

**MIK HOLDING JSC AND ITS  
SUBSIDIARIES**  
(Incorporated in Mongolia)

**Unaudited interim condensed consolidated financial statements  
30 June 2023**

**MIK HOLDING JSC AND ITS SUBSIDIARIES**

**FOR THE PERIOD ENDED 30 JUNE 2023**

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## STATEMENT BY EXECUTIVES

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We, Gantulga Badamkhatan, being the Chief Executive Officer, and Sansar Ganbaatar, being the Chief Operating Officer, primarily responsible for the consolidated financial statements of MIK Holding JSC and its subsidiaries (herein collectively referred to as the “Group”), do hereby state that, in our opinion, the accompanying interim condensed consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2023 and its financial performance and its cash flows for the three-months period ended in accordance with IAS 34 Interim Financial Reporting (IAS34).



Ulaanbaatar, Mongolia  
Date: 21 August 2023

Sansar Ganbaatar  
Chief Operating Officer

**MIK HOLDING JSC AND ITS SUBSIDIARIES**

**Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

**For the six months period ended 30 June 2023**

	Notes	Unaudited six months ended	
		30 June 2023 MNT'000	30 June 2022 MNT'000
Interest income	3	184,295,432	156,385,958
Interest expense	4	(145,528,858)	(131,729,841)
<b>Net interest income</b>		<u>38,766,574</u>	<u>24,656,117</u>
Fee and commission expense	5	(8,738,143)	(3,257,396)
Other operating income	6	2,911,845	3,091,081
<b>Total operating income</b>		<u>32,940,276</u>	<u>24,489,802</u>
Credit loss reversal/(expense)	7	15,764,863	(7,198,755)
Net gain on financial assets at fair value through profit or loss		178,768	-
Net (loss)/gain on change in fair value of derivative financial instruments	18	(3,511,042)	51,889,942
Modification loss on purchased mortgage pool receivables		-	(99,926,271)
<b>Net operating income/(loss)</b>		<u>45,372,865</u>	<u>(30,745,282)</u>
Operating expenses	8	(10,644,093)	(7,341,998)
Other operating expense	9	(272,581)	(42,801,408)
<b>Profit/(loss) before tax</b>		<u>34,456,191</u>	<u>(80,888,688)</u>
Income tax expense	10	(6,129,415)	(745,277)
<b>Profit/(loss) for the period, representing total comprehensive income/(loss)</b>		<u><u>28,326,776</u></u>	<u><u>(81,633,965)</u></u>
<b>Profit/(loss) per share (MNT)</b>			
Basic and diluted loss per share	11	<u>1,857.87</u>	<u>(5,354.14)</u>

**MIK HOLDING JSC AND ITS SUBSIDIARIES****Consolidated Statement of Financial Position**

As at 30 June 2023

	Notes	Unaudited 30 June 2023 MNT'000	Audited 31 December 2022 MNT'000
<b>ASSETS</b>			
Cash and bank balances	12	320,865,463	117,448,513
Debt instruments at amortised cost	13	170,167,096	179,880,304
Mortgage pool receivables with recourse	14	220,772,364	366,348,785
Loan receivables with recourse	15	68,770,623	80,906,907
Purchased mortgage pool receivables	16	3,793,376,589	3,432,162,229
Financial assets at fair value through profit or loss	17	136,515,634	137,419,577
Derivative financial instruments	18	157,374,559	160,885,601
Other assets	19	37,256,398	28,603,389
Property and equipment	20	35,699,850	36,617,422
Intangible assets		198,353	247,996
Income tax prepayments		847,240	1,318,076
Deferred tax assets		12,883,280	12,883,280
<b>TOTAL ASSETS</b>		<b>4,954,727,449</b>	<b>4,554,722,079</b>
<b>LIABILITIES</b>			
Other liabilities	21	16,416,731	9,333,568
Borrowed funds	22	30,691,691	36,156,514
Debt securities	23	799,889,295	819,963,304
Collateralised bonds	24	4,035,419,724	3,648,483,325
Income tax payables		2,158,967	56,256
Deferred tax liabilities		31,674,129	30,578,976
<b>TOTAL LIABILITIES</b>		<b>4,916,250,537</b>	<b>4,544,571,943</b>
<b>EQUITY</b>			
Ordinary shares		20,709,320	20,709,320
Share premium		52,225,115	52,225,115
Treasury shares		(62,143,136)	(62,143,136)
Reserve		27,685,613	(641,163)
<b>TOTAL EQUITY</b>		<b>38,476,912</b>	<b>10,150,136</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,954,727,449</b>	<b>4,554,722,079</b>

**MIK HOLDING JSC AND ITS SUBSIDIARIES****Consolidated Statement of Changes in Equity****For the six months period ended 30 June 2023**

	<b>Ordinary shares</b>	<b>Share premium</b>	<b>Treasury shares</b>	<b>Retained earnings*</b>	<b>Total equity</b>
	<b>MNT'000</b>	<b>MNT'000</b>	<b>MNT'000</b>	<b>MNT'000</b>	<b>MNT'000</b>
<b>At 1 January 2022</b>	20,709,320	52,225,115	(62,143,136)	(6,644,771)	4,146,528
Total comprehensive loss	–	–	–	6,003,608	6,003,608
<b>At 31 December 2022 and 1 January 2023</b>	20,709,320	52,225,115	(62,143,136)	(641,163)	10,150,136
Total comprehensive income	–	–	–	28,326,776	28,326,776
<b>At 30 June 2023</b>	<u>20,709,320</u>	<u>52,225,115</u>	<u>(62,143,136)</u>	<u>27,685,613</u>	<u>38,476,912</u>

\* Included in retained earnings as at 30 June 2023 are restricted retained earnings of MNT 159,279,180 thousand (30 June 2022: MNT 121,588,077 thousand) that are attributable to the Group's Special Purpose Companies ("SPCs"). The restriction relates to the issuance of Residential Mortgage-Backed Securities ("RMBS"), whereby the retained earnings of the SPCs that have issued RMBSs are restricted from distribution until their liquidation in accordance with their Articles of Charter and related Financial Regulatory Commission ("FRC") regulation.

