DEVELOPMENT
BANK OF MONGOLIA

ANNUAL REPORT 2023

DEVELOPMENT
BANK OF MONGOLIA

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DEVELOPMENT BANK OF MONGOLIA

VISION

TO BE A POLICY-ORIENTED DEVELOPMENT INSTITUTION THAT ENSURES SUSTAINABLE GROWTH AND SUPPORTS THE LEADING ECONOMIC SECTORS OF MONGOLIA

MISSION

CONTRIBUTE TO SUSTAINABLE SOCIAL AND ECONOMIC DEVELOPMENT THROUGH PROMOTION OF NATIONAL PRODUCTION AND EXPORT-ORIENTED SECTORS

VALUES

PATRIOTISM
DEDICATION TO DEVELOPMENT ETHICS
PROFESSIONALISM
TRANSPARENCY

MESSAGE FROM THE MINISTER OF FINANCE

Dear Shareholders, Business Partners, Valued Customers, and Readers,

It is with great pride and optimism that I share Mongolia's economic performance as we conclude 2023. This year has been marked by significant achievements, including robust economic growth, a surplus in the state budget, a positive foreign trade balance, and the successful redemption of the Samurai bond and DBM2023 Eurobond. These milestones reflect the resilience of our economy and the effectiveness of our long-term strategies.

Just three years ago, Mongolia faced a 4.6% economic decline, and today, I am pleased to announce that the economy has not only recovered but has also achieved a 7% growth rate in 2023, ranking us among the top 20 fastest-growing economies in the world. This impressive recovery underscores Mongolia's potential and the fruits of our collective efforts.

In 2022, the Government of Mongolia confronted one of its most significant challenges: fulfilling the highest external debt repayment obligations. Understanding the magnitude of this responsibility, the Government undertook a rigorous three-year preparation plan. This forward-thinking approach enabled us to meet our obligations on time, successfully settling MNT 13.3 trillion over the recent years.

In alignment with this strategy, the Parliament of Mongolia mandated the Government to implement a mid-term debt monitoring strategy for 2023-2025. This strategy was carefully crafted to ensure economic stability while meeting our financial commitments without overburdening the economy. In response, the Ministry of Finance executed the Century II and III projects, which played a crucial role in reducing the long-term debt burden on the state budget, extending the average debt repayment period, and stabilizing our external security portfolio. These efforts were instrumental in enabling timely repayments directly from the state budget.

Through effective liability management, including the strategic refinancing of costly external debts and the careful management of upcoming maturities, the Government has significantly lightened the debt burden on the state budget and balance of payments. These measures have also contributed to stabilizing the foreign exchange rate and maintaining overall economic stability. Looking ahead, Mongolia is well-positioned, with no foreign bond repayments required in 2024 and 2025, and our sovereign credit rating remains strong at the B level. This stability paves the way for the private sector to issue bonds on the international market at more favorable interest rates, further bolstering our economic prospects. By maintaining our commitment to transparency and economic openness, we aim to strengthen Mongolia's foreign currency reserves, with a target of reaching USD 10 billion in the near future.

Moreover, the Government continues to lay the groundwork for sustainable growth. The Cabinet has recently endorsed draft amendments to the Law on the Development Bank of Mongolia, which will soon be presented to the Parliament. These amendments are essential for reshaping the governance and business model of the Development Bank of Mongolia (DBM), enabling it to fully assume the functions of an export, import bank. As a key financial institution, the DBM is poised to play an increasingly vital role in financing projects under the "New Recovery Policy," which is central to Mongolia's long-term development agenda.

On behalf of the Government of Mongolia, I would like to express my deepest gratitude to the dedicated employees of the DBM, our esteemed business partners, and the public. Your unwavering cooperation has been instrumental in reducing non-performing loans and ensuring timely loan repayments. Your efforts have not only strengthened the DBM but have also contributed to the broader stability and growth of Mongolia's economy.

As we move forward, let us continue to work together with the same dedication and determination that has brought us to this moment. Mongolia's future is bright, and with your support, we will achieve even greater success in the years to come.

JAVKHLAN BOLD

THE MEMBER OF PARLIAMENT

MEMBER OF THE CABINET, MINISTER OF FINANCE

MESSAGE FROM CHAIRMAN

On behalf of the Board of Directors of DBM, we extend our warmest greetings to our valued customers, esteemed colleagues, and dedicated shareholders.

In September 2023, the members of the Board of Directors were renewed, marking the commencement of our mandate with a newly established composition. We are honored to assume this responsibility during a pivotal time for the DBM and Mongolia's broader economic landscape. As stewards of the DBM, we are committed to advancing the DBM's mission of supporting Mongolia's economic development through sound financial management, strategic investments, and fostering sustainable growth.

During this fiscal year, the DBM has successfully met its commitments to both the government and foreign investors, underscoring our institution's resilience and financial strength. The timely repayment of two bond obligations using internal resources not only demonstrates our ability to manage our liabilities effectively but also reinforces our credibility on the international stage. This achievement is critical for securing future financing from global markets and for our continued support of policy-driven projects and programs that are vital to Mongolia's economic future.

The Board of Directors has maintained a steadfast focus on the recovery of non-performing loans, a key priority in our strategy to bolster the DBM's financial health. We have diligently monitored the DBM's financial performance, outlining clear measures for the future, and prioritizing initiatives aimed at enhancing our financial capacity. These efforts are not only essential for the DBM's stability but also for ensuring that we can continue to serve as a reliable partner in Mongolia's development. As we look to 2024, our focus will remain on resolving non-performing assets, monetizing repossessed assets, and converting loans under legal proceedings or those already judicially resolved into cash repayments. Additionally, we are committed to increasing the DBM's total assets and profitability, reducing the non-performing loan ratio, expanding our loan portfolio with new projects and programs.

In our pursuit of excellence, we recognize the importance of strong governance, effective risk management, and robust control systems. To this end, we plan to seek technical assistance from the Asian Development Bank (ADB). This collaboration will focus on refining the DBM's legal framework, strategy, governance, and business model to ensure that we are well-positioned to meet the challenges and opportunities of the future. The preparatory work for this initiative has already been completed, and we are eager to leverage this partnership to enhance the DBM's operational effectiveness.

As we move forward, the Board of Directors is committed to ensuring the continued stability and growth of the DBM's activities. We are particularly focused on effectively implementing the functions of an export-import bank, which will play a crucial role in supporting Mongolia's economic development by facilitating trade and investment. Our commitment to transparency, openness, and fairness will guide all our endeavors, ensuring that the DBM continues to be a pillar of strength for Mongolia's economy.

We are confident that with the collective efforts of our dedicated team, supportive partners, and engaged shareholders, the DBM will continue to make significant contributions to the economic growth and prosperity of Mongolia. Together, we will navigate the challenges ahead and seize the opportunities that arise, ensuring a bright future for the country.

DORJSEMBED BATSENGEE
THE CHAIRMAN OF
THE BOARD OF DIRECTORS

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

On behalf of the DBM, I am honored to present our 2023 Annual Report to our esteemed shareholders, valued customers, and trusted partners.

The year 2023 marked a significant chapter in Mongolia's economic journey as the nation demonstrated remarkable resilience in the face of global challenges. Key economic indicators showed steady and robust growth, reflecting a strong post-pandemic recovery amidst an environment of unpredictable geopolitical circumstances. These achievements led Mongolia to historic highs, reaffirming the country's potential and the effectiveness of its economic strategies.

Within this context of national growth, the DBM accomplished a notable financial milestone. We successfully settled USD 700 million in foreign bonds, relying entirely on our internal resources. This accomplishment not only alleviated pressure on the state budget but also underscored our commitment to prudent financial stewardship. By managing this repayment independently, the DBM has significantly bolstered Mongolia's fiscal resilience, creating a stable platform for future prosperity and strategic initiatives that will drive the country's long-term growth.

Our mission to support Mongolia's strategic development projects remained at the forefront of our operations in 2023. The DBM provided essential funding for transformative projects such as the Mongolian Oil Refinery and the "Choibalsan TPP" project, implemented by Eastern Energy System SOJSC. These projects are pivotal in addressing Mongolia's increasing demand for fuel and energy. By investing in these critical sectors, the DBM is playing a key role in enhancing Mongolia's energy security and laying the groundwork for sustained economic growth.

Prudent management of our loan portfolio continues to be a cornerstone of the DBM's financial strategy. In the past year, we successfully recovered MNT 516.5 billion in loan repayments from non-performing assets, a testament to our commitment to fiscal responsibility and risk management. This achievement reflects our rigorous approach to loan recovery and our dedication to maintaining the health of our financial assets. Additionally, the DBM proactively developed and refined essential policies and procedures, positioning the DBM to introduce new products and services that will meet the evolving needs of our customers and stakeholders.

The strength of the DBM's financial management and operational performance has been recognized by leading international credit rating agencies. In 2023, Standard & Poor's, Moody's, and Fitch affirmed the DBM's credit rating at B with a stable outlook, aligning us with Mongolia's sovereign rating. Importantly, Moody's upgraded the DBM's Baseline Credit Assessment from CAA2 to CAA1, signaling confidence in the DBM's strategic direction and the positive impact of our policy initiatives. These affirmations highlight the DBM's solid financial footing and reinforce our reputation within the international financial markets, enhancing our ability to attract new investments and partnerships.

While we have made significant strides in financing projects that promote export-oriented growth and import substitution, we recognize that further legislative reforms are necessary to unlock the DBM's full potential. In the years ahead, we are committed to addressing these challenges by implementing crucial amendments to the DBM's law, governance structure, and business model. These reforms are essential for the DBM to effectively fulfill its role as an export-import bank, aligning our operations with international best practices and ensuring that we continue to meet the needs of Mongolia's evolving economy.

As we move forward, the DBM remains dedicated to stabilizing its operations and initiating comprehensive reforms that will lay a solid foundation for the future. Our unwavering commitment to aligning with international standards for development banks will not only enhance the DBM's effectiveness but also ensure its long-term sustainability. We believe that by strengthening our legal and governance framework, the DBM will continue to be a driving force in Mongolia's economic development, contributing to the nation's prosperity for years to come.

Looking ahead, we are inspired by the opportunities that lie before us. The DBM remains steadfast in its mission to support the nation's development priorities, foster sustainable growth, and contribute meaningfully to the prosperity and well-being of all Mongolians.

BATAA JALSRAI
CHIEF EXECUTIVE OFFICER


МОНГОЛ УЛСЫН
ХӨГЖЛИЙН БАНК
DEVELOPMENT
BANK OF MONGOLIA

THE BOARD OF DIRECTORS

In 2023, the Board of Directors (Board) functioned with a newly reconstituted composition continuing to focus on collecting loan repayment. The Board also ensured the execution of independent inspections and audits conducted under the guidance of the Parliament, the Government (shareholder), and the Ministry of Finance, in accordance with the Law on DBM and the Law on State Audit.

- PROFITABILITY
- SUSTAINABLE OPERATION;
- INDEPENDENCE AND TRANSPARENCY;
- RESPONSIBILITY AND COLLECTIVE MANAGEMENT;
- INDEPENDENT AND EXTERNAL SUPERVISION;

THE SHAREHOLDER

In 2023, the DBM placed primary emphasis on loan repayment, guided by the Parliament, the Government and the Ministry of Finance, which exercises the rights of the shareholders of the DBM.

THE DECREE NO.26 OF THE PARLIAMENT, APRIL 21, 2023, mandated to amend the Law on the Development Bank of Mongolia with a scope to enhance governance and oversight of DBM. The draft amendment to the Law on the Development Bank of Mongolia is planned to be submitted before the end of the fiscal year.

THE DECREE NO.26 OF THE PARLIAMENT, APRIL 21, 2023, also requires the rectification of breaches and irregularities identified by the temporary inspection committee of the Parliament concerning the disbursement, implementation, and repayment of loans for projects and programs financed by DBM.

THE CABINET MEETING, APRIL 26, 2023, assigned DBM to ensure timely repayment of external debt maturities in alignment with a comprehensive strategy. Furthermore, it also instructed to enact robust measures aimed at minimizing non-performing loans.

WITHIN THE SCOPE OF THE MINISTER OF FINANCE’S APPROVAL dated May 1, 2023, DBM issued a local currency-denominated bond equivalent to USD 100 million on the domestic over-the-counter market. In 2023, DBM fulfilled its obligations to its international investors through the successful repayment of USD 500 million Eurobond and JPY 30 billion Samurai bond both issued on the international markets.

ORGANIZATIONAL CHART

SHAREHOLDER'S MEETING

BOARD OF DIRECTORS

- NOMINATION COMMITTEE
- REMUNERATION COMMITTEE
- AUDIT COMMITTEE
- RISK COMMITTEE

INTERNAL AUDIT DEPARTMENT

CHIEF EXECUTIVE OFFICER

- EXECUTIVE MANAGEMENT COMMITTEE
- ASSET AND LIABILITY MANAGEMENT COMMITTEE
- CREDIT MANAGEMENT COMMITTEE
- RISK MANAGEMENT COMMITTEE

BUSINESS PLANNING AND PERFORMANCE MONITORING OFFICE

MEDIA OFFICE

FIRST DEPUTY CEO

ASSET AND LIABILITY MANAGEMENT DEPARTMENT
- TREASURY AND INVESTMENT MANAGEMENT DIVISION
- FUNDING AND INVESTOR RELATIONS DIVISION
- ASSET RESTRUCTURING DIVISION

PROJECT FINANCE DEPARTMENT
- PROJECT FINANCE ANALYSIS DIVISION
- PROJECT FINANCE DEVELOPMENT DIVISION

EXPORT, IMPORT AND STRUCTURED FINANCE DEPARTMENT
- EXPORT, IMPORT AND STRUCTURED FINANCE DIVISION
- PRODUCT DEVELOPMENT DIVISION

RISK MANAGEMENT DEPARTMENT
- RISK POLICY DIVISION
- PROJECT PERFORMANCE MONITORING AND CREDIT RISK DIVISION
- COMPLIANCE DIVISION

FINANCIAL DEPARTMENT
- REPORTING AND ACCOUNTING DIVISION
- PAYMENT SETTLEMENT DIVISION

ADMINISTRATION DEPARTMENT
- INTERNAL OPERATING DIVISION
- LEGAL DIVISION
- INFORMATION TECHNOLOGY AND DIGITALIZATION DIVISION

THE BOARD OF DIRECTORS

In accordance with the Law on the Development Bank of Mongolia, the Board of Directors comprises of nine members, four of which shall be independent members. The Board supervises DBM's strategic planning, ensures compliance with regulatory requirements, and protects the interests of the shareholders, in alignment with the Law on the Development Bank of Mongolia and the Corporate Chapter.

DORJSEMBED Batsengee
Chairman
Director, Financial Control and Risk Management Department, Ministry of Finance

BATBAATAR Daadankhuu
Board member
Vice Chief Cabinet Secretary, Cabinet Secretariat of the Government

BOLORMAA Budsuren
Board member
Director, Accounting Policy Department, Ministry of Finance

HONGOR Gombosed
Board member
Arbitrator, Mongolian International Arbitration Centre MIAC

CHOIJIL Bataa
Board member
Project Manager of the port, Mongolian Railways SOJSC

SUVDAA Damiran
Independent member of the Board
Professor, National University of Mongolia

ENKHTUYA Bayar
Independent member of the Board
Lawyer, Economist

BUYAN Gansukh
Independent member of the Board
Lawyer, "LB Partners" LLP

NASANJARGAL Sangaa
Independent member of the Board
Economist

ENHANCED INTERNAL CONTROL FRAMEWORK

During the reporting period, the Internal Audit Department (IAD) adhered to the “Internal Auditing Code of Ethics” and “Code of Internal Audit” revised to conform to the standards set by the International Auditing Organization standards.

In 2023, the IAD conducted comprehensive audits on assessing activities and functions of departments and units and issued recommendations and guidance aimed at evaluating operations and mitigating risks at DBM. Moreover, the IAD monitored quarterly the execution of tasks assigned by the resolutions and meeting minutes of the Board, subsequently presenting the findings to the Audit Committee and the Board.

Based on the audit findings, the IAD furnished DBM’s Executive Management with recommendations and guidance on essential measures to improve asset quality, risk management, accounting practices, and information security.

EXECUTIVE MANAGEMENT TEAM

The Executive Management of DBM oversees the day-to-day operations according to the authority granted by the Corporate Charter and policies set by the Board. In addition to complying with Company Law, the Executive Management team exercises rights such as approving internal regulations and procedures, maintaining prudential ratios, issuing decisions on lending and other financial operations, and establishing policies for internal operations.

Bataa Jalsrai
Chief Executive Officer

Batyrbyek Zulpai
Director General of
Risk Management Department

Amgalan Battulga
Director General of Export, Import,
and Structured Finance Department

Temuujin Lkhagvasuren
Director General of
Asset and Liability Management Department

Sainzaya Bat-Ulzii
Director General of
Project Finance Department

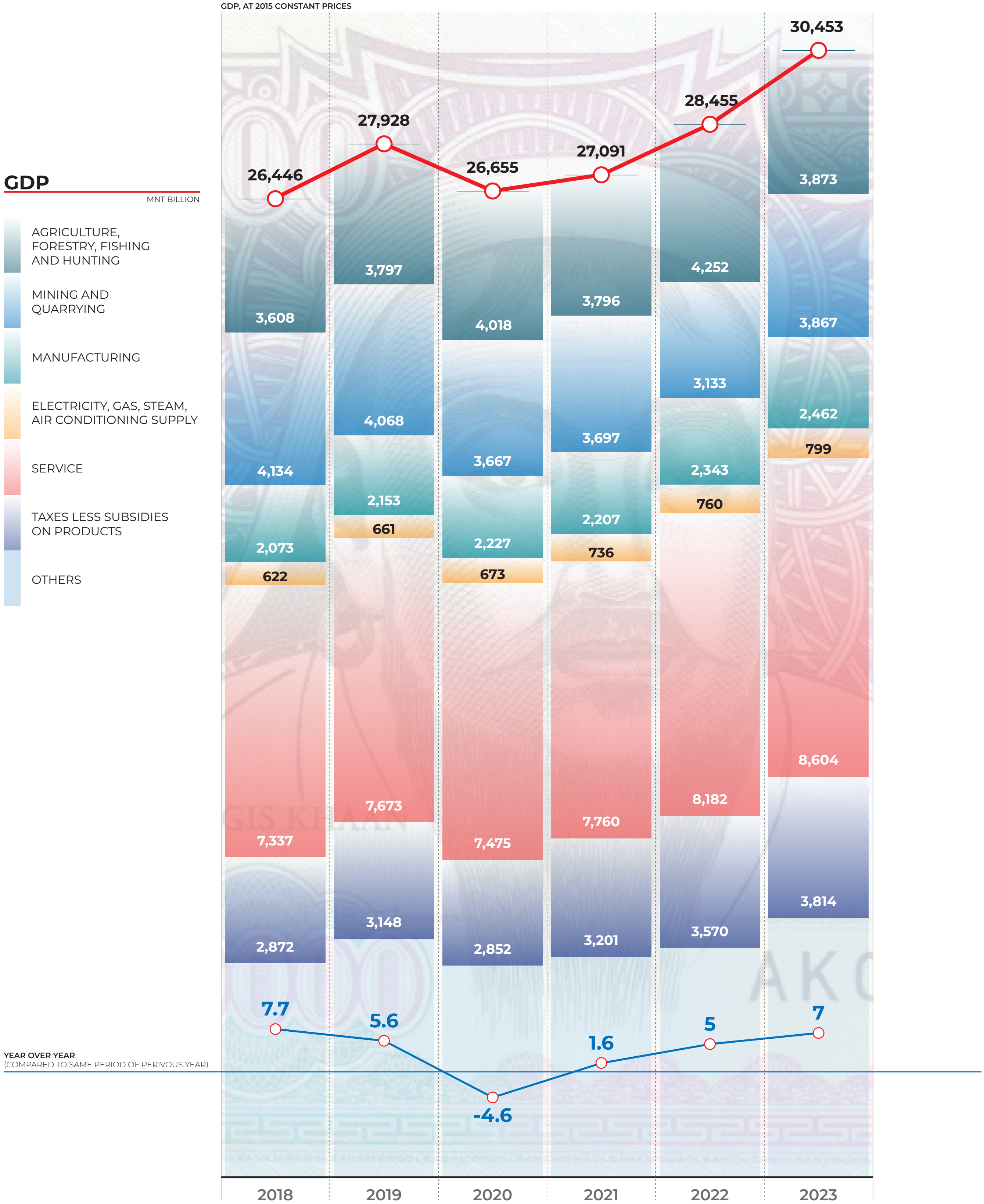
Baasanjav Tumur
Director General of
Financial Department

Ankhbayar Dagvadorj
Director of Internal Operation
Division of Administration Department

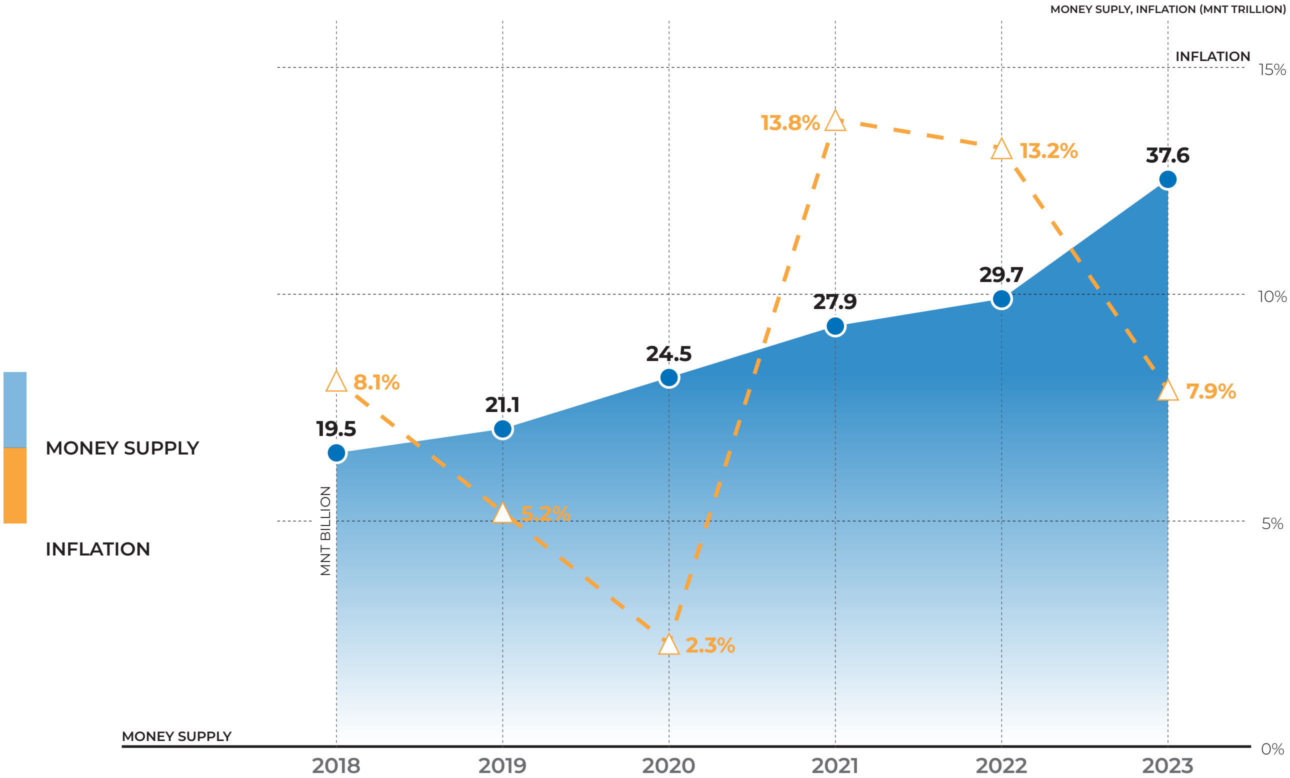
ECONOMIC OVERVEW OF MONGOLIA 2023

ECONOMIC GROWTH LEADS THE REGION

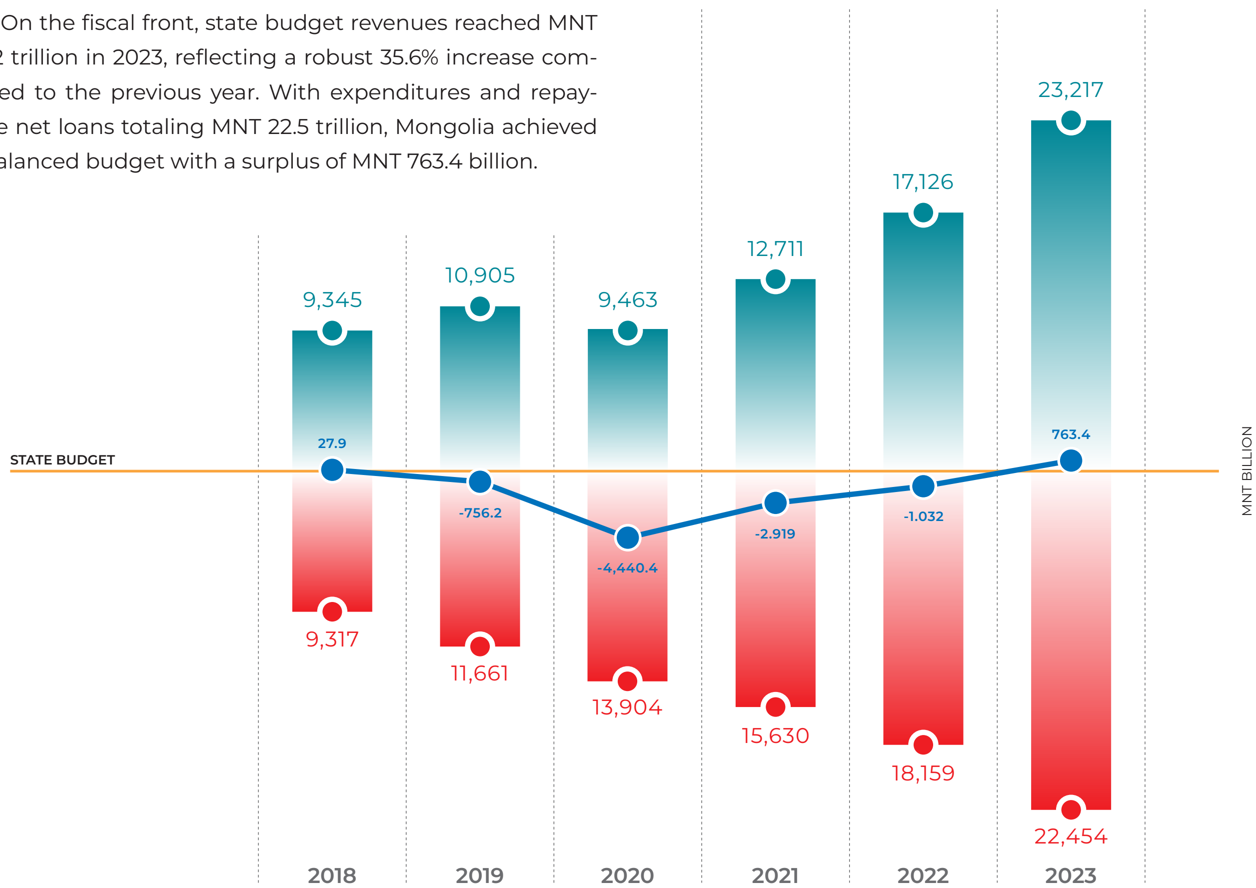
In 2023, Mongolia's gross domestic product (GDP) at 2015 constant prices reached MNT 30.5 trillion, marking a significant increase of MNT 2 trillion compared to the previous year, and achieving an impressive 7% growth. This robust economic expansion stands out as a leading indicator in the region. The majority of sectors contributed positively to this growth, with notable performance from the mining industry, as well as the transportation, services, and trade sectors. However, the agricultural sector saw a decline of approximately 9%, serving as the only exception to the overall positive trend. Despite this setback, Mongolia's economy continued to demonstrate resilience and dynamism, driven by its key industries.

