

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

Audited consolidated financial statements
31 December 2024



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MIK HOLDING JSC AND ITS SUBSIDIARIES

Corporate Information

Registered Office	: Chingeltei district, 1 st khoroo, Sukhbaatar Square street 11 P.O.Box – 15160 – 215 Ulaanbaatar City, Mongolia
Board of Directors	: Mr. Khashchuluun Ch. (Chairman) Mr. Davaajav T. Mr. Enkhjin A. Mr. Uurtsaikhbaatar B. Mr. Sergelen N. Mr. Shijir-E. Mr. Munkhbaatar M. Mr. Anar A. Ms. Sainzaya B.
Corporate Secretary	: Ms. Saruul G.
Auditors	: Ernst & Young Mongolia Audit LLC Certified Public Accountants

STATEMENT BY CHAIRMAN AND EXECUTIVES

We, Khashchuluun Chuluundorj, being the Chairman of the Board of Directors of MIK Holding JSC, Gantulga Badamkhatan, being the Chief Executive Officer, and Zoljargal Munkhbileg, being the Chief Financial 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”), as issued by the International Accounting Standards Board (“IASB”).



Khashchuluun Chuluundorj
Chairman of the Board of Directors

Gantulga Badamkhatan
Chief Executive Officer

Zoljargal Munkhbileg
Chief Financial Officer

Ulaanbaatar, Mongolia

Date: 2025 .03. 18

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MIK Holding JSC

Opinion

We have audited the consolidated financial statements of MIK Holding JSC and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, 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 issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit 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 the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters	How our audit addressed the key audit matters
<p><i>Impairment of financial assets</i></p> <p>The impairment of financial assets including cash and bank balances, debt instruments at amortised cost, mortgage pool receivables with recourse, loan receivables with recourse and purchased mortgage pool receivables is estimated by the management through the application of judgment and use of highly subjective assumptions.</p> <p>Due to the significance of financial assets including cash and bank balances, debt instruments at amortised cost, mortgage pool receivables with recourse, loan receivables with recourse and purchased mortgage pool receivables, representing about 95.5% of the Group's total assets as at 31 December 2024, and the related estimation uncertainty, this is considered a key audit matter.</p> <p>The impairment method is based on a forward-looking Expected Credit Loss ("ECL") approach. Elements of the ECL model require significant estimates and assumptions, including:</p>	<p>For assessment of impairment of balances including cash and bank, debt instruments at amortised cost, mortgage pool receivables with recourse, loans receivables with recourse and purchased mortgage pool receivables as of 31 December 2024, our audit procedures included evaluating the methodologies, inputs and assumptions used by the Group in its ECL model in the calculation of such impairment.</p> <p>In evaluating the methodologies, we obtained an understanding of the Group's ECL model and management's basis of the methodologies and assumptions applied and assessed the reasonableness of the model and the assumptions applied. Our evaluation included the assessment of the basis for classification of exposures into the 3 stages, the methodology of PD, LGD and EAD determination, the forward-looking macroeconomic variables incorporated into the calculations</p>

INDEPENDENT AUDITOR'S REPORT (CONT'D.)

To the Shareholders of MIK Holding JSC (cont'd.)

Key Audit Matters (cont'd.)

Key audit matters	How our audit addressed the key audit matters
<ul style="list-style-type: none"> Staging of financial assets; Development of ECL models and the choice of inputs, including Probability of Default ("PD") and Loss Given Default ("LGD"); Determination of the Exposure at Default ("EAD"); Determination of associations between macroeconomic scenario, economic inputs, and the effect on inputs to the ECL calculation; and Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs of the ECL model. <p>Relevant disclosures of the accounting policy and critical accounting estimates and judgments are included in Notes 2.4 and 2.5, respectively.</p> <p>Other relevant disclosures of cash and bank balances, debt instruments at amortised cost, mortgage pool receivables with recourse, loan receivables with recourse, purchased mortgage pool receivables and related credit risk management are included in Notes 11, 12, 13, 14, 15 and 29.2 to the consolidated financial statements, respectively.</p>	<p>and the overall design of the model given the trends and patterns of the industry.</p> <p>In testing the appropriateness of the stage classifications, we tested the completeness of the ageing report by agreeing the amounts in the ageing report to the financial records. We also tested the accuracy of the ageing information based on a random sample selection basis by verifying the information against other supporting documents. In addition, on a sample basis, we tested credit ratings assigned to counter parties at initial recognition and as at the reporting date.</p> <p>We compared the key inputs to the ECL model to the Group's internally available historical data and to externally available industry, financial and economic data. Our testing included the following:</p> <ul style="list-style-type: none"> Tested the historical PD and LGD applied to a sample of loans against internal and external data; Checked the macroeconomic parameters to external data sources where available; Checked completeness of the EAD. <p>We considered the consistency of judgments applied in the key inputs to the ECL model.</p> <p>We also assessed the adequacy of the related disclosures in the notes to the consolidated financial statements.</p>

Other information included in the Annual Report

The Directors and executives are responsible for the other information. The other information comprises the other sections of the Annual Report but not including the consolidated financial statements and our auditor's report thereon ("the Other Sections"), which are expected to be made available after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do 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, to 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 Other Sections of 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.

INDEPENDENT AUDITOR'S REPORT (CONT'D.)

To the Shareholders of MIK Holding JSC (cont'd.)

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 IFRSs, 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.

Auditor's 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 auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.
- 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 auditor's 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 auditor's 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 and 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 group 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.

INDEPENDENT AUDITOR'S REPORT (CONT'D.)

To the Shareholders of MIK Holding JSC (cont'd.)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (cont'd.)

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Other Matter

This report is made solely to the shareholders of the Group, as a body, in connection with the audit requested by shareholders in accordance with Article 94 of the Company Law of Mongolia and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Ernst & Young Mongolia Audit LLC
ERNST & YOUNG MONGOLIA AUDIT LLC
Certified Public Accountants


MANDAKHBAYAR DORJBAT
Partner

Ulaanbaatar, Mongolia
Date: 18 March 2025

MIK HOLDING JSC AND ITS SUBSIDIARIES

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	Notes	2024 MNT'000	2023 MNT'000
Interest and similar income	3	385,014,458	372,691,947
Interest expense	4	(333,987,188)	(289,467,241)
Net interest income		<u>51,027,270</u>	<u>83,224,706</u>
Fees and commission expense	5	(19,290,395)	(17,949,733)
Total operating income		<u>31,736,875</u>	<u>65,274,973</u>
Credit loss reversal/(expense)	6	(2,615,084)	624,992
Net gain/(loss) on financial assets at fair value through profit or loss	16	(1,928,346)	1,245,099
Net gain/(loss) on change in fair value of derivative financial instruments	17	1,070,924	(8,038,358)
Net operating profit		<u>28,264,369</u>	<u>59,106,706</u>
Operating expenses	7	(19,666,830)	(17,188,289)
Other income/(expenses), net	8	(38,611,293)	2,764,812
Profit/(loss) before tax		<u>(30,013,754)</u>	<u>44,683,229</u>
Income tax expense	9.1	(7,040,581)	(16,569,573)
Profit/(loss) for the year, representing total comprehensive income/(loss)		<u>(37,054,335)</u>	<u>28,113,656</u>
Earnings/(loss) per share (MNT)			
Basic and diluted earnings/(loss) per share	10	<u>(2,430.29)</u>	<u>1,843.89</u>

The accompanying notes form an integral part of the financial statements.

MIK HOLDING JSC AND ITS SUBSIDIARIES
Consolidated Statement of Financial Position
As at 31 December 2024

	Notes	2024 MNT'000	2023 MNT'000
ASSETS			
Cash and bank balances	11	212,851,957	343,498,698
Debt instrument at amortised cost	12	288,307,003	131,545,865
Mortgage pool receivables with recourse	13	228,500,361	203,662,983
Loan receivables with recourse	14	40,695,387	23,905,581
Purchased mortgage pool receivables	15	4,121,074,245	4,082,796,161
Financial assets at fair value through profit or loss	16	128,172,138	137,673,182
Derivative financial instruments	17	1,950,282	152,847,243
Other assets	18	51,461,130	59,365,821
Property and equipment	19	33,153,766	34,800,079
Intangible assets	20	904,474	260,948
Income tax prepayments	9.2	230,790	190,620
Deferred tax asset	9.3	100,135	9,619,187
TOTAL ASSETS		5,107,401,668	5,180,166,368
LIABILITIES			
Other liabilities	21	23,551,682	18,241,664
Borrowed funds	22	24,382,523	9,577,148
Debt securities	23	726,128,478	760,736,859
Collateralised bonds	24	4,308,848,566	4,317,570,902
Derivative financial instruments	17	39,915	—
Income tax payables	9.2	1,849,203	1,976,169
Deferred tax liabilities	9.3	21,391,844	33,799,834
TOTAL LIABILITIES		5,106,192,211	5,141,902,576
EQUITY			
Ordinary shares	25	20,709,320	20,709,320
Share premium	25	52,225,115	52,225,115
Treasury shares	25	(62,143,136)	(62,143,136)
Reserve		(9,581,842)	27,472,493
TOTAL EQUITY		1,209,457	38,263,792
TOTAL LIABILITIES AND EQUITY		5,107,401,668	5,180,166,368

The accompanying notes form an integral part of the financial statements.

MIK HOLDING JSC AND ITS SUBSIDIARIES

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Ordinary shares (Note 25) MNT'000	Share premium (Note 25) MNT'000	Treasury shares MNT'000	Retained earnings/(Accu- mulated losses)* MNT'000	Total equity MNT'000
At 1 January 2023	20,709,320	52,225,115	(62,143,136)	(641,163)	10,150,136
Total comprehensive income	—	—	—	28,113,656	28,113,656
At 31 December 2023 and 1 January 2024	20,709,320	52,225,115	(62,143,136)	27,472,493	38,263,792
Total comprehensive loss	—	—	—	(37,054,335)	(37,054,335)
At 31 December 2024	20,709,320	52,225,115	(62,143,136)	(9,581,842)	1,209,457

* Included in retained earnings/(accumulated losses) as at 31 December 2024 are restricted retained earnings of MNT 168,947,238 thousand (2023: MNT 185,117,400 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.

The accompanying notes form an integral part of the financial statements.

MIK HOLDING JSC AND ITS SUBSIDIARIES
Consolidated Statement of Cash Flows
For the year ended 31 December 2024

	Notes	2024 MNT'000	2023 MNT'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(30,013,754)	44,683,229
<i>Adjustments to reconcile profit/(loss) before tax to net cash flows:</i>			
Interest on borrowed funds	4	4,067,786	2,945,303
Interest on debt securities	4	96,015,464	77,731,885
Credit loss expense/(reversal)	6	2,615,084	(624,992)
Depreciation of property and equipment	7	1,907,478	1,897,820
Amortisation of intangible assets	7	374,917	317,045
Loss on disposal of purchased mortgage pool receivables	8	—	1,087,877
Discount on other receivables	8	9,755,057	1,122,508
Loss on disposal of foreclosed property, net	8	—	70,642
Write-off of property and equipment	8	3,750	283
Loss on disposal of property and equipment	8	(3,791)	(4,094)
Gain on redemption of preference shares	8	(345,435)	(59,896)
Gain on disposal of debt instruments at amortised cost	8	—	(103,468)
Unrealised foreign exchange loss/(gain), net	8	1,001,350	(2,545,856)
Loss/(gain) on repurchase of debt securities issued, net	8	600,752	(2,674,622)
Loss on debt securities exchange offer	8	28,416,627	—
Net gain on financial assets at FVPL	16	1,928,345	(1,245,099)
Net loss/(gain) on derivative financial instruments	17	(1,070,924)	8,038,358
<i>Operating profit before working capital changes</i>		<u>115,252,706</u>	<u>130,636,923</u>
Changes in working capital:			
Due from banks – placement with banks classified as Stage 3		99,921	214,313
Debt instruments at amortised cost		(6,871,602)	(4,063,237)
Mortgage pool receivables with recourse		(24,309,327)	161,692,496
Loan receivables with recourse		(17,022,123)	57,433,432
Purchased mortgage pool receivables		470,705,325	415,044,659
Other assets		(1,846,575)	(21,114,682)
Collateralised bonds		(515,069,136)	(397,763,623)
Other liabilities		5,310,001	8,913,592
Cash generated from/(used in) operations		<u>26,249,190</u>	<u>350,993,873</u>
Interest paid classified as operating activities		(53,283,475)	(78,263,355)
Income tax paid	9.2	(3,756,694)	(1,673,997)
Income tax withheld by others	9.2	(6,339,961)	(5,852,051)
Net cash flows generated from/(used in) operating activities		<u>(37,130,940)</u>	<u>265,204,470</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in debt instruments at amortised cost	12	(174,070,750)	(5,000,000)
Repayment of debt instruments at amortised cost	12	20,181,250	45,500,000
Proceeds from disposal of financial assets at FVPL	16	8,450,000	1,250,000
Investment in financial assets at FVTPL	16	(531,866)	(198,610)
Purchase of property and equipment	19	(264,915)	(80,760)
Proceeds from disposal of property and equipment	19	—	4,094
Purchase of intangible assets	20	(1,018,443)	(329,997)
Net cash flows generated from/(used in) investing activities		<u>(147,254,724)</u>	<u>41,144,727</u>

The accompanying notes form an integral part of the financial statements.

For the year ended 31 December 2024 (cont'd.)

The accompanying notes form an integral part of the financial statements.

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 (2023: MNT 20,709,320 thousand) consists of 20,709,320 (2023: 20,709,320) common shares at par value of MNT 1,000 (2023: MNT 1,000) each.

The Company is a joint stock company listed on the Mongolian Stock Exchange (“MSE”), incorporated and domiciled in Mongolia. The shareholders of the Group for the year ended 31 December 2024 are set out in Note 25.

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.

In 2013, the Government of Mongolia together with the Bank of Mongolia (“BoM”) initiated a price stabilisation program which included a subsidy scheme for mortgage financing to create a stable environment for mortgage financing. Under the program, the commercial banks in Mongolia have been granted soft loans to fund the issuance of subsidised interest rate mortgage loans or refinance their existing loans with the subsidised interest rate mortgage financing.

On 14 June 2013, MIK HFC, the BoM and 14 commercial banks signed an agreement to participate in this government program and on 30 October 2013, the Group established its first SPC, MIK Asset One SPC LLC, a wholly owned subsidiary, to purchase the subsidised interest rate mortgage loans bearing an interest rate of 8% (from 1 October 2021: 6%) from the commercial banks and in return to issue RMBS, which are collateralised by the cash flows and collaterals of these mortgage pools.

