MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

“GOLOMT BANK JSC”

2024YE

AUDITED FINANCIAL RESULTS

The following discussion and analysis should be read in conjunction with our selected financial and operating data and our financial statements and related notes as of and for the years ended December 31, 2023 and 2024. These financial statements have been prepared in accordance with IFRS. The discussion contains forward-looking statements and reflects our current view with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors.

CONTENTS

Overview

We are a leading banking and financial services provider in Mongolia, offering a wide range of commercial banking services to corporate, small and medium-sized enterprise ("SME") and retail customers. We are one of the largest banks in Mongolia with total assets of MNT15,596,959.6 million (US$4,560.2 million) and total equity of MNT1,430,366.1 million (US$418.2 million) as of December 31, 2024. As of December 31, 2024, we had over 1.1 million customers, representing approximately 32% of Mongolia's population.

Given our size, scale and significant and fundamental presence in the Mongolian banking sector and overall economy, we are a domestic systemically important bank in Mongolia. As of December 31, 2024, according to our internal data, the Bank of Mongolia and the international SWIFT watch report, we had market share of 25.4%, 23.7%, 55.5% and 54.0% in terms of corporate and SME deposits, corporate and SME loans, letter of credits by amount as well as the number of funds our custodian banking serves in the Mongolian banking system, respectively. As of December 31, 2024, according to our internal data and the Bank of Mongolia, we had market share of 24.3%, 17.7%, 45.1% and 16.1% for retail services such as mortgage loans, individual loans, credit card loans, and individual deposits, respectively. As of December 31, 2024, according to our internal data and the Bank of Mongolia, we had market share of 21.6%, 20.1% and 20.1% measured by total assets, total loan amounts and total deposits, respectively. We are headquartered in Ulaanbaatar and all of our operations are conducted in Mongolia. As of December 31, 2024, we operated a network of 105 branches, including 70 branches located in Ulaanbaatar and 35 in rural areas. We also operate one of the largest ATM networks in Mongolia with 432 ATMs and CDMs.

Factors Affecting Results of Operations and Financial Condition

Our business and historical financial condition and results of operations have been, and will continue to be, affected by a number of important factors, including the following:

The Mongolian Economy

All of our business is located in Mongolia. As a result, we believe that demand for our services, our financial condition and results of operations are affected by changes in various external factors relating to the operating environment in Mongolia, including the rate of overall economic development, levels of imports to and exports from Mongolia, foreign direct investment, foreign exchange reserves, residential property construction expansion and rising standards of living in Mongolia.

Our results of operations have been affected by the Mongolian economic environment. Macroeconomic factors such as currency devaluation have the potential to negatively affect the Mongolian economy as a whole, which may further impact the ability of mortgage borrowers to repay their loans.

In 2023, Mongolia's economic recovery was largely driven by the mining and transportation sectors. However, in 2024, growth became more reliant on domestic demand, with the trade and services sectors contributing significantly, accounting for 4.9 percentage points of overall GDP growth.

Despite this momentum, the agricultural sector contracted due to increased livestock losses caused by severe winter conditions (dzud), dragging overall economic growth down by 3.6 percentage points. As a result, Mongolia's GDP growth for 2024 stood at 4.9%, falling short of the 5.2% forecasted by both international organizations and the Bank of Mongolia.

Competition

The Mongolian banking sector is highly competitive. We compete with other Mongolian commercial banks for both customer deposits and high-quality borrowers in Mongolia. Recently, the banking industry in Mongolia has consolidated, with several major banks accounting for a significant portion of the market share. As of December 31, 2024, the Mongolian banking sector consisted of 12 commercial banks. We compete primarily with commercial banks operating in Mongolia. We also face competition from non-bank financial institutions in Mongolia. We compete with our competitors mainly on product offerings and services, brand recognition, distribution networks and information technology capabilities. The increase in competition in the Mongolia banking industry may affect the pricing of our services.

Changes in exchange rates and interest rates

We receive foreign currency income from our trade and investment-related businesses, and the value of such foreign currency income is subject to the exchange rate fluctuation of the foreign currencies against the Tugrik. In addition, we hold assets and liabilities denominated in foreign currencies, and may experience revaluation gains or losses subject to the exchange rate fluctuation of the foreign currencies against the Tugrik. These fluctuations affect, among other things, the demand for our products and services, the value and rate of return on our assets, the availability and cost of funding and the financial condition of our customers. The Tugrik has depreciated against the U.S. dollar for recent years. As of December 31, 2023 and 2024, the Tugrik to U.S. dollar exchange rate MNT3,410.69 to US$1.00 and MNT3,420.25 to US$1.00 respectively. While the Government has taken, or may take, measures, including raising the policy rate, in response to the Tugrik's depreciation, if the Tugrik depreciates significantly at any time when we have a significant net open borrowing position denominated in foreign currencies, such depreciation could cause us to suffer losses, reduce our capital adequacy ratio and require us to seek additional capital or breach capital adequacy regulations set by the Bank of Mongolia.

Our results of operations largely depend on our net interest income. Net interest income is affected by interest rates and the balance of our interest-earning assets and interest-bearing liabilities. Interest rates applicable to us are sensitive to many factors that are beyond our control, such as regulations in the banking and financial sectors in Mongolia, domestic and international economic and political conditions, as well as competition. The Bank of Mongolia policy rate has been lowered 3 times in total and reached 10.0% by the year end of 2024. Any further adjustments to the Bank of Mongolia's policy rate will impact our interest rates.

Regulatory Environment

Government regulations impacting the Mongolian banking sector affect our business and results of operations significantly. Our industry is heavily regulated and our results of operations and financial condition are affected by the Government's policies as well as Mongolian laws and regulations. We are subject to significant Government oversight and, from time to time, the Government adjusts its policies to encourage or restrict lending activities, modify rules related to borrower loan concentrations, adjust capital adequacy requirements and generally ensure the safety of the Mongolian banking sector.

For example, Government subsidies such as those provided under the Affordable Housing Finance Program ("AHFP") and the Pricing Stabilization Program contributed to the increase in market lending activity from 2012 onwards. The AHFP was implemented in 2013 and provides Mongolian citizens with housing mortgage loans with a subsidized interest rate of 6.0% per annum for a maximum of 30 years for the purchase of an apartment of up to 80.0 square meters.

Key highlights of the FY2024

Leading the market in loan and funding growth

Golomt Bank issued a total of $400 million in bonds in the international market in 2024, which provided an opportunity to expand its business and operations, and utilized $400 million (1.37 billion tugriks) in loans. Compared to 2023, loans to small and medium-sized enterprises increased by 40 percent, corporate loans by 76 percent, and retail loans by 49 percent, which led the market in loan and funding growth. As a result, Golomt Bank has grown to become the second largest bank in the system.

Successfully set the funding interest rate threshold

Golomt Bank successfully implemented a strategy to reduce its funding cost within half a year. As a result of the Bank's efforts to reduce its cost of raising funds from international markets, it listed its first green and social bond on the Luxembourg Stock Exchange and raised $50 million from Europe's largest investment fund with a 5-year term at an interest rate of 8%, successfully setting a new interest rate threshold not only for the Bank but also for Mongolian issuers.

