2024
ANNUAL REPORT

THE BANK OF MONGOLIA

ANNUAL REPORT 2024

MESSAGE FROM THE GOVERNOR

Foreword

On behalf of the Bank of Mongolia, I am pleased to extend our greetings and present the Annual Report for 2024.

The year was marked by significant developments in Mongolia's economic and financial sector. Amid a complex external environment and domestic challenges, the Bank of Mongolia remained steadfast in fulfilling its mandate to ensure price stability and safeguard the soundness of the financial system. Through the implementation of a comprehensive policy framework, the Bank actively contributed to maintaining macroeconomic stability.

Despite elevated geopolitical risks and continued uncertainty in global trade dynamics, as well as the adverse impact of dzud, the harsh winter conditions on the agricultural sector, Mongolia's economy demonstrated notable resilience. Preliminary data indicate that real gross domestic product (GDP) expanded by 4.9 percent in 2024. Inflation averaged 6.6 percent over the year, remaining within the central bank's target range for the majority of the period. This outcome reflects the timely and effective implementation of monetary policy in response to both internal and external economic developments.

Sustained global demand and favorable commodity prices contributed to a balance of payments surplus amounting to USD 622 million. Consequently, gross international reserves reached an all-time high of USD 5.5 billion by the end of the reporting period, further strengthening the country's external buffer.

The reporting year marked the centennial anniversary of the establishment of Mongolia's modern banking system, a milestone of historic importance. Throughout the year, the banking sector continued to provide stable financial intermediation. Total banking sector assets grew by 25.1 percent (MNT 14.3 trillion), reaching MNT 71.4 trillion. The non-performing loan (NPL) ratio declined to 4.3 percent, the lowest level observed in recent years.

To enhance the stability and resilience of the banking sector, the Bank of Mongolia continued to refine its supervisory policy and instruments, strengthen regulatory frameworks, and improve governance standards across licensed financial institutions. Concurrently, efforts to support digital transformation were advanced through the promotion of innovative electronic payment systems and the modernization of financial market infrastructure.

In alignment with its broader policy objectives, the Bank advanced initiatives to enhance financial inclusion and support the growth of sustainable finance. Notably, efforts to promote green financing led to a 69 percent year-on-year increase in the green loan portfolio, highlighting tangible progress in embedding environmental sustainability into financial sector practices.

Transparency, accountability, and stakeholder engagement remain at the core of the Bank's institutional values. Throughout the reporting year, the Bank strengthened its communications strategy, expanded the dissemination of monetary and financial information, and intensified efforts to improve economic and financial literacy, particularly among youth. The Bank also expanded its collaboration with international organizations and domestic regulatory authorities in support of evidence-based policymaking and capacity-building.

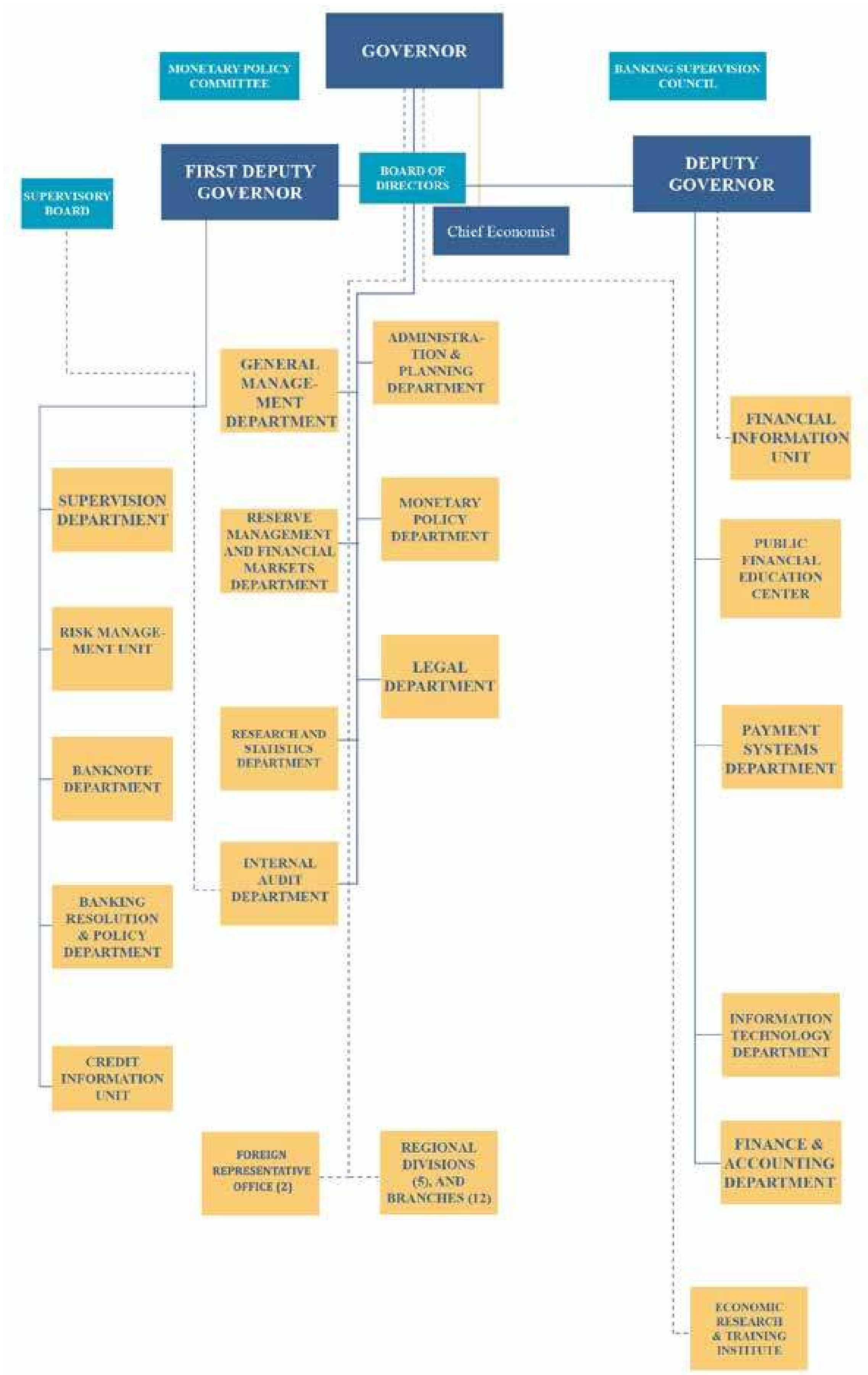
The Bank of Mongolia extends its profound appreciation to all stakeholders, both domestic and international, who have supported the institution's efforts to promote economic and financial stability and contribute to the development of a robust, inclusive, and resilient financial system.

We remain committed to fulfilling our mandate with integrity and professionalism and look forward to continued cooperation in advancing the economic prosperity of Mongolia.

SINCERELY,

B.LKHAGVASUREN
GOVERNOR OF THE BANK OF MONGOLIA

ORGANIZATIONAL STRUCTURE OF THE BANK OF MONGOLIA



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ECONOMIC AND FINANCIAL MARKET OVERVIEW

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1.1. REAL SECTOR

Production approach

According to preliminary statistics, gross domestic product (GDP) grew by 4.9 percent in 2024. Although the agricultural sector experienced a sharp downturn after two consecutive years of harsh winter, growth was bolstered by the mining and service sectors this year (Figure 1.1).

Coal production increased by about 20 million tonnes from the previous year, reaching a historic high level of 100 million tonnes, and the rise in the content of copper concentrate at Oyu-Tolgoi has supported the mining sector's growth. However, gold production totaled 12.6 tonnes, the lowest level since 2015. The transportation sector production rose by 23.1 percent as the foreign trade turnover increased, while the service sectors, except for transportation, achieved a growth of 8.0 percent due to increasing domestic demand. In total, the service sector accounted for 4.8 percentage points of economic development. Thus, the expansion of non-agricultural sectors by about 10 percent increased tax revenues, and net taxes on products rose by 16.1 percent, thereby contributing 2.0 percentage points to GDP growth.

However, the agriculture sector shrank by 28.7 percent in 2024, decreasing economic growth by 3.6 percentage points. Due to the impact of dzud, the livestock population declined by 10.9 percent (7 million) compared to the previous year, with total losses reaching 9.4 million head. As a result, the livestock population stood at 57.6 million at the end of the year.

Figure 1.1 GDP growth, production approach

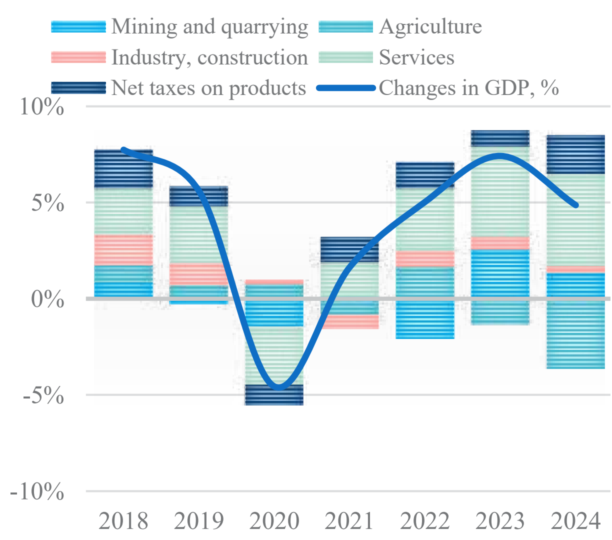
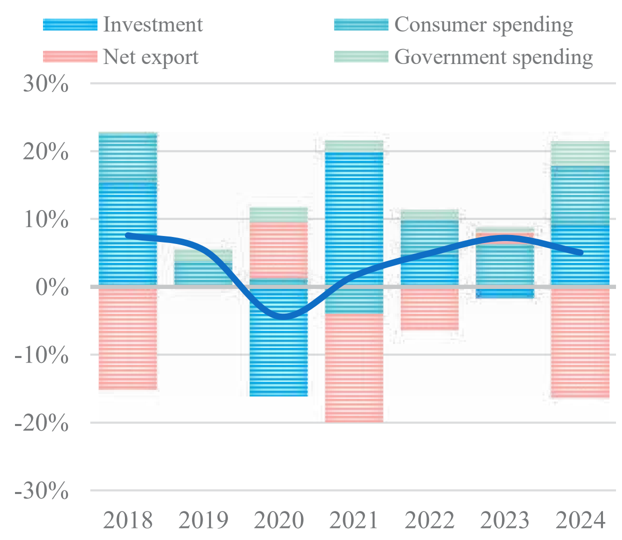


Figure 1.2 GDP growth, expenditure approach



Source: National Statistics Office of Mongolia (NSO)

Expenditure approach

From the demand side, final consumption and investment contributed positively to the economic growth in 2024 (Figure 1.2). Real household consumption increased by 12.9 percent, contributing 8.6 percentage points to the overall growth. This increase was primarily driven by a 13.4 percent rise in real household income over the reporting year. In addition, real government spending grew by 18.3 percent, contributing 3.6 percentage points to growth, reflecting a substantial increase in budget expenditures. In particular, the real cost of goods and services rose by approximately 55 percent in 2024.

Total capital formation grew by 22.2 percent in real terms, contributing 9.3 percentage points to total demand growth. This was primarily driven by a significant increase in investment in machinery, equipment, and infrastructure, aligned with higher government capital expenditures. As a result, government capital spending contributed 6.3 percentage points to total demand growth in 2024.

Conversely, net exports had a negative impact of 16.4 percentage points on overall growth. Although coal export volumes increased by approximately 20 percent during the reporting period, overall real export growth remained modest due to declines in copper and oil export volumes compared to the previous year. As a result, exports contributed only 0.5 percentage points to overall growth. Meanwhile, imports of both consumer and investment goods expanded significantly, resulting in a negative contribution of 16.9 percentage points from import demand.

Inflation

The "Monetary Policy Guidelines for 2024" aimed to stabilize inflation at around 6 percent, within a target band of ±2 percentage points. While inflation remained relatively low and close to the target for most of the year, it gradually increased in the last two months of the year, exceeding the upper bound of the target range by year-end. The main factors driving this increase were the rise in electricity prices starting in November, substantial wage growth throughout the year, and higher livestock losses due to adverse weather conditions.

Factors that predominantly influenced inflation in December 2024 are as follows (Table 1.1):

- **Imported goods prices** contributed 2.6 percentage points of inflation, increasing by 5.6% year-on-year, similar to the figures from the same period of the previous year. This was driven by: 1) relatively stable fuel prices over the past two years, 2) a significant reduction in transportation delays, and 3) stability in inflation in trading partner countries alongside the togrog exchange rate.

- **Prices of government-regulated services** increased by 25.5% year-on-year, contributing 1.9 percentage points to inflation. This contribution increased by 1.5 percentage points compared to the previous year, mainly due to household electricity tariffs, which surged by 60–100%, and state university tuition fees, which increased by 15.4%.

Figure 1.3 Monthly and annual inflation, nationwide

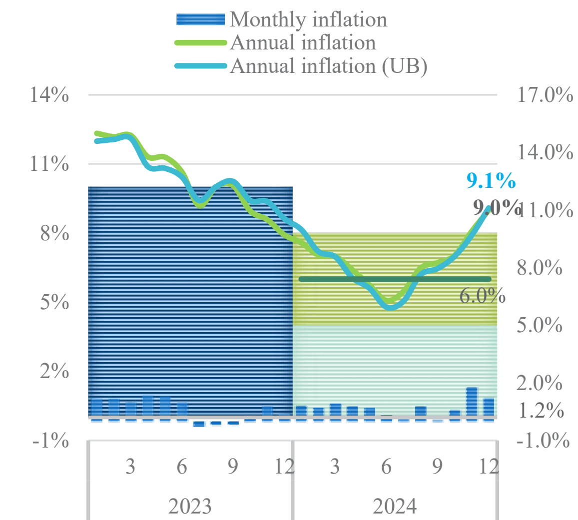


Table 1.1 Inflation contribution by group

Components	Annual Inflation	Contributions
	December	
Imported goods[1]	5.6%	2.6%
Imported goods /nonfood/	*7.9%*	*2.7%*
Imported food	*2.8%*	*0.2%*
Fuel	*-4.7%*	*-0.3%*
Domestic food /nonmeat/	6.5%	0.9%
Domestic meat and meat products	18.2%	1.4%
Services	10.5%	1.7%
Administrated prices	25.5%	1.9%
Other domestic goods	6.2%	0.5%
Total		**9.0%**

[1] Including food and non-food imported goods and fuel.

Source: Bank of Mongolia, National Statistics Office of Mongolia

- **Domestic meat and meat product prices** increased by 18.2% year-on-year, having a considerable impact on inflation. This surge was likely attributable to the severe winter conditions (dzud), which caused substantial livestock losses and delayed autumn meat preparation.

- **Prices of other food items** increased by 6.5% year-on-year, contributing 0.9 percentage points to inflation. Notably, 0.6 percentage points of this was attributed to the rising prices of flour and dairy products, likely related to higher production costs and electricity prices for businesses.

- **Service prices** increased by 10.7% year-on-year, contributing 1.7 percentage points to inflation. While relatively stable in the first half of the year, service price growth accelerated in the second half due to increased domestic demand, higher wages, rising rents, and changes in electricity tariffs for businesses. Notably, prices for common services such as housing rent, catering, medical examinations, and haircuts increased significantly.

Employment

In 2024, the working-age population remained roughly unchanged from the previous year's level, totaling 2.298 million. By components, the labor force increased by 60.4 thousand people (4.4%), reaching 1.427 million, primarily driven by the rise in the number of employed individuals. Meanwhile, the population outside the labor force declined by 60.3 thousand (6.5%), to 870.2 thousand.

The number of unemployed individuals increased by 6,800 compared to the previous year, reaching 79,400, resulting in a 0.3 percentage point increase in the unemployment rate, reaching 5.6%. As a result of the labor force growth, the labor force participation rate increased by 2.6 percentage points in 2024, reaching 62.1%. (Figure 1.4).

Figure 1.4 Labor force participation rate

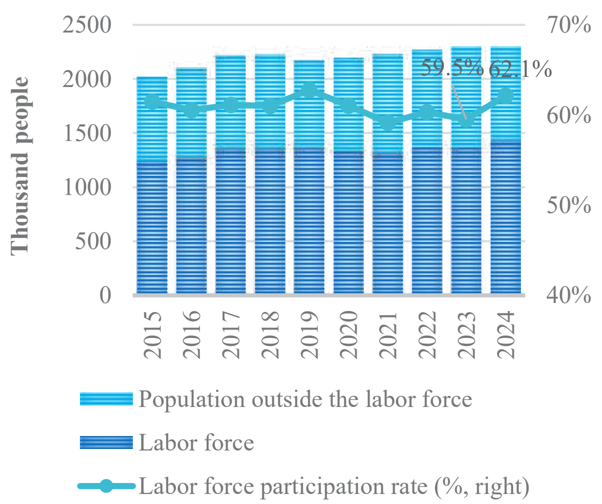
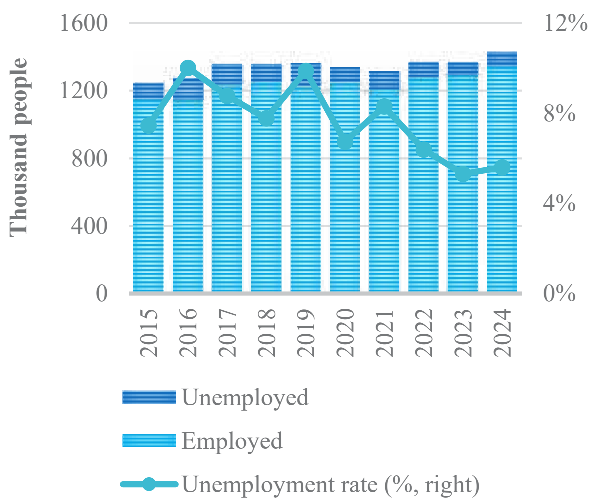


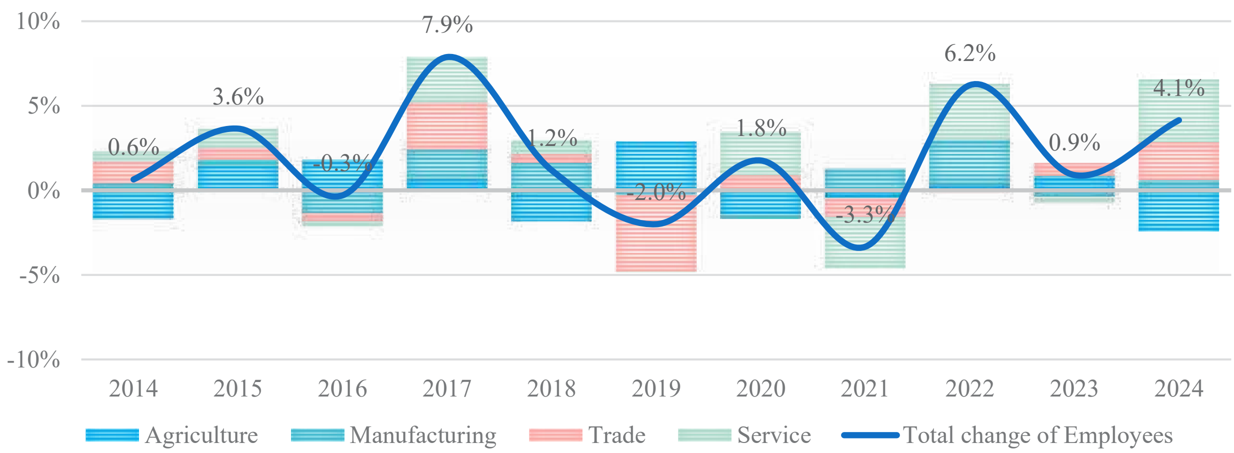
Figure 1.5 Unemployment rate



Source: National Statistics Office of Mongolia

At the national level, the distribution of employees across economic sectors was as follows in 2024: 526 thousand (39.0%) in the services sector, 330 thousand (24.5%) in the agriculture sector, 303 thousand (22.5%) in the industrial sector, and 190 thousand (14.1%) in trade. Compared to the previous year, the total number of employees increased by 54 thousand (4.1%), reaching 1.348 million. This growth was driven by an increase in employment in the services, industrial, and trade sectors (Figure 1.6). In contrast, employment in the agriculture sector declined by 32 thousand (8.7%) year-on-year.

Figure 1.6 Annual change in employment, by economic sectors



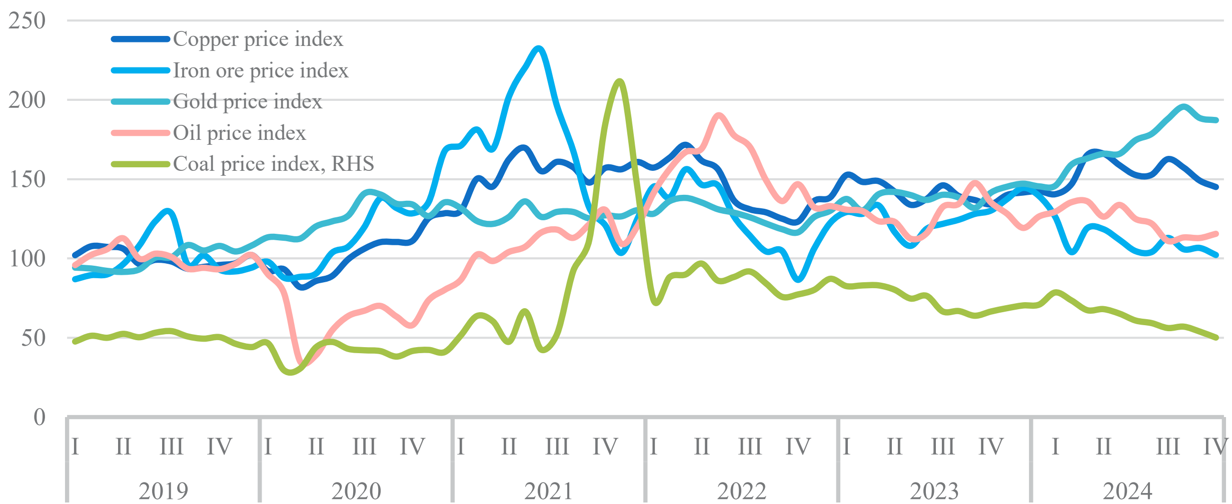
Source: National Statistics Office of Mongolia

1.2. EXTERNAL SECTOR

Commodity price

In the reporting year, the prices of Mongolia's major exporting commodities remained consistently high, averaging about 10 percent above the 2019 level. While gold and copper prices rose compared to the previous year, prices of iron ore, coal, and oil declined.

Figure 1.7 Commodity price indices in the global market, 2019=100



Source: Bloomberg, Bank of Mongolia

Gold prices averaged USD 2,404 per ounce, reflecting a 23.1 percent increase from the preceding year. This notable rise was largely driven by the easing of monetary policy in major economies as well as heightened geopolitical tensions that increased investor demand for safe-haven assets such as gold.

Copper prices averaged USD 9,264 per tonne, reflecting an 8.1 percent increase from 2023. In May 2024, copper prices reached a historic high of USD 11,000 per tonne, following announcements by Chinese copper smelters regarding production cuts. However, prices moderated in the latter half of the year due to a stabilization in global supply and a decline in demand.

Coking coal prices declined 13.8 percent in 2024. The main reason for this decrease was the lower demand for steel, which stemmed from the crisis in the Chinese property sector. Although coal prices temporarily rebounded in response to China's economic stimulus measures, they declined again toward the end of the year.

Iron ore prices averaged USD 113 per tonne in 2024, decreased by 10.9% from the previous year. The downward trend was similarly influenced by the contraction in steel demand in China, underpinned by the prolonged slowdown in its property market.

Brent crude oil prices averaged USD 80.1 per barrel in 2024, marking a 3 percent decrease compared to 2023. Despite the ongoing supply restrictions by OPEC member countries, the increase in output from non-OPEC producers, particularly the United States, combined with subdued demand from China, contributed to the modest decline in oil prices.

Balance of payments

According to preliminary data, Mongolia's current and capital accounts registered a combined deficit of USD 2,019 million in 2024. Meanwhile, the financial account recorded a surplus of USD 3,158 million, resulting in an overall balance of payments surplus of USD 622 million for the year.

Figure 1.8 Balance of payment

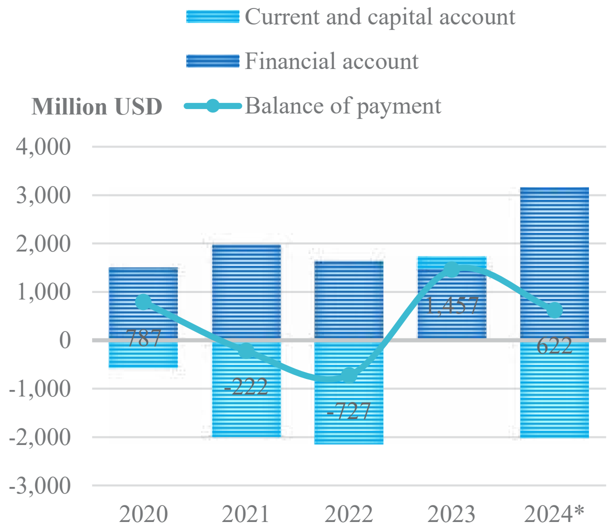
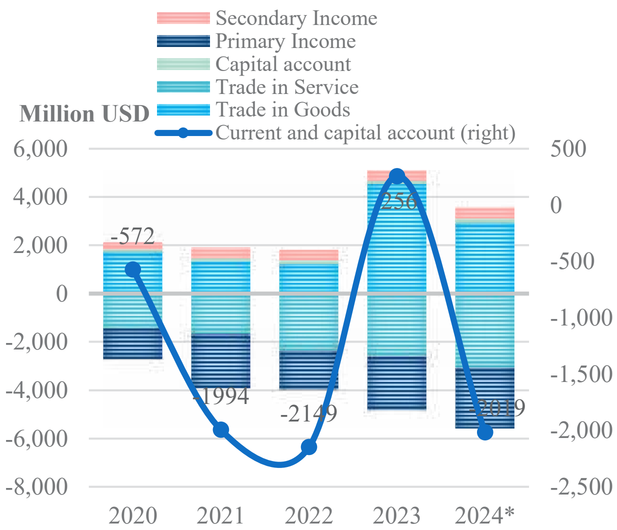


Figure 1.9 Current and Capital Account



**Preliminary* *Source: Bank of Mongolia*

In 2023, the current and capital account recorded a surplus of USD 265 million. However, in the reporting year, this position reversed to a deficit of USD 2,019 million, representing a decline of USD 2,275 million. This deterioration was primarily driven by a significant reduction in the goods account surplus, reflecting weaker export performance relative to import growth.

Figure 1.10 Financial account composition

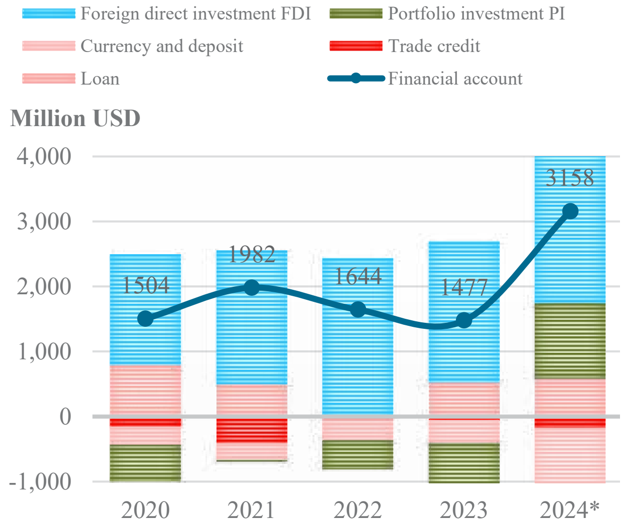
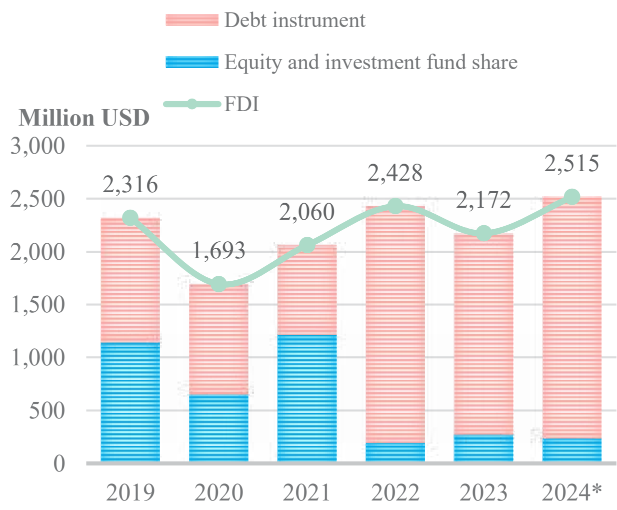


Figure 1.11 FDI composition



**Preliminary* *Source: Bank of Mongolia*

In 2024, the financial account posted a surplus of USD 3,158 million, reflecting an increase of USD 1,682 million, or 2.1 times, compared to the previous year.

Trade in goods

In 2024, Mongolia's trade balance recorded a surplus of USD 4,171 million, representing a 30 percent decline (or a reduction of USD 1,766 million) compared to the previous year. The decline in the trade surplus was primarily driven by a 26 percent increase in imports (equivalent to USD 2,362 million), while exports rose by only 4 percent (or USD 596 million) year-over-year. As a result, total trade turnover grew by 12 percent, amounting to an overall increase of USD 2,959 million from the previous year.

Table 1.2 Foreign trade performance (USD million)

Category	2020	2021	2022	2023	2024	Change (24'/23')	
						Value	%
Turnover	**12,875**	**16,087**	**21,243**	**24,437**	**27,396**	**2,959**	**12%**
Export	7,576	9,241	12,539	15,187	15,783	596	4%
Import	5,299	6,845	8,704	9,250	11,612	2,362	26%
Balance	**2,277**	**2,396**	**3,834**	**5,937**	**4,171**	**-1,766**	**-30%**

Source: General Authority for Customs, Bank of Mongolia

Export: In 2024, Mongolia's mining exports grew by USD 780 million, representing a 6 percent growth compared to the previous year. This increase was primarily driven by higher exports of copper concentrates (up USD 693 million), non-monetary gold (up USD 161 million), iron ore (up USD 153 million), and fluorspar (up USD 46 million). However, these gains were partially offset by a decline of USD 229 million in coal exports, which tempered the overall growth in the mining sector.

In addition, export decline was further supported by non-mining products, with animal products falling by USD 45 million (8 percent), horticultural products declining by USD 90 million (55 percent), and manufactured goods decreasing by USD 48 million (9 percent).

Table 1.3 Export of goods, by main categories (USD million)

Category	2020	2021	2022	2023	2024	Change (24'/23')	
						Value	%
Mining products	**7,039**	**8,520**	**11,663**	**13,873**	**14,653**	**780**	**6%**
Copper ores and concentrates	1,778	2,900	2,735	2,626	3,319	**693**	**26%**
thousand tonne	*1,395*	*1,283*	*1,453*	*1,525*	*1,695*	**170**	**11%**
Coal	2,124	2,759	6,496	8,764	8,535	**-229**	**-3%**
thousand tonne	*28,587*	*15,688*	*31,694*	*66,706*	*79,518*	**12,812**	**19%**
Iron ores and concentrates	640	952	391	445	598	**153**	**34%**
thousand tonne	*8,202*	*7,106*	*4,732*	*5,713*	*7,511*	**1,797**	**31%**
Non-monetary gold	1,788	1,005	1,127	738	899	**161**	**22%**
Kg	*30,491*	*17,250*	*19,660*	*11,734*	*11,645*	**-89**	**-1%**
Other	710	905	914	1,300	1,302	**2**	**0%**
Non-mining products	**537**	**721**	**876**	**1,314**	**1,130**	**-184**	**-14%**
Total	**7,576**	**9,241**	**12,539**	**15,187**	**15,783**	**596**	**4%**

Source: General Authority for Customs, Bank of Mongolia

In 2024, Mongolia's exports increased by 4 percent, equivalent to USD 596 million, compared to the previous year. This growth was primarily driven by changes in export volume. Specifically, the value of exports increased by USD 1,492 million as a result of higher export volumes, whereas price changes had a negative impact of USD 895 million.

Table 1.4 Import of goods, by main categories (USD million)

Category	2020	2021	2022	2023	2024	Change (24'/23')	
						Value	%
Consumer goods	**1,542**	**2,184**	**2,686**	**2,691**	**3,546**	**855**	**32%**
Non-durables	878	1,315	1,501	1,363	1,605	243	18%
Durables	664	869	1,185	1,329	1,941	612	46%
Capital goods	**2,290**	**2,757**	**3,308**	**3,820**	**4,955**	**1,135**	**30%**
Machinery, equipment, supplies, and vehicles	1,419	1,768	1,987	2,411	3,271	859	36%
Construction materials	599	727	1,002	1,100	1,288	189	17%
Other capital goods	272	262	318	309	396	87	28%
Intermediate goods and industrial materials	**634**	**762**	**966**	**852**	**933**	**81**	**9%**
Petroleum products	**817**	**1,132**	**1,724**	**1,869**	**2,162**	**293**	**16%**
Diesel	432	590	960	1,110	1,296	186	17%
thousand tonne	*1,027*	*989*	*982*	*1,347*	*1,642*	*294*	*22%*
Gasoline A92-95	222	353	535	509	639	130	26%
thousand tonne	*529*	*514*	*648*	*708*	*892*	*184*	*26%*
Gasoline A80	23	38	26	14	4	-10	-70%
thousand tonne	*57*	*59*	*33*	*22*	*6*	*-16*	*-74%*
Other petroleum products	140	151	203	236	223	-13	-6%
thousand tonne	*250*	*202*	*170*	*226*	*181*	*-44*	*-20%*
Other	**15**	**11**	**21**	**18**	**17**	**-1**	**-5%**
Total	**5,299**	**6,845**	**8,704**	**9,250**	**11,612**	**2,362**	**26%**

Source: Mongolian Customs and Bank of Mongolia

Import: In 2024, total import expenditure rose by 26 percent, amounting to an increase of USD 2,362 million. The key contributing factors were as follows:

- Imports of consumer goods grew by USD 855 million, primarily due to higher imports of household electrical appliances and passenger cars and parts, which accounted for USD 610 million of the rise.
- Imports of capital goods increased by 30 percent, or USD 1,135 million. This was largely driven by a 36 percent rise in imports of machinery, equipment, and parts, along with a 17 percent increase in building materials.
- Imports of petroleum products increased by 16 percent, or USD 293 million, compared to the previous year.

Trade in services

In 2024, the deficit in the services account increased by 18% compared to the previous year, reaching USD 3,057 million. This rise in the services account deficit was primarily driven by higher expenditure on technical and business services, which were linked to the growth of mining exports during the reporting year. Additionally, an increase in the number of Mongolian outbound travelers contributed to the widening deficit.

The growth in outbound travel compared to previous years was influenced by several factors, including rising incomes, domestic price inflation, new flight routes and lower ticket prices, flexible payment options provided by travel agencies, visa exemptions in certain countries, as well as factors such as cold winter weather and air pollution.

Figure 1.12 Service exports

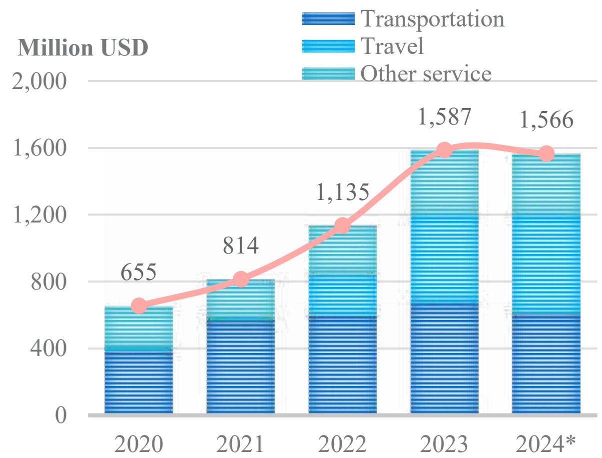
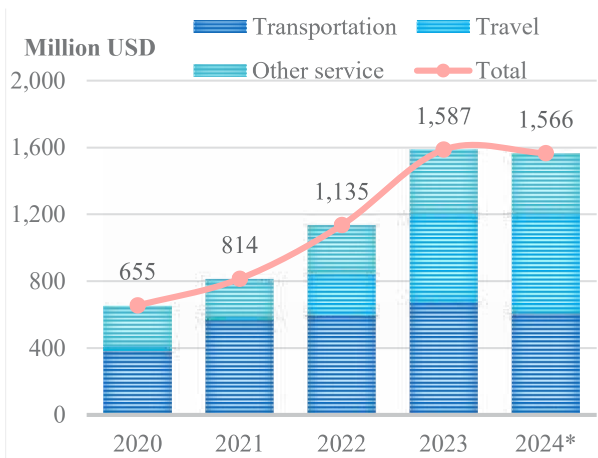


Figure 1.13 Service imports



**Preliminary*

Source: Bank of Mongolia

Table 1.5 Foreign trade in services (USD million)

Categories of foreign trade service accounts	2020	2021	2022	2023	2024*	Change (24'/23')	
						Value	%
Transportation	-212	-167	-763	-740	-728	12	-2%
Travel	-521	-722	-745	-734	-1,009	-275	37%
Construction services	-97	-118	-60	-97	-144	-48	49%
Insurance services	-21	-24	-23	-33	-40	-6	19%
Financial services	-145	-151	-149	-178	-217	-39	22%
Royalties and license services	-23	-30	-32	-30	-35	-5	15%
Communication, computer, and information services	-70	-97	-75	-102	-125	-23	22%
Other business services	-343	-363	-487	-659	-735	-76	12%
Other services	-18	-4	-22	-20	-25	-5	25%
Total services	**-1,450**	**-1,675**	**-2,355**	**-2,592**	**-3,057**	**-464**	**18%**

Preliminary *Source: Bank of Mongolia*

International investment position

In 2024, Mongolia's net international investment position stood at USD -43,391 million, reflecting a 4 percent increase (USD 1,824 million) compared to the previous year. Mongolia's total net foreign assets amounted to USD 9,765 million, with 56 percent held in official foreign exchange reserves, 26 percent in other investments, 12 percent in direct investment, and 5 percent in portfolio investment.

On the other hand, total net foreign liabilities reached USD 53,155 million, with 62 percent in direct investment liabilities, 32 percent in other investments, and 6 percent in portfolio investment.

Table 1.6 Mongolia's international investment position (USD million)

A. Foreign assets	**9,765**	**B. Foreign liabilities**	**53,155**
1. Direct investment abroad	1,201	1. FDI inflows to Mongolia	33,059
2. Portfolio investment	506	2. Portfolio investment	3,290
3. Financial derivatives	4	3. Financial derivatives	17
4. Other investment	2,543	4. Other investment	16,789
5. Reserve assets	5,510		
		B. POSITION	**43,391**

Source: Bank of Mongolia

The annual changes in the international investment position were as follows: The short position in foreign direct investment (FDI) increased by USD 2,185 million, and the short position in portfolio investments rose by USD 566 million. Conversely, the short position in other investments decreased by USD 352 million. Reserve assets increased by USD 588 million, reaching a total of USD 5,510 million.

Table 1.7 Changes in IIP (USD million)

Indicators	2020	2021	2022	2023	2024*	Change (24'/23')	
						Amt	*%*
Foreign direct investment	-23,510	-25,457	-27,614	-29,673	-31,858	-2,185	7%
Portfolio investment	-4,301	-4,143	-2,992	-2,217	-2,783	-566	26%
Financial derivatives	4	11	0	0	-13	-13	23.4x
Other investment	-14,037	-14,510	-14,729	-14,598	-14,246	352	-2%
Reserve assets	4,526	4,366	3,400	4,921	5,510	588	12%
Total position	**-37,318**	**-39,733**	**-41,936**	**-41,567**	**-43,391**	**-1,824**	**4.4%**

Preliminary *Source: Bank of Mongolia*

As of the reporting period, Mongolia's direct investment liabilities totaled USD 33,059 million. Of this amount, 52 percent (USD 17,254.3 million) consisted of loans from parent companies, while the remaining 48 percent (USD 15,804.8 million) represented equity investments from shareholders.

As of the end of 2024, the composition of the FDI stocks by source country was as follows: 43 percent originated from the Netherlands, 16 percent from China, 9 percent from Singapore, 7 percent from the United Kingdom, 4 percent from Hong Kong, and 4 percent from Luxembourg.

The distribution of FDI stock by economic activities as of the reporting period is as follows: 76 percent was concentrated in mining and quarrying, 6 percent in wholesale, 5 percent in financial and insurance activities, 3 percent in other service activities, and 2 percent in the construction sector.

Figure 1.14 FDI stock and share in total by investor country

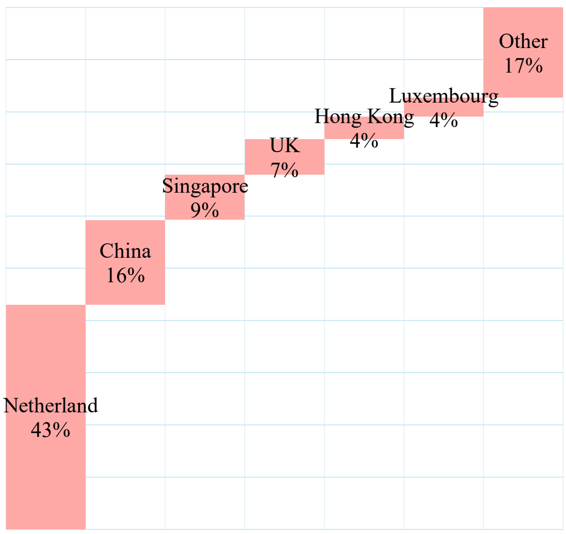
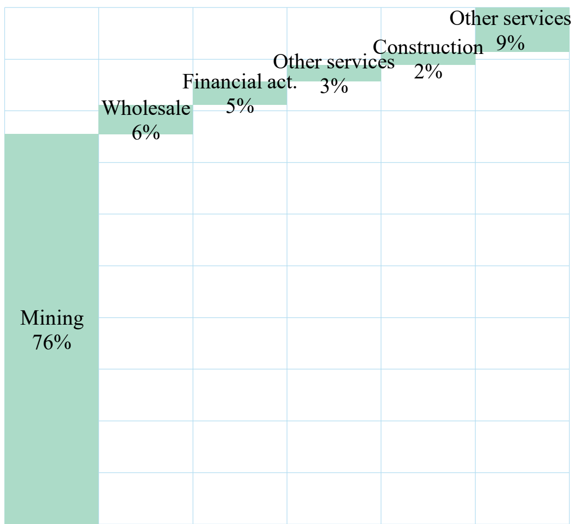


Figure 1.15 FDI stock and share in total by economic activities



Source: Bank of Mongolia

Mongolia's foreign portfolio investment assets totaled USD 507 million, while portfolio investment liabilities amounted to USD 3,290 million.

On the asset side, the distribution of securities held by residents by country of issuance is as follows: 23 percent from the United States, 21 percent from Hong Kong, 19 percent from Singapore, 8 percent from Germany, and 5 percent from Australia.

On the liability side, the distribution of securities issued by residents by country of ownership is as follows: 18 percent held by investors from Singapore, 18 percent from the United States, 11 percent from the United Kingdom, 8 percent from Hong Kong, 6 percent from Luxembourg, and 5 percent from Switzerland.

Figure 1.16 Portfolio investment asset and share in total by investor country

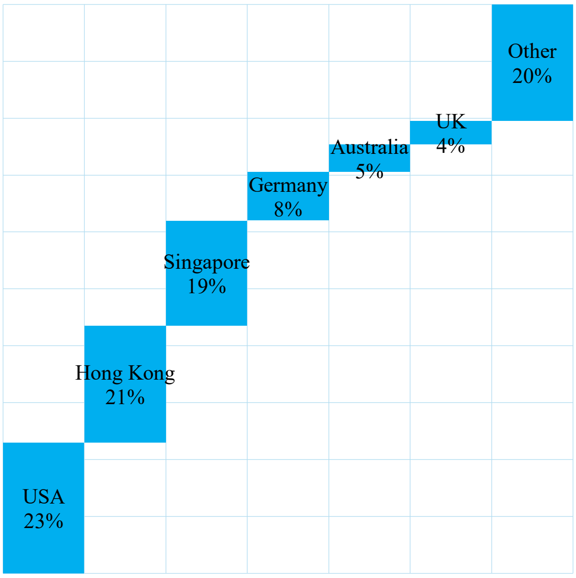
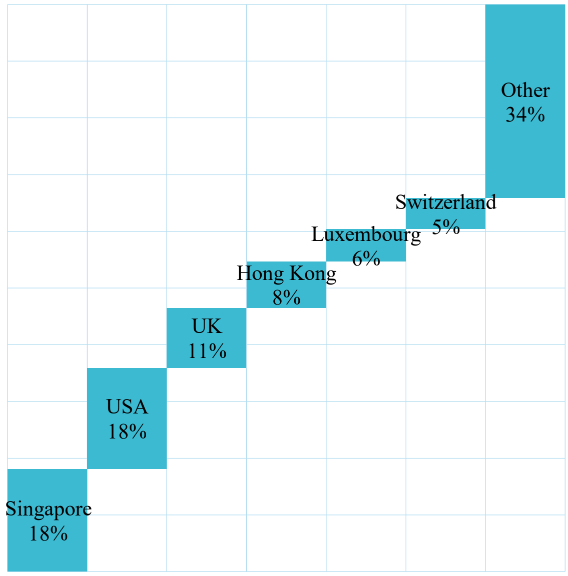


Figure 1.17 Portfolio investment liability and share in total by investor country



**Preliminary*

Source: Bank of Mongolia

External debt

According to the preliminary statistics for 2024, Mongolia's outstanding external debt totaled USD 37,117 million, reflecting an increase of 7 percent or USD 2,548 million compared to the previous year. The change in external debt stock can be primarily attributed to the following factors:

- Government external debt decreased by 3 percent, or USD 220 million,
- Central Bank's external debt decreased by 39 percent, or USD 699 million, due to the repayments and exchange rate fluctuations.
- Private sector external debt increased by 14 percent, or USD 3,467 million, driven by an increase in commercial loans and intercompany borrowings from direct investors.

In 2020, the government's external debt stood at 65 percent of GDP. However, supported by robust GDP growth and a decline in government debt, this ratio fell to 33 percent by 2024.

Table 1.8 Mongolia's Gross External Debt (USD million)

Indicators	2020	2021	2022	2023	2024	Change (24/23)	
						Value	*%*
Total External Debt	**32,362**	**33,806**	**33,345**	**34,569**	**37,117**	**2,548**	**7%**
Government	8,654	8,454	8,012	8,105	7,885	-220	-3%
debt/GDP (%)	65%	*55%*	*47%*	*40%*	*33%*	*-6%*	*-16%*
Central Bank	2,221	2,610	2,179	1,785	1,086	-699	-39%
Deposit-taking corporations	1,651	1,627	1,533	1,733	2,657	924	53%
Short-term	594	361	224	235	204	-31	-13%
Long-term	1,057	1,265	1,308	1,498	2,453	955	64%
Other sector	8,430	8,843	8,436	7,866	8,235	369	5%
Short-term	683	812	1,622	1,678	2,144	466	28%
Long-term	7,747	8,030	6,814	6,188	6,091	-97	-2%
Intercompany lending	11,406	12,272	13,185	15,081	17,254	2,174	14%

**Preliminary* *Source: Ministry of Finance, Bank of Mongolia*

1.3. MONETARY AND FINANCIAL SECTOR

Money and loan indicators

The broad money supply (M2[2]) continued its upward trend from the end of 2022, reaching a year-on-year growth rate of 31.9 percent in the second quarter of 2024. However, growth moderated in the second half of the year, ending with a 15.2 percent annual increase, bringing the total to MNT 43.3 trillion by year-end.

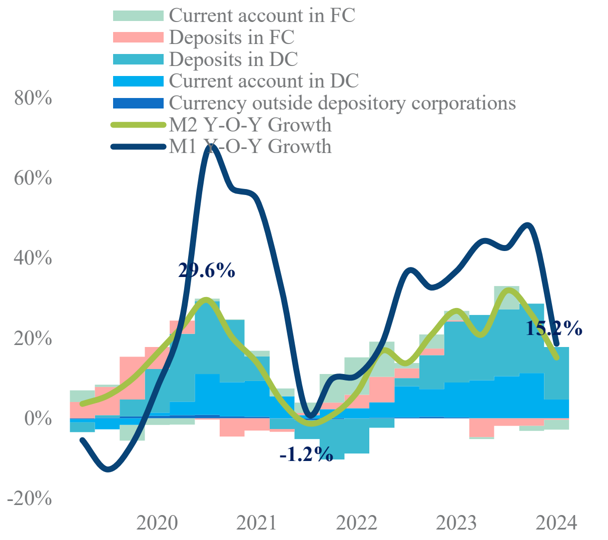
Table 1.9 Money supply, trillion MNT

	2020	2021	2022	2023	2024	Change	
	XII	XII	XII	XII	XII	Value	%
Money (M2)	**24.5**	**27.9**	**29.7**	**37.6**	**43.3**	**5.7**	**15.2%**
Money (M1)	**4.2**	**6.5**	**7.2**	**9.9**	**11.7**	**1.8**	**18.6%**
Current account in DC	3.5	5.7	6.4	8.9	10.7	1.8	19.7%
Currency outside depository corporations	0.8	0.8	0.8	0.9	1.0	0.1	8.0%
Other deposits	**20.3**	**21.4**	**22.5**	**27.8**	**31.6**	**3.9**	**14.0%**
Deposits in DC	13.6	15.0	12.6	17.1	22.1	4.9	28.8%
Deposits in FC	4.7	4.0	4.9	5.0	4.9	-0.1	-2.9%
Current account in FC	2.0	2.3	4.9	5.6	4.7	-0.9	-16.2%

Source: Bank of Mongolia

2 M2 Money=M1+other deposits

Figure 1.18 Money supply, by liabilities



Source: Bank of Mongolia

The growth in the money supply was primarily driven by domestic currency current accounts and deposits, which contributed 17.8 percentage points to the annual increase. Deposits increased by MNT 4.8 trillion compared to the same period last year, reaching MNT 26.9 trillion, with deposits of individuals contributing MNT 4.7 trillion to this growth.

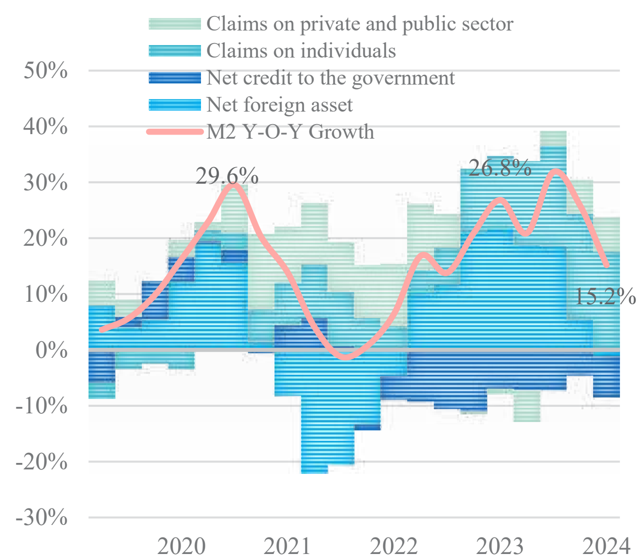
Meanwhile, foreign currency current accounts decreased by 16.2%, or MNT 0.9 trillion, exerting a negative impact of 2.4 percentage points on the money supply.

Table 1.10 Money supply, by asset, trillion MNT

	2020	2021	2022	2023	2024	Change	
	XII	XII	XII	XII	XII	Value	%
Money (M2)	**24.5**	**27.9**	**29.7**	**37.6**	**43.3**	**5.7**	**15.2%**
Net foreign asset	5.8	3.8	2.5	9.0	8.7	-0.3	-3.0%
Net credit to the government	-2.2	-1.1	-2.3	-4.3	-7.1	-2.8	-64.2%
Domestic claims	**20.8**	**25.1**	**29.4**	**33.0**	**41.7**	**8.8**	**26.5%**
Claims on individuals	8.7	10.6	11.8	15.6	22.2	6.6	42.4%
Claims on private and public sector	12.1	14.5	17.6	17.4	19.5	2.1	12.3%

Source: Bank of Mongolia

Figure 1.19 Money supply, asset



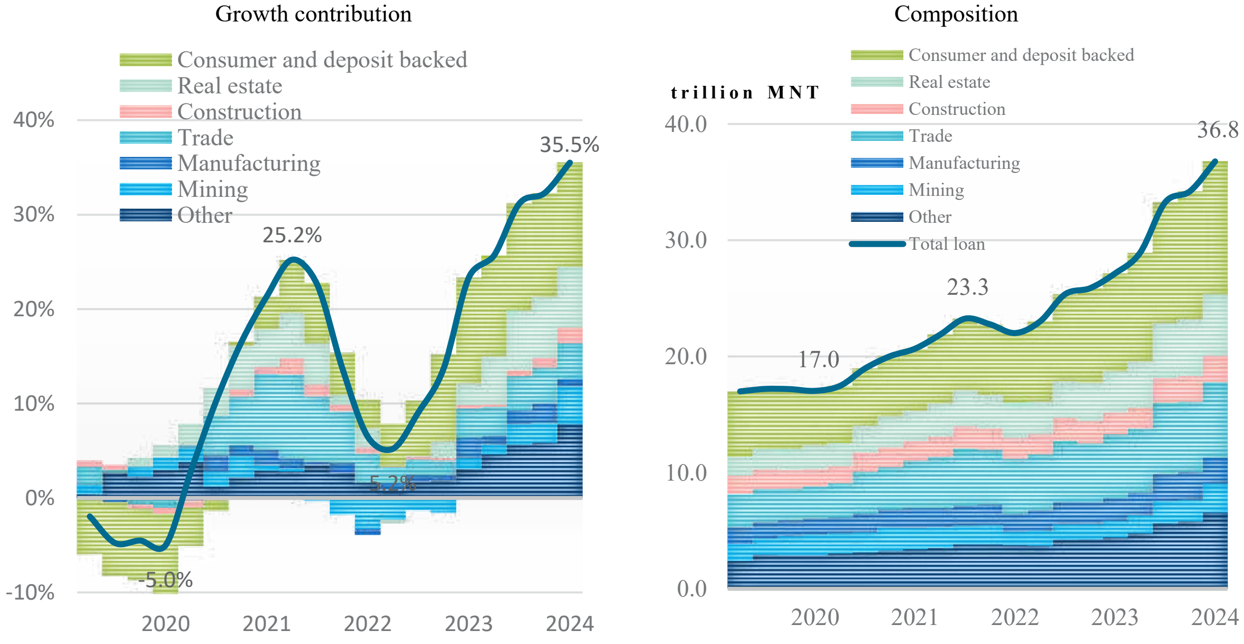
Source: Bank of Mongolia

Net foreign assets (NFA) contributed 21.8 percentage points to the money supply at the end of 2023 but declined to -1.1 percentage points by the end of 2024, mainly due to an increase in banks' issuance of securities and loans abroad.

Conversely, bank lending had a positive impact on net domestic assets (NDA). Loans extended to individuals and the private sector contributed 23.3 percentage points to the annual growth of the M2 money supply, while net credit to the government reduced growth by 7.4 percentage points.

Bank loan growth has steadily accelerated since early 2023, reaching 35.5% by the end of 2024. Specifically, consumer and deposit-backed loans grew by 35.5%, accounting for 11.0 percentage points of the overall loan growth. Mortgage loans contributed 6.5 percentage points, while loans to the mining sector added 4.0 percentage points to the overall increase.

Figure 1.20 Banks' outstanding loans, by economic sectors



Source: Bank of Mongolia

Banks' green loan

Figure 1.21 Banks' green loan

Source: Bank of Mongolia

The green loan portfolio of banks increased by 69.0% or MNT 552.2 billion compared to the same period of the previous year, reaching MNT 1,352.8 billion, accounting for 3.7 percent of the total loans in the banking sector.

In terms of green taxonomy classification, 66.3 percent of the total green loans are in the energy efficiency sector, followed by sustainable agriculture, land use, forestry, and eco-tourism, which account for 9.8 percent, and clean transport, which makes up 8.4 percent.