**MIK HOLDING JSC AND ITS SUBSIDIARIES**
**Consolidated Statement of Cash Flows**
**For the six months period ended 30 June 2023**

	Notes	Unaudited six months ended	
		30 June 2023 MNT'000	30 June 2022 MNT'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(Loss) before tax		34,456,191	(80,888,688)
<i>Adjustments to reconcile profit before tax to net cash flows:</i>			
Interest on borrowed funds	4	1,719,424	1,980,530
Interest on debt securities	4	39,896,989	35,914,458
Gain on repurchase of debt securities issued	6	(1,539,630)	(3,009,797)
Gain on disposal of property and equipment	6	(2,954)	(32,684)
Credit loss (reversal)/expense	7	(15,764,863)	7,198,756
Depreciation of property and equipment	8	952,897	935,345
Amortisation of intangible assets	8	135,430	89,003
Unrealised foreign exchange (gain)/loss, net	6,9	(1,178,030)	42,238,695
Write-off of property and equipment	9	283	30,115
Loss on disposal of foreclosed property	9	-	27,844
Net change in fair value of financial assets at FVPL	17	(147,447)	-
Realized gain on derivative financial instruments		-	21,630,709
Net loss/(gain) on derivative financial instruments	18	3,511,042	(51,889,944)
Modification loss on purchased mortgage pool receivables		-	99,926,271
<i>Operating profit before working capital changes</i>		<u>62,039,332</u>	<u>74,150,613</u>
<i>Changes in working capital:</i>			
Due from banks – placement with original maturities of more than three months		-	(829,129)
Due from banks – placement with banks classified as Stage 3		654,520	1,240,147
Debt instruments at amortised cost		2,678,236	(21,737,934)
Mortgage pool receivables with recourse		146,200,465	10,305,815
Loan receivables with recourse		12,159,534	(55,338,986)
Purchased mortgage pool receivables		198,811,671	20,080,294
Other assets		5,125,390	(9,034,454)
Collateralised bonds		(173,337,301)	(67,532,591)
Other liabilities		7,086,113	(642,098)
<b>Cash generated from operations</b>		<u>261,417,960</u>	<u>(49,338,323)</u>
Interest paid classified as operating activities		(39,587,021)	(43,230,339)
Income tax paid		(2,460,713)	(1,212,261)
<b>Net cash flows generated from/(used in) operating activities</b>		<u>219,370,226</u>	<u>(93,780,923)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment in debt instruments at amortised cost		(5,000,000)	-
Investment in financial assets at FVPL	17	(198,610)	-
Proceeds from disposal of debt instruments at amortised cost		12,603,466	-
Proceeds from disposal of financial assets at FVPL	17	1,250,000	-
Purchase of property and equipment		(35,607)	(798,035)
Purchase of intangible assets		(85,788)	(21,250)
<b>Net cash flows generated from/(used in) investing activities</b>		<u>8,533,461</u>	<u>(819,285)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from issuance of debt securities		745,923	-
Repayment of borrowed funds		(5,216,640)	(5,188,085)
Repurchase of debt securities issued		(19,080,449)	(280,047,047)
<b>Net cash flows used in financing activities</b>		<u>(23,551,166)</u>	<u>(285,235,132)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>204,352,521</u>	<u>(379,835,340)</u>
Effect of exchange rate changes on cash and cash equivalents		(279,726)	29,485,214
<b>Cash and cash equivalents at 1 January</b>		<u>117,297,737</u>	<u>530,507,287</u>
<b>Cash and cash equivalents at 30 June</b>	12	<u><u>321,370,532</u></u>	<u><u>180,157,161</u></u>

## 1. Corporate and Group information

MIK Holding JSC (the “Company”) was incorporated on 23 April 2008 under the Company Law of Mongolia. The Company remained dormant since incorporation and reorganized to become a holding company on 14 December 2015, together with its subsidiaries (collectively referred to as the “Group”). The Group comprises of MIK Holding JSC, Mongolian Mortgage Corporation HFC LLC (“MIK HFC”), MIK Asset Special Purpose Companies (“SPCs”), MIK Real Estate LLC and MIK Protego First LLC.

The Group’s principal place of business and the registered address is Chingeltei district, 1st khoroo, Sukhbaatar Square street 11, Ulaanbaatar City, Mongolia.

The Group’s objective is to develop a secondary market for mortgage loans in Mongolia by acquiring them from the commercial banks and thus providing the banking sector with additional liquidity, which can be used for further growth of mortgage lending. Its principal activities include purchases of mortgage loans issued by Mongolian commercial banks and the issuance of bonds, which are collateralised by the cash flows from the repayment of the mortgage pools.

The registered share capital of MNT 20,709,320 thousand (2022: MNT 20,709,320 thousand) consists of 20,709,320 (2022: 20,709,320) common shares at par value of MNT 1,000 (2022: MNT 1,000) each.

The business activity of issuing asset backed securities became a licensed activity in Mongolia effective from 1 January 2011 in accordance with the Asset Backed Securities Law of Mongolia which was approved on 23 April 2010.

MIK HFC was incorporated on 4 September 2006 under the Company Law of Mongolia and is a wholly owned subsidiary of the Company. On 14 March 2012, MIK HFC was granted, by the FRC, a special license for the issuance of asset backed securities.

All SPCs are incorporated in Mongolia and the principal activities of the SPCs are purchase of mortgage loans, issuance of RMBS, investment activities in securities issued by the government, central bank and legal entity and placement of term deposits with qualifying banks as governed by the Articles of the Charter of each SPC and relevant FRC regulations.

## 2. Significant accounting policies

### 2.1. Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with *IAS 34 Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022.

### 2.2. New and amended standards and interpretations

The Group has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective in these consolidated financial statements.

