Financial Statements and Independent Auditor's Report

KHAN BANK JSC

31 December 2024

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Independent Auditor's Report

To the Shareholders of Khan Bank JSC:

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Khan Bank JSC (the "Bank") as at 31 December 2024, and the Bank's financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2024;
- 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, comprising material accounting policy information 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	• Overall Bank materiality: Mongolian Tugriks ("MNT") 40,000,000 thousands, which represents approximately 5% of profit before tax.
Key audit matters	• Estimations of expected credit losses allowance for loans and advances to customers

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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 40,000,000 thousands
How we determined it	Approximately 5% of profit before tax for the year ended 31 December 2024
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Bank is most commonly measured by users and is a generally accepted benchmark. We set the materiality level at 5% of profit before tax which is consistent with quantitative materiality thresholds used for profit-oriented entities in this sector.

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
Assessment of expected credit loss (ECL) allowance for loans and advances to customers We considered ECL allowance for loans and advances to customers as a key audit matter due to the significance of the balance of loans and advances to customers and complexity of International Financial Reporting Standard 9 "Financial instruments" (IFRS 9), which requires significant judgement to determine the ECL allowance. The Bank performed ECL assessment: • on an individual basis for the following types of loans: (i) Loans with gross carrying value of above MNT 2,000,000 thousands and with more than 30 days past due or restructured; (ii) Loans included in "Watchlist" as per the Bank's internal grading; and • on a portfolio basis for all other loans: where the same credit risk parameters (e.g. probability of default, loss given default) were applied during the process of ECL calculations for the same homogeneous segments of the loan portfolio. Key areas of judgement included: • Classification of loans and advances to customers into stages in accordance with IFRS 9;	In assessing the ECL allowance we have performed, among others, the following audit procedures: With regards to the whole portfolio: • 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 including probability of default, loss given default, forward looking macroeconomic scenarios and their probability weighting and exposure at default. • We evaluated and tested the design and operational effectiveness of the controls on the processes that identify overdue loans on a sample basis. • We tested allocation of loans to stages and segmentation of loans on a sample basis. • On an overall basis we assessed the reasonableness of the Bank's incorporation of forward looking information on the ECL model, in particular, we assessed appropriateness of forecasted macroeconomic variables and associated weighting in multiple economic scenarios (such as GDP, policy rate, unemployment rate, changes in exchange rates and livestock loss rates for the herders' loan portfolio), traced input data to the external sources and checked appropriateness of the model used; • We performed analysis over ECL amounts disaggregated by stages and segmentation.

• Key estimates and modelling assumptions used to estimate key risk parameters – probability of default, loss given default, exposure at default, forward looking macroeconomic scenarios and their probability weighting. Note 4 "Critical Accounting Estimates and Judgements in Applying Accounting Policies", Note 12 "Loans and Advances to Customers" and Note 35 "Financial Risk Management" to the financial statements provide detailed information on the expected credit loss allowance.	For the loan portfolio individually assessed for ECL: • For those loans assessed individually on collateral basis, we assessed accuracy of collaterals valuations taken into account in the calculation of ECL on a sample basis. • For those loans assessed individually on cashflow basis, on a sample basis, we assessed reasonableness of the Bank's estimated recoveries from future cash flows from various scenarios and key assumptions. • We assessed the relevance of the scenarios used and their probability weightings, and reperformed calculation of the present value of the cash flows. In doing this, we also considered the overall economic outlook and the industries in which the Bank's borrowers operate in. For the loan portfolio collectively assessed for ECL: • We tested the reliability of historical data (probability of default and recovery rate) and data at measurement date (exposure at default and staging) used in the ECL calculation, on a sample basis. We tested the reliability of data by inspecting supporting documents, e.g. loan agreements, collateral agreements and loan account statements. • On a sample basis, we tested mathematical accuracy of the ECL calculation. We also assessed the adequacy and appropriateness of the disclosures in the Bank's financial statements.

Other information

Management is responsible for the other information. The other information comprises the Annual Report for the year ended 31 December 2024 (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 for the year ended 31 December 2024, 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 IFRS Accounting 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 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 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.

Approved by:	Signed by:
Aigul Akhmetova	Bayarmaa Davaa
Partner	Executive Director
PricewaterhouseCoopers Audit LLC	PricewaterhouseCoopers Audit LLC

10 March 2025

Ulaanbaatar, Mongolia

KHAN BANK JSC

GENERAL INFORMATION

BOARD OF DIRECTORS	Mrs. Daribum Tudev Mrs. Khulan Dashdavaa Mr. Harada Yasunari Mr. Baatarsaikhan Tsagaach Mr. Kisaburo Ishii Mr. John Law Mr. Amarsanaa Batbold Mr. Aart Jongejans Mr. Tamir Amarbayasgalan
CORPORATE SECRETARY	Ms. Yanjinlkham Vanchindorj
REGISTERED OFFICE	Khan Bank Tower Chingis Avenue 6, Stadium, Orgil -1, Khan–Uul district, Ulaanbaatar - 17010, Mongolia
AUDITORS	PricewaterhouseCoopers Audit LLC

ABBREVIATIONS

The following styles of abbreviations are used in these Financial Statements:

AC	Amortised Cost
BoM	Bank of Mongolia
ECL	Expected Credit Losses
EIR	Effective Interest Rate
EAD	Exposure at Default
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value through Profit or Loss
FV	Fair Value
IFRS	International Financial Reporting Standards
IBOR	Interbank Offered Rate
LGD	Loss Given Default
LTECL	Lifetime Expected Credit Loss
MIK	Mongolian Mortgage Corporation
MNT	Mongolian Tugriks
OCI	Other Comprehensive Income
PD	Probability of Default
POCI	Purchased or Originated Credit Impaired
RFR	Risk Free Rate
RMBS	Residential Mortgage-Backed Securities
ROU	Right-of-Use
ROA	Return on Assets
ROE	Return on Equity
SICR	Significant Increase in Credit Risk
SPPI	Solely Payments of Principal and Interest
SFC	Securities Financial Corporation
12mECL	12 Months Expected Credit Loss
MDB	Multilateral Development Bank
CCSwaps	Cross Currency Swaps
MSME	Micro, Small Medium Enterprise
SME	Small Medium Enterprise
MOF	Ministry of Finance

In thousands of MNT	Note	31 December 2024	31 December 2023
ASSETS			
Cash and cash equivalents	7	5,470,343,139	4,957,727,074
Mandatory reserves with the Bank of Mongolia	8	1,635,209,857	1,090,955,256
Due from other banks	9	7,004,654	13,728,242
Investments in debt securities	10	1,270,284,125	1,602,635,724
Investments in equity securities	10	4,509,664	4,970,548
Derivative financial instruments	11	29,950,355	47,260,829
Loans and advances to customers	12	11,195,929,984	9,016,974,855
Investments in associates		168,976	283,589
Other assets	13	180,965,856	107,703,252
Intangible assets	15	34,377,217	43,529,294
Right-of-use assets	16	14,096,706	12,115,097
Properties and equipment	14	459,469,587	452,369,173
Non-current assets classified as held for sale		414,488	389,140
TOTAL ASSETS		**20,302,724,608**	**17,350,642,073**
LIABILITIES			
Due to other banks	17	88,910,731	228,123,208
Repurchase agreements	18	87,791,865	60,182,082
Customer accounts	19	14,202,469,957	12,378,271,995
Derivative financial instruments	11	-	5,698,552
Debt securities in issue	20	758,617,294	223,998,582
Other borrowed funds	21	2,485,410,252	2,121,721,870
Current income tax liabilities	30	8,915,881	27,366,766
Deferred income tax liabilities	30	10,898,887	8,855,501
Lease liabilities	16	15,219,265	13,036,341
Other liabilities	22	179,832,227	191,651,815
TOTAL LIABILITIES		**17,838,066,359**	**15,258,906,712**
EQUITY			
Ordinary shares	23	191,219,800	191,219,800
Share premium	23	164,257,808	164,257,808
Retained earnings		2,018,390,804	1,649,038,593
Other reserves	23	90,789,837	87,219,160
TOTAL EQUITY		**2,464,658,249**	**2,091,735,361**
TOTAL LIABILITIES AND EQUITY		**20,302,724,608**	**17,350,642,073**

Approved for issue and signed on behalf of the Bank's management on the 10th of March 2025.

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DARIBUM T.
Chairperson, Board of Directors

MUNKHTUYA R.
Chief Executive Officer

ULZII-AYUSH SH.
Executive Vice President of Finance

BAASANTSEE N.
Head, Financial Management Department

The notes set out on pages 8 to 98 form an integral part of these financial statements.

In thousands of MNT	Note	2024	2023
Interest income calculated using the effective interest method	**24**	2,377,864,779	1,864,815,193
Other similar interest income	**24**	46,615,805	43,414,439
Interest expense	**25**	(1,124,484,248)	(804,766,104)
Other similar interest expense	**25**	(40,328,027)	(16,042,582)
Net margin on interest and similar income		**1,259,668,309**	**1,087,420,946**
Credit loss allowance	**28**	(118,630,102)	(92,761,247)
Net margin on interest and similar income after credit loss allowance		**1,141,038,207**	**994,659,699**
Fee and commission income	**26**	302,874,458	281,634,353
Fee and commission expense	**26**	(72,185,651)	(59,690,761)
Losses less gains from financial derivatives	**27**	(590,113)	(12,604,013)
Gains less losses from trading in foreign currencies		32,034,569	30,272,682
Foreign exchange translation net (losses)/gains		(2,050,213)	1,429,362
Gains less losses from debt securities at FVOCI		2,449,196	1,746,029
Gains less losses from debt securities at AC		-	1,133,461
Gains less losses from debt securities at FVTPL		-	1,010,247
Net gains from modification of financial assets at AC		3,650,890	5,426,968
Other operating income		6,650,412	3,063,375
Operating expenses	**29**	(582,553,152)	(502,737,833)
Other losses, net		(1,387,119)	(2,585,247)
Profit before tax		**829,931,484**	**742,758,322**
Income tax expense	**30**	(191,417,028)	(183,975,449)
Profit for the period		**638,514,456**	**558,782,873**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Investments in debt securities at FVOCI:			
Net gains on revaluation		7,261,054	10,956,422
Net gains reclassified to profit or loss upon disposal		(2,449,196)	(1,746,029)
Cash flow hedge reserve		2,881,367	10,253,377
Income tax recorded directly in OCI		(1,923,306)	(4,865,942)
Items that will not be reclassified to profit or loss:			
Net (losses)/gains on investments in equity securities at FVOCI		(460,885)	415,356
Income tax recorded directly in OCI		115,221	(103,839)
Other comprehensive income for the year		**5,424,255**	**14,909,345**
Total comprehensive income for the year		**643,938,711**	**573,692,218**
Earnings per share for profit attributable to the owners of the Bank, basic and diluted (expressed in MNT per share)	**31**	**334**	**307**

The notes set out on pages 8 to 98 form an integral part of these financial statements.

In thousands of MNT	**Ordinary shares**	**Share premium**	**Revaluation reserve on investments at FVOCI**	**Cash flow hedge reserve**	**Revaluation reserve for premises**	**Retained earnings**	**Total equity**
At 1 January 2023	**172,097,820**	–	**(3,452,623)**	**(10,420,015)**	**88,384,098**	**1,268,756,786**	**1,515,366,066**
Profit for the year	–	–	–	–	–	558,782,873	**558,782,873**
Other comprehensive income	–	–	7,219,312	7,690,033	–	–	**14,909,345**
Total comprehensive income	–	–	**7,219,312**	**7,690,033**	–	**558,782,873**	**573,692,218**
Changes in equity (Note 23)	19,121,980	164,257,808	–	–	–	–	**183,379,788**
Dividends (Note 23)	–	–	–	–	–	(180,702,711)	**(180,702,711)**
Realised revaluation reserve	–	–	–	–	(2,201,645)	2,201,645	–
At 31 December 2023	**191,219,800**	**164,257,808**	**3,766,689**	**(2,729,982)**	**86,182,453**	**1,649,038,593**	**2,091,735,361**
At 1 January 2024	**191,219,800**	**164,257,808**	**3,766,689**	**(2,729,982)**	**86,182,453**	**1,649,038,593**	**2,091,735,361**
Profit for the year	–	–	–	–	–	638,514,456	**638,514,456**
Other comprehensive income	–	–	3,263,230	2,161,025	–	–	**5,424,255**
Total comprehensive income	–	–	**3,263,230**	**2,161,025**	–	**638,514,456**	**643,938,711**
Dividends (Note 23)	–	–	–	–	–	(271,015,823)	**(271,015,823)**
Realised revaluation reserve	–	–	–	–	(1,853,578)	1,853,578	–
At 31 December 2024	**191,219,800**	**164,257,808**	**7,029,919**	**(568,957)**	**84,328,875**	**2,018,390,804**	**2,464,658,249**

In thousands of MNT	Note	2024	2023
Cash flows from operating activities			
Profit before tax		829,931,484	742,758,322
Adjustments to reconcile profit before tax to net cash flow:			
Changes in fair value of financial derivatives	**27**	590,113	12,604,013
Expected credit loss (ECL) expense	**28**	118,630,102	92,761,247
Net (reversal)/charge impairment for repossessed collaterals		(1,296,402)	4,228,559
Depreciation of property and equipment	**29,14**	59,253,010	55,676,503
Amortisation of intangible assets	**29,15**	14,947,797	18,292,815
Depreciation of rights of use assets	**29,16**	9,834,378	8,438,579
Property and equipment written-off	**14**	405,571	988,660
Intangible asset written-off	**15**	2,027,815	-
Net losses/(gains) from disposal of property and equipment		7,986	(514,314)
Gains less losses from disposal of financial assets at FVOCI		(2,449,196)	(1,746,029)
Net losses from disposal of associate		27,851	-
Gains less losses from disposal of debt securities at AC		-	(1,133,461)
Gains less losses from debt securities at FVTPL		-	(1,010,247)
Net gains from modification of financial assets at AC		(3,650,890)	(5,426,968)
Net losses/(gains) from foreign exchange translation		2,050,213	(1,429,362)
Interest and similar income	**24**	(2,424,480,584)	(1,908,229,632)
Interest and similar expense	**25**	1,164,812,275	820,808,686
Cash flow used in operating activities before changes in operating assets and liabilities		**(229,358,477)**	**(162,932,629)**
Net (increase)/decrease in:			
- mandatory reserves with the BoM		(559,315,826)	(120,508,368)
- loans and advances to customers		(2,328,550,360)	(1,994,603,698)
- due from other banks		6,519,999	(13,300,000)
- other assets		(93,298,564)	(37,972,735)
- debt securities at FVTPL		99,511,200	204,952,000
Net increase/(decrease) in:			
- due to other banks		(139,081,070)	36,721,366
- customer accounts		1,759,431,901	1,378,733,751
- other liabilities		(18,854,658)	38,840,691
Net cash used in operating activities before tax and interest		**(1,502,995,855)**	**(670,069,622)**
Interest received		2,398,608,437	1,884,182,577
Interest paid		(1,080,973,866)	(630,826,313)
Income tax paid	**30.3**	(209,632,612)	(161,390,205)
Net cash (used in)/from operating activities		**(394,993,896)**	**421,896,437**
Cash flows from investing activities			
Acquisition of equity securities		-	(288,011)
Proceeds from disposal of associate		86,762	-
Acquisition of debt securities at FVOCI	**10**	(528,452,263)	(76,036,641)
Proceeds from disposal of debt securities at FVOCI	**10**	265,605,748	146,547,043
Acquisition of debt securities at AC	**10**	(124,917,514)	(745,055,624)
Proceeds from redemption of debt securities at AC	**10**	731,545,294	682,276,387
Proceeds from disposal of property and equipment		394,254	712,739
Acquisition of properties and equipment	**14**	(66,837,683)	(53,739,014)
Acquisition of intangible assets	**15**	(7,823,535)	(15,536,085)
Net cash from/(used in) investing activities		**269,601,063**	**(61,119,206)**

The notes set out on pages 8 to 98 form an integral part of these financial statements.

In thousands of MNT	**Notes**	**2024**	**2023**
Cash flows from financing activities			
Proceeds from repo agreements	**32**	839,494,046	958,913,403
Repayment of repo agreements	**32**	(811,873,401)	(1,271,488,927)
Proceeds from drawdown of other borrowed funds	**32**	894,136,139	957,358,478
Repayment of other borrowed funds	**32**	(535,069,802)	(616,157,388)
Proceed from debt securities issued	**32**	526,865,000	226,762,400
Repayment of principal portion of lease liabilities	**32**	(9,437,574)	(8,410,670)
Issue of ordinary shares and share premium	**23**	-	183,379,788
Dividend paid	**23**	(271,015,823)	(180,702,711)
Net cash from financing activities		**633,098,585**	**249,654,373**
Effect of exchange rate changes on cash and cash equivalents		5,669,549	(27,272,253)
Effect of changes in expected credit losses on cash and cash equivalents	**7**	(759,236)	1,155,522
Net increase in cash and cash equivalents		**512,616,065**	**584,314,873**
Cash and cash equivalents at the beginning of the year	**7**	4,957,727,074	4,373,412,201
Cash and cash equivalents at the end of the year	**7**	**5,470,343,139**	**4,957,727,074**

1. Introduction

KHAN Bank JSC (the "Bank") is engaged in the business of providing banking and financial services pursuant to License No. 2 issued by the Bank of Mongolia ("BoM") on 22 November 2006. In accordance with the effective Charter of the Bank, the Bank's principal activities include:

- Monetary deposits,
- payment and settlement services;
- issuing bank guarantees and warranties to third parties in its own name;
- purchase, sale, deposit and placing of foreign currencies;
- purchase, sale, deposit and placing of precious metals and stones;
- safekeeping of valuables;
- conducting foreign remittance services;
- issuance, purchase and sale of securities;
- financial leasing;
- sale and purchase of loans and other financial instruments;
- insurance intermediary (sales agent) services;
- specific securities registration;
- securities custodian;
- factoring services; and
- other financial services permitted by the applicable laws and regulations, including regulations of the BOM, and duly authorized by the BOM and/or the FRC.

The Bank was incorporated and is domiciled in Mongolia. The Bank is a joint stock company, listed on Mongolian Stock Exchange. Its registered office is at Khan Bank Tower, Chinggis Avenue 6, Stadium Orgil -1, Khan-Uul district, Ulaanbaatar - 17010, Mongolia.

The main shareholder of the Bank is HS Holdings Co., Ltd, listed on Tokyo stock exchange as of 31 December 2024 and 31 December 2023. Tavan Bogd Holdings Co., Ltd is the only other significant shareholder holding more than 20% of issued shares of the Bank as of 31 December 2024 and 31 December 2023. Please refer to Note 23.

2. Operating environment of the Bank

Mongolia displays many characteristics of an emerging market including relatively high inflation and interest rates. The export of raw materials from the mining sector is the mainstay of the economy due to its mineral resources, including coal and copper, and its low level of industrialization. After growing close to 6 percent on average between 2017 and 2019, the Mongolian economy contracted amid the adverse impact of the COVID-19 pandemic, posting 4.6% economic decline in 2020 and then has experienced slight recovery since 2021. The GDP growth in 2024 was 5.6% (2023: 6.9%), which was driven by increased exports of the mining sector, supported by windfall commodity revenues. The severe weather early in the year faced by the agricultural sector negatively impacted economic growth.

On 18 September 2024, Fitch's credit rating for Mongolia was upgraded to "B+" with stable outlook. On 4 October 2024, Standard & Poor's credit rating upgraded Mongolia's credit rating to "B+" with a long-term positive outlook. On 18 November 2024, Moody's credit rating for Mongolia was upgraded to "B2" stable outlook.

The Bank of Mongolia has changed policy rate 3 times, decreased from 13% to 10% during 2024 (31 December 2024: 10% and 31 December 2023: 13%).

The inflation rate increased from 7.9% as at the end of the year 2023 to 9.0% as of the end of the year 2024. Increase in electricity prices as well as increase in service, rent, import good prices due to economic recovery were the main triggers for the growth. Also, with the Russian-Ukrainian conflict continuing the Bank resumed taking necessary measures to minimize its exposure at Russian banks and the Russian economy and regularly updates its sanctions list and screening system.

For the purpose of measurement of expected credit losses ("ECL") the Bank uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Notes 4 and 35 provide more information of how the Bank incorporated forward-looking information in the ECL models.

3. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB (“IFRS Accounting Standards”).
These financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments at fair value, and by the revaluation of premises and equipment, financial instruments categorised at fair value through profit or loss (“FVTPL”) and at fair value through other comprehensive income (“FVOCI”). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

These financial statements are presented in Mongolian Tugrik (MNT), which is the functional currency of the Bank and all values are rounded to the nearest thousands, except when otherwise indicated.

Presentation of statement of financial position in order of liquidity. The Bank does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. Refer to Note 35 for analysis of financial instruments by their maturity. Refer to Note 39 for information on amounts expected to be recovered or settled before and after twelve months after the reporting period for items that are not analysed in Note 35.

Amendments of the financial statements after issue. The Bank’s shareholders and management have the power to amend the financial statements after issue.

4. Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The preparation of the Bank’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank’s accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.
Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank’s control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

4.1. Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.
The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Bank’s assessment.
The business model assessment is based on reasonably expected scenarios without taking 'worst case' or ‘stress case’ scenarios into account. If cash flows after initial recognition are realized in a way that is different from the

Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Bank identified approximately 53% (31 December 2023: 26%) of debt securities as a liquidity portfolio and classified as held to collect and sell, while the rest of the debt securities is classified as held to collect on maturity based on the assumption that these securities would only be sold in a stress case scenario.

The Bank concluded that all types of loans, except for mortgage loan portfolio to be sold to Mongolian Mortgage Corporation LLC (“MIK HFC LLC”) and SME loan portfolio to be sold to Security Financing Corporation LLC (“SFC LLC”) which are classified as loans at FVTPL, meet the criteria for hold to collect business model.

4. Critical Accounting Estimates, and Judgments in Applying Accounting Policies (Continued)

4.2. Assessment whether cash flows are solely payments of principal and interest (SPPI)

As a second step of its classification process the Bank assesses the contractual terms of financial instruments to identify whether they meet the SPPI test. ‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

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

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

The instruments that failed the SPPI test are measured at FVTPL, and it is related to financial instruments under Mortgage lending program and repurchase agreement as part of government program.

4.3. Significant increase in credit risk (SICR)

In order to determine whether there has been a significant increase in credit risk, the Bank compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Bank considers all reasonable and supportable forward-looking information available without undue cost and effort, which includes a range of factors, including behavioral aspects of particular customer portfolios.

The Bank identifies behavioral indicators of increases in credit risk prior to delinquency and incorporated appropriate forward-looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level. In order to determine the SICR, the management considers certain criteria based on its judgment. SICR criteria are:

- 30 days past due for corporate loans, 15 days past due for individual loans
- Restructured loan
- Loans classified as “Special mention” based on the Bank of Mongolia’s Regulation on asset classification, provisioning and its disbursements.
- Loans classified as “Watch list” according to the Credit risk prevention procedure.
- Economic sector that is considered to sector or regional concentration risk
- If the borrower’s other loan gets defaulted or, for certain cases, met the SICR criteria above.

Should ECL on all loans and advances to customers be measured at lifetime ECL (that is, including those that are currently in Stage 1 measured at 12-months ECL), the expected credit loss allowance would be higher by MNT 119,871,582 thousands as of 31 December 2024 (31 December 2023: higher by MNT 107,504,484 thousands).

4.4. ECL measurement

Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. The following components have major impact on credit loss allowance (Note 35):

- business model and segmentation of financial assets for the ECL purposes;
- assessment of SICR;
- default definition;
- ECL assessment on individual or collective basis;
- internal credit grading models;
- probability of default (“PD”)
- assessment of loss given default (“LGD”);
- forward-looking macroeconomic scenarios and their probability weightings.

The Bank used supportable forward-looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model. The most significant forward-looking assumptions that correlate with ECL level and their assigned weights were as follows at 31 December 2024:

4. Critical Accounting Estimates, and Judgments in Applying Accounting Policies (Continued)

4.4 ECL measurement (Continued)

Variable	Scenario	Assigned weight	Assumptions
GDP growth	Optimistic	25.7%	9.6%
	Base	54.3%	6.5%
	Severe	20.0%	3.6%
Policy rate	Optimistic	25.7%	6.1%
	Base	54.3%	8.2%
	Severe	20.0%	10.1%
Unemployment rate	Optimistic	25.7%	3.5%
	Base	54.3%	5.4%
	Severe	20.0%	7.2%
MNT/USD YoY growth	Optimistic	25.7%	-6.5%
	Base	54.3%	3.4%
	Severe	20.0%	9.9%

As a result of the changes in assigned weight the ECL decreased by MNT 639,865 thousand as of 31 December 2024 (31 December 2023: "nil").

In recent years, the increasing frequency of extreme weather events has heightened the risk of dzuds (severe winter conditions) in winter and spring. The harsh winter condition is forecasted to increase in the future due to climate change. The Bank expects significant negative impact on herders' ability to repay their loans and estimated a separate forward-looking information for the herders' loan portfolio under agricultural segment.

The following assumptions were used in herder loans included in agricultural segment as at 31 December 2024:

Variable	Scenario	Assigned weight	Assumptions
Livestock mortality rate	Optimistic	7.7%	4.5%
	Base	46.2%	12.5%
	Severe	46.1%	31.5%

A change in the weight assigned to base forward looking macro-economic set of assumptions on herders' loan portfolio by 10% towards the immediate downside level assumptions would result in an increase in ECL by MNT 8,673,259 thousands at 31 December 2024.

In addition, the management of the Bank has assessed that there is an increased credit risk for herder's loan portfolio of total MNT 354,517,851 thousands based on its region where the dzud had significant impact, thus the Bank has classified such portfolio into Stage 2. The Bank believes that historical PD no longer represents probability of default for current herder's loan portfolio and adjusted the historical PD rate based on the correlation between historical livestock mortality rate and carrying amount of historical non-performing loans. As a result, a higher PD with impact of MNT 50,053,567 thousands (2023: MNT 27,677,164 thousands) was applied to calculate the expected credit loss (ECL) for herder's loan portfolio for certain regions as of 31 December 2024.

A 10% increase in above mentioned PD estimates would result in an increase in credit loss allowances of MNT 8,844,891 thousands at 31 December 2024 for herder loan portfolio.

A 10% increase in LGD estimates would result in an increase in credit loss allowances of MNT 9,419,713 thousands at 31 December 2024 for herder loan portfolio.