Figure 1.22 Banks' green loan, by green taxanomy categories

Source: Bank of Mongolia

Financial sector indicators

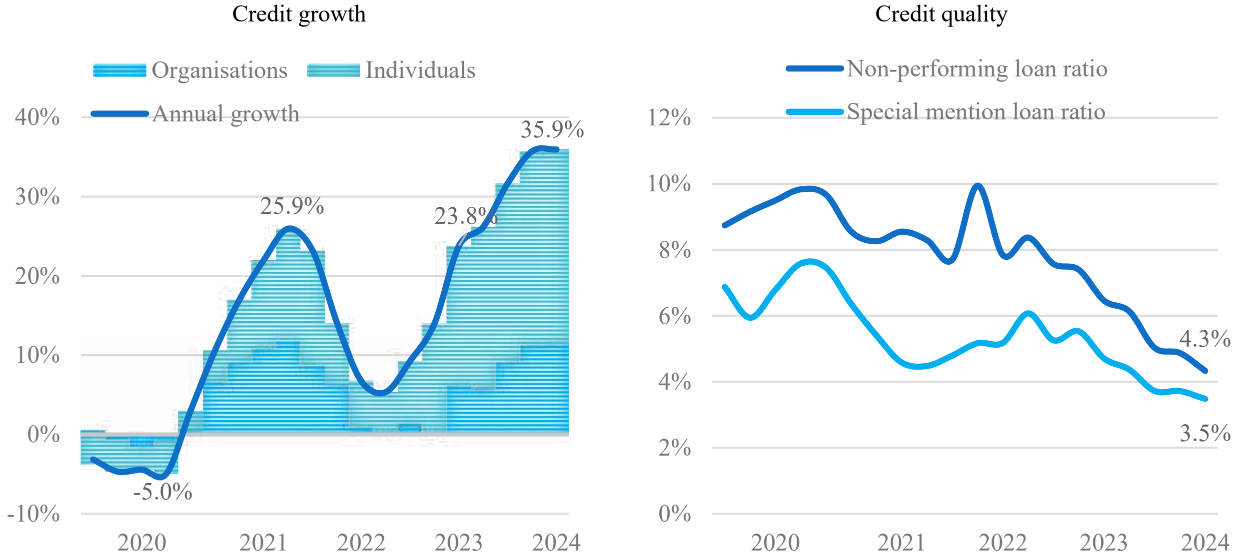
As of the end of 2024, Mongolia's financial sector comprised 12 commercial banks, 573 non-bank financial institutions, 178 saving and credit cooperatives, 20 insurance companies, 60 insurance brokers, 29 actuaries, 2,504 insurance agents, and 53 securities firms. While the non-bank financial sector has continued to expand its range of activities annually, the banking sector remains dominant, accounting for over 90 percent of the total financial sector.

Banking sector indicators

As of this reporting year, the banking sector is comprised of 12 banks employing a total of 16,751 staff across 1,410 branches. The total number of deposit accounts reached 3,611.6 thousand, current accounts totaled 8,472.9 thousand, and the number of borrowers stood at 2,110.4 thousand.

Compared to the previous year, the banking sector's total assets increased by 24.8 percent, or MNT 14.2 trillion, to MNT 71.2 trillion. At the end of 2024, loans granted to individuals and organizations amounted to 51.2% of the banks' total assets. The banking sector's total outstanding loans reached MNT 36.5 trillion, reflecting a 35.9 percentage point increase (equivalent to MNT 9.6 trillion) compared to the previous year. Notably, 12.1 percentage points of this increase can be attributed to the rise in loans granted to individuals and the private sector.

Figure 1.23 Banks' Loan



Source: Bank of Mongolia

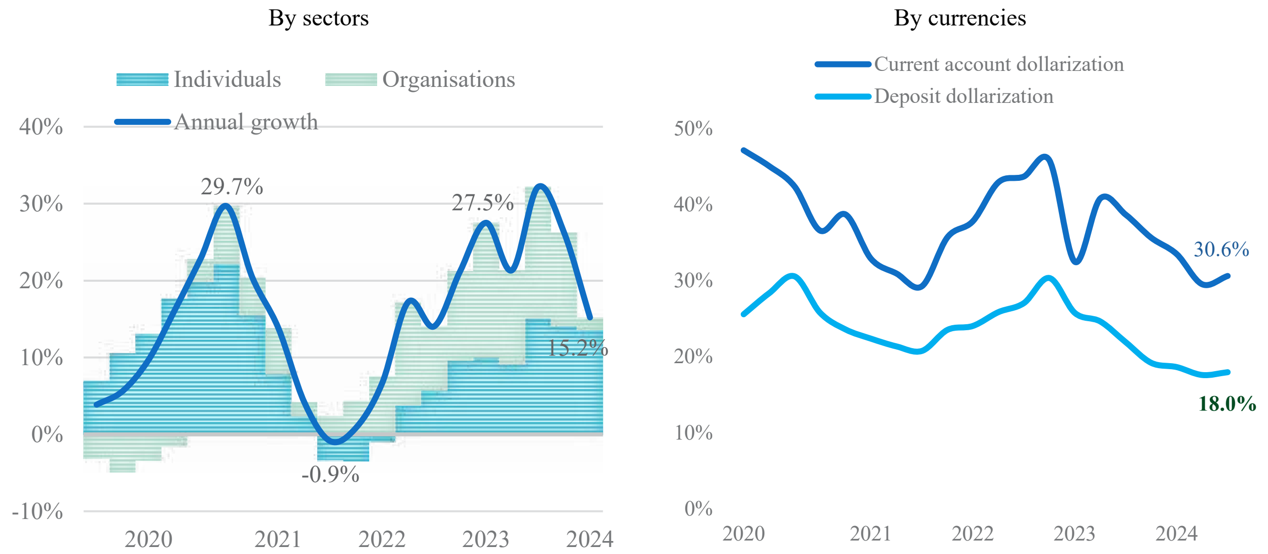
The ratio of non-performing loans (NPLs) to total loans in the banking system was 4.3 percent, while special mention loans accounted for 3.5 percent at the end of the reporting period. Among the main economic sectors, NPL ratios in manufacturing, construction, and mining were 16.3, 15.0, and 9.3 percent, respectively, higher than the banking sector average. In contrast, the ratios of non-performing loans in the trade and real estate were lower, at 3.8 and 1.6 percent, respectively.

At the end of 2024, current and deposit accounts represented 65.9 percent of total liabilities, increasing by 15.2 percent from the previous year to MNT 42.1 trillion. However, the growth of current accounts and deposits slowed by 12.3 percentage points compared to the previous year. Deposits expanded by 21.5 percent, reaching 26.7 trillion MNT, though the annual growth rate declined by 5.1 percentage points due to a slowdown in the growth of domestic and foreign currency deposits from the private sector. Meanwhile, current accounts increased by 5.8 percent or MNT 844.9 billion, reaching MNT 15.4 trillion, driven by the growth of domestic currency current accounts held by individuals, public, and private sectors.

The banking sector's capital increased by 18.7 percent, equivalent to MNT 1.2 trillion, compared to the previous year, ultimately reaching MNT 7.3 trillion. In 2024, banks' profits rose by MNT 0.4 trillion from the previous year, totaling MNT 1.7 trillion. The return on assets stood at 2.4 percent, while the return on equity reached 23.4 percent.

In 2024, interest income accounted for 73 percent of the banking sector's total revenue, with evaluation income for 11 percent and other income for 16 percent. Of the total interest income, 72 percent was derived from loan interest income and 19 percent from securities interest income. On the expense side, interest expenses represented 53 percent of total bank expenses, 14 percent revaluation expenses, and 33 percent other expenses. Within interest expenses, 63 percent were paid on deposits and 13 percent on loans.

Figure 1.24 Deposits and current accounts



Source: Bank of Mongolia

Figure 1.25 Bank capital composition

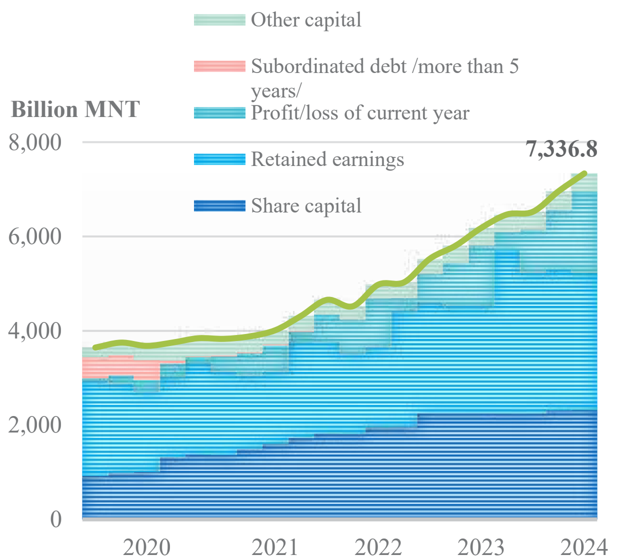
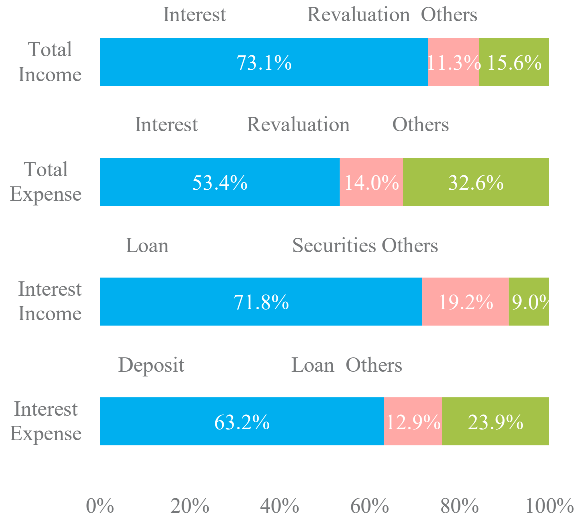


Figure 1.26 Composition of revenue and expenses



Source: Bank of Mongolia

Non-banking sector indicators

The total assets of **Non-Bank Financial Institutions (NBFIs)** increased by 52.5 percent compared to the previous year, reaching MNT 7.1 trillion by the end of 2024. NBFI loans grew by 56.4 percent (or MNT 2,074.5 billion) year-on-year, accounting for 84.5 percent of the total asset growth in 2024. The share of special-mention loans stood at 3.1 percent, while non-performing loans accounted for 6.1 percent of total outstanding loans.

In 2024, a total of MNT 12.2 trillion in loans was granted, with approximately 90.5 percent issued to individuals and the remaining 9.5 percent to legal entities. Additionally, MNT 10.1 trillion in loans was repaid. During the reporting year, NBFIs recorded revenues of MNT 1,828.2 billion and expenses of MNT 1,130.3 billion. Notably, net profit reached MNT 697.9 billion, marking a significant 61.5 percent increase compared to the same period in the previous year.

The total assets of **Savings and Credit Cooperatives (SCCs)** increased by 16.4 percent compared to the previous year, reaching MNT 356.8 billion by the end of 2024. Outstanding loans of SCCs grew by 49.6 percent to MNT 258.7 billion. The share of special-mention loans stood at 2.9 percent, while non-performing loans accounted for 2.3 percent of total outstanding loans.

During the reporting year, savings in SCCs rose by 15.5 percent, totaling MNT 248.6 billion. SCCs recorded revenues of MNT 77.9 billion and incurred expenses of MNT 62.6 billion, resulting in a net profit of MNT 15.3 billion. Notably, the net profit-to-revenue ratio increased by 2.6 percentage points from the previous year, reaching 19.6 percent.

As of the end of 2024, Mongolia's **Insurance Sector** comprised 20 insurance companies, including 17 general insurers, 2 life insurers, and 1 reinsurance company. The total assets of these companies reached MNT 662.8 billion, reflecting a 20.2 percent increase compared to the previous year. Total premium income amounted to MNT 502.9 billion, of which MNT 160.4 billion (or 31.9 percent) was paid out in insurance claims. The sector's net profit rose by 115.6 percent year-on-year, reaching MNT 25.5 billion. The return on assets increased by 1.9 percentage points to 3.6 percent, while the return on equity rose by 4.6 percentage points to 9.8 percent.

By the end of 2024, the total assets of securities companies stood at MNT 470.6 billion, representing a 42.0 percent increase compared to the previous year. During the period, revenue increased by MNT 32.1 billion, while expenses rose by MNT 20.4 billion. Net profit amounted to MNT 28.5 billion. In 2024, securities trading reached MNT 1,579.9 billion, doubling from the previous year. Of the total traded value, 57.8 percent comprised private sector bonds, 22.7 percent were stocks, 13.0 percent were asset-backed securities, and 6.5 percent were investment fund units.

Apart from the previously mentioned institutions, other key financial entities operating in Mongolia include the Mongolian Mortgage Corporation HFC LLC (MIK HFC) and the Development Bank of Mongolia (DBM). MIK HFC operates through 37 special purpose companies (SPCs) established to issue asset-backed securities, primarily mortgage-backed bonds (MBBs). As of 2024, MIK HFC had issued mortgage-backed bonds totaling MNT 4.2 trillion, backed by individual mortgage loans from 72.2 thousand borrowers, which were transferred from various commercial banks.

DBM is a state-owned financial institution that plays a critical role in financing major national development projects and programs. As of the end of 2024, DBM's total assets declined by 3.0 percent year-over-year, amounting to MNT 2.4 trillion. Notably, on March 7, 2024, DBM successfully issued the USD 200 million "DBM 2026" bond on the international capital market.

1.4. GENERAL GOVERNMENT BUDGET

According to the preliminary figures for 2024, Mongolia's structural budget revenue totaled MNT 29.6 trillion, while total expenditure and net lending amounted to MNT 30.4 trillion. As a result, the structural budget recorded a deficit of MNT 776 billion, equivalent to 1.3 percent of GDP (Table 1.11).

Table 1.11 Consolidated budget

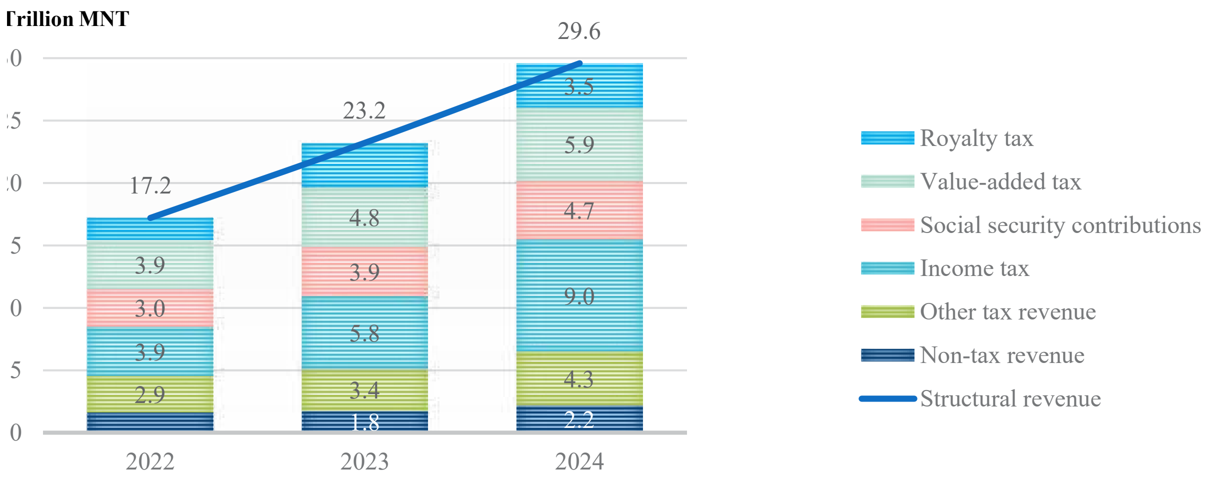
Trillion MNT	2023	2024		2024/2023
	Actual	Amendment	Preliminary	%, YOY
Total revenue	**24.3**	**30.6**	**31.4**	**29.2**
Fund revenue	1.1	1.8	1.8	63.6
Structural revenue	**23.2**	**28.9**	**29.6**	**27.6**
Tax revenue	21.5	26.9	27.4	27.4
Non-tax revenue	1.8	1.9	2.2	22.2
Total expenditure and net lending	**22.5**	**30.5**	**30.4**	**35.1**
Primary expenditure	21.4	29.3	29.2	36.4
Interest payment	1.1	1.2	1.2	9.1
Budget balance	**1.9**	**0.1**	**1.0**	-
% of GDP	3.1	0.2	1.3	-
Structural balance	**0.8**	**-1.6**	**-0.8**	-
% of GDP	1.3	-2.0	1.0	-
Primary balance	**1.9**	**-0.4**	**-0.4**	-
% of GDP	3.1	0.5	0.5	-

Source: Ministry of Finance

Structural budget revenue

Total structural revenue increased by MNT 6.4 trillion compared to the same period of the previous year, driven by growth across all major revenue categories. Notably, corporate income tax revenue rose by MNT 2.4 trillion, while personal income tax revenue increased by MNT 780 billion. Additionally, value-added tax (VAT) on imported goods grew by MNT 793 billion, and excise duties on vehicles rose by MNT 261 billion (Figure 1.27).

Figure 1.27 Budget revenue

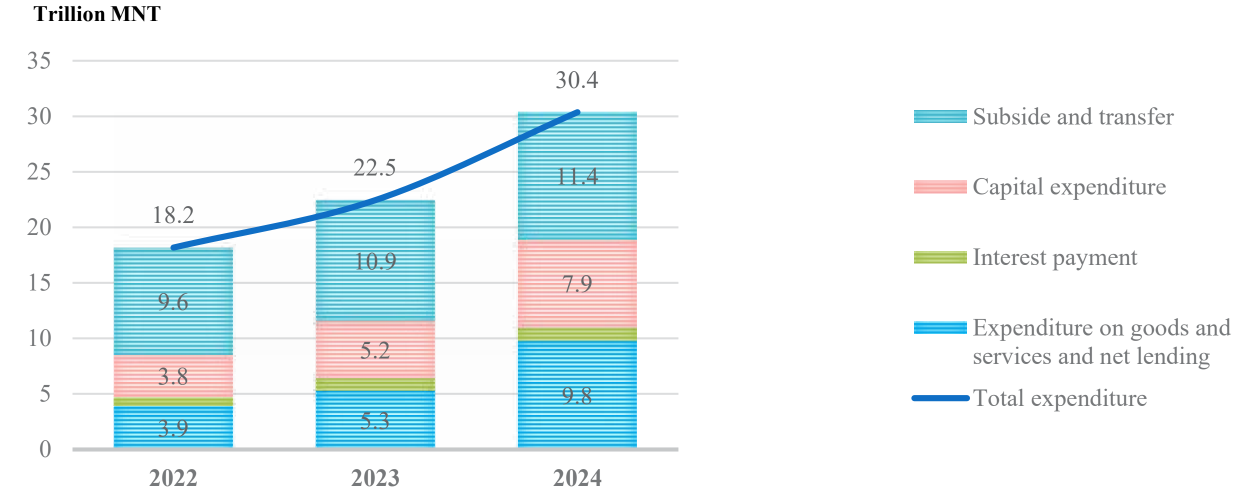


Source: Ministry of Finance

Total budget expenditure

By the end of 2024, budget expenditure increased by 31.7 percent, or MNT 7.9 trillion (Table 1.11). Of this amount, current expenditure increased by MNT 5.0 trillion, with MNT 4.4 trillion allocated to goods and services. The increase in current expenditure was primarily driven by a rise in wage-related spending, which totaled approximately MNT 3.0 trillion. Capital expenditure also grew by MNT 2.7 trillion, of which MNT 1.7 trillion was allocated to investment projects, while MNT 653 billion was directed toward geological exploration activities.

Figure 1.28 Budget expenditure and net lending



Source: Ministry of Finance

Sources for financing the budget deficit and amortization

In 2024, the budget deficit was projected at MNT 776 billion, while debt service obligations, including repayments on loans and securities, totaled MNT 2.3 trillion. The financing of this deficit was primarily supported by newly issued foreign bonds amounting to MNT 2.2 trillion and foreign loan disbursements totaling MNT 2.0 trillion (Table 1.12).

Table 1.12 Financing gap and sources of budget deficit

Trillion MNT	2023	2024	Change
	Actual	Preliminary	
Financing sources of the budget deficit	**-0.8**	**0.8**	**1.6**
Government current account and deposits	-1.1	-1.2	-0.1
Government bond	**-0.7**	**1.2**	**1.9**
Newly issued bonds	3.5	2.2	-1.3
Principal payments	-4.2	-1.0	3.2
Government loans	**3.0**	**0.8**	**-2.2**
New loans	2.0	2.0	0.0
Principal payments	1.0	-1.2	-2.2

Source: Ministry of Finance

THE BANK OF MONGOLIA'S OPERATIONS

2

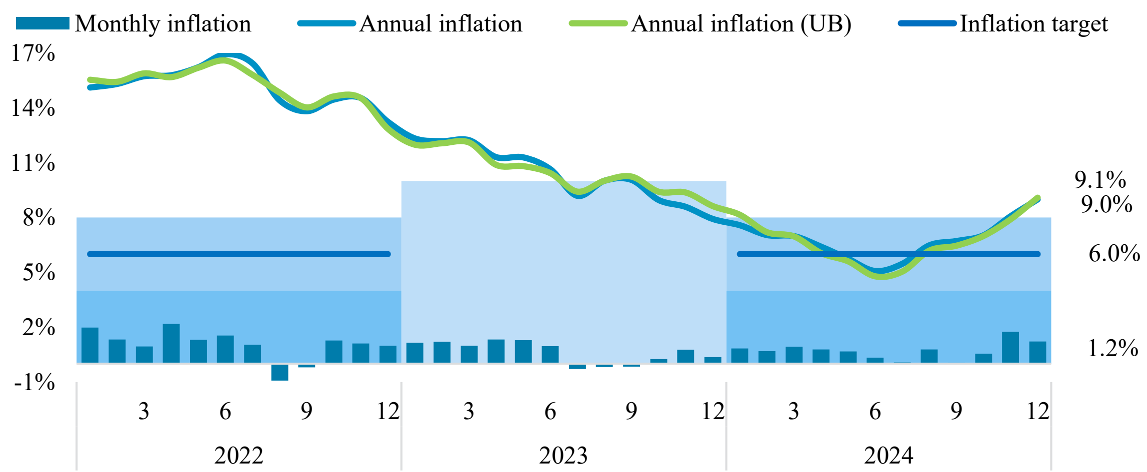
2.1. MONETARY POLICY OBJECTIVE, ACTION, AND RESULTS

The Bank of Mongolia is implementing the monetary policy based on market principles, aiming to stabilize the consumer price index (CPI) inflation at around 6 percent, within a ±2 percentage point range, over the medium term.

Annual inflation, as measured by the CPI, declined steadily in the first half of 2024 and remained within the target range. However, it rebounded in the later months of the year, with headline inflation reaching 9.0 percent nationwide and 9.1 percent in Ulaanbaatar as of December. Tight monetary policy and relative exchange rate stability contributed to the disinflation observed in the first half of the year, creating room for a gradual easing of policy. In response, the Monetary Policy Committee (MPC) of the Bank of Mongolia began cautiously lowering the policy rate to support economic growth, loosen financial conditions, and mitigate the accumulation of risks in the financial sector.

Nevertheless, a sharp fiscal expansion, rising wages, and increased electricity and heating tariffs caused a resurgence in both demand-side and cost-push inflationary pressures during the second half of the year. As a result, inflation exceeded the target range by year-end, thereby narrowing the space for further monetary policy easing.

Figure 2.1 Annual inflation (Nationwide, Ulaanbaatar)



Source: National Statistics Office of Mongolia

In 2024, the Bank of Mongolia's MPC made key policy decisions based on an assessment of macroeconomic, banking, and financial market conditions and outlook, as well as domestic and external risk factors.

Annual inflation began to decline early in the year, reaching 7.0 percent nationwide and 7.2 percent in Ulaanbaatar in February. This downward trend was supported by the Bank of Mongolia's monetary policy stance, easing inflation in major trading partner economies, and appreciation of the domestic currency.

However, harsh winter and spring weather conditions caused significant livestock losses, leading to a slowdown in economic growth following two straight years of declining agricultural output. These developments heightened the risk of loan repayment difficulties among herders, posing potential threats to financial stability.

In response, and to safeguard financial stability, alleviate pressure on the livestock sector, and supporting long-term economic growth, the MPC took the following actions during its scheduled meeting in March and an unscheduled meeting in May 2024: 1) reduce the policy rate by a total of 2 percentage points to 11%; 2) approve measures to restructure and extend the maturity of loans for herders experiencing repayment challenges.

Inflation continued to decelerate, reaching 5.1% nationwide and 4.8% in Ulaanbaatar as of June 2024, with expectations of stabilization within the target range. However, rising nominal wages and household incomes fueled the growth of consumer loans, stimulating imports and increasing risk accumulation in the financial sector.

In response, the Monetary Policy Committee (MPC) decided at its June meeting to keep the policy rate unchanged at 11%, while tightening macroprudential regulations on consumer loans. Additionally, as global risk-free interest rates remained high and the elevated foreign currency reserve requirements continued to raise banks' funding costs, the MPC decided to lower the reserve requirement ratio on banks' foreign currency liabilities by 3 percentage points to 15%.

Although inflation remained close to the midpoint of the target range, the approval of a budget amendment by Parliament in August 2024 created potential risks of increased demand-driven inflation through expanded domestic demand. Nevertheless, a tight monetary policy, low external inflation, and relative stability in the exchange rate were expected to help stabilize inflation near the upper bound of the target range.

Meanwhile, the continued acceleration of bank credit growth increased the urgency to prevent excessive lending and ensure financial sector stability. Considering these developments, the MPC, at its September meeting, decided to; 1) lower the policy rate by 1 percentage point to 10%; 2) increase the reserve requirement ratio on domestic currency liabilities by 2 percentage points, bringing it to 10 percent; 3) expand the policy rate corridor to be set at 2 percentage points around the policy rate; 4) annulled the decision related to the exclusion of certain types of liabilities from the reserve requirement base.

Inflation remained within the central bank's target range for the first 11 months of the year, yet it gradually increased in the later months, exceeding the target in December. This rise was primarily driven by higher electricity prices, robust domestic demand, and wage growth, which led to a higher-than-expected increase in the prices of services, rent, and imported goods.

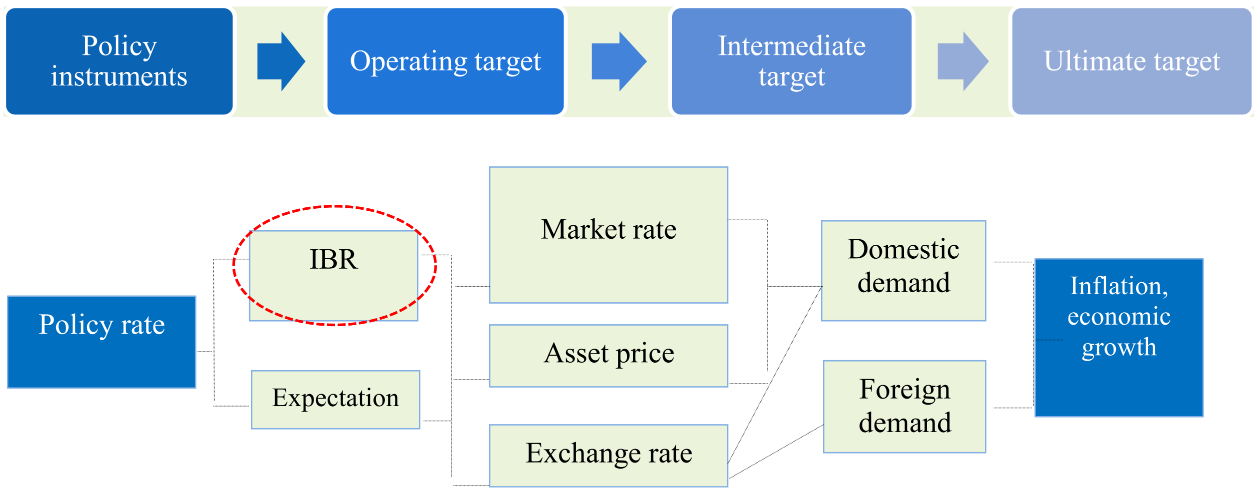
Looking ahead, further increases in administered prices for utilities such as water and heating, along with fiscal expansion, are expected to heighten both demand-driven and cost-push inflationary pressures. As a result, inflation is projected to exceed the target in 2025 but is expected to stabilize within the target range starting in early 2026.

To avoid excessive tightening of credit and financial conditions while ensuring medium-term economic stability, preventing excessive credit growth, and maintaining financial sector stability, the MPC made the following decisions in December 2024: 1) keep the policy rate unchanged at 10%; 2) increase the reserve requirement ratios for both domestic and foreign currency liabilities by 1 percentage point each, raising them to 11% and 16%, respectively. These policy measures aim to stabilize inflation at the target level in the medium term while ensuring economic and financial sector stability.

Money market and interest rate

Interest rates in the interbank market influence banks' decisions to either issue loans or make deposits to their customers. Therefore, the Bank of Mongolia aims to maintain the weighted average interest rate of the interbank market close to the policy rate by utilizing open market operations, interest rate corridor system, and other monetary policy tools (Figure 2.2).

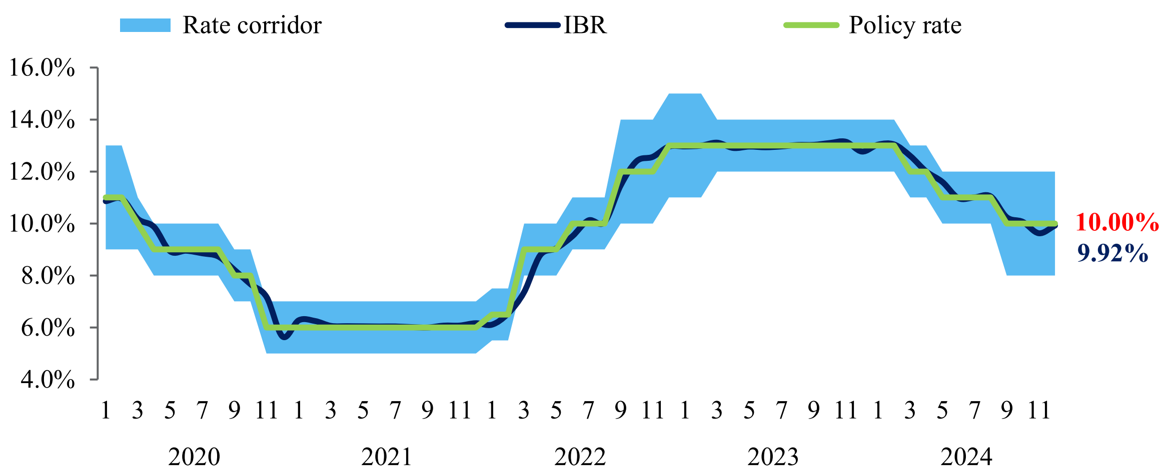
Figure 2.2 The monetary policy transmission mechanism



In line with the decisions of the MPC, the policy rate was maintained at 13.0 percent throughout 2023. In 2024, it was gradually reduced by a total of 3 percentage points, reaching 10 percent. Due to this policy change, the monthly weighted average interest rate in the interbank market decreased by 1.73 percent from the previous year, reaching 11.26 percent in 2024. By the end of 2024, the weighted average interest rate in the interbank market stood at 9.92 percent. Furthermore, the deviation of the interbank market's weighted average interest rate from the policy rate narrowed to -0.1 percentage point, a reduction of 0.11 percentage point from the previous year (Figure 2.3).

Furthermore, amid rising credit supply, the previously narrow interest rate corridor has constrained interbank market activity and limited the number of transactions. In response, at its regular meeting in September 2024, the MPC decided to widen the interest rate corridor from ±1 percentage point to ±2 percentage points around the policy rate.

Figure 2.3 Weighted average interest rate of interbank market transactions

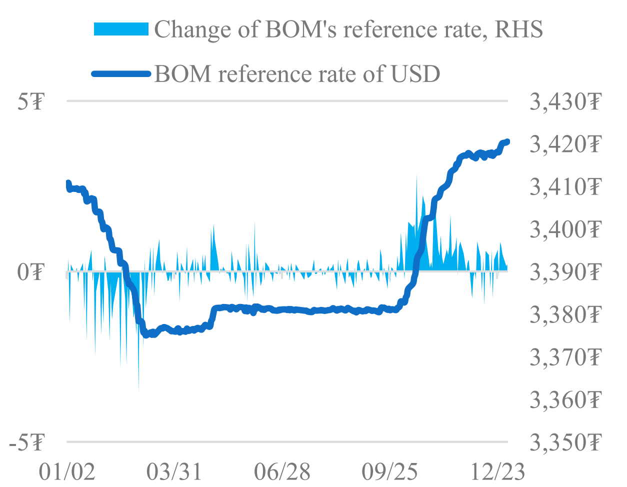


Source: Bank of Mongolia

MNT exchange rate against USD

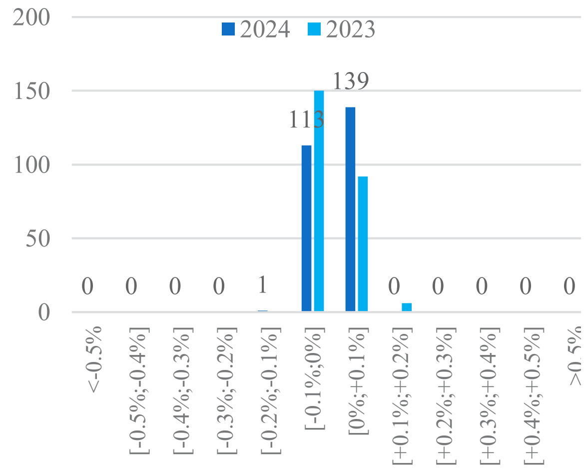
At the end of 2024, the MNT's reference rate against the USD reached 3,420.46, representing an appreciation of 0.3 percent from the beginning of the year (Figure 2.4). The Bank of Mongolia intervenes in the foreign exchange market to mitigate short-term supply and demand imbalances and reduce sharp fluctuations in the exchange rate. During the reporting period, the daily average absolute fluctuation of the USD/MNT exchange rate was 0.02%, with the rate remaining within the [0%; +0.1%] range on 55 percent of all trading days (Figure 2.5). Additionally, the togrog recorded a maximum daily depreciation of 0.08% (2.86 MNT) and a maximum daily appreciation of 0.11% (3.56 MNT).

Figure 2.4 The volatility of BOM's reference rate of MNT/USD (by MNT)



Source: Bank of Mongolia

Figure 2.5 Histogram of daily changes of BOM's reference rate of MNT/USD



Source: Bank of Mongolia

2.2 THE BANK OF MONGOLIA'S MONEY MARKET OPERATIONS

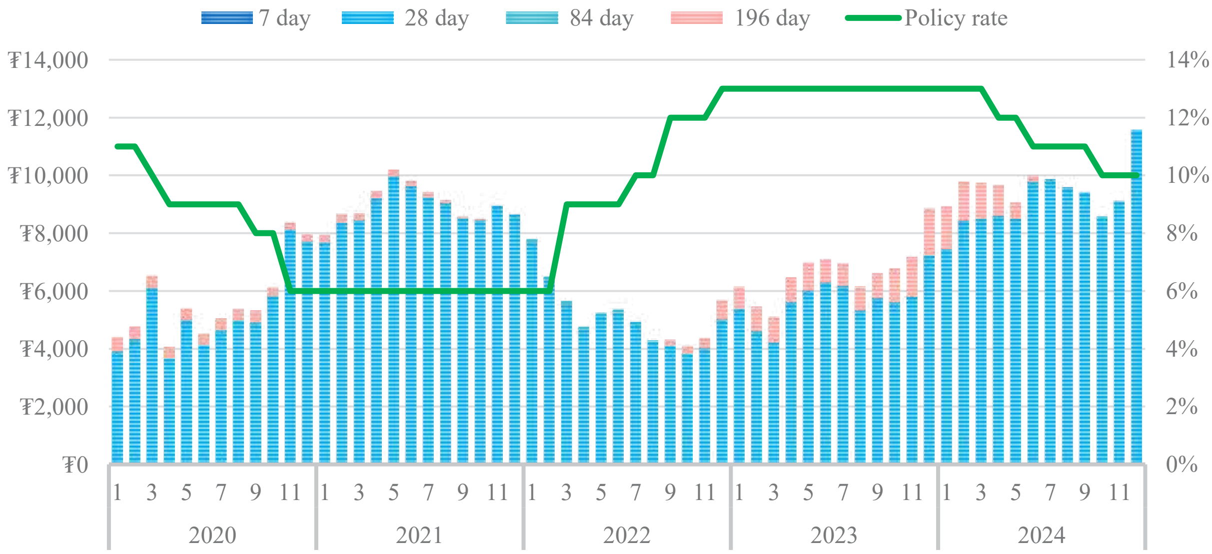
2.2.1 Open market operations

Central Bank Bills

Open market operations, primarily conducted through the auction of Central Bank Bills (CBBs), serve as the main instrument of the Bank of Mongolia (BoM) to implement its monetary policy objectives by managing short-term interest rate fluctuations in the interbank market and influencing the banking system's reserves. In 2024, the BoM conducted 28-day CBB auctions every Monday using a fixed-rate tender with full allotment. The interest rate on the 28-day CBB is equivalent to the policy rate, serving as a key benchmark for interbank interest rates, absorbing excess reserves, and enabling banks to manage their short-term liquidity needs.

At the end of 2024, the outstanding amount of CBBs stood at MNT 11,563.0 billion, an increase of 30.7 percent or MNT 2,714.8 billion compared to the end of 2023. This growth was primarily driven by liquidity injections through various channels since the beginning of the year, including MNT 2,893.0 billion through gold purchases, MNT 4,858.9 billion through long-term swap agreements, MNT 2,022.2 billion via foreign exchange transactions conducted by the BoM, and MNT 1,698.0 billion resulting from changes in the government's net credit position (Figure 2.6).

Figure 2.6 Outstanding amount of Central Bank Bills (by end of month, in billion MNT)



Source: Bank of Mongolia

Repo operation

As one of the instruments of open market operations, the central bank's repurchase agreement (repo) operations provide liquidity to banks by using securities held by banks as collateral, with an agreement to repurchase the securities at the end of the agreed term.

Short-term repo operations, typically with maturities of up to one week, are designed to reduce volatility in the interbank money market and manage short-term interest rates. The Bank of Mongolia conducts such operations on an as-needed basis, guided by reserve forecasts. However, since 2015, the Bank has not conducted short-term repo transactions with maturities of up to one week.

Long-term repo trading

According to the MPC's decision in December 2023, the volume of long-term repo financing to be provided until the end of 2024 is capped at a maximum of 8 percent of the total value of Central Bank Bills (CBBs) held by banks as of November 2023. In line with this decision, the Bank of Mongolia facilitated long-term repo financing amounting to MNT 99.6 billion in the fourth quarter of 2023 and MNT 149.4 billion in the second quarter of 2024.

Furthermore, recognizing the importance of supporting enterprises operating in regional areas, fostering inclusive growth, and diversifying the economy, the Bank extended repo financing to local businesses and individuals. This expansion builds upon the previously supported sectors, including small and medium enterprises (SMEs) and non-mining exports, as authorized by the Governor's decree issued on December 28, 2023.

During the reporting year, MNT 191.7 billion was repaid according to the repayment schedule, and the outstanding amount of long-term repo financing stood at MNT 249.7 billion at the end of 2024. In addition, banks that received repo financing extended loans totaling MNT 88.2 billion to eligible borrowers, bringing the cumulative amount of repo loans issued by commercial banks to MNT 1,400.3 billion.

Since the introduction of long-term repo financing in 2020, the Bank of Mongolia has helped preserve 68,565 jobs and create 5,616 new jobs.

Furthermore, securities were issued under the following Special Purpose Vehicles (SPVs):

- MNT 40.5 billion under "SFC Assets One SPV" (The bond was repaid on schedule, and the SPV is now in the process of dissolution),
- MNT 160.4 billion under "SFC Assets Two SPV",
- MNT 82.9 billion under "SFC Assets Three SPV",
- MNT 83.0 billion under "SFC Assets Four SPV",
- MNT 65.6 billion under "SFC Assets Five SPV", and
- MNT 24.2 billion under "SFC Assets Six SPV".

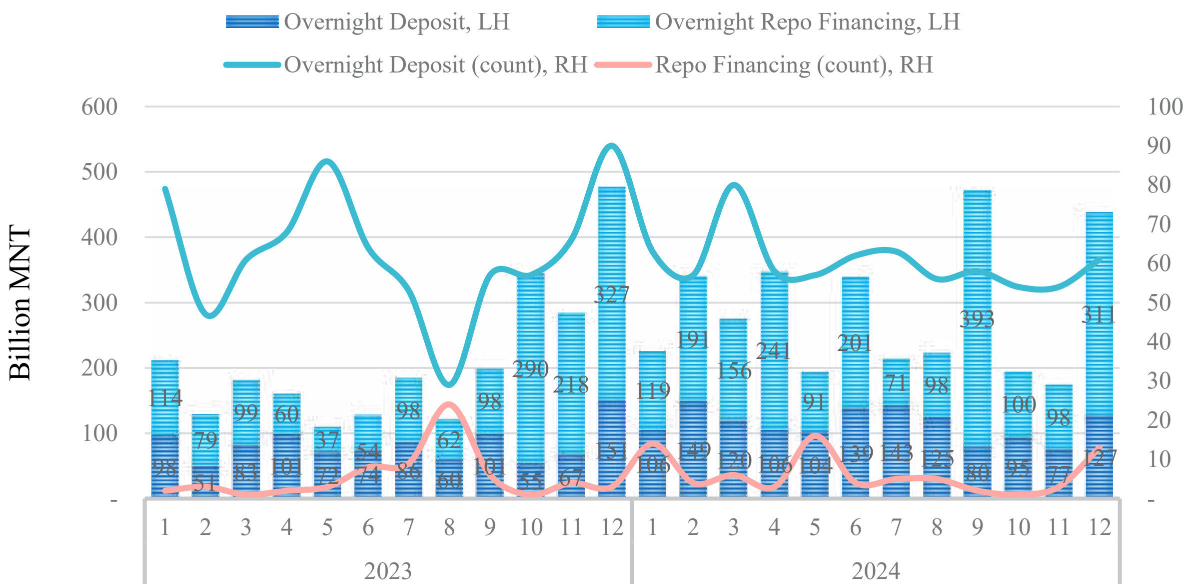
2.2.2 Standing facilities

The Bank of Mongolia utilizes standing facilities to manage short-term liquidity by absorbing temporary excess reserves in the banking system and thereby reducing volatility in the weighted average interest rate of the interbank market. These standing facilities consist of overnight deposit facilities (for absorbing reserves) and overnight repo financing (for injecting reserves).

As part of its interest rate policy, the Bank of Mongolia sets the repo financing rate at the upper bound of the interest rate corridor and the overnight deposit rate at the lower bound. This framework helps contain the fluctuations of the interbank market's weighted average interest rate within the corridor.

During the reporting year, the Bank of Mongolia executed a total of 723 overnight deposit transactions, withdrawing an average of MNT 378.0 billion at a weighted average interest rate of 10.12 percent. Conversely, 76 overnight repo transactions were conducted, providing an average of MNT 210.54 billion at a weighted average interest rate of 12.67 percent (Figure 2.7).

Figure 2.7 Number of standing facility transactions and the daily average amount



Source: Bank of Mongolia

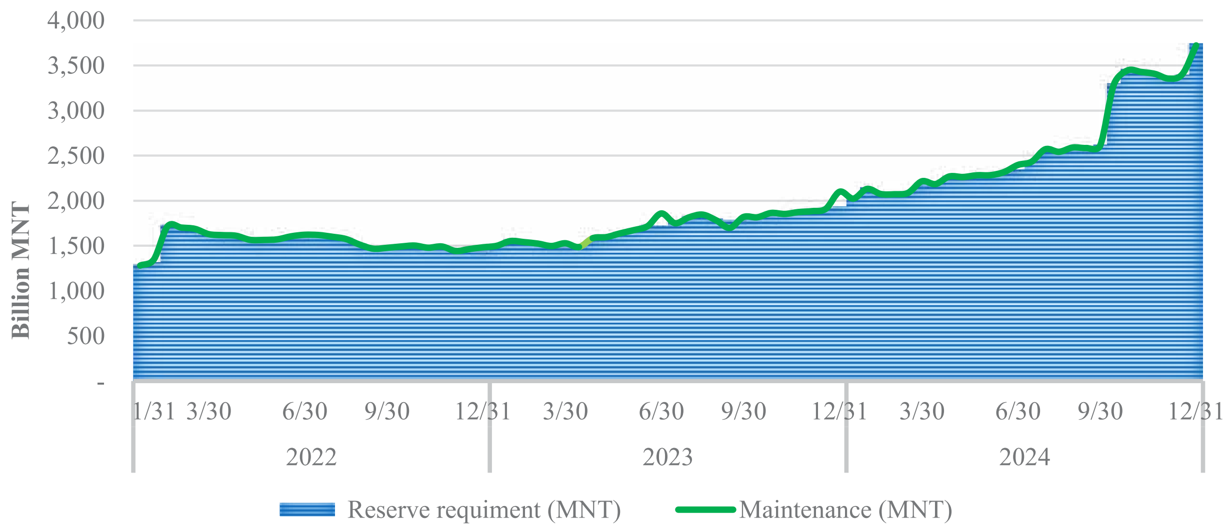
2.2.3 Reserve requirement

Under the decisions of the MPC, the reserve requirement ratio for banks' MNT-denominated liabilities was raised by a total of 3 percentage points in 2024, with 2 percentage points in September and an additional 1 percentage point in December, bringing the ratio to 11 percent. As a result, the required MNT reserve holdings in the banking system reached MNT 3,743.4 billion by the end of 2024, an increase of MNT 1,804.4 billion, or 93.06 percent, compared to the same period of the previous year.

To reduce funding costs for banks, the reserve requirement ratio on foreign currency liabilities was lowered by 3 percentage points to 15 percent by a decision of the MPC in July 2024. However, in December, the ratio increased by 1 percentage point to 16 percent to mitigate the buildup of risks in the financial sector and support macroeconomic stability. As a result, the required foreign currency reserves in the banking system amounted to MNT 1,673.5 billion at the end of 2024, representing a decrease of MNT 487.3 billion, or 22.5 percent, compared to the previous year.

In addition, starting from September 18, 2024, the following funding sources have been included in the reserve requirement calculation: foreign currency raised through bonds or loans with a maturity of up to 360 days; government funding provided to banks under the concessional mortgage loan program; low-interest pension loan funding; funds equivalent to mortgage loans purchased through bonds issued in international markets; and funds equivalent to mortgage-backed securities (MBS) held by banks.

Figure 2.8 MNT reserve requirement and maintenance (2022/01/31-2024/12/31)



Source: Bank of Mongolia

2.2.4 Other financing

Intraday loan

The intraday loan is a monetary instrument used by the BoM to ensure the smooth operation of the real-time gross settlement (RTGS) system by providing banks with liquidity to meet their short-term, within-the-day liquidity needs. These loans are interest-free and must be repaid on the same day. In 2024, the Bank of Mongolia issued a total of 19 intraday loans to commercial banks, with an average transaction amount of MNT 86.0 billion.

Secured loan

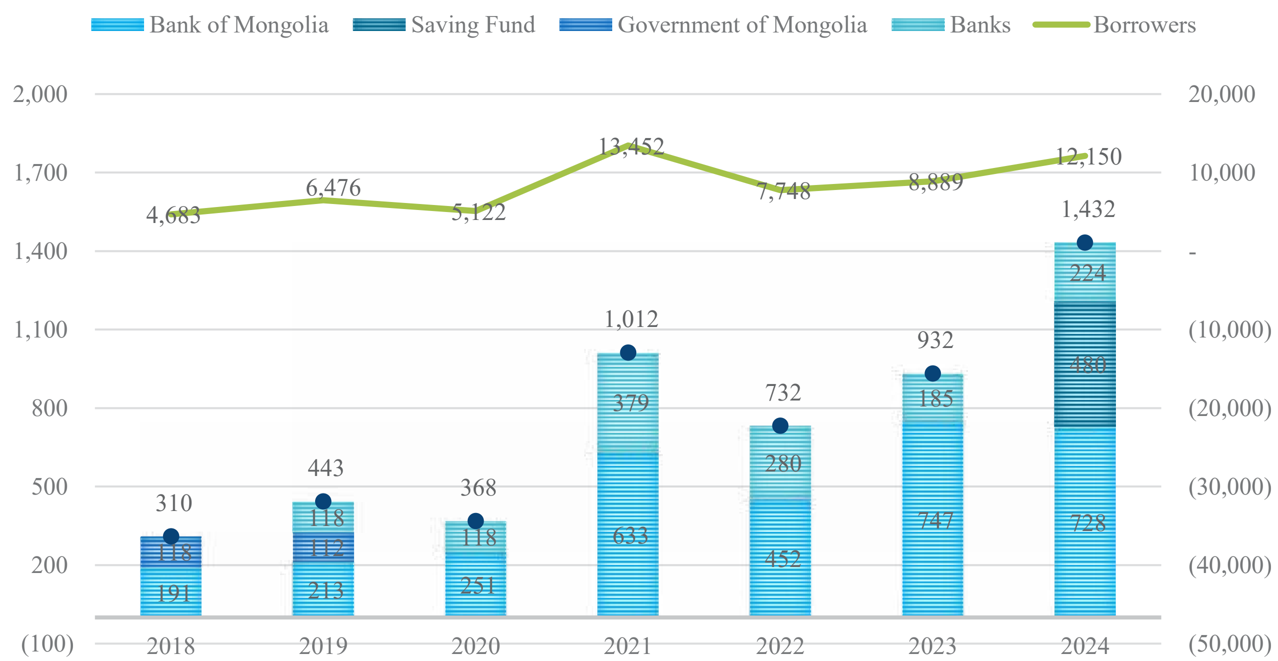
According to the "Secured Loan Regulation" approved in 2018, the Bank of Mongolia provided and fully repaid MNT 189.0 billion in short-term secured loans to domestic banks in 2024.

Mortgage program financing

In 2013, the Bank of Mongolia, in cooperation with the Government of Mongolia, launched the second phase of a broader initiative to support the construction sector and stabilize housing prices by implementing the "Program for Establishing a Sustainable Housing Finance System". The main objective of this program is to improve access to affordable housing for low- and middle-income households. The program also contributes to reducing air and soil pollution and helps address challenges related to rural-to-urban migration.

As of the end of 2024, a total of MNT 9.2 trillion in mortgage loans had been disbursed to 133,000 households, financed jointly by the Bank of Mongolia, the Government of Mongolia, the Savings Fund, and commercial banks (Figure 2.9).

Figure 2.9 Mortgage financing, in billion MNT



Source: Bank of Mongolia

In line with the 2024 Monetary Policy Guidelines, the Bank of Mongolia was mandated to ensure a fair distribution of housing program financing between rural and urban areas and to maintain program continuity using repayments from mortgage-backed securities until the government assumed full responsibility.

In April 2024, the Parliament of Mongolia enacted the Law of the National Sovereign Wealth Fund in April 2024, and the Government of Mongolia issued Resolution No. 179 (2024). Following this, the Bank of Mongolia financed the housing loan program from the Savings Fund in 2024.

According to the 2024 Budget Law of the National Sovereign Wealth Fund and Government Resolution No. 179, it was decided to accumulate MNT 499.5 billion in the Savings Fund, of which MNT 495.6 billion was accumulated by the end of the year. In accordance with Article 10.3 of the Law on the National Sovereign Wealth Fund, the Bank of Mongolia allocated MNT 480.2 billion from the Savings Fund into the mortgage loan program in 2024. As a result, financing for the program increased by 54 percent compared to the previous year and by 105 percent compared to the five-year average.

Financing the Rent backed security program

Under Article 10.5 of the Law on Preventing and Combating COVID-19 and Reducing its Social and Economic Impact and Article 2.6 of the Parliament Resolution No.32 (2020), the Rent-Backed securities program was implemented by the Capital City Housing Corporation. To finance the program, the Bank of Mongolia approved the purchase of MNT 150 billion worth of rent-backed securities issued at par by a special purpose entity established by the Capital City Housing Corporation. The repayment of the rent-backed bonds has been proceeding smoothly. In 2024, a total of MNT 17.6 billion in principal payments was made, and the outstanding balance stood at MNT 122.3 billion as of year-end.

Financing for fuel importing companies

Pursuant to the Law on Preventing and Combating COVID-19 and Reducing its Social and Economic Impact and the Law on Preventing and Mitigating the Negative Impact of Price Increases on Certain Goods and Products, as well as other relevant legislation, the Bank of Mongolia provided financing to fuel importing companies via repo transactions with favorable interest terms. This financing aimed to avoid fuel shortages and price spikes, helping to curb inflationary pressures and maintain Togrog stability during the pandemic.

With the expiration of the relevant laws, the Bank of Mongolia discontinued financing for fuel-importing companies effective January 1, 2023. As a result, obligations totaling MNT 292.2 billion were fully repaid in 2024.

Figure 2.10 Outstanding balance of the financing, by billion MNT

Financing	Outstanding balance /billion, MNT/		Change	Change
	2023	2024		
Mortgage	3,799.9	4,367.7	567.8	+14.9%
Rent-backed security program	139.9	122.3	-17.6	-12.6%
Fuel importing companies	292.2	0.0	-292.2	-100.0%
Total	4,232.0	4,490.0	258.0	+6.1%

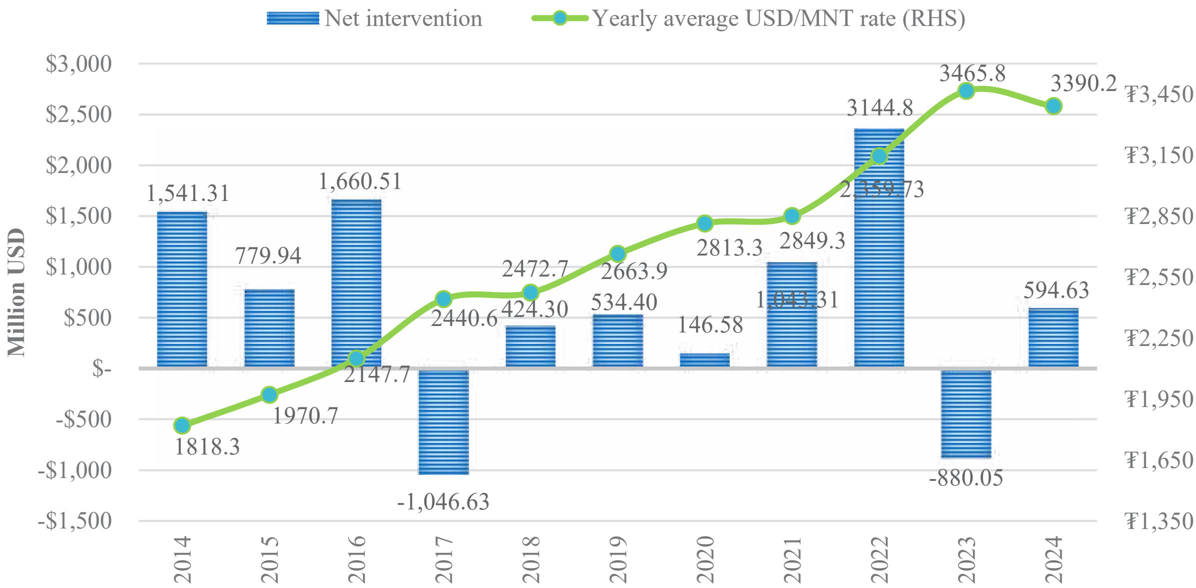
2.2.5 Foreign exchange intervention

Foreign exchange (FX) spot market trading

The Bank of Mongolia adheres to the principle of maintaining a flexible exchange rate for the togrog that is consistent with underlying economic fundamentals. To mitigate sharp exchange rate fluctuations caused by short-term imbalances between foreign exchange demand and supply, the Bank has intervened in the foreign exchange market as necessary. Due to stable economic conditions in the first half of 2024, the togrog appreciated against the US dollar, with no significant volatility observed until October. However, in the fourth quarter, seasonal increases in imports and declining coal prices led to a decrease in foreign currency inflows, resulting in a depreciation of the togrog against foreign currencies.

In 2024, the Bank of Mongolia conducted 102 foreign exchange auctions, selling a total of USD 6,413.0 million through both FX auctions and the Foreign Currency Online Trading System (FCOTS). This represents a 58.4% increase (USD 2,363.3 million) compared to the previous year.

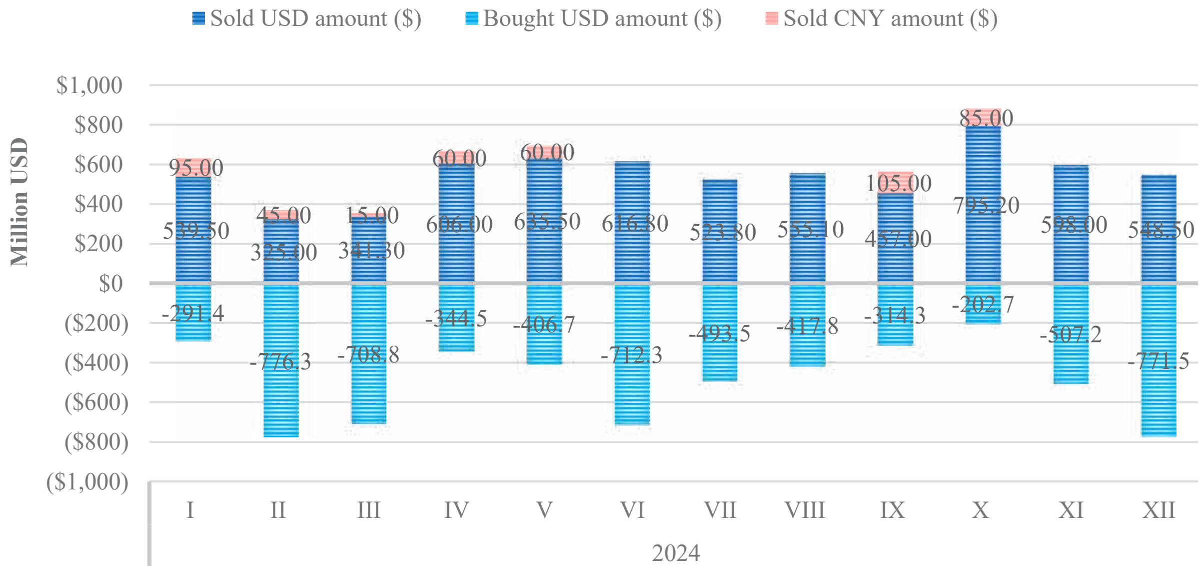
Figure 2.11 Net FX spot intervention of the Bank of Mongolia in 2014-2024 (in million USD)



Source: Bank of Mongolia

Additionally, under a joint resolution by the Minister of Finance, the Chief Cabinet Secretary, and the Governor of the Bank of Mongolia, the central bank purchased USD 5,618.37 million from state-owned and state-majority entities. Furthermore, the central bank conducted foreign exchange conversions amounting to a net total equivalent of USD 982.6 million, in accordance with Article 5.3 of the Law on the Central Bank (Bank of Mongolia), and in its role as the government's financial intermediary.