Other amendments and interpretations apply for the first time 2023, but do not have a material impact on the Group’s consolidated financial statements. The other standards and amendments include the following:

- IFRS 17 *Insurance Contracts*
- Amendments to IFRS 17 *Insurance Contracts*
- Amendments to IAS 8 *Definition of Accounting Estimates*
- Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies*

The Standards and Interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

- Amendments to IAS 1 *Classification of Liabilities as Current or Non-Current*<sup>1</sup>
- Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*<sup>1</sup>
- Amendments to IFRS 16 *Lease Liability in a Sale and Leaseback*<sup>1</sup>
- Amendments to IAS 1 *Non-current Liabilities with Covenants*<sup>1</sup>
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an investor and its Associate or Joint Venture*<sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> No mandatory effective date yet determined but available for adoption



## 2. Significant accounting policies (cont'd)

### 2.3. Standards issued but not yet effective

#### **Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability does not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

#### ***Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12***

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

#### ***Lease Liability in a Sale and Leaseback – Amendments to IFRS 16***

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

#### ***Non-current liabilities with Covenants – Amendments to IAS 1***

In October 2022, the IASB issued the 2022 Amendments to IAS 1 to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision.

#### ***Sale or Contribution of Assets between an investor and its Associate or Joint Venture – Amendments to IFRS 1 and IAS 28***

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. No mandatory effective date yet determined for the amendments, but available for adoption.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

### 3. Interest income and similar income

	Unaudited six months ended	
	30 June 2023	30 June 2022
	MNT'000	MNT'000
<i>Interest income calculated using the effective interest method</i>		
Purchased mortgage pool receivables (without recourse)	138,366,297	112,977,985
Mortgage pool receivables with recourse	13,105,867	22,824,444
Debt instruments at amortised cost	11,416,079	5,515,692
Loan receivables with recourse	6,613,619	6,071,281
Bank balances	4,839,742	2,425,324
	<u>174,341,604</u>	<u>149,814,726</u>
<i>Other interest income</i>		
Financial assets at FVPL	9,953,828	6,571,232
	<u>184,295,432</u>	<u>156,385,958</u>

Included in interest income from purchased mortgage pool receivables for the six months period ended June 2022 is an amount of MNT 97.8 billion representing accrued interest arising from the amortisation of the modification loss on purchased mortgage pool receivables over the deferral period.

### 4. Interest expense

	Unaudited six months ended	
	30 June 2023	30 June 2022
	MNT'000	MNT'000
<i>Interest expense calculated using the effective interest method</i>		
Collateralised bonds	98,967,229	80,393,364
Debt securities issued	39,896,989	40,606,256
Borrowed funds	1,719,424	1,980,530
	<u>140,583,642</u>	<u>122,980,150</u>
<i>Other interest expense</i>		
Derivative financial instruments	4,945,216	8,749,691
	<u>145,528,858</u>	<u>131,729,841</u>

### 5. Fee and commission expense

	Unaudited six months ended	
	30 June 2023	30 June 2022
	MNT'000	MNT'000
Loan service fee	8,724,084	3,251,434
Bank service charge	14,059	5,962
	<u>8,738,143</u>	<u>3,257,396</u>

### 6. Other operating income

	Unaudited six months ended	
	30 June 2023	30 June 2022
	MNT'000	MNT'000
Gain on repurchase of debt securities issued	1,539,630	3,009,797
Unrealised foreign exchange gain	1,178,030	-
Gain on disposal of PPE	2,954	32,684
Others	191,231	48,600
	<u>2,911,845</u>	<u>3,091,081</u>

## 7. Credit loss expense/(reversal)

	Unaudited six months ended	
	30 June 2023	30 June 2022
	MNT'000	MNT'000
Purchased mortgage pool receivables (without recourse)	247,670	1,566,885
Cash and bank balances	1,325	(351,926)
Mortgage pool receivables with recourse	(1,444,932)	440,845
Debt instruments at amortised cost	(767,276)	4,966,138
Loan receivables with recourse	(23,250)	576,813
Other assets	(13,778,400)	-
	<u>(15,764,863)</u>	<u>7,198,755</u>

## 8. Operating expenses

	Unaudited six months ended	
	30 June 2023	30 June 2022
	MNT'000	MNT'000
Personnel expenses	4,076,544	3,948,969
Professional service fees	347,269	220,733
Depreciation expense	952,897	935,345
Business trip expense	623,683	179,242
Advertisement expense	150,049	397,536
Amortisation of intangible assets	135,430	89,003
Utility expense	32,834	29,718
Other operating expenses	4,325,387	1,541,452
	<u>10,644,093</u>	<u>7,341,998</u>

## 9. Other operating expense

	Unaudited six months ended	
	30 June 2023	30 June 2022
	MNT'000	MNT'000
Entertainment expense	60,036	145,111
Realised foreign exchange loss	59,395	74,497
Loss on disposal of foreclosed property	283	30,115
Write-off of property and equipment	-	27,844
Unrealised foreign exchange loss	-	42,238,695
Others	152,867	285,147
	<u>272,581</u>	<u>42,801,408</u>

## 10. Income tax

The components of income tax expense for the six months period ended 30 June 2023 and 2022 are:

	Unaudited six months ended	
	30 June 2023	30 June 2022
<b>Current tax</b>		
Current income tax	5,034,262	1,564,096
<b>Deferred tax</b>		
Relating to origination of temporary differences	1,095,153	(818,819)
	<u>6,129,415</u>	<u>745,277</u>

The Group provides for income taxes on the basis of its income for financial reporting purposes, adjusted for items which are not assessable or deductible for income tax purposes. The income tax rates for profits of the Group are 10% (2022: 10%) for the first MNT 6 billion (2022: MNT 6 billion) of taxable income, and 25% (2022: 25%) on the excess of taxable income over MNT 6 billion (2022: MNT 6 billion). The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings.

## 11. Earnings/(loss) per share

The following table shows the income and number of shares used in the basic and diluted loss per share calculations:

	<b>Unaudited six months ended</b>	<b>Unaudited six months ended</b>
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>MNT'000</b>	<b>MNT'000</b>
Profit/(loss) for the year and total comprehensive income/(loss) for the year (net of tax) attributable to equity holder of the Parent	28,326,776	(81,633,965)
Weighted-average number of ordinary shares for basic and diluted loss per share*	15,246,891	15,246,891
<b>Earnings/(loss) per share</b>		
	MNT	MNT
Equity holders of the Parent for the year:		
Basic and diluted earnings/(loss) per share	1,857.87	(5,354.14)

\* The weighted-average number of shares takes into account treasury shares held by the Group.

