



THE BANK OF MONGOLIA



ANNUAL REPORT 2025



Foreword

It is my pleasure to present the 2025 Annual Report of the Bank of Mongolia.

This report provides an overview of economic and financial sector developments in Mongolia during 2025, together with a summary of the Bank of Mongolia's key policy measures and activities, as well as the audited financial statements.

In 2025, Mongolia's economy faced challenging domestic and external circumstances marked by heightened uncertainty, fluctuations in the prices of major export commodities, and a slowdown in the services sector. Despite these challenges, overall macroeconomic and financial stability were broadly maintained. The balance of payments remained in surplus, foreign exchange reserves increased, financial intermediation continued smoothly, and economic activity remained relatively stable. These developments reflected the impact of timely and appropriate policy responses. In line with its legal mandate, the Bank of Mongolia continued to implement policies aimed at maintaining price stability and safeguarding financial stability.

Inflation rose above the upper bound of the Bank of Mongolia's target during the first half of 2025. However, the combined implementation of monetary and macroprudential policy measures helped ease inflationary pressures over the course of the year, bringing year-end inflation to 7.5 percent.

The banking sector remained stable and resilient throughout the reporting period. The ratio of non-performing loans remained at a relatively low level, credit growth was stable, and banks continued to fully meet prudential requirements. At the same time, the Bank of Mongolia continued to strengthen the regulatory and supervisory framework, enhance risk-based supervision, mitigate systemic risks, and support the reliable and uninterrupted operation of the payment system.

The central bank also continued to prioritize transparent and clear communication to strengthen policy effectiveness and maintain stable market expectations. Efforts to improve financial literacy and public awareness were also advanced throughout the year.

The year 2025 was especially significant as Mongolia marked the 100th anniversary of the issuance of its national currency, the tugrik. It was also a year of institutional transition, with the appointment of a new Governor of the Bank of Mongolia, new independent members of the Monetary Policy Committee, and a renewed composition of the Supervisory Board.

Looking ahead, the Bank of Mongolia will pursue a medium-term strategic plan focused on strengthening policy formulation and decision-making, improving institutional governance, and further enhancing transparency, independence, oversight, and accountability. The central bank will also continue to strengthen its institutional capacity and policy framework to respond effectively to evolving domestic and global economic challenges while maintaining public confidence in the financial system.

On behalf of the Bank of Mongolia, I would like to express my sincere gratitude to our international partner institutions, the State Great Khural, policymakers, financial institutions, market participants, and all stakeholders for their continued cooperation and valuable support throughout the year.

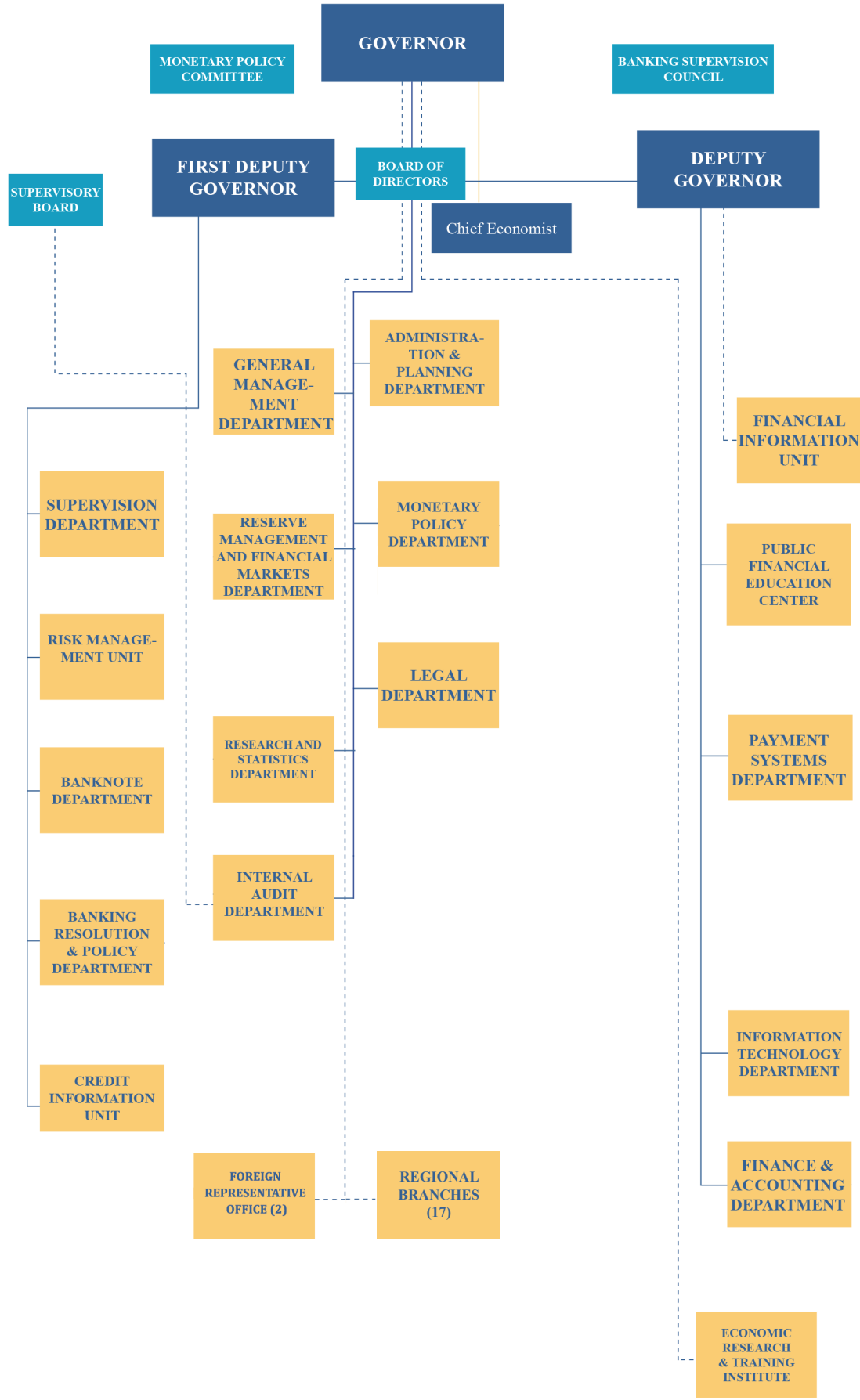
The Bank of Mongolia remains firmly committed to maintaining price stability and ensuring a sound and stable financial system in support of Mongolia's sustainable economic development.

GOVERNOR



S. NARANTSOGT

ORGANIZATIONAL STRUCTURE OF THE BANK OF MONGOLIA



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ECONOMIC AND FINANCIAL MARKET OVERVIEW

1

1.1. REAL SECTOR

Production approach

According to preliminary statistics, gross domestic product (GDP) grew by 6.8 percent¹ in 2025. The agricultural and mining sectors were the primary contributors to this overall growth (Figure 1.1).

Favorable weather conditions for the livestock sector led to a 33.2 percent increase in the agricultural sector, which contributed 2.9 percentage points to GDP growth. Specifically, the livestock sector recovered after two consecutive years of severe dzud, thereby driving the growth within the agriculture sector. In contrast, the crop sector contracted due to a decline in sown areas and crop losses.

The expansion of operations at the Oyu Tolgoi mine and increased copper concentrate production drove growth in the mining sector. Also, industrial and construction activities remained buoyant during the reporting year, further supporting GDP growth. Disaggregated by subsectors: (1) light manufacturing and meat processing catalyzed growth in the manufacturing sector; (2) the Buuriljuut power plant supported the electricity sector; and (3) residential housing and railway development were the main contributors to growth in the construction sector. In contrast, the services sector, which had expanded by more than 10 percent for two consecutive years, experienced stagnant growth in 2025.

Figure 1.1 GDP growth, production approach

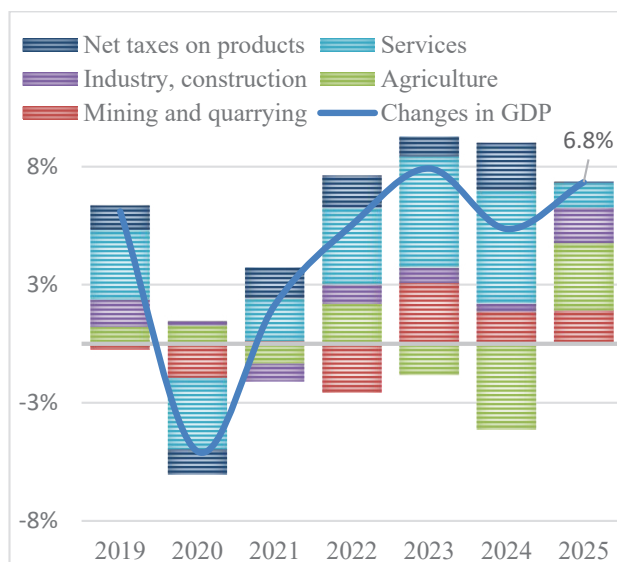
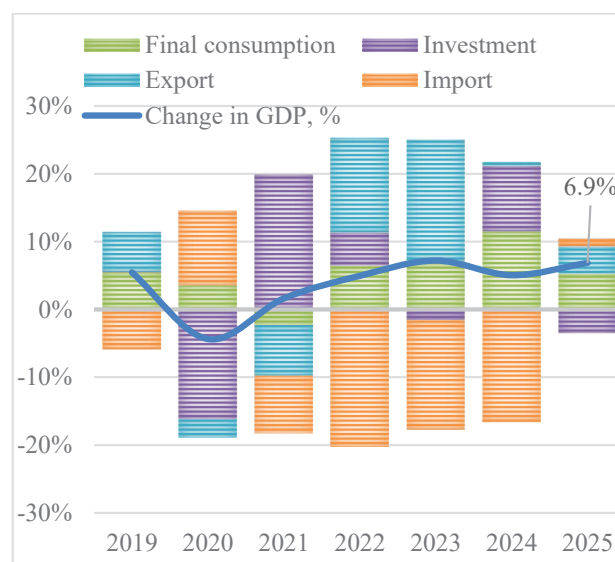


Figure 1.2 GDP growth, final expenditure approach



Source: National Statistics Office of Mongolia (NSO)

Expenditure approach

According to preliminary estimates, total demand increased by 6.9 percent in 2025. This growth was driven by household consumption, gross capital formation (investment), and exports (Figure 1.2).

Household consumption expanded by 9.2 percent in 2025, contributing 6.6 percentage points to overall growth.

¹ 2015 constant prices

Although real household income² had grown strongly over the past two years, its 5.4 percent increase during the reporting year trailed behind the pace of consumption growth. Conversely, Government consumption contributed negatively by 1.3 percentage points to total demand. This moderation was largely driven by base effects from the previous year's significant increase in current fiscal expenditures.

Gross capital formation declined by 7.2 percent in 2025, contributing negatively by 3.6 percentage points to overall demand growth. Although construction assets and biological assets increased significantly during the reporting period, the acceleration of coal exports and the reduction in inventories (stocks of goods and materials) led to a destocking phase, resulting in an overall contraction in gross capital formation.

Net exports contributed 5.1 percentage points to overall GDP growth in 2025. This was supported by an 8 percent increase in coal export volumes and a 35 percent rise in copper exports, which together contributed 4.0 percentage points positively to total demand through the export of goods and services. Meanwhile, consumption and investment-related imports declined during the reporting period, subtracting 1.1 percentage points to total demand.

Inflation

The “Monetary Policy Guidelines for 2025” aimed to stabilize inflation at 6 percent within a ± 2 percentage point target band, with a medium-term goal of 5.0 percent from 2027 onward. While inflation exceeded the target range early in the first half of 2025, it decelerated to 7.5 percent by year-end, settling within the upper bound of the target interval. This trend was achieved through tighter domestic monetary conditions, stable non-food import prices, and the dissipation of the base effect from previous utility tariff adjustments.

Figure 1.3 Annual and monthly inflation, nationwide

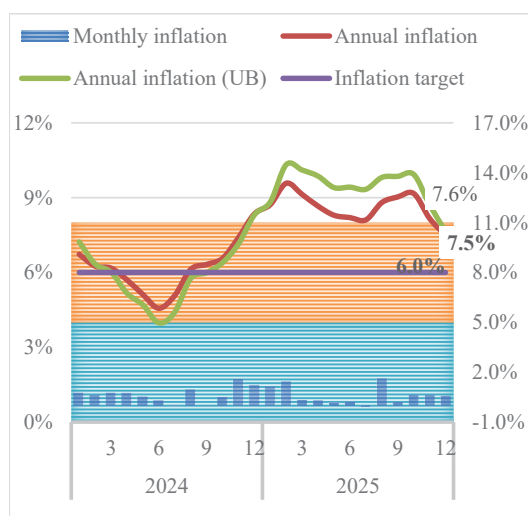


Table 1.1 Inflation contribution by group

Components	Annual Inflation	Contribution
December		
Imported goods	4.3 percent	2.0 percent
Imported goods /nonfood/	3.4 percent	1.2 percent
Imported food	8.0 percent	0.5 percent
Fuel	4.9 percent	0.3 percent
Domestic goods and services	10.3 percent	5.5 percent
Domestic food /nonmeat/	9.6 percent	1.1 percent
Domestic meat and meat products	16.4 percent	1.3 percent
Services	9.9 percent	1.7 percent
Administrated prices	9.0 percent	0.7 percent
Other domestic goods	7.4 percent	0.6 percent
Total		7.5 percent

Source: Bank of Mongolia, National Statistics Office

The key structural and transitory factors driving inflation as of December 2025 are detailed below (Table 1.1):

- **Imported nonfood goods prices** contributed 1.2 percentage points to inflation, increasing by 3.4 percent year-on-year. This represents an approximate twofold slowdown compared to the same period in 2024. The deceleration was primarily driven by: (1) deflationary conditions in China, (2) the easing of cross-border transportation bottlenecks, and (3) the stabilization of the tugrug exchange rate over recent quarters.
- **Imported food prices** grew by 8.0 percent year-on-year. While annual price increases in this group averaged approximately 3.0 percent from 2024 to mid-2025, inflationary pressures intensified in the second half of the year. This was driven by higher global food prices and the appreciation of the Russian ruble, which increased the cost of bilateral imports.

² Household nominal income was adjusted by the Consumer Price Index (CPI) to derive real income.

- **Prices of government-regulated services** increased by 9.0 percent year-on-year, contributing 0.7 percentage points to annual inflation. Administrated prices remained elevated following the increase in household electricity tariffs in November 2024, which initially added 1.9 percentage points to inflation. However, starting from November 2025, this base effect dissipated, lowering the year-on-year headline inflation.
- **Domestic meat and meat product prices** grew by 16.4 percent year-on-year, contributing 1.3 percentage points to inflation. Despite typical seasonal price declines during the summer and autumn months, meat prices remained structurally elevated throughout 2025.
- **Prices of other domestic food items** increased by 9.6 percent year-on-year, contributing 1.1 percentage points to overall inflation. This was primarily driven by substantial crop losses in major domestic agricultural regions, which caused a sharp supply-side increase in vegetable prices, particularly potatoes.
- **Services prices** increased by 9.9 percent year-on-year, contributing 1.7 percentage points to overall inflation. While subcategories such as housing, catering, and personal care services rose rapidly in the first half of the year, growth moderated in the second half, leading to a gradual easing in service-sector inflation.

Employment

In 2025³, the working-age population remained unchanged from the previous year's level, totaling 2 million and 353 thousand. By components, the labor force increased by 22.8 thousand people (+1.6 percent), reaching 1463.9 thousand, primarily driven by the rise in the number of employed individuals. Meanwhile, the population outside the labor force declined by 22.8 thousand (-2.5 percent), to 888.9 thousand.

The number of unemployed individuals decreased by 8.4 thousand compared to the previous year, to 77 thousand, resulting in a 0.7 percentage-point decrease in the unemployment rate to 5.3 percent. As a result of the labor force growth, the labor force participation rate increased by 1.0 percentage point in 2025, reaching 62.2 percent (Figure 1.4).

Figure 1.4 Labor force participation rate

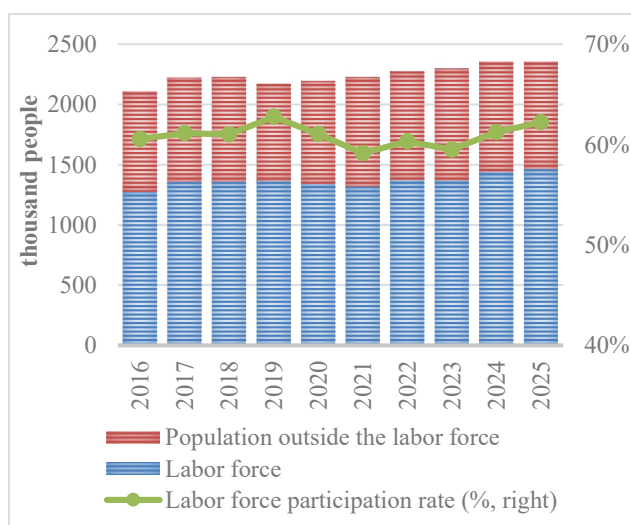
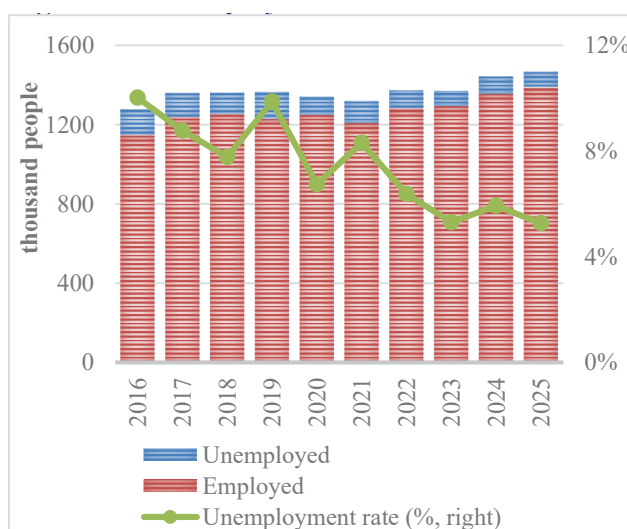


Figure 1.5 Unemployment Rate



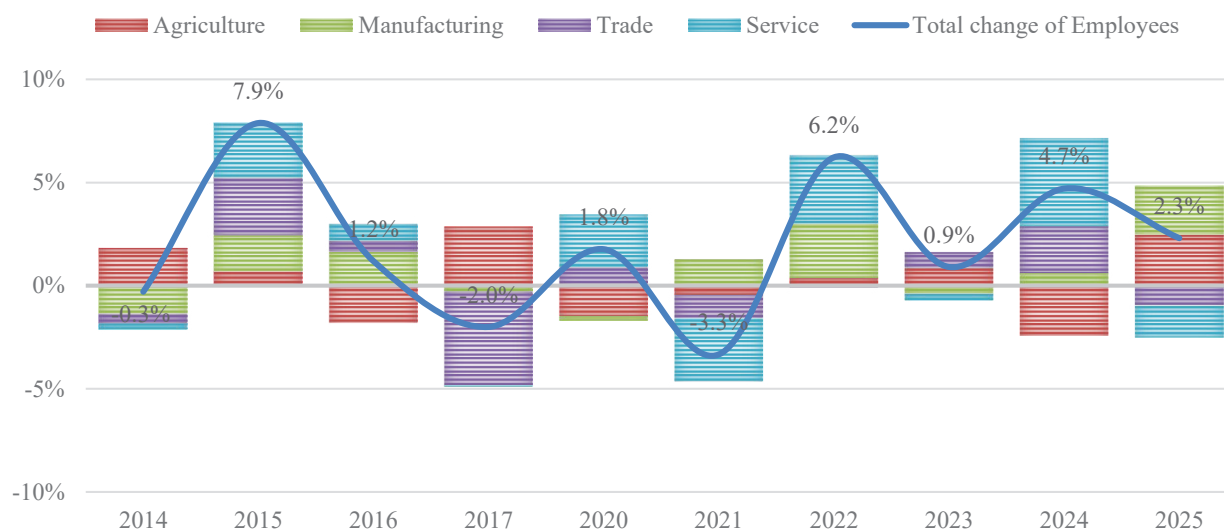
Source: National Statistics Office of Mongolia

At the national level, the distribution of employees across economic sectors was as follows in 2025: 433 thousand (31.2 percent) in the services sector, 364 thousand (26.2 percent) in the agriculture sector, 177 thousand (22.5 percent) in the trade sector, and 145 thousand (10.4 percent) in the manufacturing sector. Compared to the previous year, the total number of employees increased by 31.2 thousand (2.3 percent),

³ In the absence of annual data, the 2025 figure is approximated by the average of the four quarterly results.

reaching 1 million and 387 thousand. This growth was driven by an increase in employment in the agriculture, mining, manufacturing, and construction sectors (Figure 1.6). In contrast, employment in the trade sector declined by 13 thousand (6.7 percent) year-on-year, while employment in the services sector decreased by approximately 16 thousand (3.5 percent).

Figure 1.6 Annual change in employment, by economic sectors



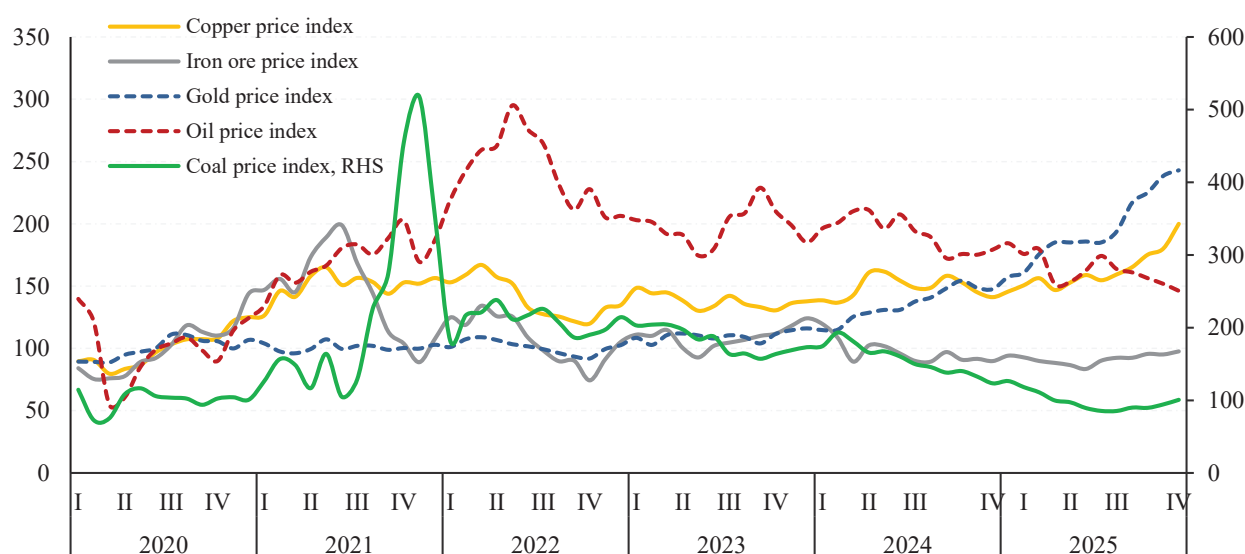
Source: National Statistics Office of Mongolia

1.2. EXTERNAL SECTOR

Commodity Price

In the reporting year, the prices of main export commodities, copper and gold, reached their historical peaks, while coal, crude oil, and iron ore prices declined compared to the previous year (Figure 1.7).

Figure 1.7 Commodity price indices in the global market, 2020=100



Source: Bloomberg, the Bank of Mongolia

Gold prices averaged USD 3,485 per ounce, reflecting a 44.9 percent increase from the previous year in 2025. Elevated global uncertainty, monetary policy easing by major central banks, and a broad depreciation of the US dollar contributed to the price increase throughout the year.

Copper prices averaged USD 10,074 per tonne in the reporting year, representing an 8.7 percent increase from 2024. Supply disruptions at major global mines due to operational incidents and protests were the primary catalysts driving the price increase. Additionally, uncertainty surrounding US tariff policies caused copper demand to fluctuate sharply early in the year, before stabilizing after August.

Coking coal prices declined by 36.6 percent in 2025. In the first half of the year, high domestic coal production in China triggered a sharp drop in international prices, a trend that failed to materially reverse in the second half. Although strong steel demand in China's non-real estate sectors supported domestic coal benchmarks in the second half, this recovery did not reflect in Mongolia's contract export prices.

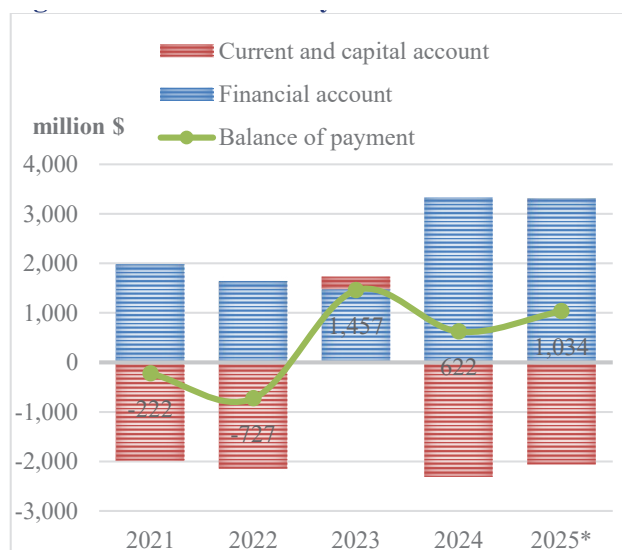
Iron ore prices averaged USD 97 per tonne in 2025, a 5.8 percent decline from the previous year. Although prices were expected to fall sharply due to the slowdown in China's real estate sector, supply disruptions among major global producers and resilient demand from China limited this decline. As a result, the decrease in prices was lower than initially forecasted.

Crude oil prices averaged USD 68 per barrel in 2025, falling by 15.1 percent from the previous year. This sharp correction was driven by increased supply from OPEC member countries starting early in the year, compounded by consistently high output from non-OPEC producers. Concurrently, prevailing uncertainties surrounding global trade and tariff policies kept aggregate oil demand muted.

Balance of payments

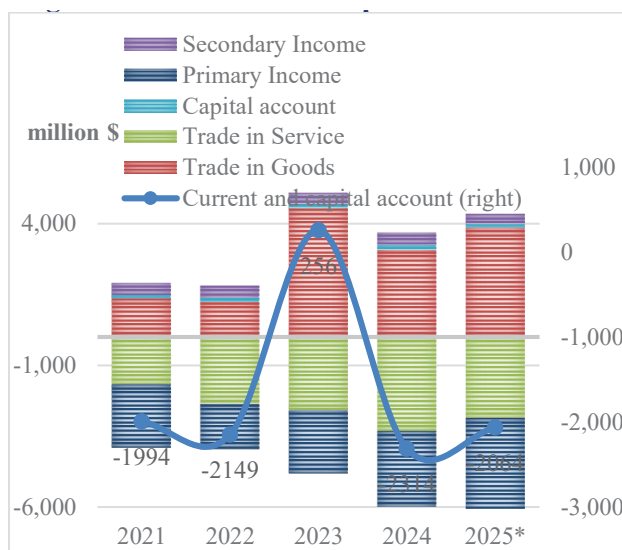
According to preliminary estimates for 2025, the current and capital accounts recorded a deficit of USD 2,064 million, while the financial account recorded a surplus of USD 3,321 million. As a result, the balance of payments showed a surplus of USD 1,034 million.

Figure 1.8 Balance of Payment



*Preliminary

Figure 1.9 Current and Capital account



Source: The Bank of Mongolia

The current and capital account recorded a deficit of USD 2,314 million in 2024. In the reporting year, the deficit narrowed to USD 2,064 million, representing a decrease of USD 250 million. This improvement was mainly driven by an increase in surplus from the goods account.

Figure 1.10 Financial account composition

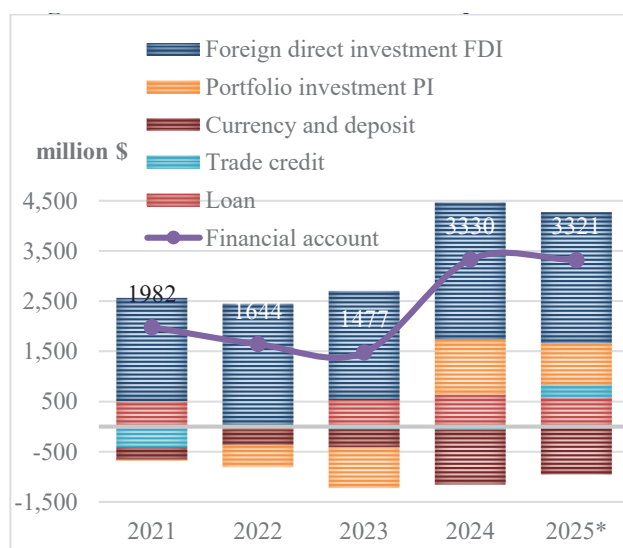
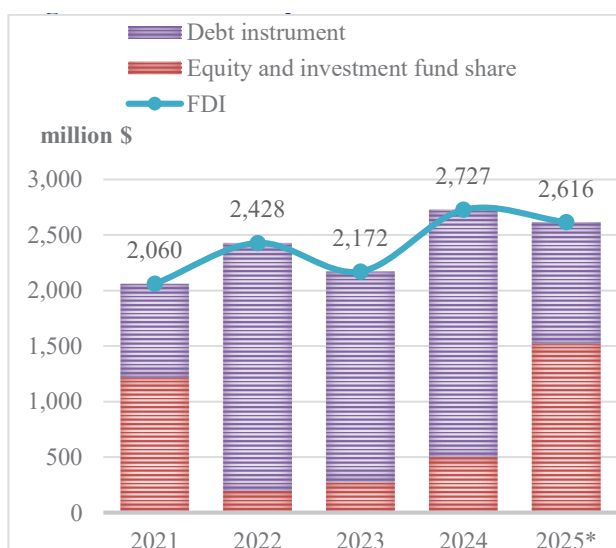


Figure 1.11 FDI composition



*Preliminary

Source: The Bank of Mongolia

In 2025, the financial account recorded a surplus of USD 3,321 million, down USD 9 million from the previous year.

Trade in goods

In 2025, Mongolia's trade balance recorded a surplus of USD 4,389 million, representing an increase of 5 percent, or USD 221 million, compared to the previous year. Imports declined by 3 percent, equivalent to a decrease of USD 303 million, while exports registered more moderate contraction of 1 percent, or USD 82 million, on a year-over-year basis. Consequently, total trade turnover fell by 1 percent, reflecting a reduction of USD 384 million compared to the previous year.

Table 1.2 Foreign trade performance (USD million)

Category	2021	2022	2023	2024	2025	Change (25'/24')	
						Value	percent
Turnover	16,087	21,243	24,437	27,398	27,014	-384	-1 percent
Export	9,241	12,539	15,187	15,783	15,701	-82	-1 percent
Import	6,845	8,704	9,250	11,615	11,312	-303	-3 percent
Balance	2,396	3,834	5,937	4,169	4,389	221	5 percent

Source: General Authority for Customs, The Bank of Mongolia

Exports: In 2025, Mongolia's mining exports decreased by USD 96 million, or 1 percent, compared to the previous year. This decline was primarily driven by a reduction in coal exports, which fell by USD 2,955 million. However, the decrease was offset by increases in exports of copper concentrates (up USD 2,490 million), non-monetary gold (up USD 342 million), and iron ore concentrates (up USD 37 million).

Furthermore, export growth was supported by a USD 48 million increase in animal products. However, this was partially offset by declines in horticultural products (down USD 4 million) and manufacturing goods (down USD 32 million), which weighed overall export performance.

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

Category	2021	2022	2023	2024	2025	Change (25'/24')	
						Value	percent
Mining products	8,520	11,663	13,873	14,653	14,557	-96	-1 percent
Copper ores and concentrates	2,900	2,735	2,626	3,319	5,809	2,490	75 percent
<i>thousand tonne</i>	1,283	1,453	1,525	1,695	2,283	587	35 percent
Coal	2,759	6,496	8,764	8,535	5,580	-2,955	-35 percent
<i>thousand tonne</i>	15,688	31,694	66,706	79,518	83,946	4,429	6 percent
Iron ore and concentrates	952	391	445	598	634	37	6 percent
<i>thousand tonne</i>	7,106	4,732	5,713	7,511	8,803	1,292	17 percent
Non-monetary gold	1,005	1,127	738	899	1,241	342	38 percent
<i>Kg</i>	17,250	19,660	11,734	11,645	10,790	-855	-7 percent
Other	905	914	1,300	1,302	1,293	-9	-1 percent
Non-mining products	721	876	1,314	1,130	1,144	14	1 percent
Total	9,241	12,539	15,187	15,783	15,701	(82)	-1 percent

Source: General Authority for Customs, The Bank of Mongolia

In 2025, the 1 percent (USD 82 million) decrease in exports was primarily driven by changes in export prices. Specifically, exports rose by USD 1,779 million due to an increase in quantity, while a decline of USD 1,861 million was attributed to a decrease in price.

Imports: In 2025, import expenditure decreased by 3 percent (USD 303 million) compared to the previous year. This decline was driven by the following factors:

- Consumer Goods: Imports of consumer goods decreased by USD 27 million, primarily due to reduced imports of household electrical appliances and passenger cars and parts, which declined by USD 114 million.
- Capital Goods: Imports of capital goods declined by 5 percent (USD 261 million), mainly reflecting a 10 percent decrease in machinery, equipment, and parts, partly offset by an 8 percent increase in construction materials.
- Petroleum products: Imports of petroleum products decreased by USD 44 million, mainly reflecting lower import volumes.

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

Category	2021	2022	2023	2024	2025	Change (25'/24')	
						Value	percent
Consumer goods	2,184	2,686	2,691	3,546	3,519	-27	-1 percent
Non-durables	1,315	1,501	1,363	1,605	1,692	86	5 percent
Durables	869	1,185	1,329	1,941	1,827	-114	-6 percent
Capital goods	2,757	3,308	3,820	4,957	4,696	-261	-5 percent
Machinery, equipment, supplies, and vehicles	1,768	1,987	2,411	3,273	2,940	-332	-10 percent
Construction materials	727	1,002	1,100	1,288	1,397	108	8 percent
Other capital goods	262	318	309	396	359	-37	-9 percent
Intermediate goods and industrial materials	762	966	852	933	960	27	3 percent

Petroleum products	1,132	1,724	1,869	2,162	2,118	-44	-2 percent
Diesel	590	960	1,110	1,296	1,337	41	3 percent
thousand tonne	989	982	1,347	1,641	1,825	183	11 percent
Gasoline A92-95	353	535	509	639	601	-38	-6 percent
thousand tonne	514	648	708	892	839	-53	-6 percent
Gasoline A80	38	26	14	4	0.18	-4	-96 percent
thousand tonne	59	33	22	6	0.25	-5	-96 percent
Other petroleum products	151	203	236	223	180	-43	-19 percent
thousand tonne	202	170	226	181	147	-35	-19 percent
Other	11	21	18	17	19	2	14 percent
Total	6,845	8,704	9,250	11,615	11,312	-303	-3 percent

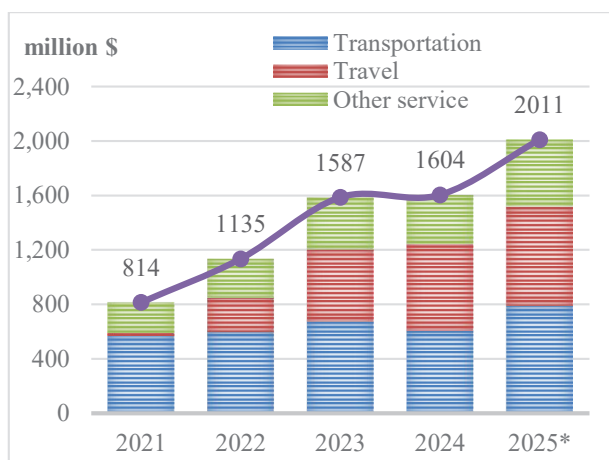
Source: Mongolian Customs and The Bank of Mongolia

Trade in services

In 2025, the deficit in trade in services decreased by 16 percent (USD 462 million) compared to the previous year, reaching USD 2,855 million. This reduction was mainly driven by lower expenditures on technical and transportation services related to mining exports during the reporting year.

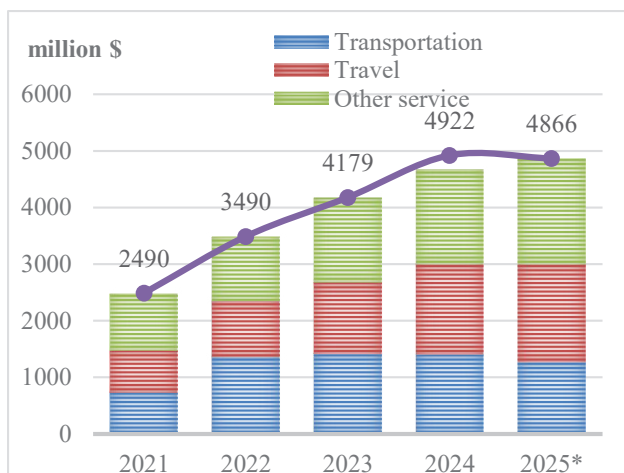
The number of Mongolian outbound travelers increased compared to previous years. This growth was driven by several factors, including rising household incomes, domestic inflation, the introduction of new flight routes, lower airfares, flexible payment options offered by travel agencies, visa exemptions in certain countries, as well as cold winter weather and air pollution.

Figure 1.12 Service exports



*Preliminary

Figure 1.13 Service imports



Source: The Bank of Mongolia

Table 1.5 Foreign trade in services (USD million)

Categories of foreign trade service account	2021	2022	2023	2024	2025*	Change (25'/24')	
						Value	percent
Transportation	-167	-763	-740	-801	-479	321	-40 percent
Travel	-722	-745	-734	-954	-1,004	-50	5 percent
Construction services	-118	-60	-97	-180	-53	127	-71 percent
Insurance services	-24	-23	-33	-40	-36	4	-10 percent
Financial services	-151	-149	-178	-216	-236	-20	9 percent
Royalties and license services	-30	-32	-30	-27	-43	-16	59 percent
Communication, computer and information services	-97	-75	-102	-133	-146	-13	10 percent
Other business services	-363	-487	-659	-941	-856	85	-9 percent
Other services	-4	-22	-20	-25	0	24	-98 percent
Total services	-1675	-2355	-2592.3	-3317	-2855	462.2	-0.14

*Preliminary

Source: The Bank of Mongolia

International investment position

According to the preliminary estimates for 2025, Mongolia's net international investment position stood at USD -45,905 million, representing a 5 percent increase, or USD 2,066 million, compared to the previous year.

Table 1.6 Mongolia's International Investment Position (USD million)

A. Foreign assets		12,718	B. Foreign liabilities		58,623
1. Direct investment abroad	1,175		1. Foreign direct investment in Mongolia		35,997
2. Portfolio investment	637		2. Portfolio investment		4,874
3. Financial derivatives	7		3. Financial derivatives		13
4. Other investment	3,895		4. Other investment		17,739
5. Reserve assets	7,005				
B. POSITION					-45,905

Source: The Bank of Mongolia

Mongolia's net foreign assets totaled USD 12,718 million, comprising 55 percent in international reserves, 31 percent in other investments, 9 percent in direct investment, and 5 percent in portfolio investment. Net foreign liabilities reached USD 58,623 million, with 61 percent in direct investment liabilities, 30 percent in other investments, and 8 percent in portfolio investment.

Annual changes in the international investment position were as follows:

The short position in foreign direct investment decreased by USD 2,066 million, the short position in portfolio investments decreased by USD 2,468 million, and the short position in other investments decreased by USD 65 million. On the other hand, reserve assets increased by USD 1,495 million, reaching a total of USD 7,005 million.

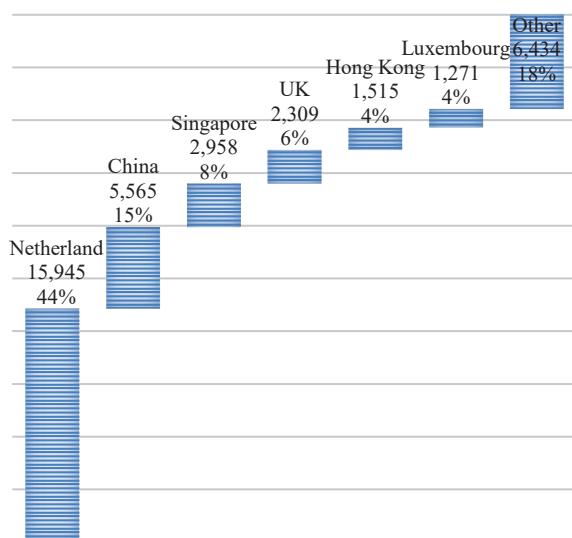
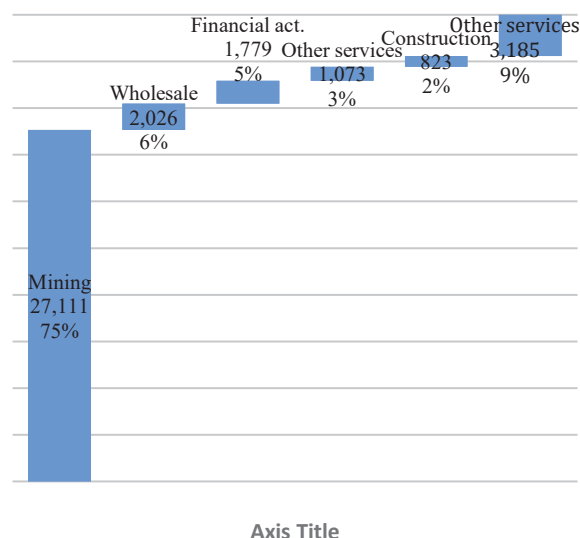
Table 1.7 Changes in IIP (USD million)

Indicators	2021	2022	2023	2024	2025*	Change (25'/24')	
						Value	percent
Foreign direct investment	-25,457	-27,614	-29,673	-32,355	-34,823	-2,468	8 percent
Portfolio investment	-4,143	-2,992	-2,217	-3,201	-4,238	-1,036	32 percent
Financial derivatives	11	0	0	-13	-6	7	-56 percent
Other investment	-14,510	-14,729	-14,598	-13,780	-13,845	-65	0 percent
Reserve assets	4,366	3,400	4,921	5,510	7,005	1,495	27 percent
Total position	-39,733	-41,936	-41,567	-43,839	-45,905	-2,066	5 percent

*Preliminary

Source: The Bank of Mongolia

Mongolia's direct investment liabilities stood at USD 35,997 million during the reporting period, split evenly between parent company loans (USD 18,114 million) and shareholders' equity (USD 17,884 million).

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

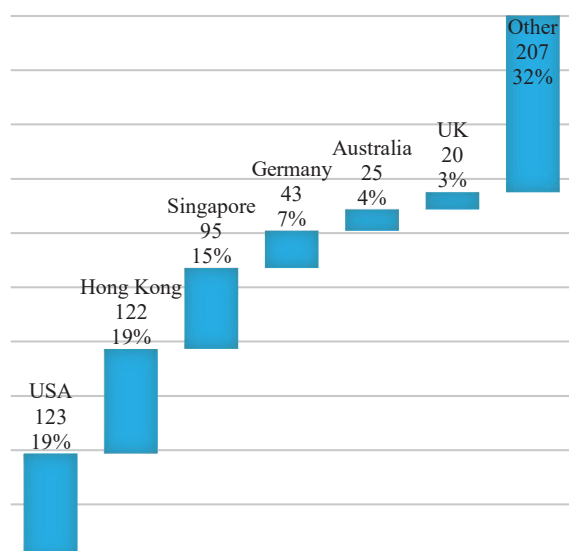
The composition of the foreign direct investment (FDI) stocks in Mongolia by investor countries is as follows: 44 percent of total inward FDI originates from the Netherlands, 15 percent from China, 8 percent from Singapore, 6 percent from the UK, 4 percent from Hong Kong, and 4 percent from Luxembourg. By economic activity, 75 percent of total FDI is concentrated in mining and quarrying, followed by 6 percent in wholesale, 5 percent in financial and insurance activities, 3 percent in other service activities, and 2 percent in construction.

Mongolia's foreign portfolio investment assets and liabilities stood at USD 637 million and USD 4,874 million, respectively.

On the asset side, the distribution of securities held by residents by country of issuance was as follows: 19 percent in Hong Kong, 19 percent in the United States, 15 percent in Singapore, 7 percent in Germany, and 4 percent in Australia.

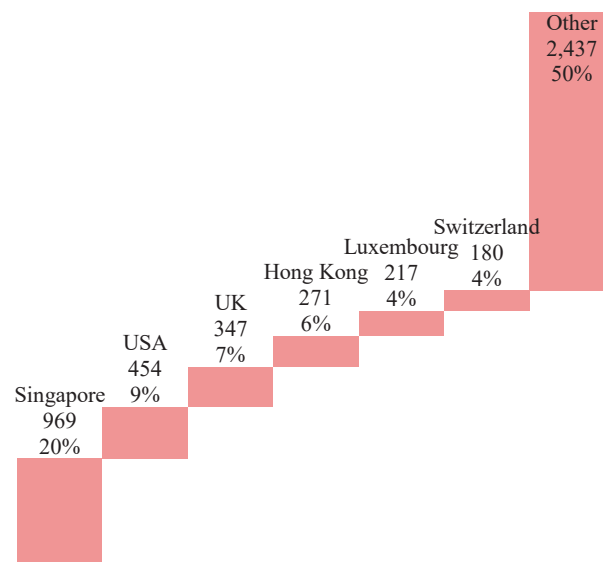
On the liability side, the distribution of securities issued by residents by country of ownership was as follows: 20 percent held by investors from Singapore, 9 percent from the United States, 7 percent from the United Kingdom, 6 percent from Hong Kong, 4 percent from Luxembourg, and 4 percent from Switzerland.

Figure 1.16 Portfolio investment assets and shares in total by investor country



*Preliminary

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



Source: The Bank of Mongolia

External debt

According to the preliminary statistics for 2025, Mongolia's outstanding external debt totaled USD 40,460 million, representing an increase of 8 percent (USD 3,223 million) compared to the previous year. This change in external debt stock was primarily attributed to the following factors:

- Government external debt, including concessional loans and debt securities, increased by 4 percent (USD 351 million).
- Central bank's external debt decreased by USD 1 million.
- Private sector external debt rose by 9 percent (USD 2,873 million), driven by an increase in commercial loans and intercompany loans from direct investors.

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

Indicators	2021	2022	2023	2024	2025	Change (25/24')	
						Value	percent
Total External Debt	33,806	33,345	34,569	37,237	40,460	3,223	8 percent
Government	8,454	8,012	8,105	8,397	8,748	351	4 percent
debt/GDP (percent)	55 percent	51 percent	39 percent	36 percent	35 percent	-1 percent	-3 percent
Central Bank	2,610	2,179	1,785	1,086	1,085	-1	0 percent
Deposit-taking corporations	1,627	1,533	1,733	2,602	4,022	1,420	35 percent
Short-term	361	224	235	211	502	291	58 percent
Long-term	1,265	1,308	1,498	2,391	3,520	1,129	32 percent
Another sector	8,843	8,436	7,866	7,898	8,492	594	7 percent
Short-term	812	1,622	1,678	1,818	2,104	287	14 percent
Long-term	8,030	6,814	6,188	6,080	6,387	307	5 percent
Intercompany lending	12,272	13,185	15,081	17,254	18,114	859	5 percent

*Preliminary

Source: Ministry of Finance, The Bank of Mongolia

1.3 MONETARY AND FINANCIAL SECTOR

Money and loan indicators

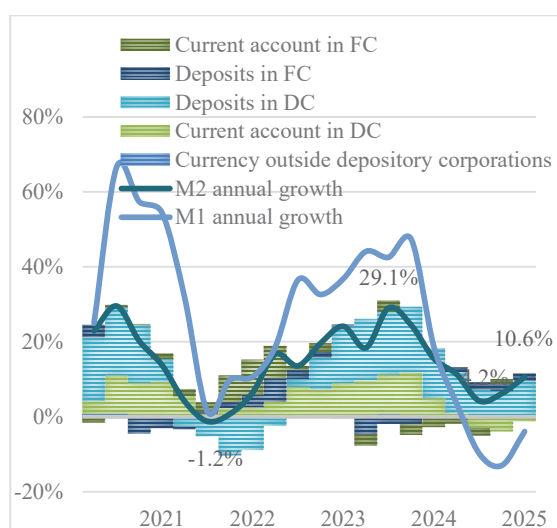
The broad money supply (M2⁴) has followed an upward trend since the end of 2022, reaching an annual growth rate of 29.1 percent in the second quarter of 2024. Growth subsequently moderated to 4.2 percent in the second quarter of 2025, before gradually recovering to 10.6 percent by year-end, with M2 reaching MNT 47.1 trillion.

