



GOLOMT BANK

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

“GOLOMT BANK JSC”

2025YE

AUDITED FINANCIAL RESULTS

The following discussion and analysis should be read in conjunction with our selected financial and operating data and our financial statements and related notes as of and for the years ended December 31, 2023, 2024 and 2025. These financial statements have been prepared in accordance with IFRS, which differs in certain respects from U.S. GAAP. The discussion contains forward-looking statements and reflects our current view with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors.

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Overview

We are a leading banking and financial services provider in Mongolia, offering a wide range of commercial banking services to corporate, small and medium-sized enterprise (“SME”) and retail customers. We are one of the largest banks in Mongolia with total assets of MNT19,182,928.9 million (US\$5,393.5 million) and total equity of MNT1,685,659.5 million (US\$473.9 million) as of December 31, 2025. As of December 31, 2025, we had over 1.3 million customers, representing approximately 36% of Mongolia’s population.

Given our size, scale and significant and fundamental presence in the Mongolian banking sector and overall economy, we are a domestic systemically important bank in Mongolia. As of December 31, 2025, according to our internal data, the Bank of Mongolia and the international SWIFT watch report, we had market share of 25.8%, 21.8%, 60.6% and 53.3% in terms of corporate and SME deposits, corporate and SME loans, letter of credits by amount as well as the number of funds our custodian banking serves in the Mongolian banking system, respectively. As of December 31, 2025, according to our internal data and the Bank of Mongolia, we had market share of 23.6%, 16.7%, 39.2% and 16.6% for retail services such as mortgage loans, individual loans, credit card loans, and individual deposits, respectively. As of December 31, 2025, according to our internal data and the Bank of Mongolia, we had market share of 22.3%, 18.8% and 20.6% measured by total assets, total loan amounts and total deposits, respectively. We are headquartered in Ulaanbaatar and all of our operations are conducted in Mongolia. As of December 31, 2025, we operated a network of 108 branches, including 73 branches located in Ulaanbaatar and 35 in rural areas. We also operate one of the largest ATM networks in Mongolia with 403 ATMs and CDMs.

Factors Affecting Results of Operations and Financial Condition

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

The Mongolian Economy

Our financial performance is closely linked to macroeconomic developments in Mongolia, where all of our operations are located. Domestic economic factors, including the overall economic growth, inflation and changes in macroeconomic policy, are the key drivers affecting the business operation while the external conditions such as the movement in exchange rate, foreign reserves, capital flows and trade volumes also play a critical role in shaping the operating environment.

Mongolia’s economy continued to demonstrate solid post-pandemic recovery, with real GDP growth of 5.0% in 2022, 7.4% in 2023, 5.1% in 2024, and an estimated 6.8% in 2025. The stronger expansion in 2025 was driven primarily by robust mining sector performance, supported by a significant increase in copper production, as well as a recovery in agricultural output following weather-related disruptions in the previous years. Headline inflation remained within the Bank of Mongolia’s target range, and the core inflation, which excludes the impact of volatile components in the consumer price index, continued to ease with the tighter monetary stance. Given Mongolia’s high dependence on commodity exports, the economy remains vulnerable to external shocks, including fluctuations in global commodity prices and weakening foreign demand. Such developments can exert pressure on the balance of payments and fiscal revenues, thereby posing risks to both macroeconomic and financial stability.

Competition

Competition in Mongolia’s financial sector has intensified significantly. As of 2025, the sector includes 12 commercial banks, along with a large and expanding group of non-bank financial institutions (“NBFIs”), which have increased their participation in credit provision and financial intermediation. While NBFIs are becoming more active, particularly in consumer and small-business lending, our primary competition remains the commercial banking sector, which continues to dominate the financial market.

Competitive dynamics are driven by a range of factors, including the breadth and structure of product and service offerings, brand strength, branch network coverage, digital and mobile delivery capabilities, pricing strategies, and the effectiveness of information technology and risk-management systems. Ongoing regulatory reforms,

digital transformation initiatives, and the growing availability of diversified financial products have accelerated modernization across the sector.

Increasing competition from both banks and NBFIs may exert pressure on pricing, funding costs, and loan margins, and could influence our ability to attract and retain customers across key business segments.