The assumptions and assigned weights were as follows at 31 December 2023:

Variable	Scenario	Assigned weight	Assumptions
GDP growth	Optimistic	22.3%	9.1%
	Base	58.5%	5.9%
	Severe	19.2%	2.7%
Policy rate	Optimistic	22.3%	9.0%
	Base	58.5%	11.5%
	Severe	19.2%	14.0%
Unemployment rate	Optimistic	22.3%	5.4%
	Base	58.5%	7.1%
	Severe	19.2%	8.8%
MNT/USD YoY growth	Optimistic	22.3%	-5.1%
	Base	58.5%	4.7%
	Severe	19.2%	14.5%

4. Critical Accounting Estimates, and Judgments in Applying Accounting Policies (Continued)

4.4 ECL measurement (Continued)

A change in the weight assigned to base forward looking macro-economic set of assumptions by 10% towards the immediate downside level assumptions would result in an increase in ECL by MNT 727,313 thousands at 31 December 2024 (31 December 2023: by MNT 1,378,598 thousands).

A 10% increase in PD estimates would result in an increase in total expected credit loss allowances of MNT 12,492,931 thousands at 31 December 2024 (31 December 2023: increase of MNT 14,476,957 thousands).

A 10% increase in LGD estimates would result in an increase in total expected credit loss allowances of MNT 32,008,361 thousands at 31 December 2024 (31 December 2023: increase of MNT 33,465,881 thousands).

4.5. Borrowing from government organizations, central bank and international financial institutions

The Bank obtains long term financing from Mongolian government organizations (some of which relate to the programs with involvement of international financial institutions) at interest rates at which they ordinarily lend and which may be lower than rates at which the Bank could source the funds from other lenders. As a result of such financing, the Bank is able to advance funds to target customers as determined by its lenders, at advantageous rates. Management has considered whether gains or losses should arise on initial recognition of such instruments. As the transactions are with unrelated parties, management's judgment is that these funds and the related lending are at market rates and no initial recognition gains or losses should arise.

4.6. Mongolian Mortgage Corporation LLC (MIK) securitisation transaction

The Bank participates in MIK securitisation program since 2013. Under the program, MIK-SPCs, wholly owned by MIK HFC LLC, purchases Mortgage loan portfolio from commercial banks for which they issue Junior RMBS and Senior RMBS. The loans have been purchased by MIK-SPCs on non-recourse basis. The principal of 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. The Bank has been appointed as the servicer of the respective loans sold and receives a service fee of 2.5% on amount collected for performing this service.

Management considered whether these loans have met the de-recognition criteria set out in IFRS Accounting Standards. Management's judgement is that although the Bank receives cash from the loan portfolio as an agent, the Bank has transferred its right to receive the cash flows from these Mortgage Assets and that substantially all the risks and rewards have been transferred and therefore does not recognise these loans on its balance sheet.

4.7. Fair value of long-term derivatives

The Bank entered into a long-term cross currency interest rate SWAP arrangement with the Bank of Mongolia. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The Bank developed a valuation model for assessing a fair value of such swap instruments. The model is based on observable market data. As a market USD forward interest rate, the Bank uses USD forward yield curve constructed by Bloomberg terminal. Due to the lack of forward MNT yield curve on the market, for the MNT forward interest rate, the Bank uses interest rate published by the Bank of Mongolia.

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

4.8. Hedge accounting

The Bank has started applying hedge accounting from 1 May 2016 and started to apply IFRS 9 for its hedge accounting since 1 January 2018.

In order to qualify for hedge accounting, a hedging relationship must be expected to be highly effective on a prospective basis and it needs to be demonstrated that it was highly effective in the previous designated period (i.e., one month).

The Bank uses both qualitative and quantitative methods to assess effectiveness of the hedge. In the hedge documentation, the management defined that the hedge ineffectiveness can arise from:

4. Critical Accounting Estimates, and Judgments in Applying Accounting Policies (Continued)

4.8. Hedge accounting (continued)

- The timing difference of the cash flows of the hedging instrument and the hedged item;
- The counterparty's credit risk impact on the fair values; and
- Difference between agreed forward exchange rate and market forward exchange rate as of hedge accounting inception date.

4.9 Performance guarantees

The Bank analysed the issued performance guarantee contracts to assess whether they would meet the definition of insurance contracts in the scope of IFRS 17. The Bank has concluded that all of its performance guarantee contracts expose the Bank solely to credit risk of the applicant because (i) all the contracts require the customers who apply for a guarantee to fully collateralize their obligations to indemnify the Bank as the issuer and (ii) there are no scenarios with commercial substance where the Bank would have to pay significant additional amounts to the holders of such guarantees. Accordingly, the Bank accounts for these contracts as loan commitments in accordance with IFRS 9. The gross amount of the performance guarantees issued and accounted for as loan commitments is MNT 85,163,613 thousands (31 December 2023: MNT 76,168,690 thousands) and the carrying value of the related liability recognised in the statement of financial position is MNT 293,696 thousands at 31 December 2024 (31 December 2023: MNT 437,229 thousands). The fee income recognised for these performance guarantees was MNT 172,901 thousands for the year ended 31 December 2024 (2023: MNT 150,213 thousands).

5. Adoption of New or Revised Standards and Interpretations

The following amendments became effective from 1 January 2024:

- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).
- Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024).
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024).

The application of the amendments had no significant impact on the Bank's financial statements.

6. New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2025 or later, and which the Bank has not early adopted.

- Amendments to IAS 21 Lack of Exchangeability (Issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025).
- Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 (issued on 30 May 2024 and effective for annual periods beginning on or after 1 January 2026).
- IFRS 18 Presentation and Disclosure in Financial Statements (Issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027).
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (Issued on 9 May 2024 and effective for annual periods beginning on or after 1 January 2027).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB
- Contracts Referencing Nature-dependent Electricity Amendments to IFRS 9 and IFRS 7 (Issued on 18 December 2024 and effective from 1 January 2026).
- Annual Improvements to IFRS Accounting Standards (Issued in July 2024 and effective from 1 January 2026).
- IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016).

Unless otherwise described above, the Bank is currently assessing the impact of the amendments on its financial statements.

7. Cash and cash equivalents

In thousands of MNT	31 December 2024	31 December 2023
Cash on hand	169,843,089	201,506,285
Current account with BoM	358,986,761	218,195,709
BoM treasury bills	4,341,204,093	3,065,853,012
Due from banks - less than three months	602,198,089	1,439,240,653
Government bonds	-	34,061,072
Total carrying amount of cash and cash equivalents	**5,472,232,032**	**4,958,856,731**
Less: Credit loss allowance on cash and cash equivalents	(1,888,893)	(1,129,657)
Net cash and cash equivalents	**5,470,343,139**	**4,957,727,074**

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all interbank placements and reverse sale and repurchase agreements with other banks with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents, both in the statement of financial position and for the purposes of the statement of cash flows. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

The payments or receipts presented in the statement of cash flows represent transfers of cash and cash equivalents by the Bank, including amounts charged or credited to current accounts of the Bank's counterparties held with the Bank, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

As of 31 December 2024, the Bank had current accounts held with three non-sanctioned Russian banks in amount of MNT 131,607 thousands (31 December 2023: MNT 150,845 thousands), which the Bank assessed to have significant increase in the credit risk and therefore classified them in Stage 2 and provided lifetime ECL in amount of MNT 104,956 thousands (31 December 2023: MNT 122,788 thousands). Remaining cash and cash equivalent balances are classified in Stage 1.

Repurchase agreements are collateralized by BoM treasury bills in the amount of MNT 84,840,000 thousands as of 31 December 2024 (31 December 2023: MNT 29,009,000 thousands). The pledgee does not have right to repledge or sell those treasury bills. Remaining cash and cash equivalents, including the balances with the central bank (other than mandatory reserve) are not collateralised.

Impairment allowance for cash and cash equivalents excluding cash on hand

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. The Bank uses S&P's annual global corporate and sovereign default and rating transition study in the impairment valuation of non-credit financial assets and uses speculative grade rates for the non-rated corporate. Details of the Bank's internal grading system and policies about whether ECL allowances are calculated on an individual or collective basis are set out in Note 35:

Internal rating grade as at 31 December 2024:

In thousands of MNT	Current account with BoM	BoM treasury bills	Due from banks - less than three months	Total
AA– to AA+ rating	-	-	74,075,463	74,075,463
A– to A+ rated	-	-	254,620,194	254,620,194
BBB– to BBB+ rated	-	-	7,388,005	7,388,005
BB– to BB+ rated	-	-	5,590,559	5,590,559
B– to B+ rated	358,986,761	4,341,204,093	244,296,045	4,944,486,899
C to CCC+ rated	-	-	131,607	131,607
Not rated	-	-	16,096,216	16,096,216
Total	**358,986,761**	**4,341,204,093**	**602,198,089**	**5,302,388,943**

7. Cash and cash equivalents (Continued)

Internal rating grade as at 31 December 2023:

In thousands of MNT	Current account with BoM	BoM treasury bills	Due from banks - less than three months	Government bonds	Total
AA– to AA+ rating	-	-	59,174,044	34,061,072	93,235,116
A– to A+ rated	-	-	275,007,447	-	275,007,447
BBB– to BBB+ rated	-	-	1,897,000	-	1,897,000
BB– to BB+ rated	-	-	6,044,979	-	6,044,979
B– to B+ rated	218,195,709	3,065,853,012	1,063,309,391	-	4,347,358,112
C to CCC+ rated	-	-	150,845	-	150,845
Not rated	-	-	33,656,947	-	33,656,947
Total	**218,195,709**	**3,065,853,012**	**1,439,240,653**	**34,061,072**	**4,757,350,446**

Investing transactions that did not require the use of cash and cash equivalents, and were excluded from the statement of cash flows are as follows:

In thousands of MNT	2024	2023
Non-cash investing activities		
Acquisition of debt securities at FVOCI in exchange for securities	-	54,548,914
Proceeds from disposal of debt securities at FVOCI in the form of securities	-	(105,893,362)
Acquisition of debt securities at AC in exchange for securities	-	182,449,522
Proceeds from disposal of debt securities at AC in the form of securities	-	(128,293,346)
Acquisition of debt securities at AC in exchange for loans	-	41,467,200
Non-cash investing activities	**-**	**44,278,928**

8. Mandatory reserves with the Bank of Mongolia

In thousands of MNT	31 December 2024	31 December 2023
Mandatory reserves with the BoM	1,652,362,155	1,103,720,018
Less: Credit loss allowance on mandatory reserves with the BoM	(17,152,298)	(12,764,762)
Net mandatory reserves	**1,635,209,857**	**1,090,955,256**

Mandatory cash balances with the BoM are carried at AC and represent non-interest bearing mandatory reserve deposits, which are not available to finance the Bank's day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows.

The mandatory reserve held with the BoM are determined at not less than 11% (2023:8.0%) of deposits in local currency and 16% (2023:18.0%) of deposits in foreign currency based on average balance of two (2) weeks.

As at 31 December 2024, the average reserves required by BoM for that period of 2 weeks were MNT 1,369,228,046 thousands (2023: MNT 738,212,966 thousands) for local currency and MNT 283,134,109 thousands for foreign currency (2023: MNT 365,507,052 thousands) maintained on current accounts with BoM.

The credit quality of mandatory reserves with the Bank of Mongolia based on the Bank's internal credit rating system is in the range of "B- to B+ rated" as at 31 December 2024 and 31 December 2023. Details of the Bank's internal grading system and policies about whether ECL allowances are calculated on an individual or collective basis are set out in Note 35. For the purpose of ECL measurement, mandatory reserves with the Bank of Mongolia are included in Stage 1 as of 31 December 2024 and 31 December 2023.

8. Mandatory reserves with the Bank of Mongolia (Continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowance as at 31 December 2024 and 31 December 2023 is, as follows:

In thousands of MNT	2024 Stage 1	2023 Stage 1
Gross carrying amount as at 1 January	**1,103,720,018**	**980,607,485**
Net movement during the year	548,642,137	123,112,533
At 31 December	**1,652,362,155**	**1,103,720,018**
ECL allowance as at 1 January	**12,764,762**	**11,502,658**
Net charge for the year (Note 28)	4,387,536	1,262,104
At 31 December	**17,152,298**	**12,764,762**

9. Due from other banks

In thousands of MNT	31 December 2024	31 December 2023
Placement with foreign banks and financial institutions	7,005,328	13,728,242
Total carrying amount of due from other banks	**7,005,328**	**13,728,242**
Less: Credit loss allowance on due from other banks	(674)	-
Net due from other banks	**7,004,654**	**13,728,242**

Amounts due from other banks are recorded when the Bank advances money to counterparty banks. Amounts due from other banks are carried at AC when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

The credit quality of due from banks based on the Bank's internal credit rating system is "AAA rated" as at 31 December 2024 and 31 December 2023.

10. Financial investments

In thousands of MNT	31 December 2024	31 December 2023
Debt securities at AC	600,182,758	1,185,802,247
Debt securities at FVOCI	339,993,364	77,090,484
Debt securities measured at FVTPL	330,108,003	339,742,993
Total debt securities	**1,270,284,125**	**1,602,635,724**
Equity securities measured at FVOCI	4,509,664	4,970,548
Total equity securities	**4,509,664**	**4,970,548**
Total financial investments	**1,274,793,789**	**1,607,606,272**

Investments in debt securities. Based on the business model and the cash flow characteristics, the Bank classifies investments in debt securities as carried at AC, FVOCI or FVTPL. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

10. Financial investments (Continued)

Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Bank may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

Debt securities represent Government bonds, BoM treasury bills, senior and junior RMBSs, SFC bonds, Corporate bonds and Municipal bonds.

Government bonds, listed on international markets are measured either at FVOCI or AC following the business model of the financial assets.

Municipal bonds, listed on domestic market are measured at FVOCI following the business model of the financial assets.

BoM treasury bills, unquoted securities are measured at AC and these are interest-bearing long-term securities issued by the Government.

Corporate bonds, unquoted and quoted securities institutions are measured at AC.

Senior bonds include senior RMBS issued by MIK, measured at FVTPL and senior bond issued by SFC, measured at AC. Senior RMBSs are interest bearing long-term securities issued by MIK and are required to be sold to BoM and Ministry of Finance of Mongolia as repayment for the mortgage funding which was issued to commercial banks for financing subsidised mortgage loans.

Junior bonds include junior RMBS issued by MIK and junior bond issued by SFC. Junior RMBS are interest-bearing long-term securities issued by MIK which per the Securities Law of Mongolia, are required to be held by commercial banks for at least 3 years.

The increase in debt securities measured at FVOCI in 2024 relates to the investments in Municipal bond, while the decrease in Debt securities at AC relates to the redemption of investment in Government bonds and BOM treasury bills measured at AC.

The table below discloses investments in debt securities at 31 December 2024 by measurement categories and classes:

In thousands of MNT	**Debt securities measured at FVTPL**	**Debt securities at FVOCI**	**Debt securities at AC**	**Total**
Government bonds	-	116,498,559	476,353,207	592,851,766
Municipal bonds	-	231,981,411	-	231,981,411
Senior bonds	136,364,285	-	11,884,077	148,248,363
Junior bonds	193,743,718	-	-	193,743,718
Corporate bonds	-	-	123,892,958	123,892,958
Total gross carrying amount	**330,108,003**	**348,479,970**	**612,130,242**	**1,290,718,215**
Less: credit loss allowance	-	(8,486,606)	(11,947,484)	(20,434,090)
Carrying value (fair value)	**330,108,003**	**339,993,364**	**600,182,758**	**1,270,284,125**

10. Financial investments (Continued)

The table below discloses investments in debt securities at 31 December 2023 by measurement categories and classes:

In thousands of MNT	Debt securities measured at FVTPL	Debt securities at FVOCI	Debt securities at AC	Total
Government bonds	-	78,595,711	610,714,371	**689,310,082**
BoM treasury bills	-		455,485,593	**455,485,593**
Senior bonds	138,952,185	-	39,895,361	**178,847,546**
Junior bonds	200,790,808	-	-	**200,790,808**
Corporate bonds	-	-	92,647,779	**92,647,779**
Total gross carrying amount	**339,742,993**	**78,595,711**	**1,198,743,104**	**1,617,081,808**
Less: credit loss allowance	-	(1,505,227)	(12,940,857)	(14,446,084)
Carrying value (fair value)	**339,742,993**	**77,090,484**	**1,185,802,247**	**1,602,635,724**

Movements in the credit loss allowance and in the gross carrying amount of debt instruments measured at FVOCI and debt instruments at AC.

In thousands of MNT	Debt securities measured at FVOCI	Debt securities at AC
Gross carrying amount at 1 January 2024	**78,595,711**	**1,198,743,104**
Purchase/Addition	528,452,263	124,917,514
Matured/repaid financial investments	(265,605,748)	(731,545,294)
Changes in accrued interest	1,069,087	20,208,878
Foreign exchange difference	1,156,799	(193,960)
Increase in fair value	4,811,858	-
At 31 December 2024	**348,479,970**	**612,130,242**
ECL allowance at 1 January 2024	**1,505,227**	**12,940,857**
Purchase of new investments	12,810,219	3,608,988
Changes to input used for ECL calculation	(985,314)	(2,645,310)
Recoveries/matured/repaid	(4,843,526)	(1,957,051)
Net charge/(reversal) for the period (Note 28)	6,981,379	(993,373)
At 31 December 2024	**8,486,606**	**11,947,484**
At 31 December 2024	**339,993,364**	**600,182,758**

10. Financial investments (Continued)

In thousands of MNT	Debt securities measured at FVOCI	Debt securities at AC
Gross carrying amount at 1 January 2023	**188,025,198**	**1,050,724,235**
Purchase/Addition	130,585,555	968,972,346
Matured/repaid financial investments	(252,440,405)	(810,569,733)
Changes in accrued interest	3,510,030	(6,289,506)
Foreign exchange difference	(295,060)	(4,094,238)
Decrease in fair value	9,210,393	–
At 31 December 2023	**78,595,711**	**1,198,743,104**
ECL allowance at 1 January 2023	**1,722,511**	**11,998,543**
Purchase of new investments	1,027,513	12,086,821
Changes to input used for ECL calculation	102,257	(5,158,928)
Recoveries/matured/repaid	(1,347,054)	(5,985,579)
Net (reversal)/charge for the period (Note 28)	**(217,284)**	**942,314**
At 31 December 2023	**1,505,227**	**12,940,857**
At 31 December 2023	**77,090,484**	**1,185,802,247**

The table below contains an analysis of the credit risk exposure of debt securities measured at FVOCI for which an ECL allowance is recognised, based on credit risk grades. All debt instruments measured at FVOCI are included in Stage 1. Refer to Note 35 for the description of credit risk grading system used by the Bank and the approach to ECL measurement, including the definition of default and SICR as applicable to debt securities at FVOCI.

In thousands of MNT	31 December 2024			31 December 2023		
	Gross carrying amount	Credit loss allowance	Carrying value (fair value)	Gross carrying amount	Credit loss allowance	Carrying value (fair value)
B- to B+						
Government bonds	116,498,559	(2,160,537)	**114,338,022**	78,595,711	(1,505,227)	**77,090,484**
Not rated						
Municipal bonds	231,981,411	(6,326,069)	**225,655,342**	-	-	-
Total debt securities measured at FVOCI	**348,479,970**	**(8,486,606)**	**339,993,364**	**78,595,711**	**(1,505,227)**	**77,090,484**

The following table contains an analysis of debt instruments at AC by credit quality based on credit risk grades. All debt instruments measured at AC are included in Stage 1. Refer to Note 35 for the description of credit risk grading system used by the Bank and the approach to ECL measurement, including the definition of default and SICR as applicable to debt instruments at AC.

In thousands of MNT	31 December 2024			31 December 2023		
	Gross carrying amount	Credit loss allowance	Carrying value	Gross carrying amount	Credit loss allowance	Carrying value
B- to B+						
Government bonds	476,353,207	(8,763,959)	**467,589,248**	610,714,371	(8,209,122)	**602,505,249**
BoM treasury bills	-	-	**-**	455,485,593	(1,394,716)	**454,090,877**
Corporate bonds	85,776,122	(1,674,109)	**84,102,013**	85,540,105	(1,802,157)	**83,737,948**
Not rated						
Senior bonds	11,884,077	(381,426)	**11,502,651**	39,895,361	(1,302,838)	**38,592,523**
Corporate bonds	38,116,836	(1,127,990)	**36,988,846**	7,107,674	(232,024)	**6,875,650**
Total debt securities measured at AC	**612,130,242**	**(11,947,484)**	**600,182,758**	**1,198,743,104**	**(12,940,857)**	**1,185,802,247**

Investments in equity securities.

Equity securities at fair value represent equity investment in Mongolian stock exchange (“MSE”) and MIK Holding JSC (“MIK”), listed on the Mongolian Stock Exchange.

11. Derivative financial instruments

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

	Notional amount		Fair value	
In thousands of MNT	**Receivable**	**Payable**	**Fair value of assets**	**Fair value of liabilities**
Long-term derivatives	**2,484,621,329**	**2,446,585,032**	**29,158,228**	**-**
Hedging instruments eligible for hedge accounting	1,273,019,863	1,261,749,950	6,835,418	-
Derivatives not eligible for hedge accounting	1,211,601,466	1,184,835,082	22,322,810	-
Short-term derivatives	**83,483,557**	**82,670,879**	**792,127**	**-**
Total FV of derivatives as at 31 December 2024	**2,568,104,886**	**2,529,255,911**	**29,950,355**	**-**

	Notional amount		Fair value	
In thousands of MNT	**Receivable**	**Payable**	**Fair value of assets**	**Fair value of liabilities**
Long-term derivatives	**1,832,159,489**	**1,787,006,314**	**47,260,829**	**4,977,339**
Hedging instruments eligible for hedge accounting	1,093,806,142	1,073,585,764	19,710,937	2,291,097
Derivatives not eligible for hedge accounting	738,353,347	713,420,550	27,549,892	2,686,242
Short-term derivatives	**57,867,582**	**58,678,074**	**-**	**721,213**
Total FV of derivatives as at 31 December 2023	**1,890,027,071**	**1,845,684,388**	**47,260,829**	**5,698,552**

Derivative financial instruments. Derivative financial instruments, including currency swaps, are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in other comprehensive income and profit or loss for the year (gains less losses on derivatives).

Hedge accounting. The Bank designates certain derivatives (cross-currency swaps) as hedging instruments and they are designed to hedge the risk of variability of cash flows denominated in USD from the long-term borrowings received from foreign banks and financial institutions, which constitute hedge items.

To calculate the changes in fair value of the hedged item attributable to the hedged risk, the Bank uses the hypothetical derivative method. The hypothetical derivative method involves establishing a notional derivative that would be the ideal hedging instrument for the hedged exposure (normally an interest rate swap or forward contract with no unusual terms and a zero fair value at inception of the hedge relationship). The fair value of the hypothetical derivative is then used as a proxy for the net present value of the hedged future cash flows against which changes in value of the actual hedging instrument are compared.

11. Derivative financial investments (Continued)

The table below sets out the fair values, at the end of the reporting period, of currencies receivable or payable under the foreign exchange forward and swap contracts entered by the Bank. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions resulting from fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

In thousands of MNT	Assets 2024	Liabilities 2024	Assets 2023	Liabilities 2023
Foreign exchange forwards and swaps: fair values, at the end of the reporting period, of				
–Receivable on settlement (+)	2,523,563,899	-	1,858,269,668	17,421,548
–Payable on settlement (–)	(2,493,613,544)	-	(1,811,008,839)	(23,120,100)
Net fair value of foreign exchange forwards and swaps	**29,950,355**	**-**	**47,260,829**	**(5,698,552)**

The Bank's exposure under derivative contracts is closely monitored as part of the overall management of its market risk. The effects of respective hedge accounting on financial position and performance are disclosed in Note 27 and Note 35 and below.

In terms of hedge eligible for hedge accounting, the USD denominated long-term borrowings received from foreign banks and financial institutions designated as hedged item being eligible for hedge accounting have a notional amount of USD 372,201 thousands as of 31 December 2024 (31 December 2023: USD 320,699 thousands) with annual floating interest rates ranging from 6m SOFR plus margin of 3.3% to 4.3% p.a. (31 December 2023: 6m SOFR plus margin of 3.4% to 4.3% p.a.) or fixed annual interest rates ranging from 4.1% to 4.5% p.a. (31 December 2023: 4.1% to 4.5% p.a.).

The following table provides information regarding the changes in the fair value of hedging instruments eligible for hedge accounting.

Cash flow hedges *in thousands of MNT*	**Hedging instrument**	**Hedged risk**	**Changes in the fair value of hedging instruments eligible for hedge accounting**	**Change in value of the hedged item used for calculating ineffectiveness**	**Hedge ineffectiveness recognised in the statement of profit and loss**
31 December 2024	Cross currency interest rate swap	FX risk	4,049,538	(2,592,462)	1,457,077
31 December 2023	Cross currency interest rate swap	FX risk	(22,890,576)	18,255,772	(4,634,804)

The table below provides a breakdown of hedging instruments' timing profile:

In thousands of MNT	**Less than 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years**
MNT receivables	32,532,713	-	4,396,313	21,981,563	-
Average MNT rate	12.0%	-	12.0%	12.0%	-
MNT payables	144,995,799	151,567,192	338,912,003	1,753,820,849	-
Average MNT rate	12.0%	12.0%	11.7%	11.3%	-
USD receivables	144,905,332	159,813,622	341,956,520	1,779,035,266	-
Average USD rate	6.8%	6.9%	6.4%	5.9%	-
USD payables	31,637,313	-	4,275,313	21,376,563	-
Average USD rate	6.8%	-	6.8%	6.8%	-

12. Loans and advances to customers

In thousands of MNT	31 December 2024	31 December 2023
Gross carrying amount of loans and advances to customers at AC	11,530,750,655	9,486,001,509
Less credit loss allowance	(735,127,618)	(652,449,894)
Total carrying amount of loans and advances to customers at AC	**10,795,623,037**	**8,833,551,615**
Loans and advances at FVTPL	400,306,947	183,423,240
Total loans and advances to customers	**11,195,929,984**	**9,016,974,855**

Loans and advances to customers are recorded when the Bank advances money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Bank classifies loans and advances to customers into one of the following measurement categories:

(i) AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL, and
(ii) FVTPL: loans that do not meet the SPPI test or other criteria for AC or FVOCI are measured at FVTPL.

Impairment allowances are determined based on the forward-looking ECL models. Note 35 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Bank incorporates forward-looking information in the ECL models.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Credit loss allowance for ECL. The Bank assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Bank measures ECL and recognises credit loss allowance at each reporting date. 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
(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.

12. Loans and Advances to Customers (Continued)

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 recognised as a liability in the statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Bank applies 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").

Refer to Note 35 for a description of how the Bank determines when a SICR has occurred. If the Bank determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Bank's definition of credit impaired assets and definition of default is explained in Note 35. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 35 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Bank incorporates forward-looking information in the ECL models.