Table 1.9 Money supply, MNT trillion

	2021	2022	2023	2024	2025	Change (25/24')	
	XII	XII	XII	XII	XII	Value	percent
Money (M2)	27.9	29.7	36.8	42.6	47.1	4.5	10.6 percent
Money (M1)	6.5	7.2	9.9	11.7	11.2	-0.5	-3.9 percent
Current account in DC	5.7	6.4	8.9	10.7	10.2	-0.5	-4.5 percent
Currency outside depository corporations	0.8	0.8	0.9	1.0	1.0	0.0	2.1 percent
Other deposits	21.4	22.5	27.0	30.9	35.8	5.0	16.1 percent
Deposits in DC	15.0	12.6	17.1	22.0	26.0	4.0	18.3 percent
Deposits in FC	4.0	4.9	5.0	4.9	5.7	0.9	18.2 percent
Current account in FC	2.3	4.9	4.9	4.0	4.1	0.1	1.8 percent

Source: The Bank of Mongolia

Figure 1.18 Money supply, by liabilities



The money supply growth was primarily driven by the increase in domestic currency deposits, which contributed 9.4 percentage points to annual growth. Domestic currency deposits increased by MNT 4.0 trillion compared to the same period last year, reaching MNT 26.0 trillion. Of this, deposits of individuals for MNT 21.6 trillion, representing 82.8 percent of total domestic currency deposits.

In contrast, domestic currency current accounts declined by 4.5 percent, or MNT 0.5 trillion, exerting a -1.1 percentage points to impact on money supply growth.

Source: The Bank of Mongolia

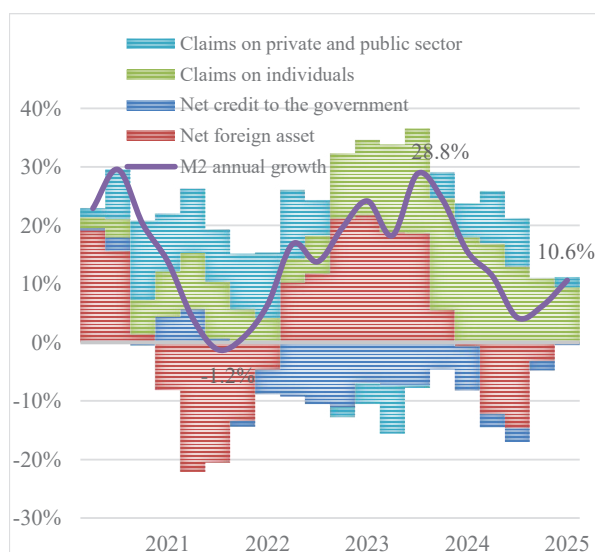
Table 1.10 Money supply, by asset, MNT trillion

	2021	2022	2023	2024	2025	Change (25/24)	
	XII	XII	XII	XII	XII	Value	percent
Money (M2)	27.9	29.7	36.8	42.6	47.1	4.5	10.6 percent
Net foreign asset	3.8	2.5	9.0	8.7	8.7	0.0	-0.1 percent
Net credit to the government	-1.1	-2.3	-4.3	-7.1	-7.3	-0.2	3.2 percent
Domestic claims	25.1	29.4	32.2	40.9	45.7	4.8	11.6 percent
Claims on individuals	10.6	11.8	15.6	22.2	26.3	4.0	18.1 percent
Claims on private and public sector	14.5	17.6	16.6	18.7	19.4	0.7	3.9 percent

Source: The Bank of Mongolia

4 M2 Money=M1+other deposits

Figure 1.19 Money supply, asset



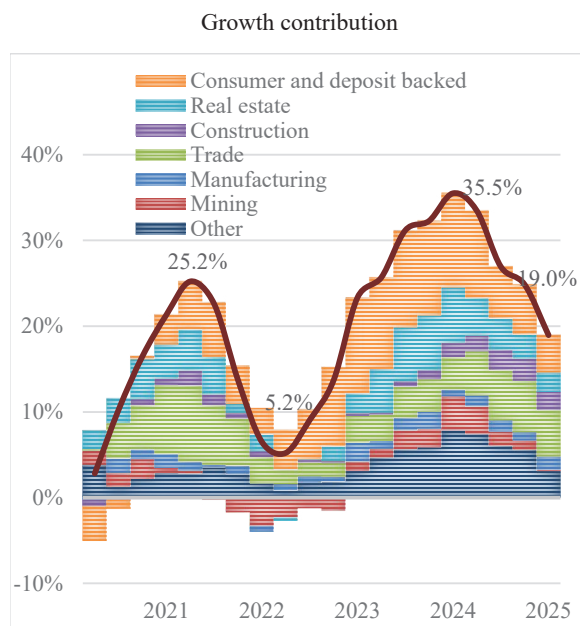
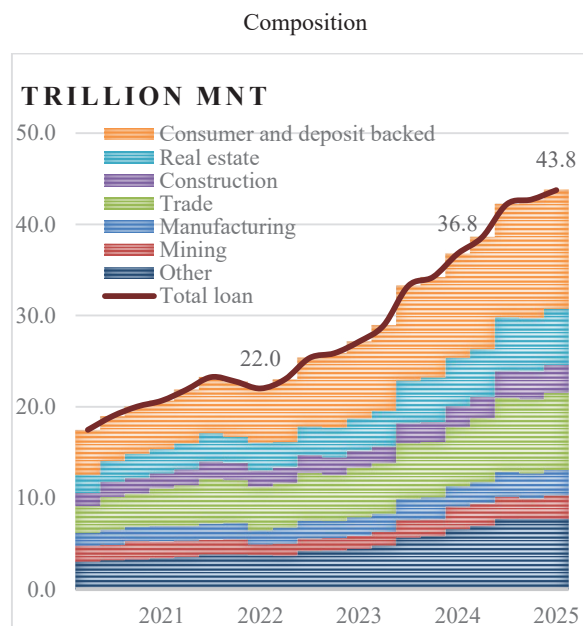
Net foreign assets (NFA) contributed 21.8 percentage points to annual growth at the end of 2023, but this contribution gradually declined, slowed to -0.02 percentage points by the end of 2025.

Claims on individuals and the private sector positively impacted net domestic assets (NDA), contributing 11.2 percentage points to annual money supply growth. Of this total, claims on individuals accounted for the largest positive contribution, at 9.5 percentage points. Meanwhile, net credit to the government had a reducing effect of 0.5 percentage points.

Source: The Bank of Mongolia

The growth of bank loans has steadily increased since the beginning of 2023, accelerating through 2024, and peaking at 35.5 percent by the end of 2024. But growth slowed in 2025, declining to 19.0 percent by year's end. Specifically, trade loans increased by 30.8 percent at the end of 2025, contributing 5.4 percentage points to total loan growth. This was followed by consumer and deposit-backed loans, contributing 4.3 percentage points, and mortgage loans, which added 2.3 percentage points to overall loan growth.

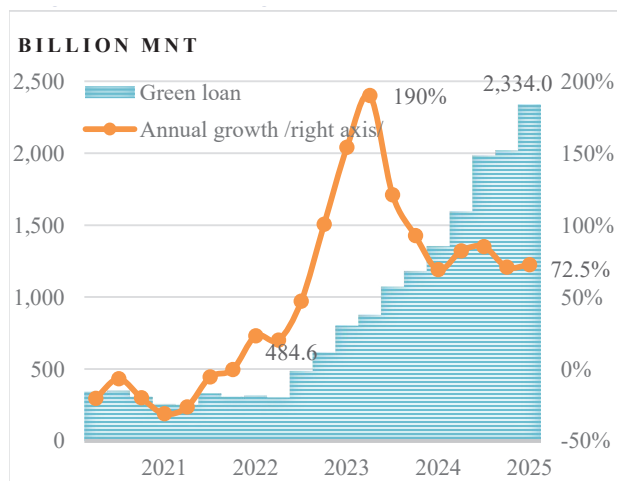
Figure 1.20 Banks outstanding loan, by economic sectors



Source: The Bank of Mongolia

Banks' Green Loans

Figure 1.21 Banks' green loans



The green loan portfolio of banks increased by 72.5 percent, or MNT 981.3 billion, in 2025 compared to the same period of the previous year, reaching MNT 2.3 trillion. This accounted for 5.3 percent of total loans in the banking sector.

According to green taxonomy classification, 61.1 percent of the total green loans were in the energy efficiency sector. This was followed by sustainable agriculture, land use, forestry, and eco-tourism at 15.3 percent, and renewable energy at 9.4 percent.

Source: The Bank of Mongolia

Figure 1.22 Banks' green loan, by green taxonomy categories



Source: The Bank of Mongolia

Financial sector indicators

As of 2025, there are 12 commercial banks, 575 non-bank financial institutions, 176 savings and credit cooperatives, 22 insurance companies, 63 insurance brokers, 29 actuaries, 1,143 insurance agents, and 52 securities firms operating in the Mongolian financial sector. Although the scope of activities in the non-bank financial sector has been expanding year by year, the banking sector still holds a dominant share of more than 80 percent of the total financial sector.

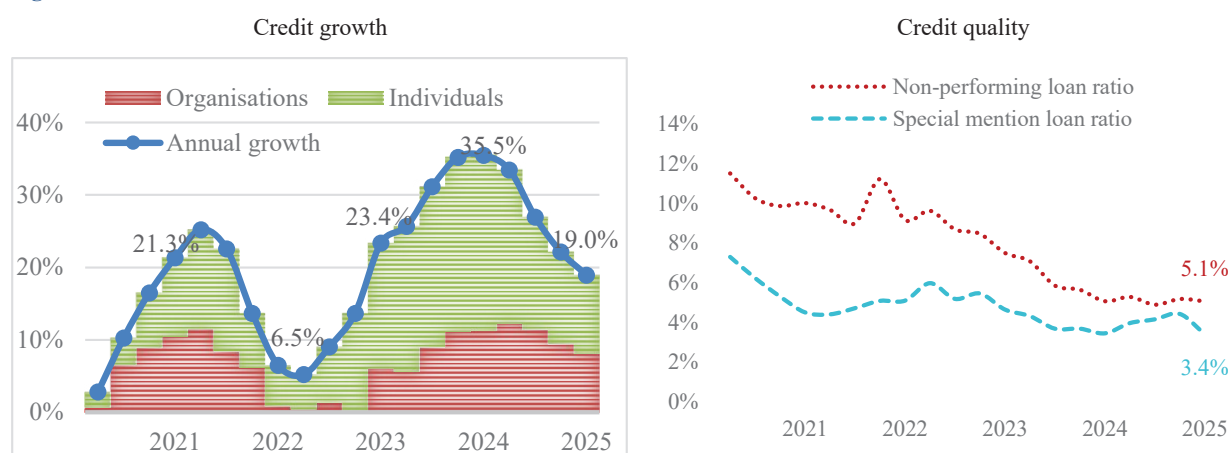
Banking sector indicators

As of this reporting year, there are 12 banks in the sector, employing a total of 16,672 workers across 1,397 branches. The number of deposits and current accounts reached 3.8 million and 9.4 million, respectively, while loan accounts totaled 2.4 million.

Compared to the previous year, total assets of the banking sector increased by 19.9 percent, or MNT 14.2 trillion, reaching MNT 85.4 trillion. As of 2025, loans to individuals and enterprises accounted for 51.8 percent

of total banking sector assets. The banking sector's total outstanding loan portfolio reached MNT 43.8 trillion, representing an increase of 19.0 percent, or MNT 7.0 trillion, compared to the previous year. However, loan growth slowed by 16.5 percentage points relative to 2024, due to a decline in loans granted to individuals.

Figure 1.23 Banks' Loan

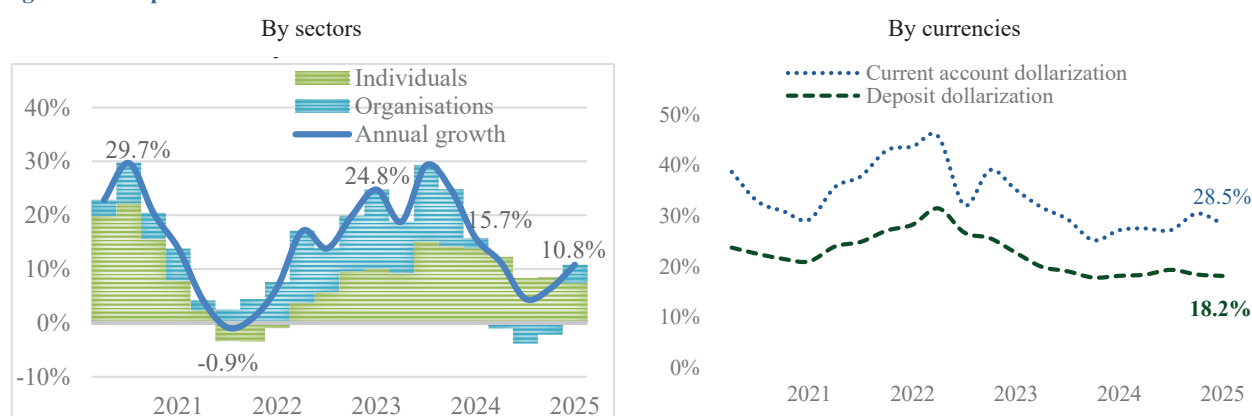


Source: The Bank of Mongolia

The ratio of non-performing loans to total loans in the banking system was 5.1 percent, while share of special-mention loans stood at 3.4 percent at the end of the reporting period. By sector, non-performing loans in manufacturing, construction, and mining were 12.7, 11.3, and 8.6 percent, respectively, at the end of 2025, exceeding the banking sector average. Meanwhile, the non-performing loan ratio was relatively lower in the trade sector at 3.0 percent and in the real estate sector at 1.5 percent.

At the end of 2025, deposits and current accounts accounted for 59.6 percent of total liabilities, increasing by 10.8 percent year-on-year to reach MNT 45.9 trillion. However, the growth of deposits and current accounts slowed by 4.9 percentage points compared to the previous year. Specifically, deposits increased by 18.3 percent, reaching MNT 31.6 trillion; the annual growth rate, however, declined by 3.2 percentage points due to a slowdown in the growth of domestic currency deposits held by individuals. Meanwhile, current accounts decreased by 2.8 percent or MNT 409.6 billion, reaching MNT 14.3 trillion, due to a decline in domestic currency current accounts in the public sector.

Figure 1.24 Deposits and current accounts

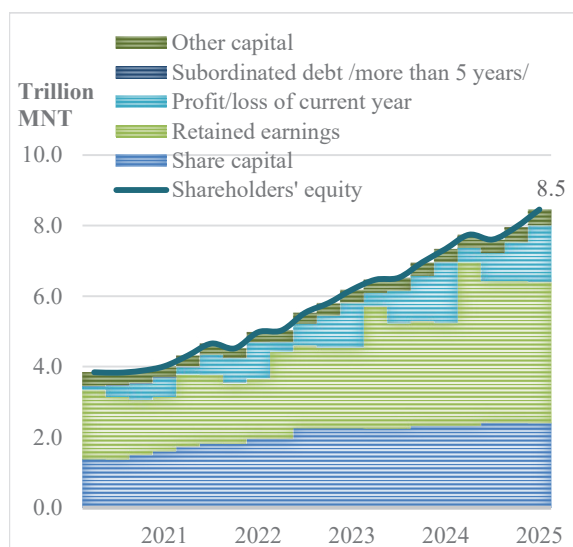


Source: The Bank of Mongolia

The banking sector's capital increased by 15.2 percent or MNT 1.1 trillion, compared to the previous year, reaching MNT 8.5 trillion. In 2025, banks' profits decreased by MNT 119.2 billion compared to the previous year, totaling MNT 1.6 trillion. Return on assets (ROA) stood at 1.9 percent, while return on equity (ROE) reached 19.0 percent.

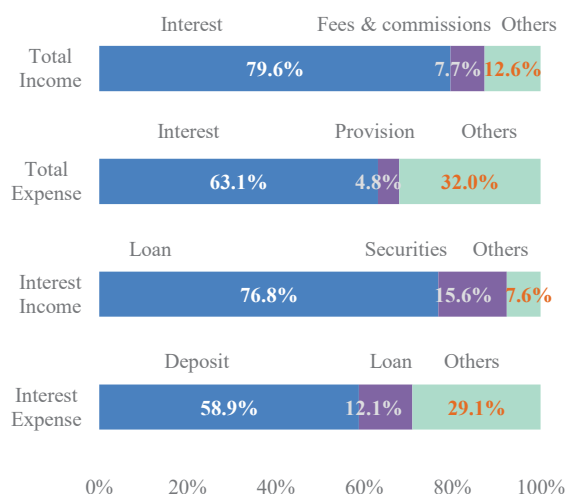
For the reporting year, the banking sector's interest income accounted for 79.6 percent of total revenue, fee and commission income accounted for 7.7 percent and other income 12.0 percent. Of total interest income, 76.8 percent was derived from loan interest income and 15.6 percent from securities interest income. Meanwhile, interest expenses accounted for 63.1 percent of total expenses of banks, provision of expenses for 4.8 percent, and other expenses for 32.0 percent. Of total interest expenses, 58.9 percent was paid on deposits, while 12.1 percent was paid on loans.

Figure 1.25 Bank capital composition



Source: The Bank of Mongolia

Figure 1.26 Composition of banks' revenue and expenses



Non-Banking sector indicators

Total assets of Non-Bank Financial Institutions (NBFIs) increased by 27.4 percent year-on-year, reaching MNT 9.1 trillion at the end of 2025. The NBFIs loans increased by 25.5 percent year-on-year, or MNT 1.5 trillion, reaching MNT 7.2 trillion. The share of special-mention loans stood at 4.4 percent, while non-performing loans accounted for 8.4 percent of total outstanding loans. During 2025, a total of MNT 15.1 trillion in loans was issued, with approximately 88.5 percent to individuals and the remaining 11.5 percent to legal entities. Additionally, MNT 13.7 trillion in loans was repaid. During the reporting year, NBFIs recorded revenue of MNT 2.7 trillion and expenses of MNT 1.8 trillion. Notably, net profit reached MNT 946.1 billion, representing a 35.6 percent increase compared to the previous year.

The total assets of Savings and Credit Cooperatives (SCCs) increased by 6.2 percent year-on-year, reaching MNT 379.0 billion at the end of 2025. The SCCs' loans increased by 12.4 percent, reaching MNT 290.9 billion. The share of special-mention loans was 5.0 percent, and the share of non-performing loans was 3.0 percent of total outstanding loans. In the reporting year, SCCs recorded a 5.1 percent increase in savings, amounting to MNT 261.2 billion. SCCs also recorded revenue of MNT 86.7 billion, expenses of MNT 44.3 billion, resulting in a net profit of MNT 17.5 billion. Notably, the share of net profit in revenue decreased by 0.2 percentage points from the previous year, reaching 19.4 percent.

As of 2025, the Insurance Sector in Mongolia consisted of 22 insurers, including 18 general insurance companies, 3 life insurance companies, and 1 reinsurance company. Total assets of these insurance companies reached MNT 771.3 billion in 2025, representing a 16.4 percent increase compared to the previous year. The sector's total premium income amounted to MNT 584.6 billion, of which 33.1 percent, or MNT 193.7 billion, was paid out in insurance claims. The net profit of insurance companies rose by 119.8 percent year-on-year, reaching MNT 56.0 billion. Return on assets increased by 3.5 percentage points, to 7.1 percent, while return on equity grew by 9.8 percentage points, reaching 19.6 percent.

By the end of 2025, total assets of Securities companies reached MNT 273.0 billion, reflecting a 42.0 percent decrease compared to the previous year. During the same period, revenue increased by MNT 37.5 billion, while expenses rose by MNT 21.7 billion. Net profit amounted to MNT 44.3 billion. In 2025, a total of MNT 1.3 trillion worth of securities were traded in the market, representing a 16.7 percent increase from the previous year. Of this total, 28.3 percent comprised asset-backed securities, 24.6 percent were private sector bonds, 21.8 percent were stocks, 14.3 percent were investment funds, and 11.0 percent were government securities.

Apart from the previously mentioned institutions, other financial entities operating in Mongolia including “Mongolian Mortgage Corporation HFC LLC” (MIK HFC) and “Development Bank of Mongolia” (DBM). MIK HFC comprised 39 special purpose companies (SPCs) established to issue asset-backed securities or mortgage-backed bonds (MBBs) as subsidiaries.

As of 2025, MIK HFC had issued mortgage-backed bonds totaling MNT 5.4 trillion, backed by individual mortgage loans from 81.7 thousand borrowers, transferred from various banks. DBM operates as a state-owned financial institution with a unique mandate to fund significant development initiatives and programs within Mongolia. By the end of 2025, DBM’s total assets had increased by 35.9 percent compared to the previous year, reaching MNT 3.2 trillion. In the reporting year, DBM successfully issued the USD 500 million “DBM 2028” bond in the international capital market.

1.4. GOVERNMENT BUDGET

The structural revenue and grants of Mongolia’s government budget reached MNT 30.1 trillion in 2025, according to preliminary estimates, while total expenditure and net lending amounted to MNT 31.3 trillion. As a result, the structural budget balance recorded a deficit of MNT 1.3 trillion, equivalent to 1.3 percent of GDP (Table 1.11).

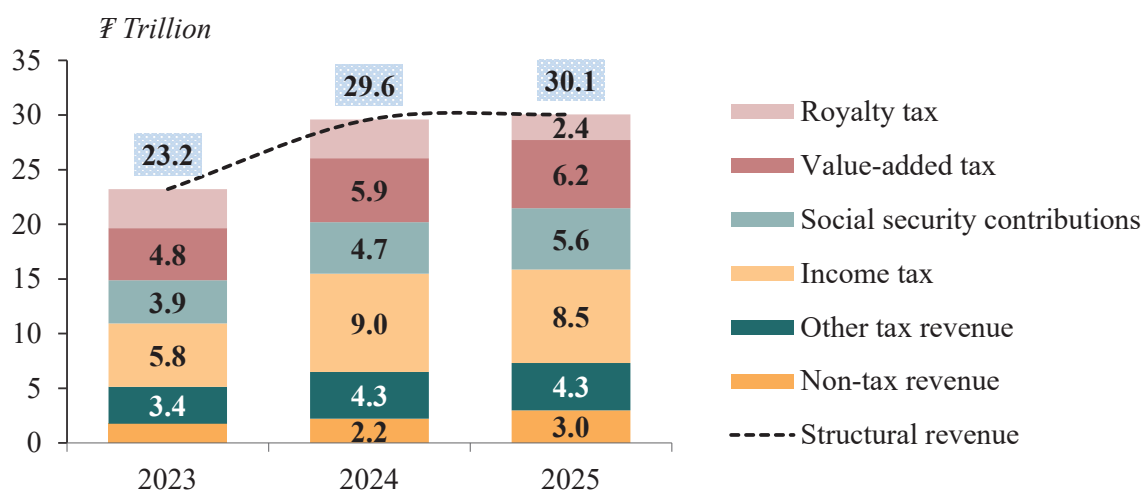
Table 1.11 Consolidated budget

Trillion MNT	2024	2025		2025/2024
	Actual	Amendment	Preliminary	Percentage change
Total revenue		32.5	32.6	3.8
31.4				
Fund revenue	1.8	2.3	2.3	27.8
Structural revenue	29.6	30.2	30.1	1.7
Tax revenue	27.4	28.3	27.1	-1.1
Non-tax revenue	2.2	1.9	3.0	36.4
Total expenditure	30.4	31.6	31.3	3.0
Primary balance	29.2	30.5	29.7	1.7
Interest payment	1.2	1.2	1.6	33.3
Structural balance	-0.8	-1.4	-1.2	-
percent of GDP	1.0	1.5	1.2	-

Source: National Statistics Office of Mongolia

Structural budget revenue

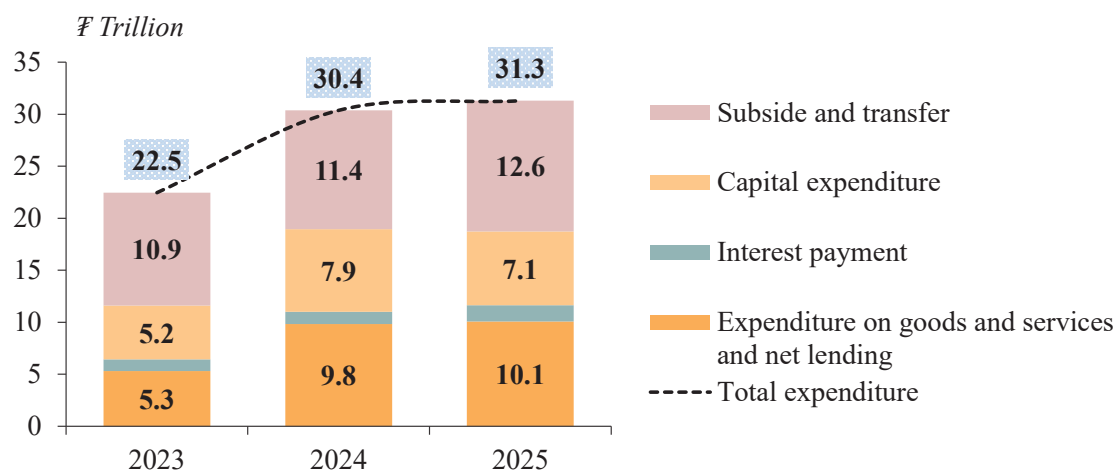
Structural budget revenue increased by MNT 468 billion in 2025 compared to the previous year. This growth was mainly driven by increases in social insurance contributions (up by MNT 924 billion), value-added tax (VAT) (up by MNT 359 billion), and personal income tax (PIT) (up by MNT 323 billion). In contrast, mineral resource royalties declined by MNT 1.2 trillion, while corporate income tax (CIT) decreased by MNT 732 billion (Figure 1.27).

Figure 1.27 Budget revenue

Source: Ministry of Finance

Total budget expenditure

Total budget expenditure increased by 3.0 percent in 2025, equivalent to MNT 923 billion (Figure 1.28). Specifically, current expenditure rose by MNT 2.1 trillion, of which MNT 859 billion was attributed to wage expenses and MNT 754 billion to pension expenditures. In other words, the growth in budget expenditure was primarily driven by increases in wages and pensions. The rapid rise in wage and social welfare spending in recent years has placed significant pressure on the fiscal budget. Meanwhile, capital expenditure declined by MNT 833 billion compared to the previous year, due to reduced spending on construction and infrastructure (Figure 1.28).

Figure 1.28 Budget expenditure and net lending

Source: Ministry of Finance

Budget deficit and financing sources

The structural budget balance recorded a deficit of MNT 1.2 trillion in 2025, while MNT 3.3 trillion in loans and securities were repaid. This was financed through newly issued external bonds totaling MNT 2.1 trillion, domestic bonds totaling MNT 613 billion, and external loans totaling MNT 1.5 trillion (Table 1.12).

Table 1.12 Financing gap and sources of budget deficit

<i>Trillion MNT</i>	2024	2025	Change
	Actual	Preliminary	
Financing sources of budget deficit	0.8	4.5	1.6
Government current account and deposits	-1.2	0.7	-0.1
Government bonds	1.2	2.7	1.9
Newly issued bonds	2.2	2.7	-1.3
Principal payments	-1.0	0.0	3.2
Government loans	0.8	1.0	-2.2
New loans	2.0	1.5	0.0
Principal payments	-1.2	0.5	-2.2

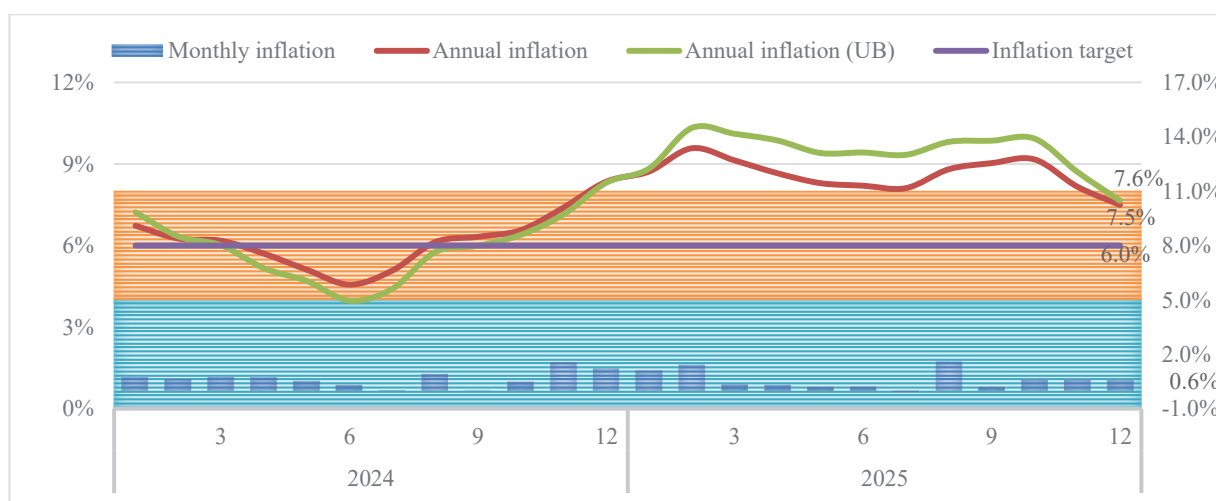
Source: Ministry of Finance

2.1. MONETARY POLICY OBJECTIVE, ACTION, AND RESULTS

Monetary policy will be conducted using market-based instruments with the objective of stabilizing inflation, measured by the consumer price index at 5 percent in the medium term (within the interval of +/-2 percentage points), thereby supporting sustainable economic growth and safeguarding households' real incomes. In implementing this policy, the inflation target is set at 6 percent for 2026 and is projected to decline to 5 percent from 2027.

As of December 2025, inflation measured by the Consumer Price Index (CPI), reached 7.5 percent nationwide and 7.6 percent in Ulaanbaatar, returning to the target range after 12 months. In the first half of the year, a slowdown in foreign currency inflows and the resulting balance of payments pressures contributed to rising inflation, through higher prices of imported goods. On the domestic side, increases in electricity tariffs and wages further accelerated inflation, keeping it above the central bank's target. In response, the Monetary Policy Committee (MPC) of the Bank of Mongolia maintained a tight monetary policy stance to ensure inflation stabilizes over the medium term. Toward the end of 2025, inflationary pressures have moderated. This reflects the fading impact of increases in administered prices, low and decreasing inflation in the country's key trading partner, the People's Republic of China, and relatively lower passenger car price. As a result, inflation has fell back within the Central bank's target range.

Figure 2.1 Annual inflation



Source: National Statistical Office of Mongolia

At its unscheduled meeting in January 2025, the Monetary Policy Committee (MPC) of the Bank of Mongolia tightened the monetary policy stance to stabilize inflation around the target level, deciding to increase the reserve requirement ratios on both domestic and foreign currency deposits by 2 percentage points each. Furthermore, at its regular meeting in the second quarter of 2025, the MPC raised the policy rate by 2 percentage points to 12 percent to contain the pass-through effects of rising administered prices of goods and services. For the remainder of the reporting year, the MPC kept the policy rate unchanged.

In January 2025, annual nationwide inflation accelerated to 9.6 percent, exceeding the upper bound of the Central bank's target range. This increase was primarily driven by higher electricity prices, strong economic activity, and rising prices of services, rents, and imported goods associated with wage growth. Both demand-driven and cost-push pressures were stronger than anticipated, while increases in public transport fares and other administered prices led to an upward revision of the inflation outlook. Inflation was therefore expected to remain above the central bank's target throughout the year, before stabilizing within the target band from mid-2026. In response, the MPC raised the policy rate by 2 percentage points to 12 percent to mitigate the risk of intensifying inflation through expectations and second-round effects stemming from electricity price increases.

As of May 2025, nationwide inflation eased to 8.3 percent. This was mainly driven by a slowdown in price increases for key food items such as meat and flour, as well as imported goods. Although the inflation outlook improved and signs of earlier-than-expected moderation began to emerge, inflation was still expected to remain above the Central bank's target throughout 2025 due to continued increases in administered prices, including public transport fares and electricity tariffs. Accordingly, the MPC decided to keep the policy rate unchanged, considering external and domestic conditions, risks, and the inflation outlook.

In August 2025, annual inflation stood at 8.8 percent nationwide in August 2025, largely reflecting persistently elevated prices of meat, vegetables, and flour, which contributed to higher food inflation. Inflation was expected to gradually decline and return to the target range in 2026. However, adverse weather conditions in the coming months posed upside risks to domestic food inflation. In addition, the financing of large-scale government projects, developments in export revenues, and exchange rate dynamics were identified as potential sources of inflationary pressure. Against this backdrop, the MPC decided to maintain the policy rate unchanged, considering both external and domestic economic conditions and associated risks.

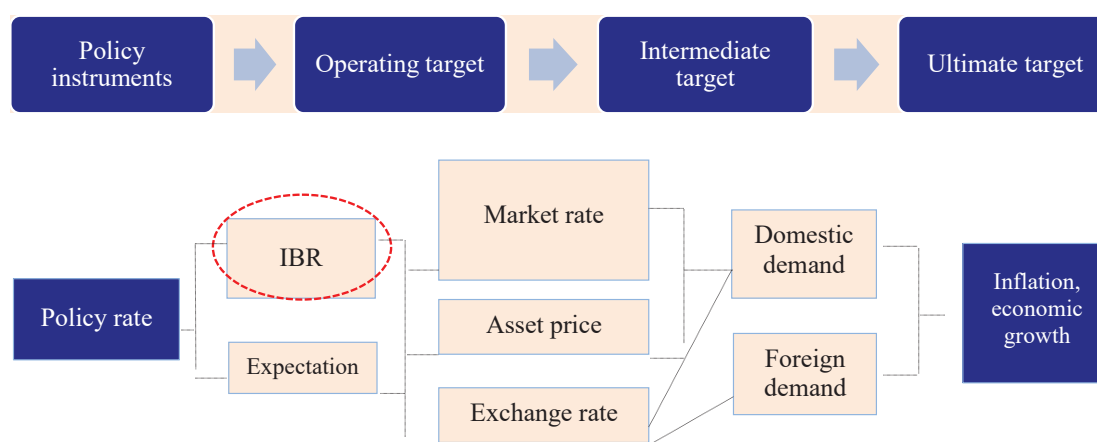
Nationwide inflation continued to ease, reaching 7.5 percent in December 2025, thereby returning to the Central bank's target range after 12 months. This moderation was supported by the fading of base effects from earlier increases in administered prices and the stabilization of imported passenger vehicle prices. However, planned wage increases for doctors and teachers starting in January 2026 were expected to add inflationary pressure and raise the inflation outlook. Moreover, heightened external uncertainty could affect export revenues and exchange rate dynamics, while weather and supply-related shocks could lead to price pressures.

Considering these factors, the MPC decided to keep the policy rate unchanged, considering the external and domestic economic outlook and associated risks. This decision is consistent with the objective of stabilizing inflation at the target level over the medium term and strengthening macroeconomic and financial stability.

Money market and interest rate

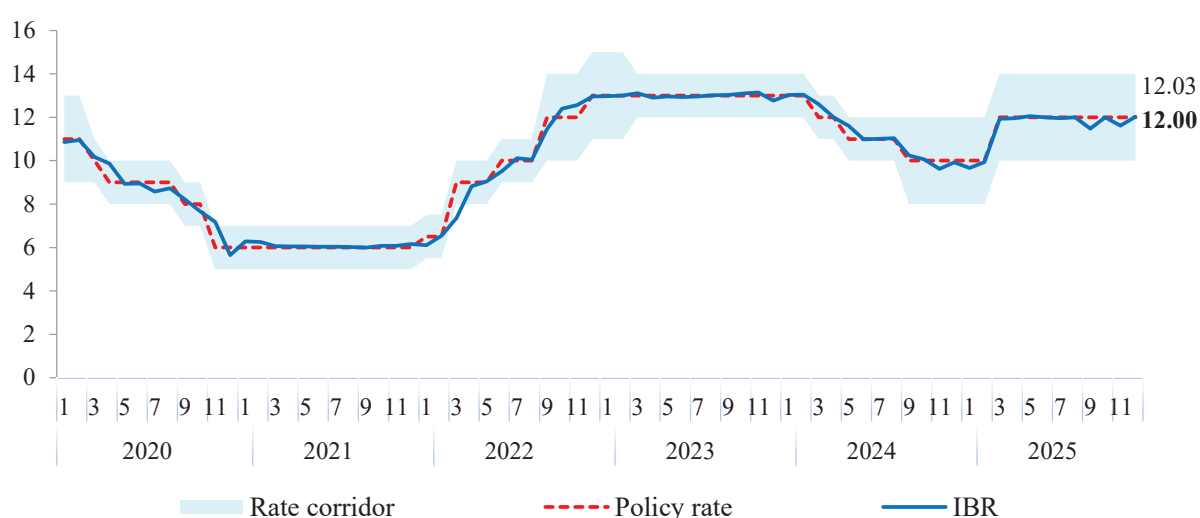
Banks' decision to extend loans or attract deposits depends on interest rates in the interbank market. Therefore, the Bank of Mongolia aims to keep the weighted average interest rate of the interbank market close to the policy rate by implementing the open market operations, interest rate corridor system, and other monetary policy tools (Figure 2.2).

Figure 2.2 The monetary policy transmission mechanism



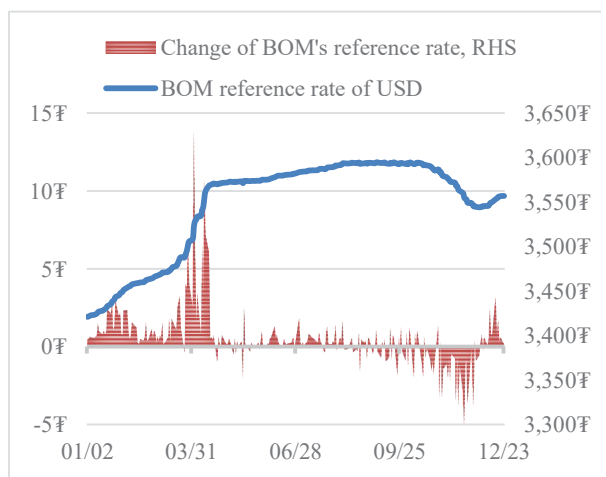
Based on the decision of the Monetary Policy Committee (MPC), the policy rate increased by 2 percentage points in 2025, reaching 12 percent. As a result of this policy change, the monthly weighted average interest rate in the interbank market increased by 2.11 percentage points compared to the previous year, reaching 12.03 percent in 2025. Moreover, the absolute deviation of the interbank market's weighted average interest rate from the policy rate was 0.03 percentage points, representing an increase of 0.11 percentage points compared to the previous year (Figure 2.3).

Figure 2.3 Weighted average interest rate of interbank market transactions

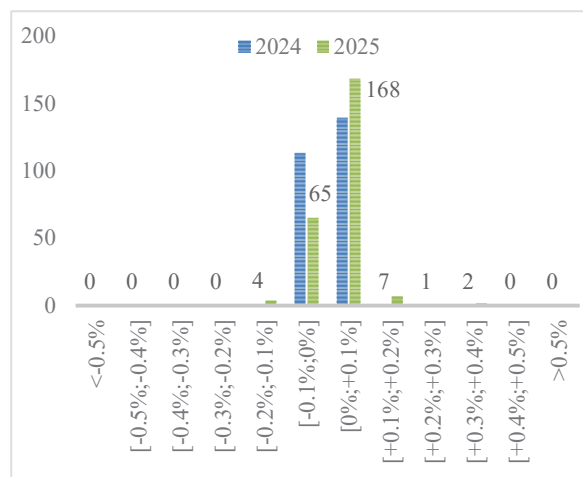


MNT rate against USD

At the end of 2025, the MNT's reference rate against the USD stood at 3,556.81, depreciating by 4.0 percent compared with the same period of the previous year (Figure 2.4). The Bank of Mongolia participates in the foreign exchange market to mitigate short-term supply-demand imbalances and reduce sharp exchange rate fluctuations. During the reporting period, the daily average absolute change in the MNT's exchange rate against the USD was 0.03 percent, and for 68 percent of the period, the daily movement remained within the range of 0 to +0.1 percent (Figure 2.5). Additionally, the maximum daily depreciation and appreciation was 0.40 percent (13.98 MNT) and 0.14 percent (5.05 MNT) respectively.

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

Source: The Bank of Mongolia

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

Source: The Bank of Mongolia

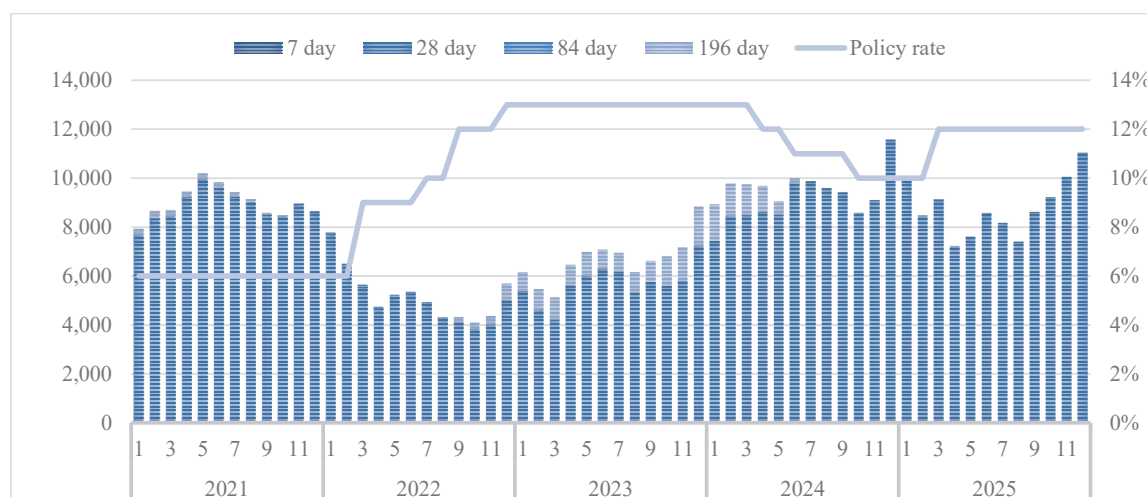
2.2 THE BANK OF MONGOLIA'S MONEY MARKET OPERATIONS

2.2.1 Open market operations

Central Bank Bills

Open Market Operations – specifically, Central Bank Bill's (CBB) auction - is the main instrument for implementing monetary policy by managing short term interest rates and the reserve fluctuations. In 2025, the Bank of Mongolia conducted auctions of 28-day CBBs every Monday through a fixed-rate, full allotment method. The interest rate on these short-term (28-day) CBBs is set equal to the policy rate and serves as a key reference rate in the interbank market. These instruments play a significant role in absorbing excess system liquidity and in managing banks' short-term reserves.

The outstanding amount of CBBs decreased by 4.6 percent, or MNT 534.0 billion, from the beginning of the year, reaching MNT 11,029.0 billion at the end of 2025. This change was mainly driven by liquidity injections of MNT 4,347.7 billion through gold purchases and MNT 6,041.2 billion through long-term swap operations, while liquidity absorption amounted to MNT 8,215.1 billion through spot foreign exchange operations by the Bank of Mongolia, MNT 1,671.3 billion due to changes in net government credit, and MNT 195.5 billion from repayments of long-term repo operations. Over the same period, reserve requirements increased by MNT 1,469.2 billion (Figure 2.6).

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

Source: The Bank of Mongolia

Repo operation

As one of the open market operation instruments, the Central bank's repurchase agreement (repo) operation provides liquidity to the banks using securities that banks hold as collateral, and the banks agree to repurchase the collateral at the end of the period.

To reduce short-term interbank market volatility and manage short-term interest rates, the Bank of Mongolia conducts repo operations with maturities of up to one week, based on its liquidity forecasts. Since 2015, however, the Bank of Mongolia has not organized repo trading with a term of up to one week.

Long-term repo trading

Throughout the reporting year, MNT 150.1 billion of the financing provided to banks through long-term repo operations was repaid in accordance with the repayment schedule. As a result, the outstanding amount of funding provided to banks stood at MNT 54.2 billion at the end of 2025. In 2025, banks extended MNT 282.0 billion in loans to enterprises and individuals, bringing the cumulative amount of loans disbursed under the program to MNT 1,484.5 billion. Between 2020 and 2025, the program supported the preservation of 68,654 jobs and the creation of 5,642 new jobs.

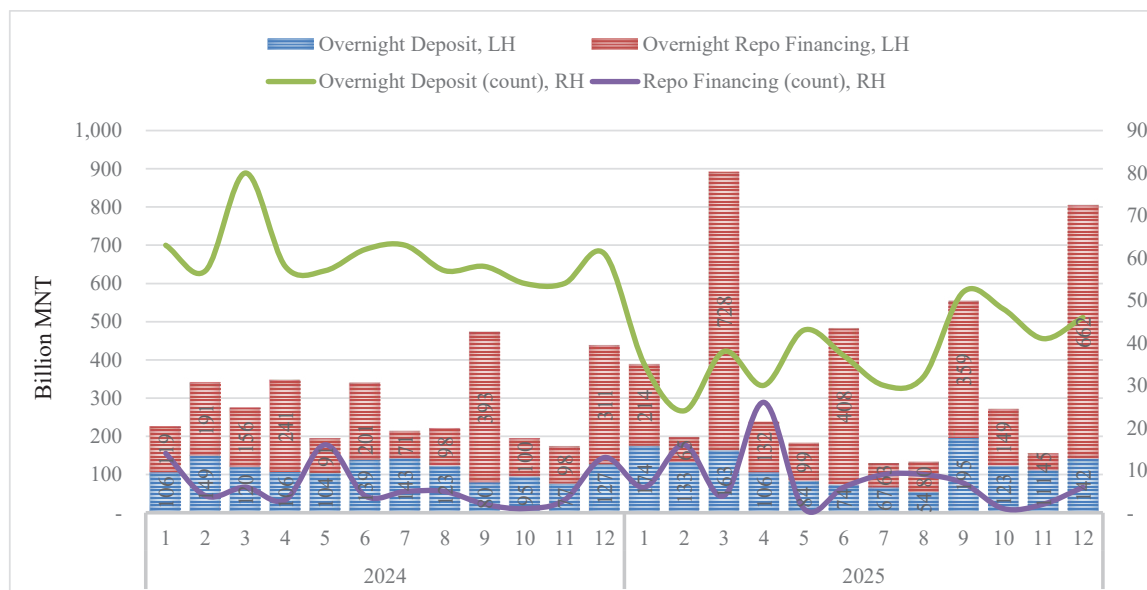
As part of the securitization of performing loans, securities were issued under several Special Purpose Vehicles (SPVs). Specifically, "SFC Assets One SPV" issued MNT 40.5 billion worth of securities (the bond has been fully repaid in accordance with the schedule and the SPV is currently undergoing dissolution), "SFC Assets Two SPV" issued MNT 160.4 billion, "SFC Assets Three SPV" issued MNT 82.9 billion, "SFC Assets Four SPV" issued MNT 83.0 billion, "SFC Assets Five SPV" issued MNT 65.6 billion, and "SFC Assets Six SPV" issued MNT 24.2 billion, respectively.

2.2.2 Standing Facilities

The Bank of Mongolia utilizes standing facilities to absorb temporary excess reserves in the banking system and to reduce the volatility of the weighted average interest rate in the interbank market by absorbing and injecting reserves when necessary. Standing facilities include instruments that absorb liquidity, namely overnight deposit facilities, as well as instruments that provide liquidity, specifically repo financing facilities. In addition, under its unified interest rate policy framework, the Bank of Mongolia sets the repo financing rate at the upper bound of the central bank's interest rate corridor and the overnight deposit rate at the lower bound, thereby limiting fluctuations in the weighted average interbank rate.

In the reporting year, the Bank of Mongolia conducted a total of 456 transactions, absorbing overnight deposits from banks with an average daily amount of MNT 314.0 billion at a weighted average interest rate of 9.67 percent. On the other hand, through 93 transactions, it provided overnight repo financing to banks with an average daily amount of MNT 343.5 billion at a weighted average interest rate of 13.76 percent (Figure 2.7).