Figure 2.12 The breakdown of spot trading of the Bank of Mongolia's FX market



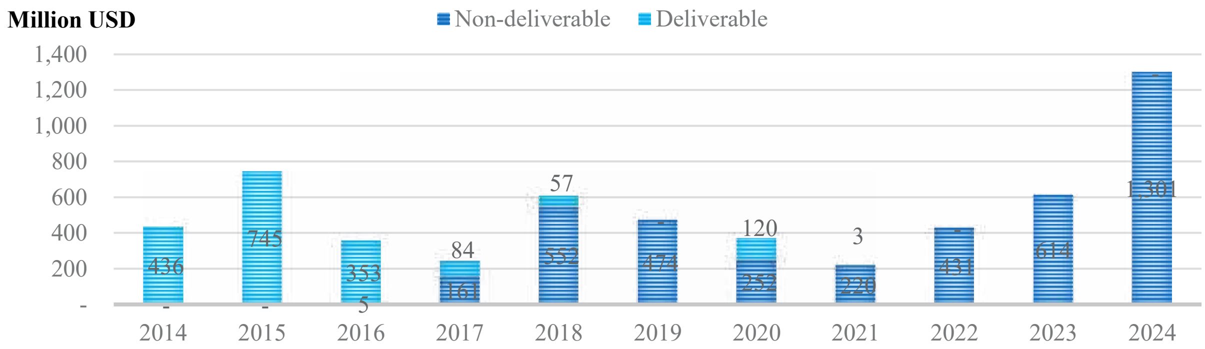
Source: Bank of Mongolia

Financial derivatives

The Bank of Mongolia began introducing short-term financial derivative instruments in 2010 and long-term swap agreements in 2014 to support the short-term liquidity of commercial banks, reduce exchange rate risks and pressure on the spot market, curb dollarization in the domestic foreign exchange market, and ultimately support the real economy.

The long-term swap agreements have been continuously revised and adapted to prevailing economic conditions. To align with market principles and foster the development of a domestic derivatives market, the Bank of Mongolia amended the interest rate terms of long-term swap agreements under the Governor's Decree.

Figure 2.13 Amount of long-term swap agreements made with banks



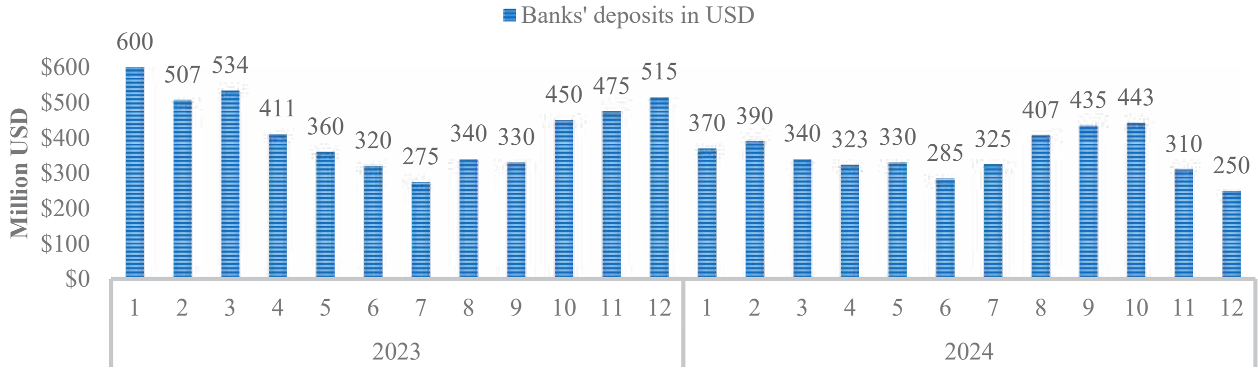
Source: Bank of Mongolia

With regards to the long-term swap agreements, banks enter into contracts with the Bank of Mongolia using external financing with over one-year maturity. In 2024, a total of USD 1,300.8 million in non-deliverable long-term swap agreements were established between the Bank of Mongolia and commercial banks. During the same period, USD 502.0 million worth of long-term swaps matured. As a result, the outstanding balance of long-term swaps increased by USD 798.7 million, reaching USD 2,325.2 million by year-end.

Foreign currency deposits

In accordance with the Governor of the Bank of Mongolia's decree on the "Regulation for Foreign Currency Deposits Placed by Domestic Banks at the Bank of Mongolia," and other relevant directives, commercial banks are permitted to place foreign currency deposits with the Bank of Mongolia for terms ranging from one week to up to three months. The interest rates on these deposits are equivalent to the returns offered by the Bank for International Settlements (BIS) for the corresponding maturities. As of December 31, 2024, the outstanding balance of banks' foreign currency deposits at the Bank of Mongolia stood at USD 250.0 million, representing a decrease of USD 265.0 million compared to the same period of the previous year (Figure 2.14).

Figure 2.14 1Banks' balance of USD deposits in the Central Bank, by month



Source: Bank of Mongolia

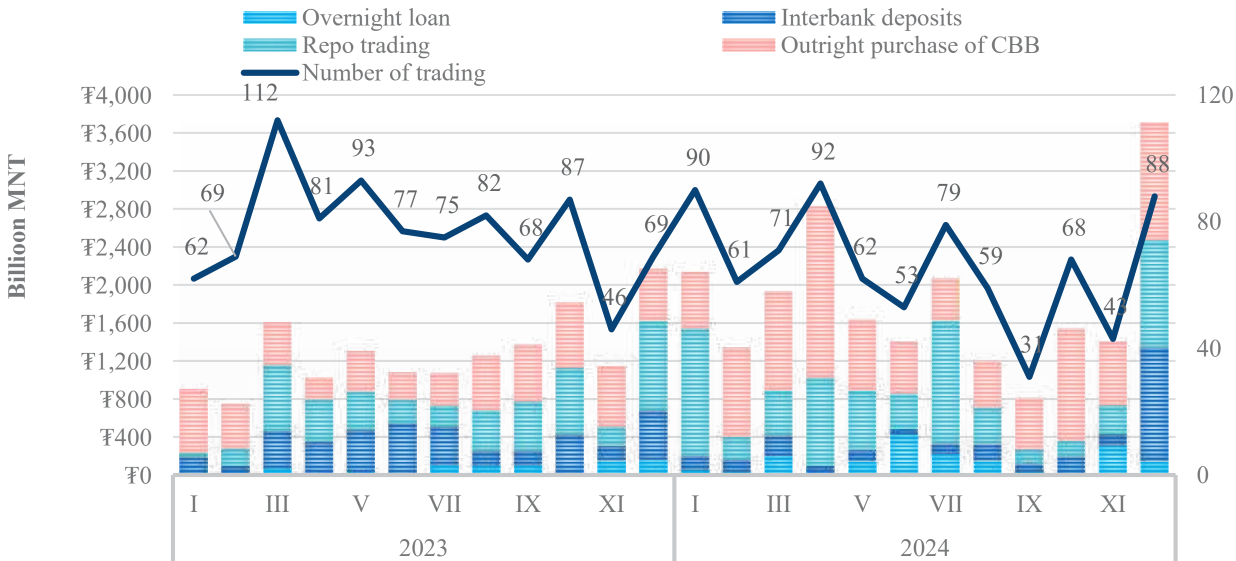
2.2.6 Interbank market transaction

The Bank of Mongolia continued to ensure the stable functioning of the interbank market in 2024. The monthly average trading volume reached MNT 1,837.7 billion, representing an increase of MNT 542.9 billion or 42 percent compared to the previous year.

In particular, the monthly average amount of outright purchases of CBB transactions in the interbank market reached MNT 854.6 billion in 2024, an increase of MNT 360.5 billion from the previous year. Repo transactions rose to MNT 619.2 billion, up by MNT 199.6 billion, and overnight transactions increased to MNT 147.5 billion, up by MNT 80.7 billion. In contrast, interbank deposits declined to MNT 216.4 billion, a decrease of MNT 97.9 billion.

The average number of monthly transactions in the reporting year was 66, which is 10 fewer than the previous year. Meanwhile, the average maturity of interbank transactions remained relatively unchanged at 10.2 days, representing a slight decrease of 0.4 days year-on-year (Figure 2.15).

Figure 2.15 Total transactions of the interbank market (by instrument, in billion MNT)



Source: Bank of Mongolia

2.3 FINANCIAL STABILITY

Macroprudential policy

The Bank of Mongolia is implementing macroprudential policy measures combined with monetary policy to maintain financial stability and prevent systemic risks. In 2024, the Bank of Mongolia made several policy decisions regarding consumer loans in pursuit of this objective. At its June meeting, the MPC decided to lower the debt-service-to-income (DSTI) limit from 60 percent to 55 percent for newly issued or restructured consumer loans. This decision was driven by the rapid expansion of consumer credit and the growing number of borrowers holding overlapping loans from both banks and non-bank financial institutions. The measure aims to curb excessive growth in consumer lending, ease the debt burden on households, and mitigate the accumulation of systemic risks.

Additionally, the Committee adopted further measures to promote efficient resource allocation, support financial inclusion, and promote the development of diverse financial products. First, these measures exclude banks’ newly issued credit card loans with amounts lower than the minimum subsistence level from DSTI restrictions, promoting access to financing for sudden necessities of small quantities and encouraging wider credit card usage. Second, the Committee exempted banks’ loans for funding higher education tuition from DSTI and maturity limits, provided they comply with the prerequisite requirements.

Considering the potential risk of default of herders’ loan repayments and solvency issues arising from severe winter and spring weather in rural areas, in its March meeting, the Committee decided to authorize commercial banks to restructure and extend the loan maturity term for herders experiencing difficulties in their loan repayment once to ensure financial stability and to alleviate challenges in the livestock industry.

To manage the growth of household debt and mitigate systemic risks, the Bank of Mongolia has enforced a cap on the DSTI ratio and maturity limits on consumer loans since 2019. As a result, the share of consumer loans in total banking sector loans, which was 36.2 percent at the end of 2018, declined sharply in 2019. However, driven by economic recovery and rising wages and pensions, consumer loan growth accelerated in 2023. By the end of 2024, consumer loans accounted for 31.0 percent of total loans, with DSTI-restricted loans making up 22.6 percent. The outstanding amount of these loans reached MNT 8.3 trillion, a 38.2 percent increase year-on-year. As of end-2024, the average DSTI ratio stood at 45.5 percent, with an average maturity of 26.0 months (Figures 2.16 and 2.17).

Relatively loose regulations in the non-bank financial sector have shifted part of consumer loan demand from banks to NBFIs, reducing the effectiveness of macroprudential policies. As of end-2024, 444.7 thousand individuals held loans from both banks and NBFIs, reflecting 13.4 percent since the first quarter of 2024. Their combined outstanding loans reached MNT 13.7 trillion, a 38.3 percent increase. The average DSTI ratio for these borrowers was around 74.9 percent, significantly above the 55 percent cap applied to bank-issued consumer loans, highlighting elevated household debt risks.

Figure 2.16 Consumer loans, in percent of total bank loans

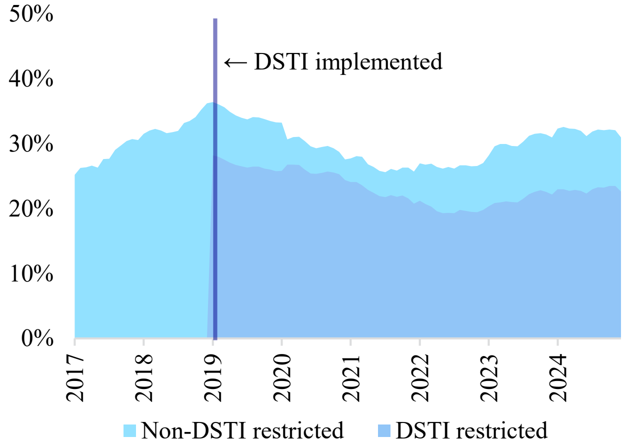
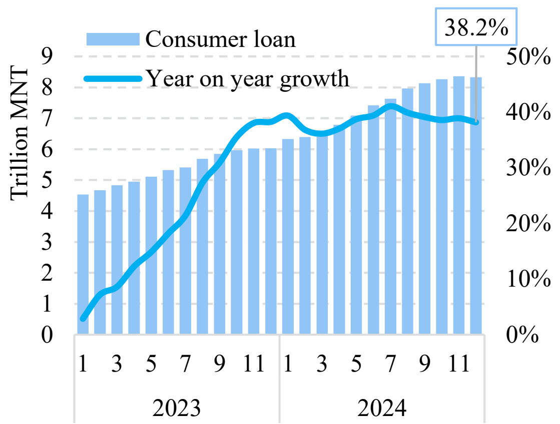


Figure 2.17 Outstanding consumer loans, year-over-year growth



Source: Bank of Mongolia

Strengthening the legal framework and supervisory policies within the banking sector

To strengthen corporate governance and enhance risk management, the Bank of Mongolia is aligning banking supervision with international standards through the adoption of risk-based supervision. As part of this effort, the Bank has piloted Pillar 2 of the Basel framework—including the Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP), and Supervisory Review and Evaluation Process (SREP). In 2024, banks submitted ICAAP and ILAAP reports for the second year on a trial basis, with supervisory evaluations conducted by the Bank of Mongolia, as integration of these practices continues.

Following banks' submission of ICAAP and ILAAP reports and trial SREP assessments, the Bank of Mongolia revised the draft ICAAP and ILAAP regulation and distributed it to banks for feedback in May 2024. After incorporating feedback, the updated draft was published for public consultation in November. Banks submitted their reports based on end-2023 data, and the Bank of Mongolia completed the supervisory reviews and shared the results in December 2024.

Moving forward, the Bank of Mongolia will focus on assessing the ICAAP and ILAAP reports submitted by banks, conducting SREP evaluations, and finalizing the related regulations. Further initiatives will also be made to strengthen the capacity of banks and supervisors and to develop a comprehensive framework for supervisory assessments and corrective actions.

As part of the 2020–2023 banking sector reform, systemically important banks were restructured into joint-stock companies and listed on the stock exchange. By the end of 2024, this reform helped raise domestic stock market capitalization to MNT 12.9 trillion, with six major banks accounting for MNT 5.9 trillion or 45.6 percent of the total (Figure 2.18).

Figure 2.18 Share of market capitalization by banks (in percentage)

Source: Mongolian Stock Exchange

As a result of banks transitioning into publicly traded joint-stock companies and being listed on the stock exchange, Khan Bank, Trade and Development Bank, Golomt Bank, XacBank, State Bank, and Bogd Bank distributed a total of MNT 491.1 billion in dividends, thereby contributing to increased capital market activity.

According to Article 36.1 of the Banking Law, approved by the State Great Khural on January 29, 2021, "The number of shares and securities related to shares of a bank owned by any person, either individually or jointly with related parties, shall not exceed 20 percent of the total issued shares of the bank." Banks were required to meet this ownership limit by December 31, 2023, as stipulated in the Law on the Implementation of Amendments to the Banking Law.

While this reform aims to reduce ownership concentration and strengthen corporate governance, full implementation was delayed due to constraints in the domestic capital market and external economic and geopolitical challenges. To provide banks with adequate time to comply, the Bank of Mongolia submitted a draft bill to the State Great Khural to extend the deadline by three years. At the plenary session of the State Great Khural on June 5, 2024, the deadline for banks to comply with the 20 percent ownership concentration limit under Article 36.1 of the Banking Law was extended to December 31, 2026. In parallel, the Bank of Mongolia amended the "Regulation on Setting and Monitoring Prudential Ratios to Banking Operations" in 2024 to enhance the regulatory framework, including updated provisions on municipal bonds and the treatment of bank deposits.

Issued under the Governor's decree in 2024, these amendments update the regulation originally approved by decree in 2019. Key changes include:

- Recognizing "municipal bonds" as liquid assets under Section 3.4.
- Adding "municipal bonds" to Annex 1 with a 20% risk weight.
- Introducing "Non-performing Assets other than loans" in Annex 1 with a 150% risk weight.

These amendments came into effect on July 16, 2024, pursuant to Article 67.1 of the General Administrative Law.

In November 2024, the Bank of Mongolia updated the regulation on setting and monitoring prudential ratios for banking operations. The amendment clarifies that when calculating the total deposits and current accounts of a bank's 10 largest clients, which must not exceed 25% of the bank's total assets, deposits from related parties will be excluded if loans or equivalent assets extended to those parties are performing above the non-performing category.

In April 2024, the Bank of Mongolia, in coordination with the Ministry of Finance, approved the "Regulation on Bank Collateral Asset Valuation" under the framework of the Law on Property Appraisal and the Law on Deposits, Loans, and Banking Transactions. This regulation establishes uniform principles and requirements for collateral valuation by banks, providing a legal framework for developing internal policies that align with Mongolian legislation and international standards.

On May 16, 2024, the State Great Khural amended the Securities Market Law to enable banks licensed for deposit activities to issue certificates of deposit tradable on the securities market. This legal framework allows the introduction of new capital market products, broadens investment options for investors, and enhances market liquidity.

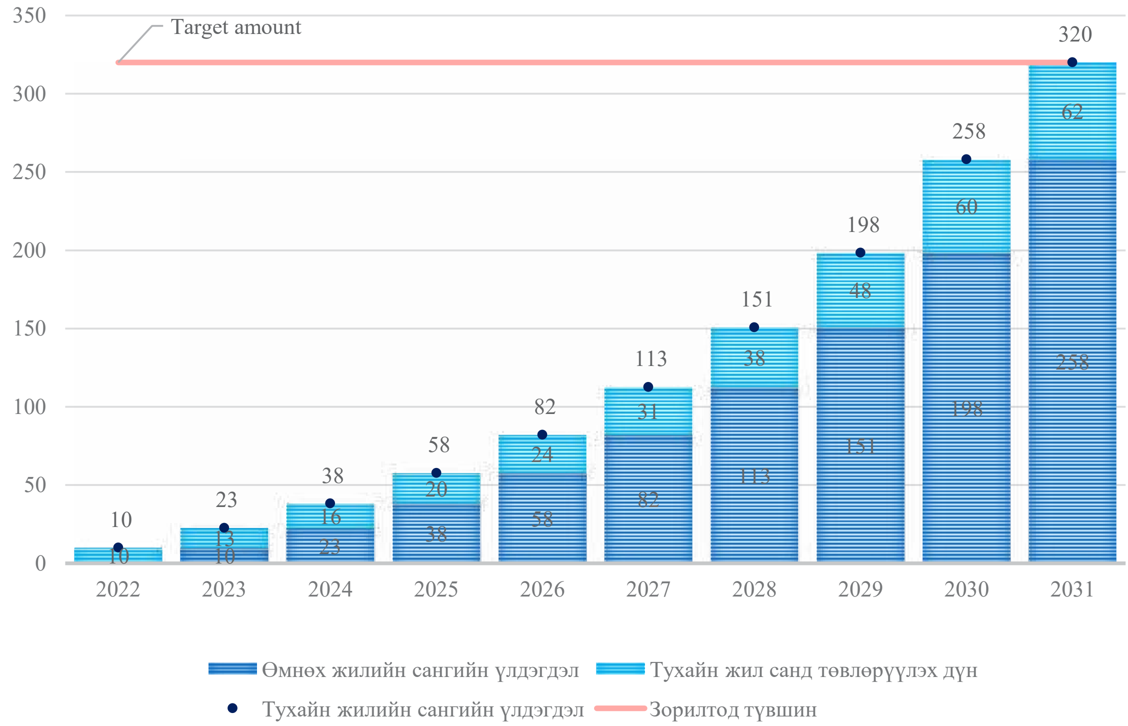
Since the enactment of the Securities Market Law in 2013, the legal framework for custodial activities in the capital market has been established. To reflect recent legal reforms, the regulation governing custodian operations was revised and renamed the "Regulation on Custodian Operations." This updated regulation was approved jointly by the Bank of Mongolia and the Financial Regulatory Commission in July 2024 and officially registered in the state legal registry.

Within the framework of bank restructuring measures

In line with the Banking Law and the "Regulation on the Bank Stabilization Fund," the Bank of Mongolia began calculating and accumulating contributions to the fund from 2022. The fund's purpose is to safeguard financial stability and support the banking system during resolution processes, while minimizing public costs by using pre-accumulated contributions from banks.

As required by Article 63.3 of the Banking Law, the fund aims to reach a size equivalent to 1.3% of total bank deposits, with banks contributing 1% of this amount. The Bank of Mongolia plans to achieve the target fund size over the next 10 years. For 2024, annual contributions are set at MNT 38 billion, with a planned increase to MNT 58 billion in 2025.

Figure 2.19 Target amount of the Fund, remaining balance (in billion MNT)



Explanation: *The Bank of Mongolia initially calculated the target amount for the "Bank Stabilization Fund" in 2022 to be MNT 320 billion, and this target will be updated based on the total deposits in the banking system.*

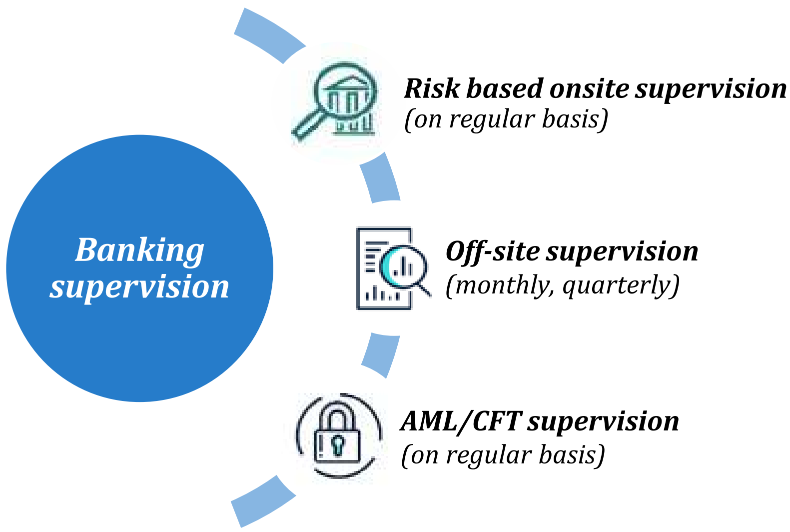
In accordance with Article 47 of the Banking Law and the "Regulation on Developing, Approving, and Implementing Bank Recovery Plans" approved in 2023, the Bank of Mongolia reviews and evaluates the comprehensive recovery options of banks every year. These plans, approved by each bank's Board of Directors, outline measures to ensure continuous operation and restore solvency and liquidity in times of distress. The Bank of Mongolia evaluates the feasibility of the plan and provides recommendations to strengthen banks' crisis resilience.

Since adopting the regulation, the effectiveness of recovery measures has improved. In 2024, systemically important banks reported capital adequacy ratios ranging from 3-17 percent and liquidity ratios from 11-23 percent, both showing increases over the previous year.

Under Article 68 of the Banking Law and the "Regulation on Implementing Liquidation Measures and Appointing Bank Receivers," the Bank of Mongolia oversees liquidation activities. Currently, liquidation is ongoing for Zoos Bank JSC, Savings Bank LLC, and Capital Bank LLC. As of December 31, 2024, these processes have repaid MNT 401.7 billion in assets, settled MNT 222.1 billion in claims, and distributed MNT 92.8 billion in government-funded claims. Recoverable assets remaining total MNT 470.5 billion, with outstanding claims of MNT 475.9 billion and government-funded claims of MNT 172.2 billion.

Supervisions on Banking operations

In 2024, the bank of Mongolia is determined to protect the interest of depositors and customers of commercial banks, strengthen the stability of banking system, and to ensure that banking operations comply with the law on Banking, the law on Money laundering and terrorism financing and other relevant laws, and off-site and on-site examinations were carried out regularly in accordance with the regulations and instructions approved by the bank of Mongolia.



Source: Bank of Mongolia

Throughout the year, in accordance with the guidelines approved by the Governor of the Bank of Mongolia, full on-site inspections were conducted in 7 banks, and 6 partial inspections in selected institutions. On-site inspections focused on high-risk areas, ensuring a thorough and respectful review of all relevant documents and activities.

The Bank of Mongolia also monitored the implementation of the "Job Support Loan" under the "10 trillion Comprehensive Plan to Protect Health and Revitalize the Economy," approved by Government Decree No. 42 of 2021. In cooperation with the Ministry of Finance, the Ministry of Food, Agriculture and Light Industry, the Credit Guarantee Fund, and nine commercial banks, the program supported 109,906 jobs by providing MNT 1,965.5 billion in loans to 25,515 individuals and businesses. Of these, 72,901 jobs in Ulaanbaatar received MNT 1,224.7 billion in loans, while 34,005 jobs in regional areas were supported with MNT 740.8 billion. The program successfully concluded in 2024 after three years of operation.

Anti-Money Laundering and Combating Financing Terrorism Supervision Activities

The Anti-Money Laundering Division of the Supervision Department (The AML Division) conducts risk-based supervision to combat money laundering, terrorism financing, and the proliferation of weapons of mass destruction. This ensures banks comply with the Law on Combating Money Laundering and Terrorism Financing, the Law on Countering Proliferation of Weapons of Mass Destruction and Terrorism, and other relevant regulations.

The supervision focuses on banks' AML frameworks, policies and procedures, customer due diligence, transaction monitoring, reporting of cash, foreign settlements, and virtual asset transactions, as well as identifying beneficial ownership, suspicious transaction reporting, and correspondent banking activities.

On-site supervision

In 2024, the AML Division conducted a full-scope on-site examination of banks' anti-money laundering and combating financing of terrorism (AML/CFT) activities, following a risk-based methodology.

Full-scope on-site examinations were conducted in banks, based on the criteria covering 20 key areas of AML/CFT. Appropriate actions were taken in accordance with the laws and regulations in instances where infringements or non-compliance were identified during the examinations.

The Division provided tailored recommendations to address deficiencies and enhance banks' operations on a case-by-case basis, while assigning 17 tasks by the Decree of the Governor of the Bank of Mongolia, and had monitored the compliance of the previous tasks.

Measures	2023	2024
Number of risk-based on-site examinations of banks	1	4
Number of partial examinations of banks	1	-
Number of State inspectors' rectification orders issued to banks	6	15
Number of administration action notes issued to banks (ordered by the BoM Governor)	3	17

Source: Bank of Mongolia

Software update

In 2024, the Bank of Mongolia introduced a new electronic reporting system within its banking supervision framework. This system eliminated paper-based processes, improved data accuracy, and enhanced the efficiency of AML/CFT supervision. It integrates a unified examination database and bank risk profiles, enabling comprehensive risk assessments and better-informed supervisory decisions.

The system facilitates the digital submission of various reports related to risk assessments, compliance, and control measures, supporting more timely and effective supervisory actions.

Preventive measures

In 2024, the AML Division of the Bank of Mongolia continued its cooperation with the General Police Department and the banking sector to prevent and combat illegal online gambling activities. The Division issued guidance to banks on monitoring transactions and accounts potentially linked to cybercrime, enhancing exclusive transaction monitoring systems, and strengthening institutional capacity through staff training.

To further support financial crime prevention, the AML Division regularly organized training sessions and awareness activities focused on anti-money laundering and countering the financing of terrorism. These initiatives aimed to improve coordination among regulatory bodies and increase awareness among financial institutions and their customers.

Training, discussion, outreach program, and cooperation activities

The AML Division organized 3 training sessions for banks’ management and staff covering the Basel Standards, FATF 40 Recommendations, relevant laws and legal acts of Mongolia, and the consequences of money laundering and its mitigation.

These trainings were essential for raising awareness of supervisory standards and ML/TF risks at the industry level, fostering cooperation and feedback between the Central Bank of Mongolia and banks, and cultivating a positive attitude towards the effective implementation of AML/CFT policies.

National risk assessment and national strategy for AML/CFT

The Central Bank of Mongolia, along with the banking sector, is executing the tasks outlined in the National Strategy for AML/CFT, as approved by the Mongolian Government, and providing regular reports on their progress.

Domestic and international cooperation

Supervisors from the Anti-Money Laundering Division were included in the Working Group responsible for preparing for the assessment by the Organization for Economic Cooperation and Development (OECD) to evaluate whether Mongolia is complying with international standards on the exchange of information for tax purposes. This includes developing the assessment, facilitating necessary legislative amendments, monitoring implementation, safeguarding the assessment report, and preparing and submitting proposals on matters related to the banking sector.

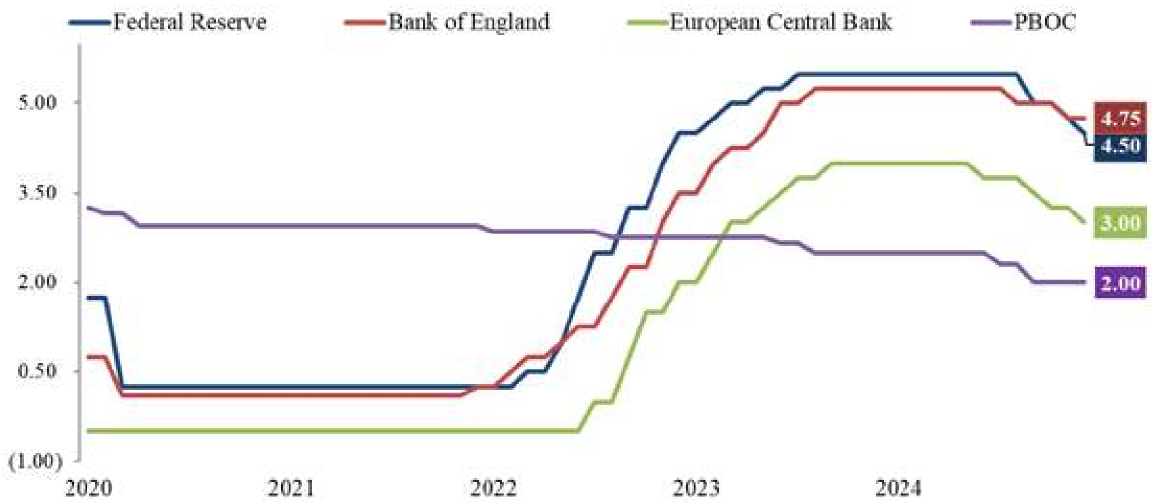
The “Compliance Forum 2024” was organized by the Financial Intelligence Unit and the Compliance Professional Council of the Mongolian Banking Association. During the forum, representatives from relevant organizations delivered presentations on topics such as international sanctions, cybercrime and its mitigation, and E-KYC, where the Director of the Anti-Money Laundering Division of the Supervision Department participated in the panel discussion.

During the discussion, it was emphasized that the effective implementation of compliance activities within the banking sector is crucial not only for mitigating financial and operational risks faced by the organization, but also for strengthening the trust of the bank's shareholders, employees, customers, and investors, as well as for preventing reputational risks.

2.4 MANAGEMENT OF FOREIGN EXCHANGE RESERVE

Subject to Article 21 of the Law on the Central Bank, the Bank of Mongolia manages foreign exchange reserves based on the principles of safety and liquidity. Only after meeting these priorities can reserves be invested in return-seeking assets. The reserve management framework is structured to align with international best practices, incorporating a dual-control system with clearly defined roles and responsibilities. To ensure transparency, the Bank of Mongolia publishes monthly data on its foreign exchange reserves on its official website, in compliance with the IMF's Special Data Dissemination Standard (SDDS).

Figure 2.20 Central Bank Policy Rates (%)



Source: Bloomberg

In 2024, major global economies held elections amid ongoing geopolitical tensions and economic uncertainty. Leading central banks maintained a cautious approach to monetary easing, carefully monitoring inflation and economic signals to stabilize their real economies. Against this backdrop, the Bank of Mongolia managed its foreign exchange reserves with a focus on minimizing market risks by aligning investment maturities and instruments with global monetary policy signals and risk assessments.

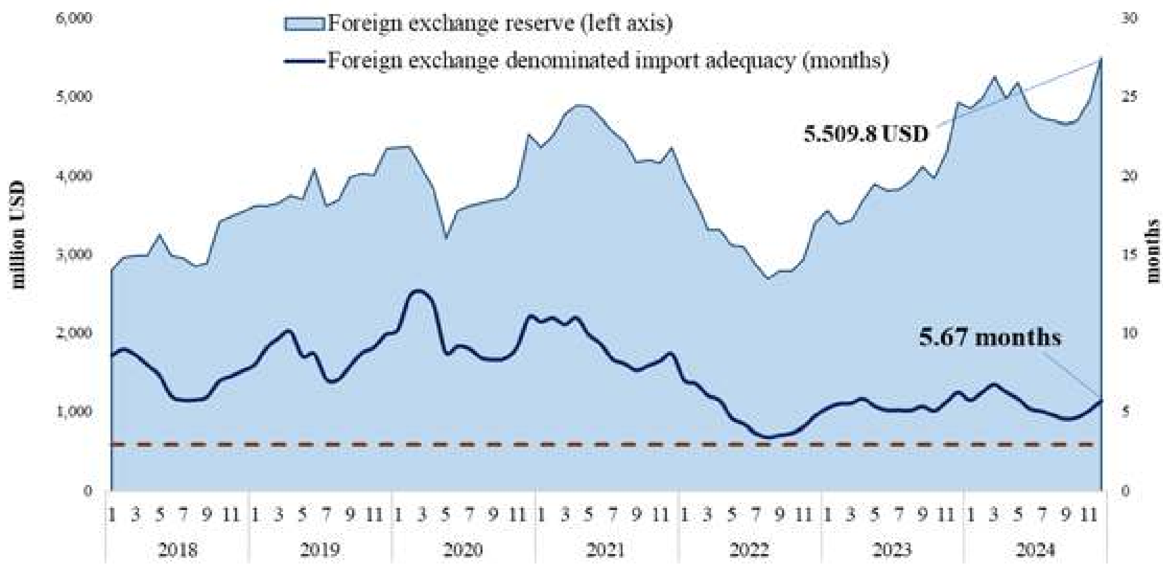
The long-term investment portfolio expanded through strategic acquisitions of U.S. Treasury and supranational bonds, enabling the Bank to outperform its benchmark index.

Investments were made in time deposits, money market instruments, and short- and long-term securities with leading Central Banks such as those in the United States, United Kingdom, Japan, Germany, France, and Luxembourg, as well as with international financial institutions and highly rated entities. Moreover, by capitalizing on favorable investment conditions, the long-term investment portfolio gradually expanded with investments in US Treasury bonds and supranational bonds, leading to the Bank of Mongolia outperforming its benchmark index.

In 2024, the Bank of Mongolia aimed to increase its foreign exchange reserves by purchasing a total of 16.5 tonnes of gold from the domestic market, including individuals and gold mining companies, and managed its portfolio on the international market. Gold prices rose steadily in 2024 due to several factors, including the war in the Middle East, the conflict between Russia and Ukraine, geopolitical tensions, declining real returns from the U.S. dollar, and uncertainty surrounding the U.S. presidential election. The trading of monetized gold portfolios was executed based on macroeconomic indicators of the international markets, expectations, comparative performance, investor attitudes, geopolitical conditions, the IMF's monetary policy outlook, and the volume of gold purchased from the domestic market, always within risk limits aimed at maximizing real returns.

In April and June 2024, the Bank made advance payments totaling CNY 4.5 billion using proceeds from monetized domestic gold purchases. These payments were made under the framework of the “Chinese Yuan/ Mongolian Togrog Bilateral Currency Swap Arrangement” established between 2011 and 2016. The aim was to strengthen external debt sustainability and reduce interest expenses in line with recommendations from the National Security Council As a result of these advance payments, two swap lines were closed, and the outstanding balance of the swap agreement decreased to CNY 6.0 billion by the end of 2024, halving the outstanding amount from the end of 2022. Profits from the monetization of gold purchased from the domestic market were used to make these payments, allowing the Bank of Mongolia to successfully lower its interest expenses and losses, aligning with the recommendations of the IMF and other international financial institutions.

Figure 2.21 Foreign Exchange Reserves (millions of USD), Import Coverage Level (Months)



Source: Bank of Mongolia

As of December 31, 2024, the foreign exchange reserves reached USD 5,509.8 million, marking an increase of 11.8 percent or USD 588.4 million compared to the beginning of the year. This reflects the following reserve adequacy levels:

- In terms of the last 3-month average of foreign currency-denominated imports of goods and services, the reserves are sufficient to cover 3.99 months or the equivalent of 17.34 weeks of imports.
- In terms of the last 3-month average of the foreign currency-denominated goods imports alone, the reserves can cover 5.67 months or the equivalent of 24.64 weeks’ worth of imports.

This level meets the minimum reserve adequacy threshold of foreign exchange reserves, which is 3 months of imports (Figure 2.21). However, it falls short of the requirement outlined in Mongolia’s National Security Concept (approved by Parliament on July 15, 2010), which states that foreign exchange reserves should cover at least one year’s worth of national import needs.

2.5 PRECIOUS METAL OPERATIONS

In accordance with the Law on the Central Bank, the Law on Foreign Exchange Regulation, and other relevant legislation, the Bank of Mongolia purchases precious metals from the domestic market at London Metal Exchange (LME) prices through foreign refinery facilities, contributing to the accumulation of foreign exchange reserves. In 2024, a total of 16.5 tonnes of precious metals were acquired, adding USD 900.0 million to the reserves. Over the past five years, this initiative has contributed approximately USD 4.9 billion to the national reserves.

In 2024, the Bank of Mongolia, along with the central banks of Colombia, Ecuador, and the Philippines, joined the "London Principles," a set of guidelines initiated by the World Gold Council. These principles, approved by the World Gold Council, aim to formalize central banks' gold purchases from artisanal miners, support responsible artisanal mining, and integrate them into official supply chains. The Bank of Mongolia, in collaboration with a gold refining company and the Swiss Better Gold Association, has begun supplying gold extracted in Mongolia to major global jewelry organizations.

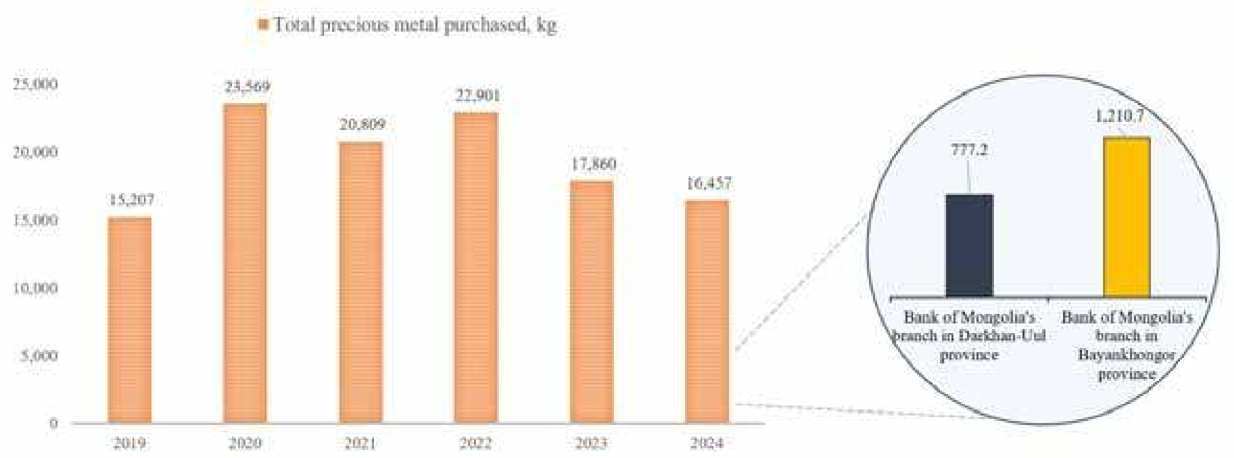
During the state visit of the President of the Swiss Confederation to Mongolia, a "Memorandum of Understanding on Democratic Governance Issues" was signed, along with a cooperation memorandum between Mongolia and the Kyrgyz Republic. As part of this, an agreement was reached to collaborate on establishing a gold refining factory in Mongolia.

The Bank of Mongolia purchases precious metals from mining companies and licensed precious metal traders based on assay results from internationally accredited laboratories. The purchasing process is organized to be fast and efficient.

The Bank of Mongolia purchases precious metals from mining companies and licensed traders based on assay results from internationally accredited laboratories. To enhance accessibility and efficiency, the Bank operates assay laboratories in Darkhan-Uul and Bayankhongor provinces—regions with high mining activity. Local sellers benefit from digital assay reports and expedited payments, reducing the need for long-distance travel and improving local economic engagement.

To facilitate local transactions, the Bank of Mongolia has established assay laboratories in Darkhan-Uul and Bayankhongor provinces, where mining companies and individuals are concentrated. This allows local miners and traders to benefit from digital assay reports and expedited payments, reducing the need for long-distance travel and improving local economic engagement.

Figure 2.22 Quantity of gold purchased by the Bank of Mongolia



Source: Bank of Mongolia

2.6 PAYMENT SYSTEM

Following the new Law on Permits and related amendments to the Law on the National Payment System, effective January 2023, the Bank of Mongolia revised the Payment System Regulation, approved by the Governor in 2023. To enhance clarity and accessibility, updated explanatory notes and amendments, such as separating transaction fees for public services and utilities to protect consumers, were published on the Bank's official website in early 2024.

Based on feedback and requests from payment system participants, amendments were made to the 'QR Code Message Structure and Guidelines,' which were approved by the Governor of the Bank of Mongolia in 2024. To ensure transparency and accessibility, the updated guidelines were published on the official website of the Bank of Mongolia.

As part of the 100th anniversary of the establishment and development of the modern banking system in Mongolia, the Bank of Mongolia successfully hosted the 23rd meeting on Payment and Settlement Systems with the participation of senior officials in charge of payment systems from the South East Asian Central Banks (SEACEN) in Ulaanbaatar from June 24-26, 2024. During the meeting, the Digital Currency Forum of Japan presented a notable study on Central Bank Digital Currency (CBDC), a topic of global significance that countries are actively researching and aiming to implement in the future.

In September 2024, the Bank convened the annual National Payment System Council Meeting to discuss regulatory improvements, emerging payment technologies, and their economic and social impacts. The event included expert presentations and a roundtable for in-depth discussion and stakeholder engagement.

Pursuant to Article 27 of the Law on the National Payment System, the Bank established an Innovation Office in September 2024, supported by a dedicated task force. The office aims to assist fintech companies by providing guidance on legal frameworks, policies, and operational support, fostering innovation in Mongolia's payment ecosystem.

In 2024, the Bank of Mongolia, in partnership with Golomt Bank and Trade and Development Bank, successfully introduced Apple Pay, enabling users of Mongolia's national "₮ Card" to make international card payments via Apple devices. This rollout expanded global payment access, with over 150,000 POS terminals across Mongolia now supporting Apple Pay transactions, greatly enhancing consumer convenience.

Amid ongoing geopolitical tensions and sanctions related to the Russia-Ukraine conflict, the Bank closely monitored potential impacts on Mongolia's payment systems and economy. Proactive measures were taken to maintain the reliability of transactions with Russia and to ensure uninterrupted payments for essential imports such as fuel, electricity, food, and medical supplies. By the end of 2024, these efforts successfully safeguarded critical supply chain payments despite the challenging external environment.

In accordance with the National payment system law and the regulation on Payment system the Bank of Mongolia has received total of 14 license applications this year and resolved as follows.

Newly issued licenses:

- License to issue payment cards: 1 entity;
- License to acquire payment cards: 1 entity;
- License to receive outsourcing service: 1 entity;
- License to operate the system is granted: 1 entity;
- License to settlement agent extended indefinitely: 1 entity;
- License to issue e-money: 3 entities (with 2 licenses extended indefinitely)

Two of the applicants were refused due to non-compliance with laws and regulations. Also, 4 requests are under process to be decided in 2025.

As part of its oversight activities, the Bank of Mongolia collects legislative and statistical documents from payment system participants and operators to monitor compliance with regulations. The Bank also conducts regular on-site inspections to ensure the safety, reliability, and efficiency of the payment system. In 2024, inspections covered:

- Operations of the central bank payment system operator (RTGS, ACH NETC);
- Operations of other payment system operators (e.g., TDBM payment card clearing system);
- Comprehensive inspection of payment system participants;
- Comprehensive inspection of e-money issuers.

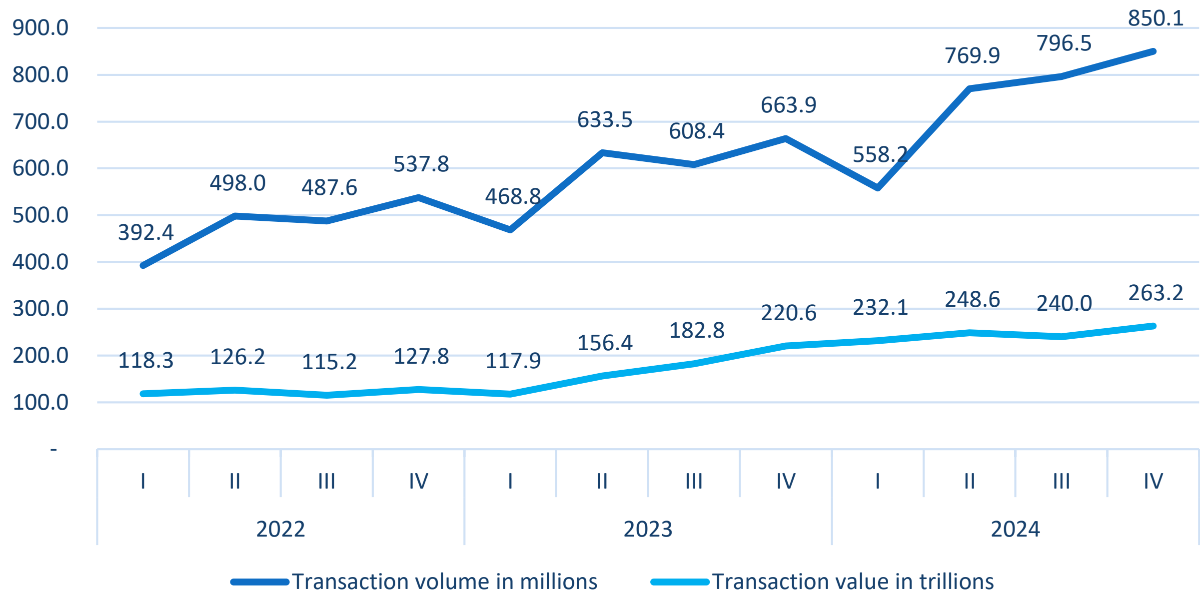
Supervisors reported and corrected any discrepancies identified during the inspection to the full extent of their authority. In addition, a Payment System Assessment was conducted on the large value payment system to determine the implementation of the principles for financial market infrastructure and to improve and consistently meet the level of implementation.

The total number of interbank transactions increased by 46.9% in 2024, while the total transaction value rose by 45% compared to the previous year (Table 2.1).

Table 2.1 Interbank transaction volume and value, 2022-2024 (volume in thousands, value in trillions of MNT)

Year/quarter	2022		2023		2024		2023/2024 change	
	Volume	Value	Volume	Value	Volume	Value	Volume %	Value %
Q1	39,763.0	127.1	57,108.9	130.6	85,560.3	250.2	49.8%	91.6%
ACH[1]	7,084.4	1.1	7,372.6	1.3	11,221.6	2.3	52.2%	72.2%
RTP[2]	32,286.2	7.7	49,267.5	11.4	73,780.5	15.9	49.8%	39.5%
RTGS[3]	392.4	118.3	468.8	117.9	558.2	232.1	19.1%	96.9%
Q2	50,395.1	137.6	70,282.3	172.2	106,789.5	272.4	51.9%	58.2%
ACH	7,243.2	1.2	7,219.9	1.7	11,078.3	3.2	53.4%	86.9%
RTP	42,653.9	10.2	62,429.0	14.0	94,941.3	20.6	52.1%	46.3%
RTGS	498.0	126.2	633.5	156.4	769.9	248.6	21.5%	59.0%
Q3	52,721.0	126.8	74,471.2	199.5	105,544.7	263.5	41.7%	32.1%
ACH	7,835.8	1.1	7,946.2	1.9	7,442.1	2.0	-6.3%	5.5%
RTP	44,397.5	10.5	65,916.7	14.8	97,306.1	21.6	47.6%	45.3%
RTGS	487.6	115.2	608.4	182.8	796.5	240.0	30.9%	31.3%
Q4	59,500.6	140.9	82,478.6	239.2	119,755.5	289.0	45.2%	20.8%
ACH	8,096.5	1.3	7,599.9	2.2	11,102.4	2.7	46.1%	25.4%
RTP	50,866.3	11.8	74,214.7	16.4	107,803.1	23.1	45.3%	40.9%
RTGS	537.8	127.8	663.9	220.6	850.1	263.2	28.0%	19.3%
Total	202,379.7	532.5	284,341.0	741.5	417,650.1	1,075.2	46.9%	45.0%
ACH	30,260.0	4.7	30,138.6	7.1	40,844.4	10.2	35.5%	43.8%
Percentage	15.0%	0.9%	10.6%	1.0%	9.8%	1.0%	-7.7%	-0.8%
RTP	170,203.8	40.2	251,827.9	56.7	373,831.0	81.1	48.4%	43.1%
Percentage	84.1%	7.5%	88.6%	7.6%	89.5%	7.5%	1.1%	-1.3%
RTGS	1,916.0	487.6	2,374.5	677.7	2,974.7	983.8	25.3%	45.2%
Percentage	0.9%	91.6%	0.8%	91.4%	0.7%	91.5%	-14.7%	0.1%

Figure 2.23 Interbank transaction volume and value 2022-2024 (Volume in millions, value in trillion MNT)



Source: Bank of Mongolia

Payment card

The increase in the usage of payment cards indicates the public's interest in non-cash payment instruments for day-to-day transactions. Banks are issuing National brand T card, Visa, Mastercard, UnionPay, American Express, and JCB. As of 2024, the National brand T card occupies 46.1 percent of total card usage.

Table 2.2 shows that the number of payment cards increased by 6.8 percent and the number of active cardholders increased by 5 percent in the reporting year. In terms of acquiring terminals, the number of POS increased by 38.9 percent compared to the previous year.

As shown in Table 2.3, the highest number of payment card transactions in 2024 was recorded at POS terminals, totaling 677.9 million. In terms of transaction value, ATMs, CRMs, and CDMs accounted for the largest share, amounting to 25.7 trillion MNT.

Table 2.2 Payment card usage and acquiring terminals, 2022-2024

№	Indicator	2022	2023	2024	2024/2023 change (%)
1	Card usage (in thousands)				
1.1	Cardholder	4,446.9	4,286.2	4,578.2	6.8%
1.2	Active cardholder	2,243.5	2,244.9	2,357.6	5.0%
2	Card type (in thousands)				
2.1	₮ card	2,439.0	2,049.7	2,109.0	2.9%
2.2	Visa	863.3	1,056.9	1,282.5	21.3%
2.3	Mastercard	124.6	105.5	199.7	89.3%
2.4	UnionPay	1,012.9	1,061.4	969.5	-8.7%
2.5	Amex	2.8	12.5	17.5	39.4%
2.6	JCB	4.3	0.1	0.0	-70.5%
3	Payment card acquiring terminals				
3.1	CDM	18	15	8	-46.7%
3.2	CRM	1,868	1,958	2,055	5.0%
3.3	ATM	946	719	603	-16.1%

3.4	MPOS	40	185	238	28.6%
3.5	POB	2,949	3,141	3,118	-0.7%
3.6	POS	103,688	121,955	169,448	38.9%
3.7	E-commerce	8,187	9,831	11,075	12.7%
3.8	KIOSK (with POS)	902	1,274	1,285	0.9%
3.9	Other	-	-	-	0.0%

Table 2.3. Payment card transaction 2022-2024 (volume in thousands, value in billions of MNT)

№	Terminals		2022	2023	2024	2024/2023 change /%/
1	POS	Volume	606,601.6	640,835.9	677,905.3	5.8%
		Value	16,340.4	18,007.9	19,611.1	8.9%
2	MPOS	Volume	3.6	9.7	17.6	81.3%
		Value	0.2	0.3	0.5	57.3%
3	POB	Volume	988.4	1,345.4	532.7	-60.4%
		Value	230.2	229.0	171.3	-25.2%
4	ATM/CRM/CDM	Volume	86,701.6	76,626.9	64,983.3	-15.2%
		Value	32,179.6	30,816.0	25,718.2	-16.5%
5	E-commerce	Volume	6,140.4	9,699.1	15,610.7	61.0%
		Value	356.6	465.3	635.7	36.6%
6	KIOSK (with POS)	Volume	2,554.7	4,880.0	5,180.4	6.2%
		Value	851.6	12,976.2	19,002.9	46.4%
	Total	**Volume**	**702,990.2**	**733,396.9**	**764,229.9**	**4.2%**
		Value	**49,958.7**	**62,494.7**	**65,139.6**	**4.2%**

2.7 CASH MANAGEMENT

Under the exclusive right to issue national currency granted by the Law on the Central Bank, the Bank of Mongolia carries out key functions including issuing currency, withdrawing it from circulation, and maintaining an appropriate currency structure.

Changes in cash in circulation

As of the end of 2024, the total value of cash in circulation reached MNT 1.22 trillion, representing an increase of MNT 71.6 billion or 6.2 percent compared to the same period of the previous year. In terms of volume, cash in circulation rose by 26.4 million pieces (4.7 percent), totaling 590.6 million notes and coins. The share of cash in circulation relative to the money supply (M2) stood at 2.82 percent, a decrease of 0.24 percentage points from the previous year.

Table 2.4 Cash in Circulation

№	Denomination	Value (million MNT)		Volume (million pieces)	
		2023	2024	2023	2024
1	1 togrog	34.5	34.8	34.5	34.8
2	5 togrog	156.4	157.3	31.3	31.5
3	10 togrog	1,164.1	1,212.0	116.4	121.2
4	20 togrog	1,918.8	1,988.5	95.9	99.4
5	50 togrog	4,223.5	4,484.8	84.5	89.7
6	100 togrog	8,051.0	8,503.3	80.5	85.0
7	200 togrog	37.6	38.8	0.2	0.2
8	500 togrog	9,610.6	10,326.6	19.2	20.7
9	1000 togrog	24,166.6	26,778.3	24.2	26.8
10	5000 togrog	76,473.1	75,555.3	15.3	15.1
11	10000 togrog	220,503.7	231,355.4	22.1	23.1
12	20000 togrog	805,360.0	862,820.3	40.3	43.1
Total		**1,151,699.8**	**1,223,255.4**	**564.3**	**590.6**

In terms of value, high-denomination banknotes account for the majority share. In 2024, the 1,000, 5,000, 10,000, and 20,000 togrog banknotes together accounted for 97.8 percent of the total value of cash in circulation, with the 20,000 togrog note alone accounting for 70.5 percent.

Figure 2.24 Denominational structure of cash in circulation by value

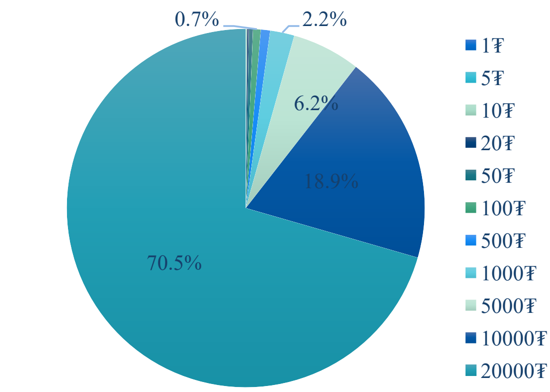
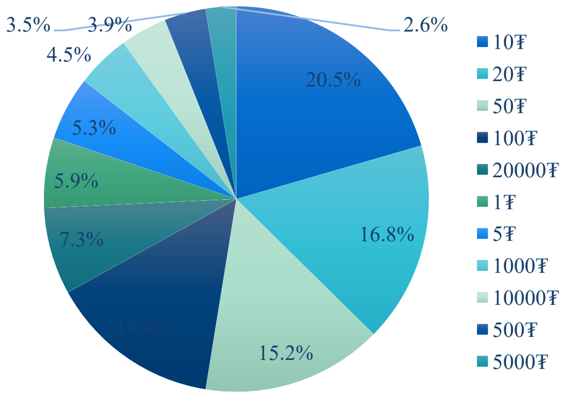


Figure 2.25 Denominational structure of cash in circulation by volume



In terms of volume, low-denomination banknotes ranging from MNT 1 to MNT 100 accounted for the majority share, 78.2 percent of total currency in circulation, while higher denominations from MNT 500 to MNT 20,000 made up the remaining 21.8 percent. The most circulated denominations by volume were the MNT 10 banknote at 20.5 percent, followed by MNT 20 at 16.8 percent, MNT 50 at 15.2 percent, and MNT 100 at 14.4 percent, together representing 66.9 percent of the total.

