employees is due to the salary increase.

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 Share Capital

<i>In thousands of Mongolian Tugriks except for number of shares</i>	Number of outstanding shares	Ordinary shares	Treasury shares	Share premium	Preference shares	Treasury preferred shares	Total
At 1 January 2021	42,159,537	42,240,037	(80,500)	291,843,805	25,778,900	(9,390,800)	350,391,442
Increase in the nominal value of shares by share premium	-	126,720,111	(241,500)	(126,478,611)	-	-	-
Share split	632,393,055	-	-	-	-	-	-
Other	-	-	-	4,120,850	-	-	4,120,850
At 31 December 2021	674,552,592	168,960,148	(322,000)	169,486,044	25,778,900	(9,390,800)	354,512,292
At 1 January 2022	674,552,592	168,960,148	(322,000)	169,486,044	25,778,900	(9,390,800)	354,512,292
New shares issued	134,104,714	33,526,179	-	131,788,974	-	-	165,315,153
Treasury stocks	-	-	-	-	-	(16,388,100)	(16,388,100)
Share retirement	-	(322,000)	322,000	206,102	(25,778,900)	25,778,900	206,102
At 31 December 2022	808,657,306	202,164,327	-	301,481,120	-	-	503,645,447

The nominal registered amount of the Bank's issued share capital is MNT 202,164,327 thousand (2021: MNT 168,638,148 thousand). Share premium represents the excess of contributions received over the nominal value of shares issued. The number of ordinary shares issued in 2022 was 134,104,714 with par value MNT 250.

Ordinary shares:

As of 31 December 2022, the Bank has total authorised number of ordinary shares of 808,657,306 shares (31 December 2021: 674,552,592 shares), with a par value of MNT 250 per share (31 December 2021: with a par value of MNT 250 per share). Each ordinary share carries one vote. Each ordinary share carries equal right to participate in profits and obtain dividends, as declared from time to time by the general shareholders meeting, and to participate in net assets upon the entity's liquidation.

By the decision of the board of directors, 1,288,000 ordinary treasury shares in the amount of MNT 322,000 thousand were retired. The following table shows issued shares during 2022:

Shareholder	Number of shares	Par amount	Subscription price per share	Date
Bodi International LLC	27,661,497	250	1,084.54	4/11/2022
Golomt Financial Group LLC	13,980,063	250	1,180.25	6/29/2022
Initial Public Offering	92,463,154	250	1,285.00	12/8/2022

According to amendments to the Banking law, systemic banks must be open as joint-stock companies within 30 June 2023. The bank offered its 10.09% by issuing 80,402,743 shares for MNT 103,317,525 thousands. Due to the high demand for the shares during the subscription process, the cash received during the IPO was increased to MNT 118,815,153 thousands from 21,248 new shareholders for offering 11.43% of the Bank's shares (92,463,154 share).

The shareholders of the Bank as of 31 December 2022 and 31 December 2021 and the percentages of ownership are as follows:

Shareholder	31 December 2022	31 December 2021
	Ownership (%)	Ownership (%)
Golomt Financial Group Co.,Ltd	77.20%	90.47%
Swiss-Mo Investment A.G	5.21%	6.25%
Bodi International Co.,Ltd	3.42%	-
Golomt Investment Limited Co.,Ltd	2.57%	3.08%
ESOP	-	0.20%
Public shares	11.60%	-
Total	100%	100%

In the statement of Changes in Equity reflected under Other are disbursements made on transactions with shareholders and expenses directly attributable to equity.

Preferred shares

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

In 2022, the shareholders made a decision to reacquire 16,388,100 preferred shares at a price of MNT 1,870.85 per share. Subsequently, board of directors cancelled total of 25,778,900 preferred treasury shares in the amount of MNT 25,778,900 thousand.