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

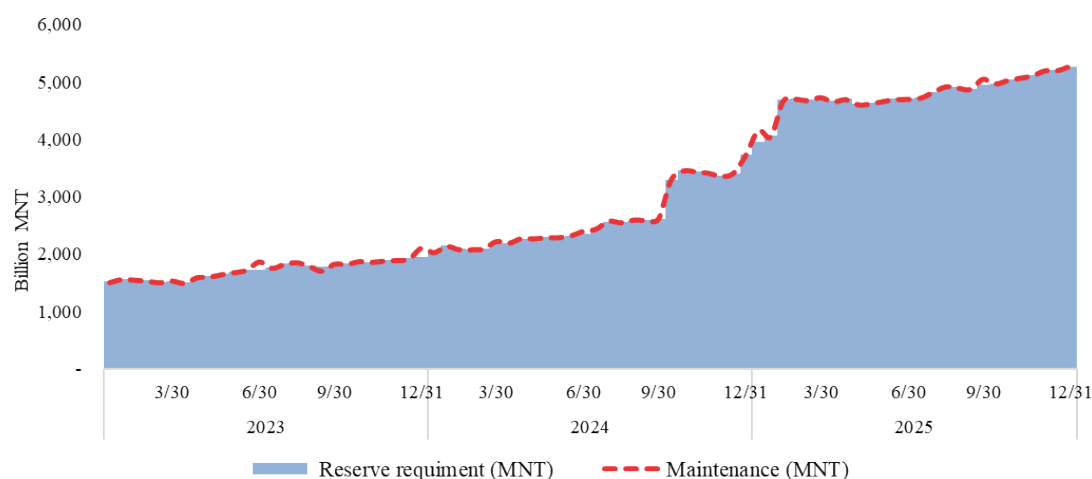


Source: The Bank of Mongolia

2.2.3 Reserve requirement

At its meeting on January 14, 2025, the Monetary Policy Committee decided to increase the required reserve ratio on banks' MNT-denominated funding sources by 2 percentage points, raising it to 13 percent. As a result, the aggregate MNT-denominated required reserves of the banking system reached MNT 5,271.81 billion by end-2025, representing an increase of MNT 1,528.41 billion, or 40.83 percent, compared to the previous year.

In addition, the Committee also decided to raise the required reserve ratio on foreign currency liabilities by 2 percentage points, bringing it to 18 percent, with the aim of mitigating the accumulation of risk in the financial sector and reinforcing macroeconomic stability. Consequently, the banking system's foreign currency required reserves stood at MNT 2,157.87 billion by end of 2025, an increase of MNT 484.33 billion, or 28.94 percent, relative to the same period of the previous year (Figure 2.8).

Figure 2.8 MNT reserve requirement and maintenance (2023/01/01-2025/12/31)

Source: The Bank of Mongolia

2.2.4 Other financing

Intraday loan

The intraday loan is a monetary policy instrument of the Bank of Mongolia used to ensure the smooth functioning of the payment and settlement system by providing liquidity to banks to meet their intraday liquidity needs. It is a collateralized, zero-interest loan that must be repaid within the same day. During the reporting year, the Bank of Mongolia conducted a total of 8 intraday loan transactions with commercial banks, with an average transaction size of MNT 29.3 billion.

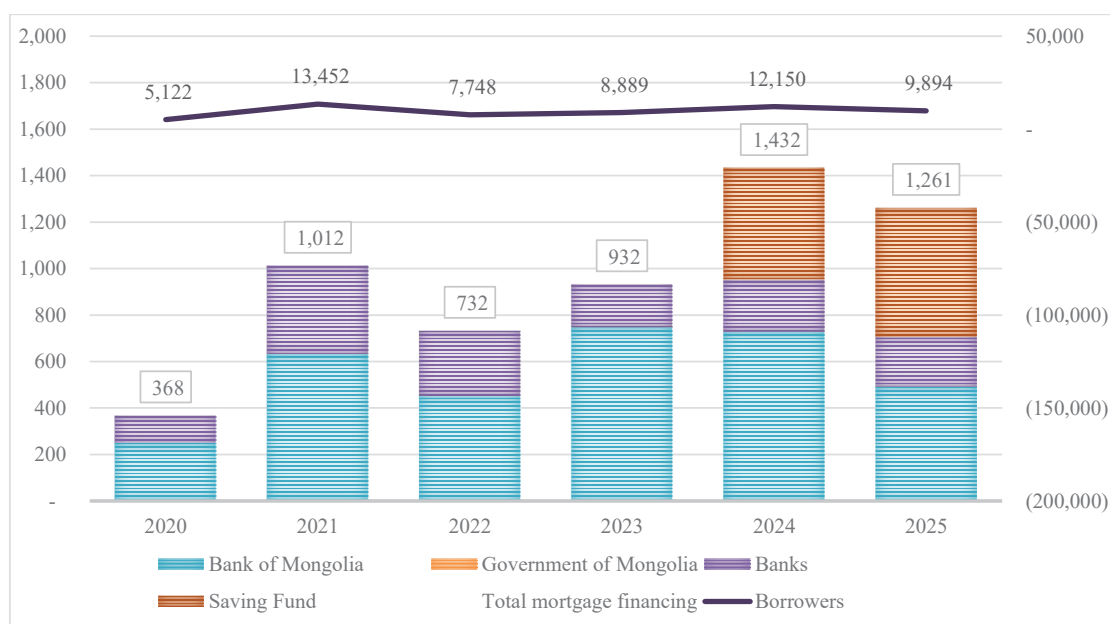
Secured loan

In accordance with the “Secured Loan Regulation” approved by Decree No. A-174 of the Governor of the Bank of Mongolia in 2018, the Bank of Mongolia provided short-term secured loans to domestic banks in 2024 to support their liquidity as lender of last resort, with a total amount of MNT 189.0 billion, all of which were fully repaid. In 2025, the Bank of Mongolia did not provide any secured loans to banks.

Mortgage program financing

In 2013, the Bank of Mongolia and the Government of Mongolia launched the “Establishing Stable Housing Finance Scheme” program, as a component of the broader “Assisting Construction Sector and Further Stabilizing Housing Prices” initiative. The primary aim of this mortgage program is to provide assistance to low and middle-income households by facilitating access to affordable housing. This endeavor serves the dual purpose of mitigating air and soil pollution while also addressing the issue of rural-to-urban migration.

Since the launch of the program, total mortgage financing provided jointly by the Bank of Mongolia, the Government of Mongolia, the Savings Fund, and commercial banks amounted to MNT 10.5 trillion, which was disbursed to 142.6 thousand households (Figure 2.9).

Figure 2.9 Mortgage financing, in billion MNT

Source: The Bank of Mongolia

In accordance with Monetary Policy Guidelines for 2024, the Bank of Mongolia was tasked to fairly allocate the financing in rural and urban areas, while ensuring continuity of program from the repayment of mortgage-backed securities until the Government took over the program.

Within the framework of implementing this resolution, a total of MNT 1.3 trillion in mortgage loans was extended to 9,894 households in 2025. Of this, 33 percent (MNT 420.0 billion) was allocated to rural areas, thereby supporting balanced regional access.

Furthermore, the Parliament of Mongolia enacted the Law on the National Wealth Fund in April 2024. In accordance with Government Resolution No. 288 of 2025, resources accumulated in the Savings Fund were utilized to finance the concessional housing loan program. In line with Article 10.3 of the Law on the National Wealth Fund, the Bank of Mongolia disbursed MNT 554.0 billion from the Savings Fund in 2025, providing mortgage loans to 4,350 households.

Financing the Rent-backed Securities Program

Under Article 10.5 of the “Law on Preventing and Combating COVID19 and Reducing Its Social and Economic Negative Impact” and Article 2.6 of Parliament Resolution No. 32 of 2020, the rentbacked securities program is implemented by the Capital City Housing Corporation. The program is intended to provide housing for frontline workers serving in highrisk environments. Within the framework of the relevant laws and regulations, Orders No. A417 (2020) and No. A263 (2022) of the Governor of the Bank of Mongolia were issued, approving the purchase of rentbacked securities totaling MNT 150 billion, issued by a special purpose entity established by the Capital City Housing Corporation. Accordingly, the Bank of Mongolia purchased MNT 34.4 billion in 2020, MNT 65.6 billion in 2021, and MNT 50.0 billion in 2022. These purchases supported the provision of housing to a total of 1,573 frontline workers. Principal repayments on the bonds are proceeding as scheduled. As of end-2025, the outstanding balance of rent-backed securities stood at MNT 112.3 billion, with MNT 10.0 billion in principal repaid during the year.

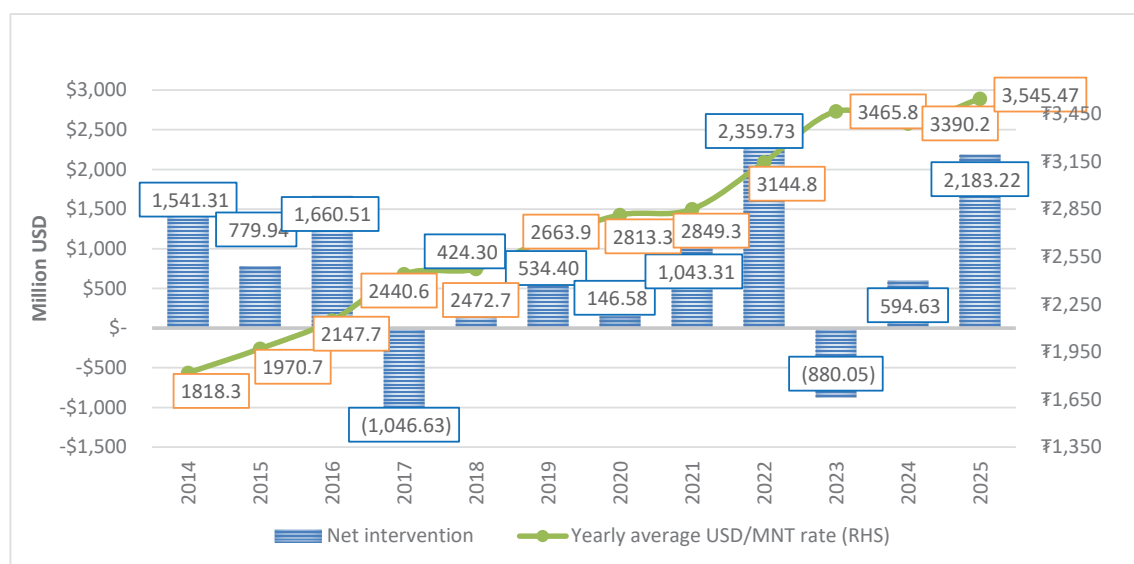
2.2.5 Foreign exchange intervention

Foreign exchange (FX) spot market trading

The Bank of Mongolia has been working to ensure that togrogs (MNT) exchange rate flexibility is consistent with macroeconomic fundamentals. Therefore, the Bank of Mongolia has been intervening in the domestic FX market to mitigate the exchange rate fluctuations caused by the short-term demand and supply gap.

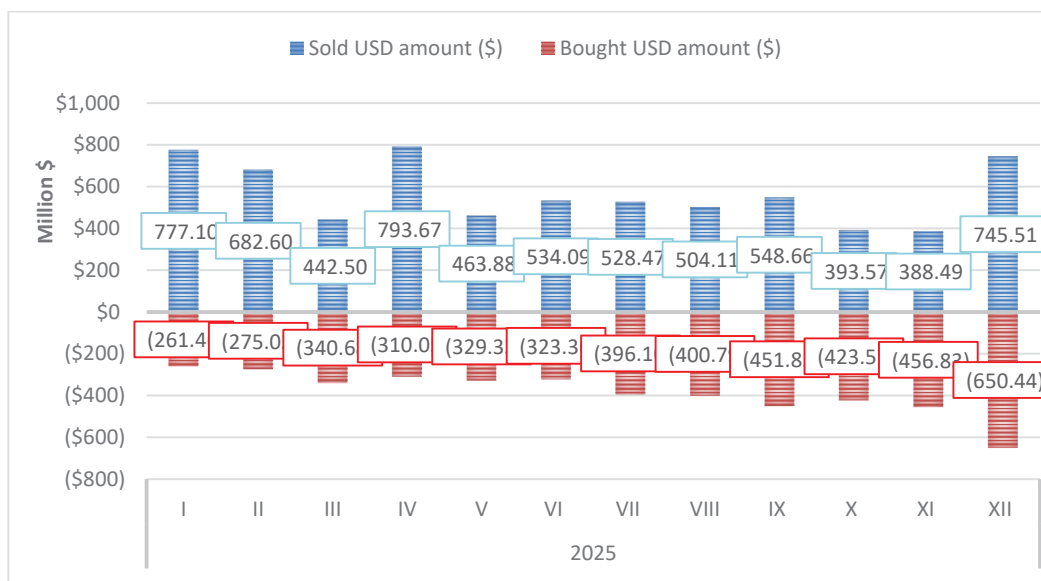
Due to seasonal increases in imports and a decline in coal prices, foreign currency inflows decreased in the first four months of 2025, leading to a depreciation of the Mongolian tugrug against foreign currencies. However, from May onward, supported by a recovery in mining exports and stable economic conditions, the exchange rate of MNT against USD remained relatively stable without sharp fluctuations (Figure 2.10).

Figure 2.10 Net FX spot intervention of Bank of Mongolia in 2014-2025 (in million USD)



Source: The Bank of Mongolia

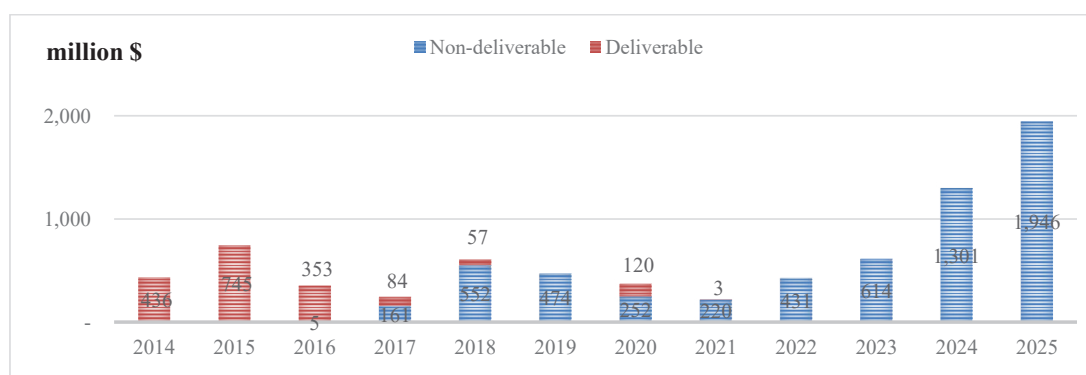
In 2025, the Bank of Mongolia conducted 100 foreign exchange auctions, sold a total of 6,802.7 million USD through FX auctions and the Foreign Currency Online Trading System (FCOTS), which was an increase of 4.0 percent or 261.0 million USD compared to the previous year. Additionally, the Bank of Mongolia purchased 4,619.5 million USD from state-owned and state-owned dominant entities under the joint resolution of the Minister of Finance, the Chief Cabinet Secretary, and the Governor of the Bank of Mongolia. Moreover, according to the Article 5.3 of the Law on the Central Bank, Bank of Mongolia, acting as the Government's fiscal agent, conducted foreign exchange conversions totaling a net total equivalent of 784.8 million USD (Figure 2.11).

Figure 2.11 The breakdown of spot trading of the Bank of Mongolia's FX market

Source: The Bank of Mongolia

Financial derivatives

The Bank of Mongolia introduced short-term financial derivatives in 2010 and long-term swap agreements in 2014, with the objective of supporting banks' short-term liquidity, reducing exchange rate risk and pressure in the spot market, lowering dollarization in the domestic market, and supporting the real economy. In line with the economic conditions, the interest rate terms of the long-term swap agreement are regularly updated. Accordingly, Decree No. A-83 of the Governor of the Bank of Mongolia, dated April 8, 2025, the interest rate was revised, increasing the additional rate for green financing from 0.5 percent to 1.0 percent.

Figure 2.12 Amount of the long-term swap agreements made with banks

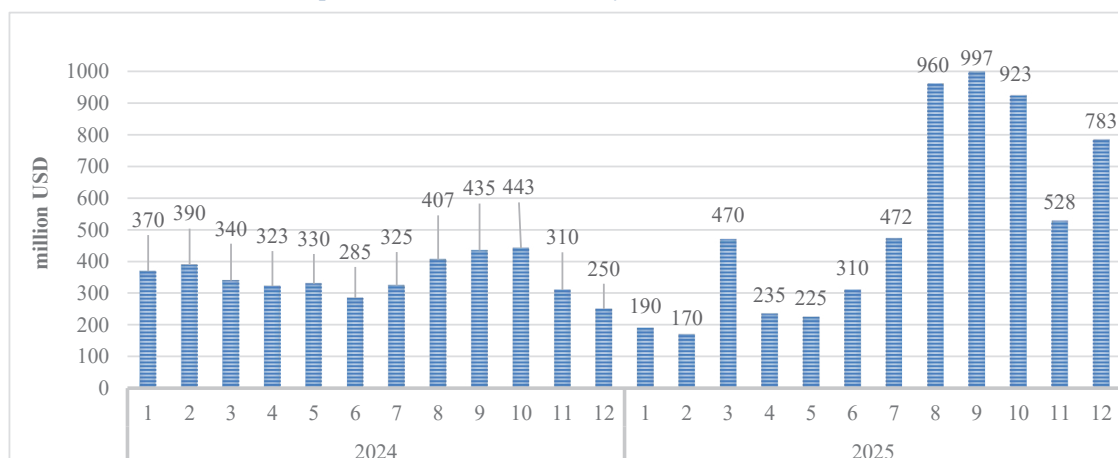
Source: The Bank of Mongolia

With regard to the long-term swap agreements, banks enter into agreements with the Bank of Mongolia using external financings with maturity over one-year. In 2025, Bank of Mongolia entered into long-term non-deliverable swap transactions with banks totaling USD 1,946.2 million, while long-term swaps amounting to USD 587.4 million matured and were settled. As a result, the outstanding balance of long-term swaps increased by USD 1,358.8 million to reach USD 3,684.0 million. No new short-term swaps or forward transactions were concluded during the reporting year (Figure 2.12).

Foreign currency deposits

According to the Governor of the Bank of Mongolia's decree No A-674 of 2010 "Banks foreign currency deposit to Bank of Mongolia" regulation and decree No A-297 of 2019, commercial banks are allowed to deposit foreign currency from a week to 3 months, with the corresponding timeframe of Bank of International Settlements' rate. The outstanding of banks' foreign currency deposit at the Bank of Mongolia amounted to 783.04 million USD at the end of 2025, increased by 533.04 million USD compared to the previous year (Figure 2.13).

Figure 2.13 Banks' balance of USD deposits in the Central Bank, by month



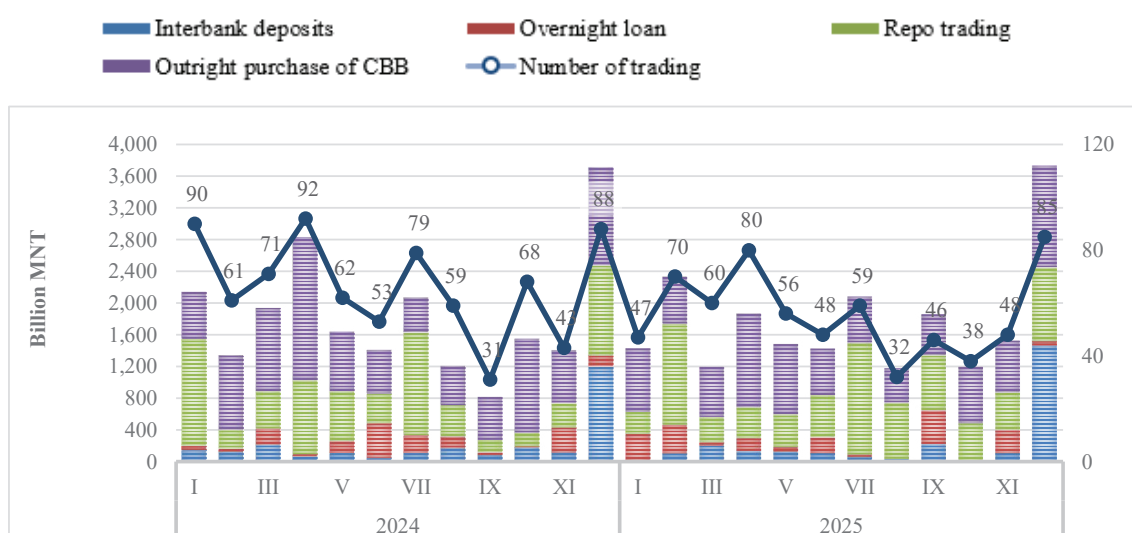
Source: The Bank of Mongolia

2.2.6 Interbank market transaction

The Bank of Mongolia continued to ensure the stable functioning of the interbank market. In 2025, the monthly average trading volume reached MNT 1,775.5 billion, representing a decrease of MNT 62.2 billion, or 3 percent, compared to the previous year.

Specifically, the monthly average volume of outright CBB transactions in the interbank market declined to MNT 738.3 billion in 2025, down by MNT 116.3 billion from the previous year. In contrast, repo transactions increased to MNT 658.4 billion, up by MNT 39.2 billion, while overnight transactions rose to MNT 162.0 billion, an increase of MNT 14.5 billion. Interbank deposits remained broadly unchanged, increasing slightly by MNT 0.3 billion.

The average number of monthly transactions during the reporting year was 56, which is 10 fewer than the previous year. Meanwhile, the average maturity of interbank transactions remained relatively stable at 9.1 days, representing a decrease of 1.1 days compared to the previous year (Figure 2.14).

Figure 2.14 Total transaction of the interbank market (by instrument, in billion MNT)

Source: The Bank of Mongolia

2.3. FINANCIAL STABILITY

Macroprudential policy

The Bank of Mongolia is implementing macro-prudential policy measures in coordination with monetary policy to maintain financial stability and prevent systemic risks. Within this framework, a sequence of policy measures was introduced during 2025 to prevent excessive credit growth in the banking sector, reduce household debt burdens, and mitigate the accumulation of cyclical financial risks.

To prevent the high credit growth from overstimulating domestic demand and to mitigate the accumulation of cyclical risks in the financial sector, an extraordinary meeting of the Monetary Policy Committee (MPC) in January 2025 made a decision to increase the reserve requirement ratios for banks' domestic and foreign currency liabilities by 2 percentage points, to 13 percent and 18 percent, respectively.

At its regular first-quarter meeting in 2025, the Bank of Mongolia's Monetary Policy Committee decided to lower debt-service-to-income (DSTI) ratio cap on consumer loans from 55 percent to 50 percent, effective March 10, 2025. This measure is intended to curb excessive growth in consumer lending, reduce household debt vulnerabilities, and mitigate potential risks to the financial system.

Furthermore, several policy measures regarding pension-backed loans were implemented to limit their excessive growth, reduce the financial vulnerabilities among pensioner borrower, and ensure social security. These included regulations passed in March and June 2025 requiring that, for all new or restructured pension and benefit-backed loans, the remaining monthly income after loan payments must not fall below the minimum subsistence level. Additionally, it was decided that pension loans should be subject to the same regulations as other consumer loans, meaning the debt-service-to-income (DSTI) ratio was not to exceed 50 percent. However, in response to complaints from some citizens stating that these measures were restricting credit access and creating difficult circumstances—as well as requests sent to the Bank of Mongolia from the Government of Mongolia, Standing Committees of Parliament, and Members of Parliament—the Monetary Policy Committee held an extraordinary meeting on July 7, 2025. During this session, the aforementioned decisions regarding pension and benefit-backed loans were invalidated, and the previous lending conditions were restored.

Additionally, a comprehensive set of decisions was issued during the regular meeting of the Bank of Mongolia's Monetary Policy Committee in the fourth quarter of 2025 with the objective of reducing interest rates on pension loans and improving their general conditions. These measures include calculating the reserve requirement by deducting an amount equivalent to the outstanding balance of pension and benefit-backed loans

from the bank's total required reserve-calculation base. Furthermore, the total duration of such loans may be extended once for a period not exceeding 36 months; if this extension reduces the monthly payment burden, the asset will not be classified as a restructured asset, and its final credit classification will be maintained. The decisions also include reducing the risk-weight assigned to pension loans from 150 percent to 100 percent.

To mitigate the risks associated with the interconnectedness of the banking and non-bank financial sectors and to ensure the stability of the banking and financial systems, a decree was issued by the Governor of the Bank of Mongolia on April 23, 2025. This regulation prohibits commercial banks from providing loans or any other form of financing to Non-Bank Financial Institutions (NBFIs), Savings and Credit Cooperatives (SCCs), money lenders, and financial leasing entities. Furthermore, banks are restricted from purchasing any assets from these entities and must ensure that any existing financing is repaid without being granted an extension. This policy measure is significant for preventing the softening of consumer credit policies within the regulated sector, while also closing the channels through which risks could spread between sectors during negative macro-financial shocks.

The Monetary Policy Committee of the Bank of Mongolia has transitioned to a system of holding dedicated meetings specifically for making macro-prudential policy decisions aimed at ensuring financial sector stability, with its inaugural meeting held on October 30, 2025. Shifting to this framework of meeting twice a year to focus on systemic risk and financial stability is significant for strengthening institutional capacity. During this session, the implementation of macro-prudential policies was reviewed, and it was decided to maintain the existing policy instruments without change.

The Bank of Mongolia has been enforcing debt-service-to-income (DSTI) and maturity limits on consumer loans since January 1, 2019, with the objectives of maintaining consumer credit growth at appropriate levels, reducing household debt burdens, and preventing risk accumulation within the banking system. As a result of these policy measures, the share of consumer loans in the banking sector's total loan portfolio, which had reached 36.2 percent at the end of 2018, began to decline in 2019 and fell to 29.7 percent by the end of 2025 (Figure 2.15). Furthermore, the maturities of new consumer loans issued by banks have shortened, and the debt-to-income ratios of citizens with consumer loans have decreased, remaining below the established regulatory limits.

Moreover, due to increased economic activity and the tightening of macro-prudential measures implemented by the Bank of Mongolia to limit excessive consumer credit growth, consumer loan growth has slowed while business lending has shown signs of recovery. As of the end of 2025, total banking sector credit grew by 19.0 percent annually, with consumer loan growth accounting for only 4.3 percentage points of that overall increase (Figure 2.16).

Figure 2.15 Share of consumer loans in the total loans of the banking sector

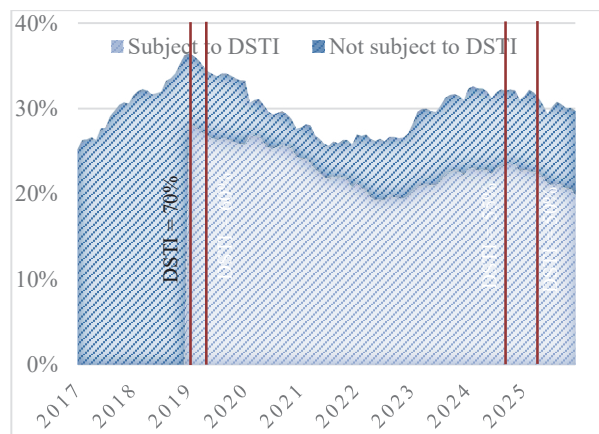
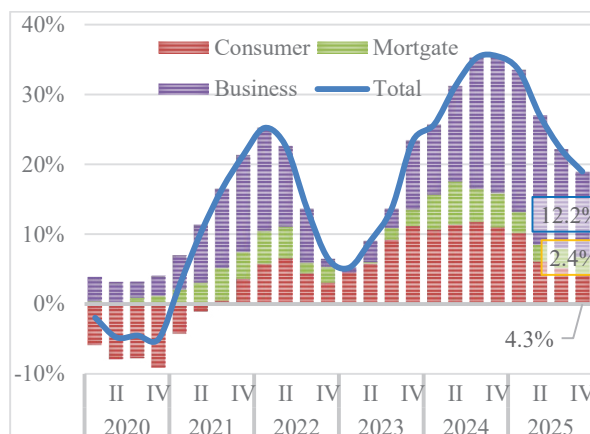


Figure 2.16 Annual growth of total banking sector credit, by component



Source: The Bank of Mongolia

Strengthening legal framework and supervisory policies within the banking sector

Establishing a risk-based supervisory framework

As part of efforts to enhance banking supervision, and in line with Objective 2 of the “Medium-term banking sector reform program”, which aims to introduce a risk-based approach into the supervisory framework, the Governor of the Bank of Mongolia issued order No. A-223 in 2024. Under this order, a working group was established comprising supervisors from the Supervision Department and the Banking Restructuring and Policy Department. The working group was tasked with introducing a risk-based approach to banking supervision, revising supervisory regulations and guidelines, and developing and implementing an integrated bank risk assessment system.

In addition, technical assistance was received from the IMF's CCAMTAC in Kazakhstan. Through this support, collaboration with an advisor was conducted to update existing supervisory regulations and guidelines, strengthen the capacity of supervisors, and provide training and necessary support.

The working group reviewed the Law on Banking of Mongolia, related legislation, regulations, and guidelines, as well as international practices in risk-based supervision. Based on this, the group developed the core policy document titled “Policy document to be followed in the supervisory and inspection activities of banks”, which sets out the fundamental principles of supervisory activities, along with a transition action plan. These were approved by the Governor's Orders No. A-256 and A-257 dated November 14, 2025.

The main objective of the policy document is to ensure coordination among various supervisory activities of the Bank of Mongolia, including off-site supervision, on-site supervision, AML/CFT supervision, assessment of bank governance, and evaluation of recovery plans. It also aims to implement supervision based on performance and risk, clearly define supervisory principles, methodologies, and risk assessment directions, and establish an integrated information database.

The policy aims to achieve the following key benefits in banking supervision:

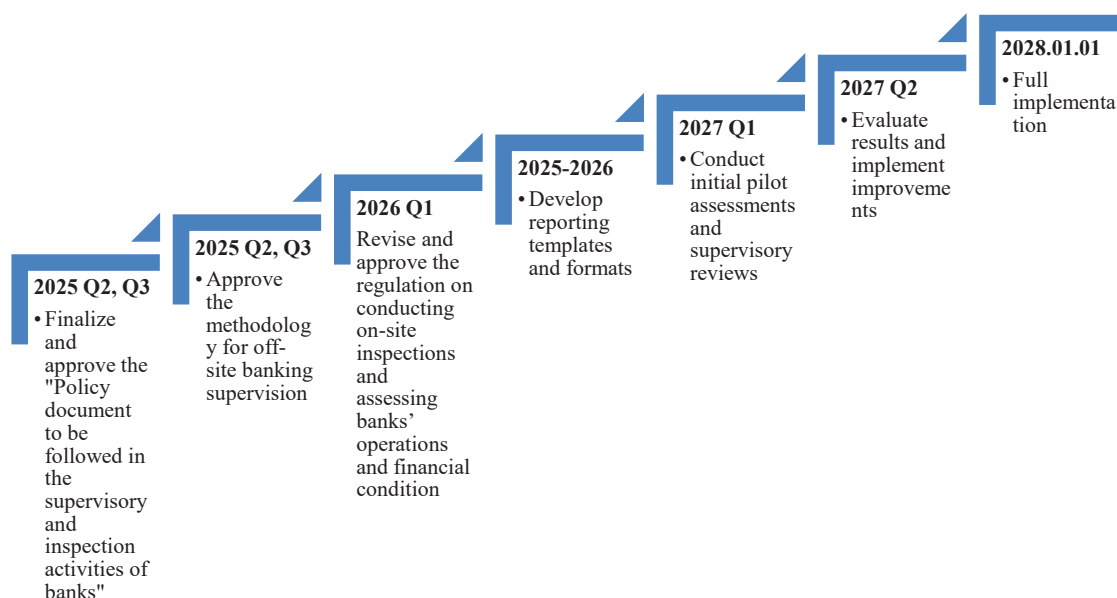
- Allocate supervisory resources efficiently by focusing on higher-risk banking activities, ensuring more effective and targeted supervision;
- Reduce the duration of on-site inspections while improving their effectiveness by concentrating on higher-risk areas and lowering the supervisory burden on lower-risk banks;
- Enable supervisors to apply their professional judgment, based on knowledge, experience, and analytical thinking, when assessing banks, considering each bank's business profile, financial condition, risk management capability, risk appetite, and systemic importance;
- Improve the effectiveness of off-site supervision in line with international best practices and make it the primary supervisory tool of the Bank of Mongolia;
- Establish an integrated supervisory information system to provide supervisors with comprehensive and consolidated data.

This policy document serves as a fundamental framework guiding the supervisory functions of the Bank of Mongolia. It establishes the core principles and arrangements to be followed by supervisory units, while also requiring continuous improvement of supervisory tools, methodologies, and standards in line with financial market developments and international practices to effectively assess risks in the banking system (Figure 2.17).

Figure 2.17 Transition action plan (2025-2028):

2025-2028
Supervisors' capacity development

Revision of the "Regulation on supervising the implementation of corporate governance principles in banks"



The "Regulation on supervising the implementation of corporate governance principles in banks" was initially approved by the Governor of the Bank of Mongolia under Order No. 594 dated December 21, 2006. The regulation was subsequently revised in 2014, 2018, and 2022 to align with amendments to the Banking Law and the Company Law, establishing a framework for supervising banks' corporate governance practices. It has been in force for over 2 decades.

As a result, corporate governance practices in banks have gradually strengthened and become an industry standard. For example, according to the Financial Regulatory Commission's 2025 Corporate governance code report, the five systemically important banks ranked among the top 10 out of 113 listed companies in terms of governance performance.

However, while the current regulation is based on the OECD corporate governance principles, the assessment methodology includes overly general and low-impact questionnaires and is not fully aligned with risk-based supervision. This has created a need for revision.

Accordingly, in line with Objective 2 of the medium-term banking sector reform program to introduce risk-based supervision, the "Regulation on supervising the implementation of corporate governance principles in banks", approved by the Governor's Order No. A-143 dated May 9, 2022, is being revised to align with the corporate governance principles issued by the Basel Committee on Banking Supervision. The draft regulation has been published on the Bank of Mongolia's website, and feedback has been collected from the public and banks. Based on the comments received and further analysis, the draft is currently being refined.

The revised draft aims to strengthen the effectiveness of risk information exchange among key stakeholders in bank risk management, including the board of directors, its risk committee, executive management, the chief risk officer, and related units, compliance, internal audit, and the regulator. It also seeks to improve risk identification, assessment, and mitigation practices, ensure more objective governance assessments, and enhance transparency in risk reporting.

Strengthening the corporate governance and risk management systems of banks and progressively aligning supervisory assessment methodologies with international standards.

Within the framework of aligning the banking sector's supervision and regulatory tools with international standards and principles, the Bank of Mongolia has been progressively introducing the Internal Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP) and the Supervisory Review and Evaluation Process (SREP) under Basel Pillar 2 since 2023.

In this regard, during the reporting year, banks prepared and submitted their pilot ICAAP and ILAAP reports to the Bank of Mongolia for the third consecutive year in accordance with the draft regulations. The Bank of Mongolia conducted SREP assessments and second-stage quality assurance on these reports and organized meetings to present the results to the banks. During these meetings, the Bank of Mongolia discussed the deficiencies in banks' risk management, further focus areas, actions to be taken, and provided recommendations to the banks.

As part of the measures to incorporate Basel Pillar 2 into the Mongolia's banking supervision regulations and regulatory tools, a public hearing for the draft "Regulation on the Internal Capital and Liquidity Adequacy Assessment Process (ICAAP, ILAAP)" was organized in the second quarter of 2025 in accordance with the General Administrative Law. It was subsequently approved by the Annex to Decree No. A-296 of the Governor of the Bank of Mongolia on December 8, 2025. Currently, the Bank of Mongolia is operating to register this regulation in the Unified Register of Administrative Normative Acts.

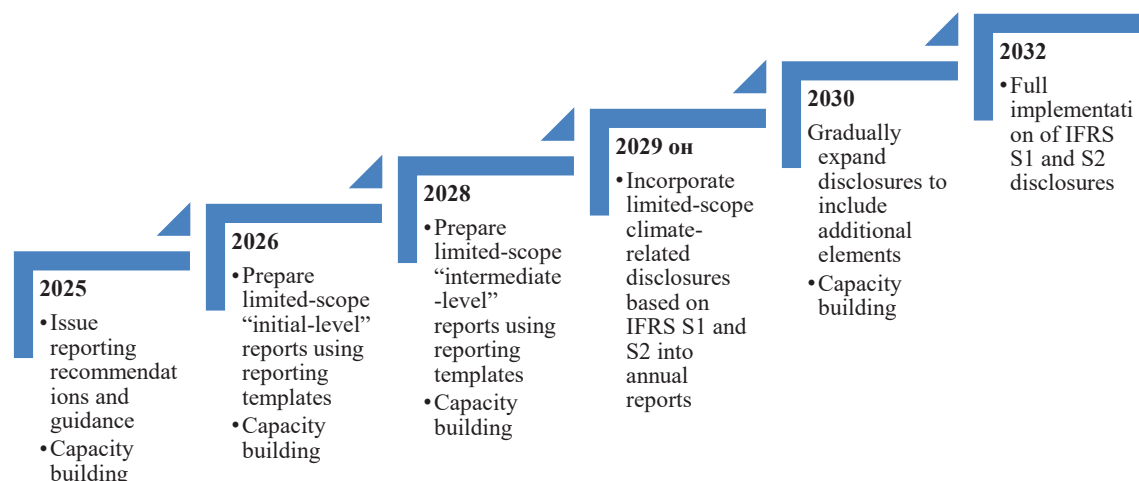
Issuance of the "Climate-related disclosure guidelines for Mongolian financial institutions: Learning by doing"

In cooperation with the United Nations ESCAP under the project "Supporting central bank readiness for greening", the Bank of Mongolia developed the "Climate-related disclosure guidelines for Mongolian financial institutions: Learning by doing" in line with IFRS Sustainability Disclosure Standards (IFRS S1 and S2). The launch event was held on May 8, 2025, with participation from senior representatives and staff of the banking and financial sector (<https://www.mongolbank.mn/mn/r/9482>). The Guidance was formally approved by the Governor's Order No. A-180 dated August 1, 2025 (<https://www.mongolbank.mn/mn/r/10162>).

The introduction of this guideline into banks' reporting practices represents a crucial step toward enhancing transparency and sustainability in Mongolia's financial sector. It is expected to strengthen investor and stakeholder confidence, improve the disclosure of climate-related impacts, reduce reputational and greenwashing risks at the international level, and promote a mutual understanding of climate-related reporting across the financial sector.

The Guidance includes a phased roadmap to support implementation, enabling banks to adopt a "learning-by-doing" approach. This includes building capacity, developing internal reporting methodologies, collecting the necessary data to fully implement IFRS S1 and S2, and strengthening supervisory review processes. Under this roadmap, all banks and financial institutions are expected to fully comply with IFRS S1 and S2 climate-related disclosure requirements starting from 2032 (Figure 2.18).

Figure 2.18 Implementation Roadmap (2025-2032)



Establishing a regulatory framework to promote foreign investment in the banking sector

Mongolia’s long-term development policy, “Vision 2050”, aims to create a favourable investment environment, strengthen public-private partnerships, and develop a diversified and inclusive financial system integrated with international financial markets. It also anticipates the modernization of the banking and financial system to support private sector development, improve the investment and lending environment, and expand financial services based on technological advancement and artificial intelligence during 2021–2030.

In line with these objectives and ongoing improvements in the legal framework governing foreign banks and their branches, the Bank of Mongolia is required to further refine its supervisory regulations and promote investment in the financial sector. Accordingly, in 2025, the Bank of Mongolia focused on establishing the necessary policy and regulatory mechanisms to facilitate market entry and increase investment by foreign banks and investors in the domestic financial sector.

The “Regulation on setting and implementing requirements for the operations of foreign bank branches and representative offices” was approved by the Governor’s Order dated June 14, 2023, thereby establishing the legal basis for foreign bank branches to operate in Mongolia. Previously, memoranda of understanding (MoU) with foreign supervisory authorities primarily covered cooperation and information exchange. However, to support applications by foreign banks seeking to establish branches in Mongolia, it became necessary to define conditions for joint supervision based on a dual supervisory framework. Accordingly, a model MoU was developed and approved by the Governor’s order dated December 12, 2025. This MoU clearly defines the scope of supervision for foreign bank branches, establishes mechanisms for information exchange and confidentiality, and clarifies the roles and responsibilities of both home and host supervisory authorities.

In addition, to facilitate the entry of foreign banks into the domestic market through subsidiaries, and to further clarify regulatory requirements and supervisory arrangements for foreign banks, their branches, and representative offices, a draft amendment to the Banking Law has been developed. The proposed amendments aim to establish a comprehensive legal framework for regulating foreign banks and to support their establishment as legal entities in Mongolia.

Approval of the “Regulation on general conditions for banking deposit activities”

In order to enhance the stability of funding sources in the Mongolian banking sector, introduce new products and services in the capital market, increase investment, and provide investors with broader, more flexible, and less intermediated investment options, while improving liquidity and reducing the cost of funds, amendments were made to the Law on the Securities Market. Specifically, Article 19^{1.1} of the amended law stipulates that a bank licensed to conduct activities under Article 6.1.1 of the Banking Law may issue deposit certificates for

trading in the securities market. The Parliament of Mongolia adopted the amendments on May 16, 2024.

Based on the above legal amendments and Article 8.1 of the Law on Deposits, Loans and Banking Transactions of Bank and Authorized Legal Entity, the “Regulation on general conditions for banking deposit activities” was approved by the Governor of the Bank of Mongolia under Order No. A-263 dated November 18, 2025, and registered as an administrative act with the Ministry of Justice and Home Affairs. This regulation establishes common requirements and conditions for banks licensed to conduct deposit activities. It also enables deposit certificates to become a more flexible financial instrument, contributing to the optimization of banks’ funding structures in the financial market, reducing asset-liability maturity mismatch risk, improving funding stability, lowering administrative and human resource costs associated with deposit mobilization, promoting fair competition among banks, and enhancing overall productivity in the banking sector.

Implementation of IFRS 9 in the banking sector

The Bank of Mongolia is implementing the International Financial Reporting Standard 9 (IFRS 9) in the banking sector with technical assistance from the Asian Development Bank and the International Monetary Fund. The work is being conducted in the following areas:

1. Assessing the current state of IFRS 9 implementation and banks’ readiness;
2. Conducting training, knowledge-sharing, and capacity-building on IFRS 9;
3. Developing relevant regulatory and procedural drafts.

Based on international best practices, the Bank of Mongolia has identified common implementation challenges and is working to ensure a smooth and efficient transition within a brief period, while aligning institutional capacity with international standards and avoiding excessive pressure on financial stability. A phased transition plan has been approved, and related measures are being implemented accordingly. In 2025, the Bank of Mongolia conducted capacity-building activities for supervisors, organized stakeholder consultations, defined key principles for IFRS 9 implementation based on international guidance and research, and established baseline regulatory requirements.

The Bank of Mongolia has also aligned the “Accounting manual”, jointly approved by the Governor of the Bank of Mongolia and the Minister of Finance in 2017, with IFRS 9 requirements, and is currently working toward its formal approval. In addition, the Bank has prepared a draft “Implementation Guidelines for IFRS 9 in Banks” to define the supervisory approach to IFRS 9 application, ensure consistency between the accounting rules and the “Regulation on asset classification, provisioning and disbursement thereof” and establish core implementation principles for banks from a regulatory perspective.

Designation of systemically important banks and amendments to the relevant methodology

In accordance with the methodology for identifying systemically important banks, approved by the Governor of the Bank of Mongolia’s Order No. A-104 of 2021, the department responsible for banking policy and regulation is responsible for calculating each bank’s systemic importance score at least once a year. The methodology also requires the Bank of Mongolia to review it at least annually and, if necessary, propose amendments and updates. Based on this requirement, the Bank of Mongolia calculated the systemic importance scores of banks for 2025.

Under the methodology, banks scoring 500 points or higher are designated as systemically important banks. In 2025, Khan Bank, Golomt Bank, Trade and Development Bank, State Bank, and Xac Bank met the threshold. Therefore, the list of systemically important banks approved by the Governor’s Order No. A-105 dated April 19, 2021, remains unchanged.

In addition, the Bank of Mongolia approved Order No. A-277 dated December 3, 2025, introducing amendments to the methodology. The amendments specify that systemically important banks must take the form of publicly listed companies and clarify the minimum period for maintaining the threshold score requirement. The amended methodology is currently in effect.

Other regulatory measures in the banking sector

Taking into account the impact on national economic growth, implications for the banking sector, and alignment with national development policy documents, the Bank of Mongolia introduced a temporary regulatory measure on December 1, 2025, to support the purchase of bonds issued to finance the construction of the Bagakhangai–Khushig Valley branch railway project. Under this measure, the Bank of Mongolia reduced the risk weight of the relevant bond, classified it as a liquid asset, and included it in the list of eligible collateral for central bank refinancing operations. This temporary regulation will remain in effect until December 1, 2026.

In addition, in order to diversify domestic money market instruments and strengthen banks' liquidity positions by reducing concentration in liquid assets, the Bank of Mongolia is reviewing the possibility of assigning a 20 percent risk weight to provincial securities and classifying them as liquid assets.

Within the framework of bank restructuring measures

Following to the Banking Law of Mongolia and the “Regulation on the Banking Stabilization Fund” approved by Governor's decree (2021), the Bank of Mongolia commenced the establishment of the Banking Stabilization Fund in 2022.

The Fund serves as a key financial mechanism aimed at ensuring the availability of resources necessary to implement resolution measures for systemically important banks (SIBs), thereby safeguarding financial stability. To protect the stability of the banking sector and the interests of depositors and clients, a risk-based annual contribution framework applicable to systemically important banks was introduced.

Accordingly, by the Governor's decree dated October 3, 2023, the Governor of the Bank of Mongolia approved the “Methodology for Calculating Annual Contributions to the Banking Stabilization Fund,” establishing a risk-based contribution system. As of 2025, the Fund has accumulated MNT 57.8 billion.

To ensure preparedness for crisis situations and enable timely stabilization of banks, the Bank of Mongolia annually requires banks to prepare and obtain Board approval of their Bank Recovery Plans and the relevant regulation approved by the Governor in 2023. These plans are subsequently reviewed and assessed by the Bank of Mongolia.

The main objective of the Recovery Plan is to ensure that banks maintain a comprehensive and actionable framework to preserve operational continuity and restore capital adequacy and liquidity under stress conditions. The Bank of Mongolia evaluates the feasibility, credibility, and effectiveness of these plans and annually provides supervisory feedback and recommendations for improvement.

In accordance with the legislation on banking liquidation, the Bank of Mongolia exercises oversight over the activities of receivers appointed to banks undergoing compulsory liquidation, including Zoos Bank LC, Savings Bank LLC, and Capital Bank LLC.

To ensure transparency and public accountability, the Bank of Mongolia publishes monthly updates on its official website regarding the recovery of non-performing assets, proceeds from asset sales, and the satisfaction of creditor claims.

Furthermore, following to the Banking Law of Mongolia, resolution measures are implemented with respect to systemically important banks that are unable to restore normal operations independently. These measures are guided by the principles of prompt and effective intervention, minimization of public costs, preservation of financial stability, and protection of clients' interests.

In 2025, the Bank of Mongolia developed a comprehensive policy framework that establishes the instruments for resolution, terms and conditions for implementing resolution tools, sequences funding sources, defines critical functions and services, clarifies the roles and responsibilities of authorities, and sets out communication strategies and inter-agency coordination mechanisms.

Through this framework, the Bank of Mongolia continues to strengthen its crisis preparedness, resolution

capacity, and enforcement mechanisms in alignment with international best practices, thereby enhancing the resilience and stability of Mongolia's banking sector.

Training sessions and meetings organized in relation to banking supervision

“Supervisory review of sound corporate governance” training: A training on “Supervisory review of sound corporate governance” was conducted from February 17–19, 2025, led by IMF advisor Mr. Serdar Guner and Ms. Anna, Head of Governance at the National Bank of Georgia. The training covered key topics including core principles of sound corporate governance, effectiveness of governance structures, independence and accountability of the Board of Directors, internal control and risk management arrangements, methodologies for assessing governance within the supervisory framework, and international practices based on IMF and National Bank of Georgia experience.