Successfully expanding our position among global investors

Golomt Bank has been playing an important role in promoting the Mongolian banking sector to foreign investors, providing information, building a solid foundation for trust in the country. The Bank has positioned itself in the international market successfully, and it is noteworthy that Golomt Bank's $400 million bond has been listed in Blackrock's iShares ETF High Yield Bond portfolio. In addition to this, the bank investors list extended to 6 of the top 10 asset management firms globally, indicating the increasing confidence of global investors in Golomt Bank.

Introduced an internationally recognized payment solution

Golomt Bank has been working with Apple since 2022 to officially introduce the Apple Pay service, a new step in the development of digital payments, in Mongolia, and it was launched in the fourth quarter of 2024. This allows Golomt Bank customers to easily make payments with their Apple Pay wallet using their Apple devices.

Golomt Bank accounts for 36.2 percent of Mongolia's foreign payments

Golomt Bank successfully opened a US dollar clearing account with BNYM Bank in the United States in June 2024, enabling its customers to make fast and affordable foreign payments. As a result, Golomt Bank now provides foreign payment services in 15 foreign currencies through its accounts in 52 foreign banks. The bank maintains its leading position in international payments, accounting for 36.2 percent of Mongolia's foreign payments.

Strategic direction and outlook for the FY2025

Supporting SMEs

Working with relevant organizations to create favorable financing conditions for SMEs, supporting the expansion of the non-mining economy, and increasing funding in these sectors;

Improving customer experience

Expanding VIP and tailor-made services and strengthening personal finance and asset management services for customers;

Improving risk management systems

Continuously improving internal risk management processes, maintaining well-balanced exposure to customer segments, and maintaining current asset quality;

Strengthening investor relations

Adhering to international standards in investor relations, protecting the interests of minority shareholders, and improving information transparency;

Green transition

Continue our contribution to the green transition of the Mongolian economy by setting medium- and long-term goals to reduce greenhouse gas emissions through our operations as well as financing;

AI Virtual Bank

As part of the artificial intelligence-based banking strategy, to enhance financial services for each customer performance, improve decision-making and operational efficiency;

Economic outlook for 2025

Looking ahead to 2025, the government's 2024-2028 action plan includes 14 mega projects that are expected to have a significant impact. Seven of these projects are ready for implementation, and a budget of 1.3 trillion MNT is allocated for financing in 2025. The remaining seven are still in the preparatory stage.

Currently, an estimated 36.9 trillion MNT is required for investments in 12 of the mega projects. However, the investments for the Oyutolgoi-based gold refining plant and the vertical axis road from Ereentsav-Choybalsan-Baruun-Urt-Bichigt Port in the eastern region remain undefined. If these projects are successfully implemented, they could lay the foundation for stable, long-term growth. A notable example is the Zuvch-Ovoo uranium project, which was approved on January 17, 2025, under the cooperation between France and Mongolia. This project will bring in 1.6 billion USD of investment from France, with expectations of a positive impact on the balance of payments in the coming years.

Major 14 mega projects and it's detailed information

№	Projects to be implemented	Project description	Implement/ period	Required funding and financial source
1	Cross-border connection work at Gashuunsukhait-Gantsmod, Hangi-Mandal, and Shiveekhuren-Sekhee border crossings	Export capacity will increase to 40 million tons. Export revenues will also double, coal export capacity by rail will triple, and passenger and freight traffic will double.	2024-2028	Total-958 billion MNT State-owned company and private sector joint financing.
2	Tavan Tolgoi 450 MW thermal power plant	Generate 3,150 million kWh of electricity per year, providing domestic electricity for the mining industry in the eastern region.	2024-2028	Total-2,303 billion MNT State budget-691 billion MNT Private sector-1,600 billion MNT
3	Erdeneburen 90 MW hydroelectric power plant	To produce 366 million kilowatt-hours of energy per year, meeting 100% of the electricity demand in the western region.	2021-2028	Total-856 billion MNT Financed through foreign loans.
4	310 MW hydroelectric power plant on the Egiin River	Savings of $25 million in import fees, and it will reduce coal consumption by 439 thousand tons and greenhouse gas emissions by 709 thousand tons.	2024-2032	Total-3,700 billion MNT Co-financed by the government and private sector.
5	Renewable energy and distributed sources	Mongolia has an estimated 2,600 GW of renewable energy resources, which could be used to meet domestic electricity needs and diversify the economy.	2024-2028	Total-1,377 billion MNT Financed by the state budget and foreign loans.
6	Oil refining complex	Once fully operational, it will produce 1.3 million tons of products from 1.5 million tons of crude oil per year, meeting 55% of domestic oil consumption.	2016-2027	Total-4,179 billion MNT Financed through foreign loans.
7	National Satellite Network	Citizens will have equal access to information by connecting to the Internet, regardless of their location.	2024-2027	Total-829 billion MNT State budget-69 billion MNT Foreign loan-761 billion MNT
8	Steel factory	1 million tons of steel billets and products will be produced, fully	2025-2028	Total-1,446 billion MNT

		meeting domestic reinforcement needs.		Financed by the private sector.
9	Mongolia-France joint uranium and nuclear power plant	It will mine and export 2,500 tons of uranium annually, generating $1 billion in revenue and creating over 1,000 jobs.	2024-2028	Total-1,700 billion MNT Financed by the private sector.
10	Coal-Chemical and Coke-Chemical Complex	Technological solutions for recycling coal into hydrogen and washing coal will be developed, increasing export revenues and reducing overdependence on commodity prices.	Starting from 2025.	Total-12,133 billion MNT Financed by the private sector.
11	Copper processing complex	The project will process 560,000 tons of copper concentrate per year, produce 125,000 copper cathodes, 72 kg of gold, 38.2 tons of silver bullion, and 182,000 tons of elemental sulfur, generating revenue of $1.1 billion.	2024-2028	Total-2,580 billion MNT State-owned company and private sector joint financing.
12	Orkhon-Ongi, Kherlen-Toonot water pipeline	5-9% of the average annual flow of the Kherlen River will be diverted through a closed pipeline to fully meet the water needs of the population, livestock, industry, and mining in Khentii, Choir, Dornogovi, and Umnugovi aimags.	2024-2028	Total-4,900 billion MNT Co-financed by the government and private sector.

Source: Ministry of Mongolia

Estimated funding for 12 major mega projects and costs for the coming years

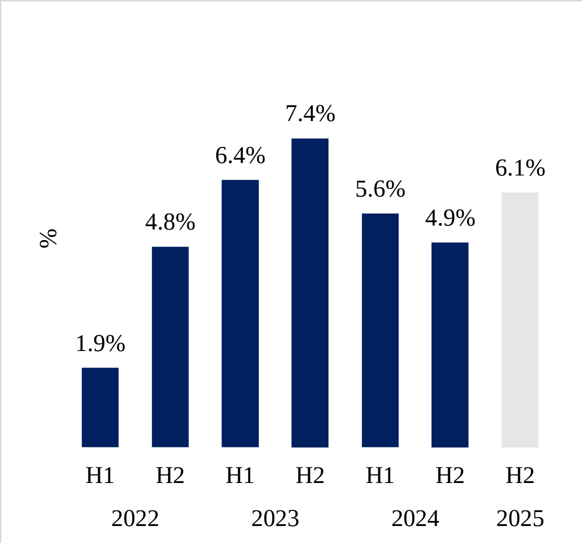
TOTAL	2025	2026	2027	2028
36,961 billion MNT	**1,379 billion MNT**	**2,223 billion MNT**	**1,356 billion MNT**	**212 billion MNT**

Source: Ministry of Mongolia

Moreover, 2025 is expected to be another year with a large budget. Due to the Veto of the president, the originally approved budget of 35.6 trillion MNT has been reduced to 33.5 trillion MNT. However, this revised budget represents a 3 trillion MNT increase compared to 2024. Over 90% of this increase is attributed to a rise in current expenditures, and from January 2025, the salaries, pensions, and salary for government employees will increase by 6%. Additionally, the dividend payouts from Erdenes Tavantolgoi are expected to distribute approximately 200,000 MNT in January and February 2025.