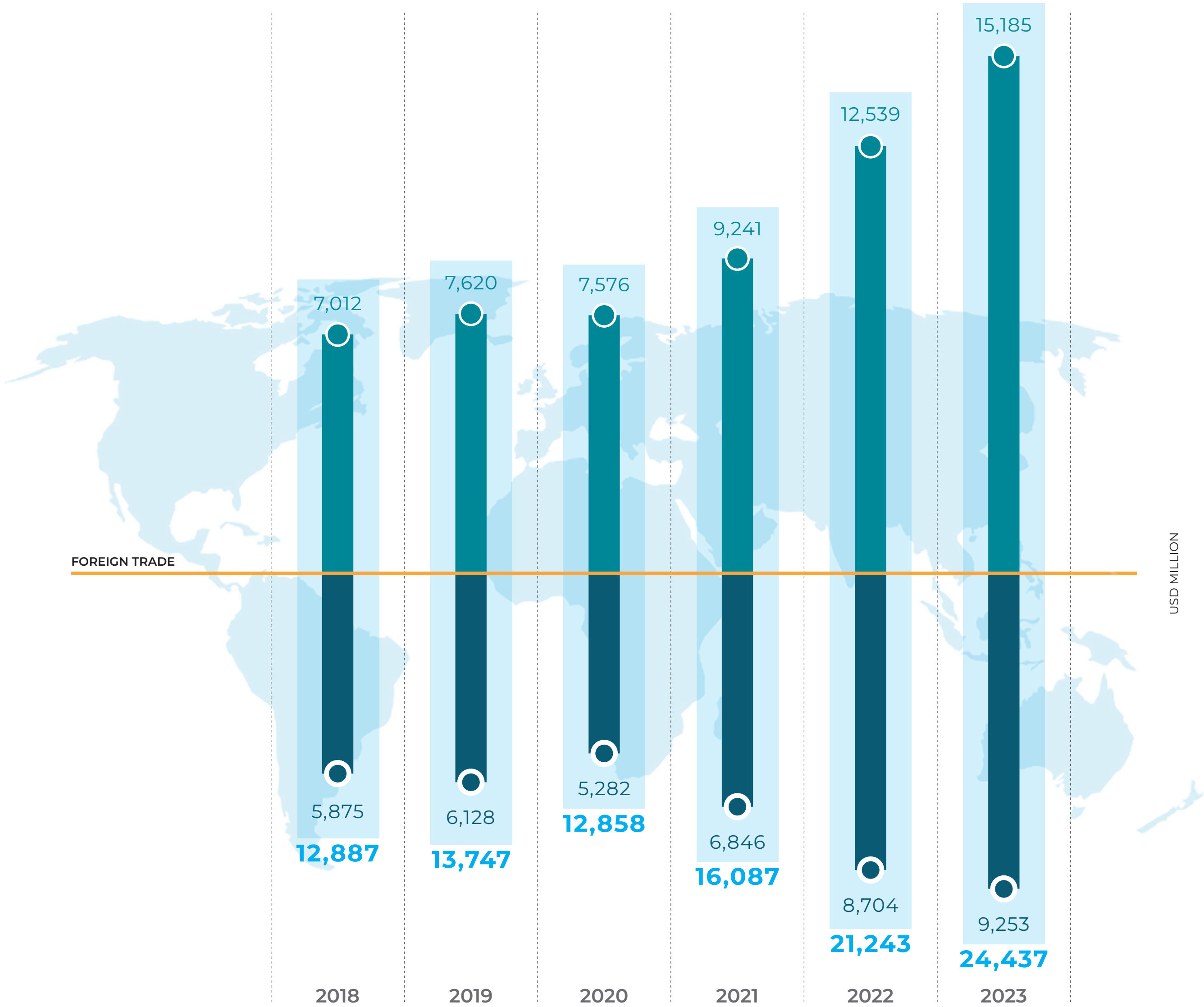


By the end of 2023, Mongolia's money supply (M2) surged to MNT 37.6 trillion, marking a substantial increase of MNT 7.9 trillion from the same period the previous year—a notable 27% growth. Meanwhile, the annual inflation rate, which had exceeded 13% over the past two years, declined to single digits, reaching 7.9% nationwide by the end of 2023. This significant reduction in inflation was largely driven by a decrease in the prices of food products (42%) and imported goods (35%).



On the fiscal front, state budget revenues reached MNT 23.2 trillion in 2023, reflecting a robust 35.6% increase compared to the previous year. With expenditures and repayable net loans totaling MNT 22.5 trillion, Mongolia achieved a balanced budget with a surplus of MNT 763.4 billion.





In 2023, Mongolia's trade activity reached an all-time high, engaging with 163 countries and achieving a total turnover of USD 24.4 billion. This milestone was driven by exports totaling USD 15.2 billion and imports amounting to USD 9.3 billion, resulting in a robust foreign trade surplus of USD 5.9 billion. Annual inventory turnover increased by 15%, or USD 3.2 billion, compared to the previous year. Exports saw a growth of 21%, or USD 2.6 billion, while imports grew by 6.3%, or USD 548 million. Consequently, Mongolia's foreign trade balance experienced a substantial 55% increase, equating to an additional USD 2.1 billion.


DEVELOPMENT
BANK OF MONGOLIA

KEY MILESTONES 2011-2022

2011.02.10

The Parliament adopted the Law on the Development Bank of Mongolia

2011.05.12

With Resolution No. 151 the Government approved the Charter and the organizational structure. DBM officially began its operations.

2012.03.21

The DBM issued USD 580.0 million debut Eurobond at 5.75% with a 5 year maturity on the international market, guaranteed by the Government.

2012.12.31

The DBM received the “Best Debut Bond” Bloomberg award for the successful Eurobond issuance on the international market.

2013.05.01

The DBM became a member of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP).

2013.12.25

The DBM successfully issued a yen-denominated 30 billion Samurai bond at a 1.52% on the Japanese capital market coupon guaranteed by the Government and the Japan Bank for International Cooperation.

2014.04.22

The DBM has signed a Memorandum of Understanding with 13 commercial banks to provide financing for export-promoting and import-substituting industrial projects.

2014.08.21

Within the Cooperation Framework Agreement established with the China Development Bank, the Loan Facility of USD 162 million was obtained for the refinancing of auto road and energy projects.

2014.08.29

The USD 300 million Syndicate Loan Facility Agreement led by Credit Suisse as the lead arranger executed.

2015.01.25

The cooperation with Hungarian Exim Bank started with the signing of Memorandum of Understanding.

2015.06.15

A Loan Agreement for up to USD 20 million was signed with Vnesheconombank of the Russian Federation to increase the installed capacity of the Thermal IV Power Plant.

2016.01.25

According to the Resolution of the Government, the DBM established a USD 300 million credit line with the VTB Bank of the Russian Federation to maintain the balance of foreign currency flows required for the import of petroleum products.

2016.06.23

The DBM officially achieved the status of “Partner Bank” during the 12th annual Forum of the Interbank Association of the Shanghai Cooperation Organization, held in Tashkent, Republic of Uzbekistan.

2016.12.14

Signed a Memorandum of Understanding with the Sberbank of Russia.

2017.02.10

The Parliament ratified the Revised Law on the Development Bank of Mongolia.

2017.03.21

Successfully fulfilled bond obligation of USD 580 million Eurobond, the first ever public issuance of DBM, and ensured its reputation on the international market.

2017.05.13

Signed a Memorandum of Understanding with the Industrial and Commercial Bank of China.

2017.06.16

Expanded operations by establishing "DBM Leasing" LLC, a subsidiary company, dedicated to providing equipment and machinery leasing services.

2017.08.23

Expanded operations by establishing "DBM Asset Management SC" LLC, a subsidiary company dedicated to establishing an investment fund.

2017.10

Elected as a Board member of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP).

2018.01.19

Moody's Ratings upgraded the credit rating of DBM from "Caa1" to "B3" with a stable outlook, aligning it with the Sovereign's rating.

2018.06.21

The Summit and Consultative meeting of the Exim Banks Association of the Greater Tumen Initiative was successfully organized in Ulaanbaatar on June 21-23, 2018.

2018.07.09

Fitch Ratings affirmed the credit rating of DBM at "B" with a stable outlook, in line with the sovereign.

2018.10.17

Successfully issued USD 500 million senior unsecured notes to the international market on an standalone basis.

2018.11.13

Standard & Poor's upgraded the credit rating of the DBM to the same level as the sovereign (B stable).

2019.04.26

Signed the Cooperation agreement with the China Export & Credit Insurance Corporation (Sinosure).

2019.04.30

Signed a Memorandum of Understanding with the Bank of China during the "Belt and Road" forum for international cooperation held in Beijing, China.

2020.03.13

Participated in the 43rd Summit of the Association of Development Financing Institutions in Asia and the Pacific.

2020.10.30

DBM virtually attended the 16th Summit of the Interbank Consortium of Shanghai Cooperation Organization. The event originally was planned to be held in Chelyabinsk, Russia.

2021.08.18

The Government ratified the revised Charter and the operations of "DBM Asset Management SC" LLC and "DBM Leasing" LLC, subsidiaries of the DBM, have been restored.

2021.08.25

Operations expanded to implement export, import bank functions.

2021.09.20

Signed an agreement with the World Bank for Technical Assistance "Consultancy on Banking Governance, Operation and Risk Monitoring".

2021.11.04

DBM issued a private placement MNT bond equivalent to USD 75 million to the domestic over-the-counter market with the purpose of increasing the DBM's profitability. The first tranche of MNT 142.6 billion was received from foreign investors. This bond is the first bond issued for foreign investors in the domestic over-the-counter market.

2022.01.20

DBM publicly disclosed details of its laon portfolio and asset quality.

2022.03.24

Under the Decree No.65 of the Minister of Finance, the composition of the Board of Directors fully renewed.

2022.03.29

The Parliament held an open hearing to review the reports and results of the inspection of the relevant authorities regarding the implementation of projects and programs financed by DBM.

2022.04.15

The temporary inspection committee of the Parliament was established by the Resolution No.14 of the Parliament to tackle issues regarding repayments of loans granted by the DBM.

2022.06.16

Financed "Amgalan" Thermal Plant expansion project increasing its capacity by 116 MW. The project will be implemented within the framework of the energy recovery plan stated in the Government's "New Recovery Policy".

KEY MILESTONES 2023

2023.01.16 - 2023.03.17

The temporary inspection committee of the Parliament held a three-phase public hearing to examine the documents related to the lending operations.

2023.05.10

The DBM granted financing of MNT 42.7 billion to the “Amgalan” Thermal Plant, a project being implemented as part of the “New Recovery Policy”.

2023.05.12

The DBM issued a bond demoninated in local currency equivalent to USD 100 million in the domestic over-the-counter market.

2023.07.07

Fitch Ratings affirmed the DBM’s credit rating at “B” with a stable outlook.

2023.08.28

Joined the “PCAF” as a member to measure and disclose the greenhouse gas emissions associated with the lending and investment activities.

2023.10.04

Standard & Poor’s ratings affirmed the DBM’s credit rating at “B” with a stable outlook.

2023.10.23

Successfully repaid USD 500 million Eurobond.

2023.10.27

DBM extended its corresponding relation and opened an USD Nostro account at ICBC Asia, laying the foundation to implement functions of export, import bank.

2023.11.10

DBM granted financing of MNT 74.4 billion to the Eastern Energy System SOJSC for the implementation of the Choibalsan Thermal Power Plant expansion project by 50 MW under the framework of the "New Recovery Policy".

2023.11.21

DBM approved a sustainable development policy to reduce adverse environmental effects generated by its operation.

2023.12.25

Successfully redeemed Government guaranteed JPY 30 billion "Samurai" bond.

2023.12.27

The draft of the Revised Law on the the Development Bank of Mongolia was submitted to the Cabinet.

2023.12.28

Moody's Ratings confirmed the DBM's rating at B3 with a stable outlook and upgraded the Baseline Credit Assessment from CAA2 to CAA1.

SUCCESSFULLY RECOVERED MNT 516.5 BILLION IN LOAN REPAYMENTS

ADHERED TO THE STATE AUSTERITY LAW

37.3%
BUDGET CUT

LOAN REPAYMENT

₮516.5
BILLION

PROFIT / LOSS AFTER TAX

2022.12.31
₮88.6
BILLION

2023.12.31
-₮58.7
BILLION

FULLY REPAID INTERNATIONALLY ISSUED BONDS

SAMURAI BOND
¥30
BILLION

DBM 2023 BOND
$500
MILLION

CAPITAL ADEQUACY RATIO

2022.12.31
13.8%

2023.12.31
16.4%

As of December 31, 2023, total assets of MNT2,441 billion and total liabilities of MNT1,703 billion.

2022 AND 2023 YEAR-END PERFORMANCE

LOAN REPAYMENT

2022
₮1,086.3
BILLION

2023
₮517.6
BILLION

LENDING

2022
₮26.2
BILLION

2023
₮79.6
BILLION

RECOVERY OF IMPAIRMENT ALLOWANCES

2022
₮128.6
BILLION

2023
₮73.5
BILLION

PROFIT / LOSS FOR THE REPORTING PERIOD

2022
₮88.6
BILLION

2023
-₮58.7
BILLION

PERFORMANCE OF THE PRUDENTIAL REGULATORY RATIOS IN ACCORDANCE WITH THE LAW ON THE DBM AND OTHER RELATED POLICIES AND REGULATIONS:

PRUDENTIAL RATIOS	REQUIREMENT	31 DEC 2022	31 DEC 2023
under the Law on the Development Bank of Mongolia:			
Loan, and loan equivalent assets / Equity:	<=30x	4.1	3.8
Single borrower and its related party financings / Equity:	<=8x	1.7	1.1
under the Regulation set by the Bank of Mongolia:			
Capital adequacy ratio:	>=9%	13.8%	16.4%
Net stable funding ratio:	>=100%	37.8%	73.1%
Net open position ratio:	<=±30%	14.3%	27.2%
Total large loan and loan equivalent assets / Total loan and loan equivalent assets:	<=80%	80.3%	85.4%

HIGHLIGHTS OF 2023

A key achievement of the year was the successful and timely fulfillment of the DBM's foreign bond obligations, including the full repayment of a USD 500 million bond and JPY 30 billion bond. This accomplishment not only mitigated solvency risks but also reinforced DBM's reputation and credibility in international markets.

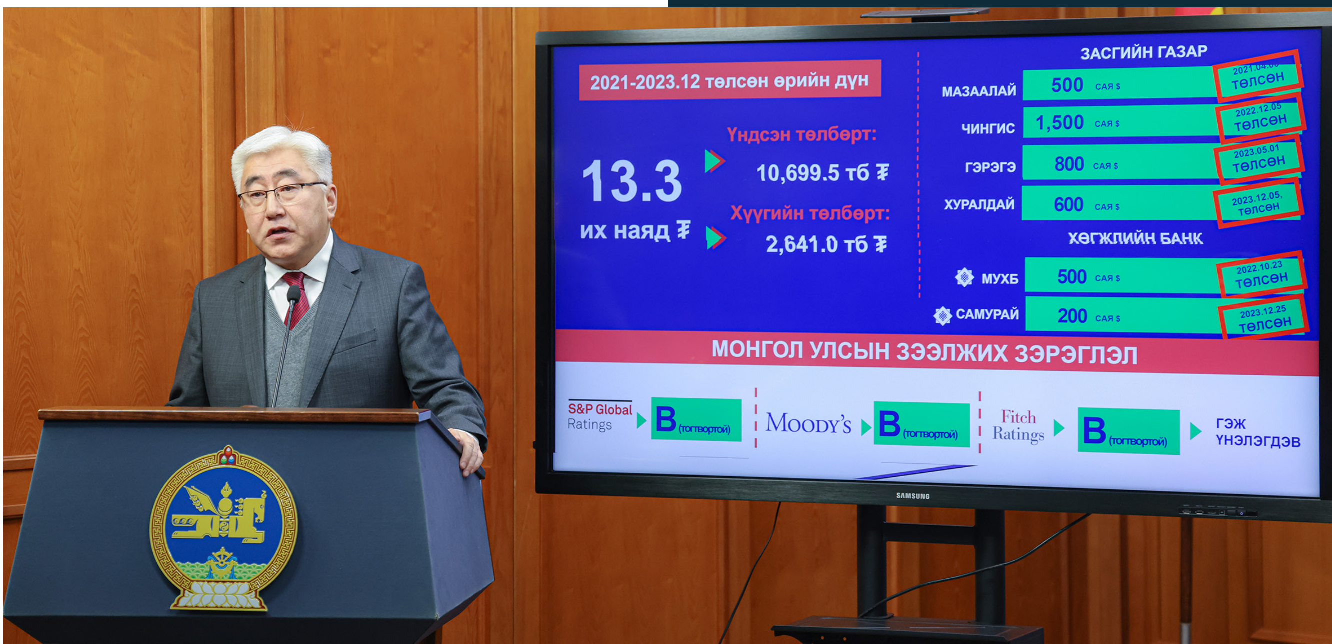
During the reporting period, DBM secured CNY 156.4 million in funding from the China Development Bank, which was allocated to finance the expansion of the Choibalsan Thermal Power Plant (TPP) by the Eastern Energy System SOJSC, in line with the terms of the loan agreement. Additionally, this was accompanied by the development of critical policies and procedures were approved to support the introduction of new products and services were approved.

The DBM's commitment to maintaining financial stability was further recognized by leading credit rating agencies. Both Standard & Poor's and Moody's affirmed the DBM's credit ratings at B (Stable) and B3 (Stable), respectively, aligning with Mongolia's sovereign credit rating. Notably, Moody's also upgraded DBM's baseline credit rating from CAA2 to CAA1, reflecting the DBM's improved financial standing.

THE REPAYMENT OF BONDS HAS BEEN EXECUTED IN FULL

$500 MILLION
EUROBOND HAS BEEN FULLY REDEEMED

DBM successfully settled its USD 500 million Eurobond, marking a significant milestone in the DBM's history and reinforcing its credibility among international investors. This bond, issued without a sovereign guarantee, was the first of its kind for the DBM on the international market, featuring a 7.25% coupon rate and a five-year maturity, showcasing DBM's ability to independently manage its obligations.



¥30 BILLION
BOND HAS BEEN FULLY REDEEMED

In 2013, DBM issued a JPY 30 billion "Samurai" bond in the Japanese market, a private placement with a 10-year maturity and a 1.52% coupon rate, backed by guarantees from the Government and Japan's Bank for International Cooperation. This issuance underscored the strong bilateral relationship between the two nations. The DBM's full and timely redemption of this bond in December 2023 further strengthened confidence among Japanese investors.

USD 100 MILLION BOND WAS TRADED ON THE DOMESTIC OVER-THE-COUNTER MARKET

In 2023, DBM issued a private placement MNT bond equivalent to USD 100 million in the domestic over-the-counter market. This milestone positioned DBM as the issuer with the highest volume in the domestic over-the-counter market.

UPGRADE OF BASELINE CREDIT ASSESSMENT

DBM'S BASELINE CREDIT ASSESSMENT WAS UPGRADED FROM CAA2 TO CAA1 BY MOODY'S

Credit rating agencies Standard & Poor's, Moody's, and Fitch affirmed the credit rating of the DBM at the same level as the Sovereign.

FitchRatings

2023.07.07 Fitch Ratings affirmed the DBM's credit rating at "B" with a stable outlook reflecting that the state has a strong propensity to provide support for the DBM, if required, and remains the sole shareholder of the DBM. This stems from DBM's policy role, full state ownership, and close linkages with the government.

STANDARD &POOR'S

2023.10.04 Standard and Poor's Ratings affirmed DBM's credit rating as B3 with a stable outlook. This rating on the DBM reflects the DBM's critical public policy role as Mongolia's only policy bank with development and export-import bank functions. The rating also reflect integral link with the government, which fully owns DBM.

MOODY'S

2023.12.28 Moody's Ratings confirmed B3 foreign currency long-term issuer rating, with a stable outlook and at the same time, Moody's has upgraded its Baseline Credit Assessment from CAA2 to CAA1. This confirmation of the ratings is driven by the DBM's successful repayment of its foreign bonds maturing in October and December of 2023.

THE MONETIZATION OF REPOSSESSED ASSETS

DBM efficiently managed the economic circulation and monetization of repossessed assets received as loan repayments. To ensure a fair and transparent sale process, DBM introduced an online offer submission system that displays proposal information in real-time. This system is overseen by representatives from the Authority for Fair Competition and Consumer Protection of Mongolia, as well as the Government Agency for Policy Coordination on State Property, ensuring the integrity of the process. Utilizing this new system, the DBM successfully sold 62 properties, generating a total of MNT 9.5 billion.

According to the resolution of the Government, a designated segment of the Rental Housing Program received financing from DBM. During 2019 and 2020, 1,542 apartments became available for occupancy. Subsequently, in 2023, a total amount of MNT 12.9 billion was successfully repaid in accordance with the agreement endorsed by the provincial governor and the capital authorities.

MNT 79.6 BILLION IN FUNDING FOR STRATEGIC PROJECTS

LOAN DISBURSEMENT

In 2023, DBM fulfilled its commitments under existing agreements with the borrowers and financed oil and energy projects totaling MNT79.6 billion, contingent upon project performance.

LENDING

₮5,179,798,573

ACCORDING TO THE LOAN AGREEMENT

“MONGOL REFINERY” STATE-OWNED LLC

DBM is financing the infrastructure development of the Mongolian oil project, bringing substantial benefits, such as fostering local fuel and gasoline production, ensuring the production of final oil products domestically, reducing Mongolia’s reliance on fuel imports, and minimizing foreign currency outflow. The following activities have been completed under this financing;

- Construction of a 27 km railway and substation – 100%;
- Construction of a 17 km heavy transportation road - 100%;
- Installation of a 17 km power transmission line, including substation - 100%;
- Leveling of industrial sites and water supply well protection fences - 100%;
- Provide housing of 550 units for factory labour force – 63%.

₮74,373,557,534

ACCORDING TO THE LOAN AGREEMENT

“EASTERN ENERGY SYSTEM” STATE-OWNED JOINT-STOCK COMPANY

The Choibalsan TPP Expansion project in Dornod province, increasing capacity by 50MW with a budgeted cost of USD81.9 million, is primarily financed by the DBM. This financing covers about 75% of the project’s total cost. Upon completion, the project will ensure continuous and reliable energy supply to 36 districts in Sukhbaatar and Dornod provinces, benefiting over 3,100 enterprises and supplying the region’s growing mining industry. Additionally, it will provide a steady electricity supply to more than 800 businesses and over 6,000 households in Choibalsan, the provincial capital.