As an exception, for certain financial instruments, such as credit cards, that may include both a loan and an undrawn commitment component, the Bank measures expected credit losses over the period that the Bank is 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.

During 2024, a loss recognition of loans issued to employees at rates below market in the amount of MNT 4,120,258 thousands (2023: MNT 3,785,133 thousands) has been recorded in profit or loss for the year.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Bank exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Bank may write-off financial assets that are still subject to enforcement activity when the Bank seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Gross carrying amount and credit loss allowance amount for loans and advances to customers, including at AC by classes at 31 December 2024 and 31 December 2023 are disclosed in the table below:

	31 December 2024			**31 December 2023**		
In thousands of MNT	**Gross carrying amount**	**Credit loss allowance**	**Carrying amount**	**Gross carrying amount**	**Credit loss allowance**	**Carrying amount**
Business loans	5,882,675,052	(475,743,698)	5,406,931,354	4,616,191,834	(463,656,001)	4,152,535,833
Consumer loans	4,997,206,761	(166,603,827)	4,830,602,934	4,207,102,149	(149,514,440)	4,057,587,709
Agricultural loans	650,868,842	(92,780,093)	558,088,749	662,707,526	(39,279,453)	623,428,073
Total	**11,530,750,655**	**(735,127,618)**	**10,795,623,037**	**9,486,001,509**	**(652,449,894)**	**8,833,551,615**

12. Loans and Advances to Customers (Continued)

The following tables disclose 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 and comparative periods:

	Credit loss allowance				**Gross carrying amount**			
In thousands of MNT	**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**
BUSINESS LOANS								
At 31 December 2023	**46,683,209**	**119,562,466**	**297,410,326**	**463,656,001**	**3,298,019,708**	**939,882,914**	**378,289,212**	**4,616,191,834**
New originated or purchased	114,143,734	-	-	114,143,734	10,433,758,318	-	-	10,433,758,318
Derecognized during the period	(52,305,013)	(40,062,426)	(74,899,138)	(167,266,577)	(8,253,056,956)	(802,939,418)	(115,762,178)	(9,171,758,552)
- Transfers to Stage 1	2,336,078	(21,556,027)	-	(19,219,949)	322,721,369	(322,721,369)	-	-
- Transfers to Stage 2	(47,499,530)	73,657,308	(3,435,038)	22,722,740	(698,783,147)	704,043,533	(5,260,386)	-
- Transfers to Stage 3	-	(48,212,373)	75,772,179	27,559,806	-	(126,256,235)	126,256,235	-
Changes in accrued interest	26,783	(851,180)	325,938	(498,459)	10,718,744	(4,071,846)	251,407	6,898,305
Changes to models assumptions	759,881	23,399,725	13,628,745	37,788,351	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**17,461,933**	**(13,624,973)**	**11,392,686**	**15,229,646**	**1,815,358,328**	**(551,945,335)**	**5,485,078**	**1,268,898,071**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(3,157,964)	(3,157,964)	-	-	(3,157,964)	(3,157,964)
Foreign exchange translation and other movements	16,484	(132)	(337)	16,015	801,508	(56,807)	(1,590)	743,111
At 31 December 2024	**64,161,626**	**105,937,361**	**305,644,711**	**475,743,698**	**5,114,179,544**	**387,880,772**	**380,614,736**	**5,882,675,052**

12. Loans and Advances to Customers (Continued)

In thousands of MNT	Credit loss allowance: Stage 1 (12-months ECL)	Credit loss allowance: Stage 2 (lifetime ECL for SICR)	Credit loss allowance: Stage 3 (lifetime ECL for credit impaired)	Credit loss allowance: Total	Gross carrying amount: Stage 1 (12-months ECL)	Gross carrying amount: Stage 2 (lifetime ECL for SICR)	Gross carrying amount: Stage 3 (lifetime ECL for credit impaired)	Gross carrying amount: Total
BUSINESS LOANS								
At 31 December 2022	**58,636,903**	**120,698,286**	**243,956,132**	**423,291,321**	**2,589,034,827**	**1,116,047,926**	**299,858,326**	**4,004,941,079**
New originated or purchased	69,539,263	-	-	69,539,263	7,714,381,754	-	-	7,714,381,754
Derecognized during the period	(51,573,129)	(29,214,983)	(62,779,711)	(143,567,823)	(6,218,849,263)	(779,952,901)	(103,344,750)	(7,102,146,914)
- Transfers to Stage 1	1,290,659	(3,469,860)	-	(2,179,201)	68,419,941	(68,419,941)	-	-
- Transfers to Stage 2	(31,914,871)	47,286,788	(40,115)	15,331,802	(860,133,893)	860,187,594	(53,701)	-
- Transfers to Stage 3	-	(46,671,203)	105,638,216	58,967,013	-	(181,580,505)	181,580,505	-
Changes in accrued interest	(226,774)	(2,449,240)	148,662	(2,527,352)	6,586,437	(6,402,348)	327,737	511,826
Changes to models assumptions	947,296	33,382,060	10,547,751	44,877,107	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**(11,937,556)**	**(1,136,438)**	**53,514,803**	**40,440,809**	**710,404,976**	**(176,168,101)**	**78,509,791**	**612,746,666**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(14,117)	(14,117)	-	-	(14,117)	(14,117)
Foreign exchange translation and other movements	(16,138)	618	(46,492)	(62,012)	(1,420,095)	3,089	(64,788)	(1,481,794)
At 31 December 2023	**46,683,209**	**119,562,466**	**297,410,326**	**463,656,001**	**3,298,019,708**	**939,882,914**	**378,289,212**	**4,616,191,834**

12. Loans and Advances to Customers (Continued)

In thousands of MNT	Credit loss allowance Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Gross carrying amount Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
CONSUMER LOANS								
At 31 December 2023	**26,418,039**	**27,270,842**	**95,825,559**	**149,514,440**	**3,847,359,872**	**234,274,953**	**125,467,324**	**4,207,102,149**
New originated or purchased	41,882,642	-	-	41,882,642	7,544,929,561	-	-	7,544,929,561
Derecognized during the period	(39,486,235)	(9,320,730)	(13,665,115)	(62,472,080)	(6,606,180,571)	(110,700,759)	(39,185,277)	(6,756,066,607)
- Transfers to Stage 1	70,868	(1,128,472)	-	(1,057,604)	10,569,381	(10,569,381)	-	-
- Transfers to Stage 2	(4,259,233)	8,734,005	(477,309)	3,997,463	(196,834,356)	197,819,751	(985,394)	-
- Transfers to Stage 3	-	(6,545,285)	36,878,271	30,332,986	-	(87,888,955)	87,888,955	-
Changes in accrued interest	3,425	(57,574)	148,995	94,846	5,728,273	109,656	78,174	5,916,103
Changes to models assumptions	3,186,402	990,434	4,809,615	8,986,451	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**1,397,869**	**(7,327,622)**	**27,694,457**	**21,764,704**	**758,212,288**	**(11,229,689)**	**47,796,458**	**794,779,057**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(4,675,498)	(4,675,498)	-	-	(4,675,498)	(4,675,498)
Foreign exchange translation and other movements	9	1	171	181	834	96	123	1,053
At 31 December 2024	**27,815,917**	**19,943,221**	**118,844,689**	**166,603,827**	**4,605,572,994**	**223,045,360**	**168,588,407**	**4,997,206,761**

12. Loans and Advances to Customers (Continued)

In thousands of MNT	Credit loss allowance Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Gross carrying amount Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
CONSUMER LOANS								
At 31 December 2022	**16,288,031**	**19,650,911**	**94,537,608**	**130,476,550**	**2,471,674,621**	**300,255,615**	**116,178,161**	**2,888,108,397**
New originated or purchased	39,622,068	-	-	39,622,068	6,497,613,538	-	-	6,497,613,538
Derecognized during the period	(26,783,724)	(5,316,167)	(15,496,845)	(47,596,736)	(5,025,114,367)	(149,862,481)	(25,386,327)	(5,200,363,175)
- Transfers to Stage 1	20,876	(782,880)	-	(762,004)	5,469,644	(5,469,644)	-	-
- Transfers to Stage 2	(5,711,379)	9,644,058	(3,167,132)	765,547	(124,296,974)	128,795,909	(4,498,935)	-
- Transfers to Stage 3	-	(3,167,128)	16,166,543	12,999,415	-	(39,156,818)	39,156,818	-
Changes in accrued interest	-	75,290	11,914	87,204	22,016,833	(287,587)	18,101	21,747,347
Changes to models assumptions	2,982,193	7,166,758	3,773,752	13,922,703	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**10,130,034**	**7,619,931**	**1,288,232**	**19,038,197**	**1,375,688,674**	**(65,980,621)**	**9,289,657**	**1,318,997,710**
Movements without impact on credit loss allowance charge for the period:								
Foreign exchange translation and other movements	(26)	-	(281)	(307)	(3,423)	(41)	(494)	(3,958)
At 31 December 2023	**26,418,039**	**27,270,842**	**95,825,559**	**149,514,440**	**3,847,359,872**	**234,274,953**	**125,467,324**	**4,207,102,149**

12. Loans and Advances to Customers (Continued)

In thousands of MNT	Credit loss allowance Stage 1 (12-months ECL)	Credit loss allowance Stage 2 (lifetime ECL for SICR)	Credit loss allowance Stage 3 (lifetime ECL for credit impaired)	Credit loss allowance Total	Gross carrying amount Stage 1 (12-months ECL)	Gross carrying amount Stage 2 (lifetime ECL for SICR)	Gross carrying amount Stage 3 (lifetime ECL for credit impaired)	Gross carrying amount Total
Agricultural loans								
At 31 December 2023	**3,023,251**	**30,498,301**	**5,757,901**	**39,279,453**	**463,469,872**	**191,438,168**	**7,799,486**	**662,707,526**
New originated or purchased	5,937,276	-	-	5,937,276	409,137,926	-	-	409,137,926
Derecognized during the period	(4,480,419)	(12,555,002)	(750,730)	(17,786,151)	(325,025,464)	(102,828,940)	(2,444,647)	(430,299,051)
- Transfers to Stage 1	788,137	(4,228,766)	-	(3,440,629)	25,988,232	(25,988,232)	-	-
- Transfers to Stage 2	(2,566,227)	53,208,466	(504,455)	50,137,784	(288,945,062)	289,781,021	(835,959)	-
- Transfers to Stage 3	-	(193,919)	1,959,562	1,765,643	-	(4,464,566)	4,464,566	-
Changes in accrued interest	2,914	405	42,002	45,321	(2,794,496)	12,079,556	72,448	9,357,508
Changes to models assumptions	2,031,251	13,164,221	1,680,991	16,876,463	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**1,712,932**	**49,395,405**	**2,427,370**	**53,535,707**	**(181,638,864)**	**168,578,839**	**1,256,408**	**(11,803,617)**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(35,067)	(35,067)	-	-	(35,067)	(35,067)
At 31 December 2024	**4,736,183**	**79,893,706**	**8,150,204**	**92,780,093**	**281,831,008**	**360,017,007**	**9,020,827**	**650,868,842**

12. Loans and Advances to Customers (Continued)

In thousands of MNT	Credit loss allowance Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Gross carrying amount Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Agricultural loans								
At 31 December 2022	**7,046,567**	**2,148,460**	**3,741,392**	**12,936,419**	**664,289,596**	**37,223,686**	**4,599,146**	**706,112,428**
New originated or purchased	10,272,726	-	-	10,272,726	669,494,542	-	-	669,494,542
Derecognized during the period	(11,027,934)	(8,685,374)	(1,050,280)	(20,763,588)	(653,872,141)	(56,399,477)	(3,525,209)	(713,796,827)
- Transfers to Stage 1	413	(16,751)	-	(16,338)	527,382	(527,382)	-	-
- Transfers to Stage 2	(3,384,094)	37,205,308	(70,031)	33,751,183	(211,573,742)	211,661,936	(88,194)	-
- Transfers to Stage 3	-	(404,319)	2,934,330	2,530,011	-	(6,810,191)	6,810,191	-
Changes in accrued interest	-	694	1,943	2,637	(5,395,765)	6,289,596	3,552	897,383
Changes to models assumptions	115,573	250,283	200,547	566,403	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**(4,023,316)**	**28,349,841**	**2,016,509**	**26,343,034**	**(200,819,724)**	**154,214,482**	**3,200,340**	**(43,404,902)**
At 31 December 2023	**3,023,251**	**30,498,301**	**5,757,901**	**39,279,453**	**463,469,872**	**191,438,168**	**7,799,486**	**662,707,526**

12. Loans and Advances to Customers (Continued)

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

		31 December 2024				31 December 2023			
	PD range	**Business loans**	**Consumer loans**	**Agricultural loans**	**Gross carrying amount**	**Business loans**	**Consumer loans**	**Agricultural loans**	**Gross carrying amount**
Stage 1	from 0,00% to <0,15%	114,623,633	165,904,499	607,314	281,135,446	75,478,066	111,415,596	7,324,035	194,217,697
	from 0,15% to <0,25%	-	6,904,270	-	6,904,270	-	52,937,726	3,221,233	56,158,959
	from 0,25% to <0,50%	106,625,175	64,472,413	1,797,919	172,895,507	63,979,173	-	1,580,183	65,559,356
	from 0,50% to <0,75%	67,350,432	76,649,342	4,500,078	148,499,852	37,084,658	65,875,567	5,737,642	108,697,867
	from 0,75% to <2,50%	379,868,723	4,278,074,255	25,290,653	4,683,233,631	368,333,322	665,920,336	91,992,601	1,126,246,259
	from 2,50% to <10,0%	4,443,402,193	-	249,446,582	4,692,848,775	2,752,181,611	2,944,744,968	353,373,610	6,050,300,189
	from 10,0% to <45,0%	366,425	982,464	139,124	1,488,013	284,202	234,407	19,753	538,362
	from 45,0% to <65,8%	1,942,963	12,585,751	49,338	14,578,052	678,676	6,231,272	220,815	7,130,763
	Total Stage 1	**5,114,179,544**	**4,605,572,994**	**281,831,008**	**10,001,583,546**	**3,298,019,708**	**3,847,359,872**	**463,469,872**	**7,608,849,452**
Stage 2	from 0,00% to <0,15%	3,017,663	1,085,498	1,357,318	5,460,479	15,568,104	1,377,953	3,899,163	20,845,220
	from 0,15% to <0,25%	-	66,200	595,130	661,330	-	93,103	1,761,621	1,854,724
	from 0,25% to <0,50%	1,243,114	474,246	798,620	2,515,980	11,346,426	-	49,715	11,396,141
	from 0,50% to <0,75%	4,488,712	600,063	7,132,544	12,221,319	-	123,587	2,547,414	2,671,001
	from 0,75% to <2,50%	13,538,420	10,620,870	40,248,818	64,408,108	42,535,966	2,638,063	24,571,496	69,745,525
	from 2,50% to <10,0%	87,054,845	47,089,227	306,597,244	440,741,316	238,294,598	18,389,828	146,003,602	402,688,028
	from 10,0% to <45,0%	241,610,520	100,703,000	1,822,473	344,135,993	520,442,146	135,156,853	9,450,519	665,049,518
	above 45,0%	36,927,498	62,406,256	1,464,860	100,798,614	111,695,674	76,495,566	3,154,638	191,345,878
	Total Stage 2	**387,880,772**	**223,045,360**	**360,017,007**	**970,943,139**	**939,882,914**	**234,274,953**	**191,438,168**	**1,365,596,035**

12. Loans and Advances to Customers (Continued)

		31 December 2024				31 December 2023			
	Default period	**Business loans**	**Consumer loans**	**Agricultural loans**	**Gross carrying amount**	**Business loans**	**Consumer loans**	**Agricultural loans**	**Gross carrying amount**
Stage 3	up to 12 months	118,102,928	78,384,803	3,955,234	200,442,965	168,275,697	42,149,751	5,041,859	215,467,307
	from 13 to 24 months	124,518,704	25,839,545	2,724,786	153,083,035	75,375,202	19,274,186	1,317,104	95,966,492
	from 25 to 36 months	65,034,741	13,292,373	979,847	79,306,961	39,577,248	12,060,394	157,967	51,795,609
	from 37 to 48 months	30,503,884	7,967,110	129,056	38,600,050	13,878,624	12,876,022	1,043,861	27,798,507
	from 49 to 60 months	7,091,785	9,738,204	1,035,380	17,865,369	7,809,504	23,334,162	33,781	31,177,447
	from 61 to 84 months	8,086,736	27,684,108	37,292	35,808,136	42,030,163	10,666,945	15,023	52,712,131
	above 84 months	27,275,958	5,682,264	159,232	33,117,454	31,342,774	5,105,864	189,891	36,638,529
	Total Stage 3	**380,614,736**	**168,588,407**	**9,020,827**	**558,223,970**	**378,289,212**	**125,467,324**	**7,799,486**	**511,556,022**

The Bank has applied adjusted historical PD rate for herders' loan portfolio under agricultural loan due to the harsh winter condition. As a result, the probability of default has been increased and the expected credit loss (ECL) has been increased accordingly as of 31 December 2024 which is disclosed in Note 4 for further details.

12. Loans and advances to customers (Continued)

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

	31 December 2024		31 December 2023	
SECTOR	**Amount**	**%**	**Amount**	**%**
Individuals	5,397,513,707	45%	4,390,525,389	45%
Trade and commerce	2,359,521,417	20%	2,062,247,359	21%
Construction	850,230,672	7%	667,259,816	7%
Agriculture	753,993,385	6%	507,460,523	5%
Processing	678,191,021	6%	507,806,356	5%
Small private enterprises	428,627,920	4%	451,703,458	5%
Mining	345,894,108	3%	145,735,033	2%
Transportation	268,496,678	2%	253,918,805	3%
Real estate	192,970,603	2%	195,078,222	2%
Health and social organizations	69,573,729	1%	58,286,732	1%
Other	586,044,362	4%	429,403,056	4%
TOTAL	**11,931,057,602**	**100%**	**9,669,424,749**	**100%**

Description of collateral held for loans to customers carried at amortised cost is as follows at 31 December 2024:

In thousands of MNT	**Business Loans**	**Consumer Loans**	**Agricultural Loans**	**Total**
Loans secured by credit enhancements:				
- credit enhancement	-	3,252,913,247	-	3,252,913,247
Loans collateralized by:				
- real estate properties	4,367,973,532	1,213,830,926	39,832,378	5,621,636,836
- other	557,205,711	51,167,554	591,388,291	1,199,761,556
- cash	42,327	400,544,993	-	400,587,320
- vehicles	334,380,767	39,891,087	8,799,786	383,071,640
- goods in turnover	300,697,175	728,702	12,264	301,438,141
- equipment	140,362,124	1,517,305	5,321,221	147,200,650
- licenses	4,115,485	-	-	4,115,485
Total	**5,704,777,121**	**4,960,593,814**	**645,353,940**	**11,310,724,875**
Unsecured loans	177,897,931	36,612,947	5,514,902	220,025,780
Total gross carrying value loans and advances to customers	**5,882,675,052**	**4,997,206,761**	**650,868,842**	**11,530,750,655**

Credit enhancements consist of the future income pledged by consumer loans including salary, pension and credit card loans. The disclosure above represents the lower of the carrying value of the loan or collateral taken; the remaining part is disclosed within the unsecured loans. The carrying value of loans was allocated based on liquidity of the assets taken as collateral.

12. Loans and advances to customers (Continued)

Description of collateral held for loans to customers carried at FVTPL is as follows at 31 December 2024:

In thousands of MNT	**Business Loans**	**Consumer Loans**	**Agricultural Loans**	**Total**
Loans collateralized by:				
- real estate properties	-	400,295,496	-	400,295,496
Total	**-**	**400,295,496**	**-**	**400,295,496**
Unsecured loans	-	11,451	-	11,451
Total carrying value loans and advances to customers	-	**400,306,947**	**-**	**400,306,947**

Description of collateral held for loans to customers carried at amortised cost is as follows at 31 December 2023:

In thousands of MNT	**Business Loans**	**Consumer Loans**	**Agricultural Loans**	**Total**
Loans secured by credit enhancements:				
- credit enhancement	-	2,669,681,987	-	2,669,681,987
Loans collateralized by:				
- real estate properties	3,706,926,611	984,989,940	63,297,680	4,755,214,231
- other	213,315,151	67,489,765	578,446,303	859,251,219
- cash	139,196	361,072,539	1,498	361,213,233
- vehicles	273,737,677	53,183,789	12,692,987	339,614,453
- goods in turnover	219,492,427	742,436	17,244	220,252,107
- equipment	96,634,363	1,590,852	5,425,721	103,650,936
- licenses	6,059,929	-	-	6,059,929
Total	**4,516,305,354**	**4,138,751,308**	**659,881,433**	**9,314,938,095**
Unsecured loans	99,886,480	68,350,841	2,826,093	171,063,414
Total gross carrying value loans and advances to customers	**4,616,191,834**	**4,207,102,149**	**662,707,526**	**9,486,001,509**

Description of collateral held for loans to customers carried at FVTPL is as follows at 31 December 2023:

In thousands of MNT	**Business Loans**	**Consumer Loans**	**Agricultural Loans**	**Total**
Loans collateralized by:				
- real estate properties	-	182,464,112	-	182,464,112
Total	**-**	**182,464,112**	**-**	**182,464,112**
Unsecured loans	-	959,128	-	959,128
Total carrying value loans and advances to customers	-	**183,423,240**	-	**183,423,240**

12. Loans and advances to customers (Continued)

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 2024 and 31 December 2023 is as follows:

	Over-collateralised assets		Under-collateralised assets	
In thousands of MNT	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral
31 December 2024				
Business loans	356,175,777	1,947,002,915	24,438,959	13,572,031
Consumer loans	142,772,823	386,102,207	25,815,585	7,053,124
Agricultural loans	8,904,314	60,060,505	116,514	72,200
31 December 2023				
Business loans	346,260,495	1,661,422,915	32,028,717	6,887,278
Consumer loans	92,614,468	313,759,823	32,852,856	8,270,919
Agricultural loans	7,629,549	221,243,492	169,937	127,864

Transferred financial assets that are derecognised in their entirety

During the year, the Bank sold 100% of its rights to the cash flows arising on portfolios of fixed rate mortgage loans to special purpose subsidiary companies of MIK Holding JSC (“MIK”) in exchange for Residential Mortgage Backed Securities (“RMBS”). The Bank derecognised loan portfolios amounting to MNT 94,650,500 thousands (31 December 2023: MNT 282,931,600 thousands) and recognised Senior and Junior RMBS as financial assets amounting to MNT 9,465,200 thousands and MNT 85,185,300 thousands respectively (31 December 2023: MNT 254,638,300 thousands and MNT 28,293,300 thousands respectively).

Loans and advances to customers at FVTPL

As at 31 December 2024, the Bank holds mortgage portfolio of loans and advances to customers in amount of MNT 400,306,947 thousands (31 December 2023: MNT 183,423,240 thousands) classified as FVTPL.

13. Other assets

In thousands of MNT	**31 December 2024**	**31 December 2023**
Other financial assets at AC		
Receivable from companies and government organisations*	67,346,196	29,354,246
Receivable from individuals	5,382,191	2,070,469
Receivable on settlement service	5,358,366	971,101
Factoring receivables	4,216,496	-
Other financial assets	4,433,613	2,046,074
Less: Credit loss allowance	(38,166,893)	(28,279,462)
Total other financial assets at AC	**48,569,969**	**6,162,428**
Other non-financial assets		
Deferred employee benefits**	60,105,570	48,702,730
Prepaid expenses	28,990,556	24,683,139
Prepayments for non-current assets	13,801,936	17,767,756
Other prepayments	15,708,671	5,236,294
Office supplies and materials	13,789,154	5,150,905
Repossessed collaterals	3,315,979	4,612,381
Total non-financial assets	**135,711,866**	**106,153,205**
Less: provision for repossessed collaterals	(3,315,979)	(4,612,381)
Total other non-financial assets	**132,395,887**	**101,540,824**
Total other assets	**180,965,856**	**107,703,252**

*Receivable from companies includes a counter-guarantee receivable from Industrial and Commercial Bank of China (ICBC) in relation to a guarantee issued to Ministry of Road and Transport Development of Mongolia amounting to MNT 26,153,107 thousands (31 December 2023: 26,080,005 thousands). The Bank was not able to activate the guarantee provided by ICBC, therefore initiated a lawsuit. The case is currently at Supreme Court in China and the Bank has recognized 100% provision for the receivable.

As of 31 December 2024, and 31 December 2023, the above mentioned receivable from ICBC is classified in Stage 3, and the remaining other financial asset balances are classified in Stage 1.

**The Bank issues loans to its employees at preferential rates. Fair value adjustments at initial recognition were recognised as deferred employee benefits and are amortised according to the terms of the loan.

13. Other assets (Continued)

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

In thousands of MNT	31 December 2024	31 December 2023
Impairment allowance on other receivables		
At 1 January	**28,279,462**	**28,777,085**
Charge for the year	10,013,871	217,836
Reversal	(84,349)	(438,156)
Net charge/(reversal) for the year (Note 28)	**9,929,522**	**(220,320)**
Write off	(107,440)	-
Foreign exchange difference	65,349	(277,303)
At 31 December	**38,166,893**	**28,279,462**
Impairment allowance on foreclosed properties		
At 1 January	**4,612,381**	**383,822**
Net (reversal)/charge for the year (Note 28)	(1,296,402)	4,228,559
At 31 December	**3,315,979**	**4,612,381**

14. Properties and equipment

In thousands of MNT	**Land and buildings**	**Computer hardware**	**Office furniture, equipment, and motor vehicles**	**Construction-in -progress**	**Total**
At 31 December 2024					
At cost/valuation					
At 1 January 2024	**311,880,082**	**304,323,002**	**71,282,306**	**9,743,623**	**697,229,013**
Additions	14,570	53,141,803	9,886,870	3,794,440	66,837,683
Transfer	4,462,786	-	-	(4,462,786)	-
Disposals	-	(2,254,684)	(2,552,585)	-	(4,807,269)
Write-offs	(9,140)	(14,197,197)	(1,244,559)	-	(15,450,896)
At 31 December 2024	**316,348,298**	**341,012,924**	**77,372,032**	**9,075,277**	**743,808,531**
Accumulated depreciation					
At 1 January 2024	**18,375,618**	**189,854,427**	**36,629,795**	**-**	**244,859,840**
Charge for the year (Note 29)	6,811,795	45,019,023	7,422,192	-	59,253,010
Disposals	-	(2,193,751)	(2,534,830)	-	(4,728,581)
Write-offs	(3,790)	(14,054,774)	(986,761)	-	(15,045,325)
At 31 December 2024	**25,183,623**	**218,624,925**	**40,530,396**	**-**	**284,338,944**
Net carrying amount	**291,164,675**	**122,387,999**	**36,841,636**	**9,075,277**	**459,469,587**

In thousands of MNT	**Land and buildings**	**Computer hardware**	**Office furniture, equipment, and motor vehicles**	**Construction-in -progress**	**Total**
At 31 December 2023					
At cost/valuation					
At 1 January 2023	**301,845,593**	**293,170,395**	**69,869,713**	**7,237,714**	**672,123,415**
Additions	-	35,449,735	5,014,375	13,274,904	53,739,014
Transfer	10,768,995	-	-	(10,768,995)	-
Disposals	(60,275)	(575,437)	(2,531,929)	-	(3,167,641)
Write-offs	(674,231)	(23,721,691)	(1,069,853)	-	(25,465,775)
At 31 December 2023	**311,880,082**	**304,323,002**	**71,282,306**	**9,743,623**	**697,229,013**
Accumulated depreciation					
At 1 January 2023	**12,034,815**	**172,869,953**	**31,724,901**	**-**	**216,629,669**
Charge for the year (Note 29)	6,419,136	41,198,335	8,059,032	-	55,676,503
Disposals	(4,000)	(562,601)	(2,402,616)	-	(2,969,217)
Write-offs	(74,333)	(23,651,260)	(751,522)	-	(24,477,115)
At 31 December 2023	**18,375,618**	**189,854,427**	**36,629,795**	**-**	**244,859,840**
Net carrying amount	**293,504,464**	**114,468,575**	**34,652,511**	**9,743,623**	**452,369,173**

14. Property plant equipment (Continued)

Premises are stated at revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required.