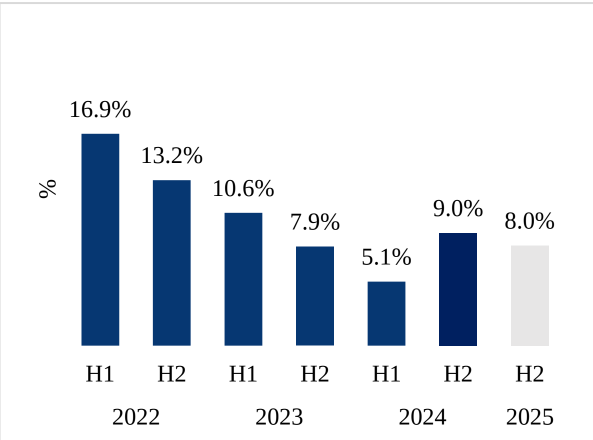
Thus, due to investments in mega projects, the large budget expenditures, and dividend distributions, economic growth is expected to accelerate, with a forecast of reaching 6.1% by the end of 2025.

Economic growth projection



Economic growth	Last updated	2025
Golomt Bank	2024 Dec	5.0%
World Bank	2024 Nov	6.5%
ADB	2024 Sep	6.0%
IMF	2024 Oct	7.0%
S&P	2024 Oct	6.0%
Fitch	2024 Sep	6.0%
Moody's	2024 Aug	6.0%
Bank of Mongolia	2024 Dec	6.2%
Average		**6.1%**

Inflation projection



Inflation	Last updated	2025
Golomt bank	2024 Dec	7.8%
World Bank	2024 Nov	8.0%
ADB	2024 Sep	7.2%
IMF	2024 Oct	9.5%
Bank of Mongolia	2024 Dec	8.4%
Average		**8.0%**

Source: Bank of Mongolia

2025 is expected to be a challenging year for controlling inflation, with economic conditions mirroring those of 2024. Several key factors contribute to rising inflationary pressures, including a significant increase in government expenditures—particularly current spending—and continued dividend distributions, which are fueling domestic demand. Additionally, planned utility price hikes, such as heating tariffs in May and water tariffs in September, are expected to put further upward pressure on inflation.

Furthermore, the agricultural sector's decline in 2024 has reduced meat supply, leading to projected price increases for meat in 2025. This, in turn, is likely to keep inflation at elevated levels. Economic analysts warn that inflation could rise into double digits as early as April 2025.

Given these conditions, there is little expectation for a reduction in the current 12% policy rate. The Bank of Mongolia is implementing a range of measures to contain credit growth. In its January 2025 meeting, the Monetary Policy Committee (MPC) raised the reserve requirement for both the national currency (MNT) and foreign currency deposits by 2 percentage points, bringing them to 13% and 18%, respectively.

Additionally, during its March 2025 meeting, the MPC revised the debt-to-income (DTI) ratio for consumer loans, reducing the maximum threshold by 50%. A new regulation was also introduced for pension-backed and social benefit-backed loans, ensuring that borrowers' remaining disposable income after loan payments does not fall below the minimum subsistence level (495,000 MNT). Previously, the DTI cap stood at 60%, and there were no specific restrictions on pension-backed loans, leading to cases where debt service ratios reached as high as 84%.

According to domestic and international forecasts, if there are no major external shocks, the Bank of Mongolia's tight monetary policy stance is expected to bring inflation down to its target ceiling of 8% by the end of 2025.

Description of Selected Statement of Profit or Loss and Other Comprehensive Income Line Items

Interest Income

Interest Income Calculated Using the Effective Interest Method

Interest income has historically been the largest component of our operating income. We derive our interest income calculated using the effective interest method principally from loans and advances to customers, debt securities, interest due from other banks, cash deposited with the Bank of Mongolia and interest from reverse repurchase agreements. The following table sets forth our interest income for the periods indicated:

	2023	2024	
	(MNT millions)	**(MNT millions)**	**(US$ millions)**
Loans and advances to customers at amortized cost.	584,199.1	913,259.0	267.0
Debt securities at fair value through other comprehensive income..	158,473.0	155,072.8	45.3
Due from other banks at amortized cost..................	25,015.8	12,287.3	3.6
Cash deposited in the Bank of Mongolia.................	22,961.7	16,093.4	4.7
Debt securities at amortized cost.............................	512.6	364.9	0.1
Reverse repurchase agreements at amortized cost....	1,547.9	2,153.3	0.6
	792,710.2	**1,099,230.8**	**321.4**

Other similar income

Our other similar income include interest from loans and advances to customers at fair value through profit or loss and debt securities at fair value through profit or loss. The following table sets forth our other similar income for the periods indicated:

	2023	2024	
	(MNT millions)	**(MNT millions)**	**(US$ millions)**
Loans and advances to customers at fair value through profit or loss	24,155.7	28,172.7	8.2
Debt securities at fair value through profit or loss......................	23,866.7	35,785.6	10.5
	48,022.4	**63,958.3**	**18.7**

Interest Expense

Our interest expense primarily consists of interest paid on customer accounts, other borrowed funds, due to other banks, repurchase agreements and lease liabilities. The following table sets forth our interest expense for the periods indicated:

	2023	2024	
	(MNT millions)	**(MNT millions)**	**(US$ millions)**
Customer accounts....................................	271,817.9	426,993.3	124.8
Debt securities in issue.............................	-	79,491.7	23.2

	2023	2024	
	(MNT millions)	**(MNT millions)**	**(US$ millions)**
Other borrowed funds................................	74,825.7	66,320.7	19.4
Due to other banks.....................................	1,398.4	3,668.7	1.1
Repurchase agreement...............................	13,539.1	18,785.6	5.5
Interest expense related to lease liabilities	1,859.4	3,308.6	1.0
	363,440.4	**598,568.5**	**175.0**

Net Interest Income

Net interest income is equal to interest income less interest expense. The following table sets forth our net interest income for the periods indicated:

	2023	2024	
	(MNT millions)	**(MNT millions)**	**(US$ millions)**
Interest income	840,732.6	1,163,189.1	340.1
Interest expense	(363,440.4)	(598,568.5)	(175.0)
Net interest income.................................	**477,292.1**	**564,620.6**	**165.1**

Expected Credit Loss

The reversal or charge of expected credit loss for loans and advances to customers is impacted by a variety of factors, including significant increases or decreases of credit risks, changes in probability of defaults and foreign exchange translations of assets denominated in foreign currency and other movements. Our reversal of expected credit loss in 2023 and 2024 was MNT28,074.7 million and MNT5,521.8 million (US$1.6 million), respectively.