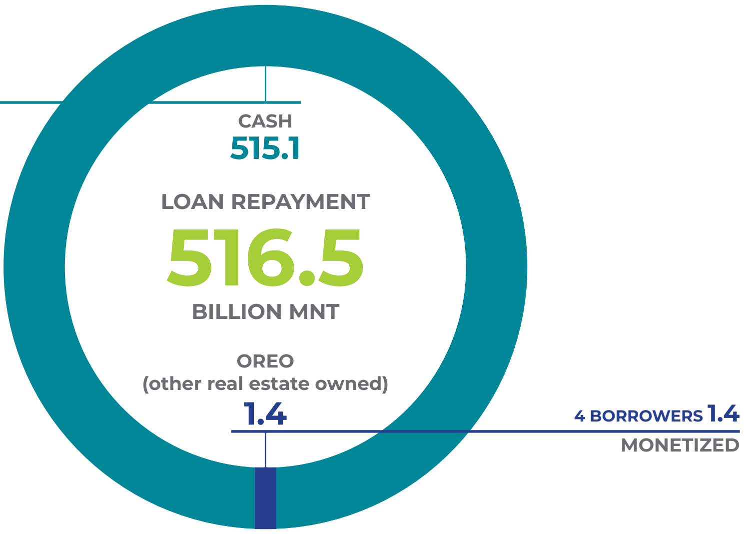
TOTAL LOAN ₮79,553,356,107

Although DBM did not issue new loans in 2023, it is conducting preliminary studies of potential projects and programs that can be financed within the framework of the “New Recovery Policy”.

LOAN REPAYMENT

In 2023, DBM prioritized the collection of loan repayments and ensuring that borrowers fulfilled their contractual obligations, thereby maintaining adequate reserve funds and foreign currency to facilitate bond payments. As a result, DBM secured MNT 516.3 billion in cash and MNT 1.3 billion in repossessed assets from loan repayments. Additionally, DBM collected MNT 18.6 billion from the sale of repossessed assets previously acquired to meet loan agreement obligations. Altogether, DBM successfully secured a total of MNT 536.2 billion in loan repayments during the reporting period.

MONGOL REFINERY STATE-OWNED LLC	0.1
TSETSENS MINING AND ENERGY LLC	9.3
GOBI JSC (PAID OFF)	84.2
MAK CEMENT LLC (PAID OFF)	119.6
ERDENES MONGOL LLC (PAID OFF)	45.9
MONPOLIMET LLC (PAID OFF)	87.1
WESTERN HOLD LLC	19.2
ACHLAL TRADE LLC	26.0
NVTS CO.LTD	3.4
IMPERIAL GOLD MINING LLC	0.6
THERMAL POWER PLANT IV JSC	32.5
MONGEMA LLC	0.0
OTHER (18 BORROWERS)	87.3



+

OREO (other real estate owned)
IN CASH
MNT 22.4 BILLION

Furthermore, DBM sold property valued at MNT 1.4 billion, which had been acquired through the exchange of outstanding loans from the previous year. DBM management team adhered to the principle of prioritizing cash-based loan repayments, and when necessary, utilizing quickly sellable assets. In 2023, the DBM successfully collected MNT 358.5 billion in full loan repayments from 12 borrowers.

FULLY REPAID LOANS

MNT BILLION

№	BORROWERS	REPAYMENT
1	MAK CEMENT LLC	119.6
2	MONPOLYMENT LLC	87.1
3	GOBI JSC	84.2
4	ERDENES MONGOL LLC	45.9
5	MON LAA LLC	7.6
6	KHATANT INTERNATIONAL LLC	4.8
7	COMPLAINT LLC	3.2
8	GAN KHUDER ORD LLC	2.4
9	MODUN LLC	1.5
10	H&H REMICON LLC	0.9
11	DARKHAN MINJ LLC	0.8
12	STROY INVEST LLC	0.6
	TOTAL	358.5

OVERVIEW OF LOANS CONVERTED TO MNT BY COURT RESOLUTION

MNT BILLION

№	BORROWERS	CURRENCY	AMOUNT
1	EREL LLC	USD, EUR	173.9
2	BEREN GROUP LLC	USD	135.8
3	MONGOL DRY MILK LLC	USD	74.0
4	ACHLAL TRADE LLC	USD	66.9
5	MONTPELLETS LLC	EUR	2.6
	TOTAL		453.2

DBM APPROVES ITS “SUSTAINABILITY POLICY”

Over the past years, DBM has adhered to a policy of financing projects and programs that align with Mongolia’s sustainable development goals and medium-term development policies. Additionally, DBM has ensured that financed projects comply with environmental and social impact assessments in accordance with the Law on the Development Bank of Mongolia and its Credit policy.

In 2023, our primary focus was on enhancing internal readiness for sustainable financing activities and empowering our human resources. To achieve this, we established a working group tasked with ensuring readiness for sustainable financing, developing the necessary legal framework, and learning from leading international financial institutions. A roadmap outlining future activities in sustainable financing was also developed. Additionally, DBM approved its “Sustainable Development Policy” and “Sustainability Commitment”.

DBM actively cooperates with the Mongolian Sustainable Finance Association in the field of sustainable development. One of the key achievements in 2023 was expanding our cooperation efforts by joining the Partnership for Carbon Accounting Financials (PCAF), an international collaboration that aims to develop and implement a standardized approach for financial institutions to measure and disclose the greenhouse gas (GHG) emissions associated with their loans and investments. Consequently, DBM is expected to calculate and report the greenhouse gas emissions associated with its financing activities starting in 2026 following to the PCAF emission standard. Moreover, with the support of MUFG (Mitsubishi UFJ Financial Group), a leading international financial institution known for its sustainable financing activities, DBM will develop its “ Sustainability Framework”.

MUFG

GREEN LOAN PORTFOLIO

WATER EFFICIENT ECO CEMENT PLANT PROJECTS

- Dry method plant located in Khovd and Dornogovi provinces
- 38% less water consumption

ELECTRIC BUS RENOVATION PROJECT

- Changing public transport to electric buses

OTHER

- Plant project for organic animal products
- Sheep wool bio-fertilizer plant project

DBM SUPPORTS THE FOLLOWING GOALS FROM THE UNITED NATIONS' 17 SUSTAINABLE DEVELOPMENT GOALS.

8 PRINCIPLES OF MONGOLIA'S "SUSTAINABLE FINANCING PROGRAM"

TRAINING OF HUMAN RESOURCES

25% of total employees have received training in sustainable development

- **2023.06.13 - 2023.06.16** — **“Sustainable Finance Week 2023”** workshops and discussions organized as part of the event
- **2023.05.29 - 2023.06.02** — An ESG seminar organized by VEB.RF and The Interbank Consortium of the Shanghai Cooperation Organization
- **2023.09.27** — Greenhouse gas calculation and reporting online course organized by PCAF

ROADMAP OF SUSTAINABLE DEVELOPMENT

DBM has developed an action plan to be implemented in the field of sustainable development and financing, which includes the following three objectives:

1. Define sustainable development goals and strategies

2. Embedding ESG risk management in lending and financing operations

3. Introduction of sustainable financing for internal operations

In addition, within the framework of this policy, we aim to finance green and social projects, as well as support affordable housing programs and renewable energy projects.

IMPLEMENTATION OF MEASURES TO IMPROVE ASSET QUALITY AND EXECUTION OF CORRESPONDING LOAN PROVISIONING MEASURES RESULTED IN SECURING LOAN REPAYMENTS OF MNT 181.2 BILLION

LOAN PROVISIONING REPORT AND IMPLEMENTATION OF CORRESPONDING MEASURES

To thoroughly assess and evaluate the quality of the loan portfolio-including its concentration, compliance with prudential ratios, collateral adequacy, and efforts to reduce non-performing loans-comprehensive measures were implemented through the development of an extensive credit risk report. During the reporting year, a range of critical issues, including proposals for loan restructuring, changes in loan conditions, partial release of collateral, reclassification of credit, and strategies for managing repossessed assets. In alignment with the “Procedures for Classifying Assets of the DBM and Establishing and Disposing of Asset Allowances” impaired loans were accurately calculated, and appropriate corrective measures were taken.

LOAN IMPAIRMENT ALLOWANCE

DBM established an impairment provision for non-loan assets, calculated interest and premium terms and implemented an impairment allowance in accordance with prescribed guidelines for assessing non-loan-asset impairments.

IMPROVING ASSET QUALITY

In 2023, a total of MNT 181.2 billion in loan repayments was successfully secured through various workout processes:

7 LOANS

MNT 25.95 billion was recovered from 7 loans under court deliberation.

6 LOANS

Finalized court decisions resulted in the repayment of MNT 39.1 billion across 6 loans.

15 LOANS

MNT 12.9 billion was secured from 15 loans that were transferred to the General Executive Agency of Court Resolutions.

6 LOANS

MNT 22.7 billion was repaid from 6 loans that were under different court proceedings.

2023

5 BORROWERS

103.3 MNT BILLION

Additionally, 5 borrowers fully repaid their loans, totaling MNT 103.3 billion, thereby closing their accounts.

IMPLEMENTATION OF ISO37001

DBM has undertaken several initiatives to ensure compliance with international standard and regulations. These include conducting due diligence and know-your-customer procedures, adhering to applicable laws, rules, and regulations, and enhancing the accountability system through policy and procedure improvements. Multiple training sessions have been held for employees to reinforce these measures.

To mitigate operational risks, DBM conducts screening of entities and individuals against sanctions, identifying beneficial owners, and conducting Politically Exposed Persons (PEP) screening. Additionally, DBM has implemented an automated transaction screening service to ensure robust screening of transactions against international sanctions. Furthermore, we are actively working on implementing the International Standard ISO 37001 Anti-bribery management system.

IMPLEMENTATION OF THE INTERNATIONAL STANDARDS FOR QUALITY, INFORMATION SECURITY, AND ANTI-BRIBERY MANAGEMENT

DBM's operational risk management framework is aligned with the regulations, rules, procedures, guidelines, and standards established by the Basel Committee, the Bank of Mongolia, and other relevant regulatory authorities. In the reporting period, DBM updated its risk appetite framework to support its primary objectives including sustainable operations, effective business planning, and regulatory compliance. This approach ensures that DBM maintains risk tolerance while executing risk-based policies to achieve its strategic goals. Furthermore, DBM is in the process of adopting several international standards to enhance its management systems. These include:

ISO9001:2015

Quality Management- to improve overall quality management processes

ISO27001:2022

Information Security Management - to safeguard information security and protect against data breaches

ISO37001:2016

Anti-bribery Management - to establish a robust anti-bribery management system and mitigate associated risks.

FINANCIAL RISK MANAGEMENT

The DBM effectively managed its foreign currency exposure and liquidity ratios to mitigate financial risks. These risks were assessed and analyzed daily to ensure the optimal management of assets and liabilities within DBM's financial risk management framework. Additionally, to address risks arising from economic instability and fluctuations, DBM engaged in proactive asset management, including transactions and currency trading with both domestic and international banks and financial institutions.

INTRODUCTION OF THE ELECTRONIC DATABASE SECURITY SYSTEMS

As part of efforts to enhance internal operations, DBM ensured compliance with all applicable laws and regulations. DBM also reviewed current policies, rules, and regulations to align with ratified laws, and made necessary amendments. Furthermore, DBM is committed to ensuring the confidentiality, protection, accessibility, and security of its information systems and electronic data. Efforts are underway to automate internal operational processes, improve information flow, and enhance the accuracy, and promptness of its reporting. In addition, while improving its human resources policy, coordinating labor relations, and fostering employee motivation and development, DBM has maintained its archiving and record-keeping activities, ensuring the smooth and efficient execution of its daily operations. During the reporting period, an archive unit was established to systematically store all relevant data, both in paper and electronic formats, further strengthening information management.

1,280
INCOMING DOCUMENTATION

1,419
OUTGOING CORRESPONDENCE DOCUMENTS

157
CEO’S RESOLUTION RELATED TO OPERATIONS

144
REQUEST AND PETITION

166
CEO’S RESOLUTION REGARDING HUMAN RESOURCES

During the reporting period, 552 units of documentation were transferred to the archives and 147 contracts were registered (in the fields of cooperation, sale and purchase, human resources, performance of work, etc.). These are stored and used in paper and digital form.

LAW AND JURISDICTION

To oversee the activities of DBM, rigorous legal measures are being implemented to uphold compliance with laws, rules, and regulations thereby mitigating potential legal risks.

- DBM conducted fundraising and bond repayment activities in strict adherence to all relevant laws and regulations.
- Efforts aimed to minimize non-performing loans were conducted in full compliance with applicable laws and regulations effectively safeguarding the DBM’s legal rights and interests in legal and judicial arenas.
- Following the Parliament's Resolution to expand DBM's scope of activities and implement export and import bank functions, a study was conducted on the laws and regulations of Export-import Banks. The results were incorporated into the draft law amending the Law on the Development Bank of Mongolia.

INTERNAL MONITORING

To enhance internal monitoring practices, evaluations were conducted on the legal compliance of document composition, as well as assessments of the Media Office, human resources operations, and procurement procedures. Recommendations were subsequently provided to address identified deficiencies and improve overall efficiency.

INFORMATION TECHNOLOGY AND DIGITALIZATION

Throughout the reporting period, significant efforts were made to enhance DBM's Information Technology, introducing new systems and programs, automating routine operations, and optimizing staff efficiency. Licenses for the core systems including "NES," "Oracle Database," "Microsoft 365," and "Trend Micro Apex One" were renewed and updated to ensure continued functionality in daily operations. Additionally, the "FortiGate" firewall, virtual server rentals, backup internet services, and extension of backup center rental services were managed effectively. A comprehensive automatic fire suppression system was also installed in the server room to mitigate potential fire hazards.

To bolster information security, the topology of internal and external networks was modified and enhanced. Furthermore, the "Veeam Backup for Microsoft 365" system was tested and implemented to ensure the secure, automatic backup of critical information stored in electronic repositories developed and within the Microsoft 365 system.

As part of the initiatives to facilitate the sale of repossessed assets via DBM's website, property listings were posted, and a web application for receiving buyer proposals was developed and successfully implemented into the core operations.

A new program, "Implementation of Internal Audit Recommendations", was developed and introduced on the "Microsoft 365" platform. This program tracks and reports on the implementation of internal audit recommendations, ensuring regular monitoring and reporting.

DBM
LEASING LLC

DBM ASSET
MANAGEMENT SC LLC

"DBM LEASING" LLC ENHANCED ITS PRODUCTIVITY AND EFFICIENCY BY 60%

"DBM Leasing" LLC (DBML) was established in 2017 with the objective of supporting industrialization and creating a sustainable, cost-effective equipment financing system. The company offers medium and long-term financial leasing services for strategic projects and programs that promote the financial stability and economic development of Mongolia.

In 2023, DBML underwent a comprehensive restructuring to enhance productivity and efficiency in line with the State Austerity Law and other pertinent regulations, now operating with a streamlined team of 15 employees.

ASSETS:

2022 MNT **115.1** BILLION

2023 MNT **120.4** BILLION

+5% of which lease receivables accounted for MNT 43.8 billion

ACCUMULATED PROFIT:

2022 MNT **11.9** BILLION

2023 MNT **19.1** BILLION

INCREASED BY **60.5%** TO MNT 19.1 BILLION COMPARED TO THE PREVIOUS YEAR.

TAXES PAID:

2022 MNT **2.2** BILLION

2023 MNT **0.9** BILLION

CAPITAL ADEQUACY RATIO

2022 **88%**

2023 **247%**

JUMPED TO 247%, MARKING A 1.8-FOLD GROWTH

REPAYMENT OF FINANCE LEASES

MNT **32.6** BILLION

was planned to ensure for the repayment of the financial lease as stated in the operational plan in 2023

MNT **43.3** BILLION

during the fiscal year, we have successfully collected repayment of MNT 43.3 billion, achieving a performance rate of 133%.

IT INCLUDES:

· Within the framework of improving the financial lease portfolio quality, the DBML successfully collected repayment of MNT 1.0 billion from "Baruun Bayan Trans" LLC for financial lease liabilities through executing the Management Agreement with the DBM.

· Ensured fulfillment of obligations under three Financial Lease contracts, collected repayment of 2 previously overdue tenants, and reclassified their status to performing.

· In 2023 MNT 26.1 billion in repayments were collected as part of the settlement of overdue financial leases granted to the "Agriculture Support Fund" in connection with the implementation of Resolution No. 220 of 2022 of the Government of Mongolia.

FINANCIAL LEASING OF AMGALAN HEATING PLANT EXPANSION PROJECT

In accordance with the "New Recovery Policy" ratified by the Parliament of Mongolia, the DBML provided financial leasing services of MNT 42.7 billion to the Amgalan Heating Plant expansion project. Currently, over 86.6 percent of the construction of this pivotal project has been successfully completed.

PROJECT SIGNIFICANCE:

1.4-1.8

Energy production: the project will increase energy production to 1.4-1.8 million Gcal,

40

Reduction in air pollution: Over 40 heating boilers will be dis-commissioned, leading to a sub-stantial reduction in air pollution,

+30

Job creation: the project will create 30 new permanent positions,

Urban development: Rede-velopment and construction in the Ger area of the eastern region of Ulaanbaatar city will be increased.

The Amgalan Heating Plant expansion project received the Infrastructure Development Award at the 46th Conference of the ADFIAP held in Almaty, Kazakhstan in May 2023.

SIGNED AN AGREEMENT WITH DELPHOS INTERNATIONAL TO CO-MANAGE INVESTMENT FUNDS

"DBM Asset Management SC" LLC was established in 2017 with the mission to provide professional investment management services to investors in order to strengthen the capital market, create sustainable development financing mechanisms, and promote sustainable socio-economic growth of Mongolia by investing in development projects through investment funds.

MAIN ACTIVITIES

"DBM Asset Management SC" LLC is actively preparing to launch new investment funds. This includes developing the necessary policy, procedures, and documents, as well as building a strong team. The company also focuses on investor relations and communication strategies for potential investors.

1. In the framework of supporting projects that align with Mongolia's "New Recovery Policy", the establishment of "Eco district and Affordable Housing fund" as a public and private financing mechanism for "Ulaanbaatar Green Affordable Housing and Resilient Urban Renewable Sector Project."
2. Contributing to Mongolia's economic growth through the establishment of a "National Strategic Investment Fund."
3. Promoting Mongolia's green development by launching the "Green Development Fund of Mongolia."

COMMUNICATION AND COLLABORATION

As part of our commitment to Environmental, Social, and Governance (ESG) principles, significant strides have been made in attracting investment for impact projects. We established a blended financing mechanism for the cashmere sector in collaboration with the United Nations Development Programme (UNDP). This initiative addresses the technological and financial needs of cashmere yarn spinning of Mongolia. In collaboration with sector ministries, associations, funding agencies, and over 10 enterprises, we conducted a market study to assess these needs.Through a strategic partnership, we secured up to USD 150 million with Delphos International, in investment and co-management of the funds. We are actively presenting these compelling opportunities to potential financial institutions and investors through this strategic partnership.

Development Bank of Mongolia LLC

Consolidated Financial Statements together with Independent Auditors' Report for the year ended 31 December 2023

CONTENTS

DEVELOPMENT BANK OF MONGOLIA

GENERAL INFORMATION

BOARD OF DIRECTORS	Mr. B. DORJSEMBED Mr. D. BATBAATAR Ms. B. BOLORMAA Mr. G. KHONGOR Mr. B. CHOIJIL
INDEPENDENT DIRECTORS TO THE BOARD	Ms. D. SUVDAA Ms. B. ENKHTUYA Ms. G. BUYAN Mr. S. NASANJARGAL
COMPANY SECRETARY	Ms. G. OYUNDARI
REGISTERED OFFICE	Peace Avenue-19 building, 12th floor, Sukhbaatar District, 1st khoroo, Ulaanbaatar 14210, Mongolia
AUDITORS	Nexia Global Mongolia Audit LLC UB Tower Plus, 609, Bayanzurkh District, Ulaanbaatar city, Mongolia

MANAGEMENT'S RESPONSIBILITY STATEMENT

We Bataa Jalsrai, being the Chief Executive Officer of Development Bank of Mongolia LLC (the "Bank") and its subsidiaries ("the Group") and Bilegtogtokh Batsaikhan, being the Director, Reporting and Accounting Division, as the officers primarily responsible for the consolidated financial statements of the Group, do hereby state that, in our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2023 and Financial Reporting Standards as modified by the Bank of Mongolia guidelines.

We have responsibility for ensuring that the Group keeps proper accounting records which disclose with reasonable accuracy the financial position of the Group and which enable it to ensure that the consolidated financial statements comply with the requirements set out in note 2 and note 3 thereto.

We also have a general responsibility for taking such steps as are reasonably open to us safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

We consider that, in preparing the financial statements including explanatory notes, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgment and estimates, and that all applicable accounting standards have been followed.

The consolidated financial statements of Development Bank of Mongolia LLC for the year ended 31 December 2023 were authorized for issuance by the Bank's management.

УЛААНБААТАР ХОТ
МОНГОЛ УЛСЫН ХӨГЖЛИЙН БАНК ХХК
9022120333

BATAA Jalsrai	BILEGTOGTOKH Batsaikhan
Chief Executive Officer	Director, Reporting and Accounting Division

A member of Nexia International

INDEPENDENT AUDITORS' REPORT

To the Shareholder and the Board of Directors of Development Bank of Mongolia LLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Development Bank of Mongolia LLC ("the Bank") and its subsidiaries (together "the Group), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as modified by the Bank of Mongolia ("BOM") guidelines.

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 consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated 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.

Emphasis of Matter

We draw attention to Note # 11 in the financial statements, where the Development Bank of Mongolia (DBM) has provided disclosure regarding the consideration of collateral value at 80% of MNT 191 billion against the outstanding loans and advances amounting to MNT 376 billion of Hutul LLC as of 31 December 2023. This valuation was assessed by an independent third party appointed by a Law Enforcement Agency of Mongolia. Furthermore, DBM has also disclosed the rationale for not adjusting the impairment amount resulting from the timing difference between 24 December 2023 and 31 December 2023. Our opinion is not qualified in this regard.

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Allowance for Loan Losses

Description of Key Audit Matter	How Our Audit Addressed the Matter
Under IFRS as modified by the BOM guidelines, the Group is required to determine the classification of loans and related impairment allowance considering qualitative factors based, amongst others, on the existence of indicators of impairment and the present value of future cash flows. This allowance for loan impairment was significant to our audit because the balance of MNT 825 billion as at 31 December 2023 is material to the consolidated financial statements. In addition, the Group's assessment process is complex and judgmental, and is based on impairment indicators such as delinquency, and a borrower's financial and economic status, and on the estimated present value of future cash flows incorporating the value of pledged collateral.	Our audit procedures included, among others: We performed credit file reviews on a sample basis to test appropriateness of the loan classifications and the loans' credit quality. We tested the accuracy of the delinquency information by testing relevant IT application controls. We tested the data in the underlying loan database by comparing credit files and loan documents on a sample basis. We evaluated the Group's assessment of the value of future cash flows by challenging key assumptions such as collateral value and time to sale applied by the Group, and by comparing the Group's estimates against the business environment and the specific circumstances of the borrowers for which impairment indicators existed.
See the significant accounting policies in Note 3, the key sources of estimation uncertainty in Note 4, and the loans and advances in Note 11 to the consolidated financial statements.	

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Repossessed Assets

Description of Key Audit Matter	How Our Audit Addressed the Matter
Initial recognition and subsequent measurement of Repossessed assets are required to be done in compliance with the requirements of International Accounting Standards/International Financial Reporting Standards. Derecognition and capitalization are also required for the related loans and advances together with the impairment allowances from the balance sheet and expenditure incurred to make the repossessed assets ready for sell with the related repossessed assets respectively. The Repossessed Assets was significant to our audit because the balance of MNT 242 billion as at 31 December 2023 is material to the consolidated financial statements. In addition, the Group's valuation assessment process is complex and judgmental, and is based on impairment indicators such as delinquency, and a borrower's financial and economic status, and on the estimated present value of future cash flows incorporating the value of pledged collateral.	Our audit procedures included, among others: We have reviewed whether repossessed assets are initially recognized at the lower of their fair value less costs to sell and the amortized cost of the related outstanding loans on the date of repossession and subsequently these assets have been measured at the lower of the cost and fair value less cost of sell. We have also reviewed whether the related loans and advances together with the related impairment allowances have been derecognized from the balance sheet. We have checked whether expenditure incurred to make the repossessed assets ready for sell has been capitalized with the related repossessed assets. We performed reviews of the valuation process done by the Group on a sample basis to test appropriateness of the repossessed assets recognized in the Statement of the Financial Position and tested the accuracy of the delinquency information by testing relevant IT application controls. We tested the available data and information in the underlying repossessed assets database on a sample basis.
See the significant accounting policies in Note 3, the key sources of estimation uncertainty in Note 4, and the Repossessed Collateral in Note 11.1 to the consolidated financial statements.	

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Bonds and Borrowings

Description of Key Audit Matter	How Our Audit Addressed the Matter
Debt securities representing Bonds issued and Borrowings. The classification, initial recognition and subsequent measurement of Bonds and Borrowings shown in the consoliated statement of financial position of the Group under liabilities require an elevated level judgment and estimates. It requires to use Effective Interest Rate (EIR) in calculating cost of the borrowed funds by taking into account related transaction costs. Bonds and Borrowing were significant to our audit because the balances of MNT 687 billion and MNT 707 billion respectively are material to the consolidated financial statements as at 31 December 2023.	We assessed the processes and controls put in place by the Group to identify and confirm the existence of Bonds and Borrowings. We obtained an understanding, evaluated the design and tested the operating effectiveness of the key controls over the Bonds and Borrowings including recognition and measurement at amortized cost. On test basis, we have also checked the calculation done by the Group using EIR by taking into account any transaction costs related to the transaction. We have also reviewed if the Group purchases its own debt securities in issue or settle its borrowings, they are removed from the statement of financial position and the difference between the carrying amount of the liability and consideration paid is included in gains or losses arising from retirement of debt (Derecognition of liability). We have also confirmed whether all borrowing costs have been recognized in profit or loss in the period in which they are incurred. Finally, we have assessed the appropriateness and presentation of disclosures against relevant accounting standards and Group's guidelines.
See the significant accounting policies in Note 3, Bonds in Note 17 and Borrowings in Note 18 to the consolidated financial statements.	