A total of twelve supervisors from the Supervision Department and the Banking Restructuring and Policy Department successfully participated in the training.

Workshop on strengthening off-site supervision activities: As part of efforts to enhance risk-based supervision, a workshop was held from October 20–24, 2025, with participation from IMF advisor Mr. Serdar Guner and short-term experts Ms. Maneh Harutyunyan (Head of Risk Analysis Department, Central Bank of Armenia) and Ms. Anna Eghiazaryan (Head of Supervision Strategy and Development Division).

The experts reviewed the Bank of Mongolia's off-site and on-site supervisory activities and provided guidance on the risk assessment models and reporting templates under the off-site supervision guideline, which will be implemented from 2026. The workshop was jointly organized with relevant staff from the Supervision Department and the Banking Restructuring and Policy Department.

Training on IFRS 9 supervision: Within the framework of technical assistance programs, the Bank of Mongolia, in cooperation with experts from the IMF and the Asian Development Bank, organized IFRS 9 training sessions for supervisors in April, June, and October 2025.

The trainings aimed to provide a basic understanding of IFRS 9, strengthen supervisory capacity, identify key issues in supervising IFRS 9 implementations, and introduce standard assessment questionnaires and supervisory approaches.

Training under CCAMTAC (IMF regional capacity development center): Mongolia is a member of the IMF's CCAMTAC (Kazakhstan-based) regional center, which provides opportunities for training, seminars, experience sharing, and technical assistance among member countries.

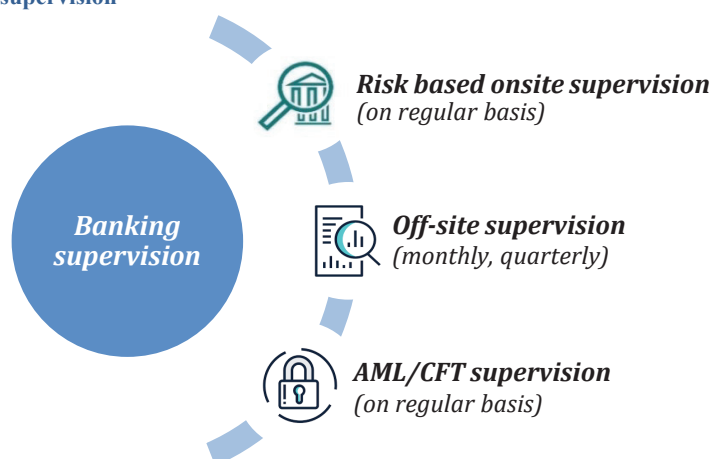
In line with the Medium-term banking sector reform program, particularly Objective 2 on introducing risk-based supervision, the Bank of Mongolia has been actively cooperating with CCAMTAC.

Through this cooperation, supervisors participated in various training programs organized by CCAMTAC, including corporate governance, core principles, and IFRS 9, related party transactions, supervisory principles roundtable, and risk-based supervision. These programs enhanced supervisory knowledge and skills while facilitating experience sharing with peer regulators and international counterparts.

Supervisions on banking operations

In accordance with the operational guidelines specified in Article 5 of the Law on the Central Bank /The Bank of Mongolia/ supervisory activities over banking operations were carried out throughout 2025 with the objective of safeguarding the rights and legitimate interests of bank customers and depositors. To ensure implementation of the Law on Banking, the Company Law, and other relevant legislative and regulatory acts, regular on-site inspections and off-site monitoring were carried out (Figure 2.19).

Figure 2.19 Scope of bank supervision



Source: The Bank of Mongolia

On-site supervision for banking operations

The risk-based supervisory plan for 2026 was approved by The Governor of the Bank of Mongolia. Supervisory efforts were focused on high-risk banking activities. In 2025, comprehensive inspections were conducted in three banks, partial inspections in seven banks, and thematic inspections were carried out across all banks in cooperation with other units of the Central Bank.

Off-site supervision for banking operations

In accordance with the “Guideline for bank off-site supervision” approved by The Governor of the Bank of Mongolia, quarterly assessments of banks were performed. These assessments covered general operational data, balance sheet structure, and CAELS indicators—capital adequacy, asset quality, earnings, liquidity, and sensitivity to market risk. The reports included detailed analyses of changes in these indicators, identification of potential risks, and recommended supervisory measures. Additionally, quarterly off-site supervision conclusions were prepared, including evaluations of banks’ compliance with directives issued by the Governor, progress in implementing strategies to reduce non-performing assets, and reviews of reports submitted by independent members of banks’ Boards of Directors.

As part of efforts to align supervisory tools and methodologies with international standards, requirements under Pillar 2 of the Basel framework and the Supervisory Review and Evaluation Process (SREP) were introduced. The Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) reports of banks for 2024 were reviewed, and the results were presented to bank management in November 2025.

Monthly financial statements and other reports submitted by banks were continuously monitored within the framework of banking legislation. Appropriate corrective measures were taken to address identified violations. Off-site supervisory actions included issuing official warnings, assigning corrective tasks, setting deadlines through state inspector notices, and initiating enforcement procedures where breaches were identified.

Furthermore, petitions, complaints, and requests submitted to the supervisory authority of the Bank of Mongolia by members of the State Great Khural of Mongolia, working groups of temporary oversight committees, other government institutions, and banks were reviewed and resolved in accordance with applicable laws, and relevant information was prepared and provided.

Reform of Laws, Regulations, and Legal Framework

To align banking supervision with the best international practices and risk-based supervisory principles, the methodology for on-site supervision has been progressively updated. The revised methodology enables

systematic risk assessment, early detection of emerging risks, and timely implementation of appropriate supervisory measures.

This reform has also established a unified framework for assessing each bank's risk profile, the effectiveness of internal controls, and risk mitigation capacity. It allows supervisory resources to be more efficiently allocated toward higher-risk areas, thereby enhancing the effectiveness of supervision, strengthening the resilience of the banking system, supporting improvements in banks' risk management practices, and reinforcing the institutional foundation of supervisory oversight.

In addition, efforts to improve the legal environment of the banking sector included active participation in the working group responsible for the revision of the Law on Banking. Recommendations and conclusions were developed to ensure alignment between the legal framework and the risk-based supervisory system.

Anti-Money Laundering and Combating Financing Terrorism Supervision Activities

Within the framework of the Law on Combating Money Laundering and Terrorism Financing, the Law on Combating the Proliferation of Weapons of Mass Destruction and Terrorism, and other relevant legal instruments, supervisory activities were undertaken to ensure banks' compliance with statutory obligations. These efforts focused on enforcing regulatory requirements and implementing risk-based supervision over activities related to combating money laundering, terrorism financing, and the financing of the proliferation of weapons of mass destruction (AML/CFT/CPF).

Risk-based supervision encompassed key areas including governance and organizational structures for AML/CFT, internal policies and procedures, customer due diligence (CDD), transaction monitoring systems, reporting of cash, cross-border and virtual asset transactions, identification of beneficial ownership, suspicious transaction reporting, and correspondent banking relationships.

On-site inspections of banks' AML/CFT activities

In 2025, the Anti-Money Laundering Division of the Supervision Department conducted risk-based on-site inspections - both full-scope and targeted - across eight banks.

In line with directives approved by the Governor of the Bank of Mongolia, thematic inspections were carried out in collaboration with the Financial Market Department. These inspections focused on:

- The purpose, volume, and exchange rates of cash foreign currency transactions
- Cash inflows and outflows
- Discrepancies between publicly quoted and electronically executed exchange rates
- Compliance with suspicious transaction reporting requirements
- Adherence to customer due diligence regulations
- The utilization of foreign currency purchased through central bank auctions in accordance with declared purposes

Off-site supervision of banks' AML/CFT activities

As part of the risk-based supervisory framework, AML/CFT risk assessments were conducted for each bank based on data submitted in accordance with regulatory requirements. These assessments informed the prioritization and scope of on-site inspections.

Off-site supervision was conducted for 12 banks in accordance with the relevant regulatory framework governing remote supervision of AML/CFT/CPF activities.

Based on periodic monthly, quarterly reports and risk assessment submissions, supervisory analysis focused on:

- Risks arising from banks' operational activities during the reporting period
- The effectiveness of internal control systems
- Banks' exposure to ML/FT/PF risks

A consolidated risk assessment was prepared to support supervisory decision-making.

In addition, ongoing monitoring was conducted to ensure compliance with targeted financial sanctions imposed by the United Nations.

Legal and regulatory developments

Following amendments to the Law on deposits, loans and banking transactions of bank and authorized legal entity enacted on January 12, 2024, reporting entities as defined under Article 4.1 of the AML/CFT Law are now permitted to conduct electronic customer identification/onboarding. In response to these legislative changes and in alignment with international best practices, draft amendments have been developed to incorporate provisions on electronic know your customer (e-KYC) within the "Customer Due Diligence" section of the AML/CFT preventive measures regulation.

National Strategy for AML/CFT

The Bank of Mongolia continues the implementation of measures outlined in the Government-approved National Program on Combating Money Laundering and Terrorism Financing, ensuring timely execution and reporting of assigned actions.

Domestic and International cooperation

As part of the National Risk Assessment, Module 3: Banking sector vulnerability assessment was conducted pursuant to Order No. A/171 (2025) issued by the Minister of Justice and Internal Affairs, who also serves as Chair of the National AML/CFT Council. The assessment involved the collection of relevant data from individual banks and its evaluation in accordance with the World Bank's methodology, culminating in the preparation and submission of a comprehensive report.

Furthermore, active participation was maintained in sub-working groups under the National Risk Assessment framework, including:

- Module 2: National Vulnerability Risk Assessment
- Module 8: Terrorism Financing Risk Assessment
- Module 9: Financial Inclusion Product Risk Assessment
- Module 10: Risk Assessment of Non-Profit Organizations in Relation to Terrorism Financing

Preparatory work was also undertaken for an evaluation by the Organization for Economic Co-operation and Development regarding Mongolia's compliance with international standards on tax information exchange. This included coordinating necessary legislative amendments, supporting implementation efforts, preparing and defending evaluation reports, and providing sector-specific policy input related to the banking industry.

Within the scope of granting permits to banks

The Bank of Mongolia carried out functions related to the issuance of permits to banks within the framework of the Law on Banking, the Law on Permits, the Law on Conducting Payments in the National Currency, and the regulations adopted in compliance therewith.

In 2025, the Licensing Unit reviewed permit applications and supporting documentation submitted by applicants and resolved them with the following outcomes:

Permits Granted:

- 4 ordinary permits for banking operations;
- 11 permits for banks to issue new shares and equity securities, and to make changes to the amount and

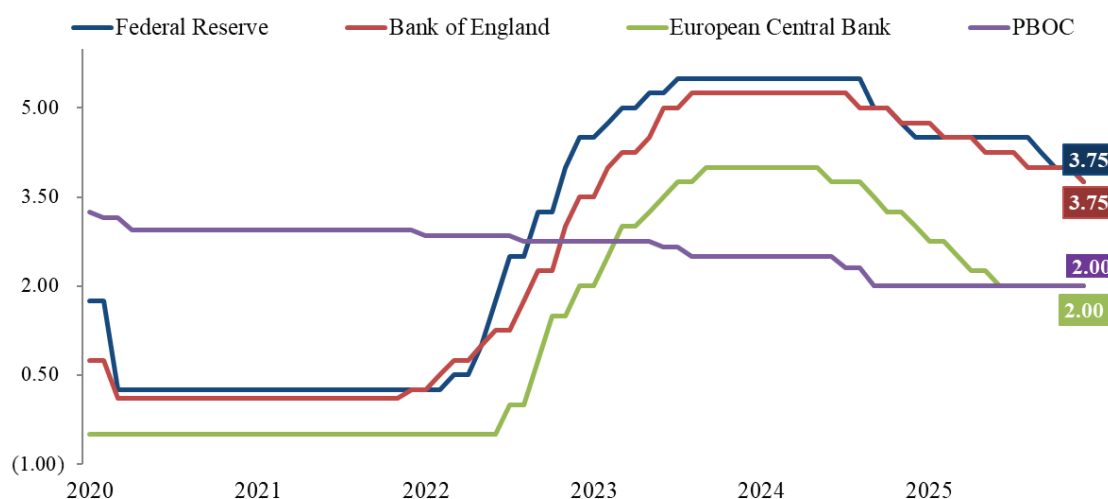
- structure of paid-in capital;
- 8 permits for dividend distribution;
- 26 notifications regarding the appointment of members of the Board of Directors and executive management (submitted in lieu of permits as required by regulation);
- 19 permits for pricing, conducting payments, and advertising in foreign currency units.

A total of 12 permit applications submitted by banks and legal persons, along with their supporting documents, did not meet the requirements of applicable laws and regulations; therefore, the issuance of permits was denied.

2.4 MANAGEMENT OF FOREIGN EXCHANGE RESERVE

Subject to Article 21 of the “Law on the Central Bank,” the Bank of Mongolia manages reserves based on the principles of ensuring the safety and liquidity of the foreign exchange reserves. Only after fulfilling these requirements can the foreign reserves be invested in return-seeking assets. The structure and organization of foreign exchange reserve management must align with international standards and aim to create a dual control system that clearly defines the rights and responsibilities of each stakeholder. Furthermore, the foreign exchange reserves must adhere to the principles of openness and transparency; consequently, the Bank of Mongolia publishes the foreign exchange reserve amount every month on its official website, following the “Special Data Dissemination Standard” set by the IMF (Figure 2.20).

Figure 2.20 Central Bank Policy Rates (percent)



Source: Bloomberg

In 2025, geopolitical risks and economic uncertainties persisted in several major economies. US President Donald Trump's decision to impose tariffs on foreign trading partners in April 2025 sent shockwaves through international markets, sending commodity prices soaring and prompting other countries to retaliate with tariffs. Leading central banks closely monitored the inflation rate, the main objective of monetary policy, and the uncertainty in the market, and have gradually eased their monetary policy in 2025. In the above market environment, the Bank of Mongolia assessed the monetary policy stance and foreign currency trends, and the associated uncertainties and risks. With a focus on minimizing counterparty and settlement risks, the Bank of Mongolia selected suitable investment periods and instruments for managing foreign exchange reserves.

For instance, funds in the form of current accounts, time deposits, and short and long-term securities were placed at the Federal Reserve, Bank of England, Bank of Japan, Deutsche Bundesbank, Banque de France, and Central Bank of Luxembourg; and international banks and financial institutions; as well as foreign banks

and financial institutions with high credit ratings. Furthermore, taking advantage of a favorable investment environment, the size of the long-term investment portfolio gradually increased, outperforming benchmark returns by investing in US Treasury bills and securities from international banks and financial institutions.

In 2025, the Bank of Mongolia purchased a total of 16.3 tons of gold from the domestic market, including from individuals and gold mining companies, to increase its foreign exchange reserves, and managed its gold portfolio on the international market.

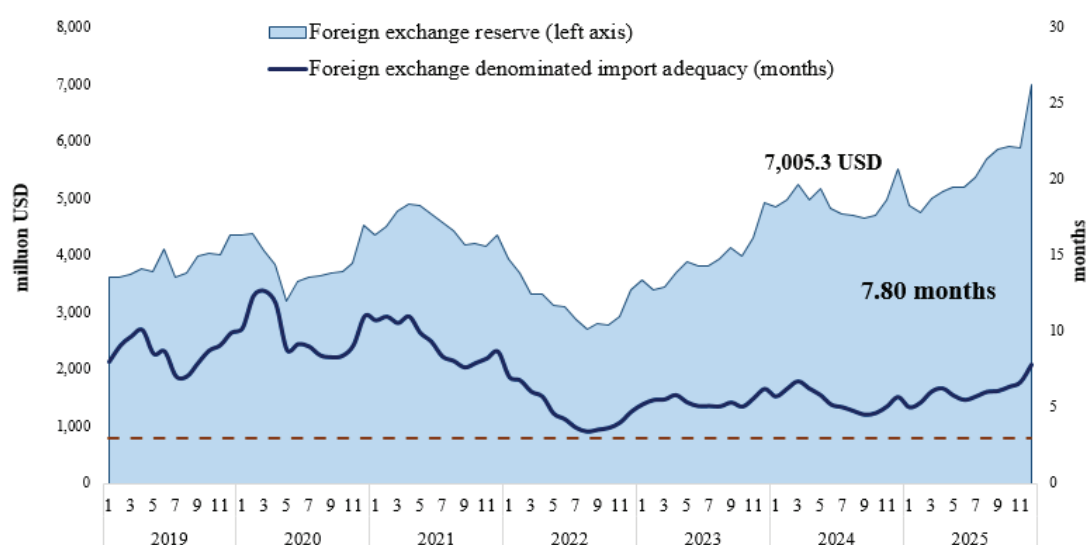
Gold prices continued to rise in 2025, driven by factors such as the Middle East and Russia-Ukraine war, geopolitical tensions, the decline in the real yield of the US dollar, and foreign trade and tariff conflicts between the United States and its trading partners.

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, while adhering to risk limits aimed at maximizing real returns

To ensure the sustainability of Mongolia's external debt, reduce the central bank's interest expenses, and implement the recommendations of the National Security Council, the Bank of Mongolia made advance repayments totaling CNY 6.0 billion in 2023 and 2024 against swap line drawings utilized between 2011 and 2016 within the framework of "Chinese Yuan/Mongolian Tugrug Bilateral Currency Swap Arrangement", using proceeds generated from monetized gold purchased in the domestic market.

As a result of these advance payments, the outstanding balance of the swap agreement has decreased to CNY 6.0 billion by the end of 2025. Since the agreement was first signed, the foreign trade turnover between Mongolia and China has increased by 2.9 times, and the volume of RMB transactions processed through the banking system has increased by 3.4 times. This growth indicates a deepening coordination and integration of the foreign trade and financial sectors between the two countries. It underscores the increasing necessity and significance of the Chinese Yuan/Mongolian Tugrug Bilateral Currency Swap Arrangement.

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



Source: Bank of Mongolia

As of end-2025, Mongolia's official foreign exchange reserves reached USD 7,005.3 million, marking an increase of USD 1,495.5 million, or 27.1 percent, since the beginning of the year. This growth indicates a

continued improvement in the country's external liquidity position and overall reserve adequacy.

The reserve level remained above internationally accepted by minimum adequacy standards.

- Based on the average foreign currency-denominated imports of goods and services over the most recent three months, reserves were sufficient to cover 5.44 months, or 23.32 weeks, of imports.
- Based solely on imports of goods, reserves covered 7.80 months, or 33.44 weeks, of imports. Accordingly, the reserve position exceeded the conventional benchmark of three months of import cover (Figure 2.21).

However, under the National Security Concept adopted by the Parliament of Mongolia on July 15, 2010, which sets a longer-term objective for reserves to cover at least one year of national import requirements, the current level has not yet reached that target.

Within the framework of reserve management, the Bank of Mongolia continued its efforts to support domestic commercial banks in strengthening correspondent banking relationships with leading international banks and financial institutions. Maintaining and expanding these relationships remains important for facilitating external payments, trade settlement, and access to the global financial system.

During 2025, as part of its strategy to diversify direct clearing accounts, reduce concentration risk, enhance cross-border payment infrastructure, and improve access to international financial markets, the Bank expanded cooperation with reputable financial institutions in the United States and the United Kingdom.

In addition to strengthening the management of the long-term USD investment portfolio, transitioning toward a unified reserve management framework, aligning the Future Heritage Fund's asset management practices with international standards, improving independent validation of risk-return performance through custodian reporting, and reinforcing governance and internal control arrangements, the Bank established an account with a global custodian institution.

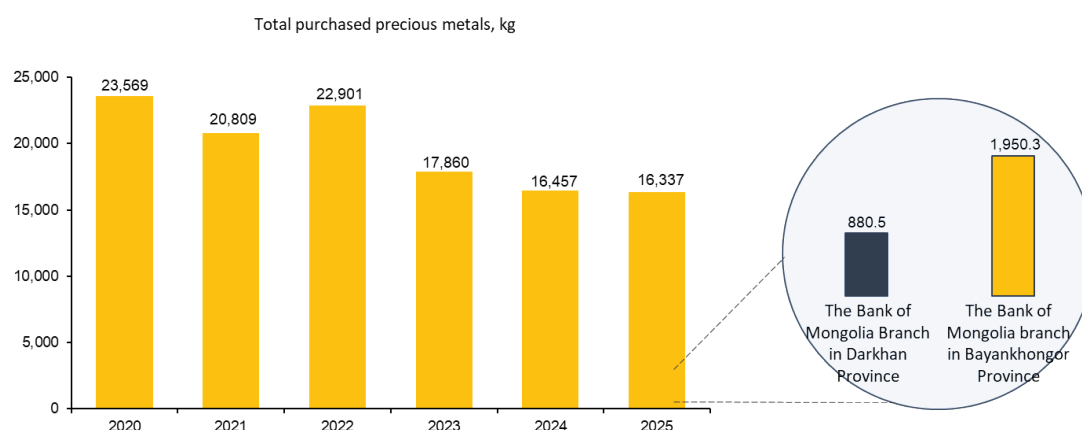
Consequently, in 2025, J.P. Morgan Bank began its cooperation with the Bank of Mongolia in global custodianship, leveraging its extensive service capabilities, international experience, advanced payment and settlement infrastructure, and systemic importance within the global financial system.

2.5 PRECIOUS METAL OPERATIONS

The Treasury Division of the Bank of Mongolia operates within the framework of the Law on the Central Bank, the Law on Currency Regulation, and other relevant regulations to increase the country's foreign exchange reserves. It purchases precious metals from the domestic market at London Metal Exchange prices and arranges their refining at foreign refineries. In 2025, a total of 16.3 tons of precious metals were purchased and monetized, increasing the official foreign exchange reserves by USD 1.313 billion (Figure 2.22).

In 2025, the Bank of Mongolia entered into a cooperation agreement with a new private-sector assay laboratory and commenced joint operations. Previously, precious metal assays were conducted exclusively by the state laboratory, which led to capacity constraints and long queues. This situation has now improved, enhancing service accessibility. In addition, assay services for gold mining companies and individuals have become more efficient, thereby supporting gold procurement activities.

Furthermore, the Bank of Mongolia participated in a World Gold Council meeting and, together with the central banks of Colombia, Ecuador, and the Philippines, signed the "London Principles." Through this initiative, a proposal was introduced to supply responsibly sourced gold from Mongolia to major international jewelry manufacturers via accredited refineries. In this context, in 2025, the Bank of Mongolia signed a Memorandum of Understanding with the Swiss Better Gold Association and Argor-Heraeus SA refinery, successfully launching the project and enrolling five small and medium-sized gold mining enterprises from Mongolia.

Figure 2.22 Quantity of gold purchased by the Bank of Mongolia

Source: The Bank of Mongolia

2.6 NATIONAL PAYMENT SYSTEM OF MONGOLIA

A working group was established by Order No. A-139 of the Governor of the Bank of Mongolia dated May 5, 2022, with the mandate to assess the need, requirements, and implementation outcomes of amendments to the Law on the National Payment System, with the goal of improving the legal environment of the national payment system and building a framework to protect consumer rights. This working group has been reviewing the implementation of each chapter and provision of the law, identifying provisions that require amendment, and providing evaluations.

The Bank of Mongolia initiated the migration of the national payment ₮ card to the EMV chip technology standard in 2022, completing a series of tasks in a systematic manner, including collaboration with international and domestic organizations at both the policy and operational levels. As a result, the full migration of all ₮ cards in the market to chip technology was successfully completed in 2025. This brought the security and safety of ₮ cards up to international standards, eliminating the need to print information such as card numbers and cardholder names on the physical card. Accordingly, by Order No. A-48 of the Governor of the Bank of Mongolia dated February 11, 2025, the design of the “National Payment ₮ Card Design, Logo, and Hologram” was revised and approved, simplifying the information requirements printed on ₮ cards. On one hand, the adoption of EMV technology protects cardholders’ information, guards against card cloning, theft, and fraudulent transactions, and enables contactless payments. Additionally, it allows cardholders to conveniently perform low-value transactions for daily commuting and infrastructure-related fees.

Mongolia has been processing payments for essential strategic goods imported from Russia, namely petroleum, fuel, and electricity — since December 2024, under a license issued by the Office of Foreign Assets Control (OFAC) of the United States Department of the Treasury and the validity of this license has been extended through January 2027. In 2025, Mongolia received a total of 4,500 transactions worth USD 201.6 million from Russia, while transferring 6,000 transactions worth USD 1.9 billion to Russia. A breakdown of outgoing transactions by type are as follows: petroleum products accounted for 66.2 percent (USD 1.3 billion) of the total transaction value; fast-moving consumer goods accounted for 13.5 percent (USD 265.3 million); industrial raw materials accounted for 2.8 percent (USD 54.9 million); food products and raw materials accounted for 2.6 percent (USD 50 million); and the remaining 14.9 percent comprised other transactions.

In accordance with the Law on the Central Bank (Bank of Mongolia), and within its mandate to manage, regulate, and oversee the national payment system and its operations, the Bank of Mongolia approved Order No. A-242 dated October 18, 2024, and collaborated with all payment system participants to discontinue the use of old account numbering for all individuals and entities from April 1, 2025, and to fully transition to the

international bank account numbering system (IBAN). The Bank of Mongolia developed IBAN instructions and restructured all Mongolian account numbers to a 20-digit format consisting of a country code, check digits, bank code, and account number (with no changes to customers' core account numbers). The adoption of the IBAN standard has optimized international payment processing by increasing execution speed and reliability. This transition has significantly mitigated the risk of transaction reversals while facilitating more efficient institutional identification.

Within the framework of payment system policy and regulation, the “Rules of the Real time gross settlement (RTGS), large-value payment system” applicable to the Bank Network system for large-value transactions between participants were revised and approved by Order No. A-229 of the Governor of the Bank of Mongolia dated October 2, 2025, and registered under No. 7400 in the State Unified Registry of Administrative Regulatory Acts. The revision updated the electronic message structure for transactions processed through the Bank Network system and incorporated relevant feedback submitted by participants.

Pursuant to Governor's Order No. A-247, dated October 31, 2025, the ‘Rules of the Automated Clearing House (ACH+) System’ were amended to incorporate regulatory frameworks for invoice-based transactions. This development represents a significant advancement in strengthening the payment system's regulatory environment. Currently, the National Electronic Transaction Center (NETC) is collaborating with commercial banks on system integration and software testing to ensure a seamless rollout.

The Bank of Mongolia held the National Payment System Council Conference in October 2025, with more than 140 participants representing banks, fintech companies, government agencies, and relevant law firms. In support of introducing new products and services to the payment system, the “Main Guidelines for the State Monetary Policy for 2026” approved by Resolution No. 97 of the State Great Khural of Mongolia for 2025 includes a provision to study the feasibility of introducing stablecoins as a payment instrument. Accordingly, at the National Payment System Council Conference, the Bank of Mongolia and participants held a roundtable discussion on the possibility of introducing stablecoins — which are being pursued globally for financial markets — in Mongolia, examining legal compatibility and international experience.

Following the successful implementation of Apple Pay in collaboration with commercial banks in 2024, the Bank of Mongolia established a foundation for introducing subsequent innovative payment services. Google Pay was launched in November 2025, adding another option for making payments via smartphones — now an integral part of everyday life. This represents an important progression toward simple, convenient domestic and international payments based on internationally standardized technology. Additionally, foreign nationals and tourists visiting Mongolia can now quickly and reliably make payments using Apple Pay and Google Pay, creating significant potential to attract investment.

In accordance with Article 10.1 of the Law on the National Payment System, the Bank of Mongolia received a total of 18 license applications in 2025. Upon reviewing the submitted documents, the following decisions were made.

Licenses granted:

- Payment card issuance and acceptance license: Upon reviewing the applications of two fintech companies, the license for payment card acceptance of one company was extended indefinitely, while the other's request for a card issuance and acceptance license was rejected due to failure to meet legal and regulatory requirements.
- Payment card acceptance license: Following the review of applications from three fintech company's, payment card acceptance licenses were granted to two companies, while the other's application was rejected due to failure to meet legal and regulatory requirements.
- Outsourcing services license: Outsourcing service licenses were granted to two fintech companies, while one bank's application remains under review within the statutory timeframe
- Payment settlement agent license: Payment settlement agent licenses were granted to two banks, while

the license of one bank was extended indefinitely.

- Electronic funds transfer license: Electronic funds transfer licenses were granted to two fintech companies.
- Electronic money issuance license: A new electronic money issuance license was granted to two fintech companies, one fintech company's license was extended indefinitely, and one fintech company's license extension was denied. Additionally, one fintech company's application is currently under review within the statutory timeframe.

The Bank of Mongolia collects legal documents, information, and statistical indicators from operators and participants at regular intervals, and monitors compliance with rules and regulations. The results of on-site inspections are used to assess system reliability and efficiency. On-site inspections of payment system participants were conducted in 2025 as follows:

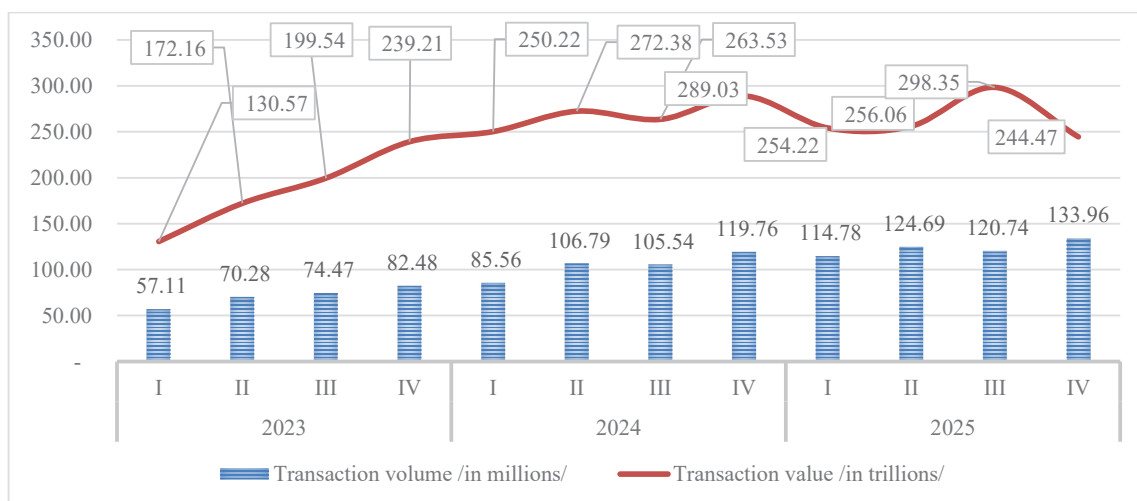
- Operational inspection of payment system operators under central bank oversight (Bank network system (RTGS), low-value payments (ACH+) and interbank payment card systems of the National Electronic Transaction Center);
- Operational inspection of other payment system operators (card clearing system of Trade and Development Bank);
- Comprehensive operational inspection of payment system participants (banks);
- Comprehensive inspection of electronic money operations.

Any non-compliance or operational deficiencies identified during inspections were promptly disclosed to relevant stakeholders. Furthermore, inspectors exercised their statutory authority to implement necessary remedial actions.

Remote oversight is strategically focused on analyzing market trends across payment instruments, e-money, and fund transfer services. This framework enables the detection of atypical activities and operational anomalies, ensuring the continuity and high-quality standard of national payment services.

To foster public transparency and provide market insights, the Bank of Mongolia aggregates and publishes comprehensive payment system statistics on its official website.

Comparing the total number and value of transactions conducted between payment system participants across large-value, small-value real-time, and batch payment systems in 2025 with the previous year, the number of transactions increased by 18.3 percent while the total transaction value decreased by 2.1 percent. The volume figures for large- and small-value transactions between payment system participants for the period 2023–2025 are presented in Table 2.1, and the growth and decline figures are shown in Figure 2.23.

Figure 2.23 Transactions between Payment System Participants, 2023–2025 (Number of transactions in millions; value in trillions of MNT)**Table 2.1 Interbank Transaction Volume and Value, 2023–2025 (Thousands of transactions; trillions of MNT)**

Year/quarter	2023		2024		2025		2024/2025 change	
	Volume	Value	Volume	Value	Volume	Value	Volume percent	Value percent
Q1								
ACH	7,372.60	1.33	11,221.61	2.29	11,408.15	2.77	1.7 percent	21.0 percent
RTP	49,267.49	11.38	73,780.51	15.88	102,685.52	21.53	39.2 percent	35.6 percent
RTGS	468.78	117.86	558.22	232.05	681.66	229.92	22.1 percent	-0.9 percent
Q2	70,282.32	172.16	106,789.52	272.38	124,693.58	256.06	16.8 percent	-6.0 percent
ACH	7,219.86	1.73	11,078.31	3.23	11,117.39	3.02	0.4 percent	-6.6 percent
RTP	62,429.00	14.05	94,941.33	20.56	112,725.79	23.50	18.7 percent	14.3 percent
RTGS	633.46	156.38	769.88	248.59	850.41	229.54	10.5 percent	-7.7 percent
Q3	74,471.21	199.54	105,544.71	263.53	120,736.02	298.35	14.4 percent	13.2 percent
ACH	7,946.19	1.88	7,442.07	1.98	7,480.27	2.18	0.5 percent	9.9 percent
RTP	65,916.65	14.83	97,306.13	21.55	112,399.20	24.27	15.5 percent	12.6 percent
RTGS	608.36	182.83	796.51	240.00	856.55	271.90	7.5 percent	13.3 percent
Q4	82,478.60	239.21	119,755.50	289.03	133,960.62	244.47	11.9 percent	-15.4 percent
ACH							-28.6 percent	
	7,599.92	2.17	11,102.39	2.73	7,922.75	2.54		-6.7 percent
RTP	74,214.74	16.42	107,803.06	23.14	125,111.88	25.95	16.1 percent	12.1 percent
RTGS	663.95	220.61	850.05	263.16	925.99	215.98	8.9 percent	-17.9 percent
Total	284,341.00	741.48	417,650.07	1,075.17	494,165.56	1,053.10	18.3 percent	-2.1 percent
ACH	30,138.6	7.1	40,844.4	10.2	37,928.6	10.5	-7.1 percent	2.7 percent
<i>Percentage</i>	<i>10.6 percent</i>	<i>1.0 percent</i>	<i>9.8 percent</i>	<i>1.0 percent</i>	<i>7.7 percent</i>	<i>1.0 percent</i>	<i>-21.5 percent</i>	<i>4.9 percent</i>
RTP	251,827.9	56.7	373,831.0	81.1	452,922.4	95.2	21.2 percent	17.4 percent
<i>Percentage</i>	<i>88.6 percent</i>	<i>7.6 percent</i>	<i>89.5 percent</i>	<i>7.5 percent</i>	<i>91.7 percent</i>	<i>9.0 percent</i>	<i>2.4 percent</i>	<i>19.9 percent</i>
RTGS	2,374.5	677.7	2,974.7	983.8	3,314.6	947.3	11.4 percent	-3.7 percent
<i>Percentage</i>	<i>0.8 percent</i>	<i>91.4 percent</i>	<i>0.7 percent</i>	<i>91.5 percent</i>	<i>0.7 percent</i>	<i>90.0 percent</i>	<i>-5.8 percent</i>	<i>-1.7 percent</i>

¹ RTP – Low-Value Payment System (real-time transactions)

¹ ACH – Low-Value Payment System (batch transactions)

¹ RTGS – Bank network/ Large-Value Payment System

Organizations holding payment card issuance licenses issue cards under the national payment brand ₮ Card as well as international brand cards including Visa, Mastercard, UnionPay, American Express, and JCB. As of the fourth quarter of this year, the national payment brand ₮ Card alone accounts for 48.3 percent of all payment cards in circulation.

Table 2.2 Number of Payment Cards and Devices, 2023–2025

№	Indicator	2023	2024	2025	2024/2025 change (percent)
1	Card Usage (in thousands)				
1.1	Cardholder	4,286.2	4,578.2	5,815.0	27.0 percent
1.2	Active cardholder	2,244.9	2,357.6	2,540.4	7.8 percent
2	Card Type (in thousands)				
2.1	₮ card	2,049.7	2,109.0	2,811.5	33.3 percent
2.2	Visa	1,056.9	1,282.5	1,615.6	26.0 percent
2.3	Mastercard	105.5	199.7	420.0	110.3 percent
2.4	UnionPay	1,061.4	969.5	943.7	-2.7 percent
2.5	Amex	12.5	17.5	24.3	39.0 percent
2.6	JCB	0.1	0.0	0.0	-94.4 percent
3	Payment card acquiring terminals [1]				
3.1	CDM	15	8	1	-87.5 percent
3.2	CRM	1,958	2,055	2,030	-1.2 percent
3.3	ATM	719	603	461	-23.5 percent
3.4	KIOSK (with POS)	1,274	1,285	1,462	13.8 percent
3.5	MPOS	185	238	125	-47.5 percent
3.6	POB	3,141	3,118	2,998	-3.8 percent
3.7	POS	121,955	169,448	186,503	10.1 percent
3.8	E-commerce	9,831	11,075	3,926	-64.6 percent
3.9	Others	-	-	-	0.0 percent

As shown in Table 2.2, the total number of payment cards increased by 27.0 percent and the number of actively used cards increased by 7.8 percent compared to the previous year 2024. Regarding device figures, the number of POS terminals increased by 10.1 percent compared to the previous year, while the numbers of CDM, ATM, and MPOS devices declined.

Table 2.3 Payment Card Transaction Report by Device Type, 2023–2025 (Thousands of transactions; billions of MNT)

№	Terminals		2023	2024	2025	2024/2025 Change (percent)
1	POS	Volume	640,835.9	677,905.3	690,571.3	1.9 percent
		Value	18,007.9	19,611.1	20,494.0	4.5 percent
2	MPOS	Volume	9.7	17.6	10.9	-37.9 percent
		Value	0.3	0.5	0.4	-14.4 percent
3	POB	Volume	1,345.4	532.7	336.7	-36.8 percent
		Value	229.0	171.3	98.4	-42.6 percent
4	ATM/CRM/CDM	Volume	810,023.8	829,213.2	823,014.4	-0.7 percent
		Value	93,310.7	90,857.8	82,191.9	-9.5 percent
5	E-commerce	Volume	9,699.1	15,610.7	19,661.0	25.9 percent
		Value	465.3	635.7	975.6	53.5 percent
6	KIOSK (with POS)	Volume	4,880.0	5,180.4	4,751.3	-8.3 percent
		Value	12,976.2	19,002.9	22,758.5	19.8 percent
	Total	Volume	1,466,793.9	1,528,459.7	1,538,345.6	0.6 percent
		Value	124,989.4	130,279.3	126,518.8	-2.9 percent

In terms of transaction indicators, POS terminals recorded the highest number of transactions during the reporting year at 690.5 million transactions. In terms of transaction value, ATM/CRM/CDM devices recorded the highest value at 82.1 trillion MNT, as shown in Table 2.3

2.7 CURRENCY MANAGEMENT

In accordance with the Law on the Central Bank, the Bank of Mongolia, under its exclusive right to issue the national currency of Mongolia, organizes and manages activities related to issuing currency into circulation, withdrawing currency from circulation, ensuring an appropriate denomination structure of currency in circulation, issuing, transporting and storing banknotes, maintaining currency reserves, determining legal tender authenticity, exchanging damaged currency, and destroying unfit currency.

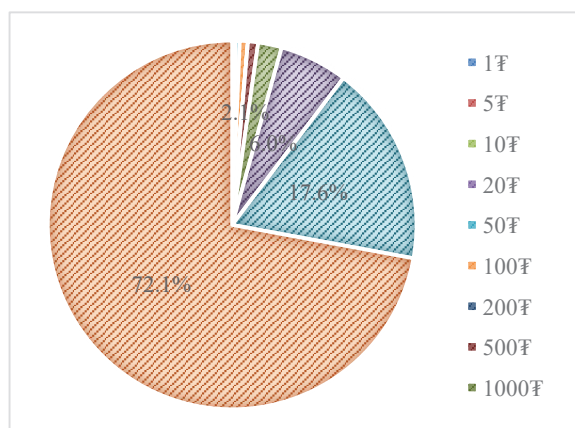
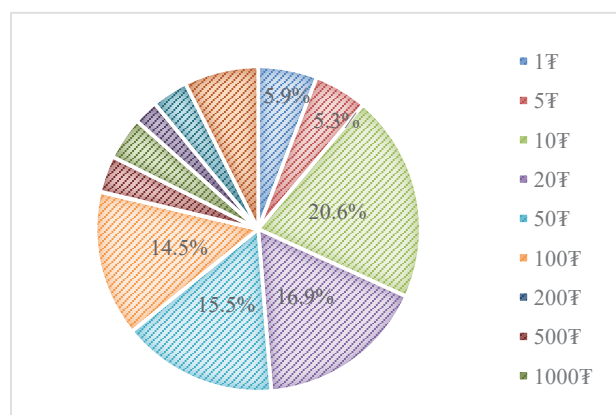
Cash in Circulation

By the end of 2025, total value of cash in circulation reached MNT 1.24 trillion, increasing by 1.8 percent, or MNT 22.2 billion compared to the same period of the previous year. The volume of cash in circulation increased by 3.1 percent, or 18.2 million pieces compared to the previous year, reaching a total of 608.5 million (Table 2.4).

Table 2.4 Changes cash in circulation

№	Denomination	Value (millions)		Volume (millions)	
		2024	2025	2024	2025
1	1	34.8	35.7	34.8	35.7
2	5	157.3	161.2	31.5	32.2
3	10	1,212.0	1,255.7	121.2	125.6
4	20	1,988.5	2,057.6	99.4	102.9
5	50	4,480.8	4,701.0	89.7	94.0
6	100	8,495.8	8,830.6	85.0	88.3
7	200	38.8	42.5	0.2	0.2
8	500	10,317.5	11,056.3	20.7	22.1
9	1000	26,754.7	25,806.1	26.8	25.8
10	5000	75,488.6	74,470.3	15.1	14.9
11	10000	231,151.2	218,754.1	23.1	21.9
12	20000	862,058.7	897,178.7	43.1	44.9
Total		1,222,178.7	1,244,350.0	590.6	608.5

In terms of value of cash in circulation, the high-denomination banknotes comprise the majority. To specify, MNT 5000, MNT 10000 and MNT 20000 denomination banknotes together accounted for 95.7 percent of the total value of cash in circulation in 2025 and MNT 20,000 denomination banknote alone represented 72.1 percent.

Figure 2.24 Denomination structure of currency in circulation by value**Figure 2.25 Denomination structure of currency in circulation by volume**

The lowest denominations from MNT 1 to MNT 100 banknotes account for 78.7 percent of the total volume of cash in circulation, while the remaining 21.3 percent consists of the denominations from MNT 500 to MNT 20,000 banknotes. The largest percentage of the total volume of the cash in circulation held by MNT 10 banknotes at 20.6 percent, followed by MNT 20 banknotes at 16.9 percent, MNT 50 banknotes at 15.5 percent, and MNT 100 banknotes at 14.5 percent, together accounting for a total of 67.5 percent.

While the volume and value of currency in circulation showed certain fluctuations up to 2019, both indicators have remained relatively stable since 2020. During the period from 2020 to 2025, the total value increased by an average of 5.7 percent annually, while the volume grew by an average of 4.3 percent.

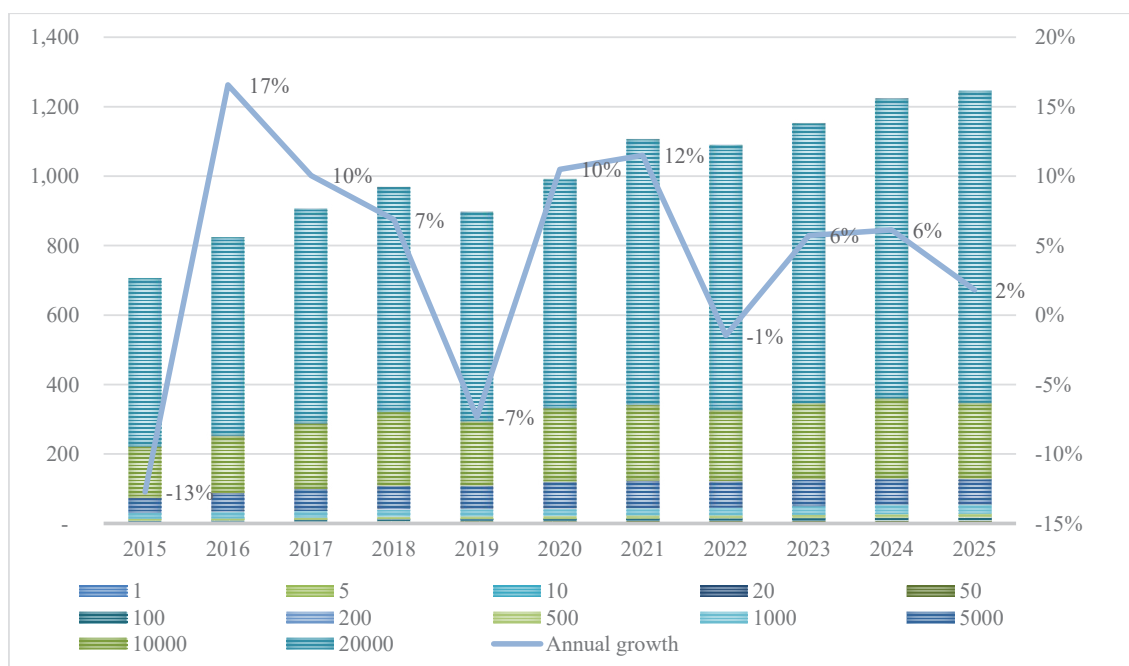
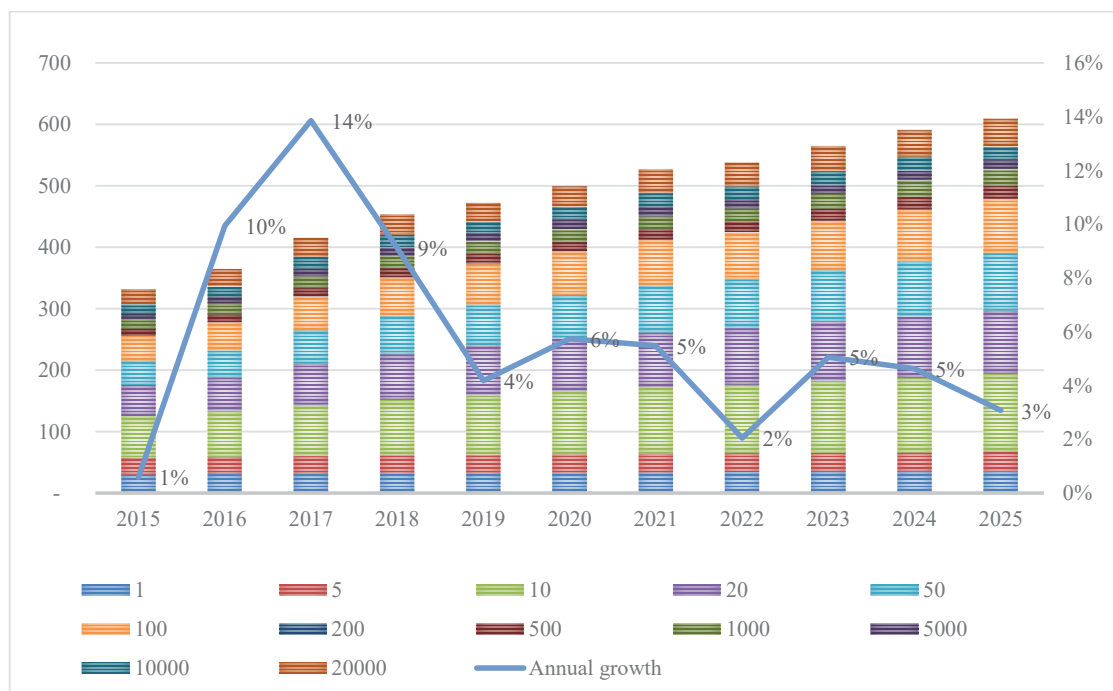
Figure 2.26 Structure of cash in circulation by denomination, in billion, growth/decline in total value

Figure 2.27 Structure of cash in circulation by denomination, in million, and growth/decline in total volume

Over the last 10 years, from 2015 to 2025, the value of cash in circulation increased by an average of 4.3 percent per year, while the volume grew by an average of 5.8 percent annually.