26 Interest Income and Expense

<i>In thousands of Mongolian Tugriks</i>	2022	2021
Interest income calculated using the effective interest method		
Loans and advances to customers at AC	443,987,232	405,726,646
Debt securities FVTOCI	88,493,920	90,177,800
Due from other banks at AC	22,922,861	21,178,571
Cash deposited in the Bank of Mongolia	20,131,192	8,343,480
Debt securities at AC	608,832	629,364
Reverse repurchase agreements at AC	240,894	430,319
Total interest income calculated using the effective interest method	576,384,931	526,486,180
Other similar income		
Loans and advances to customers at FVTPL	16,829,606	15,333,163
Debt securities FVTPL	16,694,628	12,958,259
Total other similar income	33,524,234	28,291,422
Total interest income	609,909,165	554,777,602
Interest expense		
Customer accounts	(149,218,403)	(219,370,453)
Other borrowed funds	(57,326,437)	(43,690,195)
Due to other banks	(2,259,750)	(1,165,596)
Repurchase agreements	(14,052,572)	(7,031,713)
Total interest expense	(222,857,162)	(271,257,957)
Other similar expense		
Lease liabilities	(1,481,221)	(1,560,592)
Total other similar expense	(1,481,221)	(1,560,592)
Total interest and other similar expense	(224,338,383)	(272,818,549)
Net interest income	385,570,783	281,959,053

Interest income from cash and balances with central bank includes of MNT 9,368,891 thousands (31 December 2021: MNT 4,347,316 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 2022. Increase in interest income from loans and advances related to the overall increase in the interest rates in relation to increase in policy rate and loan disbursement. During 2022, the interest expense of customer accounts have decreased in relation to the law of prevention, control and reduction of social and economic impact of coronavirus and banks stopped paying interest on demand deposits.

Interest income includes approximately MNT 31,811,210 thousands (31 December 2021: MNT 34,714,061 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 2022 and 2021 in accordance with IFRS requirements

27 Fee and Commission Income and Expense

<i>In thousands of Mongolian Tugriks</i>	2022	2021
Fee and commission income		
Commissions on operations with plastic cards	48,568,076	34,959,219
Remittance and other service fees	24,130,506	16,350,075
Commissions on documentary business and guarantees	6,174,736	7,226,156
Account service fee and commissions	4,952,097	3,558,151
Brokerage and other service fee	306,563	399,541
Total fee and commission income	84,131,978	62,493,142
Fee and commission expense		
Commissions on operations with plastic cards	(33,549,252)	(16,882,816)
Bank service expense	(4,904,527)	(3,455,651)
Online transaction expense	(1,388,439)	(1,024,110)
Brokerage and other service fee	(118,966)	(351,651)
Total fee and commission expense	(39,961,185)	(21,714,228)
Net fee and commission income	44,170,793	40,778,914

28 Other Operating Income

<i>In thousands of Mongolian Tugriks</i>	2022	2021
Income from repayment of loans which were previously written off	-	2,387,514
Other	1,154,973	1,447,486
Total other operating income	1,154,973	3,835,000

As of 31 December 2022, the bank reclassified income from repayment loans which were previously written off to credit loss allowance.

29 Administrative and Other Operating Expenses

<i>In thousands of Mongolian Tugriks</i>	Note	2022	2021
Staff costs		64,373,012	51,099,483
Information, consulting and other professional services		38,996,968	30,546,073
Depreciation of premises and equipment	16	21,411,473	19,270,582
Depreciation of right of use assets	17	5,666,006	5,284,863
Amortisation of software and other intangible assets	15	6,063,280	3,837,579
Advertising and marketing services		6,072,956	3,491,855
Stationery expense		3,495,573	2,927,494
Security expense		2,326,850	2,711,355
Taxes (other than income tax)		2,100,901	2,266,791
Loan collection expenses		2,010,466	2,084,904
Telecommunications expense		2,181,413	1,828,331
Short term lease expense		1,923,903	1,397,273
Office cleaning expense		1,502,596	1,166,351
Utilities		1,447,049	1,070,331
Voluntary and mandatory insurance		1,055,333	1,052,974
Transportation		1,904,931	1,263,585
Entertainment		1,274,122	572,851
Travelling expenses		735,637	77,958
Donations		386,830	31,000
Other		10,416,611	5,157,964
Total administrative and other operating expenses		175,345,911	137,139,597

29 Administrative and Other Operating Expenses (continued)

<i>In thousands of Mongolian Tugriks</i>	2022	2021
Staff costs consist of:		
Salaries, wages and bonus	55,360,029	44,660,813
Contribution to social and health fund	6,780,120	5,212,296
Share-based payments	847,461	-
Staff benefits	658,404	633,897
Pension fund	260,466	282,431
Staff training	466,532	310,046
Total staff costs	64,373,012	51,099,483

Significant increase in staff costs related to salary increases. During 2022, the bank offered its own stock options to its employees.