As of 31 December 2024, the Group had established thirty-seven SPCs (2023: thirty-four), of which thirty-six SPCs (2023: thirty-four) have purchased mortgage pools and issued RMBS. 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.

The consolidated financial statements of the Group were authorised for issue in accordance with the resolution of the Board of Directors on 18 March 2025.

2. Material accounting policies

2.1. Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments and financial assets designated at fair value through profit or loss (“FVPL”) all of which have been measured at fair value. These consolidated financial statements are presented in Mongolian Togrog, which is denoted by the symbol MNT, and all values are rounded to the nearest thousands, except when otherwise indicated.

The consolidated financial statements of the Group for the year ended 31 December 2024 have been prepared on a going concern basis. This basis assumes that the Group will continue its operations in the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

2. Material accounting policies (cont'd.)

2.1. Basis of preparation (cont'd.)

Presentation of financial statements

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 27.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated statement of profit or loss and other comprehensive income ("OCI") unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2024. A subsidiary is an entity (including structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive incomes are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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 intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

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 in 2024, but do not have a material impact on the Group's consolidated financial statements. The other standards and amendments include the following:

- Amendments to IFRS 16 *Lease Liability in a Sale and Leaseback*
- Amendments to IAS 1 *Classification of Liabilities as Current or Non-Current*
- Amendments to IAS 1 *Non-current Liabilities with Covenants*
- Amendments to IAS 7 and IFRS 7 *Supplier Finance Arrangement*

2. Material accounting policies (cont'd.)

2.3. Standards issued but not yet effective

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 21 *Lack of exchangeability*¹
- Amendments to IFRS 9 and IFRS 7 *Classification and Measurement of Financial Instruments*²
- Amendments to IFRS 18 *Presentation and Disclosure in Financial Statements*³
- Amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures*³
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an investor and its Associate or Joint Venture*⁴

¹ Effective for annual periods beginning on or after 1 January 2025

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual periods beginning on or after 1 January 2027

⁴ No mandatory effective date yet determined but available for adoption

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

2.4. Summary of material accounting policies

Recognition of income and expense

The effective interest rate method

Interest income and interest expense are recorded using the effective interest rate ("EIR") method for all financial instruments measured at amortised cost, financial instruments designated at FVPL. Interest income on interest bearing financial assets measured fair value through other comprehensive income ("FVOCI") is also recorded using the EIR method. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial asset or liability.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Group recognises interest income and interest expense using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial instruments are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the instrument in the statement of financial position with an increase or reduction in interest income and interest expense. The adjustment is subsequently amortised through Interest income or interest expense in the statement of profit or loss.

Interest income and interest expense

The Group calculates interest income or interest expense by applying the EIR to the gross carrying amount of financial instruments other than credit-impaired instruments.

When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Group calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate in total operating income and net gains/(losses) on financial assets at fair value through profit or loss, respectively.

Fee and commission expense

Fee expense represents administration and fixed fee commission paid to the commercial banks. Fee expense is recognised when actual service has been provided.

Components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

2. Material accounting policies (cont'd.)**2.4. Summary of material accounting policies (cont'd.)****Financial instruments – initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets**Initial recognition and measurement**

The Group's financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVOCI and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Group assesses the contractual terms of its financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than *de minimis* exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

2. Material accounting policies (cont'd.)

2.4. Summary of material accounting policies (cont'd.)

Financial instruments – initial recognition and subsequent measurement (cont'd.)

i) Financial assets (cont'd.)

Debt instruments at amortised cost

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets are assessed in their substance over their legal form.

Financial assets at amortised cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes mortgage pool receivables with and without recourse, loan receivables with recourse, loan notes receivables and cash and bank balances.

Debt instruments at FVOCI

The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group doesn't have any debt instruments at FVOCI as of 31 December 2024.

Equity instruments at FVOCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group doesn't have any equity instruments at FVOCI as of 31 December 2024.

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Group's financial assets at FVPL comprised investments in quoted and preference shares of entities. Interest earned on the investments are recognised as interest income in the statement of profit or loss.

2. Material accounting policies (cont'd.)**2.4. Summary of material accounting policies (cont'd.)****Financial instruments – initial recognition and subsequent measurement (cont'd.)****i) Financial assets (cont'd.)****Financial assets at FVPL (cont'd.)**

Financial assets at FVPL also include a derivative relating to a cross-currency swap transaction entered into by the Group with a commercial bank.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The derivative is recorded at fair value and carried as assets when its fair value is positive and as liabilities when its fair value is negative. The Group chose not to apply hedge accounting on the cross-currency swap. Therefore, changes in the fair value of the derivative are recognised in gains/losses from financial derivatives in profit or loss. The Group's financial assets designated at FVPL are explained in Notes 16 and 17.

Derecognition**i) *Derecognition due to substantial modification of terms and conditions***

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded. The Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial asset of, or greater than, ten percent.

(ii) *Derecognition other than for substantial modification*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - the Group has transferred substantially all the risks and rewards of the asset, or
 - the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2. Material accounting policies (cont'd.)

2.4. Summary of material accounting policies (cont'd.)

Financial instruments – initial recognition and subsequent measurement (cont'd.)

i) Financial assets (cont'd.)

Impairment of financial assets

The Group records the allowance for expected credit losses for all financial assets not held at FVPL, together with financial guarantee contract.

Overview of ECL method. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Whether a financial instrument's credit risk has increased significantly since initial recognition is determined by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on that, the financial assets are grouped into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: When financial assets are first recognised, an allowance is based on 12mECLs. Stage 1 financial assets also include facilities where the credit risk has improved, and the financial assets has been reclassified from Stage 2.
- Stage 2: When a financial asset has shown a significant increase in credit risk since origination, an allowance is based on the LTECLs. Stage 2 financial assets also include facilities, where the credit risk has improved, and the financial assets has been reclassified from Stage 3.
- Stage 3: Financial assets considered credit-impaired. An allowance is based on the LTECLs.

The Calculation of ECLs. The Group calculates ECLs based on two or more probability-weighted scenarios to measure the expected cash shortfalls. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Group considers two multiple scenarios which are base case and a downside case for LGD.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For loans considered credit-impaired, the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

2. Material accounting policies (cont'd.)**2.4. Summary of material accounting policies (cont'd.)****Financial instruments – initial recognition and subsequent measurement (cont'd.)****i) Financial assets (cont'd.)****Impairment of financial assets (cont'd.)**

Forward-looking information. In its ECL models, the Group relies on a broad range of forward-looking information as economic inputs, such as:

- Percent change of G7 GDP rate
- Percent change of US Federal Funds rate
- Percent change of Housing Price Index
- Percent change of Unemployment rate

Write-offs. Uncollectible assets are written off against the related impairment loss provision 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 period.

ii) Financial liabilities**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, debt issued and other borrowed funds, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and in the case of debt issued and other borrowed funds and payables, net of directly attributable transaction costs.

The Group's financial liabilities include debt issued, collateralised bonds and other borrowed funds.

Subsequent measurement***Debt issued, collateralised bonds and other borrowed funds***

This is the category most relevant to the Group. After recognition, debt issued, collateralised bonds and other borrowed funds are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account at discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as "interest expense" in the statement of profit or loss. This category generally applies to interest-bearing debt, collateralised bonds and other borrowed funds. For more information, refer to Notes 22, 23 and 24.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in consolidated statement of profit or loss.

Modification of financial liabilities

When the modification of the terms of an existing financial liability is not judged to be substantial and, consequently, does not result in derecognition, the amortised cost of the financial liability is recalculated by computing the present value of estimated future contractual cash flows that are discounted at the financial liability's original EIR. Any resulting difference is recognised immediately in profit or loss.

For financial liabilities, the Group considers a modification to be substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

2. Material accounting policies (cont'd.)

2.4. Summary of material accounting policies (cont'd.)

Financial instruments – initial recognition and subsequent measurement (cont'd.)

ii) Financial liabilities (cont'd.)

Determination of 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

An analysis of fair values of financial instruments and further details as how they are measured are provided in Note 31.

Collateral repossessed

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, and the related loans and advances together with the related impairment allowances are derecognised from the statement of financial position. Subsequently, repossessed assets are measured at the lower of cost and fair value less costs to sell and are included in 'Other assets'.

Cash and bank balances

Cash and bank balances in the statement of financial position comprise cash on hand, current accounts, trust accounts, collection accounts and term deposits at banks, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents comprises cash on hand, non-restricted current accounts with banks and amounts due from banks or with an original maturity of three months or less.

Property and equipment

All items of property and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

2. Material accounting policies (cont'd.)**2.4. Summary of material accounting policies (cont'd.)****Property and equipment (cont'd.)**

Depreciation of other property and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Premises	25 years
Furniture and office equipment	10 years
Computers	2 years
Vehicles	10 years

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

Intangible assets

The Group's intangible assets include the value of computer software.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset. Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful life of two years.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income.

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 when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

2. Material accounting policies (cont'd.)

2.4. Summary of material accounting policies (cont'd.)

Employee benefits (cont'd.)

(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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursement.

Taxes

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognised as income tax benefits or expenses in the income statement except for tax related to the fair value remeasurement of debt instruments at fair value through OCI, foreign exchange differences and the net movement on cash flow hedges, which are charged or credited to OCI.

Equity

(i) Share capital and share premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. When shares are sold at a premium, the excess over par value is credited to the share premium.

(ii) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

(iii) Retained earnings

Retained earnings represent accumulated profits or losses, reduced by dividend declarations.

Retained earnings of the SPCs that have issued RMBs are restricted from distribution until their liquidation in accordance with their Articles of Charter and FRC regulation.

2. Material accounting policies (cont'd.)

2.4. Summary of material accounting policies (cont'd.)

Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the Parent (after adjusting for interest on the convertible preference shares and interest on the convertible bond, in each case net of tax, if any) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's chief operating decision maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Transactions with related parties

A related party is a person or entity that is related to the Group:

A person or a close member of that person's family is related to a Group if that person:

- has control or joint control of the Group;
- 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 a Group if any of the following conditions applies:

- 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. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- The entity is controlled or jointly controlled by a person.
- A person who has control or joint control of the Group 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).
- The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

All material transactions and balances with the related parties are disclosed in the relevant notes to consolidated financial statements and the detail is presented in Note 28.

Foreign currency translation

The consolidated financial statements are presented in Mongolian Togrog ("MNT"), which is also the Company and the subsidiaries' functional currency. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the statement of financial position date. All differences arising from settlement or translation of monetary items are taken to the consolidated profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

2.5. Significant accounting judgments, estimates and assumptions

In the process of applying the Group's accounting policies, management has exercised judgment and estimates in determining the amounts recognised in the consolidated financial statements. The most significant uses of judgment and estimates are as follows:

2. Material accounting policies (cont'd.)**2.5. Significant accounting judgments, estimates and assumptions (cont'd.)****Impairment losses on financial assets**

The measurement of impairment losses across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as consumer price index and unemployment rate, and the effect on PDs, EADs and LGDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models;
- Identification and assessment of significant increases in credit risk and impairment based on employment status and sector of employment of borrowers.

The impairment loss on financial assets under IFRS 9 is recorded in the consolidated statement of profit or loss and disclosed in more detail in Notes 11.1, 12.1, 13.1, 14.1 and 15.1.

Valuation of derivative financial instruments

As disclosed in Note 17, the Group entered into a cross-currency swap agreement with a commercial bank in order to hedge the risk of variability of cash flows denominated in USD from the long-term senior notes issued on the international capital market (see Note 23). In determining the fair value of the derivative financial instruments, management applied the discounted cash flow method in their valuation.

3. Interest and similar income

	2024 MNT'000	2023 MNT'000
<i>Interest income calculated using the effective interest method</i>		
Purchased mortgage pool receivables (without recourse)	287,067,087	280,540,366
Mortgage pool receivables with recourse	30,411,011	26,694,799
Debt instruments at amortised cost	24,508,373	22,919,353
Bank balances	17,201,950	11,067,433
Loan receivables with recourse	8,869,734	11,402,722
	<u>368,058,155</u>	<u>352,624,673</u>
<i>Other interest income</i>		
Financial assets at FVPL	16,956,303	20,067,274
	<u>385,014,458</u>	<u>372,691,947</u>

4. Interest expense

	2024 MNT'000	2023 MNT'000
<i>Interest expense calculated using the effective interest method</i>		
Collateralised bonds	209,895,696	201,701,721
Debt securities issued	96,015,464	77,731,885
Borrowed funds	4,067,786	2,945,303
	<u>309,978,946</u>	<u>282,378,909</u>
<i>Other interest expense</i>		
Derivative financial instruments (Note 17)	24,008,242	7,088,332
	<u>333,987,188</u>	<u>289,467,241</u>

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Notes to the Consolidated Financial Statements – 31 December 2024

5. Fee and commission expense

	2024 MNT'000	2023 MNT'000
Loan service fee	19,270,133	17,926,033
Bank service charge	20,262	23,700
	<u>19,290,395</u>	<u>17,949,733</u>

6. Credit loss expense/(reversal)

	2024 MNT'000	2023 MNT'000
Debt instruments at amortised cost (Note 12.1)	4,435,587	11,095,951
Mortgage pool receivables with recourse (Note 13.1)	669,922	(988,689)
Loan receivables with recourse (Note 14.1)	232,317	(432,106)
Other asset (Note 18)	–	(10,352,105)
Cash and bank balances (Note 11.1)	(86,133)	(32,775)
Purchased mortgage pool receivables (without recourse) (Note 15.1)	(2,636,609)	84,732
	<u>2,615,084</u>	<u>(624,992)</u>

7. Operating expenses

	2024 MNT'000	2023 MNT'000
Personnel expenses	10,783,022	9,246,300
Professional service fees	2,287,324	1,999,121
Depreciation expense (Note 19)	1,907,478	1,897,820
Business trip expense	1,666,943	1,260,139
Advertisement expense	689,144	1,058,995
Amortisation of intangible assets (Note 20)	374,917	317,045
Property tax expense	215,977	215,977
Utility expense	60,490	56,715
Other operating expenses	1,681,535	1,136,177
	<u>19,666,830</u>	<u>17,188,289</u>
* Personnel expenses		
Salaries, wages and bonus	9,449,363	7,945,858
Contribution to social and health fund	1,135,040	1,013,511
Staff training	55,485	240,281
Others	143,134	46,650
	<u>10,783,022</u>	<u>9,246,300</u>

Auditors' remuneration

Included in professional service fees for the year ended 31 December 2024 are fees paid to auditors for audit services of MNT 788.3 million (2023: MNT 670.0 million) and non-audit services of MNT 58.7 million (2023: nil). Additionally, the Company incurred MNT 198.0 million (2023: nil) and MNT 380.0 million (2023: nil) in audit service and non-audit service fees, respectively, in relation to the issue of debt securities in January 2024, which are disclosed as part of interest expense on debt securities issued in Note 4.