Premises are initially measured at cost and are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for premises included in equity is transferred directly to retained earnings when the revaluation surplus is realised on the retirement or disposal of the asset, or as the asset is used by the Bank; in the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Equipment owned by the Bank is stated at cost less depreciation and provision for impairment, where required.

Depreciation. Constructions in progress are not depreciated. Depreciation of other items of premises and equipment and right-of-use assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives:

	Useful lives in years
Premises	30-67
Computer and hardwares	3-10
Office furniture and equipments	10
Motor vehicles	10
Right-of use assets	1-5 years
Advertisement and signs	2

Land and buildings are carried at fair value. Revalued amounts of the Bank's premises are determined based on reports of independent appraisers, who hold recognized and relevant professional qualification and who have recent experience in valuation of property of similar location and category. The last valuation by independent appraisers were performed in 2020 and there is no significant change in the market since. Had these buildings been recognised under the cost model as at 31 December 2024, the carrying amount of land and buildings would have been MNT 196,803,273 thousands (2023: MNT 202,653,842 thousands). As at 31 December 2024, the Bank had contractual commitments to acquire property and equipment of MNT 1,072,349 thousands (2023: MNT 1,025,293 thousands).

15. Intangible assets

	31 December 2024		31 December 2023	
In thousands of MNT	**Computer software**	**Total**	**Computer software**	**Total**
At cost				
At 1 January	**108,628,548**	**108,628,548**	**93,112,463**	**93,112,463**
Additions	7,823,535	7,823,535	15,536,085	15,536,085
Write-offs	(5,906,985)	(5,906,985)	(20,000)	(20,000)
At 31 December	**110,545,098**	**110,545,098**	**108,628,548**	**108,628,548**
Amortisation				
At 1 January	**65,099,254**	**65,099,254**	**46,826,439**	**46,826,439**
Charge for the year (Note 29)	14,947,797	14,947,797	18,292,815	18,292,815
Write-offs	(3,879,170)	(3,879,170)	(20,000)	(20,000)
At 31 December	**76,167,881**	**76,167,881**	**65,099,254**	**65,099,254**
Net carrying amount	**34,377,217**	**34,377,217**	**43,529,294**	**43,529,294**

16. Right-of-use assets and lease liability

In thousands of MNT	**Right-of-use assets**	**Lease liabilities**
As at 1 January 2024	**12,115,097**	**13,036,341**
Additions	11,815,987	11,620,498
Depreciation expense (Note 29)	(9,834,378)	-
Interest expense (Note 25)	-	2,472,839
Payments	-	(11,910,413)
As at 31 December 2024	**14,096,706**	**15,219,265**
As at 1 January 2023	**10,202,947**	**11,231,249**
Additions	10,350,729	10,215,762
Depreciation expense (Note 29)	(8,438,579)	-
Interest expense (Note 25)	-	1,966,273
Payments	-	(10,376,943)
As at 31 December 2023	**12,115,097**	**13,036,341**

The maturity analysis of lease liabilities are disclosed in Note 39.

The Bank leases various spaces for branch offices. Rental contracts are typically made for fixed periods of 1 year to 5 years.

16. Right-of-use assets and lease liability (Continued)

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

In thousands of MNT	2024	2023
Interest expenses on lease liabilities (Note 25)	2,472,839	1,966,273
Depreciation charge of right-of-use assets (Note 29)	9,834,378	8,438,579
Expenses relating to short-term leases (Note 29)	1,509,979	1,687,294
Variable lease payments that do not depend on index or rates (Utility expense of Operating expenses)	1,666,560	1,375,518
Total	**15,483,756**	**13,467,664**

17. Due to other banks

In thousands of MNT	31 December 2024	31 December 2023
Time deposits from banks and financial institutions	75,106,945	189,137,834
Current accounts from banks and financial institutions	13,803,786	38,985,374
Total	**88,910,731**	**228,123,208**

Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks.
The non-derivative liability is carried at AC.

At 31 December 2024 and 2023, due to banks included time deposit with foreign banks, at interest rates of 4.40% p.a. for deposits denominated in USD and 10.00% p.a. for deposits denominated in MNT (2023: 0.25% p.a. for deposits denominated in USD and 12.00% to 13.00% p.a. for deposits denominated in MNT) with original maturities from 11 to 90 days (2023: from 5 to 7 days).

18. Repurchase agreements

Included in the balance as at 31 December 2024 was repurchase agreement with the BoM amount of MNT 87,791,865 thousands (2023: MNT 60,182,082 thousands) bearing interest rate 12.0% p.a. (2023: 10.5% to 14.0% p.a.) with original maturities from 364 to 365 days (2023: from 365 to 730 days).

Repurchase agreements are fully collateralized by the Bank of Mongolia treasury bills disclosed in Note 7.

19. Customer accounts

In thousands of MNT	31 December 2024	31 December 2023
Government deposits		
– Current accounts	1,179,810,644	782,924,965
– Time deposits	90,822,552	61,428,516
Private sector deposits		
– Current accounts	1,803,325,161	1,952,557,881
– Time deposits	664,011,259	911,714,581
– Deposits as collateral	50,276,668	25,801,830
Individual deposits		
– Current accounts	2,206,710,152	1,916,581,982
– Demand deposits	2,167,802,132	1,690,588,385
– Time deposits	6,039,711,389	5,036,673,855
Total	**14,202,469,957**	**12,378,271,995**

Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at AC.

20. Debt securities in issue

In thousands of MNT	**31 December 2024**	**31 December 2023**
Green bond	207,766,401	206,864,445
Domestic green bond	103,348,053	17,134,137
Social bond	447,502,840	-
Total debt securities in issue	**758,617,294**	**223,998,582**

Debt securities in issue include bonds issued by the Bank. Debt securities are stated at AC.

Social Bond

On 27 June 2024, the Bank entered into financing agreements with IFC for the issuance of "Social Bond" of up to USD 130,000 thousands by way of private placement. The bond proceeds will be used for financing the Bank's social financing portfolio in healthcare, education, food/agriculture, affordable basic infrastructure, affordable housing MSMEs and WMSMEs. International Finance Corporation (IFC) invested a total of USD 100,000 thousands, comprising the first tranche of USD 60,000 thousands, disbursed on 15 August 2024, and the second tranche of USD 40,000 thousands, disbursed on 19 December 2024. Additionally, Societe de Promotion et de Participation pour la Cooperation Economique (Proparco) invested USD 30,000 thousands in the second tranche, which was also disbursed on 19 December 2024.

Domestic "Green bond program"

Within the Bank's Domestic Green Bond Program of USD 30,000 thousands, the issuance of MNT denominated Green Bond totalling MNT 17,000,000 thousands D (~ USD 5,000 thousands) as the first tranche was successfully completed on 15 December 2023. On 2 September 2024, the Bank entered into Common Terms Agreement with strategic investors, Asian Development Bank (ADB) and European Bank for Reconstruction and Development (EBRD), for the issuance of USD denominated Green Bond on Mongolian Stock Exchange (MSE) as the second tranche. The bond proceeds will be used to fund eligible green loans and projects that support renewable energy, energy efficiency, green buildings, pollution prevention and control, water management and water treatment, sustainable agriculture and livestock, and clean transport as defined in the Bank's Green Bond Framework. The tenor of the bond is 3 years. The Bank has completed the subscription of the USD denominated Green Bond on MSE on 17 October 2024.

Green Bond

On 16 March 2023, the Bank issued a Green Bond in an amount of USD 60,000 thousands with 5 year term via private placement. International Finance Corporation (IFC), Dutch Entrepreneurial Development Bank (FMO) and Microvest Capital Management (MCM) are the current bond holders. The bond proceeds are for funding eligible green loans and projects that support renewable energy, energy efficiency, green buildings, pollution prevention and control, water management and water treatment, sustainable agriculture and livestock, and clean transport as defined in the Bank's Green Bond Framework. The bond is to be settled semi-annually starting April 2025 and shall mature in April 2028.

21. Other borrowed funds

In thousands of MNT	31 December 2024	31 December 2023
Borrowed funds from foreign financial institutions		
International Finance Corporation and syndication arranged by IFC	461,475,572	459,255,327
European Bank for Reconstruction and Development (EBRD)	331,557,363	269,664,034
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO) and syndications arranged by FMO	284,625,323	377,032,840
BlueOrchard Finance Limited	169,241,333	93,292,234
Symbiotics Group SA	155,084,153	117,675,399
ResponsAbility Investments AG	152,093,537	89,367,530
Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG)	137,494,800	-
Oesterreichische Entwicklungsbank AG (OeEB)	117,278,863	58,566,151
Incofin Investment Management	109,534,726	129,366,035
HS Holdings Co.Ltd	35,331,917	35,311,033
Developing World Markets	32,219,782	41,339,381
Bank im Bistum Essen EG	23,667,098	14,281,055
GLS Alternative investments	17,082,742	16,992,626
Total borrowed funds from foreign financial Institutions	**2,026,687,209**	**1,702,143,645**
Promissory Notes		
Symbiotics Sicav (Lux)	21,153,651	39,470,781
Global Impact Investment Sarl	10,660,877	10,610,682
Finethic S.C.A., SICAV-SIF	5,220,821	5,191,725
Total promissory notes	**37,035,349**	**55,273,188**
Borrowed funds from government organizations		
Bank of Mongolia	326,386,024	207,395,386
Ministry of Finance - Asian Development Bank	34,205,872	31,399,511
Ministry of Finance/Japan Bank for International Cooperation	33,682,335	32,505,970
Ministry of Labour and Social Welfare - Small Loan supporting the Labour market	9,903,741	3,387,153
Government projects	1,929,630	1,072,449
Ministry of Food, Agriculture and Light Industry	638,049	4,854,719
Ministry of Finance – other	176,705	3,369,715
Education Loan Fund under Ministry of Education, Culture, Science and Sports	30,539	87,582
Other government organizations	-	168,337
Other project	687,402	692,962
Total borrowed funds from government organizations	**407,640,297**	**284,933,784**
Trade finances	14,047,397	79,371,253
Total borrowed funds	**2,485,410,252**	**2,121,721,870**

Borrowed funds include loans obtained from international financial institutions, promissory notes and Mongolian government organisations. After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the EIR.

21. Borrowed funds (Continued)

Borrowed funds from foreign financial institutions

1. European Bank for Reconstruction and Development (EBRD)

On 15 May 2024, the Bank entered into a total of USD 20,000 thousands senior loan agreements with EBRD under its “Mongolian Green Economy Financing Facility” (MonGEFF) and “Women in Business” (WiB) programs. Both loans have tenor of 3 years with 18 months grace period and 4 equal semi-annual instalments thereafter. Purpose of USD 10,000 thousands loan under MonGEFF is to support green financing including MonGEFF loan products, whereas the portion of USD 10,000 thousands under WiB program is dedicated for financing women-led / women-owned small and medium-sized enterprises, of which USD 5,000 thousands is for digitalization component. The bank received the funds on 5 August 2024.

On 21 May 2024, the Bank received USD 10,000 thousands from EBRD, the second tranche of a USD 20,000 thousands loan agreement, signed with EBRD on 17 May 2023 within the framework of Women in Business (WiB) program. The purpose of the loan is to support women-owned and women-led micro, small, and medium business clients and women entrepreneurs in Mongolia. The loan has a tenor of 3 years, including 12-month grace period followed by semi-annual equal payments thereafter and shall mature on 15 May 2027.

2. ResponsAbility Investments AG

On 5 June 2024, the Bank has entered into a USD 6,000 thousands loan agreement with Financial Inclusion Investments Fund, managed by ResponsAbility Investments AG. The purpose of the loan is to finance micro, small, and medium enterprises in Mongolia. The loan has a bullet repayment and shall mature on 23 July 2027. The Bank received the funds on 6 June 2024.

On 29 July 2024, the Bank has entered into USD 15,000 thousands senior loan agreement with Global Gender Smart Fund managed by ResponsAbility. The loan proceeds will be used to finance women-led micro, small, and medium business clients in Mongolia. The loan has 3 equal repayments after 14 months of the loan agreement date and shall mature on 2 August 2027. The Bank received the fund on 31 July 2024.

On 14 October 2024, the Bank has entered into USD 15,000 thousands senior loan agreement with Global Climate Partnership Fund managed by ResponsAbility. The loan proceeds will be used to finance energy efficiency and climate-related projects in Mongolia. The loan has 7 equal repayments after 24 months of the loan disbursement date and shall mature on 22 October 2029. The first tranche of USD 10,000 thousands was disbursed on 22 October 2024.

3. BlueOrchard

On 12 June 2024, the Bank has entered into a total of USD 27,500 thousands senior loan agreements with two funds managed by BlueOrchard Finance Limited, namely BlueOrchard Microfinance Fund (BOMF) and Covid-19 Emerging and Frontier Markets MSME Support Fund SCSp SICAV-RAIF (COVID Fund). Both loans are dedicated for supporting the Bank’s MSME clients. The loan of USD 20,000 thousands provided through BOMF has a tenor of 3 years, maturing on 18 June 2027, whereas the loan of USD 7,500 thousands provided by COVID fund shall mature on 18 November 2027, both with bullet principal repayment and semi-annual equal interest payments, respectively. The Bank received the funds on 18 June 2024.

4. Developing World Market (DWM)

On 26 June 2023, the Bank has entered into USD 3,250 thousands senior loan agreements with two funds managed by DWM Asset Management LLC. The loan proceeds will be used to finance micro, small, and medium business clients in Mongolia. The loan has a bullet payment and shall mature on 27 June 2026. The Bank received the funds on 3 July 2024.

5. Symbiotics

On 8 July 2024, the Bank has entered into MNT funding loan agreement with amount equivalent to USD 8,000 thousands with MSME Bonds S.A., managed by Symbiotics. The purpose of the loan is to finance micro, small, and medium enterprises in Mongolia. The loan has a bullet repayment and shall mature on 25 May 2026. The Bank received the fund on 16 July 2024.

On 27 September 2024, the Bank has entered into USD 7,500 thousands loan agreement with MSME Bonds S.A., a fund managed by Symbiotics. The purpose of the loan is to finance micro, small, and medium enterprises in Mongolia. The loan has a bullet repayment and shall mature on 2 October 2027. The Bank received the fund on 2 October 2024.

21. Borrowed funds (Continued)

Borrowed funds from foreign financial institutions (Continued)

On 7 November 2024, the Bank has entered into USD 5,000 thousands loan agreement with MSME Bonds S.A., a fund managed by Symbiotics. The purpose of the loan is to finance micro, small, and medium enterprises in Mongolia. The loan has a bullet repayment and shall mature on 13 November 2027. The Bank received the fund on 13 November 2024.

6. Bank Im Bistum Essen eG (BiB)

On 23 July 2024, the Bank has entered into a total of USD 4,000 thousands senior loan agreements with two funds managed by Bank Im Bistum Essen eG (“BIB”), namely BIB Sustainable Finance (SICAV) and KCD Mikrpofinanzfonds (FIS). Both loans are dedicated for supporting the Bank’s MSME clients and has a tenor of 3 years, maturing on 30 July 2027, both with equal quarterly payments on the 30th, 33rd and 36th months and semi-annual equal interest payments, respectively. The Bank received the funds on 30 July 2024.

7. DEG

On 30 September 2024, the Bank has entered into USD 40,000 thousands senior loan agreement with DEUTSCHE INVESTITIONS - UND ENTWICKLUNGSGESELLSCHAFT MBH (“DEG”). The loan proceeds are dedicated for supporting green projects in the Country (30%) and small and medium sized enterprises and individual entrepreneurs in Mongolia (70%, thereof 50% for women-owned/led businesses). The loan has a tenor of 4 years, maturing on 15 October 2028 with 6 equal repayments starting on the 18th month. The Bank received the funds on 29 October 2024.

8. OeEB

On 3 December 2024, the Bank has signed a Term Facility Agreement for USD 20,000 thousands with OeEB (the Development Bank of Austria). The purpose of the loan is to support micro, small and medium enterprises (MSMEs), in particular, 60% of the proceeds will be used towards supporting women MSME clients of the Bank. The loan has a 5-year tenor with grace period of 1.5 years and equal amortizing repayments thereafter and shall mature in December 2029. The Bank received the funds on 20 December 2024.

9. FMO Syndication

On 11 December 2024, the Bank signed a Syndicated Term Facilities Agreement for USD 200,000 thousands with FMO (Dutch Development Bank), FinnFund (Finland’s development finance institution), and CDP (Italian Development Bank). The facility is structured as a multicurrency, senior unsecured A/B syndicated loan, comprising a 5-year USD 145,000 thousands tranche, a 5-year USD 40,000 thousands tranche to be provided in local currency and a 3-year USD 15,000 thousands tranche. The facility will support eligible green projects as well as Women, Youth, and Agriculture MSMEs, including Certified Cashmere businesses. The Bank expects to fully receive the funds within first quarter of 2025.

10. Repayments

During the year, the Bank made principal repayments of USD 89,700 thousands in senior loans and promissory notes in accordance with the repayment schedules as per respective loan agreements and promissory note agreements.

Trade finances

During the period, repayments of MNT 78,573,310 thousands were made and additional funding of MNT 14,272,733 thousands was received. Trade finances are all denominated in foreign currencies, mainly in USD and bear annual interest rates ranging between base rate plus margin of 0.70% to 5.96% per annum and have maturity dates of up to 6 years.

Borrowed funds from government organizations

In relation to loans obtained from government organizations, following major repayments were made and new funding was received during the period ended 31 December 2024:

21. Borrowed funds (Continued)

Borrowed funds from government organizations (Continued)

Bank of Mongolia

Mortgage funding program

Under the Mortgage funding program, the Bank receives funding from BoM, which bears interest rate of 1% - 2% p.a. and the Bank then issues mortgage loans at the interest rate of 3%- 6% p.a. As of 31 December 2024, the Bank received additional mortgage loan funding in amount of MNT 248,667,437 thousands (2023: MNT 121,017,763 thousands).

Gold-2 program project loan

Project loan for Gold-2 program is being implemented in cooperation with Bank of Mongolia and Master Agreement was concluded in June 2020. The outstanding amount of long-term financing project loan was MNT 379,719 thousands as of 31 December 2024 and loan maturity date was scheduled as September 2025.

Ministry of Finance/Japan Bank for International Cooperation

In accordance with Appendix 1 of the loan agreement entered between the Government of Mongolia and Japan International Cooperation Agency (JICA), JICA agreed to lend JPY 5,000,000 thousands for purpose of financing the "Two–Step Loan Project for Small and Medium Scaled Enterprises Development and Environmental Protection". As part of this agreement, the Bank received MNT 93,282,870 thousands and USD 3,200 thousands funding in total on 14 May 2007. Annual interest rate for MNT loans was set to be equal to previous 12 month's average demand deposit interest rate for commercial banks; in the other hand, USD loans interest rate per annum was set as equivalent to USD 6 month Libor rate plus margin 1%. As of 31 December 2024, the loans outstanding balance was MNT 33,682,335 thousand (2023: MNT 32,505,970 thousand) and the loan payment shall be completed in 2034.

Ministry of Finance - Asian Development Bank

Agriculture and Rural Development Project (ADB)
On 28 October 2015, the Government of Mongolia and ADB entered into Additional Financing Agreements no.3287 MON and 3288 MON (SF) for Agriculture and Rural Development Project. As part of this additional agreement, the Bank and MOF signed a Financing Loan Agreement on 5 May 2016 and outstanding balance as of 31 December 2024 was recorded as MNT 18,726,562 thousands (2023: MNT 22,930,000 thousands) with annual interest rate of 4.5%.

Credit guarantee fund of Mongolia
The Bank signed a ‘Credit guarantee general agreement’ with Credit Guarantee fund of Mongolia for implementing Asian development bank project loan titled as “To diversify the economy and increase employment by improving credit guarantee system”. Under the project loan, the Bank received MNT 16,700,000 thousands as guarantee funding source and the funding cost is 5% per annum. As of 31 December 2024, the outstanding balance was MNT 14,036,373 thousand (2023: MNT 7,200,000 thousands) with loan maturity date in 2033.

Income support program

On 6 October 2023, the Bank signed an Agreement with Good Neighbors Mongolia for the purpose of promoting household revenue of residents in target areas, determined by Good Neighbours International NGO, as well as enhancing their living quality and social and economic capacity. The funding interest rate was fixed as 3% per annum. As of 31 December 2024, the loan outstanding is MNT 1,223,000 thousands (2023: MNT 1,200,000 thousands) with maturity date of May 2028.

Ministry of Family Labour and Social Protection – Employment Support Fund

(i) *Small Loan to supporting the Labour market 2023*
As part of Labour Market Promotion Piloting Program, the Bank signed the “Agreement for disbursement of small SME loans under the micro-entrepreneurs promotion program” with the Ministry of Labour and Social Welfare on 26 December 2022. The funding interest rate is 4.4% per annum. As of 31 December 2024, loan outstanding amount was MNT 3,350,000 thousands (2023: MNT 586,900 thousands) with scheduled maturity date of December 2025.

21. Borrowed funds (Continued)

Borrowed funds from government organizations (Continued)

(ii) *Small Loan to supporting the Labour market 2024*
As part of Labour Market Promotion Piloting Program, the Bank signed the “Agreement for disbursement of small SME loans under the micro-entrepreneurs promotion program” with the Ministry of Labour and Social Welfare on 18 June 2024. The funding interest rate is 3.45% per annum. As of 31 December 2024, loan outstanding amount was MNT 6,500,000 thousand (2023: MNT 3,350,000 thousands) with scheduled maturity date of June 2027.

Ministry of Food, Agriculture and Light Industry

Long term soft loan of SME Development Fund

The Bank signed a “Cooperation agreement for establishing general terms and conditions” with the Ministry of Food, Agriculture and Light Industry on 2 August 2019. Under the project, the Bank received MNT 21,026026,105 thousands project funding source and the funding interest rate is 1.8% per annum. As of 31 December 2024, the outstanding balance is MNT 636,977 thousands (2023: MNT 4,850,000 thousands) with loan maturity date of July 2025.

Market and Pasture management development

The Bank signed a “Cooperation agreement for establishing general terms and conditions” with the Ministry of Food, Agriculture and Light Industry on 15 May 2020. Under the project, the Bank received MNT 2,772,800 thousands project loan and the funding cost is 5% per annum. As of 31 December 2024, the outstanding balance is MNT 142,120 thousands (2023: MNT 2,770,000 thousands) with maturity scheduled date of October 2026.

Soft loan to be funded by Culture and Art Promotion Fund

Khan Bank executed “Cooperation agreement” with National Film Council on 31 October 2024. Under the project, bank received project loan financing amount of MNT 1,000,000 thousands with interest rate of 3% per annum. Loan outstanding amount was MNT 1,000,000 thousand as of 31 December 2024 and project completion was scheduled to be in January 2028.

All borrowings are unsecured.

Most of the borrowing agreements require compliance with certain debt covenants, which can be grouped into the following categories:

- capital related ratios (such as risk weighted capital adequacy tier 1 capital ratio);
- financial risks related ratios (such as single and aggregate foreign currency open position, liquidity ratio, and interest coverage ratio);
- credit related ratios (such as single largest borrowers to the equity ratio, related party lending ratio and aggregate large exposures ratio, non-performing loans to total loan ratio, open loan exposure ratio and write off ratio);
- other ratios (cost to income ratio, loan to deposit ratio, Min ROA, and Min ROE).

The Bank also has promissory notes in the amount of MNT 37,035,349 thousands (31 December 2023: MNT 55,273,188 thousands) directly issued to international financial organisations.

The Bank was in compliance with covenants at 31 December 2024 and at 31 December 2023.

22. Other liabilities

In thousands of MNT	31 December 2024	31 December 2023
Other financial liabilities:		
Payables and accrued expenses	42,671,917	37,372,135
Liabilities for settlement of transactions	39,388,637	79,774,247
Temporary card payables	36,461,566	31,960,367
Provision for credit related commitments (Note 34)	19,569,934	12,534,864
Other non-financial liabilities:		
Salary payables	25,777,756	19,666,057
Tax payables other than income tax	15,876,184	9,700,389
Deferred revenue	86,233	643,756
Total other liabilities	**179,832,227**	**191,651,815**

Liabilities for settlement of transactions mainly related to delay on clearing settlement account and temporary card payables. Related balances were settled on next working day.

23. Share capital, other reserves and dividends

Share Capital

	Number of shares authorised, issued and fully paid		Amount	
	31 December 2024	31 December 2023	31 December 2024 MNT'000	31 December 2023 MNT'000
Total Ordinary shares	1,912,198,000	1,912,198,000	191,219,800	191,219,800
Share premium	-	-	164,257,808	164,257,808
Net shares at year end	**1,912,198,000**	**1,912,198,000**	**355,477,608**	**355,477,608**

The Bank has launched an initial public offering (IPO) of its shares through the Mongolian Stock Exchange (MSE) between 13 - 19 April 2023. On 22 June 2023, the BoM has approved the request of the Bank to book IPO funds in the Bank's equity. Upon approval from the BoM, the IPO proceeds of MNT 183,379,788 thousands were recorded in equity. Out of which, MNT 19,121,980 thousands accounted as an increase in ordinary shares at a nominal value of MNT 100, while the remaining MNT 164,257,808 thousands accounted as thousand in share premium, as reflecting the difference between share price at IPO and the nominal value.