Changes in exchange rates and interest rates

We generate foreign currency income through our trade and investment-related activities, and the value of such income is affected by the exchange rate fluctuation of the foreign currencies against the domestic currency, Tugrik (MNT). In addition, we hold assets and liabilities denominated in foreign currencies, and may experience revaluation gains or losses subject to the exchange rate fluctuation of the foreign currencies against MNT. These fluctuations affect, among other things, the demand for our products and services, the value and rate of return on our assets, the availability and cost of funding and the financial condition of our customers.

Mongolia maintains a floating exchange rate regime, and as a result, the Mongolian tugrik (MNT) is subject to fluctuations influenced by macroeconomic conditions, external sector performance, and foreign asset positions. The nominal year-end exchange rate stood at MNT 3,411 per USD in 2023 and MNT 3,420 per USD in 2024, before rising to approximately MNT 3,557 per USD in 2025, reflecting year-on-year changes of approximately -1.0%, 0.3%, and 4.0%, respectively. The depreciation experienced during 2025 was primarily attributable to a slowdown in export revenue caused by declining coal prices in the first half of the year. This is consistent with macroeconomic assessments indicating that Mongolia's external balances remain sensitive to commodity-price movements, especially coal, which constitutes a substantial share of export revenues. However, as coal prices stabilized and export volumes of both coal and copper increased, the current account deficit moderated and external liquidity improved, supported by rising international reserves.

Significant depreciation of the MNT could materially affect our financial condition. If we maintain a net open borrowing position denominated in foreign currencies at a time of substantial currency weakening, such depreciation could result in foreign-exchange translation losses, reduce our capital adequacy ratios, and require us to raise additional capital or cause us to breach regulatory capital requirements set by the Bank of Mongolia.

Our results of operations depend largely on our net interest income, which is driven by prevailing interest rates and the composition and volume of our interest-earning assets and interest-bearing liabilities. Interest rates applicable to us are influenced by factors beyond our control, including regulatory developments in Mongolia's banking sector, domestic and global economic conditions, and competitive dynamics. In March 2025, the Bank of Mongolia raised the policy rate from 10.0% to 12.0% and has maintained this level since then. While the Bank of Mongolia has indicated that its monetary policy stance will remain tight, any future adjustments to the policy rate would directly affect the interest rates we earn on assets and pay on liabilities, and therefore could materially impact our net interest income.

Regulatory Environment

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

In 2025, several policy adjustments were implemented to tighten monetary conditions and safeguard economic and financial stability. The policy interest rate was increased from 10% to 12%, while banks' reserve requirement ratios were raised by 2 percentage points to 13% for tugrik deposits and 18% for foreign currency deposits. Household lending standards were also strengthened through the introduction of a 50% debt-to-income cap. At the same time, targeted measures were introduced to support pension-backed loans, including reserve requirement

relief, limited maturity extensions without loan reclassification, and a reduction in the applicable risk weight from 150% to 100%.

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

Interest Income

Interest Income Calculated Using the Effective Interest Method

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

	Year Ended December 31,			
	2023	2024	2025	
	(MNT millions)	(MNT millions)	(MNT millions)	(US\$ millions)
Loans and advances to customers at amortized cost	584,199.1	913,259.0	1,199,343.7	337.2
Debt securities at fair value through other comprehensive income	158,473.0	155,072.8	159,555.8	44.9
Due from other banks at amortized cost	25,015.8	12,287.3	8,412.6	2.4
Cash deposited in the Bank of Mongolia	22,961.7	16,093.4	12,640.1	3.6
Debt securities at amortized cost	512.6	364.9	799.0	0.2
Reverse repurchase agreements at amortized cost	1,547.9	2,153.3	1,942.2	0.5
	792,710.2	1,099,230.8	1,382,693.5	388.8

Other similar income

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

	Year Ended December 31,			
	2023	2024	2025	
	(MNT millions)	(MNT millions)	(MNT millions)	(US\$ millions)
Loans and advances to customers at fair value through profit or loss	24,155.7	28,172.7	27,009.2	7.6
Debt securities at fair value through profit or loss	23,866.7	35,785.6	65,892.9	18.5
	48,022.4	63,958.3	92,902.2	26.1