8. Other income/(expenses), net

	2024 MNT'000	2023 MNT'000
Realised foreign exchange gain, net	965,061	326,718
Gain on redemption of preference shares	345,435	59,896
Dividend income	24,648	—
Gain on disposal of property and equipment, net (Note 19)	3,791	4,094
Gain on maturity of debt instruments	—	103,468
Loss on disposal of foreclosed property, net	—	(70,642)
Loss on disposal of purchased mortgage pool receivables	—	(1,087,877)
Write-off of property and equipment (Note 19)	(3,750)	(283)
Entertainment expense	(297,714)	(366,008)
Gain/(loss) on repurchase of debt securities, net (Note 23)	(600,752)	2,674,622
Unrealised foreign exchange gain/(loss), net	(1,001,350)	2,545,856
Discount on other receivables (Note 18)	(9,755,057)	(1,122,508)
Loss on debt securities exchange offer (Note 23)	(28,416,627)	—
Other expenses	125,022	(302,524)
	<u>(38,611,293)</u>	<u>2,764,812</u>

9. Income tax

9.1. Income tax expense

The components of income tax expense for the year ended 31 December 2024 are:

	2024 MNT'000	2023 MNT'000
Current tax		
Current income tax	9,929,519	10,084,622
Deferred tax		
Relating to origination of temporary differences (Note 9.3)	(2,888,938)	6,484,951
	<u>7,040,581</u>	<u>16,569,573</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% (2023: 10%) for the first MNT 6 billion (2023: MNT 6 billion) of taxable income, and 25% (2023: 25%) on the excess of taxable income over MNT 6 billion (2023: 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.

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group for the years ended 31 December are as follows:

	2024 MNT'000	2023 MNT'000
Profit/(loss) before tax	(30,013,754)	44,683,229
Tax at statutory tax rate of 10% (2023: 25%)	(3,001,375)	11,170,807
Effect of expenses not deductible for tax purposes	4,773,350	1,537,392
Effect of income subject to lower tax rate	(1,232)	(2,894,250)
Effect of income not subject to tax	(597,295)	(1,069,702)
Deferred tax asset not recognised	3,235,220	795,317
Effect of withholding tax on future dividend distribution of SPCs (Note 9.2)	2,631,913	4,021,324
Deferred tax expense arisen from reversal of deferred tax asset	—	3,009,508
Others	—	(823)
Tax expense for the year	<u>7,040,581</u>	<u>16,569,573</u>

9. Income tax (cont'd.)

9.1. Income tax expense (cont'd.)

The Group has tax losses of MNT 270,595,239 thousand pertaining to business operations of previous years that are available to offset against future taxable profits for the next three financial years, of which MNT 168,158,587 thousand, MNT 99,255,376 thousand and MNT 3,181,276 thousand of tax losses will expire in 2025, 2026 and 2027, respectively. The Group has not recognised deferred tax assets arising from tax losses as the Group is uncertain whether there would be sufficient taxable profit in the next three years available against which the tax losses carried forward can be utilised.

Deferred tax assets have not been recognised in respect of remaining tax losses as they may not be used to offset taxable profits based upon the likely timing and the level of future taxable profits. The annual amount of tax loss deductible from taxable income is limited to 50% (2023: 50%) of the taxable income in a given year.

9.2. Income tax prepayments/(payables)

	2024 MNT'000	2023 MNT'000
At 1 January	(1,785,549)	1,261,820
Reclassification to other tax receivables, net	–	(488,795)
Charge for the period (Note 9.1)	(9,929,519)	(10,084,622)
Income tax paid	3,756,694	1,673,997
Income tax withheld by others	6,339,961	5,852,051
At 31 December	<u>(1,618,413)</u>	<u>(1,785,549)</u>
	2024 MNT'000	2023 MNT'000
Income tax prepayment/(payable), net:		
- Income tax prepayment	230,790	190,620
- Income tax payable	<u>(1,849,203)</u>	<u>(1,976,169)</u>
	<u>(1,618,413)</u>	<u>(1,785,549)</u>

9.3. Deferred tax liabilities

	2024 MNT'000	2023 MNT'000
Deferred tax liabilities, net		
At 1 January	24,180,647	17,695,696
Recognised in profit or loss (Note 9.1)		
Future dividend distribution of the SPCs	2,631,913	4,021,324
Reversal of unused tax losses	–	3,009,508
Fair value change of derivative financial instruments	(15,089,696)	(803,836)
Unrealised foreign exchange movement, net	9,519,052	254,585
Fair value change of financial assets at FVPL	49,793	3,370
	<u>(2,888,938)</u>	<u>6,484,951</u>
At 31 December	<u>21,291,709</u>	<u>24,180,647</u>

9. Income tax (cont'd.)

9.3. Deferred tax liabilities (cont'd.)

	2024		2023	
	Deferred tax assets MNT'000	Deferred tax liabilities MNT'000	Deferred tax assets MNT'000	Deferred tax liabilities MNT'000
Future dividend distribution of the SPCs	—	21,143,652	—	18,511,739
Fair value change of derivative financial instruments	—	195,029	—	15,284,725
Fair value change of financial assets at FVPL	—	53,163	—	3,370
Unrealised foreign exchange loss, net	100,135	—	9,619,187	—
	<u>100,135</u>	<u>21,391,844</u>	<u>9,619,187</u>	<u>33,799,834</u>
		<u>21,291,709</u>		<u>24,180,647</u>

10. Earnings per share

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

	2024 MNT'000	2023 MNT'000
Profit/(loss) for the year and total comprehensive income/(loss) for the year (net of tax) attributable to equity holder of the Parent	<u>(37,054,335)</u>	<u>28,113,656</u>
Weighted-average number of ordinary shares for basic and diluted earnings/(loss) per share* (Note 25)	<u>15,246,891</u>	<u>15,246,891</u>
Earnings per share	MNT	MNT
Equity holders of the Parent for the year:		
Basic and diluted earnings per share	<u>(2,430.29)</u>	<u>1,843.89</u>

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

11. Cash and bank balances

	2024 MNT'000	2023 MNT'000
Cash on hand	<u>23,715</u>	<u>89,815</u>
Term deposits with banks	192,667,045	153,211,701
Trust accounts with banks	12,667,359	23,249,873
Current accounts with banks	6,394,456	153,321,275
Collection accounts with banks	<u>1,484,218</u>	<u>14,097,003</u>
Gross carrying amount	213,236,793	343,969,667
Allowance for impairment losses	<u>(384,836)</u>	<u>(470,969)</u>
Net carrying amount	<u>212,851,957</u>	<u>343,498,698</u>

11. Cash and bank balances (cont'd.)

All bank accounts are placed in commercial banks operating in Mongolia, and most of these commercial banks are shareholder 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. The Group earns interest income at a rate of 8.5% to 12.5% (2023: 3.6% to 11.5%) per annum on term deposits.

Additional cash flow information

	2024 MNT'000	2023 MNT'000
Cash and bank balances	213,236,793	343,969,667
Less: Cash and bank balances classified as Stage 3	(340,286)	(440,207)
Total cash and cash equivalents for the consolidated statement of cash flows	<u>212,896,507</u>	<u>343,529,460</u>

11.1. Impairment allowance for cash and bank balances

	2024 MNT'000	2023 MNT'000
At 1 January	470,969	503,744
Credit loss reversal (Note 6)	(86,133)	(32,775)
At 31 December	<u>384,836</u>	<u>470,969</u>

Details of the Group's stage classification and methodology for calculating ECL are explained in Note 29.2.

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the the Group's internal grading system and policies are set out in Note 29.2:

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
31 December 2024				
Internal rating grade				
B- to B+ rated	212,872,792	–	–	212,872,792
D rated	–	–	340,286	340,286
	<u>212,872,792</u>	<u>–</u>	<u>340,286</u>	<u>213,213,078</u>
31 December 2023				
B- to B+ rated	304,905,362	–	–	304,905,362
C to CCC+ rated	38,534,283	–	–	38,534,283
D rated	–	–	440,207	440,207
	<u>343,439,645</u>	<u>–</u>	<u>440,207</u>	<u>343,879,852</u>

11. Cash and bank balances (cont'd.)

11.1. Impairment allowance for cash and bank balances (cont'd.)

The table below shows changes in the gross carrying amount and the corresponding ECLs:

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
31 December 2024				
Gross carrying amount as at 1 January	343,439,645	–	440,207	343,879,852
New assets originated or purchased	7,513,108,704	–	–	7,513,108,704
Assets derecognised or repaid	(7,643,681,875)	–	(99,921)	(7,643,781,796)
Foreign exchange movement	6,318	–	–	6,318
At 31 December	212,872,792	–	340,286	213,213,078
ECL allowance as at 1 January	112,641	–	358,328	470,969
New assets originated or purchased	2,569,110	–	–	2,569,110
Assets derecognised or repaid	(2,559,792)	–	(81,336)	(2,641,128)
Impact on ECL on transfers between stages and changes to inputs	(8,501)	–	(5,614)	(14,115)
At 31 December	113,458	–	271,378	384,836
31 December 2023				
Gross carrying amount as at 1 January	117,275,059	–	654,520	117,929,579
New assets originated or purchased	4,383,583,416	–	–	4,383,583,416
Assets derecognised or repaid	(4,155,957,986)	–	(214,313)	(4,156,172,299)
Foreign exchange movement	(1,460,844)	–	–	(1,460,844)
At 31 December	343,439,645	–	440,207	343,879,852
ECL allowance as at 1 January	75,245	–	428,499	503,744
New assets originated or purchased	2,343,177	–	–	2,343,177
Assets derecognised or repaid	(2,250,318)	–	(140,244)	(2,390,562)
Impact on ECL on transfers between stages and changes to inputs	(55,463)	–	70,073	14,610
At 31 December	112,641	–	358,328	470,969

12. Debt instruments at amortised cost

	2024 MNT'000	2023 MNT'000
Loan notes receivables	315,632,979	154,436,254
Allowance for impairment losses	(27,325,976)	(22,890,389)
Net debt instruments at amortised cost	288,307,003	131,545,865

Loan notes receivables

Included in the debt instruments at amortised cost as of 31 December 2024 are loan notes from related parties and non-related parties amounting to MNT 157.1 billion and MNT 158.5 billion, respectively (31 December 2023: MNT 144.7 billion and MNT 9.7 billion). The notes are repayable from January 2024 to December 2026 (see Note 28).

During the year, the Group purchased loan notes from certain entities for a total consideration of MNT 174.1 billion (2023: MNT 5.0 billion) and received MNT 20.2 billion (2023: MNT 45.5 billion) from the principal repayment of the debt instruments at amortised cost.

12. Debt instruments at amortised cost (cont.d)

12.1. Impairment allowance for debt instruments at amortised cost

	2024 MNT'000	2023 MNT'000
At 1 January	22,890,389	11,794,438
Credit loss expense (Note 6)	4,435,587	11,095,951
At 31 December	<u>27,325,976</u>	<u>22,890,389</u>

The table below shows changes in the gross carrying amount and the corresponding ECLs. Details of the Group's stage classification and methodology for calculating ECL are explained in Note 29.2.

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
31 December 2024				
Gross carrying amount as at 1 January	102,556,359	44,141,379	7,738,516	154,436,254
New assets originated or purchased	198,579,123	–	–	198,579,123
Assets derecognised or repaid	(36,850,416)	–	(531,982)	(37,382,398)
Transfer to Stage 2	–	–	–	–
Transfer to Stage 3	(5,216,178)	(44,141,379)	49,357,557	–
At 31 December	<u>259,068,888</u>	<u>–</u>	<u>56,564,091</u>	<u>315,632,979</u>
ECL allowance as at 1 January	1,023,229	18,879,014	2,988,146	22,890,389
New assets originated or purchased	3,973,132	–	–	3,973,132
Assets derecognised or repaid	(566,470)	–	(205,419)	(771,889)
Transfer to Stage 2	–	–	–	–
Transfer to Stage 3	(1,850,890)	(18,879,014)	23,141,655	2,411,751
Impact on ECL on transfers between stages and changes to inputs	(151,043)	–	(1,026,364)	(1,177,407)
At 31 December	<u>2,427,958</u>	<u>–</u>	<u>24,898,018</u>	<u>27,325,976</u>
31 December 2023				
Gross carrying amount as at 1 January	146,368,040	45,306,702	–	191,674,742
New assets originated or purchased	27,287,221	–	–	27,287,221
Assets derecognised or repaid	(64,525,709)	–	–	(64,525,709)
Transfer to Stage 2	(5,553,193)	5,553,193	–	–
Transfer to Stage 3	(1,020,000)	(6,718,516)	7,738,516	–
At 31 December	<u>102,556,359</u>	<u>44,141,379</u>	<u>7,738,516</u>	<u>154,436,254</u>
ECL allowance as at 1 January	1,793,592	10,000,846	–	11,794,438
New assets originated or purchased	1,453,675	–	–	1,453,675
Assets derecognised or repaid	(695,814)	–	–	(695,814)
Transfer to Stage 2	(1,182,219)	1,182,219	–	–
Transfer to Stage 3	(13,484)	(850,869)	864,353	–
Impact on ECL on transfers between stages and changes to inputs	(332,521)	8,546,818	2,123,793	10,338,090
At 31 December	<u>1,023,229</u>	<u>18,879,014</u>	<u>2,988,146</u>	<u>22,890,389</u>

12. Debt instruments at amortised cost (cont'd.)

12.1. Impairment allowance for debt instruments at amortised cost (cont'd.)

The table below shows the credit quality and the maximum exposure to risk based on the Group's internal credit rating system and year-end stage classification. The amounts are represented gross of impairment allowances. Details of the Group's internal rating system are explained in Note 29.2.

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
31 December 2024				
Internal rating grade				
B- to B+ rated	259,068,888	–	–	259,068,888
C to CCC+ rated	–	–	56,564,091	56,564,091
	<u>259,068,888</u>	<u>–</u>	<u>56,564,091</u>	<u>315,632,979</u>
31 December 2023				
B- to B+ rated	102,556,359	–	–	102,556,359
C to CCC+ rated	–	44,141,379	7,738,516	51,879,895
	<u>102,556,359</u>	<u>44,141,379</u>	<u>7,738,516</u>	<u>154,436,254</u>

13. 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.