The volume and value of cash in circulation showed noticeable fluctuations between 2011 and 2019. However, since 2020, these indicators have remained relatively stable, with an average annual growth of 6.5 percent in value and 4.6 percent in volume from 2020 to 2024.

Figure 2.26 The structure of banknotes in circulation, billion MNT, increase/decrease in total value

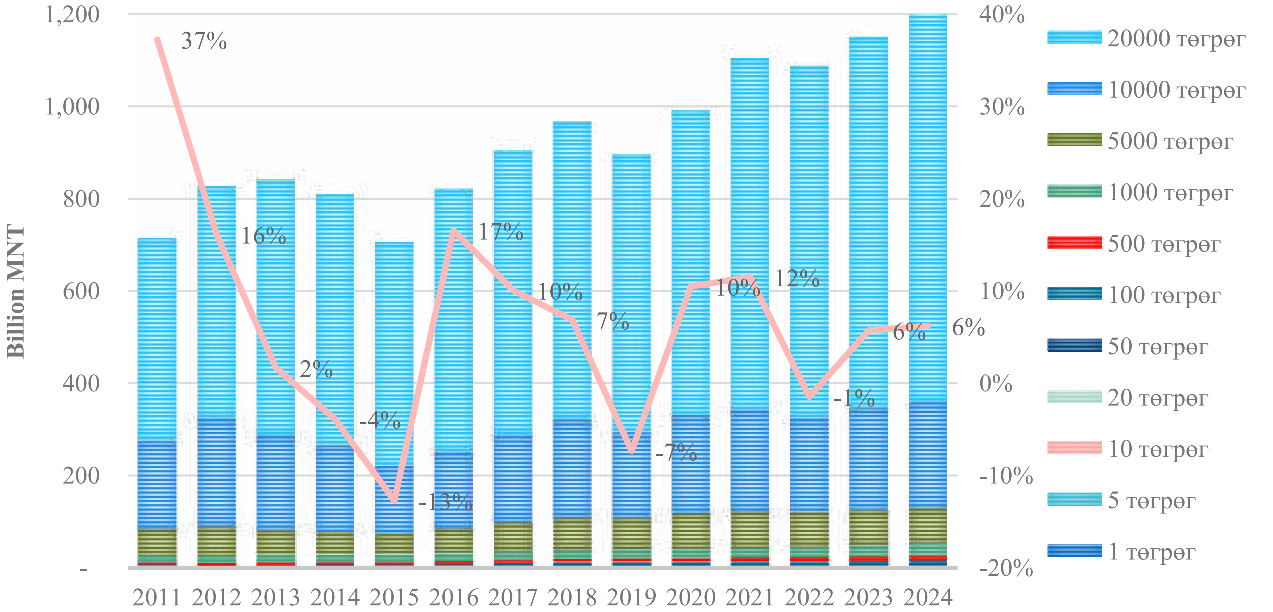
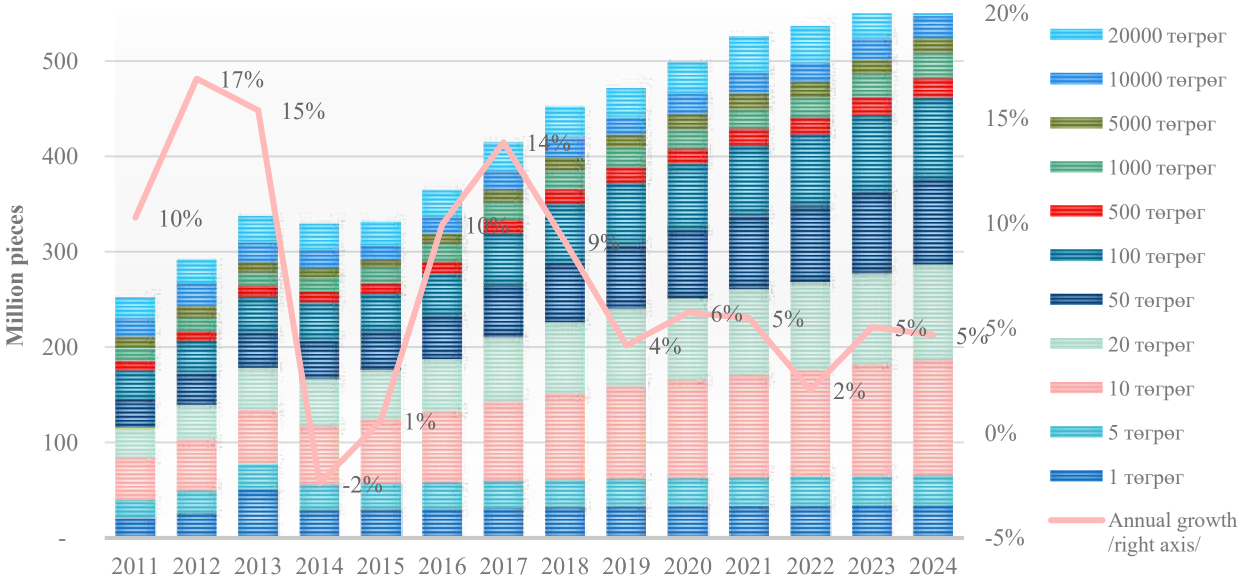


Figure 2.27 The structure of banknotes in circulation, million pieces, increase/decrease in total volume



During the aforementioned period, from 2011 to 2024, the value of cash in circulation increased by an average of 6.9 percent, while the volume of units grew by an average of 7.2 percent.

The Bank of Mongolia has issued a 5000 Togrog commemorative banknote for the 100th anniversary of the establishment of the Modern banking system in Mongolia.

As part of its core functions, the Central Bank of Mongolia is responsible for issuing the national currency, maintaining the proper structure of the currency, printing new banknotes and ensuring the required reserve. Within the scope, the Bank of Mongolia is placing a special emphasis on ensuring the reliability of the national currency, reducing and preventing counterfeited banknotes, and improving the security features of banknotes with the latest advanced technologies, thereby strengthening the national currency's trustworthiness.

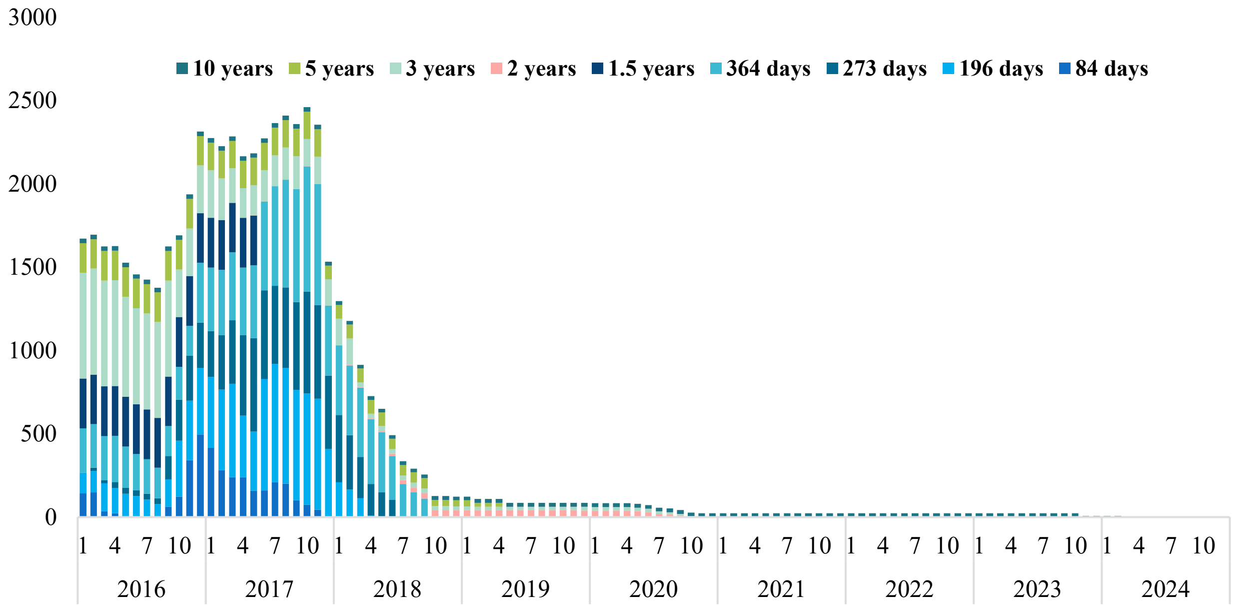
The Bank of Mongolia has issued a commemorative banknote in small quantities in the denomination of MNT 5000 for the 100th anniversary of the establishment and strengthening of the Modern banking system in Mongolia. The banknote was put into circulation on May 31, 2024, by the order of the Governor of the Bank of Mongolia. The MNT 5000 denomination banknotes were reprinted with upgraded public security features with the latest technologies without any changes to the main banknote design approved by the Parliament. The commemorative banknote has the following distinctive features, as included below:

- A color-changing feature, Spark presented the logo of the 100th anniversary of the Modern banking system and a horseman in the lower right corner,
- Visible UV three colors offset SOYOMBO, the Mongolian national symbol,
- Newest machine-readable micro-optic security thread Breeze,
- Tactile feature with six embossed lines for visually impaired people.

2.8 GOVERNMENT SECURITIES

Since October 2012, the government has began issuing securities through the Bank of Mongolia to enhance financial management and develop money market instruments. These risk-free securities, with tax-exempt interest income, attracted investors and supported financial market development by helping establish a yield curve and increasing market activity. However, issuance was halted by the Ministry of Finance in November 2017.

Figure 2.28 Outstanding Government Security amount acquired through the BOM auctions (billion MNT)



Source: Bank of Mongolia

The outstanding balance of Government Security traded through the Bank of Mongolia was fully redeemed in March 2024 (Figure 2.28). Although the "Regulations on the operation of the primary and secondary market of domestic government securities" approved by Resolution No. 77 of the Government of Mongolia on February 20, 2019, are in force, there is no trading of government securities on the secondary market in 2024.

2.9 CENTRAL BANK RESEARCH AND STATISTICS

To support the macroeconomic and financial stability decisions, the Bank of Mongolia conducts research across various fields. Our key research responsibilities include:

- Developing empirical and policy research to support monetary policy formulation and decision-making.
- Conducting empirical research and analysis covering areas of macroeconomics, microeconomics, and financial markets; providing policy recommendations to both management and the public.
- Carrying out sample surveys on economic outlook and expectations, with findings reported to management and the public.
- Publishing working papers and journal articles, presenting the research findings at conferences, and submitting the recommendations to relevant organizations.
- Collaborating with domestic and international experts on research projects.

In 2024, the Bank of Mongolia conducted a range of empirical research and surveys aligned with the Monetary Policy Guidelines 2024. These research efforts were published in domestic and international journals, supporting the Central Bank's policy objectives.

Publications in International Journals:

- "The Macroeconomic Effects of Exchange Rate Movements in a Commodity-Exporting Developing Economy". *International Economics 177(2024) 100475*.
- "Public Debt and Growth in Asian Developing Economies: Evidence of Non-Linearity and Geographical Heterogeneity". *Eurasian Economic Review Volume 24(2024) 421-452*.
- "Money-Output Revisited: Time-Varying Granger Causality Evidence from Forty-Three Countries". *Open Economics Review (2024)*.

Additionally, under the Swiss Central Bank's Capacity Building Program (BCC), the Bank of Mongolia conducted two major studies:

- "Distress Prediction and Stress Testing of Non-Financial Firms: Case of Mongolia",
- "Market Distance and Household Income: Quasi-Experimental Evidence from Mongolia".

Further research studies included topics such as inflation, fiscal policy, and banking sector reforms, as well as three policy studies on climate change and open banking. Moreover, two research studies utilizing big data were published in a domestic journal. Moreover, the Bank of Mongolia conducted and published the following surveys: "Bank Lending Survey", "Survey of Professional Experts", "Purchasing Managers' Index (PMI)", "Consumer Inflation Expectations Survey", "Business Tendency Survey", and "Food and Agriculture Sector Survey".

All research papers are accessible at *https://www.mongolbank.mn/en/research*.

2.10 PUBLIC RELATIONS OF THE CENTRAL BANK

In recent years, communication has become an essential instrument of the Bank of Mongolia's policy toolkit, supporting the effective management of public expectations and contributing to the overall impact of monetary policy. The Bank remains committed to enhancing its communication practices in line with international standards, with a continued emphasis on transparency, openness, and accountability.

As outlined in Section 1.5 of the *Monetary Policy Guidelines 2024*, the Bank will strengthen its public communication in a manner consistent with the inflation-targeting framework. Accordingly, the following activities were undertaken in 2024.

Communication in the context of inflation targeting

The Inflation Report serves as a core communication channel for inflation-targeting central banks, providing the analytical foundation for monetary policy decisions, including policy rate adjustments.

In 2024, the MPC convened quarterly as scheduled. Each policy decision was communicated to the public through official press releases, the Bank's website, and media briefings. To further promote transparency, the Bank's relevant departments provided additional context through interviews and public commentary on the economic outlook and decision-making rationale.

The Inflation Report, which consolidates the underlying assessments and forecasts informing policy actions, was published in accordance with the pre-announced schedule. The report was also disseminated through the Bank's official social media platforms to facilitate broad public access.

Enhancing the Bank's Communication Framework

In 2024, the Bank focused on strengthening its institutional communication strategy through three key measures:

- Improving internal coordination and timely information flow,
- Leveraging modern technologies and communication platforms,
- Ensuring the timely dissemination of information and active media engagement.

Internal Communication and Timeliness

Efficient internal communication is critical to timely and consistent external messaging. The Press and Information Unit, in coordination with the Research and Statistics Department, issued monthly updates on gold purchases and other key indicators, including exchange rate movements, foreign reserves, and mortgage loan trends. These were presented in user-friendly formats such as video content, infographics, and interviews.

The Unit also collaborated with the Monetary Policy Department, Public Financial Education Center, Economic Research and Training Institute, and Financial Information Unit to ensure the timely release of data and policy-related content. Public education programs, including materials on monetary policy and financial literacy, were widely disseminated through multimedia channels.

In celebration of the 100th anniversary of Mongolia's modern banking system, the Bank partnered with its regional branches to deliver a dedicated video series promoting the institution's policy initiatives and historical development.

Adoption of Contemporary Communication Tools

Given the complexity of central bank communications, particularly those involving technical economic content, the Bank adopted contemporary tools to enhance public comprehension. Visual aids—including infographics, posters, and short-form videos—were increasingly used to translate complex data into accessible formats.

In addition to its website, the Bank maintained an active presence on Facebook, Instagram, YouTube, and Twitter, ensuring that relevant information reached a broad and diverse audience.

Public Information Dissemination and Media Relations

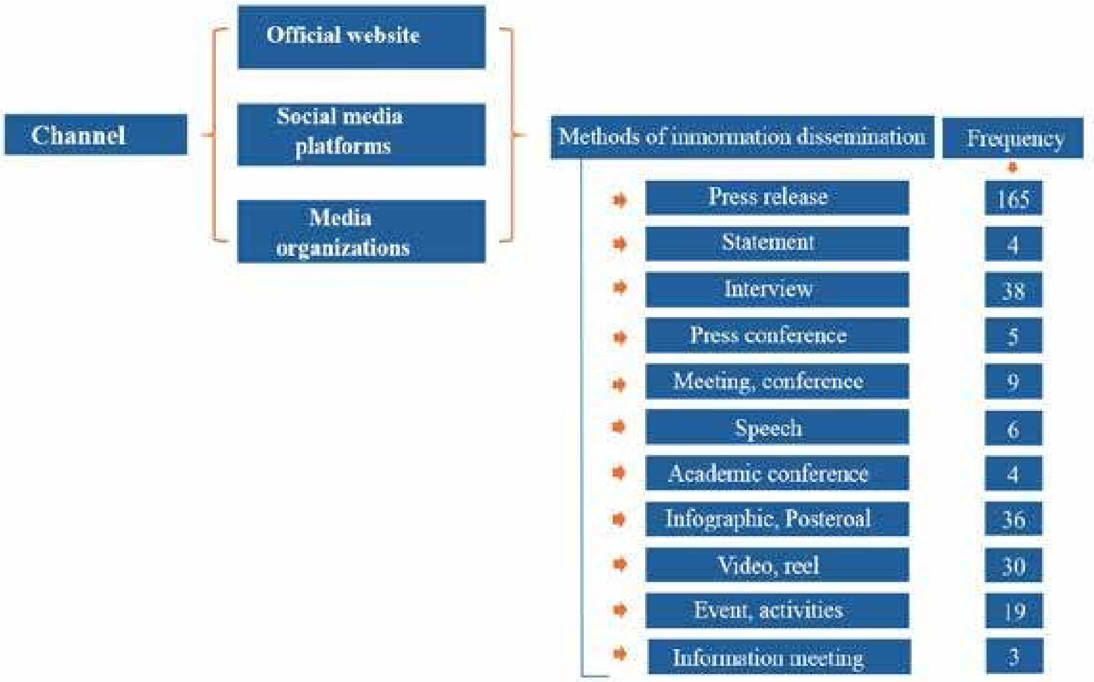
To support timely communication, the Bank prioritized the dissemination of news and announcements through its digital channels. In 2024, a total of 165 updates were published via the Bank's website and social media accounts.

Additionally, the Bank conducted 20 official interviews with senior officials and responded to 18 external media requests, thereby contributing to informed public dialogue and reinforcing the Bank's accountability.

Public Engagement and Stakeholder Outreach

Ahead of the submission of the *Monetary Policy Guidelines 2025* to the Great Hural (Parliament), the Bank organized a series of targeted consultation sessions. These included briefings and discussions with economists, civil society, journalists, and international partners to promote inclusive engagement and informed debate.

Figure 2.29 Communication channels, information types, and dissemination frequencies /2024/



Source: Bank of Mongolia

2.11 INTERNATIONAL RELATIONS

The Bank of Mongolia's international relations policy is centered on aligning with modern central banking trends, localizing research and risk-based policy frameworks, enhancing cooperation with international institutions, and fostering sustainable, long-term development in line with advancements in banking and fintech sectors.

Cooperation with international financial institutions

ASIA:

- To commemorate 100 years of Mongolia's banking system, the Bank of Mongolia hosted the international conference "Modern Central Banking: Challenges and Prospects" in Ulaanbaatar. Leading experts and policymakers discussed monetary policy, financial regulation, greening the financial system, and central bank digital currencies (CBDCs).
- Governor of the Bank of Mongolia, Mr. Lkhagvasuren Byadran, participated in the Asian Financial Forum, addressing the promotion of financial investment, fintech, and green financing in Mongolia. He also held bilateral meetings with representatives from China and Hong Kong on cooperation opportunities.
- At SEACEN's 43rd Board of Governors' Meeting and 59th High-Level Meeting, the Governor shared Mongolia's experiences on inflation, post-pandemic recovery risks, and the role of digital infrastructure in financial inclusion.
- The Governor contributed to the Boao Forum for Asia discussion on deepening financial cooperation, emphasizing Mongolia's role in regional economic integration and climate change response.
- The 23rd SEACEN Payment and Settlement Systems Committee meeting was hosted in Ulaanbaatar,

bringing over 30 delegates from 14 Southeast Asian countries to discuss payment modernization, digital currencies, and cross-border payments, with participation from the World Bank and Asian Development Bank.

- At SEACEN's 60th High-Level Seminar and 44th Governors' Conference, the Governor addressed the impact of geo-economic fragmentation on Asian economic policies.
- At the UN High-level Regional Conference on Development Financing for Asia-Pacific, the Governor highlighted the need to strengthen domestic financial resources, sustainable investment, public debt management, and regional cooperation.

EUROPE:

- At the European Bank for Reconstruction and Development (EBRD) 2024 Annual Meeting, discussions centered on macroeconomic shifts, improving financial access, renewable energy, sustainable infrastructure, inclusive growth, and digital innovation.
- The Governor participated in the Bank for International Settlements (BIS) 94th Annual General Meeting, discussing AI risks in cross-border payments and monetary policy lessons regarding inflation.
- Participated in a Swiss SECO-funded bilateral assistance program panel on economic cycles and capacity building.

UNITED STATES OF AMERICA:

- The Governor of the Bank of Mongolia attended the Spring Meetings and Annual Meetings jointly organized by the International Monetary Fund (IMF) and the World Bank. These events included key sessions such as those of the IMF's Development Committee and the International Monetary and Financial Committee, where the progress of the institutions' work was reviewed. The meetings brought together central bank governors, finance ministers, business leaders, members of parliament, and representatives of civil society to discuss the global financial and economic outlook.

Bilateral and multilateral cooperation

The Bank of Mongolia continues to strengthen and expand bilateral and multilateral cooperation to support financial stability, innovation, and sustainable economic development.

- The Governor of the Bank of Mongolia met with the Governor of the People's Bank of China, Mr. Pan Gongsheng, to discuss extending the bilateral currency swap agreement and enhancing cooperation in payment systems. This meeting marked significant progress in deepening financial ties and strengthening economic relations between Mongolia and China.
- The First Deputy Chairman of the National Bank of the Republic of Belarus, Mr. S.V. Kalechitsa, along with banking sector representatives, conducted an official visit to Mongolia. Discussions focused on enhancing bilateral banking cooperation and support for trade activities between Belarus and Mongolia.
- Mr. Laurent Wehrli, Member of the Swiss National Council and Chairman of its Foreign Affairs Committee, visited Mongolia and met with the Governor to discuss bilateral cooperation and SECO-funded capacity-building programs for central banks. They also explored the possibility of establishing a Swiss commercial bank branch in Mongolia.
- Within the framework of the Russia-Mongolia-China Economic Corridor initiative, the Governor held consultations with the Russian Ambassador to Mongolia, H.E. A.N. Yevsikov, on the potential formation of a trilateral joint bank to support regional economic integration.
- The Governor engaged with Mr. Allen Forlemu, IFC Asia-Pacific Regional Director, exchanging

views on Mongolia's macroeconomic outlook and opportunities for collaboration on financial sector development projects.

- The Governor welcomed Ms. Odile Renaud-Basso, President of the European Bank for Reconstruction and Development (EBRD), discussing ongoing and future cooperation.
- In Moscow, discussions with the Governor of the Central Bank of the Russian Federation, Elvira Nabiullina, addressed bilateral banking systems and cross-border payment settlement challenges.
- The Governor also met with Mr. Bhargav Dasgupta, Vice President of the Asian Development Bank (ADB), focusing on Mongolia's economic outlook, private sector support, and enhanced fiscal management cooperation.
- At the High-Level Conference on Development Finance for Asia-Pacific, the Governor met with Ms. Armida Salsiah Alisjahbana, UN Under-Secretary-General and Executive Secretary of ESCAP. They discussed a joint project to integrate climate risk scenario analysis into Mongolia's regulatory framework. The Governor highlighted Mongolia's rising natural disaster risks due to climate change, creating credit and financial challenges in agriculture and banking. The discussion further covered ESCAP's collaboration with Mongolia's government ministries on sustainable development initiatives.

Bilateral Memoranda of Understanding

- **Kyrgyzstan:** During an official visit from February 26 to March 1, 2024, Governor Lkhagvasuren B. and Chairman of the State Great Khural, G. Zandanshatar, signed a Memorandum of Understanding with the National Bank of the Kyrgyz Republic. An additional MoU was signed with Kyrgyzstan's gold refinery, strengthening bilateral economic ties.
- **Belarus:** The National Bank of the Republic of Belarus and the Bank of Mongolia formalized their friendly relations by signing an MoU aimed at expanding cooperation between the two central banks.
- **European Bank for Reconstruction and Development (EBRD):** An MoU was signed to implement the "Women Entrepreneurs Finance Code" (WE Finance Code) program funded by the EBRD. The program seeks to enhance financial access for women-led micro, small, and medium enterprises (WMSMEs) globally and is being rolled out in over 20 countries during 2024–2025. It fosters collaboration between financial service providers and stakeholders to increase financing opportunities for women entrepreneurs.

2.12 TREASURY FUND AND MONEY MUSEUM

The Treasure Fund was established in 1983 by Resolution No. 101 of the Council of Ministers (currently the Government) of the Republic of Mongolia under the name *State Fund of Valuables and Treasures*. Its primary purpose is to preserve, protect, and enrich Mongolia's unique historical and cultural valuables and movable heritage. The Fund's responsibilities include the cataloguing, exchange, storage, and conservation of these items, as well as organizing exhibitions, publishing related materials, budgeting, and reporting to Parliament on fund performance.

To commemorate the 100th anniversary of the establishment of Mongolia's banking sector, several significant initiatives were undertaken in 2024:

- The "Bank 100" exhibition, organized by the Mongolian Numismatic Association, was held at the Genghis Khan Museum, showcasing a century of monetary and banking history.
- In collaboration with the Institute of History and Ethnology of the Mongolian Academy of Sciences,

extensive archival research covering the period 1924–2024 was conducted.

- Two publications, "Bank: 100 Historical Bureaus" and "Mongolbank-100 Document Compendium" Vol. I was released to the public, providing valuable insights into the evolution of Mongolia's banking institutions over the past century.

These activities reflect the Treasury Fund's ongoing commitment to public education, cultural heritage preservation, and celebration of national economic milestones.

Commemorative coin

The Bank of Mongolia has been issuing and distributing commemorative coins since 1971. In line with Article 16.2.2 of the Law on the Treasury Fund, the Bank research themes and designs for commemorative coins made from precious metals to mark national milestones and significant historical or cultural events. The Bank oversees the full lifecycle of commemorative coin issuance, including production, acceptance, pricing, distribution, and reporting. Utilizing the latest technologies such as Smartminting 4.0 and Ultra High Relief engraving, each coin reflects both artistic excellence and modern minting innovations while effectively promoting Mongolia's heritage and values to the public.

In 2024, the Bank of Mongolia commemorated its 100th anniversary with the release of a special "Bank of Mongolia 100 Years" commemorative coin, issued in three formats: 2 oz and 5 oz silver coins, and a 5-gram silver note. These coins feature high-relief engravings of the Bank's headquarters and other historical buildings in Ulaanbaatar, symbolizing a century of monetary history and progress.

In addition, several other thematic coins were issued in 2024:

- "The Decree of Khubilai Khaan" Silver Note: Released in five grams and, for the first time, a 1 oz (31.1 grams) version, this coin artistically depicts Khubilai Khaan issuing a decree in 1260 introducing paper currency during the Yuan Dynasty.

- "The Dragons" Commemorative Coin: Showcasing a Hun-era twin dragon artifact, this coin highlights a treasure that was recognized in 2019 as one of the world's top ten archaeological discoveries, underscoring Mongolia's rich ancient heritage.

- "Khubilai Khaan's Navy" Commemorative Coin: Issued in collaboration with the National Center for Cultural Heritage, this coin marks the 750th anniversary of Khubilai Khaan's naval expedition. It commemorates the Mongol fleet's historic shipwreck, discovered off the coast of Takashima Island, Matsuura City, Japan. The launch event for this coin took place in Fukuoka, Japan.

- The design and accompanying research materials are based on three decades of scholarly work by Japanese researchers, with the support and approval of the Matsuura City Government, local museums, Nara University, and Kokugakuin University. The project also received strong backing from the Honorary Consulate of Mongolia in Fukuoka.

As of Q4 2024, commemorative coins, gold and silver bars, and silver pellets amounting to a total value of MNT 4,65 billion were sold.

2.13 IMPROVING THE FINANCIAL AND ECONOMIC LITERACY OF THE PUBLIC

To ensure financial stability and foster the development of Mongolia’s financial market, efforts are underway to enhance public financial literacy. These initiatives are being implemented under two key strategic documents approved by a decree of the Governor of the Bank of Mongolia: the *Strategy for Enhancing Citizens' Economic Knowledge* and the *Strategy for Improving Basic Financial Education (2024–2030)*. Within this framework, the following activities have been carried out:

Within the framework of the strategy for improving basic financial education 2024-2030:

As of 2024, the Bank of Mongolia and its partners continued to implement targeted financial literacy training programs, reaching a total of **12,900 individuals** nationwide. These initiatives were designed to enhance the financial capability of key groups and promote informed financial decision-making. Key activities included the following:

- “Module 1” training for **120 State Bank customer service advisors**.
- Training for **250 citizens** in cooperation with the Khan-Uul District Lifelong Education Center.
- Specialized sessions for **Cyber Crime Division investigators** on financial and digital systems.
- Training for **1,354 students** across five secondary schools under the “Jiguur” project.
- Outreach to **1,017 public sector employees**, including military, police, and civil servants, and **6,518 high school students**.
- A training-of-trainers program reached **395 trainers** from banks, NBFIs, and over ten provinces, boosting long-term capacity in financial education.

Within the framework of its financial education strategy, the Central Bank of Mongolia has actively implemented a variety of public engagement initiatives and nationwide awareness campaigns aimed at enhancing financial literacy among different population groups. Key campaigns in 2024 included:

- Global Money Week (Mar–Apr) under the theme “Protect your money, secure your future” reached 328,628 people, starting in Bayan-Olgii province.
- World Savings Day 2024, themed “Let’s save with a purpose,” reached 2.97 million people via trainings and social outreach, launched in Nalaikh District, Ulaanbaatar, and concluded in Erdenet city, Orkhon Province.

Other highlights:

- A multi-agency working group began integrating financial education into the school curriculum, piloting programs in primary education.
- Participation in OECD/INFE Technical Committee meetings in Costa Rica and Indonesia strengthened international collaboration.
- The Bank expanded its digital outreach with the launch of a financial literacy podcast, the “Financial Education” mobile app, and an animated version of the children’s comic book *Anar and Anu Visit the Bank of Mongolia*.
- Educational materials distributed included 15,000 handbooks, 3,000 comic books, 1,500 business studies textbooks, and 2,000 personal finance notebooks.
- Initiated by the Speaker of Parliament, the “Level UP” program was jointly approved by the Financial

Regulatory Commission, the General Authority for Education, and the Deposit Insurance Corporation of Mongolia. The program aims to enhance financial literacy among high school students while empowering teachers and schools.

Activities implemented under the framework of the "Strategy to improve the economic literacy of citizens":

The strategy for enhancing economic literacy is being implemented across four key target groups: children and youth, journalists, the general public/financial consumers, and small and medium-sized enterprises (SMEs). Tailored initiatives were implemented in 2024 to meet each group's specific needs:

- **Journalists:** 500 copies of the *Economic Handbook for Journalists* were published, and a training session was held at the Orkhon Province branch for thirty journalists to enhance economic reporting skills.

Public Resources: A revised *Economic and Financial Glossary* was launched at e-toli.mn, in cooperation with the University of Finance and Economics and the Financial Regulatory Commission.

SMEs: Financial literacy training for SME professionals was conducted at the Capital City's SME Development Support Center, reaching around forty participants under a medium-term plan initiated in 2021.

Youth and Children: A Memorandum of Understanding was signed with Aflatoun International to improve financial education programs and resources for young people in Mongolia.

Public Engagement: To promote economic transparency, the Bank published and distributed 500 copies of the *2023 Highlights*, 300 copies of the *2023 Annual Report*, and 300 copies each of the *2025 Monetary Policy Guidelines* and the *Monetary Policy Vignette* bulletin.

- **Governance Awareness:** Following the 2021 Banking Law amendments, a discussion on "Rights and Responsibilities of Bank Shareholders" was held to promote corporate governance and financial consumer protection.

GOVERNANCE, STRUCTURE AND OTHER OPERATIONS OF THE CENTRAL BANK

3

3.1 ORGANIZATIONAL STRUCTURE AND HUMAN RESOURCES OVERVIEW

The Bank of Mongolia conducts its main activities through 13 departments, 1 center, 1 institute, 4 independent units, 5 regional divisions, 12 branches, and 2 overseas representative offices. In line with the Governor's decree, new representative offices were established in New York and London, enhancing the Bank's international presence in the United States and Europe.

To mark the 100th anniversary of Mongolia's modern banking system, the Bank of Mongolia honored professionals across the financial sector with 24 Honorary Banker titles, 321 Chief Financial Officer awards, 581 Honorary Bank of Mongolia Awards, and 876 Certificates of Appreciation in recognition of their contributions.

As part of its medium-term operational reform program launched in 2024, the Bank implemented key initiatives to improve its structure, strengthen human resource capacity, modernize the legal and regulatory environment, enhance institutional collaboration, and introduce advanced technologies.

The Bank of Mongolia has adopted a comprehensive human resources policy aimed at enhancing staff capacity, improving management and organizational structures, and ensuring the stable employment of highly skilled and knowledgeable personnel. Continuous efforts have been made to provide training and professional development opportunities, while also improving employee working conditions, remuneration, and social welfare.

The Bank also advanced a phased digital transformation, adopting modern technologies to facilitate secure data storage, sharing, and analysis, and to enhance internal collaboration in a digital environment.

As part of its corporate social responsibility, the Bank organized a charitable initiative for children in remote soums of Arkhangai province, distributing books, notebooks, toys, and other gifts to local schools and kindergartens.

3.2 INTERNAL AUDIT

As the third line of defense in the Bank of Mongolia's risk management framework, the Internal Audit Department operates in accordance with applicable laws and regulations by the Institute of Internal Auditors' (IIA) Code of Ethics and the International Professional Practices Framework (IPPF). Using a risk-based, systematic, and disciplined approach, the department supports the Bank's strategic objectives by evaluating and enhancing risk management, internal controls, and operational efficiency.

Key activities completed in 2024 include:

- **Audit Coverage:** In line with the 2024 audit plan, the department conducted 27 audits and assessments, including compliance, financial, and performance audits of 9 headquarters departments and units, 12 regional branches, the Deposit Insurance Corporation of Mongolia, and the activities of bank receivers. Two special audits were conducted at the Governor's direction. Results were submitted to management, with follow-up on recommendations.

- **Remote Monitoring:** The operations of 17 local branches were remotely monitored quarterly, with findings and recommendations regularly reported to the Governor.
- **Internal Quality Assessment:** A quality review, conducted by a task force appointed by the Governor, rated the department as "Partially Conforming" to international audit standards and the Bank's Internal Audit Charter.
- **Governance Reporting:** The department maintained regular reporting to the Bank's Supervisory Board and ensured effective cooperation with relevant departments and units promptly.
- **Inter-Agency Collaboration:** The department facilitated the establishment of a Memorandum of Cooperation between the Bank of Mongolia and the Mongolian National Audit Office to promote collaboration and mutual information exchange.
- **External Audit Coordination:** The department oversaw the selection and engagement of an external audit firm to certify the Bank's 2023 financial statements, ensuring the audit was completed within schedule.
- **Professional Development:** The department's leadership was elected to the board of the Mongolian Institute of Internal Auditors (MIIA), the official national chapter of the Institute of Internal Auditors (IIA). Staff actively participated in MIIA's annual conferences and professional training programs aimed at enhancing audit competencies, gaining insights from international best practices, and exchanging experiences with other member institutions.

3.3 RISK MANAGEMENT

Within the scope of the management of financial risks related to the foreign exchange reserve management and central bank lending and financing operations, the Bank of Mongolia set strategic asset allocations, benchmarks, and limits for exposure on foreign counterparts, monitored their performance metrics, provided detailed reports to ensure transparency and accountability, defined the criteria for eligible collaterals for central lending operations, developed a list for eligible assets that can be pledged as collateral for central bank lending and financing operations, determined appropriate haircuts used for collateral valuations, developed standardized methodologies for valuing fair values of the financial instruments, and monitored their compliances. Moreover, within the scope of non-financial risk management, the bank implemented operational risk management and business continuity management.

Financial risk management

Risk management of foreign exchange reserves

In the reporting period, within the frame of financial risk management, by considering macro factors such as currency composition of the country's external debt, the currency composition of imports, foreign transaction outflows by domestic banks, and the currency composition of the domestic foreign exchange market, the bank determined the optimal mix of currency composition and asset allocation of the reserves composed of highly liquid instruments with permissible market risks and monitored their performances. At the same time, to manage and minimize the market risk in an environment of highly volatile interest rates, the bank determined the optimal duration along with its permitted deviation for each tranche within the total reserve.

Amid a global environment of declining inflation and economic uncertainty in major developed countries, central banks began gradually lowering policy rates. Nevertheless, long-term interest rates remained above historical averages, leading to sustained high financing costs. In the United States, a robust labor market, decline in inflation, and strong stock market performance supported an overall economic growth, but uncertainties and higher inflation outlook arising from the results of the presidential election maintained high long-term interest rates, thereby the higher interest rates in the USA adversely affected currency rates of Asian countries against USD.

In China, the ongoing real estate market downturn weakened consumer confidence and increased deflation risks. In response, the Chinese government and the central bank implemented a series of economic stimulus measures that contributed to a gradual recovery in the overall economy and domestic stock markets by year-end, but throughout 2024, economic slowdown, trade war tensions, and regional geopolitical risks impeded China's growth from reaching its pre-pandemic level.

In the Eurozone, political instability, especially due to the formation of coalition governments following parliamentary elections in major economies such as Germany and France, and heightened geopolitical risks contributed to the region's economic stagnation. These global political and economic developments were key factors considered in the Bank of Mongolia's foreign exchange reserve management. Continuous risk assessments were conducted throughout the year, and timely reports and analyses were developed and reviewed at the senior decision-making level.

The Bank focused on managing major categories of risk associated with the foreign exchange reserves, including credit risk, settlement risk, and market risk, particularly exchange rate and interest rate risk. As part of efforts to enhance the strategic asset allocation framework, the Bank conducted detailed analyses on central bank gold demand, optimal gold allocation ratios, and international central banking gold investment policies. These findings were incorporated into the Bank's reserve management practices.

Due to economic instability and increased pressures of financing rates on national budgets, major credit rating agencies downgraded the credit rating outlook for the United States, France, and China, as well as for some banks and financial institutions. In response, the Bank of Mongolia continuously monitored these developments and within the scope of the credit risk management, it conducted financial capacity analyses of foreign counterparts and financial institutions every quarter, covering key financial indicators, credit ratings, stock price dynamics, CDS spreads, and significant news related to these institutions. Additionally, the Bank conducted research on the data and methodologies used by credit rating agencies and consistently applied the findings to enhance its credit risk analysis.

In 2024, the Bank of Mongolia effectively managed the liquidity risk of its foreign exchange reserves by dividing the total reserves into short-term and long-term investment portfolios. The appropriate size of the short-term, highly liquid portfolio was determined using methodologies recommended by the International Monetary Fund (IMF) and other central banks. This assessment was based on historical data related to total external debt, the debt repayment schedule for the upcoming year, and key macroeconomic indicators such as projected exports and imports.

Besides, the market valuation of the financial assets in the total reserves, performance on risk, return, strategic asset allocation, and exposure limits were computed daily, and relevant reports were prepared. In addition, pertinent research was undertaken to study the practices of reporting as practiced by other central banks and international financial institutions, and subsequently, the best practices were incorporated into reserve management reporting.

In addition, research and review efforts were conducted to strengthen the governance framework for foreign exchange reserve management. A revised regulation governing the Investment Council of the Bank of Mongolia was developed and approved. Complementary research was also undertaken to revise the broader reserve management regulations and develop a new investment policy document. Recommendations and insights from international organizations were taken into consideration during this process to align the Bank's governance practices with global standards.

Risk management of monetary operations

Within the framework of implementing monetary policy and financial stability objectives, the Bank of Mongolia managed the credit risk through collateral policies, including determining the types of eligible assets that can be pledged as collateral for loans and financing, developing the relevant methodology for calculating fair value, and determining haircuts for collateral assets. Regular collateral valuations are conducted by the Bank of Mongolia to ensure the adequacy of collateral assets following its collateral policy framework.

The Bank of Mongolia's collateral list has been renewed when it is necessary to increase the effectiveness of the Bank of Mongolia's monetary policy instruments and determine appropriate measures to be taken within the framework of the central bank's financial risk management. Within the framework of collateral policy, researches were conducted to revise the haircut rates for securities in the collateral list by performing calculations based on the rationale to determine the appropriate levels of haircuts by calculating VaR, adjusting for the holding period of securities and considering liquidity risks and “Revised list of securities to be used as collateral for granting loans and financing to banks and purchased under repo contract by the Central Bank” was approved by the Governor of the Bank of Mongolia in 2024.

The research on improving methodology used to estimate expected credit losses from financial assets has been conducted, and the result has been incorporated into the calculations. According to the "Guideline on Risk Assessment of Financial Assets" developed in line with the International Financial Reporting Standard 9, expected credit losses from certain types of financial assets owned by the Bank of Mongolia have been computed, and appropriate provision has been established.

In line with the growth of total assets of central banks and changes in the structure of balance sheets, the issue of identifying and managing possible risks for central banks has become a crucial issue. Following international practice, the Bank of Mongolia analyzed the items in the financial statements by risk categories and prepared the risk assessment report quarterly and exchanged the information within the management as a part of measures to identify, assess, and manage potential risks.

Non-financial risk management

Operational risk management

During the reporting year, the Bank of Mongolia focused on strengthening its operational risk management framework. This included conducting theoretical research and studying leading practices adopted by other central banks. As a result, the Bank enhanced its risk governance framework and successfully implemented tools and methodologies for risk identification and assessment.

Notably, the Bank conducted a comprehensive Risk Control and Self-Assessment (RCSA) exercise, a commonly used tool in operational risk management, involving all employees. Based on the assessment results, relevant risk mitigation measures were implemented.

In addition, the Bank continued to update and enrich its risk incident database with detailed records of each risk event as they occurred. The performance of key risk indicators (KRIs) related to operational risk was closely monitored and reported on a regular basis. This approach enabled the Bank to measure operational risk with greater accuracy, identify root causes, and take timely corrective actions.

As part of these efforts, a risk mapping assessment was conducted on the operations of the Credit Information Unit. Based on the findings’, targeted actions were taken to reduce identified operational risks in that area.

To support the ongoing implementation of the risk management framework, the Risk Management Unit conducted regular training sessions and meetings for operational risk coordinators across departments, new staff members, and employees at regional branches. These efforts contributed to building organizational awareness of risk management, fostering a risk-conscious culture, and strengthening inter-departmental coordination in managing operational risks.

Business continuity management

The Risk Management Unit extensively monitored the implementation of plans and regulations designed to ensure the continuity and reliability of operations of the Bank of Mongolia, as well as contingency plans to be followed in emergency situations. In addition, the Bank of Mongolia continues to aim to strengthen its risk culture by enhancing the employees' knowledge and understanding of operational risk and business continuity management, while also promoting professionalism and accountability among stakeholders involved in operational risk management. To this end, the Bank organized meetings and training sessions under the theme "Business Continuity Management at the Bank of Mongolia".

3.4 INFORMATION TECHNOLOGY

In 2024, the Information Technology Department successfully implemented numerous initiatives aimed at enhancing the organization's IT infrastructure, strengthening security, and deploying modern technologies and software solutions. The key activities undertaken during the reporting period are summarized below:

Core Infrastructure and System Enhancements:

Ensuring the stable operation of both systems and servers

- Conducted maintenance and automation tasks to identify and resolve system and server issues promptly.
- Timely renewal of software and hardware licenses ensured uninterrupted operations throughout the year.

Testing of Storage and Backup Solutions

- Deployed Xopero ONE and Veeam Replication systems in a test environment and evaluated their operational effectiveness.
- Investigated Virtual Tape Library (VTL) solutions by installing Quadstor VTL in a Linux environment and performed data storage and backup tests.

Network and Server Improvements

- Integrated the QCBS system's test environment with the ome.mongolbank.mn platform, enhancing the monitoring and control framework.
- Installed VxRail management switches to expand the monitoring system's capacity.
- Deployed the Oracle RAC Database system at the Darkhan backup center and successfully evaluated backup file restoration procedures.
- Configured Data Guard settings and added additional nodes to the Loan Database system to ensure high availability and prevent data loss.

Security Enhancements

- Implemented FortiPAM within the Privileged Access Management (PAM) framework to strengthen access controls.

Wireless Network Upgrades

- Established and configured a new wireless network to meet the requirements of the Government Working Group.

- Increased throughput for “Employees” and “Guest” wireless networks by deploying FortiAP221e access points.

Within the scope of software development

Centennial Website for the Bank of Mongolia: To commemorate the 100th anniversary of the establishment and consolidation of Mongolia’s banking system, the department launched a dedicated Bom100 website. The site features news updates, event schedules, registration forms, as well as multimedia content including videos and photo galleries.

Erdenesiinsan.mn Website: To promote and sell commemorative coins and introduce the Treasury Fund’s exhibits to the public, a new website, erdenesiinsan.mn, was developed and launched. The site includes an introduction to the Bank of Mongolia’s Treasury Fund, brief descriptions of exhibition halls and exhibits, an online store for commemorative coins, and electronic versions of related booklets.

“Modern Central Banking: Challenges and Prospects” Web Page: As part of the 100th anniversary of the banking sector, the department created and published a dedicated website for the summit *Modern Central Banking: Challenges and Prospects* on mongolbank.mn.

Economic and Financial Glossary: The online glossary toli.mongolbank.mn (etoli.mn) was launched in partnership with the Public Education and Information Center. It includes approximately 3,700 Mongolian and English economic and financial terms organized into 11 chapters, with a feature allowing the public to suggest new terms.

Training Platform for Financial Information Stakeholders: An interactive training platform was developed to support government agencies, professional associations, and other reporting entities in capacity-building and information dissemination.

CATI (Computer-Assisted Telephone Interview) System: The Bank of Mongolia introduced a comprehensive CATI system to collect survey data from citizens and businesses via IP phones, computers, and tablets. This system enhances data quality, security, and efficiency, facilitating timely and informed monetary policy decisions.

Long-Term Swap Transaction Evaluation Program: In cooperation with the Risk Management Unit, a new evaluation module was developed and integrated into the long-term swap transaction system to enhance risk assessment and management.

3.5 MEASURES OF ANTI-MONEY LAUNDERING AND COMBATING FINANCING OF TERRORISM

The Financial Information Unit (FIU) has been implementing AML/CFT National Strategy of Mongolia and its Action Plan to combat money laundering and terrorist financing, in collaboration with relevant organizations, and following activities within the scope of the Monetary Policy Guidelines for 2024.

National strategy for anti-money laundering and terrorism financing (National strategy)

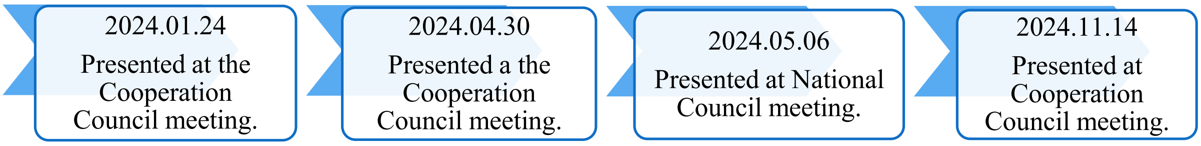
Pursuant to Article 24.2 of the Law on the Government of Mongolia and Article 22^1.1 of the Law on AML/CFT, " National strategy for anti-money laundering and terrorism financing" (hereinafter referred to as "National strategy") was approved by Resolution No. 265 of the Government of Mongolia in 2022.

The National Strategy has been developed in alignment with the outcomes of Mongolia’s National Risk Assessment (NRA), the Mutual Evaluation Report, and the recommendations from international organizations. In response to the evolving risk landscape, “Action Plan for the Implementation of the National Strategy for

Anti-Money Laundering and terrorism financing" was revised and updated under Order No. A/189 of 2024, issued by the Chair of the National Council (Minister of Justice and Internal Affairs).

In accordance with Sections 5.5 and 5.7 of the National Strategy, organizations have reported on and evaluated the progress and implementation of the action plan during the meetings of the National Council and the Cooperation Council.

Figure 3.1 Implementation Status presented at the meetings of the National Council and Cooperation Council



Of the total 195 tasks outlined in the plan, 27 tasks are scheduled for completion in 2024, 8 tasks are set to commence in 2024, and 30 tasks are designated as recurring or ongoing activities to be implemented annually. Based on a consolidated review of the progress reports submitted by the respective organizations, it has been determined that, out of the 27 tasks scheduled for completion in 2024, 9 have been completed, 16 are currently in progress, and 2 have not yet been initiated. Meanwhile, all 30 recurring or ongoing tasks are being executed as planned.

Mongolia's follow-up report

Mongolia submits its annual technical compliance updates on the FATF 40 Recommendations, the international standards for combating money laundering, terrorist financing, and the financing of the proliferation of weapons of mass destruction, to the Asia/Pacific Group on Money Laundering (APG). In this context, the Financial Information Unit, in collaboration with the member organizations of the Cooperation Council, submitted the Follow-Up Report for 2024, without a re-rating request, on February 1, 2024. Reports submitted without a re-rating request were discussed during the APG Mutual Evaluation Committee's online meeting on April 4, 2024, where it was decided to endorse Mongolia's Follow-Up Report out-of-session.

The 26th Annual Meeting of the APG took place in Abu Dhabi, United Arab Emirates, from September 21 to 27, 2024. Representatives from the Bank of Mongolia, the Financial Regulatory Commission, the General Intelligence Agency, the National Police Office, the Counter-Terrorism Council, and the Independent Authority Against Corruption attended the meeting.

During the meeting, the APG's Co-Chair acknowledged Mongolia's efforts in combating money laundering, stating, "Mongolia has become the 5th country globally and the first in the Asia-Pacific region to fully comply with all 40 FATF Recommendations, including the updated evaluation of Recommendation 15. They have been sharing their experience internationally regarding efforts related to virtual assets."

Domestic and international cooperation

Domestic cooperation

Domestic public-private cooperation is crucial for strengthening the system to combat money laundering, terrorist financing, and the financing of the proliferation of weapons of mass destruction. In this regard, the 19 state organizations that are members of the National Council for Combating Money Laundering and Terrorism Financing, as well as the Cooperation Council, engage in regular collaboration. The Financial Information Unit serves as the secretariat of the Councils and is responsible for organizing its meetings.

Figure 3.2 Composition of the National Council and Cooperation Council

National Council

- Minister of Justice and Home Affairs (Chair of the Council)
- Head of the General Intelligence Agency (Deputy Chair)
- Head of the FIU-Mongolia (Secretary)
- Minister of Finance
- Minister of Digital Development, Innovation and Communications
- Chief Cabinet Secretariat
- First Deputy Governor of Bank of Mongolia
- Deputy Prosecutors General
- Deputy Director of the Independent Authority Against Corruption
- Executive Secretary of the Judicial General Council
- Head of the Department of International Law and Treaty at the Ministry of Foreign Affairs
- Director General of the Customs General Administration
- Commissioner of the General Department of Taxation
- Chairman of the General Authority for State Registration
- Vice Chair of the Financial Regulatory Commission
- First Deputy Commissioner of the National Police Agency
- First Deputy Head of the General Executive Agency of Court Decision

Cooperation Council

- Bank of Mongolia
- FIU-Mongolia
- The General Intelligence Agency
- Ministry of Finance
- Ministry of Justice and Home Affairs
- Financial Regulatory Commission
- Supreme Court
- Metropolitan Court of Criminal Appeals
- General Council of the Judiciary
- State General Prosecutor's Office
- Ministry of Foreign Affairs
- Counter-Terrorism Council
- Independent Authority Against Corruption
- National Police Agency
- General Authority for State Registration
- General Department of Taxation
- Customs General Administration

In 2024, the National Council held one meeting, while the Cooperation Council convened three times, as follows.

Figure 3.3 Meetings of National Council and Cooperation Council

During these meetings, the following topics were discussed and decided upon to strengthen Mongolia's AML/CFT. These include:

- Issue the National Council's recommendations regarding the conduct of the National Risk Assessment and sectoral risk assessments and deliver to all member organizations of the National Council and the Cooperation Council through the FIU.
- Issue a recommendation from the National Council to establish a dedicated unit or structure responsible for investigating tax crimes, with the aim of enhancing the investigation of such crimes.
- The Chair of the Council has assigned the Independent Authority Against Corruption to undertake public outreach and educational initiatives concerning the amended Law on Public and Private Interests and the Prevention of Conflict of Interest in Public Service.
- Support the draft order to amend the "National Strategy for anti-money laundering and financing of terrorism" program.
- Submit Mongolia's 2024 Follow-up Report to the APG by February 1, 2024.

- Present about submitting Mongolia's request to exit the Enhanced Follow-Up of the APG to the National Council.
- Approve the 2024 action plan of the Cooperation Council.
- Ensure the timely dissemination of information regarding international conferences and training events organized globally to the member organizations of the Cooperation Council through the FIU.
- Introduce the proposal to conduct the National Risk Assessment and the need for AML/CFT legal and regulatory reforms at the National Council meeting.
- Establish a working group under the National Council to assess the effectiveness of the AML/CFT system in accordance with FATF's 11 Immediate Outcomes.
- Consolidate proposals for amendments from member organizations to the operational guidelines of the Cooperation Council.

International cooperation

Mongolia has prioritized the expansion of international cooperation by actively participating in training courses, reviewing and providing feedback on reports of other countries, completing questionnaires related to the fight against money laundering and terrorist financing, sharing best practices, typologies, and practical examples, and supplying other relevant information to international organizations, including the FATF, the APG, the Euro-Asian Group on Combating Money Laundering, and the Egmont Group. Expanding foreign cooperation is essential for obtaining timely updates on new international regulations, recommendations, standards, and trends in combating money laundering, terrorist financing, and the financing of the proliferation of weapons of mass destruction. It also facilitates the improvement of the legal and regulatory environment, enhances information exchange, and allows for the study of best practices from other countries.

During the reporting period, the FIU-Mongolia and the Financial Regulatory Commission participated in the APG's Assessor Training Course in Taiwan in October 2024. Additionally, representatives from the Bank of Mongolia and the private sector, including commercial banks, participated in the Annual Typology Meeting held in Malaysia in December 2024. During the international events organized by the APG, it was emphasized that Mongolia's AML/CFT system adheres to international standards, with other countries continuing to learn from Mongolia's experiences.

A Mongolian representative also participated in the FATF's ICRG Reviewer Training course in July 2024 and was subsequently selected as a reviewer in the group in September 2024. Furthermore, Mongolia was selected to represent the APG in the FATF Virtual Asset Contact Group in 2024, where it is actively contributing to the working group.

As an observer country in the Euro-Asian Group on Combating Money Laundering and the Financing of Terrorism, Mongolia submitted two observer activity reports during the reporting period. Representatives from the FIU and the Financial Regulatory Commission also participated in the 40th EAG plenary, held in the Kyrgyz Republic from May 27 to 31, 2024.

Mongolia is a member of the Egmont Group, a united body of FIUs from 177 jurisdictions worldwide. Representatives of the FIU-Mongolia participated in the 30th Egmont group meeting in France from June 2 to 7, 2024, under the theme "Future Trends in the Development of Financial Intelligence Units," in order to learn from international trends and best practices.

Additionally, the FIU has worked with international donors to strengthen the national system for combating money laundering and terrorist financing. For example, a workshop on "Challenges, Solutions, and the Use of Cross-Border Financial and Electronic Evidence in Court Proceedings" was organized in April and May 2024 for prosecutors and judges, in collaboration with advisors from the U.S. Treasury Department.

Furthermore, an Inter-Agency Working Group on Asset Recovery comprising representatives from the Ministry of Justice and Home Affairs, the State General Prosecutor's Office, Independent Authority Against Corruption, the National Police Agency, and the FIU was established in 2024 to strengthen national anti-corruption framework, financial investigations, asset recovery, and information exchange in alignment with FATF Recommendations.

Within the framework of the Asian Development Bank's technical assistance to the Financial Regulatory Commission in developing the legal and regulatory framework for financial technology, and the International Monetary Fund's technical assistance to the General Department of Taxation to enhance its capacity to combat tax violations and money laundering, strengthen collaboration, and assess the legal framework, FIU-Mongolia facilitated the provision of necessary information, participation in training sessions, and involvement in bilateral meetings.

Supervision

FIU-Mongolia consistently collaborates with regulatory bodies, such as the Bank of Mongolia, the Financial Regulatory Commission, and professional associations, to exchange supervisory statistics and related information. The combined statistics of supervision conducted on all reporting entities and the actions taken from 2022 to 2024 are presented in the table below.

Table 3.1 Statistics on AML/CFT supervision /2022-2024/

Items	2022	2023	2024
Number of AML/CFT off-site supervisions	4901	8392	5611
Number of reporting entities covered by the AML/CFT off-site supervisions (in duplicate numbers)	4968	9102	6219
Number of AML/CFT on-site supervisions	99	231	238
Number of reporting entities covered by AML/CFT on-site supervisions (in duplicate numbers)	96	231	242
Number of acts and notices issued to reporting entities	266	71	90
The number of rectification orders and time-bound tasks issued to reporting entities	427	505	617
Number of reporting entities liable under the Infringement Law	3	19	5
The value of confiscation of assets and income and fine actions taken under the Law on Infringement /MNT/	20,000,000	154,500,000	70,000,000

Supervision of anti-money laundering and terrorist financing measures for reporting entities is conducted in a risk-based manner, in accordance with FATF Recommendations, with continuous efforts to enhance supervision regulations, procedures, and manuals. In this regard, the FIU provided feedback on the draft regulations for conducting on-site and off-site supervision of the Mongolian Chamber of Notaries and the Mongolian Bar Association. As a result, the "Regulations for Conducting AML/CFT Off-Site and On-Site Supervision of Notarial Activities" were approved as an appendix to Resolution No. 21 of the Board of Directors of the Mongolian Chamber of Notaries on August 13, 2024.