Interest Expense

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

	Year Ended December 31,			
	2023	2024	2025	
	(MNT millions)	(MNT millions)	(MNT millions)	(US\$ millions)
Customer accounts	271,817.9	426,993.3	597,444.3	168.0
Debt securities in issue	-	79,491.7	182,040.8	51.2
Other borrowed funds	74,825.7	66,320.7	66,312.7	18.6
Due to other banks	1,398.4	3,668.7	5,858.8	1.6
Repurchase agreement	13,539.1	18,785.6	17,656.7	5.0
Interest expense related to lease liabilities	1,859.4	3,308.6	5,046.7	1.4
	363,440.4	598,568.5	874,359.9	245.8

Net Interest Income

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

	Year Ended December 31,			
	2023	2024	2025	(US\$ millions)
Interest income.....	(MNT millions) 840,732.6	(MNT millions) 1,163,189.1	(MNT millions) 1,475,595.6	414.9
Interest expense.....	(363,440.4)	(598,568.5)	(874,359.9)	(245.8)
Net interest income	477,292.1	564,620.6	601,235.7	169.0

Expected Credit Loss

The reversal or charge of expected credit loss for loans and advances to customers is impacted by a variety of factors, including recoveries from previously written off loans, significant increases or decreases of credit risks, changes in probability of defaults and foreign exchange translations of assets denominated in foreign currency and other movements. Our reversal of expected credit loss in 2023, 2024 and 2025 was MNT28,074.7 million, MNT5,521.8 million and MNT37,073.3 million (US\$10.4 million), respectively.

Fee and Commission Income

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

	Year Ended December 31,			
	2023	2024	2025	(US\$ millions)
Commissions on operations with plastic cards	(MNT millions) 56,561.2	(MNT millions) 69,769.0	(MNT millions) 81,778.8	23.0
Remittance and other service fees	27,511.6	31,097.5	32,196.9	9.1
Commissions on documentary business and guarantees...	12,620.8	9,779.9	10,517.5	3.0
Account service fee and commissions	5,142.1	5,429.4	5,766.9	1.6
Brokerage and other service fee	335.3	9,345.8	12,914.4	3.6
	102,170.9	125,421.7	143,174.4	40.3

Fee and Commission Expenses

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

	Year Ended December 31,			
	2023	2024	2025	(US\$ millions)
Commissions on operations with plastic cards	(MNT millions) 45,995.1	(MNT millions) 60,774.9	(MNT millions) 75,042.5	21.1
Bank service expense	12,233.6	15,621.8	16,671.8	4.7
Online transaction expense.....	1,883.8	2,627.7	3,469.4	1.0
Brokerage and other service fee	77.9	580.9	489.4	0.1
	60,190.4	79,605.2	95,673.0	26.9

Administrative and Other Operating Expenses

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

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

	Year Ended December 31,			
	2023	2024	2025	
	(MNT millions)	(MNT millions)	(MNT millions)	(US\$ millions)
Administrative and Other Operating expenses:				
Staff costs.....	84,251.9	117,286.1	138,179.2	38.9
Information, consulting and other professional services...	34,057.7	52,114.0	54,603.4	15.4
Depreciation of premises and equipment.....	22,130.4	25,589.3	24,775.2	7.0
Depreciation of right of use assets.....	6,890.5	9,166.5	12,536.4	3.5
Advertising and marketing services	5,308.5	6,985.3	11,233.1	3.2
Amortization of software and other intangible assets	6,368.8	8,824.5	9,675.9	2.7
Customer engagement expenses.....	5,923.6	7,080.4	8,506.7	2.4
Stationery expense	4,192.8	4,376.1	5,476.7	1.5
Donations	891.4	1,155.0	4,837.5	1.4
Telecommunications expense.....	2,853.0	3,903.1	4,726.7	1.3
Loan collection expenses	2,288.0	3,408.3	4,371.2	1.2
Security expense	2,542.1	3,075.5	3,881.4	1.1
Office cleaning expense	2,183.4	2,875.2	3,577.4	1.0
Utilities	1,870.1	2,188.5	3,065.6	0.9
Taxes (other than income tax).....	3,183.7	2,401.2	2,953.5	0.8
Transportation.....	2,050.5	2,284.2	2,922.4	0.8
Travelling expenses.....	1,566.1	2,099.6	2,362.7	0.7
Voluntary and mandatory insurance.....	1,230.5	1,392.5	1,780.5	0.5
Entertainment.....	1,577.0	2,230.7	1,727.0	0.5
Short term lease expense.....	1,428.6	1,296.7	832.7	0.2
Other.....	7,370.5	10,933.3	11,233.1	3.2
Administrative and Other Operating expenses.....	200,159.3	270,665.8	313,258.5	88.1