Fee and Commission Income

Our fee and commission income consist of commissions on operations with plastic cards, remittance and other service fees, commissions on documentary business and guarantees, account service fee and commissions and brokerage and other service fee. The following table sets forth our fee and commission income for the periods indicated:

	2023	2024	
	(MNT millions)	**(MNT millions)**	**(US$ millions)**
Commissions on operations with plastic cards.............	56,561.2	69,769.0	20.4
Remittance and other service fees	27,511.6	31,097.5	9.1
Commissions on documentary business and guarantees..	12,620.8	9,780.0	2.9
Account service fee and commissions..........................	5,142.1	5,429.4	1.6
Brokerage and other service fee	335.3	9,345.8	2.7
	102,170.9	**125,421.7**	**36.7**

Fee and Commission Expenses

Our fee and commission expenses consist of commissions on operations with plastic cards, bank service expense, online transaction expense and brokerage and other service fee. The following table presents our fee and commission expenses for the periods indicated:

	2023	2024	
	(MNT millions)	(MNT millions)	(US$ millions)
Commissions on operations with plastic cards	45,995.1	60,774.9	17.8
Bank service expense	12,233.6	15,621.8	4.6
Online transaction expense	1,883.8	2,627.7	0.8
Brokerage and other service fee	77.9	580.9	0.2
	60,190.4	**79,605.2**	**23.3**

Administrative and Other Operating Expenses

Our operating expenses comprise primarily (i) staff costs, which consists primarily of salaries, wages and bonus, contribution to social and health fund, share-based payments, staff benefits, pension fund and staff training; (ii) information, consulting and other professional services; (iii) depreciation of premises and equipment; (iv) depreciation of right of use of assets; (v) amortization of software and other intangible assets; (vi) advertising and marketing services; (vii) stationery expense; (viii) security expense; (ix) taxes (other than income tax); and (x) loan collection expenses and other expenses.

The following table presents our administrative and other operating expenses for the periods indicated:

	2023	2024	
	(MNT millions)	(MNT millions)	(US$ millions)
Administrative and Other Operating expenses:			
Staff costs	84,251.9	117,286.1	34.3
Information, consulting and other professional services	34,057.7	52,114.0	15.2
Depreciation of premises and equipment	22,130.4	25,589.3	7.5
Depreciation of right of use assets	6,890.5	9,166.5	2.7
	6,368.8	8,824.5	2.6
Amortization of software and other intangible assets			
Advertising and marketing services	5,308.5	6,985.3	2.0
Stationery expense	4,192.8	4,376.1	1.3
Security expense	2,542.1	3,075.5	0.9
Taxes (other than income tax)	3,183.7	2,401.2	0.7
Loan collection expenses	2,288.0	3,408.3	1.0
Telecommunications expense	2,853.0	3,903.1	1.1
Short term lease expense	1,428.6	1,296.7	0.4
Office cleaning expense	2,183.4	2,875.2	0.8
Utilities	1,870.1	2,188.5	0.6
Voluntary and mandatory insurance	1,230.5	1,392.5	0.4
Transportation	2,050.5	2,284.2	0.7
Entertainment	1,577.0	2,230.7	0.7
Travelling expenses	1,566.1	2,099.6	0.6
Donations	891.4	1,155.0	0.3
Customer engagement expenses	5,923.6	7,080.4	2.1
Other operating expenses	7,370.5	10,933.3	3.2
Administrative and Other Operating expenses	**200,159.3**	**270,665.8**	**79.1**

Income Tax Expense

Our income tax expense consists primarily of current income tax and deferred tax relating to the origination of temporary differences. 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 basis. The following table presents our income tax expenses for the periods indicated:

	2023	2024	
	(MNT millions)	(MNT millions)	(US$ millions)
Current income tax	98,112.7	92,128.1	26.9
Deferred tax	(41,248.6)	34,199.7	10.0
	56,864.1	126,327.8	36.9

We provide 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. In 2023 and 2024, our income tax rate for profits is 10.0% for the first MNT6.0 billion of taxable income and 25.0% on the excess of taxable income over MNT6.0 billion.

Our effective income tax rates for 2023 and 2024 were 21.4% and 23.2%, respectively. A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at our effective income tax rate for the years ended in the timeframes below is set out below:

	2023	2024	
	(MNT millions)	(MNT millions)	(US$ millions)
Profit before tax	**266,035.1**	**545,081.5**	**159.4**
Tax at statutory rate of 25%	66,508.8	136,270.4	39.8
Effect of expenses not deductible for tax purposes			
-Effect of income subject to lower tax rate	(900.0)	(900.0)	(0.3)
-Income which is exempt from taxation	(3,858.4)	(11,201.0)	(3.3)
-Income which is taxed at different rates	(851.2)	(646.1)	(0.2)
-Non-deductible expenses	964.9	3,448.4	1.0
Unrecognized deferred tax assets	5,000.0	-	-
Effect of tax credit	-	(643.9)	(0.2)
Tax expense for the year	**56,864.1**	**126,327.8**	**36.9**

Our profit for the year was MNT209,171.0 million and MNT418,753.7 million (US$122.4 million) for 2023 and 2024, respectively.

RESULTS OF OPERATIONS

2024 Compared to 2023

Interest and other similar income

Interest and other similar income by segment

Our interest and other similar income from our corporate segment increased by 54.1% from MNT167,189.4 million for 2023 to MNT257,721.5 million (US$75.4 million) for 2024, primarily due to an increase in our corporate loan portfolio.

Our interest and other similar income from our SME segment increased by 63.8% from MNT145,514.1 million for 2023 to MNT238,421.1 million (US$69.7 million) for 2024, primarily due to an increase in our SME loan portfolio.

Our interest and other similar income from our retail segment increased by 56.2% from MNT284,480.2 million for 2023 to MNT444,451.4 million (US$129.9 million) for 2024, primarily due to an increase in our retail loan portfolio.

Our interest and other similar income from our other segment decreased by 8.6% from MNT243,548.9 million for 2023 to MNT222,595.1 million (US$65.1 million) for 2024, primarily due to an increase in our investments in debt securities and central bank bills as well as increase in loan interest income.

Interest income calculated using the effective interest method

Our interest income calculated using the effective interest method increased by 38.7% from MNT792,710.2 million for 2023 to MNT1,099,230.8 million (US$321.4 million) for 2024. The increase in interest income was primarily attributable to an increase of MNT329,059.9 million (US$96.2 million) in interest income from loans and advances to customers at amortized cost.

(a) Interest income from loans and advances to customers at amortized cost

Our interest income from loans and advances to customers at amortized cost increased by 56.3% from MNT584,199.1 million for 2023 to MNT913,259.0 million (US$267.0 million) for 2024, primarily due to a rapid expansion of our total loan size in all business segments.

(b) Interest income from debt securities FVTOCI

Our interest income from debt securities FVTOCI decreased by 2.1% from MNT158,473.0 million for 2023 to MNT155,072.8 million (US$45.3 million) for 2024, primarily due to a decrease in coupon rate of debt securities.

(c) Interest income due from other banks at amortized cost

Our interest income from due from other banks at amortized cost decreased by 50.9% from MNT25,015.8 million for 2023 to MNT12,287.3 million (US$3.6 million) for 2024, primarily due to a decrease in international banks' savings.

(d) Interest income from cash deposited in the Bank of Mongolia

Our interest income from cash deposited in the Bank of Mongolia decreased by 29.9% from MNT22,961.7 million for 2023 to MNT16,093.4 million (US$4.7 million) for 2024, primarily due to a suspension in benefits of statutory reserve at the Bank of Mongolia.

