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VISION



Mongolia's global
benchmark bank

MISSION



The genesis
of prosperity

STRATEGY



Open
bank



Open
bank.

We will be an open bank

which that contributes to the prosperity of our country and people through creating new value by openly sharing our experience, know-how, and state-of-the-art infrastructure with our customers.

Golomt Bank's HIGHLIGHTS 2021

The Banker

Bank of the Year
of Mongolia
2021



The Best Digital Bank
in Mongolia
2021



The Best Corporate Bank
in Mongolia
2021



Mongolia's
TOP-100 Enterprises
2021

Golomt Bank's profit
generated 2.5 times from
the previous year and
accounted to MNT

26 billion

Total
customers

950,000

Gold purchases
rose by 12 percent
and made up

64%

of the system's deliveries
to the Central Bank.

The number of
digital transactions
increased by

47%

Total assets
increased by
9.8 percent and
reached MNT

8 trillion

Total
employees

2,300

Provision of
E-commerce services
increased by 209%,
and its share in the
system rose to

40%

Total number of
SocialPay users
rose by

59%



GREETINGS

Dear Shareholders, Valued Customers, Partners and Colleagues,

We are pleased to present you our 2021 Annual Report.

Though Mongolian economy began to recover gradually in 2021, the impacts of the pandemic lingered and the economy and banking sector continued to face challenges. Due to the lockdown and supply chain disruptions, the economy grew by only 1.4 percent underperforming 3-4 percentage points lower than the forecasts by international and domestic financial institutions. Golomt Bank took timely and prompt action in response to this situation and successfully overcame this challenge and made significant progress in our operations thanks to the commitment of our employees and support of our customers.

In the reporting period, Golomt Bank's assets increased by 9.8 percent to MNT 8 trillion and the profits increased 2.5 times from the previous year. In addition, we reduced the MNT loan interest rate to a record low and increased the loan portfolio by 10 percent while financing a number of domestic and international projects, and raising USD 63 million from international organizations.

The lockdown continued nationwide due to the pandemic which further highlighted the needs and importance of digital banking and positively impacted digital culture and the use of digital tools within the domestic banking sector. Golomt Bank upgraded its products and services based on technological advantages and solutions to accelerate the pace of digital transition, effectively doubling the

number of SocialPay application active users, increasing the E-commerce trade volume by 209 percent, comprising 40 percent of the market share, compared to the previous year.

The Board of the Directors continued its commitment to strengthen its operations and focused on further improving management skills at the strategic level and further enhancing the bank's governance. Golomt Bank's vision aims to champion our sector through our business operation and governance structure while positively impacting our society and implementing exemplary global standards and good practices in Mongolia. We became the first bank in Mongolia to be rated as a bank with 'Internal Audit Practices in line with the international standard and Code of Ethics' by The Institute of Internal Auditors (IIA), one of the leading professional services network in the world, turning a historical new page for Mongolia's banking and financial sector as well as the internal audit sectors. This is a result of our good governance standards and implementation of sustainable and long-term policy while ensuring our decisions and actions align with our aim to become a global benchmark bank.

Under our "Investing for a brighter future" motto, we have continuously supported initiatives and projects with strong potential, on contributing to the prosperity of our country, accelerating manufacturing and infrastructure and building business owners' capacities while actively supporting activities that are environmentally and socially friendly. In 2017, in line with above commitments, we joined the UNEP-FI initiative along with 130 global banks by becoming the first and only Mongolian bank to establish



“Principles of Responsible Banking”. Within the framework of implementing the Principles of Responsible Banking in 2021, Golomt Bank conducted “Impact analysis” on our loan portfolio in analyzing our impacts on environment and climate change in accordance with a special methodology developed by UNEP-FI. Accordingly, we have developed objectives to reduce our impact on climate change and water reserve which has been approved by our Sustainable Development Committee.

As one of the systemically important banks comprising 20 percent of Mongolia’s banking sector in terms of assets, Golomt Bank actively supported the policies of becoming a joint-stock company and ensured prompt and full preparation of becoming a joint stock company in compliance with Banking Law amendments. We firmly believe that this change will be a stepping stone for the Mongolian banking sector and capital market to become more transparent, accessible and inclusive while positively impacting the future development of the sector and opening a new page of growth opportunity. We also initiated the “Employee Stock Ownership Program” (ESOP) for the first time in our sector and have been successfully implementing it to this day. ESOP enables employee shareholders to purchase common shares and ensures mutual benefit for the shareholders and employees.

In 2021, Golomt Bank received number of prestigious awards and accolades from internationally reputable organizations including “Bank of The Year Mongolia” by The Banker, well-known magazine in the international banking and financial sector, the “Best Digital Bank in Mongolia” for three

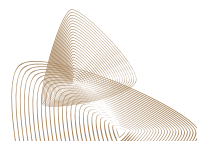
consecutive years by Global Finance magazine, and the “Best Corporate Banking in Mongolia” by Global Banking & Finance Review magazine. These recognitions affirm our strong commitment and activities aimed at achieving our vision to become “Mongolia’s Global Benchmark Bank” and more importantly, they are the results of the unwavering trust and partnership of our customers and partners.

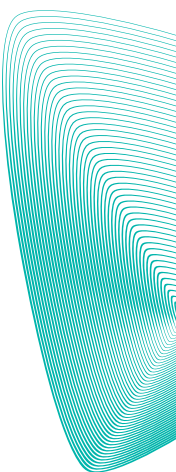
We would like to thank our esteemed customers for your continued commitment and trust in us over the years. Moving forward, we will continue to be the driving force of our country’s prosperity and development and maintain our leading position in the banking sector while tirelessly making an effort to build a brighter and prosperous future for our bank and creating timeless values for all stakeholders through our years of expertise and knowledge.

Yours sincerely,

Chairperson of the Board
Munkhtsetseg Chultem

Chief Executive Officer
Norihiko Kato





The background features abstract line art. In the upper right, there are dense, overlapping brown lines forming a large, curved shape. In the lower right, there are two large, overlapping, rounded shapes formed by thin brown and teal lines. In the bottom left corner, there is a smaller, curved shape made of teal lines.

SHAREHOLDERS

SHAREHOLDERS

BY THE END OF 2021

Golomt Financial Group LLC	Swiss-Mo Investment AG	Golomt Investment Limited	ESOP Shareholders
90.47%	6.25%	3.08%	0.20%

Golomt Financial Group LLC

90.47% of Golomt Bank's common shares are owned by the Golomt Financial Group LLC. Golomt Financial Group LLC, established in 2014, is one of the largest and leading financial groups in Mongolia incorporating the nation's leading financial institutions including Golomt bank, Golomt Capital, Mandal General Insurance, and Golomt Asset Management.

Swiss-Mo Investments AG

Swiss-Mo Investment AG owns 6.25% of Golomt Bank's common shares. Swiss-Mo Investments AG is a Swiss investment fund, holds equity interests in exchange, airports, airlines and hotel businesses. It is majority-owned by leading Swiss philanthropist, investor, Mr. Urs Ernst Schwarzenbach.

Golomt Investments Limited

Golomt Investment Limited owned 3.08% of the company and was established in 2014 with an investment from Bodi International LLC.

Fortunate Golomt – ESOP

Through the Fortunate Golomt – Employee stock ownership program, 55 employees of the bank own 0.20% of the total common shares of Golomt Bank.

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

The page features an abstract graphic design. On the left, there are several overlapping shapes created from concentric, wavy lines. One shape is teal, and another is brown. A thin teal line curves across the page from the top left towards the bottom right. On the right side, there is a large, stylized number '5' composed of many thin, parallel brown lines.

GOVERNANCE

”

The BOD of Golomt Bank members representing small shareholders and independent members comprise the majority of the Board of Golomt Bank, indicating the healthy corporate governance system.

CORPORATE GOVERNANCE

We believe that the compliance with laws and regulations, adequate control, and adherence to ethical standards are the foundations of the good corporate governance, and their implementation would guarantee a sustainable and effective existence in the long run. Good corporate governance will facilitate prompt responses and appropriate actions in any situations, and decisions will be based on balancing risks and benefits. Therefore, the Board of Directors (BOD) of the Golomt Bank implements principles of good corporate governance and adopts international best practices.

Leadership

The BOD activity mainly directed at improving the corporate governance and creating an ethical culture. In collaboration with the executive management, BOD provides directions for the mid- and long-term strategy, business plans to ensure sustainability and profitability, and updates the necessary rules, regulations to establish a system that supports making decisions in the interests of the organization, and adheres to the right principles, values, and ethics.

The BOD of Golomt Bank is composed of independent experts with professional experience, which represent all shareholders. The BOD has three independent members. The well-balanced structure and composition of the Board facilitates protecting and managing interests of major shareholders, minority shareholders and foreign shareholders.

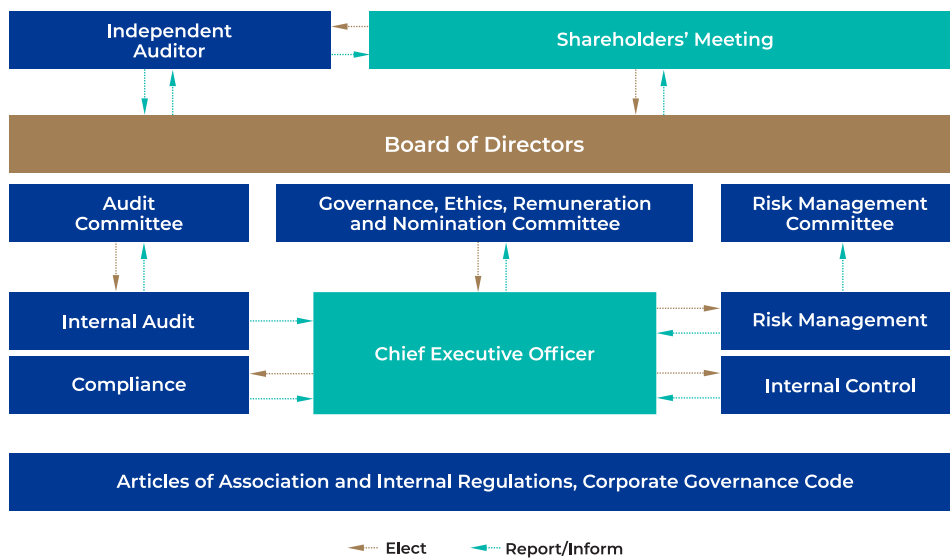
Strategy and Performance

In the reporting period, the BOD approved Golomt Bank's strategy for 2021-2022. Within the framework of updated strategy, Bank's main policy documents have been revised and renewed as follows:

- Risk Management Policy, Risk Appetite Statement, Metrics
- Compliance Policy
- Credit Policy
- Customer Service Policy
- IT Policy
- Information Security Policy
- Data Management Policy
- Human Resources Management Policy
- Assets and Liabilities Management Policy
- Marketing Policy
- Business Operations Management Policy

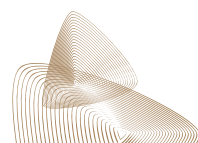
The BOD has worked on improving the strategic planning as well as enhancing the control over implementation of the budget and plan. The performance of the budget, implementation of planned activities and financial reports, verified by the Internal Audit Department were regularly presented to the Board.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

CORPORATE GOVERNANCE STRUCTURE



The BOD members representing small shareholders and independent members comprise the majority of the Board of Golomt Bank, indicating the healthy corporate governance system. Members with experience and expertise in various fields of banking and finance contributed greatly into the effective fulfillment of main functions of the Board. The Internal Audit Department and the Chief Audit Executive are appointed by the BOD.

In 2021, the BOD discussed 64 issues at 11 regular and irregular meetings, and approved resolutions on 37 issues.



BOARD OF DIRECTORS



Chairperson

Mrs. Munkhtsetseg Chultem

Mrs. Munkhtsetseg graduated from the 3rd Soviet High School in 1988, the Polytechnic University in 1993 with a degree in Mining Electromechanical Engineering, and the Johns Hopkins University in 2001 with a master's degree in Business Administration. She graduated Oxford University of the United Kingdom in 2015 and Harvard University of the United States in 2016. She started her career from the Mongolian Stock Exchange in 1996, and continued with consulting, managerial and executive roles at the World Bank, Asia Foundation, and Nepko Publishing Company. She founded Toim magazine in 2010. Mrs. Munkhtsetseg was appointed as a Board member of Golomt Bank in December 2013.



Member

Mr. Urs Ernst Schwarzenbach

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



Member

Mr. Unenbat Jigjid

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



Member

Mrs. Bolormaa Luvsandorj

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



Member

Mr. Munkhtur Dagva

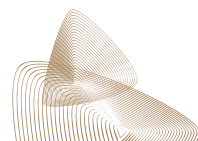
Mr. Munkhtur holds a Bachelor's degree in Financial Management from National University of Mongolia – School of Economic studies (1997), and a Master's degree in Business Administration from Oklahoma University, USA (2009). He joined the bank in 1996, and served as the Director of Credit Division, Director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



Member

Mr. Ganjooloo Ochirpurev

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





Independent
Member

Mr. James Bernard Dwyer

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



Independent
Member

Mr. Antonio López Abelló

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



Independent
Member

Mr. Alexander Picker

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



Secretary of the Board of Directors

Mrs. Solongo Zalaa-Uul

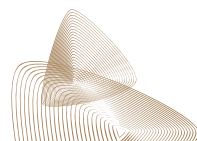
Mrs. Solongo holds a Bachelor's degree from Sardar Patel University in Gujarat, India, in 2003, and a Master's degree in Business Administration from the Institute of Finance and Economics in 2017. She participated in the Asia Regional Board Secretary's Master Program in Singapore organized by International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



Chief Audit Executive

Mr. Odonbaatar Amarzaya

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



Board Committees

Risk Management Committee

Risk Management Committee has five members, three of which are independent members, and chaired by the independent member. The Committee holds a meeting once a month on average. The Committee assesses bank's overall risk management system, sets risk appetite metrics, and monitors risk management.

In accordance with the Committee's Charter, the Chief Risk Officer (CRO) directly reports to the Board Committee. The Committee discusses reports presented by the CRO and guides the implementation of the risk management.

To monitor credit risk, the Risk Management Committee reviews loans with value of more than MNT 20 billion per borrower and decisions of Credit Committee headed by the CEO. In cases, when the risk exposure is high, the Committee has a right to forbid the relevant decision implementation.

The Risk Management Committee held 25 meetings and discussed 85 issues.

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

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

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

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

Governance, Ethics, Remuneration and Nomination Committee

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

The regular meetings are held on a quarterly basis according to the schedule, approved at the beginning of the year. However, special meetings are convened in necessary cases.

In the reporting period, the Committee reviewed performance of the Executive Management Team, in collaboration with the CEO, improved evaluation scheme for fulfillment of contractual responsibilities and obligations, thus, a comprehensive system for the appointment, performance evaluation, responsibilities, and remuneration was adopted.

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

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

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

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

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

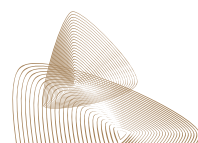
The Committee held 5 meetings and discussed 15 issues.

Audit Committee

The Audit Committee has 5 members and chaired by Mr. James B. Dwyer, the independent member of the BOD.

The Audit Committee reviews, monitors and provides guidelines on issues related to the following:

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



Performance in 2021

The Audit Committee held 10 regular and irregular meetings, discussed 55 issues, and provided the relevant recommendations and decisions.

Discussed issues



- 54.5% Issues related to Bank's operations
- 21.8% Issues related to internal audit activities
- 18.2% Issues related to internal audit reports
- 18.2% Issues related to external audit

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

The Audit Committee evaluates the monthly financial indicators, assigns tasks and provides recommendations to the Management Team, also, discusses external audit reports and presents to the BOD for approval. In addition, the Committee reviews the information about changes in the accounting standards and legislation affecting financial reporting.

The Committee reviews the internal audit rules and regulations, and risk-based internal audit plans; monitors the effectiveness of internal audit; assesses compliance with international standards and adoption of the best practices; and ensures the implementation of audit recommendations stated in the reports. The Audit Committee makes recommendations on appointment/dismissal of the Chief Audit Executive, presents the performance evaluation and proposal on remuneration of the Chief Audit Executive to the BOD.

Internal Audit Activities

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

The internal audit activities of Golomt Bank comply with the International Professional Practices Framework, the best international practice that was issued by the Institute of Internal Auditors. The purpose of internal audit is to facilitate development of the Bank, its units and operations, create added value and help to achieve the goals by providing risk-based, independent and objective assessment and consulting services.

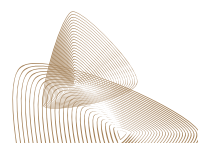
The internal audit functioning is independent of the executive management and other units and activities of the Bank. The BOD appoints the Director of Audit Department, approves the internal audit charter, structure, internal auditing regulations, strategy, annual audit plans, risk-based audit plans,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

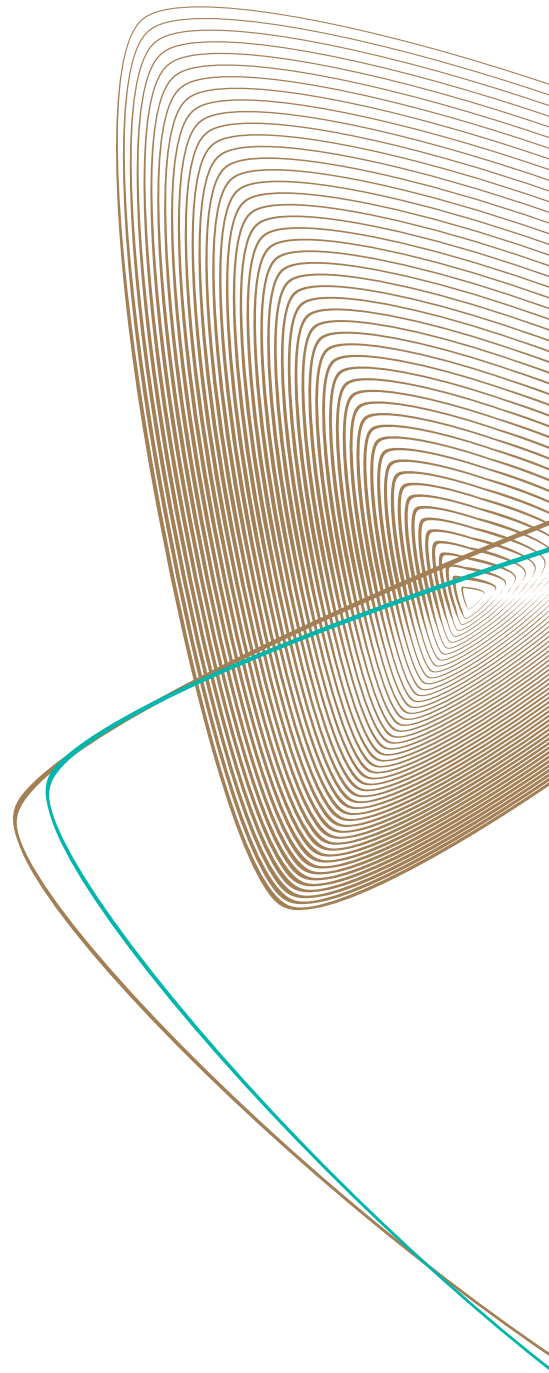
The Internal Audit Department adopted a risk-based methodology; whereby it assesses traditional and emerging risks quarterly, prioritizes threats and defines the scope of control.

The Internal Audit Department assesses the effectiveness of the Bank's governance, risk management, and internal control systems for the Bank to achieve its strategic goals and operate within the defined risk appetite. To create added value, improve governance, risk management, and internal control systems, the Internal Audit Department provides consulting services to other units of the Bank without assuming any management or executive functions.

Internal audit performance in 2021

- Internal audit activities were assessed by the reputable international organization, and Golomt Bank became the first Mongolian company that received an assessment "Fully compliant with the International Standards for the Professional Practice of Internal Auditing and Code of Ethics of Internal Auditors". The Bank adopted the advanced world standard on internal auditing.
- Internal audit activities were evaluated according to 5 attributes: "Business Alignment, Risk Focus", "Talent Model", "Quality and Innovation", "Technology", "Stakeholder Management and Service Culture", and categorized at the 5th level out of 6 levels or "Insight Generator" level. Also, internal audit activities were compared with about 500 internal audit units in the region, and it was concluded that internal audit activity of Golomt Bank is leading in all aspects.
- In the reporting year, advanced data analysis methodologies and tools were developed to the 4th level out of 6 levels or "Continuous auditing" level. Thus, data analysis and automation facilitated continuity of auditing.
- The Internal Audit Department conducted cultural audit covering all elements of the Bank's culture and reported the findings to the Audit Committee. To enhance the Bank's culture, the Risk Management Forum was organized for management and executives.
- The cybersecurity team was enhanced, and internal auditing was conducted in all cybersecurity directions and areas.
- Director of Internal Auditing served as a Chairman of the Board of the Institute of Internal Auditors Mongolia (IIA Mongolia Chapter), Member of the Audit Committee of the Mongolian Banking Association, and was named as the "Best Auditor of the Year in Mongolia" in 2021.
- Within the framework of the Institute of Internal Auditors Mongolia (IIA Mongolia chapter), we have organized trainings on continuous professional education program, and the Mongolian Internal Auditors Forum in virtual format for the 5th year in a row. Moreover, the Bank represented Mongolia at the IIA Global Assembly for the third time.





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MANAGEMENT
TEAM,
**ORGANIZATIONAL
STRUCTURE**

MANAGEMENT TEAM



Mr. Norihiko Kato
CEO



Mr. Ganbold Galsan
President



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



**Mr. Badral
Dandar**
Deputy CEO



**Mr. Sainbileg
Mandakh**
CIO



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



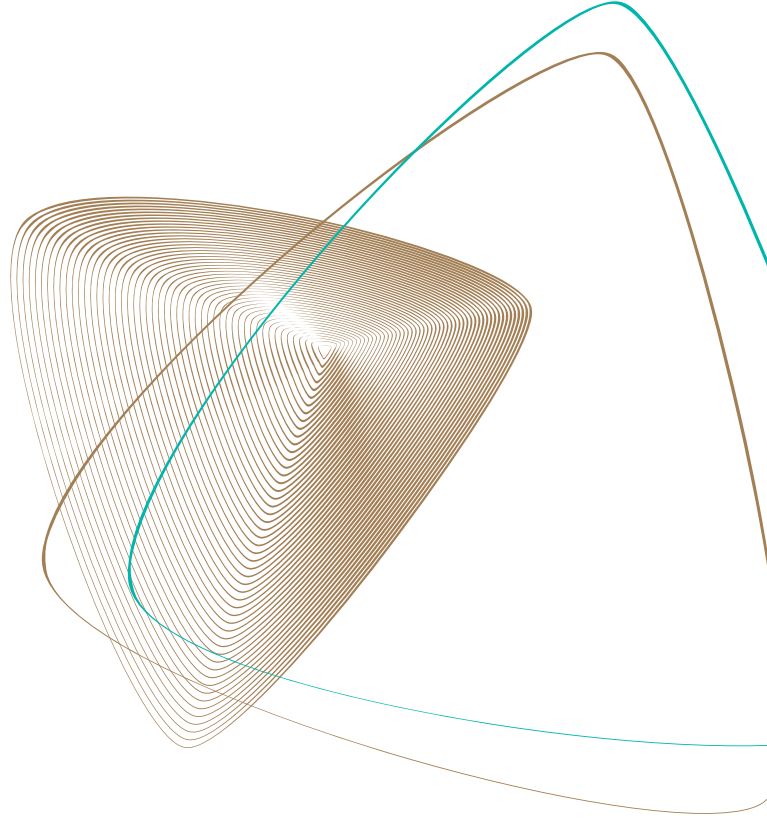
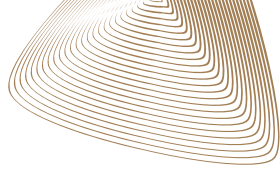
**Mr. Narankhuu
Munkhbat**
Director of Credit
Division



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



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



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



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



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



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



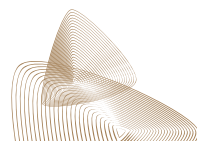
**Mr. Purevdorj
Khalzan**
Director of
Administration Division



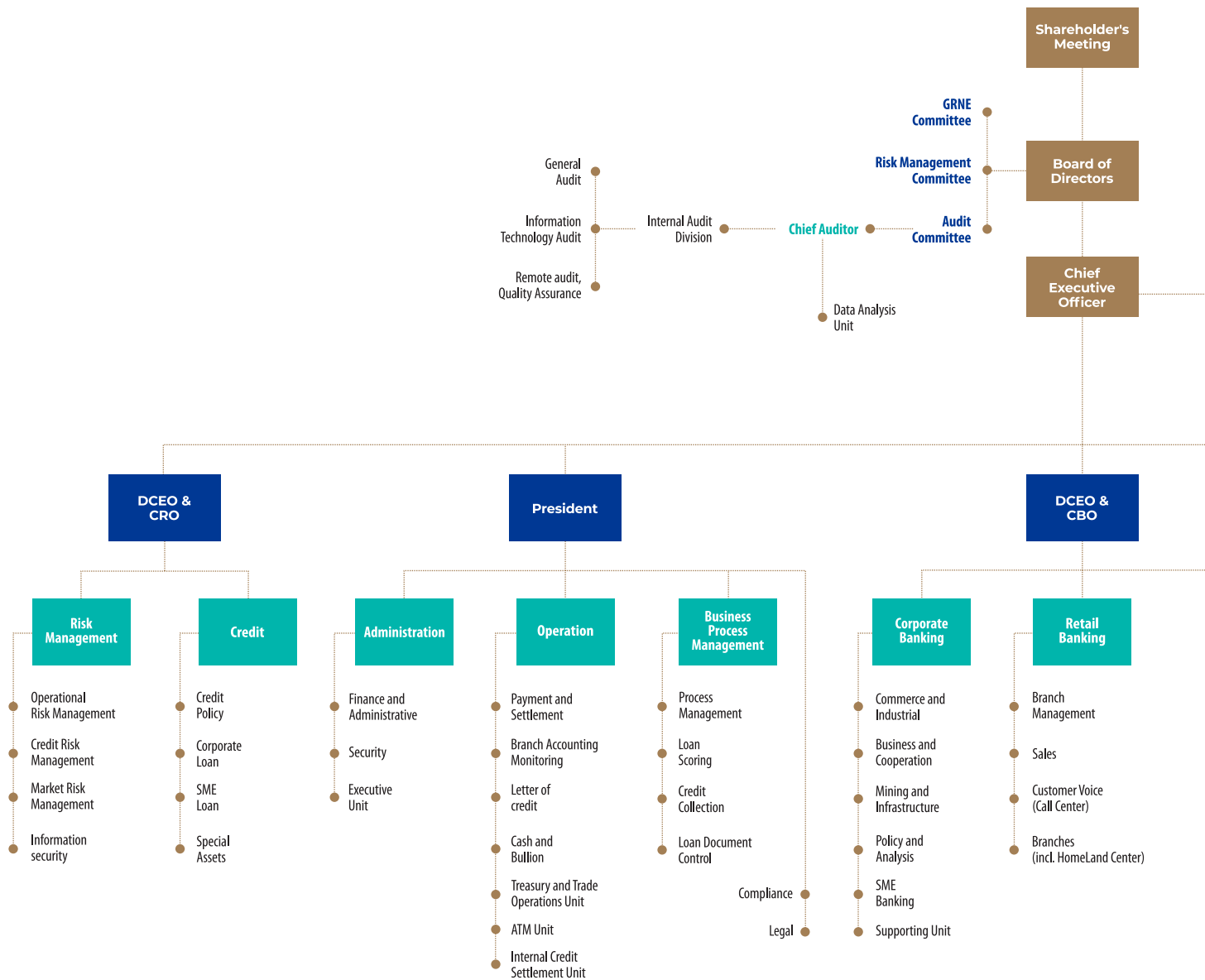
**Mr. Battsengel
Oidov**
Director of Information
Technology Division



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



ORGANIZATIONAL STRUCTURE OF GOLOMT BANK



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

CIO

Marketing and PR

- Marketing
- Public Relations
- Product Development
- Research and Development
- Custodian Banking
- Trade Finance
- Customer Experience

Digital Banking

- Digital Banking
- Card
- E-Channel Cooperation
- Data Management

Information Technology

- System
- Software Development
- Strategy and Cooperation
- System Management
- Infrastructure and Technical

Treasury

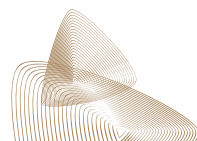
- Asset Liability
- Trading
- Middle Office Unit
- International FI
- Sustainable Finance
- Economic Research Unit

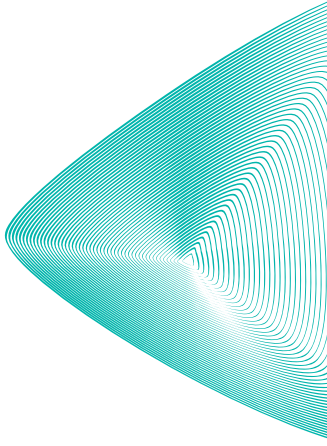
Financial Management

- Management Information
- Accounting Policy and Controlling
- Planning and Evaluation

Human Resource Management

- HR Planning and Strategy
- HR Service Delivery
- Training Academy







ECONOMIC OVERVIEW, BANKING SECTOR



In 2019-2021, the gold price increased by 29%, copper by 55%, iron ore by 70%, and coal by 74%, respectively. These price changes coupled with disruptions in transportation and logistics have significantly affected businesses' profitability and overall price levels.