## 12. Cash and bank balances

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June 2023</b>	<b>31 December 2022</b>
	<b>MNT'000</b>	<b>MNT'000</b>
Cash on hand	30,216	22,678
Term deposits with banks	149,816,954	68,237,942
Current accounts with banks	148,520,761	24,992,307
Trust accounts with banks	18,156,182	13,509,822
Collection accounts with banks	4,846,419	11,189,508
Gross carrying amount	321,370,532	117,952,257
Allowance for impairment losses	(505,069)	(503,744)
Net carrying amount	320,865,463	117,448,513

All bank accounts are placed in commercial banks operating in Mongolia, and most of these commercial banks are shareholders of the Group. The trust accounts with banks represent current accounts where the collections made by commercial banks on behalf of the Group on the purchased mortgage pool receivables are accumulated and are deposited into the current accounts on monthly basis. The collection account is used for repayment of the RMBS. The carrying amount of cash and cash equivalents approximates fair value.

### Additional cash flow information

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June 2023</b>	<b>31 December 2022</b>
	<b>MNT'000</b>	<b>MNT'000</b>
Cash and bank balances	321,370,532	117,952,257
Less: Placement with banks with original maturities of more than three months	-	-
Less: Cash and bank balances classified as Stage 3	-	(654,520)
Total cash and cash equivalents for the consolidated statement of cash flows	321,370,532	117,297,737

### 12.1. Impairment allowance for cash and bank balances

	<b>Unaudited</b>
	<b>30 June 2023</b>
	<b>MNT'000</b>
At 1 January	503,744
Credit loss expenses (Note 7)	1,325
At 30 June	505,069

### 13. Debt instruments at amortised cost

	<b>Unaudited 30 June 2023 MNT'000</b>	<b>Audited 31 December 2022 MNT'000</b>
Gross loan notes receivables	181,194,259	191,674,742
Allowance for impairment losses	<u>(11,027,163)</u>	<u>(11,794,438)</u>
Net debt instruments at amortised cost	<u>170,167,096</u>	<u>179,880,304</u>

#### Loan notes receivables

##### *Bodi International LLC*

On 11 December 2018, the Group purchased through MIK HFC and its SPCs loan notes from Bodi International LLC (“Bodi”) for MNT 25.0 billion and MNT 20.0 billion, respectively. The loan notes bear an interest rate of 12.2% per annum, with interest repayable semi-annually beginning from 20 July 2019 to 20 July 2023 and principal repayable in three instalments beginning from 20 January 2023 to 12 December 2023. On 20 January 2023, the principal amount of MNT 5.0 billion was made in accordance with the agreed repayment schedule.

##### *QSC LLC*

On 20 March 2020, the Group invested in MNT 45 billion loan notes bearing 13% interest per annum issued by QSC LLC. On 28 June 2021, when the outstanding balance on the loan notes was MNT 35 billion, the initial contract maturity of 20 July 2021 was extended until 28 June 2024, with an amended interest rate of the BoM policy rate plus 2% per annum. On 28 December 2022, the contract was further amended and changed the maturity date to 28 December 2023. Per contract, principal and interest payments are to be made on the maturity date.

##### *TDB Leasing LLC*

On 25 March 2021, the Group purchased loan notes from TDB Leasing LLC (Olympic Bond) for MNT 1 billion. The notes have an interest rate of 15 percent per annum and are due to mature on 26 March 2023, with interest repayable semi-annually and principal repayable at maturity. As per schedule, the loan notes matured on 26 March 2023.

On 20 October 2022, the Group purchased additional 4,500 loan notes with a par value of MNT 1 million for MNT 4.471 billion, together with its accrued interest of MNT 214,816 thousand from the secondary market. The notes have an interest rate of 14.4% percent per annum, with interest payable semi-annually and principal payable due on the maturity. The loan notes are due to mature on 21 June 2023. The loan notes of MNT 1 billion, MNT 0.5 billion, MNT 1.67 billion and MNT 1.33 billion were made on 20 January 2023, 31 March 2023, 25 April 2023 and 22 June 2023, respectively.

##### *Khukh Mongol Gobi Trans LLC*

The Group purchased loan notes issued by Khukh Mongol Gobi Trans LLC in the amounts of MNT 3 billion on 29 July 2021 and MNT 3 billion on 9 November 2021, for a total of MNT 6 billion during the year ended 31 December 2021. All notes bear an interest rate of 17% per annum and were due to mature in one year from the date of purchase, with interest repayable quarterly and principal repayable at maturity as per the original agreement. During 2022, the maturity of the loan notes was extended until 30 June 2023, which was subsequently extended until 31 December 2023. The loan notes are secured by property valued at MNT 7 billion on the date of purchase.

##### *Globull Investment and Development Pte Ltd*

On 1 July 2022, the Group purchased 2,500 secured callable bonds from Globull Investment and Development PTE Ltd “Issuer”, a parent company of the Group’s shareholder, bearing an interest rate of 12% per annum with a par value of USD 10,000 each for a consideration of USD 25 million. The bonds are due to mature in 12 months, with interest payable semi-annually and principal payable due on the maturity.

#### 13.1. Impairment allowance for debt instruments at amortised cost

	<b>Unaudited 30 June 2023 MNT'000</b>
At 1 January	11,794,439
Credit loss reversal (Note 7)	<u>(767,276)</u>
At 30 June	<u>11,027,163</u>

#### 14. Mortgage pool receivables with recourse

The Group acquires mortgage pool receivables with recourse from commercial banks, most of whom are shareholders of the Group. The Group has the right to request from the respective commercial bank, when any individual mortgage loan is overdue more than 90 days, either to replace the defaulted loan with another performing mortgage loan with similar terms or to pay immediately in cash an amount equal to the carrying amount of the defaulted loan plus accumulated interest. Thus, mortgage pool receivables with recourse represent, in substance, loans issued to commercial banks in Mongolia, which are collateralised by related mortgage loan receivables of those commercial banks, as well as by the related residential properties that are used as collateral, as additional guarantee.