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Matter

The consolidated financial statements of Development Bank of Mongolia LLC for the year ended 31 December 2022, were audited by KPMG Audit LLC, who expressed an unmodified opinion on those financial statements on 17 March, 2023.

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 consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated 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 consolidated 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 consolidated 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.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated 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 Group's internal control.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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, action taken to eliminate threats or safeguard applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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 **BULGAN Enkhbold**.

Nexia Global Mongolia Audit LLC
Ulaanbaatar, Mongolia
20 March 2024

УЛААНБААТАР ХОТ
A member of Nexia International
НЕКСИА ГЛОБАЛ МОНГОЛИА АУДИТ ХХК
ШТА0738 9023030511 6761967

Signed by:

Masud Alam Chowdhury ACA, ITP
Audit Partner

Approved by:

Bulgan Enkhbold ACCA, CPA, CPTA
Engagement Partner

This report is effective as at 20 March 2024 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 consolidated 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 Board of Directors and current Shareholders of the Group. 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.

Development Bank of Mongolia
Consolidated Statement of Financial Position
As at 31 December 2023

In thousands of Mongolian Tugriks	Note	31 December 2023	31 December 2022
Assets			
Cash and cash equivalents	6	144,557,617	890,417,205
Bank deposits	7	32,792,377	28,931,618
Derivative financial assets	8	-	21,753,965
Available-for-sale investments carried at fair value	9	212,183,194	312,472,007
Financial assets at fair value through profit or loss	10	11,807,750	19,248,584
Investment securities held to maturity	10.1	180,962,377	568,788,930
Loans and advances including lease receivables	11	1,499,550,207	1,835,610,278
Other tax receivables		5,858,336	7,256,948
Other assets	12	32,560,700	1,557,832
Property and equipment	13	24,278,795	23,955,507
Intangible assets	13	249,670	313,785
Repossessed assets	11.1	241,529,319	257,073,386
Deferred tax assets	27	46,069,491	47,331,743
Total assets		**2,432,399,833**	**4,014,711,788**
Liabilities			
Derivative financial liabilities	8	4,227,824	5,672,829
Customer accounts	14	8,815,342	4,798,957
Time deposits	14.1	34,123,720	-
Contract liabilities	11.1	3,828,332	3,852,750
Other liabilities	15	4,197,292	3,560,297
Current income tax payable		1,024,106	9,680,055
Other taxes payable		118,285	21,967
Due to other banks and financial institutions	16	225,210,272	29,583,716
Bonds	17	687,477,828	2,572,205,220
Borrowings	18	707,401,712	582,540,605
Total liabilities		**1,676,424,713**	**3,211,916,396**
Equity			
Capital contributions	20	1,216,300,341	1,216,300,341
Fair value reserve		38,817,504	23,816,452
Accumulated loss		(499,142,725)	(437,321,401)
Total equity		**755,975,120**	**802,795,392**
Total liabilities and equity		**2,432,399,833**	**4,014,711,788**

The accompanying notes form an integral part of these consolidated financial statements.

НЕКСИА ГЛОБАЛ МОНГОЛИА АУДИТ ХХК
ХУУДАС 1

Development Bank of Mongolia
Consolidated Statement of Profit or Loss and Other Comprehensive Income (Loss)
For the year ended 31 December 2023

In thousands of Mongolian Tugriks	Note	31 December 2023	31 December 2022
Interest income	21	185,367,992	265,871,431
Interest expense	22	(215,094,365)	(194,123,355)
Net interest income		**(29,726,373)**	**71,748,076**
Recovery/ (charge) of impairment loss on loans and advances including lease receivables	11	70,589,421	129,878,157
Net interest income less impairment on loans and advances including lease receivables		**40,863,048**	**201,626,233**
Fee and commission income		55,090	116,771
Fee and commission expense		(136,779)	(133,975)
Other income	23	5,406,290	8,905,850
Net trading (losses)/ gains		17,013,443	(2,370,809)
Net gains/ (losses) from derivative financial instruments	25	(14,119,787)	88,723,450
Impairment loss on bank deposits, repossessed and other assets	7, 11.1,12	(170,522)	(5,042,421)
Net loss from financial instruments at FVTPL		(10,930,826)	(852,227)
Foreign exchange translation (losses)/ gains, net	24	(74,545,686)	(135,018,991)
Administrative and other operating expenses	26	(13,837,468)	(11,740,894)
Profit/ (loss) for the year before tax		**(50,403,197)**	**144,212,987**
Income tax (expense)/ benefit	27	(945,204)	(33,930,601)
Profit/ (loss) for the year		**(51,348,401)**	**110,282,386**
Items that may be reclassified subsequently to profit or loss:			
Fair value change on available-for-sale investments carried at fair value, net of tax	27	24,607,464	9,165,838
Net amount reclassified to profit or loss	27	(9,606,412)	(5,081,197)
Other comprehensive income/ (loss) for the year		**15,001,052**	**4,084,641**
Total comprehensive income/ (loss) for the year		**(36,347,349)**	**114,367,027**

The accompanying notes form an integral part of these consolidated financial statements.

НЕКСИА ГЛОБАЛ МОНГОЛИА АУДИТ ХХК
ХУУДАС

Development Bank of Mongolia
Consolidated Statement of Changes in Equity
For the year ended 31 December 2023

In thousands of Mongolian Tugriks	Note	Capital contributions	Fair value reserve	Accumulated loss	Total equity
Balance at 1 January 2022		**1,216,300,341**	**19,731,811**	**(547,603,787)**	**688,428,365**
Total comprehensive income					
Profit for the year		-	-	110,282,386	**110,282,386**
Other comprehensive income (loss)					
Net change in fair value on available-for-sale investment		-	9,165,838	-	**9,165,838**
Net amount reclassified to profit or loss		-	(5,081,197)	-	**(5,081,197)**
Total comprehensive income		-	**4,084,641**	**110,282,386**	**114,367,027**
Balance at 31 December 2022		**1,216,300,341**	**23,816,452**	**(437,321,401)**	**802,795,392**
Prior year adjustment				(10,472,923)	**(10,472,923)**
Balance at 1 January 2023		**1,216,300,341**	**23,816,452**	**(447,794,324)**	**792,322,469**
Total comprehensive income					
Profit for the year		-	-	(51,348,401)	**(51,348,401)**
Other comprehensive income (loss)					
Net change in fair value on available-for-sale investment		-	24,607,464	-	**24,607,464**
Net amount reclassified to profit or loss		-	(9,606,412)	-	**(9,606,412)**
Total comprehensive income		-	**15,001,052**	**(51,348,401)**	**(36,347,349)**
Balance at 31 December 2023		**1,216,300,341**	**38,817,504**	**(499,142,725)**	**755,975,120**

The accompanying notes form an integral part of these consolidated financial statements.

НЕКСИА ГЛОБАЛ МОНГОЛИА АУДИТ ХХК
ХУУЛАС

Development Bank of Mongolia
Consolidated Statement of Cash Flows
For the year ended 31 December 2023

In thousands of Mongolian Tugriks	Note	31 December 2023	31 December 2022
Cash flows from operating activities			
Profit/ (loss) before tax		**(50,403,197)**	**144,212,987**
Adjustments to:			
Depreciation and amortization expenses	26	1,055,461	1,234,915
(Recovery)/ charge of impairment loss on loans and advances including lease receivables	11	(70,589,421)	(129,878,157)
Impairment loss on bank deposits, repossessed and other assets	7, 11.1, 12	170,522	5,042,421
Net loss from financial instruments at FVTPL		10,930,826	852,227
Unrealized foreign exchange translation losses/ (gains)	24	2,741,608	143,484,220
Unrealized losses from derivative financial instruments	25	64,305,566	118,134,423
Loss from disposal of property and equipment		-	88,250
Interest income	21	(185,367,992)	(265,871,431)
Interest expense	22	215,094,365	194,123,355
Cash flows from operating activities before changes in operating assets and liabilities		**(12,062,262)**	**211,423,210**
Net decrease/ (increase) in bank deposits		(1,709,418)	438,869,291
Net increase in investment securities available for sale		115,879,540	(63,205,725)
Net decrease in financial assets at fair value through profit or loss		(3,309,532)	8,633,892
Net increase in investment securities held to maturity		383,860,000	(383,860,000)
Net decrease in investment to intercompany		5,015,459	-
Net decrease in loans and advances including lease receivables		306,994,966	526,097,545
Net decrease/ (increase) in other assets		28,266,572	34,965,265
Net decrease in customer accounts		4,034,938	(2,408,801)
Net increase in deposits		34,523,700	-
Net decrease in due to other banks and financial institutions		192,964,499	(14,503,456)
Net increase/ (decrease) in contract liabilities		(24,418)	728,541
Net decrease in other liabilities		(4,275,470)	(1,891,227)
Net cash generated from operating activities before tax and interest		**1,050,158,574**	**754,848,535**
Income taxes paid		(10,851,398)	(12,138,431)
Interest received		236,626,860	223,374,356
Interest paid		(268,978,996)	(139,040,980)
Net cash generated/ (used in) from operating activities		**1,006,955,040**	**827,043,480**

The accompanying notes form an integral part of these consolidated financial statements.

НЕКСИА ГЛОБАЛ МОНГОЛИА АУДИТ ХХК
ХУУДАС

Development Bank of Mongolia
Consolidated Statement of Cash Flows (Continued)
For the year ended 31 December 2023

In thousands of Mongolian Tugriks	Note	31 December 2023	31 December 2022
Cash flows from investing activities			
Proceeds from investment of a subsidiary		1,208,000	-
Purchase of property and equipment	13	(1,314,634)	(21,064)
Purchase of intangible assets	13	-	(1,559)
Net cash used in investing activities		**(106,634)**	**(22,623)**
Cash flows from financing activities			
Proceeds from bonds	18.1	455,359,860	76,530,500
Proceeds from borrowings	18.1	503,373,558	393,913,277
Repayment of bonds	18.1	(2,327,858,348)	(221,541,653)
Repayment of borrowings	18.1	(383,576,833)	(465,495,472)
Net cash used in financing activities		**(1,752,701,763)**	**(216,593,348)**
Effect of exchange rate changes on cash and cash equivalents		(6,231)	(33,511,470)
Net increase/ (decrease) in cash and cash equivalents		**(745,859,588)**	**576,916,039**
Cash and cash equivalents at the beginning of the year		890,417,205	313,501,166
Cash and cash equivalents at the end of the year	6	**144,557,617**	**890,417,205**

The accompanying notes form an integral part of these consolidated financial statements.

НЕКСИА ГЛОБАЛ МОНГОЛИА АУДИТ ХХК
ХУУДАС

Development Bank of Mongolia
Notes to the Consolidated Financial Statements – 31 December 2023
(Expressed in thousands of Mongolian Tugriks unless otherwise stated)

1. CORPORATE INFORMATION AND OPERATING ENVIRONMENT

The consolidated financial statements incorporate the financial statements of Development Bank of Mongolia LLC (the Bank) and its subsidiaries (together referred to as the Group). The Bank was established on 25 March 2011 pursuant to Resolution No.195 of the Government of Mongolia dated 20 July 2010 and commenced its operations in May 2011. The Government of Mongolia owns 100% of the Bank.

The Parliament of Mongolia ratified the Revised Law on Development Bank of Mongolia on 10 February 2017, which has been effective since 1 April 2017. The Revised Law on Development Bank of Mongolia intends to improve corporate governance, increase oversight of lending operations and allow for greater independence of the Bank. The Bank is regulated under the Revised Law on Development Bank of Mongolia rather than the Central Bank Law and Bank of Mongolia regulations applicable to commercial banks. However, the Bank of Mongolia is responsible for monitoring capital adequacy and liquidity requirements. The Board of the Bank consists of four independent members and five executive members appointed by the Government of Mongolia. At least 60% of the projects financed by the Bank must promote export-driven programs that enhance Mongolia's ability to export value-added products, especially in non-mining sectors of the economy.

In order to expand and diversify the overall operations of the Bank, the Bank established the following wholly owned subsidiaries:

1. DBM Leasing LLC, incorporated on 16 June 2017, is a financial leasing company providing equipment financing for the mining, agriculture, energy, infrastructure and health sectors and programs that support the country's economic development and financial stability. On 29 April 2020, the Government of Mongolia decided to liquidate DBM Leasing LLC and to transfer its operations, assets and liabilities to its parent entity, the Bank. On 18 August 2021, the Government of Mongolia decided to retrieve DBM Leasing LLC's operations. Hence, the company's operation is continuing.
2. DBM Asset Management SC LLC, with plans to establish various investment funds to provide long-term financing for medium and large scale projects that support economic growth. DBM Asset Management SC LLC founded the National Strategic Investment Private IF SPV LLC in 2018 as a private investment fund. On 29 April 2020, the Government of Mongolia decided to liquidate DBM Asset Management SC LLC and to transfer its assets and liabilities to its parent entity, the Bank. On 18 August 2021, the Government of Mongolia decided to retrieve DBM Asset Management SC LLC's operations. Hence, the company's operation is continuing.
3. In April 2021, the National Strategic Investment Private IF SPV LLC was liquidated and its assets and liabilities were transferred to the Bank.
4. National Export Insurance LLC, to which the Bank made capital contributions amounting to MNT 4.96 billion. Group was ordered to liquidate National Export Insurance LLC pursuant to clause 2.2 resolution No.220 of the Government of Mongolia. National Export Insurance LLC liquidated on the date of May 2023 and transfer its assets and liabilities to its parent entity, the Bank.

The number of employees of the Group is 135 as at 31 December 2023 (31 December 2022: 132).

The Group's principal place of business is TDB Building 11th and 12th floor, located at Peace Avenue 19, Ulaanbaatar 14210, Mongolia. These two floors are owned by the Bank.

These consolidated financial statements were approved for issue by the Executive management of the Bank on 20 March 2023.

Funding Environment of the Bank

As robust financial capital is a vital element for the fulfillment of the Bank's primary purpose, which is to provide concessional loans and financing to support the growth of sectors that are of significant importance to the sustainable development of Mongolia's economy, the Bank aims to maintain a debt portfolio of longer maturity and lower cost, diversify its funding source and strengthen its ability to attract funding independently.

International credit rating agencies, Standard and Poor's, Moody's, and Fitch rated the Bank as "B" stable, "B3" stable, "B" stable on 4 October 2023, on 24 October 2023 and on 7 July 2023, respectively, the same rating as Mongolia's sovereign credit rating. Also Moody's upgraded DBM's Baseline Credit assessment from CAA2 to CAA1. Credit rating agencies consider the Bank as a Government-owned, policy-oriented statutory financial institution which plays main policy role to provide funds to strategically important sectors and large projects supports, and having access to full government support if needed in accordance with the Law on Development Bank of Mongolia, and the Law on Debt Management.

2. FINANCIAL REPORTING FRAMEWORK AND BASIS FOR PREPARATION AND PRESENTATION

Basis of Preparation and Presentation

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as modified by the Bank of Mongolia (BOM) guidelines.

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments (derivatives, available-for-sale financial investments, financial assets at fair value through profit or loss) that are measured at fair value. The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 28.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts without being contingent on a future event and there is an intention to settle on a net basis in all of the following circumstances:

- The normal course of business;
- The event of default;
- The event of insolvency or bankruptcy of the Group and/or the counterparties.

Positions recognised on a net basis primarily include balances with exchanges, repurchase agreements, clearing houses and brokers. Derivative financial assets and liabilities with master netting arrangements are only presented net when they satisfy the eligibility of netting for all of the above criteria and not just in the event of default.

Going Concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

Functional Currency

These consolidated financial statements are presented in Mongolian Tugriks ('MNT'), the currency of the primary economic environment in which the Group operates and the Bank's functional currency. All values are rounded to the nearest thousands, except when otherwise indicated.

2. FINANCIAL REPORTING FRAMEWORK AND BASIS FOR PREPARATION AND PRESENTATION (CONTINUED)

Changes in Accounting Policies

Accounting Framework

On 1 January 2018 the Group changed its accounting framework from International Financial Reporting Standards to International Financial Reporting Standards as modified by the BOM guidelines.

The major items modified by the BOM guidelines that are different to IFRS and significantly impact the Bank comprise the following. Details are included in the corresponding notes:

- Deferral of the adoption of impairment (expected credit losses) of financial assets carried at amortized cost under IFRS 9; and
- Repossessed assets.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank and its subsidiaries. Control is achieved when the Bank:
- has power over the investee;
- is exposed, or has right, to variable returns from its involvements with the investee; and
- has ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value or amortized cost as described below.

Fair value. 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. 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. The price within the bid-ask spread that is most representative of fair value in the circumstances was used to measure fair value, which management considers is the last trading price on the reporting date. The quoted market price used to value financial assets is the current bid price; the quoted market price for financial liabilities is the current asking price.

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:

- **Level 1 financial instruments** –Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Group has access to at the measurement date. The Group considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value (continued).

- **Level 2 financial instruments** –Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Group will classify the instruments as Level 3.
- **Level 3 financial instruments** –Those that include one or more unobservable input that is significant to the measurement as whole

Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Transaction costs. 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.

Amortized cost. Amortized cost is the amount at which the financial instrument was recognized at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment 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 amortized 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 consolidated statement of financial position.

The effective interest method. Interest income and expenses are recognised in profit or loss using the effective interest rate (EIR) method. The effective interest rate is the rate that exactly discounts future cash payments or receipts through the expected life of the financial instruments to:

- The gross carrying amount of the financial asset; or
- The amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit loss. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit loss.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate.

Initial recognition of financial instruments. Trading securities, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus 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. All purchases and sales of financial assets are recorded at the settlement date, i.e. when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets. The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognizes a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 government investment and Bank of Mongolia's investment securities 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 amortized cost.

Bank deposits. Bank deposit are recorded when the Group advances money to counterparty banks with initial maturity of more than three months 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 amortized cost.

Held-to-maturity investments. Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that are quoted in an active market, which the Group has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate, less any impairment. If the Group were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held-to-maturity financial investments during the following two years.

Financial assets at fair value through profit or loss. A financial asset at fair value through profit or loss (FVTPL) is a financial asset that meets either of the following conditions.

a. It is classified as held for trading. A financial asset is classified as held for trading if:

   - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
   - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
   - it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

b. Upon initial recognition it is designated by the Group as at FVTPL.

A financial asset at FVTPL is measured initially at fair value. For financial assets at FVTPL, directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, all financial assets at FVTPL, including assets held for trading, are measured at fair value. Gains and losses arising from changes in the fair value of trading instruments and other financial assets at FVTPL are recognised in profit or loss and directly in equity, respectively.

Available-for-sale investments. AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Available-for-sale investments are carried at fair value. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income and accumulated under the heading of fair value reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale investment. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to profit or loss for the year.

Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss for the year.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments. The Group enters into various types of transactions that involve derivative financial instruments in the ordinary course of business. The Group's derivative financial instruments primarily comprise interest rate swaps, cross currency swaps and forward foreign exchange contracts. These financial instruments are recognized at fair value in the statement of the financial position initially and are carried at fair value. 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 on derivatives). The Group does not apply hedge accounting.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if they meet the definition of a derivative (as defined above), their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in profit or loss.

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates, and has no intention of trading the receivable. Loans and advances to customers are carried at amortized cost using the EIR, less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. In accordance with the Bank of Mongolia guidelines, performing loans are loans where the related impairment allowance comprises equal to or less than 5% of the gross outstanding loan amount.

Impairment of financial assets carried at amortized cost. Impairment losses are recognised in profit or loss for the period when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated.

The following additional criteria are also used to determine whether there is objective evidence that an impairment loss event has occurred:
- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by the borrower's financial information that the Group obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower; or
- the value of collateral significantly decreases as a result of deteriorating market conditions.

For financial assets carried at amortised cost the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped as appropriate on the basis of the similar credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors the impairment allowances are computed on an average of historical loss experience of each risk grouping over the outstanding balance. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. Allowances are made against the carrying amount of financial assets that are identified as being impaired, based on regular reviews of outstanding balances. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year and included in the impairment loss on loans and advances' financial line items.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets carried at amortized cost (continued). Uncollectible assets are written off against the related impairment loss allowance after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss for the year.

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Prepayments. Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Property and Equipment. Property and equipment are initially measured at cost. At the end of each reporting period, property and equipment are measured at cost less any subsequent accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is computed on the straight-line method, based on the estimated useful lives of the assets as follows:

- Buildings and facilities	40 years
- Equipment	3 years
- Furniture and fixture	10 years
- Vehicles	10 years

***Derecognition of property and equipment**.* An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Intangible Assets. Intangible assets that are acquired by the Group with finite useful lives are initially measured at cost. At the end of each reporting period, items of intangible assets acquired are measured at cost less accumulated amortization and accumulated impairment losses. Cost includes purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of preparing the intangible asset for its intended use.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

Amortization of an intangible asset with a finite useful life is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows:

- Computer software and license	10 years

Derecognition of intangible assets. An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

***Impairment of tangible and intangible assets**.* At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment or intangible assets. 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. 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.

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortized cost. These are used to settle the loans and advances by the borrower and do not carry any interest.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sale and 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 such sale and repurchase agreements are not derecognized. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to other banks or other borrowed funds. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the effective interest rate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within 'Reverse repurchase agreements', reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in 'Interest income' and is accrued over the life of the agreement using the EIR.

Bonds and Borrowings. Debt securities representing bonds issued and borrowings are stated at amortized cost. The amortised cost of borrowed funds is calculated using the EIR by taking into account any transaction costs related to the transaction. If the Group purchases its own debt securities in issue or settles its borrowings, they are removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from retirement of debt (derecognition of liability). All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Repossessed assets. Repossessed assets are initially recognised at the lower of their fair values less costs to sell and the amortised cost of the related outstanding loans on the date of the repossession. The related loans and advances together with the related impairment allowances are derecognised from the balance sheet. Expenditure incurred to make the repossessed assets ready for sell are capitalised with the related repossessed assets. Subsequently, repossessed assets are measured at the lower of their cost and fair value less costs to sell.

Capital contributions. Capital contributions represent injections of capital by the owner of the Bank either in the form of cash contributions, conversion of retained earnings, or other forms of contributions from the owner.

Income tax. Income tax has been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity. Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax. Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the year when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Current and deferred taxes are recognised as income tax benefits or expenses in the income statement except for tax related to the fair value re-measurement of available-for-sale assets, which is charged or credited to OCI. These exceptions are subsequently reclassified from OCI to the income statement together with the respective deferred loss or gain. The Group also recognises the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions, Contingent Liabilities and Contingent Assets

Provisions. Provisions are recognized when the Group has a present obligation, either legal or constructive, as a result of a past event, it is probable that the Group will be required to settle the obligation through an outflow of resources embodying economic benefits, and the amount of the obligation can be estimated reliably. The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the cash flows estimated to settle the present obligation; its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision is reversed.

Contingent liabilities and assets. Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are disclosed only in case if an inflow of economic benefits is probable.

Credit related commitments. From time to time, the Group enters into credit related commitments, including letters of credit and financial guarantees. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans.

Financial guarantees and commitments to provide a loan are initially recognized at their fair value, which is normally evidenced by the amount of fees received. This amount is amortized 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 the higher of (i) the remaining unamortized balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period. In cases where the fees are charged periodically in respect of an outstanding commitment, they are recognized as revenue on a time proportion basis over the respective commitment period.

Employee benefits

(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 Group. Short term accumulating compensated absences such as paid annual leave are recognised as a liability when services are rendered by employees that increase their entitlement to future compensated absences in profit or loss, 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 Group 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 Group.

(iii) Long term benefits

The Group has provided funding to third party banks in order for them to provide its employees with cheaper mortgage and salary loans. The cost of this scheme has been booked as a prepayment and will be expensed through the consolidated statement of profit or loss and other.

(Expressed in thousands of Mongolian Tugriks unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income and expense recognition. Interest income and expense are recorded for all debt instruments 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.

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 Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Foreign currency transactions. The functional currency of the Group is the currency of the primary economic environment in which the entity operates. Thus, the Group's functional currency and presentation currency are the national currency of Mongolia, MNT.

The transactions in currencies other than the entity's functional currency (foreign currency) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

At 31 December 2023 the rate of exchange used for translating USD, JPY, EUR and CNY denominated balances were as following:

Currencies	**31 December 2023**	**31 December 2022**
USD	3,410.69	3,444.60
JPY	24.22	26.07
EUR	3,791.66	3,669.02
CNY	480.01	495.40

Principal and agent arrangements. The Group obtains funding designated to advance a specific loan facility to a specific borrower. For such arrangements, the Group considers whether it acts as a principal or an agent of the party providing the funding, by applying the "pass-through" criteria to the loans which are as follows: a) the Group has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset; b) the Group is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and c) the Group has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. If the pass-through criteria are not met, the Group acts as a principal, it recognizes funds disbursed and funds received as assets and liabilities in the consolidated statement of financial position, and related interest income and interest expenses in the consolidated statement of profit or loss and other comprehensive income.

If the pass-through criteria are met, the Group acts as an agent and recognizes the amount of fee received from the related arrangement in the consolidated statement of profit or loss and other comprehensive income. Funds received and funds disbursed do not meet definition of assets and liabilities, and are not recognized in the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related party transactions. A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.
A person or a close member of that person's family is related to the Group if that person:

- has control or joint control over the Group or;
- has significant influence over the Group or;
- is a member of the key management personnel of the Group or of a parent of the Group.

An entity is related to the Group if any of the following conditions apply:

- the entity and the Group are members of the same Group which means that each parent, subsidiary and fellow subsidiary is related to the others;
- one entity is an associate or joint venture of the other entity or an associate or joint venture of a member of a group of which the other entity is a member;
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- the entity is controlled or jointly controlled by a person who is a related party as identified above and;
- a person that has control or joint control over the reporting entity has significant influence over the entity or is a member of the key management personnel of the entity or of a parent of the entity.