30 Other gains/(losses), net

<i>In thousands of Mongolian Tugriks</i>	2022	2021
Gains less losses on disposal of investment properties	(1,608,563)	830,859
Gains less losses on disposal of premises and equipment	197,376	82,161
Losses less gains on disposal of repossessed collateral	(69,680)	(2,780,939)
Losses less gains on disposal of non-current asset held for sale	(188,375)	414,498
Total other gains/(losses), net	(1,669,242)	(1,453,421)

In 2022, the Bank sold offices, commercial spaces and residential apartments in amount of MNT 45,818,630 thousands.

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>	2022	2021
Current tax	53,291,941	30,465,021
Deferred tax	24,003,995	(3,830,793)
Income tax expense for the year	77,295,936	26,634,228

(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 (2021: MNT 6 billion) of taxable income, and 25% (2021: 25%) on the excess of taxable income over MNT 6 billion (2021: MNT 6 billion) in accordance with Mongolian tax legislation.

<i>In thousands of Mongolian Tugriks</i>	2022	2021
Profit before tax	193,797,984	52,570,894
Theoretical tax charge at statutory rate (2022: 25%; 2021: 25%)	48,449,496	13,142,724
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Effect of income subject to lower rate	(900,000)	(900,000)
- Income which is exempt from taxation	(2,393,903)	(2,250,395)
- Income which is taxed at different rates	(500,513)	(351,064)
- Non-deductible expenses	1,469,614	1,524,472
Unrecognised deferred tax assets	31,171,242	15,468,491
Income tax expense for the year	77,295,936	26,634,228

(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 2022 is detailed below and is recorded at the rate of 25%:

<i>In thousands of Mongolian Tugriks</i>	1 January 2022	Credited/ (charged) to profit or loss	Charged directly to OCI	31 December 2022
Tax effect of deductible / (taxable) temporary differences and tax loss carry forwards:				
Provision charge for repossessed collateral, gains less losses on revaluation of investment properties and provision for non-current asset held for sale	19,317,001	21,872,014	-	41,189,015
Impairment of buildings	9,658,852	(534,902)	-	9,123,950
Initial loss and modification loss related to loans and advances	5,434,701	(3,732,235)	-	1,702,466
Prepaid income – loan origination fee	3,729,800	682,650	-	4,412,450
Loan and advances to customers	3,691,282	1,085,453	-	4,776,735
Tax losses carry forwards	952,354	(952,354)	-	-
Fair valuation of securities at FVTOCI	212,093	(1,021,910)	12,745,304	11,935,487
Credit loss allowance of due from other banks	57,798	896,102	-	953,900
Credit loss allowance of securities at AC and FVTOCI	46,833	1,237,709	-	1,284,542
Total deferred tax assets	43,100,714	19,532,527	12,745,304	75,378,545
Allowance for deferred tax assets	-	(31,171,242)	-	(31,171,242)
Deferred tax asset after allowance	43,100,714	(11,638,715)	12,745,304	44,207,303
Fair value changes of derivative financial instruments	(38,857,755)	(11,886,449)	-	(50,744,204)
Loans and advances to customers - interest income on loans overdue more than 90 days	(11,852,602)	2,482,041	-	(9,370,561)
Fair valuation of securities at FVTPL	(685,726)	(2,781,993)	-	(3,467,719)
Other	(1,189,228)	(178,879)	-	(1,368,107)
Total deferred tax liabilities	(52,585,311)	(12,365,280)	-	(64,950,591)
Net deferred tax (liability)	(9,484,597)	(24,003,995)	12,745,304	(20,743,288)

31 Income Taxes (continued)

The tax effect of the movements in these temporary differences in 2021 is detailed below and is recorded at the rate of 25%:

<i>In thousands of Mongolian Tugriks</i>	1 January 2021	Credited/ (charged) to profit or loss	Charged directly to OCI	31 December 2020
Tax effect of deductible / (taxable) temporary differences and tax loss carry forwards:				
Provision charge for repossessed collateral, gains less losses on revaluation of investment properties and provision for non-current asset held for sale	13,570,208	5,746,793	-	19,317,001
Impairment of buildings	10,193,753	(534,902)	-	9,658,851
Initial loss and modification loss related to loans and advances	4,775,169	659,533	-	5,434,702
Prepaid income – loan origination fee	2,306,092	1,423,708	-	3,729,800
Loan and advances to customers	3,724,018	(32,736)	-	3,691,282
Tax losses carry forwards	952,354	-	-	952,354
Fair valuation of securities at FVTOCI	4,287,403	(3,116,527)	(958,783)	212,093
Credit loss allowance of due from other banks	61,195	(3,398)	-	57,797
Credit loss allowance of securities at AC and FVTOCI	692,091	(645,258)	-	46,833
Total deferred tax assets	40,562,283	3,497,213	(958,783)	43,100,713
Fair value changes of derivative financial instruments	(38,793,904)	(66,624)	-	(38,860,528)
Loans and advances to customers - interest income on loans overdue more than 90 days	(11,822,362)	(30,240)	-	(11,852,602)
Fair valuation of securities at FVTPL	(1,340,863)	655,136	-	(685,727)
Tax loss carry forwards	(961,761)	(224,692)	-	(1,186,453)
Total deferred tax liabilities	(52,918,890)	333,580	-	(52,585,310)
Net deferred tax asset/(liability)	(12,356,607)	3,830,793	(958,783)	(9,484,597)

32 Other Comprehensive Income Recognised in Each Component of Equity

An analysis of other comprehensive income by item for each component of equity is as follows:

<i>In thousands of Mongolian Tugriks</i>	2022	2021
Change in value of:		
Items that will be reclassified to profit or loss:		
Debt securities at fair value through other comprehensive income:		
- Losses less gains arising during the year	(50,471,551)	2,680,637
- Gains less losses reclassified to profit or loss upon disposal	48,339	626
Income tax recorded directly in other comprehensive income	12,605,803	(670,316)
Items that will not be reclassified to profit or loss:		
Losses less gains on investments in equity securities at fair value through other comprehensive income	(558,251)	1,153,870
Income tax recorded directly in other comprehensive income	139,563	(288,468)
Other comprehensive income	(38,236,097)	2,876,349

33 Dividends

<i>In thousands of Mongolian Tugriks</i>	2022		2021	
	Ordinary	Preference	Ordinary	Preference
Dividends payable at 1 January				
Dividends declared during the year	-	555,404	-	1,709,458
Dividends paid during the year	-	(555,404)	-	(1,709,458)
Dividends payable at 31 December	-	-	-	-
Dividend per share		5.9%		10.4%

34 Earnings per Share

Basic earnings per share are calculated by dividing the profit or loss by the weighted average number of ordinary shares in issue during the year, excluding treasury shares. Diluted earnings per share are resulted from share options for current employees. Basic and diluted earnings per share are calculated as follows:

<i>In thousands of Mongolian Tugriks /except for earning per share/</i>	2022	2021
Profit/(loss) for the year attributable to the shareholders of the Bank	116,502,048	25,936,666
Less preference dividends declared	(555,404)	(1,709,458)
Less undistributed profit or loss for the year attributable to preference shareholders based on terms of the shares	-	-
Less interest payments on perpetual subordinated loan	-	-
Profit for the year attributable to the ordinary shareholders of the Bank	115,946,644	24,227,208
Weighted average number of ordinary shares in issue (thousands)	707,839	674,553
Effect of dilution:		
Share options	331	-
Weighted average number of ordinary shares adjusted for the effect of dilution (thousands)	708,170	674,553
Basic earnings per share	163.80	35.92
Diluted earnings per share	163.73	35.92

Refer to note 25 for information on the increase in the number of ordinary shares.