(e) Interest income from debt securities at amortized cost

Our interest income from debt securities at amortized cost decreased by 28.8% from MNT512.6 million for 2023 to MNT364.9 million (US$0.1 million) for 2024, primarily due to a decrease in average balance of debt securities at amortized cost.

(f) Interest income from reverse repurchase agreements at amortized cost

Our interest income from reverse repurchase agreements at amortized cost increased by 39.1% from MNT1,547.9 million for 2023 to MNT2,153.3 million (US$0.6 million) for 2024, primarily due to an increase in repo arrangements.

Other similar income

Our other similar income increased by 33.2% from MNT48,022.4 million for 2023 to MNT63,958.3 million (US$18.7 million) for 2024, primarily because of an increase of MNT4,017.1 million (US$1.2 million) in other similar income from loans and advances to customers at FVTPL and an increase of MNT11,918.8 million (US$3.5 million) in debt securities FVTPL.

(a) Other similar income from loans and advances to customers at FVTPL

Our other similar income from loans and advances to customers at FVTPL increased by 16.6% from MNT24,155.7 million for 2023 to MNT28,172.7 million (US$8.2 million) for 2024, primarily due to an increase in loans and advances to customers at FVTPL portfolio and adjustment amortization in previously measured at FVTPL.

(b) Other similar income from debt securities FVTPL

Our other similar income from debt securities FVTPL increased by 49.9% from MNT23,866.7 million for 2023 to MNT35,785.6 million for 2024, primarily due to an increase in debt securities at FVTPL portfolio.

Interest and other similar expense

Our interest and other similar expense increased by 64.7% from MNT363,440.4 million for 2023 to MNT598,568.5 million (US$175.0 million) for 2024, primarily attributable to an increase in interest paid on customer deposits by MNT155,175.4 million (US$45.4 million) and an increase in interest payments on debt securities in issue by MNT79,491.7 million (US$23.2 million).

Interest and other similar expense by segment

Our interest and other similar expense from our corporate segment increased by 108.2% from MNT56,399.1 million for 2023 to MNT117,448.1 million (US$34.3 million) in 2024, primarily due to an increase of our corporate customer accounts.

Our interest and other similar expense from our SME segment increased by 50.8% from MNT24,121.3 million for 2023 to MNT36,367.6 million (US$10.6 million) for 2024, primarily due to an increase of our SME deposits.

Our interest and other similar expense from our retail segment increased by 40.7% from MNT200,108.1 million for 2023 to MNT281,568.5 million (US$82.3 million) for 2024, primarily due to an increase of our retail deposits.

Our interest and other similar expense from our other segment increased by 97.1% from MNT82,812.0 million for 2023 to MNT163,184.2 million (US$47.7 million) for 2024, primarily due to an increase in borrowings from foreign bank and institutions, including bank's $400 million international bond.

Interest expense on customer accounts

Our interest expense on customer accounts increased by 57.1% from MNT271,817.9 million for 2023 to MNT426,993.3 million (US$124.8 million) for 2024, primarily due to an increase in interest payments on deposits.

Interest expense on debt securities in issue

Our interest expense on debt securities in issue increased to MNT79,491.7 million (US$23.2 million) for 2024, primarily due to a new issuance and a tap issuance of international bond denominated in US$.

Interest expense on other borrowed funds

Our interest expense on other borrowed funds decreased by 11.4% from MNT74,825.7 million for 2023 to MNT66,320.7 million (US$19.4 million) for 2024, primarily due to an upgrade of sovereign credit rating and a subsequent decrease in interest rates of borrowings from foreign banks and financial institutions.

Interest expense on due to other banks

Our interest expense on due to other banks increased by 162.4% from MNT1,398.4 million for 2023 to MNT3,668.7 million (US$1.1 million) for 2024, primarily due to significant increase in due to inter banks related to back-to-back deposits with domestic bank.

Interest expense on repurchase agreements

Our interest expense on repurchase agreements increased by 38.8% from MNT13,539.1 million for 2023 to MNT18,785.6 million (US$5.5 million) for 2024, primarily due to an increase in balance of repurchase agreement.

Interest expense on lease liabilities

Our interest expense on lease liabilities increased by 77.9% from MNT1,859.4 million for 2023 to MNT3,308.6 million (US$1.0 million) for 2024, primarily due to an increase in leasing payments and renewal of lease agreements.

Net interest income

As a result of the foregoing, our net interest income increased by 18.3% from MNT477,292.1 million for 2023 to MNT564,620.6 million (US$165.1 million) for 2024.

Fee and commission Income

Our fee and commission income increased by 22.8% from MNT102,170.9 million for 2023 to MNT125,421.7 million (US$36.7 million) for 2024, primarily because an increase of MNT13,207.8 million (US$3.9 million) in commissions on operations with plastic cards and an increase of MNT9,010.5 million (US$2.6 million) in brokerage and other service fee.

Fee and commission income by segment

Our fee and commission income from our corporate segment increased by 33.9% from MNT12,759.7 million for 2023 to MNT17,084.2 million (US$5.0 million) for 2024.

Our fee and commission income from our SME segment remained stable at MNT34,048.5 million for 2023 and MNT34,464.8 million (US$10.1 million) for 2024.

Our fee and commission income from our retail segment increased by 32.7% from MNT54,872.4 million for 2023 to MNT72,820.6 million (US$21.3 million) for 2024.

Our fee and commission income from our other segment increased by 114.6% from MNT490.2 million for 2023 to MNT1,052.1 million (US$0.3 million) for 2024.

Fee and commission expenses

Our fee and commission expenses increased by 32.3% from MNT60,190.4 million for 2023 to MNT79,605.2 million (US$23.3 million) for 2024. The increase in fee and commission expenses was primarily attributable to an increase in expense on commissions on operations with plastic cards and an increase in bank service expense.

Fee and commission expense by segment

Our fee and commission expense from our corporate segment increased by 9.5% from MNT9,419.0 million for 2023 to MNT10,311.6 million (US$3.0 million) for 2024, primarily due to increased card related expenses and customer transactions.

Our fee and commission expense from our SME segment increased by 18.7% from MNT16,502.6 million for 2023 to MNT19,591.0 million (US$5.7 million) for 2024, primarily due to increased card related expenses and customer transactions.

Our fee and commission expense from our retail segment increased by 70.6% from MNT28,427.9 million for 2023 to MNT48,495.0 million (US$14.2 million) for 2024, primarily due to increased card related expenses and customer transactions.

Our fee and commission expense from our other segment decreased by 79.3% from MNT5,840.8 million for 2023 to MNT1,207.5 million (US$0.4 million) for 2024, primarily due to the change of our internal methodology of cost allocation of segments.

Administrative and other operating expenses

Our administrative and other operating expenses increased by 35.2% from MNT200,159.3 million for 2023 to MNT270,665.8 million (US$79.1 million) for 2024, primarily because an increase in staff costs due to high inflation in Mongolia and an increase in information, consulting and other professional services due to a new issuance of international bond.

Administrative and other operating expense by segment

Our administrative and other operating expense from corporate segment increased by 55.7% from MNT41,619.5 million for 2023 to MNT64,820.5 million (US$19.0 million) for 2024, primarily due to increased salary expense, business trip, maintenance and renovation expenses.