The year 2025 marks the 100th anniversary of the issuance of the modern national currency, the “TUGRUG,” into circulation



On June 2, 1924, the People's Government established the Mongolian Trade and Industry Bank, a joint Mongolian-Soviet venture, and subsequently implemented economic reforms in stages. By a historic resolution dated February 22, 1925, the Trade and Industry Bank was granted the exclusive right to issue the national currency under the name “TUGRUG.” Thus, since the first tugrug was put into circulation on December 9, 1925, we have together created a 100-year history.

To commemorate this historic milestone, Bank of Mongolia has issued the “COMMEMORATIVE 100,000 TUGRUG BANKNOTE,” and in cooperation with Mongol Post JSC has released the “TUGRUG-100 YEARS” postage stamp. These commemorative items have been made available for collectors and enthusiasts through the Bank of Mongolia website (www.mongolbank.mn/tog100) starting from December 9, 2025, the 100th anniversary of the introduction of Mongolia's modern national currency, the tugrug.

Design and security features of the new Commemorative banknote:



The front side of the commemorative 100,000 tugrug banknote is dedicated to the symbol of Genghis Khan (Chinggis Khan), the founder of the Great Mongol Empire. The reverse side is dedicated to the symbol of the People's Revolution, which laid the foundation for the establishment of today's independent Mongolia and brought freedom to the nation. It features a composition of the leaders who led the revolution together with the map of present-day Mongolia.

Furthermore, sketches of a mounted warrior and horses are depicted on both sides of the banknote. Through these images, the design aims to express the culture, traditions, and historical legacy of the Mongolian people, who have long revered the horse, in connection with both the founding of the Great Mongol Empire and the establishment of the independent Mongolian state. These elements are artistically combined with modern visual design.

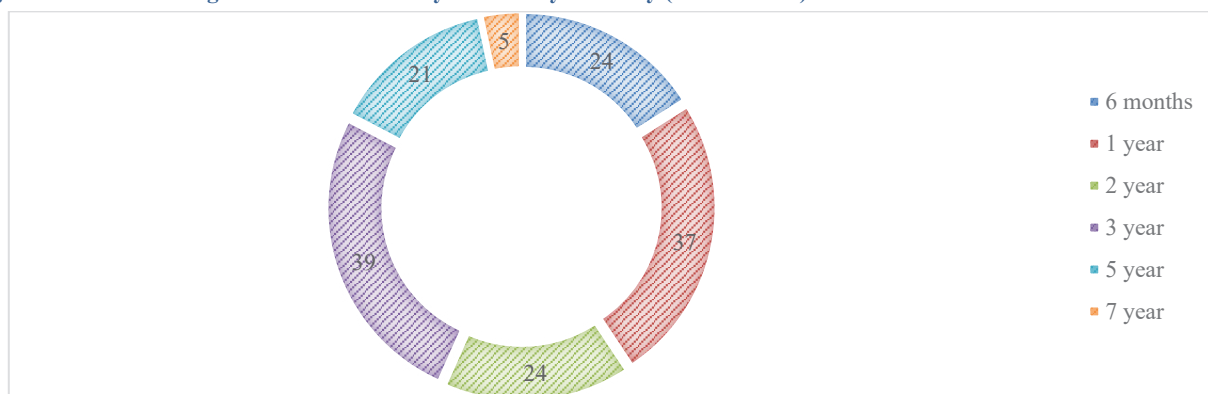
In recent years, the Bank of Mongolia has consistently enhanced the security features of newly issued banknotes to prevent counterfeiting. Accordingly, the newly issued commemorative banknote incorporates the latest advanced security technologies, which will serve as a benchmark for future banknote production.

In addition, as part of efforts to modernize and improve the counting and sorting of banknotes, Bank of Mongolia has studied advanced automated cash center systems used by central banks around the world and, after 20 years, has comprehensively introduced modern high-efficiency, high-capacity semi-automatic and fully automatic banknote counting and sorting machines, along with fully automated destruction machines.

2.8 GOVERNMENT SECURITIES

Starting from October 2012, the government issued and traded government securities in the primary market through the Bank of Mongolia in order to improve the government's financial management and to improve the money market instruments. The government securities are considered as a risk-free investment in the financial markets and the interest income earned on these securities are exempt from taxation which is an advantage for investors. It is also considered that the regular trading of government securities supports the development of the financial market in many ways, such as setting risk-free interest rates in the financial markets otherwise known as a yield curve and determining the impact of short-term interest rates on long-term interest rates, and it also increases the financial markets activity.

The Government of Mongolia resumed the issuance and public trading of government securities in 2025. Within the framework of domestic government securities operations, bids totaling MNT 389.6 billion were received during the reporting year, of which government securities amounting to MNT 150.0 billion were issued through 32 auctions in accordance with the issuance schedule (Figure 2.28).

Figure 2.28 Outstanding Government Security amount by maturity (billion MNT)

Source: Bank of Mongolia

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 research findings at conferences, and submitting recommendations to relevant organizations.
- Collaborating with domestic and international experts on research projects.

In 2025, The Bank of Mongolia conducted range of empirical research and surveys aligned with the Monetary Policy Guidelines 2025. These research efforts were published in domestic and international journals, supporting the Central Bank's policy objectives.

Publications in International Journals:

- o “Forecasting Inflation in Mongolia Using Machine Learning”. *International Economic Journal Volume 39(2025)*
- o “Nonlinearities and state-dependence in the monetary transmission mechanism: Evidence from a commodity-dependent economy”. *International Economics 184(2025) 100640*;
- o “Changes in Bank Lending Standards and the Macroeconomy: Evidence from Mongolia”. *IMF-Working Papers 262(2025)*.

Further research studies covered topics such as the effects of monetary policy and carbon pricing policies, the behavior of the banking sector and policy instruments, the conditions of the economic and financial sectors, international experience and policy lessons, and the effects of macroeconomic indicators under different economic conditions. In addition, a study decomposing the components of interest rates in the non-bank financial sector and a research study based on micro-level data were conducted and published internally.

Moreover, the Bank of Mongolia conducted and published following surveys: “Bank Lending Survey”, “Survey of Professional Experts”, “Purchasing Managers’ Index (PMI)”, “Consumer Inflation Expectations

Survey”, “Business Tendency Survey” and “An Assessment of Production and Financial Structures in the Cashmere Industry”.

2.10 PUBLIC RELATIONS OF THE CENTRAL BANK

Transparency in central bank policy is essential for enhancing monetary policy, managing the expectations of financial market participants, and strengthening the central bank's independence by fostering public trust. Accordingly, the Bank of Mongolia has consistently implemented activities aimed at communicating its operations, economic conditions, policy decisions, and objectives to the public.

During the reporting year, communications efforts on enhancing information transparency and accessibility. This was achieved by transitioning from technical jargon to plain language and optimizing the effectiveness of information dissemination channels.

Within this framework, press conferences, interviews, and current news updates were promptly published on the official website and distributed through the Bank of Mongolia's official social media channels. Information was tailored to the specific characteristics of each platform, utilizing short reels, infographics, photography, and poster-style content.

The Bank of Mongolia utilized the following channels for public communication:

1. *Press conferences*
2. *News and information*
3. *Reports and statistical data*
4. *Interviews*
5. *Public outreach events*
6. *Open meetings and discussions*
7. *Social media channels*
8. *Media organizations*

1. Press Conferences of the Bank of Mongolia

In 2025, a total of nine press conferences were organized. These included five sessions to present the decisions of both regular and extraordinary meetings of the MPC, and four sessions regarding current economic issues. Cumulative participation from over 30 media organizations ensured the timely dissemination of information to the public.

2. News and Updates

During the reporting year, 160 news and information updates were published on the Bank of Mongolia's website. These included coverage of meetings and discussions on current issues, as well as monthly information on gold purchases, official foreign exchange reserves, inflation indicators, daily exchange rates, and gold purchase prices.

Additionally, statistical data and research publications were uploaded to the website according to the scheduled calendar.

3. Publication of Reports and Statistics

The Bank of Mongolia reports to the public on a quarterly basis to manage inflation expectations. Starting from the second quarter, the scope of the Inflation Report was expanded and published as the “Monetary Policy Report,” disseminated via the official website and social media.

The June, September, and December editions of the Monetary Policy Report were published online. To increase engagement, the Bank provided direct download links and produced a series of short-form video “reels” highlighting key report findings for digital audiences. Furthermore, macroeconomic research and statistical data were released on schedule throughout the reporting period.

4. Interviews

To explain the central bank's policies and operations, the management and department directors provided 34 interviews and media clarifications. Key topics included:

- Official foreign exchange reserves and economic outlook.
- Mortgage financing and external economic impacts.
- The Draft State Monetary Policy Guidelines for 2026.
- Commemorative activities for the 100th anniversary of the National Currency Tugrug.

5. Events and Activities

The Bank of Mongolia organizes annual conferences and discussions to present research findings and economic projections. In 2025, three major events were held:

1. The Centenary of the National Currency – The Tugrug.
2. Discussions on the Draft State Monetary Policy Guidelines for 2026.
3. High-level international conferences and forums.

6. Open Meetings and Discussions

To improve the media's understanding of the central bank operations, the Bank of Mongolia hosts open meetings with journalists and editorial teams. On August 23, 2025, a dedicated training session for journalists was held under the theme of the “Monetary Policy Report”.

The session provided comprehensive insights into the report's methodology, its content, and its evolution from the previous Inflation Report. The Governor of the Bank of Mongolia and relevant department directors engaged directly with representatives from over 30 media organizations, answering questions and clarifying policy directions.

7. Social Media Channels

The Bank of Mongolia consistently developed its official social media presence across Facebook, X (Twitter), Instagram, and YouTube. During the reporting period, a total of 197 news items and updates were disseminated through these platforms (Table 2.5).

Table 2.5 Dissemination of Information via Social Media Channels (2025)

Content Format	Facebook, Twitter, Instagram, Youtube			
	News links and photos	Infographics and posters	Short-form video content	Live broadcasts
Frequency	88	72	33	4

8. Cooperation with Daily Newspapers and News Portals

Under Article 6.34.1 of the Law on the Central Bank, the Bank of Mongolia's Media Relations Office provides timely updates on changes to monetary policy instruments and publishes quarterly reports on monetary, credit, and financial market conditions.

Within the framework of ensuring transparency and openness in monetary policy decision-making and instruments, the Bank established cooperation agreements with media organizations to regularly disseminate timely news, interviews, and articles aimed at providing the public with accurate and objective information.

To improve the accessibility of information from the Bank of Mongolia, the Bank maintained active cooperation with media outlets. Specifically, cooperation agreements were executed and evaluated with 38 media organizations in the first half of the year and 35 in the second half.

As a result, a total of 29 news items, articles, and interviews related to the Bank of Mongolia's policies and operations were published in daily newspapers and online news portals in 2025. Key highlights included:

- Top 20 Highlights of the Central Bank, an annual year-end publication;
- Explanations regarding the factors influencing the Tugrug exchange rate fluctuations;
- Reports and updates from the meetings of the Supervisory Board of the Bank of Mongolia;
- Official interviews with the Governor of the Bank of Mongolia;
- Summaries of the Competitiveness Report of the Mongolian Banking Sector;
- Interviews with relevant Department Directors regarding the implementation and effectiveness of monetary policy;
- Information and updates concerning the “World Savings Day” integrated campaign.

2.11 INTERNATIONAL RELATIONS

The Bank of Mongolia's external relations policy is aligned with modern central banking trends and focuses on institutionalizing research- and risk-based approaches, strengthening cooperation with international organizations, and supporting long-term sustainable development in line with advancements in banking and fintech.

Cooperation with International Financial Institutions

ASIA:

- The Governor of the Bank of Mongolia participated by invitation in a regional conference jointly organized by the IMF and JICA in Tokyo, Japan, where he delivered a presentation on policies for climate change adaptation. The conference provided an opportunity to exchange regional experiences on disaster risk financing and fiscal policy coordination.

On the sidelines of the event, bilateral meetings were held with senior officials from the IMF, JICA, the Bank of Japan, and a Korean asset management institution to discuss expanding cooperation in financial stability.

- The Governor also participated as a speaker at the Asian Financial Forum, alongside representatives of international financial institutions and central banks, where discussions focused on promoting investment, as well as the development of fintech and green finance in Mongolia. During the forum, meetings were held with representatives from the Government of China and the Hong Kong Financial Services and the Treasury Bureau to explore avenues for further cooperation.
- In commemoration of the 35th anniversary of diplomatic relations between Mongolia and the Republic of Korea, an international conference was held on April 15, 2025. The Governor attended as a distinguished guest and highlighted the steady expansion of bilateral economic partnership. The conference discussed current trade and economic conditions, future opportunities, and identified priorities to strengthen financial sector cooperation. The ongoing Korea Policy Program (KPP) between the Bank of Mongolia and the Bank of Korea continues to support knowledge exchange and capacity building.
- The Bank of Mongolia successfully hosted the 7th SEACEN Human Resources Conference and the 45th Meeting of SEACEN Human Resources Directors in Ulaanbaatar. The events focused on

enhancing central bank human resource capacity, identifying emerging skill requirements in the digital era, and defining the role of central banks in shaping the future workforce.

Through two main sessions and four breakout discussions under the theme “HR 2030: Strategies to Shape the Future of Work – Workforce Development in Central Banks in the Digital Transformation Era,” participants exchanged experiences and developed shared insights and policy recommendations.

By hosting this important regional dialogue on human resource policy, Mongolia reinforced its leadership role in fostering international cooperation among central banks.

- The international high-level conference titled “*The Global Economy in the Age of Supply Disruptions and Trade Shocks: Implications for Monetary Policy*” was successfully held in Ulaanbaatar in June 2025 hosted by the Bank of Mongolia. The conference served as a strategically significant platform for exploring new policy approaches and collaborative solutions amid rising global shocks and uncertainty.

In the context of post-pandemic recovery, climate change, rising cost of living, and heightened geopolitical tensions, the global economic environment continues to present complex, overlapping challenges. These developments have underscored the need for countries to reassess the effectiveness of monetary and fiscal policies, as well as structural reforms, and to adapt policy frameworks to evolving conditions.

Hosting this high-level international policy dialogue in Mongolia strengthened the Bank of Mongolia's global standing and positioned the country as a regional hub for economic policy discussions. The event created opportunities to advance new policy initiatives, deepen research collaboration, and expand international partnerships. The participation of central bankers, policymakers, academics, and representatives from international organizations contributed to a deeper understanding of emerging global risks and reinforced the foundation for future policy cooperation.

- The 58th Annual Meeting of the Board of Governors of the Asian Development Bank was held in Milan from May 3–7, 2026, with participation from the Bank of Mongolia. The meeting brought together over 5,000 participants and focused on four key priorities to support sustainable and resilient development in the Asia-Pacific region. These included committing up to USD 40 billion in financing for food system transformation by 2030, enhancing digital technologies and financial inclusion, supporting energy system transformation (including preparedness of USD 10 billion for the ASEAN Power Grid), and scaling up investments in climate adaptation and resilient infrastructure.

In addition, extensive discussions were held on digital infrastructure, artificial intelligence, green finance, global value chains, e-commerce, and workforce skills development.

On the sidelines of the meeting, the Bank of Mongolia delegation held bilateral discussions with senior officials of the Asian Development Bank. The discussions focused on financing for energy and infrastructure, strengthening private sector participation, advancing public-private partnerships (PPP), and expanding financing in education and social sectors.

EUROPE:

- At the 2025 Annual Meeting of the European Bank for Reconstruction and Development (EBRD), discussions focused on how the Bank's regions are adapting to a changing economic environment. Key topics included the macroeconomic outlook, improving financial inclusion, renewable energy, natural resource management, sustainable infrastructure, economic inclusion, digitalization, and technological advancement.
- At the 94th Annual General Meeting of the Bank for International Settlements (BIS) in 2025, the Governor of the Bank of Mongolia, Mr. B. Lkhagvasuren, participated alongside the governors of member countries and other central banks, as well as distinguished guests. Discussions addressed policy approaches to managing risks associated with the use of artificial intelligence in cross-border payments and financial services. The Governor also contributed to panel discussions on inflation

dynamics, its rise and decline, and the lessons for monetary policy, while the meeting also reviewed the BIS annual financial report.

- The Governor further participated as a panel speaker at the 2025 Annual Meeting of the bilateral technical assistance and capacity-building program for central banks, funded by the Swiss State Secretariat for Economic Affairs (SECO). The discussion focused on changes in the nature and magnitude of economics.

United States

The Governor of the Bank of Mongolia participated in the Spring and Annual Meetings jointly organized each year by the International Monetary Fund (IMF) and the World Bank Group. The core components of these meetings include the Development Committee of the World Bank and the International Monetary and Financial Committee (IMFC) of the IMF, where progress on the institutions' work is reviewed. The meetings brought together the central bank governors, finance ministers, private sector representatives, parliamentarians, and civil society organizations to discuss global economic and financial developments.

Russian Federation

The Bank of Mongolia and the Central Bank of the Russian Federation have an established tradition of organizing annual roundtable meetings, held alternately in the two countries. On December 17, 2025, the 7th roundtable meeting was successfully hosted in Ulaanbaatar. The meeting was attended by senior officials and representatives from both central banks, as well as commercial banks from the two countries.

Discussions focused on cross-border payments, interbank cooperation, correspondent banking relationships, potential currency swap arrangements, and strengthening institutional capacity. The meeting served as an important platform to continue financial sector cooperation in line with the evolving international environment, explore practical solutions for ensuring uninterrupted payments for energy and trade, and deepen mutual understanding at the policy level between the two central banks.

The roundtable also addressed the development of more reliable payment channels, expansion of correspondent banking relationships, and opportunities for joint research and staff exchange programs, marking it as a strategically significant engagement in advancing bilateral financial cooperation.

COOPERATION:

- On August 25, 2025, the Bank of Mongolia and the Sparkasse Foundation in Mongolia of the Federal Republic of Germany signed a Memorandum of Understanding to strengthen bilateral cooperation. Under the MoU, the parties agreed to collaborate on enhancing the capacity of Mongolia's financial sector to adapt to climate change and to support the development and localization of a financing model for the construction sector. This agreement represents a strategic step toward advancing climate risk resilience and broad-based sustainable finance in Mongolia's financial system.
- The Mongolia–China banking and financial sector roundtable has been held alternately in Mongolia and China since 2003. Following the outcomes of the 9th roundtable in 2023, the first joint training program between the Bank of Mongolia and the Agricultural Bank of China (ABC) was successfully organized in Shanghai, with participation from 25 officials of the Bank of Mongolia.
- During the official visit of the Chairman of the State Great Khural of Mongolia, Mr. D. Amarbayasgalan, to Astana and Almaty, Republic of Kazakhstan, in September, 2025, Governor of the Bank of Mongolia, Mr. B. Lkhagvasuren, participated as a member of the official delegation and paid a courtesy call on the President of the Republic of Kazakhstan, Mr. K. Tokayev.

Within the framework of cooperation between the Bank of Mongolia and the National Bank of the Republic of Kazakhstan, Governor B. Lkhagvasuren also held a meeting with Governor Timur Suleimenov, during which the two sides exchanged views on further strengthening bilateral cooperation, enhancing the exchange of

experience, and renewing the Memorandum of Understanding between the two central banks.

Bilateral Memorandum of Understanding with Foreign Financial Institutions

International Recognition – World's Best Bank Award Ceremony 2025

During the Annual Meetings of the International Monetary Fund and the World Bank Group, held in Washington, D.C. from October 14–18, 2025, the leadership of the Bank of Mongolia participated in high-level discussions. On this occasion, the internationally recognized Global Finance magazine presented awards to top-performing central bank governors under its “Central Banker Report Cards 2025.”

The Governor of the Bank of Mongolia received an “A-” rating and was recognized among the world's top central bank leaders. This distinction reflects the international acknowledgment of Mongolia's effective monetary policy, successful inflation management, and efforts to ensure financial sector stability, marking a significant achievement for the institution.

International High-Level Conference: “Global Economy and the Effectiveness of Monetary Policy”

The Bank of Mongolia, in collaboration with the Reinventing Bretton Woods Committee, successfully organized the international conference titled “*The Global Economy in the Age of Supply Disruptions and Trade Shocks: Implications for Monetary Policy*” in Ulaanbaatar from June 19–21, 2025. The conference convened distinguished global scholars, policymakers, and financial experts to engage in in-depth discussions on monetary policy, financial sector regulation, greening the financial system, and central bank digital currencies.

In his opening remarks, the Governor of the Bank of Mongolia emphasized that supply-driven shocks pose significant risks to economic stability and present complex challenges for policymakers. He highlighted the need for central banks to reassess their traditional roles, enhance both quantitative and qualitative data, improve analytical methodologies, and strengthen coordination between monetary and fiscal policies. He also underscored the importance of deepening international cooperation to maintain regional and global economic and financial stability.

In recent years, the global economy has faced overlapping challenges stemming from the pandemic, climate change, rising cost of living, and geopolitical tensions. These developments have reinforced the need to revisit policy frameworks and coordination mechanisms, and to identify innovative solutions for maintaining macroeconomic stability.

The conference addressed a wide range of key themes, including global economic conditions amid widespread shocks, monetary policy responses to supply-side shocks, evolving roles of central banks, fiscal policy measures, the macroeconomic implications of artificial intelligence, digitalization and green transition, as well as policy approaches in an increasingly fragmented global economy.

The event brought together more than 20 international participants from 15 countries, including senior representatives from leading global institutions and research organizations. Notable participants included Ms. Mitali Das, Fiscal Policy Advisor at the IMF; Mr. Marc Uzan, Executive Director of the Reinventing Bretton Woods Committee; Mr. Dong Chul Cho, President of the Korea Development Institute; Mr. Miroslav Singer, former Governor of the Czech National Bank; Mr. Tigran Poghosyan, IMF Resident Representative in Mongolia; and Mr. John Wu Kang, Director at the Asian Development Bank.

The conference also included broad domestic participation from relevant government ministries, commercial bank executives, regulatory bodies, and academic researchers.

Building on the success of the international academic conference held in 2024 to commemorate the 100th anniversary of the modern banking system in Mongolia, this high-level event further strengthened Mongolia's role as a platform for global policy dialogue. It provided a valuable opportunity to bring together policymakers, decision-makers, and experts to address ongoing global economic challenges and explore appropriate policy responses, particularly in the field of monetary policy.

2.12 TREASURY FUND

The unit responsible for centralizing state treasures under the State Bank was established in 1983, pursuant to Resolution No. 101 of the Council of Ministers of the Mongolian People's Republic (now the Government), under the name "State Fund of Valuables and Treasures," as an independent entity. The establishment of the State Treasury Fund has played a significant role in collecting, preserving, and safeguarding Mongolia's unique and invaluable historical and cultural artifacts within the national repository.

In 2004, on the occasion of the 80th anniversary of the establishment and development of the banking system in Mongolia, two exhibition halls of the Treasury Fund were established. These exhibition halls were designed to display and introduce to the public the rare and valuable historical and cultural artifacts preserved in the fund.

Furthermore, in 2021, following the practices of international central banks, the Money museum adjacent to the Treasury Fund was opened to present the history of Mongolia's means of payment. Through the exhibition of ancient coins preserved in the Treasury Fund of Bank of Mongolia, as well as objects that once served as mediums of exchange, paper currency, coins, and commemorative coins, the hall aims to highlight the historical development of Mongolia's payment instruments.

In 2025, to commemorate the 100th anniversary of the introduction of the national currency, the Tugrik, into circulation in Mongolia, a new "B" exhibition hall was established adjacent to the Currency Hall, where a temporary exhibition was organized. This hall features displays of coin and banknote production tools, including dies and molds, counting machines, calculators, abacuses, precious metal scales, and banknote security elements, as well as historical materials such as the 1925 issue of the newspaper "Unen." In the same year, in collaboration with the Institute of History and Ethnology and the Institute of Language and Literature of the Mongolian Academy of Sciences, the publications "Bank of Mongolia – 100" Documentary Collection (Volume II) and "Inscriptions on the Mongolian Payment instrument" were released to the public.

In 2025, the exhibition halls of the Treasury Fund were visited by approximately 8,500 people. In accordance with Article 5.1.2 of the Law on the Treasury Fund, which stipulates "to approve the annual revenue and expenditure of the Treasury Fund and its performance report," the budget execution for 2025 and the draft budget for 2026 were discussed and approved by the plenary session of the State Great Khural (Parliament). Furthermore, pursuant to Article 16.2 of the same law, which states that "the Bank of Mongolia shall conduct an annual inventory of the Treasury Fund and present the report to the State Great Khural," the year-end inventory for 2025 was carried out by a working group established by the order of the Governor of the Bank of Mongolia, and the inventory report was submitted to and presented before the Parliament.

In 2025, the Treasury Fund participated in the "State Unified Inventory of Movable Historical and Cultural Heritage," organized by the Arts and Culture Agency of Mongolia and the National Center for Cultural Heritage under the Ministry of Culture, Sports, Tourism and Youth of Mongolia. As part of this initiative, the items registered in the Treasury Fund were inventoried and officially verified.

Commemorative Coin Operations

In accordance with Article 7.1.6 of the Law on the Treasury Fund, which stipulates the issuance of commemorative coins made of precious and other metals, the Bank of Mongolia has entered a "Master Agreement for Coin Production" with Coin Invest Trust and has been cooperating under this framework.

The Bank of Mongolia has maintained a long-term partnership with Coin Invest Trust since 1996, marking 29 years of collaboration. With the authorization of the Bank of Mongolia, the company produces coins bearing the Bank's name and emblem under thematic series such as "Wildlife of Mongolia," "Flora and Fauna of Mongolia," "Mongolian History and Culture," "Lunar Calendar, Olympics and Famous Personalities," and "Shapes and Innovative Designs." These coins are marketed internationally and presented at global exhibitions.

Commemorative coins are produced using the latest technologies, including Smart minting 4.1, reflecting modern trends and innovative design concepts, while promoting the respective themes to the public.

In 2025, on the 100th anniversary of the introduction of the modern Tugrug into circulation, several commemorative coins were issued. These include the “One Tugrug” coin in 1 oz (about 28.35 g) gold and silver versions; a 3-gram gold banknote replicating the 1925 “100 Tugrug”; the continuation of the 12-year series launched in 2020 with the “Year of the Horse” coin; a 1 oz (about 28.35 g) silver coin and a 1-gram gold banknote marking the 30th anniversary of Golomt Bank; a 1 oz (about 28.35 g) commemorative coin titled “100 Years of Aviation” issued upon request from the Civil Aviation Authority of Mongolia; a 1 oz (about 28.35 g) gold-plated silver coin “100 Years of Road Transport” commissioned by the Ministry of Road and Transport of Mongolia; and a 2 oz (about 56.7 g) silver commemorative coin “Zanabazar 390,” dedicated to the 390th anniversary of the birth of Zanabazar.

These commemorative coins are offered for sale to collectors and the public as souvenirs and collectible items.

2.13 IMPROVING THE FINANCIAL AND ECONOMIC LITERACY OF THE PUBLIC

According to Article 5.71 of the Law on the Central Bank and clauses 3.32 and 3.43 of the Monetary Policy Guidelines for 2025, the Bank of Mongolia continued to implement policy measures aimed at strengthening financial stability, supporting the sustainable development of the financial sector, and promoting informed participation of citizens in financial markets. These efforts are intended to enhance households' financial resilience and improve the quality of financial decision-making at the individual level.

In this context, the Bank ensured the effective implementation of the “*Strategy for Enhancing Citizens' Economic Knowledge*” and the “*Strategy for Improving Basic Financial Education (2024–2030)*”, both approved by the Governor of the Bank of Mongolia. Within this framework, the following activities have been implemented:

Within the framework of the “Strategy for improving basic financial education 2024-2030”:

Within the framework of its financial education strategy, the Bank of Mongolia has actively accomplished various public engagement initiatives and nationwide awareness campaigns aimed at enhancing financial literacy among different population groups. Key campaigns in 2025 included:

- With initiative of the Speaker of the Parliament of Mongolia, the Bank of Mongolia, in cooperation with the Financial Regulatory Commission (FRC), the Deposit Insurance Corporation of Mongolia (DICOM), and the General Authority for Education (GAE), implemented the “Level-Up” financial education programme for high school students during the 2024–2025 academic year. Under the programme, 149 trainer teachers were prepared from 80 secondary schools across six districts of Ulaanbaatar, as well as from schools in Orkhon, Bulgan, Govi-Altai, Khovd, Uvs, and Zavkhan provinces, reaching 5,033 upper secondary school students. Preparatory training for trainer teachers and the official programme launch for participating students were conducted in 2024. In addition, in collaboration with the United Debate Association of Mongolia and the Mongolian Karl Popper Debate Society, regional activities aimed at strengthening students' presentation, debate, and critical thinking skills were organized in Govi-Altai, Khovd, Uvs, Zavkhan, Orkhon, and Bulgan provinces in March and April 2025. These activities promoted open expression of views, pluralistic perspectives, and improved financial literacy, engaging 237 participants, 88 coaching teachers, and 27 debate clubs.
- The Bank of Mongolia also successfully implemented the Global Money Week 2025 campaign for the 13th consecutive year, under the global initiative of the Organisation for Economic Co-operation and Development (OECD). The official opening event was held on 22 March 2025 in Murun, Khuvsgul province, with the participation of senior representatives of the Bank of Mongolia, local government authorities, community stakeholders, and approximately 300 children and youth. The campaign concluded on 14 April 2025 in Dalanzadgad, Umnugovi province. During the campaign period,

financial education training and awareness-raising activities reached 193,800 children and young people, while broader outreach initiatives disseminated financial literacy messages to an estimated 3.7 million citizens (cumulative reach).

- With the 100th anniversary of the introduction of the modern national currency, the Tugrug, the Bank of Mongolia organized nationwide competitions to raise awareness of the value of the national currency. These included an essay competition for students in grades 6–12 and a drawing competition for students in grades 1–5, with successful participants receiving certificates of recognition.
- In line with the training priorities set out in the “*Strategy for Enhancing Citizens’ Economic Knowledge*” and the “*Strategy for improving basic financial education 2024-2030*”, the Bank prepared and certified 298 trainers, including staff of commercial banks in Darkhan-Uul and Selenge provinces, employees of the central office and branches of State Bank, teachers of the “Medle” online secondary school, and participating teachers under the Level-Up programme. Furthermore, Medle trainer teachers delivered Business Studies courses to 1,173 students.
- In partnership with DICOM, the General Authority for Education, the Mongolian Bankers’ Association, commercial banks, JCI Progress, and Banks Marketplace LLC, the Bank of Mongolia organized the World Savings Day 2025 campaign nationwide under the slogan “Build Your Dreams through Savings.” The campaign was conducted from October 10 to 31, 2025, with regional branches of the banks implementing a wide range of outreach activities across 21 provinces. Through targeted campaigns, competitions, training sessions, and digital outreach—including social media posts, informational content, and podcasts financial literacy messages reached 1,027,806 citizens, while 43,650 individuals participated directly in training activities. The campaign concluded with a closing event held on 31 October 2025 in Darkhan-Uul province, featuring presentations on the importance of savings by the Governor of Central bank and interactive knowledge-testing activities for participants.
- Furthermore, provisions aimed at enhancing the public’s economic and financial literacy were successfully incorporated into the draft Parliamentary Resolution on the “Five-Year Development Guidelines of Mongolia for 2026–2030,” implemented by the Ministry of Economy and Development.

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

- In cooperation with the University of Finance and Economics, and the Financial Regulatory Commission, the Bank of Mongolia revised and published the “Dictionary of Economic and Financial Terminology” to mark several key sectoral milestones, including the 100th anniversary of the establishment and consolidation of the modern banking system in Mongolia, the 100th anniversary of the University of Finance and Economics, and the 30th anniversary of the Securities Commission.
- As part of this initiative, the dedicated online platform www.etoli.mn was launched to improve public access to standardized financial terminology and promote broader financial literacy. In addition, a sector-wide discussion titled “Past, Present, and Future” was organized, bringing together banking and financial sector professionals, university faculty and students, journalists, and researchers to exchange views on the evolution and future development of financial terminology and knowledge dissemination.
- Financial fraud remains a significant concern amid persistent gaps in financial literacy. According to data reported by the National Police Agency, fraud-related crimes increased by 41.5 percent in 2025 compared with the previous year. In response, the Bank of Mongolia, in collaboration with the National Police Agency, the Mongolian Bankers Association, and the Mongolian Fact-Checking Center, implemented the nationwide awareness campaign “Do not let others use your bank account” from 28 October 2025 for a duration of two months. The campaign aimed to prevent fraud and money laundering, strengthen efforts to combat financial crime, and enhance public awareness of financial, economic, and legal risks to safeguard the rights and legitimate interests of bank customers.

and depositors. As a result of the campaign's outreach activities, fraud cases declined by 12.3 percent, although online financial fraud remains an emerging risk requiring continued policy attention. A wide range of preventive outreach measures were implemented, including public training sessions, stakeholder meetings, informational briefings, interviews, broadcast programmes, and digital content dissemination. Media organizations also played an active role, contributing through corporate social responsibility initiatives to expand the campaign's reach and impact.

Printed Publications

During the reporting period, the Bank of Mongolia prepared and disseminated a range of key printed publications aimed at supporting policy communication, public financial literacy, and stakeholder engagement. These included the Annual Report of the Bank of Mongolia, Household Budget Guide, Pocket Money Workbook, Economic Terminology Dictionary, the brochure on "General Guidelines on Financing and Operations to Support the Processing of Livestock-Origin Raw Materials," as well as the Research Publications, Monetary Policy Report, Financial Stability Report, and the State Monetary Policy Guidelines for 2026, among other materials.

Digital Financial Literacy Outreach

As part of ongoing efforts to enhance financial literacy through digital platforms, the Bank of Mongolia further enriched content on the dedicated website www.sankhuuginbolovsrol.mn. During the reporting period, a total of 51 news items and informational posters were published across official social media channels, including the Facebook page.

In addition, a new episode of the short educational video series "Anar Anu 2" was released on the Bank's YouTube channel, contributing to the dissemination of accessible financial education content for the broader public.

The Bank of Mongolia also maintained regular engagement with citizens by providing timely responses to public inquiries and feedback received through official communication channels.

International Cooperation and Partnerships

In cooperation with the Japan International Cooperation Agency (JICA), the Bank of Mongolia produced two additional episodes of the financial literacy animation series "Anar and Anu." The Bank contributed to the development of the terms of reference and storyline concepts, incorporating themes relevant to children's purchasing behavior and digital usage. The episodes, titled "Anar and Anu Go Shopping" and "Anar and Anu Discuss Digital Money," were produced and disseminated through digital channels to enhance financial awareness among young audiences.

Representatives of the Bank of Mongolia participated in the OECD/INFE (International Network on Financial Education) Technical Committee meeting held in Mexico from 6 to 9 May 2025, focusing on the integration of artificial intelligence into financial education initiatives.

As part of the program aimed at improving financial literacy among upper secondary school students, Bank staff took part in a study visit from 28 June to 4 July 2025 to familiarize themselves with the operations and best practices of the Bank of Korea and the Korea Deposit Insurance Corporation.

Furthermore, the Asia Regional Coordinator of Aflatoun International visited Mongolia from 25 to 30 August 2025. During the visit, trainer-of-trainers sessions were successfully conducted in both Ulaanbaatar and Arkhangai province, alongside official meetings with the senior management of the Bank of Mongolia to exchange views on enhancing the effectiveness of financial literacy policies and programmes.

3.1 ORGANIZATIONAL STRUCTURE AND HUMAN RESOURCES OF THE BANK OF MONGOLIA

During the reporting year, the Bank of Mongolia operated with an organizational structure comprising 13 departments, 1 institute, 1 center, 4 independent units, 17 provincial branches, and 2 representative offices. The Bank employed 577 staff members at its headquarters and 124 staff members in its local branches, with a total of 701 approved positions.

In 2025, Mongolia commemorated the historic 100th anniversary of the introduction of its national currency, the Mongolian tugrug (MNT). The issuance of the tugrug on December 9, 1925, marked a significant milestone in strengthening Mongolia's economic sovereignty and the independence of its monetary policy. To mark this anniversary, the Bank of Mongolia organized a wide range of activities aimed at raising public awareness of the historical significance and value of the national currency, building public confidence in the tugrug, and encouraging its responsible use. These activities included training programs, competitions, academic conferences, and exhibitions.

Employees who made valuable contributions to the development of the banking and financial sector were formally recognized and awarded. A total of 21 employees received the title "Honored Banker," 177 employees were awarded the title "Leading Financial and Banking Worker," 283 employees received the "Certificate of Honor" of the Bank of Mongolia, and 368 employees were granted the Bank's "Commendation Letter."

In line with its human resource policy, the Bank of Mongolia continued in 2025 to implement measures to strengthen human capital capacity, enhance management and organizational effectiveness, and retain highly qualified professionals. Ongoing efforts were made to support employees' professional development and skills enhancement, while steadily improving working conditions and social guarantees. During the reporting year, 225 employees participated in short-term domestic and international training programs. In addition, 19 employees were granted long-term study leave under formal agreements with the Bank to pursue undergraduate and graduate degrees at domestic and international universities.

In cooperation with The SEACEN Centre, the Bank of Mongolia successfully hosted the SEACEN Strategic Human Capital (HC1) Course: *Embracing Technology in HR Functions – Workforce Planning and Talent Management Decision* in Ulaanbaatar from July 21 to 24, 2025. The course was designed for HR leaders of central banks and was delivered by experts from the Workforce Planning Institute of Australia, faculty members from SEACEN's Leadership and Governance for Human Capital (LGHC) program, and representatives of the Bank of Mongolia. A total of 42 participants from central banks across the Asia-Pacific region attended the program.

In an increasingly dynamic environment, central banks require greater organizational agility, accountable leadership, evidence-based decision-making, and optimized human resource management. In this context, the role of HR has become increasingly important and continues to evolve rapidly. Integrating technology into HR functions is no longer optional but a strategic imperative. The course provided practical knowledge and methodologies on leveraging technology at the strategic level to strengthen talent pools, identify workforce needs, optimize planning processes, and enhance employee capabilities. It also addressed emerging workforce trends affecting central banks in the Asia-Pacific region and their strategic implications, as well as HR planning approaches aligned with institutional objectives and national mandates. Furthermore, the program enabled HR

professionals from central banks to exchange experiences and share best practices in the use of digital HR tools and evidence-based decision-making.

In 2025, the Bank of Mongolia underwent its five-year state inspection on archival management, official documentation, and organizational administration, receiving a score of 91.5 and an “A” rating. As part of its corporate social responsibility initiatives, the Bank organized its charitable donation campaign for the second consecutive year at the initiative of its employees and, in cooperation with its partner institution, Chingeltei District Kindergarten No. 5, donated books, notebooks, and toys to children.

3.2 INTERNAL AUDIT DEPARTMENT

Governance and Independence

The Internal Audit Department of the Bank of Mongolia operates in accordance with relevant laws and regulations, the Bank’s Internal Audit Charter, and the Global Internal Audit Standards issued by the Institute of Internal Auditors, providing independent and objective assurance and advisory services aimed at enhancing governance, risk management, and internal control processes.

Structurally, the Internal Audit Department reports directly to the Governor of the Bank of Mongolia, ensuring the organizational basis for independence and objectivity.

In accordance with the Law on the Central Bank, the Department cooperates with the Supervisory Board appointed by the State Great Khural, providing relevant information and reports on audit activities. The Department also submits its activity reports to the Supervisory Board on a quarterly basis. The Department maintains close cooperation with the independent external audit firm of the Bank’s financial statements, ensuring the timely provision of information and appropriate exchange of audit-related matters.

Risk Assessment and Audit Planning

The Internal Audit Department performs enterprise-wide risk assessments considering the Bank’s strategic objectives, operational activities, and risk environment. The risk assessment covers strategic, operational, financial, information technology, information security, and reputational risks.

Based on this assessment, a risk-based annual audit plan is approved and implemented.

Audit and Monitoring Activities in 2025

In 2025, the Internal Audit Department conducted audit engagements, reviews, and assessments across the Bank’s core and supporting activities in accordance with the approved risk-based plan.

During the reporting period, a total of 24 audit engagements were completed, including 9 operational audits, 2 information technology audits, 11 audits of regional branches, and 2 financial audits.

Monitoring activities were also carried out in selected processes to support preventative risk identification and strengthen internal control effectiveness. Recommendations were communicated, and follow-up actions were monitored.

Human Resource and Capacity Development

The Internal Audit Department is staffed by a multidisciplinary team. The staff’s composition is as follows: 35 percent economists, 18 percent banking economists, 17 percent accountants, 12 percent finance specialists, 6 percent information technology specialists, and 12 percent legal professionals. Staff have between 3 and 35 years of professional experience.

To continuously enhance competencies, staff regularly participate in internal training programs organized in cooperation with IIA Mongolia, as well as training programs organized by other central banks and international financial institutions.

During the reporting period, one auditor obtained the internationally recognized Certified Internal Auditor (CIA) designation, strengthening the Department's professional capacity.

3.3 RISK MANAGEMENT

Within its framework for managing potential financial risks related to 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, 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 performance. 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, economic growth and labor market conditions remained uneven. Central banks responded by gradually easing monetary policy through phased reductions in policy rates. In the United States, moderate inflation, coupled with strong investment in the technology sector and robust capital market performance, supported resilient economic growth. At the same time, rapid technological advancement accelerated structural changes in the labor market, exerting pressure on employment in certain sectors.

In April 2025, the United States introduced higher tariffs on selected countries, increasing uncertainty in the global trade environment and contributing to financial market volatility. However, intensified trade negotiations with its key trade partners helped partially alleviate uncertainty and supported a recovery in capital markets. Concurrently, policy actions against Venezuela and Iran, as well as evolving U.S. positions on Greenland and Canada, signaled a notable shift in U.S. foreign policy.

In China, continued weakness in the real estate sector and subdued consumption persisted. Despite the introduction of supportive fiscal and monetary measures, trade tensions and geopolitical uncertainties continued to constrain growth, preventing economic growth from returning to historically higher levels. Meanwhile, major euro area countries increased defense spending amid the ongoing Russia-Ukraine conflict.

Considering the above external environment shifts, the central bank's risk management of foreign reserves focused on credit risk, settlement risk, and market risk-particularly exchange rate and interest rate risks. As part of ongoing enhancements to the strategic asset allocation framework, the Bank conducted research on BIS methodologies and its programming tools, integrating these improvements into the central bank's operational practices.

Amid rising sovereign debt levels, higher fiscal financing costs, and broader economic uncertainty, major credit rating agencies downgraded the sovereign credit ratings of the United States and France in 2025. In response, the Bank of Mongolia continuously monitored such changes and within the scope of the credit risk

management, the central bank conducted financial capacity analyses of foreign counterparts and financial institutions every quarter, covering key financial indicators, credit ratings, stock price dynamics, CDS spreads, and sensitive news related to these institutions.

In 2025, 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 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. To ensure timely settlement capacity, reserves were primarily invested in highly liquid instruments, including current accounts, short-term deposits, and short-term securities issued by foreign governments and international financial institutions.

The Bank also conducted daily monitoring of compliance with approved reserve structures and limits, while regularly measuring and reporting performances in line with international standards. In parallel, it undertook research on improvement of guidelines of foreign exchange reserve management and took recommendations on the amendment from international organizations.

Risk management of monetary policy operations

In the course of implementing monetary policy and safeguarding financial stability, the Bank of Mongolia manages its credit risk exposure through a structured collateral policy framework. This includes defining eligible collateral types for bank lending and financing operations, developing methodologies for determining fair value, and setting appropriate haircut levels.

During the reporting period, the Bank of Mongolia conducted ongoing valuation of collateral pledged for loans and financing to banks, ensuring the adequacy of collateral at all times, thereby effectively mitigating the central bank's credit risk in accordance with the approved collateral policy.

The central bank's haircuts are determined on a differentiated basis, taking into account multiple factors such as the characteristics of collateral, the level of risk, and liquidity conditions. In this context, a comprehensive and evidence-based assessment was conducted by comparing the central bank's collateral haircuts against those applied by other central banks. This analysis enabled the determination of appropriate and prudent haircut levels, representing an important measure to mitigate risks not only for the central bank but also for the broader financial system.

In order to enhance the effectiveness of the central bank's monetary policy instruments and to strengthen financial risk management, the list of eligible collateral is periodically reviewed and updated as necessary. During the reporting period, a haircut assessment was conducted for securities issued by "Mongolian Railway" JSC, and these securities were subsequently included in the list of eligible collateral for bank lending and financing, as eligible asset for emergency lending assistance by the central bank.

The research was undertaken to improve the methodology for estimating expected credit losses from financial assets, and the results were incorporated into the calculation framework. In line with International Financial Reporting Standard 9, the "Guidelines on Risk Assessment of Financial Asset" were applied to proactively estimate expected credit losses on selected financial assets of the Bank of Mongolia, and appropriate risk provisions were established accordingly.

Pursuant to Resolution No. A-236 dated October 9, 2024 issued by the Governor of the Bank of Mongolia, the "Regulation on Long-Term Swap Transactions" was revised and approved. In this context, the revaluation of long-term swap transactions made with domestic banks was carried out in accordance with the updated regulation and duly reflected in the financial statements. These measures are aimed at increasing foreign currency inflows, reducing lending rates, and moderating the growth of foreign currency-denominated loans. As a result, the Bank of Mongolia's balance sheet is presented in a more transparent and accurate manner to

the public, thereby strengthening the central bank's credibility and accountability, and ultimately enhancing the effectiveness of monetary policy implementation.

Amid the expansion of central bank balance sheets and structural changes in asset composition globally, the identification and management of risks faced by central banks have become an increasingly important policy issue worldwide. In this context, the central bank conducts regular risk-based analyses of its financial balance sheet, identifying, assessing, and evaluating potential risks. To support informed decision-making, quarterly risk assessment reports are prepared and shared at the management level, facilitating timely information exchange and the implementation of appropriate risk mitigation measures.

Non-Financial Risk Management

Operational Risk Management

During the reporting year, the Bank of Mongolia focused on strengthening its operational risk management framework by conducting theoretical research and studying leading practices adopted by other central banks worldwide. 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 widely 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) was closely monitored and reported on a regular basis. This approach enabled the bank to measure operational risk with greater accuracy, identify the root causes of risk-generating factors, and take timely and appropriate corrective actions. Furthermore, during the reporting year, risk mapping assessments were conducted across two areas: 1) software development, maintenance, and modification activities, and 2) all stages of the securities trading process. Based on the findings, targeted measures were taken to mitigate identified operational risks in both areas.

To foster a culture of operational risk management, the Bank disseminated risk management knowledge and information throughout the organization and conducted dedicated training sessions and meetings for operational risk coordinators across departments. These initiatives created the conditions for close collaboration and coordination among all units of the Bank of Mongolia in managing operational risks effectively.

Business Continuity Management

The Central bank-maintained oversight of the implementation of plans and regulations governing business continuity, operational resilience, and contingency procedures currently in force at the Bank of Mongolia. Furthermore, the Bank continued its efforts to foster an organizational risk culture by enhancing employee knowledge and understanding of operational risk and business continuity management, and by promoting a professional and accountable approach among all parties involved in operational risk management. During the reporting year, dedicated business continuity plans for financial, accounting, and currency-related operations were newly approved.

3.4 INFORMATION TECHNOLOGY

The Information Technology Department has successfully implemented several projects in 2025 to improve the organization's information technology infrastructure, ensure security, and introduce modern technologies and software. The main activities carried out during the reporting period are the following:

Within the scope of improvement of the core system and infrastructure:

- System and server failures were detected, repaired, and automated, and the main environment of the Non-Performing Loans (NPL) system was created and put into operation successfully. The Oracle

database control system was upgraded from the OEM 13c version to the OEM 24ai (AI-based) version, and the standby server of the Loan Database was increased and placed in the backup center, which was a work that supported the reliable and continuous operation of the server.

- The VxRail environment, the updated JSON protocol database, and application environment of the Loan Database were created, network and server improvements were implemented, as well as the optimal security solutions, such as connecting operating systems, servers, and network devices to the PAM system to improve access control, and implementing the FortiClient Endpoint Management System. In addition, the information security recommendations provided by the General Intelligence Directorate of Mongolia were implemented, and 10 related procedures and policy documents were developed in accordance with the ISO 27001:2022 Information Security Management Systems Standard.