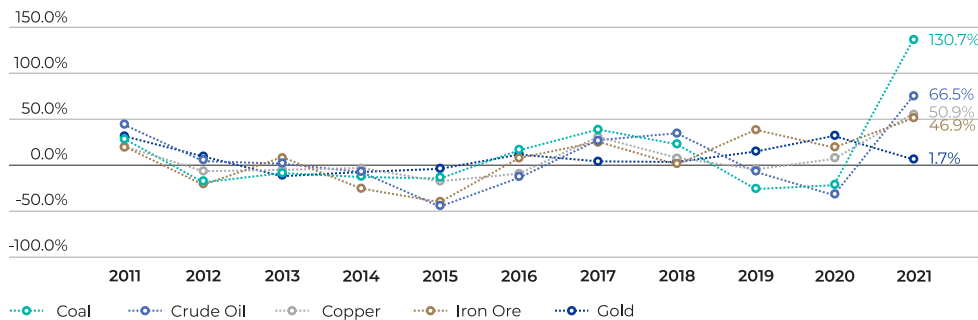


ECONOMIC OVERVIEW

The Impact of the Pandemic on the Global Economy

2021 was a year that brought major challenges to the health and cost of living of the world's population. The global outbreak of coronavirus in 2020, which spread in several variants, delayed the global economic recovery. The spread of the Delta and Omicron variants has lowered expectations in countries that had lifted trade restrictions, causing major shocks at the level of business operations, people's livelihoods and the labor-force. As a result of international uncertainty, commodity prices fluctuated, with gold prices rising 29 percent between 2019 and 2021, copper 55 percent, iron-ore 70 percent and coal 74 percent. Along with the transport and logistics crisis, these changes have led to significant changes in business profitability and overall price levels.

YoY growth of world commodity prices



Expansionary fiscal policies, including measures to combat the effects of the pandemic, have raised inflation in advanced economies by 3.1 percent (0.7 percent in 2020) and in developing countries by 5.7 percent (5.1 percent in 2020). It also increased the government debt of developing countries by 16 percentage points and the external debt of advanced countries by 33 percentage points. International measures have shifted from a soft monetary policy to tighten, with inflation, policy outlook, and expectations of the US Federal Reserve raising interest rates in most developing countries.

Many economists have warned that rising unemployment, rising money supply and declining savings rates pose a risk of further stagflation. At the same time, the demand for real estate has had a significant impact on the demand for discounted loans, the slowdown in the supply of inventory, and the increase of purchasing risk-free assets.

IMF economic outlook

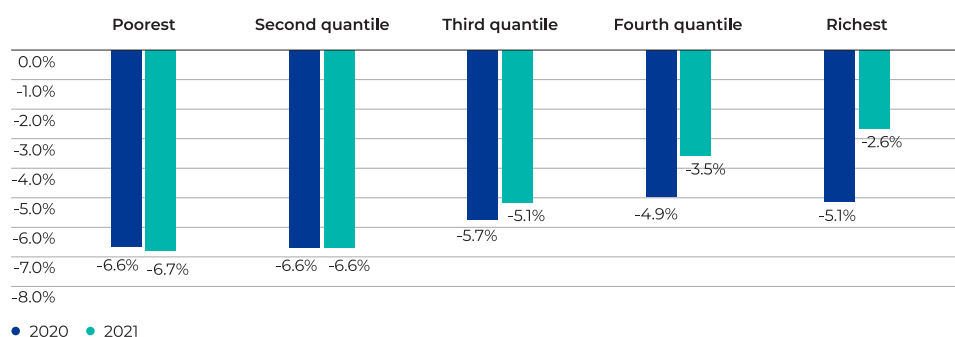
Year	2020	2021	2022*	2023*
Economic growth (%)				
World	-3.1	5.9	4.4	3.8
Advanced economies	-4.5	5	3.9	2.6
Emerging markets	-2.0	6.5	4.8	4.7
Inflation (%)				
Advanced economies	0.7	3.1	3.9	2.1
Emerging markets	5.1	5.7	5.9	4.7

Source: IMF, 2022 Jan

Thus, the recent global pandemic and global warming are accelerating the efforts of international organizations and major countries to achieve their sustainable growth goals, creating a trend of green growth and responsible financing, increasing the amount of current assets in green finance worldwide from April to December by 4 percentage points. This is mainly due to an increase of MNT 677 billion in total expenditures by governments to support green financing in OECD member countries.

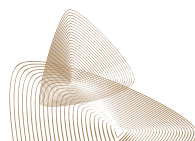
The impact of the COVID-19 pandemic is greatest on the world's poorest population. In 2021, the average income of those in the bottom 40 percent of the global income distribution will be 6.7 percent lower than previous projections, while the average income of the first 40 percent will be down 2.8 percent. The reason for this discrepancy is that the poorest 40 percent have not yet begun to make up for their loss, while the top 40 percent have made up more than 45 percent of their original income. Between 2019 and 2021, the lower 40 percent average income decreased by 2.2 percent, while the upper 40 percent average income decreased by 0.5 percent. In other words, the effects of the pandemic have accelerated the global transition to stock markets and crypto markets, pushing the world's middle class into poverty.

Profit loss due to Covid-19, by quantile



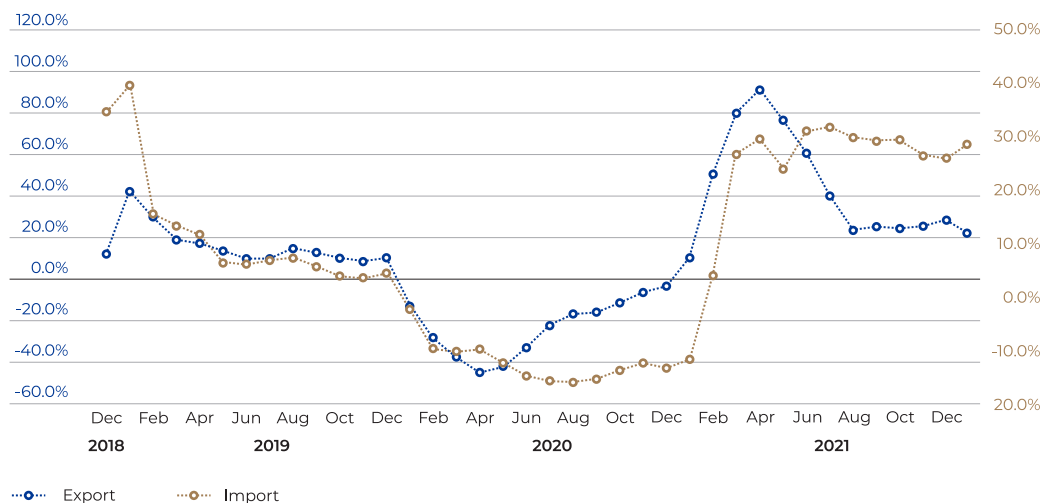
The Mongolian economy

Uncertainty in the external environment has been a major challenge for Mongolia, which is heavily dependent on commodity exports. Since 2021, global vaccinations have become more active, allowing businesses that have ceased operations to resume operations, and the Mongolian economy, which shrank 4.6% in 2020, has recovered slowly. Due to the commodity super cycle, export earnings increased by 45%-93% YoY since the start of 2021. However, Mongolia's fast spread of the pandemic started in 2020, and the number of cases per day increased even more in 2021. China



took measures to close major border crossings and increased border requirements, which negatively affected export output. In the second quarter of 2021, the number of containers crossing the border per day decreased by 10 times, which slowed the growth of exports, and the demand for imports increased, following the resumption of activities of enterprises that had closed their businesses due to the restrictions. Although exports of major exports, such as coal, copper, and gold, declined by 45 percent, 8 percent, and 43 percent respectively, the absolute increase in the value of international raw materials contributed to a 22.5 percent increase in total exports.

YoY growth of Export and Import

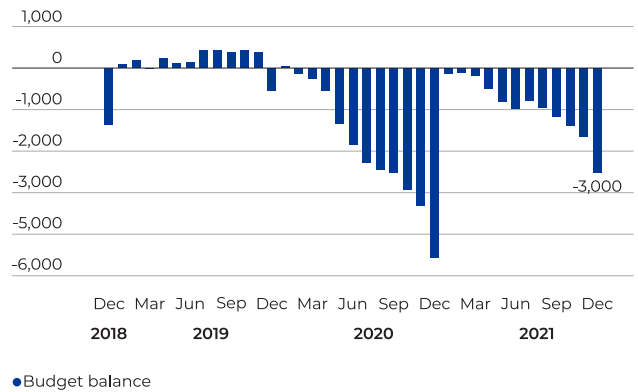
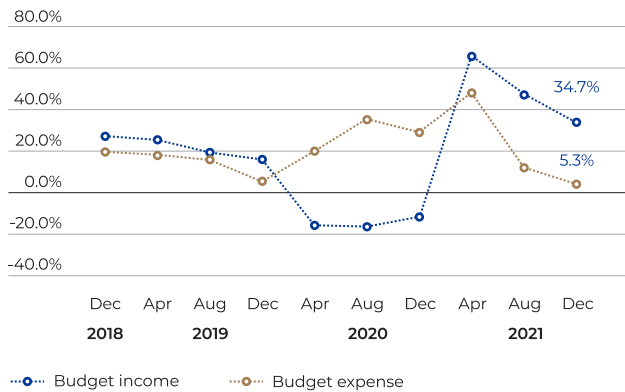


Monetary and Fiscal Policy

Like the rest of the world, Mongolia has pursued soft monetary policy and expansionary fiscal policies to recover from the pandemic. In 2020, when economic growth reached new lows, the Bank of Mongolia decided to reduce the policy rate 4 times by to 1-2%, which is a total of 5 percentage points in one year. This was an effort to reduce interest rates on loans and deposits in the market to support the economy in the short term. In addition, the Bank of Mongolia has taken a number of measures, such as cutting interest rates on current accounts and time deposits, banning payments and transfers in foreign currency, changing asset classification procedures, and deferring loan repayments to reduce banking sector risks and maintain the value of the MNT. Measures have been taken to reduce the credit burden and to restore economic activity. These policy adjustments continued until 2021 as a way to support private consumption and reduce the risk of the banking system in the short term.

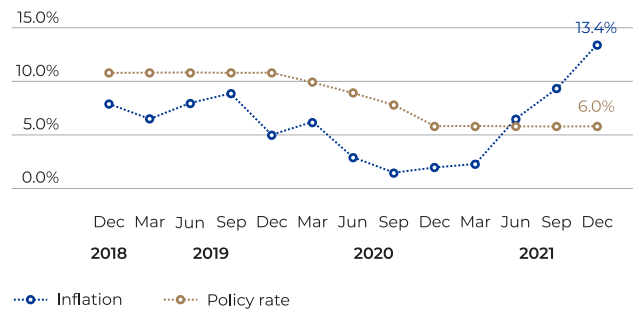
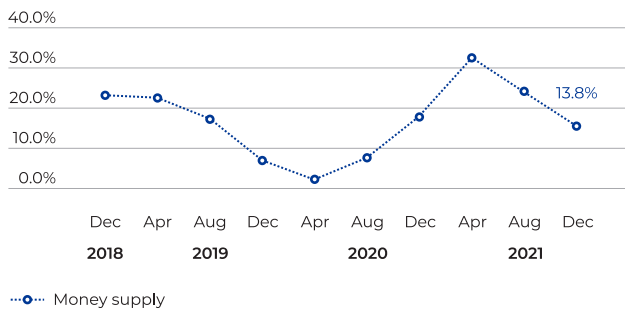
Furthermore, the Government of Mongolia has started to implement a comprehensive 10 trillion program as a means to provide liquidity to the market. In 2021, the program provided a total of 4.2 trillion in funding. The program included discounted SME loans and housing loans. In addition, the government has decided to finance energy, waste and water payments from 2020 until 2021. Measures have also been taken to reduce social insurance contributions from 2021. As a result, the budget deficit reached 8 percent of GDP or MNT 3 trillion.

Fiscal policy and balance



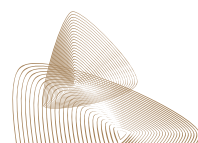
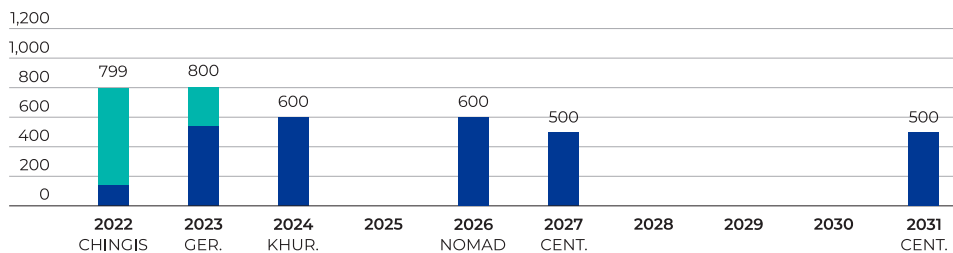
As a result of the combination of monetary easing and fiscal expansion, money supply increased by 15 percent, inflation reached 13.4 percent by the end of 2021 as a result of economic stimulus, increased demand for imported goods, and increased transportation costs associated with transportation restrictions.

Monetary policy



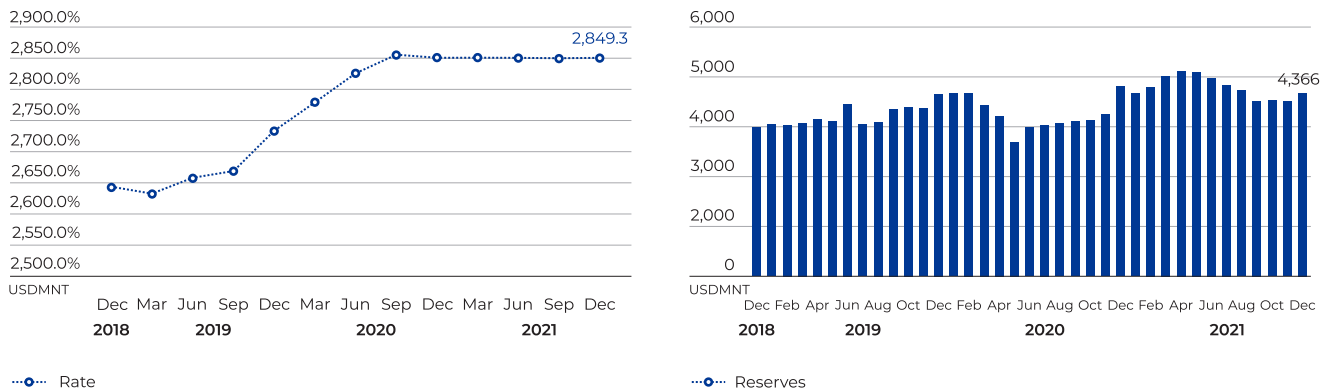
Another highlight of 2021 by the government was the Century Bond. According to the debt repayment schedule, USD 799.2 million worth of Chinggis bond in 2022 and USD 800 million worth of Gerege bond was to be paid in 2023. Taking advantage of declining dollar returns and high commodity prices associated with the mining super cycle, the Ministry of Finance successfully issued USD 6 billion in low-interest 6 and 10-year bonds to ease the pressure on major foreign exchange outflows in 2022 and 2023.

Government bond repayment schedule



Although the balance of payments deficit reached USD 200 million by the end of the year, rising commodity prices, weak domestic economic activity, and increased gold reserves had held the net international reserves at a rate of covering imports by 7-8 months or USD 4-4.8 billion in 2021. Thus, the U.S. dollar remained stable at 2849 for 13 consecutive months.

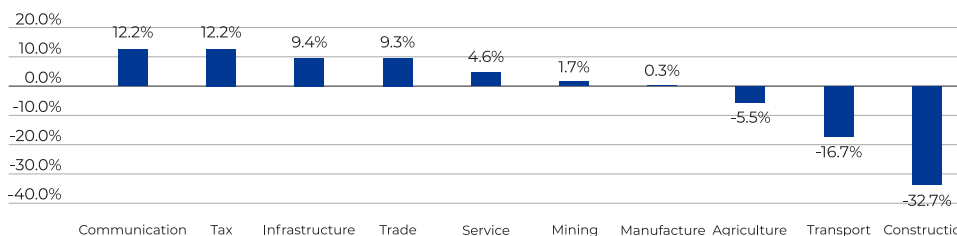
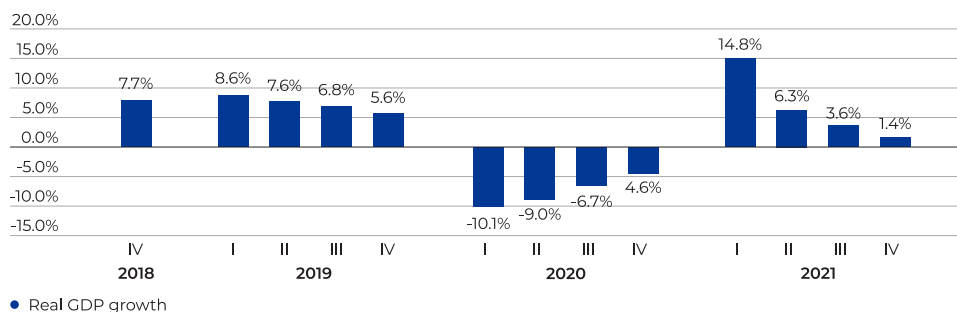
Foreign exchange rate and reserve



Economic growth

In 2021, the slowdown in government capital expenditures, a reduction in funding for state constructions, a slowdown in the supply of construction materials due to border restrictions, and rising prices contributed to the slowdown in the construction sector. In addition, infectious animal diseases predominated in the major meat-supplying aimags, leading to an increase in livestock mortality and a decline in the agricultural sector. The transport and logistics crisis, which was a major challenge in 2021, reduced the transport sector by 16.7%. Thus, the pandemic, quarantine, and supply chain failures have contributed to the economic slowdown of only 1.4% in 2021, which is 3-4 points lower than the projections of international organizations and domestic economic institutions.

Economic growth



● 2021 VI

BANKING SECTOR

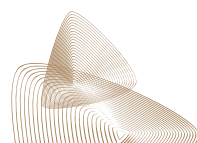
Money market indicators

Indicators	Unit	2019	2020H1	2020	2021H1	2021	Yearly growth
Total assets	billion MNT	35,859	34,304	36,685	40,077	41,012	11.8%
Loan outstanding	billion MNT	18,323	17,640	17,476	19,486	21,205	21.2%
Past due loan	billion MNT	816	1,001	1,265	1,184	932	-26.3%
NPL	billion MNT	1,819	1,912	2,002	1,949	2,073	3.5%
NPL ratio	%	9.9%	10.8%	11.5%	10.0%	9.8%	-14.6%
Retail loan, MNT	billion MNT	9,158	8,562	8,463	9,265	10,328	22.0%
Retail loan, FCY	billion MNT	108	112	68	60	63	-7.4%
Past due loan, Retail, MNT	billion MNT	183	214	250	224	177	-29.3%
Past due loan, Retail, FC	billion MNT	2	2	1	0	4	615.2%
Non-performing loan, Retail, MNT	billion MNT	302	409	471	512	472	0.1%
Non-performing loan, Retail, FC	billion MNT	26	28	26	25	22	-13.9%
NPL ratio, Retail, MNT	%	3.3%	4.8%	5.6%	5.5%	4.6%	-18.0%
NPL ratio, Retail, FC	%	23.9%	25.3%	37.6%	41.3%	34.9%	-7.0%
Private enterprises loan, MNT	billion MNT	6,671	6,797	6,488	7,713	8,580	32.2%
Private enterprises loan, FCY	billion MNT	1,819	1,439	1,440	1,403	1,235	-14.3%
Past due loan, Private enterprises, MNT	billion MNT	389	515	684	647	449	-34.4%
Past due loan, Private enterprises, FC	billion MNT	237	261	320	308	299	-6.7%
Non-performing loan, Private enterprises, MNT	billion MNT	1,224	1,249	1,271	1,215	1,425	12.2%
Non-performing loan, Private enterprises, FC	billion MNT	250	209	222	191	146	-34.1%
NPL ratio, Private enterprises, MNT	%	18.3%	18.4%	19.6%	15.7%	16.6%	-15.2%
NPL ratio, Private enterprises, FC	%	13.8%	14.5%	15.4%	13.6%	11.8%	-23.2%
Total deposits	billion MNT	20,150	20,541	23,350	26,703	26,965	15.5%
Current account MNT	billion MNT	3,433	2,949	3,513	5,142	5,854	66.6%
Current account FC	billion MNT	2,326	2,363	1,983	2,483	2,345	18.3%
Deposit MNT	billion MNT	11,050	10,968	13,314	14,872	14,963	12.4%
Deposit FC	billion MNT	3,443	4,326	4,609	4,270	3,904	-15.3%
Equity	billion MNT	3,031	3,051	3,059	3,171	3,425	12.0%
Total liabilities	billion MNT	32,829	31,253	33,627	36,905	37,586	11.8%

Source: Bank of Mongolia

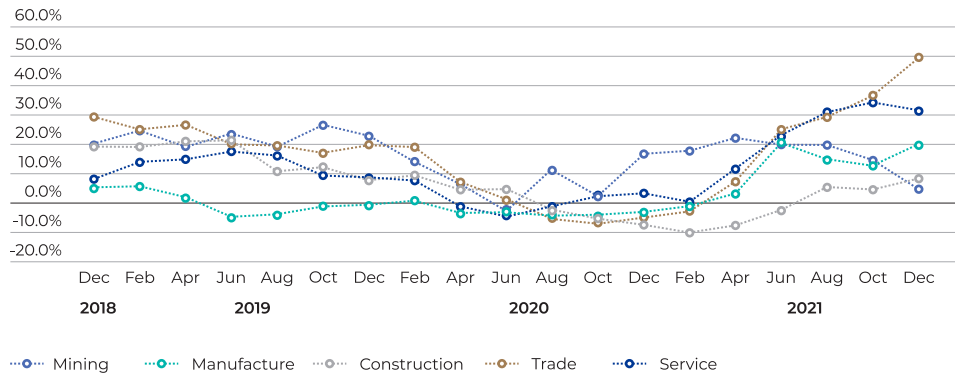
The total loans of the banking sector increased by 21 percent owed to lending within the program launched against pandemic effects.

The Mongolian government's 10 trillion program loans, including loans to support small and medium enterprises, and repo financing, provided MNT 4.3 trillion in loans to the banking sector, increasing total banking system loans by 20



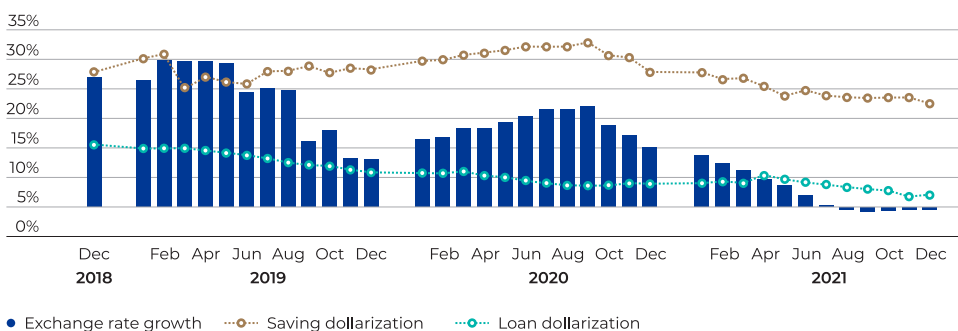
percent to MNT 20.7 trillion. Lending to the non-mining sector has risen sharply, mainly in trade (+ 39%), manufacturing (+ 20%) and services (+ 31%). Growth in mining loans (9%) was driven by demand for foreign commodities, but growth has slowed due to foreign trade stagnation. The 24 percent annual increase in corporate loans, which had been in decline, was the main stimulus for economic recovery.

Banking sector YoY loan growth



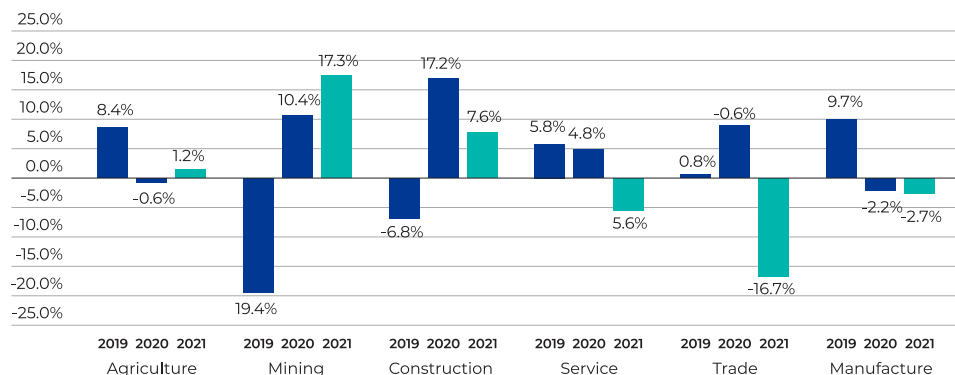
Retail lending also rebounded to 22 percent, with the trend shifting to short-term, low-risk savings loans (+ 61%). Real consumption declined by 8.2 percent year-on-year due to a 12.7 decline in wage incomes, ultimately leading to wage and pension loans to increase by 5 percent at the end of the year, while card loans decreased by 18%, and car loans decreased by 17% as of 2021. Due to the weakening of the foreign trade environment due to border restrictions, the dollarization of corporate loans decreased by 4.5 percentage points and the dollarization of retail loans decreased by 0.3 percentage points.

Banking sector dollarization



Among the measures taken by the government to combat the effects of the pandemic, changes in asset classification regulations have continued, as well as loan repayment of retail loans and mortgage loans were deferred until the end of 2021. However, due to weak economic activity, the ability of individuals to repay their loans decreased, and non-performing loans increased by 3.5 percent from the previous year. Problem loans fell 26 percent. This is a decrease from the impact of new program loans. In terms of asset quality by sector, non-performing loans increased by 17 percent and 8 percent, respectively, due to mining constraints on mining loans and construction loans, as well as operational failures due to foreign trade constraints and sharp rise in commodity prices. However, in the first months of this year, most enterprises recovered and program lending increased, reducing non-performing loans in manufacturing, services and trade.

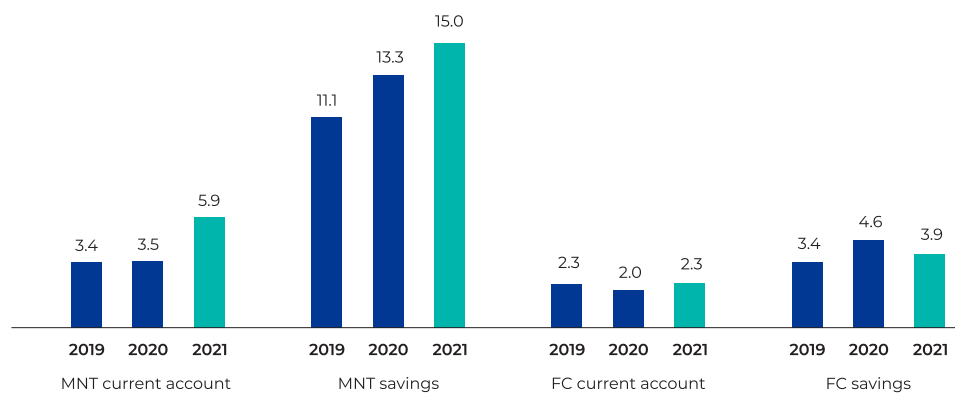
Growth of Non-performing loans, by sectors



Government stimulus packages and program loans have accelerated the growth of current accounts and savings

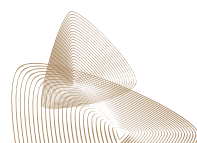
Total banking sector deposits increased by 16 percent from the previous year. The increase was mainly due to a 67 percent increase in MNT current accounts and a 12 percent increase in deposits. However, the central bank reduced the interest rate on foreign currency deposits for individuals and reduced the amount of foreign currency deposits and current accounts of individuals and organizations due to regulations prohibiting foreign currency transactions. Thus, the dollarization of total resources decreased from 28 percent at the end of 2020 to 22.8 percent by the end of 2021.

