IMPORTANT NOTICE

STRICTLY CONFIDENTIAL — DO NOT FORWARD — NOT FOR DISTRIBUTION IN OR INTO OR TO ANY PERSON LOCATED OR RESIDENT IN THE UNITED STATES OF AMERICA, ITS TERRITORIES AND POSSESSIONS, ANY STATE OF THE UNITED STATES OR THE DISTRICT OF COLUMBIA (THE "UNITED STATES") OTHER THAN TO PERSONS WHO ARE "QUALIFIED INSTITUTIONAL BUYERS" AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THIS OFFER IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (I) QUALIFIED INSTITUTIONAL BUYERS UNDER RULE 144A OR (II) ADDRESSES WHO ARE PURCHASING THE NOTES OUTSIDE OF THE UNITED STATES IN ACCORDANCE WITH REGULATION S.

You must read the following disclaimer before continuing. The following disclaimer applies to the attached Offering Memorandum (the "Offering Memorandum"). You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached. In accessing the attached, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

The Notes (as defined in the attached Offering Memorandum) are only being offered and sold (1) if in the United States, to "qualified institutional buyers" in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (2) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. This offering is available only to investors who are outside of the United States.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "EU Prospectus Regulation"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "EU PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation. In connection with the offering, the Initial Purchasers (defined herein) are not acting for anyone other than the Development Bank of Mongolia (the "Issuer") and will not be responsible to anyone other than the Issuer for providing the protections afforded to their clients nor for providing advice in relation to the offering. Restrictions: The attached Offering Memorandum is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the Offering Memorandum. Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the Issuer, or the Initial Purchasers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute a general advertisement or general solicitation (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act) in the United States or elsewhere. You are reminded that you have accessed the attached Offering Memorandum on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

Actions that You May Not Take: You should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. THE ATTACHED OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED.

The attached Offering Memorandum has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither the Issuer, the Initial Purchasers nor any of their respective employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request. You are responsible for protecting against viruses and other destructive items. Your use of this electronic document is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature. Confirmation of Your Representation: You have accessed the attached Offering Memorandum on the basis that you have confirmed your representation that (1) (a) you and any customers you represent are outside the United States in compliance with Regulation S under the Securities Act, and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, or (b) you are a "qualified institutional buyer" under the Securities Act, and are accessing the attached Offering Memorandum in reliance on Rule 144A, (2) that you consent to delivery of the attached Offering Memorandum and any amendments or supplements thereto by e-mail, and (3) that you agree to the foregoing terms and conditions.

DEVELOPMENT BANK OF MONGOLIA LLC

(*established pursuant to Government Resolutions No. 195 of 2010 and 151 of 2011 and the Development Bank Law of 2011(as amended)*)

US$250,000,000 6.900% Senior Notes due 2031

(to be consolidated and form a single series with the US$500,000,000 6.900% Senior Notes due 2031 issued on July 2, 2026)

The US$250,000,000 6.900% Senior Notes due 2031 (the "Notes") to be issued by Development Bank of Mongolia LLC (the "Issuer" or "DBM") will bear interest from and including July 2, 2026 at the rate of 6.900% per annum payable semi-annually in arrears on January 2 and July 2 of each year commencing on January 2, 2027 and will mature on July 2, 2031. The Notes will constitute a further issuance of, and upon issuance will be fungible and consolidated and form a single series with, the 6.900% Senior Notes due 2031 issued by the Issuer on July 2, 2026 (the "Original Notes"). The total principal amount of the Original Notes and the Notes now being issued is $750,000,000.

The Issuer may redeem all, but not less than all, of the Notes upon the occurrence of certain changes in applicable tax laws. See "Description of the Notes—Redemption for Taxation Reasons." The Notes will be issued only in registered form in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.

The Notes will (i) be direct, unsecured and unsubordinated obligations of the Issuer, (ii) be senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes, (iii) rank at least pari passu in right of payment with all other unsecured and unsubordinated Debt (as defined in the "Description of the Notes") of the Issuer (subject to any priority rights of such unsubordinated Debt pursuant to applicable law), it being understood that this provision shall not be construed so as to require the Issuer to make payments under the Notes ratably with payments being made under any other Debt and (iv) be effectively subordinated to (x) secured obligations of the Issuer, to the extent of the value of the assets serving as security therefor, and (y) obligations of its Subsidiaries. No later than 30 days following a Change of Control (as defined in the Indenture), the Issuer will be required to make an offer to purchase the Notes at a price equal to 101.0% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to (but not including) the date of repurchase. In addition, in connection with any tender offer for the Notes (including any Change of Control Offer), if holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes and the Issuer or any third party making such offer purchases all of the Notes so validly tendered and not withdrawn, the Issuer or such third party will have the right, upon not less than 30 nor more than 60 days' prior notice, given not more than 30 days following the date of such purchase, to redeem all Notes that remain outstanding at a redemption price equal to the purchase price paid to each other holder in such tender offer, plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the redemption date.

The Notes will not benefit from any guarantee from the Government of Mongolia or otherwise.

Investing in the Notes involves significant risks. See "Risk Factors" beginning on page 20.

The Notes have not been nor will they be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and they may not be offered or sold within the United States (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Notes are being offered and sold outside the United States in accordance with Regulation S of the Securities Act ("Regulation S") and in the United States only to qualified institutional buyers ("QIBs") as defined in, and in reliance on, Rule 144A under the Securities Act ("Rule 144A"). Prospective investors are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See "Transfer Restrictions" for a description of certain restrictions on the purchase, resale or transfer of the Notes.

Application will be made to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing of the Notes on the SGX-ST, where the Original Notes were listed. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing of the Notes on, the SGX-ST are not to be taken as an indication of our merits, the merits of our associated companies (if any) or the Notes.

The Notes are expected to be rated BB- by Standard & Poor's and B1 by Moody's.

Issue Price[(1)]: 99.0%

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(1) Plus accrued interest from and including July 2, 2026 to but not including July 28, 2026. Purchasers of the Notes will be entitled to receive the regular semi-annual interest payment due on January 2, 2027.

The Initial Purchasers (as defined herein) expect to deliver the Notes to purchasers in book-entry form only through Euroclear Bank, SA/NV ("Euroclear"), Clearstream Banking S.A. ("Clearstream") and The Depository Trust Company ("DTC") on or about July 28, 2026. See "Plan of Distribution."

Joint Bookrunners and Joint Lead Managers

HSBC **ING** **J.P. Morgan**

The date of this Offering Memorandum is July 21, 2026

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We have not, and The Hongkong and Shanghai Banking Corporation Limited, ING Bank N.V., Singapore Branch and J.P. Morgan Securities PLC (collectively, the "Initial Purchasers") have not, authorized any other person to provide you with different information. Neither we nor the Initial Purchasers have authorized anyone to provide you with information other than that contained in this Offering Memorandum or in any written communication authorized by us. We and the Initial Purchasers take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not, and the Initial Purchasers are not, making an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this Offering Memorandum is accurate only as of the date on the front cover of this Offering Memorandum. Our business, financial condition, results of operations and prospects may have changed since that date.

NOTE TO INVESTORS

This Offering Memorandum is confidential. This Offering Memorandum has been prepared by us solely for use in connection with the proposed offering of the securities described in this Offering Memorandum. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. You are authorized to use this Offering Memorandum solely for the purpose of considering the purchase of the Notes. Distribution of this Offering Memorandum to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this Offering Memorandum, agrees to the foregoing and to make no photocopies of this Offering Memorandum or any documents referred to in this Offering Memorandum.

In making an investment decision, prospective investors must rely on their own examination of us and the terms of the offering and the Notes, including the merits and risks involved. Prospective investors should not construe anything in this Offering Memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the securities under applicable legal investment or similar laws or regulations.

We have furnished the information in this Offering Memorandum. You acknowledge and agree that the Initial Purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers. To the fullest extent permitted by law, none of the Initial Purchasers, the Trustee, the agents or the registrar, or any of their respective affiliates, accept any responsibility for the contents of this Offering Memorandum or for any statement made or purported to be made by the Initial Purchasers, the Trustee, the agents or the registrar or on their behalf in connection with us or the issue and offering of the Notes. The Initial Purchasers accordingly disclaim any and all liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise have in respect of this Offering Memorandum or any such statement. This Offering Memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference.

This Offering Memorandum contains certain information relating to our Sustainable Financing Framework and the second-party opinion thereon. Neither the Sustainable Financing Framework nor the second-party opinion is incorporated by reference in this Offering Memorandum. Such information is provided solely for general informational purposes and does not constitute a representation, warranty, or undertaking by us, the Initial Purchasers, or any of our or their respective affiliates that (i) the Notes are aligned with, issued under, or otherwise connected to the Framework or the second-party opinion, (ii) the proceeds of the Notes will be allocated to any green, social, or sustainable projects or expenditures, whether under the Framework or otherwise, or (iii) the Notes satisfy any ESG-related investment criteria, guidelines, or objectives of any investor. Neither we, the Initial Purchasers, nor any of our or their respective affiliates makes any representation as to the suitability of the Notes for any investor's ESG-related investment strategy or portfolio mandate. The inclusion of such information in this Offering Memorandum does not create any contractual obligation on our part with respect to the use of proceeds, environmental or social outcomes, or ongoing reporting in connection with the Notes.

The distribution of this Offering Memorandum and the offering and sale of the Notes in certain jurisdictions may be restricted by law. No representation is made by us or the Initial Purchasers that this Offering Memorandum may be lawfully distributed or that the Notes may be lawfully offered in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, and none of them assumes responsibility for facilitating any such distribution or offering or for a purchaser's failure to comply with applicable laws and regulations. We and the Initial Purchasers require persons into whose possession this Offering Memorandum comes to inform themselves about and to observe any such restrictions. This Offering Memorandum does not constitute an offer of, or an invitation to purchase, the Notes in any jurisdiction in which such offer or sale would be unlawful. No one has taken any action that would permit a public offering to occur in any jurisdiction. For a description of certain restrictions on offers and sales of the Notes, and distribution of this Offering Memorandum, see "Transfer Restrictions" and "Plan of Distribution."

In connection with the Offering, The Hongkong and Shanghai Banking Corporation Limited (the "Stabilizing Manager") (or persons acting on its behalf) may over-allot Notes or effect transactions with a view

to supporting the market price of the Notes during the stabilization period at a level higher than that which might otherwise prevail. However, stabilization may not necessarily occur. Any stabilization action may begin on or after the date of adequate public disclosure of the terms of the offer of the Notes and, if begun, may cease at any time, but it must end no later than 30 calendar days after the date on which the Issuer received the proceeds of the issue, or no later than 60 calendar days after the date of allotment of the Notes, whichever is the earlier. Any stabilization action or over-allotment must be conducted by the Stabilizing Manager (or persons acting on its behalf) in accordance with all applicable laws and rules and will be undertaken at the offices of the Stabilizing Manager (or persons acting on its behalf) and on the SGX-ST.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

The Notes have not been and will not be registered under the Securities Act or any state securities laws in the United States. The Notes may only be offered or sold (a) to persons in the United States who are "qualified institutional buyers," as defined in Rule 144A under the Securities Act, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (b) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. See "Plan of Distribution" and "Transfer Restrictions."

Neither the United States Securities and Exchange Commission (the "SEC") nor any state securities commission has approved or disapproved of the Notes or determined if this Offering Memorandum is truthful or complete. Any representation to the contrary is a criminal offense in the United States. Prospective purchasers are hereby notified that the sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. Please refer to the sections in this Offering Memorandum entitled "Plan of Distribution" and "Transfer Restrictions." By purchasing the Notes, you will be deemed to have made the acknowledgments, representations, warranties and agreements described under the heading "Transfer Restrictions" in this Offering Memorandum.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or both) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive 2016/97/EU (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation. This Offering Memorandum has been prepared on the basis that any offer of Notes in any Member State of the EEA will be made pursuant to an exemption under Regulation (EU) 2017/1129 (the "EU Prospectus Regulation") from the requirement to publish a prospectus for offers of Notes. Neither the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or the Initial Purchasers to publish a prospectus for such offer.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or both) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by

virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation. This Offering Memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

NOTICE TO CAPITAL MARKET INTERMEDIARIES AND PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE HONG KONG SFC CODE OF CONDUCT—IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

Prospective investors should be aware that certain intermediaries in the context of this offering of the Notes, including certain Initial Purchasers, are "capital market intermediaries" ("CMIs") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "SFC Code"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" ("OCs") for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an association ("Association") with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering.

Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order, prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e., two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with the Initial Purchasers, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Initial Purchasers or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering.

Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a "proprietary order." If a prospective investor is otherwise affiliated with any of the Initial Purchasers, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Initial Purchasers when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a "proprietary order." Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and

transfer of such information by the Initial Purchasers and/or any other third parties as may be required by the SFC Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Memorandum constitute "forward-looking statements," including statements regarding the Issuer's expectations and projections for future operating performance and economic prospects. The words "believe," "expect," "anticipate," "estimate," "project," "will," "aim," "will likely result," "will continue," "intend," "plan," "contemplate," "seek to," "future," "objective," "goal," "should," "will pursue" and similar expressions or variations of these expressions identify forward-looking statements. Forward-looking statements involve inherent risks. There are many factors that can affect the future performance of the Issuer. These factors include, but are not limited to:

- the impact of changes in the international prices of commodities;
- economic conditions in Mongolia's major export markets;
- interest rates in financial markets outside Mongolia;
- the impact of changes in the credit rating of Mongolia;
- acts of war;
- the general state of the global economy;
- changes in Government policies and regulations;
- changes to applicable laws, including draft amendments to the Revised Law on the Development Bank of Mongolia and their enactment;
- present and future exchange rates of the Tugrik;
- foreign currency reserves;
- the level of domestic debt;
- domestic inflation;
- the ability of Mongolia to implement important economic and structural reforms;
- the levels of foreign direct and portfolio investment;
- extreme climatic events affecting Mongolia;
- development of key industry sectors in Mongolia such as mining and infrastructure;
- the levels of domestic interest rates
- the social and political situation in Mongolia; and
- the ability of the Issuer to recover on non-performing loans.

In addition, this Offering Memorandum contains certain IMF forecasts regarding Mongolia's gross domestic product and other economic data. Prospective investors are cautioned that such projections are based on numerous assumptions and estimates and are inherently uncertain. Actual economic results could differ materially for the reasons discussed above, among others.

CERTAIN DEFINED TERMS AND CONVENTIONS

Unless the context otherwise requires, all references in this document to

- the "Issuer," "DBM," "us" and "our" refer to Development Bank of Mongolia LLC and its subsidiaries;
- the "Government" are to the government of Mongolia;
- the "Board" are to our board of directors;
- the "Law on the Development Bank of Mongolia" are to the Law on the Development Bank of Mongolia enacted by the Parliament of Mongolia on February 10, 2011;
- the "Revised Law on the Development Bank of Mongolia" and "Revised Development Bank Law" are to the Revised Law on the Development Bank of Mongolia enacted by the Parliament of Mongolia on February 10, 2017, which became effective on April 1, 2017;
- "AIIB" are to Asian Infrastructure Investment Bank;
- "ADB" are to Asian Development Bank;
- "BOM" are to Bank of Mongolia;
- "IFC" are to International Finance Corporation;
- "IFRS" are to International Financial Reporting Standards; and
- the "IMF" are to the International Monetary Fund.

Unless the context otherwise requires, references to a particular year are to the fiscal or financial year ended December 31 of such year.

All references in this Offering Memorandum to "MNT" and "Tugriks" refer to Tugriks, the lawful currency of Mongolia; "U.S. dollars," "USD" and "US$" refer to United States dollars, the lawful currency of the United States of America; "RMB" and "Renminbi" are to Renminbi, the lawful currency of the PRC; "EUR," "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union ("EU"), as amended; and "JPY" or "¥" refers to Japanese Yen, the lawful currency of Japan.

Unless stated otherwise, all numbers in this document expressed as percentages of GDP refer to nominal GDP.

STATISTICAL DATA

Certain economic data and figures with respect to Mongolia were derived from information compiled and made available by the Bank of Mongolia, the National Statistical Office of Mongolia or other public sources. Neither we nor the Initial Purchasers have verified such information with independent sources or makes any representation as to the accuracy or completeness of such information. While we have taken reasonable actions to ensure that such information has been extracted accurately and in its proper context, we have not independently verified any of the data from these sources or ascertained the underlying economic assumptions relied upon therein.

Certain statistical or economic information included in this Offering Memorandum may differ from previously published information for a number of reasons, including ongoing statistical revisions. Also, certain monetary amounts and percentage figures included in this Offering Memorandum have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an exact arithmetic aggregation of the figures that precede them and figures rounded to the nearest thousand, million or billion may not be identical to figures that have been rounded differently to them. Any discrepancies in the tables, charts or elsewhere between the sums of amounts and the totals listed in this offering memorandum are due to rounding.

Unless otherwise indicated, certain statistical data and economic figures for 2026 or any part thereof are provisional figures based on preliminary data and are subject to review and adjustment.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

This Offering Memorandum includes our consolidated financial information which has, unless otherwise indicated, been extracted from our audited consolidated financial statements as of and for the years ended December 31, 2024 and 2025 and our unaudited interim condensed consolidated financial information as of and for the three months ended March 31, 2026 (together, the "Financial Statements"), which are included in this Offering Memorandum and have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board.

The Financial Statements included in this Offering Memorandum do not reflect the capital injection of MNT 1.0 trillion (US$280 million) completed on June 11, 2026, as this occurred after March 31, 2026, the date of our most recent interim financial information. For information on the effect of the capital injection on our capital position, investors should refer to the pro forma capitalization information presented under "Capitalization and Indebtedness" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contributed Capital and Capital Adequacy—New Capital Injection."

Average Balances, Average Interest Rates and Effective Interest Rates

This Offering Memorandum includes information on our average balances of interest-earning assets and interest bearing liabilities for the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026 and the average interest rate of interest income or expense for such assets and liabilities. Average balances for interest-earning assets and interest-bearing liabilities are determined as the average of the opening and closing balances for the years ended December 31, 2023, 2024 and 2025 and as the average of the opening and closing balances for the three months ended March 31, 2025 and 2026. These average balances would likely be different if more frequent averaging methods were used and such differences could be material. The average interest rates disclosed in this Offering Memorandum are weighted average nominal interest rates on outstanding principal amounts and are distinct from the effective interest rates presented in the Financial Statements and referred to elsewhere in this Offering Memorandum. The effective interest method is a method of allocating interest income or interest expense over the relevant period so as 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 net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest re-pricing 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 amortized over the whole 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.

IFRS requires that effective interest rates be used in the preparation of IFRS compliant financial statements. We utilize both the effective interest rate and the average interest rate for our management's monitoring of operational results and effectiveness.

These average interest rate measures are not defined under IFRS or other generally accepted accounting principles, nor should they be considered as substitutes for the information contained in the Financial Statements.

Non-IFRS Measures

Capital adequacy, NPL coverage and other ratios (collectively, "Non-IFRS measures") are presented because we consider them an important supplemental measure of our operating performance and financial position. We believe certain Non-IFRS measures are commonly used by securities analysts, investors and other interested parties in the evaluation of financial institutions. However, Non-IFRS measures have limitations, and they should not be considered in isolation, or as a substitute for analysis of our operating results and financial position as reported under IFRS. We compensate for the limitations of Non-IFRS measures by relying primarily on our IFRS operating results and using Non-IFRS measures only as a supplement. See the Financial Statements, including the notes thereto, included elsewhere in this Offering Memorandum.

Convenience Translation

In this Offering Memorandum, certain Tugrik amounts have been translated into U.S. dollars at the rate of MNT 3,568.71 to US$1.00, which translation represents the official exchange rate published by the Bank of Mongolia on March 31, 2026. Other Tugrik amounts in this Offering Memorandum where translated into U.S. dollars have been converted at the applicable rates specified. Such translations should not be construed as representations that the Tugrik amounts represent, or have been or could be converted into, United States dollars at that or any other rate.

DATA DISSEMINATION

Mongolia is a subscriber to the IMF's General Data Dissemination Standard ("GDDS"), which is designed to improve the timeliness and quality of information of subscribing member countries. The GDDS requires subscribing member countries to provide schedules indicating, in advance, the date on which data will be released. The summary methodology of Mongolia's metadata is provided on the Internet under the IMF's Dissemination Standards Bulletin Board. The Internet website for Mongolia's metadata is located on the IMF's website at http://dsbb.imf.org/Pages/GDDS/CtyCtgList.aspx?ctycode=MNG.

The National Statistical Office of Mongolia also has a comprehensive set of data.

ENFORCEABILITY OF FOREIGN JUDGMENTS IN MONGOLIA

We are a policy bank wholly-owned by the Government of Mongolia and all of our assets are located in Mongolia. In addition, all of our directors and a majority of our officers are residents of Mongolia. As a result, it may be difficult for you to effect service of process upon us or such persons, or to enforce against us or them judgments obtained in courts or arbitral tribunals outside Mongolia predicated upon the laws of jurisdictions other than Mongolia, including the civil liability provisions of the United States federal or state securities laws.

We have been advised by our Mongolian legal counsel, Dashnyam Partners LLC, that the courts of Mongolia will not enforce judgments of U.S. courts obtained against us, our directors or officers predicated upon the civil liability provisions of the U.S. federal or state securities laws, and original actions brought in Mongolia against us, our directors or officers predicated upon the U.S. federal or state securities laws will not be enforced.

In the event of any proceedings being brought in a Mongolian court in respect of the enforcement in Mongolia of a foreign judgment expressed to be payable in a currency other than Tugriks, provided that there is a legal assistance treaty between Mongolia and the country of jurisdiction of that foreign court permitting enforcement in Mongolia, such foreign judgment will be enforceable in Mongolia. However, there is no such treaty between Mongolia and the United States.

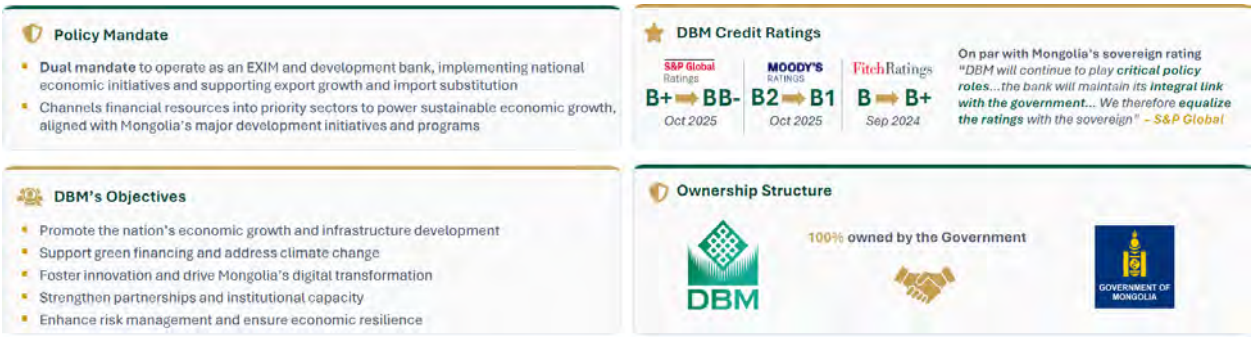
SUMMARY

This summary may not contain all of the information that may be important to you. This summary is qualified by, and must be read in conjunction with, the more detailed information and the Financial Statements and the notes thereto appearing elsewhere in this Offering Memorandum. Investing in the Notes involves certain risks. The information set forth under "Risk Factors" should be carefully considered. Certain statements in this Offering Memorandum are forward-looking statements that also involve risks and uncertainties as described under "Forward-Looking Statements."

Overview

We are Mongolia's only policy bank and export-import bank, with a mandate to implement national economic initiatives and support export growth and import substitution. Our mandate includes channeling financial resources into priority sectors to power sustainable economic growth, aligned with major development initiatives and programs of the Government. Our objectives include promoting Mongolia's sustainable economic growth and infrastructure development, supporting green financing and climate change initiatives, fostering innovation and digital transformation, strengthening partnerships and institutional capacity, and enhancing risk management and economic resilience. As of March 31, 2026, our total assets were MNT 2,603.8 billion (US$729.6 million), our total equity was MNT 92.3 billion (US$25.9 million), and our total net loans and advances, including lease receivables were MNT 1,178.9 billion (US$330.3 million).

Development Bank of Mongolia at a Glance



Mongolia is one of Asia's fastest-growing economies, with real GDP growth of 7.9% in the first quarter of 2026, underpinned by strong foreign direct investment, rising commodity exports, and structural reforms. Mongolia's sovereign credit ratings from S&P Global Ratings ("S&P"), Moody's Ratings ("Moody's"), and Fitch Ratings ("Fitch") are BB- (Stable), B1 (Stable) and B+ (Stable), respectively, reflecting strong fiscal fundamentals, including a decline in government debt-to-GDP to 39.4% in 2025 and record-high foreign exchange reserves of US$7.2 billion as of the first quarter of 2026. Mongolia's total exports in the first quarter of 2026 reached US$4.9 billion, representing a 62% increase compared to the first quarter of 2025. International institutions, including the World Bank, the Asian Development Bank and the International Monetary Fund, forecast Mongolia's real GDP growth at approximately 5.0% to 6.0% per annum through 2030, supported by Mongolia's strategic position as a critical minerals supplier, its abundant renewable energy resources, and its young, well-educated population.

We serve a unique role in Mongolia's economy as a state-owned policy and development financial institution that fills a gap between commercial bank lending and budgetary investment. We do not compete with commercial banks; instead, our mandate is to provide large-scale, long-term policy financing for infrastructure, export and strategic development projects that generally cannot be financed from commercial banks. Our strong funding base provides us with access to long-term low-cost funding, enabling us to provide cost-effective financing options for large-scale development projects with longer completion schedules. Leveraging this advantage, together with our total assets, we can take larger positions in projects, including through co-financing arrangements with international development finance institutions, such as the World Bank and the ADB, and domestic and international commercial bank partners.

We have strong Government support but maintain operational independence in our financing decisions. We operate under our own legal framework—the Revised Law on the Development Bank of Mongolia—which serves as the primary legislation governing our activities. General banking legislation, including the Banking Law, applies to us only to the extent that the Revised Law on the Development Bank of Mongolia does not

otherwise apply, reflecting our distinct status as a policy bank rather than a commercial bank. In August 2024, the Government's shareholder rights in DBM were transferred from the Ministry of Finance to the Ministry of Economy and Development ("MoED"), reflecting the strategic alignment between our development mandate and the MoED's core policy functions. Currently, our Board includes representatives from Government bodies responsible for economic development and finance matters, demonstrating the strong Government support we receive.

As a wholly Government-owned policy bank with a systemically important development mandate, we are also entitled to support from the Government, including equity injections, direct financial grants, government guarantees and concessional loans. This support is legally grounded in Article 23.1.3 of the Revised Law on the Development Bank of Mongolia, which requires the Government to take comprehensive measures to ensure our financial sustainability and solvency, and Articles 6.3 and 23.1.5, which provide a reserve deficiency top-up clause for the Government to inject additional funds as necessary and thereby change the structure and amount of our share capital. Exercising these statutory powers, in March 2026, the Government approved a capital injection of MNT 1.0 trillion to support our capitalization and our mandate to finance large-scale development projects. This was structured as the issuance of common and preferred shares to state-owned Erdenes Mongol LLC, and in exchange, we were assigned the rights to receive certain payments under a receivable owned by Erdenes Mongol LLC. The capital injection was completed on June 11, 2026. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contributed Capital and Capital Adequacy—New Capital Injection" for additional information on this capital injection and its effect on our capital adequacy.

A revised draft law of the Development Bank of Mongolia was prepared in 2025 and subsequently refined in 2026 in consultation with World Bank (the "2026 Draft DBM Law"); as of the date of this Offering Memorandum, it remains subject to further review, amendment and approval. In its current form, the 2026 Draft DBM Law would introduce a strengthened statutory framework for state support, including an obligation for the shareholder to immediately pay in full any capital call made by the Board in respect of authorized but unissued shares, a mandatory equity restoration mechanism that would require our equity to be increased by resolution of the shareholders' meeting whenever equity falls below the level of share capital, and a Government obligation to bear all financial losses arising from projects implemented by us at the Government's direction. Our lending operations are subject to oversight by the Bank of Mongolia, Mongolia's central bank, whose supervisory powers would be further strengthened under the 2026 Draft DBM Law.

The 2026 Draft DBM Law, would also further refine the legal and institutional framework applicable to us, with an increased focus on governance, transparency, regulatory oversight, and financial sustainability. The proposed amendments seek to provide greater legal clarity in relation to our mandate, funding framework, permissible activities and supervisory arrangements. The new law would also support our role as a policy-oriented development financial institution and enhance governance, accountability, and disclosure standards.

The table below provides a comparison of key clauses from the Revised Law on the Development Bank of Mongolia and the 2026 Draft DBM Law from various perspectives:

	Revised Law on the Development Bank of Mongolia	**2026 Draft DBM Law**
Mandatory recapitalization framework	Optional—shareholders decide whether to provide capital. No statutory trigger.	Article 6.4: Mandatory statutory obligation: equity must be restored whenever it falls below share capital. Non-discretionary; objectively triggered.
Government guarantee & funding access	Article 23.1.8: Government may issue a general guarantee DBM liabilities—no specificity on what is covered.	Article 33.2: General guarantee retained. Article 24.5: Government may guarantee principal and interest on foreign borrowing—expands coverage beyond general liabilities, strengthening DBM's access to international funding. Article 33.1.3: Government may provide concessional loans to DBM—creates a direct low-cost funding channel not available under prior law.
Government loss obligation	Not provided. Government-directed projects place credit risk directly on the DBM balance sheet.	Article 33.3: Government bears all financial losses arising from those projects that DBM elects to implement at the Government's direction.

Securities holder status	No special creditor protection for bondholders. General civil law priority rules apply.	Article 24.4: Statutory priority over all other creditors. Priority ranks ahead of Civil Code Art 32.5.7 rights. Direct legal protection for bondholders.
Tax & operational efficiency	No tax exemption. Subject to all direct and indirect taxes, charges, and fees under general law	Article 5.4: Fully exempt from all direct and indirect taxes, equivalent charges, and fees—unless otherwise provided by law.
Minimum state ownership	No minimum shareholding floor specified. Government is the shareholder but ownership can theoretically be diluted	Article 26.4: Government must hold ⩾ 51% at all times. Statutory floor—cannot dilute below majority ownership without amending the law.
Legal & institutional status	For-profit commercial legal entity. Government alone can decide to dissolve DBM.	Article 5.1 and Article 9.1: State-established development institution. Dissolution requires an Act of Parliament—a high legislative barrier.
Board governance	Board decides on financing operations. Monthly meeting requirement. No independent board evaluation	Article 27.11 and Article 27.12: Confined to strategy, policy and regulatory oversight. Annual independent expert evaluation. Mandatory audit, risk, nominations and remuneration committees of the board.

While we enjoy strong Government support, the Revised Law on the Development Bank of Mongolia also grants us operational autonomy. Under the Revised Law on the Development Bank of Mongolia, the Parliament and the Government may not direct us to fund specific projects, enabling us to operate with a focus on the commercial viability of the projects being funded. Consistent with this commercially oriented approach, we have adopted a lending strategy that favors co-financing with international development finance institutions and domestic and international commercial bank partners—at least 15% of the total project cost must be financed by the project implementer. Through this risk-sharing approach, we will be able to leverage the loan approval and monitoring expertise of international and domestic commercial lenders.

Our loan portfolio focuses on manufacturing, power and energy, mining and quarrying, construction, and health and social work sectors. The projects that we fund must conform to Mongolia's long- and medium-term development policies, including Mongolia's Vision 2050 long-term development policy, the Five-Year Development Guidelines 2026–2030, and the Government Action Plan 2024–2028. Under the Revised Law on the Development Bank of Mongolia, at least 60.0% of the projects we finance must promote export-driven programs; however, this mandatory allocation requirement will be removed under the 2026 Draft DBM Law, which instead introduces the defined concept of "target sector" as any sector consistent with Mongolia's long- and medium-term development policies. The 2026 Draft DBM Law also removes the existing prohibition on financing public-private partnership projects and expands our permissible activities to include, among other things, trust services, project financing, investment advisory services, export credit guarantees and insurance, and technical assistance. We believe that our lending focus will assist the diversification of the Mongolian economy so as to better insulate the economy against future macroeconomic changes in the demand and price for Mongolia's commodities exports.

In line with the Government's vision to increase the share of Mongolia's renewable energy to 30.0% by 2030, we are actively building a pipeline of green projects to expand renewable capacity and support Mongolia's transition to a low-carbon economy. See "—Relationship with the Government—Major Projects—Green Projects in Pipeline." Our Sustainable Financing Framework is aligned with the ICMA's Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, with eligible green categories encompassing energy efficiency, renewable energy, sustainable water and wastewater management, clean transportation, environmentally sustainable management of living natural resources, climate change adaptation and mitigation, green buildings, and pollution prevention and control. Moody's has provided a second-party opinion on our Sustainable Financing Framework in July 2024. In addition, through our subsidiary DBM Asset Management SC LLC, we manage several dedicated funds that support green and sustainable development objectives. These include the Eco-District and Affordable Housing Fund, a blended-finance platform supporting climate-resilient urban redevelopment and affordable housing delivery in Ulaanbaatar with a total target fund size of US$95 million, the DBM Green Development Private Investment Fund, a sustainable finance investment platform focused on low-carbon, climate-resilient and ESG-aligned sectors with a total target fund size of US$50 million, and the Green Inclusive Regional Agribusiness Investment Fund, a regional agribusiness financing platform designed to promote inclusive growth and climate-resilient development across western Mongolia with a total target fund size of US$86.7 million. Furthermore, we have signed a memorandum of

understanding with the Ministry of Energy to enhance the security and sustainable development of Mongolia's energy sector, promote the adoption of advanced green and energy-efficient technologies, and improve investment mechanisms for renewable energy projects. We are committed to allocating a significant portion of our loan portfolio to ESG-related financing by 2030.

Our issuer credit ratings from S&P, Moody's, and Fitch are BB-, B1, and B+, respectively, equivalent to Mongolia's long-term sovereign credit ratings. This reflects our integral link with the Government through our 100.0% ownership by the Government and ongoing Government support for our critical policy-oriented role in the Mongolian economy. According to the rating agencies, the ratings upgrades received in 2024 and 2025 primarily reflected the strong linkage between the Government and us, including expectations of continued sovereign support, alongside improvements in Mongolia's macroeconomic and fiscal conditions, our asset quality, liquidity position, loan recoveries, liability management, governance framework and the Government's actions related to the capital injection.

Strengths

We believe we possess the following competitive strengths:

Robust Sovereign Linkage and Explicit Government Support

We are a 100% state-owned, government-related entity established under the Law on the Development Bank of Mongolia, and the Government's shareholder rights in us are exercised by the MoED. We serve as the Government's principal financial institution for long-term policy lending and export-import financing, and our institutional credit profile is explicitly equalized with the Mongolian sovereign by each of S&P, Moody's, and Fitch. As underscored by S&P Global Ratings: "We believe DBM will continue to play critical policy roles as the only policy bank with export-import and development bank functions. We also expect the bank to maintain its integral link with the government, its sole owner (…) We therefore equalize the ratings on DBM with those on Mongolia."

The Government has demonstrated a consistent track record of material financial support for us. In 2016, the Government injected MNT 1.0 trillion into DBM, concurrent with the transfer of state-budget-repayable loans from us to the Ministry of Finance, effectively separating our legacy policy-mandate losses from our ongoing commercial operations. In 2020, the Government provided a sovereign guarantee with cross-default provisions covering both DBM and sovereign debt in connection with a China Development Bank credit facility maturing in 2031. In June 2026, a further MNT 1.0 trillion (US$280 million) capital injection was completed, bringing total Government capital injections into DBM since 2016 to MNT 2.0 trillion (US$560 million). Separately, our entitlement to Government financial support is grounded in the existing Revised Law on the Development Bank of Mongolia, including Article 23.1.3, which requires the Government to take comprehensive measures to ensure our financial sustainability and solvency, and Article 6.3, which mandates the injection of additional funds under a reserve deficiency top-up clause.

We expect our sovereign linkage to be further strengthened by the 2026 Draft DBM Law, which has been prepared and refined in consultation with World Bank. If enacted in its current form, the 2026 Draft DBM Law would introduce legally-binding provisions to create a multi-layered government support structure, representing a comprehensive strengthening of our statutory framework. The key elements of this framework include:

- **Mandatory recapitalization and solvency safeguards.** Article 6.4 of the 2026 Draft DBM Law would establish a non-discretionary recapitalization obligation requiring the restoration of equity whenever it falls below share capital, replacing the current discretionary regime under the current Revised Law on the Development Bank of Mongolia and creating an objectively triggered, legally-binding capital floor. This obligation would be reinforced by Article 6.2, which requires shareholders to immediately pay in full a capital call notice. These two provisions would together establish a two-step, legally-binding capital support mechanism.

- **Statutory creditor protections.** Article 24.4 of the 2026 Draft DBM Law would grant DBM securityholders statutory priority over all other creditors, explicitly ranking them ahead of general creditor rights under Civil Code Article 32.5.7 and providing direct, codified legal protection for noteholders. In addition, the Government would retain its general guarantee over our liabilities and, under Article 24.5, may provide a specific guarantee covering principal and interest on foreign borrowings, together with a direct concessional loan channel under Article 33.1.3.

- **Permanent state ownership.** Article 26.4 of the 2026 Draft DBM Law would require the Government to maintain at least 51% ownership of DBM at all times, with any dilution below majority control requiring an amendment to the law by Parliament.

- **Enhanced dissolution protections.** Under Articles 5.1 and 9.1 of the 2026 Draft DBM Law, we would be established as a state development institution whose dissolution requires an act of Parliament, creating a materially higher dissolution barrier than exists under the current commercial-entity structure.

- **Tax exemptions.** Article 5.4 of the 2026 Draft DBM Law would exempt us from all direct and indirect taxes, charges, and fees, enhancing our operational efficiency and reducing our overall cost base.

Mongolia's Sole Policy and Export-Import Financial Institution with a Unique Dual Mandate

We hold an exclusive position as Mongolia's sole specialized policy and export-import financial institution. Under our policy mandate, we serve as the primary financial engine for Mongolia's long-term economic development priorities, particularly in the first phase of the Government's Vision 2050 long-term development roadmap. Under our export-import mandate, we facilitate Mongolia's transition from a raw commodity exporter to a higher-value industrial participant through specialized trade and export financing, guarantees, insurance, and technical assistance. In both of these capacities, we fill a critical financing gap between commercial bank lending capacity and national investment requirements by providing large-scale, long-tenor policy financing for infrastructure, export, and strategic development projects that are generally not financeable by commercial banks on a standalone basis.

Our mandate positions us as the central conduit for financing Mongolia's targeted growth sectors, including:

- **Mining and export expansion**: We deploy our policy and export-import lending capabilities to support rising copper production, the development of critical mineral resources, export diversification, and the adoption of low-emission mining technologies, collectively aimed at moving Mongolia up the value chain from raw commodity exports to higher-value industrial outputs.

- **Energy security**: We finance solar, wind, hydro, and thermal power generation projects to reduce Mongolia's longstanding dependence on energy imports from China and Russia. We have already contributed to expansions in thermal power capacity and are currently advancing a pipeline of renewable and conventional generation projects across the country.

- **Logistics and infrastructure**: We finance strategic railway and transport projects designed to diversify Mongolia's export routes and alleviate urban congestion in Ulaanbaatar, with a near-term focus on large-scale rail bypasses expected to materially reduce freight traffic through the capital;

- **Digital economy**: We spearhead the financing of Mongolia's emerging data center and artificial intelligence ecosystems as part of the Government's broader digitalization agenda.

- **Green transition**: We are building a diversified portfolio of renewable energy and climate-finance projects—spanning solar, wind, hydroelectric, and battery storage—in pursuit of the national objective to achieve approximately 30% renewable energy capacity by 2030 and reduce carbon emissions by 3 million tonnes per year; and

- **Food security and agriculture**: We support value-added processing of livestock raw materials, sustainable herding and farming programs, and rural income stability, with a focus on increasing the share of domestically processed leather, wool, cashmere, meat, and related by-products.

As of the date of this Offering Memorandum, we have approved an MNT 2.3 trillion (US$643 million) disbursement plan for government-approved projects and are currently evaluating or actively financing several nationally strategic assets. These projects include a US$100 million loan approved on May 22, 2026 for the Bagakhangai–Emeelt railway project (Phase 1 of 3), co-financing with the IFC with a combined commitment of US$200 million; and two 50 MW solar power plants in Bulgan and Dundgobi provinces, currently awaiting credit approval, advancing the Ministry of Energy's strategy to address Mongolia's power shortage.

Sovereign-Equalized Credit Ratings and Commitment to Sustainability

Following the broad-based upgrading of the Mongolian sovereign and the formalizing of our integral link with the Government under the 2026 Draft DBM Law, each of the three major international rating agencies (S&P, Moody's and Fitch) has assigned long-term issuer ratings for us equalized with the sovereign. This ratings parity reflects the mandatory statutory obligation of the Government to maintain our capital and solvency, our explicit policy role, and the comprehensive legal protections for bondholders contemplated by the 2026 Draft DBM Law. Our ratings were upgraded in 2024 and 2025, on parity with Mongolia's long-term sovereign credit ratings. According to the rating agencies, the upgrades were driven principally by strong linkage between the Government and us, including expectations of continued sovereign support, improvements in Mongolia's macroeconomic and fiscal conditions, governance framework and statutory authority under the 2026 Draft DBM Law, and the Government's actions related to the most recent capital injection.

To support Mongolia's transition to a low-carbon economy, we are committed to integrating sustainability principles into all aspects of our operations and financing activities. We have embedded environmental, social, and governance ("ESG") standards across our core underwriting and operational architecture. In 2024, we established a Sustainable Financing Framework (aligned with the International Capital Market Association (ICMA)'s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines), on which Moody's has provided a second-party opinion in July 2024. We have adhered to the eight principles of the Mongolia Sustainable Finance Association since 2021.

We are actively developing a pipeline of renewable energy and climate-finance projects—spanning solar, wind, hydroelectric, and battery storage. See "—Relationship with the Government—Major Projects—Pipeline of Green Projects." In addition, through our subsidiary, DBM Asset Management SC LLC, we manage dedicated sustainable investment financing vehicles, including the Eco-District and Affordable Housing Fund, a blended-finance platform supporting climate-resilient urban redevelopment and affordable housing delivery in Ulaanbaatar with a total target fund size of US$95 million, the DBM Green Development Private Investment Fund, a sustainable finance investment platform focused on low-carbon, climate-resilient and ESG-aligned sectors with a total target fund size of US$50 million, and the Green Inclusive Regional Agribusiness Investment Fund, a regional agribusiness financing platform designed to promote inclusive growth and climate-resilient development across western Mongolia with a total target fund size of US$86.7 million. Furthermore, we have signed a memorandum of understanding with the Ministry of Energy to enhance the security and sustainable development of Mongolia's energy sector, promote the adoption of advanced green and energy-efficient technologies, and improve investment mechanisms for renewable energy projects. In support of Mongolia's national energy targets of 30% for renewable energy capacity and a 40% reduction in energy import dependence, we are committed to directing a significant portion of our total loan portfolio to ESG-compliant and green-certified financing by 2030.

Comprehensive Institutional Transformation and Systematic Asset Quality Resolution

Since the appointment of our current leadership, we have undertaken a comprehensive institutional transformation anchored by five strategic pillars. First, we have revamped our governance structure through enhanced board independence, a clear delineation of roles and responsibilities, and the appointment of board members drawn from senior state and central banking backgrounds. Second, we have materially strengthened our risk management capabilities through the establishment of a separate Special Assets Management Department responsible for the resolution of non-performing assets, more stringent credit assessment standards, improved monitoring of legacy exposures, and progressive alignment with international best practices. Third, we have refocused our lending portfolio toward specialized policy financing in support of cross-border trade, strategic sectors, and value-added, export-driven production. Fourth, we have executed a strategic pivot toward green and sustainable finance, attracting partnerships with international development finance institutions and ESG-focused investors. Fifth, we are advancing digital transformation across our core operations, including automated risk assessment and end-to-end loan origination and monitoring systems.

A central achievement of this transformation is the systematic resolution of legacy non-performing assets through a centralized, policy-driven framework, replacing the previous case-by-case approach. As of the first quarter of 2026, our non-performing loan ("NPL") coverage ratio stood at 77.2%, with the high level of provisioning positioned to generate earnings as workout procedures advance. We have a demonstrated track record for recoveries, with MNT 184.7 billion recovered in 2024, MNT 164.5 billion (US$46 million) in 2025, and MNT 58.1 billion (US$16 million) recovered in the first quarter of 2026. As a result of these recovery efforts and the Government's continued capital support, our capital adequacy ratio for the first quarter of 2026

stood at 24.1% on a pro forma basis, reflecting the Government's MNT 1.0 trillion capital injection completed in June 2026.

Our centralized and policy-driven NPL resolution framework—supported by Government Resolution No. 97 (2025), Prime Minister's Order No. 83, and a Government working group established on March 25, 2026—operates through three complementary mechanisms: (i) government-supported recovery led by a newly established working group comprising various government agencies, centered on the Khutul LLC exposure, with MNT 451.0 billion (approximately US$126 million) in planned for recoveries and to be pursued through a government-led process that includes the acquisition of Cement Shokhoi LLC shares; (ii) transfers to a proposed asset management company, focusing on more structurally impaired exposures, covering ten exposures with MNT 503.6 billion (US$141 million) in planned for recoveries, including loans to Beren LLC and Erel LLC, of which nine are 100% provisioned; and (iii) bank-led direct recovery efforts managed by us, where we believe we have clearly identified the ability to deliver the strongest value recovery, covering 15 exposures with total planned-for recoveries of MNT 354.3 billion (US$99 million) and an average collateral coverage ratio of 101%.

These structural risk-mitigation protocols are further supported by an active ADB Technical Assistance program, through which we are integrating international best practices in internal controls and governance.

Strategies

We intend to implement the following strategies:

Institutionalization of Governance, Risk Discipline, and Operational Independence

The 2026 Draft DBM Law is designed to transform us from a traditional policy lender into a professionally managed, state-backed financial institution defined by strict commercial discipline and operational independence. The key governance and risk standards under this framework include the following:

- **Minimum project scale.** Raise our minimum loan size to MNT 50 billion (US$14 million), concentrating our resources on high-impact strategic projects and eliminating fragmented, sub-scale lending.

- **Mandatory borrower co-investment.** Require at least 15% of total project cost to be financed by the project implementer, aligning commercial incentives and ensuring private sector participation alongside our financing.

- **Independent feasibility review.** Require every project to undergo independent technical and economic feasibility assessments by qualified professional organizations before any disbursement is made.

- **Co-financing structures.** Utilize co-financing with domestic and international banks and development finance institutions through parallel, blended, or on-lending structures to mitigate our risks, allowing us to leverage the loan-approval and monitoring expertise of international and domestic commercial lenders.

- **Public-private partnerships.** Pursue public-private partnership ("PPP") projects. The 2026 Draft DBM Law would lift the existing prohibition on PPP financing, enabling us to participate in strategically important projects implemented by the Government on a PPP basis.

The 2026 Draft DBM Law would also enshrine institutional safeguards against political influence. Article 10.1.5 requires that our decision-making be independent from political influence and free from conflicts of interest, and Article 13.5 mandates that we independently and autonomously carry out the process of receiving, reviewing, and deciding on all project, program, and loan applications. Under the amended law, the Government would approve procedures for the open competitive selection of board members, while our management would retain independent decision-making authority, balancing state accountability with operational autonomy. Our year-end audited financial statements will be publicly disclosed, and regular project progress and feasibility updates will be published on our website, enhancing transparency and accountability to investors and other stakeholders. The World Bank is currently providing technical assistance to strengthen our operational and legislative framework, with a principal focus in 2026 on the development and refinement of the 2026 Draft DBM Law. The World Bank's substantive comments and recommendations—directed at aligning our legal and regulatory framework with international best practices applicable to development finance institutions—constitute a cornerstone of our broader institutional transformation agenda.

Capital Deployment Aligned with Mongolia's Macroeconomic Momentum and Vision 2050

We align our medium-term lending strategy with Mongolia's national economic development objectives, specifically the Government's phased Vision 2050 development roadmap and the Government Action Plan (2024–2028). Our capital deployment plans are underpinned by a macroeconomic environment that has strengthened materially in recent years. Key indicators include:

- **GDP growth.** Mongolia recorded year-on-year real GDP growth of 7.9% in the first quarter of 2026, among the highest growth rates globally and above the forecast of 5.3%, 5.0% and 5.7% by the IMF, the World Bank and ADB for, respectively, for full-year 2026.

- **Foreign exchange reserves.** Mongolia's gross foreign exchange reserves reached a record high of US$7.7 billion as of May, 2026, representing a 49% year-on-year increase and a more than fivefold increase from US$1.3 billion at the end of 2015.

- **Export performance.** Total exports reached US$8.5 billion in the five months ended May 31, 2026 and recorded a year-on-year increase of 56.9%, mainly attributable to the increase in exports of copper.

- **Fiscal consolidation.** Government debt-to-GDP ratio declined to 39.4% in 2025 from 74.5% in 2020, well below the statutory 60% debt ceiling, reflecting sustained fiscal discipline.

- **Sovereign credit trajectory.** Mongolia's sovereign credit ratings from S&P, Moody's and Fitch are BB- (Stable), B1 (Stable) and B+ (Stable), respectively, reflecting a materially stronger sovereign credit profile relative to historical levels.

- **Nominal GDP growth.** Nominal GDP more than doubled over the past decade, from MNT 22,894.8 billion in 2015 to MNT 89,937.1 billion (US$25.4 billion) in 2025, representing a compound annual growth rate of 14.7%.

Mongolia's structural growth trajectory is further supported by its strategic position as a resource-rich, geopolitically balanced middle power at the intersection of China and Russia; its Third Neighbor Policy maintaining active economic partnerships with the European Union, the United States, Japan, South Korea, and India; and its young, highly literate workforce, with 68% of the population under the age of 40.

Our lending pipeline directly supports the three-phase Vision 2050 long-term development policy (2021–2050) and the Five Year Development (2026–2030), targeting a total national investment program of approximately MNT 70,707.0 billion (US$19.8 billion) across priority sectors, including MNT 33,955.5 billion (US$9.5 billion) in energy and infrastructure sector, MNT 3,883.2 billion (US$1.1 billion) in agriculture and food security sector, MNT 18,349.8 billion (US$5.1 billion) in heavy industry sector, MNT 7,559.3 billion (US$2.1 billion) in social sectors, and MNT 6,959.3 billion (US$1.9 billion) in urban and regional development sector.

Targeted Deployment to Critical Energy, Industrial, and Green Projects

Following the completion of our balance sheet restructuring and the stabilization of our NPL portfolio, we are resuming active policy lending operations with an annual disbursement plan of MNT 2.3 trillion (approximately US$643 million). Our current project pipeline spans energy, industry, the green transition, logistics, and digital infrastructure. The projects described below are significant financing projects where our financing has been commenced, projects and green projects in our pipeline or under consideration:

- Commenced projects:

    - **Mongolian Railway State-Owned Joint Stock Company ("MTZ SOE").** We approved a US$100 million loan on May 22, 2026 for the 143 km Bagakhangai–Emeelt railway line (Phase 1 of 3) circumventing the capital city, co-financed with the IFC with a US$100 million commitment). Upon completion, the project is expected to divert approximately 20 million tonnes of cargo annually away from Ulaanbaatar and materially reduce road closures for train crossings in the capital. The railway is also part of the infrastructure to enable one of Mongolia's most ambitious urban development projects—a planned satellite city centered on Chinggis Khaan International Airport.

- Projects in pipeline or under consideration:

- **Shunkhlai LLC (Strategic Fuel Reserve Expansion).** The Bank is targeting co-financing with the Trade and Development Bank of Mongolia in the third quarter of 2026 for the expansion of reserve tank capacity to 179,000 m³, increasing national fuel reserve capacity by 20 to 30 days. The total project funding requirement is approximately MNT 125 billion (US$35 million).

- **Darkhan-Selenge and Uilst Mandal LLC (Solar Power Plants and Battery Energy Storage Systems).** As part of the Ministry of Energy's strategy to address Mongolia's critical power shortage, we are targeting the financing in the third quarter of 2026 of two 50 MW solar power plants with combined battery storage of 80 MW / 300 MWh in Bulgan and Dundgobi provinces (US$63 million and US$35 million, respectively) are under consideration, and we are targeting the financing in the third quarter of 2026.

- **Emeelt Eco Industrial Park.** The Emeelt Eco Industrial Park project is designed to increase the processing capacity of leather, wool, cashmere, meat, and livestock by-products through the development of export-oriented industrial clusters and advanced processing facilities. The project would support the national target of processing 80% of livestock raw materials domestically. It has a total funding requirement of approximately US$50.2 million.

- **Thermal Power Plant No. 4 (Capacity Expansion).** The Thermal Power Plant No. 4 requires an additional steam reserve equivalent to 52 MW. The project involves the implementation of a 550 t/h fluidized bed boiler. This project has a total funding requirement of approximately US$76.6 million, which is expected to make a significant contribution to Mongolia's energy security and infrastructure development.

- **210 MW Power Generation.** The 210 MW Thermal Power Plant project in Selenge province will utilise the Ilch Khujirt Coal Deposit to provide reliable electricity to industrial companies in Selenge and Darkhan-Uul provinces and to meet the heating demand of Sukhbaatar city, Selenge province. It has a total funding requirement of approximately US$125.0 million.

- **Erdenet Industrial Technology Park (Copper Concentrate Smelting and Processing Plant).** We are considering participating in the financing of the Erdenet Industrial Technology Park project, which would involve the construction of a copper concentrate smelting and processing plant with a total funding requirement of approximately US$720.6 million. Erdenet Mining Corporation will self-finance 50% of the funding from its own revenues, while the remaining 50% will be raised through foreign and domestic investments. A feasibility study has been approved by the Government.

- **Darkhan Industrial Technology Park**. We are considering financing a ferrous metallurgy and steel plant complex with a designed annual production capacity of 1 million tons of steel products and a total funding requirement of approximately US$442.8 million.

- **Baganuur Industrial Technology Park.** We are considering financing the construction of a coal-chemical complex based on pyrolysis technology, with a total funding requirement of approximately US$125.8 million.

- Green projects in pipeline or under consideration:

  - **Solar and Battery Energy Storage.** A 400 MW solar power plant and a 200 MW / 670 MWh battery energy storage system (comprising two separate projects) with an estimated cost of US$104.9 million to be co-financed with the project developer, aligned with the Government's target of 30% renewable energy capacity by 2030.

  - **Eg River Hydroelectric Power Plant**. A 310 MW hydroelectric power plant in Bulgan province, estimated to generate 606 million kWh annually with an estimated cost of US$827.6 million, to be co-financed by China.

  - **EV Charging Station Network.** A network of 100 stations with AC and DC chargers in rural areas, with potential fuel import savings of US$300 to US$400 million.

  - **Mandalgovi Wind Farm.** A Ministry of Energy- and IFC-led 100 MW wind farm project to be linked to Mongolia's transmission grid, for which expressions of interest have been received from domestic and international developers.

- **National Green Lab Mongolia.** An initiative encompassing 30 projects to be announced at COP-17, with US$20 million secured in co-financing.

For detailed information of our major projects, see "—Relationship with the Government—Major Projects."

Expansion of Multilateral and International Financial Institution Partnerships

We are committed to systematically deepening and expanding our co-lending, risk-sharing, and technical cooperation relationships with leading multilateral and bilateral financial institutions to diversify our funding sources, optimize risk-weighted asset allocation, enhance our governance and operational frameworks to international standards, and position ourselves as the primary institutional channel through which international development capital is deployed into Mongolia's strategic sectors. We have established, and intend to further develop, partnerships with the following institutions:

- **International Finance Corporation (IFC).** We and the IFC have each committed US$100 million in co-financing for the Bagakhangai–Emeelt railway project and serves as lead transaction advisor on the Mandalgovi wind farm, with ongoing engagement across infrastructure and green finance.

- **Asian Development Bank (ADB).** ADB is actively supporting a technical assistance program for our integration of international best practices in internal controls, governance, and NPL resolution. In October 2025, ADB and the Government signed the Critical Minerals to Clean Energy Transition memorandum of understanding to promote sustainable development in critical minerals.

- **World Bank.** The World Bank is providing technical assistance focused on strengthening our operational and legislative framework, with a key focus in 2026 on the 2026 Draft DBM Law. The World Bank has provided substantive comments and recommendations to align our legal and regulatory framework with international best practices for development finance institutions, and this collaboration is a cornerstone of our institutional reform agenda.

- **Asian Infrastructure Investment Bank (AIIB).** We are positioning to access the AIIB's "3-100" green development program, which introduces loan securitization as a tool to optimize capital efficiency and focuses on regional energy storage, grid stability, and renewable energy infrastructure.

Beyond our multilateral partnerships, we also intend to strategically leverage Mongolia's expanding network of bilateral and international cooperation frameworks to originate and co-finance projects aligned with our mandate. In January 2025, France and Mongolia signed an approximately US$1.6 billion investment agreement for the Zuuvch-Ovoo uranium project led by Orano, covering an estimated 90,000-tonne uranium resource with an expected 30-year lifespan and an annual production capacity of 2,500 tonnes, with the preparatory phase continuing until approximately 2028. Mongolia is a participant in the Minerals Security Partnership, a United States-led initiative comprising 14 partner countries—including Japan, South Korea, India, Germany, France, and the United Kingdom—that supports Mongolia's positioning as a critical minerals supplier for the global energy transition. Mongolia has also joined the Resilient and Inclusive Supply-Chain Enhancement Initiative, launched by the World Bank and G7 countries, aimed at strengthening the resilience and inclusiveness of clean energy supply chains.

Mongolia's strategic mineral endowment—including 61.4 million tonnes of copper reserves, rare earth resources equivalent to 31.0 million tonnes (representing approximately 20% of estimated global supply, 90% of which remains untapped), 35.9 million tonnes of fluorspar, and 36.6 billion tonnes of coal—positions the country as a critical long-term partner for the global energy transition and advanced manufacturing supply chains. Our international frameworks underpin our ability and strategy to serve as Mongolia's principal institutional conduit through which foreign capital and technical expertise are channeled into the next phase of industrial and green development, and we intend to actively pursue co-financing, risk-sharing, and advisory arrangements under each of these frameworks to maximize the developmental impact of our lending operations.

General Information

Our principal place of business is located at 11th and 12th floor, Peace Avenue 19, 1st District, Sukhbaatar District, Ulaanbaatar, Mongolia.

Letter of Support from the Ministry of Economy and Development

On June 19, the Ministry of Economy and Development issued a letter of support reproduced below, indicating the Government's commitment to providing the necessary support to enable us to meet our obligations, maintain our market access, and serve our mandate as Mongolia's engine of development finance.

FIRST DEPUTY PRIME MINISTER
AND MINISTER OF ECONOMY AND
DEVELOPMENT OF MONGOLIA

Government Building - 11
Sambuu Street 11, Chingeltei District,
Ulaanbaatar 15141, Mongolia
Tel/ Fax: (976-51) 26 33 33,
Email: info@med.gov.mn http: www.med.gov.mn

Date: 2026.06.19
Ref: 01/1860

Dear Sirs,

On behalf of the Government of Mongolia and the Ministry of Economy and Development ("MED"), I wish to express our sincere appreciation for the continued confidence and cooperation of international investors with the Development Bank of Mongolia ("DBM").

Mongolia's economy has demonstrated steady and resilient growth over the past three years, underpinned by expanding export revenues, improved fiscal discipline, and a strengthening of our macroeconomic fundamentals. It is the firm intention of the Government to sustain and build upon this trajectory, ensuring that Mongolia's development momentum translates into long-term, inclusive prosperity for its people.

DBM occupies a central position within Mongolia's development finance architecture, serving as the Government's principal instrument for financing strategically important sectors and national infrastructure. As Mongolia's sole policy bank, DBM is not merely a financial institution; it is a cornerstone of our sustainable development strategy and a key enabler of the investments required to diversify and strengthen our economy.

The Government, as DBM's sole shareholder, has taken concrete and decisive steps to reinforce DBM's financial position. In 2026, the Government injected MNT 1 trillion in capital into DBM, reflecting our unwavering commitment to the Bank's long-term viability, capitalization, and capacity to fulfill its policy mandate.

To this end, the Government is fully committed support DBM, leveraging the Bank's mandate, institutional capacity, and access to international capital markets to finance infrastructure and energy projects that Mongolia's economic transformation requires.

The MED, as the entity exercising the Government's shareholder rights over DBM, issues this Letter of Support to formally express our commitment to DBM's financial and operational soundness. The Government will continue to provide the necessary support to enable DBM to meet its obligations, maintain its market access, and serve its mandate as Mongolia's engine of development finance.

Sincerely,

ENKHBAYAR JADAMBA

SUMMARY FINANCIAL INFORMATION AND OTHER DATA

The following tables set forth our summary financial data as of the dates and for the periods indicated. This Offering Memorandum includes our financial information which has, unless otherwise indicated, been extracted from our Financial Statements which are included in this Offering Memorandum. This section should be read in conjunction with the Financial Statements and the notes thereto included elsewhere in this Offering Memorandum, as well as the sections entitled "Presentation of Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Selected Statistical Data."

Our financial position and results of operations as of any past date or for any past period are not and should not be taken as an indication of our performance, financial position or results of operations in future years.

Summary Statements of Profit or Loss and Other Comprehensive Income/(Loss)

	For the year ended December 31,				For the three months ended March 31,		
	2023	2024	2025		2025	2026	
	(MNT millions)	(MNT millions)	(MNT millions)	(US$ millions)	(MNT millions)	(MNT millions) (unaudited)	(US$ millions)
Interest and similar income	192,368.1	172,982.0	186,327.6	52.2	48,791.7	51,731.7	14.5
Interest and similar expense	(215,094.3)	(188,655.5)	(233,488.6)	(65.4)	(47,040.9)	(66,126.0)	(18.5)
Net interest (expense)/income	**(22,726.2)**	**(15,673.5)**	**(47,161.0)**	**(13.2)**	**1,750.8**	**(14,394.3)**	**(4.0)**
Credit loss (expense)/reversal	56,284.0	73,191.9	(167,932.5)	(47.1)	(8,501.9)	15,723.2	4.4
Net interest (expense)/income after reversal of credit loss impact	**33,557.8**	**57,518.4**	**(215,093.5)**	**(60.3)**	**(6,751.1)**	**1,328.9**	**0.4**
Fee and commission income	55.1	58.9	4.0	0.0[(1)]	1.1	1.1	0.0[(1)]
Fee and commission expense	(136.8)	(153.7)	(745.0)	(0.2)	(35.1)	(166.4)	(0.0)[(1)]
Other (expense)/income, net	535.4	5,132.6	(18,931.9)	(5.3)	—	303.7	0.1
Foreign exchange translation gains less losses	20,254.3	(18,339.9)	(10,600.2)	(3.0)	(8,745.0)	(2,528.0)	(0.7)
Net gains/(losses) from derivative financial instruments	(14,119.8)	2,746.3	(19,445.3)	(5.4)	1,239.8	(14,316.8)	(4.0)
Administrative and other operating expenses	(13,837.5)	(16,967.7)	(21,315.4)	(6.0)	(4,095.2)	(5,406.4)	(1.5)
Profit/(Loss) before tax …	**26,308.5**	**29,994.9**	**(286,127.3)**	**(80.2)**	**(18,385.5)**	**(20,783.9)**	**(5.8)**
Income tax expense	(58,545.1)	(37,907.7)	(3,009.5)	(0.8)	(14,412.4)	(3,333.6)	(0.9)
Profit/(loss) for the year/period	**(32,236.6)**	**(7,912.8)**	**(289,136.8)**	**(81.0)**	**(32,797.9)**	**(24,117.5)**	**(6.8)**
Other comprehensive income/(loss) (net of tax):							
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):							
Net change in fair value of debt instruments at fair value through other comprehensive income		—	1,637.9	0.5	—	(4,116.0)	(1.2)
Net amount reclassified to profit or loss	21,795.5	855.3	—	—	—	—	—
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):							
Revaluation (loss)/gain on equity instruments at fair	4,022.0	(12,551.3)	947.8	0.3	(3,629.0)	(3,467.2)	(1.0)

	For the year ended December 31,				For the three months ended March 31,		
	2023	2024	2025		2025	2026	
	(MNT millions)	(MNT millions)	(MNT millions)	(US$ millions)	(MNT millions)	(MNT millions) (unaudited)	(US$ millions)
value through other comprehensive income...							
Net amount reclassified to profit or loss.....	(9,606.4)	—	—	—	—	—	—
Other comprehensive income/(loss) for the year/period, net of tax..	**16,211.1**	**(11,696.0)**	**2,585.7**	**0.7**	**(3,629.0)**	**(7,583.2)**	**(2.1)**
Total comprehensive income/(loss) for the year/period, net of tax..	**(16,025.5)**	**(19,608.8)**	**(286,551.1)**	**(80.3)**	**(36,426.9)**	**(31,700.7)**	**(8.9)**

(1) Denotes that the amount is less than US$0.05 million or 0.05%, as the case may be.

Summary Statements of Financial Position

	As of December 31,				As of March 31,	
	2023	2024	2025		2026	
	(MNT millions)	(MNT millions)	(MNT millions)	(US$ millions)	(MNT millions) (unaudited)	(US$ millions)
Assets:						
Cash and cash equivalents	144,557.6	365,190.5	1,184,135.2	331.8	778,533.0	218.2
Bank deposits	15,875.7	73,115.9	7,282.8	2.0	37,525.9	10.5
Financial investments:	399,089.2	246,835.0	266,530.0	74.7	361,763.0	101.4
Equity instruments at fair value through other comprehensive income.....	67,803.0	51,068.0	52,331.6	14.7	47,708.7	13.4
Debt instruments at fair value through other comprehensive income.....	143,535.3	—	39,127.4	11.0	135,837.9	38.1
Debt instruments at amortized cost.....	187,750.9	195,767.0	175,071.0	49.1	178,216.4	49.9
Financial derivatives assets.....	—	2,560.0	14,216.1	4.0	3,811.5	1.1
Loans and advances including lease receivables.....	1,258,116.2	1,322,048.2	1,192,051.0	334.0	1,178,863.6	330.3
Other assets	114,411.1	101,767.0	77,635.2	21.8	74,485.4	20.9
Assets held for sale.....	—	76,508.6	3,241.6	0.9	530.0	0.1
Repossessed assets.....	166,027.2	89,835.1	143,081.1	40.1	143,081.1	40.1
Property and equipment.....	24,278.8	23,709.3	22,950.8	6.4	22,660.9	6.3
Intangible assets.....	249.7	240.1	260.7	0.1	243.8	0.1
Income tax receivables	—	—	2,443.6	0.7	2,331.7	0.7
Other tax receivables	17.5	—	—	—	—	—
Total assets	**2,122,623.0**	**2,301,809.7**	**2,913,828.1**	**816.5**	**2,603,829.9**	**729.6**

	As of December 31,				As of March 31,	
	2023	2024	2025		2026	
	(MNT millions)	(MNT millions)	(MNT millions)	(US$ millions)	(MNT millions) (unaudited)	(US$ millions)
Liabilities:						
Financial derivatives liabilities	4,227.8	1,382.0	17,448.1	4.9	14,720.5	4.1
Customer accounts.....	8,815.3	3,152.4	7,859.1	2.2	6,471.8	1.8
Time deposits	34,123.7	—	—	—	—	—
Other liabilities.....	11,867.9	3,729.5	7,969.6	2.2	2,940.9	0.8
Due to other banks and financial institutions.....	225,210.3	108,043.3	59,313.3	16.6	13,401.0	3.8
Debt securities issued	687,477.8	1,392,012.5	2,449,277.0	686.3	2,220,998.8	622.4
Borrowings.....	707,401.7	345,709.0	208,956.5	58.6	213,645.3	59.9
Other tax payable.....	809.4	1,418.8	1,369.7	0.4	1,247.5	0.3
Current income tax payable	1,012.6	601.5	216.7	0.1	216.7	0.1
Deferred tax liabilities	11,541.9	35,234.9	37,443.4	10.5	37,913.5	10.6
Total liabilities	**1,692,488.4**	**1,891,283.9**	**2,789,853.4**	**781.8**	**2,511,556.0**	**703.8**
Equity:						
Contributed capital	1,216,300.3	1,216,300.3	1,216,300.3	340.8	1,216,300.3	340.8
Other reserve	37,972.7	26,276.7	34,053.9	9.5	26,470.7	7.4

	As of December 31,				As of March 31,	
	2023	2024	2025		2026	
	(MNT millions)	(MNT millions)	(MNT millions)	(US$ millions)	(MNT millions)	(US$ millions)
Retained earnings	(824,138.4)	(832,051.2)	(1,126,379.5)	(315.6)	(1,150,497.1)	(322.4)
Total equity	**430,134.6**	**410,525.8**	**123,974.7**	**34.7**	**92,273.9**	**25.9**
Total liabilities and equity.....	**2,122,623.0**	**2,301,809.7**	**2,913,828.1**	**816.5**	**2,603,829.9**	**729.6**

Summary Statement of Cash Flows

	For the year ended December 31,				For the three months ended March 31,		
	2023	2024	2025		2025	2026	
	(MNT millions)	(MNT millions)	(MNT millions)	(US$ millions)	(MNT millions)	(MNT millions) (unaudited)	(US$ millions)
Net cash (used in)/generated from operating activities.....	1,006,955.0	(100,595.6)	(23,217.4)	(6.5)	(76,995.6)	(102,237.0)	(28.6)
Net cash (used in)/generated from investing activities	(106.6)	(431.8)	11,820.1	3.3	(91.7)	(94,111.8)	(26.4)
Net cash (used in)/generated from financing activities.....	(1,752,701.8)	321,951.3	827,933.6	232.0	(124,541.9)	(211,167.7)	(59.2)
Effect of exchange rate changes on cash and cash equivalents ...	(6.2)	(291.0)	2,717.6	0.8	6,082.3	2,117.9	0.6
Net (decrease)/increase in cash and cash equivalents.....	(745,859.6)	220,632.9	819,253.9	229.6	(195,546.9)	(405,398.6)	(113.6)
Cash and cash equivalents at the beginning of the year/period	890,417.2	144,557.6	364,461.8	102.1	365,190.5	1,183,715.7	331.7
Cash and cash equivalents at the end of the year/period.....	144,557.6	365,190.5	1,183,715.7	331.7	169,643.6	778,317.1	218.1

SUMMARY OF THE OFFERING

The following summary of the Offering contains basic information about the Notes. It is not intended to be complete and it is subject to important limitations and exceptions. Terms used in this summary and not otherwise defined herein shall have the meanings given to them in "Description of the Notes." For a more complete understanding of the Notes, please refer to "Description of the Notes" in this Offering Memorandum.

Issuer	Development Bank of Mongolia LLC, a company established with 100% state ownership and existing with limited liability under the laws of Mongolia.
Notes Offered	US$250,000,000 aggregate principal amount 6.900% Senior Notes due 2031. The Notes constitute a further issuance of, and upon issuance will be fungible with and consolidated and form a single series with, the 6.900% Senior Notes due 2031 issued by the Issuer on July 2, 2026, in the amount of US$500,000,000 (the "Original Notes"). The payment of interest and the repayment of principal on the Notes will not be guaranteed by the Government of Mongolia or otherwise.
Issue Price	99.0% plus accrued interest from and including July 2, 2026 to but not including July 28, 2026.
Maturity Date	July 2, 2031.
Interest.....	The Notes will bear interest from July 2, 2026 at the rate of 6.900% per annum, payable semi-annually in arrears on a 30/360 basis.
Interest Payment Dates	January 2 and July 2 of each year, commencing on January 2, 2027.
Ranking	The Notes will be direct, unsecured and unsubordinated obligations of the Issuer, be senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes, rank at least pari passu in right of payment with all other unsecured and unsubordinated Debt of the Issuer (subject to any priority rights of such unsubordinated Debt pursuant to applicable law), it being understood that this provision shall not be construed so as to require the Issuer to make payments under the Notes ratably with payments being made under any other Debt, and will be effectively subordinated to secured obligations of the Issuer and the obligations of its subsidiaries, to the extent of the value of the assets serving as security therefor.
Further Issues	The Issuer issued US$500,000,000 in aggregate principal amount of the Original Notes on July 2, 2026 and will issue US$250,000,000 in aggregate principal amount of additional Notes in this offering. Subject to certain conditions, the Issuer may, from time to time, without notice, to or the consent of, the Holders, issue Additional Notes having the same terms and conditions as the Original Notes and the Notes offered hereby in all respects (or in all respects except for the issue date, issue price and the date of first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions); *provided*, however, that any additional debt

	securities subsequently issued shall be issued, for U.S. federal income tax purposes, either (a) as part of the "same issue" as the debt securities, (b) in a "qualified reopening" of the debt securities or (c) with less than a de minimis amount of original issue discount, unless such additional debt securities have a separate CUSIP, ISIN or other identifying number from the previously outstanding debt securities. Such additional debt securities will be consolidated with and will form a single series with the previously outstanding debt securities. See "Description of the Notes—Further Issues."
Certain Covenants.....	The Issuer will agree to observe certain covenants, including, among other things, a negative pledge, not to consolidate, merge or sell all or substantially all of its assets, to provide financial statements and reports, to use the proceeds of the Notes as described in this Offering Memorandum and not to pay or cause to be paid any consideration to any Holder for or as an inducement to any consent, waiver or amendment unless such consideration is offered to all Holders. See "Description of the Notes—Certain Covenants" and "Description of the Notes—Consolidation, Merger and Sale of Assets." The Notes and the Indenture do not otherwise restrict or limit the Issuer's ability to incur additional indebtedness by itself or its subsidiaries or its ability to enter into transactions with, or to pay dividends or make other payments to, itself or any of its subsidiaries.
Additional Amounts	Subject to certain exceptions, the Issuer will pay such Additional Amounts as will result in receipt by the holder of the Notes of such amounts as would have been received by such holder had no deduction or withholding of Mongolian (and certain other) taxes been required. The Issuer will not, however, pay any such Additional Amounts if the holder or beneficial owner is liable for Taxes imposed by any Tax Jurisdiction under certain circumstances. See "Description of the Notes—Additional Amounts."
Repurchases of Notes Upon Change of Control.....	No later than 30 days following a Change of Control, the Issuer will make an Offer to Purchase all Outstanding Notes at a purchase price equal to 101.0% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to (but not including) the date of repurchase. A "Change of Control" will be deemed to have occurred at such time as the Issuer ceases to be a subsidiary wholly owned and controlled, directly or indirectly, by the Government of Mongolia. See "Description of the Notes—Repurchase of Notes Upon Change of Control."
Optional Clean-Up Redemption.....	In connection with any tender offer for the Notes (including any Change of Control Offer made in accordance with the terms of the Indenture), if Holders of not less than 90% in aggregate principal amount of the Outstanding Notes validly tender and do not withdraw such Notes and the Issuer, or any third party making such tender offer, purchases all of the Notes so validly tendered and not withdrawn, the Issuer or such third party will have

	the right, upon not less than 30 nor more than 60 days' prior notice (with a copy to the Trustee), given not more than 30 days following the date of such purchase, to redeem all Notes that remain outstanding at a redemption price equal to the purchase price paid to each other holder in such tender offer, plus accrued and unpaid interest (including any Additional Amounts), if any, to (but not including) the date fixed for redemption. See "Description of the Notes—Optional Clean-Up Redemption."
Redemption for Taxation Reasons	Subject to certain conditions and exceptions, the Notes may be redeemed at the option of the Issuer, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed for such redemption, in the event that, as a result of certain changes in tax laws, the Issuer becomes obligated to pay Additional Amounts in respect of certain withholding tax. See "Description of the Notes—Redemption for Taxation Reasons."
Transfer Restrictions	The Notes have not been registered under the Securities Act, or the securities laws of any other jurisdiction, and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold in the United States only to qualified institutional buyers (as defined in Rule 144A) in accordance with Rule 144A and outside the United States in offshore transactions in accordance with Regulation S. For a description of these and other restrictions on offers, resales and transfers of the Notes, see "Plan of Distribution" and "Transfer Restrictions."
Use of Proceeds	The net proceeds from the offering of the Notes, inclusive of US$1.2 million accrued interest from July 2, 2026 to but not including July 28, 2026 and after deduction of fees and commissions and estimated expenses incurred in connection with this offering, are expected to be approximately US$248.0 million. See "Use of Proceeds."
Governing Law	The Notes and the Indenture governing the Notes will be governed by, and construed in accordance with, the laws of the State of New York, without regard to conflicts of laws principles thereof.
Denomination, Form and Registration	The Notes will be issued in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. Notes sold in the United States to qualified institutional buyers in reliance on Rule 144A will be represented by one or more permanent global notes in definitive, fully registered form without interest coupons and will be deposited with the Trustee as custodian for, and registered in the name of a nominee of DTC. Notes sold outside the

	United States in offshore transactions in reliance on Regulation S will be represented by one or more permanent global notes in fully registered form without interest coupons and will be deposited with the Trustee as custodian for, and registered in the name of a nominee of DTC for the respective accounts of Euroclear Bank S.A./N.V., or Euroclear, and Clearstream Banking, société anonyme, or Clearstream, Luxembourg, each of which is a participant in DTC. DTC will credit the account of each of its participants, including Euroclear and Clearstream, Luxembourg, with the principal amount of Notes being purchased by or through such participant. Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream.
Delivery of the Notes	We expect that delivery of the Notes will be made on or about the closing date specified on the cover page of this Offering Memorandum, which we expect will be the fifth business day following the date of this Offering Memorandum, which we refer to as "T+5." You should note that initial trading of the Notes may be affected by the T+5 settlement. See "Plan of Distribution."
Ratings.....	The Notes are expected to be rated BB- by S&P and B1 by Moody's. We cannot assure investors that these ratings will not be adversely revised or withdrawn either before or after delivery of the Notes. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Risk Factors	See "Risk Factors" and the other information in this Offering Memorandum for a discussion of factors that should be carefully considered before deciding to invest in the Notes.
Listing.....	Application will be made for the listing of the Notes on the SGX-ST, where the Original Notes were listed. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Memorandum. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, its associated companies, or the Notes. The Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 (or its equivalent in other currencies) for as long as the Notes are listed on the SGX-ST.
Taxation.....	See "*Taxation*" for a discussion of certain U.S. federal and Mongolia tax consequences associated with an investment in the Notes. Investors should consult their own tax advisors in determining the tax consequences of the purchase, ownership and disposition of the Notes.

Trustee, Paying Agent, Registrar and Transfer Agent.....	Bank of New York Mellon.
CUSIP.....	25161A AC3 (144A), Y2056P AJ5 (Reg S).
ISIN.....	US25161AAC36 (144A), USY2056PAJ58 (Reg S).
Common Code	343448392 (144A), 343195729 (Reg S).

RISK FACTORS

An investment in the Notes involves risks. Prospective purchasers of the Notes should carefully consider all of the information in this Offering Memorandum and, in particular, the risks described below, prior to making an investment decision with respect to the Notes. The risks described below are not the only ones that may affect us or the Notes. In general, investing in securities of issuers in developing countries such as Mongolia involves risks not typically associated with investing in the securities of companies in more developed economies. To the extent the description below relates to the Government or Mongolian macroeconomic data, such information has been extracted from official Government publications or other third-party sources and has not been independently verified by us or the Initial Purchasers.

Risks Relating to Our Operations

Our operations are subject to risks relating to the Mongolian economy.

We are Mongolia's only policy bank, and all of our business is located in Mongolia. Accordingly, our operations have been, and we believe will continue to be, closely correlated to the growth of the Mongolian economy. Mongolia's economy had a real GDP contraction of 4.6% in 2020, and a continued growth of 1.6% in 2021, 5.0% in 2022, 7.4% in 2023, 5.1% in 2024 and 6.8% in 2025. In the first three months of 2026, real GDP growth was 7.9% on a year-on-year basis. However, the Mongolian economy may not grow at rates similar to those in the past.

External factors beyond our control, such as changes in Government regulations or a failure by the Government to develop sufficient infrastructure necessary to develop the mining sector or otherwise, may inhibit growth in the future. Historically, certain policies implemented by the Government from time to time have caused fiscal imbalances or current account deficits. Additional external factors such as decreases in commodity prices and lower demand, in particular for Mongolia's major exports such as coal and copper, as well as the ongoing Russia-Ukraine and Middle East wars, a slowdown in China's economic growth or adverse impacts of U.S.-China trade disputes and weak foreign investment, could also adversely affect Mongolia's economic growth. See "—Risks Relating to Mongolia—Mongolia's economy has experienced recent periods of slow or negative growth" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting our Performance and Results of Operations—Operating environment in Mongolia." Any downturn or deterioration in the growth or health of the Mongolian economy could materially and adversely affect our business, results of operations, financial condition and liquidity.

If we are unable to effectively maintain the quality of our loan portfolio, our business, financial condition and results of operations may be materially and adversely affected.

Lending activities are exposed to credit risk arising from the risk of default by borrowers. As of December 31, 2023, 2024 and 2025 and March 31, 2026, our gross loans and advances including lease receivables were MNT 2,324,789.1 million, MNT 2,321,710.6 million, MNT 2,312,579.6 million (US$648.0 million) and MNT 2,283,427.0 million (US$639.8 million), respectively, and our Stage 3 loans (loans considered credit-impaired) represented 63.6%, 62.8%, 62.5% and 62.7% of our gross loans and advances including lease receivables as of those same respective dates. Factors that affect our ability to monitor, control and reduce non-performing loans. Some of these factors, including macroeconomic developments in the Mongolian economy, movements in global commodity markets, global competition, interest rates, exchange rates and outbreak of disease or major calamities in Mongolia or other regions, are not within our control. Any of these may adversely affect the businesses, operations, or liquidity of our customers, counterparties or ultimate financing parties of our business, as a result of which, we may not be able to realize the value of relevant collateral, or guarantees securing its assets. For example, falling commodity prices, slower GDP growth, fluctuating levels of foreign direct investment and depreciation of the Tugrik against foreign currencies may cause certain customers to experience difficulties repaying their loans, leading to an increase in our non-performing loan ratio.

We have undertaken substantial efforts to reduce and recover non-performing assets in our loan portfolio. Since January 2022, we significantly curtailed our lending operations and focused on strengthening our balance sheet and recovering non-performing loans. By the end of 2025, we had secured MNT 1.8 trillion in cumulative loan repayments. We recovered MNT 184.7 billion in 2024, MNT 164.5 billion (US$46 million) in 2025, and MNT 58.1 billion (US$16 million) in the first quarter of 2026, through a combination of cash recoveries and monetization of repossessed real estate and securities. We have also undertaken substantial provisioning in response to Bank of Mongolia requirements, creating a stronger loss-absorption buffer against legacy problem

assets. Our provision coverage ratio was 77.2% as of March 31, 2026. We cannot assure you that these measures will always be sufficient to mitigate risks associated with non-performing loans or that the overall quality of our loan portfolio will not deteriorate in the future. Any significant deterioration in our asset quality may lead to a significant increase in our non-performing loans, credit loss allowance and write-off due to impairment, which may materially and adversely affect our business, financial condition and results of operations.

Our allowances for doubtful accounts may be inadequate.

Our Stage 3 loans represented 63.6%, 62.8%, 62.5% and 62.7% of our gross loans and advances including lease receivables as of December 31, 2023, 2024 and 2025 and March 31, 2026, respectively. Although we have made allowances and provisions in accordance with IFRS and the requirements of the Bank of Mongolia, we cannot assure you that we will not be required to make significant additional allowances for doubtful accounts in future periods if we expect to experience higher than currently anticipated loan defaults and delinquencies due to increased credit losses resulting from factors including ineffective collection management, discrete events adversely affecting specific borrowers or industry sectors or adverse changes in the economy, which could in turn materially and adversely affect our business, financial condition and results of operations. We may not be able to accurately assess the default risk on loans provided to our borrowers. Factors that affect our ability to monitor, control and reduce impaired loans include macroeconomic developments in the Mongolian economy, movements in global markets, global competition, interest rates and exchange rates, are not within our control and may be unpredictable. Historically, periods of continued weak commodity prices and other factors caused certain of our customers to experience difficulties repaying their loans, leading to our relevant high Stage 3 loan ratio. While we require our borrowers to provide us with their financial statements, these financial statements may not always present a meaningful indication of each borrower's financial condition on a periodic basis. Accordingly, in spite of our credit risk evaluation procedures, we may not be able to evaluate the current financial condition of each borrower correctly or to determine accurately the ability of such borrower in respect of repayment. Furthermore, as a result of changes in the credit quality of our borrowers and counterparties, or in their activities, or arising from systemic risks in the Mongolian and global financial system, we may need to increase our provisions for loan losses and allowances for loan impairment. Any such losses or increases in our provisioning may adversely affect our business, financial condition, results of operations, prospects and liquidity position.

We may be unable to successfully implement our strategies, including our non-performing loan recovery plans.

The successful implementation of our business strategies is subject to a number of risks and uncertainties, and there can be no assurance that we will be able to execute our strategies as planned or achieve the anticipated results we expect from them. In particular, we have developed an NPL recovery strategy built on a three-pillar framework, comprising government-supported recovery led by a newly established working group comprising various government agencies, transfers of certain legacy non-performing assets to a proposed asset management company (the "AMC"), and our own recovery efforts. See "Business—Strengths—Comprehensive Institutional Transformation and Systematic Asset Quality Resolution" and "Business—Loan Portfolio—Non-Performing Loan Reduction and Recovery" for additional information on our NPL recovery plans. However, there can be no assurance that this strategy will deliver the expected level or timing of recoveries. For example, the government-supported recovery involves coordination of multiple governmental authorities and third parties, and is subject to procedural, political and administrative uncertainties that are outside our control. In addition, the proposed transfer of non-performing assets to the AMC is also subject to execution risks, including those related to the establishment and operationalization of the AMC, the valuation and transfer mechanics for the relevant assets, and the AMC's ability to realize value from those assets following the transfers. If our NPL recoveries underperform relative to our projections, whether as a result of delays in the government working group process, challenges in completing AMC transfers, shortfalls in collateral realization or otherwise, our capital position, liquidity, and ability to resume normal policy lending operations could be materially and adversely affected.

Our risk management policies and procedures may not successfully identify or manage risks as intended.

We are exposed to a variety of risks, including credit risk, market risk, counterparty, collateral, exchange rate, interest rate, operational, and liquidity. We are also subject to potential liability under applicable anti-money laundering and economic sanctions laws and regulations, including risks related to our customers that may use funds borrowed from us to transact business in violation of applicable anti-money laundering laws or economic sanctions. In accordance with the Revised Law on the Development Bank of Mongolia, we have updated our risk

management policies and procedures and modernized our corporate governance framework to include core principles including sustainability, independence, transparency and accountability, thereby increasing oversight of our lending operations. However, we cannot assure you that these policies and procedures will be effective at managing risks as intended or mitigating any unanticipated risks, including certain risks relating to our customers' use of funds borrowed from us or risks related to changes in sanctions laws and regulations.

The effectiveness of our risk management is limited by the quality, amount and timeliness of available data in Mongolia in relation to the relevant borrowers, industry sectors and projects and programs we finance. We cannot assure you that any of our risk management policies or procedures will be fully effective. Some methods of managing risks are based upon historical market behavior. As a result, we may not be able to accurately or in a timely fashion predict future risk exposures, which could be greater than or different than historical measures. Our risk management methods depend upon, an evaluation of information regarding markets, the regulations applicable to our customers, industry sectors, borrowers and other factors. This information may not in all cases be accurate, complete, up-to-date or properly evaluated. We cannot assure you that our policies and procedures will operate in the way that we anticipate or that these policies and procedures will be adequate to identify and manage risks as intended.

We have significant credit exposure to certain industries.

As of March 31, 2026, we had significant credit exposure to certain industry sectors, with our largest industry exposures to manufacturing at MNT 1,265,151.0 million (US$354.5 million), power and energy at MNT 660,474.6 million (US$185.1 million), and mining and quarrying at MNT 175,218.5 million (US$49.1 million), which comprised 55.4%, 28.9% and 7.7% of our total loan portfolio, respectively. As a result of this concentration, our asset quality and financial performance are particularly sensitive to adverse developments affecting these sectors. Furthermore, there is an intrinsic relationship between several of the key industry sectors we are exposed to and a fundamental reliance of all sectors of the Mongolian economy on the mining sector. For example, fluctuations in coal and copper prices and the pace of development of major mining projects such as Oyu Tolgoi and Tavan Tolgoi have historically affected mining-related activities in the construction and trading sectors, and as a result the borrowing and repayment by borrowers in those sectors have been effected. Any deterioration in the financial condition, or delays in the development, of the Mongolian mining industry will likely adversely impact other industry sectors despite our efforts to limit direct exposure to the mining sector.

Global and domestic trends in the industries we lend to may have a bearing on our financial position. Any significant deterioration in the performance of a particular sector, such as regulatory action or policy announcements by the Government, fluctuations in commodity prices or the demand for Mongolian exports, would adversely impact the ability of borrowers in that sector to service their debt obligations to us. In addition, if a significant portion of the loans to these borrowers or sectors were to become impaired or require restructuring to extend the tenor or modify the repayment schedule, this could materially and adversely affect our business, financial condition and results of operations.

We may be unable to obtain sufficient funding on commercially reasonable terms or at all to support or expand our operations or meet obligations from our financial liabilities due to market conditions or other factors.

We require a substantial amount of liquidity to finance our operations, some of which we obtain from borrowings and issuances of bonds. To satisfy our liquidity, we may need to issue additional debt securities in the Mongolian or international capital markets or otherwise incur additional borrowings. We do not have a deposit base, and therefore our funding is dependent on bonds and loans raised in domestic and international markets, increasing our refinancing risk. Our ability to rely on alternative sources of funding will depend on our financial position and the liquidity of the Mongolian and international capital markets, the Government's policies regarding domestic and foreign currency borrowings, and the ability of the Government to supply additional capital to us. Our failure to obtain sufficient financing on commercially reasonable terms or at all could materially and adversely affect our business, financial condition and results of operations.

In addition, we are subject to liquidity risk with respect to meeting our obligations from our financial liabilities. Under the Regulation on Setting and Monitoring Prudential Ratios Applicable to the Development Bank of Mongolia (the "DBM Prudential Regulation"), the Bank of Mongolia monitors our liquidity on a monthly basis. We are required to comply with the following prudential ratios in our operations on a daily basis: the capital adequacy ratio, the stable funding ratio, and the foreign exchange risk ratio. Under this regulation, we must maintain a net stable funding ratio of not less than 100.0%, calculated as the ratio of stable funding sources to long-term assets. However, we cannot assure you that we will be able to comply with these requirements or that

these measures will be effective at ensuring we have sufficient liquidity to meet our liabilities when due. According to our liquidity gap reports, as of March 31, 2026, we had cumulative net financial assets for maturities of up to one year, but had cumulative net financial liabilities o f MNT 343,483.2 million for our assets and liabilities with maturities of one year to five years, primarily reflecting the maturity profile of our USD 500 million Senior Notes due in 2028. If we fail to comply with the Bank of Mongolia's liquidity requirements or otherwise manage our liquidity risk, such failure could adversely affect our ability to meet the obligations from our financial liabilities and have a material, adverse effect on our business, financial condition and results of operations. For more information regarding our liquidity risk analysis, see Notes 28 to our audited financial statements as of and for the years ended December 31, 2024 and 2025, and Note 24 to our unaudited interim condensed consolidated financial information as of and for the three months ended March 31, 2026.

Our capital position has been significantly constrained, and our ability to continue as a going concern is dependent on continued Government support.

We incurred net losses of MNT 32,236.6 million, MNT 7,912.8 million, MNT 289,136.8 million (US$81.0 million) and MNT 24,117.5 million (US$6.8 million) for the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2026, respectively. Our total equity declined from MNT 430,134.6 million as of December 31, 2023 to MNT 92,273.9 million (US$25.9 million) as of March 31, 2026, driven by continued operating losses and elevated credit loss provisions on our legacy non-performing loan portfolio. Our audited consolidated financial statements as of and for the year ended December 31, 2025 and our unaudited interim condensed consolidated financial information as of and for the three months ended March 31, 2026 each discloses that management's assessment of our ability to continue as a going concern is dependent on, among other things, the Government's continued support, including a capital injection of MNT 1.0 trillion approved in March 2026 and completed on June 11, 2026. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contributed Capital and Capital Adequacy—New Capital Injection." While our capital injection has significantly strengthened our capital position, we cannot assure you that we will return to profitability, that the Government will provide further capital support if needed in the future, or that our capital position will not again become constrained due to further credit losses, adverse market conditions or other factors. If the Government were to reduce or withdraw its financial support, or if we were unable to generate sufficient income to offset our ongoing expenses and credit losses, our ability to continue as a going concern could be adversely affected, which would have a material adverse effect on our business, financial condition, results of operations and our ability to service the Notes.

We may not be able to adequately hedge against exchange rate risk.

As a financial institution, we are exposed to exchange rate risk. Movements in foreign exchange rates may materially and adversely impact our borrowers, which may in turn adversely impact the nature of our exposure to these borrowers. We hold assets and liabilities denominated in foreign currencies, and may experience revaluation gains or losses subject to the exchange rate fluctuation of the relevant foreign currencies against the Tugrik. These fluctuations affect, the value and rate of return on our assets, the availability and cost of funding and the financial condition of our borrowers. Volatility in foreign exchange rates could materially and adversely affect our ability to meet our obligations under the Notes and our business, financial condition and results of operations.

As of March 31, 2026, 20.4% our loan portfolio was denominated in U.S. dollars. The Tugrik has depreciated by approximately 5.0% to 7.5% per annum over the past 20 years, it has remained broadly stable against the U.S. dollar more recently, depreciating by only 0.3% in 2024, 4.0% in 2025, and a further 0.3% in the first quarter of 2026, reaching MNT 3,568.71 to US$1.00.

While the Government has taken, or may take, measures, including raising the policy rate, in response to the Tugrik's depreciation, we cannot assure you that such measures will be effective in preventing further depreciation.

Although we enter into currency swap agreements and forward contracts for foreign exchange in the ordinary course of business, these measures may not adequately hedge against all fluctuations in foreign exchange rates. As of March 31, 2026, we had two cross-currency interest rate swap agreements outstanding with the Bank of Mongolia with a total notional principal of US$200 million. Under our internal policies, we impose a limit on our aggregate net open position of 30.0% of equity, in accordance with the DBM Prudential Regulation. In addition, we cannot assure you that we will be able to comply with this limit. If the Tugrik depreciates significantly at any time when we have a significant net open short position denominated in foreign currencies, such depreciation could cause us to suffer losses, reduce our capital adequacy ratio, and require us to seek additional capital or

breach applicable capital adequacy regulations. We cannot assure you that any additional required capital would be available on acceptable terms or at all. Depreciation of the Tugrik against the U.S. dollar would also increase our credit risk and negatively affect the collectability of our U.S. dollar-denominated loans. Furthermore, increases or decreases in foreign currency exchange rates against the Tugrik would lead to corresponding increases and decreases in our income and profit or loss. See Note 28 to our audited consolidated financial statements as of and for the years ended December 31, 2024 and 2025, and Note 24 to our unaudited interim condensed consolidated financial information as of and for the three months ended March 31, 2026, included in this Offering Memorandum for quantitative information of the impact of increases and decreases in foreign currency exchange rates on our assets and liabilities and profit or loss.

We are exposed to interest rate risk.

We realize income from the margin, or "spread," between the interest we earn on our interest-bearing assets, such as investments and loans, and the interest we pay on our interest-bearing liabilities. Our performance is subject to fluctuations in interest rates as a result of mismatches in the re-pricing of assets and liabilities. These interest rate fluctuations are difficult to predict and control, and they may have a material adverse impact on our operations and financial condition. In a rising interest rate environment, if we are unable to pass along our higher interest expenses to borrowers in the form of higher interest rates, our profitability would be materially and adversely affected. If we pass these higher costs along to borrowers, the higher rates may negatively affect our borrowers' ability to make repayments, which increases our credit risk. Consequently, our operating revenues may be materially and adversely affected. As such, fluctuations in interest rates could have an adverse effect on our margins and in turn result in an adverse effect on our business, financial condition and results of operations.