Income Tax Expense

Our income tax expense consists of current income tax and deferred tax relating to the origination of temporary differences. Differences between IFRS and statutory taxation regulations in Mongolia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax basis. The following table presents our income tax expenses for the periods indicated:

	Year Ended December 31,			
	2023	2024	2025	
	(MNT millions)	(MNT millions)	(MNT millions)	(US\$ millions)
Current income tax.....	98,112.7	92,128.1	48,258.2	13.6
Deferred tax	(41,248.6)	34,199.7	25,478.4	7.2
	56,864.1	126,327.8	73,736.7	20.7

We provide for income taxes on the basis of income for financial reporting purposes, adjusted for items which are not assessable or deductible for income tax purposes. In 2023, 2024 and 2025, our income tax rate for profits is 10.0% for the first MNT6.0 billion of taxable income and 25.0% on the excess of taxable income over MNT6.0 billion.

Our effective income tax rates for 2023, 2024 and 2025 were 21.4%, 23.2% and 18.2%, respectively. The decrease in effective income tax rates from 2024 and 2025 was primarily due to decrease in taxable profit, higher share of tax exempt and lower-rated income, recognition of previously unrecognized deferred tax assets, larger tax incentives, and lower non-deductible expenses. A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at our effective income tax rate for the years ended in the timeframes below is set out below:

	Year Ended December 31,			
	2023	2024	2025	
	(MNT millions)	(MNT millions)	(MNT millions)	(US\$ millions)
Profit before tax	266,035.1	545,081.5	404,162.0	
Tax at statutory rate of 25%	66,508.8	136,270.4	101,040.5	28.4
Effect of expenses not deductible for tax purposes				
-Effect of income subject to lower tax rate.....	(900.0)	(900.0)	(900.0)	(0.3)
-Income which is exempt from taxation	(3,858.4)	(11,201.0)	(15,325.0)	(4.3)
-Income which is taxed at different rates.....	(851.2)	(646.1)	(4,043.4)	(1.1)
-Non-deductible expenses	964.9	3,448.4	2,231.9	0.6
Effect of unrecognized deferred tax assets	(5,000.0)	-	(4,444.9)	(1.2)
Effect of tax incentive	-	(643.9)	(4,822.5)	(1.4)

	Year Ended December 31,			
	2023	2024	2025	
	(MNT millions)	(MNT millions)	(MNT millions)	(US\$ millions)
Tax expense for the year	56,864.1	126,327.8	73,736.7	20.7

Our profit for the year was MNT209,171.0 million, MNT418,753.7 million and MNT330,425.4 million (US\$92.9 million) for 2023, 2024 and 2025, respectively.

RESULTS OF OPERATIONS

2025 Compared to 2024

Interest income

Our interest income calculated using the effective interest method increased by 25.8% from MNT1,099,230.8 million for 2024 to MNT1,382,639.5 million (US\$388.7 million) for 2025. The increase in interest income was primarily attributable to both increases in interest income from loans and advances to customers and investment in debt securities.

Our other similar income increased by 45.3% from MNT63,958.3 million for 2024 to MNT92,902.2 million (US\$26.1 million) for 2025, primarily because of MNT30,107.3 million increases in other similar income from debt securities FVTPL.

Interest income from loans and advances to customers at amortized cost

Our interest income from loans and advances to customers at amortized cost increased by 31.3% from MNT913,259.0 million for 2024 to MNT1,199,343.7 million (US\$337.2 million) for 2025, primarily due to an increase in total loan portfolio and increase in average lending rate as a result of increased policy rate by the Bank of Mongolia.

Interest income from debt securities FVTOCI

Our interest income from debt securities FVTOCI increased by 2.9% from MNT155,072.8 million for 2024 to MNT159,555.8 million (US\$44.9 million) for 2025, supported by a moderate expansion of the debt securities FVTOCI portfolio to MNT2,764,200.5 million for 2025 from MNT 2,290,916.4 million for 2024, primarily driven by increased holdings of Bank of Mongolia Treasury bills.