Banking sector deposit (trillion MNT)

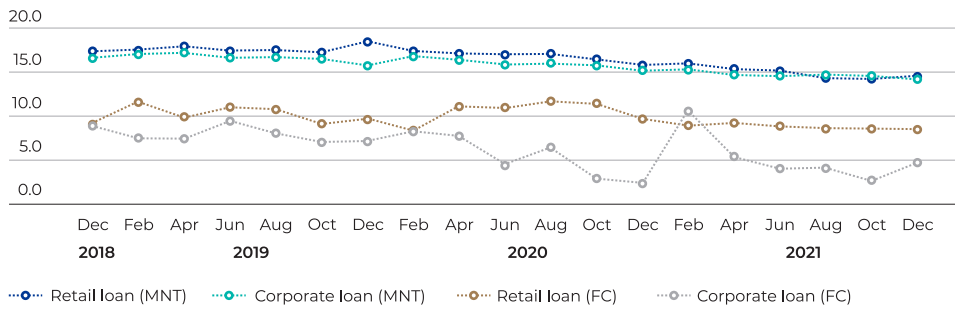


Deposit and lending rates hit record lows as central bank policy rates fell and economic activity weakened

The Bank of Mongolia reduced the policy rate by 5 percentage points in 2020 in order to increase economic activity, and this year the weighted average interest rate on loans reached 14.3 percent and the deposit rate reached 7.6 percent. Restrictions on the foreign current accounts have also led to lower FX interest rates. Thus, at the end of 2021, the interest rate on corporate and retail foreign currency deposits decreased by 1 point. Retail foreign currency loan interest rate increased by 2.2 percentage points and corporate foreign currency loan interest rate decreased by 1.2 percentage points.



Banking sector loan





FINANCIAL HIGHLIGHTS



**In 2021, Golomt Bank's profit increased 2.5
times from the previous year and accounted
to MNT 26 billion.**

FINANCIAL HIGHLIGHTS

PERFORMANCE IN 2021

In 2021, COVID-19 pandemic continued to wreak havoc, but the countries relaxed strict restrictions and implemented gradual measures to reduce the pandemic impact on the economy. As a result, the world economy recovered and showed growth of 5 percent.

In Mongolia, citizens were intensively vaccinated, the lockdown measures were gradually relaxed, and the law to prevent the spread of the virus and mitigate the socio-economic impact that was approved in 2020, remained effective in 2021. Also, the Government of Mongolia approved "MNT 10 trillion Comprehensive Program to Support the Economy", and implemented measures to support businesses with 3% interest rate loans and alleviate unemployment; to finance subsidized mortgage loans and repo-financed loans; in addition, mortgage loans payments were postponed. In result, the economy revived and growth reached 6.3 percent in the first half of 2021.

Unfortunately, growth dropped to 1.4 percent in the second half of the year due to disruptions in imports of goods, subsequent price increases, and a slowdown in key commodities exports.

The Bank of Mongolia approved a decision to maintain the policy interest rate at 6 percent in 2021, but imposed border restrictions, increased transportation costs caused inflation hikes, and inflation reached 13.4 percent at the end of the year.

KEY FINANCIAL ACHIEVEMENTS IN 2021

In 2021, Golomt Bank gained a profit of MNT 26 billion, 2.5 times higher than in the previous year

Total assets increased by MNT 716 billion or 9.8% from the previous year and reached MNT 8 trillion. Increased external funding was the main driver of such a growth and its contribution made up 43 percent, while increased customers' deposits contributed by 25 percent.

In 2021, Golomt Bank developed further its foreign collaboration and succeeded to receive funding of USD 63.5 million from leading banks and financial institutions, successfully concluded long-term swap agreement with the Bank of Mongolia, which facilitated expansion of its operations. In particular, the Bank received USD 25 million from Cargill International Trading PTE, USD 10 million from International Investment Bank, USD 8 million from Micro Small & Medium Enterprises Bonds S.A., USD 8 million from Credit Bank of Moscow, USD 7.5 million from World Business Capital Inc., and USD 5 million from EMF Micro Finance Fund AGMVK.

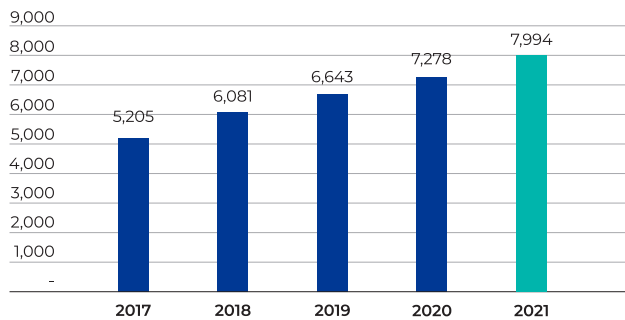
Bank's total loans increased by 10 percent from the previous year, loans provided within the Government program to support the economy against pandemic effects, including 3% interest rate loans and repo-financed loans, amounted to MNT 370 billion. Also, mortgage loans payments were fully postponed in 2021.

BALANCE SHEET HIGHLIGHTS

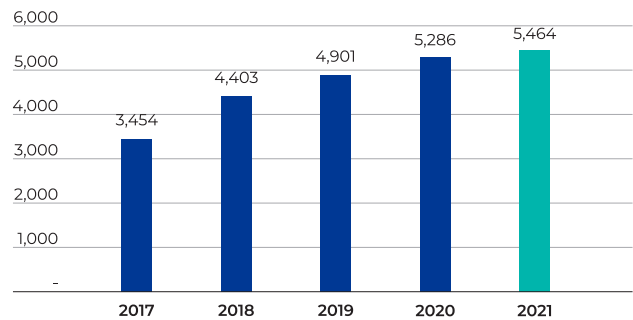
In 2021, Golomt Bank's total assets increased by 9.8 percent to MNT 8 trillion, and customers' deposits generated by 3.4 percent to MNT 5.5 trillion. The rise of MNT 359 billion in the current accounts mainly contributed into the growth of the customers' funds. Demand deposits diminished by MNT 224 billion in result of nullified interest rate on demand deposits in accordance with the amendments made to the law, approved to prevent the spread of the virus and mitigate the socio-economic impact.

Financing from foreign banks and financial institutions, and allocated resources for mortgage loans mainly contributed into 26 percent increase in borrowed funds.

Total asset (MNT bln)



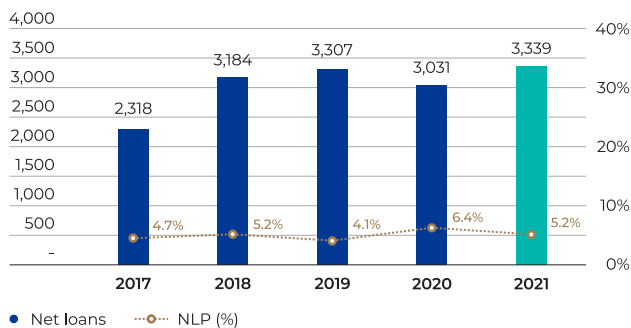
Customer funds (MNT bln)



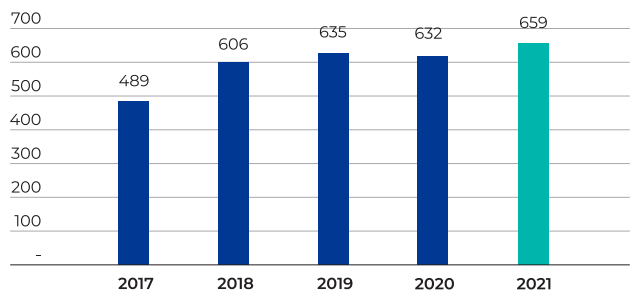
In 2021, loan portfolio (net) grew by 10.2 percent from the previous year and totaled MNT 3.3 trillion. Increased consumer loans and SMEs loans led to this growth. In result of implemented measures on reducing non-performing assets, the ratio of non-performing loans decreased by 1.2 percentage points, and OREO decreased by 49 percent.

The total capital reached MNT 659 billion; MNT 27 billion up from the previous year; thus, prudential ratios and requirements set by the Bank of Mongolia have been met.

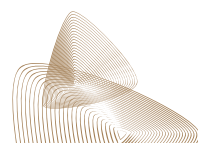
Net loan (MNT bln)



Capital (MNT bln)



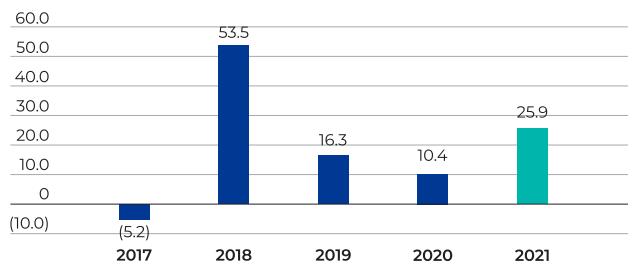
● Net loans ● NLP (%)



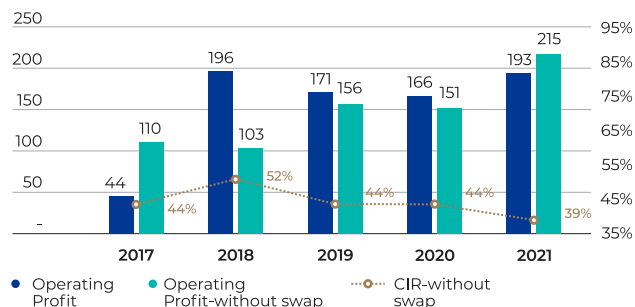
PROFITABILITY

In 2021, Golomt Bank gained a profit of MNT 25.9 billion, and the operating income (without SWAP impact) was MNT 215 billion, showing an increase by 42 percent from the previous year. The ratio of operating expense to income was 39 percent.

Net profit (MNT bln)

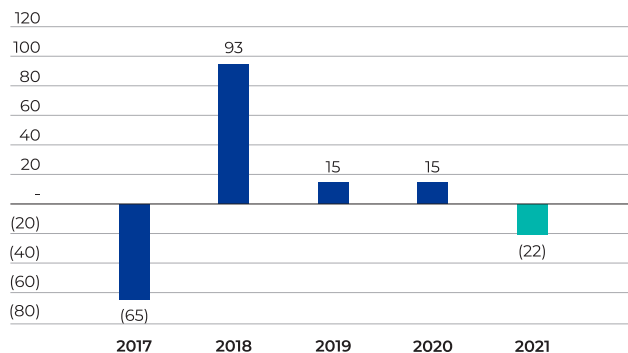


Operating profit (MNT bln)

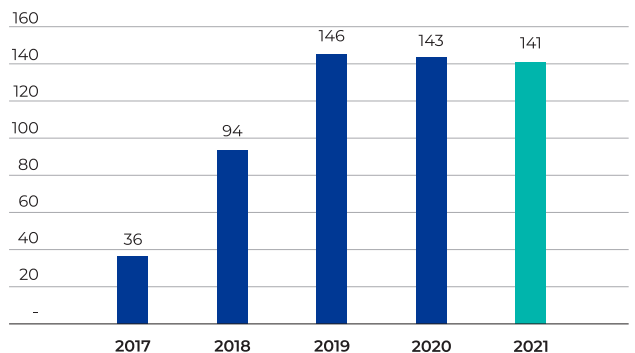


In 2021, swap-related expenses amounted to MNT 22 billion, while assets provisioning expenses and impairment charges decreased to MNT 141 billion. Loans provisioning expenses decreased by 49 percent from the previous year, and provision coverage ratio rose by 9 percentage points to 88 percent, indicating the Bank's capacity to face loss loans.

Swap impact (MNT bln)



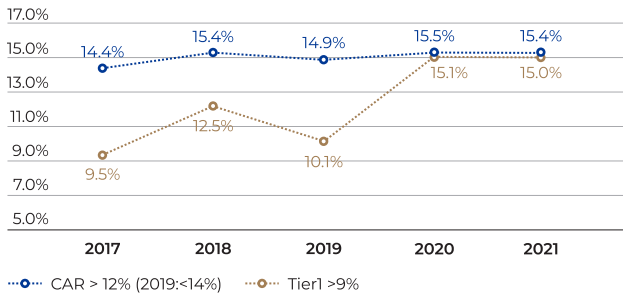
Provisioning & valuation expense (MNT bln)



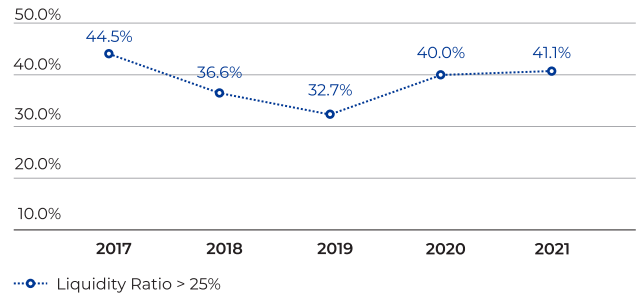
PRUDENTIAL RATIOS

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

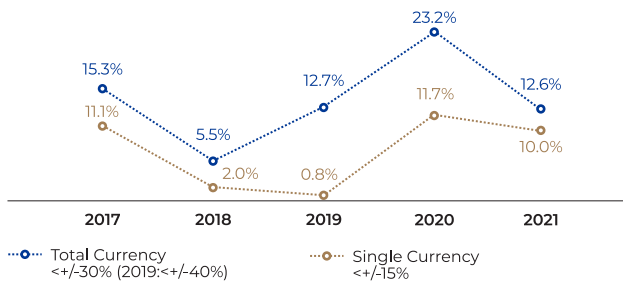
Capital adequacy



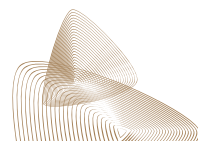
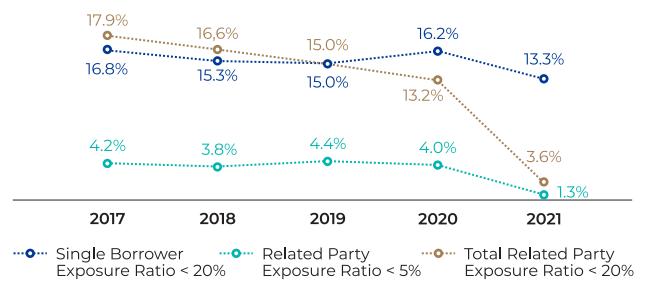
Liquidity



FCY exposure ratio



Loan concentration



GOLOMT BANK'S FIVE YEAR FINANCIAL RESULT

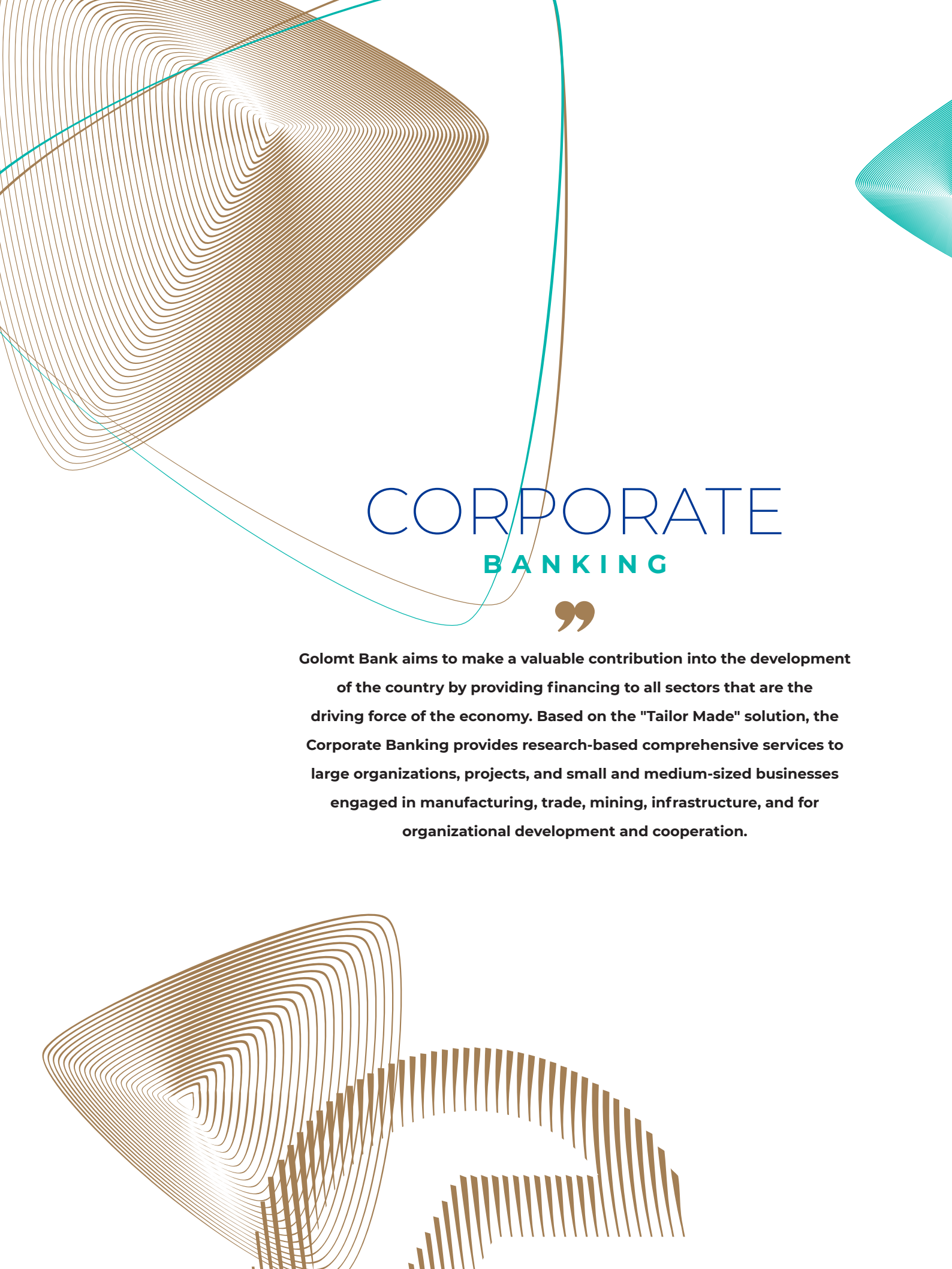
Indicators (MNT billion)	2017	2018	2019	2020	2021
Total Assets	5,205	6,081	6,643	7,278	7,994
Annual growth rate	11.7%	16.8%	9.2%	9.6%	9.8%
Customer funds	3,454	4,403	4,901	5,286	5,464
Annual growth rate	23.2%	27.5%	11.3%	7.9%	3.4%
Borrowed funds - Co-financed funds	758	716	916	1,202	1,509
Annual growth rate	-36.6%	-5.5%	28.0%	31.2%	25.6%
Net Loans	2,318	3,184	3,307	3,031	3,339
Annual growth rate	13.9%	37.3%	3.9%	-8.3%	10.2%
Total Capital	489	606	635	632	659
Annual growth rate	7.7%	23.9%	4.8%	-0.5%	4.3%
Total loan-carrying value	2,414	3,357	3,428	3,191	3,500
Loan provision	96	173	121	160	161
NPL	113	176	141	203	183
NPL (%)	4.7%	5.2%	4.1%	6.4%	5.2%
NPL coverage (%)	84.4%	98.4%	85.9%	79.0%	88.2%
Net repossessed collaterals	157	159	251	277	198
Profitability Indicators (MNT billion)	38.4%	1.2%	57.8%	10.5%	-28.4%
Interest Income	409	494	578	570	555
Interest Expense	(287)	(323)	(366)	(366)	(273)
Net Interest Income	122	171	212	204	282
Annual growth rate	42.7%	39.9%	24.1%	-3.6%	38.0%
Net Non-Interest Income	8	136	81	83	49
Swap impact	(65)	93	15	15	(22)
Net Non-Interest Income-without swap	73	42	66	68	70
Operating Income	130	306	293	287	331
Operating Income -without swap	195	213	278	272	352
Annual growth rate	54.7%	9.0%	30.5%	-2.0%	29.4%
Operating Expense	(86)	(110)	(122)	(121)	(137)
Operating Profit	44	196	171	166	193
Operating Profit -without swap	110	103	156	151	215
Annual growth rate	123.8%	-6.4%	51.6%	-2.9%	42.2%
Provisioning & valuation expense	36	94	146	143	141
Loan	33	84	140	102	52
OREO	3	8	5	40	90
Other	0	2	2	1	(1)
Loan	91%	89%	96%	71%	37%
OREO	8%	8%	3%	28%	64%
Other	0%	3%	1%	1%	-1%
Provision expense-growth	-37.9%	158.2%	55.3%	-1.8%	-1.8%
Net profit	(5.2)	53.5	16.3	10.4	25.9
ROAA	N/A	1.0%	0.3%	0.2%	0.3%
ROAE	N/A	16.1%	3.3%	2.5%	5.1%
NIM	3.6%	4.4%	4.2%	4.0%	4.6%
CIR	65.8%	35.9%	41.7%	42.2%	41.5%
CIR-without swap	44%	52%	44%	44%	39%
CAR > 12% (2019:<14%)	14.4%	15.4%	14.9%	15.5%	15.4%
Tier1 >9% /buffer +1%/	9.5%	12.5%	10.1%	15.1%	15.0%
Requirement	14.0%	14.0%	12.0%	12.0%	12.0%
Requirement	9.0%	9.0%	9.0%	9.0%	9.0%
with buffer	9.0%	9.0%	9.0%	10.0%	10.0%
Total Currency < +/-30% (2019:<+/-40%)	15.3%	5.5%	12.7%	23.2%	12.6%
Single Currency < +/-15%	11.1%	2.0%	0.8%	11.7%	10.0%
Single Borrower Exposure <20%	16.8%	15.3%	15.0%	16.2%	13.3%
Related Party Exposure<5%	4.2%	3.8%	4.4%	4.0%	1.3%
Related Party Exposure-Total <20%	17.9%	16.6%	15.0%	13.2%	3.6%
Liquidity Ratio > 25%	44.5%	36.6%	32.7%	40.0%	41.1%
Requirement	25.0%	25.0%	25.0%	25.0%	25.0%



CORPORATE BANKING



Golomt Bank aims to make a valuable contribution into the development of the country by providing financing to all sectors that are the driving force of the economy. Based on the "Tailor Made" solution, the Corporate Banking provides research-based comprehensive services to large organizations, projects, and small and medium-sized businesses engaged in manufacturing, trade, mining, infrastructure, and for organizational development and cooperation.



CORPORATE BANKING



The Best Corporate Bank
in Mongolia 2021



Total resources
generated by
3%



Corporate loans portfolio
increased by
17%

Golomt Bank aims to make a valuable contribution into the development of the country by providing financing to all sectors that are the driving force of the economy. Based on the "Tailor Made" solution, the Corporate Banking provides research-based comprehensive services to large organizations, projects, and small and medium-sized businesses engaged in manufacturing, trade, mining, infrastructure, and for organizational development and cooperation.

In collaboration with T.C.
Ziraat Bankasi A.S.,
**Golomt Bank issued the
first Green Guarantee**
of MNT

66.8 billion

Assisting our
corporate clients in
undertaking IPO,
we jointly raised funds
of MNT

220 billion

Financed
40%
of Mongolia's fuel sector and
**successfully completed 90% of
fuel payments alone**

To facilitate export of mining products,
the Bank received MNT

200 billion

**export letters of credit
issued by foreign banks, and
provided financing**

To support continuous corporate
business activities,
the Bank successfully issued

Back to Back

letters of credit

Events

Management Forum



In collaboration with “Mandal Insurance” JSC, Golomt Bank successfully organized the “Management Forum-2021” with motto “Sharing is caring” for the second time. Chairmen of the Board of Directors and executives from Mongolia's TOP 150 groups and companies participated in the Forum. The main purpose of this event was to facilitate learning from each others and sharing the knowledge and information with others. Leaders of the Mongolia's best companies talked about their strategies, policies, adopted new technologies, achieved results, experience and expertise. This was an important event, since managers of Top 150 companies

exchanged their knowledge, information and experience, and learned about the international management trends. At the Forum the leaders with the tremendous knowledge and skills, who greatly contributed into the economic development, were named and awarded “The Investor”, “The Chairman”, and “The CEO”.

Financial Manager's Convention



Golomt Bank successfully organized the “Financial Managers Convention” with motto “Build Back Better” for the 3rd year to facilitate sharing knowledge and information by evaluating the changes in the global and the Mongolian economy and stock market, factors led to these changes; and determining the economic outlook. Due to COVID-19 pandemic, the event was organized in the form of video content in 4 parts. Over 400 financial experts participated and exchanged information and their experience.

Golomt Bank conducted analysis of the data received from its corporate customers, evaluated the current economic situation, changes in stock market, their impact, and made forecasts of future trends and prospects of the country's economy and stock market, and shared this valuable research results and information at the event. To mitigate economic and market uncertainties, caused by COVID-19 pandemic, the Bank updated twice the research “Impact of COVID-19 pandemic on activities of business entities”. Based on the Research results, the Bank assessed the pandemic impact on businesses, and provided customers with information necessary for preparing their business plans for the next year. Firstly, the research results were presented to the Bank's corporate clients, then within the social responsibility framework and with the purpose to contribute into enhancing the public financial education, we disseminated this information through Eagle TV's "Expert Hour" program, Univision's video library, and Golomt Bank's social media channels.

Green Adventure Tour



To motivate customers, improve their satisfaction, and develop our cooperation, the Corporate Banking Division successfully organized the "Green Adventure Tour" for the 3rd year. CEOs, COOs and CFOs from 39 major corporate customers joined this event. The event was beneficial serving as a bridge for businessmen operating in the same field, connecting them, and facilitating growth of their business network and exchange of knowledge and experience.

Mega and Green Projects

- To support construction of Tavantolgoi-Zuunbayan and Tavantolgoi Gashuunsukhait railways, strategically important for increasing export of mining products that comprise over 80% of the Mongolia's exports, the Bank provided project financing for purchasing the necessary machinery and equipment, and funding contractors' performance.
- Golomt Bank has always supported the strategically important Oyu Tolgoi project, which is the largest gold and copper deposit in Mongolia, and has continuously provided financing to subcontractors and suppliers.
- To support Mongolia's first Oil Refinery Project funded by the Government of India, the Bank issued guarantees on behalf of domestic subcontractors. Mongolia imports 1.9 million tons of oil. Projected Oil Refinery has the capacity to process 1.5 million tons of crude oil per year, and it is expected new Oil Refinery to meet up to 80 percent of domestic needs.
- Green guarantees were successfully issued for the construction of the solar power plant and the construction of Mongolia's first solar energy storage, implemented within the framework of ADB's Upscaling Renewable Energy Sector Project.



Green Financing

- In collaboration with the largest banks of Turkey, Golomt Bank issued green guarantees on behalf of the main contractors of the project aimed at providing sustainable supply of water in Ulaanbaatar, purifying drinking water, and treating wastewater. This project is implemented within the framework of the compact agreement signed by the Government of Mongolia and U.S. Government's Millennium Challenge Corporation.

- Investment financing of MNT 12.8 billion was provided for construction of a plant with a capacity to recycle 10,800 tons of waste paper per year. The plant recycles gray water and will provide the supply of 26 percent of the country's cardboard box needs.

Stock Exchange



Golomt Bank conducted the settlement of funds totaled USD 70 million and MNT 730 billion, which were raised by "Erdenes Tavantolgoi" JSC through issuance of bonds.



We collaborated with CU convenience store chain in undertaking IPO.