In 2024, the Bank distributed dividends to the shareholders based on the Bank's financial result for the year ending 31 December 2023, as approved by the BoM and by a decision from Shareholders meeting, in amount of MNT 271,015,823 thousands (2023: MNT 180,702,711 thousands).

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

	31 December 2024	31 December 2023
HS Holdings Co. Ltd.	40.99%	40.99%
Tavan Bogd Holdings LLC	22.78%	22.78%
Khulan D.	13.22%	13.22%
H.S. International (Asia) Ltd.	8.78%	8.78%
Public	14.23%	14.23%
Total ordinary shares	**100.00%**	**100.00%**

H.S. International (Asia) Ltd is 100% subsidiary of HS Holdings Co. Ltd as of 31 December 2024 and 31 December 2023.

23. Share capital, other reserves, and dividends (Continued)

Other reserves

In thousands of MNT	**Cash flow hedge reserve**	**FVOCI reserve**	**Asset revaluation reserve**	**Total other reserves**
At 31 December 2024				
At 1 January 2024	(2,729,982)	3,766,689	86,182,453	87,219,160
Depreciation	-	-	(1,853,578)	(1,853,578)
Unrealised loss on FVOCI investments	-	(2,630,406)	-	(2,630,406)
Fair value gain on hedging instruments (Note 11)	2,592,462	-	-	2,592,462
Revaluation on hedging instrument reclassified to profit or loss against hedged item	(2,796,005)	-	-	(2,796,005)
Net realised loss reclassified to profit or loss at maturity	3,084,910	-	-	3,084,910
Net charge for expected credit losses on debt instruments at FVOCI (Note 10)	-	6,981,379	-	6,981,379
Deferred tax asset recognised in OCI (Note 30.2)	(720,342)	(1,087,743)	-	(1,808,085)
Net movement to other comprehensive income	2,161,025	3,263,230	-	5,424,255
Movement to retained earnings	-	-	(1,853,578)	(1,853,578)
At 31 December 2024	**(568,957)**	**7,029,919**	**84,328,875**	**90,789,837**

In thousands of MNT	**Cash flow hedge reserve**	**FVOCI reserve**	**Asset revaluation reserve**	**Total other reserves**
At 31 December 2023				
At 1 January 2023	(10,420,015)	(3,452,623)	88,384,098	74,511,460
Depreciation	-	-	(2,201,645)	(2,201,645)
Unrealised gain on FVOCI investments	-	9,843,033	-	9,843,033
Fair value loss on hedging instruments (Note 11)	(18,255,772)	-	-	(18,255,772)
Revaluation on hedging instrument reclassified to profit or loss against hedged item	21,318,201	-	-	21,318,201
Net realised loss reclassified to profit or loss	7,190,948	-	-	7,190,948
Net charge for expected credit losses on debt instruments at FVOCI	-	(217,284)	-	(217,284)
Deferred tax asset recognised in OCI (Note 30.2)	(2,563,344)	(2,406,437)	-	(4,969,781)
Net movement to other comprehensive income	7,690,033	7,219,312	-	14,909,345
Movement to retained earnings	-	-	(2,201,645)	(2,201,645)
At 31 December 2023	**(2,729,982)**	**3,766,689**	**86,182,453**	**87,219,160**

24. Interest and similar income

In thousands of MNT	2024	2023
Interest income calculated using the effective interest method		
Loans and advances to customers	1,785,654,298	1,376,822,871
Cash and cash equivalent	495,737,521	400,713,505
Debt instruments at AC	74,915,312	76,713,503
Debt instruments at FVOCI	20,180,538	8,560,941
Due from banks	1,377,110	2,004,373
Total interest income calculated using the effective interest method	**2,377,864,779**	**1,864,815,193**

Other similar interest income

In thousands of MNT	2024	2023
Debt instruments at FVTPL	31,165,462	29,093,144
Loans and advances to customers at FVTPL	15,450,343	14,321,295
Total other similar interest income	**46,615,805**	**43,414,439**

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 interest 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 the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does 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 recognised in profit or loss due to the asset being in stage 3 but it is now expected to be received following the asset’s curing, is recognised as a reversal of impairment.

25. Interest and similar expense

In thousands of MNT	2024	2023
Customer accounts	864,668,770	587,269,083
Borrowed funds	175,948,788	163,063,975
Interest expense of hedge eligible swaps	38,559,104	27,959,347
Debt securities in issue	31,860,385	13,999,172
Due to banks	13,447,201	12,474,527
Total interest expense	**1,124,484,248**	**804,766,104**

Other similar interest expense

In thousands of MNT	2024	2023
Interest expense on hedge non-eligible swaps	35,658,284	13,349,300
Lease liability (Note 16)	2,472,839	1,966,273
Unwinding of modification losses from financial assets	2,196,904	727,009
Total other similar interest expense	**40,328,027**	**16,042,582**

26. Net fees and commission income

In thousands of MNT	2024	2023
Fees and commission income		
Commissions on operations with plastic cards	145,044,474	134,127,436
Commissions on mobile banking and internet banking	122,284,078	116,937,472
Commissions on settlement transactions	21,619,552	16,964,575
Commissions on documentary business and guarantees	3,537,739	3,546,341
Commissions on cash operations	2,102,858	1,835,710
Commissions on transfer payments	169,701	241,410
Other	8,116,056	7,981,409
Total fees and commission income	**302,874,458**	**281,634,353**
Fees and commission expenses		
Commission on mobile services	33,589,632	27,154,247
Commissions on operations with plastic cards	24,584,516	21,380,036
Commissions on settlement transactions	12,389,929	9,267,553
Commissions on foreign exchange operations	1,621,574	1,888,925
Total fees and commission expenses	**72,185,651**	**59,690,761**
Net fees and commission income	**230,688,807**	**221,943,592**

Fee and commission income is recognised 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.

27. Losses less gains from financial derivatives

In thousands of MNT	2024	2023
Net realised loss on hedging	(3,100,639)	(7,141,463)
Ineffectiveness of hedging	1,594,001	(4,634,804)
Fair value change of swaps, not hedged	916,525	(827,746)
Total losses less gains from financial derivatives	**(590,113)**	**(12,604,013)**

28. Credit loss allowance

The table below shows the ECL charges/(reversals) on financial assets and liabilities for the year recorded in profit or loss:

In thousands of MNT	**2024**	**2023**
Net charge/(reversal) for ECL allowance:		
Cash and cash equivalents (Note 7)	759,236	(1,155,522)
Mandatory reserves with the BoM (Note 8)	4,387,536	1,262,104
Due from other banks (Note 9)	674	-
Loans and advances to customers (Note 12)	90,530,058	85,822,040
Debt instrument measured at AC (Note 10)	(993,373)	942,314
Debt instrument measured at FVOCI (Note 10)	6,981,379	(217,284)
Off balance sheet commitments (Note 34)	7,035,070	6,327,915
Other assets (Note 13)	9,929,522	(220,320)
Total ECL allowance	**118,630,102**	**92,761,247**

29. Operating expenses

In thousands of MNT	2024	2023
Salaries, wages, and bonuses	221,991,019	169,146,648
IT related service expense	110,069,601	99,681,682
Depreciation of property and equipment (Note 14)	59,253,010	55,676,503
Deposit insurance fee	32,336,137	26,879,455
Contribution to social and health fund	26,854,647	20,748,148
Premises repair and maintenance expense	23,600,403	20,736,904
Amortisation of intangible assets (Note 15)	14,947,797	18,292,815
Office materials and supplies	12,957,181	11,385,774
Marketing and advertisement expenses	12,252,403	11,602,083
Depreciation of right of use assets (Note 16)	9,834,378	8,438,579
Security services	7,275,589	5,890,783
Contribution for bank stabilization fund	4,850,736	4,605,537
Information and telecommunication services	4,678,993	4,321,496
Transportation	4,196,925	3,874,097
Events	3,975,867	3,381,287
Professional services	3,811,708	4,052,471
Research expenses	3,310,266	1,524,750
Business trip expenses	3,107,049	2,529,101
Taxes other than income tax	3,045,118	8,036,988
Training expenses	2,385,047	3,537,942
Insurance	2,134,124	1,925,472
Short term-lease expense	1,509,979	1,687,294
Other	14,175,175	14,782,024
Total	**582,553,152**	**502,737,833**

In thousands of MNT	2024	2023
Contribution to social and health fund costs consist of:		
Contribution to state social and health fund	8,593,487	6,639,407
Contribution to state pension fund	18,261,160	14,108,741
Total	**26,854,647**	**20,748,148**

Wages, salaries, contributions to the state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Bank. The Bank has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.
Salaries increased in the current year because of the increase in employees' base salary in June and in November 2024.

The audit service fees charged by the auditors in the financial year 2024 was MNT 624,619 thousands (2023: MNT 412,879 thousands) and other assurance service fees was MNT 428,921 thousands (2023: MNT 359,025 thousands) and non-assurance services was MNT 514,043 thousands (2023: MNT 1,071,763 thousands).

30. Income tax

30.1 Income tax expense

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

In thousands of MNT	2024	2023
Current tax:		
Current income tax	191,181,727	184,798,981
Deferred tax:		
Relating to temporary differences and tax losses	235,301	(823,532)
Total income tax expense	**191,417,028**	**183,975,449**

Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the financial statements are authorized prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

The Bank provides for income taxes on the basis of its income for financial reporting purposes, adjusted for items which are not assessable or deductible for income tax purposes. The income tax rate for profits of the Bank is 10% for the first MNT 6,000,000 thousands (2023: 6,000,000 thousands) of taxable income and 25% on the excess of taxable income over MNT 6,000,000 thousands (2023: 6,000,000 thousands). Interest income on government bonds is not subject to income tax. Impairment losses for non-performing loans and advances are deductible for income tax purposes.

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

In thousands of MNT	2024	2023
Profit before taxation	829,931,484	742,758,322
Tax at statutory rate of 25% (2023: 25%)	207,482,871	185,689,580
Effect of expenses not deductible for income tax purpose	7,288,726	6,786,271
Tax exempted income - Government bond	(16,105,014)	(12,492,373)
Income taxed at different rates	(238,385)	(130,422)
Under/over provision of current tax	(6,111,170)	5,022,393
Effect of income subject to lower tax rate	(900,000)	(900,000)
Tax expense for the year	**191,417,028**	**183,975,449**

30. Income tax (Continued)

The effective income tax rate for 2024 is 23.06% (2023: 24.77%).

Tax exempted income represents interest income from government bonds which is tax exempted under Mongolian tax legislation.

30.2 Deferred tax

The Bank's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues.

Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.
Differences between IFRS Accounting standards 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 is detailed below.

In thousands of MNT	Investments and other financial assets fair value and ECL	Revaluation of financial derivatives	Depreciation of property and equipment	Total
As at 1 January 2024	**768,203**	**(161,815)**	**(9,461,889)**	**(8,855,501)**
Recognised in statement of OCI (Note 23)	(1,087,743)	(720,342)	-	**(1,808,085)**
Recognised in profit or loss	2,783,863	147,528	(3,166,692)	**(235,301)**
As at 31 December 2024	**2,464,323**	**(734,629)**	**(12,628,581)**	**(10,898,887)**
As at 1 January 2023	**2,966,737**	**(756,019)**	**(6,919,969)**	**(4,709,251)**
Recognised in statement of OCI (Note 23)	(2,406,437)	(2,563,345)	-	**(4,969,782)**
Recognised in profit or loss	207,903	3,157,549	(2,541,920)	**823,532**
As at 31 December 2023	**768,203**	**(161,815)**	**(9,461,889)**	**(8,855,501)**

30.3 Current income tax liabilities

In thousands of MNT	31 December 2024	31 December 2023
Income tax liability as at 1 January	27,366,766	3,957,990
Current income tax expense	191,181,727	184,798,981
Tax paid	(209,632,612)	(161,390,205)
Income tax liability as at 31 December	**8,915,881**	**27,366,766**

31. Earnings per share

Earnings per share are determined by dividing the profit or loss attributable to owners of the Bank by the weighted average number of participating shares outstanding during the reporting year. The Bank has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share. Earnings per share are calculated as follows:

In thousands of MNT	31 December 2024	31 December 2023
Profit attributable to ordinary equity holders - basic and diluted	**638,514,456**	**558,782,873**
Adjusted weighted average number of ordinary shares for EPS	**1,912,198,000**	**1,818,945,604**

Earnings per share

In thousands of MNT	31 December 2024	31 December 2023
Equity holders of the Bank for the period:		
Basic earnings per share	334	307
Diluted earnings per share	334	307

32. Reconciliation of liabilities arising from financing activities

The table below sets out an analysis of the Bank's debt and movements for each of the periods presented. The debt items are those that are reported as financing in the statement of cash flow:

	Liabilities from financing activities				
In thousands of MNT	**Other borrowed funds**	**Repo agreement**	**Debt securities in issue**	**Lease liabilities**	**Total**
Liabilities from financing activities at 1 January 2024	**2,121,721,870**	**60,182,082**	**223,998,582**	**13,036,341**	**2,418,938,875**
Cash transactions					
Cash inflows	894,136,139	839,494,046	526,865,000	-	2,260,495,185
Cash outflows	(535,069,802)	(811,873,401)	-	(9,437,574)	(1,356,380,777)
Interest paid	(171,753,453)	(10,609,175)	(26,597,934)	(2,472,839)	(211,433,401)
Non- cash transactions					
New leases	-	-	-	11,620,498	11,620,498
Interest accrued	175,948,788	10,598,313	30,684,281	2,472,839	219,704,221
Foreign exchange adjustments	426,710	-	3,667,365	-	4,094,075
Liabilities from financing activities at 31 December 2024	**2,485,410,252**	**87,791,865**	**758,617,294**	**15,219,265**	**3,347,038,676**

	Liabilities from financing activities				
In thousands of MNT	**Other borrowed funds**	**Repo agreement**	**Debt securities in issue**	**Lease liabilities**	**Total**
Liabilities from financing activities at 1 January 2023	**1,776,932,717**	**367,267,329**	**-**	**11,231,249**	**2,155,431,295**
Cash transactions					
Cash inflows	957,358,478	958,913,403	226,762,400	-	2,143,034,281
Cash outflows	(616,157,388)	(1,271,488,927)	-	(8,410,670)	(1,896,056,985)
Interest paid	(57,486,650)	(4,643,211)	(9,638,271)	(1,966,273)	(73,734,405)
Non- cash transactions					
New leases	-	-	-	10,215,762	10,215,762
Interest accrued	163,063,975	10,133,488	13,999,172	1,966,273	189,162,908
Foreign exchange adjustments	(101,989,262)	-	(7,124,719)	-	(109,113,981)
Liabilities from financing activities at 31 December 2023	**2,121,721,870**	**60,182,082**	**223,998,582**	**13,036,341**	**2,418,938,875**

33. Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker ('CODM'), and for which discrete financial information is available. The CODM is executive management committee members of the Bank.

The Bank is organised on the basis of four main business segments based on products and services, as follows:

- *Retail banking*: Includes private banking services, private customer current accounts, savings, deposits, credit and debit cards, small business loan consumer loans and mortgages.
- *SME banking*: Includes current, demand and term deposit accounts, overdrafts, loan and other credit facilities, business consultation and other advices.
- *Corporate banking*: Includes current, demand and term deposit accounts, overdrafts, loan and other credit facilities
- *Treasury banking*: Undertakes the Bank's funding and centralised risk management activities through borrowings, use of derivatives for risk management purposes and investing in assets such as short–term placements and corporate and government debt securities. Operation is the Bank's funds management activities.

In addition to above segment results, the Bank has disclosed general operational results as Others which Includes Headquarter operations and central shared services operation that manages the Bank's premises and certain corporate costs.

The Bank uses profit before tax to measure profitability of each segment.

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

33. Segment Analysis (Continued)

As at 31 December 2024

In thousands of MNT	Retail Banking	SME Banking	Corporate Banking	Treasury	Others	Total
Interest income calculated using effective interest method	1,265,329,094	291,527,735	228,665,898	583,023,425	9,318,627	2,377,864,779
Business loan product	455,054,265	270,867,519	228,658,597	-	6,088,641	960,669,022
Consumer loan product	810,274,829	20,660,216	7,301	-	3,229,986	834,172,332
Other interest income	-	-	-	583,023,425	-	583,023,425
Other similar interest income	15,749,739	1,729,660	-	29,057,013	79,393	46,615,805
Interest expense	(776,243,511)	(43,397,142)	(45,413,178)	(294,286,411)	34,855,994	(1,124,484,248)
Individual	(720,706,483)	(24,624,577)	(115,514)	-	(187,327)	(745,633,901)
Corporate	(55,537,028)	(18,772,565)	(45,297,664)	(294,286,411)	35,043,321	(378,850,347)
Other similar interest expense	(2,013,772)	(459,068)	-	-	(37,855,187)	(40,328,027)
Distribution of Head Office cost allocated to Net interest income distribution	(181,152,487)	(39,994,130)	(38,467,572)	-	259,614,189	-
Transactions between operating segments	500,273,933	(59,147,865)	(27,632,232)	(306,817,908)	(106,675,928)	-
Net margin on interest and similar income	**821,942,996**	**150,259,190**	**117,152,916**	**10,976,119**	**159,337,088**	**1,259,668,309**
Credit loss (allowance)/recovery	(83,091,925)	(34,806,424)	18,492,216	(11,135,450)	(8,088,519)	(118,630,102)
Net margin on interest and similar income after credit loss allowance	**738,851,071**	**115,452,766**	**135,645,132**	**(159,331)**	**151,248,569**	**1,141,038,207**
Fees and commission income	256,618,140	14,043,621	30,457,448	1,755,249	-	302,874,458
Fees and commission expense	(52,601,019)	(2,146,915)	(3,588,054)	(13,849,663)	-	(72,185,651)
Losses less gains from financial derivatives	-	-	-	(590,113)	-	(590,113)
Gains less losses from trading in foreign currencies	7,532,534	1,672,361	2,677,755	20,151,919	-	32,034,569
Foreign exchange translation net losses	-	-	-	(2,050,213)	-	(2,050,213)
Gains less losses from debt securities at FVOCI	-	-	-	2,449,196	-	2,449,196
Net gains from modification of financial assets at AC	7,046,931	8,671	(2,872,277)	(618,628)	86,193	3,650,890
Other operating income	714,272	10,748	-	5,333	5,920,059	6,650,412
Operating expenses	(207,947,786)	(16,079,146)	(3,203,986)	(5,736,444)	(349,585,790)	(582,553,152)
Other losses, net	285,376	96,890	-	-	(1,769,385)	(1,387,119)
Profit before tax	**750,499,519**	**113,058,996**	**159,116,018**	**1,357,305**	**(194,100,354)**	**829,931,484**
Total assets	**7,856,227,571**	**1,824,504,102**	**1,700,043,185**	**8,301,265,376**	**620,684,374**	**20,302,724,608**
Total liabilities	**11,816,012,913**	**1,213,773,349**	**1,192,879,346**	**3,032,238,951**	**583,161,800**	**17,838,066,359**
Capital expenditure	**31,202,708**	**2,214,701**	**-**	**-**	**67,729,813**	**101,147,222**

33. Segment Analysis (Continued)

As at 31 December 2023

In thousands of MNT	Retail Banking	SME Banking	Corporate Banking	Treasury	Others	Total
Interest income calculated using effective interest method	1,027,335,167	164,315,805	165,054,608	490,520,196	17,589,417	1,864,815,193
Business loan product	319,680,624	157,083,813	164,071,665	-	5,710,068	646,546,170
Consumer loan product	707,654,543	7,231,992	193,391	-	11,879,349	726,959,275
Other interest income	-	-	789,552	490,520,196	-	491,309,748
Other similar interest income	14,864,119	2,500,421	215,887	25,775,717	58,295	43,414,439
Interest expense	(564,533,934)	(10,518,339)	(11,216,862)	(230,813,284)	12,316,315	(804,766,104)
Individual	(532,457,646)	(4,921,192)	(1,815)	-	(639,755)	(538,020,408)
Corporate	(32,076,288)	(5,597,147)	(11,215,047)	(230,813,284)	12,956,070	(266,745,696)
Other similar interest expense	-	-	-	-	(16,042,582)	(16,042,582)
Distribution of Head Office cost allocated to Net interest income distribution	(169,584,777)	(24,951,663)	(33,883,569)	-	228,420,009	-
Transactions within operating segments	371,624,307	(48,684,507)	(51,425,213)	(285,347,267)	13,832,680	-
Net margin on interest and similar income	**679,704,882**	**82,661,717**	**68,744,851**	**135,362**	**256,174,134**	**1,087,420,946**
Credit loss (allowance)/recovery	(71,684,297)	(26,225,009)	6,441,853	(831,612)	(462,182)	(92,761,247)
Net margin on interest and similar income after credit loss allowance	**608,020,585**	**56,436,708**	**75,186,704**	**(696,250)**	**255,711,952**	**994,659,699**
Fees and commission income	245,001,659	8,808,638	25,733,156	2,090,900	-	281,634,353
Fees and commission expense	(48,234,655)	(1,525,709)	(4,733,967)	(5,196,430)	-	(59,690,761)
Net (losses)/gains from financial derivatives	-	-	-	(12,604,013)	-	(12,604,013)
Gains less losses from trading in foreign currencies	9,198,040	872,890	2,692,404	17,509,348	-	30,272,682
Foreign exchange translation gains less losses	-	-	-	1,429,362	-	1,429,362
Gains less losses from debt securities at FVOCI	-	-	-	1,746,029	-	1,746,029
Gains less losses from debt securities at AC	-	-	-	1,133,461	-	1,133,461
Gains less losses from debt securities at FVTPL	-	-	-	1,010,247	-	1,010,247
Net gains/(losses) from modification of financial assets at AC	2,035,266	2,265,105	(4,300,371)	-	5,426,968	5,426,968
Other operating income	513,741	946	-	8,384	2,540,304	3,063,375
Operating expenses	(184,704,108)	(7,028,781)	(1,399,608)	(3,414,066)	(306,191,270)	(502,737,833)
Other losses, net	(220,650)	45,423	-	-	(2,410,020)	(2,585,247)
Profit before tax	**631,609,878**	**59,875,220**	**93,178,318**	**3,016,972**	**(44,922,066)**	**742,758,322**
Total assets	**6,786,463,451**	**1,074,331,315**	**1,311,226,262**	**7,625,621,739**	**552,999,306**	**17,350,642,073**
Total liabilities	**10,825,261,438**	**580,832,872**	**986,624,139**	**2,353,044,258**	**513,144,005**	**15,258,906,712**
Capital expenditure	**23,721,689**	**85,731**	**-**	**-**	**45,467,679**	**69,275,099**

33. Segment Analysis (Continued)

In thousands of MNT	Retail Banking	SME Banking	Corporate Banking	Treasury	Total
2024					
Commissions on operations with plastic cards	116,066,098	7,611,669	21,366,707	-	145,044,474
Commissions on mobile and internet services	114,420,694	3,500,837	4,362,547	-	122,284,078
Commissions on settlement transactions	16,958,107	1,220,696	1,967,227	1,473,522	21,619,552
Commissions on documentary business and guarantees	645,911	881,039	1,924,859	85,930	3,537,739
Commissions on cash operations	1,805,121	166,826	121,809	9,102	2,102,858
Commissions on transfer payments	158,430	5,304	5,967	-	169,701
Other	6,563,779	657,250	708,332	186,695	8,116,056
Total fees and commission income for 2024	**256,618,140**	**14,043,621**	**30,457,448**	**1,755,249**	**302,874,458**

In thousands of MNT	Retail Banking	SME Banking	Corporate Banking	Treasury	Total
2023					
Commissions on operations with plastic cards	107,309,743	6,529,071	20,288,492	130	134,127,436
Commissions on mobile and internet services	115,130,192	527,937	1,279,343	-	116,937,472
Commissions on settlement transactions	13,604,350	443,549	977,794	1,938,882	16,964,575
Commissions on documentary business and guarantees	327,209	722,522	2,421,145	75,465	3,546,341
Commissions on cash operations	1,605,286	106,444	108,147	15,833	1,835,710
Commissions on transfer payments	199,658	10,269	31,483	-	241,410
Other	6,825,221	468,846	626,752	60,590	7,981,409
Total fees and commission income for 2023	**245,001,659**	**8,808,638**	**25,733,156**	**2,090,900**	**281,634,353**

34. Contingencies and Commitments

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

	31 December 2024			31 December 2023		
In thousands of MNT	**Gross carrying amount**	**Credit loss allowance**	**Carrying amount**	**Gross carrying amount**	**Credit loss allowance**	**Carrying amount**
Contingent liabilities						
Financial guarantees issued	76,814,247	(2,250,010)	74,564,237	65,842,774	(314,302)	65,528,472
Performance guarantees issued	85,163,613	(293,696)	84,869,917	76,168,690	(437,229)	75,731,461
Letters of credit	43,232,816	(230,593)	43,002,223	27,347,449	(185,163)	27,162,286
Undrawn credit lines	1,476,885,258	(16,649,400)	1,460,235,858	636,504,815	(10,317,573)	626,187,242
Undrawn credit cards	36,315,445	(120,075)	36,195,370	52,416,065	(1,279,543)	51,136,522
Factoring commitment	8,851,654	(26,160)	8,825,494	200,000	(1,054)	198,946
Total contingent liabilities	**1,727,263,033**	**(19,569,934)**	**1,707,693,099**	**858,479,793**	**(12,534,864)**	**845,944,929**
Capital related commitments						
Property and equipment	1,072,349	-	1,072,349	1,025,293	-	1,025,293
Total	**1,728,335,382**	**(19,569,934)**	**1,708,765,448**	**859,505,086**	**(12,534,864)**	**846,970,222**

34. Contingencies and Commitments (Continued)

Expected credit loss allowance for off balance sheet commitments:

Undrawn credit lines:

In thousands of MNT	Credit loss allowance Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Gross carrying amount Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
At 31 December 2023	**3,491,207**	**3,189,451**	**3,636,915**	**10,317,573**	**507,285,464**	**122,567,559**	**6,651,792**	**636,504,815**
New originated or purchased/increases	50,844,396	-	-	**50,844,396**	4,907,533,412	-	-	**4,907,533,412**
Exposures derecognised or matured/lapsed	(26,843,058)	(14,112,993)	(3,636,915)	**(44,592,966)**	(3,798,247,499)	(262,648,490)	(6,256,980)	**(4,067,152,969)**
- Transfers to Stage 1	137,468	(233,033)	-	**(95,565)**	27,614,030	(27,614,030)	-	**-**
- Transfers to Stage 2	(13,072,163)	13,249,202	-	**177,039**	(175,088,711)	177,088,711	(2,000,000)	**-**
- Transfers to Stage 3	-	(1,077)	-	**(1,077)**	-	(3,349,848)	3,349,848	**-**
At 31 December 2024	**14,557,850**	**2,091,550**	**-**	**16,649,400**	**1,469,096,696**	**6,043,902**	**1,744,660**	**1,476,885,258**