	<b>Unaudited 30 June 2023 MNT'000</b>	<b>Audited 31 December 2022 MNT'000</b>
Mortgage pool receivables	211,465,638	357,408,389
Accrued interest receivables	10,201,775	11,280,377
Gross mortgage pool receivables with recourse	<u>221,667,413</u>	<u>368,688,766</u>
Allowance for impairment losses	<u>(895,049)</u>	<u>(2,339,981)</u>
Net mortgage pool receivables with recourse	<u><u>220,772,364</u></u>	<u><u>366,348,785</u></u>

##### 14.1. Impairment allowance for mortgage pool receivables with recourse

	<b>Unaudited 30 June 2023 MNT'000</b>
At 1 January	2,339,981
Credit loss reversal (Note 7)	<u>(1,444,932)</u>
At 30 June	<u><u>895,049</u></u>

#### 15. Loan receivables with recourse

	<b>Unaudited 30 June 2023 MNT'000</b>	<b>Audited 31 December 2022 MNT'000</b>
Gross loan receivables with recourse	69,189,230	81,348,764
Allowance for impairment losses	<u>(418,607)</u>	<u>(441,857)</u>
Net loan receivables with recourse	<u><u>68,770,623</u></u>	<u><u>80,906,907</u></u>

Loan receivables with recourse represent consumer loan receivables from individual borrowers and legal entities, purchased from financial institutions.

The Group has the right to request from the respective originator, when any individual loan is overdue more than 90 days, either to replace the defaulted loan with another performing consumer loan with similar terms or to pay immediately in cash an amount equal to the carrying amount of the defaulted loan plus accumulated interest. Thus, similar to mortgage pool receivables with recourse, loan receivables with recourse represent, in substance, loans issued to financial institutions in Mongolia, which are collateralised by the loan receivables of those institutions, as well as by the related assets that are used as collateral, as additional guarantee.

##### 15.1. Impairment allowance for loan receivables with recourse

	<b>Unaudited 30 June 2023 MNT'000</b>
At 1 January	441,857
Credit loss reversal (Note 7)	<u>(23,250)</u>
At 30 June	<u><u>418,607</u></u>

## 16. Purchased mortgage pool receivables

	<b>Unaudited 30 June 2023 MNT'000</b>	<b>Audited 31 December 2022 MNT'000</b>
Purchased mortgage pool receivables	3,783,914,575	3,433,170,075
Accrued interest receivables	17,179,803	6,462,273
Gross purchased mortgage pool receivables	<u>3,801,094,378</u>	<u>3,439,632,348</u>
Allowance for impairment losses	<u>(7,717,789)</u>	<u>(7,470,119)</u>
Net purchased mortgage pool receivables	<u>3,793,376,589</u>	<u>3,432,162,229</u>

Purchased mortgage pool receivables represent mortgage loan receivables due from individual borrowers, purchased from Mongolian commercial banks, most of whom are shareholders of the Group. All significant risks and rewards related to these mortgage loans, including the rights to the related collateral, are fully transferred to the Group at acquisition of the mortgage pools.

### 16.1. Impairment allowance for purchased mortgage pool receivables

	<b>Unaudited 30 June 2023 MNT'000</b>
At 1 January	7,470,119
Credit loss expense (Note 7)	247,670
At 30 June	<u>7,717,789</u>

## 17. Financial assets at fair value through profit or loss

	<b>Unaudited 30 June 2023 MNT'000</b>	<b>Audited 31 December 2022 MNT'000</b>
Fair value as at 1 January	137,419,577	145,499,187
Redeemed	(1,250,000)	(5,450,000)
Acquisitions	198,610	-
Net gain/(loss) from change in fair value through profit or loss	<u>147,447</u>	<u>(2,629,610)</u>
Fair value as at 30 June	<u>136,515,634</u>	<u>137,419,577</u>

### Investment in preference shares

On 7 December 2020, the Group purchased 30,000 preference shares of TDB Capital LLC, a shareholder of TDB, with a par value of MNT 5 million per share for a total consideration of MNT 150 billion. The preference shares have an annual dividend rate of the BoM policy rate plus 1 percent.

During 2022, it was agreed that TDB Capital LLC would repurchase all preference shares back with the accrued dividend in three instalments with principal amount of MNT 35 billion in December 2023, MNT 45 billion in December 2024 and MNT 70 billion in December 2025. On 12 January 2023, TDB Capital LLC repurchased 250 preference shares for MNT 1.25 billion (2022: 1,090 preference shares for MNT 5.45 billion), before the repayment schedule.

Management classified the investment in preference shares as a financial asset at FVPL.

## 18. Derivative financial instruments

On 14 January 2022, the Group extended its cross-currency swap agreement entered with a commercial bank, which was due to mature in February 2022, to manage the risk of variability of cash flows denominated in USD from its Senior Notes issued on the international market in February 2021 (see Note 23). The agreement has a notional amount of USD 196 million or MNT 515,730 million and has a maturity of two years, with interest payable quarterly beginning 14 April 2022 to 14 January 2024 on a net basis.

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

## 18. Derivative financial instruments (cont'd)

	<b>Unaudited 30 June 2023 MNT'000</b>	<b>Audited 31 December 2022 MNT'000</b>
Fair value as at 1 January	160,885,601	66,638,901
Net (loss)/gains on derivative financial instruments	(3,511,042)	115,877,409
Realized gain from maturity of derivative financial instruments	-	(21,630,709)
Fair value as at 30 June	<u>157,374,559</u>	<u>160,885,601</u>

## 19. Other assets

	<b>Unaudited 30 June 2023 MNT'000</b>	<b>Audited 31 December 2022 MNT'000</b>
<b>Financial assets</b>		
Other receivables	<u>30,486,681</u>	<u>23,644,084</u>
<b>Non-financial assets</b>		
Prepayments	3,107,881	1,143,187
Foreclosed properties	200,014	200,014
Consumables and office supplies	376,154	371,439
Value-added tax receivables	<u>3,085,668</u>	<u>3,244,665</u>
	<u>6,769,717</u>	<u>4,959,305</u>
	<u>37,256,398</u>	<u>28,603,389</u>

Included in other receivables as at 30 June 2023 is accrued interest on preference shares held in TDB Capital LLC of MNT 30,149,149 thousand (31 December 2022: MNT 20,391,085 thousand)

## 20. Property and equipment

As of 30 June 2023, property and equipment with a carrying amount of MNT 35,699,850 thousand (2022: MNT 36,617,422 thousand).