Programs and projects

Within the framework of "Gold-2" Program implemented by the Bank of Mongolia, Golomt Bank attracted MNT 80 billion resources for a period of up to 32 months, and provided on-lending of MNT 54.5 billion to its 7 largest customers. Golomt Bank outperformed other banks with the best performance in the Program.

Gold purchases

In 2021, the Bank of Mongolia purchased **20.8** tons of gold, of which **12.8** tons or **62%** was purchased by Golomt Bank. Golomt Bank's gold purchases went up by **10%** from 2020.

Project financing

Construction sector

- The Bank provided financing for giant construction projects including Sky Garden Residence, Marshall Town, Baga Tenger City, Garden City-2, Active Garden, and Global Town.

Manufacturing sector

- In cooperation with ADB, the Bank provided co-financing to a new egg factory, the capacity of which was increased by 18%. This project is aimed at replacing food imports and enhancing the food supply in the domestic market.

Health sector

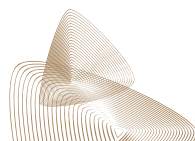
- We cooperated in the project aimed at expanding Megamarket, Farmmarket and pharmacies chain, and upgrading retail trade of pharmaceutical products up to world standards.
- The Bank provided financing for construction of intravenous fluids and a syringe factory. The factory has a capacity to produce 70 million disposable syringes per year and will be capable to supply 45% of the domestic market needs upon the operations start. This project is aimed at substituting imports and enhancing the supply of pharmaceutical products in the domestic market.

Agricultural sector

- To support expansion of the domestic grain market and replace import of the relevant goods, Golomt Bank provided financing for the project aimed at upgrading the irrigation system of 1600 hectares of land

Air transportation

- Financed the purchases of 2 Fokker-50s in Mongolia.



SMALL AND MEDIUM ENTERPRISES BANKING

SMEs deposits

23% growth

SMEs loan portfolio

48% growth

Loans issuance to SMEs

47% growth

Number of active customers

22% growth

Number of digital customers

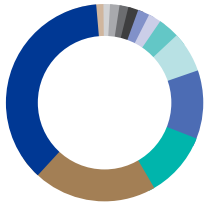
26% growth

To support wealth creators, help them in creating jobs and sustaining existing working places, Golomt Bank provided MNT 3 trillion loans to small and medium-sized enterprises (SMEs) for financing their working capital and for investment purposes. Over 80,000 SMEs held deposits of MNT 1.2 trillion in total with Golomt Bank. Thus, deposits rose by 23%, while loans increased by 47%, compared to the same period of the previous year.

Adhering to a customer-centric strategy, we established Small and Medium-sized Businesses Unit under the Corporate Banking Department, which enabled us to better serve our customers, introducing new products and services, and amending the credit regulation to meet the customers' needs. Thus, we became a pioneer in the development of this market segment in 2021.

- SMEs lending comprised around **30%** of total loans in 2021.
- Within the framework of "MNT 10 trillion Comprehensive Program to Support the Economy", implemented by the Government of Mongolia, we introduced successfully business loans and repo-financed loans to support businesses and alleviate unemployment. The Bank provided loans of MNT 300 billion to 1900 borrowers to generate employment and repo-financed loans of MNT 117 billion to 300 customers. Out of total borrowers, **40%** was **new customers**, who received a loan from the Bank for the first time.
- In result of introducing comprehensive services based on research results and the main policy of the Corporate Banking Department, we developed our cooperation and supported small and medium businesses in keeping jobs. Within the framework of "MNT 10 trillion Comprehensive Program to Support the Economy", the Bank has financed over 2,000 small and medium businesses, and helped to preserve more than **27,000** working places.
- Within the framework of "Gold-2" Program implemented by the Bank of Mongolia, financing of MNT 333 billion was provided to 17 borrowers, of which customers of Golomt Bank made up **53%**.
- Based on the international and domestic researches, we have successfully introduced a new product or "Loan to support women entrepreneurs", and granted business loans of MNT **1.6 billion** during 6 months.
- We have successfully introduced project loan product to the market. Project loans of MNT **2 billion** with a term of up to 10 years were guaranteed by the Credit Guarantee Fund of Mongolia and financed by the ADB.
- The Bank issued loans with 3% interest rate within the framework of "Cashmere Program".

Loans to SMEs, issued in 2021



- 37% Trade, retail trade
- 11% Manufacturing
- 2% Health care
- 2% Hotels, restaurants
- 1% Other
- 20% Repair services
- 7% Construction
- 2% Education
- 1% Agriculture
- 11% Mining and quarrying
- 3% Real estate activities
- 2% Transportation, communications
- 1% Energy

Bank, supporting women entrepreneurs

More than 60% of all small and medium entrepreneurs operating in Mongolia are women. The number of women entrepreneurs as well as the number of women in management positions has been increasing year by year.

Therefore, for the first time in Mongolia, Golomt Bank in collaboration with the Women Entrepreneur Mentors Club of the Mongolian National Chamber of Commerce and Industry implemented the development program to improve the management skills of female entrepreneurs. Over 700 female customers running SMEs were involved in this program.

In last 5 years

Loans to women entrepreneurs increased by **30%** the number of loans rose by **20%**

Loans to women entrepreneurs made up **53%** of total business loans

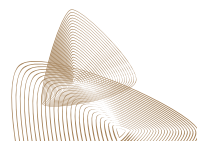
Program on supporting *Women* entrepreneurs



Golomt Bank announced 2021-2023 years as "Years of Supporting Women Entrepreneurs". In connection with this, "Businesswoman" campaign was launched in 2021. Also, we implemented a special development program aimed at improving the financial capabilities of women entrepreneurs and providing them with the knowledge and information necessary for proactive engagement into the production and services.

Within the framework of the "Empowerment of Women Entrepreneurs Program", the Bank organized comprehensive training with 37 sessions aimed at developing women's management skills; expanding their business activities and improving competitiveness through enhanced knowledge on finances, taxation, marketing, human resources, environmental assessment, waste management, etc. The Bank's customers from Ulaanbaatar and rural areas were involved in the training program.

In this program the concept of women supporting the women was introduced, or leading women entrepreneurs shared their knowledge and skills in managing their businesses. In addition, participants were able to make on-site visits to acquire knowledge on production processes in person as well as exchange experiences and find areas of collaboration.



Also, the Bank introduced a new product or "Loan to support women entrepreneurs" to reinforce women's business activities, increase profits, and further improve the quality of products and services. The new loan product has flexible collateral conditions and discounted interest rate.

Golomt Bank participated in implementation of the "Increasing Women's Economic Empowerment" project funded by the Government of Canada (2021-2023). In total, 300 women entrepreneurs running micro, small, medium and family businesses received classroom training and enhanced their financial knowledge. Also, the Bank provided them with information on all types of banking products and services.



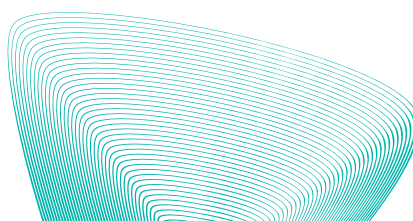
Events

Business conference 2021



Golomt Bank successfully organized the "Business Conference - 2021" with motto "Build Back Better" for the 2nd year. Management of 600 leading companies, small and medium businesses, which are main contributors into the economic development of Mongolia, participated at the Conference.

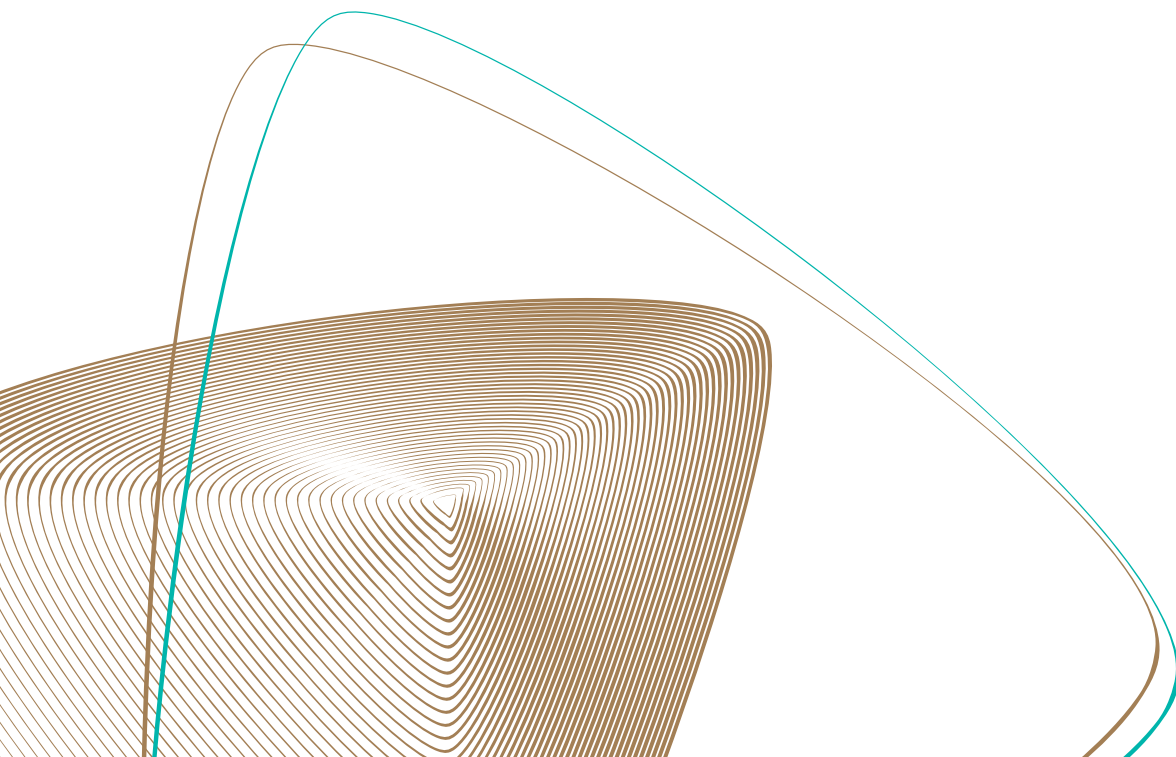
This year, the scope was expanded, and SMEs Conference took place in Darkhan and Erdenet cities.



RETAIL BANKING



Golomt Bank provides various customer-oriented banking services, including saving deposits, current accounts, digital banking, loans, card products, foreign settlements, insurance, etc., to over 950,000 customers across the country through its branches and online channels.



RETAIL BANKING



Bank of The Year of Mongolia 2021

Golomt Bank provides various customer-oriented banking services, including saving deposits, current accounts, digital banking, loans, card products, foreign settlements, insurance, etc., to over 950,000 customers across the country through its branches and online channels.



Vitamin ₮ Champaign - 2

Promotional campaign on savings aimed at improving citizen's financial immunity has successfully been organized for the second year. Over 196,000 customers proactively participated in the campaign, of which 100 customers were selected as lucky winners, and 2 lucky winners became owners of environment friendly, electric cars.

Telephone sales service

Telephone Banking Unit, responsible for delivering banking services to customers by telephone, sold 38 types of products and services in 2021 through successful connecting with over 452,000 customers.

Mobile sales and services

The direct sales team that delivers banking services to the customers at their premises visited more than 136 entities and organizations and sold 25,000 products and services.



National Savings Program

Since the implementation of the program, in total 210,000 individuals have participated and cultivated the habit of savings.



Products for Children

Over 2000 children use a special "Junior" products package aimed at enriching children's financial knowledge as well as enabling them to conduct settlements independently.



"World Savings Day – 2021" Campaign

Golomt Bank successfully participated in the campaign "Let's all save" announced by the Bank of Mongolia for the second year in a row.

Consumer loans



Eco-Car loans

Within the social responsibility framework to support sustainable financing, "Eco-Car" loans were introduced to the market.



Salary Loans

We offered salary loans with flexible conditions and focused on digital issuance of these loans. In result, salary loans issued digitally, increased by 20% from the previous year.



Products package designed for herders

To meet the financial needs of herders, we introduced "Herders" products package.

Intermediary Insurance Services



Market share - 23.6%

-Insured 100,000 customers and received premium income of MNT 6.3 billion that made up 23.6% of the market.



Insurance coverage

The insurance coverage of mortgage loans increased, ensuring the implementation of the "Regulation on Mortgage Insurance". The Bank had the largest insurance coverage of mortgage loans among other banks, and took the leading position.



Insurance registration system

A new internal registration system has been launched for insurance brokerage services, which facilitated registering the customers' insurance policies in a short time, sending notifications to the customers promptly, and delivering digital insurance services.

Real Estate Market



Leadership

Loan portfolio increased by 37% comprising 25% of the market share, and the Bank successfully maintained its market leadership.



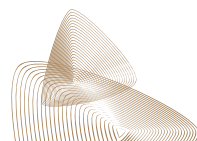
Mortgage Loans

Mortgage loans financed by the Bank increased by 67%, while mortgage loans with interest rate of 6% rose by 94%.



Bonds secured by mortgage loans

"MIK" LLC has issued bonds secured by mortgage loans of citizens in 4 tranches, and the Bank participated in these transactions totaled MNT 62.5 billion.



Expansion through new and renovated branches



To bring banking services closer to travellers, employees of the airport operators, and customers, Golomt Bank opened "New Airport" new branch at the Chinggis Khaan International Airport, one of the giant projects jointly implemented by the Mongolian and Japanese Governments.



Operations of "Autoland" branch were expanded, "Lavai" new branch was opened at the "Lavai Shopping Center" to provide prompt and accessible banking services to businesses and people living in the "Micheel Expo" new residential area, 2d and 3d khoroos of Khan-Uul District.

Providing banking services in a comfortable environment

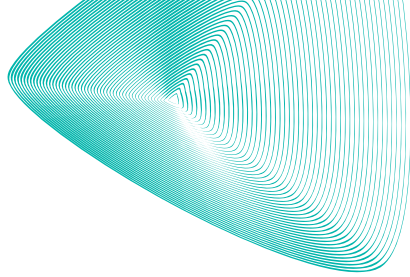
To create a modern, comfortable and digital-based environment for providing the banking services to customers, and enable them to access the same products and services from any branches, 6 branches in Ulaanbaatar and 3 branches in rural areas have been renovated.



Renovation of the "Central" Business Center, the first branch of Golomt Bank, has been thoroughly planned to preserve familiar to customers design, adopt modern innovative solutions and colors, and to create a comfortable environment for citizens, companies, organizations and VIP customers. Also, services including provision of safe deposit boxes for storing valuables; gold purchases and storage have been improved up to the international standards.



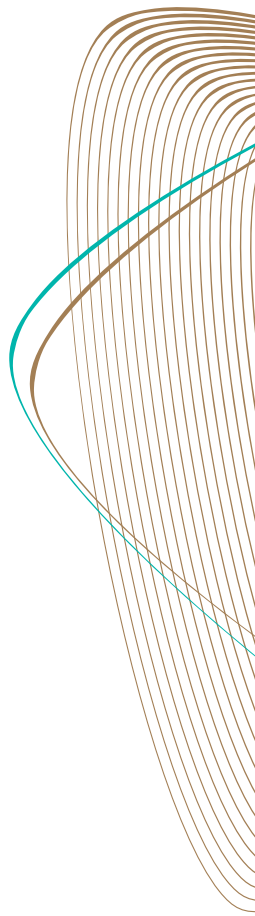
"Homeland" Business Center, a centralized unit that provides comprehensive banking and financial services to all parties of the real estate market, was expanded to the 5th floor of the "Blue Sky" Tower, and resumed its activities in a modern office.



DIGITAL BANKING



Golomt Bank has been continuously adopting technological innovations and developing algorithms based on artificial intelligence, digitalizing banking products and services, creating easy-to-use solutions, introducing innovative products and services to the market, and defining future developments in the banking sector of Mongolia.



DIGITAL BANKING



The Best Digital Bank in Mongolia 2021

Golomt Bank has been continuously adopting technological innovations and developing algorithms based on artificial intelligence, digitalizing banking products and services, creating easy-to-use solutions, introducing innovative products and services to the market, and defining future developments in the banking sector of Mongolia.

Total number of digital channel users increased

19%

Number of digital channel transactions grew by

47%

Number of Corporate Gateway service users rose by

127%

In 2021, due to the global pandemic, we mostly provided banking and financial products and services remotely, improving constantly the services to meet the needs of customers. In addition to secure internet and mobile banking transactions, the customers became able to see information such as the device, date, and IP address. The customers' financial information is protected through two-factor authentication upon their request. In these cases, the customers use mobile token verification.



At the annual "Infosys Finacle Innovation Awards-2021" organized by Infosys Finacle, the world leader in artificial intelligence and software supply and services, Golomt Bank became a winner in category of "COVID Response Innovation" for its SocialPay digital wallet and Robotic Process Automation (RPA) systems.

An expert jury, consisting of leaders in the international banking and technology industry, evaluated the nominations based on the operations of banks during the pandemic, the measures taken, adoption of advanced products and services, their advantages and accessibility, and named the winners. Banks and financial institutions from more than 50 countries competed in the event, which was organized for the seventh year, and Golomt Bank was awarded for three years in a row in 2019-2021.

Internet Banking And Smart Banking, new opportunities

Number of active Smart Banking customers generated by **19%** ▲

Number of active Internet Banking customers rose by **29%** ▲

- The Bank started dissemination of its API solutions to corporate customers in accordance with the strategy to become a public company.
- Website for Internet Banking was renewed.
- Savings service was improved further, and the customers became able to open saving account through Internet Banking and Smart Banking mobile application.
- Savings service was improved with the option to renew the saving deposit on the maturity date for any amount.
- Customers with postponed loan accounts became able to accept and approve agreement on amendments into the loan contract, and changes into the loan repayment schedule, by using Internet Banking and entering the transactions password, without coming to the bank office.
- "Easy Info" service, delivering information on the account's income and expenses, was improved. The customers became able to receive this service, extend the use, and cancel it through Digital Banking channels.

SocialPay digital wallet, new opportunities

Total number of SocialPay users rose by **26%** ▲

Number of active SocialPay users generated by **59%** ▲

Total number of transactions through SocialPay increased by **35%** ▲

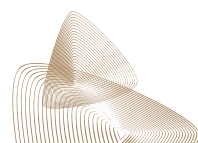
SocialPay digital wallet is being widely used in the banking and financial sector for conducting payments. In addition, SocialPay digital wallet facilitates other various services that meet the customers' needs while becoming more user-friendly every year.

- Third-party loyalty cards could be added to the SocialPay digital wallet. The customers do not need to carry various bonus cards from shopping and service centers such as U-Point, E-Mart, Sansar, and Orgil cards, but they can place these loyalty cards into the SocialPay digital wallet, collect and spend discount points in the easiest way.
- The Bank offered another opportunity for the users of SocialPay digital wallet in accordance with the strategy to become a public company. The customers can make transfers to Mongol Chat application users through the SocialPay application, scanning the QR code displayed on the Mongol Chat application with the SocialPay application and selecting any payment card to conduct a transaction.
- The users of SocialPay application can view their Points, Lottery, Cashback, and Coupon information, manage their Loyalty account, and receive information on the Bank's promotional programs and discount networks.

Events



Golomt Bank successfully participated in the annual "ICT Expo - Digital Nation 2021" exhibition organized by the Communications and Information Technology Authority of Mongolia, presented advanced solutions, which were introduced into its digital services within the activities of "The Best Digital Bank" and reaffirmed its development in line with rapid technological changes.



Newly introduced cards



₹ Card with national
CHIP



Premier Debit
Card

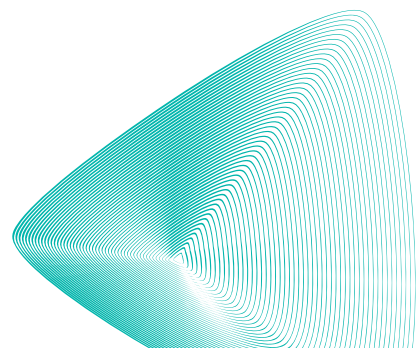


"Si" Card: combination of
credit and debit card

Co-brand cards with partner organizations

- Ubcab Card
- Gan Sport Center Card
- Tapatrip Card
- Card of the University of Internal Affairs
- Lead Alumni Association Card
- MJA Card – Mongolian Judo Association Card
- KITKAT Card /gift card/
- Prepaid Corporate Virtual Card – APU JSC
- Debit Card of Products Package for Herders

The total number of POS increased by **40%** comprising **30%** share in the market Using QR code payments with SocialPay is possible in **75%** of total POS



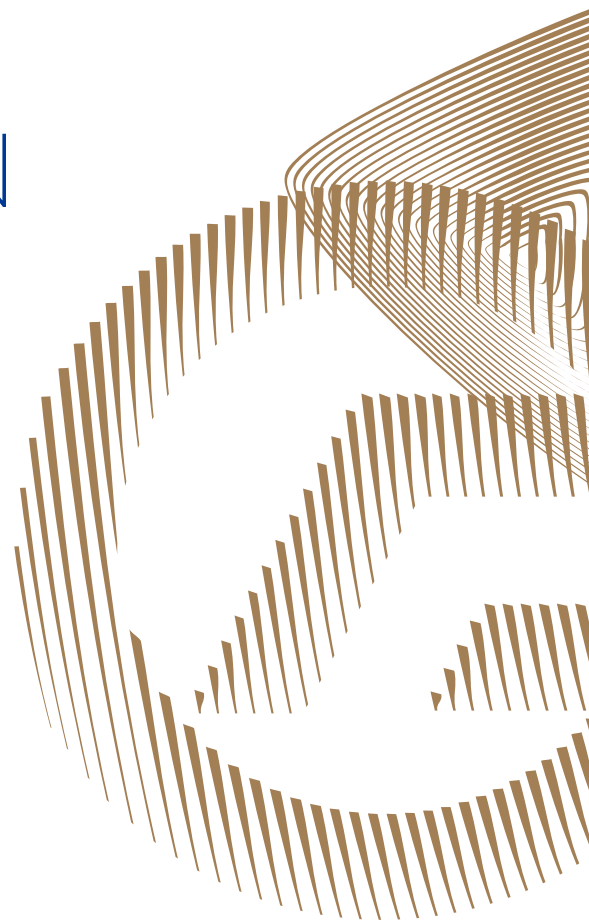


INTERNATIONAL BUSINESS COOPERATION

FOREIGN TRADE
FINANCING, TREASURY
MANAGEMENT



In 2021, the Bank issued 2,965 letters of credit and guarantees to foreign banks, financial institutions that made up 55.5% of the banking sector.



INTERNATIONAL BUSINESS COOPERATION

Loans and credit lines from international partners

In 2021, Golomt Bank developed its business cooperation with the international banks and financial institutions and signed several long- and medium-term financing agreements with them to provide trade financing and flexible, low-cost financing opportunities to micro, small, and medium-sized enterprises. Within this framework, Golomt Bank received financing from the International Investment Bank (USD 10 million), Credit Bank of Moscow (USD 8 million), US Cargill (USD 25 million), WorldBusiness Capital (USD 7.5 million US dollars), Symbiotics SA (USD 8 million) and Enabling Qapital AG (USD 5 million) totaling USD 63.5 million.

To increase foreign trade financing, the Bank signed a cooperation agreement with the Development Bank of the Republic of Belarus. The credit line of USD 16.5 million for trade financing was approved. In addition, credit lines totaling USD 38 million were renewed with the Taiwan Eximbank, the Bank of Inner Mongolia of China, and ICBC.

Correspondent Banks

In 2021, Golomt Bank established a new correspondent banking relationship with Turkey's İşbank. The Bank introduced the Turkish Lira into its payments system, facilitating the customers to conduct payments in Turkish Lira and exchange the currencies. Golomt Bank has correspondent banking arrangements with 27 internationally reputable banks, through which the Bank conducts international transactions and settlement in 14 foreign currencies.



International payments and transactions

In 2021, Golomt Bank held the leading position in the market by the number of international transfers made by the customers. All banks in Mongolia conducted 273,569 foreign transfers of USD 12.5 billion in total, of which Golomt Bank made about 70,000 transfers of USD 4.4 billion.

The total banks' foreign transfers increased by 49%, and the number of transfers grew by 33%, while Golomt Bank's foreign transfers increased by 30%, and the number of transfers rose by 14%.

Foreign transfers, share of Golomt Bank

Foreign transfers
/number/



- 24% Share of Golomt Bank
- 76% Other banks

Foreign transfers
/value/



- 35% Share of Golomt Bank
- 65% Other banks

SWIFT GPI

Golomt Bank joined SWIFT GPI, a new initiative of the Society for Worldwide Interbank Financial Telecommunications (SWIFT). SWIFT GPI improved monitoring the status of foreign transactions in real-time. End-to-end tracking of customers' payments enabled banks to notify the customers and solve the issues quickly in cases, when the customers' transaction was delayed in any way.

International credit rating



Memberships with international organizations



International credit rating

MOODY'S B3 Negative **S&P Global** B Stable

Golomt Bank introduced its activities aimed at diminishing effects of COVID-19 pandemic, and measures taken to comply with amended banking legislation to international rating agencies Moody's and S&P for their assessment and evaluation. In 2021, Golomt Bank's credit rating was affirmed by S&P Global at 'B' with Stable Outlook, and Moody's assigned 'B3' credit rating with Stable Outlook in line with the Sovereign credit rating of Mongolia.

FOREIGN TRADE FINANCING

In 2021, Golomt Bank successfully collaborated with about 100 foreign banks located around the world to provide its customers with trade financing services. Trade financing services were provided in accordance with specifics of customers' businesses and trading conditions as follows:

- Document settlement services
Import letter of credit, internal letter of credit, external guarantee, counter guarantee, and documents against payment
- Supply chain financing
Pre- and post-shipment financing, distributor financing, collection of payments, and receivables financing
- Structured trade financing
Advance financing for loans insured by export finance agency, commodity financing, and payment of deferred letters of credit
- Short and medium term import loans
Letter of credit post-financing, foreign currency loan for financing import

Foreign trade financing activities engage many participants; operations are complex, requiring qualified and experienced staff. Golomt Bank's foreign trade financing team comprises professionals with 9-year experience in the banking and financial sector on average, and qualified employees provide foreign trade financing services that meet the customers' needs.

According to SWIFT statistics, Golomt Bank issued letters of credit and guarantee that made up **55%** of the total in the banking system.

In 2021, letters of credit provided by Golomt Bank comprised **38%** of total letters of credit issued to Chinese partners and **84%** of the guarantees issued to Russian partners.

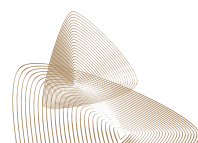
In cooperation with foreign partner banks, the Bank financed imports of goods of MNT **106 billion**

Jointly with partners, provided concessional loans for import of goods and franchising services of MNT **200 billion**

Letters of credit and foreign guarantees issued for import of goods, commodities, and equipment had a positive impact on supply of goods and timely payments during COVID-19 pandemic, helped the customers to reduce cost and improve their inventory turnover. The Bank enhanced supply chain financing, developed and successfully implemented a financing scheme for the purchase of mining equipment that included foreign manufacturers, domestic dealers and buyers.

As major projects resumed after the COVID-19 pandemic lockdowns, Golomt Bank successfully participated in the projects with great importance to the socio-economic development of Mongolia such as follows:

- To support construction of Tavantolgoi Gashuunsukhait 267 km railway, in cooperation with large banks from USA, China, Russia, and Singapore, Golomt Bank issued letters of credit and foreign guarantee totaling MNT 173.3 billion on behalf of the project's general contractor and suppliers.
- Golomt Bank received export letters of credit of MNT 407.5 billion from coal buyers, supporting the export of coal, the main export commodity of Mongolia.
- Golomt Bank issued green guarantee of MNT 4.6 billion in cooperation with Japan's Mizuho Bank to support construction of Mongolia's first solar power plant (with energy storage) with a capacity of 5 MW that is implemented by a joint Japanese-Mongolian consortium. The solar power plant, which will be established in Uliastai Sum of Zavkhan aimag, will supply 4,677 households with electricity. This project will enhance the use of renewable energy, increase energy supply, and reduce carbon dioxide emissions in Mongolia.
- "Korea National Railway" and "Mongolian Railway" signed an agreement to implement a comprehensive work, including installation of a signaling and communication system on 416.1 km Tawantolgoi-Zuunbayan railway. In cooperation with Korea's KEB Hana Bank, Golomt Bank issued guarantee of MNT 32 billion on behalf of the general contractor of this project.
- In cooperation with reputable foreign banks, Golomt Bank issued green guarantees of MNT 157 billion for the implementation of domestic infrastructure and construction projects.
- In collaboration with the Russian and European banks, Golomt Bank issued letters of credit and short-term financing of MNT 450.0 billion for the supply of diesel fuel, required for road and construction projects in Mongolia, as well as gasoline fuel for citizens' cars. The Bank provided low-cost financing for 19% of Mongolia's fuel imports, contributing in measures on protecting the people from fuel price hikes.