We are wholly-owned by the Government, which exercises influence over our affairs and may have interests that differ from ours or the Noteholders.

We are a policy bank wholly-owned by the Government. Accordingly, although the Revised Law on the Development Bank of Mongolia prohibit the Parliament and the Government, respectively, from directing the selection and approval of the projects and programs that we fund, the Government has significant control and influence over our strategic direction, business and operations, including through appointments to our Board and votes on matters requiring shareholder approval. We cannot assure you that the Government will not exercise influence over us in a ways that will conflict with our interests and those of our other creditors, including Noteholders. As a result of these potential conflicts, there can be no assurance that we will not be directed or pressured to enter into transactions with a lower profit margin than we would otherwise pursue or to provide financing to certain entities on terms that are less favorable to us than similar transactions with other entities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting our Performance and Results of Operations—Regulatory Environment" and "Related Party Transactions."

The Government appoints the members of our Board who in turn appoint or approve our executive management. Therefore, although the Revised Law on the Development Bank of Mongolia prohibits changes in more than 50.0% of the members of our Board in any given budget year, changes in the ruling party or coalition government may result in changes to up to 50.0% of our Board composition, and consequently, our strategy, business and operations. The Revised Law on the Development Bank of Mongolia was designed to improve our corporate governance, increase oversight of our lending operations, reduce our dependence on financing from the Government, and increase our independence from the Government, we cannot assure you that any changes in the Government through general elections or other political processes will not materially and adversely affect our business, financial condition and results of operations.

Mongolian companies, including state-owned entities, may have dealings with entities subject to international sanctions.

Mongolia has extensive trade, investment and other relations with both China and Russia, and as part of these relations, Mongolian companies have dealings with entities that are, or may become, subject to U.S. or other international economic sanctions. We previously obtained financing from VneshEconomBank (now VEB.RF), a Russian state-owned entity on the Sectoral Sanctions Identification List and the Specially Designated Nationals List of the U.S. Office of Foreign Assets Control ("OFAC"). In August 2024, OFAC advised us that repayments of VEB.RF's loans could be made under certain general licenses so that the payments would not violate OFAC sanctions. In reliance on these general licenses, by March 2025, we had fully repaid all outstanding obligations to VEB.RF, in compliance with OFAC sanctions. We currently have no remaining outstanding balances or ongoing business relationships with VEB.RF. Given the uncertainty regarding development of international economic

sanctions, entities with which we have dealings may in the future become subject to U.S. or other international economic sanctions, which could adversely affect our business, financial condition and results of operations.

Mongolia imports approximately 95% of its petroleum products from Russia, and as part of those imports Mongolian companies, including state-owned Ulaanbaatar Railway JSC, purchase petroleum products from the Russian state-owned Rosneft Oil Company, which is also on the Sectoral Sanctions Identification List. Mongolia also imports grains and fertilizer from Russia. The U.S., the EU, and the UK each implemented sectoral sanctions in 2024 in reaction to Russia's actions in Ukraine. Following Russia's invasion of additional Ukrainian territories in February of 2022, a number of countries, including the U.S., the UK and the EU and various EU states, expanded sanctions applicable to Russia, Russian entities—in particular financial institutions—and their enforcement of these sanctions. As the war in Ukraine has continued, the number of Russian entities subject to sanctions has also continued to increase.

The imposition of sanctions and Russia's withholding of its oil and gas—either at Russia's own initiative to make these strategic resources its economic weapon or as a result of Russia's inability to settle payments for its oil and gas through SWIFT—have had a material and adverse effect on the economic markets in general, and could adversely impact Mongolia's economy and its current and future trade with Russia. For example, as a result of measures taken by major Western banks in response to the sanctions against Russia, Mongolia's payments to Russia for energy were temporarily delayed. The Government has worked closely with its Western partners to resolve issues with any correspondent banks in Russia and is now relying on a combination of general and specific licenses to make these payments. The Government expects to continue to work with its Western partners to ensure payments for Russia's exported goods without violating relevant sanctions. However, as the development of the Russia-Ukraine war and related economic sanctions against Russia is highly unpredictable and beyond our control, there is no assurance that we or our borrowers will not encounter further difficulties in relation to trade payments or that the current arrangement will continue to permit necessary payments. Western sanctions directed at Russia could change at any time, and the licenses that Mongolia relies on may no longer be available. Any uncertainties in Mongolia's settlement of payments with Russian counterparties may lead to material disruption of the supply of strategic resources, including energy and food, imported from Russia, which could in turn materially and adversely affect Mongolia's economic stability and growth.

Moreover, the imposition of sanctions and Russia's withholding of its products have led to and may continue to result in supply-side inflation in Mongolia. Following the Russia-Ukraine war and the associated international sanctions imposed on Russia, energy and food prices in Mongolia rose and Mongolia's inflation rate reached 13.2% in 2022, which remained elevated at 7.9% in 2023, 8.4% in 2024, and 7.5% in 2025. Any prolonged period of persistently high inflation could lead to an increase in the costs of living for Mongolia's households and the transportation and production costs for Mongolia's business entities, which in turn could materially and adversely affect the Mongolian economy and Mongolia's social and economic stability.

The imposition of economic sanctions and trade restrictions of the types discussed above are highly political, and it is difficult to predict when and how they will be imposed. If the scope of these types of measures—including the entities that are subject to them—were to broaden, they could limit Mongolia's ability to do business with its two major trading partners. These or similar developments could adversely affect Mongolia's economic condition and growth prospects, which could in turn adversely affect our business, financial condition, results of operations and trading in the Notes.

We are subject to changes in financial reporting standards or policies which could materially and adversely affect our reported results of operations and financial condition.

Our financial statements included in this Offering Memorandum were prepared in accordance with IFRS issued by the International Accounting Standards Board. IFRS are periodically revised, modified and subject to revised interpretive guidance. Accordingly, from time to time we are required to adopt new or revised accounting standards issued by recognized bodies, including the International Accounting Standards Board, and adopted by regulatory authorities such as the Bank of Mongolia. Future accounting standards that we are required to adopt could change the accounting treatment that applies to our financial statements, and these types of changes could have a material adverse effect on our reported results of operations and financial condition.

The preparation of our financial statements requires management to make judgments, estimates and assumptions, and the accuracy of these estimates and assumptions could have a material impact on the financial statements.

The preparation of our financial statements requires management to make judgments, estimates and assumptions, and the accuracy of these estimates and assumptions could have a material impact on them. These estimates and assumptions affect the reported amounts of assets and liabilities and the reported amounts of income and expenses during each reporting period. On an ongoing basis, our management evaluates estimates and judgments, including those related to impairment losses on loans and advances, fair value of financial instruments, initial recognition of related party transactions, income taxes and other matters. Our management bases its estimates and judgments on historical experience and on various other factors that they believe to be reasonable under the circumstances. Actual results may differ from these estimates and conditions, and these types of differences may be material. See Note 3 to our audited financial statements as of and for the years ended December 31, 2024 and 2025 included in this Offering Memorandum for further details.

The judgments, estimates and assumptions that management make are based on information available at the time. Should circumstances change, the outcome may be materially different from what was envisaged at the time the judgments, estimates and assumptions were made. If this happens, it could have a material adverse effect on our financial statements, including the reported profit and statement of financial position.

As a policy bank, our capital adequacy ratio is not directly comparable to the capital adequacy ratios of commercial banks in Mongolia.

As a policy bank, we are not subject to the capital adequacy requirements set by the Bank of Mongolia for commercial banks. In addition, our current capital adequacy ratio methodology is broadly consistent with Basel III standards in its use of the standardized approach for risk-weighted assets, although we are not required to and do not follow all requirements set by the Basel Capital Accord Standards. Our capital adequacy requirements are determined by the DBM Prudential Regulation approved by Bank of Mongolia. The Bank of Mongolia requires us to maintain a total capital adequacy ratio of not less than 9.0%, while it requires commercial banks to maintain a total capital adequacy ratio of not less than 12.0% for systemically important banks. Our capital adequacy ratio was 10.2%, 12.4%, 1.3% and 0.8% as of December 31, 2023, 2024 and 2025 and March 31, 2026, respectively.

As of December 31, 2025, our capital adequacy ratio fell below the 9.0% minimum requirement, primarily due to a significant increase in credit loss provisions recognized in 2025, and remained below this threshold as of March 31, 2026. In addition, under Article 28.1.1 of the Revised Law on the Development Bank of Mongolia, the aggregate of our loans, guarantees and loan-equivalent assets must not exceed 30 times our equity. As of March 31, 2026, this ratio was 36.2 times, in breach of this statutory limit. These breaches were reported to the Bank of Mongolia, which issued waivers with respect to the capital adequacy ratio. The Government's capital injection of MNT 1.0 trillion, completed on June 11, 2026, has restored our capital adequacy ratio to 24.1% and brought the 30-times ratio within the statutory limit. However, we cannot assure you that we will maintain compliance with these requirements in the future or that the Bank of Mongolia will grant waivers in respect of any future breaches.

When calculating our capital adequacy ratios, due to the differences in the nature of our operations as a policy bank, the risk weights that we apply to certain assets differ from those used by commercial banks. For example, since we do not provide mortgages or retail loans, commercial banks have additional risk weight categories for these types of loans and borrowers. Furthermore, we have additional risk weight categories for loans that are guaranteed by domestic banks, due to our on-lending operations through commercial banks. In addition, we do not require capital for operational and market risks, as we rely on the Government to cover such risks. As a result, our capital adequacy ratio is not directly comparable to the capital adequacy ratios of commercial banks in Mongolia.

We have been in breach of certain financial covenants under our debt instruments and borrowing agreements, and certain waivers obtained in respect of these breaches are of limited duration.

As of December 31, 2025 and March 31, 2026, we were in breach of certain financial covenants under our domestic OTC bond agreements and our borrowing agreement with the China Development Bank, each of which requires us to maintain our operations in accordance with the mandatory prudential standards of the Bank of Mongolia, including the capital adequacy ratio. In respect of these breaches, the Bank of Mongolia issued waiver letters, which were acknowledged and accepted by the respective OTC bond arranger on behalf of bondholders in March 2026 and by the China Development Bank. Following our recent capital injection, our Capital Adequacy

Ratio recovered to 24.1% as of June 2026, exceeding the regulatory requirement. However, we cannot assure you that breach of these or other financial covenants will not occur in the future, or that future waivers will be obtained in respect of any continuing or new breaches. If we breach any such covenant in the absence of a waiver, our borrowings under the China Development Bank agreement could become payable on demand, which could in turn trigger cross-default or cross-acceleration provisions under our other indebtedness, including the Notes. As of December 31, 2025, a breach of the financial covenant under our OTC bond agreements caused those debt securities to be reclassified to current liabilities in our consolidated statement of financial position in accordance with IAS 1, notwithstanding that the waiver was subsequently obtained. Any future covenant breach that is not waived, or any acceleration of indebtedness resulting from a breach of applicable covenants, could have a material adverse effect on our liquidity, financial condition and ability to service the Notes.

The value of our collateral upon enforcement may not be adequate to cover our loans.

Some of our loans are secured by collateral such as plant, property and equipment. We cannot assure you that the realizable value of these types of collateral would be adequate to cover our exposure under the relevant loans. For example, an economic downturn could result in a fall in the value of our collateral. In addition, subsequent market fluctuations or specific asset conditions may result in valuations that do not fully reflect the current market value of the collateral at the time of enforcement. The realizable value of collateral, which is the maximum amount we are likely to recover from a sale of the collateral, less expenses of such sale, may not be adequate to cover our exposure under the relevant loans. In certain instances, where there is limited market data for a particular type of collateral, the collateral may have minimal or no value. In the event of such under-collateralization, even if we are able to enforce our collateral, we cannot assure you that we will fully recover the outstanding value of an impaired loan.

While we regularly monitor and assess the value of our collateral, any over-valuation or decline in the value of the collateral securing our loans, including with respect to any future collateral we take, would mean that our loan loss provisions may be inadequate and require an increase in these provisions. We cannot assure you that the collateral securing any particular loan will protect us from suffering a partial or complete loss if the loan becomes impaired. Any increase in our provisions would adversely affect our capital adequacy ratio and otherwise adversely affect our business, financial condition and results of operations.

We may experience delays in enforcing our collateral when our borrowers default on their obligations to us.

Lenders in Mongolia, including us, may not be able to fully recover amounts owed to them through enforcement of collateral or guarantees, as a result of, among other factors, the legal uncertainties in enforcing these rights, delays in bankruptcy and foreclosure proceedings, inability to perfect security interests for certain types of collateral, defects in the perfection of certain types of collateral, and fraudulent transfers by borrowers. Bankruptcy laws and enforcement procedures in Mongolia are less developed than those in certain other countries, including the United States, and the enforcement processes in Mongolia may be comparatively lengthy and uncertain. As a result, a bank may require several years to enforce and realize the value of collateral underlying impaired loans, and a particular loan may be classified as impaired for several years before collateral can be seized and liquidated. During these types of delays, the physical condition and market value of the collateral can deteriorate. In addition, the collateral may not be adequately insured or insured at all.

The current difficulties in bringing enforcement actions under the Mongolian legal system significantly reduces the ability of lenders to realize the value of collateral located in Mongolia and therefore the effectiveness of taking a secured position on loans to Mongolian borrowers. We cannot assure you that we will be able to realize the full value, or any value, of any collateral in a bankruptcy or foreclosure proceeding or otherwise. In addition, we may incur significant administrative costs in maintaining and disposing of seized properties. A failure to recover the expected value of collateral security could expose us to a potential loss. Any unexpected losses could adversely affect our business, financial condition and results of operations.

Increasing scrutiny and changing expectations from investors, lenders and other market participants with respect to our Environmental, Social, and Governance ("ESG") policies may impose additional costs on us or expose us to additional risks.

Companies across all industries are facing increasing scrutiny relating to their ESG policies. Investor advocacy groups, certain international financial institutions, institutional investors, investment funds, lenders and other market participants are increasingly focused on ESG practices, and in recent years they have placed increasing importance on the implications and social cost of their investments. The increased focus and activism

related to ESG and similar matters may hinder our access to capital, as investors and lenders may decide to reallocate capital or to not commit capital as a result of their assessment of our ESG practices. If we do not adapt to or comply with investor, lender or other industry shareholder expectations and standards, which are evolving, regardless of whether there is a legal requirement to do so, we may suffer from reputational damage, have more limited access to capital and our business, financial condition could be materially and adversely affected.

We may face increasing pressures from investors, lenders and other market participants, who are increasingly focused on climate change. The global transition to a lower carbon economy could have an adverse impact on valuations of our borrowers in the mining, energy and industrial sectors, as the financial assets of carbon-intensive companies re-price and could result in some asset sectors facing significantly higher costs and a disorderly adjustment to their asset values. This may adversely impact the credit quality of our borrowers in carbon-intensive industries, which could materially and adversely affect the overall quality of our loan portfolio. A substantial portion of our loan portfolio is concentrated in carbon-intensive sectors, including mining, energy and heavy industry. Social risks that could impact us may arise from a failure to consider the rights, diversity, well-being, and interests of people and communities in which we, or our borrowers, operate. In particular, large-scale infrastructure and mining projects financed by us may have significant environmental and social impacts on local communities.

In line with the Government's vision to increase the share of Mongolia's renewable energy to 30.0% by 2030, we are actively building a pipeline of green projects to expand renewable capacity and support Mongolia's transition to a low-carbon economy. Nevertheless, we may be required to implement more stringent ESG procedures or standards so that our existing and future investors and lenders remain invested in us and make further investments in us. If we are unable to partner with international financial institutions, access the capital or loan markets or alternative means of financing on acceptable terms, or at all, we may be unable to implement our business strategy, which would have a material adverse effect on our financial condition and results of operations and impair our ability to service our indebtedness. Further, it is likely that we will incur additional costs and require additional resources to monitor, report and comply with wide ranging ESG requirements. The occurrence of any of the foregoing could have a material adverse effect on our business and financial condition.

Furthermore, a failure to maintain high standards of corporate governance may adversely impact us and our stakeholders through poor decision-making and a lack of oversight of our key risks. Poor governance may arise where key governance committees have insufficient independence, a lack of diversity, skills or experience, or unclear (or insufficient) oversight responsibilities and mandates. While we have taken various measures to ensure corporate governance is in compliance with the applicable laws, we cannot assure you that deficiencies in the oversight of relevant risks will not have a material adverse effect on our operations and business.

Certain approvals must be obtained prior to payments being made by the Government pursuant to its debt guarantee obligations and such approvals may result in delays in payments being made.

Our loan portfolio includes loans guaranteed by the Government. The Debt Management Law (approved in February 2015, as amended) provides the legal framework for Government debt guarantees. Under this framework, all obligations arising from Government debt guarantees are integrated into the State budget processes. If a guaranteed borrower defaults on its payments, the borrower must immediately deliver to the Ministry of Finance a written notice, supported by documentation and an audit report issued by the National Audit Office confirming the borrower's financial position. Following the receipt of such notice, the lender must submit a payment claim to the Ministry of Finance within 30 days. Upon verification of the notice, the guarantee payment is to be made directly from the State budget pursuant to a decision of the Cabinet.

For loans we have extended that are guaranteed by the Government, we cannot assure you that the Parliamentary, Cabinet and any other required approvals required for the allocation of funds from the State budget and the authorization of guarantee payments will be obtained in a timely manner. It is also possible that, from time to time, the State budget may not contain amounts sufficient for the Government to meet its debt guarantee obligations. A failure to pay or delays in making payments on the part of the Government under its guarantees could have a material adverse effect on our financial condition and results of operations.

We are subject to counterparty risk with respect to Mongolian banks with which we place deposits for cash management purposes and those under our on-lending arrangements.

We are subject to counterparty risk with respect to the banks at which we place deposits. To effectively manage our excess liquidity in the short run, we also place short-term (less than one year) callable deposits at local commercial banks and purchase 28-day treasury bills issued by the Bank of Mongolia. For 2023, 2024, 2025

and the three months ended March 31, 2026, our interest income from bank deposits represented 2.1%, 6.3%, 22.7%, and 34.6% of our total interest income, respectively. We cannot assure that the commercial banks' reserves at the Bank of Mongolia will be sufficient to cover our loans and deposits. Should any of these counterparty banks be unable to make interest or principal payments on our loans or bank deposits, our interest income, business, results of operations and financial condition would be materially and adversely affected. In addition, we historically provided on-lending financing to projects through on-lending arrangements with local commercial banks, which represented a small portion of our loan portfolio. Our counterparty risk with respect to these on-lending loans relates primarily to the local commercial banks through which we provide these loans. As of March 31, 2026, we did not have any outstanding on-lending arrangements through commercial banks. However, if we were to enter into on-lending arrangements as part of our renewed lending activities, we would be subject to counterparty risk of the relevant commercial banks with respect to on-lending loans.

Our internal procedures may fail to detect and prevent fraud or other misconduct committed by our Board members, officers, employees or outsiders on a timely basis or at all.

Similar to other financial institutions, we are exposed to the risk of fraud and other misconduct committed by board members, officers, employees or outsiders. Fraud and other misconduct may adversely affect banks and financial institutions more significantly than companies in other industries due to the large amounts of cash transacted. While we have taken various steps to improve our internal procedures and prevent fraud, these steps may be insufficient to detect and prevent similar occurrences from transpiring. In addition, our failure to prevent future fraudulent actions may result in administrative or other regulatory sanctions by Government agencies and may also result in the suspension or other limits on our business license and other approvals. We cannot assure you that we will be able to avoid future material incidents of fraud.

In addition, we are required to comply with applicable anti-money laundering and anti-terrorism laws and other regulations in Mongolia. Under these laws and regulations, we must adopt and enforce 'know-your-customer' policies and procedures, conduct customer risk assessments, and report suspicious transactions to the relevant authorities. While we have adopted policies and procedures aimed at detecting and preventing the use of our banking services for money laundering activities and by terrorists and terrorist-related organizations, our prevention and detection procedures may not be effective, and may not completely eliminate instances where we may be used by other parties to engage in money laundering and other illegal or improper activities due to, in part, the short history of these policies and procedures. To the extent that we fail to fully comply with applicable laws and regulations, we may be subject to fines and other penalties or sanctions, including international sanctions. In addition, our business and reputation could suffer if customers use our business for money laundering or illegal or improper purposes. There can be no assurance that we will be able to fully monitor any potential violation for all of our transactions.

We may be involved in legal and other disputes from time to time arising out of our operations.

We may be involved in legal and other disputes from time to time for a variety of reasons, these disputes are generally related to projects that we finance in our ordinary daily operations. We cannot guarantee that the outcome in any of the litigation in which we are involved would be favorable to us, or that the judgment in relation to the rejected litigation against us will not be subject to disputes resulting in new litigation, appeal or retrial. In addition, we cannot guarantee that any existing or potential investigations against us, our shareholders or our management will not have a material adverse effect on us, or that any future legal disputes we may confront will not result in damage to our reputation, additional operational costs, and a diversion of resources and management's attention from our business operations, in which case our business, financial condition and results of operations may be adversely affected.

We have off-balance sheet contingent liabilities.

Our commitments and contingencies consist of guarantees issued and loan commitments that have not been paid. Guarantees, which represent irrevocable assurances that we will make payments in the event that a borrower or other obligor cannot meet its obligations to third parties, carry the same credit risk as loans. Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans or guarantees, and therefore expose us to loss in an amount equal to the total unused commitments.

As of December 31, 2023, 2024 and 2025 and March 31, 2026, our contingencies with respect to guarantees issued amounted to MNT 550,000.0 million, MNT 550,000.0 million, nil and nil, respectively. As of the same dates, undrawn loan commitments amounted to MNT 170,702.2 million, MNT 69,199.1 million, MNT 62,434.8

million (US$17.5 million) and MNT 62,434.8 million (US$17.5 million), respectively. These contingent liabilities have off-balance-sheet credit risk for which provisions are not currently made. If our contingent liabilities become non-contingent liabilities or become due earlier or in an amount greater than we expect, we may encounter difficulty in meeting obligations associated with our financial liabilities or meeting our capital adequacy and liquidity ratio requirements, which could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to respond to rapid technological changes.

Our future success will depend, in part, on our ability to respond to technological advances and emerging banking industry standards and practices on a cost-effective and timely basis. The development and implementation of such technology entails significant technical and business risks. We cannot assure you that we will successfully implement new technologies effectively. If we are unable, for technical, legal, financial or other reasons, to adapt in a timely manner or at all to changing market conditions or technological changes, our business, financial condition and results of operations may be materially and adversely affected.

We depend on a variety of information systems that are not fully integrated and financial reporting processes that are not fully automated.

We depend on a variety of information systems for our operations, some of which are not integrated with each other, and some of which have been customized to meet the needs of our business. Lack of integration of business information and accounting systems may limit our management's ability to receive timely and accurate information necessary to make business decisions. Although we have been upgrading our financial and accounting systems for a number of years, these systems are currently less developed in certain respects than those of banks in more developed countries. In particular, at present, we do not have a fully integrated automated accounting system as a group company for the preparation of IFRS financial data. Although we believe our current systems are adequate to permit the preparation of IFRS financial reports on a timely and accurate basis, this process is complex and time-consuming, and requires significant attention from senior accounting personnel. Lack of immediately available financial and operating data may hinder the ability of the management to make decisions, to react promptly to changes in market conditions and to detect fraud and non-compliance with internal procedures. The lack of a fully integrated and automated accounting system increases operational risks and the costs of further business development. The inability of our current accounting systems to adequately support its operations may have a material adverse effect on our ability to monitor and manage our operations and financial performance. In addition, our growth may place an additional strain on our accounting personnel and management information and financial reporting systems. This is largely driven by a shortage of sufficient qualified IFRS trained accounting personnel, due to the overall lack of qualified IFRS trained personnel in the Mongolian market, and the limitations of the accounting system employed by us to collect and produce information ready for use in connection with the preparation of our IFRS annual and interim consolidated financial statements.

We may fail to manage risks associated with our information and technology systems.

We are subject to risks relating to our information and technology systems and processes. These risks, which may arise internally and externally, include malfunctions and failures, human error or misconduct and other external factors. We rely on internal and external information and technology systems to manage our operations. We use increasingly advanced software, systems and networks to manage and back-up our accounting data and other aspects of our business. This hardware and software is vulnerable to damage or interruption by human error, misconduct, malfunction, natural disasters, power loss, sabotage, computer viruses and similar events or the interruption or loss of support services from third parties such as internet service providers. Any disruption, outage, delay or other difficulty experienced by any of these information and technology systems could result in delays in the provision or repayment of borrowings, or otherwise adversely affect our business, financial condition and results of operations.We also seek to protect our computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused by our increased use of the internet. Computer break-ins and power disruptions could affect the security of information stored in and transmitted through these computer systems and network infrastructure. Because our computer systems and network infrastructure have only been recently deployed, there are areas in the system that have not been properly protected from security breaches. Although we employ security systems, including firewalls and password encryption, designed to minimize the risk of security breaches and maintain operational procedures to prevent break-ins, damage and failures, the potential for fraud and security problems is likely to persist, and we cannot assure you

that these security measures will be adequate or successful. Failure in security measures could have a material adverse effect on our business, financial condition and results of operations.

Cybersecurity threats, including those enhanced by artificial intelligence, could result in the loss of confidential information, operational disruptions, reputational harm and significant financial losses.

Our business operations require the collection, processing, storage and transmission of confidential, proprietary and sensitive information, including personally identifiable information of our customers and employees, financial transaction data, and other nonpublic information. Although we hold the ISO/IEC 27001:2022 certification for its Information Security Management System (ISMS), our information systems and networks, as well as those of third-party service providers we work with, are subject to an increasing number and sophistication of cyberattacks, including those involving ransomware, supply chain compromises, phishing and social engineering campaigns, advanced persistent threats and other malicious activities.

The rapid development and proliferation of AI, including generative AI and large language models, has introduced new and evolving cybersecurity risks that may be difficult to predict or prevent. For example, threat actors are leveraging AI technologies to craft highly convincing phishing communications, generate deepfake content to impersonate authorized personnel, develop novel malware, and exploit system vulnerabilities at greater speed and scale than previously possible. These AI-enhanced capabilities may render our existing cybersecurity controls less effective and could increase the likelihood and severity of successful cyberattacks against us or our service providers.

A successful cyberattack, data breach or other security incident could result in unauthorized access to or loss of confidential information; disruption of our banking operations, payment systems or digital platforms; theft or manipulation of funds; significant remediation costs; regulatory investigations and litigation; loss of customer trust and reputational damage; and other adverse consequences, any of which could have a material adverse effect on our business, financial condition and results of operations.

Certain statistical information has not been prepared in accordance with international disclosure standards.

Certain statistical information based on average balances included in this Offering Memorandum has been prepared and calculated on the basis of opening and closing balances, instead of daily averages as required under the Securities Act. Averages calculated on such a basis may vary when compared to averages calculated based on daily data. Average interest rates disclosed in this Offering Memorandum are weighted average nominal interest rates on outstanding principal amounts and are distinct from the effective interest rates presented in the Financial Statements and referred to elsewhere in this Offering Memorandum. Accordingly, you should not place undue importance on statistical information based on average balances or average interest rates.

Disclosure standards that apply to us may differ from those in the United States or other jurisdictions.

Our consolidated financial information is prepared in accordance with IFRS, which differs in certain respects from U.S. GAAP. As a result, our consolidated financial information and reported earnings could be significantly different if they were prepared in accordance with U.S. GAAP. We have made no attempt to quantify the impact of those differences. This Offering Memorandum does not contain reconciliation of our consolidated financial information to U.S. GAAP, and we cannot assure you that such reconciliation would not reveal material differences. Potential investors should consult their own professional advisors for an understanding of the differences between IFRS and U.S. GAAP, and how these differences might affect the financial information herein.

We cannot assure you of the accuracy of facts, forecasts and statistics derived from official government publications contained in this offering memorandum with respect to Mongolia, its economy or its banking industry.

Facts, forecasts and statistics in this Offering Memorandum relating to Mongolia, the Mongolian economy and its banking industry, are derived from various governmental sources and information published by various government authorities, such as Bank of Mongolia, National Statistical Office of Mongolia, or other public sources. We believe these sources of information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading. Such information has not been independently verified by us, and no representation is given as to its accuracy. In addition, these facts, forecasts and statistics may not be consistent

with information available from other sources, and may not be complete or up to date. As a result, you should not place undue reliance on such information.

Our insurance may not be adequate to cover losses or liabilities that may arise.

Consistent with industry practice in Mongolia, we maintain insurance against some, but not all, operational and natural disasters. In particular, consistent with industry practice, we do not maintain coverage for business interruption. We cannot assure you that our insurance will be adequate to cover losses or liabilities that may arise. In addition, we cannot predict the continued availability of insurance at acceptable premium levels. If we fail to renew our existing insurance policies at acceptable premium levels, we might not be able to secure other insurance policies on acceptable terms in a timely manner. A significant uninsured or underinsured claim against us or the failure of our insurers to pay claims could materially and adversely affect our business, financial condition and results of operations.

Risks Relating to Mongolia

Mongolia's economy has experienced recent periods of slow or negative growth.

Mongolia has experienced periods of slow or negative growth, high inflation and a devaluation of the Mongolian currency. Certain policies implemented by the Government from time to time and other factors have caused fiscal imbalances or current account deficits. While the Government has implemented various measures to stabilize the economy and reduce the budget deficit, factors outside of its control, such as the copper prices in 2008 and 2015, the outbreak of COVID-19 in 2019, the ongoing Russia-Ukraine and Middle East wars, periods of continued weak commodity prices or a slowdown in China's economic growth, may materially and adversely affect the economy and operating environment in Mongolia. Consequently, our business operations and assets are subject to the effects of these policies or trends.

In addition, Mongolia has significant amounts of outstanding foreign currency-denominated bonds and Government-guaranteed indebtedness. As of December 31, 2025, the nominal amount of outstanding foreign currency-denominated bonds was US$2.5 billion, which accounted for 25.3% of total outstanding government external debt. In addition to its direct obligations, as of December 31, 2025, the Mongolian Government had two remaining Government-guaranteed external debt obligations of US$46.3 million, which accounted for 0.5% of the total outstanding external government debt. Furthermore, in November 2024, the Capital City of Ulaanbaatar issued US$500 million of 7.75% bonds due 2027, which are the first bonds issued by a Mongolian municipality. These bonds are guaranteed by the Government.

Any slowdown in the Mongolian economy, including a significant deterioration of the fiscal budget or the value of the Tugrik, an increase in interest rates, or decline in global commodity prices for Mongolia's export commodities could adversely affect the ability of Mongolia to meet its obligations under its outstanding and future borrowings, including the Notes.

The closure of the Strait of Hormuz and the broader disruption to global energy markets arising from the war between Israel, the United States and Iran may adversely affect Mongolia's economy through increased petroleum import costs, reduced demand for Mongolian mineral exports and tighter global financial conditions. Although parties in the war are reportedly engaging in negotiations, the pace and outcome of these talks are highly uncertain.

In June 2025, the United States and Israel launched coordinated attacks on Iran, triggering a 12-day war. Although a ceasefire followed and intermittent peace negotiations took place between the United States and Iran, hostilities resumed on February 28, 2026 when the United States and Israel conducted further attacks on Iran. Iran has since carried out retaliatory missile and drone attacks against United States forces and installations across the region, as well as against Israel. Iran has also launched strikes on various targets within GCC member states, including the UAE, Kuwait, Saudi Arabia, Oman, Bahrain and Qatar. The Iranian government has closed the Strait of Hormuz, significantly disrupting global oil shipments and affecting energy markets worldwide.

Although Mongolia is geographically remote from the Middle East, its economy is acutely vulnerable to the secondary and spillover effects of this conflict. Mongolia is an industrially and commercially dependent importer of petroleum products, with approximately 95% of its total petroleum supply sourced from Russia and the remainder from China. Mongolian industrial and other consumers are approximately 95% dependent on imported petroleum products, despite the country having crude oil deposits. The closure of the Strait of Hormuz and the resulting disruption to global energy flows have driven up oil prices worldwide, as oil importers unable to access

supplies from the Persian Gulf have turned to alternative suppliers, putting upward pressure on prices across all markets. This global repricing of crude oil and refined petroleum products directly increases Mongolia's import costs, given that the price Mongolia pays for Russian petroleum products is influenced by global benchmarks. Any sustained increase in global oil prices attributable to the Middle East conflict may further exacerbate Mongolia's vulnerability to fuel supply disruptions and price volatility. Furthermore, the conflict has generated significant volatility in global financial markets and has tightened financial conditions in emerging and developing economies. Mongolia's domestic capital markets remain relatively shallow and illiquid, and any deterioration in global investor sentiment or tightening of international credit conditions could constrain the availability of financing for the Issuer and other market participants. The MNT has historically depreciated materially against the United States Dollar during periods of commodity price weakness and global financial stress, and any further depreciation could increase the cost of Mongolia's petroleum and other essential imports, thereby contributing to domestic inflationary pressures and eroding household purchasing power and business profitability. Mongolia does not currently possess a domestic refinery capable of processing crude oil into refined products at scale. Mongolia lacks the strategic petroleum reserves and refining capacity that would enable it to buffer the impact of a prolonged global energy supply disruption of the kind currently underway. Due to the ongoing uncertainty surrounding this conflict and its progression, it is not currently possible to determine the full impact it may have on our business, results of operations or financial condition. However, possible risks include, among others, heightened volatility in oil prices and increased costs for petroleum imports; increased funding costs and reduced access to international capital markets; disruptions to supply chains affecting Mongolia; reduced demand from China and other trading partners for Mongolian mineral exports; deterioration in asset quality, including an increase in credit defaults among borrowers operating in affected sectors; and currency depreciation and associated inflationary pressures. The occurrence on any of these could therefore affect our ability to perform our obligations in respect of the Notes.

Mongolia has experienced, and may continue to experience, political and social instability.

Mongolia's transition to democracy has been relatively peaceful, transitions between governments have generally been smooth and peaceful, and there has historically been representation of various political parties in the Government. However, tensions continue to exist between and within the country's political parties. Consequently, we cannot assure you that politically generated disturbances will not occur in the future or on a wider scale.

In 2023, Mongolia adopted amendments to its electoral system, introducing a mixed electoral model. Under this system, 78 members of the Parliament are elected through a majoritarian system, while 48 members are elected through proportional representation. The total number of members of Parliament was increased from 76 to 126. In the 2024 parliamentary elections, multiple political parties gained representation in the Parliament, including the Mongolian People's Party ("MPP"), the Democratic Party ("DP"), the HUN Party, and the National Coalition, alongside a number of smaller parties and independent candidates. The MPP again emerged as the largest political party, maintaining its leading position in Parliament. Following the 2024 elections, the MPP entered into a cooperation arrangement with the DP and the HUN Party, resulting in the formation of a coalition government intended to support the implementation of major economic and development policies. And Mr. Luvsannamsrai Oyun-Erdene was reappointed as Prime Minister with overwhelming parliamentary support. In June 2025, Prime Minister Luvsannamsrai Oyun-Erdene resigned after failing to secure sufficient support in a parliamentary vote of confidence amid political controversy and public protests. Following his resignation, the Cabinet stepped down as a whole in accordance with the Constitution and applicable laws of Mongolia. Subsequently, Gombojav Zandanshatar was appointed Prime Minister and served until March 2026, when he resigned amid political tensions within the ruling party and a parliamentary impasse. On March 30, 2026, Nyam-Osor Uchral, Chairman of the MPP and former Chairman of Parliament, was appointed Prime Minister of Mongolia following approval by the Parliament. We cannot assure you that politically generated disturbances will not occur in the future or on a wider scale, or that the new government will not pursue or implement policies that differ significantly from those of the previous government. Future changes in the Government, the ruling party, major policy shifts or lack of consensus between the various political groups and within political parties could lead to political instability and could also have a material adverse effect on our business.

In addition, political and social unrest may arise from time to time in connection with allegations of public corruption or other grievances. For example, in December 2022, large-scale political demonstrations were held in Ulaanbaatar in response to allegations of coal theft and corruption in the coal industry, which involved several former leaders and members of Parliament. On December 13, 2022, the Independent Authority Against Corruption of Mongolia (the "IAAC") announced the arrest of 17 individuals in relation to the alleged coal theft, including two former ministers, seven members of Parliament, and several former directors of Erdenes Tavan Tolgoi JSC. In 2025, the Investigation Department of the IAAC conducted investigative activities in 103 cases commonly

referred to as the "coal theft" cases. Of these, 19 cases were consolidated for joint investigation, 19 cases were referred to the courts, one case was transferred in accordance with jurisdictional issues, and 28 cases were submitted to the Prosecutor's Office with a recommendation for closure. According to the IAAC, 36 cases were undergoing investigative activities, including 31 cases at the case registration stage and five cases at the investigation stage. There were also sporadic protests over air pollution and other social and political issues in Ulaanbaatar in early 2025.

The possibility of political instability and uncertainty could adversely affect trading in the Notes and have a significant adverse impact on the economy of Mongolia, and investors may adopt a more cautious approach towards Mongolia's securities markets or investments in Mongolia in general, and such factors could also adversely affect trading in the Notes.

The Mongolian economy depends heavily on agriculture and commodities for growth, which are cyclical in nature, and is particularly vulnerable to fluctuations in commodity prices.

The Mongolian economy depends heavily on certain market sectors, particularly gold, copper and coal mining and agriculture, including herding livestock. According to the National Statistical Office of Mongolia, mining and quarrying and agriculture accounted for 28.1% and 9.9%, respectively, of Mongolia's GDP for 2023, 27.2% and 7.3%, respectively, of Mongolia's GDP for 2024, 25.3% and 8.9%, respectively, of Mongolia's GDP for 2025, and 40.5% and 3.0%, respectively, of Mongolia's GDP for the three months ended March 31, 2026. Mongolia's reliance on mineral revenue makes the economy vulnerable to being an undiversified, dual mining and quarrying/agricultural economy subject to mineral price volatility and occasional severe winters.

Prices for agricultural products and commodities, such as coal, gold and copper, are based upon or affected by global prices for these products, which tend to be cyclical in nature. The markets for these products are sensitive to changes in industry capacity and output levels and changes in the world and Asian economies (including the imposition of tariffs and/or anti-dumping measures by the United States, the European Union, countries in Southeast Asia or by other principal export markets), all of which can have a significant impact on selling prices. Given these factors, the Mongolian economy is affected by both worldwide and regional levels of demand for these products, along with price competition. Moreover, weak economic conditions or changes in consumer preferences, whether in the world, Asia generally or Mongolia specifically, may reduce demand and put pressure on margins. For example, generally lower prices for copper and coal in global markets put pressure on the pricing of Mongolian copper and coal, which may hamper GDP growth. As Mongolia exports large volumes of metal products, coal and agriculture, declines in commodity prices may reduce the value of Mongolia's exports. To the extent that the Mongolian economy is affected by such price fluctuations, our business, financial condition, results of operations, cash flows and prospects may be adversely affected.

The Mongolian economy is heavily dependent on its export trade and, in particular, relies on China as its main export market. Any decrease in the level of demand in China for exports from Mongolia will affect the Mongolian economy.

The Mongolian economy relies heavily on its export trade and produces and exports large amounts of metal products, coal and agricultural products. Since its transition to a market economy in the 1990s, China has emerged as an important trading partner of Mongolia, mainly due to its geographic proximity and the large size of its market. According to the National Statistical Office of Mongolia, China represented approximately 91.8%, 91.4%, 89.4% and 93.6% of Mongolia's total exports in 2023, 2024 and 2025 and the five months ended May 31, 2026, respectively. Mining products such as copper, coal and other metals are the principal Mongolian exports to China. As the Mongolian economy is heavily dependent on its export trade, trade relationships with other countries can influence Mongolian economic conditions and, in particular, any decrease in the level of demand for its exports for any reason whatsoever would likely affect Mongolia's GDP and economy, which could in turn affect our business and results of operations.

However, China's future economic growth is subject to uncertainties. For example, the U.S. government has advocated for and taken steps to restrict trade in certain goods, particularly from China. The U.S. has also implemented export controls and investment restrictions targeting China. It is uncertain whether the targeted measures and monetary policies that PRC has implemented to increase economic growth will effectively boost domestic consumption and address structural economic weaknesses. As such, there is no assurance that China's economic growth will not experience future slowdowns, which could adversely impact China's demand for exports from Mongolia. We cannot assure you that there will not be an increase in Mongolian imports, a decrease in Mongolian exports, or a reduction in prices of Mongolian exports, that would lead to trade deficits.

Furthermore, in 2023, Mongolia recorded a current account surplus of US$121.3 million and, in 2024, recorded a current account deficit of US$2,485.4 million, primarily due to a higher deficit recorded in the net income balance as a result of the accrued interest payable to Oyu Tolgoi's investors' loans, and a lower surplus goods balance as a result of higher imports compared to the prior year. In 2025, Mongolia recorded a current account deficit of US$2,120.0 million. Any significant current account deficit would adversely affect the Mongolian economy, and therefore, our business, future financial performance and trading in the Notes may be adversely affected.

Emerging markets, including Mongolia, are generally subject to greater risks than more developed markets, and may be particularly vulnerable to fluctuations in the global economy.

The Mongolian market and the Mongolian economy are influenced by economic and market conditions in other countries. Moreover, historically financial turmoil in any emerging market country has on some occasions adversely affect prices in capital markets of many emerging market countries, including Mongolia, as investors move their money to more stable, developed markets. In these types of situations, financial problems or an increase in the perceived risks associated with investing in emerging economies generally could dampen foreign investment in Mongolia and adversely affect the Mongolian economy. A loss of investor confidence in the financial systems of other emerging markets may cause volatility in Mongolian financial markets and indirectly, in the Mongolian economy. Any worldwide financial instability could also have a negative impact on the Mongolian economy. This in turn could negatively impact the Mongolian economy, including the movement of exchange rates and interest rates in Mongolia. In addition, during such times, companies that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. Thus, even if the Mongolian economy remains relatively stable, financial turmoil in any emerging market country could seriously disrupt our business, as well as adversely affect trading in the Notes. Investment in emerging markets is only suitable for investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Investors should also note that emerging markets such as Mongolia are subject to rapid change and that the information set out in this Offering Memorandum may become outdated relatively quickly.

Uncertainties and instability in global market conditions could adversely affect Mongolia's economy.

Global markets have experienced, and may continue to experience, significant dislocation and turbulence due to economic instability in several areas of the world. These ongoing global economic conditions have led to significant volatility in capital markets around the world, including Asia, and further volatility could significantly impact investor risk appetite and capital flows into emerging markets as well as the price of the Notes.

Geopolitical tensions, the Russia-Ukraine and Middle East wars and other conflicts in various countries and regions, may lead to rising oil prices, inflation, and commodity price volatilities. For example, Mongolia's imports of petroleum products from Russia, which Mongolia is heavily dependent on, were temporarily suspended for 15 days beginning September 21, 2023 as Russia imposed a ban on the export of petroleum products.

The global macroeconomic environment has been facing numerous challenges. The growth rate of the Chinese economy had slowed from its previous period of double-digit GDP growth. Considerable uncertainty remains over the long-term effects of the expansionary monetary and fiscal policies that were adopted by the central banks and financial authorities of some of the world's leading economies, including the EU, the United States, Japan and China, in reaction to the global financial crisis that began in 2007. Protests, unrest, terrorist threats and the war in the Middle East, and elsewhere may increase market volatility across the globe. In particular, the tensions between China and the United States have raised concerns with respect to trade, treaties, tariffs, and international organizations since 2018. As both countries are important trading partners for many countries, the continued friction between them, including possible confrontations over Taiwan or the South China Sea, have introduced significant uncertainties and volatility to international trade and the financial markets. In addition, there is substantial uncertainty regarding higher U.S. tariff rates on imports from other countries implemented since April 2025 and their impact on global economic growth and the level of international trade. Mongolia's economy is heavily intertwined with that of China. Trade with China typically accounts for a very substantial majority of Mongolia's total trade, while trade with Switzerland, the United States, Russia and other countries typically accounts for approximately 10% to 13%. Any severe disruption or prolonged slowdown in the global or Chinese economy may materially and adversely affect Mongolia's trade volumes, economic performance, as well as the value of the Notes.

We cannot assure you that the uncertainties affecting global markets will not negatively impact credit markets in Asia, including Mongolia. These developments may adversely affect trade volumes with potentially negative effects on Mongolia.

Corruption and bribery are threats to Mongolia's development and economic growth.

Corruption and bribery are threats to Mongolia's development and economic growth. The Independent Authority Against Corruption has investigated, and is conducting ongoing investigations in relation to allegations of corruption, misuse of power, misappropriation of state funds and bribery against former Government officials. See "—Mongolia has experienced, and may continue to experience, political and social instability." In connection with the so-called Coal Theft cases on January 31, 2024, the former Minister of Labour and Social Protection and the former Director of Erdenes Tavan Tolgoi JSC were convicted by a criminal court. On April 17, 2026, the former Minister of Transport and the former Head of the Presidential Office were also each sentenced to approximately two years' imprisonment. There is no publicly available information regarding the remaining individuals. Any alleged acts of corruption and bribery by Government officials could materially and adversely affect the Government, the Mongolian economy, the political environment and stability, negatively impact investor confidence and adversely affect trading in the Notes.

Mongolia faces risks related to health epidemics and other outbreaks of contagious diseases.

The Mongolian economy could be adversely affected by the outbreaks of severe acute respiratory syndrome ("SARS") or an outbreak of any other epidemic, such as Middle East respiratory syndrome ("MERS"), the avian influenza A (H5N1 and H7N9) virus or the influenza A (H1N1) virus or other widespread communicable disease. In particular, the COVID-19 pandemic beginning in 2019 had an adverse impact on Mongolia in terms of international trade and business activities. Mongolia declared a state of emergency in response to the outbreak on January 17, 2020. COVID-19 significantly affected the Mongolian economy in 2020 through 2023, and the residual effects of the pandemic, including on government finances, continues. Measures taken by the Government to combat the spread of COVID-19, such as suspensions of air travel, limited operation hours for all types of restaurants and closures of schools, adversely affected various sectors of the economy.

Moreover, while Mongolia's COVID-19 situation improved, corresponding improvement in Mongolia's economic performance did not catch up immediately, primarily because Mongolia depends substantially on the export sector for economic growth, in particular exports to China. In early 2020, as part of its "Zero COVID" policy, China imposed a strict lockdown, which led to decreased demand for coal imports and physical closures of border crossings between Mongolia and China for extended periods.

An outbreak of avian flu in China could result in a widespread health crisis that has the potential to spread to Mongolia and could adversely affect the economies and financial markets of many countries, including Asian countries. COVID-19 and new variants of the disease continue to circulate globally. Also, health officials globally are concerned about the growing number of H5N1 influenza, also known as bird flu. In addition, any recurrence of SARS, MERS or any other epidemic would also have similar adverse effects. As a significant portion of Mongolia's economy relies on trade with China, these outbreaks of contagious diseases, and other adverse public health developments in China, could have a material adverse effect on its economy and adversely affect trading in the Notes.

Any downgrade of Mongolia's credit rating could have a material adverse effect on the market value and trading price of the Notes.

Our issuer credit ratings from Moody's, S&P and Fitch are B1, BB- and B+, respectively, and are equivalent to Mongolia's long-term sovereign credit ratings. According to the rating agencies, this reflects our integral link with the Government through our 100.0% ownership by the Government and ongoing Government support for our critical policy-oriented role in the Mongolian economy. Any downgrades in Mongolia's sovereign rating or placement of Mongolia on ratings watch may have an adverse effect on the market value and trading price of the Notes. Furthermore, as a consequence of any downgrade, our ability to obtain external funding to meet obligations under the Notes may be adversely affected. A credit rating is not a recommendation to buy, sell, or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A credit rating may not reflect the potential impact of all risks related to the structure, market, additional factors above and other factors that may affect the value of the Notes issued. Negative changes to Mongolia's credit ratings may affect the availability of financing for us from new and existing counterparties.

Mongolia may be subject to periods of high inflation, which could have a material adverse effect on Mongolia's economy.

Mongolia depends on imported goods from foreign countries. Mongolia recently experienced periods of high inflation, especially for food, refined petroleum and electricity, primarily as a result of supply-side and global factors, including high international prices, stagnant domestic production, and supply disruptions related to China's border restrictions in response to the COVID-19 pandemic and sanctions against Russia related to the Russia-Ukraine conflict. Mongolia's inflation has been exacerbated by currency depreciation, as this significantly increased the prices for imported goods, which are primarily priced in foreign currencies, including the U.S. dollar. In 2023, 2024 and 2025, Mongolia's inflation rate was 7.9%, 8.4% and 7.5%, respectively. In May 2026, Mongolia's inflation increased to 11.2%.

The Bank of Mongolia has implemented a number of measures to try to contain inflationary pressures. Between December 2021 and September 2022, the Monetary Policy Committee of the Bank of Mongolia (MPC) raised the policy rate by an aggregate of 6.0 percentage points, with the policy rate reaching 13.0% in December 2022 which remained unchanged until the end of 2023. The MPC subsequently reduced the policy rate in 2024 several times and it was 10.0% as of December 31, 2024. In March 2025, the policy rate was raised to 12.0% and remained stable at 12.0% as of March 20, 2026. The MPC also adopted additional measures with the objective to stabilize inflation in the medium term, including widening the policy rate corridor to the pre-COVID-19 level, which is ± 2.0 percentage points, and excluding certain bank liabilities newly funded on international markets from reservable liabilities.

However, there can be no assurance that measures taken by the Bank of Mongolia and the Government will be successful in meeting the Bank of Mongolia's inflation target or that inflation will not otherwise increase further in the future. In particular, the inflation may continue for prolonged periods if China's economic slowdown affects trade, if the Russia-Ukraine and Middle East wars continue, or if energy prices continue to rise. Increased prices of energy and commodities have disproportionally affected low-income families and local farmers and herders, who have to cut back on other necessities and incur additional debts. Similarly, small and medium enterprises that suffered from the COVID-19 pandemic were further impacted by consequences that resulted from the Russia-Ukraine conflict. In addition, increases in the policy rate in 2022 and 2025 also increased the domestic borrowing costs and may result in lower levels of lending and decreased economic growth. High and persistent inflation may materially and adversely affect Mongolia's economic growth and stability, thereby negatively impacting investor confidence and adversely affecting the price of the Notes.

Mongolia has limited foreign exchange reserves, significant foreign debt and faces risks of further currency depreciation.

The Mongolian economy has from time to time been subject to serious pressure on its balance of payments due to the significant deterioration of commodity export prices, expenditures for exports, and sharp declines in foreign direct investment. Except for 2023, when Mongolia recorded a current account surplus, it recorded current account deficits in 2021, 2022, 2024 and 2025. Foreign exchange liquidity has also been under pressure from time to time, including due to import growth (including to fund equipment imports for mining and mineral processing operations) and sharp declines in inward financial flows and commodity export proceeds. Mongolia has significant amounts of outstanding foreign currency-denominated bonds and Government-guaranteed indebtedness. As of December 31, 2025, the nominal amount of outstanding foreign currency-denominated bonds was US$2.5 billion, which accounted for 27.8% of total outstanding government external debt, and the amount of outstanding concessional loans was US$6.5 billion, which accounted for 71.7% of total nominal outstanding government external debt. In addition to its direct obligations, as of December 31, 2025, the Government had two remaining Government-guaranteed external debt obligations of US$46.3 million and local government debt of US$514.7 million, which accounted for 5.9% of the total outstanding external government debt. This local government debt is the US$500 million of 7.75% bonds due 2027 issued by the Capital City of Ulaanbaatar in November 2024, which are the first bonds issued by a Mongolian municipality. These bonds are guaranteed by the Government. Weak external demand, lower capital inflows and the slowdown in the Mongolian economy present refinancing risks with respect to these debt instruments. If foreign exchange reserves were to decline, Mongolia's ability to repay its foreign currency-denominated debts would be materially and adversely affected. In the past decade, the Mongolian currency experienced significant depreciations. In 2022, the value of the Tugrik relative to major foreign currencies in general and the U.S. dollar in particular fluctuated widely, and the value of the Tugrik has generally declined. Starting from March 2022, the depreciation of the Tugrik against the U.S. dollar further accelerated, primarily due to higher imports related to infrastructure and construction projects and the increasing demand for consumer durables and services financed by savings accumulated during the COVID-19 pandemic, which in turn led to an outflow of dollars. In 2023, 2024 and 2025, the value of the Tugrik relative to the U.S.

dollar has been comparatively stable, although it has generally depreciated. Mongolia depends on China, which is Mongolia's largest trading partner, for certain aspects of financial stability. This includes long-term currency swaps between China's central bank, the People's Bank of China, and the Bank of Mongolia through which Tugrik and Renminbi are exchanged. The first swap arrangement between the two countries was established in 2011 with the objective of promoting bilateral trade and providing short-term liquidity to stabilize financial markets. From 2011 to 2016, the total usage under the agreement amounted to RMB12 billion. Since 2017, the Bank of Mongolia has been rolling over the outstanding amount and making annual interest payments. Supported by an improved economic outlook and positive expectations, the Bank of Mongolia repaid approximately half of the outstanding amount during 2023 and 2024, reducing the utilized amount to RMB6 billion. Mongolia and China are currently preparing for an extension of the currency swap arrangement, which is expected to be completed in 2026.

The Mongolian legal system is less developed than the legal systems of more developed countries.

The legal system in Mongolia is at an early stage of development and has various uncertainties that could limit the full legal protections that may be available to Noteholders in more developed countries. The legal framework in Mongolia is, in many instances, based on recent political reforms or newly enacted legislation, which may not be consistent with long-standing local conventions and customs. Local institutions and bureaucracies responsible for administrating laws may lack proper understanding of the laws or the experience necessary to apply them in a modern business context. As a result, certain business arrangements or structures and certain tax planning mechanisms may carry significant risks. In particular, when business objectives and practicalities dictate the use of arrangements and structures that, while not necessarily contrary to settled Mongolian law, are sufficiently novel within a Mongolian legal context, it is possible that such arrangements may be invalidated. The Government may also, in certain circumstances interfere with the performance of contracts or engage in unlawful, selective or arbitrary actions, such as the tax dispute with Turquoise Hill. We cannot assure you that the Government will not engage in such actions in the future such that our business and operations would be materially and adversely affected. The following risks relating to the Mongolian legal system create uncertainties, many of which rarely exist in countries with more developed market economies:

- inconsistencies among, or uncertainties in the application or official interpretation of, laws, decrees, orders and regulations, and regional and local rules and regulations, as a result of limited judicial guidance, lack of stare decisis or established precedents and other factors;
- limited judicial guidance on interpreting Mongolian legislation;
- gaps in the regulatory structure due to delay in, or absence of, implementing regulations;
- the lack of experience of judges and courts in interpreting new principles of Mongolian legislation, particularly those relating to securities laws;
- a relatively high degree of discretion on the part of governmental authorities; and
- bankruptcy procedures that are not well developed and are subject to abuse.

In general, the Mongolian judicial system is relatively inexperienced in enforcing the laws and regulations that currently exist, leading to a degree of uncertainty as to the outcome of any litigation. The Mongolian judicial system may also favor Mongolian parties over foreign companies and individuals. Further, it may be difficult to obtain swift and equitable enforcement, or to obtain enforcement of a judgment by a court of another jurisdiction. The introduction of new Mongolian laws and regulations and the application or interpretation of existing ones may be subject to policy changes reflecting domestic political or social changes. As the Mongolian legal system continues to develop, we cannot assure you that changes in such legislation or application or interpretation thereof will not have a material adverse effect on our business, financial condition, results of operations and future prospects.

In addition, while legislation has been enacted to protect private property against expropriation and nationalization, due to the lack of experience in enforcing these provisions and political factors, these protections may not be enforced in the event of an attempted expropriation or nationalization. Expropriation or nationalization of any of our businesses, our assets or portions thereof, potentially without adequate compensation, could have a material adverse effect on our business and prospects and on the trading price of the Notes.

It may not be possible for investors to effect service of process or to enforce certain judgments on us.

We are a policy bank wholly owned by the Government of Mongolia. All or a substantial portion of our assets are located in Mongolia. In addition, all directors and officers are residents of Mongolia and all or a substantial portion of their assets are or may be located in Mongolia. As a result, it may be difficult for you to effect service of process upon us or such persons, or to enforce against us or them judgments obtained in courts or arbitral tribunals outside Mongolia predicated upon the laws of jurisdictions other than Mongolia, including the civil liability provisions of the United States federal or state securities laws.

We have been advised by our Mongolian legal counsel that the courts of Mongolia will not enforce judgments of U.S. courts obtained against us, our directors or officers predicated upon the civil liability provisions of the U.S. federal or state securities laws, and original actions brought in Mongolia against us, our directors or officers predicated upon the U.S. federal or state securities laws will not be enforced. There can be no assurance that the claims or remedies available under Mongolian law will be the same, or as extensive, as those available in other jurisdictions.

Risks Relating to the Notes

The Notes will not benefit from any guarantee from the Government of Mongolia or otherwise.

The Notes are our unsecured obligations only, and the payment of principal, interest or any other amounts in respect of the Notes will not be guaranteed by the Government of Mongolia or any other person. Moreover, neither we nor the Notes will benefit from any keepwell or similar arrangements, or any other form of contractually binding credit support.

The Notes will be effectively subordinated to any of our and our subsidiaries' secured obligations to the extent of the assets serving as security therefor.

The Notes will constitute unsubordinated obligations and will rank pari passu in right of payment with all other existing and future unsubordinated indebtedness and senior in right of payment to all our subordinated indebtedness. The Notes will be issued as a general obligation of the Issuer. However, the Notes will be effectively subordinated to any of our and our subsidiaries' secured obligations to the extent of the assets serving as security for such secured obligations. In bankruptcy, the holder of a security interest with respect to any assets of the Issuer or its subsidiaries would be entitled to have the proceeds of such assets applied to the payment of such holder's claim before the remaining proceeds, if any, are applied to the claims of the holders of the Notes. As of March 31, 2026, we had outstanding secured indebtedness in the amount of MNT 169,443.2 million (US$47.5 million), representing our loan from China Development Bank, which is guaranteed by the Government.

The Notes do not restrict our ability to incur additional indebtedness, make restricted payments, repurchase the Notes or to take other actions that could negatively impact holders of the Notes.

We are not restricted under the terms of the Notes from incurring additional indebtedness, including secured indebtedness, making restricted payments, or from repurchasing the Notes (except as described under "Description of the Notes—Certain Covenants"). In addition, the covenants applicable to the Notes do not require us to achieve or maintain any minimum financial results relating to its financial positions or results of operations. Our ability to recapitalize, incur additional indebtedness and take other actions that are not limited by the terms of the Notes could have the effect of diminishing our ability to make payments on the Notes when due.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on and to refinance our indebtedness, including these Notes, and to fund our operations will depend on our ability to generate cash. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

Our business might not generate cash flow from operations in an amount sufficient to enable us to pay our indebtedness, including the Notes, or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness, including the Notes, on or before maturity. We might not be able to refinance any of our indebtedness on commercially reasonable terms or at all.

We have substantial indebtedness and may incur substantial additional indebtedness in the future, which could adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future indebtedness obligations.

We now have, and will continue to have after the offering of the Notes, a substantial amount of indebtedness.

Our substantial indebtedness could have important consequences to you. For example, it could:

- limit our ability to satisfy our obligations under our outstanding and future indebtedness (including under the Notes);
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our ability to borrow additional funds; and
- increase the cost of additional financing.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities.

If we are unable to comply with the terms of the Indenture or our existing or future indebtedness agreements, there could be a default under those agreements, which could cause repayment of our indebtedness to be accelerated.

If we are unable to comply with the terms in the Indenture or our existing or future indebtedness obligations and other agreements, there could be a default under those agreements. If that occurs, the holders of the indebtedness could terminate their commitments to lend to us, accelerate repayment of the indebtedness and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, the Indenture and certain of our existing loan agreements contain, and our future indebtedness agreements are likely to contain, cross-acceleration or cross-default provisions. As a result, our default under one indebtedness agreement may cause the acceleration of repayment of not only such indebtedness but also other indebtedness, including the Notes, or result in a default under our other indebtedness agreements, including the Indenture. If any of these events occur, our assets and cash flow might not be sufficient to repay in full all of such indebtedness and we might not be able to find alternative financing. See "—We have been in breach of certain financial covenants under our debt instruments and borrowing agreements, and certain waivers obtained in respect of these breaches are of limited duration".

Downgrades in the Government's credit rating could trigger default provisions and accelerations under our indebtedness.

Downgrades in the Government's credit rating could cause outstanding amounts under our existing loans (and any similar future obligations) guaranteed by the Government which have terms providing for acceleration of amounts outstanding upon a ratings downgrade to become due and payable. An acceleration under these loans could also trigger cross-default provisions and accelerations under other loans not guaranteed by the Government. In the event of such a downgrade and absent a waiver of such provisions, we would be obligated to make repayments under such loans, which could materially and adversely affect our ability to repay or refinance our other indebtedness obligations, including the Notes.

Certain other negative developments relating to the Government's financial condition may trigger default provisions under the Notes.

Certain other negative developments in the Government's financial condition will constitute an event of default under the Notes and may result in a cross default of other indebtedness. For example, a moratorium on payment of certain of its indebtedness, including obligations under guarantees, the Government becoming liable to pay certain of its external indebtedness prior to maturity, the international monetary reserves of the Government becoming subject to a security interest, segregation or other preferential arrangement for the benefit of any creditors, or any analogous event, would constitute an event of default under the Notes. In the event of such negative developments, and absent a waiver of such provisions, we would be obligated to repay the Notes. There

can also be no assurance that we would have sufficient liquidity or be able to arrange sufficient financing to meet our repayment obligations under the Notes upon the occurrence of such an event of default.

The insolvency laws of Mongolia may differ from U.S. bankruptcy law or those of other jurisdictions with which holders of the Notes are familiar.

Because we are incorporated under the laws of Mongolia, any insolvency proceeding relating to us, even if brought in the United States, would likely involve Mongolian insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of United States federal bankruptcy law or other jurisdictions with which the holders of the Notes are familiar. We conduct substantially all of our business operations in Mongolia. You should analyze the risks and uncertainties carefully before you invest in our Notes.

The liquidity and price of the Notes following the offering may be volatile.

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and proposals for new investments, strategic alliances and acquisitions, interest rates, the general state of the securities market and fluctuations in price for comparable companies could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. We cannot assure you that these developments will not occur in the future.

A trading market for the Notes may not develop, and there are restrictions on resale of the Notes.

The Notes are a new issue of securities for which there is currently no trading market. Although application will be made to the SGX-ST for the listing of the Notes on the SGX-ST, where the Original Notes were listed, we cannot assure you that we will be able to obtain or maintain a listing on the SGX-ST and, even if listed, a liquid trading market might not develop. If no active trading market develops, you may not be able to resell your Notes at their fair market value or at all. Future trading prices of the Notes will depend on many factors, including prevailing interest rates, our operating results and the market for similar securities, which are beyond our control. We have been advised that the Initial Purchasers intend to make a market in the Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See "Transfer Restrictions." We cannot predict whether an active trading market for the Notes will develop or be sustained. If an active trading market for the Notes does not develop or is not sustained, the market price and liquidity of the Notes may be adversely affected.

The transfer of the Notes is restricted, which may adversely affect their liquidity and the price at which they may be sold.

The Notes have not been registered under, and we are not obligated to register the Notes under, the Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. See "Plan of Distribution" and "Transfer Restrictions." We have not agreed to or otherwise undertaken to register the Notes with the SEC or the securities regulatory authority of any other jurisdiction, and we have no intention of doing so.

The Notes have been rated and credit ratings may not reflect all risks.

The Notes are expected to be rated BB- by S&P and B1 by Moody's. To the extent that any credit rating agencies assign credit ratings to the Notes, or to the Issuer, such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A rating may not remain for any given period of time and could be lowered or withdrawn entirely by the relevant rating agency. A credit rating or the absence of a rating is not a recommendation to buy, sell or hold Notes and may be revised or withdrawn by the relevant rating agency at any time, which may adversely affect the market price of the Notes. We have no obligations to inform holders of the Notes of any such revision, suspension or withdrawal.

The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificated form and held through DTC and Euroclear and Clearstream as participants in DTC. Interests in the global notes representing the Notes will trade in book-entry form only, and notes in definitive registered form will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of the Notes for purposes of the indenture. The nominee for DTC will be the sole registered holder of the global notes. Accordingly, you must rely on the procedures of DTC, and if you are not a participant in DTC, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the indenture. Upon the occurrence of an Event of Default under the Indenture, unless and until definitive registered notes are issued with respect to all book-entry interests, if you own a book-entry interest, you will be restricted to acting through DTC. The procedures to be implemented through DTC may not be adequate to ensure the timely exercise of rights under the Notes. See "Description of the Notes—Book-Entry; Delivery and Form."

The Trustee may request that the Noteholders provide an indemnity and/or security and/or prefunding to its satisfaction before taking certain actions on behalf of the Noteholders.

In certain circumstances, the Trustee may (at its sole discretion) request the Noteholders to provide an indemnity and/or security, and/or prefunding to its satisfaction before it takes actions on behalf of Noteholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured, and/or prefunded to its satisfaction. Negotiating and agreeing to any indemnity and/or security, and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the indenture (as subsequently supplemented and/or amended) governing the Notes and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of Notes to take such actions directly.

We will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, which standards may be different from those applicable to debt securities listed in certain other countries.

We will be subject to reporting obligations in respect of the Notes to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different from those imposed by securities exchanges in other countries such as the United States or Hong Kong. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

Change of laws may adversely impact your rights under the Notes.

The Notes are governed by New York law in effect as of the date of this Offering Memorandum. We cannot assure you as to the impact of any possible judicial decision or change to New York law or administrative practice after the date of this Offering Memorandum.

Investors may be exposed and subject to exchange rate risks and exchange controls.

The Issuer will pay principal and interest on the Notes in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the U.S. dollar. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. dollar would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal

The Issuer may not be able to repurchase the Notes upon a Change of Control (or consummate the required Change of Control Offer).

The Issuer has agreed in the Indenture that it will timely repay all Debt or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement, if the Issuer is unable to repay (or cause to be repaid) all of the Debt, if any, that would prohibit repurchase of the Notes, or the Issuer is unable to obtain the requisite consents of the holders of such Debt or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, the Issuer would continue to be prohibited from purchasing the Notes. In that case, the failure by the Issuer to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control under the Notes will also constitute an event of default under certain other debt instruments of the Issuer or its Subsidiaries. Future Debt of the Issuer may also (i) prohibit the Issuer from purchasing Notes in the event of a Change of Control, (ii) provide that a Change of Control is a default or (iii) require repurchase of such Debt upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to purchase the Notes could cause a default under other Debt, even if the Change of Control itself does not, due to the financial effect of the purchase on the Issuer. The ability of the Issuer to pay cash to the Holders following the occurrence of a Change of Control may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds (or third-party financing on acceptable terms, or at all) will be available when necessary to make the required purchase of the Notes.

There is uncertainty regarding the interpretation of "all or substantially all" in the definition of Change of Control.

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a person (or of the Issuer and its Subsidiaries, taken as a whole).

USE OF PROCEEDS

The net proceeds from this offering, inclusive of US$1.2 million accrued interest from July 2, 2026 to but not including July 28, 2026 and after deducting fees, commissions and other estimated expenses payable in connection with this offering, are estimated to be approximately US$248.0 million. We intend to use the proceeds of the Notes to fund our business operations, including our lending operations.

SUMMARY FINANCIAL INFORMATION AND OTHER DATA

The following tables set forth our summary financial information and other data as of the dates and for the periods indicated. This Offering Memorandum includes our financial information which has, unless otherwise indicated, been extracted from our Financial Statements which are included in this Offering Memorandum. This section should be read in conjunction with the Financial Statements and the notes thereto included elsewhere in this Offering Memorandum, as well as the sections entitled "Presentation of Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Selected Statistical Data" and "Risk Factors – Risks Relating to Our Operations – We are subject to changes in financial reporting standards or policies which could materially adversely affect our reported results of operations and financial condition."

Our financial position and results of operations as of any past date or for any past period are not and should not be taken as an indication of our performance, financial position or results of operations in future years.

Selected Statements of Profit or Loss and Other Comprehensive Income

	For the year ended December 31,				For the three months ended March 31,		
	2023	2024	2025		2025	2026	
	(MNT millions)	(MNT millions)	(MNT millions)	(US$ millions)	(MNT millions)	(MNT millions) (unaudited)	(US$ millions)
Interest and similar income	192,368.1	172,982.0	186,327.6	52.2	48,791.7	51,731.7	14.5
Interest and similar expense	(215,094.3)	(188,655.5)	(233,488.6)	(65.4)	(47,040.9)	(66,126.0)	(18.5)
Net interest (expense)/income	**(22,726.2)**	**(15,673.5)**	**(47,161.0)**	**(13.2)**	**1,750.8**	**(14,394.3)**	**(4.0)**
Credit loss (expense)/reversal	56,284.0	73,191.9	(167,932.5)	(47.1)	(8,501.9)	15,723.2	4.4
Net interest (expense)/income after reversal of credit loss impact	**33,557.8**	**57,518.4**	**(215,093.5)**	**(60.3)**	**(6,751.1)**	**1,328.9**	**0.4**
Fee and commission income	55.1	58.9	4.0	0.0[(1)]	1.1	1.1	0.0[(1)]
Fee and commission expense	(136.8)	(153.7)	(745.0)	(0.2)	(35.1)	(166.4)	(0.0)[(1)]
Other (expense)/income, net	535.4	5,132.6	(18,931.9)	(5.3)	—	303.7	0.1
Foreign exchange translation gains less losses	20,254.3	(18,339.9)	(10,600.2)	(3.0)	(8,745.0)	(2,528.0)	(0.7)
Net gains/(losses) from derivative financial instruments	(14,119.8)	2,746.3	(19,445.3)	(5.4)	1,239.8	(14,316.8)	(4.0)
Administrative and other operating expenses	(13,837.5)	(16,967.7)	(21,315.4)	(6.0)	(4,095.2)	(5,406.4)	(1.5)
Profit/(Loss) before tax …	**26,308.5**	**29,994.9**	**(286,127.3)**	**(80.2)**	**(18,385.5)**	**(20,783.9)**	**(5.8)**
Income tax expense	(58,545.1)	(37,907.7)	(3,009.5)	(0.8)	(14,412.4)	(3,333.6)	(0.9)
Profit/(loss) for the year/period	**(32,236.6)**	**(7,912.8)**	**(289,136.8)**	**(81.0)**	**(32,797.9)**	**(24,117.5)**	**(6.8)**
Other comprehensive income/(loss) (net of tax):							
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):							
Net change in fair value of debt instruments at fair value through other comprehensive income		—	1,637.9	0.5	—	(4,116.0)	(1.2)
Net amount reclassified to profit or loss	21,795.5	855.3	—	—	—	—	—
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):							

	For the year ended December 31,				For the three months ended March 31,		
	2023	2024	2025		2025	2026	
	(MNT millions)	(MNT millions)	(MNT millions)	(US$ millions)	(MNT millions)	(MNT millions) (unaudited)	(US$ millions)
Revaluation (loss)/gain on equity instruments at fair value through other comprehensive income	4,022.0	(12,551.3)	947.8	0.3	(3,629.0)	(3,467.2)	(1.0)
Net amount reclassified to profit or loss	(9,606.4)	—	—	—	—	—	—
Other comprehensive income/(loss) for the year/period, net of tax	**16,211.1**	**(11,696.0)**	**2,585.7**	**0.7**	**(3,629.0)**	**(7,583.2)**	**(2.1)**
Total comprehensive income/(loss) for the year/period, net of tax	**(16,025.5)**	**(19,608.8)**	**(286,551.1)**	**(80.3)**	**(36,426.9)**	**(31,700.7)**	**(8.9)**

(1) Denotes that the amount is less than US$0.05 million or 0.05%, as the case may be.

Selected Statements of Financial Position Assets:

	As of December 31,				As of March 31,	
	2023	2024	2025		2026	
	(MNT millions)	(MNT millions)	(MNT millions)	(US$ millions)	(MNT millions) (unaudited)	(US$ millions)
Assets:						
Cash and cash equivalents	144,557.6	365,190.5	1,184,135.2	331.8	778,533.0	218.2
Bank deposits	15,875.7	73,115.9	7,282.8	2.0	37,525.9	10.5
Financial investments:	399,089.2	246,835.0	266,530.0	74.7	361,763.0	101.4
Equity instruments at fair value through other comprehensive income	67,803.0	51,068.0	52,331.6	14.7	47,708.7	13.4
Debt instruments at fair value through other comprehensive income	143,535.3	—	39,127.4	11.0	135,837.9	38.1
Debt instruments at amortized cost	187,750.9	195,767.0	175,071.0	49.1	178,216.4	49.9
Financial derivatives assets	—	2,560.0	14,216.1	4.0	3,811.5	1.1
Loans and advances including lease receivables	1,258,116.2	1,322,048.2	1,192,051.0	334.0	1,178,863.6	330.3
Other assets	114,411.1	101,767.0	77,635.2	21.8	74,485.4	20.9
Assets held for sale	—	76,508.6	3,241.6	0.9	530.0	0.1
Repossessed assets	166,027.2	89,835.1	143,081.1	40.1	143,081.1	40.1
Property and equipment	24,278.8	23,709.3	22,950.8	6.4	22,660.9	6.3
Intangible assets	249.7	240.1	260.7	0.1	243.8	0.1
Income tax receivables	—	—	2,443.6	0.7	2,331.7	0.7
Other tax receivables	17.5	—	—	—	—	—
Total assets	**2,122,623.0**	**2,301,809.7**	**2,913,828.1**	**816.5**	**2,603,829.9**	**729.6**

	As of December 31,				As of March 31,	
	2023	2024	2025		2026	
	(MNT millions)	(MNT millions)	(MNT millions)	(US$ millions)	(MNT millions) (unaudited)	(US$ millions)
Liabilities:						
Financial derivatives liabilities	4,227.8	1,382.0	17,448.1	4.9	14,720.5	4.1
Customer accounts	8,815.3	3,152.4	7,859.1	2.2	6,471.8	1.8
Time deposits	34,123.7	—	—	—	—	—
Other liabilities	11,867.9	3,729.5	7,969.6	2.2	2,940.9	0.8
Due to other banks and financial institutions	225,210.3	108,043.3	59,313.3	16.6	13,401.0	3.8
Debt securities issued	687,477.8	1,392,012.5	2,449,277.0	686.3	2,220,998.8	622.4
Borrowings	707,401.7	345,709.0	208,956.5	58.6	213,645.3	59.9
Other tax payable	809.4	1,418.8	1,369.7	0.4	1,247.5	0.3
Current income tax payable	1,012.6	601.5	216.7	0.1	216.7	0.1
Deferred tax liabilities	11,541.9	35,234.9	37,443.4	10.5	37,913.5	10.6
Total liabilities	**1,692,488.4**	**1,891,283.9**	**2,789,853.4**	**781.8**	**2,511,556.0**	**703.8**
Equity:						

	As of December 31,				As of March 31,	
	2023	2024	2025		2026	
	(MNT millions)	(MNT millions)	(MNT millions)	(US$ millions)	(MNT millions)	(US$ millions)
Contributed capital	1,216,300.3	1,216,300.3	1,216,300.3	340.8	1,216,300.3	340.8
Other reserve	37,972.7	26,276.7	34,053.9	9.5	26,470.7	7.4
Retained earnings	(824,138.4)	(832,051.2)	(1,126,379.5)	(315.6)	(1,150,497.1)	(322.4)
Total equity	**430,134.6**	**410,525.8**	**123,974.7**	**34.7**	**92,273.9**	**25.9**
Total liabilities and equity.....	**2,122,623.0**	**2,301,809.7**	**2,913,828.1**	**816.5**	**2,603,829.9**	**729.6**

Selected Statement of Cash Flows

	For the year ended December 31,				For the three months ended March 31,		
	2023	2024	2025		2025	2026	
	(MNT millions)	(MNT millions)	(MNT millions)	(US$ millions)	(MNT millions)	(MNT millions) (unaudited)	(US$ millions)
Net cash (used in)/generated from operating activities.....	1,006,955.0	(100,595.6)	(23,217.4)	(6.5)	(76,995.6)	(102,237.0)	(28.6)
Net cash (used in)/generated from investing activities	(106.6)	(431.8)	11,820.1	3.3	(91.7)	(94,111.8)	(26.4)
Net cash (used in)/generated from financing activities.....	(1,752,701.8)	321,951.3	827,933.6	232.0	(124,541.9)	(211,167.7)	(59.2)
Effect of exchange rate changes on cash and cash equivalents ...	(6.2)	(291.0)	2,717.6	0.8	6,082.3	2,117.9	0.6
Net (decrease)/increase in cash and cash equivalents.....	(745,859.6)	220,632.9	819,253.9	229.6	(195,546.9)	(405,398.6)	(113.6)
Cash and cash equivalents at the beginning of the year/period	890,417.2	144,557.6	364,461.8	102.1	365,190.5	1,183,715.7	331.7
Cash and cash equivalents at the end of the year/period.....	144,557.6	365,190.5	1,183,715.7	331.7	169,643.6	778,317.1	218.1

SELECTED STATISTICAL DATA

This section should be read in conjunction with the Financial Statements and the notes thereto included elsewhere in this Offering Memorandum, as well as the sections entitled "Presentation of Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors—Risks Relating to Our Operations—We are subject to changes in financial reporting standards or policies which could materially and adversely affect our reported results of operations and financial condition."

For 2023, 2024 and 2025, average balance sheet data is based on the average of the opening balance as of January 1 of each year and the closing balance as of December 31 of each year. The average balance sheet data as of March 31, 2025 and 2026 is based on the average of the opening balance as of January 1 of the period and the closing balance as of March 31 of the period.

Distribution of assets, liabilities and equity; interest rates and interest differential

Average balances of balance sheet items, interest income, interest expense and average rates

The following tables present our average balances of balance sheet items, interest income, interest expense, average rate on interest-earning assets, and average rates on interest-bearing liabilities as of the dates indicated. Average balances are calculated as described above.

	Year ended December 31,								
	2023			2024			2025		
	Average balance	Interest income	Average rate[1]	Average balance	Interest income	Average rate[1]	Average balance	Interest income	Average rate[1]
	(MNT millions, except percentages)								
Assets:									
Interest-earning assets:									
Loans and advances including lease receivables	1,385,868.2	104,418.2	4.4%	1,290,082.2	125,814.8	1.8%	1,257,049.6	114,324.1	6.3%
Cash equivalent	517,486.1	3,460.7	0.0%[2]	254,873.4	10,641.3	3.9%	774,662.1	40,977.0	7.5%
Bank deposits	14,980.3	490.4	0.3%	44,495.8	302.9	10.3%	40,199.3	1,294.1	3.6%
Financial investments	576,130.9	77,115.2	8.8%	263,526.6	27,615.3	7.8%	204,982.8	23,815.2	7.9%
Other receivables	100,582.7	6,883.6	0.0%[2]	107,180.8	8,607.6	0.0%[2]	89,094.2	5,917.2	2.4%
Total interest-earning assets	2,595,048.2	192,368.0	5.0%	1,960,158.8	172,982.0	2.9%	2,365,988.0	186,327.5	6.8%
Non interest-earning assets:	–			–			–		
Cash on hand	1.3	–	–	0.6	–	–	0.7	–	–
Derivative financial instruments	10,877.0	–	–	1,280.0	–	–	8,388.0	–	–
Equity instruments	65,121.7			59,435.5			51,699.8		
Assets held for sale	–	–	–	38,254.3	–	–	39,875.1	–	–
Repossessed assets	170,416.5	–	–	127,931.2	–	–	116,458.1	–	–
Property and equipment	24,117.2	–	–	23,994.1	–	–	23,330.1	–	–
Intangible assets	281.7	–	–	244.9	–	–	250.4	–	–
Other tax receivables	15.9	–	–	8.8	–	–	–	–	–
Income tax receivables	–	–	–	–	–	–	1,221.8	–	–
Deferred tax assets	23,665.9	–	–	–	–	–	–	–	–
Other assets	986.3	–	–	908.2	–	–	606.9	–	–
Total non interest-earning assets	295,483.5	–	–	252,057.6	–	–	241,830.9	–	–
Total average assets	2,890,531.6	192,368.1	5.0%	2,212,216.4	172,982.0	2.9%	2,607,818.9	186,327.5	6.8%

(1) Represents the weighted average nominal interest rate on outstanding principal amounts as of dates indicated.
(2) Denotes that the amount is less than 0.05% of the relevant total amount.

	Year ended December 31,								
	2023			2024			2025		
	Average balance	Interest expense	Average rate[1]	Average balance	Interest expense	Average rate[1]	Average balance	Interest expense	Average rate[1]
	(MNT millions, except percentages)								
Liabilities and equity:									
Interest-bearing liabilities:									
Debt securities issued	1,629,841.5	175,912.1	13.5%	1,039,745.1	155,953.0	12.9%	1,920,644.7	221,626.9	9.3%
Borrowings	644,971.2	34,537.5	12.9%	526,555.3	26,546.8	3.4%	277,332.7	10,032.0	4.2%
Due to other banks and financial institutions	127,397.0	3,610.4	7.6%	166,626.8	6,133.2	2.9%	83,678.3	1,829.7	7.7%
Time deposits	17,061.9	1,033.4	6.0%	17,061.9	22.4	0.6%	–	–	–
Total interest-bearing liabilities	2,419,271.5	215,093.4	12.3%	1,749,989.2	188,655.5	10.5%	2,281,655.8	233,488.6	8.9%
Non interest-bearing liabilities:									
Financial derivatives liabilities	4,950.3	–	–	2,804.9	–	–	9,415.0	–	–
Customer accounts	6,807.1	–	–	5,983.9	–	–	5,505.8	–	–
Other liabilities	9,822.3	–	–	7,798.7	–	–	5,849.6	–	–
Current income tax payable	5,346.3	–	–	807.1	–	–	409.1	–	–
Other taxes payable	415.7	–	–	1,114.1	–	–	1,394.3	–	–
Deferred tax liabilities	5,771.0	–	–	23,388.4	–	–	36,339.1	–	–
Total non interest-bearing liabilities	33,112.7	–	–	41,897.1	–	–	58,912.9	–	–
Total average liabilities	2,452,384.3	215,093.4	12.3%	1,791,886.1	188,655.5	10.5%	2,340,568.7	233,488.6	8.9%
Equity	438,147.4	–	–	420,330.2	–	–	267,250.3	–	–
Total average liabilities and equity	2,890,531.7	215,093.4	12.3%	2,212,216.4	188,655.5	10.5%	2,607,818.9	233,488.6	8.9%
Net interest income and average interest rate spread	–	(22,725.3)	(7.3%)	–	(15,673.5)	(7.6%)	–	(47,161.0)	(2.1%)
Net interest income as a percentage of average total interest-earning assets	2,595,048.2	–	(0.9%)	1,960,158.8	–	(0.8%)	2,365,988.0	–	(2.0%)

(1) Represents the weighted average nominal interest rate on outstanding principal amounts as of dates indicated.

	Three months ended March 31,					
	2025			2026		
	Average balance	Interest income	Average rate[1]	Average balance	Interest income	Average rate[1]
	(MNT millions, except percentages)					
Assets:						
Interest-earning assets:						
Loans and advances including lease receivables	1,324,648.0	28,265.0	6.4%	1,185,457.3	27,656.3	6.3%
Bank deposits	76,764.2	976.8	8.6%	22,404.3	3,218.3	8.6%
Cash equivalent	267,415.4	4,769.2	7.8%	981,333.2	14,695.2	7.8%
Financial investments	195,701.4	12,071.3	7.8%	264,126.4	5,240.1	7.8%
Other receivables	100,724.1	2,709.5	0.0%[2]	75,131.4	921.8	2.6%
Total interest-earning assets	1,965,253.1	48,791.7	6.7%	2,528,452.6	51,731.7	6.9%
Non interest-earning assets:						
Cash on hand	1.7	–	–	0.9	–	–
Derivative financial instruments	4,388.0	–	–	9,013.8	–	–
Equity instruments	48,648.7	–	–	50,020.1	–	–
Assets held for sale	76,508.6	–	–	1,885.8	–	–
Repossessed assets	89,835.1	–	–	143,081.1	–	–
Property and equipment	23,622.8	–	–	22,805.9	–	–
Intangible assets	230.2	–	–	252.3	–	–
Other tax receivables	–	–	–	–	–	–
Income tax receivables	98.1	–	–	2,387.6	–	–
Deferred tax assets	–	–	–	–	–	–
Other assets	447.0	–	–	928.9	–	–
Total non interest-earning assets	243,780.1	–	–	230,376.4	–	–
Total average assets	2,209,033.2	48,791.7	6.7%	2,758,829.0	51,731.7	6.8%

(1) Represents the weighted average nominal interest rate on outstanding principal amounts as of dates indicated.
(2) Denotes that the amount is less than 0.05% of the relevant total amount.

	Three months ended March 31,					
	2025			2026		
	Average balance	Interest expense	Average rate[1]	Average balance	Interest expense	Average rate[1]
	(MNT millions, except percentages)					
Liabilities and equity:						
Interest-bearing liabilities:						
Debt securities issued	1,401,832.7	43,652.3	13.1%	2,335,137.9	63,388.6	9.1%
Borrowings	286,836.0	2,855.6	4.2%	211,300.9	2,264.9	4.2%
Due to other banks and financial institutions	74,432.3	533.0	1.0%	36,357.1	472.6	1.0%
Time deposits	–	–	–	–	–	–
Total interest-bearing liabilities	**1,763,101.0**	**47,040.9**	**11.6%**	**2,582,795.9**	**66,126.1**	**8.6%**
Non interest-bearing liabilities						
Financial derivatives liabilities	1,439.6	–	–	16,084.3	–	–
Customer accounts	4,023.6	–	–	7,165.5	–	–
Other liabilities	4,512.0	–	–	5,455.2	–	–
Current income tax payable	653.4	–	–	216.7	–	–
Other taxes payable	1,236.0	–	–	1,308.6	–	–
Deferred tax liabilities	41,755.3	–	–	37,678.5	–	–
Total non interest-bearing liabilities	53,619.9	–	–	67,908.7	–	–
Total average liabilities	1,816,720.9	47,040.9	11.6%	2,650,704.7	66,126.0	8.6%
Equity	392,312.4	–	–	108,124.3	–	–
Total average liabilities and equity	2,209,033.2	47,040.9	11.6%	2,758,829.0	66,126.0	8.6%
Net interest income and average interest rate spread	–	1,750.9	(4.9%)	–	(14,394.3)	(1.8%)
Net interest income as a percentage of average total interest-earning assets	1,965,253.2	–	(0.1%)	2,527,829.0	–	(0.6%)

(1) Represents the weighted average nominal interest rate on outstanding principal amounts as of dates indicated.

Analysis of net interest income

The following table shows changes in our interest income, interest expense, and net interest income based on changes in volume and changes in rate for 2024 compared to 2023, 2025 compared to 2024 and the three months ended March 31, 2026 compared to the three months ended March 31, 2026. Changes attributable to the combined impact of changes in rate and volume have been allocated proportionately to the changes due to volume changes and changes due to rate changes.

	Year ended December 31, 2024 versus Year ended December 31, 2023			Year ended December 31, 2025 versus Year ended December 31, 2024			Three months ended March 31, 2026 versus Three months ended March 31, 2025		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Volume	Rate	Net change	Volume	Rate	Net change	Volume	Rate	Net Change
					(MNT millions)				
Interest income:									
Loans and advances	31,330.7	(4,593.5)	26,737.2	3,431.7	(13,971.0)	(10,539.3)	1398.3	(1,723.8)	(325.6)
Bank deposits	(187.5)	–	(187.5)	991.2	–	991.2	2,241.5	–	2,241.5
Cash equivalents	7,180.5		7,180.5	30,335.8		30,335.7	9,926.1		9,926.1
Debt instruments at amortised cost	(24,867.1)	–	(24,867.1)	4,369.0	–	4,369.0	(8,288.2)	–	(8,288.2)
Other assets	1,724.0	–	1,724.1	(2,690.4)	–	(2,690.4)	(1,787.7)	–	(1,787.7)
Lease receivables	(5,340.6)	–	(5,340.6)	(951.5)	–	(951.5)	(283.1)	–	(283.1)
Debt instruments at FVOCI	(24,632.8)	–	(24,632.8)	(8,169.1)	–	(8,169.1)	1,457.0	–	1,457.0
Total interest income	**(14,792.8)**	**(4,593.5)**	**(19,386.2)**	**27,316.6**	**(13,971.0)**	**13,345.6**	**4,663.8**	**(1,723.8)**	**2,940.0**
Interest expense:									
Bonds	(29,982.6)	–	(29,982.6)	65,585.5	–	65,585.4	22,332.9		22,332.9
Debt securities issued to local commercial banks	10,023.5	–	10,023.4	88.5	–	88.5	(2,596.7)	–	(2,596.7)
Borrowing from foreign banks and foreign institutions	4,869.5	–	4,869.4	(1,212.7)	–	(1,212.6)	(590.7)	–	(590.7)
Time deposits	(1,011.0)	–	(1,011.0)	1,807.3	–	1,807.3	–	–	–
Borrowing from Bank of Mongolia	(12,861.0)	–	(12,861.1)	(15,632.1)	–	(15,632.1)	–	–	–
Due to other banks and financial institutions	2,522.8	–	2,522.8	(6,133.2)	–	(6,133.2)	(60.4)	–	(60.4)
Borrowing from Ministry of Finance	0.9	–	0.9	329.9	–	329.9	–	–	–
Other	(0.8)	–	(0.8)	–	–	–	–	–	–
Total interest expense	**(26,438.7)**	**–**	**(26,439.0)**	**44,833.2**	**–**	**44,833.2**	**19,085.1**	**–**	**19,085.1**
Net Interest income	**11,645.9**	**(4,593.5)**	**7,052.7**	**(17,516.6)**	**(13,971.0)**	**(31,487.6)**	**(14,421.4)**	**(1,723.8)**	**(16,145.1)**

Investment Portfolio

The following table shows amortized cost, fair value and net unrealized gains (losses) of available for sale and equity securities as of the dates indicated.

	As of December 31,								
	2023			2024			2025		
	Amortized cost	Fair value	Net unrealized gains (losses)	Amortized cost	Fair value	Net unrealized gains (losses)	Amortized cost	Fair value	Net unrealized gains (losses)
	(MNT millions)								
Debt instruments at fair value through other comprehensive income :									
Corporate bonds..	–	143,535.3	–	–	–	–	–	–	–
Government securities.....	–	–	–	–	–	–	–	39,127.4	–
Total.....	–	143,535.3	–	–	–	–	–	39,127.4	–
Debt instruments at amortised cost :									
Corporate bonds..	187,750.9	–	–	195,767.0	–	–	175,071.0	–	–
Total.....	187,750.9	–	–	195,767.0	–	–	175,071.0		–
Equity instruments at fair value through other comprehensive income :									
Listed.....	–	67,803.0	–	–	51,068.0	–	–	52,331.6	–
Total.....	–	67,803.0	–	–	51,068.0	–	–	52,331.6	–
Net total.....	187,750.9	211,338.3	–	195,767.0	51,068.0	–	175,071.0	91,459.0	–

	As of March 31,					
	2025			2026		
	Amortized cost	Fair value	Net unrealized gains (losses)	Amortized cost	Fair value	Net unrealized gains (losses)
Debt instruments at fair value through other comprehensive income:						
Government securities.....	–	–	–	–	135,837.9	–
Total.....	–	–	–	–	135,837.9	–
Debt instruments at amortised cost :						
Government securities.....	–	–	–	–	–	–
Corporate bonds.....	195,635.8	–	–	178,216.4	–	–
Total.....	195,635.8	–	–	178,216.4	–	–
Equity instruments at fair value through other comprehensive income :						
Listed.....	–	46,229.3	–	–	47,708.7	–
Total.....	–	46,229.3	–	–	47,708.7	–
Net total.....	195,635.8	46,229.3	–	178,216.4	183,546.6	–

Loan Portfolio

Loans by industry classification

The following table presents our loan portfolio by industry sector as of the dates indicated:

	As of December 31,						As of March 31,	
	2023		2024		2025		2026	
	(MNT millions)	%	(MNT millions)	%	(MNT millions)	%	(MNT millions)	%
Manufacturing	1,292,464.5	55.6%	1,233,259.1	53.1%	1,275,948.2	55.2%	1,265,150.9	55.4%
Mining and quarrying	283,760.8	12.2%	289,026.8	12.4%	210,437.5	9.1%	175,218.5	7.7%
Power and energy	532,941.6	22.9%	614,015.9	26.4%	644,981.3	27.9%	660,474.6	28.9%
Construction	122,012.4	5.2%	99,155.2	4.3%	92,476.9	4.0%	91,480.1	4.0%
Transportation and storage	36,048.6	1.6%	32,069.6	1.4%	35,101.6	1.5%	35,666.1	1.6%
Financial and insurance activities	850.7	0.0%(1)	–	–	–	–	–	–
Health and social work	40,900.0	1.8%	40,900.0	1.8%	40,900.0	1.8%	40,900.0	1.8%
Agriculture, forestry and fishing	8,490.9	0.4%	6,123.9	0.3%	5,574.0	0.2%	5,574.0	0.2%
Other	7,319.6	0.3%	7,160.1	0.3%	7,160.1	0.3%	8,962.8	0.4%
Gross loans and advances including lease receivables	**2,324,789.1**	**100.0%**	**2,321,710.6**	**100.0%**	**2,312,579.6**	**100.0%**	**2,283,427.0**	**100.0%**
Provision for loan impairment	(1,066,672.9)	45.9%	(999,662.4)	43.1%	(1,120,528.6)	48.5%	(1,104,563.4)	48.4%
Total net loans and advances including lease receivables	**1,258,116.2**		**1,322,048.2**		**1,192,051.0**		**1,178,863.6**	

(1) Denotes that the amount is less than 0.05% of the relevant total amount.