Interest income from due from other banks at amortized cost

Our interest income from due from other banks at amortized cost decreased by 31.5% from MNT12,287.3 million for 2024 to MNT8,412.6 million (US\$2.4 million) for 2025, primarily due to a decrease in placements with international banks.

Interest income from cash deposited in the Bank of Mongolia

Our interest income from cash deposited in the Bank of Mongolia decreased by 21.5% from MNT16,093.4 million for 2024 to MNT12,640.1 million (US\$3.6 million) for 2025, primarily due to termination of the mandatory reserve incentive scheme by the Bank of Mongolia on 30 April 2024.

Interest income from debt securities at amortized cost

Our interest income from debt securities at amortized cost increased by 119.0% from MNT364.9 million for 2024 to MNT799.0 million (US\$0.2 million) for 2025, primarily reflecting a longer holding period of bonds carried over from 2024 into 2025, as well as interest income generated from bonds acquired and subsequently derecognized during 2025.

Interest income from reverse repurchase agreements at amortized cost

Our interest income from reverse repurchase agreements at amortized cost decreased by 9.8% from MNT2,153.3 million for 2024 to MNT1,942.2 million (US\$0.5 million) for 2025, primarily due to a drop in reverse sale and repurchase agreement.

Other similar income from loans and advances to customers at FVTPL

Our other similar income from loans and advances to customers at FVTPL decreased by 4.1% from MNT28,172.7 million for 2024 to MNT27,009.2 million (US\$7.6 million) for 2025, primarily due to decrease in loans and advances to customers at FVTPL portfolio.

Other similar income from debt securities FVTPL

Our other similar income from debt securities FVTPL increased by 84.1% from MNT35,785.6 million for 2024 to MNT65,892.9 million (US\$18.5 million) for 2025, primarily due to increase in debt securities at FVTPL portfolio, including the increase in our holding of residential mortgage-backed securities issued by Mongolian Mortgage Corporation and government bonds.

Interest expense

Our interest expense increased by 46.1% from MNT598,568.5 million for 2024 to MNT874,359.9 million (US\$245.8 million) for 2025. The increase in interest expense was primarily attributable to higher interest expense on customer deposits and increased funding costs from debt securities in issue.

Interest expense on customer accounts

Our interest expense on customer accounts increased by 39.9% from MNT426,993.3 million for 2024 to MNT597,444.3 million (US\$168.0 million) for 2025, primarily due to a large increase in term deposits during the year driven by active campaigns to attract deposit customers.

Interest expense on debt securities in issue

Our interest expense on debt securities in issue increased by 129% from MNT79,491.7 million for 2024 to MNT182,040.8 million (US\$51.2 million) for 2025, primarily due to issuance of Sustainable bond in the amount of US\$50 million and Samurai bond in the amount of JPY15,000 million in 2025.

Interest expense on other borrowed funds

Our interest expense on other borrowed funds decreased by 0.01% from MNT66,320.7 million for 2024 to MNT66,312.7 million (US\$18.6 million) for 2025, primarily due to upgrade of sovereign credit rating and the resulting decrease in interest rates on borrowings from foreign banks and financial institutions, despite an overall increase in the volume of such borrowings.

Interest expense on due to other banks

Our interest expense on due to other banks increased by 59.7% from MNT3,668.7 million for 2024 to MNT5,858.8 million (US\$1.6 million) for 2025, primarily due to significant increase in due to inter banks related to back-to-back deposits with domestic bank.

Interest expense on repurchase agreements

Our interest expense on repurchase agreements decreased by 6.0% from MNT18,785.6 million for 2024 to MNT17,656.7 million (US\$5.0 million) for 2025, primarily due to reflecting lower average repo rates and/or the timing of transactions during the year.

Interest expense on lease liabilities

Our interest expense on lease liabilities increased by 52.5% from MNT3,308.6 million for 2024 to MNT5,046.7 million (US\$1.4 million) for 2025, primarily due to higher lease payments and renewal of lease agreements at increased lease rates.

Net interest income

As a result of the foregoing, our net interest income increased by 6.5% from MNT564,620.6 million for 2024 to MNT601,235.7 million (US\$169.0 million) for 2025.

Fee and commission Income

Our fee and commission income increased by 14.2% from MNT125,421.7 million for 2024 to MNT143,174.4 million (US\$40.3 million) for 2025, primarily because of increases in commissions on operations with plastic cards as a result of issuance of new card products and brokerage and other service fees.