Due to the nature of the Bank and its role as a policy bank many loans and transactions are with related parties. The Group applies the exemption from the disclosure of individually insignificant transactions with government related parties as allowed under IAS 24, paragraph 25.

Presentation of statement of financial position in order of liquidity. The Group does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the consolidated statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. The amounts of financial assets and liabilities expected to be recovered or settled before and after twelve months after the reporting period approximate the amounts disclosed in analysis of the financial assets and liabilities presented for liquidity management purposes in Note 28. In case of non-financial assets and liabilities, management believes that the Notes related to these assets and liabilities, contain sufficient information for the users of these consolidated financial statements with regard to period of their expected recovery or settlement.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that period or in the year of the revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation Uncertainty. The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Impairment allowances on loans and advances

The Group has assessed whether impairment indicators exist in case of corporate loans and whether recognition of an impairment provision is needed for customers with impairment indicators, due to delays in repayment by the customer or other factors which are unlikely to be compensated by additional interest. In making this assessment management has considered all available information at the time of the approval of these consolidated financial statements.

Management believes that all customers with impairment indicators, which are likely to lead to substantial delays in loan repayment by the customer, have been identified and that sufficient impairment allowance has been recognised in these consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Impairment allowances on loans and advances (continued)

The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss in relation to its corporate loans should be recorded in profit or loss for the year, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in the Group, or national or local economic conditions that correlate with defaults on assets of the Group. Management uses estimates based on credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Impairment losses for individually significant loans are based on estimates of discounted future cash flows of the individual loans, taking into account repayments and realisation of any assets held as collateral against the loans.

In addition, management considers whether an impairment allowance is needed on a collective basis for loans without impairment indicators or loans with no specific impairment allowance, given the current operating environment, financial conditions and liquidity of the industries in which customers operate, the level of collateral and its ability to be foreclosed in practice, and the likelihood that projects financed by the Group would experience delays. Collective assessment includes corporate loans which are expected to be repaid by the customer which no individual impairment loss is recognised.

A 10% increase or decrease in actual loss experience compared to the loss estimates would result in an increase or decrease in loan impairment losses of MNT 82,524 million (31 December 2022: 10% increase or decrease MNT 89,002 million), refer to Note 11.

Fair value of financial instruments

The fair value of financial instruments including derivatives is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models.

The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish the fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

The principal financial instruments carried at fair value comprise financial assets at FVTPL, available-for-sale investments, estimated based on market prices, and derivative financial instruments. A 10% increase or decrease in market prices used to value financial assets at FVTPL would result in an increase or decrease in financial assets at FVTPL by MNT 1,181 million (31 December 2022: 1,594 million). A 10% increase or decrease in market prices used to value available-for-sale investments would result in an increase or decrease in available-for-sale investments by MNT 21,218 million (31 December 2022: 10% increase or decrease MNT 31,247 million). A 10% increase or decrease in the inputs to the models used for the estimation of the fair value of financial derivatives would result in an increase or decrease in the financial derivatives by MNT 423 million (31 December 2022: 10% increase or decrease MNT 1,608 million).

For further details about determination of fair value please see Note 30.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Deferred income tax asset recognition

Recognised deferred tax assets represent income taxes recoverable through future deductions from taxable profits and are recorded in the consolidated statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances taking into account the Bank's actual profitability during the year. As at 31 December 2023, the Bank recognized net deferred tax assets of MNT 46,069 million (31 December 2022: MNT 47,332 million) (see Note 27) which mostly relate to the temporary differences arising from net unrealized foreign exchange translation losses on financial liabilities denominated in foreign currency in accordance with Mongolian tax legislation. Management has concluded that it will be able to recover its deferred tax assets in the year of repayment of foreign currency denominated financial liabilities (such as bonds and borrowings) and is likely to incur tax at the rate of 10%.

As a result, management believes that net deferred tax assets of MNT 46,069 million, recognized as at 31 December 2023, are fully recoverable. In reaching this conclusion, management considered relevant regulations, nature of its settlement and related tax credit, precedents relevant to this case and other available information at the time of approval of these consolidated financial statements.

Tax system in Mongolia

The Government of Mongolia continues to reform the business and commercial infrastructure in its transition to a market economy. As a result, the laws and regulations affecting businesses continue to change rapidly. While the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, any changes in the law and regulations may create tax risks for the Group.

5. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following new standards, interpretations and amendments to existing standards have been published and are effective for subsequent annual periods, and the Group has not yet adopted them. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments (IFRS 9)

IFRS 9, published in December 2015, replaces the existing guidance in IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IFRS 9.

Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Impairment – Financial assets and contract assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

5. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Impairment – Financial assets and contract assets (continued)

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date.

Classification - Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

Adoption of IFRS 9

In 2018, the Bank of Mongolia announced that the mandatory adoption of IFRS 9 for banks in Mongolia is deferred until 2020. In 2020, the Bank of Mongolia informed the Bank that the IFRS 9 implementation date was further deferred and a final date has not yet been determined.

The Group is currently assessing the potential impact on its financial statements resulting from this delay in the adoption of IFRS 9. As a result, the Group has not yet assessed the full impact of adopting IFRS 9.

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5. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Other new standards issued by the International Accounting Standards Board (IASB) which do not yet apply in the current financial year

The following amended standards and interpretations are not expected to have a significant impact on the Group's financial statements.

Effective Date	New Standards or amendments
1 January 2023	Classification of Liabilities as Current or Non-current (Amendments to IAS 1) *
	IFRS 17 Insurance Contracts** and amendments to IFRS 17 Insurance Contracts
	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
	Definition of Accounting Estimates (Amendments to IAS 8)
Available for optional adoption/effective date deferred indefinitely***	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

*The Amendments to IAS 1, as issued in January 2020 (2020 amendments), are subject to future developments. Certain application issues resulting from the 2020 amendments have been raised with the IFRS Interpretations Committee, which referred them to the Board. In June 2021, the Board tentatively decided to propose further amendments to IAS 1 and to defer the effective date of the 2020 amendments to no earlier than 1 January 2024.
**Early application of IFRS 17 is permitted only for companies that also apply IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers.
***The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted.

Adoption of new or revised standards and interpretations in the current year

In the current year, the Group has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board ('IASB') that are mandatorily effective for an accounting period that begins on or after 1 January 2022. The following amended standards became effective from 1 January 2022, but did not have a material impact on the Group:

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

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6. CASH AND CASH EQUIVALENTS

In thousands of Mongolian Tugriks	**31 December 2023**	**31 December 2022**
Cash on hand	513	2,090
Current accounts with the BOM	104,397,326	57,588,066
Current account with the Ministry of Finance	1,592,551	794,694,877
Cash at other banks:		
- Domestic	4,343,499	5,493,107
- Foreign	33,923,368	32,639,065
Short term deposits with local banks	300,360	-
Total cash and cash equivalents	**144,557,617**	**890,417,205**
Less: Impairment allowance on cash and cash equivalents	-	-
Net amount of cash and cash equivalents	**144,557,617**	**890,417,205**

The credit quality of cash and cash equivalents balances may be summarized based on Moody's ratings or equivalents of Standard and Poor's and/or Fitch ratings. The credit quality as at 31 December 2023 and 31 December 2022 was as follows:

In thousands of Mongolian Tugriks	**31 December 2023**	**31 December 2022**
A1	19,475,444	4,329,274
Bank of Mongolia – B3 rated	104,397,326	57,588,066
Ministry of Finance – B3 rated	1,592,551	794,694,877
B3	19,091,604	5,491,853
Unrated	179	28,311,045
Total cash and cash equivalents, excluding cash on hand	**144,557,104**	**890,415,115**

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7. BANK DEPOSITS

The Group's bank deposits represent term deposits whose maturity is greater than three months from the date of placement.

The credit quality of term deposits may be summarised based on Moody's ratings or equivalents of Standard and Poor's and/or Fitch ratings. The credit quality as at 31 December 2023 and 31 December 2022 was as follows:

In thousands of Mongolian Tugriks	31 December 2023	31 December 2022
B3	15,274,576	13,981,965
Unrated	40,129,061	49,904,551
Total bank deposits	**55,403,637**	**63,886,516**
Less: Impairment allowance on bank deposits	(22,611,260)	(34,954,898)
Net amount of bank deposits	**32,792,377**	**28,931,618**

Impairment allowance on bank deposits

Movements in the impairment allowance for bank deposits are as follows:

In thousands of Mongolian Tugriks	2023	2022
Opening balance	34,954,898	31,886,821
Increase during the year	424,913	3,150,202
Reversal during the year	(3,486,343)	(151,600)
Reclassification to other assets	(9,126,022)	-
Foreign exchange rate difference	(156,186)	69,475
Closing balance	**22,611,260**	**34,954,898**

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8. DERIVATIVE FINANCIAL INSTRUMENTS

In thousands of Mongolian Tugriks	31 December 2023		31 December 2022	
	Carrying value	Nominal USD, EUR	Carrying value	Nominal USD, EUR
USD receivable on settlement from domestic banks	-	-	21,753,965	325,000,000
Total derivative financial assets	**-**		**21,753,965**	
USD payable on settlement to international bank	-	-	(787,036)	17,000,000
EUR payable on settlement to international bank	(3,598,694)	32,275,000	(4,885,793)	42,400,000
JPY payable on settlement to international bank	(577,630)	14,500,000	-	-
CNY payable on settlement to international bank	(51,500)	4,600,000	-	-
Total derivative financial liabilities	**(4,227,824)**		**(5,672,829)**	

The Group enters into deliverable and non-deliverable financial derivative contracts. As at 31 December 2023, the Group has open currency swap agreements totalling USD 51 million (31 December 2022: total of USD 387 million). The Group holds the derivative financial instruments at fair value until the maturity of the agreements made.

9. AVAILABLE-FOR-SALE INVESTMENTS CARRIED AT FAIR VALUE

In thousands of Mongolian Tugriks	31 December 2023	31 December 2022
Debt securities		
Mongolian Government securities	-	4,901,671
Foreign Government securities	-	3,462,264
Corporate bonds	144,380,184	234,772,026
Equity securities		
MIK Holding JSC (listed on the Mongolian Stock Exchange)	67,803,010	62,440,408
Total available-for-sale investments carried at fair value	**212,183,194**	**305,576,369**

The debt securities comprise private companies' debt issued on local and international capital markets denominated in MNT.

Currency and maturity analysis of Available-for-sale investments is disclosed in Note 28.

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10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

In thousands of Mongolian Tugriks	31 December 2023	31 December 2022
Corporate bonds designated as at FVTPL	11,807,750	19,248,584

Currency and maturity analysis of financial assets at fair value through profit or loss is disclosed in Note 28.

10.1 INVESTMENT SECURITIES HELD TO MATURITY

In thousands of Mongolian Tugriks	31 December 2022	31 December 2022
Mongolian government securities	-	387,826,553
Corporate bonds	180,962,377	180,962,377
Total investment securities held to maturity	**180,962,377**	**568,788,930**

Investment securities held to maturity comprise bonds issued by State Housing Corporation SOLLC with total nominal value of MNT 180,500 million due in December 2027, which were obtained by the Group in exchange for loans issued to State Housing Corporation SOLLC in 2013 and 2015.

Currency and maturity analysis of financial assets at fair value through profit or loss is disclosed in Note 28.

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11. LOANS AND ADVANCES INCLUDING LEASE RECEIVABLES

Loans and advances including lease receivables consist of the following:

In thousands of Mongolian Tugriks	31 December 2023	31 December 2022
Loans and advances	2,262,376,007	2,641,774,744
Lease receivables	62,413,108	83,853,959
Total loans and advances including lease receivables	**2,324,789,115**	**2,725,628,703**
Less: Impairment allowance on loans and lease receivables	(825,238,908)	(890,018,425)
Net amount of loans and advances including lease receivables	**1,499,550,207**	**1,835,610,278**

The borrowers principally comprise companies implementing the projects and programs which the Group directly finances, as well as commercial banks that on-lend the Group's loans to corporate borrowers.

The Group generally provides finance to key strategic sectors, such as infrastructure projects, roads, energy, manufacturing, air transportation, mining and housing construction, based on the Mongolian government's economic development policy. The Group is aiming to support medium to long term development programs that support economic growth and diversification of the economy, as well as programs that are value-added, export-oriented and encourage import substitution.

In accordance with Chapter 3 and Article 2.1.1 of the guideline for the classification of assets of the Development Bank of Mongolia (DBM), the Development Group calculates the amount of asset impairment, determines the percentage of impairment compared to the total outstanding amount of the asset, and establishes the asset classification. As at and for the year ended 31 December 2023, the Group adhered to the guideline, calculating the amount of asset impairment and determining the percentage of impairment. The calculation is conducted based on either analysis on cashflow of the borrowers or the latest value of the collaterals performed by independent third parties appointed by DBM, with the exception of the collateral of Hutul LLC, which held an outstanding loan with DBM totaling MNT 376.23 billion as of 31 December 2023. For Hutul LLC, the Development Bank considered the collateral value to be 80% of MNT 190.8 billion, as assessed by independent third party appointed by a law enforcement agency of Mongolia on 2022. It is noted that, the Bank had previously considered the value of Cement Lime LLC's business as collateral since the collateral agreement includes the upgraded factory as collateral. Additionally, it is reasonable to note that the Cement Lime LLC is now fully owned by the State.

In accordance with Article 2.1.2 of the guideline for the classification of assets of the Development Bank of Mongolia (DBM), which outlines the establishment of an asset provision and procedures for expenditure, it is required that the Group submit the asset classification determined in accordance with Article 2.1.1 of the Regulation to the Credit Database of the Bank of Mongolia. It is noted that the impairment amount resulting from the timing difference between 24 December 2023 and 31 December 2023 is not deemed significant or material for adjustment. Therefore, the management of DBM has elected not to make an adjustment for the impairment amount.

The Group provides lease finance to policy-oriented projects in the agriculture, mining and transportation sectors. The projects should meet the objectives of the Group, which aims to increase social benefits and support strategically efficient sectors.

11. LOANS AND ADVANCES INCLUDING LEASE RECEIVABLES (CONTINUED)

Analysis by credit quality of loans outstanding is as follows:

In thousands of Mongolian Tugriks	31 December 2023	31 December 2022
Neither past due nor impaired:		
- Public sector	669,013,212	319,045,752
- Private sector	175,785,164	304,686,564
Total neither past due nor impaired	**844,798,376**	**623,732,316**
Past due but not impaired:		
- less than 30 days overdue	457,207	-
- more than 30 days but less than 90 days overdue	-	46,801,060
- more than 90 days but less than 180 days overdue	-	3,205,168
- more than 180 days but less than 360 days overdue	-	35,665,364
- over 360 days overdue	187,886,382	519,841,031
Total past due but not impaired	**188,343,589**	**605,512,623**
Impaired:		
- less than 30 days overdue	1,099,777	1,321,600
- over 360 days overdue	1,290,547,373	1,495,062,164
Total impaired loans and advances	**1,291,647,150**	**1,496,383,764**
Less: Impairment allowance	**(825,238,908)**	**(890,018,425)**
Total net amount of loans and advances including lease receivables	**1,499,550,207**	**1,835,610,278**

Loans of MNT 310,406 million that are not past due according to their terms after forbearance have been classified as watch loans but not impaired, which is part of past due but not impaired (2022: MNT 458,060 million). In accordance with the BOM guidelines, watch loans are loans where the related impairment allowance comprises between 5% and 25% of the gross outstanding loan amount. For the purpose of the above disclosure, watch loans are considered as past due but not impaired.

The Group considers a loan to be impaired once the proportion of impairment allowance relative to the gross loan and interest balance exceeds 25%.

Due to the nature of the Group's activities and its small number of borrowers, the Group has a certain concentration of credit risk. As at 31 December 2023, the total loans of the top 5 largest borrowers of the Group, before impairment, amounts to MNT 1,236,622 million (31 December 2022: MNT 1,273,099 million) or 53.2% of gross loans and advances (31 December 2022: 46.7%). The total carrying value of loans of these 5 largest borrowers after impairment is MNT 769,508 million as at 31 December 2023 (31 December 2022: MNT 781,037 million) or 51.3% of net loans and advances (31 December 2022: 42.5%). These top 5 largest borrowers' loans do not include any on-lending loans through local commercial banks.

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11. LOANS AND ADVANCES INCLUDING LEASE RECEIVABLES (CONTINUED)

Movements in the impairment allowance on loans and advances including lease receivables are as follows:

In thousands of Mongolian Tugriks	Loans and advances	Lease receivables	Total
Impairment allowance on loans and advances including lease receivables at 1 January 2022	**932,223,577**	**9,104,516**	**941,328,093**
Net movement	**(49,627,632)**	**(1,682,036)**	**(51,309,668)**
Increase in impairment allowance during the year	5,133,992	1,456,722	6,590,714
Reversal of impairment allowance during the year	(133,330,113)	(3,138,758)	(136,468,871)
Foreign exchange rate movement during the year	78,568,489	-	78,568,489
Impairment allowance on loans and advances including lease receivables at 31 December 2022	**882,595,945**	**7,422,480**	**890,018,425**
Net movement	**(75,927,730)**	**11,148,213**	**(64,779,517)**
Prior year adjustment	-	9,273,952	9,273,952
Increase in impairment allowance during the year	65,206,385	3,288,900	68,495,285
Reversal of impairment allowance during the year	(138,681,255)	(403,451)	(139,084,706)
Foreign exchange rate movement during the year	(2,452,860)	(1,011,188)	(3,464,048)
Impairment allowance on loans and advances including lease receivables at 31 December 2023	**806,668,215**	**18,570,693**	**825,238,908**

The financial effect of collateral is presented by disclosing collateral values separately for (i) those loans where collateral and other credit enhancements are equal to or exceed the carrying value of the loan ("over-collateralised loans") and (ii) those loans where collateral and other credit enhancements are less than the carrying value of the loan ("under-collateralised loans").

The financial effect of collateral consists of the following:

	31 December 2023		**31 December 2022**	
In thousands of Mongolian Tugriks	Carrying value of the loans and advances	Value of collateral	Carrying value of the loans and advances	Value of collateral
Over-collateralized loans	1,024,668,882	1,599,674,800	1,319,700,283	1,994,603,110
Under-collateralized loans	474,881,325	460,874,351	515,909,995	399,775,249
Total net amount of loans and advances including lease receivables	**1,499,550,207**	**2,060,549,151**	**1,835,610,278**	**2,394,378,359**

11. LOANS AND ADVANCES INCLUDING LEASE RECEIVABLES (CONTINUED)

The gross amounts of renegotiated financial loans which underwent forbearance consist of the following:

In thousands of Mongolian Tugriks	31 December 2023	31 December 2022
Total renegotiated loans and advances	**1,935,274,138**	**1,910,083,359**

Renegotiated loans for which the borrower is paying in accordance with the revised payment schedule are treated as performing loans.

An analysis of the economic sector risk concentrations within the loan portfolio before impairment allowance is as follows:

	31 December 2023		31 December 2022	
In thousands of Mongolian Tugriks	Amount	%	Amount	%
- Manufacturing	1,292,464,691	56%	1,602,377,074	59%
- Power and energy	532,941,553	23%	433,080,082	16%
- Mining and quarrying	283,760,764	12%	310,593,255	11%
- Construction	122,012,384	5%	192,136,726	7%
- Health and social work	40,900,000	2%	68,067,045	3%
- Transportation and logistics	36,048,592	2%	47,104,822	2%
- Agriculture, forestry and fishing	8,490,903	0%	63,540,379	2%
- Financial and insurance activities	850,663	0%	850,663	0%
- Others	7,319,565	0%	7,878,657	0%
Total loans and advances including lease receivables before impairment	**2,324,789,115**	**100%**	**2,725,628,703**	**100%**

11.1 REPOSSESSED ASSETS

In accordance with the "Rental Housing Program" and resolution No.81 of 2018 passed by the Government of Mongolia, the Bank entered into four way agreement with the State Housing Corporation SOLLC ("SHC"), to which the Bank advanced funds in 2013, the Ministry of Construction and Urban Development and various construction companies. The scope of this agreement is to complete these unfinished building projects that were previously owned by, and continue to be managed by, the SHC and place them into use. Under this agreement, the Bank obtained ownership of repossessed assets from SHC in June 2018 and agreed to complete these unfinished buildings. Upon obtaining ownership of these repossessed assets their carrying value was MNT 35,477 million, since when the Bank has invested MNT 62,342 million into completion of their construction.

The total carrying value of the repossessed collateral is MNT 241,529 million as at 31 December 2023 (31 December 2022: MNT 257,073 million).

Two blocks of 120 apartments in Gobi-Altai province, three blocks of 135 apartments in Khuvsgul province and 18 blocks of 972 apartments in Ulaanbaatar were finished and commissioned for use in 2019. Five blocks of 315 apartments in Orkhon province were finished and commissioned for use in 2020.

Under decree No.223 of the Government of Mongolia and resolution No.23 of the Board of the Directors, general guidance for selling those apartments to local government authorities was issued and the Group is in the process of the implementing these guidance.

The management has initiated a process to transfer the assets to local governments. In 2020, the Group entered into agreements with Ulaanbaatar city, Gobi-Altai province, and Khuvsgul provinces' offices to transfer the repossessed assets. On 30 June 2021, the Bank entered into agreement with Orkhon province's office to transfer the repossessed assets. Under the agreements, the Group has received prepayments for purchase of the apartments from those authorities which total MNT 3.8 billion as at 31 December 2023 (31 December 2022: MNT 3.9 billion), refer to Note 19.

During 2023, the Group transferred apartments with cost of MNT 6,148 million to Ulaanbaatar city office and MNT 670 million to Orkhon province (31 December 2022: MNT 2,749 million to Ulaanbaatar city office and MNT 199 million to Govi-Altai province office). Gains were recognised on the repossessed collaterals transferred, see Note 23.

During 2022, the Group obtained buildings and apartments at Gantig Villa project located in Khan-Uul district of Ulaanbaatar in exchange for non-performing loans due from Mongol Meat Expo LLC and under on-lend liabilities due from Capital Bank LLC, in a total amount of MNT 86,779 million. The transfer took place on 21 September 2022, and the carrying value of the assets equal to loans amount of MNT 86,779 million has not changed as at 31 December 2023.

11.1 REPOSSESSED ASSETS (CONTINUED)

The Group received properties located in Khan-Uul district ("New Yarmag Housing Project") with value of MNT 84,337 million which is equal to non-performing loans amount due from State Housing Corporation SOLLC as of the date of transferring these properties to the Group. The carrying value of these repossessed assets has MNT 82,024 million as at 31 December 2023.

In 2023, the Group monitezed repossesed assets of 23 apartments, 6 service areas, 15 parkings with a carrying value of MNT 6,657.1 million MNT. Gains were recognised on the repossessed collaterals transferred, see Note 23.

Repossessed assets consist of the following:

In thousands of Mongolian Tugriks	31 December 2023	31 December 2022
Apartments under construction	59,961,874	59,961,874
Apartments ready for use	189,931,837	202,085,730
Total repossessed assets	**249,893,711**	**262,047,604**
Less: Impairment allowance	(8,364,392)	(4,974,218)
Net amount of repossessed assets	**241,529,319**	**257,073,386**

Impairment allowance on repossessed assets

Movements in the impairment allowance for repossessed assets are as follows:

In thousands of Mongolian Tugriks	2023	2022
Opening balance	4,974,218	903,643
Increase during the year	5,925,665	4,070,575
Reversal during the year	(2,535,491)	-
Closing balance	**8,364,392**	**4,974,218**

12. OTHER ASSETS

In thousands of Mongolian Tugriks	31 December 2023	31 December 2022
Other receivables	32,694,115	1,368,267
Other prepayments	956,222	604,801
Receivables from bankrupted company	9,351,175	-
Supply materials	12,669	18,570
Total other assets	**43,014,181**	**1,991,638**
Less: Impairment allowance on other assets	(10,453,481)	(433,806)
Net amount of other assets	**32,560,700**	**1,557,832**

12. OTHER ASSETS (CONTINUED)

Impairment allowance on other receivables

Movements in the impairment allowance for other receivables are as follows:

In thousands of Mongolian Tugriks	2023	2022
Opening balance	433,806	2,454,176
Increase during the year	1,011,720	34,785
Reversal during the year	(158,757)	(2,061,541)
Reclassification from bank deposits	9,165,090	-
Foreign exchange rate difference	1,622	6,386
Closing balance	**10,453,481**	**433,806**

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13. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

Movements in the carrying amounts of the Group's property and equipment and intangible assets are as follows:

In thousands of Mongolian Tugriks	Buildings and facilities	Equipment	Furniture and fixtures	Vehicles	Total property and equipment	Computer software and licenses	Total
Cost at 1 January 2021	27,731,006	1,714,263	812,742	1,326,763	**31,584,774**	1,870,813	**33,455,587**
Accumulated depreciation/ amortization	(3,926,633)	(1,267,101)	(432,315)	(823,990)	**(6,450,039)**	(1,435,713)	**(7,885,752)**
Carrying amount at 31 December 2021	**23,804,373**	**447,162**	**380,427**	**502,773**	**25,134,735**	**435,100**	**25,569,835**
Additions	-	21,064	-	-	**21,064**	1,559	**22,623**
Depreciation/ amortization charge	(693,275)	(257,950)	(73,369)	(87,447)	**(1,112,041)**	(122,874)	**(1,234,915)**
Disposals at cost	-	(706)	(8,862)	(393,200)	**(402,768)**	-	**(402,768)**
Accumulated depreciation of disposals	-	-	6,536	308,747	**315,283**	-	**315,283**
Write-offs at cost	-	(7,992)	-	-	**(7,992)**	(34,665)	**(42,657)**
Accumulated depreciation/ amortization of write-offs	-	7,226	-	-	**7,226**	34,665	**41,891**
Carrying amount at 31 December 2022	**23,111,098**	**208,804**	**304,732**	**330,873**	**23,955,507**	**313,785**	**24,269,292**
Cost at 31 December 2022	27,731,006	1,726,629	803,880	933,563	**31,195,078**	1,837,707	**33,032,785**
Accumulated depreciation/ amortization	(4,619,908)	(1,517,825)	(499,148)	(602,690)	**(7,239,571)**	(1,523,922)	**(8,763,493)**
Carrying amount at 31 December 2022	**23,111,098**	**208,804**	**304,732**	**330,873**	**23,955,507**	**313,785**	**24,269,292**
Additions	1,208,000	92,499	14,135	-	**1,314,634**	-	**1,314,634**
Depreciation/ amortization charge	(692,023)	(170,831)	(69,731)	(58,761)	**(991,346)**	(64,115)	**(1,055,461)**
Disposals at cost	-	-	(2,739)	(46,843)	**(49,582)**	-	**(49,582)**
Accumulated depreciation of disposals	-	-	2,739	46,843	**49,582**	-	**49,582**
Carrying amount at 31 December 2023	**23,627,075**	**130,472**	**249,136**	**272,112**	**24,278,795**	**249,670**	**24,528,465**
Cost at 31 December 2023	28,939,006	1,819,128	815,276	886,720	**32,460,130**	1,837,707	**34,297,837**
Accumulated depreciation/ amortization	(5,311,931)	(1,688,656)	(566,140)	(614,608)	**(8,181,335)**	(1,588,037)	**(9,769,372)**
Carrying amount at 31 December 2023	**23,627,075**	**130,472**	**249,136**	**272,112**	**24,278,795**	**249,670**	**24,528,465**

In 2023 and 2022, the Group has transferred vehicles to state companies due to decision of the Government Agency for Policy Coordination on State Property and Regulation.