Within the scope of software development and implementation work:

- In collaboration with the National Police Agency of Mongolia, a fully developed and implemented cybercrime prevention system has been implemented, enhancing the efficiency and effectiveness of cooperation between commercial banks and the National Police Agency.
- A loan risk and monitoring system was developed and implemented, simplifying credit reporting and consolidation, and increasing the speed and reliability of non-performing loan monitoring and calculation.
- The system for electronically receiving public petitions and complaints submitted to the Bank of Mongolia has been fully developed and is ready for implementation.
- As part of the work to digitize permits issued by the Bank of Mongolia, a dedicated software has been developed and is ready for public use. The digitization of special and general permits issued by the Bank of Mongolia is of great importance in improving the process, making it open, transparent, and fast for the public.

3.5 MEASURES FOR ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT)

In accordance with the State's Monetary Policy Guidelines for 2025, preparatory measures have commenced for the upcoming mutual evaluation of Mongolia's AML/CFT system in terms of technical compliance and effectiveness. In this context, the national risk assessment is nearing completion, while the self-assessment of the effectiveness of the AML/CFT system based on the 11 Immediate Outcomes has recently been initiated. Within the framework of the above-mentioned measures and in accordance with the core functions set out in the Law on Combating Money Laundering and Terrorism Financing, the Financial Information Unit of Mongolia (hereinafter referred to as "FIU") carried out the following tasks in 2025.

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

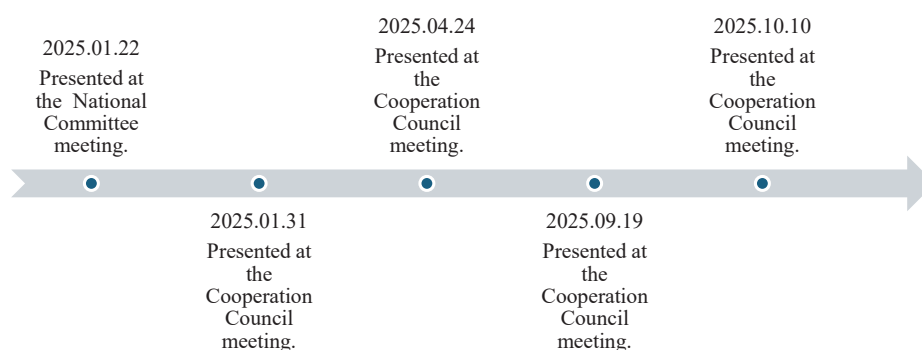
Pursuant to Article 24.2 of the Law on Government of Mongolia and Article 22¹.1 of the Law on Combating Money Laundering and Terrorist Financing, the Government of Mongolia approved the nationwide "National Strategy on Combating Money Laundering and Terrorist Financing" (hereinafter referred to as the "Strategy") by Resolution No. 265 of 2022.

The Strategy was developed based on the FATF 40 Recommendations on technical compliance, the 11 Immediate Outcomes on effectiveness, the findings of the National Risk Assessment, and recommendations provided by international organizations. In response to changes in the risk environment, the Action Plan for implementation of the Strategy was amended by Order No. A/189 of 2024 issued by the Minister of Justice and Home Affairs, who also serves as the Chair of the National Committee.

The effective implementation of the Strategy, particularly the achievement of its objectives, requires strong high-level political commitment, adequate resources, and effective cooperation between public and private sectors. The Strategy envisages the implementation of objectives under eight strategic goals over the period 2022–2030. By Order No. A/04 of 2023 issued by the Minister of Justice and Home Affairs, the Action Plan for the implementation of the Strategy was approved, comprising 195 measures. The FIU was tasked with circulating the approved Action Plan to relevant institutions, ensuring its implementation, and preparing and submitting annual progress reports.

In accordance with Sections 5.5 and 5.7 of the Strategy, the relevant agencies presented quarterly updates on the progress and implementation of the Action Plan at meetings of the National Committee and the Cooperation Council for review and assessment (Figure 3.1).

Figure 3.1 Presentation of implementation progress at meetings of the National Committee and the Cooperation Council

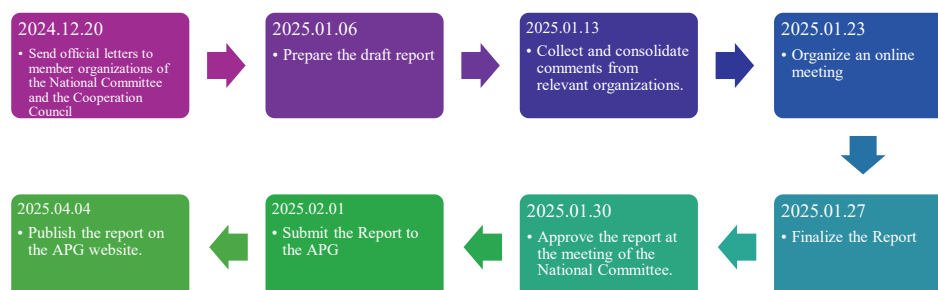


Of the total 195 measures set out in the Action Plan, 21 were scheduled to be completed in 2025, 5 were to be commenced in 2025, and 30 were to be implemented annually or on a continuous basis.

Mongolia's follow-up report

Mongolia reports its update on technical compliance of FATF 40 Recommendations, known as international standards on combating money laundering and terrorist financing, as well as financing of proliferation of weapons of mass destruction, to the APG on an annual basis. In this regard, the FIU in cooperation with the member organizations of the AML/CFT Cooperation Council submitted a Follow-Up Report 2025 of Mongolia without a request for re-rating on January 31, 2025 (Figure 3.2).

Figure 3.2 Process of FUR submission



The 2025 APG Annual Meeting was held in Tokyo, Japan, from 25 to 29 August 2025. Mongolia was represented by a delegation led by the Chair of the Cooperation Council and Vice Chairman of the Financial Regulatory Commission, comprising representatives from the Bank of Mongolia, the FIU, Capital City Court of Criminal Appeal, the Judicial Training, Research and Information Academy, General Intelligence Agency, National

Police Agency, Independent Authority Against Corruption, National Counter Terrorism Council, Prosecutor General's Office and General Authority for State Registration.

During the meeting, the head of the FIU participated in a panel discussion on Success factors for the global fifth round of mutual evaluations and ensuring inclusion and Diversity,” where Mongolia’s experience of “Grey Listing” in 2019 and successfully exiting within a short period was shared. Moreover, a representative of the Financial Regulatory Commission participated as a panelist in the session titled “Virtual asset service providers oversight in Mongolia: Challenges and lessons learned,” sharing regulatory experience.

In addition, a representative of the FIU served as an assessor for Vietnam’s 2025 Follow-Up Report, evaluated the implementation of the relevant recommendations, and presented the report at this annual meeting.

Domestic and international cooperation

Domestic cooperation

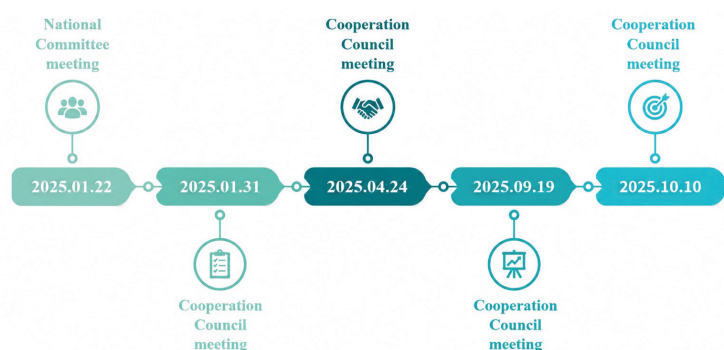
Domestic public-private cooperation is essential for strengthening the system for combating money laundering, terrorist financing, and the financing of the proliferation of weapons of mass destruction. In this regard, the 19 state organizations that are members of the National Committee for Combating Money Laundering and Terrorism Financing, as well as the Cooperation Council, engage in regular collaboration. The FIU serves as the secretariat of the Councils and is responsible for organizing their meetings (Figure 3.3).

Figure 3.3 Composition of the National Committee and Cooperation Council

<u>National Committee</u>	<u>Cooperation Council</u>
<ul style="list-style-type: none"> Minister of Justice and Home Affairs (Chair of the Council) Head of the General Intelligence Agency (Deputy Chair) Head of the FIU-Mongolia at the Bank of Mongolia (Secretary) Minister of Finance Minister of Digital Development, Innovation and Communications First Deputy Head of the Government Secretariat First Deputy Governor of Bank of Mongolia Deputy of State General Prosecutor's Office 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 Head of the Customs General Administration Commissioner of the General Department of Taxation Chairman of the General Authority for State Registration Vice Chairman of the Financial Regulatory Commission First Deputy Commissioner of the National Police Agency First Deputy Head of the General Department of Court Decision 	<ul style="list-style-type: none"> 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 2025, the National Committee on Combating Money Laundering and Terrorist Financing convened once, while the Cooperation Council held four meetings, as shown below Figure 3.4.

Figure 3.4 Meetings of the National Committee and the Cooperation Council



During the meeting, the following matters aimed at strengthening Mongolia's AML/CFT framework were discussed and agreed upon:

- To include a representative from the Ministry of Digital Development, Innovation and Communications in the working group responsible for assessing effectiveness under the 11 Immediate Outcomes, and to assign the FIU to organize the establishment of the working group;
- To assign the FIU to collect from the member institutions of the National Committee and the Cooperation Council the names of officials to participate in the working group for conducting the National Risk Assessment, and to organize the establishment of the working group;
- To have the member institutions of the Council regularly assess potential risks arising in connection with international sanctions imposed on the Russian Federation, develop proposals on measures to be taken, present them to the National Committee, and, where necessary, refer them to the Government;
- To submit the draft action plans of the sub-working groups under the Cooperation Council for 2025-2026;
- To have the Rules of procedure of the Cooperation Council approved by the Governor of the Bank of Mongolia;
- To intensify the implementation of activities under the Action Plan for the implementation of the National Strategy on Combating Money Laundering and Terrorist Financing where implementation in 2024 was insufficient;
- To take measures to liaise with the relevant authorities regarding the organization in Mongolia of APG activities, including the APG Plenary, assessor and reviewer training, and typology workshops;
- As member institutions will be required to present the Immediate Outcome assessments relevant to their respective institutions during the Mutual Evaluation, the relevant officials shall be duly prepared, and arrangements shall be made for them to participate in assessor and reviewer training;
- Where necessary, to invite representatives from the Department for Railway and Maritime Transport Policy and Coordination of the Ministry of Roads and Transport, as well as the Maritime Administration, to attend meetings of the Cooperation Council and provide updates on recent developments;
- For the Secretariat to circulate to the members of the Cooperation Council information that the APG Plenary would be held in Japan in August 2025, and for the members to ensure broad participation in the meeting;
- To send official letters to institutions whose implementation of the Action Plan for the AML/CFT National Strategy remained insufficient;
- For the Secretariat to send an official letter regarding the inclusion of the General Executive Agency of Court Decisions in the composition of the Cooperation Council;
- Where possible, to relieve officials serving in the National Risk Assessment sub-working groups from their regular duties in order to enable them to conduct the risk assessment;

- To identify the institutions relevant to each of the 11 Immediate Outcomes, and for each institution to designate a representative to act on its behalf during the next Mutual Evaluation and ensure continuity in that representative's work;
- To support the postponement of Mongolia's Mutual Evaluation schedule by 12 months and to notify the APG of its acceptance by 17 October 2025.

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 Eurasian Group on Combating Money Laundering, and the Egmont Group.

With a view to strengthening international cooperation and expanding the scope of the exchange of analytical information related to money laundering, terrorist financing, and associated predicate offences, the FIU initiated the process in 2025 of concluding Memoranda of Understanding with the Financial Intelligence Unit of the Kingdom of Bhutan, the Financial Intelligence Analysis Unit of the Republic of Malta, and the Financial Transactions and Reports Analysis Centre of Canada. In this regard, comments were mutually exchanged on the draft memoranda to be concluded with the financial intelligence units of the above-mentioned countries. As a result, on 7 July 2025, a Memorandum of Understanding on cooperation and the exchange of financial intelligence related to money laundering, its predicate offences, and terrorist financing was concluded with the Financial Intelligence Analysis Unit of the Republic of Malta. The process of concluding memoranda of understanding with the other two countries is ongoing.

Mongolia participated in the FATF plenary meeting held in June 2025, where it obtained information on key global issues related to combating money laundering, terrorism financing, and proliferation financing. The meeting also provided an opportunity to study best practices, exchange views, and explore ways to align Mongolia's AML/CFT system with international standards, improve risk assessment, and enhance supervisory and regulatory measures. Additionally, the FIU actively disseminated information to relevant authorities and via its website regarding FATF decisions from the 2025 Plenary meeting, as well as changes related to the "grey list" under extended AML/CFT monitoring and the "blacklist" of jurisdictions with strategic deficiencies and high risks.

In 2025, officials from the Prosecutor General's Office of Mongolia, the National Counter-Terrorism Council of Mongolia, the National Police Agency of Mongolia, and the Financial Regulatory Commission participated in APG's assessor training workshop. Additionally, a representative of the FIU served as an assessor for Vietnam's Follow-Up Report in February 2025. These hands-on experiences as an assessor and reviewer are crucial for Mongolia's upcoming mutual evaluation, as they support the preparation of its national report in line with international standards and methodologies, and strengthen its ability to effectively present and defend the report throughout the evaluation process.

Mongolia joined the EAG as an observer country in May 2012. In this regard, Mongolia maintains coordinated and sustainable cooperation with EAG member states and other observer countries to enhance information exchange and expand international collaboration in anti-money laundering and countering the financing of terrorism, and the financing of the proliferation of weapons of mass destruction. For instance, the FIU prepared and submitted Mongolia's observer activity reports in March and October 2025.

The 31st Egmont Group Plenary Meeting, focused on the theme "Egmont Group at 30: The future of international coordination in AML and CFT" was held in Luxembourg from July 6 to 11, 2025. Representatives of FIU-Mongolia participated in this meeting, alongside over 600 representatives from Egmont Group member FIUs, international partners, and observers. The event provided an opportunity to share trends, best practices, and emerging challenges in the fight against money laundering and terrorism financing.

Supervision

The FIU 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 2023 to 2025 are presented in Table 3.1.

Table 3.1 Statistics on AML/CFT supervision /2023-2025/

Items	2023	2024	2025
Number of AML/CFT off-site supervisions	8,392	5,611	7,463
Number of reporting entities covered by the AML/CFT off-site supervisions (in duplicate numbers)	9,102	6,219	7,463
Number of AML/CFT on-site supervisions	231	238	83
Number of reporting entities covered by AML/CFT on-site supervisions (in duplicate numbers)	231	242	83
Number of acts and notices issued to reporting entities	505	617	604
The number of rectification orders and time-bound tasks issued to reporting entities	71	90	93
Number of reporting entities liable under the Infringement Law	19	5	19
The value of confiscation of assets and income and fine actions taken under the Law on Infringement /MNT/	154,500,000	70,000,000	288,500,000

Source: FIU-Mongolia

In cooperation with the Financial Regulatory Commission, on-site inspections were carried out at 12 virtual asset service providers between 25 March and 8 April 2025 and at 52 non-bank financial institutions between 9 and 18 April 2025. During the course of the on-site supervisions, compliance with the Law on Combating Money Laundering and Terrorism Financing was assessed through the review of internally applied policies and procedures, the conduct of interviews, sample testing, and the examination of archived documentation.

Based on the results, supervision reports outlining the required follow-up measures were delivered to all reporting entities subject to supervision, and measures were taken against those reporting entities found to be in breach of the relevant legislation in accordance with applicable laws and regulations.

The FIU also cooperated with the Mongolian Chamber of Notaries, the Institute of Certified Public Accountants of Mongolia, the Mongolian Bar Association, and the Association of Mongolian Advocates in supporting their supervisory activities over the implementation of anti-money laundering and counter-terrorism financing obligations by lawyers, advocates, notaries, and providers of accounting and financial advisory services. Monitoring of each association's supervisory plans, as well as their off-site and on-site supervision reports, was carried out on a semi-annual basis.

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 2025, 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 /2023-2025/

	2023	2024	2025
Suspicious transactions	1,799	2,823	5,204
Cash transactions	315,103	328,667	516,483
Foreign settlement transactions	284,301	382,266	375,306
Virtual asset transactions	7,447	15,141	15,979

Source: FIU-Mongolia

According to Article 15 of the Law on Combating Money Laundering and Terrorism Financing, the FIU receives customs declarations from the customs authority for amounts of MNT 15 million or more, or the equivalent amount in foreign currency, bearer negotiable instruments, or electronic money carried in cash across the border of Mongolia (Table 3.3).

Table 3.3 Number of customs declarations /2023-2025/

	2023	2024	2025
Number of customs declarations	15,090	9,147	26,045

Source: Mongolian Customs General Administration

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 regard, 2,775 suspicious transactions out of 5,204 STRs submitted by reporting entities in 2025 were analyzed, and 2,657 were subsequently disseminated to law enforcement agencies for further investigation (Table 3.4).

Table 3.4 Number of STRs received, analyzed, and disseminated /2023-2025/

	2023	2024	2025	Percentage change in 2025 compared to 2024
Number of STRs received from reporting entities	1,799	2,823	5,204	Increased by 84 percent
Number of STRs analyzed	795	680	2,775	Increased by 308 percent
Number of suspicious transactions disseminated to LEAs	765	654	2,657	Increased by 306 percent

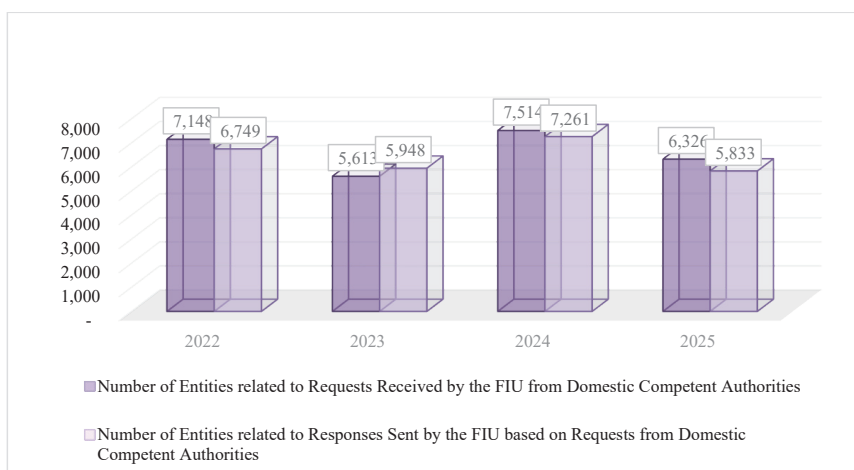
Source: FIU-Mongolia

Exchange of information

A. Information exchange with domestic organizations

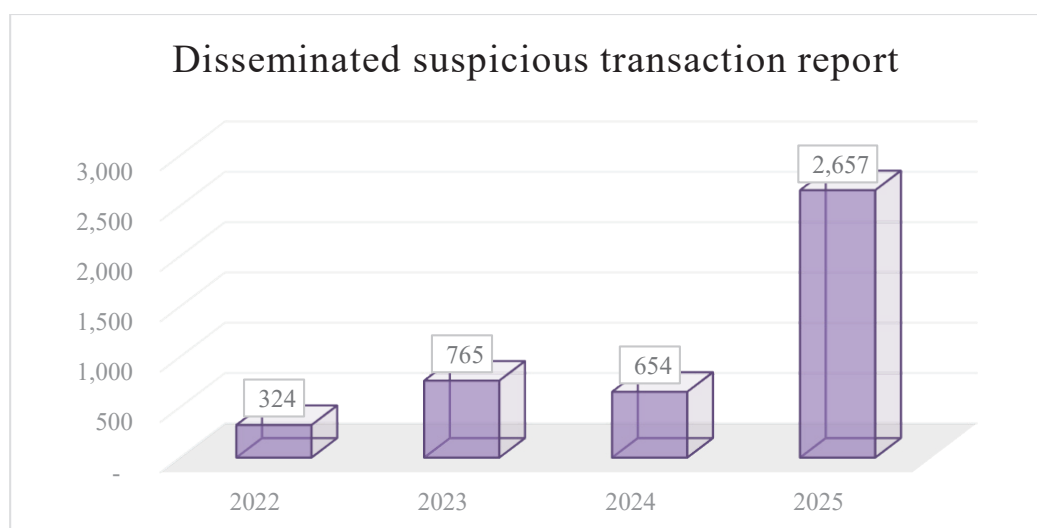
The FIU cooperates and exchanges information with domestic competent authorities in the prevention and combat of money laundering, terrorist financing, and the financing of the proliferation of weapons of mass destruction. In 2025, FIU received a total of 425 requests related to 6,326 entities from domestic law enforcement authorities and responded to 418 requests related to 5,833 entities (Figure 3.5).

Figure 3.5 Information Exchange with Domestic Competent Authorities /2022-2025/



Source: FIU-Mongolia

Moreover, 2,675 suspicious transactions were disseminated to domestic law enforcement authorities this year, representing an increase of 4.6 times compared to the 2022–2024 average (Figure 3.6).

Figure 3.6 Number of Suspicious Transactions Disseminated to Law Enforcement Agencies /2022-2025/

Source: FIU-Mongolia

B. Cooperation and Information Exchange with Foreign Competent Authorities

In accordance with FATF Recommendation 29, Recommendation 40, and Article 21 of the Law on Combating Money Laundering and Terrorist Financing, FIU-Mongolia cooperates and exchanges information with foreign counterparts that carry out similar functions in the field of anti-money laundering and counter-terrorism financing (Table 3.5).

Table 3.5 Exchange of information with foreign FIUs

	2023	2024	2025
Number of requests sent by FIU-Mongolia to the foreign FIUs and similar organizations	223	82	220
Number of responses to requests sent to foreign FIUs and similar organizations	167	116	102
Number of requests received by FIU-Mongolia from foreign FIUs and similar organizations	13	33	54
Number of responses made to requests received by FIU-Mongolia from similar foreign organizations	13	3	83
Number of spontaneous information received from foreign FIUs	14	7	12

Source: FIU-Mongolia

In 2025, the FIU-Mongolia has submitted a total of 220 individual-involved requests to foreign FIUs, with the largest number of requests being sent to countries such as the Republic of Korea, Singapore, and the United States of America.

In addition to cooperating through the FIUs of Egmont Group member jurisdictions, the FIU-Mongolia is expanding its international cooperation by signing a new Memorandum of Understanding with the FIU of the Republic of Malta in 2025.

Capacity building and awareness-raising activities

In 2025, staff of the FIU focused on strengthening their skills by participating in training and seminars organized by domestic and foreign organizations on combating money laundering and terrorist financing. In this year, a training course was organized for all FIU staff to provide information on the main activities of some of the government authorities, as well as their efforts to combat money laundering and terrorist financing, which had a positive impact on cooperation between the two organizations and significantly improved the quality of information exchanged.

The FIU 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, a total of 1,012 officials participated in 12 training courses organized by the FIU, both individually and in collaboration with other organizations.

In addition, the FIU, in cooperation with the Bank of Mongolia, the Mongolian Bankers Association, and Khan Bank, organized a forum entitled “AML/CFT Compliance and Digital Transformation” on November 27–28, 2025. The forum was widely attended by senior representatives from the Government, the National Committee, member organizations of the Cooperation Council, as well as senior representatives from the banking and financial sector.

Within the framework of the activities of the Research and Analysis Working Group under the Cooperation Council, the FIU successfully organized, for the fourth consecutive year, a Student Scientific Conference on AML/CFT on June 4, 2025. Compared to previous years, the conference broadened the scope of research topics, with particular emphasis on cybercrime, trends in money laundering typologies, new techniques and technologies, financial innovation, and emerging financial instruments. This year’s scientific conference was held for the first time in a hybrid format, combining in-person and online participation. In addition to students from universities in Mongolia, students from the Russian Federation and the United States participated and presented their research papers, marking a significant expansion in international participation and overall reach.

3.6 THE ECONOMIC RESEARCH AND TRAINING INSTITUTE

The Economic Research and Training Institute operates with two division in accordance with its core functions: conducting research and analytical work to support economic policy decision-making, organizing intermediate and advanced-level training for central bank and financial sector professionals, and publishing an academic economic journal.

In 2025, in line with its core functions, the ERTI completed several research studies. These include:

- “*Estimating Core Inflation*”, aimed at comparing methodologies for calculating core inflation;
- “*Determining the Neutral Interest Rate in a Small Open Economy*”, aimed at assessing the stance of monetary policy and identifying the equilibrium interest rate;
- “*Sovereign Wealth Fund: International Experience*”, aimed at analyzing the importance of asset management in sovereign wealth funds and developing policy recommendations.

Additionally, market analyses were conducted for key strategic commodities, including flour, wheat, meat and meat products, wool, and cashmere, with the objective of assessing future price trends as well as demand and supply conditions.

Furthermore, to evaluate macroeconomic fundamentals and risk levels, the ERTI calculated the “*Economic Performance Index Evidence from Mongolia*” and the “*Vulnerability Index Evidence from Mongolia*” for the period 2015–2025.

As part of survey-based research activities, the ERTI conducted the “*Household Consumption and Financial Conditions Survey of Mongolia*” and the “*Bank Funding Survey*” in 2025.

Specifically, data collection for the Household Consumption and Financial Conditions Survey was carried out nationwide from June 16 to August 16, 2025, covering a total of 2,557 households. The survey aimed to provide a comprehensive overview of household income, expenditure, assets, liabilities, financial vulnerability indicators, as well as the causes and determinants of unemployment. Based on the survey results, relevant policy recommendations were developed.

The Bank Funding Survey was conducted among 11 commercial banks operating in Mongolia during the second and fourth quarters of 2025. The survey analyzed the structure of banks’ total funding sources,

including current accounts and deposits of households and enterprises, government, and foreign funding, as well as funding obtained from other banks, financial institutions, and the money market. It also assessed current conditions and expectations and identified key factors influencing funding structures' changes.

In addition, in collaboration with the Deutsche Bundesbank, the Economic Research and Training Institute participated in an online seminar titled *"Enhancing Central Bank Surveys"*, where experiences were exchanged on survey methodologies, sample design, data collection techniques, and challenges encountered in data analysis, along with possible solutions.

The following trainings and seminars were organized among financial sector experts and employees of the Central Bank.

- A training session on *"Violation Registration and Integrated Information Database"* for more than 80 inspectors;
- A 10-part training series on *"Financial Machine"* for over 45 economists.

Moreover, to enhance the knowledge and skills of banking and financial sector professionals, the Economic Research and Training Institute organized the *"Bank Employee Seminar"*, covering 16 topics and involving more than 1,040 employees from 12 commercial banks, held between April and October 2025.

The Economic Research and Training Institute also conducted:

- An open discussion titled *"Sharing Experiences on Scholarship Programs"* for all employees of the Bank of Mongolia;
- A *"Researchers' Forum"* for policymakers, academics, and researchers in the fields of economics, banking, and finance.

To promote the importance and application of economic research, the ERTI organized the *"Academic Research Competition"* among university students studying economics, banking, and finance in May 2025 in two stages. A total of 29 research papers from 86 participants were submitted, covering topics such as macroeconomics, monetary policy, fintech, and fiscal transparency. The top 10 papers were selected and presented at a discussion held on May 22, 2025.

As part of its efforts to publish an academic journal, the ERTI completed preparations in 2025 for launching an internationally standardized economic journal aimed at bridging theory and practice, enhancing mutual understanding between academia and policymakers, improving research quality and accessibility, and disseminating research findings and economic developments to the public.

3.7 CREDIT INFORMATION DATABASE

The Bank of Mongolia performs its functions of establishing the Credit Information Database (CID), as well as processing, storing, protecting, and utilizing credit information. In addition, it is responsible for licensing, supervising, and overseeing credit information service providers, with the objective of ensuring financial sector stability, improving credit risk management, and enhancing transparency in the financial market.

The Credit Information Database is a key financial infrastructure that supports credit decision-making and risk assessment by financial institutions. By consolidating and processing information submitted by banks, non-bank financial institutions, and other entities authorized by law to conduct lending activities, the system enables the unified recording of borrowers' credit and repayment information. This reduces information asymmetry and prevents excessive multiple borrowing, thereby playing a critical role in maintaining the stability of the financial system.

The "State Monetary Policy Guidelines for 2025" set out key policy objectives, including supporting the development of new services in the national payment system and credit information sector, improving the regulatory environment in line with financial market developments, and strengthening the framework for protecting financial consumers.

In line with these policy objectives, the Bank of Mongolia has implemented a series of measures aimed at improving the legal and regulatory framework for credit information, upgrading technological solutions of the credit information system, enhancing data quality and accessibility, and introducing a credit scoring-based assessment system aligned with international best practices.

Improving the regulatory framework for credit information

Following the adoption of amendments to the Law on Credit Information by the State Great Khural on May 16, 2025, the Bank of Mongolia was mandated to develop and approve regulatory requirements related to determining borrowers' creditworthiness using scoring methodologies, as well as conditions governing the retention period of credit information in credit reports for up to five years.

In this context, the Bank of Mongolia developed and approved the regulatory document titled "Conditions and Requirements for Determining Borrowers' Creditworthiness," which establishes the principles and requirements to be followed by credit information service providers when developing credit scoring models and methodologies. In accordance with applicable legislation, a public consultation process was conducted, involving both the public and financial sector participants, prior to finalizing the document.

The regulation was approved by an order of the Governor of the Bank of Mongolia and submitted for registration in the unified state register of administrative acts. It will enter into force upon official registration.

The implementation of this regulation establishes a legal foundation for the gradual transition to a credit scoring-based system aligned with international practices. It is expected to improve the accuracy of credit risk assessments, enhance the quality of lending decisions by financial institutions, and expand access to financial services.

Furthermore, as part of efforts to improve the credit information system and strengthen financial consumer protection, a policy decision was made to exclude loan classification information from individuals and legal entities from credit reports. This change has been implemented since September 10, 2025.

In this regard, the Bank of Mongolia, in cooperation with the Ministry of Digital Development, Innovation and Communications, updated the credit information service settings on the E-Mongolia platform on September 3, 2025.

Licensed credit information service providers—"Titan CRA Credit Information Database" LLC and "Buren Score CMS" LLC—also updated their reporting formats effective from September 10, 2025. Loan classification information is no longer included in credit reports; instead, summarized information on overdue loans is presented.

These changes ensure that credit information is based on more relevant risk indicators, reduce the risk of misinterpretation of borrower information, strengthen financial consumer protection, and support the transition to a credit scoring-based system.

Supervisory and regulatory activities

To ensure the effective implementation of the Law on Credit Information and to maintain the accuracy and completeness of data within the Credit Information Database, the Bank of Mongolia conducts regular on-site and off-site supervision of information providers and credit information service providers.

As of 2025, a total of 664 entities is supplying data to the Credit Information Database under formal agreements. These include commercial banks, non-bank financial institutions, savings and credit cooperatives, telecommunications service providers, insurance companies, capital market participants, and government institutions.

Comprehensive inspections were conducted on licensed credit information service providers, while targeted inspections were carried out on financial institutions supplying data. Based on the findings, recommendations and directives were issued to address identified deficiencies and to improve data quality.

System development and technological upgrades

With the rapid advancement of financial technology and the expansion of digital lending products and services, there is an increasing need to enhance the processing capacity of the Credit Information Database and improve the efficiency of data exchange.

In this context, the “Protocol for Supplying Information to the Credit Information Database” was revised and approved.

As part of the implementation preparations, more than two million borrower records were verified against the national registration database. In addition, data submitted by non-bank financial institutions were reviewed, more than 13 thousand duplicate loan records were identified and removed, and credit data from commercial banks were converted into the new format.

The adoption of the JSON format provides significant technological advantages, including increased data transmission speed, improved data structure and flexibility, and reduced system load. This creates more efficient conditions for data exchange among financial institutions.

Coverage of the credit information database and future directions

As of December 31, 2025, the Credit Information Database contained, on a cumulative basis, 5,139,048 credit records of 2,428,495 individuals and 39,397 credit records of 20,149 legal entities, as reported by information providers.

Compared to the end of 2024, the number of individuals increased by 260,946, while the number of credit records increased by approximately 858.4 thousand. The number of legal entities increased by 1,725, and their credit records increased by 3,242.

This growth reflects the expansion of reporting coverage by financial institutions, increased utilization of the database, and improvements in the completeness and accuracy of credit information. As a result, the Credit Information Database plays an increasingly significant role in supporting credit decision-making and risk assessment, enhancing transparency in the financial sector, and improving the overall quality of risk management.

Going forward, the Bank of Mongolia will continue to implement phased measures aimed at improving data quality and coverage, enhancing data exchange technologies, and further aligning credit information standards and supervisory frameworks with international best practices.

3.8 MODERNIZATION OF THE LEGAL FRAMEWORK FOR THE BANKING AND FINANCIAL SECTOR

The Bank of Mongolia has initiated a phased process to update the legal framework governing the banking and financial sector. This process is based on Mongolia’s long-term development policy, the Law on the Central Bank (the Bank of Mongolia), and relevant resolutions adopted by the State Great Khural.

The main objectives of this initiative are to strengthen financial system stability, maintain price stability, and advance sector-wide legal and regulatory reforms. Through these measures, the Bank of Mongolia seeks to support a financial environment that is more efficient, transparent, and inclusive. These reforms are intended to improve the functioning of the financial market and support its resilience.

The ongoing reform process has been developed with reference to internationally recognized practices, standards, and recommendations of international financial institutions. This approach reflects the aim of establishing an institutional framework that supports the long-term and prudent development of Mongolia’s financial system. In this context, the Bank of Mongolia prepared several legislative amendments in 2025 to improve the legal framework of the financial sector. These amendments are intended to support sustainable development and strengthen the resilience of the financial system.

Amendments to the Law on the Central Bank (the Bank of Mongolia)

The Bank of Mongolia has prepared a revised draft of the Law on the Central Bank (the Bank of Mongolia) as part of the broader effort to update the legal framework of the financial sector. The revised draft defines the central bank's primary objective as ensuring price stability and provides a basis for adopting an inflation-targeting framework. This is intended to strengthen the implementation of monetary policy and support economic stability.

In addition to clarifying the objective of price stability, the revised law establishes medium-term monetary policy objectives and specifies macroprudential policy instruments. These provisions are intended to provide the central bank with tools to identify and address risks within the financial system and thereby support the resilience of the financial sector. The draft also introduces a legal framework for risk mitigation to reduce potential vulnerabilities.

Another important aspect of the reform is the alignment of the central bank's governance and accountability framework with internationally recognized practices. By improving transparency and defining accountability arrangements more clearly, the amendments aim to maintain an appropriate balance between institutional independence and public accountability.

These reforms are expected to support the anchoring of inflation expectations, improve the effectiveness of monetary policy, and contribute to financial system stability. By maintaining an appropriate balance between independence and accountability, the amendments are also expected to strengthen confidence in the central bank and support the sustainable development of Mongolia's financial sector.

Key Legislative Initiatives in the Financial Sector

Amendments to the Banking Law

The draft amendments to the Banking Law have been developed to gradually reduce the concentration of bank share ownership. These changes are intended to improve the transparency and stability of ownership structures in the banking sector and to establish a legal basis for attracting long-term investment.

Key provisions of the draft include setting limits on major shareholders, enabling investment by international financial and development institutions, and aligning the definition of related parties with practical implementation needs. The amendments also seek to strengthen bank governance and improve risk management practices.

As a result of these reforms, the ownership structure of the banking sector is expected to become more transparent and stable. The changes are also expected to encourage long-term domestic and foreign investment and help reduce systemic risk.

Draft Law on Financial Consumer Protection

The draft Law on Financial Consumer Protection has been developed to protect the rights and interests of users of financial services. Its main objectives are to promote fair competition in the financial market and improve the transparency of financial products and services offered to consumers.

To support these objectives, the draft law establishes general requirements applicable to financial products and services. It also provides a supervisory and inspection framework intended to ensure effective consumer protection. In addition, the law introduces mechanisms for dispute resolution and complaint handling. Another key component of the draft is the establishment of a policy basis for improving public financial literacy, with the aim of helping consumers make informed financial decisions.

Once enacted, this law is expected to contribute to strengthening consumer confidence in the financial sector. By improving transparency and market discipline, it is also expected to support financial inclusion and a more reliable financial environment.

Revised Draft of the Law on Credit Information

The revised draft of the Law on Credit Information has been prepared to align Mongolia's credit information system more closely with international standards. The main objectives of the revisions are to expand the scope and quality of credit data and to introduce updated approaches for assessing borrower creditworthiness.

Key provisions of the draft include establishing a legal basis for a credit scoring system based on borrowers' credit history and repayment performance. The draft also provides a legal framework for transparent and efficient exchange of credit information, while strengthening data security and personal data protection. In addition, it introduces a basis for risk-based pricing of credit through more accurate credit risk assessment.

These reforms are expected to produce several outcomes. For low-risk borrowers, the cost of credit may decline. At the same time, discipline and transparency in the credit market are expected to improve, contributing to better loan quality and a more supportive environment for financial stability.

In accordance with Resolution No. 79 of the State Great Khural dated July 8, 2025, a comprehensive study was conducted on the structure of lending interest rates, the effect of funding costs, the transparency of credit information, and the legal framework for establishing branches of foreign banks. Based on the study, policy recommendations were developed, and an implementation report was submitted to the State Great Khural.

As part of this work, the study examined several issues, including measures to reduce banks' cost of funds and the effect of deposit interest rates; regulatory measures to improve lending rate transparency for low-risk borrowers; alignment of the criteria and requirements for establishing foreign bank branches with international standards; and the relationship between collateral valuation and borrower creditworthiness.

These efforts are expected to support a more transparent and competitive structure of lending rates. This, in turn, may improve the efficiency of financial intermediation, support market competition, and contribute to financial system stability.

Alignment of Legal Reforms with Macroeconomic Stability Goals

The recent legal reforms in Mongolia's banking and financial sector are intended to support the primary objectives of the Bank of Mongolia, including price stability and financial system stability. These reforms are designed to improve market discipline, transparency, and competitiveness within the sector.

By focusing on these areas, the legal reforms provide a basis for supporting Mongolia's macroeconomic stability. They intend to create conditions for the long-term sustainability of the financial sector. The improved regulatory framework is expected to support a more stable and resilient financial system and thereby contribute to broader economic stability.

SUMMARY OF THE REGULATIONS APPROVED BY MONGOLBANK IN 2025

No	Title of the Regulatory Document	Date	No.	Description
1.	Large Value Payment system	2025.10.29	A-229	<p>This regulation governs the processes and relationships involved in conducting payments and settlements through the Large Value Payment System, also known as the “Bank Network System.” It is designed to clearly define the roles and responsibilities of all participants and to ensure effective oversight and implementation of operations.</p> <p>The regulation establishes the framework for the organization, management, regulation, and supervision of the national payment system and its operations. It covers decision-making procedures related to the establishment of new payment systems and the introduction of new payment services.</p> <p>Additionally, the regulation sets forth requirements for the governance, management, and operation of payment service providers, payment instrument issuers, and other authorized entities involved in payment-related activities, including system operators. It addresses the necessary regulatory and supervisory measures for these entities, as well as the interactions between different systems and their relationships with users, ensuring effective implementation and supervision throughout the payment ecosystem.</p>
2.	Regulation on General Terms and Conditions for Bank deposit activities	2025.11.18	A-263	<p>This regulation sets forth the general conditions and requirements that must be met by banks licensed by the Bank of Mongolia to engage in deposit-taking activities. It outlines the overarching legal and operational framework that governs how banks may accept monetary deposits from individuals and entities.</p> <p>In addition, the regulation specifies the rules for the issuance and trading of deposit certificates by banks within the securities market, as well as the procedures for carrying out related settlements. It also addresses other relationships and interactions associated with monetary deposits, except in situations where specific provisions of the law provide otherwise.</p>

3.	Model template for the Memorandum of Understanding (MoU)	2025.12.12	A-300	<p>Within the broader objective of enhancing the legal environment for foreign banks operating in Mongolia, a model Memorandum of Understanding (MoU) has been approved. This MoU is designed to be established between the Bank of Mongolia and the supervisory authorities of the home countries of foreign banks seeking to operate within Mongolia.</p> <p>The model MoU is grounded in the principle of consolidated supervision, ensuring effective oversight of cross-border banking activities. It clearly outlines the respective functions of the supervisory authorities from both Mongolia and the foreign bank's home country. Additionally, it specifies the scope of supervisory responsibilities, detailing how supervision will be conducted across jurisdictions.</p> <p>Key elements of the MoU include the arrangements for the exchange of information between supervisory authorities and the policies governing the confidentiality of shared data. These provisions are intended to facilitate transparent and secure cooperation, enabling both parties to fulfill their regulatory mandates effectively.</p> <p>This model MoU serves as the minimum standard required by the regulatory authority when entering into agreements with supervisory bodies from other countries. It sets out a consistent framework to be followed for all future MoUs, ensuring that essential supervisory and information-sharing requirements are met in every instance.</p>
4.	List of Information Classified as Official Secrecy of the Bank of Mongolia	2025.12.16	A-310	<p>In accordance with the Law on State and Official Secrets, a comprehensive review was undertaken to determine whether the information designated as official secrets by the Bank of Mongolia adheres to the legal requirements for such classification. This review also included an evaluation of the justification and necessity for maintaining these items as official secrets. Following the assessment, the list of classified information was revised to ensure compliance with legal standards and reapproved as the official record.</p>

BANK OF MONGOLIA

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

31 DECEMBER 2025

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****CONTENTS**

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BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****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 2025 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 97 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:



Narantsoog S.
Governor, Bank of Mongolia

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report

To the Board of Directors of the Bank of Mongolia

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bank of Mongolia (the "Bank") as at 31 December 2025, 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 2025;
- 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 opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the 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 opinion.

PricewaterhouseCoopers Audit LLC, Central Tower Office Building,
Suite 601, Floor 6, Sukhbaatar's Square, SBD-8, Ulaanbaatar 14200,
Mongolia, T: +976 70009089

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

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) as applicable to audits of financial statements of public interest entities. We have also 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 2025 (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 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 Annual Report 2025, 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.

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

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 judgement 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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

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:



Bayarmaa Davaa
Executive Director
PricewaterhouseCoopers Audit LLC

Approved by:

Aigul Akhmetova
Partner
PricewaterhouseCoopers Audit LLC

Ulaanbaatar, Mongolia
31 March 2026

BANK OF MONGOLIA

STATEMENT OF FINANCIAL POSITION

Bank of Mongolia
Statement of Financial Position

<i>In millions of Mongolian Togrogs</i>	<i>Note</i>	31 December 2025	31 December 2024 (Restated)	1 January 2024 (Restated)
ASSETS				
Cash on hand	7	395,506	95,661	309,414
Due from foreign financial institutions	8	9,686,207	6,546,326	7,168,909
Loans to local banks	9	179,323	1,421,867	1,562,975
Investments in debt securities	10	9,410,889	8,373,945	7,525,303
Investments in equity securities	11	6,533	6,533	6,533
Reverse repurchases agreements	12	10,070,627	8,261,033	4,955,616
Gold bullion and precious metals	3,13	4,432,018	2,403,179	2,077,528
Treasury fund	3,14	61,143	59,051	46,382
Derivative financial instruments	15	259,852	140,720	126,364
Government securities	16	54,633	55,720	42,100
Receivable from government	17	403,306	477,537	514,942
Other assets	18	27,289	30,342	58,111
Premises, equipment and intangible assets	19	132,519	133,673	135,404
Assets held for sale		35,017	36,289	29,052
TOTAL ASSETS		35,154,862	28,041,876 *	24,558,633
LIABILITIES				
Cash in circulation	20	1,244,350	1,222,179	1,151,700
Central bank bills	21	10,973,332	11,511,780	8,745,075
Liabilities due to government organizations	22	6,402,201	6,843,279	4,597,302
Deposits from local banks	23	16,537,777	10,704,582	9,526,237
Derivative financial instruments	15	398,576	227,933	531,770
Liabilities due to foreign parties	24	3,669,062	3,378,085	5,659,491
Other liabilities	25	734,338	109,096	600,653
TOTAL LIABILITIES		39,959,636	33,996,934	30,812,228
EQUITY				
Charter capital	26	60,000	60,000	60,000
Accumulated deficit	26	(6,839,698)	(7,472,493)	(7,429,287)
Other reserves	26	1,974,924	1,457,435	1,115,692
TOTAL EQUITY		(4,804,774)	(5,955,058)	(6,253,595)
TOTAL LIABILITIES AND EQUITY		35,154,862	28,041,876	24,558,633

Approved for issue and signed on behalf of the Board of Directors on 31 March 2026.


 Narantsogt S.
 Governor, Bank of Mongolia


 Batbayar B.
 Director of Finance and
 Administration Department

The notes set out on pages 6 to 97 form an integral part of these financial statements.

1

BANK OF MONGOLIA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

<i>In millions of Mongolian Togrogs</i>	Note	2025	2024
Interest income calculated using the effective interest method	27	756,067	908,268
Other similar income	27	841	3,600
Interest expense	27	(1,476,446)	(1,496,745)
Net interest expense		(719,538)	(584,877)
(Credit loss allowance)/Recovery of credit loss allowance		(122,535)	83,274
Net interest expense after credit loss allowance		(842,073)	(501,603)
Gains from trading and refining of gold bullion and precious metals	28	1,009,946	336,647
Gold bullion and precious metals translation gains		738,120	162,373
Gains from derivative financial instruments		351,999	237,809
Gains/(losses) from trading in foreign currencies		191,439	(48,290)
Impairment loss on receivables from Government	17	(74,231)	(37,405)
Foreign exchange translation (losses)/gains		(235,044)	187,094
Losses from disposal of debt securities at fair value through other comprehensive income		(553)	(39)
Gains from trading of financial investments in debt securities		770	5
Gains from financial assets at fair value through profit or loss		5,322	12,871
Other operating income	29	108,391	73,233
Administrative and other operating expenses	30	(118,218)	(116,440)
PROFIT FOR THE YEAR		1,135,868	306,255
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Debt securities at fair value through other comprehensive income:			
- Gains/(Losses) arising during the year	26	13,863	(7,757)
- Losses reclassified to profit or loss upon disposal	26	553	39
Other comprehensive income/(loss) for the year		14,416	(7,718)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,150,284	298,537

The notes set out on pages 111 to 228 form an integral part of these financial statements.

BANK OF MONGOLIA

STATEMENT OF CHANGES IN EQUITY

<i>In millions of Mongolian Togrogs</i>	Note	Charter capital	Other reserves	Accumulated deficit	Total equity
Balance at 1 January 2024 (As previously stated)	26	60,000	2,177,456	(7,429,287)	(5,191,831)
Restatement to reverse treasury fund revaluation reserve	3	-	(1,061,764)	-	(1,061,764)
Balances at 1 January 2024 (Restated)		60,000	1,115,692	(7,429,287)	(6,253,595)
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 (As previously stated)		60,000	2,519,199	(7,472,493)	(4,893,294)
Restatement to reverse treasury fund revaluation reserve		-	(1,061,764)	-	(1,061,764)
Balance on 31 December 2024 (Restated)	26	60,000	1,457,435	(7,472,493)	(5,955,058)
Income for the year		-	-	1,135,868	1,135,868
Other comprehensive income		-	14,416	-	14,416
Total comprehensive income for 2025		-	14,416	1,135,868	1,150,284
Transfer of revaluation surplus on premises to accumulated deficit	26	-	(3)	3	-
Transfer to other reserves from accumulated deficit	26	-	503,076	(503,076)	-
Balance at 31 December 2025	26	60,000	1,974,924	(6,839,698)	(4,804,774)

In 2025, the Bank changed measurement of the Treasury Fund from revaluation model to cost model. As a result, the Bank retrospectively restated revaluation reserve for Treasury Fund items in these financial statements. Refer to Note 3.

Transfers from accumulated deficit to other reserves in 2025 and 2024 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 2025 relate to the disposal of premises. Refer to Note 26.

The notes set out on pages 111 to 228 form an integral part of these financial statements.