Fee and commission expenses

Our fee and commission expenses increased by 20.2% from MNT79,605.2 million for 2024 to MNT95,673.0 million (US\$26.9 million) for 2025. The increase in fee and commission expenses was primarily attributable to an increase in expense on commissions on operations with plastic cards and online transaction expenses.

Administrative and other operating expenses

Our administrative and other operating expenses increased by 15.7% from MNT270,665.8 million for 2024 to MNT313,258.5 million (US\$88.1 million) for 2025, primarily driven by higher staff cost related to salary and bonus, as well as higher depreciation on right-of-use assets, which aligned with the corresponding increase in interest expense on lease liabilities.

Income tax expense

Our income tax expense decreased by 41.6% from MNT126,327.8 million for 2024 to MNT73,736.7 million (US\$20.7 million) for 2025. The decrease in income tax expense was primarily attributable to the decrease in profit before tax and increase in tax incentive in accordance with Corporate Income Tax law.

Profit for the year

As a result of the foregoing, our profit for the year decreased by 21.1% from MNT418,753.7 million for 2024 to MNT330,425.4 million (US\$92.9 million) for 2025.

2024 Compared to 2023

Interest income

Our interest income calculated using the effective interest method increased by 38.7% from MNT792,710.2 million for 2023 to MNT1,099,230.8 million for 2024. The increase in interest income was primarily attributable to an increase of MNT329,059.0 million in interest income from loans and advances to customers at amortized cost.

Our other similar income increased by 33.2% from MNT48,022.4 million for 2023 to MNT63,958.3 million for 2024, primarily because of an increase of MNT4,017.0 million in other similar income from loans and advances to customers at FVTPL and an increase of MNT11,918.9 million in debt securities FVTPL.

Interest income from loans and advances to customers at amortized cost

Our interest income from loans and advances to customers at amortized cost increased by 56.3% from MNT584,199.1 million for 2023 to MNT913,259.1 million for 2024, primarily due to a rapid expansion of our total loan size in all business segments.

Interest income from debt securities FVTOCI

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

Interest income from due from other banks at amortized cost

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

Interest income from cash deposited in the Bank of Mongolia

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

Interest income from debt securities at amortized cost

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

Interest income from reverse repurchase agreements at amortized cost

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

Other similar income from loans and advances to customers at FVTPL

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

Other similar income from debt securities FVTPL

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

Interest expense

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

Interest expense on customer accounts

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

Interest expense on debt securities in issue

Our interest expense on debt securities in issue increased from 2023 to MNT79,491.7 million for 2024, primarily due to a new issuance and a tap issuance of international bond denominated in US\$.

Interest expense on other borrowed funds

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

Interest expense on due to other banks

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

Interest expense on repurchase agreements

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

Interest expense on lease liabilities

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

Net interest income

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

Fee and commission income

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

Fee and commission expenses

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

Administrative and other operating expenses

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

Income tax expense

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

Profit for the year

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

CASH FLOWS

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

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

	Year Ended December 31,			
	2023	2024	2025	(US\$ millions)
	(MNT millions)	(MNT millions)	(MNT millions)	(US\$ millions)
Net cash generated from/(used in)				
operating activities.....	1,316,553.4	(244,138.3)	448,906.7	126.2
Net cash used in investing activities.....	(650,747.5)	207,844.0	(59,993.3)	(16.9)
Net cash generated from/(used in)				
financing activities.....	83,969.9	2,034,063.4	1,487,048.7	418.1
Effect of exchange rate changes on cash and cash equivalents	(40,553.0)	(25,571.2)	(44,757.9)	(12.6)
Net increase/(decrease) in cash and cash equivalents.....	709,222.8	1,972,197.9	1,831,204.2	514.9
Cash and cash equivalents at beginning of the year.....	2,275,414.5	2,984,637.3	4,956,835.2	1,393.7
Cash and cash equivalents at end of the year/period.....	2,984,637.3	4,956,835.2	6,788,039.4	1,908.5

Cash Flows from Operating Activities

In 2025, we generated net cash of MNT448,906.7 million (US\$126.2 million) from operating activities. This amount was derived from profit before tax for the year of MNT404,162.0 million (US\$113.6 million), primarily adjusted for increase in customer account of MNT1,250,219.7 million (US\$351.5 million), partially offset by increase in loans and advances of MNT1,283,866.7 million (US\$361.0 million).