In thousands of MNT	Credit loss allowance Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Gross carrying amount Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
At 31 December 2022	**3,010,494**	**867,440**	**1,076,570**	**4,954,504**	**563,109,677**	**73,481,852**	**3,591,428**	**640,182,957**
New originated or purchased/increases	27,842,830	-	-	**27,842,830**	3,025,093,224	-	-	**3,025,093,224**
Exposures derecognised or matured/lapsed	(17,475,596)	(2,929,133)	(2,777,392)	**(23,182,121)**	(2,844,569,050)	(179,905,976)	(4,296,340)	**(3,028,771,366)**
- Transfers to Stage 1	748	(3,718)	-	**(2,970)**	1,600,593	(1,600,593)	-	**-**
- Transfers to Stage 2	(9,887,269)	10,386,959	-	**499,690**	(237,948,980)	237,948,980	-	**-**
- Transfers to Stage 3	-	(5,132,097)	5,337,737	**205,640**	-	(7,356,704)	7,356,704	**-**
At 31 December 2023	**3,491,207**	**3,189,451**	**3,636,915**	**10,317,573**	**507,285,464**	**122,567,559**	**6,651,792**	**636,504,815**

34. Contingencies and Commitments (Continued)

Undrawn credit cards:

In thousands of MNT	Credit loss allowance Stage 1 (12-months ECL)	Credit loss allowance Stage 2 (lifetime ECL for SICR)	Credit loss allowance Stage 3 (lifetime ECL for credit impaired)	Credit loss allowance Total	Gross carrying amount Stage 1 (12-months ECL)	Gross carrying amount Stage 2 (lifetime ECL for SICR)	Gross carrying amount Stage 3 (lifetime ECL for credit impaired)	Gross carrying amount Total
At 31 December 2023	**144,134**	**7,789**	**1,127,620**	**1,279,543**	**49,285,960**	**1,186,794**	**1,943,311**	**52,416,065**
New originated or purchased/ increases	399,617	-	-	**399,617**	90,389,771	-	-	**90,389,771**
Exposures derecognised or matured/lapsed	(401,754)	(26,566)	(1,127,471)	**(1,555,791)**	(99,593,751)	(3,883,745)	(3,012,895)	**(106,490,391)**
- Transfers to Stage 1	129	(21,892)	-	**(21,763)**	109,388	(109,388)	-	**-**
- Transfers to Stage 2	(26,257)	49,783	(149)	**23,377**	(4,327,858)	4,333,448	(5,590)	**-**
- Transfers to Stage 3	-	(4,908)	-	**(4,908)**	-	(1,209,299)	1,209,299	**-**
At 31 December 2024	**115,869**	**4,206**	**-**	**120,075**	**35,863,510**	**317,810**	**134,125**	**36,315,445**

In thousands of MNT	Credit loss allowance Stage 1 (12-months ECL)	Credit loss allowance Stage 2 (lifetime ECL for SICR)	Credit loss allowance Stage 3 (lifetime ECL for credit impaired)	Credit loss allowance Total	Gross carrying amount Stage 1 (12-months ECL)	Gross carrying amount Stage 2 (lifetime ECL for SICR)	Gross carrying amount Stage 3 (lifetime ECL for credit impaired)	Gross carrying amount Total
At 31 December 2022	**233,325**	**23,317**	**358,106**	**614,748**	**59,188,664**	**1,503,980**	**1,049,002**	**61,741,646**
New originated or purchased/ increases	3,475,576	-	-	**3,475,576**	162,013,384	-	-	**162,013,384**
Exposures derecognised or matured/lapsed	(750,028)	(95,626)	(2,675,133)	**(3,520,787)**	(163,035,681)	(3,574,693)	(4,728,591)	**(171,338,965)**
- Transfers to Stage 1	1,690	(85,555)	-	**(83,865)**	387,786	(387,786)	-	**-**
- Transfers to Stage 2	(2,816,429)	2,918,089	(85,515)	**16,145**	(9,268,193)	9,391,983	(123,790)	**-**
- Transfers to Stage 3	-	(2,752,436)	3,530,162	**777,726**	-	(5,746,690)	5,746,690	**-**
At 31 December 2023	**144,134**	**7,789**	**1,127,620**	**1,279,543**	**49,285,960**	**1,186,794**	**1,943,311**	**52,416,065**

34. Contingencies and Commitments (Continued)

Financial guarantees issued:

In thousands of MNT	Credit loss allowance				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**
At 31 December 2023	**314,302**	**-**	**-**	**314,302**	**65,842,774**	**-**	**-**	**65,842,774**
New originated or purchased/ increases	2,485,560	-	-	**2,485,560**	396,871,107	-	-	**396,871,107**
Exposures derecognised or matured/lapsed	(2,493,505)	-	-	**(2,493,505)**	(385,899,634)	-	-	**(385,899,634)**
- Transfers to Stage 1	-	-	-	**-**	-	-	-	**-**
- Transfers to Stage 2	(8,038)	1,951,691	-	**1,943,653**	(2,540,367)	2,540,367	-	**-**
- Transfers to Stage 3	-	-	-	**-**	-	-	-	**-**
At 31 December 2024	**298,319**	**1,951,691**	**-**	**2,250,010**	**74,273,880**	**2,540,367**	**-**	**76,814,247**

In thousands of MNT	Credit loss allowance				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**
At 31 December 2022	**155,689**	**-**	**-**	**155,689**	**38,828,880**	**-**	**-**	**38,828,880**
New originated or purchased/ increases	1,831,270	-	-	**1,831,270**	490,443,490	-	-	**490,443,490**
Exposures derecognised or matured/lapsed	(1,672,657)	-	-	**(1,672,657)**	(463,429,596)	-	-	**(463,429,596)**
- Transfers to Stage 1	-	-	-	**-**	-	-	-	**-**
- Transfers to Stage 2	-	-	-	**-**	-	-	-	**-**
- Transfers to Stage 3	-	-	-	**-**	-	-	-	**-**
At 31 December 2023	**314,302**	**-**	**-**	**314,302**	**65,842,774**	**-**	**-**	**65,842,774**

34. Contingencies and Commitments (Continued)

Performance guarantees issued:

	Credit loss allowance				Gross carrying amount			
In thousands of MNT	**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**
At 31 December 2023	**437,229**	**-**	**-**	**437,229**	**76,168,690**	**-**	**-**	**76,168,690**
New originated or purchased/ increases	775,589	-	-	**775,589**	184,286,458	-	-	**184,286,458**
Exposures derecognised or matured/lapsed	(919,122)	-	-	**(919,122)**	(175,291,535)	-	-	**(175,291,535)**
- Transfers to Stage 1	-	-	-	**-**	-	-	-	**-**
- Transfers to Stage 2	-	-	-	**-**	-	-	-	**-**
- Transfers to Stage 3	-	-	-	**-**	-	-	-	**-**
At 31 December 2024	**293,696**	**-**	**-**	**293,696**	**85,163,613**	**-**	**-**	**85,163,613**

	Credit loss allowance				Gross carrying amount			
In thousands of MNT	**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**
At 31 December 2022	**338,249**	**-**	**-**	**338,249**	**71,046,500**	**-**	**-**	**71,046,500**
New originated or purchased/ increases	707,044	-	-	**707,044**	132,238,389	-	-	**132,238,389**
Exposures derecognised or matured/lapsed	(608,064)	-	-	**(608,064)**	(127,116,199)	-	-	**(127,116,199)**
- Transfers to Stage 1	-	-	-	**-**	-	-	-	**-**
- Transfers to Stage 2	-	-	-	**-**	-	-	-	**-**
- Transfers to Stage 3	-	-	-	**-**	-	-	-	**-**
At 31 December 2023	**437,229**	**-**	**-**	**437,229**	**76,168,690**	**-**	**-**	**76,168,690**

34. Contingencies and Commitments (Continued)

Letters of credits

In thousands of MNT	**Credit loss allowance Stage 1**	**Gross carrying amount Stage 1**
At 31 December 2023	**185,163**	**27,347,449**
New exposures	747,797	84,036,672
Exposures derecognised or matured/lapsed	(702,367)	(68,151,305)
At 31 December 2024	**230,593**	**43,232,816**

In thousands of MNT	**Credit loss allowance Stage 1**	**Gross carrying amount Stage 1**
At 31 December 2022	**143,760**	**24,667,537**
New exposures	284,489	50,114,668
Exposures derecognised or matured/lapsed	(243,086)	(47,434,756)
At 31 December 2023	**185,163**	**27,347,449**

Factoring commitment

In thousands of MNT	**Credit loss allowance Stage 1**	**Gross carrying amount Stage 1**
At 31 December 2023	**1,054**	**200,000**
New exposures	54,985	13,527,148
Exposures derecognised or matured/lapsed	(29,879)	(4,875,494)
At 31 December 2024	**26,160**	**8,851,654**

In thousands of MNT	**Credit loss allowance Stage 1**	**Gross carrying amount Stage 1**
At 31 December 2022	**-**	**-**
New exposures	1,054	200,000
Exposures derecognised or matured/lapsed	-	-
At 31 December 2023	**1,054**	**200,000**

34. Contingencies and Commitments (Continued)

		31 December 2024							31 December 2023						
	PD range	**Undrawn credit lines**	**Undrawn credit cards**	**Financial guarantees issued**	**Performance guarantees issued**	**Import letters of credit**	**Factoring commitment**	**Gross carrying amount**	**Undrawn credit lines**	**Undrawn credit cards**	**Financial guarantees issued**	**Performance guarantees issued**	**Import letters of credit**	**Factoring commitment**	**Gross carrying amount**
Stage 1	from 0,00% to <0,15%	13,286,448	2,353,970	-	-	-	-	15,640,418	14,158,770	19,930,258	-	-	-	-	34,089,028
	from 0,15% to <0,25%	-	738,267	-	-	-	-	738,267	-	1,431,925	-	-	-	-	1,431,925
	from 0,25% to <0,50%	16,939,809	1,325,373	-	-	-	-	18,265,182	12,372,167	-	-	-	-	-	12,372,167
	from 0,50% to <0,75%	11,883,362	2,140,824	-	-	-	-	14,024,186	2,492,387	1,386,033	-	-	-	-	3,878,420
	from 0,75% to <2,50%	88,721,756	29,305,076	-	-	-	-	118,026,832	37,049,948	7,051,437	-	-	-	-	44,101,385
	from 2,50% to<10,0%	1,338,265,321	-	74,273,880	85,163,613	43,232,816	8,851,654	1,549,787,284	441,132,192	19,386,014	65,842,774	76,168,690	27,347,449	200,000	630,077,119
	from 10,0% to<45,0%	-	-	-	-	-	-	-	80,000	100,293	-	-	-	-	180,293
	Total Stage 1	**1,469,096,696**	**35,863,510**	**74,273,880**	**85,163,613**	**43,232,816**	**8,851,654**	**1,716,482,169**	**507,285,464**	**49,285,960**	**65,842,774**	**76,168,690**	**27,347,449**	**200,000**	**726,130,337**
Stage 2	from 0,00% to <0,15%	2,467	110,107	-	-	-	-	112,574	1,319,769	1,086,319	-	-	-	-	2,406,088
	from 0,15% to <0,25%	-	4,132	-	-	-	-	4,132	-	747	-	-	-	-	747
	from 0,25% to <0,50%	103,000	9,287	-	-	-	-	112,287	2,591,134	-	-	-	-	-	2,591,134
	from 0,50% to <0,75%	-	35,739	-	-	-	-	35,739	-	45	-	-	-	-	45
	from 0,75% to <2,50%	84,368	68,263	-	-	-	-	152,631	1,262,786	40,005	-	-	-	-	1,302,791
	from 2,50% to <10,0%	2,787,016	61,985	2,540,367	-	-	-	5,389,368	67,495,258	19,641	-	-	-	-	67,514,899
	from 10,0% to <45,0%	2,998,626	3,280	-	-	-	-	3,001,906	49,898,441	6,550	-	-	-	-	49,904,991
	above 45,0%	68,425	25,017	-	-	-	-	93,442	171	33,487	-	-	-	-	33,658
	Total Stage 2	**6,043,902**	**317,810**	**2,540,367**	**-**	**-**	**-**	**8,902,079**	**122,567,559**	**1,186,794**	**-**	**-**	**-**	**-**	**123,754,353**

34. Contingencies and Commitments (Continued)

		31 December 2024							31 December 2023						
	Default period	**Undrawn credit lines**	**Undrawn credit cards**	**Financial guarantee**	**Performance guarantee**	**Import letters of credit**	**Factoring receivable**	**Gross carrying amount**	**Undrawn credit lines**	**Undrawn credit cards**	**Financial guarantee**	**Performance guarantee**	**Import letters of credit**	**Factoring receivable**	**Gross carrying amount**
Stage 3	up to 12 months	691,099	34,628	-	-	-	-	725,727	3,026,546	1,481,594	-	-	-	-	4,508,140
	from 13 to 24 months	491,632	47,992	-	-	-	-	539,624	2,785,801	286,135	-	-	-	-	3,071,936
	from 25 to 36 months	461,565	19,696	-	-	-	-	481,261	641,145	98,898	-	-	-	-	740,043
	from 37 to 48 months	364	15,360	-	-	-	-	15,724	7,533	73,472	-	-	-	-	81,005
	from 49 to 60 months	-	12,149	-	-	-	-	12,149	-	1,961	-	-	-	-	1,961
	from 61 to 84 months	100,000	4,300	-	-	-	-	104,300	160,767	1,251	-	-	-	-	162,018
	above 84 months	-	-	-	-	-	-	-	30,000	-	-	-	-	-	30,000
	Total Stage 3	**1,744,660**	**134,125**	-	-	**-**	**-**	**1,878,785**	**6,651,792**	**1,943,310**	**-**	**-**	**-**	**-**	**8,595,103**

34. Contingent liabilities and commitments (Continued)

Commitments

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

Deposit Insurance Corporation claim

On 6 September 2018, Deposit Insurance Corporation ("DIC") has filed a claim against the Bank for an amount of MNT 1,000,000 thousands being the deposit insurance fee payable on the Development Bank of Mongolia's current and deposit account balances held with the Bank. The Bank does not agree with DIC's view and response letter has been submitted to the court on 1 October 2018. Further on 18 January 2019, DIC had submitted an additional claim for MNT 667,000 thousands, being the potential income lost on the claimed insurance fee, thus making the total claim amounting MNT 1,667,000 thousands, but the additional MNT 667,000 thousands was dismissed by the Primary court.

The dispute had arisen as a result of a different legal interpretations between the two parties. The case has been heard at Primary court, Appellate court, and Supreme court for several times in prior years. In 2022, the Supreme court session of first instance was held on 8 February 2022 and the court accepted the DIC`s request to appoint an expert. During the court session held on 20 November 2023, the Bank requested to disqualify the judge, therefore, the case was adjourned indefinitely. The management believe that having taken necessary legal advise, the outcome is more likely to be in the Bank's favour, therefore did not recognise any provision as at 31 December 2024 and 31 December 2023.

Possible income tax liability

Apart from assessing impairment provision in accordance with IFRS Accounting Standards requirements, the Bank determines impairment provision for the purposes of reporting to the Bank of Mongolia (central bank) based on classification of loans based on provisioning guidelines in accordance with the Regulations on Asset Classification and Provisioning, jointly approved by the Bank of Mongolia and the Ministry of Finance. In accordance with these regulations, the Bank is required to determine the quality of loans and advances based on quantitative and qualitative factors. Loans are classified as follows: Performing, In Arrears, and Non-Performing. Non-performing loans are further classified as Sub-Standard, Doubtful and Loss. Each category requires a specific reserve percentage.

Corporate income tax law does not specify the base of impairment provision for tax purposes, whether it is IFRS Accounting Standards or Bank of Mongolia requirements. The law explicitly addressed that impairment provision charges for the performing loans represent non-deductible expenses for the period. As in previous periods, the Bank has determined impairment provision as of 31 December 2024 and 31 December 2023 as per IFRS Accounting Standards requirements and has treated them as deductible expenses and the impairment provision for performing loans assessed in accordance with Bank of Mongolia requirements were treated as non-deductible expenses for the period.

Given that tax regulations do not explicitly address tax base of impairment provision for loans, Mongolian tax regulations can be subject to different interpretations.

Therefore, there is a risk that the tax authorities might have a view that deduction of impairment provision for CIT purposes should be based on Bank of Mongolia statutory rules rather than on impairment provision assessed in accordance with IFRS Accounting Standards. For the amount of the ECL provision in accordance with statutory Bank of Mongolia rules and IFRS Accounting Standards, please refer to the Note 35 and Note 12 respectively.

35. Financial risk management

The Bank's risk management strategy aims to effectively manage risks by identifying, assessing, mitigating, reporting, and monitoring risks that may affect the Bank's strategies and objectives within the risk appetite framework and the strategy is being implemented through following objectives. Herein:

- Maintain an optimal risk-to-return ratio;
- Efficiently delegate responsibilities among risk management stakeholders;
- Foster a robust risk management culture among all employees;
- Identify and effectively monitor the Bank's key risks;
- Regularly enhance and implement processes for risk identification, analysis, mitigation, treatment, and monitoring in accordance with the international standards, recommendations, and best practices.

The Bank's risk management framework comprises risk appetite, risk management governance, and the risk management process. The Bank continuously enhances and effectively implements its risk management framework in accordance with international best practices, recommendations, standards, and the regulations and requirements of Mongolian regulatory bodies.

An effective risk management process is critical to the Bank's continued profitability, and each employee is responsible for reporting, managing and monitoring potential risks.

Within the scope of its risk management framework, the Bank manages and continuously monitors financial risks, operational risk, legal risk, compliance risk, information technology risk, and information security risk. Financial risk comprises credit risk, liquidity risk and market risk (including currency risk, interest rate risk and other price risks).

Financial, operational, compliance and information security risks are managed and overseen by the departments and units under the second line of defense, and Executive Vice President of Financial Risk (EVP, Financial Risk"), Executive Vice President of Enterprise Risk and Compliance (EVP, Enterprise Risk & Compliance), Managing Director, Corporate Security (MD, Corporate Security) are in charge of those risks and directly reported to Deputy Chief Executive Officer of Risk (DCEO, Risk).

Legal risk is managed by the Chief Executive Officer, and Information Technology Risks are overseen by the Executive Vice President, Chief Information Officer (EVP, CIO) and Deputy Chief Executive Officer of Technology and Operations (DCEO, Technology & Operations). In addition, to ensure the effective implementation and oversight of the Bank's risk management framework, the Bank has established Enterprise Risk Management Committee, Asset and Liability Committee, Credit Risk Committee, Compliance and Legal Risk Committee, with affiliated risk sub-committees for overseeing specific risks.

Within scope of the Bank's mid-term strategy of 2020-2023, the Bank introduced the Internal Capital and Liquidity Adequacy Assessment Process (ICLAAP) based on the standardized approaches of the Basel Framework. The Bank has also specified ICLAAP related objectives in the Bank's mid-term strategy (2024-2026) and Business plan of 2024 within scope of effective implementation of ICLAAP and implemented ICLAAP in phases.

In addition, the monetary policy framework of the Bank of Mongolia specified an objective "To establish framework for internal assessment of key risks in the banking operations within scope of enhancing the banks' good governance and optimizing risk management" in 2024.

The Bank newly specified ICLAAP related quantitative and qualitative risk measures to its Risk Appetite Statement for 2024 which was approved by the Board of Directors.

In line with the objective, the Bank has prepared and submitted preliminary reports of ICLAAP to the Bank of Mongolia for Supervisory Review and Evaluation Process in 2024.

The Bank has also specified ICLAAP related objectives in the Bank's mid-term strategy (2024-2026) and Business plan of 2024 within scope of effective implementation of ICLAAP and implemented ICLAAP in phases.

35. Financial risk management (Continued)

35.1 Risk management structure

The Bank newly specified ICLAAP related quantitative and qualitative risk measures to its Risk Appetite Statement for 2024 which was approved by the Board of Directors.

In line with the objective, the Bank has prepared and submitted preliminary reports of Internal Capital and Liquidity Adequacy Assessment Process (ICLAAP) to the Bank of Mongolia for Supervisory Review and Evaluation Process in 2024 for the second time.

In 2024, The Bank updated and approved its organizational structure by the Board Resolution dated 22 April, 2024 and robust integrated risk management structure and organization was created to signify the strategic importance of risk management, enhance the enterprise risk management framework, and strengthen capabilities within scope of the change. Herein:

(i) The recent organizational chart introduces a new position, Deputy CEO of Risk. Reporting directly to the new DCEO, Risk are two newly established positions: EVP of Financial Risk and EVP of Enterprise Risk and Compliance, as well as a new Managing Director, Corporate Security.
(ii) The Enterprise Risk Management Department has been newly established. This department is responsible for developing risk policies and strategies to effectively implement enterprise risk management, overseeing the implementation of ICLAAP, developing holistic risk approaches, fostering a robust risk culture, and managing internal control policies.
(iii) Operations, scope and function of other risk management departments have been revised, including the merging and renaming of certain departments, and Credit data analytics department and Risk administration unit have been newly established.
(iv) As part of the newly established organizational chart, all the Bank's committees, including their structure, and operational procedures, were revised and updated to enhance governance, monitoring, and operations, and to optimize decision-making within the updated framework. In this context, the structure, composition, and operational procedures of the Enterprise Risk Management Committee (ERMC), the Bank's primary risk committee, and its affiliated risk sub-committees were updated and approved.

The Board has primary responsibility for overseeing the risk management framework of the Bank and may delegate its responsibilities to Board Risk committee.

Board Risk Committee ("BRC"). BRC assists the Board of Directors in fulfilling its responsibility of overseeing the risk exposures of the Bank. BRC works to provide risk management and control system that accommodates the general risk level of the Bank and monitors its implementation. The BRC also identifies core components of the Bank's risk management, reviews monthly reports by Enterprise Risk Management Committee and Compliance & Legal Risk Committee and ensures the risk appetite and limits approved by the Board are followed.

Board Audit Committee. Audit Committee of Board is responsible for assisting the Board of Directors to fulfil its oversight responsibilities for the integrity of the Bank's financial statements and disclosures, its compliance with legal and regulatory requirements, effectiveness and efficiency of risk management and internal controls and the performance of the internal audit functions.

Management Committee. The Management Committee holds meeting once a month and discusses and makes decisions on the Bank's business plan, core operations, and other necessary matters, ensures prompt decision making in alignment with Mongolian social, economic, political context, as well as current circumstances, discusses and makes decisions on matters related to implementation of the Bank's strategic objectives and operations to ensure and oversee the compliance with relevant laws and regulations of the regulatory body, as well as the decisions and resolutions of shareholders, and the Board of Directors.

Extended management committee. The Extended Management Committee holds meeting in 2nd and 4th weeks of each month and exchanges information on the Bank's business plan, core operations and other necessary matters, addresses issues in alignment with the Mongolian social, economic, political context, as well as current circumstances to ensure compliance with relevant laws and regulations of regulatory bodies, as well as the decisions and resolutions of shareholders and the Board of Directors.

35. Financial risk management (Continued)

35.1 Risk management structure

Enterprise Risk Management Committee. The purpose of Enterprise Risk Management Committee is to define the Bank's risk management policies and strategies, implement an effective enterprise risk management framework by aligning the process of identifying, assessing, managing, and monitoring the Bank's material risks with international best practices, standards, and recommendations. The committee regularly oversees the Bank's risk management framework and risk management processes, identifies and assesses key high-level risks, and discusses strategies and actions to be taken for the risks. The Enterprise Risk Management Committee records level and relevant actions of key risks in the Bank’s Risk Dashboard, which is being updated on monthly basis for decision making. The Enterprise Risk Management Committee is chaired by the DCEO, Risk and holds meeting once a month. The Committee oversees and manages the Bank's enterprise risks, while particular sub-committees manage specific risks based on the risk types.

Asset and Liability Committee (“ALCO”). ALCO is responsible for providing centralised asset and liability management of the funding, liquidity, foreign currency exposure, maturity mismatch and interest rate risks to which the Bank is exposed. The purpose of ALCO is to set up the asset and liability structure of the Bank’s financial statements conducive to the sustainable growth of the Bank, its profitability and liquidity through appropriate management of the Bank’s assets and liabilities and monitoring of the foreign currency, interest rate and other market risks. ALCO is chaired by the EVP of Finance.

35.2 Credit risk

The Bank exposes itself 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 the Bank’s lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

The Bank’s 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.

Credit risk management. Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk.

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

Limits. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by the Board and Risk Committees. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review.

Credit Risk Committee. The Bank has two levels of credit risk committees, which are Head Office Credit Risk Committee (hereinafter referred to as “HOCRC”) and Branch-level Credit Risk Committee. Branch-level credit risk committees include SME Credit risk committee, Branch credit risk committee of UB Retail Banking and Branch credit risk committee of Rural Retail Banking. HOCRC meeting is being held on every 2nd and 4th week of the month and other credit risk committee meetings are being held at least once a month.

HOCRC discusses and approves loan operation and credit risk related procedures and sets internal credit risk limits. In addition, HOCRC discusses total loan portfolio quality, concentration risks, adequacy of loan loss provision, early warning system implementation, the performance of internal limits, compliance of covenant requirements, makes relevant decisions and monitors. HOCRC is chaired by the Deputy CEO, Risk.

Branch-level credit risk committees discuss portfolio quality and loan with problem of their affiliate branch units, develop mitigating measures and action plans and monitor the fulfilment.

Credit Committees. The Bank’s Credit Committees structure is organized through distributing approval authority at each level depending on loan amount. The Bank established below types of credit committees for loan approval and monitoring:

35. Financial risk management (Continued)

35.2 Credit risk (Continued)

Credit Committees. The Bank's Credit Committees structure is organized through distributing approval authority at each level depending on loan amount. The Bank established below types of credit committees for loan approval and monitoring:

1. Head Office Credit Committee (HOCC) is primarily responsible for approving all credit exposures which are above the decision-making authorities of lower-level credit committees. In addition, it is being revised by the Board of Directors depending on borrower's risk rating and exposure amount in accordance with "Operational procedure on revising credit decisions by the Board of Directors".