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14. CUSTOMER ACCOUNTS

In thousands of Mongolian Tugriks	31 December 2023	31 December 2022
Customer accounts	8,815,342	4,798,957

These customer accounts are primarily used for disbursements and repayments of the loans issued to borrowers of the Group. No interest is paid on these customer current accounts. As at 31 December 2023, customer current accounts consist of 10 accounts (31 December 2022: 48 accounts).

Economic sector risk concentrations within the customer accounts are as follows:

In thousands of Mongolian Tugriks	31 December 2023	31 December 2022
- Power and energy	4,973,859	675,790
- Manufacturing	3,834,307	4,075,484
- Construction	6,736	7,120
- Mining and quarrying	439	289
- Agriculture, forestry and fishing	1	40,001
- Transportation and logistics	-	181
- Financial and insurance activities	-	92
Total customer accounts	**8,815,342**	**4,798,957**

14.1 TIME DEPOSITS

In thousands of Mongolian Tugriks	31 December 2023	31 December 2022
Time deposits	34,123,720	-

For the repayment of DBM Euro bond, the Bank obtained a deposit with maturity of 3 months and 6% rate from Erdenes Tavan Tolgoi JSC .

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15. OTHER LIABILITIES

In thousands of Mongolian Tugriks	**31 December 2023**	**31 December 2022**
Other financial liabilities		
Payables to acquire assets for leasing	5,172	5,568
Warranty deposit	1,067,480	1,095,074
Interbank settlements	789,505	140
Other liabilities for repossessed assets	120,175	120,175
Others	1,468,729	874,542
Contract liabilities for technical assistance	734,955	1,464,781
Other non-financial liabilities	11,276	17
Total other liabilities	**4,197,292**	**3,560,297**

The other liabilities for repossessed assets as at 31 December 2023 consist of MNT 120.2 million of construction costs related to the completion of construction of repossessed assets, see Note 11.1 (31 December 2022: MNT 120.2 million).

Contract liabilities for technical assistance as at 31 December 2023 comprise MNT 735 million of liabilities due by DBM Asset Management LLC to Asian Development Bank for services on establishing an “Eco-district and Affordable Housing Fund” under the “Ulaanbaatar green affordable housing and resilient urban renewal sector project” to institute, manage, and increase staff capacity (31 December 2022: MNT 1.5 billion).

16. DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

In thousands of Mongolian Tugriks	**31 December 2023**	**31 December 2022**
Short-term placements from other banks	225,210,272	29,583,716

The deposits due to other banks and financial institutions consist of term deposits with maturities up to three months, and the interest rate is 6% to 15% (2022: 2.9% to 7.1%).

17. BONDS

Bonds comprise:

In thousands of Mongolian Tugriks	31 December 2023	31 December 2022
Guaranteed by the Government of Mongolia:		
JPY 30 billion Notes due in 2023	-	768,694,998
Unguaranteed:		
USD 500 million Senior Notes due in 2023	-	1,579,360,788
MNT 142.5 billion private placement notes due in 2024	145,231,182	145,231,182
MNT 76.5 billion private placement notes due in 2025	79,071,313	78,918,252
MNT 346.0 billion private placement notes due in 2027	353,710,744	-
USD 32 million Bonds issued to the local commercial banks	109,464,589	-
Total issued bonds	**687,477,828**	**2,572,205,220**

In October 2021, the Bank issued MNT 142,458 million private placement notes to the Mongolian over-the-counter (OTC) market. This bond was the biggest issued bond on the OTC market of Mongolia. On 20 April 2022, the Group successfully issued the second tranche of MNT 76,531 million of private placement bond on the OTC market of Mongolia due in April 2025.

In May 2023, the Group issued 260,073 million MNT private bonds. In June 2023, the second tranche of MNT 85,935 million was successfully traded with the condition of payment in May 2027.

In December 2023, the Group issued a total of USD 32 million worth of securities to domestic commercial banks with the condition of payment in December 2025.

In 2023, the Group fully repaid the 30 billion yen bond and the 500 million US dollar bond issued in the international market.

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18. BORROWINGS

Borrowings comprise:

In thousands of Mongolian Tugriks	31 December 2023	31 December 2022
Borrowings from foreign banks and financial institutions:		
Unguaranteed:		
VEB.RF	170,819,236	163,345,620
China Development Bank	106,689,216	33,357,059
Bank of Mongolia	429,893,260	385,837,926
Total borrowings	**707,401,712**	**582,540,605**

VEB.RF. The Group entered into a bilateral loan agreement with the Russian State Corporation "Bank for Development and Foreign Economic Affairs (VEB.RF)" in June 2015 for a total amount of USD 20 million to refinance funds used for the expansion of Combined Heat and Power Plant 4 (CHP4). In October 2017, the Group obtained its second credit facility from VEB.RF in an amount of USD 1.5 million and USD 8.5 million with a period of five years and a fixed interest rate in order to refinance the purchase of agricultural equipment.

The Group entered into four further bilateral loan agreements with Vnesheconombank in October 2018. The purpose of these loans is to refinance funds used for the expansion of Combined Heating and Power Plant No4 (CHP4) and to refinance funds used for purchasing agricultural equipment. Those credit facilities expire in April 2024 and October 2026, respectively.

The Group entered into two further bilateral agreements with Vnesheconombank in June 2019 with credit facilities of EUR 16.4 million and EUR 2.9 million. These credit facilities expire in July 2026 and June 2025, respectively. The purpose of these loans is to finance expansion projects of Thermal Power Plant 4 (TPP-4).

China Development Bank. The Group entered into a fixed rate loan agreement with China Development Bank in 2020 for a total amount of CNY 420 million for a period of ten years to finance the expansion project of Choibalsan Thermal Power Plant. Since the establishment of loan agreements the Bank drew down CNY 44.2 million and CNY 25.6 million in October 2021 and May 2022 respectively in line with the project implementation process. In 2023 the Bank drew down CNY 11.3 million and CNY 145.1 million in March and November respectively in line with the project implementation process. Since the establishment of loan agreement the total disbursement from CDB amounted to CNY 226.6 million.

Bank of Mongolia. The Group entered into a fixed rate collateralized loan agreement with Bank of Mongolia in 2022, where the collateral is bonds issued by the Government of Mongolia in 2022 with book value of MNT 387.8 billion which recorded in Investment securities held to maturity (see Note 10.1). The loan is fully closed in 2023.

In December 2023, the Group entered into a 3-month secured loan agreement of MNT 429.0 billion with the Bank of Mongolia as collateral for its normal loan portfolio.

18. BORROWINGS (CONTINUED)

Loan covenants. VEB.RF and China Development Bank borrowing agreements contain various financial covenants related to the financial statements and other information of the Group. They are as follows:

- Credit ratings by international credit rating agencies
- Capital adequacy ratio
- Net stable funding ratio
- Non-performing loans ratio
- Net open position over capital ratio
- Open credit ratio

Certain covenants from the above were not met as at 31 December 2023 and 31 December 2022.

Under the current borrowing agreements, based on the level of non-compliance one lender may impose penalty interest, and the other lender may claim an event of default of the borrowing. However, the lenders neither imposed penalty interest nor claimed an event of default of the borrowings as of date of this report.

18.1 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

Movements in external funding liabilities during the year ended 31 December 2023 are as follows:

In thousands of Mongolian Tugriks	1 January 2023	Financing cash flows		Exchange difference	Other changes (i)	31 December 2023
		Inflow	Outflow			
Bonds	2,572,205,220	455,359,860	(2,327,858,348)	(209,280)	(12,019,624)	687,477,828
Borrowings	582,540,605	503,373,558	(383,576,833)	4,016,772	1,047,610	707,401,712

Movements in external funding liabilities during the year ended 31 December 2022 are as follows:

In thousands of Mongolian Tugriks	1 January 2022	Financing cash flows		Exchange difference	Other changes (i)	31 December 2022
		Inflow	Outflow			
Bonds	2,339,648,455	76,530,500	(221,541,653)	337,800,000	39,767,918	2,572,205,220
Borrowings	619,349,154	393,913,277	(465,495,472)	23,658,814	11,114,832	582,540,605

(i) Other changes comprise movements in interest accrued

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19. RELATED PARTY TRANSACTIONS

Transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures". As discussed in Note 1, the Group is 100% owned by the Government of Mongolia and its main operation is financing of projects within Mongolia. Accordingly, the Group enters into transactions with related parties as a result of its ownership by the Government of Mongolia's ownership. According to IAS 24 "Related Party Disclosures" other related parties of the Group comprise national companies and other organizations controlled, jointly controlled or under significant influence of the Government of Mongolia.

Given the nature of its operations, the Group has significant volume of transactions with the Government of Mongolia and other related parties, including guarantees received from the Government. Information about the operating environment of the Group is disclosed in Note 1. Management's judgements in determining the level of loan impairment allowance are disclosed in Note 4.

Detailed information about related party transactions is outlined below.

Assets and Transactions with Related Parties

The Group has balances and transactions with the following related parties:

1) Government of Mongolia (which includes organizations such as the Ministry of Finance and other Ministries, of which management is appointed by the central government);
2) Entities controlled by the Government of Mongolia, which include state organizations (i.e. corporate entities), a local commercial bank (State Bank LLC) and the Central bank and regulator, the Bank of Mongolia; these entities represent entities under common control with the Group;
3) Other related party Mongolian Mortgage Corporation LLC (MIK, which is an entity over which Government of Mongolia has significant influence). The Group's balance to MIK relates to its available-for-sale investments carried at fair value.

19. RELATED PARTY TRANSACTIONS (CONTINUED)

An analysis of the Group's assets and liabilities (excluding loans and advances) held by related parties and transactions with related parties is disclosed as follows:

In thousands of Mongolian Tugriks	31 December 2023 Statement of Financial Position	Year ended 31 December 2023 Statement of Comprehensive Income	31 December 2022 Statement of Financial Position	Year ended 31 December 2022 Statement of Comprehensive Income
Current account with Ministry of Finance (Note 6)	1,592,551	-	794,694,877	-
Current account with Bank of Mongolia (Note 6)	104,397,326	2,931,565	57,588,066	4,330,282
Current account with State Bank LLC (Note 6)	683,700	99,433	4,366,482	1,423,533
Time deposits with State Bank LLC (Note 7)	300,444	64,407	13,725,085	438
Current account with State Bank LLC for employee benefits	2,774	-	120,554	-
Derivatives with Bank of Mongolia (Note 8)	-	(49,916,571)	21,753,965	(120,225,048)
Available-for-sale investments carried at fair value (Note 9) - Government securities	-	79,487	4,901,671	339,125
Available-for-sale investments carried at fair value (Note 9) - MIK Holding JSC	67,803,010	-	62,440,408	-
Investment securities available for sale (Note 9) - Erdenes Tavan Tolgoi JSC	144,380,184	24,080,438	222,139,635	22,096,109
Investment securities held to maturity (Note 10.1) - Government securities	-	26,449,247	387,826,553	3,966,553
Investment securities held to maturity (Note 10.1) - State organizations	180,962,377	15,342,500	180,962,377	462,377
Other receivables from Agriculture Support Fund	31,853,034	-	-	-
Customer accounts of State organizations (Note 14)	(8,746,735)	-	(4,679,121)	-
Time deposits of Erdenes Tavan Tolgoi JSC (Note 14.1)	(34,123,720)	(1,033,428)	-	-
Contract liabilities with Ulaanbaatar (Note 11.1)	(8,293)	2,714,192	(72,647)	5,025,264
Contract liabilities with Khuvsgul Aimag (Note 11.1)	(178,923)	150,254	(344,203)	-
Contract liabilities with Gobi-Altai Aimag (Note 11.1)	(2,310,185)	1,338	(1,110,185)	869,197
Contract liabilities with Orkhon Aimag (Note 11.1)	(1,330,931)	2,058,579	(2,325,715)	596,067
Borrowings from Government Ministries (Note 16)	(100,391,781)	(391,781)	-	-
Borrowing from Bank of Mongolia (Note 18)	(429,893,260)	(28,493,119)	(385,837,926)	(3,892,702)

Liabilities and expenses are shown in brackets.

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19. RELATED PARTY TRANSACTIONS (CONTINUED)

Loans and advances to Related Parties

An analysis of the Group's gross loans and advances to related parties is disclosed as follows. All entities listed below, except for the Ministries, represent entities under common control with the Group, as they are controlled by the Government of Mongolia.

	31 December 2023	**Year ended 31 December 2023**	**31 December 2022**	**Year ended 31 December 2022**
In thousands of Mongolian Tugriks	Statement of Financial Position	Statement of Comprehensive Income	Statement of Financial Position	Statement of Comprehensive Income
- State Housing Corporation SOLLC	25,649,932	-	25,649,932	(5,714,715)
- Fourth Power Station SOSC	268,237,422	12,667,495	278,866,454	11,486,360
- Mongol Refinery SOLLC	255,659,982	21,525,654	229,128,668	19,306,163
- Erdenes MGL LLC	-	2,984,683	42,871,586	11,376,410
- Tavan Tolgoi Power Plant	60,919,705	3,188,736	58,356,011	2,888,901
- Egiin Gol Power Plant	59,986,141	4,297,689	56,310,945	3,893,580
- Agriculture Support Fund	-	2,418,877	54,940,959	2,080,834
- Eastern region power system SOSC	109,263,993	3,693,275	35,238,526	2,151,519
- Passenger Transport III SOE	4,501,543	930,527	11,252,500	1,764,245
- MIAT Airlines JSC	-	-	-	655,723
- National Police Agency	604,549	28,336	745,347	34,782
- Shivee Ovoo JSCo.	483,844	24,139	586,253	28,603
- Ministry of Defense	234,217	14,419	367,318	17,907
- Ulaanbaatar city Government	240,606	11,996	289,052	14,113
- General Prosecutor's Office of Mongolia	114,757	5,901	137,750	6,991
- Eastern Energy System JSC	109,563	5,501	134,293	6,582
- National Emergency Management Agency of Mongolia	103,388	5,562	131,127	6,768
- Amgalan Power Station SOSC	29,459,349	1,125,370	-	-
Total loans and advances to related parties	**815,568,991**	**52,928,160**	**795,006,721**	**50,004,766**
Impairment allowance on loans and advances to related parties:	(65,063,227)	2,627,283	(67,690,510)	125,321,138
Net amount of loans and advances to related parties	**750,505,764**		**727,316,211**	

The remuneration and employee benefits paid to the key management (i.e. executive management team and members of the Board) for the period ended 31 December 2023 and 31 December 2022 amounted to MNT 1,116 million and MNT 1,202 million, respectively.

During 2018, the Group received from State Housing Corporation SOLLC buildings under construction as repossessed assets in exchange for loan obligations, see Note 11.1 for further details.

During 2022, the Group received properties located in Khan-Uul district ("New Yarmag Housing Project") with a value of MNT 84,337 million in exchange for non-performing loans from State Housing Corporation SOLLC, see Note 11.1 for further details.

In December 2022, the Group obtained bonds issued by State Housing Corporation SOLLC in exchange for loan obligations, see Note 10.1 for further details..

Guarantees Received

As at 31 December 2023, There is no guarantees the Bank received. In 2023, the Group has fully repaid the 30 billion yen bond, which was guaranteed by the Government of Mongolia.

Please refer to Notes 17 and 18 for further details.

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19. RELATED PARTY TRANSACTIONS (CONTINUED)

Guarantees Issued

In 2020, the Group entered into a financial guarantee contract with Erdenes MGL LLC and Erdenes Silver Resource LLC to guarantee in an amount of MNT 1,146 billion bonds issued by these entities, see Note 31 for details.

20. CAPITAL CONTRIBUTIONS

The Group's capital contributions consist of contributions from the Government of Mongolia as specified in the Law on Development Bank of Mongolia. The Bank's authorized capital is equal to its capital contributions as disclosed below:

In thousands of Mongolian Tugriks	**Year ended 31 December 2023**	**Year ended 31 December 2022**
Authorized:		
Capital contributions at 31 December	1,216,300,341	1,216,300,341
Paid:		
at 1 January	1,216,300,341	1,216,300,341
Contributions during the year	-	-
Total capital contributions at 31 December	**1,216,300,341**	**1,216,300,341**

21. INTEREST INCOME

In thousands of Mongolian Tugriks	**Year ended 31 December 2023**	**Year ended 31 December 2022**
Loans and advances including lease receivables	104,418,185	219,662,119
Bank deposits	3,951,142	7,472,074
Held-to-maturity investments carried at amortized cost	41,791,747	4,428,930
Available-for-sale investments carried at fair value	32,777,635	31,540,591
Financial assets at fair value through profit or loss	2,349,796	2,428,593
Due from Government of Mongolia	79,487	339,124
Total interest income	**185,367,992**	**265,871,431**

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22. INTEREST EXPENSE

In thousands of Mongolian Tugriks	Year ended 31 December 2023	Year ended 31 December 2022
Borrowings from foreign banks and foreign institutions	6,044,417	23,908,295
Borrowing from Bank of Mongolia	28,493,119	3,892,702
Due to other banks and financial institutions	3,610,440	1,271,935
Bonds issued on the Japanese capital market due in 2023	24,764,231	23,880,107
International Senior Notes due in 2023	89,815,706	119,838,372
Bonds issued to local commercial banks	341,730	203,288
Time deposits	1,033,428	-
Bonds issued over-the-counter market due in 2024	13,865,912	13,865,912
Bonds issued over-the-counter market due in 2025	12,646,665	7,262,744
Bonds issued over-the-counter market due in 2027	34,477,898	-
Other	819	-
Total interest expense	**215,094,365**	**194,123,355**

23. OTHER INCOME

In thousands of Mongolian Tugriks	Year ended 31 December 2023	Year ended 31 December 2023
Penalty income	215,148	2,360,797
Grant income (Note 12)	-	33,799
Gain from disposal of repossessed assets	5,099,949	6,495,483
Write-off gain	1,419	3,180
Others	89,774	12,591
Total other income	**5,406,290**	**8,905,850**

Penalty income: the Group had placed bank deposits in local commercial banks and recalled the deposits prior to their maturity dates. Following a delay in receiving the deposits back from the commercial banks, the Group charged penalty income to those commercial banks under the contract terms.

Gain related to repossessed collaterals: the Group has received gain from rural city mayor's offices related to repossessed collaterals. Please refer to Note 11.1.

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24. FOREIGN EXCHANGE TRANSLATION GAINS AND LOSSES, NET

The exchange differences charged/ credited to the statement of profit or loss are as follows:

In thousands of Mongolian Tugriks	Year ended 31 December 2023	Year ended 31 December 2022
Unrealized foreign exchange translation gains	182,844,023	332,868,213
Unrealized foreign exchange translation (losses)	(257,389,709)	(467,887,204)
Total foreign exchange (losses)/ gains, net	**(74,545,686)**	**(135,018,991)**

The Group holds assets and liabilities denominated in foreign currencies which are subject to exchange rate fluctuation of the foreign currencies against the Mongolian Tugrik. The Group implements mixed strategies to mitigate these market based risks, such as the timings of foreign currency instrument repayments and foreign currency swaps.

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25. DERIVATIVE FINANCIAL INSTRUMENT GAINS AND LOSSES, GROSS

The gross gains/ losses credited/ charged to the statement of profit or losses are as follows:

In thousands of Mongolian Tugriks	Year ended 31 December 2023	Year ended 31 December 2022
Swap agreements with Bank of Mongolia	(155,507,455)	(224,077,302)
Swap agreements with foreign banks and financial institutions	(4,100,484)	(61,523,056)
Derivative financial instrument losses, gross	**(159,607,939)**	**(285,600,358)**
Swap agreements with Bank of Mongolia	105,590,884	366,560,354
Swap agreements with foreign banks and financial institutions	39,897,268	7,763,454
Derivative financial instrument gains, gross	**145,488,152**	**374,323,808**

The Group recognises the gains and losses arising on the derivative financial assets on a monthly basis, and recognises the realised portion of these agreed exchanges due before the maturity of the underlying swap agreement through the statement of profit or loss. The valuations are made based upon changes in the reference rates, indexes, and fluctuations in the exchange rates against the Mongolian Tugrik, which gives rise to the basis of the net change in valuation of the derivative financial instruments.

In thousands of Mongolian Tugriks	Year ended 31 December 2023	Year ended 31 December 2022
Realized derivative financial instrument gains	50,185,779	262,708,100
Realized derivative financial instrument (losses)	-	(55,850,227)
Unrealized derivative financial instrument gains	95,302,372	111,615,708
Unrealized derivative financial instrument (losses)	(159,607,938)	(229,750,131)
Total derivative financial instrument gains/ (losses), net	**(14,119,787)**	**88,723,450**

On 7 November 2023, four long-term swap agreements with Bank of Mongolia for a total of USD 325 million matured and resulted in a net realized gain of MNT 15,834 million. In addition, eleven forward agreements with Saxo Bank matured during 2023 and resulted in a net realized gain of MNT 34,352 million.

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26. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

The following is an analysis of the Group's administrative and other operating expenses for the year from continuing operations.

In thousands of Mongolian Tugriks	Note	Year ended 31 December 2023	Year ended 31 December 2022
Employee costs and benefits		7,876,168	6,750,206
Audit, legal and other professional services		2,395,166	1,297,216
Depreciation and amortization	13	1,055,461	1,234,915
IT and software		620,780	554,019
Utilities, security and maintenance		367,504	195,756
Loan collection related costs		350,310	431,768
Business travel and events		315,827	198,950
Property tax		275,981	275,981
Communication and stationeries		213,202	195,195
Advertising		186,539	188,624
Fuel and transportation expenses		26,929	50,506
Low value and short term rental costs		25,598	168,892
Training costs		23,569	20,783
Insurance costs		3,845	9,284
Write off loss		-	84,453
Others		100,589	84,346
Total		**13,837,468**	**11,740,894**

27. INCOME TAX

According to Mongolian Corporate Income Tax Law, until 2020, a 10% tax rate was applied for taxable profits up to MNT 3 billion and 25% for taxable profits in excess of MNT 3 billion. Since 2020, under new tax legislation, a 10% tax rate is applied for taxable profits up to MNT 6 billion and 25% for taxable profits in excess of MNT 6 billion.

Components of income tax expense charged to profit or loss for continuing operations are as follows:

In thousands of Mongolian Tugriks	Year ended 31 December 2023	Year ended 31 December 2022
Current income tax expense	1,023,603	27,496,153
Deferred tax expense/ (benefit)	(78,399)	6,434,448
Income tax expense/ (benefit) for the year	**945,204**	**33,930,601**

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27. INCOME TAX (CONTINUED)

A reconciliation between the expected and the actual taxation charge is provided below:

In thousands of Mongolian Tugriks	Year ended 31 December 2023	Year ended 31 December 2022
Profit/ (Loss) before tax	**(50,403,197)**	**144,212,987**
Theoretical tax charge at statutory rate	(5,040,320)	36,053,247
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Profit subject to lower tax rate	(944,980)	(1,800,000)
- Expenses not deductible for tax purposes	5,002,303	3,650,995
- Income which is exempt from taxation	(3,454,155)	(4,334,786)
- Current year tax losses for which no deferred tax asset is recognized	(31,075,693)	-
- Derecognition of current year recognised tax losses	35,103,525	-
- Tax under special tax rate	151,952	176,316
- Effect of tax rates in subsidiaries	1,202,572	184,829
Income tax expense/ (benefit) for the year	**945,204**	**33,930,601**

The Government of Mongolia continues to reform the business and commercial infrastructure in its transition to a market economy. As a result, the laws and regulations affecting businesses continue to change rapidly including extensive new tax legislation applicable from January 2020.