Our administrative and other operating expense from SME segment decreased by 1.3% from MNT50,186.5 million for 2023 to MNT49,558.8 million (US$14.5 million) for 2024, primarily due to the change of internal methodology of cost allocation of segments.

Our administrative and other operating expense from retail segment remained stable at MNT100,374.8 million for 2023 and MNT100,728.0 million (US$29.5 million) for 2024.

Our administrative and other operating expense from other segment increased by 596.4% from MNT7,978.4 million for 2023 to MNT55,558.6 million (US$16.2 million) for 2024, primarily due to an increase in operating expense.

Income tax expense

Our income tax expense increased by 122.2% from MNT56,864.1 million for 2023 to MNT126,327.8 million (US$36.9 million) for 2024. The increase in income tax expense was primarily due to increase in profit amounts.

Profit for the year

As a result of the foregoing, our profit for the year increased by 100.2% from MNT209,171.0 million for 2023 to MNT418,753.7 million (US$122.4 million) for 2024.

CASH FLOWS

Historically, our cash resources have come from customer deposits, shareholder financing, bank loans and operating activities. We regularly monitor current and expected liquidity requirements and compliance with loan covenants to attempt to maintain sufficient reserves of cash to meet our liquidity requirements in the short and long term. Taking into consideration the financial resources available to us, including cash generated from our operating activities and the net proceeds of bond offering, we believe that we will have sufficient liquidity to meet our working capital and operating requirements for at least the next 12 months.

The following table sets forth certain information regarding our cash flows for the periods indicated:

	2023	2024	
	(MNT millions)	*(MNT millions)*	*(US$ millions)*
Net cash generated from/(used in) operating activities	1,316,553.4	(244,138.3)	(71.4)
Net cash used in investing activities	(650,747.5)	207,844.0	60.8
Net cash generated from/(used in) financing activities	83,969.9	2,034,063.4	594.7
Effect of exchange rate changes on cash and cash equivalents	(40,553.0)	(25,571.2)	(7.5)
Net increase/(decrease) in cash and cash equivalents	709,222.8	1,972,197.9	576.6
Cash and cash equivalents at beginning of the period	2,275,414.5	2,984,637.3	872.6
Cash and cash equivalents at end of the period	2,984,637.3	4,956,835.2	1,449.3

Cash Flows from Operating Activities

In 2024, we used net cash of MNT244,138.3 million (US$71.4 million) in operating activities. This amount was derived from profit before tax for the year of MNT545,081.5 million (US$159.4 million), primarily adjusted for interest expense of MNT598,568.5 million (US$175.0 million) and increase in customer account of MNT1,289,197.7 million (US$376.9 million), partially offset by increase in loans and advances of MNT2,817,708.8 million (US$823.8 million).

Cash Flows from Investing Activities

In 2024, we generated net cash from investing activities was MNT207,844.0 million (US$60.8 million), primarily due to proceeds from disposal of debt securities at fair value through other comprehensive income of MNT512,775.7 million (US$149.9 million) and partially offset by acquisition of debt securities at fair value through other comprehensive income of MNT209,067.9 million (US$61.1 million).

Cash Flows from Financing Activities

In 2024, net cash generated from financing activities was MNT2,034,063.4 million (US$594.7 million), primarily due to proceeds from repo arrangements of MNT4,683,254.7 million (US$1,369.3 million) and issue of debt securities of MNT1,337,438.1 million (US$391.0 million), partially offset by repayment for repo arrangements of MNT3,853,776.3 million (US$1,126.8 million).

Liquidity

We fund our loan and investment portfolios principally with our customer deposits and placements from banks and other financial institutions. Deposits from customers have been, and we believe will continue to be, a stable source of our funding. The amount due to customers with remaining maturities of less than one year represented 98.56% and 98.92% of our total deposits from customers as of December 31, 2023 and 2024, respectively.

REGULATORY CAPITAL

The Bank of Mongolia monitors the capital requirements of all Mongolian banks, including us. The Bank of Mongolia has established a minimum capital adequacy ratio for Mongolian banks. As of December 31, 2024, this ratio was set at 12.0% by the Bank of Mongolia, based on total equity and total assets as adjusted for their risk. We comply and have at all times complied with the prevailing mandatory capital adequacy ratios set by the Bank of Mongolia. Our capital adequacy ratio was 15.9% and 14.7% as of December 31, 2023 and 2024, respectively.

The following table sets forth additional information regarding our capital base as of the dates presented:

	2023	2024	
	(MNT millions)	*(MNT millions)*	*(US$ millions)*
Tier I capital:			
Ordinary shares	202,164.3	202,164.3	59.1
Share premium	301,481.1	301,481.1	88.1
Retained earnings	436,232.3	753,884.3	220.4
Other components of equity	230.8	577.6	0.2
Treasury stock	—	—	—
Total Tier I capital	940,108.5	1,258,107.3	367.8
Tier II capital:			
Preferred shares	—	—	—
Treasury stock/preferred shares	—	—	—
Total Tier II capital	—	—	—
Total Tier I and Tier II capital	940,108.5	1,258,107.3	367.8
Core capital ratio	15.86%	14.67%	14.67%
Risk weighted capital ratio	15.86%	14.67%	14.67%

FINANCIAL INSTRUMENTS AND OFF-BALANCE SHEET ARRANGEMENTS

Foreign exchange and derivative contracts

We enter into foreign exchange and derivative transactions on behalf of our customers and for our own account. Our foreign exchange contracts include forward exchange contracts and currency swaps. We entered into long-term cross currency interest rate exchange contract with the Bank of Mongolia from 2018 to 2024. We recorded MNT202,386.9 million and MNT235,680.0 million (US$68.9 million) of financial assets mostly in relation to the long-term cross currency interest rate exchange contract with Bank of Mongolia as of December 31, 2023 and 2024, respectively. Our net fair value of foreign exchange forwards and swaps were MNT199,496.0 million and MNT234,775.3 million (US$68.6 million) as of December 31, 2023 and 2024, respectively.

The following table sets forth our foreign exchange forwards and swaps as of December 31, 2023 and 2024.

	2023	2024	
	(MNT millions)	*(MNT millions)*	*(US$ millions)*
Fair value of foreign exchange forwards and swaps			
Financial assets at fair value through profit or loss	202,386.9	235,680.0	68.9

Financial liabilities at fair value through profit or loss	(2,890.9)	(904.7)	(0.3)
Foreign exchange forwards and swaps, net fair value	199,496.0	234,7753	68.6

Credit related commitments

As part of our ordinary banking activities, we enter into credit related commitments for which we charge a fee based on the value of the letter of credit or guarantee and the relative credit risk of the reimbursing customer. Documentary credits, such as letters of credit, enhance the credit standing of our customers. Guarantees generally represent irrevocable assurances that we will make payments in the event that the customer fails to fulfill its financial or performance obligations. Financial guarantees are obligations to pay a third-party beneficiary where a customer fails to make payment toward a specified financial obligation. Performance guarantees are obligations to pay a third-party beneficiary where a customer fails to perform a non-financial contractual obligation. We also have outstanding commitments to extend credit and these commitments take the form of undrawn portions of approved loans, credit card limits and overdraft facilities. The nominal values of guarantees and documentary credits for the dates set forth below were as follows:

	2023	2024	
	(MNT millions)	*(MNT millions)*	*(US$ millions)*
Bank guarantees:			
Financial guarantees issued	67,082.0	102,351.9	29.9
Performance guarantees issued	386,870.7	422,916.4	123.7
Documentary credits:			
Letter of credit	322,641.4	169,465.6	49.5
Undrawn credit line.	569,953.3	838,272.2	245.1
Total	1,346,547.4	1,533,006.1	448.2

Our total credit-related commitments were MNT1,346,547.4 million as of December 31, 2023 and increased by 13.8% to MNT1,533,006.1 million (US$448.2 million) as of December 31, 2024, principally due to increases in undrawn of credit lines.