Certain portion of the outstanding portfolios were initially scheduled to mature prior to the end of January 2024 to ensure sufficient liquidity to settle debt securities maturing in February 2024. The Company has agreed to extend the maturity of some of the portfolios due to the issuance of new debt securities maturing in January 2027.

	2024 MNT'000	2023 MNT'000
Commercial mortgage pool receivables	230,198,654	199,634,459
Residential mortgage pool receivables	322,921	5,379,816
Gross mortgage pool receivables with recourse	<u>230,521,575</u>	<u>205,014,275</u>
Allowance for impairment losses	<u>(2,021,214)</u>	<u>(1,351,292)</u>
Net mortgage pool receivables with recourse	<u>228,500,361</u>	<u>203,662,983</u>

13.1. Impairment allowance for mortgage pool receivables with recourse

	2024 MNT'000	2023 MNT'000
At 1 January	1,351,292	2,339,981
Credit loss expense/(reversal) (Note 6)	<u>669,922</u>	<u>(988,689)</u>
At 31 December	<u>2,021,214</u>	<u>1,351,292</u>

Details of calculation and policies about ECL allowances are explained in Note 29.2.

The table below shows the credit quality and the maximum exposure to risk based on the Group's internal credit rating system and year-end stage classification. The amounts are represented gross of impairment allowances. Details of the Group's internal rating system are explained in Note 29.2.

13. Mortgage pool receivables with recourse (cont'd.)

13.1. Impairment allowance for mortgage pool receivables with recourse (cont'd.)

	2024 Total Stage 1 MNT'000	2023 Total Stage 1 MNT'000
Internal rating grade		
B- to B+ rated	230,521,575	205,014,275

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to mortgage pool receivables with recourse is as follows:

	2024 Stage 1 MNT'000	2023 Stage 1 MNT'000
Gross carrying amount as at 1 January	205,014,275	368,688,766
New assets originated or purchased	131,463,027	41,893,803
Assets derecognised or repaid	(105,955,727)	(205,568,294)
At 31 December	230,521,575	205,014,275
ECL allowance as at 1 January	1,351,292	2,339,981
New assets originated or purchased	866,500	265,890
Assets derecognised or repaid	(698,376)	(1,304,694)
Impact on ECL on changes to inputs	501,798	50,115
At 31 December	2,021,214	1,351,292

14. Loan receivables with recourse

	2024 MNT'000	2023 MNT'000
Gross loan receivables with recourse	40,937,455	23,915,332
Allowance for impairment losses	(242,068)	(9,751)
Net loan receivables with recourse	40,695,387	23,905,581

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.

As of 31 December 2024, most of the outstanding portfolios are scheduled to mature prior to the end of January 2027 to ensure sufficient liquidity to settle debt securities maturing at that time.

14.1. Impairment allowance for loan receivables with recourse

	2024 MNT'000	2023 MNT'000
At 1 January	9,751	441,857
Credit loss reversal (Note 6)	232,317	(432,106)
At 31 December	242,068	9,751

Details of calculation and policies about ECL allowances are explained in Note 29.2.

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14. Loan receivables with recourse (cont'd.)

14.1. Impairment allowance for loan receivables with recourse (cont'd.)

The table below shows the credit quality and the maximum exposure to risk based on the Group's internal credit rating system and year-end stage classification. The amounts are represented gross of impairment allowances. Details of the Group's internal rating system are explained in Note 29.2.

	2024 Total Stage 1 MNT'000	2023 Total Stage 1 MNT'000
Internal rating grade		
B- to B+ rated	40,937,455	23,915,332

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loan pool receivables with recourse is as follows:

	2024 Stage 1 MNT'000	2023 Stage 1 MNT'000
Gross carrying amount as at 1 January	23,915,332	81,348,764
New assets originated or purchased	77,260,835	11,402,722
Assets derecognised or repaid	(60,238,712)	(68,836,154)
At 31 December	40,937,455	23,915,332
ECL allowance as at 1 January	9,751	441,857
New assets originated or purchased	31,502	61,935
Assets derecognised or repaid	(24,561)	(373,893)
Impact on ECL on changes to inputs	225,376	(120,148)
At 31 December	242,068	9,751

15. Purchased mortgage pool receivables

	2024 MNT'000	2023 MNT'000
Gross purchased mortgage pool receivables	4,125,992,487	4,090,351,012
Allowance for impairment losses	(4,918,242)	(7,554,851)
Net purchased mortgage pool receivables	4,121,074,245	4,082,796,161

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.

The Group performs a credit quality analysis of the individual mortgage loans on each mortgage pool acquired. For credit risk policies and disclosures, please refer to Note 29.2.

15.1. Impairment allowance for purchased mortgage pool receivables

	2024 MNT'000	2023 MNT'000
At 1 January	7,554,851	7,470,119
Credit loss expense/(reversal) (Note 6)	(2,636,609)	84,732
At 31 December	4,918,242	7,554,851

15. Purchased mortgage pool receivables (cont'd.)

15.1. Impairment allowance for purchased mortgage pool receivables (cont'd.)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to purchased mortgage pool receivables is as follows:

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
31 December 2024				
Gross carrying amount as at 1 January	3,999,337,826	56,512,113	34,501,073	4,090,351,012
New assets originated or purchased	781,378,048	—	—	781,378,048
Assets derecognised or repaid	(730,899,099)	(8,348,596)	(6,488,878)	(745,736,573)
Transfer to Stage 1	51,776,112	(41,328,582)	(10,447,530)	—
Transfer to Stage 2	(76,167,022)	78,077,650	(1,910,628)	—
Transfer to Stage 3	(10,560,206)	(1,148,647)	11,708,853	—
At 31 December	4,014,865,659	83,763,938	27,362,890	4,125,992,487
ECL allowance as at 1 January	3,894,246	1,262,582	2,398,023	7,554,851
New assets originated or purchased	779,458	—	—	779,458
Assets derecognised or repaid	(697,475)	(166,436)	(413,469)	(1,277,380)
Transfer to Stage 1	1,620,965	(978,949)	(642,016)	—
Transfer to Stage 2	(72,381)	189,026	(116,645)	—
Transfer to Stage 3	(9,970)	(25,891)	35,861	—
Impact on ECL on transfers between stages and changes to inputs	(3,970,771)	1,601,017	231,067	(2,138,687)
At 31 December	1,544,072	1,881,349	1,492,821	4,918,242
31 December 2023				
Gross carrying amount as at 1 January	3,330,521,074	87,593,152	21,518,122	3,439,632,348
New assets originated or purchased	1,346,943,471	—	—	1,346,943,471
Assets derecognised or repaid	(683,610,630)	(9,107,981)	(3,506,196)	(696,224,807)
Transfer to Stage 1	80,843,734	(73,943,711)	(6,900,023)	—
Transfer to Stage 2	(53,227,168)	53,719,259	(492,091)	—
Transfer to Stage 3	(22,132,655)	(1,748,606)	23,881,261	—
At 31 December	3,999,337,826	56,512,113	34,501,073	4,090,351,012
ECL allowance as at 1 January	4,102,593	2,206,043	1,161,483	7,470,119
New assets originated or purchased	1,770,098	—	—	1,770,098
Assets derecognised or repaid	(842,517)	(200,406)	(189,286)	(1,232,209)
Transfer to stage 1	2,411,298	(1,989,266)	(422,032)	—
Transfer to stage 2	(65,276)	94,616	(29,340)	—
Transfer to stage 3	(26,493)	(35,571)	62,064	—
Impact on ECL on transfers between stages and changes to inputs	(3,455,460)	1,187,169	1,815,134	(453,157)
At 31 December	3,894,243	1,262,585	2,398,023	7,554,851

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15. Purchased mortgage pool receivables (cont'd.)

15.1. Impairment allowance for purchased mortgage pool receivables (cont'd.)

The table below shows the credit quality and the maximum exposure to risk based on the Group's internal credit rating system and year-end stage classification. The amounts are represented gross of impairment allowances. Details of the Group's internal rating system are explained in Note 29.2.

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
31 December 2024				
Internal rating grade				
Performing mortgages	4,007,627,572	76,301,805	–	4,083,929,377
Mortgages in arrears	7,238,087	7,462,133	–	14,700,220
Non-performing mortgages				
Substandard mortgages	–	–	7,459,394	7,459,394
Doubtful mortgages	–	–	8,033,737	8,033,737
Bad mortgages	–	–	11,869,759	11,869,759
	–	–	27,362,890	27,362,890
Total	4,014,865,659	83,763,938	27,362,890	4,125,992,487
31 December 2023				
Internal rating grade				
Performing mortgages	3,973,036,229	50,977,989	–	4,024,014,218
Mortgages in arrears	26,301,597	5,534,124	–	31,835,721
Non-performing mortgages				
Substandard mortgages	–	–	11,581,570	11,581,570
Doubtful mortgages	–	–	13,185,497	13,185,497
Bad mortgages	–	–	9,734,006	9,734,006
	–	–	34,501,073	34,501,073
Total	3,999,337,826	56,512,113	34,501,073	4,090,351,012

16. Financial assets at fair value through profit or loss

	2024 MNT'000	2023 MNT'000
Fair value as at 1 January	137,673,182	137,419,577
Purchased	531,866	198,610
Redeemed	(8,450,000)	(1,250,000)
Gain on redemption of preference shares (Note 8)	345,435	59,896
Net gain/(loss) from change in fair value through profit or loss	(1,928,345)	1,245,099
Fair value as at 31 December	128,172,138	137,673,182

Investment in preference shares

On 7 December 2020, the Group invested in 30,000 preference shares of TDB Capital LLC ("TDBC"), a shareholder of Trade and Development Bank of Mongolia ("TDB"), with a par value of MNT 5 million per share purchased for a total consideration of MNT 150 billion. The preference shares have an annual dividend rate of the BoM policy rate plus 1 percent.

In 2024, TDBC repurchased 1,690 (2023: 250) preference shares for MNT 8.45 billion (2023: MNT 1.25 billion), resulting in a gain of MNT 345,435 thousand (2023: MNT 59,896 thousand).

As at 31 December 2024, the outstanding units of the preference shares are 26,970 (2023: 28,660).

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

16. Financial assets at fair value through profit or loss (cont'd.)

Investments in quoted shares

On 6 January 2023, the Group purchased quoted shares of Mongolian Stock Exchange (“MSE”), with a par value of MNT 100 per share for a total consideration of MNT 198,610 thousand.

Also included in financial assets at FVPL are 664,833 quoted shares of an insurance company purchased on 16 December 2024 at a price of MNT 800 per share for a consideration of MNT 531,866 thousand. On the same day, the Group signed a forward contract (see Note 17) with a third party to sell the shares in one year’s time at a fixed price of MNT 920 per share.

For the fair value disclosure of financial assets at FVPL, please refer to Note 31.

17. Derivative financial instruments

On 23 February 2024 and on 15 April 2024, the Group extended its cross-currency interest rate swap agreement entered with a commercial bank until 4 January 2027 to manage the risk of variability of cash flows denominated in USD from its Senior Notes issued on the international market in January 2024 (see Note 23). With the amendment, the nominal amount was reduced from USD 196 million to USD 183.5 million, with interest payable quarterly on a net basis.

The table below shows the fair value of derivative financial instruments recorded as assets or liabilities 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.

For the fair value disclosure of derivative financial instruments, please refer to Note 31.

	Notional amount MNT'000	Fair value	
		Assets MNT'000	Liabilities MNT'000
<i>Derivatives used as cash flow hedges:</i>			
31 December 2024			
Cross-currency interest rate swap	620,993,151	1,950,282	–
Forward contract	611,646	–	39,915
	<u>621,604,797</u>	<u>1,950,282</u>	<u>39,915</u>
31 December 2023			
Cross-currency interest rate swap	<u>515,730,880</u>	<u>152,847,243</u>	<u>–</u>

	2024 MNT'000	2023 MNT'000
Fair value as at 1 January	152,847,243	160,885,601
Net gain/(loss) on change in fair value of derivative financial instruments	1,070,924	(8,038,358)
Realized gain on derivative financial instruments	(152,007,800)	–
Fair value as at 31 December	<u>1,910,367</u>	<u>152,847,243</u>

Interest earned or incurred on derivative financial instruments is accrued in interest income or interest expense (disclosed at net, see Note 4), respectively, and received or paid at the net amount between the contractual rates every quarter from 23 February 2024 to 4 January 2027. The reconciliation of interest payable or interest receivable is as shown below:

	2024 MNT'000	2023 MNT'000
Interest payable/(receivable) at 1 January	1,135,791	(3,024,561)
Net interest accrued (Note 4)	24,008,242	7,088,332
Net interest paid	(20,978,173)	(2,927,980)
Interest payable at 31 December	<u>4,165,860</u>	<u>1,135,791</u>

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17. Derivative financial instruments (cont'd.)

The table below sets out the fair value, at the end of the reporting period, of currencies receivable or payable under the cross-currency interest rate swap contract entered into by the Group. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time:

	2024 MNT'000	2023 MNT'000
Fair value of swap:		
- USD receivable on settlement (+)	629,593,901	668,821,549
- MNT payable on settlement (-)	(627,643,619)	(515,974,306)
Net fair value of swap	<u>1,950,282</u>	<u>152,847,243</u>

18. Other assets

	2024 MNT'000	2023 MNT'000
Financial assets		
Other receivables	59,556,012	57,102,169
Less: Allowance for other receivables	(16,137,174)	(6,382,117)
	<u>43,418,838</u>	<u>50,720,052</u>
Non-financial assets		
Prepayments	4,620,029	5,104,381
Consumables and office supplies	383,468	361,610
Value-added tax receivables	3,038,795	3,045,601
Other assets	–	134,177
	<u>8,042,292</u>	<u>8,645,769</u>
	<u>51,461,130</u>	<u>59,365,821</u>

Included in other receivables as at 31 December 2024 is accrued interest on preference shares held in TDB Capital LLC of MNT 59,407,891 thousand (2023: MNT 45,490,879 thousand) (see Note 28); these long-term receivables have been discounted to net present value for the effects of the time value of money resulting in a discount on other receivables of MNT 9,755,057 thousand (2023: MNT 1,122,508 thousand) (see Note 8).