These changes are sometimes characterized by poor drafting, varying interpretations and inconsistent application by the tax authorities. In particular, taxes are subject to review and investigation by a number of authorities who are enabled by law to impose fines and penalties. While the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation and status at the period-end, the above facts may create tax risks for the Group which are not possible to quantify at this stage.

Deferred taxes

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

Deferred tax assets (liabilities) are recognized for deductible or taxable timing differences resulting from the revaluation of foreign currency denominated monetary assets and liabilities, differing depreciation and amortisation rates between the tax authorities and the Group, fair value gains and losses on available-for-sale investments, investment securities held to maturity, including derivatives, and impairment allowance on performing loans (Note 4).

27. INCOME TAX (CONTINUED)

Components of deferred tax assets and liabilities as at 31 December 2023 are as follows:

In thousands of Mongolian Tugriks	1 January 2023	Recognized in profit or loss	Charged to other comprehensive income	31 December 2023
Deferred tax (liabilities)/ assets in relation to:				
Bank deposits	(8,138,068)	8,137,792	-	(276)
Derivative financial instruments	6,357,094	(6,357,094)	-	-
Available-for-sale investments carried at fair value	(14,889,192)	3,287,210	(1,340,651)	(12,942,633)
Loans and advances	(101,918,260)	75,284,515	-	(26,633,745)
Intangible assets	(311,974)	(33,709)	-	(345,683)
Other assets	(3,472)	3,347	-	(125)
Customer accounts	236,269	(143,700)	-	92,569
Other liabilities	176,190	(127,877)	-	48,313
Due to other banks and financial institutions	624,340	(287,607)	-	336,733
Bonds	118,019,538	(118,040,466)	-	(20,928)
Borrowings	9,273,303	(5,179,089)	-	4,094,214
Tax losses	37,905,975	43,535,077	-	81,441,052
Deferred tax asset	**47,331,743**	**78,399**	**(1,340,651)**	**46,069,491**

Components of deferred tax asset as at 31 December 2022 are as follows:

In thousands of Mongolian Tugriks	1 January 2022	Recognized in profit or loss	Charged to other comprehensive income	31 December 2022
Deferred tax (liabilities)/ assets in relation to:				
Bank deposits	169,812	(8,307,880)	-	(8,138,068)
Derivative financial instruments	(23,176,511)	29,533,605	-	6,357,094
Available-for-sale investments carried at fair value	(8,012,530)	(2,816,186)	(4,060,476)	(14,889,192)
Loans and advances	(88,791,260)	(20,899,843)	-	(109,691,103)
Impairment allowance on performing loans and advances	18,780,520	(11,007,677)	-	7,772,843
Intangible assets	(207,983)	(103,991)	-	(311,974)
Other assets	(10,151)	6,679	-	(3,472)
Customer accounts	148,034	88,235	-	236,269
Other liabilities	144,915	31,275	-	176,190
Due to other banks and financial institutions	(415,966)	1,040,306	-	624,340
Bonds	99,451,250	18,568,288	-	118,019,538
Borrowings	15,496,608	(6,223,305)	-	9,273,303
Tax losses	44,249,929	(6,343,954)	-	37,905,975
Deferred tax asset	**57,826,667**	**(6,434,448)**	**(4,060,476)**	**47,331,743**

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27. INCOME TAX (CONTINUED)

Current and deferred tax effects relating to each component of other comprehensive income are as follows:

	31 December 2023			31 December 2022		
In thousands of Mongolian Tugriks	Before tax	Deferred tax expense	Net of tax	Before tax	Deferred tax expense	Net of tax
Available-for-sale investments carried at fair value:						
- Fair value gains/ (losses), net	16,341,703	(1,340,651)	15,001,052	8,145,117	(4,060,476)	4,084,641

28. FINANCIAL RISK MANAGEMENT

Introduction and overview

The Group has exposure to the following principal risks:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk
- Investment risk

This note presents information about the Group's exposure to each of the above risks, its risk management policies, regulations and operations for measuring, managing and monitoring the risks.

Risk management policy

The Group's risk management policy aims to identify, analyse, mitigate and monitor the risks that the Bank may face by identifying ways to manage risks and implementing an effective way of continuous improvement of risk management.

Risk Management Governance

The Board of Directors is responsible for approving the overall risk management policy, strategy, setting and monitoring of risk limits and prudential ratios and Risk appetite framework of the Group. The risk policy and strategy, including all significant risk policies, are approved and continuously reviewed by the Board of Directors.

Executive management under direction of the Chief Executive Officer (CEO) of the Group is responsible for making sure that the Group operates within the established risk parameters set, following the risk management policies and regulations and developing effective risk management framework.

The Risk Management Department of the Bank is responsible for monitoring the risk management framework, ensuring the compliance and the implementation of the regulations, and developing the methods for identifying, measuring, managing and reporting of the risks.

Along with the three committees below, Executive Management Committee is responsible for conducting the Bank's daily operations by producing proposals, opinions and recommendations to support operational decision making of Chief Executive Officer.

Credit Management Committee is mainly responsible for making opinions on the tasks related to credit risk management, credit portfolio management, and other credit-related matters. The Credit Management Committee discusses loan appraisal and approaches to manage and reduce credit risks, and determines loan terms.

Credit Management Committee is assigned with the responsibilities of organizing the financing of prospective projects and operations, ensuring that the Bank's debtor-creditor relations attain set standards and principles, moderating the potential risks that may occur during financing procedures. The Credit Management Committee is also responsible for issuing professional opinions and making recommendations to the Bank's Chief Executive Officer regarding financing decisions in accordance with the regulations approved by the Board of the Bank. Policies and procedures are set up for the management of credit exposures, including limits on portfolio concentration and review by the Bank's Credit Management Committee, which actively monitors the Bank's credit risk. The Credit Management Committee was established to monitor and evaluate credit risk and to review and maintain collateral guidelines for the Bank's loan products. Additionally, the Credit Management Committee executes the Bank's credit policy and related regulations and guidelines such as approval and completion of credit, proposes changes to credit conditions, administers the Bank's credit agreements, and maintains an efficient credit portfolio and overall regulation in accordance with the Bank's Charter.

Asset and Liability Management Committee ('ALCO') is established to manage asset and liability management operations and to develop, monitor and propose amendments to the Bank's asset and liability policies. The ALCO's duties include managing short-term and long-term liquidity, assessing balance sheet structure with a view to maximizing net interest profit and ensuring compliance with the requirements of the Revised Law on Development Bank of Mongolia. The ALCO monitors the Bank's liquidity gaps on a daily basis, conducts stress tests and evaluates the structure of Bank's assets and liabilities and proposes any necessary amendments on a monthly basis. ALCO meetings must be held at least once every month as well as ten days before the end of each quarter and when required to assess Bank's financial performance and review any audit reports prepared. Effective liquidity management is for the ALCO to be able, even under adverse conditions, to meet Bank's contractual and regulatory financial obligations. Liquidity risk management is centralized under Bank's ALCO and the Asset and Liability Management Department provides liquidity analysis reports in a regular basis.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Management Committee is responsible for monitoring the implementation of risk management policy and risk appetites, developing methods to define and measure risks and factors contributing to the them, updating the risk management framework, and reporting to the CEO. The Risk Committee discusses matters relating to the following:

- Monitor/ control of the Bank operating within the risk parameters/ limits, discuss new risk parameters if the parameters comply with the current policies and laws related to Law on Development Bank of Mongolia;
- Determine, review and discuss the risk parameters and prudential ratios of the Bank and it's reports in order to reduce risks;
- Determine the risk appetite and the level of acceptance of loss which is included in the Banks business plan;
- Discuss the policies and procedures of the Bank's risk management operation;
- Define potential risks, and determine the Bank's risk management strategies;
- Evaluate and report level of the Bank's risk management outcomes and accomplishments, discuss about optimal risk management framework;
- Establish or renew risk limits, methods and review its performance;
- Discuss about independent, internal auditing and Government, Bank of Mongolia reports;
- Discuss the risk level of the Bank's products and services, risk coverage, profitability measures, monitoring of the risk management;
- Discuss financial reporting risk, IT risk, information confidentiality and information distribution within the organization;
- Discuss about banking fiscal security risks and monitor how to react to unexpected actions influenced by other external factors;
- Discuss and monitor a financial contingency plan, review the contingency plan annually;
- Discuss and make decisions for other operational risks which are not accounted by any of the existing policies and procedures such as anti-terrorism and anti- money laundering, human factor risks;
- Risk management planning and report reviewing, make proposal for future planning;
- Monitor the implementation of decisions made by Risk Evaluation and Management Committee on a quarterly basis;
- Other risk management related matters.

Credit risk

Credit risk refers to the risk that emerges when lenders or any other customers are unable to fulfil their obligations to the Bank or when their cash flow and collaterals fail to meet the obligations of the loan contract.

The Credit Management Committee and the credit departments are responsible for organizing the finances of prospective projects and operations, to ensure that debtor-creditor relations within the Bank attain set standards and principles, to moderate the potential risks that may occur during funding and investment procedures, and the duty of coordinating day to day loans and financial matters. The Bank also works towards certifying amendments upon its credit strategies and the guidelines of operation of both the Credit Management Committee and the allocation of loans within reported periods.

The Bank continuously review and revise the policies and regulations on credit risk management. In the reporting year, the Bank established a regulation on list of risky customers, and revised the regulation on asset valuation.

According to the law on the Development Bank of Mongolia and the internal rules set out by the Development Bank of Mongolia, the Chief Executive Officer of the Bank has the capacity to make decisions on lending and issuing loans, warranties and letters of credit below the value of 0.6% of the Bank's equity. As for instruments which exceed 0.6% of the Bank's equity, decisions regarding the financing and warranties of these projects are made by the Board of Directors. Furthermore, the Chief Executive Officer is obliged to base his decisions regarding the lending, and amendments to their finances and subsequent implementation, on the Credit Management Committee's opinions and recommendations.

With the amendment of the law on the Development Bank of Mongolia in 2017 the Bank has a higher level of autonomy in making financing decisions regarding strategically high value projects, which have economic and financial importance. According to the new amendment, the Bank determines strategy on project financing and priority economic sectors and requirements for project financing.

Clause 8.2 of the Law on the Development Bank of Mongolia states "Over 60% of the total financing of Bank which, includes authorizing loans warranties and letters of credit of projects, shall be devoted to export-driven projects". In accordance with the policies of the loan management this enactment has been effective since April 2017.

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28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

The Bank of Mongolia revised "The regulation on Setting and Monitoring Prudential ratios of Development Bank of Mongolia" on 15 December 2020. Under the new regulation, certain prudential ratios were changed or removed and reporting forms were updated from those effective in 2020.

The Board of Directors continuously reviews credit related policies and procedures, and sets credit risk limits and appetites, and monitors credit risk exposures. It performs the on-going monitoring of the design and operation of controls, and provides recommendation and guidance through the Risk Committee and the Internal Audit Unit, both under supervision of the Board of Directors.

The loan classification and impairment mainly focus on whether any payments of principal or interest are overdue or if there is any known difficulties in the cash flows of the lender and counterparties, credit rating downgrades, infringement of the original terms of the contract, and the value of the collaterals. Loans are classified into the five classifications according to the impairment.

The Group classifies the loans according to the policy set out by the Bank of Mongolia on asset classification, and the Bank of Mongolia monitors the classification.

For credit risk of off-balance sheet financial instruments, the Group uses the same credit approach and policies as it does for on balance sheet credits.

Collateral

Certain amount and type of collateral is required considering the assessment of the credit risk of the counterparty. The regulation on asset valuation is in place regarding the acceptability of types of collateral and valuation parameters. The risk weighted value of the collaterals shall not be less than the loan amount, considering the time and cost to sell and the market price change for the collaterals. The loan to collateral ratio shall not exceed 100%.

The main types of collateral obtained are as follows:

1. Guarantees issued from the Government, reputable insurance companies, banks and investment bank and commercial banks with the overall ratings of B2 – B3 or above;
2. Real estates: land, buildings, apartments etc;
3. Movable properties: vehicles and equipment etc;
4. Special property rights: mineral licenses, project execution rights etc.;
5. Time deposits, securities/ bond and stocks; and
6. Assets and revenues generated from cash flows of borrowers and project contractors.

The Risk Management Department is responsible for valuation of collaterals, monitoring the value of collateral and securing the maintenance of documents relating to the existing collaterals.

Estimates of fair value of collateral are based on the fair value of collateral determined at the time of the borrowing and the collaterals are constantly revaluated both internally and externally.

The financial effect of the collateral is described in Note 11.

Finance lease credit risk

Financial leasing credit risk is the risk that a lessee cannot fulfil its contractual obligations on time under the contractual terms.

The Group has developed financial leasing policies and procedures that include policies and procedures over the following:

- Procedures for reviewing and approving lease applications;
- Approaches to lease assessments;
- Approaches to evaluations of collateral;
- Lease documentation requirements;
- On-going monitoring of leased items and other financial exposures;
- Prepayments for the leased items;
- Other limitations and areas.

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28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Finance lease credit risk (continued)

According to the Group's Financial Leasing policy, the Leasing Committee has the authority to approve financing in a total amount up to 25% of DBM Leasing LLC's equity. Under the Financial Leasing policy, requests above 25% of DBM Leasing LLC's equity need to be approved by DBM Leasing LLC's shareholder's meeting, i.e. by the Bank.

Leasing applications are approved through structured analysis focused on a lessee's business prospects, its capability to repay the finance, bankability, and current financial performance. Before submission to the Leasing Committee, the Risk, Asset and Liability Management Department reviews the leasing applications and analyses engineering and treasury reports and assesses the potential risks. The Leasing Committee makes an approval decision based on the leasing appraisal and engineering, treasury, risk and legal reports. Where deemed necessary, additional collateral is required prior to the approval.

The Leasing Committee is responsible for managing these financial leasing operations, including quality and concentration limits in the funding portfolio, the prudential ratios, and management of potential risks which may occur in the financing.

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

In thousands of Mongolian Tugriks	31 December 2023	31 December 2022
Cash and cash equivalents	144,557,617	890,417,205
Bank deposits	32,792,377	28,931,618
Derivative financial assets	-	21,753,965
Available-for-sale investments carried at fair value	212,183,194	312,472,007
Financial assets at fair value through profit or loss	11,807,750	19,248,584
Investment securities held to maturity	180,962,377	568,788,930
Loans and advances including lease receivables	1,499,550,207	1,835,610,278
Other assets	32,694,115	1,368,267
Total on balance sheet	**2,114,547,637**	**3,678,590,854**
Guarantees issued (Note 31)	550,000,000	550,000,000
Undrawn loan commitments	170,702,222	256,354,945
Total off balance sheet	**720,702,222**	**806,354,945**
Total credit risk exposure	**2,835,249,859**	**4,484,945,799**

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28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Analysis of credit risk by sector

Analysis of credit risk by sector of loans and advances outstanding at 31 December 2023 and 31 December 2022 is as follows:

In thousands of Mongolian Tugriks	**31 December 2023**	**31 December 2022**
Neither past due, nor impaired:		
- Manufacturing	331,628,469	433,406,281
- Mining and quarrying	98,649,459	98,845,415
- Power and energy	406,960,763	35,238,526
- Construction	-	42,871,586
- Transportation and logistics	7,559,685	13,370,508
Total neither past due nor impaired	**844,798,376**	**623,732,316**
Past due but not impaired:		
Less than 30 days overdue:		
- Transportation and storage	457,207	-
30 to 90 days overdue:		
- Manufacturing	-	43,170,799
- Mining and quarrying	-	3,630,261
90 to 180 days overdue:		
- Power and energy	-	3,205,168
180 to 360 days overdue		
- Construction	-	42,064
- Manufacturing	-	35,623,300
Over 360 days overdue		
- Construction	17,739,402	5,169,314
- Manufacturing	8,956,054	94,366,525
- Mining and quarrying	12,253,379	27,198,472
- Agriculture, forestry and fishing	-	2,778,478
- Power and energy	120,905,847	390,328,242
- Transportation and logistics	28,031,700	-
Total past due but not impaired	**188,343,589**	**605,512,623**
Individually determined to be Impaired:		
Less than 30 days overdue:		
- Manufacturing	1,099,777	1,321,600
Over 360 days overdue:		
- Manufacturing	950,780,391	994,488,569
- Construction	104,272,982	144,053,762
- Financial and insurance activities	850,663	850,663
- Power and energy	5,074,943	4,308,146
- Mining and quarrying	172,857,926	180,919,107
- Health and social work	40,900,000	68,067,045
- Agriculture, forestry and fishing	8,490,903	60,761,901
- Transportation and logistics	-	33,734,314
- Others	7,319,565	7,878,657
Total impaired loans and advances	**1,291,647,150**	**1,496,383,764**
Less: Impairment allowance	**(825,238,908)**	**(890,018,425)**
Total net amount of loans and advances	**1,499,550,207**	**1,835,610,278**

An analysis of concentrations of credit risk at the reporting date is shown on Note 11.

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28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Analysis of credit risk by sector (continued)

The main prudential ratios and limitations set for the Group as at 31 December 2023 are as follows:

1. The total loans and advances portfolio should not exceed the amount equal to 30 times the Group's equity.

2. The total amount of loans, guarantees, and credit equivalent assets given to the largest borrowers (defined as borrowers with loans more than 30% of the Bank's share capital under the BOM guidelines) and their related parties should not exceed 80% of the total amount of loans, guarantees, and credit equivalent assets.

№	Criteria	Requirements	31 December 2023	31 December 2022
1	Total borrower/ Equity	≤30x	3.80	4.08
2	Largest borrowers / Loans + Guarantees + Credit equivalent assets	≤80%	83.6%	78.2%

Liquidity risk

Liquidity risk is defined by the Group as the risk that its liquid assets would be at an insufficient level to meet its obligations to its lenders.

The Group's approach to managing liquidity is to ensure, as practicable as possible, that the Group has sufficient amount of liquid assets to meet its liabilities when they are due in both normal and stressed conditions, without incurring unexpected losses or risking damage to the Group. The Group manages its liquidity in each currency and in aggregated amount as well.

The Asset and Liability Management Department (ALMD) is responsible for monitoring and controlling liquidity risk based on potential liquidity risks and liquidity risk analysis and reports on a daily basis. According to the "Regulation on Setting and Monitoring Prudential Ratios of Development Bank of Mongolia" which was issued by the Bank of Mongolia, the Bank should meet requirements on liquidity coverage ratio and net stable funding ratio, as set out below. The Bank has met all limits set by the Bank of Mongolia and the Board of the Bank.

The liquidity plan and maturity gap report is made by the Group for all major currencies as well as in aggregate amount using the cash flow approach.

The key measure used by the Group and the Bank for managing short term liquidity risk is the ratio of net liquid assets to total funding. For this purpose, net liquid assets include cash and cash equivalents, current accounts and deposits placed with the Bank of Mongolia and commercial banks, less clearing delays.

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28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Net stable funding ratio

Analysis of the Group's Net stable funding ratio outstanding at 31 December 2023 is as follows:

Indicators	Weight	Balance	Weighted
Funding:			
Total equity	100%	755,975,120	755,975,120
Customer accounts from non-financial entities	100%	42,939,062	42,939,062
Bonds > 1 year	100%	531,662,146	531,662,146
Borrowings > 1 year	100%	92,690,660	92,690,660
Total funding			**1,423,266,988**
Funding requirements:			
Asset backed securities	100%	421,832,357	421,832,357
Performing and watch loans and advances < 1 year, net of impairment allowance and excluding accrued interest	50%	341,017,742	170,508,871
Performing and watch loans and advances >= 1 year, net of impairment allowance and excluding accrued interest	100%	508,389,772	508,389,772
Non-performing loans and advances, net of impairment allowance and excluding accrued interest	100%	395,677,488	395,677,488
Repossessed collaterals	100%	241,529,319	241,529,319
Property and equipment	100%	24,278,795	24,278,795
Loan commitments not yet paid	50%	170,020,084	85,010,042
Total funding requirements			**1,847,226,644**
Total funding/ Total funding requirements			**77.0%**
Requirement			**100%**

The Group believes that there is no potential business impact arising from the above breach in accordance with the Regulation on Setting and Monitoring Prudential ratios of Development Bank of Mongolia issued by the Bank of Mongolia.

In fact, the Group has issued USD 200 millions of note with the maturity of 2 years on March 2024, which brings Net stable funding ratio above the requirement (see Note 33, Events After The Reporting Date).

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28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Net Stable Funding Ratio (continued)

Analysis of Net stable funding ratio outstanding at 31 December 2022 is as follows:

Indicators	Weight	Balance	Weighted
Funding:			
Total equity	100%	802,795,392	802,795,392
Customer accounts from non-financial entities	100%	4,132,887	4,132,887
Bonds > 1 year	100%	218,988,500	218,988,500
Total funding			**1,025,916,779**
Funding requirements:			
Asset backed securities	100%	903,148,200	903,148,200
Performing and watch loans and advances < 1 year, net of impairment allowance and excluding accrued interest	50%	480,156,490	240,078,245
Performing and watch loans and advances >= 1 year, net of impairment allowance and excluding accrued interest	100%	563,851,100	563,851,100
Non-performing loans and advances, net of impairment allowance and excluding accrued interest	100%	495,119,751	495,119,751
Repossessed collaterals	100%	257,073,386	257,073,386
Property and equipment	100%	23,955,507	23,955,507
Loan commitments not yet paid	50%	256,354,945	128,177,473
Total funding requirements			**2,611,403,662**
Total funding/ Total funding requirements			**39.3%**
Requirement			**100.0%**

Contractual maturities
The table below shows the financial assets and liabilities at 31 December 2023 and 31 December 2022 by their remaining contractual maturity. The amounts of liabilities and assets disclosed in the maturity table are the contractual undiscounted cash flows, 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. The Group places short term deposits in commercial banks and these term deposits are flexible to call back which has comparatively less liquidity risk.

With regards to market risk management, stronger emphasis has been put on managing the liquidity risk and interest rate volatility. Liquidity stress testing has been conducted on a regular basis and presented to the Asset and Liability Committee (ALCO). Movements of the interest rate spread are discussed and analysed during ALCO meetings.

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28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

These analyses are performed across all business units and all loans and deposit products. The following table provides an analysis of the financial assets and liabilities of the Group in relevant maturity groupings based on the remaining contractual periods to maturity:

	As at 31 December 2023						
In thousands of Mongolian Tugriks	Less than three months	Three to six months	Six months to one year	One year to five years	Over five years	Undefined	**Total**
Financial assets							
Cash and cash equivalents	144,557,617	-	-	-	-	-	**144,557,617**
Bank deposits	31,764,767	394,800	345,000	-	-	-	**32,504,567**
Available-for-sale investments carried at fair value	-	7,404,424	149,850,155	-	-	67,803,010	**225,057,589**
Financial assets at fair value through profit or loss	117,613	-	897,534	15,907,397	-	-	**16,922,544**
Investment securities held to maturity	-	7,692,267	7,692,267	226,527,500	-	-	**241,912,034**
Loans and advances	876,225,121	37,965,781	70,020,476	709,569,827	76,862,542	-	**1,770,643,747**
Other assets	-	-	-	970,342	-		**970,342**
Total financial assets	**1,052,665,118**	**53,457,272**	**228,805,432**	**952,975,066**	**76,862,542**	**67,803,010**	**2,432,568,440**
Financial liabilities							
Derivative financial liabilities	(4,227,824)	-	-	-	-	-	**(4,227,824)**
Customer accounts	(8,815,342)	-	-	-	-	-	**(8,815,342)**
Time deposits	(34,572,249)	-	-	-	-	-	**(34,572,249)**
Other liabilities	(3,462,321)	-	-	-	-	-	**(3,462,321)**
Undrawn loan commitments	(170,020,084)	-	(682,138)	-	-	-	**(170,702,222)**
Financial guarantees	-	-	-	(550,000,000)	-	-	**(550,000,000)**
Due to other banks and financial institutions	(227,404,884)	-	-	-	-	-	**(227,404,884)**
Bonds	(2,040,807)	(43,056,092)	(187,862,989)	(687,303,295)	-	-	**(920,263,183)**
Borrowings	(619,001,168)	(15,519,952)	(16,034,387)	(122,085,054)	(84,263,080)	-	**(856,903,641)**
Total financial liabilities	**(1,069,544,679)**	**(58,576,044)**	**(204,579,514)**	**(1,359,388,349)**	**(84,263,080)**	**-**	**(2,776,351,666)**
Net financial assets/ (liabilities)	**(16,879,561)**	**(5,118,772)**	**24,225,918**	**(406,413,283)**	**(7,400,538)**	**67,803,010**	**(343,783,226)**
Total cumulative amount	**(16,879,561)**	**(21,998,333)**	**2,227,585**	**(404,185,698)**	**(411,586,236)**	**(343,783,226)**	**(343,783,226)**

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28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

	As at 31 December 2022						
In thousands of Mongolian Tugriks	Less than three months	Three to six months	Six months to one year	One year to five years	Over five years	Undefined	**Total**
Financial assets							
Cash and cash equivalents	890,417,205	-	-	-	-	-	**890,417,205**
Bank deposits	28,584,602	105,425	282,000	-	-	-	**28,972,027**
Available-for-sale investments carried at fair value	254,900	13,755,292	14,212,171	275,815,367	4,776,036	62,440,408	**371,254,174**
Financial assets at fair value through profit or loss	8,097,127	-	1,041,370	11,915,351	-	-	**21,053,848**
Investment securities held to maturity	137,875,800	82,650,233	209,092,267	241,912,034	-	-	**671,530,334**
Loans and advances	1,038,096,748	173,039,433	134,379,038	662,682,097	88,493,309	-	**2,096,690,625**
Total financial assets	**2,103,326,382**	**269,550,383**	**359,006,846**	**1,192,324,849**	**93,269,345**	**62,440,408**	**4,079,918,213**
Financial liabilities							
Derivative financial liabilities	(4,737,619)	(13,849,343)	(3,232,856)	-	-	-	**(21,819,818)**
Customer accounts	(4,798,957)	-	-	-	-	-	**(4,798,957)**
Other liabilities	(2,095,499)	-	-	-	-	-	**(2,095,499)**
Undrawn loan commitments	(131,824,905)	(57,165,880)	(30,000,000)	(37,364,160)	-	-	**(256,354,945)**
Financial guarantees	-	-	-	550,000,000)	-	-	**(550,000,000)**
Due to other banks and financial institutions	(29,884,739)	-	-	-	-	-	**(29,884,739)**
Bonds	-	(75,063,302)	(2,401,563,697)	251,099,007)	-	-	**(2,727,726,006)**
Borrowings	(349,165,734)	(74,066,901)	(199,487,318)	-	-	-	**(622,719,953)**
Total financial liabilities	**(522,507,453)**	**(220,145,426)**	**(2,634,283,871)**	**(838,463,167)**	**-**	**-**	**(4,215,399,917)**
Net financial assets/ (liabilities)	**1,580,818,929**	**49,404,957**	**(2,275,277,025)**	**353,861,682**	**93,269,345**	**62,440,408**	**(135,481,704)**
Total cumulative amount Financial assets	**1,580,818,929**	**1,630,223,886**	**(645,053,139)**	**(291,191,457)**	**(197,922,112)**	**(135,481,704)**	**(135,481,704)**

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28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risks

Market risk is that the risks that arise from market price volatility, such as interest rate and foreign exchange rates which affect the Group's income or the value of its holdings of financial instruments or leads to negative distress. The aim of the Group's market risk management is to manage and control market risk exposures within acceptable levels, while optimizing the returns on risk.