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

STATISTICAL INFORMATION

Some amounts, unless otherwise stated presented in this section have been prepared, unless otherwise stated, in accordance with Bank of Mongolia guidelines on the basis of unaudited management accounts and accounting records. For 2023 and 2024, unless otherwise noted, average statements of financial position data is calculated based on the daily averages of the relevant period, except that average balance sheet data for short-term borrowings is calculated based on the monthly averages of the relevant period.

Analysis of net interest income and expenses

The following table sets forth changes in our interest income, interest expense, and net interest income based on changes in volume for 2023 and 2024.

	2023	2024	
	(MNT billions)	*(MNT billions)*	*(US$ millions)*
Interest income	841	1,163	340
Loan	608	941	275
Securities and investments	184	193	57
Other	48	28	8
Interest expense	363	599	175
Customer funds	272	427	125
Bond interest expense	-	79	23
Others funds	92	92	27
Net interest income	477	565	165
Net interest margin	**6.5%**	**6.2%**	

Our net interest margin has decreased from 6.5% in 2023 to 6.2% in 2024 primarily due to increase in interest expense in customer funds and bond interest payments as well as a suspension in benefits of statutory reserve at the Bank of Mongolia.

Investment Portfolio

Data presented below has been derived from IFRS financial statements of the Bank. The following table sets forth fair value of our investments in debt securities and equity securities as of the dates presented:

	2023	**2024**	
	(MNT millions)	*(MNT millions)*	*(US$ millions)*
Investments in debt securities	1,424,489.4	2,281,166.4	667.0
Debt securities at FVTOCI			
Debt securities at FVTPL	308,603.2	622,382.9	182.0
Debt securities at AC	—	6,847.7	2.0
Total investments in debt securities	1,733,092.6	2,910,397.0	850.9
Investments in equity securities			
Equity securities at FVTPL	23,634.1	68,671.7	20.1
Equity securities at FVTOCI	448.7	1,143.2	0.3
Total investment in equity securities	24,082.8	69,814.9	20.4

Loan Portfolio

Credit assessment and approval

We evaluate the credit of every loan applicant before approving any loan. Our assessment and approval process is well-defined, tailored to all types of borrowers and is in line with our overall lending strategy. We apply the same process for both loans and credit card applications. The Law of Mongolia on Credit Information was adopted on October 20, 2011 by Parliament and came into force on January 1, 2012. Pursuant to this law, activities related to credit information are subject to licensing by the Bank of Mongolia. In recent years, the Bank of Mongolia has granted licenses to two private credit information bureaus. However, these bureaus are in the early stages of development and have limited capacity/ability to collect, evaluate, and process credit information effectively. The Bank of Mongolia keeps records of and provides details of defaults and outstanding judgments against borrowers through an internet-based system maintained and updated on a daily basis. The Bank also uses information from private credit bureaus. These sources, together with our internal data, provide the basis of the credit approval process.

Collateral policy

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. 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.

Loans and advances to customers

Our total loan and advances to customers were MNT4,712,108.7 million as of December 31, 2023 and increased by 56.0% to MNT7,351,381.2 million (US$2,149.4 million) as of December 31, 2024, principally due to credit portfolio increases.

	2023	**2024**	
	(MNT millions)	*(MNT millions)*	*(US$ millions)*
Gross carrying amount of loans and advances to customers at AC	4,476,288	7,075,597	2,068.7
Less: Credit loss allowance	(165,192)	(172,193)	(50.3)
Total carrying amount of loans and advances to customers at AC	**4,311,096**	**6,903,404**	**2,018.4**
Loans and advances to customers at FVTPL	401,012	447,977	131.0

Total loans and advances to customers	**4,712,109**	**7,351,381**	**2,149.4**

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

	31 December 2023		31 December 2024		
	Amount *(MNT millions)*	**%**	**Amount** *(MNT millions)*	**Amount** *(US$ millions)*	**%**
Trade – Whole & Retail	1,273,782	26.12%	1,581,902	462.5	21.03%
Mortgage & House maintenance	1,036,574	21.25%	1,375,937	402.3	18.29%
Individuals	977,480	20.04%	1,434,298	419.4	19.06%
Maintenance	252,196	5.17%	266,548	77.9	3.54%
Mining & Exploration	195,460	4.01%	638,159	186.6	8.48%
Manufacturing	246,005	5.04%	276,763	80.9	3.68%
Finance	94,557	1.94%	247,437	72.3	3.29%
Construction	234,933	4.82%	362,478	106.0	4.82%
Transport & Communication	80,422	1.65%	158,017	46.2	2.10%
Real estate	40,849	0.84%	144.161	42.1	1.92%
Home appliances	207,398	4.25%	506,183	148.0	6.73%
Agriculture	22,092	0.45%	53,753	15.7	0.71%
Electricity & Oil	14,095	0.29%	231,279	67.6	3.07%
Car	13,611	0.28%	8,574	2.5	0.11%
Hotel & Restaurant	20,429	0.42%	43,370	12.7	0.58%
Healthcare	34,662	0.71%	70,020	20.5	0.93%
Education	31,192	0.64%	47,430	13.9	0.63%
Others	90,741	1.86%	61,236	17.9	0.81%
Social services	2,790	0.06%	2,634	0.8	0.04%
Public services	7,656	0.16%	4,471	1.3	0.06%
Tourism	377	0.01%	7,762	2.3	0.10%
Entrepreneurship	--	0.00%	1,162	0.3	0.02%
Total gross carrying value	**4,877,300**	**100%**	**7,523,574**	**2,199.7**	**100%**

Customer accounts

	31 December 2023	31 December 2024	
	(MNT millions)	*(MNT millions)*	*(US$ millions)*
(Individuals	**3,512,056.3**	**4,401,003.0**	**1,286.7**
Current/settlement accounts	619,272.4	780,135.7	228.1
Demand deposits	516,937.9	620,995.5	181.6
Term deposits	2,375,846.0	2,999,871.8	877.1
Legal entities	**3,131,324.7**	**3,817,798.6**	**1,116.2**
Current/settlement accounts	2,166,380.9	2,896,837.5	847.0
Demand deposits	--	--	--
Term deposits	964,943.8	920,961.2	269.3

State and public organizations	**1,309,557.7**	**1,072,530.0**	**313.6**
Current/settlement accounts	1,237,585.9	627,827.5	183.6
Demand deposits	--	--	--
Term deposits	71,971.8	444,702.5	130.0
Other	**83,694.9**	**85,511.5**	**25.0**
Current/settlement accounts	39,472.0	52,352.3	15.3
Demand deposits	--	--	--
Term deposits	44,222.9	33,159.2	9.7
Total customer accounts	**8,036,633.7**	**9,376,843.1**	**2,741.6**

