

**GOLOMT BANK**

**Financial Statements and  
Independent Auditor's Report**

**31 December 2025**

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# GOLOMT BANK JSC

## Corporate Information

### Incorporation decision

Golomt Bank JSC (the “Bank”) was incorporated on 6 March 1995.

### Certificate and License

The Bank holds the State Registration Certificate No. 9007001012 with registration No.2075377 newly granted to the Bank by the State Registration Office of Mongolia on 7 April 2023.

The Bank holds the Special License No. 25 for Banking Activities dated 6 March 1995 issued by the Bank of Mongolia.

### Board of Directors

Ch. Munkhtsetseg	<i>Chairwoman</i>
D. Munkhtur	<i>Member</i>
O.Ganjoloo	<i>Member</i>
J. Unenbat	<i>Member</i>
James B. Dwyer	<i>Independent Member</i>
Alexander Picker	<i>Independent Member</i>
Robert W.van Zwieten	<i>Independent Member</i>
Hans Holzacker	<i>Independent Member</i>
Ronil Sujan	<i>Independent Member</i>

### Executive Officers

A. Odonbaatar	<i>Chief Executive Officer</i>
G. Ganbold	<i>President</i>
M. Sainbileg	<i>Chief Information Officer</i>
T. Otgon	<i>Chief Risk Officer</i>
S. Munkhtuya	<i>Director of Financial Management Division</i>
M. Narankhuu	<i>Director of Credit Division</i>
B. Sodbolor	<i>Director of Treasury Management Division</i>
B. Sugar-Erdene	<i>Director of Corporate Banking Division</i>
Ts. Baigalmaa	<i>Director of SME Banking Division</i>
Z. Sugar	<i>Director of Retail Banking Division</i>
O. Battsengel	<i>Director of Digital Banking Division</i>
G. Uyanga	<i>Director of Human Resource Management Division</i>
B. Zorig	<i>Director of Marketing and PR Division</i>
B. Enkhzaya	<i>Director of International Banking Division</i>
B. Enkhtuvshin	<i>Director of Credit Collection Division</i>
Yo. Purevbat	<i>Director of Operation Division</i>
J. Oyun	<i>Director of Digital Transformation Division</i>
Kh. Purevdorj	<i>Director of Administration Division</i>
G. Mandakh	<i>Director of Customer Registration Division</i>
A. Nyamsuren	<i>Director of Customer Service Division</i>
D. Bayarjargal	<i>Director of Information Technology Division</i>

### Registered office

Head Office of Golomt Bank JSC  
Sukhbaatar Square 5,  
P.O.Box 22  
Ulaanbaatar 15160, Mongolia

### Auditors

KPMG Audit LLC  
Blue Sky, Floor 6, Suite 602, Peace Avenue 17, SBD-1, Ulaanbaatar 14240,  
Mongolia

## Management's responsibility statement

The Golomt Bank JSC (the "Bank")'s management is responsible for the preparation of the financial statements.


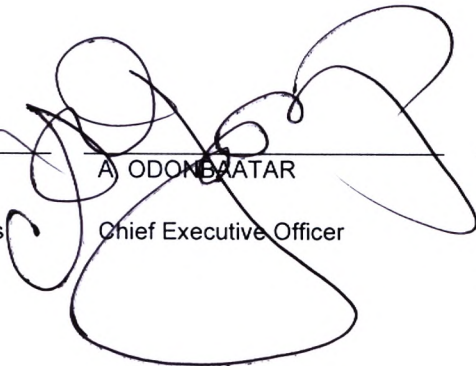

The financial statements of the Bank have been prepared to comply with IFRS Accounting Standards. The management is responsible for ensuring that these financial statements present fairly the state of affairs of the Bank as at 31 December 2025 and the financial performance and cash flows for the year then ended on that date.

The management has responsibility for ensuring that the Bank keeps proper accounting records which disclose with reasonable accuracy the financial position of the Bank and which enable them to ensure that the financial statements comply with the requirements set out in Note 2 to Note 6 thereto.

The management also has a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

The management considers that, in preparing the financial statements including explanatory notes, they have used appropriate policies, consistently applied and supported by reasonable and prudent judgement and estimates, and that all applicable accounting standards have been followed.

The financial statements of the Bank for the year ended 31 December 2025 were authorized for issuance by the Bank's management.

		
CH. MUNKHTSETSEG Chairwoman, Board of Directors	A. ODONDAAATAR Chief Executive Officer	S. MUNKHTUYA Director of Financial Management Division

Ulaanbaatar,  
Mongolia

Date: 26 March 2026



KPMG Audit LLC  
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## Independent Auditors' Report

To: The Shareholders and Board of Directors of Golomt Bank Joint Stock Company

### Opinion

We have audited the financial statements of Golomt Bank JSC ("the Bank"), which comprise the statement of financial position as at 31 December 2025, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

### 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Mongolia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matter

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

#### *Measurement of Expected Credit Loss Allowance for Loans and Advances to Customers*

The Bank's expected credit loss allowance on loans and advances to customers is MNT 152,007,773 thousand as of 31 December 2025. This allowance is determined by the Bank based on the Expected Credit Losses ("ECL") framework under IFRS 9 Financial Instruments.

Refer to Note 12 "Loans and Advances to Customers" to the financial statements and the accounting policies in Note 3.3 "Critical accounting estimates and judgments in applying accounting policies" and Note 4.9 "Loans and Advances customers".



Key Audit Matter, Continued

Area of focus	How our audit addressed the area of focus
<p>We identified the measurement of ECL allowance for the Bank's loans and advances to customers as a key audit matter due to significance of these assets to the Bank's financial statements and the significant judgement and estimation required in the measurement.</p> <p>Applying different judgments and assumptions can lead to significantly different results of the ECL, which may have a material effect on the Bank's financial results.</p> <p>As disclosed in Note 3.3 to the financial statements, significant management judgement and estimation required in the measurement of ECL includes assessing whether the credit risk of an asset has significantly increased, identifying stage classification, using appropriate models and assumptions, determining key inputs including probability of default (PD), loss given default (LGD), and applying forward looking information.</p>	<p>Our audit procedures over ECL included, among others:</p> <ul style="list-style-type: none"> <li>- We evaluated the reasonableness of collective assessment of ECL method, and the significant assumptions and data used in the estimate, including whether the credit risk of an asset has significantly increased, PD, LGD, exposure at default and forward-looking information.</li> <li>- We evaluated the design and tested operating effectiveness of controls over the accuracy of effective interest rate and repayment data used in the ECL estimate.</li> <li>- We checked the accuracy of application of methods, assumptions and data.</li> <li>- On a sample basis, we tested the estimate of individual assessment of ECL by developing independent expectation with assistances of our own valuation specialists with specialized skills and knowledge and compared the result to the Bank's estimate.</li> </ul>

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and describe actions applicable in the jurisdiction.



## Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

## Auditors' 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 auditors' 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 skepticism 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 auditors' 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 auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.



## Auditors' 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.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Kim Sung Min, and the Executive Director of the audit firm is Soyolmaa Gungaanyambuu.



KPMG Audit LLC  
Ulaanbaatar, Mongolia  
26 March 2026

Signed by:

Soyolmaa Gungaanyambuu  
Executive Director

Approved by:

Kim Sung Min  
Partner

This report is effective as at 26 March 2026, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any. Furthermore, this report is intended solely for the use of the shareholders of the Bank. To the fullest extent permitted by law, we do not assume responsibility towards or accept liability to any other party in relation to the contents of this report.

**Golomt Bank JSC**  
**Statement of Financial Position**

<i>In thousands of Mongolian Tugriks</i>	<b>Note</b>	<b>31 December 2025</b>	<b>31 December 2024</b>
<b>Assets</b>			
Cash and balances with the Bank of Mongolia	7	3,181,075,810	2,531,290,330
Mandatory cash balances with the Bank of Mongolia	8	763,190,768	566,906,794
Reverse sale and repurchase agreement	23	41,496,584	55,710,082
Due from other banks	9	1,843,175,204	1,077,952,931
Investments in debt securities	10	3,735,881,078	2,910,397,027
Investments in equity securities	11	102,277,379	69,814,870
Loans and advances to customers	12	8,166,178,564	7,351,381,161
Assets classified as held for sale	18	211,372,166	39,545,781
Investment properties	13	9,063,988	8,014,077
Current income tax prepayment	31	14,092,503	-
Other assets	14	590,052,291	502,590,169
Derivative financial assets	41	260,415,143	235,679,985
Intangible assets	15	26,267,202	22,685,885
Premises and equipment	16	204,752,689	200,103,976
Right of use assets	17	33,637,508	24,886,485
<b>Total assets</b>		<b>19,182,928,877</b>	<b>15,596,959,553</b>
<b>Liabilities</b>			
Due to other banks	19	811,902,175	443,274,660
Customer accounts	20	10,814,815,934	9,376,843,081
Other borrowed funds	21	1,262,551,056	1,253,875,383
Debt securities in issue	22	1,911,935,038	1,369,878,337
REPO arrangements	23	2,407,294,249	1,540,353,861
Current income tax liability	31	-	753,534
Deferred income tax liability	31	60,993,064	33,781,732
Derivative financial liabilities	41	24,854,014	904,691
Lease liabilities	35	35,438,125	25,396,842
Other liabilities	24	167,485,742	121,531,371
<b>Total liabilities</b>		<b>17,497,269,397</b>	<b>14,166,593,492</b>
<b>Equity</b>			
Share capital	25	202,164,327	202,164,327
Share premium	25	301,481,120	301,481,120
Retained earnings		1,082,530,281	798,606,421
Other reserves		99,483,752	128,114,193
<b>Total equity</b>		<b>1,685,659,480</b>	<b>1,430,366,061</b>
<b>Total liabilities and equity</b>		<b>19,182,928,877</b>	<b>15,596,959,553</b>

The notes set out on pages 11 to 139 form an integral part of these financial statements.

**Golomt Bank JSC**  
**Statement of Profit or Loss and Other Comprehensive Income**

<i>In thousands of Mongolian Tugriks</i>	<b>Note</b>	<b>2025</b>	<b>2024</b>
Interest income calculated using the effective interest method	26	1,382,693,463	1,099,230,795
Other similar income	26	92,902,153	63,958,255
Interest expense	26	(869,313,243)	(595,259,875)
Other similar expense	26	(5,046,697)	(3,308,598)
<b>Net interest income</b>		<b>601,235,676</b>	<b>564,620,577</b>
Reversal of expected credit loss	12	37,073,290	5,521,804
<b>Net interest income after expected credit loss</b>		<b>638,308,966</b>	<b>570,142,381</b>
Fee and commission income	27	143,174,433	125,421,703
Fee and commission expense	27	(95,673,045)	(79,605,159)
Gains less losses from financial assets at fair value through profit or loss		9,872,675	3,882,111
Gain on redemption of bonds		1,014,421	-
Gains less losses from disposal of financial assets at fair value through other comprehensive income		2,890,793	(1,979,704)
Losses less gains from loans at fair value through profit or loss	40	(13,486)	(760,284)
Losses less gains from financial derivatives	41	(56,182,958)	59,622,496
Reversal/ (charge) of expected credit losses of debt securities at amortised cost	10	11,894	(11,894)
Reversal/ (charge) of expected credit losses for debt securities at fair value through other comprehensive income	10	2,243,914	(2,059,116)
(Charge)/ reversal of expected credit losses of due from banks	9	(537,342)	511,971
Gains less losses from trading in precious metals		33,145,862	18,680,471
Foreign exchange translation losses less gains		(77,565,674)	(40,253,561)
Gains less losses from trading in foreign currencies		75,479,105	102,497,920
Losses less gains from modification of financial assets measured at amortised cost, that did not lead to derecognition		(519,626)	(368,474)
Losses on initial recognition of assets at rates below market		(246,625)	(466,282)
(Charge)/ reversal of expected credit losses of other assets	14	(4,300,536)	363,153
Gains less losses from asset held for sale	18	20,843,193	43,182,070
Gains less losses on revaluation of investment properties	13	1,049,911	1,427,602
(Charge)/ reversal of provision for guarantees and letters of credit	40	(2,166,328)	976,454
Dividend received		6,905,786	5,251,201
Other operating income	28	10,009,196	3,015,175
Administrative and other operating expenses	29	(313,258,490)	(270,665,825)
Other gains, net	30	9,675,995	6,277,044
<b>Profit before tax</b>		<b>404,162,034</b>	<b>545,081,453</b>
Income tax expense	31	(73,736,663)	(126,327,771)
<b>Profit for the year</b>		<b>330,425,371</b>	<b>418,753,682</b>
<b>Other comprehensive income/(loss):</b>			
Items that may be reclassified subsequently to profit or loss:			
Debt securities at fair value through other comprehensive income:			
- Gains less losses arising during the year	32	10,365,697	4,130,023
- Gains less losses reclassified to profit or loss upon disposal	32	(2,890,793)	1,979,705
Income tax recorded directly in other comprehensive income	31, 32	(1,868,726)	(1,527,433)
Items that will not be reclassified to profit or loss:			
Gains less losses on investments in equity securities at fair value through other comprehensive income	32	25,064	14,872
Revaluation of premises and equipment	32	-	13,682,426
Income tax recorded directly in other comprehensive income	31, 32	(6,266)	(3,424,324)
<b>Other comprehensive income/loss</b>		<b>5,624,976</b>	<b>14,855,269</b>
<b>Total comprehensive income for the year</b>		<b>336,050,347</b>	<b>433,608,951</b>
<b>Basic earnings per share for profit attributable to the owners of the Bank</b>	<b>34</b>	<b>408.61</b>	<b>517.84</b>
<b>Diluted earnings per share for profit attributable to the owners of the Bank</b>	<b>34</b>	<b>408.61</b>	<b>517.84</b>

The notes set out on pages 11 to 139 form an integral part of these financial statements.

**Golomt Bank JSC**  
**Statement of Changes in Equity**  
**31 December 2025**

<i>In thousands of Mongolian Tugriks</i>	Note	Ordinary share capital	Share premium	Revaluation reserve for securities at FVTOCI	Revaluation reserve for premises	Other reserves	Retained earnings	Total equity
<b>Balance at 1 January 2024</b>		<b>202,164,327</b>	<b>301,481,120</b>	<b>4,960,621</b>	<b>6,666,263</b>	<b>95,100,321</b>	<b>460,718,070</b>	<b>1,071,090,722</b>
Profit for the year		-	-	-	-	-	418,753,682	<b>418,753,682</b>
Other comprehensive income		-	-	4,593,450	10,261,819	-	-	<b>14,855,269</b>
<b>Total comprehensive income for 2024</b>		<b>-</b>	<b>-</b>	<b>4,593,450</b>	<b>10,261,819</b>	<b>-</b>	<b>418,753,682</b>	<b>433,608,951</b>
Dividends declared and paid	33	-	-	-	-	-	(72,779,158)	<b>(72,779,158)</b>
Transfer of revaluation surplus on premises		-	-	-	(479,780)	-	479,780	-
Transfer from regulatory reserve		-	-	-	-	8,211,349	(8,211,349)	-
Movement in operational risk		-	-	-	-	354,604	(354,604)	-
Use of operational risk reserve		-	-	-	-	(7,833)	-	<b>(7,833)</b>
Other		-	-	-	(1,546,621)	-	-	<b>(1,546,621)</b>
<b>Balance at 31 December 2024</b>		<b>202,164,327</b>	<b>301,481,120</b>	<b>9,554,071</b>	<b>14,901,681</b>	<b>103,658,441</b>	<b>798,606,421</b>	<b>1,430,366,061</b>
Profit for the year		-	-	-	-	-	330,425,371	<b>330,425,371</b>
Other comprehensive income		-	-	5,624,976	-	-	-	<b>5,624,976</b>
<b>Total comprehensive income for 2025</b>		<b>-</b>	<b>-</b>	<b>5,624,976</b>	<b>-</b>	<b>-</b>	<b>330,425,371</b>	<b>336,050,347</b>
Dividends declared and paid	33	-	-	-	-	-	(80,865,731)	<b>(80,865,731)</b>
Transfer of revaluation surplus on premises		-	-	-	(426,327)	-	568,436	<b>142,109</b>
Transfer to regulatory reserve		-	-	-	-	(33,795,784)	33,795,784	-
Movement in operational risk		-	-	-	-	(33,306)	-	<b>(33,306)</b>
Other		-	-	-	-	-	-	-
<b>Balance at 31 December 2025</b>		<b>202,164,327</b>	<b>301,481,120</b>	<b>15,179,047</b>	<b>14,475,354</b>	<b>69,829,351</b>	<b>1,082,530,281</b>	<b>1,685,659,480</b>

As of 31 December 2025, other reserves mainly consist of the regulatory reserves required by Bank of Mongolia (BOM). In accordance with the regulation of the BOM, it is required to recognize the excess difference of credit loss allowance and provision for repossessed collaterals determined in accordance with the regulations of BOM ("BOM impairment provision") in comparison to credit loss allowance and provision for repossessed collaterals determined under IFRS as a reserve in the statement of changes in equity. This reserve is created as appropriation of the Bank's retained earnings, as such treatment is in accordance with IFRS and the accounting regulations of the Bank of Mongolia and represents regulatory reserve.

The notes set out on pages 11 to 139 form an integral part of these financial statements.

**Golomt Bank JSC**  
**Statement of Cash Flow**

<i>In thousands of Mongolian Tugriks</i>	<b>Note</b>	<b>2025</b>	<b>2024</b>
<b>Cash flows from operating activities</b>			
<b>Profit before tax</b>		<b>404,162,034</b>	<b>545,081,453</b>
Adjustments for non-cash income and expenses:			
Reversal of expected credit loss	12	(37,073,290)	(5,521,804)
Net gain on financial assets at fair value through profit or loss		(9,872,675)	(3,882,111)
Gain on redemption of bonds		(1,014,421)	-
Net gain on disposal of financial assets at fair value through other comprehensive income		(2,890,793)	-
Net loss on loans at fair value through profit or loss		13,486	760,284
Net loss/ (gain) from financial derivatives	41	56,182,958	(59,622,496)
(Reversal)/charge of expected credit losses on debt securities at amortised cost	10	(11,894)	11,894
(Reversal)/charge of expected credit losses on debt securities at fair value through other comprehensive income	10	(2,243,914)	943,727
Charge/ (reversal) of expected credit losses on due from banks	9	537,342	(511,971)
Foreign exchange losses		77,565,674	40,253,561
Net loss on modification of financial assets measured at amortised cost, that did not lead to derecognition		519,626	368,474
Net loss on initial recognition of assets at rates below market		246,625	466,282
Charge/ (reversal) of expected credit losses on other assets	14	4,300,536	(363,153)
Net gain on asset held for sale	18	(20,843,193)	(43,182,070)
Net gain on revaluation of investment properties	13	(1,049,911)	(1,427,602)
Charge/ (reversal) of expected credit losses on credit related commitment	40	2,166,328	(976,454)
Gains less losses on disposal of premises and equipment, assets held for sales and investment properties	30	(569,249)	1,770,256
Net loss on disposal of right-of-use asset		8,115,173	-
Gains on revaluation of premises	30	-	(8,048,317)
Depreciation expense	16,17	37,311,651	34,755,717
Amortisation expense	15	9,675,912	8,824,542
Property and equipment written off	16	25,119	1,017
Interest income	26	(1,475,595,616)	(1,163,189,050)
Interest expense	26	874,359,940	598,568,473
<b>Cash flows used in operating activities before changes in operating assets and liabilities</b>		<b>(75,982,552)</b>	<b>(54,919,348)</b>
Increase in mandatory cash balances with the Bank of Mongolia			
		(196,283,974)	(97,976,840)
Decrease in reverse sale and repurchase agreement			
		14,237,054	590,291,636
Decrease in due from other banks			
		60,289,204	263,311,768
Increase in debt securities at fair value through profit or loss			
		(254,478,895)	(277,889,606)
Increase in equity securities at fair value through profit or loss			
		-	(45,401,611)
Increase in loans and advances			
		(1,283,866,696)	(2,817,708,847)
(Increase) / decrease in other assets			
		(26,311,720)	17,615,765
Decrease in assets classified as held for sale			
		62,183,445	72,551,792
Increase in due to banks			
		359,642,835	311,909,221
Increase in customer account			
		1,250,219,715	1,289,197,748
Increase in derivative instruments			
		72,056,306	93,400,874
Increase / (decrease) in other liabilities			
		47,010,130	(81,727,346)
<b>Net cash from / (used in) operating activities before tax and interest</b>		<b>28,714,852</b>	<b>(737,344,794)</b>
Income tax paid			
		(63,104,251)	(133,383,140)
Interest income received			
		1,432,940,885	1,146,580,809
Interest paid			
		(949,644,812)	(519,991,167)
<b>Net cash from / (used in) operating activities</b>		<b>448,906,674</b>	<b>(244,138,292)</b>

The notes set out on pages 11 to 139 form an integral part of these financial statements.

**Golomt Bank JSC**  
**Statement of Cash Flow**

<i>In thousands of Mongolian Tugriks</i>	<b>Note</b>	<b>2025</b>	<b>2024</b>
<b>Cash flows from investing activities</b>			
Acquisition of debt securities at fair value through other comprehensive income		(32,254,826)	(209,067,934)
Proceeds from disposal of debt securities at fair value through other comprehensive income		107,420,938	512,775,689
Proceeds from redemption of debt securities carried at amortised cost		7,098,740	-
Acquisition of equity securities at fair value through other comprehensive income	11	(34,371,335)	(683,342)
Proceeds from disposal of equity securities at fair value through other comprehensive income		1,588	-
Acquisition of premises and equipment	16	(38,999,477)	(54,817,595)
Proceeds from disposal of premises and equipment	16	2,119,673	2,958,062
Acquisition of intangible assets	15	(5,257,229)	(13,304,763)
Prepayment for non-current assets	14	(65,751,332)	(30,016,089)
<b>Net cash used in investing activities</b>		<b>(59,993,260)</b>	<b>207,844,028</b>
<b>Cash flows from financing activities</b>			
Proceeds from repo arrangements	35	8,019,984,245	4,683,254,696
Repayment of repo arrangements	35	(7,156,623,404)	(3,853,776,334)
Proceeds from drawdown of other borrowed funds	35	894,651,647	1,276,322,604
Repayment of other borrowed funds	35	(648,848,370)	(1,323,379,686)
Payment of principal of lease liabilities	35	(19,361,342)	(13,016,781)
Proceed from issue of debt securities	35	551,196,526	1,337,438,060
Repayment of debt securities	35	(73,084,879)	-
Dividends paid	33	(80,865,731)	(72,779,158)
<b>Net cash from financing activities</b>		<b>1,487,048,692</b>	<b>2,034,063,401</b>
Effect of exchange rate changes on cash and cash equivalents		(44,757,916)	(25,571,211)
<b>Net increase/(decrease) in cash and cash equivalent</b>		<b>1,831,204,190</b>	<b>1,972,197,926</b>
Cash and cash equivalents at the beginning of the period	7	4,956,835,197	2,984,637,271
<b>Cash and cash equivalents at the end of the period</b>	<b>7</b>	<b>6,788,039,387</b>	<b>4,956,835,197</b>

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

Noncash transfers from Loans and advances to Assets classified as held for sale were excluded from the Statement of Cash Flows. Refer to Note 4.10 and Note 18.

## **1 Introduction**

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB (“IFRS Accounting Standards”) for the year ended 31 December 2025 for Golomt Bank JSC (“the Bank”).

As of 31 December 2025, the Bank’s immediate parent company is Golomt Financial Group LLC (31 December 2024: Golomt Financial Group LLC). The Bank was incorporated and is domiciled in Mongolia. The Bank is a joint-stock company and was established in accordance with the legislation of Mongolia.

Mr. Bayasgalan.D, the owner of Golomt Financial Group as of 31 December 2025, represents the ultimate controlling party of the Bank as of 31 December 2025 and 31 December 2024.

The Bank’s shareholders as of 31 December 2025 and 31 December 2024 are disclosed in Note 25.

The Bank holds the State Registration Certificate No. 9007001012 with registration No.2075377 re-granted by the State Registration Office of Mongolia on 7 April 2023. The Bank holds a full banking license No. 25 dated 6 March 1995 issued by the Bank of Mongolia, Central Bank of Mongolia.

In accordance with the effective Charter of the Bank, the Bank’s principal activities include:

- Savings;
- Loan services;
- Card services;
- Guarantees and letters of credit;
- Money transfer;
- Sales, purchase, deposit and trading of foreign currencies;
- Sales, purchase, deposit and trading of precious metals;
- Foreign settlement;
- Issuance and trading of securities;
- Financial leasing service;
- Purchase and sales of loans and other financial instruments;
- Custodian banking;
- Factoring service;
- Other financial services not restricted under the legislation and other activities accepted by the Bank of Mongolia and other government institutions.

The Bank obtained the Special License for underwriting services, custodian banking and insurance intermediary services from the Financial Regulatory Commission of Mongolia (“FRC”) on 2 June 2011, 27 August 2014 and 21 October 2014 respectively in accordance with the resolution No.163, No.295 and No.358 of FRC.

As of 31 December 2025, the Bank had 87 branches within Mongolia (31 December 2024: 83 branches). Also, as of 31 December 2025 the Bank had 20 sub-branches (31 December 2024: 21 sub-branches).

The number of Bank employees as of 31 December 2025 was 2,838 (31 December 2024: 2,735).

The Bank’s registered office and principal place of business is Sukhbaatar Square 5, P.O.Box 22, Ulaanbaatar 15160, Mongolia.

These financial statements are presented in Mongolian Tugriks (“MNT”).

A glossary of various abbreviations used in this document is included in Note 47.

## **2 Operating Environment of the Bank**

### **2.1 General**

2025 was a challenging and relatively unstable year for Mongolia's economy compared to 2024, driven by heightened external risks and constrained domestic policy conditions. Weak global demand, particularly stemming from China's real estate downturn and reduced steel production, combined with trade-related uncertainties linked to U.S. tariff policies, created volatility in commodity markets and adversely affected Mongolia's external sector. These factors led to a sharp decline in coking coal prices during the first half of the year, with the average border price falling by 38.0% year-on-year to USD 66.5 per ton, significantly reducing export revenues and limiting growth in the mining sector.

The Bank of Mongolia maintained a tight monetary policy stance throughout 2025. The policy rate was increased from 10% to 12% in March, and kept unchanged throughout the year. Lending conditions, particularly for household consumption loans, were tightened through a reduction in the debt-to-income ratio to 50%, and reserve requirements for banks were also raised to 13% for MNT deposits and 18% for foreign currency deposits in the beginning of 2025. These measures slowed money supply growth and restrained the expansion of deposits and lending compared to the previous year, limiting domestic demand and credit growth.

The Mongolian Tugriks (MNT) depreciated through mid-2025 amid weaker export income and external uncertainty but stabilized and strengthened modestly in the latter part of the year, closing the year at MNT 3,557 per USD. This improvement was supported by increased foreign currency inflows through international bond issuances, stronger copper export revenues, and China's policy measures to curb excessive domestic coal production, which supported coal prices to stabilize in the second half of the year. Foreign exchange reserves increased to a record USD 7.0 billion, sufficient to cover approximately seven months of imports, providing a solid buffer against external shocks.

In 2025, international credit rating agencies reaffirmed Golomt Bank JSC's strong financial position and outlook through the following assessments:

- S&P Global Ratings affirmed Golomt Bank JSC's credit rating at "B+" with a positive outlook.
- Moody's Ratings upgraded Golomt Bank JSC's long-term counterparty risk rating to "B1" with a stable outlook, marking the second consecutive year of rating improvement.
- Fitch Ratings assigned Golomt Bank JSC a "B+" credit rating with a stable outlook, reflecting the Bank's solid financial standing and its adherence to international banking standards.

In conclusion, 2025 was a year of mixed economic outcomes for Mongolia. Strong copper exports, resilient agriculture, and stable financial inflows supported economic activity, while declining coal revenues, persistent inflation, and tight monetary conditions constrained overall growth and policy flexibility. Additionally, external conditions including geopolitical tensions and uncertainties around the trade policy remain the major risks for overall macroeconomic condition primarily through adding pressures on balance of payments. The long-term effects of the current and future economic situation are difficult to assess and management's current expectations and estimates could differ from the actual results.

For the purpose of measurement of expected credit losses ("ECL") the Bank uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Notes 4 and 38 provide more information of how the Bank incorporated forward-looking information in the ECL models.

## **2 Operating Environment of the Bank (continued)**

### **2.2 Currency transactions**

Foreign currencies, particularly, US Dollar and EUR, play an important role in the underlying economics of many business transactions in Mongolia. The table below shows exchange rate of MNT relative to USD and EUR as set by the Central Bank of Mongolia.

<b>Date</b>	<b>USD</b>	<b>EUR</b>
31 December 2025	3,556.66	4,186.72
31 December 2024	3,420.25	3,566.98
31 December 2023	3,410.69	3,791.66
31 December 2022	3,444.60	3,669.02
31 December 2021	2,848.80	3,222.99

## **3 Basis of Presentation**

### **3.1 General principles**

These financial statements of the Bank are prepared in accordance with International Financial Reporting Standards (“IFRS Accounting Standards”) under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of premises and equipment, investment properties, financial instruments categorised at fair value through profit or loss (“FVTPL”) and fair value through other comprehensive income (“FVTOCI”). The principal accounting policies applied in the preparation of these financial statements are set out in Note 4. These policies have been consistently applied to all the periods presented, unless otherwise stated. Refer to Note 5.

The Bank maintains its accounting records in accordance with the applicable legislation of Mongolia. The Bank’s financial statements have been prepared on the basis of those accounting records and adjusted as necessary in order to comply, in all material respects, with IFRS Accounting standards.

### **3.2 Functional and presentation currency**

The functional currency of the Bank is the currency of the primary economic environment in which the Bank operates. The functional currency of the Bank, and the Bank’s presentation currency, is the national currency of Mongolia, Mongolian Tugriks (“MNT”). All values in these financial statements are rounded to the nearest thousands, except otherwise indicated.

### **3.3 Critical accounting estimates and judgments in applying accounting policies**

The Bank makes estimates and assumptions that affect the amounts recognised in these financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

#### **3.3.1 ECL measurement**

Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 38. The following components have a major impact on credit loss allowance:

- segmentation of financial assets for the ECL assessment purposes;
- determination of a level of ECL assessment on an individual instrument basis or on a collective basis;
- definition of default applied by the Bank;

### **3 Basis of Preparation (continued)**

#### **3.3 Critical accounting estimates and judgments in applying accounting policies (continued)**

- development and application of internal credit grading models, which assigns PDs to the individual credit risk grades;
- development and application of internal models used to estimate exposure at default (“EAD”) for financial instruments and credit-related commitments;
- assessment of loss given default (“LGD”), including the judgments made in valuation of collaterals;
- criteria for assessing if there has been a significant increase in credit risk;
- selection of forward-looking macroeconomic scenarios and their probability weightings.

##### **3.3.2 Credit exposure on revolving credit facilities (e.g., credit cards, overdrafts).**

For certain loan facilities, the Bank's exposure to credit losses may extend beyond the maximum contractual period of the facility. This exception applies to certain revolving credit facilities, which include both a loan and an undrawn commitment component and where the Bank's contractual ability to demand repayment and cancel the undrawn component in practice does not limit its exposure to credit losses. For such facilities, the Bank measures ECLs over the period that the Bank is exposed to credit risk and ECLs are not mitigated by credit risk management actions. Application of this exception requires judgement. Management applied its judgement in identifying the facilities, both retail and commercial, to which this exception applies. The Bank applied this exception to facilities with the following characteristics: (a) there is no fixed term or repayment structure, (b) the contractual ability to cancel the contract is not in practice enforced as a result of day-to-day management of the credit exposure and the contract may only be cancelled when the Bank becomes aware of an increase in credit risk at the level of an individual facility, and (c) the exposures are managed on a collective basis. Further, the Bank applied judgement in determining a period for measuring the ECL, including the starting-point and the expected end-point of the exposures. The Bank considered historical information and experience about: (a) the period over which the Bank is exposed to credit risk on similar facilities, including when the last significant modification of the facility occurred and that therefore determines the starting point for assessing SICR, (b) the length of time for related defaults to occur on similar financial instruments following a SICR and (c) the credit risk management actions (e.g. the reduction or removal of undrawn limits), prepayment rates and other factors that drive expected maturity. In applying these factors, the Bank segments the portfolios of revolving facilities into sub-groups and applies the factors that are most relevant based on historical data and experience as well as forward-looking information.

##### **3.3.3 Significant increase in credit risk (“SICR”).**

In order to determine whether there has been a significant increase in credit risk, the Bank compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Bank considers all reasonable and supportable forward-looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular customer portfolios. The Bank identifies behavioural indicators of increases in credit risk prior to delinquency and incorporated appropriate forward-looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level. In order to determine the SICR, the management considers certain criteria based on its judgment. Refer to Note 38. SICR criteria are:

- 30 days past due for all type of loans;
- Forbearance status;
- Loans classified with “Special mention” based on “Regulation on asset classification, provisioning and its disbursements” by the Bank of Mongolia.
- Default status.

Should ECL on all loans and advances to customers be measured at lifetime ECL (that is, including those that are currently in Stage 1 measured at 12-months ECL), the expected credit loss allowance would be higher by MNT 14,648,780 thousand as of 31 December 2025 (31 December 2024: higher by MNT 9,008,335 thousand).

### **3 Basis of Preparation (continued)**

#### **3.3 Critical accounting estimates and judgments in applying accounting policies (continued)**

##### **3.3.4 Business model assessment**

The business model drives classification of financial assets. Management applied judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Bank considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimizing potential losses due to credit deterioration are considered consistent with the “hold to collect” business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the “hold to collect” business model, provided that they are infrequent or insignificant in value, both individually and in aggregate. The Bank assesses significance of sales transactions by comparing the value of the sales to the value of the portfolio subject to the business model assessment over the average life of the portfolio. In addition, sales of financial assets that are expected to occur only in a stress-case scenario, or in response to an isolated event that is beyond the Bank’s control, are non-recurring and could not have been anticipated by the Bank. Such sales are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

The “hold to collect and sell” business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model’s objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets.

The residual category includes those portfolios of financial assets, which are managed with the objective of realising cash flows primarily through sale, such as where a pattern of trading exists. Collecting contractual cash flow is often incidental for this business model.

The Bank identified approximately 74% (31 December 2024: 78%) of debt securities as a liquidity portfolio and classified as held to collect and sell, while the rest of the debt securities is classified as held to collect on maturity based on the assumption that these securities would only be sold in a stress case scenario.

The Bank concludes that all types of loans, except for mortgage loan portfolio to be sold to Mongolian Mortgage Corporation HFC LLC (“MIK HFC LLC”) with non-recourse and SME loan portfolio to be sold to SFC (“Securities Finance Corporation LLC”), meet the criteria for hold to collect business model.

##### **3.3.5 Assessment whether cash flows are solely payments of principal and interest (“SPPI”)**

Determining whether a financial asset’s cash flows are solely payments of principal and interest required judgement.

The Bank identified and considered contractual terms that change the timing or amount of contractual cash flows. The SPPI criterion is met if a loan allows early settlement and the prepayment amount substantially represents principal and accrued interest, plus a reasonable additional compensation for the early termination of the contract. The asset’s principal is the fair value at initial recognition less subsequent principal repayments, i.e., installments net of interest determined using the effective interest method. As an exception to this principle, the standard also allows instruments with prepayment features that meet the following condition to meet SPPI: (i) the asset is originated at a premium or discount, (ii) the prepayment amount represents contractual paramount and accrued interest and a reasonable additional compensation for the early termination of the contract, and (iii) the fair value of the prepayment feature is immaterial at initial recognition.