Distribution by loan size

The following table provides our loan accounts by loan size as of March 31, 2026:

	As of March 31, 2026				
Size of Loan	**Number of Borrowers**	**Aggregate Outstanding Balance of Loans**		**Loans as a Percentage of Total Loans**	**Average Loan Size**
		(MNT millions)	**(US$ millions)**		**(MNT millions)**
Less than 1000	9	1,376.8	0.4	0.1%	153.0
1000 to 10,000	14	68,625.8	19.2	3.0%	4,901.8
10,000 to 50,000	15	349,276.7	97.9	15.3%	23,285.1
50,000 to 100,000	3	205,043.1	57.5	9.0%	68,347.7
100,000 to 500,000	7	1,659,104.6	464.9	72.7%	237,014.9
Gross loans and advances including lease receivables	48	2,283,427.0	639.9	100.0%	47,571.4

Loans by customer type

The following table presents our loans by customer type as of the dates indicated:

	As of December 31,						As of March 31,	
	2023		2024		2025		2026	
	(MNT million)	%	(MNT million)	%	(MNT million)	%	(MNT million)	%
Public sector	815,569.0	35.1%	923,696.4	39.8%	986,031.3	42.6%	1,007,590.8	44.1%
Private sector	1,509,220.1	64.9%	1,398,014.2	60.2%	1,326,548.3	57.4%	1,275,836.2	55.9%
Gross loans and advances including lease receivables	**2,324,789.1**	**100.0%**	**2,321,710.6**	**100.0%**	**2,312,579.6**	**100.0%**	**2,283,427.0**	**100.0%**
Provision for loan impairment	(1,066,672.9)	45.9%	(999,662.4)	43.1%	(1,120,528.6)	48.5%	(1,104,563.4)	48.4%
Total net loans and advances including lease receivables	**1,258,116.2**		**1,322,048.2**		**1,192,051.0**		**1,178,863.6**	

Loan currency profile

The following table presents our loans by currency as of the dates indicated:

	As of December 31,						As of March 31,	
	2023		2024		2025		2026	
	(MNT million)	%	(MNT million)	%	(MNT million)	%	(MNT million)	%
Loans in Tugriks	1,223,230.4	52.6%	1,565,364.1	67.4%	1,574,089.1	68.1%	1,583,873.4	69.4%
Loans in U.S. dollars	583,631.8	25.1%	442,434.9	19.1%	462,733.6	20.0%	465,033.9	20.4%
Loans in Euro	333,183.1	14.3%	60,992.3	2.6%	25,535.5	1.1%	—	—
Loans in Chinese Yuan	109,264.0	4.7%	194,446.1	8.4%	209,022.5	9.0%	216,056.5	9.5%
Loans in Japanese Yen	75,479.8	3.2%	58,473.2	2.5%	41,198.9	1.8%	18,463.2	0.8%
Gross loans and advances including lease receivables	2,324,789.1	100.0%	2,321,710.6	100.0%	2,312,579.6	100.0%	2,283,427.0	100.0%
Provision for loan impairment	(1,066,672.9)	45.9%	(999,662.4)	43.1%	(1,120,528.6)	48.5%	(1,104,563.4)	48.4%
Net loans and advances including lease receivables	1,258,116.2		1,322,048.2		1,192,051.0		1,178,863.6	

Loan maturity profile

The following table provides a discounted maturity analysis of our loans by contractual terms as of the dates indicated, taking into account the future interests to be accumulated:

	As of December 31,									As of March 31,		
	2023			2024			2025			2026		
	(MNT millions)	%	Weighted average interest rate (%)	(MNT millions)	%	Weighted average interest rate (%)	(MNT millions)	%	Weighted average interest rate (%)	(MNT millions)	%	Weighted average interest rate (%)
Less than three months	1,535,631.1	62.8%	8.6%	588,051.7	35.1%	8.8%	471,028.2	34.2%	8.8%	572,777.3	42.5%	9.1%
Three to six months	43,305.7	1.8%	9.3%	60,091.8	3.6%	11.7%	133,343.1	9.7%	13.1%	30,389.8	2.3%	12.9%
Six months to one year	78,630.5	3.2%	8.7%	97,119.1	5.8%	11.8%	138,990.1	10.1%	13.7%	143,185.6	10.6%	13.8%
One year to five years	710,522.3	29.0%	11.3%	858,228.7	51.2%	13.4%	593,538.0	43.1%	13.0%	571,569.1	42.4%	12.9%
Over five years	78,159.7	3.2%	8.1%	72,446.7	4.3%	7.6%	39,856.6	2.9%	7.6%	30,078.3	2.2%	7.6%
Total[(1)]	2,446,249.3	100.0%	9.3%	1,675,938.0	100.0%	11.4%	1,376,756.0	100.0%	11.5%	1,348,000.1	100.0%	11.3%

Loan classification

Pursuant to IFRS 9, we classify our loans into three stages to measure expected credit losses ("ECL"):

- **Stage 1:** When loans are first recognized, we recognize an allowance based on 12-month ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, we record an allowance for the lifetime expected credit loss ("LTECL"). Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

- **Stage 3:** Loans considered credit-impaired. We record an allowance for the LTECL.

The following table presents our loans by asset quality and borrower classification as of the dates indicated:

	As of December 31,								
	2023			2024			2025		
	Public sector	Private sector	Total	Public sector	Private sector	Total	Public sector	Private sector	Total
	(MNT millions)								
Stage 1	400,775.8	175,785.1	576,560.9	773,183.6	90,458.6	863,642.2	337,896.1	36,029.0	373,925.1
Stage 2	268,237.4	1,472.1	269,709.5	—	658.3	658.3	492,474.8	359.7	492,834.5
Stage 3	146,555.8	1,331,962.9	1,478,518.7	150,512.8	1,306,897.3	1,457,410.1	155,660.4	1,290,159.6	1,445,820.0
Gross loans	**815,569.0**	**1,509,220.1**	**2,324,789.1**	**923,696.4**	**1,398,014.2**	**2,321,710.6**	**986,031.3**	**1,326,548.3**	**2,312,579.6**
Less: Provision for loan impairment	(42,223.1)	(1,024,449.8)	(1,066,672.9)	(35,089.9)	(964,572.5)	(999,662.4)	(40,925.9)	(1,079,602.7)	(1,120,528.6)
Total net amount of loans and advances.. including lease receivables	**773,345.9**	**484,770.3**	**1,258,116.2**	**888,606.5**	**433,441.7**	**1,322,048.2**	**945,105.4**	**246,945.6**	**1,192,051.0**

	As of March 31, 2026		
	Public sector	Private sector	Total
	(MNT millions)		
Stage 1	341,510.6	753.1	342,263.7
Stage 2	509,389.3	333.4	509,722.7
Stage 3	156,690.9	1,274,749.7	1,431,440.6
Gross amount of loans and advances including lease receivables	**1,007,590.8**	**1,275,836.2**	**2,283,427.0**
Less: Provision for loan impairment	(41,610.7)	(1,062,952.7)	(1,104,563.4)
Total net amount of loans and advances including lease receivables	**965,980.1**	**212,883.5**	**1,178,863.6**

The net carrying amount of our loans and advances including lease receivables reflects a gross carrying amount of MNT 2,283,427.0 million (US$639.8 million) as of March 31, 2026, less impairment allowances of MNT 1,104,563.4 million (US$309.5 million), representing an impairment coverage ratio of 48.4% of our gross loan portfolio as of March 31, 2026, MNT 1,431,440.6 million (US$401.1 million), or 62.7%, was classified as Stage 3, MNT 509,722.7 million (US$142.8 million), or 22.3%, was classified as Stage 2, and MNT 342,263.7 million (US$95.9 million), or 15.0%, was classified as Stage 1. We did not originate any new loans between 2022 and early 2026, and accordingly our performing loan balance reflects seasoned exposures.

We may reclassify a loan based on our assessment of its credit risk since initial recognition, and accordingly we may make additional allowances for doubtful accounts in future periods. We make these reclassifications when we expect to experience higher than currently anticipated loan defaults and delinquencies due to increased credit losses, which may result from various factors. For example, in 2025, we reclassified MNT 492,474.8 million (US$138.0 million) of public-sector loans from Stage 1 to Stage 2, reflecting our assessment of increased credit risk on this loan. This transfer related to a single borrower in the power and energy sector representing 21.3% of our gross loan portfolio as of December 31, 2025. See "—Impaired loan portfolio classification by industry sector."While our reclassifications may not result in a proportionate increase in credit loss provisions, it reflects our assessment that there has been a significant increase in credit risk since initial recognition, and the exposure is now subject to LTECL. See "Risk Factors—Our allowances for doubtful accounts may be inadequate."

Non-performing loans

A loan is considered to be in default and classified as a non-performing loan ("NPL") when the borrower fails to meet its contractual obligations for more than 90 days.

The following tables set out our non-performing loans by as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(MNT million, except percentages)			
NPL	1,478,518.7	1,457,410.1	1,445,820.0	1,431,440.6
NPL ratio[(1)]	63.6%	62.8%	62.5%	62.7%
NPL coverage ratio[(2)]	72.1%	68.6%	77.5%	77.2%

(1) Calculated as the ratio of our total non-performing loans to total loans.
(2) Calculated as the ratio of allowances for impairment to NPL.

Movements in loan provisions

The following table presents the movement in the provision for loan impairment by borrower classification as of the dates indicated:

	As of December 31,								
	2023			2024			2025		
	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
	(MNT millions)								
Loans and advances:									
Provision for loan impairment at the beginning of the year	39,781.5	1,154,425.6	1,194,207.1	42,223.1	1,005,879.1	1,048,102.2	35,089.8	942,146.7	977,236.5
New assets originated or purchased	1,999.0	—	1,999.0	419.4	—	419.4	35.8	—	35.8
Assets derecognized or repaid	(1,265.1)	(45,775.1)	(47,040.2)	(13,666.4)	(22,808.7)	(36,475.1)	(70.7)	(7,859.4)	(7,930.1)
Effect of change in inputs	—	—	—	6,303.9	(42,747.8)	(36,443.9)	6,595.8	75,458.3	82,054.1
Net movement on accrued interest	1,707.6	(22,532.1)	(20,824.5)	(190.2)	7,663.3	7,473.1	(1,583.8)	40,080.7	38,496.9
Charges/(reversal) of provision during the year	2,441.6	(68,307.1)	(65,865.5)	(7,133.3)	(57,893.2)	(65,026.5)	4,977.1	107,679.6	112,656.7
Write-offs	—	(77,786.5)	(77,786.5)	—	(5,279.3)	(5,279.3)	—	—	—
Foreign exchange adjustments	—	(2,452.9)	(2,452.9)	—	(559.9)	(559.9)	859.0	8,984.0	9,843.0
Provision for loan impairment at end of year	**42,223.1**	**1,005,879.1**	**1,048,102.2**	**35,089.8**	**942,146.7**	**977,236.5**	**40,925.9**	**1,058,810.3**	**1,099,736.2**
Lease receivables:									
Provision for loan impairment at the beginning of the year/period	—	(16,696.4)	(16,696.4)	—	18,570.7	18,570.7	—	22,425.8	22,425.8
Transfer to other assets	—	1,011.2	1,011.2	—	—	—	—	—	—
Net reimbursement of loss allowance	—	(2,885.4)	(2,885.4)	—	—	—	—	—	—
Net charge/reversal for the year	—	—	—	—	3,855.1	3,855.1	—	274.3	274.3
Write-offs	—	—	—	—	—	—	—	(1,907.7)	(1,907.7)
Provision for loan impairment at end of year	**—**	**(18,570.6)**	**(18,570.6)**	**—**	**22,425.8**	**22,425.8**	**—**	**20,792.4**	**20,792.4**

	As of March 31, 2026		
	Public Sector	**Private Sector**	**Total**
		(MNT millions)	
Loans and advances:			
Provision for loan impairment at the beginning of the period	40,925.9	1,058,810.3	1,099,736.2
New assets originated or purchased	—	—	—
Assets derecognized or repaid	—	(18,139.1)	(18,139.1)
Effect of change in inputs	—	—	—
Net movement on accrued interest	561.9	1,007.2	1,569.1
Charge/(reversal) of provision during the year	561.9	(17,131.9)	(16,570.0)
Write-offs	—	—	—
Foreign exchange adjustments	122.9	481.9	604.8
Provision for loan impairment at the end of the period	**41,610.7**	**1,042,160.3**	**1,083,771.0**
Lease receivables:			
Provision for loan impairment at the beginning of the period	—	20,792.4	20,792.4
Transfer to other assets	—	—	—
Net reimbursement of loss allowance	—	—	—
Net charge/reversal for the year	—	—	—
Write-offs	—	—	—
Provision for loan impairment at end of period	**—**	**20,792.4**	**20,792.4**

Impaired loan portfolio classification by industry sector

The following table presents our impaired loans by industry sector as of the dates indicated:

	As of December 31,									As of March 31,		
	2023			2024			2025			2026		
	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
	(MNT millions)											
Stage 1:												
Manufacturing	255,660.0	75,968.4	331,628.4	288,466.2	—	288,466.2	320,987.1	—	320,987.1	327,536.5	—	327,536.5
Mining and quarrying	—	98,649.5	98,649.5	—	89,497.1	89,497.1	—	35,189.0	35,189.0	—	—	—
Power and energy	138,723.3	—	138,723.3	483,506.7	—	483,506.7	16,277.2	—	16,277.2	13,683.8	—	13,683.8
Construction	—	—	—	—	—	—	—	—	—	—	—	—
Transportation and storage	6,392.5	1,167.2	7,559.7	1,210.7	961.5	2,172.2	631.8	840.0	1,471.8	290.3	753.1	1,043.4
Financial and insurance activities	—	—	—	—	—	—	—	—	—	—	—	—
Health and social work	—	—	—	—	—	—	—	—	—	—	—	—
Agriculture, forestry and fishing	—	—	—	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—	—	—	—
Total Stage 1	**400,775.8**	**175,785.1**	**576,560.9**	**773,183.6**	**90,458.6**	**863,642.2**	**337,896.1**	**36,029.0**	**373,925.1**	**341,510.6**	**753.1**	**342,263.7**
Stage 2:												
Manufacturing	—	—	—	—	—	—	—	—	—	—	—	—
Mining and quarrying	—	—	—	—	—	—	—	—	—	—	—	—
Power and energy	268,237.4	—	268,237.4	—	—	—	492,474.8	—	492,474.8	509,389.3	—	509,389.3
Construction	—	—	—	—	—	—	—	—	—	—	—	—
Transportation and storage	—	1,472.1	1,472.1	—	658.3	658.3	—	359.7	359.7	—	333.4	333.4
Financial and insurance activities	—	—	—	—	—	—	—	—	—	—	—	—
Agriculture, forestry and fishing	—	—	—	—	—	—	—	—	—	—	—	—
Health and social work	—	—	—	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—	—	—	—
Total Stage 2	**268,237.4**	**1,472.1**	**269,709.5**	**—**	**658.3**	**658.3**	**492,474.8**	**359.7**	**492,834.5**	**509,389.3**	**333.4**	**509,722.7**
Stage 3:												
Manufacturing	—	960,836.2	960,836.2	—	944,792.9	944,792.9	—	954,961.1	954,961.1	—	937,614.5	937,614.5
Mining and quarrying	—	185,111.3	185,111.3	—	199,529.7	199,529.7	—	175,248.5	175,248.5	—	175,218.5	175,218.5
Power and energy	120,905.9	5,074.9	125,980.8	124,862.9	5,646.5	130,509.4	130,010.5	6,218.9	136,229.4	131,040.9	6,360.5	137,401.4
Construction	25,649.9	96,362.5	122,012.4	25,649.9	73,505.3	99,155.2	25,649.9	66,826.9	92,476.8	25,650.0	65,830.1	91,480.1
Transportation and storage	—	27,016.8	27,016.8	—	29,238.9	29,238.9	—	33,270.1	33,270.1	—	34,289.3	34,289.3
Financial and insurance activities	—	850.7	850.7	—	—	—	—	—	—	—	—	—
Agriculture, forestry and fishing	—	8,490.9	8,490.9	—	6,123.9	6,123.9	—	5,574.0	5,574.0	—	5,574.0	5,574.0
Health and social work	—	40,900.0	40,900.0	—	40,900.0	40,900.0	—	40,900.0	40,900.0	—	40,900.0	40,900.0
Other	—	7,319.6	7,319.6	—	7,160.1	7,160.1	—	7,160.1	7,160.1	—	8,962.8	8,962.8
Total Stage 3	**146,555.8**	**1,331,962.9**	**1,478,518.7**	**150,512.8**	**1,306,897.3**	**1,457,410.1**	**155,660.4**	**1,290,159.6**	**1,445,820.0**	**156,690.9**	**1,274,749.7**	**1,431,440.6**
Gross amount of loan advances including lease receivables	**815,569.0**	**1,509,220.1**	**2,324,789.1**	**923,696.4**	**1,398,014.2**	**2,321,710.6**	**986,031.3**	**1,326,548.3**	**2,312,579.6**	**1,007,590.8**	**1,275,836.2**	**2,283,427.0**

Loan collateral

The following table sets forth the gross carrying amount of our loans, the fair value of collateral, and collateral coverage ratios, in each case by sector, as of the dates indicated:

	As of December 31,									As of March 31,		
	2023			2024			2025			2026		
	Public sector	Private sector	Total	Public sector	Private sector	Total	Public sector	Private sector	Total	Public sector	Private sector	Total
	(MNT millions)											
Gross carrying amount	784,218.7	1,478,157.3	2,262,376.0	904,378.4	1,367,181.0	2,271,559.4	969,122.3	1,302,461.5	2,271,583.7	993,616.7	1,251,523.2	2,245,139.9
Fair value of collaterals	1,178,144.4	2,705,592.8	3,883,737.2	803,940.6	2,472,788.6	3,276,729.2	998,236.2	2,503,001.0	3,501,237.2	998,236.3	1,979,245.1	2,977,481.4
Coverage ratio	150.2%	183.0%	171.7%	88.9%	180.9%	144.3%	103.0%	192.2%	154.1%	100.5%	158.1%	132.6%

Restructured loans

The following table presents our restructured loans as of March 31, 2026:

Borrower/loan	Amount (MNT million)	Percentage of outstanding loan balance (%)
Borrower 1	393,579.4	17.5%
Borrower 2	327,536.5	14.6%
Borrower 3	293,332.9	13.1%
Borrower 4	173,888.7	7.7%
Borrower 5	145,048.4	6.5%
Borrower 6	109,662.3	4.9%
Borrower 7	74,002.2	3.3%
Borrower 8	40,900.0	1.8%
Borrower 9	34,289.3	1.5%
Borrower 10	25,824.8	1.2%
Borrower 11	21,312.5	0.9%
Borrower 12	19,365.4	0.9%
Borrower 13	18,985.1	0.8%
Borrower 14	18,662.9	0.8%
Borrower 15	16,699.0	0.7%
Borrower 16	13,655.3	0.6%
Total loans and advances (excluding lease receivables)	**1,726,744.7**	**76.9%**

CAPITALIZATION AND INDEBTEDNESS

As of the date of this Offering Memorandum, we had an authorized capital contribution of MNT 2,216.3 billion.

The following table sets forth our capitalization and indebtedness as of March 31, 2026 on a historical basis as extracted from our interim consolidated financial statements for the three months ended March 31, 2026 and as adjusted to give pro forma effect to the offer and sale of the Notes net of estimated issuance cost and discount. For further information regarding our financial position, see "Selected Financial and Other Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements.

	As of March 31, 2026			
	Actual	**As Adjusted[1]**	**Actual**	**As Adjusted[1]**
	(MNT millions)		**(US$ millions)**	
Indebtedness:				
Debt securities issued[2]	2,220,998.8	2,220,998.8	622.4	622.4
Borrowings	213,645.3	213,645.3	59.9	59.9
Original Notes[3]	—	1,752,575.6	—	491.1
Notes to be issued[4]	—	880,540.4	—	246.7
Due to other banks and financial institutions[5]	13,401.0	13,401.0	3.8	3.8
Total indebtedness	**2,448,045.1**	**5,081,161.1**	**686.0**	**1,423.8**
Equity:				
Capital contribution[6]	1,216,300.3	1,216,300.3	340.8	340.8
Accumulated losses[2]	(1,150,497.1)	(1,150,497.1)	(322.4)	(322.4)
Other reserve	26,470.6	26,470.6	7.4	7.4
Total equity	**92,273.9**	**92,273.9**	**25.9**	**25.9**
Total capitalization[7]	**2,540,319.0**	**5,173,435.0**	**712.0**	**1,449.7**

(1) "As Adjusted" represents the financial statement figures as adjusted to give pro forma effect to the offer and sale of the Notes.

(2) We used US$360.4 million of the proceeds of our sale of the 6.900% Senior Notes due 2031 we issued on July 2, 2026 to repurchase our 8.5% Senior Unsecured Bonds due 2028 (including to pay certain costs and expenses related to the repurchase), which resulted in a US$347.6 million (including both principal amount and interest accumulated as of the settlement of the repurchase) decrease in our debt securities issued. The impact of this repurchase is not reflected in the as-adjusted debt securities issued or the as-adjusted accumulated losses.

(3) Original Notes represents the Original Notes issued in an aggregate principal amount of US$500.0 million, net of issuance cost of the Notes of US$2.7 million and discount of US$6.2 million.

(4) Notes to be issued represents the Notes offered hereby in an aggregate principal amount of US$250.0 million which is net of estimated issuance cost of the Notes of US$0.8 million and discount of US$2.5 million.

(5) As of May 31, 2026, due to other banks and financial institutions increased to MNT 69,884.0 million (US$19.6 million) as a result of a deposit received from a local commercial bank to close a currency hedging position we previously held.

(6) Capital contribution "as adjusted" does not take into consideration the the MNT 1.0 trillion capital injection approved by the Government, which was completed on June 11, 2026. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contributed Capital and Capital Adequacy—New Capital Injection" for additional information on this capital injection and its effect on our capital adequacy.

(7) Total capitalization includes total non-current indebtedness plus total equity.

There has been no material change in our total capitalization or indebtedness since March 31, 2026 except as disclosed above.

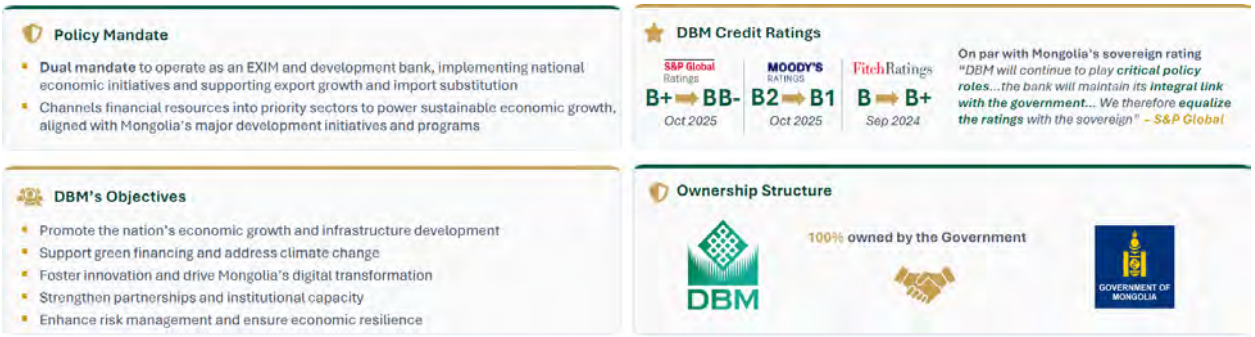
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the section entitled "Presentation of Financial and Other Information," "Selected Financial and Other Data," "Selected Statistical Data" and our Financial Statements and the related notes included elsewhere in this Offering Memorandum. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this Offering Memorandum.

Overview

We are Mongolia's only policy bank and export-import bank, with a mandate to implement national economic initiatives and support export growth and import substitution. Our mandate includes channeling financial resources into priority sectors to power sustainable economic growth, aligned with major development initiatives and programs of the Government. Our objectives include promoting Mongolia's sustainable economic growth and infrastructure development, supporting green financing and climate change initiatives, fostering innovation and digital transformation, strengthening partnerships and institutional capacity, and enhancing risk management and economic resilience. As of March 31, 2026, our total assets were MNT 2,603.8 billion (US$729.6 million), our total equity was MNT 92.3 billion (US$25.9 million), and our total net loans and advances, including lease receivables were MNT 1,178.9 billion (US$330.3 million).

Development Bank of Mongolia at a Glance



Mongolia is one of Asia's fastest-growing economies, with real GDP growth of 7.9% in the first quarter of 2026, underpinned by strong foreign direct investment, rising commodity exports, and structural reforms. Mongolia's sovereign credit ratings from S&P Global Ratings ("S&P"), Moody's Ratings ("Moody's"), and Fitch Ratings ("Fitch") are BB- (Stable), B1 (Stable) and B+ (Stable), respectively, reflecting strong fiscal fundamentals, including a decline in government debt-to-GDP to 39.4% in 2025 and record-high foreign exchange reserves of US$7.2 billion as of the first quarter of 2026. Mongolia's total exports in the first quarter of 2026 reached US$4.9 billion, representing a 62% increase compared to the first quarter of 2025. International institutions, including the World Bank, the Asian Development Bank and the International Monetary Fund, forecast Mongolia's real GDP growth at approximately 5.0% to 6.0% per annum through 2030, supported by Mongolia's strategic position as a critical minerals supplier, its abundant renewable energy resources, and its young, well-educated population.

We serve a unique role in Mongolia's economy as a state-owned policy and development financial institution that fills a gap between commercial bank lending and budgetary investment. We do not compete with commercial banks; instead, our mandate is to provide large-scale, long-term policy financing for infrastructure, export and strategic development projects that generally cannot be financed from commercial banks. Our strong funding base provides us with access to long-term low-cost funding, enabling us to provide cost-effective financing options for large-scale development projects with longer completion schedules. Leveraging this advantage, together with our total assets, we can take larger positions in projects, including through co-financing arrangements with international development finance institutions, such as the World Bank and the ADB, and domestic and international commercial bank partners.

We have strong Government support but maintain operational independence in our financing decisions. We operate under our own legal framework—the Revised Law on the Development Bank of Mongolia—which

serves as the primary legislation governing our activities. General banking legislation, including the Banking Law, applies to us only to the extent that the Revised Law on the Development Bank of Mongolia does not otherwise apply, reflecting our distinct status as a policy bank rather than a commercial bank. In August 2024, the Government's shareholder rights in DBM were transferred from the Ministry of Finance to the Ministry of Economy and Development ("MoED"), reflecting the strategic alignment between our development mandate and the MoED's core policy functions. Currently, our Board includes representatives from Government bodies responsible for economic development and finance matters, demonstrating the strong Government support we receive.

As a wholly Government-owned policy bank with a systemically important development mandate, we are also entitled to support from the Government, including equity injections, direct financial grants, government guarantees and concessional loans. This support is legally grounded in Article 23.1.3 of the Revised Law on the Development Bank of Mongolia, which requires the Government to take comprehensive measures to ensure our financial sustainability and solvency, and Articles 6.3 and 23.1.5, which provide a reserve deficiency top-up clause for the Government to inject additional funds as necessary and thereby change the structure and amount of our share capital. Exercising these statutory powers, in March 2026, the Government approved a capital injection of MNT 1.0 trillion to support our capitalization and our mandate to finance large-scale development projects. This was structured as the issuance of common and preferred shares to state-owned Erdenes Mongol LLC, and in exchange, we were assigned the rights to receive certain payments under a receivable owned by Erdenes Mongol LLC. The capital injection was completed on June 11, 2026. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contributed Capital and Capital Adequacy—New Capital Injection" for additional information on this capital injection and its effect on our capital adequacy.

A revised draft law of the Development Bank of Mongolia was prepared in 2025 and subsequently refined in 2026 in consultation with World Bank (the "2026 Draft DBM Law"); as of the date of this Offering Memorandum, it remains subject to further review, amendment and approval. In its current form, the 2026 Draft DBM Law would introduce a strengthened statutory framework for state support, including an obligation for the shareholder to immediately pay in full any capital call made by the Board in respect of authorized but unissued shares, a mandatory equity restoration mechanism that would require our equity to be increased by resolution of the shareholders' meeting whenever equity falls below the level of share capital, and a Government obligation to bear all financial losses arising from projects implemented by us at the Government's direction. Our lending operations are subject to oversight by the Bank of Mongolia, Mongolia's central bank, whose supervisory powers would be further strengthened under the 2026 Draft DBM Law.

The 2026 Draft DBM Law, would also further refine the legal and institutional framework applicable to us, with an increased focus on governance, transparency, regulatory oversight, and financial sustainability. The proposed amendments seek to provide greater legal clarity in relation to our mandate, funding framework, permissible activities and supervisory arrangements. The new law would also support our role as a policy-oriented development financial institution and enhance governance, accountability, and disclosure standards.

While we enjoy strong Government support, the Revised Law on the Development Bank of Mongolia also grants us operational autonomy. Under the Revised Law on the Development Bank of Mongolia, the Parliament and the Government may not direct us to fund specific projects, enabling us to operate with a focus on the commercial viability of the projects being funded. Consistent with this commercially oriented approach, we have adopted a lending strategy that favors co-financing with international development finance institutions and domestic and international commercial bank partners—at least 15% of the total project cost must be financed by the project implementer. Through this risk-sharing approach, we will be able to leverage the loan approval and monitoring expertise of international and domestic commercial lenders.

Our loan portfolio focuses on manufacturing, power and energy, mining and quarrying, construction, and health and social work sectors. The projects that we fund must conform to Mongolia's long- and medium-term development policies, including Mongolia's Vision 2050 long-term development policy, the Five-Year Development Guidelines 2026–2030, and the Government Action Plan 2024–2028. Under the Revised Law on the Development Bank of Mongolia, at least 60.0% of the projects we finance must promote export-driven programs; however, this mandatory allocation requirement will be removed under the 2026 Draft DBM Law, which instead introduces the defined concept of "target sector" as any sector consistent with Mongolia's long- and medium-term development policies. The 2026 Draft DBM Law also removes the existing prohibition on financing public-private partnership projects and expands our permissible activities to include, among other things, trust services, project financing, investment advisory services, export credit guarantees and insurance, and technical assistance. We believe that our lending focus will assist the diversification of the Mongolian

economy so as to better insulate the economy against future macroeconomic changes in the demand and price for Mongolia's commodities exports.

In line with the Government's vision to increase the share of Mongolia's renewable energy to 30.0% by 2030, we are actively building a pipeline of green projects to expand renewable capacity and support Mongolia's transition to a low-carbon economy. See "—Relationship with the Government—Major Projects—Green Projects in Pipeline." Our Sustainable Financing Framework is aligned with the ICMA's Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, with eligible green categories encompassing energy efficiency, renewable energy, sustainable water and wastewater management, clean transportation, environmentally sustainable management of living natural resources, climate change adaptation and mitigation, green buildings, and pollution prevention and control. Moody's has provided a second-party opinion on our Sustainable Financing Framework in July 2024. In addition, through our subsidiary DBM Asset Management SC LLC, we manage several dedicated funds that support green and sustainable development objectives. These include the Eco-District and Affordable Housing Fund, a blended-finance platform supporting climate-resilient urban redevelopment and affordable housing delivery in Ulaanbaatar with a total target fund size of US$95 million, the DBM Green Development Private Investment Fund, a sustainable finance investment platform focused on low-carbon, climate-resilient and ESG-aligned sectors with a total target fund size of US$50 million, and the Green Inclusive Regional Agribusiness Investment Fund, a regional agribusiness financing platform designed to promote inclusive growth and climate-resilient development across western Mongolia with a total target fund size of US$86.7 million. Furthermore, we have signed a memorandum of understanding with the Ministry of Energy to enhance the security and sustainable development of Mongolia's energy sector, promote the adoption of advanced green and energy-efficient technologies, and improve investment mechanisms for renewable energy projects. We are committed to allocating a significant portion of our loan portfolio to ESG-related financing by 2030.

Our issuer credit ratings from S&P, Moody's, and Fitch are BB-, B1, and B+, respectively, equivalent to Mongolia's long-term sovereign credit ratings. This reflects our integral link with the Government through our 100.0% ownership by the Government and ongoing Government support for our critical policy-oriented role in the Mongolian economy. According to the rating agencies, the ratings upgrades received in 2024 and 2025 primarily reflected the strong linkage between the Government and us, including expectations of continued sovereign support, alongside improvements in Mongolia's macroeconomic and fiscal conditions, our asset quality, liquidity position, loan recoveries, liability management, governance framework and the Government's actions related to the capital injection.

Factors Affecting our Performance and Results of Operations

Our business, results of operations and financial condition are affected by a number of factors. We have set out below the factors we consider to be most significant.

Operating environment in Mongolia

We are Mongolia's only policy bank and export-import bank. All of our operations are conducted in Mongolia. As a state-owned development finance institution, our activities are closely aligned with national development priorities, including infrastructure, industrialization, export promotion and other strategic sectors. Our results of operations have been, and we believe will continue to be, closely correlated with the Mongolian economic environment. Domestic economic factors, including economic growth, inflation and changes in macroeconomic policy, are the key drivers affecting our business operations, while external factors such as movements in exchange rates, foreign exchange reserves, interest rates, capital flows and trade volumes also play a critical role in shaping the operating environment.

Mongolia's recent economic trajectory has been shaped by strong structural drivers that are directly relevant to our operations and business outlook. The Government's long-term development policies, including Vision 2050 and the Five-Year Development Guidelines 2026-2030, prioritize infrastructure development, industrialization, export diversification, renewable energy expansion and digital transformation. These priorities are closely aligned with our lending mandate and project pipeline.

Our results of operations continue to be influenced by macroeconomic conditions in Mongolia, where economic activity, fiscal revenues and foreign exchange inflows remain closely linked to the mining sector, particularly copper and coal exports. Mongolia's real GDP growth was 7.4%, 5.1%, 6.8% and 7.9% year-on-year basis in 2023, 2024, 2025 and first quarter of 2026, respectively. The stronger expansion in 2025 was driven primarily by robust mining sector performance, supported by a significant increase in copper production,

as well as a recovery in agricultural output following weather-related disruptions in the previous years. While copper production and exports continued to support economic growth in the first quarter of 2026, lower coal prices and softer trade-related collections contributed to weaker fiscal revenues and a moderation in Mongolia's external sector performance during that period. As a result, economic activity, government revenues, foreign exchange inflows and borrower performance remain sensitive to commodity price movements and demand from Mongolia's principal trading partners.

On the price stability front, headline inflation has moderated to 7.4% as of first quarter of 2026, and core inflation, which excludes the impact of volatile components in the consumer price index, continued to ease amid the tighter monetary policy stance of the Bank of Mongolia, including a 12.0% policy rate and higher reserve requirements. Notwithstanding these positive developments, given Mongolia's high dependence on commodity exports, the economy remains vulnerable to external shocks, including fluctuations in global commodity prices and weakening foreign demand. Such developments can exert pressure on the balance of payments and fiscal revenues, thereby posing risks to both macroeconomic and financial stability.

Changes in macroeconomic policy directly influence our operations through several interconnected channels. Government fiscal decisions affect both the project pipeline and the scope for sovereign-related support, while monetary policy and prudential regulations set by the Bank of Mongolia affect our funding costs, lending capacity, and regulatory position. Exchange rate policy influences the cost and availability of foreign-currency funding, and sectoral policies—particularly in mining, energy, infrastructure, manufacturing, and export-oriented industries—shape the composition and credit quality of our loan portfolio.

As of March 31, 2026, our largest industry exposures were to manufacturing at MNT 1,265,151.0 million (US$354.5 million), power and energy at MNT 660,474.6 million (US$185.1 million) and mining and quarrying at MNT 175,218.5 million (US$49.1 million), representing 55.4%, 28.9%, and 7.7% of our outstanding loans, respectively. As of December 31, 2023, 2024 and 2025, 55.6%, 53.1% and 55.2%, respectively, of our outstanding loans were extended to the manufacturing sector, 22.9%, 26.4% and 27.9%, respectively, of our outstanding loans were extended to the power and energy sector, and 12.2%, 12.4% and 9.1%, respectively, of our outstanding loans were extended to the mining and quarrying sector. The significant exposure to the manufacturing sector reflects our statutory mandate to finance projects that support industrialization, export-oriented production, import substitution and value-added processing, with underlying borrowers diversified across sub-sectors including cement and construction materials, metals and metal processing, oil and petroleum products, cashmere and wool processing, and food and agricultural processing. A material proportion of our loans to the manufacturing sector relates to large-scale, capital-intensive projects of strategic national importance that are generally beyond the capacity of the domestic commercial banking sector, and the associated risk is managed through ongoing portfolio monitoring, single-borrower and connected-party exposure limits under the Revised Law on the Development Bank of Mongolia, prudential ratio compliance, and continued diversification across strategic sectors.

Regulatory environment

We are regulated under the Revised Law on the Development Bank of Mongolia, rather than the Central Bank Law and Bank of Mongolia and regulations generally applicable to commercial banks. The Revised Law on the Development Bank of Mongolia establishes our status as a state-owned, for-profit development bank and sets out the principal statutory requirements governing our operations, including: capital and reserve requirements, with the Bank of Mongolia prescribing the minimum equity level; a mandate that no less than 60.0% of financed or guaranteed funds support exports, alongside a prohibition on accepting deposits from individuals and on financing public-private partnership ("PPP") projects; financing eligibility criteria requiring conformity with national development policy, economic viability, completed feasibility studies, and risk and environmental and social impact assessment; co-financing of qualifying projects together with foreign and domestic banks, financial institutions, and investors; prudential limits capping aggregate loans and guarantees at 30 times our equity and single-borrower exposure at eight times our equity; governance requirements covering the composition, qualifications, and tenure of our Board and senior executives; and supervision, reporting, and sanctions overseen by the Bank of Mongolia and the Government.

The Government remains a key source of shareholder and capital support. On March 18, 2026, it approved a capital increase of MNT 1.0 trillion intended to strengthen our capital position and support our policy mandate. The capital injection was structured as the issuance of common and preferred shares to state-owned

Erdenes Mongol LLC, and in exchange, we were assigned the rights to receive certain payments under a receivable owned by Erdenes Mongol LLC. The capital injection was completed on June 11, 2026. See "—Contributed Capital and Capital Adequacy—New Capital Injection" for additional information on this capital injection and its effect on our capital adequacy. At the same time, the Revised Law on the Development Bank of Mongolia limits direct Government and Parliamentary involvement in our project-selection and financing approval processes. Our lending decisions are made in accordance with the requirements of the Revised Law on the Development Bank of Mongolia and our internal approval procedures, taking into account commercial viability, repayment capacity, development impact and other applicable considerations. Consistent with the law, we have also refocused our lending strategy to favor co-lending and risk-sharing arrangements with international and domestic financing partners, which may affect the timing and volume of our loan disbursements, the composition of our loan portfolio, our interest income, credit risk profile, and results of operations.

More recently, a revised draft law on the Development Bank of Mongolia was prepared in 2025 and subsequently refined in 2026 in consultation with World Bank (the "2026 Draft DBM Law"); as of the date of this Offering Memorandum, it remains subject to further review, amendment and approval. In its current form, the 2026 Draft DBM Law proposes a number of changes, including the removal of the current co-financing requirement and the 60.0% export financing threshold, and the lifting the prohibition on financing PPP projects, which would enable us to participate in strategically important projects implemented by the Government on a PPP basis. The 2026 Draft DBM Law also introduces the defined concept of "target sector" as any sector consistent with Mongolia's long- and medium-term development policies that supports industrialization, infrastructure, small and medium-sized enterprises growth, export capacity, innovation, or sustainable development. The 2026 Draft DBM Law is expected, if enacted in its current form, to reposition us under a dual mandate comprising policy-banking and export-import banking functions, with the policy-banking function focused on these target sectors.

The regulatory framework described above, and the resulting changes to our lending approach, together with any future changes that may result from the enactment and implementation of the 2026 Draft DBM Law, may have a material impact on our business model, funding sources, capital structure, loan portfolio, financial condition and results of operations. We cannot assure you that the 2026 Draft DBM Law will be enacted in its current form or at all, or that the implementation of any resulting regulatory changes will be effective or successful.

Price volatility for coking coal, copper, and iron for Mongolian exporters

The Mongolian economy depends heavily on mining activities. According to the National Statistical Office of Mongolia, in 2023, 2024 and 2025, mining and quarraying accounted for 28.7%, 27.9% and 25.9% of Mongolia's GDP, respectively. Mineral products have contributed 86.6%, 87.2% and 84.6% of the total exports in 2023, 2024 and 2025, respectively. Given this significant exposure, the performance of the economy is closely linked to the demand for and prices of key commodities, including coking coal, copper and iron. Coking coal is a commodity that is traded internationally and used primarily for steel production. In recent years, Mongolia's export base has become more diversified, supported by increased copper production and growth in other mineral exports. Increasing copper production and a broader diversification of mineral exports have partially mitigated the impact of softer coal exports. Coal exports accounted for 58.6%, 55.1% and 36.6% of Mongolia's total exports in 2023, 2024 and 2025, respectively, while copper ore exports accounted for 17.3%, 21.0% and 37.0%, respectively. Despite the diversification, the principal mineral products of Mongolia are still subject to significant fluctuations. Factors such as constraints on the supply of coal due to limited transportation networks and general economic conditions, including demand for steel and growth in the construction sector, significantly affect coking coal prices. Copper production at Oyu Tolgoi has increased in recent years and is expected to remain an important contributor to Mongolia's export revenues. Electrification, renewable energy investment and grid expansion are contributing to growing global demand for copper, which may support copper prices and the long-term outlook for copper-producing countries.

Extended periods of low prices for coking coal, copper and iron ore may result in reduced export revenues, lower production volumes by Mongolian producers, and decreased investment in mine expansion, production capacity and related infrastructure. Lower commodity prices may also adversely affect government revenues, business activity and investment levels in sectors linked to mining, increasing financial pressure on affected companies and potentially impairing their ability to meet debt service obligations. Conversely, periods of

stronger commodity prices may support economic growth, infrastructure investment, business expansion and increased trade activity.

Given Mongolia's significant reliance on the mining sector, fluctuations in the prices of coking coal, copper and iron ore may affect economic activity, government revenues, investment levels and the operating performance of our borrowers, which in turn may influence demand for financing, the quality of our loan portfolio and our results of operations.

The Mongolian financial sector

In 2025, Mongolia's banking sector assets represented approximately 95.0% of GDP, compared to 15.4% for capital market capitalization, 10.1% for non-bank financial institutions, 0.9% for insurance companies, and 0.4% for savings and credit cooperatives. While the capital markets and non-bank financial institution sectors have continued to expand in recent years, the banking sector remains the primary source of financial intermediation and credit provision in Mongolia. As of December 31, 2025, the Mongolian banking sector consisted of 12 commercial banks, 11 of which were privately owned and one state-owned bank. Total banking sector assets amounted to approximately MNT 85.4 trillion, and the sector's non-performing loan ("NPL") ratio was approximately 5.1%.

To effectively manage excess liquidity in the short term, we place short-term (less than one year) callable deposits with domestic and international commercial banks. For the years ended December 31, 2023, 2024 and 2025, interest income from bank deposits represented 2.1%, 6.3% and 22.7% of our total interest and similar income, respectively. Accordingly, the soundness of the banking sector and prevailing interest rate conditions may affect our earnings, liquidity management activities and counterparty risk exposure. See "Risk Factors—Risks Relating to Our Operations—We are subject to counterparty risk with respect to Mongolian banks with which we place deposits for cash management purposes and those under our on-lending arrangements."

Changes in exchange rates and interest rates

Our business is affected by movements in exchange rates and interest rates. Because we hold assets and liabilities denominated in foreign currencies, we are exposed to exchange rate fluctuations and may experience foreign exchange gains or losses arising from movements in the value of such currencies against the Tugrik. These fluctuations may affect, among other things, the value and returns of our assets, the availability and cost of funding, and the financial condition of our borrowers. Exchange rates have remained relatively stable in Mongolia in recent years, underpinned by strengthening external buffers. As of March 31, 2026, Mongolia's foreign exchange reserves reached a record high of US$7.2 billion, sufficient to cover approximately 8.4 months of goods imports and 275% of short-term external debt obligations, while Mongolia recorded a balance of payments surplus of approximately US$1.0 billion in 2025 and US$96 million in the first quarter of 2026, supported by export revenues and foreign investment inflows. These developments have supported Mongolia's external position and contributed to relative exchange rate stability during the period. Against this backdrop, the Tugrik has remained broadly stable against the U.S. dollar, depreciating by only 0.3% in 2024, by 4.0% in 2025 and by an additional 0.3% in the first quarter of 2026, reaching MNT 3,568.71 to US$1.00.

Consistent with global foreign exchange markets, movements of the Tugrik against other major currencies were more pronounced over the same period. Against the Euro, the Tugrik appreciated by 6.1% in 2024, by 17.1% in 2025, and by 1.8% in the first quarter of 2026, reaching MNT 4,094.20 to EUR 1.0. Against the Japanese Yen, the Tugrik appreciated by 9.6% in 2024, depreciated by 3.7% in 2025, and appreciated by 1.6% in the first quarter of 2026, reaching MNT 22.35 to JPY 1.0. Against the Chinese Yuan, the Tugrik appreciated by 2.4% in 2024, depreciated by 8.6% in 2025 and by 1.5% in the first quarter of 2026, reaching MNT 516.69 to CNY 1.0. Two (US$) cross-currency interest rate swap agreements outstanding with Bank of Mongolia with a total notional principal of US$200.0 million (US$50 million and US$150 million) maturing on June 5, 2028. See "Risk Factors—Risks Relating to Our Operations—We may not be able to adequately hedge against exchange rate risk."

Interest rate movements also affect our business. The interest rates in Mongolia are closely linked to the policy rate set by the Bank of Mongolia. As of the first quarter of 2026, the Bank of Mongolia maintained a policy rate of 12.0% which has remained elevated since 2022. Changes in policy and market interest rates may affect our funding costs, net interest margins, demand for loans and the repayment capacity of our borrowers.

Changes in policy and market interest rates may affect our funding costs, net interest margins, demand for loans and the repayment capacity of our borrowers. Interest rate movements also affect the spread between our interest-bearing assets, such as loans and investments, and our interest-bearing liabilities, including borrowings and issued bonds. Our financial performance may be affected by re-pricing mismatches between assets and liabilities. In a rising interest rate environment, increases in our funding costs may adversely affect profitability if they are not offset by corresponding increases in yields on our assets. Conversely, higher lending rates may reduce demand for financing or affect the repayment capacity of certain borrowers, which may adversely affect the quality of our loan portfolio and results of operations. See "Business—Credit and Financing Operations" for factors considered in determining interest rates of our loans.

Liquidity

We have payment obligations from our financial liabilities with various maturities. We manage liquidity by ensuring that we have sufficient liquid assets to meet our liabilities when they are due in both normal and stressed conditions, without incurring unexpected losses or risking damage to us. We manage our liquidity on each currency and on an aggregate basis. In accordance with the amendments adopted in the Revised DBM Law on February 10, 2017, the Bank of Mongolia passed the Regulation on Setting and Monitoring Prudential Ratios Applicable to the Development Bank of Mongolia and monitors our liquidity on a monthly basis. Under this regulation, we are required to maintain a net stable funding ratio. Internally, we prepare liquidity gap reports and market analysis to monitor, assess and manage our liquidity risks.

While we are permitted to accept term deposits from both local and foreign financial institutions, as we do not accept retail or corporate deposits, we are not required to, and do not maintain statutory deposits with the Bank of Mongolia. We take measures such as investing our funds in portfolios of liquid assets to maintain liquidity. According to our liquidity gap reports, as of December 31, 2025, we had net financial assets on a cumulative basis in the short-term maturity buckets. For information regarding our liquidity risk analysis, see Note 28 to our audited financial statements as of and for the years ended December 31, 2024 and 2025, and Note 24 to our unaudited interim condensed consolidated financial information as of and for the three months ended March 31, 2026, respectively.

Results of Operations

The following table sets forth our results of operations for the periods presented:

	For the year ended December 31,				For the three months ended March 31,		
	2023	2024	2025		2025	2026	
	(MNT millions)	(MNT millions)	(MNT millions)	(US$ millions)	(MNT millions)	(MNT millions) (unaudited)	(US$ millions)
Interest and similar income	192,368.1	172,982.0	186,327.6	52.2	48,791.7	51,731.7	14.5
Interest and similar expense	(215,094.3)	(188,655.5)	(233,488.6)	(65.4)	(47,040.9)	(66,126.0)	(18.5)
Net interest (expense)/income	**(22,726.2)**	**(15,673.5)**	**(47,161.0)**	**(13.2)**	**1,750.8**	**(14,394.3)**	**(4.0)**
Credit loss (expense)/reversal	56,284.0	73,191.9	(167,932.5)	(47.1)	(8,501.9)	15,723.2	4.4
Net interest (expense)/income after reversal of credit loss impact	**33,557.8**	**57,518.4**	**(215,093.5)**	**(60.3)**	**(6,751.1)**	**1,328.9**	**0.4**
Fee and commission income	55.1	58.9	4.0	0.0[(1)]	1.1	1.1	0.0[(1)]
Fee and commission expense	(136.8)	(153.7)	(745.0)	(0.2)	(35.1)	(166.4)	(0.0)[(1)]
Other (expense)/income, net	535.4	5,132.6	(18,931.9)	(5.3)	—	303.7	0.1
Foreign exchange translation gains less losses	20,254.3	(18,339.9)	(10,600.2)	(3.0)	(8,745.0)	(2,528.0)	(0.7)
Net gains/(losses) from derivative financial instruments	(14,119.8)	2,746.3	(19,445.3)	(5.4)	1,239.8	(14,316.8)	(4.0)
Administrative and other operating expenses	(13,837.5)	(16,967.7)	(21,315.4)	(6.0)	(4,095.2)	(5,406.4)	(1.5)
Profit/(Loss) before tax …	**26,308.5**	**29,994.9**	**(286,127.3)**	**(80.2)**	**(18,385.5)**	**(20,783.9)**	**(5.8)**
Income tax expense	(58,545.1)	(37,907.7)	(3,009.5)	(0.8)	(14,412.4)	(3,333.6)	(0.9)

	For the year ended December 31,				For the three months ended March 31,		
	2023	2024	2025		2025	2026	
	(MNT millions)	(MNT millions)	(MNT millions)	(US$ millions)	(MNT millions)	(MNT millions) (unaudited)	(US$ millions)
Profit/(loss) for the year/period	**(32,236.6)**	**(7,912.8)**	**(289,136.8)**	**(81.0)**	**(32,797.9)**	**(24,117.5)**	**(6.8)**
Other comprehensive income/(loss) (net of tax):							
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):							
Net change in fair value of debt instruments at fair value through other comprehensive income		—	1,637.9	0.5	—	(4,116.0)	(1.2)
Net amount reclassified to profit or loss	21,795.5	855.3	—	—	—	—	—
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):							
Revaluation (loss)/gain on equity instruments at fair value through other comprehensive income	4,022.0	(12,551.3)	947.8	0.3	(3,629.0)	(3,467.2)	(1.0)
Net amount reclassified to profit or loss	(9,606.4)	—	—	—	—	—	—
Other comprehensive income/(loss) for the year/period, net of tax	**16,211.1**	**(11,696.0)**	**2,585.7**	**0.7**	**(3,629.0)**	**(7,583.2)**	**(2.1)**
Total comprehensive income/(loss) for the year/period, net of tax	**(16,025.5)**	**(19,608.8)**	**(286,551.1)**	**(80.3)**	**(36,426.9)**	**(31,700.7)**	**(8.9)**

(1) Denotes that the amount is less than US$0.05 million or 0.05% of the applicable total, as the case may be.

Description of Selected Income Statement Components

Interest and similar income

We primarily derive our interest and similar income from loans and advances to customers, bank deposits, and debt instruments. The following table sets forth our interest income by source for the periods presented:

	For the year ended December 31,				For the three months ended March 31,		
	2023	2024	2025		2025	2026	
	(MNT millions)	(MNT millions)	(MNT millions)	(US$ millions)	(MNT millions)	(MNT millions) (unaudited)	(US$ millions)
Loans and advances to customers	94,127.6	120,864.8	110,325.6	30.9	27,124.8	26,799.3	7.5
Bank deposits	3,951.1	10,944.2	42,271.1	11.8	5,745.9	17,913.5	5.0
Debt instruments at amortized cost	44,221.0	19,353.9	23,722.9	6.6	12,071.3	3,783.1	1.1
Other assets	6,883.6	8,607.7	5,917.2	1.7	2,709.6	921.7	0.3
Lease receivables	10,290.6	4,950.0	3,998.5	1.1	1,140.1	857.1	0.2
Debt instruments at FVOCI	32,894.2	8,261.4	92.3	0.0(1)	—	1,457.0	0.4
Total interest income	**192,368.1**	**172,982.0**	**186,327.6**	**52.2**	**48,791.7**	**51,731.7**	**14.5**

(1) Denotes that the amount is less than US$0.05 million or 0.05% of the applicable total, as the case may be.

Interest income from loans and advances to customers includes interest earned on our loans to projects. Interest income from bank deposits includes interest earned on our deposits and current accounts at commercial banks and at the Bank of Mongolia. Interest income from debt instruments at amortized cost is derived from corporate bonds we obtained in exchange for loans issued to the relevant corporation and corporate bonds we obtained in agreements with the relevant corporation. Interest income from other assets includes interest income from receivables from local governments. Interest income from lease receivables relates to equipment leases

under our leasing operations. Interest income from debt instruments at FVOCI is derived from our investment in government bonds listed on foreign markets and in corporate bonds listed on the domestic market.

Interest and similar expense

Interest and similar expense mainly consists of interest paid or accrued on our U.S. dollar-denominated bonds we issued on international markets, borrowings from foreign banks and foreign financial institutions, amounts due to other banks and financial institutions, debt securities that we issued to local commercial banks, and time deposits. Our interest expense also includes interest paid or accrued on borrowing from the Ministry of Finance and from the Bank of Mongolia.

Prior to February 2017, the Government directed our lending decisions, including with respect to issuances, purchases and sales of securities and loans from other financial institutions. However, following the adoption of the Revised Law on the Development Bank of Mongolia, our executive management determines, subject to the approval of our Board the method, timing and amount of financing we obtain. The following table sets forth our interest expense for the periods presented:

	For the year ended December 31,				For the three months ended March 31,		
	2023	2024	2025		2025	2026	
	(MNT millions)	(MNT millions)	(MNT millions)	(US$ millions)	(MNT millions)	(MNT millions) (unaudited)	(US$ millions)
USD 500 million Senior Notes due in 2028	—	—	70,709.8	19.8	—	40,877.2	11.5
USD 200 million Senior Notes due in 2026	—	62,181.8	58,878.0	16.5	19,591.9	2,888.1	0.8
MNT 346.0 billion private placement notes due in 2027	34,477.9	56,380.4	56,226.4	15.8	13,864.1	13,864.0	3.9
MNT142.5 billion private placement notes due in 2031	13,865.9	14,958.0	22,178.8	6.2	4,997.6	5,759.3	1.6
International Senior Notes due in 2023	89,815.7	—	—	—	—	—	—
Bonds issued on the Japanese capital market due in 2023	24,764.2	—	—	—	—	—	—
Debt securities issued to local commercial banks	341.7	10,365.2	10,453.7	2.9	2,596.7	—	—
Borrowing from foreign banks and foreign institutions	6,044.4	10,913.9	9,701.2	2.7	2,772.9	2,182.1	0.6
MNT 76.5 billion private placement notes due in 2025	12,646.7	12,067.6	3,180.3	0.9	2,602.0	—	—
Time deposits	1,033.4	22.4	1,829.7	0.5	—	—	—
Borrowing from Minister of Finance	—	0.9	330.7	0.1	82.7	82.7	0.0[(1)]
Borrowing from Bank of Mongolia	28,493.1	15,632.1	—	—	—	—	—
Due to other banks and financial institutions	3,610.5	6,133.2	—	—	533.0	472.6	0.1
Other	0.8	—	—	—	—	—	
Total interest expense	**215,094.3**	**188,655.5**	**233,488.6**	**65.4**	**47,040.9**	**66,126.0**	**18.5**

(1) Denotes that the amount is less than US$0.05 million or 0.05% of the applicable total, as the case may be.

Credit loss (expense)/reversal

Credit loss (expense)/reversal represents the net charge or reversal of expected credit loss allowances recognized across our financial assets for the relevant period, comprising provisions for loans and advances to customers, debt instruments measured at amortized cost, repossessed assets, off-balance credit commitments, other liability, lease receivables, and amounts due from other banks and financial institutions.

Foreign exchange translation gains less losses

Foreign exchange translation gains less losses consist of net unrealized and net realized gains and losses arising from the retranslation of assets and liabilities denominated in foreign currencies against the Tugrik. We hold assets and liabilities denominated in foreign currencies that are subject to exchange rate fluctuations of

foreign currencies against the Tugrik and implement mixed strategies to mitigate these market-based risks, including the timing of foreign currency instrument repayments and foreign currency swaps.

Net gains/(losses) from derivative financial instruments

Net gains/(losses) from derivative financial instruments consist of our realized and unrealized derivative financial instruments gains and losses. We recognize gains and losses arising on the derivative financial assets on a monthly basis, and we recognize the realized portion of these agreed exchanges due before the maturity of the underlying swap agreement through the statement of profit or loss. The valuations are made based on changes in the reference rates, indexes, and fluctuation in the exchange rates against the Tugrik, which gives rise to the basis of the net change in valuation of the derivative financial instruments.

Administrative and other operating expenses

Our administrative and operating expenses principally consist of employee costs and benefits, depreciation and amortization, expenses relating to legal and other professional services, IT and software, and business travel and events, property tax expenses, audit fees, utilities, securities and maintenance fees, and other expenses.

Income tax benefit/(expenses)

We pay income tax to the Government in connection with net profit for each period. For 2023, 2024 and 2025 and the three months ended March 31, 2026, we were subject to the statutory income tax of 10.0% for the first MNT 6.0 billion of our taxable income and 25.0% of the taxable income in excess of MNT 6.0 billion.

Other comprehensive income/(loss) (net of tax)

Other comprehensive income/(loss) mainly represents net changes in the fair value of debt instruments at fair value through other comprehensive income, as well as changes in the fair value of our equity instruments at fair value through other comprehensive income, comprising our investment in MIK Holding JSC's shares listed on the domestic market, net of applicable deferred tax.

For the Three Months Ended March 31, 2025 and 2026

Interest and similar income

Our interest and similar income increased by 6.0% from MNT 48,791.7 million for the three months ended March 31, 2025 to MNT 51,731.7 million (US$14.5 million) for the three months ended March 31, 2026, primarily due to an increase in our interest income from bank deposits, partially offset by a decrease in our interest income from debt instruments at amortized cost.

Interest income from loans and advances to customers

Interest income from loans and advances to customers represented 55.6% and 51.8% of our total interest and similar income for the three months ended March 31, 2025 and 2026, respectively. Our interest income from loans and advances to customer decreased by 1.2% from MNT 27,124.8 million for the three months ended March 31, 2025 to MNT 26,799.3 million (US$7.5 million) for the three months ended March 31, 2026, primarily due to a slight decrease in loan principal amounts between the dates.

Interest income from bank deposits

Interest income from bank deposits represented 11.8% and 34.6% of our total interest and similar income for the three months ended March 31, 2025 and 2026, respectively. Our interest income from bank deposits increased by 211.8% from MNT 5,745.9 million for the three months ended March 31, 2025 to MNT 17,913.5 million (US$5.0 million) for the three months ended March 31, 2026, primarily due to higher cash and cash equivalents for the three months ended March 31, 2026.

Interest income from debt instruments at amortized cost

Interest income from debt instruments at amortized cost represented 24.7% and 7.3% of our total interest and similar income for the three months ended March 31, 2025 and 2026, respectively. Our interest income from debt instruments at amortized cost decreased by 68.7% from MNT 12,071.3 million for the three months

ended March 31, 2025 to MNT 3,783.1 million (US$1.1 million) for the three months ended March 31, 2026, primarily due to deterioration in the credit quality of the corporate bond of Darkhan Leather Complex LLC.

Interest and similar expense

Our interest and similar expense increased by 40.6% from MNT 47,040.9 million for the three months ended March 31, 2025 to MNT 66,126.0 million (US$18.5 million) for the three months ended March 31, 2026, primarily due to the issuance of USD 500 million Senior Notes due in 2028 in July 2025.

Credit loss (expense)/reversal

Our credit loss reversal of MNT 15,723.2 million (US$4.4 million) for the three months ended March 31, 2026, compared to credit loss expense was MNT 8,501.9 million for the three months ended March 31, 2025. The credit loss reversal for the three months ended March 31, 2026 was primarily as a result of repayments of loans and advances to customers.

Foreign exchange translation gains less losses

Our foreign exchange translation gains less losses were losses of MNT 8,745.0 million for the three months ended March 31, 2025 and losses of MNT 2,528.0 million (US$0.7 million) for the three months ended March 31, 2026; this reversal was primarily because we held assets and liabilities denominated in foreign currencies which are subject to exchange rate fluctuation of foreign currencies against the Tugrik.

Net gains/(losses) from derivative financial instruments

We recorded net losses from derivative financial instruments of MNT 14,316.8 million (US$4.0 million) for the three months ended March 31, 2026, compared to net gains of MNT 1,239.8 million for the three months ended March 31, 2025. This is primarily attributable to our unrealized derivative financial instrument losses of MNT 12,937.5 million (US$3.6 million) on our cross-currency interest rate swap agreements with the Bank of Mongolia for the three months ended March 31, 2026, compared to unrealized losses of MNT 3,502.2 million for the three months ended March 31, 2025, primarily reflecting unfavorable movements in exchange rates and reference rates during the period.

Administrative and other operating expenses

Our administrative and other operating expenses increased by 32.0% from MNT 4,095.1 million for the three months ended March 31, 2025 to MNT 5,406.4 million (US$1.5 million) for the three months ended March 31, 2026, primarily due to an increase in employee cost.

Profit before tax

As a result of the foregoing, our loss before tax decreased by 13.0% from MNT 18,385.5 million for the three months ended March 31, 2025 to MNT 20,783.9 million (US$5.8 million) for the three months ended March 31, 2026.

Income tax expenses

Our income tax expense decreased by 76.9% from MNT 14,412.4 million for the three months ended March 31, 2025 to MNT 3,333.6 million (US$0.9 million) for the three months ended March 31, 2026.

Other comprehensive income/(loss) (net of tax)

We had other comprehensive loss of MNT 7,583.2 million (US$2.1 million) for the three months ended March 31, 2026, compared to a loss of MNT 3,629.0 million for the three months ended March 31, 2025.

Total comprehensive income/(loss) for the period, net of tax

As a result of the foregoing, our total comprehensive loss for the period decreased by 13.0% from MNT 36,426.9 million for the three months ended March 31, 2025 to MNT 31,700.7 million (US$8.9 million) for the three months ended March 31, 2026.

For the Years Ended December 31, 2024 and 2025

Interest and similar income

Our interest and similar income increased by 7.7% from MNT 172,982.0 million in 2024 to MNT 186,327.6 million (US$52.2 million) in 2025, primarily attributable to an MNT 31,326.9 million increase in interest income from bank deposits, partially offset by an MNT 10,539.2 million decrease in interest income from loans and advances to customers.

Interest income from loans and advances to customers

Interest income from loans and advances to customers represented 69.9% and 59.2% of our total interest and similar income in 2024 and 2025, respectively. Our interest income from loans and advances decreased by 8.7% from MNT 120,864.8 million in 2024 to MNT 110,325.6 million (US$30.9 million) in 2025, primarily as a result of the repayment of performing loans. Although the gross carrying amount of loans and advances to customers remained substantially stable at MNT 2,271,559.4 million in 2024 and MNT 2,271,583.7 million (US$636.5 million) in 2025, the outstanding principal balance (excluding accrued interest) of loans and advances to customers declined by 2.2% from MNT 1,714.982.3 million in 2024 to MNT 1,677,654.6 million (US$470.1 million) in 2025.

Interest income from bank deposits

Interest income from bank deposits represented 6.3% and 22.7% of our total interest and similar income in 2024 and 2025, respectively. Our interest income from bank deposits increased significantly from MNT 10,944.2 million in 2024 to MNT 42,271.1 million (US$11.8 million) in 2025, primarily due to an increase in average balance of bank deposits (calculated as the average of month-end balances for each year) from MNT 186,398.6 million in 2024 to MNT 626,627.4 million (US$175.6 million) in 2025.

Interest income from debt instruments at amortized cost

Interest income from debt instruments at amortized cost represented 11.2% and 12.7% of our total interest and similar income in 2024 and 2025, respectively. Our interest income from debt instruments at amortized cost increased by 22.6% from MNT 19,353.9 million in 2024 to MNT 23,722.9 million (US$6.6 million) in 2025, primarily due to recognition of penalty interest income from the corporate bond of Darkhan Leather Complex LLC.

Interest and similar expense

Our interest and similar expense increased by 23.8% from MNT 188,655.5 million in 2024 to MNT 233,488.6 million (US$65.4 million) in 2025, primarily due to an MNT 70,709.8 million interest expense in 2025 from our USD 500 million Senior Notes due in 2028, which we issued in July 2025, partially offset by an MNT 15,632.1 million interest expense from borrowing from Bank of Mongolia in 2024, which we did not incur in 2025 as we repaid the borrowing in 2024.

Credit loss (expense)/reversal

We recorded credit loss expense of MNT 167,932.5 million (US$47.1 million) in 2025, while we recorded credit loss reversal of MNT 73,191.9 million in 2024. The credit loss expense in 2025 comprised: (i) credit loss expense for loans and advances to customers of MNT 112,656.6 million (US$31.6 million), primarily reflecting increased impairment allowances on non-performing legacy exposures; (ii) credit loss expense on debt instruments at amortized cost of MNT 34,726.6 million (US$9.7 million), primarily due to the reclassification of these instruments to Stage 3; (iii) credit loss expense on repossessedassets of MNT 19,584.5 million (US$5.5 million); and (iv) credit loss expense on other assets of MNT 13,294.2 million (US$3.7 million); partially offset by a credit loss reversal on bank deposits of MNT 12,603.8 million (US$3.5 million). This compared to a credit loss reversal for loans and advances to customers of MNT 65,026.5 million in 2024. While most of the credit loss movements in 2024 were attributable to loan repayments and interest accumulation, the increase in credit loss expense in 2025 was primarily due to increased impairment allowances on NPLs.

Foreign exchange translation gains less losses

Our foreign exchange translation gains less losses decreased from losses of MNT 18,339.9 million in 2024 to losses of MNT 10,600.2 million (US$3.0 million) in 2025, primarily due to a decrease in net unrealized

foreign exchange translation loss from MNT 14,754.7 million in 2024 to MNT 7,279.9 million (US$2.0 million) in 2025. The higher net unrealized foreign exchange translation loss in 2024 was primarily due to the Tugrik appreciating 9.6% against the Japanese Yen in 2024 compared to depreciating 3.7% against the Japanese Yen in 2025, as we maintained a positive net open position in Japanese Yen during 2024.

Net gains/(losses) from derivative financial instruments

We recorded net losses from derivative financial instruments of MNT 19,445.3 million (US$5.4 million) in 2025, compared to net gains of MNT 2,746.3 million in 2024. This is primarily attributable to our net realized derivative financial instrument losses of MNT 15,017.5 million (US$4.2 million) in 2025, compared to net realized losses of MNT 2,636.4 million in 2024, mainly due to the increase in the volume of derivative settlements during 2025 in connection with the higher notional amounts outstanding under our cross-currency interest rate swap agreements with the Bank of Mongolia.

Administrative and other operating expenses

Our administrative and other operating expenses increased by 25.6% from MNT 16,967.7 million in 2024 to MNT 21,315.4 million (US$6.0 million) in 2025, primarily due to an increase in employee costs and benefits.

Profit/(Loss) before tax

As a result of the foregoing, we incurred a profit before tax of MNT 29,994.9 million in 2024 and a loss before tax of MNT 286,127.3 million (US$80.2 million) in 2025.

Income tax expenses

Our income tax expenses decreased from MNT 37,907.7 million in 2024 to MNT 3,009.5 million (US$0.8 million) in 2025, primarily due to our loss before tax in 2025.

Other comprehensive income/(loss) (net of tax)

We recorded other comprehensive income (net of tax) of MNT 2,585.7 million (US$0.7 million) in 2025, compared to other comprehensive loss (net of tax) of MNT 11,696.0 million in 2024, primarily attributable to an MNT 947.8 million (US$0.3 million) revaluation gain on equity instruments at fair value though other comprehensive income in 2025, as compared to an MNT 12,551.3 million revaluation loss on equity instruments at fair value through other comprehensive income in 2024. The revaluation loss in 2024 was related to our investments in MIK Holding JSC’s shares listed on the domestic stock exchange.

Total comprehensive loss for the year, net of tax

As a result of the foregoing, our total comprehensive loss for the year, net of tax increased from MNT 19,608.8 million in 2024 to MNT 286,551.1 million (US$80.3 million) in 2025.

For the Years Ended December 31, 2023 and 2024

Interest and similar income

Our interest and similar income decreased by 10.1% from MNT 192,368.1 million in 2023 to MNT 172,982.0 million in 2024, primarily attributable to an MNT 24,867.1 million decrease in interest income from debt instrument at amortized cost and an MNT 24,632.8 million decrease in interest income from debt instrument at FVOCI, partially offset by an MNT 26,737.2 million increase in interest from loans and advances.

Interest income from loans and advances

Interest income from loans and advances represented 48.9% and 69.9% of our total interest and similar income in 2023 and 2024, respectively. Our interest income from loans and advances increased from MNT 94,127.6 million in 2023 to MNT 120,864.8 million in 2024. The increase was primarily attributable to a lower base in 2023, as court rulings issued during that year determined the repayment amounts on certain NPLs, resulting in the derecognition of previously accrued interest receivables and a corresponding reduction in interest income recognized in 2023.

Interest income from debt instruments at amortized cost

Interest income from debt instruments at amortized cost represented 23.0% and 11.2% of our total interest and similar income in 2023 and 2024, respectively. Our interest income from debt instruments at amortized cost decreased from MNT 44,221.0 million in 2023 to MNT 19,353.9 million in 2024, primarily due to a significantly higher volume of debt instruments at amortized cost we held in 2023 compared to 2024.

Interest income from debt instruments at FVOCI

Interest income from debt instruments at FVOCI represented 17.1% and 4.8% of our total interest and similar income in 2023 and 2024, respectively. Our interest income from debt instruments at FVOCI decreased from MNT 32,894.2 million in 2023 to MNT 8,261.4 million in 2025, primarily due to the sale and liquidation of a significant portion of our debt instruments at FVOCI portfolio in 2023, which resulted in a substantially lower average balance of such instruments earning interest in 2024.

Interest and similar expense

Our interest and similar expense decreased by 12.3% from MNT 215,094.3 million in 2023 to MNT 188,655.5 million in 2024, primarily attributable to (i) an MNT 89,815.7 million interest expense from our International Senior Notes due in 2023, which we repaid and settled in October 2023, and (ii) an MNT 24,764.2 million interest expense from bonds issued on the Japanese capital market due in December 2023, which we repaid and settled in December 2023, partially offset by an MNT 62,181.8 million interest expense in 2024 from our USD 200 million Senior Notes due in 2026, which we issued in March 2024.

Credit loss reversal

Our credit loss reversal increased from MNT 56,284.0 million in 2023 to MNT 73,191.9 million in 2024, primarily as a result of the repayments of loans and advances and the derecognition of certain loan amounts pursuant to civil court decisions. These decisions related to a a guarantee we issued in the amount of MNT 550,000.0 million in favor of the bondholders of Erdenes Mongol LLC, guaranteeing the repayment of bonds issued by Erdenes Mongol LLC, which represented an off-balance sheet credit commitment. The expected credit loss provision on this guarantee resulted in a credit loss expense of MNT 3,896.0 million in 2023 and a credit loss reversal of MNT 7,670.5 million in 2024. In 2024, our obligation under this guarantee was unconditionally discharged by the Government, and the associated expected credit loss provision was fully released.

In 2024, we had an MNT 4,887.8 million credit loss reversal of repossessed assets, as compared to an MNT 3,390.1 million credit loss expense of repossessed assets in 2023, primarily because we transferred certain repossessed assets to assets held for sale, which reduced the amount of our repossessed assets and the associated impairment allowance.

Foreign exchange translation gains less losses

We recorded foreign exchange translation losses of MNT 18,339.9 million in 2024, compared to foreign exchange gains of MNT 20,254.3 million in 2023, primarily due to net unrealized foreign exchange translation losses of MNT 14,754.7 million in 2024, compared to net unrealized foreign exchange translation gains of MNT 3,240.9 million in 2023. The higher net unrealized foreign exchange translation loss in 2024 was primarily due to the Tugrik appreciating 9.6% against the Japanese Yen in 2024, as DBM maintained a positive net open position in Japanese Yen during 2024.

Net gains/(losses) from derivative financial instruments

We recorded net gains from derivative financial instruments of MNT 2,746.3 million in 2024, compared to net losses of MNT 14,119.8 million in 2023. This is primarily attributable net unrealized derivative financial instrument gains of MNT 5,382.7 million in 2024, compared to net unrealized losses of MNT 64,305.5 million in 2023, mainly because our four long-term cross-currency interest rate swap agreements with the Bank of Mongolia with a total notional principal of US$325 million matured in November 2023, which had generated unrealized losses during their term as a result of unfavorable movements in exchange rates and reference rates against the Tugrik.

Administrative and other operating expenses

Our administrative and other operating expenses increased by 22.6% from MNT 13,837.5 million in 2023 to MNT 16,967.7 million in 2024, primarily due to an increase in employee costs and benefits.

Profit before tax

As a result of the foregoing, we recorded a profit before tax of MNT 26,308.5 million in 2023 and MNT 29,994.9 million in 2024.

Income tax expense

Our income tax expense decreased from MNT 58,545.1 million in 2023 to MNT 37,907.7 million in 2024 primarily due to a decrease in deferred tax expense from MNT 57,533.0 million in 2023 to MNT 27,876.7 million in 2024.

Other comprehensive income/(loss) (net of tax)

We recorded other comprehensive loss (net of tax) of MNT 11,696.0 million in 2024, compared to other comprehensive income (net of tax) of MNT 16,211.1 million in 2023, primarily attributable to (i) an MNT 20,940.2 million decrease in net change in fair value of debt instruments at fair value through other comprehensive income. The significant fair value movement was because we sold corporate bonds of Erdenes Tavantolgoi JSC in 2024, and (ii) am MNT 12,551.3 million revaluation loss on equity instrument at fair value through other comprehensive income in 2024 as compared to an MNT 4,022.0 million revaluation income in 2023, mainly due to the decreased fair value of our investment in MIK Holding JSC.

Total comprehensive loss for the year

As a result of the foregoing, we incurred a total comprehensive loss for the year of MNT 16,025.5 million in 2023 and MNT 19,608.8 million in 2024.

Cash Flows

The following table sets forth our cash flows for the periods presented:

	For the year ended December 31,				For the three months ended March 31,		
	2023	2024	2025		2025	2026	
	(MNT millions)	(MNT millions)	(MNT millions)	(US$ millions)	(MNT millions)	(MNT millions) (unaudited)	(US$ millions)
Net cash (used in)/generated from operating activities	1,006,955.0	(100,595.6)	(23,217.4)	(6.5)	(76,995.6)	(102,237.0)	(28.6)
Net cash (used in)/generated from investing activities	(106.6)	(431.8)	11,820.1	3.3	(91.7)	(94,111.8)	(26.4)
Net cash (used in)/generated from financing activities	(1,752,701.8)	321,951.3	827,933.6	232.0	(124,541.9)	(211,167.7)	(59.2)
Effect of exchange rate changes on cash and cash equivalents	(6.2)	(291.0)	2,717.6	0.8	6,082.3	2,117.9	0.6
Net (decrease)/increase in cash and cash equivalents	(745,859.6)	220,632.9	819,253.9	229.6	(195,546.9)	(405,398.6)	(113.6)
Cash and cash equivalents at the beginning of the year/period	890,417.2	144,557.6	364,461.8	102.1	365,190.5	1,183,715.7	331.7
Cash and cash equivalents at the end of the year/period	144,557.6	365,190.5	1,183,715.7	331.7	169,643.6	778,317.1	218.1

Cash flows (used in)/generated from operating activities

Cash inflows from our operating activities are primarily attributable to interest and similar income. Cash outflows used in our operating activities are primarily attributable to loans and advances and interest expenses. Non-cash adjustments include depreciation and amortization, credit loss expense/(reversal), effect of foreign exchange translation, unrealized losses/(gains) from financial derivatives, and loss on write-off of lease receivables.

For the three months ended March 31, 2026, we had a loss before tax of MNT 20,783.9 million (US$5.8 million), which was adjusted primarily by interest expense of MNT 66,126.0 million (US$18.5 million) and interest income of MNT 51,731.7 million (US$14.5 million), resulting in operating loss before working capital changes of MNT 12,028.6 million (US$3.4 million). This was adjusted by working capital changes, primarily

including net decrease in loans and advances of MNT 54,464.8 million (US$15.3 million), net decrease in due to other banks of MNT 46,292.6 million (US$13.0 million), and net increase in bank deposits of MNT 30,045.4 million (US$8.4 million), resulting in cash used in operations of MNT 36,840.1 million (US$10.3 million). This was further adjusted primarily by interest paid of MNT 89,793.6 million (US$25.2 million) and interest received of MNT 24,732.6 million (US$6.9 million). As a result, we had net cash used in operating activities of MNT 102,237.0 million (US$28.6 million) for the three months ended March 31, 2026.

In 2025, we had loss before tax of MNT 286,127.3 million (US$80.2 million), which was adjusted primarily by interest expense of MNT 233,488.6 million (US$65.4 million), interest income of MNT 185,714.7 million (US$52.0 million), and credit loss expense of MNT 167,932.5 million (US$47.1 million), resulting in operating loss before working capital changes of MNT 55,009.1 million (US$15.4 million). This was adjusted by working capital changes, primarily including net decrease in loans and advances including lease receivables of MNT 77,368.4 million (US$21.7 million), net decrease in bank deposits of MNT 64,756.3 million (US$18.1 million), and net decrease in due to other banks of MNT 55,293.0 million (US$15.5 million), resulting in cash generated from operations of MNT 12,633.8 million (US$3.5 million). This was further adjusted primarily by interest paid of MNT 180,671.4 million (US$50.6 million) and interest received of MNT 149,035.9 million (US$41.8 million). As a result, we had net cash used in operating activities of MNT 23,217.4 million (US$6.5 million) in 2025.

In 2024, we had profit before tax of MNT 29,994.9 million, which was adjusted primarily by interest expense of MNT 188,655.5 million and interest income of MNT 172,982.0 million, resulting in operating loss before working capital changes of MNT 19,480.4 million. This was adjusted by working capital changes, primarily including net decrease in due to other banks of MNT 149,776.9 million and net decrease in debt instruments at FVOCI of MNT 135,600.4 million, resulting in cash used in operations of MNT 40,376.9 million. This was further adjusted primarily by interest paid of MNT 168,469.1 million and interest received of MNT 118,709.8 million. As a result, we had net cash used in operating activities of MNT 100,595.6 million in 2024.

In 2023, we had profit before tax of MNT 26,308.5 million, which was adjusted primarily by interest expense of MNT 215,094.4 million and interest income of MNT 192,368.1 million, resulting in operating profit before working capital changes of MNT 60,853.6 million. This was adjusted by working capital changes, primarily including net decrease in debt instruments at amortized costs of MNT 361,116.3 million, net decrease in loans and advances including lease receivables of MNT 229,091.8 million, and net increase in due to other banks of MNT 227,488.2 million, resulting in cash generated from operations of MNT 1,050,042.0 million. This was further adjusted primarily by interest paid of MNT 268,979.0 million and interest received of MNT 236,743.5 million. As a result, we had net cash flows generated from operating activities of MNT 1,006,955.0 million in 2023.

Cash flows (used in)/generated from investing activities

Cash outflows used in our investing activities represent acquisition of investments, purchases of property and equipment and purchases of intangible assets.

Our net cash used in investing activities for the three months ended March 31, 2026 was MNT 94,111.8 million (US$26.4 million). These net cash outflows primarily consisted of purchase of financial investments, partially offset by proceeds from sales of assets held for sale.

Our net cash generated from investing activities in 2025 was MNT 11,820.1 million (US$3.3 million). These net cash inflows primarily consisted of proceeds from sales of assets held for sale, partially offset by outflows primarily consisting of purchase of property and equipment and the purchase of intangible assets.

Our net cash used in investing activities in 2024 was MNT 431.8 million. These net cash outflows were primarily due to purchase of property and equipment.

Our net cash used in investing activities in 2023 was MNT 106.6 million. These net cash outflows primarily consisted of purchase of property and equipment.

Cash flows (used in)/generated from financing activities

Cash inflows from our financing activities represent increases in contributed capital and borrowings, including proceeds from debt securities and borrowings. Cash used in financing activities primarily include repurchase of debt securities, as well as repayments of debt securities and principal and interest on borrowings.

Our net cash used in financing activities for the three months ended March 31, 2026 was MNT 211,167.7 million (US$59.2 million). These net cash outflows consisted of repayment of debt securities and repurchase of debt securities.

Our net cash generated from financing activities in 2025 was MNT 827,933.6 million (US$232.0 million). These net cash inflows primarily consisted of proceeds from debt securities, partially offset by repayment of debt securities, repayment of borrowings and repurchase of debt securities.

Our net cash generated from financing activities in 2024 was MNT 321,951.3 million. These net cash inflows primarily consisted of proceeds from debt securities and proceeds from borrowings, partially offset by repayment of borrowings.

Our net cash used in financing activities in 2023 was MNT 1,752,701.8 million. These net cash outflows primarily consisted of repayment of debt securities, partially offset by proceeds from borrowings and proceeds from debt securities.

Liquidity and Capital Resources

We fund our operations principally with borrowings and the issuance of bonds. We also obtain financing from the Government and capital contributions from the Government as specified in the Revised DBM Law. As of December 31, 2025, we had capital contributions from the Government of MNT 1,216,300.3 million (US$340.8 million).

Financial Condition

Assets

The following table sets forth the principal components of our assets as of the dates indicated as well as the changes between periods:

	As of December 31,				As of March 31,	
	2023	2024	2025		2026	
	(MNT millions)	(MNT millions)	(MNT millions)	(US$ millions)	(MNT millions) (unaudited)	(US$ millions) (unaudited)
Assets:						
Cash and cash equivalents	144,557.6	365,190.5	1,184,135.2	331.8	778,533.0	218.2
Bank deposits	15,875.7	73,115.9	7,282.8	2.0	37,525.9	10.5
Financial investments:	399,089.2	246,835.0	266,530.0	74.7	361,763.0	101.4
Equity instruments at fair value through other comprehensive income	67,803.0	51,068.0	52,331.6	14.7	47,708.7	13.4
Debt instruments at fair value through other comprehensive income	143,535.3	—	39,127.4	11.0	135,837.9	38.1
Debt instruments at amortized cost	187,750.9	195,767.0	175,071.0	49.1	178,216.4	49.9
Financial derivatives assets	—	2,560.0	14,216.1	4.0	3,811.5	1.1
Loans and advances including lease receivables	1,258,116.2	1,322,048.2	1,192,051.0	334.0	1,178,863.6	330.3
Other assets	114,411.1	101,767.0	77,635.2	21.8	74,485.4	20.9
Assets held for sale	—	76,508.6	3,241.6	0.9	530.0	0.1
Repossessed assets	166,027.2	89,835.1	143,081.1	40.1	143,081.1	40.1
Property and equipment	24,278.8	23,709.3	22,950.8	6.4	22,660.9	6.3
Intangible assets	249.7	240.1	260.7	0.1	243.8	0.1
Income tax receivables	—	—	2,443.6	0.7	2,331.7	0.7
Other tax receivables	17.5	—	—	—	—	—
Total assets	**2,122,623.0**	**2,301,809.7**	**2,913,828.1**	**816.5**	**2,603,829.9**	**729.6**

Our total assets increased by 8.4% from MNT 2,122.6 billion as of December 31, 2023 to MNT 2,301.8 billion as of December 31, 2024 and further increased by 26.6% to MNT 2,913.8 billion (US$816.5 million) as of December 31, 2025. Total assets decreased by 10.6% from December 31, 2025 to MNT 2,603.8 billion (US$729.6 million) as of March 31, 2026.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, cash which we have placed with the Bank of Mongolia, the Ministry of Finance, and domestic and foreign commercial banks with strong credit standing. Cash deposited at commercial banks have an original maturity of three months, bearing interest rates ranging from 3.5% to 13.7%.

Cash and cash equivalents increased from MNT 144,557.6 million as of December 31, 2023 to MNT 365,190.5 million as of December 31, 2024, primarily due to increases in cash deposited at domestic and foreign commercial banks, partially offset by decreases in current accounts at the Bank of Mongolia and the Ministry of Finance. Cash and cash equivalents further increased to MNT 1,184,135.2 million (US$331.8 million) as of December 31, 2025, primarily due to increases in current accounts at the Bank of Mongolia and in cash deposited at domestic commercial banks, partially offset by decreases in current accounts at the Ministry of Finance and in cash deposited with foreign commercial banks. Cash and cash equivalents decreased by 34.3% to MNT 778,533.0 million (US$218.2 million) as of March 31, 2026, primarily due to significant cash outflows related to debt service, including repayment of our USD 200 million Senior Notes due in 2026.

Bank deposits

Our bank deposits comprise term deposits at local banks and financial institutions, denominated in Tugriks. The maturities of these deposits ranged from three months to one year. Bank deposits increased from MNT 15,875.7 million as of December 31, 2023 to MNT 73,115.9 million as of December 31, 2024, and then decreased to MNT 7,282.8 million (US$2.0 million) as of December 31, 2025. Bank deposits further increased to MNT 37,525.9 million (US$10.5 million) as of March 31, 2026.

Financial investments

Our financial investments comprise debt instruments at FVOCI, representing our investment in government bonds listed on foreign markets and in corporate bonds on the domestic market; equity instruments at FVOCI, representing our investment in MIK Holding JSC's share listed on the domestic market; and debt instruments at amortized cost, representing bonds issued by State Housing Corporation SOLLC and Darkhan Leather Complex LLC. Financial investments decreased from MNT 399,089.2 million as of December 31, 2023 to MNT 246,835.0 million as of December 31, 2024, primarily due to the full disposal of our FVOCI corporate bond investment in Erdenes Tavantolgoi JSC. Financial investments then increased to MNT 266,530.0 million (US$74.7 million) as of December 31, 2025, primarily due to a new investment of MNT 39,127.4 million in USD-denominated government bonds listed on a foreign market, partially offset by a decrease in debt instruments at amortized cost. Financial investments increased by 35.7% to MNT 361,763.0 million (US$101.4 million) as of March 31, 2026, primarily due to a significant increase in debt instruments at FVOCI from MNT 39,127.4 million (US$11.0 million) to MNT 135,837.9 million (US$38.1 million), reflecting new investments in USD-denominated government bonds listed on a foreign market, partially offset by a decrease in equity instruments at FVOCI.

Financial derivatives assets

Our financial derivatives assets comprise assets from our cross-currency interest rate swaps with the Bank of Mongolia and our cross-currency forwards with foreign financial institutions. As of December 31, 2023, 2024 and 2025 and March 31, 2026, our financial derivatives assets were nil, MNT 2,560.0 million, MNT 14,216.1 million (US$4.0 million) and MNT 3,811.5 million (US$1.1 million), respectively. The increase from MNT 2,560.0 million as of December 31, 2024 to MNT 14,216.1 million (US$4.0 million) as of December 31, 2025 was primarily due to revaluations of our two new cross-currency interest rate swap agreements with the Bank of Mongolia with a total notional principal of US$200 million in 2025, comprising a US$50 million swap and a US$150 million swap, both maturing on June 5, 2028. The decrease from MNT 14,216.1 million as of December 31, 2025 to MNT 3,811.5 million (US$1.1 million) as of March 31, 2026 was primarily because our US$56.5 million swap agreement with the Bank of Mongolia matured in February 2026.

Loans and advances including lease receivables

Loans and advances including lease receivables increased by 5.1% from MNT 1,258,116.2 million as of December 31, 2023 to MNT 1,322,048.2 million as of December 31, 2024, primarily due to interest accumulations. Loans and advances then decreased by 9.8% to MNT 1,192,051.0 million (US$334.0 million) as of December 31, 2025 due to increase in allowance for impairment losses. Loans and advances including lease

receivables remained relatively stable at MNT 1,192,051.0 million (US$334.0 million) as of December 31, 2025 and MNT 1,178,863.6 million (US$330.3 million) as of March 31, 2026.

Other assets

Other assets are comprised of other receivables, primarily including amounts due from the Governor's Office of Ulaanbaatar City, Govi-Altai Province, Khuvsgul Province and Orkhon Province, arising from the sale of repossessed assets, other prepayments, supply materials and tax receivables other than income tax, less impairment allowance on other assets. Other assets decreased from MNT 114,411.1 million as of December 31, 2023 to MNT 101,767.0 million as of December 31, 2024, primarily attributable to a decrease in other receivables due to partial collections on amounts due from the Governor's Offices of Capital City of Ulaanbaatar, Govi-Altai Province, Khuvsgul Province, and Orkhon Province, which decreased from MNT 90,912.6 million as of December 31, 2023 to MNT 78,164.6 million as of December 31, 2024. Other assets further decreased to MNT 77,635.2 million (US$21.8 million) as of December 31, 2025, primarily attributable to an increase in impairment allowance on other receivables from MNT 18,598.5 million as of December 31, 2024 to MNT 31,892.7 million as of December 31, 2025, reflecting additional provisioning on due from the Governor's Offices of Ulaanbaatar City, Govi-Altai Province, Khuvsgul Province, and Orkhon Province. Other assets remained relatively stable at MNT 77,635.2 million (US$21.8 million) as of December 31, 2025 and MNT 74,485.4 million (US$20.9 million) as of March 31, 2026.

Assets held for sale

Assets held for sale are buildings and real estate available for immediate sale that can be sold to a buyer in their current condition. Assets held for sale was nil, MNT 76,508.6 million, MNT 3,241.6 million (US$0.9 million) and MNT 530.0 million (US$0.1 million) as of December 31, 2023, 2024 and 2025 and March 31, 2026, respectively. The decrease in assets held for sale from MNT 76,508.6 million as of December 31, 2024 to MNT 3,241.6 million (US$0.9 million) as of December 31, 2025 was primarily due to a transfer of MNT 72,987.3 million back to repossessed assets, reflecting the reclassification of assets, partially offset by new additions to assets held for sale of MNT 11,458.0 million and sales proceeds of MNT 11,737.7 million during 2025. The decrease in assets held for sale from MNT 3,241.6 million (US$0.9 million) as of December 31, 2025 to MNT 530.0 million (US$0.1 million) as of March 31, 2026 was primarily due to sales of assets.

Repossessed assets

Repossessed assets represent real estate assets we acquired in settlement of overdue loans, which we expect to dispose of in the foreseeable future. Repossessed assets decreased from MNT 166,027.2 million as of December 31, 2023 to MNT 89,835.1 million as of December 31, 2024, primarily due to an MNT 76,508.6 million transfer to assets held for sale. Repossessed assets then increased to MNT 143,081.1 million (US$40.1 million) as of December 31, 2025, primarily due to a transfer of MNT 72,987.3 million from assets held for sale, reflecting the reclassification of assets for which the anticipated sale did not complete. Repossessed assets remained at MNT 143,081.1 million (US$40.1 million) as of March 31, 2026, because we did not have new acquisitions through loan enforcement or disposals during the period.

Property and equipment

Property and equipment remained relatively stable at MNT 24,278.8 million, MNT 23,709.3 million and MNT 22,950.8 million (US$6.4 million) as of December 31, 2023, 2024 and 2025, respectively. Property and equipment remained relatively stable at MNT 22,950.8 million (US$6.4 million) as of December 31, 2025 and MNT 22,660.9 million (US$6.3 million) as of March 31, 2026.

Liabilities and shareholders' equity

The following table sets forth the principal components of our liabilities and equity as of the dates indicated:

	As of December 31,				As of March 31,	
	2023	2024	2025		2026	
	(MNT millions)	(MNT millions)	(MNT millions)	(US$ millions)	(MNT millions) (unaudited)	(US$ millions) (unaudited)
Liabilities:						
Financial derivatives liabilities	4,227.8	1,382.0	17,448.1	4.9	14,720.5	4.1

	As of December 31,				As of March 31,	
	2023	2024	2025		2026	
	(MNT millions)	(MNT millions)	(MNT millions)	(US$ millions)	(MNT millions)	(US$ millions)
Customer accounts	8,815.3	3,152.4	7,859.1	2.2	6,471.8	1.8
Time deposits	34,123.7	—	—	—	—	—
Other liabilities	11,867.9	3,729.5	7,969.6	2.2	2,940.9	0.8
Due to other banks and financial institutions	225,210.3	108,043.3	59,313.3	16.6	13,401.0	3.8
Debt securities issued	687,477.8	1,392,012.5	2,449,277.0	686.3	2,220,998.8	622.4
Borrowings	707,401.7	345,709.0	208,956.5	58.6	213,645.3	59.9
Other tax payable	809.4	1,418.8	1,369.7	0.4	1,247.5	0.3
Current income tax payable	1,012.6	601.5	216.7	0.1	216.7	0.1
Deferred tax liabilities	11,541.9	35,234.9	37,443.4	10.5	37,913.5	10.6
Total liabilities	**1,692,488.4**	**1,891,283.9**	**2,789,853.4**	**781.8**	**2,511,556.0**	**703.8**
Equity:						
Contributed capital	1,216,300.3	1,216,300.3	1,216,300.3	340.8	1,216,300.3	340.8
Other reserve	37,972.7	26,276.7	34,053.9	9.5	26,470.7	7.4
Retained earnings	(824,138.4)	(832,051.2)	(1,126,379.5)	(315.6)	(1,150,497.1)	(322.4)
Total equity	**430,134.6**	**410,525.8**	**123,974.7**	**34.7**	**92,273.9**	**25.9**
Total liabilities and equity	**2,122,623.0**	**2,301,809.7**	**2,913,828.1**	**816.5**	**2,603,829.9**	**729.6**

Our total liabilities increased by 11.7% from MNT 1,692,488.4 million as of December 31, 2023 to MNT 1,891,283.9 million as of December 31, 2024 and further increased by 47.5% to MNT 2,789,853.4 million (US$781.8 million) as of December 31, 2025. Total liabilities decreased by 10.0% to MNT 2,511,556.0 million (US$703.8 million) as of March 31, 2026.

Financial derivatives liabilities

Our financial derivatives liabilities are related to our cross-currency interest rate swaps with the Bank of Mongolia and our cross-currency forwards with foreign financial institutions. Financial derivatives liabilities decreased by 67.3% from MNT 4,227.8 million as of December 31, 2023 to MNT 1,382.0 million as of December 31, 2024 due to a decrease in forwards because the forward transactions we entered into with Saxo Bank on December 26, 2023—consisting of EUR 34.9 million against the U.S. Dollars, JPY 2.1 billion against the U.S. Dollars, and CNY 28.5 million against the U.S. Dollars—were closed on March 20, 2024. Financial derivatives liabilities then increased significantly to MNT 17,448.1 million (US$4.9 million) as of December 31, 2025, primarily due to revaluations of our two new cross-currency interest rate swap agreements in 2025 with the Bank of Mongolia with a total notional principal of US$200 million, comprising a US$50 million swap and a US$150 million swap, both maturing on June 5, 2028. Financial derivatives liabilities decreased by 15.6% to MNT 14,720.5 million (US$4.1 million) as of March 31, 2026, primarily because our USD 56.5 million cross-currency interest rate swap agreement with Bank of Mongolia matured in February 2026.

Customer accounts

Customer accounts are accounts held by our customers for disbursements and repayments of the loans we provide to them. No interest is paid on these accounts. Customer accounts decreased from MNT 8,815.3 million as of December 31, 2023 to MNT 3,152.4 million as of December 31, 2024, and then increased to MNT 7,859.1 million (US$2.2 million) as of December 31, 2025. Customer accounts decreased to MNT 6,471.8 million (US$1.8 million) as of March 31, 2026.

Time deposits

We had only one time deposit as of December 31, 2023, which had a term from less than three months and interest of 6.0%. We do not typically offer time deposits.

Other liabilities

Other liabilities comprise other financial liabilities and other non-financial liabilities. Other financial liabilities include interbank settlements, representing funds in transit pending final settlement through the interbank payment system) and other items. Other non-financial liabilities include payables to others, payroll payables and others. Other liabilities decreased from MNT 11,867.9 million as of December 31, 2023 to MNT 3,729.5 million as of December 31, 2024, and then increased to MNT 7,969.6 million (US$2.2 million) as of December 31, 2025. Other financial liabilities decreased to MNT 2,940.9 million (US$0.8 million) as of March 31, 2026.

Due to other bank and financial institutions

Due to other bank and financial institutions consists of term deposits with maturities from other banks with maturity of less than three months. Due to other bank and financial institutions decreased by 52.0% from MNT 225,210.3 million as of December 31, 2023 to MNT 108,043.3 million as of December 31, 2024 and further decreased by 45.1% to MNT 59,313.3 million (US$16.6 million), due to a decreases in short-term placements of other banks. Due to other banks and financial institutions decreased by 77.4% to MNT 13,401.0 million (US$3.8 million) as of March 31, 2026 due to a decrease in short-term placements of other banks.