BANK OF MONGOLIA

STATEMENT OF CASH FLOWS

<i>In millions of Mongolian Togrogs</i>	Note	2025	2024
Cash flows from operating activities			
Profit for the year		1,135,868	306,255
Adjustments to:			
Credit loss allowance/(recovery of credit loss allowance)		122,535	(83,274)
Losses from disposal in debt securities at fair value through other comprehensive income		553	39
Gains from trading of financial investments in debt securities		(770)	(5)
Gains from revaluation of gold bullion and precious metals		(738,120)	(162,373)
Gains from derivative financial instruments		(351,999)	(237,809)
Foreign exchange translation losses/(gains)		235,044	(187,094)
Impairment loss on receivables from Government	17	74,231	37,405
Depreciation and amortization of premises, equipment, and intangible assets	19,30	13,178	13,139
Premises and equipment written off	19	11	12
Gains from financial assets at fair value through profit or loss		(5,322)	(12,871)
Interest income calculated using the effective interest method	27	(756,067)	(908,268)
Other similar income	27	(841)	(3,600)
Interest expense	27	1,476,446	1,496,745
Cash flows from operating activities before changes in operating assets and liabilities		1,204,747	258,301
Changes in operating assets and liabilities:			
Net increase in gold bullion and precious metals		(1,290,719)	(163,278)
Net increase in reverse repurchase agreements	12	(1,830,973)	(3,299,793)
Net increase in loans to local banks	9	(55,867)	(254,779)
Net decrease in other assets	18	12,563	29,400
Net increase/(decrease) in derivative financial instruments		398,273	(80,383)
Net (decrease)/increase in central bank bills		(534,000)	2,714,764
Net (decrease)/increase in liabilities due to government organizations		(703,689)	2,272,222
Net increase in deposits from local banks		5,533,432	1,244,222
Net increase/(decrease) in other liabilities		646,024	(490,077)
Net cash from operating activities before interest		3,379,791	2,230,599
Interest received		671,447	980,810
Interest paid		(1,489,146)	(1,494,920)
Net cash from operating activities		2,562,092	1,716,489

The notes set out on pages 111 to 228 form an integral part of these financial statements.

BANK OF MONGOLIA**STATEMENT OF CASH FLOWS**

<i>In millions of Mongolian Togrogs</i>	Note	2025	2024
Cash flows from investing activities			
Acquisition of premises and equipment	19	(14,450)	(12,819)
Proceeds from disposal of premises and equipment	19	2,415	1,399
Acquisition of treasury fund	14	(2,092)	(12,669)
Acquisition of debt securities at fair value through other comprehensive income	10	(6,500,096)	(6,728,187)
Proceeds from redemption of debt securities at fair value through other comprehensive income	10	6,539,211	5,658,221
Proceeds from redemption of debt securities carried at amortized cost	10	418,433	667,501
Net cash from/(used) in from investing activities		443,421	(426,554)
Cash flows from financing activities			
Net increase of cash in circulation	20	22,171	70,479
Repayment of liabilities due to foreign parties	31	-	(2,100,025)
Proceeds from repurchase agreements	31	13,504,814	-
Repayment of repurchase agreements	31	(13,530,708)	-
Net cash used in financing activities		(3,723)	(2,029,546)
Effect of exchange rate changes on cash and cash equivalents		437,924	(96,724)
Net increase/(decrease) in cash and cash equivalents		3,439,714	(836,335)
Cash and cash equivalents at the beginning of year	7	6,641,760	7,478,095
Cash and cash equivalents at the end of the year	7	10,081,474	6,641,760

The notes set out on pages 111 to 228 form an integral part of these financial statements.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

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 2025 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 representative office in London, England and in New York, USA.

Principal activity. 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 of 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.

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

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 continued to expand steadily in 2025, supported primarily by robust growth in the mining sector particularly copper and coal exports as well as strong household consumption and government spending. The balance of payments recorded a surplus of USD 1,034 million during the year (2024: surplus of USD 622 million), with mining products accounting for 93 percent of total exports.

External vulnerabilities have diminished following successful external debt refinancing operations, which contributed to a historic high amount of foreign currency reserves of Mongolia reaching USD 7,005 million as of December 2025 (2024: USD 5,510 million). This enhanced financial stability was subsequently reflected in an improved sovereign credit rating. Fitch ratings assigned Mongolia a "B+" rating with a stable outlook on 1 September 2025 and Standard & Poor's also upgraded Mongolia to a "B+" rating with a long-term positive outlook on 30 October 2025. Moody raised Mongolia's rating to "B1" with a stable outlook on 16 October 2025.

In 2025, in response to prevailing domestic macroeconomic conditions and a forward-looking inflation outlook, the Bank of Mongolia tightened monetary policy by increasing the policy rate by 2% to 12% effective 7 March 2025 (2024: 10%). Inflation moderated to meet the target level of 7.5% by the end of 2025 (2024: 9%).

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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

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, 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 to disclose only information that management considers is material for the primary users. 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 34. 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.

Restatements. In 2025, the Bank changed the measurement of Treasury Fund from revaluation model to cost model. As a result, the Bank retrospectively restated the following items in these financial statements in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors".

The impact of the restatements on the Statement of Financial Position as of 1 January 2024 is presented below:

<i>In millions of Mongolian Togrogs</i>	1 January 2024 (As previously reported)	Restatement due to valuation of 1925 coins (a)	Change in accounting policy for other heritage assets (b)	Note	1 January 2024 (Restated)
Assets					
Treasury Fund	1,099,230	(906,788)	(146,060)	14	46,382
Commemorative coins and precious metals	25,539	-	(8,916)	13	16,623
Equity					
Other reserves	(2,177,456)	906,788	154,976	26	(1,115,692)

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****3 BASIS OF PREPARATION (CONTINUED)**

The impact of the restatements on the Statement of Financial Position as of 31 December 2024 is presented below:

<i>In millions of Mongolian Togrogs</i>	31 December 2024 (As previously reported)	Restatement due to valuation of 1925 coins (a)	Change in accounting policy for other heritage assets (b)	Note	31 December 2024 (Restated)
Assets					
Treasury Fund	1,111,899	(906,788)	(146,060)	14	59,051
Commemorative coins and precious metals	27,071	-	(8,916)	13	18,155
Equity					
Other reserves	(2,519,199)	906,788	154,976	26	(1,457,435)

a) The Treasury Fund comprises heritage assets including Mongolian silver and copper coins (the “Coins”), that were originally issued in 1925 by the then central bank of which the Bank is the successor. The Coins were withdrawn from circulation in 1938 and by the time of Bank’s transition to IFRS Accounting Standards were out of circulation for many years. 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 before or after they are withdrawn from circulation according to the Bank’s accounting policy that is disclosed in Note 20 of the financial statements. Some or all of the Coins currently held by the Bank might never physically have left the Bank, but they are identical to Coins issued in circulation and were official Mongolian currency in the past. As disclosed in the Note 14 to the financial statements, the Coins were measured at revalued amount under IAS 16, Property, plant and equipment as at 31 December 2024 and 1 January 2024. The revaluation surplus of the Coins was MNT 906,788 million (1 January 2024: MNT 906,788 million) and carrying amount was MNT 908,476 million as at 31 December 2024 (1 January 2024: MNT 908,476 million).

Because a considerable period of time has elapsed since they were withdrawn from circulation, the Bank did not retain the evidence that the Coins were previously in the possession of a third party and subsequently transferred to the Treasury Fund by the third party as an asset or business transfer after 1938 when the Coins were no longer legal tender. Moreover, due to the inability to sell the Coins as a whole at the price included in their valuation or use any other reliable technique to determine their fair value, in 2025, the Bank reassessed the measurement principle related to the Coins and remeasured the carrying value of the Coins to their cost of MNT 1,688 million with retrospective effect. In the Bank’s view, the historical cost of Coins provides more reliable information to the users of the financial statements. As a result, the Bank retrospectively restated the carrying values of the Coins to their cost as at 31 December 2024 and 1 January 2024 as stated in the table above.

(b) In 2022, the Law on Treasury Fund was revised to prohibit the permanent part of the Treasury Fund heritage assets to be sold with or without external consent. The Bank’s management interpreted the prohibition of the sales and transfer from permanent fund as the implication of the safeguard of Mongolian treasury in a legal way. As a result, Bank concluded that the Treasury Fund items in addition to the Coins should be rather carried by the Bank as assets under the cost model. This is because these items cannot be sold according to the Law and the benefits generated by those assets are much smaller than would be otherwise possible from a sale. The change of the property, plant and equipment measurement model was treated as a voluntary change in accounting policy and was applied retrospectively as stated in the table above.

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

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

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 34. 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 difference 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 34 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 35.

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. As of 31 December 2025 and 31 December 2024, 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 35.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

4 CRITICAL ACCOUNTING ESTIMATES, 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 2025 and 31 December 2024, 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 34. Based on the liquidity risk assessment, the main exposure is related to the liability due to the People's Bank of China. Management last extended this facility in July 2023 for 3 years until July 2026, with an outstanding balance of CNY 6,000 million equivalent to MNT 3,052,680 million as at 31 December 2025 (2024: CNY 6,000 million equivalent to MNT 2,811,420 million). Management with the assistance of the Government is actively in the process of renegotiating to extend this facility for another 3 years, and this is expected to be successfully completed by mid 2026. This facility has previously been extended four times. Refer to Note 32 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 the Central Bank to enable the Bank to perform its primary functions and continue its operations.

Article 38 of the Law on the 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. Therefore, 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 continue to operate 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 maturity" business model involves holding assets until maturity with the objective of collecting contractual cash flows. Under this model, the sale of a financial asset is incidental rather than a core part of the business strategy.

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.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

4 CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

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.

The Bank identified approximately 52% (2024: 55%) 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 (iii) the fair value of the prepayment feature is immaterial at initial recognition.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

4 CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

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. 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.

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% per annum (2024: 2%-6%). 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 181,426 million as of 31 December 2025 (2024: MNT 1,400,969 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 "Mongolroostsvetment" 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. 259 dated 29 June 2022 and resolution No. 315 dated 24 August 2022. These resolutions ordered 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 Mongolroostsvetment 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 the 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 the Government and the Bank will be finalized after the remaining payables to the Mongolian Copper Corporation LLC is fully paid by the Government.

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 24 March 2026. According to the official letter, the Ministry of Finance confirmed its payable of MNT 657,758 million and stated that the contractual payment term is planned at an interest rate equivalent to the policy rate with maturity period of 10 years.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

4 CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Additionally, On 19 November 2024, the Ministry of Mining and Heavy Industry established a working group in order to take actions regarding the repayment of the receivable from the Government and have issued an official letter on which term and conditions of settlements been stipulated to the Bank 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 millions of “Impairment loss on receivables from Government” at the initial date. As of 31 December 2025, the management has assessed the recoverable amount of the receivables had a carrying amount of MNT 403,306 million (2024: MNT 477,537 million) with additional impairment of MNT 74,231 million (2024: MNT 37,405 million) recognized in profit or loss for the year due to delay in signing the contractual agreement with the Government. The impairment assessment was based on three 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 the contract with the Government is likely to be signed for the period between end of 2027 to 2031. 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 2025, the Bank holds bonds in the gross carrying amount of MNT 849,807 million (2024: MNT 849,807 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 these bonds, 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 228,190 million (2024: MNT 84,317 million) of ECL with additional impairment of MNT 143,873 million recognized in profit or loss for the year due to delay in repayment of the bond. Refer to 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 three 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 2027 to 2029 in accordance with the Law on “One-time forgiveness of pension-backed loans”. Refer to Note 34 for ECL measurement.

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.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

4 CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

The Bank has power over DICOM if it can direct the relevant activities of DICOM. According to the Charter of DICOM, the National Committee, the 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 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.

National Wealth Fund. Under the National Wealth Fund Law enacted on 19 April 2024, three specialized funds (i) Savings Fund, (ii) Future Heritage Fund and (iii) Development Fund are held in the Bank by the Ministry of Finance, with the purpose to distribute the benefits of sub-soil resources equally and fairly to all current and future citizens of Mongolia. As of 31 December 2025 and 31 December 2024, accounts of Savings Fund and Future Heritage Fund are placed in the Bank by the Ministry of Finance.

Savings Fund. On 9 May 2024, the Bank has entered into an agreement with the Ministry of Finance for the management and growth of the Savings Fund deposit account at an interest rate equivalent to the policy rate with a term of 1 year. According to the agreement dated on 9 May 2024, the Bank bears the credit risk of the housing mortgage loans financed by the Savings Fund as main investment decision is made by the Bank. As of 31 December 2024, management is in view that the Bank bears risk and rewards of the housing mortgage loans financed by the Savings Fund, thus it is appropriate to recognize the Savings Fund on a gross basis.

On 5 February 2025, the Government of Mongolia issued resolution No.72, which ordered asset management regulation and mandate of the Savings Fund. Subsequent to the Government resolution No.72, Government issued resolution No.228 dated on 7 May 2025 to set total consideration of the Savings Fund in order to finance housing mortgage program. In response to the Government resolution No.72 and No.228, the Bank has entered into asset management agreement with the Ministry of Finance dated on 2 June 2025 to manage and grow the Savings Fund while preserving its value and liquidity by paying interest on the remaining balance of Savings Fund deposit account, which was not used for financing the housing mortgage loans to local banks, at an interest rate equivalent to the policy rate with a term of 1 year. According to the asset management agreement dated on 2 June 2025, the Bank does not bear the credit risk of the housing mortgage loans financed by the Savings Fund as main investment decision is made by the Ministry of Finance. The management is in view that the Bank does not bear risk and rewards of the housing mortgage loans financed by the Savings Fund, thus it is appropriate to recognize the Savings Fund on a net basis as of 31 December 2025.

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

4 CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Accordingly, the Bank has transferred the contractual rights to cash flows related to previously issued housing mortgage loans with a carrying amount of MNT 480,211 million to the Ministry of Finance on 30 June 2025 (Refer to Note 9). As of 31 December 2025, the carrying amount of the Savings Fund deposit account was MNT 21,923 million (2024: MNT 495,647 million) at interest rate of 12% per annum (2024: policy rate of 10%). Refer to Note 22.

Future Heritage Fund. On 5 February 2025, the Government of Mongolia issued resolution No.72, which ordered asset management regulation and mandate of the Future Heritage Fund. In response to the Government resolution No.72, the Bank has entered into a foreign currency deposit agreement of Future Heritage Fund with the Ministry of Finance on 7 March 2025 with a term of 1 year. According to the deposit agreement, the Ministry of Finance requests to open short term foreign currency deposits placement at the Bank with term of 90 days at interest rate equal to investments made by the Future Heritage Funds. The management views that the Bank bears the credit risk of the investment funded by the Future Heritage Fund as main investment decision is made by the Bank. The management is in view that the Bank bears risk and rewards of the Future Heritage Fund, thus it is appropriate to recognize the Future Heritage Fund on a gross basis. As of 31 December 2025, the carrying amount of the Future Heritage Fund deposit account was USD 1,336 million equivalent to MNT 4,762,664 million (2024: USD 1,162 million equivalent to MNT 3,974,519 million) at interest rate of 3.78% per annum with maturity date of 90 days (2024: non-interest bearing current account). Refer to Note 22.

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****5 ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS**

The following amendments became effective from January 1, 2025:

Amendments to IAS 21 Lack of Exchangeability (Issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025). In August 2023, the IASB issued amendments to IAS 21 to help entities assess exchangeability between two currencies and determine the spot exchange rate, when exchangeability is lacking. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. The amendments to IAS 21 do not provide detailed requirements on how to estimate the spot exchange rate. Instead, they set out a framework under which an entity can determine the spot exchange rate at the measurement date. When applying the new requirements, it is not permitted to restate comparative information. It is required to translate the affected amounts at estimated spot exchange rates at the date of initial application, with an adjustment to retained earnings or to the reserve for cumulative translation differences. 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 2026 or later. These standards and interpretations have not been early adopted.

New standards or amendments	Effective date
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
Contracts Referencing Nature-dependent Electricity Amendments to IFRS 9 and IFRS 7 (Issued on 18 December 2024 and effective from 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.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

7 CASH AND CASH EQUIVALENTS

<i>In millions of Mongolian Togrogs</i>	Note	31 December 2025	31 December 2024
Cash on hand		395,506	95,661
Due from foreign financial institutions:			
- Short term deposits in foreign currency	8	7,600,098	5,159,918
- Demand deposits	8	1,772,411	1,077,794
- Special drawing rights holdings	8	314,495	308,666
Less Credit loss allowance		(1,036)	(279)
Total cash and cash equivalents		10,081,474	6,641,760

The above balances are presented as cash and cash equivalents for the purposes of the Statement of Cash Flows. Refer to Note 34 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 2025 and 31 December 2024. Refer to Note 34 for the description of the Bank's credit risk grading system.

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****7 CASH AND CASH EQUIVALENTS (CONTINUED)**

<i>In millions of Mongolian Togrogs</i>	31 December 2025			31 December 2024		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
<i>Excellent</i>						
Short term deposits in foreign currency	7,600,098	(1,014)	7,599,084	5,159,918	(276)	5,159,642
Demand deposit	1,772,411	(22)	1,772,389	1,077,794	(3)	1,077,791
Special drawing rights holding	314,495	-	314,495	308,666	-	308,666
Total due from foreign financial institutions included in cash and cash equivalents, excluding cash on hand	9,687,004	(1,036)	9,685,968	6,546,378	(279)	6,546,099

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 34. Information on related party balances is disclosed in Note 33.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

8 DUE FROM FOREIGN FINANCIAL INSTITUTIONS

<i>In millions of Mongolian Togrogs</i>	31 December 2025	31 December 2024
Short term deposits in foreign currency	7,600,098	5,159,918
Demand deposits	1,772,411	1,077,794
Special drawing rights holdings	314,495	308,666
World Bank subscription	224	214
Other subscriptions	15	13
Less: Credit loss allowance	(1,036)	(279)
Total due from foreign financial institutions	9,686,207	6,546,326

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.

As the central bank of Mongolia, the Bank has significant concentrations of credit risk with other financial institutions including the Banque de France with amount of MNT 3,735,043 million (2024: MNT 3,395,427 million), Bank of England with amount of MNT 2,946,863 million (2024: MNT 393,846 million) and the central banks of other countries with total amount of MNT 2,690,604 million (2024: MNT 2,448,439). 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 9,372,509 million (2024: MNT 6,237,712 million) comprising short term deposits in foreign currency and demand deposits.

Short term deposits in foreign currency. This balance represents short-term time deposits including those financed by the Future Heritage Fund with foreign central banks and other financial institutions, which are denominated in USD, EURO, GBP, CNY and other currencies with initial maturity periods up to 90 days (2024: 90 days).

Demand deposits. This balance represents current account 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 2025, the balance is SDR 64.5 million (2024: SDR 69.2 million) and bears interest rate of 3.26% (2024: 3.44%).

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. The following table contains an analysis of due from foreign financial institutions balances by credit quality as of 31 December 2025 and 31 December 2024 based on credit risk grades for the purpose of ECL measurement.

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****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 34 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 2025 and 31 December 2024 below also represents the Bank's maximum exposure to credit risk on these assets:

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 34 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 2025 and 31 December 2024 below also represents the Bank's maximum exposure to credit risk on these assets:

<i>In millions of Mongolian Togrogs</i>	31 December 2025			31 December 2024		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
<i>Excellent</i>						
Short term deposits in foreign currency	7,600,098	(1,014)	7,599,084	5,159,918	(276)	5,159,642
Demand deposit	1,772,411	(22)	1,772,389	1,077,794	(3)	1,077,791
Special drawing rights holding	314,495	-	314,495	308,666	-	308,666
World Bank subscription	224	-	224	214	-	214
Other subscriptions	15	-	15	13	-	13
Total due from foreign financial institutions	9,687,243	(1,036)	9,686,207	6,546,605	(279)	6,546,326

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 35 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 34.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

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.

<i>In millions of Mongolian Togrogs</i>	31 December 2025	31 December 2024
Gross carrying amount		
On 1 January	6,546,605	7,169,453
New originated or purchased	53,664,646	50,788,165
Derecognised during the period	(50,840,218)	(51,297,097)
Changes in accrued interest	(2,260)	(12,383)
Foreign exchange translation	318,470	(101,533)
At 31 December	9,687,243	6,546,605
Credit loss allowance		
at 1 January	279	544
New originated or purchased	815	148
Derecognised during the period	(58)	(413)
Total movements with impact on credit loss allowance charge for the period	757	(265)
At 31 December	1,036	279
Total due from foreign financial institutions	9,686,207	6,546,326

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****9 LOANS TO LOCAL BANKS**

<i>In millions of Mongolian Togrogs</i>	31 December 2025	31 December 2024
Housing mortgage program under Price Stabilization Program	181,426	1,400,969
Gold – 2 program	-	5,080
Other loans	502	1,535
Less: credit loss allowance	(2,605)	(18,337)
Total carrying amount of loans to local banks at AC	179,323	1,389,247
Loans to local banks at FVTPL	-	32,620
Total loans to local banks	179,323	1,421,867

Below table shows the movements of the loans to local banks as at 31 December 2025 and 31 December 2024:

<i>In millions of Mongolian Togrogs</i>	Note	31 December 2025	31 December 2024
Loans to local banks at 1 January		1,421,867	1,562,975
<i>Cash Transactions:</i>			
Loans repayments		(29,603)	(1,087,302)
Loans granted		566,806	1,342,081
Interest received		(20,184)	(133,560)
<i>Non-cash transactions:</i>			
Securitization to Senior RMBS bonds	4, 10	(1,318,254)	(373,197)
Transfer of loans*		(480,211)	-
Interest accrued		19,202	86,444
Other movements		19,700	24,426
Loans to local banks at 31 December		179,323	1,421,867

***Transfer of loans.** According to the National Wealth Fund Law enacted on 19 April 2024, the Bank disbursed housing mortgage loans to local banks financed by the Savings Fund. On 2 June 2025, the Bank entered into the Savings Fund asset management agreement with the Ministry of Finance in accordance with the Government resolution No.72 and No.228 dated on 5 February 2025 and 7 May 2025, respectively. According to the Savings Fund asset management agreement, the Bank has transferred the contractual rights to cash flows related to previously issued housing mortgage loans to the Ministry of Finance on 30 June 2025. Refer to Note 4 for details of management judgement and Note 22 for decrease in liabilities due to government organizations.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

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 2025 and 31 December 2024 are disclosed in the table below:

<i>In millions of Mongolian Togrogs</i>	31 December 2025		31 December 2024			
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Housing mortgage program	181,426	(2,596)	178,830	1,400,969	(18,323)	1,382,646
Gold – 2 program	-	-	-	5,080	-	5,080
Other loans	502	(9)	493	1,535	(14)	1,521
Total loans and advances to customers at AC	181,928	(2,605)	179,323	1,407,584	(18,337)	1,389,247

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 34 provides information about inputs, assumptions and estimation techniques used in measuring ECL model.

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. 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.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

9 LOANS TO LOCAL BANKS (CONTINUED)

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 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 34 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 34. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 34 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. 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. According to the agreement, the Bank receives Senior Residential Mortgage-Backed Securities (Senior RMBS) in the settlement of the loans to local banks. As of 31 December 2025, these loans bear interest rate of 2% per annum (2024: 2%-6%) with maturity of 1 to 2 years (2024: 2-3 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. The loans bore interest rates of 10% to 12% per annum (2024: 10%-12%) with maturity of 2 to 3 years (2024: 2-3 years). As of 31 December 2025, all loans under Gold-2 program have been fully repaid (2024: MNT 5,080 million).

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

9 LOANS TO LOCAL BANKS (CONTINUED)

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 have been fully repaid on 25 June 2025 (2024: MNT 971 million).

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 502 million (2024: MNT 564 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 at the interest rate of 13% per annum and maturity period of 2 years. As of 31 December 2025, all loans to local banks at FVTPL have been fully repaid.

As disclosed in Note 34, 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 34. 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.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

9 LOANS TO LOCAL BANKS (CONTINUED)

Movements in the credit loss allowances and gross carrying amount of loans to local banks at AC during 2025 are as follows:

<i>In millions of Mongolian Togrogs</i>	Stage 1			Total
	Housing Mortgage program under Price Stabilization Program (Stage 1)	Gold – 2 program (Stage 1)	Other loans (Stage 1)	
Gross carrying amount				
At 1 January 2025	1,400,969	5,080	1,535	1,407,584
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New originated or purchased	566,806	-	-	566,806
Derecognised during the period	(1,785,176)	(5,070)	(1,054)	(1,791,300)
Changes in accrued interest	(1,173)	(10)	(1)	(1,184)
Total movements with impact on credit loss allowance charge for the period	(1,219,543)	(5,080)	(1,055)	(1,225,678)
<i>Movements without impact on credit loss allowance charge for the period:</i>				
FX and other movements	-	-	22	22
At 31 December 2025	181,426	-	502	181,928
Credit loss allowances				
At 1 January 2025	18,323	-	14	18,337
<i>Movements with impact on credit loss allowance charge for the period:</i>				
Derecognised during the period	(15,727)	-	(7)	(15,734)
New originated or purchased	-	-	2	2
Total movements with impact on credit loss allowance charge for the period	(15,727)	-	(5)	(15,732)
At 31 December 2025	2,596	-	9	2,605

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

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 2024 are as follows:

<i>In millions of Mongolian Togrogs</i>	Stage 1					Total
	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)	
Gross carrying amount						
At 1 January 2024	685,641	429,893	338,484	17,693	3,684	1,475,395
<i>Movements with impact on credit loss allowance charge for the period:</i>						
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
<i>Movements with impact on credit loss allowance charge for the period:</i>						
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

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****9 LOANS TO LOCAL BANKS (CONTINUED)**

The credit quality of loans to local banks carried at amortised cost is as follows at 31 December 2025:

<i>In millions of Mongolian Togrogs</i>	Stage 1		Total
	Housing mortgage program (Stage 1)	Other loans (Stage 1)	
Good	181,426	502	181,928
Gross carrying amount	181,426	502	181,928
Credit loss allowance	(2,596)	(9)	(2,605)
Carrying amount	178,830	493	179,323

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

<i>In millions of Mongolian Togrogs</i>	Stage 1			Total
	Housing mortgage program	Gold – 2 program	Other loans	
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

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

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 2025:

<i>In millions of Mongolian Togrogs</i>	Housing mortgage program	Other loans	Total
Unsecured exposures	181,426	502	181,928
Total carrying value loans to local banks at AC (amount representing exposure to credit risk for each class of loans at AC)	181,426	502	181,928

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

<i>In millions of Mongolian Togrogs</i>	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

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****10 INVESTMENT IN DEBT SECURITIES**

<i>In millions of Mongolian Togrogs</i>	31 December 2025	31 December 2024
Debt securities at FVOCI	4,867,855	4,579,412
Debt securities at AC	4,543,034	3,794,533
Total investments in debt securities	9,410,889	8,373,945

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.

Sale and repurchase agreements ("repo agreements") which effectively provide a lender's return to the counterparty are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or re-pledge the securities, in which case they are reclassified as repurchase receivables. The difference between the sale and repurchase price is treated as interest income and accrued over the life of repo agreements, using the effective interest method.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

10 INVESTMENTS IN DEBT SECURITIES (CONTINUED)

The table below discloses investments in debt securities as of 31 December 2025 by measurement categories and classes:

<i>In millions of Mongolian Togrogs</i>	Debt securities at FVOCI	Debt securities at AC	Total
Investment in debt securities:			
US Treasury bills	1,876,626	-	1,876,626
Bonds issued by Bank for International Settlements	1,322,675	-	1,322,675
RAMP Investment Account Assets	1,303,749	-	1,303,749
BIS Investments	208,034	-	208,034
ADB Bonds	138,652	-	138,652
EIB bonds	18,119	-	18,119
Senior RMBS Bonds	-	3,803,343	3,803,343
Erdenes bonds	-	849,807	849,807
Lease backed bonds	-	119,072	119,072
Total investments in debt securities	4,867,855	4,772,222	9,640,077
Credit loss allowance	-	(229,188)	(229,188)
Total investments in debt securities as of 31 December 2025 (carrying value)	4,867,855	4,543,034	9,410,889

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

<i>In millions of Mongolian Togrogs</i>	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

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****10 INVESTMENTS IN DEBT SECURITIES (CONTINUED)****(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 34 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.

US treasury bills At the end of the financial year, the balance of bonds consists of USD 527.7 million equivalent to MNT 1,876,626 million (2024: USD 132 million equivalent to MNT 451,274 million). Maturity of these bonds is 1 to 5 years (2024: 1 to 5 years) and interest rate and yield are 0.75% to 4.73% per annum (2024: 2.88% to 5.00% per annum).

On 5 October 2021, the Bank entered into a framework agreement with BIS regarding repurchase agreements by collateralizing the US treasury bills. According to the agreement, the Bank has pledged US treasury bills with amount of MNT 13,669,957 million during 2025 (2024: nil) and has reclassified these bonds as repurchase receivables – investments in debt securities pledged as collateral. As at 31 December 2025 and 31 December 2024, US treasury bills were not collateralized for BIS repurchase agreements. Refer to Note 31.

<i>In millions of Mongolian Togrogs</i>	31 December 2025
Repurchase receivables at 1 January	-
<i>Non-cash transactions:</i>	
Repurchase receivables - pledge of collateral	13,669,957
Repurchase receivables – return of collateral	(13,696,705)
FX and other movements	26,748
Repurchase receivables at 31 December	-

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

10 INVESTMENTS IN DEBT SECURITIES (CONTINUED)

Bonds issued by Bank for International Settlements (BIS). represent quoted debt securities and 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 244.5 million and CNY 890.6 million equivalent to MNT 1,322,675 million (2024: USD 689.8 million and CNY 741.4 million equivalent to MNT 2,706,858 million). Maturity of these bonds is 91 days to 365 days (2024: 147 days to 245 days) and they bear interest rate and yield of 0.92% to 3.76% per annum (2024: 1.49% to 4.82% per annum). For more information, refer to Note 34.

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 2025, the Investment Account Assets consist of cash balance in the amount of USD 0.28 million equivalent to MNT 1,028 million (2024: USD 0.26 million equivalent to MNT 905 million), and securities in the amount of USD 366.3 million equivalent to MNT 1,302,721 million (2024: USD 348.8 million equivalent to MNT 1,193,019 million). The custodian of the Investment Account Assets is Federal Reserve Bank of New York. These are not collateralized.

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 Aa1 based on Moody's ratings or equivalents of Standard and Poor's and/or Fitch ratings. For more information, refer to Note 34.

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 2025, the amount of the investment stood at USD 58.5 million equivalent to MNT 208,034 million (2024: USD 55.7 million equivalent to MNT 190,404 million).

The securities representing a major part of investment account assets mainly include US Treasury bills. Credit risk grade of debt securities included in Investment Account Assets is excellent and credit ratings ranged from Aa3 to Aa1 based on Moody's ratings or equivalents of Standard and Poor's and/or Fitch ratings. For more information, refer to Note 34.

ADB bonds. As of 31 December 2025, the securities issued by the Asian Development Bank amount to USD 39 million equivalent to MNT 138,652 million (2024: USD 5.9 million equivalent to MNT 20,092 million).

EIB bonds. The securities were issued by the European Investment Bank and denominated in the US dollars. As of 31 December 2025, the remaining balance of the bond is USD 5.1 million equivalent to MNT 18,119 million (2024: USD 4.9 million equivalent to MNT 16,860 million).

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FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

10 INVESTMENTS IN DEBT SECURITIES (CONTINUED)

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 2025.

<i>In millions of Mongolian Togrogs</i>	Credit loss allowance		Gross carrying amount	
	Stage 1 (12-months ECL)	Total	Stage 1 (12-months ECL)	Total
At 1 January 2025	172	172	4,579,584	4,579,584
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New originated or purchased	322	322	6,500,096	6,500,096
Derecognized during the period	(116)	(116)	(6,539,211)	(6,539,211)
Changes in accrued interest	-	-	94,709	94,709
Other movements	-	-	27,081	27,081
Total movements with impact on credit loss allowance charge for the period	206	206	82,675	82,675
<i>Movements without impact on credit loss allowance charge for the period:</i>				
FX and other movements	-	-	205,974	205,974
At 31 December 2025	378	378	4,868,233	4,868,233

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.

<i>In millions of Mongolian Togrogs</i>	Credit loss allowance		Gross carrying amount	
	Stage 1 (12-months ECL)	Total	Stage 1 (12-months ECL)	Total
At 1 January 2024	92	92	3,525,587	3,525,587
<i>Movements with impact on credit loss allowance charge for the period:</i>				
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
<i>Movements without impact on credit loss allowance charge for the period:</i>				
FX and other movements	-	-	7,661	7,661
At 31 December 2024	172	172	4,579,584	4,579,584

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

10 INVESTMENTS IN DEBT SECURITIES (CONTINUED)

(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. The Bank receives the RMBS Senior Bonds issued by MMC to the local banks in settlement of its 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. For more information, refer to Note 4 and 9.

Erdenes bonds. As of 31 December 2025, the Bank holds bonds in the amount of MNT 849,807 million (2024: MNT 849,807 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 management classified Erdenes bond to Stage 3 as it is 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.

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 1,123,054 bonds (2024: 1,223,190) 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 2025 based on credit risk grades and discloses the balances by three stages for the purpose of ECL measurement. Refer to Note 34 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 2025 below also represents the Bank's maximum exposure to credit risk on these assets:

<i>In millions of Mongolian Togrogs</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for credit im- paired)	Stage 3 (lifetime ECL for credit im- paired)	Total
Good				
Senior RMBS Bonds	3,803,343	-	-	3,803,343
Lease backed bonds	119,072	-	-	119,072
Default				
Erdenes bonds	-	849,807	-	849,807
Gross carrying amount	3,922,415	849,807	849,807	4,772,222
Credit loss allowance	(998)	(228,190)	-	(229,188)
Total investments in debt securities measured at AC (carrying amount)	3,921,417	621,617	621,617	4,543,034

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FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

10 INVESTMENTS IN DEBT SECURITIES (CONTINUED)

The following table contains an analysis of debt securities at AC by credit quality at 31 December 2024.

<i>In millions of Mongolian Togrogs</i>	Stage 1 (12-months ECL)	Stage 3 (lifetime ECL for credit impaired)	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

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 2025.

<i>In millions of Mongolian Togrogs</i>	Stage 1 (12 months ECL)		Stage 3 (lifetime ECL for credit impaired)	
	Senior RMBS (collateralized by mortgage loans)	Lease backed bonds (collateralized by leased apartments)	Erdenes Bonds	Total
Gross carrying amount				
At 1 January 2025	2,900,604	129,196	849,807	3,879,607
Transfers:				
New originated or purchased	1,318,254	-	-	1,318,254
Derecognized during the period	(408,420)	(10,013)	-	(418,433)
Unwinding of discount	8,148	-	-	8,148
Changes in accrued interest	(15,244)	(110)	-	(15,354)
At 31 December 2025	3,803,342	119,073	849,807	4,772,222
Credit loss allowances				
At 1 January 2025	490	267	84,317	85,074
Transfers:				
New originated or purchased	413	64	143,873	144,350
Derecognized during the period	(62)	(174)	-	(236)
At 31 December 2025	841*	157*	228,190	229,188

*Over-collateralized

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FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

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.

<i>In millions of Mongolian Togrogs</i>	Stage 1 (12-month ECL)	Stage 3 (lifetime ECL for credit impaired Lease backed bonds (collateralized by leased apartments)	Erdenes Bonds	Erdenes Tavan Tolgoi Bonds	Erdenes Bonds	Total
	Senior RMBS (collateralized by mortgage loans)					
Gross carrying amount At 1 January 2024	2,972,103	143,957	877,166	155,301	-	4,148,527
<i>Movements with impact on credit loss allowance charge for the period:</i>						
Transfers:						
-to credit-impaired (from Stage 1 to Stage 3)	-	-	(849,807)	-	849,807	-
New originated or purchased	373,197	-	-	-	-	373,197
Derecognized 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
Derecognized during the period	(446)	(353)	(64,077)	(11,722)	-	(76,598)
At 31 December 2024	490*	267*	-	-	84,317	85,074

*Over-collateralized

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

11 INVESTMENTS IN EQUITY SECURITIES

<i>In millions of Mongolian Togrogs</i>	31 December 2025	31 December 2024
Equity investments	6,533	6,533
Total investments in equity securities	6,533	6,533

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

<i>In millions of Mongolian Togrogs</i>	31 December 2025	31 December 2024
Federal Reserve Bank of New York	6,086,748	5,507,629
Local banks – Short term (overnight)	3,918,083	2,475,427
Local banks – Long term (collateralized by Central Bank Bills)	65,803	232,218
Local banks – Long term (collateralized by Asset-Backed Securities)	-	27,470
Local banks – Long term (collateralized by Senior RMBS bonds)	-	18,351
Total reverse repurchase agreements measured at AC (gross carrying amount)	10,070,634	8,261,095
Credit loss allowance	(7)	(62)
Total reverse repurchase agreements measured at AC (carrying value)	10,070,627	8,261,033

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.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

12 REVERSE REPURCHASE AGREEMENTS (CONTINUED)

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 an 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 a Repurchase Agreement Pool ("repo pool") of the Federal Reserve Bank of New York.

As of 31 December 2025, the funds invested in repo pool amounted to USD 1,711 million equivalent to MNT 6,086,748 million (2024: USD 1,160 million equivalent to MNT 5,507,629 million). This investment has 2 days of maturity (2024: 2 day) and carries interest rate from 3.5% per annum (2024: 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 2025, the funds invested in overnight reverse repurchase agreements amounted to MNT 3,918,083 million (2024: MNT 2,475,427 million) with maturity of 2 days (2024: 2 days) and carries interest rate of 14% per annum (2024: 12% per annum). These agreements are fully secured by the Central Bank Bills.

Long term reverse repurchase agreements. bear interest rate of 14% per annum (2024: 7% and 14% per annum) with original maturity of 1 year (2024: 2-3 years). The agreements in the amount of MNT 65,803 million (2024: MNT 232,218 million) were collateralised by Central Bank Bills.

Analysis by credit quality of reverse repurchase agreements of Federal Reserve Bank of New York measured at AC, is as follows on 31 December 2025 and 31 December 2024.

<i>In millions of Mongolian Togrogs</i>	31 December 2025 Stage 1 (12-months ECL)	31 December 2024 Stage 1 (12-months ECL)
Federal Reserve Bank of New York		
- Excellent	6,086,748	5,507,629
Gross carrying amount	6,086,748	5,507,629
Less: Credit loss allowance	(7)	(5)
Carrying amount	6,086,741	5,507,624

Reverse repurchase agreements with local banks are included in Stage 1 and credit risk grades were "good" (2024: Stage 1 and credit risk grades were "good"). Refer to Note 34 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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FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

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:

In thousands of Mongolian Togs

Stage 1	Federal Reserve Bank of New York	Local banks – Long term collateralized by CBB	Long term collateralized by ABS	Long term collateralized by MIK RMBS	Total
	Local banks – short term collateralized by CBB				
Gross carrying amount		232,218	27,470	18,351	8,261,095
		-	-	-	715,189,309
At 1 January 2025					
	5,507,629				
	2,475,427				
<i>Movements with impact on credit loss allowance charge for the period:</i>					
New originated or purchased		(150,889)	(27,470)	(17,144)	(713,358,336)
	695,954,082				
	19,235,227				
Derecognised during the period					
	(695,369,573)				
	(17,793,260)				
Changes in accrued interest	592	689	(15,526)	-	(1,207)
					(15,452)
Total movements with impact on credit loss allowance charge for the period	585,101	1,442,656	(166,415)	(27,470)	(18,351)
					1,815,521
<i>Movements without impact on credit loss allowance charge for the period:</i>					
FX and other movements	(5,982)	-	-	-	(5,982)
At 31 December 2025	6,086,748	3,918,083	65,803	-	-
					10,070,634
Credit loss allowances					
At 1 January 2025	5	-	-	57	-
					62
<i>Movements with impact on credit loss allowance charge for the period:</i>					
New originated or purchased	7	-	-	106	-
					113
Derecognized during the period	(5)	-	-	(163)	-
					(168)
Total movements with impact on credit loss allowance charge for the period	2	-	-	(57)	-
					(55)
At 31 December 2025	7	-	-	-	-
					7

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

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 2024 as follows:

In thousands of Mongolian Togrogs	Stage 1					Total
	Federal Reserve Bank of New York	Local banks – short term collateralized by CBB	Local banks – Long term collateralized by CBB	Long term collateralized by ABS	Long term collateralized by MIK RMBS	
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:						
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:						
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

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****13 GOLD BULLION AND PRECIOUS METALS**

<i>In millions of Mongolian Togrogs</i>	31 December 2025	31 December 2024 (Restated)	1 January 2024 (Restated)
At fair value			
Gold bullion	3,901,306	2,115,101	1,828,140
Silver	10,185	4,489	20,561
At cost			
Gold and silver purchased from miners	457,987	258,999	196,352
Gold in transit for refining	43,015	6,435	15,852
Commemorative coins and precious metals	19,525	18,155	16,623
Total gold bullion and precious metals	4,432,018	2,403,179	2,077,528

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. Management considered the refined gold bullions and silver bars as proxy to currency or financial assets therefore treating these as financial instruments for the purposes of disclosures in these financial statements. 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.

According to the Law of State Treasury Fund, treasury fund comprises of main fund and operational fund. Operational fund is included within the commemorative coins and precious metals under the gold bullion and 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. In 2025, the Bank changed accounting policy of this fund from revaluation model to cost model. Accordingly, the Bank retrospectively restated commemorative coins and precious metals in these financial statements. Refer to Note 3 for details of restatement.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

14 TREASURY FUND

<i>In millions of Mongolian Togrogs</i>	31 December 2025	31 December 2024 (Restated)	1 January 2024 (Restated)
Main fund- non-permanent parts	60,687	58,595	45,926
Main fund- permanent parts	456	456	456
Total treasury fund	61,143	59,051	46,382

According to the Law of State Treasury Fund, “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.

In 2025, the Bank changed accounting policy of Treasury Fund from revaluation model to cost model. Accordingly, the Bank retrospectively restated Treasury Fund in these financial statements. Refer to Note 3 for details of restatement.

Measurement. The management considers the Treasury Fund item as heritage asset and has indefinite useful life. Therefore, the Treasury Fund items are not depreciated.

Below table shows the movement of the Treasury fund as of 31 December 2025 and 31 December 2024:

<i>In millions of Mongolian Togrogs</i>	Permanent	Non-permanent		Total
		Coins	Cultural valuables	
Carrying amount at 1 January 2024 (Restated)	456	3,602	42,324	46,382
Addition	-	169	12,500	12,669
Carrying amount at 31 December 2024 (Restated)	456	3,771	54,824	59,051
Addition	-	1,623	469	2,092
Carrying amount at 31 December 2025	456	5,394	55,293	61,143

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FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

15 DERIVATIVE FINANCIAL INSTRUMENTS

The Bank regularly enters into derivative contracts with 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 uses discounted cash flow model for assessing fair value of such swap instruments. The model is based on observable market data. Refer to Note 35 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.

<i>In millions of Mongolian Togrogs</i>	31 December 2025	31 December 2024
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	259,852	140,720
- Financial liabilities at fair value through profit or loss	(398,576)	(227,933)
Financial liabilities at fair value through profit or loss, net	(138,724)	(87,213)

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.

<i>In millions of Mongolian Togrogs</i>	31 December 2025	31 December 2024	Contracts with positive fair value	Contracts with negative fair value
	Contracts with positive fair value	Contracts with negative fair value		
- USD payable on settlement (-)	(4,908,484)	(7,905,679)	(3,398,169)	(4,516,464)
- MNT receivable on settlement (+)	5,168,336	7,507,103	3,538,889	4,288,531
Net fair value of foreign exchange forwards and swaps	259,852	(398,576)	140,720	(227,933)

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

16 GOVERNMENT SECURITIES

<i>In millions of Mongolian Togrogs</i>	31 December 2025	31 December 2024
Government securities measured at FVOCI	54,633	55,720

Government securities at below market rate. 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 2025 amounted to MNT 96,600 million at coupon rate of 1.0 % per annum with original maturity of 15 years. (2024: MNT 96,600 million at coupon rate of 1.0% per annum, original maturity of 15 years). As of 31 December 2025, the carrying value of the securities was MNT 54,633 million (2024: MNT 55,720 million). For the fair value disclosure, refer to Note 35.

ECL allowances for the government securities measured at FVOCI amounting to MNT 639 million (2024: MNT 468 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 2025 and 31 December 2024 are shown in the table below. Refer to Note 34 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:

<i>In millions of Mongolian Togrogs</i>	31 December 2025 Stage 1 (12-months ECL)	31 December 2024 Stage 1 (12-months ECL)
Government securities		
- Good	42,257	36,639
Total AC gross carrying amount	42,257	36,639
Less: Credit loss allowance	(639)	(468)
Add: Fair value adjustment from AC to FV	13,015	19,549
Carrying value (fair value)	54,633	55,720

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****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.

	Credit loss allowance	Gross carrying amount
	Stage 1	Stage 1
<i>In millions of Mongolian Togrogs</i>	(12-months ECL)	(12-months ECL)
Government Securities at FVOCI		
At 1 January 2025	468	36,639
<i>Movements with impact on credit loss allowance charge for the period:</i>		
Changes to ECL measurement model assumptions	171	-
Unwinding of discount	-	5,618
At 31 December 2025	639	42,257
Government Securities at FVOCI		
At 1 January 2024	413	31,884
<i>Movements with impact on credit loss allowance charge for the period:</i>		
Changes to ECL measurement model assumptions	55	-
Unwinding of discount	-	4,755
At 31 December 2024	468	36,639

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****17 RECEIVABLES FROM GOVERNMENT**

<i>In millions of Mongolian Togrogs</i>	31 December 2025	31 December 2024
Receivables from Government	403,306	477,537
Total receivables from Government	403,306	477,537

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 12% as of 31 December 2025 (2024: 10%). As of 31 December 2025, the management has assessed the recoverable amount of the receivables had a carrying amount of MNT 403,306 million (2024: MNT 477,537 million) with additional impairment of MNT 74,231 million (2024: MNT 37,405 million) recognized in profit or loss for the year due to delay in signing contractual agreement with the Government. Refer to related management judgement in Note 4.

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

<i>In millions of Mongolian Togrogs</i>	2025	2024
Gross book value at 1 January	524,275	524,275
Accumulated impairment losses at 1 January	(46,738)	(9,333)
Carrying amount at 1 January	477,537	514,942
Impairment loss	(74,231)	(37,405)
Carrying amount at 31 December	403,306	477,537
Gross book value at 31 December	524,275	524,275
Accumulated impairment losses at 31 December	(120,969)	(46,738)
Carrying amount at 31 December	403,306	477,537

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****18 OTHER ASSETS**

<i>In millions of Mongolian Togrogs</i>	31 December 2025	31 December 2024
Other financial assets at AC		
Receivables from Deposit Insurance Corporation	85,000	85,000
Receivables from receivership of Capital bank	67,371	67,371
Assets received from Anod Bank	53,765	56,424
Receivables from companies	49,773	71,657
Claims from foreign financial institutions	31,094	29,901
Promissory notes from receivership of Capital bank	5,320	9,896
Other financial assets	31,519	18,062
Less: Allowance for impairment losses	(302,868)	(329,292)
Total other financial assets at AC	20,974	9,019
Other non-financial assets		
Prepaid expenses	1,849	3,133
Other	4,466	3,532
Total other non-financial assets	6,315	6,665
Total carrying amount of other assets at AC	27,289	15,684
Other assets measured at FVTPL		
Promissory notes	-	14,658
Total carrying amount of other asset at FVTPL	-	14,658
Total other assets	27,289	30,342

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 34 provides information about inputs, assumptions and estimation techniques used in measuring ECL model.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

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 JSC which did not happen. The government intends to initiate privatization in the near future. ECL measurement of the financial support is assessed with consideration of the arrangements of repayments for respective asset. As of 31 December 2025, expected credit loss allowance of 100% has been created for the entire amount of the receivable.

Receivables from receivership of Capital bank. Receivables from Capital bank receivership is composed of clearing account receivable of MNT 5,215 million (2024: MNT 5,215 million), Mandatory reserve penalty receivable of MNT 4,602 million (2024: MNT 4,602 million) receivables in relation to DICOM of MNT 44,663 million (2024: MNT 44,663 million), receivable related to the mortgage loan balance advanced to Capital bank of MNT 12,891 million (2024: MNT 12,891 million). As of 31 December 2025, the receivables from receivership of Capital bank were fully provisioned with 100% of PD and LGD (2024: fully provisioned).

Assets received from Anod Bank. The Bank received assets including loan portfolios and other non-current assets with carrying amount of MNT 73,662 million when Anod receivership was terminated in 2015. During the year 2025, MNT 2,674 million (2024: MNT 1,192 million) were recovered. The asset balance of MNT 53,765 million (2024: MNT 56,424 million) are fully provisioned. Under IFRS 9, the assets are assessed at Stage 3 with 100% of PD and LGD.