## 21. Other liabilities

	<b>Unaudited 30 June 2023 MNT'000</b>	<b>Audited 31 December 2022 MNT'000</b>
<b>Financial liabilities</b>		
Other payables	13,504,972	7,626,775
Interest payable on cross-currency swap	<u>1,056,715</u>	<u>-</u>
	<u>14,561,687</u>	<u>7,626,775</u>
<b>Non-financial liabilities</b>		
Withholding tax liability	1,704,462	1,671,746
VAT payable	<u>150,582</u>	<u>35,047</u>
	<u>1,855,044</u>	<u>1,706,793</u>
	<u>16,416,731</u>	<u>9,333,568</u>

Included in other payables are loan service fee payables to the banks for the collection of the mortgage pool receivables. Loan service fees are normally settled to the banks with the next quarterly coupon payment of the RMBS.



## 22. Borrowed funds

	<b>Unaudited 30 June 2023 MNT'000</b>	<b>Audited 31 December 2022 MNT'000</b>
TDB	9,804,020	10,026,377
Golomt Bank LLC (“Golomt”)	<u>20,887,671</u>	<u>26,130,137</u>
	<u>30,691,691</u>	<u>36,156,514</u>

### TDB:

On 17 May 2018, the Group entered into a loan agreement with TDB of MNT 11.4 billion. The loan bears an interest rate of 14.4% per annum and the loan principal is repayable monthly beginning from 17 May 2018 to 17 May 2033. The outstanding borrowings amounted to MNT 9,804,020 thousand and MNT 10,026,377 thousand at 30 June 2023 and 31 December 2022, respectively.

### Golomt:

The Group obtained a loan of MNT 25 billion from Golomt on 11 December 2018. The loan bears an interest rate of 10.0% per annum and the interest is repayable semi-annually beginning from 20 July 2019 to 20 January 2024, while the principal is repayable in full on 20 January 2024. On 20 January 2023, the Group paid its loan amount of MNT 5 billion as per schedule.

## 23. Debt securities

	<b>Unaudited 30 June 2023 MNT'000</b>	<b>Audited 31 December 2022 MNT'000</b>
Debt securities at amortised cost	<u>799,889,295</u>	<u>819,963,304</u>

### *International capital market*

On 8 February 2021, the Group issued senior notes (“2024 Notes”) with nominal value of USD 250 million on the international capital market to refinance its senior notes issued on the same market in 2019. The 2024 Notes are due to mature on 8 February 2024 and bear an interest of 8.85% per annum payable semi-annually in arrears starting from 8 August 2021 to 8 February 2024. The bond is unconditionally and irrevocably guaranteed by the Company. Qualifying transaction costs are capitalised and amortised over the life of the financial instruments using EIR. On 29 January 2022, the Group made the final principal and coupon payment on its 2022 Notes and settled their debt as per schedule.

On 10 January 2023 and 12 January 2023, the Group purchased a portion of its 2024 Notes in principal amounts of USD 4.1 million and USD 1.83 million, respectively. (2022: USD 17.19 million).

The 2024 Notes had an outstanding balance of USD 222,871,000 (2022: USD 228,809,000) as at 30 June 2023.

### *OTC market*

On 28 December 2021, the Group issued a USD 12 million bond on the local over-the-counter market. The debt securities bear an interest rate of 6.8% per annum, with interest payable semi-annually and principal payable upon maturity in three years. Qualifying transaction costs are capitalised and amortised over the life of the financial instruments using EIR.

Between June and December 2022, the Group repurchased a portion of its issued bond in a principal amount of USD 9,955,000, of which USD 1,168,200 were sold back to third parties.

On 26 January 2023, 20 March 2023 and 13 April 2023, the Group sold back the portion of its issued bond in a principal amount of USD 11.3 thousand, USD 130.0 thousand and USD 70.8 thousand, respectively.

As of 30 June 2023, the outstanding balance of the bond is USD 3,425,300 (2022: USD 3,213,200).

## 24. Collateralised bonds

		<b>Unaudited</b> <b>30 June 2023</b> <b>MNT'000</b>	<b>Audited</b> <b>31 December 2022</b> <b>MNT'000</b>
	<b>Interest rate</b>		
Senior bonds	4.50%	1,752,822,702	1,890,716,166
Junior bonds	10.50%	538,188,231	512,333,105
Senior bonds II	4.50%	311,605,508	325,585,305
Senior bonds I	1.00%	836,784,432	522,538,663
Senior bonds II	9.00%	408,149,950	247,157,420
Senior bonds III	13.00%	69,394,064	71,667,061
Junior bonds	9.00%	118,474,837	78,485,605
		<u>4,035,419,724</u>	<u>3,648,483,325</u>

The senior and junior bonds as at 30 June 2023 and 31 December 2022 represent bonds issued by the SPCs upon their mortgage pool purchases under the RMBS program of the Government of Mongolia. Starting with the twenty-second issuance of RMBS, senior bonds were offered in three tranches: senior bonds I issued to the MoF, senior bonds II issued to the BoM, and senior bonds III issued to commercial banks, while prior to this change, all senior bonds were issued to the BoM and the MoF. Junior bonds are solely issued to commercial banks. The bonds are collateralised by the purchased mortgage pool receivables (see Note 16).

The principal payments of the senior bonds are payable on a quarterly basis and are equal to the quarterly principal repayment received from the purchased mortgage pool receivables acquired under the RMBS program. The principal of the junior bonds will only be redeemed after the full redemption of the principal of the senior bonds and the payments to junior bond holders are subordinate in right of payment and priority to the senior bonds.