In 2024, we used net cash of MNT244,138.3 million in operating activities. This amount was derived from profit before tax for the year of MNT545,081.5 million, primarily adjusted for increase in customer account of MNT1,289,197.7 million, partially offset by increase in loans and advances of MNT2,817,708.8 million.

In 2023, we generated net cash of MNT1,316,553.4 million from operating activities. This amount was derived from our profit before tax for the year of MNT266,035.1 million, primarily adjusted for increase in customer account of MNT2,250,057.0 million, partially offset by increase in loans and advances of MNT1,222,173.6 million.

Cash Flows from Investing Activities

In 2025, net cash used in investing activities was MNT59,993.3 million (US\$16.9 million), primarily due to prepayment for non-current assets of MNT65,751.3 million (US\$18.5 million), acquisition of equity securities at fair value through other comprehensive income of MNT34,371.3 million (US\$9.7 million), acquisition of premises and equipment of MNT38,999.5 million (US\$11.0 million), and partially offset by proceeds from disposal of debt securities at fair value through other comprehensive income of MNT107,420.9 million (US\$30.2 million).

In 2024, net cash generated in investing activities was MNT207,844.0 million, primarily due to MNT512,775.7 million for proceeds from disposal of debt securities at fair value through other comprehensive income and partially offset by MNT209,067.9 million in acquisition of debt securities at fair value through other comprehensive income.

In 2023, net cash used in investing activities was MNT650,747.5 million, primarily due to MNT843,094.4 million in acquisition of debt securities at fair value through other comprehensive income and MNT176,045.2 million in prepayment for non-current assets, partially offset by MNT390,779.3 million in proceeds from disposal of debt securities at fair value through other comprehensive income.

Cash Flows from Financing Activities

In 2025, net cash generated from financing activities was MNT1,487,048.7 million (US\$418.1 million), primarily due to proceeds from repo arrangements of MNT8,019,984.2 million (US\$2,254.9 million) and the proceed from issue of debt securities of MNT551,196.5 million (US\$155.0 million), partially offset by repayment for repo arrangements of MNT7,156,623.4 million (US\$2,012.2 million).

In 2024, net cash generated in financing activities was MNT2,034,063.4 million, primarily due to MNT4,683,254.7 million of proceeds from repo arrangements and MNT1,337,438.1 million of proceeds from issue of debt securities, partially offset by MNT3,853,776.3 million in repayment of repo arrangements.

In 2023, net cash generated from financing activities was MNT83,969.9 million, primarily due to MNT4,097,128.1 million of proceeds from repo arrangements, partially offset by MNT3,586,092.5 million in repayment of repo arrangements.

Liquidity

We fund our loan and investment portfolios principally with our customer deposits, placements from banks and other financial institutions and borrowings from the Bank of Mongolia. Deposits from customers have been, and we believe will continue to be, a stable source of our funding. The amount due to customers with remaining maturities of less than one year represented 98.56%, 98.92% and 98.95% of our total deposits from customers as of December 31, 2023, 2024 and 2025, respectively.

REGULATORY CAPITAL

The Bank of Mongolia monitors the capital requirements of all Mongolian banks, including us. The Bank of Mongolia has established a minimum capital adequacy ratio for Mongolian banks. As of December 31, 2024, this ratio was set at 12.0% by the Bank of Mongolia, based on total equity and total assets as adjusted for their risk. We comply and have at all times complied with the prevailing mandatory capital adequacy ratios set by the Bank of Mongolia. Our capital adequacy ratio was 15.9%, 14.7.% and 15.3% as of December 31, 2023, 2024 and 2025, respectively.