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19. Property and equipment

	Premises	Furniture and equipment	Computers	Vehicles	Total
	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
At 31 December 2024					
At cost					
At 1 January 2024	37,347,699	1,073,913	1,112,090	1,129,500	40,663,202
Additions	—	20,198	125,316	119,401	264,915
Write-off (Note 10)	—	(3,905)	(55,097)	—	(59,002)
Disposal	—	—	(42,653)	—	(42,653)
At 31 December 2024	<u>37,347,699</u>	<u>1,090,206</u>	<u>1,139,656</u>	<u>1,248,901</u>	<u>40,826,462</u>
Accumulated depreciation					
At 1 January 2024	4,004,679	318,823	1,017,707	521,914	5,863,123
Charge for the year (Note 9)	1,498,001	106,847	123,832	178,798	1,907,478
Write-off (Note 10)	—	(196)	(55,056)	—	(55,252)
Disposal	—	—	(42,653)	—	(42,653)
At 31 December 2024	<u>5,502,680</u>	<u>425,474</u>	<u>1,043,830</u>	<u>700,712</u>	<u>7,672,696</u>
Net carrying amount	<u>31,845,019</u>	<u>664,732</u>	<u>95,826</u>	<u>548,189</u>	<u>33,153,766</u>
At 31 December 2023					
At cost					
At 1 January 2023	37,347,699	1,054,244	1,101,550	1,129,500	40,632,993
Additions	—	19,977	60,783	—	80,760
Write-off (Note 10)	—	(308)	(41,002)	—	(41,310)
Disposal	—	—	(9,241)	—	(9,241)
At 31 December 2023	<u>37,347,699</u>	<u>1,073,913</u>	<u>1,112,090</u>	<u>1,129,500</u>	<u>40,663,202</u>
Accumulated depreciation					
At 1 January 2023	2,510,771	214,255	881,581	408,964	4,015,571
Charge for the year (Note 9)	1,493,908	104,762	186,200	112,950	1,897,820
Write-off (Note 10)	—	(194)	(40,833)	—	(41,027)
Disposal	—	—	(9,241)	—	(9,241)
At 31 December 2023	<u>4,004,679</u>	<u>318,823</u>	<u>1,017,707</u>	<u>521,914</u>	<u>5,863,123</u>
Net carrying amount	<u>33,343,020</u>	<u>755,090</u>	<u>94,383</u>	<u>607,586</u>	<u>34,800,079</u>

During the year, the Group sold fully depreciated computers for a cash consideration of MNT 3,791 thousand, resulting in a gain of MNT 3,791 thousand (2023: MNT 4,094 thousand). The gains on these disposals were recognised as part of other income in the statement of profit or loss (see Note 8).

As at 31 December 2024, premises with carrying amount of MNT 31,568,219 thousand (2023: MNT 33,045,988 thousand) are collateralised for borrowed funds (see Note 22)

20. Intangible assets

	Computer software	
	2024	2023
	MNT'000	MNT'000
Cost		
At 1 January	950,033	780,821
Additions	1,018,443	329,997
Write-off	(209,621)	(160,785)
At 31 December	1,758,855	950,033
Accumulated amortisation		
At 1 January	689,085	532,825
Charge for the year (Note 9)	374,917	317,045
Write-off	(209,621)	(160,785)
At 31 December	854,381	689,085
Net carrying amount	904,474	260,948

21. Other liabilities

	2024	2023
	MNT'000	MNT'000
Financial liabilities		
Other payables	8,131,755	8,418,363
Interest payable on cross-currency swap (Note 19)	4,165,860	1,135,791
	12,297,615	9,554,154
Non-financial liabilities		
Withholding tax payable	2,077,486	2,098,855
VAT payable	72,479	52,337
Other payables	9,104,102	6,536,318
	11,254,067	8,687,510
	23,551,682	18,241,664

Included in other financial 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 (see Note 24). Included in other non-financial payables are income tax to be withheld by others.

22. Borrowed funds

	2024	2023
	MNT'000	MNT'000
TDB	9,062,961	9,577,148
Golomt Bank LLC ("Golomt")	15,319,562	—
	24,382,523	9,577,148

TDB:

On 17 May 2018, the Group entered into a loan agreement with TDB of MNT 11.4 billion to finance its purchase of an office space on Peace Avenue which was held for collateral. In 2021, the Group sold the office and swapped it for another office space adjacent to Sukhbaatar Square with TDB, and the loan collateral agreement was amended to register the newly purchased office as collateral on the loan. 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 (see Note 28).

Golomt

On 6 February 2024 and on 26 February 2024, the Group obtained total of MNT 20.0 billion loan from Golomt to finance its investing activities. The loans have an interest rate of 16.2% per annum with a maturity of 12 months.

23. Debt securities

	2024 MNT'000	2023 MNT'000
Debt securities at amortised cost	726,128,478	760,736,859

International capital market

On 18 January 2024, the Group exchanged USD 170,431,000 of its 2024 Notes by issuing USD 172,485,000 of new senior notes, resulting in a loss of MNT 28,416,627 thousand (see Note 8). On the same day, the Group issued additional new senior notes (collectively “2027 Notes”) with a principal amount of USD 52,515,000 in the international capital markets to refinance its 2024 Notes. The 2027 Notes have an annual coupon rate of 11.5% and are due to mature in 3 years. The total principal amount of the 2027 Notes issued by way of the exchange offer and also new issuance is USD 225,000,000. Qualifying transaction costs are capitalised and amortised over the life of the financial instruments using EIR.

On 8 February 2024, the Group made a principal payment of USD 41,820,000 or MNT 142,184,654 thousand on its “2024 Notes”, fully settling the debt securities as scheduled.

In 2024, the Group repurchased a portion of its 2027 Notes in principal amounts of USD 22,312,000 (2023: USD 16,558,000) resulting in a loss on repurchase of debt securities amounting to MNT 600,752 thousand (2023: MNT 2,674,622 thousand) (see Note 8).

The senior notes had an outstanding balance of USD 202,688,000 or MNT 726,128,478 thousand (2023: USD 212,251,000 or MNT 760,736,859 thousand) as at 31 December 2024.

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.

In prior years, the Group repurchased a portion of its issued bond in a principal amount of USD 9,955,000, of which USD 1,480,300 were sold back to third parties. In December 2024, the Group fully settled the bond as scheduled.

On 15 February 2024, the Group issued a second tranche of its OTC bond with a principal amount of MNT 8.5 billion (“OTC Tranche-2 bond”). The OTC Tranche-2 bond bears an interest rate of 18.0% per annum, with interest payable semi-annually and principal payable upon maturity in 12 months time.

On 4 April 2024, the Group issued a third tranche of its OTC bond with a principal amount of MNT 4.0 billion (“OTC Tranche-3 bond”). The OTC Tranche-3 bond bears an interest rate of 18.0% per annum, with interest payable semi-annually and principal payable upon maturity in 12 months time.

24. Collateralised bonds

	Interest rate	2024 MNT'000	2023 MNT'000
Senior bonds	4.50%	1,277,786,124	1,598,774,154
Senior bonds I	1.00%	936,311,133	921,549,870
Senior bonds	2.25%	511,284,710	249,375,537
Senior bonds II	9.00%	457,388,868	450,690,129
Senior bonds II	4.50%	260,595,203	295,316,563
Senior bonds	11.00%	64,859,347	31,402,867
Senior bonds III	13.00%	57,856,122	65,737,633
Junior bonds	10.50%	523,579,073	536,545,951
Junior bonds	9.00%	152,130,220	136,774,423
Junior bonds	11.00%	67,057,766	31,403,775
		<u>4,308,848,566</u>	<u>4,317,570,902</u>

The senior and junior bonds as at 31 December 2024 and 31 December 2023 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 Bank of Mongolia (“BOM”) and Ministry of Finance (MoF), senior bonds II issued to the BOM, MoF and commercial banks, and senior bonds III issued to commercial banks, Ministry of Food and Agriculture (MOFA). Prior to this change, all senior bonds were issued to the BOM, MOF and Junior bonds were solely issued to commercial banks.

The bonds are collateralised by the purchased mortgage pool receivables (see Note 15).

24. Collateralised bonds (cont'd.)

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.

25. Ordinary shares

The Group is a joint stock company established under the Company Law of Mongolia and listed on the Mongolian Stock Exchange on 24 December 2015. The total authorised share capital of the Group represents 30,000,000 ordinary shares (2023: 30,000,000) with nominal value of MNT 1,000 per share.

The movement in number of shares and amount of share capital during the years ended 31 December 2024 and 31 December 2023 are as follows:

	Number of outstanding shares of MNT 1,000 each MNT'000	Issued ordinary shares MNT'000	Share premium MNT'000
At 1 January/31 December 2023 and 1 January/31 December 2024	20,709,320	20,709,320	52,225,115

There were 5,462,429 shares held as treasury shares as at 31 December 2024 (2023: 5,462,429 shares). Excluding these shares, the number of issued shares in circulation as at 31 December 2024 was 15,246,891 shares (2023: 15,246,891 shares). All issued ordinary shares are fully paid. Each ordinary share carries one vote.

There were no dividends declared to its shareholders during the years ended 31 December 2024 and 31 December 2023.

Financial and operating policy decisions, including strategic decisions, are made at the meetings of the Board of Directors ("BOD"). The members of the BOD are appointed at the Shareholders' Meeting. As of 31 December 2024 and 2023, each shareholder that has more than 1% of total shares of the Group, has the ability to nominate one member to the BOD, which consists of 9 members, including 3 independent members, one representative of the BoM and representatives of the commercial banks and state-owned banks. In addition, all bank shareholders have material transactions with the Group during 2024 and participated in the policy making procedures.

The shareholders of the Group as of 31 December 2024 and 31 December 2023 and percentages of ownership are as follows:

	2024	2023
CNB Consulting LLC	12.59%	12.59%
Asia Diversified Real Estate Fund One Private Investment Fund	11.16%	11.16%
TDB	10.00%	10.00%
TDB Capital LLC /formerly United Banking Corporation LLC/	5.95%	5.95%
TDB Securities SC /formerly TDB Capital LLC/	5.30%	5.30%
Golomt	4.94%	4.94%
CEC Group	2.36%	2.36%
Khan Bank JSC	1.02%	1.02%
XacBank JSC	1.02%	1.02%
Capitron Bank LLC	1.02%	1.02%
Nexus Finance Investment NBFILLC	0.57%	0.57%
Chinggis Khaan Bank LLC	0.30%	0.30%
Others	0.16%	0.16%
Total private sector share	56.39%	56.39%
Development Bank of Mongolia	14.88%	14.88%
State Bank JSC	2.35%	2.35%
Total state shares	17.23%	17.23%
Treasury shares	26.38%	26.38%
Total	100.00%	100.00%

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. See Note 15 for the gross amount of the mortgage pool receivables pledged as collateral for the RMBS and the related liabilities are disclosed in Note 24.

Contingent liabilities arisen from an agreement

In 2023, the Group had engaged with a third party for professional services in relation to a capital raise in the form of debt and equity to diversify its funding sources to continue purchasing loans with recourse from financial institutions. The Group has agreed to pay success fee for any financing that is obtained by the Group during the term of the agreement and its subject to a minimum success fee of USD 1,000,000, which is applicable on the first successful capital raise, regardless of the amount raised.

Management assessed that there is a possible obligation with the probability of an outflow of resources embodying economic benefits, thus, have disclosed contingent liabilities. Accordingly, no provision for any liability has been made in these consolidated financial statements.

MIK HOLDING JSC AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements – 31 December 2024
27. Maturity analysis of assets and liabilities

The table shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. See Note 29.3 'Liquidity risk' for the Group's contractual undiscounted repayment obligations.

	Less than 12 months MNT'000	More than 12 months MNT'000	Total MNT'000
At 31 December 2024			
Financial assets			
Cash and bank balances	212,851,957	—	212,851,957
Debt instrument at amortised cost	79,725,466	208,581,537	288,307,003
Mortgage pool receivables with recourse	94,626	228,405,735	228,500,361
Loan receivables with recourse	18,182,447	22,512,940	40,695,387
Purchased mortgage pool receivables	231,233,053	3,889,841,192	4,121,074,245
Financial investments at fair value through profit or loss	60,006,759	68,165,379	128,172,138
Derivative financial instruments	—	1,950,282	1,950,282
Other assets	43,418,838	—	43,418,838
	<u>645,513,146</u>	<u>4,419,457,065</u>	<u>5,064,970,211</u>
Non-financial assets			
Property and equipment	—	33,153,766	33,153,766
Intangible assets	—	904,474	904,474
Income tax prepayment	230,790	—	230,790
Other assets	8,042,292	—	8,042,292
Deferred tax asset	—	100,135	100,135
	<u>8,273,082</u>	<u>34,158,375</u>	<u>42,431,457</u>
Total	<u>653,786,228</u>	<u>4,453,615,440</u>	<u>5,107,401,668</u>
Financial liabilities			
Borrowed funds	15,989,897	8,392,626	24,382,523
Debt securities issued	32,884,846	693,243,632	726,128,478
Collateralised bonds	317,070,366	3,991,778,200	4,308,848,566
Derivative financial instruments	39,915	—	39,915
Other liabilities	12,297,615	—	12,297,615
	<u>378,282,639</u>	<u>4,693,414,458</u>	<u>5,071,697,097</u>
Non-financial liabilities			
Other liabilities	11,254,067	—	11,254,067
Income tax payable	1,849,203	—	1,849,203
Deferred tax liability	2,709	21,389,135	21,391,844
	<u>13,105,979</u>	<u>21,389,135</u>	<u>34,495,114</u>
Total	<u>391,388,618</u>	<u>4,714,803,593</u>	<u>5,106,192,211</u>
Net	<u>262,397,610</u>	<u>(261,188,153)</u>	<u>1,209,457</u>

MIK HOLDING JSC AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements – 31 December 2024
27. Maturity analysis of assets and liabilities (cont'd.)