The bonds are not publicly traded on an active market (such as the stock exchange) but are sold directly to commercial banks.

### *Covid-19 impact*

In conjunction with the mortgage principal and interest repayment deferral program, MIK Asset Ten SPC LLC to MIK Asset Thirty-One SPC LLC were given the option by the BoM and the MoF to defer the coupon payments due to them on the senior RMBS up to 31 December 2022 if they did not have the ability to pay, given that the entities have been making the coupon payments per schedule since the commencement of the deferral program and have started to exhaust their reserves. All other principal and coupon payments are to be made per schedule. During 2022, all of the aforementioned SPC exercised the option to defer coupon payments of MNT 56.4 billion on the senior bonds held by the BoM and the MoF due to their inability to pay.

## 25. Ordinary shares

There were 5,462,429 shares held as treasury shares as at 30 June 2023 (31 December 2022: 5,462,429 shares). Excluding these shares, the total number of issued shares as at 30 June 2023 was 15,246,891 shares (31 December 2022: 15,246,891 shares). All issued ordinary shares are fully paid. Each ordinary share carries one vote.

## 26. Contingent liabilities and commitments

### **Legal claims**

Litigation is a common occurrence in the financial services industry due to the nature of the business. The Group has an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages can be reasonably estimated, the Group makes adjustments to account for any adverse effects which the claim may have on its financial standing. At the year end, the Group had no significant outstanding litigation.

### **Assets pledged and restricted**

RMBS issued by the Group are fully collateralised by the purchased mortgage pool receivables. As of 30 June 2023, the Group had mortgage pool receivables with the gross amount of MNT 3,801,094,378 thousand (2022: MNT 3,439,632,348 thousand) pledged as collateral for the RMBS (see Note 16). The related liabilities amount is MNT 4,035,419,724 thousand as of 30 June 2023 (2022: MNT 3,648,483,325 thousand) (see Note 24).

## **27. Related party disclosures**

A number of transactions were entered into by the Group with related parties in the course of business. As all shareholders have the right to appoint a director, management considers them to be related parties.

### **Investment in preference shares from shareholder of related party**

On 7 December 2020, the Group purchased 30,000 preference shares of TDB Capital LLC, a shareholder of TDB, with a par value of MNT 5 million per share for a total consideration of MNT 150 billion. The preference shares have an annual dividend rate of the BoM policy rate plus 1 percent.

During 2022, it was agreed that TDB Capital LLC would repurchase all preference shares back with the accrued dividend in three instalments with principal amount of MNT 35 billion in December 2023, MNT 45 billion in December 2024 and MNT 70 billion in December 2025. On 12 January 2023, TDB Capital LLC repurchased 250 preference shares for MNT 1.25 billion (2022: 1,090 preference shares for MNT 5.45 billion), before the repayment schedule.

Accrued interest on preference shares held in TDB Capital LLC amounted to MNT 30,149,147 thousand (2022: MNT 20,391,085 thousand) as at 30 June 2023 (see Note 19).

### **Loans from/to shareholder of related party**

The Group obtained a loan of MNT 25 billion from Golomt on 11 December 2018 with an interest rate of 10.0% per annum, with interest repayable semi-annually beginning from 20 July 2019 to 20 January 2024 and principal repayable in full on 20 January 2024 (see Note 22). On 20 January 2023, the Group paid its loan amount of MNT 5 billion as per schedule.

On 11 December 2018, the Group purchased through MIK HFC and SPCs loan notes from Bodi, for MNT 25.0 billion and MNT 20.0 billion, respectively. The loan notes bear an interest rate of 12.2% per annum, with interest repayable semi-annually beginning from 20 July 2019 to 20 July 2023 and principal repayable in three installments beginning from 20 January 2023 to 12 December 2023.

### **Investments in related parties**

#### *QSC LLC*

On 20 March 2020, the Group invested in MNT 45 billion loan notes bearing 13% interest per annum issued by QSC LLC, related party of a board member of the Group. On 28 June 2021, when the outstanding balance on the loan notes was MNT 35 billion, the initial contract maturity of 20 July 2021 was extended until 28 June 2024, with an amended interest rate of the BoM policy rate plus 2% per annum. On 28 December 2022, the contract is further amended to change the maturity date to 28 December 2023. Per the contract, principal and interest payments are to be made on the maturity date (see Note 13).

#### *Globull Investment and Development PTE Ltd*

On 1 July 2022, the Group purchased 2,500 secured callable bonds from Globull Investment and Development PTE Ltd, "Issuer", a parent company of TDB, bearing an interest rate of 12% per annum with a par value of USD 10,000 each for a consideration of USD 25 million. The bonds are due to mature in 12 months, with interest payable semi-annually and principal payable due on the maturity. The bonds are secured by any encumbrances or other security created by the obligations of the Issuer, including but not limited to all the shares of the Issuer up to the value of the outstanding bond (see Note 13).

#### *TDB Leasing LLC*

On 25 March 2021, the Group purchased 1,000 loan notes from TDB Leasing LLC, a subsidiary of the Group's shareholder, for MNT 1 billion. The notes have an interest rate of 15% per annum and are due to mature on 26 March 2023, with interest repayable semi-annually and principal repayable at maturity. As per schedule, the loan notes matured on 26 March 2023.

On 20 October 2022, the Group purchased additional 4,500 loan notes with a par value of MNT 1 million for MNT 4.471 billion, together with its accrued interest of MNT 214,816 thousand from the secondary market. The notes have an interest rate of 14.4% percent per annum, with interest payable semi-annually and principal payable due on the maturity. The loan notes are due to mature on 21 June 2023. The loan notes are fully matured as of 30 June 2023 (see Note 13).

### **Borrowed funds**

On 17 May 2018, the Group entered into a loan agreement with TDB of MNT 11.4 billion with an interest rate of 14.4% per annum. The loan principal and interest are repayable monthly beginning from 17 May 2018 to 17 May 2033.