TREASURY MANAGEMENT

Foreign currency trading

As a leader in the Mongolia's banking system, Golomt Bank has successfully maintained its leading position in the foreign exchange market. Although domestic foreign exchange market has been highly volatile, Golomt Bank has been consistently meeting foreign exchange needs of its customers and provided financial derivatives for mitigating exchange rate risk which contributed to maintaining the foreign exchange market stability. Golomt Bank conducted daily transactions in 15 foreign currencies.

Hedging

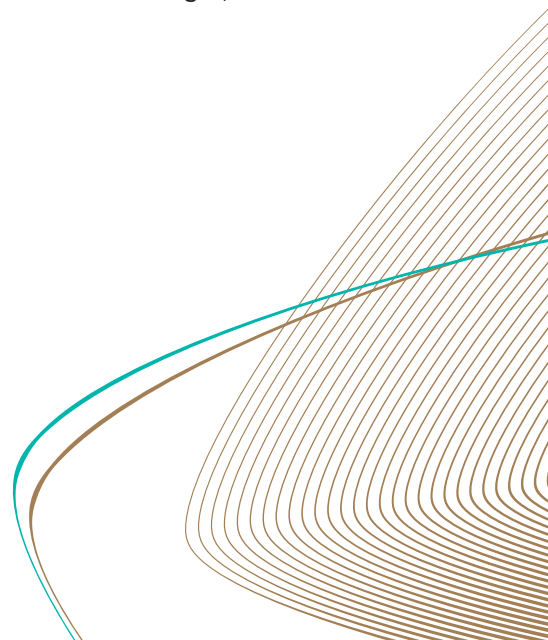
Golomt Bank introduced currency and commodity hedging services to the market in 2019. The Bank provided hedging services to the Mongolian largest importers of petroleum and gold mining companies. Thus, the customers were able to hedge their funds and mitigate various risks. The Bank intends to introduce hedging services on all types of commodities and foreign currencies.

Gold trading

Golomt Bank has maintained its leading position in the domestic gold market. In 2021, 64% of total gold delivered to the Bank of Mongolia was provided by Golomt Bank. To enhance the investment opportunities for its customers, the Bank introduced "Intangible Gold Trading" service that made it possible for customers to own and invest gold in their accounts.

Hybrid savings

To increase the customers' monetary assets and profit margins, the Bank offered hybrid saving product facilitating investment in international markets. Hybrid savings have successfully boosted customers' profit margins despite global economic downturn and drop in domestic interest rates due to COVID-19 pandemic. The main advantage of hybrid saving deposit is that the customers can make investments in MNT in the international stock exchanges, and earn returns when the market prices of commodities, currencies and stocks fluctuate.





SOCIAL RESPONSIBILITY, SUSTAINABLE DEVELOPMENT



**In 2021, Golomt Bank
issued 1,340 loans in total,
of which 64% was assessed
for environmental and
social risks.**

SOCIAL RESPONSIBILITY



“Student scholarship-2021” program

Golomt Bank, a supporter of education, successfully implemented "Student Scholarship Program" within the framework of social responsibility for the 17th year. The Program awards scholarships to students, also, provides them with the opportunities to participate in various trainings on enhancing their knowledge and skills, engaging in community activities, conducting researches, as well as offers internships and jobs at the Bank. Golomt Bank supported students with different majors to receive high quality education, and provided scholarships totaled MNT 1 billion to 1500 students.

Equal rights of students with special needs are ensured

To ensure the equal right to education for children with special needs, Golomt Bank renovated IT classrooms and donated the necessary computers and other relevant equipment to School No.116 for visually impaired children and School No.25 for intellectually disabled children. Also, the Bank donated the "Orbit Reader" or electronic Braille device to School No.116, introducing the Mongolian Braille device into the education system for the first time. In result, visually impaired children became able to use computer and Internet programs through electronic Braille devices without any help from other people, and even to study in regular schools. In addition, equipping the School No.25 with a smart board helped the children with intellectual disabilities to learn more successfully through their sense of sight.

“Heart Never Forgets” Project

Golomt Bank's "Altantulkhuur" Children's Foundation supported and cooperated with the project "The Heart Never Forgets" for the second year. Golomt Bank has given life to 20 little hearts by cooperating with the project that enables children with congenital heart disease to receive free treatment in Mongolia. In addition to financing the children's surgery fees, we also provided all necessary support to the Project Team.

Mongolian Morin Khuur Ensemble

To preserve the cultural heritage and promote the traditional Mongolian art, Golomt Bank has been supporting the "Morin Khuur Ensemble" for the last 11 years. During this period, the Ensemble has performed more than 30 concerts.

УБ СОНГДО ЭМНЭЛЭГ
UB SONGDO HOSPITAL
Bumrungrad Health Network

ГОЛОМТ БАНК
Сайн сайхныг санхүүжүүлнэ

АМТРАН АЖИЛЛАХ САНАМЖ БИЧИГТ ГАРЫН ҮСЭ
ЁСЛОЛЫН АЖИЛЛАГАА



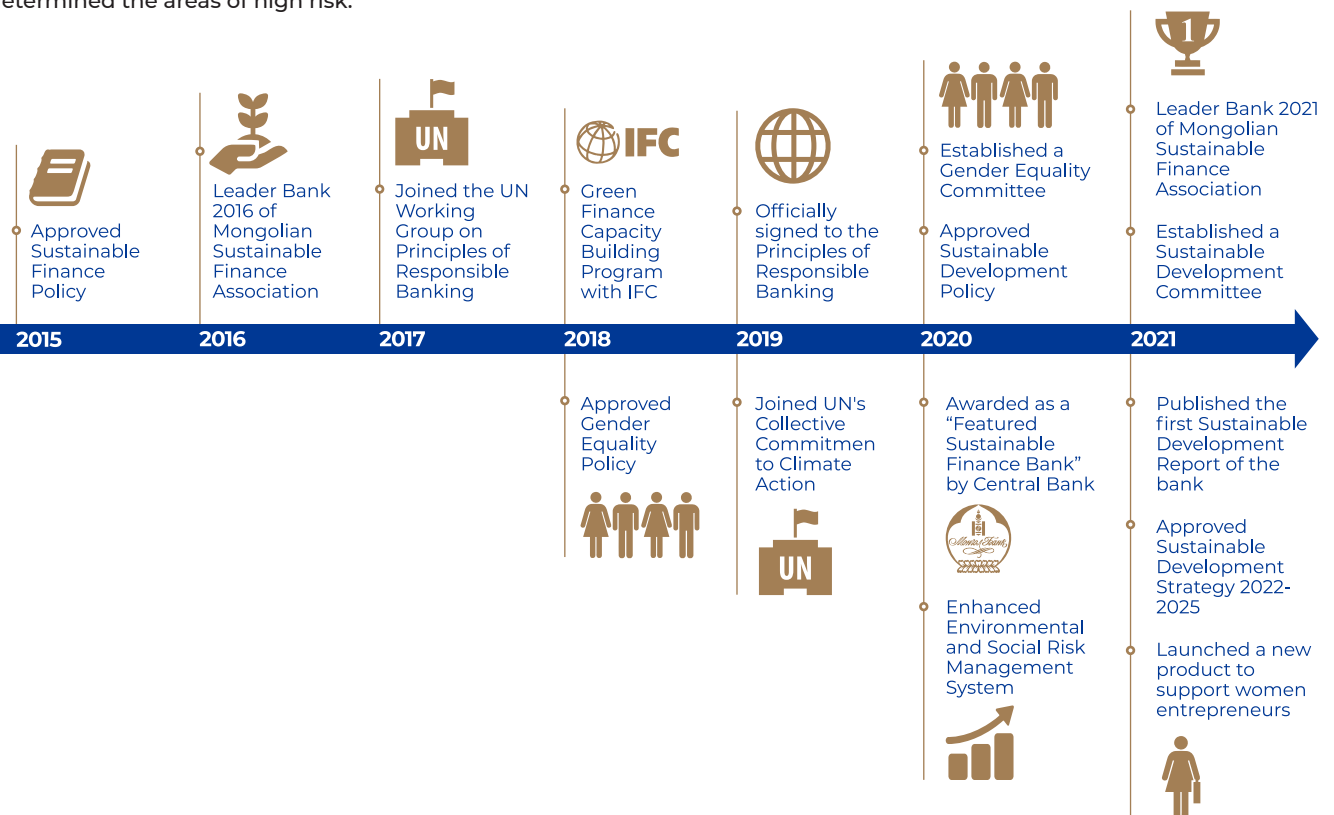
SUSTAINABLE DEVELOPMENT

Colomt Bank aims to create job stability, and **84.5%** of all employees have been working steadily for more than 1 year.

In the reporting period, the Bank issued loans of MNT **9.2 billion** to small and medium-sized enterprises, **35%** up from the previous year.

In 2021, Golomt Bank issued **1340** loans in total, of which **64%** was assessed for environmental and social risks.

In the reporting period, the Bank provided green financing of MNT 97.8 billion in total, of which 42% was loans for green construction, 32% for sustainable agriculture, and 25% for sustainable water use. For 27 years, Golomt Bank has been conducting sustainable business activities not only for banking and financial outcomes, but aimed at providing responsible and ethical operations, protecting the environment and contributing into sustainable development of the country. Since the establishment of the Bank, we have been adhering to the concept of sustainable development, and approved the first "Sustainable Financing Policy" in January 2015. Within the framework of Sustainable Development Policy, we developed the responsible financing and corporate governance, conducted activities meeting the requirements for sustainable development, including requirements for environment, society, human rights, and cultural heritage. As part of the sustainable financing, we assessed the environmental and social risks of our loans and determined the areas of high risk.



Assessment of Mongolian Sustainable Finance Association

The Mongolian Sustainable Finance Association has been conducting an external evaluation to its member banks since 2016. Golomt Bank has received an “A” rating for Sustainable Finance for the last two consecutive years. In line with the evaluation recommendation of the MSFA, we improve the bank’s operation by focusing on the sustainable development policy, green financing, and environmental and social risk management.



“Annual Sustainable Development Report – 2021” of Golomt Bank can be found at the link below.

<https://bit.ly/3vxXiHO>

United Nations Environment Program Financial Initiative (UNEP FI)



UNEP
FINANCE
INITIATIVE

As part of the implementation of the UN Principles of Responsible Banking, Golomt Bank conducted an impact analysis on our total loan portfolio, in accordance with the impact assessment tool developed by UNEP FI. The portfolio impact analysis determines the impact areas that are most affected by Golomt Bank's loan portfolio which are climate and availability of water. Going forward, we have undertaken the responsibility to reduce our negative impacts on these areas.

For more information, please, use the link below.

<https://bit.ly/3P7hKGH>



HUMAN resources



In 2021, the employees' skills average rating was 93%, and the level of engagement was 84%, 4% up from the previous year.



Ms. Bolor-Erdene. N
Credit Administration Specialist,
Credit Division

Three years have already past, since I joined a young and energetic team with a warm atmosphere. In 2021, the pandemic had a negative impact on the country's economy, but Golomt Bank overcame the difficulties, and played an important role in restoring the economy. I think that every employee contributed into this process. Golomt Bank paid salaries and bonuses to the employees during the pandemic, which was a great support for us, for our families. Also, we are grateful for taking care of the employees, addressing health issues through arranging annual check-ups, quarterly tests, diagnostics, and organizing vitamin campaigns. All these measures help us to be healthy and improve our life.



Mr. Bat-Erdene. A
Human Resource
Manager

It has been 11 years ago, when a young man just graduated from the University was driven by his dreams and came to work at the Golomt Bank. Every moment I feel a peace in my mind and learn from the team that consistent work and work with love bring calm. Also, Golomt Bank has given me the opportunities to meet the essential human needs, starting with housing. We are grateful for the timely payments of salaries, bonuses and benefits to the employees even during the difficult times of the pandemic. As example, I was awarded the "Right to Travel Abroad" in 2021 for the second time, and made a wonderful trip to Dubai with world-class tourism and rapid development. Many thanks to my beloved colleagues for giving me the opportunity to create a lot of wonderful memories in my life and to do what I love.

EMPLOYEE IS A KEY FOR SUCCESS



Mr. Tuguldur. B
Senior Engineer,
Application Server Unit,
Information Technology Division

Our unit is responsible for the smooth running of banking services. Team work is essential to fully ensure the normal operation of the entire system used at the Bank. I have successfully passed internationally recognized professional exams such as Oracle Weblogic OCA and Oracle OCI Architect. I am proud of our team and our work, because we solve the problems quickly, eliminate disruptions, and ensure the normal operation of the system. Our work facilitates reliable, sustainable banking services for the customers. In my opinion, the main distinguishing features of Golomt Bank are young and energetic team, friendly and warm environment in the organization as well as the management policy supporting the growth of employees. Also, in this era of rapid development of information technology, the Bank keeps pace with developments and plays the leading role in the banking sector.

HUMAN RESOURCES

Golomt Bank had **2300** employees, **70%** years or members of Y, Z generations.

In 2021, **570** new employees joined the Bank. Out of total employees, **30%** was promoted.

We have updated the policy documents on human resources in line with amended LABOR CODE that will be effective from January 2022.

In 2021, Golomt Bank continued to face many new challenges due to COVID-19 pandemic, but the Bank managed to protect employees' health and increase their work productivity through addressing their social and health issues, providing remote work options, flexible work arrangements, and opportunities for enhancing their knowledge and skills.

Employees' wellness

Over 1,700 employees of the Bank have undergone preventive health check-ups, and 1,200 employees have been provided with additional health insurance due to COVID-19 and fully vaccinated.

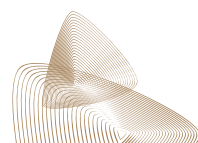
We have regularly organized trainings and campaigns to protect the physical and mental health of the employees throughout the year, also, primary health care services have been continuously provided.



80 employees were honored by the state awards

In 2021, about 80 employees of Golomt Bank were honored by the state awards and received "Order of the Polar Star" and "Medal of Labor Honor", and 600 employees received awards from the Bank of Mongolia.

Also, 19 employees were named as the "Best Employee of Golomt Bank", and 25 employees were granted the right to travel abroad.



Social responsibility

Within the framework of social responsibility, the Bank organized "Share our love" voluntary donation campaign among its employees. The collected donations were provided to Children's Orphanage in Erdenet city, Children's Educational Center, "Unur Bul" Orphanage, Child Abuse Shelter in Khan-Uul District, "Khuree" maternity center as 250 children received toys and books, 50 babies and mothers were granted financial assistance.



Within the framework of sustainable financing, employees of Golomt Bank and members of the Bank's Students Club jointly organized tree planting campaign under the slogan "Love the Mother Earth", and planted 247 fir trees, building "Golomt Grove". Within the framework of the sustainable development policy, Golomt Bank organized employees trainings on social and environmental issues, and green financing as well as implemented tree planting campaigns.



Golomt Bank improved training and development activities

Golomt Bank established Training Academy to promote the employees' continuous learning and their development. Several training activities based on Golomt Bank's training and development model with motto "Employee is a key for success" have been implemented to enhance the knowledge and skills of employees, provide opportunities to share the knowledge and experience. These trainings were digitalized.

Management Development Program

To develop the managers' professional and general skills, the Bank successfully implemented Management Training Program as part of the systematic succession management strategy, introduced international franchise training and World Class Manager courses in the internal trainings and development system.

In addition to this Program, managers were involved in programs and trainings such as "Non HR Manager", "Executive Development Program", "Membership in the International Professional Organizations", "Presentation skills training", "Branch Manager" training, and "Manager Boot Camp".

Learning management system

To cultivate the culture of continuous learning and sharing knowledge, the Bank successfully introduced the "Learning Management System" along with the mobile application. Adoption of this system and application provided employees with the opportunity to participate in training and development programs designed for bank employees anytime, anywhere, learn and develop. Also, Golomt Bank systematically trains its branches' employees according to a special program, and in the reporting period, more than 400 employees received individual training in the working places and virtual training.

95185 ▲ hours of training

23530 ▲ number of participants

50.1 ▲ training hours per employee

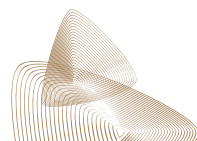
“Bee” team development program

To improve the Bank’s culture and promote team's activities, the Bank successfully implemented the "Bee" team development program, and introduced trainings without a trainer for the first time. The employees from the Headquarter, branches located in Ulaanbaatar and rural areas were involved in the training.



New graduate talent

The Bank successfully organized the “New Graduate Talent” event for its new employees for the 3d time.



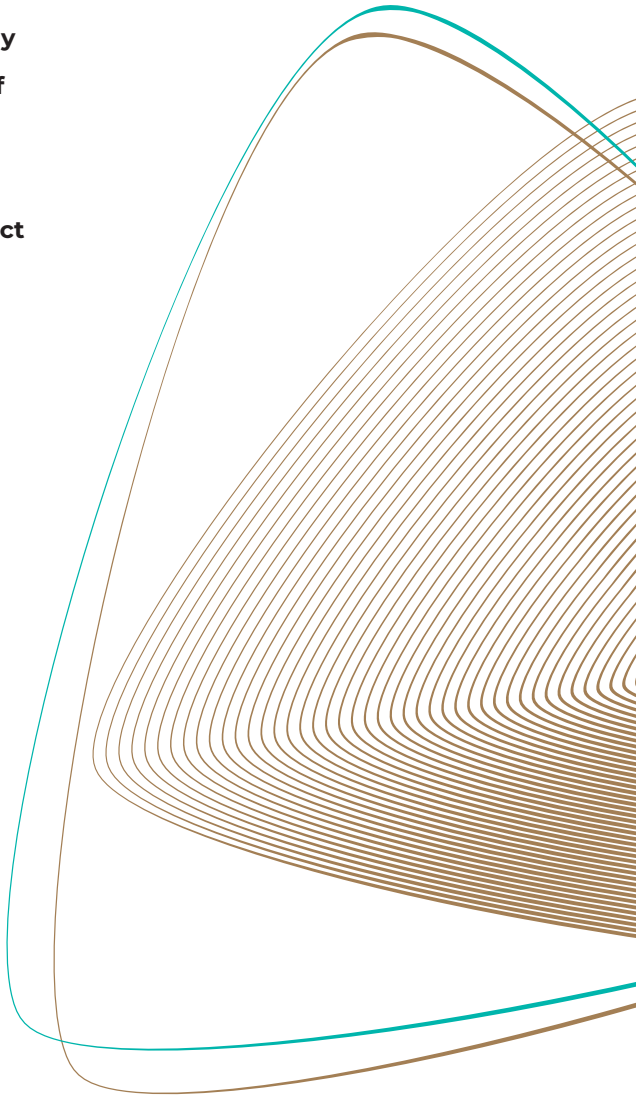




RISK MANAGEMENT, COMPLIANCE



**A Cyber Security
Management Center has
been established and fully
met the requirements of
the Security Operations
Maturity Model (SOMM)
standard in order to protect
against external cyber-
attacks on the banking
system.**



RISK MANAGEMENT

2021 was a year of economic hardships and challenges caused by coronavirus pandemic. Pandemic risk became catalyst for organizations accelerate digital transformation on process, products and services. Golomt Bank implemented its Business continuity plan to manage operations remotely and improved its delivery of products and services through digital channels.

Golomt Bank's risk management covers all risk levels to protect the interest of customers, depositors and shareholders. We implement bank-wide Risk Culture program to encompass the general awareness, attitudes and behaviors of the Bank's employees toward risk.

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

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

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

- "The first line of defense" refers to those business units and their supporting units who are responsible for business risks within the Bank's policy, procedure and their roles.
- "The second line of defense" refers to units who oversee the risk management of "first line of defense" and control and limit the Bank's risk bearing capacity.
- "The third line of defense" refers to units whose activities are related to independent internal audit.

Credit Risk Management

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

2021 was a difficult year for the Bank and its borrowers, with the effects of the pandemic on the economy worsening. However, as a result of Golomt Bank's sound loan portfolio management and prompt decision-making, the quantitative and qualitative targets of the loan portfolio have been met. Furthermore, loan portfolio concentration risk has been reduced, and the Bank's loan portfolio has become more balanced in terms of segments.

In 2022, the Bank will focus on maintaining the optimal structure of the loan portfolio and improving the quality of the portfolio. In addition, the Bank's lending activities will be fully automated as part of the Bank's efforts to digitize its lending activities.

Collateral Policy

According to the Bank's collateral policy, collateral is pledged from borrowers and third parties as security for loans, loan equivalent assets and other contingent liabilities. Moreover, the Bank implements a comprehensive collateral policy according to the requirements set by the International Valuation Standard (IVS), including asset valuation methodologies (market, cost and other approaches) and valuation models that depending on collateral types and nature, along with a code of ethics that appraisers must comply with to maintain independence. Furthermore, Bank is planned to implement IVS 2022 standard for collateral operations.

Environmental and Social Risk Assessment

Golomt Bank conducts environmental and social risk assessment for business loan applications. The Bank assess and grade applicant's business activity based on compliance with laws, norms and standards within the scope of environmental and social impact, and social responsibility. In 2021, an environmental and social risk assessment procedure was introduced and became an integral part of the lending process.

In 2022, as part of the Bank's Sustainable Finance policy (SFP), we will conduct climate change stress testing on the loan portfolio and focus on increasing the Green loan portfolio.

Market Risk Management

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

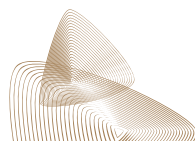
Even though there were high volatilities in foreign exchange rates, stock markets, and commodity prices during the reporting period, the Bank prevented the potential losses by implementing sound market risk management. In 2021, Golomt Bank successfully met open position requirements set by the Bank of Mongolia and fully complied with risk appetite statement proposed by the Bank. Moreover, foreign exchange rate risk is calculated on a daily basis using "Value at Risk" measure to prevent from breaching limit set by ALCO. In additionally, to manage counterparty and country risk, we set limit based on credit rating and financial statements.

Liquidity Risk Management

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

The Bank successfully implemented the policy of maintaining the liquidity position in the short and long term as defined in its business plan. In 2021, Golomt Bank's liquidity was high enough to meet the Central Bank regulatory requirements and the Bank's risk appetite statement. The Bank regularly calculated liquidity coverage ratio (LCR) to promote the short term resilience of the liquidity risk, and net stable funding ratio (NSFR) to reduce the funding risk over a broader time horizon. In addition to that, the Bank assesses the potential liquidity risk and performs stress test to make a prudent decision.

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



Operational Risk Management

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

To effectively manage and monitor the operation risk of the Bank units, we use “Risk and control self-assessment” tool to define and mitigate the potential operational risk in units’ operations during the reporting period. Moreover, Golomt Bank measures operational risk of all branches on a monthly and quarterly basis using the risk matrices.

The Bank continuously organized basic risk management training for all employees to strengthen the risk culture. To increase the efficiency of operational risk management and automation of operation, Golomt bank successfully implemented operational risk management system in 2021.

Business continuity

Operating environment caused by coronavirus pandemic tested organizations’ business continuity. Golomt Bank has successfully overcome the pandemic risk by managing its day-to-day operations through Emergency taskforces within the Business Continuity Plan and its sub-plans.

Successfully implemented Risk culture program

Risk culture is defined as norms, attitudes and behavior related to risk awareness.

In the reporting period, Golomt Bank successfully implemented “Risk culture program” with conducting comprehensive trainings, forums and knowledge competitions among employees.

Information security risk

Golomt bank has successfully complied with requirements of the prestigious international information security standard ISO 27001, Payment Card Industry Data Security Standard and the GDPR or European Union Personal Data Protection Law and is effectively utilizing them in its operation.



Since July, 2017



Since March, 2018



Since March, 2018

In addition, Thales eSecurity, an international information security audit service provider company, regularly assesses the vulnerability of our banking system to ensure that the system is fully compliant. The requirements of the Security Operations Maturity Model (SOMM) are fully met to protect against external cyber-attacks on the banking system. We are working to establish a Cyber Security Management Center. Moreover, we are sharing experiences by joining the call for mutual trust in cyber security in Paris, the largest international cooperation project on cyber security, which brings together more than 1,100 organizations from around the world.

At the initiative of Golomt Bank, the National Police Agency, in cooperation with the Bank of Mongolia, is co-organizing the “Yatgakh tusam nyagtal” campaign under the slogan “Don't give fraudsters a chance” in 2020 and 2021 to prevent cybercrime. A total of 1,499,748 citizens were informed about the anti-fraud information prepared within the campaign.

COMPLIANCE

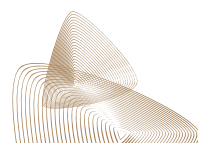
Compliance Policy

The Compliance Division is established under the management of the President of the Bank, and conducts independent activity reporting directly to the BOD and the Management Team. The Compliance Division is responsible for compliance related issues, including compliance on anti money laundering and combating terrorism financing.

Since 2017, in accordance with the Compliance Policy approved by the BOD, Golomt Bank has appointed 148 employees from all units as Ethical Representatives to ensure and monitor the implementation of the principles and regulations in the Governance Code, and to eliminate ethical violations.

The Bank organizes the "Ethical Representatives Forum" every year on the occasion of the International Compliance Day, which falls on the second week of November. In 2021, we successfully organized the Forum in online format.

The employees' awareness and knowledge on compliance issues are essential to the internal compliance control. Therefore, the Bank provides a comprehensive training program on compliance, including the risks of money laundering and terrorist financing, and measures to prevent them. In 2021, 1,072 employees were involved in the compliance training.



GOLOMT BANK

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

31 December 2021



Corporate Information

Incorporation decision	Golomt Bank (the “Bank”) was incorporated on 06 March 1995.	
Certificate and License	The Bank holds the State Registration Certificate No. 9016001014 with registration No.2075377 newly granted to the Bank by the State Registration Office of Mongolia on 05 December 2005. The Bank holds the Special License No. 25 for Banking Activities dated 06 March 1995 issued by the Bank of Mongolia.	
Board of Governors	Ch. Munkhtsetseg Urs E. Schwarzenbach D. Munkhtur L. Bolormaa J. Unenbat López Abelló James B. Dwyer Alexander Picker	Chairwoman Member Member Member Member Independent Member Independent Member Independent Member
Executive Officers	K. Norihiko G. Ganbold T. Nyamsuren D. Badral M. Sainbileg S. Munkhtuya Z. Myagmardorj Ts. Baigalmaa M. Narankhuu T. Otgon E. Turbold G. Uyanga N. Ochirkhuyag A. Nyamsuren O. Battsengel Yo. Purevbat Kh. Purevdorj	Chief Executive Officer President Deputy CEO and CRO Deputy CEO and CBO Chief Information Officer Director of Financial Management Division Director of Corporate Banking Division Director of Retail Business Division Director of Credit Division Director of Risk Management Division Director of Treasury Division Director of Human Resource Management Division Director of Marketing and PR Division Director of Business Process Management Division Director of Information Technology Division Director of Operation Division Director of Administration Division
Registered office	Head Office of Golomt bank Sukhbaatar Square 5, P.O.Box 22 Ulaanbaatar 15160, Mongolia	
Auditors	PwC Audit LLC Central Tower, Floor 6, Suite 601 Sukhbaatar Square, SBD-8, Ulaanbaatar 14200, Mongolia	



Independent Auditor's Report

To the Shareholders of Golomt Bank LLC

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Golomt Bank LLC (the "Bank") as at 31 December 2021, and the Bank's financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS).

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

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

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

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

PricewaterhouseCoopers Audit LLC, Central Tower Office Building, Suite 601, Floor 6, Sukhbaatar's square, SBD-8, Ulaanbaatar 14200, Mongolia
Tel: +976 70009089, Fax: +976 (11) 322068, www.pwc.com/mn



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

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

Those charged with governance are responsible for overseeing the Bank 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.



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

- 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.