The instruments that failed the SPPI test are measured at FVTPL and it is related to financial instruments under Mortgage lending program and non-mining export sector and SME lending program.

### **3 Basis of Preparation (continued)**

#### **3.3 Critical accounting estimates and judgments in applying accounting policies (continued)**

The Bank's loans include cross-selling clauses that represent a reduction in the interest rate upon the customer entering into other contracts with the Bank or achieving certain criteria, such as maintaining a minimum turnover on current bank accounts held with the Bank. The cash flows are SPPI if such clauses merely reduce the Bank's overall profit margin on the instrument and there are no other features inconsistent with a basic lending arrangement.

The Bank considered examples in the standard and concluded that features that arise solely from legislation and that are not part of the contract, that is, if legislation changed, the features would no longer apply (such as bail-in legislation in certain countries), are not relevant for assessing whether cash flows are SPPI.

##### **3.3.6 Modification of financial assets**

When financial assets are contractually modified (e.g., renegotiated), the Bank assesses whether the modification is substantial and should result in de-recognition of the original asset and recognition of a new asset at fair value. This assessment is based primarily on qualitative factors, described in the relevant accounting policy and it requires significant judgment. In particular, the Bank applies judgment in deciding whether credit impaired renegotiated loans should be derecognised and whether the new recognised loans should be considered as credit impaired on initial recognition. The de-recognition assessment depends on whether the risks and rewards, that is, the variability of expected (rather than contractual) cash flows, change as a result of such modifications. Management analyses the modification at each circumstance with consideration of changes in the contract. Management determined that risks and rewards did not change as a result of modifying such loans and therefore in substantially all such modifications, the loans were neither derecognised nor reclassified out of the credit-impaired stage.

##### **3.3.7 Write-off policy**

Financial assets are written-off, in whole or in part, when the Bank exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Determining the cash flows for which there is no reasonable expectation of recovery requires judgement. Management considered the following indicators that there is no reasonable expectation of recovery: loans being minimum of 180 days past due after court decision, liquidation or bankruptcy proceedings, and fair value of collateral is less than the costs to repossess it or enforcement activities were completed.

##### **3.3.8 Initial recognition of related party transactions**

In the normal course of business, the Bank enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 44.

##### **3.3.9 Valuation of premises and investment properties**

Investment property and premises are initially recognised at cost, including transaction costs, and subsequently re-measured at fair value updated to reflect market conditions at the end of the reporting period. Fair value of investment property and premises are the price that would be received from sale of the asset in an orderly transaction, without deduction of any transaction costs.

Fair value of the Bank's investment property and premises are determined based on reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category. Earned rental income from investment property is recorded in profit or loss for the year within other operating income. Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss for the year.

### **3 Basis of Preparation (continued)**

#### **3.3 Critical accounting estimates and judgments in applying accounting policies (continued)**

Increases in the carrying amount premises arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year.

Information of assumptions and valuation technique used in determining fair value are disclosed in Note 42.

##### **3.3.10 Determining lease term**

The Bank leases office buildings from third parties under contracts, which do not have contractual maturity dates and are automatically renewed unless either party submits a termination notice of 5-30 days. The Bank determines non-cancellable lease period for such leases, taking into consideration penalties that would be incurred upon termination, including economic disincentives such as leasehold improvements, cost of relocating, or the importance of the premises to the Bank's operations. As a result, the lease term for most significant office buildings has been determined as a period of 1-10 years.

##### **3.3.11 Borrowings from government organizations, central bank, and international financial institutions**

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

In making this judgment, management also considers that these instruments represent a principal market. This management's judgment is also applicable to the received funds from the Bank of Mongolia for a mortgage loan program implemented by the Government at an interest rate of 1%, 2%, and 4% p.a., which are used for financing of mortgage loans at advantageous rates of 5%, 6%, and 8% p.a. defined by the Bank of Mongolia.

The borrowings from international financial institutions or government organizations and the Bank of Mongolia meeting the above criteria amounted to MNT 290,847,935 thousand as of 31 December 2025 (31 December 2024: MNT 384,748,018 thousand) and are disclosed in Note 21.

##### **3.3.12 Mongolian Mortgage Corporation LLC (MIK) securitisation transaction**

During 2025, the Bank participated in 3 tranches of MIK securitisation transaction. The Bank sold the 6% mortgage loans to MIK SPC37, MIK SPC38 and MIK SPC39 special purpose companies wholly owned by the MIK HFC LLC for which it received residential mortgage-backed securities (RMBS) Senior RMBS notes bearing interest at 2.25% and 11.0%, Junior RMBS notes bearing interest at 11.0%. The loans have been purchased by above mentioned MIK-SPCs on a non-recourse basis. The principal of the Junior RMBS will only be redeemed after the full redemption of the principal of the Senior RMBS and the payments to Junior RMBS holders are subordinate in right of payment and priority to the Senior RMBS. The Bank has been appointed as the Servicer of the respective loans sold and receives a service fee of 2.5% on amount collected for performing this service. Residual net assets in MIK-SPCs, if any, belong to the shareholder of MIK-SPC i.e., MIK HFC LLC

### **3 Basis of Preparation (continued)**

#### **3.3 Critical accounting estimates and judgments in applying accounting policies (continued)**

On the other hand, any shortfall in the net assets of MIK-SPC would be borne by the Senior and Junior RMBS holders (proportionally in accordance with their seniority in the right of payment and priority) with no recourse to MIK. As part of this agreement the Senior RMBS notes obtained by the Bank were used to repay the 2% and 3% funding received from the Bank of Mongolia for financing the original 6% mortgage lending.

Management considered whether these loans have met the de-recognition criteria set out in IFRS. Management's judgment is that although the Bank receives cash from the loan portfolio as an agent, the Bank has transferred its right to receive the cash flows from these 5%, 6%, and 8% Mortgage Assets and that substantially all the risks and rewards have been transferred.

As part of certain securitisation transactions that result in the Bank derecognising the transferred financial assets in their entirety, the Bank retains servicing rights in respect of the transferred financial assets. Under the servicing arrangements, the Bank collects the cash flows on the transferred mortgages on behalf of the unconsolidated securitisation vehicle. In return, the Bank receives a fee that is expected to compensate the Bank adequately for servicing the related assets. Consequently, the Bank accounts for the servicing arrangements as executory contracts and has not recognised a servicing asset/liability. The servicing fees are based on a fixed percentage of the cash flows that the Bank collects as an agent on the transferred residential mortgages. Potentially, a loss from servicing activities may occur if the costs that the Bank incurs in performing the servicing activity exceed the fees receivable or if the Bank fails to comply with the terms outlined in the servicing agreements.

In making this judgment, management has considered that the risk profile of the collective or commingled pool of loans from different banks is materially different from the risk profile of the loans it sold due to different borrowers, obligors and locations of mortgaged assets. Management has also considered whether gains or losses should arise on initial recognition of such instruments.

As the transactions were entered into by willing market participants, management's judgment is that these instruments are at market rates and no initial recognition gains or losses should arise. In making this judgment, management also considers that these instruments represent a principal market.

##### **3.3.13 Asset-backed securities issued by Securities Financing Corporation LLC ("SFC")**

The Bank did not participate in tranches of SFC in 2025.

The loans have been purchased by above mentioned SFC-SPCs on a non-recourse basis. The principal of the Junior ABS will only be redeemed after the full redemption of the principal of the Senior ABS and the payments to Junior ABS holders are subordinate in right of payment and priority to the Senior ABS. The Bank has been appointed as an agent of the respective loans sold and receives a service fee of 0.5% on amount collected for performing this service. On the other hand, any shortfall in the net assets of SFC-SPC would be borne by the Senior and Junior ABS holders (proportionally in accordance with their seniority in the right of payment and priority) with no recourse to SFC.

Management considered whether these loans have met the de-recognition criteria set out in IFRS Accounting Standards. Management's judgement is that although the Bank receives cash from the loan portfolio as an agent, the Bank has transferred its right to receive the cash flows from these 10%-10.5% loans and that substantially all the risks and rewards have been transferred.

As the transactions were entered into by willing market participants, management's judgement is that these instruments are at market rates and no initial recognition gains or losses should arise. In making this judgement, management also considers that these instruments represent a principal market.

### **3 Basis of Preparation (continued)**

#### **3.3 Critical accounting estimates and judgments in applying accounting policies (continued)**

##### **3.3.14 Deferred taxation on financial derivatives and foreign exchange translation differences.**

Based on the Corporate Income Tax Law realized foreign exchange gains are taxable, realized foreign exchange losses are deductible, while taxation of unrealized foreign exchange gains and losses is deferred until the period in which they become realized. As a result, unrealized gains or losses arising from the changes in fair value of financial derivatives (including long-term swaps) and unrealised foreign exchange differences arising from the related long-term borrowings from international financial organizations are treated as non-taxable income and non-deductible expenses until they become realized (i.e., until the maturity of the borrowings), thus creating a taxable or deductible temporary difference. As a result, net deferred tax liability of MNT 63,669,447 thousand is recognized as of 31 December 2025 (31 December 2024: MNT 42,404,247 thousand), refer to Note 31.

In making above judgment, management considered IFRS Accounting Standards principles, nature of transactions, tax legislation governing similar transactions (such as tax treatment of gains and losses arising from foreign currency transactions and translation of financial assets denominated in foreign currency), current practices of tax authorities, including results of previous tax inspections, and practices applied in the banking sector, including practicability of differentiation between realized and unrealized gains and losses.

Certain changes in value of foreign exchange derivatives represent unrealized gains and losses and are therefore treated as temporary differences (Notes 3 and 31), except when related gains and losses were already treated as taxable income and deductible expenses in previous periods. Long-term swaps with the Central Bank are taken to swap USD-denominated long-term borrowings from international financial institutions for local currency.

For more details on income tax, refer to Note 31. For uncertainties related to interpretation of Mongolian tax legislation, refer to Note 31.

##### **3.3.15 Deferred taxation arising on differences between IFRS Accounting Standards and the regulations of the Bank of Mongolia**

Apart from assessing impairment provision in accordance with IFRS Accounting Standards requirements, the Bank determines impairment provision for the purposes of reporting to the Bank of Mongolia (Central bank) based on classification of loans based on provisioning guidelines in accordance with the Regulations on Asset Classification and Provisioning, jointly approved by the Bank of Mongolia and the Ministry of Finance. In accordance with these regulations, the Bank is required to determine the quality of loans and advances based on quantitative and qualitative factors. Quantitative factors include time characteristics, including past due status (i.e., delays in repayment). Loans are classified as follows: Performing, In Arrears, and Non-Performing. Non-performing loans are further classified as Sub-Standard, Doubtful and Loss. Each category requires a specific reserve percentage. According to tax regulation on corporate income tax, any impairment provision charges for the performing loans represent non-deductible expenses for the period. The Bank has determined impairment provision on performing loans as of 31 December 2025, as a part of its assessment of impairment provision in accordance with IFRS Accounting Standards requirements and treated related impairment provision charges as a base for deferred tax.

Management has performed detailed review of the accounting and tax treatment of charges and releases of impairment provision on performing loans, as well as of tax impact of difference between Bank of Mongolia and IFRS Accounting Standards provision and has concluded that such items represent temporary differences and thus related deferred tax assets of MNT 10,517,374 thousands as of 31 December 2025 (31 December 2024: deferred tax asset of MNT 8,916,426 thousands) has been recognized in these financial statements.

### **3 Basis of Preparation (continued)**

#### **3.3 Critical accounting estimates and judgments in applying accounting policies (continued)**

Impairment provision per Bank of Mongolia which is tax deductible expense is higher than IFRS Accounting Standards provision as of 31 December 2025 and 31 December 2024.

Similarly, in accordance with the above-mentioned regulations of the Bank of Mongolia, interest income on loans overdue more than 90 days should not be recognized in the Bank's profit or loss account, which is not in line with IFRS Accounting Standards treatment.

As tax authorities follow the regulations of the Bank of Mongolia when assessing taxable income and tax-deductible expenses, related interest income, recognized in these financial statements in accordance with IFRS Accounting Standards, is treated as non-taxable income of the current period and represents a temporary difference, as related amounts would be taxed in the future when related interest income is collected and recognized as taxable income in tax returns.

As a result, the Bank has recognized deferred tax liability of MNT 5,930,289 thousands as of 31 December 2025 (31 December 2024: MNT 8,066,498 thousands). Management has assessed the risk that tax authorities may take different position and treat related interest income as taxable income or otherwise challenge the Bank's tax treatment and impose additional tax obligation. However, based on all available information at the date of issuance of this financial information, including current practices of tax authorities, results of previous tax inspections, and practices applied in the Mongolian banking sector, management believes that such risk is remote. For more details on income tax, refer to Note 31.

##### **3.3.16 Fair value of long-term derivatives**

The Bank entered into a long-term cross-currency interest rate SWAP arrangement with the Bank of Mongolia with start dates from 2021 to 2025. These derivatives are measured at fair value through profit and loss. The arrangement is to swap MNT/USD on regular basis based on interest rate formula with maturities ranging from 1 year to 5 years. The Bank developed a valuation model for assessing the fair value of such swap instruments. The model is fully based on observable market data. The Bank considers the fair value of swaps assessed based on the model to be a Level 2 valuation, and hence the Day 1 gain on such a derivative instrument is recognized on the statement of profit and loss.

Management used their best estimate in fair value estimation of long-term cross-currency interest rate swaps at the year's end. Information about assumptions used for valuation of fair value of instruments is disclosed in Note 42.

##### **3.3.17 Initial recognition of other financial instruments below market rate**

IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. When determining the amounts of loss/gain on initial recognition in relation to below market rate, management made judgments based on available information that weighted average lending rate of Mongolian commercial banks represents reasonable approximation of market interest rate on MNT funding in case of credit (counterparty).

## **4 Material Accounting Policies**

### **Material accounting policy information**

The following material accounting policies were adopted in preparation of these financial statements of the Bank. These policies have been consistently applied to all the periods presented unless otherwise stated (refer to Note 5).

#### **4.1 Financial assets**

The Bank determines the classification of its financial assets at initial recognition. Classification of financial assets at initial recognition depends on the purpose for which they were acquired and their characteristics. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

##### **(i) Key measurement terms**

*Fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a Bank of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Bank: (a) manages the Bank of financial assets and financial liabilities on the basis of the entity's net exposure to particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the Bank of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

Management takes the view that valuation technique reaches more accurate presentation of fair value of the derivative financial instruments. Main inputs in the valuation technique are the estimation of the MNT discount rate based on risk-free rate, country risk premium and currency risk premium, US discount rate based on treasury yield, US leg based on US SOFR, constant and Z spread, MNT leg based on policy rate, or as provided in the corresponding swap agreement, JPY discount rate based on treasury yield of Japan, JPY leg based on TONAR(Tokyo overnight average rate), USD/JPY forward curve.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 42.

## **4 Material Accounting Policies (continued)**

### **4.1 Financial assets (continued)**

*Transaction costs* are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

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

*The effective interest method* is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest re-pricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired (“POCI”) at initial recognition, the effective interest rate is adjusted for credit risk, i.e., it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

#### **(ii) Initial recognition of financial instrument**

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

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, which is the date on which the Bank commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

The Bank uses discounted cash flow valuation techniques to determine the fair value of long-term cross currency interest rate swaps and foreign exchange swaps that are not traded in an active market. Differences may arise between the fair value at initial recognition and the amount determined at subsequent period. The differences are immediately recognised in profit or loss if the valuation uses only level 1 or level 2 inputs.

## **4 Material Accounting Policies (continued)**

### **4.1 Financial assets (continued)**

#### **(iii) Classification and subsequent measurement – measurement categories**

The Bank classifies financial assets in the following measurement categories: FVTPL, FVTOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Bank's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

#### **(iv) Classification and subsequent measurement – business model**

The business model reflects how the Bank manages the assets in order to generate cash flows – whether the Bank's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a Bank of assets (on a portfolio level) based on all relevant evidence about the activities that the Bank undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Bank in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated. Refer to Note 3 for critical judgements applied by the Bank in determining the business models for its financial assets.

#### **(v) Classification and subsequent measurement – cash flow characteristics**

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Bank assesses whether the cash flows represent solely payments of principal and interest ("SPPI").

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin. Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. Refer to Note 3 for critical judgements applied by the Bank in performing the SPPI test for its financial assets.

#### **(vi) Reclassification**

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

#### **(vii) Credit loss allowance for ECL**

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

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

## **4 Material Accounting Policies (continued)**

### **4.1 Financial assets (continued)**

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

The Bank applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter (“12 Months ECL”). If the Bank identifies a significant increase in credit risk (“SICR”) since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any (“Lifetime ECL”). Refer to Note 38 for a description of how the Bank determines when a SICR has occurred. If the Bank determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired (“POCI Assets”), the ECL is always measured as a Lifetime ECL. Note 38 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Bank incorporates forward-looking information in the ECL models.

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

#### **(viii) Write-off**

Financial assets are written-off, in whole or in part, when the Bank exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a de-recognition event. The Bank may write-off financial assets that are still subject to enforcement activity when the Bank seeks to recover amounts that are contractually due; however, there is no reasonable expectation of recovery. The bank considers that there is no reasonable expectation of recovery in following conditions: The borrower was defaulted, and no recovery is expected even if the Bank wins in court or in a case where the cost for chasing after the borrower is higher than the recoverable amount.

#### **(ix) De-recognition of financial assets**

The Bank derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Bank has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

#### **(x) Modification**

The Bank sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Bank assesses whether the modification of contractual cash flows is substantial considering, among others, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

## **4 Material Accounting Policies (continued)**

### **4.1 Financial assets (continued)**

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Bank derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Bank also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Bank compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in de-recognition. The Bank recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets) and recognises a modification gain or loss in profit or loss.

### **4.2 Foreign currency translation**

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

Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.

Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

Exchange rates used in the preparation of these financial statements were as follows:

	<b>2025</b>	<b>2024</b>
<i>Mongolian national Tugriks/US Dollar</i>	3,556.66	3,420.25
<i>Mongolian national Tugriks/EURO</i>	4,186.72	3,566.98
<i>Mongolian national Tugriks/British Pound Sterling</i>	4,804.69	4,303.87
<i>Mongolian national Tugriks/Chinese Yuan</i>	508.78	468.57
<i>Mongolian national Tugriks/Russian Rubble</i>	45.22	32.85

## **4 Material Accounting Policies (continued)**

### **4.3 Cash and cash equivalents**

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include deposits with the Central Bank (the Bank of Mongolia), other than required mandatory reserve, the Bank of Mongolia and Government treasury bills, and all interbank placements with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents.

Cash and cash equivalents are carried at AC because (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

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

### **4.4 Mandatory cash balances with the Bank of Mongolia**

Mandatory cash balances with the Bank of Mongolia represent mandatory reserve deposits with Bank of Mongolia, which are not available to finance the Bank's day-to-day operations. The mandatory reserve balance is excluded from cash and cash equivalents for the purposes of the statement of cash flows.

### **4.5 Due from other banks**

Amounts due from other banks are recorded when the Bank advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at AC when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

### **4.6 Investment in debt securities**

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

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

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

## **4 Material Accounting Policies (continued)**

### **4.7 Investments in equity securities**

Financial assets that meet the definition of equity from the issuer's perspective, i.e., instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer's net assets, are considered as investments in equity securities by the Bank. Investments in equity securities are measured at FVTPL, except where the Bank elects at initial recognition to irrevocably designate an equity investment at FVTOCI. The Bank's policy is to designate equity investments as FVTOCI when those investments are held for strategic purposes other than solely to generate investment returns. When the FVTOCI election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses and their reversals, if any, are not measured separately from other changes in fair value. Dividends continue to be recognised in profit or loss when the Bank's right to receive payments is established except when they represent a recovery of an investment rather than a return on such investment.

### **4.8 Derivative financial instruments**

Derivative financial instruments primarily include foreign exchange contracts such as forward rate agreements, cross currency swaps, and interest rate swaps are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year (gains less losses from financial derivatives). The Bank does not apply hedge accounting.

### **4.9 Loans and advances to customers**

Loans and advances to customers are recorded when the Bank advances money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Bank classifies loans and advances to customers into one of the following measurement categories: (i) AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL, and (ii) FVTPL: loans that do not meet the SPPI test or other criteria for AC or FVTOCI are measured at FVTPL.

Impairment allowances are determined based on the forward-looking ECL models. Note 3 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Bank incorporates forward-looking information in the ECL models.

### **4.10 Assets Classified as Held for Sale**

Assets and disposal groups, which may include both non-current and current assets, are classified in the statement of financial position as 'assets held for sale' if their carrying amount will be recovered principally through a sale transaction, including loss of control of a subsidiary holding the assets, within twelve months after the end of the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Bank's management approved and initiated an active program to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period. Held-for-sale premises and equipment are not depreciated. Reclassified non-current financial instruments are not subject to write down to the lower of their carrying amount and fair value less costs to sell.

## **4 Material Accounting Policies (continued)**

### **4.11 Offsetting**

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set-off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

### **4.12 Financial liabilities**

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

*Financial liabilities – de-recognition:* Financial liabilities are derecognised when they are extinguished (i.e., when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch-up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

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

*Customer accounts* - Customer accounts are non-derivative financial liabilities to individuals, state, or corporate customers in respect of settlement accounts and deposits, and are carried at AC.

## **4 Material Accounting Policies (continued)**

### **4.12 Financial liabilities (continued)**

*Other borrowed funds* - Other borrowed funds include loans obtained from international financial institutions and Mongolian government organizations. These financial liabilities are carried at AC using the effective interest rate method.

*Subordinated debts* - Subordinated debts are carried at AC using the effective interest rate method.

*Other liabilities* – Other liabilities are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

### **4.13 Repurchase and reverse repurchase agreements**

Sale and repurchase agreements (“repo agreements”), which effectively provide a lender’s return to the counterparty, are treated as secured financing transactions. Securities sold under sale and repurchase agreements are not derecognised. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or re-pledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is recognised in the Statement of financial position within line “Repurchase agreements”.

Securities purchased under agreements to resell (“reverse repo agreements”), which effectively provide a lender’s return to the Bank, are recorded as reverse sale, and repurchase agreements. The difference between the sale and repurchase price is treated as interest income in the statement of profit or loss and other comprehensive income and accrued over the life of reverse repo agreements using the effective interest rate method.

Based on classification of securities sold under the sale and repurchase agreements, the Bank classifies repurchase receivables into one of the following measurement categories: AC, FVTOCI, and FVTPL.

### **4.14 Premises and equipment**

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

Premises owned by the Bank are initially measured at cost. Premises are subject to regular revaluations, with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year.

The revaluation reserve for premises included in equity is transferred directly to accumulated deficit or retained earnings when the surplus is realised on the retirement or disposal of the asset, or as the asset is used by the Bank; in the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset’s original cost.

Revalued amounts of the Bank’s premises are determined based on reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category.

The Bank applies revaluation model for premises since 2013. Equipment owned by the Bank is stated at cost less depreciation and provision for impairment, where required. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

## **4 Material Accounting Policies (continued)**

### **4.14 Premises and equipment (continued)**

Leasehold improvements are alterations made to rented properties by the Bank to customise it to its particular business needs and preferences. The improvements that are specialised to the Bank's intended use of the property are treated as own assets for accounting purposes.

According to the IAS 16 "Property, plant and equipment", when the fair value of a revalued asset does not differ materially from its carrying amount, it may be necessary to revalue the item only three to five years. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income).

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

- Premises – 40 years;
- Motor vehicles – 10 years;
- Furniture – 10 years;
- Office equipment and computer – from 3 to 10 years;
- Leasehold improvements - shorter of useful life and the term of the underlying lease.

The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

### **4.15 Investment property**

Investment property includes property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the process of providing services or for administrative purposes. Investment property is initially measured at cost, which is the purchase price plus any directly attributable expenses. Investment properties are subsequently measured at fair value, which reflects market conditions at the end of the reporting period. Fair value of investment property is the price that would be received from sale of the asset in an orderly transaction, without deduction of any transaction costs.

Gains or losses arising from changes in the fair value of investment properties are recognised in the profit or loss account in the year they arise. Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit or loss in the year they arise. Investment property is derecognized upon its sale or when permanently withdrawn from use and no future economic benefit is expected from its disposal.

Any gain or loss arising on de-recognition of investment property is recognized in the profit or loss account in the year of de-recognition.

Fair value of the Bank's investment property is determined based on reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category. The Bank applies fair value model for valuation of investment properties since 2013.

## **4 Material Accounting Policies (continued)**

### **4.16 Intangible assets**

The Bank's intangible assets have definite useful life and primarily include capitalised computer software licenses. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Bank are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. All other costs associated with computer software, e.g., its maintenance, are expensed when incurred.

Intangible assets with finite lives are amortised on straight-line basis over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Amortisation periods and methods are reviewed at least at each financial year-end. The estimated useful lives of intangible assets are as follows:

- Software licenses – from 3 to 5 years;
- Land right use – up to 3 years

### **4.17 Leases**

**Accounting for leases by the Bank as a lessee.** The Bank leases office premises, ATM space, garages and warehouse. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is recognised at cost and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Liabilities arising from a lease are initially measured on a present-value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payment of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

As an exception to the above, the Bank accounts for short-term leases and leases of low value assets by recognising the lease payments as an operating expense on a straight-line basis. In determining the lease term, management of the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

## **4 Material Accounting Policies (continued)**

### **4.17 Leases (continued)**

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

**Accounting for operating leases by the Bank as a lessor.** When assets are leased out under an operating lease, the lease payments receivables are recognised as rental income on a straight-line basis over the lease term.

### **4.18 Share capital and preferred shares**

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity. Dividends for these are only recognised once declared.

### **4.19 Treasury shares**

Where the Bank or its subsidiaries purchase the Bank's equity instruments, the consideration paid, including any directly attributable incremental external costs, net of income taxes, is deducted from equity attributable to the owners of the Bank until the equity instruments are reissued, disposed of, or cancelled. Where such shares are subsequently disposed of or reissued, any consideration received is included in equity. Any gain or loss on reissuance or cancellation is recognised in retained earnings.

### **4.20 Share premium**

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

### **4.21 Share-based payments**

Share-based payments. The Bank operates a equity-settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments of the Bank.

Employee services settled in equity instruments. The fair value of the employee services received in exchange for the grant of options or shares is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or shares determined at the grant date, excluding the impact of any non-market vesting conditions. The attainment of any service and non-market performance vesting conditions are included in assumptions about the number of options that are expected to become exercisable or the number of shares that the employee will ultimately receive. This estimate is revised at each balance sheet date and the difference is charged or credited to profit or loss, with a corresponding adjustment to equity. No changes to the charge are made when the expected or actual level of awards vesting differs from the original estimate due to non-attainment of market performance conditions, e.g., the appropriate total shareholder return or share price. The proceeds received on exercise of the options net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium. Cancelled awards are deemed to have vested upon cancellation. Any unamortised expense associated with such awards is charged to profit or loss immediately.

### **4.22 Dividends**

Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note. The basis for distribution of dividends is statutory retained earnings.

## **4 Material Accounting Policies (continued)**

### **4.23 Contingent assets and liabilities**

Contingent assets are not recognised in the statement of financial position but disclosed in the financial statements when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the statement of financial position but disclosed in the financial statements in case the possibility of any outflow in settlement is remote.

### **4.24 Credit related commitments**

**Loan commitments.** The Bank issues commitments to provide loans. These commitments are irrevocable or revocable only in response to a material adverse change. Such commitments are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight-line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition.

At the end of each reporting period, the commitments are measured at (i) the remaining unamortised balance of the amount at initial recognition, plus (ii) the amount of the loss allowance determined based on the expected credit loss model, unless the commitment is to provide a loan at a below market interest rate, in which case the measurement is at the higher of these two amounts. The carrying amount of the loan commitments represents a liability. For contracts that include both a loan and an undrawn commitment and where the Bank cannot separately distinguish the ECL on the undrawn loan component from the loan component, the ECL on the undrawn commitment is recognised together with the loss allowance for the loan.

To the extent that the combined ECLs exceed the gross carrying amount of the loan, they are recognised as a liability. Note 38 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Bank incorporates forward-looking information in the ECL models.

**Performance guarantees.** Performance guarantees are contracts that provide compensation if another party fails to perform a contractual, commercial or legal obligation. Where the performance guarantee provides the Bank with contractual indemnification rights to recover any payments made to the guarantee holder from the applicant and such rights are covered by collateral, they are treated as a loan commitment provided to the applicant, if the bank concludes that there is no event with commercial substance that could cause the bank to incur an overall loss on the guarantee arrangement. Such performance guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight-line basis over the life of the contract. At the end of each reporting period, the performance guarantee contracts are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the amount of the loss allowance determined based on the expected credit loss model.

If performance guarantees do not meet the definition of a financial guarantee in IFRS 9, when there is no debt instrument outstanding between the contractor and the applicant and any payment under the guarantee does not solely depend on a debtor failing to make a payment.

### **4.25 Provisions**

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

From 2016 the Bank creates provision for operational risks. This reserve represents a part of other reserve and is created as an appropriation of retained earnings based on the decision made by the Bank's management.

## **4 Material Accounting Policies (continued)**

### **4.26 Taxation**

Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the balance sheet date. The income tax charge comprises current tax and deferred tax and is recognised in the profit or loss unless it relates to transactions that are recognised in the same or a different period in other comprehensive income.

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

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

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

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised. Certain changes in value of foreign exchange derivatives represent unrealized gains and losses and are therefore treated as temporary differences (Notes 3.3.14). Foreign currency translation differences arising from all other financial assets and liabilities are recognized within foreign exchange gains less losses and do not give rise to temporary differences.

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

### **4.27 Employee benefits and social contributions**

#### **(i) Short-term benefits**

Wages, salaries, and other salary related expenses are recognised as an expense in the year in which the associated services are rendered by employees of the Bank. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when absences occur.

#### **(ii) Defined contribution plans**

As required by law, companies in Mongolia make contributions to the government pension scheme, Social and Health Fund. Such contributions are recognised as an expense in profit or loss as incurred. The Bank also contributes to a defined contribution pension plan. The contribution paid is recorded as an expense under "Pension fund expense" in proportion to the services rendered by the employees to the Bank.

## **4 Material Accounting Policies (continued)**

### **4.28 Income and expense recognition**

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

Interest income on debt instruments at FVTPL calculated at nominal interest rate is presented within 'other similar income' line in profit or loss.

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

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

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

If the credit risk on the financial asset classified in Stage 3 subsequently improves so that the asset is no longer credit-impaired and the improvement can be related objectively to an event occurring after the asset had been determined as credit-impaired (i.e., the asset becomes cured), the asset is reclassified from stage 3 and the interest revenue is calculated by applying the EIR to the gross carrying amount.

The additional interest income, which was previously not recognised in P&L due to the asset being in Stage 3 but it is now expected to be received following the asset's curing, is recognised as a reversal of impairment.

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

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

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

## **4 Material Accounting Policies (continued)**

### **4.29 Inventories**

Inventories are recorded at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

### **4.30 Precious metals**

The Bank has a practice of taking delivery of precious metals and selling them within a short period after delivery, for the purpose of generating a profit from short-term fluctuations in price margin. Precious metals are carried at the fair value.

## **5 Adoption of New or Revised Standards and Interpretations**

In the current year, the Bank has applied a number of new standards or amendments to IFRS Accounting Standards issued by the International Accounting Standards Board ('IASB') that are mandatorily effective for an accounting periods that begins on or after 1 January 2025.

<b>Effective date</b>	<b>New accounting standards or amendments</b>
1 January 2025	<ul style="list-style-type: none"><li>• Lack of Exchangeability – Amendments to IAS 21</li></ul>

The application of the new and amendments to IFRS Accounting Standards in the current year has had no material impact on the Bank's financial positions and performance for the current year and on the disclosures set out in these financial statements.

## **6 New Accounting Pronouncements**

New standards and amendments to IFRS Accounting Standards that have been issued but are not yet effective.

A number of new accounting standards are effective for annual periods beginning after 1 January 2026 and earlier application is permitted. However, the Bank has not yet adopted the following new or amended accounting standards in preparing these financial statements.

***Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 (issued on 30 May 2024 and effective for annual periods beginning on or after 1 January 2026).***

***IFRS 18 Presentation and Disclosure in Financial Statements (Issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027).*** In April 2024, the IASB has issued IFRS 18, the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'. IFRS 18 will apply for reporting periods beginning on or after 1 January 2027 and also applies to comparative information. The Bank is currently assessing the impact of the amendments on its financial statements.

***IFRS 19 Subsidiaries without Public Accountability: Disclosures (Issued on 9 May 2024, then amended on 21 August 2025 and effective for annual periods beginning on or after 1 January 2027).***

***Contracts Referencing Nature-dependent Electricity Amendments to IFRS 9 and IFRS 7 (Issued on 18 December 2024 and effective from 1 January 2026).***

***Annual Improvements to IFRS Accounting Standards (Issued in July 2024 and effective from 1 January 2026).***

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Bank's financial statements.

## **7 Cash and Cash Equivalents**

### **Cash and balances with the Bank of Mongolia (other than mandatory reserve)**

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Cash on hand	139,582,917	111,054,353
Current account with the Bank of Mongolia (other than mandatory reserve)	3,041,492,893	2,420,235,977
<b>Cash and cash balances with the Bank of Mongolia</b>	<b>3,181,075,810</b>	<b>2,531,290,330</b>

Cash and balances with the Bank of Mongolia (other than mandatory reserve) are not collateralised. Credit quality of current account with the Bank of Mongolia based on credit risk grade is “stable” and had a B1 rating from Moody’s as at 31 December 2025. Currency, interest rate and maturity analysis of Cash and balances with the Bank of Mongolia (other than mandatory reserve) are disclosed in Note 38.

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

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Cash and balances with the Bank of Mongolia (Note 7)	3,181,075,810	2,531,290,330
Treasury bills of the Bank of Mongolia with original maturities of less than three months (Note 10)	2,252,638,983	1,735,200,101
Due from banks (Note 9)	1,356,112,246	693,671,475
Less: credit loss allowance	(1,787,652)	(3,326,709)
<b>Total cash and cash equivalents</b>	<b>6,788,039,387</b>	<b>4,956,835,197</b>

For the purpose of ECL measurement, cash and cash balances with the Bank of Mongolia are included in Stage 1 as of 31 December 2025 and 31 December 2024. The ECL for these balances represents an insignificant amount, therefore the Bank did not recognise any credit loss allowance for cash and cash equivalents with the Bank of Mongolia. However, credit loss allowance is mainly related to Treasury bills of the Bank of Mongolia in which is classified in Stage 1. See Note 38 for inputs, assumptions and estimation techniques used for ECL calculation.

## **8 Mandatory cash balances with the Bank of Mongolia**

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
<b>Mandatory cash balances with the Bank of Mongolia</b>	<b>763,190,768</b>	<b>566,906,794</b>

Current accounts with the Bank of Mongolia are maintained in accordance with the regulations of the Bank of Mongolia. The mandatory cash balances maintained with the Bank of Mongolia are determined at not less than 13% in MNT and 18% in foreign currency (2024: not less than 11% in MNT and 16 % in foreign currency) of customer deposits for a period of 2 weeks. According to the Bank of Mongolia resolution dated 06 December 2019, the Bank shall maintain 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 of 31 December 2025 and 31 December 2024. For the purpose of ECL measurement, mandatory cash balances are included in Stage 1 as of 31 December 2025 and 31 December 2024.