   HOCC sets and approves lending limits of the following credit committees:
   a. Head office credit sub-committee (HOCSC),
   b. Small and Medium Enterprise Banking credit committee (SMECC)
   c. Mortgage credit committee (MCC)
   d. Branch credit committee of UB Retail Banking (BCC,UBRB)
   e. Branch credit committees of Rural Retail Banking (BCC,RRB)
   f. Head Office Employee Credit Committee
   g. Digital Branch Credit Committee of UB Retail Banking

Credit risk grading system. For measuring credit risk and grading financial instruments by the amount of credit risk, the Bank applies two approaches – an Internal PD intervals or risk grades estimated by external international rating agencies (Standard & Poor's – "S&P", Fitch, Moody's). Internal PD intervals mapping to Stages as of year ended 31 December 2024 please refer to Note 12 and 34. External credit ratings are mapped on an internally defined master scale with a specified range of probabilities of default as disclosed in the table below:

Master scale credit risk grade	Corresponding ratings of external international rating agencies (S&P)	Corresponding PD interval
Excellent	AAA rating	0.0193%
Excellent	AA– to AA+ rating	0.0229%
Excellent	A– to A+ rated	0.0457% - 0.0572%
Good	BBB– to BBB+ rated	0.1029%
Good	BB– to BB+ rated	0.5145% - 1.0061%
Satisfactory	B– to B+ rated	3.1213% - 6.0940%
Default	C to CCC+ rated	100%
Speculative grade	Not rated	4.0245%

35. Financial risk management (Continued)

35.2 Credit risk (Continued)

Collateral and other credit enhancements. The amount and type of collateral required are subject to the assessment of the credit risk of the borrower or counterparty and the type of loan granted. The main types of collateral obtained are as follows:

(i) corporate and SME lending: pledges over real-estate properties, inventories, plant and equipment, machinery and vehicles;
(ii) consumer lending: pledges over automobiles and assignment of income; and charges over real estate properties;
(iv) residential mortgages: mortgages over residential properties.

According to the Bank's Lending operations procedure, it requires all loans to be 100% collateralised by risk assessed price ("RAP") except salary loans and pension loans. However, if it is otherwise stated in specific loan product procedures, collateral RAP can be lower than 100%.

The Bank also obtains guarantees from parent companies for loans to their subsidiaries and personal guarantees from the main shareholders for the limited liability entities, but the potential benefits are not included in the above.

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

Disclosure of credit quality and the maximum exposure for credit risk per categories based on the Bank's internal credit rating system and year end stage classification are further disclosed in Notes 7, 8, 9, 10 and 12.

Expected credit loss (ECL) measurement: ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Bank: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor ("CCF"). CCF is a coefficient that shows the probability of conversion of the committed amounts to an on-balance sheet exposure within a defined period.

PD is an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's *lifetime period.* The *lifetime period* is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments and financial guarantee contracts, it is the contractual period over which an entity has a present contractual obligation to extend credit. As a matter of exception from determining the lifetime exposure based on contractual maturity, for credit cards issued to individuals, the lifetime exposure is measured over a period that is based on expected life of the credit card contracts, based on internal statistics, and it is equal to up to 2 years.

Management models *Lifetime ECL,* that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The *12-month ECL,* represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining *lifetime period* of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider *forward looking information,* that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

35. Risk management (Continued)

35.2 Credit risk (Continued)

Expected credit loss (ECL) measurement (continued): For the purpose of the Bank of Mongolia reporting, different rules apply for estimation of loan ECL. The amount of ECL as per BoM rule as of 31 December 2024 was MNT 440,820,124 thousands (MNT 398,309,774 thousands as of 31 December 2023).

Default definition. For purposes of measuring PD, the Bank defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- the borrower has loans at other banks with more than 90 days past due on its contractual payments;
- the Bank has sold the borrower's debt or its portion at a loss due to credit deterioration;
- the borrower meets the unlikeliness-to-pay criteria listed below:
  - the Bank was forced to restructure the loan for multiple times;
  - the borrower is deceased;
  - the borrower is insolvent;
  - collateral devaluation during loan tenor;
  - reduction in borrower's working capital or loosing major customer;
  - the borrower is likely to enter bankruptcy;
  - other circumstances in which the Bank considers the borrower is unable to fulfill loan repayment obligations.
  - A loan met one of the SICR criteria (Note 4) and the borrower has another defaulted loan

For purposes of disclosure, the Bank fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Bank.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months.

The assessment is performed if there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an individual basis and on a portfolio basis. The criteria used to identify an SICR (Note 4) are monitored and reviewed periodically for appropriateness by the Bank's Credit Risk Department. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

The level of ECL that is recognised in these financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Bank monitors whether that indicator continues to exist or has changed.

ECL for POCI financial assets is always measured on a lifetime basis. The Bank therefore only recognises the cumulative changes in lifetime expected credit losses.

The Bank has two approaches for ECL measurement: (i) assessment on an individual basis; and (ii) assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio.

The Bank performs an assessment on an individual basis for the following types of loans:

(i) Loans with gross value of above MNT 2,000,000 thousands and with DPD +30 days or restructured;
(ii) Loans included in "Watchlist" by internal grading.

35. Financial risk management (Continued)

35.2 Credit risk (Continued)

In case if actual evidence on credit value impairment is to be revealed, expected losses of value impairment to credit shall be estimated. Actual evidence on credit value impairment shall be situations such as financial difficulties, failure in contract obligations and past due, contract restructuring and collateral devaluation.

Estimation for expected losses, potential scenario shall be assessed with specific assessment method and ECLs shall be estimated in consideration of probability of each scenario.

The Bank performs an assessment on a portfolio basis for the following types of loans: retail loans and loans issued to SMEs, when no borrower-specific information is available. This approach stratifies the loan pool into homogeneous segments based on borrower-specific information, such as delinquency status, the historical data on losses, location and other predictive information. The Bank also performs an assessment on a portfolio basis for loans issued to corporate customers. interbank loans, retail loans and loans issued to SMEs.

ECL assessment on an individual basis is performed by weighting the estimates of credit losses for different possible outcomes against the probabilities of each outcome. The Bank defines 2-3 possible outcomes for each assessed loan, one of which leads to a credit loss even if the probability of such a scenario may be very low. Individual assessment is primarily based on the expert judgement of experienced officers from the Corporate Banking Department, Credit Risk Department and Special Assets Department. Expert judgements are regularly tested to decrease the difference between estimates and actual losses.

When assessment is performed on a portfolio basis, the Bank determines the staging of the exposures and measures the loss allowance on a collective basis. The Bank analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a group have homogeneous or similar risks. The key shared credit characteristics considered are: type of customer (such as business, consumer and agriculture), product type, credit risk rating, date of initial recognition, term to maturity, the quality of collateral and loan to value (LTV) ratio. The different segments also reflect differences in credit risk parameters such as PD and LGD. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk Department.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future periods during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month). This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The key principles of calculating the credit risk parameters. The EADs are determined based on the expected payment profile, that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products and bullet repayment loans. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation. For revolving products, the EAD is predicted by taking the current drawn balance and adding a "credit conversion factor" that accounts for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type, current limit utilisation and other borrower-specific behavioural characteristics.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument. The Bank uses different statistical approaches depending on the segment and product type to calculated lifetime PDs, such as the extrapolation of 12-month PDs based on migration matrixes, developing lifetime PD curves based on the historical default data and hazard rate approach.

LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by the type of counterparty, type and seniority of the claim, and the availability of collateral. The 12-month and lifetime LGDs are determined based on the factors that impact the expected recoveries after a default event.

35. Financial risk management (Continued)

35.2 Credit risk (Continued)

The approach to LGD measurement can be divided into three possible approaches:

- measurement of LGD based on the specific characteristics of the collateral;
- calculation of LGD on a portfolio basis based on recovery statistics; or
- individually defined LGD depending on different factors and scenarios.

The Bank calculates LGD based on specific characteristics of the collateral, such as projected collateral values, historical discounts on sales and other factors for loans secured by real estate, cash and liquid securities. LGD is calculated on a collective basis based on the latest available recovery statistics for the remainder of the corporate loan portfolio and for retail secured and unsecured products.

ECL measurement for financial guarantees and loan commitments. The ECL measurement for these instruments includes the same steps as described above for on-balance sheet exposures and differs with respect to EAD calculation. The EAD is a product of credit conversion factor ("CCF") and amount of the commitment ("$ExOff$"). CCF for undrawn credit lines of corporate customers, credit cards issued to individuals and for financial guarantees is defined based on statistical analysis of past exposures at default. CCF for overdrafts is defined as 100% since the limits can be used by the customers at any time.

Forward-looking information incorporated in the ECL models. The assessment of SICR and the calculation of ECLs both incorporate unbiased and supportable forward-looking information. The Bank identified certain key economic variables that correlate with developments in credit risk and ECLs. Forecasts of economic variables (the "base economic scenario") are provided by the Bank's treasury team on a quarterly basis and provide the best estimate of the expected macro-economic development over the next five years. After five years, a mean reversion approach is used, which means that economic variables tend to revert to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP). The impact of the relevant economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact that the changes in these variables historically had on the default rates and on the components of LGD and EAD.

In recent years, because of the harsh winter condition, the livestock mortality rate is forecasted to increase; thus, increase in credit risk for the herders' loan portfolio. The Bank expects significant negative impact on herders' ability to repay their loans and estimated a separate forward-looking information for the herders' loan as of 31 December 2024.

In addition to the base economic scenario, the Bank's Credit Risk Department also provides other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure that non-linearity is captured. The number of scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking into account the range of possible outcomes of which each chosen scenario is representative. The assessment of SICR is performed using the Lifetime PD under each of the bases and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether a 12-month or lifetime ECL should be recorded. Following this assessment, the Bank measures ECL as either a probability-weighted 12 months ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The Bank regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit. Such back testing is performed at least once a year.

The results of back testing the ECL measurement methodology are communicated to Bank's Management and further steps for tuning models and assumptions are defined after discussions between authorised persons.

35. Financial risk management (Continued)

35.3 Market risk

The Bank takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, and (d) financial instruments (including derivatives), all of which are exposed to general and specific market movements. Management sets limits on the value of 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.

The Bank measures and monitors this risk element using Value-at-Risk methodology, static gap analysis and sensitivity analyses, and ALCO sets and enforces internal risk limits including stop-loss limit, position limits, cash flow limits for non-deliverable FX derivative, trading limit with banks and customers, and total credit exposure limits.

Moreover, the Bank performs stress testing on its material risks on a quarterly basis in order to assess risk bearing capacity of the Bank, further determine whether Bank has adequate capital and liquidity to endure a loss due to major changes and create additional capital reserve required for overcoming crisis and to improve an effectiveness of the action plan for unexpected situation. To ensure the achievement of the risk management, the Bank continuously develops and implements market risk measurement models, methodologies, limit setting processes as well as risk mitigation techniques in accordance with international best practices and standards.

35.4. Currency risk

Currency risk is the potential risk of loss that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Within the scope of the currency risk management, the Bank complies with prudential ratios in single and aggregate foreign currencies to align potential losses associated with the exchange rate fluctuations to risk bearing capability of the banks set by the Bank of Mongolia. In addition, the Bank measures and manages its currency risk internally using Value-at-Risk methodology, which measures the potential amount that the Bank could lose from its open positions over the specific time frame for a given level of confidence. The VaR methodology employed by the Bank uses a one-day period, using 99% confidence level, of the potential loss that is not expected to be exceeded if the current market risk positions were to be held unchanged for one day, and are determined by observing market data movements over a 250-day period. The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. In case there is a market instability, there is a high demand for accurate FX risk estimation. Therefore, the Bank has completed several large-scale developments for the FX risk management software, such as expanding the back testing method and models and improving risk management information system. The Bank uses these developments for its day-to-day operations and performs Value-at-Risk (31 December 2024: MNT 61,193 thousands, 31 December 2023: MNT 108,702 thousands), including the risk limit set by ALCO.

The ALCO also establishes trading limits in dealing with its counterparties and constantly monitors its performance. Moreover, the Bank has an FX risk contingency plan to take in case of unusual circumstances in the FX market that is based on currency risk stress testing performed on a quarterly basis, which results are reported to ALCO for decision making.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2024				At 31 December 2023			
In thousands of MNT	**Monetary financial assets**	**Monetary financial liabilities**	**Derivatives**	**Net position**	**Monetary financial assets**	**Monetary financial liabilities**	**Derivatives**	**Net position**
MNT	17,585,041,274	(13,332,720,559)	(2,373,560,045)	1,878,760,670	14,382,830,752	(11,124,138,959)	(1,674,375,258)	1,584,316,535
USD	1,714,825,917	(4,132,817,896)	2,403,493,725	(14,498,254)	1,734,884,856	(3,530,737,450)	1,716,515,636	(79,336,958)
EUR	27,887,405	(22,868,096)	105,969	5,125,278	22,410,954	(16,180,375)	(54,010)	6,176,569
CNY	190,030,834	(202,291,121)	16,163	(12,244,124)	480,278,205	(474,355,148)	(8,184)	5,914,873
Other	109,556,295	(85,813,748)	(105,457)	23,637,090	67,778,812	(41,563,758)	(515,907)	25,699,147
Total	**19,627,341,725**	**(17,776,511,420)**	**29,950,355**	**1,880,780,660**	**16,688,183,579**	**(15,186,975,690)**	**41,562,277**	**1,542,770,166**

35. Financial risk management (Continued)

35.4 Currency risk (Continued)

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Bank entities, with all other variables held constant:

In thousands of MNT	At 31 December 2024	At 31 December 2023
USD strengthening by 15% (2023: strengthening by 15%)	(2,174,738)	(11,900,544)
USD weakening by 15% (2023: weakening by 15%)	2,174,738	11,900,544
EUR strengthening by 15% (2023: strengthening by 15%)	768,792	926,485
EUR weakening by 15% (2023: weakening by 15%)	(768,792)	(926,485)
CNY strengthening by 15% (2023: strengthening by 15%)	(1,836,619)	887,231
CNY weakening by 15% (2023: weakening by 15%)	1,836,619	(887,231)
Other strengthening by 15% (2023: strengthening by 15%)	3,545,564	3,854,872
Other weakening by 15% (2023: weakening by 15%)	(3,545,564)	(3,854,872)

35.5. Interest rate risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its 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 Bank measures and monitors the potential interest rate risk exposures on both banking and trading book positions. Changes in market interest rates directly impacts bank's projected net interest income in the short term and impacts economic value of equity in the long term. In order to maintain the risk from market interest rate changes at the minimum, the Bank uses standard approaches and interest rate shock scenarios set out in the methodologies developed by the Basel Committee on Banking Supervision. Using the above mentioned methodologies ALCO approves internal risk limits. Herein:

- To manage interest rate risk in trading book the Bank optimally sets the constraints such as position limit and stop loss limit using Liquidity adjusted Value-at-Risk method.
- To manage interest rate risks on the banking book the Bank uses an earnings and economic value perspectives and monitoring associated limits adherence in the Bank on the monthly basis.

In addition, the Bank ensures compliance with interest rate risk gap ratios set by the international financial institutions and performs interest rate stress testing on a quarterly basis and results are reported to ALCO for decision making.

The table below summarises the Bank's exposure to interest rate risks. The table presents the aggregated amounts of the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

In thousands of MNT	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-interest bearing	Total
31 December 2024						
Total financial assets	5,034,593,647	2,432,343,512	2,501,935,366	6,860,961,145	2,831,968,078	**19,661,801,748**
Total financial liabilities	5,797,650,637	4,988,133,070	2,288,895,898	955,342,776	3,746,489,038	**17,776,511,419**
Net interest sensitivity gap at 31 December 2024	(763,056,990)	(2,555,789,558)	213,039,468	5,905,618,369	(914,520,960)	**1,885,290,329**
31 December 2023						
Total financial assets	5,418,887,907	2,727,309,738	2,028,362,996	5,190,873,927	1,374,980,388	**16,740,414,956**
Total financial liabilities	4,760,390,366	3,207,888,717	2,682,367,721	708,222,174	3,833,805,265	**15,192,674,243**
Net interest sensitivity gap at 31 December 2023	658,497,541	(480,578,979)	(654,004,725)	4,482,651,753	(2,458,824,877)	**1,547,740,713**

35. Financial risk management (Continued)

35.5. Interest rate risk (Continued)

At 31 December 2024, if interest rates at that date had been 100 basis points lower (2023: 100 basis points lower) with all other variables held constant, profit for the year would have been MNT 24,471,388 thousands (2023: MNT 1,818,843 thousands lower) higher, as a result of a positive interest rate gap. Other components of equity would have been MNT 8,461,831 thousands (2023: MNT 2,918,062 thousands) higher, as a result of an increase in the fair value of fixed rate financial assets at fair value through other comprehensive income.

If interest rates had been 100 basis points higher (2023: 100 basis points higher), with all other variables held constant, profit would have been MNT 24,471,388 thousands (2023: MNT 1,818,843 thousands higher) lower, as a result of a positive interest rate gap. Other components of equity would have been MNT 6,830,104 thousands (2023: MNT 2,109,783 thousands) lower, as a result of a decrease in the fair value of fixed rate financial assets at fair value through other comprehensive income.

The Bank monitors interest rates for its financial instruments. The table below summarises interest rates at the respective reporting date based on reports reviewed by key management personnel. For securities, the interest rates represent yields to maturity based on market quotations at the reporting date:

	2024					2023				
In % p.a.	**MNT**	**USD**	**EUR**	**CNY**	**Other**	**MNT**	**USD**	**EUR**	**CNY**	**Other**
Assets										
Cash and cash equivalents	9.36%	2.18%	0%	0%	0%	10.14%	2.79%	0%	0%	0%
Mandatory reserves	-	-	-	-	-	6.00%	0%	-	-	-
Investments in debt securities	11.35%	6.54%	-	-	-	12.29%	7.87%	-	-	-
Loans and advances to customers	15.82%	8.50%	9.88%	-	-	16.16%	8.38%	7.91%	-	-
Liabilities										
Due to other banks	9.84%	2.25%	0%	0%	0%	12.77%	0.08%	0%	0%	0%
Repurchase agreements	12.83%	-	-	-	-	13.29%	-	-	-	-
Customer accounts										
- current accounts	0.67%	0.65%	0%	0.83%	0.16%	0.64%	0.27%	0%	0.24%	0%
- demand deposits	6.58%	1.00%	-	0.70%	-	6.58%	1.00%	-	0.60%	-
- term deposits	12.83%	3.53%	-	2.17%	-	12.47%	2.90%	-	2.11%	-
Debt securities in issue	16.00%	8.18%	-	-	-	16.00%	9.66%	-	-	-
Other borrowed funds	3.87%	8.15%	-	-	-	3.22%	8.44%	-	-	-
Lease liabilities	17.14%	-	-	-	-	16.84%	-	-	-	-

The sign "-" in the table above means that the Bank does not have the respective assets or liabilities in the corresponding currency.

35.6. Liquidity risk

The liquidity management of the Bank requires consideration of the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring liquidity ratios against regulatory requirements. Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stressed circumstances. In order to limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required. The Bank also defines Liquidity risk early warning indicators based on its internal criteria to identify any negative trends and to detect and proactively respond to emergence of increased risks. These indicators enable timely recognition of potential crises or stress events, allowing the Bank to respond promptly and effectively.

The Bank always holds a sufficient amount of liquid assets which is much higher than the level required by the BoM. In addition, the Bank complies with the reserve requirement of 11% of customer's MNT deposits and 16% of customer's USD deposit based on the average period of two weeks.

35. Financial risk management (Continued)

35.6. Liquidity risk (Continued)

The table below summarises the maturity profile of the Bank's financial assets and liabilities at 31 December 2024 and 31 December 2023 based on contractual undiscounted repayment obligations. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay, and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

31 December 2024 *In thousands of MNT*	**On demand**	**Less than 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Assets							
Cash and cash equivalents	891,284,165	4,599,229,551	–	–	–	–	5,490,513,716
Mandatory reserve	1,635,209,857	–	–	–	–	–	1,635,209,857
Due from other banks	–	2,047,572	1,635,058	3,222,683	525,954	–	7,431,267
Investments in debt securities	–	54,677,780	89,189,989	154,902,893	975,774,738	873,295,800	2,147,841,200
Investments in equity securities	4,509,664	–	–	–	–	–	4,509,664
Gross settled swaps and forward:							
– Inflows	–	262,230,535	160,112,095	347,774,319	1,818,449,284	–	2,588,566,233
– Outflows	–	(260,512,815)	(152,468,924)	(346,131,251)	(1,799,502,885)	–	(2,558,615,875)
Loans and advances to customers at amortised cost	–	1,747,102,567	1,748,594,250	2,865,493,697	5,921,387,754	1,327,753,923	13,610,332,191
Loans and advances to customers at FVTPL	–	8,123,236	7,800,456	15,884,009	131,007,348	416,730,168	579,545,217
Other financial assets	–	48,569,969	–	–	–	–	48,569,969
Total financial assets	**2,531,003,686**	**6,461,468,395**	**1,854,862,924**	**3,041,146,350**	**7,047,642,193**	**2,617,779,891**	**23,553,903,439**
Liabilities							
Due to banks	13,803,785	75,126,441	–	–	–	–	88,930,226
Repurchase agreement	–	2,778,171	60,232,865	31,642,571	–	–	94,653,607
Customer accounts	7,421,923,711	2,587,320,932	1,699,717,819	2,420,245,217	438,523,332	–	14,567,731,011
Debt securities in issue	–	22,228,644	50,600,659	59,420,166	751,935,535	-	884,185,004
Other borrowed funds	13,528,687	199,519,111	205,755,763	380,176,642	1,756,946,574	347,072,484	2,902,999,261
Lease liabilities	–	2,467,083	2,411,221	4,210,624	6,130,337	–	15,219,265
Other financial liabilities	–	138,092,056	–	–	–	–	138,092,056
Total financial liabilities	**7,449,256,183**	**3,027,532,438**	**2,018,718,327**	**2,895,695,220**	**2,953,535,778**	**347,072,484**	**18,691,810,430**
Undrawn credit lines	1,476,885,258	–	–	–	–	–	1,476,885,258
Financial guarantees	76,814,247	–	–	–	–	–	76,814,247
Performance guarantees	85,163,613	–	–	–	–	–	85,163,613
Letters of credit	43,232,815	–	–	–	–	–	43,232,815
Undrawn credit cards	36,315,445	–	–	–	–	–	36,315,445
Factoring receivables commitment	8,851,655	–	–	–	–	–	8,851,655
Total off-balance sheet items	**1,727,263,033**	–	–	–	–	–	**1,727,263,033**
Total financial liabilities and off-balance liabilities	**9,176,519,216**	**3,027,532,438**	**2,018,718,327**	**2,895,695,220**	**2,953,535,778**	**347,072,484**	**20,419,073,463**
Net	**(6,645,515,530)**	**3,433,935,957**	**(163,855,403)**	**145,451,130**	**4,094,106,415**	**2,270,707,407**	**3,134,829,976**
Accumulated Net Gap	**(6,645,515,530)**	**(3,211,579,573)**	**(3,375,434,976)**	**(3,229,983,846)**	**864,122,569**	**3,134,829,976**	**-**

35. Financial risk management (Continued)

35.6 Liquidity risk (Continued)

31 December 2023 *In thousands of MNT*	**On demand**	**Less than 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Assets							
Cash and cash equivalents	777,130,513	4,196,480,753	–	–	–	–	4,973,611,266
Mandatory reserve	1,090,955,256	–	–	–	–	–	1,090,955,256
Due from other banks	–	854,881	2,002,708	3,833,747	8,839,327	–	15,530,663
Investments in debt securities	–	304,283,324	431,890,794	92,151,500	757,633,034	911,601,323	2,497,559,975
Investments in equity securities	4,970,548	–	–	–	–	–	4,970,548
Gross settled swaps and forward:							
– Inflows	–	65,522,690	64,201,245	181,630,120	1,525,458,329	21,457,284	1,858,269,668
– Outflows	–	(62,485,103)	(57,051,673)	(174,946,423)	(1,496,061,976)	(20,463,664)	(1,811,008,839)
Loans and advances to customers at amortised cost	–	1,616,863,449	1,603,832,728	2,417,636,295	4,792,688,477	897,184,445	11,328,205,394
Loans and advances to customers at FVTPL	–	5,964,912	4,596,602	9,250,293	69,713,228	206,874,067	296,399,102
Other financial assets	–	6,162,428	–	–	–	–	6,162,428
Total financial assets	**1,873,056,317**	**6,133,647,334**	**2,049,472,404**	**2,529,555,532**	**5,658,270,419**	**2,016,653,455**	**20,260,655,461**
Liabilities							
Due to banks	38,985,374	189,263,601	–	–	–	–	228,248,975
Repurchase agreement	–	1,971,593	1,993,500	63,093,422	–	–	67,058,515
Customer accounts	6,376,962,295	1,995,241,706	1,452,623,676	2,745,996,514	137,348,135	–	12,708,172,326
Derivative financial instruments	–	5,698,552	–	–	–	–	5,698,552
Debt securities in issue	–	–	4,360,902	–	283,726,435	–	288,087,337
Other borrowed funds	13,490,873	120,944,203	75,127,647	345,150,476	1,820,536,961	264,111,132	2,639,361,292
Lease liabilities	–	2,132,993	1,979,114	3,321,932	5,602,302	–	13,036,341
Other financial liabilities	–	161,641,613	–	–	–	–	161,641,613
Total financial liabilities	**6,429,438,542**	**2,476,894,261**	**1,536,084,839**	**3,157,562,344**	**2,247,213,833**	**264,111,132**	**16,111,304,951**
Undrawn credit lines	636,504,815	–	–	–	–	–	636,504,815
Financial guarantees	65,842,774						65,842,774
Performance guarantees	76,168,690	–	–	–	–	–	76,168,690
Letters of credit	27,347,449	–	–	–	–	–	27,347,449
Undrawn credit cards	52,416,065	–	–	–	–	–	52,416,065
Factoring receivables commitment	200,000	–	–	–	–	–	200,000
Total off-balance sheet items	**858,479,793**	–	–	–	–	–	**858,479,793**
Total financial liabilities and off-balance liabilities	**7,287,918,335**	**2,476,894,261**	**1,536,084,839**	**3,157,562,344**	**2,247,213,833**	**264,111,132**	**16,969,784,744**
Net	**(5,414,862,018)**	**3,656,753,073**	**513,387,565**	**(628,006,812)**	**3,411,056,586**	**1,752,542,323**	**3,290,870,717**
Accumulated Net Gap	**(5,414,862,018)**	**(1,758,108,945)**	**(1,244,721,380)**	**(1,872,728,192)**	**1,538,328,394**	**3,290,870,717**	**-**

35. Financial risk management (Continued)

35.6 Liquidity risk (Continued)

The Bank does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. Instead, the Bank monitors expected maturities and the resulting expected liquidity gap as follows:

In thousands of MNT	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
At 31 December 2024						
Financial assets	7,675,082,748	2,406,336,605	2,493,695,631	5,593,875,690	1,492,811,074	**19,661,801,748**
Financial liabilities	5,524,689,966	3,768,804,599	2,865,664,374	4,790,004,317	827,348,163	**17,776,511,419**
Net liquidity gap based on expected maturities	2,150,392,782	(1,362,467,994)	(371,968,743)	803,871,373	665,462,911	**1,885,290,329**
Accumulated Net Gap	2,150,392,782	787,924,788	415,956,045	1,219,827,418	1,885,290,329	**-**
At 31 December 2023						
Financial assets	6,591,425,655	2,788,792,707	2,057,881,620	4,163,478,763	1,138,836,211	**16,740,414,956**
Financial liabilities	5,093,570,221	2,720,148,056	3,093,261,944	3,659,566,191	626,127,831	**15,192,674,243**
Net liquidity gap based on expected maturities	1,497,855,434	68,644,651	(1,035,380,324)	503,912,572	512,708,380	**1,547,740,713**
Accumulated Net Gap	1,497,855,434	1,566,500,085	531,119,761	1,035,032,333	1,547,740,713	-

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

Management believes that despite a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these customer accounts provide a long-term and stable source of funding for the Bank.