	Less than 12 months MNT'000	More than 12 months MNT'000	Total MNT'000
At 31 December 2023			
Financial assets			
Cash and bank balances	343,498,698	—	343,498,698
Debt instrument at amortised cost	101,533,131	30,012,734	131,545,865
Mortgage pool receivables with recourse	203,272,920	390,063	203,662,983
Loan receivables with recourse	23,905,581	—	23,905,581
Purchased mortgage pool receivables	287,987,999	3,794,808,162	4,082,796,161
Financial investments at fair value through profit or loss	41,809,396	95,863,786	137,673,182
Derivative financial instruments	152,847,243	—	152,847,243
Other assets	50,720,052	—	50,720,052
	<u>1,205,575,020</u>	<u>3,921,074,745</u>	<u>5,126,649,765</u>
Non-financial assets			
Property and equipment	—	34,800,079	34,800,079
Intangible assets	—	260,948	260,948
Income tax prepayment	190,620	—	190,620
Other assets	8,645,769	—	8,645,769
Deferred tax asset	—	9,619,187	9,619,187
	<u>8,836,389</u>	<u>44,680,214</u>	<u>53,516,603</u>
Total	<u>1,214,411,409</u>	<u>3,965,754,959</u>	<u>5,180,166,368</u>
Financial liabilities			
Borrowed funds	592,171	8,984,977	9,577,148
Debt securities issued	760,736,859	—	760,736,859
Collateralised bonds	449,421,302	3,868,149,600	4,317,570,902
Other liabilities	9,554,154	—	9,554,154
	<u>1,220,304,486</u>	<u>3,877,134,577</u>	<u>5,097,439,063</u>
Non-financial liabilities			
Other liabilities	8,687,510	—	8,687,510
Income tax payable	1,976,169	—	1,976,169
Deferred tax liability	—	33,799,834	33,799,834
	<u>10,663,679</u>	<u>33,799,834</u>	<u>44,463,513</u>
Total	<u>1,230,968,165</u>	<u>3,910,934,411</u>	<u>5,141,902,576</u>
Net	<u>(16,556,756)</u>	<u>54,820,548</u>	<u>38,263,792</u>

28. 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

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

In 2024, TDBC repurchased 1,690 (2023: 250) preference shares for MNT 8.45 billion (2023: MNT 1.25 billion), resulting in a gain of MNT 345,435 thousand (2023: MNT 59,698 thousand).

As at 31 December 2024, the outstanding units of the preference shares are 26,970 (2023: 28,660) (see Note 16).

Loans from/to shareholder of related party

In February 2024, the Group obtained total of MNT 20.0 billion loan from Golomt to finance its investing activities. The loans have an interest rate of 16.2% per annum with a maturity of 12 months (see Note 22).

In the same month, the Group purchased 20,000 loan notes from Bodi with par value of MNT 1,000,000 each for a consideration of MNT 20.0 billion. The loan notes bear an interest rate of 19.2% per annum and are due to mature in 12 months. During 2024, total of MNT 5.0 billion of principal payment has been made in accordance with the agreed repayment schedule. The total allowance for expected credit loss recognised for the loan notes is MNT 109,473 thousand (2023: MNT 100,439 thousand) as at 31 December 2024 (see Note 12).

Golomt holds 4.94% shares of MIK as of 31 December 2024 (31 December 2023: 4.94%).

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. The loan notes have interest rate of the BoM policy rate plus 2% per annum. On 28 December 2023, the contract was amended and changed the maturity date to 31 January 2024. Per contract, principal and interest payments are to be made on the maturity date (see Note 12).

As of 31 December 2024, the Group has provided an allowance for expected credit losses for the loan notes from QSC LLC of MNT 21,143,817 thousand (2023: MNT 18,879,014 thousand).

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 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 were due to mature in March 2024, which was extended until December 2026 and amended the interest rate per annum to 14.8%, 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 12).

As of 31 December 2024, the total allowance for expected credit loss recognised for the bonds is MNT 630,203 thousand (2023: MNT 902,195 thousand) as at 31 December 2024.

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 (see Note 22).

Swap arrangement with related party

On 23 February 2024, the amendment to the original cross-currency swap agreement with TDB extended the term of the arrangement until 4 January 2027 (see Note 17). With the amendment, the nominal amount was reduced from USD 196 million to USD 131 million, with interest payable quarterly on a net basis.

On 15 April 2024, an additional the cross-currency swap agreement was agreed for USD 52 million until 4 January 2027.

MIK HFC has entered into a cross-currency swap agreement with TDB, a commercial bank, as MIK HFC does not qualify to enter into direct swap arrangements with BoM. According to BoM regulations, only commercial banks, the Government of Mongolia, or international financial institutions can directly engage in these agreements.

MIK HOLDING JSC AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements – 31 December 2024

28. Related party disclosures (cont'd.)

Swap arrangement with related party (cont'd.)

After finalising the swaps with MIK HFC, TDB has entered into offsetting swap agreements with BoM on the same days, effectively acting as an intermediary institution in both arrangements. This structure allows MIK HFC to manage its currency and interest rate risks while complying with regulatory requirements.

Other related party transactions

As at 31 December 2024, the Group has the following balances and transactions with related parties:

	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		
As at 31 December 2024						
TDB	98,358,342	6,001,035	95,942,400	10,660,400	362,430,448	33,340,110
Khan Bank JSC	3,274,039	239,648	85,185,300	9,465,200	312,179,154	29,070,988
XacBank JSC	10,442,333	1,176,246	25,754,600	2,861,700	112,524,732	10,415,492
Golomt	49,751,563	5,155,646	161,506,900	17,945,400	293,086,522	23,383,751
Capitron Bank LLC	8,623,927	1,441,923	37,621,200	4,180,200	54,634,478	4,869,880
State Bank JSC	20,420,121	1,760,476	43,852,300	4,872,500	151,602,765	13,428,454
Chinggis Khaan Bank LLC	340,096	—	—	—	3,889,431	363,526
TDB Securities SC	324	—	—	—	—	—
	191,210,745	15,774,974	449,862,700	49,985,400	1,290,347,530	114,872,201
BoM	—	—	—	—	2,985,959,572	92,003,109
MoF	—	—	—	—	11,432,748	1,105,565
	—	—	—	—	2,997,392,320	93,108,674
Total	191,210,745	15,774,974	449,862,700	49,985,400	4,287,739,850	207,980,875
As at 31 December 2023						
TDB	96,657,998	5,311,058	251,213,800	27,912,800	359,881,450	31,255,721
Khan Bank JSC	6,236,948	48,155	254,638,300	28,293,300	308,389,702	25,793,367
XacBank JSC	8,481,223	106,474	89,499,600	9,944,500	111,620,327	9,055,597
Golomt	58,558,128	2,207,800	182,299,400	20,255,700	237,841,632	19,560,667
Capitron Bank LLC	15,278,577	1,449,268	71,552,100	7,950,500	47,851,602	3,286,853
State Bank JSC	15,474,148	852,973	96,858,600	10,762,300	150,720,213	12,174,167
Chinggis Khaan Bank LLC	440,017	—	—	—	3,858,015	373,291
TDB Securities SC	132,079,595	—	—	—	—	—
	333,206,634	9,975,728	946,061,800	105,119,100	1,220,162,941	101,499,663
BoM	—	—	—	—	3,064,654,228	97,420,116
MoF	—	—	—	—	11,703,554	1,102,835
	—	—	—	—	3,076,357,782	98,522,951
Total	333,206,634	9,975,728	946,061,800	105,119,100	4,296,520,723	200,022,614

28. Related party disclosures (cont'd.)

Other related party transactions (cont'd.)

	Mortgage pool portfolio						
	Purchase of mortgage pool		Outstanding balance*		Interest income from mortgage pool*		Loan service fee
	with recourse	without recourse**	with recourse	without recourse	with recourse	without recourse	
	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
As at 31 December 2024							
TDB	50,703,125	106,602,866	52,787,550	1,154,974,648	3,513,170	83,419,040	5,453,496
Khan Bank JSC	–	94,650,591	–	978,215,335	–	69,512,389	4,729,199
XacBank JSC	–	28,616,347	–	354,629,649	–	25,283,330	1,739,043
Golomt	43,999,936	179,452,388	248,996	903,106,678	1,976,977	60,382,774	4,222,321
Capitron Bank LLC	–	41,801,515	–	184,446,745	103,491	10,833,862	582,527
State Bank JSC	–	48,724,888	73,925	485,346,037	17,250	33,113,074	2,002,680
Chinggis Khaan Bank LLC	–	–	–	–	–	–	12
TDB Leasing LLC	6,348,955	–	177,411,104	–	24,800,123	–	275,895
Total	101,052,016	499,848,595	230,521,575	4,060,719,092	30,411,011	282,544,469	19,005,173
As at 31 December 2023							
TDB	–	279,126,790	–	1,182,128,749	238,694	82,901,504	5,194,335
Khan Bank JSC	–	282,931,729	–	1,001,248,839	–	71,031,795	4,330,261
XacBank JSC	–	99,444,275	–	370,290,619	–	24,372,107	1,507,275
Golomt	–	202,555,244	307,257	832,132,429	69,560	59,143,886	3,969,787
Capitron Bank LLC	–	79,502,654	6,927,072	155,112,529	1,404,955	7,236,052	373,296
State Bank JSC	–	107,620,948	162,383	483,607,487	32,440	31,392,309	1,775,451
TDB Leasing LLC	–	–	197,617,563	–	23,711,537	–	571,427
Total	–	1,051,181,640	205,014,275	4,024,520,652	25,457,186	276,077,653	17,721,832

* Outstanding balance/interest income from mortgage pool with/without recourse represents the principal/interest income from individual borrowers that are passed through to the Group via the commercial banks.

** Difference between issuance of RMBS (senior and junior) and the purchased mortgage pool (without recourse) is the cash payment of the Group to the respective commercial banks amounting to MNT 495 thousand (2023: MNT 740 thousand).

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.

Other payables

Other payables include loan service fee payable to the banks for the collection of the purchased mortgage pool receivables as follows (see Note 21):

	2024 MNT'000	2023 MNT'000
TDB	2,271,633	2,282,913
Khan Bank JSC	1,911,760	1,886,044
State Bank JSC	1,801,640	741,151
Capitron Bank LLC	826,802	173,591
Golomt	683,940	1,731,788
XacBank JSC	261,271	674,618
Total	7,757,046	7,490,105

28. Related party disclosures (cont'd.)

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

Compensation to key management personnel

	2024 MNT'000	2023 MNT'000
Short-term employee benefits		
Salaries, incentives and allowances	2,971,827	1,811,282
Contribution to social and health fund	313,280	220,907
	<u>3,285,107</u>	<u>2,032,189</u>

Compensation to key management personnel consists of compensation paid to the board of directors and management of the Group.

29. Risk management

29.1. Introduction

The Group's business activities expose it to the following major categories of financial risk:

- Credit risk. Credit risk is the potential for financial loss resulting from the failure of a borrower or institutional counterparty to honour its financial or contractual obligations, resulting in a potential loss of earnings or cash flows.
- Liquidity risk. Liquidity risk is the risk that the Group will not be able to meet its funding obligations in a timely manner.
- Market risk. Market risk is the exposure generated by adverse changes in the value of the Group's financial assets caused by a change in interest rates or foreign exchange rates.
- Operational risk. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, corporate governance, or from external events.

The Group seeks to manage those risks by using an established risk management framework that continues to evolve as the Group grows and expands its business. This risk management framework is intended to provide the basis of the principles that govern the Group's risk management activities.

Risk management structure

The Group has its dedicated BOD appointed by its shareholders. The BOD is responsible for the oversight of asset management and execution of responsibility through the board committee system, which includes the following standing committees: the Risk Committee ("RC") and the Finance and Audit Committee ("FAC"). In 2023, the Group established Sustainable Development Committee ("SDC") to develop the Group's sustainable development policies, strategies, and objectives, as well as continuous enhancement of performance, monitoring metrics, targets and reporting.

The RC oversees general risk-related policies, including review of the Group-level risk policies and limits, performance against these policies and limits, and the sufficiency of risk management capabilities. In addition to overseeing liquidity risk and market risk in association with the RC, the FAC reviews the Group's system of internal controls, and approves purchases of pools of mortgage loan receivables.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment.

29.2. Credit risk

Credit risk is the risk that the Group will incur a loss because its counterparties fail to discharge their contractual obligations. Credit risk is monitored by the Risk Management Department of the Group. It is their responsibility to review and manage credit risk, including environmental and social risk for all types of counterparties.

The Group has established a credit quality review process, which assigns each counterparty a risk rating to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Risk ratings are subject to regular review. The credit quality review process aims to allow the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

The Group has considered the overall economic environment in their ECL model based on the available information. Further, the Group has adjusted their forward-looking factor with the latest available data as of reporting date and has considered several macroeconomic scenarios. With regards to mortgage pool receivables with recourse, loan receivables with recourse, debt instruments and cash and bank balances, management adjusted selection of macro-economic scenarios.

29. Risk management (cont'd.)

29.2. Credit risk (cont'd.)

Cash and bank balances

The Group's cash and bank balances consist of current, trust, savings and collection accounts in eleven different commercial banks operating in Mongolia. Credit risk arising from cash and bank balances is the risk of the originating bank or financial organisation entering bankruptcy.

Debt instruments at amortised cost

The Group purchased debt instruments of counterparties operating in Mongolia. Credit risk arising from debt instruments lies on the probability of originating counterparties entering bankruptcy.

Mortgage loans without recourse

The Group purchases mortgage loans without recourse from the commercial banks of Mongolia. Credit risk for mortgage loan receivables lies on the probability of not receiving principal or interest on a timely basis due to the borrowers not making payments on time.

The mortgage pool portfolio purchase procedures include thorough due diligence to ensure that the commercial banks comply with the quality standards based on those established by the BoM and the use of an assessment model that utilises both qualitative and quantitative measurements related to the overall quality of mortgage loans to be purchased.

The Group has also developed eligibility criteria for the loan receivables that they can acquire. The criteria are set for the borrower, loan, collateral asset and loan documents based on Mongolian Law and the requirements set by the BoM. The loan files for every loan receivable to be purchased are checked for completeness for each borrower, and management has procedures and policy in place to ensure that the eligibility criteria are met.

After the pool of loan receivables are purchased, the Group receives daily settlement reports and reconciles the information, on a monthly basis. A consolidated quality report is obtained from the loan origination banks. These reports are used to closely monitor the performance of the loan origination banks in collecting loan payments on behalf of the Group. In addition, follow ups are made with the loan origination banks on any loans with slow repayment history. The policies and procedures for selecting loan receivables for purchase have been approved and are monitored by the Chief Executive Officer ("CEO").

Mortgage loans with recourse

In addition to mortgage loans without recourse, the Group also purchases mortgage loans with recourse from commercial banks of Mongolia. The Group has the right to request from the respective commercial banks and non-bank financial institutions ("NBFIs"), 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. Therefore, the credit risk for mortgage loan receivables with recourse lies on the probability of the originating bank or financial organisation entering bankruptcy.

The mortgage loan purchase procedures are similar to those of mortgage pools without recourse for mortgage loans sourced by the Group's own funds.

For mortgage loans purchased with the Senior Note proceeds, the Group has developed eligibility criteria and loan purchase procedures that are different than those set for mortgage loans without recourse. Due diligence review procedures include obtaining loan details from the banks and checking them against the eligibility criteria, but do not include review of borrower loan files. The final composition and size of the portfolio to be purchased is approved by the Asset and Liability Committee ("ALCO") of the Group.