## **8 Mandatory cash balances with the Bank of Mongolia (continued)**

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

## **9 Due from Other Banks**

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Correspondent accounts with other banks		
Foreign	847,647,384	259,179,533
Domestic	13,779,379	5,316,913
Short-term placements with other banks		
Foreign	3,024,138	32,137,229
Domestic	496,192,265	395,194,964
Placements with other banks with original maturities of more than three months	482,532,038	386,124,292
<b>Total due from other banks</b>	<b>1,843,175,204</b>	<b>1,077,952,931</b>

Placements with other banks with original maturities of more than three months as of 31 December 2025 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 2025 and 31 December 2024 based on credit risk grades and discloses due from other banks balances by three stages for the purpose of ECL measurement. Refer to Note 38 for the description of credit risk grading system used by the Bank and the approach to ECL measurement, including the definition of default and SICR as applicable to due from other banks balances.

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025 Stage 1 (12-months ECL)</b>	<b>31 December 2024 Stage 1 (12-months ECL)</b>
- Excellent	1,176,398,115	641,285,118
- Good	130,078,716	22,111,674
- Satisfactory	510,032,223	331,284,260
- Special monitoring	29,100,073	85,168,460
<b>Gross carrying amount</b>	<b>1,845,609,127</b>	<b>1,079,849,512</b>
Less: Credit loss allowance	(2,433,923)	(1,896,581)
<b>Carrying amount</b>	<b>1,843,175,204</b>	<b>1,077,952,931</b>

Currency, interest rate and maturity analysis of due from other banks are disclosed in Note 38.

## **10 Investments in Debt Securities**

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Debt securities at FVTOCI	2,756,694,336	2,281,166,365
Debt securities at FVTPL	979,186,742	622,382,940
Debt securities at AC	-	6,847,722
<b>Total investments in debt securities</b>	<b>3,735,881,078</b>	<b>2,910,397,027</b>

## 10 Investments in Debt Securities (continued)

The table below discloses investments in debt securities at 31 December 2025 by measurement categories and classes:

<i>In thousands of Mongolian Tugriks</i>	<b>Debt securities at FVTOCI</b>	<b>Debt securities at FVTPL</b>	<b>Debt securities at AC</b>	<b>Total</b>
Treasury bills of the Bank of Mongolia (a)	2,252,638,983	-	-	2,252,638,983
MIK bonds – Senior RMBS (b)	-	143,491,065	-	143,491,065
MIK bonds – Junior RMBS (b)	-	207,645,735	-	207,645,735
Government bonds (c)	490,693,851	342,176,435	-	832,870,286
SFC bonds – Senior (d)	-	148,797	-	148,797
SFC bonds – Junior (d)	-	4,475,556	-	4,475,556
Corporate bonds (e)	-	78,517,025	-	78,517,025
Other bonds (f)	20,867,650	202,732,129	-	223,599,779
<b>Total investments in debt securities at 31 December 2025 (gross carrying value)</b>	<b>2,764,200,484</b>	<b>979,186,742</b>	<b>-</b>	<b>3,743,387,226</b>
Less: Credit loss allowance	<b>(7,506,148)</b>	<b>-</b>	<b>-</b>	<b>(7,506,148)</b>
<b>Total investments in debt securities at 31 December 2025 (carrying value)</b>	<b>2,756,694,336</b>	<b>979,186,742</b>	<b>-</b>	<b>3,735,881,078</b>

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

<i>In thousands of Mongolian Tugriks</i>	<b>Debt securities at FVTOCI</b>	<b>Debt securities at FVTPL</b>	<b>Debt securities at AC</b>	<b>Total</b>
Treasury bills of the Bank of Mongolia (a)	1,735,200,101	-	-	1,735,200,101
MIK bonds – Senior RMBS (b)	-	118,531,762	-	118,531,762
MIK bonds – Junior RMBS (b)	-	174,649,485	-	174,649,485
Government bonds (c)	535,358,518	130,538,848	-	665,897,366
SFC bonds – Senior (d)	-	815,884	-	815,884
SFC bonds – Junior (d)	-	7,922,296	-	7,922,296
Corporate bonds (e)	-	32,263,279	-	32,263,279
Other bonds (f)	20,357,808	157,661,386	6,859,616	184,878,810
<b>Total investments in debt securities at 31 December 2024 (gross carrying value)</b>	<b>2,290,916,427</b>	<b>622,382,940</b>	<b>6,859,616</b>	<b>2,920,158,983</b>
Less: Credit loss allowance	<b>(9,750,062)</b>	<b>-</b>	<b>(11,894)</b>	<b>(9,761,956)</b>
<b>Total investments in debt securities at 31 December 2024 (carrying value)</b>	<b>2,281,166,365</b>	<b>622,382,940</b>	<b>6,847,722</b>	<b>2,910,397,027</b>

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

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

Treasury bills of the Bank of Mongolia with original maturities of less than three months are MNT 2,250,915,481 thousands as at 31 December 2025 (31 December 2024: MNT 1,733,716,229 thousands) and included in cash and cash equivalents for the purposes of the cash flow statement (Note 7).

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

As of 31 December 2025, Treasury bills of the Bank of Mongolia with a nominal amount of MNT 2,030,000,000 thousand (31 December 2024: MNT 1,410,200,000 thousand) were pledged as collateral under a Repo arrangement (Note 23).

### **(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 (refer to Note 3.3.12). The bond represents Junior and Senior residential mortgage-backed securities (RMBS) obtained from a MIK-HFC securitisation transaction as disclosed in Note 3.

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

### **(c) Government bonds**

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

Debt securities at FVTPL represent securities held for trading and securities in a 'held to sell' business model as the Bank had an intention to realise a trading gain. On initial recognition, the Bank has designated government bonds at FVTPL.

Government bonds with nominal amount of MNT 565,508,940 thousands (31 December 2024: MNT 218,283,775 thousands) were collateralised by Repo arrangement. See Note 23.

### **(d) SFC bonds**

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

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

As of 31 December 2025, SFC senior bonds classified at FVTPL with nominal amount was nil (31 December 2024: 809,100 thousands) were collateralised by Repo arrangement. See Note 23.

### **(e) Corporate bonds**

Debt securities at FVTPL 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".

## 10 Investments in Debt Securities (continued)

### (f) Other bonds

Debt securities at FVTPL 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 other bonds at FVTPL. The other 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.

Other bonds classified at FVTOCI represents investment securities held for satisfying the liquidity and business model in a "held to collect and sell". Other bonds measured at FVTOCI mainly comprise Ulaanbaatar City bonds listed on the Mongolian Stock Exchange, which carry an annual interest rate of 14%.

Other bonds classified at amortised cost represents investment securities held with business model in a "held to collect".

### Investments in debt securities at FVTOCI

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

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b> Stage 1 (12-months ECL)	<b>31 December 2024</b> Stage 1 (12-months ECL)
<b>Treasury bills of the Bank of Mongolia at FVTOCI</b>		
- Excellent	2,252,638,983	1,735,200,101
<b>Total gross carrying amount</b>	<b>2,252,638,983</b>	<b>1,735,200,101</b>
Less: Credit loss allowance	(1,723,502)	(1,483,872)
<b>Carrying value (fair value)</b>	<b>2,250,915,481</b>	<b>1,733,716,229</b>

The following table discloses government bonds measured at FVTOCI:

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b> Stage 1 (12-months ECL)	<b>31 December 2024</b> Stage 1 (12-months ECL)
<b>Government bonds at FVTOCI</b>		
- Excellent	470,787,454	522,931,067
<b>Total gross carrying amount</b>	<b>470,787,454</b>	<b>522,931,067</b>
Less: Credit loss allowance	(5,490,272)	(7,969,752)
Add: Fair value adjustment from AC to FV	19,906,397	12,427,451
<b>Carrying value (fair value)</b>	<b>485,203,579</b>	<b>527,388,766</b>

## 10 Investments in Debt Securities (continued)

The following table discloses other bonds measured at FVTOCI:

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
	<b>Stage 1</b>	<b>Stage 1</b>
	<b>(12-months ECL)</b>	<b>(12-months ECL)</b>
<b>Other bonds at FVTOCI</b>		
- Excellent	20,575,253	20,061,370
<b>Total gross carrying amount</b>	<b>20,575,253</b>	<b>20,061,370</b>
Less: Credit loss allowance	(292,374)	(296,438)
Add: Fair value adjustment from AC to FV	292,397	296,438
<b>Carrying value (fair value)</b>	<b>20,575,276</b>	<b>20,061,370</b>

For description of the credit risk grading used in the tables above, refer to Note 38. The following table discloses the changes in the credit loss allowance and gross carrying value 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>	<b>Credit loss allowance</b>	<b>Gross carrying value</b>
	<b>Stage 1</b>	<b>Stage 1</b>
	<b>(12-months ECL)</b>	<b>(12-months ECL)</b>
<b>Treasury bills of the Bank of Mongolia at FVTOCI</b>		
<b>At 1 January 2025</b>	<b>1,483,872</b>	<b>1,735,200,101</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>		
New originated or purchased	1,723,502	15,774,108,850
Derecognised during the period	(1,483,872)	(15,256,669,968)
<b>At 31 December 2025</b>	<b>1,723,502</b>	<b>2,252,638,983</b>
<b>Government bonds at FVTOCI</b>		
<b>At 1 January 2025</b>	<b>7,969,752</b>	<b>535,358,518</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>		
New originated or purchased	553,934	31,747,505
Derecognised during the period	(3,033,414)	(104,530,145)
<b>Total gross carrying value</b>	<b>5,490,272</b>	<b>462,575,878</b>
<i>Movements without impact on credit loss allowance charge for the period:</i>		
FX and other movements	-	8,211,576
Fair value adjustment from AC to FV	-	19,906,397
<b>At 31 December 2025</b>	<b>5,490,272</b>	<b>490,693,851</b>

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

<i>In thousands of Mongolian Tugriks</i>	<b>Credit loss allowance Stage 1 (12-months ECL)</b>	<b>Gross Carrying value Stage 1 (12-months ECL)</b>
<b>Other bonds at FVTOCI</b>	<b>296,438</b>	<b>20,357,808</b>
<i>FX and other movements</i>		
New originated or purchased	-	507,320
<b>At 31 December 2025</b>	<b>296,438</b>	<b>20,865,128</b>
<i>Movements without impact on credit loss allowance charge for the period:</i>		
<i>FX and other movements</i>	(4,064)	(289,875)
<i>Fair value adjustment from AC to FV</i>	-	292,397
<b>Total gross carrying value</b>	<b>292,374</b>	<b>20,867,650</b>

The following table discloses the changes in the credit loss allowance and gross carrying value 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>	<b>Credit loss allowance Stage 1 (12-months ECL)</b>	<b>Gross Carrying value Stage 1 (12-months ECL)</b>
<b>Treasury bills of the Bank of Mongolia at FVTOCI</b>		
<b>At 1 January 2024</b>	<b>2,149,817</b>	<b>978,034,840</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>		
New originated or purchased	1,483,872	14,466,000,000
Derecognised during the period	(2,149,817)	(13,708,834,739)
<b>At 31 December 2024</b>	<b>1,483,872</b>	<b>1,735,200,101</b>
<b>Government bonds at FVTOCI</b>		
<b>At 1 January 2024</b>	<b>5,461,749</b>	<b>404,364,214</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>		
New originated or purchased	3,168,143	189,082,056
Derecognised during the period	(660,140)	(65,531,603)
<b>Total gross carrying value</b>	<b>7,969,752</b>	<b>527,914,667</b>
<i>Movements without impact on credit loss allowance charge for the period:</i>		
<i>FX and other movements</i>	-	(4,983,600)
<i>Fair value adjustment from AC to FV</i>	-	12,427,451
<b>At 31 December 2024</b>	<b>7,969,752</b>	<b>535,358,518</b>

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

<i>In thousands of Mongolian Tugriks</i>	<b>Credit loss allowance Stage 1 (12-months ECL)</b>	<b>Gross Carrying value Stage 1 (12-months ECL)</b>
<b>Corporate bonds at FVTOCI</b>		
<b>At 1 January 2024</b>	79,380	49,781,326
<i>Movements with impact on credit loss allowance charge for the period:</i>		
New originated or purchased	-	2,705,216
Derecognised during the period	(79,380)	(51,618,081)
<b>Total gross carrying value</b>	<b>-</b>	<b>868,461</b>
<i>Movements without impact on credit loss allowance charge for the period:</i>		
FX and other movements	-	(868,461)
<b>At 31 December 2024</b>	<b>-</b>	<b>-</b>
<i>In thousands of Mongolian Tugriks</i>	<b>Credit loss allowance Stage 1 (12-months ECL)</b>	<b>Gross Carrying value Stage 1 (12-months ECL)</b>
<b>Other bonds at FVTOCI</b>		
<b>At 1 January 2024</b>	-	-
<i>Movements with impact on credit loss allowance charge for the period:</i>		
New originated or purchased	296,438	20,000,000
Derecognised during the period	-	-
<b>At 31 December 2024</b>	<b>296,438</b>	<b>20,000,000</b>
<i>Movements without impact on credit loss allowance charge for the period:</i>		
FX and other movements	-	61,370
Fair value adjustment from AC to FV	-	296,438
<b>Total gross carrying value</b>	<b>296,438</b>	<b>20,357,808</b>

## 10 Investments in Debt Securities (continued)

### Investments in debt securities at AC

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

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b> <b>Stage 1</b> <b>(12-months ECL)</b>	<b>31 December 2024</b> <b>Stage 1</b> <b>(12-months ECL)</b>
<b>Other bonds at AC</b>		
-Excellent	-	6,859,616
<b>Total investments in debt securities measured at AC</b> <b>(gross carrying amount)</b>	-	<b>6,859,616</b>
<b>Less: Credit loss allowance</b>	-	<b>(11,894)</b>
<b>Total investments in debt securities measured at AC</b> <b>(carrying amount)</b>	-	<b>6,847,722</b>

For description of the credit risk grading used in the tables above, refer to Note 38.

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>	<b>Credit loss allowance</b> <b>Stage 1</b> <b>(12-months ECL)</b>	<b>Gross carrying amount</b> <b>Stage 1</b> <b>(12-months ECL)</b>
<b>Other bonds at AC</b>		
<b>At 1 January 2025</b>	<b>11,894</b>	<b>6,859,616</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>		
Derecognised during the period	(11,894)	(6,859,616)
Changes in accrued interest	-	-
<b>Total movements with impact on credit loss allowance charge for the period</b>	<b>(11,894)</b>	<b>(6,859,616)</b>
<b>As at 31 December 2025</b>	-	-
<b>Other bonds at AC</b>		
<b>At 1 January 2024</b>	-	-
<i>Movements with impact on credit loss allowance charge for the period:</i>		
New originated or purchased	11,894	6,840,500
Changes in accrued interest	-	19,116
<b>Total movements with impact on credit loss allowance charge for the period</b>	<b>11,894</b>	<b>6,859,616</b>
<b>As at 31 December 2024</b>	<b>11,894</b>	<b>6,859,616</b>

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

The following table discloses reconciliation of movements in debt securities measured at FVTPL within Level 3 of the fair value hierarchy during the year:

<i>In thousands of Mongolian Tugriks</i>	<b>MIK bonds</b>	<b>SFC bonds</b>	<b>Corporate bonds</b>	<b>Other bonds</b>	<b>Total</b>
<b>At 1 January 2025</b>	<b>293,181,247</b>	<b>8,738,180</b>	-	-	<b>301,919,427</b>
New originated or purchased	351,830,500	-	21,297,326	30,000,000	<b>403,127,826</b>
Derecognised during the period	(291,645,300)	(4,118,200)	(21,000,000)	-	<b>(316,763,500)</b>
Changes in accrued interest	(2,229,647)	4,373	(297,326)	167,671	<b>(2,354,929)</b>
<b>Total gross carrying value at 31 December 2025</b>	<b>351,136,800</b>	<b>4,624,353</b>	-	<b>30,167,671</b>	<b>385,928,824</b>

<i>In thousands of Mongolian Tugriks</i>	<b>MIK bonds</b>	<b>SFC bonds</b>	<b>Total</b>
<b>At 1 January 2024</b>	<b>237,986,552</b>	<b>22,379,486</b>	<b>260,366,038</b>
New originated or purchased	179,452,300	-	179,452,300
Derecognised during the period	(124,257,605)	(13,641,306)	(137,898,911)
<b>Total gross carrying value at 31 December 2024</b>	<b>293,181,247</b>	<b>8,738,180</b>	<b>301,919,427</b>

## **11 Investments in Equity Securities**

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Equity securities at FVTPL	66,699,813	68,671,684
Equity securities at FVTOCI	35,577,566	1,143,186
<b>Total investments in equity securities</b>	<b>102,277,379</b>	<b>69,814,870</b>

The following table discloses reconciliation of movements in equity securities measured at FVTOCI within Level 3 of the fair value hierarchy during the year:

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
<b>At 1 January</b>	<b>444,264</b>	<b>448,713</b>
New originated or purchased	34,371,335	-
Derecognised during the period	-	-
FX and other movements	12,271	(4,449)
Fair value adjustment	-	-
<b>Total carrying value</b>	<b>34,827,870</b>	<b>444,264</b>

### **(a) Investments in equity securities at FVTPL**

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

Corporate shares mainly consist of quoted shares of MIK Holding JSC and APU JSC, both listed on Mongolian Stock Exchange, with fair value of MNT 14,698,242 thousands and MNT 51,821,933 thousands as of 31 December 2025 (2024: MNT 15,458,029 thousands and MNT 53,095,482 thousands) respectively.

### **(b) Investments in equity securities at FVTOCI**

As of 31 December 2025, the Bank has invested in MNT 35,577,566 thousands of equity securities and investment unit of the fund at FVTOCI. The FVTOCI designation was made because the investments are expected to be held for strategic purposes rather than with a view to profit on a subsequent sale, and there are no plans to dispose of these investments in the short or medium term.

## 12 Loans and Advances to Customers

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Gross carrying amount of loans and advances to customers at AC	<b>7,978,114,678</b>	<b>7,075,596,491</b>
Less: Credit loss allowance	(152,007,773)	(172,192,723)
<b>Total carrying amount of loans and advances to customers at AC</b>	<b>7,826,106,905</b>	<b>6,903,403,768</b>
Loans and advances to customers at FVTPL / Mortgage/	339,306,164	439,372,589
Loans and advances to customers at FVTPL / SME/	765,495	5,461,570
Loans and advances to customers at FVTPL / Corporate/	-	3,143,234
<b>Total loans and advances to customers</b>	<b>8,166,178,564</b>	<b>7,351,381,161</b>

The Bank holds a MIK mortgage portfolio, Corporate and 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.

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 2025 and 31 December 2024 are disclosed in the table below:

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>			<b>31 December 2024</b>		
	<b>Gross carrying amount</b>	<b>Credit loss allowance</b>	<b>Carrying amount</b>	<b>Gross carrying amount</b>	<b>Credit loss allowance</b>	<b>Carrying amount</b>
<b>Loans to corporate customers</b>						
Loans to Corporate	2,601,337,148	(49,749,456)	<b>2,551,587,692</b>	2,468,713,485	(113,537,000)	<b>2,355,176,485</b>
Loans to SME	2,186,390,692	(40,220,880)	<b>2,146,169,812</b>	1,722,046,754	(25,081,494)	<b>1,696,965,260</b>
<b>Loans to individuals</b>						
Consumer loans	1,982,446,673	(59,752,857)	<b>1,922,693,816</b>	1,948,272,050	(30,587,363)	<b>1,917,684,687</b>
Mortgage loans	1,207,940,165	(2,284,580)	<b>1,205,655,585</b>	936,564,202	(2,986,866)	<b>933,577,336</b>
<b>Total loans and advances to customers at AC</b>	<b>7,978,114,678</b>	<b>(152,007,773)</b>	<b>7,826,106,905</b>	<b>7,075,596,491</b>	<b>(172,192,723)</b>	<b>6,903,403,768</b>

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 2025, loss on initial recognition of loans at rates below market in the amount of MNT 246,625 thousand (31 December 2024: MNT 466,282 thousand) has been recorded in profit or loss for the year.

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

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

	Credit loss allowances				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
<i>In thousands of Mongolian Tugriks</i>								
<b>Corporate</b>								
<b>At 1 January 2025</b>	4,265,213	7,648,017	101,623,770	<b>113,537,000</b>	2,160,518,307	130,147,202	178,047,976	<b>2,468,713,485</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- from Stage 2 and Stage 3 to Stage 1	6,981,570	(2,425,566)	(4,556,004)	-	24,080,679	(18,270,783)	(5,809,896)	-
- from Stage 1 and Stage 3 to Stage 2	(2,780,012)	2,780,012	-	-	(15,799,299)	24,150,882	(8,351,583)	-
- from Stage 1 and Stage 2 to Stage 3	(5,688,951)	(1,887,694)	7,576,645	-	(20,678,920)	(63,754,562)	84,433,482	-
New originated or purchased	13,628,357	-	-	13,628,357	1,326,371,767	-	-	1,326,371,767
Derecognised during the period	(1,174,858)	(3,334,758)	(77,607,614)	(82,117,230)	(897,162,775)	(48,121,857)	(128,263,354)	(1,073,547,986)
Write-offs	-	-	-	-	-	-	-	-
FX and other movements	(5,249,690)	3,731,836	6,219,183	4,701,329	(61,039,185)	(5,600,728)	(53,560,205)	(120,200,118)
<b>At 31 December 2025</b>	<b>9,981,629</b>	<b>6,511,847</b>	<b>33,255,980</b>	<b>49,749,456</b>	<b>2,516,290,574</b>	<b>18,550,154</b>	<b>66,496,420</b>	<b>2,601,337,148</b>

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

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

	Credit loss allowances				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
<i>In thousands of Mongolian Tugriks</i>								
<b>Corporate</b>								
<b>At 1 January 2024</b>	5,366,573	630	89,883,801	<b>95,251,004</b>	1,144,771,057	66,662,440	180,587,064	<b>1,392,020,561</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- from Stage 2 and Stage 3 to Stage 1	4,556	-	(4,556)	-	4,973,607	-	(4,973,607)	-
- from Stage 1 and Stage 3 to Stage 2	(1,350,878)	2,647,431	(1,296,553)	-	(50,551,809)	63,549,287	(12,997,478)	-
- from Stage 1 and Stage 2 to Stage 3	(7,031,423)	(1,313,890)	8,345,313	-	(23,002,892)	(4,647,773)	27,650,665	-
New originated or purchased	3,249,434	3,834,575	8,617,725	<b>15,701,734</b>	1,589,169,500	56,786,232	15,381,767	<b>1,661,337,499</b>
Derecognised during the period	(1,069,154)	(630)	(3,893,430)	<b>(4,963,214)</b>	(539,495,884)	(47,000,885)	(17,987,649)	<b>(604,484,418)</b>
Write-offs	-	-	-	-	-	-	-	-
FX and other movements	5,096,105	2,479,901	(28,530)	<b>7,547,476</b>	34,654,728	(5,202,099)	(9,612,786)	<b>19,839,843</b>
<b>At 31 December 2024</b>	<b>4,265,213</b>	<b>7,648,017</b>	<b>101,623,770</b>	<b>113,537,000</b>	<b>2,160,518,307</b>	<b>130,147,202</b>	<b>178,047,976</b>	<b>2,468,713,485</b>

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

	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 im- paired)	
<i>In thousands of Mongolian Tugriks</i>								
<b>SME</b>								
<b>At 1 January 2025</b>	1,094,651	4,759,643	19,227,200	<b>25,081,494</b>	1,604,255,879	42,111,537	75,679,338	<b>1,722,046,754</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- from Stage 2 and Stage 3 to Stage 1	153,868	(16,566)	(137,302)	-	7,814,352	(4,430,397)	(3,383,955)	-
- from Stage 1 and Stage 3 to Stage 2	(5,922,908)	5,922,908	-	-	(63,284,650)	65,632,186	(2,347,536)	-
- from Stage 1 and Stage 2 to Stage 3	(905,896)	(4,493,310)	5,399,206	-	(19,889,811)	(19,762,216)	39,652,027	-
New originated or purchased	7,637,620	-	-	<b>7,637,620</b>	1,284,973,664	-	-	<b>1,284,973,664</b>
Derecognised during the period	(229,336)	(241,176)	(4,815,358)	<b>(5,285,870)</b>	(482,223,387)	(14,266,251)	(20,587,225)	<b>(517,076,863)</b>
Write-offs	-	-	-	-	-	-	-	-
FX and other movements	(468,113)	1,833,999	11,421,750	<b>12,787,636</b>	(277,421,841)	(16,417,940)	(9,713,082)	<b>(303,552,863)</b>
<b>At 31 December 2025</b>	<b>1,359,886</b>	<b>7,765,498</b>	<b>31,095,496</b>	<b>40,220,880</b>	<b>2,054,224,206</b>	<b>52,866,919</b>	<b>79,299,567</b>	<b>2,186,390,692</b>

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

	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 im- paired)	
<i>In thousands of Mongolian Tugriks</i>								
<b>SME</b>								
<b>At 1 January 2024</b>	1,067,134	330,671	27,910,662	<b>29,308,467</b>	1,101,685,726	24,369,243	104,515,841	<b>1,230,570,810</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- from Stage 2 and Stage 3 to Stage 1	698	(1)	(697)	-	5,867,658	(3,598,764)	(2,268,894)	-
- from Stage 1 and Stage 3 to Stage 2	(4,384,672)	4,384,672	-	-	(17,163,445)	18,415,708	(1,252,263)	-
- from Stage 1 and Stage 2 to Stage 3	(229,126)	(486,386)	715,512	-	(2,972,885)	(4,426,643)	7,399,528	-
New originated or purchased	760,560	373,108	166,158	<b>1,299,826</b>	1,080,495,074	21,393,883	4,362,432	<b>1,106,251,389</b>
Derecognised during the period	(232,711)	(29,408)	(3,798,419)	<b>(4,060,538)</b>	(340,280,963)	(9,563,235)	(20,795,811)	<b>(370,640,009)</b>
Write-offs	-	-	(112,579)	<b>(112,579)</b>	-	-	(247,664)	<b>(247,664)</b>
FX and other movements	4,112,768	186,987	(5,653,437)	<b>(1,353,682)</b>	(223,375,286)	(4,478,655)	(16,033,831)	<b>(243,887,772)</b>
<b>At 31 December 2024</b>	<b>1,094,651</b>	<b>4,759,643</b>	<b>19,227,200</b>	<b>25,081,494</b>	<b>1,604,255,879</b>	<b>42,111,537</b>	<b>75,679,338</b>	<b>1,722,046,754</b>

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

	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 im- paired)	
<i>In thousands of Mongolian Tugriks</i>								
<b>Consumer</b>								
<b>At 1 January 2025</b>	5,207,312	2,493,051	22,887,000	<b>30,587,363</b>	1,873,431,041	36,533,562	38,307,447	<b>1,948,272,050</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- from Stage 2 and Stage 3 to Stage 1	575,893	(373,013)	(202,880)	-	7,195,269	(6,701,589)	(493,680)	-
- from Stage 1 and Stage 3 to Stage 2	(1,485,371)	1,499,540	(14,169)	-	(55,839,224)	55,882,372	(43,148)	-
- from Stage 1 and Stage 2 to Stage 3	(3,573,351)	(1,646,169)	5,219,520	-	(66,988,352)	(21,884,154)	88,872,506	-
New originated or purchased	8,073,335	-	-	<b>8,073,335</b>	862,551,580	-	-	<b>862,551,580</b>
Derecognised during the period	(1,023,416)	(282,138)	(3,644,479)	<b>(4,950,033)</b>	(540,340,955)	(4,955,038)	(6,571,747)	<b>(551,867,740)</b>
Write-offs	-	(279,812)	(5,412,574)	<b>(5,692,386)</b>	-	(279,812)	(5,412,574)	<b>(5,692,386)</b>
FX and other movements	1,362,243	2,123,086	28,249,249	<b>31,734,578</b>	(232,359,789)	(15,542,473)	(22,914,569)	<b>(270,816,831)</b>
<b>At 31 December 2025</b>	<b>9,136,645</b>	<b>3,534,545</b>	<b>47,081,667</b>	<b>59,752,857</b>	<b>1,847,649,570</b>	<b>43,052,868</b>	<b>91,744,235</b>	<b>1,982,446,673</b>

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

	Credit loss allowances				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
<i>In thousands of Mongolian Tugriks</i>								
<b>Consumer</b>								
<b>At 1 January 2024</b>	3,446,496	1,081,154	31,970,215	<b>36,497,865</b>	1,138,389,096	15,400,042	44,961,221	<b>1,198,750,359</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- from Stage 2 and Stage 3 to Stage 1	14,499	(9,997)	(4,502)	-	2,940,346	(1,900,582)	(1,039,764)	-
- from Stage 1 and Stage 3 to Stage 2	(586,864)	589,825	(2,961)	-	(9,465,670)	9,528,143	(62,473)	-
- from Stage 1 and Stage 2 to Stage 3	(2,858,467)	(1,199,542)	4,058,009	-	(7,287,007)	(2,578,133)	9,865,140	-
New originated or purchased	3,178,503	1,851,632	3,052,756	<b>8,082,891</b>	1,189,133,085	26,192,622	9,055,565	<b>1,224,381,272</b>
Derecognised during the period	(872,728)	(282,347)	(8,175,344)	<b>(9,330,419)</b>	(382,168,809)	(4,812,600)	(12,505,515)	<b>(399,486,924)</b>
Write-offs	-	(14,476)	(5,359,872)	<b>(5,374,348)</b>	-	(14,874)	(6,776,364)	<b>(6,791,238)</b>
FX and other movements	2,885,873	476,802	(2,651,301)	<b>711,374</b>	(58,110,000)	(5,281,056)	(5,190,363)	<b>(68,581,419)</b>
<b>At 31 December 2024</b>	<b>5,207,312</b>	<b>2,493,051</b>	<b>22,887,000</b>	<b>30,587,363</b>	<b>1,873,431,041</b>	<b>36,533,562</b>	<b>38,307,447</b>	<b>1,948,272,050</b>

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

	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 im- paired)	
<i>In thousands of Mongolian Tugriks</i>								
<b>Mortgage</b>								
<b>At 1 January 2025</b>	107,015	30,225	2,849,626	<b>2,986,866</b>	904,098,783	12,843,185	19,622,234	<b>936,564,202</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- from Stage 2 and Stage 3 to Stage 1	180,428	(4,348)	(176,080)	-	5,356,421	(4,155,073)	(1,201,348)	-
- from Stage 1 and Stage 3 to Stage 2	(133,639)	133,639	-	-	(18,908,508)	19,009,977	(101,469)	-
- from Stage 1 and Stage 2 to Stage 3	(24,801)	(6,506)	31,307	-	(6,286,570)	(3,636,557)	9,923,127	-
New originated or purchased	182,851	-	-	<b>182,851</b>	432,628,192	-	-	<b>432,628,192</b>
Derecognised during the period	(12,376)	(14,144)	(459,677)	<b>(486,197)</b>	(78,613,920)	(2,717,282)	(2,514,355)	<b>(83,845,557)</b>
Write-offs	-	-	-	-	-	-	-	-
FX and other movements	(182,861)	406,506	(622,585)	<b>(398,940)</b>	(76,195,573)	229,276	(1,440,375)	<b>(77,406,672)</b>
<b>At 31 December 2025</b>	<b>116,617</b>	<b>545,372</b>	<b>1,622,591</b>	<b>2,284,580</b>	<b>1,162,078,825</b>	<b>21,573,526</b>	<b>24,287,814</b>	<b>1,207,940,165</b>

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

	Credit loss allowances				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
<i>In thousands of Mongolian Tugriks</i>								
<b>Mortgage</b>								
<b>At 1 January 2024</b>	360,915	74,731	3,698,606	<b>4,134,252</b>	618,686,448	7,877,177	28,382,630	<b>654,946,255</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- from Stage 2 and Stage 3 to Stage 1	2,008	(467)	(1,541)	-	7,290,910	(2,104,843)	(5,186,067)	-
- from Stage 1 and Stage 3 to Stage 2	(14,608)	14,644	(36)	-	(7,681,420)	7,997,435	(316,015)	-
- from Stage 1 and Stage 2 to Stage 3	(210,539)	(85,837)	296,376	-	(2,647,644)	(2,208,957)	4,856,601	-
New originated or purchased	27,273	9,781	4,655	<b>41,709</b>	414,539,044	2,266,032	155,612	<b>416,960,688</b>
Derecognised during the period	(30,976)	(7,832)	(1,072,334)	<b>(1,111,142)</b>	(62,092,326)	(488,472)	(6,064,109)	<b>(68,644,907)</b>
Write-offs	-	-	(105,000)	<b>(105,000)</b>	-	-	(112,811)	<b>(112,811)</b>
FX and other movements	(27,058)	25,205	28,900	<b>27,047</b>	(63,996,229)	(495,187)	(2,093,607)	<b>(66,585,023)</b>
<b>At 31 December 2024</b>	<b>107,015</b>	<b>30,225</b>	<b>2,849,626</b>	<b>2,986,866</b>	<b>904,098,783</b>	<b>12,843,185</b>	<b>19,622,234</b>	<b>936,564,202</b>

## 12 Loans and Advances to Customers (continued)

The loans and advances to customers at FVTPL changes between the beginning and end of the reporting periods are as follows at 31 December 2025:

<i>In thousands of Mongolian Tugriks</i>	<b>Mortgage</b>	<b>SME</b>	<b>Corporate</b>	<b>Total</b>
<b>At 1 January 2025</b>	<b>439,372,589</b>	<b>5,461,570</b>	<b>3,143,234</b>	<b>447,977,393</b>
Movement between FVTPL and AC	16,581,695	(614,618)	-	<b>15,967,077</b>
New originated or purchased	245,765,991	-	-	<b>245,765,991</b>
Derecognised during the period	(361,510,848)	(3,512,771)	(3,143,234)	<b>(368,166,853)</b>
Repayment	(903,263)	(568,686)	-	<b>(1,471,949)</b>
<b>At 31 December 2025</b>	<b>339,306,164</b>	<b>765,495</b>	<b>-</b>	<b>340,071,659</b>

The loans and advances to customers at FVTPL changes between the beginning and end of the reporting periods are as follows at 31 December 2024:

<i>In thousands of Mongolian Tugriks</i>	<b>Mortgage</b>	<b>SME</b>	<b>Corporate</b>	<b>Total</b>
<b>At 1 January 2024</b>	<b>381,628,167</b>	<b>5,460,766</b>	<b>13,923,375</b>	<b>401,012,308</b>
Movement between FVTPL and AC	12,424,599	-	-	<b>12,424,599</b>
New originated or purchased	240,282,281	1,883,159	-	<b>242,165,440</b>
Derecognised during the period	(190,741,075)	(1,489,898)	(775,556)	<b>(193,006,529)</b>
Repayment	(4,221,383)	(392,457)	(10,004,585)	<b>(14,618,425)</b>
<b>At 31 December 2024</b>	<b>439,372,589</b>	<b>5,461,570</b>	<b>3,143,234</b>	<b>447,977,393</b>

Movements in the expected credit loss allowance for loans to legal entities and individuals during 2025 of are as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>Loans to Corporate</b>	<b>Loans to SME</b>	<b>Consumer loans</b>	<b>Mortgage loans</b>	<b>Total</b>
<b>Expected credit loss allowance at 1 January 2025</b>	<b>113,537,000</b>	<b>25,081,494</b>	<b>30,587,363</b>	<b>2,986,866</b>	<b>172,192,723</b>
Credit loss allowance charge/(recovery) during the year	(75,298,820)	6,604,208	32,323,608	(702,286)	<b>(37,073,290)</b>
Recovered amounts from previously written off loans	14,601,184	8,536,474	2,779,376	-	<b>25,917,034</b>
Amounts written off during the year as uncollectible	-	-	(5,692,387)	-	<b>(5,692,387)</b>
Foreign exchange difference	(3,089,908)	(1,296)	(245,103)	-	<b>(3,336,307)</b>
<b>Expected credit loss allowance at 31 December 2025</b>	<b>49,749,456</b>	<b>40,220,880</b>	<b>59,752,857</b>	<b>2,284,580</b>	<b>152,007,773</b>

During 2025, the Bank recovered MNT 25,917,034 thousand (31 December 2024: MNT 19,507,320 thousand) from previously written-off loans, as circumstances and expectations for certain borrowers improved. These recoveries are included within the reversal of credit loss allowance amounting to MNT 37,073,290 thousand (31 December 2024: MNT 5,521,804 thousand).