35.7. Operational risk

The Bank defines operational risk as an event affecting objectives and strategy of the Bank, caused by inadequate or failed internal processes, people of the Bank, or by external events. Operational risk includes following sub-categories:

- Internal fraud
- External fraud
- Employment breaches and health safety incidents
- Product and service error and deficiency
- Damage to physical assets
- Business disruption
- Performance error and deficiency

Operational risk excludes legal, compliance, information security, and information technology risks, which are managed separately as risk categories.

The first line of defense, including business lines and their support functions, is responsible for identifying, assessing, and managing and controlling risks in day-to-day operations, and consists of branches, sub-branches and head office departments, units, and management.

35. Financial risk management (Continued)

35.7. Operational risk (Continued)

The second line of defense or the Operational risk department is responsible for developing the operational risk management framework and related methodologies, and supporting the units in the 1st line of defense in identifying, evaluating and mitigating risks.

In addition, the Operational risk department prepares and presents a consolidated non-financial risk report to the Enterprise risk management committee and the Board on semi-annual basis, and the committee reviews the report and makes relevant decisions. The following sub-committees belong to the Enterprise risk management committee and manage and control operational risks in detail at all relevant levels of the Bank in detail.

- Operational risk sub-committee
- Branch risk committee

Internal audit, as the third line of defense, provides independent oversight of the operations of the first and second lines of defense.

Operational risk management is supported by the Governance Risk and Compliance (GRC) system, which ensures transparency of risk information and enables periodic reporting.
A GRC system improvement task force was established and, in cooperation with the vendor, system enhancements and updates were made.

To effectively implement the processes of preventing financial crimes and fraud risks, enhancing controls, reporting and detecting fraud, and taking corrective measures, the Bank develops and implements a Fraud management program on annual basis in accordance with the "Financial Crime and Fraud Management Policy" and the program is approved by the Board of Directors.

35.8. Legal and compliance risk

The Bank's Board of Directors and Executive Management pay great attention to the establishment of an effective compliance risk management system at the Bank through the implementation of laws and regulations against money laundering and terrorist financing and approval of relevant policies and procedures including the Anti Money Laundering and Financial Crimes Policy as well as Compliance Program.

Legal risk is non-compliance of laws and regulations, rules, instructions and standards approved by the competent regulatory authorities, and failure to make relevant amendments to its contracts upon the introduction of newly approved legislation or amendments in a timely manner, as well as the occasion where the legal action needs to be taken.

Compliance risk refers to any failure to comply with laws, regulatory requirements or standards applicable to the Bank’s operation. This includes, in particular, laws and regulations applicable to the licensing and conducting of banking businesses, financial crimes such as anti-money laundering and countering the financing of terrorism, and bribery/ corruption. We maintain a compliance program designed to identify, assess, measure, mitigate and report on such risks through a combination of policy and relevant systems and controls.

35.9. Information technology risk management

The Bank runs Information Technology Risk Sub-Committee to effectively manage IT risk, and the sub-committee is responsible to identify potential risks in the Bank's systems and IT operations and take mitigation actions.

36. Offsetting Financial Assets and Financial Liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2024:

In thousands of MNT	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offsetting in the statement of financial position	Financial instrument collateral	Net amount of exposure
ASSETS					
Cash and cash equivalent					
- BoM treasury Bill	4,341,204,093	-	4,341,204,093	(84,840,000)	4,256,364,093
Derivative financial instruments	47,162,872	(17,212,517)	29,950,355	-	29,950,355
TOTAL ASSETS SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**4,388,366,965**	**(17,212,517)**	**4,371,154,448**	**(84,840,000)**	**4,286,314,448**
LIABILITIES					
Derivative financial instruments	17,212,517	(17,212,517)	-	-	-
Sale and repurchase agreements	87,791,865	-	87,791,865	(84,840,000)	2,951,865
TOTAL LIABILITIES SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**105,004,382**	**(17,212,517)**	**87,791,865**	**(84,840,000)**	**2,951,865**

36. Offsetting Financial Assets and Financial Liabilities (Continued)

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2023:

In thousands of MNT	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offsetting in the statement of financial position	Financial instru-ment collateral	Net amount of exposure
ASSETS					
Cash and cash equivalent					
- BoM treasury Bill	3,065,853,012	-	3,065,853,012	(27,364,000)	3,038,489,012
Financial investments					
-Debt securities at AC	1,185,802,247	-	1,185,802,247	(39,411,900)	1,146,390,347
Derivative financial instruments	89,313,290	(42,052,461)	47,260,829	-	47,260,829
TOTAL ASSETS SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**4,340,968,549**	**(42,052,461)**	**4,298,916,088**	**(66,775,900)**	**4,232,140,188**
LIABILITIES					
Derivative financial instruments	47,751,013	(42,052,461)	5,698,552		5,698,552
Sale and repurchase agreements	60,182,082	-	60,182,082	(66,775,900)	(6,593,818)
TOTAL LIABILITIES SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**107,933,095**	**(42,052,461)**	**65,880,634**	**(66,775,900)**	**(895,266)**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.The Bank has master netting arrangements and similar arrangements with counterparties, which are enforceable in case of default. In addition, applicable legislation and procedure allow an entity to unilaterally set off trade receivables and payables that are due for payment, denominated in the same currency and outstanding with the same counterparty. These fall in the scope of the disclosure as they were set off in the statement of financial position. The Bank also placed margin deposits as collateral for its outstanding derivative positions. The counterparty may offset the Bank’s liabilities with the margin deposit in case of default.

37. Fair value disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

37. Fair value disclosures (Continued)

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

	31 December 2024				31 December 2023			
In thousands of MNT	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS AT FAIR VALUE								
FINANCIAL ASSETS								
Investments in debt securities								
- Quoted bonds at fair value	339,993,364	-	-	**339,993,364**	77,090,484	-	-	**77,090,484**
- Senior RMBS, SFC at fair value	-	-	136,364,285	**136,364,285**	-	-	138,952,185	**138,952,185**
- Junior RMBS, SFC at fair value	-	-	193,743,718	**193,743,718**	-	-	200,790,808	**200,790,808**
Investments in equity securities								
- Corporate shares	4,509,664	-	-	**4,509,664**	4,970,548	-	-	**4,970,548**
Loans and advances to customers at FVTPL	-	400,306,947	-	**400,306,947**	-	183,423,240	-	**183,423,240**
Derivative financial instruments	-	29,950,355	-	**29,950,355**	-	47,260,829	-	**47,260,829**
NON-FINANCIAL ASSETS								
Premises and equipment	-	-	291,164,675	**291,164,675**	-	-	293,504,464	**293,504,464**
TOTAL ASSETS WITH RECURRING FAIR VALUE MEASUREMENTS	**344,503,028**	**430,257,302**	**621,272,678**	**1,396,033,008**	**82,061,032**	**230,684,069**	**633,247,457**	**945,992,558**
LIABILITIES CARRIED AT FAIR VALUE								
FINANCIAL LIABILITIES								
Derivative financial instruments	-	-	-	-	-	5,698,552	-	5,698,552
TOTAL LIABILITIES WITH RECURRING FAIR VALUE MEASUREMENTS	**-**	**-**	**-**	**-**	**-**	**5,698,552**	**-**	**5,698,552**

37. Fair value disclosures (Continued)

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

In thousands of MNT	2024	2023	Valuation technique	Inputs used
ASSETS AT FAIR VALUE FINANCIAL ASSETS				
Loans and advances to customers at FVTPL	400,306,947	183,423,240	Market value approach	Market price/Own price
Derivative financial instruments	29,950,355	47,260,829	Interest rate parity analysis/ Modified discount curve	Repo rate, policy rate, 28week BoM bill rate, Z-spread, SOFR rates, futures and swap rates, adjusted forward rate
LIABILITIES CARRIED AT FAIR VALUE FINANCIAL LIABILITIES				
Derivative financial instruments	-	5,698,552	Interest rate parity analysis/ Modified discount curve	Repo rate, policy rate, 28week BoM bill rate, Z-spread, SOFR rates, futures and swap rates, adjusted forward rate
TOTAL RECURRING FAIR VALUE MEASUREMENTS AT LEVEL 2	**430,257,302**	**224,985,517**		

There were no changes in valuation technique for level 2 recurring fair value measurements during the year ended 31 December 2024 (31 December 2023: none).

The valuation technique, inputs used in the fair value measurement for level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows at 31 December 2024:

In thousands of MNT	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reason-able change	Sensitivity of fair value measurement
ASSETS AT FAIR VALUE FINANCIAL ASSETS						
Investments in debt securities						
- Senior RMBS, SFC at fair value	136,364,285	Market comparable	Market price/ Own price	100	1%	'+/-1,363,643
- Junior RMBS, SFC at fair value	193,743,718	Market comparable	Market price/ Own price	100	1%	'+/-1,937,437
NON-FINANCIAL ASSETS						
Land and buildings	291,164,675	Depreciated replacement cost, market comparison	Market price per square metre with appropriate adjustments	2,895-7,940	10%	'+/-29,116,468
TOTAL RECURRING FAIR VALUE MEASUREMENTS AT LEVEL 3	**621,272,678**					

37. Fair value disclosures (Continued)

The valuation technique, inputs used in the fair value measurement for level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows at 31 December 2023:

In thousands of MNT	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reason-able change	Sensitivity of fair value measurement
ASSETS AT FAIR VALUE FINANCIAL ASSETS						
Investments in debt securities						
- Senior RMBS, SFC at fair value	138,952,185	Market comparable	Market price/ Own price	100	1%	'+/-1,389,522
- Junior RMBS, SFC at fair value	200,790,808	Market comparable	Market price/ Own price	100	1%	'+/-2,007,908
NON-FINANCIAL ASSETS						
Land and buildings	293,504,464	Depreciated replacement cost, market comparison	Market price per square metre with appropriate adjustments	2,895-7,940	10%	'+/-29,350,446
TOTAL RECURRING FAIR VALUE MEASUREMENTS AT LEVEL 3	**633,247,457**					

The above tables disclose sensitivity to valuation inputs for financial assets and financial liabilities, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly. For this purpose, significance was judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in other comprehensive income, total equity.

There were no changes in valuation technique for level 3 recurring fair value measurements during the year ended 31 December 2024.

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the year ended 31 December 2024 is as follows:

In thousands of MNT	Senior RMBS	Junior RMBS, SFC
Fair value at 1 January 2024	**138,952,185**	**200,790,808**
Addition	85,185,300	9,465,200
Disposal	(86,342,600)	(13,168,600)
Changes in accrued interest	(1,430,600)	(3,343,690)
Fair value at 31 December 2024	**136,364,285**	**193,743,718**

37. Fair value disclosures (Continued)

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the year ended 31 December 2023 is as follows:

In thousands of MNT	Senior RMBS	Junior RMBS, SFC
Fair value at 1 January 2023	74,849,224	174,218,961
Depreciation charged to profit or loss	-	-
Addition	254,638,300	38,660,100
Disposal	(191,140,700)	(13,811,300)
Transfer	-	-
Changes in accrued interest	605,361	1,723,047
Write-offs	-	-
Fair value at 31 December 2023	**138,952,185**	**200,790,808**

(b) Non-recurring fair value measurements

The Bank has written down its non-current assets held for sale to fair value less costs to sell. The fair value belongs to level 3 measurements in the fair value hierarchy. The valuation technique and inputs used in the fair value measurement at 31 December 2024:

In thousands of MNT	Fair value	Valuation technique	Inputs used	Range of inputs (Weighted average)
Non-current assets held for sale	414,488	Depreciated replacement cost, market comparison	Market price per square metre with appropriate adjustments	349,810-983,610

The valuation technique and inputs used in the fair value measurement at 31 December 2023:

In thousands of MNT	Fair value	Valuation technique	Inputs used	Range of inputs (Weighted average)
Non-current assets held for sale	389,140	Depreciated replacement cost, market comparison	Market price per square metre with appropriate adjustments	282,670-1,496,770

(c) Valuation processes for recurring and non-recurring level 3 fair value measurements

Level 3 valuations are reviewed on an annual basis by the Bank's Financial Management Department along with Property Management Department in case of land and buildings and Market Risk Department in case of investment securities. The management of the Bank considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognised as standard within the financial services industry. In selecting the most appropriate valuation model the committee performs back testing and considers which model's results have historically aligned most closely to actual market transactions.

37. Fair value disclosures (Continued)

(d) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

	31 December 2024					31 December 2023				
In thousands of MNT	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Fair value**	**Carrying value**	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Fair value**	**Carrying value**
FINANCIAL ASSETS										
Cash and cash equivalents	169,843,089	5,300,500,050	-	5,470,343,139	5,470,343,139	235,566,035	4,722,159,716	-	4,957,725,751	4,957,727,074
Mandatory reserves with the Bank of Mongolia	-	1,635,209,857	-	1,635,209,857	1,635,209,857	-	1,090,955,256	-	1,090,955,256	1,090,955,256
Due from other banks	-	7,004,654		7,004,654	7,004,654	-	13,728,242	-	13,728,242	13,728,242
Investments in debt securities	495,285,213	-	96,587,889	591,873,101	600,182,758	1,063,175,375	7,315,571	122,330,472	1,192,821,418	1,185,802,247
Loans and advances to customers	-	-	10,501,496,537	10,501,496,537	10,795,623,037	-	-	8,580,253,201	8,580,253,201	8,833,551,615
Other financial assets	-	-	48,569,969	48,569,969	48,569,969	-	-	6,162,428	6,162,428	6,162,428
TOTAL	**665,128,302**	**6,942,714,561**	**10,646,654,395**	**18,254,497,257**	**18,556,933,414**	**1,298,741,410**	**5,834,158,785**	**8,708,746,101**	**15,841,646,296**	**16,087,926,862**

37. Fair value disclosures (Continued)

Fair values analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value are as follows:

	31 December 2024					31 December 2023				
In thousands of MNT	Level 1 fair value	Level 2 fair value	Level 3 fair value	Fair value	Carrying value	Level 1 fair value	Level 2 fair value	Level 3 fair value	Fair value	Carrying value
FINANCIAL LIABILITIES										
Due to other banks	-	88,910,731	-	88,910,731	88,910,731	-	228,123,208	-	228,123,208	228,123,208
Repurchase agreements	-	87,791,865	-	87,791,865	87,791,865	-	60,182,082	-	60,182,082	60,182,082
Customer accounts	-	14,205,829,251	-	14,205,829,251	14,202,469,957	-	12,380,560,457	-	12,380,560,457	12,378,271,995
Other borrowed funds	-	2,472,505,324	-	2,472,505,324	2,485,410,252	-	2,092,992,641	-	2,092,992,641	2,121,721,870
Debt securities in issue	-	758,617,298	-	758,617,298	758,617,294	-	223,998,582	-	223,998,582	223,998,582
Other financial liabilities	-	118,522,120	19,569,934	138,092,054	138,092,054	-	149,106,749	12,534,864	161,641,613	161,641,613
TOTAL	-	17,732,176,589	19,569,934	17,751,746,523	17,761,292,153	-	15,134,963,719	12,534,864	15,147,498,583	15,173,939,350

The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

38. Related party disclosures

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

In the normal course of business, the Bank enters into transactions with its major shareholders, directors and other related parties. These transactions include settlements, issuance of loans, deposit taking, guarantees, other borrowed funds and Letter of credits. According to the Bank's policy the terms of related party transactions are equivalent to those that prevail in arm's length transactions.

Related party categories are as follows:

Main shareholder:	HS Holdings Co. Ltd is the main shareholder of the Bank that has a significant influence over the Bank, refer to Note 1.
Other significant shareholder:	Tavan Bogd Holdings Co. Ltd is another significant shareholder of the Bank that has a significant influence over the Bank.
Key management personnel:	Executive managers and Board of directors of the Bank.
Other related parties:	Entities controlled by main and other significant shareholders.

At 31 December 2024, the outstanding balances with related parties were as follows:

In thousands of MNT	**Main shareholder**	**Other significant shareholder**	**Key management personnel**	**Other related parties**
Loans and advances to customers (contractual interest rate: 2.4% – 24%)	-	-	4,356,511	31,266,254
Credit loss allowance at 31 December 2024	-	-	(33,225)	(175,516)
Receivables	-	52,688	-	-
Long-term swaps (fair value)	-	-	-	1,576,453
Deposit accounts (contractual interest rate: 0.0% – 14.0%)	135,380	44,572	4,856,333	48,303,026
Other borrowed funds (contractual interest rate: 9.38%)	35,331,917	-	-	-
Share capital owned under ESPP	-	-	676,945	-

The income and expense items with related parties for 2024 were as follows:

In thousands of MNT	**Main shareholder**	**Other significant shareholder**	**Key management personnel**	**Other related parties**
Interest income	-	633,254	243,949	3,351,984
Interest expense	3,208,738	1,044,712	725,439	3,595,365
Operating expenses	-	610,709	11,316,490	57,961,363

Operating expenses included rent, maintenance of ATMs, vehicles, key management compensation and other service expenses.

At 31 December 2024, other rights and obligations with related parties were as follows:

In thousands of MNT	**Main shareholder**	**Other significant shareholder**	**Key management personnel**	**Other related parties**
Irrevocable undrawn credit lines	-	-	312,683	369,959
Credit loss allowance at 31 December 2024	-	-	(1,199)	(786)
Approved limits	-	40,862,140	-	-
Credit loss allowance at 31 December 2024	-	(116,464)	-	-
Guarantees issued	-	-	-	2,411,838
Letter of credits	-	-	-	11,754,752
Credit loss allowance at 31 December 2024	-	--	-	(34,232)

38. Related party disclosures (Continued)

At 31 December 2023, the outstanding balances with related parties were as follows:

In thousands of MNT	Main shareholder	Other significant shareholder	Key management personnel	Other related parties
Loans and advances to customers (contractual interest rate: 2.4% – 24%)	-	-	3,201,749	65,358,478
Credit loss allowance at 31 December 2024	-	-	(35,976)	(966,806)
Receivables	-	86,632	-	-
Long-term swaps (fair value)	-	-	-	282,675
Deposit accounts (contractual interest rate: 0.0% – 13.3%)	214,890	49,178,646	4,165,789	157,740,383
Other borrowed funds (contractual interest rate: 9.77%)	35,311,033	-	-	-
Share capital owned under ESPP	-	-	657,025	-

The income and expense items with related parties for 2023 were as follows:

In thousands of MNT	Main shareholder	Other significant shareholder	Key management personnel	Other related parties
Interest income	-	128,257	194,939	1,881,484
Interest expense	3,433,810	378,286	756,251	1,295,904
Operating expenses	-	625,537	8,520,799	57,216,637

At 31 December 2023, other rights and obligations with related parties were as follows:

In thousands of MNT	Main shareholder	Other significant shareholder	Key management personnel	Other related parties
Irrevocable undrawn credit lines	-	-	286,094	135,824
Credit loss allowance at 31 December 2024	-	-	(897)	(776)
Approved limits	-	3,362,476	-	-
Credit loss allowance at 31 December 2024	-	(11,831)	-	-
Guarantees issued	-	-	-	87,554
Letter of credits	-	-	-	6,163,706
Credit loss allowance at 31 December 2024	-	-	-	(39,012)

Key management compensation is presented below:

In thousands of MNT	2024	2023
Short-term benefits:		
- Salaries and other allowances	7,153,990	5,589,787
- Short-term bonuses	4,162,500	2,931,012
Total	**11,316,490**	**8,520,799**

39. Maturity analysis of assets and liabilities

The table shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settledwhen they are expected to be recovered or settled. See Note 35 'Liquidity risk and funding management' for the Bank's contractual undiscounted repayment obligations for financial assets and liabilities.

At 31 December 2024

In thousands of MNT	**Less than 12 months**	**More than 12 months**	**Total**
Financial assets			
Cash and cash equivalents	5,470,343,139	-	5,470,343,139
Mandatory reserves with Bank of Mongolia	1,635,209,857	-	1,635,209,857
Due from banks	6,484,773	519,881	7,004,654
Investments in debt securities	188,039,826	1,082,244,299	1,270,284,125
Investments in equity securities	4,509,664	-	4,509,664
Derivative financial instruments	11,003,956	18,946,399	29,950,355
Loans and advances to customers at AC	5,194,481,884	5,601,141,153	10,795,623,037
Loans and advances to customers at FVTPL	16,471,914	383,835,033	400,306,947
Other financial assets	48,569,969		48,569,969
Total	**12,575,114,982**	**7,086,686,765**	**19,661,801,747**
Non-financial assets			
Investments in associates	168,976	-	168,976
Other assets	132,395,887	-	132,395,887
Intangible asset	-	34,377,217	34,377,217
Right of use assets	-	14,096,706	14,096,706
Properties and equipment	-	459,469,587	459,469,587
Non-current assets classified as held for sale	414,488	-	414,488
Total	**132,979,351**	**507,943,510**	**640,922,861**
Total	**12,708,094,333**	**7,594,630,275**	**20,302,724,608**
Financial liabilities			
Due to other banks	88,910,731	-	88,910,731
Repurchase agreements	87,791,865	-	87,791,865
Customer accounts	11,126,635,902	3,075,834,055	14,202,469,957
Debt securities in issue	70,877,077	687,740,217	758,617,294
Other borrowed funds	637,762,381	1,847,647,871	2,485,410,252
Lease liabilities	9,088,927	6,130,338	15,219,265
Other liabilities	138,092,054	-	138,092,054
Total	**12,159,158,937**	**5,617,352,481**	**17,776,511,418**
Non-financial liabilities			
Current income tax liabilities	8,915,881	-	8,915,881
Deferred tax liabilities	-	10,898,887	10,898,887
Other liabilities	41,740,174	-	41,740,174
Total	**50,656,055**	**10,898,887**	**61,554,942**
Total	**12,209,814,992**	**5,628,251,368**	**17,838,066,360**
Net	**498,279,341**	**1,966,378,907**	**2,464,658,248**

39. Maturity analysis of assets and liabilities (Continued)

At 31 December 2023

In thousands of MNT	Less than 12 months	More than 12 months	Total
Financial assets			
Cash and cash equivalents	4,957,727,074	-	4,957,727,074
Mandatory reserves with Bank of Mongolia	1,090,955,256	-	1,090,955,256
Due from banks	5,318,242	8,410,000	13,728,242
Investments in debt securities	721,294,868	881,340,856	1,602,635,724
Investments in equity securities	4,970,548	-	4,970,548
Derivative financial instruments	16,870,856	30,389,973	47,260,829
Loans and advances to customers at AC	4,627,054,654	4,206,496,961	8,833,551,615
Loans and advances to customers at FVTPL	7,746,056	175,677,184	183,423,240
Other financial assets	6,162,428	-	6,162,428
Total	**11,438,099,982**	**5,302,314,974**	**16,740,414,956**
Non-financial assets			
Investments in associates	283,589	-	283,589
Other assets	101,540,824	-	101,540,824
Intangible asset	-	43,529,294	43,529,294
Right of use assets	-	12,115,097	12,115,097
Properties and equipment	-	452,369,173	452,369,173
Non-current assets classified as held for sale	389,140	-	389,140
Total	**102,213,553**	**508,013,564**	**610,227,117**
Total	**11,540,313,535**	**5,810,328,538**	**17,350,642,073**
Financial liabilities			
Due to other banks	228,123,208	-	228,123,208
Repurchase agreements	60,182,082	-	60,182,082
Customer accounts	9,954,284,612	2,423,987,383	12,378,271,995
Derivative financial instruments	5,698,552	-	5,698,552
Debt securities in issue	4,360,901	219,637,681	223,998,582
Other borrowed funds	485,255,214	1,636,466,656	2,121,721,870
Lease liabilities	7,434,039	5,602,302	13,036,341
Other liabilities	161,641,613	-	161,641,613
Total	**10,906,980,221**	**4,285,694,022**	**15,192,674,243**
Non-financial liabilities			
Current income tax liabilities	27,366,766	-	27,366,766
Deferred tax liabilities	-	8,855,501	8,855,501
Other liabilities	30,010,202	-	30,010,202
Total	**57,376,968**	**8,855,501**	**66,232,469**
Total	**10,964,357,189**	**4,294,549,523**	**15,258,906,712**
Net	**575,956,346**	**1,515,779,015**	**2,091,735,361**

40. Capital adequacy

The adequacy of the Bank's capital is monitored using the rules and ratios established by BoM. During 2024 and 2023, the Bank complied in full with the capital requirements set by the regulatory body.

Capital management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains healthy capital ratios to be able to absorb negative shocks.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

Regulatory capital

BoM requires commercial banks to maintain a minimum core capital adequacy ratio of 9% (2023: 9%) and risk weighted capital ratio of at least 13% (2023: 13%) compiled on the basis of total capital and total assets as adjusted for their intrinsic risk characteristics.

Based on information provided internally to key management, the Bank has complied with all externally imposed capital requirements as of 31 December 2024 and as of 31 December 2023 and the capital adequacy ratios of the Bank as at 31 December were as follows:

	31 December 2024	**31 December 2023**
Core capital adequacy ratio	17.77%	18.63%
Risk-weighted capital ratio	17.77%	18.63%

The capital base of the Bank as at 31 December were as follows:

In thousands of MNT	**31 December 2024**	**31 December 2023**
Ordinary shares	191,219,800	191,219,800
Share premium	164,257,808	164,257,808
Retained earnings	2,018,390,804	1,649,038,593
Total Tier I Capital	2,373,868,412	2,004,516,201
Total capital /capital base	**2,373,868,412**	**2,004,516,201**

41. Events after the End of the Reporting Period

On 14 February 2025, the Bank declared a dividend in the amount of MNT 373,547,879 thousands to its shareholders in proportion to their ownership.

On 7 March 2025, Monetary policy committee of the Bank of Mongolia increased the policy rate from 10.0% to 12.0%.

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