After the pool of loan receivables are purchased, the Group receives the settlement reports and reconciles the information on a monthly basis. The policies and procedures for selecting loan receivables for purchase have been approved and are monitored by the CEO.

Loan receivables with recourse

The consumer loan purchase procedures are similar to those of mortgage pools with recourse. The Group has the right to request from the respective financial institution, when any individual consumer loan is overdue more than 90 days, either to replace the defaulted loan with another performing loan with similar terms or to pay immediately in cash an amount equal to the carrying amount of the defaulted loan plus accumulated interest. Therefore, the credit risk for mortgage loan receivables with recourse lies on the probability of the originating financial organisation entering bankruptcy.

29. Risk management (cont'd.)**29.2. Credit risk (cont'd.)***Loan receivables with recourse (cont'd.)*

Same with mortgage pools with recourse, the Group has set eligibility criteria for loan receivables with recourse. Due diligence review procedures include obtaining loan details from the financial institutions and checking them against the eligibility criteria, but do not include review of borrower loan files. The final composition and size of the portfolio to be purchased is approved by ALCO of the Group.

After the pool of loan receivables are purchased, the Group receives the settlement reports and reconciles the information on a monthly basis. The policies and procedures for selecting loan receivables for purchase have been approved and are monitored by the CEO.

Definition of default and cure

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Group considers cash and bank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikelihood to pay.

When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- significant financial difficulty of the counterparty or the borrower
- a breach of contract, such as a default or past due event
- it is becoming probable that the counterparty or the borrower will enter bankruptcy or other financial reorganisation

It is the Group's policy to consider financial assets as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present at the end of the reporting period. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

The Group's internal rating and PD estimation process

The Group's Risk Management Department operates its internal rating models. For cash and bank balances, debt instruments at amortised cost, mortgage loan receivables with recourse and loan receivables with recourse, Risk Management Department analyses publicly available information such as financial information and other external data, e.g., the Moody's Rating Agency ratings.

For the mortgage loan receivables without recourse, the Risk Management Department first runs an A-score model for its key portfolios in which its customers are rated from 1 to 5 based on the borrower's application information. The Group then runs a B-score model which assigns a rating from 1 to 6 based on the borrower's payment behaviour. The models incorporate both qualitative and quantitative. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 Stage classification of the exposure.

Internal credit rating system

The Group classifies cash and bank balances, debt instruments at amortised cost, mortgage loans with recourse and loan receivables with recourse into internal rating grades based on the credit ratings of the counterparties. To determine the credit ratings of the counterparties, the Group analyses publicly available external information such as the ratings of international rating agencies or uses benchmarking approach and assigns the internal rating. The internal credit rating grades are as follows:

Internal rating	Internal rating description
A- to AAA rated	High credit quality
BB- to BBB+ rated	Good credit quality, upper medium grade
B- to B+ rated	Adequate credit quality, lower medium grade
C to CCC+ rated	Below average credit quality
D rated	Low credit quality

The Group's classifications of mortgage loans without recourse are generally determined based on the number of days that the relevant mortgage is overdue with qualitative factors (including general financial condition and solvency of the borrower, and risks associated with the collateral) also taken into account.

29. Risk management (cont'd.)**29.2. Credit risk (cont'd.)*****Internal credit rating system (con'd.)***

The classifications are as follows:

- Performing mortgages are mortgages under which sums are under or up to 30 days in arrears;
- Mortgages in arrears are mortgages under which sums are over 30 days but equal to or less than 90 days in arrears;
- Non-performing mortgages include:
 - *substandard mortgages*: mortgages under which sums are over 90 days but equal to or less than 180 days in arrears and the borrower's financial debt condition is in distress or the borrower is going to sell the collateral through non-court procedures;
 - *doubtful mortgages*: mortgages under which sums are over 180 days but equal to or less than 360 days in arrears and the originating commercial bank has transferred the mortgage to their Special Assets Unit or commenced enforcement action; and
 - *bad loans*: loans under which sums are equal over 360 days in arrears and a court decision has been made or the mortgage has been transferred for enforcement action.

The credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system are disclosed in Notes 11.1, 12.1, 13.1, 14.1 and 15.1.

Exposure at default

The exposure at default ("EAD") represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2 and Stage 3, the exposure at default is considered for events over the lifetime of the instruments. The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The PDs are then assigned to each economic scenario based on the outcome of Group's models.

Loss given default

In order to calculate the LGD ratio for cash and bank balances, loan receivables with recourse, commercial mortgage pool receivables and debt instruments at amortised cost, the Group uses Thomson Reuters study where they determined the average LGD rate for global corporates based on their credit rating.

The Group uses the same LGD for both residential mortgage loan receivables with recourse and without recourse since both portfolios consist of identical loans. The Group considered the recoverability rate of defaulted loans from foreclosed collateral property and eventual sale of the property. The Group initially calculated the present value of future cash inflows for each category of loans – to be settled in court, to be settled outside court, closed in court, closed outside court – and calculated the LGD rate for each category and the weighted-average LGD ratio for all historically defaulted loans. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

Climate Risk Assessment and IFRS S2 Integration

Effective January 1, 2024, the IFRS S2 reporting standard requires entities to disclose material climate-related risks that could impact financial performance. In alignment with IFRS S2, the Company conducted an assessment of physical climate risks to evaluate their materiality and estimate potential impacts on the mortgage loan portfolio.

The assessment considered key climate risks, including wildfires, droughts and dzuds (severe winter conditions), and floods. Among these, flood risk was identified as a material factor affecting mortgage loans with and without recourse. This conclusion was based on the increasing frequency and severity of floods in collateral-concentrated areas, which pose a risk of asset depreciation and, consequently, higher LGD.

To integrate flood risk into the ECL model, the Company adjusted LGD estimates for flood-prone areas, incorporating projected collateral depreciation. These adjustments are based on both historical flood impact data and future climate projections under different climate scenarios.

29. Risk management (cont'd.)

29.2. Credit risk (cont'd.)

Climate Risk Assessment and IFRS S2 Integration (cont'd.)

For other climate risks:

- Wildfires were determined to have no material impact, as collaterals are predominantly in urban areas with low wildfire exposure.
- Droughts and dzuds were assessed as potential risks to herders' livelihoods; however, due to the limited number of herder-issued mortgage loans, their current impact on the portfolio is considered immaterial. A reassessment will be conducted in two years to evaluate any changes.

By integrating these findings, the Company ensures that its ECL estimates align with both IFRS 9 and IFRS S2, enhancing the accuracy of expected credit loss projections in response to climate-related risks.

Credit conversion factor

The Group only purchases mortgage pools from the commercial banks, hence there is no consideration of the credit conversion factor.

Significant increase in credit risk ("SICR")

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition.

The Group considers there is a SICR for the cash and bank balances and debt instruments when the PD rate of the asset as of the reporting date increased more than 15% compared to the PD rate when the asset was initially recognised or there is clear indication that the counterparty is facing financial difficulties. For loan receivables with recourse and mortgage pool receivables with recourse, the Group considers there is a SICR when the PD rate of the assets as of the reporting date increased more than 15% compared to the PD rate when the asset was initially recognised or over 30 days past due.

The Group makes an assessment if there is a SICR for the purchased mortgage pool receivables without recourse by comparing the application rating (A-score model) that was calculated for borrowers at their recognition date with the behavioural rating (B-score model) calculated at the reporting date. The Group considers a purchased mortgage pool receivable without recourse to have experienced a SICR when a borrower with an application rating of 1, 2, 3 has moved to the behavioural rating of 5 on the reporting date. Borrowers with application ratings of 4 and 5, are considered high credit risk borrowers when the Group initially purchased these loans from the banks. For these assets, the Group uses the 30-day backstop in assessing that there is a significant increase in credit risk since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets, the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 2.4 Summary of material accounting policies and in Note 2.5 Significant accounting judgments, estimates and assumptions.

In its ECL models, the Group relied on a broad range of forward-looking information as economic inputs, such as:

- Percent change of G7 GDP rate
- Percent change of US Federal Funds rate
- Percent change of Housing Price Index
- Percent change of Unemployment rate

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Management has assessed the economic outlook of the country and the Group estimated the ECLs based on three multiple scenarios, (2023: two multiple scenarios) with probability weights of 10:30:60 for LGD for good case, base case and downside case (2023: 30:70 for LGD for base case and downside case).

Analysis of risk concentration

The Group's largest external customer has contributed MNT 41,756,426 thousand interest income (2023: MNT 44,003,147 thousand), representing 10.9% (2023: 11.8%), of the Group's total interest income for the year ended 31 December 2024.

29. Risk management (cont'd.)**29.2. Credit risk (cont'd.)***Collateral and other credit enhancements*

Purchased mortgage pool receivables are collateralised by residential properties pledged under the mortgage loan agreements between the originating financial institutions and the individual mortgage loan borrowers.

The fair value of the properties held as collateral by the Group as at 31 December 2024 was MNT 7,806,288,384 thousand (31 December 2023: MNT 8,010,932,042 thousand).

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group using internal credit ratings.

It is the Group's policy to maintain accurate and consistent risk grades across the credit portfolio. This facilitates the management of the applicable risks and the comparison of credit exposures across all financial assets. The grading system is supported by a variety of financial and statistical analytics, combined with processed portfolio and market information to provide the main inputs for the measurement of counterparty risk.

The credit quality of bank balances, mortgage pool receivables with recourse, loan receivables with recourse and purchased mortgage pool receivables is summarised based on S&P, Moody's or Fitch ratings or ratings benchmarked based on Moody's official bank rating methodology.

The credit quality of debt instruments at amortised cost was determined using Moody's methodology for rating financing and investment holding companies.

Disclosure of credit quality and the maximum exposure for credit risk as at 31 December 2024 and 2023 under IFRS 9 per categories based on the Group's internal credit rating system and year-end stage classification are further disclosed in Notes 11.1, 12.1, 13.1, 14.1 and 15.1.

The credit quality of the portfolio is primarily monitored based on ageing reports and is analysed through monitoring delays in payment (particularly over 90 days) in subsequent periods.

In accordance with the Group's credit risk procedures, the ratio between the carrying amount of purchased loans and the fair value of collateral at the time of purchase of the loan pools with and without recourse should not be greater than 100% and 70%, respectively, and the Group has the first claim over all assets used as collateral.

29.3. Liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. For managing the Group's liquidity risk, certain methods outlined below have been implemented.

Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to current liabilities. However, the Group's repayment schedule of RMBS is directly related to the collection of the repayments from the purchased mortgage pools; the Group has assessed that its exposure to liquidity risk is insignificant because the Group has the right to request from the respective commercial banks to replace or return any mortgage loans included in the mortgage pools purchased with recourse that are overdue more than 90 days (see Notes 14 and 15).

Analysis of financial assets and financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial assets and financial liabilities at 31 December 2024 based on contractual undiscounted repayment obligations.

Financial assets and financial liabilities at 31 December 2024 are presented based on undiscounted contractual cash flows, which include any interest to be accrued over the life of the financial instrument. Statutory income tax balances are excluded from the analysis below.

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29. Risk management (cont'd.)

29.3. Liquidity risk

Analysis of financial assets and financial liabilities by remaining contractual maturities (cont'd.)

	On demand MNT'000	Less than 3 months MNT'000	3 to 6 months MNT'000	6 months to 1 year MNT'000	1 to 5 years MNT'000	Over 5 years MNT'000	Total MNT'000
At 31 December 2024							
Cash and bank balances	20,569,738	194,105,682	–	–	–	–	214,675,420
Debt instruments at amortised cost	64,475,382	23,017,092	12,639,197	15,424,961	260,962,047	–	376,518,679
Mortgage pool receivables with recourse	12,232,841	12,814,951	7,988,127	74,714,147	210,359,474	1,660	318,111,200
Loan receivables with recourse	763,219	5,897,759	3,826,615	13,259,788	18,013,635	–	41,761,016
Purchased mortgage pool receivables	57,778,789	82,820,209	123,960,785	246,912,793	1,889,030,737	4,506,572,550	6,907,075,863
Financial assets at FVPL	707,750	–	–	24,532,146	152,293,900	–	177,533,796
Derivative financial instruments	–	–	–	–	1,950,282	–	1,950,282
Other assets	59,556,287	–	–	–	–	–	59,556,287
Total financial assets	216,084,006	318,655,693	148,414,724	374,843,835	2,532,610,075	4,506,574,210	8,097,182,543
Other liabilities	12,297,615	–	–	–	–	–	12,297,615
Derivative financial instruments	–	–	–	39,915	–	–	39,915
Borrowed funds	397,546	15,427,363	461,986	923,972	7,391,782	6,313,814	30,916,463
Debt securities issued	36,156,235	12,652,298	4,185,425	40,272,825	882,690,553	–	975,957,336
Collateralised bonds	116,167,798	258,322,910	123,668,258	242,399,046	1,777,369,917	4,325,038,573	6,842,966,502
Total financial liabilities	165,019,194	286,402,571	128,315,669	283,635,758	2,667,452,252	4,331,352,387	7,862,177,831
Net liquidity gap	51,064,812	32,253,122	20,099,055	91,208,077	(134,842,177)	175,221,823	235,004,712
Cumulative liquidity gap	–	83,317,934	103,416,989	194,625,066	59,782,889	235,004,712	
At 31 December 2023							
Cash and bank balances	191,900,242	153,149,089	–	–	–	–	345,049,331
Debt instruments at amortised cost	32,511,653	121,557,643	96,000	2,027,353	–	–	156,192,649
Mortgage pool receivables with recourse	17,103,920	187,713,985	53,478	100,253	403,165	4,629	205,379,430
Loan receivables with recourse	376,325	23,966,981	–	–	–	–	24,343,306
Purchased mortgage pool receivables	63,443,307	92,657,888	138,986,832	277,973,662	1,963,641,988	4,182,108,242	6,718,811,919
Financial assets at FVPL	33,682,314	–	–	58,397,946	76,817,975	–	168,898,235
Derivative financial instruments	–	152,847,243	–	–	–	–	152,847,243
Other assets	57,102,586	–	–	–	–	–	57,102,586
Total financial assets	396,120,347	731,892,829	139,136,310	338,499,214	2,040,863,128	4,182,112,871	7,828,624,699
Other liabilities	9,554,154	–	–	–	–	–	9,554,154
Borrowed funds	82,409	461,986	461,986	923,973	9,239,728	6,313,814	17,483,896
Debt securities issued	25,457,848	727,157,026	403,988	12,672,935	–	–	765,691,797
Collateralised bonds	179,059,259	224,869,052	138,528,018	292,015,468	1,843,210,775	3,994,132,543	6,671,815,115
Total financial liabilities	214,153,670	952,488,064	139,393,992	305,612,376	1,852,450,503	4,000,446,357	7,464,544,962
Net liquidity gap	181,966,677	(220,595,235)	(257,682)	32,886,838	188,412,625	181,666,514	364,079,737
Cumulative liquidity gap	–	(38,628,558)	(38,886,240)	(5,999,402)	182,413,223	364,079,737	

The above tables show the Group's exposure to liquidity risk based on the contractual maturities of financial liabilities; however, for collateralised bonds, if prepayments are made by the individual borrowers, it shortens the contractual maturity. In this case, the contractual maturity of the RMBS is proportionally affected as the contractual principal repayment of the bond is equal to the principal repayment of mortgage pools and ultimately will not have a significant impact on the overall liquidity of the Group.