Signed by:

Galkhuu Davaasambuu

Markets leader



Shaukat Tapia

Partner

PricewaterhouseCoopers Audit LLC

Statement of financial position

<i>In thousands of Mongolian Tugriks</i>	Note	31 December 2021	31 December 2020
Assets			
Cash and balances with central bank (other than mandatory reserve)	7	694,954,420	561,259,957
Mandatory cash balances with the Bank of Mongolia	8	277,343,522	243,458,197
Due from other banks	9	1,056,447,510	1,273,144,461
Investments in debt securities	10	1,979,439,874	1,364,400,620
Investments in equity securities	11	18,472,715	29,495,322
Loans and advances to customers	12	3,339,174,837	3,031,345,915
Investment properties	13	17,427,586	39,671,913
Other assets	14	39,972,362	121,266,425
Derivative financial instruments	41	208,917,059	205,614,803
Intangible assets	15	17,848,672	16,754,344
Premises and equipment	16	150,019,342	144,135,456
Right of use assets	17	13,001,148	9,882,736
Repossessed collateral	18	106,953,168	210,576,325
Non-current assets classified as held for sale	19	74,084,536	26,983,976
Total assets		7,994,056,751	7,277,990,450
Liabilities			
Due to other banks	20	16,782,536	14,638,962
Customer accounts	21	5,463,543,390	5,285,675,177
Other borrowed funds	22	1,509,446,027	1,202,264,649
REPO arrangements	23	221,912,121	20,088,596
Current income tax liability	31	29,389,944	-
Deferred income tax liability	31	9,484,597	12,356,607
Lease liabilities	17	14,001,667	10,611,448
Other liabilities	24	70,834,446	100,796,545
Total liabilities		7,335,394,728	6,646,431,984
Equity			
Preferred shares	25	16,388,100	16,388,100
Share capital	25	168,638,148	42,159,537
Share premium	25	169,486,044	291,843,805
Retained earnings		242,436,053	210,853,485
Other reserves		61,713,678	70,313,539
Total equity		658,662,023	631,558,466
Total liabilities and equity		7,994,056,751	7,277,990,450

Approved for issue and signed on behalf of the Bank's management on 25th March 2022.



CH. MUNKHTSETSEG
Chairwoman, Board of Governors



K.NORIHICO
Chief Executive Officer



S. MUNKHTUYA
Head of Financial Management Division

Statement of Profit or Loss and Other Comprehensive Income

<i>In thousands of Mongolian Tugriks</i>	Note	2021	2020
Interest income calculated using the effective interest method	26	526,486,180	551,881,787
Other similar income	26	28,291,422	18,250,599
Interest expense	26	(271,257,957)	(364,394,243)
Other similar expense	26	(1,560,592)	(1,385,422)
Net interest income		281,959,053	204,352,721
Credit loss allowance	12	(35,770,454)	(93,836,353)
Net interest income after credit loss allowance		246,188,599	110,516,368
Fee and commission income	27	62,493,142	49,077,568
Fee and commission expense	27	(21,714,228)	(15,595,724)
Gains less losses from financial assets at fair value through profit or loss		1,695,813	(1,023,322)
Gains less losses from modification of borrowed fund at amortised cost		3,638,530	1,847,344
Losses less gains from disposal of financial assets at fair value through other comprehensive income		(626)	2,217,585
Losses less gains from financial derivatives		(21,818,582)	14,504,028
Gains less losses from trading in precious metals		4,785,518	10,454,295
Foreign exchange translation gains less losses		153,074	4,182,339
Gains less losses from trading in foreign currencies		20,398,503	15,575,013
Losses less gains from loans at fair value through profit or loss		(14,571,327)	(5,970,851)
Losses less gains from modification of financial assets measured at amortised cost, that did not lead to derecognition		(848,111)	(549,771)
Credit loss allowance of debt securities at amortised cost	12	(2,676)	47,359
Impairment of debt securities at fair value through other comprehensive income		(1,782,503)	(2,581,031)
Reversal of credit loss allowance of due from banks		13,591	594,619
Losses on initial recognition of assets at rates below market		(2,636,090)	(922,974)
Credit loss allowance for other assets	14	(539,852)	(761,576)
Losses less gains from non-current asset held for sale		(3,973,106)	(344,059)
Impairment provision charge for and loss from decrease in fair value of repossessed collateral	18	(78,887,826)	(38,176,652)
Reversal of provision charge for guarantee and letter of credit		1,958,933	(959,246)
Losses less gains on revaluation of investment properties		(7,426,258)	(1,778,646)
Dividend received		204,394	232,901
Other operating income	28	3,835,000	3,208,137
Administrative and other operating expenses	29	(137,139,597)	(121,014,584)
Other gains/(losses), net	30	(1,453,421)	(290,100)
Profit before tax		52,570,894	22,489,020
Income tax expense	31	(26,634,228)	(12,095,260)
Profit for the year		25,936,666	10,393,760
Other comprehensive income/(loss):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Debt securities at fair value through other comprehensive income:			
- Gains less losses arising during the year		2,680,637	2,217,585
- Gains less losses reclassified to profit or loss upon disposal		626	(2,217,585)
Income tax recorded directly in other comprehensive income		(670,316)	-
<i>Items that will not be reclassified to profit or loss:</i>			
Gains less losses on investments in equity securities at fair value through other comprehensive income	32	1,153,870	3,905,911
Income tax recorded directly in other comprehensive income	32	(288,468)	(976,478)
Other comprehensive income		2,876,349	2,929,433
Total comprehensive income for the year		28,813,015	13,323,193
Earnings per share for profit attributable to the owners of the Bank, basic and diluted	34	35.92	16.96

Refer to note 25 and 34 for details of Earnings per share for profit attributable to the owners of the Bank.

Statement of Changes in Equity
31 December 2021

<i>In thousands of Mongolian Tugriks</i>		Preferred share capital	Treasury preferred shares	Ordinary share capital	Treasury shares	Share premium	Revaluation reserve for securities at FVTOCI	Revaluation re-serve for premises	Other reserves	Retained earnings	Total equity
	Note										
Balance at 1 January 2020		25,778,900	-	32,014,498	-	135,171,702	(15,791,456)	7,746,670	80,188,259	197,396,268	462,504,841
Profit for the year		-	-	-	-	-	-	-	-	10,393,760	10,393,760
Other comprehensive income		-	-	-	-	-	2,929,433	-	-	-	2,929,433
Total comprehensive income for 2020		-	-	-	-	-	2,929,433	-	-	10,393,760	13,323,193
Acquisition of treasury shares	25	-	(9,390,800)	-	(80,500)	(5,102,358)	-	-	-	-	(14,573,658)
Conversion of the subordinated loans	25	-	-	10,225,539	-	161,774,461	-	-	-	-	172,000,000
Dividends declared and paid	33	-	-	-	-	-	-	-	-	(1,695,910)	(1,695,910)
Transfer of revaluation surplus on premises		-	-	-	-	-	-	(251,127)	-	251,127	-
Transfer to regulatory reserve		-	-	-	-	-	-	-	(4,508,240)	4,508,240	-
Balance at 31 December 2020		25,778,900	(9,390,800)	42,240,037	(80,500)	291,843,805	(12,862,023)	7,495,543	75,680,019	210,853,485	631,558,466
Profit for the year		-	-	-	-	-	-	-	-	25,936,666	25,936,666
Other comprehensive income		-	-	-	-	-	2,876,349	-	-	-	2,876,349
Total comprehensive income for 2021		-	-	-	-	-	2,876,349	-	-	25,936,666	28,813,015
Increase in nominal value of shares		-	-	126,720,111	(241,500)	(126,478,611)	-	-	-	-	-
Transfer of Revaluation reserve on investment in equity securities at FVTOCI to retained earnings upon disposal		-	-	-	-	-	9,349,580	-	-	(9,349,580)	-
Dividends declared and paid	33	-	-	-	-	-	-	-	-	(1,709,458)	(1,709,458)
Transfer of revaluation surplus on premises		-	-	-	-	-	-	(250,441)	-	250,441	-
Transfer to regulatory reserve		-	-	-	-	-	-	-	(20,575,349)	20,575,349	-
Other		-	-	-	-	4,120,850	-	-	-	(4,120,850)	-
Balance at 31 December 2021		25,778,900	(9,390,800)	168,960,148	(322,000)	169,486,044	(636,094)	7,245,102	55,104,670	242,436,053	658,662,023

As of 31 December 2021, other reserves mainly consist of the regulatory reserves required by Bank of Mongolia. In accordance with the regulation of the BOM, it is required to recognize the excess difference of credit loss allowance and provision for repossessed collaterals determined in accordance with the regulations of BOM ("BOM impairment provision") in comparison to credit loss allowance and provision for repossessed collaterals determined under IFRS as a reserve in the statement of changes in equity. This reserve is created as appropriation of the Bank's retained earnings, as such treatment is in accordance with IFRS and the new accounting regulations of the Bank of Mongolia and represents regulatory reserve.

<i>In thousands of Mongolian Tugriks</i>	Note	2021	2020
Cash flows from operating activities			
Profit before tax		52,570,894	22,489,020
Adjustments for non-cash income and expenses:			
Credit loss allowance	12	35,770,454	93,836,353
Losses less gains from financial assets at fair value through other comprehensive income		626	(2,217,585)
Gains less losses from financial assets at fair value through profit or loss		(1,695,813)	1,023,322
Gains less losses from modification of borrowed fund at amortised cost		(3,638,530)	(1,847,344)
Losses less gains from financial derivatives		21,818,582	(14,504,028)
Losses less gains from modification of financial assets measured at amortised cost, that did not lead to derecognition		848,111	549,771
Losses less gains of loans at fair value through profit or loss		14,571,327	5,970,851
Reversal of credit loss allowance of due from other banks		(13,591)	(594,619)
Impairment of debt securities at fair value through other comprehensive income		1,782,503	2,581,031
Credit loss allowance of debt securities at amortised cost		2,676	(47,359)
Losses on initial recognition of assets at rates below market		2,636,090	922,974
Losses on disposal of premises and equipment and investment properties		1,453,421	(330,660)
Foreign exchange (gains)/losses		(153,074)	(4,182,339)
Credit loss allowance for other assets	14	539,852	761,576
Reversal of provision for credit related commitment		(1,958,933)	959,246
Losses less gains from revaluation of investment properties	13	7,426,258	1,778,646
Losses less gains from non-current asset held for sale	19	3,973,106	344,059
Depreciation expense	16,17	24,555,445	20,893,854
Amortisation expense	15	3,837,579	3,300,686
Property and equipment written off	16	18,397	199,973
Impairment provision charge for and loss from decrease in fair value of repossessed collateral	18	78,887,826	38,176,652
Interest income	26	(554,777,602)	(570,132,386)
Interest expense	26	272,818,549	365,779,665
Cash flows used in operating activities before changes in operating assets and liabilities		(38,725,847)	(34,288,641)
(Increase) / decrease in mandatory cash balances with the Bank of Mongolia		(33,853,818)	48,453,208
Decrease / (increase) in due from other banks		95,873,906	(263,571,706)
(Increase) / decrease in debt securities at fair value true profit or loss		(2,188,600)	39,713,894
Decrease / (increase) in equity securities at fair value true profit or loss		1,029,277	(515,433)
(Increase) / decrease in loans and advances		(514,728,118)	(19,804,309)
Decrease / (increase) in other assets		80,328,375	2,613,223
(Increase) in repossessed collateral		(44,115,715)	(44,631,606)
Decrease / (increase) in non-current assets classified as held for sale		76,700,121	26,107,289
Increase / (decrease) in due to banks		2,102,465	(38,289,550)
Increase / (decrease) in customer account		256,942,420	389,215,894
(Decrease) / increase in other liabilities		(28,003,168)	(6,318,838)
Net cash from/(used in) operating activities before tax and interest		(148,638,702)	98,683,425
Income tax paid		(1,075,077)	(2,068,516)
Interest income received		557,033,125	507,987,326
Interest income received on investments at fair value through profit or loss		8,317,135	10,458,601
Interest paid		(382,483,341)	(357,859,711)
Net cash from/(used in) operating activities		33,153,141	257,201,125

Statement of Cashflow

In thousands of Mongolian Tugriks	Note	2021	2020
Cash flows from financing activities			
Acquisition of debt securities at fair value through other comprehensive income		(93,473,456)	(348,851,637)
Proceeds from disposal of debt securities at fair value through other comprehensive income		-	200,806,180
Proceeds from disposal of equity securities at fair value through other comprehensive income		12,837,742	27,694,023
Proceeds from redemption of debt securities carried at amortised cost		-	6,581,628
Proceeds from disposal of investment property		18,648,928	7,705,891
Acquisition of premises and equipment	16	(25,795,226)	(12,180,906)
Proceeds from disposal of premises and equipment	16	704,525	3,313,026
Acquisition of intangible assets	15	(4,931,907)	(5,685,019)
Net cash used in investing activities		(92,009,394)	(120,616,813)
Cash flows from financing activities			
Acquisition of treasury ordinary shares		-	(1,062,008)
Acquisition of treasury preference shares		-	(13,511,650)
Proceeds from repo arrangements		562,558,030	1,822,632,072
Repayment of repo arrangements		(367,560,485)	(1,829,718,400)
Proceeds from drawdown of other borrowed funds	22	1,205,497,008	357,938,206
Repayment of other borrowed funds	22	(854,325,119)	(23,120,151)
Repayment of principal of lease liabilities		(5,205,254)	(5,818,276)
Repayment of subordinated loans		-	(27,616)
Dividends paid	33	(1,709,458)	(1,695,911)
Net cash from financing activities		539,254,722	305,616,266
Effect of exchange rate changes on cash and cash equivalents		7,540,251	39,206,535
Net increase in cash and cash equivalent		487,938,720	481,407,114
Cash and cash equivalents at the beginning of the period		1,946,787,169	1,465,380,055
Cash and cash equivalents at the end of the period	7	2,434,725,888	1,946,787,169

7 Cash and Cash Equivalents

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

<i>In thousands of Mongolian Tugriks</i>	30 December 2021	31 December 2020
Cash on hand	115,856,223	126,009,968
Current account with the Bank of Mongolia (other than mandatory reserve)	579,098,197	435,249,989
Cash and cash balances with central bank	694,954,420	561,259,957

Cash and balances with central bank (other than mandatory reserve) are not collateralised. Credit quality of current account with the Bank of Mongolia based on credit risk grade is “satisfactory” and had a B3 rating from Moody’s as at 31 December 2021 and 31 December 2020.

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

<i>In thousands of Mongolian Tugriks</i>	31 December 2021	31 December 2020
Cash and balances with the central bank (Note 7)	694,954,420	561,259,957
Treasury bills of the Bank of Mongolia with original maturities of less than three months (Note 10)	1,563,001,736	1,096,937,280
Due from banks (Note 9)	176,769,732	288,589,932
Total cash and cash equivalents	2,434,725,888	1,946,787,169

For the purpose of ECL measurement, cash and cash balances with central bank are included in Stage 1 as of 31 December 2021 and 31 December 2020. The ECL for these balances represents an insignificant amount, therefore the Bank did not recognise any credit loss allowance for cash and cash equivalents.

8 Mandatory reserves with the Bank of Mongolia

<i>In thousands of Mongolian Tugriks</i>	31 December 2021	31 December 2020
Mandatory cash balances with the Bank of Mongolia	277,343,522	243,458,197
Mandatory cash balances with the Bank of Mongolia	277,343,522	243,458,197

Current accounts with the Bank of Mongolia are maintained in accordance with the regulations of the Bank of Mongolia. The mandatory cash balances maintained with the Bank of Mongolia are determined at not less than 6% in MNT and 18% in foreign currency (2020: 8.5% in MNT and 15% in foreign currency) of customer deposits for a period of 2 weeks. According to the Bank of Mongolia resolution dated 29 March 2018, the Bank maintains 50% of the mandatory reserve balance as at the reporting date.

Credit quality of current account with the Bank of Mongolia based on credit risk is “satisfactory” as at 31 December 2021 and 31 December 2020. For the purpose of ECL measurement, mandatory cash balances are included in Stage 1 as of 31 December 2021 and 31 December 2020.

9 Due from Other Banks

<i>In thousands of Mongolian Tugriks</i>	31 December 2021	31 December 2020
Correspondent accounts with other banks		
Foreign	122,837,341	272,238,403
Domestic	25,735,787	2,686,086
Short-term placements with other banks		
Foreign	18,208,629	3,653,594
Domestic	9,987,975	10,011,849
Placements with other banks with original maturities of more than three months	879,677,778	984,554,529
Total due from other banks	1,056,447,510	1,273,144,461

Placements with other banks with original maturities of more than three months as at 31 December 2021 include current accounts with maturities ranging from 1 year to 5 years.

The following table contains an analysis of due from other banks balances by credit quality at 31 December 2021 and 31 December 2020 based on credit risk grades and discloses due from other banks balances by three stages for the purpose of ECL measurement.

<i>In thousands of Mongolian Tugriks</i>	31 December 2021 Stage 1 (12-months ECL)	31 December 2020 Stage 1 (12-months ECL)
- Excellent	989,550,544	1,111,583,041
- Good	16,788,646	17,051,805
- Satisfactory	36,098,905	16,406,584
- Special monitoring	14,240,607	128,347,814
Gross carrying amount	1,056,678,702	1,273,389,244
Less: Credit loss allowance	(231,192)	(244,783)
Carrying amount	1,056,447,510	1,273,144,461

10 Investments in Debt Securities

<i>In thousands of Mongolian Tugriks</i>	31 December 2021	31 December 2020
Debt securities at FVTOCI	1,808,800,791	1,242,830,827
Debt securities mandatorily measured at FVTPL	165,954,333	116,890,897
Debt securities at AC	4,684,750	4,678,896
Total investments in debt securities	1,979,439,874	1,364,400,620

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

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

10 Investments in Debt Securities (continued)

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

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

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

(a) Treasury bills of the Bank of Mongolia

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

Treasury bills of the Bank of Mongolia with original maturities of less than three months are MNT 1,563,001,736 thousands as at 31 December 2021 (31 December 2020: MNT 1,096,937,280 thousands) and included in cash and cash equivalents for the purposes of the cash flow statement (Note 7).

Treasury bills of the Bank of Mongolia with nominal amount of MNT 223,554,000 thousands (31 December 2020: MNT 20,193,000 thousands) and MNT 58,948,000 thousands with maturity of 28 days were collateralised by Repo arrangement (Note 23) and by Project on gold production-2 (Note-22) with Bank of Mongolia, respectively.

(b) MIK bonds

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

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

(c) Government bonds

Debt securities classified at FVTOCI represents investment securities held for satisfying the liquidity and business model in a "held to collect and sell". Debt securities classified at AC represents investment securities held for satisfying the liquidity and business model in a "held to collect". Government bonds are not collateralised.

(d) Corporate bonds

Debt securities mandatorily classified as at FVTPL by the Bank represent securities held for trading and securities in a 'held to sell' business model as the Bank had an intention to realise a trading gain. On initial recognition, the Bank has designated corporate bonds at FVTPL. The corporate bonds at FVTPL are carried at fair value, which also reflects any credit risk related write-downs and best represents Bank's maximum exposure to credit risk and are not collateralised. Corporate bonds classified at FVTOCI represents investment securities held for satisfying the liquidity and business model in a "held to collect and sell". The corporate bonds at FVTOCI are listed on the Mongolian Stock Exchange and issued by Mongolian Mortgage Corporation with annual interest rate of 8.85%.

Investments in debt securities at FVTOCI

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

<i>In thousands of Mongolian Tugriks</i>	31 December 2021 Stage 1 (12-months ECL)	31 December 2020 Stage 1 (12-months ECL)
Treasury bills of the Bank of Mongolia		
- Excellent	1,563,953,019	1,097,569,862
Total AC gross carrying amount	1,563,953,019	1,097,569,862
Less: Credit loss allowance	(951,283)	(632,582)
Carrying value (fair value)	1,563,001,736	1,096,937,280

The following table discloses government bonds measured at FVTOCI:

<i>In thousands of Mongolian Tugriks</i>	31 December 2021 Stage 1 (12-months ECL)	31 December 2020 Stage 1 (12-months ECL)
Government bonds		
- Excellent	185,898,487	147,966,810
Total AC gross carrying amount	185,898,487	147,966,810
Less: Credit loss allowance	(2,675,792)	(2,073,263)
Less: Fair value adjustment from AC to FV	2,927,030	-
Carrying value (fair value)	186,149,725	145,893,547

10 Investments in Debt Securities (continued)

The following table discloses corporate bonds measured at FVTOCI:

<i>In thousands of Mongolian Tugriks</i>	31 December 2021 Stage 1 (12-months ECL)	31 December 2020 Stage 1 (12-months ECL)
Corporate bonds		
- Satisfactory	60,510,603	-
Total AC gross carrying amount	60,510,603	-
Less: Credit loss allowance	(861,273)	-
Carrying value (fair value)	59,649,330	-

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

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

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

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

Investments in debt securities at AC

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

<i>In thousands of Mongolian Tugriks</i>	31 December 2021 Stage 1 (12-months ECL)	31 December 2020 Stage 1 (12-months ECL)
Government bonds		
- Satisfactory	4,749,941	4,741,411
Total investments in debt securities measured at AC (gross carrying amount)	4,749,941	4,741,411
Less: Credit loss allowance	(65,191)	(62,515)
Total investments in debt securities measured at AC (carrying amount)	4,684,750	4,678,896

10 Investments in Debt Securities (continued)

Investments in debt securities at AC (continued)

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

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

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

<i>In thousands of Mongolian Tugriks</i>	Credit loss allowance Stage 1 (12-months ECL)	Gross carrying amount Stage 1 (12-months ECL)
Government bonds at AC		
At 1 January 2020	109,874	11,315,389
<i>Movements with impact on credit loss allowance charge for the period:</i>		
Changes to ECL measurement model assumptions	20,589	-
Derecognised during the period	(67,948)	(6,573,242)
Changes in accrued interest	-	(736)
Total movements with impact on credit loss allowance charge for the period	(47,359)	(6,573,978)
As at 31 December 2020	62,515	4,741,411

11 Investments in Equity Securities

<i>In thousands of Mongolian Tugriks</i>	31 December 2021	31 December 2020
Equity securities at FVTPL	17,927,851	17,211,464
Equity securities at FVTOCI	544,864	12,283,858
Total investments in equity securities	18,472,715	29,495,322

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

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

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

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

(a) Investments in equity securities at FVTPL

Corporate shares at FVTPL represent securities held for trading and other quoted equity securities for which FVTOCI election was not made on initial recognition.

Corporate shares mainly consist from quoted shares of Mongolian Mortgage Corporation and of APU JSC, both listed on Mongolian Stock Exchange, with fair value of MNT 15,345,248 thousands and MNT 2,450,864 thousands as of 31 December 2021 (2020: MNT 15,304,300 thousands and MNT 1,270,304 thousands) respectively.

(b) Investments in equity securities at FVTOCI

As of 31 December 2021, the Bank has invested in MNT 544,864 thousands of equity securities at FVTOCI. The FVTOCI designation was made because the investments are expected to be held for strategic purposes rather than with a view to profit on a subsequent sale, and there are no plans to dispose of these investments in the short or medium term.

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

12 Loans and Advances to Customers

<i>In thousands of Mongolian Tugriks</i>	31 December 2021	31 December 2020
Gross carrying amount of loans and advances to customers at AC	3,110,945,995	3,001,716,158
Less: Credit loss allowance	(160,974,133)	(160,124,524)
Total carrying amount of loans and advances to customers at AC	2,949,971,862	2,841,591,634
Loans and advances to customers at FVTPL / Mortgage/	304,232,064	165,418,490
Loans and advances to customers at FVTPL / SME/	83,823,576	-
Loans and advances to customers at FVTPL / Corporate/	1,147,335	24,335,791
Total loans and advances to customers	3,339,174,837	3,031,345,915

The bank holds a MIK mortgage portfolio, and a SME loan portfolio financed by long term REPO financing by the Bank of Mongolia with business model “hold to sell” under IFRS 9. As a result, these loans and advances were classified as at FVTPL from the date of initial recognition. The corporate loan classified at FVTPL is a modified instrument that had been previously classified as a derivative financial instrument.

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

Gross carrying amount and credit loss allowance amount for loans and advances to customers at AC by classes at 31 December 2021 and 31 December 2020 are disclosed in the table below:

<i>In thousands of Mongolian Tugriks</i>	31 December 2021			31 December 2020		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Loans to corporate customers						
Loans to Corporate	1,220,124,468	(26,680,865)	1,193,443,603	1,264,717,264	(21,067,845)	1,243,649,419
Loans to SME	825,665,816	(39,873,780)	785,792,036	690,021,507	(36,122,576)	653,898,931
Loans to individuals						
Consumer loans	722,421,933	(87,273,003)	635,148,930	734,739,072	(94,985,139)	639,753,933
Mortgage loans	342,733,778	(7,146,485)	335,587,293	312,238,315	(7,948,964)	304,289,351
Total loans and advances to customers at AC	3,110,945,995	(160,974,133)	2,949,971,862	3,001,716,158	(160,124,524)	2,841,591,634

More detailed explanation of classes of loans to legal entities and individuals are provided below:

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

As of 31 December 2021, loss on initial recognition of loans at rates below market in the amount of MNT 2,636,090 thousand (31 December 2020: MNT 922,974 thousand) has been recorded in profit or loss for the year.