In accordance with Article 19.1 of the AML/CFT Law, FIU-Mongolia, in cooperation with the Mongolian Institute of Certified Public Accountants, conducted on-site supervision of the activities of financial consulting service providers. As a result, supervision reports, including recommendations for further action, were provided to the reporting entities involved in the on-site supervision, and rectification orders from the state inspector were issued to address identified deficiencies in the preventive measures of certain reporting entities. The implementation of the recommended measures is being closely monitored.

Receipt and Analysis of Information

The reporting entities specified in Article 4 of the AML/CFT Law are required to report transactions including cash transactions, foreign settlement transactions, and virtual assets transactions amounting to MNT 20 million or more, as well as suspicious transactions as defined in Article 7 of the same Law to the FIU. The number of reports submitted by reporting entities to the FIU in 2024, categorized by transaction type, is compared to the previous two years in Table 3.2.

Table 3.2 The number of transactions reported by reporting entities to the FIU /2022-2024/

Type of report	2022	2023	2024
Suspicious transactions	2,626	1,799	2,823
Cash transactions	349,126	315,103	328,667
Foreign settlement transactions	230,402	284,301	382,266
Virtual asset transactions	1,783	7,447	15,141

Source: FIU-Mongolia

In addition, the FIU receives customs declaration reports for amounts equal to or exceeding MNT 15 million in cash or its equivalent in foreign currency, financial instruments, and electronic money on a monthly basis from the Customs authority, in accordance with Article 15 of the AML/CFT Law (Table 3.3).

Table 3.3 Number of customs declarations /2022-2024/

Indicator	2022	2023	2024
Customs declarations	30,151	15,090	9,147

Source: FIU-Mongolia

Pursuant to Article 18.1.1 of the AML/CFT Law, one of the main functions of the FIU is to receive, collect, and analyze information reported from the reporting entities as well as information in databases of relevant domestic and foreign institutions. In this context, 680 suspicious transactions out of 2,823 STRs submitted by reporting entities in 2024 were analyzed, and 654 were subsequently disseminated to law enforcement agencies for further investigation (Table 3.4).

Table 3.4 Number of STRs received and analyzed /2022-2024/

Indicators	2022	2023	2024
Number of STRs received	2,626	1,799	2,823
Number of STRs analyzed	354	795	680

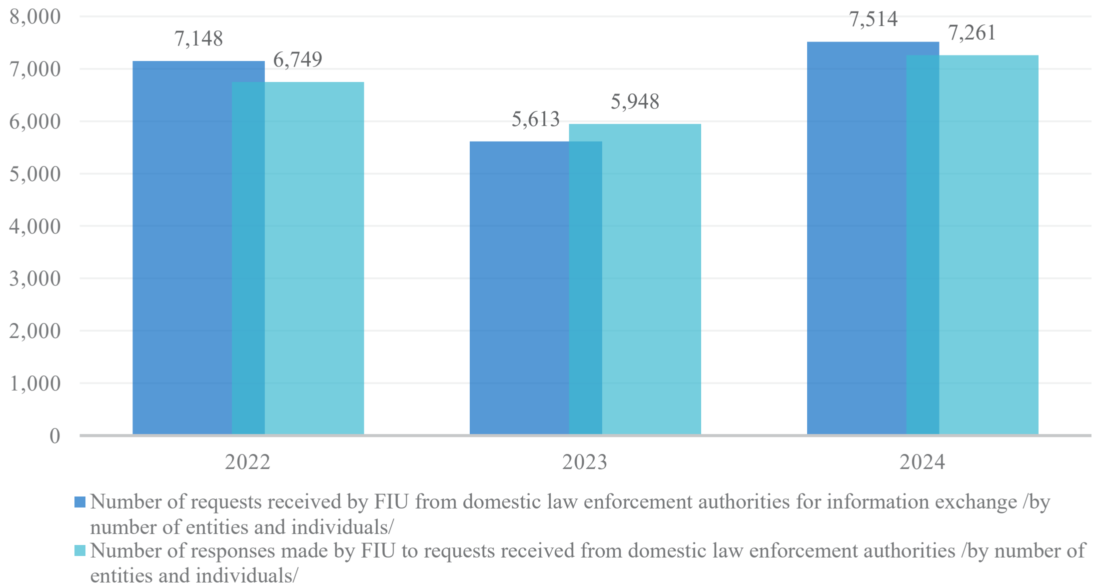
Source: FIU-Mongolia

Exchange of information

A. *Exchange of information and cooperation with domestic authorities*

Within the framework of domestic cooperation, FIU cooperates and collaborates with competent domestic authorities by exchanging information and providing support and assistance in the investigation and prosecution of crimes with the purpose of preventing and combating money laundering, financing of terrorism, and proliferation of weapons of mass destruction. In this regard, 350 requests were received from domestic law enforcement authorities, involving a total of 7,514 entities and individuals, and 343 responses were sent to requests, involving a total of 7,261 entities and individuals (Figure 3.4).

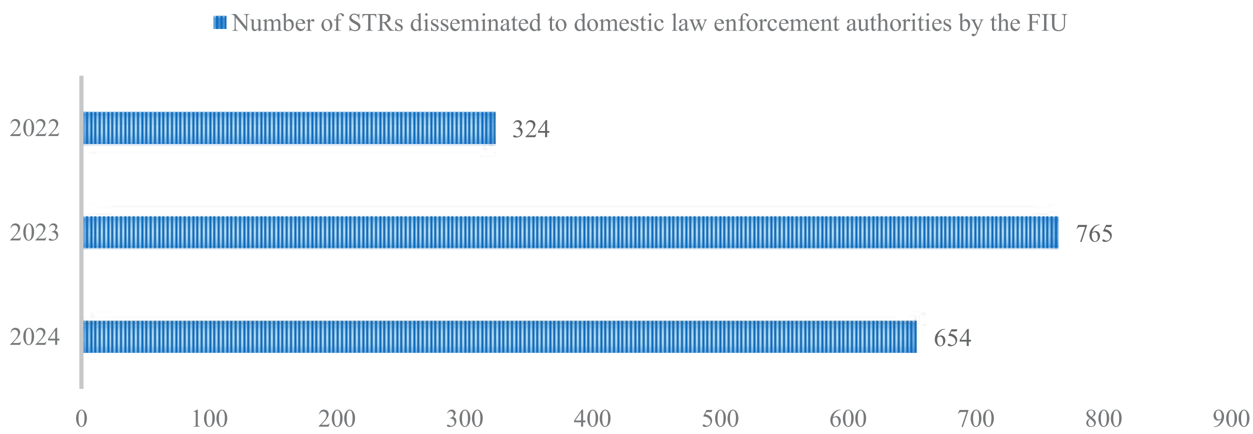
Figure 3.4 Information exchange between the FIU and competent domestic authorities /2022-2024/



Source: FIU-Mongolia

During the reporting year, 654 suspicious transactions were reported to law enforcement authorities, representing a 102% increase compared to 2022 and a 14.5% decrease compared to 2023. (Figure 3.5)

Figure 3.5 Number of spontaneous disseminations to domestic law enforcement authorities by the FIU /2022-2024/



Source: FIU-Mongolia

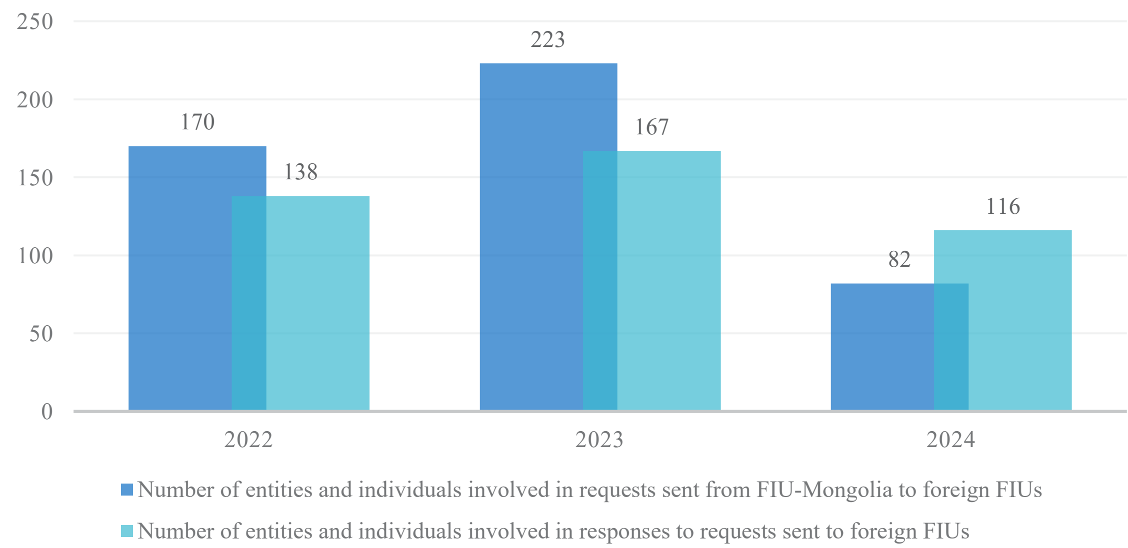
Moreover, the FIU actively cooperates with domestic law enforcement authorities in response to emerging situations. For instance, in recent years, the number of online fraud cases in Mongolia has risen, leading to increasingly negative social consequences. From September 18, 2024, to October 4, 2024, the National Police Agency, the FIU, and private sector organizations worked together to promptly exchange information and detect and prevent fraud committed using the Telegram platform.

B. Exchange of information with foreign counterparts

In compliance with the FATF 40 Recommendations, the international standards for combating money laundering and terrorist financing, particularly Recommendation 29, and in accordance with Article 21 of the AML/CFT Law, the FIU collaborates with FIUs of foreign jurisdictions by exchanging information in the AML/CFT field.

In this regard, the FIU sent 19 requests relating to 82 individuals and entities to foreign FIUs and received responses to 22 requests relating to 116 individuals and entities from foreign FIUs. The highest number of requests was sent to countries such as the United States, Singapore, and Hong Kong in 2024 (Figure 3.6).

Figure 3.6 Number of entities in requests sent to foreign FIUs /2022-2024/



Source: FIU-Mongolia

In 2024, 9 requests involving 33 entities and individuals were received from foreign FIUs, with the highest number of requests coming from Montenegro, Italy, and Japan (Figure 3.7).

In the reporting year, 7 spontaneous information were disseminated from foreign FIUs, and the number of information transferred over the past three years is shown in Table 3.5.

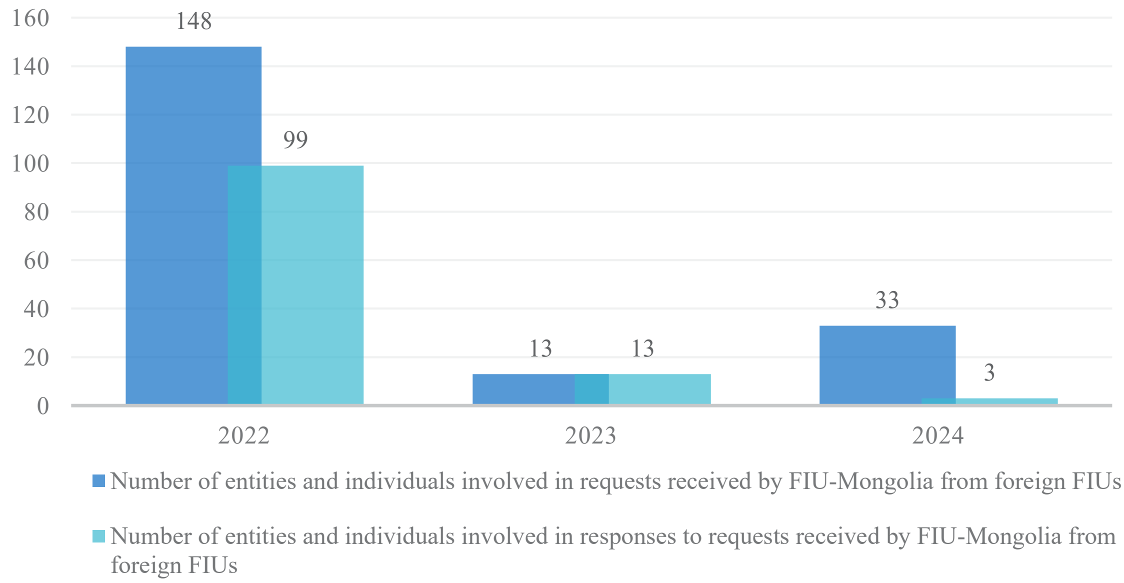
Table 3.5 Number of spontaneous information received from foreign FIUs

	2022	2023	2024
Number of spontaneous information received	21	14	7

Source: FIU-Mongolia

FIU-Mongolia exchanges information with FIUs of Egmont Group member jurisdictions and FIUs that have established a memorandum of understanding (MOU) with FIU-Mongolia. As of the end of 2024, FIU-Mongolia has signed MOUs to cooperate in the field of combating money laundering and terrorist financing with FIUs of 23 jurisdictions.

Figure 3.7 Requests received from foreign FIUs /2022-2024/



Source: FIU-Mongolia

Outreach activities and capacity-building programs

In 2024, the FIU-Mongolia staff participated in training sessions and seminars organized by both domestic and international organizations, focusing on enhancing their skills in combating money laundering and terrorist financing. Additionally, training sessions were conducted for all employees of the FIU-Mongolia to provide insights into the key activities of certain state authorities involved in information exchange and their efforts in combating money laundering and terrorist financing. The initiative positively impacted the cooperation between the organizations and significantly contributed to improving the quality of information exchanged.

The FIU-Mongolia consistently organizes training sessions and seminars for state institutions engaged in the fight against money laundering and terrorist financing, as well as for reporting entities. During the reporting period, the FIU-Mongolia conducted a total of 14 training sessions, both independently and in collaboration with other organizations, engaging a total of 1,125 participants. Additionally, the FIU-Mongolia organized a compliance forum for banks in cooperation with the Compliance Professional Council of the Mongolian Banking Association, as well as a compliance forum for non-bank reporting entities in collaboration with law enforcement agencies.

Furthermore, the FIU-Mongolia disseminated information on 25 training sessions, both in-person and virtual, organized by international entities such as the FATF, APG, World Bank, and others, to the National Council, Cooperation Council member organizations, and representatives of the private sector.

As part of the activities of the Research and Analysis Working Group under the Cooperation Council, the FIU-Mongolia organized the third annual “Research Conference on Combating Money Laundering and Terrorist Financing” for students. This year, over 40 research papers were submitted by students from eight universities across Mongolia, reflecting the growing scope and participation in the conference each year.

Additionally, at the initiative of the State Prosecutor General’s Office, an international research conference titled “Prosecution of Money Laundering Crimes: Challenges and Solutions” was organized on September 25, 2024, in collaboration with the National Council, the Ministry of Justice and Internal Affairs, the FIU-Mongolia, the Asia Foundation, and the Hanns-Seidel Foundation. Approximately 150 representatives from government and private sector organizations, including researchers, academics from international programs, judges, prosecutors, and law enforcement officials working in the field of combating money laundering and terrorist financing, attended the event. During the conference, the FIU presented a report on "Mongolia's Framework for Combating Money Laundering and Terrorist Financing".

3.6 ECONOMIC RESEARCH AND TRAINING INSTITUTE

The Economic Research and Training Institute undertakes comprehensive research to support evidence-based policy formulation and provides intermediate to advanced-level training for professionals in the financial sector. In 2024, the institute conducted a series of planned studies addressing pressing macroeconomic issues, including labor economics, business cycles, the middle class, inclusive growth, public debt management, and the impact of transportation costs on inflation. It also analyzed strategic commodity markets, business operations, and financing conditions, and developed an index to assess Mongolia's overall economic performance.

In response to the 2024 "dzud[1]" conditions, the institute conducted timely research on the livelihoods of herder households, examining the effects of geographic remoteness from markets on herders' income and conducting a historical analysis of dzud occurrences. These studies provided important insights into the vulnerabilities of rural populations and their linkages to economic resilience.

As part of its training responsibilities, the institute organized a variety of programs and events in collaboration with relevant departments and units to support the professional development of financial sector professionals throughout the year. Notably, the "Leadership workshop" was designed for directors of departments, divisions, offices, centers, and institutes within the Bank of Mongolia, while the "Orientation training program" provided essential onboarding for newly hired staff. Additionally, the "Bank Employee Seminar" was conducted 16 times, reaching over 800 employees from 12 commercial banks.

The institute conducts empirical studies on a wide range of macroeconomic and microeconomic issues. It also evaluates economic policies, their implementation, and their outcomes. Based on these findings, the institute formulates policy recommendations and collaborates with relevant organizations to present and advocate for these proposals. Furthermore, the institute conducts sample surveys in key areas, including household financial conditions, banking operations, the business environment, and the labor market. The findings are shared with the public, and policy recommendations are developed based on the research results.

3.7 CREDIT INFORMATION DATABASE

The Bank of Mongolia operates the Credit Information Database to ensure financial sector stability by collecting, processing, storing, protecting, and utilizing credit data from banks, non-bank financial institutions, legally authorized credit providers, government agencies, and other entities. Additionally, it regulates and oversees entities engaged in credit information services, issuing and revoking licenses as necessary, in accordance with legal requirements.

Furthermore, in line with the mandate of the Credit Information Unit and the "Monetary Policy Guidelines for 2024," efforts have been made to continue legal reforms in the banking sector, enhance credit information regulations, and expand financial and economic literacy initiatives. The following activities were undertaken:

Enhancing credit information regulations

Following the "Monetary Policy Guidelines for 2024," the Bank of Mongolia initiated improvements to the regulatory framework for the credit information system. This included consolidating individual and corporate debt and liability data into a centralized system, establishing a comprehensive credit scoring mechanism, and strengthening oversight of credit information service providers. To achieve these goals, the Bank of Mongolia

1 Dzud: is a severe winter weather phenomenon in Mongolia characterized by extreme cold, heavy snowfall, and harsh conditions that make it difficult for livestock to find food. It often leads to high mortality rates among animals, severely impacting herders' livelihoods and the rural economy.

formed a working group under the Governor's Decree of 2022 to draft the revised Credit Information Law. In April 2023, the World Bank provided technical assistance, and its experts visited Mongolia to collaborate with the Bank of Mongolia, commercial banks, credit information service providers, and other lending institutions. As a result, the draft law was finalized following legal procedures.

Initially planned for submission in Q4 2024, the draft law underwent further refinement based on feedback from the Mongolian Bankers Association and other relevant institutions. Consequently, a new interagency working group was established, comprising representatives from the Bank of Mongolia, the Mongolian Bankers Association, the Financial Regulatory Commission, the Ministry of Finance, the Ministry of Justice and Internal Affairs, the Ministry of Labor and Social Protection, the Ministry of Health, the Ministry of Food, Agriculture, and Light Industry, the Communications Regulatory Commission, and licensed credit information service providers. This 26-member working group is expected to finalize and submit the revised draft in Q2 2025.

Licensing, supervision, and compliance in credit information services

In compliance with Article 19.1.1 of the Law on the Central Bank (Bank of Mongolia), the Bank of Mongolia conducted supervisory inspections of licensed credit information service providers. Currently, two credit bureaus operate under its supervision:

- Titan CRA Credit Information Database LLC
- Buren Score ZMS LLC

On October 9, 2023, these bureaus received five-year license extensions to facilitate the transition of credit reporting activities to the private sector and promote the development of advanced credit scoring methodologies. During the reporting period, the Credit Information Unit conducted two remote supervisory assessments of the credit bureaus and one on-site inspection at a commercial bank. Additionally, ongoing compliance reviews, risk assessments, and monitoring activities were carried out to ensure adherence to the Credit Information Law and associated regulations.

Development and modernization of the credit information system

In compliance with Article 9.1.3 of the Credit Information Law, credit data providers and credit information service providers have signed agreements to facilitate data exchange. The Bank of Mongolia has signed agreements with 619 organizations, including 12 commercial banks, 462 non-bank financial institutions, 102 savings and credit cooperatives, and 42 other entities. As of December 31, 2024, the Credit Information Database contained 40,690,258 credit records for 2.2 million citizens and 284,794 credit records for 50,000 businesses.

As part of efforts to enhance the database, the Bank of Mongolia verified and registered the national identification numbers of 1.4 million citizens in cooperation with the General Authority for State Registration. In 2024, a compliance review of credit data submitted by 462 non-bank financial institutions was conducted, leading to the removal of 13,041 duplicate credit records from the system in collaboration with the Information Technology Department.

Efforts were also undertaken to improve the efficiency of data submissions and updates. The transition from XML-based data exchange to JSON technology is being implemented to enhance real-time credit data reporting, allow for incremental updates, and improve the collection of detailed credit information required for digital lending products. The Bank of Mongolia is working in coordination with the Mongolian Bankers Association, the Mongolian Non-Bank Financial Institutions Association, the Financial Regulatory Commission, and credit information service providers to implement these improvements in a phased manner.

3.8 LEGAL AND REGULATORY CHANGES AND UPDATES IN THE BANKING AND FINANCIAL SECTOR

In line with Mongolia's long-term national development goals and the aim of ensuring stability in the banking, financial, and economic sectors, ongoing legislative reforms have continued as outlined in the state's monetary policy guidelines/framework. In 2024, significant initiatives were launched, focusing on improving banking laws and modernizing the credit information system. Additionally, the State Ikh Khural approved new legislation concerning the establishment and management of the National Sovereign Wealth Fund, alongside measures to accelerate digital transformation.

Banking legislation proposals were prepared, incorporating international best practices while also reflecting Mongolia's unique banking environment and current stage of development. Comprehensive research was undertaken to clarify various aspects of bank restructuring measures, including their scope, rationale, necessary conditions, applicable instruments, and the specific roles of regulatory entities such as the Bank of Mongolia, the Deposit Insurance Corporation, and other authorities. These clarifications were then proposed for inclusion in the Law on Banking and related legislation, aiming to enhance cooperation between agencies. Concurrently, revisions are in progress to redefine eligibility criteria for ordinary and independent board members within banks, alongside expanding the responsibilities and accountability of executive directors. These changes aim to ensure clearer risk-based supervision and regulatory measures, thereby strengthening protection for the public, bank customers, and depositors, and ultimately promoting the stability of Mongolia's banking sector.

Since the Law on Credit Information was first adopted by the State Ikh Khural in 2011, there have been no significant structural amendments, apart from specific adjustments linked to licensing requirements for credit information service providers following the 2022 Law on Permits. The Law on Credit Information broadly covers the Bank of Mongolia's responsibilities, the operational scope and authorization of credit information providers, the types of data included in credit histories, the establishment of credit databases, and regulations for data utilization. Although the law largely reflects the *General Principles for Credit Reporting* published by the World Bank in 2011, gaps remain regarding regulatory oversight by the Bank of Mongolia, scoring based on credit repayment history, consumer rights protection, the development of credit reporting systems, and dispute resolution mechanisms. A detailed assessment has identified necessary amendments to address these gaps.

In efforts to boost digital transformation within Mongolia, in 2024, the State Ikh Khural made amendments to the Law on Banking as well as the Law on Deposits, Loans, and Banking Transactions of Banks and Authorized Legal Entities. These amendments established clear legal guidelines for electronic transactions and communication between banks and the Bank of Mongolia, as well as between banks and their customers. This includes provisions for electronic signatures and the formal recognition of electronic contracts and agreements among financial institutions.

Furthermore, in 2024, the State Ikh Khural adopted the Law on the National Sovereign Wealth Fund, aimed at ensuring fair and equitable distribution of Mongolia's natural resource wealth among current and future generations of citizens. This law outlines how the fund should be established and managed, including its types, intended purposes, and funding sources. It also sets provisions to ensure financial stability, transparency, accountability, and robust oversight mechanisms. According to this law, the financial assets of the Future Heritage Fund must be deposited in foreign currency accounts maintained by the Bank of Mongolia, while funds from the Accumulation and Development Fund will be similarly deposited into state treasury accounts at the central bank.

SUMMARY OF ADMINISTRATIVE REGULATION ACTS ADOPTED BY MONGOLBANK IN 2024

№	Name of the Legal Document	Date	Number	Description
1.	Regulation on the Bank of Mongolia's Central Registry System	2024.01.12	A-5	This regulation governs the use, administration, user rights management, and procedures for disabling user accounts in the Bank of Mongolia's Central Registry System.
2.	Template/Model for Permission Certificate	2024.02.23	A-21	This directive approves a standard form for issuing permission certificates to entities operating within the National Payment System.
3.	Protocol for Submitting Credit Information to the Credit Information Database	2024.03.15	A-31	This document defines the protocol used by credit information service providers when submitting credit data to the Bank of Mongolia's credit information database. This protocol will serve as the primary standard for data submission within the credit information system.
4.	Regulation on procedure for granting permission to setting prices and conduct settlements in foreign currency and accounting units	2024.03.22	A-53	This procedure outlines the Bank of Mongolia's internal guidelines for granting permission to set prices and perform settlements in foreign currencies, ensuring compatibility with public interests without negatively impacting national currency stability, protection against currency depreciation, national security, or financial stability.
5.	Procedure for Valuation of Collateral for Bank Loans	2024.04.08	A/61, A-65	This procedure establishes standards and principles that licensed valuation companies (legal entities) and authorized individuals (appraisers), collectively known as "valuation entities," as well as bank employees, must follow when appraising collateral for bank-issued loans, in alignment with applicable legal standards.
6.	List of Assets and Securities Acceptable as Collateral or for Purchase under Repo Conditions by the Central Bank	2024.05.06	A-98	This list specifies the updated types of assets and securities accepted by the Central Bank (Bank of Mongolia) as collateral for providing loans or financing to commercial banks or for purchase under repo conditions.
7.	Instructions for Evaluating Bank Stabilization Plans	2024.05.14	A-105	These internal instructions guide the Bank of Mongolia in reviewing and evaluating stabilization plans submitted by banks, in accordance with Articles 47.1 through 47.4 of the Law on Banking and the Regulation on Drafting, Approving, and Implementing Bank Stabilization Plans.
8.	Regulation on Organizing Press Conferences by the Bank of Mongolia	2024.06.07	A-138	This regulation sets procedures for organizing official press conferences to communicate decisions on monetary policy, related activities, and other operational matters by the Bank of Mongolia, in line with the Central Bank Law, the Public Information Transparency Law, and monetary policy guideline approved by the State Ikh Khural.
9.	QR Code Message Structure and Guidelines	2024.06.18	A-149	This order establishes the structure and guidelines for QR code messages used within the ACH system.
10.	Custodian Operation Regulation	2024.07.19	A-169/283	This regulation outlines operational requirements, risk management protocols, customer asset safekeeping, record-keeping, transparency, reporting obligations, and contract provisions for entities holding a custodial services license.

BANK OF MONGOLIA

AUDITED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2024

BANK OF MONGOLIA

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

BOARD OF DIRECTORS' RESPONSIBILITY STATEMENT

The Bank of Mongolia's ("the Bank") Board of Directors is responsible for the preparation of the financial statements.

The financial statements of the Bank have been prepared to comply with International Financial Reporting Standards as issued by the IASB ("IFRS Accounting Standards"). The Board of Directors is responsible for ensuring that these financial statements present fairly the financial position of the Bank as of 31 December 2024 and its financial performance and its cash flows for the year then ended.

The Board of Directors has responsibility for ensuring that the Bank keeps proper accounting records which disclose with reasonable accuracy the financial position of the Bank, and which enable them to ensure that the financial statements comply with the accounting policies.

The Board of Directors also has a general responsibility for taking actions, which are reasonably open to the Board to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

The Board of Directors considers that in preparing the financial statements on pages 1 to 95 the appropriate policies have been used, consistently applied, and are supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed.

Signed on behalf of the Board of Directors:

Lkhagvasuren B.
Governor, Bank of Mongolia

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

Independent Auditor's Report

To the Board of Directors of the Bank of Mongolia

Our qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion section of our report, the financial statements present fairly, in all material respects, the financial position of the Bank of Mongolia (the "Bank") as at 31 December 2024, and the Bank's financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2024;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for qualified opinion

As disclosed in Notes 4 and 14 to the financial statements, the Treasury Fund is comprised of heritage assets including historical, cultural, and inherited valuables and coins and is measured at revalued amount under IAS 16, Property, plant and equipment. The Treasury Fund includes Mongolian silver and copper coins with a carrying amount of MNT 908,476 million as at 31 December 2024 (2023: MNT 908,476 million), that were originally issued in 1925 by then the central bank of which the Bank of Mongolia is the successor (the "Coins"). The objective of the revaluation of the Coins is to reflect their fair value that significantly exceeds the silver and copper metal content value of the coins.

Coins and banknotes issued by the Bank are recorded as a liability at their nominal value and the coins and banknotes are not recognised as an asset when they are withdrawn from circulation according to the Bank's accounting policy that is disclosed in Note 20 of the financial statements. As disclosed in Note 4 to the financial statements, the Bank is of the view that the Coins were donated to the Treasury Fund by the Government, therefore, they could be recognised as an asset even though the Bank is the legal successor of the central bank which originally issued the Coins.

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BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

Basis for qualified opinion (continued)

Management was unable to provide us legal evidence that the Coins were previously in the possession of a third party and transferred to the Treasury Fund by the third party as an asset transfer according to IFRS 3 after 1938 when the Coins were no longer legal tender, which would enable the Bank to recognise the Coins as an asset on transition to IFRS Accounting Standards. In addition, we were not able to obtain evidence that the Bank is able to sell the Coins at the price included in their valuation. As a result, we were unable to satisfy ourselves that the Coins were correctly recognised in the statement of financial position and if they were correctly recognised, we were unable to satisfy ourselves of the valuation of the Coins reflected in the statement of financial position in accordance with IFRS Accounting Standards. Therefore, we were unable to conclude whether the revaluation surplus in the amount of MNT 906,788 million arising on their revaluation to fair value should have been recognised as the revaluation reserve within the Bank's equity as at 31 December 2024, 31 December 2023, and 1 January 2023 and if it should be recognised, that the amount is materially accurate. Our audit report for the year ended 31 December 2023 was also qualified for this matter.

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 financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

Management is responsible for the other information. The other information comprises the Bank's Annual Report 2024 (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the Annual Report 2024, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

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Auditor's responsibilities for the audit of the financial statements (continued)

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.

Signed by:

ПРАЙСУОТЕРХАУСКУПЕРС АУДИТ ХХК

PRICEWATERHOUSECOOPERS AUDIT LLC

Bayarmaa Davaa
Executive Director
PricewaterhouseCoopers Audit LLC

Approved by:

Aigul Akhmetova
Partner
PricewaterhouseCoopers Audit LLC

28 March 2025
Ulaanbaatar, Mongolia

BANK OF MONGOLIA

STATEMENT OF FINANCIAL POSITION

In millions of Mongolian Togrogs	Note	31 December 2024	31 December 2023
ASSETS			
Cash on hand	7	95,661	309,414
Due from foreign financial institutions	8	6,546,326	7,168,909
Loans to local banks	9	1,421,867	1,562,975
Investments in debt securities	10	8,373,945	7,525,303
Investments in equity securities	11	6,533	6,533
Reverse repurchase agreements	12	8,261,033	4,955,616
Gold bullion and precious metals	13	2,412,095	2,086,444
Treasury fund	14	1,111,899	1,099,230
Derivative financial instruments	15	140,720	126,364
Government securities	16	55,720	42,100
Receivable from government	17	477,537	514,942
Other assets	18	30,342	58,111
Premises, equipment and intangible assets	19	133,673	135,404
Assets held for sale		36,289	29,052
TOTAL ASSETS		**29,103,640**	**25,620,397**
LIABILITIES			
Cash in circulation	20	1,222,179	1,151,700
Central bank bills	21	11,511,780	8,745,075
Liabilities due to government organizations	22	6,843,279	4,597,302
Deposits from local banks	23	10,704,582	9,526,237
Derivative financial instruments	15	227,933	531,770
Liabilities due to foreign parties	24	3,378,085	5,659,491
Other liabilities	25	109,096	600,653
TOTAL LIABILITIES		**33,996,934**	**30,812,228**
EQUITY			
Charter capital	26	60,000	60,000
Accumulated deficit	26	(7,472,493)	(7,429,287)
Other reserves	26	2,519,199	2,177,456
TOTAL EQUITY		**(4,893,294)**	**(5,191,831)**
TOTAL LIABILITIES AND EQUITY		**29,103,640**	**25,620,397**

Approved for issue and signed on behalf of the Board of Directors on 28 March 2025.

Lkhagvasuren B.
Governor, Bank of Mongolia

Garid Ts.
Director of Finance and Accounting Department

The notes set out on pages 97 to 202 form an integral part of these financial statements.

BANK OF MONGOLIA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In millions of Mongolian Togrogs	Note	2024	2023
Interest income calculated using the effective interest method	27	908,268	760,622
Other similar income	27	3,600	15,604
Interest expense	27	(1,496,745)	(1,476,154)
Net interest expense		**(584,877)**	**(699,928)**
Recovery of credit loss allowance		83,274	70,705
Net interest expense after credit loss allowance		**(501,603)**	**(629,223)**
Gains from trading of gold bullion and precious metals	28	336,647	94,426
Gold bullion and precious metals translation gains		162,373	108,589
Gains from derivative financial instruments		237,809	200,742
(Losses)/Gains from trading in foreign currencies		(48,290)	6,598
Foreign exchange translation gains		187,094	95,613
Losses from disposal of debt securities at fair value through other comprehensive income		(39)	(4,822)
Impairment loss on receivables from Government		(37,405)	-
Gains from trading of financial investments in debt securities		5	5,413
Gains from financial assets at fair value through profit or loss		12,871	24,139
Other operating income	29	73,233	59,050
Administrative and other operating expenses	30	(116,440)	(75,963)
PROFIT/(LOSS) FOR THE YEAR		**306,255**	**(115,438)**
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Debt securities at fair value through other comprehensive income:			
- (Losses)/Gains arising during the year	26	(7,757)	48,897
- Losses reclassified to profit or loss upon disposal	26	39	4,822
Other comprehensive (loss)/income for the year		**(7,718)**	**53,719**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**298,537**	**(61,719)**

The notes set out on pages 97 to 202 form an integral part of these financial statements.

BANK OF MONGOLIA

STATEMENT OF CHANGES IN EQUITY

In millions of Mongolian Togrogs	Note	Charter capital	Other reserves	Accumulated deficit	Total equity
Balance at 1 January 2023	**26**	**60,000**	**1,897,642**	**(7,087,754)**	**(5,130,112)**
Loss for the year		-	-	(115,438)	**(115,438)**
Other comprehensive income		-	53,719	-	**53,719**
Total comprehensive loss for 2023		**-**	**53,719**	**(115,438)**	**(61,719)**
Transfer to other reserves from accumulated deficit	26	-	226,095	(226,095)	**-**
Balance at 31 December 2023	**26**	**60,000**	**2,177,456**	**(7,429,287)**	**(5,191,831)**
Income for the year		-	-	306,255	**306,255**
Other comprehensive loss		-	(7,718)	-	**(7,718)**
Total comprehensive income for 2024		**-**	**(7,718)**	**306,255**	**298,537**
Transfer of revaluation surplus on premises to accumulated deficit	26	-	(8)	8	**-**
Transfer to other reserves from accumulated deficit	26	-	349,469	(349,469)	**-**
Balance at 31 December 2024	**26**	**60,000**	**2,519,199**	**(7,472,493)**	**(4,893,294)**

Transfers from accumulated deficit to other reserves in 2024 and 2023 relate to translation gains arising from gold bullion and precious metals and foreign currencies. Refer to Note 26.

Transfer of revaluation surplus on premises to accumulated deficit in 2024 relate to the disposal of premises. Refer to Note 26.

The notes set out on pages 97 to 202 form an integral part of these financial statements.

BANK OF MONGOLIA

STATEMENT OF CASH FLOWS

In millions of Mongolian Togrogs	Note	2024	2023
Cash flows from operating activities			
Income/(Loss) for the year		**306,255**	**(115,438)**
Adjustments to:			
Credit loss allowance		(83,274)	(70,705)
Losses from disposal in debt securities at fair value through other comprehensive income		39	4,822
Gains from trading of financial investments in debt securities		(5)	(5,413)
Gains from revaluation of gold bullion and precious metals		(162,373)	(108,589)
Gains from derivative financial instruments		(237,809)	(200,742)
Foreign exchange translation gains		(187,094)	(116,484)
Impairment loss on receivables from Government		37,405	-
Depreciation and amortization of premises, equipment, and intangible assets	30, 19	13,139	10,122
Premises and equipment written off	19	12	2
Gains from financial assets at fair value through profit or loss		(12,871)	(24,139)
Interest income calculated using the effective interest method	27	(908,268)	(760,622)
Other similar income	27	(3,600)	(15,604)
Interest expense	27	1,496,745	1,476,154
Cash flows from operating activities before changes in operating assets and liabilities		**258,301**	**73,364**
Changes in operating assets and liabilities:			
Net (increase) in gold bullion and precious metals		(163,278)	(291,599)
Net (increase)/decrease in reverse repurchase agreements	12	(3,299,793)	206,360
Net decrease in repurchase receivables		-	94,918
Net (increase) in loans to local banks	9	(254,779)	(317,975)
Net decrease in other assets		29,400	131,539
Net (decrease) in derivative		(80,383)	(219,965)
Net increase in central bank bills		2,714,764	3,039,688
Net increase in liabilities due to government organizations		2,272,222	1,449,813
Net increase in deposits from local banks		1,244,222	1,454,144
Net (decrease)/increase in other liabilities		(490,077)	204,487
Net cash from operating activities before interest		**2,230,599**	**5,824,774**
Interest received		980,810	683,863
Interest paid		(1,494,920)	(1,417,787)
Net cash from operating activities		**1,716,489**	**5,090,850**
Cash flows from investing activities			
Acquisition of premises and equipment	19	(12,819)	(25,878)
Proceeds from disposal of premises and equipment	19	1,399	914
Acquisition of treasury fund	14	(12,669)	-
Proceeds from treasury fund	14	-	12,099
Acquisition of debt securities at fair value through other comprehensive income		(6,728,187)	(3,398,776)
Proceeds from redemption of debt securities at fair value through other comprehensive income		5,658,221	2,249,472
Proceeds from redemption of debt securities carried at amortized cost		667,501	540,040
Net cash used in from investing activities		**(426,554)**	**(622,129)**

The notes set out on pages 97 to 202 form an integral part of these financial statements.

BANK OF MONGOLIA
STATEMENT OF CASH FLOWS

In millions of Mongolian Togrogs	Note	2024	2023
Cash flows from financing activities			
Net increase of cash in circulation	20	70,479	62,457
Proceeds from liabilities due to foreign parties	24	-	240,232
Repayment of liabilities due to foreign parties	24	(2,100,025)	(1,283,458)
Repayment of repurchase agreements		-	(95,815)
Net cash used in financing activities		**(2,029,546)**	**(1,076,584)**
Effect of exchange rate changes on cash and cash equivalents		**(96,724)**	**(69,247)**
Net (decrease)/increase in cash and cash equivalents		**(836,335)**	**3,322,890**
Cash and cash equivalents at the beginning of year	**7**	**7,478,095**	**4,155,205**
Cash and cash equivalents at the end of the year	**7**	**6,641,760**	**7,478,095**

The notes set out on pages 97 to 202 form an integral part of these financial statements.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

1 INTRODUCTION

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB ("IFRS Accounting Standards") for the year ended 31 December 2024 for the Bank of Mongolia (the "BOM" or the "Bank").

The Bank is the central bank of Mongolia and operates in accordance with the constitution of Mongolia, the Law on Central Bank (Bank of Mongolia), and other laws of Mongolia. The Bank was established under the resolution of the Government of Mongolia dated 2 June 1924.

All operations of the Bank are conducted in Mongolia. The Bank has 17 regional offices throughout Mongolia, and a representative offices in London, England and in New York, USA.

In accordance with the legislation, the primary function of the Bank is ensuring the stability of the national currency of Mongolia and to promote a balanced and sustained development of the national economy, through maintaining stability of the financial markets and the banking system.

The Bank does not aim to earn profits. The financial results of the Bank's activities, as well as the structure of its assets, liabilities and equity are defined by the functions of the Bank as a special central government authority.

In accordance with the Law on Central Bank (Bank of Mongolia), the main functions of the Bank are as follows:

- issuance of banknotes into the circulation.
- conducting of monetary policy by regulating money supply in the economy.
- acting as depository of the Government of Mongolia (the "Government" or the "State").
- regulation and supervision the banking sector.
- regulating and overseeing the national payment system and acting as an operator of the interbank payment and settlement system.
- managing the foreign reserves.
- acting as a lender of the last resort for banks and organizing a system of refinancing.
- representing Mongolia in international communities of central banks, international banks, and other credit institutions where co-operation is maintained between the central banks.
- exercising other functions in financial and credit areas within the competence defined by the Law.

According to the Law, the Bank provides loans to banks to support their liquidity, buys and sells securities in the secondary market, buys and sells foreign currencies and precious metals, sells commemorative coins made of precious and non-precious metals in the domestic and foreign markets, performs operations of servicing of the Government debt in respect of placement of Government securities, their redemption and interest payments, maintains accounts of the Government and other government institutions, including accounts of the Ministry of Finance (fiscal agent of the Government of Mongolia), accounts of international organizations and conducts other operations necessary for the performance of its functions.

The charter capital of the Bank is fully owned by the State of Mongolia. In accordance with the Law, the main task of the Board of Directors is to develop principles of monetary policy and exercise control over implementation of the monetary policy. In addition, the Governor of Bank approves annually the Bank's budget of income and expenditure for the next year, approves annual financial statements of the Bank, report on fulfilment of the Bank's budget of income and expenditure and distribution of profit for the reporting year, as well as performs other functions according to his authority defined by the Mongolian legislation.

1 INTRODUCTION (CONTINUED)

Registered address and place of business. The Bank's registered address is Baga Toiruu 3, 15160, Ulaanbaatar 46, Mongolia.

Presentation currency. These financial statements are presented in Mongolian Togrogs ("MNT") the currency of the primary economic environment in which the Bank operates and the Bank's functional currency. All values are rounded to the nearest million, unless otherwise stated.

2 OPERATING ENVIRONMENT OF THE BANK

Mongolia's economy is being driven by thriving mining sector with record high coal exports, and robust household and government spending leading to a strong economic activity despite the agriculture sector facing a significant downturn due to a harsh winter. While domestic demand has been a significant growth factor, it is also straining the balance of payments as import volumes exceed the income generated from exporting commodities. During 2024, nationwide GDP has grown by 4.7% (2023: 7.4%) while mining sector's production has increased by 10.5%. Due to increase in economic growth, net tax revenue on services and products has increased.

The external vulnerabilities have lessened as a result of well-executed external debt refinancing which led to a historic high amount of foreign currency reserves of Mongolia reaching USD 5,510 million as of December 2024 (2023: USD 4,921 million). This financial stability was reflected in the country's improved credit ratings. Mongolia's rating was upgraded to "B+" with a stable outlook on September 18, 2024, by Fitch and B+ rating with a long-term positive outlook on October 4, 2024 by Standard & Poor's while Moody's upgraded Mongolia to "B2" with a stable outlook on November 18, 2024.

The Bank of Mongolia has decreased the policy interest rate three times throughout 2024 in order to increase the economic growth after implementing strict monetary policy for several years due to COVID-19 pandemic. As of 31 December 2024, the policy interest rate was 10% (2023: 13%). Inflation has reached 9% by the end of 2024 (2023: 7.9%) which is above the target influenced by the delayed effects of significant fiscal stimulus in the pipeline, hikes in energy tariffs, and strong credit growth.

As a consequence of the war between Russia and Ukraine, the sanctions imposed on Russia due to its military operations in Ukraine and the related counter measures by Russia caused an increase in the price of natural gas and electricity and their higher volatility. International commodity prices have reached record highs, leading to high inflation around the world, although the Bank has no direct exposure to Russia or Ukraine. As a result of the high inflation across many countries, the price of final goods has increased, and it has also affected Mongolia through imported goods.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

3 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB ("IFRS Accounting Standards").

These financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments at fair value, and by the revaluation of premises and equipment, revaluation of treasury fund, gold bullion and precious metals, financial instruments categorised at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

These financial statements assume that the primary users have a reasonable knowledge of business and economic activities and review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena reported in these financial statements.

These financial statements aim disclosing only information that management considers is material for the primary users. Management seeks not to reduce the understandability of these financial statements by obscuring material information with immaterial information. Hence, only material accounting policy information is disclosed, where relevant, in the related disclosure notes.

Presentation of statement of financial position in order of liquidity. The Bank does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

The current and non-current assets and liabilities except for the non-financial assets and liabilities are presented in Note 33. Non-financial assets and liabilities are mainly composed of premises, equipment and intangible assets and treasury fund which are expected to be recovered or settled after twelve months after the reporting periods.

Amendments of the financial statements after issue. The Bank's management has the power to amend the financial statements after issue.

4 SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

(a) Estimates with significant risk of a material adjustment within the next financial year

ECL measurement. Measurement of ECL is a significant estimate that involves determination of methodology, models, and data inputs. Details of the ECL measurement methodology are disclosed in Note 33. The following components have a major impact on credit loss allowance:

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

The Bank regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

Significant increase in credit risk ("SICR"). In order to determine whether there has been a significant increase in credit risk, the Bank compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Bank considers all reasonable and supportable forward looking information available for measurement of ECL, primarily an outcome of its own macro-economic forecasting model. Refer to Note 33 for details.

Fair value of financial derivatives. The Bank developed a valuation model for assessing a fair value of cross currency interest rate swaps. Information about fair values instruments that were valued using assumptions that are based on observable market data is disclosed in Note 34.

Revaluation of buildings. The Bank measures its buildings at revalued amounts with changes in fair value being recognized in other comprehensive income (OCI). The Bank revalues the buildings at the end of each reporting period based on the reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location, and condition of the buildings. Formal valuation was carried out in 2018 by an independent external valuator who holds recognised and relevant professional qualifications. As of 31 December 2024 and 31 December 2023, management has assessed that the fair values of buildings have not changed significantly from the carrying amounts. This assessment requires exercise of judgement from management based on their experience on those properties as well as other assumptions described in Note 19. Information about fair values of items valued using assumptions that are not based on observable market data and sensitivity analysis are disclosed in Note 34.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

4 SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(b) Judgements in applying accounting policies with the most significant effect on the recognised amounts.

Going concern. Management prepared these financial statements on a going concern basis. As of 31 December 2024 and 31 December 2023, the Bank had a negative equity position. Management believes that there is no risk that the Bank will not be able to continue as a going concern in the foreseeable future as the Bank closely monitors the financial risks including liquidity risks as disclosed in Note 33. Based on the liquidity risk assessment, the main exposure is related to the liabilities due to the People's Bank of China. Management has extended this facility in July 2023 for another 3 years until July 2026. During 2024, the Bank has repaid CNY 4,500 million of the liabilities due to the People's Bank of China. Management is planning to repay remaining balance of CNY 6,000 million in near future. Refer to Note 31 for details.

Further, if needed the Bank can request the Parliament to recapitalise the negative equity position by issuing the Government securities according to the article 38 of the Law on Central Bank to enable the Bank to perform its primary functions and continue its operations.

Article 38 of the Law on Central Bank stipulates that if a deficit of the Central Bank arises, the Parliament shall decide whether the Government should issue securities to reduce the difference in the amount of the net deficit. Thus, the Government has no obligation to fund a net deficit of the Bank. However, issuance of government bonds for covering a deficit is a possibility, which could be used by the Parliament, if covering a deficit is necessary to enable the Bank to perform its functions and continue its operations.

Hence, given the unique nature and role of the Bank, management believes that there is no risk that the Bank will not be able to continue as a going concern in the foreseeable future.

Business model assessment. The Bank classifies the financial assets by applying judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. The Bank determines the objective of a business model that best reflects the way the business is managed and information is provided to management. The information considered includes:

- How the performance of the portfolio is evaluated and reported to management
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed
- The stated policies and objectives for the portfolio and the operation of those policies in practice
- Their historical frequency, timing and value, reasons for the sales and expectations about future sales activity.

Sales of financial asset expected only in stress case scenario, or in response to an isolated event that is beyond the Bank's control, is not recurring and could not have been anticipated by the Bank, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

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

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

4 SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

The Bank identified approximately 55% (2023: 47%) of debt securities as a liquidity portfolio and classified as held to collect and sell, while the rest of the debt securities is classified as held to collect based on the assumption that these securities would only be sold in a stress case scenario.

The Bank assessed that all types of loans, except for loans with condition to reset interest rate which are classified as loans to local banks at FVTPL disclosed in Note 9, meet the criteria for hold to collect business model.

Assessment whether cash flows are solely payments of principal and interest ("SPPI"). Determining whether a financial asset's cash flows are solely payments of principal and interest required judgement. In making this judgement, the Bank considers:

- Contingent events that would change the amount and timing of cash flows,
- Leverage features;
- Prepayment and extension terms;
- Features that modify consideration of the time value of money element (e.g. periodical reset of interest rates).

The time value of money element may be modified, for example, if a contractual interest rate is periodically reset but the frequency of that reset does not match the tenor of the debt instrument's underlying base interest rate, for example, a loan pays three months interbank rate, but the rate is reset every month.

The effect of the modified time value of money was assessed by comparing relevant instrument's cash flows against a benchmark debt instrument with SPPI cash flows, in each period and cumulatively over the life of the instrument. The assessment was done for all reasonably possible scenarios, including reasonably possible financial stress situations that can occur in financial markets. In case of a scenario with cash flows that significantly differ from the benchmark, the assessed instrument's cash flows are not SPPI, and the instrument is then carried at FVTPL. Instruments that failed the SPPI test are measured at FVTPL, and it is related to the loans to local banks and promissory notes measured at FVTPL disclosed in Note 9 and 18, respectively.

The Bank identified and considered contractual terms that change the timing or amount of contractual cash flows. The SPPI criterion is met if a loan allows early settlement and the prepayment amount substantially represents principal and accrued interest, plus a reasonable additional compensation for the early termination of the contract. The asset's principal is the fair value at initial recognition less subsequent principal repayments, i.e., instalments net of interest determined using the effective interest method.

As an exception to this principle, the standard also allows instruments with prepayment features that meet the following condition to meet SPPI: (i) the asset is originated at a premium or discount, (ii) the prepayment amount represents contractual par amount and accrued interest and a reasonable additional compensation for the early termination of the contract, and (ii) the fair value of the prepayment feature is immaterial at initial recognition.

According to the Apartment Mortgage Funding agreement, the Bank only receives Senior Residential Mortgage-Backed Securities ("Senior RMBS") bonds in the settlement of the loans to local banks issued under Price Stabilization Program. The contractual terms of the Senior RMBS bonds that introduce no additional risks or volatility in the contractual cash flows that are related to a basic lending arrangement give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

4 SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

The loans to local banks are settled by the Senior RMBS bonds with a face value when the Mongolian Mortgage Corporation establishes the special purpose vehicle to purchase the mortgage loan portfolios from the local banks. Therefore, the Bank concluded that the loans to local banks issued under Price Stabilization Program meet the SPPI test. More information is provided further in this note in section Initial recognition of loans to local banks under housing mortgage program.

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

Initial recognition of loans to local banks under housing mortgage program. The Bank has cooperatively implemented mortgage housing sub-program in the framework of the Price Stabilization Program (“PSP”) with the Government of Mongolia. These loans were advanced under terms and conditions defined according to the Apartment Mortgage Funding Agreement signed by the Bank, the Government of Mongolia, the Mongolian Mortgage Corporation (“MMC”) and the local banks have no discretion in defining terms. According to the agreement, the Bank receives Senior RMBS bonds in the settlement of the loans to local banks. These loans bear interest rates of 2%, 3% and 6% per annum (2023:1%-4%). Management has considered whether gains or losses should arise on initial recognition of such instruments. As the transactions are in accordance with the main function of the central bank to formulate and to implement monetary policy by money supply in the economy and to stabilize inflation, management’s judgement is that these loans represent the principal market. The loans to local banks under housing mortgage program under PSP amounted to MNT 1,400,696 million as of 31 December 2024 (2023: MNT 685,641 million) and are disclosed in Note 9.

Initial recognition and impairment of receivables from Government. The Parliament Resolution No. 23 dated on 10 February 2017 directed the Government to acquire 49% shares of “Erdenet Uildver” LLC and “Mongolrostsvetment” LLC from the Mongolian Copper Corporation LLC. In order to implement the Parliament Resolution No. 23 dated 10 February 2017, the Government issued two separate resolutions, resolution No. 258 dated 29 June 2022 and resolution No. 315 dated 24 August 2022. These resolutions suggested the Bank to off-set loans to Trade and Development Bank (TDB) and promissory notes from TDB for 49% shares purchase payment of Erdenet Uildver LLC and Mongolrostsvetment LLC.

Following the Government resolutions, off-setting acts between the Government, the Bank, Mongolian Copper Corporation LLC, and TDB were signed on 30 June 2022 and 31 August 2022. The carrying value of the respective assets were MNT 491,291 million and MNT 166,467 million at the date of off-settling acts as disclosed in Note 17.

As a result of above-mentioned resolutions and four-party off-setting acts, the Bank recognized receivables from Government as the Bank is legally entitled to demand the amount equal to MNT 657,758 million from the Government of Mongolia. The contractual agreement between Government and the Bank will be finalized after the remaining payables to the Mongolian Copper Corporation LLC is fully paid by the Government.

4 SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Management believes that the terms and conditions of the contractual agreement will be in accordance with the official letter received from the Minister of Finance dated 20 January 2025. According to the official letter, the Ministry of Finance confirmed its payable of MNT 657,758 million and stated that the contractual agreement is planned at an interest rate equivalent to the policy rate with maturity period of 10 years.

Additionally, Ministry of Mining and Heavy Industry established a working group on 19 November 2024 in order to take actions regarding the repayment of the receivable from Government and have sent an official letter to the Bank for further cooperation on 30 January 2025.

According to the related accounting policy, the cost of the receivables at recognition date was equal to MNT 514,942 million with MNT 133,482 million of “Loss on receivables from Government at initial recognition” and MNT 9,334 million of “Impairment loss on receivables from Government” were each recognized in profit or loss for the year ended 31 December 2022. As of 31 December 2024, the management has assessed the recoverable amount of the receivables had a carrying amount of MNT 477,537 million (2023: MNT 514,942 million) with additional impairment of MNT 37,405 million recognized in profit or loss for the year due to delay in signing contractual agreement with the Government. The impairment assessment was based on 3 scenarios to mitigate any possible risks, and the receivables would bear an interest rate equal to effective policy rate with maturity of 10 years from the date of the contract date, as specified in the official letter from the Ministry of Finance. Management is of the view that contract with the Government is likely to be signed for the period between end of 2025 to 2029. Refer to Note 17 for the recoverable amount of receivables from Government.

ECL assessment of Erdenes bond. According to the Law on “One-time forgiveness of pension- backed loans” dated on 10 January 2020, the Bank was obligated to purchase the bonds issued by Erdenes Mongol LLC from local banks. The local banks received these bonds in exchange for the eligible outstanding pension-backed loans as of 31 December 2019. As of 31 December 2024, the Bank holds bonds in the amount of MNT 849,807 million (2023: MNT 929,885 million). The bonds have par value of MNT 1 million each at coupon rate of 6% per annum with maturity date of 30 December 2024. Following the non-settlement of most of these bonds as of 31 December 2024, the Bank transferred the bond to Stage 3 as it was considered to be impaired due to its uncertainty over the repayment period and the inability of repayment on the maturity date. As a result, the Bank recognised MNT 84,317 million of ECL which is disclosed in Note 10.

The Law on “One-time forgiveness of pension-backed loans” states that if the Bank of Mongolia's equity decreases due to the possession of Erdenes bonds, the Government shall compensate by issuing government securities to the BOM. The Government of Mongolia issued a resolution No. 32 dated 22 January 2025 to provide a government guarantee of MNT 550,000 million for repayment of the Erdenes Bond or to take other required measures for the fulfilment of repayment of the Erdenes Bond. Accordingly, the Bank has considered PD as 100% and assessed LGD using 3 different scenarios to mitigate any possible risks based on the assumption that the Government compensates payment of Erdenes bond by issuing government securities to the BOM for the period between mid of 2025 to 2027 in accordance with the Law on “One-time forgiveness of pension-backed loans”. Refer to Note 33 for ECL measurement.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

4 SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Control over Deposit Insurance Corporation (DICOM). Management applies judgement to determine whether the substance of the relationship between BOM and DICOM indicates whether DICOM is controlled by the BOM or not. In making this judgement, management considers the following:

- power over the DICOM.
- exposure, or rights, to variable returns from its involvement with the DICOM; and ability to use its power over the DICOM to affect the amount of the Bank' s returns.