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

Movements in the expected credit loss allowance for loans to legal entities and individuals during 2024 of are as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>Loans to Corporate</b>	<b>Loans to SME</b>	<b>Consumer loans</b>	<b>Mortgage loans</b>	<b>Total</b>
<b>Expected credit loss allowance at 1 January 2024</b>	<b>95,251,004</b>	<b>29,308,467</b>	<b>36,497,865</b>	<b>4,134,252</b>	<b>165,191,588</b>
Credit loss allowance charge/(recovery) during the year	8,322,250	(8,163,902)	(4,637,766)	(1,042,386)	<b>(5,521,804)</b>
Recovered amounts from previously written off loans	11,249,005	4,057,680	4,200,635	-	<b>19,507,320</b>
Amounts written off during the year as uncollectible	-	(112,579)	(5,374,348)	(105,000)	<b>(5,591,927)</b>
Foreign exchange difference	(1,285,259)	(8,172)	(99,023)	-	<b>(1,392,454)</b>
<b>Expected credit loss allowance at 31 December 2024</b>	<b>113,537,000</b>	<b>25,081,494</b>	<b>30,587,363</b>	<b>2,986,866</b>	<b>172,192,723</b>

The credit loss allowance for loans and advances to customers recognised in the period is impacted by a variety of factors, details of ECL measurement are provided in Note 38. 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.

## 12 Loans and Advances to Customers (continued)

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 2025:

<i>In thousands of Mongolian Tugriks</i>	<b>Stage 1 (12-months ECL)</b>	<b>Stage 2 (lifetime ECL for SICR)</b>	<b>Stage 3 (lifetime ECL for credit impaired)</b>	<b>Total</b>
<b>Loans to Corporate</b>				
- Excellent	2,516,290,574	-	-	<b>2,516,290,574</b>
- Good	-	18,550,154	-	<b>18,550,154</b>
- Satisfactory	-	-	9,394,194	<b>9,394,194</b>
- Special Monitoring	-	-	5,602,388	<b>5,602,388</b>
- Default	-	-	51,499,838	<b>51,499,838</b>
<b>Gross carrying amount</b>	<b>2,516,290,574</b>	<b>18,550,154</b>	<b>66,496,420</b>	<b>2,601,337,148</b>
Less: Credit loss allowance	(9,981,629)	(6,511,847)	(33,255,980)	<b>(49,749,456)</b>
<b>Carrying amount</b>	<b>2,506,308,945</b>	<b>12,038,307</b>	<b>33,240,440</b>	<b>2,551,587,692</b>
<b>Loans to SME</b>				
- Excellent	2,054,224,206	-	-	<b>2,054,224,206</b>
- Good	-	52,866,919	-	<b>52,866,919</b>
- Satisfactory	-	-	15,421,095	<b>15,421,095</b>
- Special monitoring	-	-	5,810,112	<b>5,810,112</b>
- Default	-	-	58,068,360	<b>58,068,360</b>
<b>Gross carrying amount</b>	<b>2,054,224,206</b>	<b>52,866,919</b>	<b>79,299,567</b>	<b>2,186,390,692</b>
Less: Credit loss allowance	(1,359,886)	(7,765,498)	(31,095,496)	<b>(40,220,880)</b>
<b>Carrying amount</b>	<b>2,052,864,320</b>	<b>45,101,421</b>	<b>48,204,071</b>	<b>2,146,169,812</b>
<b>Consumer loans</b>				
- Excellent	1,847,649,570	-	-	<b>1,847,649,570</b>
- Good	-	43,052,868	-	<b>43,052,868</b>
- Satisfactory	-	-	2,762,053	<b>2,762,053</b>
- Special monitoring	-	-	7,223,587	<b>7,223,587</b>
- Default	-	-	81,758,595	<b>81,758,595</b>
<b>Gross carrying amount</b>	<b>1,847,649,570</b>	<b>43,052,868</b>	<b>91,744,235</b>	<b>1,982,446,673</b>
Less: Credit loss allowance	(9,136,645)	(3,534,545)	(47,081,667)	<b>(59,752,857)</b>
<b>Carrying amount</b>	<b>1,838,512,925</b>	<b>39,518,323</b>	<b>44,662,568</b>	<b>1,922,693,816</b>

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

<i>In thousands of Mongolian Tugriks</i>	<b>Stage 1 (12-months ECL)</b>	<b>Stage 2 (lifetime ECL for SICR)</b>	<b>Stage 3 (lifetime ECL for credit impaired)</b>	<b>Total</b>
<b>Mortgage loans</b>				
- Excellent	1,162,078,825	-	-	<b>1,162,078,825</b>
- Good	-	21,573,526	-	<b>21,573,526</b>
- Satisfactory	-	-	6,723,702	<b>6,723,702</b>
- Special monitoring	-	-	6,179,374	<b>6,179,374</b>
- Default	-	-	11,384,738	<b>11,384,738</b>
<b>Gross carrying amount</b>	<b>1,162,078,825</b>	<b>21,573,526</b>	<b>24,287,814</b>	<b>1,207,940,165</b>
Less: Credit loss allowance	(116,617)	(545,372)	(1,622,591)	<b>(2,284,580)</b>
<b>Carrying amount</b>	<b>1,161,962,208</b>	<b>21,028,154</b>	<b>22,665,223</b>	<b>1,205,655,585</b>

The credit quality of loans to corporate and individual customers carried at amortised cost is as follows at 31 December 2024:

<i>In thousands of Mongolian Tugriks</i>	<b>Stage 1 (12-months ECL)</b>	<b>Stage 2 (lifetime ECL for SICR)</b>	<b>Stage 3 (lifetime ECL for credit impaired)</b>	<b>Total</b>
<b>Loans to Corporate</b>				
- Excellent	2,160,518,307	-	-	<b>2,160,518,307</b>
- Good	-	130,147,202	-	<b>130,147,202</b>
- Satisfactory	-	-	21,003,499	<b>21,003,499</b>
- Special monitoring	-	-	35,719,170	<b>35,719,170</b>
- Default	-	-	121,325,307	<b>121,325,307</b>
<b>Gross carrying amount</b>	<b>2,160,518,307</b>	<b>130,147,202</b>	<b>178,047,976</b>	<b>2,468,713,485</b>
Less: Credit loss allowance	(4,265,213)	(7,648,017)	(101,623,770)	<b>(113,537,000)</b>
<b>Carrying amount</b>	<b>2,156,253,094</b>	<b>122,499,185</b>	<b>76,424,206</b>	<b>2,355,176,485</b>
<b>Loans to SME</b>				
- Excellent	1,604,255,879	-	-	<b>1,604,255,879</b>
- Good	-	42,111,537	-	<b>42,111,537</b>
- Satisfactory	-	-	5,406,517	<b>5,406,517</b>
- Special monitoring	-	-	14,110,341	<b>14,110,341</b>
- Default	-	-	56,162,480	<b>56,162,480</b>
<b>Gross carrying amount</b>	<b>1,604,255,879</b>	<b>42,111,537</b>	<b>75,679,338</b>	<b>1,722,046,754</b>
Less: Credit loss allowance	(1,094,651)	(4,759,643)	(19,227,200)	<b>(25,081,494)</b>
<b>Carrying amount</b>	<b>1,603,161,228</b>	<b>37,351,894</b>	<b>56,452,138</b>	<b>1,696,965,260</b>

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

<i>In thousands of Mongolian Tugriks</i>	<b>Stage 1 (12-months ECL)</b>	<b>Stage 2 (lifetime ECL for SICR)</b>	<b>Stage 3 (lifetime ECL for credit impaired)</b>	<b>Total</b>
<b>Consumer loans</b>				
- Excellent	1,873,431,041	-	-	<b>1,873,431,041</b>
- Good	-	36,533,562	-	<b>36,533,562</b>
- Satisfactory	-	-	2,117,233	<b>2,117,233</b>
- Special monitoring	-	-	4,019,333	<b>4,019,333</b>
- Default	-	-	32,170,881	<b>32,170,881</b>
<b>Gross carrying amount</b>	<b>1,873,431,041</b>	<b>36,533,562</b>	<b>38,307,447</b>	<b>1,948,272,050</b>
Less: Credit loss allowance	(5,207,312)	(2,493,051)	(22,887,000)	<b>(30,587,363)</b>
<b>Carrying amount</b>	<b>1,868,223,729</b>	<b>34,040,511</b>	<b>15,420,447</b>	<b>1,917,684,687</b>
<b>Mortgage loans</b>				
- Excellent	904,098,783	-	-	<b>904,098,783</b>
- Good	-	12,843,185	-	<b>12,843,185</b>
- Satisfactory	-	-	5,525,111	<b>5,525,111</b>
- Special monitoring	-	-	5,327,500	<b>5,327,500</b>
- Default	-	-	8,769,623	<b>8,769,623</b>
<b>Gross carrying amount</b>	<b>904,098,783</b>	<b>12,843,185</b>	<b>19,622,234</b>	<b>936,564,202</b>
Less: Credit loss allowance	(107,015)	(30,225)	(2,849,626)	<b>(2,986,866)</b>
<b>Carrying amount</b>	<b>903,991,768</b>	<b>12,812,960</b>	<b>16,772,608</b>	<b>933,577,336</b>

For description of the credit risk grading used in the tables above, refer to Note 38.

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

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

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>		<b>31 December 2024</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Trade – Whole & Retail	1,956,643,127	23.52%	1,581,901,671	21.03%
Mortgage & House maintenance	1,547,246,329	18.60%	1,375,936,791	18.29%
Individuals	1,709,169,265	20.55%	1,434,297,921	19.06%
Mining & Exploration	588,859,085	7.08%	638,158,917	8.48%
Construction	575,289,422	6.92%	362,477,558	4.82%
Manufacturing	441,627,812	5.31%	276,763,325	3.68%
Home appliances	335,973,325	4.04%	506,182,642	6.73%
Maintenance	260,585,656	3.13%	266,548,295	3.54%
Finance	172,129,714	2.07%	247,436,649	3.29%
Transport & Communication	135,403,650	1.63%	158,017,021	2.10%
Real estate	131,303,708	1.58%	144,161,113	1.92%
Agriculture	103,434,597	1.24%	53,752,553	0.71%
Education	97,229,440	1.17%	47,430,133	0.63%
Electricity & Oil	73,202,662	0.88%	231,279,020	3.07%
Healthcare	68,207,373	0.82%	70,020,058	0.93%
Hotel & Restaurant	52,895,567	0.64%	43,369,828	0.58%
Tourism	10,121,123	0.12%	7,762,450	0.10%
Public service	6,834,658	0.08%	4,471,253	0.06%
Car	5,032,502	0.06%	8,574,305	0.11%
Social services	2,689,323	0.03%	2,634,428	0.04%
Entrepreneurship	2,416,120	0.03%	1,162,345	0.02%
Others	41,891,879	0.50%	61,235,608	0.81%
<b>Total gross carrying value</b>	<b>8,318,186,337</b>	<b>100%</b>	<b>7,523,573,884</b>	<b>100%</b>

## 12 Loans and Advances to Customers (continued)

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 2025:

<i>In thousands of Mongolian Tugriks</i>	<b>Loans to Corporate</b>	<b>Loans to SME</b>	<b>Consumer loans</b>	<b>Mortgage loans</b>	<b>Total</b>
Loans collateralised by:					
- residential real estate	102,355,534	501,143,225	39,339,839	1,090,436,687	<b>1,733,275,285</b>
- other real estate	1,049,496,794	1,059,903,747	7,090,785	54,797,965	<b>2,171,289,291</b>
- tradable securities	166,401,766	-	-	-	<b>166,401,766</b>
- cash deposits	141,334,796	159,340,004	186,189,376	1,061,343	<b>487,925,519</b>
- machinery and equipment	344,342,224	223,988,612	6,001,095	889,385	<b>575,221,316</b>
- credit enhancements	683,577,601	138,184,834	10,773,557	49,555,721	<b>882,091,713</b>
<b>Total</b>	<b>2,487,508,715</b>	<b>2,082,560,422</b>	<b>249,394,652</b>	<b>1,196,741,101</b>	<b>6,016,204,890</b>
Unsecured exposures	113,828,433	103,830,270	1,733,052,021	11,199,064	<b>1,961,909,788</b>
<b>Total carrying value loans and advances to customers at AC (amount representing exposure to credit risk for each class of loans at AC)</b>	<b>2,601,337,148</b>	<b>2,186,390,692</b>	<b>1,982,446,673</b>	<b>1,207,940,165</b>	<b>7,978,114,678</b>

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

<i>In thousands of Mongolian Tugriks</i>	<b>Loans to Corporate</b>	<b>Loans to SME</b>	<b>Consumer loans</b>	<b>Mortgage loans</b>	<b>Total</b>
Loans collateralised by:					
- residential real estate	154,340,192	473,973,633	36,262,717	823,318,557	<b>1,487,895,099</b>
- other real estate	976,702,034	867,304,134	7,633,551	51,791,166	<b>1,903,430,885</b>
- tradable securities	20,152,398	-	-	-	<b>20,152,398</b>
- cash deposits	230,839,801	69,141,823	143,765,548	-	<b>443,747,172</b>
- machinery and equipment	224,231,877	191,503,134	10,251,098	411,692	<b>426,397,801</b>
- credit enhancements	719,564,270	63,124,691	19,038,321	53,211,916	<b>854,939,198</b>
<b>Total</b>	<b>2,325,830,572</b>	<b>1,665,047,415</b>	<b>216,951,235</b>	<b>928,733,331</b>	<b>5,136,562,553</b>
Unsecured exposures	142,882,913	56,999,339	1,731,320,815	7,830,871	<b>1,939,033,938</b>
<b>Total carrying value loans and advances to customers at AC (amount representing exposure to credit risk for each class of loans at AC)</b>	<b>2,468,713,485</b>	<b>1,722,046,754</b>	<b>1,948,272,050</b>	<b>936,564,202</b>	<b>7,075,596,491</b>

## 12 Loans and Advances to Customers (continued)

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

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

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
<b>Loans to corporate customers:</b>		
Loans to Corporate	214,007,663	299,824,209
Loans to SME	732,929,000	607,474,892
<b>Loans to individuals:</b>		
Consumer loans	228,872,357	190,059,892
Mortgage loans	692,021,775	523,832,989
<b>Total significantly over-collateralised loans and advances to customers carried at AC</b>	<b>1,867,830,795</b>	<b>1,621,191,982</b>

The extent to which collateral and other credit enhancements mitigate credit risk for financial assets carried at amortised cost that are credit impaired, is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset (“over-collateralised assets”) and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset (“under-collateralised assets”). The effect of collateral on credit-impaired assets at 31 December 2025 is as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>Over-collateralized assets</b>		<b>Under-collateralized assets</b>	
	<b>Carrying value of the assets</b>	<b>Fair value of collateral</b>	<b>Carrying value of the assets</b>	<b>Fair value of collateral</b>
<b>Credit impaired assets:</b>				
<i>Loans carried at AC:</i>				
Corporate	49,249,338	158,907,426	17,247,082	6,918,425
SME	43,596,035	92,630,096	35,703,532	19,665,509
Consumer	755,992	1,759,425	90,988,243	585,501
Mortgage	17,899,777	35,453,378	6,388,037	4,036,451
<b>Total</b>	<b>111,501,142</b>	<b>288,750,325</b>	<b>150,326,894</b>	<b>31,205,886</b>

## 12 Loans and Advances to Customers (continued)

The effect of collateral on credit-impaired assets at 31 December 2024 is as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>Over-collateralized assets</b>		<b>Under-collateralized assets</b>	
	<b>Carrying value of the assets</b>	<b>Fair value of collateral</b>	<b>Carrying value of the assets</b>	<b>Fair value of collateral</b>
<b>Credit impaired assets:</b>				
<i>Loans carried at AC:</i>				
Corporate	69,414,761	605,807,802	108,633,215	24,044,766
SME	37,930,151	73,322,090	37,749,187	24,683,307
Consumer	779,233	1,634,670	37,528,214	732,597
Mortgage	12,472,926	23,155,183	7,149,308	2,753,886
<b>Total</b>	<b>120,597,071</b>	<b>703,919,745</b>	<b>191,059,924</b>	<b>52,214,556</b>

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

Description of collateral held for loans to corporate and individual customers carried at FVTPL is as follows at 31 December 2025 and 31 December 2024:

<i>In thousands of Mongolian Tugriks</i>	<b>Mortgage</b>		<b>SME</b>		<b>Corporate</b>	
	<b>31 December 2025</b>	<b>31 December 2024</b>	<b>31 December 2025</b>	<b>31 December 2024</b>	<b>31 December 2025</b>	<b>31 December 2024</b>
Loans collateralised by:						
- residential real estate	338,487,998	438,343,939	40,682	664,540	-	-
- other real estate	668,768	785,484	564,364	4,490,480	-	3,143,234
- cash deposits	149,398	-	-	-	-	-
- machinery and equipments	-	-	98,548	297,002	-	-
- guarantee	-	-	61,901	-	-	-
- other assets	-	243,166	-	9,548	-	-
<b>Total</b>	<b>339,306,164</b>	<b>439,372,589</b>	<b>765,495</b>	<b>5,461,570</b>	<b>-</b>	<b>3,143,234</b>
Unsecured exposures	-	-	-	-	-	-
<b>Total carrying value loans and advances to customers at FVTPL (amount representing exposure to credit risk for each class of loans at FVTPL)</b>	<b>339,306,164</b>	<b>439,372,589</b>	<b>765,495</b>	<b>5,461,570</b>	<b>-</b>	<b>3,143,234</b>

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

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

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

The effect of collateral on credit assets /FVTPL/ at 31 December 2025 and 31 December 2024 are as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>		<b>31 December 2024</b>	
	<b>Carrying value of the loan</b>	<b>Value of collateral</b>	<b>Carrying value of the loan</b>	<b>Value of collateral</b>
Over-collateralised asset	265,938,704	323,066,251	361,783,594	448,764,776
Under-collateralised asset	74,132,955	67,211,287	86,193,799	77,111,748
<b>Total</b>	<b>340,071,659</b>	<b>390,277,538</b>	<b>447,977,393</b>	<b>525,876,524</b>

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 2025 and 31 December 2024:

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
<b>Loans to corporate customers:</b>		
Loans to Corporates	20,558,403	50,529,337
Loans to SMEs	11,209,498	14,021,753
<b>Loans to individuals:</b>		
Consumer loans	28,958,126	27,044,303
Mortgage loans	105,000	105,000
<b>Total</b>	<b>60,831,027</b>	<b>91,700,393</b>

The Bank's policy is to complete legal enforcement steps that were initiated even though the loans were written off, as there is no reasonable expectation of recovery 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 555,339 thousands and amortised cost of modified loans was MNT 52,682,345 thousands for the year ended 31 December 2025 (31 December 2024: MNT 409,794 thousands, MNT 41,677,962 thousands respectively).

Refer to Note 42 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 38. Information on related party balances is disclosed in Note 44.

### **13 Investment Properties**

Below is the information on changes in investment properties as follows at 31 December 2025 and 31 December 2024:

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
<b>Investment properties at fair value at 1 January</b>	<b>8,014,077</b>	<b>6,586,475</b>
Disposals	-	-
Fair value gains	1,049,911	1,427,602
<b>Investment properties at fair value at 31 December 2025</b>	<b>9,063,988</b>	<b>8,014,077</b>

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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.

As of 31 December 2025, rental income of MNT 853,499 thousands (31 December 2024: MNT 507,194 thousands) was generated from investment properties. Direct operating expenses arising from investment property that generated rental income during the period was nil (31 December 2024: nil).

Accounting policy for investment properties is disclosed in Note 4.15.

## 14 Other Assets

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
<b>Other financial assets at FV:</b>		
Precious metals	831,930	13,154,667
<b>Total other financial assets at FV</b>	<b>831,930</b>	<b>13,154,667</b>
<b>Other financial assets at AC:</b>		
Receivables on cash and settlements services	2,708,696	5,734,890
Receivable from companies	8,158,000	9,347,187
Receivable from individuals	3,455,746	3,016,631
Other financial assets	19,277,387	2,739,041
Less: Credit loss allowance	(10,113,297)	(5,906,350)
<b>Total other financial assets at AC</b>	<b>23,486,532</b>	<b>14,931,399</b>
<b>Total other financial assets</b>	<b>24,318,462</b>	<b>28,086,066</b>
<b>Other non-financial assets</b>		
Prepayments for non-current assets	503,645,586	437,894,254
Prepayments for employees' benefits	27,264,854	13,974,105
Prepayments for rent	1,346,067	954,228
Other prepayments	20,453,297	13,196,119
Other non-financial assets	13,024,025	8,485,397
<b>Total non-financial assets</b>	<b>565,733,829</b>	<b>474,504,103</b>
<b>Total other assets</b>	<b>590,052,291</b>	<b>502,590,169</b>

Precious metals mainly consist of gold. For accounting policy of precious metals, refer to Note 4.

Receivables on cash and settlements services mainly consist of transaction settlement receivables.

Prepayments for non-current assets amount of MNT 503,645,586 thousand relate to new office buildings and other office order contracts.

## 14 Other Assets (continued)

Tables below contain an analysis of the credit risk exposure of other financial assets at AC at 31 December 2025.

<i>In thousands of Mongolian Tugriks</i>	Stage 1 (12-months ECL)	Stage 2 (12-months ECL)	Stage 3 (lifetime ECL for credit impaired)	Total
<b>Receivables from companies</b>				
- Excellent	3,788,091	-	-	3,788,091
- Good	-	25,670	-	25,670
- Satisfactory	-	-	48,320	48,320
- Special monitoring	-	-	87,813	87,813
- Default	-	-	4,208,106	4,208,106
<b>Gross carrying amount</b>	<b>3,788,091</b>	<b>25,670</b>	<b>4,344,239</b>	<b>8,158,000</b>
Less: Credit loss allowance	(1,086)	(782)	(3,652,090)	(3,653,958)
<b>Carrying amount</b>	<b>3,787,005</b>	<b>24,888</b>	<b>692,149</b>	<b>4,504,042</b>
<b>Receivables from individuals</b>				
- Excellent	508,574	-	-	508,574
- Good	-	9,276	-	9,276
- Satisfactory	-	-	4,876	4,876
- Special monitoring	-	-	5,862	5,862
- Default	-	-	2,927,158	2,927,158
<b>Gross carrying amount</b>	<b>508,574</b>	<b>9,276</b>	<b>2,937,896</b>	<b>3,455,746</b>
Less: Credit loss allowance	(608)	(136)	(2,731,515)	(2,732,259)
<b>Carrying amount</b>	<b>507,966</b>	<b>9,140</b>	<b>206,381</b>	<b>723,487</b>
<b>Receivables on cash and settlements services</b>				
- Excellent	2,688,297	-	-	2,688,297
- Good	-	-	-	-
- Satisfactory	-	-	6,557	6,557
- Special monitoring	-	-	7,168	7,168
- Default	-	-	6,674	6,674
<b>Gross carrying amount</b>	<b>2,688,297</b>	<b>-</b>	<b>20,399</b>	<b>2,708,696</b>
Less: Credit loss allowance	(70)	-	(11,897)	(11,967)
<b>Carrying amount</b>	<b>2,688,227</b>	<b>-</b>	<b>8,502</b>	<b>2,696,729</b>
<b>Other financial asset</b>				
- Excellent	4,769,968	-	-	4,769,968
- Good	-	5,558,700	-	5,558,700
- Satisfactory	-	-	2,889,306	2,889,306
- Special monitoring	-	-	5,708,977	5,708,977
- Default	-	-	350,436	350,436
<b>Gross carrying amount</b>	<b>4,769,968</b>	<b>5,558,700</b>	<b>8,948,719</b>	<b>19,277,387</b>
Less: Credit loss allowance	(8,687)	(125,666)	(3,580,760)	(3,715,113)
<b>Carrying amount</b>	<b>4,761,281</b>	<b>5,433,034</b>	<b>5,367,959</b>	<b>15,562,274</b>

**14 Other Assets (continued)**

Tables below contain an analysis of the credit risk exposure of other financial assets at AC at 31 December 2024.

<i>In thousands of Mongolian Tugriks</i>	<b>Stage 1 (12-months ECL)</b>	<b>Stage 2 (12-months ECL)</b>	<b>Stage 3 (lifetime ECL for credit impaired)</b>	<b>Total</b>
<b>Receivables from companies</b>				
- Excellent	5,362,296	-	-	<b>5,362,296</b>
- Good	-	149,054	-	<b>149,054</b>
- Satisfactory	-	-	134,915	<b>134,915</b>
- Special monitoring	-	-	30,994	<b>30,994</b>
- Default	-	-	3,669,928	<b>3,669,928</b>
<b>Gross carrying amount</b>	<b>5,362,296</b>	<b>149,054</b>	<b>3,835,837</b>	<b>9,347,187</b>
Less: Credit loss allowance	(5,729)	(2,226)	(3,445,121)	<b>(3,453,076)</b>
<b>Carrying amount</b>	<b>5,356,567</b>	<b>146,828</b>	<b>390,716</b>	<b>5,894,111</b>
<b>Receivables from individuals</b>				
- Excellent	575,533	-	-	<b>575,533</b>
- Good	-	22,956	-	<b>22,956</b>
- Satisfactory	-	-	8,758	<b>8,758</b>
- Special monitoring	-	-	7,799	<b>7,799</b>
- Default	-	-	2,401,585	<b>2,401,585</b>
<b>Gross carrying amount</b>	<b>575,533</b>	<b>22,956</b>	<b>2,418,142</b>	<b>3,016,631</b>
Less: Credit loss allowance	(946)	(292)	(2,445,543)	<b>(2,446,781)</b>
<b>Carrying amount</b>	<b>574,587</b>	<b>22,664</b>	<b>(27,401)</b>	<b>569,850</b>
<b>Receivables on cash and settlements services</b>				
- Excellent	5,728,472	-	-	<b>5,728,472</b>
- Good	-	-	-	-
- Satisfactory	-	-	-	-
- Special monitoring	-	-	-	-
- Default	-	-	6,418	<b>6,418</b>
<b>Gross carrying amount</b>	<b>5,728,472</b>	<b>-</b>	<b>6,418</b>	<b>5,734,890</b>
Less: Credit loss allowance	(75)	-	(6,418)	<b>(6,493)</b>
<b>Carrying amount</b>	<b>5,728,397</b>	<b>-</b>	<b>-</b>	<b>5,728,397</b>
<b>Other financial asset</b>				
- Excellent	2,739,041	-	-	<b>2,739,041</b>
<b>Gross carrying amount</b>	<b>2,739,041</b>	<b>-</b>	<b>-</b>	<b>2,739,041</b>
Less: Credit loss allowance	-	-	-	-
<b>Carrying amount</b>	<b>2,739,041</b>	<b>-</b>	<b>-</b>	<b>2,739,041</b>

**14 Other Assets (continued)**

Movements in the provision for asset impairment are as follows at 31 December 2025:

<i>In thousands of Mongolian Tugriks</i>	<b>Receivable from companies</b>	<b>Receivable from individuals</b>	<b>Receivables on cash and settlement services</b>	<b>Other financial assets</b>	<b>Total</b>
<b>Expected credit loss allowance of other assets at 1 January 2025</b>	<b>3,453,076</b>	<b>2,446,781</b>	<b>6,493</b>	<b>-</b>	<b>5,906,350</b>
Credit loss allowance charge/(recovery) during the year	202,891	375,219	7,313	3,715,113	<b>4,300,536</b>
Exchange difference	(1,891)	(89,253)	(1,839)	-	<b>(92,983)</b>
Amounts written off during the year as uncollectible	(118)	(488)	-	-	<b>(606)</b>
<b>Expected credit loss allowance of other assets at 31 December 2025</b>	<b>3,653,958</b>	<b>2,732,259</b>	<b>11,967</b>	<b>3,715,113</b>	<b>10,113,297</b>

The receivables that are not expected to be fully paid are written off in accordance with the Board of Directors' resolution during 2025.

Movements in the provision for asset impairment during 2024 are as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>Receivable from companies</b>	<b>Receivable from individuals</b>	<b>Receivables on cash and settlement services</b>	<b>Total</b>
<b>Expected credit loss allowance of other assets at 1 January 2024</b>	<b>4,002,023</b>	<b>2,260,851</b>	<b>2,926</b>	<b>6,265,800</b>
Credit loss allowance charge/(recovery) during the year	(553,330)	186,687	3,490	<b>(363,153)</b>
Exchange difference	4,413	(94)	77	<b>4,396</b>
Amounts written off during the year as uncollectible	(30)	(663)	-	<b>(693)</b>
<b>Expected credit loss allowance of other assets at 31 December 2024</b>	<b>3,453,076</b>	<b>2,446,781</b>	<b>6,493</b>	<b>5,906,350</b>

**15 Intangible Assets**

<i>In thousands of Mongolian Tugriks</i>	<b>Computer software licences</b>	<b>Land use right</b>	<b>Total</b>
<b>Cost at 1 January 2024</b>	50,982,580	693,313	<b>51,675,893</b>
Accumulated amortization	(32,790,566)	(6,679)	<b>(32,797,245)</b>
<b>Carrying amount at 1 January 2024</b>	<b>18,192,014</b>	<b>686,634</b>	<b>18,878,648</b>
Additions	13,304,763	-	<b>13,304,763</b>
Transfer to premises and equipment	-	(672,984)	<b>(672,984)</b>
Amortisation	(8,817,863)	(6,679)	<b>(8,824,542)</b>
<b>Carrying amount at 31 December 2024</b>	<b>22,678,914</b>	<b>6,971</b>	<b>22,685,885</b>
<b>Cost at 1 January 2025</b>	64,287,343	20,329	64,307,672
Accumulated amortization	(41,608,429)	(13,358)	(41,621,787)
<b>Carrying amount at 1 January 2025</b>	<b>22,678,914</b>	<b>6,971</b>	<b>22,685,885</b>
Additions	5,018,316	238,913	<b>5,257,229</b>
Transfer	-	8,000,000	<b>8,000,000</b>
Amortisation	(9,669,270)	(6,642)	<b>(9,675,912)</b>
<b>Carrying amount at 31 December 2025</b>	<b>18,027,960</b>	<b>8,239,242</b>	<b>26,267,202</b>

**Golomt Bank JSC**  
**Notes to the Financial Statements – 31 December 2025**

**16 Premises and Equipment**

<i>In thousands of Mongolian Tugriks</i>	Premises	Motor vehicles	Office equipment and computers	Furniture	Leasehold improvement	Construction in progress	Total premises and equipment
<b>Cost/valuation at 1 January 2024</b>	<b>116,537,552</b>	<b>4,410,514</b>	<b>119,928,289</b>	<b>9,844,191</b>	<b>8,080,633</b>	<b>650,454</b>	<b>259,451,633</b>
Accumulated depreciation	(17,006,956)	(1,796,909)	(81,034,267)	(4,431,778)	(4,098,732)	-	(108,368,642)
<b>Carrying amount at 1 January 2024</b>	<b>99,530,596</b>	<b>2,613,605</b>	<b>38,894,022</b>	<b>5,412,413</b>	<b>3,981,901</b>	<b>650,454</b>	<b>151,082,991</b>
Additions	11,620,809	1,306,872	26,967,373	2,054,751	4,867,790	8,000,000	<b>54,817,595</b>
Transfer from Intangible Assets	672,984	-	-	-	-	-	<b>672,984</b>
Transfers	650,454	-	(226,078)	226,078	-	(650,454)	-
Disposals	(449,756)	(161,800)	(3,246,388)	(94,462)	(300,000)	-	<b>(4,252,406)</b>
Write-offs	-	-	(5,068,622)	(437,363)	(1,680,547)	-	<b>(7,186,532)</b>
Depreciation	(3,943,990)	(542,043)	(18,224,008)	(638,605)	(2,240,608)	-	<b>(25,589,254)</b>
Transfers of accumulated depreciation	-	-	(3,926)	3,926	-	-	-
Disposals of accumulated depreciation	32,981	132,532	1,412,026	64,801	-	-	<b>1,642,340</b>
Write-offs of accumulated depreciation	-	-	5,068,596	436,372	1,680,547	-	<b>7,185,515</b>
Revaluation	21,730,743	-	-	-	-	-	<b>21,730,743</b>
<b>Carrying amount at 31 December 2024</b>	<b>129,844,821</b>	<b>3,349,166</b>	<b>45,572,995</b>	<b>7,027,911</b>	<b>6,309,083</b>	<b>8,000,000</b>	<b>200,103,976</b>
<b>Cost/valuation at 1 January 2025</b>	<b>150,762,786</b>	<b>5,555,586</b>	<b>138,354,574</b>	<b>11,593,195</b>	<b>10,967,876</b>	<b>8,000,000</b>	<b>325,234,017</b>
Accumulated depreciation	(20,917,965)	(2,206,420)	(92,781,579)	(4,565,284)	(4,658,793)	-	(125,130,041)
<b>Carrying amount at 1 January 2025</b>	<b>129,844,821</b>	<b>3,349,166</b>	<b>45,572,995</b>	<b>7,027,911</b>	<b>6,309,083</b>	<b>8,000,000</b>	<b>200,103,976</b>
Additions	7,606,249	893,600	25,194,478	1,539,596	3,765,554	-	38,999,477
Transfer to Intangible Assets	-	-	-	-	-	(8,000,000)	(8,000,000)
Transfer	-	-	(24,892)	24,892	-	-	-
Disposals	(156,622)	-	(3,419,096)	(87,308)	-	-	(3,663,026)
Write-offs	-	(58,000)	(9,395,970)	(165,197)	(914,403)	-	(10,533,570)
Depreciation	(4,520,223)	(630,990)	(16,368,525)	(792,484)	(2,462,999)	-	(24,775,221)
Transfers of accumulated depreciation	-	-	1,107	(1,107)	-	-	-
Disposals of accumulated depreciation	10,580	-	2,030,298	71,724	-	-	2,112,602
Write-offs of accumulated depreciation	-	32,881	9,395,970	165,197	914,403	-	10,508,451
<b>Carrying amount at 31 December 2025</b>	<b>132,784,805</b>	<b>3,586,657</b>	<b>52,986,365</b>	<b>7,783,224</b>	<b>7,611,638</b>	<b>-</b>	<b>204,752,689</b>

## **16 Premises and Equipment (continued)**

At 31 December 2025, the carrying amount of premises would have been MNT 118,309,450 thousands (2024: MNT 114,943,140 thousands) had the assets been carried at cost less depreciation.

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

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Premises at revalued amount in the statement of financial position	132,784,805	129,844,821
Revaluation reserve presented in equity	(14,475,354)	(14,901,681)
<b>Premises at cost less accumulated depreciation</b>	<b>118,309,451</b>	<b>114,943,140</b>

Premises have been revalued at fair value as of 31 December 2024. The valuation was carried out by an independent firm of appraisers, Fine Estimate LLC and Gerege Estimate LLC, who hold a recognised and relevant professional qualification and who have recent experience in the valuation of assets in similar locations and in a similar category.