## 27. Related party disclosures (cont'd.)

### Swap arrangement with related party

On 14 January 2022, the Group extended its cross-currency swap agreement entered with TDB, which was due to mature in February 2022, to manage the risk of variability of cash flows denominated in USD from its Senior Notes issued on the international market in February 2021 (see Note 23). The agreement has a notional amount of USD 196 million or MNT 515,730 million and has a maturity of two years, with interest payable quarterly beginning 14 April 2022 to 14 January 2024 on a net basis.

### Other payables

Other payables include loan service fee payable to the banks for the collection of the purchased mortgage pool receivables as follows:

	<b>Unaudited</b> <b>30 June 2023</b> <b>MNT'000</b>	<b>Audited</b> <b>31 December 2022</b> <b>MNT'000</b>
TDB	2,159,009	882,788
Khan Bank LLC	1,738,815	677,840
XacBank LLC	593,661	258,470
Golomt	1,657,296	632,199
Capitron Bank LLC	137,843	47,517
State Bank LLC	721,690	266,850
<b>Total</b>	<u>7,008,314</u>	<u>2,765,664</u>

Loan service fees are normally settled with the banks with the next quarterly coupon payment of the RMBS.

### Compensation to key management personnel

	<b>Unaudited</b> <b>30 June 2023</b> <b>MNT'000</b>	<b>Audited</b> <b>31 December 2022</b> <b>MNT'000</b>
Short-term employee benefits		
Salaries, incentives and allowances	899,373	2,292,292
Contribution to social and health fund	109,694	280,483
	<u>1,009,067</u>	<u>2,572,775</u>

As at 30 June 2023, the Group has the following balances and transactions with related parties:

	<b>Bank deposits</b>		<b>Collateralised bonds</b>			
	<b>Outstanding balance</b> <b>MNT'000</b>	<b>Interest Income</b> <b>MNT'000</b>	<b>Issued during the year</b>		<b>Outstanding balance</b> <b>MNT'000</b>	<b>Interest expense</b> <b>MNT'000</b>
			<b>senior bonds</b> <b>MNT'000</b>	<b>junior bonds</b> <b>MNT'000</b>		
<b>As at 30 June 2023</b>						
TDB	92,233,002	2,820,650	213,820,800	21,382,100	345,654,989	15,725,985
Khan Bank LLC	3,949,657	-	152,783,000	15,278,300	275,860,782	12,176,367
Xac Bank LLC	1,473,024	35,981	38,208,800	3,820,900	96,488,354	4,261,367
Golomt	29,317,306	466,000	79,791,400	7,979,200	205,096,237	10,192,213
Capitron Bank LLC	26,713,392	787,112	19,430,200	1,943,100	33,852,824	1,471,453
State Bank LLC	7,788,424	272,793	50,919,100	5,092,000	142,760,130	6,052,770
Chinggis Khaan Bank LLC	541,595	-	-	-	3,764,056	186,341
	<u>162,016,400</u>	<u>4,382,536</u>	<u>554,953,300</u>	<u>55,495,600</u>	<u>1,103,477,372</u>	<u>50,066,496</u>
BoM					2,901,035,808	49,252,725
MoF					11,681,681	546,830
	-	-	-	-	<u>2,912,717,489</u>	<u>49,799,555</u>
<b>Total</b>	<u>162,016,400</u>	<u>4,382,536</u>	<u>554,953,300</u>	<u>55,495,600</u>	<u>4,016,194,861</u>	<u>99,866,051</u>

## 27. Related party disclosures (cont'd.)

	Bank deposits		Collateralised bonds			
	Outstanding balance MNT'000	Interest Income MNT'000	Issued during the year		Outstanding balance MNT'000	Interest expense MNT'000
			senior bonds MNT'000	junior bonds MNT'000		
<b>As at 31 December 2022</b>						
TDB	67,692,204	3,158,638	172,598,300	19,177,900	260,092,710	19,295,9865
Khan Bank LLC	4,313,102	63,736	156,306,800	17,367,800	214,482,126	16,184,484
Xac Bank LLC	3,172,905	15,294	43,626,900	4,847,600	81,372,355	6,475,477
Golomt	3,178,521	31,333	54,787,200	6,087,700	171,998,755	14,297,936
Capitron Bank LLC	22,400,701	666,141	32,372,000	3,597,100	26,357,971	1,537,103
State Bank LLC	10,095,505	385,473	124,532,400	13,837,100	123,238,327	8,215,230
Chinggis Khaan Bank LLC	654,320	–	–	–	3,693,242	380,911
	<b>111,507,258</b>	<b>4,320,615</b>	<b>584,223,600</b>	<b>64,915,200</b>	<b>881,235,486</b>	<b>66,387,126</b>
BoM	–	–	–	–	2,738,779,660	95,490,185
MoF	–	–	–	–	11,557,220	2,924,411
	–	–	–	–	2,750,336,880	98,414,596
<b>Total</b>	<b>111,507,258</b>	<b>4,320,615</b>	<b>584,223,600</b>	<b>64,915,200</b>	<b>3,631,572,366</b>	<b>164,801,722</b>

### Terms and conditions of transactions with related parties

The above-mentioned outstanding balances arose from the ordinary course of the Group's business. The interest charged to and by related parties are at normal commercial rates in relation to bank deposits, borrowings and mortgage pools and at the rates specified in the RMBS.

### 28. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and fulfil its obligations to the investors of the RMBS and the Senior Note holders by effectively managing the subsidiaries. In order to maintain or adjust the capital structure, the Group may issue new shares, obtain borrowings, invest in permitted investments or issue bonds.

Included in retained earnings as at 30 June 2023 are restricted retained earnings of MNT 159,279,180 thousand (30 June 2022: MNT 121,588,077 thousand) that are attributable to the Group's SPCs and are restricted from distribution until the liquidation of the respective SPCs in accordance with the Articles of Charter of each SPC and FRC regulation. MIK HFC is also restricted from distribution of dividends in accordance with covenants related to debt securities issued 2021.

The Group was not subject to any other externally imposed capital requirements throughout the six-month period/year of 2023 and 2022.

### 29. Subsequent events

There were no subsequent events that need disclosure.