The Bank has power over DICOM if it can direct the relevant activities of DICOM. According to the Charter of DICOM, the National Committee, a governing body of DICOM has seven members, and is chaired by the First Deputy Governor of BOM. The remaining six members comprise of the following:

- State Secretary in charge of finance and budget issues.
- Standing Commissioner of the Mongolian Financial Regulatory Commission.
- Executive Director of DICOM.
- Three members to be nominated by the Governor of BOM, Minister of Finance and Mongolian Bankers Association (an independent Association made up of local banks and financial institutions and does not include BOM) and to be appointed by the joint decisions of the Governor of BOM and Minister of Finance.

All decisions concerning the activities of DICOM must be approved by a vote of the seven members of the National Committee and no member has any unilateral power to direct the activities of DICOM. Despite the BOM having its First Deputy Governor chairing the National Committee, the fact that the Chairman does not have any unilateral power to direct the activities of DICOM and that the BOM has limited influence in the appointment of the remaining three members of the National Committee sufficiently demonstrates that the BOM does not have control over DICOM. Therefore, management concluded that DICOM should not be consolidated into these financial statements.

Control over banks under receivership. Management applies judgement to determine whether the substance of the relationship between BOM and banks under receivership indicates these banks are controlled by the BOM or not. In making this judgement, management considers the following:

- the receiver is appointed by the BOM following the requirements of the Law.
- the receiver effectively acts in a fiduciary capacity and has narrow objective to wind up the bank and there are not any strategic decisions to be made.
- the receiver acts within the prescribed legal framework and the order of priority of liabilities is also set by the legislation, therefore the receiver cannot use its power specifically with the aim to influence benefits attributable to the BOM.
- further benefits received from receivership are limited with low variability.

Based on above, although the BOM has power to govern the activities of banks under receivership, it cannot use that power to influence its own benefits as those benefits are independent from performance of banks under receivership. Therefore, management believes that these banks should not be consolidated into these financial statements.

4 SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Treasury Fund

Recognition. The Bank is the sole body, which is entitled to run the day to the day operation of the Treasury Fund according to the Law on the State Treasury Fund. The Treasury Fund is comprised of heritage assets including historical, cultural, and inherited valuables and coins issued in 1925. These are exhibited in the museum to the public, and the proceeds from tickets are recognized as other operating income in the profit or loss of the Bank. The Financial Markets Department is responsible for management of the Fund's operation, maintenance, safeguard, and security. Therefore, management believes that the Treasury Fund should be recognized as an asset in the statement of financial position of the Bank as economic benefit from the Fund flows to the Bank and the Fund is controlled by the Bank based on the Law on the State Treasury Fund. The coins issued in 1925 were withdrawn from circulation in 1938. The management is of the opinion that these coins, despite the fact that they were produced by the legal predecessor bank of the BOM, should be recognized as an asset as in the Management's understanding they are historical valuables donated to the Treasury Fund by the Government. Mongolian silver and copper coins originally issued in 1925 by the central bank of which the BOM is the successor had a carrying amount of MNT 908,476 million as of 31 December 2024 (2023: MNT 908,476 million).

Management of the Bank believes that the coins issued in 1925 meet the recognition criteria based on the following factors:

- Mongolian coins issued in 1925 had been withdrawn from circulation in 1938 based on a decision of the Ministry of Finance of Mongolia. Those coins were replaced with newly issued banknotes.
- Following the decision of the Government to establish the Treasury Fund, these coins were donated to the Fund by the Government with the objective for the BOM to control and safeguard them as part of the Bank's responsibility to manage the Fund.
- The Bank has a right to accumulate gains or incur losses from sales/transfers of these coins to the third parties, based on sales or transfers pre-approved by the Government.
- A statement letter has been received from the Mongolian National Centre for Cultural Heritage, which states that the coins issued in 1925 are the first coins issued after the establishment of the People's Republic of Mongolia, evidence of the establishment of the national currency in Togrogs, important items representing the history of the BOM and belong to the "cultural heritage" in accordance with the Article 3.1.1 of the Law on Protection of Cultural Heritage.

Measurement. The Bank measures the treasury fund at revalued amounts with changes in the fair value being recognized in other comprehensive income ("OCI"). Fair value is determined by an internationally recognised valuation company as per International Valuation Standards. The treasury fund was revalued at fair value by an independent valuation specialist in 2018. As of 31 December 2024, the treasury fund amounted to MNT 1,111,899 million (2023: MNT 1,099,230 million) and the management has assessed that the fair value of the treasury fund has not changed significantly from the carrying amounts.

The fair value hierarchy of the treasury assets are categorized as level 3 in which the valuations are based on unobservable market data, which involves significant judgement. Refer to Note 34 for details of fair value measurement.

5 ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

The following amendments became effective from January 1, 2024:

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate.

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024). These amendments clarify when liabilities are classified as either current or non-current.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023). In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements.

The application of the above amendments had no significant impact on the Bank's financial statements.

6 NEW ACCOUNTING PRONOUNCEMENTS

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2025 or later. These standards and interpretations have not been early adopted.

New standards or amendments	Effective date
Amendments to IAS 21 Lack of Exchangeability (Issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025).	1 January 2025
Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 (issued on 30 May 2024 and effective for annual periods beginning on or after 1 January 2026).	1 January 2026
Annual Improvements to IFRS Accounting Standards (Issued in July 2024 and effective from 1 January 2026).	1 January 2026
IFRS 18 Presentation and Disclosure in Financial Statements (Issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027).	1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures (Issued on 9 May 2024 and effective for annual periods beginning on or after 1 January 2027).	1 January 2027
IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014).	Not determined yet
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).	Not determined yet

Unless otherwise described above, the Bank is currently assessing the impact of the amendments on its financial statements.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

7 CASH AND CASH EQUIVALENTS

In millions of Mongolian Togrogs	Note	31 December 2024	31 December 2023
Cash on hand		95,661	309,414
Due from foreign financial institutions:			
- Short term deposits in foreign currency	8	5,159,918	5,353,257
- Demand deposits	8	1,077,794	1,455,338
- Special drawing rights holdings	8	308,666	360,630
Less Credit loss allowance		(279)	(544)
Total cash and cash equivalents		**6,641,760**	**7,478,095**

The above balances are presented as cash and cash equivalents for the purposes of the Statement of Cash Flows. Refer to Note 33 for the ECL measurement approach.

Cash and cash equivalents are items which are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash on hand and financial assets, which are on demand or with original maturities of less than three months and which are available for use at short notice. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents, both in the statement of financial position and for the purposes of the statement of cash flows. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

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

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades as of 31 December 2024 and 31 December 2023. Refer to Note 33 for the description of the Bank's credit risk grading system.

7 CASH AND CASH EQUIVALENTS (CONTINUED)

In millions of Mongolian Togrogs	31 December 2024			31 December 2023		
	Gross carrying amount	**Credit loss allowance**	**Carrying amount**	**Gross carrying amount**	**Credit loss allowance**	**Carrying amount**
Excellent						
Short term deposits in foreign currency	5,159,918	(276)	**5,159,642**	5,353,257	(541)	**5,352,716**
Demand deposit	1,077,794	(3)	**1,077,791**	1,455,338	(3)	**1,455,335**
Special drawing rights holding	308,666	-	**308,666**	360,630	-	**360,630**
Total due from foreign financial institutions included in cash and cash equivalents, excluding cash on hand	**6,546,378**	**(279)**	**6,546,099**	**7,169,225**	**(544)**	**7,168,681**

For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. When the counter party is a central bank or international financial institution, which is not rated (such as Bank of England), its rating is equivalent to the country credit rating.

Cash on hand and special drawing rights holdings in IMF expose the Bank to insignificant credit risk. Interest rate analysis of cash and cash equivalents is disclosed in Note 33. Information on related party balances is disclosed in Note 32.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

8 DUE FROM FOREIGN FINANCIAL INSTITUTIONS

In millions of Mongolian Togrogs	**31 December 2024**	**31 December 2023**
Short term deposits in foreign currency	5,159,918	5,353,257
Demand deposits	1,077,794	1,455,338
Special drawing rights holdings	308,666	360,630
World Bank subscription	214	214
Other subscriptions	13	14
Less: Credit loss allowance	(279)	(544)
Total due from foreign financial institutions	**6,546,326**	**7,168,909**

Due from other banks are recorded when the Bank advances money to counterparty banks. Amounts due from other banks are carried at AC when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Short term deposits in foreign currency. This balance represents short-term time deposits with foreign central banks and other financial institutions, which are denominated in USD, EURO, GBP, CNY and XAU with initial maturity periods up to 90 days (2023: 90 days).

Demand deposits. This balance represents current account deposits with foreign central banks and other financial institutions.

Special Drawing Rights Holdings. This balance represents Mongolia's holding of special drawing rights to supplement existing reserve assets related to the International Monetary Fund. As of 31 December 2024, the balance is SDR 69.2 million (2023: SDR 78.8 million) and bears interest rate of 3.44% (2023: 4.14%). Assets denominated in SDRs are translated into Togrogs at the BOM official exchange rate of Togrogs to SDR at the reporting date.

World Bank subscription. This balance represents the deposits and quota at the World Bank, as part of the condition to be a member of the World Bank group. This amount is matched by a corresponding liability (see Note 24) and is non-interest bearing. This asset is not expected to be impaired as it is placed in the central banks of OECD countries and other reputable international institutions.

Other subscriptions. This balance represents the subscription amount when Mongolia joined SWIFT network.

As a central bank of Mongolia, the Bank has significant considerations of credit risk with other financial institutions mainly including the Banque de France with amount of MNT 3,395,427 million (2023: MNT 4,524,880 million), Bank of England with amount of MNT 393,846 million (2023: MNT 20,002 million) and the central banks of other countries with total amount of MNT 2,448,439 million (2023: MNT 2,263,713). These financial institutions have excellent credit quality, and credit ratings ranged from Aa3 to Aaa based on Moody's ratings or equivalents of Standard and Poor's and/or Fitch ratings. In total, credit risk exposure to financial institutions is estimated to have amounted to MNT 6,237,712 million (2023: MNT 6,808,595 million) comprising short term deposits in foreign currency and demand deposits.

The following table contains an analysis of due from foreign financial institutions balances by credit quality as of 31 December 2024 and 31 December 2023 based on credit risk grades for the purpose of ECL measurement.

8 DUE FROM FOREIGN FINANCIAL INSTITUTIONS (CONTINUED)

All balances are included in Stage 1 as funds are placed in the central banks of OECD countries and other reputable international institutions. Refer to Note 33 for the description of credit risk grading system used by the Bank and the approach to ECL measurement, including the definition of default and SICR as applicable to due from other banks balances. The carrying amount of due from foreign financial institutions balances at 31 December 2024 and 31 December 2023 below also represents the Bank's maximum exposure to credit risk on these assets:

In millions of Mongolian Togrogs	31 December 2024			31 December 2023		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Excellent						
Short term deposits in foreign currency	5,159,918	(276)	**5,159,642**	5,353,257	(541)	**5,352,716**
Demand deposit	1,077,794	(3)	**1,077,791**	1,455,338	(3)	**1,455,335**
Special drawing rights holding	308,666	-	**308,666**	360,630	-	**360,630**
World Bank subscription	214	-	**214**	214	-	**214**
Other subscriptions	13	-	**13**	14	-	**14**
Total due from foreign financial institutions	**6,546,605**	**(279)**	**6,546,326**	**7,169,453**	**(544)**	**7,168,909**

Special drawing rights holdings in IMF, World Bank subscription and other subscriptions do not expose the Bank to credit risk as these are placed in the central banks of OECD countries and other reputable international institutions.

None of these balances are collateralized. Refer to Note 34 for the estimated fair value of each class of amounts due from foreign financial institutions. Interest rate analysis of due from foreign financial institutions is disclosed in Note 33.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

8 DUE FROM FOREIGN FINANCIAL INSTITUTIONS (CONTINUED)

The following table explains movements in the credit loss allowances and gross carrying amount of due from foreign financial institutions between the beginning and the end of the annual period.

In millions of Mongolian Togrogs	**31 December 2024**	**31 December 2023**
Gross carrying amount		
At 1 January	**7,169,453**	**3,988,639**
New originated or purchased	50,788,165	46,028,442
Derecognised during the period	(51,297,097)	(42,629,456)
Changes in accrued interest	(12,383)	21,413
Foreign exchange translation	(101,533)	(239,585)
At 31 December	**6,546,605**	**7,169,453**
Credit loss allowance		
At 1 January	**544**	**111**
New originated or purchased	148	578
Derecognised during the period	(413)	(145)
Total movements with impact on credit loss allowance charge for the period	**(265)**	**433**
At 31 December	**279**	**544**
Total due from foreign financial institutions	**6,546,326**	**7,168,909**

9 LOANS TO LOCAL BANKS

In millions of Mongolian Togrogs	**31 December 2024**	**31 December 2023**
Housing mortgage program under Price Stabilization Program	1,400,969	685,641
Gold - 2 program	5,080	17,693
Secured loans	-	429,893
Fuel reserve program	-	338,484
Other loans	1,535	3,684
Less: credit loss allowance	(18,337)	(30,814)
Total carrying amount of loans to local banks at AC	**1,389,247**	**1,444,581**
Loans to local banks at FVTPL	32,620	118,394
Total loans to local banks	**1,421,867**	**1,562,975**

Below table shows the movements of the loans to local banks as at 31 December 2024 and 31 December 2023:

In millions of Mongolian Togrogs	**31 December 2024**	**31 December 2023**
Loans to local banks at 1 January	**1,562,975**	**1,927,086**
Cash Transactions:		
Loans repayments	(1,087,302)	(774,144)
Loans granted	1,342,081	1,070,867
Interest received	(133,560)	(70,106)
Non-cash transactions:		
Securitization to Senior RMBS bonds	(373,197)	(710,231)
Interest accrued	86,444	96,639
Other movements	24,426	22,864
Loans to local banks at 31 December	**1,421,867**	**1,562,975**

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

9 LOANS TO LOCAL BANKS (CONTINUED)

Gross carrying amount and credit loss allowance amount for loans to local banks at amortised cost by classes as of 31 December 2024 and 31 December 2023 are disclosed in the table below:

	31 December 2024			31 December 2023		
In millions of Mongolian Togrogs	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Housing mortgage program	1,400,969	(18,323)	**1,382,646**	685,641	(14,674)	**670,967**
Gold - 2 program	5,080	-	**5,080**	17,693	-	**17,693**
Secured loans	-	-	**-**	429,893	(9,248)	**420,645**
Fuel reserve program	-	-	**-**	338,484	(6,791)	**331,693**
Other loans	1,535	(14)	**1,521**	3,684	(101)	**3,583**
Total loans and advances to customers at AC	**1,407,584**	**(18,337)**	**1,389,247**	**1,475,395**	**(30,814)**	**1,444,581**

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

Impairment allowances are determined based on the forward-looking ECL models. Note 33 provides information about inputs, assumptions and estimation techniques used in measuring ECL model.

Loans to local banks meet definition of principal market as defined by IFRS 13 requirements when the substance of related transactions relates to the Bank's function of the regulator and of protecting national currency and economy (e.g., performing monetary policy operations, stabilizing inflation, and stimulating economic growth, ensuring stability of Mongolian banking sector etc.) For management's judgements refer to Note 4.

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

The effective interest method is a method of allocating interest income or interest expense over the relevant period, to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the expected life of the instrument.

9 LOANS TO LOCAL BANKS (CONTINUED)

The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e., it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

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

Credit loss allowance for ECL. The Bank assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Bank measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions, and forecasts of future conditions.

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

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

Refer to Note 33 for a description of how the Bank determines when a SICR has occurred. If the Bank determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Bank's definition of credit impaired assets and definition of default is explained in Note 33. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 33 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Bank incorporates forward-looking information in the ECL models.

Loans issued under Price Stabilization Program

Housing mortgage program. This balance represents mortgage loan financing under Housing Mortgage subprogram in the framework of the Price Stabilization Program. These loans were issued under terms and conditions defined according to the Apartment Mortgage Funding Agreement signed by the Bank, the Government of Mongolia, Mongolian Mortgage Corporation (MMC) and local banks and the Bank has no discretion in defining terms.

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9 LOANS TO LOCAL BANKS (CONTINUED)

According to the agreement, the Bank receives Senior Residential Mortgage Backed Securities (Senior RMBS) bonds in the settlement of the loans to local banks. As of 31 December 2024, these loans bear interest rates of 2%, 3% and 6% per annum (2023:1%-4%) with maturity of 1 years to 9 years (2023: 1-6 years). Management has concluded that no loss should be recognized on initial recognition of these loans. Refer to management judgement in Note 4.

Gold – 2 program. According to Parliament Resolution no. 32 dated 29 April 2020, Government Resolution no. 167 dated 6 May 2020 in the framework of "Law on Prevention, Combat, and Reduction of Social and, Economic impacts of COVID-19", the Bank has started financing domestic gold mining entities through commercial banks in order to increase foreign currency reserves. The loans bear interest rates of 10% to 12% (2023: 6% and 12%) per annum with maturity of 2 to 3 years (2023: 2 to 3 years). According to the financing agreement, the Bank has a right to withdraw the repayments from the current account of the respective commercial banks at the BOM on the scheduled repayment date.

Fuel reserve program. The loans bear interest rate of policy rate and have term of 1 to 2 years. As of 31 December 2024, all loans under the fuel reserve program have been fully repaid.

Secured loans. These loans were fully collateralized with performing loans portfolio and promissory notes and bears interest rate of 19% per annum with maturity of 3 to 6 months. All loans have been fully repaid on 11 March 2024 and 25 October 2024, respectively.

Other loans

Loans in local currency. The loans in local currency included in "Other loans" consist of loans related to the programs of Government of Germany through KFW in the amount MNT 971 million (2023: MNT 3,042 million).

Loans disbursed to local banks for further lending to Mongolian enterprises to promote small and medium scale companies were made available under two separate I and II programs by the Government of Germany through KfW. As per loan agreement, the BOM has the right to automatically withdraw funds from the accounts of the local banks with the BOM when repayments are due.

Loans in foreign currency. The loans in foreign currency, included as part of "Other loans", represents loans for improving the local banks' systems and enhancing the capability of banking specialists under the program of ADB in the amount of MNT 564 million (2023: MNT 642 million).

Loans for improving the local banks' software and enhancing the capability of banking specialists are provided by the Bank to local banks to finance the training conducted by DAI (Thailand) Limited Company in accordance with the agreement signed between Mongolia and the Asian Development Bank. Original maturity of this loan is 14 years.

Loans to local banks at FVTPL. The Bank provided loans to local banks with nominal amount of MNT 230,000 million at the interest rate of 13% per annum and maturity period of 2 years on 28 December 2022 in order to activate and support Housing Mortgage sub program under PSP. These loans to local banks are unsecured. The loans were further extended for 1 year on 15 December 2024. As of 31 December 2024, the Bank holds mortgage sub program loans in amount of MNT 32,620 million (2023: MNT 118,394 million).

The loans have a condition to reset interest rate of 13% per annum to 2% per annum when the local banks provide mortgage loans to the individuals on a monthly basis. These loans to local banks were classified at FVTPL as the loans did not meet SPPI test of amortised cost classification. For more information, refer to Note 34.

9 LOANS TO LOCAL BANKS (CONTINUED)

Loans and advances to customers at FVTPL are measured taking into account the credit risk. The carrying amount presented in the statement of financial position best represents the Bank's maximum exposure to credit risk arising from loans and advances to customers. Management estimates fair value of the loans to local banks using discounted cashflow model and the average lending rate of mortgage loans of Mongolian banking sector is applied as the discount rate as management believes that it represents the reasonable approximation of market rate on such funding to the local banks.

As disclosed in Note 33, the largest Mongolian local banks are rated by international rating agencies. In case of unrated Mongolian local banks, the Bank considers financial conditions of related local bank based on the recent financial information, compliance with prudential ratios, and other information available for assessing credit quality of related assets.

The credit loss allowance for loans to local banks recognised in the period is impacted by a variety of factors, details of ECL measurement are provided in Note 33. The main movements in the table are described below:

- Transfers between Stage 1, 2 and 3 due to balances experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL.
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period.

The following tables disclose the changes in the credit loss allowance and gross carrying amount for loans to local banks carried at amortised cost between the beginning and the end of the reporting and comparative period.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

9 LOANS TO LOCAL BANKS (CONTINUED)

Movements in the credit loss allowances and gross carrying amount of loans to local banks at AC during 2024 are as follows:

	Stage 1					
In millions of Mongolian Togrogs	**Housing Mortgage program under Price Stabilization Program (Stage 1)**	**Secured loans (Stage 1)**	**Fuel reserve program (Stage 1)**	**Gold - 2 program (Stage 1)**	**Other loans (Stage 1)**	**Total**
Gross carrying amount						
At 1 January 2024	685,641	429,893	338,484	17,693	3,684	**1,475,395**
Movements with impact on credit loss allowance charge for the period:						
New originated or purchased	1,035,009	225,563	-	-	-	**1,260,572**
Derecognised during the period	(320,719)	(654,563)	(292,386)	(12,583)	(2,147)	**(1,282,398)**
Changes in accrued interest	(66)	(893)	(46,098)	(30)	(2)	**(47,089)**
Other movement	1,104	-	-	-	-	**1,104**
Total movements with impact on credit loss allowance charge for the period	**715,328**	**(429,893)**	**(338,484)**	**(12,613)**	**(2,149)**	**(67,811)**
At 31 December 2024	**1,400,969**	**-**	**-**	**5,080**	**1,535**	**1,407,584**
Credit loss allowances						
At 1 January 2024	14,674	9,248	6,791	-	101	**30,814**
Movements with impact on credit loss allowance charge for the period:						
New originated or purchased	13,519	-	-	-	2	**13,521**
Derecognised during the period	(9,883)	(9,248)	(5,781)	-	(87)	**(24,999)**
Changes in accrued interest	13	-	(1,010)	-	(2)	**(999)**
Total movements with impact on credit loss allowance charge for the period	**3,649**	**(9,248)**	**(6,791)**	**-**	**(87)**	**(12,477)**
At 31 December 2024	**18,323**	**-**	**-**	**-**	**14**	**18,337**

9 LOANS TO LOCAL BANKS (CONTINUED)

Movements in the credit loss allowances and gross carrying amount of other loans to local banks at AC during 2023 are as follows:

	Stage 1					Stage 3	
In millions of Mongolian Togrogs	Housing Mortgage program under Price Stabilization Program (Stage 1)	Secured loans (Stage 1)	Fuel reserve program (Stage 1)	Gold - 2 program (Stage 1)	Other loans (Stage 1)	Secured loans (Stage 3)	Total
Gross carrying amount							
At 1 January 2023	881,212	385,838	446,541	44,892	6,080	1,060	**1,765,623**
Movements with impact on credit loss allowance charge for the period:							
New originated or purchased	411,867	429,000	-	-	-	-	**840,867**
Derecognised during the period	(607,554)	(381,945)	(137,641)	(27,169)	(2,395)	(1,060)	**(1,157,764)**
Changes in accrued interest	116	(3,000)	29,584	(30)	(1)	-	**26,669**
Total movements with impact on credit loss allowance charge for the period	**(195,571)**	**44,055**	**(108,057)**	**(27,199)**	**(2,396)**	**(1,060)**	**(290,228)**
At 31 December 2023	**685,641**	**429,893**	**338,484**	**17,693**	**3,684**	**-**	**1,475,395**
Credit loss allowances							
At 1 January 2023	22,149	1,312	8,061	-	190	714	**32,426**
Movements with impact on credit loss allowance charge for the period:							
New originated or purchased	20,170	10,140	-	-	-	134	**30,444**
Derecognised during the period	(27,343)	(2,204)	(2,119)	-	(124)	(848)	**(32,638)**
Changes in accrued interest	-	-	989	-	-	-	**989**
Other movement	(302)	-	(140)	-	35	-	**(407)**
Total movements with impact on credit loss allowance charge for the period	**(7,475)**	**7,936**	**(1,270)**	**-**	**(89)**	**(714)**	**(1,612)**
At 31 December 2023	**14,674**	**9,248**	**6,791**	**-**	**101**	**-**	**30,814**

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9 LOANS TO LOCAL BANKS (CONTINUED)

The credit quality of loans to local banks carried at amortised cost is as follows at 31 December 2024:

	Stage 1			
In millions of Mongolian Togrogs	**Housing mortgage program (Stage 1)**	**Gold - 2 program (Stage 1)**	**Other loans (Stage 1)**	**Total**
Good	1,400,969	5,080	1,535	**1,407,584**
Gross carrying amount	**1,400,969**	**5,080**	**1,535**	**1,407,584**
Credit loss allowance	(18,323)	-	(14)	**(18,337)**
Carrying amount	**1,382,646**	**5,080**	**1,521**	**1,389,247**

The credit quality of loans to local banks carried at amortised cost is as follows at 31 December 2023:

	Stage 1					
In millions of Mongolian Togrogs	**Housing mortgage program (Stage 1)**	**Secured loans (Stage 1)**	**Fuel reserve program (Stage 1)**	**Gold - 2 program (Stage 1)**	**Other loans (Stage 1)**	**Total**
Good	685,641	-	338,484	17,693	3,684	**1,045,502**
Satisfactory	-	429,893	-	-	-	**429,893**
Gross carrying amount	**685,641**	**429,893**	**338,484**	**17,693**	**3,684**	**1,475,395**
Credit loss allowance	(14,674)	(9,248)	(6,791)	-	(101)	**(30,814)**
Carrying amount	**670,967**	**420,645**	**331,693**	**17,693**	**3,583**	**1,444,581**

9 LOANS TO LOCAL BANKS (CONTINUED)

Description of collateral held for loans to local banks carried at amortised cost is as follows on 31 December 2024:

In millions of Mongolian Togrogs	Housing mortgage program	Gold - 2 program	Other loans	Total
Loans collateralized by:				
- Central Bank Bills	-	5,080	-	**5,080**
Total	**-**	**5,080**	**-**	**5,080**
Unsecured exposures	1,400,969	-	1,535	**1,402,504**
Total carrying value loans to local banks at AC (amount representing exposure to credit risk for each class of loans at AC)	**1,400,969**	**5,080**	**1,535**	**1,407,584**

Description of collateral held for loans to local banks carried at amortised cost is as follows on 31 December 2023:

In millions of Mongolian Togrogs	Housing mortgage program	Fuel reserve program	Gold - 2 program	Secured loans	Other loans	Total
Loans collateralized by:						
- Loan portfolio and promissory note	-	-	-	429,893	-	**429,893**
- Central bank bills	-	-	17,693	-	-	**17,693**
Total	**-**	**-**	**17,693**	**429,893**	**-**	**447,586**
Unsecured exposures	685,641	338,484	-	-	3,684	**1,027,809**
Total carrying value loans to local banks at AC (amount representing exposure to credit risk for each class of loans at AC)	**685,641**	**338,484**	**17,693**	**429,893**	**3,684**	**1,475,395**

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10 INVESTMENT IN DEBT SECURITIES

In millions of Mongolian Togrogs	31 December 2024	31 December 2023
Debt securities at FVOCI	4,579,412	3,525,495
Debt securities at AC	3,794,533	3,999,808
Total investments in debt securities	**8,373,945**	**7,525,303**

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

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

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

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

In millions of Mongolian Togrogs	Debt securities at FVOCI	Debt securities at AC	Total
Investment in debt securities:			
Bonds issued by Bank for International Settlements	2,706,858	-	**2,706,858**
RAMP Investment Account Assets	1,193,924	-	**1,193,924**
US treasury bills	451,274	-	**451,274**
BIS Investments	190,404	-	**190,404**
ADB Bonds	20,092	-	**20,092**
EIB bonds	16,860	-	**16,860**
Senior RMBS Bonds	-	2,900,604	**2,900,604**
Erdenes bonds	-	849,807	**849,807**
Lease backed bonds	-	129,196	**129,196**
Total investments in debt securities	**4,579,412**	**3,879,607**	**8,459,019**
Credit loss allowance	-	(85,074)	**(85,074)**
Total investments in debt securities as of 31 December 2024 (carrying value)	**4,579,412**	**3,794,533**	**8,373,945**

10 INVESTMENTS IN DEBT SECURITIES (CONTINUED)

The table below discloses investments in debt securities as of 31 December 2023 by measurement categories and classes:

In millions of Mongolian Togrogs	**Debt securities at FVOCI**	**Debt securities at AC**	**Total**
Investment in debt securities:			
Bonds issued by Bank for International Settlements	1,936,811	-	**1,936,811**
RAMP Investment Account Assets	1,138,551	-	**1,138,551**
US treasury bills	263,268	-	**263,268**
BIS Investments	180,521	-	**180,521**
ADB Bonds	6,344	-	**6,344**
Senior RMBS Bonds	-	2,972,103	**2,972,103**
Erdenes bonds	-	877,166	**877,166**
Erdenes Tavan Tolgoi bonds	-	155,301	**155,301**
Lease backed bonds	-	143,957	**143,957**
Total investments in debt securities	**3,525,495**	**4,148,527**	**7,674,022**
Credit loss allowance	-	(148,719)	**(148,719)**
Total investments in debt securities as of 31 December 2023 (carrying value)	**3,525,495**	**3,999,808**	**7,525,303**

(a) Investments in debt securities at FVOCI

Debt securities at FVOCI are included in Stage 1 and credit risk exposure based on credit risk grades were "excellent". Refer to Note 33 for the description of credit risk grading system used by the Bank and the approach to ECL measurement, including the definition of default and SICR as applicable to debt securities at FVOCI.

Bonds issued by Bank for International Settlements (BIS) represent quoted debt securities and thus are measured at fair value, which is based on market price of the bonds. At the end of financial year, the balance consists of USD 689.8 million and CNY 741.4 million equivalent to MNT 2,706,858 million (2023: USD 448.7 million and CNY 846.9 million equivalent to MNT 1,936,811 million). Maturity of these bonds is 147 days to 245 days (2023: 91 days to 180 days) and they bear interest rate and yield of 1.49% to 4.82% per annum (2023: 2.00% to 5.49% per annum). The Bank invests into these securities due to their low credit risk and high reputation of the BIS. Bonds are not collateralized. For more information, refer to Note 33.

Reserves Advisory and Management Program (RAMP) Investment Account Assets In order to improve and strengthen foreign currency management the Bank has been implementing the World Bank's "Resource management improvement consulting and resource management" project since 2011.

As of 31 December 2024, the Investment Account Assets consist of cash balance in the amount of USD 0.26 million equivalent to MNT 905 million (2023: USD 0.33 million equivalent to MNT 1,127 million), and securities in the amount of USD 348.8 million equivalent to MNT 1,193,019 million (2023: USD 333.5 million equivalent to MNT 1,137,424 million). The custodian of the Investment Account Assets is Federal Reserve Bank of New York. These are not collateralized.

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10 INVESTMENTS IN DEBT SECURITIES (CONTINUED)

The securities representing a major part of investment account assets mainly include US Treasury bills and securities issued by other governmental agencies. Credit risk grade of debt securities included in Investment Account Assets is excellent and credit ratings ranged from Aa3 to Aaa based on Moody's ratings or equivalents of Standard and Poor's and/or Fitch ratings. For more information, refer to Note 33.

US treasury bills At the end of the financial year, the balance of bonds consists of USD 132 million equivalent to MNT 451,274 million (2023: USD 77.2 million equivalent to MNT 263,268 million). Maturity of these bonds is 1 to 5 years (2023: 2 to 3 years) and interest rate and yield are 2.88% to 5% per annum (2023: 0.13% to 5.5% per annum).

BIS Investment In order to improve foreign currency reserve management, the Bank has implemented BIS's resource management improvement consulting and resource management project since 2019. As of 31 December 2024, the amount of the investment stood at USD 55.7 million equivalent to MNT 190,404 million (2023: USD 52.9 million equivalent to MNT 180,521 million).

The securities representing a major part of investment account assets mainly include US Treasury bills and securities issued by other governmental agencies. Credit risk grade of debt securities included in Investment Account Assets is excellent and credit ratings ranged from Aa3 to Aaa based on Moody's ratings or equivalents of Standard and Poor's and/or Fitch ratings. For more information, refer to Note 33.

ADB bonds. The securities were issued by the Asian Development Bank and, as of December 31, 2024, amount to USD 5.9 million or MNT 20,092 million (2023: USD 1.8 million or MNT 6,344 million).

EIB bonds. The securities were issued by the European Investment Bank and denominated in the US dollars. As of 31 December 2024, the remaining balance of the bond is USD 4.9 million equivalent to MNT 16,860 million. The maturity of the bond is 4 years with an annual interest rate of 3.88%.

Movements in the credit loss allowance and in the gross amortized cost amount of investments in debt securities at FVOCI were as follows as of 31 December 2024.

	Credit loss allowance		**Gross carrying amount**	
In millions of Mongolian Togrogs	**Stage 1 (12-months ECL)**	**Total**	**Stage 1 (12-months ECL)**	**Total**
At 1 January 2024	**92**	**92**	**3,525,587**	**3,525,587**
Movements with impact on credit loss allowance charge for the period:				
New originated or purchased	85	**85**	6,728,186	**6,728,186**
Derecognised during the period	(5)	**(5)**	(5,658,221)	**(5,658,221)**
Changes in accrued interest	-	**-**	(13)	**(13)**
Other movements	-	-	(23,616)	**(23,616)**
Total movements with impact on credit loss allowance charge for the period	**80**	**80**	**1,046,336**	**1,046,336**
Movements without impact on credit loss allowance charge for the period:				
FX and other movements	-	**-**	7,661	**7,661**
At 31 December 2024	**172**	**172**	**4,579,584**	**4,579,584**

10 INVESTMENTS IN DEBT SECURITIES (CONTINUED)

Movements in the credit loss allowance and in the gross amortised cost amount of investments in debt securities at FVOCI were as follows as of 31 December 2023.

In millions of Mongolian Togrogs	**Credit loss allowance** Stage 1 (12-months ECL)	Total	**Gross carrying amount** Stage 1 (12-months ECL)	Total
At 1 January 2023	**76**	**76**	**2,300,397**	**2,300,397**
Movements with impact on credit loss allowance charge for the period:				
New originated or purchased	79	**79**	3,607,476	**3,607,476**
Derecognised during the period	(63)	**(63)**	(2,356,406)	**(2,356,406)**
Changes in accrued interest	-	-	(290)	**(290)**
Other movements	-	-	9,156	**9,156**
Total movements with impact on credit loss allowance charge for the period	**16**	**16**	**1,259,936**	**1,259,936**
Movements without impact on credit loss allowance charge for the period:				
FX and other movements	-	-	(34,746)	**(34,746)**
At 31 December 2023	**92**	**92**	**3,525,587**	**3,525,587**

(b) Debt securities at AC

Senior Residential Mortgage-Backed Securities (Senior RMBS) Bonds issued by MMC JSC subsidiaries. The Bank signed the Residential Mortgage Funding Agreement - a three-way agreement with MMC and the local banks in Mongolia on 13 June 2013. Starting from 2016, agreement was renewed, and government of Mongolia included in this arrangement. The Bank receives the RMBS Senior Bonds issued by MMC to the local banks in settlement of its soft loans granted to the local banks under housing mortgage subprogram of Price Stabilization Program disclosed in Note 9. These bonds earn interest rate of 1%, 2.25%, and 4.5% per annum and have a maturity up to 30 years. Refer to Note 4 for management judgement.

Erdenes bonds. As of 31 December 2024, the Bank holds bonds in the amount of MNT 849,807 million (2023: MNT 929,885 million). The bonds have par value of MNT 1 million each at coupon rate of 6% per annum with maturity date of 30 December 2024. The issuer Erdenes Mongol LLC have made repayment of MNT 80,078 million on maturity date. The Bank transferred the outstanding balance of the bond to Stage 3 as it was considered to be impaired due to its uncertainty over the repayment period due to the non-full repayment on the maturity date. Refer to Note 4 for management judgement.

Erdenes Tavan Tolgoi bonds. The bonds bear interest rate of 10% per annum with 3 years of maturity. The bond was fully paid on 23 August 2024.

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10 INVESTMENTS IN DEBT SECURITIES (CONTINUED)

Lease Backed Bonds. Starting from 7 October 2020, the Bank started purchasing the bonds issued by the City Housing Corporation ("NOSK" JSC) to support and provide affordable housing to the civil service employees. The Bank holds 984,662 bonds (2023: 984,662) with a par value of MNT 100,000 each with original maturity of 15 years and these bonds bear interest rate of 6% and 8% per annum. Each bond is collateralized by the rental income from leased property owned by the NOSK JSC and the residential apartments.

The following table contains an analysis of debt securities at AC by credit quality at 31 December 2024 based on credit risk grades and discloses the balances by three stages for the purpose of ECL measurement. Refer to Note 33 for the description of credit risk grading system used by the Bank and the approach to ECL measurement, including the definition of default and SICR as applicable to debt securities at AC.

The carrying amount of investment in debt securities at AC at 31 December 2024 below also represents the Bank's maximum exposure to credit risk on these assets:

In millions of Mongolian Togrogs	**Stage 1 (12-months ECL)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Good			
Senior RMBS Bonds	2,900,604	-	**2,900,604**
Lease backed bonds	129,196	-	**129,196**
Default			
Erdenes bonds	-	849,807	**849,807**
Gross carrying amount	**3,029,800**	**849,807**	**3,879,607**
Credit loss allowance	(757)	(84,317)	**(85,074)**
Total investments in debt securities measured at AC (carrying amount)	**3,029,043**	**765,490**	**3,794,533**

The following table contains an analysis of investment in debt securities at AC by credit quality at 31 December 2023. The carrying amount of investment in debt securities at AC below also represents the Bank's maximum exposure to credit risk on these assets:

In millions of Mongolian Togrogs	**Stage 1 (12-months ECL)**	**Total**
Good		
Senior RMBS Bonds	2,972,103	**2,972,103**
Erdenes bonds	877,166	**877,166**
Erdenes Tavan Tolgoi bonds	155,301	**155,301**
Lease backed bonds	143,957	**143,957**
Gross carrying amount	**4,148,527**	**4,148,527**
Credit loss allowance	(148,719)	**(148,719)**
Total investments in debt securities measured at AC (carrying amount)	**3,999,808**	**3,999,808**

10 INVESTMENTS IN DEBT SECURITIES (CONTINUED)

Movements in the credit loss allowance and in the gross amortised cost amount of investments in debt securities at AC were as follows as of 31 December 2024.

	Stage 1 (12 months ECL)				Stage 3 (lifetime ECL for credit impaired)	
In millions of Mongolian Togrogs	**Senior RMBS (collateralized by mortgage loans)**	**Lease backed bonds (collateralized by leased apartments)**	**Erdenes Bonds**	**Erdenes Tavan Tolgoi Bonds**	**Erdenes Bonds**	**Total**
Gross carrying amount						
At 1 January 2024	**2,972,103**	**143,957**	**877,166**	**155,301**	**-**	**4,148,527**
Movements with impact on credit loss allowance charge for the period:						
Transfers:						
- to credit-impaired (from Stage 1 to Stage 3)	-	-	(849,807)	-	849,807	-
New originated or purchased	373,197	-	-	-	-	**373,197**
Derecognised during the period	(423,109)	(14,314)	(80,078)	(150,000)	-	**(667,501)**
Unwinding of discount	7,316	-	52,719	-	-	**60,035**
Changes in accrued interest	(28,903)	(447)	-	(5,301)	-	**(34,651)**
At 31 December 2024	**2,900,604**	**129,196**	**-**	**-**	**849,807**	**3,879,607**
Credit loss allowances						
At 1 January 2024	**936**	**574**	**135,487**	**11,722**	**-**	**148,719**
Transfers:						
- to credit-impaired (from Stage 1 to Stage 3)	**-**	**-**	(71,410)	**-**	84,317	**12,907**
New originated or purchased	-	46	-	-	-	**46**
Derecognised during the period	(446)	(353)	(64,077)	(11,722)	-	**(76,598)**
At 31 December 2024	**490***	**267***	**-**	**-**	**84,317**	**85,074**

*Over-collateralized

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10 INVESTMENTS IN DEBT SECURITIES (CONTINUED)

Movements in the credit loss allowance and in the gross amortised cost amount of investments in debt securities at AC were as follows as of 31 December 2023.

	Stage 1 (12 month ECL)				
In millions of Mongolian Togrogs	**Senior RMBS (collateralized by mortgage loans)**	**Lease backed bonds (collateralized by leased apartments)**	**Erdenes Bonds**	**Erdenes Tavan Tolgoi Bonds**	**Total**
Gross carrying amount					
At 1 January 2023	**2,638,088**	**151,056**	**827,568**	**320,046**	**3,936,758**
Movements with impact on credit loss allowance charge for the period:					
New originated or purchased	710,231	-	-	-	**710,231**
Derecognised during the period	(370,626)	(8,414)	-	(161,000)	**(540,040)**
Unwinding of discount	8,007	-	49,598	-	**57,605**
Changes in accrued interest	(13,597)	1,315	-	(3,745)	**(16,027)**
At 31 December 2023	**2,972,103**	**143,957**	**877,166**	**155,301**	**4,148,527**
Credit loss allowances					
At 1 January 2023	**1,825**	**1,065**	**181,269**	**18,798**	**202,957**
New originated or purchased	-	373	26,550	16,704	**43,627**
Derecognised during the period	(889)	(864)	(24,440)	(18,814)	**(45,007)**
Changes to ECL measurement model assumptions	-	-	(47,892)	(4,966)	**(52,858)**
At 31 December 2023	**936***	**574***	**135,487**	**11,722**	**148,719**

*Over-collateralized

11 INVESTMENTS IN EQUITY SECURITIES

In millions of Mongolian Togrogs	**31 December 2024**	**31 December 2023**
Equity investments	6,533	6,533
Total investments in equity securities	**6,533**	**6,533**

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

Equity investments at FVOCI represent unquoted investments in the International Investment Bank, the International Bank of Economic Co-operation, that are recorded at fair value which management considers to be approximate to their cost.

12 REVERSE REPURCHASE AGREEMENTS

In millions of Mongolian Togrogs	**31 December 2024**	**31 December 2023**
Federal Reserve Bank of New York	5,507,629	3,960,295
Local banks - Short term (overnight)	2,475,427	723,660
Local banks - Long term (collateralized by Central Bank Bills)	232,218	212,453
Local banks - Long term (collateralized by Asset-Backed Securities)	27,470	41,471
Local banks - Long term (collateralized by Senior RMBS bonds)	18,351	17,846
Total reverse repurchase agreements measured at AC (gross carrying amount)	**8,261,095**	**4,955,725**
Credit loss allowance	(62)	(109)
Total reverse repurchase agreements measured at AC (carrying value)	**8,261,033**	**4,955,616**

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Bank, are recorded as reverse repurchase agreements, as appropriate. The difference between the repurchase price, adjusted by interest and dividend income collected by the counterparty, is treated as interest income, and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties for a fixed fee are retained in the financial statements in their original category in the statement of financial position unless the counterparty has the right by contract or custom to sell or re-pledge the securities, in which case they are reclassified and presented separately. Securities borrowed for a fixed fee are not recorded in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss for the year within gains less losses arising from trading securities. The obligation to return the securities is recorded at fair value in other borrowed funds.

Based on classification of securities sold under repurchase agreements, the Bank classifies reverse repurchase agreements into AC.

Federal Reserve Bank of New York The Bank entered into Automatic Investment Program arrangement in respect of its deposit account held with Federal Reserve Bank of New York. Under this program, amounts exceeding minimum balance of USD 250,000 are to be invested in Repurchase Agreement Pool ("repo pool") of Federal Reserve Bank of New York.

As of 31 December 2024, the funds invested in repo pool amounted to USD 1,610 million equivalent to MNT 5,507,629 million (2023: USD 1,161.1 million equivalent to MNT 3,960,295 million). This investment has 2 days of maturity (2023: 3 day) and carries interest rate from 4.3% to 5.3% per annum (2023: 4.3% to 5.3% per annum). Though related investments are effectively collateralized, there is no clear identification of securities purchased based on the investment program.

Short term (overnight) reverse repurchase agreements As of 31 December 2024, the funds invested in overnight reverse repurchase agreements amounted to MNT 2,475,427 million (2023: MNT 723,660 million) with maturity of 2 days (2023: 4 days) and carries interest rate of 12% per annum (2023: 14% per annum). These agreements are fully secured by the Central Bank Bills.

12 REVERSE REPURCHASE AGREEMENTS (CONTINUED)

Long term reverse repurchase agreements bear interest rate of 7% to 14% per annum (2023: 6.5% and 14% per annum) with original maturity of 2 to 3 years (2023: 2-3 years). The agreements in the amount of MNT 232,218 million (2023: MNT 212,453 million) were collateralised by Central Bank Bills. The agreements in the amount of MNT 27,470 million (2023: MNT 41,471 million) was initially collateralised by Central Bank Bills, which was subsequently replaced by the Asset-Backed Securities issued by SFC LLC. The agreements with the amount of MNT 18,351 million (2023: MNT 17,846 million) was collateralised by Senior RMBS Bonds.

Analysis by credit quality of reverse repurchase agreements of Federal Reserve Bank of New York measured at AC, is as follows, on 31 December 2024 and 31 December 2023.

In millions of Mongolian Togrogs	**31 December 2024 Stage 1 (12-months ECL)**	**31 December 2023 Stage 1 (12-months ECL)**
Federal Reserve Bank of New York		
- Excellent	5,507,629	3,960,295
Gross carrying amount	**5,507,629**	**3,960,295**
Less: Credit loss allowance	(5)	(5)
Carrying amount	**5,507,624**	**3,960,290**

Reverse repurchase agreements with local banks are included in Stage 1 and credit risk grades were "good" (2023: Stage 1 and credit risk grades were "good"). Refer to Note 33 for the description of credit risk grading system used by the Bank and the approach to ECL measurement, including the definition of default and SICR as applicable to reverse repurchase agreements with local banks.

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12 REVERSE REPURCHASE AGREEMENTS (CONTINUED)

The following table discloses the changes in the credit loss allowance and gross carrying amount for reverse repurchase agreements carried at amortised cost between the beginning and the end of the reporting period:

	Stage 1					
In millions of Mongolian Togrogs	**Federal Reserve Bank of New York**	**Local banks - Short term (overnight)**	**Local banks - Long term (collateralized by Central Bank Bills)**	**Local banks - Long term (collateralized by Asset-Backed Securities)**	**Local banks - Long term (collateralized by Senior RMBS bonds)**	**Total**
Gross carrying amount						
At 1 January 2024	**3,960,295**	**723,660**	**212,453**	**41,471**	**17,846**	**4,955,725**
Movements with impact on credit loss allowance charge for the period:						
Transfers:						
New originated or purchased	1,004,523,220	12,421,951	135,420	-	13,937	**1,017,094,528**
Derecognised during the period	(1,002,974,721)	(10,669,889)	(117,862)	(28,263)	(4,000)	**(1,013,794,735)**
Changes in accrued interest	(1,165)	(295)	2,207	14,262	(9,432)	**5,577**
Total movements with impact on credit loss allowance charge for the period	**1,547,334**	**1,751,767**	**19,765**	**(14,001)**	**505**	**3,305,370**
At 31 December 2024	**5,507,629**	**2,475,427**	**232,218**	**27,470**	**18,351**	**8,261,095**
Credit loss allowances						
At 1 January 2024	**5**	**-**	**-**	**104**	**-**	**109**
Movements with impact on credit loss allowance charge for the period:						
Transfers:						
New originated or purchased	1	-	-	163	-	164
Derecognised during the period	(1)	-	-	(210)	-	(211)
Total movements with impact on credit loss allowance charge for the period	**-**	**-**	**-**	**(47)**	**-**	**(47)**
At 31 December 2024	**5**	**-**	**-**	**57***	**-***	**62**

*Over-collateralized.

12 REVERSE REPURCHASE AGREEMENTS (CONTINUED)

The following table discloses the changes in the credit loss allowance and gross carrying amount for reverse repurchase agreements carried at amortised cost during 2023 as follows:

	Stage 1					
In millions of Mongolian Togrogs	**Federal Reserve Bank of New York**	**Local banks - Short term (overnight)**	**Local banks - Long term (collateralized by Central Bank Bills)**	**Local banks - Long term (collateralized by Asset-Backed Securities)**	**Local banks - Long term (collateralized by Senior RMBS bonds)**	**Total**
Gross carrying amount						
At 1 January 2023	**3,835,331**	**403,699**	**887,553**	**94,329**	**-**	**5,220,912**
Movements with impact on credit loss allowance charge for the period:						
Transfers:						
New originated or purchased	769,540,395	7,444,191	81,795	-	17,846	**777,084,227**
Derecognised during the period	(769,416,139)	(7,125,007)	(698,503)	(50,928)	-	**(777,290,577)**
Changes in accrued interest	708	777	(58,392)	(1,930)	-	**(58,837)**
Total movements with impact on credit loss allowance charge for the period	**124,964**	**319,961**	**(675,100)**	**(52,858)**	**17,846**	**(265,187)**
At 31 December 2023	**3,960,295**	**723,660**	**212,453**	**41,471**	**17,846**	**4,955,725**
Credit loss allowances						
At 1 January 2023	**3**	**-**	**-**	**64**	**-**	**67**
Movements with impact on credit loss allowance charge for the period:						
Transfers:						
New originated or purchased	5	-	-	104	-	109
Derecognised during the period	(3)	-	-	(64)	-	(67)
Total movements with impact on credit loss allowance charge for the period	**2**	**-**	**-**	**40**	**-**	**42**
At 31 December 2023	**5**	**-**	**-**	**104***	**-***	**109**

*Over-collateralised.

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13 GOLD BULLION AND PRECIOUS METALS

In millions of Mongolian Togrogs	**31 December 2024**	**31 December 2023**
At fair value		
Gold bullion	2,115,101	1,828,140
Silver	4,489	20,561
At cost		
Gold and silver purchased from miners	258,999	196,352
Gold in transit for refining	6,435	15,852
Commemorative coins and precious metals	27,071	25,539
Total gold bullion and precious metals	**2,412,095**	**2,086,444**

Gold bullion consists of the stocks of gold bars of international standard held in foreign banks and in the vault of the Bank. Gold bullion represents a part of international reserves. Gold bullion is recorded in physical weight in troy ounces and is valued in Togrogs at the official exchange rate of the Bank. The official exchange rate is calculated based on information on gold prices determined (fixed) by participants of the London Bullion Market Association in US dollars translated into MNT at the Bank official MNT/US dollar exchange rate.

Gold bullion and silver bars of international standard held in foreign banks and in the vault of the Bank are measured in the statement of financial position at their fair value and revaluation is performed on a daily basis. The fair value is determined by taking into consideration the market value of gold and silver. The revaluation gains or losses are recognized in profit or loss for the year as a gold bullion and precious metals translation gains or losses. The revaluation gains or losses that were previously recognized as translation gains or losses are then reversed and recognized as gains or losses from trading of gold bullion and precious metals when it is settled and recognized in profit or loss for the year. Annually, unrealized gain or loss on fair value changes is transferred from the accumulated deficit to "Revaluation reserve for gold bullion and foreign exchange" within other reserves in equity (refer to Note 26).

Apart from holding gold as gold bullion, the Bank purchases unrefined gold and silver from producers and companies in Mongolia and trades in gold and silver. Unrefined gold and silver and other precious metals including commemorative coins are recognized as inventory and carried at the lower of cost and net realizable value.

14 TREASURY FUND

In millions of Mongolian Togrogs	31 December 2024	31 December 2023
Main fund- non-permanent parts	1,016,500	1,003,831
Main fund- permanent parts	95,399	95,399
Total treasury fund	**1,111,899**	**1,099,230**

A Law on State Treasury Fund was first issued in 1994 and revised on 22 April 2022 and 5 June 2024. According to the law, "Treasure" is defined as precious metal, gemstones, historical and cultural valuables in any condition such as raw materials, alloys, chemical compounds, products, historical and cultural monuments. The Treasury Fund comprises of main fund and operational fund.

Main fund consists of permanent and non-permanent funds. Permanent fund includes items with extraordinary cultural and historical value listed in the "Historical, cultural and inherited valuables" approved by the Parliament. Non-permanent part of the main fund includes precious metals refined using the international standards, polished gemstones, historical and cultural relics, and reserved coins made of precious metals.

Operational fund includes precious metals for the refinery production, research, and memorial purposes other than those included in the permanent and non-permanent funds. Treasury fund items are internally approved as treasury assets in accordance with the Bank's "Treasury Fund Operation Procedure" and as approved by the Governor of the Bank.

The Bank uses revaluation model for the Treasury Fund under IAS 16 and revalued the Treasury Fund items in accordance with International Valuation Standards. The Treasury Fund is subject to revaluations, with sufficient regularity to ensure that the carrying amount does not differ materially from that, which would be determined using fair value at the end of the reporting period.

Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in Other Reserves in equity. Decreases that offset previous increases of the same asset are recognized in other comprehensive income and decrease the previously recognized revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for the treasury fund included in equity is transferred directly to accumulated deficit or retained earnings when the surplus is realized on the disposal of the asset. Refer to management judgement in Note 4.

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14 TREASURY FUND (CONTINUED)

Below table shows the movement of the Treasury fund as of 31 December 2024 and 31 December 2023:

		Non-permanent		
In millions of Mongolian Togrogs	**Permanent**	**Coins**	**Cultural valuables**	**Total**
Carrying amount at 1 January 2023	**95,399**	**915,407**	**80,748**	**1,091,554**
Addition	-	163	19,612	**19,775**
Reclassification	-	2,629	(2,629)	-
Disposal	-	-	(12,099)	**(12,099)**
Carrying amount at 31 December 2023	**95,399**	**918,199**	**85,632**	**1,099,230**
Addition	-	169	12,500	**12,669**
Carrying amount at 31 December 2024	**95,399**	**918,368**	**98,132**	**1,111,899**

Total addition during 2024 was MNT 12,669 million (2023: 19,775 million). The Bank has acquired the gold plated Chinggis Khan Statues with amount of MNT 12,500 million in 2024. During 2023, the Bank has acquired gold casted Lion stamp with seal base of Chinggis Khan Statues with the amount of MNT 18,158 million and used MNT 12,099 million of precious metal for constructing the Lion stamp.

Starting from 2018, management changed its accounting policy from cost base to fair value its treasury assets and engaged with external valuation company "Make Difference" LLC to revalue the treasury fund items as per International Valuation Standards. Treasury fund items were valued using direct comparable method. Direct comparable method is used by reference to market-based evidence including public and online auction houses, using comparable prices adjusted for specific market factors such as origin, condition, symbolical prestige, current possessor, and uniqueness of the items. Refer to Note 34 for details of fair value measurement.

As of 31 December 2024 and 31 December 2023, management has assessed that the fair values of treasury fund items have not changed significantly from the carrying amounts. This assessment requires exercise of judgement from management based on their experience on those treasury items as well as other assumption described above.

15 DERIVATIVE FINANCIAL INSTRUMENTS

The Bank regularly enters into derivative contracts with mainly local banks for the purposes of increasing foreign currency flow, diminishing the growth of interest rates and the amount of foreign currency loans. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Bank does not apply hedge accounting.

The long-term cross currency and interest rate SWAP arrangement is to swap MNT/USD on a regular basis based on an agreed interest rate with maturities ranging from 1 to 8 years. The Bank developed a valuation model for assessing fair value of such swap instruments. The model is based on observable market data. Refer to Note 34 for details.

Financial derivatives below represent the fair value of the long-term cross currency interest rate swaps made with local banks and international financial institution. The table below shows the fair values of financial derivatives recorded as assets and liabilities.

In millions of Mongolian Togrogs	31 December 2024	31 December 2023
Long term cross currency interest rate swaps: fair values, at the end of the reporting period, of		
- Financial assets at fair value through profit or loss	140,720	126,364
- Financial liabilities at fair value through profit or loss	(227,933)	(531,770)
Financial liabilities at fair value through profit or loss, net	**(87,213)**	**(405,406)**

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under long-term cross currency interest rate swaps contracts entered into by the Bank. The table reflects gross positions before netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period.

	31 December 2024		31 December 2023	
In millions of Mongolian Togrogs	Contracts with positive fair value	Contracts with negative fair value	Contracts with positive fair value	Contracts with negative fair value
Long term cross currency interest rate swaps: fair values, at the end of the reporting period, of				
- USD payable on settlement (-)	(3,398,169)	(4,516,464)	(2,377,245)	(2,909,744)
- MNT receivable on settlement (+)	3,538,889	4,288,531	2,503,609	2,377,974
Net fair value of foreign exchange forwards and swaps	**140,720**	**(227,933)**	**126,364**	**(531,770)**

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16 GOVERNMENT SECURITIES

In millions of Mongolian Togrogs	**31 December 2024**	**31 December 2023**
Government securities measured at FVOCI	55,720	42,100

Government securities at below market rate. Government securities are carried at FVOCI. The fair value of government securities at initial recognition was MNT 123,668 million and the difference between the par value and the fair value totalling MNT 330,044 million was recognized to profit or loss for 2016 as loss on initial recognition. Par value of outstanding government securities as of 31 December 2024 amounted to MNT 96,600 million at coupon rate of 1.0 % per annum with original maturity of 15 years. (2023: MNT 96,600 million at coupon rate of 1.0% per annum, original maturity of 15 years). As of 31 December 2024, the carrying value of the securities was MNT 55,720 million (2023: MNT 42,100 million). For the fair value disclosure, refer to Note 34.

ECL allowances for the government securities measured at FVOCI amounting to MNT 468 million (2023: MNT 413 million) has been included in movement of the respective other comprehensive income during the year.