Refer to Note 42 for the disclosure for inputs and model used to determine fair value and its sensitivity analysis.

## **17 Right of Use Assets**

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

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

<i>In thousands of Mongolian Tugriks</i>	<b>Buildings</b>	<b>Other</b>	<b>Total</b>
<b>Carrying amount at 1 January 2024</b>	<b>16,109,914</b>	<b>665,365</b>	<b>16,775,279</b>
Additions	18,253,437	3,844	<b>18,257,281</b>
Disposals	(977,464)	(2,148)	<b>(979,612)</b>
Depreciation charge	(8,502,764)	(663,699)	<b>(9,166,463)</b>
<b>Carrying amount at 31 December 2024</b>	<b>24,883,123</b>	<b>3,362</b>	<b>24,886,485</b>
Additions	23,783,965	4,279,148	28,063,113
Disposals	(6,773,714)	(1,946)	(6,775,660)
Depreciation charge	(11,681,527)	(854,903)	(12,536,430)
<b>Carrying amount at 31 December 2025</b>	<b>30,211,847</b>	<b>3,425,661</b>	<b>33,637,508</b>

As of 31 December 2025, interest expense on lease liabilities was MNT 5,046,696 thousands (31 December 2024: MNT 3,308,598 thousands).

## **17 Right of Use Assets (continued)**

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

<i>In thousands of Mongolian Tugriks</i>	<b>Note</b>	<b>31 December 2025</b>	<b>31 December 2024</b>
Expense relating to short-term leases	29	832,728	1,296,672

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 Assets Classified as Held for Sale**

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 assets on each transfer of asset. The Bank is actively marketing these assets and expects the sale to complete within 12 months. Further accounting policies of assets classified as held for sale is disclosed in Note 4.10.

Major classes classified as held for sale are as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Office and commercial spaces	94,737,169	19,462,024
Residential apartments or houses	89,880,028	11,634,001
Buildings	14,666,804	898,319
Other	12,088,165	7,551,437
<b>Total assets held for sale</b>	<b>211,372,166</b>	<b>39,545,781</b>

During 2025, the Bank sold offices, commercial spaces and residential apartments in amount of MNT 49,495,103 thousands (31 December 2024: 73,588,492 thousands).

During the year 220,191,747 thousands (2024: MNT 42,204,231 thousands) of assets were transferred from repossessed collateral to assets classified as Held for Sale.

The Bank recognised a net gain for assets classified as held for sale of MNT 20,843,193 thousands (2024: net loss of MNT 43,182,070 thousands).

## 19 Due to Other Banks

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Short-term placements of other banks	811,902,175	443,274,660
<b>Total due to other banks</b>	<b>811,902,175</b>	<b>443,274,660</b>

Amount due to other banks and financial institutions represent foreign currency and local currency accounts with Mongolian and foreign banks. Significant increase in due to inter banks deposits with domestic bank.

Refer to Note 42 for the disclosure of the fair value of each class of due to other banks. Currency, interest rate and maturity analysis of due to other banks are disclosed in Note 38.

## 20 Customer Accounts

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
<b>Individuals</b>	<b>5,076,483,428</b>	<b>4,401,002,994</b>
- Current/demand accounts	785,359,526	780,135,672
- Demand deposits	637,208,995	620,995,475
- Term deposits	3,653,914,907	2,999,871,847
<b>Legal entities</b>	<b>4,451,836,392</b>	<b>3,817,798,645</b>
- Current/settlement accounts	3,231,366,099	2,896,837,462
- Demand deposits	-	-
- Term deposits	1,220,470,293	920,961,183
<b>State and public organizations</b>	<b>1,176,273,086</b>	<b>1,072,529,966</b>
- Current/settlement accounts	518,263,595	627,827,458
- Demand deposits	-	-
- Term deposits	658,009,491	444,702,508
<b>Other</b>	<b>110,223,028</b>	<b>85,511,476</b>
- Current/demand accounts	64,232,370	52,352,307
- Demand deposits	-	-
- Term deposits	45,990,658	33,159,169
<b>Total customer accounts</b>	<b>10,814,815,934</b>	<b>9,376,843,081</b>

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.

At 31 December 2025, the aggregate amount of the top 30 biggest customers is MNT 3,496,213,925 thousands (31 December 2024: MNT 3,017,895,899 thousands) or 32% of total customer accounts (31 December 2024: 32%).

At 31 December 2025, the Bank collateralised deposits of MNT 63,115,151 thousands (31 December 2024: MNT 50,761,476 thousands) for irrevocable commitments under bank guarantee and letter of credit. Interest rate analysis of customer accounts is disclosed in Note 38. Information on related party balances is disclosed in Note 44.

## 21 Other Borrowed Funds

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
<b>(a) Borrowed funds under projects</b>		
Borrowed funds under Project /MNT/	290,789,858	384,637,262
Borrowed funds under Project /USD/	58,077	110,756
<b>Total borrowed funds under projects</b>	<b>290,847,935</b>	<b>384,748,018</b>
<b>(b) Borrowings from foreign banks and financial institutions</b>		
Borrowings from other banks /USD/	784,304,901	733,903,539
Borrowings from other banks /MNT/	14,743,280	-
<b>(c) Trade finance from foreign banks and financial institutions</b>		
Borrowings from foreign banks and financial institutions /USD/	152,291,204	129,171,672
Borrowings from foreign banks and financial institutions /JPY/	9,248,927	-
Borrowings from foreign banks and financial institutions /EUR/	6,680,431	6,050,945
Borrowings from foreign banks and financial institutions /CNY/	4,434,378	-
Borrowings from foreign banks and financial institutions /KRW/	-	1,209
<b>Total borrowings from foreign banks and financial institutions</b>	<b>971,703,121</b>	<b>869,127,365</b>
<b>TOTAL</b>	<b>1,262,551,056</b>	<b>1,253,875,383</b>

### (a) Borrowed funds under projects

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
<b>Government price stabilization program</b>		
Housing mortgage program	263,546,168	349,491,509
Fuel reserve program	-	4,628
Project on gold production 2	-	4,705,492
Project loan of KFW bank	-	104,267
<b>Joint projects of Mongolian government and JICA</b>		
Borrowings under SME industry support fund	7,490,931	7,452,707
<b>Joint project of Credit guarantee fund and ADB</b>		
Borrowings under SME industry support fund	9,892,586	7,521,687
<b>Other government projects</b>		
Borrowings under Agriculture and Rural Development Project	9,625,973	14,889,445
Other borrowing under project	58,077	110,755
Borrowings under SME industry support fund	232,614	465,228
Student development program	1,586	2,300
<b>Total</b>	<b>290,847,935</b>	<b>384,748,018</b>

As disclosed in Note 3, most of these funds are obtained for specific purposes (issuing loans at advantageous rates to target customers), defined by the lenders or the Government of Mongolia, and therefore they are obtained at interest rates that may be lower than rates at which the Bank could source the funds from other lenders. Interest rates during 2025 on most of these borrowed funds range between 2% and 5% p.a., while interest rates on most of the loans issued from these sources range between 6% and 12.34% p.a. The management considered whether initial gain on recognition of these borrowings should be recognised and concluded that they meet the definition of a principal market and that no gains or losses should arise on initial recognition of related borrowings and loans to customers.

## **21 Other Borrowed Funds (continued)**

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

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

Under Housing Mortgage Program, the Bank received funds since 2013 from the Bank of Mongolia for a mortgage loan program implemented by the Government at an interest rate of 1%, 2% and 4% p.a. Newly issued loans or refinanced loans need to meet specific requirements (apartments with maximum area of 80 square meters, down payment of at least 30% apartment purchase price, good customer's credit history with respective bank and other Mongolian banks etc.) in order to qualify for this program.

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

In 2023, the Bank participated in a program funded by UB-SME support center for financing SMEs to support stability of the entities. Under this program, the Bank obtained funding at zero cost with maturity date of 5 December 2026 and issued loans to the companies at advantageous interest rate of 3.0% p.a. The Bank bears the credit risk.

In 2011, the Bank received fund from JICA at an interest rate of 3.0% p.a. The project purpose is to support SMEs and environmental protection projects. Under this program, the Bank obtained funding at interest rates of 3% p.a. with maturity date of 1 May 2035 and issued loans to SMEs at advantageous interest rate of 7% p.a. The project unit's board committee decides to change the loan and funding interest rate in every half year.

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

In 2016, the Bank received fund 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 2031. The Bank can grant loans with the interest rate of 8%. The Bank approves all loan disbursement or refinancing and bears the credit risk.

**21 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 2025 in thousands of original currencies	Principle balance as of 31 December 2025 in thousands of MNT
<b>Government price stabilization program</b>	Bank of Mongolia	Housing mortgage program	MNT	4/21/2016	12/15/2026	99,126,921	99,126,921
	Government	Housing mortgage program	MNT	4/21/2016	7/1/2027	164,419,247	164,419,247
<b>Joint projects of Mongolian government and JICA</b>	JICA	Borrowings under SME industry support fund	MNT	12/19/2011	5/1/2035	7,490,931	7,490,931
<b>Joint project of Credit guarantee fund and ADB</b>	ADB	Borrowings under SME industry support fund	MNT	3/22/2021	4/5/2034	9,892,586	9,892,586
<b>Other government projects</b>	Government	Borrowings under Agriculture and Rural Development Project	MNT	5/5/2016	8/1/2031	9,625,973	9,625,973
	Government	Other borrowing under project	USD	10/7/2014	5/1/2027	16	58,077
	Government	Borrowings under SME industry support fund	MNT	7/18/2023	12/5/2026	232,614	232,614
	Government	Student development program	MNT	11/30/2016	11/29/2027	1,586	1,586

**21 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 2024 in thousands of original currencies	Principle balance as of 31 December 2024 in thousands of MNT
<b>Government price stabilization program</b>	Bank of Mongolia	Housing mortgage program	MNT	4/21/2016	7/1/2026	349,491,509	349,491,509
	Bank of Mongolia	Fuel reserve program	MNT	12/13/2021	12/28/2024	4,628	4,628
	Bank of Mongolia	Project on gold production 2	MNT	6/25/2020	11/25/2025	4,705,492	4,705,492
	Bank of Mongolia	Project loan of KFW bank	MNT	6/8/2012	6/25/2025	104,267	104,267
<b>Joint projects of Mongolian government and JICA</b>	JICA	Borrowings under SME industry support fund	MNT	12/19/2011	12/24/2034	7,452,707	7,452,707
<b>Joint projects of Credit guarantee fund and ADB</b>	ADB	Borrowings under SME industry support fund	MNT	3/22/2021	9/30/2033	7,521,687	7,521,687
<b>Other government projects</b>	Government	Borrowings under Agriculture and Rural Development Project	MNT	5/5/2016	8/1/2031	14,889,445	14,889,445
	Government	Other borrowing under project	USD	10/7/2014	5/1/2027	32	110,755
	Government	Borrowings under SME industry support fund	MNT	7/18/2023	7/17/2026	465,228	465,228
	Government	Student development program	MNT	11/30/2016	12/5/2026	2,300	2,300

## **21 Other Borrowed Funds (continued)**

### **(b) Borrowings from foreign banks and financial institutions**

Borrowings from other foreign bank represent loans obtained from foreign banks and financial institutions in the amount between USD 800 thousands and USD 110,000 thousands with maturity range of 12 months to 60 months as of 31 December 2025 (2024: between USD 1,666 thousands and USD 100,000 thousands with maturity range of 24 months to 60 months).

During 2025, several borrowings have been obtained with total amount of USD 169,530 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 finance its' trade customers. During 2025, the Bank utilised MNT 303,997,667 thousands (31 December 2024: MNT 247,234,399 thousands) of respective credit lines and issued loans for the same amount with the purpose to finance transaction of its' customers. The tenor of fundings obtained from foreign banks are up to 1 year and which cash-flow repayments from customers are matched with the repayments to foreign banks in terms of both timing and amount of interest and principal repayment. The Bank bears the credit risk in the event of non-payment by the customer.

At 31 December 2025, the Bank has no breach on borrowings from foreign banks and financial institutions.

Refer to Note 42 for the disclosure of fair value of other borrowed funds. Currency, interest rate and maturity analysis of other borrowed funds are disclosed in Note 38.

## **22 Debt securities in issue**

On 20 May 2024, the Bank issued USD 300,000 thousands senior notes on a standalone basis with a coupon rate of 11% and a three-year term in the international debt market. On 11 December 2024, the Bank tap issued its existing bond by another USD100,000 thousands, resulting in a total of USD 400,000 thousands bond maturing on 20 May 2027. The issue yield was at 8.5%.

On 2 January 2025, the Bank issued USD 50,000 thousand senior unsecured sustainable bonds with a coupon rate of 8% and a maturity of five years, listed on the Luxembourg Stock Exchange.

On 26 November 2025, the Bank issued JPY 15,000,000 thousand three-year Samurai bonds in the Japanese capital market. SMBC Nikko Securities Inc. acted as the sole lead arranger, and Sumitomo Mitsui Banking Corporation, Seoul Branch, provided a guarantee for the issuance. The bonds are currently held by Japanese institutional investors.

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Senior notes	1,400,408,999	1,369,878,337
Sustainable bonds	175,444,095	-
Samurai bonds	336,081,944	-
<b>Total debt securities in issue</b>	<b>1,911,935,038</b>	<b>1,369,878,337</b>

## **23 REPO Arrangements**

As of 31 December 2025, MNT 2,008,022,613 thousands (31 December 2024: MNT 1,402,962,803 thousands) of sale and repurchase agreements relate to placements from Bank of Mongolia and local bank bearing interest rate 14.0% p.a. (2024: 7-12% p.a), with original maturity of 2 days (2024: 2-1,095 days). These placements are fully collateralized by the Bank of Mongolia treasury bills in Note 10.

As of 31 December 2025, the Bank entered into MNT 399,271,636 thousands (31 December 2024: MNT 137,391,058 thousands) of sale and repurchase agreements to increase its USD reserves. These placements are fully collateralized by the Government bonds at FVTOCI bills disclosed in Note 10.

### **Reverse sale and repurchase agreement**

As of 31 December 2025, MNT 41,496,584 thousands (31 December 2024: MNT 55,710,082 thousands) of the reverse sale and repurchase agreements relate to a short-term agreements with local bank, earning interest rate ranging from 5.8% to 12% p.a. (2024: 10% p.a) with original maturities of 5 and 21 days (2024: 2 days). The reverse sale and repurchase agreements are fully collateralized by the Bank of Mongolia treasury bills which the Bank has the right and Government bonds, by contract to sell or re-pledge in the case of non-repayment.

## **24 Other Liabilities**

Other liabilities comprise the following:

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
<b>Other financial liabilities at AC:</b>	<b>132,725,800</b>	<b>85,250,923</b>
Liabilities for settlements of transactions	108,845,227	69,737,684
Liabilities for loans sold to MIK with recourse	190,883	273,523
Provision for credit related commitments	4,045,551	1,873,767
Other	19,644,139	13,365,949
<b>Other non-financial liabilities:</b>	<b>34,759,942</b>	<b>36,280,448</b>
Tax payables other than on income	7,751,119	6,162,072
Payables to employees	18,729,617	21,973,893
Other	8,279,206	8,144,483
<b>Total other liabilities</b>	<b>167,485,742</b>	<b>121,531,371</b>

Liabilities for settlements of transactions were increased mostly due to certain internet bank transactions executed after 4:00 p.m., which were not settled on the same day.

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>	<b>Number of out-standing shares</b>	<b>Ordinary shares</b>	<b>Share premium</b>	<b>Total</b>
<b>At 1 January 2024</b>	<b>808,657,306</b>	<b>202,164,327</b>	<b>301,481,120</b>	<b>503,645,447</b>
New shares issued	-	-	-	-
Share retirement	-	-	-	-
<b>At 31 December 2024</b>	<b>808,657,306</b>	<b>202,164,327</b>	<b>301,481,120</b>	<b>503,645,447</b>
<b>At 1 January 2025</b>	<b>808,657,306</b>	<b>202,164,327</b>	<b>301,481,120</b>	<b>503,645,447</b>
New shares issued	-	-	-	-
Share retirement	-	-	-	-
<b>At 31 December 2025</b>	<b>808,657,306</b>	<b>202,164,327</b>	<b>301,481,120</b>	<b>503,645,447</b>

The nominal registered amount of the Bank's issued share capital is MNT 202,164,327 thousands (2024: MNT 202,164,327 thousands). Share premium represents the excess of contributions received over the nominal value of shares issued.

### Ordinary shares:

As at 31 December 2025, the Bank's authorised share capital comprised 1,150,000,000 ordinary shares (2024: 900,000,000 ordinary shares) with a par value of MNT 250 per share (2024: MNT 250 per share).

The total issued and fully paid ordinary shares amounted to 808,657,306 shares as at both 31 December 2025 and 31 December 2024. All issued ordinary shares carry equal rights with respect to dividends, voting, and return of capital, and rank pari passu in all respects.

No new shares were issued during the year ended 31 December 2025 (2024: nil).

The shareholders of the Bank as of 31 December 2025 and 31 December 2024 and the percentages of ownership are as follows:

<b>Shareholder</b>	<b>31 December 2025</b>	<b>31 December 2024</b>
	<b>Ownership (%)</b>	<b>Ownership (%)</b>
Golomt Financial Group Co.,Ltd	79.77%	77.20%
Swiss-Mo Investment A.G	5.21%	5.21%
Bodi International Co.,Ltd	3.42%	3.42%
Golomt Investment Limited Co.,Ltd	0.00%	2.57%
Public shares	11.60%	11.60%
<b>Total</b>	<b>100%</b>	<b>100%</b>

On 12 December 2025, Golomt Financial Group Co.Ltd completed the purchase of 20,782,492 shares of Golomt Investment Limited Co.Ltd. The shares were fully paid for upon acquisition.

The transaction was approved by the Bank of Mongolia on 12 December 2025, which constituted the final regulatory requirement for recognition of the share purchase.

## 26 Interest Income and Expense

<i>In thousands of Mongolian Tugriks</i>	<b>2025</b>	<b>2024</b>
<b>Interest income calculated using the effective interest method</b>		
Loans and advances to customers at AC	1,199,343,707	913,259,047
Debt securities FVTOCI	159,555,793	155,072,844
Due from other banks at AC	8,412,641	12,287,336
Cash deposited in the Bank of Mongolia	12,640,139	16,093,423
Debt securities at AC	798,965	364,875
Reverse repurchase agreements at AC	1,942,218	2,153,270
<b>Total interest income calculated using the effective interest method</b>	<b>1,382,693,463</b>	<b>1,099,230,795</b>
<b>Other similar income</b>		
Loans and advances to customers at FVTPL	27,009,235	28,172,705
Debt securities FVTPL	65,892,918	35,785,550
<b>Total other similar income</b>	<b>92,902,153</b>	<b>63,958,255</b>
<b>Total interest income</b>	<b>1,475,595,616</b>	<b>1,163,189,050</b>
<b>Interest expense</b>		
Customer accounts	(597,444,250)	(426,993,298)
Debt securities in issue	(182,040,777)	(79,491,665)
Other borrowed funds	(66,312,692)	(66,320,654)
Due to other banks	(5,858,821)	(3,668,666)
Repurchase agreements	(17,656,703)	(18,785,592)
<b>Total interest expense</b>	<b>(869,313,243)</b>	<b>(595,259,875)</b>
<b>Other similar expense</b>		
Interest expense related to lease liabilities	(5,046,697)	(3,308,598)
<b>Total other similar expense</b>	<b>(5,046,697)</b>	<b>(3,308,598)</b>
<b>Total interest and other similar expense</b>	<b>(874,359,940)</b>	<b>(598,568,473)</b>
<b>Net interest income</b>	<b>601,235,676</b>	<b>564,620,577</b>

Due to the mandatory reserve incentive termination, interest income from cash deposited in the Bank of Mongolia decreased according to the Bank of Mongolia's resolution on 30 April 2024.

Increase in interest income from loans and advances related to the overall increase in the interest rates in relation to increase in loan disbursement.

Interest income includes approximately MNT 23,504,403 thousands (31 December 2024: MNT 31,017,118 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 2025 and 2024 in accordance with IFRS Accounting Standards requirements.

**27 Fee and Commission Income and Expense**

<i>In thousands of Mongolian Tugriks</i>	<b>2025</b>	<b>2024</b>
<b>Fee and commission income</b>		
Commissions on operations with plastic cards	81,778,750	69,768,970
Remittance and other service fees	32,196,869	31,097,489
Commissions on documentary business and guarantees	10,517,532	9,779,967
Account service fee and commissions	5,766,897	5,429,434
Brokerage and other service fee	12,914,385	9,345,843
<b>Total fee and commission income</b>	<b>143,174,433</b>	<b>125,421,703</b>
<b>Fee and commission expense</b>		
Commissions on operations with plastic cards	(75,042,471)	(60,774,877)
Bank service expense	(16,671,834)	(15,621,754)
Online transaction expense	(3,469,364)	(2,627,662)
Brokerage and other service fee	(489,376)	(580,866)
<b>Total fee and commission expense</b>	<b>(95,673,045)</b>	<b>(79,605,159)</b>
<b>Net fee and commission income</b>	<b>47,501,388</b>	<b>45,816,544</b>

**28 Other Operating Income**

<i>In thousands of Mongolian Tugriks</i>	<b>2025</b>	<b>2024</b>
Rental income	1,998,581	2,961,359
Other income	8,010,615	53,816
<b>Total other operating income</b>	<b>10,009,196</b>	<b>3,015,175</b>

## **29 Administrative and Other Operating Expenses**

<i>In thousands of Mongolian Tugriks</i>	<b>Note</b>	<b>2025</b>	<b>2024</b>
Staff costs		138,179,239	117,286,050
Information, consulting and other professional services		54,603,373	52,114,025
Depreciation of premises and equipment	16	24,775,221	25,589,254
Depreciation of right of use assets	17	12,536,430	9,166,463
Advertising and marketing services		11,233,131	6,985,322
Amortisation of software and other intangible assets	15	9,675,912	8,824,542
Customer engagement expenses		8,506,676	7,080,350
Stationery expense		5,476,716	4,376,104
Donations		4,837,452	1,154,952
Telecommunications expense		4,726,674	3,903,063
Loan collection expenses		4,371,206	3,408,274
Security expense		3,881,444	3,075,518
Office cleaning expense		3,577,376	2,875,179
Utilities		3,065,631	2,188,458
Taxes (other than income tax)		2,953,543	2,401,236
Transportation		2,922,424	2,284,200
Travelling expenses		2,362,739	2,099,649
Voluntary and mandatory insurance		1,780,476	1,392,516
Entertainment		1,727,024	2,230,711
Short term lease expense	17	832,728	1,296,672
Other		11,233,075	10,933,287
<b>Total administrative and other operating expenses</b>		<b>313,258,490</b>	<b>270,665,825</b>

<i>In thousands of Mongolian Tugriks</i>	<b>2025</b>	<b>2024</b>
<b>Staff costs consist of:</b>		
Salaries, wages and bonus	121,581,602	103,155,841
Contribution to social and health fund	13,512,614	11,335,116
Staff benefits	2,313,737	1,549,000
Pension fund	-	612,476
Staff training	771,286	633,617
<b>Total staff costs</b>	<b>138,179,239</b>	<b>117,286,050</b>

Significant increase in staff costs related to salary and bonus increases.

For the year ended 31 December 2025, the Bank incurred total audit fees of MNT 971,014 thousands (2024: MNT 901,233 thousands) in respect of the statutory audit of its financial statements. No additional fees were paid for other assurance service and non-audit services in 2025 (2024: MNT 397,650 thousands).

## **30 Other gains/(losses), net**

<i>In thousands of Mongolian Tugriks</i>	<b>2025</b>	<b>2024</b>
Gains less losses on disposal of premises and equipment	544,130	346,979
Gains on revaluation of premises	-	8,048,317
Gains less losses on disposal of asset held for sale	9,131,865	(2,118,252)
<b>Total other gains/(losses), net</b>	<b>9,675,995</b>	<b>6,277,044</b>

Refer to Note 18 in relation to losses less gains on the disposal of assets held for sale.

### **31 Income Taxes**

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

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

<i>In thousands of Mongolian Tugriks</i>	<b>2025</b>	<b>2024</b>
Current tax	48,258,215	92,128,095
Deferred tax	25,478,448	34,199,676
<b>Income tax expense for the year</b>	<b>73,736,663</b>	<b>126,327,771</b>

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

The Bank provides for income taxes on the basis of income for financial reporting purposes, adjusted for items which are not assessable or deductible for income tax purposes. The income tax rate for profits of the Bank is 10% for the first MNT 6 billion (2024: MNT 6 billion) of taxable income, and 25% (2024: 25%) on the excess of taxable income over MNT 6 billion (2024: MNT 6 billion) in accordance with Mongolian tax legislation.

<i>In thousands of Mongolian Tugriks</i>	<b>2025</b>	<b>2024</b>
<b>Profit before tax</b>	<b>404,162,034</b>	<b>545,081,453</b>
Theoretical tax charge at statutory rate (2025: 25%; 2024: 25%)	101,040,508	136,270,363
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	(15,325,000)	(11,201,048)
- Income which is taxed at different rates	(4,043,424)	(646,097)
- Non-deductible expenses	2,231,924	3,448,440
- Recognition of previously unrecognised other deferred tax assets	(4,444,893)	-
Effect of tax incentive	(4,822,452)	(643,887)
<b>Income tax expense for the year</b>	<b>73,736,663</b>	<b>126,327,771</b>

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

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

**31 Income Taxes (continued)**

The tax effect of the movements in these temporary differences in 2025 is detailed below and is recorded at the rate of 25%:

<i>In thousands of Mongolian Tugriks</i>	<b>1 January 2025</b>	<b>Charged/ (credited) to profit or loss</b>	<b>Charged directly to OCI</b>	<b>Charged directly to equity</b>	<b>31 Decem- ber 2025</b>
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	5,568,370	(4,929,778)	-	-	<b>638,592</b>
Impairment of buildings	5,249,096	(348,180)	-	-	<b>4,900,916</b>
Initial loss and modification loss related to loans and advances	(189,073)	(404,816)	-	-	<b>(593,889)</b>
Prepaid income – loan origination fee	7,303,602	(325,526)	-	-	<b>6,978,076</b>
Loan and advances to customers	8,916,427	1,600,947	-	-	<b>10,517,374</b>
Fair valuation of debt securities at FVTOCI	(3,180,974)	-	(1,868,726)	-	<b>(5,049,700)</b>
Fair valuation of equity securities at FVTOCI	(3,718)	-	(6,266)	-	<b>(9,984)</b>
Credit loss allowance of due from other banks	474,144	134,336	-	-	<b>608,480</b>
Credit loss allowance of securities at AC and FVTOCI	2,440,491	(563,952)	-	-	<b>1,876,539</b>
Fair value changes of derivative financial instruments and unrealised foreign exchange differences	(42,404,247)	(21,265,200)	-	-	<b>(63,669,447)</b>
Loans and advances to customers - interest income on loans overdue more than 90 days	(8,066,498)	2,136,209	-	-	<b>(5,930,289)</b>
Fair valuation of securities at FVTPL	(3,406,392)	(2,218,495)	-	-	<b>(5,624,887)</b>
Revaluation reserve for premises	(4,967,227)	-	-	142,110	<b>(4,825,117)</b>
Other	(1,515,733)	706,005	-	-	<b>(809,728)</b>
<b>Net deferred tax asset/(liability)</b>	<b>(33,781,732)</b>	<b>(25,478,450)</b>	<b>(1,874,992)</b>	<b>142,110</b>	<b>(60,993,064)</b>

**31 Income Taxes (continued)**

The tax effect of the movements in these temporary differences in 2024 is detailed below and is recorded at the rate of 25%:

<i>In thousands of Mongolian Tugriks</i>	<b>1 January 2024</b>	<b>Charged/ (credited) to profit or loss</b>	<b>Charged directly to OCI</b>	<b>Charged directly to equity</b>	<b>31 Decem- ber 2024</b>
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	18,454,062	(12,885,692)	-	-	<b>5,568,370</b>
Impairment of buildings	7,744,337	(2,495,241)	-	-	<b>5,249,096</b>
Initial loss and modification loss related to loans and advances	(29,749)	(159,324)	-	-	<b>(189,073)</b>
Prepaid income – loan origination fee	5,172,966	2,130,636	-	-	<b>7,303,602</b>
Loan and advances to customers	5,933,101	2,983,326	-	-	<b>8,916,427</b>
Fair valuation of debt securities at FVTOCI	(1,653,541)	-	(1,527,433)	-	<b>(3,180,974)</b>
Fair valuation of equity securities at FVTOCI	-	-	(3,718)	-	<b>(3,718)</b>
Credit loss allowance of due from other banks	602,137	(127,993)	-	-	<b>474,144</b>
Credit loss allowance of securities at AC and FVTOCI	1,922,738	517,753	-	-	<b>2,440,491</b>
Fair value changes of derivative financial instruments and unrealised foreign exchange differences	(15,918,131)	(26,486,116)	-	-	<b>(42,404,247)</b>
Loans and advances to customers - interest income on loans overdue more than 90 days	(10,222,900)	2,156,402	-	-	<b>(8,066,498)</b>
Fair valuation of securities at FVTPL	(3,675,677)	269,285	-	-	<b>(3,406,392)</b>
Revaluation reserve for premises	-	-	(3,420,606)	(1,546,621)	<b>(4,967,227)</b>
Other	(1,413,021)	(102,712)	-	-	<b>(1,515,733)</b>
<b>Net deferred tax asset/(liability)</b>	<b>6,916,322</b>	<b>(34,199,676)</b>	<b>(4,951,757)</b>	<b>(1,546,621)</b>	<b>(33,781,732)</b>

### **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>	<b>2025</b>	<b>2024</b>
Change in value of:		
Items that will be reclassified to profit or loss:		
Debt securities at fair value through other comprehensive income:		
- Gains less losses arising during the year	10,365,697	4,130,023
- Gains less losses reclassified to profit or loss upon disposal	(2,890,793)	1,979,705
Income tax recorded directly in other comprehensive income	(1,868,726)	(1,527,433)
Items that will not be reclassified to profit or loss:		
Gains less losses on investments in equity securities at fair value through other comprehensive income	25,064	14,872
Revaluation of premises and equipment	-	13,682,426
Income tax recorded directly in other comprehensive income	(6,266)	(3,424,324)
<b>Other comprehensive income</b>	<b>5,624,976</b>	<b>14,855,269</b>

### **33 Dividends**

<i>In thousands of Mongolian Tugriks</i>	<b>2025</b>		<b>2024</b>	
	<b>Ordinary</b>	<b>Preference</b>	<b>Ordinary</b>	<b>Preference</b>
<b>Dividends payable at 1 January</b>	-	-	-	-
Dividends declared during the year	80,865,731	-	72,779,158	-
Dividends paid during the year	(80,865,731)	-	(72,779,158)	-
<b>Dividends payable at 31 December</b>	-	-	-	-
<b>Dividend per share</b>	<b>40.0%</b>		<b>36.0%</b>	

### **34 Earnings per Share**

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

<i>In thousands of Mongolian Tugriks /except for earning per share/</i>	<b>2025</b>	<b>2024</b>
<b>Profit for the year attributable to the shareholders of the Bank</b>	<b>330,425,371</b>	<b>418,753,682</b>
Less preference dividends declared	-	-
<b>Profit for the year attributable to the ordinary shareholders of the Bank</b>	<b>330,425,371</b>	<b>418,753,682</b>
Weighted average number of ordinary shares in issue (thousands)	808,657	808,657
Effect of dilution:		
Shares options and share appreciation	-	-
<b>Weighted average number of ordinary shares adjusted for the effect of dilution (thousands)</b>	<b>808,657</b>	<b>808,657</b>
Basic earnings per share	408.61	517.84
Diluted earnings per share	408.61	517.84

### 35 Reconciliation of Liabilities Arising from Financing Activities

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

<i>In thousands of Mongolian Tugriks</i>	<b>Liabilities from financing activities</b>				
	<b>Other borrowed funds</b>	<b>Repo agreement</b>	<b>Lease liabilities</b>	<b>Debt securities in issue</b>	<b>Total</b>
<b>Liabilities from financing activities at 1 January 2025</b>	<b>1,253,875,383</b>	<b>1,540,353,861</b>	<b>25,396,842</b>	<b>1,369,878,337</b>	<b>4,189,504,423</b>
<b>Cash transactions</b>					
Cash inflows	894,651,647	8,019,984,245	-	551,196,526	<b>9,465,832,418</b>
Cash outflows	(648,848,370)	(7,156,623,404)	(19,361,342)	(73,084,879)	<b>(7,897,917,995)</b>
Interest paid	(58,882,285)	(19,802,575)	(5,046,696)	(180,762,931)	<b>(264,494,487)</b>
<b>Non-cash transactions</b>					
Repayment of borrowings in debt securities at FVTPL	(281,464,300)	-	-	-	<b>(281,464,300)</b>
New leases	-	-	29,402,625	-	<b>29,402,625</b>
Interest accrued	56,887,357	17,656,704	5,046,696	171,900,710	<b>251,491,467</b>
Amortization on transaction cost	9,425,335	-	-	10,140,067	<b>19,565,402</b>
Other non-cash movements	-	-	-	(1,014,421)	<b>(1,014,421)</b>
Foreign exchange adjustments	36,906,289	5,725,418	-	63,681,629	<b>106,313,336</b>
<b>Liabilities from financing activities at 31 December 2025</b>	<b>1,262,551,056</b>	<b>2,407,294,249</b>	<b>35,438,125</b>	<b>1,911,935,038</b>	<b>5,617,218,468</b>

<i>In thousands of Mongolian Tugriks</i>	<b>Liabilities from financing activities</b>				
	<b>Other borrowed funds</b>	<b>Repo agreement</b>	<b>Lease liabilities</b>	<b>Debt securities in issue</b>	<b>Total</b>
<b>Liabilities from financing activities at 1 January 2024</b>	<b>1,410,928,722</b>	<b>711,674,163</b>	<b>17,390,429</b>	<b>-</b>	<b>2,139,993,314</b>
<b>Cash transactions</b>					
Cash inflows	1,276,322,604	4,683,254,696	-	1,337,438,060	<b>7,297,015,360</b>
Cash outflows	(1,323,379,686)	(3,853,776,334)	(13,016,781)	-	<b>(5,190,172,801)</b>
Interest paid	(58,962,695)	(21,294,608)	(3,308,598)	(58,541,416)	<b>(142,107,317)</b>
<b>Non-cash transactions</b>					
Repayment of borrowings in debt securities at FVTPL	(114,868,400)	-	-	-	<b>(114,868,400)</b>
New leases	-	-	21,023,194	-	<b>21,023,194</b>
Interest accrued	53,538,329	18,785,592	3,308,598	72,802,207	<b>148,434,726</b>
Amortization on transaction cost	11,385,361	-	-	5,741,585	<b>17,126,946</b>
Foreign exchange adjustments	(1,088,852)	1,710,352	-	12,437,901	<b>13,059,400</b>
<b>Liabilities from financing activities at 31 December 2024</b>	<b>1,253,875,383</b>	<b>1,540,353,861</b>	<b>25,396,842</b>	<b>1,369,878,337</b>	<b>4,189,504,423</b>

## **36 Segment Analysis**

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The CODM is the person – or group of persons – who allocates resources and assesses the performance for the entity. The functions of the CODM are performed by the Board of Directors of the Bank.

As the Bank's operations are located in Mongolia, no further geographical segment information is provided. No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2025 or 2024.