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

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

12 Loans and Advances to Customers (continued)

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

In thousands of Mongolian Tugriks	Credit loss allowances				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (life-time ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Corporate								
At 1 January 2020	4,853,248	2,261,756	35,773,581	42,888,585	838,752,587	321,364,372	252,130,695	1,412,247,654
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(284,134)	284,134	-	-	(35,930,304)	35,930,304	-	-
- to credit-impaired (from stage 1 and Stage 2 to Stage 3)	(462,891)	(795)	463,686	-	(52,549,884)	(110,384,373)	162,934,257	-
New originated or purchased	2,615,190	3,186	61,454	2,679,830	305,315,502	38,354,716	133,350,395	477,020,613
Derecognised during the period	(1,891,876)	(2,260,961)	(785,828)	(4,938,665)	(349,299,141)	(56,748,845)	(15,282,684)	(421,330,670)
Changes to ECL measurement model assumptions	-	(283,616)	59,845,389	59,561,773	-	(1,933,277)	(63,440,040)	(65,373,317)
Unwinding of discount	-	270,395	638,653	909,048	-	-	-	-
Changes in accrued interest	-	19,279	2,756,712	2,775,991	-	2,335,286	6,375,618	8,710,904
Other movements	583,066	469,266	4,951,206	6,003,538	(83,199,194)	(43,721,853)	18,202,994	(108,718,053)
Total movements with impact on credit loss allowance charge for the period	559,355	(1,499,112)	67,931,272	66,991,515	(215,663,021)	(136,168,042)	242,140,540	(109,690,523)
<i>Movements without impact on credit loss allowance charge for the period:</i>								
Write-offs	-	-	(83,259,960)	(83,259,960)	-	-	(83,259,960)	(83,259,960)
Transfer to repossessed collateral	-	-	(6,267,340)	(6,267,340)	-	-	(13,900,000)	(13,900,000)
FX and other movements	83,292	6,166	625,587	715,045	37,159,938	12,957,680	9,202,475	59,320,093
At 31 December 2020	5,495,895	768,810	14,803,140	21,067,845	660,249,504	198,154,010	406,313,750	1,264,717,264

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

12 Loans and Advances to Customers (continued)

In thousands of Mongolian Tugriks	Credit loss allowances			Total	Gross carrying amount			Total
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)		Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	
SME								
At 1 January 2020	2,340,345	778,844	16,945,396	20,064,585	492,018,337	43,602,419	168,034,068	703,654,824
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(215,439)	215,439	-	-	(39,421,316)	39,421,316	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(588,376)	(601,895)	1,190,271	-	(74,371,370)	(27,992,370)	102,363,740	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	47,657	(47,657)	-	-	6,462,291	(4,385,626)	(2,076,665)	-
- from Stage 3 to Stage 2		265,997	(265,997)	-		4,674,234	(4,674,234)	-
New originated or purchased	1,606,187	521,520	1,273,035	3,400,742	274,801,753	40,924,229	48,259,504	363,985,486
Derecognised during the period	(722,729)	(109,951)	(2,804,108)	(3,636,788)	(210,133,302)	(7,141,327)	(23,392,570)	(240,667,199)
Changes to ECL measurement model assumptions	(11,984)	108,040	9,734,846	9,830,902	(1,062,252)	(8,543,403)	(12,494,298)	(22,099,953)
Unwinding of discount	-	131,498	2,358,439	2,489,937	-	-	-	-
Changes in accrued interest	-	(562)	2,805,228	2,804,666	-	(48,526)	9,557,029	9,508,503
Other movements	(322,562)	(118,670)	1,747,729	1,306,497	(59,290,739)	(1,410,796)	(71,195,942)	(131,897,477)
Total movements with impact on credit loss allowance charge for the period	(207,246)	363,759	16,039,443	16,195,956	103,014,935	35,497,731	46,346,564	(21,170,640)
<i>Movements without impact on credit loss allowance charge for the period:</i>								
Write-offs	-	-	(273,409)	(273,409)	-	-	(300,472)	(300,472)
FX and other movements	19,597	-	115,847	135,444	2,953,906	251,128	4,632,761	7,837,795
At 31 December 2020	2,152,696	1,142,603	32,827,277	36,122,576	391,957,308	79,351,278	218,712,921	690,021,507

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

12 Loans and Advances to Customers (continued)

In thousands of Mongolian Tugriks	Credit loss allowances			Gross carrying amount				
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Consumer								
At 1 January 2020	7,955,628	5,746,710	41,333,777	55,036,115	806,979,991	31,547,121	49,333,945	887,861,057
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(268,807)	268,807	-	-	(15,568,885)	15,568,885	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(674,461)	(2,980,290)	3,654,751	-	(56,985,442)	(14,292,877)	71,278,319	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	1,947,245	(1,444,848)	(502,397)	-	9,036,478	(8,457,884)	(578,594)	-
- from Stage 3 to Stage 2	-	29,920	(29,920)	-	-	56,747	(56,747)	-
New originated or purchased	2,826,533	285,119	2,274,465	5,386,117	219,993,617	1,324,695	3,730,097	225,048,409
Derecognised during the period	(993,913)	(269,926)	(2,706,390)	(3,970,229)	(216,867,250)	(3,619,395)	(4,373,972)	(224,860,617)
Changes to ECL measurement model assumptions	(1,783,896)	1,948,808	27,028,837	27,193,749	(2,152,652)	(3,209,680)	(13,336,956)	(18,699,288)
Unwinding of discount	-	907,016	5,855,545	6,762,561	-	-	-	-
Changes in accrued interest	-	80,494	6,264,077	6,344,571	-	3,423,903	7,089,241	10,513,144
Other movements	1,290,939	(1,335,131)	(1,405,774)	(1,449,966)	(141,680,255)	(4,107,028)	(2,170,453)	(147,957,736)
Total movements with impact on credit loss allowance charge for the period	2,343,640	(2,510,031)	40,433,194	40,266,803	(204,224,389)	(13,312,634)	61,580,935	(155,956,088)
<i>Movements without impact on credit loss allowance charge for the period:</i>								
Write-offs	(28,855)	(16,833)	(276,669)	(322,357)	(28,856)	(16,833)	(276,668)	(322,357)
FX and other movements	1,816	1,661	1,101	4,578	3,105,192	47,453	3,815	3,156,460
At 31 December 2020	10,272,229	3,221,507	81,491,403	94,985,139	605,831,938	18,265,107	110,642,027	734,739,072

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

12 Loans and Advances to Customers (continued)

<i>In thousands of Mongolian Tugriks</i>	Credit loss allowances				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Mortgage								
At 1 January 2020	356,992	237,425	2,609,815	3,204,232	255,419,581	7,844,416	26,298,768	289,562,765
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(14,806)	14,806	-	-	(7,529,577)	7,529,577	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(37,371)	(117,644)	155,015	-	(17,373,341)	(3,583,709)	20,957,050	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	95,793	(95,793)	-	-	3,356,160	(2,876,409)	(479,751)	-
- from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
New originated or purchased	683,676	39,769	8,086	731,531	86,859,750	1,339,810	1,292,942	89,492,502
Derecognised during the period	(18,215)	(20,485)	(229,783)	(268,483)	(26,041,906)	(859,648)	(1,985,526)	(28,887,080)
Changes to ECL measurement model assumptions	(114,267)	412,187	2,751,648	3,049,568	(468,791)	(235,264)	138,152	(565,903)
Unwinding of discount	-	39,219	276,672	315,891	-	-	-	-
Changes in accrued interest	-	13,136	271,417	284,553	-	1,059,943	611,152	1,671,095
Other movements	538,762	(53,687)	175,943	661,018	(33,533,740)	(849,705)	(4,622,273)	(39,005,718)
Total movements with impact on credit loss allowance charge for the period	1,133,572	231,508	3,408,998	4,774,078	5,268,555	1,524,595	15,911,746	22,704,896
<i>Movements without impact on credit loss allowance charge for the period:</i>								
Write-offs	-	-	(29,346)	(29,346)	-	-	(29,346)	(29,346)
At 31 December 2020	1,490,564	468,933	5,989,467	7,948,964	260,688,136	9,369,011	42,181,168	312,238,315

Movements in the expected credit loss allowance for loans to legal entities and individuals during 2021 of are as follows:

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

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

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

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

- Transfers between Stage 1, 2 and 3 due to balances experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impact on the measurement of ECL due to changes to model assumptions, including changes in PDs, EADs and LGDs in the period, arising from update of inputs to ECL models;
- Unwinding of discount due to the passage of time because ECL is measured on a present value basis;
- Foreign exchange translations of assets denominated in foreign currencies and other movements; and
- Write-offs of allowances related to assets that were written off during the period.

The following table contains an analysis of the credit risk exposure of loans and advances to customers measured at AC and for which an ECL allowance is recognised. The carrying amount of loans and advances to customers below also represents the Bank's maximum exposure to credit risk on these loans.

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

12 Loans and Advances to Customers (continued)

<i>In thousands of Mongolian Tugriks</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Loans to Corporate				
- Excellent	887,463,025	-	-	887,463,025
- Good	-	194,269,029	-	194,269,029
- Satisfactory	-	-	40,998,591	40,998,591
- Special Monitoring	-	-	54,523,580	54,523,580
- Default	-	-	42,870,243	42,870,243
Gross carrying amount	887,463,025	194,269,029	138,392,414	1,220,124,468
Less: Credit loss allowance	(4,952,809)	(910,058)	(20,817,998)	(26,680,865)
Carrying amount	882,510,216	193,358,971	117,574,416	1,193,443,603
Loans to SME				
- Excellent	661,604,004	-	-	661,604,004
- Good	-	13,238,715	-	13,238,715
- Satisfactory	-	-	50,741,630	50,741,630
- Special monitoring	-	-	22,154,593	22,154,593
- Default	-	-	77,926,874	77,926,874
Gross carrying amount	661,604,004	13,238,715	150,823,097	825,665,816
Less: Credit loss allowance	(3,190,681)	(47,759)	(36,635,340)	(39,873,780)
Carrying amount	658,413,323	13,190,956	114,187,757	785,792,036
Consumer loans				
- Excellent	631,245,233	-	-	631,245,233
- Good	-	9,955,887	-	9,955,887
- Satisfactory	-	-	22,447,365	22,447,365
- Special monitoring	-	-	11,090,333	11,090,333
- Default	-	-	47,683,115	47,683,115
Gross carrying amount	631,245,233	9,955,887	81,220,813	722,421,933
Less: Credit loss allowance	(7,708,982)	(1,708,225)	(77,855,796)	(87,273,003)
Carrying amount	623,536,251	8,247,662	3,365,017	635,148,930

<i>In thousands of Mongolian Tugriks</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Mortgage loans				
- Excellent	301,572,105	-	-	301,572,105
- Good	-	3,937,257	-	3,937,257
- Satisfactory	-	-	16,561,758	16,561,758
- Special monitoring	-	-	6,588,354	6,588,354
- Default	-	-	14,074,304	14,074,304
Gross carrying amount	301,572,105	3,937,257	37,224,416	342,733,778
Less: Credit loss allowance	(1,393,864)	(123,078)	(5,629,543)	(7,146,485)
Carrying amount	300,178,241	3,814,179	31,594,873	335,587,293

The credit quality of loans to corporate and individual customers carried at amortised cost is as follows at 31 December 2020:

<i>In thousands of Mongolian Tugriks</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Loans to Corporate				
- Excellent	660,249,504	-	-	660,249,504
- Good	-	198,154,010	-	198,154,010
- Satisfactory	-	-	342,598,449	342,598,449
- Special monitoring	-	-	44,867,551	44,867,551
- Default	-	-	18,847,750	18,847,750
Gross carrying amount	660,249,504	198,154,010	406,313,750	1,264,717,264
Less: Credit loss allowance	(5,495,895)	(768,810)	(14,803,140)	(21,067,845)
Carrying amount	654,753,609	197,385,200	391,510,610	1,243,649,419
Loans to SME				
- Excellent	391,957,308	-	-	391,957,308
- Good	-	79,351,278	-	79,351,278
- Satisfactory	-	-	87,017,107	87,017,107
- Special monitoring	-	-	40,023,399	40,023,399
- Default	-	-	91,672,415	91,672,415
Gross carrying amount	391,957,308	79,351,278	218,712,921	690,021,507
Less: Credit loss allowance	(2,152,696)	(1,142,603)	(32,827,277)	(36,122,576)
Carrying amount	389,804,612	78,208,675	185,885,644	653,898,931

12 Loans and Advances to Customers (continued)

<i>In thousands of Mongolian Tugriks</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Consumer loans				
- Excellent	605,831,939	-	-	605,831,939
- Good	-	18,265,107	-	18,265,107
- Satisfactory	-	-	27,090,371	27,090,371
- Special monitoring	-	-	11,657,293	11,657,293
- Default	-	-	71,894,362	71,894,362
Gross carrying amount	605,831,939	18,265,107	110,642,026	734,739,072
Less: Credit loss allowance	(10,272,229)	(3,221,507)	(81,491,403)	(94,985,139)
Carrying amount	595,559,710	15,043,600	29,150,623	639,753,933
Mortgage loans				
- Excellent	260,688,136	-	-	260,688,136
- Good	-	9,369,011	-	9,369,011
- Satisfactory	-	-	9,985,627	9,985,627
- Special monitoring	-	-	11,834,340	11,834,340
- Default	-	-	20,361,201	20,361,201
Gross carrying amount	260,688,136	9,369,011	42,181,168	312,238,315
Less: Credit loss allowance	(1,490,564)	(468,933)	(5,989,467)	(7,948,964)
Carrying amount	259,197,572	8,900,078	36,191,701	304,289,351

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

<i>In thousands of Mongolian Tugriks</i>	31 December 2021		31 December 2020	
	Amount	%	Amount	%
Individuals	668,710,210	19.11%	667,504,857	20.92%
Trade - Whole & Retail	774,870,662	22.14%	535,026,489	16.76%
Mortgage & House maintenance	646,858,857	18.48%	477,656,805	14.97%
Mining & Exploration	404,192,337	11.55%	426,436,540	13.36%
Construction	159,140,634	4.55%	279,347,880	8.75%
Manufacturing	216,979,477	6.20%	275,620,815	8.64%
Finance	135,738,076	3.88%	169,129,530	5.30%
Maintenance	248,589,026	7.10%	78,591,940	2.46%
Transport & Communication	62,098,840	1.77%	68,638,098	2.15%
Car	27,062,774	0.77%	47,885,259	1.50%
Hotel & Restaurant	35,748,066	1.02%	35,289,107	1.11%
Real estate	32,773,630	0.94%	32,808,066	1.03%
Agriculture	19,795,614	0.57%	20,937,472	0.66%
Healthcare	17,090,053	0.49%	19,865,872	0.62%
Home appliances	17,093,077	0.49%	17,374,134	0.54%
Electricity & Oil	13,008,361	0.37%	16,150,641	0.51%
Education	15,688,844	0.45%	13,070,122	0.41%
Tourism	1,733,770	0.05%	8,714,285	0.27%
Social services	1,831,404	0.05%	919,383	0.03%
Entrepreneurship	176,847	0.01%	465,679	0.01%
Others	968,411	0.03%	-	0.00%
Public service	-	-	37,465	0.00%
Total loans and advances to customers carried at AC and at FVTPL before credit loss allowance	3,500,148,970	100.00%	3,191,470,439	100.00%

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period. Description of collateral and credit enhancements held for loans to corporate and individual customers carried at amortised cost is as follows at 31 December 2021:

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

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

<i>In thousands of Mongolian Tugriks</i>	Loans to Corporate	Loans to SME	Consumer loans	Mortgage loans	Total
Loans collateralised by:					
- residential real estate	71,249,885	158,907,316	22,947,352	245,173,411	498,277,964
- other real estate	599,718,580	310,092,998	8,335,725	14,711,415	932,858,718
- tradable securities	126,004,341	1,882,760	-	-	127,887,101
- cash deposits	17,921,830	108,736,295	88,284,548	4,111,039	219,053,712
- machinery and equipment	84,278,287	44,621,898	36,262,639	1,164,847	166,327,671
- credit enhancements	306,964,154	47,695,445	15,228,235	44,025,022	413,912,856
Total	1,206,137,077	671,936,712	171,058,499	309,185,734	2,358,318,022
Unsecured exposures	58,580,187	18,084,795	563,680,573	3,052,581	643,398,136
Total carrying value loans and advances to customers at AC (amount representing exposure to credit risk for each class of loans at AC)	1,264,717,264	690,021,507	734,739,072	312,238,315	3,001,716,158

Credit enhancements consist of the receivables, future revenues, guarantees, inventories and other assets. The disclosure above represents the lower of the carrying value of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures. The carrying value of loans was allocated based on liquidity of the assets taken as collateral.

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

12 Loans and Advances to Customers (continued)

<i>In thousands of Mongolian Tugriks</i>	31 December 2021	31 December 2020
Loans to corporate customers:		
Loans to Corporate	373,390,027	607,811,234
Loans to SME	309,047,164	347,677,015
Loans to individuals:		
Consumer loans	146,419,606	111,081,424
Mortgage loans	155,746,393	153,705,991
Total significantly over-collateralised loans and advances to customers carried at AC	984,603,190	1,220,275,664

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 2021 is as follows:

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

The effect of collateral on credit-impaired assets at 31 December 2020 is as follows:

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

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

Description of collateral held for loans to corporate and individual customers carried at FVTPL is as follows at 31 December 2021 and 31 December 2020:

<i>In thousands of Mongolian Tugriks</i>	Mortgage		SME		Corporate	
	31 December 2021	31 December 2020	30 December 2021	31 December 2020	31 December 2021	31 December 2020
Loans collateralised by:						
- residential real estate	302,657,034	164,535,646	13,261,329	-	-	-
- other real estate	1,464,031	848,882	65,604,828	-	-	-
- other assets	-	33,962	1,275,367	-	1,147,335	24,335,791
- guarantee	110,999	-	3,682,052	-	-	-
Total	304,232,064	165,418,490	83,823,576	-	1,147,335	24,335,791
Unsecured exposures	-	-	-	-	-	-
Total carrying value loans and advances to customers at FVTPL (amount representing exposure to credit risk for each class of loans at FVTPL)	304,232,064	165,418,490	83,823,576	-	1,147,335	24,335,791

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

The extent to which collateral and other credit enhancements mitigate credit risk for financial assets carried at FVTPL, is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

The effect of collateral on credit assets /FVTPL/ at 31 December 2021 and 31 December 2020 are as follows:

<i>In thousands of Mongolian Tugriks</i>	31 December 2021		31 December 2020	
	Carrying value of the loan	Value of collateral	Carrying value of the loan	Value of collateral
Over-collateralised asset	331,305,512	467,877,994	141,130,778	175,577,995
Under-collateralised asset	57,897,463	42,602,000	48,623,503	40,611,609
Total	389,202,975	510,479,994	189,754,281	216,189,604

The cumulative total outstanding contractual amounts of loans and advances to customers written off that are still subject to enforcement activity was as follows at 31 December 2021 and 31 December 2020:

12 Loans and Advances to Customers (continued)

<i>In thousands of Mongolian Tugriks</i>	31 December 2021	31 December 2020
Loans to corporate customers:		
Loans to Corporates	155,066,038	124,847,513
Loans to SMEs	27,982,554	30,922,453
Loans to individuals:		
Consumer loans	8,420,915	9,719,038
Mortgage loans	-	-
Total	191,469,507	165,489,004

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

Losses less gains recognised in the profit or loss on modifications of loans with lifetime ECL that did not lead to derecognition was MNT 848,111 thousands and amortised cost of modified loans was MNT 10,552,128 thousands as of 31 December 2021 (31 December 2020: MNT 549,771 thousands, MNT 24,270,443 thousands respectively).

13 Investment Properties

Below is the information on changes in investment properties as follows at 31 December 2021 and 31 December 2020:

<i>In thousands of Mongolian Tugriks</i>	31 December 2021	31 December 2020
Investment properties at fair value at 1 January	39,671,913	42,387,502
Disposals	(17,818,069)	(7,454,724)
Transferred from non-current assets classified as held for sale	3,000,000	3,690,000
Transferred from repossessed collaterals	-	10,125,000
Transferred to premises and equipment	-	(3,627,173)
Transferred to repossessed collaterals	-	(3,670,046)
Fair value losses	(7,426,258)	(1,778,646)
Investment properties at fair value at 31 December 2021	17,427,586	39,671,913

The Bank's intention is to keep the premises for the purposes of earning rental income, capital appreciation, or both, and not to occupy premises by the Bank. Significant increase in disposal is mainly related to the sale of factory building, offices and garages.

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During the year, MNT 3,000,000 thousands of assets /building/ were transferred from Non-Current As-sets classified as Held for Sale to Investment properties following management intention to keep it for the capital appreciation.

As of 31 December 2021, rental income of MNT 113,524 thousands (31 December 2020: MNT 180,145 thousands) was generated from investment properties. Direct operating expenses arising from investment property that generated rental income during the period was MNT 18,157 thousands (31 December 2020: MNT 29,856 thousands).

Where the bank is the lessor, the future minimum lease payments receivable under non-cancellable operating leases are as follows at 31 December 2021 and 31 December 2020:

<i>In thousands of Mongolian Tugriks</i>	31 December 2021	31 December 2020
Not later than 1 year	42,750	66,103
Later than 1 year and not later than 2 years	-	15,750
Total future operating lease payments receivable	42,750	81,853

14 Other Assets

<i>In thousands of Mongolian Tugriks</i>	31 December 2021	31 December 2020
Other financial assets at FV:		
Precious metals	6,400,182	67,896,022
Total other financial assets at FV	6,400,182	67,896,022
Other financial assets at AC:		
Receivable from companies	5,864,935	5,201,377
Receivable from individuals	2,211,717	3,562,387
Receivables on cash and settlements services	1,513,068	942,541
Other financial assets	3,174,862	1,950,157
Less: Credit loss allowance	(4,378,717)	(5,537,260)
Total other financial assets at AC	8,385,865	6,119,202
Total other financial assets	14,786,047	74,015,224
Investment in investment fund	-	24,350,301
Other non-financial assets		
Prepayments for non-current assets	4,715,402	3,962,570
Prepayments for consultation services	2,640,000	-
Prepayments for employees' benefits	3,691,681	3,634,506
Prepayments for rent	676,680	500,125
Other prepayments	9,734,868	8,655,425
Other non-financial assets	3,727,684	6,148,274
Total non-financial assets	25,186,315	22,900,900
Total other assets	39,972,362	121,266,425

As at 31 December 2020, the Bank owned 4.17% of investment units of the Fund, which invested its funds in real estate properties in early 2015. During 2021, the Bank fully withdrew the investment. In 2013, the Government of Mongolia passed the law for investment funds to be formed. The first investment fund was subsequently established (the "Fund"). The Fund is managed by a managing company domiciled in Mongolia, which is not related to the Bank's owners or management, and its main activity is making investments with funds of its customers. The Fund has operated since the special license was issued by the Financial Regulatory Commission in October 2015.

The prepayment in consultation service is related to long term consulting and advisory services to be received in relation to change in the banking law and the enforcement of the law, amendments to the accompanying legislation, and measures to be taken in accordance with the amendments.

14 Other Assets (continued)

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

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

Tables below contain an analysis of the credit risk exposure of other financial assets at AC at 31 December 2020.

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

14 Other Assets (continued)

Movements in the provision for asset impairment are as follows at 31 December 2021:

<i>In thousands of Mongolian Tugriks</i>	Receivable from companies	Receivable from individuals	Receivables on cash and settlement services	Other financial assets	Total
Provision for asset impairment at 1 January 2021	2,732,225	2,804,180	855	-	5,537,260
Provision/(reversal) for impairment during the year	1,957	453,182	33,431	51,282	539,852
Transfer to repossessed collateral	-	(449,572)	-	-	(449,572)
Exchange difference	178,265	(21,723)	-	20,660	177,202
Amounts written off during the year as uncollectible	(1,553)	(1,424,472)	-	-	(1,426,025)
Provision for asset impairment at 31 December 2021	2,910,893	1,361,596	34,286	71,942	4,378,717

The receivables that are not expected to be fully paid are written off in accordance with the Board of Directors' resolution during 2021.

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

<i>In thousands of Mongolian Tugriks</i>	Receivable from companies	Receivable from individuals	Receivables on cash and settlement services	Total
Provision for asset impairment at 1 January 2020	2,881,890	2,841,582	820	5,724,292
Provision/(reversal) for impairment during the year	675,270	86,306	-	761,576
Exchange difference	19,150	57,982	35	77,167
Amounts written off during the year as uncollectible	(844,085)	(181,690)	-	(1,025,775)
Provision for asset impairment at 31 December 2020	2,732,225	2,804,180	855	5,537,260

15 Intangible Assets

<i>In thousands of Mongolian Tugriks</i>	Computer software licences	Land use right	Total
Cost at 1 January 2020	32,310,696	673,313	32,984,009
Accumulated amortization	(18,613,998)	-	(18,613,998)
Carrying amount at 1 January 2020	13,696,698	673,313	14,370,011
Additions	5,311,699	-	5,311,699
Transfers	373,320	-	373,320
Amortisation	(3,300,686)	-	(3,300,686)
Carrying amount at 31 December 2020	16,081,031	673,313	16,754,344
Cost at 1 January 2021	37,995,715	673,313	38,669,028
Accumulated amortization	(21,914,684)	-	(21,914,684)
Carrying amount at 1 January 2021	16,081,031	673,313	16,754,344
Additions	5,018,105	-	5,018,105
Transfers	12,079	-	12,079
Amortisation	(3,837,579)	-	(3,837,579)
Disposal	(98,277)	-	(98,277)
Carrying amount at 31 December 2021	17,175,359	673,313	17,848,672

16 Premises and Equipment

<i>In thousands of Mongolian Tugriks</i>	Premises	Motor vehicles	Office equipment and computers	Furniture	Leasehold improvement	Construction in progress	Total premises and equipment
Cost/valuation at 1 January 2020	107,731,396	3,240,062	74,225,358	7,914,329	6,933,126	650,454	200,694,725
Accumulated depreciation	(5,068,128)	(1,283,560)	(39,779,477)	(3,059,446)	(3,755,284)	-	(52,945,895)
Carrying amount at 1 January 2020	102,663,268	1,956,502	34,445,881	4,854,883	3,177,842	650,454	147,748,830
Additions	4,259,824	65,000	6,832,365	438,605	992,525	-	12,588,319
Transfers	3,096,464	(32,954)	(294,603)	24,677	90	-	2,793,674
Disposals	(3,305,473)	-	(214,837)	(6,068)	-	-	(3,526,378)
Write-offs	-	-	(2,565,613)	(149,334)	(1,455,789)	-	(4,170,736)
Charge for the year	(3,031,063)	(316,976)	(10,849,388)	(473,959)	(1,316,560)	-	(15,987,946)
Transfers of accumulated depreciation	530,707	29,483	(122,798)	(11,306)	-	-	426,085
Disposals of accumulated depreciation	79,218	-	207,870	5,757	-	-	292,845
Write-offs of accumulated depreciation	-	-	2,552,945	148,179	1,269,638	-	3,970,762
Carrying amount at 31 December 2020	104,292,945	1,701,055	29,991,822	4,831,434	2,667,746	650,454	144,135,456
Cost/valuation at 1 January 2021	111,782,210	3,272,108	77,982,670	8,222,210	6,469,952	650,454	208,379,604
Accumulated depreciation	(7,489,265)	(1,571,053)	(47,990,848)	(3,390,776)	(3,802,205)	-	(64,244,148)
Carrying amount at 1 January 2021	104,292,945	1,701,055	29,991,822	4,831,434	2,667,746	650,454	144,135,456
Additions	1,311,709	750,800	20,682,789	461,722	2,588,206	-	25,795,226
Transfers	-	-	(26,308)	-	-	-	(26,308)
Disposals	-	(418,513)	(1,031,797)	(59,851)	-	-	(1,510,161)
Write-offs	-	-	(3,071,381)	(91,835)	-	-	(3,163,216)
Charge for the period	(3,444,849)	(327,855)	(12,901,737)	(532,962)	(2,063,179)	-	(19,270,582)
Transfers of accumulated depreciation	-	-	20,057	-	-	-	20,057
Disposals of accumulated depreciation	-	405,977	441,730	46,344	-	-	894,051
Write-offs of accumulated depreciation	-	-	3,053,815	91,004	-	-	3,144,819
Carrying amount at 31 December 2021	102,159,805	2,111,464	37,158,990	4,745,856	3,192,773	650,454	150,019,342

Premises have been revalued at fair value as at 31 December 2021. The valuation was carried out by an independent firm of appraisers, KPMG LLC who hold a recognised and relevant professional qualification and who have recent experience in the valuation of assets in similar locations and in a similar category. The basis used for the appraisal was market value of the similar premises located in the Ulaanbaatar.

At 31 December 2021, the carrying amount of premises would have been MNT 95,165,144 thousands (2020: MNT 97,048,529 thousands) had the assets been carried at cost less depreciation.

16 Premises and Equipment (continued)

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

<i>In thousands of Mongolian Tugriks</i>	31 December 2021	31 December 2020
Premises at revalued amount in the statement of financial position	102,159,805	104,292,945
Revaluation reserve presented in equity	(7,245,102)	(7,495,543)
Realised revaluation reserve	250,441	251,127
Premises at cost less accumulated depreciation	95,165,144	97,048,529

17 Right of Use Assets

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

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

<i>In thousands of Mongolian Tugriks</i>	Buildings	Other	Total
Carrying amount at 1 January 2020	6,259,519	3,231	6,262,750
Additions	6,211,715	3,532,106	9,743,821
Disposals	(1,217,928)	-	(1,217,928)
Depreciation charge	(4,178,546)	(727,361)	(4,905,907)
Carrying amount at 31 December 2020	7,074,760	2,807,976	9,882,736
Additions	8,595,473	-	8,595,473
Disposals	(192,198)	-	(192,198)
Depreciation charge	(4,558,618)	(726,245)	(5,284,863)
Carrying amount at 31 December 2021	10,919,417	2,081,731	13,001,148

As of 31 December 2021, interest expense on lease liabilities was MNT 1,560,592 thousands (31 December 2020: MNT 1,385,422 thousands).

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

<i>In thousands of Mongolian Tugriks</i>	Note	31 December 2021	31 December 2020
Expense relating to short-term leases	29	1,397,273	2,039,348

Total cash outflow for leases as of 31 December 2021 was MNT 8,117,052 thousands (2020: MNT 7,203,698 thousands).

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

18 Repossessed Collateral

<i>In thousands of Mongolian Tugriks</i>	31 December 2021	31 December 2020
Financial assets at fair value	59,418,813	121,292,776
Non-financial assets at cost	109,706,448	129,006,234
Less: Impairment provision	(62,172,093)	(39,722,685)
Total repossessed collaterals	106,953,168	210,576,325

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

During 2021, the Bank recognised MNT 69,461,677 thousands (2020: MNT 95,255,910 thousands) repossessed collateral through foreclosure process and reclassified assets in value of MNT 80,235,055 thousands to Non-Current Assets classified as Held for Sale, following the management's intentions in relation to those assets.

During the year, MNT 11,860,012 thousands (2020: MNT 55,321,505 thousands) of assets were transferred from Non-Current Assets classified as Held for Sale to repossessed collateral.

Financial assets at fair value as of 31 December 2021 represent shares (equity securities) in two companies which the Bank has acquired in the process of settlement of overdue loans. The Bank is currently negotiating to sell shares of these two companies and one of them has been sold subsequently in early 2022. In 2021, fair value loss of those assets was MNT 61,873,963 thousands (2020: MNT 16,288,356 thousands).