Management of interest rate risk: Interest rate risk is measured by the extent to which changes in market interest rates impact margins and net income. To the extent the term structure of interest bearing assets differs from that of liabilities, net of interest income will increase or decrease as a result of movements in interest rates. The Group manages the interest rate risk through monitoring interest rate gaps.

Financial assets and financial liabilities presented as insensitive to interest rate mostly relate to accrued interest and interest receivable and payable on interest bearing assets and liabilities. For the purposes of financial risk management, the Group separately monitors amounts of assets and liabilities (i.e. amounts which generate interest at nominal contractual interest rates), and accrued interest and interest receivables and payables separately, which do not generate interest, based on nominal contractual interest rates.

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28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risks (continued)

A summary of the Group's interest rate gap position on its financial assets and liabilities are as follows:

	As at 31 December 2023						
In thousands of Mongolian Tugriks	Non-interest sensitive	Less than three months	Three to six months	Six months to one year	One year to five years	Over five years	Total
Financial assets							
Cash and cash equivalents	1,975,832	142,581,785	-	-	-	-	**144,557,617**
Bank deposits	38,356	32,104,021	-	650,000	-	-	**32,792,377**
Available-for-sale investments carried at fair value	69,783,194	-	-	135,590,000	6,810,000	-	**212,183,194**
Financial assets at fair value through profit or loss	-	-	-	-	11,807,750	-	**11,807,750**
Investment securities held to maturity	462,377	-	-	-	180,500,000	-	**180,962,377**
Loans and advances	255,878,641	609,175,003	28,419,028	52,752,704	485,053,224	68,271,607	**1,499,550,207**
Other assets	970,342	-	-	-	-	-	**970,342**
Total financial assets	**329,108,742**	**783,860,809**	**28,419,028**	**188,992,704**	**684,170,974**	**68,271,607**	**2,082,823,864**
Financial liabilities							
Derivative financial liabilities	(4,227,824)	-	-	-	-	-	**(4,227,824)**
Customer accounts	(8,815,342)	-	-	-	-	-	**(8,815,342)**
Time deposits	(16,820)	(34,106,900)	-	-	-	-	**(34,123,720)**
Other liabilities	(3,462,321)	-	-	-	-	-	**(3,462,321)**
Due to other banks and financial institutions	(1,307,811)	(223,902,461)	-	-	-	-	**(225,210,272)**
Bonds	(13,357,682)	-	-	(142,458,000)	(531,662,146)	-	**(687,477,828)**
Borrowings	(8,349,996)	(593,210,764)	(6,432,208)	(6,718,084)	(52,382,156)	(40,308,504)	**(707,401,712)**
Total financial liabilities	**(39,537,796)**	**(851,220,125)**	**(6,432,208)**	**(149,176,084)**	**(584,044,302)**	**(40,308,504)**	**(1,670,719,019)**
Net financial assets/ (liabilities)	**289,570,946**	**(67,359,316)**	**21,986,820**	**39,816,620**	**100,126,672**	**27,963,103**	**412,104,845**
Total cumulative amount	**289,570,946**	**222,211,630**	**244,198,450**	**284,015,070**	**384,141,742**	**412,104,845**	**412,104,845**

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28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risks (continued)

	As at 31 December 2022						
In thousands of Mongolian Tugriks	Non-interest sensitive	Less than three months	Three to six months	Six months to one year	One year to five years	Over five years	Total
Financial assets							
Cash and cash equivalents	5,739,252	884,677,953	-	-	-	-	**890,417,205**
Bank deposits	13,795,654	14,785,964	100,000	250,000	-	-	**28,931,618**
Derivative financial assets	-	-	-	21,753,965	-	-	**21,753,965**
Available-for-sale investments carried at fair value	68,105,095	-	-	-	242,195,855	2,171,057	**312,472,007**
Financial assets at FVTPL	6,887,264	-	-	-	9,051,789	-	**15,939,053**
Investment securities held to maturity	4,428,930	133,860,000	60,000,000	190,000,000	180,500,000	-	**568,788,930**
Loans and advances	296,482,937	726,782,353	89,783,747	99,704,402	543,086,628	79,770,211	**1,835,610,278**
Total financial assets	**395,439,132**	**1,760,106,270**	**149,883,747**	**311,708,367**	**974,834,272**	**81,941,268**	**3,673,913,056**
Financial liabilities							
Financial derivatives liabilities	-	-	(3,037,853)	(2,634,976)	-	-	**(5,672,829)**
Customer accounts	(4,798,957)	-	-	-	-	-	**(4,798,957)**
Other liabilities	(2,095,499)	-	-	-	-	-	**(2,095,499)**
Due to other banks and financial institutions	(231,556)	(29,352,160)	-	-	-	-	**(29,583,716)**
Bonds	(26,605,274)	-	-	(2,326,611,446)	(218,988,500)	-	**(2,572,205,220)**
Borrowings	(7,684,374)	(327,344,842)	(59,403,321)	(188,108,068)	-	-	**(582,540,605)**
Total financial liabilities	**(41,415,660)**	**(356,697,002)**	**(62,441,174)**	**(2,517,354,490)**	**(218,988,500)**	**-**	**(3,196,896,826)**
Net financial assets/ (liabilities)	**354,023,472**	**1,403,409,268**	**87,442,573**	**(2,205,646,123)**	**755,845,772**	**81,941,268**	**477,016,230**
Total cumulative amount	**354,023,472**	**1,757,432,740**	**1,844,875,313**	**(360,770,810)**	**395,074,962**	**477,016,230**	**477,016,230**

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28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risks (continued)

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. If interest rates had been 100.0 basis points higher or lower, which represents management's assessment of the reasonably possible change in interest rates and all other variables were held constant, the Group's profit or loss before tax would have resulted as follows:

Sensitivity of projected net interest income	100 bp increase	100 bp decrease
At 31 December 2023	1,225,339	(1,225,339)
At 31 December 2022	1,229,928	(1,229,928)

Equity market price risk: 1% of the assets is invested in equity shares and classified under available for sale investments. Any increase / decrease in the price of the equity shares will have a direct impact on the net income of the Group, however the management of the Bank does not consider the impact is material. Hence no sensitivity analysis is presented.

Foreign currency exchange rate risk: The Group is exposed to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Asset and Liability Management Department is responsible for monitoring the Group's exchange risk and minimising its exposure. The Group assesses the impact of foreign currency exchange rate fluctuations on the Group's liquidity and profitability. Based on the impact assessment, appropriate measures are taken to effectively mitigate the foreign currency exchange rate risk. The Bank has entered into several forward agreements as at 31 December 2023.

In 2017, in accordance with the Regulation on Setting and Monitoring Prudential Ratios to Development Bank of Mongolia, the Board of Directors of the Bank has set the limit on both a single foreign currency to total capital, and total foreign currency open positions to total capital. The Group measures exchange rate risk by "Value at Risk" (VAR) method.

The table below summarizes the Group's exposure to foreign currency exchange rate risk at 31 December 2023:

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28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

In thousands of Mongolian Tugriks	As at 31 December 2023						
	MNT	USD	EUR	JPY	CNY	RUB	Total
Assets							
Cash and cash equivalents	104,849,935	19,258,168	1,356,630	171,186	18,921,696	2	**144,557,617**
Bank deposits	32,792,377	-	-	-	-	-	**32,792,377**
Available-for-sale investments carried at fair value	212,183,194	-	-	-	-	-	**212,183,194**
Financial assets at fair value through profit or loss	11,807,750	-	-	-	-	-	**11,807,750**
Investment securities held to maturity	180,962,377	-	-	-	-	-	**180,962,377**
Loans and advances	725,033,587	303,516,190	316,522,843	50,676,794	103,800,793	-	**1,499,550,207**
Other assets	31,132,766	-	-	-	-	-	**31,132,766**
Derivative commitments	-	183,921,311	-	-	-	-	**183,921,311**
Total monetary financial assets	**1,298,761,986**	**506,695,669**	**317,879,473**	**50,847,980**	**122,722,489**	**2**	**2,296,907,599**
Liabilities							
Derivative financial liabilities	(4,227,824)	-	-	-	-	-	**(4,227,824)**
Customer accounts	(6,266,840)	(2,540,161)	(5)	-	(8,336)	-	**(8,815,342)**
Time deposits	-	(34,123,720)	-	-	-	-	**(34,123,720)**
Other liabilities	(3,462,321)	-	-	-	-	-	**(3,462,321)**
Due to other banks and financial institutions	(115,448,767)	(60,508,145)	(49,253,360)	-	-	-	**(225,210,272)**
Bonds	(577,994,305)	(109,483,523)	-	-	-	-	**(687,477,828)**
Borrowings	(429,893,260)	(24,395,816)	(146,423,420)	-	(106,689,216)	-	**(707,401,712)**
Derivative commitments	-	-	(122,375,827)	(50,032,635)	(15,740,674)	-	**(188,149,136)**
Total monetary financial liabilities	**(1,137,293,317)**	**(231,051,365)**	**(318,052,612)**	**(50,032,635)**	**(122,438,226)**	**-**	**(1,858,868,155)**
Net balance sheet position	**161,468,669**	**275,644,304**	**(173,139)**	**815,345**	**284,263**	**2**	**438,039,445**
Net position ratio	-	-	-	-	-	-	**39.4%**

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28. FINANCIAL RISK MANAGEMENT (CONTINUED)

In thousands of Mongolian Tugriks	As at 31 December 2022						
	MNT	USD	EUR	JPY	CNY	RUB	Total
Assets							
Cash and cash equivalents	58,676,966	41,791,461	194,470	789,194,442	559,863	3	**890,417,205**
Bank deposits	28,197,699	728,312	-	5,607	-	-	**28,931,618**
Derivative financial assets	21,753,965	-	-	-	-	-	**21,753,965**
Available-for-sale investments carried at fair value	284,580,044	27,891,963	-	-	-	-	**312,472,007**
Financial assets at fair value through profit or loss	15,939,053	-	-	-	-	-	**15,939,053**
Investment securities held to maturity	568,788,930	-	-	-	-	-	**568,788,930**
Loans and advances	640,568,190	747,301,609	360,996,192	53,267,687	33,476,600	-	**1,835,610,278**
Derivative commitments	-	1,331,908,767	-	-	-	-	**1,331,908,767**
Total monetary financial assets	**1,618,504,847**	**2,149,622,112**	**361,190,662**	**842,467,736**	**34,036,463**	**3**	**5,005,821,823**
Liabilities							
Derivative financial liabilities	(5,672,829)	-	-	-	-	-	**(5,672,829)**
Customer accounts	(2,224,935)	(2,565,414)	(4)	(1)	(8,603)	-	**(4,798,957)**
Other liabilities	(1,840,571)	(162,183)	(87,178)	(5,567)	-	-	**(2,095,499)**
Due to other banks and financial institutions	-	-	(29,583,716)	-	-	-	**(29,583,716)**
Bonds	(210,451,305)	(1,579,360,788)	-	(782,393,127)	-	-	**(2,572,205,220)**
Borrowings	(385,837,926)	(23,969,972)	(139,375,648)	-	(33,357,059)	-	**(582,540,605)**
Derivative commitments	(1,104,051,000)	-	(155,566,448)	(58,049,469)	-	-	**(1,317,666,917)**
Total monetary financial liabilities	**(1,710,078,566)**	**(1,606,058,357)**	**(324,612,994)**	**(840,448,164)**	**(33,365,662)**	-	**(4,514,563,743)**
Net balance sheet position	**(91,573,719)**	**543,563,755**	**36,577,668**	**2,019,572**	**670,801**	**3**	**491,258,080**
Net position ratio	-	-	-	-	-	-	**81.3%**

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28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

The following table presents sensitivities of profit or loss before tax to reasonably possible changes in currency exchange rates applied at the end of the reporting period to the functional currency of the Group, with all other variables held constant.

In thousands of Mongolian Tugriks	31 December 2023	31 December 2022
US Dollar strengthening by 15% (2022:15%)	41,346,646	81,534,563
US Dollar weakening by 15% (2022:15%)	(41,346,646)	(81,534,563)
Euro strengthening by 15% (2022:15%)	(25,971)	5,486,650
Euro weakening by 15% (2022:15%)	25,971	(5,486,650)
Yen strengthening by 10% (2022:10%)	81,535	201,957
Yen weakening by 10% (2022:10%)	(81,535)	(201,957)
CNY strengthening by 10% (2022:10%)	28,426	67,080
CNY weakening by 10% (2022:10%)	(28,426)	(67,080)
RUB strengthening by 10% (2022:10%)	0	0
RUB weakening by 10% (2022:10%)	(0)	(0)

Capital Management

Consistent with the Law on Development Bank of Mongolia, the Bank of Mongolia has approved the "Regulation on Setting and Monitoring Prudential ratios to Development Bank of Mongolia", which sets requirements for the capital adequacy ratio. The Bank meets the capital adequacy requirement set out in this law. The method of capital adequacy ratio calculation is modified from the Basel regulatory frameworks in order to accommodate features of the domestic market.

The Group weights all assets at 0% if the counterparty is the Government.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Group. The impact of the level of capital on shareholders' return is also considered and the Group recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The ratios of the Group's capital adequacy were as follows:

In thousands of Mongolian Tugriks	31 December 2023	31 December 2022
Capital:		
Share capital	1,216,300,341	1,216,300,341
Accumulated loss	(499,142,725)	(437,321,401)
Available-for-sale investments carried at fair value	(16,032,477)	(62,440,408)
Total regulatory capital/ Capital base	**701,125,139**	**716,538,532**
Risk weighted capital ratio	**19.9%**	**16.9%**

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29. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

The following table provides a reconciliation of financial assets with measurement categories at 31 December 2023:

In thousands of Mongolian Tugriks	Held-to-maturity financial assets	Available for sale financial assets	Financial assets at FVTPL	Loans and advances	Total
Financial assets:					
Cash and cash equivalents	-	-	-	144,557,617	**144,557,617**
Bank deposits	-	-	-	32,792,377	**32,792,377**
Available-for-sale investments carried at fair value	-	212,183,194	-	-	**212,183,194**
Financial assets at fair value through profit or loss	-	-	11,807,750	-	**11,807,750**
Investment securities held to maturity	180,962,377	-	-	-	**180,962,377**
Loans and advances	-	-	-	1,499,550,207	**1,499,550,207**
Total financial assets	**180,962,377**	**212,183,194**	**11,807,750**	**1,676,900,201**	**2,081,853,522**

All of the Group's financial liabilities except for its derivatives were carried at amortized cost as at 31 December 2023

The following table provides a reconciliation of financial assets with measurement categories at 31 December 2022:

In thousands of Mongolian Tugriks	Held-to-maturity financial assets	Available for sale financial assets	Financial assets at FVTPL	Loans and advances	Total
Financial assets:					
Cash and cash equivalents	-	-	-	890,417,205	**890,417,205**
Bank deposits	-	-	-	28,931,618	**28,931,618**
Derivative financial instruments	-	-	21,753,965	-	**21,753,965**
Available-for-sale investments carried at fair value	-	312,472,007	-	-	**312,472,007**
Financial assets at fair value through profit or loss	-	-	15,939,053	-	**15,939,053**
Investment securities held to maturity	568,788,930	-	-	-	**568,788,930**
Loans and advances	-	-	-	1,835,610,278	**1,835,610,278**
Total financial assets	**568,788,930**	**312,472,007**	**37,693,018**	**2,754,959,101**	**3,673,913,056**

There were no reclassifications between categories of financial assets in both 2023 and 2022.

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30. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Determination of fair value and fair value hierarchy

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 categorizing 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.

The Group's financial instruments comprise cash on hand and in bank, deposits, loans and advances, derivatives, borrowings (including promissory notes) and other liabilities at amortised cost. The management considers that the carrying amounts of financial assets and liabilities recognized in the financial statements approximate their fair value except for the Bank's Samurai bond carried at amortised cost detailed below.

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 as at 31 December 2023 are as follows:

	31 December 2023			
In thousands of Mongolian Tugriks	Level 1	Level 2	Level 3	Total
Assets at fair value				
Financial assets				
Available-for-sale investments carried at fair value	212,183,194	-	-	**212,183,194**
Financial assets at fair value through profit or loss			11,807,750	**11,807,750**
Investment securities held to maturity			180,962,377	**180,962,377**
Total assets at fair value	**212,183,194**	**-**	**192,770,127**	**404,953,321**
Liabilities at fair value				
Financial liabilities				
Derivative financial liabilities	-		4,227,824	4,227,824
Total liabilities at fair value	**-**	**-**	**4,227,824**	**4,227,824**

Fair value measurements within Level 2 and Level 3 mostly comprise derivative financial instruments. Valuation techniques applied include net present value and discounted cash flow models, comparisons with similar instruments for which observable market prices exist, and binomial and foreign exchange rate forecast models. The assumptions and inputs are assessed based on correlations between and volatilities of the underlying items derived through extrapolation of observable volatilities, recent transaction prices, quotes from other market participants, extrapolation of observable foreign exchange rates and equity prices, correlations between foreign exchange rates and recent transaction prices, and risk-free and benchmark interest rates.

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30. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

a) Recurring fair value measurements (continued)

The significant unobservable inputs used in Level 3 fair value measurements as at 31 December 2023 principally comprise estimated forward USD to MNT exchange rates which range from 3,619.70 to 3,397.08 depending on the timing of the scheduled exchanges of principal and interest until the settlement of the instruments (31 December 2022: from 3,433.37 to 3,619.70).

The level in the fair value hierarchy into which the recurring fair value measurements are categorised as at 31 December 2022 are as follows:

	31 December 2022			
In thousands of Mongolian Tugriks	Level 1	Level 2	Level 3	Total
Assets at fair value				
Financial assets				
Derivative financial assets	-	-	21,753,965	**21,753,965**
Available-for-sale investments carried at fair value	312,472,007	-	-	**312,472,007**
Financial assets at fair value through profit or loss	-	-	15,939,053	**15,939,053**
Investment securities held to maturity	-	-	568,788,930	**568,788,930**
Total assets at fair value	**312,472,007**	**-**	**606,481,948**	**918,953,955**
Liabilities at fair value				
Financial liabilities				
Derivative financial liabilities	-	-	5,672,829	**5,672,829**
Total liabilities at fair value	**-**	**-**	**5,672,829**	**5,672,829**

There were no transfers in either years between levels 1, 2 and 3 of the fair value hierarchy for the assets which are recorded at fair value.

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

The Group carries its available-for-sale investments, financial assets at FVTPL, and derivative financial instruments at fair values. All other assets and liabilities are carried at amortized cost. The Group determines fair values for those financial instruments carried at amortized cost as follows:

(i) Financial assets and liabilities for which fair value approximates carrying amount

For financial assets and financial liabilities that are liquid or have short term maturity of less than one year, carrying amounts approximate their respective fair value.

(ii) Fixed rate financial instruments

The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Thus, market interest rates when they were first recognized are compared to the current market rates offered for the comparable financial instruments available in Mongolia. In case there were no significant changes in market rates, carrying amounts approximate fair value of the instrument.

30. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

Fair values of other borrowings approximate their carrying values as at 31 December 2023, as there were no substantial changes in their related interest rates since inception, and/ or related liabilities (as in the case of issued promissory notes) represent principal market and thus their interest rates are not sensitive to the overall changes of interest rates in the Mongolian banking sector.

Fair values of financial instruments as at 31 December 2023 carried at amortized cost are as follows. This does not include the fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

In thousands of Mongolian Tugriks	Carrying Amount	Fair Value
Liabilities:		
Bonds	687,477,828	719,688,353
Borrowings	707,401,712	808,899,531

Fair values of financial instruments as at 31 December 2022 carried at amortized cost are as follows:

In thousands of Mongolian Tugriks	Carrying Amount	Fair Value
Liabilities:		
Bonds	2,572,205,220	2,420,798,990
Borrowings	582,540,605	574,777,076

31. COMMITMENTS AND CONTINGENCIES

In thousands of Mongolian Tugriks	31 December 2023	31 December 2022
Guarantees issued	550,000,000	550,000,000
Undrawn loan commitments	170,702,222	256,354,945
Total commitments and contingencies	**720,702,222**	**806,354,945**

The Group's management has assessed that the fair value of guarantees and undrawn loan commitments is not material as at 31 December 2023 and 31 December 2022.

Guarantees issued

The Group entered into a guarantee contract with Erdenes MGL LLC and Erdenes Silver Resource LLC on 20 February 2020, following which the Bank issued financial guarantees of MNT 1,146 billion as security for two bonds issued by Erdenes MGL LLC and Erdenes Silver Resource LLC. The guarantees are collaterised by Salkhit silver mine's deposit belonging to Erdenes Silver Resource LLC.

As at 31 December 2021 and 2022, Erdenes MGL LLC and Erdenes Silver Resources LLC did not fulfil an obligation under the guarantee agreement to submit support for an increase in the reserves of Salkhit silver deposit within the required time period and, as a result, the financial guarantee amount was reduced to MNT 550 billion in accordance with the guarantee agreement.

Maturity analysis of Guarantees issued is disclosed in Note 28.

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31. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Contingencies

Management believes that its interpretation of the relevant legislation is appropriate and the Group'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 risks 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. As at 31 December 2023, management has assessed that recognition of a provision for uncertain tax positions is not necessary.

Finance leases as lessor

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

In thousands of Mongolian Tugriks	31 December 2023	31 December 2022
Gross investment for financial lease receivables		
Less than one year	38,639,629	63,908,750
One to two years	10,939,753	4,841,627
Two to three years	9,809,508	3,420,299
Three to four years	8,595,594	-
Four to five years	5,050,184	6,218,045
More than five years	535,513	8,387,897
Total undiscounted lease receivable	**73,570,181**	**86,776,618**
Unearned finance income	(11,157,073)	(2,922,659)
Net investment in the lease	**62,413,108**	**83,853,959**

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32. SEGMENT REPORTING

The Group is a development finance institution dedicated to the economic and social progress of Mongolia. The Group's products and services are similar and are structured and distributed in a largely uniform manner across borrowers. Based on the evaluation of the Group's operations, management has determined that the Group has only one reportable segment since the Group does not manage its operations by allocating resources based on a determination of the contribution to net income from individual borrowers. The Group's revenue is received solely from entities in Mongolia. All non-current assets of the Group are located within Mongolia.

A split of the Group's revenue by products/ services is shown below:

In thousands of Mongolian Tugriks	Year ended 31 December 2023	Year ended 31 December 2022
Interest income on loans:	**104,418,185**	**219,662,119**
- State budget	3,615,962	2,167,977
- Corporates	100,802,223	217,494,142
Interest income from commercial banks:	**3,951,142**	**7,472,074**
- Deposits	723,867	3,016,324
- Current accounts	3,227,275	4,455,750
Interest income from investments:	**26,528,735**	**4,305,678**
- State budget	26,528,735	4,305,678
- Bank of Mongolia	-	-
Interest income from corporate bonds:	**50,469,930**	**34,431,560**
- Foreign financial institutions	8,697,197	9,593,742
- Corporates	41,772,733	24,837,818
Gain less losses from trading in foreign currency:	**17,013,442**	**(2,370,809)**
- With Government of Mongolia, commercial banks and corporates	17,013,442	(2,370,809)
Gains/ (losses) from derivative financial instruments	**(14,119,787)**	**88,723,450**
- Bank of Mongolia	(49,916,571)	142,483,052
- Foreign financial institutions	35,796,784	(53,759,602)

Total income generated from the Government and Government controlled entities amounts to MNT 44,052 million in the period ended 31 December 2023 (31 December 2022: 35,216 million).

33. EVENTS AFTER THE REPORTING DATE

In February and March of 2024, the Group successfully issued a private placement bond of USD 200 million to the international market in two tranches with the maturity of 2 years and the purpose of liability management.

34. TRANSLATION INTO MONGOLIAN LANGUAGE

These consolidated financial statements have been prepared in both English and Mongolian. In case of differences between the versions, the report in English will prevail.

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