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

	As of December 31		
	2023	2024	2025
	(MNT millions)		
Tier I capital:			
Ordinary shares	202,164.3	202,164.3	202,164.3
Share premium	301,481.1	301,481.1	301,481.1
Retained earnings	436,232.3	753,884.3	1,031,152.4
Other components of equity	230.8	577.6	544.3
Treasury stock	-	-	-
Total Tier I capital	940,108.5	1,258,107.3	1,535,342.2
Tier II capital:			
Preferred shares	-	-	-
Treasury stock/preferred shares	-	-	-
Total Tier II capital	-	-	-
Total Tier I and Tier II capital	940,108.5	1,258,107.3	1,535,342.2
Core capital ratio	15.86%	14.67%	15.34%
Risk weighted capital ratio	15.86%	14.67%	15.34%

CAPITAL EXPENDITURES

Our capital expenditure for 2023, 2024 and 2025 primarily included purchases of fixed assets including office buildings, leasehold improvements, office equipment and motor vehicles as we expanded our business, increased the number of our branches and staff and constructed of new offices. Our capital expenditure in 2023, 2024 and 2025 was MNT210,898.0 million, MNT98,138.5 million and MNT110,008.0 million, respectively.

FINANCIAL INSTRUMENTS AND OFF-BALANCE SHEET ARRANGEMENTS

Foreign exchange and derivative contracts

We enter into foreign exchange and derivative transactions on behalf of our customers and for our own account. Our foreign exchange contracts include forward exchange contracts and currency swaps. We entered into long-term cross currency interest rate exchange contract with the Bank of Mongolia from 2018 to 2025. We recorded MNT199,496.0 million, MNT234,775.3 million and MNT235,561.1 million (US\$66.2 million) of financial assets in relation to the long-term cross currency interest rate exchange contract with Bank of Mongolia as of December 31, 2023, 2024 and 2025, respectively.

The following table sets forth our foreign exchange forwards and swaps as of December 31, 2023 and 2024 and 2025.

	Year Ended December 31,			
	2023	2024	2025	
	(MNT millions)	(MNT millions)	(MNT millions)	(US\$ millions)
Fair value of foreign exchange forwards and swaps				
Financial assets at fair value through profit or loss	202,386.9	235,680.0	260,415.1	73.2
Financial liabilities at fair value through profit or loss	(2,890.9)	(904.7)	(24,854.0)	(7.0)
Foreign exchange forwards and swaps, net fair value	199,496.0	234,775.3	235,561.1	66.2

Credit related commitments

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

	As of December 31			
	2023	2024	2025	
	(MNT millions)	(MNT millions)	(MNT millions)	(US\$ millions)
Bank guarantees:				
Financial guarantees	67,082.0	102,351.9	104,344.0	29.3
Performance guarantees	386,870.7	422,916.4	603,233.8	169.6
Documentary credits:				
Letter of credit	322,641.4	169,465.6	255,268.9	71.8
Credit line	569,953.3	838,272.2	673,113.1	189.3
Total	1,346,547.4	1,533,006.1	1,635,959.8	460.0

Our total credit-related commitments were MNT1,346,547.4 million as of December 31, 2023 and increased by 13.8% to MNT1,533,006.1 million as of December 31, 2024 and further increased by 6.7% to MNT1,635,959.8 million (US\$460.0 million) as of December 31, 2025, principally due to increases in performance guarantees and letter of credits.

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Credit risk

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

Market risk

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

Currency risk

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

Interest rate risk

We are exposed to the effects of fluctuations in the prevailing levels of market interest rates on 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 our interest rate risk management activities is to increase profitability by limiting the effect of adverse interest rate movements and increasing net interest income by managing interest rate exposure.

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

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. We are exposed to daily calls on 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. Our liquidity risk management framework is designed to measure and manage liquidity at various levels of consolidation such that short- and medium-term payment obligations could be met under normal or stressed conditions.

EFFECTS OF INFLATION

According to the National Statistics Office of Mongolia, year-end Mongolia's annual inflation, as measured by the consumer price index, was 7.9% in 2023, 8.4% in 2024 and 7.5% in 2025. We do not believe that inflation in Mongolia, where all of our operations are conducted, has had a material impact on our results of operations.

MATERIAL ACCOUNTING POLICIES

Our financial statements of the have been prepared in accordance with IFRS. The financial statements have been prepared on a historical cost basis. The financial statements are presented in Mongolian Togrog.

Financial Assets

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

Initial recognition of financial instruments

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

Classification and subsequent measurement

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

Reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole 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. We did not change its business model during the current and comparative period and did not make any reclassifications.

Credit loss allowance for expected credit loss (“ECL”)

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

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

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

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

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

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

Financial liabilities

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

Income and expense recognition

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

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

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

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

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

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

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

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

Foreign currency translation

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