Debt securities issued

We have issued debt securities to both domestic and international markets, with terms ranging from two to seven years. Debt securities issued increased by 102.5% from MNT 687,477.8 million as of December 31, 2023 to MNT 1,392,012.5 million as of December 31, 2024, primarily because in March 2024 we issued USD 200 million unsecured bonds in the international market due in March 2026. Debt securities issued further increased by 76.0% to MNT 2,449,277.0 million (US$686.3 million) as of December 31, 2025, primarily because in July 2025, we issued USD 500 million unsecured bonds on the international market maturing in July 2028, partially offset by an decrease in the balance of our USD 200 million Senior Notes due in 2026 as we repurchased US$122.4 million of these notes in July 2025. Debt securities issued decreased by 9.3% to MNT 2,220,998.8 million (US$622.4 million) as of March 31, 2026 primarily due to repayment of the remaining USD 200 million Senior Notes in February 2026.

Borrowings

Borrowings decreased by 51.1% from MNT 707,401.7 million as of December 31, 2023 to MNT 345,709.0 million as of December 31, 2024, primarily due to full repayment of borrowings under a three-month secured loan agreement of MNT 429.0 billion with the Bank of Mongolia as collateral for our normal loan portfolio. Borrowings further decreased by 39.6% to MNT 208,956.5 million (US$58.6 million) as of December 31, 2025, primarily due to full repayment of borrowings under four bilateral loan agreements with Vnescheconombank: two from October 2018 to refinance funds used for purchasing agricultural equipment, and two from June 2019 with credit facilities of EUR 16.4 million and EUR 2.9 million, respectively to refinance the expansion of projects of Thermal Power Plant 4, a coal-fired cogeneration power station in Bayangol, Ulaanbaatar. Borrowings slightly increased by 2.2% to MNT 213,645.3 million (US$59.9 million) as of March 31, 2026.

Deferred tax liabilities

Deferred tax liabilities increased from MNT 11,541.9 million as of December 31, 2023 to MNT 35,234.9 million as of December 31, 2024 and further increased slightly to MNT 37,443.4 million (US$10.5 million) as of December 31, 2025. Deferred tax liabilities slightly decreased to MNT 37,913.5 million (US$10.6 million) as of March 31, 2026.

Total equity

Our total equity decreased by 4.6% from MNT 430,134.6 million as of December 31, 2023 to MNT 410,525.8 million as of December 31, 2024 due to a decrease in other reserve and an increase in retained deficit. Our total equity further decreased by 69.8% to MNT 123,974.7 million (US$34.7 million) as of December 31, 2025, primarily due to an decrease in retained earnings. Total equity decreased by 25.6% to MNT 92,273.9 million (US$25.9 million) as of March 31, 2026, primarily due to decrease in retained earnings.

Contributed Capital and Capital Adequacy

Our contributed capital comprises contributions from the Government of Mongolia specified in the Revised DBM Law. Our contributed capital remained constant at MNT 1,216,300.3 million (US$340.8 million as of December 31, 2025 and March 31, 2026) as of December 31, 2023, 2024, 2025 and March 31, 2026.

We are not subject to the capital adequacy requirements set by the Bank of Mongolia for commercial banks. Pursuant to the Revised Law on the Development Bank of Mongolia, our capital adequacy requirements are determined on the Regulation on Setting and Monitoring Prudential Ratios Applicable to the Development Bank of Mongolia passed by the Bank of Mongolia (the "DBM Prudential Regulation"). Under the DBM Prudential Regulation, the Bank of Mongolia monitors our prudential ratios on a monthly basis and requires us to maintain total capital adequacy ratio of not less than 9.0% and a net stable funding ratio of no less than 100.0%. Our management target is to keep key capital adequacy ratios above 10.5%, with some buffer above the requirement.

In addition, the regulation requires us to maintain net total foreign currency open position of no more than 30.0% of our capital.

The following tables set forth our capital adequacy and capital adequacy ratios as of the dates presented:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(MNT millions, except percentages)			
Contributed capital	1,216,300.3	1,216,300.3	1,216,300.3	1,216,300.3
Accumulated losses	(824,138.4)	(832,051.2)	(1,126,379.5)	(1,150,497.1)
Equity investment at fair value through other comprehensive income[(1)]	(67,803.0)	(51,068.0)	(52,331.6)	(47,708.7)
Capital (adjusted)	324,358.9	333,181.1	37,589.2	18,094.5
Risk weighted assets[(2)]	3,170,302.0	2,692,866.3	2,866,493.1	2,374,162.6
Risk weighted ratio	10.2%	12.4%	1.3%	0.8%

(1) Representing our investment in the financial institution (MIK Holding JSC). Under the BOM regulation, total capital in CAR calculation shall be adjusted by deducting DBM's investments in financial institutions.

(2) Risk weighted assets are calculated according to the BOM regulation, which is in line with the standard approach under Basel III.

We are subject to generally the same capital adequacy calculation methodology as commercial banks and Basel III standards. Under the DBM Prudential Regulation, capital structure for capital adequacy ratio is limited to Tier 1 capital, as in Basel III. We are also subject to capital charge for operational and market risks as part of the capital adequacy ratio. In terms of risk-weighted assets, the regulation sets standard approach, which is in line with Basel III standards and stricter in some cases than the commercial bank regulation.

New Capital Injection

On March 18, 2026, the Government of Mongolia approved an increase in our share capital by MNT 1.0 trillion to strengthen our capital position and support our ongoing financial stability. On June 11, 2026, we and Erdenes Mongol LLC ("Erdenes Mongol") executed a share subscription agreement, pursuant to which we issued 5,000,000 common shares and 5,000,000 preferred shares, each with a par value of MNT 100,000, to Erdenes Mongol. In exchange for the newly issued shares, we were assigned a receivable originally owned by Erdenes Tavan Tolgoi SJC ("Erdenes Tavan Tolgoi"), a subsidiary of Erdenes Mongol (the "New Capital Injection"). Erdenes Tavan Tolgoi owned a receivable from Mongolian Oil Refinery LLC equivalent to US$ 388 million. Erdenes Tavan Tolgoi assigned this receivable to Erdenes Mongol, and Erdenes Mongol subsequently assigned the rights to receive certain payments under this receivable to us in exchange for the newly issued common and preferred shares. Under the terms of the receivable, Mongolian Oil Refinery LLC will repay the receivable starting July 2030 through June 2040, in equal monthly installments equivalent to US$ 3.2 million, and we have the right to collect the first 87 monthly installments. We remain 100% state-owned, with the Government holding shares both directly and indirectly through Erdenes Mongol LLC. As a shareholder, Erdenes Mongol LLC has the right to appoint two members to our Board, one of whom must be a member of the audit committee. Erdenes Mongol LLC has no significant role in our project selection, lending decisions, credit assessment or day-to-day operations.

Because the New Capital Injection was effected through an assignment of a future cash flow receivable that does not bear interest, under the IFRS, we must recognize this receivable at its present value for financial reporting purposes. Accordingly, we discounted the future cash flows to present value and recorded the receivable at a fair value of MNT 763.7 billion as of the transaction date using a market-based discount. As a result, while our share capital increases by the MNT 1 trillion, our equity increases by only MNT 763.7 billion upon initial recognition. We will amortize the MNT 236.3 billion difference between the nominal par value of the shares issued and the present value recognized on initial recognition and recognize these amounts as income on a daily basis over the period through 2040, the maturity and final repayment date of the receivable. Once that recognition is complete, our equity will have increased by MNT 1 trillion.

The following table sets forth our capital capital adequacy ratios on a historical basis for the periods indicated and on a pro forma basis as of March 31, 2026, giving effect to the New Capital Injection:

	Actual				As adjusted[1]
	As of December 31,			As of March 31,	As of March 31,
	2023	2024	2025	2026	2026
	(MNT millions, except percentages)				
Contributed capital	1,216,300.3	1,216,300.3	1,216,300.3	1,216,300.3	1,979,999.9
Accumulated losses	(824,138.4)	(832,051.2)	(1,126,379.5)	(1,150,497.1)	(1,154,544.7)[2]
Equity investment at fair value through other comprehensive income[3]	(67,803.0)	(51,068.0)	(52,331.6)	(47,708.7)	(47,708.7)
Capital (adjusted)	324,358.9	333,181.1	37,589.2	18,094.5	777,746.6
Risk weighted assets[4]	3,170,302.0	2,692,866.3	2,866,493.1	2,374,162.6	3,133,814.6
Risk weighted capital ratio	10.2%	12.4%	1.3%	0.8%	24.1%

(1) "As Adjusted" represents the financial statement figures as adjusted to give pro forma effect to the New Capital Injection.
(2) The decrease in retained earnings as adjusted relates to the risk reserve (provisioning) amount calculated based on the increased equity following recognition of the New Capital Injection.
(3) Representing our investment in the financial institution (MIK Holding JSC). Under the BOM regulation, total capital in CAR calculation shall be adjusted by deducting DBM's investments in financial institutions.
(4) Risk weighted assets are calculated according to the BOM regulation, which is in line with the standard approach under Basel III.

As of March 31, 2026, our capital adequacy ratio stood at 0.8%, and following the New Capital Injection, our capital adequacy ratio increased to 24.1% on a pro forma basis.

Capital Expenditure

Our capital expenditures for 2023, 2024, 2025 and the three months ended March 31, 2026 primarily included purchases of buildings and facilities, equipment, furniture and fixtures, and vehicles as we expanded our operations. Our capital expenditures for 2023, 2024, 2025 and the three months ended March 31, 2026 were MNT 1,314.6 million, MNT 388.1 million, MNT 384.3 million (US$0.1 million) and MNT 1.1 million (US$0.0), respectively.

Our planned 2026 aggregate capital expenditures are MNT 171.5 million (US$0.1 million) for the purchase of technical equipment and furniture as in the budget approved by our Board.

Off-Balance Sheet Arrangements

Other than contingencies relating to guarantees issued and loan commitments that have not been paid, as of the date of this Offering Memorandum, we do not have off-balance sheet arrangements.

Commitments and contingencies

Our commitments and contingencies consist of guarantees issued and undrawn loan commitments. Our commitments and contingencies with respect to guarantees issued amounted to MNT 550,000.0 million, MNT 550,000.0 million, nil and nil as of December 31, 2023, 2024 and 2025 and March 31, 2026, respectively. Our commitments and contingencies with respect to guarantees issued as of December 31, 2023 and 2024 was related to our guarantee contract with Erdenes MGL LLC and Erdenes Silver Resource LLC entered into on February 20, 2020, collateralized by Salkhit silver mine's deposit belonging to Erdenes Silver Resource LLC. The financial guarantee amount was reduced to MNT 550 billion in 2021 because Erdenes MGL LLC and Erdenes Silver Resource LLC did not fulfil an obligation under the guarantee agreement. In February 2025, this guarantee was unconditionally released by the Government of Mongolia, which discharged our obligation against this guarantee. As of December 31, 2023, 2024 and 2025 and March 31, 2026, undrawn loan commitments amounted to MNT 170,702.2 million, MNT 69,199.1 million, MNT 62,434.8 million (US$17.5 million) and MNT 62,434.8 million (US$17.5 million), respectively.

For additional information regarding our commitments and contingencies, see Note 32 to our audited financial statements as of and for the years ended December 31, 2024 and 2025, and Note 26 to our unaudited interim condensed consolidated financial information as of and for the three months ended March 31, 2026, respectively.

Quantitative and Qualitative Analysis of Market Risk

Credit risk

Credit risk refers to the risk that emerges when lenders or any other customers are unable to fulfill their obligations to us or when their collateral funds and properties fail to meet the conditions of the loan contract.

We have developed policies and procedures for the management of credit exposures, including limits on portfolio concentration and review by our Credit Management Committee, which actively monitors our credit risk. Our credit policy and procedures are reviewed and approved by our Board. We also established a regulation on list of risky customers and revised our regulation on asset valuation.

Our Credit Management Committee is assigned with the responsibilities of organizing the financing of prospective projects and operations, ensuring that our debtor-creditor relations attain set standards and principles, moderating the potential risks that may occur during funding and investment procedures and coordinating day-to-day loans and financial matters. The Credit Management Committee is also responsible for issuing professional opinions and making recommendations to our Chief Executive Officer regarding financing decisions in accordance with the regulations approved by our Board. The Credit Management Committee executes our credit policy and related regulations and guidelines, including approval and completion of credit, proposes changes to credit conditions, administers our credit agreements, and maintains an efficient credit portfolio and overall regulation in accordance with our Charter.

Under the Revised DBM Law and our internal rules, our Chief Executive Officer has the capacity to fund and authorize loans, warranties and letters of credit with a value of up to 0.6% of our equity. Instruments which exceed 0.6% of our equity require approval from our Board. Since the Revised DBM Law became effective in 2017, we have had a higher level of autonomy in making financing decisions regarding strategically high value projects of economic and financial importance, and we determine our project financing activity strategy, top financeable sectors and requirements for project financing.

Furthermore, our Chief Executive Officer is obliged to base his decisions regarding the funding of projects, and any amendments to their finances and subsequent implementation, on our Credit Management Committee's professional opinions and recommendations. Our Board of Directors continuously reviews credit-related policies and procedures, sets credit risk limits and appetites, and monitors credit risk exposures.

Market risk

Market risk is the risk that arises from market price volatility, such as changes in interest rates and foreign exchange rates, which affect our income or the value of our holdings of financial instruments or lead to negative distress. The objective of our market risk management is to manage and control market risk exposures within acceptable levels, while optimizing the returns on risk.

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

Financial assets and financial liabilities presented as non-interest sensitive mostly relate to accrued interest and interest receivables and payables on interest-bearing assets and liabilities. For the purposes of financial risk management, our management separately monitors the principal amounts of assets and liabilities (*i.e.*, amounts which generate interest at nominal contractual interest rates), and accrued interest and interest receivables and payables, which do not generate interest based on nominal contractual interest rates.

Our management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of our financial assets and liabilities to various standard and non-standard interest rate scenarios.

We are exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on our financial position and cash flows. Our Asset and Liability Management Department is responsible for monitoring our exchange rate risk and minimizing our exposure. We assess the impact of foreign currency exchange rate fluctuations on our liquidity and profitability and take appropriate measures to effectively mitigate foreign currency exchange rate risk. In accordance with the Regulation on Setting and Monitoring Prudential Ratios to Development Bank of Mongolia, our Board of Directors has set limits on both a single

foreign currency to total capital and total foreign currency open positions to total capital. We measure exchange rate risk by the "Value at Risk" ("VaR") method.

Credit-related commitments risk

We offer guarantees and letters of credit, which represent irrevocable assurances that we will make payments in the event that a borrower cannot meet its obligations to third parties. We consider our credit risk exposure from guarantees and letters of credit to be equivalent to such exposures arising from loans. When issuing guarantees or letters of credit, we follow the same originating, analyzing, collateral evaluation, reviewing, monitoring and approval processes as for loans. For credit risk of off-balance sheet financial instruments, we use the same credit approach and policies as we do for on-balance sheet credits.

As stipulated in the Revised DBM Law, (i) the total value of loans, guarantees and loan equivalent assets provided by us may not exceed an amount equal to 30 times our equity and (ii) the total amount of loans provided by us to any single borrower and its related parties may not exceed an amount equal to eight times of our equity. As of the date of this Offering Memorandum, we are in compliance with these requirements; however, we have in the past breached this statutory limit. See "Risk Factors—Risks Relating to Our Operations—As a policy bank, our capital adequacy ratio is not directly comparable to the capital adequacy ratios of commercial banks in Mongolia."

Liquidity risk

Liquidity risk is defined as the risk that our liquid assets would be at an insufficient level to meet our obligations to our lenders. Our approach to managing liquidity is to ensure, as far as practicable as possible, that we have sufficient liquid assets to meet our liabilities when they are due in both normal and stressed conditions, without incurring unexpected losses or risking damage to our reputation. We manage our liquidity in each currency and on an aggregated basis.

Our Asset and Liability Management Department (the "ALMD") is responsible for monitoring and controlling liquidity risk based on potential liquidity risks and liquidity risk analysis and reports on a daily basis. In accordance with the Regulation on Setting and Monitoring Prudential Ratios of Development Bank of Mongolia issued by the Bank of Mongolia, we are required to meet requirements on liquidity coverage ratio and net stable funding ratio. Our Asset and Liability Management Committee ("ALCO") monitors our liquidity gaps on a daily basis, conducts stress tests and evaluates the structure of our assets and liabilities on a monthly basis. As of December 31, 2025, our net stable funding ratio was 160.0%, which exceeded the minimum requirement of 100.0%.

We invest funds in portfolios of liquid assets in order to be able to respond quickly and efficiently to unforeseen liquidity requirements. We place short-term deposits in commercial banks, and these term deposits are flexible to call back, providing us with comparatively low liquidity risk.

We assess and manage our liquidity position under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to us. Liquidity stress testing is conducted on a regular basis and presented to our ALCO. Movements of the interest rate spread are discussed and analysed during ALCO meetings.

The key measure used by us for managing short-term liquidity risk is the ratio of net liquid assets to total funding. For this purpose, net liquid assets include cash and cash equivalents, current accounts and deposits placed with the Bank of Mongolia and commercial banks, less clearing delays. See "Business—Risk Management" for additional information regarding our risk management policies and procedures.

Recent Changes in Accounting Standards

Our audited consolidated financial statements as of and for the year ended December 31, 2024 represent the first time we prepared our financial statements in full accordance with IFRS as issued by the International Accounting Standards Board.

See Notes 2.2 and 2.3 to our audited consolidated financial statements as of and for the year ended December 31, 2025 and Note 2.2 to our unaudited interim condensed consolidated financial information as of and for the three months ended March 31, 2026 included elsewhere in this Offering Memorandum for a discussion of recent changes in accounting standards. See "Risk Factors—Risks Relating to Our Operations—

We are subject to changes in financial reporting standards or policies which could materially and adversely affect our reported results of operations and financial condition."

Material Accounting Policies and Significant Accounting Judgments, Estimates and Assumptions

We have made certain estimates and associated assumptions based on our historical experiences and other factors that our management considers relevant. Actual results may differ from these estimates. We review estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months. For additional information, please see Notes 2.4 and 3 to our audited consolidated financial statements as of and for the year ended December 31, 2025 included elsewhere in this Offering Memorandum.

Fair value of financial instruments

When the fair value of derivative financial instruments recorded in our statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Changes in assumptions could affect the reported fair value of derivative financial instruments.

Impairment allowances on loans and advances and repossessed collaterals

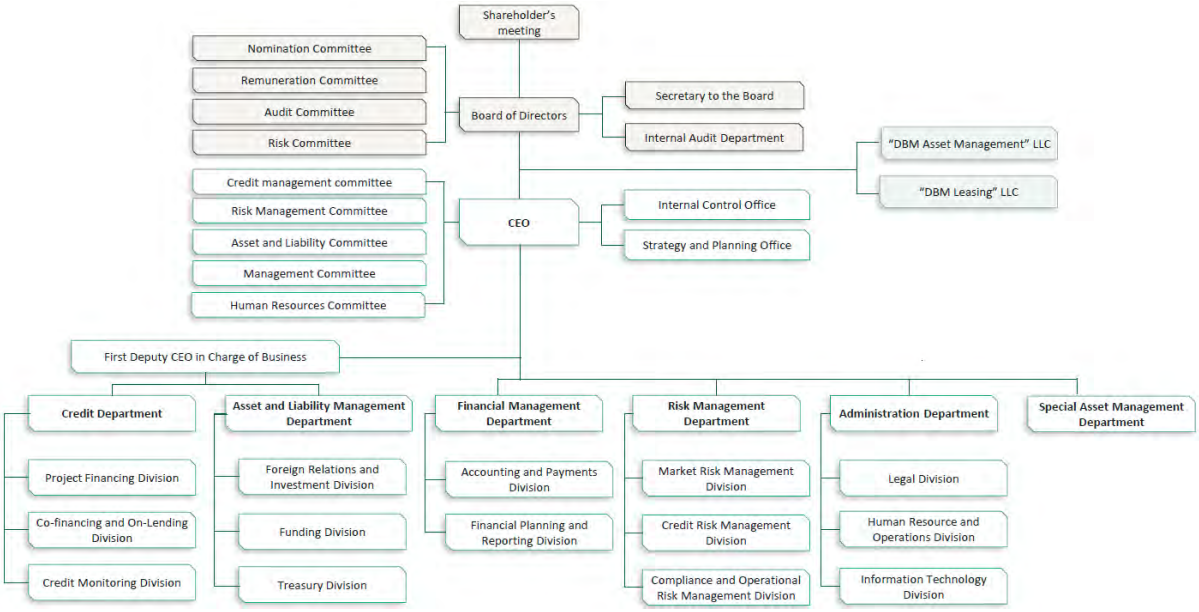
We assess our corporate loans for impairment indicators due to repayment delays or other factors. Our management believes that all customers likely to experience significant repayment delays have been identified, and an adequate impairment allowance has been recognized in our financial statements.

We regularly review our loan portfolio for impairment, focusing on observable data that may indicate a measurable decrease in future cash flows. This includes changes in borrower payment status and economic conditions correlated with defaults. Our management uses estimates based on credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Impairment losses for individually significant loans are based on estimates of discounted future cash flows of the individual loans, taking into account repayments and realization of any assets held as collateral against the loans.

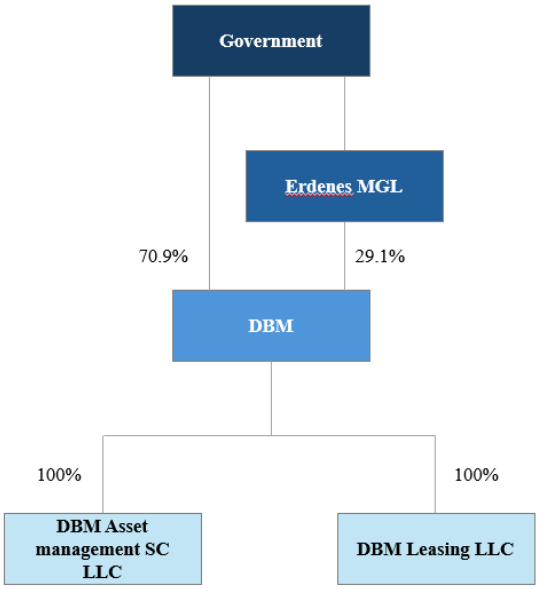
Foreclosed properties are initially recognized at the lower of their foreclosed value or the carrying value of the original secured asset and subsequently measured at the lower of their cost and fair value less cost to sell. This valuation assessment requires the exercise of judgement from our management and independent valuers based on their experience of those properties as well as other assumptions.

CORPORATE STRUCTURE

The following chart sets forth our simplified corporate organizational structure as of the date of this Offering Memorandum:



The following chart sets forth our voting rights structure as of the date of this Offering Memorandum:

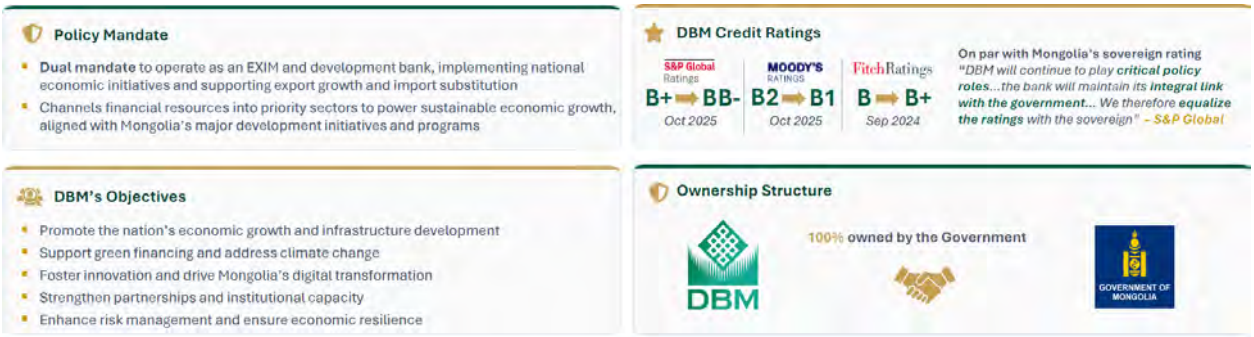


BUSINESS

Overview

We are Mongolia's only policy bank and export-import bank, with a mandate to implement national economic initiatives and support export growth and import substitution. Our mandate includes channeling financial resources into priority sectors to power sustainable economic growth, aligned with major development initiatives and programs of the Government. Our objectives include promoting Mongolia's sustainable economic growth and infrastructure development, supporting green financing and climate change initiatives, fostering innovation and digital transformation, strengthening partnerships and institutional capacity, and enhancing risk management and economic resilience. As of March 31, 2026, our total assets were MNT 2,603.8 billion (US$729.6 million), our total equity was MNT 92.3 billion (US$25.9 million), and our total net loans and advances, including lease receivables were MNT 1,178.9 billion (US$330.3 million).

Development Bank of Mongolia at a Glance



Mongolia is one of Asia's fastest-growing economies, with real GDP growth of 7.9% in the first quarter of 2026, underpinned by strong foreign direct investment, rising commodity exports, and structural reforms. Mongolia's sovereign credit ratings from S&P Global Ratings ("S&P"), Moody's Ratings ("Moody's"), and Fitch Ratings ("Fitch") are BB- (Stable), B1 (Stable) and B+ (Stable), respectively, reflecting strong fiscal fundamentals, including a decline in government debt-to-GDP to 39.4% in 2025 and record-high foreign exchange reserves of US$7.2 billion as of the first quarter of 2026. Mongolia's total exports in the first quarter of 2026 reached US$4.9 billion, representing a 62% increase compared to the first quarter of 2025. International institutions, including the World Bank, the Asian Development Bank and the International Monetary Fund, forecast Mongolia's real GDP growth at approximately 5.0% to 6.0% per annum through 2030, supported by Mongolia's strategic position as a critical minerals supplier, its abundant renewable energy resources, and its young, well-educated population.

We serve a unique role in Mongolia's economy as a state-owned policy and development financial institution that fills a gap between commercial bank lending and budgetary investment. We do not compete with commercial banks; instead, our mandate is to provide large-scale, long-term policy financing for infrastructure, export and strategic development projects that generally cannot be financed from commercial banks. Our strong funding base provides us with access to long-term low-cost funding, enabling us to provide cost-effective financing options for large-scale development projects with longer completion schedules. Leveraging this advantage, together with our total assets, we can take larger positions in projects, including through co-financing arrangements with international development finance institutions, such as the World Bank and the ADB, and domestic and international commercial bank partners.

We have strong Government support but maintain operational independence in our financing decisions. We operate under our own legal framework—the Revised Law on the Development Bank of Mongolia—which serves as the primary legislation governing our activities. General banking legislation, including the Banking Law, applies to us only to the extent that the Revised Law on the Development Bank of Mongolia does not otherwise apply, reflecting our distinct status as a policy bank rather than a commercial bank. In August 2024, the Government's shareholder rights in DBM were transferred from the Ministry of Finance to the Ministry of Economy and Development ("MoED"), reflecting the strategic alignment between our development mandate and the MoED's core policy functions. Currently, our Board includes representatives from Government bodies responsible for economic development and finance matters, demonstrating the strong Government support we receive.

As a wholly Government-owned policy bank with a systemically important development mandate, we are also entitled to support from the Government, including equity injections, direct financial grants, government guarantees and concessional loans. This support is legally grounded in Article 23.1.3 of the Revised Law on the Development Bank of Mongolia, which requires the Government to take comprehensive measures to ensure our financial sustainability and solvency, and Articles 6.3 and 23.1.5, which provide a reserve deficiency top-up clause for the Government to inject additional funds as necessary and thereby change the structure and amount of our share capital. Exercising these statutory powers, in March 2026, the Government approved a capital injection of MNT 1.0 trillion to support our capitalization and our mandate to finance large-scale development projects. This was structured as the issuance of common and preferred shares to state-owned Erdenes Mongol LLC, and in exchange, we were assigned the rights to receive certain payments under a receivable owned by Erdenes Mongol LLC. The capital injection was completed on June 11, 2026. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contributed Capital and Capital Adequacy—New Capital Injection" for additional information on this capital injection and its effect on our capital adequacy.

A revised draft law of the Development Bank of Mongolia was prepared in 2025 and subsequently refined in 2026 in consultation with World Bank (the "2026 Draft DBM Law"); as of the date of this Offering Memorandum, it remains subject to further review, amendment and approval. In its current form, the 2026 Draft DBM Law would introduce a strengthened statutory framework for state support, including an obligation for the shareholder to immediately pay in full any capital call made by the Board in respect of authorized but unissued shares, a mandatory equity restoration mechanism that would require our equity to be increased by resolution of the shareholders' meeting whenever equity falls below the level of share capital, and a Government obligation to bear all financial losses arising from projects implemented by us at the Government's direction. Our lending operations are subject to oversight by the Bank of Mongolia, Mongolia's central bank, whose supervisory powers would be further strengthened under the 2026 Draft DBM Law.

The 2026 Draft DBM Law, would also further refine the legal and institutional framework applicable to us, with an increased focus on governance, transparency, regulatory oversight, and financial sustainability. The proposed amendments seek to provide greater legal clarity in relation to our mandate, funding framework, permissible activities and supervisory arrangements. The new law would also support our role as a policy-oriented development financial institution and enhance governance, accountability, and disclosure standards.

The table below provides a comparison of key clauses from the Revised Law on the Development Bank of Mongolia and the 2026 Draft DBM Law from various perspectives:

	Revised Law on the Development Bank of Mongolia	**2026 Draft DBM Law**
Mandatory recapitalization framework	Optional—shareholders decide whether to provide capital. No statutory trigger.	Article 6.4: Mandatory statutory obligation: equity must be restored whenever it falls below share capital. Non-discretionary; objectively triggered.
Government guarantee & funding access	Article 23.1.8: Government may issue a general guarantee DBM liabilities—no specificity on what is covered.	Article 33.2: General guarantee retained. Article 24.5: Government may guarantee principal and interest on foreign borrowing—expands coverage beyond general liabilities, strengthening DBM's access to international funding. Article 33.1.3: Government may provide concessional loans to DBM—creates a direct low-cost funding channel not available under prior law.
Government loss obligation	Not provided. Government-directed projects place credit risk directly on the DBM balance sheet.	Article 33.3: Government bears all financial losses arising from those projects that DBM elects to implement at the Government's direction.
Securities holder status	No special creditor protection for bondholders. General civil law priority rules apply.	Article 24.4: Statutory priority over all other creditors. Priority ranks ahead of Civil Code Art 32.5.7 rights. Direct legal protection for bondholders.
Tax & operational efficiency	No tax exemption. Subject to all direct and indirect taxes, charges, and fees under general law	Article 5.4: Fully exempt from all direct and indirect taxes, equivalent charges, and fees—unless otherwise provided by law.

Minimum state ownership	No minimum shareholding floor specified. Government is the shareholder but ownership can theoretically be diluted	Article 26.4: Government must hold ⩾ 51% at all times. Statutory floor—cannot dilute below majority ownership without amending the law.
Legal & institutional status	For-profit commercial legal entity. Government alone can decide to dissolve DBM.	Article 5.1 and Article 9.1: State-established development institution. Dissolution requires an Act of Parliament—a high legislative barrier.
Board governance	Board decides on financing operations. Monthly meeting requirement. No independent board evaluation	Article 27.11 and Article 27.12: Confined to strategy, policy and regulatory oversight. Annual independent expert evaluation. Mandatory audit, risk, nominations and remuneration committees of the board.

While we enjoy strong Government support, the Revised Law on the Development Bank of Mongolia also grants us operational autonomy. Under the Revised Law on the Development Bank of Mongolia, the Parliament and the Government may not direct us to fund specific projects, enabling us to operate with a focus on the commercial viability of the projects being funded. Consistent with this commercially oriented approach, we have adopted a lending strategy that favors co-financing with international development finance institutions and domestic and international commercial bank partners—at least 15% of the total project cost must be financed by the project implementer. Through this risk-sharing approach, we will be able to leverage the loan approval and monitoring expertise of international and domestic commercial lenders.

Our loan portfolio focuses on manufacturing, power and energy, mining and quarrying, construction, and health and social work sectors. The projects that we fund must conform to Mongolia's long- and medium-term development policies, including Mongolia's Vision 2050 long-term development policy, the Five-Year Development Guidelines 2026–2030, and the Government Action Plan 2024–2028. Under the Revised Law on the Development Bank of Mongolia, at least 60.0% of the projects we finance must promote export-driven programs; however, this mandatory allocation requirement will be removed under the 2026 Draft DBM Law, which instead introduces the defined concept of "target sector" as any sector consistent with Mongolia's long- and medium-term development policies. The 2026 Draft DBM Law also removes the existing prohibition on financing public-private partnership projects and expands our permissible activities to include, among other things, trust services, project financing, investment advisory services, export credit guarantees and insurance, and technical assistance. We believe that our lending focus will assist the diversification of the Mongolian economy so as to better insulate the economy against future macroeconomic changes in the demand and price for Mongolia's commodities exports.

In line with the Government's vision to increase the share of Mongolia's renewable energy to 30.0% by 2030, we are actively building a pipeline of green projects to expand renewable capacity and support Mongolia's transition to a low-carbon economy. See "—Relationship with the Government—Major Projects—Green Projects in Pipeline." Our Sustainable Financing Framework is aligned with the ICMA's Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, with eligible green categories encompassing energy efficiency, renewable energy, sustainable water and wastewater management, clean transportation, environmentally sustainable management of living natural resources, climate change adaptation and mitigation, green buildings, and pollution prevention and control. Moody's has provided a second-party opinion on our Sustainable Financing Framework in July 2024. In addition, through our subsidiary DBM Asset Management SC LLC, we manage several dedicated funds that support green and sustainable development objectives. These include the Eco-District and Affordable Housing Fund, a blended-finance platform supporting climate-resilient urban redevelopment and affordable housing delivery in Ulaanbaatar with a total target fund size of US$95 million, the DBM Green Development Private Investment Fund, a sustainable finance investment platform focused on low-carbon, climate-resilient and ESG-aligned sectors with a total target fund size of US$50 million, and the Green Inclusive Regional Agribusiness Investment Fund, a regional agribusiness financing platform designed to promote inclusive growth and climate-resilient development across western Mongolia with a total target fund size of US$86.7 million. Furthermore, we have signed a memorandum of understanding with the Ministry of Energy to enhance the security and sustainable development of Mongolia's energy sector, promote the adoption of advanced green and energy-efficient technologies, and improve investment mechanisms for renewable energy projects. We are committed to allocating a significant portion of our loan portfolio to ESG-related financing by 2030.

Our issuer credit ratings from S&P, Moody's, and Fitch are BB-, B1, and B+, respectively, equivalent to Mongolia's long-term sovereign credit ratings. This reflects our integral link with the Government through our

100.0% ownership by the Government and ongoing Government support for our critical policy-oriented role in the Mongolian economy. According to the rating agencies, the ratings upgrades received in 2024 and 2025 primarily reflected the strong linkage between the Government and us, including expectations of continued sovereign support, alongside improvements in Mongolia's macroeconomic and fiscal conditions, our asset quality, liquidity position, loan recoveries, liability management, governance framework and the Government's actions related to the capital injection.

Strengths

We believe we possess the following competitive strengths:

Robust Sovereign Linkage and Explicit Government Support

We are a 100% state-owned, government-related entity established under the Law on the Development Bank of Mongolia, and the Government's shareholder rights in us are exercised by the MoED. We serve as the Government's principal financial institution for long-term policy lending and export-import financing, and our institutional credit profile is explicitly equalized with the Mongolian sovereign by each of S&P, Moody's, and Fitch. As underscored by S&P Global Ratings: "We believe DBM will continue to play critical policy roles as the only policy bank with export-import and development bank functions. We also expect the bank to maintain its integral link with the government, its sole owner (…) We therefore equalize the ratings on DBM with those on Mongolia."

The Government has demonstrated a consistent track record of material financial support for us. In 2016, the Government injected MNT 1.0 trillion into DBM, concurrent with the transfer of state-budget-repayable loans from us to the Ministry of Finance, effectively separating our legacy policy-mandate losses from our ongoing commercial operations. In 2020, the Government provided a sovereign guarantee with cross-default provisions covering both DBM and sovereign debt in connection with a China Development Bank credit facility maturing in 2031. In June 2026, a further MNT 1.0 trillion (US$280 million) capital injection was completed, bringing total Government capital injections into DBM since 2016 to MNT 2.0 trillion (US$560 million). Separately, our entitlement to Government financial support is grounded in the existing Revised Law on the Development Bank of Mongolia, including Article 23.1.3, which requires the Government to take comprehensive measures to ensure our financial sustainability and solvency, and Article 6.3, which mandates the injection of additional funds under a reserve deficiency top-up clause.

We expect our sovereign linkage to be further strengthened by the 2026 Draft DBM Law, which has been prepared and refined in consultation with World Bank. If enacted in its current form, the 2026 Draft DBM Law would introduce legally-binding provisions to create a multi-layered government support structure, representing a comprehensive strengthening of our statutory framework. The key elements of this framework include:

- **Mandatory recapitalization and solvency safeguards.** Article 6.4 of the 2026 Draft DBM Law would establish a non-discretionary recapitalization obligation requiring the restoration of equity whenever it falls below share capital, replacing the current discretionary regime under the current Revised Law on the Development Bank of Mongolia and creating an objectively triggered, legally-binding capital floor. This obligation would be reinforced by Article 6.2, which requires shareholders to immediately pay in full a capital call notice. These two provisions would together establish a two-step, legally-binding capital support mechanism.

- **Statutory creditor protections.** Article 24.4 of the 2026 Draft DBM Law would grant DBM securityholders statutory priority over all other creditors, explicitly ranking them ahead of general creditor rights under Civil Code Article 32.5.7 and providing direct, codified legal protection for noteholders. In addition, the Government would retain its general guarantee over our liabilities and, under Article 24.5, may provide a specific guarantee covering principal and interest on foreign borrowings, together with a direct concessional loan channel under Article 33.1.3.

- **Permanent state ownership.** Article 26.4 of the 2026 Draft DBM Law would require the Government to maintain at least 51% ownership of DBM at all times, with any dilution below majority control requiring an amendment to the law by Parliament.

- **Enhanced dissolution protections.** Under Articles 5.1 and 9.1 of the 2026 Draft DBM Law, we would be established as a state development institution whose dissolution requires an act of Parliament,

creating a materially higher dissolution barrier than exists under the current commercial-entity structure.

- **Tax exemptions.** Article 5.4 of the 2026 Draft DBM Law would exempt us from all direct and indirect taxes, charges, and fees, enhancing our operational efficiency and reducing our overall cost base.

Mongolia's Sole Policy and Export-Import Financial Institution with a Unique Dual Mandate

We hold an exclusive position as Mongolia's sole specialized policy and export-import financial institution. Under our policy mandate, we serve as the primary financial engine for Mongolia's long-term economic development priorities, particularly in the first phase of the Government's Vision 2050 long-term development roadmap. Under our export-import mandate, we facilitate Mongolia's transition from a raw commodity exporter to a higher-value industrial participant through specialized trade and export financing, guarantees, insurance, and technical assistance. In both of these capacities, we fill a critical financing gap between commercial bank lending capacity and national investment requirements by providing large-scale, long-tenor policy financing for infrastructure, export, and strategic development projects that are generally not financeable by commercial banks on a standalone basis.

Our mandate positions us as the central conduit for financing Mongolia's targeted growth sectors, including:

- **Mining and export expansion**: We deploy our policy and export-import lending capabilities to support rising copper production, the development of critical mineral resources, export diversification, and the adoption of low-emission mining technologies, collectively aimed at moving Mongolia up the value chain from raw commodity exports to higher-value industrial outputs.

- **Energy security**: We finance solar, wind, hydro, and thermal power generation projects to reduce Mongolia's longstanding dependence on energy imports from China and Russia. We have already contributed to expansions in thermal power capacity and are currently advancing a pipeline of renewable and conventional generation projects across the country.

- **Logistics and infrastructure**: We finance strategic railway and transport projects designed to diversify Mongolia's export routes and alleviate urban congestion in Ulaanbaatar, with a near-term focus on large-scale rail bypasses expected to materially reduce freight traffic through the capital;

- **Digital economy**: We spearhead the financing of Mongolia's emerging data center and artificial intelligence ecosystems as part of the Government's broader digitalization agenda.

- **Green transition**: We are building a diversified portfolio of renewable energy and climate-finance projects—spanning solar, wind, hydroelectric, and battery storage—in pursuit of the national objective to achieve approximately 30% renewable energy capacity by 2030 and reduce carbon emissions by 3 million tonnes per year; and

- **Food security and agriculture**: We support value-added processing of livestock raw materials, sustainable herding and farming programs, and rural income stability, with a focus on increasing the share of domestically processed leather, wool, cashmere, meat, and related by-products.

As of the date of this Offering Memorandum, we have approved an MNT 2.3 trillion (US$643 million) disbursement plan for government-approved projects and are currently evaluating or actively financing several nationally strategic assets. These projects include a US$100 million loan approved on May 22, 2026 for the Bagakhangai–Emeelt railway project (Phase 1 of 3), co-financing with the IFC with a combined commitment of US$200 million; and two 50 MW solar power plants in Bulgan and Dundgobi provinces, currently awaiting credit approval, advancing the Ministry of Energy's strategy to address Mongolia's power shortage.

Sovereign-Equalized Credit Ratings and Commitment to Sustainability

Following the broad-based upgrading of the Mongolian sovereign and the formalizing of our integral link with the Government under the 2026 Draft DBM Law, each of the three major international rating agencies (S&P, Moody's and Fitch) has assigned long-term issuer ratings for us equalized with the sovereign. This ratings parity reflects the mandatory statutory obligation of the Government to maintain our capital and solvency, our explicit policy role, and the comprehensive legal protections for bondholders contemplated by the

2026 Draft DBM Law. Our ratings were upgraded in 2024 and 2025, on parity with Mongolia's long-term sovereign credit ratings. According to the rating agencies, the upgrades were driven principally by strong linkage between the Government and us, including expectations of continued sovereign support, improvements in Mongolia's macroeconomic and fiscal conditions, governance framework and statutory authority under the 2026 Draft DBM Law, and the Government's actions related to the most recent capital injection.

To support Mongolia's transition to a low-carbon economy, we are committed to integrating sustainability principles into all aspects of our operations and financing activities. We have embedded environmental, social, and governance ("ESG") standards across our core underwriting and operational architecture. In 2024, we established a Sustainable Financing Framework (aligned with the International Capital Market Association (ICMA)'s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines), on which Moody's has provided a second-party opinion in July 2024. We have adhered to the eight principles of the Mongolia Sustainable Finance Association since 2021.

We are actively developing a pipeline of renewable energy and climate-finance projects—spanning solar, wind, hydroelectric, and battery storage. See "—Relationship with the Government—Major Projects—Pipeline of Green Projects." In addition, through our subsidiary, DBM Asset Management SC LLC, we manage dedicated sustainable investment financing vehicles, including the Eco-District and Affordable Housing Fund, a blended-finance platform supporting climate-resilient urban redevelopment and affordable housing delivery in Ulaanbaatar with a total target fund size of US$95 million, the DBM Green Development Private Investment Fund, a sustainable finance investment platform focused on low-carbon, climate-resilient and ESG-aligned sectors with a total target fund size of US$50 million, and the Green Inclusive Regional Agribusiness Investment Fund, a regional agribusiness financing platform designed to promote inclusive growth and climate-resilient development across western Mongolia with a total target fund size of US$86.7 million. Furthermore, we have signed a memorandum of understanding with the Ministry of Energy to enhance the security and sustainable development of Mongolia's energy sector, promote the adoption of advanced green and energy-efficient technologies, and improve investment mechanisms for renewable energy projects. In support of Mongolia's national energy targets of 30% for renewable energy capacity and a 40% reduction in energy import dependence, we are committed to directing a significant portion of our total loan portfolio to ESG-compliant and green-certified financing by 2030.

Comprehensive Institutional Transformation and Systematic Asset Quality Resolution

Since the appointment of our current leadership, we have undertaken a comprehensive institutional transformation anchored by five strategic pillars. First, we have revamped our governance structure through enhanced board independence, a clear delineation of roles and responsibilities, and the appointment of board members drawn from senior state and central banking backgrounds. Second, we have materially strengthened our risk management capabilities through the establishment of a separate Special Assets Management Department responsible for the resolution of non-performing assets, more stringent credit assessment standards, improved monitoring of legacy exposures, and progressive alignment with international best practices. Third, we have refocused our lending portfolio toward specialized policy financing in support of cross-border trade, strategic sectors, and value-added, export-driven production. Fourth, we have executed a strategic pivot toward green and sustainable finance, attracting partnerships with international development finance institutions and ESG-focused investors. Fifth, we are advancing digital transformation across our core operations, including automated risk assessment and end-to-end loan origination and monitoring systems.

A central achievement of this transformation is the systematic resolution of legacy non-performing assets through a centralized, policy-driven framework, replacing the previous case-by-case approach. As of the first quarter of 2026, our non-performing loan ("NPL") coverage ratio stood at 77.2%, with the high level of provisioning positioned to generate earnings as workout procedures advance. We have a demonstrated track record for recoveries, with MNT 184.7 billion recovered in 2024, MNT 164.5 billion (US$46 million) in 2025, and MNT 58.1 billion (US$16 million) recovered in the first quarter of 2026. As a result of these recovery efforts and the Government's continued capital support, our capital adequacy ratio for the first quarter of 2026 stood at 24.1% on a pro forma basis, reflecting the Government's MNT 1.0 trillion capital injection completed in June 2026.

Our centralized and policy-driven NPL resolution framework—supported by Government Resolution No. 97 (2025), Prime Minister's Order No. 83, and a Government working group established on March 25, 2026—operates through three complementary mechanisms: (i) government-supported recovery led by a newly established working group comprising various government agencies, centered on the Khutul LLC exposure, with MNT 451.0 billion (approximately US$126 million) in planned for recoveries and to be pursued through a

government-led process that includes the acquisition of Cement Shokhoi LLC shares; (ii) transfers to a proposed asset management company, focusing on more structurally impaired exposures, covering ten exposures with MNT 503.6 billion (US$141 million) in planned for recoveries, including loans to Beren LLC and Erel LLC, of which nine are 100% provisioned; and (iii) bank-led direct recovery efforts managed by us, where we believe we have clearly identified the ability to deliver the strongest value recovery, covering 15 exposures with total planned-for recoveries of MNT 354.3 billion (US$99 million) and an average collateral coverage ratio of 101%.

These structural risk-mitigation protocols are further supported by an active ADB Technical Assistance program, through which we are integrating international best practices in internal controls and governance.

Strategies

We intend to implement the following strategies:

Institutionalization of Governance, Risk Discipline, and Operational Independence

The 2026 Draft DBM Law is designed to transform us from a traditional policy lender into a professionally managed, state-backed financial institution defined by strict commercial discipline and operational independence. The key governance and risk standards under this framework include the following:

- **Minimum project scale.** Raise our minimum loan size to MNT 50 billion (US$14 million), concentrating our resources on high-impact strategic projects and eliminating fragmented, sub-scale lending.

- **Mandatory borrower co-investment.** Require at least 15% of total project cost to be financed by the project implementer, aligning commercial incentives and ensuring private sector participation alongside our financing.

- **Independent feasibility review.** Require every project to undergo independent technical and economic feasibility assessments by qualified professional organizations before any disbursement is made.

- **Co-financing structures.** Utilize co-financing with domestic and international banks and development finance institutions through parallel, blended, or on-lending structures to mitigate our risks, allowing us to leverage the loan-approval and monitoring expertise of international and domestic commercial lenders.

- **Public-private partnerships.** Pursue public-private partnership ("PPP") projects. The 2026 Draft DBM Law would lift the existing prohibition on PPP financing, enabling us to participate in strategically important projects implemented by the Government on a PPP basis.

The 2026 Draft DBM Law would also enshrine institutional safeguards against political influence. Article 10.1.5 requires that our decision-making be independent from political influence and free from conflicts of interest, and Article 13.5 mandates that we independently and autonomously carry out the process of receiving, reviewing, and deciding on all project, program, and loan applications. Under the amended law, the Government would approve procedures for the open competitive selection of board members, while our management would retain independent decision-making authority, balancing state accountability with operational autonomy. Our year-end audited financial statements will be publicly disclosed, and regular project progress and feasibility updates will be published on our website, enhancing transparency and accountability to investors and other stakeholders. The World Bank is currently providing technical assistance to strengthen our operational and legislative framework, with a principal focus in 2026 on the development and refinement of the 2026 Draft DBM Law. The World Bank's substantive comments and recommendations—directed at aligning our legal and regulatory framework with international best practices applicable to development finance institutions—constitute a cornerstone of our broader institutional transformation agenda.

Capital Deployment Aligned with Mongolia's Macroeconomic Momentum and Vision 2050

We align our medium-term lending strategy with Mongolia's national economic development objectives, specifically the Government's phased Vision 2050 development roadmap and the Government Action Plan (2024–2028). Our capital deployment plans are underpinned by a macroeconomic environment that has strengthened materially in recent years. Key indicators include:

- **GDP growth.** Mongolia recorded year-on-year real GDP growth of 7.9% in the first quarter of 2026, among the highest growth rates globally and above the forecast of 5.3%, 5.0% and 5.7% by the IMF, the World Bank and ADB, respectively, for full-year 2026.

- **Foreign exchange reserves.** Mongolia's gross foreign exchange reserves reached a record high of US$7.7 billion as of May, 2026, representing a 49% year-on-year increase and a more than fivefold increase from US$1.3 billion at the end of 2015.

- **Export performance.** Total exports reached US$8.5 billion in the five months ended May 31, 2026 and recorded a year-on-year increase of 56.9%, mainly attributable to the increase in exports of copper.

- **Fiscal consolidation.** Government debt-to-GDP ratio declined to 39.4% in 2025 from 74.5% in 2020, well below the statutory 60% debt ceiling, reflecting sustained fiscal discipline.

- **Sovereign credit trajectory.** Mongolia's sovereign credit ratings from S&P, Moody's and Fitch are BB- (Stable), B1 (Stable) and B+ (Stable), respectively, reflecting a materially stronger sovereign credit profile relative to historical levels.

- **Nominal GDP growth.** Nominal GDP more than doubled over the past decade, from MNT 22,894.8 billion in 2015 to MNT 89,937.1 billion (US$25.4 billion) in 2025, representing a compound annual growth rate of 14.7%.

Mongolia's structural growth trajectory is further supported by its strategic position as a resource-rich, geopolitically balanced middle power at the intersection of China and Russia; its Third Neighbor Policy maintaining active economic partnerships with the European Union, the United States, Japan, South Korea, and India; and its young, highly literate workforce, with 68% of the population under the age of 40.

Our lending pipeline directly supports the three-phase Vision 2050 long-term development policy (2021–2050) and the Five Year Development (2026–2030), targeting a total national investment program of approximately MNT 70,707.0 billion (US$19.8 billion) across priority sectors, including MNT 33,955.5 billion (US$9.5 billion) in energy and infrastructure sector, MNT 3,883.2 billion (US$1.1 billion) in agriculture and food security sector, MNT 18,349.8 billion (US$5.1 billion) in heavy industry sector, MNT 7,559.3 billion (US$2.1 billion) in social sectors, and MNT 6,959.3 billion (US$1.9 billion) in urban and regional development sector.

Targeted Deployment to Critical Energy, Industrial, and Green Projects

Following the completion of our balance sheet restructuring and the stabilization of our NPL portfolio, we are resuming active policy lending operations with an annual disbursement plan of MNT 2.3 trillion (approximately US$643 million). Our current project pipeline spans energy, industry, the green transition, logistics, and digital infrastructure. The projects described below are significant financing projects where our financing has been commenced, projects and green projects in our pipeline or under consideration:

- Commenced projects:

    - **Mongolian Railway State-Owned Joint Stock Company ("MTZ SOE").** We approved a US$100 million loan on May 22, 2026 for the 143 km Bagakhangai–Emeelt railway line (Phase 1 of 3) circumventing the capital city, co-financed with the IFC with a US$100 million commitment). Upon completion, the project is expected to divert approximately 20 million tonnes of cargo annually away from Ulaanbaatar and materially reduce road closures for train crossings in the capital. The railway is also part of the infrastructure to enable one of Mongolia's most ambitious urban development projects—a planned satellite city centered on Chinggis Khaan International Airport.

- Projects in pipeline or under consideration:

    - **Shunkhlai LLC (Strategic Fuel Reserve Expansion).** The Bank is targeting co-financing with the Trade and Development Bank of Mongolia in the third quarter of 2026 for the expansion of reserve tank capacity to 179,000 m³, increasing national fuel reserve capacity by 20 to 30 days. The total project funding requirement is approximately MNT 125 billion (US$35 million).

- **Darkhan-Selenge and Uilst Mandal LLC (Solar Power Plants and Battery Energy Storage Systems).** As part of the Ministry of Energy's strategy to address Mongolia's critical power shortage, we are targeting the financing in the third quarter of 2026 of two 50 MW solar power plants with combined battery storage of 80 MW / 300 MWh in Bulgan and Dundgobi provinces (US$63 million and US$35 million, respectively) are under consideration, and we are targeting the financing in the third quarter of 2026.

- **Emeelt Eco Industrial Park.** The Emeelt Eco Industrial Park project is designed to increase the processing capacity of leather, wool, cashmere, meat, and livestock by-products through the development of export-oriented industrial clusters and advanced processing facilities. The project would support the national target of processing 80% of livestock raw materials domestically. It has a total funding requirement of approximately US$50.2 million.

- **Thermal Power Plant No. 4 (Capacity Expansion).** The Thermal Power Plant No. 4 requires an additional steam reserve equivalent to 52 MW. The project involves the implementation of a 550 t/h fluidized bed boiler. This project has a total funding requirement of approximately US$76.6 million, which is expected to make a significant contribution to Mongolia's energy security and infrastructure development.

- **210 MW Power Generation.** The 210 MW Thermal Power Plant project in Selenge province will utilise the Ilch Khujirt Coal Deposit to provide reliable electricity to industrial companies in Selenge and Darkhan-Uul provinces and to meet the heating demand of Sukhbaatar city, Selenge province. It has a total funding requirement of approximately US$125.0 million

- **Erdenet Industrial Technology Park (Copper Concentrate Smelting and Processing Plant).** We are considering participating in the financing of the Erdenet Industrial Technology Park project, which would involve the construction of a copper concentrate smelting and processing plant with a total funding requirement of approximately US$720.6 million. Erdenet Mining Corporation will self-finance 50% of the funding from its own revenues, while the remaining 50% will be raised through foreign and domestic investments. A feasibility study has been approved by the Government.

- **Darkhan Industrial Technology Park**. We are considering financing a ferrous metallurgy and steel plant complex with a designed annual production capacity of 1 million tons of steel products and a total funding requirement of approximately US$442.8 million.

- **Baganuur Industrial Technology Park.** We are considering financing the construction of a coal-chemical complex based on pyrolysis technology, with a total funding requirement of approximately US$125.8 million.

- Green projects in pipeline or under consideration:

  - **Solar and Battery Energy Storage.** A 400 MW solar power plant and a 200 MW / 670 MWh battery energy storage system (comprising two separate projects) with an estimated cost of US$104.9 million to be co-financed with the project developer, aligned with the Government's target of 30% renewable energy capacity by 2030.

  - **Eg River Hydroelectric Power Plant**. A 310 MW hydroelectric power plant in Bulgan province, estimated to generate 606 million kWh annually with an estimated cost of US$827.6 million, to be co-financed by China.

  - **EV Charging Station Network.** A network of 100 stations with AC and DC chargers in rural areas, with potential fuel import savings of US$300 to US$400 million.

  - **Mandalgovi Wind Farm.** A Ministry of Energy- and IFC-led 100 MW wind farm project to be linked to Mongolia's transmission grid, for which expressions of interest have been received from domestic and international developers.

  - **National Green Lab Mongolia.** An initiative encompassing 30 projects to be announced at COP-17, with US$20 million secured in co-financing.

For detailed information of our major projects, see "—Relationship with the Government—Major Projects."

Expansion of Multilateral and International Financial Institution Partnerships

We are committed to systematically deepening and expanding our co-lending, risk-sharing, and technical cooperation relationships with leading multilateral and bilateral financial institutions to diversify our funding sources, optimize risk-weighted asset allocation, enhance our governance and operational frameworks to international standards, and position ourselves as the primary institutional channel through which international development capital is deployed into Mongolia's strategic sectors. We have established, and intend to further develop, partnerships with the following institutions:

- **International Finance Corporation (IFC).** We and the IFC have each committed US$100 million in co-financing for the Bagakhangai–Emeelt railway project and serves as lead transaction advisor on the Mandalgovi wind farm, with ongoing engagement across infrastructure and green finance.

- **Asian Development Bank (ADB).** ADB is actively supporting a technical assistance program for our integration of international best practices in internal controls, governance, and NPL resolution. In October 2025, ADB and the Government signed the Critical Minerals to Clean Energy Transition memorandum of understanding to promote sustainable development in critical minerals.

- **World Bank.** The World Bank is providing technical assistance focused on strengthening our operational and legislative framework, with a key focus in 2026 on the 2026 Draft DBM Law. The World Bank has provided substantive comments and recommendations to align our legal and regulatory framework with international best practices for development finance institutions, and this collaboration is a cornerstone of our institutional reform agenda.

- **Asian Infrastructure Investment Bank (AIIB).** We are positioning to access the AIIB's "3-100" green development program, which introduces loan securitization as a tool to optimize capital efficiency and focuses on regional energy storage, grid stability, and renewable energy infrastructure.

Beyond our multilateral partnerships, we also intend to strategically leverage Mongolia's expanding network of bilateral and international cooperation frameworks to originate and co-finance projects aligned with our mandate. In January 2025, France and Mongolia signed an approximately US$1.6 billion investment agreement for the Zuuvch-Ovoo uranium project led by Orano, covering an estimated 90,000-tonne uranium resource with an expected 30-year lifespan and an annual production capacity of 2,500 tonnes, with the preparatory phase continuing until approximately 2028. Mongolia is a participant in the Minerals Security Partnership, a United States-led initiative comprising 14 partner countries—including Japan, South Korea, India, Germany, France, and the United Kingdom—that supports Mongolia's positioning as a critical minerals supplier for the global energy transition. Mongolia has also joined the Resilient and Inclusive Supply-Chain Enhancement Initiative, launched by the World Bank and G7 countries, aimed at strengthening the resilience and inclusiveness of clean energy supply chains.

Mongolia's strategic mineral endowment—including 61.4 million tonnes of copper reserves, rare earth resources equivalent to 31.0 million tonnes (representing approximately 20% of estimated global supply, 90% of which remains untapped), 35.9 million tonnes of fluorspar, and 36.6 billion tonnes of coal—positions the country as a critical long-term partner for the global energy transition and advanced manufacturing supply chains. Our international frameworks underpin our ability and strategy to serve as Mongolia's principal institutional conduit through which foreign capital and technical expertise are channeled into the next phase of industrial and green development, and we intend to actively pursue co-financing, risk-sharing, and advisory arrangements under each of these frameworks to maximize the developmental impact of our lending operations.

Relationship with the Government

Regulatory Framework and Supervision

Our activities are governed by the Revised Law on the Development Bank of Mongolia, with general banking legislation and Bank of Mongolia regulations applicable to us only to the extent not otherwise provided therein. Under this regulatory framework, our operations are supervised and monitored pursuant to specific requirements that differ from those applicable to commercial banks. In August 2024, the Government's shareholder rights in DBM were transferred from the Ministry of Finance to the MoED, reflecting the strategic alignment between our development mandate and the MoED's core policy functions. The Bank of Mongolia sets prudential ratios applicable to us, applies regulations on asset classification and provisioning, and supervises our compliance with these requirements. Under the current Revised Law on the Development Bank

of Mongolia, the Government has the ability to restructure or dissolve us; however, under the 2026 Draft DBM Law, our dissolution may only be effected by an Act of Parliament upon proposal by the Government, thereby entrenching our institutional status at the statutory level and requiring a higher legislative barrier for any fundamental changes to our legal existence.

Article 18 of the Revised Law on the Development Bank of Mongolia states that our shareholders are our highest governing authority. The Government (holding shares both directly and indirectly) is our sole shareholder and exercises its powers through shareholder meetings, which are held annually or as called by the Board. As our sole shareholder, the Government appoints our board members. Our Board of Directors consists of nine Directors. Under the Revised Law on the Development Bank of Mongolia, all Board members are selected through an open competitive selection process. Under the 2026 Draft DBM Law, ordinary Board members could include representatives from the state central administrative bodies responsible for economic development and finance matters, as well as up to three individuals nominated by the Government or other shareholders, while only independent members would continue to be selected through an open competitive process. While our current Charter already provides for mandatory audit, nomination, and remuneration committees, our risk committee currently operates on a permissive basis. The 2026 Draft DBM Law would elevate the risk committee to mandatory status, thereby requiring all four committees—audit, nomination, remuneration, and risk—to operate on a uniform statutory footing. The 2026 Draft DBM Law would also shift the frequency of regular Board meetings from monthly to quarterly, reflecting a more structured internal oversight framework.

The most recent nominations of members of the Board of Directors were carried out on January 22, 2026, when two new Board members were appointed. The Board includes high-ranking experienced representatives of both fiscal and monetary policy authorities, as well as the State Secretary of the MoED, which enables us to coordinate with the Government's policy objectives. Independent Directors represent the local banking sector and the broader business community. See "Management—Board of Directors" for detailed information on our Board members.

Under the 2026 Draft DBM Law, the MoED's powers would be further expanded to include developing policy documents defining target sectors eligible for financing and approving methodologies for measuring the economic impact of projects and programs financed by us.

Financial Support

In May 2011, the Government made an initial capital contribution of MNT 16,700.0 million (US$6.8 million) in cash. Since May 2011, the Government has further increased our capital by additional contributions in cash and through capitalization of retained earnings in an aggregate of MNT 1,199,600.3 million (US$487.1 million). As of March 31, 2026, our contributed capital was MNT 1,216,300.3 million (US$340.8 million). Most recently, in March 2026, the Government approved a capital injection of MNT 1.0 trillion to support our capitalization and our mandate to finance large-scale development projects. This was structured as the issuance of common and preferred shares to state-owned Erdenes Mongol LLC, and and in exchange, we were assigned rights to receive certain payments under a receivable owned by Erdenes Mongol LLC. The capital injection was completed on June 11, 2026. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contributed Capital and Capital Adequacy—New Capital Injection" for additional information on this capital injection and its effect on our capital adequacy. We remain 100% state-owned, with the Government holding shares both directly and indirectly through Erdenes Mongol LLC. Erdenes Mongol LLC has no role in our project selection, lending decisions, credit assessment or day-to-day operations.

On June 19, the Ministry of Economy and Development issued a letter of support, indicating the Government's commitment to providing the necessary support to enable us to meet our obligations, maintain our market access, and serve our mandate as Mongolia's engine of development finance. See "Summary—Letter of Support from the Ministry of Economy and Development."

We do not maintain a deposit base, and our liabilities consist primarily of long-term instruments, which mitigates near-term refinancing risk. Moreover, our domestic bonds are accorded risk-free status for local banks, on par with Government bonds, which make them attractive to domestic investors. In addition, pursuant to the Law on Taxation of Mongolia, interest income earned by Mongolian holders on our bonds is exempt from taxation, further enhancing their appeal in the domestic market. We intend to continue diversifying our sources of funding and developing our refinancing plans.

Credit and Financing Operations

In accordance with the Revised Law on the Development Bank of Mongolia, we have adopted a commercial approach centered on fostering value-added, export-driven production to facilitate Mongolia's overall development and to improve living standards and opportunities for all Mongolians.

Historically, our borrowers have included certain policy implementing ministries of the Government, Government-owned companies, and privately-held companies, including commercial banks. Our loans to the Government represented loans to the relevant ministries responsible for the project or program being financed, together with the Ministry of Finance. However, we no longer provide loans to the Government. Accordingly, all of our borrowers are Government-owned companies and privately-held companies, including commercial banks. These borrowers include companies implementing the projects and programs that we directly finance as well as commercial banks that on-lend our loans to corporates and small and medium-sized enterprises ("SMEs"). As of March 31, 2026, our net loan portfolio was MNT 1,178.9 billion (US$330.3 million)

Under the Revised Law on the Development Bank of Mongolia, the Government and Parliament cannot be involved in the selection and approval of the projects and programs we finance, and our Board and senior management have the power to approve all loans that we provide. Our current credit policy sets a minimum threshold of MNT 20.0 billion for any loan, meanwhile dictating that the loan currency, along with the loan term and interest rate, are to be determined by mutual agreement with the borrower, aligning these terms with the cost of funds, the project implementation timeline, and the project's cash flow or sales revenue. We prioritize providing loans to projects in the mining, renewable energy, infrastructure, agriculture, industrial development and digital economy sectors to support the Government's investment plans in energy self-sufficiency, infrastructure, green, social and digitalization projects. In addition, the 2026 Draft DBM Law would introduce and define "target sector"—any sector consistent with Mongolia's long and medium-term development policies that supports industrialization, infrastructure, SME growth, export capacity, innovation, or sustainable development—which we should prioritize. Our loans for projects specifically require borrowers to use loan proceeds to purchase specified goods and services, such as materials, equipment and labor. See "Business—Loan Evaluation and Monitoring." All projects financed by us are subject to our loan approval process and are reviewed by our Credit Management Committee. See "—Risk Management—Credit Risk."

Our Asset and Liability Management Committee ("ALCO") determines the interest rates we charge on our loans based on the following factors:

- a base interest rate (determined with reference to our cost of funding and operating expenses);
- a loan risk premium; and
- a margin.

We provided MNT 121,140.5 million, MNT 95,097.8 million, MNT 10,003.8 million (US$2.8 million) and nil of financing, including financial lease, in the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2026, respectively.

Major Projects

Completed or Committed Projects

The projects described below are significant financing projects where our financing has been completed or committed in the past three years:

- **"Choibalsan" Thermal Power Plant**

  To reduce energy dependency and mitigate power shortages, particularly in the eastern region of Mongolia, we extended a CNY 420 million loan for the expansion project of the "Choibalsan" Thermal Power Plant to increase its capacity by 50 MW. The project was successfully implemented and commissioned in 2024, and we are currently ensuring its loan repayment. As a result, in 36 soums and sub-soums of Dornod and Sukhbaatar aimags, 30,390 households, 2,845 business entities and organizations, and 17 mining deposits are now provided with electricity through 3,455.1 kilometers of overhead and cable transmission lines and 507 substations. In addition, more than 90 jobs have been created at the Eastern Energy System state-owned joint-stock company.

- **Mongol Oil Refinery Project**

In line with the strategic objective of reducing Mongolia's dependence on imported petroleum products, we continue to support the infrastructure development works associated with the Mongol Oil Refinery Construction Project. In 2017, the Government of Mongolia commenced the Mongol Oil Refinery Construction Project in Altanshiree soum of Dornogovi province, with a loan of approximately US$1.2 billion from the Government of India. Due to the increase in construction and commodities prices, the refinery project required additional financing of US$464.0 million, increasing the total cost of this project to US$1.7 billion. The Government requested and successfully negotiated the additional financing of US$464.0 million with the Government of India and the Export-Import Bank of India. Under the financing agreement covering the construction of supporting infrastructure including roads, railway connections, power transmission lines, and residential complexes for industrial workers, we have approved MNT 248.7 billion in financing and have disbursed MNT 186.7 billion on a performance basis. The planned refinery is designed to process 1.5 million tonnes of crude oil annually and produce products including automotive petrol, diesel and aviation fuel. It is expected to reduce foreign currency outflows and create approximately 500 permanent employment opportunities. Upon completion, the project is expected to meet approximately 50% of Mongolia's domestic fuel demand, thereby strengthening national energy security and reducing reliance on imported fuel products. The Government of Mongolia supported this project and built a 17 km heavy-duty paved road, 27.7 km of railway and power lines. The project is divided into four stages, and engineering-procurement-construction (the "EPC") aims to create engineering facilities. As of March 31, 2026, all necessary works for EPC-01 had been completed, and the State Commission had inspected and accepted the construction works. As of the same date, EPC-2 was at approximately 22% completion and the contractor will construct the non-technological structures for the refinery, EPC-3 was at approximately 15% completion and the contractor will construct a captive power plant for the refinery, and EPC-4 was currently at approximately 10% completion and the contractor is constructing a deep-processing facility.

- **Amgalan Thermal Power Plant**

Through our subsidiary, DBM Leasing LLC, we facilitated financing for a project to expand the installed capacity of the Amgalan Thermal Power Plant by 116 MW in 2024. With this expansion, the plant is planned to meet the growing demand in the eastern district of Capital City of Ulaanbaatar and provide energy to new residential neighborhoods with approximately 12,000 households, 14 schools and kindergartens. This expansion has created the foundation to remove approximately 40 heating stoves in Ulaanbaatar and thereby reduce air pollution. We disbursed a total of US$75.9 million in loans for this project, and we are currently ensuring loan repayment.

- **Mongolian Railway State-Owned Joint Stock Company ("MTZ SOE")**

We approved a US$100 million loan for the MTZ SOE railway project on May 22, 2026, pursuant to which a branch railway will be built along the Bagakhangai–Khushigt Valley route. This project is being co-financed with a US$100 million commitment from the IFC. The total investment required for the project is MNT 1.9 trillion, and the project will be implemented in three phases, with Phase 1 covering the 87.2 km stretch from Bagakhangai station to the Khushig Valley logistics center, and Phase 2 and Phase 3 covering the remaining 58.6 km to Emeelt crossing. The railway project is expected to reroute the freight away from Ulaanbaatar's congested urban rail network. Upon project completion, around 3.5 to 20 million tons of cargo annually are expected to be diverted away from Capital City of Ulaanbaatar and transported directly to the newly built Transport Logistics Center. As a result, the average time roads will be closed for train crossings within the capital (currently about 144 minutes per day) is expected to be reduced by 21 to 120 minutes. The railway is also part of the infrastructure to enable one of Mongolia's most ambitious urban development projects—a planned satellite city centered on Chinggis Khaan International Airport.

- **Mongolian Green Financing Corporation**

Since 2024, we have been engaged in the facilitation of various financings for the establishment of Mongolian Green Financing Corporation LLC ("MGFC"), which is the project entity to establish a green financing scheme in Mongolia. MGFC will implement this project with initial funding of US$50 million, which will be jointly facilitated by the Government, represented by us, with a US$18 million commitment, the Green Climate Fund with a US$ 27 million commitment, and the private sector, CGF

LLC, representing Mongolia's major financial institutions with a US$5 million commitment. The ownership of MGFC will be shared equally among the three shareholders. We approved equity financing of US$5 million for the MGFC in 2025. In addition, we are working to provide a US$13 million equivalent loan in MNT, the approval of which is scheduled for June 19, 2026.

Projects in Pipeline and Under Consideration

The projects described below are significant financing projects in our approval pipeline or under consideration:

- **Shunkhlai LLC (Strategic Fuel Reserve Expansion)**

  In response to heightened geopolitical instability, oil price volatility and exchange rate fluctuations, the Government has identified the need for Mongolia to increase its fuel reserve capacity for strategic sectors and domestic supply. We are evaluating the financing of an expansion of Shunkhlai LLC's reserve tanks located in Rashaant, Ulaanbaatar, which would increase the facility's capacity from 81,000 m³ to 179,000 m³, thereby extending national reserve capacity by 20 to 30 days. The total project funding requirement from DBM is approximately MNT 125 billion (US$35 million). The project is expected to be financed in the third quarter of 2026.

- **Darkhan-Selenge and Uilst Mandal LLC (Solar Power Plants and Battery Energy Storage Systems)**

  As part of the Ministry of Energy's strategy to mitigate critical power shortages in Mongolia, we are evaluating the financing of two renewable energy projects. The first project, located in Bulgan province, comprises a 50 MW solar power plant and a 30 MW / 100 MWh battery energy storage system, with a total funding requirement of approximately MNT 225 billion (US$63 million). The second project, located in Dundgobi province, comprises a 50 MW solar power plant and a 50 MW / 200 MWh battery energy storage system, with a total funding requirement of approximately MNT 125 billion (US$35 million). Both projects are expected to be financed in the third quarter of 2026

- **Emeelt Eco Industrial Park**

  The Emeelt Eco Industrial Park project is designed to increase the processing capacity of leather, wool, cashmere, meat, and livestock by-products through the development of export-oriented industrial clusters and advanced processing facilities. The project would support the national target of processing 80% of livestock raw materials domestically. It has a total funding requirement of approximately US$50.2 million.

- **Thermal Power Plant No. 4 (Capacity Expansion)**

  To utilize its full installed capacity, the Thermal Power Plant No. 4 requires an additional steam reserve equivalent to 52 MW. The project involves the implementation of a 550 t/h fluidized bed boiler. The capacity expansion project at Thermal Power Plant No. 4 has a total funding requirement of approximately US$76.6 million, which is expected to make a significant contribution to Mongolia's energy security and infrastructure development.

- **210 MW Power Generation in Selenge Province**

  The 210 MW power generation project in Selenge province is designed to utilize the Ilch Khujirt Coal Deposit to provide reliable electricity to industrial companies in Selenge and Darkhan-Uul provinces and to meet the heating demand of Sukhbaatar city of Selenge province. This project has a total funding requirement of approximately US$125.0 million.

- **Erdenet Industrial Technology Park (Copper Concentrate Smelting and Processing Plant)**

  We are considering participating in the financing of the Erdenet Industrial Technology Park project, which would involve the construction of a copper concentrate smelting and processing plant with a total funding requirement of approximately US$720.6 million. Erdenet Mining Corporation will self-finance 50% of the funding from its own revenues, while the remaining 50% will be raised through foreign and domestic investments. A feasibility study has been approved by the Government. An international EPC (engineering, procurement, and construction) tender has been announced.

- **Darkhan Industrial Technology Park (Ferrous Metallurgy and Steel Plant Complex)**

  We are considering financing the Darkhan Industrial Technology Park project, which would involve the construction of a ferrous metallurgy and steel plant complex with a designed annual production capacity of 1 million tons of steel products and a total funding requirement of approximately US$442.8 million. Work is currently underway to raise financing for the project.

- **Baganuur Industrial Technology Park (Coal-Chemical Complex)**

  We are considering financing the Baganuur Industrial Technology Park project, which would involve the construction of a coal-chemical complex based on pyrolysis technology, with a total funding requirement of approximately US$125.8 million. The project is designed to develop chemical production capacity and enable the domestic manufacture of explosive raw materials, a strategic product for Mongolia.

Green Projects in Pipeline and Under Consideration

In line with the Government's vision to increase the share of renewable energy to 30.0% by 2030, we are actively developing a pipeline of green projects to expand renewable energy capacity and support Mongolia's transition to a low-carbon economy. Our potential green pipeline includes: (i) a 400 MW solar power plant and a 200 MW / 670 MWh battery energy storage system (comprising two separate projects) with an estimated cost of US$104.9 million to be co-financed with the project developer, (ii) the Eg River 310 MW hydroelectric power plant in Bulgan province with an estimated cost of US$827.6 million, (iii) a network of 100 electric vehicle charging stations in rural areas, which is expected to generate potential savings of US$300 to US$400 million in fuel imports, (iv) a 100 MW windfarm in Mandalgovi to be linked to Mongolia's transmission grid for which the Ministry of Energy, supported by the IFC, has accepted expressions of interest from domestic and international developers, and (v) 30 green projects assessed by the National Green Lab Mongolia, a platform designed to identify and advance bankable and scalable green projects, with US$20 million secured in co-financing.

Loan Portfolio

As of March 31, 2026, we had gross loans and advances including lease advances before provision of MNT 2,283,427.0 million (US$639.8 million).

Loans by Currency

The following table presents our loans by currency as of the dates indicated:

	As of December 31,						As of March 31,	
	2023		2024		2025		2026	
	(MNT million)	%	(MNT million)	%	(MNT million)	%	(MNT million)	%
Loans in Tugriks	1,223,230.4	52.6%	1,565,364.1	67.4%	1,574,089.1	68.1%	1,583,873.4	69.4%
Loans in U.S. dollars	583,631.8	25.1%	442,434.9	19.1%	462,733.6	20.0%	465,033.9	20.4%
Loans in Euro	333,183.1	14.3%	60,992.3	2.6%	25,535.5	1.1%	—	—
Loans in Chinese Yuan	109,264.0	4.7%	194,446.1	8.4%	209,022.5	9.0%	216,056.5	9.5%
Loans in Japanese Yen	75,479.8	3.2%	58,473.2	2.5%	41,198.9	1.8%	18,463.2	0.8%
Gross loans and advances including lease receivables	2,324,789.1	100.0%	2,321,710.6	100.0%	2,312,579.6	100.0%	2,283,427.0	100.0%
Provision for loan impairment	(1,066,672.9)	45.9%	(999,662.4)	43.1%	(1,120,528.6)	48.5%	(1,104,563.4)	48.4%
Net loans and advances including lease receivables	1,258,116.2		1,322,048.2		1,192,051.0		1,178,863.6	

Loans by Maturity

The following table provides a discounted maturity analysis of our loans by contractual terms as of the dates indicated, taking into account the future interests to be accumulated:

	As of December 31,									As of March 31,		
	2023			2024			2025			2026		
	(MNT millions)	%	Weighted average interest rate (%)	(MNT millions)	%	Weighted average interest rate (%)	(MNT millions)	%	Weighted average interest rate (%)	(MNT millions)	%	Weighted average interest rate (%)

Less than three months	1,535,631.1	62.8%	8.6%	588,051.7	35.1%	8.8%	471,028.2	34.2%	8.8%	572,777.3	42.5%	9.1%
Three to six months	43,305.7	1.8%	9.3%	60,091.8	3.6%	11.7%	133,343.1	9.7%	13.1%	30,389.8	2.3%	12.9%
Six months to one year	78,630.5	3.2%	8.7%	97,119.1	5.8%	11.8%	138,990.1	10.1%	13.7%	143,185.6	10.6%	13.8%
One year to five years.	710,522.3	29.0%	11.3%	858,228.7	51.2%	13.4%	593,538.0	43.1%	13.0%	571,569.1	42.4%	12.9%
Over five years	78,159.7	3.2%	8.1%	72,446.7	4.3%	7.6%	39,856.6	2.9%	7.6%	30,078.3	2.2%	7.6%
Total[(1)]	2,446,249.3	100.0%	9.3%	1,675,938.0	100.0%	11.4%	1,376,756.0	100.0%	11.5%	1,348,000.1	100.0%	11.3%

Loan Concentrations

We prioritize providing loans to projects in the mining, renewable energy, infrastructure, agriculture, industrial development, and digital economy sectors. These sectors have been chosen to support the Government's investment plans in energy self-sufficiency, infrastructure, green, social, and digitalization projects. Under Article 8.2 of the Revised Law on the Development Bank of Mongolia, at least 60.0% of the funding we provide must finance projects and programs that promote exports; however, this mandatory allocation requirement would be removed under the 2026 Draft DBM Law. Although we do not impose fixed limits on our exposure to borrowers in any single industry, we regularly monitor the industry concentration of our loan portfolio. In accordance with Article 28.1.2 of the Revised Development Bank Law, we also limit the loans we provide to any single borrower to an aggregate amount less than or equal to eight times our equity. We have also refocused our lending strategy to favor co-lending with international and domestic commercial bank partners. We believe this approach will enable us to share risk with and leverage the loan approval and monitoring expertise of these lenders. We further seek to manage our exposures by obtaining suitable collateral for these loans.

The following table presents our loans by industry sector as of the dates indicated:

	As of December 31,						As of March 31,	
	2023		2024		2025		2026	
	(MNT millions)	%	(MNT millions)	%	(MNT millions)	%	(MNT millions)	%
Manufacturing	1,292,464.5	55.6%	1,233,259.1	53.1%	1,275,948.2	55.2%	1,265,150.9	55.4%
Mining and quarrying	283,760.8	12.2%	289,026.8	12.4%	210,437.5	9.1%	175,218.5	7.7%
Power and energy	532,941.6	22.9%	614,015.9	26.4%	644,981.3	27.9%	660,474.6	28.9%
Construction	122,012.4	5.2%	99,155.2	4.3%	92,476.9	4.0%	91,480.1	4.0%
Transportation and storage.	36,048.6	1.6%	32,069.6	1.4%	35,101.6	1.5%	35,666.1	1.6%
Financial and insurance activities	850.7	0.0%[(1)]	–	–	–	–	–	–
Health and social work.....	40,900.0	1.8%	40,900.0	1.8%	40,900.0	1.8%	40,900.0	1.8%
Agriculture, forestry and fishing.....	8,490.9	0.4%	6,123.9	0.3%	5,574.0	0.2%	5,574.0	0.2%
Other.....	7,319.6	0.3%	7,160.1	0.3%	7,160.1	0.3%	8,962.8	0.4%
Gross loans and advances including lease receivables	**2,324,789.1**	**100.0%**	**2,321,710.6**	**100.0%**	**2,312,579.6**	**100.0%**	**2,283,427.0**	**100.0%**
Provision for loan impairment.....	(1,066,672.9)	45.9%	(999,662.4)	43.1%	(1,120,528.6)	48.5%	(1,104,563.4)	48.4%
Total net loans and advances including lease receivables	**1,258,116.2**		**1,322,048.2**		**1,192,051.0**		**1,178,863.6**	

(1) Denotes that the amount is less than 0.05% of the relevant total amount.

The following table sets forth our top 15 borrowers including loans repayable from the state budget to project through local commercial bank as of the dates indicated:

		As of December 31,			March 31,
	Loan economic sector	2023	2024	2025	2026
		(MNT millions)			
Borrower					
Borrower 1 ...	Manufacturing	376,227.9	377,282.4	392,329.6	393,579.4
Borrower 2	Manufacturing	255,660.0	288,466.2	320,987.1	327,536.5
Borrower 3	Power and energy	268,237.4	270,953.3	283,452.3	293,332.9
Borrower 4	Power and energy	109,264.0	194,446.1	209,022.5	216,056.5
Borrower 5	Manufacturing	173,888.7	173,888.7	173,888.7	173,888.7
Borrower 6	Manufacturing	162,607.9	149,254.5	146,011.1	145,048.4

Borrower 7	Mining and quarrying	106,848.1	122,677.9	109,970.7	109,662.3
Borrower 8	Manufacturing	74,002.2	74,002.2	74,002.2	74,002.2
Borrower 9	Power and energy	60,919.7	64,246.1	69,393.6	70,424.2
Borrower 10...	Power and energy	59,986.1	60,616.8	60,616.8	60,616.8
Borrower 11...	Manufacturing	67,985.4	67,212.9	60,520.8	43,172.8
Borrower 12...	Health and social work	40,900.0	40,900.0	40,900.0	40,900.0
Borrower 13...	Transportation and storage	27,016.8	29,238.9	33,270.1	34,289.3
Borrower 14..	Manufacturing	31,972.7	31,972.7	31,972.7	31,972.7
Borrower 15...	Construction	25,840.9	25,824.8	25,824.8	25,824.8
Total loans and advances (excluding lease receivables) before provision		**2,262,376.0**	**2,271,559.4**	**2,271,583.7**	**2,245,139.9**

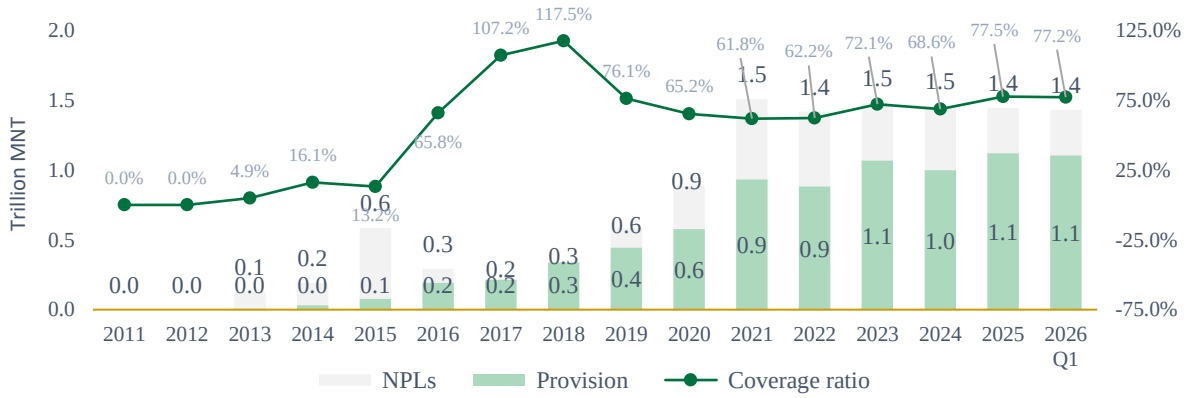
Non-Performing Loan Reduction and Recovery

A loan is considered to be in default and classified as a non-performing loan ("NPL") when the borrower fails to meet its contractual obligations for more than 90 days. The following table sets out certain data on our non-performing loans by as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(MNT million, except percentages)			
NPL	1,478,518.7	1,457,410.1	1,445,820.0	1,431,440.6
NPL ratio[(1)].....	63.6%	62.8%	62.5%	62.7%
NPL coverage ratio[(2)]..	72.1%	68.6%	77.5%	77.2%

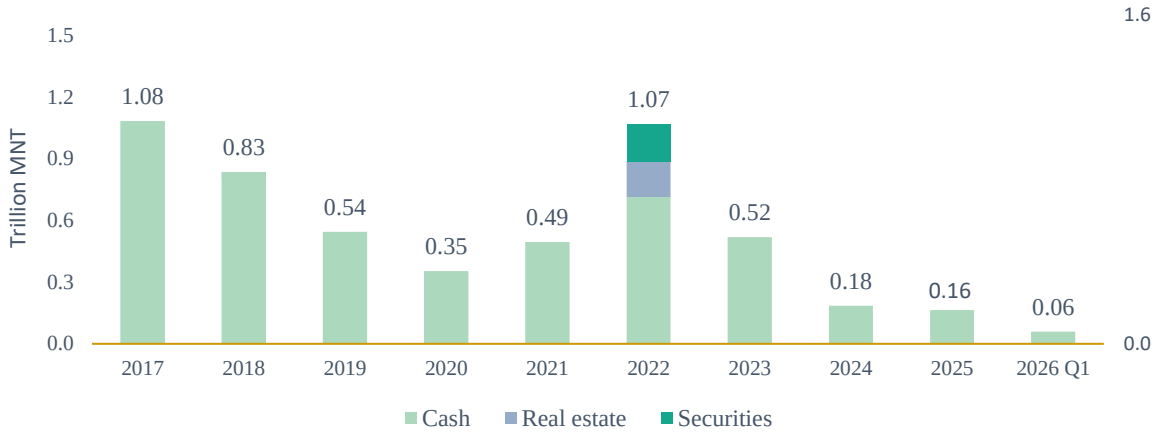
(1) Calculated as the ratio of our total non-performing loans to total loans.
(2) Calculated as the ratio of allowances for impairment to NPL.

The following chart presents our NPLs, NPL provision, and NPL coverage ratio for the periods indicated:



We have undertaken substantial efforts to reduce and recover non-performing assets in our loan portfolio. Since January 2022, we significantly curtailed our lending operations and focused on strengthening our balance sheet and recovering non-performing loans. By the end of 2025, we had secured MNT 1.8 trillion in cumulative loan repayments. We recovered MNT 184.7 billion (US$52 million) in 2024, MNT 164.5 billion (US$46 million) in 2025, and MNT 58.1 billion (US$16 million) in the first quarter of 2026, through a combination of cash recoveries and monetization of repossessed real estate and securities. We have also undertaken substantial provisioning in response to Bank of Mongolia requirements, creating a stronger loss-absorption buffer against legacy problem assets. Our provision coverage ratio stood at 77.2% as of March 31, 2026.

The following chart presents the composition of our loan repayment/recovery for the periods indicated:



A centralized and policy-driven resolution framework has been established to address our legacy non-performing assets. Under Resolution No. 97 (2025) of the Parliament, the 2026 Monetary Policy Guidelines mandate the establishment of a legal framework for specialized asset management institutions. On March 25, 2026, the Government instructed the expedited development of a dedicated Law on Asset Management Companies, and on April 17, 2026, Prime Minister's Order No. 83 established a high-level working group to operationalize NPL resolution at the national level. In March 2025, Government Resolution No. 32 outlined measures for three of our major non-performing loans (Khutul LLC, Beren LLC and Erel LLC), targeting recovery of approximately MNT 1.0 trillion through cash, repossessed assets and securities. Depending on the specific circumstances, in coordination with the Government, we may utilize the following mechanisms to resolve non-performing loans: (i) government-supported recovery, led by the newly established working group comprising various government agencies, covering one exposure with MNT 451.0 billion (US$126 million) in expected recovery; (ii) transfer to a proposed asset management company, focusing on more structurally impaired exposures, covering ten exposures with MNT 503.6 billion (US$141 million) in expected recovery, of which nine are 100% provisioned; and (iii) bank-led direct recovery managed by us, where we believe we have identified a clear ability to deliver the strongest value recovery, covering 15 exposures with MNT 354.3 billion (US$99 million) in expected recovery and an average collateral coverage ratio of 101%.

See "Selected Statistical Data—Loan Portfolio" for additional information regarding the composition of our loan portfolio.

Risk Management

Our Risk Management Committee was established in October 2013. On April 20, 2017, we updated our risk management policies and procedures to align with the requirements of the Revised Law on the Development Bank of Mongolia to increase oversight of our lending operations. Under these measures, we have expanded the responsibilities of our Risk Management Committee and our Credit Management Committee. See "—Credit Risk." We have also changed our lending approach to favor co-lending with international and domestic commercial bank partners, which enables us to share risk with and leverage the loan approval and monitoring expertise of these lenders. In addition, we have implemented a contingency plan that serves as an early warning system for liquidity risks and limits our lending operations when we are at risk of breaching our capital adequacy or liquidity requirements. See "—Liquidity Risk." In February 2025, we received technical assistance from the ADB to strengthen our governance, risk management and operational policies. In 2025, we completed our full transition to IFRS by preparing our financial statements and asset valuations in accordance with IFRS 9, including expected credit loss methodology. Our organizational structure has been revised to include a dedicated Risk Management Department comprising a Market Risk Management Division, a Credit Risk Management Division, a Compliance and Operational Risk Management Division, and a separate Special Assets Management Department responsible for the resolution of non-performing assets.

Our Board is responsible for the overall oversight of our risk management framework, overseeing key risk management and reviewing the policies and procedures. Our Risk Management Committee is responsible for:

- reviewing and assessing the sufficiency of risk management policies and procedures in our day-to-day operations;

- analyzing our risk profile and identifying future and existing risks;

- evaluating our risk parameters and prudential ratios;
- examining and determining the sufficiency of our internal controls and processes for risk reporting and management, including internal audits and reports to the Government and the Bank of Mongolia;
- monitoring our contingency plan and reviewing our contingency plan on a quarterly basis;
- managing operational risks, including in relation to information security, information distribution, technology, anti-terrorism and anti-money laundering;
- developing, implementing and monitoring our risk management framework and internal control system; and
- quarterly monitoring of the implementation of measures set by our Risk Management Committee.

We regularly evaluate and update our existing risk management policies to apply new market practices and comply with any new or proposed regulatory guidance.

Our Risk Management Department, comprised of our Market Risk Management Division, Credit Risk Management Division and Compliance and Operational Risk Management Division, is responsible for risk management at the operational level. See "Management—Internal Management Committees" for more information regarding our committees and departments.

Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and it arises principally from our loans and advances and deposits in commercial banks. We also bear credit risk when we offer guarantees and letters of credit in favor of our customers. As stipulated in Article 28 of the Revised Law on the Development Bank of Mongolia, (i) the total value of loans, guarantees and loan equivalent assets provided by us may not exceed an amount equal to 30 times our equity and (ii) the total amount of loans provided by us to any single borrower may not exceed an amount equal to eight times our equity. In addition, under the Bank of Mongolia's Regulation on Setting and Monitoring Prudential Ratios Applicable to the Development Bank of Mongolia (the "DBM Prudential Regulation"), (i) the total amount of loans provided by us to any single borrower may not exceed an amount equal to 30.0% of our equity and (ii) the total amount of loans provided by us to any single borrower may not exceed an amount equal to 80.0% of our total loan portfolio.

We have delegated responsibility for the management of credit risk to our Credit Management Committee. Our Credit Management Committee serves as the key decision-making body with respect to credit risk within the parameters set by our Board and the Revised Law on the Development Bank of Mongolia. Our Credit Management Committee is responsible for:

- setting the requirements for and updating our loan appraisal and approval processes;
- approving amendments and updates to issued loans and guarantees, including for restructuring purposes;
- determining loan loss provisioning and write-offs of impaired loans or transfers of nonperforming loans to our special assets unit or third parties;
- approving the issuance of loans after receiving relevant opinions and reports from our Project Finance and Credit Department analysts;
- approving the issuance of a third-party guarantee after reviewing the report from the Project Finance and Credit Department;
- reviewing and assessing reports and recommendations produced by internal and external audits;
- assessing new products and determining the relevant terms and conditions; and
- approving and amending other policies, strategies and regulations relevant to loans and loan-equivalent assets.

Our Board approves and, amends our credit policies and procedures, approves our risk classification and provisioning and reviews the quality, composition and risk profile of our loan portfolio on an ongoing basis.

Our credit policies establish:

- procedures for the review and approval of credit applications;
- methodology for credit assessment of borrowers;
- methodology for evaluating the quality of collateral;
- credit documentation requirements;
- procedures for ongoing monitoring of loan and other credit exposures; and
- other limitations and credit monitoring procedures.

Our Risk Management Department is responsible for monitoring credit risk at the operational level and regular reporting to our chief executive officer and deputy executive officers. These monitoring measures are designed to ensure:

- proper issue of Credit Management Committee-approved disbursements;
- proper use of loan disbursements;
- proper record-keeping of loan-related documents;
- our overall compliance with capital ratios set forth in our internal guidelines;
- timely repayments of interest and principal;
- sufficiency of collateral or security related to our loans;
- quality and composition of our loan portfolio; and
- implementation of, and progress on, projects funded.

Collateral Risk

We aim to collateralize assets that can be readily sold on the market and re-evaluate collateral securing our loans annually, semi-annually or monthly, depending on the nature of the collateral. We hold collateral against loans and advances to our customers in the form including fixed assets, movable properties, licenses, special property rights, time deposits, securities, guarantees issued by the Government and various financial institutions, and assets and revenues generated by the borrower and project contractors. See "—Loan Evaluation and Monitoring—Loan Monitoring."

Liquidity Risk

Liquidity risk arises in the funding of lending activities, the repayment of borrowings, and the management of working capital needs. It includes both the risk of unexpected increases in the cost of funding our asset portfolio at appropriate maturities and the risk of being unable to liquidate a position in a timely manner at a reasonable price. The goal of liquidity management is for us to be able, even under adverse conditions, to meet our contractual and regulatory financial obligations. Our liquidity risk management is centralized under our ALCO and our Asset and Liability Management Department, which monitors our liquidity gaps on a daily basis, conducts stress tests, and provides liquidity analysis reports on a regular basis. In addition, we have implemented a contingency plan that monitors our liquid assets and expected cash outflows for the next 90 days. This contingency plan serves as an early warning system for liquidity risks and limits our lending operations when we are at risk of breaching our capital adequacy or liquidity requirements.

Under the Revised Law on the Development Bank of Mongolia, the Bank of Mongolia is responsible for monitoring our operations and prudential ratios. On December 15, 2020, the Bank of Mongolia adopted the updated DBM Prudential Regulation, under which the Bank of Mongolia monitors our prudential ratios

monthly. We are required to comply with the following prudential ratios in our operations on a daily basis: the capital adequacy ratio, the stable funding ratio, and the foreign exchange risk ratio. Under this regulation, we are required to maintain a net stable funding ratio of not less than 100.0%, calculated as the ratio of stable funding sources to long-term assets. For these purposes, our stable funding sources include our equity, eligible funding instruments meeting the requirements set out in the regulation, deposits from non-financial institutions, funding from banks and financial institutions, and other funding sources with a remaining maturity of more than one year. As of March 31, 2026, our net stable funding ratio was 134.7%, which exceeded the minimum requirement. Internally, we prepare liquidity gap reports and market analysis to monitor, assess and manage our liquidity risks.