All the outstanding balance which represents the maximum exposure to credit risk as of 31 December 2024 and 31 December 2023 are shown in the table below. Refer to Note 33 for the description of the credit risk grading system used by the Bank and the approach to ECL measurement.

The following table discloses Government securities measured at FVOCI:

	31 December 2024	**31 December 2023**
In millions of Mongolian Togrogs	**Stage 1 (12-months ECL)**	**Stage 1 (12-months ECL)**
Government securities		
- Good	36,639	31,884
Total AC gross carrying amount	**36,639**	**31,884**
Less: Credit loss allowance	(468)	(413)
Add: Fair value adjustment from AC to FV	19,549	10,629
Carrying value (fair value)	**55,720**	**42,100**

16 GOVERNMENT SECURITIES (CONTINUED)

The following tables disclose the changes in the credit loss allowance and gross carrying amount for government securities carried at fair value through other comprehensive income between the beginning and the end of the reporting and comparative periods.

In millions of Mongolian Togrogs	**Credit loss allowance** **Stage 1** **(12-months ECL)**	**Gross carrying amount** **Stage 1** **(12-months ECL)**
Government Securities at FVOCI		
At 1 January 2024	**413**	**31,884**
Movements with impact on credit loss allowance charge for the period:		
Changes to ECL measurement model assumptions	55	-
Unwinding of discount	-	4,755
At 31 December 2024	**468**	**36,639**
Government Securities at FVOCI		
At 1 January 2023	**246**	**27,872**
Movements with impact on credit loss allowance charge for the period:		
Changes to ECL measurement model assumptions	167	-
Unwinding of discount	-	4,012
At 31 December 2023	**413**	**31,884**

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

17 RECEIVABLES FROM GOVERNMENT

In millions of Mongolian Togrogs	**31 December 2024**	**31 December 2023**
Receivables from Government	477,537	514,942
Total receivables from Government	**477,537**	**514,942**

The receivables from Government represents non-financial assets acquired by the Bank in the settlement transaction. The receivables were initially recognized at cost which was determined at fair value according to the discounted cashflow model based on the best available information when acquired. The recoverable amount of the receivables was estimated using a discounted cash flows method based on a value in use calculation at a discount rate of 10% as of 31 December 2024 (2023: 13%). As of 31 December 2024, the management has assessed the recoverable amount of the receivables had a carrying amount of MNT 477,537 million (2023: MNT 514,942 million) with additional impairment of MNT 37,405 million recognized in profit or loss for the year due to delay in signing contractual agreement with the Government. As of 31 December 2023, management had assessed the recoverable amount of the receivables, which had not changed significantly from the carrying amounts based on the official letter received from the Minister of Finance dated 16 April 2024. Refer to related management judgement in Note 4.

The following table disclose the changes in gross carrying amount of receivable from Government between the beginning and the end of the reporting and comparative periods.

In millions of Mongolian Togrogs	**2024**	**2023**
Gross book value at 1 January	524,275	524,275
Accumulated impairment losses at 1 January	(9,333)	(9,333)
Carrying amount at 1 January	**514,942**	**514,942**
Impairment loss	(37,405)	-
Carrying amount at 31 December	**477,537**	**514,942**
Gross book value at 31 December	524,275	524,275
Accumulated impairment losses at 31 December	(46,738)	(9,333)
Carrying amount at 31 December	**477,537**	**514,942**

18 OTHER ASSETS

In millions of Mongolian Togrogs	31 December 2024	31 December 2023
Other financial assets at AC		
Receivables from Deposit Insurance Corporation	85,000	85,000
Receivables from companies	71,657	71,434
Receivables from receivership of Capital bank	67,371	67,371
Asset received from Anod Bank	56,424	57,616
Claims from foreign financial institutions	29,901	29,818
Promissory notes from receivership of Capital bank	9,896	21,706
Other financial assets	18,062	13,391
Less: Allowance for impairment losses	(329,292)	(336,000)
Total other financial assets at AC	**9,019**	**10,336**
Other non-financial assets		
Prepaid expenses	3,133	17,782
Other	3,532	1,555
Total other non-financial assets	**6,665**	**19,337**
Total carrying amount of other asset at AC	**15,684**	**29,673**
Other assets measured at FVTPL		
Promissory notes	14,658	28,438
Total carrying amount of other asset at FVTPL	**14,658**	**28,438**
Total other assets	**30,342**	**58,111**

Other assets mainly consist of receivables and prepayments. Receivables are accounted for on an accruals basis and are carried at amortized cost except for receivables from promissory notes. Receivables are recorded when due under the agreement.

Prepayments are recorded on the payment date and are charged to the statement of profit or loss when the services are provided. Impairment allowances for receivables are determined based on the forward-looking ECL models. Note 33 provides information about inputs, assumptions and estimation techniques used in measuring ECL model.

Promissory notes are carried at either FVTPL or AC according to their business models and cashflow characteristics. The Bank classifies promissory notes following measurement categories (i) AC: promissory notes that are held for collection of contractual cash flows and those cashflows represent SPPI and promissory notes that are not voluntarily designated at FVTPL, and (ii) FVTPL: promissory notes do not meet the SPPI test or other criteria for AC or FVOCI are measured at FVTPL.

Promissory notes carried at FVTPL are subsequently measured at discounted cashflow approach at market rate of each reporting period. The market rate is determined at the Bank’s policy rate plus counterparty credit risk. Refer to Note 34.

Promissory notes carried at AC are subject to impairment assessment which is determined based on forward looking ECL models. Refer to Note 33.

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18 OTHER ASSETS (CONTINUED)

Receivables from Deposit Insurance Corporation (DICOM). Receivables from DICOM include financial support of MNT 85,000 million with zero percent interest per annum. This financial support is at stage 3 with full provision as it is overdue since 2014. The financial support had to be repaid by 25 December 2014 from the proceeds of planned privatization of State Bank LLC which did not happen. ECL measurement of the financial support is assessed with consideration of the arrangements of repayments for respective asset. As of 31 December 2024, expected credit loss allowance of 100% has been created for the entire amount of the receivable.

Receivables from companies. Receivables from companies include receivables due from gold producing companies that have not fulfilled their obligations under the gold option contracts entered with the Bank in prior years. These receivables amount to MNT 48,752 million (2023: MNT 48,163 million). And there is receivables from non-banking institutions which amount to MNT 22,684 million as of 31 December 2024 (2023: MNT 23,271 million). All of these receivables have been fully provisioned in prior years and are considered at Stage 3, with 100% of PD and LGD. Remaining receivables with the balance of MNT 221 million as of 31 December 2024 (2023: MNT 185 million) consist of receivables originated during gold refining transactions and are considered at Stage 1.

Receivables from receivership of Capital bank. Receivables from Capital bank receivership is composed of clearing account receivable of MNT 5,215 million (2023: MNT 5,215 million), Mandatory reserve penalty receivable of MNT 4,602 million (2023: MNT 4,602 million) receivables in relation to DICOM of MNT 44,663 million (2023: MNT 44,663 million), receivable related to the mortgage loan balance advanced to Capital bank of MNT 12,891 million (2023: MNT 12,891 million). As of 31 December 2024, the receivables from receivership of Capital bank were fully provisioned (2023: fully provisioned).

Assets received from Anod Bank. The Bank received assets with carrying amount of MNT 73,662 million when Anod receivership was terminated in 2015. During the year 2024 and 2023, MNT 1,192 million and MNT 357 million were recovered, respectively. The asset balance of MNT 56,424 million (2023: MNT 57,616 million) are fully provisioned. Under IFRS 9, the assets are assessed at Stage 3 with 100% of PD and LGD.

Claims on foreign financial institutions. Claims on foreign financial institutions is a receivable from Eastern Gates and considered to be non-recoverable, thus the Bank has created a provision for 100% of the outstanding balance since the related foreign institutions were no longer operating. As of 31 December 2024 and 31 December 2023, the Bank has assessed this asset at Stage 3 with 100% of PD and LGD.

Promissory note from receivership of Capital bank. In June 2020, the Bank received promissory note issued by Capital bank receivership as a repayment of promissory notes measured at FVTPL from one of local companies as noted below. MNT 11,810 million and MNT 5,203 million were recovered in 2024 and 2023, respectively. As of 31 December 2024, the balance for the promissory notes was MNT 9,896 million (2023: MNT 21,706 million) and was assessed at Stage 3 with 100% of PD and 83% of LGD as the asset is recovering year by year.

Promissory notes. The promissory notes are measured at FVTPL as they did not meet SPPI test of amortised cost classification. The contract specifies higher initial interest rate, which can be reduced to below market level, if certain conditions are met. As of 31 December 2024, the Bank holds one local company's issued promissory note with a nominal value of MNT 15,625 million (2023: MNT 31,250 million). These notes have an original maturity of 9 years (2023: 9 years) and earn interest at interest rates defined in related contract. The Bank's management as well as their internal legal departments are of the view that these transactions do not violate any provisions under the Law on Central Bank and other related laws in Mongolia.

18 OTHER ASSETS (CONTINUED)

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

In millions of Mongolian Togrogs	**Stage 1 (12-months ECL)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
Other financial assets			
-Satisfactory	3,985	-	**3,985**
-Default	-	334,326	**334,326**
Gross carrying amount at AC	**3,985**	**334,326**	**338,311**
Credit loss allowance	(6)	(329,286)	**(329,292)**
Total carrying amount at AC	**3,979**	**5,040**	**9,019**

Tables below contain an analysis of the credit risk exposure of other financial assets at AC of 31 December 2023.

In millions of Mongolian Togrogs	**Stage 1 (12-months ECL)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
Other financial assets			
-Satisfactory	5,250	-	**5,250**
-Default	-	341,086	**341,086**
Gross carrying amount at AC	**5,250**	**341,086**	**346,336**
Credit loss allowance	(336)	(335,664)	**(336,000)**
Total carrying amount at AC	**4,914**	**5,422**	**10,336**

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18 OTHER ASSETS (CONTINUED)

Movements in the provision for impairment of other financial and non-financial assets during 2024 are as follows:

	Stage 1		Stage 3							
In millions of Mongolian Togrogs	Other financial assets (Stage 1)	Receivables from other companies (Stage 1)	Asset received from Anod Bank (Stage 3)	Other financial assets (Stage 3)	Promissory note from receivership of Capital bank (Stage 3)	Receivables from Deposit Insurance Corporation (Stage 3)	Receivables from Capital bank (Stage 3)	Claims from non financial institution (Stage 3)	Receivables from other companies (Stage 3)	Total
Gross carrying amount										
At 1 January 2024	**5,065**	**185**	**57,616**	**8,326**	**21,706**	**85,000**	**67,371**	**29,818**	**71,249**	**346,336**
Movements with impact on credit loss allowance charge for the period:										
New originated or purchased	6	426	1,398	6,000	-	-	-	-	-	**7,830**
Derecognised during the period	(1,307)	(390)	(2,590)	(28)	(11,810)	-	-	-	-	**(16,125)**
Total movements with impact on credit loss allowance charge for the period	**(1,301)**	**36**	**(1,192)**	**5,972**	**(11,810)**	**-**	**-**	**-**	**-**	**(8,295)**
Movements without impact on credit loss allowance charge for the period:										
FX and other movements	-	-	-	-	-	-	-	83	187	**270**
At 31 December 2024	**3,764**	**221**	**56,424**	**14,298**	**9,896**	**85,000**	**67,371**	**29,901**	**71,436**	**338,311**
Credit loss allowances										
At 1 January 2024	**336**	**-**	**57,616**	**6,860**	**17,750**	**85,000**	**67,371**	**29,818**	**71,249**	**336,000**
Movements with impact on credit loss allowance charge for the period:										
New originated or purchased	8	-	1,398	4,849	-	-	-	-	-	**6,255**
Derecognised during the period	(338)	-	(2,590)	(5)	(10,300)	-	-	-	-	**(13,233)**
Total movements with impact on credit loss allowance charge for the period	**(330)**	**-**	**(1,192)**	**4,844**	**(10,300)**	**-**	**-**	**-**	**-**	**(6,978)**
Movements without impact on credit loss allowance charge for the period:										
FX and other movements	-	-	-	-	-	-	-	83	187	**270**
At 31 December 2024	**6**	**-**	**56,424**	**11,704**	**7,450**	**85,000**	**67,371**	**29,901**	**71,436**	**329,292**

18 OTHER ASSETS (CONTINUED)

Movements in the provision for impairment of other financial and non-financial assets during 2023 are as follows:

	Stage 1		Stage 3							
In millions of Mongolian Togrogs	**Other financial assets (Stage 1)**	**Receivables from other companies (Stage 1)**	**Asset received from Anod Bank (Stage 3)**	**Other financial assets (Stage 3)**	**Promissory note from receivership of Capital bank (Stage 3)**	**Receivables from Deposit Insurance Corporation (Stage 3)**	**Receivables from Capital bank (Stage 3)**	**Claims from non financial institution (Stage 3)**	**Receivables from other companies (Stage 3)**	**Total**
Gross carrying amount										
At 1 January 2023	826	1,002	58,261	21,341	26,909	147,293	67,320	30,114	71,908	**424,974**
Movements with impact on credit loss allowance charge for the period:										
New originated or purchased	4,239	500	-	2,103	-	-	-	-	-	**6,842**
Derecognised during the period	-	(1,317)	(645)	(15,067)	(5,203)	(62,293)	-	-	-	**(84,525)**
Other movement		-	-	(51)	-	-	51	-	-	-
Total movements with impact on credit loss allowance charge for the period	**4,239**	**(817)**	**(645)**	**(13,015)**	**(5,203)**	**(62,293)**	**51**	**-**	**-**	**(77,683)**
Movements without impact on credit loss allowance charge for the period:										
FX and other movements	-	-	-	-	-	-	-	(296)	(659)	**(955)**
At 31 December 2023	**5,065**	**185**	**57,616**	**8,326**	**21,706**	**85,000**	**67,371**	**29,818**	**71,249**	**346,336**
Credit loss allowances										
At 1 January 2023	200	64	58,261	15,635	18,620	90,293	67,320	30,114	71,908	**352,415**
Movements with impact on credit loss allowance charge for the period:										
New originated or purchased	324	-	-	2,541	-	-	-	-	-	**2,865**
Derecognised during the period	(188)	(64)	(645)	(11,265)	(870)	(5,293)	-	-	-	**(18,325)**
Other movement	-	-	-	(51)	-	-	51	-	-	-
Total movements with impact on credit loss allowance charge for the period	**136**	**(64)**	**(645)**	**(8,775)**	**(870)**	**(5,293)**	**51**	**-**	**-**	**(15,460)**
Movements without impact on credit loss allowance charge for the period:										
FX and other movements	-	-	-	-	-	-	-	(296)	(659)	**(955)**
At 31 December 2023	**336**	**-**	**57,616**	**6,860**	**17,750**	**85,000**	**67,371**	**29,818**	**71,249**	**336,000**

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19 PREMISES, EQUIPMENT, AND INTANGIBLE ASSETS

In millions of Mongolian Togrogs	**Buildings/ premises**	**Construction in progress**	**Office and computer equipment**	**Premises and equipment**	**Intangible assets**	**Total**
Cost or valuation on 1 January 2023	139,000	1,571	29,750	**170,321**	10,334	**180,655**
Accumulated depreciation/ amortization	(49,848)	-	(12,073)	**(61,921)**	(4,122)	**(66,043)**
Carrying amount at 1 January 2023	**89,152**	**1,571**	**17,677**	**108,400**	**6,212**	**114,612**
Additions	1,655	-	8,110	**9,765**	22,169	**31,934**
Disposals - cost	(14)	(886)	(794)	**(1,694)**	(6)	**(1,700)**
Transfers	-	-	(104)	**(104)**	-	**(104)**
Write-offs - cost	-	-	(19)	**(19)**	-	**(19)**
Depreciation/amortization charge	(2,453)	-	(5,044)	**(7,497)**	(2,625)	**(10,122)**
Disposals - accumulated depreciation	-	-	780	**780**	6	**786**
Write-offs - accumulated depreciation	-	-	17	**17**	-	**17**
Cost or valuation at 31 December 2023	140,641	685	36,943	**178,269**	32,497	**210,766**
Accumulated depreciation/ amortization	(52,301)	-	(16,320)	**(68,621)**	(6,741)	**(75,362)**
Carrying amount at 31 December 2023	**88,340**	**685**	**20,623**	**109,648**	**25,756**	**135,404**
Additions	-	7,475	5,344	**12,819**	-	**12,819**
Disposals - cost	(1,567)	-	-	**(1,567)**	-	**(1,567)**
Write-offs - cost	-	-	(59)	**(59)**	-	**(59)**
Transfer	518	(518)	-	**-**	-	**-**
Depreciation/amortization charge	(2,463)	-	(5,528)	**(7,991)**	(5,148)	**(13,139)**
Disposals - accumulated depreciation	168	-	-	**168**	-	**168**
Write-offs - accumulated depreciation	-	-	47	**47**	-	**47**
Cost or valuation at 31 December 2024	139,592	7,642	42,227	**189,461**	32,497	**221,958**
Accumulated depreciation/ amortization	(54,596)	-	(21,800)	**(76,396)**	(11,889)	**(88,285)**
Carrying amount at 31 December 2024	**84,996**	**7,642**	**20,427**	**113,065**	**20,608**	**133,673**

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

19 PREMISES, EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

Premises owned by the Bank are initially measured at cost. Premises are subject to regular revaluations, with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in Other Reserves in equity. Decreases that offset previous increases of the same asset are recognized in other comprehensive income and decrease the previously recognized revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for premises included in equity is transferred directly to accumulated deficit or retained earnings when the surplus is realized.

Office and computer equipment owned by the Bank is stated at cost less depreciation and provision for impairment, where required. Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalized and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in profit or loss for the year (to the extent it exceeds the previous revaluation surplus in equity, in case of premises). An impairment loss recognized for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

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

The Bank revalue the buildings at the end of each reporting period based on the reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location, and condition of the buildings. Formal valuation is carried out in every five years by an independent external valuator who hold a recognised and relevant professional qualification.

For the premises of 2 branches in rural area, cost approach and income approach were used due to the fact that there are insufficient data of similar and comparable assets in their location areas and data obtained had significant difference. Information about fair values of items valued using assumptions that are not based on observable market data and sensitivity analysis are disclosed in Note 34.

As of 31 December 2024, management has assessed that the fair values of premises have not changed significantly from the carrying amounts. Management believes that an overall decrease in value of the Bank's building is unlikely under the current economic conditions, while any potential increase in value of buildings (leading to increase in property, equipment and intangible assets and equity) would not have material impact on the financial statements from the perspective of users of financial information.

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19 PREMISES, EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

At 31 December 2024, the carrying amount of premises would have been MNT 54,673 million (2023: MNT 58,009 million) had the assets been carried at cost less depreciation. The amount reconciles to the carrying value of the premises as follows:

In millions of Mongolian Togrogs	**31 December 2024**	**31 December 2023**
Premises at revalued amount in the statement of financial position	84,996	88,340
Revaluation reserve presented in equity	(30,323)	(30,331)
Premises at cost less accumulated depreciation	**54,673**	**58,009**

None of the property, equipment and intangible assets have been pledged as security for borrowings as of 31 December 2024 and 31 December 2023.

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

	Useful lives in years
Building/Premises	6 – 60 years
Office and computer equipment	3 – 20 years

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

Intangible assets. The Bank's intangible assets have definite useful life and primarily include capitalized computer software licenses. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives of 4 to 8 years.

20 CASH IN CIRCULATION

In millions of Mongolian Togrogs	**31 December 2024**	**31 December 2023**
Banknotes issued to circulation	1,222,179	1,151,700
Cash in circulation	**1,222,179**	**1,151,700**

The amount of banknotes in circulation represents the nominal value of banknotes that can be used as payment instruments and were issued into circulation by the Bank after the introduction of Togrogs into circulation in September 1993. The banknotes in circulation are recorded as a liability at their nominal value when cash is issued by the Bank to commercial banks and clients of the Bank. Cash in national currency held in the Bank's vaults and cash offices is not included in banknotes in circulation.

Cash issued into circulation as of 31 December 2024 and 31 December 2023:

In millions of Mongolian Togrogs	**Beginning balance**	**Increase**	**Decrease**	**Ending balance**
Issued Banknotes	1,151,700	1,524,335	(1,453,856)	1,222,179
Cash in circulation	**1,151,700**	**1,524,335**	**(1,453,856)**	**1,222,179**

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21 CENTRAL BANK BILLS

In millions of Mongolian Togrogs	**31 December 2024**	**31 December 2023**
Central Bank bills issued	11,511,780	8,745,075
Total Central Bank bills	**11,511,780**	**8,745,075**

Central bank bills are own bills issued by the BOM which are initially recorded at fair value and subsequently are measured at amortized cost using the effective interest method. Amortized cost is calculated by considering any discount or premium on the issue and costs that are an integral part of the effective interest rate.

These bills have maturities of 28 days (2023: 28 days to 197 days) and bear interest rates of 10% per annum as of 31 December 2024 (2023: 13% to 14% per annum).

22 LIABILITIES DUE TO GOVERNMENT ORGANIZATIONS

In millions of Mongolian Togrogs	31 December 2024	31 December 2023
Current accounts of Ministry of Finance	6,422,314	4,038,363
Liabilities to the Ministry of Finance related to borrowings:		
- International Monetary Fund (IMF)	379,948	511,681
- Asian Development Bank (ADB)	40,127	45,483
- International Development Association (IDA)	890	1,775
Total liabilities due to government organizations	**6,843,279**	**4,597,302**

Accounts of the Government and other government institutions are non-derivative liabilities to the Government or other customers and are carried at amortized cost using effective interest method. Liabilities due to government organizations mostly relate to long-term loans obtained from the Ministry of Finance, which relate to programmes financed by the International financial institutions including International Monetary Fund (IMF), Asian Development Bank (ADB), and International Development Association (IDA).

Current accounts of Ministry of Finance. This relates to various current accounts that the Ministry of Finance maintains with the Bank. Most of the current accounts are on demand and do not bear any interest. The current account with carrying amount of MNT 650,782 million (2023: MNT 963,038 million) bears interest of 3% per annum (2023: 50% of overnight deposit rate per annum).

The Law on National Wealth Fund has been enacted on 19 April 2024 according to which National Wealth Fund comprises three specialized funds, (i) Savings Fund, (ii) Future Heritage Fund and (iii) Development Fund, with the purpose to distribute the benefits of underground resources equally and fairly to all current and future citizens of Mongolia. As of 31 December 2024, accounts of Savings Fund and Future Heritage Fund are placed in the Bank by the Ministry of Finance. On 9 May 2024, the Ministry of Finance and the Bank of Mongolia have entered into an agreement for the management and growth of the Saving Fund's account with interest rate equivalent to the policy rate and a term of 1 year. As of 31 December 2024, the Savings Fund's carrying amount was MNT 495,647 million. The Future Heritage Fund account is deposited in the state budget account with the amount of USD 1,162 million equivalent to MNT 3,974,519 million in accordance with the Law on National Wealth Fund and currently does not bear any interest.

Liabilities due to the Ministry of Finance related to borrowings from international organizations. These liabilities relate to the borrowing agreements signed by the Government of Mongolia with IMF, Asian Development Bank (ADB), and International Development Association (IDA). The Ministry of Finance (MOF) acts as the fiscal agent with regard to these agreements, while the Bank acts as the project executing agency.

International Monetary Fund (IMF). The Executive Board of the IMF approved a three-year extended arrangement under Extended Fund Facility (EFF) for Mongolia in a total amount of SDR 314.5 million to support the country's economic reform program on 24 May 2017. The EFF arrangement represent loans granted to Government of Mongolia by IMF under the EFF and bear interest ranging from 1.53% p.a. to 1.59% p.a.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

22 LIABILITIES DUE TO GOVERNMENT (CONTINUED)

The funding was further transferred to relevant accounts opened within the Bank (e.g., accounts of the Ministry of Finance) according to memorandum of understanding between the Bank and Ministry of Finance of Mongolia (MOF) dated 25 May 2017. These loans represent obligation of the Ministry of Finance. Given that the Ministry of Finance acts as a fiscal agent of Mongolia, it has signed promissory notes issued to IMF in respect of repayments of loans granted by IMF under EFF arrangement, the Ministry of Finance has the obligation toward IMF with regard to these loans granted by IMF.

The loans and repayments are denominated in SDR and the repayment is done by the BOM on behalf of MOF to IMF by the end of 2026. As of 31 December 2024, liabilities due to MOF under EFF arrangement were SDR 85 million equivalent to MNT 379,948 million (2023: SDR 112 million equivalent to MNT 511,681 million).

Asian Development Bank (ADB). The loans received from the ADB are for the Payment system modernization project and bear interest of 1% and 2.5% per annum with maturity in 16 years.

The liabilities are the Bank's obligations to the Ministry of Finance of Mongolia and therefore the bank has no direct obligations toward IMF and ADB, as the MOF acts as the fiscal agent of the Government of Mongolia. However, the Bank, as project executing agency, is responsible for either channelling funds to the local banks or maintaining international reserve. Based on the arrangement between MOF and BOM, the BOM has borrowed related funds from MOF under the same conditions, as MOF has borrowed under the agreement with IMF and ADB. The BOM also acts as a depository, and it is responsible for settling payments from the accounts of the MOF with regards to IMF and ADB. Loans issued to local banks from these funds are disclosed in Note 9.

International Development Association (IDA). Proceeds of the borrowings received by the MOF on behalf of the Government of Mongolia from International Development Association are for the private sector development project and the financial capacity development project and are lent by MOF with interest rates of 1% and 3% per annum with maturity ranging from 14 to 15 years.

There were no breaches of covenant as of 31 December 2024 and 31 December 2023.

23 DEPOSITS FROM LOCAL BANKS

In millions of Mongolian Togrogs	31 December 2024	31 December 2023
Correspondent accounts:		
- in national currency	6,335,095	3,057,366
- in foreign currency	3,511,587	3,122,445
Foreign currency time deposits	857,900	1,759,842
Overnight deposits in national currency	-	1,586,584
Total deposits from local banks	**10,704,582**	**9,526,237**

Accounts of banks are recorded when money is advanced to the BOM by counterparty banks. The non-derivative liability is carried at amortized cost.

Correspondent accounts. Correspondent accounts mainly consist of various deposit accounts and the obligatory reserves of local banks maintained with the Bank, calculated as a percentage of their eligible liabilities to deposit holders. Mandatory reserve balance included in the correspondent accounts as of 31 December 2024 was MNT 5,416,920 million (2023: MNT 4,099,885 million).

Foreign currency time deposits. This balance represents time deposits placed by local banks with amount of USD 251 million equivalent to MNT 857,900 million at the interest rate between 4.4% to 4.7% per annum with original maturity of 7 days to 90 days as of 31 December 2024. (2023: USD 516 million equivalent to MNT 1,759,842 million at interest rate between 5.3% to 5.5% per annum with maturity of 7 days to 91 days).

Overnight deposits in national currency. This balance represents MNT overnight deposits placed by local banks at an interest rate of 8% per annum. As of 31 December 2024, the deposit has zero balance. (2023: interest rate of 12% per annum with maturity of 3 days).

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

24 LIABILITIES DUE TO FOREIGN PARTIES

In millions of Mongolian Togrogs	**31 December 2024**	**31 December 2023**
Financing from People's Bank of China	2,849,601	5,117,724
Allocation of Special Drawing Rights of IMF	526,574	540,215
Current account of World Bank	1,596	1,238
Subscription to World Bank	214	214
Subscription to IDA	61	61
Current account of ADB	39	39
Total liabilities to foreign parties	**3,378,085**	**5,659,491**

Below table shows the movement of the liabilities due to foreign parties as of 31 December 2024 and 31 December 2023:

In millions of Mongolian Togrogs	**31 December 2024**	**31 December 2023**
Liabilities from financing activities at 1 January	**5,659,491**	**6,874,737**
Cash Transaction:		
Cash outflow	(2,100,025)	(1,012,847)
Interest paid	(184,445)	(246,563)
Non-cash transactions:		
Interest accrued	147,002	235,538
Foreign exchange adjustments	(143,938)	(191,374)
Liabilities from financing activities at 31 December	**3,378,085**	**5,659,491**

Liabilities due to foreign parties are initially recorded at fair value and subsequently measured at amortized cost using effective interest method.

Operations with International Monetary Fund. As a result of the Bank's role in relationship between Mongolia and International Monetary Fund (IMF), the Bank enters into operations with IMF. IMF related balances, which meet definition of assets and liabilities under IFRS Framework, are recognized in the financial statements of the BOM.

The Bank does not recognize in its financial statements IMF related balances, which do not meet definition of assets and liabilities under IFRS Framework.

IMF related assets and liabilities of the Bank. The IMF asset balances recognized in these financial statements include holdings of Special Drawing Rights (SDR), refer to Note 8. Liabilities due to the IMF include liabilities for allocation of SDRs.

Assets and liabilities denominated in SDRs are translated into Togrogs at the BOM official exchange rate of Togrogs to SDR at the reporting date. The official exchange rate of Togrogs to SDR is calculated based on information on the exchange rate of SDR to USD set by the IMF and the BOM official MNT/USD exchange rate at the reporting date.

24 LIABILITIES DUE TO FOREIGN PARTIES (CONTINUED)

IMF related balances of Government of Mongolia. Certain IMF related balances do not meet definition of assets and liabilities under IFRS Framework, given that the Bank has no contractual rights and obligations with regard to purchases of related IMF funds. These include IMF quota contribution and Extended Fund Facility (EFF) arrangement loan from IMF. The BOM acts as a depository of the Government of Mongolia in the relationship of Mongolia with the International Monetary Fund (IMF). The Ministry of Finance acts as the fiscal agent of Mongolia. Thus, claims of Mongolia on and liabilities to the IMF in respect of funds received from IMF (such as IMF quota subscription) are not recognized in the financial statements of the BOM, as they represent assets and liabilities of the Ministry of Finance.

IMF quota subscription. The quota balance is a special type asset, which represents Mongolia's subscription as a member of the IMF. Quotas vary based on the economic size of each country and are determined by the Board of Governors of the IMF. The quota determines a member's voting power in the Fund, the limits of access to the financial resources of the Fund and a participant's share in the allocation of SDRs, the Fund's unit of account. A major part of Mongolia's quota was paid in the form of non-interest-bearing promissory notes issued to the IMF by the Ministry of Finance, the remainder being credited to the IMF accounts No 1 and No 2. As of 31 December 2024, Mongolia's quota in the IMF amounted to SDR 72.3 million (2023: SDR 72.3 million). Given that quota subscription was paid through issue of promissory notes by the Ministry of Finance of Mongolia, these amounts represent assets of the Ministry of Finance of Mongolia.

IMF securities issued. These securities represent IMF's holdings of Mongolia's currency and include promissory notes issued in settlement of quota as described above and holdings arising from use of IMF credit in case of promissory notes issued in settlement of purchase of IMF funds under Extended Fund Facility arrangement.

IMF accounts No. 1 and No. 2. IMF account No. 1 is used for IMF transactions including quota subscription payments, purchase and repurchase of funds. Account No. 2 is used for settlements with the IMF in Mongolian currency. Accounts No. 1 and No. 2 are MNT 112,319 million as of 31 December 2024 (2023: MNT 163,762 million).

Financing from People's Bank of China. This balance represents financing denominated in CNY from the People's Bank of China that was used by the Bank for CNY funding to local banks. Interest rate is based on SHIBOR+175 bps per annum (2023: SHIBOR+175 bps per annum). The agreement with PBC was renewed in July 2023 and extended for three years. During 2024, the Bank has repaid CNY 4,500 million equivalent to MNT 2,100,025 million from its principal balance. As of 31 December 2024, outstanding principal balance were CNY 6,000 million equivalent to MNT 5,040,105 million.

Allocations of Special Drawing Rights. ("SDR") IMF member countries are allocated SDR in proportion to their subscription to the IMF. The allocations represent a dormant liability of the Bank to the IMF, against which assets are received in the SDR Holdings account from the IMF as referred in Note 8. The net accumulation of the allocation was SDR 118,053 million equivalent to MNT 526,574 million as of 31 December 2024 (2023: SDR 118,053 million equivalent to MNT 540,215 million).

Subscription to World Bank and IDA This balance represents the Bank's subscription obligation to World Band and IDA.

There were no breaches of covenant as of 31 December 2024 and 31 December 2023.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

25 OTHER LIABILITIES

In millions of Mongolian Togrogs	31 December 2024	31 December 2023
Other financial liabilities		
Bank stabilization fund	38,299	22,699
Deposits by non-banking entities	25,853	497,656
Temporary transfer account	9,969	2,063
Other payables	33,007	73,901
Other non-financial liabilities		
Social development fund	1,968	4,334
Total other liabilities	**109,096**	**600,653**

Bank stabilization fund. According to the Banking Law, the Bank Stabilization Fund is established to finance the restructuring cost of the local banks and to take necessary measures. The restructuring of the local banks will be implemented upon decision of the BOM and the financing is limited to the total amount of the fund. The Bank stabilization fund consist of annual fee collected from the systematically influential local banks in Mongolia. In 2024, MNT 15,600 million of annual fee was collected (2023: MNT 12,745 million).

Deposits non-banking entities. Deposits by non-banking financial entities consist of deposits from the Securities Clearing House, the Central Securities Depository, and the Deposit Insurance Corporation.

Temporary transfer account. During 2024, the Ministry of Finance has provided support for the interest payments of the herders' loan issued by the local banks due to the high number of deaths of livestock in rural areas as a result of severe winter condition. The Bank is transferring the financing from the Ministry of Finance to the local banks.

Social development fund. Based on its internal regulations, the Bank allocates certain funds to the Social development fund, which is used for improving living and working conditions of the Bank's employees. These funds are used for payment of benefits, reimbursements, work performance remunerations of the Bank's employees, purchasing apartments to guarantee social welfare of employees and to help employees in need etc. Management believes that allocated funds in social development fund are sufficient as at financial year-end to cover outstanding obligations.

26 CHARTER CAPITAL AND OTHER RESERVES

In millions of Mongolian Togrogs	**31 December 2024**	**31 December 2023**
Charter capital	60,000	60,000

The Bank is wholly owned by the State of Mongolia. Charter capital (charter fund) represents the capital of the Bank established in accordance with the Law on Central Bank.

General reserve. In accordance with the Law on Central Bank (Bank of Mongolia), at least 40% of the Bank's net income for the year shall be allocated to the general reserve, while the remaining amount (i.e., maximum 60% of net income) can be transferred to the State Budget account. General reserve includes only such portions of net income accumulated over years over which the Bank has full rights to utilize them.

There were no transfers to the State Budget in 2024 and 2023, as the Bank had an accumulated deficit in these years.

Other reserves. Other reserves consist of reserve for investment securities at FVOCI, reserve for premises, reserve for gold bullion and foreign exchange, and reserve for treasury fund. In accordance with its policies, the Bank transfers gold bullion and precious metals and foreign exchange translation gains less losses, previously recognized through profit or loss, to other reserves at the end of the year. In the case of the translation losses from gold bullion and foreign exchange, the reserve shall be decreased to the extent of any credit balance existing in the revaluation reserve.

Other reserves comprise the following:

In millions of Mongolian Togrogs	**Revaluation reserve for investment securities at FVOCI**	**Revaluation reserve for Premises and Equipment**	**Revaluation reserve for gold bullion**	**Revaluation reserve for foreign exchange**	**Revaluation reserve for Treasury Fund**	**Total**
At 1 January 2023	**(30,762)**	**30,331**	**836,309**	**-**	**1,061,764**	**1,897,642**
Gain on fair value changes	48,765	-	-	-	-	**48,765**
ECL movement as part of fair value change	132	-	-	-	-	**132**
Transfer to profit or loss upon disposal	4,822	-	-	-	-	**4,822**
Transfer to other reserves from accumulated deficit	-	-	108,589	117,506	-	**226,095**
At 31 December 2023	**22,957**	**30,331**	**944,898**	**117,506**	**1,061,764**	**2,177,456**
Loss on fair value changes	(7,892)	-	-	-	-	**(7,892)**
ECL movement as part of fair value change	135	-	-	-	-	**135**
Transfer to profit or loss upon disposal	39	-	-	-	-	**39**
Revaluation surplus reverse for premises	-	(8)	-	-	-	**(8)**
Transfer to other reserves from accumulated deficit	-	-	162,373	187,096	-	**349,469**
At 31 December 2024	**15,239**	**30,323**	**1,107,271**	**304,602**	**1,061,764**	**2,519,199**

26 CHARTER CAPITAL AND OTHER RESERVES (CONTINUED)

Revaluation reserve for investment securities at FVOCI. This reserve comprises changes in fair value of investment securities at FVOCI. The ECL movement compromises ECL of government securities at FVOCI and investment in debt securities at FVOCI.

Revaluation Reserve for Premises and Equipment. The revaluation reserve is used to record the surplus arising from the revaluation of the Bank's building. Refer to Note 19 for more information.

Revaluation Reserve for Gold Bullion. Revaluation reserve is used to record the unrealized gains or losses arising from fair value changes of gold bullion translation of monetary assets and liabilities denominated in foreign currency.

Foreign currency translation. The functional currency of the Bank is the national currency of the primary economic environment, in which the Bank operates. The functional and presentation currency of the Bank is the national currency of the Mongolia, Mongolian Togrog (MNT).

Revaluation Reserve for Foreign currency. Monetary assets and liabilities are translated into the functional currency at the official exchange rate of the Togrog at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into the functional currency at year-end official exchange rates of Togrog, are recognized in profit or loss for the year (as foreign exchange translation gains less losses). According to the Bank's policy, in case there is a negative revaluation, it can be written off against any revaluation surplus and if it exceeds the surplus or if there is no existing surplus, the difference shall be reported as foreign currency losses in the statement of profit or loss.

Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.

At 31 December 2024 and 31 December 2023, the principal rates of exchange used for translating foreign currency balances were:

	31 December 2024 (MNT)	31 December 2023 (MNT)
USD	3,420.25	3,410.69
SDR	4,460.47	4,576.02
EUR	3,566.98	3,791.66
CNY	468.57	480.01
JPY	21.67	24.22

Revaluation Reserve for Treasury Fund. The revaluation reserve is used to record the surplus arising from the revaluation of the Treasury Fund. Refer to Note 4 for more information.

27 INTEREST INCOME AND EXPENSE

In millions of Mongolian Togrogs	**2024**	**2023**
Interest income calculated using the effective interest method		
Reverse repurchase agreement at AC	244,849	198,092
Due from foreign financial institutions at AC	232,435	195,151
Debt securities at AC	171,913	186,017
Debt securities at FVOCI	168,768	92,526
Loans to local banks at AC	84,579	83,858
Government securities at FVOCI	5,724	4,978
Total interest income calculated using the effective interest method	**908,268**	**760,622**
Other similar income		
Loans to local banks at FVTPL	1,865	12,781
Other assets at FVTPL	1,735	2,823
Total other similar income	**3,600**	**15,604**
Total interest income	**911,868**	**776,226**
Interest expense		
Central bank bills	(1,078,920)	(849,832)
Liabilities due to foreign parties	(146,076)	(238,705)
Liabilities due to government organization	(128,986)	(168,869)
Deposits from local banks	(99,987)	(113,848)
Fulfilment on mandatory reserve requirement to local banks	(37,896)	(73,377)
Repurchase agreements	-	(57)
Other interest expense	(4,880)	(31,466)
Total interest expense	**(1,496,745)**	**(1,476,154)**
Net interest expense	**(584,877)**	**(699,928)**

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

27 INTEREST INCOME AND EXPENSE (CONTINUED)

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

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

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

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

28 GAINS FROM TRADING OF GOLD BULLION AND PRECIOUS METALS

In millions of Mongolian Togrogs	2024	2023
Gains from trading of gold bullion and precious metals	258,339	89,827
Gains from refining of gold bullion and precious metals	78,308	4,599
Gains from trading of gold bullion and precious metals	**336,647**	**94,426**

29 OTHER OPERATING INCOME

In millions of Mongolian Togrogs	2024	2023
Commission income	50,377	37,777
Other operating income	16,122	17,475
Penalty income from local banks	5,560	2,154
Rental income from property and equipment	1,174	1,644
Total other operating income	**73,233**	**59,050**

Commission income is recognised at a point in time when the Bank satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of commission received, or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes fees for processing payment transactions and fees for cash settlements.

Commission income comprises from commissions on interbank transactions with high and low amounts, cards, and foreign currency transactions.

The Bank obtains mandatory reserves from local banks as a regulatory body of the banking sector in accordance with the requirements of the Bank. The balances are set at percentages based on a 14-day period. (Refer to Note 23). Penalty income with amount of MNT 5,560 million (2023: MNT 2,154 million) was charged from the local banks which did not meet the mandatory reserve requirement.

Other operating income items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Other operating income includes income from banknotes and coin sales.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

30 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

In millions of Mongolian Togrogs	**2024**	**2023**
Staff cost	52,075	38,228
Cost of printing banknotes	15,255	1,112
Depreciation and amortisation of premises, equipment and intangible assets	13,139	10,123
System repair fees	7,547	2,735
Telecommunication and utility expense	4,739	3,103
Gold transportation and shipping expense	4,396	4,067
Security expense	3,230	2,502
Transportation and trip expenses	2,503	2,008
Facility, arrangement, and refining fees related to gold financing	1,883	1,851
Membership and professional fees	1,414	1,157
Advertisement expenses	1,200	867
Fixed asset repair and maintenance fee	1,124	945
Training expenses	146	180
Other expenses	7,789	7,085
Total administrative and other operating expenses	**116,440**	**75,963**

Wages, salaries, and other salary related expenses (including paid annual leave and sick leave, bonuses, and non-monetary benefits) are recognized as an expense in the year, in which the associated services are rendered by the Bank's employees. Short-term accumulating compensated absences such as paid annual leave are recognized when services are rendered by employees that increase their entitlement to future compensated absences.

The Bank instructs to print its national currency denominated notes to manufacturer and prepayments associated with the banknotes and coins printed are within "Other assets" and charged to the Bank's expenses and presented within "Administrative and other operating expenses" when produced banknotes and coins are delivered by printing companies to the Central Vault of the Bank.

The audit fee charged by the auditors in the financial year 2024 was MNT 614 million (2023: MNT 570 million).

31 CONTINGENCIES AND COMMITMENTS

Legal proceedings. Management is not aware of any legal proceedings as of 31 December 2024 and 31 December 2023, in which the Bank acts as defendant and which could result in material losses to the Bank. Thus, management believes that no provision is necessary in these financial statements.

Credit related commitments. The Bank enters into credit related commitments, which include letters of credit and arrangement with the People's Bank of China (central bank of China, "PBC"), which in substance represents a credit facility (line) provided by PBC in Yuan to the BOM and a credit facility in MNT by the BOM to PBC.

At the end of each reporting period, the commitments are measured at (i) the remaining unamortized balance of the amount at initial recognition plus (ii) the amount of the loss allowance determined based on the expected credit loss model. In cases where fees are charged periodically in respect of an outstanding undrawn commitment, they are recognized as revenue on a time proportion basis over the respective commitment period.

The Bank enters into certain credit related commitments, which are deemed to be of importance for the country (e.g., exporting goods and/or services) and/or when such arrangements are requested by the Government of Mongolia or its institutions. The primary purpose of these instruments is to ensure that funds are available to the Government or other relevant parties in these arrangements as required.

Issued letters of credit represent unused portions of authorizations to extend credit in the form of loans or letters of credit, refer to information below. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments.

However, the likely amount of loss is less than the total unused commitments due to low counterparty risk, as outlined below.

In millions of Mongolian Togrogs	**31 December 2024**	**31 December 2023**
Contingent Liabilities		
Import letters of credit	14,227	18,085
Commitments		
Undrawn credit line	7,103,140	7,241,930
Total credit related commitments	**7,117,367**	**7,260,015**

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

31 CONTINGENCIES AND COMMITMENTS (CONTINUED)

An analysis of credit related commitments by credit quality based on credit risk grades at 31 December 2024 and 31 December 2023 is as follows.

In millions of Mongolian Togrogs	**31 December 2024** **Stage 1 (12-months ECL)**	**31 December 2023** **Stage 1 (12-months ECL)**
Import letters of credit		
- Satisfactory	14,227	18,085
Unrecognised gross amount	**14,227**	**18,085**
Commitments		
- Excellent	7,103,140	7,241,930
Unrecognised gross amount	**7,117,367**	**7,260,015**

For the purpose of ECL measurement, contingent liabilities and commitment balances are included in Stage 1. The ECL for these balances represents an insignificant amount, therefore the Bank did not recognise any credit loss allowance for contingencies and commitments as of 31 December 2024 and 31 December 2023. The Bank's management believes that fair value of letters of credit and credit line commitments are not material. The total outstanding contractual amount of undrawn credit lines and letters of credit does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. ECL measurement was assessed using the credit conversion factor and ECL for these balances represent an insignificant amount. Therefore, the Bank did not recognise any credit loss allowance for these credit commitments.

Import letters of credit. Import letters of credit are mainly issued to the Government of Mongolia with regard to import arrangements. Through issued letters of credit, the Bank is obliged to make payment on behalf of the Government or its institutions to foreign legal entities, which provided services or delivered goods to the Government, its institutions, or other entities at the Government's request.

SWAP Agreement with People's Bank of China. The Bank entered into "Chinese Yuan/Mongolian Togrogs Bilateral Currency Swap Arrangement" with the People's Bank of China (PBC) in May 2011. The agreement was renewed in August 2014, July 2017, July 2020 and July 2023. Central banks can use this money for financing trade between the two countries, for providing short-term liquidity for stabilisation of financial markets, and for other purposes agreed upon by both parties.

Based on the agreement, the PBC and the Bank may, from time to time, conduct transactions involving the purchase and sale, and subsequent repurchase and resale, of CNY (Chinese Yuan) against MNT and of MNT against CNY. According to the agreement, one bank requests usage of the fund upon approval of another bank. The maximum amounts requested for use are limited to the open limit of CNY 15,000 million (2023: CNY 15,000 million) when the BOM is the requesting party and MNT 7,103,140 million (2023: MNT 7,241,930 million) when PBC is the requesting party.

31 CONTINGENCIES AND COMMITMENTS (CONTINUED)

A party using funds is obliged to pay interest for the used amount on the date of repayment at interest rates specified in the agreement. In the case of the Bank requesting to use CNY, the interest rate is equivalent to 175 basis points (2023: 175 basis points) plus the Shanghai Interbank Offered Rate (SHIBOR) for CNY deposits with corresponding usage period. In the case of PBC requests for use of MNT, the interest rate is equivalent to the Interbank MNT Weighted Rate with corresponding usage period.

As of 31 December 2024, the Bank has used amount of CNY 6,000 million equal to MNT 2,811,420 million (2023: CNY 10,500 million equal to MNT 5,040,105 million) and has a further available amount to use of CNY 9,000 million equivalent to MNT 4,217,130 million (2023: CNY 4,500 million equivalent to MNT 2,160,045 million).

Capital commitment. At 31 December 2024, the Bank had no relating capital commitments (2023: MNT 891 million relating to the completion of monumental gold-plated bronze sculpture of the Chinggis Khan for the Treasury Fund of the Bank).

32 RELATED PARTY TRANSACTIONS

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

At 31 December 2024 and 31 December 2023, the Bank has disclosed balances and transactions with the following related parties:

- Government which includes organizations, such as Ministry of Finance, which management is appointed by the Government of Mongolia.
- A local bank State Bank, which is owned 94.3% by Ministry of Finance, and 5.7% by public and management appointed by the Parliament.
- Development Bank of Mongolia, which is owned by Government of Mongolia and the management is appointed by the government;
- DICOM, which is fully owned by the government and all decisions concerning the activities of DICOM must be approved by vote from each of the seven members of the National Committee chaired by the First Deputy Governor of the Bank. Refer to Note 4 for the management judgement of control over Deposit Insurance Corporation (DICOM).
- Erdenes Mongol LLC which is 100% owned by Government.
- Erdenes Tavan Tolgoi JSC which is 81.5% owned by Erdenes Mongol LLC; and
- City Housing Corporation ("NOSK") JSC which is 100% owned by Government.

The Bank utilized the exemption in IAS 24 from the disclosure requirement for government-related entities. Thus, individually immaterial transactions with government-related entities are not disclosed in these financial statements.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

32 RELATED PARTY TRANSACTIONS (CONTINUED)

The income and expense items with related parties for 2024 were as follows:

In millions of Mongolian Togrogs	Government	State Bank	Development Bank of Mongolia	Erdenes Mongol LLC	Erdenes Tavan Tolgoi JSC	City Housing Corporation JSC	Total
Interest Income	5,724	2,694	28,510	52,719	9,699	12,019	**111,365**
Interest Expense	(80,837)	(134,580)	(8,731)	-	-	-	**(224,148)**
Commission Income	2,563	5,310	-	-	-	-	**7,873**
Total	**(72,550)**	**(126,576)**	**19,779**	**52,719**	**9,699**	**12,019**	**(104,910)**

At 31 December 2024, the outstanding balances with related parties were as follows:

In millions of Mongolian Togrogs	Note	Government	State Bank	Development Bank of Mongolia	DICOM	Erdenes Mongol LLC	City Housing Corporation JSC	Total
Government securities	16	56,187	-	-	-	-	-	**56,187**
Receivables from Government	17	477,537	-	-	-	-	-	**477,537**
Loans to local banks	9	-	154,024	-	-	-	-	**154,024**
Loans to non-financial entities	18	-	-	-	85,000	-	-	**85,000**
Erdenes bonds	10	-	-	-	-	849,807	-	**849,807**
Lease backed bonds	10	-	-	-	-	-	129,196	**129,196**
Derivative financial instruments	15	-	275	(2,230)	-	-	-	**(1,955)**
Net impairment losses on financial assets at 31 December 2024		(468)	(1,975)	-	(85,000)	(84,317)	(268)	**(172,028)**
Central bank bills	22	-	(1,350,000)	-	-	-	-	**(1,350,000)**
Deposits from local banks	23	-	(552,203)	(89,252)	-	-	-	**(641,455)**
Deposits from non-financial entities	25	-	-	-	(14,646)	-	-	**(14,646)**
Liabilities due to the government organisations	20	(6,843,279)	-	-	-	-	-	**(6,843,279)**
Total		**(6,310,023)**	**(1,749,879)**	**(91,482)**	**(14,646)**	**765,490**	**128,928**	**(7,271,612)**

32 RELATED PARTY TRANSACTIONS (CONTINUED)

The income and expense items with related parties for 2023 were as follows:

In millions of Mongolian Togrogs	Government	State Bank	Development Bank of Mongolia	DICOM	Erdenes Mongol LLC	Erdenes Tavan Tolgoi JSC	City Housing Corporation JSC	Total
Interest income	4,978	16,604	157,289	231	49,598	19,328	12,914	**260,942**
Interest expense	(115,298)	(111,711)	(116,370)	(21,250)	-	-		**(364,629)**
Commission income	1,664	3,984	1	-	-	-	-	**5,649**
Total	**(108,656)**	**(91,123)**	**40,920**	**(21,019)**	**49,598**	**19,328**	**12,914**	**(98,038)**

At 31 December 2023, the outstanding balances after ECL with related parties were as follows:

In millions of Mongolian Togrogs	Note	Government	State Bank	Development Bank of Mongolia	DICOM	Erdenes Mongol LLC	Erdenes Tavan Tolgoi JSC	City Housing Corporation JSC	Total
Government securities	16	42,513	-	-	-	-	-	-	**42,513**
Receivables from Government	17	514,942	-	-	-	-	-	-	**514,942**
Reverse repurchase agreements	12	-	6	-	-	-	-	-	**6**
Loans to local banks	9	-	60,569	429,893	-	-	-	-	**490,462**
Loans to non-financial entities	18	-	-	-	85,000	-	-	-	**85,000**
Erdenes bonds	10	-	-	-	-	877,166	-	-	**877,166**
Erdenes Tavan Tolgoi bonds	10	-	-	-	-	-	155,301	-	**155,301**
Lease backed bonds	10	-	-	-	-	-	-	143,957	**143,957**
Derivative financial instruments	15	-	2,224	-	-	-	-	-	**2,224**
Net impairment losses on financial assets at 31 December 2023		(413)	(1,271)	(9,248)	(85,000)	(135,488)	(11,722)	(574)	**(243,716)**
Central bank bills	22	-	(1,037,403)	-	-	-	-	-	**(1,037,403)**
Deposits from local banks	23	-	(972,789)	(104,097)	-	-	-	-	**(1,076,886)**
Deposits from non-financial entities	25	-	-	-	(466,036)	-	-	-	**(466,036)**
Liabilities due to the government organisations	20	(4,597,302)	-	-	-	-	-	-	**(4,597,302)**
Total		**(4,040,260)**	**(1,948,664)**	**316,548**	**(466,036)**	**741,678**	**143,579**	**143,383**	**(5,109,772)**

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

32 RELATED PARTY TRANSACTIONS (CONTINUED)

The transactions with related parties arose from the ordinary course of the Bank's operation. Management considers whether gains/losses should arise on initial recognition of transactions with related parties. In making this judgement, management also considers these transactions as a principal market segment. Refer to Note 4 for details.

Outstanding balances to related parties at year-end are unsecured except reverse repurchase agreements, Erdenes bonds, and Lease backed bonds. As of 31 December 2024, the Bank has a guarantee of MNT 550,000 million on Erdenes Bond from the Development Bank of Mongolia. There have been no other guarantees provided or received for other related party receivables and payables.

Import Letter of Credit Commitments. As of 31 December 2024, the Bank has MNT 14,227 million (2023: MNT 18,085 million) of import letter of credits commitments to related parties. Refer to Note 33 for more information.

Key management is composed of the Board of Directors of the Bank and their compensation is presented below:

In millions of Mongolian Togrogs	**2024**	**2023**
Salary and wages	1,526	1,138
Social and pension fund contribution	191	159
Benefits in-kind	10	136
Total	**1,727**	**1,433**

33 FINANCIAL RISK MANAGEMENT

The Bank may face financial risks in the course of implementing monetary policy, ensuring financial stability, and managing the country's foreign exchange reserves. These risks can be mitigated and managed by accurately identifying, measuring, and monitoring them. Effective risk management allows the Bank to successfully implement monetary policy (achieving inflation targets), maintain financial stability, and ensure the stable operation of the banking system. At certain times, the Bank may be overly exposed to certain risks and/or take disadvantageous positions of fulfilling its primary objectives and responsibilities, which are typical for central banks and consequently the Bank may incur unexpected financial losses, e.g., losses from translation of foreign currency balances. Such financial losses could be incurred with regard to all financial risks.

From the financial perspective, the Bank is exposed to credit risk, liquidity risk and market risk. In addition to these, it may also face operational, reputational, legal and regulatory risks. Currently, the Bank has a decentralized risk management process. Those risks, which are unique to the Bank as the central bank of Mongolia, are monitored through the Bank's strategic planning process. The Bank of Mongolia implements risk management using the *Three Lines of Defence Model*:

1. *First Line of Defence* – Each department or unit has independent risk control and is responsible for monitoring risks within its operational scope.
2. *Second Line of Defence* – Comprises units responsible for developing risk management policies and regulations, providing recommendations and guidelines, and conducting risk monitoring.
3. *Third Line of Defence* – Internal audit functions to assess and evaluate the activities of the first and second lines.

Risk Management Structure. The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors. The Board of Directors is responsible for the overall risk management approach. Further, it provides recommendations on risk management related issues to the Governor, the First Deputy Governor and the Deputy Governor of the Bank.

Supervisory Board. The Supervisory Board has been established outside of the Bank's internal organization in order to maintain an external supervisory role and has the responsibility to monitor the internal control function, and actions taken to resolve issues identified by the external audit. The Supervisory Boad also monitors and supervises the effectiveness of other committees within the Bank.

Investment Committee. The Investment Committee is a key body responsible for risk management activities related to the Bank's reserve management function and responsible for making recommendations to the Governor and the Board of Directors regarding necessary measures to be taken in case of market turbulence. It consists of five members and involves the First Deputy Governor, Director of Risk Management Unit, Director of Finance and Accounting Department, Director of Financial Markets Department, and Director of Research and Statistics Department.

Within the reserve management framework, the Investment Committee determines and proposes the structure of the international reserves and get approval from the Governor. This includes the allocation of amounts to each portfolio, the identification of counterparties where reserves will be held, the respective limits, and the acceptable level of risk. The Committee's proposal defines the currency composition of international reserves and its acceptable variation, asset allocation and its acceptable variance, tenor of investments, eligible instruments, counterparties, and the counterparty limits.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

Limits over the foreign currency reserve are approved by the Governor on a quarterly basis and represent the key method used in managing international risk, as well as credit risk, liquidity risk and interest rate risk.

The risks related to the Bank's foreign currency assets (reserves) are a key area of focus, given the proportion of international reserves in the Bank's total assets. Thus, the activities of the Investment Committees and departments involved in the risk management process are mainly focused on monitoring and managing risks related to international reserves. However, the Investment Committee is also responsible for monitoring the activities of the Risk Management Unit and other responsible departments, which address financial risks, related to the Bank's financial assets and liabilities, and overall compliance with the Bank's investment policy. The methods used in managing financial risks are further outlined below.

Risk management unit. The Risk Management Unit ("RMU") is responsible for implementing and maintaining international reserves and other risk related procedures to ensure an independent control process. RMU is responsible for monitoring compliance with strategic benchmark for international reserves, risk principles, policies and limits. In addition, RMU also ensures the complete capture of risk measures related to the international reserves and reporting system.