29. Risk management (cont'd.)

29.4. Market risk

As noted previously, market risk is the risk that changes in market conditions, such as changes in interest rates and foreign exchange rates will affect the Group's income or the value of its holdings of financial assets. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Currency risk

Currency risk is the possibility of financial loss to the Group arising from adverse movements in foreign exchange rates. The Group's management sets limits on the level of exposure by currencies, which are monitored on a frequent basis. The Group entered into a cross-currency swap contract for the Senior Notes issued to eliminate the currency risk (see Note 19).

The table below summarizes the Group's exposure to foreign exchange risk as at 31 December 2024. Included in the table are the Group's financial assets and liabilities at carrying amounts, categorised by currencies. Debt securities are presented gross of transaction costs which were already paid for and are not subject to any currency risk.

	2024 USD MNT'000	2023 USD MNT'000
Assets		
Cash and balances	15,356,357	133,212,564
Debt instruments at amortised cost	236,572,396	90,425,335
Mortgage pool receivables with recourse	230,198,654	197,639,067
	<u>482,127,407</u>	<u>421,276,966</u>
Liabilities		
Debt securities	729,340,443	761,403,916
Other liabilities	3,429	245,149
	<u>729,343,872</u>	<u>761,649,065</u>
Derivatives (notional amount)	<u>620,993,151</u>	<u>515,730,880</u>

The table below indicates the currencies to which the Group had significant exposure at the end of the reported periods on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the MNT (all other variables being constant) on the income statement and equity. A negative amount in the table reflects a potential net reduction in the income statement or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the currencies below against the MNT would have resulted in an equivalent but opposite impact.

	2024		2023	
	Change in currency rate %	Effect on profit before tax MNT'000	Change in currency rate %	Effect on loss before tax MNT'000
Currency				
USD	+10	24,721,630	+10	17,532,330

Interest rate risk

Given that interest rates of the financial assets and liabilities are fixed due to the nature of the Group's operations, the Group's exposure to interest rate risk is limited.

As at 31 December 2024, the Group's interest-bearing assets (bank balances, debt instruments at amortised cost, mortgage pool receivables with recourse, loan receivables with recourse and purchased mortgage pool receivables without recourse) and interest-bearing liabilities (borrowed funds, collateralised bonds and debt securities issued) have fixed interest rates and are not subject to repricing until they mature.

29. Risk management (cont'd.)

29.4. Market risk (cont'd.)

The table presents the aggregated amounts of the Group's interest-bearing financial assets and liabilities at gross carrying amounts, which exclude any interest to be accrued over the life of the instrument and allowance of impairment recognised as at the year-end.

	Less than 3 months MNT'000	3 to 6 months MNT'000	6 months to 1 year MNT'000	1 to 5 years MNT'000	Over 5 years MNT'000	Total MNT'000
At 31 December 2024						
Interest-bearing financial assets	275,145,347	56,703,196	200,894,957	1,500,761,401	2,964,079,509	4,997,584,410
Interest-bearing financial liabilities	57,348,466	57,031,927	108,053,260	1,683,603,267	3,064,393,358	4,970,430,278
Net interest sensitivity gap	217,796,881	(328,731)	92,841,697	(182,841,866)	(100,313,849)	27,154,132
At 31 December 2023						
Interest-bearing financial assets	960,506,693	67,785,027	184,383,699	1,093,946,692	2,773,461,926	5,080,084,037
Interest-bearing financial liabilities	791,035,185	67,554,891	150,967,729	1,026,593,119	2,850,541,458	4,886,692,382
Net interest sensitivity gap	169,471,508	230,136	33,415,970	67,353,573	(77,079,532)	193,391,655

29.5. Operational risk

Operational risk is the risk of loss arising from systems failure, human errors, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, and lead to financial loss. The Group cannot expect to eliminate all operational risk, but through a dual control framework, segregation of duties between front-office and back-office functions, controlled access to systems, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit, the Group seeks to manage operational risk.

30. Segment reporting

During the years ended 31 December 2024 and 2023, the Group was engaged into two operating segments based on the Group's principal activities, as follows:

Purchases without recourse ("PWOR")

The Group's PWOR operating segment entails the purchase of subsidised interest rate residential mortgages issued without recourse from commercial banks and issue of RMBS securitised by the purchased mortgages back to the originating banks. RMBS principal payments are made on a pass-through basis, in line with actual principal payments received on mortgage loans.

Purchases with recourse ("PWR")

The Group's PWR operating segment involves the purchase of mortgages and other loans with recourse issued at market interest rate from originators, namely commercial banks and non-banking financial institutions. Mortgage loan portfolios with recourse have defined maturity terms and are sold back to the originators at an amount equal to the carrying amount of the loans plus accumulated interest at the maturity date.

Others

Included within others are management operations and investing in assets such as corporate debt securities and short-term placement of term deposits in commercial banks.

As the Group's operations are located in Mongolia, no further geographical segment information is provided.

The Group's largest external customer has contributed MNT 41,756,426 thousand interest income (2023: MNT 44,003,147 thousand), representing 10.9% (2023: 11.8%), of the Group's total interest income for the year ended 31 December 2024.

All operating segments' operating results are regularly reviewed by the Group's chief operating decision maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

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30. Segment reporting (cont'd.)

	PWOR MNT'000	PWR MNT'000	Others MNT'000	Eliminations MNT'000	Total MNT'000
At 31 December 2024					
Interest income	318,216,270	66,704,852	4,824,005	(4,730,669)	385,014,458
Interest expense	(209,895,696)	(124,314,924)	(4,730,669)	4,954,101	(333,987,188)
Net fees income/(expense)	(39,527,113)	19,459,353	1,000,797	(223,432)	(19,290,395)
Net other income/(expense)	(9,409,621)	(29,194,309)	(7,363)	—	(38,611,293)
Credit loss reversal/(expense) on financial assets	2,706,822	(5,321,456)	(2,534,699)	2,534,249	(2,615,084)
Net gain/(loss) on financial assets at fair value through profit or loss	(9,597,412)	(21,991,924)	—	29,660,990	(1,928,346)
Net gain/(loss) on change in fair value of derivative financial instruments	(39,915)	1,110,839	—	—	1,070,924
Operating expenses	(1,938,306)	(16,470,504)	(1,258,020)	—	(19,666,830)
Profit/(loss) before tax	50,515,029	(110,018,073)	(2,705,949)	32,195,239	(30,013,754)
Income tax expense	(6,706,184)	5,026,194	(482,401)	(4,878,190)	(7,040,581)
Profit/(loss) for the year	43,808,845	(104,991,879)	(3,188,350)	27,317,049	(37,054,335)
Segment assets	4,504,108,620	697,411,164	102,211,557	(196,329,673)	5,107,401,668
Segment liabilities	4,328,711,343	762,400,427	50,779,760	(35,699,319)	5,106,192,211
Depreciation and amortisation	—	2,255,056	27,339	—	2,282,395
Capital expenditure*	—	264,915	—	—	264,915
At 31 December 2023					
Interest income	312,762,059	58,909,981	6,350,307	(5,330,400)	372,691,947
Interest expense	(201,701,721)	(89,984,690)	(5,330,400)	7,549,570	(289,467,241)
Net fees income/(expense)	(36,744,492)	17,994,117	3,019,812	(2,219,170)	(17,949,733)
Other operating income/(expense)	(1,113,444)	3,875,848	2,408	—	2,764,812
Credit loss expense on financial assets	84,910	539,194	(10,303,590)	10,304,478	624,992
Net gain/(loss) on financial assets at fair value through profit or loss	3,518,007	7,231,719	—	(9,504,627)	1,245,099
Net gain/(loss) on change in fair value of derivative financial instruments	—	(8,038,358)	—	—	(8,038,358)
Operating expenses	(1,700,870)	(14,192,240)	(1,295,179)	—	(17,188,289)
Loss before tax	75,104,449	(23,664,429)	(7,556,642)	799,851	44,683,229
Income tax expense	(10,182,393)	(2,255,167)	(830,491)	(3,301,522)	(16,569,573)
Loss for the year	64,922,056	(25,919,596)	(8,387,133)	(2,501,671)	28,113,656
Segment assets	4,468,597,798	834,182,227	100,614,629	(223,228,286)	5,180,166,368
Segment liabilities	4,335,280,674	795,853,776	46,052,009	(35,283,883)	5,141,902,576
Depreciation and amortisation	—	2,170,186	44,679	—	2,214,865
Capital expenditure*	—	66,877	13,883	—	80,760

*Segment capital expenditure is the total cost incurred during the period to acquire property and equipment and intangible assets (see Note 19 and 20).

31. Fair value of financial instruments

Fair value hierarchy

	Level 1 MNT'000	Level 2 MNT'000	Level 3 MNT'000	Total MNT'000
At 31 December 2024				
<i>Financial assets measured at FVPL</i>	1,302,028	=	126,870,110	128,172,138
<i>Derivative financial assets</i>	–	1,950,282	–	1,950,282
<i>Derivative financial liabilities</i>	–	39,915	–	39,915
At 31 December 2023				
<i>Financial assets measured at FVPL</i>	232,314	–	137,440,868	137,673,182
<i>Derivative financial assets</i>	–	152,847,243	–	152,847,243

The description of valuation technique and description of inputs used in the fair value measurement for Level 2 measurements at 31 December 2024 is as shown below:

	Fair value (MNT'000)		Valuation technique	Inputs
	31 December 2024	31 December 2023		
Derivative financial assets	1,950,282	152,847,243	Discounted cash flow model	USD – MNT foreign exchange rate, Central Bank policy rate, USD SOFR rate, adjusted forward rate
Derivative financial liabilities	39,915	–	Discounted cash flow model	Risk-free rate, market share price

Because active market prices are not available, the Group used the discounted cash flow model with unobservable inputs. Therefore, the fair value of unquoted investment in TDBC is categorised under level 3. The fair value assessments as of 31 December 2024 were performed by management's specialist and prior year's assessments were performed by an external valuer and the valuation methodology and inputs are consistent with valuation practice. A net loss of MNT 2,466,194 thousand (31 December 2023: net loss of MNT 1,211,395 thousand) was recognised in the statement of profit or loss for the period ended 31 December 2024 (see Notes 8 and 16).

The following table demonstrates the sensitivity of the unquoted investment in TDBC to a reasonably possible change in the unobservable input, with all other variables held constant.

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of the input to fair value	
				31 December 2024 MNT'000	31 December 2023 MNT'000
Unquoted investment in TDBC	Discounted cash flow model	Discount rate	+/-10%	(88,225)/ 88,225	(3,614,019)/ 3,614,019

MIK HOLDING JSC AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements – 31 December 2024

31. Fair value of financial instruments (cont'd.)

Movements in Level 3 financial instruments measured at fair value

The following tables show a reconciliation of the opening and closing amounts of Level 3 financial assets and liabilities which are recorded at fair value.

	2024 MNT'000	2023 MNT'000
<i>Unquoted investments</i>		
Fair value as at 1 January	137,440,868	137,419,577
Redeemed	(8,450,000)	(1,250,000)
Gain on redemption of preference shares	345,436	59,896
Net gain/(loss) from change in fair value through profit or loss	(2,466,194)	1,211,395
Fair value as at 31 December	126,870,110	137,440,868

Transfers between level 1, 2 and 3

There were no transfers between level 1, 2 and 3 of the assets and liabilities which are recorded at fair value.

Financial instruments for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have short term maturity (less than one year), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to bank balances. Based on fair value assessments performed by the management, the estimated fair values of instruments with maturity more than one year approximate their carrying amounts as shown in the statement of financial position. This is due principally to the fact that the current market rates offered for similar deposit products do not differ significantly from market rates at inception.

Fixed rate financial instruments

The carrying value of the Group's fixed rate financial assets and liabilities approximates the fair value by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments available in Mongolia.

32. 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 accumulated losses as at 31 December 2024 are restricted retained earnings of MNT 168,947,238 thousand (31 December 2023: MNT 185,117,400 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 in 2024.

The Group was not subject to any other externally imposed capital requirements throughout 2024 and 2023.

33. Subsequent events

On 15 January 2025, the US International Development Finance Corporation (DFC) announced its approval of USD 150 million long-term loan to the Company, to be used towards expanding access to housing, empower women borrowers and support underserved communities including low-to-middle-income families in Mongolia.

On 30 January 2025, the Board of Directors of MIK Holding JSC has approved the "Business plan of 2025 and projection of 2026-2027". According to the plan, MIK Asset One SPC LLC and MIK Asset Two SPC LLC have been forecasted to distribute dividends to MIK Holding JSC (the Parent) when the outstanding balance of mortgage loan portfolios reach 20% of issued amount and clean-up option activates in 2025.

On 14 February 2025, the Group fully settled the principal amount of MNT 8.5 billion for Tranche-2 of OTC bond that was issued on the local market on 15 February 2024 (Note 24).

On 26 February 2025, the Group fully repaid remaining balance of MNT 5.0 billion of the loan obtained on 6 February 2024 and 26 February 2024 from Golomt (Note 23).

In January and February 2025, Bodi International LLC made payments on its loan notes (see Note 28) in several instalments amounting to a total of MNT 15.0 billion, fully settling the loan notes in accordance with the agreed repayment schedule.

On 13 March 2025, the Group's subsidiary, MIK Active 37 SPC LLC has purchased its mortgage loan portfolio and issued RMBS that is amounting to MNT 559.5 billion.

34. Mongolian translation

These financial statements are also prepared in the Mongolian language. In the event of discrepancies or contradictions between the English version and the Mongolian version, the English version will prevail.