### **(a) Description of products and services from which each reportable segment derives its revenue**

The Bank is organised on the basis of four main business segments:

**Retail banking** – incorporating banking services such as customer current accounts, savings and fixed deposits to individuals. Retail lending are mainly consumer loans and mortgages.  
Mortgages – incorporating the provision of mortgage finance;

**SME banking** – representing current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and other products to SME customers;

**Corporate** – incorporating banking services such as current accounts, fixed deposits, overdrafts, loans and other credit facilities both in local and foreign currencies;

**Other** – including central treasury - Funding and centralised risk management activities through borrowings and investing in liquid assets such as short-term placements and corporate and government debt securities. Income and expenses that have not been allocated to the reportable segments as they are deemed to contribute to the overall performance of the Bank rather than a particular segment is also presented in the other segment.

### **(b) Factors that management used to identify the reportable segments**

The Bank's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service level.

### **(c) Measurement of operating segment profit or loss, assets and liabilities**

The CODM reviews financial information prepared based on accounting under International Financial Reporting Standards. The CODM evaluates performance of each segment based on profit before tax.

**36 Segment Analysis (continued)**

Segment information for the reportable segments for the period ended 31 December 2025 is set out below:

<b>31 December 2025</b>					
<i>In thousands of Mongolian Tugriks</i>	<b>Corporate</b>	<b>SME</b>	<b>Retail</b>	<b>Other</b>	<b>Total</b>
Loans and advances to customers	2,551,587,692	2,146,935,307	3,467,655,565	-	<b>8,166,178,564</b>
Customer accounts	3,720,555,472	2,146,207,383	4,921,513,128	26,539,951	<b>10,814,815,934</b>
Investments in debt securities	464,445,850	-	-	3,271,435,228	<b>3,735,881,078</b>
Investments in equity securities	66,699,813	34,744,973	-	832,593	<b>102,277,379</b>
<b>31 December 2025</b>					
<i>In thousands of Mongolian Tugriks</i>	<b>Corporate</b>	<b>SME</b>	<b>Retail</b>	<b>Other</b>	<b>Total</b>
Interest and other similar income	359,938,189	302,745,809	571,097,815	241,813,803	<b>1,475,595,616</b>
Interest and other similar expense	(171,409,088)	(50,685,507)	(382,721,177)	(269,544,168)	<b>(874,359,940)</b>
Net internal Funds Transfer Pricing ("FTP") income/expense	(22,277,928)	(83,072,253)	94,326,775	11,023,406	-
<b>Net interest income</b>	<b>166,251,173</b>	<b>168,988,049</b>	<b>282,703,413</b>	<b>(16,706,959)</b>	<b>601,235,676</b>
Reversal/(charge) of expected credit loss	75,298,820	(6,604,208)	(31,621,322)	-	<b>37,073,290</b>
<b>Net interest income / (negative interest margin) after expected credit loss</b>	<b>241,549,993</b>	<b>162,383,841</b>	<b>251,082,091</b>	<b>(16,706,959)</b>	<b>638,308,966</b>
Fee and commission income	22,540,810	33,550,438	82,753,369	4,329,816	<b>143,174,433</b>
Fee and commission expense	(12,416,751)	(21,108,837)	(47,465,393)	(14,682,064)	<b>(95,673,045)</b>
Net other non-interest income/expense	15,794,757	24,544,108	18,479,448	(27,208,143)	<b>31,610,170</b>
Administrative and other operating expenses	(57,973,891)	(57,299,304)	(113,332,494)	(84,652,801)	<b>(313,258,490)</b>
<b>Profit before tax</b>	<b>209,494,918</b>	<b>142,070,246</b>	<b>191,517,021</b>	<b>(138,920,151)</b>	<b>404,162,034</b>

**36 Segment Analysis (continued)**

Internal charges and transfer pricing adjustments have reflected in the performance of each business segment. More specific information on the revenues from external customers for each product and services, or each group of similar products and services is not available and the cost to develop such information is high. Hence the Bank presents operating segments on the basis of the four main segments.

Segment information for the reportable segments for the year ended 31 December 2024 is set out below:

	<b>31 December 2024</b>				
<i>In thousands of Mongolian Tugriks</i>	<b>Corporate</b>	<b>SME</b>	<b>Retail</b>	<b>Other</b>	<b>Total</b>
Loans and advances to customers	2,358,319,719	1,702,426,830	3,290,634,612	-	<b>7,351,381,161</b>
Customer accounts	3,249,695,895	1,726,045,263	4,401,101,923	-	<b>9,376,843,081</b>
Investments in debt securities	334,182,706	-	-	2,576,214,321	<b>2,910,397,027</b>
Investments in equity securities	69,370,606	373,638	-	70,626	<b>69,814,870</b>

	<b>31 December 2024</b>				
<i>In thousands of Mongolian Tugriks</i>	<b>Corporate</b>	<b>SME</b>	<b>Retail</b>	<b>Other</b>	<b>Total</b>
Interest and other similar income	257,721,486	238,421,075	444,451,391	222,595,098	<b>1,163,189,050</b>
Interest and other similar expense	(117,448,127)	(36,367,617)	(281,568,499)	(163,184,230)	<b>(598,568,473)</b>
Net internal Funds Transfer Pricing ("FTP") income/expense	3,529,323	(58,119,004)	86,876,414	(32,286,733)	-

<b>Net interest income</b>	<b>143,802,682</b>	<b>143,934,454</b>	<b>249,759,306</b>	<b>27,124,135</b>	<b>564,620,577</b>
Reversal/(charge) of expected credit loss	(8,322,249)	8,163,901	5,680,152	-	<b>5,521,804</b>

<b>Net interest income / (negative interest margin) after expected credit loss</b>	<b>135,480,433</b>	<b>152,098,355</b>	<b>255,439,458</b>	<b>27,124,135</b>	<b>570,142,381</b>
Fee and commission income	17,084,199	34,464,762	72,820,613	1,052,129	<b>125,421,703</b>
Fee and commission expense	(10,311,560)	(19,591,026)	(48,495,031)	(1,207,542)	<b>(79,605,159)</b>
Net other non-interest income/expense	28,272,971	16,836,107	18,533,598	136,145,677	<b>199,788,353</b>
Administrative and other operating expenses	(64,820,453)	(49,558,834)	(100,727,967)	(55,558,571)	<b>(270,665,825)</b>
<b>Profit before tax</b>	<b>105,705,590</b>	<b>134,249,364</b>	<b>197,570,671</b>	<b>107,555,828</b>	<b>545,081,453</b>

### **37 Significant Non-cash Investing and Financing Activities**

There were no investing transactions that did not require the use of cash and cash equivalents and were excluded from the statement of cash flows.

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

<i>In thousands of Mongolian Tugriks</i>	<b>2025</b>	<b>2024</b>
<b>Non-cash financing activities</b>		
Repayment of borrowings in debt securities at FVTPL	281,464,300	114,868,400
<b>Non-cash financing activities</b>	<b>281,464,300</b>	<b>114,868,400</b>

### **38 Financial Risk Management**

The risk management within the bank is carried out with respect to financial risks, operational risk, compliance risk, counterparty and third-party risk, reputational risk, technology risk, legal risks and as well as risks that emerge from time to time. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary objective of the financial risk management function is to keep an appropriate balance between risk and reward within the bank's Risk Appetite Framework (RAF) and Risk Appetite Statement (RAS) which are approved, supported and promoted by the Board of Governors.

RAF and RAS of the bank identify risk boundaries within which management is expected to operate when pursuing the bank's business strategy. It sets high level boundaries of various risk categories from which more detailed risk limits are derived based upon specific policies for specific activities. The RAF and RAS are dynamic by nature and reviewed, where necessary, at least once per annum in conjunction with the Annual Strategic Plan of the Bank. Such interaction ensures a consistent alignment of risk and strategy including the Bank's capital requirements.

The Board of Governors acknowledges that one of its primary objectives is to explicitly enforce the collective oversight and risk governance responsibilities. An important element of this objective is to emphasize key components of risk governance such as risk culture, risk appetite boundaries and their relationship to the Bank's risk capacity as well as overall checks & balances. The Board of Governors adopts a "Three lines of defense" model in risk governance, where management is the first line of defense, the Risk management committee and the Chief risk officer are the second line of defense and Internal audit is the third line of defense.

Risk management is implemented by the executive level managers in accordance with risk management policy and risk limits approved by the Board. Internal audit division and Risk management division provide independent oversight to the implementation of control objects by the business units and employees, also report directly to the Board's Risk committee, Chief Executive Officer and Executive Committee that works under the oversight of the Chief Executive Officer.

### **38 Financial Risk Management (continued)**

Monitoring and controlling risks are primarily performed based on limits established by the relevant committees of the Bank. These limits reflect the business strategy and market environment of the bank as well as level of risk that the bank is willing to accept. As part of its overall risk management, the Bank uses stress testing analysis to manage exposures resulting from possible changes in interest rate, exchange rates and other price risks.

**Credit risk.** The Bank exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Bank's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position. For financial guarantees issued, commitments to extend credit, undrawn credit lines and export/import letters of credit, the maximum exposure to credit risk is the amount of the commitment.

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

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

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

Loan applications originating with the relevant client relationship managers are passed on to the relevant credit committee for the approval of the credit limit. Exposure to credit risk is also managed, in part, by obtaining collateral as well as corporate and personal guarantees. In order to monitor exposure to credit risk, regular reports are produced by the credit division's officers based on a structured analysis focusing on the customer's business and financial performance. Any significant interaction with customers with deteriorating creditworthiness is reported to and reviewed by the Credit Committee. The scale of the credit quality of loans to customers carried at amortised cost is as shown below:

<b>Scale of grade</b>	<b>Impairment status</b>	<b>Stage classification</b>	<b>Days past due</b>
Excellent	not impaired	Stage 1	-
Good	not impaired	Stage 2	-
Satisfactory	Impaired	Stage 3	-
Special monitoring	Impaired	Stage 3	Less than 90
Default	Impaired	Stage 3	Greater than 90

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

### **38 Financial Risk Management (continued)**

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected draw-downs on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor (“CCF”). CCF is a coefficient that shows the probability of conversion of the commitment amounts to an on-balance sheet exposure. The Bank’s management estimates that 12-month and lifetime.

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

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

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

The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes.

The estimates consider *forward looking information*, that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

The ECL modelling does not differ for Purchased or Originated Credit Impaired (“POCI”) financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as impaired loans acquired in a past business combination.

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

- Unlikely-to-pay: The borrower meets unlikeliness to pay criteria listed below:
  - a. significant financial difficulty of the issuer or obligor;
  - b. a breach of contract, such as a default or delinquency in interest or principal payments;
  - c. the lender, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
  - d. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
  - e. the disappearance of an active market for that financial asset because of financial difficulties;
- The borrower is more than 90 days past due on its contractual payments

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

### **38 Financial Risk Management (continued)**

An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis that considers the likelihood of a financial instrument returning to default status after curing by using different possible definitions of cures.

The assessment whether or not there has been a significant increase in credit risk (“SICR”) since initial recognition is performed on an individual basis. The criteria used to identify an SICR are monitored and reviewed periodically for appropriateness by the Bank’s Credit Risk Management Department. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due. Refer to Note 3 for more details.

The Bank considers a financial instrument to have experienced a SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

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

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

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

The Bank has three approaches for ECL measurement: (i) assessment on an individual basis; (ii) assessment on a portfolio basis: same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the same homogeneous segments of the loan portfolio; and (iii) assessment based on external rating. The Bank performs an assessment on an individual basis for the following types of loans: individually significant loans, that is, individual borrower exposure is above MNT 1,000,000 thousands in stage two or three. The Bank performs an assessment on a portfolio basis for the following types of loans: (i) individual exposure is above MNT 1,000,000 thousands in stage one; (ii) consumer loans to individuals and loans to small and medium businesses. This approach stratifies the loan pool into homogeneous segments based on borrower-specific information, such as delinquency status, the historical data on losses and other predictive information. The Bank performs an assessment based on external ratings for investment in debt securities as carried at AC and FVTOCI and due from other banks.

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

When assessment is performed on a portfolio basis, the Bank determines the staging of the exposures and measures the loss allowance on a collective basis.

The Bank analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a group have homogeneous or similar risks. The key shared credit characteristics considered are: type of customer (corporate, SME, consumer and mortgage), currency of exposure and product type. The different segments also reflect differences in credit risk parameters such as PD and LGD. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk Management Department.

### **38 Financial Risk Management (continued)**

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

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

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument. The Bank uses migration matrix statistical approach depending on the segment and days past due bucket to calculate lifetime PDs, such as the extrapolation of 12-month PDs based on migration matrixes, developing lifetime PD curves based on the historical default data.

LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of product and seniority of the claim. The approach to LGD measurement can be divided into two possible approaches:

- measurement of LGD based on the specific characteristics of the collateral;
- calculation of LGD on a portfolio basis based on recovery statistics; or

The Bank calculates LGD based on specific characteristics of the collateral, such as projected collateral values, historical discounts on sales and other factors for loans secured by real estate, cash and liquid securities. LGD is calculated on a collective basis based on the latest available recovery statistics for the remainder of the corporate loan portfolio and for retail secured and unsecured products. Collateral value after haircut is incorporated on LGD. If the collateral value after haircut is lower than EAD, the Bank recognizes a loss on difference between EAD and collateral value after haircut multiplied by  $(1 - \text{Recovery Rate})$ .

**ECL measurement for financial guarantees and loan commitments.** The ECL measurement for these instruments includes the same steps as described above for on-balance sheet exposures and differs with respect to EAD calculation. The EAD is a product of credit conversion factor ("CCF") and amount of the commitment. CCF for undrawn credit lines, credit cards issued to individuals and for financial guarantees is defined based on historical statistical analysis.

**ECL measurement for cash and cash equivalent, mandatory reserves with the Bank of Mongolia.** The ECL measurement for these instruments follows same method as due from other banks. But it's insignificant for cash and mandatory reserves as these instruments have short lifetime of 14 days.

**ECL measurement for due from other banks.** The ECL measurement for due from other banks differs from other assets (loan, securities etc.). Current accounts have short lifetime which means expected loss is immaterial. For longer term placement, the Bank chooses highest possible credit rated banks with lower probability of default.

### **38 Financial Risk Management (continued)**

The Bank classifies the due from other banks by credit ratings into five grades. The following table shows credit rating range of each grade.

<b>Scale of grade</b>	<b>Credit ratings</b>
Excellent	Aaa – A3
Good	Baa1 – Ba3
Satisfactory	B1 – B3
Special monitoring	Caa1 – CA, unrated
Default	C

The Bank uses following criteria in defining SICR situation for due from other banks:

- 30 days past due;
- Credit rating is downgraded by two or more notches in the last year;
- Default status.

Staging logic follows same method as general expected credit loss measurement:

A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs.

According to the Bank's experience, no loss was encountered due to other bank's default or bankruptcy. Nevertheless, the management accept that there is possibility of default in the future. But the Bank's own data is insufficient to account for that possibility. As such the management has following differences in measuring PD, LGD, EAD for due from other banks.

The criteria used for the Bank in defining due from other banks is same as general ECL method for loans, except that it includes credit rating of "C" and below, which is defined as "in default" by Agencies.

For probability of default (PD), the Bank uses Moody's report of corporate default rate by alphanumeric rating category for 12-month PD. We downscale 12-month PD to 1-day, to calculate more accurate ECL.

*Average Cumulative Issuer-Weighted Global Default rates be Alphanumeric Rating, 1983-2024<sup>1</sup>*

<b>Rating</b>	<b>Horizon 1 year</b>	<b>Rating</b>	<b>Horizon 1 year</b>
Aaa	0.00%	Ba1	0.48%
Aa1	0.00%	Ba2	0.68%
Aa2	0.00%	Ba3	1.23%
Aa3	0.04%	B1	1.73%
A1	0.05%	B2	2.72%
A2	0.04%	B3	4.15%
A3	0.06%	Caa1	3.72%
Baa1	0.09%	Caa2	6.31%
Baa2	0.15%	Caa3	15.56%
Baa3	0.25%	Ca-C	32.82%

For exposure at default (EAD), the Bank uses carrying amount at the time of calculation as the exposure at default.

For loss given default (LGD), historical data for loss given default analysis is also insufficient. Therefore, we use Moody's report of corporate recovery rate for LGD.

<sup>1</sup> Source: Annual Default Study: Corporate default rate to fall below its long-term average in 2025.

### **38 Financial Risk Management (continued)**

**ECL measurement for investments in debt securities (Government bonds, Central bank bills and corporate bonds).** The ECL measurement for debt securities follows same steps as stated above which means it has same criteria for defining default and SICR as due from other banks. But it differs in calculating PD, LGD due to insufficient data. So, we have following differences in measuring PD and LGD for debt securities.

The Bank classifies the debt securities by overdue days and credit ratings into five grades. The following table shows days past due and credit rating range of each grade.

<b>Scale of grade</b>	<b>Days past due</b>
Excellent	0
Good	1 – 30
Satisfactory	31 – 60
Special monitoring	61 – 90
Default	>90

The Bank uses same criteria in defining SICR situation for debt securities as due from other banks:

- 30 days past due;
- Credit rating is downgraded by two or more notches in the last year;
- Default status.

Staging logic follows same method as general expected credit loss measurement:

A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs.

Except that it includes credit rating of “C” and below, which is defines as “in default” by Agencies.

For probability of default (PD), as the most debt securities are from sovereign sector issuer, the Bank uses Moody’s report<sup>2</sup> on one-year default rate of sovereign for 12-month PD, which is downscaled to 1 day same as due from other banks.

Issuer-Weighted Cumulative Sovereign Default Rates, 1983-2024<sup>2</sup>

<b>Rating</b>	<b>1 year</b>
Aaa	0.00%
Aa	0.00%
A	0.00%
Baa	0.17%
Ba	0.39%
B	2.56%
Caa-C	14.93%

Due to insufficient internal and external data sources, the bank uses corporate segment historical PD of loan portfolio for corporate or non-finance business sector debt securities.

For loss given default (LGD), the Bank uses “Moody’s data of Recovery rates for sovereign bond (1983-2024)” in measuring LGD for Sovereign sector. Due to insufficient internal and external data sources, the bank uses corporate segment historical LGD of loan portfolio for corporate or non-finance business sector debt securities.

<sup>2</sup>Source: *Sovereign Default and Recovery Rates, 1983-2024*.

### **38 Financial Risk Management (continued)**

**ECL measurement for Reverse sale and repurchase agreements.** The ECL measurement for reverse sale and repurchase agreements follows same method as debt securities. Only it is fully collateralized by the Bank of Mongolia treasury bills, meaning that it can fully recover from default. So, ECL for reverse sale and repurchase agreements is insignificant.

**Forward-looking information incorporated in the ECL models.** The assessment ECLs incorporate supportable forward-looking information by using scorecard approach. The Bank identified certain key economic variables that correlate with developments in credit risk and ECLs.

As stated in the IFRS 9 requirements above, complex models are not necessary for all institutions. Given the data quality, historical data and environment, management has decided to apply forward-looking information on the total ECL and not on the single component of ECL (PD, LGD, EAD). The Bank performed an analysis on the relation of observed historical default rate and the macroeconomic variables, which resulted in not so significant relationship between default rate and the macroeconomic variables.

The management have implemented a scorecard Autoregressive Distributed Lag (“ARDL”) approach. This approach considers several macroeconomic indicators that are available and uses a duplicable process to apply forward-looking information.

Using several reputable sources of information including Bank of Mongolia, Bloomberg and Trading Economics.

For assets other than loans, such as debt securities and due from other banks, forward looking information is embedded in Moody’s report of rating transitions and default. As it provides projections of probabilities, with conditions on issuer-specific information coupled with forward-looking macroeconomic views to assign probabilities of default, withdrawal, upgrade and downgrade to individual issuers, portfolio of issuers, or rating categories. The results of back testing the ECL measurement methodology are communicated to Bank Management and further steps for tuning models and assumptions are defined after discussions between authorised persons.

**Climate change risk management:** Golomt Bank JSC acknowledges the importance of climate related risks, and thus, identified the transmission paths and impacts of climate risk to its key risks from the perspective of physical risk and transition risk. The Bank will proactively work towards integrating risk management into the Bank’s overall risk management system and ensure reporting compliance with IFRS S1 & S2. The potential impacts of physical and transition risk drivers will vary across Golomt Bank JSC’s portfolios depending on composition, industry, geographic location, business operations and other contextual factors.

**Physical risks:** Physical risks result from a changing climate and can be event driven, including increased frequency and/or severity of extreme weather events such as flooding, and “dzud”. Physical risks can also be driven by longer-term shifts in climate patterns from sustained higher temperatures, leading to rising mean temperatures and more severe weather events.

**Transition risks:** Transition risks result from the transition to a lower-carbon economy. This is like to involve significant, rapid policy, regulatory and legal changes, as well as the evolution of technology and markets to adapt to a changing climate and associated impacts.

We conduct a climate scenario analysis to assess how climate change-related risks could influence the Bank’s strategic, financial, and non-financial decision-making. The analysis was performed by considering borrowers’ economic sectors, segments, and differing maturity profiles.

In assessing physical risks, the impact of flood risk was quantified through its adverse effect on the valuation of pledged collateral. For drought and dzud risks, the impact was assessed indirectly through the economic sectors in which borrowers operate. With respect to transition risk, the analysis was conducted in accordance with the Climate Scenario Analysis Methodology issued by the Bank of Mongolia, applying the three forward-looking scenarios developed by the Network for Greening the Financial System (NGFS).

The maturity structure of the loan portfolio indicates that the majority of exposures are distributed across time horizons that are much shorter than the impacts of climate change. Accordingly, no adjustments were made to the Bank’s impairment calculations in relation to climate risk, and the Bank plans to disclose this starting in 2026.

**38 Financial Risk Management (continued)**

**Offsetting financial assets and financial liabilities.** The disclosure set out in the following table include financial assets and financial liabilities that (i) are offset in the Bank's statement of financial position; or (ii) are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statements of financial position.

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2025:

<i>In thousands of Mongolian Tugriks</i>	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments offset in the statement of financial position	Net amounts of financial instruments presented in the financial position	Related amounts not offset in the statements of financial position		Net amount
				Financial instruments (including non-cash collateral)	Cash collateral pledged	
<b>Assets</b>						
Derivative financial asset	260,415,143	-	<b>260,415,143</b>	-	-	<b>260,415,143</b>
Reverse sale and repurchase agreement	41,496,584	-	<b>41,496,584</b>	(41,496,584)	-	-
<b>Total Financial Assets</b>	<b>301,911,727</b>	-	<b>301,911,727</b>	<b>(41,496,584)</b>	-	<b>260,415,143</b>
<b>Liabilities</b>						
Derivative financial liabilities	(24,854,014)	-	<b>(24,854,014)</b>	-	-	<b>(24,854,014)</b>
REPO arrangements	(2,407,294,249)	-	<b>(2,407,294,249)</b>	2,407,294,249	-	-
<b>Total Financial Liabilities</b>	<b>(2,432,148,263)</b>	-	<b>(2,432,148,263)</b>	<b>2,407,294,249</b>	-	<b>(24,854,014)</b>

**38 Financial Risk Management (continued)**

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

<i>In thousands of Mongolian Tugriks</i>	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments offset in the statement of financial position	Net amounts of financial instruments presented in the financial position	Related amounts not offset in the statements of financial position		Net amount
				Financial instruments (including non-cash collateral)	Cash collateral pledged	
<b>Assets</b>						
Derivative financial asset	235,679,985	-	<b>235,679,985</b>	-	-	<b>235,679,985</b>
Reverse sale and repurchase agreement	55,710,082	-	<b>55,710,082</b>	(55,710,082)	-	-
<b>Total Financial Assets</b>	<b>291,390,067</b>	-	<b>291,390,067</b>	<b>(55,710,082)</b>	-	<b>235,679,985</b>
<b>Liabilities</b>						
Derivative financial liabilities	(904,691)	-	<b>(904,691)</b>	-	-	<b>(904,691)</b>
REPO arrangements	(1,540,353,861)	-	<b>(1,540,353,861)</b>	1,540,353,861	-	-
<b>Total Financial Liabilities</b>	<b>(1,541,258,552)</b>	-	<b>(1,541,258,552)</b>	<b>1,540,353,861</b>	-	<b>(904,691)</b>

### **38 Financial Risk Management (continued)**

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

Risk tolerances for the Bank's activities in financial markets are moderate level and are outlined in related policies. The Risk Management Committee of the Board establishes annual risk strategy statement, which sets an overall limit for market risk and sub-limits for sectors and instruments. The Asset and Liability Committee (ALCO) monitor market risk exposure within the parameters set by the Risk Management Committee through a review of interest rate and currency exchange rate exposures and identifies current events and forecasts future developments that could have a material adverse impact upon the Bank's operations and financial condition.

The Director of the Treasury Division manages the day-to-day market risk by monitoring the Bank's asset composition, investment instruments and categories, in each case as directed per the policies and procedures approved by the Risk Management Committee, the Board of Directors and ALCO. Risk Management Division is mainly responsible for the market risk management and reports directly to the Chief Executive Officer and operates under the ongoing oversight and supervision of the ALCO.

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

The Board of Governors sets risk appetite on the level of risk within the foreign exchange portfolio such as unhedged position limit and total portfolio "Value-at-risk" limit. The ALCO of the Bank develops foreign currency trading limits of specific branches in accordance with the Board approved higher-level foreign currency risk appetite.

The Bank measures its foreign currency unhedged position risk by using "Value at risk" model. Within specific confidence level, the highest potential risks resulting from foreign currency fluctuation are estimated based on three different types of "VaR" methodology, namely variance-covariance, historical and Monte Carlo simulation method.

Measurement periods of one and ten trading days are used in VaR analysis and results are verified by an automated daily programme of back testing to compare the actual profits and losses realized in trading activities to VaR estimates. A measurement period of ten trading days complies with the Bank of Mongolia's regulations and results in a confidence level of 95.0 percent. In addition to VaR methodology, the bank also conducts recurrent stress testing to identify potential losses in excess of the projected VaR.

The Bank uses the following hedging techniques in foreign currency risk management, such as:

- Matching foreign currency assets and liabilities to certain extent;
- Hedging using derivatives such as foreign currency swaps and forward contracts;
- Diversifying foreign currency portfolio based on marginal VaR and component VaR results.

Indirect currency risk resulting in NPL increase is the issued loans denominated in foreign currencies and depending on the revenue stream of the borrower, the appreciation of foreign currencies against the Mongolian Tugriks may adversely affect the borrowers' repayment ability and therefore increases the likelihood of future loan losses. The share of loans that are exposed to currency risk has certain risk limit, which is regularly updated depending on the market situation and the Bank's business plan.

### **38 Financial Risk Management (continued)**

The table below summarises the Bank's exposure to foreign currency exchange risk at 31 December 2025. Included in the table are the Bank's financial assets and liabilities at carrying amounts, categorised by currencies.

<i>In thousands of Mongolian Tugriks</i>	<b>MNT</b>	<b>USD</b>	<b>EUR</b>	<b>Other</b>	<b>Total</b>
<b>Monetary financial assets</b>					
Cash and balances with the Bank of Mongolia	2,559,777,027	175,043,643	20,774,473	425,480,667	<b>3,181,075,810</b>
Mandatory cash balances with the Bank of Mongolia	458,505,536	304,685,232	-	-	<b>763,190,768</b>
Reverse sale and repurchase agreement	9,941,190	31,555,394	-	-	<b>41,496,584</b>
Due from other banks	316,478,068	1,013,651,022	77,304,704	435,741,410	<b>1,843,175,204</b>
Investments in debt securities	2,729,601,437	1,005,242,767	-	1,036,874	<b>3,735,881,078</b>
Loans and advances to customers	7,709,066,004	444,757,978	5,914,886	6,439,696	<b>8,166,178,564</b>
Other financial assets	22,073,159	1,930,401	226,814	88,088	<b>24,318,462</b>
<b>Total monetary financial assets</b>	<b>13,805,442,421</b>	<b>2,976,866,437</b>	<b>104,220,877</b>	<b>868,786,735</b>	<b>17,755,316,470</b>
<b>Monetary financial liabilities</b>					
Due to other banks	218,099,894	579,503,544	12,304,500	1,994,237	<b>811,902,175</b>
Customer accounts	7,734,867,870	2,570,459,829	84,910,911	424,577,324	<b>10,814,815,934</b>
- Current Accounts	2,670,744,951	1,478,214,436	51,007,088	399,255,115	<b>4,599,221,590</b>
- Demand Savings	470,612,678	143,277,235	10,999,715	12,319,367	<b>637,208,995</b>
- Time Savings	4,593,510,241	948,968,158	22,904,108	13,002,842	<b>5,578,385,349</b>
Other borrowed funds	305,533,139	936,580,595	6,680,431	13,756,891	<b>1,262,551,056</b>
Debt securities in issue	(14,818,894)	1,584,066,335	-	342,687,597	<b>1,911,935,038</b>
REPO arrangements	2,008,022,612	399,271,637	-	-	<b>2,407,294,249</b>
Other financial liabilities	105,748,386	26,441,110	264,096	272,208	<b>132,725,800</b>
<b>Total monetary financial liabilities</b>	<b>10,357,453,007</b>	<b>6,096,323,050</b>	<b>104,159,938</b>	<b>783,288,257</b>	<b>17,341,224,252</b>
<b>Derivatives</b>	<b>(3,143,423,227)</b>	<b>3,479,497,438</b>	<b>-</b>	<b>(100,513,082)</b>	<b>235,561,129</b>
<b>Net balance sheet position</b>	<b>304,566,187</b>	<b>360,040,825</b>	<b>60,939</b>	<b>(15,014,604)</b>	<b>649,653,347</b>

**38 Financial Risk Management (continued)**

The table below summarises the Bank's exposure to foreign currency exchange risk at 31 December 2024. Included in the table are the Bank's financial assets and liabilities at carrying amounts, categorised by currencies.

<i>In thousands of Mongolian Tugriks</i>	<b>MNT</b>	<b>USD</b>	<b>EUR</b>	<b>Other</b>	<b>Total</b>
<b>Monetary financial assets</b>					
Cash and balances with the Bank of Mongolia	1,644,624,650	463,233,586	134,054,395	289,377,699	<b>2,531,290,330</b>
Mandatory cash balances with the Bank of Mongolia	320,776,704	246,130,090	-	-	<b>566,906,794</b>
Reverse sale and repurchase agreement	55,710,082	-	-	-	<b>55,710,082</b>
Due from other banks	168,061,200	739,563,096	51,966,861	118,361,774	<b>1,077,952,931</b>
Investments in debt securities	2,087,960,304	821,945,290	-	491,433	<b>2,910,397,027</b>
Loans and advances to customers	6,723,431,320	622,597,389	2,041,055	3,311,397	<b>7,351,381,161</b>
Other financial assets	26,367,788	1,379,908	80,528	257,842	<b>28,086,066</b>
<b>Total monetary financial assets</b>	<b>11,026,932,048</b>	<b>2,894,849,359</b>	<b>188,142,839</b>	<b>411,800,145</b>	<b>14,521,724,391</b>
<b>Monetary financial liabilities</b>					
Due to other banks	120,227,581	190,452,444	99,222,118	33,372,517	<b>443,274,660</b>
Customer accounts	6,497,319,995	2,486,287,930	93,465,873	299,769,283	<b>9,376,843,081</b>
- Current Accounts	2,380,645,648	1,654,276,776	58,322,298	263,908,177	<b>4,357,152,899</b>
- Demand Savings	446,091,122	148,012,327	11,253,502	15,638,524	<b>620,995,475</b>
- Time Savings	3,670,583,225	683,998,827	23,890,073	20,222,582	<b>4,398,694,707</b>
Other borrowed funds	384,637,263	863,185,967	6,050,945	1,208	<b>1,253,875,383</b>
Debt securities in Issue	(12,723,186)	1,382,601,523	-	-	<b>1,369,878,337</b>
REPO arrangements	1,402,962,803	137,391,058	-	-	<b>1,540,353,861</b>
Other financial liabilities	69,203,540	14,304,806	239,859	1,502,718	<b>85,250,923</b>
<b>Total monetary financial liabilities</b>	<b>8,461,627,996</b>	<b>5,074,223,728</b>	<b>198,978,795</b>	<b>334,645,726</b>	<b>14,069,476,245</b>
<b>Derivatives*</b>	<b>(2,138,477,005)</b>	<b>2,455,858,786</b>	<b>6,778,450</b>	<b>(89,384,937)</b>	<b>234,775,294</b>
<b>Net balance sheet position</b>	<b>426,827,047</b>	<b>276,484,417</b>	<b>(4,057,506)</b>	<b>(12,230,518)</b>	<b>687,023,440</b>

\*To improve the quality and understandability of the financial statement, the Bank has revisited presentation of these line items.

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

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
US Dollar strengthening by 15% (2024: strengthening by 15%)	54,006,124	41,472,663
US Dollar weakening by 15% (2024: weakening by 15%)	(54,006,124)	(41,472,663)
Euro strengthening by 15% (2024: strengthening by 15%)	9,141	(608,626)
Euro weakening by 15% (2024: weakening by 15%)	(9,141)	608,626
Other strengthening by 15% (2024: strengthening by 15%)	(2,252,191)	(1,834,578)
Other weakening by 15% (2024: weakening by 15%)	2,252,191	1,834,578

**38 Financial Risk Management (continued)**

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

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

The Asset and Liability Committee sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored regularly. In the absence of any available hedging instruments, the Bank normally seeks to match its interest rate positions.

At 31 December 2025, if interest rates at that date had been 10% higher/(lower) (2024: 10% higher/(lower) with all other variables held constant, profit or loss and equity for the year would have been MNT 75,193,073 thousands (2024: MNT 73,787,157 thousands) higher/(lower), mainly as a result of high net interest sensitivity gap and changes interest rates during 2025.

The Bank's exposure to interest rate risk at the end of the reporting period is not representative of the typical exposure during the year. For the average exposure during 2025, if interest rates had been 10% higher/(lower) with all other variables held constant, the financial result for the year would have been MNT 74,490,115 thousands higher/(lower) (2024: MNT 65,806,651 thousands higher/(lower)).