According to the Regulation on International Reserve Management, the objectives of reserve management are subordinated to the Bank's monetary and foreign exchange policies. The main objectives in holding foreign reserves are to:

- Support monetary policy.
- Manage excessive volatility of the foreign exchange market.
- Guarantee payment of government foreign exchange debt.
- Use as a liquidity buffer in the event of national disaster or emergency.

Risk management of international reserves contributes to these objectives by strategically managing and controlling the exposure to financial and operational risks. The Bank determines strategy for asset selection and allocation to control exposures to external risks. This involves establishing parameters for the currency holding and composition necessary to maintain the ready availability of convertible currencies, the permissible range of investment instruments that meet liquidity and security requirements, and duration requirements for limiting exposure to interest rate risk.

Financial Markets Department. Financial Markets Department is responsible for general implementation of the investment policy through its specific units. The Director of Financial Markets Department monitors and manages the general structure of the asset portfolio, including asset composition, instruments, counterparties, maturity, as well as limits over the international reserves.

Internal Audit Department. The Bank's internal control mission is to examine and evaluate the adequacy and effectiveness of the risk management system in its activities toward the accomplishment of the Bank's objectives, and fulfilment of policies and plans. Internal Audit Department ("IAD") charter determines its duties to examine the effectiveness of all levels of risk management in planning, organization, coordination and controlling the implementation of the policies and procedures adopted by the Bank, examining the compliance of operations and systems with laws, regulations as well as integrity, and security of financial and operational information. IAD carries out general risk assessment and further assessment focused on specific issues. General risk assessment is undertaken during the development of long-term and annual audit plans to ensure proper allocation of audit resources according to the degree of risk, while assessment focuses on issues at the specific level. IAD of the Bank has carried out activities in accordance with the audit program and annual audit plan for 2024.

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

Priorities for audits are determined by applying criteria, which reflect potential and actual degree of risk to which each area of operation is exposed. For these purposes certain criteria are developed and appropriate weights are assigned to each type of criteria in relation to the activities audited. The weighted scores are totalled for each operational area and the degree of risk is classified as high, medium and low accordingly.

The evaluation of internal control system is also a very important aspect of internal audit work. The evaluation is aimed at ensuring the existence of adequate procedures and competent performance, as well as reliability of financial reporting system and compliance of all activities with applicable laws and regulations. IAD reports about findings and its recommendations administratively to the Governor, and functionally to the Supervisory Board. After each assessment, IAD discusses the results with management of the Bank, as well as undertaking follow-up reviews on the actions taken by management.

Credit Risk. Credit risk is the risk that the Bank will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. Exposure to credit risk arises as a result from the Bank's lending and other transactions with counterparties, which give rise to financial assets and off-balance sheet credit-related commitments.

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

Credit risk management. Credit risk is managed and controlled through proper selection of investment assets, credit quality of investment assets and setting limits on the amount of investment asset. Limits on the level of credit risk by type of investment and counterparty are approved regularly by management. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

To minimize credit risk, international reserves are invested in securities issued by the "Aaa" to "Aa3" rated governments (or central banks), and "Aaa" rated international institutions and agencies. The credit risk on foreign currency deposits and money market instruments is limited by transacting with counterparties rated "A3" or above by internationally recognised rating agencies. The minimum rating is taken when a counterparty has ratings from more than one rating agency.

For domestic monetary policy operations, the Bank actively uses collateral to reduce its exposure to credit risk. According to the Regulation on Central Bank Refinancing, the main types of collateral used when financial instruments are issued to Mongolian local banks are as follows:

1. Central Bank bills (CBB);
2. Senior Asset Backed Securities;
3. Senior RMBS bonds.

The eligible borrowing banks have to meet all prudential ratios set by the Bank.

Credit limits in respect to international reserves, all counterparties have credit limits, which are set taking into consideration their ratings, capital, and other factors. The credit limits are approved quarterly by the Governor and compliance with the limits is monitored daily by the Risk Management Unit.

As disclosed in Note 31, the Bank enters into certain credit related commitments, which are deemed to be of importance for the country (e.g., exporting goods and/or services) and/or when such arrangements are requested by the Government of Mongolia or its institutions. The primary purpose of these instruments is to ensure that funds are available to the Government or other relevant parties in these arrangements as required. Issued letters of credit represent irrevocable assurances that the Bank will make payments in the event that the party requesting this arrangement cannot meet its obligations to third parties and expose the Bank to similar risks to loans, which are mitigated by the same control processes and policies.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

Commitments to extend credit represent unused portions of authorisations to extend credit and relate to the arrangement with the People's Bank of China (Note 31). Based on analysis performed, the management believes that counterparty risk in case of this arrangement is low.

The Bank's maximum exposure to credit risk is reflected in the carrying amounts of monetary financial assets in the statement of financial position. The credit risk for reserve repurchase agreement is mitigated by collateral as disclosed in Notes 9. For letters of credit and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment, see Note 31.

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

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor ("CCF"). CCF is a coefficient that shows the probability of conversion of the committed amounts to an on-balance sheet exposure within a defined period. PD an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

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

The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider *forward looking information,* that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk. The ECL modelling does not differ for Purchased or Originated Credit Impaired ("POCI") financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as impaired loans acquired in a past business combination.

***Credit risk grading system*.** For measuring credit risk and grading financial instruments by the amount of credit risk, the Bank applies risk grades estimated by external international rating agencies (Moody's, Standard & Poor's - "S&P", Fitch). External credit ratings are mapped on master scale with a specified range of probabilities of default as disclosed in the table below:

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

Master scale credit risk grade	Corresponding ratings of external international rating agencies S&P	Moody's
Excellent	AAA to A-	AAA to A3
Good	BBB+ to B-	Baa1 to B3
Satisfactory	CCC+ to CCC-	Caa1 to Caa3
Special monitoring	CC to C	Ca to C
Default	Default	Default

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- *Excellent* – strong credit quality with low expected credit risk.
- *Good* – adequate credit quality with a moderate credit risk.
- *Satisfactory* – moderate credit quality with a satisfactory credit risk.
- *Special monitoring* – facilities that require closer monitoring and remedial management; and
- *Default* – facilities in which a default has occurred.

Given that the biggest Mongolian local banks are rated by international rating agencies, financial assets due from local banks are also monitored on this basis. In case of unrated Mongolian local bank, the Bank references the credit rating of the similar sized local banks and considers financial conditions of related local bank based on the recent financial information, compliance with prudential ratios, and other information available by the Supervision Department and other relevant departments for assessing credit quality of related assets and benchmark proxies of comparable banks.

Definition of default and determination of staging The Bank defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments.
- local banks' prudential ratios do not meet the required ratios.
- Contractually agreed repayments are not made or highly probable to be overdue due to declaration of bankruptcy or legal receivership

The Bank's management sets following criteria for determination of Stage of financial assets:

No.	Criteria	Stage 1	Stage 2	Stage 3
1	Past due days of contractual payment	Less than 30 days	30-90 days	More than 90 days
2	The repayment schedule of a debt instrument in accordance with the contractual agreement	Payment made as per repayment schedule	Payments have not made on time, but appropriate decisions were made regarding repayment.	Payments have not been made on time and repayment information is uncertain.
3	Prudential ratio analysis for local banks	Satisfies prudential ratio's requirement set by the Bank	Does not satisfy the liquidity adequacy ratio criteria set by the Bank	Does not meet the liquidity and capital adequacy ratio set by the Bank Default/ bankrupted

BANK OF MONGOLIA

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33 FINANCIAL RISK MANAGEMENT (CONTINUED)

In addition to the above criteria, the Bank monitors probability of default, credit rating, Loan-To-Value Ratio, repayment schedule, credit spread, financial asset collateral, financial asset covenant, Price changes in the CDS (Credit default swap) issued by the borrower, changes in the market price of debt and equity instruments issued by the counterparty, business, financial, and economic conditions, changes in the legal and technological environment, the situation of the operating industry and evaluation calculated by the internal evaluation method. Staging of financial assets reflects the upgrade or downgrade of the credit rating estimated by the external international rating agencies.

This financial report recognizes Expected Credit Loss (ECL) based on whether there has been a significant increase in the borrower's credit risk. The ECL is calculated using a three-stage model. At the initial recognition of an asset, if there is no significant increase in credit risk (SICR), the ECL for the next 12 months is calculated (Stage 1), and allowance for expected credit loss is established. If there is a SICR after initial recognition, the financial asset is reclassified to Stage 2. At this stage, the asset is not yet considered impaired, but the ECL is calculated over the asset’s entire lifetime. When a financial asset is considered impaired, it is reclassified to Stage 3, and the ECL continues to be calculated for the asset's full lifetime. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset’s effective interest rate to the carrying amount, net of ECL, when calculating interest income.

When the Bank is assessing changes in the credit risk of the government and other government agencies, additional criteria such as economic growth, inflation, net international reserves, political risk, external debt payments, and the debt service ratio (DSR) are considered. For local banks, the criteria include the Capital Adequacy Ratio (CAR), liquidity ratio, and Non-performing Loan (NPL) ratio. When evaluating the credit risk of companies, the criteria encompass the solvency ratio, liquidity ratio, profitability ratio, operating ratio, projected future net cash flow, and the corporate governance index.

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

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

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

Exposure at default. The exposure at default (EAD) are determined based on the expected payment profile, that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12months ECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

Probability of Default. Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument.

Loss given default. Loss given default (LGD) values are assessed for each financial asset annually by the Risk Management Unit. LGD represents the Bank's expectation of the extent of loss on defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposures at the time of default. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

In the absence of collateral for the financial instrument and sufficient historical data on default, the Bank applies expert judgement.

LGD is calculated by choosing appropriate methods shown below based on availability of quantitative data on loss:

- If there is sufficient information about losses: to establish an internal model to estimate future loss using a simulation method by developing an internal model when there is sufficient quantitative data on macroeconomics, particular sector and losses.
- If there is a certain amount of information about the losses: to estimate future loss using a simulation method and portfolio method, which is to estimate the same loss rate for the collateralized and uncollateralized exposures.
- If there is lack of or missing information about the losses: to use loss rate information of similar financial assets or to use parameters established by the foreign regulatory body.

The Bank applies the recovery rates of corporate entities applicable to each rating and time to maturity generated from Thomson Reuters data terminal for its LGD due to the limited historical data.

The following table shows LGD determined for each financial asset class in 2024 and 2023:

	Due from financial institution Note (8)	Investment in debt securities Note (10)	Reverse repurchase agreements Note (12)	Government securities Note (16)	Loans to local banks Note (9)	Other financial assets Note (18)
2024	59.9%-60.0%	0% -60.0%	0%-15.94%	65.0%	0% - 65.0%	65.0% - 100%
2023	60%	3.00% - 79.62%	0%-14.34%	64.5%	0% - 64.5%	64.5% - 100%

For unsecured financial assets of non-rated counterparties, the LGD (Loss Given Default) is determined by selecting a methodology in the order of priority:

- Using the credit rating of a similar or representative entity as a proxy.
- If there is no comparable entity data is available, the country's credit rating is downgraded by 1-2 notches to determine the credit rating.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

A 10% increase in LGD estimates would result in an increase in total expected credit loss allowances of MNT 14,857 million at 31 December 2024 (2023: increase of MNT 17,958 million).

Significant increase in credit risk (SICR). The Bank continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or Lifetime ECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition.

The Bank applies a qualitative method for triggering a significant increase in credit risk for an asset, such as the account becoming forborne. In certain cases, the Bank may also consider that events explained in "Definition of default" are a significant increase in credit risk as opposed to a default.

Analysis of inputs to ECL model – forward looking information The Bank has incorporated the effect of future macroeconomic developments into the ECL by applying forward looking information on the component of the ECL, the PD. The Bank calculates the PD for the allowance for ECL on individual basis based on the nature of the financial assets. In terms of the methodology, correlation analysis was conducted initially to preselect the suitable macroeconomic variables. Then coefficients were estimated applying a regression analysis. From the estimated coefficients and forecasts, adjustment factors to incorporate forward-looking information into PD were derived as the ratio between the predicted default rate and historical average default rate. Below is the PD base and forward-looking variables the Bank used for the calculation. The Bank uses the historical default rates published by international rating agencies (Moody's and S&P) and macroeconomic factors to come up with a forward-looking probability weighted PD:

- Due from local banks

The Bank uses the historical speculative grade default rates published by international rating agency (S&P) and macroeconomic factors to come up with a forward-looking probability weighted PD:

- Annual GDP.
- Loan interest rate, lagged by one (1) quarter.
- Unemployment rate, lagged by one (1) quarter.

The Bank has run a linear regression analysis on the annual PD for the last 24 years against those macro-economic variables which are considered as the statistically significant macroeconomic factors.

- Secured loans to local banks

The Bank uses the historical weakest link default rates published by international rating agency (S&P) and macroeconomic factors to come up with a forward-looking probability weighted PD:

- Annual GDP

The Bank has run a linear regression analysis on the annual PD for the last 21 years against those macro-economic variables which are considered as the statistically significant macroeconomic factors.

- Residential mortgage-backed securities and Lease backed bonds

The Bank uses the historical weight of non-performing mortgage loan published by BOM and macroeconomic factors to come up with a forward-looking probability weighted PD:

- Quarterly GDP, lagged by two (2) quarter
- Non-performing loan %, lagged by one (1) quarter.
- Unemployment rate, lagged by one (1) quarter.

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Bank has run a linear regression analysis on the quarterly non-performing mortgage loan % (PD) for the last 14 years against those macro-economic variables which are considered as the statistically significant macroeconomic factors.

- Erdenes bonds

The Bank used 100% of PD for the Erdenes bonds as it has been transferred to Stage 3. The LGD was estimated under three different scenarios with weights of 40% for Base and 30% for Worst and Best case scenarios based on the assumption that any of the scenario considering more risk diversification and forward looking assumptions of robust mining sector and increasing state budget income. Refer to Note 4 for details of the "Erdenes Bond" ECL.

These adjustment factors and adjusted PD rates are considered as Base scenario for ECL model, as it represents the best prediction of the future economic development. The best and worst scenarios are derived from historical adjustment factors based on the model predicted default rates and selected as certain quantiles of the adjustment factor distribution.

The ECL (Expected Credit Loss) is calculated for each scenario of the Discounted Model (DM), and the final ECL is determined as the weighted average of the three scenarios. The weights applied to macroeconomic scenario forecasts are calculated using the deviation between actual GDP growth over the past 11 years and the forecasted values. This methodology assumes that such deviations reflect the likelihood of positive or negative economic shocks. Based on historical data, the assigned probabilities are 55% for Base case, 36% for Worst case and 9% for Best case. Expected loss for different scenarios are calculated based on those estimated PD rates under the different scenarios and the actual expected credit loss allowance is estimated as weights of 3 scenarios: 40% for Base and Worst case, and 20% for Best case scenario of 2023.

The following table below shows the value of the key forward looking macroeconomic assumptions used in each of the scenarios for the ECL calculations. Other variables were lagging variables and thus used actual statistics.

		31 December 2024		31 December 2023	
Key drivers	**ECL scenario**	**Assigned weightings**	**Assumption for 2024**	**Assigned weightings**	**Assumption for 2023**
GDP growth %	Best case	9%	7.5%	20%	6.5%
	Base case	55%	7.3%	40%	6.2%
	Worst case	36%	6.4%	40%	4.2%
Unemployment rate	Best case	9%	4.08%	20%	4.70%
	Base case	55%	7.88%	40%	8.20%
	Worst case	36%	11.34%	40%	11.40%
Mining sector NPL %*	Best case	-	-	20%	27.27%
	Base case	-	-	40%	27.52%
	Worst case	-	-	40%	28.06%
Residential sector NPL %	Best case	9%	0.86%	20%	0.96%
	Base case	55%	1.08%	40%	1.26%
	Worst case	36%	1.34%	40%	1.62%

*Mining sector NPL percentage has been used for the ECL estimation of "Erdenes Bond" and "Erdenes Tavan Tolgoi Bond" in prior years. For 2024, "Erdenes Bond" has transferred to Stage 3 and "Erdenes Tavan Tolgoi Bond" has been fully repaid. As a result, mining sector NPL percentage is no longer used for ECL estimation for 2024. Refer to Note 4 for details of the "Erdenes Bond" ECL.

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33 FINANCIAL RISK MANAGEMENT (CONTINUED)

A change in the weight assigned to base forward looking macro-economic set of assumptions by 10% towards the immediate downside level assumptions would result in an increase in ECL by MNT 10,499 million at 31 December 2024 (2023: increase of MNT 1,046 million).

The following table shows the PD base for each financial asset which is not based on counterparty's credit ratings:

Financial assets	PD Base
Government securities	S&P default rate
Loans to local banks	S&P default rate
Reverse repurchase agreement with local banks	S&P default rate
Investment in debt securities	
Senior RMBS bonds	NPL % of Mortgage loan
Lease backed bonds	NPL % of Residential loan

The multiplier as shown in the table below represents the forward-looking adjustment which is reflected into PD base with consideration of macro-economic variables into ECL model. The multiplier is estimated based on the regression of annual historical PD with the reference of above-mentioned macroeconomic variables. The following table below shows that multipliers and each assigned PDs used in the ECL model as of 31 December 2024:

	Loans to local banks		Senior RMBS bonds		Lease backed bonds		Erdenes bonds	
Scenario	**Multiplier**	**PD**	**Multiplier**	**PD**	**Multiplier**	**PD**	**Multiplier**	**PD**
Best	0.75	2.05%-4.00%	0.78	0.08%	0.78	0.83%	-	100%
Base	0.77	2.10%-4.10%	1.00	0.11%	1.00	1.07%	-	100%
Worst	0.87	2.38%-4.64%	1.23	0.13%	1.23	1.31%	-	100%

The following table below shows that multipliers and each assigned PDs used in the ECL model as of 31 December 2023:

	Loans to local banks		Senior RMBS bonds		Lease backed bonds		Erdenes bonds and Erdenes Tavan Tolgoi Bonds	
Scenario	**Multiplier**	**PD**	**Multiplier**	**PD**	**Multiplier**	**PD**	**Multiplier**	**PD**
Best	1.07	3.04%	0.83	0.14%	0.83	1.29%	0.85	20.25%
Base	1.09	3.12%	1.03	0.18%	1.03	1.60%	0.86	20.45%
Worst	1.34	3.83%	1.26	0.21%	1.26	1.96%	0.88	20.84%

In terms of financial assets held with foreign institutions, including Due from foreign institutions and Investment in debt securities from foreign banks, the management assumed that forward-looking information is implied in the credit rating of the counterparty based on Probability of Default Implied Rating Research on Bloomberg terminal. Accordingly, credit allowance for the next 12 months was estimated by providing default rates on each scenario by using the same weights as above-mentioned financial assets.

A 10% increase in PD estimates would result in an increase in total expected credit loss allowances of MNT 2,400 million at 31 December 2024 (2023: increase of MNT 19,771 million).

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk. Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates or foreign exchange rates. When assessing market risk, as well as liquidity risk, management's main considerations also include intervention needs, structure of the import and current liabilities to foreign parties. The Bank manages and monitors this risk element using sensitivity analyses. Except for the concentrations within foreign currencies, the Bank has no significant concentration of market risk. The Bank is not significantly exposed to other price risk.

Currency risk. Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk is managed through diversification of foreign currency portfolio and determination of the below parameters:

- international reserve management.
- maximum share of the managed currency in related assets denominated in foreign currencies for foreign currency reserve and short-term and long-term investment portfolio.

The currency composition of the international reserves is approved by the Investment Committee on an annual basis.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates of foreign currencies, gold and SDRs applied at the end of the reporting period relative to the functional currency of the Bank, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit or loss while a positive amount reflects a net potential increase.

In millions of Mongolian Togrogs	**At 31 December 2024 Impact on profit or loss and equity**	**At 31 December 2023 Impact on profit or loss and equity**
USD strengthening by 10% (2023: 10%)	206,011	300,944
USD weakening by 10% (2023: 10%)	(206,011)	(300,944)
CNY strengthening by 10% (2023: 10%)	(171,433)	(442,428)
CNY weakening by 10% (2023: 10%)	171,433	442,428
EUR strengthening by 10% (2023: 10%)	31,314	32,064
EUR weakening by 10% (2023: 10%)	(31,314)	(32,064)
SDR strengthening by 10% (2023: 10%)	(59,786)	(69,127)
SDR weakening by 10% (2023: 10%)	59,786	69,127
XAU strengthening by 10% (2023: 10%)	211,510	182,814
XAU weakening by 10% (2023: 10%)	(211,510)	(182,814)
Other strengthening by 10% (2023: 10%)	10,237	39,094
Other weakening by 10% (2023: 10%)	(10,237)	(39,094)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Bank and monetary balances denominated in SDRs.

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33 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table indicates the currencies, XAU and SDRs to which the Bank had significant exposure at 31 December 2024 on its monetary assets including gold bullion and precious metal and liabilities.

In millions of Mongolian Togrogs	MNT	USD	CNY	EUR	SDR	XAU	Other	Total
Cash on hand	-	8,056	67,708	11,258	-	-	8,639	**95,661**
Due from foreign financial institutions	-	4,240,751	1,186,757	535,256	308,666	-	274,896	**6,546,326**
Loans to local banks	1,421,303	564	-	-	-	-	-	**1,421,867**
Investments in debt securities	3,794,532	4,229,015	350,398	-	-	-	-	**8,373,945**
Investments in equity securities	-	-	-	6,533	-	-	-	**6,533**
Reverse repurchase agreements	2,753,404	5,507,629	-	-	-	-	-	**8,261,033**
Gold and precious metals	-	-	-	-	-	2,115,101	4,489	**2,119,590**
Government securities	55,720	-	-	-	-	-	-	**55,720**
Other financial asset	23,677	-	-	-	-	-	-	**23,677**
Total financial assets	**8,048,636**	**13,986,015**	**1,604,863**	**553,047**	**308,666**	**2,115,101**	**288,024**	**26,904,352**
Cash in circulation	(1,222,179)	-	-	-	-	-	-	**(1,222,179)**
Central bank bills	(11,511,780)	-	-	-	-	-	-	**(11,511,780)**
Liabilities due to government organizations	(5,926,668)	(536,663)	-	-	(379,947)	-	(1)	**(6,843,279)**
Deposits from local banks	(6,335,095)	(3,474,344)	(469,588)	(239,906)	-	-	(185,649)	**(10,704,582)**
Liabilities due to foreign parties	(1,695)	(215)	(2,849,601)	-	(526,574)	-	-	**(3,378,085)**
Other financial liabilities	(107,077)	(51)	-	-	-	-	-	**(107,128)**
Total financial liabilities	**(25,104,494)**	**(4,011,273)**	**(3,319,189)**	**(239,906)**	**(906,521)**	**-**	**(185,650)**	**(33,767,033)**
Derivative financial instruments	7,827,420	(7,914,633)	-	-	-	-	-	**(87,213)**
Net balance sheet position	**(9,228,438)**	**2,060,109**	**(1,714,326)**	**313,141**	**(597,855)**	**2,115,101**	**102,374**	**(6,949,894)**

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table indicates the currencies, XAU and SDRs to which the Bank had significant exposure at 31 December 2023 on its monetary assets including gold bullion and precious metal and liabilities.

In millions of Mongolian Togrogs	MNT	USD	CNY	EUR	SDR	XAU	Other	Total
Cash on hand	-	232,900	48,576	14,619	-	-	13,319	**309,414**
Due from foreign financial institutions	-	4,847,032	1,095,490	461,427	360,630	-	404,330	**7,168,909**
Loans to local banks	1,562,333	642	-	-	-	-	-	**1,562,975**
Investments in debt securities	3,999,808	3,117,310	408,185	-	-	-	-	**7,525,303**
Investments in equity securities	-	-	-	6,533	-	-	-	**6,533**
Reverse repurchase agreements	995,325	3,960,291	-	-	-	-	-	**4,955,616**
Gold and precious metals	-	-	-	-		1,828,140	20,561	**1,848,701**
Government securities	42,100	-	-	-	-	-	-	**42,100**
Other financial asset	38,774	-	-	-	-	-	-	**38,774**
Total financial assets	**6,638,340**	**12,158,175**	**1,552,251**	**482,579**	**360,630**	**1,828,140**	**438,210**	**23,458,325**
Cash in circulation	(1,151,700)	-	-	-	-	-	-	**(1,151,700)**
Central bank bills	(8,745,075)	-	-	-	-	-	-	**(8,745,075)**
Liabilities due to government organizations	(4,038,363)	(47,257)	-	-	(511,680)		(2)	**(4,597,302)**
Deposits from local banks	(4,643,950)	(3,814,274)	(858,804)	(161,939)			(47,270)	**(9,526,237)**
Liabilities due to foreign parties	(1,338)	(214)	(5,117,724)	-	(540,215)	-	-	**(5,659,491)**
Other financial liabilities	(596,314)	(5)	-	-	-	-	-	**(596,319)**
Total financial liabilities	**(19,176,740)**	**(3,861,750)**	**(5,976,528)**	**(161,939)**	**(1,051,895)**	**-**	**(47,272)**	**(30,276,124)**
Derivative financial instruments	4,881,583	(5,286,989)	-	-	-	-	-	**(405,406)**
Net balance sheet position	**(7,656,817)**	**3,009,436**	**(4,424,277)**	**320,640**	**(691,265)**	**1,828,140**	**390,938**	**(7,223,205)**

Interest rate risk. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The main objective when managing the interest rate risk is to maintain stable return on investments while not exceeding the risk levels that can be undertaken per investment policies.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

Assets and liabilities of the Bank are predominantly fixed rate or non-interest bearing, which significantly reduces exposure to interest rate risk. Further, in strategic benchmark development process the Bank sets duration requirements for its foreign reserve portfolio in order to limit exposure to interest rate risk. The duration requirement is monitored on a daily basis. The duration of the investment is assessed through the application of horizon analysis. The Bank uses a one-year investment horizon, defined negative return as minimum return and up to 5% of acceptable variance of negative return for calculation of prudential duration.

The table below summarizes the Bank's exposure to interest rate risks. The table presents the aggregated amounts of the Bank's financial assets including gold bullion and precious metals and liabilities at carrying amounts, categorized by the earlier of contractual interest repricing or maturity dates:

In millions of Mongolian Togrogs	**Demand and less than one month**	**From 1 to 6 months**	**From 6 to 12 months**	**Over 12 months**	**Total interest bearing**	**Non-interest sensitive**	**Total**
31 December 2024							
Total financial assets	13,328,001	2,495,091	938,432	3,423,958	20,185,482	6,859,592	**27,045,074**
Total financial liabilities	(24,472,613)	(851,475)	(24,018)	(3,295,569)	(28,643,675)	(5,351,291)	**(33,994,966)**
Net interest sensitivity gap at 31 December 2024	**(11,144,612)**	**1,643,616**	**914,414**	**128,389**	**(8,458,193)**	**1,508,301**	**(6,949,892)**
31 December 2023							
Total financial assets	9,013,519	969,123	967,813	4,924,974	**15,875,429**	7,709,260	**23,584,689**
Total financial liabilities	(19,527,584)	(1,578,866)	(58,245)	(5,728,567)	**(26,893,262)**	(3,914,632)	**(30,807,894)**
Net interest sensitivity gap at 31 December 2023	**(10,514,065)**	**(609,743)**	**909,568**	**(803,593)**	**(11,017,833)**	**3,794,628**	**(7,223,205)**

Interest is accrued at floating rates on the following assets and liabilities: SDR holdings (Note 8), SDR allocation, financing from People's Bank of China (Note 24).

At 31 December 2024, if interest rates at reporting date had been 100 basis points higher and lower with all other variables held constant, profit for the year would have been MNT 123,082 million higher and lower (2023: MNT 150,598 million), mainly as a result of higher and lower interest expense on the financing from People's Bank of China. Other components of equity would have been MNT 38,500 million (2023: MNT 40,420 million) lower and higher, mainly as a result of decrease and increase in the fair value of fixed rate financial assets at fair value through other comprehensive income.

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	2024				2023			
In % p.a.	**MNT**	**USD**	**CNY**	**Other**	**MNT**	**USD**	**CNY**	**Other**
Assets								
Due from foreign financial institutions	-	3.25%	1.84%	1.98%	-	5.51%	1.90%	5.28%
Investments in debt securities	3.96%	4.23%	2.05%	-	4.88%	3.39%	2.48%	-
Reverse repurchase agreements	11.23%	4.25%	-	-	12.25%	5.30%	-	-
Government securities	1.00%	-	-	-	1.00%	-	-	-
Loans to local banks	2.98%	1.00%	-	-	3.89%	1.00%	-	-
Liabilities								
Central bank bills	10.00%	-	-	-	13.67%	-	-	-
Liabilities due to government organizations	2.00%	2.50%	-	-	7.50%	2.50%	-	-
Deposits from local banks	8.00%	4.58%	-	-	12.00%	5.42%	-	-
Liabilities due to foreign parties	-	-	3.96%	-	-	-	4.08%	-

The sign "- "in the table above means that the Bank does not have the respective assets or liabilities in the corresponding currency.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

Geographical risk concentrations. The geographical concentration of the Bank's financial assets including gold bullion and precious metals and liabilities at 31 December 2024 is set out below:

In millions of Mongolian Togrogs	Mongolia	OECD	IMF	Non-OECD	Total
Assets					
Cash on hand	95,661	-	-	-	**95,661**
Due from foreign financial institutions	-	5,728,371	308,666	509,289	**6,546,326**
Loans to local banks	1,421,867	-	-	-	**1,421,867**
Investments in debt securities	3,794,533	4,579,412	-	-	**8,373,945**
Investments in equity securities	-	6,533			**6,533**
Reverse repurchase agreements	2,753,404	5,507,629	-	-	**8,261,033**
Gold and precious metals	-	2,119,590	-	-	**2,119,590**
Derivative financial instruments	140,720	-	-	-	**140,720**
Government securities	55,720	-	-	-	**55,720**
Other financial asset	23,677	-	-	-	**23,677**
Total financial assets	**8,285,582**	**17,941,535**	**308,666**	**509,289**	**27,045,072**
Liabilities					
Cash in circulation	(1,222,179)	-	-	-	**(1,222,179)**
Central bank bills	(11,511,780)	-	-	-	**(11,511,780)**
Liabilities due to government organizations	(6,843,279)	-	-	-	**(6,843,279)**
Deposits from local banks	(10,704,582)	-	-	-	**(10,704,582)**
Derivative financial instruments	(227,933)	-	-	-	**(227,933)**
Liabilities due to foreign parties	-	(1,910)	(526,574)	(2,849,601)	**(3,378,085)**
Other financial liabilities	(107,128)	-	-	-	**(107,128)**
Total financial liabilities	**(30,616,881)**	**(1,910)**	**(526,574)**	**(2,849,601)**	**(33,994,966)**
Net balance sheet position as 31 December 2024	**(22,331,299)**	**17,939,625**	**(217,908)**	**(2,340,312)**	**(6,949,894)**
Credit related commitments (Note 31)	**(14,227)**	**-**	**-**	**(7,103,140)**	**(7,117,367)**

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

The geographical concentration of the Bank's financial assets including gold bullions and metals and liabilities at 31 December 2023 is set out below:

In millions of Mongolian Togrogs	Mongolia	OECD	IMF	Non-OECD	Total
Assets					
Cash on hand	309,414	-	-	-	309,414
Due from foreign financial institutions	-	6,135,531	360,630	672,748	7,168,909
Loans to local banks	1,562,975	-	-	-	1,562,975
Investments in debt securities	3,999,808	3,525,495	-	-	7,525,303
Investments in equity securities	-	6,533			6,533
Reverse repurchase agreements	995,325	3,960,291	-	-	4,955,616
Gold and precious metals	-	1,848,701	-	-	1,848,701
Derivative financial instruments	126,364	-	-	-	126,364
Government securities	42,100	-	-	-	42,100
Other financial asset	38,774	-	-	-	38,774
Total financial assets	**7,074,760**	**15,476,551**	**360,630**	**672,748**	**23,584,689**
Liabilities					
Cash in circulation	(1,151,700)	-	-	-	(1,151,700)
Central bank bills	(8,745,075)	-	-	-	(8,745,075)
Liabilities due to government organizations	(4,597,302)	-	-	-	(4,597,302)
Deposits from local banks	(9,526,237)	-	-	-	(9,526,237)
Derivative financial instruments	(531,770)	-	-	-	(531,770)
Liabilities due to foreign parties	-	(1,552)	(540,215)	(5,117,724)	(5,659,491)
Other financial liabilities	(596,319)	-	-	-	(596,319)
Total financial liabilities	**(25,148,403)**	**(1,552)**	**(540,215)**	**(5,117,724)**	**(30,807,894)**
Net balance sheet position as 31 December 2023	**(18,073,643)**	**15,474,999**	**(179,585)**	**(4,444,976)**	**(7,223,205)**
Credit related commitments (Note 31)	**(18,085)**	**-**	**-**	**(7,241,930)**	**(7,260,015)**

Other risk concentrations. Management monitors concentrations of credit risk through obtaining reports listing exposures to borrowers per counterparty limits, which are disclosed above. The Bank did not have any such significant risk concentrations as of 31 December 2024 and 31 December 2023.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk. Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Liquidity risk of foreign currency is the main area of risk faced by the Bank. With respect to the classical investment triad (safety–liquidity-return), the investment policy of the Bank is maximizing returns, which ought to be considered only if all the liquidity and safety requirements are met. In circumstances of high import dependence, constant supply requirement of Government external debt servicing, volatility of demand and supply of foreign exchange in the domestic market, liquidity is the most important concern of foreign exchange reserve management. In order to manage liquidity risk, the Bank divided its foreign reserve portfolio into two sub-portfolios:

- The Short-term Investment Portfolio (including the cash management or liquidity portfolio): This portfolio is used for purposes of debt servicing and smooth functioning of the foreign exchange market. It consists of cash, overnights and demand deposits. It is also invested in time deposits, highly liquid money market instruments (commercial papers) and securities ranging from a week to twelve-month maturity and commodities (monetary gold).
- The Long-term Investment Portfolio: This portfolio is invested in medium to long-term high liquid instruments including government bonds and securities.

The Investment Committee proposes the limits for foreign exchange portfolio. In order to minimize the liquidity risk, the following asset structure is followed in accordance with the regulation on State Foreign Exchange Reserve Management:

- Not less than below limit defined as certain percentage of total assets with short-term maturity (i.e., maturity up to 1 year) shall be placed as current accounts and cash in foreign currency.
- Not less than below limit defined as percentage of total assets with short-term maturity (i.e., maturity up to 1 year) shall be placed as deposits with maturity up to 6 months.

Stop-loss limit of foreign trading is USD 400,000, while the limit of trading unit is USD 100,000 and the limit of one-off trading is USD 50,000, which also reduces liquidity risk.

The table below shows liabilities at 31 December 2024 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received i.e., payments in respect of gross settled forwards and swaps are accompanied by related cash inflows.

Liquidity requirements to support calls under issued letters of credit are considerably less than the amount of the commitment disclosed in the maturity analysis, because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit as included in the maturity table below does not necessarily represent future cash requirements, since these commitments may expire or terminate without being funded.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated, using the spot exchange rate at the end of the reporting period.

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

The maturity analysis of financial liabilities at 31 December 2024 is as follows:

In millions of Mongolian Togrogs	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Liabilities					
Cash in circulation	1,222,179	-	-	-	**1,222,179**
Central bank bills	11,566,084	-	-	-	**11,566,084**
Liabilities due to government organizations	5,936,384	498,909	3,256	412,666	**6,851,215**
Deposits from local banks	10,430,965	273,636	-	-	**10,704,601**
Liabilities due to foreign parties	528,484	-	102,607	2,922,868	**3,553,959**
Other financial liabilities	107,128	-	-	-	**107,128**
Gross settled swaps and forwards:					
-inflows	(12,651)	(809,240)	(685,368)	(3,642,053)	**(5,149,312)**
-outflows	10,250	815,103	609,701	3,504,706	**4,939,760**
Credit related commitments:					
-Undrawn credit line to PBC	7,103,140	-	-	-	**7,103,140**
-Other contingent liabilities	14,227	-	-	-	**14,227**
Total potential future payments for financial obligations	**36,906,190**	**778,408**	**30,196**	**3,198,187**	**40,912,981**

The maturity analysis of financial liabilities at 31 December 2023 is as follows:

In millions of Mongolian Togrogs	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Liabilities					
Cash in circulation	1,151,700	-	-	-	**1,151,700**
Central bank bills	7,381,729	1,468,877	-	-	**8,850,606**
Liabilities due to government organizations	4,043,116	3,267	3,260	554,363	**4,604,006**
Deposits from local banks	7,769,731	1,758,874	-	-	**9,528,605**
Liabilities due to foreign parties	619,386	-	-	5,169,233	**5,788,619**
Other financial liabilities	596,319	-	-	-	**596,319**
Gross settled swaps and forwards:					
-inflows	(522,346)	(531,024)	(390,976)	(1,315,801)	**(2,760,147)**
-outflows	674,759	620,722	414,852	1,371,325	**3,081,658**
Credit related commitments:					
-Undrawn credit line to PBC	7,241,930	-	-	-	**7,241,930**
-Other contingent liabilities	18,085	-	-	-	**18,085**
Total potential future payments for financial obligations	**28,974,409**	**3,320,716**	**27,136**	**5,779,120**	**38,101,381**

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33 FINANCIAL RISK MANAGEMENT (CONTINUED)

A significant portion of deposits from local banks and liabilities due to government organizations represent core deposits. Similarly, cash in circulation also represents a stable source of financing, although the Bank does not have unconditional contractual rights to delay payment. Refer to maturity analysis based on expected maturity below.

The Bank does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. Instead, the Bank monitors expected maturities of carrying amounts of financial assets and liabilities and the resulting expected liquidity gap. The table below shows the maturity analysis of financial assets and liabilities based on expected maturity.

The maturity analysis at 31 December 2024 is as follows:

In millions of Mongolian Togrogs	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Assets					
Cash on hand	95,661	-	-	-	**95,661**
Due from foreign financial institutions	5,234,697	1,311,629	-	-	**6,546,326**
Loans to local banks	998,795	362,052	1,241	59,779	**1,421,867**
Investments in debt securities	2,300,967	1,929,837	867,193	3,275,948	**8,373,945**
Investments in equity securities	-	-	-	6,533	**6,533**
Reverse repurchase agreements	8,011,330	190,948	58,755	-	**8,261,033**
Gold and precious metals	2,119,590	-	-	-	**2,119,590**
Derivative financial instruments	2,454	99,844	5,674	32,748	**140,720**
Government securities	476	-	-	55,244	**55,720**
Other financial assets	9,202	8,903	5,572	-	**23,677**
Total financial assets	**18,773,172**	**3,903,213**	**938,435**	**3,430,252**	**27,045,072**
Liabilities					
Cash in circulation	(1,222,179)	-	-	-	**(1,222,179)**
Central bank bills	(11,511,780)	-	-	-	**(11,511,780)**
Liabilities due to government organizations	(5,929,377)	(498,828)	(3,181)	(411,893)	**(6,843,279)**
Deposits from local banks	(10,430,962)	(273,620)	-	-	**(10,704,582)**
Derivative financial instruments	(26)	(134,791)	(20,840)	(72,276)	**(227,933)**
Liabilities due to foreign parties	(566,665)	-	-	(2,811,420)	**(3,378,085)**
Other financial liabilities	(107,128)	-	-	-	**(107,128)**
Total financial liabilities	**(29,768,117)**	**(907,239)**	**(24,021)**	**(3,295,589)**	**(33,994,966)**
Net liquidity gap	**(10,994,945)**	**2,995,974**	**914,414**	**134,663**	**(6,949,894)**

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

The maturity analysis at 31 December 2023 is as follows:

In millions of Mongolian Togrogs	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Assets					
Cash on hand	309,414	-	-	-	**309,414**
Due from foreign financial institutions	5,814,425	1,354,484	-	-	**7,168,909**
Loans to local banks	46,810	422,930	816,978	276,257	**1,562,975**
Investments in debt securities	2,539,000	533,073	122,490	4,330,740	**7,525,303**
Investments in equity securities	-	-	-	6,533	**6,533**
Reverse repurchase agreements	4,705,144	-	19,999	230,473	**4,955,616**
Gold and precious metals	1,848,701	-	-	-	**1,848,701**
Derivative financial instruments	50,362	41,513	2,884	31,605	**126,364**
Government securities	476	-	-	41,624	**42,100**
Other financial assets	10,704	8,903	5,462	13,705	**38,774**
Total financial assets	**15,325,036**	**2,360,903**	**967,813**	**4,930,937**	**23,584,689**
Liabilities					
Cash in circulation	(1,151,700)	-	-	-	**(1,151,700)**
Central bank bills	(7,359,423)	(1,385,652)	-	-	**(8,745,075)**
Liabilities due to government organizations	(4,043,116)	(3,172)	(3,172)	(547,842)	**(4,597,302)**
Deposits from local banks	(9,458,023)	(68,214)	-	-	**(9,526,237)**
Derivative financial instruments	(195,263)	(140,814)	(55,073)	(140,620)	**(531,770)**
Liabilities due to foreign parties	(619,386)	-	-	(5,040,105)	**(5,659,491)**
Other financial liabilities	(596,319)	-	-	-	**(596,319)**
Total financial liabilities	**(23,423,230)**	**(1,597,852)**	**(58,245)**	**(5,728,567)**	**(30,807,894)**
Net liquidity gap	**(8,098,194)**	**763,051**	**909,568**	**(797,630)**	**(7,223,205)**

BANK OF MONGOLIA

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34 FAIR VALUE OF FINANCIAL INSTRUMENT

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

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

Management takes the view that valuation technique reaches accurate presentation of fair value of the derivative financial instruments.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorizing financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

34 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorized as of 31 December 2024 are, as follows:

	31 December 2024			
In millions of Mongolian Togrogs	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS AT FAIR VALUE				
Financial assets and Gold Bullion and Precious Metals at fair value				
- Bonds issued by Bank for International Settlements	2,706,858	-	-	2,706,858
- RAMP Investment Account Assets	1,193,924	-	-	1,193,924
- US treasury bills	451,274	-	-	451,274
- BIS Investments	190,404	-	-	190,404
- ADB bond	20,092	-	-	20,092
- EIB	16,860	-	-	16,860
- Other equity investments	-	-	6,533	6,533
- Gold Bullion and Precious Metals at fair value	2,119,590	-	-	2,119,590
- Loans to local banks	-	32,620	-	32,620
- Derivative financial asset	-	140,720	-	140,720
- Receivables related to promissory notes	-	-	14,658	14,658
- Government securities	-	55,720	-	55,720
Non-financial assets				
- Premises and equipment	-	-	84,996	84,996
- Treasury fund	-	-	1,111,899	1,111,899
TOTAL ASSETS WITH RECURRING FAIR VALUE MEASUREMENTS	**6,699,002**	**229,060**	**1,218,086**	**8,146,148**
LIABILITIES CARRIED AT FAIR VALUE				
Financial liabilities				
- Derivative financial liabilities	-	(227,933)	-	(227,933)
TOTAL LIABILITIES WITH RECURRING FAIR VALUE MEASUREMENTS	**-**	**(227,933)**	-	**(227,933)**

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34 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The level in the fair value hierarchy into which the recurring fair value measurements are categorized as of 31 December 2023 are, as follows:

	31 December 2023			
In millions of Mongolian Togrogs	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS AT FAIR VALUE				
Financial assets and Gold Bullion and Precious Metals at fair value				
- Bonds issued by Bank for International Settlements	1,936,811	-	-	1,936,811
- RAMP Investment Account Assets	1,138,551	-	-	1,138,551
- US treasury bills	263,268	-	-	263,268
- BIS Investments	180,521	-	-	180,521
- ADB bond	6,344	-	-	6,344
- Other equity investments	-	-	6,533	6,533
- Gold Bullion and Precious Metals at fair value	1,848,701	-	-	1,848,701
- Loans to local banks	-	118,394	-	118,394
- Derivative financial asset	-	126,364	-	126,364
- Receivables related to promissory notes	-	-	28,438	28,438
- Government securities	-	42,100	-	42,100
Non-financial assets				
- Premises and equipment	-	-	88,340	88,340
- Treasury fund	-	-	1,099,230	1,099,230
TOTAL ASSETS WITH RECURRING FAIR VALUE MEASUREMENTS	**5,374,196**	**286,858**	**1,222,541**	**6,883,595**
LIABILITIES CARRIED AT FAIR VALUE				
Financial liabilities				
- Derivative financial liabilities	-	(531,770)	-	(531,770)
TOTAL LIABILITIES WITH RECURRING FAIR VALUE MEASUREMENTS	**-**	**(531,770)**	**-**	**(531,770)**

34 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The description of valuation technique and description of inputs used in the fair value measurement for level 2 measurements at 31 December 2024 and 31 December 2023:

In millions of Mongolian Togrogs	**Fair value 2024**	**Fair value 2023**	**Valuation technique**	**Inputs used**
ASSETS AT FAIR VALUE				
Financial assets				
- Government securities	55,720	42,100	Discounted Cash Flow	Discount rate based on policy rate and CF projection according to repayment schedule
- Financial derivatives	140,720	126,364	Discounted Cash Flow	USD leg interest based on US SOFR, Z spread, SOFR spread and other spread, MNT leg interest based on policy rate, CBB 28-week rate or repo rate, USD discount rate in line with the interest rates used in each leg MNT discount rate based on repo financing rate
- Loans to local banks at FVTPL	32,620	118,394	Discounted Cash Flow	CF projection according to contractual agreements repayment schedule, discount rate based on commercial banks' average mortgage loan interest rate
LIABILITIES AT FAIR VALUE				
Financial liabilities				
- Financial derivatives	(227,933)	(531,770)	Discounted Cash Flow	USD leg interest based on US SOFR, Z spread, SOFR spread and other spread, MNT leg interest based on policy rate, CBB 28-week rate or repo rate, USD discount rate in line with the interest rates used in each leg MNT discount rate based on repo financing rate
TOTAL RECURRING FAIR VALUE MEASUREMENTS AT LEVEL 2	**1,127**	**(244,912)**		

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34 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The description of valuation technique and description of inputs used in the fair value measurement for level 3 measurements at 31 December 2024 and 31 December 2023:

In millions of Mongolian Togrogs	Fair value 2024	Fair value 2023	Valuation technique	Inputs used
ASSETS AT FAIR VALUE				
Financial assets				
- Promissory notes	14,658	28,438	Discounted Cash Flow	Audited Financial Statements of promissory note issuers, discount rate based on policy rate and credit risk spread based on credit risk of counterparty, and CF projection according to repayment schedule
Non-financial assets				
- Buildings and premises	84,996	88,340	Market, Income, and Cost approach	Comparable market prices with appropriate adjustments/ discounts/haircuts, DCF from expected market rental income and estimated current costs to reproduce property of equal quality, utility, and marketability
- Treasury Fund:	1,111,899	1,099,230	Market approach	See below:
Coins	918,368	918,199	Market approach	Comparable market prices with appropriate adjustments/ discounts/haircuts
Historical items	193,531	181,031	Market approach	Comparable market prices with appropriate adjustments/ discounts/haircuts
TOTAL RECURRING FAIR VALUE MEASUREMENTS AT LEVEL 3	**1,211,553**	**1,216,008**		

The below tables disclose sensitivity to valuation inputs for financial assets and financial liabilities, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly. For this purpose, significance was judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in other comprehensive income, total equity.

Reasonable possible changes in input (market price of equity instrument) would have impact on the Bank's equity and no impact on the Bank's financial result. If the market price of investment in equity securities, classified as level 3 for fair value measurement purposes, would increase/(decrease) by 10%, the fair value of these investment would increase/(decrease) by MNT 653 million (2023: MNT 653 million).

34 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The inputs used in the fair value measurement for level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows at 31 December 2024:

In millions of Mongolian Togrogs	**Fair value 2024**	**Inputs used**	**Range of inputs (weighted average)**	**Reasonable change**	**Sensitivity of fair value measurement**
ASSETS AT FAIR VALUE					
Financial assets					
- Promissory notes	14,658	Audited Financial Statements of promissory note issuers, market rate (policy rate+5%) and CF projection according to repayment schedule	Policy rate 10% + credit risk 5%	± 10 %	±67
Non-financial assets					
-Buildings and premises	84,996	Market prices with appropriate adjustments, discounts/haircuts	MNT 0.5 - MNT 3.2 million per sq.meter	± 10 %	±7,352
- Treasury Fund	1,111,899			± 10 %	±111,190
Coins	918,368	Market prices with appropriate adjustments, discounts/haircuts	MNT 0.1 – MNT 1.1 million per unit differentiated by its nominal value	± 10 %	±91,837
Historical items	193,531	Market prices with appropriate adjustments, discounts/haircuts	MNT 2 - MNT 4,536 million per item	± 10 %	±19,353

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34 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The inputs used in the fair value measurement for level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows at 31 December 2023:

In millions of Mongolian Togrogs	**Fair value 2023**	**Inputs used**	**Range of inputs (weighted average)**	**Reasonable change**	**Sensitivity of fair value measurement**
ASSETS AT FAIR VALUE					
Financial assets					
- Promissory notes	28,438	Audited Financial Statements of promissory note issuers, market rate (policy rate+5%) and CF projection according to repayment schedule	Policy rate 13% + credit risk 5%	± 10 %	±466
Non-financial assets					
-Buildings and premises	88,340	Market prices with appropriate adjustments, discounts/haircuts	MNT 0.5 - MNT 3.2 million per sq.meter	± 10 %	±8,834
- Treasury Fund	1,099,230			± 10 %	±109,923
Coins	918,199	Market prices with appropriate adjustments, discounts/haircuts	MNT 0.1 – MNT 1.1 million per unit differentiated by its nominal value	± 10 %	±91,819
Historical items	181,031	Market prices with appropriate adjustments, discounts/haircuts	MNT 2 - MNT 4,536 million per item	± 10 %	±18,104

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the year ended 31 December 2024 and 31 December 2023 is as follows:

In millions of Mongolian Togrogs	**2024**	**2023**
Promissory notes		
Fair value on 1 January	**28,438**	**41,366**
Gains or losses recognised in profit or loss for the year	2,027	2,880
Settlements	(15,807)	(15,808)
Fair value at 31 December	**14,658**	**28,438**

34 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value as of 31 December 2024 and 31 December 2023 are as follows:

	31 December 2024					31 December 2023				
In millions of Mongolian Togrogs	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Fair value**	**Carrying value**	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Fair value**	**Carrying value**
FINANCIAL ASSETS										
Cash and cash equivalents	95,661	-	-	95,661	95,661	309,414	-	-	309,414	309,414
Due from foreign financial institutions	-	6,546,326	-	6,546,326	6,546,326	-	7,168,909	-	7,168,909	7,168,909
Loans to local banks	-	-	1,389,247	1,241,366	1,389,247	-	-	1,444,581	1,357,472	1,444,581
Investment in debt securities	-	3,794,533	-	3,687,095	3,794,533	-	3,999,808	-	3,967,802	3,999,808
Reverse repurchase agreements	-	8,261,033	-	8,262,548	8,261,033	-	4,955,616	-	4,946,771	4,955,616
Other financial assets	-	9,021	-	9,021	9,021	-	10,336	-	10,336	10,336
TOTAL	**95,661**	**18,610,913**	**1,389,247**	**19,842,017**	**20,095,821**	**309,414**	**16,134,669**	**1,444,581**	**17,760,704**	**17,888,664**

Fair values analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value as of 31 December 2024 and 31 December 2023 are as follows:

	31 December 2024					31 December 2023				
In millions of Mongolian Togrogs	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Fair value**	**Carrying value**	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Fair value**	**Carrying value**
FINANCIAL LIABILITIES										
Cash in circulation	1,222,179	-	-	1,222,179	1,222,179	1,151,700	-	-	1,151,700	1,151,700
Central bank bills	-	11,511,780	-	11,511,780	11,511,780	-	8,745,075	-	8,745,075	8,745,075
Liabilities due to government organisations	-	6,843,279	-	6,843,279	6,843,279	-	4,597,302	-	4,597,302	4,597,302
Deposits from local banks	-	10,704,582	-	10,704,582	10,704,582	-	9,526,237	-	9,526,237	9,526,237
Liabilities due to foreign parties	-	3,378,085	-	3,396,078	3,378,085	-	5,659,491	-	5,716,761	5,659,491
Other financial liabilities	-	107,128	-	107,128	107,128	-	596,319	-	596,319	596,319
TOTAL	**1,222,179**	**32,544,854**	**-**	**33,785,026**	**33,767,033**	**1,151,700**	**29,124,424**	**-**	**30,333,394**	**30,276,124**

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34 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

35 PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

For the purposes of measurement, IFRS 9 "Financial Instruments" classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition or subsequently.

The following table provides a reconciliation of financial assets including gold bullion and precious metals with these measurement categories as of 31 December 2024:

In millions of Mongolian Togrogs	AC	Debt instruments at FVOCI	Equity instruments at FVOCI	FVTPL (mandatory)	FVTPL (designated)	Total
FINANCIAL ASSETS						
Cash and cash equivalents	95,661	-	-	-	-	**95,661**
Due from financial institutions	6,546,326	-	-	-	-	**6,546,326**
Loans to local banks	1,389,247	-	-	32,620	-	**1,421,867**
Gold and precious metal	-	-	-	-	2,119,590	**2,119,590**
Investments in debt securities	3,794,533	4,579,412	-	-	-	**8,373,945**
Investments in equity securities	-	-	6,533	-	-	**6,533**
Reverse repurchase agreements	8,261,033	-	-	-	-	**8,261,033**
Government securities	-	55,720	-	-	-	**55,720**
Derivative financial asset	-	-	-	140,720	-	**140,720**
Other financial assets	9,021	-	-	14,656	-	**23,677**
Total financial assets and Gold bullion and precious metals at fair value	**20,095,821**	**4,635,132**	**6,533**	**187,996**	**2,119,590**	**27,045,072**

35 PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY (CONTINUED)

The following table provides a reconciliation of financial assets including gold bullion and precious metals with these measurement categories as of 31 December 2023:

In millions of Mongolian Togrogs	AC	Debt instruments at FVOCI	Equity instruments at FVOCI	FVTPL (mandatory)	FVTPL (designated)	Total
FINANCIAL ASSETS						
Cash and cash equivalents	309,414	-	-	-	-	309,414
Due from financial institutions	7,168,909	-	-	-	-	7,168,909
Loans advances to customers	1,444,581	-	-	118,394	-	1,562,975
Gold and precious metal	-	-	-	-	1,848,701	1,848,701
Investments in debt securities	3,999,808	3,525,495	-	-	-	7,525,303
Investments in equity securities	-	-	6,533	-	-	6,533
Reverse repurchase agreements	4,955,616	-	-	-	-	4,955,616
Government securities	-	42,100	-	-	-	42,100
Derivative financial asset	-	-	-	126,364	-	126,364
Other financial assets	10,336	-	-	28,438	-	38,774
Total financial assets and Gold bullion and precious metals at fair value	**17,888,664**	**3,567,595**	**6,533**	**273,196**	**1,848,701**	**23,584,689**

As of 31 December 2024 and 31 December 2023, all of the Bank's financial liabilities were carried at amortized cost except for derivatives, which belong to the fair value through profit or loss measurement category.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

36 CAPITAL MANAGEMENT

The capital of the Bank comprises the residual value of the Bank's assets after deduction of all its liabilities. The Bank's objectives when managing capital are to maintain an appropriate level of capital to ensure economic independence of the Bank and ability to perform its functions. The Bank considers total capital under management to be equity shown in the statement of financial position as disclosed in these financial statements.

No external capital requirements exist for the Bank as the central bank. The Law on Central Bank (Bank of Mongolia) defines the minimum amount of statutory capital (charter fund) and minimum portion of annual net income, which needs to be allocated to the Bank's equity.

The statutory capital as of 31 December 2024 is MNT 60,000 million (2023: MNT 60,000 million), which is above the minimum amount MNT 5,000 million defined by the Law. The Law also states that at least 40% of the Bank's net income must be allocated to the Bank's equity, while the remaining amount (i.e., maximum 60% of net income) can be transferred to the State Budget account. No transfer was made to the State Budget during 2024 and 2023.

The Bank has profit of MNT 306,255 million in 2024 (2023: loss of MNT 115,438 million) and has negative equity position of MNT 4,893,293 million (2023: 5,191,831 million). Article 38 of the Law stipulates that if a deficit of the Central Bank arises, the Parliament shall decide whether the Government must issue securities to cover the difference in the amount of the net deficit. Thus, the Government has no obligation to fund a net deficit of the Bank. However, issuance of government bonds for covering a deficit is a possibility, which could be used by the Parliament, if covering a deficit is necessary to enable the Bank to perform its functions and continue its operations.

According to the Article 37 of the Law, the revaluation fund of the Bank should include the following:

- differences resulting from the foreign currency revaluation of assets and liabilities that are held in gold and in foreign currency due to fluctuations of foreign exchange rate of Mongolian Togrogs.
- differences resulting from the revaluation of fixed assets (i.e., buildings) and treasury fund.

According to the Article 37 of the Law, the differences resulting from the revaluation of foreign currency denominated assets and liabilities and gold should not be included in the determination of net distributable income of the Bank.

37 EVENTS AFTER THE END OF THE REPORTING PERIOD

Management is not aware of any events that occurred after the end of reporting period, which would have an impact on these financial statements.

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