Our long-term assets include net loans with a remaining maturity of more than one year, the portion of loans with a remaining maturity of less than one-year, non-performing loans (net of provisions), equity investments, securities and other debt instruments, investments in subsidiaries and affiliates, other assets, fixed assets, and a portion of net contingent obligations expected to be incurred within the next two years.

To align potential losses arising from foreign exchange rate fluctuations with our risk-bearing capacity, these regulations impose limits on the aggregate foreign currency open position, so that the aggregate net open position may not exceed 30.0% of our equity. Our aggregate net open position is calculated as the greater of (i) the sum of all long positions in each foreign currency and (ii) the absolute value of the aggregate short positions, plus the absolute value of the net open positions in gold and silver.

In addition, we are required to maintain a capital adequacy ratio of not less than 9.0%.

Counterparty Risk

We are subject to counterparty risk with respect to the banks at which we place deposits. In order to effectively manage our excess liquidity in the short run, we place short-term (less than one year) callable deposits at local commercial banks and purchase 28-day treasury bills issued by the Bank of Mongolia. For 2023, 2024, 2025 and the three months ended March 31, 2026, our interest income from deposits represented 2.1%, 6.3%, 22.7%, and 34.6% of our total interest income, respectively. In addition, we historically provided on-lending financing to projects through on-lending arrangements with local commercial banks, which represented a small portion of our loan portfolio as of December 31, 2024, 2024 and 2025 and March 31, 2026, respectively. As of March 31, 2026, we did not have any outstanding on-lending arrangements through commercial banks. However, if we were to enter into on-lending arrangements as part of our renewed lending activities, we would be subject to counterparty risk of the relevant commercial banks with respect to on-lending loans. See "Risk Factors—Risks Relating to Our Operations—We are subject to counterparty risk with respect to Mongolian banks with which we place deposits for cash management purposes and those under our on-lending arrangements."

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect our income or the value of our holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

We are exposed to the effects of fluctuations in the levels of market interest rates on our financial position and cash flows. Interest rate risk is measured by the extent to which changes in market interest rates impact margins and net income. To the extent the term structure of interest-bearing assets differs from that of liabilities, net interest income will increase or decrease as a result of movements in interest rates. We manage interest rate risk by increasing or decreasing positions within limits specified by our management. These limits restrict the potential effect of movements in interest rates on interest margin and on the value of interest sensitive assets and liabilities. Our Asset and Liability Management Department has the overall authority for managing market risk.

The principal risk to which our financial assets and liabilities are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Our primary means of measuring our exposure to fluctuations in interest rates is gap analysis, which provides a static view of the maturity and re-pricing characteristics of our balance sheet positions. Our Asset and Liability Management Department prepares an interest rate gap report on a monthly basis by scheduling all assets and liabilities according to stated or anticipated re-pricing date, or maturity date. To the extent that there

is a difference in the amount of assets and liabilities maturing or being re-priced at a particular date, we are exposed to the risk that the margins on new or re-priced assets and liabilities may change.

We are exposed to effects of fluctuations in the prevailing foreign currency exchange rates on our financial position and cash flows. Our management sets limits on the level of exposure by currency (primarily U.S. dollars and Renminbi) and in total. We are not required to comply with the Bank of Mongolia minimum requirements for commercial banks. However, in accordance with the DBM Prudential Regulation, which set certain liquidity and foreign exchange risk requirements for our operations, we report to the Bank of Mongolia with respect to certain liquidity and other prudential ratios on a monthly basis. Our foreign currency liabilities are denominated principally in U.S. dollars, and to a lesser extent, Renminbi, and consist primarily of fund borrowings and bonds issued by us. We hold U.S. dollar-denominated assets consisting primarily of cash and cash equivalents, short-term investments, bank deposits and loans. We are exposed to gains or losses from the revaluation of our net open position. Our Risk Management Department has set a stop-loss exchange rate, pursuant to which our Asset and Liability Management Department buys U.S. dollars to partially cover foreign exchange risk. We also utilize cross-currency interest rate swap agreements with the Bank of Mongolia and international financial institutions to hedge certain of our foreign exchange risks. As of December 31, 2025 and March 31, 2026, we had three and two cross-currency interest rate swap agreements outstanding with the Bank of Mongolia with a total notional principal of US$256.5 million and US$200.0 million, respectively. See Note 28 to our audited financial statements as of and for the years ended December 31, 2024 and 2025, and Note 24 to our unaudited interim condensed consolidated financial information as of and for the three months ended March 31, 2026 for the market risk analyses.

Operational Risk

Our Compliance and Operational Risk Management Division is responsible for managing information technology, reporting, human resources, compliance and reputational risks. We have implemented policies and procedures to manage our operational risk, including anti-corruption measures, anti-fraud management, anti-money laundering and terrorism financing measures, risk associated with information technology and legal compliance. These policies and procedures are designed to ensure consistent management and stable operations while complying with the relevant laws, regulations and policies. In 2025, our compliance policies and procedures were reviewed and updated in alignment with international standards and requirements, with a view to strengthening corporate governance and oversight mechanisms, mitigating reputational risk and promoting transparent and accountable operations. In May 2026, we obtained certification for the ISO 37001:2025 Anti-Bribery Management System standard and the ISO/IEC 27001:2022 Information Security Management System standard. We have also implemented further measures to enhance our Know Your Customer practices, whistleblowing framework, and risk management capacity in line with international benchmarks.

To manage internal fraud-related risks, we maintain a separate database of designated information with restricted access rights in our information system. We also utilize a multi-stage selection process in hiring our employees under our human resources policy and conduct regular assessments based on key performance indicators. To manage external fraud-related risks, we have implemented procedures with respect to placing and withdrawing cash deposits in commercial banks, analyzing counterparty risks, registered with the central credit information system maintained by the Bank of Mongolia, and enhanced our monitoring of our borrowers.

Since the implementation of the Glass Account Law, we have developed guidelines to ensure our compliance. See “Regulatory Overview—Budget Transparency Law (2014), as amended.”

Loan Evaluation and Monitoring

Approval Process

Our loan approval process generally takes approximately 45 days after we receive all necessary documentation from the loan applicant. After a loan is approved, we execute the relevant agreements and disburse the funds as agreed. According to Article 10.1 of the Revised Law on the Development Bank of Mongolia, our loans must, as applicable:

- conform to the concept of sustainable Mongolian development and the long- and medium-term development plan specified by the Government;
- finance economically viable projects that generate sufficient revenue to satisfy repayment obligations;

- finance projects that have had a techno-economic feasibility study conducted; and
- promote export expansion and import substitution or enhance Mongolia's ability to export value-added products.

Upon receiving a loan application, our Credit Department analysts collect information regarding the applicant's business, financial performance, industry and estimated future cash flows, conducts site visits, and for certain industry sectors and borrowers, we obtain an independent external expert opinion to evaluate and verify information provided by the borrower. We also analyze the risks associated with the project, the management of the borrower, the borrower's industry and the collateral, and evaluate the social impact of the project, such as its job creation potential. Furthermore, we conduct credit checks on potential borrowers against the Bank of Mongolia's credit history database. To be approved, the borrower must not have any non-performing loans with any other bank or financial institution or any court orders with respect to its debts. Our Risk Management Department, Credit Department and Asset and Liability Management Department conduct independent reviews of the application. In certain cases, our in-house industry sector experts also provide their assessment regarding the loan application. Our Credit Management Committee conducts the final review of applications that are recommended by our Credit Department analysts. After the Credit Management Committee approves a loan, loans with a value of up to 0.6% of our equity are authorized by a decree from the chief executive officer. Loans for an amount exceeding 0.6% of our equity require approval from our Board. See "—Risk Management—Credit Risk" for more information regarding our Credit Management Committee.

Loan Monitoring

After funds are disbursed, we monitor the progress of the project or program funded by each loan on a regular basis. Under the terms of the loans extended, our borrowers are specifically required to use the loan proceeds for specified purchases of goods and/or services for the relevant projects. We regularly monitor the use of the loan proceeds by reviewing account statements and other relevant documents. Our Risk Management Department meets regularly and reviews loan reports. We also re-evaluate collateral securing these loans annually, semi-annually or monthly, depending on the nature of the collateral with a focus on a market-based approach. We conduct periodic site visits to inspect certain types of collateral and also review the borrower's quarterly financial statements. When a guarantee is provided for a loan, we monitor the overall operations and financial strength of the guarantor. If events occur that may impact the repayment schedule of a loan or a loan becomes past due, depending on the borrower's credit status, we may demand repayment of the loan, restructure the loan to reflect the credit status of the borrower and financial or economic circumstances. If these actions do not provide a viable solution for repayment, we will then consider re-classifying the relevant loan as impaired and make provisions as appropriate. See "—Asset Quality—Impaired Loans and Loan Loss Provisions."

Our overall risk management policy is set by our Board and the policies are implemented on a day-to-day basis by our Risk Management Department, subject to the approval of our Risk Management Committee. See "—Risk Management."

Asset Quality

Loan Classification

In accordance with the Bank of Mongolia's Guidelines on the Classification of Assets and Establishment and Disbursement of the Bank's Assets Risk Fund (the "BOM's Guidelines"), we classify our loans as:

- neither past due nor impaired;
- past due but not impaired, which refer to loans that are not impaired but have overdue principal or interest payment; or
- impaired, which refer to loans of which the discounted future cash flow, taking into account repayments and realization of any assets held as collateral against the loans, is less than the outstanding amount of the loan.

Our loan classifications are determined with reference to the following factors:

- whether the overdue and/or late payments are attributable to a delay caused by the settlement systems;

- whether the borrower is experiencing a significant financial difficulty as evidenced by the borrower's financial information provided to us with an emphasis placed on cash flows related to the underlying project;
- anticipated or actual bankruptcy or a financial reorganization of the borrower;
- an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower; and
- whether the value of collateral significantly decreasing as a result of deteriorating market conditions.

Impaired Loans and Loan Loss Provisions

If an amount under particular loan is considered non-recoverable and we have carried out the necessary procedures to recover the loan, then our Credit Management Committee and Board may decide to write off such amount against the related loan loss provision fund pursuant to the BOM's Guidelines and our internal guidelines on asset classification, establishment and spending of our loss provision funds. We believe that our internal classification guidelines reflect a more flexible approach compared to the commercial banks as a result of the longer term nature of the projects to which we lend. The main factors we consider in our loan impairment assessment include:

- whether payments of interest or principal are overdue;
- difficulties in the cash flows of our counterparties, including the nature and expected duration of such cash flow disruptions given the stage of the particular underlying project; and
- whether terms of the relevant contract have been breached.

We make collective provisions according to IFRS and we currently apply IFRS 9 Financial Instruments. In 2025, we completed our full transition to international financial reporting standards by preparing our financial statements and asset valuations in accordance with IFRS 9, including expected credit loss methodology.

Write-offs

We may write off defaulted loans against our loan loss provisions with Board approval, and we must send notices of these write-offs to Bank of Mongolia. According to our internal guidelines, loans can be written off (i) 180 days after a court order for recovery has been issued, (ii) to the extent a court has ruled that the borrower is not liable for the full amount of the loan, (iii) if a court has suspended enforcement procedures or (iv) by Board decision if the loan has been categorized as impaired by over 75%. Our internal audit unit monitors the establishment and spending of our loan loss provisions. Notwithstanding a write-off, measures to recover the loan may still be taken, and even for our written-off loans, we have not abandoned recovery efforts.. For information regarding the credit analysis of our loan portfolio see "Selected Statistical Data—Loan Portfolio."

Other Activities

We conduct leasing, asset management and investment activities through our subsidiaries as we diversify our business and find more sources of low-cost financing to support value-added, export-driven production to facilitate Mongolia's overall development and to improve living standards and opportunities for all Mongolians.

Finance Leasing

DBM Leasing LLC ("DBM Leasing") is our wholly-owned subsidiary established to expand the forms of low-cost financing we offer. In June 2017, we provided an initial capital contribution of MNT 750.0 million and DBM Leasing commenced operations on June 16, 2017. We have since made further capital contributions, bringing our total capital contribution to DBM Leasing to MNT 100.0 billion as of the date of this Offering Memorandum. DBM Leasing provides equipment leasing services to local companies to promote exports and import substitution products. It also provides lease finance products to projects being financed by us. Through DBM Leasing LLC, we also facilitated financing for a project to expand the installed capacity of the "Amgalan" Thermal Power Plant by 116 MW in 2024, disbursing a total of US$75.9 million in loans. See "—Relationship with the Government—Major Projects—Completed or Committed Projects."

Consistent with its overall lending mission, DBM leasing prioritizes providing lease financing to projects in the mining, agriculture, energy, innovative technology, construction and redevelopment, health, education and infrastructure sectors.

All leases with a value exceeding 25.0% of equity must be approved at a shareholder meeting. As of March 31, 2026, approximately 52.4%, 28.8% and 15.3% of our leases were provided to the power and energy, ming and quarraying, and manufacturing sectors, respectively. As of December 31, 2025 and March 31, 2026, DBM Leasing had leased 91 and 87 units of equipment, respectively, and lease receivables were MNT 40,995.8 million (US$11.5 million) and MNT 38,287.1 million (US$10.7 million), respectively.

Asset Management

DBM Asset Management SC LLC ("DBM Asset Management") is our wholly-owned subsidiary established to promote foreign currency inflow and foreign direct investment. In October 2017, we made an initial capital contribution of MNT 10,000.0 million, and DBM Asset Management has since established various funds to provide low-cost funding to certain development initiatives. These funds include the National Strategic Investment Fund, which commenced operations on July 5, 2018, and the Eco-District and Affordable Housing Fund, a blended-finance platform launched in June 2025 to support climate-resilient urban redevelopment and affordable housing delivery in Ulaanbaatar, with a fund size of US$95 million. In addition, since 2024, we have been engaged in facilitating financing through DBM Asset Management SC LLC for the establishment of the MGFC, a project entity designed to implement a green financing scheme in Mongolia. MGFC will implement this project with initial funding of US$50 million, jointly facilitated by the Government (represented by us, with a US$18 million commitment), the Green Climate Fund (with a US$27 million commitment) and the private sector (with a US$5 million commitment). We approved equity financing of US$5 million for MGFC in 2025 and are working to provide an additional approximately US$13 million funding in the form of an MNT-denominated loan. See "—Relationship with the Government—Major Projects—Completed or Committed Projects."

Investment

On March 26, 2014, we made an initial investment of MNT 10,000.0 million in MIK Holding JSC ("MIK"), purchasing 2,500,000, or 14.9%, of its ordinary shares. In 2015, we made an additional investment of MNT 5,500.0 million, purchasing 462,294 shares at a price of MNT 11,897.19 per share. MIK was jointly established in 2006 by the Bank of Mongolia and ten other commercial banks as a private sector secondary mortgage institution. MIK was established to provide long-term financing for housing and urban development through the issue and sale of mortgage-backed securities in primary and secondary markets domestically and internationally. In 2024, we received MNT 538.8 million in dividends from MIK in the form of shares. As of March 31, 2026, we held 3,081,955 shares in MIK, representing a 14.9% interest of its ordinary shares.

From time to time, we also invest in government securities and other financial instruments to manage our cash more efficiently. As of March 31, 2026, our financial investments totaled MNT 361.8 billion (US$101.4 million).

Relationship with International Financial Institutions

Since our establishment, we have been actively building partnerships with various international financial institutions. Over the years, we have entered into cooperation agreements, memoranda of understanding and other arrangements with these international financial institutions, including (i) policy banks and export-import policy banks, such as China Development Bank, the Export-Import Bank of China, Hungarian Export-Import Bank, and the Bulgarian Development Bank, (ii) foreign commercial banks, such as J.P. Morgan, Industrial and Commercial Bank of China, ICBC Standard Bank, and Sumitomo Mitsui Banking Corporation, (iii) development finance institutions, such as the World Bank, ADB, the Kuwait Fund for Arab Economic Development, (iv) sovereign wealth funds, such as Kuwait Investment Authority, (v) regional cooperation initiatives, such as Greater Tumen Initiative, and (vi) international private firms, such as GAUFF GmbH & Co. Engineering KG. Our partnerships with these types of institutions cover areas including project finance, infrastructure development, export financing, and regional cooperation. In 2016, we joined the Interbank Association of the Shanghai Cooperation Organization as the representative of Mongolia.

In recent years, we have significantly expanded our international partnerships, including through co-financing arrangements with the IFC, technical assistance from the ADB, and consultation with the World Bank in drafting and refining the 2026 Draft DBM Law. In August 2023, we joined the Partnership for Carbon

Accounting Financials to measure and disclose greenhouse gas emissions from our financing activities. In 2024, we developed a Sustainability Financing Framework in collaboration with the sustainable finance advisory team of Mitsubishi UFJ Financial Group, aligned with the ICMA Green Bond Principles (2021), Social Bond Principles (2023), Sustainability Bond Guidelines, and the Loan Market Association Green and Social Loan Principles (2023), and obtained a Second Party Opinion from Moody's in July 2024. In August 2024, we signed a memorandum of understanding with Korea Trade Insurance Corporation to co-finance low-carbon energy and green projects. In June 2025, we signed a memorandum of understanding with Korea Asset Management Corporation of the Republic of Korea. In May 2026, we approved a US$100 million loan for the Bagakhangai–Emeelt Railway Project of the Mongolian Railway State-Owned Joint Stock Company, co-financed with the International Finance Corporation with a combined commitment of US$200 million. See "—Relationship with the Government—Major Projects—Completed or Committed Projects." We are also working toward obtaining Green Climate Fund accreditation, which we are targeting by 2027.

We have been a signatory to the eight principles of the Mongolian Sustainable Finance Association since 2021. In May 2026, we received certification for the ISO/IEC 27001:2022 Information Security Management Standard and the ISO 37001:2025 Anti-Bribery Management Standard. We are also a member of the Association of Development Financing Institutions in Asia and the Pacific ("ADFIAP"), and in April 2025, our Ulaanbaatar Green Affordable Housing and Resilient Urban Renewal Sector Project was recognized as the winner of the ADFIAP Sustainable Development Awards 2025.

Information Technology

We view information technology ("IT") as an integral part of our operations and are committed to investing in our IT infrastructure to support our existing operations and growth. The core element of our IT infrastructure is our software system, which provides full-scale operational and analytical support for credit decisions, lending activities, bank deposit maintenance, transactions in foreign currencies and other related activities. Our core IT banking system is provided by NES ERP, a leading banking and payment solutions provider.

To minimize system downtime and to safeguard information in the event of a technical or operational failure, we maintain an off-site IT back-up recovery center, which is updated in real time and is located at a separate site from our principal place of business. This back-up facility contains a substantially complete duplicate of all of our core IT systems and can provide emergency back-up data if our primary electronic data center fails. We conduct IT disaster recovery drills every six months to enhance the effectiveness of our back-up systems. In May 2026, we received certification for the ISO/IEC 27001:2022 Information Security Management Standard. We are also advancing the digitization of our core operations, including the implementation of automated risk assessment tools and end-to-end loan origination and monitoring systems.

Employees

During the years ended December 31, 2023, 2024, 2025 and three months period ended March 31, 2026, we had an average of 113, 107, 129 and 94 full-time employees. Pursuant to a resolution of the Board dated December 23, 2025, our organizational structure was revised and approved, comprising six departments, 14 divisions, and various offices.

We contribute to mandatory Government pension schemes, namely, social security and health insurance funds as required by Mongolian law. We provide education and training to our employees domestically and abroad according to their roles and functions.

Properties

Our principal place of business is located at Peace Avenue 19, 1st District, Sukhbaatar District, Ulaanbaatar, Mongolia, which comprises an area of 3,240 square meters owned by us.

Legal Proceedings

We are, from time to time, the subject of legal proceedings, administrative proceedings and other investigations arising in the ordinary course of business. As of the date of this offering memorandum, we are not involved in any pending or threatened actions, suits or proceedings against or affecting us which, if determined adversely to us, could individually or in the aggregate have a material adverse effect on our financial condition or results of operations or might be material in the context of the Notes.

MONGOLIA

Overview

Over the past three decades, Mongolia has transformed itself from a socialist country with a planned economy into a multi-party democracy with one of the world's fastest-growing market economies. From 2015 through 2025, Mongolia experienced average real GDP growth of 4.1% per annum. Located between Russia (to its north) and China (to its south), Mongolia possesses vast, largely untapped mineral assets, which have only begun to be developed.

A number of significant projects have been undertaken in recent years to develop Mongolia's extensive mineral resources. The Oyu Tolgoi mine, one of the world's largest copper-gold reserves with an estimated 43.6 million tons of copper, 11,745 tons of silver and 1,838 tons of gold geological resources, commenced full underground operations after the completion of the construction of an underground mining expansion in March 2023. As of December 31, 2025, approximately US$6.9 billion had been incurred for the development of Oyu Tolgoi's underground mining operations, corresponding to 99.8% completion of all major underground infrastructure. The remaining close-out works to be executed in 2026 are expected to bring the total underground development cost to US$7.0 billion, consistent with the US$7.04 billion project budget approved by Oyu Tolgoi's board of directors. Mongolia continues to develop other major projects in the coal sector, including the Tavan Tolgoi formation, which is believed, according to the World Bank, to be one of the world's largest coal deposits under development with an estimated 7.6 billion to 8.0 billion tons of coking and thermal coal resources. In addition, Mongolia possesses large reserves of copper, gold, uranium and rare earth minerals that are being developed at numerous sites.

In recent years, the global financial markets have experienced significant volatility as a result of, among other things:

- the ongoing wars in the Middle East and between Russia and Ukraine and its broader implications, including economic uncertainty, the effects on global commodity markets, particularly food and energy markets, and measures that various countries have taken against Russia, which have complicated doing business with Russia, which is one of Mongolia's major trading partners;

- global inflationary trends and central bank policy responses, including interest rate rises, and their effects, including significant exchange rate effects;

- uncertainty regarding prospects for global economic growth and levels of international trade, including as a result of higher tariff rates being applied by the United States and possible policy responses by affected countries;

- a deterioration in economic and trade relations between the United States and China, including rising U.S. tariffs on Chinese products and countermeasures implemented or threatened by China;

- geopolitical tensions and conflicts in various countries and regions, in particular the ongoing conflicts in the Middle East, the war between Ukraine and Russia, Taiwan/China tensions, and their ramifications for the social and economic instability in adjacent regions, in particular in the Middle East, Europe and East Asia, respectively;

- the slowdown of economic growth in China, as compared with its previous extended period of very high growth;

- the COVID-19 pandemic caused by new strains of coronavirus, including its variants and subvariants; and

- fluctuations in petroleum, coal, copper, nickel and other commodity prices.

Mongolia's economic outlook for the remainder of 2026 and for the foreseeable future remains uncertain as a result of, among others, (i) factors such as fluctuations in petroleum, coal, copper and other commodity prices and interest and exchange rates, higher unemployment, and lower consumer confidence, and (ii) adverse conditions in the Mongolian and global economies and financial markets, including due to the ongoing wars in the Middle East and between Russia and Ukraine.

History

In 1206, Chinggis Khan (also known as Genghis Khan) founded the Mongol Empire, the largest empire in history by land area, and was appointed emperor. In 1227, after Chinggis Khan's death, the Mongol Empire was subdivided into four kingdoms. In 1260, Chinggis Khan's grandson, Kublai Khan, ascended the throne of one of the four kingdoms that encompassed present-day Mongolia and China. In 1271, Kublai Khan formally established the Yuan Dynasty by changing the state title into Yuan, with Yuandadu (present-day Beijing) as the capital. The Mongol Empire's territory, at its largest expansion, extended from present-day Poland in the west to the Korean peninsula in the east, from Siberia in the north to the Arab peninsula and Vietnam in the south, covering approximately 33 million square kilometers.

The Yuan Dynasty was the first foreign dynasty to rule all of China, until it was taken over by the Chinese Ming Dynasty in 1368. In 1368, an uprising by the Red Turban army rebel movement broke out against the Mongols. The Red Turban army's leader, Yuan-chang, captured the capital, Yuandadu, and founded the Chinese Ming Dynasty. Once the Chinese Ming Dynasty was established, all Mongols were expelled from China. The Yuan Dynasty's last emperor, Toghan-Temur, fled to present day Mongolia and became the first ruler of the Northern Yuan Dynasty.

The Northern Yuan Dynasty began with the end of Mongol rule in China and lasted until the emergence of the Manchurian Qing Dynasty in the 17th century. This period in Mongolian history was marked by factional power struggles and repeated invasions from the Manchurian Qing Army. By 1635, the entire territory of the Northern Yuan Dynasty had been invaded by the Manchurian Qing Army and was under Manchurian rule. The Manchurian Qing Dynasty was the last imperial dynasty of China. In 1911, it was overthrown by the Chinese Revolution and the Republic of China was established.

In the aftermath of the Chinese Revolution, Outer Mongolia sought assistance from the Russian government to gain independence from China. Russia provided arms, ammunition and diplomatic support to Outer Mongolia in its efforts to seek independence. On December 1, 1911, Outer Mongolia proclaimed itself independent of China.

On December 28, 1911, Bogd Khan, the spiritual leader of Mongolia's Tibetan Buddhism, came to power in a theocratic Mongolian government. The new Chinese government, however, refused to recognize Mongolian independence, and in 1919, after the October Revolution in Russia, Chinese troops once again occupied Mongolia. In 1920, the Russian White Guard, aided by Japan, took control of Ulaanbaatar, Mongolia's capital city. In 1921, Mongolian revolutionaries, with the assistance of the Soviet Red Army, expelled Russian White Guards from the country and Mongolia became the first Asian country to declare a communist revolution. The 1921 Outer Mongolian Revolution firmly established Outer Mongolia's de facto independence from China and ended Chinese sovereignty over Outer Mongolia, which had existed since the 17th century.

On March 1, 1921, the current MPP was established and in 1924, the Mongolian People's Republic was proclaimed. The Mongolian People's Republic was led by communist leader and general chief commander of the Mongolian armed forces, Choibalsan Khorloo. Under his control, Mongolia became a centrally planned economy based on state and cooperative ownership. Over the next 65 years, Mongolia aligned itself closely with the former Soviet Union, particularly after the Sino-Soviet split in the late 1950s.

On October 27, 1961, Mongolia became a member of the United Nations. Mongolia was under a Soviet-dominated communist regime for almost 70 years, from 1921 to 1990. In the fall of 1989 and the spring of 1990, new currents of political thought began to emerge in Mongolia, inspired by the glasnost policies of Mikhail Gorbachev and the collapse of the communist regimes in Eastern Europe. In March 1990, a democratic revolution that started with hunger strikes to overthrow the government of the Mongolian People's Republic led to the peaceful renouncement of communism. Mongolia's renouncement of communism led to a multi-party system, a new constitution and a transition to a market economy. For a description of political events that took place after the democratic revolution, see "*—Governmental Structure—Political Parties and Previous Elections*."

Geography and People

Mongolia is the world's second-largest landlocked country and occupies a territory of 1.56 million square kilometers. It extends 2,392 kilometers from west to east and 1,259 kilometers from north to south. Mongolia is located in Northern Asia, bordered by Russia in the north and China in the south, east and west. Mongolia's strategic location provides it with direct access to the markets of these neighboring countries.

Mongolia has a varied geography with forested mountain ranges in the north, desert steppe and steppe areas with low mountains in the south, high mountains and glaciers in the west and vast plains in the east. Situated at an average altitude of 1,500 meters above sea level, Mongolia experiences an extreme continental climate with long winters and short summers.

Mongolia is one of the world's least densely populated countries. The total population of Mongolia in 2025 was approximately 3.59 million living in a vast area of 1.56 million square kilometers. Ethnic Mongols comprise more than 90% of the population. Ulaanbaatar is Mongolia's capital and largest city.

The official language is Mongolian and is spoken by approximately 90% of the population. English is the most widely spoken language following Mongolian. Many Mongolians also speak Russian, Korean, Japanese, Chinese, and Western European languages.

Key Statistical Indicators

The following tables set forth select recent information on the geography, climate, population, economy and politics of Mongolia:

Geography:

Location	Northern Asia, landlocked between China and Russia
Area	1,565 thousand square kilometers
Boundaries	Total: 8,253 kilometers, with China (4,710 kilometers in the south), and with Russia (3,543 kilometers in the north)
Climate	Dry continental climate with desert, steppe and mountain zones with large daily and seasonal temperature ranges
Major natural resources	Copper, coal, iron ore, gold, silver, fluorspar, uranium, tin, tungsten, oil and rare earth elements

People:

Population	Approximately 3.59 million (2025), with those aged under 40 accounting for 67.4%
Annual population growth rate	1.03% (2025)

Government:

Government type	Parliamentary
Capital	Ulaanbaatar
Head of State	President (elected by a universal popular vote for one term of six years)
Executive branch	Prime Minister and Cabinet
Legislative branch	State Great Khural (unicameral, 126 seats (current); members are elected for a term of four years)
Judicial branch	Supreme Court (serves as the court of last instance for the district and provincial courts and appellate courts; judges are nominated by the Judicial General Council for presentation to Parliament and appointed by the President)
State structure	Unitary state; territory of Mongolia is divided administratively into 21 aimags (provinces) and the capital city

The following table sets forth Mongolia's selected key economic indicators as of and for the specified dates and periods:

Macroeconomic Data	As of and for the year ended December 31,					As of and for the three months ended March 31,	
	2021	2022	2023	2024	2025[5]	2025[5]	2026[5]
Nominal GDP (MNT billions)	43,555.5	53,851.5	70,441.5	80,663.1	89,937.1	17,400.5	22,941.0
Nominal GDP (US$ millions)[1]	15,286.4	17,146.3	20,378.3	23,794.4	25,366.8	5,035.7	6,435.9
Real GDP (MNT billions)[2]	27,091.7	28,455.1	30,567.1	32,132.7	34,331.9	6,244.9	6,736.1
Real GDP (US$ millions[1])[2]	9,508.2	9,060.1	8,819.9	9,478.7	9,683.3	1,807.3	1,889.8
Real GDP growth	1.6	5.0	7.4	5.1	6.8	2.6	7.9
Nominal GDP per capita (MNT thousands)[3]	13,238.7	16,086.2	20,779.5	23,541.4	26,167.3	N/A	N/A
Nominal GDP per capita (US$[1])[3]	4,646.3	5,121.9	6,011.4	6,944.4	7,381.3	N/A	N/A
Year-on-year inflation	13.8	13.2	7.9	8.4	7.5	8.3	11.2
Exports (US$ millions)	9,241.1	12,538.6	15,186.9	15,783.4	15,761.2	5,398.3[6]	8,470.5[7]
Imports (US$ millions)	6,845.5	8,704.4	9,250.3	11,614.7	11,393.8	4,537.7[6]	4,905.2[7]
Balance of payments(US$ millions)	(221.6)	(727.3)	1,457.0	622.3	1,034.3	(602.1)	95.5
Unemployment rate (%)	8.3	6.4	5.3	5.9	5.5	5.4	5.7
Gross external debt (US$ millions)[4]	33,805.5	33,344.8	34,569.5	37,237.4	40,277.4	37,885.3	40,217.6
Gross foreign exchange reserves (US$ millions)	4,366.1	3,399.6	4,921.6	5,509.8	7,005.3	5,193.7[6]	7,733.1[7]
Gross foreign reserves import cover (in months)	7.7	4.4	5.9	5.5	7.6	10.5[6]	7.6[7]
Population (in thousands)	3,419.7	3,467.3	3,514.5	3,554.6	3,591.1	N/A	N/A

Sources: Bank of Mongolia; World Bank; National Statistical Office of Mongolia.

(1) The following average exchange rates (representing the average of monthly exchange rates for any given year or period as published by the Bank of Mongolia) were applied: 2021 – MNT2,849.3 = US$1.00, 2022 – MNT3,140.7 = US$1.00, 2023 – MNT3,456.7 = US$1.00, 2024 – MNT3,390.0 = US$1.00, 2025 – MNT3,545.1 = US$1.00, March 31, 2025 = 3,455.43, and March 31, 2026 = 3,564.51.
(2) Real GDP calculated at 2015 constant prices.
(3) Nominal GDP per capita calculated at current prices.
(4) "Gross external debt" includes external debt of and external debt guaranteed by the Government and the Bank of Mongolia, external debt of commercial banks and other sectors and direct investment according to the Bank of Mongolia.
(5) Preliminary figures subject to further adjustments.
(6) Preliminary figures as of May 31, 2025 or for the first five months of 2025, as applicable.
(7) Preliminary figures as of May 31, 2026 or for the first five months of 2026, as applicable.

Political and Electoral System

Under the 1960 constitution, Mongolia was a single-party state in which the MPRP held a monopoly on political power. The 1960 constitution was amended n May 1990, after the leaders of the MPRP's resignation in March 1990. The amended 1960 constitution legalized opposition parties, created a standing legislative body (Baga Hural) and established the office of the president. In July 29, 1990, Mongolia held its first multi-party election and elected representatives to the People's Great Khural, Mongolia's first freely elected legislative body.

On January 13, 1992, Parliament adopted a new constitution (the "Constitution"), which established Mongolia as an independent, sovereign republic that guarantees the fundamental rights and freedoms of its citizens and safeguards its market-based economy. The Constitution also restructured the legislative branch of the Government by creating a unicameral parliamentary legislature. The Constitution was put into force on

February 12, 1992 and amended in 1999 (repealed in 2000 by the Constitutional Court), 2000, 2019, 2022 and 2023, respectively.

On December 25, 2015, Parliament enacted a new election law which (i) replaced and integrated the existing parliamentary election law, presidential election law and municipal elections laws, (ii) set forth principles and procedural regulations for the electoral system in Mongolia, and (iii) maintained the mixed-member proportionate system. However, in April 2016, the Constitutional Court ruled that the proportional representation element of the election law breached the Constitution and repealed those provisions that provided for the proportional representation. Parliament further amended the new election law on May 5, 2016 to approve a majoritarian electoral system.

On December 20, 2019, Parliament enacted a separate Parliamentary Election Law to ensure proportionality and gender equality in the election campaign. An electronic voting system was also introduced to ensure an efficient and fair election. The new Parliamentary Election Law changed the electoral system from a majoritarian system, where the majority of parliamentary seats went to the party that received the largest number of votes, to a mixed-member proportional system. A mixed-member proportional system was designed so that each party's share of parliamentary seats is proportional to its share of votes, thereby reflecting proportionality in the overall result.

In 2023, the Parliamentary Election Law and the Constitution were amended. Under these changes, the number of members of Parliament increased from 76 to 126, to be selected through a mixed electoral system where 78 members are elected by majority representation and 48 members are elected by proportional representation. These amendments became effective from January 1, 2024. The 2023 amendments to the Parliamentary Election Law also requires that a minimum of 30% of the candidates in the 2024 election and a minimum of 40% of the candidates in the 2028 election must come from each gender. Following the 2019 amendments to the Constitution, the President is elected for a single six-year term.

In late 2023, the ruling and opposition parties also reached a consensus to redraw the electoral districts. As a result of the redistricting, currently there are a total of 13 electoral constituencies with the distribution of 7 constituencies in aimags, and 6 in Ulaanbaatar, the capital city.

The most recent parliamentary elections, which were the first under the newly amended Parliamentary Election Law and the Constitution, were held on June 28, 2024. The ruling Mongolian People's Party won 68 seats in the 126-seat parliament, with the Democratic Party winning 42 seats and other minor parties winning a total of 16 seats. Subsequent to the elections, the plenary session of the newly formed expanded State Great Khural re-appointed Oyun-Erdene Luvsannamsrai as the Prime Minister of Mongolia. In addition, following the June 28, 2024 parliamentary elections, the MPP, the Democratic Party, and the HUN Party formed a joint government with thirteen ministers from the MPP, eight ministers from the Democratic Party, and two ministers from the HUN Party.

In June 2025, the Oyun-Erdene Luvsannamsrai-led government lost a parliamentary vote of confidence and the prime minister resigned amid political controversy, teacher protests, and his failure to secure enough parliamentary support. On June 18, 2025, G. Zandanshatar, the 34th Prime Minister of Mongolia, signed the decree to appoint new cabinet members after presenting the nominees for Government membership to the State Great Khural and the President. On March 27, 2026, Parliament accepted Prime Minister G. Zandanshatar's request to be relieved of his duties and adopted a resolution dismissing him as Prime Minister.

On March 30, 2026, Parliament appointed Uchral Nyam-Osor, as the 35th Prime Minister of Mongolia. On April 3, 2026, Prime Minister Uchral presented the members of his Cabinet to Parliament. The new Cabinet comprises 19 members, of whom 16 are affiliated with the MPP, two are affiliated with the HUN Party and one is affiliated with the National Coalition.

Governmental Structure

President of Mongolia

In Mongolia, the President is the head of state. Despite Mongolia having a parliamentary system, the President has a certain level of authority and influence in the state's governance, particularly relating to the Mongolian military and the judicial system. The President has the general power to appoint judges. Specifically, judges of the first instance and appellate-level courts are appointed by the President as nominated by the General

Judicial Council. Judges of the Supreme Court are first presented to Parliament and appointed by the President as nominated by the General Judicial Council.

On January 15, 2021, Parliament adopted the revised Law on Courts of Mongolia to further its efforts to ensure a fair judicial system and judicial independence. Prior to the approval of this law, the President appointed the members of the General Judicial Council.

The President nominates the General Prosecutor, Deputy Prosecutor General and the heads of the Mongolian military in consultation with Parliament. Moreover, the President is also the General Commander of the Mongolian military and heads the Security Council of Mongolia.

In addition, the President has the following powers and authorities:

- represents Mongolia and enters into international treaties with other countries on behalf of Mongolia, in consultation with Parliament. The President also has the power to elect and appoint Mongolian ambassadors (in consultation with Parliament), and accept credentials from foreign ambassadors;

- may submit draft laws, give opinions on draft laws, veto laws or certain parts of the law (although this is then subject to a two-thirds majority of participating Parliament members accepting the veto or not);

- can call Parliamentary extraordinary sessions, give speeches in Parliamentary meetings at his or her discretion, and present proposals to Parliament on any matter. The President also has the power to dissolve Parliament if Parliament fails to appoint a Prime Minister and establish a cabinet within 45 days after a proposal for Prime Minister is submitted to Parliament or within 30 days of the resignation of a Prime Minister; and

- can participate in the Government's cabinet meetings at his or her discretion. The President can give directions to the Government with respect to matters concerning national security or state unity (as referred to in the Constitution). However, this direction is only valid if the Prime Minister agrees to the same and signs the relevant order of the President.

Based on the conclusion of the Constitutional Court, the President can be removed by a vote of two-thirds of all members of Parliament present at the relevant meeting if the President has breached the President's oath of office by abusing his or her power or by violating the Constitution. Mongolia has no Vice President; therefore, in the absence, incapacity, or resignation of the President, the Chairman of Parliament assumes the position of the President until a newly elected President is inaugurated.

Following the 2019 amendments to the Constitution, Mongolian citizens who have attained the age of 50 (as opposed to the previous requirement of 45) are qualified to be elected as the President, and the President is elected to a single six-year term. Further, the amendment provides that certain powers may be granted to President only within the framework provided in the Constitution. The most recent presidential elections were held on June 9, 2021. According to the results announced by the General Election Commission of Mongolia on June 11, 2021, the MPP's candidate, Khurelsukh Ukhnaa, won the election with 67.8% of the vote. President Khurelsukh began serving his six-year presidential term on June 25, 2021.

Executive Branch

The Prime Minister is the head of the executive branch. The Prime Minister is nominated by the ruling party and confirmed by Parliament. The Prime Minister chooses the members of the Cabinet upon presentation to the President and Parliament.

The Cabinet is the highest executive body of Mongolia. The Cabinet is in place for a four-year term or a shorter term when it is dissolved upon either resignation of the Prime Minister or parliamentary vote for dissolution. The Cabinet is accountable to Parliament.

The main function of the Cabinet is to implement the laws of Mongolia, in accordance with its duties to direct economic, social and cultural development of Mongolia. The Cabinet has the power to, amongst other things:

- organize and ensure nationwide implementation of the Constitution and other laws;

- create and execute comprehensive policies on economic and social development, the state budget, credit and fiscal plans and the development of science and technology;
- elaborate and implement comprehensive measures on sector, inter-sector and regional development; and
- provide efficient leadership of central state administrative bodies (i.e. the ministries) and direct the activities of local administrations.

On January 21, 2021, then-Prime Minister Khurelsukh submitted his resignation to Parliament. Following his resignation, on January 27, 2021, Parliament elected Oyun-Erdene Luvsannamsrai as the next Prime Minister, with 87.9% of members voting in favor. On January 29, 2021, Parliament approved the new cabinet proposed by the Prime Minister Oyun-Erdene, which included eight new appointments and eight ministers carrying over from the previous administration. In June 2025, the Oyun-Erdene Luvsannamsrai-led Government lost a parliamentary vote of confidence and the prime minister resigned.

On June 13, 2025, G. Zandanshatar was appointed as the 34th Prime Minister of Mongolia. On March 27, 2026, Parliament accepted Prime Minister G. Zandanshatar's request to be relieved of his duties.

On March 30, 2026, Parliament appointed Uchral Nyam-Osor, as the 35th Prime Minister of Mongolia. On April 3, 2026, Prime Minister Uchral presented the members of his Cabinet to Parliament. The new Cabinet comprises 19 members, of whom 16 are affiliated with the MPP, two are affiliated with the HUN Party and one is affiliated with the National Coalition.

Legislative Branch

The Parliament of Mongolia is referred to as the State Great Khural, which is the highest organ of state power. The most recent parliamentary election was held on June 28, 2024.

Following the 2023 amendments to the Constitution, Parliament consists of 126 members, elected through a mixed electoral system for four-year terms. 78 members of Parliament are elected by majority representation, while the remaining 48 members are elected by proportional representation. The most recent and the first parliamentary elections under the newly amended Parliamentary Election Law and the Constitution were held on June 28, 2024. The ruling Mongolian People's Party won 68 seats in the 126-seat parliament, with the Democratic Party winning 42 seats and other minor parties winning a total of 16 seats.

Parliament confirms the appointment of the Prime Minister. Parliament has the power to enact and amend laws, approve the annual budget, approve foreign and domestic policies, declare states of emergency and war, and ratify international treaties and agreements, among others. Subsequent to the parliamentary elections on June 28, 2024, the plenary session of the newly formed expanded State Great Khural re-appointed Oyun-Erdene Luvsannamsrai as the Prime Minister of Mongolia. In June 2025, the Oyun-Erdene Luvsannamsrai-led Government lost a parliamentary vote of confidence and the prime minister resigned. G. Zandanshatar was appointed as the 34th Prime Minister of Mongolia. On March 27, 2026, Parliament accepted Prime Minister G. Zandanshatar's request to be relieved of his duties. On March 30, 2026, Parliament appointed Uchral Nyam-Osor as the 35th Prime Minister of Mongolia.

Parliament elects a Chairman from its members. The Chairman serves as the speaker of Parliament, supervises the sessions of Parliament and is responsible for its voting procedures. The Chairman automatically becomes a member of the National Security Council. Subsequent to the elections on June 28, 2024, Amarbayasgalan Dashzegve was elected as the Chairman of Parliament. On November 20, 2025, Uchral Nyam-Osor was elected as the Chairman of Parliament. Following Uchral Nyam-Osor's appointment as Prime Minister, Byambatsogt Sandag was elected as Chairman of Parliament in April 2026.

Local legislatures are elected by the 21 aimags (provinces) and Ulaanbaatar, the capital city. See "— Administrative Structure." The recent regular local legislature elections took place on October 11, 2024. The MPP won a majority of the seats in the local legislatures of eight out of the nine districts in Ulaanbaatar and 14 out of the 21 aimags, while the Democratic Party won majorities in the remaining districts and seven aimags.

Judicial Branch

The judicial system consists of the Constitutional Court, the Supreme Court, appellate courts, and first instance courts. According to Article 48 of the Constitution, specialized courts such as criminal, civil, and administrative courts may be formed. On June 5, 2024, the Parliament amended the Law on the Establishment

of Courts to create family and child courts at both the first-instance and appellate levels. Under the Law on the Procedure for the Implementation of this Law, these courts are scheduled to commence operations on January 1, 2026. However, the Parliament has not yet adopted the procedural laws applicable to these courts.

The Supreme Court, Mongolia's highest judicial body, has the constitutional power to interpret all laws, except for the Constitution, and to review all lower instance court decisions on appeal. The Administrative Court is the only specialized court that reviews cases brought by individuals and legal entities against government authorities or officials to appeal any decisions made by such authorities or officials. The Constitutional Court reviews the implementation of the Constitution, determines the constitutionality of laws, regulations and decrees and governmental actions and resolves disputes concerning the Constitution. The Constitutional Court can invalidate laws, regulations, decrees, or other decisions or actions of the executive or legislative branch and international treaties entered into by Mongolia if they are deemed unconstitutional. Cases are brought to the Constitutional Court based on petitions received from Mongolian citizens, or at the request of Parliament, the President, the Prime Minister, the Supreme Court or the Prosecutor General.

The Judicial General Council deals primarily with the selection of judges, budget, financing, human resources of Mongolian courts, protection of judges' rights and other matters concerning the independence of the judiciary. The revised Law on Courts of Mongolia changed the organizational structure, composition, and procedures for appointing the members of the General Judicial Council. The General Judicial Council now consists of ten members, half of whom are judges elected by all judges' voting through secret ballot and half of whom are appointed by Parliament on the basis of an open selection process.

The 2019 amendments to the Constitution also provided for a Judicial Disciplinary Committee, which can suspend or dismiss judges from their position and impose other disciplinary sanctions. A decision of the Judicial Disciplinary Committee to dismiss a judge is final, subject to the power of the Supreme Court to review and revoke such a decision if there has been a breach of procedural regulations. The revised Law on Courts of Mongolia also specifies grounds for imposing disciplinary measures for judges.

Administrative Structure

Mongolia is divided administratively into 21 aimags (provinces) and the Capital City, Ulaanbaatar. Aimags are divided into a total of 330 soums (districts at the provincial level), which are further divided into baghs (villages, or sub-districts at the provincial level). The Capital City, Ulaanbaatar, is governed as an autonomous municipality, independent of the Tov aimag in which it is located. Ulaanbaatar is divided into nine duuregs (districts), which are subdivided into 204 khoroos (sub-districts). On June 5, 2024, Parliament enacted a resolution reclassifying existing districts and provincial cities into national-level, local-level, and sub-level cities, thereby converting certain current districts into cities and reclassifying parts of certain provinces as cities. This reclassification will take effect on January 1, 2027.

The policies of the Government are implemented through aimag governors, who are responsible for exercising administrative control at aimag level and formulating and implementing the region's own policies.

Political Parties and Previous Elections

After the democratic revolution, one of the first acts ratified by Parliament of 1990 was the Law on Political Parties, which authorized the formation of multiple political parties. Prior to 1990, the unlimited political power of the current MPP was guaranteed by the 1960 Constitution.

The following table sets forth the political parties in Parliament as of the date of this Offering Memorandum:

Political Parties	**Number of Seats**	**Percentage of Total**
MPP	68	54.0%
Democratic Party	42	33.3%
HUN Party	8	6.3%
National Coalition	4	3.2%
Civil Will-Green Party	4	3.2%
Total	**126**	**100.0%**

Following the June 28, 2024 parliamentary elections, the MPP, the Democratic Party, and the HUN Party formed a joint government with thirteen ministers from the MPP, eight ministers from the Democratic Party, and two ministers from the HUN Party. In June 2025, the Oyun-Erdene Luvsannamsrai-led Government lost a

parliamentary vote of confidence and the prime minister resigned. On June 13, 2025, G. Zandanshatar was appointed as the 34th Prime Minister of Mongolia. On March 27, 2026, Parliament accepted Prime Minister G. Zandanshatar's request to be relieved of his duties. On March 30, 2026, Parliament appointed Uchral Nyam-Osor as the 35th Prime Minister of Mongolia. The Cabinet formed by Prime Minister Uchral comprises 19 members, of whom 16 are affiliated with the MPP, two are affiliated with the HUN Party and one is affiliated with the National Coalition.

Legal System

The Mongolian legal system, established on the basis of the Constitution, is a civil law system primarily based on the Romano-Germanic tradition. The Civil Code itself is modeled on major continental European codifications, in particular the German Civil Code. Several multilateral and development agencies and academics from various countries were involved in the drafting of the Civil Code.

The main sources of law in Mongolia are: (i) the Constitution; (ii) laws (known as statutes in common law jurisdictions); (iii) international treaties to which Mongolia is a party; and (iv) other types of legislative acts within the framework of laws.

The Constitution is the supreme source of law in Mongolia.

The 2019 amendments to the Constitution included provisions related to the use of natural resources, the operation and mandate of Parliament, the formation and the dismissal of the Cabinet and the independence of the judiciary. One of the main changes is that the country's land, subsoil, wealth, forests, water resources and wildlife are specified to be state public property and the benefits of subsoil resources are to be pooled into a new sovereign wealth fund, to be distributed equally to the people of Mongolia. Parliament passed the Law on National Sovereign Wealth Fund on April 19, 2024, pursuant to which the Sovereign Wealth Fund was established.

The 2019 amendments to the Constitution also seek to ensure stability and responsibility of the Government by specifying that members of the Cabinet are to be appointed and dismissed by the Prime Minister rather than Parliament.

The 2022 amendments to the Constitution removed a part of Article 39.1 of the Constitution which permitted the Prime Minister and no more than four members of the Cabinet to concurrently hold positions as members of Parliament, following a ruling of the Constitutional Court on August 15, 2022, in which the court ruled that the 2019 amendments to the Constitution regarding the number of Parliament members who could serve on the Cabinet were unconstitutional.

The 2023 amendments to the Constitution revised Article 21.1 of the Constitution by stating that Parliament has one chamber and 126 members. Parliamentary election is conducted by a mixed electoral system. 78 members are elected by majority representation and 48 members are elected by proportional representation. The amendments came into effect on January 1, 2024, and were adopted in the 2024 parliamentary election.

All laws, decrees and other decisions of State bodies, as well as the activities of other organizations and citizens must fully conform to the Constitution. Under the Constitution, the international treaties to which Mongolia is a party become effective as domestic legislation upon Mongolia's ratification or accession. Mongolia must fulfill in good faith its obligations under international treaties to which it is a party, but it shall not abide by any international treaty or other instruments incompatible with the Constitution. According to the Ministry of Foreign Affairs, Mongolia is currently a party to over 300 international treaties and conventions.

In Mongolia, legislative acts include the following acts adopted at the central level: (i) parliamentary resolutions; (ii) presidential decrees; (iii) Government resolutions and ordinances; (iv) ministerial orders and instructions; and (v) orders and instructions of Government agencies. Legislative acts also include acts adopted at the local level, namely resolutions issued by the local parliaments and ordinances issued by the governors at various levels that include the capital city, aimags, soums and districts.

Within the restrictions provided by law, local self-governing bodies have the power to make independent decisions on matters related to the socio-economic aspects of their respective territories, as well as to organize the participation of their population in solving problems of national scale. Authorities of higher instance must not make decisions on matters under the jurisdiction of the local self-governing bodies. If any law or decision of

a superior state organ does not specifically deal with a definite local matter, the relevant local self-governing body may independently make decisions on such local matter which must always conform to the Constitution.

In light of the 2019 amendments to the Constitution and in an effort to ensure compliance of the laws with the Constitution, Parliament approved the revised Law on Administrative and Territorial Units and their Governance on December 24, 2020, the revised Law on Presidential Election and the Law on Implementing Procedures for Law on Presidential Election on December 24, 2020, and the Law on Courts of Mongolia and the Law on Implementing Procedures for Law on Courts of Mongolia on January 15, 2021.

Legal Reform

Since 1990, the Government has implemented economic reforms aimed at transforming Mongolia from a single-party planned economy into a multi-party free-market democracy. The Mongolian legal system, however, remains at a nascent stage of development, and the laws enacted by Parliament since Mongolia undertook its transition to a market economy are often vaguely or ambiguously drafted. While Mongolia is rapidly developing, its legislative environment requires reforms in order to ensure consistency of laws, eliminate overlapping regulations and to more effectively address legal issues arising from cross-border transactions.

Law on the Development Bank of Mongolia

For details of the Revised Law on the Development Bank of Mongolia and the 2026 Draft DBM Law, see "Regulatory Overview", "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting our Performance and Results of Operations—Regulatory Environment" and "Business—Development Bank of Mongolia at a Glance."

The Mongolian Economy

Overview

Mongolia operated as a Soviet-style, centrally planned economy until the establishment of a democratic government in 1990. Since 1990, Mongolia has transitioned into a market-oriented economy, with the private sector constituting approximately 76.2% of the nation's GDP in 2025, according to the National Statistical Office of Mongolia. Mongolia's economy had a real GDP contraction of 4.6% in 2020, and a continuous growth of 1.6% in 2021, 5.0% in 2022, 7.4% in 2023, 5.1% in 2024 and 6.8% in 2025. In the first three months of 2026, real GDP growth was 7.9%. Recent growth has been primarily driven by expanding coal and copper production, ongoing development of large mining projects, and, in some years, growth in the agriculture sector. Mongolia, however, faces certain challenges, including maintaining a low target inflation rate, a growing dependence on the production and export of commodities that have volatile prices, currency depreciation, limited foreign currency reserves, trade dependence on China, a growing need for foreign direct investment to develop infrastructure projects, and fuel and energy requirements and managing the after-effects of the COVID-19 pandemic.

In 2021, Mongolia's inflation rate increased to 13.8% mainly attributable to the supply-driven price increases induced by border restrictions, the spread of infectious livestock diseases and rising transportation costs. The inflation rate remained relatively high at 13.2% in 2022. In response to the rising inflation rate in 2021 and 2022, the Monetary Policy Committee of the Bank of Mongolia (MPC) steadily increased the policy rate in 2022, with the rate rising from 6.5% in January 2022 to 13.0% in December 2022. Mongolia's inflation decreased in 2023 to 7.9% but increased to 9.0% in 2024. In 2024, the Bank of Mongolia reduced the policy rate several times and it was 10.0% as of December 31, 2024. In March 2025, the Bank of Mongolia increased the policy rate to 12.0%, and it remained at 12.0% as of December 31, 2025. Mongolia's inflation decreased in 2025 to 7.5%. In May 2026, Mongolia's inflation increased to 11.2%.

Mongolia's economy is highly dependent on the production and export of commodities and on trade with China and Russia. Economic growth is strongly correlated to coal and copper export prices and, in particular, growth in China's economy. Mongolia is also dependent on Russia for a majority of its fuel needs which could lead to price pressure from Russia.

Recent Mongolian economic developments include:

- Parliament approved the "Five-Year Development Guidelines of Mongolia for 2026-2030" on November 28, 2025, focusing on economic diversification, industrialization, and improving the quality of life. The plan aims for 6% greater than economic growth, raising the Human Development Index to 0.85, and

increasing the middle class by 20%. The guidelines include 88 major projects totaling MNT70.1 trillion to strengthen infrastructure, digital transformation, and governance.

- Parliament approved Mongolia's Government Action Plan 2024-2028 in August 2024.

- Mongolia's economy has benefited from record-high coal exports, particularly due to strong demand from China in 2023 and 2024. The mining sector's expansion has been a significant contributor to the country's economic activity. In 2024, Mongolia exported 83.7 million tonnes of coal to China.

- In June 2024, the Government and IFC, a member of the World Bank Group, signed a landmark agreement to leverage private sector capital and expertise to develop wind power in the country. Under this agreement, IFC will serve as lead transaction advisor to the Ministry of Energy to prepare comprehensive due diligence and develop a public-private partnership for a wind power project with a capacity of approximately 100MW.

- In November 2024, the Capital City of Ulaanbaatar issued US$500 million 7.75% bonds due August 2027, which are guaranteed by the Government. The proceeds of this bond issuance will be used to fund the Selbe Sub-center Residential Development Project, which will include 12,000 housing units, three schools, three kindergartens, one 100-bed hospital, a cultural and community center, a sports complex, and infrastructure and utility networks. The project aims to reduce traffic congestion in Ulaanbaatar and facilitate the redevelopment of ger districts into residential housing, which is expected to reduce air pollution by decreasing residential use of coal.

- In January 2025, the Capital City of Ulaanbaatar successfully issued a two-tranche bond with a total amount of MNT298 billion through a private placement to IFC. This is the City's first OTC bond in the domestic market. The two tranches carry interest rates of 8.76% and 7.03%, respectively, and will be due in December 2029. The proceeds will be used to fund a new 50MW battery storage system in Ulaanbaatar's Baganuur District, enhancing Mongolia's power supply reliability and supporting renewable energy integration.

- The Government of Mongolia and Orano Group, a French mining company, signed an investment agreement to collaborate on a uranium project on January 17, 2025.

- The Government is effectively implementing a crude oil refinery project in Altanshiree soum of Dornogovi province. In January 2025 the Government successfully secured the remaining additional financing for completing the project. The refinery plant is expected to reduce Mongolia's dependence on fuel imports.

- In January 2025, Mongolia partnered with EBRD in an agreement to advance renewable energy development; the agreement includes plans to implement auction-based projects for solar, wind, and energy storage, aiming to construct up to 300MW of solar power plants and 200MW of wind power plants by 2028.

- In September 2025, the Goverment unveiled a newly identified mineral deposit known as "Oyut," which is within Orkhon aimag. Preliminary geological exploration shows that the deposit holds an estimated 357 million tons of ore reserves. This positions it as a potential asset comparable in scale to Erdenet, Orkhon, Mongolia's largest copper and molybdenum ore mining operation, and a longstanding contributor to national economic growth and budgetary support.

- In October 2023, during the third Belt and Road Forum, Mongolia and China signed a loan agreement to finance the Erdeneburen Hydropower Plant project; the agreement secures a loan of US$253 million from China, covering 95% of the project's total cost.

- The Oyu Tolgoi copper and gold mine commenced underground production on March 13, 2023.

- Mongolia's five domestic systemically important banks, namely State Bank, Golomt Bank, Khan Bank, Trade and Development Bank, and Xac Bank, all completed their listings on the Mongolian Stock Exchange, with the last of these completed on May 5, 2023.

- The construction of a 530 km oil pipeline to transport crude oil from oil fields in the Tamsag Basin in the easternmost region of Mongolia to an oil refinery, which will be Mongolia's first, to be constructed

approximately 200 kilometers north of Ulaanbaatar, started in April 28, 2023 and is scheduled to be completed in 2027.

- The construction of a 6.9 km railway connecting the Mongolian port Shivee Khuren with the Chinese border port Ceke started on May 27, 2023. The construction work had been fully completed by December 2024.

- A cathode copper processing plant is being implemented by Erdenet Mining Corporation SOE ("EMC"). EMC has started the feasibility study and detailed engineering design to increase the plant's capacity up to 10,000 metric tons per year using solvent extraction and electrowinning technology.

- In May 2025, the Thermal Power Plant-5 Project was approved for implementation through a public-private partnership. The plant will have a capacity to produce 300 MW of electricity. The estimated cost of this project is US$658 million, with 80% of the funding expected from the private sector and the remaining 20% provided by the government. Construction on the project is expected to commence in early 2026, with operations expected to commence in 2028.

- In September 2025, the heads of state of Mongolia, Russia, and China reached a landmark agreement on the construction of the "Power of Siberia 2" gas pipeline. In parallel with these meetings, Russia's Gazprom and China's National Petroleum Corporation signed a binding memorandum, agreeing to lay a natural gas pipeline through Mongolian territory, further cementing trilateral energy cooperation. During the bilateral meeting in Vladivostok, the legal framework of the "Power of Siberia 2" gas pipeline project was resolved. Discussions among the three countries are now focused on financing strategies and determining the ownership structure. A joint working group with representatives from the three countries is expected to be formed to oversee these negotiations. The "Power of Siberia 2" gas pipeline is a strategic priority for Mongolia. The project is expected to generate substantial revenue for the state budget, create thousands of jobs, and help reduce air pollution in Ulaanbaatar. Additionally, access to the ports of Russia's Far East remains vital for Mongolia to expand its trade and energy transit routes. The planned route of the "Power of Siberia 2" gas pipeline through Mongolian territory is also considered vital to Mongolia's energy future and broader economic development. This construction project is to be implemented under the supervision of the Deputy Prime Minister and the Erdenes Gas project implementation unit under Erdenes Mongol LLC.

Mining

On March 13, 2023, the Oyu Tolgoi copper mine announced that it had commenced underground production. Prime Minister Oyun-Erdene and Rio Tinto Chief Executive Jakob Stausholm celebrated the commencement at Oyu Tolgoi in the Gobi Desert. Oyu Tolgoi is expected to produce around 500,000 metric tons of copper per year on average from 2028 to 2036 from its combined open pit and underground operations, enough to produce around 6 million electric vehicles annually, and an average of around 290,000 metric tons of copper per year over the mine's reserve life of around 30 years. The copper content of the ore produced by Oyu Tolgoi is expected to increase, with the copper head grade produced at the mine expected to increase to 1.24% in 2028 from 0.42% in 2022.

The following table sets forth Mongolia's key macroeconomic data for the periods or as of the dates indicated below:

Macroeconomic Data	**As of and for the year ended December 31,**					**As of and for the three months ended March 31,**	
	2021	**2022**	**2023**	**2024**	**2025[5]**	**2025[5]**	**2026[5]**
Nominal GDP (MNT billions)	43,555.5	53,851.5	70,441.5	80,663.1	89,937.1	17,400.5	22,941.0
Nominal GDP (US$ millions)[1]	15,286.4	17,146.3	20,378.3	23,794.4	25,366.8	5,035.7	6,435.9
Real GDP (MNT billions)[2]	27,091.7	28,455.1	30,567.1	32,132.7	34,331.9	6,244.9	6,736.1
Real GDP (US$ millions[1])[2]	9,508.2	9,060.1	8,819.9	9,478.7	9,683.3	1,807.3	1,889.8
Real GDP growth	1.6	5.0	7.4	5.1	6.8	2.6	7.9
Nominal GDP per capita (MNT thousands)[3]	13,238.7	16,086.2	20,779.5	23,541.4	26,167.3	N/A	N/A

Nominal GDP per capita (US$[1])[3]	4,646.3	5,121.9	6,011.4	6,944.4	7,381.3	N/A	N/A
Year-on-year inflation	13.8	13.2	7.9	8.4	7.5	8.3	11.2
Exports (US$ millions)	9,241.1	12,538.6	15,186.9	15,783.4	15,761.2	5,398.3[6]	8,470.5[7]
Imports (US$ millions)	6,845.5	8,704.4	9,250.3	11,614.7	11,393.8	4,537.7[6]	4,905.2[7]
Balance of payments(US$ millions)	(221.6)	(727.3)	1,457.0	622.3	1,034.3	(602.1)	95.5
Unemployment rate (%)	8.3	6.4	5.3	5.9	5.5	5.4	5.7
Gross external debt (US$ millions)[4]	33,805.5	33,344.8	34,569.5	37,237.4	40,277.4	37,885.3	40,217.6
Gross foreign exchange reserves (US$ millions)	4,366.1	3,399.6	4,921.6	5,509.8	7,005.3	5,193.7[6]	7,733.1[7]
Gross foreign reserves import cover (in months)	7.7	4.4	5.9	5.5	7.6	10.5[6]	7.6[7]

Sources: Bank of Mongolia; World Bank; National Statistical Office of Mongolia.

(1) The following average exchange rates (representing the average of monthly exchange rates for any given year or period as published by the Bank of Mongolia) were applied: 2021 – MNT2,849.3 = US$1.00, 2022 – MNT3,140.7 = US$1.00, 2023 – MNT3,456.7 = US$1.00, 2024 – MNT3,390.0 = US$1.00, 2025 – MNT3,545.1 = US$1.00, March 31, 2025 = 3,455.43, and March 31, 2026 = 3,564.51.

(2) Real GDP calculated at 2015 constant prices.

(3) Nominal GDP per capita calculated at current prices.

(4) "Gross external debt" includes external debt of and external debt guaranteed by the Government and the Bank of Mongolia, external debt of commercial banks and other sectors and direct investment according to the Bank of Mongolia.

(5) Preliminary figures subject to further adjustments.

(6) Preliminary figures as of May 31, 2025 or for the first five months of 2025, as applicable.

(7) Preliminary figures as of May 31, 2026 or for the first five months of 2026, as applicable.

Economic Policy Objectives

The "New Revival Policy," which was approved by Parliament Resolution No. 106 of 2021, targets to strengthen the economic independence of Mongolia, reduce the adverse impact of the COVID-19 epidemic on its economy, resolve the factors limiting its development, and lay a solid foundation for the effective implementation of Vision-2050. Mongolia has commenced the relevant work, including the framework of implementation of the medium-term target program of up to ten years aimed at improving Mongolia's economy, infrastructure, and state productivity. Within the framework of the New Revival Policy, Mongolia identified, and aspires to eliminate, six recovery areas that limit Mongolia's development, including border ports, energy, industrial, urban and rural development, green development, and state productivity, thereby increasing its economic diversification.

In addition, the economic policies and current targets as outlined specifically in Mongolia's Government Action Plan 2024-2028, which was approved by Parliament on August 27, 2024. The 2024-2028 Action Plan covers a range of sectors essential to Mongolia's progress, including:

Regional Development: The Government aims to promote diversified economic growth across Mongolia's various regions. Tailored tax policies will address each region's strengths. For example, the western region will focus on renewable energy and industrial growth, while the Khangai region will leverage its traditional animal husbandry expertise and urban development opportunities.

Infrastructure Expansion: Building a stronger foundation for Mongolia's future starts with robust infrastructure. The Action Plan prioritizes energy independence and improved transportation networks. A new 90MW hydroelectric power plant in Erdeneburen is set to provide a reliable energy supply for the western region. In addition, a railway line connecting Ulaanbaatar to the Shivee Khuren border crossing will enhance trade routes and regional connectivity.

Industrial Self-sufficiency: Mongolia is ready to expand its industrial capabilities. The Government plans to launch a steel production complex to meet domestic demand for construction materials, like rebar, reducing reliance on imports and fostering economic self-sufficiency.

Human Development: Inclusivity and well-being are at the heart of Mongolia's progress. The Action Plan focuses on enhancing social services, expanding affordable housing, and improving access to quality healthcare and education. Specific programs will address the needs of families, children, the elderly, and people with disabilities — ensuring that all Mongolians benefit from national growth.

Economic Growth: Mongolia's economic vision aims for consistent growth, with a target of annual GDP increases of 6%. The Action Plan emphasizes keeping inflation below 5% and raising foreign currency reserves to US$10 billion. Fiscal discipline, coupled with controlled government spending, will ensure sustainable economic progress and the responsible management of national debts.

Digital Transformation and Innovation: Looking forward to the future, Mongolia's Action Plan highlights the power of technology. A national satellite will be launched to improve internet access across the country. The "Smart E-Mongolia" platform, driven by artificial intelligence, will streamline government services, boosting efficiency and making the state more accessible to its citizens.

In addition, the economic policies and current targets as outlined specifically in the Development Guidelines 2026–2030, which was approved by Parliament on November 28, 2025. The Development Guidelines 2026–2030 cover a range of sectors essential to Mongolia's progress, including:

Human Development: Measures are to be implemented to eliminate disparities in the quality and accessibility of education; to establish performance benchmarks for the health system and ensure that people-centered, inclusive, high-quality, and financially risk-free health services are provided equitably to all citizens. Life expectancy is to be increased by two years, human resources aligned with labor market demand, and the human development index score is to be raised to 0.85. The coherence of labor relations, wage systems, and social insurance is to be improved, and regular employment is to be expanded, with the objective of increasing the total population in the middle class by 20 percent.

Social Development and National Shared Values: Policies are to be implemented to enhance civic participation, public awareness, and shared responsibility; to ensure equal opportunities; to strengthen national cultural resilience based on respect for the mother tongue, history, and cultural heritage; and to promote unity and patriotism. The quality of life of the population is to be improved through the provision of a healthy and safe living environment, accessible housing, and quality social protection services. Measures are to be taken to support healthy and stable families, to guarantee human rights, to advance child development and protection to a higher level, and to increase the social well-being indicator by 20 percent. The middle class is to be supported, real household incomes are to be protected, and income-related risks are to be reduced through an optimized social protection system. Regular employment is to be promoted, and the poverty rate is to be reduced to 15 percent.

Economic and Infrastructure Development: The level of value-addition in the manufacturing sector is to be increased, and productivity and economic diversification is to be enhanced, with the objective of sustainably maintaining economic growth at a level exceeding 6 percent.

Environment and Green Economy: Measures are to be taken to maintain the balance of primary ecosystems, mitigate climate change, promote the restoration and sustainable use of natural resources, introduce environmentally friendly advanced technologies, reduce pollution and waste generated from production and consumption, improve environmental quality standards, and increase the environmental performance index score to 59.0.

State Productivity and Governance: Actions are to be undertaken to reduce corruption, strengthen public trust in the judiciary and the justice system, enhance transparency and accountability, strengthen national defense and resilience; implement the "digital-first" principle, ensure the delivery of citizen-centered public services, and achieve a ranking among the top 90 countries in governance indicators.

Regional Development: Regional and local development disparities are to be reduced, local economies are to be diversified, and population migration is to be balanced, with the objective of increasing the regional development indicator by 20 percent.

National Competitiveness: The business environment is to be improved, state participation in the market is to be reduced, fair competition is to be promoted, the rights and legitimate interests of businesses and investors are to be protected, tax and customs reforms are to be deepened, and Mongolia is to be ranked among the top 50 countries in international competitiveness indicators.

Science, Technology, and Artificial Intelligence: The contribution of science, technology, and innovation to national development is to be increased; cooperation among the public sector, private sector, and research institutions are to be expanded; conditions are to be created for the application of research outcomes, intellectual property, and new technologies in production and services; and the global knowledge index score is to be increased to 52.4.

GDP and Major Financial Indicators

Economic History

Mongolia suffered a "transformational recession" between 1990 and 1993 due to the restructuring and privatization of state enterprises, which resulted in massive layoffs where most workers lost pension and other retirement rights. Since 1993, however, the Mongolian economy has grown relatively steadily.

Until 2008, Mongolia was predominantly an agricultural-based economy, with heavy reliance on the growth of crops and animal husbandry, particularly yaks, cattle, horses, goats and sheep. Since then, Mongolia's main economic driver has shifted to the mining sector, as the country has significant deposits of coal, copper, gold, lead, zinc, iron ore, uranium and rare earth metals. Mongolia's mining sector represents the predominant source of foreign currency for the country, with mineral products representing approximately 84.1%, 86.6%, 87.2% and 84.6% of total exports in 2022, 2023, 2024 and 2025, respectively. Furthermore, the mining sector employed 5.0%, 5.8%, 5.6% and 5.8% of Mongolia's total labor force in these same representative periods.

The table below sets forth information regarding Mongolia's commodities exports for the periods indicated:

	For the year ended December 31,					For the five months ended May 31,	
	2021	2022	2023	2024	2025	2025	2026[1]
				(US$ thousands)			
Copper	2,899,857	2,734,846	2,625,686	3,319,119	5,832,457	1,852,772	3,806,811
Coal	2,774,073	6,503,248	8,898,452	8,697,916	5,768,799	2,283,319	3,261,619
Crude oil	273,353	241,806	364,742	322,111	251,852	109,999	108,739
Iron ore	952,200	391,047	444,744	597,565	637,885	221,148	247,601
Gold	1,004,520	1,127,419	738,016	899,386	1,240,969	330,614	405,928

Source: *National Statistical Office of Mongolia*.
(1) Provisional figures subject to further adjustments.

Gross Domestic Product

GDP measures the market value of all final goods and services produced within a country during a given period and is an indication of a country's productive output. Nominal GDP, or GDP at current market prices, values a country's output using the actual prices of each year. Real GDP, or GDP at constant market prices, values a country's output using the prices from a base year, thereby eliminating the distorting effects of inflation. Unless stated otherwise, all numbers in this document expressed as percentages of GDP refer to nominal GDP, and all growth rates are based on real GDP using 2015 as the base year.

In the three months ended March 31, 2026, Mongolia's GDP increased by 7.9%, as compared with growth of 2.6% in the corresponding period in 2025. GDP growth in this period was primarily due to growth in the mining and quarrying sector and growth in the services sector.

In 2025, Mongolia's GDP increased by 6.8%, as compared with growth of 5.1% in 2024. The increase was primarily due to growth in the agriculture sector and construction sub-sector.

In 2024, Mongolia's GDP increased by 5.1%, as compared with growth of 7.4% in 2023. The increase was primarily due to growth in other services within the services sector and growth in mining and quarrying.

In 2023, Mongolia's GDP increased by 7.4%, as compared with growth of 5.0% in 2022. The increase was primarily due to (i) expansion of mining and exports and (ii) growth of the transportation sector.

In 2022, Mongolia's GDP increased by 5.0% compared to growth of 1.6% in 2021. This increase was primarily due to the expansion of mining and exports, and the post-pandemic recovery in services.

The following table presents nominal GDP of Mongolia by sector for the periods indicated:

	For the year ended December 31,					For the three months ended March 31,	
	2021	2022	2023	2024	2025[1]	2025[1]	2026[1]
				(MNT billions)			
Total GDP	43,555	53,852	70,442	80,663	89,937	17,401	22,941
Sectors:							
Industry	16,148	19,016	27,849	30,766	33,032	7,135	11,205
Mining and quarrying	10,754	12,402	19,814	21,981	22,747	5,336	9,294
Manufacturing	3,096	3,833	4,436	4,495	5,284	1,113	1,146
Electricity, gas, steam and air conditioning supply, water supply	929	997	1,329	1,593	1,551	525	556
Construction	1,369	1,784	2,270	2,696	3,450	162	208
Agriculture	5,733	7,016	6,988	5,881	8,039	548	688
Agriculture, forestry and fishing.	5,733	7,016	6,988	5,881	8,039	548	688
Service	17,268	22,066	28,912	35,767	40,349	7,881	9,126
Wholesale and retail trade; repair of motor vehicles and motorcycles	4,070	5,678	7,316	8,793	8,969	1,413	1,499
Transportation and storage	1,597	2,511	3,920	4,440	4,276	828	1,057
Information and Communication.	915	1,065	1,355	1,645	1,826	361	419
Other service activities	10,685	12,813	16,321	20,889	25,277	5,278	6,151
Net taxes on products	4,406	5,753	6,692	8,250	8,517	1,836	1,923

Source: *National Statistical Office of Mongolia*.
(1) Provisional figures subject to further adjustments.

The following table presents the real GDP of Mongolia by sector at 2015 constant prices for the periods indicated:

	For the year ended December 31,					For the three months ended March 31,	
	2021	2022	2023	2024	2025[1]	2025[1]	2026[1]
				(MNT billions)			
Total GDP	27,092	28,455	30,567	32,133	34,332	6,245	6,736
Sectors:							
Industry	7,468	7,130	8,049	8,530	9,331	1,628	1,942
Mining and quarrying	3,698	3,133	3,867	4,283	4,737	922	1,231
Manufacturing	2,208	2,343	2,462	2,359	2,596	363	339
Electricity, gas, steam and air conditioning supply, water supply	737	761	799	838	781	279	301
Construction	825	893	921	1,050	1,218	64	70
Agriculture	3,796	4,252	3,873	2,761	3,679	235	262
Agriculture, forestry and fishing	3,796	4,252	3,873	2,761	3,679	235	262
Service	12,626	13,501	14,837	16,474	16,942	3,387	3,527
Wholesale and retail trade; repair of motor vehicles and motorcycles	2,958	3,256	3,477	3,890	3,712	656	650
Transportation and storage	1,172	1,280	1,787	2,081	2,180	288	356
Information and Communication	734	783	917	1,076	1,154	283	301
Other service activities	7,760	8,182	8,657	9,428	9,896	2,161	2,219
Net taxes on products	3,202	3,571	3,807	4,367	4,380	995	1,006

Source: *National Statistical Office of Mongolia*.
(1) Provisional figures subject to further adjustments.

The following table sets forth nominal GDP composition by sector (in percentages, including net taxes on products) for the periods indicated:

	For the year ended December 31,					For the three months ended March 31,	
	2021	2022	2023	2024	2025[1]	2025[1]	2026[1]
	(in percentages)						
Industry	37.1	35.3	39.5	38.1	36.7	41.0	48.8
Mining and quarrying	24.7	23.0	28.1	27.2	25.3	30.7	40.5
Manufacturing	7.1	7.1	6.3	5.6	5.9	6.4	5.0
Electricity, gas, steam and air conditioning supply, water supply	2.1	1.9	1.9	2.0	1.7	3.0	2.4
Construction	3.1	3.3	3.2	3.3	3.8	0.9	0.9
Agriculture	13.2	13.0	9.9	7.3	8.9	3.1	3.0
Agriculture, forestry and fishing	13.2	13.0	9.9	7.3	8.9	3.1	3.0
Service	39.6	41.0	41.0	44.3	44.9	45.3	39.8
Wholesale and retail trade; repair of motor vehicles and motorcycles	9.3	10.5	10.4	10.9	10.0	8.1	6.5
Transportation and storage	3.7	4.7	5.6	5.5	4.8	4.8	4.6
Information and communication	2.1	2.0	1.9	2.0	2.0	2.1	1.8
Other service activities	24.5	23.8	23.2	25.9	28.1	30.3	26.8
Net taxes on products	10.1	10.7	9.5	10.2	9.5	10.6	8.4
Total GDP	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: *National Statistical Office of Mongolia*.
(1) Provisional figures subject to further adjustments.

Inflation

The Bank of Mongolia adopted a monetary policy framework featuring an anchoring strategy that also employs inflation targets. Under this framework, an official policy rate was introduced and has been used since 2007.

Mongolia's economy is subject to supply and demand pressures. The Bank of Mongolia takes into account the underlying pressures when making decisions to stabilize inflation. In other words, there is a distinction between supply-side and one-time pressures. On the supply side, Mongolia is a landlocked country, experiences severe winter conditions and is geographically large, all of which result in high transport costs and the potential for supply bottlenecks. On the demand side, mineral exports are a key driver of the economy but are also subject to global commodity price volatility. Government spending, moreover, is largely relative to the non-mineral economy, equivalent to roughly two-thirds of non-mineral GDP, which makes changes in government spending a key source of demand volatility. Recent monetary policy decisions have been aimed at stabilizing inflation over the medium term.

Mongolia's inflation rate was 13.8% for 2021 and 13.2% for 2022. The inflation rate decreased to 7.9% in 2023, but increased to 8.4% in 2024. In 2025, the inflation rate decreased to 7.5%. In May 2026, the inflation rate increased to 11.2%. The higher levels of inflation in 2021 and 2022 were primarily attributable to external factors such as the increased prices of imported goods. The extent of such impact is expected to alleviate in the upcoming quarters, leading to lower inflation outlook. Year-on-year inflation is measured by the consumer price index ("CPI") and reflects the annual percentage change in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals, such as on a yearly basis.

The following table sets forth the levels of year-on-year inflation for the major categories of goods contained in the CPI basket for the periods indicated:

	For the year ended December 31,					For the five months ended May 31,	
	2021[1]	2022[1]	2023[1]	2024[2]	2025[2]	2025[2]	2026[2]
				(index)			
Food and non-alcoholic beverages	121.7	140.5	157.6	109.6	122.0	117.5	144.9
Alcoholic beverages and tobacco	105.9	114.5	121.0	104.7	111.9	107.1	144.9
Housing, water, electricity and fuels	106.9	123.4	128.7	123.5	129.1	126.5	128,6
Furnishing, household equipment and tools	110.3	126.4	134.5	108.3	115.9	111.3	120.1
Clothing, footwear and cloth	107.7	127.6	135.7	112.6	120.4	114.6	122.4
Transport	123.8	131.5	132.2	101.0	103.2	102.6	108.5
Education	104.2	111.2	129.8	129.5	146.0	129.5	146

Miscellaneous goods & services	112.2	136.1	159.6	115.9	128.6	121	132.9
Communication	101.2	103.5	103.4	101.4	102.9	101.5	103.1
Overall inflation	114.1	129.2	139.4	110.5	118.8	114.4	127.1

Source: *National Statistical Office of Mongolia*.

(1) All figures for the year 2021, 2022, and 2023 are calculated at 2020 constant prices.

(2) All figures for the year 2024 and 2025 onwards are calculated at 2023 constant prices.

According to the National Statistical Office of Mongolia, in May 2026, Mongolia's inflation rate was 11.2%, mainly attributable to (i) a 23.3% increase in the prices of food and non-alcoholic beverages group; (ii) a 16.9% increase in the prices of insurance and financial services group; (iii) a 12.7% increase in the prices of education group; and (iv) a 9.8% increase in the prices of miscellaneous goods and services group.

In 2025, Mongolia's inflation rate was 7.5%, mainly attributable to (i) a 12.7% increase in the prices of education group; (ii) an 11.0% increase in the prices of miscellaneous goods and services group; (iii) an 11.3% increase in the prices of food and non-alcoholic beverages group; (iv) a 6.9% increase in the prices of clothing, cloth and footwear group; (v) a 7.0% increase in the prices of furnishings, household equipment group; and (vi) a 6.9% increase in the prices of alcoholic beverages and tobacco group.

In 2024, Mongolia's inflation rate was 8.4%, mainly attributable to (i) a 8.9% increase in the prices of food and non-alcoholic beverages group, (ii) a 9.4% increase in prices of clothing, cloth and footwear group, (iii) a 23.0% increase in prices of housing, water, electricity, gas, and other fuels group, (iv) a 7.4% increase in the prices of furnishings, household equipment group, (v) a 11.1% increase in prices of restaurants and hotels group, and (vi) a 18.6% increase in the prices of the education group.

In 2023, Mongolia's inflation rate was 7.9%, mainly attributable to (i) a 12.2% increase in the prices of food and non-alcoholic beverages group, (ii) a 6.3% increase in prices of clothing, cloth and footwear group, (iii) a 6.4% increase in the prices of furnishings, household equipment group, (iv) a 7.5% increase in prices of medicine and medical service group, (v) a 16.0% increase in prices of restaurants and hotels group, and (vi) a 16.8% increase in the prices of the education group.

In 2022, Mongolia's inflation rate was 13.2%, which was substantially above the Bank of Mongolia's inflation target of 6% +/-2%, mainly attributable to increased global inflation, food, and fuel prices.

In 2021, Mongolia's inflation rate was 13.8%, which was substantially above the Bank of Mongolia's inflation target, mainly attributable to the supply-driven price increases induced by border restrictions, the spread of infectious livestock diseases and rising transportation costs.

The Monetary Policy Committee cut the policy rate by five percentage points from 11.0% at the beginning of 2020 to 6.0% in December 2020. The impact of COVID-19 changed the external and domestic economic conditions within a short timeframe, aggravated uncertainties, and triggered a contraction in business activities. In light of these conditions, the Monetary Policy Committee's decisions were aimed at ensuring economic and financial stability while keeping inflation around the target rate. Therefore, necessary monetary measures were implemented to lessen the adverse economic consequences of the COVID-19 pandemic and to support economic activity. However, in response to the rising inflation rate since 2021, the Monetary Policy Committee had steadily increased the policy rate in 2022, by 0.5 percentage points, 2.5 percentage points, 1.0 percentage points, 2.0 percentage and 1.0 percentage in January, March, June, September and December, respectively, with the rate reaching 13.0% in December 2022. The policy rate remained stable at 13.0% until the end of 2023. Mongolia's inflation rate decreased to 7.9% in 2023, but increased to 8.4% in 2024. The Bank of Mongolia reduced the policy rate by 1.0 percentage points in each of its meetings in March, May and September 2024, respectively, resulting in a rate at 10.0% in December 2024. The policy rate remained at 10.0% as of January 31, 2025. The Bank of Mongolia increased the policy rate by 2 percentage points to 12.0% in March 2025. The policy rate remained stable at 12.0% until the end of 2025. Mongolia's inflation rate decreased to 7.5% in 2025. In May 2026, Mongolia's inflation rate increased to 11.2%. The Monetary Policy Committee's policy actions have been targeted to return inflation to stabilizing around the target level in the medium term.

Foreign Trade

Mongolia's major trading partners have been China, Russia, Japan, the Republic of Korea and the EU. Mongolia and Japan signed the Economic Partnership Agreement in 2015 which has been implemented since 2017. Currently, Mongolia is negotiating free trade agreements with China and the Republic of Korea,

Economic Partnership Agreement with the Republic of Korea, and Geographical Indications agreement with EU. In November 2022, Mongolia renewed the Medium-term program of the Mongolia-Japan Strategic Partnership and established a 10-year Action Program of the "Special Strategic Partnership for Peace and Prosperity" between Mongolia and Japan with aims to deepen cooperation in politics, trade, investment, human-centered development, and mutual exchange of citizens. The EU is Mongolia's third-largest trading partner as measured by trade volume and value. Mongolian exporters benefit from near tariff-free entries in the EU, Canadian and Japanese markets through the generalized system of preferences programs, which provide developing countries with preferential access to the respective markets through reduced tariffs.

In the first five months of 2026, foreign trade resulted in a total external trade turnover of US$13,375.7 million, of which exports represented US$8,470.5 million and imports represented US$4,905.2 million. Total trade turnover increased by US$3,439.6 million (34.6%) compared to the same period of previous year, of which exports increased by US$3,072.1 million (56.9%) and imports increased by US$367.5 million (8.1%). The increase in exports was mainly due to a US$2.0 billion (105.5%) increase in exports of copper. The increase in imports was mainly due to a US$337.5 million (40.3%) increase in imports of oil products.

In 2025, foreign trade resulted in a total external trade turnover of US$27,155.0 million, of which exports represented US$15,761.2 million and imports represented US$11,393.8 million. Total trade turnover decreased by US$243.1 million (0.9%) compared to the previous year, of which exports decreased by US$22.2 million (0.1%) and imports decreased by US$220.8 million (1.9%). The decrease in exports was mainly due to a US$2.9 billion (33.7%) decrease in exports of coal. The decrease in imports was mainly due to a US$216.1 million (29.9%) decrease in imports of trucks.

In 2024, foreign trade resulted in a total external trade turnover of US$27,398.0 million, of which exports represented US$15,783.4 million and imports represented US$11,614.7 million. Total trade turnover increased by US$2,958.7 million (12.1%) compared to the previous year, of which exports increased by US$596.5 million (3.9%) and imports increased by US$2,362.3 million (25.5%). The increase in exports was mainly due to a US$623.4 million (4.7%) increase in export of mineral products. The increase in imports was mainly due to a US$761.5 million (43.3%) increase in imports of machinery, equipment, electric appliances, recorders, TV sets and spare parts and a US$750.8 million (44.7%) increase in imports of auto, air and water transport vehicles and the spare parts.

In 2023, foreign trade resulted in a total external trade turnover of US$24,437.1 million, of which exports represented US$15,186.9 million and imports represented US$9,250.3 million. Total trade turnover increased by US$3,194.1 million (15.0%) compared to the previous year, of which exports increased by US$2,648.3 million (21.1%) and imports increased by US$545.8 million (6.3%). The increase in exports was mainly due to a 24.7% increase in export of mineral products. The increase in imports was mainly due to a 39.2% increase in imports of machinery, equipment, electric appliances, recorders, TV sets and spare parts.

In 2022, foreign trade resulted in a total external trade turnover of US$21,243.0 million, of which exports represented US$12,538.6 million and imports represented US$8,704.4 million. Total trade turnover increased by US$5,156.4 million (32.1%) compared to the previous year, of which exports increased by US$3,297.5 million (35.7%) and imports increased by US$1,858.9 million (27.2%). The increase in exports was mainly due to a 40.4% increase in export of mineral products. The increase in imports was mainly due to a 46.4% increase in imports of mineral products and a 38.1% increase in imports of auto, air and water transport vehicles and their spare parts.

Inadequate road and railway infrastructure is one of the main challenges that Mongolia faces in foreign trade. The Government intends to construct additional road and rail links connecting major mining sites and industrial areas to Russian and Chinese ports and borders and repair existing facilities.

The Government plans to implement a development plan to enhance its import and export procedures by improving some of its ports of entry to meet international standards and adding equipment to support its abilities to inspect goods to ensure proper taxation of mineral exports. Pursuant to these plans, the Government intends to (i) deploy high capacity x-ray inspection equipment, which can used to accurately determine the content, quality, and quantity of mineral and petroleum products, (ii) build specialized mineral laboratories at points of entry, (iii) establish an operational control and management center under the Customs General Administration, which will use an integrated remote surveillance system to monitor entry points, (iv) introduce "smart gate" monitoring systems to wirelessly record vehicle entries, and (v) upgrade major ports of entry to meet the international standards. For example, Zamiin Uud is expected to increase its area by eight times, increasing capacities for passengers by four times, trucks by three times and other vehicles by seven times. Gashuun

Sukhait's total area and export capacity is expected to increase by four times and its cargo, passenger, and vehicle capacities will each increase by three times. Altanbulag is expected to double its total area and increase its passenger and vehicle capacities by three and four times, respectively.

As part of its effort to develop the agricultural sector under the New Revival Policy, Vision-2050 and Government Action Plan 2020-2024, the Government has been working to expand Mongolia's food processing industry. The Government has introduced a one-stop electronic system to improve the coordination between government and non-government organizations and reduce the time required to issue export permits. In addition, to further increase the export of meat and meat products in Central Asia and the Middle East, the Government has adopted a halal standard for animal slaughtering and established a quarantined healthy zone with a veterinary medial regime in accordance with international standards. As a result, approximately 57.5 thousand metric tons of meat and meat products were exported in 2025.

The following table sets forth total exports from Mongolia by country of destination for the periods indicated:

	For the year ended December 31,					
	2020	**2021**	**2022**	**2023**	**2024**	**2025**
			(US$ millions)			
China	5,493.6	7,638.6	11,061.6	13,940.2	14,420.7	14,095.3
Switzerland	1,681.6	869.7	1,030.7	666.3	745.0	1,089.2
USA	10.8	31.0	9.9	36.6	166.4	126.8
Iran	1.9	1.7	8.0	34.9	66.3	61.9
Russia	57.3	112.8	93.4	112.7	100.7	60.7
Other	33.1	587.3	335.0	396.2	284.3	327.3
Total	**7,576.3**	**9,241.1**	**12,538.6**	**15,186.9**	**15,783.4**	**15,761.2**

Source: National Statistical Office of Mongolia.

	For the five months ended May 31,	
	2025	**2026[1]**
	(US$ millions)	
China	4,956,4	7,927.1
Switzerland	287.2	331.1
USA	47.8	80.3
Republic of Korea	14.3	41.8
Russia	25.9	19.3
Other	66.7	70.9
Total	**5,398.3**	**8,470.5**

Source: National Statistical Office of Mongolia.
(1) Provisional figures subject to adjustment.

In 2022, 2023, 2024 and 2025, and the first five months of 2026, the principal country of destination for exports was China, representing 88.2%, 91.8%, 91.4%, 89.4% and 93.6% of Mongolia's total exports, respectively.

The following table sets forth total imports of Mongolia by country of origination for the periods indicated:

	For the year ended December 31,					
	2020	**2021**	**2022**	**2023**	**2024**	**2025**
			(US$ millions)			
China	1,910.2	2,520.0	3,072.2	3,773.3	4,672.5	4,655.6
Russia	1,400.0	1,955.2	2,611.5	2,386.3	2,824.8	2,785.5
Japan	406.7	453.2	674.3	716.3	1,175.0	1,094.8
United States	245.4	213.4	266.1	280.8	535.2	417.7
Republic of Korea	235.8	308.7	424.6	415.2	482.3	468.3
Germany	184.8	223.3	182.8	211.4	255.1	273.4
Others	916.1	1,171.7	1,473.0	1,467.0	1,669.8	1,679.1
Total	**5,298.9**	**6,845.5**	**8,704.4**	**9,250.3**	**11,614.7**	**11,393.8**

Source: National Statistical Office of Mongolia.

	For the five months ended May 31,	
	2025	2026[1]
	(US$ millions)	
China	1,669.7	1,901.2
Russia	1,101.6	1,456.0
Japan	597.8	424.4
Republic of Korea	195.6	182.1
United States	188.8	162.4
Germany	124.3	104.9
Other	659.9	674.3
Total	**4,537.7**	**4,905.2**

Source: National Statistical Office of Mongolia.
(1) Provisional figures subject to adjustment.

In 2024 and 2025, and the first five months of 2026, the principal origin for imports was China, representing 40.2%, 40.9% and 38.8% of Mongolia's total imports. In 2022 and 2023, the two principal origins for imports were (i) China, which accounted for 35.3% and 40.8% of Mongolia's total imports, and (ii) Russia, which accounted for 30.0% and 25.8% of Mongolia's total imports, respectively. The major contributors to imports were mineral products, TV sets and spare parts, and vehicles and their spare parts.

Trade Balance

Trade balance figures measure the difference between a country's exports and imports. If exports exceed imports the country has a trade balance surplus and if imports exceed exports the country has a trade balance deficit.

In the first five months of 2026, Mongolia's trade balance surplus was US$3,565.2 million, compared with a surplus of US$860.6 million in the same period of previous year. In the first five months of 2026, exports increased by 56.9% compared to the same period of previous year, primarily due to the 105.5% increase in exports of copper. In the first five months of 2026, imports increased by 8.1% compared to the same period of previous year, primarily due to the 41.3% increase in imports of oil products.

In 2025, Mongolia's trade balance surplus was US$4,367.3 million, compared with a surplus of US$4,168.7 million in the prior year. In 2025, exports decreased by 0.1% compared to the previous year. Although copper ores and concentrates exports increased by US$2.5 billion, coal exports decreased by US$2.9 billion compared to the prior year. Imports decreased by 1.9%, driven primarily by a US$216.1 decrease in purchases of trucks.

In 2024, Mongolia's trade balance surplus was US$4,168.7 million, compared with a surplus of US$5,936.6 million in the prior year. In 2024, exports increased by 3.8% compared to the previous year. Although coal exports reached 83.7 million tons, reflecting a 20% increase over the prior year, the price of coal declined by US$25.4 per tonne, leading to a 2.8% decrease in export value. In contrast, imports rose by 25.5%, driven primarily by a 44.7% increase in purchases of transport vehicles and their spare parts, as well as a 43.3% increase in machinery, equipment, and electric appliances.

Mongolia's trade balance surplus for 2023 was US$5,936.6 million, representing a 54.8% increase over the US$3,834.2 million, recorded in 2022. The higher trade balance surplus in 2023 was primarily due to a 36.8% increase in coal exports.

Mongolia's trade balance surplus for 2022 was US$3,834.2 million, representing a 60.0% increase over the US$2,395.7 million, recorded in 2021. The higher trade balance surplus in 2022 was primarily due to a 40.4% increase in exports of mineral products.

The following table summarizes Mongolia's trade balance for the periods indicated:

	Exports	Imports	Balance of Trade	Exports as Percentage of Imports
		(US$ millions)		
2020	7,576.3	5,298.9	2,277.4	143.0
2021	9,241.1	6,845.5	2,395.7	135.0
2022	12,538.6	8,704.4	3,834.2	144.0
2023	15,186.9	9,250.3	5,936.6	164.2
2024	15,783.4	11,614.7	4,168.7	135.9

2025	15,761.2	11,393.8	4,367.3	138.3
2026[1]	8,470.5	4,905.2	3,565.2	172.7

Source: National Statistical Office of Mongolia.
(1) Provisional figures for the first five months of 2026 subject to adjustments.

Commodities Exports

The following table sets forth information regarding the commodities exports of Mongolia for the periods indicated:

	For the year ended December 31,					For the five months ended May 31,	
	2021	2022	2023	2024	2025	2025	2026[1]
				(US$ thousands)			
Copper	2,899,857	2,734,846	2,625,686	3,319,119	5,832,457	1,852,772	3,806,811
Coal	2,774,073	6,503,248	8,898,452	8,697,916	5,768,799	2,283,319	3,261,619
Crude oil	273,353	241,806	364,742	322,111	251,852	109,999	108,739
Iron ore	952,200	391,047	444,744	597,565	637,885	221,148	247,601
Gold	1,004,520	1,127,419	738,016	899,386	1,240,969	330,614	405,926

Source: National Statistical Office of Mongolia.
(1) Provisional figures subject to adjustments.