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

<i>In thousands of Mongolian Tugriks</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 12 months to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>At 31 December 2025</b>						
Financial assets	7,946,068,718	1,097,092,579	780,680,141	5,863,581,959	2,430,585,595	<b>18,118,008,992</b>
Financial liabilities	(4,646,720,403)	(3,136,122,777)	(3,087,755,076)	(3,679,738,418)	(2,815,741,592)	<b>(17,366,078,266)</b>
<b>Net interest sensitivity gap at 31 December 2025</b>	<b>3,299,348,315</b>	<b>(2,039,030,198)</b>	<b>(2,307,074,935)</b>	<b>2,183,843,541</b>	<b>(385,155,997)</b>	<b>751,930,726</b>
<b>At 31 December 2024</b>						
Financial assets	5,892,645,377	1,228,491,426	747,608,771	4,754,469,480	2,115,299,765	<b>14,738,514,819</b>
Financial liabilities	(3,258,745,375)	(2,855,941,564)	(2,257,923,466)	(2,945,281,640)	(2,682,751,207)	<b>(14,000,643,252)</b>
<b>Net interest sensitivity gap at 31 December 2024</b>	<b>2,633,900,002</b>	<b>(1,627,450,138)</b>	<b>(1,510,314,695)</b>	<b>1,809,187,840</b>	<b>(567,451,442)</b>	<b>737,871,567</b>

**38 Financial Risk Management (continued)**

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

<i>In % p.a.</i>	31 December 2025				31 December 2024			
	MNT	USD	EUR	Other	MNT	USD	EUR	Other
<b>Assets</b>								
Due from other banks	12.1%	1.3%	1.1%	0.5%	10.0%	1.5%	1.6%	0.4%
Reverse sale and repurchase agreement	12.0%	5.8%	0.0%	0.0%	10.0%	0.0%	0.0%	0.0%
Loans and advances to customers	15.8%	9.1%	9.1%	9.1%	15.5%	9.4%	9.1%	10.7%
Investments in debt securities	11.9%	6.6%	0.0%	2.3%	10.1%	6.2%	0.0%	3.3%
<b>Liabilities</b>								
Due to other banks	12.2%	3.5%	0.0%	0.0%	10.0%	4.2%	2.0%	1.9%
Customer accounts								
- Current/settlement accounts	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
- Demand deposits	6.4%	1.4%	0.7%	0.7%	6.3%	1.5%	0.8%	1.0%
- Time deposits	12.7%	4.0%	1.4%	1.7%	12.7%	3.6%	1.4%	1.7%
REPO agreements	14.0%	6.5%	0.0%	0.0%	11.9%	8.4%	0.0%	0.0%
Other borrowed funds	2.7%	7.1%	4.6%	5.1%	2.7%	5.1%	3.5%	0.0%
Debt securities in issue	0.0%	10.7%	0.0%	1.9%	0.0%	11.0%	0.0%	0.0%

**Other price risk.** The Bank has limited exposure to equity price risk. Transactions in equity products are monitored and authorised by the Bank treasury. At 31 December 2025, if equity prices at that date had been 15% (2024: 15%) lower (higher) with all other variables held constant, profit and equity for the year would have been MNT 10,004,972 thousands (2024: MNT 10,300,753 thousands) lower (higher).

The Bank is exposed to prepayment risk through providing fixed or variable rate loans, including mortgages, which give the borrower the right to repay the loans early. The Bank's current year profit loss and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at, or close to, the amortised cost of the loans and advances to customers.

**Geographical risk concentrations.** The Bank is not exposed to geographical concentration risk, as almost all of its financial assets and credit related commitments are placed in Mongolia as of 31 December 2025 and 31 December 2024. A major part of the financial liabilities for 31 December 2025 and 31 December 2024 relates to Mongolia. The management believes that the Bank's exposure to geographical concentration risk is mitigated due to relatively high customer diversification and industry diversification.

**Other risk concentration.** Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

### **38 Financial Risk Management (continued)**

In order to avoid excessive concentrations of risk, the Bank’s policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. At the individual basis, the Bank of Mongolia (“Central Bank”) sets the following limits: i.e. The maximum amount of the overall credit exposures issued and other credit-equivalent assets to the individual and his/her related persons shall not exceed 20 percent of the capital of the Bank; ii. The maximum amount of the credit exposures issued and other credit-equivalent assets shall not exceed the 5 percent of the capital for one related person to the Bank, and the aggregation of overall lending to the related persons shall not exceed 20 percent of the capital of the Bank.

Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers. The Bank’s exposure to concentration risk, including industry concentration risk, is disclosed in Note 12.

**Liquidity risk.** Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan drawdowns, guarantees and from margin and other calls on cash-settled derivative instruments. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The Bank’s liquidity risk management framework is designed to measure and manage liquidity at various levels of consolidation such that short- and medium-term payment obligations could be met under normal or stressed conditions. Liquidity management is implemented centrally on a real-time basis by the Treasury Division through all the bank’s divisions and branches, in accordance with the forecasts and internal requirements and the director of the Treasury Division is consulted on each major credit decision regarding the impact of credit on overall liquidity position. The Board’s Risk management committee sets liquidity risk standards in accordance with regulatory requirements and international best practice, thereby establishing a comprehensive framework to the bank’s liquidity risk management. As part of a comprehensive liquidity risk evaluation, the ALCO incorporates and monitors the cumulative effect of the following factors: (i) short- and long-term cash flow management; (ii) maintaining a structurally sound balance sheet; (iii) foreign currency liquidity management; (iv) preserving a diversified funding base; (v) undertaking regular liquidity stress testing; and (vi) maintaining adequate liquidity contingency plans.

The Bank calculates liquidity ratios on a daily basis in accordance with the requirement of the Bank of Mongolia. The liquidity ratio during the year was as follows:

	<b>2025</b>	<b>2024</b>
Liquidity performance of the year end	36.88%	35.42%
Average during the period	34.00%	35.30%
Highest	38.23%	45.77%
Lowest	29.00%	29.19%

The Bank conducts the liquidity stress test in order to identify the sudden and severe stress events and ensure the adequate liquidity even after the economic shocks. Risk Appetite Statement defines the amount of liquidity buffer to add to absorb liquidity-related shocks and maintain the flow of lending to the real economy.

The table below shows the assets and liabilities as at 31 December 2025 and 31 December 2024 by their remaining contractual maturity.

The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received unless the Bank expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows. For the purposes of the maturity analysis, embedded derivatives are not separated from hybrid (combined) financial instruments.

**38 Financial Risk Management (continued)**

The maturity analysis of financial instruments based on undiscounted contractual obligation at 31 December 2025 is as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 12 months to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Assets</b>						
Cash and balances with the Bank of Mongolia	3,181,075,810	-	-	-	-	<b>3,181,075,810</b>
Mandatory cash balances with the Bank of Mongolia	763,190,768	-	-	-	-	<b>763,190,768</b>
Reverse sale and repurchase agreement	41,588,050	-	-	-	-	<b>41,588,050</b>
Due from other banks	1,335,849,256	92,704,020	14,489,370	424,416,484	-	<b>1,867,459,130</b>
Investments in debt securities	2,264,131,919	152,936,543	88,705,824	920,513,942	1,320,657,169	<b>4,746,945,397</b>
Investments in equity securities	102,277,379	-	-	-	-	<b>102,277,379</b>
Loans and advances to customers	347,152,887	1,361,872,213	1,172,341,417	5,472,524,103	3,146,484,145	<b>11,500,374,765</b>
Derivative financial assets	2,149,818	(76,084,089)	(95,676,424)	430,025,838	-	<b>260,415,143</b>
- inflows	32,793,630	191,560,538	142,476,731	2,784,533,990	-	<b>3,151,364,889</b>
- outflows	(30,643,812)	(267,644,627)	(238,153,155)	(2,354,508,152)	-	<b>(2,890,949,746)</b>
Other financial assets	20,482,476	163,181	3,609,609	63,196	-	<b>24,318,462</b>
<b>Total Financial Assets</b>	<b>8,057,898,363</b>	<b>1,531,591,868</b>	<b>1,183,469,796</b>	<b>7,247,543,563</b>	<b>4,467,141,314</b>	<b>22,487,644,904</b>
<b>Liabilities</b>						
Due to other banks	790,777,424	22,764,526	-	-	-	<b>813,541,950</b>
Customer accounts						
- Current/settlement accounts	4,599,221,590	-	-	-	-	<b>4,599,221,590</b>
- Demand deposits	637,208,995	-	-	-	-	<b>637,208,995</b>
- Term deposits	933,087,412	2,466,742,182	2,289,766,354	178,317,473	776,063	<b>5,868,689,484</b>
Other borrowed funds	8,090,046	128,359,108	230,510,576	1,034,427,291	35,595,432	<b>1,436,982,453</b>
Debt Securities in Issue	-	86,469,748	87,522,760	2,024,871,157	-	<b>2,198,863,665</b>
REPO arrangements	2,009,562,423	258,850,219	-	166,121,669	-	<b>2,434,534,311</b>
Derivative financial liabilities	2,015,844	14,142,077	1,523,404	7,172,689	-	<b>24,854,014</b>
- inflows	(1,749,038)	(8,558,275)	(57,253,974)	(373,667,202)	-	<b>(441,228,489)</b>
- outflows	3,764,882	22,700,352	58,777,378	380,839,891	-	<b>466,082,503</b>
Other financial liabilities	125,538,063	5,158,062	2,029,675	-	-	<b>132,725,800</b>
<b>Total Financial Liabilities</b>	<b>9,105,501,797</b>	<b>2,982,485,922</b>	<b>2,611,352,769</b>	<b>3,410,910,279</b>	<b>36,371,495</b>	<b>18,146,622,262</b>
<b>Credit related commitments</b>	<b>1,635,959,816</b>	-	-	-	-	<b>1,635,959,816</b>
Guarantee and LC	962,846,695	-	-	-	-	<b>962,846,695</b>
Credit Line undrawn	673,113,121	-	-	-	-	<b>673,113,121</b>
<b>Net Gap</b>	<b>(2,683,563,250)</b>	<b>(1,450,894,054)</b>	<b>(1,427,882,973)</b>	<b>3,836,633,284</b>	<b>4,430,769,819</b>	<b>2,705,062,826</b>
<b>Accumulated Net Gap</b>	<b>(2,683,563,250)</b>	<b>(4,134,457,304)</b>	<b>(5,562,340,277)</b>	<b>(1,725,706,993)</b>	<b>2,705,062,826</b>	

**38 Financial Risk Management (continued)**

The maturity analysis of financial instruments based on undiscounted contractual obligation at 31 December 2024 is as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 12 months to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Assets</b>						
Cash and balances with the Bank of Mongolia	2,531,290,330	-	-	-	-	<b>2,531,290,330</b>
Mandatory cash balances with the Bank of Mongolia	566,906,794	-	-	-	-	<b>566,906,794</b>
Reverse sale and repurchase agreement	55,740,608	-	-	-	-	<b>55,740,608</b>
Due from other banks	663,976,477	395,620,054	20,640,453	-	-	<b>1,080,236,984</b>
Investments in debt securities	1,743,085,824	-	39,014,217	845,972,300	1,052,507,791	<b>3,680,580,132</b>
Investments in equity securities	69,814,870	-	-	-	-	<b>69,814,870</b>
Loans and advances to customers	426,343,527	1,161,888,562	1,032,265,495	4,931,979,559	2,704,178,886	<b>10,256,656,029</b>
Derivative financial assets	931,090	66,545,731	13,963,271	154,239,893	-	<b>235,679,985</b>
- inflows	931,090	382,083,894	69,560,843	1,832,404,415	-	<b>2,284,980,241</b>
- outflows	-	(315,538,163)	(55,597,572)	(1,678,164,522)	-	<b>(2,049,300,257)</b>
Other financial assets	25,169,922	2,050,460	781,583	84,101	-	<b>28,086,066</b>
<b>Total Financial Assets</b>	<b>6,083,259,442</b>	<b>1,626,104,807</b>	<b>1,106,665,019</b>	<b>5,932,275,853</b>	<b>3,756,686,677</b>	<b>18,504,991,798</b>
<b>Liabilities</b>						
Due to other banks	440,482,104	3,506,308	-	-	-	<b>443,988,412</b>
Customer accounts						
- Current/settlement accounts	4,357,152,899	-	-	-	-	<b>4,357,152,899</b>
- Demand deposits	620,995,475	-	-	-	-	<b>620,995,475</b>
- Term deposits	681,095,237	2,145,410,450	1,652,674,157	141,793,420	2,444,743	<b>4,623,418,007</b>
Other borrowed funds	1,528,205	477,816,507	5,961,360	835,739,280	39,411,275	<b>1,360,456,627</b>
Debt Securities in Issue	-	74,627,044	75,863,956	1,594,996,381	-	<b>1,745,487,381</b>
REPO arrangements	1,381,670,857	20,560,487	2,172,311	171,201,335	-	<b>1,575,604,990</b>
Derivative financial liabilities	677,773	192,164	34,754	-	-	<b>904,691</b>
- inflows	-	-	(4,354,739)	-	-	<b>(4,354,739)</b>
- outflows	677,773	192,164	4,389,493	-	-	<b>5,259,430</b>
Other financial liabilities	82,212,276	790,145	2,248,272	230	-	<b>85,250,923</b>
<b>Total Financial Liabilities</b>	<b>7,565,814,826</b>	<b>2,722,903,105</b>	<b>1,738,954,810</b>	<b>2,743,730,646</b>	<b>41,856,018</b>	<b>14,813,259,405</b>
<b>Credit related commitments</b>						
Guarantee and LC	1,533,006,061	-	-	-	-	<b>1,533,006,061</b>
Credit Line undrawn	694,733,899	-	-	-	-	<b>694,733,899</b>
	838,272,162	-	-	-	-	<b>838,272,162</b>
<b>Net Gap</b>	<b>(3,015,561,445)</b>	<b>(1,096,798,298)</b>	<b>(632,289,791)</b>	<b>3,188,545,207</b>	<b>3,714,830,659</b>	<b>2,158,726,332</b>
<b>Accumulated Net Gap</b>	<b>(3,015,561,445)</b>	<b>(4,112,359,744)</b>	<b>(4,744,649,534)</b>	<b>(1,556,104,327)</b>	<b>2,158,726,332</b>	

**38 Financial Risk Management (continued)**

The Bank does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. Instead, the Bank monitors expected maturities and the resulting expected liquidity gap. The maturity analysis of financial instruments of the Bank at 31 December 2025:

<i>In thousands of Mongolian Tugriks</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 12 months to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Assets</b>						
Cash and balances with the Bank of Mongolia	3,181,075,810	-	-	-	-	3,181,075,810
Mandatory cash balances with the Bank of Mongolia	763,190,768	-	-	-	-	763,190,768
Reverse sale and repurchase agreement	41,496,584	-	-	-	-	41,496,584
Due from other banks	1,335,103,229	92,036,179	14,469,410	401,566,386	-	1,843,175,204
Investments in debt securities	2,250,915,481	150,984,786	77,082,623	770,019,662	486,878,526	3,735,881,078
Investments in equity securities	102,277,379	-	-	-	-	102,277,379
Loans and advances to customers	249,377,172	929,992,522	781,194,923	4,261,906,878	1,943,707,069	8,166,178,564
Derivative financial assets	2,149,819	(76,084,089)	(95,676,424)	430,025,837	-	260,415,143
- inflows	32,793,630	191,560,538	142,476,731	2,784,533,989	-	3,151,364,888
- outflows	(30,643,811)	(267,644,627)	(238,153,155)	(2,354,508,152)	-	(2,890,949,745)
Other financial assets	20,482,476	163,181	3,609,609	63,196	-	24,318,462
<b>Total Financial Assets</b>	<b>7,946,068,718</b>	<b>1,097,092,579</b>	<b>780,680,141</b>	<b>5,863,581,959</b>	<b>2,430,585,595</b>	<b>18,118,008,992</b>
<b>Liabilities</b>						
Due to other banks	789,304,534	22,597,641	-	-	-	811,902,175
Customer accounts						
- Current/settlement accounts	688,147,603	257,024,313	679,883,678	525,469,809	2,448,696,187	4,599,221,590
- Demand deposits	95,340,882	35,609,983	94,195,939	72,802,339	339,259,852	637,208,995
- Term deposits	930,279,104	2,398,997,608	2,088,580,136	159,752,437	776,064	5,578,385,349
Other borrowed funds	8,071,760	127,699,988	221,542,244	878,227,575	27,009,489	1,262,551,056
Debt Securities in issue	-	18,417,100	-	1,893,517,938	-	1,911,935,038
REPO arrangements	2,008,022,613	256,476,005	-	142,795,631	-	2,407,294,249
Derivative financial liabilities	2,015,844	14,142,077	1,523,404	7,172,689	-	24,854,014
- inflows	(1,749,038)	(8,558,275)	(57,253,974)	(373,667,202)	-	(441,228,489)
- outflows	3,764,882	22,700,352	58,777,378	380,839,891	-	466,082,503
Other financial liabilities	125,538,063	5,158,062	2,029,675	-	-	132,725,800
<b>Total Financial Liabilities</b>	<b>4,646,720,403</b>	<b>3,136,122,777</b>	<b>3,087,755,076</b>	<b>3,679,738,418</b>	<b>2,815,741,592</b>	<b>17,366,078,266</b>
<b>Liquidity gap arising from financial instruments</b>	<b>3,299,348,315</b>	<b>(2,039,030,198)</b>	<b>(2,307,074,935)</b>	<b>2,183,843,541</b>	<b>(385,155,997)</b>	<b>751,930,726</b>
<b>Accumulated Net Gap</b>	<b>3,299,348,315</b>	<b>1,260,318,117</b>	<b>(1,046,756,818)</b>	<b>1,137,086,723</b>	<b>751,930,726</b>	

**38 Financial Risk Management (continued)**

The Bank does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. Instead, the Bank monitors expected maturities and the resulting expected liquidity gap. The maturity analysis of financial instruments of the Bank at 31 December 2024:

<i>In thousands of Mongolian Tugriks</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 12 months to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Assets</b>						
Cash and balances with the Bank of Mongolia	2,531,290,330	-	-	-	-	<b>2,531,290,330</b>
Mandatory cash balances with the Bank of Mongolia	566,906,794	-	-	-	-	<b>566,906,794</b>
Reverse sale and repurchase agreement	55,710,082	-	-	-	-	<b>55,710,082</b>
Due from other banks	663,217,532	394,103,743	20,631,656	-	-	<b>1,077,952,931</b>
Investments in debt securities	1,733,740,618	-	34,218,928	724,567,697	417,869,784	<b>2,910,397,027</b>
Investments in equity securities	69,814,870	-	-	-	-	<b>69,814,870</b>
Loans and advances to customers	334,553,552	765,806,506	678,013,332	3,875,577,789	1,697,429,982	<b>7,351,381,161</b>
Derivative financial assets	931,090	66,545,731	13,963,271	154,239,894	-	<b>235,679,985</b>
- inflows	931,090	382,083,894	69,560,843	1,832,404,415	-	<b>2,284,980,242</b>
- outflows	-	(315,538,163)	(55,597,572)	(1,678,164,522)	-	<b>(2,049,300,257)</b>
Other financial assets	25,169,922	2,050,460	781,583	84,101	-	<b>28,086,066</b>
<b>Total Financial Assets</b>	<b>5,981,334,790</b>	<b>1,228,506,440</b>	<b>747,608,770</b>	<b>4,754,469,480</b>	<b>2,115,299,766</b>	<b>14,827,219,246</b>
<b>Liabilities</b>						
Due to other banks	439,797,881	3,476,779	-	-	-	<b>443,274,660</b>
Customer accounts						
- Current/settlement accounts	651,928,651	243,496,472	644,099,676	497,813,001	2,319,815,099	<b>4,357,152,899</b>
- Demand deposits	92,914,972	34,703,902	91,799,162	70,949,914	330,627,525	<b>620,995,475</b>
- Term deposits	678,729,528	2,079,388,531	1,512,320,307	125,811,598	2,444,743	<b>4,398,694,707</b>
Other borrowed funds	1,527,026	473,497,401	5,477,489	743,509,628	29,863,839	<b>1,253,875,383</b>
Debt Securities in Issue	-	-	-	1,369,878,337	-	<b>1,369,878,337</b>
REPO arrangements	1,380,692,037	20,396,170	1,946,721	137,318,933	-	<b>1,540,353,861</b>
Derivative financial liabilities	677,773	192,164	34,754	-	-	<b>904,691</b>
- inflows	-	-	(4,354,739)	-	-	<b>(4,354,739)</b>
- outflows	677,773	192,164	4,389,493	-	-	<b>5,259,430</b>
Other financial liabilities	82,212,276	790,145	2,248,272	230	-	<b>85,250,923</b>
<b>Total Financial Liabilities</b>	<b>3,328,480,144</b>	<b>2,855,941,564</b>	<b>2,257,926,381</b>	<b>2,945,281,641</b>	<b>2,682,751,206</b>	<b>14,070,380,936</b>
<b>Liquidity gap arising from financial instruments</b>	<b>2,652,854,646</b>	<b>(1,627,435,124)</b>	<b>(1,510,317,611)</b>	<b>1,809,187,839</b>	<b>(567,451,440)</b>	<b>756,838,310</b>
<b>Accumulated Net Gap</b>	<b>2,652,854,646</b>	<b>1,025,419,522</b>	<b>(484,898,089)</b>	<b>1,324,289,750</b>	<b>756,838,310</b>	

### **38 Financial Risk Management (continued)**

The entire portfolio of trading securities is classified within demand and less than one month based on management's assessment of the portfolio's reliability.

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

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

Liquidity requirements in respect of guarantees and letters of credit are considerably lower than the amount of the related commitment because the Bank does not generally expect a third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credits does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The transition changes to systems, processes, risk management and valuation models, as well as managing tax and accounting implications. The Bank continues to monitor market developments in relation to the transition and their impact on the Bank's financial assets and liabilities to ensure that there are no unexpected consequences or disruptions from the transitions.

The Bank is working with its customers and other counterparties, such as international financial institutions to perform a transition of legacy IBOR-based financial instruments. The Bank is also enhancing its IT systems and internal processes to ensure smooth transition from IBOR to alternative benchmark interest rates.

In addition, the Rate Benchmark reform achieved important milestones for the following financial period:

- According to the transition, all swap contracts' fair value measurements adjusted through the Risk-free Reference rate method.

### **39 Management of Capital**

The Bank's capital management has the following objectives: to observe the capital requirements established by the Central Bank, namely the requirements of the deposit insurance system; to maintain the Bank's operations as a going concern and to maintain its capital base at the level necessary to ensure a 12% (2024:12%) risk weighted capital ratio and 9%+4% conservation buffer (2024: 9%+4%) core capital ratio in accordance with the requirements set by the Bank of Mongolia. The control over compliance with the capital adequacy ratio set by the Bank of Mongolia is exercised daily on the basis of estimated and actual data as well as on the basis of monthly reports that contain corresponding calculations that are controlled by the Chairman of the Board of Directors and Chief Accountant of the Bank.

The Bank is keen on maintaining the necessary capital level in order to preserve the confidence of creditors, investors and the market as a whole as well as to develop the future activity of the Bank. In accordance with the current capital requirements set by the Central Bank, banks should maintain the ratio of capital to risk weighted assets (capital adequacy ratio) above the prescribed minimum level.

The table below shows the regulatory capital structure prepared in accordance with the requirements of the Bank of Mongolia legislation based on unaudited financial statements that were submitted by the Bank to BoM:

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Core capital ratio	15.34%	14.67%
Risk weighted capital ratio	15.34%	14.67%
<b><u>Tier I capital</u></b>		
Ordinary shares	202,164,327	202,164,327
Share premium	301,481,120	301,481,120
Retained earnings	1,031,152,442	753,884,272
Other components of equity	544,266	577,573
<b>Total Tier I Capital</b>	<b>1,535,342,155</b>	<b>1,258,107,292</b>
<b><u>Tier II capital</u></b>		
Preferred shares	-	-
Treasury stock/ Preferred shares	-	-
<b>Total Tier II Capital</b>	<b>-</b>	<b>-</b>
<b>Total capital/capital base</b>	<b>1,535,342,155</b>	<b>1,258,107,292</b>

The equity capital of the Bank amounted to MNT 1,559,504,971 thousand as of 31 December 2025 (31 December 2024: MNT 1,269,955,663 thousand) as per unaudited financial statements that were submitted by the Bank to BoM.

Statutory Core Capital Adequacy Ratio and Risk Weighted Capital Adequacy Ratio are different from those above as they are calculated based on the Bank of Mongolia accounting manual. The Bank of Mongolia has the right to request the Bank to provide additional provision for statutory accounting purposes.

The breakdown of risk weighted assets into the various categories of risk weights as at 31 December 2025 is as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
	<b>Risk Weighted Assets</b>	<b>Risk Weighted Assets</b>
<b>Total</b>	<b>10,007,925,079</b>	<b>8,575,257,682</b>

The Bank has complied with all externally imposed capital requirements as of 31 December 2025 and as of 31 December 2024.

## **40 Contingencies and Commitments**

**Legal proceedings.** In the normal course of business, there are cases in which the Bank receives a claim against it. The Bank has formal controls and policies for managing legal claims. If management decides that there is material impact to the Bank, based on its own estimates and internal professional advice; the Bank makes adjustments to account for any adverse effects which claims may have on its financial statements. As of 31 December 2025, MNT 10,767 thousand (31 December 2024: MNT 10,767 thousand) provision was booked due to legal claims.

**Tax legislation.** Mongolian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation on as applied to the transactions and activity of the Bank may be challenged by the relevant authorities.

The Mongolian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged by tax authorities. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for four calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The Mongolian tax legislation does not provide definitive guidance in certain areas, specifically in areas such as VAT, withholding tax, corporate income tax, personal income tax, transfer pricing and other areas. From time to time, the Bank adopts interpretations of such uncertain areas that reduce the overall tax rate of the Bank. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices. The impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity.

Management believes that its interpretation of the relevant legislation is appropriate and the Bank's positions related to tax and other legislation will be sustained. Management believes that tax and legal risks are remote at present. The management performs regular re-assessment of tax risk and its position may change in the future as a result of the change in conditions that cannot be anticipated with sufficient certainty at present.

**Compliance with covenants.** The Bank is subject to certain covenants related to other borrowed funds obtained under a certain project. As disclosed in Notes 21, there were no breaches of covenants.

**Capital expenditure commitments.** At 31 December 2025, the Bank has contractual capital expenditure commitments in respect of premises and equipment totalling MNT 96,354,414 thousand (2024: MNT 162,105,746 thousand).

The Bank has already allocated the necessary resources in respect of these commitments. The Bank believes that future net income and funding will be sufficient to cover this and any similar such commitments.

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

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments.

#### **40 Contingencies and Commitments (continued)**

However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Financial guarantees issued	104,343,992	102,351,920
Performance guarantees issued	603,233,781	422,916,404
Letters of credit	255,268,922	169,465,575
Undrawn credit lines	673,113,121	838,272,162
<b>Total credit related commitments</b>	<b>1,635,959,816</b>	<b>1,533,006,061</b>
Less: Expected credit loss allowance for impairment of credit related commitments	(4,045,551)	(1,873,767)
<b>Total credit related commitments</b>	<b>1,631,914,265</b>	<b>1,531,132,294</b>

For the purpose of ECL measurement credit related commitments are included in Stage 1.

Movements in the expected credit loss allowance for credit related commitments to legal entities and individuals are as follows at 31 December 2025:

<i>In thousands of Mongolian Tugriks</i>	<b>Financial guarantees issued</b>	<b>Performance guarantees issued</b>	<b>Letters of credit</b>	<b>Total</b>
<b>Expected credit loss allowance at 1 January 2025</b>	<b>67,116</b>	<b>1,770,624</b>	<b>36,027</b>	<b>1,873,767</b>
Provision charge/(reversal) during the year	28,129	2,115,364	22,835	<b>2,166,328</b>
Other	-	5,456	-	<b>5,456</b>
<b>Expected credit loss allowance at 31 December 2025</b>	<b>95,245</b>	<b>3,891,444</b>	<b>58,862</b>	<b>4,045,551</b>

Movements in the expected credit loss allowance for credit related commitments to legal entities and individuals during 2024 are as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>Financial guarantees issued</b>	<b>Performance guarantees issued</b>	<b>Letters of credit</b>	<b>Total</b>
<b>Expected credit loss allowance at 1 January 2024</b>	<b>233,877</b>	<b>2,589,082</b>	<b>25,534</b>	<b>2,848,493</b>
Provision charge/(reversal) during the year	(166,761)	(820,186)	10,493	<b>(976,454)</b>
Other	-	1,728	-	<b>1,728</b>
<b>Expected credit loss allowance at 31 December 2024</b>	<b>67,116</b>	<b>1,770,624</b>	<b>36,027</b>	<b>1,873,767</b>

Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry the same risk as loans even though they are of a contingent nature. No material losses are anticipated as a result of these transactions, other than those for which provision has been created.

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Refer to Note 4.24 for accounting policy of performance guarantee.

#### **40 Contingencies and Commitments (continued)**

As of 31 December 2025, management concluded that provision for credit related commitments in the amount of MNT 4,045,551 thousands (31 December 2024: MNT 1,873,767 thousands) is necessary, based on all available information using its best estimate of losses incurred and the probability of their occurrence after analysing financial conditions of the Bank's customers.

Assets pledged and restricted. Mandatory cash balances with the Bank of Mongolia in the amount of MNT 763,190,768 thousands as of 31 December 2025 (31 December 2024: MNT 566,906,794) represent mandatory reserve deposits, which are not available to finance the Bank's day-to-day operations (Note 8).

Treasury bills of the Bank of Mongolia with nominal amount of MNT 2,030,000,000 thousands (31 December 2024: MNT 1,410,200,000 thousands) with maturity of 2 days were collateralised by Repo arrangement (Note 23) with Bank of Mongolia, respectively.

Government bonds with nominal amount of MNT 565,508,940 thousands (31 December 2024: MNT 218,283,775 thousands) were collateralised to obtain borrowings from foreign bank. See Note 21.

As of 31 December 2025, the Bank pledged a deposit account with SMBC in the amount of MNT 393,364,541 thousand as collateral for a guarantee issued by Sumitomo Mitsui Banking Corporation, Seoul Branch.

**Other contingent assets.** The Bank previously held 21,070 Class B common shares in Mastercard Inc. and 7,640 Class C common shares in Visa Inc., both of which were issued to member institutions at no cost as part of the respective restructuring programmes of Mastercard Inc. and Visa Inc.. These shares do not carry voting rights.

Due to the prolonged inactivity and outdated shareholder records, the shares were classified as unclaimed property by the State of Delaware, United States and were transferred to the custody of the State in accordance with applicable escheatment laws.

The Bank initiated a formal reclamation process in 2025. While additional administrative steps may be required before the transfer is finalised, the Bank expects the process to be completed within 2026.

#### **41 Derivative Financial Instruments**

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange forward and swap contracts entered into by the Bank. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period.

Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

Gross amounts before offsetting in the statement of financial position and related net amounts are given below.

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
<b>Foreign exchange forwards and swaps: fair values, at the end of the reporting period, of</b>		
- Financial assets at fair value through profit or loss	260,415,143	235,679,985
- Financial liabilities at fair value through profit or loss	(24,854,014)	(904,691)
<b>Foreign exchange forwards and swaps, net fair value</b>	<b>235,561,129</b>	<b>234,775,294</b>

**41 Derivative Financial Instruments (continued)**

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
<b>Foreign exchange forwards and swaps: fair values, at the end of the reporting period, of</b>		
- USD receivable on settlement (+)	3,682,344,150	2,283,881,420
- USD payable on settlement (-)	(3,442,542,392)	(2,049,367,879)
- MNT receivable on settlement (+)	48,019,815	4,354,739
- MNT payable on settlement (-)	(48,284,931)	(4,425,331)
- Other currencies receivable on settlement (+)	39,698,483	1,098,821
- Other currencies payable on settlement (-)	(43,673,996)	(766,476)
<b>Net fair value of foreign exchange forwards and swaps</b>	<b>235,561,129</b>	<b>234,775,294</b>

Financial assets of MNT 247,662,120 thousands as of 31 December 2025 (31 December 2024: MNT 235,679,985 thousands) relates to a long-term cross currency interest rate exchange contract with the Bank of Mongolia and other financial institutions. The total nominal amount of long-term cross currency interest exchange is the MNT 3,459,554,634 thousands as of 31 December 2025 with original maturity range of 12 months to 60 months (31 December 2024: MNT 2,103,550,632 thousands with original maturity range of 16 months to 96 months).

For the year ended 31 December 2025, gain from financial derivative resulted to MNT 13,034,801 thousands (31 December 2024: gain of MNT 43,402,318 thousands), foreign exchange gain of MNT 72,056,306 thousands (31 December 2024: gain of MNT 69,057,690 thousands), net interest expense of MNT 141,274,065 thousands (31 December 2024: MNT 52,837,512 thousands).

**42 Fair Value Disclosures**

The fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties on arm's length conditions, other than in a forced sale or liquidation. Quoted financial instruments in active markets provide the best evidence of fair value. As no readily available market exists for major part of the Bank's financial instruments, their fair value is based on current economic conditions and the specific risks attributable to the instrument. The estimates presented below are not necessarily indicative of the amounts the Bank could realise in a market exchange from the sale of its full holdings of a particular instrument.

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

**42 Fair Value Disclosures (continued)**

**(a) Recurring fair value measurements**

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

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>				<b>31 December 2024</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets at fair value</b>								
<b>Financial assets</b>								
Investments in debt securities at FVTPL (Note 10)	593,257,918	-	385,928,824	<b>979,186,742</b>	320,463,513	-	301,919,427	<b>622,382,940</b>
Investments in debt securities at FVTOCI (Note 10)	505,778,855	2,250,915,481	-	<b>2,756,694,336</b>	547,450,136	1,733,716,229	-	<b>2,281,166,365</b>
Investments in equity securities at FVTPL (Note 11)	66,699,813	-	-	<b>66,699,813</b>	68,671,684	-	-	<b>68,671,684</b>
Investments in equity securities at FVTOCI (Note 11)	-	749,696	34,827,870	<b>35,577,566</b>	698,922	-	444,264	<b>1,143,186</b>
Loans and advances to customers at FVTPL (Note 12)	-	-	340,071,659	<b>340,071,659</b>	-	-	447,977,393	<b>447,977,393</b>
Derivative financial asset (Note 41)	-	260,415,143	-	<b>260,415,143</b>	-	235,679,985	-	<b>235,679,985</b>
Precious metals (Note 14)	831,930	-	-	<b>831,930</b>	13,154,667	-	-	<b>13,154,667</b>
<b>Non-financial assets</b>								
Premises (Note 16)	-	-	132,784,805	<b>132,784,805</b>	-	-	129,844,821	<b>129,844,821</b>
Investment properties (Note 13)	-	-	9,063,988	<b>9,063,988</b>	-	-	8,014,077	<b>8,014,077</b>
<b>Total assets recurring fair value measurements</b>	<b>1,166,568,515</b>	<b>2,512,080,320</b>	<b>902,677,146</b>	<b>4,581,325,982</b>	<b>950,438,922</b>	<b>1,969,396,214</b>	<b>888,199,982</b>	<b>3,808,035,118</b>
<b>Liabilities at fair value</b>								
<b>Financial liabilities</b>								
Derivative financial liabilities (Note 41)	-	(24,854,014)	-	<b>(24,854,014)</b>	-	(904,691)	-	<b>(904,691)</b>
<b>Total liabilities recurring fair value measurements</b>	<b>-</b>	<b>(24,854,014)</b>	<b>-</b>	<b>(24,854,014)</b>	<b>-</b>	<b>(904,691)</b>	<b>-</b>	<b>(904,691)</b>

**42 Fair Value Disclosures (continued)**

**(a) Recurring fair value measurements (continued)**

The description of valuation technique and description of inputs used in the fair value measurement for level 2 measurements at 31 December 2025 and 31 December 2024:

<i>In thousands of Mongolian Tugriks</i>	2025	2024	Valuation technique	Inputs used
	Fair value	Fair value		
<b>Other financial assets and liabilities</b>				
Investments in debt securities at FVTOCI	2,250,915,481	1,733,716,229	Market value approach	Central bank policy rate
Investments in equity securities at FVTOCI	749,696	-	Asset-based valuation	The entity's assets and liabilities
Financial derivatives – asset	260,415,143	235,679,985	Interest rate parity theory	MNT discount rate based on risk-free rate, country risk premium and currency risk premium, US discount rate based on treasury yield, US leg based on US SOFR, constant and Z spread, MNT leg based on policy rate, or as provided in the corresponding swap agreement, JPY discount rate based on treasury yield of Japan, JPY leg based on TO-NAR(Tokyo overnight average rate), USD/JPY forward curve.
Financial derivatives – liability	(24,854,014)	(904,691)		
<b>Total recurring fair value measurements at level 2</b>	<b>2,487,226,306</b>	<b>1,968,491,523</b>		

**Financial assets**

Equity securities at FVTPL, which are classified as Level 1 for fair value measurement purposes, mostly relate to the Bank's investment in a joint stock companies established in Mongolia in the amount of MNT 66,699,813 thousands (31 December 2024: MNT 68,671,684 thousands of investment securities at fair value through profit or loss) are disclosed in Note 11. Companies are listed in the Mongolian Stock exchange.