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

Movements in the provision for repossessed non-financial collaterals during 2021 and 2020 are as follows:

<i>In thousands of Mongolian Tugriks</i>	31 December 2021	31 December 2020
Provision for repossessed collaterals at 1 January	39,722,685	6,077,773
Provision for impairment during the year	17,013,863	21,888,296
Provision of assets transferred to investment property	-	(1,978,658)
Provision of assets transferred from non-current assets held for sale	5,086,192	13,735,274
Provision of assets transferred from other assets	449,572	-
Amounts written off during the year as uncollectible	(100,219)	-
Provision for repossessed collaterals at 31 December	62,172,093	39,722,685

19 Non-Current Assets Classified as Held for Sale

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

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

Golomt bank LLC

Notes to the Financial Statements – 31 December 2021

19 Non-Current Assets Classified as Held for Sale (continued)

<i>In thousands of Mongolian Tugriks</i>	31 December 2021	31 December 2020
Office and commercial spaces	63,735,430	14,741,413
Residential apartments or houses	10,349,106	1,047,145
Buildings	-	10,991,262
Other	-	204,156
Total non-current assets held for sale	74,084,536	26,983,976

During 2021, the Bank sold offices, commercial spaces and residential apartments in amount of MNT 14,371,377 thousands (31 December 2020: 16,299,755 thousands). During the year, MNT 11,860,012 thousands of assets were transferred from Non-Current Assets classified as Held for Sale to repossessed collateral, MNT 5,164,055 thousands of assets were transferred from repossessed collateral to non-current asset held for sale.

20 Due to Other Banks

<i>In thousands of Mongolian Tugriks</i>	31 December 2021	31 December 2020
Short-term placements of other banks	16,782,536	14,638,962
Total due to other banks	16,782,536	14,638,962

Amount due to other banks and financial institutions represent foreign currency and local currency accounts with Mongolian and foreign banks.

21 Customer Accounts

<i>In thousands of Mongolian Tugriks</i>	31 December 2021	31 December 2020
Individuals	3,226,617,157	3,085,685,582
- Current/demand accounts	411,897,832	259,533,209
- Demand deposits	536,054,590	542,637,015
- Term deposits	2,278,664,735	2,283,515,358
Legal entities	1,886,308,143	1,808,539,526
- Current/settlement accounts	1,282,428,342	1,072,214,508
- Demand deposits	101,671,072	319,624,716
- Term deposits	502,208,729	416,700,302
State and public organizations	269,204,943	325,361,021
- Current/settlement accounts	59,415,348	70,395,910
- Demand deposits	185,260,970	184,537,147
- Term deposits	24,528,625	70,427,964
Other	81,413,147	66,089,048
- Current/demand accounts	49,176,296	41,513,031
- Demand deposits	492,516	696,098
- Term deposits	31,744,335	23,879,919
Total customer accounts	5,463,543,390	5,285,675,177

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

The management currently does not monitor concentration of customer accounts per economic sectors. Therefore, related information is not disclosed in these financial statements. At 31 December 2021, the aggregate amount of the top 30 biggest customers is MNT 1,175,753,305 thousands (31 December 2020: MNT 1,162,976,433 thousands) or 22% of total customer accounts (31 December 2020: 22%).

At 31 December 2021, included in customer accounts are deposits of MNT 50,981,406 thousands (31 December 2020: MNT 52,103,068 thousands) held as collateral for irrevocable commitments under bank guarantee and letter of credit.

22 Other Borrowed Funds

<i>In thousands of Mongolian Tugriks</i>	31 December 2021	31 December 2020
(a) Borrowed funds under projects		
Borrowed funds under Project /MNT/	394,783,842	214,051,054
Borrowed funds under Project /USD/	229,457	275,262
Borrowed funds under Project /EUR/	-	93
Total borrowed funds under projects	395,013,299	214,326,409
(b) Borrowings from foreign banks and financial institutions		
Borrowings from other foreign bank /USD/	1,059,698,703	931,920,970
(c) Trade finance from foreign banks and financial institutions		
Trade finance from foreign banks and financial institutions /USD/	48,586,576	33,020,956
Trade finance from foreign banks and financial institutions /EUR/	6,147,449	21,165,174
Trade finance from foreign banks and financial institutions /CNY/	-	1,831,140
Total borrowings from foreign banks and financial institutions	1,114,432,728	987,938,240
TOTAL	1,509,446,027	1,202,264,649

22 Other Borrowed Funds (continued)

(a) Borrowed funds under projects

<i>In thousands of Mongolian Tugriks</i>	31 December 2021	31 December 2020
Government price stabilization program		
Housing mortgage program	228,790,214	119,388,583
Fuel reserve program	71,278,311	-
Project on gold production 2	57,113,160	10,067,210
Project loan of KFW bank	992,000	1,559,720
Other borrowing under project	937,500	937,500
Projects financed by Development Bank of Mongolia		
Wheat program	300,374	-
Project on national cashmere factories	-	37,898,469
Agriculture 2020 program	-	5,944,070
MNCCI leather processing project	-	202,196
Joint projects of Mongolian government and JICA		
Borrowings under SME industry support fund	6,020,716	7,594,175
Joint project of Credit guarantee fund and ADB		
Borrowings under SME industry support fund	904,084	-
Other government projects		
Borrowings under Agriculture and Rural Development Project	28,430,319	30,418,429
Other borrowing under project	229,457	275,262
Student development program	17,164	37,511
Borrowings under SME industry support fund	-	3,284
Total	395,013,299	214,326,409

Most of these funds are obtained for specific purposes (issuing loans at advantageous rates to target customers), defined by the lenders or the Government of Mongolia, and therefore they are obtained at interest rates which may be lower than rates at which the Bank could source the funds from other lenders. Interest rate on most of these borrowed funds range between 2% to 10.5% p.a., while interest rate on most of the loans issued from these sources range between 3% and 12.13% p.a. The management considered whether initial gain on recognition of these borrowings should be recognised and concluded that they meet definition of principal market and that no gains or losses should arise on initial recognition of related borrowings and loans to customers.

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

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In 2011, the Bank received borrowings from JICA at an interest rate of 2.0% p.a. The project purpose is to support SMEs and environmental protection projects. Under this program, the Bank obtained funding at interest rates of 4% p.a. with maturity date of 15 January 2031 and issued loans to SMEs at advantageous interest rate of 6% p.a.

Under Housing Mortgage Program, the Bank received funds since 2014 from the Bank of Mongolia for a mortgage loan program implemented by the Government at an interest rate of 1%, 3% and 4% p.a. Newly issued loans or refinanced loans need to meet specific requirements (apartments with maximum area of 80 square meters, down payment of at least 30% apartment purchase price, good customer's credit history with respective bank and other Mongolian banks etc.) in order to qualify for this program.

As a result of such financing, the Bank is able to advance funds to target customers as determined by its lenders, at advantageous rates of 5%, 6% and 8% p.a. defined by the Bank of Mongolia i.e., the Bank has no discretionary rights in determining interest rates on issued loans. The Bank approves all loans disbursement or refinancing under 6% interest rate and bears the credit risk.

Since 2012, the Bank participates in the KFW program to support employment for providing small and medium sized loans to enterprises to create workplaces and manufacturing. The Bank received related funding from Bank of Mongolia at interest rate of 5-14% p.a., with maturity date of 25 June 2025. The Bank bears the credit risk in this arrangement.

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

On 10 February 2020, the Bank participates in the Government program of financing project to support employment for providing small and medium sized loans to individuals and enterprises to create workplaces and manufacturing. The Bank received related funding from the General Agency for Labour Welfare Service at interest rate of 7% p.a., with maturity date of 1 July 2022. The Bank bears the credit risk in this arrangement.

In 2020, the Bank participated in a program funded by Bank of Mongolia is for financing gold mining companies to increase the gold reserves and foreign exchange reserve of Bank of Mongolia. Under this program, the Bank obtained funding at interest rates of 6-9% p.a. with maturity date of 25 February 2024 and issued loans to mining companies at advantageous interest rate of 9-12% p.a.

The Bank participated in Wheat program 2021, funded by Development Bank of Mongolia to support planting companies to stabilize the price of food and increase the stock of food. As a part of this arrangement, the Bank received funding at interest rate of 9.1% p.a. with maturity of one year. The Bank can issue loans to customers at advantageous interest rate of 12.1% p.a. and bears the credit risk.

In 2021, the Bank participated in new program funded by Bank of Mongolia for financing fuel supply companies to increase the fuel reserves of Mongolia. Under this program, the Bank obtained funding at interest rates of 6% p.a. with maturity date of 31 December 2022 and issued loans to the companies at advantageous interest rate of 9% p.a. The Bank approves all loan disbursement and bears the credit risk.

During 2021, the Bank received borrowings from Asian Development Bank at an interest rate of 5% p.a. The project with Credit guarantee fund of Mongolia purpose is to support SMEs` in long term. The bank can grant loans with the interest rate of 12-15% depending on the guarantee percentages. Both the Bank and CGF approves the loan disbursement and bears the credit risk separately.

Furthermore, the Bank participates in another program, Agriculture sector, by Bank of Mongolia to support cashmere, wool, leather, wheat and rapeseed and meat companies. As a part of this arrangement, the Bank received interest subsidy at 7.65% p.a. with maturity of one year from Government. The Bank can issue loans to customers at advantageous interest rate of 3% p.a. During 2021, the pro-grams have ended as per the terms of the agreement. The Bank has fully repaid all of outstanding amounts within these programs

22 Other Borrowed Funds (continued)

(a) Borrowed funds under projects (continued)

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

Category	Funding source	Name of Project	Currency	Disbursement date	Maturity date	Principle balance as of 31 December 2021 in thousands of original currency	Principle balance as of 31 December 2021 in thousands of MNT
Government price stabilization program Bank of Mongolia	Bank of Mongolia	Housing mortgage program	MNT	4/21/2016	12/15/2022	228,790,214	228,790,214
	Bank of Mongolia	Fuel reserve program	MNT	12/30/2021	12/31/2022	71,278,311	71,278,311
	Bank of Mongolia	Project on gold production 2	MNT	8/7/2020	9/2/2022	57,113,160	57,113,160
	Bank of Mongolia	Project loan of KFW bank	MNT	6/8/2012	6/25/2025	992,000	992,000
	Bank of Mongolia	Other borrowing under project	MNT	7/1/2020	7/1/2022	937,500	937,500
Projects financed by Development Bank of Mongolia	Development Bank of Mongolia	Wheat program	MNT	2/10/2021	2/10/2022	300,374	300,374
Joint projects of Mongolian government and JICA	JICA	Borrowings under SME industry support fund	MNT	6/12/2009	10/1/2030	6,020,716	6,020,716
Joint projects of Credit guarantee fund and ADB	ADB	Borrowings under SME industry support fund	MNT	4/29/2021	12/31/2032	904,084	904,084
Other government projects	Government	Borrowings under Agriculture and Rural Development Project	MNT	5/5/2016	7/1/2027	28,430,319	28,430,319
	Government	Student development program	MNT	11/30/2016	11/30/2026	17,164	17,164
	Government	Other borrowing under project	USD	4/1/2010	5/1/2027	81	229,457

(b) Borrowings from foreign banks and financial institutions

Borrowings from other foreign bank represent loans obtained from foreign banks and financial institution in the amount between USD 5,000 thousands and USD 100,000 thousands with maturity range of 12 months to 97 months as of 31 December 2021 (2020: between USD 5,000 thousands and USD 100,000 thousands with maturity range of 13 months to 60 months). USD 305,000 thousands of those borrowings are collateralized by the Bank's current account at the lending banks.

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During 2021, several borrowings have been obtained with total amount of USD 63,500 thousands with original maturity range of 12 to 60 months.

(c) Trade finance from foreign banks and financial institutions

The Bank obtained uncommitted revolving trade credit lines from international banks and financial institutions to fund its trade loans to customers. As of 31 December 2021 the Bank utilised MNT 159,228,691 thousands (31 December 2020: MNT 106,120,996 thousands) of related credit lines and issued loans for the same amount. International banks and financial institutions for the purpose of import financing of transactions of customers provide funding. The term of such funding is up to 2 years and cash flows from customers and payment to foreign banks are matching in terms of the timing of payment and principal amount. The Bank bears the credit risk in the case of non-payment by the customer.

At 31 December 2021, the Bank has no breach on borrowings from foreign banks and financial institutions.

23 REPO Arrangements

As of 31 December 2021, sale and repurchase agreements relate to placements from local banks bearing interest rate ranging from 6.0% to 6.5% p.a. (2020: from 6.5% p.a), with original maturities of 723 and 730 days (2020: 723 days). These placements are fully collateralized by the Bank of Mongolia treasury bills disclosed in Note 10. Following the law of prevention, control and reduction of social and economic impact of coronavirus, the Bank participated in a government program to provide loans to non-mining export sector and small and medium enterprises with interest rate of 10.5%, financed by repo arrangements with the central bank.

24 Other Liabilities

Other liabilities comprise the following:

<i>In thousands of Mongolian Tugriks</i>	31 December 2021	31 December 2020
Other financial liabilities at AC:	61,772,998	89,831,222
Liabilities for settlements of transactions	43,600,802	19,134,868
Liabilities for loans sold to MIK with recourse	1,010,996	53,003,378
Trade payable	284,818	1,529,535
Provision for credit related commitments	938,074	2,897,006
Other	15,938,308	13,266,435
Other non-financial liabilities:	9,061,448	10,965,323
Taxes payable other than on income	2,881,161	9,236,305
Payables to employees	3,850,364	1,642,622
Other	2,329,923	86,396
Total other liabilities	70,834,446	100,796,545

During 2021, the Bank has not participated in any monetization transactions with MIK for selling of mortgage loans with recourse. The significant decrease in other liabilities is related to the fact that the Bank purchased back the Mortgage loan portfolio in the amount of MNT 36,174,902 thousands sold to MIK with recourse.

Liabilities for settlement transactions were increased as at 31 December 2021 in relation to the softening of the international border restrictions that resulted an increase in international payments comparing to those in December 2020.

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

25 Share Capital

<i>In thousands of Mongolian Tugriks except for number of shares</i>	Number of outstanding shares	Ordinary shares	Treasury shares	Share premium	Preference shares	Treasury preferred shares	Total
At 1 January 2020	32,014,498	32,014,498	-	135,171,702	25,778,900	-	192,965,100
Treasury stocks	(80,500)	-	(80,500)	(5,102,358)	-	(9,390,800)	(14,573,658)
Conversion of the subordinated loans	10,225,539	10,225,539	-	161,774,461	-	-	172,000,000
At 31 December 2020	42,159,537	42,240,037	(80,500)	291,843,805	25,778,900	(9,390,800)	350,391,442
At 1 January 2021	42,159,537	42,240,037	(80,500)	291,843,805	25,778,900	(9,390,800)	350,391,442
Increase in the nominal value of shares by share premium	-	126,720,111	(241,500)	(126,478,611)	-	-	-
Share split	632,393,055	-	-	-	-	-	-
Other	-	-	-	4,120,850	-	-	4,120,850
At 31 December 2021	674,552,592	168,960,148	(322,000)	169,486,044	25,778,900	(9,390,800)	354,512,292

Golomt bank LLC

Notes to the Financial Statements – 31 December 2021

25 Share Capital (continued)

The nominal registered amount of the Bank's issued share capital is MNT 168,638,148 thousand (2020: MNT 42,159,537 thousand). Share premium represents the excess of contributions received over the nominal value of shares issued. No ordinary shares were issued in 2021.

Ordinary shares

The total authorised number of ordinary shares are 674,552,592 shares (31 December 2020: 42,159,537 shares), with a par value of MNT 250 per share (31 December 2020: MNT 1,000 per share).

On 22 July 2021, the Bank obtained an approval from Bank of Mongolia for an increase of the unit price of its ordinary shares from MNT 1,000 to MNT 4,000 for each ordinary share, which changed the balance of the paid in share capital from MNT 42,159,537 thousand to MNT 168,638,148 thousands and the par value of a share to MNT 4,000 per share from MNT 1,000 per share.

On 31 December 2021, the Bank obtained an approval from Bank of Mongolia for a split of ordinary shares with 1:16 ratio, which changed the par value of a share to MNT 250 per share from MNT 4,000 per share.

The shareholders of the Bank as of 31 December 2021 and 31 December 2020 and the percentages of ownership are as follows:

Shareholder	31 December 2021	31 December 2020
	Ownership (%)	Ownership (%)
Golomt Financial Group LLC	90.47%	90.47%
Swiss-Mo Investment A.G	6.25%	6.25%
Golomt Investments Ltd	3.08%	3.08%
ESOP	0.20%	0.20%
Total	100%	100%

Preferred shares

Mr.Zorigt, a business partner of Mr.Bayasgalan, holds 25,778,900 preferred shares with USD 15,000,000, which is equivalent to MNT 25,778,900 thousands issued on 19 December 2013 and terms are further amended on 26 December 2013. Preferred shareholders have a right to receive dividend income of 6% from its investment subject to approval of Board of Directors meeting. Preferred shareholders have a priority right over ordinary shareholders in case of liquidation. In 2020, with a decision of shareholders meeting to purchase back its own preferred shares, 9,390,800 treasury preferred shares were reacquired at a price of MNT 1,438.82 per share.

26 Interest Income and Expense

<i>In thousands of Mongolian Tugriks</i>	2020	2019
Interest income calculated using the effective interest method		
Loans and advances to customers at AC	405,726,646	477,412,592
Debt securities FVTOCI	90,177,800	36,740,081
Due from other banks at AC	21,178,571	22,218,950
Cash deposited in the Bank of Mongolia	8,343,480	13,921,180
Debt securities at AC	629,364	1,308,470
Reverse repurchase agreements at AC	430,319	280,514
Total interest income calculated using the effective interest method	526,486,180	551,881,787
Other similar income		
Loans and advances to customers at FVTPL	15,333,163	6,387,102
Debt securities FVTPL	12,958,259	11,863,497
Total other similar income	28,291,422	18,250,599
Total interest income	554,777,602	570,132,386
Interest expense		
Customer accounts	(219,370,453)	(301,275,891)
Other borrowed funds	(43,690,195)	(38,491,510)
Subordinated loans	-	(21,612,625)
Due to other banks	(1,165,596)	(977,853)
Repurchase agreements	(7,031,713)	(2,036,364)
Total interest expense	(271,257,957)	(364,394,243)
Other similar expense		
Lease liabilities	(1,560,592)	(1,385,422)
Total other similar expense	(1,560,592)	(1,385,422)
Total interest and other similar expense	(272,818,549)	(365,779,665)
Net interest income	281,959,053	204,352,721

Interest income from cash and balances with central bank includes of MNT 4,347,316 thousands (31 December 2020: MNT 9,358,409 thousands), which relates to interest income on placed mandatory reserves received from the Bank of Mongolia based on the resolution of the Bank of Mongolia applicable to all local banks, as the Bank maintained the required level of mandatory reserve during 2021. Increase in interest income in 2021 mainly relates to the debt securities at fair value through other comprehensive income increased as a result of the acquisition of treasury bills on the amount of MNT 17,628,500,000 thousands (2020: MNT 5,761,700,000 thousands). Decrease in interest income from loans and advances related to the overall decrease in the interest rates in relation to decrease in policy rate. During 2021, the interest expense of customer accounts have decreased due to the Covid law for banks to stop paying interest on demand deposits and reduction of deposit interest rates.

Interest income includes approximately MNT 34,714,061 thousands (31 December 2020: MNT 15,610,229 thousands) of interest income, recognised on credit impaired loans to customers.

Management believes that related amounts are fully recoverable, given that impaired loans and advances to customers have high collateral coverage and that non-recoverable amount of interest income is not recognised in the profit or loss account for 2021 and 2020 in accordance with IFRS requirements.

27 Fee and Commission Income and Expense

<i>In thousands of Mongolian Tugriks</i>	2021	2020
Fee and commission income		
Commissions on operations with plastic cards	34,959,219	25,937,813
Remittance and other service fees	16,350,075	13,432,640
Commissions on documentary business and guarantees	7,226,156	5,550,921
Account service fee and commissions	3,558,151	3,779,078
Brokerage and other service fee	399,541	377,116
Total fee and commission income	62,493,142	49,077,568
Fee and commission expense		
Card transaction expense	(16,882,816)	(11,560,522)
Bank service expense	(3,455,651)	(2,879,959)
Online transaction expense	(1,024,110)	(1,111,910)
Brokerage and other service fee	(351,651)	(43,333)
Total fee and commission expense	(21,714,228)	(15,595,724)
Net fee and commission income	40,778,914	33,481,844

28 Other Operating Income

<i>In thousands of Mongolian Tugriks</i>	2021	2020
Income from repayment of loans which were previously written off	2,387,514	1,846,809
Other	1,447,486	1,361,328
Total other operating income	3,835,000	3,208,137

29 Administrative and Other Operating Expenses

<i>In thousands of Mongolian Tugriks</i>	Note	2021	2020
Staff costs		51,099,483	41,298,424
Information, consulting and other professional services		30,546,073	28,214,327
Depreciation of premises and equipment	16	19,270,582	15,987,946
Depreciation of right of use assets	17	5,284,863	4,905,907
Amortisation of software and other intangible assets	15	3,837,579	3,300,686
Advertising and marketing services		3,491,855	3,691,587
Stationery expense		2,927,494	2,651,902
Security expense		2,711,355	2,162,967
Taxes (other than income tax)		2,266,791	1,996,394
Loan collection expenses		2,084,904	1,710,913
Telecommunications expense		1,828,331	1,511,093
Short term lease expense		1,397,273	2,039,348
Office cleaning expense		1,166,351	1,209,971
Utilities		1,070,331	1,256,955
Voluntary and mandatory insurance		1,052,974	618,156
Transportation		1,263,585	1,170,044
Entertainment		572,851	920,460
Travelling expenses		77,958	426,321
Donations		31,000	11,126
Other		5,157,964	5,930,057
Total administrative and other operating expenses		137,139,597	121,014,584

<i>In thousands of Mongolian Tugriks</i>	2021	2020
Staff costs consist of:		
Salaries, wages and bonus	44,660,813	38,388,570
Contribution to social and health fund	5,212,296	1,974,054
Staff benefits	633,897	521,645
Pension fund	282,431	219,093
Staff training	310,046	195,062
Total staff costs	51,099,483	41,298,424

In 2021, the Bank has paid one off bonuses to its employees based on the result of the employee skill assessment. The increase in contribution to social and health fund is related to the discount that the bank employees received in 2020 according to the law of prevention, control and reduction of social and economic impact of coronavirus. During 2021, government has stopped the discount on social insurance premium.

30 Other gains/(losses), net

<i>In thousands of Mongolian Tugriks</i>	2021	2020
Gains less losses on disposal of investment properties	830,859	(313,317)
Gains less losses on disposal of premises and equipment	82,161	124,982
Losses less gains on disposal of repossessed collateral	(2,780,939)	(11,044)
Losses less gains on disposal of non-current asset held for sale	414,498	(90,721)
Total other gains/(losses), net	(1,453,421)	(290,100)

In 2021, the Bank sold offices, commercial spaces and residential apartments in amount of MNT 26,057,471 thousands. Other gains less losses from disposal of assets are separately presented on the face of the income statement starting from 2021 as it provides more transparency rather than combining with other operating income. Comparative amount has been reclassified in line with the change in amount of MNT 290,100 thousand in the current period.

31 Income Taxes

(a) Components of income tax expense / (benefit)

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

<i>In thousands of Mongolian Tugriks</i>	2021	2020
Current tax	30,465,021	624,052
Deferred tax	(3,830,793)	11,471,208
Income tax expense for the year	26,634,228	12,095,260

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

The Bank provides for income taxes on the basis of income for financial reporting purposes, adjusted for items which are not assessable or deductible for income tax purposes. The income tax rate for profits of the Bank is 10% for the first MNT 6 billion (2020: MNT 6 billion) of taxable income, and 25% (2020: 25%) on the excess of taxable income over MNT 6 billion (2020: MNT 6 billion) in accordance with Mongolian tax legislation.

<i>In thousands of Mongolian Tugriks</i>	2021	2020
Profit before tax	52,570,894	22,489,020
Theoretical tax charge at statutory rate (2021: 25%; 2020: 25%)	13,142,724	5,622,255
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Effect of income subject to lower rate	(900,000)	(900,000)
- Income which is exempt from taxation	(2,250,395)	(1,247,957)
- Income which is taxed at different rates	(351,064)	649,048
- Non-deductible expenses	1,524,472	4,220,121
Unrecognised deferred tax assets	15,468,491	-
Unrecognised tax loss carried forward	-	2,572,089
Other	-	1,179,704
Income tax expense for the year	26,634,228	12,095,260

The Bank did not recognise deferred tax asset in relation to loss from decrease in fair value of financial repossessed collaterals (Note 18) during 2021 as it was considered non-recoverable.

(c) Deferred taxes analysed by type of temporary difference

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

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

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

31 Income Taxes (continued)

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

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

<i>In thousands of Mongolian Tugriks</i>	1 January 2020	Credited/ (charged) to profit or loss	Charged directly to OCI	31 December 2020
Tax effect of deductible / (taxable) temporary differences and tax loss carry forwards:				
Provision charge for repossessed collateral, gains less losses on revaluation of investment properties and provision for non-current asset held for sale	3,431,521	10,138,687	-	13,570,208
Impairment of buildings	10,728,578	(534,825)	-	10,193,753
Initial loss and modification loss related to loans and advances	4,685,154	90,015	-	4,775,169
Fair valuation of equity securities at FVTOCI	5,263,819	-	(976,416)	4,287,403
Loan and advances to customers	9,612,004	(5,887,986)	-	3,724,018
Prepaid income – loan origination fee and others	2,363,856	(57,764)	-	2,306,092
Credit loss allowance of securities at AC and FVTOCI	58,673	633,418	-	692,091
Credit loss allowance of due from other banks	209,850	(148,655)	-	61,195
Unrecoverable deferred tax asset	2,572,089	(2,572,089)	-	-
Tax losses carry forwards	-	952,354	-	952,354
Total deferred tax assets	38,925,544	2,613,155	(976,416)	40,562,283
Fair value changes of derivative financial instruments	(28,541,465)	(10,392,201)	-	(38,933,666)
Loans and advances to customers - interest income on loans overdue more than 90 days	(8,382,130)	(3,440,232)	-	(11,822,362)
Fair valuation of securities at FVTPL	(1,388,575)	47,712	-	(1,340,863)
Tax loss carry forwards	(522,357)	(299,642)	-	(821,999)
Total deferred tax liabilities	(38,834,527)	(14,084,363)	-	(52,918,890)
Net deferred tax asset/(liability)	91,017	(11,471,208)	(976,416)	(12,356,607)

32 Other Comprehensive Income Recognised in Each Component of Equity

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

<i>In thousands of Mongolian Tugriks</i>	2021	2020
Change in value of:		
<i>Items that will be reclassified to profit or loss:</i>		
Debt securities at fair value through other comprehensive income:		
- Gains less losses arising during the year	2,680,637	2,217,585
- Gains less losses reclassified to profit or loss upon disposal	626	(2,217,585)
Income tax recorded directly in other comprehensive income	(670,316)	-
<i>Items that will not be reclassified to profit or loss:</i>		
Gains less losses on investments in equity securities at fair value through other comprehensive income	1,153,870	3,905,911
Income tax recorded directly in other comprehensive income	(288,468)	(976,478)
Other comprehensive income	2,876,349	2,929,433

33 Dividends

<i>In thousands of Mongolian Tugriks</i>	2021		2020	
	Ordinary	Preference	Ordinary	Preference
Dividends payable at 1 January				
Dividends declared during the year	-	1,709,458	-	1,695,909
Dividends paid during the year	-	(1,709,458)	-	(1,695,909)
Dividends payable at 31 December	-	-	-	-

34 Earnings per Share

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:

<i>In thousands of Mongolian Tugriks / except for number of shares /</i>	2021	2020
Profit/(loss) for the year attributable to the shareholders of the Bank	25,936,666	10,393,760
Less preference dividends declared	(1,709,458)	(1,695,909)
Less undistributed profit or loss for the year attributable to preference shareholders based on terms of the shares	-	-
Less interest payments on perpetual subordinated loan	-	-
Profit for the year attributable to the ordinary shareholders of the Bank	24,227,208	8,697,851
Weighted average number of ordinary shares in issue (thousands)	674,553	512,774
Earnings per ordinary share	35.92	16.96

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