Other borrowed funds

The following table sets forth certain additional information with respect to our other borrowed funds for the periods presented:

	31 December 2023	31 December 2024	
	(MNT millions)	*(MNT millions)*	*(US$ millions)*
Borrowed funds under projects			
Borrowed funds under project /MNT/	358,586.9	384,637.3	112.5
Borrowed funds under projects /USD/	165.2	110.8	0.0
Total borrowed funds under projects	**358,752.1**	**384,748.0**	**112.5**
Borrowings from foreign banks and financial institutions			
Borrowings from other banks /USD/	955,190.9	733,903.5	214.6
Trade finance from foreign banks and financial institutions			
Borrowings from foreign banks and financial institutions /USD/	94,221.9	129,171.7	37.8
Borrowings from foreign banks and financial institutions /EUR/	461.5	6,050.9	1.8
Borrowings from foreign banks and financial institutions /CNY/	2,302.3	--	--
Borrowings from foreign banks and financial institutions /KRW/	--	1.2	0.0
Total borrowings from foreign banks and institutions	**1,052,176.6**	**869,127.4**	**254.1**
Total	**1,410,928.7**	**1,253,875.4**	**366.6**

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are, in the normal course of business, exposed to certain risks relating primarily to credit risk, liquidity risk, interest rate risk and foreign currency exchange risk.

Credit risk

We are exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Exposure to credit risk arises as a result of our lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments. Our maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position. For financial guarantees issued, commitments to extend credit, undrawn credit lines and export/import letters of credit, the maximum exposure to credit risk is the amount of the commitment.

Market risk

We are exposed to market risks. Market risks arise from open positions in (a) currency, (b) interest rates,
(c) equity products, (d) commodity, and (e) financial instruments (including derivatives), all of which are exposed to general and specific market movements. Our management sets limits for the key metrics of market risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements. As such, we revise our contingency plan for a crisis, annually.

Currency risk

Currency risk arises when a bank holds assets or liabilities in foreign currencies and impacts the earnings and capital of the Bank due to the fluctuations in the exchange rates. We take on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on our financial position and cash flows. Any unhedged position in a particular currency gives rise to foreign exchange risk. In respect of currency risk, our management sets limit on the level of exposure by currency and in total for both overnight and intra-day positions.

Interest rate risk

We are exposed to the effects of fluctuations in the prevailing levels of market interest rates on our financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The principal objective of our interest rate risk management activities is to increase profitability by limiting the effect of adverse interest rate movements and increasing net interest income by managing interest rate exposure.

We are exposed to interest rate risk, principally as a result of lending at fixed interest rates, in amounts and for periods, which differ from those of term borrowings at fixed interest rates. In practice, interest rates are generally fixed on a short-term basis. Also, interest rates fixed contractually on both assets and liabilities, are usually renegotiated to reflect current market conditions. We manage interest rate risk by estimating and monitoring interest rate exposure and setting limits to control and minimize interest rate risk. Methods used to estimate the degree of interest rate risk include gap analysis (mismatch management), duration analysis (analysis of weighted average maturities), and interest income simulation. Additionally, the Bank manages and minimizes risk through interest gap management, interest risk hedging and compliance with established limits. The process of interest rate limits includes (i) limit on maximum loss, (ii) limits on interest rate gap and (iii) minimum interest rate on allocation of resources.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. We are exposed to daily calls on our available cash resources from overnight deposits, current accounts, maturing deposits, loan drawdowns, guarantees and from margin and other calls on cash-settled derivative instruments. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Our liquidity risk management framework is designed to measure and manage liquidity at various levels of consolidation such that short and medium-term payment obligations could be met under normal or stressed conditions.

EFFECTS OF INFLATION

According to the National Statistics Office of Mongolia, Mongolia's annual inflation, as measured by the consumer price index, was 13.2% in 2022, 7.9% in 2023 and 9.0% in 2024. We do not believe that inflation in Mongolia, where all of our operations are conducted, has had a material impact on our results of operations.

CRITICAL ACCOUNTING POLICIES

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Mongolian Tugrik.

Financial Assets

We determine the classification of our financial assets at initial recognition.

Initial recognition of financial instruments

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

Classification and subsequent measurement

We classify financial assets in the following measurement categories: fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI") and amortized cost ("AC").

Reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows the change in the business model. We did not change our business model during the current and comparative period and did not make any reclassifications.

Credit loss allowance for expected credit loss ("ECL")

We assess, on a forward-looking basis, the ECL for debt instruments measured at AC and FVTOCI and for the exposures arising from loan commitments and financial guarantee contracts. We measure ECL and recognize credit loss allowance at each reporting date. The following components have a major impact on credit loss allowance:

- segmentation of financial assets for the ECL assessment purposes;
- determination of a level of ECL assessment on an individual instrument basis or on a collective basis;
- definition of default applied by us;
- development and application of internal credit grading models, which assigns PDs to the individual credit risk grades;
- development and application of internal models used to estimate exposure at default ("EAD") for financial instruments and credit related commitments;
- assessment of loss given default ("LGD"), including the judgements made in valuation of collaterals;
- criteria for assessing if there has been a significant increase in credit risk;
- selection of forward-looking macroeconomic scenarios and their probability weightings.

The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions, and forecasts of future conditions.

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognized as a liability in the statement of financial position. For debt instruments at FVTOCI, changes in amortized cost, net of allowance for ECL, are recognized in profit or loss and other changes in carrying value are recognized in OCI as gains less losses on debt instruments at FVTOCI.

We apply a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Bank identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If we determine that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL.

As an exception, for certain financial instruments, such as credit cards, that may include both a loan and an undrawn commitment component, we measure expected credit losses over the period that we are exposed to credit risk, that is, until the expected credit losses would be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. This is because contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to such contractual notice period.

Financial liabilities

Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g., short positions in securities), contingent consideration recognized by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Income and expense recognition

Interest income and expense are recorded for all debt instruments other than those at FVTPL on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Interest income on debt instruments at FVTPL calculated at nominal interest rate is presented within "other similar income" line in profit or loss.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by us to originate loans at market interest rates are integral to the effective interest rate if it is probable that we will enter into a specific lending arrangement and do not expect to sell the resulting loan shortly after origination. We do not designate loan commitments as financial liabilities at FVTPL.

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

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

If the credit risk on the financial asset classified in Stage 3 subsequently improves so that the asset is no longer credit-impaired and the improvement can be related objectively to an event occurring after the asset had been determined as credit-impaired (i.e., the asset becomes cured), the asset is reclassified from stage 3 and the interest revenue is calculated by applying the EIR to the gross carrying amount. The additional interest income, which was previously not recognized in P&L due to the asset being in stage 3 but now expected to be received following the asset's curing, is recognized as a reversal of impairment.

Fee and commission income is recognized over time on a straight-line basis as the services is rendered, when the customer simultaneously receives and consumes the benefits provided by the Bank's performance. Such income includes recurring fees for account maintenance, account servicing fees, account subscription fees, premium service package fees or fees for servicing loans on behalf of third parties.

Variable fees are recognized only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income is recognized at a point in time when the Bank satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes fees for arranging a sale or purchase of foreign currencies on behalf of a customer, fees for processing payment transactions, fees for cash settlements, collection or cash disbursements.

Foreign currency translation

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the Bank of Mongolia, are recognized in profit or loss for the year (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.