Balance of Payments

Overview

Mongolia's balance of payments measures the level of Mongolia's current, capital and financial accounts. The current account measures the levels of imports and exports of goods and services and net transfers, while the capital account and financial account measure the levels of investments and debts. A balance of payments surplus indicates a net inflow of foreign currencies, while a balance of payments deficit indicates a net outflow of foreign currencies. The balance of payments is dependent on international economic developments, as well as domestic economic policies. The Bank of Mongolia uses various monetary instruments to implement several programs to stabilize the economy and maintain inflation targets.

The following table sets forth the components of the overall balance of payments for the periods indicated:

	For the year ended December 31,					For the three months ended March 31,	
	2021	2022	2023	2024	2025	2025	2026[1]
				(US$ millions)			
Current account:							
Goods and services balance	(306)	(1,123)	1,956	(236)	1,123	(565)	1,406
Goods balance	1,370	1,233	4,549	3,081	4,012	259	2,506
Exports (FOB)	8,136	9,854	13,914	14,750	15,346	2,842	4,938
Imports (FOB)	6,766	8,622	9,366	11,668	11,333	2,582	2,432
Services balance	(1,675)	(2,355)	(2,592)	(3,317)	(2,890)	(825)	(1,100)
Net income balance	(2,232)	(1,615)	(2,233)	(2,671)	(3,555)	(521)	(1,363)
Net current transfers	429	434	398	421	312	122	139
Total current account	(2,108)	(2,304)	121	(2,485)	(2,120)	(964)	182
Capital and financial account:							
Capital account	114	154	135	171	121	20	27
Financial account	(1,982)	(1,644)	(1,477)	(3,330)	(3,271)	(343)	(168)
Net direct investment	(2,060)	(2,428)	(2,172)	(2,727)	(2,740)	(403)	(1,252)
Direct investment abroad	113	76	76	55	6	15	25
Direct investment in Mongolia	2,173	2,504	2,248	2,782	2,745	418	1,277
Portfolio investment	25	445	818	(1,105)	(824)	(126)	(29)
Other investment	60	351	(121)	515	285	178	1,101
Total capital and financial account	2,096	1,798	1,611	3,501	3,392	363	195
Net errors and omissions							
Total net errors and omissions	(209)	(222)	(276)	(393)	(238)	(1)	(281)
Overall balance of payments	**(222)**	**(727)**	**1,457**	**622**	**1,034**	(602)	96
Reserves and related items	**(222)**	**(727)**	**1,457**	**622**	**1,034**	(602)	96

Source: *Bank of Mongolia.*
(1) Preliminary figures subject to further adjustments.

In the first three months of 2026, the current account reflected a surplus of US$181.9 million and the capital and financial account reflected a surplus of US$194.7 million, resulting in a surplus in the overall balance of payments of US$95.5 million. The surplus in the capital and financial account in the first three months of 2026 decreased to US$194.7 million compared to US$363.3 million in the same period of 2025, primarily due to increased outflows in direct investment, partially offset by increased inflows in other investment.

For 2025, the current account reflected a deficit of US$2,120.0 million and the capital and financial account reflected a surplus of US$3,392.4 million, resulting in a surplus in the overall balance of payments of US$1,034.3 million. The current account deficit decreased by 14.7% in 2025 compared to 2024, primarily due to the service balance recording a lower deficit, which decreased by US$427.5 million, and a higher surplus goods balance as a result of lower imports. The surplus in the capital and financial account for 2025 decreased to US$3,392.4 million compared to US$3,500.9 million for 2024, primarily due to decreased inflows in the intercompany direct investment and long-term debt securities, partially offset by the increased outflows in other investment accounts.

For 2024, the current account reflected a deficit of US$2,485.4 million and the capital and financial account reflected a surplus of US$3,500.9 million, resulting in a surplus in the overall balance of payments of US$622.3 million. The current account reflected a deficit of US$2,485.4 million for 2024 compared to a surplus of US$121.3 million for 2023, primarily due to the net income balance recording a higher deficit as a result of the accrued interest payable to the Oyu Tolgoi's investors loans, which increased by US$438.0 million, and a lower surplus goods balance as a result of higher imports. The surplus in the capital and financial account increased to US$3,500.9 million for 2024 compared to US$1,611.5 million for 2023, primarily due to DBM's issuance of US$200 million in external bonds, Mongolian Mortgage Corporation HFC LLC's issuance of US$225 million in external bonds, Golomt Bank's issuance of US$400 million in senior unsecured notes, Trade and Development Bank's bond issuance of US$250 million, and Ulaanbaatar City's bond issuance of US$500 million. In addition, Oyu Tolgoi's accrued interest, which is recorded as outflows in the primary income account, is reflected as inflows in the financial account.

For 2023, the current account reflected a surplus of US$121.3 million and the capital and financial account reflected a surplus of US$1,611.5 million, resulting in a surplus in the overall balance of payments of US$1,457.0 million. The current account reflected a surplus of US$121.3 million for 2023 compared to a deficit of US$2,303.5 million for 2022, primarily due to an increase in coal export volume as a result of China's removal of pandemic border controls and the easing of transportation bottlenecks since the second half of 2022. The surplus in the capital and financial account decreased by 10.4% from 2022 to 2023, primarily due to the bond repayments by DBM and private sector.

For 2022, the current account reflected a deficit of US$2,303.5 million and the capital and financial account reflected a surplus of US$1,798.3 million, resulting in a deficit in the overall balance of payments of US$727.2 million. The current account deficit increased by 9.3% in 2022 compared to 2021, primarily due to a decrease in the goods balance. The surplus in the capital and financial account decreased by 14.2% for 2022 compared to 2021, primarily due to increased outflow in the portfolio investment and other investment accounts, offset in part by inflows in direct investment in Mongolia.

Foreign Investment

Parliament enacted the Investment Law on October 3, 2013 with effect from November 1, 2013. The Investment Law removed most of the requirements for prior Government or Parliamentary approval of any private investments in certain designated strategic sectors of Mongolia (including the banking and finance, media and communications and minerals sectors) that were previously required under SEFIL. This law sets out the rights and responsibilities of investors, establishes authority to issue tax stabilization certificates, and also establishes the powers and functions of a government entity responsible for promoting and regulating investment. However, investors with foreign (direct or indirect) state ownership of 50.0% or more are still required to obtain approval from the Ministry of Economy and Development when acquiring an interest of 33.0% or more in a company operating in one of the strategic sectors identified in the Investment Law. The Investment Law also replaces the Foreign Investment Law of Mongolia (1993) and the SEFIL.

The following table sets forth inflows of direct investment in Mongolia by industry for the periods indicated:

	For the year ended December 31,					For the three months ended March 31,	
	2021	2022	2023	2024	2025	2025	2026[1]
				(US$ millions)			
Construction	38.7	63.5	19.2	15.2	20.6	2.7	3.5
Information and communication	7.3	15.6	28.3	36.9	33.0	8.2	9.9
Financial and insurance activities	91.9	116.1	133.5	122.3	217.5	26.4	21.6
Mining and quarrying	2,076.5	2,819.0	2,759.4	3,382.0	3,087.9	483.8	1,213.0
Others	499.0	403.6	592.9	623.8	623.5	132.2	128.0
Total	**2,713.6**	**3,417.8**	**3,533.3**	**4,180.2**	**3,991.4**	**653.3**	**1,375.9**

Source: Bank of Mongolia.
(1) Provisional figures subject to adjustments.

Inflows of direct investment increased to US$1,375.9 million for the three months ended March 31, 2026 compared to US$653.3 million for the corresponding period of the previous year, primarily due to an increase in the inflows of direct investment in the mining and quarrying sector.

Inflows of direct investment decreased to US$3,991.4 million for 2025 compared to US$4,180.2 million for the corresponding period of the previous year, primarily due to a decrease in the inflows of direct investment in the mining and quarrying sector.

Inflows of direct investment increased to US$4,180.2 million for 2024 compared to US$3,533.3 million for 2023, primarily attributable to an increase in the inflows of direct investment in the mining and quarrying sector.

Inflows of direct investment increased to US$3,533.3 million for 2023 compared to US$3,417.8 million for 2022, primarily attributable to investment from foreign Oyu Tolgoi's shareholders.

Inflows of direct investment increased to US$3,417.8 million for 2022 compared to US$2,713.6 million for 2021, primarily due to an increase in the inflows of direct investment in the mining and quarrying sector.

Reserves

The following table sets forth the level of the official international reserves position as of the dates indicated:

	As of December 31,						As of May 31,
	2020	2021	2022	2023	2024	2025	2026
				(US$ millions)			
Gross foreign exchange reserves	4534.2	4,366.1	3,399.6	4,921.5	5,509.8	7,005.3	7,733.1

Source: Bank of Mongolia.

The accumulation of foreign exchange reserves by the Bank of Mongolia is conducted through (i) surpluses in the balance of payments from export revenue and net inflow of foreign direct investment, (ii) monetizing gold purchased from local producers, (iii) receiving foreign loans and grants, and (iv) income from foreign exchange reserves management operations.

As of December 31, 2022, foreign exchange reserves decreased to US$3,399.6 million, reflecting a 22.1% decrease from December 31, 2021, mainly attributable to (i) higher imports due to the economic recovery after the COVID-19 pandemic; (ii) the significant increase in the payment of transportation services due to supply chain issues; and (iii) a decrease in net borrowing in the capital and financial accounts.

As of December 31, 2023, foreign exchange reserves rose to US$4,921.5 million, reflecting a 44.8% increase from December 31, 2022, mainly attributable to the surplus in the current account, driven by an increase in coal export volume following the removal of China's pandemic border controls.

As of December 31, 2024, foreign exchange reserves slightly increased to US$5,509.8 million, reflecting a 12.0% increase from December 31, 2023, mainly due to the effective macroeconomic policies, which boosted investors' confidence in Mongolia, increased foreign financing and export earnings.

As of December 31, 2025, foreign exchange reserves increased to US$7,005.3 million, reflecting a 27.1% increase from December 31, 2024. This growth was primarily driven by (i) gold monetization, which contributed US$1.3 billion, (ii) a positive net inflow from commercial banks, supported by the issuance of USD bonds in the international market and (iii) interest income generated from reserve management operations.

As of May 31, 2026, foreign exchange reserves increased to US$7,733.1 million, reflecting a 10.4% increase from December 31, 2025, mainly attributable to higher exports.

The Bank of Mongolia aims to keep the exchange rate flexible, as a shock-absorber for the commodity-dependent economy, and continue to maintain foreign exchange reserves which are sufficient to cover the import need for at least three months.

Exchange Rate Policy

Mongolia's foreign exchange market is regulated under the Currency Settlement Law of 1994. There are no restrictions on the transfers of foreign currencies such as outflows and inflows transaction abroad, and there are no foreign exchange controls. In light of the economic disruptions resulting from the COVID-19 pandemic, certain laws and policies were implemented in 2020 to decrease "dollarization" of the economy. Pursuant to those laws and policies, transactions must be done in domestic currency between residents' accounts within the territory of Mongolia. These restrictions, which expired on December 31, 2022, did not, however, apply to foreign transfers.

Parliament adopted the Law of Mongolia on Settlement of Payments in National Currency (the "National Currency Law") on July 9, 2009. This law aims to prohibit transactions settled in foreign currency, ensuring the stability of the national currency. These measures have reportedly been implemented to avoid any "dollarization" of the national economy after the global financial crisis during 2007 and 2008. The Settlement of Payments in National Currency Law prohibits the settlement of payment for goods and services in foreign currency within the territory of Mongolia as well as setting prices of goods and services and making advertisements in foreign currency unless granted permission by the Bank of Mongolia. Banking and financial institutions are exempted from these requirements.

The level of dollarization of loans in Mongolia's banking sector has been decreasing in recent years, while the dollarization of current accounts and deposits has remained a relatively high level due to the Tugrik's depreciation against the U.S. dollar. As of December 31, 2025, 5.9% of total loans were in foreign currency, whereas 21.3% of total deposits were in foreign currency, indicating a trend where depositors prefer to borrow in domestic currency and deposit in foreign currency.

Mongolia has a floating exchange rate regime, which allows currency fluctuations that are consistent with the prevailing macroeconomic environment. Foreign investors can freely repatriate dividends and principal without requiring governmental approvals. The Tugrik can be converted into foreign currencies through any commercial bank or licensed currency exchange entities.

The Bank of Mongolia does not set a specific exchange rate through policies or regimes. Rather, it intervenes only to mitigate volatility caused by sudden short-term mismatch of supply and demand. The Bank of Mongolia anticipates no change in this policy, intends to uphold the floating exchange rate regime and allows the exchange rate to be determined by the free market.

MANAGEMENT

Board of Directors

Our overall management and direction is provided by our Board of Directors (the "**Board**"). In accordance with the Revised Law on Development Bank of Mongolia, the Board is composed of five regular members, four independent members and a chairman (the "**Chairman**") chosen from among the members. Members of the Board (each, a "**Director**") are appointed by the Government. As of the date of this Offering Memorandum, our Directors were as follows:

Name	Year of Birth	Title
Batkhuu Idesh	1981	Chairman, Director
Mungunsukh Batchuluun	1984	Director
Choijil Bataa	1983	Director
Otgontsetseg Badarch	1974	Director
Enkhbat Batsaikhan	1986	Independent Director
Enkhtuya Bayar	1965	Independent Director
Lakshmi Boojoo	1971	Independent Director
Tuya Namsan	1968	Independent Director

The biographies of our Directors are as follows:

Mr. Batkhuu Idesh

Mr. Batkhuu Idesh joined us and was appointed as Chairman of our Board of Directors on January 22, 2026. He has also been serving as State Secretary of the Ministry of Economy and Development of Mongolia since 2023. Prior to joining us, Mr. Batkhuu served as the director of strategic planning and internal audit department at Bridge Group Companies from 2013 to 2016, the head of projects and cooperation unit at the Capital City Governor's Office from 2016 to 2018, the director general of the Development Financing Department at the Ministry of Finance of Mongolia from 2018 to 2022, and the director general of the Trade and Economic Cooperation Policy Department at the Ministry of Economy and Development of Mongolia from 2022 to 2023.

Mr. Batkhuu graduated with a bachelor's degree in economics from Inha University and a master's degree in economics from Seoul National University.

Mr. Mungunsukh Batchuluun

Mr. Mungunsukh Batchuluun joined us and was appointed as our Director on October 16, 2025. Mr. Mungunsukh serves as head of the Integrated Development Policy and Planning Department of the Ministry of Economy and Development of Mongolia. Prior to joining us, he served as a lecturer at the School of International Relations of the National University of Mongolia from 2005 to 2006, the senior officer of the public relations department at the Mongolian Stock Exchange from 2006 to 2011, the head of the administrative department at the Governor's office of Chingeltei District from 2013 to 2022, and the head of the Social Development Policy Division at the Integrated Development Policy Department of the Ministry of Economy and Development of Mongolia from 2022 to 2025.

Mr. Mungunsukh graduated with a bachelor's degree in British and American studies from the National University of Mongolia, a bachelor's degree in laws from Otgontenger University, a master's degree in international economic relations from the National University of Mongolia and a master's degree in public policy and governance studies from Meiji University in Japan.

Mr. Choijil Bataa

Mr. Choijil Bataa joined us and was appointed as our Director on September 1, 2023. Prior to joining us, he served as the state inspector of Financial Control and Inspection at the Specialized Inspection Agency of the Capital City of Ulaanbaatar from 2005 to 2006, a credit specialist, senior credit specialist and credit risk manager at Khas Bank from 2006 to 2011, a branch director at Khas Bank from 2011 to 2013, the director of the financial department and financial accounting and planning department of Erdenes Mongol LLC from 2013 to 2019, the chief executive officer of The Orlogiin Bulag LLC from 2019 to 2020, the head of the Finance, Investment and Production Department of the Ministry of Environment and Tourism from 2022 to 2023, a

project manager of the port at Mongolian Railways from 2023 to 2024, and a project coordinator at Erdenes Industrial and Technology Park in 2025. He also served as a board member of Gashuun Sukhait Road LLC from 2013 to 2018, the chairman of the board of Shivee Khuren Railway LLC from 2023 to 2024, and an independent director of Baganuur JSC from 2023 to 2025.

Mr. Choijil graduated with a bachelor's degree in accountancy from the University of Commerce and a master's degree in business administration from the University of Queensland in Australia. He also holds qualifications as a chartered accountant and accredited tax accountant.

Ms. Otgontsetseg Badarch

Ms. Otgontsetseg Badarch joined us and was appointed as our Director on January 22, 2026. She has also been serving as a director of the State Administration and Management Department of the Ministry of Economy and Development since 2026. Prior to joining us, Ms. Otgontsetseg served as service staff at the administration of the Institute of Finance and Economics College from 1992 to 1994, the head of the training office of the department of banking and finance and a lecturer at Ulziit University of Finance and Banking from 1998 to 2004, the head of the Payments Division of the Treasury Department of the Ministry of Finance from 2004 to 2008, a specialist at the Revenue Division of the Department of Fiscal Policy and Regulation of the Ministry of Finance from 2008 to 2009, the head of the Payments Division of the Treasury Department of the Ministry of Finance from 2009 to 2018, a senior specialist at the Accounting Policy Department of the Ministry of Finance from 2018 to 2019, the director and chief financial officer at the Finance and Investment Department of the Ministry of Food, Agriculture and Light Industry from 2019 to 2023, a director of the State Administration and Management Department of the Ministry of Education and Science from 2023 to 2024, and a director of the State Administration and Management Department of the Ministry of Food, Agriculture and Light Industry from 2024 to 2025.

Ms. Otgontsetseg graduated with a Bachelor's degree in economics (banking and finance) from the Institute of Finance and Economics, a master's degree in economics (banking) from the School of Economics of the National University of Mongolia, a master's degree in public administration from the National Academy of Governance and a doctorate in public administration from the National University of Mongolia.

Mr. Enkhbat Batsaikhan

Mr. Enkhbat Batsaikhan joined us and was appointed as our independent Director on October 16, 2025. Prior to joining us, he served as a supervisor at the Securities Department of the Financial Regulatory Commission of Mongolia from 2007 to 2014, a senior supervisor at the Securities Department of the Financial Regulatory Commission of Mongolia from 2014 to 2015, the head of the policy and planning division at the Securities Regulatory Department of the Financial Regulatory Commission of Mongolia from 2015 to 2016, a senior referent at the Securities Department of the Financial Regulatory Commission of Mongolia from 2016 to 2017, a head of branch at the State Bank from 2017 to 2018, an advisor and division director at Capitron Bank from 2018 to 2019, and the deputy head of the marketing division at Erdenet Mining Corporation SOE from 2019 to 2021.

Mr. Enkhbat graduated with a bachelor's degree in economics from the Plekhanov Russian University and a Master's degree in business administration in international business from Ajou University.

Ms. Enkhtuya Bayar

Ms. Enkhtuya Bayar joined us and was appointed as our independent Director on December 9, 2022. Prior to joining us, she served as an economist at the Administration Division of Mine Construction Organization from 1988 to 1995, the chief accountant at Bayalag-Nalaikh Co., Ltd. from 1995 to 2000, a senior referent at the General Counsel of Courts of Mongolia from 2000 to 2007, and a senior commissioner at the Inspection and Analysis Departments of the Independent Authority Against Corruption (IAAC) of Mongolia from 2007 to 2022.

Ms. Enkhtuya graduated with a bachelor's degree in economics Organization of Mining Industry from National Economy Institute of the USSR, bachelor's degree in law from the School of Law of the National University of Mongolia and a master's degree in English Language from the School of International Relations and Public Administration of the National University of Mongolia.

Ms. Lakshmi Boojoo

Ms. Lakshmi Boojoo joined us and was appointed as our independent Director on May 21, 2025. She has also been the manager and director at the Economic Policy and Competitiveness Research Center since 2010 and a member of the Civil Society Council of the Mongolian Tax Authority since 2024. Prior to joining us, Ms. Lakshmi served as an economic assistant at Forst Professional School (TVET) in Germany from 1991 to 1994, the head of marketing department at Migma Co., Ltd. from 2004 to 2006, and a managing director at Naran Motors Co., Ltd. from 2008 to 2010. She also served as a board member of Deutsch-Mongolische Brücke from 2004 to 2007, an independent board member of Ulaanbaatar Development Corporation from 2014 to 2018, an advisory board member of the AMEP II project, which was implemented by the Australian Government from 2019 to 2024, and a member of the Civil Society Council of the Asian Development Bank from 2019 to 2023.

Ms. Lakshmi graduated with a bachelor's degree in economics from the University of Applied Sciences Dresden in Germany and a master's degree in economics from the University of Applied Sciences Berlin in Germany.

Ms. Tuya Namsan

Ms. Tuya Namsan joined us and was appointed as our independent Director on May 21, 2025. Prior to joining us, she served as an economist at the State Pharmacy Company from 1997 to 1998, an economist at the Heating Center of Capital City of Ulaanbaatar from 1999 to 2002, the chief executive officer at Interstroi LLC from 2002 to 2008, an expert and auditor at Unistar Audit LLC from 2008 to 2012, the head of Strategical Policy and Planning Department at the Ministry of Culture, Sport and Tourism of Mongolia from 2012 to 2013, and the head of Property Right Registration Department at the General Authority for State Registration from 2013 to 2016. Ms. Tuya has been an auditor and certified public accountant at Unistar Audit LLC since 2017 and the founder and head of Inclusive Growth Institute NGO since 2014.

Ms. Tuya graduated with a bachelor's degree in hydrotechnical engineering from Moscow State University of Nature Management, a bachelor's degree in finance management from the National University of Mongolia, a master's degree in business administration from the National University of Mongolia, and a master's degree in English Language from the University of Humanities of Mongolia.

Executive Management Team

Our executive management team consists of eight members, including the chief executive officer, the first deputy chief executive officer, and six department directors who are each responsible for a specific department of our operations. As of the date of this Offering Memorandum, the members of our executive management team were:

Name	Year of Birth	Title
Baatarsuren Sukhbaatar.....	1987	Chief Executive Officer
Enkhjin Atarbaatar.....	1981	First Deputy Chief Executive Officer
Bayarmagnai Byambajav.....	1979	Director General of the Administration Department
Ayurzana Davaa	1978	Director General of the Financial Management Department
Bilegchuluun Bayarsaikhan.....	1992	Director General of the Risk Management Department
Batjargal Gelegjamts	1983	Director General of the Asset and Liability Management Department
Batbaatar Otgonbat.....	1977	Director General of the Credit Department
Bazarsad Batkhuu.....	1980	Director General of the Special Assets Department

The biographies of our executive management team members are as follows:

Mr. Baatarsuren Sukhbaatar

Mr. Baatarsuren Sukhbaatar joined us and was appointed as our chief executive officer on November 19, 2025. Prior to joining us, he served as a risk analyst and senior risk analyst at the financial management department of Zoos Bank from 2007 to 2009, an inspector at the supervision department of the Bank of Mongolia from 2009 to 2013, a member of the bank receivership council at the Savings Bank of Mongolia from

2013 to 2014, an inspector at the supervision department of the Bank of Mongolia from 2014 to 2015, the division director of the risk assessment and management division of the Development Bank of Mongolia from 2019 to 2020, the chief executive officer of the Deposit Insurance Corporation of Mongolia from 2021 to 2025, the head of the Euro-Asian region at the International Association of Deposit Insurers from 2022 to 2025, and a member of the Financial Stability Board of Mongolia from 2021 to 2025.

Mr. Baatarsuren graduated with a bachelor's degree in economic theory from the University of Finance and Economics of Mongolia and a master's degree in financial management from California State University.

Mr. Enkhjin Atarbaatar

Mr. Enkhjin Atarbaatar joined us and was appointed as our first deputy chief executive officer on February 2, 2026. Prior to joining us, he served as an economist in the risk management unit of the Currency Department of the Bank of Mongolia from 2004 to 2010, a director and senior economist in the Risk Management Unit of the Bank of Mongolia from 2012 to 2016, a director of the Secretariat of the Bank of Mongolia from 2016 to 2018, and a director in the Financial Markets Department of the Bank of Mongolia from 2018 to 2026.

Mr. Enkhjin graduated with a bachelor's degree in finance from the University of Utah and a Master's degree in mineral resources economics from Curtin University.

Mr. Bayarmagnai Byambajav

Mr. Bayarmagnai Byambajav joined us in and was appointed as our director general of the administration department on July 24, 2025. Prior to joining us, he served as a debt collector in the special assets department of Trans Bank from 2002 to 2007, a specialist in the loan department of Trans Bank from 2007 to 2008, the director of the loan department at Gobi Blue Altai NBFI from 2008 to 2012, and the chief accountant in the finance and accounting department of Gobi Blue Altai NBFI from 2012 to 2025.

Mr. Bayarmagnai graduated with a bachelor's degree in business administration (accountant) from Ulaanbaatar Erdem Oyu Institute, a master's degree in business management from Royal International University, and a bachelor's degree in law from Ikh Zasag University.

Ms. Ayurzana Davaa

Ms. Ayurzana Davaa joined us and was appointed as our director general of the financial management department on June 5, 2024. Prior to joining us, she served as the chief accountant in the finance department of Mongolbolgareo LLC from 2002 to 2007, an accountant in the reporting and accounting control department of Capitron Bank from 2007 to 2013, the chief accountant and head of the administration department of the Mongolian University of Science and Technology from 2013 to 2019, the chief accountant at the administration and financial management department of DBM Leasing LLC from 2019 to 2020, a branch manager, director of operations, and finance and chief accountant at the Sukhbaatar District Branch of the Mongolian Institute of Certified Public Accountants from 2020 to 2023, and a senior accountant at the finance and planning department of Tavantolgoi Railway LLC from 2023 to 2024.

Ms. Ayurzana graduated with a bachelor's degree in economics and business from the Mongolian University of Life Sciences and a master's degree in business administration from Mandakh University.

Mr. Bilegchuluun Bayarsaikhan

Mr. Bilegchuluun Bayarsaikhan joined us in November of 2025 and was appointed as our director general of the risk management department on January 30, 2026. Prior to joining us, he served as the compensation manager at the asset management and compensation department of National Reinsurance SC and Agricultural Reinsurance SC from 2015 to 2016 and Director and a senior analyst in the department of asset management of risk management of National Reinsurance SC and Agricultural Reinsurance SC from 2019 to 2025.

Mr. Bilegchuluun graduated with a bachelor's degree in economics from the National University of Mongolia and a master's degree in business administration from Lincoln University.

Mr. Batjargal Gelegjamts

Mr. Batjargal Gelegjamts joined us and was appointed as our Director General of the Asset and Liability Management Department on February 2, 2026. Prior to joining us, he served as a dealer and senior dealer at the

reserve management department of Mongol Post Bank from 2004 to 2010, a senior dealer and the director of the asset management division of Savings Bank from 2010 to 2013, the director of the commercial division of State Bank from 2013 to 2014, the director general of the asset management department of Ulaanbaatar City Bank from 2014 to 2020, the director of the assets and liabilities division of Trade and Development Bank of Mongolia from 2020 to 2021, and the chief executive officer of Money Market Fund LLC from 2021 to 2026.

Mr. Batjargal graduated with a bachelor's degree in finance and a master's degree in business administration from the National University of Mongolia.

Mr. Batbaatar Otgonbat

Mr. Batbaatar Otgonbat joined us and was appointed as our director general of the credit department on February 2, 2026. Prior to joining us, he served as an inspector and director of the division of supervision and monitoring department of the Bank of Mongolia from 1999 to 2011, the deputy chief executive officer and head of the asset and liability management department at Development Bank of Mongolia from 2011 to 2014, an advisor to the corporate banking department of Golomt Bank from 2014 to 2015, the deputy chief executive officer and head of the risk management at Golomt Bank in 2015, a business advisor to the agriculture and rural development project of Asian Development Bank in 2016, the head of the supervision department at Mongolian Stock Exchange from 2016 to 2017, the head of business development at Chinggis Khaan Bank from 2017 to 2018, the deputy chief executive officer and the head of the risk assessment and management department at Development Bank of Mongolia from 2018 to 2020, the head of the risk management department at Development Bank of Mongolia from 2021 to 2022, and the chief executive officer of Ikh Gobi Energy LLC from January to July 2025.

Mr. Batbaatar graduated with a bachelor's degree in banking from National University of Mongolia, School of Economics and a master's degree in international economics from the Australian National University.

Mr. Bazarsad Batkhuu

Mr. Bazarsad Batkhuu joined us in and was appointed as our director general of the special assets department on January 30, 2026. Prior to joining us, he served as a police officer and deputy sergeant in the patrol and special protection department of the Mongolian National Police Agency from 2004 to 2005, a local police officer and police lieutenant at the Police Department of Gobi-Sumber Province from 2005 to 2006, a law enforcement officer at the General Executive Agency of Court Decision from 2013 to 2017, a section chief, senior law enforcement officer and lieutenant at No. 445 Prison with Open Regime of the General Executive Agency of Court Decision in Darkhan-Uul Province from 2017 to 2020, and the deputy head of the decision execution division and a major at the bank payments department of the General Executive Agency of Court Decision from 2020 to 2024.

Mr. Bazarsad Batkhuu graduated with a bachelor's degree in law from Sutai University of Law and a master's degree in law from the University of Internal Affairs, Mongolia.

Board Committees

Audit Committee

The audit committee is responsible for overseeing the integrity of financial reporting, internal controls, and the effectiveness of internal and external audit functions. The audit committee examines the adequacy of internal audit procedures on an annual basis and approves an auditing plan on a quarterly basis. As of the date of this Offering Memorandum, the members of the audit committee were Enkhtuya Bayar and Choijil Bataa.

Risk Committee

The risk committee continuously reviews credit-related policies and procedures, sets credit risk limits and appetites credit risk exposures. As of the date of this Offering Memorandum, the members of the risk committee were Tuya Namsan and Lakshmi Boojoo.

Nomination Committee

The Nomination Committee is responsible for reviewing and recommending candidates for the Board and senior management positions, ensuring transparency and merit-based selections. As of the date of this Offering

Memorandum, the members of the board nomination committee were Lakshmi Boojoo, Mungunsukh Batchuluun, and Otgontsetseg Badarch.

Remuneration Committee

The remuneration committee is responsible for establishing and reviewing compensation policies for senior management and ensuring alignment with performance and strategic objectives. As of the date of this Offering Memorandum, the members of the Board remuneration committee were Enkhbat Batsaikhan, Tuya Namsan, and Mungunsukh Batchuluun.

Internal Management Committees

Administration Department

The administration department is responsible for overseeing human resource management and development, and internal operations and administrative support functions.

Financial Management Department

The financial management department is responsible for overseeing our financial planning, budgeting, analysis and reporting, and payment settlement operations.

Risk Management Department

The Risk Management Department is responsible for designing and implementing an effective risk management framework, conducting risk assessments, identifying potential risk types, providing methodological support, and monitoring collateral values and asset quality. Moreover, overall oversight of information security is carried out by the Risk Management Department.

Asset and Liability Management Department

The asset and liability management department is responsible for monitoring and controlling liquidity risk based on potential liquidity risks. It conducts liquidity risk analysis and reports on a daily basis. It focuss on ensuring prudent balance sheet management, maintaining liquidity stability, and minimizing mismatches between assets and liabilities in both currency and maturity structure.

Credit Department

The credit department is responsible for organizing the financing of prospective projects and day-to-day operations, ensuring that debtor-creditor relations are maintained within our set standards and principles, and mitigating potential risks that may arise during funding and investment procedures. The credit department also coordinates day-to-day loans and financial matters and to amend our credit strategies, guidelines of operation, and the allocation of loans within reported periods.

Special Assets Management Department

The Special Assets Management Department (or Special Assets Department) manages non-performing and problem loans by overseeing loan workouts and restructuring, pursuing recovery and collateral enforcement, coordinating related legal proceedings, recommending provisions and write-offs, and managing foreclosed assets, while monitoring and reporting on the distressed portfolio to senior management and the Board.

Risk Management Committee

The risk management committee defines measures and strategies to identify potential risks. The risk management committee is responsible for evaluating our risk tolerance limits, operational policy, and internal regulations and guidelines. Also, the risk management committee regularly provides reports on implemented measures and strategy plans to settle identified risks.

Asset and Liability Committee

The asset and liability committee manages asset and liability management operations and develops, monitors and proposes amendments to our asset and liability policies. Its duties include managing short-term and long-term liquidity, assessing balance sheet structure with a view to maximizing net interest profit, and

ensuring compliance with the requirements of the Revised Law on the Development Bank of Mongolia. The asset and liability committee monitors our liquidity gaps on a daily basis, conducts stress tests and evaluates the structure of our assets and liabilities and proposes any necessary amendments on a monthly basis. It must hold meetings at least monthly as well as ten days before the end of each quarter and when required to assess our financial performance and review any audit reports prepared.

Credit Management Committee

The credit management committee monitors and evaluates credit risk and reviews and maintains collateral guidelines for our loan products. Additionally, the credit management committee executes our credit policy and related regulations and guidelines such as approval and completion of credit, proposes changes to credit conditions, administers our credit agreements, and maintains an efficient credit portfolio and overall regulation in accordance with our charter. Members to the credit management committee are appointed by our chief executive officer. Decisions regarding credit are made by majority vote based on recommendations of our project finance and credit department analysts and risk department analysts. The risk team values the collateral, assesses project risk and submits their recommendation to the credit management committee. The assets and liability management department also provides a recommendation on the terms of a loan. After the credit management committee approves a loan, a decree from the chief executive officer is also required to authorize the loan.

Executive Management Committee

Executive Management Committee is responsible for conducting the our daily operations by producing proposals, opinions and recommendations to support operational decision making of Chief Executive Officer.

Human Resources Committee

The Human Resources Committee oversees personnel policies, procedures, rules and draft agreements related to our human resources and labor relations, including recruitment, appointment, remuneration, performance evaluation, training, and succession planning. It also discusses related matters and makes decisions to ensure effective human resource management in line with our strategy and governance requirements.

Internal Audit Department

Under Article 23.1 of the Revised Law on the Development Bank of Mongolia, the Government audits our operational performance every two years to ensure the projects we finance meet development policy requirements. We have in turn updated our internal policies and regulations to reflect these new requirements. The performance audits are conducted by the National Audit Office of Mongolia.

We have an internal audit department, which operates independently of the management and reports directly to our Board. Members of the internal audit team are appointed by the Board and their powers include:

- inspection of our financial activities;
- conducting regular and surprise inspections of our operations; and
- examining our financial statements and seeking clarification on related matters.

According to Article 27 of the Revised Law on the Development Bank of Mongolia , we appoint inspectors for three-year terms. The inspectors may review the activities of the borrowers for confirmation that the borrowed funds are being used for the purposes for which the loan was granted. Accordingly, our inspectors can: enter into the premises, offices and other places of borrowers; examine the financial reports and documentation of borrowers; obtain clarification on the financial information and request further documentation; and supervise the implementation of loan projects and provide progress reports to our management team.

Compensation

In 2023, 2024, 2025, salaries and social security insurance contributions for our executive management team and members of the Board were MNT 1,116.3 million, MNT 1,747.0 million and MNT 2,867.3 million (US$0.8 million), respectively.

RELATED PARTY TRANSACTIONS

We are a policy bank 100% owned by the Government, and our operations include financing of projects in Mongolia, which may be projects undertaken by governmental entities. Due to the nature of our operations and our role as a policy bank, almost all loans and transactions are with related parties. We apply the exemption from the disclosure of individually insignificant transactions with government related parties as allowed under International Accounting Standard 24, paragraph 25. See Note 18 to our audited financial statements as of and for the year ended December 31, 2024, Note 20 to our audited consolidated financial statements as of and for the year ended December 31, 2025, and Note 23 to our unaudited interim condensed consolidated financial information as of and for the three months ended March 31, 2026, respectively, included elsewhere in this Offering Memorandum.

REGULATORY OVERVIEW

Law of the Central Bank (Bank of Mongolia) (1996), as amended

This law establishes the legal framework for the operations of the Mongolian Central Bank, also referred to as the Bank of Mongolia, which is vested with the authority to develop and implement state monetary policy within the territory of Mongolia. The Bank of Mongolia was established in 1924 and its primary objective is to ensure the stability of the national currency. The Bank of Mongolia contributes to the balanced development of the national economy by way of ensuring stability of financial markets and the banking system within the scope of its primary objective. Its main activities in relation to achieving its primary objective are (i) issuing and regulating the national currency, (ii) formulating and implementing monetary policy, (iii) acting as the financial agent for the Government, (iv) supervising the operations of Mongolian commercial banks and such other legal entities specifically stated in laws, (v) holding and managing the State reserves of the foreign currency, (vi) managing, organizing, regulating and supervising the national payment system and its operations, (vii) protecting the rights and lawful interests of banks' customers and deposit holders, and (viii) implementing macroprudential policy to mitigate systemic risk. Further, the Bank of Mongolia may use the following instruments to implement State Monetary Policy: (i) required reserves provisioning by the banks as well as prudential ratios; (ii) granting loans to banks—use of financial instruments; (iii) pursuing unified interest rate policy; (iv) conducting open market operations; and (v) imposing a ceiling on loans outstanding to be granted by banks. If the liabilities of the Bank of Mongolia exceed its assets, the Parliament must resolve to compensate for this difference by issuing Government Bonds.

The law has been amended from time to time and most recently on April 19, 2024, and there have been no amendments since then.

Open market operations by the Bank of Mongolia include the issue, purchase, and sale of Central Bank bills, and sale and purchase of government bonds, asset-backed securities and such other securities permitted by the Bank of Mongolia on the monetary market. Further, the Bank of Mongolia may provide short-term loans to the Government repayable within the same fiscal year and purchase short-term, government-issued securities. In all other cases, it is prohibited for the Bank of Mongolia to provide direct or indirect loans to the Government and purchase short or long-term government-issued securities on the primary or secondary markets. It is also prohibited for the Government to give directions to the Bank of Mongolia and enter into agreements on matters that are not specified in laws.

The Bank of Mongolia uses Central Bank bills, repurchase/reverse repurchase transactions and overnight facilities to achieve policy targets. The Governor decides the amount of liquidity absorbed from or injected into the interbank market on a weekly basis.

The national payment system is managed and supervised by the Bank of Mongolia, and it also decides whether to authorize the use of other negotiable instruments in substitution for the national currency, the Tugrik. With the adoption of the Debt Management Law in February 2015, the Bank of Mongolia is also responsible for jointly preparing and publishing the balance of state external debt of Mongolia on a quarterly basis with the Ministry of Finance.

The board of directors of the Bank of Mongolia acts as the advisory arm of the bank on matters under the authority of the Governor, and consists of the Governor, the First Deputy Governor, the Deputy Governor and a number of departmental directors. The Governor, the First Deputy Governor and the Deputy Governor of the Bank of Mongolia are appointed by Parliament for a period of six years. The Governor may attend parliamentary sessions, standing committee meetings and meetings of cabinet ministers and be consulted on issues related to the Mongolian banking sector. The Bank of Mongolia has committees on the Monetary Policy and Bank Supervision. The Monetary Policy Committee has seven members consisting of the Governor, the First Deputy Governor, the Deputy Governor and four independent members appointed by Parliament. The Bank Supervision Committee is established by the regulation issued by the Governor.

The Bank of Mongolia also issues regulations on prudential ratios, minimum share capital requirements and other matters applicable to commercial banks. In addition, the Bank of Mongolia issues specific regulations in respect of DBM.

Revised Development Bank Law (2017), as amended

We are governed by the Revised Development Bank Law, which was enacted by Parliament on February 10, 2017. The Revised Development Bank Law replaced the Development Bank Law of 2011. The purpose of the revision of the law was to ensure independent operations of DBM, clarify the roles of the Government, Board of Directors and senior management, and enable DBM to focus on commercially viable projects. This has also allowed us to decrease our foreign exchange exposure and improve our loan repayment performance. The provisions of the Revised Development Bank Law establish the framework for our scope of business and operations. The Government has the authority to establish, reorganize and liquidate us. The Government and Erdenes Mongol LLC are currently our shareholders, and as such exercise the rights of the shareholders in the shareholders' meeting under applicable laws. The Government is our indirect 100% shareholder.

The Government established us to finance projects and programs in the priority sectors ensuring the sustainable economic growth of Mongolia and to raise funds necessary to develop manufacturing and services that substitute import and promote export. Under the Revised Development Bank Law, we may conduct the following activities:

- finance projects and programs;
- provide domestic and foreign transaction services;
- provide payment guarantees;
- issue securities, sell, purchase and deposit financial instruments;
- borrow funds;
- sell, purchase and deposit foreign currencies;
- hold shares in companies, invest in investment funds;
- provide consultation services to support the implementation of projects and programs;
- finance export and import transactions; and
- secure short and medium-term sources of financing to improve our liquidity and profitability.

In order to issue securities or obtain loans we must obtain authorization from the Board of Directors, which is comprised of nine members, including four independent members. We must also ensure that the issuance of securities, provision of guarantees, and the borrowing of funds is compliant with the restrictions under the Revised Development Bank Law and the applicable prudential ratios approved by the Bank of Mongolia. The Government retains the authority to make a decision for the investment in an investment fund or the holding of shares in companies by us in accordance with applicable laws and regulations.

Under the Revised Development Bank Law, DBM is prohibited from accepting deposits from retail investors or individuals. Accordingly, DBM cannot be compared to commercial banks in relation to its operations and regulatory requirements which is governed by the Revised Development Bank Law as opposed to the general Banking Law. The Banking Law is only applicable to us to the extent of matters which are not specifically regulated by the Revised Development Bank Law.

The Board of Directors has the power to determine strategy, loan policy, risk management, annual budget and business plans. It is now prohibited to replace more than 50% of the Board of Directors within the same fiscal year. The Board also approves the regulations concerning financing decisions by us regarding specific projects and programs. Under the Revised Development Bank Law, Parliament no longer has specific authority to approve the list of projects that DBM will finance ensuring our operational independence.

The Revised Development Bank Law sets out our management structure and operational and reporting requirements applicable to us, including additional auditing processes as dictated by the Government and the Bank of Mongolia, as well as more stringent loan application requirements. The Revised Development Bank Law has subsequently been amended on several occasions, including in 2019, 2021 and 2022. While these amendments did not fundamentally alter our legal status or regulatory framework, they introduced certain significant changes to the scope of our operations and financing mandate.

Summary of the Main Provisions of the Revised Development Bank Law (2017)

Operational principles

As provided in Article 7.1 of the Revised Development Bank Law, DBM's operations are based on the principles of profitability, stability, independence, transparency, accountability, and collegial decision-making along with independent supervision.

Lending restrictions

Article 28.1 of the Revised Development Bank Law imposes the following restrictions:

- our total loans, guarantees and loan equivalent assets must not exceed 30 times our equity; and
- our total loans provided to a single borrower (and their affiliated persons) must not exceed 8 times our equity.

The Bank of Mongolia sets the minimum level of our equity and approves regulations on determining a major borrower, lending limit applicable to such borrower and reporting requirements. Currently, if the total loans, guarantees and loan equivalent assets provided to a single borrower (and their affiliated persons) exceeds 10% of our equity, they will be considered a major borrower in which case the total loans, guarantees and loan equivalent assets extended to such major borrower (and their affiliated persons) must not exceed 80% of our total loans, guarantees and loan equivalent assets. The Bank of Mongolia also approves regulations on prudential ratio requirements, asset classifications, and asset risk fund/provision requirements applicable to us.

Criteria for borrowers

Projects and programs to be financed by us must:

- be in compliance with the Long-term and Mid-term Development Policy of Mongolia (as amended in 2021);
- be economically and financially profitable and be capable of generating sufficient cash to repay the loan;
- be supported by feasibility studies, relevant plans, and budget proposals;
- promote manufacturing that supports economic growth, export, and value-added products and import substitution;
- be supported by project risk assessments, financing proposals, socio-economic impact assessments and environmental impact assessments made in accordance with professional analysis, applicable criteria and methodology;
- in respect of financing other than equity investment, be secured by security instruments such as Government guarantee, pledge, or financial guarantee.

Financing restrictions

Under the Article 8.2 of the Revised Development Bank Law, at least 60% of our total financed projects (by way of direct financing or by provision of guarantees) must promote Mongolian exports. Furthermore, we are required to cooperate with both domestic and foreign banks, financial institutions, or investors to finance projects. In addition, Article 8.4 of the Revised Development Bank Law (as amended in 2022) prohibits us from financing public-private partnership projects.

Law on Development Policy and Planning and its Management (2020), as amended

The Law on Development Policy and Planning was approved on November 26, 2015, which has subsequently been repealed and replaced by the Law on Development Policy, Planning and its Management, which was enacted on May 7, 2020. This law regulates matters related to the stages of formulating, implementing, monitoring and assessing of development policy documents of Mongolia, governing principles, determining rights, duties and responsibilities of relevant stakeholders and establishing the development policy planning integrated system. The development policy documents are divided into three types: long term, mid-

term and short-term. The law defines a long-term development policy document as a document setting out long-term goals, objectives, expected results, activities and performance indicators aimed at strengthening Mongolia's independence and sovereignty, aligning global development trends with national specificities, maintaining environmental balance, ensuring human development, and advancing economic, social and governance development to a higher level. The "Vision" document, with an implementation period of up to 30 years, constitutes Mongolia's long-term development policy framework. A medium-term development policy document is defined as a policy document with implementation ranging from four, five to 10 years. In all financing projects, we must adhere to both the long-term and the mid-term policy documents in accordance with the law.

Short-term policy documents are implemented within one year and include the General Guidelines for National Socio-economic Development, the General Guidelines for Provincial, Capital City, Soum or District Socio-economic Development, and the State and Rural Budget.

Budget Law (2011), as amended

The Parliament adopted the revised Budget Law on December 23, 2011, which became effective on January 1, 2013. The most significant change introduced by the Budget Law is greater decentralization by clearly defining delegated functions among sub-national governments. The Budget Law establishes budgeting principles and scope, clarifies expenditure and revenue categories, specifies the responsibilities of the bodies that participate in the budgeting process and improves budget transparency and accountability. The projects financed by us are included in the State investment programs by law.

Fiscal Stability Law (2010), as amended

On June 24, 2010, the Parliament approved the Fiscal Stability Law, which became effective on January 1, 2013. The Fiscal Stability Law provides for medium term to long term policies aimed at establishing a sound legal environment for the formulation and implementation of economic and fiscal policies.

Specifically, the Fiscal Stability Law establishes special budgetary requirements and fiscal management principles to stabilize the budget process. The special budgetary requirements are set out by the following:

Integrated budget revenue shall be calculated by application of fiscal equalization method which is based on prices forecast for key minerals.

The Fiscal Stability Law provides that the integrated budget deficit must not exceed (i) 5.0% of GDP in 2015, (ii) 18.5% of GDP in 2016, (iii) 10.4% of GDP in 2017, (iv) 9.5% of GDP in 2018, (v) 6.9% of GDP in 2019, (vi) 12.5% of GDP in 2020, (vii) 8.8% of GDP in 2021, (viii) 5.1% of GDP in 2022, (ix) 3.6% of GDP in 2023, and (x) 2.8% of GDP in 2024. From 2025, the budget deficit of any given year shall not exceed 2.0% of GDP, or shall be maintained in surplus.

As amended on August 30, 2024, the current expenditure of the consolidated budget shall not exceed 30 percent of the GDP for the respective year.

The Fiscal Stability Law requires that the government's debt balance ("Government Debt Ceiling") calculated at net present value shall not exceed (i) 58.3% of GDP in 2015; (ii) 88% of GDP in 2016; (iii) 85% of GDP in 2017; (iv) 80% of GDP in 2018, (v) 75% of GDP in 2019, (vi) 70% of GDP in 2020, 2021 and 2022, and (vii) 65% of GDP in 2023. From 2024, the government's debt balance must not exceed 60% of GDP. For the purposes of the Fiscal Stability Law, "Government Debt" includes (a) debt instruments issued by the Government of Mongolia, aimag or capital city payable to others; and (b) payments due under a Government debt guarantee incurred by law or contract. However, Government debt guarantees backed or secured by Government local bonds are excluded from the calculation of this Government Debt Ceiling Limit.

The Fiscal Stability Law also created the Fiscal Stabilization Fund ("FSF").

The FSF assets may be transferred to the state budget for specified purposes. In particular, the FSF assets may be used to finance budget revenue shortfalls arising from unforeseen circumstances where budget revenues decline and the budget deficit deteriorates by more than four per cent of GDP beyond the approved level. In such cases, the FSF assets may be used to cover only the shortfall in budget revenues attributable to the difference between the equilibrium price and the market price of key mineral commodities, to the extent such funds have previously been accumulated in the FSF.

The FSF may also be utilized where the market price of key mineral commodities falls below the equilibrium price reflected in the budget, or where the export volume of such commodities declines by 20.0 % or more compared to the budgeted volume. In such circumstances, previously accumulated funds may be used solely to offset the resulting budget revenue shortfall attributable to the difference between the equilibrium price and the market price of the relevant commodities. In addition, where the operation of the special fiscal requirements is temporarily suspended due to a disaster or other extraordinary circumstances, the FSF may be used, in whole or in part, to finance the portion of additional budget expenditures required to mitigate the consequences of such disaster or emergency that exceeds 1.0% of GDP for the relevant fiscal year

Debt Management Law (2015), as amended

On February 18, 2015, Parliament approved the Debt Management Law, which includes procedural guidance regarding how the Government incurs and manages its internal and external debt. The Debt Management Law was amended on September 7, 2016 to prohibit the issuance of municipal securities. However, subsequent amendments adopted in 2021 and 2024 reinstated the possibility of issuing municipal securities both in domestic and international markets, allowing such securities to be issued either on a public or private basis.

The Debt Management Law redefined external state debt, Government debt and Government debt guarantees such that only debt incurred by the Government of Mongolia, aimags and the capital city (which can incur debt only with the approval of the Government), and payments under Government debt guarantees under law or contract would be included when calculating the revised debt ceilings under the Fiscal Stability Law. It also clarified the grounds on which the Government is permitted to incur debt as follows:

- re-financing the budget deficit;
- financing seasonal budget deficit;
- supporting the domestic market for Government securities;
- re-financing debt;
- finance projects and actions set out in development policy and planning documents;
- increase the foreign reserves of the Bank of Mongolia in the interest of the balance of payments; or
- re-capitalization of banks in accordance with the Law on Ensuring Banking Sector Stability.

The Debt Management Law states that the Government is permitted to issue a debt guarantee to the Development Bank of Mongolia, state-owned entities, and legal entities with domestic investment registered in Mongolia. Furthermore, Government debt guarantees may be given for the full amount of borrowings by state-owned DBM or up to 85% of borrowings by other eligible entities. However, if the obligor holds Government bonds, the Government debt guarantee may be given up to the equivalent amount of Government bonds held by the obligor.

The Debt Management Law also establishes procedures for managing Government debt and Government debt guarantees, including guarantee fees payable to the Government, documentation requirements for Government debt guarantees, annual risk assessment of Government guaranteed debt by the Ministry of Finance, notice and other procedural requirements in the event that a Government guarantee is called, and the establishment of a Debt Guarantee Fund for payments due under the Government guarantee agreements with the relevant obligor and creditor.

Securities Markets Law (2013), as amended

On May 24, 2013, the Parliament enacted a revised Securities Markets Law (the "Revised Securities Markets Law") effective from January 1, 2014, which replaced the securities markets law of 2002. The purpose of the Revised Securities Markets Law was to introduce effective and clear guidance with respect to initial public offerings of shares and define the distinction between primary and secondary securities market activities while establishing measures to prevent insider dealings and market abuse.

In addition, it imposes higher standards and registration requirements for securities market participants as well as advisory service providers, including law firms and audit firms. The Revised Securities Markets Law

defines securities broadly to include derivatives, depositary receipts, and warrants, and expressly permits over-the-counter trading of securities. The Financial Regulatory Commission issued a number of new implementation regulations under the Revised Securities Markets Law.

Since its enactment, the Securities Market Law has been amended on several occasions, with significant amendments adopted in 2023 and 2024. In particular, these amendments further refined the regulations governing public and private offerings of securities. They also introduced provisions allowing foreign legal entities listed on foreign securities exchanges to conduct public offerings of securities in Mongolia, as well as enabling banks to issue deposit certificates and international financial institutions to issue debt instruments within the Mongolian securities market. In addition, the amendments introduced a new regulatory framework for equity-based crowdfunding activities.

Investment Fund Law (2014), as amended

On October 3, 2013, the Parliament enacted the Investment Fund Law which sets out the regulatory framework for the establishment and operations of investment funds in Mongolia, the protection of investors and supervision and regulation of investment banks by the Financial Regulatory Commission. The law provides for two types of investment funds; mutual investment funds and private investment funds. Operations of mutual investment funds are considered as regulated activity for the purposes of the Revised Securities Markets Law.

Financial Leasing Law (2006), as amended

The Financial Leasing Law was enacted by Parliament on June 22, 2006. It sets out the different types of financial leasing; primary leasing, secondary leasing, leaseback and sub-leasing, as well as the related requirements for each type of financial leasing. The Financial Leasing Law also provides that financial leasing agreements must be in written form and that the total contract price of the financial

Leasing contract shall include lease fees and interest. Moreover, the requirements for property to be leased are set out in the Financial Leasing Law which expressly prohibits the financial leasing of natural resources (land, subsoil, its resources, fauna, flora, and air), state-owned property, intangible assets, and other property that is otherwise restricted or prohibited by law such as firearms, radioactive or hazardous substances. The Financial Leasing Law also regulates the rights and obligations of the parties, insolvency, risks assumed and the rights and obligations of third parties.

Law on Savings, Settlements and Credit Activities of Banks and Authorized Persons (2021), as amended

The Law on Savings, Settlements and Credit Activities of Banks and Authorized Persons, enacted on October 31, 1995. The Law on Savings, Settlements and Credit Activities of Banks and Authorized Persons was comprehensively revised and re-enacted on May 21, 2021, effective from July 1, 2021. The law governs the legal framework applicable to monetary deposit-taking, money transfer, and lending activities conducted by banks and other authorized entities. The law regulates legal relations relating to monetary deposits, money transfers and lending activities and establishes the principal terms and conditions applicable to the relevant agreements entered into between customers and banks or other authorized entities. Under this law, the guidelines on calculating interest rates for loans are to be issued by the Bank of Mongolia in cooperation with the Financial Regulatory Commission.

Banking Law (2010), as amended

The Mongolian banking sector is primarily regulated by the Banking Law dated January 28, 2010. The Banking Law regulates matters related to licensing requirements, management and operational requirements applicable to Mongolian commercial banks and bank reorganization measures.

On January 18, 2018, Parliament approved comprehensive amendments to the Banking Law. The key features of the amendments include: (i) the introduction of the concept of a "beneficial owner" (or an "ultimate owner" in literal translation) and disclosure requirements for the beneficial owners of Mongolian commercial banks; (ii) the introduction of new restrictions on banking activities, including a prohibition on establishment of subsidiaries and affiliate companies; (iii) clarifications on corporate governance rules concerning commercial banks; and (iv) a comprehensive set of measures for preventing bank failures and solutions to rescue troubled banks. The Bank of Mongolia now has a wider range of regulatory powers over commercial banks, especially in respect of solutions the assistance of financially insolvent or at-risk banks. The Banking Law also provides for liquidation procedures for commercial banks outside of the application of the Insolvency Law for commercial banks.

On January 29, 2021, amendments to the Law on Banking were approved, introducing significant reforms to the banking sector. One of the key changes was the requirement that all banks must be established in the form of a joint stock company. In addition, the concept of a "systemically important bank" was introduced, referring to a bank designated by the Bank of Mongolia as having systemic importance in the banking system based on criteria including the size of its assets and liabilities, its share of total transactions in the payment system, the scope of its core operations, and its interconnectedness within the financial system. The amendments further provide that systemically important banks shall be public joint stock companies, while other banks shall be established in the form of closed joint stock companies. The law also imposes ownership restrictions whereby any person, alone or together with related parties, may not hold shares or securities representing more than 20 per cent of the total issued shares of a bank. Banks and their shareholders must comply with this requirement by December 31, 2026, which may be further extended, subject to Parliamentary approval and enactment of the amendment of the Banking Law.

In addition, the total amount of securities that a bank may acquire shall not exceed 20 percent of its own capital, and investments in the shares of any single company shall not exceed 10 percent of its own capital. These restrictions do not apply to securities issued by the Government of Mongolia, the Bank of Mongolia, the Capital City, or legal entities engaged in credit information services.

Law on Ensuring Banking Sector Stability (2018), as amended

Parliament approved the Law on Ensuring Banking Sector Stability on June 22, 2018. This law aims to address capital adequacy issues concerning Mongolian commercial banks following the asset quality review carried out within the IMF program and the conditions under which a government bailout of commercial banks can take place. The law applies to banks that are regarded as systemically important (Bank of Mongolia is authorized to determine classification as systemic taking into account considering the bank's assets, debt ratio, total transaction flow holding in the payment system, banking activities and impotance to the financial system as a whole) and that do not meet applicable capital adequacy requirements. The law provides the main requirements and eligibility criteria for systemically important banks to obtain a government-funded bailout package. The Bank of Mongolia will play a central role in implementing this law and reviewing the eligibility criteria following the receipt of an application by a commercial bank for a government-funded bailout package.

Law on Executing Domestic Settlement Transactions by National Currency (2009), as amended

Parliament enacted this legislation to control fluctuations as a response to a sudden devaluation of the Tugrik. According to this law, all prices, settlements and advertisements within the territory of Mongolia must be denominated and conducted in Tugriks, thereby prohibiting the use of foreign currency or payment until for domestic transactions. The law also prohibits the indexing of Tugrik contracts to any foreign exchange index. However, this legislation allows savings deposits, loans from bank and non-bank financial entities, other equivalent services, and derivative financial agreements and their obligations to be expressed and executed in foreign currencies.

Accounting Law (2015), as amended

On June 19, 2015, the Parliament enacted a revised Law on Accounting ("Accounting Law") which came into force from January 1, 2016. The revised version replaced the existing Accounting Law of 2001. The Accounting Law requires all business entities to adopt and adhere to international accounting standards and to electronically submit semi-annual and annual financial statements and reports to the relevant Financial Department. A legal entity with one or more subsidiary company must submit a consolidated financial statement with its subsidiaries. Legal entities and organizations must follow (a) IFRS, (b) IFRS for small and medium-sized entities, or (c) International Public Sectors Account Standards. Under the Accounting Law, all types and forms of legal entities and organizations must prepare and conduct their accounting records and financial statements in Mongolian and use Tugriks, unless they have agreed with the Ministry of Finance to record transactions in a foreign currency. In this case, the legal entity or organization must record such amounts in its financial statements in Tugriks.

Mongolia has three accounting associations: The Accounting Council, the National Association of Certified Public Accountants and the Union of Finance Specialists Association.

Under the Accounting Law, the "National Association of Certified Public Accountants" is responsible for enacting accounting code of conduct, translating international accounting standards and its amendments, formulating national accounting standards and its interpretation, providing guidance for auditing entities,

developing report methodology for legal entities, organizing training and managing the licensure of auditors and accountants.

Law on Audits (2015), as amended

On June 19, 2015, the amended and restated Law on Audits ("Audit Law") was enacted by Parliament, replacing the Audit Law of 1997. The law came into force from January 1, 2016. The purpose of the law is to determine the principles of auditing activities, clarify the scope of services that an auditing entity may offer to clients and amend the types of business entities that are required to have their financial reports audited. It further regulates matters in relation to granting licenses to conduct auditing activity. The law aims to strengthen the independence and impartiality of auditing entities by prohibiting the engagement of auditing entities with clients under certain circumstances. In addition, the amended Audit Law protects the rights of shareholders to demand reports from auditing entities in relation to financial reports, financial status and operational efficiency of the entity concerned. The Law on Audits has been amended in 2020, 2022, 2023 and 2024. Among the key amendments, it has been introduced that, unless otherwise provided by law, the auditing organization for state-owned and locally owned enterprises, as well as companies with state or local government ownership participation, shall be selected by the Board of Directors when conducting audits of their financial statements.

Law on Mortgages (2009), as amended

Parliament enacted the Law on Mortgages, effective as of July 9, 2009, to regulate pledges of immovable property and property rights to secure performance of obligations, conclusion of immovable property pledge agreements, and performance of the obligations thereto. Under this law, pledgors and pledgees may agree upon non-judicial foreclosure of immovable properties. However, proceedings relating to land and cultural heritage or historical property foreclosure are required to be brought before the courts of Mongolia. The concept of "mortgage deed" was introduced by this law, whereby the pledgor prepares a mortgage deed to be submitted to the state registry along with the pledge agreement. In 2015, certain provisions of the Law on Mortgages concerning consent requirements were nullified by the Constitutional Court of Mongolia. In particular, Article 27.1 of the law was repealed in respect of where a pledgor was obligated to obtain consent from a pledgee prior to transferring the ownership rights of the pledged property to a third-party. In response to the Constitutional Court ruling and in order to protect the interests of secured lenders, Parliament amended the Civil Code and the Law on Mortgages on January 19, 2016 to reintroduce the requirement for a pledgor to obtain the pledgee's consent before transferring ownership rights of pledged property.

On December 7, 2017, the Constitutional Court invalidated the reintroduced provisions and held that the amendments to the Law on Mortgages and the Civil Code had effectively re-instated the provisions which had been invalidated previously and were therefore contrary to the immovable property ownership rights of citizens under the Constitution of Mongolia.

Furthermore, the law provides for separate sets of regulations related to the pledge of land versus the pledge of residential apartments.

Movables Pledge Law (2015), as amended

On July 2, 2015, Parliament ratified the Law on Pledge of Movable and Intangible Property (the "Movables Pledge Law"). The purpose of the law is to regulate the rights and legal interests of the parties increase economic efficiency and to ease access to new financial resources. According to the law, all types of stocks, securities, rights to demand, all works of arts, sciences and literature, industrial design, landmarks, useful design, monetary assets in bank accounts, and movable or intangible assets can be pledged as a security interest.

Some of the key provisions of the Movables Pledge Law provide, among other things, that:

- security interests will be created by written contract;
- pledged property may either be transferred to the pledgee's possession or may be retained by the pledgor;
- pledge or security interests are perfected upon control of the property or through the filing of the pledge interest with the relevant electronic registration site run by the state registration authority;
- perfected security interests will have priority over non-perfected security interests irrespective of the date the security interest was first created;

- merchants who sell equipment or vehicles on a loan basis will have priority over any other perfected security interests on the sold equipment or vehicle if the merchant perfects its security interest within 10 days of the sale;

- if bankruptcy proceedings are initiated against the pledgor, the pledgee with the perfected security interest is entitled to payment from the proceeds of the perfected security interest on a first priority basis. Amounts remaining from the proceeds after such payment will be placed into a general pool of funds for debtors;

- if bankruptcy proceedings are initiated against the pledgor and the perfected security interest's proceeds are insufficient to satisfy the payments due to the pledgee, the remaining amount due must be claimed through bankruptcy procedures under the applicable bankruptcy legislation;

- the General Authority for State Registration will be responsible for implementing the electronic filing system of pledges on movable and intangible property;

- any filing of pledges will be effective when it becomes viewable by the general public;

- a filing will be valid for three years unless extended;

- if the pledgor defaults on its obligations under the pledge agreement, the pledgee must first notify the pledgor or any other obligor regarding its intent to enforce the pledge, and unless otherwise stated in the pledge agreement, the pledgee must wait 14 days for the pledgor to remedy the default;

- the pledgee must use cost efficient, fair and reasonable methods in enforcing its pledge interest;

- the pledgor has the right to repurchase the pledged property or fulfill its obligations under the pledge agreement at any given time except for the final sale of the property by the pledgee; and

- the purchaser of pledged property will become an owner free of any encumbrances.

The Movables Pledge Law became effective on March 1, 2017 and has improved legal protection and transparency for creditors through an electronic registration system which is publicly searchable and accessible.

Law on Asset-Backed Securities (2010), as amended

Law of Mongolia on Asset-Backed Securities, enacted by the Parliament on April 23, 2010, regulates the issuance of asset-backed securities, supervision thereof, and protects the interests of the investor. The law provides that only special purpose vehicles ("SPVs"), banks and housing financing companies may issue asset-backed securities that are classified as (i) "collateralized bonds" issued by SPVs, and (ii) "securitized bonds" issued by banks and housing financing companies. The issuance of asset-backed securities requires specific licenses granted by the FRC and such securities must be registered with the FRC prior to issuance.

Law on Public Information Transparency and Law on Personal Data Protection (2021), as amended

The Law of Mongolia on Information Transparency and Right to Information was enacted by the Parliament on June 16, 2011. The Law on Information Transparency and the Right to Information was repealed and replaced by the revised consolidated legislation, the Law on Public Information Transparency, which was adopted on December 17, 2021.

The Law on Public Information Transparency establishes a clear distinction between the information owner, the information holder, and the processes related to the collection, processing, storage, and use of information. Under the Law on Public Information Transparency, the term "information holder" includes state bodies; state-owned and locally owned legal entities, as well as privately owned legal entities with state or local government ownership participation; entities performing specific functions of a state body on the basis of law or contract; public radio and television broadcasters; and political parties.

It further classifies public information into three categories: open, restricted, and closed information. With respect to open information, the Law aims to ensure transparency of government activities and promote public oversight of state operations. Accordingly, information holders are required to disclose and make publicly available information relating to their functions and operations, including strategic plans, organizational

structure, human resources, budget and financial information, procurement activities, and public services, as well as any other information not expressly classified as closed or restricted under the Law.

In addition, the Law on Personal Data Protection was adopted on December 17, 2021. The Law regulates matters related to the collection, processing, use, and security of personal data. It classifies information into personal data and sensitive personal data and establishes the procedures for their collection, processing, and use, including a consent-based framework requiring approval from the data subject.

Budget Transparency Law (2014), as amended

On July 1, 2014, the Parliament adopted the Law of Mongolia on the Budget Transparency Law, or "Glass Account Law." The Glass Account Law became effective on January 1, 2015. Under this law, all government agencies and legal entities with state involvement are obligated to publicly disclose information relating to their use of financing and indebtedness through their websites and a central "glass account" website in a timely manner. The aim of this law is to enable citizens to monitor and control the use of funds collected from taxpayers. Breaches of this law will be sanctioned in accordance with the Law on Civil Service.

Law on the National Sovereign Wealth Fund (2024), as amended and Law on the Future Heritage Fund (2016), as amended

The Law on the Future Heritage Fund was approved on February 5, 2016 and came into force on January 1, 2017. The law replaced the Law on the Human Development Fund which was approved in 2009. The Law on the Future Heritage Fund establishes the Future Heritage Fund (the "Heritage Fund") for the purpose of implementing the principle of equitable distribution of state revenues from the extraction of non-renewable mineral resources for the current and future generations. The law regulates matters related to accumulation of funds, distribution of profits of the Heritage Fund, management and organizational structure of the Heritage Fund, reporting requirements and supervision concerning the Heritage Fund. The Heritage Fund is the special fund of the Government and constitutes part of the State budget in terms of its revenue sources. The Heritage Fund will be managed by the Future Heritage Corporation, a wholly state-owned entity, in line with an investment mandate approved by the Minister of Finance and an investment strategy approved by the board of directors of the Future Heritage Corporation. The law provides that no withdrawals, other than with respect to the operational costs of the Future Heritage Corporation, will be made from the Heritage Fund until 2030, and investments may only be made into portfolios outside of Mongolia.

On April 19, 2024, the Law on the National Sovereign Wealth Fund was adopted. The framework governing the Future Heritage Fund is now regulated jointly under both the Law on the Future Heritage Fund and the Law on the National Sovereign Wealth Fund. Matters not regulated under the Law on the National Sovereign Wealth Fund shall continue to be governed by the Law on the Future Heritage Fund. Under the Law on the National Sovereign Wealth Fund, the National Sovereign Wealth Fund is structured to comprise three sub-funds, namely the Future Heritage Fund, the Savings Fund, and the Development Fund. The law further regulates the sources of funding, purposes, governance structure and oversight arrangements applicable to each of the three sub-funds.

Law on the National Payment System (2017), as amended

The Law on the National Payment System was enacted on May 31, 2017. The law came into effect from January 1, 2018 and regulates matters related to the management, organization, regulation, and supervision of the national payment system of Mongolia. The Bank of Mongolia is the main regulatory body that is mandated to organize, manage, regulate and supervise the national payment system and its operations. The law also sets out licensing requirements for certain payment related services. Specifically, the Bank of Mongolia issues licenses to carry out the following activities: payment services, services related to payment services, system operations, issuing payment instruments, acting as payment agent, issuing electronic money, conducting money transfer services, electronic transfer of cash, and receiving outsourcing services.

Revised Arbitration Law (2017), as amended

On January 26, 2017, Parliament approved the Revised Arbitration Law. The law is based on the United Nations Commission on International Trade Law's Model Law on International Commercial Arbitration, as amended. The Revised Arbitration Law clarified existing regulations on arbitral tribunals operating in Mongolia. It also introduced new regulations with respect to jurisdiction of and venue for arbitral proceedings, interim relief, insolvency and the electronic signature of arbitration agreements.

Law on Misdemeanors (2017), as amended

Parliament approved the Law on Misdemeanors (or administrative infractions) on May 11, 2017. The law came into force and effect on 1 July 2017.The purpose of the law is to strengthen justice by way of determining actions or inactions that breach laws or administrative acts issued in accordance with such laws as misdemeanors and imposing sanctions on those individuals and legal entities who caused such breaches. The law sets out breaches of specific laws and applicable sanctions, including the breach of the Revised Development Bank Law.

Law on Court Decision Enforcement (2017), as amended

The revised version of the Law on Court Decision Enforcement was approved on June 9, 2017 and came into force on July 1, 2017, replacing the previous law of 2002 on the same subject matter. The law regulates matters related to the grounds for and regulations of court decision enforcement activities as well as the structure and legal status of the bailiff's office. The law aims to improve the efficiency of court decision enforcement and restoring those rights of citizens that were breached as well as to strengthen the operational efficiency of bailiff's office.

Revised Law on Value-Added Tax (2015), as amended

The Law on Value-Added Tax was revised on July 9, 2015. The law came into effect from January 1, 2016. In addition to introducing and revising key terminology and broadening the types of goods, work, and services that are subject to Value-Added Tax ("VAT"), the law increased the threshold for the requirement to register as a VAT payer from MNT 10 million to MNT 50 million of sales in an effort to support small and medium-sized enterprises. The existing VAT rate of 10% remains the same; however, there have been some changes in the types of goods, work and services that are exempted from VAT.

This law was intended to incentivize taxpayers with the possibility of recovering up to 20% of taxes paid, subject to certain conditions. It further attempts to improve the system and procedures for collecting, processing and reporting data relating to the payment of VAT by creating a consolidated registration system. The law was further amended in 2015, 2019 and 2024to expand the exemptions list, resulting in a total of 29 types of goods being exempt from VAT.

Measures against Corruption and Bribery

Corruption and bribery are key threats to Mongolia's economic growth and democratic governance. In an effort to address concerns regarding corruption and bribery, the Government has instituted a variety of measures and participates in international anti-corruption conventions, regimes and protocols, such as the Anti-Corruption Plan of the ADB and the United Nations Convention Against Corruption.

In July 2002, the Parliament enacted the National Program to Combat Corruption. In 2005, the Government collaborated with the United Nations to attain goals established by the United Nations Convention Against Corruption. On July 6,2006, Parliament passed the Anti-Corruption Law ("Anti-Corruption Law"), which came into force and effect November 1, 2006. The Anti-Corruption Law provides for the establishment of an independent anti-corruption agency with its own structure, special powers and functions. In 2007, the Independent Authority Against Corruption (the "IAAC") was established to educate the public, take measures to prevent corruption, examine the property and income declarations of officials and investigate corruption crimes. However, the Prosecutor General is in charge of taking the alleged corruption crimes to court. Within the framework of promoting anticorruption, the IAAC completed an anti-corruption training program throughout every government unit. Under the Anti-Corruption Law, members of the Parliament and high-ranking public officials are required to declare their income and assets within 30 days of being elected.

In 2020, the Mongolian Parliament approved Vision 2050, which aims to "build smart and sustainable governance ensuring human development, foster a mature civil service with an optimal administrative and organizational structure, create fully functional and people-centered state e-services, and promote enhanced cooperation between the state, private sector, and civil society in all areas," as well as develop respect for human rights and the equal application of the rule of law in Mongolia.

The current National Anti-Corruption Strategy (2023–2030), approved by Parliament Resolution No. 59 dated June 30, 2023, covers areas such as political will, business integrity, inclusive policy development, strengthening engagement with the media and civil society, ensuring the independence of anti-corruption institutions, and overhauling the framework for implementing anti-corruption policies. It aims to strengthen the

transparency of the audit system, enhance the governance of state-owned enterprises, reform educational content and programs at all levels, and establish a corruption prevention system for disaster relief, emergency response, and national security. In the following year, the Parliament approved the National Anti-Corruption Strategy's Implementation action plan by its Resolution No. 46 dated May 16, 2024.

On January 19, 2012, the Parliament of Mongolia adopted the Law on Regulating Public and Private Interests in Public Service and Preventing Conflicts of Interest (the "CIL"). The CIL came into effect on May 1, 2012 and remains in full force. The CIL aims to prevent conflicts of interests arising from an official's carrying out of public duties and his or her own private interests, and to regulate and monitor conflicts of interest in order to ensure that public service activities accord with the public interest and that transparency and faith in public services are maintained. The key features of the CIL are that it (i) provides a definition of "public official" and his/her related and affiliated persons; (ii) requires public officials to make declarations in respect of no conflict of interest, and public officials and nominees for public office or public official roles to make declarations in respect of their private interests; (iii) introduces a number of restrictions applicable to public officials during their term of office/service and following their release from public office/service and (iv) deems agreements, contracts or licenses that were entered into or obtained in breach of law to be void. The CIL imposes a number of obligations and prohibitions on public officials during their term of office and two years after stepping down from public office or public service. A public official must also file a private interest declaration, which shall be accessible to the public, within 30 days of appointment or election into office and annually (by February 15) during his/her term of office/service. The enactment of the CIL is a further step in Mongolia's fight against corruption.

On February 4, 2016, the CIL was amended to clarify disclosure obligations of public officials concerning the existence of conflicts of interest and restrictions applicable to public officials in situations where conflicts of interest might arise. On April 13, 2017, Parliament enacted further amendments to the CIL restricting public officials and their affiliated persons from opening accounts, depositing funds, owning movable and immovable property, and holding equity interests in legal entities in offshore jurisdictions. The Government approves the list of offshore jurisdictions with respect to which prohibition under the CIL applies. Those who already hold assets and property in offshore jurisdictions and who become elected or appointed officials must close the relevant account, withdraw deposited funds, sell or dispose of property rights in movable and immovable property or sell or transfer equity interests in such offshore legal entities within three months and notify the IAAC of such action. Failure to comply with the aforementioned prohibitions and restrictions may serve as grounds for the removal of a relevant public official from his/her official position. The CIL has been amended several times following those amendments, most recently in 2024. Under the 2024 amendments, a public official is required to refrain from performing official duties where an actual or potential conflict of interest has arisen and to notify the competent authority or official thereof in writing or electronically. Upon receipt of such notification or information, the competent authority or official must promptly determine whether the relevant duty should be performed by another public official.

The 2024 amendments also revised certain restrictions relating to offshore jurisdictions. Public officials and their affiliated persons are permitted to open bank accounts, deposit funds, and own movable and immovable property in offshore jurisdictions where such activities are undertaken solely in connection with studying, employment, receiving medical treatment or services, or carrying out official duties as required by law. In cases where a public official or an affiliated person opens a bank account, deposits funds, or owns movable or immovable property in an offshore jurisdiction for the purpose of studying or receiving medical treatment or services (other than in connection with the performance of official duties), the public official is required to notify the Independent Authority Against Corruption in writing or electronically. These amendments are intended to strengthen the conflict-of-interest framework while providing greater clarity regarding permissible activities in offshore jurisdictions and enhancing transparency and accountability of public officials.

According to the IAAC, as of December 31, 2014, 38,423 public officials were required to submit their private interest, asset, and income declarations. With respect to a small number of public officials who failed to make the submission, the IAAC requested each individual official's senior management to take disciplinary actions against them for non-compliance. In 2011, the IAAC identified 73 officials that had violated certain anti-corruption measures and as of the date of this Offering Memorandum, 85 officials have been charged with violating anti-corruption measures for the year 2012. The IAAC's enforcement measures include issuing warnings, reducing such officials' salaries and in some cases demoting such official to a lower position. Following the conclusion of an investigation, the IAAC delivers its recommendations to the Prosecutor General, who then decides whether to initiate criminal proceedings. More recently, the level of compliance with declaration requirements has remained high. According to the IAAC, 49,680 public officials submitted private interest and asset and income declarations in 2022, representing approximately 99.9% of all required declarants

nationwide. The number of declarants was 50,258 in 2023 and 48,841 in 2024. These figures reflect the continued implementation of Mongolia's disclosure regime applicable to public officials and the ongoing oversight of such declarations by the IAAC.

Investigations by the IAAC of alleged corruption crimes by members of Parliament and other high-ranking public officials are not uncommon, and the IAAC's ongoing investigations include that of the former deputy minister of the former Ministry of Economic Development relating to alleged misconduct including embezzlement while such official was serving in a different senior policy-making role.

According to the IAAC, 188 corruption-related criminal cases investigated by the IAAC and referred for prosecution were adjudicated by the courts of first instance in 2022. In 2023, 192 corruption-related criminal cases were finally resolved by the courts. In 2024, the IAAC continued to conduct investigations and referred a number of cases to the Prosecutor's Office with recommendations for prosecution. During 2024, 216 corruption-related criminal cases were finally adjudicated by the courts, compared to 225 such cases in 2025. These figures indicate the continued enforcement of Mongolia's anti-corruption framework through investigation, prosecution and judicial proceedings.

In late 2022, allegations concerning the unlawful transportation and sale of coal from state-owned mining operations, commonly referred to as the "Coal Theft Case", attracted significant public attention and resulted in large-scale public demonstrations in Mongolia. The investigations led to criminal proceedings involving a number of current and former public officials and businesspersons. Following this case as well as the 2022-2023 Coal Theft case, Parliament strengthened its systemic responses, including significant amendments to the Criminal Code in December 2022 that introduced harsher mandatory minimum sentences for high-level corruption and extended the statute of limitations. Parliament also conducted public hearings in 2023 to examine issues relating to coal exports, sales, transportation and governance of state-owned mining enterprises. According to information published by the IAAC, as of 2025, investigative proceedings had been conducted in connection with 103 cases relating to the matter. Of these, 59 cases had been resolved, including 15 cases involving 83 defendants that had been adjudicated by the courts, while investigations remained ongoing in 36 cases.

In May 2023, a dedicated investigative task force was established to investigate allegations relating to the State Education Fund under the Ministry of Education and Science. The allegations concerned scholarships and educational loans purportedly obtained by persons affiliated with senior public officials in violation of applicable requirements, failures to repay such funding, and the possible misappropriation and laundering of scholarship funds through private bank accounts. According to the IAAC, the investigation remained ongoing as of 2025.

Law on Combating Money Laundering and Terrorism Financing (2013), as amended

The Law on Combating Money Laundering and Terrorism Financing ("AML Law") was adopted by Parliament on May 31, 2013, replacing similar legislation adopted in 2006. The purpose of the AML Law is to combat and prevent money laundering and terrorist financing by requiring Mongolian banks and certain other entities, including investment funds, real estate agencies and public notaries, to report "suspicious transactions" to the Financial Information Service (an affiliate organization of the Bank of Mongolia with the specific responsibility of combating money laundering and terrorist financing activities). Although not defined explicitly, a transaction that is suspected or is known to have any connection to money laundering, terrorist financing or income gained through a crime is considered a "suspicious transaction" and permits the Financial Information Service to suspend and investigate such transactions. The 2013 AML Law clarified definitions of politically exposed persons, ultimate beneficial owners and specially controlled transactions. The AML Law imposes obligations on financial institutions to have their customers verified with "know your customer" procedures.

The AML Law introduced new concepts including politically imposed persons, "ultimate (beneficial) owner," and "shell banks." It also broadens the scope of the anti-money laundering activities by subjecting more institutions, such as public notaries, investment funds and real estate agencies, to the reporting obligations ("Reporting Entities"). Since its enactment, the AML Law has been amended on several occasions, with the most recent amendments adopted in May 2024. Those amendments further expanded the scope of Reporting Entities subject to the law's requirements, thereby broadening the range of persons and institutions obligated to comply with anti-money laundering and counter-terrorism financing reporting, customer due diligence and internal control obligations.

Further, the AML Law created the Financial Intelligence Unit at the Bank of Mongolia, which was mandated to collect and analyze information received from Reporting Entities and monitor implementation of the AML Law. Under the AML Law, Reporting Entities have an obligation to (i) verify customer information in certain circumstances, including prior to entering into monetary transactions, (ii) regularly report those transactions that exceed MNT 20,000,000.0 (approximately US$5,592), (iii) strictly and closely monitor those transactions that require increased scrutiny, such as transactions made by or on behalf of PEP, and (iv) develop and implement internal monitoring programs to ensure compliance with the AML Law. Further, Mongolian banks are prohibited from opening accounts at so-called "shell banks" and are obliged to verify foreign banks prior to opening bank accounts.

On April 26, 2018, Parliament approved comprehensive amendments to the AML Law for the purpose of improving the regulatory framework for combating money laundering and terrorism financing. The amendments came into force from July 1, 2018. The key features of the amendments include: (i) expanding the scope of combating and preventing terrorism financing to include combating and preventing weapon of mass destruction proliferation, (ii) clarifying definitions used in the law, (iii) expanding the scope of Reporting Entities by adding investment management companies, law firms and accounting and financial advisory firms if such entities carried out certain transactions on behalf of clients, (iv) clarifying obligations on determining beneficial owners, the know your customer procedure and internal monitoring procedure employed by Reporting Entities, (v) imposing additional obligations in respect of high-risk customers, and (v) regulations and measures to implement sanctions lists issued by the United Nations Security Council and other relevant authorities. Since 2018, the AML Law has been subject to a number of incremental amendments aimed at further refining and strengthening the existing regulatory framework.

The amendments also establish the National Council with a mandate to formulate national programs on combating money laundering and terrorism financing and submit the same to Government for approval and take measures to implement the approved programs. Further, the Governor of the Bank of Mongolia is tasked to approve regulations concerning specific matters to combat money laundering and terrorism financing, which include procedure for determining beneficial owners, know your customer procedure, internal monitoring program, and other related matters. The amendments aim to strengthen the existing regulatory and institutional framework to combat money laundering and terrorism financing and bring the AML Law in compliance with international best practice and recommendations.

Following the 40 Recommendations of the Financial Action Task Force, which is responsible for anti-money laundering measures and combating terrorism financing, Mongolia amended its Criminal Code to hold legal entities accountable under the Criminal Code. Accordingly, both individuals and legal entities can be subject to criminal prosecution under the Criminal Code, enacted on December 13, 2015 and effective from July 1, 2017. In addition, as stated in the Criminal Code, money laundering is defined as a criminal act with receipt, possession, and use of assets, funds and cash sourced from criminal activities with the knowledge of its source or intentional change, transfer or concealment of the connection, source, location, and disposition method of assets, funds and cash sourced from criminal activities.

In its 2019 mutual evaluation, the FATF assessed that Mongolia had achieved partial compliance with 20 of its Recommendations, reflecting significant deficiencies in its anti-money laundering and counter-terrorism financing framework. As a result, Mongolia was placed on the FATF "grey list". In October 2020, at its plenary meeting, the FATF recognized that Mongolia had made substantial progress in addressing strategic deficiencies in its AML/CFT regime. Despite the challenges posed by the COVID-19 pandemic, Mongolia successfully completed on-site inspections and implemented required reforms, and was consequently removed from the FATF grey list.

In July 2023, at the 26th Annual Meeting of the Asia/Pacific Group on Money Laundering ("APG"), Mongolia's sixth follow-up progress report was considered, and Mongolia was assessed as having achieved full compliance with the Financial Action Task Force's 40 Recommendations on technical compliance. This recognition reflects Mongolia's significant progress in strengthening its anti-money laundering and counter-terrorism financing framework and aligning it with international standards.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

The following is a summary of the terms of our material indebtedness. The following summary does not purport to be complete. Please refer to our Financial Statements and the notes thereto included elsewhere in this Offering Memorandum for additional information with respect to such indebtedness.

To fund our core business activities intended to promote the economic prosperity of the Mongolian economy, we have entered into loan agreements and other funding arrangements with various financial institutions. As of March 31, 2026, our total borrowings amounted to MNT 213,645.3 million (US$59.9 million), and our total issued bonds amounted to MNT 2,220,998.8 million (US$622.4 million).

Borrowings

China Development Bank Loan

In 2020, we entered into a fixed-rate loan agreement with China Development Bank Corporation ("China Development Bank") for a total amount of CNY 420 million, bearing interest at a rate of 5.1% *per annum* and maturing in 2031 (such facility, the "China Development Bank Loan"). The proceeds of the China Development Bank Loan were used to finance the expansion project of the Choibalsan Thermal Power Plant, a coal-fired cogeneration power station in Choibalsan, Dornod Province. The China Development Bank Loan is guaranteed by the Government of Mongolia. As of March 31, 2026, the outstanding principal balance of the China Development Bank Loan was CNY 376.5 million.

Interest

The China Development Bank Loan bears interest at a rate of 5.1% *per annum*. Interest is payable semiannually beginning October 30, 2023.

Prepayment

We may voluntarily prepay the whole or any part of the loan on an interest payment date with 30 business days prior notice and a 2% prepayment premium. Minimum prepayment amount is RMB40 million in multiples of RMB10 million. No re-borrowing of prepaid amounts is permitted. Prepayments must include accrued interest and applicable break costs.

If it becomes unlawful for China Development Bank to maintain the facility, the facility is immediately cancelled and all outstanding amounts become repayable on the next interest payment date.

If the the Government ceases to own or control us, China Development Bank may cancel the facility and demand immediate repayment with five business days upon notice.

In the event our rating is downgraded to CCC+ or below by S&P, CCC or below by Fitch or Caa3 or below by Moody's, China Development Bank may cancel the facility and demand immediate repayment upon three business days prior notice to us.

In the event of wrongful use of proceeds, money laundering, or breach of environmental requirements, China Development Bank may require a mandatory prepayment by us.

If DBM becomes a Sanctions Restricted Person as defined in the agreement, China Development Bank may immediately cancel its commitment and require early repayment.

Covenants

The China Development Bank Loan contains financial covenants requiring us to maintain our operations at all times in accordance with the mandatory prudential standards of the Bank of Mongolia. As of March 31, 2026, our capital adequacy ratio was 0.8%, resulting in a breach of this covenant. A waiver letter was obtained from the Bank of Mongolia and acknowledged and accepted by China Development Bank, effective until July 1, 2026. Following a recent capital injection, our capital adequacy ratio recovered to 24.1% in June 2026, exceeding the regulatory requirement. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contributed Capital and Capital Adequacy—New Capital Injection" for additional information on this capital injection and its effect on our capital adequacy.

Events of Default

The China Development Bank Loan contains customary events of default, including non-payment, insolvency, cross-defaults, cessation of business, misrepresentation, breaches of the terms of the agreement. In addition, a default would occur if the Government, the Central Bank of Mongolia, or any governmental agency takes steps to be adjudicated bankrupt or insolvent, wound up, or has a liquidator or receiver appointed.

Ministry of Finance Loan

In 2024, we entered into a fixed-rate loan agreement with the Ministry of Finance at an interest rate of 0.75% *per annum*, with the loan maturing in 2044 (such facility, the "Ministry of Finance Loan").

Interest

The Ministry of Finance Loan bears interest at a rate of 0.75% *per annum*. Interest is payable semiannually beginning June 15, 2025.

Covenants

Under the agreement for the Ministryof Finance Loan, we have the right to use the funds specified in the general provisions of the agreement solely for the financing of mortgage loans for individual residential housing to be constructed in accordance with the green building standards stipulated in clause 3.1.3.11 of the Government Action Plan for 2024–2028.

Bonds

US$500 Million Senior Notes due 2028

In July 2025, we issued USD 500 million unsecured senior notes on the international market (the "US$500 Million Senior Notes"), bearing interest at 8.5% *per annum* and maturing in July 2028. In connection with the issuance of the US$500 Million Senior Notes, we conducted a tender offer to exchange a portion of our existing US$200 million senior notes due 2026, pursuant to which US$122.4 million of the existing notes were exchanged into the newly issued notes. During 2025, we also repurchased portions of both the newly issued notes and the existing notes, with principal amounts of US$24.9 million and US$16.8 million, respectively. As of March 31, 2026, the outstanding principal balance of the US$500 Million Senior Notes was US$500.0 million.

MNT 346.0 Billion Private Placement Notes due 2027

In May 2023, we issued US$75 million of private placement notes, and in June 2023, we issued a second tranche of MNT 85,935 million of private placement notes in the Mongolian over-the-counter market. The interest rates for these tranches are 9.5% and 16.25% *per annum*, respectively, and both tranches mature in May 2027. As of March 31, 2026, the outstanding principal balance of these notes was MNT 346,008.5 million.

MNT 142.5 Billion Private Placement Notes due 2031

In October 2021, we issued MNT 142,458 million of private placement notes in the Mongolian over-the-counter market. In October 2024, we extended the maturity of these notes to 2031. As of March 31, 2026, the outstanding principal balance of these notes was MNT 142,458.0 million.

There is no other credit agreement, debt instruments or other agreement under our agreements that carry restrictive covenants aside from that which is mentioned in this section. As of the date of this Offering Memorandum, following the completion of the New Capital Injection and the resulting restoration of our capital adequacy ratio to 24.1%, we are in compliance with all material obligations and are not in breach of any such obligations. For information regarding historical breaches and waivers, see "Risk Factors—Risks Relating to Our Operations—We have been in breach of certain financial covenants under our debt instruments and borrowing agreements, and certain waivers obtained in respect of these breaches are of limited duration."

We are not a party to other loan agreements or restricting obligations under our agreements that affect the proposed offering.

DESCRIPTION OF THE NOTES

For purposes of this "**Description of the Notes**," the term "**Issuer**" refers to Development Bank of Mongolia LLC, a company established and existing with limited liability under the laws of Mongolia, and any successor obligor on the Notes, and not to any of its Subsidiaries. The Notes are to be issued under an indenture (the "**Indenture**") to be dated as of the Original Issue Date, between the Issuer and The Bank of New York Mellon, a banking corporation organized and existing under the laws of the State of New York with limited liability, as trustee (the "**Trustee**", which expression shall include its successor(s) and all persons for the time being the trustee or trustees under the Indenture).

The Notes offered hereby (the "**New Notes**") will constitute a further issuance of, be fungible and consolidated and form a single series with, the 6.900% Senior Notes due 2031 issued by the Issuer on July 2, 2026 (the "**Original Notes**"). Unless the context requires otherwise, references to the "Notes" in this "Description of Notes" means the Original Notes and the New Notes.

The following is a summary of certain provisions of the Indenture and the Notes. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture and the Notes. It does not restate the provisions of the Indenture or the Notes in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available for inspection on or after the Original Issue Date during normal office hours at the corporate trust office of the Trustee at 240 Greenwich Street, New York, NY 10286, United States of America.

Brief Description of the Notes

The Notes will:

(a) be direct, unsecured and unsubordinated obligations of the Issuer;

(b) be senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes;

(c) rank at least *pari passu* in right of payment with all other unsecured and unsubordinated Debt of the Issuer (subject to any priority rights of such unsubordinated Debt pursuant to applicable law); it being understood that this provision shall not be construed so as to require the Issuer to make payments under the Notes ratably with payments being made under any other Debt; and

(d) be effectively subordinated to (x) secured obligations of the Issuer, to the extent of the value of the assets serving as security therefor, and (y) obligations of its Subsidiaries.

The Indenture allows the Issuer to issue additional Notes from time to time (the "**Additional Notes**"), subject to certain limitations described under "*—Further Issues*" and applicable law. The Original Notes, the New Notes offered hereby and any Additional Notes may be treated as a single class for all purposes under the Indenture.

Interest

The Notes will bear interest at 6.900% per annum from the Original Issue Date or from the most recent interest payment date on which interest has been paid or duly provided for, payable semi-annually in arrears on January 2 and July 2 of each year (each, an "**Interest Payment Date**") commencing January 2, 2027. Interest on the Notes will be paid to Holders of record at the close of business on the Interest Record Date for the applicable Interest Payment Date, notwithstanding any transfer, exchange or cancellation thereof after an Interest Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Payment of Notes

In any case in which the date of the payment of principal of, premium, if any, or interest on the Notes (including any payment to be made on any date fixed for redemption or purchase of any Note) is not a Business Day in the relevant place of payment, then payment of principal, premium, if any, or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place and no interest on such payment will accrue in respect of the delay. Any payment made on such Business Day will have the same force and effect as if made on the date on which such payment is due. Interest on overdue principal and interest and Additional Amounts, if any, will accrue at a rate that is 1% higher than the then applicable interest rate on the Notes.

The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. See "*—Book-Entry; Delivery and Form*." No service charge will be made for any registration of transfer or exchange of Notes, but the Issuer may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars in immediately available funds by the Issuer at the office or agency of the Issuer maintained for that purpose in the Borough of Manhattan, the City of New *York* (which initially will be the specified office of The Bank of New York Mellon, a banking corporation organized and existing under the laws of the State of New York with limited liability (the "**Paying Agent**", including any successor paying agent), currently located at 240 Greenwich Street, New York, NY 10286, United States of America), and the Notes may be presented for registration of transfer or exchange at such office or agency. However, at the option of the Issuer, payment of interest may be made by wire transfer. Interest payable on the Notes held through DTC will be available to DTC participants (as defined herein) on the Business Day following payment thereof.

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Issuer may, from time to time, without notice to or the consent of the Holders, issue Additional Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, issue price and the date of first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided, however, that* any additional debt securities subsequently issued shall be issued, for U.S. federal income tax purposes, either (a) as part of the "same issue" as the debt securities, (b) in a "qualified reopening" of the debt securities or (c) with less than a de minimis amount of original issue discount, unless such additional debt securities have a separate CUSIP, ISIN or other identifying number from the previously outstanding debt securities. Such additional debt securities will be consolidated with and will form a single series with the previously outstanding debt securities.

In addition, the issuance of any Additional Notes by the Issuer will be subject to the following conditions:

(a) the Issuer shall have delivered to the Trustee an Officers' Certificate confirming that the issuance of the Additional Notes complies with the Indenture; and

(b) the Issuer shall have delivered to the Trustee one or more Opinions of Counsel confirming, among other things, (i) that the issuance of the Additional Notes does not conflict with applicable law and (ii) that such Additional Notes will constitute legally valid and binding obligations of the Issuer, enforceable in accordance with their terms, subject to customary exceptions.

Purchases

The Issuer and its Affiliates may at any time and from time to time purchase Notes in the open market or otherwise at any price, subject to applicable law. Except as set forth under "*—Cancellation*", such Notes may, at the option of the Issuer or relevant Affiliate, be held or surrendered to the Paying Agent for cancellation. The

Notes so purchased, while held by or on behalf of the Issuer or any of its Affiliates, shall not entitle the Issuer or any of its Affiliates to vote at any meeting of Holders and shall not be deemed to be outstanding for the purposes of determining Notes entitled to consent or vote to amendments, waivers and other matters under the Indenture.

Cancellation

All Notes purchased by the Issuer or any of its Affiliates may be cancelled at the discretion of the Issuer. Notes may be cancelled by surrendering each such Note to the Paying Agent and if so surrendered shall be cancelled forthwith (and may not be reissued or resold) and the obligations of the Issuer in respect of any such Note shall be discharged.

Repurchase of Notes Upon Change of Control

No later than 30 days following a Change of Control, the Issuer will make an Offer to Purchase all Outstanding Notes (a "**Change of Control Offer**") at a purchase price equal to 101.0% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to (but not including) the date of repurchase.

The Issuer has agreed in the Indenture that it will timely repay all Debt or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Issuer, it is important to note that if the Issuer is unable to repay (or cause to be repaid) all of the Debt, if any, that would prohibit repurchase of the Notes, or is unable to obtain the requisite consents of the holders of such Debt or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes.