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, which was matured in 2004. These receivables amount to MNT 26,360 million (2024: MNT 48,752 million). There are receivables from non-banking institutions which amount to MNT 23,413 million as of 31 December 2025 (2024: MNT 22,684 million). The Bank intends to initiate litigation against those entities in the near future. All of these receivables have been fully provisioned in prior years and are considered 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. Consequently, the Bank has created a provision for 100% of the outstanding balance since the related foreign institutions were no longer operating. The Bank intends to initiate litigation against the entity and 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. MNT 4,576 million were recovered in 2025 (2024: MNT 11,810 million), respectively. As of 31 December 2025, the balance for the promissory notes was MNT 5,320 million (2024: MNT 9,896 million).

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 held one local company's issued promissory note with a nominal value of MNT 15,625 million with original maturity of 9 years. As of 31 December 2025, the promissory notes have been fully repaid.

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****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 2025.

<i>In millions of Mongolian Togrogs</i>	Stage 1 (12-months ECL)	Stage 3 (lifetime ECL for credit impaired)	Total
- Good	11,513	-	11,513
- Default	-	312,329	312,329
Gross carrying amount at AC	11,513	312,329	323,842
Total credit loss allowance	(75)	(302,793)	(302,868)
Total carrying amount at AC	11,438	9,536	20,974

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

<i>In millions of Mongolian Togrogs</i>	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

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

18 OTHER ASSETS (CONTINUED)

Movements in the provision for impairment of other financial assets during 2025 are as follows:

<i>In millions of Mongolian Togros</i>	Stage 1	Stage 3								
	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 2025	3,764	221	56,424	14,298	9,896	85,000	67,371	29,901	71,436	338,311
<i>Movements with impact on credit loss allowance charge for the period:</i>										
Transfers:										
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	(221)	-	221	-	-	-	-	-	-
New originated or purchased	9,034	-	-	5,700	-	-	-	-	433	15,167
Derecognised during the period	(1,285)	-	(2,674)	(219)	(4,576)	-	-	-	(1,394)	(10,148)
Total movements with impact on credit loss allowance charge for the period	7,749	(221)	(2,674)	5,702	(4,576)	-	-	-	(961)	5,019
<i>Movements without impact on credit loss allowance charge for the period:</i>										
FX and other movements	-	-	15	6	-	-	-	1,193	2,549	3,763
Write-offs	-	-	-	-	-	-	-	-	(23,251)	(23,251)
At 31 December 2025	11,513	-	53,765	20,006	5,320	85,000	67,371	31,094	49,773	323,842
Credit loss allowances At 1 January 2025	6	-	56,424	11,704	7,450	85,000	67,371	29,901	71,436	329,292
<i>Movements with impact on credit loss allowance charge for the period:</i>										
Transfers:										
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	(4)	-	4	-	-	-	-	-	-
New originated or purchased	75	4	-	2,283	-	-	-	-	-	2,362
Derecognised during the period	(6)	-	(2,674)	(1,986)	(3,669)	-	-	-	(968)	(9,303)
Total movements with impact on credit loss allowance charge for the period	69	-	(2,674)	301	(3,669)	-	-	-	(968)	(6,941)
<i>Movements without impact on credit loss allowance charge for the period:</i>										
FX and other movements	-	-	15	4	-	-	-	1,193	2,556	3,768
Write-offs	-	-	-	-	-	-	-	-	(23,251)	(23,251)
At 31 December 2025	75	-	53,765	12,009	3,781	85,000	67,371	31,094	49,773	302,868

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

18 OTHER ASSETS (CONTINUED)

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

In millions of Mongolian Togrogs	Stage 1 Other financial assets (Stage 1)	Stage 3 Receivables from other companies (Stage 3)	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
<i>Movements with impact on credit loss allowance charge for the period:</i>										
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)
<i>Movements without impact on credit loss allowance charge for the period:</i>										
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
<i>Movements with impact on credit loss allowance charge for the period:</i>										
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)
<i>Movements without impact on credit loss allowance charge for the period:</i>										
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

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

19 PREMISES, EQUIPMENT, AND INTANGIBLE ASSETS

<i>In millions of Mongolian Togrogs</i>	Buildings/ premises	Construction in progress	Office and computer equipment	Premises and equipment	Intangible assets	Total
Cost or valuation on 1 January 2024	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 1 January 2024	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
Additions	-	6,953	7,497	14,450	-	14,450
Disposals - cost	(2,620)	-	(1)	(2,621)	-	(2,621)
Write-offs - cost	(1)	-	(195)	(196)	(37)	(233)
Transfer	162	(162)	-	-	-	-
Depreciation/amortization charge	(2,449)	-	(5,858)	(8,307)	(4,871)	(13,178)
Disposals - accumulated depreciation	205	-	1	206	-	206
Write-offs - accumulated depreciation	1	-	184	185	37	222
Cost or valuation at 31 December 2025	137,133	14,433	49,528	201,094	32,460	233,554
Accumulated depreciation/ amortization	(56,839)	-	(27,473)	(84,312)	(16,723)	(101,035)
Carrying amount at 31 December 2025	80,294	14,433	22,055	116,782	15,737	132,519

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

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.

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****19 PREMISES, EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)**

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. 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 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 is carried out in every five years by an independent external valuator who hold a recognised and relevant professional qualification.

Information about fair values of items valued using assumptions that are not based on observable market data and sensitivity analysis are disclosed in Note 35.

As of 31 December 2025 and 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.

<i>In millions of Mongolian Togrogs</i>	2025	2024
Premises at revalued amount int the statement of financial position	80,294	84,996
Revaluation reserve presented in equity	(30,320)	(30,323)
Premises at cost less accumulated depreciation	49,974	54,673

None of the property, equipment and intangible assets have been pledged as security for borrowings as of 31 December 2025 and 31 December 2024.

Revaluation reserve for Premises and Equipment. The revaluation reserve for premises and equipment included in equity is transferred directly to accumulated deficit when the revaluation surplus is realised on the retirement or disposal of the asset.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

19 PREMISES, EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

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

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

<i>In millions of Mongolian Togrogs</i>	31 December 2025	31 December 2024
Banknotes issued into circulation	1,244,350	1,222,179
Cash in circulation	1,244,350	1,222,179

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 counterparties of the Bank and removed when returned to the Bank.

Cash issued into circulation as of 31 December 2025:

<i>In millions of Mongolian Togrogs</i>	Beginning balance	Increase	Decrease	Ending balance
Issued Banknotes	1,222,179	1,293,829	(1,271,658)	1,244,350
Cash in circulation	1,222,179	1,293,829	(1,271,658)	1,244,350

Cash issued into circulation as of 31 December 2024:

<i>In millions of Mongolian Togrogs</i>	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

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****21 CENTRAL BANK BILLS**

<i>In millions of Mongolian Togrogs</i>	31 December 2025	31 December 2024
Central Bank bills issued	10,973,332	11,511,780
Total Central Bank bills	10,973,332	11,511,780

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 (2024: 28 days) and bear interest rates of 12% per annum as of 31 December 2025 (2024: 10% per annum).

22 LIABILITIES DUE TO GOVERNMENT ORGANIZATIONS

<i>In millions of Mongolian Togrogs</i>	31 December 2025	31 December 2024
Deposit account of Ministry of Finance	4,784,587	495,647
Current account of Ministry of Finance	1,295,047	5,926,667
Liabilities to the Ministry of Finance related to borrowings:		
- International Monetary Fund (IMF)	286,545	379,948
- Asian Development Bank (ADB)	36,022	40,127
- International Development Association (IDA)	-	890
Total liabilities due to government organizations	6,402,201	6,843,279

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).

Deposit accounts of Ministry of Finance. According to the National Wealth Fund Law enacted on 19 April 2024, the Bank has entered into an agreement with the Ministry of Finance on 9 May 2024 for the management and growth of the Savings Fund deposit account. The Bank pays interest on the remaining balance of Savings Fund deposit account, which was not used for financing the housing mortgage loans to local banks, at an interest rate equivalent to the policy rate with a term of 1 year. Accordingly, the Bank disbursed housing mortgage loans to local banks financed by the Savings Fund. As of 31 December 2024, the Savings Fund's carrying amount was MNT 495,647 million at interest rate of 10% per annum. Refer to Note 4 for details of management judgement.

On 2 June 2025, the Bank has entered into asset management agreement with the Ministry of Finance to manage and grow the Savings Fund while preserving its value and liquidity at interest rate equivalent to the policy rate with a term of 1 year. According to the Savings Fund asset management agreement dated on 2 June 2025, the Bank has transferred the contractual rights to cash flows related to previously issued housing mortgage loans to the Ministry of Finance on 30 June 2025. Consequently, the balance of the Savings Fund's deposit account was reduced by MNT 480,211 million. As of 31 December 2025, the carrying amount of the Savings Fund deposit account was MNT 21,923 million (2024: MNT 495,647 million) at interest rate of 12% per annum (2024: policy rate of 10%). Refer to Note 4 for details of management judgement and Note 9 for details of the transfer of housing mortgage loans.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

22 LIABILITIES DUE TO GOVERNMENT ORGANIZATIONS (CONTINUED)

On 7 March 2025, the Bank has entered into a foreign currency deposit agreement for the Future Heritage Fund with the Ministry of Finance at term of 1 year. As of 31 December 2025, the carrying amount of the Future Heritage Fund deposit account was USD 1,336 million equivalent to MNT 4,762,664 million (2024: USD 1,162 million equivalent to MNT 3,974,519 million) at the interest rates of 3.78% per annum with maturity date of 90 days (2024: non-interest bearing current account). Refer to Note 4.

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 204,049 million (2024: MNT 650,782 million) bears interest of 3% per annum.

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 represents 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. 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 Bank on behalf of MOF to IMF by the end of 2026. As of 31 December 2025, liabilities due to MOF under EFF arrangement were SDR 59 million equivalent to MNT 286,545 million (2024: SDR 85 million equivalent to MNT 379,948 million).

Asian Development Bank (ADB). The loans received from the ADB are for the Payment system modernization project and bear interest of 2.5% per annum with original maturity of 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 original maturity ranging from 14 to 15 years. As of 31 December 2025, the borrowings were fully repaid.

There were no breaches of associated loan covenants as of 31 December 2025 and 31 December 2024.

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****23 DEPOSITS FROM LOCAL BANKS**

<i>In millions of Mongolian Togrogs</i>	31 December 2025	31 December 2024
Correspondent accounts:		
- in national currency	9,566,805	6,335,095
- in foreign currency	4,522,956	3,511,587
Time deposits in foreign currency	2,277,970	857,900
Overnight deposits in national currency	170,046	-
Total deposits from local banks	16,537,777	10,704,582

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 2025 was MNT 7,429,675 million (2024: MNT 5,416,920 million).

Time deposits in foreign currency. This balance represents time deposits placed by local banks with amount of USD 640 million equivalent to MNT 2,277,970 million at the interest rate of 3.70 to 3.83% per annum with original maturity of 7 days to 30 days as of 31 December 2025 (2024: USD 251 million equivalent to MNT 857,900 million at interest rate between 4.4% to 4.7% per annum with maturity of 7 days to 90 days).

Overnight deposits in national currency. This balance represents MNT overnight deposits placed by local banks at an interest rate of 10% per annum with maturity of 3 days (2024: the deposit has nil balance).

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

24 LIABILITIES DUE TO FOREIGN PARTIES

<i>In millions of Mongolian Togrogs</i>	31 December 2025	31 December 2024
Financing from People's Bank of China	3,091,014	2,849,601
Allocation of Special Drawing Rights of IMF	575,794	526,574
Current account of World Bank	1,931	1,596
Subscription to World Bank	223	214
Current account of ADB	61	61
Subscription to IDA	39	39
Total liabilities to foreign parties	3,669,062	3,378,085

Liabilities due to foreign parties are initially recorded at fair value and subsequently measured at amortized cost using effective interest method. The Bank has significant concentrations of credit risk with the People's Bank of China.

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 (2024: SHIBOR+175 bps per annum). The agreement with PBC was most recently renewed in July 2023 with an extension granted for a period of three years. As of 31 December 2025, outstanding principal balance were CNY 6,000 million equivalent to MNT 3,052,680 million (2024: CNY 6,000 million equivalent to MNT 2,811,420). Refer to Note 4.

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 575,794 million as of 31 December 2025 (2024: SDR 118,053 million equivalent to MNT 526,574 million).

Transactions 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 settlement transactions 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 the exchange rate of SDR to USD set by the IMF and the BOM official MNT/USD exchange rate at the reporting date.

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

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. Therefore, 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 of 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 2025, Mongolia's quota in the IMF amounted to SDR 72.3 million (2024: 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 174,438 million as of 31 December 2025 (2024: MNT 112,319 million).

Subscription to World Bank and IDA. This balance represents the Bank's subscription obligation to World Bank and IDA.

There was no breach of loan covenants associated with the Financing from People's Bank of China as of 31 December 2025 and 31 December 2024.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

25 OTHER LIABILITIES

<i>In millions of Mongolian Togrogs</i>	31 December 2025	31 December 2024
Other financial liabilities		
Deposits by non-banking entities	629,218	25,853
Bank Stabilization Fund	57,799	38,299
Other payables	46,715	42,976
Other non-financial liabilities		
Social Development Fund	606	1,968
Total other liabilities	734,338	109,096

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. On 30 December 2025, DICOM placed deposit with amount of USD 143 million equivalent to MNT 508,744 million, which bears 3.0% p.a. maturity of 90 days term.

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 2025, MNT 57,799 million of annual fee was collected (2024: MNT 38,299 million).

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

<i>In millions of Mongolian Togrogs</i>	31 December 2025	31 December 2024
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 2025 and 2024, as the Bank had an accumulated deficit in these years.

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****26 CHARTER CAPITAL AND OTHER RESERVES (CONTINUED)**

Other reserves. Other reserves consist of reserve for investment securities at FVOCI, reserve for premises, reserve for gold bullion and foreign exchange. 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.

In 2025, the Bank changed the accounting policy of Treasury Fund from revaluation model to cost model. As a result, the Bank retrospectively restated revaluation reserve for Treasury Fund in these financial statements. Refer to Note 3.

Other reserves comprise the following:

<i>In millions of Mongolian Togrogs</i>	Revaluation reserve for investment securities at FVOCI	Revaluation reserve for Premises and Equipment	Revaluation reserve for gold bullion	Revaluation reserve for foreign exchange	Total
At 1 January 2024 (Restated)	22,957	30,331	944,898	117,506	1,115,692
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 (Restated)	15,239	30,323	1,107,271	304,602	1,457,435
Gain on fair value changes	13,828	-	-	-	13,828
ECL movement as part of fair value change	35	-	-	-	35
Transfer to profit or loss upon disposal	553	-	-	-	553
Revaluation surplus reverse for premises	-	(3)	-	-	(3)
Transfer to/(from) other reserves from/(to) accumulated deficit	-	-	738,120	(235,044)	503,076
At 31 December 2025	29,655	30,320	1,845,391	69,558	1,974,924

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.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

26 CHARTER CAPITAL AND OTHER RESERVES (CONTINUED)

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 translation changes of gold bullion and precious metals.

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 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, the Bank transfer foreign exchange translation gains or losses to revaluation reserve. In case there is translation losses, 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 2025 and 31 December 2024, the principal rates of exchange used for translating foreign currency balances were:

	31 December 2025 (MNT)	31 December 2024 (MNT)
USD	3,556.66	3,420.25
SDR	4,877.40	4,460.47
EUR	4,186.72	3,566.98
CNY	508.78	468.57
JPY	22.81	21.67

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FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

27 INTEREST INCOME AND EXPENSE

<i>In millions of Mongolian Togrogs</i>	31 December 2025	31 December 2024
Interest income calculated using the effective interest method		
Due from foreign financial institutions at AC	272,917	232,435
Debt securities at FVOCI	159,450	168,768
Reverse repurchase agreement at AC	151,476	244,849
Debt securities at AC	110,211	171,913
Repurchase receivables	36,436	-
Loans to local banks at AC	18,996	84,579
Government securities at FVOCI	6,581	5,724
Total interest income calculated using the effective interest method	756,067	908,268
Other similar income		
Loans to local banks at FVTPL	206	1,865
Other assets at FVTPL	635	1,735
Total other similar income	841	3,600
Total interest income	756,908	911,868
Interest expense		
Central bank bills	(995,068)	(1,078,920)
Liabilities due to government organization	(235,532)	(128,986)
Liabilities due to foreign parties	(107,181)	(146,076)
Deposits from local banks	(92,473)	(99,987)
Repurchase agreements	(40,683)	-
Other interest expense	(5,509)	(4,880)
Fulfilment on mandatory reserve requirement to local banks	-	(37,896)
Total interest expense	(1,476,446)	(1,496,745)
Net interest expense	(719,538)	(584,877)

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

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.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

27 INTEREST INCOME AND EXPENSE (CONTINUED)

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 allowance, 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

<i>In millions of Mongolian Togrogs</i>	31 December 2025	31 December 2024
Gains from trading of gold bullion and precious metals	793,864	258,339
Gains from refining of gold bullion and precious metals	216,082	78,308
Gains from trading of gold bullion and precious metals	1,009,946	336,647

29 OTHER OPERATING INCOME

<i>In millions of Mongolian Togrogs</i>	31 December 2025	31 December 2024
Commission income	56,350	50,377
Income from interest difference of Savings Fund	21,681	-
Penalty income from local banks	4,951	5,560
Rental income from property and equipment	2,180	1,174
Other operating income	23,229	16,122
Total other operating income	108,391	73,233

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 also comprises fees received on interbank transactions, card transaction, and foreign currency transactions.

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

29 OTHER OPERATING INCOME (CONTINUED)

According to the National Wealth Fund Law enacted on 19 April 2024, the Bank disbursed housing mortgage loans to local banks financed by the Savings Fund. On 9 May 2024, the Bank has entered into an agreement with the Ministry of Finance for the management and growth of the Savings Fund deposit account with interest rate equivalent to the policy rate and a term of 1 year. According to the agreement, the difference between (i) the interest it receives on mortgage loans issued to local banks financed by the Savings Fund and (ii) the interest it pays on the Savings Fund deposit account placed by the Ministry of Finance is paid by the Ministry of Family, Labor, and Social Protection. Refer to Note 4 for details of management judgement.

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 4,951 million (2024: MNT 5,560 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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

30 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

<i>In millions of Mongolian Togrogs</i>	31 December 2025	31 December 2024
Staff cost	55,763	52,075
Cost of printing banknotes	19,202	15,255
Depreciation and amortisation of premises, equipment and intangible assets	13,178	13,139
Telecommunication and utility expense	5,185	4,739
System repair fees	4,369	7,547
Security expense	3,440	3,230
Gold transportation and shipping expense	3,094	4,396
Transportation and trip expenses	2,776	2,503
Facility, arrangement, and refining fees related to gold financing	1,944	1,883
Fixed asset repair and maintenance fee	1,570	1,124
Membership and professional fees	1,341	1,414
Advertisement expenses	1,147	1,200
Training expenses	212	146
Other expenses	4,997	7,789
Total administrative and other operating expenses	118,218	116,440

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 2025 was MNT 527 million (2024: MNT 614 million).

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****31 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

The table below sets out movements in the Bank's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing activities in the statement of cash flows.

<i>In millions of Mongolian Togrogs</i>	Liabilities from financing activities		Total
	Liabilities due to Foreign Parties	Repurchase agreements	
Liabilities from financing activities at 1 January 2024	5,659,491	-	5,669,491
<i>Cash Transaction:</i>			
Cash outflow	(2,100,025)	-	(2,100,025)
Interest paid	(184,445)	-	(184,445)
<i>Non-cash transactions:</i>			
Interest accrued	147,002	-	147,002
Foreign exchange adjustments	(143,938)	-	(143,938)
Liabilities from financing activities at 31 December 2024	3,378,085	-	3,378,085
<i>Cash Transaction:</i>			
Cash inflow	-	13,504,814	14,504,814
Cash outflow	-	(13,530,708)	(13,530,708)
Interest paid	(111,946)	(40,699)	(152,645)
<i>Non-cash transactions:</i>			
Interest accrued	107,181	40,699	147,880
Foreign exchange adjustments	295,742	25,894	321,636
Liabilities from financing activities at 31 December 2025	3,669,062	-*	3,669,062

***Repurchase receivables.** On 5 October 2021, the Bank entered into a framework agreement with the BIS regarding repurchase agreements by collateralizing the US treasury bills (Refer to Note 10). During 2025, the Bank obtained repurchase agreements with amount of MNT 13,549,338 million (2024: nil) with maturity of less than 30 days. As of 31 December 2025, the repurchase agreements were fully repaid.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

32 CONTINGENCIES AND COMMITMENTS

Legal proceedings. Management is not aware of any legal proceedings as of 31 December 2025 and 31 December 2024, in which the Bank acts as defendant and which could result in material losses to the Bank. Therefore, 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.

<i>In millions of Mongolian Togrogs</i>	31 December 2025 Stage 1 (12 months ECL)	31 December 2024 Stage 1 (12 months ECL)
Contingent Liabilities		
Import letters of credit	15,768	14,227
Commitments		
Undrawn credit line	7,547,220	7,103,140
Total credit related commitments	7,562,988	7,117,367

An analysis of credit related commitments by credit quality based on credit risk grades at 31 December 2025 and 31 December 2024 is as follows.

<i>In millions of Mongolian Togrogs</i>	31 December 2025 Stage 1 (12-months ECL)	31 December 2024 Stage 1 (12-months ECL)
Import letters of credit		
- Satisfactory	15,768	14,227
Unrecognised gross amount	15,768	14,227
Commitments		
- Excellent	7,547,220	7,103,140
Unrecognised gross amount	7,562,988	7,117,367

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32 CONTINGENCIES AND COMMITMENTS (CONTINUED)

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 2025 and 31 December 2024. 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 Togrog Bilateral Currency Swap Arrangement" with the People's Bank of China (PBC) in May 2011. The agreement was renewed four times in August 2014, July 2017, July 2020 and July 2023. The agreement with PBC was most recently renewed in July 2023 with an extension granted for a period of three years. The two 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 (2024: CNY 15,000 million) when the BOM is the requesting party and MNT 7,547,220 million (2024: MNT 7,103,140 million) when PBC is the requesting party.

As of 31 December 2025, the Bank has used principal amount of CNY 6,000 million equal to MNT 3,052,680 million (2024: CNY 6,000 million equal to MNT 2,811,420 million) and has a further available amount to use of CNY 9,000 million equivalent to MNT 4,579,020 million (2024: CNY 9,000 million equivalent to MNT 4,217,130 million).

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FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

33 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 2025 and 31 December 2024, 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; 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. Consequently, individually immaterial transactions with government-related entities are not disclosed in these financial statements.

The income and expense items with related parties for 2025 were as follows:

<i>In millions of Mongolian Tugrogs</i>	Government	State Bank	Development Bank of Mongolia	Erdenes Mongol	Governor's office of the capital city of Ulaanbaatar	City Housing Corporation JSC	Total
Interest income	6,581	22,403	13,457	-	8,827	9,112	60,380
Interest expense	(202,858)	(115,118)	(22,179)	-	(3,116)	-	(343,271)
Commission income	2,398	5,773	-	-	-	-	8,171
(Credit loss allowance) / Recovery of Credit loss allowance	(171)	-	-	(143,873)	-	110	(143,934)
Impairment loss on receivables from Government	(74,231)	-	-	-	-	-	(74,231)
Total	(268,281)	(86,942)	(8,722)	(143,873)	5,711	9,222	(492,885)

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****33 RELATED PARTY TRANSACTIONS (CONTINUED)**

At 31 December 2025, the outstanding balances with related parties were as follows:

<i>In millions of Mongolian Togrogs</i>	Note	Government	State Bank	Development Bank of Mongolia	DICOM	Erdenes Mongol LLC	Governor's office of the capital city of Ulaanbaatar	City Housing Corporation JSC	Total
Government securities	16	55,272	-	-	-	-	-	-	55,272
Receivables from Government	17	403,306	-	-	-	-	-	-	403,306
Loans to non-financial entities	18	-	-	-	85,000	-	-	-	85,000
Erdenes bonds	10	-	-	-	-	849,807	-	-	849,807
Lease backed bonds	10	-	-	-	-	-	-	119,072	119,072
Derivative financial instruments	15	-	1,401	(2,677)	-	-	(8,586)	-	(9,862)
Credit loss allowance on financial assets at 31 December 2025		(639)	-	-	(85,000)	(228,190)	-	(157)	(313,986)
Central bank bills	21	-	(1,130,000)	-	-	-	-	-	(1,130,000)
Deposits from local banks	23	-	(695,536)	(376,537)	-	-	-	-	(1,072,073)
Deposits from non- financial entities	25	-	-	-	(613,931)	-	-	-	(613,931)
Liabilities due to the government organisations	22	(6,402,201)	-	-	-	-	-	-	(6,402,201)
Total		(5,944,262)	(1,824,135)	(379,214)	(613,931)	621,617	(8,586)	118,915	(8,029,596)

The income and expense items with related parties for 2024 were as follows:

<i>In millions of Mongolian Togrogs</i>	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
(Credit loss allowance) / Recovery of credit loss allowance	(55)	(704)	-	51,171	11,722	306	62,440
Impairment loss on receivables from Government	(37,405)	-	-	-	-	-	(37,405)
Total	(110,010)	(127,280)	19,779	103,890	21,421	12,325	(79,875)

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

33 RELATED PARTY TRANSACTIONS (CONTINUED)

At 31 December 2024, the outstanding balances after ECL with related parties were as follows:

<i>In millions of Mongolian Togrogs</i>	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)
Credit loss allowance on financial assets at 31 December 2024		(468)	(1,975)	-	(85,000)	(84,317)	(268)	(172,028)
Central bank bills	21	-	(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	22	(6,843,279)	-	-	-	-	-	(6,843,279)
Total		(6,310,023)	(1,749,879)	(91,482)	(14,646)	765,490	128,928	(7,271,612)

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 Erdenes bonds and Lease backed bonds. As of 31 December 2025 and 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 2025, the Bank has MNT 15,768 million (2024: MNT 14,227 million) of import letter of credits commitments to related parties. Refer to Note 32 for more information.

Key management is composed of the Board of Directors of the Bank and their compensation is presented below:

<i>In millions of Mongolian Togrogs</i>	2025	2024
Salary and wages	1,548	1,526
Social and pension fund contribution	193	191
Benefits in-kind	20	10
Total	1,761	1,727

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FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

34 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 Board 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.

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.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

34 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2025 and 2024.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

34 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.

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FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

34 FINANCIAL RISK MANAGEMENT (CONTINUED)

As disclosed in Note 32, 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.

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 32). 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 12. For letters of credit and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment, see Note 32.

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.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

34 FINANCIAL RISK MANAGEMENT (CONTINUED)

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:

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

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

34 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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.

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FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

34 FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

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.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

34 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table shows LGD determined for each financial asset class in 2025 and 2024:

	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)
2025	60.0%-60.4%	60.0%-60.8%	0%-60.4%	64.1%	64.1%	0%-100%
2024	59.9%-60.0%	59.9%-60.0%	0%-60.0%	65.0%	0%-65.0%	65.0%-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.

A 10% increase in LGD estimates would result in an increase in total expected credit loss allowances of MNT 23,061 million at 31 December 2025 (2024: increase of MNT 14,857 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.

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****34 FINANCIAL RISK MANAGEMENT (CONTINUED)**

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 26 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.

The Bank has run a linear regression analysis on the quarterly non-performing mortgage loan % (PD) for the last 15 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 is assessed at Stage 3 since 2024. The LGD was estimated under three different scenarios with weights of 60% for Base and 30% for Worst and 10% for 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 15 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 60% for Base case, 30% for Worst case and 10% 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 three scenarios: 55% for Base case, 36% for Worst case and 9% for Best case scenario of 2024.

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34 FINANCIAL RISK MANAGEMENT (CONTINUED)

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, so actual statistics were used.

Key drivers	ECL scenario	31 December 2025	31 December 2024	Assigned weightings	Assumption for 2024
		Assigned weightings	Assumption for 2025		
GDP growth %	Best case	10%	7.0%	9%	7.5%
	Base case	60%	6.5%	55%	7.3%
	Worst case	30%	3.8%	36%	6.4%
Unemployment rate	Best case	10%	3.6%	9%	4.1%
	Base case	60%	7.4%	55%	7.9%
	Worst case	30%	11.0%	36%	11.3%
Residential sector NPL %	Best case	10%	0.8%	9%	0.9%
	Base case	60%	1.2%	55%	1.1%
	Worst case	30%	1.8%	36%	1.3%

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 7,125 million at 31 December 2025 (2024: increase of MNT 10,499 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 2025:

Scenario	Loans to local banks	Senior RMBS bonds	Lease backed bonds	PD	Multiplier	PD
	Multiplier	PD	Multiplier			
Best	0.94	1.54%-4.85%	0.96	0.07%	0.96	0.78%
Base	1.02	1.67%-5.26%	1.33	0.09%	1.33	1.08%
Worst	1.36	2.23%-7.02%	1.87	0.13%	1.87	1.51%

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FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

34 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table below shows that multipliers and each assigned PDs used in the ECL model as of 31 December 2024:

Lease backed bondsSenior RMBS bonds Loans to local banksScenario						
	Multiplier	PD	Multiplier	PD	Multiplier	PD
Best	0.75	2.05%-4.00%	0.78	0.08%	0.78	0.83%
Base	0.77	2.10%-4.10%	1.00	0.11%	1.00	1.07%
Worst	0.87	2.38%-4.64%	1.23	0.13%	1.23	1.31%

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 566 million at 31 December 2025 (2024: increase of MNT 2,400 million).

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, gold and SDRs, the Bank has no significant concentration of market risk. Management views the gold bullions and silver bars as proxy to currency or financial assets hence its disclosed as part of foreign currency risk management disclosures in these financial statements. 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.

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34 FINANCIAL RISK MANAGEMENT (CONTINUED)

<i>In millions of Mongolian Togrogs</i>	At 31 December 2025 Impact on profit or loss and equity	At 31 December 2024 Impact on profit or loss and equity
USD strengthening by 10% (2024: 10%)	(684,291)	206,011
USD weakening by 10% (2024: 10%)	684,291	(206,011)
CNY strengthening by 10% (2024: 10%)	(164,301)	(171,433)
CNY weakening by 10% (2024: 10%)	164,301	171,433
EUR strengthening by 10% (2024: 10%)	6,960	31,314
EUR weakening by 10% (2024: 10%)	(6,960)	(31,314)
SDR strengthening by 10% (2024: 10%)	(54,784)	(59,786)
SDR weakening by 10% (2024: 10%)	54,784	59,786
XAU strengthening by 10% (2024: 10%)	390,131	211,510
XAU weakening by 10% (2024: 10%)	(390,131)	(211,510)
Other strengthening by 10% (2024: 10%)	11,218	10,237
Other weakening by 10% (2024: 10%)	(11,218)	(10,237)

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 and gold.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

34 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table indicates the currencies, XAU and SDRs to which the Bank had significant exposure at 31 December 2025 on its monetary assets including gold bullion and precious metal and liabilities.

<i>In millions of Mongolian Togrogs</i>	MNT	USD	CNY	EUR	SDR	XAU	Other	Total
Cash on hand	-	310,841	60,799	8,818	-	-	15,048	395,506
Due from foreign financial institutions	-	7,055,951	1,360,509	382,173	314,495	-	573,079	9,686,207
Loans to local banks	178,820	503	-	-	-	-	-	179,323
Investments in debt securities	4,514,906	4,438,128	457,855	-	-	-	-	9,410,889
Investments in equity securities	-	-	-	6,533	-	-	-	6,533
Reverse repurchase agreements	3,983,879	6,086,748	-	-	-	-	-	10,070,627
Gold bullion and precious metals	-	-	-	-	-	3,901,306	10,185	3,911,491
Government securities	54,633	-	-	-	-	-	-	54,633
Other financial asset	16,879	4,095	-	-	-	-	-	20,974
Total financial assets	8,749,117	17,896,266	1,879,163	397,524	314,495	3,901,306	598,312	33,736,183
Cash in circulation	(1,244,350)	-	-	-	-	-	-	(1,244,350)
Central bank bills	(10,973,332)	-	-	-	-	-	-	(10,973,332)
Liabilities due to government organizations	(255,274)	(5,697,840)	-	(162,542)	(286,545)	-	-	(6,402,201)
Deposits from local banks	(9,736,851)	(5,718,252)	(431,156)	(165,382)	-	-	(486,136)	(16,537,777)
Liabilities due to foreign parties	(2,031)	(223)	(3,091,014)	-	(575,794)	-	-	(3,669,062)
Other financial liabilities	(224,983)	(508,749)	-	-	-	-	-	(733,732)
Total financial liabilities	(22,436,821)	(11,925,064)	(3,522,170)	(327,924)	(862,339)	-	(486,136)	(39,560,454)
Derivative financial instruments	12,675,439	(12,814,163)	-	-	-	-	-	(138,724)
Net balance sheet position	(1,012,265)	(6,842,961)	(1,643,007)	69,600	(547,844)	3,901,306	112,176	(5,962,995)

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

34 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.

<i>In millions of Mongolian Togrogs</i>	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 bullion 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)

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**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****34 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:

<i>In millions of Mongolian Togrogs</i>	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 2025							
Total financial assets	14,025,982	7,048,254	1,866,296	4,671,211	27,611,743	6,384,292	33,996,035
Total financial liabilities	(29,213,414)	(5,303,333)	(3,118,398)	(221,890)	(37,857,035)	(2,101,995)	(39,959,030)
Net interest sensitivity gap at 31 December 2025	(15,187,432)	1,744,921	(1,252,102)	4,449,321	(10,245,292)	4,282,297	(5,962,995)
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)

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 2025, if interest rates at reporting date had been 100 basis points lower and higher with all other variables held constant, profit for the year would have been MNT 148,426 million higher and lower (2024: MNT 123,082 million), mainly as a result of lower and higher interest expense on the financing from People's Bank of China. Other components of equity would have been MNT 45,973 million (2024: MNT 38,500 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.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

34 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.

In % p.a.	2025 MNT	2024 USD	CNY	Other	MNT	USD	CNY	Other
Assets								
Due from foreign financial institutions	-	3.89%	1.51%	2.99%	-	3.25%	1.84%	1.98%
Investments in debt securities	4.03%	4.02%	1.42%	-	3.96%	4.23%	2.05%	-
Reverse repurchase agreements	14.00%	3.75%	-	-	11.23%	4.25%	-	-
Government securities	1.00%	-	-	-	1.00%	-	-	-
Loans to local banks	2.00%	1.00%	-	-	2.98%	1.00%	-	-
Liabilities								
Central bank bills	12.00%	-	-	-	10.00%	-	-	-
Liabilities due to government organizations	7.50%	3.51%	-	3.26%	2.00%	2.50%	-	-
Deposits from local banks	10.00%	3.77%	-	-	8.00%	4.58%	-	-
Liabilities due to foreign parties	-	-	3.40%	-	-	-	3.96%	-
Other liabilities	3.00%	-	-	-	-	-	-	-

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**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****34 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 2025 is set out below:

<i>In millions of Mongolian Togrogs</i>	Mongolia	OECD	IMF	Non-OECD	Total
Assets					
Cash on hand	395,506	-	-	-	395,506
Due from foreign financial institutions	-	7,748,783	314,495	1,622,929	9,686,207
Loans to local banks	179,323	-	-	-	179,323
Investments in debt securities	4,543,034	4,867,855	-	-	9,410,889
Investments in equity securities	-	6,533	-	-	6,533
Reverse repurchase agreements	3,983,879	6,086,748	-	-	10,070,627
Gold bullion and precious metals	1,945,844	1,965,647	-	-	3,911,491
Derivative financial instruments	259,852	-	-	-	259,852
Government securities	54,633	-	-	-	54,633
Other financial asset	20,974	-	-	-	20,974
Total financial assets	11,383,045	20,675,566	314,495	1,622,929	33,996,035
Liabilities					
Cash in circulation	(1,244,350)	-	-	-	(1,244,350)
Central bank bills	(10,973,332)	-	-	-	(10,973,332)
Liabilities due to government organizations	(6,402,201)	-	-	-	(6,402,201)
Deposits from local banks	(16,537,777)	-	-	-	(16,537,777)
Derivative financial instruments	(398,576)	-	-	-	(398,576)
Liabilities due to foreign parties	-	(2,254)	(575,794)	(3,091,014)	(3,669,062)
Other financial liabilities	(733,732)	-	-	-	(733,732)
Total financial liabilities	(36,289,968)	(2,254)	(575,794)	(3,091,014)	(39,959,030)
Net balance sheet position as 31 December 2025	(24,906,923)	20,673,312	(261,299)	(1,468,085)	(5,962,995)
Credit related commitments (Note 32)	(15,768)	-	-	(7,547,220)	(7,562,988)

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FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

34 FINANCIAL RISK MANAGEMENT (CONTINUED)

The geographical concentration of the Bank's financial assets including gold bullions and metals and liabilities at 31 December 2024 is set out below:

<i>In millions of Mongolian Togrogs</i>	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 bullion 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 32)	(14,227)	-	-	(7,103,140)	(7,117,367)

Other risk concentrations. Management monitors and discloses concentrations of credit risk through obtaining reports listing exposures to borrowers per counterparty limits, which are disclosed above. The Bank has significant concentrations of credit risk with other financial institutions. Refer to Note 8, 10 and 24.

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FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

34 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 2025 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.

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34 FINANCIAL RISK MANAGEMENT (CONTINUED)

The maturity analysis of financial liabilities at 31 December 2025 is as follows:

<i>In millions of Mongolian Togrogs</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Liabilities					
Cash in circulation	1,244,350	-	-	-	1,244,350
Central bank bills	11,029,000	-	-	-	11,029,000
Liabilities due to government organizations	1,592,730	4,811,097	3,295	30,261	6,437,383
Deposits from local banks	16,543,227	-	-	-	16,543,227
Liabilities due to foreign parties	578,048	-	3,157,250	-	3,735,298
Other financial liabilities	272,036	465,796	-	-	737,832
<i>Gross settled swaps and forwards:</i>					
-inflows	(173,518)	(1,383,524)	(1,769,277)	(5,551,296)	(8,877,615)
-outflows	169,363	1,247,710	1,577,538	5,412,314	8,406,925
<i>Credit related commitments:</i>					
-Undrawn credit line to PBC	7,547,220	-	-	-	7,547,220
-Other contingent liabilities	15,768	-	-	-	15,768
Total potential future payments for financial obligations	38,818,224	5,141,079	2,968,806	(108,721)	46,819,388

The maturity analysis of financial liabilities at 31 December 2024 is as follows:

<i>In millions of Mongolian Togrogs</i>	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
<i>Gross settled swaps and forwards:</i>					
-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
<i>Credit related commitments:</i>					
-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

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****34 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 including gold bullions and precious metals 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 2025 is as follows:

<i>In millions of Mongolian Togrogs</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Assets					
Cash on hand	395,506	-	-	-	395,506
Due from foreign financial institutions	3,842,744	5,843,463	-	-	9,686,207
Loans to local banks	5	-	178,825	493	179,323
Investments in debt securities	2,025,510	1,149,586	1,684,045	4,551,748	9,410,889
Investments in equity securities	-	-	-	6,533	6,533
Reverse repurchase agreements	10,016,427	54,200	-	-	10,070,627
Gold bullion and precious metals*	3,911,491	-	-	-	3,911,491
Derivative financial instruments	-	190,997	4,039	64,816	259,852
Government securities	479	-	-	54,154	54,633
Other financial assets	20,974	-	-	-	20,974
Total financial assets	20,213,136	7,238,246	1,866,909	4,677,744	33,996,035
Liabilities					
Cash in circulation	(1,244,350)	-	-	-	(1,244,350)
Central bank bills	(10,973,332)	-	-	-	(10,973,332)
Liabilities due to government organizations	(1,592,636)	(4,776,459)	(2,845)	(30,261)	(6,402,201)
Deposits from local banks	(16,537,777)	-	-	-	(16,537,777)
Derivative financial instruments	(4,198)	(139,665)	(63,084)	(191,629)	(398,576)
Liabilities due to foreign parties	(616,382)	-	(3,052,680)	-	(3,669,062)
Other financial liabilities	(271,366)	(462,366)	-	-	(733,732)
Total financial liabilities	(31,240,041)	(5,378,490)	(3,118,609)	(221,890)	(39,959,030)
Net liquidity gap	(11,026,905)	1,859,756	(1,251,700)	4,455,854	(5,962,995)

*Gold bullion and precious metals herein stated are only pertains to those held at fair value.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

34 FINANCIAL RISK MANAGEMENT (CONTINUED)

The maturity analysis at 31 December 2024 is as follows:

<i>In millions of Mongolian Togrogs</i>	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 bullion 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)

*Gold bullion and precious metals herein stated are only pertains to those held at fair value.

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

35 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.

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

35 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 2025 are, as follows:

	31 December 2025			
<i>In millions of Mongolian Togrogs</i>	Level 1	Level 2	Level 3	Total
ASSETS AT FAIR VALUE				
Financial assets and Gold Bullion and Precious Metals at fair value				
- US treasury bills	1,876,626	-	-	1,876,626
- Bonds issued by Bank for International Settlements	1,322,675	-	-	1,322,675
- RAMP Investment Account Assets	1,303,749	-	-	1,303,749
- BIS Investments	208,034	-	-	208,034
- ADB bond	138,652	-	-	138,652
- EIB	18,119	-	-	18,119
- Other equity investments	-	-	6,533	6,533
- Gold Bullion and Precious Metals at fair value	3,911,491	-	-	3,911,491
- Derivative financial asset	-	259,852	-	259,852
- Government securities	-	54,633	-	54,633
Non-financial assets				
- Premises and equipment	-	-	80,294	80,294
TOTAL ASSETS WITH RECURRING FAIR VALUE MEASUREMENTS				
	8,779,346	314,485	86,827	9,180,658
LIABILITIES CARRIED AT FAIR VALUE				
Financial liabilities				
- Derivative financial liabilities	-	(398,576)	-	(398,576)
TOTAL LIABILITIES WITH RECURRING FAIR VALUE MEASUREMENTS				
	-	(398,576)	-	(398,576)

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****35 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 2024 are, as follows:

<i>In millions of Mongolian Togrogs</i>	31 December 2024 (Restated)			
	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
TOTAL ASSETS WITH RECURRING FAIR VALUE MEASUREMENTS	6,699,002	229,060	106,187	7,034,249
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)

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

35 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The level in the fair value hierarchy into which the recurring fair value measurements are categorized as of 1 January 2024 are, as follows:

<i>In millions of Mongolian Togrogs</i>	1 January 2024 (Restated)			
	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
TOTAL ASSETS WITH RECURRING FAIR VALUE MEASUREMENTS	5,374,196	286,858	123,311	5,784,365
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)

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****35 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 2025 and 31 December 2024:

<i>In millions of Mongolian Togrogs</i>	Fair value 2025	Fair value 2024	Valuation technique	Inputs used
ASSETS AT FAIR VALUE				
Financial assets				
- Government securities	54,633	55,720	Discounted Cash Flow	Discount rate based on policy rate and CF projection according to repayment schedule
- Financial derivatives	259,852	140,720	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
- Loans to local banks at FVTPL	-	32,620	Discounted Cash Flow	MNT discount rate based on repo financing rate 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	(398,576)	(227,933)	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	(84,091)	1,127		

BANK OF MONGOLIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

35 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 2025 and 31 December 2024:

<i>In millions of Mongolian Togrogs</i>	Fair value 31 December 2025	Fair value 31 December 2024 (Restated)	Fair value 1 January 2024 (Restated)	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	80,294	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
TOTAL RECURRING FAIR VALUE MEASUREMENTS AT LEVEL 3	80,294	99,654	116,778		

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 (2024: MNT 653 million).

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****35 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 2025:

<i>In millions of Mongolian Togrogs</i>	Fair value 31 December 2025	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value measurement
ASSETS AT FAIR VALUE					
Non-financial assets					
-Buildings and premises	80,294	Market prices with appropriate adjustments, discounts/haircuts	MNT 0.5 - MNT 5.0 million per sq.meter	± 10 %	±8,029

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:

<i>In millions of Mongolian Togrogs</i>	Fair value 31 December 2024 (Restated)	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 %	±8,499

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FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

35 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 1 January 2024:

<i>In millions of Mongolian Togrogs</i>	Fair value 1 January 2024 (Restated)	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

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the year ended 31 December 2025 and 31 December 2024 is as follows:

<i>In millions of Mongolian Togrogs</i>	2025	2024
Promissory notes		
Fair value on 1 January	14,658	28,438
Gains or losses recognised in profit or loss for the year	1,150	2,027
Settlements	(15,808)	(15,807)
Fair value at 31 December	-	14,658

BANK OF MONGOLIA**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT****35 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 2025 and 31 December 2024 are as follows:

<i>In millions of Mongolian Togrogs</i>	31 December 2025					31 December 2024				
	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	395,506	-	-	395,506	395,506	95,661	-	-	95,661	95,661
Due from foreign financial institutions	-	9,686,207	-	9,686,207	9,686,207	-	6,546,326	-	6,546,326	6,546,326
Loans to local banks	-	-	165,664	165,664	179,323	-	-	1,389,247	1,389,247	1,384,167
Investment in debt securities	-	4,431,967	-	4,431,967	4,543,034	-	3,687,095	-	3,687,095	3,794,533
Reverse repurchase agreements	-	10,070,550	-	10,070,550	10,070,627	-	8,262,548	-	8,262,548	8,261,033
Other financial assets	-	20,974	-	20,974	20,974	-	9,021	-	9,021	9,019
TOTAL	395,506	24,209,698	165,664	24,770,868	24,895,671	95,661	18,504,990	1,389,247	19,989,898	20,090,739

Fair values analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value as of 31 December 2025 and 31 December 2024 are as follows:

<i>In millions of Mongolian Togrogs</i>	31 December 2025					31 December 2024				
	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	1,244,350	-	-	1,244,350	1,244,350	1,222,179	-	-	1,222,179	1,222,179
Central bank bills	-	10,973,332	-	10,973,332	10,973,332	-	11,511,780	-	11,511,780	11,511,780
Liabilities due to government organisations	-	6,402,201	-	6,402,201	6,402,201	-	6,843,279	-	6,843,279	6,843,279
Deposits from local banks	-	16,537,777	-	16,537,777	16,537,777	-	10,704,582	-	10,704,582	10,704,582
Liabilities due to foreign parties	-	3,576,465	-	3,576,465	3,669,062	-	3,396,078	-	3,396,078	3,378,085
Other financial liabilities	-	733,732	-	733,732	733,732	-	107,128	-	107,128	107,128
TOTAL	1,244,350	38,223,507	-	39,467,857	39,560,454	1,222,179	32,562,847	-	33,785,026	33,767,033

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.

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36 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 2025:

<i>In millions of Mongolian Togrogs</i>	AC	Debt instruments at FVOCI	Equity instruments at FVOCI	FVTPL (mandatory)	FVTPL (designated)	Total
Financial assets and Gold Bullion and Precious Metals at fair value						
Cash and cash equivalents	395,506	-	-	-	-	395,506
Due from financial institutions	9,686,207	-	-	-	-	9,686,207
Loans to local banks	179,323	-	-	-	-	179,323
Gold bullion and precious metal at fair value	-	-	-	-	3,911,491	3,911,491
Investments in debt securities	4,543,034	4,867,855	-	-	-	9,410,889
Investments in equity securities	-	-	6,533	-	-	6,533
Reverse repurchase agreements	10,070,627	-	-	-	-	10,070,627
Government securities	-	54,633	-	-	-	54,633
Derivative financial asset	-	-	-	259,852	-	259,852
Other financial assets	20,974	-	-	-	-	20,974
Total financial assets and Gold bullion and precious metals at fair value	24,895,671	4,922,488	6,533	259,852	3,911,491	33,996,035

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(CONTINUED)**

The following table provides a reconciliation of financial assets including gold bullion and precious metals with these measurement categories as of 31 December 2024:

<i>In millions of Mongolian Togrogs</i>	AC	Debt instruments at FVOCI	Equity instruments at FVOCI	FVTPL (mandatory)	FVTPL (designated)	Total
Financial assets and Gold Bullion and Precious Metals at fair value						
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 bullion and precious metal at fair value	-	-	-	-	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

As of 31 December 2025 and 31 December 2024, 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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37 CAPITAL MANAGEMENT

The capital of the Bank comprises the residual carrying 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 2025 is MNT 60,000 million (2024: 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 2025 and 2024.

The Bank has profit of MNT 1,135,868 million in 2025 (2024: profit of MNT 306,255 million) and has negative equity position of MNT 4,804,774 million (2024: 5,955,058 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. Therefore, 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.

38 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.