Investments in equity securities at FVTOCI, which are classified as level 2 for fair value measurement purposes, in the amount of MNT 749,696 thousand (31 December 2024: Nil) are related to unquoted financial investments in corporate. Please refer to Note 11.

Precious metal, which are mostly consist of the gold bar are classified at Level 1 for fair value measurement purposes in the amount of MNT 831,930 thousands (31 December 2024: MNT 13,154,667 thousands) which was valued at publicly available price announced by the Bank of Mongolia.

Derivative financial assets, which are classified as level 2 for fair value measurement purposes, in amount of MNT 260,415,143 thousands (31 December 2024: MNT 235,679,985 thousands) are related to unrealized gain from long-term and short-term swaps and are classified as financial assets at FVTPL.

Investments in debt securities at FVTPL, which are classified as level 1 for fair value measurement purposes, in the amount of MNT 593,257,918 thousand (31 December 2024: MNT 320,463,513 thousands, which were classified as level 1) are mainly related to the Government bond and Ulaanbaatar City bond.

Investments in debt securities at FVTOCI, which are classified as level 1 for fair value measurement purposes, in the amount of MNT 505,778,855 thousand (31 December 2024: MNT 547,450,136 thousands, which were classified as level 1) are related to the Government bond and Other bond.

Investments in debt securities at FVTOCI, which are classified as level 2 for fair value measurement purposes, in the amount of MNT 2,250,915,481 thousand (31 December 2024: MNT 1,733,716,229 thousands, which were classified as level 2) are related to treasury bills of Bank of Mongolia.

**42 Fair Value Disclosures (continued)**

**(a) Recurring fair value measurements (continued)**

Investments in debt securities at FVTPL, which are classified as level 3 for fair value measurement purposes, in the amount of MNT 385,928,824 thousand (31 December 2024: MNT 301,919,427 thousands, which were classified as level 3) are mainly related to MIK Senior and Junior bonds, and SFC Senior and Junior bonds.

Investments in equity securities at FVTOCI, which are classified as level 3 for fair value measurement purposes, in the amount of MNT 34,827,870 thousands (31 December 2024: MNT 444,264, which were classified as level 3) are related to unquoted financial investments in corporate. Refer to Note 11.

Loans at FVTPL, which are classified at level 3 for fair value measurement purposes, in the amount of MNT 340,071,659 thousands (31 December 2024: MNT 447,977,393 thousands, which were classified as level 3) are related to Mortgage portfolio of loans, SME loan portfolio financed by long term REPO financing by the Bank of Mongolia and other corporate loans to be sold to MIK with recourse.

There were no transfers between levels 1 to 3 of the fair value hierarchy for the assets and liabilities which are recorded at fair value.

The following table sets out information about unobservable inputs used in measuring financial instruments categorised at Level 3 in the fair value hierarchy.

**Financial assets at 31 December 2025:**

<i>In thousands of Mongolian Tugriks</i>	Fair value	Valuation technique	Inputs used	Range of inputs	Reasonable change	Sensitivity of fair value measurement
<b>Assets at fair value financial assets</b>						
Investments in debt securities at FVTPL(*)	385,928,824	Market value approach(Contractual transaction price)	Contractual nominal value	N/A	N/A	N/A
Investments in equity securities at FVTOCI	34,827,870	Asset-based valuation	The entity's assets and liabilities	-	10.00%	+/-3,482,787
Loans and advances to customers at FVTPL(*)	340,071,659	Market value approach(Contractual transaction price)	Contractual nominal value	N/A	N/A	N/A
<b>Total recurring fair value measurements at level 3</b>	<b>760,828,353</b>					

(\*) These fair value measurements are fundamentally driven by fixed contractual arrangements rather than variable market parameters. As there are no reasonably possible alternative quantitative assumptions that would significantly change the fair values, a quantitative sensitivity analysis table is not presented in accordance with IFRS 13.

**42 Fair Value Disclosures (continued)**

**(a) Recurring fair value measurements (continued)**

**Financial assets at 31 December 2024:**

<i>In thousands of Mongolian Tugriks</i>	Fair value	Valuation technique	Inputs used	Range of inputs	Reasonable change	Sensitivity of fair value measurement
<b>Assets at fair value financial assets</b>						
Investments in debt securities at FVTPL(*)	301,919,427	Market value approach(Contractual transaction price)	Contractual nominal value	N/A	N/A	N/A
Investments in equity securities at FVTOCI	444,264	Asset-based valuation	The entity's assets and liabilities	-	10.00%	+/-44,427
Loans and advances to customers at FVTPL(*)	447,977,393	Market value approach(Contractual transaction price)	Contractual nominal value	N/A	N/A	N/A
<b>Total recurring fair value measurements at level 3</b>	<b>750,341,084</b>					

(\*) These fair value measurements are fundamentally driven by fixed contractual arrangements rather than variable market parameters. As there are no reasonably possible alternative quantitative assumptions that would significantly change the fair values, a quantitative sensitivity analysis table is not presented in accordance with IFRS 13.

The valuation technique, inputs used in the fair value measurement for level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows at 31 December 2025.

**Non-financial assets at 31 December 2025:**

<i>In thousands of Mongolian Tugriks</i>	Fair value	Valuation technique	Inputs used	Range of inputs (price per sq. m)	Reasonable change	Sensitivity of fair value measurement
<b>Assets at fair value Non-financial assets</b>						
Premises	132,784,805	Market comparison method	Market prices with appropriate adjustments, discounts/haircuts	1,428-12,152	10%	+/-13,278,481
Investment Properties	9,063,988	Market comparison method	Market prices with appropriate adjustments, discounts/haircuts	9,225	10%	+/-906,399
<b>Total recurring fair value measurements at level 3</b>	<b>141,848,793</b>					

**42 Fair Value Disclosures (continued)**

**(a) Recurring fair value measurements (continued)**

**Non-financial assets at 31 December 2024:**

<i>In thousands of Mongolian Tugriks</i>	<b>Fair value</b>	<b>Valuation technique</b>	<b>Inputs used</b>	<b>Range of inputs (price per sq. m)</b>	<b>Reasonable change</b>	<b>Sensitivity of fair value measurement</b>
<b>Assets at fair value Non-financial assets</b>						
Premises	129,844,821	Market comparison method	Market prices with appropriate adjustments, discounts/haircuts	1,818-12,360	10%	12,984,482
Investment Properties	8,014,077	Market comparison method	Market prices with appropriate adjustments, discounts/haircuts	8,000	10%	801,408
<b>Total recurring fair value measurements at level 3</b>	<b>137,858,898</b>					

The Bank has written down its assets held for sale to fair value less costs to sell. The fair value belongs to level 3 measurements in the fair value hierarchy. The valuation technique and inputs used in the fair value measurement on 31 December 2025.

**(b) Non-recurring fair value measurements**

The valuation technique and inputs used in the fair value measurement at 31 December 2025.

<i>In thousands of Mongolian Tugriks</i>	<b>Fair value</b>	<b>Valuation technique</b>	<b>Inputs used</b>	<b>Range of inputs (price per sq. m)</b>	<b>Sensitivity of fair value measurement</b>
Assets held for sale	211,372,166	Market comparison method	Market prices with appropriate adjustments, discounts/haircuts	275.1-21,000	21,137,217

The valuation technique and inputs used in the fair value measurement at 31 December 2024.

<i>In thousands of Mongolian Tugriks</i>	<b>Fair value</b>	<b>Valuation technique</b>	<b>Inputs used</b>	<b>Range of inputs (price per sq. m)</b>	<b>Sensitivity of fair value measurement</b>
Assets held for sale	39,545,781	Market comparison method	Market prices with appropriate adjustments, discounts/haircuts	294.72-8,124.49	3,954,578

**42 Fair Value Disclosures (continued)**

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

Level 3 valuations are reviewed on a yearly basis by the Bank's Asset Management Division with the aid of an external valuator. Management considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognised as standard within the real estate market.

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

Fair value analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value as of 31 December 2025 are as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Carrying amount</b>
<b>Financial assets</b>				
<b>Cash and balances with the Bank of Mongolia</b>	<b>139,582,917</b>	<b>3,041,492,893</b>	-	<b>3,181,075,810</b>
Cash on hand	139,582,917			139,582,917
Cash and balances with the Bank of Mongolia	-	3,041,492,893	-	3,041,492,893
<b>Mandatory cash balances with the Bank of Mongolia</b>	-	<b>763,190,768</b>	-	<b>763,190,768</b>
<b>Reverse sale and repurchase agreement</b>	-	<b>41,496,584</b>	-	<b>41,496,584</b>
<b>Due from other banks</b>	-	<b>1,843,175,204</b>	-	<b>1,843,175,204</b>
Correspondent accounts with other banks	-	861,426,763	-	861,426,763
Foreign	-	847,647,384	-	847,647,384
Domestic	-	13,779,379	-	13,779,379
Short term placements with other banks	-	499,216,403	-	499,216,403
Foreign	-	3,024,138	-	3,024,138
Domestic	-	496,192,265	-	496,192,265
Placements with other banks with original maturities of more than three months	-	482,532,038	-	482,532,038
<b>Loans and advances to customers</b>	-	-	<b>7,750,680,940</b>	<b>7,826,106,905</b>
Corporate loans	-	-	2,520,340,319	2,551,587,692
Loans to small and medium business	-	-	2,190,622,484	2,146,169,812
Consumer loans to individuals	-	-	1,920,141,497	1,922,693,816
Mortgage loans to individuals	-	-	1,119,576,640	1,205,655,585
<b>Other financial assets</b>	-	<b>23,486,532</b>	-	<b>23,486,532</b>
<b>Total financial assets carried at amortised cost</b>	<b>139,582,917</b>	<b>5,712,841,981</b>	<b>7,750,680,940</b>	<b>13,678,531,803</b>

**42 Fair Value Disclosures (continued)**

Fair value analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value as of 31 December 2024 are as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Carrying amount</b>
<b>Financial assets</b>				
<b>Cash and balances with the Bank of Mongolia</b>	<b>111,054,353</b>	<b>2,420,235,977</b>	-	<b>2,531,290,330</b>
Cash on hand	111,054,353	-	-	111,054,353
Cash and balances with the Bank of Mongolia	-	2,420,235,977	-	2,420,235,977
<b>Mandatory cash balances with the Bank of Mongolia</b>	-	<b>566,906,794</b>	-	<b>566,906,794</b>
<b>Reverse sale and repurchase agreement</b>	-	<b>55,710,082</b>	-	<b>55,710,082</b>
<b>Due from other banks</b>	-	<b>1,077,952,931</b>	-	<b>1,077,952,931</b>
Correspondent accounts with other banks	-	264,496,446	-	264,496,446
Foreign	-	259,179,533	-	259,179,533
Domestic	-	5,316,913	-	5,316,913
Short term placements with other banks	-	427,332,193	-	427,332,193
Foreign	-	32,137,229	-	32,137,229
Domestic	-	395,194,964	-	395,194,964
Placements with other banks with original maturities of more than three months	-	386,124,292	-	386,124,292
<b>Loans and advances to customers</b>	-	-	<b>6,929,568,004</b>	<b>6,903,403,768</b>
Corporate loans	-	-	2,359,664,437	2,355,176,485
Loans to small and medium business	-	-	1,743,292,972	1,696,965,260
Consumer loans to individuals	-	-	1,928,390,910	1,917,684,687
Mortgage loans to individuals	-	-	898,219,685	933,577,336
<b>Debt securities at AC</b>	-	-	<b>6,847,722</b>	<b>6,847,722</b>
<b>Other financial assets</b>	-	<b>14,931,399</b>	-	<b>14,931,399</b>
<b>Total financial assets carried at amortised cost</b>	<b>111,054,353</b>	<b>4,135,737,183</b>	<b>6,936,415,726</b>	<b>11,157,043,026</b>

**42 Fair Value Disclosures (continued)**

Fair value analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value as of 31 December 2025 are as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Carrying amount</b>
<b>Financial Liabilities</b>				
<b>Due to other banks</b>	-	<b>811,902,175</b>	-	<b>811,902,175</b>
Short-term placements of other banks	-	811,902,175	-	811,902,175
<b>REPO Arrangements</b>	-	<b>2,407,294,249</b>	-	<b>2,407,294,249</b>
Sale and repurchase agreements with other banks	-	2,407,294,249	-	2,407,294,249
<b>Customer Accounts</b>				
<b>State and public organisations</b>	-	<b>1,174,698,829</b>	-	<b>1,176,273,086</b>
- Current/settlement accounts	-	518,263,595	-	518,263,595
- Demand deposits	-	-	-	-
- Term deposits	-	656,435,234	-	658,009,491
<b>Legal entities</b>	-	<b>4,440,157,583</b>	-	<b>4,451,836,392</b>
- Current/settlement accounts	-	3,231,366,099	-	3,231,366,099
- Demand deposits	-	-	-	-
- Term deposits	-	1,208,791,484	-	1,220,470,293
<b>Individuals</b>	-	<b>5,057,567,651</b>	-	<b>5,076,483,428</b>
- Current/settlement accounts	-	785,359,526	-	785,359,526
- Demand deposits	-	637,208,995	-	637,208,995
- Term deposits	-	3,634,999,130	-	3,653,914,907
<b>Other</b>	-	<b>110,225,381</b>	-	<b>110,223,028</b>
- Current/settlement accounts	-	64,232,370	-	64,232,370
- Demand deposits	-	-	-	-
- Term deposits	-	45,993,011	-	45,990,658
<b>Other borrowed funds</b>	-	<b>1,262,551,056</b>	-	<b>1,262,551,056</b>
<b>Debt securities in Issue</b>	-	<b>1,978,516,150</b>	-	<b>1,911,935,038</b>
<b>Provision for credit related commitments</b>	-	-	<b>4,045,551</b>	<b>4,045,551</b>
<b>Lease liabilities</b>	-	<b>35,438,125</b>	-	<b>35,438,125</b>
<b>Other financial liabilities</b>	-	<b>128,680,249</b>	-	<b>128,680,249</b>
<b>Total financial liabilities carried at amor- tised cost</b>	-	<b>17,407,031,448</b>	<b>4,045,551</b>	<b>17,376,662,377</b>

**42 Fair Value Disclosures (continued)**

Fair value analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value as of 31 December 2024 are as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Carrying amount</b>
<b>Financial Liabilities</b>				
<b>Due to other banks</b>	-	<b>443,274,660</b>	-	<b>443,274,660</b>
Short-term placements of other banks	-	443,274,660	-	443,274,660
<b>REPO Arrangements</b>	-	<b>1,540,353,861</b>	-	<b>1,540,353,861</b>
Sale and repurchase agreements with other banks	-	1,540,353,861	-	1,540,353,861
<b>Customer Accounts</b>				
<b>State and public organisations</b>	-	<b>1,069,401,807</b>	-	<b>1,072,529,966</b>
- Current/settlement accounts	-	627,827,458	-	627,827,458
- Demand deposits	-	-	-	-
- Term deposits	-	441,574,349	-	444,702,508
<b>Legal entities</b>	-	<b>3,806,555,412</b>	-	<b>3,817,798,645</b>
- Current/settlement accounts	-	2,896,837,462	-	2,896,837,462
- Demand deposits	-	-	-	-
- Term deposits	-	909,717,950	-	920,961,183
<b>Individuals</b>	-	<b>4,382,412,580</b>	-	<b>4,401,002,994</b>
- Current/settlement accounts	-	780,135,672	-	780,135,672
- Demand deposits	-	620,995,475	-	620,995,475
- Term deposits	-	2,981,281,433	-	2,999,871,847
<b>Other</b>	-	<b>84,823,879</b>	-	<b>85,511,476</b>
- Current/settlement accounts	-	52,352,307	-	52,352,307
- Demand deposits	-	-	-	-
- Term deposits	-	32,471,572	-	33,159,169
<b>Other borrowed funds</b>	-	<b>1,253,875,383</b>	-	<b>1,253,875,383</b>
<b>Debt securities in Issue</b>	-	<b>1,451,846,341</b>	-	<b>1,369,878,337</b>
<b>Provision for credit related commitments</b>	-	-	<b>1,873,767</b>	<b>1,873,767</b>
<b>Lease liabilities</b>	-	<b>25,396,842</b>	-	<b>25,396,842</b>
<b>Other financial liabilities</b>	-	<b>83,377,156</b>	-	<b>83,377,156</b>
			-	
<b>Total financial liabilities carried at amor- tised cost</b>	-	<b>14,141,317,921</b>	<b>1,873,767</b>	<b>14,094,873,087</b>

**43 Presentation of Financial Instruments by Measurement Category**

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2025:

<i>In thousands of Mongolian Tugriks</i>	<b>Amortised cost</b>	<b>FVTPL</b>	<b>FVTOCI (with recycling)</b>	<b>FVTOCI (no recycling)</b>	<b>Total</b>
<b>Financial assets</b>					
<b>Cash and balances with the Bank of Mongolia</b>	<b>3,181,075,810</b>	-	-	-	<b>3,181,075,810</b>
Cash on hand	139,582,917	-	-	-	139,582,917
Cash and balances with the Bank of Mongolia	3,041,492,893	-	-	-	3,041,492,893
<b>Mandatory cash balances with the Bank of Mongolia</b>	<b>763,190,768</b>	-	-	-	<b>763,190,768</b>
<b>Reverse sale and repurchase agreement</b>	<b>41,496,584</b>	-	-	-	<b>41,496,584</b>
<b>Investments in debt securities</b>	-	<b>979,186,742</b>	<b>2,756,694,336</b>	-	<b>3,735,881,078</b>
<b>Investments in equity securities</b>	-	<b>66,699,813</b>	<b>35,577,566</b>	-	<b>102,277,379</b>
<b>Due from other banks</b>	<b>1,843,175,204</b>	-	-	-	<b>1,843,175,204</b>
Correspondent accounts with other banks					
Foreign	847,647,384	-	-	-	847,647,384
Domestic	13,779,379	-	-	-	13,779,379
Short term placements with other banks					
Foreign	3,024,138	-	-	-	3,024,138
Domestic	496,192,265	-	-	-	496,192,265
Placements with other banks with original maturities of more than three months	482,532,038	-	-	-	482,532,038
<b>Loans and advances to customers</b>	<b>7,826,106,905</b>	<b>340,071,659</b>	-	-	<b>8,166,178,564</b>
Corporate loans	2,551,587,692	-	-	-	2,551,587,692
Loans to small and medium business	2,146,169,812	-	-	-	2,146,169,812
Consumer loans to individuals	1,922,693,816	-	-	-	1,922,693,816
Mortgage loans to individuals	1,205,655,585	-	-	-	1,205,655,585
Corporate loan classified FVTPL	-	-	-	-	-
SME loan classified FVTPL	-	765,495	-	-	765,495
Mortgage loans to be sold to MIK with recourse	-	339,306,164	-	-	339,306,164
<b>Derivative financial instruments-asset</b>	-	<b>260,415,143</b>	-	-	<b>260,415,143</b>
<b>Other financial assets</b>	<b>23,486,532</b>	<b>831,930</b>	-	-	<b>24,318,462</b>
Precious metals	-	831,930	-	-	831,930
Receivable from companies	8,158,000	-	-	-	8,158,000
Receivable from individuals	3,455,746	-	-	-	3,455,746
Receivables on cash and settlements services	2,708,696	-	-	-	2,708,696
Other financial assets	19,277,387	-	-	-	19,277,387
Less: Expected credit loss allowance	(10,113,297)	-	-	-	(10,113,297)
<b>Total Financial Assets</b>	<b>13,678,531,803</b>	<b>1,647,205,287</b>	<b>2,792,271,902</b>	<b>-</b>	<b>18,118,008,992</b>

**43 Presentation of Financial Instruments by Measurement Category (continued)**

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2024:

<i>In thousands of Mongolian Tugriks</i>	<b>Amortised cost</b>	<b>FVTPL</b>	<b>FVTOCI (with recycling)</b>	<b>FVTOCI (no recycling)</b>	<b>Total</b>
<b>Financial assets</b>					
<b>Cash and balances with the Bank of Mongolia</b>	<b>2,531,290,330</b>	-	-	-	<b>2,531,290,330</b>
Cash on hand	111,054,353	-	-	-	111,054,353
Cash and balances with the Bank of Mongolia	2,420,235,977	-	-	-	2,420,235,977
<b>Mandatory cash balances with the Bank of Mongolia</b>	<b>566,906,794</b>	-	-	-	<b>566,906,794</b>
<b>Reverse sale and repurchase agreement</b>	<b>55,710,082</b>	-	-	-	<b>55,710,082</b>
<b>Investments in debt securities</b>	<b>6,847,722</b>	<b>622,382,940</b>	<b>2,281,166,365</b>	-	<b>2,910,397,027</b>
<b>Investments in equity securities</b>	-	<b>68,671,684</b>	-	<b>1,143,186</b>	<b>69,814,870</b>
<b>Due from other banks</b>	<b>1,077,952,931</b>	-	-	-	<b>1,077,952,931</b>
Correspondent accounts with other banks					
Foreign	259,179,533	-	-	-	259,179,533
Domestic	5,316,913	-	-	-	5,316,913
Short term placements with other banks					
Foreign	32,137,229	-	-	-	32,137,229
Domestic	395,194,964	-	-	-	395,194,964
Placements with other banks with original maturities of more than three months	386,124,292	-	-	-	386,124,292
<b>Loans and advances to customers</b>	<b>6,903,403,768</b>	<b>447,977,393</b>	-	-	<b>7,351,381,161</b>
Corporate loans	2,355,176,485	-	-	-	2,355,176,485
Loans to small and medium business	1,696,965,260	-	-	-	1,696,965,260
Consumer loans to individuals	1,917,684,687	-	-	-	1,917,684,687
Mortgage loans to individuals	933,577,336	-	-	-	933,577,336
Corporate loan classified FVTPL	-	3,143,234	-	-	3,143,234
SME loan classified FVTPL	-	5,461,570	-	-	5,461,570
Mortgage loans to be sold to MIK with recourse	-	439,372,589	-	-	439,372,589
<b>Derivative financial instruments-asset</b>	-	<b>235,679,985</b>	-	-	<b>235,679,985</b>
<b>Other financial assets</b>	<b>14,931,399</b>	<b>13,154,667</b>	-	-	<b>28,086,066</b>
Precious metals	-	13,154,667	-	-	13,154,667
Receivable from companies	9,347,187	-	-	-	9,347,187
Receivable from individuals	3,016,631	-	-	-	3,016,631
Receivables on cash and settlements services	5,734,890	-	-	-	5,734,890
Other financial assets	2,739,041	-	-	-	2,739,041
Less: Expected credit loss allowance	(5,906,350)	-	-	-	(5,906,350)
<b>Total Financial Assets</b>	<b>11,157,043,026</b>	<b>1,387,866,669</b>	<b>2,281,166,365</b>	<b>1,143,186</b>	<b>14,827,219,246</b>

As of 31 December 2025, and 31 December 2024, all of the Bank's financial liabilities were carried at AC except for derivative financial liabilities. Derivative financial liabilities were measured at FVTPL.

#### **44 Related Party Transactions**

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 “Related Party Disclosures”. In considering each possible related party relationship, attention is directed to the economic substance of the relationship, not merely the legal form.

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

Related party categories are as follows:

<b>Immediate parent company</b>	Golomt Financial Group LLC is the main shareholder of the Bank, refer to Note 1.
<b>Entities under common control</b>	Entities under common control are companies within Golomt Financial Group LLC and other companies the ultimate owner has control or significant influence.
<b>Directors and key management personnel</b>	The Board of Directors and executive managers of the Bank.

For information on the Bank’s immediate and ultimate parent company, as well as ultimate controlling party as of 31 December 2025 and 31 December 2024, refer to Note 1.

**44 Related Party Transactions (continued)**

On 31 December 2025, the outstanding balances the Bank's related parties were as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>Directors and key management personnel</b>	<b>Immediate parent company</b>	<b>Entities under common control</b>	<b>Other related parties</b>	<b>Total</b>
Gross amount of loans and advances to customers (contractual interest rate 6% - 24%)	8,804,515	-	94,036,935	213,820	<b>103,055,270</b>
Other assets	-	-	61,600	-	<b>61,600</b>
Customer accounts (contractual interest rate 0% - 16.5%)	50,560,073	9,192,932	95,045,169	285,992	<b>155,084,166</b>

On 31 December 2024, the outstanding balances with the Bank's related parties were as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>Directors and key management personnel</b>	<b>Immediate parent company</b>	<b>Entities under common control</b>	<b>Other related parties</b>	<b>Total</b>
Gross amount of loans and advances to customers (contractual interest rate 6% - 24%)	8,427,530	-	237,319,765	16,405,023	<b>262,152,318</b>
Other assets	-	-	645,010	-	<b>645,010</b>
Customer accounts (contractual interest rate 0% - 15.6%)	49,939,267	11,880,052	199,802,852	9,038,925	<b>270,661,096</b>

**44 Related Party Transactions (continued)**

Movement in the loans and advances to the Bank's related party for 2025 were as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>Directors and key management personnel</b>	<b>Immediate parent company</b>	<b>Entities under common control</b>	<b>Other related parties</b>	<b>Total</b>
<b>Contractual interest rate</b>	<b>6% - 24%</b>	<b>24%</b>	<b>9% - 24%</b>	<b>15% - 24%</b>	
Loans to customers					
<b>Loans to customers as at 1 January 2025</b>	<b>8,427,530</b>	-	<b>237,319,765</b>	<b>16,405,023</b>	<b>262,152,318</b>
Loans to customers issued during the year	322,977,924	246,064	45,344,930	1,287,667	<b>369,856,585</b>
Loans to customers repaid during the year	(322,669,014)	(246,097)	(189,112,863)	(17,484,884)	<b>(529,512,858)</b>
Accrued interest as at 31 December 2025	59,749	-	478,683	-	<b>538,432</b>
Less: Credit loss allowance	(6,859)	(11)	(1,582,729)	(1,386)	<b>(1,590,985)</b>
Exchange difference	15,185	44	1,589,150	7,399	<b>1,611,778</b>
<b>Loans to customers as at 31 December 2025</b>	<b>8,804,515</b>	-	<b>94,036,936</b>	<b>213,819</b>	<b>103,055,270</b>

Movements in the loans and advances to the Bank's related party for 2024 were as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>Directors and key management personnel</b>	<b>Immediate parent company</b>	<b>Entities under common control</b>	<b>Other related parties</b>	<b>Total</b>
<b>Contractual interest rate</b>	<b>6% - 24%</b>	<b>24%</b>	<b>9% - 24%</b>	<b>15% - 24%</b>	
Loans to customers					
<b>Loans to customers as at 1 January 2024</b>	<b>3,863,988</b>	-	<b>76,509,102</b>	<b>36,962,089</b>	<b>117,335,179</b>
Loans to customers issued during the year	190,963,436	111,251	246,956,138	15,422,117	<b>453,452,942</b>
Loans to customers repaid during the year	(186,456,335)	(111,265)	(92,983,197)	(37,338,009)	<b>(316,888,806)</b>
Accrued interest as at 31 December 2024	60,968	-	7,738,301	1,374,246	<b>9,173,515</b>
Less: Credit loss allowance	(4,305)	-	(1,027,752)	(15,802)	<b>(1,047,859)</b>
Exchange difference	(222)	14	127,173	382	<b>127,347</b>
<b>Loans to customers as at 31 December 2024</b>	<b>8,427,530</b>	-	<b>237,319,765</b>	<b>16,405,023</b>	<b>262,152,318</b>

Loans issued to key management are issued at preferential rates, as it is the case with loans issued to the Bank's employees (refer to Note 12). The terms offered to key management are not substantially different from those offered to other employees.

**44 Related Party Transactions (continued)**

The customer accounts balances and transactions with the Bank’s related parties for 2025 are as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>Directors and key management personnel</b>	<b>Immediate parent company</b>	<b>Entities under common control</b>	<b>Other related parties</b>	<b>Total</b>
<b>Contractual interest rate</b>	<b>0% - 15.7%</b>	<b>0% - 15.5%</b>	<b>0% - 16.5%</b>	<b>0% - 2.4%</b>	
Customer accounts					
<b>Customer accounts as at 01 January 2025</b>	<b>49,939,267</b>	<b>11,880,052</b>	<b>199,802,852</b>	<b>9,038,925</b>	<b>270,661,096</b>
Customer accounts received during the year	2,974,936,160	234,815,597	1,864,930,145	68,642,609	5,143,324,511
Customer accounts repaid during the year	(2,884,880,871)	(237,785,868)	(2,026,741,772)	(77,401,905)	(5,226,810,416)
Accrued interest as at 31 December 2025	581,951	5,793	1,511,767	-	2,099,511
Exchange difference	(90,016,434)	277,360	55,542,177	6,363	(34,190,534)
<b>Customer accounts as at 31 December 2025</b>	<b>50,560,073</b>	<b>9,192,934</b>	<b>95,045,169</b>	<b>285,992</b>	<b>155,084,168</b>

The customer account balances and transactions with the Bank’s related parties for 2024 are as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>Directors and key management personnel</b>	<b>Immediate parent company</b>	<b>Entities under common control</b>	<b>Other related parties</b>	<b>Total</b>
<b>Contractual interest rate</b>	<b>0%-15.6%</b>	<b>0%-15.2%</b>	<b>0%-15%</b>	<b>0%-15.6%</b>	
Customer accounts					
<b>Customer accounts as at 01 January 2024</b>	<b>4,824,272</b>	<b>3,424,427</b>	<b>127,570,942</b>	<b>1,826,471</b>	<b>137,646,112</b>
Customer accounts received during the year	2,803,561,404	146,609,859	2,569,218,009	89,300,131	5,608,689,403
Customer accounts repaid during the year	(2,758,881,051)	(138,319,455)	(2,508,746,689)	(82,663,595)	(5,488,610,790)
Accrued interest as at 31 December 2024	296,134	5,331	11,850,313	585,251	12,737,029
Exchange difference	138,508	159,890	(89,723)	(9,333)	199,342
<b>Customer accounts as at 31 December 2024</b>	<b>49,939,267</b>	<b>11,880,052</b>	<b>199,802,852</b>	<b>9,038,925</b>	<b>270,661,096</b>

**44 Related Party Transactions (continued)**

The income and expense items with the Bank's related parties for the year ended 31 December 2025 are as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>Directors and key management personnel</b>	<b>Immediate parent company</b>	<b>Entities under common control</b>	<b>Other related parties</b>	<b>Total</b>
Interest income	1,210,232	-	15,076,475	757,918	<b>17,044,625</b>
Interest expense	3,642,154	165,672	7,915,334	570	<b>11,723,730</b>
Fee and commission income	40,160	13,849	138,497	3,482	<b>195,988</b>
Rental income	-	-	858,151	-	<b>858,151</b>
Dividend paid	417,725	62,424,053	4,846,150	-	<b>67,687,928</b>
Purchase of goods and services	-	-	2,540,327	-	<b>2,540,327</b>

The income and expense items with the Bank's related parties for the year ended 31 December 2024 are as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>Directors and key management personnel</b>	<b>Immediate parent company</b>	<b>Entities under common control</b>	<b>Other related parties</b>	<b>Total</b>
Interest income	1,019,848	-	12,706,775	4,867,045	<b>18,593,668</b>
Interest expense	1,431,680	142,662	12,420,083	998,485	<b>14,992,910</b>
Fee and commission income	245,695	2,676	51,037	1,670	<b>301,078</b>
Rental income	-	-	550,638	-	<b>550,638</b>
Dividend paid	377,755	56,181,647	4,361,535	24,181	<b>60,945,118</b>
Purchase of goods and services	-	-	1,855,131	-	<b>1,855,131</b>

The outstanding balance of the guarantee and letter of credit issued for the Bank's related parties for the year ended 31 December 2025 and 31 December 2024 is as follows:

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
<b>Guarantee</b>		
Guarantees	1,399,035	3,029,763
Export letters of credit	-	35,912,625
Undrawn credit lines	9,660,709	7,921,763
<b>Total credit related commitments</b>	<b>11,059,744</b>	<b>46,864,151</b>
Less: provision for impairment of credit related commitments	(11,655)	(6,264)
<b>Net total credit related commitments</b>	<b>11,048,089</b>	<b>46,857,887</b>

The Bank's Board of Directors and key management compensation is presented below:

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Salaries	8,598,125	5,912,179
Bonuses	7,831,000	2,473,000
Social security contributions	2,001,509	1,014,974
<b>Total</b>	<b>18,430,634</b>	<b>9,400,153</b>

#### **44 Related Party Transactions (continued)**

Directors and key management personnel mainly represent members of the Bank's Board of Directors and Executive Board. Other related parties are mostly represented by companies controlled by the Bank's major shareholders and the Bank.

#### **45 Event after the End of the Reporting period**

**Dividend declared.** Pursuant to Article 46.1 of the Company Law of Mongolia, a decision was adopted during an extraordinary Board of Directors meeting of the Bank on 13 February 2026 to distribute MNT 64,692,584 thousand (MNT 80 per share) to the shareholders from retained earnings.

**Subsequent event.** The Bank of Mongolia maintained a tight monetary policy stance. At its December 2025 Monetary Policy Committee meeting, the policy rate was kept unchanged at 12%. Subsequently, during an extraordinary meeting in January 2026, the Bank of Mongolia introduced additional macroprudential tightening measures. These included reducing the debt-to-income ratio for consumer loans to 45% and increasing reserve requirement ratios by one percentage point, reaching 14% for MNT deposits and 19% for foreign currency deposits.

#### **46 Mongolian Translation**

These financial statements are also prepared in the Mongolian language. In the event of discrepancies or contradictions between the English version and the Mongolian version, the English version will prevail.

## **47 Abbreviations**

The list of the abbreviations used in these financial statements is provided below:

<b>Abbreviation</b>	<b>Full name</b>
<b>AC</b>	Amortised Cost
<b>ADB</b>	Asian Development Bank
<b>ALCO</b>	The Asset and Liability Committee
<b>ARDL</b>	Autoregressive Distributed Lag
<b>BOM</b>	Bank of Mongolia
<b>DBM</b>	Development Bank of Mongolia
<b>CCF</b>	Credit Conversion Factor
<b>EAD</b>	Exposure at default
<b>ECL</b>	Expected Credit Loss
<b>EIR</b>	Effective interest rate
<b>ESG</b>	Environmental, Social and Governance
<b>FRC</b>	Financial Regulatory Commission of Mongolia
<b>FVTOCI</b>	Fair Value through Other Comprehensive Income
<b>FVTPL</b>	Fair Value Through Profit or Loss
<b>FX</b>	Foreign exchange
<b>IFRS</b>	International Financial Reporting Standard
<b>JICA</b>	Japan International Cooperation Agency
<b>LGD</b>	Loss given default
<b>L&amp;R</b>	Loans and Receivables
<b>MIK</b>	Mongolian Mortgage Corporation
<b>MNT</b>	Mongolian Tugriks
<b>MNCCI</b>	Manufacturing and Processing of Leather Products
<b>OCI</b>	Other Comprehensive Income
<b>PD</b>	Probability of Default
<b>RMBS</b>	Residential mortgage-backed securities
<b>SICR</b>	Significant Increase in Credit Risk
<b>SME</b>	Small and Medium-sized Enterprises
<b>SPPI</b>	Solely Payments of Principal and Interest
<b>SPPI test</b>	Assessment whether the financial instruments' cash flows represent Solely Payments of Principal and Interest
<b>VaR</b>	Value at risk