Notwithstanding the above, the Issuer will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the same manner, at the same times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The Trustee shall not be required to take any steps to monitor or ascertain whether a Change of Control has occurred and shall not be liable to any person for any failure to do so.

A "**Change of Control**" will be deemed to have occurred at such time as the Issuer ceases to be a subsidiary wholly owned and controlled, directly or indirectly, by the Government of Mongolia.

Sinking Fund

There will be no sinking fund payments for the Notes.

Additional Amounts

All payments of principal of, and premium, if any, and interest on the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Issuer or the Surviving Person (as defined under "*—Consolidation, Merger and Sale of Assets*") is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein) or through which payment is made on behalf of the Issuer or the Surviving Person (each, as applicable, a "**Relevant Taxing Jurisdiction**"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law.

In such event, the Issuer or the Surviving Person, as the case may be, will make or cause to be made such deduction or withholding, make payment of the amount so deducted or withheld to the appropriate governmental authority and will pay such additional amounts ("**Additional Amounts**") as will result in receipt by the Holder of

such amounts as would have been received by such Holder had no such withholding or deduction been required. However, no Additional Amounts will be payable:

(a) for or on account of:

(i) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(A) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Taxing Jurisdiction including, without limitation, such Holder's or beneficial owner's being or having been a citizen or resident of such Relevant Taxing Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein, other than merely holding such Note or the receipt of payments thereunder or enforcing payment under the Note;

(B) the presentation of such Note (where presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, or interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(C) the failure of the Holder or beneficial owner to comply with a timely request of the Issuer or the Surviving Person, as the case may be, addressed to the Holder, to provide information to the Issuer or the Surviving Person on any document or form concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Taxing Jurisdiction, if and to the extent that due and timely compliance with such request is required under the laws of a Relevant Taxing Jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or

(D) the presentation of such Note (where presentation is required) for payment by or on behalf of a Holder or beneficial owner who would have been able to avoid such Taxes by presenting the Note for payment elsewhere;

(ii) any estate, inheritance, gift, sale, transfer or similar tax, assessment or other governmental charge;

(iii) any tax, duty, assessment or other governmental charge which is payable other than by deduction or withholding from payments of principal of or interest or any premium on the Note;

(iv) any applicable taxes required to be withheld or deducted under Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") (or any amended or successor versions of such Sections that is substantively comparable and not materially more onerous to comply with) ("**FATCA**"), any regulations or other official guidance thereunder, any intergovernmental agreement or agreement pursuant to Section 1471(b)(1) of the Code entered into in connection with FATCA, or any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement, or any agreement with the United States or any other jurisdiction or authority pursuant to the foregoing; or

(v) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding paragraphs (i), (ii), (iii) and (iv); or

(b) with respect to any payment of the principal of, or premium, if any, or interest on, such Note to such Holder, if the Holder is a fiduciary, corporation, limited liability company, partnership or person other than the sole beneficial owner of any payment to the extent that, under the laws of a Relevant Taxing Jurisdiction, such payment would be required to be included in income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a shareholder of that corporation, a member of that partnership or limited liability company or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, shareholder, partner, or beneficial owner been the Holder thereof; or

(c) any combination of paragraphs (a) and (b).

As a result of these provisions, there are circumstances in which taxes could be withheld or deducted but Additional Amounts would not be payable to some or all beneficial owners of Notes.

Whenever there is mentioned in any context the payment of principal, premium or interest in respect of any Note, such mention will be deemed to include payments of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Paying Agent and the Trustee will make payments free of withholdings or deductions on account of taxes unless required by applicable law. If such a deduction or withholding is required, the Paying Agent or the Trustee will not be obligated to pay any Additional Amount to the recipient unless such Additional Amount is received by the Paying Agent or the Trustee.

In addition to the foregoing, the Issuer or the Surviving Person, as the case may be, will also pay and indemnify the Holder or beneficial owner, as applicable, for any present or future stamp, issue, registration, court or documentary taxes, or any other excise or property taxes, charges or similar levies (including penalties and interest) which are levied by any jurisdiction on the execution, delivery, issuance, registration, redemption or retirement of any of the Notes or the Indenture or any other document referred to therein (other than a transfer of the Notes after this offering) or any such taxes, charges or similar levies imposed by the United States, Mongolia, or any political subdivision thereof as a result of, or in connection with, the enforcement of any of the Notes.

Redemption for Taxation Reasons

The Notes may be redeemed at the option of the Issuer or the Surviving Person, as the case may be, as a whole but not in part, by giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice will be irrevocable) and the Trustee, at a redemption price equal to 100.0% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to (but not including) the date fixed by the Issuer or the Surviving Person, as the case may be, for redemption (the "**Tax Redemption Date**"), if the Issuer or the Surviving Person, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by taking reasonable measures (including the appointment of a new paying agent) by the Issuer or the Surviving Person, as the case may be, as a result of:

(a) any change in, or amendment to, the laws or any regulations or rulings promulgated thereunder of a Relevant Taxing Jurisdiction affecting taxation; or

(b) any change in, or amendment to, an official position regarding the application, administration or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice),

which change or amendment is announced and becomes effective on or after the Original Issue Date with respect to any payment due or to become due under the Notes or the Indenture (or, if the Relevant Taxing Jurisdiction was not a Relevant Taxing Jurisdiction on the Original Issue Date, the date on which such jurisdiction became a Relevant Taxing Jurisdiction under the Indenture).

Notwithstanding the above, no such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Issuer or the Surviving Person, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer or a Surviving Person, as the case may be, will deliver to the Trustee:

(a) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, and describing the facts related thereto and stating that such requirement cannot be avoided by the Issuer or such Surviving Person, as the case may be, taking reasonable measures available to it; and

(b) an Opinion of Counsel of recognized standing with respect to tax matters of the Relevant Taxing Jurisdiction stating that the requirement to pay such Additional Amounts, and withhold or deduct such taxes, duties, assessments or other governmental charges results from such change or amendment referred to in the prior paragraph.

The Trustee and the Agents shall be entitled to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above without further verification, and it will be conclusive and binding on the Holders. The Trustee will not be responsible for any loss occasioned by acting in reliance on such certificate and opinion. The Trustee is not obligated to investigate or verify any information in such certificate and opinion.

Any Notes that are redeemed will be cancelled.

Optional Clean-Up Redemption

In connection with any tender offer for the Notes (including any Change of Control Offer made in accordance with the terms of the Indenture), if Holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such tender offer or exchange offer, purchases all of the Notes validly tendered and not withdrawn by such Holders, the Issuer or such third party will have the right, upon not less than 30 nor more than 60 days' prior notice to the Holders (with a copy to the Trustee), given not more than 30 days following the date of such purchase, to redeem all Notes that remain outstanding following such purchase at a redemption price equal to the purchase price paid to each other Holder in such tender offer, plus accrued and unpaid interest and Additional Amounts, if any, on such Notes to, but excluding, the date fixed for redemption.

The Issuer shall calculate the redemption price in connection with any such redemption, and the Trustee shall have no duty to calculate or verify any such calculation. Any Notes that are redeemed pursuant to this provision will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Negative Pledge

So long as any of the Notes remains outstanding (as provided in the Indenture), the Issuer will not, and will procure that none of its Subsidiaries will, create or have outstanding any Lien upon, or with respect to, any part of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer or any Subsidiary to secure any Relevant Indebtedness, unless the Issuer, in the case of the creation of a Lien, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

(a) all amounts payable by it under the Notes and the Indenture are secured by such Lien equally and rateably with the Relevant Indebtedness; or

(b) such other Lien or other arrangement (whether or not it includes the granting of a Lien) is provided either (i) as the Trustee in its absolute discretion deems to be not materially less beneficial to the interests of the Holders of the Notes or (ii) as may be consented to by the Holders of a majority in aggregate principal amount of the outstanding Notes.

Use of Proceeds

The Issuer will use the proceeds received from the Notes as set forth in this Offering Memorandum under the caption "*Use of Proceeds*."

Provision of Financial Statements and Reports

For so long as any of the Notes remains outstanding, the Issuer will file with the Trustee and furnish to the Holders upon request in the English language:

(a) in the event of its ordinary share capital not being listed or quoted on any exchange or securities market,

(i) as soon as they are available, but in any event within the earlier of (x) 120 calendar days after the end of the financial year of the Issuer and (y) the earliest date on which such information is provided to the holders of any of the Issuer's other debt securities that are outstanding from time to time, copies of the financial statements and related reports (on a consolidated basis) of the Issuer in respect of such financial year (including a consolidated statement of comprehensive income, a consolidated statement of financial position and a statement of cash flows) audited by a member firm of an internationally recognized firm of independent accountants;

(ii) as soon as they are available, but in any event within the earlier of (x) 120 calendar days after the end of the second financial quarter of the Issuer and (y) the earliest date on which such information is provided to the holders of any of the Issuer's other debt securities that are outstanding from time to time, copies of the financial statements and related reports (on a consolidated basis) of the Issuer in respect of such half-year period (including a statement of income, balance sheet and a statement of cash flows) reviewed by a member firm of an internationally recognized firm of independent accountants; and

(iii) as soon as they become available, but in any event within 10 days of their delivery to the relevant holders, copies of any financial statements and related reports (on a consolidated basis) of the Issuer in respect of any quarterly periods that are provided to the holders of any of the Issuer's other debt securities that are outstanding from time to time; and

(b) in the event of its ordinary share capital being listed on any exchange or securities market, as soon as practicable and in any event no later than 10 days after its filing with the relevant stock exchange, of any audited or interim consolidated financial statements (and related reports attached thereto) in the English language made in accordance with the listing rules of such stock exchange, true and correct copies of such financial statements and related reports.

In addition, the Issuer will provide to the Trustee as soon as possible and in any event within seven days after the Issuer becomes aware or should reasonably become aware of the occurrence of an Event of Default or Default (or at any time within 14 days of any request in writing by the Trustee), an Officers' Certificate setting forth the details of the Event of Default or Default, and the action which the Issuer proposes to take with respect thereto and the Trustee shall be entitled to accept such certificate as sufficient evidence thereof, in which event it shall be conclusive and binding on the Holders.

Further, the Issuer has agreed that, for so long as there are Notes which are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), during any period in which the Issuer is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934,

as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Issuer will supply to (i) any Holder or beneficial owner of a Note or (ii) a prospective purchaser of a Note or a beneficial interest therein designated by such Holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act upon the request of any Holder or beneficial owner of a Note.

Events of Default

The following events will be defined as "**Events of Default**" in the Indenture:

(a) if default is made in the payment of any principal of any such Note when due and such failure continues for a period of three (3) calendar days; or

(b) if default is made in the payment of any interest on any such Note when due, and such default shall continue for 15 Business Days; or

(c) if the Issuer fails to perform or observe any of its obligations under the Notes or the Indenture (other than any default referred to in paragraph (a) or paragraph (b) above), and (except in any case where the failure is incapable of remedy, in which case no such continuation or notice shall be required) such failure continues for the period of 60 days next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or

(d) if (i) any present or future Indebtedness for Borrowed Money of the Issuer or any of its Subsidiaries becomes capable of being declared due and repayable prematurely by reason of an event of default (however described); or (ii) the Issuer or any of its Subsidiaries defaults in any payment in respect of any Indebtedness for Borrowed Money on the due date for payment and if such default shall continue for more than the period of grace, if any, originally applicable thereto; or (iii) any security given by the Issuer or any of its Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable *provided that* no event described in this subparagraph shall constitute an Event of Default unless the Indebtedness for Borrowed Money or other relevant liability due and unpaid, either alone or when aggregated (without duplication) with other amounts of Indebtedness for Borrowed Money and/or other liabilities due and unpaid relative to all (if any) other events specified in (i) through (iii) above, amount to at least US$20,000,000 or its equivalent in other currencies (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by an independent bank of international repute in London on the day on which the calculation falls to be made); or

(e) if any order is made by a court of competent jurisdiction or a resolution is passed for the winding up or dissolution of the Issuer or any of its Principal Subsidiaries, except (i) for the purposes of reorganization on terms previously approved by Holders of at least a majority in principal amount of the outstanding Notes, and (ii) in the case of a Principal Subsidiary, a voluntary solvent winding up in connection with the transfer of all or substantially all of its business, undertaking and assets to the Issuer or any other Subsidiary of the Issuer, which thereby becomes a Principal Subsidiary; or

(f) if the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on (in the case of the Issuer) the whole or a substantial part of its business or (in the case of any of the Issuer's Subsidiaries) the whole or substantially all of its business, except (i) for the purposes of reorganization on terms previously approved by at least a majority in principal amount of the outstanding Notes, or (ii) in the case of a Principal Subsidiary, in connection with the transfer of all or substantially all of its business, undertaking and assets to the Issuer or any other Subsidiary of the Issuer which thereby becomes a Principal Subsidiary; or the Issuer or any of its Principal Subsidiaries stops or threatens to stop or suspend payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(g) if (i) proceedings are initiated against the Issuer or any of its Principal Subsidiaries under any applicable liquidation, insolvency, composition, reorganization or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Principal Subsidiaries or, as the case may be, in relation to the whole or substantially all of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or substantially all of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or substantially all of the undertaking or assets of any of them, and (ii) in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order) unless initiated by the relevant company, is not discharged within 20 days, save in any of the cases in (i) and (ii) for the purposes of reorganization on terms previously approved by at least a majority in principal amount of the outstanding Notes, or in the case of a Principal Subsidiary, in connection with the transfer of all or substantially all of its business, undertaking and assets to the Issuer or any other Subsidiary of the Issuer which thereby becomes a Principal Subsidiary; or

(h) if the Issuer or any of its Principal Subsidiaries (or their respective directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganization or other similar laws, save in any such case for the purposes of reorganization on terms previously approved by at least a majority in principal amount of the outstanding Notes, or in the case of a Principal Subsidiary, in connection with the transfer of all or substantially all of its business, undertaking and assets to the Issuer or any other Subsidiary of the Issuer which thereby becomes a Principal Subsidiary; or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(i) if the validity of the Notes or the Indenture is contested by the Issuer, or the Issuer denies any of its obligations under the Notes or the Indenture or it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Indenture or any of such obligations are or become unenforceable or invalid; or

(j) if any regulation, decree, consent, approval, license or other authority necessary to enable the Issuer to make or perform its obligations under the Notes or the Indenture, or for the validity or enforceability thereof, expires, is (i) withheld, revoked, terminated or otherwise ceases to remain in full force and effect, or (ii) modified; or

(k) if a moratorium is agreed or declared by the Issuer or any of its Subsidiaries in respect of any Indebtedness for Borrowed Money (including any obligation arising under any guarantee) of the Issuer or any of its Subsidiaries; or

(l) if the Issuer or any of its Subsidiaries is or becomes entitled or subject to, or is declared by law or otherwise to be protected by immunity (sovereign or otherwise) and the relevant section of the Indenture on waiver of immunity is held to be invalid or unenforceable; or

(m) the Government of Mongolia declares a general moratorium on the payment of its External Indebtedness, including obligations under guarantees; or

(n) the Government of Mongolia becomes liable to repay prior to maturity any amount of External Indebtedness, including obligations under guarantees, as a result of a default under such External Indebtedness or obligations; or

(o) the international monetary reserves of the Government of Mongolia become subject to a security interest or segregation or other preferential arrangement for the benefit of any creditors; or

(p) if any event occurs which, under the laws of Mongolia, has or may have an analogous effect to any of the events referred to in subparagraphs (e) to (h) inclusive.

"**Principal Subsidiary**" means any Subsidiary of the Bank:

(i) whose profit before tax ("**pre-tax profit**") (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Bank, as shown by its latest audited consolidated statement of profit or loss, are at least 10% of the pre-tax profit as shown by the latest published audited consolidated statement of profit or loss and other comprehensive income of the Bank and its Subsidiaries, including, for the avoidance of doubt, the Bank and its consolidated Subsidiaries' share or profits of Subsidiaries not consolidated and of associated entities and after adjustments for minority interests; or

(ii) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Bank, as shown by its latest audited consolidated statement of financial position, are at least 10% of the total assets of the Bank and its Subsidiaries as shown by the latest published audited consolidated statement of financial position of the Bank, including the investment of the Bank and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Bank and of associated companies and after adjustment for minority interests; or

(iii) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, *provided that* the Principal Subsidiary which so transfers its assets shall forthwith cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall cease to be a Principal Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate) of the Bank prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraph (i) or (ii) above of this definition,

provided that, in relation to paragraphs (i) and (ii) above of this definition:

(a) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Bank relate, the reference to the then-latest consolidated audited accounts of the Bank for the purposes of the calculation above shall, until consolidated audited accounts of the Bank for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then-latest consolidated audited accounts of the Bank adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(b) if at any relevant time in relation to the Bank or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, pre-tax profit or total assets of the Bank and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Bank;

(c) if at any relevant time in relation to any Subsidiary, no accounts are audited, its pre-tax profit or total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Bank; and

(d) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (a) above) are not consolidated with those of the Bank, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Bank.

If an Event of Default (other than any Event of Default specified in paragraphs (e) to (h) inclusive and (p) above) occurs and is continuing under the Indenture, the Trustee (in its sole discretion and without further notice) or the Holders of at least 25.0% in aggregate principal amount of the Notes then outstanding, by written notice to the Issuer (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written request of such Holders will (subject to being indemnified and/or secured and/or prefunded to its satisfaction), declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest will be immediately due and payable. If any Event of Default specified in paragraphs (e) to (h) inclusive and (p) above occurs, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding will automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Issuer and the Trustee, may on behalf of all of the Holders, waive all past defaults and rescind and annul a declaration of acceleration and its consequences with respect to the Notes if:

(a) the Issuer pays or deposits with the Trustee a sum sufficient to pay all monies then due with respect to the Notes (other than amounts due solely because of such declaration of acceleration) and all other existing Events of Default have been cured or waived, and

(b) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of, premium (if any) and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction in advance of the proceedings. However, the Trustee may refuse to follow any direction that is unclear, conflicting or equivocal, conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. In addition, the Trustee will not be required to expend its own funds in following such direction if it does not believe that reimbursement or satisfactory indemnification and/or security and/or prefunding is assured to it.

A Holder may not pursue or institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

(a) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(b) the Holders of at least 25.0% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(c) such Holder or Holders provides the Trustee indemnity and/or security and/or prefunding satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;

(d) the Trustee does not comply with the request within 60 days after receipt of the request and the indemnity and/or security and/or prefunding; and

(e) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest, and Additional Amounts, if any, on, such Note or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right will not be impaired or affected without the consent of the Holder.

Officers of the Issuer must certify to the Trustee in writing, on or before a date not more than 120 calendar days after the end of each fiscal year, that a review has been conducted of the activities of the Issuer and its Subsidiaries and the Issuer's performance under the Indenture and the Notes and that the Issuer has fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Issuer will also be obligated to notify the Trustee in writing of any default or defaults in the performance of any covenants or agreements under the Indenture. See "*– Provision of Financial Statements and Reports*."

The Trustee and the Agents need not do anything to ascertain whether any Event of Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and, the Trustee or the Agents may assume that no such event has occurred and that the Issuer is performing all its obligations under the Indenture and the Notes unless the Trustee has received written notice of the occurrence of such event or facts establishing that an Event of Default has occurred or the Issuer is not performing all of its obligations under the Indenture and the Notes. The Trustee is entitled to rely on any Opinion of Counsel or Officer's Certificate regarding whether an Event of Default has occurred.

Consolidation, Merger and Sale of Assets

The Issuer will not consolidate with, or merge with or into, another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets, computed on a consolidated basis with its Subsidiaries (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

(a) the Issuer will be the continuing Person, or the Person (if other than the Issuer) formed by such consolidation or merger or that acquired or leased such property and assets (the "**Surviving Person**") will be a corporation organized and validly existing under the laws of the jurisdiction in which the Issuer is organized and will expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Issuer under the Indenture and the Notes, including the obligation to pay Additional Amounts, and the Indenture and the Notes will remain in full force and effect;

(b) immediately after giving effect to such transaction, no Default or Event of Default will have occurred and be continuing;

(c) the Issuer delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with and that the relevant supplemental indenture is enforceable; and

(d) no Rating Decline will have occurred.

For purposes of this covenant, the conveyance, transfer or lease of all or substantially all of the property or assets of one or more Subsidiaries of the Issuer, which constitutes all or substantially all of the property or assets of the Issuer and its Subsidiaries on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the property or assets of the Issuer.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Issuer that may adversely affect Holders.

Payments for Consents

The Issuer will not, and will not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes, unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment. Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes in connection with an exchange offer, the Issuer and any of its Subsidiaries may exclude (a) holders or beneficial owners of the Notes that are not qualified institutional buyers as defined in Rule 144A under the Securities Act, and (b) holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such holders or beneficial owners would require the Issuer or any of its Subsidiaries to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Issuer in its sole discretion.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Issuer will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below and payments of all amounts due to the Trustee were made, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold monies for payment in trust and to pay Additional Amounts) if, among other things:

(a) the Issuer has (i) deposited with the Trustee, in trust, cash in U.S. dollars, U.S. Government Obligations or a combination thereof that through the payment of interest, premium, if any, and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and (ii) delivered to the Trustee (x) a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Issuer is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture and the Notes and (y) an Opinion of Counsel to the effect that the Holders have a valid, perfected, exclusive security in such trust;

(b) the Issuer has delivered to the Trustee (i) either (x) an Opinion of Counsel of recognized standing with respect to U.S. federal income tax matters which is based on a change in applicable U.S. federal income tax law occurring after the Original Issue Date to the effect that beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the Issuer's exercise of its option under this "– *Defeasance and Discharge*" provision and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same time as would have been the case if such deposit, defeasance and discharge had not occurred or (y) a ruling directed to

the Issuer or the Trustee received from the U.S. Internal Revenue Service to the same effect as the aforementioned Opinion of Counsel; and (ii) an Opinion of Counsel of recognized standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act, as amended;

(c) the Issuer has delivered to the Trustee an Officers' Certificate stating that the deposit was not made by it with the intent of preferring the Holders over any other of its creditors or with the intent of defeating, hindering, delaying or defrauding any other of its creditors or others; and

(d) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, will have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance will not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Issuer or any Subsidiary is a party or by which the Issuer or any Subsidiary is bound.

Amendments and Waivers

Amendments Without Consent of Holders

The Indenture may be amended or supplemented, without the consent of any Holder of Notes, to:

(a) cure any ambiguity, omission, defect or inconsistency in the Indenture or the Notes, *provided* that any such amendment may not adversely affect the interests of the Holders;

(b) comply with the provisions described under "*Certain Covenants – Consolidation, Merger and Sale of Assets*";

(c) evidence and provide for the acceptance of appointment by a successor Trustee;

(d) add any guarantor or guarantee with respect to the Notes;

(e) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(f) effect any change in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(g) effect any changes to the Indenture in a manner necessary to comply with the procedures of DTC or any applicable clearing system;

(h) provide collateral to secure the Notes;

(i) make any other change that does not materially and adversely affect the rights of any Holder of Notes;

(j) comply with the rules of any applicable securities depositary; or

(k) conform the text of the Indenture or the Notes to any provision of this "*Description of the Notes*" to the extent that such provision in this "*Description of the Notes*" was intended to be a verbatim recitation of a provision of the Indenture or the Notes.

Amendments With Consent of Holders

Amendments of the Indenture may be made by the Issuer and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the Holders of a majority in aggregate principal amount of the outstanding Notes may waive future compliance by the Issuer with any

provision of the Indenture or the Notes, *provided that* no such modification, amendment or waiver may, without the consent of Holders of not less than 66⅔% in aggregate principal amount of the outstanding Notes:

(a) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(b) reduce the principal amount of, or premium, if any, or interest on, any Note;

(c) change the currency, time or place of payment of principal of, or premium, if any, or interest on, any Note;

(d) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;

(e) reduce the above stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture, to waive compliance with certain provisions of the Indenture or to waive certain defaults;

(f) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(g) amend, change or modify (i) the obligation of the Issuer in respect of the due and punctual payment of the principal of, premium, if any, or interest on, any Note; (ii) the obligation of the Issuer to pay Additional Amounts, or (iii) the ranking of the Notes, in each case, in a manner that adversely affects the Holders; or

(h) reduce the premium payable upon the redemption or repurchase of any Note, or change the time at which any Note may be redeemed or repurchased as described above under the caption "*—Repurchase of Notes Upon Change of Control*" or "*—Redemption for Taxation Reasons*."

No Personal Liability of Incorporators, Shareholders, Directors, Commissioners, Officers or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Issuer in the Indenture, or in any of the Notes or because of the creation of any Debt represented thereby, will be had against any incorporator, shareholder, director, commissioner, officer, employee or controlling person of the Issuer or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes. Such waiver may not be effective to waive liabilities under the applicable securities laws.

Concerning the Trustee and the Agents

The Bank of New York Mellon, a banking corporation organized and existing under the laws of the State of New York with limited liability, is to be appointed as Trustee under the Indenture and as registrar and paying and transfer agent (in such roles, the "**Agents**", which expression shall include successor agents) with regard to the Notes. Except during the continuance of an Event of Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Trustee and the Agents assume no responsibility for the accuracy or completeness of the information concerning the Issuer or its affiliates or any other party referenced in this Offering Memorandum or for any failure of the Issuer or any other party to disclose events that may have occurred or may affect the completeness or accuracy of such information.

The Trustee will be under no obligation to exercise any rights or powers conferred under the Indenture for the benefit of the Holders of Notes unless such Holders have offered to the Trustee pre-funding and/or indemnity and/or security satisfactory to the Trustee against any loss, liability or expense.

The Trustee is permitted to engage in other transactions with the Issuer and its Affiliates and shall not be obligated to account for any profits therefrom and no Trustee and no director or officer of any corporation being a Trustee hereof shall by reason of the fiduciary position of such Trustee be in any way precluded from making any contracts or entering into any transactions in the ordinary course of business with the Issuer, or any person or body corporate directly or indirectly associated with the Issuer, or from accepting the trusteeship of any other debenture stock, debentures or securities of the Issuer or any person or body corporate directly or indirectly associated with the Issuer, and neither the Trustee nor any such director or officer shall be accountable to the Holders or the Issuer, or any person or body corporate directly or indirectly associated with the Issuer, for any profit, fees, commissions, interest, discounts or share of brokerage earned, arising or resulting from any such contracts or transactions and the Trustee and any such director or officer shall also be at liberty to retain the same for its or their own benefit *provided that* if such Trustee or any such director or officer acquires any conflicting interest that may have a materially prejudicial effect upon the Holders, it must eliminate such conflict or resign.

The Trustee shall not be responsible for the performance by any other person appointed by the Issuer in relation to the Notes and, unless notified in writing to the contrary, shall assume that the same are being duly performed. The Trustee shall not be liable to any Holders or any other person for any action taken by the Holders or the Trustee in accordance with the instructions of the Holders. The Trustee shall be entitled to rely on any written direction of the Holders which has been duly given by the Holders of the requisite principal amount of the Notes outstanding.

Neither the Trustee nor the Agents will be responsible for making calculations or for verifying calculations performed by the Issuer or any other persons unless otherwise specified in the Indenture.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that a Global Note (as defined below) is exchanged for definitive Notes. In addition, in the event that a Global Note (as defined below) is exchanged for definitive Notes, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

Book-Entry; Delivery and Form

The certificates representing the Notes will be issued in fully registered form without interest coupons. Notes sold in offshore transactions in reliance on Regulation S under the Securities Act will initially be represented by one or more permanent global notes in definitive, fully registered form without interest coupons (each, a "**Regulation S Global Note**") and will be deposited with The Bank of New York Mellon as custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream. Notes sold in reliance on Rule 144A will be represented by one or more permanent global notes in definitive, fully registered form without interest coupons (each, a "**Restricted Global Note**"; and together with the Regulation S Global Notes, the "**Global Notes**") and will be deposited with The Bank of New York Mellon as custodian for, and registered in the name of a nominee of, DTC.

Each Global Note (and any Notes issued for exchange therefor) will be subject to certain restrictions on transfer set forth therein as described under "*Transfer Restrictions*."

Ownership of beneficial interests in a Global Note will be limited to persons who have accounts with DTC ("**participants**") or persons who hold interests through participants. Ownership of beneficial interests in a Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). Beneficial owners may hold their interests in a Global Note directly through DTC if they are participants in such system, or indirectly through organizations which are participants in such system.

In considering the interests of holders of the Notes while title to the Notes is registered in the name of a nominee of DTC, the Trustee and each of the Agents may (but will not be obliged to) rely conclusively upon any information made available to it by DTC as to the identity (either individually or by category) of its participants with entitlements to Notes and may (but will not be obliged to) consider such interests as if such accountholders were the holders of the Notes.

Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through DTC.

So long as DTC, or its nominee, is the registered owner or holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Indenture and the Notes. No beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Indenture and, if applicable, those of Euroclear and Clearstream.

Payments of the principal of, premium, if any, and interest on, a Global Note, will be made to DTC or its nominee, as the case may be, as the registered owner thereof. Neither the Issuer, the Trustee nor the Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Issuer expects that DTC or its nominee, upon receipt of any payment of principal of, premium, if any, or interest in respect of a Global Note, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of DTC or its nominee. The Issuer also expects that payments by participants to owners of beneficial interests in such Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

The Issuer expects that DTC will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account the DTC interests in a Global Note is credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. However, if there is an Event of Default under the Notes, DTC will exchange the applicable Global Note for notes that will be in certificated, registered form without interest coupons ("**Certificated Notes**"), which it will distribute to its participants and which may be legended as set forth under the heading "*Transfer Restrictions*."

Although DTC, Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in a Global Note among participants of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or the Paying Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

If DTC is at any time unwilling or unable to continue as a depositary for the Global Notes and a successor depositary is not appointed by the Issuer within 90 days, the Issuer will issue Certificated Notes, which may bear the legend referred to under "*Transfer Restrictions*," in exchange for the Global Notes. Holders of an interest in a Global Note may receive Certificated Notes, which may bear the legend referred to under "*Transfer Restrictions*," in accordance with the DTC's rules and procedures in addition to those provided for under the Indenture.

The Clearing Systems

General

DTC, Euroclear and Clearstream have advised the Issuer as follows:

DTC: DTC is a limited-purpose trust company organized under the laws of the State of New York, a "banking organization" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom own DTC, and may include the initial purchaser. Indirect access to the DTC system is also available to others that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly ("**indirect participants**"). Transfers of ownership or other interests in Notes in DTC may be made only through DTC participants. In addition, beneficial owners of Notes in DTC will receive all distributions of principal of, premium, if any, and interest on the Notes from the Trustee through such DTC participant.

Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Initial Settlement

Investors' interests in Notes held in book-entry form by DTC will be represented through financial institutions acting on their behalf as direct and indirect participants in DTC. As a result, Euroclear and Clearstream will hold positions on behalf of their participants through DTC.

Investors electing to hold their Notes through DTC (other than through accounts at Euroclear or Clearstream) must follow the settlement practices applicable to United States corporate debt obligations. The securities custody accounts of investors will be credited with their holdings against payment in same day funds on the settlement date.

Investors electing to hold their Notes through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Notes will be credited to the securities custody accounts of Euroclear Holders and of Clearstream Holders on the Business Day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules. Secondary market trading between Clearstream participants and/or Euroclear participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream and Euroclear and will be settled using the procedures applicable to conventional eurobonds.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by its U.S. depositary; however, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if a transaction meets its settlement requirements, deliver instructions to its U.S. depositary to take action to effect final settlement on its behalf by delivering or receiving Notes in DTC, and making or receiving payment in

accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream participants and Euroclear participants may not deliver instructions directly to the U.S. depositaries.

Because of time zone differences, credits of Notes received in Clearstream or Euroclear as a result of a transaction with a DTC participant will be made during subsequent securities settlement processing and dated the Business Day following the DTC settlement date. Such credits or any transactions in such Notes settled during such processing will be reported to the relevant Clearstream participants or Euroclear participants on such Business Day. Cash received in Clearstream or Euroclear as a result of sales of Notes by or through a Clearstream participant or a Euroclear participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the Business Day following settlement in DTC.

The Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the United States mails: (if intended for the Issuer) addressed to the Issuer; (if intended for the Trustee) at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the register of Notes (the "**Register**").

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of DTC. Any such notice will be deemed to have been delivered on the day such notice is delivered to DTC or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process; Waiver of Immunity

The Issuer will irrevocably (i) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, the Indenture or any transaction contemplated thereby and (ii) designate and appoint Cogency Global Inc., currently of 122 East 42nd Street, 18th Floor, New York, NY 10168, for receipt of service of process in any such suit, action or proceeding.

The Issuer will irrevocably waive, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding brought in such courts and any claim that any such suit, action or proceeding brought in such courts has been brought in an inconvenient forum. To the extent that the Issuer has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process with respect to itself or its property, the Issuer will irrevocably waive such immunity in respect of its obligations under the Indenture and any Note. The Issuer will agree that final judgment in any such suit, action or proceeding brought in such a court shall be conclusive and binding on the Issuer and, to the extent permitted by applicable law, may be enforced in any court to the jurisdiction of which the Issuer is subject by a suit upon such judgment or in any manner provided by law; provided that service of process is effected upon the Issuer, in the manner specified in the Indenture or as otherwise permitted by law.

Governing Law

Each of the Notes and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "*Description of the Notes*" for which no definition is provided.

"**Affiliate**" means, with respect to any Person, any other Person (a) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person or (b) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (a) of this definition. For purposes of this definition, "**control**" (including, with correlative meanings, the terms "**controlling**," "**controlled by**" and "**under common control with**"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"**Attributable Indebtedness**" means, in respect of a Sale and Leaseback Transaction, at the time of determination, the present value, discounted at the interest rate borne by the Notes of the total obligations of the lessee for rental payments during the remaining term of the lease in such Sale and Leaseback Transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended.

"**Board of Directors**" means the representative governing board elected or appointed by the stockholders of the Issuer to manage the business of the Issuer or any committee of such board duly authorized to take the action purported to be taken by such committee.

"**Business Day**" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, Singapore or Mongolia or the city where the corporate trust office of the Trustee is then located are authorized by law or governmental regulation to close; *provided that*, solely for purposes of determining the date of any payment to be made on any Note, "**Business Day**" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, Singapore or Mongolia or the place in which payments on the Notes are to be made are authorized by law or governmental regulation to close.

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents (however designated, whether voting or nonvoting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock.

"**Capitalized Lease**" means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with IFRS, is required to be capitalized on the balance sheet of such Person.

"**Capitalized Lease Obligations**" means the capitalized amount of any rental obligations under a Capitalized Lease in accordance with IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of penalty.

"**Clearstream**" means Clearstream Banking, société anonyme or any successor thereof.

"**Common Stock**" means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding on the Original Issue Date, and include, without limitation, all series and classes of such common stock or ordinary shares.

"**Currency Agreement**" means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

"**Debt**" means, with respect to any Person at any date of determination (without duplication):

(a) all indebtedness of such Person for borrowed money;

(b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(c) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (including any premium to the extent such premium has become due and payable);

(d) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(e) all Capitalized Lease Obligations and Attributable Indebtedness;

(f) all indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such indebtedness is assumed by such Person; provided that the amount of such indebtedness shall be the lesser of (i) the Fair Market Value of such asset at such date of determination and (ii) the amount of such indebtedness;

(g) all indebtedness of other Persons guaranteed by such Person to the extent such indebtedness is guaranteed by such Person;

(h) to the extent not otherwise included in this definition, Hedging Obligations; and

(i) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

"**Indebtedness for Borrowed Money**" means (a) any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any acceptance or acceptance credit and (b) to the extent not included in (a), any guarantee and/or indemnity in respect of any such indebtedness.

"**Default**" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"**Disqualified Stock**" means any class or series of Capital Stock of any Person that by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or otherwise is (a) required to be redeemed prior to the Stated Maturity of the Notes, (b) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (c) convertible into or exchangeable for Capital Stock referred to in clause (a) or (b) above or Debt having a scheduled maturity prior to the Stated Maturity of the Notes.

"**DTC**" means The Depository Trust Company and its successors.

"**External Indebtedness**" means any obligation for the payment or repayment of money borrowed that is denominated in a currency other than the currency of Mongolia.

"**Euroclear**" means Euroclear Bank SA/NV or any successor thereof.

"**Fair Market Value**" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by its resolution.

"**guarantee**" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of

assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided that* the term "**guarantee**" will not include endorsements for collection or deposit in the ordinary course of business. The term "**guarantee**" used as a verb has a corresponding meaning.

"**Hedging Obligation**" of any Person means the obligations of such Person pursuant to any Currency Agreement or Interest Rate Agreement.

"**Holder**" means the Person in whose name a Note is registered in the Register.

"**IFRS**" means International Financial Reporting Standards issued by the International Accounting Standards Board. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with IFRS applied on a consistent basis.

"**Interest Rate Agreement**" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

"**Investment Grade**" means a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns; a rating of "BBB-" or better by Fitch or any of its successors or assigns; or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Issuer as having been substituted for S&P or Fitch or any combination thereof, as the case may be.

"**Lien**" means any mortgage, pledge, fiduciary, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"**Officer**" means one of the executive officers or directors of the Issuer.

"**Officer's Certificate**" means a certificate signed by two Officers.

"**Opinion of Counsel**" means a written opinion from legal counsel which opinion is reasonably acceptable to the Trustee that meets the requirements of the Indenture; *provided that* legal counsel shall be entitled to rely on a certificate of the Issuer as to matters of fact.

"**Original Issue Date**" means the date on which the Notes are originally issued under the Indenture.

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"**Preferred Stock**" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over any other class of Capital Stock of such Person.

"**Rating Agencies**" means (a) S&P Global Ratings and its successors ("**S&P**"); (b) Fitch Inc. and its successors ("**Fitch**"); (c) Moody's Investors Service, Inc. and its successors ("**Moody's**"); and (d) if one or more of S&P, Fitch or Moody's shall not make a rating of the Notes publicly available, a United States nationally recognized securities rating agency or agencies, as the case may be, selected by the Issuer, which shall be substituted for S&P, Fitch or Moody's or any combination thereof, as the case may be.

"**Rating Category**" means (1) with respect to S&P and Fitch, any of the following categories: "BB", "B", "CCC", "CC", "C" and "D" (or equivalent successor categories), (2) with respect to Moody's, any of the following categories: "Ba", "B", "Caa", "Ca", "C" and "D" (or equivalent successor categories); and (3) the equivalent of

any such category of S&P, Fitch or Moody's used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for S&P and Fitch; "1", "2" and "3" for Moody's; or the equivalent gradations for another Rating Agency) will be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB", as well as from "BB-" to "B+", will constitute a decrease of one gradation).

"**Rating Date**" means, in connection with actions or events contemplated under "– Consolidation, Merger and Sale of Assets", that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"**Rating Decline**" means, in connection with actions or events contemplated under "– Consolidation, Merger and Sale of Assets", the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(1) in the event the Notes are rated by all three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three or all three Rating Agencies will be below Investment Grade;

(2) in the event the Notes are rated by any two, but not all three, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by either of such two Rating Agencies will be below Investment Grade;

(3) in the event the Notes are rated by only one of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency will be below Investment Grade; or

(4) in the event the Notes are rated below Investment Grade by all Rating Agencies on the Rating Date, the rating of the Notes by any Rating Agency will be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"**Interest Record Date**" means (i) the business day immediately preceding an Interest Payment Date so long as all of the Notes remain in book-entry only form or (ii) the 15th calendar day preceding such Interest Payment Date (whether or not a business day) if any of the Notes do not remain in book-entry only form.

"**Relevant Indebtedness**" means (a) any present or future Debt (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which (1) by their terms are payable in a currency other than Tugriks and (2) are for the time being, or are intended to be, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, and (b) any guarantee or indemnity in respect of any such indebtedness.

"**Sale and Leaseback Transaction**" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Issuer or any Subsidiary transfers such property to another Person and the Issuer or any Subsidiary leases it from such Person.

"**Stated Maturity**" means, (a) with respect to any Debt, the date specified in such debt security as the fixed date on which the final installment of principal of such Debt is due and payable as set forth in the documentation governing such Debt and (b) with respect to any scheduled installment of principal of or interest on any Debt, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Debt.

"**Subsidiary**" means any company (a) in which the Issuer holds a majority of the voting rights, (b) of which the Issuer is a member and has the right to appoint or remove a majority of the board of directors or (c) of which the Issuer is a member and controls a majority of the voting rights, and includes any company which is a subsidiary of a Subsidiary.

"**Trade Payables**" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or guaranteed by such Person or any of its Subsidiaries

arising in the ordinary course of business in connection with the acquisition of goods or services and payable within 90 days.

"**U.S. Government Obligations**" means securities that are (a) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (b) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and will also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided that* (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

TAXATION

The following summary is based on tax laws of Mongolia and the United States as in effect on the date of this Offering Memorandum, and is subject to changes in Mongolia law or in the laws of the United States, including changes that could have retroactive effect. The following summary does not take into account or discuss the tax laws of any countries other than Mongolia or the United States. Prospective purchasers in all jurisdictions are advised to consult their own tax advisors as to Mongolia law or the laws of the United States or other tax consequences of the acquisition, ownership and disposition of the Notes.

Mongolia Taxation

Interest Payments

The revised "Corporate Income Tax Law of Mongolia" dated March 22, 2019 and the revised "Personal Income Tax Law of Mongolia" dated March 22, 2019, became effective on January 1, 2020. In general, interest income is subject to Mongolian income tax at a rate of 10.0% under the Corporate Income Tax Law and the Personal Income Tax Law, while interest paid to non-resident tax payers will be subject to income tax at a rate of 20.0%, subject to applicable exemptions. The Mongolian income tax payable on the interest paid under bonds or securities will be withheld from the interest payment at the rate indicated above or, if the beneficiary of the interest payment is resident in a country with which Mongolia has entered into a double taxation treaty, at a potentially lower rate of tax if so provided in the applicable treaty.

Pursuant to amendments to the Corporate Income Tax Law and Personal Income Tax Law adopted in 2023, certain types of income are exempt from taxation. In particular, interest, payments and penalties on debt instruments (bonds) issued by the Government of Mongolia, the Capital City, and the Development Bank of Mongolia are exempt from tax. Accordingly, interest payable on Notes issued by the Development Bank of Mongolia is exempt from taxation under Mongolian tax law.

Certain of Mongolia's bilateral tax treaties provide reduced rates of withholding tax on interest payments, subject to the specific terms of each treaty and the eligibility of the beneficial owner. As of the date of this Offering Memorandum, bilateral tax treaties are in place between Mongolia and 26 other countries, including Austria, Belgium, China, France, Germany, Italy, Russia, Singapore, the United Kingdom of Great Britian and Northern Ireland, South Korea, Switzerland. This list is not exhaustive. The applicable treaty treatment may vary depending on the status of the recipient (including whether the recipient is a bank or similar financial institution). Interested parties should consult their own tax advisors to determine potential applicability.

Capital Gains

Pursuant to the Personal Income Tax Law and the Corporate Income Tax Law, payments with respect to bonds issued by the Issuer will be exempt from taxation. Accordingly, any capital gains realized by non-resident taxpayers with respect to the Notes will be tax exempt.

The Corporate Income Tax Law also imposes a withholding tax on capital gains realized on the sale of securities in Mongolia. However, no withholding tax applies on capital gains realized by the sale of Notes by non-residents outside Mongolia under the Corporate Income Tax Law. However, no withholding tax applies on capital gains realized by the sale of Notes by non-residents outside Mongolia under the Corporate Income Tax Law. This position may change in the future depending on Mongolia's tax policies and changes in the relevant laws. Further, as discussed above, relief from Mongolian tax obligations in this regard may be available to non-resident taxpayers covered by one of Mongolia's bilateral tax conventions. Interested parties should consult their own tax advisers to determine potential applicability.

No stamp duties or similar taxes or charges are payable under the laws of Mongolia in respect of the execution, issue, sale or transfer of the Notes.

United States Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of Notes as of the date hereof. This summary deals only with Notes that are held as capital assets by a U.S. holder (as defined below) that acquired the Notes upon original issuance at their offering price listed under the heading "Summary of the Offering—Issue Price."

For purposes of this summary, a "U.S. holder" means a beneficial owner of a Note that is, for U.S. federal income tax purposes, an individual who is a citizen or resident of the United States, a domestic corporation or otherwise subject to U.S. federal income tax on a net income basis in respect of its investment in the Notes.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions as of the date hereof. Those authorities are subject to change, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those summarized below. This discussion does not consider the effect of any applicable state, local or foreign tax laws, consequences arising under special timing rules prescribed under section 451(b) of the Code, or any aspect of U.S. federal taxation other than income taxation (such as estate and gift tax laws, any alternative minimum tax or the Medicare tax on net investment income). In addition, it does not address particular U.S. federal income tax consequences or considerations that may be applicable to investors subject to special treatment under the U.S. federal income tax laws, such as financial institutions; dealers in securities or currencies; traders in securities that elect to use the mark-to-market method of accounting for their securities; regulated investment companies; real estate investment trusts, partnerships or other pass-through entities and the partners therein; tax-exempt entities; insurance companies; persons holding the Notes as part of a hedging, integrated, constructive sale or conversion transaction or a straddle; nonresident alien individuals present in the United States for more than 182 days in a taxable year; and investors whose "functional currency" is not the U.S. dollar.

If you are considering the purchase of Notes, you should consult your own tax advisors concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of the Notes, as well as the consequences to you arising under the laws of any other taxing jurisdiction.

Qualified Reopening

For U.S. federal income tax purposes, the Notes are expected to be treated as issued in a "qualified reopening" of the 6.900% Senior Notes due 2031 we issued on July 2, 2026 (the "Original Notes"). Debt instruments issued in a qualified reopening are deemed to be part of the same issue as the original debt instruments for U.S. federal income tax purposes. Under the treatment described in this paragraph, the Notes will be deemed to have the same issue date and the same issue price as the Original Notes. The Original Notes had an issue price equal to 98.759% of the stated principal amount. This discussion assumes that the Notes offered hereby are issued in a qualified reopening of the Original Notes.

Pre-Reopening Accrued Interest

The initial offering price for the Notes will include amounts attributable to interest accrued from July 2, 2026, which we call "pre-reopening accrued interest." Pre-reopening accrued interest will be included in the accrued interest to be paid on the Notes on the first interest payment date after the issuance of the Notes. In accordance with applicable U.S. Treasury regulations, for U.S. federal income tax purposes, we will treat the Notes as having been issued for a price that does not include any pre-reopening accrued interest. We intend to treat the portion of the first stated interest payment equal to the pre-reopening accrued interest as a nontaxable return of such pre-reopening accrued interest and, accordingly, it generally will not be includable in income. You should consult your tax advisor regarding the tax treatment of pre-reopening accrued interest.

Payments of Interest and any Additional Amounts

Payments of stated interest on the Notes, including the amount of any withholding taxes and any additional amounts paid with respect thereto, and not including any amounts representing pre-reopening accrued interest, generally will be taxable to you as ordinary interest income at the time that the payments accrue or are actually or constructively received, in accordance with your method of accounting for U.S. federal income tax purposes.

Interest on the Notes and any additional amounts generally will be treated as foreign source income for U.S. federal income tax purposes and generally will constitute "passive category" income for the purpose of calculating the foreign tax credit limitation. The rules governing the foreign tax credit and the foreign tax credit limitation are complex. You are urged to consult your tax advisor regarding these rules.

Sale, Exchange or Other Taxable Disposition of the Notes

You will generally recognize gain or loss on the sale, exchange or other taxable disposition of the Notes in an amount equal to the difference between the amount realized on the disposition (less any amounts attributable to accrued but unpaid interest, which will be taxable as such) and your adjusted tax basis in the Notes at the time

of the disposition. Your adjusted tax basis in a Note generally will equal your purchase price in that Note (excluding any amount attributable to pre-reopening accrued interest). Gain or loss that you recognize upon a sale, exchange or other taxable disposition of the Notes generally will be U.S. source capital gain or loss, and generally will be long-term capital gain or loss if, at the time of the disposition, you have held the Notes for more than one year. Certain non-corporate U.S. holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deduction of capital losses is subject to limitations.

You generally will not be entitled to credit any Mongolian tax imposed on the sale, exchange or other taxable disposition of the Notes against your U.S. federal income tax liability, unless you consistently elect to apply a modified version of the U.S. foreign tax credit rules that is permitted under temporary guidance and comply with the specific requirements set forth in such guidance. Additionally, capital gain or loss recognized on the sale, exchange or other taxable disposition of the Notes generally will be U.S. source gain or loss for U.S. foreign tax credit purposes. Consequently, even if the tax qualifies as a creditable tax, you may not be able to credit the tax against your U.S. federal income tax liability unless such credit can be applied (subject to generally applicable conditions and limitations) against tax due on other income treated as derived from foreign sources. If the Mongolian tax is not a creditable tax, the tax should reduce the amount realized on the sale or other disposition of the Notes even if you have elected to claim a foreign tax credit for other taxes in the same year. The temporary guidance discussed above also indicates that the Treasury and the IRS are considering proposing amendments to the foreign tax credit regulations and that the temporary guidance generally can be relied upon until additional guidance is issued that withdraws or modifies the temporary guidance. The rules governing the foreign tax credits and the foreign tax credit limitation are complex. You are urged to consult your tax advisor regarding these rules.

Foreign Financial Asset Reporting

Individual U.S. holders that own "specified foreign financial assets" with an aggregate value in excess of US$50,000 on the last day of the taxable year or US$75,000 at any time during the taxable year are generally required to file an information statement along with their tax returns, currently on IRS Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which may include Notes issued in certificated form) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. holders who fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. You should consult your own tax advisors concerning the application of these rules to your investment in the Notes, including the application of the rules to your particular circumstances.

Information Reporting and Backup Withholding

Payments in respect of the Notes that are paid within the United States or through certain U.S.-related financial intermediaries are generally subject to information reporting, unless you are a corporation (other than an S Corporation) or other exempt recipient, and when required, demonstrate this fact. In addition, payments that you receive may be subject to backup withholding, unless you provide an accurate taxpayer identification number and certify that you have not lost your exemption from backup withholding. The amount of any backup withholding collected from you will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund, provided that certain required information is timely furnished to the U.S. Internal Revenue Service. You should consult your tax advisors about these rules and any other reporting obligations that may apply to your ownership or disposition of Notes.

PLAN OF DISTRIBUTION

The Hongkong and Shanghai Banking Corporation Limited, ING Bank N.V., Singapore Branch and J.P. Morgan Securities PLC are acting as the Initial Purchasers. Subject to the terms and conditions stated in the purchase agreement dated the date of this Offering Memorandum (the "Purchase Agreement"), each Initial Purchaser named below has severally and not jointly agreed to purchase, and the Issuer has agreed to issue and sell to each such Initial Purchaser, the principal amount of the Notes set forth opposite the name of such Initial Purchaser.

Initial Purchaser	**Principal Amount**
The Hongkong and Shanghai Banking Corporation Limited	US$83,334,000
ING Bank N.V., Singapore Branch	US$83,333,000
J.P. Morgan Securities PLC	US$83,333,000
Total	US$250,000,000

The Purchase Agreement provides that the several and not joint obligations of the Initial Purchasers to purchase the Notes are subject to approval of certain legal matters by counsel and to certain other conditions. The Initial Purchasers must purchase all of the Notes if they purchase any of the Notes. The initial offering price is set forth on the cover page of this Offering Memorandum. After the Notes are released for sale, the Initial Purchasers may change the offering price and other selling terms. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part. Delivery of the Notes is expected to occur on or about July 28, 2026.

The Issuer has agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make in respect of any of such liabilities.

The Issuer has agreed that, during the period from the date of this Offering Memorandum through and including the date that is sixty (60) days after the closing of the Offering, neither it nor any of its subsidiaries shall launch or announce or attempt to launch or announce any offering of listed debt securities in the international capital markets, without the prior written consent of the Initial Purchasers.

The Notes have not been registered under the Securities Act and, unless so registered, may not be offered or sold within the United States except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act.

The Notes will constitute a new class of securities with no established trading market. Application will be made to the SGX-ST for the listing of the Notes on the SGX-ST, where the Original Notes were listed. The Issuer does not intend to apply for listing or quotation of the Notes on any national securities exchange in the United States. However, there can be no assurance that the prices at which the Notes will sell in the market after the offering of the Notes will not be lower than the initial offering price or that an active trading market for the Notes after the completion of the offering of the Notes will develop and continue after the offering. The Initial Purchasers have advised us that they currently intend to make a market in the Notes. However, they are not obligated to do so and may discontinue any market-making activities with respect to the Notes at any time without notice. In addition, market-making activity will be subject to the limits imposed by applicable law. Accordingly, there can be no assurance that the trading market for the Notes will have any liquidity.

In connection with the Offering, The Hongkong and Shanghai Banking Corporation Limited (the "Stabilizing Manager") (or persons acting on its behalf) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes during the stabilization period at a level higher than that which might otherwise prevail. However, stabilization may not necessarily occur. Any stabilization action may begin on or after the date of adequate public disclosure of the terms of the offer of the Notes and, if begun, may cease at any time, but it must end no later than 30 calendar days after the date on which the Issuer received the proceeds of the issue, or no later than 60 calendar days after the date of allotment of the Notes, whichever is the earlier. Any stabilization action or over-allotment must be conducted by the Stabilizing Manager (or persons acting on its behalf) in accordance with all applicable laws and rules and will be undertaken at the offices of the Stabilizing Manager (or persons acting on its behalf) and on the SGX-ST.

Certain of the Initial Purchasers and their respective affiliates have, from time to time, performed, and may in the future perform, certain commercial banking and lending, investment banking and advisory and other banking services for us, and/or our affiliates for which they have received or will receive customary fees and expenses. The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. In the ordinary course of their various business activities, the Initial Purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and instruments of the Issuer.

If a jurisdiction requires that the offering of the Notes be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Initial Purchaser or its affiliate on behalf of the Issuer in such jurisdiction.

Delivery of the Notes is expected on or about July 28, 2026 which is the fifth business day following the date of this Offering Memorandum (such settlement cycle being referred to as "T+5"). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle on the following business day, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next succeeding business day will be required, because the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers who wish to trade the Notes on the pricing date or the next succeeding business day should consult their own advisers.

Important Notice to CMIS (Including Private Banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the Initial Purchasers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for this offering includes institutional investors, long-only investors, sovereign wealth funds, pension funds, hedge funds, corporates, private banks/broking companies, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Memorandum.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e., two or more corresponding or identical orders placed via two or more CMIs). CMIs should inquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages. CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Notes.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Initial Purchasers in control of the order book should consider

disclosing order book updates to all CMIs. When placing an order for the Notes, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Initial Purchasers (if any) to categorize it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- the name of each underlying investor;
- a unique identification number for each investor;
- whether an underlying investor has any "Associations" (as used in the SFC Code);
- whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code); and
- whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus orders should be sent to hk_syndicate_omnibus@hsbc.com.hk; gcmasiapacific@ing.com; and investor.info.hk.oc.bond.deals@jpmorgan.com. To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Bank, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Initial Purchasers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Initial Purchasers with such evidence within the timeline requested.

Selling Restrictions

General

No action has been taken or will be taken in any jurisdiction by the Issuer or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Notes or the offering of the Notes, in any jurisdiction where action for that purpose is required.

Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

France

This offering memorandum has not been and will not be submitted to the clearance procedure *(visa)* nor approved by the *Autorite des marches financiers* (the "AMF"). The Notes have not been and will not be, directly or indirectly, offered or sold to the public in France. This offering memorandum and any other documents or offering materials relating to the offering of the Notes may only be distributed or caused to distributed to: (i) qualified investors (*investisseurs qualifies*) acting for their own account and/or (ii) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service*

d'investissement de gestion de portefeuille pour compte de tiers), all as defined in, and in accordance with, Articles L. 411-2 and D. 411-1 of the French Financial and Monetary Code (*Code monetaire et financier*).

The Notes so purchased may not be offered or resold, directly or indirectly, to the public in France other than in compliance with Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French Financial and Monetary Code (*Code monetaire et financier*).

Hong Kong

The Notes may not be offered or sold in Hong Kong, by means of any document, other than (i) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong) ("CWUMPO") or which do not constitute an offer to the public within the meaning of CWUMPO.

No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Mongolia

Each Initial Purchaser has represented and agreed that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Notes in the territory of Mongolia.

People's Republic of China

Each Initial Purchaser has represented, undertaken, warranted and agreed that the Notes are not being

offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the applicable laws of the People's Republic of China.

Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the offering memorandum or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(a) to qualified investors (investitori qualificati), as defined pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the "Financial Services Act") and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended from time to time ("Regulation No. 11971"); or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the offering memorandum or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must:

(1) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of February 15, 2018 (as amended from time to time) and Legislative Decree No. 385 of September 1, 1993, as amended (the "Banking Act"); and

(2) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

Singapore

This Offering Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the "**MAS**"). Accordingly, each of the Initial Purchasers has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase, and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore.

Any reference to the SFA is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Switzerland

This offering memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the Notes will not be listed on the SIX Swiss Exchange. Therefore, this offering memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the Notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the Notes with a view to distribution. Any such investors will be individually approached by the initial purchasers from time to time.

Neither this document nor any other offering or marketing material relating to the offering, the Company or the Notes have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of the Notes will not be supervised by, the Swiss Financial Market Supervisory Authority ("FINMA"), and the offer of the Notes has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the Notes.

The Netherlands

The Notes have not been and will not be offered in The Netherlands other than to persons or entities which are qualified investors (*gekwalificeerde belegger*) as defined in article 1:1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

United Kingdom

Each Initial Purchaser has represented and agreed that:

(c) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(d) it has complied with, and will comply with, all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

United States

The Notes have not been, and will not be, registered under the Securities Act or any state securities laws and, unless so registered, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. See "Transfer Restrictions" for a description of other restrictions on the transfer of the Notes. Accordingly, the Notes are being offered and sold only (1) in the United States to "qualified institutional

buyers" in reliance on Rule 144A and (2) outside the United States in offshore transactions in reliance on Regulation S. Resales of the Notes are restricted as described under "Transfer Restrictions."

As used herein, the term "United States" has the meaning given to it in Regulation S.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes.

We have not registered the Notes under the Securities Act and the Notes may only be offered or sold (i) within the United States to "qualified institutional buyers" in reliance on Rule 144A under the Securities Act or (ii) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. Terms used above and otherwise in this section of this Offering Memorandum have the meanings given to them by Regulation S and Rule 144A.

Each purchaser of Notes will be deemed to have represented and agreed as follows:

(1) You understand and acknowledge that the Notes have not been and will not be registered under the Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including resales pursuant to Rule 144A, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom, or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraph (3) below.

You are not our "affiliate" (as defined in Rule 144 under the Securities Act), you are not acting on our behalf and you are either:

(a) a qualified institutional buyer and are aware that any sale of these Notes to you will be made in reliance on Rule 144A and such acquisition will be for your own account or for the account of another qualified institutional buyer; or

(b) purchasing Notes in an offshore transaction in accordance with Regulation S.

(2) You acknowledge that none of us, the Initial Purchasers or any person representing us or the Initial Purchasers has made any representation to you with respect to us or the offer or sale of any of the Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you. You represent that you are only relying on this Offering Memorandum in making your investment decision with respect to the Notes. You acknowledge that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning us and the Notes, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers.

(3) You are purchasing Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other available exemption from registration available under the Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of these Notes by its acceptance thereof will agree, to offer, sell or otherwise transfer such Notes prior to (x) the date which is one year (or such shorter period of time as permitted by Rule 144(d) under the Securities Act or any successor provision thereunder) after the later of the date of the original issue of these Notes and the last date on which we or any of our affiliates were the owner of such Notes (or any predecessor thereto) or (y) such later date, if any, as may be required by applicable law (the "Resale Restriction Termination Date") only:

(a) to us or any of our affiliates;

(b) pursuant to a registration statement which has been declared effective under the Securities Act;

(c) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person you reasonably believe is a qualified institutional buyer that purchases for its own account or for the account of

another qualified institutional buyer to whom you give notice that the transfer is being made in reliance on Rule 144A;

(d) outside the United States in offshore transactions meeting the requirements of Rule 904 under the Securities Act; or

(e) pursuant to any other available exemption from the registration requirements of the Securities Act;

subject in each of the foregoing cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be within the seller or account's control, and in compliance with any applicable state securities laws.

You acknowledge that we, the Trustee and the Registrar reserve the right prior to any offer, sale or other transfer of the Notes pursuant to clause (e) above prior to the Resale Restriction Termination Date of the Notes to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to us, the trustee and the registrar.

(4) You acknowledge that each Note will contain a legend substantially in the following form:

"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES, EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A "QIB") OR (B) IT IS NOT IN THE UNITED STATES, IS NOT ACQUIRING THIS NOTE FOR THE ACCOUNT OR BENEFIT OF A PERSON WITHIN THE UNITED STATES AND IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT, WITHIN THE TIME PERIOD REFERRED TO UNDER RULE 144 UNDER THE SECURITIES ACT AS IN EFFECT ON THE DATE OF THE TRANSFER OF THIS NOTE, RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE ISSUER OR ANY OF ITS AFFILIATES THEREOF, (B) TO A PERSON WHOM THE HOLDER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (D) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OR (E) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION" AND "UNITED STATES" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE IN VIOLATION OF THE FOREGOING RESTRICTIONS.

BY ITS PURCHASE AND HOLDING HEREOF, THE HOLDER REPRESENTS THAT EITHER (A) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF, (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A PLAN OR ARRANGEMENT WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL, OTHER LAW OF THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAWS"), OR (B) ITS ACQUISITION AND HOLDING OF THIS NOTE (OR ANY INTEREST

HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NONEXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SIMILAR LAWS."

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(5) You acknowledge that the registrar will not be required to accept for registration or transfer any Notes acquired by you, except upon presentation of evidence satisfactory to us and the registrar that the restrictions set forth herein have been complied with.

(6) You acknowledge that:

(a) the Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations and agreements set forth herein and you agree that, if any of your acknowledgements, representations or agreements herein cease to be accurate and complete, you will notify us and the Initial Purchasers promptly in writing; and

(b) if you are acquiring any Notes as fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:

(i) you have sole investment discretion; and

(ii) you have full power to make the foregoing acknowledgements, representations and agreements.

(7) You agree that you will give to each person to whom you transfer these Notes notice of any restrictions on the transfer of the Notes.

(8) You understand that no action has been taken in any jurisdiction (including the United States) by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "Plan of Distribution."

(9) The Notes may not be sold or transferred to, and you as a purchaser or transferee, by your purchase and holding of the Notes, shall be deemed to have represented and covenanted that you are not and are not for so long as it holds a Note (or any interest therein) will not be and will not be acting on behalf of any Plan or plan or arrangement that is subject to Similar Laws, unless such acquisition and holding of the Note (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of Similar Laws.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Cleary Gottlieb Steen & Hamilton (Hong Kong) as to matters of U.S. federal and New York law and Dashnyam Partners LLC as to matters of Mongolian law. Certain legal matters will be passed upon for the Initial Purchasers by Allen Overy Shearman Sterling (Asia) Pte. Ltd. as to matters of U.S. federal and New York law and Melville Erdenedalai LLP as to matters of Mongolian law.

INDEPENDENT AUDITORS

Our consolidated financial statements as of December 31, 2024 and 2025 and for each of the years then ended, included in this Offering Memorandum, have been audited by Ernst & Young Mongolia Audit LLC, independent auditor, as stated in their reports included herein.

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DEVELOPMENT BANK OF MONGOLIA LLC
and its subsidiaries
(Incorporated in Mongolia)

Unaudited Interim Condensed Consolidated Financial Information
31 March 2026



DEVELOPMENT BANK OF MONGOLIA LLC and its subsidiaries

Unaudited Interim Condensed Consolidated Financial Information

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DEVELOPMENT BANK OF MONGOLIA LLC and its subsidiaries

General information

Board of directors	Mr. Batkhuu I Mr. Mungunsukh B Mr. Choijil B Ms. Otgontsetseg B
Independent directors to the board	Ms. Tuya N Ms. Lakshmii B Mr. Enkhbat B Ms. Enkhtuya B
Secretary of board of directors	Ms. Battsetseg B
Registered office	Peace Avenue-19 building, 12th floor, Sukhbaatar District, 1st khoroo, Ulaanbaatar 14210, Mongolia
Auditors	Ernst & Young Mongolia Audit LLC Certified Public Accountants

DEVELOPMENT BANK OF MONGOLIA LLC and its subsidiaries

Statement by executives

We, Baatarsuren Sukhbaatar, being the Chief Executive Officer, and Ayurzana Davaa, being the Chief Financial Officer, primarily responsible for the interim condensed consolidated financial information of Development Bank of Mongolia LLC (the "Bank") and its subsidiaries (together the "Group"), do hereby state that, in our opinion, the interim condensed consolidated financial information present fairly, in all material respects, the interim condensed consolidated financial position of the Group as at 31 March 2026, and its interim condensed consolidated financial performance and interim condensed consolidated cash flows for the three-month period then ended in accordance with IAS 34 *Interim Financial Reporting*.



Baatarsuren Sukhbaatar
Chief Executive Officer

Ayurzana Davaa
Chief Financial Officer

Ulaanbaatar, Mongolia
Date: 15 June 2026

Ernst & Young Mongolia Audit LLC
15/F, Altan Ijloo Tower
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Shape the future with confidence

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the shareholders of Development Bank of Mongolia LLC and its subsidiaries

Introduction

We have reviewed the accompanying interim condensed consolidated financial information of Development Bank of Mongolia LLC and its subsidiaries (the "Group") as at 31 March 2026 which comprises the condensed consolidated statement of financial position as at 31 March 2026 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and explanatory notes. Management is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with IAS 34 *"Interim Financial Reporting" ("IAS 34")*. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information does not present fairly, in all material respects, the financial position of the Group as at 31 March 2026, and its financial performance and cash flows for the three-month period then ended in accordance with IAS 34.

ERNST & YOUNG MONGOLIA AUDIT LLC

Ernst & Young Mongolia Audit LLC

ERNST & YOUNG MONGOLIA AUDIT LLC
Certified Public Accountants

MANDAKHBAYAR DORJBAT
Partner

Ulaanbaatar, Mongolia
Date: 15 June 2026

A member firm of Ernst & Young Global Limited

DEVELOPMENT BANK OF MONGOLIA LLC and its subsidiaries

Interim condensed consolidated statement of financial position

As at 31 March 2026

	Notes	Unaudited 31 March 2026 MNT'000	Audited 31 December 2025 MNT'000
ASSETS			
Cash and cash equivalents	**3**	778,533,020	1,184,135,208
Bank deposits	**4**	37,525,881	7,282,764
Financial investments	**5**	361,762,977	266,530,061
Derivative financial instruments	**6**	3,811,534	14,216,050
Loans and advances including lease receivables	**7**	1,178,863,637	1,192,050,958
Other assets	**8**	74,485,395	77,635,208
Assets held for sale		530,000	3,241,592
Repossessed assets		143,081,135	143,081,135
Property and equipment	**9**	22,660,939	22,950,845
Intangible assets		243,842	260,709
Income tax receivables	**22**	2,331,569	2,443,596
TOTAL ASSETS		**2,603,829,929**	**2,913,828,126**
LIABILITIES			
Financial derivatives liabilities	**6**	14,720,540	17,448,079
Customer accounts		6,471,807	7,859,146
Other liabilities	**10**	2,940,786	7,969,551
Due to other banks and financial institutions	**11**	13,400,977	59,313,315
Debt securities issued	**12**	2,220,998,812	2,449,276,962
Borrowings	**13**	213,645,319	208,956,527
Other taxes payable		1,247,488	1,369,724
Current income tax payable		216,708	216,708
Deferred tax liabilities	**22**	37,913,535	37,443,418
TOTAL LIABILITIES		**2,511,555,972**	**2,789,853,430**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK			
Contributed capital		1,216,300,341	1,216,300,341
Other reserve	**14**	26,470,674	34,053,850
Accumulated losses		(1,150,497,058)	(1,126,379,495)
TOTAL EQUITY		**92,273,957**	**123,974,696**
TOTAL LIABILITIES AND EQUITY		**2,603,829,929**	**2,913,828,126**

The accompanying notes form an integral part of this interim condensed consolidated financial information.

DEVELOPMENT BANK OF MONGOLIA LLC and its subsidiaries

Interim condensed consolidated statement of profit or loss and other comprehensive income

For the three-month period ended 31 March 2026

	Notes	Unaudited three months ended 31 March 2026 MNT'000	31 March 2025 MNT'000
Interest and similar income	**15**	51,731,718	48,791,733
Interest and similar expense	**16**	(66,126,049)	(47,040,882)
Net interest income/(expense)		**(14,394,331)**	**1,750,851**
Credit loss (expense)/reversal	**17**	15,723,242	(8,501,927)
Net interest income/(expense) after reversal of credit loss		**1,328,911**	**(6,751,076)**
Fee and commission income		1,099	1,065
Fee and commission expense		(166,413)	(35,098)
Other expense, net	**18**	303,664	–
Foreign exchange translation loss, net	**19**	(2,527,992)	(8,745,023)
Net gains/(loss) from derivative financial instruments	**20**	(14,316,793)	1,239,759
Administrative and other operating expenses	**21**	(5,406,361)	(4,095,175)
Loss before tax		**(20,783,885)**	**(18,385,548)**
Income tax expenses	**22**	(3,333,678)	(14,412,390)
Loss for the period		**(24,117,563)**	**(32,797,938)**
Other comprehensive loss (net of tax):			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Net change in fair value of debt instruments at fair value through other comprehensive income	**14**	(4,115,977)	–
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):			
Revaluation (loss)/gain on equity instruments at fair value through other comprehensive income	**14**	(3,467,199)	(3,629,002)
Other comprehensive loss (net of tax):		**(7,583,176)**	**(3,629,002)**
Total comprehensive loss for the period, net of tax		**(31,700,739)**	**(36,426,940)**

The accompanying notes form an integral part of this interim condensed consolidated financial information.

DEVELOPMENT BANK OF MONGOLIA LLC and its subsidiaries

Interim condensed consolidated statement of changes in equity

For the three-month period ended 31 March 2026

	Contributed capital MNT'000	Other reserve MNT'000 (Note 14)	Accumulated losses MNT'000	Total equity MNT'000
At 1 January 2025	1,216,300,341	26,276,637	(832,051,154)	410,525,824
Loss for the period	–	–	(32,797,938)	(32,797,938)
Other comprehensive loss	–	(3,629,002)	–	(3,629,002)
Total comprehensive loss	–	(3,629,002)	(32,797,938)	**(36,426,940)**
At 31 March 2025 (unaudited)	**1,216,300,341**	**22,647,635**	**(864,849,092)**	**374,098,884**
At 31 December 2025 and 1 January 2026 (audited)	1,216,300,341	34,053,850	(1,126,379,495)	123,974,696
Loss for the year	–	–	(24,117,563)	(24,117,563)
Other comprehensive income	–	(7,583,176)	–	(7,583,176)
Net amount reclassified to profit or loss	–	–	–	–
Total comprehensive income	**–**	**(7,583,176)**	**(24,117,563)**	**(31,700,739)**
Movement on regulatory reserve	–			–
At 31 March 2026 (unaudited)	**1,216,300,341**	**26,470,674**	**(1,150,497,058)**	**92,273,957**

The accompanying notes form an integral part of this interim condensed consolidated financial information.

DEVELOPMENT BANK OF MONGOLIA LLC and its subsidiaries

Interim condensed consolidated statement of cash flows

For the three-month period ended 31 March 2026

	Notes	Unaudited three months ended 31 March 2026 MNT'000	31 March 2025 MNT'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(20,783,885)	(18,385,548)
Adjustments to:			
Depreciation expenses	**21**	296,278	264,788
Amortization expenses	**21**	16,867	19,920
Gain on disposal of asset held for sale	**18**	(201,309)	–
Credit loss expense/(reversal)	**17**	(15,723,242)	8,501,927
Effect of foreign exchange translation		2,281,232	25,218,798
Unrealized loss/(gains) from financial derivatives	**20**	7,691,098	(3,506,300)
Interest income	**15**	(51,731,718)	(48,791,733)
Interest expense	**16**	66,126,049	47,040,882
Operating (loss)/profit before working capital changes		**(12,028,630)**	**10,362,734**
Changes in operating assets and liabilities:			
Net (increase)/decrease in bank deposits		(30,045,370)	(6,704,000)
Net decrease in loans and advances including lease receivables		54,464,845	14,933,547
Net decrease in other assets		3,599,704	107,747
Net increase/(decrease) in customer accounts		(1,387,044)	1,750,761
Net decrease in due to other banks		(46,292,558)	(71,470,596)
Net (decrease)/increase in other liabilities		(5,151,057)	1,175,297
Cash used in operations		**(36,840,110)**	**(49,844,510)**
Income taxes paid		(335,834)	(236,999)
Interest received		24,732,563	14,825,549
Interest paid		(89,793,580)	(41,739,598)
Net cash flows used in operating activities		**(102,236,961)**	**(76,995,558)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial investments	**21**	(97,018,370)	–
Purchase of property and equipment		(6,372)	(91,713)
Proceeds from sales of assets held for sale	**11**	2,912,901	–
Net cash flows generated from/(used in) investing activities		**(94,111,841)**	**(91,713)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of debt securities		(26,330,421)	–
Repayment of debt securities		(184,837,327)	–
Repayment of borrowings		–	(124,541,869)
Net cash flows used in financing activities		**(211,167,748)**	**(124,541,869)**
Effect of exchange rate changes on cash and cash equivalents		2,117,881	6,082,278
Net decrease in cash and cash equivalents		**(405,398,669)**	**(195,546,862)**
Cash and cash equivalents brought forward	**3**	1,183,715,656	365,190,505
Cash and cash equivalents carried forward	**3**	**778,316,987**	**169,643,643**

–

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Reconciliation of changes in liabilities arising from financing activities:

	Borrowed funds MNT'000	Debt securities MNT'000
As at 31 December 2024 and 1 January 2025 (Audited)	**345,708,956**	**1,392,012,468**
Principal repayment	(124,541,869)	–
Interest payment	(7,549,316)	(40,190,282)
Net repayment	(132,091,185)	(40,190,282)
Foreign exchange movement	11,489,706	16,178,439
Non-cash items arising from financing activities	11,489,706	16,178,439
Interest expense accrued and deferral amortisation	2,855,571	43,652,339
As at 31 March 2025 (Unaudited)	**227,963,048**	**1,411,652,964**
As at 31 December 2025 and 1 January 2026 (Audited)	**208,956,527**	**2,449,276,962**
Repurchase of debt securities	–	(26,330,421)
Principal repayment	–	(184,837,327)
Interest payment	–	(86,893,277)
Net repayment	–	(298,061,025)
Foreign exchange movement	2,423,896	6,394,286
Non-cash items arising from financing activities	2,423,896	6,394,286
Interest expense accrued	2,264,896	63,388,589
As at 31 March 2026 (Unaudited)	**213,645,319**	**2,220,998,812**

The accompanying notes form an integral part of this interim condensed consolidated financial information.

1. Corporate information

The interim condensed consolidated financial information incorporate the financial information of Development Bank of Mongolia LLC (the "Bank") and its subsidiaries (together referred to as "the Group").

The Bank's wholly owned subsidiaries are:

1. DBM Leasing LLC, incorporated on 16 June 2017, is a financial leasing company providing equipment financing for the mining, agriculture, energy, infrastructure and health sectors and programs that support the country's economic development and financial stability.
2. DBM Asset Management LLC was incorporated in Mongolia on 22 September 2017 with the purpose of providing long term financing for large scale projects that support economic growth.

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

There have been no material changes in the nature of the Group's operations during the interim period.

The interim condensed consolidated financial information for the three-month period ended 31 March 2026 were authorised for issue on 15 June 2026 by the executive management of the Bank.

2. Basis of preparation and changes to the Group's accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial information for the three months ended 31 March 2026 has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2025.

The Group's ability to continue as a going concern.

The Group incurred a net loss of MNT 31,701 million for the three-months period ended 31 March 2026. During 2025, the Group issued USD 500 million senior notes due in 2028 and refinanced certain upcoming obligations. In addition, the Group fully repaid the outstanding balances of its USD 200 million bond on 7 March 2026. As a result, the Group does not have significant bond or borrowing obligations falling due within twelve months from the date on which these financial statements are authorised for issue.

The Government of Mongolia, the Group's sole shareholder, continues to support the Group's operations.

On 18 March 2026, the Government of Mongolia approved an increase in the Bank's share capital for MNT 1 trillion through transfer of the right to collect a receivable of a Government controlled entity. This capital measure is intended to strengthen the Group's capital position and support its ongoing financial stability.

Management's assessment of the Group's ability to continue as a going concern cover a period of at least twelve months from the date of authorisation of these financial statements. The assessment takes into account significant obligations, operational cash flow needs, as well as approved capital injection from the Government of Mongolia. Based on the assessment and continued support from the Government of Mongolia, management believes the Group will be able to meet its obligations as they fall due for the foreseeable future.

Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2.2 New and amended standards and interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2025, except for the adoption of new standards effective as of 1 January 2026. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to IFRS 9 and IFRS 7 *Classification and Measurement of Financial Instruments*[2]
- Amendments to IFRS 9 and IFRS 7 *Contracts Referencing Nature-dependent Electricity*[2]
- Annual Improvements to IFRS *Annual Improvements to IFRS Accounting Standards - Volume 11*[2]

[1]*Effective for annual periods beginning on or after 1 January 2027*
[2]*Effective for annual periods beginning on or after 1 January 2026*

3. Cash and cash equivalents

	Unaudited 31 March 2026 MNT'000	Audited 31 December 2025 MNT'000
Cash on hand	1,174	674
Current accounts at Bank of Mongolia	3,245,868	376,758,876
Current accounts at Ministry of Finance	333	467,328
Cash at other banks:		
- Domestic	678,774,036	771,316,103
- Foreign	96,511,609	35,592,227
Total cash and cash equivalents	**778,533,020**	**1,184,135,208**
Less: Restricted cash at bank balances	(216,033)	(419,552)
	778,316,987	**1,183,715,656**

Cash and cash equivalents are held with the Bank of Mongolia, the Ministry of Finance, and domestic and foreign commercial banks with strong credit standing. These balances are short term in nature and placed with sovereign or central bank institutions or with banks assessed to have low credit risk. As a result, they are classified within Stage 1, and the expected credit loss on these balances is assessed to be immaterial. Accordingly, no impairment allowance has been recognised as at 31 March 2026 and 31 December 2025.

Cash at other banks include deposits held with commercial banks with original maturity of three months. These deposits bear interest rates ranging from 3.3% to 13.3%.

4. Bank deposits

The Bank deposits represents term deposits with maturities greater than three months from the date of placement. Certain of the deposits are held at a bank which is in liquidation stage, thus, it is fully impaired.

	Unaudited 31 March 2026 MNT'000	Audited 31 December 2025 MNT'000
Placement with unrated local banks and financial institutions	61,477,643	31,234,526
Total bank deposits	61,477,643	31,234,526
Less: Impairment allowance on bank deposits	(23,951,762)	(23,951,762)
Net amount of bank deposits	**37,525,881**	**7,282,764**

5. Financial investments

	Unaudited 31 March 2026 MNT'000	Audited 31 December 2025 MNT'000
Debt instruments at fair value through other comprehensive income		
Quoted USD bond	135,837,930	39,127,443
Equity instruments at fair value through other comprehensive income		
Quoted equities - MIK Holding JSC	47,708,663	52,331,596
Debt instruments at amortised cost		
Corporate bonds - State Housing Corporation SOLLC	163,899,508	160,754,146
Corporate bonds - Darkhan Leather Complex LLC	14,316,876	14,316,876
	178,216,384	**175,071,022**
Total financial investments	**361,762,977**	**266,530,061**

Impairment allowance for financial investments

Credit quality of the debt instruments at FVOCI as determined by Moody's ratings were B1. Management assessed the expected credit loss to be insignificant.

Debt instruments at FVOCI	Unaudited 31 March 2026 MNT'000 Stage 1	Audited 31 December 2025 MNT'000 Stage 1
Gross carrying amount as at 1 January 2026 and 2025	**39,127,443**	**–**
New assets originated or purchased	101,414,947	35,850,888
Payments and assets derecognised	–	–
Net movement on accrued interest	783,509	1,092,644
Change in fair value (Note 14)	(5,487,969)	2,183,911
At 31 March 2026 and 31 December 2025	**135,837,930**	**39,127,443**

Debt instruments at amortised cost	Stage 3 MNT'000	Total MNT'000
Gross carrying amount as at 1 January 2026	**233,797,596**	**233,797,596**
Net movement on accrued interest	3,783,082	**3,783,082**
At 31 March 2026 (Unaudited)	**237,580,678**	**237,580,678**
ECL allowance as at 1 January 2026	**58,726,574**	**58,726,574**
Net movement on accrued interest	637,720	637,720
Net charge for the year (Note 17)	637,720	637,720
At 31 March 2026 (Unaudited)	**59,364,294**	**59,364,294**

5. Financial investments (cont'd.)

Impairment allowance for financial investments (cont'd.)

	Stage 1 MNT'000	Stage 3 MNT'000	Total MNT'000
Gross carrying amount as at 1 January 2025	**187,696,678**	**32,070,294**	**219,766,972**
Net movement on accrued interest	5,650,233	8,380,391	14,030,624
Transfer between stages	(193,346,911)	193,346,911	–
At 31 December 2025 (Audited)	**–**	**233,797,596**	**233,797,596**
ECL allowance as at 1 January 2025	**–**	**23,999,925**	**23,999,925**
Net movement on accrued interest	–	6,271,497	6,271,497
Effect of change in inputs	–	28,455,152	28,455,152
Net charge for the year	–	34,726,649	34,726,649
At 31 December 2025 (Audited)	**–**	**58,726,574**	**58,726,574**

6. Derivative financial instruments

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

	Notional amount MNT'000	Fair value	
		Assets MNT'000	Liability MNT'000
At 31 March 2026 (Unaudited)			
Derivatives held for trading			
Cross-currency interest rate swaps with BoM (a)	908,234,875	3,668,789	13,943,599
Forwards	66,872,226	142,745	776,941
	975,107,101	**3,811,534**	**14,720,540**
At 31 December 2025 (Audited)			
Derivatives held for trading			
Cross-currency interest rate swaps with BoM (a)	193,244,125	14,216,050	17,072,807
Forwards	206,882,172	–	375,272
	400,126,297	**14,216,050**	**17,448,079**

(a) As at 31 March 2026, the Group had two cross currency interest rate swap agreements outstanding with BoM with a total notional principal of USD 200 million (both with maturity on 5 June 2028).

7. Loans and advances to customers including lease receivables

	Unaudited 31 March 2026 MNT'000	Audited 31 December 2025 MNT'000
Loans and advances	1,161,368,947	1,171,847,562
Lease receivables	17,494,690	20,203,396
Total loans and advances	**1,178,863,637**	**1,192,050,958**

7.1 Loans and advances to customers

Loans and advances consist of the following:

	Unaudited 31 March 2026 MNT'000	Audited 31 December 2025 MNT'000
Total loans and advances	2,245,139,924	2,271,583,741
Less: Impairment allowance on loans	(1,083,770,977)	(1,099,736,179)
Net amount of loans and advances	**1,161,368,947**	**1,171,847,562**

Impairment allowance for loans and advances to customers

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

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
Gross carrying amount as at 1 January 2026	**356,176,137**	**492,474,787**	**1,422,932,817**	**2,271,583,741**
Assets derecognised or repaid	(33,963,460)	–	(17,750,805)	(51,714,265)
Net movement on accrued interest	6,031,350	13,922,177	2,118,235	22,071,762
Foreign exchange adjustments	(707,497)	2,992,375	913,808	3,198,686
At 31 March 2026 (Unaudited)	**327,536,530**	**509,389,339**	**1,408,214,055**	**2,245,139,924**
ECL allowance as at 1 January 2026	**2,160,424**	**12,988,236**	**1,084,587,519**	**1,099,736,179**
Assets derecognised or repaid	(446,535)	–	(17,692,602)	(18,139,137)
Net movement on accrued interest	31,252	373,912	1,163,956	1,569,120
Net charge/(reversal) for the period (Note 18)	**(415,283)**	**373,912**	**(16,528,646)**	**(16,570,017)**
Foreign exchange adjustments	(9,304)	94,422	519,697	604,815
At 31 March 2026 (Unaudited)	**1,735,837**	**13,456,570**	**1,068,578,570**	**1,083,770,977**
Gross carrying amount as at 1 January 2025	**843,362,733**	**–**	**1,428,196,631**	**2,271,559,364**
New assets originated or purchased	6,764,323	–	–	6,764,323
Assets derecognised or repaid	(76,289,629)	–	(7,904,584)	(84,194,213)
Net movement on accrued interest	46,493,541	–	(9,141,110)	37,352,431
Transfer between stages	(492,474,787)	492,474,787	–	–
Write-offs	28,319,956	–	11,781,880	40,101,836
At 31 December 2025 (Audited)	**356,176,137**	**492,474,787**	**1,422,932,817**	**2,271,583,741**
ECL allowance as at 1 January 2025	**6,172,980**	**–**	**971,063,589**	**977,236,569**
New assets originated or purchased	35,778	–	–	35,778
Assets derecognised or repaid	(1,021,277)	–	(6,908,850)	(7,930,127)
Effect of change in inputs	743,838	–	37,753,093	38,496,931
Net movement on accrued interest	(242,288)	8,784,963	73,511,377	82,054,052
Transfer between stages	(3,684,998)	3,684,998	–	–
Net charge/(reversal) for the year	**(4,168,947)**	**12,469,961**	**104,355,620**	**112,656,634**
Foreign exchange adjustments	156,391	518,275	9,168,310	9,842,976
At 31 December 2025 (Audited)	**2,160,424**	**12,988,236**	**1,084,587,519**	**1,099,736,179**

7.1 Loans and advances to customers (cont'd.)

Credit quality of gross carrying amounts as at 31 March 2026 and 31 December 2025:

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
At 31 March 2026 (Unaudited)				
Performing	327,536,530	–	–	327,536,530
Special mention	–	509,389,339	–	509,389,339
Loss	–	–	1,408,214,055	1,408,214,055
Total	**327,536,530**	**509,389,339**	**1,408,214,055**	**2,245,139,924**
At 31 December 2025 (Audited)				
Performing	356,176,137	–	–	356,176,137
Special mention	–	492,474,787	–	492,474,787
Loss	–	–	1,422,932,817	1,422,932,817
Total	**356,176,137**	**492,474,787**	**1,422,932,817**	**2,271,583,741**

8. Other assets

	Unaudited 31 March 2026 MNT'000	Audited 31 December 2025 MNT'000
Other receivables	105,475,884	108,781,439
Other prepayments	1,036,309	684,406
Supply materials	57,459	44,565
Tax receivable other than income tax	17,530	17,530
Total gross other assets	**106,587,182**	**109,527,940**
Less: Impairment allowance on other assets	(32,101,787)	(31,892,732)
Total net amount of other assets	**74,485,395**	**77,635,208**

Included in other receivables are amounts due from the Governor's Offices of Ulaanbaatar city, Govi-Altai province, Khuvsgul province and Orkhon province, arising from the sale of repossessed assets, totaling MNT 71,362,820 thousand million (31 December 2025: MNT 74,303,405 thousand). As of 31 March 2026, these other receivables were classified as Stage 3 (31 December 2025: Stage 3).

Impairment allowance on other receivables

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

	Unaudited 31 March 2026 MNT'000	Audited 31 December 2025 MNT'000
As at 1 January 2026 and 2025	31,892,732	18,598,483
Increase during the year	209,055	18,529,891
Reversal during the year	–	(5,235,642)
Net reversal for the period/year (Note 17)	209,055	13,294,249
As at 31 March 2026 and 31 December 2025	**32,101,787**	**31,892,732**

9. Property and equipment

During the period ended 31 March 2026, the Group recorded additions to property and equipment amounting to MNT 6,372 thousand. Depreciation expense recognised during the period amounted to MNT 296,278 thousand.

10. Other liabilities

	Unaudited 31 March 2026 MNT'000	Audited 31 December 2025 MNT'000
Other financial liabilities		
Interbank settlements	1,576,170	2,985,300
Others	1,351,735	4,920,043
Other non-financial liabilities	12,881	64,208
Total other liabilities	**2,940,786**	**7,969,551**

11. Due to other banks and financial institutions

	Unaudited 31 March 2026 MNT'000	Audited 31 December 2025 MNT'000
Short-term placements from other banks	13,400,977	59,313,315

The deposits due to other banks and financial institutions consist of a term deposit with an interest rate of 1% per annum and original maturity from three months (31 December 2025: term deposits with interest rate of 1-12% per annum and original maturity from three months).

12. Debt securities issued

	Unaudited 31 March 2026 MNT'000	Audited 31 December 2025 MNT'000
Unguaranteed:		
USD 500 million Senior Notes due in 2028 (c)	1,702,036,918	1,726,005,420
MNT 346.0 billion private placement notes due in 2027 (b)	367,574,784	353,710,744
USD 200 million Senior Notes due in 2026	–	223,932,954
MNT 142.5 billion private placement notes due in 2031 (a)	151,387,110	145,627,844
Total issued bonds	**2,220,998,812**	**2,449,276,962**

a) In October 2021, the Group issued MNT 142,458 million private placement notes in the Mongolian over-the-counter (OTC) market, which are due in 2031. On 20 April 2022, the Group successfully issued the second tranche of MNT 76,531 million of private placement bonds in the OTC market of Mongolia due in April 2025.

b) In May 2023, the Group issued USD 75 million of private bonds and in June 2023, the second tranche of MNT 85,935 million was successfully issued. The interest rates for these tranches are 9.5% and 16.25% per annum, respectively, and both mature in May 2027.

c) In July 2025, the Group issued USD 500 million unsecured bonds on the international market, bearing an interest rate of 8.5% per annum and maturing in July 2028.

Covenants

The Group is subject to various covenants under some of its bond agreements. In the case of non-compliance with covenants, the bonds may become payable on demand, subject to the outcome of remedial actions of the Group and waiver negotiations between the bond holder and the Group. For this reason, the Group monitors its compliance with Bank of Mongolia prudential ratios and other debt covenants on a monthly basis.

12. Debt securities issued (cont'd.)

The OTC bonds contain financial covenant clause requiring the Group to maintain its operations at all times in accordance with the mandatory prudential standards of the Bank of Mongolia. The Group was in breach of some prudential ratios for which the Group obtained a waiver from Bank of Mongolia. The waiver letter received from Bank of Mongolia was acknowledged and accepted by respective OTC bond arranger on behalf of the bond holders in March 2026.

13. Borrowings

	Unaudited 31 March 2026 MNT'000	Audited 31 December 2025 MNT'000
China Development Bank	169,443,240	164,837,145
Minister of Finance	44,202,079	44,119,382
Total borrowings	**213,645,319**	**208,956,527**

China Development Bank (CDB). The Bank entered into a fixed rate loan agreement with China Development Bank in 2020 for a total amount of CNY 420 million, bearing interest at 5.1% per annum and maturity in 2031. The principal outstanding balances amounted to CNY 376.5 million as of 31 March 2026 (31 December 2025: CNY 322,671 million).

Ministry of Finance. The Bank entered into a fixed rate loan agreement with the Ministry of Finance in 2024 at an interest rate 3.75% per annum, with the loan maturing 2044.

Covenants

The Group is subject to various covenants under its borrowings agreements. In the case of non-compliance with covenants, the borrowings may become payable on demand, subject to the outcome of remedial actions of the Group and waiver negotiations between the lender and the Group. For this reason, the Group monitors its compliance with BoM prudential ratios and other debt covenants on a monthly basis.

China Development Bank (CDB) borrowing agreement contain financial covenant clause requiring the Group to maintain its operations at all times in accordance with the mandatory prudential standards of the Bank of Mongolia. The covenant was in breach as at 31 March 2026 for which the Group received a waiver from Bank of Mongolia. The waiver from Bank of Mongolia was acknowledged and accepted by CDB until 1 July 2026.

14. Other reserves

	FVOCI revaluation reserve MNT'000	Regulatory reserve MNT'000	Total MNT'000
At 1 January 2026	28,862,272	5,191,578	34,053,850
Net loss on FVOCI debt instruments (Note 5)	(5,487,969)	–	(5,487,969)
Net loss on FVOCI equity instruments	(4,622,932)	–	(4,622,932)
Deferred tax liability (Note 22)	2,527,725	–	2,527,725
Movement on regulatory reserve	–	–	–
As at 31 March 2026 (Unaudited)	**21,279,096**	**5,191,578**	**26,470,674**
At 1 January 2025	26,276,637	–	26,276,637
Net gain on FVOCI debt instruments (Note 5)	2,183,911	–	2,183,911
Net gain on FVOCI equity instruments	1,263,602	–	1,263,602
Deferred tax liability (Note 22)	(861,878)	–	(861,878)
Movement on regulatory reserve	–	5,191,578	5,191,578
At 31 December 2025 (Audited)	**28,862,272**	**5,191,578**	**34,053,850**

15. Interest income

	Unaudited three months ended	
	31 March 2026	**31 March 2025**
	MNT'000	**MNT'000**
Interest income calculated using the effective interest method		
Loans and advances to customers	26,799,263	27,124,826
Bank deposits	17,913,516	5,745,921
Debt instruments at amortised cost	3,783,082	12,071,314
Other assets	921,793	2,709,526
Lease receivables	857,057	1,140,146
Debt instruments at FVOCI	1,457,007	–
Total interest income	**51,731,718**	**48,791,733**

16. Interest expense

	Unaudited three months ended	
	31 March 2026	**31 March 2025**
	MNT'000	**MNT'000**
Interest expense calculated using the effective interest method		
USD 500 million Senior Notes due in 2028	40,877,159	–
USD 200 million Senior Notes due in 2026	2,888,126	19,591,930
MNT 346.0 billion private placement notes due in 2027	13,864,039	13,864,081
MNT 142.5 billion private placement notes due in 2031	5,759,265	4,997,622
Debt securities issued to local commercial banks	–	2,596,669
Borrowing from foreign banks and foreign institutions	2,182,200	2,772,875
MNT 76.5 billion private placement notes due in 2025	–	2,602,037
Borrowing from Minister of Finance	82,696	82,696
Due to other banks and financial institutions	472,564	532,972
Total interest expense	**66,126,049**	**47,040,882**

17. Credit loss expense/(reversal)

	Unaudited three months ended	
	31 March 2026	**31 March 2025**
	MNT'000	**MNT'000**
Loans and advances to customers (Note 7.1)	(16,570,017)	2,093,741
Debt instrument measured at amortised cost (Note 5)	637,720	6,202,529
Repossessed assets	–	–
Other assets (Note 8)	209,055	205,657
Total credit loss/(reversal)	**(15,723,242)**	**8,501,927**

18. Other expense, net

	Unaudited three months ended	
	31 March 2026	31 March 2025
	MNT'000	MNT'000
Others	102,355	–
Gain from disposal of repossessed assets	201,309	–
Total other expense	**303,664**	**–**

19. Foreign exchange translation loss, net

	Unaudited three months ended	
	31 March 2026	31 March 2025
	MNT'000	MNT'000
Net unrealized foreign exchange translation loss, net	1,428,149	10,151,058
Net realized foreign exchange translation (gain)/loss, net	1,099,843	(1,406,035)
Total foreign exchange translation loss, net	**2,527,992**	**8,745,023**

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

20. Derivative financial instrument gains and losses

	Unaudited three months ended	
	31 March 2026	31 March 2025
	MNT'000	MNT'000
Realized derivative financial instrument gains	10,409,560	–
Realized derivative financial instrument loss	(12,307,087)	(2,266,539)
Unrealized derivative financial instrument gains	518,232	7,008,469
Unrealized derivative financial instrument losses	(12,937,498)	(3,502,171)
Total derivative financial instrument gain/(loss), net	**(14,316,793)**	**1,239,759**

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

21. Administrative and other operating expenses

	Unaudited three months ended	
	31 March 2026 MNT'000	31 March 2025 MNT'000
Employee costs and benefits	4,113,701	2,847,233
Depreciation and amortisation expenses	313,145	284,708
Legal and other professional services	167,631	266,059
IT and software	169,389	189,682
Business travel and events	41,320	86,412
Property tax	68,995	81,075
Audit fees	125,600	126,000
Utilities, security and maintenance	149,987	97,199
Others	2,597	3,309
Communication and stationeries	89,383	52,734
Loan collection related costs	45,879	30,224
Training costs	15,537	2,017
Advertising	1,730	6,614
Low value and short term rental costs	84,263	3,665
Fuel and transportation expenses	6,084	16,577
Insurance costs	11,120	1,667
Total operating expenses	**5,406,361**	**4,095,175**

22. Income tax

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed consolidated statement of profit or loss are:

		Unaudited three months ended
	31 March 2026 MNT'000	31 March 2025 MNT'000
Current income tax expense	335,835	144,669
Deferred tax expense	2,997,843	14,267,721
Income tax expense for the year	**3,333,678**	**14,412,390**

Movement of deferred tax assets and liabilities as at 31 March 2026 and 31 December 2025 are as follows:

	Unaudited 31 March 2026 MNT'000	Audited 31 December 2025 MNT'000
As at 1 January 2026 and 2025	**(37,443,418)**	**(35,234,854)**
Recognized in profit or loss	(2,997,842)	(1,346,686)
Charged to other comprehensive income	2,527,725	(861,878)
As at 31 March 2026 and 31 December 2025	**(37,913,535)**	**(37,443,418)**

23. Related party transactions

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

	Statement of Financial Position		Statement of Comprehensive Income	
	31 March 2026 Unaudited MNT'000	31 December 2025 Audited MNT'000	31 March 2026 Unaudited MNT'000	31 March 2025 Unaudited MNT'000
Current account with Ministry of Finance	216,366	40,776	–	–
Current account with Bank of Mongolia (Note 3)	3,245,867	20,870,585	–	–
Term deposit with Bank of Mongolia (Note 3)	–	355,888,291	–	–
Current account with State Bank	36,894,666	2,619,742	40,022	11,511
Term deposit with State Bank	80,534,854	56,524,712	1,786,675	2,969,115
Current account with State Bank for employee benefit	2,732	2,738	–	–
Current account with Mongolian Securities Central Depository	1,010	420,562	–	–
Derivative instruments	(10,274,810)	(2,856,756)	(14,058,085)	1,017,347
Debt instruments measured at fair value through other comprehensive income (Note 5)	135,837,930	39,127,443	(1,139,896)	–
Equity instruments measured at fair valued through other comprehensive income	47,708,663	52,331,596	(3,467,199)	(3,629,002)
Debt instruments at amortized cost	197,129,993	193,346,911	3,783,082	3,783,082
Customer accounts with State organizations	(6,090,142)	(5,727,742)	–	–
Other receivables from Government entities	94,917,430	97,455,032	921,793	2,709,526
Lease receivables from other government entities	13,974,071	16,909,016	4,615,463	2,541,074
Borrowing from Minister of Finance (Note 13)	(44,202,079)	(44,119,383)	(82,696)	(82,696)

Liabilities and expenses are shown in brackets.

Loans and advances to Related Parties

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

	Statement of Financial Position		Statement of Comprehensive Income	
	31 March 2026 Unaudited MNT'000	31 December 2025 Audited MNT'000	31 March 2026 Unaudited MNT'000	31 March 2025 Unaudited MNT'000
- State Housing Corporation SOLLC	25,649,932	25,649,932	3,783,082	–
- Fourth Power Station SOSC	293,332,853	283,452,335	9,880,518	9,749,789
- Mongol Refinery SOLLC	327,536,531	320,987,140	6,549,391	729,817
- Tavan Tolgoi Power Plant	70,424,184	69,393,642	227	–
- Egiin Gol Power Plant	60,616,754	60,616,754	–	–
-Eastern region power system SOSC	216,056,486	209,022,452	7,689	3,308,841
Total loans and advances to related parties	**993,616,740**	**969,122,255**	**20,220,907**	**13,788,447**
Impairment allowance on loans and advances to related parties:	(41,610,732)	(40,925,895)	(684,837)	(8,145,388)
Net amount of loans and advances to related parties	**952,006,008**	**928,196,360**	**19,536,070**	**5,643,059**

23. Related party transactions (cont'd.)

Guarantees Received

As at 31 March 2026 and 31 December 2025, the Group has received a Government of Mongolia guarantee for the borrowing obtained from the China Development Bank.

24. Financial risk management

Risk management activities

Credit risk

Credit risk refers to the risk that emerges when lenders or any other customers are unable to fulfil their obligations to the Group or when their collateral funds and properties fail to meet the conditions of the loan contract.

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

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

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

Liquidity risk

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

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

24. Financial risk management (cont'd.)

Liquidity risk (cont'd.)

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities at 31 March 2026 and 31 December 2025 based on contractual undiscounted repayment obligations.

Analysis of financial assets and financial liabilities by remaining contractual maturities:

As at 31 March 2026	Less than three months MNT'000	Three to six months MNT'000	Six months to one year MNT'000	One year to five years MNT000	Over five years MNT'000	Undefined terms MIK shares MNT'000	Total MNT'000
Financial assets							
Cash and cash equivalents	780,139,417	–	–	–	–	–	**780,139,417**
Bank deposits	2,259,166	31,206,922	6,378,456	–	–	–	**39,844,544**
Financial investments	92,438,651	3,832,942	12,789,658	342,212,503	–	50,705,722	**501,979,476**
Loans and advances	548,710,048	29,543,255	137,467,547	561,306,424	30,078,309	–	**1,307,105,583**
Lease receivables (gross investment)*	24,067,250	846,542	5,718,098	10,262,658	–	–	
Other assets	73,376,425	–	–	–	–	–	**73,376,425**
Total financial assets	**1,520,990,957**	**65,429,661**	**162,353,759**	**913,781,585**	**30,078,309**	**50,705,722**	**2,702,445,445**
Financial liabilities							
Derivative financial liabilities	(14,828,546)	(14,676,533)	(28,811,428)	(74,287,252)	–	–	**(132,603,759)**
Customer accounts	(7,703,157)	–	–	–	–	–	**(7,703,157)**
Other liabilities	(2,927,905)	–	–	–	–	–	**(2,927,905)**
Loan commitments not yet paid	(62,434,776)	–	–	–	–	–	**(62,434,776)**
Due to other banks and financial institutions	(13,431,495)	–	–	–	–	–	**(13,431,495)**
Debt securities issued	(39,354,090)	(75,819,788)	(115,699,045)	(2,388,646,455)	(165,464,967)	–	**(2,784,984,345)**
Borrowings	(18,343,446)	–	(18,008,089)	(131,067,181)	(75,963,281)	–	**(243,381,997)**
Total financial liabilities	**(159,023,415)**	**(90,496,321)**	**(162,518,562)**	**(2,594,000,888)**	**(241,428,248)**	**–**	**(3,247,467,434)**
Net financial assets/ (liabilities)	**1,361,967,542**	**(25,066,660)**	**(164,803)**	**(1,680,219,303)**	**(211,349,939)**	**50,705,722**	**(545,021,989)**
Total cumulative amount	**1,361,967,542**	**1,336,900,882**	**1,336,736,079**	**(343,483,223)**	**(554,833,163)**	**(504,127,441)**	**(504,127,441)**

24. Financial risk management (cont'd.)

Liquidity risk (cont'd.)

As at 31 December 2025	Less than three months MNT'000	Three to six months MNT'000	Six months to one year MNT'000	One year to five years MNT000	Over five years MNT'000	Undefined terms MIK shares MNT'000	Total MNT'000
Financial assets							
Cash and cash equivalents	1,192,050,385	–	–	–	–	–	**1,192,050,385**
Bank deposits	269,237	1,178,606	6,618,628	–	–	–	**8,066,471**
Financial investments	53,495,294	7,417,339	9,119,458	234,359,127	–	52,331,596	**356,722,814**
Derivative financial assets	8,720,953	6,653,486	12,874,157	42,212,518	–	–	**70,461,114**
Loans and advances	446,424,106	130,809,938	135,629,800	579,838,981	39,856,648	–	**1,332,559,473**
Lease receivables (gross investment)*	24,604,062	2,533,187	3,360,252	13,699,006	–	–	**44,196,507**
Other assets	76,891,035	–	–	–	–	–	**76,891,035**
Total financial assets	**1,802,455,072**	**148,592,556**	**167,602,295**	**870,109,632**	**39,856,648**	**52,331,596**	**3,080,947,799**
Financial liabilities							
Derivative financial liabilities	(25,824,309)	(21,161,674)	(43,324,563)	(134,686,380)	–	–	**(224,996,926)**
Customer accounts	(7,995,115)	–	–	–	–	–	**(7,995,115)**
Other liabilities	(7,905,343)	–	–	–	–	–	**(7,905,343)**
Loan commitments not yet paid	(62,434,776)	–	–	–	–	–	**(62,434,776)**
Due to other banks and financial institutions	(59,789,578)	–	–	–	–	–	**(59,789,578)**
Debt securities issued*	(846,709,218)	–	(71,817,457)	(1,977,092,344)	–	–	**(2,895,619,019)**
Borrowings	–	(18,080,788)	(17,750,291)	(129,192,575)	(75,546,548)	–	**(240,570,202)**
Total financial liabilities	**(1,010,658,339)**	**(39,242,462)**	**(132,892,311)**	**(2,240,971,299)**	**(75,546,548)**	**–**	**(3,499,310,959)**
Net financial assets/ (liabilities)	**791,796,733**	**109,350,094**	**34,709,984**	**(1,370,861,667)**	**(35,689,900)**	**52,331,596**	**(418,363,160)**
Total cumulative amount	**791,796,733**	**901,146,827**	**935,856,811**	**(435,004,856)**	**(470,694,756)**	**(418,363,160)**	**(418,363,160)**

* Leases receivables are presented at gross amount. The unearned finance income from finance lease receivable amount to MNT 2,607,427 thousand as of 31 March 2026 (31 December 2025: MNT 3,200,679 thousand).

**As at 31 December 2025, the Bank was in breach of financial covenant requirements of one of its debt securities agreements, for which the Bank had subsequently obtained a waiver. This debt securities issued are classified as less than three months as at 31 December 2025 in accordance with IAS 1.

24. Financial risk management (cont'd.)

Market risk

Market risk is the risks that arise from market price volatility, such as interest rate and foreign exchange rates which affect the Group's income or the value of its holdings of financial instruments or leads to negative distress.

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

	31 March 2026 MNT'000	31 December 2025 MNT'000
US Dollar strengthening by 15% (2025:15%)	(53,429,495)	(20,568,143)
US Dollar weakening by 15% (2025:15%)	53,429,495	20,568,143

25. Fair values of financial assets and liabilities

a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

The level in the fair value hierarchy into which the recurring fair value measurements are categorised as at 31 March 2026 and 31 December 2025 are as follows:

	Level 1 MNT'000	Level 2 MNT'000	Total MNT'000
31 March 2026 (Unaudited)			
Financial assets			
Derivative financial instruments	–	3,811,534	3,811,534
Equity instruments measured at FVOCI	47,708,663	–	47,708,663
Total assets at fair value	**47,708,663**	**984,550**	**51,520,197**
Financial liabilities			
Derivative financial instruments	–	14,720,540	14,720,540
31 December 2025 (Audited)			
Financial assets			
Derivative financial instruments	–	14,216,050	14,216,050
Equity instruments measured at FVOCI	52,331,596	–	52,331,596
Total assets at fair value	**52,331,596**	**14,216,050**	**66,547,646**
Financial liabilities			
Derivative financial instruments	–	17,448,079	17,448,079

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

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

25. Fair values of financial assets and liabilities (cont'd.)

a) Recurring fair value measurements (cont'd.)

The description of valuation technique and description of inputs used in the fair value measurement for level 2 measurements at 31 March 2026 and 31 December 2025:

	Unaudited 31 March 2026 MNT'000	Audited 31 December 2025 MNT'000	Valuation technique	Inputs
Financial assets				
Derivative financial instruments	3,811,534	14,216,050	Market value	SOFR rate, repo rate, government bond yield, exchange rate, commodity forward price, USD discount rate, PD
Financial liabilities				
Derivative financial instruments	14,720,540	17,448,079	Market value	SOFR rate, repo rate, government bond yield, exchange rate, commodity forward price, USD discount rate, PD

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

The Group carries its financial investments at fair value through other comprehensive income and derivative financial instruments at fair values. All other assets and liabilities are carried at amortised cost. The Group determines fair values for those financial instruments carried at amortised cost as follows:

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

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

(ii) Fixed rate financial instruments

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

Fair values of other borrowings approximate their carrying values as at 31 March 2026 and 31 December 2025, as there were no substantial changes in their related interest rates since inception, and/ or related liabilities (as in the case of issued promissory notes) represent principal market and thus their interest rates are not sensitive to the overall changes of interest rates in the Mongolian banking sector.

Fair values of financial instruments as at 31 March 2026 and 31 December 2025 carried at amortised cost are as follows. This does not include the fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

	Carrying Amount MNT'000	Fair Value MNT'000
31 March 2026 (Unaudited)		
Liabilities:		
Bonds	2,220,860,318	2,349,559,948
Borrowings	213,645,319	168,330,950
31 December 2025 (Audited)		
Liabilities:		
Bonds	2,449,276,962	2,641,084,641
Borrowings	208,956,527	203,988,461

26. Commitments and contingencies

	Unaudited 31 March 2025 MNT'000	Audited 31 December 2025 MNT'000
Undrawn loan commitments	62,434,776	62,434,776

Contingencies

Management believes that its interpretation of the relevant legislation is appropriate and the Group's positions related to tax and other legislation will be sustained. Management believes that tax and legal risks are remote at present. The management performs regular re-assessment of tax risks and its position may change in the future as a result of the change in conditions that cannot be anticipated with sufficient certainty at present. As at 31 March 2026 and 31 December 2025, management has assessed that recognition of a provision for uncertain tax positions is not necessary.

27. Events after the reporting date

Management is not aware of other events that occurred after the end of the reporting period, which would have any impact on these financial statements except for:

Issuance of shares

In line with the shareholder resolution dated 18 March 2026, on 11 June 2026, the Bank entered into a share subscription agreement with Erdenes Mongol LLC (a related party under common control), whereas it was agreed the Bank to issue an additional 5 million ordinary shares and 5 million preference shares to Erdenes Mongol LLC. This transaction gives 50% of the ownership and 33.3% of the voting rights of the Bank to Erdenes Mongol LLC.

DEVELOPMENT BANK OF MONGOLIA LLC
and its subsidiaries
(Incorporated in Mongolia)

Audited Consolidated Financial Statements
31 December 2025



DEVELOPMENT BANK OF MONGOLIA LLC and its subsidiaries

Audited financial statements

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DEVELOPMENT BANK OF MONGOLIA LLC and its subsidiaries

General information

Board of directors	Mr. Batkhuu I Mr. Mungunsukh B Mr. Hongor G Mr. Choijil B Ms. Otgontsetseg B
Independent directors to the board	Ms. Tuya N Ms. Lakshmii B Mr. Enkhbat B Ms. Enkhtuya B
Secretary of board of directors	Ms. Nergui P
Registered office	Peace Avenue-19 building, 12th floor, Sukhbaatar District, 1st khoroo, Ulaanbaatar 14210, Mongolia
Auditors	Ernst & Young Mongolia Audit LLC Certified Public Accountants

DEVELOPMENT BANK OF MONGOLIA LLC and its subsidiaries

Statement by executives

We, Baatarsuren Sukhbaatar, being the Chief Executive Officer, and Ayurzana Davaa, being the Chief Financial Officer, primarily responsible for the consolidated financial statements of Development Bank of Mongolia LLC (the "Bank") and its subsidiaries (together "the Group"), do hereby state that, in our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").



Baatarsuren Sukhbaatar
Chief Executive Officer

Ayurzana Davaa
Chief Financial Officer

Ulaanbaatar, Mongolia
Date: 31 March 2026

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with confidence

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Development Bank of Mongolia LLC and its subsidiaries

Opinion

We have audited the consolidated financial statements of Development Bank of Mongolia LLC (the "Bank") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

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

Key audit matter

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

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

Key audit matter	How our audit addressed the key audit matter
Impairment of stage 3 loans and advances As at 31 December 2025, the net amount of loans and advances represented approximately 40.1% of the Group's total assets, and because stage 3 loans accounted for 63% of total loans before impairment and 99% of the impairment allowance, the assessment of impairment involves significant judgement and was therefore considered a key audit matter. The management of the Group individually assesses the impairment allowance for each of the Stage 3 loans which requires significant judgement and the use of highly subjective assumptions including but not limited to: the timing of the amount of expected future cash flows, value of the collateral, and discounts and haircuts to collateral values. Due to the significance of this amount to the consolidated financial statements and the related estimation uncertainty, we considered the impairment of Stage 3 loans and advances as a key audit matter.	The procedures we performed to address the key audit matter included amongst others: • Obtained an understanding of, and evaluated, management's estimation process. • Assessed the design and operating effectiveness of key controls over the approval, recording and monitoring of impairment allowances. For individually assessed loans, we have critically evaluated and challenged the methodologies, inputs and assumptions used by management including: • Reviewed the Group's assumptions on the expected future cash flows, including assumptions in respect of the realizable value of the collateral and the disposal plans for timing. • For government related disposal plans, we have reviewed documents such as government resolutions and State budgets in assessing the reasonableness of management's assessment. • For existence of the collateral, we have checked ownership of the collateral.

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Key Audit Matters (Cont'd.)

Key audit matter (cont'd.)	How our audit addressed the key audit matter (cont'd.)
Relevant disclosures of the accounting policy and critical accounting estimates and judgements are included in Notes 2.4 and 3 to the financial statements, respectively. Other relevant disclosures of stage 3 loans and advances and related credit risk management are included in Notes 8 and 28 to the consolidated financial statements, respectively.	• For realizable value of the collateral, we have reviewed the collateral agreements and appraisal reports. For a sample of appraisal reports, we involved internal valuation specialists to assess the methods, assumptions, and data used. • We have evaluated the reasonableness of other inputs to the discounted cash flow models, such as haircut rates applied and discount rate. • We tested the arithmetical accuracy of the impairment models • We performed review on forward looking factors and scenario analysis. • We assessed the adequacy of the related disclosure in the notes to the consolidated financial statements.

Other Information included in the Annual Report

Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's Annual Report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, to consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with the those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mandakhbayar Dorjbat.

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Other Matter

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

Ernst & Young Mongolia Audit LLC

ERNST & YOUNG MONGOLIA AUDIT LLC
Certified Public Accountants

MANDAKHBAYAR DORJBAT
Partner

Ulaanbaatar, Mongolia
Date: 31 March 2026

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DEVELOPMENT BANK OF MONGOLIA LLC and its subsidiaries

Consolidated statement of financial position

At 31 December 2025

	Notes	2025 MNT'000	2024 MNT'000
ASSETS			
Cash and cash equivalents	**4**	1,184,135,208	365,190,505
Bank deposits	**5**	7,282,764	73,115,869
Financial investments	**6**	266,530,061	246,835,041
Derivative financial instruments	**7**	14,216,050	2,559,996
Loans and advances including lease receivables	**8**	1,192,050,958	1,322,048,203
Other assets	**9**	77,635,208	101,766,956
Assets held for sale	**10**	3,241,592	76,508,604
Repossessed assets	**11**	143,081,135	89,835,112
Property and equipment	**12**	22,950,845	23,709,328
Intangible assets		260,709	240,112
Income tax receivables	**27**	2,443,596	–
TOTAL ASSETS		**2,913,828,126**	**2,301,809,726**
LIABILITIES			
Financial derivatives liabilities	**7**	17,448,079	1,381,978
Customer accounts	**13**	7,859,146	3,152,369
Other liabilities	**14**	7,969,551	3,729,656
Due to other banks and financial institutions	**15**	59,313,315	108,043,345
Debt securities issued	**16**	2,449,276,962	1,392,012,468
Borrowings	**17**	208,956,527	345,708,957
Other taxes payable		1,369,724	1,418,815
Current income tax payable	**26**	216,708	601,460
Deferred tax liabilities	**26**	37,443,418	35,234,854
TOTAL LIABILITIES		**2,789,853,430**	**1,891,283,902**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK			
Contributed capital	**18**	1,216,300,341	1,216,300,341
Other reserve	**18**	34,053,850	26,276,637
Retained earnings	**18**	(1,126,379,495)	(832,051,154)
TOTAL EQUITY		**123,974,696**	**410,525,824**
TOTAL LIABILITIES AND EQUITY		**2,913,828,126**	**2,301,809,726**

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

DEVELOPMENT BANK OF MONGOLIA LLC and its subsidiaries

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2025

	Notes	2025 MNT'000	2024 MNT'000
Interest and similar income	**19**	186,327,567	172,981,953
Interest and similar expense	**20**	(233,488,598)	(188,655,484)
Net interest expense		**(47,161,031)**	**(15,673,531)**
Credit loss (expense)/reversal	**21**	(167,932,534)	73,191,882
Net interest (expense)/income after reversal of credit loss impact		**(215,093,565)**	**57,518,351**
Fee and commission income		4,029	58,865
Fee and commission expense		(744,998)	(153,653)
Other (expense)/income, net	**22**	(18,931,882)	5,132,615
Foreign exchange translation gains less losses	**23**	(10,600,176)	(18,339,884)
Net gains/(loss) from derivative financial instruments	**24**	(19,445,270)	2,746,266
Administrative and other operating expenses	**25**	(21,315,437)	(16,967,624)
Profit/(Loss) before tax		**(286,127,299)**	**29,994,936**
Income tax expenses	**26**	(3,009,464)	(37,907,732)
Loss for the year		**(289,136,763)**	**(7,912,796)**
Other comprehensive income/(loss) (net of tax):			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Net change in fair value of debt instruments at fair value through other comprehensive income	**18**	1,637,933	–
Net amount reclassified to profit or loss	**18**	–	855,259
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):			
Revaluation (loss)/gain on equity instruments at fair value through other comprehensive income	**18**	947,702	(12,551,262)
Other comprehensive income/(loss) (net of tax):		**2,585,635**	**(11,696,003)**
Total comprehensive loss for the year, net of tax		**(286,551,128)**	**(19,608,799)**

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

DEVELOPMENT BANK OF MONGOLIA LLC and its subsidiaries

Consolidated statement of changes in equity

For the year ended 31 December 2025

	Contributed capital MNT'000 (Note 18)	Other reserve MNT'000 (Note 18)	Retained earnings MNT'000 (Note 18)	Total equity MNT'000
At 1 January 2024	1,216,300,341	37,972,640	(824,138,355)	430,134,626
Loss for the year	–	–	(7,912,799)	(7,912,799)
Other comprehensive loss	–	(11,696,003)	–	(11,696,003)
Total comprehensive loss	–	(11,696,003)	(7,912,799)	**(19,608,802)**
At 31 December 2024 and 1 January 2025	**1,216,300,341**	**26,276,637**	**(832,051,154)**	**410,525,824**
Loss for the year	–	–	(289,136,763)	(289,136,763)
Other comprehensive income	–	2,585,635	–	2,585,635
Total comprehensive income/(loss)	**–**	**2,585,635**	**(289,136,763)**	**(286,551,128)**
Movement on regulatory reserve	–	5,191,578	(5,191,578)	–
At 31 December 2025	**1,216,300,341**	**34,053,850**	**(1,126,379,495)**	**123,974,696**

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

DEVELOPMENT BANK OF MONGOLIA LLC and its subsidiaries

Consolidated statement of cash flows

For the year ended 31 December 2025

	Notes	2025 MNT'000	2024 MNT'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(286,127,299)	29,994,936
Adjustments to:			
Depreciation expenses	**12**	1,142,813	957,579
Amortization expenses		80,725	53,248
Gain on disposal of asset held for sale	**22**	(407,475)	–
Gain on disposal of foreclosed properties	**22**	(2,838)	–
Credit loss expense/(reversal)	**21**	167,932,534	(73,191,882)
Effect of foreign exchange translation		5,246,522	12,414,959
Unrealized loss/(gains) from financial derivatives	**24**	4,427,764	(5,382,691)
Loss on write-off of lease receivables		4,924,284	–
Interest income	**19**	(185,714,743)	(172,981,952)
Interest expense	**20**	233,488,598	188,655,484
Operating loss before working capital changes		**(55,009,115)**	**(19,480,319)**
Changes in operating assets and liabilities:			
Net decrease/(increase) in bank deposits		64,756,340	(58,004,665)
Net decrease in Equity instruments at fair value through other comprehensive income		–	6,810,000
Net decrease/(increase) in debt instruments at FVOCI		(36,755,647)	135,600,395
Net increase in debt instruments at amortised costs		–	(992,178)
Net decrease in loans and advances including lease receivables		77,368,355	37,967,726
Net decrease in other assets		9,162,590	20,481,222
Net increase/(decrease) in customer accounts		4,469,594	(5,662,870)
Net decrease in due to other banks		(55,292,965)	(149,776,911)
Net increase/(decrease) in other liabilities		3,934,572	(7,319,324)
Cash generated from/(used in) operations		**12,633,724**	**(40,376,924)**
Income taxes paid		(4,215,724)	(10,459,377)
Interest received		149,035,919	118,709,808
Interest paid		(180,671,366)	(168,469,107)
Net cash flows used in operating activities		**(23,217,447)**	**(100,595,600)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from investment of a subsidiary		1,000	–
Purchase of property and equipment	**12**	(384,330)	(388,110)
Purchase of intangible assets		(101,322)	(43,692)
Proceeds from sales of repossessed assets	**11**	159,597	–
Proceeds from sales of assets held for sale	**10**	12,145,195	–
Net cash flows generated from/(used in) investing activities		**11,820,140**	**(431,802)**

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

	Notes	2025 MNT'000	2024 MNT'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from debt securities		1,321,260,721	817,615,836
Proceeds from borrowings		–	135,024,132
Repurchase of debt securities		(145,678,500)	–
Repayment of debt securities		(190,110,340)	(143,480,903)
Repayment of borrowings		(151,267,681)	(487,207,780)
Payment of deferred upfront fees		(6,270,634)	–
Net cash flows generated from financing activities		**827,933,566**	**321,951,285**
Effect of exchange rate changes on cash and cash equivalents		2,717,613	(290,992)
Net increase in cash and cash equivalents		**819,253,872**	**220,632,891**
Cash and cash equivalents brought forward	**4**	364,461,784	144,557,617
Cash and cash equivalents carried forward	**4**	**1,183,715,656**	**365,190,505**

Reconciliation of liabilities arising from financing activities:

	Borrowings MNT'000	Debt securities issued MNT'000
As at 1 January 2024	**707,401,712**	**687,477,828**
New disbursement	135,024,132	817,615,836
Principal repayment	(487,207,780)	(143,480,902)
Interest payment	(26,405,529)	(130,357,520)
Net repayment	(378,589,177)	543,777,414
Foreign exchange movement	(9,650,411)	4,804,224
Non-cash items arising from financing activities	(9,650,411)	4,804,224
Interest expense accrued and deferral amortisation	26,546,833	155,953,002
At 31 December 2024 and 1 January 2025	**345,708,957**	**1,392,012,468**
New disbursement	–	1,321,260,720
Repurchase of debt securities	–	(145,678,500)
Principal repayment	(151,267,681)	(190,110,340)
Interest payment	(17,070,423)	(163,600,943)
Deferred upfront fee	–	(6,270,634)
Net repayment	(168,338,104)	815,600,303
Foreign exchange movement	21,553,651	20,037,308
Non-cash items arising from financing activities	21,553,651	20,037,308
Interest expense accrued	10,032,023	221,626,883
At 31 December 2025	**208,956,527**	**2,449,276,962**

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

1. Corporate information

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

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

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

1. DBM Leasing LLC, incorporated on 16 June 2017, is a financial leasing company providing equipment financing for the mining, agriculture, energy, infrastructure and health sectors and programs that support the country's economic development and financial stability.
2. DBM Asset Management LLC was incorporated in Mongolia on 22 September 2017 with the purpose of providing long term financing for large scale projects that support economic growth. As of 31 December 2025, DBM Asset Management LLC had established two funds and are identified as the Fund Manager, namely "Eco-district and Affordable Housing Fund" and "DBM Green Development Private Investment Fund". The Group's principal place of business is TDB Building 11th and 12th floor, located at Peace Avenue 19, Ulaanbaatar 14210, Mongolia. These two floors are owned by The Group.

The consolidated financial statements for the year ended 31 December 2025 were authorised for issue on 31 March 2026 by the executive management of the Bank.

Funding environment of the Group

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

In 2025, Fitch Ratings affirmed the Bank's rating at "B+" (Stable) on 2 September 2025, while Standard & Poor's and Moody's upgraded their ratings to "BB-" (Stable) on 30 October 2025 and "B1" (Stable), respectively. These ratings are broadly in line with Mongolia's sovereign credit rating. In addition, Moody's upgraded DBM's Baseline Credit Assessment from Caa2 to Caa1. Credit rating agencies consider The Group as a Government-owned, policy-oriented statutory financial institution which plays main policy role to provide funds to strategically important sectors and large projects supports, and having access to full government support if needed in accordance with the Law on Development Bank of Mongolia, and the Law on Debt Management.

2. Material accounting policies

2.1 Basis of preparation and statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards as issued by the IASB.

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for debt and equity instruments at fair value through other comprehensive income ("FVOCI"), derivative financial instruments, and assets held for sale and repossessed assets which are measured at lower of its carrying amount and fair value less costs to sell. The consolidated financial statements are presented in Mongolian Togrog, which is denoted by the symbol MNT, and all values are rounded to the nearest thousands, except when otherwise indicated.

These consolidated financial statements are prepared as consolidated financial statements of the Group and stand-alone financial statements of the Bank is issued separately and is available on the Bank's official website.

2.1 Basis of preparation and statement of compliance (cont'd.)

The Group's ability to continue as a going concern.

The Group incurred a net loss of MNT 286,551 million for the year ended 31 December 2025 and continued to operate with a constrained capital position at year end. During 2025, the Group issued USD 500 million senior notes due in 2028 and refinanced certain upcoming obligations. After the report date, the Group fully repaid the outstanding balances of its USD 200 million bond on 7 March 2026 (Note 33). As a result, the Group does not have significant bond or borrowing obligations falling due within twelve months from the date on which these financial statements are authorised for issue.

The Government of Mongolia, the Group's sole shareholder, continues to support the Group's operations.

On 18 March 2026, the Government of Mongolia approved an increase in the Bank's share capital for MNT 1 trillion through transfer of the right to collect a receivable of a Government controlled entity (Note 33). This capital measure is intended to strengthen the Group's capital position and support its ongoing financial stability.

Management's assessment of the Group's ability to continue as a going concern cover a period of at least twelve months from the date of authorisation of these financial statements. The assessment takes into account significant obligations, operational cash flow needs, as well as approved capital injection from the Government of Mongolia. Based on the assessment and continued support from the Government of Mongolia, management believes the Group will be able to meet its obligations as they fall due for the foreseeable future.

Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2025. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

2.1 Basis of preparation and statement of compliance (cont'd.)

Presentation of consolidated financial statements

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the consolidated statement of financial position date (current) and more than 12 months after the consolidated statement of financial position date (non-current) is presented in Note 29.

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

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

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

2.2 Standards issued but not yet effective

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

• IFRS 18	*Presentation and Disclosure in Financial Statements*[1]
• IFRS 19	*Subsidiaries without Public Accountability: Disclosures*[1]
• Amendments to IFRS 9 and IFRS 7	*Classification and Measurement of Financial Instruments*[2]
• Amendments to IFRS 9 and IFRS 7	*Contracts Referencing Nature-dependent Electricity*[2]
• Annual Improvements to IFRS	*Annual Improvements to IFRS Accounting Standards - Volume 11*[2]

[1]*Effective for annual periods beginning on or after 1 January 2027*
[2]*Effective for annual periods beginning on or after 1 January 2026*

IFRS 18 *Presentation and Disclosure in Financial Statements*

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 *Presentation of Financial Statements*. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 *Statement of Cash Flows*, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Group is currently working to identify all impacts the amendments will have on the primary consolidated financial statements and notes to the consolidated financial statements.

The Group does not expect that the other new standard and amendments will have a material impact on its consolidated financial statements.

2.3 New and amended standards and interpretations

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

Other amendments and interpretations apply for the first time in 2025, but do not have an impact on the Group's consolidated financial statements, these standards are summarised below:

- Amendments to IAS 21 *Lack of Exchangeability*

2.4 Summary of material accounting policies

Financial instruments – initial recognition

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group recognises balances due to customers when funds are transferred to the Group.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments, other than those measured at FVTPL, are initially measured at their fair value including respective transaction costs. While financial instruments at FVTPL are recognised at its fair value and any transaction costs are recognised in profit or loss. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

'Day 1' profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in trading and other operating income/expenses. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- FVOCI
- FVTPL

The Group classifies and measures its derivative and trading portfolio at FVTPL. The Group may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

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

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

- Level 1 financial instruments – Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Group has access to at the measurement date. The Group considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.
- Level 2 financial instruments – Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Group will classify the instruments as Level 3.
- Level 3 financial instruments – Those that include one or more unobservable input that is significant to the measurement as whole.

The Group periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Group's financial instruments such as credit risk (CVA), own credit (DVA) and/or funding costs (FVA). Therefore, the Group applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralised financial instruments. The Group estimates the value of its own credit from market observable data, such as secondary prices for its traded debt.

The Group evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the end of the reporting period.

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

Financial assets and liabilities per financial statement line item

Due from banks, Loans and advances to customers, Financial investments at amortised cost

The Group measures Due from banks, Loans and advances to customers and other financial investments at amortised cost only if both of the following conditions are met:

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

The details of these conditions are outlined below.

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

Financial assets and liabilities per financial statement line item (cont'd.)

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

- The risks that affect the performance of the business model and, in particular, the way those risks are managed;
- Past experience with how the cash flows from these assets were obtained;
- The metrics used to measure and report on portfolio performance and reported to the key management;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

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

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

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

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

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

Derivatives recorded at fair value through profit or loss

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

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

The Group enters into derivative transactions with various counterparties. These include interest rate swaps, cross currency swaps and forward foreign exchange contracts on interest rates and foreign currencies. 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.

Changes in the fair value of derivatives are included in other income unless hedge accounting is applied.

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

Financial assets or financial liabilities held for trading

The Group classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

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

Financial assets and liabilities per financial statement line item (cont'd.)

Debt instruments at FVOCI

The Group classifies debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

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

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

Borrowed funds and debt securities issued

Borrowed funds and debt securities issued are contractual obligations to local and foreign financial institutions.

After initial measurement, borrowed funds and debt securities issued are subsequently measured at amortised cost using the EIR. The amortised cost of borrowed funds and debt securities issued is calculated using EIR by taking into account any transaction costs related to the transaction.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. When establishing the accounting treatment of these non-derivative instruments the Group first establishes whether the instrument is a compound instrument and classifies such instruments or components separately as financial liabilities, financial assets, or equity instruments in accordance with IAS 32. Classification of the liability and equity components of a convertible instrument is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when exercise of the option may appear to have become economically advantageous to some holders. When allocating the initial carrying amount of a compound financial instrument to its equity and liability components, the equity component is assigned the residual amount after deducting from the entire fair value of the instrument, the amount separately determined for the liability component. The value of any derivative features (such as a call options) embedded in the compound financial instrument, other than the equity component (such as an equity conversion options) is included in the liability component. Once the Group has determined the split between equity and liability, it further evaluates if the liability component has embedded derivatives which would require separation.

Financial assets and liabilities at FVTPL

Financial assets in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9.

Financial assets at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss. Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using the contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as other operating income when the right to the payment has been established.

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

Financial assets and liabilities per financial statement line item (cont'd.)

Financial guarantee and undrawn loan commitments

The Group issues financial guarantees and undrawn loan commitments.

Financial guarantees are initially recognised in the consolidated financial statements (within 'other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and an ECL allowance.

The premium received is recognised in the income statement in Net fees and commission income on a straight line basis over the life of the guarantee.

The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments are disclosed in Note 32.

Reclassification of financial assets

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

Modification of financial assets and liabilities

Modification of financial assets

When the contractual cash flows of a financial asset are renegotiated or otherwise modified as a result of commercial restructuring activity rather than due to credit risk and impairment considerations, the Group performs an assessment to determine whether the modifications result in the derecognition of that financial asset. For financial assets, this assessment is based on qualitative factors.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

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

If the modification does not result in cash flows that are substantially different, as set out below, then it does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Modification of financial liabilities

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

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

Derecognition due to substantial modification of terms and conditions

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

Derecognition other than for substantial modification

Financial assets. A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

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

Derecognition of financial assets and liabilities

The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the asset; or
- It retains the right to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the original asset), but assumes a contractual obligation to pay those cash flows to one or more entities (the eventual recipients), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset; or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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

Forborne modified loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department.

Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

If modifications are substantial, the loan is derecognised, as explained above. Once the terms have been renegotiated without this resulting in the derecognition of the loan, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

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

Forborne modified loans (cont'd.)

When the loan has been renegotiated or modified but not derecognised, the Group considers that there has been a significant increase in credit risk since initial recognition and thus classifies the loan as Stage 2. Once an asset has been classified as forborne, it reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period
- The customer does not have any contracts that are more than 30 days past due

Impairment of financial assets

Overview of the ECL principles

The Group records an allowance for ECL for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or "LTECL"), unless there has been no significant increase in credit risk ("SICR") since origination, in which case, the allowance is based on the 12 months expected credit loss ("12mECL"). The Group's policies for determining if there has been a SICR are set out in Note 28.

The 12mECL is the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 as described below:

Stage 1: When loans are first recognised, the Group recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired. The Group records an allowance for the LTECL.

POCI: POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

Calculation of ECL

The Group calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

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

Impairment of financial assets (cont'd.)

Calculation of ECL (cont'd.)

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD: The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD: The Exposure at Default ("EAD") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD: The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD.

When estimating the ECL, the Group considers three scenarios (a base case, an upside and a downside). Each of these is associated with different PDs, EADs and LGDs.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in the earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

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

The mechanics of the ECL method are summarised below:

Stage 1:	The 12mECL is calculated as the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
Stage 3:	For loans considered credit-impaired, the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
POCI	POCI assets are financial assets that are credit impaired on initial recognition. The Group only recognises the cumulative changes in lifetime ECL since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR.
Loan commitments	When estimating LTECL for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.
Financial guarantee contracts	The Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in profit or loss, and the ECL provision. For this purpose, the Group estimates ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios. The ECL related to financial guarantee contracts are recognised within 'other liabilities'.

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

Impairment of financial assets (cont'd.)

Debt instruments measured at FVOCI

The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

Credit enhancements: Collateral valuation and financial guarantees

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group's statement of financial position.

Cash flows expected from credit enhancements which are not required to be recognised separately by IFRS standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed, at a minimum, at inception and re-assessed on annual basis.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers or based on housing price indices.

Guarantees held are included in the measurement of loan ECL when either they are specified in the contractual terms of the loan or else are integral to the loan, in that they formed part of the basis on which the loan was extended.

Guarantees that are not integral to the loan's contractual terms are accounted as separate units of accounts subject to ECL as an off-balance sheet item.

Write-offs

Financial assets are written off either partially or in their entirety only when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include government investment and Bank of Mongolia's investment securities with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

Bank deposits

Bank deposits are recorded when the Group advances money to counterparty banks with initial maturity of more than three months with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

Offsetting financial instruments

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

Prepayments

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

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

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company is not a lessee in any transactions; it is only a lessor.

Group as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

In an arrangement contains lease and non-lease components, then the company applies IFRS 15 to allocate the consideration in the contract.

Finance leases

At the commencement date, the Group recognises assets held under a finance lease in its consolidated statement of financial position and present them as a receivable at an amount equal to the net investment in the lease.

The Group uses the interest rate implicit in the lease to measure the net investment in the lease. The Group recognises interest income, representing the finance income, over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease in the consolidated statement of profit or loss.

The Group applies the derecognition and impairment requirements described in 'Financial instruments' above to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

Modification of finance leases

The Group accounts for a modification to a finance lease as a separate lease when the modification:

- increases the scope of the lease by adding the right to use one or more underlying assets; and
- increases the consideration by an amount commensurate with the stand-alone price for the additional scope, adjusted as appropriate to reflect the circumstances of the contract.

For modifications that do not meet the criteria for a separate lease:

- If the modified terms would have resulted in the lease being classified as an operating lease had the modification been in effect at the inception date, the Group accounts for the modification as a new lease from the effective date. The underlying asset is measured at the carrying amount of the net investment in the lease immediately before the modification.

In all other cases, the Group applies the modification requirements of IFRS 9 to the finance lease receivable.

Property and equipment

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

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

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

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

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

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

Intangible assets

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

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

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

- Computer software and license 10 years

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

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

Customer accounts

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

Bonds and Borrowings

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

Repossessed assets

The Group's policy is to determine whether a foreclosed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their foreclosed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to "Assets held for sale" at their fair value (if financial asset) or fair value less cost to sell for non-financial assets at the repossession date. Assets that are expected to be sold beyond twelve months are included in "Repossessed assets" and are measured at the lower of the cost and fair value less costs to sell.

Capital contributions

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

Income tax

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

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

Deferred income tax

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

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

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Contingent liabilities and assets

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

Credit related commitments

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

Financial guarantees and commitments to provide a loan are initially recognized at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition.

At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period. In cases where the fees are charged periodically in respect of an outstanding commitment, they are recognized as revenue on a time proportion basis over the respective commitment period.

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

Employee benefits

(i) **Short term benefits**

Wages, salaries and other salary related expenses are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised as a liability when services are rendered by employees that increase their entitlement to future compensated absences in profit or loss, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

(ii) **Defined contribution plans**

As required by law, companies in Mongolia make contributions to the government pension scheme, Social and Health Fund. Such contributions are recognised as an expense in profit or loss as incurred. The Group also contributes to a defined contribution pension plan. The contribution paid is recorded as an expense under "Pension fund expense" in proportion to the services rendered by the employees to the Group.

(iii) **Long term benefits**

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

Income and expense recognition

Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

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

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

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

Foreign currency transactions

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

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

Principal and agent arrangements

The Group obtains funding designated to advance a specific loan facility to a specific borrower. For such arrangements, the Group considers whether it acts as a principal or an agent of the party providing the funding, by applying the "pass-through" criteria to the loans which are as follows: a) the Group has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset; b) the Group is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and c) the Group has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

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

Principal and agent arrangements (cont'd.)

If the pass-through criteria are not met, the Group acts as a principal, it recognizes funds disbursed and funds received as assets and liabilities in the separate statement of financial position, and related interest income and interest expenses in the separate statement of profit or loss and other comprehensive income.

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

Related party transactions

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

A person or a close member of that person's family is related to the Group if that person:
- has control or joint control over the Group or;
- has significant influence over the Group or;
- is a member of the key management personnel of the Group or of a parent of the Group.

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

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

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

3. Significant accounting judgments, estimates and assumptions

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

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

Impairment allowances on loans and advances and repossessed collaterals

The Group assesses its corporate loans for impairment indicators due to repayment delays or other factors. Management believes that all customers likely to experience significant repayment delays have been identified, and an adequate impairment allowance has been recognized in these consolidated financial statements.

The Group regularly reviews its loan portfolio for impairment, focusing on observable data that may indicate a measurable decrease in future cash flows. This includes changes in borrower payment status and economic conditions correlated with defaults. Management uses estimates based on credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Impairment losses for individually significant loans are based on estimates of discounted future cash flows of the individual loans, taking into account repayments and realisation of any assets held as collateral against the loans.

The foreclosed properties initially recognized at the lower of their foreclosed value or the carrying value of the original secured asset and subsequently measured at the lower of their cost and fair value less cost to sell. This valuation assessment requires exercise of judgement from management and independent valuer based on their experience of those properties as well as other assumptions.

3. Significant accounting judgments, estimates and assumptions (cont'd.)

Fair value of financial instruments

When the fair value of derivative financial instruments recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Changes in assumptions could affect the reported fair value of derivative financial instruments. See Note 7 for further disclosures.

4. Cash and cash equivalents

	2025 MNT'000	2024 MNT'000
Cash on hand	674	779
Current accounts at Bank of Mongolia	376,758,876	89,251,691
Current accounts at Ministry of Finance	467,328	808,051
Cash at other banks:		
- Domestic	771,316,103	112,161,238
- Foreign	35,592,227	162,968,746
Total cash and cash equivalents	**1,184,135,208**	**365,190,505**
Less: Restricted cash at bank balances	(419,552)	–
	1,183,715,656	**365,190,505**

Cash and cash equivalents are held with the Bank of Mongolia, the Ministry of Finance, and domestic and foreign commercial banks with strong credit standing. These balances are short term in nature and placed with sovereign or central bank institutions or with banks assessed to have low credit risk. As a result, they are classified within Stage 1, and the expected credit loss on these balances is assessed to be immaterial. Accordingly, no impairment allowance has been recognised as at 31 December 2025 and 2024.

Cash at other banks include deposits held with commercial banks with original maturity of three months. These deposits bear interest rates ranging from 3.5% to 13.7%.

5. Bank deposits

The Bank deposits represents term deposits with maturities greater than three months from the date of placement. Certain of the deposits are held at a bank which is in liquidation stage, thus, it is fully impaired.

	2025 MNT'000	2024 MNT'000
Placement with unrated local banks and financial institutions	31,234,526	109,671,431
Total bank deposits	31,234,526	109,671,431
Less: Impairment allowance on bank deposits	(23,951,762)	(36,555,562)
Net amount of bank deposits	**7,282,764**	**73,115,869**

5. Bank deposits (cont'd.)

Impairment allowance for deposits with other banks and financial institutions

	Stage 1 MNT'000	Stage 3 MNT'000	Total MNT'000
Gross carrying amount as at 1 January 2025	73,115,869	36,555,562	109,671,431
Addition during the year	2,000,000	–	2,000,000
Repaid amounts	(66,756,340)	(12,603,800)	(79,360,140)
Net movement on accrued interest	(1,076,765)	–	(1,076,765)
At 31 December 2025	**7,282,764**	**23,951,762**	**31,234,526**
ECL allowance as at 1 January 2025	–	36,555,562	36,555,562
Net charge/(reversal) for the year (Note 21)	–	(12,603,800)	(12,603,800)
At 31 December 2025	**–**	**23,951,762**	**23,951,762**
Gross carrying amount as at 1 January 2024	15,875,683	39,172,483	55,048,166
Addition during the year	56,771,119	–	56,771,119
Repaid amounts	–	(646,647)	(646,647)
Net movement on accrued interest	469,067	–	469,067
Write off	–	(1,970,274)	(1,970,274)
At 31 December 2024	**73,115,869**	**36,555,562**	**109,671,431**
ECL allowance as at 1 January 2024	–	39,172,483	39,172,483
Net charge/(reversal) for the year (Note 21)	–	(646,647)	(646,647)
Write off	–	(1,970,274)	(1,970,274)
At 31 December 2024	**–**	**36,555,562**	**36,555,562**

6. Financial investments

	2025 MNT'000	2024 MNT'000
Debt instruments at fair value through other comprehensive income		
Quoted USD bond (a)	39,127,443	–
	39,127,443	**–**
Equity instruments at fair value through other comprehensive income		
Quoted equities - MIK Holding JSC (b)	52,331,596	51,067,994
	52,331,596	**51,067,994**
Debt instruments at amortised cost		
Corporate bonds - State Housing Corporation SOLLC (c)	160,754,146	187,696,678
Corporate bonds - Darkhan Leather Complex LLC (d)	14,316,876	8,070,369
	175,071,022	**195,767,047**
Total financial investments	**266,530,061**	**246,835,041**

(a) Quoted government bonds represent investment in government bonds listed on foreign market. (Note 18)

(b) Quoted equity securities represent investment in MIK Holding JSC's share listed on domestic market. (Note 18)

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

(d) Corporate bonds comprise bonds issued by Darkhan Leather Complex LLC with total nominal value of MNT 15 billion due in February 2025, which were obtained by the Bank in exchange for loans issued to Darkhan Leather Complex LLC in 2020.

6. Financial investments (cont'd.)

Impairment allowance for financial investments

Credit quality of the debt instruments at FVOCI as determined by Moody's ratings were B1. Management assessed the expected credit loss to be insignificant.

Debt instruments at FVOCI	**2025 MNT'000 Stage 1**	**2024 MNT'000 Stage 1**
Gross carrying amount as at 1 January	**–**	**137,484,545**
New assets originated or purchased	35,850,888	–
Payments and assets derecognised	–	(137,474,150)
Net movement on accrued interest	1,092,644	–
Change in fair value (Note 18)	2,183,911	(10,395)
At 31 December	**39,127,443**	**–**
ECL allowance as at 1 January	**–**	**844,864**
Net reversal for the year (Note 18)	–	(844,864)
At 31 December	**–**	**–**

Debt instruments at amortised cost	**Stage 1 MNT'000**	**Stage 3 MNT'000**	**Total MNT'000**
Gross carrying amount as at 1 January 2025	**187,696,678**	**32,070,294**	**219,766,972**
Net movement on accrued interest	5,650,233	8,380,391	**14,030,624**
Transfer between stages	(193,346,911)	193,346,911	**–**
At 31 December 2025	**–**	**233,797,596**	**233,797,596**
ECL allowance as at 1 January 2025	**–**	**23,999,925**	**23,999,925**
Net movement on accrued interest	–	6,271,497	6,271,497
Effect of change in inputs	–	28,455,152	28,455,152
Transfer between stages	–	–	**–**
Net charge for the year (Note 21)	–	34,726,649	34,726,649
At 31 December 2025	**–**	**58,726,574**	**58,726,574**

	Stage 1 MNT'000	**Stage 3 MNT'000**	**Total MNT'000**
Gross carrying amount as at 1 January 2024	**180,962,377**	**28,686,787**	**209,649,164**
Assets derecognised or repaid	–	–	–
Net movement on accrued interest	6,734,301	3,383,507	10,117,808
Transfer between stages	–	–	–
At 31 December 2024	**187,696,678**	**32,070,294**	**219,766,972**
ECL allowance as at 1 January 2024	**–**	**21,898,284**	**21,898,284**
Net movement on accrued interest	–	1,990,824	1,990,824
Effect of change in inputs	–	110,817	110,817
Net charge for the year (Note 21)	–	2,101,641	2,101,641
At 31 December 2024	**–**	**23,999,925**	**23,999,925**

7. Derivative financial instruments

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

	Notional amount MNT'000	Fair value Assets MNT'000	Liability MNT'000
At 31 December 2025			
Derivatives held for trading			
Cross-currency interest rate swaps with BoM (a)	908,234,875	14,216,050	17,072,807
Forwards	66,872,226	–	375,272
	975,107,101	**14,216,050**	**17,448,079**
At 31 December 2024			
Derivatives held for trading			
Cross-currency interest rate swaps with BoM (a)	193,244,125	2,539,724	1,381,978
Forwards	206,882,172	20,272	–
	400,126,297	**2,559,996**	**1,381,978**

At their inception, derivatives often involve only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group.

The Group's exposure under derivative contracts is closely monitored as part of the overall management of its market risk. The Group's risk management strategy and how it is applied to manage its risks is disclosed in Note 29.

(a) As at 31 December 2025, the Group had three cross currency interest rate swap agreements outstanding with BoM with a total notional principal of USD 256.5 million, comprising of USD 56.5 million (maturity on 6 February 2026), USD 50 million and USD 150 million (both with maturity on 5 June 2028).

At initiation, the Group has paid USD funds to BoM and received MNT funds at the spot rate. Under the USD 56.5 million swap, the Group receives interest on USD funds at SOFR plus Z-spread and pays interest on MNT funds at the Central bank repo rate, while under the USD 50 million and USD 150 million swaps, the Group receives interest on the USD funds at SOFR and pays interest on the MNT funds at the Central bank policy rate. At the end of the term of agreements, the parties shall exchange the principal payments at the exchange rate of the initial transaction.

8. Loans and advances to customers including lease receivables

	2025 MNT'000	2024 MNT'000
Loans and advances	1,171,847,562	1,294,322,795
Lease receivables	20,203,396	27,725,408
Total loans and advances	**1,192,050,958**	**1,322,048,203**

8.1 Loans and advances to customers

Loans and advances consist of the following:

	2025 MNT'000	2024 MNT'000
Public sector loan	969,122,255	904,378,395
Private sector loan	1,302,461,486	1,367,180,969
Total loans and advances	**2,271,583,741**	**2,271,559,364**
Less: Impairment allowance on loans	(1,099,736,179)	(977,236,569)
Net amount of loans and advances	**1,171,847,562**	**1,294,322,795**

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

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

Due to the nature of the Group's activities and its small number of borrowers, the Group has a certain concentration of credit risk. As at 31 December 2025, the total loans of the top 5 largest borrowers of the Group, before impairment, amounts to MNT 1,379,680 million (31 December 2024: MNT 1,305,037 million) or 60.7% of gross loans and advances (31 December 2024: 57.5%). The total carrying value of loans of these 5 largest borrowers after impairment is MNT 831,263 million as at 31 December 2025 (31 December 2024: MNT 929,230 million) or 75.6% of net loans and advances (31 December 2024: 70.2%).

Impairment allowance for loans and advances to customers

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

	Public MNT'000	Private MNT'000	Total MNT'000
Gross carrying amount as at 1 January 2025	**904,378,395**	**1,367,180,969**	**2,271,559,364**
New assets originated or purchased	6,764,322	–	6,764,322
Assets derecognised or repaid	(10,940,113)	(73,254,100)	(84,194,213)
Net movement on accrued interest	50,473,744	(13,121,314)	37,352,430
Foreign exchange adjustments	18,445,907	21,655,931	40,101,838
At 31 December 2025	**969,122,255**	**1,302,461,486**	**2,271,583,741**
ECL allowance as at 1 January 2025	**35,089,849**	**942,146,720**	**977,236,569**
New assets originated or purchased	35,778	–	35,778
Assets derecognised or repaid	(70,690)	(7,859,437)	(7,930,127)
Effect of changes in inputs	6,595,776	75,458,276	82,054,052
Net movement on accrued interest	(1,583,788)	40,080,719	38,496,931
Net reversal for the year (Note 21)	4,977,076	107,679,558	112,656,634
Foreign exchange adjustments	858,972	8,984,004	9,842,976
At 31 December 2025	**40,925,897**	**1,058,810,282**	**1,099,736,179**

8.1 Loans and advances to customers (cont'd.)

	Public MNT'000	Private MNT'000	Total MNT'000
Gross carrying amount as at 1 January 2024	**784,218,720**	**1,478,157,289**	**2,262,376,009**
New assets originated or purchased	91,813,285	–	91,813,285
Assets derecognised or repaid	(12,446,118)	(121,630,691)	(134,076,809)
Net movement on accrued interest	40,792,508	15,933,711	56,726,219
Write-offs	–	(5,279,340)	(5,279,340)
At 31 December 2024	**904,378,395**	**1,367,180,969**	**2,271,559,364**
ECL allowance as at 1 January 2024	**42,223,142**	**1,005,879,127**	**1,048,102,269**
New assets originated or purchased	419,388	–	419,388
Assets derecognised or repaid	(13,666,385)	(22,808,694)	(36,475,079)
Effect of changes in inputs	6,303,892	(42,747,789)	(36,443,897)
Net movement on accrued interest	(190,188)	7,663,317	7,473,129
Net reversal for the year (Note 21)	(7,133,293)	(57,893,166)	(65,026,459)
Write-offs	–	(5,279,340)	(5,279,340)
Foreign exchange adjustments	–	(559,901)	(559,901)
At 31 December 2024	**35,089,849**	**942,146,720**	**977,236,569**

Credit quality of gross carrying amounts as at 31 December 2025 and 2024:

	Public MNT'000	Private MNT'000	Total MNT'000
At 31 December 2025			
Performing	320,987,139	35,188,998	356,176,137
Special mention	492,474,787	–	492,474,787
Substandard	–	–	–
Doubtful	–	–	–
Loss	155,660,329	1,267,272,488	1,422,932,817
Total	**969,122,255**	**1,302,461,486**	**2,271,583,741**
At 31 December 2024			
Performing	753,865,654	89,497,079	843,362,733
Special mention	–	–	–
Substandard	124,862,807	168,875,268	293,738,075
Doubtful	25,649,934	560,745,689	586,395,623
Loss	–	548,062,933	548,062,933
Total	**904,378,395**	**1,367,180,969**	**2,271,559,364**

8.1 Loans and advances (cont'd.)

Impairment allowance for loans and advances to customers (cont'd.)

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

Loans and advances to public sector customers	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
Gross carrying amount as at 1 January 2025	**753,865,654**	**–**	**150,512,741**	**904,378,395**
New assets originated or purchased	6,764,323	–	–	6,764,323
Assets derecognised or repaid	(10,940,113)	–	–	(10,940,113)
Net movement on accrued interest	47,347,240	–	3,126,505	50,473,745
Transfer between stages	(492,474,787)	492,474,787	–	–
Foreign exchange adjustments	16,424,822	–	2,021,083	18,445,905
At 31 December 2025	**320,987,139**	**492,474,787**	**155,660,329**	**969,122,255**
ECL allowance as at 1 January 2025	**4,871,137**	**–**	**30,218,712**	**35,089,849**
New assets originated or purchased	35,778	–	–	35,778
Assets derecognised or repaid	(70,690)	–	–	(70,690)
Net movement on accrued interest	756,981	–	(2,340,769)	(1,583,788)
Effect of change in inputs	(210,431)	8,784,963	(1,978,756)	6,595,776
Transfer between stages	(3,684,998)	3,684,998	–	–
Net charge/(reversal) for the year (Note 21)	(3,173,360)	12,469,961	(4,319,525)	4,977,076
Foreign exchange adjustments	–	518,275	340,697	858,972
At 31 December 2025	**1,697,777**	**12,988,236**	**26,239,884**	**40,925,897**

Loans and advances to public sector customers	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
Gross carrying amount as at 1 January 2024	**369,425,518**	**268,237,422**	**146,555,780**	**784,218,720**
New assets originated or purchased	91,813,285	–	–	91,813,285
Assets derecognised or repaid	(4,476,398)	(7,744,850)	(224,870)	(12,446,118)
Net movement on accrued interest	26,149,930	10,460,747	4,181,831	40,792,508
Transfer between stages	270,953,319	(270,953,319)	–	–
At 31 December 2024	**753,865,654**	**–**	**150,512,741**	**904,378,395**
ECL allowance as at 1 January 2024	**2,810,055**	**4,130,280**	**35,282,807**	**42,223,142**
New assets originated or purchased	419,388	–	–	419,388
Assets derecognised or repaid	(223,820)	(4,124,140)	(9,318,425)	(13,666,385)
Effect of change in inputs	–	1,680,608	4,623,284	6,303,892
Net movement on accrued interest	114,736	64,030	(368,954)	(190,188)
Transfer between stages	1,750,778	(1,750,778)	–	–
Net charge/(reversal) for the year (Note 21)	2,061,082	(4,130,280)	**(5,064,095)**	(7,133,293)
At 31 December 2024	**4,871,137**	**–**	**30,218,712**	**35,089,849**

8.1 Loans and advances (cont'd.)

Impairment allowance for loans and advances to customers (cont'd.)

Credit quality of gross carrying amounts as at 31 December 2025 and 2024:

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
At 31 December 2025				
Performing	320,987,139	–	–	320,987,139
Special mention	–	492,474,787	–	492,474,787
Substandard	–	–	–	–
Doubtful	–	–	–	–
Loss	–	–	155,660,329	155,660,329
Total	**320,987,139**	**492,474,787**	**155,660,329**	**969,122,255**
At 31 December 2024				
Performing	753,865,654	–	–	753,865,654
Special mention	–	–	124,862,807	124,862,807
Substandard	–	–	–	–
Doubtful	–	–	25,649,934	25,649,934
Loss	–	–	–	–
Total	**753,865,654**	**–**	**150,512,741**	**904,378,395**

8.2 Lease receivables

	2025 MNT'000	2024 MNT'000
Lease receivables	30,479,731	37,250,120
Accrued interest receivables	10,516,097	12,901,069
Total lease receivables	**40,995,828**	**50,151,189**
Allowance for impairment losses	(20,792,432)	(22,425,781)
Net amount of lease receivables	**20,203,396**	**27,725,408**

For the reconciliation between the total gross investment in the lease receivables at the reporting date and the net investment in the lease, please refer to Note 28 *Liquidity Risk*.

Tables below show outstanding balances of lease receivable by industry and by stage as at 31 December 2025 and 2024:

At 31 December 2025	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
Transportation and logistics	1,471,716	359,725	–	1,831,441
Mining and quarrying	–	–	5,801,712	5,801,712
Manufacturing	–	–	10,866,510	10,866,510
Electric power	16,277,226	–	6,218,939	22,496,165
Gross lease receivables	**17,748,942**	**359,725**	**22,887,161**	**40,995,828**
Allowance for expected credit losses	–	(29,587)	(20,762,845)	(20,792,432)
Net lease receivables	**17,748,942**	**330,138**	**2,124,316**	**20,203,396**
At 31 December 2024				
Transportation and logistics	2,172,199	658,333	–	2,830,532
Mining and quarrying	–	–	13,337,490	13,337,490
Manufacturing	–	–	10,229,504	10,229,504
Electric power	18,107,210	–	5,646,453	23,753,663
Gross lease receivables	**20,279,409**	**658,333**	**29,213,447**	**50,151,189**
Allowance for expected credit losses	–	(219,888)	(22,205,893)	(22,425,781)
Net lease receivables	**20,279,409**	**438,445**	**7,007,554**	**27,725,408**

8.2 Lease receivables (cont'd.)

Analysis of credit quality of lease receivables is as follows:

	2025 MNT'000	2024 MNT'000
Stage 1		
Neither past due nor impaired	17,748,942	20,279,409
	17,748,942	**20,279,409**
Stage 2		
Less than 30 days overdue	–	216,023
Over 360 days overdue	359,725	442,310
	359,725	**658,333**
Stage 3		
Over 360 days overdue	22,887,161	29,213,447
	22,887,161	**29,213,447**
Less: Impairment allowance	(20,792,432)	(22,425,781)
Net amount of lease receivables	**20,203,396**	**27,725,408**

The tables below include movements in the gross carrying amount and corresponding ECL allowances:

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
Gross carrying amount				
At 1 January 2025	20,279,409	658,333	29,213,447	50,151,189
New assets originated or purchased	3,239,508	–	–	3,239,508
Assets derecognised or repaid	(6,071,576)	(130,256)	(871,148)	(7,072,980)
Net movement on accrued interest	133,410	(161)	1,376,787	1,510,036
Write-offs (Note 21)	–	–	(6,831,925)	(6,831,925)
Transfer to Stage 1 from Stage 2	168,191	(168,191)	–	–
At 31 December 2025	**17,748,942**	**359,725**	**22,887,161**	**40,995,828**
Allowance for expected credit losses				
At 1 January 2025	–	219,888	22,205,893	22,425,781
Net charge/reversal for the year (Note 21)	–	(190,301)	464,593	274,292
Write-offs (Note 21)	–	–	(1,907,641)	(1,907,641)
At 31 December 2025	**–**	**29,587**	**20,762,845**	**20,792,432**
Gross carrying amount				
At 1 January 2024	32,517,492	1,472,058	28,423,560	62,413,110
New assets originated or purchased	3,284,488	–	–	3,284,488
Assets derecognised or repaid	(15,432,784)	(318,234)	(516,108)	(16,267,126)
Net movement on accrued interest	(258,354)	(326,924)	1,305,995	720,717
Transfer to Stage 1 from Stage 2	168,567	(168,567)	–	–
At 31 December 2024	**20,279,409**	**658,333**	**29,213,447**	**50,151,189**
Allowance for expected credit losses				
At 1 January 2024	5	67,593	18,503,095	18,570,693
Net charge/reversal for the year (Note 21)	(5)	152,295	3,702,798	3,855,088
At 31 December 2024	**–**	**219,888**	**22,205,893**	**22,425,781**

9. Other assets

	2025 MNT'000	2024 MNT'000
Other receivables	108,781,439	119,898,196
Other prepayments	684,406	420,852
Supply materials	44,565	28,891
Tax receivable other than income tax	17,530	17,500
Total other assets	**109,527,940**	**120,365,439**
Less: Impairment allowance on other assets	(31,892,732)	(18,598,483)
Total net amount of other assets	**77,635,208**	**101,766,956**

Included in other receivables are amounts due from the Governor's Offices of Ulaanbaatar city, Govi-Altai province, Khuvsgul province and Orkhon province, arising from the sale of repossessed assets, totaling MNT 74,303,405 thousand million (2024: MNT 78,164,610 thousand). As of 31 December 2025, these other receivables were classified as Stage 3 (2024: Stage 3).

Impairment allowance on other receivables

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

	2025 MNT'000	2024 MNT'000
Opening balance	18,598,483	19,515,647
Increase during the year	18,529,891	191,421
Reversal during the year	(5,235,642)	(1,108,585)
Net reversal for the year (Note 21)	13,294,249	(917,164)
Closing balance	**31,892,732**	**18,598,483**

10. Assets held for sale

	2025 MNT'000	2024 MNT'000
As at 1 January	76,508,604	–
Possession	11,458,000	–
Transfer from/(to) repossessed assets	(72,987,292)	76,508,604
Sold during the year	(11,737,720)	–
As at 31 December	**3,241,592**	**76,508,604**

Proceeds from the sale of apartments during the year were MNT 12,145.2 million (2024: nil). The gain on the sale of properties held for sale amounted to MNT 407.5 million (2024: nil) and is recorded as part of "Other (expense)/income" (Note 22).

Management assessed that those buildings and real estate are available for immediate sale and can be sold to the buyer in its current condition. The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification. A potential buyer has been identified and negotiations as at the reporting date are at an advanced stage.

11. Repossessed assets

	2025 MNT'000	2024 MNT'000
Foreclosed properties		
At beginning of the year	91,265,993	249,893,712
Transfer from asset held for sale	72,987,292	(76,508,604)
Transfer to/(from) other receivables	–	(72,020,602)
Disposal during the year	(156,759)	(10,098,513)
	164,096,526	**91,265,993**
Less: Allowances for impairment losses	(21,015,391)	(1,430,881)
At end of the year	**143,081,135**	**89,835,112**

Repossessed assets represent real estate assets acquired by the Bank in settlement of overdue loans. The Bank expects to dispose these assets in the foreseeable future.

Included in repossessed assets as at 31 December 2025 were assets repossessed in exchange for non-performing loans due from Mongol Meat Expo LLC under on-lend liabilities due from Capital Bank LLC and others, in a total amount of MNT 88,306,386 thousand as at 31 December 2025 (31 December 2024: MNT 88,306,386 thousand).

Proceeds from the sale of one apartment during the year were MNT 159.6 million (2024: MNT 10,342.6 million). The gain on the sale of repossessed assets amounted to MNT 2.84 million (2024: MNT 244.04 million) and is recorded as part of "Other (expense)/income" (Note 22).

	2025 MNT'000	2024 MNT'000
Impairment allowance for foreclosed properties		
At beginning of the year	1,430,881	6,318,718
Net charge/(reversal) for the year (Note 21)	19,584,510	(4,887,837)
At end of the year	**21,015,391**	**1,430,881**

Repossessed assets consist of the following:

	2025 MNT'000	2024 MNT'000
Real estates under construction	151,352,166	89,582,026
Real estates ready for use	12,744,360	1,683,967
	164,096,526	**91,265,993**
Allowances for impairment losses	(21,015,391)	(1,430,881)
At end of the year	**143,081,135**	**89,835,112**

Management plans to sell its real estates under construction in their existing condition, without completing the remaining construction works.

12. Property and equipment

	Buildings and facilities MNT'000	Equipment MNT'000	Furniture and fixtures MNT'000	Vehicle MNT'000	Total MNT'000
Cost					
At 1 January 2024	**28,939,006**	**1,816,519**	**815,275**	**783,045**	**32,353,845**
Additions	–	382,983	5,127	–	**388,110**
Write off	–	–	(1,073)	–	**(1,073)**
At 31 December 2024	**28,939,006**	**2,199,502**	**819,329**	**783,045**	**32,740,882**
Additions	–	377,360	6,970	–	**384,330**
Disposal	–	–	–	–	**–**
At 31 December 2025	**28,939,006**	**2,576,862**	**826,299**	**783,045**	**33,125,212**
Accumulated depreciation					
At 1 January 2024	**5,311,930**	**1,683,669**	**568,518**	**510,931**	**8,075,048**
Charge for the year (Note 25)	733,655	112,273	63,217	48,434	**957,579**
Write off	–	–	(1,073)	–	**(1,073)**
At 31 December 2024	**6,045,585**	**1,795,942**	**630,662**	**559,365**	**9,031,554**
Charge for the year (Note 25)	733,542	309,240	51,641	48,390	**1,142,813**
Disposal	–	–	–	–	**–**
At 31 December 2025	**6,779,127**	**2,105,182**	**682,303**	**607,755**	**10,174,367**
Net book value					
At 31 December 2025	**22,159,879**	**471,680**	**143,996**	**175,290**	**22,950,845**
At 31 December 2024	**22,893,421**	**403,560**	**188,667**	**223,680**	**23,709,328**

13. Customer accounts

	2025 MNT'000	2024 MNT'000
Customer accounts	7,859,146	3,152,369

These customer accounts are primarily used for disbursements and repayments of the loans issued to borrowers of the Group. No interest is paid on these customer current accounts.

14. Other liabilities

	2025 MNT'000	2024 MNT'000
Other financial liabilities		
Interbank settlements	2,985,300	669,037
Others	4,920,043	2,250,329
Other non-financial liabilities	64,208	810,290
Total other liabilities	**7,969,551**	**3,729,656**

15. Due to other banks and financial institutions

	2025 MNT'000	2024 MNT'000
Short-term placements from other banks	59,313,315	108,043,345

The deposits due to other banks and financial institutions consist of term deposits with interest rates ranging from 1% to 12% per annum and original maturity from three months (2024: term deposits with interest rate of 1-4.25% per annum and original maturity from one month).

16. Debt securities issued

	2025 MNT'000	2024 MNT'000
Unguaranteed:		
USD 500 million Senior Notes due in 2028 (d)	1,726,005,420	–
MNT 346.0 billion private placement notes due in 2027 (b)	353,710,744	353,710,744
USD 200 million Senior Notes due in 2026 (c)	223,932,954	704,879,020
MNT 142.5 billion private placement notes due in 2031 (a)	145,627,844	145,035,310
MNT 76.5 billion private placement notes due in 2025	–	78,612,130
USD 32 million Debt securities issued to local commercial banks	–	109,775,264
Total issued bonds	**2,449,276,962**	**1,392,012,468**

a) In October 2021, the Group issued MNT 142,458 million private placement notes in the Mongolian over-the-counter (OTC) market. This bond was the biggest issued bond in the OTC market of Mongolia. On 20 April 2022, the Group successfully issued the second tranche of MNT 76,531 million of private placement bonds in the OTC market of Mongolia due in April 2025. In October 2024, the Group has extended the first tranche of this bond until 2031.

b) In May 2023, the Group issued USD 75 million of private bonds and in June 2023, the second tranche of MNT 85,935 million was successfully issued. The interest rates for these tranches are 9.5% and 16.25% per annum, respectively, and both mature in May 2027.

c) In March 2024, the Group issued USD 200 million unsecured bonds on the international market, bearing an interest rate of 11% per annum and maturing in March 2026. As at 31 December 2025, the outstanding principal balance of the bond amounted to USD 60.9 million and was fully repaid subsequently (Note 33).

d) In July 2025, the Group issued USD 500 million unsecured bonds on the international market, bearing an interest rate of 8.5% per annum and maturing in July 2028. As part of this issuance, the Group conducted a tender offer to exchange a portion of its existing USD 200 million bonds and USD 122,388 thousand of existing bonds were replaced by the newly issued bonds. As a result of the tender offer, the Group recognised a loss of MNT 9,756,984 thousand (see Note 22).

During the year, the Group repurchased portions of both the newly issued bonds and existing bonds, with principal amounts of USD 24.9 million and USD 16.8 million, respectively. As a result of the repurchase, the Group recognised a loss on repurchase of debt securities amounting to MNT 4,637,587 thousand (see Note 22).

As at 31 December 2025, following the tender offer and repurchase transactions during the year, the outstanding principal balances of the bonds were USD 475.2 million for the newly issued bonds and USD 60.9 million for the existing bonds.

Covenants

The Group is subject to various covenants under some of its bond agreements. In the case of non-compliance with covenants, the bonds may become payable on demand, subject to the outcome of remedial actions of the Group and waiver negotiations between the bond holder and the Group. For this reason, the Group monitors its compliance with BoM prudential ratios and other debt covenants on a monthly basis.

The OTC bonds contain financial covenant clause requiring the Group to maintain its operations at all times in accordance with the mandatory prudential standards of the Bank of Mongolia. The waiver letter received from Bank of Mongolia was acknowledged and accepted by respective OTC bond arranger on behalf of the bond holders.

17. Borrowings

	2025 MNT'000	2024 MNT'000
Unguaranteed		
China Development Bank	164,837,145	176,981,277
Minister of Finance	44,119,382	44,105,600
Vnescheconombank	–	124,622,080
Total borrowings	**208,956,527**	**345,708,957**

China Development Bank (CDB). The Bank entered into a fixed rate loan agreement with China Development Bank in 2020 for a total amount of CNY 420 million, bearing interest at 5.1% per annum and maturity in 2031. The principal outstanding balances amounted to CNY 322.7 million as of 31 December 2025 (2024: CNY 376.5 million). The loan was obtained with the purpose of financing the expansion project of the Choibalsan Thermal Power Plant. Accordingly, the financing was sub-lent by the Bank, however, the arrangement does not qualify as a pass-through arrangement.

Ministry of Finance. The Bank entered into a fixed rate loan agreement with the Ministry of Finance in 2024 at an interest rate 3.75% per annum, with the loan maturing 2044

Covenants

The Group is subject to various covenants under its borrowings agreements. In the case of non-compliance with covenants, the borrowings may become payable on demand, subject to the outcome of remedial actions of the Group and waiver negotiations between the lender and the Group. For this reason, the Group monitors its compliance with BoM prudential ratios and other debt covenants on a monthly basis.

China Development Bank (CDB) borrowing agreement contain financial covenant clause requiring the Group to maintain its operations at all times in accordance with the mandatory prudential standards of the Bank of Mongolia. The covenant was in breach as at 31 December 2025 and a waiver letter received from Bank of Mongolia was acknowledged and accepted by CDB until 1 July 2026.

18. Capital contributions

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

	2025 MNT'000	2024 MNT'000
Capital contributions at 31 December	1,216,300,341	1,216,300,341

18. Capital contributions (cont'd.)

Other reserves

	FVOCI revaluation reserve MNT'000	Regulatory reserve* MNT'000	Total MNT'000
At 1 January 2025	26,276,637	–	26,276,637
Net gain on FVOCI debt instruments (Note 6)	2,183,911	–	2,183,911
Net gain on FVOCI equity instruments	1,263,602	–	1,263,602
Deferred tax liability (Note 26)	(861,878)	–	(861,878)
Movement on regulatory reserve	–	5,191,578	5,191,578
At 31 December 2025	**28,862,272**	**5,191,578**	**34,053,850**
At 1 January 2024	37,972,640	–	37,972,640
Net gain on FVOCI instruments	(16,724,621)	–	(16,724,621)
Deferred tax liability (Note 26)	4,183,754	–	4,183,754
Net changes in allowance for ECL on debt instruments at FVOCI	844,864	–	844,864
At 31 December 2024	**26,276,637**	**–**	**26,276,637**

*Regulatory reserve represents provisions for repossessed assets that are established in accordance with BoM provisioning guidelines.

19. Interest income

During the year end 31 December 2025 and 2024, the Group was engaged in a single business segment, which is the issuance of loans, deposits and other transactions and balances with customers. Management assessed that the subsidiaries' revenue, profit or loss and assets are not material under IFRS 8.

	2025 MNT'000	2024 MNT'000
Interest income calculated using the effective interest method		
Loans and advances to customers	110,325,553	120,864,829
Bank deposits	42,271,116	10,944,178
Debt instruments at amortised cost	23,722,892	19,353,889
Other assets	5,917,196	8,607,615
Lease receivables	3,998,512	4,950,001
Debt instruments at FVOCI	92,298	8,261,441
Total interest income	**186,327,567**	**172,981,953**

20. Interest expense

	2025 MNT'000	2024 MNT'000
Interest expense calculated using the effective interest method		
USD 500 million Senior Notes due in 2028	70,709,755	–
USD 200 million Senior Notes due in 2026	58,877,996	62,181,828
MNT 346.0 billion private placement notes due in 2027	56,226,381	56,380,426
MNT 142.5 billion private placement notes due in 2031	22,178,824	14,957,997
Debt securities issued to local commercial banks	10,453,660	10,365,167
Borrowing from foreign banks and foreign institutions	9,701,238	10,913,859
MNT 76.5 billion private placement notes due in 2025	3,180,267	12,067,584
Time deposits	1,829,692	22,426
Borrowing from Minister of Finance	330,785	919
Borrowing from Bank of Mongolia	–	15,632,055
Due to other banks and financial institutions	–	6,133,223
Total interest expense	**233,488,598**	**188,655,484**

21. Credit loss expense/(reversal)

	2025 MNT'000	2024 MNT'000
Loans and advances to customers (Note 8.1)	112,656,634	(65,026,459)
Debt instrument measured at amortised cost (Note 6)	34,726,649	2,101,641
Repossessed assets (Note 11)	19,584,510	(4,887,837)
Other assets (Note 9)	13,294,249	(917,164)
Other liability - off-balance credit commitment ECL	–	(7,670,504)
Lease receivables (Note 8.2)	274,292	3,855,088
Due from other banks and financial institutions (Note 5)	(12,603,800)	(646,647)
Total credit loss/(reversal)	**167,932,534**	**(73,191,882)**

22. Other income/(loss)

	2025 MNT'000	2024 MNT'000
Gain from disposal of asset held for sale (Note 10)	407,475	–
Others	(80,948)	4,887,992
Penalty income	57,778	–
Gain from disposal of repossessed assets (Note 11)	2,838	244,043
Gain from disposal of PPE	–	580
Loss on write-off of lease receivables (Note 8.2)	(4,924,284)	–
Loss on repurchase of debt securities (Note 17)	(14,394,741)	–
Total other (expense)/income	**(18,931,882)**	**5,132,615**

23. Foreign exchange translation loss, net

	2025 MNT'000	2024 MNT'000
Net unrealized foreign exchange translation loss/(gain)	7,279,940	14,754,673
Net realized foreign exchange translation loss/(gain)	3,320,236	3,585,211
Total foreign exchange translation loss/(gain), net	**10,600,176**	**18,339,884**

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

24. Derivative financial instrument gains and losses

	2025 MNT'000	2024 MNT'000
Realized derivative financial instrument gains	–	950,170
Realized derivative financial instrument loss	(15,017,506)	(3,586,595)
Unrealized derivative financial instrument gains	18,563,373	20,483,816
Unrealized derivative financial instrument losses	(22,991,137)	(15,101,125)
Total derivative financial instrument gain/(loss), net	**(19,445,270)**	**2,746,266**

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

25. Administrative and other operating expenses

	2025 MNT'000	2024 MNT'000
Employee costs and benefits	14,198,301	10,741,350
Depreciation expense (Note 12)	1,142,813	957,579
Legal and other professional services	1,088,171	1,401,904
IT and software	895,493	744,810
Business travel and events	731,371	485,234
Property tax	716,859	275,981
Audit fees	500,000	700,000
Utilities, security and maintenance	417,755	270,768
Others	409,605	396,079
Communication and stationeries	326,729	239,745
Loan collection related costs	246,884	353,900
Training costs	219,241	67,242
Advertising	147,810	220,968
Low value and short term rental costs	122,912	17,565
Amortisation expense	80,725	53,248
Fuel and transportation expenses	50,261	35,143
Insurance costs	20,507	6,108
Total operating expenses	**21,315,437**	**16,967,624**

26. Income tax

The Group provides for income taxes on the basis of its income for financial reporting purposes, adjusted for items which are not assessable or deductible for income tax purposes. The income tax rate for profits of the Group is 10% (2024: 10%) for the first MNT 6 billion (2024: MNT 6 billion) of taxable income and 25% (2024: 25%) on the excess of taxable income over MNT 6 billion (2024: MNT 6 billion). Interest income on government bonds is not subject to income tax.

The income tax expense for the year ended 31 December 2025 and 2024 are:

	2025 MNT'000	2024 MNT'000
Current income tax expense	1,645,603	10,031,025
Deferred tax expense	1,363,861	27,876,707
Income tax expense for the year	**3,009,464**	**37,907,732**

A reconciliation of income tax expense applicable to profit/(loss) before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group for the year ended 31 December 2025 and 2024 are as follows:

	2025 MNT'000	2024 MNT'000
Profit before tax	**(286,127,299)**	**29,994,933**
Theoretical tax charge at statutory rate at 25% (2024:25%)	(71,531,825)	7,498,733
Tax effect of items which are not deductible or assessable for taxation purposes:		
Profit subject to lower tax rate	(6,033,502)	(2,362,987)
Expenses not deductible for tax purposes	21,970,206	6,856,082
Special tax rate	258,228	90,715
Effect of non-taxable income	(3,837,412)	(529,485)
DTA expense written off	–	26,346,466
Effect of unrecognised DTA	62,183,769	8,208
Income tax expense for the year	**3,009,464**	**37,907,732**

The annual amount of tax loss deductible from taxable income is limited to 50% (2024: 50%) of the taxable income in a given year. As at 31 December 2025, the Group has no taxable income. The Group has not recognised deferred tax assets arising from tax losses as the Group is uncertain whether there would be sufficient taxable profit in the next four years available against which the tax losses carried forward can be utilised.

26. Income tax (cont'd.)

Movement of deferred tax assets and liabilities as at 31 December 2025 and 2025 are as follows:

As at 31 December 2025	1 January 2025 MNT'000	Recognized in profit or loss MNT'000	Credited/ (charged) to other comprehensive income MNT'000	31 December 2025 MNT'000
Deferred tax (liabilities)/assets in relation to:				
Bank deposits	89,612	(90,676)	–	(1,064)
Financial derivatives	38,085	(1,141,373)	–	(1,103,288)
Debt instruments at FVOCI	–	(25,085)		(25,085)
Revaluation of financial investments at FVOCI	(12,046,089)	3,287,210	(861,878)	(9,620,757)
Loans and advances	(26,552,778)	(4,754,628)	–	(31,307,406)
Property and equipment	4,538	(644,386)	–	(639,848)
Customer accounts	(1,666)	3,404	–	1,738
Other liabilities	120,980	(113,784)	–	7,196
Due to other banks	1,451,851	(1,441,849)	–	10,002
Debt securities issued	(5,290,496)	5,464,392	–	173,896
Borrowings	6,951,109	(1,889,911)	–	5,061,198
	(35,234,854)	**(1,346,686)**	**(861,878)**	**(37,443,418)**

As at 31 December 2024	1 January 2024 MNT'000	Recognized in profit or loss MNT'000	Credited/ (charged) to other comprehensive income MNT'000	31 December 2024 MNT'000
Deferred tax (liabilities)/assets in relation to:				
Bank deposits	690	88,922	–	89,612
Financial derivatives	313	37,772	–	38,085
Revaluation of financial investments at FVOCI	(16,229,843)	–	4,183,754	(12,046,089)
Loans and advances	(47,093,924)	20,541,146	–	(26,552,778)
Property and equipment	864,208	(859,670)	–	4,538
Customer accounts	231,423	(233,089)	–	(1,666)
Other liabilities	120,782	198	–	120,980
Due to other banks	841,833	610,018	–	1,451,851
Bonds	(61,958)	(5,228,538)	–	(5,290,496)
Borrowings	11,882,545	(4,931,436)	–	6,951,109
Tax loss	37,905,975	(37,905,975)	–	–
	(11,537,956)	**(27,880,652)**	**4,183,754**	**(35,234,854)**

27. Related party transactions

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

Given the nature of its operations, the Group has a significant volume of transactions with the Government of Mongolia and other related parties, including guarantees received from the Government. Information about the operating environment of the Group is disclosed in Note 1. Management's judgements in determining the level of loan impairment allowance are disclosed in Note 2.4.

Detailed information about related party transactions is outlined below.

27. Related party transactions

Assets and Transactions with Related Parties

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

1) Government of Mongolia (which includes organizations such as the Ministry of Finance and other Ministries, of which management is appointed by theGovernment);
2) Entities controlled by the Government of Mongolia, which include state organizations (i.e. corporate entities), a local commercial bank (State Bank JSC) and the Central bank and regulator, the Bank of Mongolia; these entities represent entities under common control with the Group;

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

	Statement of Financial Position		Statement of Comprehensive Income	
	2025 MNT'000	2024 MNT'000	2025 MNT'000	2024 MNT'000
Current account with Ministry of Finance	40,776	57,055	–	–
Current account with Bank of Mongolia (Note 4)	20,870,585	89,251,691	–	–
Term deposit with Bank of Mongolia (Note 4)	355,888,291	–	–	–
Current account with State Bank	2,619,742	2,589,454	17,664	12,617
Term deposit with State Bank	56,524,712	24,798,460	2,812,613	903,391
Current account with State Bank for employee benefit	2,738	2,762	–	–
Current account with Mongolian Securities Central Depository	420,562	751,996	–	–
Derivative instruments	(2,856,756)	1,157,746	(19,049,726)	(2,452,002)
Debt instruments measured at fair value through other comprehensive income	39,127,443	–	–	–
Equity instruments measured at fair valued through other comprehensive income	52,331,596	51,067,994	–	–
Debt instruments at amortized cost	193,346,911	187,696,678	15,342,500	16,624,916
Customer accounts with State organizations (Note 13)	(5,727,742)	(3,034,986)	–	–
Time deposits of Erdenes Tavan Tolgoi JSC	–	–	–	(22,426)
Other receivables from Government entities	97,455,032	106,986,920	5,922,053	13,776,338
Lease receivables from other government entities	16,909,016	19,317,948	2,541,074	3,273,248
Short-term placement of Ministry of Finance (Note 16)	–	–	–	(2,704,110)
Borrowing from Bank of Mongolia (Note 17)	–	–	–	(15,632,055)
Borrowing from Minister of Finance (Note 17)	(44,119,383)	(44,105,600)	–	(919)
Other payables to key management personnel	–	13	–	–
Goods and services obtained	–	–	(4,772)	(106,492)

Liabilities and expenses are shown in brackets.

27. Related party transactions (cont'd.)

Loans and advances to Related Parties

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

	Statement of Financial Position		Statement of Comprehensive Income	
	2025 MNT'000	2024 MNT'000	2025 MNT'000	2024 MNT'000
- State Housing Corporation SOLLC	25,649,932	25,649,932	–	–
- Fourth Power Station SOSC	283,452,335	270,953,319	39,545,400	37,964,772
- Mongol Refinery SOLLC	320,987,140	288,466,213	25,756,603	24,843,969
- Tavan Tolgoi Power Plant	69,393,642	64,246,052	3,261,673	3,127,694
- Egiin Gol Power Plant	60,616,754	60,616,754	–	1,243,748
-Eastern region power system SOSC	209,022,452	194,446,122	5,564,137	11,796,606
- Passenger Transport III SOE	–	–	–	215,445
Total loans and advances to related parties	**969,122,255**	**904,378,392**	**74,127,813**	**79,192,234**
Impairment allowance on loans and advances to related parties:	(40,925,895)	(35,089,849)	(5,996,208)	29,973,373
Net amount of loans and advances to related parties	**928,196,360**	**869,288,543**	**68,131,605**	**109,165,607**

The remuneration and employee benefits paid to the key management (i.e. executive management team and members of the Board) for the period ended 31 December 2025 and 2024 amounted to MNT 2,867 million and MNT 1,747 million, respectively.

Guarantees Received

As at 31 December 2025, the Group has received a Government of Mongolia guarantee for the borrowing obtained from the China Development Bank.

28. Financial risk management

Introduction and overview

The Group has exposure to the following principal risks:

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

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

Risk management policy

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

Risk Management Governance

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

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

28. Financial risk management (cont'd.)

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

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

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

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

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

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

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

28. Financial risk management (cont'd.)

Credit risk

Credit risk refers to the risk that emerges when lenders or any other customers are unable to fulfil their obligations to the Group or when their collateral funds and properties fail to meet the conditions of the loan contract.

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

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

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

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

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

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

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

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

Collateral

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

The main types of collateral obtained are as follows:

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

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

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

28. Financial risk management (cont'd.)

Credit risk (cont'd.)

Collateral (cont'd.)

The table below summarise the Group's collateral for loans and advances:

	Gross carrying amount MNT'000	Fair value of collaterals MNT'000	Coverage %
31 December 2025			
Loans and advances to customers	2,271,583,741	3,501,237,222	154%
Lease receivables	40,995,828	64,404,419	157%
	2,312,579,569	**3,565,641,641**	
31 December 2024			
Loans and advances to customers	2,271,559,364	3,276,729,236	144%
Lease receivables	50,151,189	86,314,610	172%
	2,321,710,553	**3,363,043,846**	

Maximum exposure to credit risk

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

	2025 MNT'000	2024 MNT'000
Cash and cash equivalents	1,184,135,208	365,190,505
Bank deposits	31,234,526	109,671,431
Debt instruments at fair value through other comprehensive income	39,127,443	–
Debt instruments at amortised cost	233,797,596	219,766,972
Loans and advances including lease receivables	2,312,579,569	2,321,710,553
Other receivables	108,781,439	119,898,196
Total on balance sheet	**3,909,655,781**	**3,136,237,657**
Guarantees issued (Note 32)	–	550,000,000
Undrawn loan commitments (Note 32)	62,434,776	69,199,099
Total off balance sheet	**62,434,776**	**619,199,099**
Total credit risk exposure	**3,972,090,557**	**3,755,436,756**

Liquidity risk

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

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

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

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

28. Financial risk management (cont'd.)

Liquidity risk (cont'd.)

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

Net stable funding ratio

Analysis of Net stable funding ratio outstanding at 31 December 2025 is as follows:

Indicators	Weight	Balance	Weighted
Funding:			
Total equity	100%	123,974,696	123,974,696
Customer accounts from non-financial entities	100%	7,816,324	7,816,324
Bonds > 1 year	100%	1,689,822,516	1,689,822,516
Borrowings > 1 year	100%	180,912,055	180,912,055
Total funding			**2,002,525,591**
Funding requirements:			
Asset backed securities	100%	233,797,596	233,797,596
Performing and watch loans and advances < 1 year, net of impairment allowance and excluding accrued interest	50%	264,217,808	132,108,904
Performing and watch loans and advances >= 1 year, net of impairment allowance and excluding accrued interest	100%	523,363,120	523,363,120
Non-performing loans and advances, net of impairment allowance and excluding accrued interest	100%	165,258,571	165,258,571
Repossessed collateral	100%	143,081,135	143,081,135
Property and equipment	100%	22,950,845	22,950,845
Loan commitments not yet paid	50%	62,434,776	31,217,388
Total funding requirements			**1,251,777,559**
Total funding/ Total funding requirements			**160.0%**
Requirement			**≥100%**

Analysis of Net stable funding ratio outstanding at 31 December 2024 is as follows:

Indicators	Weight	Balance	Weighted
Funding:			
Total equity	100%	410,525,824	410,525,824
Customer accounts from non-financial entities	100%	2,491,508	2,491,508
Bonds > 1 year	100%	1,203,625,074	1,203,625,074
Borrowings > 1 year	100%	221,086,877	221,086,877
Total funding			**1,837,729,283**
Funding requirements:			
Asset backed securities	100%	270,834,966	270,834,966
Performing and watch loans and advances < 1 year, net of impairment allowance and excluding accrued interest	50%	204,591,326	102,295,663
Performing and watch loans and advances >= 1 year, net of impairment allowance and excluding accrued interest	100%	603,216,790	603,216,790
Non-performing loans and advances, net of impairment allowance and excluding accrued interest	100%	268,047,465	268,047,465
Repossessed collaterals	100%	89,835,112	89,835,112
Property and equipment	100%	23,709,328	23,709,328
Loan commitments not yet paid	50%	69,199,099	34,599,550
Total funding requirements			**1,392,538,874**
Total funding/ Total funding requirements			**132.0%**
Requirement			**≥100%**

28. Financial risk management (cont'd.)

Liquidity risk (cont'd.)

Contractual maturities

The table below shows the financial assets and liabilities at 31 December 2025 and 2024 by their remaining contractual maturity. The amounts of liabilities and assets disclosed in the maturity table are the contractual undisc ounted cash flows, gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. The Group places short term deposits in commercial banks and these term deposits are flexible to call back which has comparatively less liquidity risk.

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

28. Financial risk management (cont'd.)

Liquidity risk (cont'd.)

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities at 31 December 2025 and 2024 based on contractual undiscounted repayment obligations.

Analysis of financial assets and financial liabilities by remaining contractual maturities:

	Less than three months MNT'000	Three to six months MNT'000	Six months to one year MNT'000	One year to five years MNT000	Over five years MNT'000	Undefined terms MIK shares MNT'000	Total MNT'000
Financial assets							
Cash and cash equivalents	1,192,050,385	–	–	–	–	–	**1,192,050,385**
Bank deposits	269,237	1,178,606	6,618,628	–	–	–	**8,066,471**
Financial investments	53,495,294	7,417,339	9,119,458	234,359,127	–	52,331,596	**356,722,814**
Derivative financial assets	8,720,953	6,653,486	12,874,157	42,212,518	–	–	**70,461,114**
Loans and advances	446,424,106	130,809,938	135,629,800	579,838,981	39,856,648	–	**1,332,559,473**
Lease receivables (gross investment)**	24,604,062	2,533,187	3,360,252	13,699,006	–	–	**44,196,507**
Other assets	76,891,035	–	–	–	–	–	**76,891,035**
Total financial assets	**1,802,455,072**	**148,592,556**	**167,602,295**	**870,109,632**	**39,856,648**	**52,331,596**	**3,080,947,799**
Financial liabilities							
Derivative financial liabilities	(25,824,309)	(21,161,674)	(43,324,563)	(134,686,380)	–	–	**(224,996,926)**
Customer accounts	(7,995,115)	–	–	–	–	–	**(7,995,115)**
Other liabilities	(7,905,343)	–	–	–	–	–	**(7,905,343)**
Loan commitments not yet paid	(62,434,776)	–	–	–	–	–	**(62,434,776)**
Due to other banks and financial institutions	(59,789,578)	–	–	–	–	–	**(59,789,578)**
Debt securities issued*	(846,709,218)	–	(71,817,457)	(1,977,092,344)	–	–	**(2,895,619,019)**
Borrowings	–	(18,080,788)	(17,750,291)	(129,192,575)	(75,546,548)	–	**(240,570,202)**
Total financial liabilities	**(1,010,658,339)**	**(39,242,462)**	**(132,892,311)**	**(2,240,971,299)**	**(75,546,548)**	**–**	**(3,499,310,959)**
Net financial assets/ (liabilities)	**791,796,733**	**109,350,094**	**34,709,984**	**(1,370,861,667)**	**(35,689,900)**	**52,331,596**	**(418,363,160)**
Total cumulative amount	**791,796,733**	**901,146,827**	**935,856,811**	**(435,004,856)**	**(470,694,756)**	**(418,363,160)**	**(418,363,160)**

*As at 31 December 2025, the Bank was in breach of financial covenant requirements of one of its debt securities agreements, for which the Bank had subsequently obtained a waiver. This debt securities issued are classified as less than 12 months as at 31 December 2025 in accordance with IAS 1.

** Leases receivables are presented at gross amount. The unearned finance income from finance lease receivable amount to MNT 3,200,679 thousand as of 31 December 2025 (2024: MNT 6,403,428 thousand).

28. Financial risk management (cont'd.)

Liquidity risk (cont'd.)

	Less than three months MNT'000	Three to six months MNT'000	Six months to one year MNT'000	One year to five years MNT000	Over five years MNT'000	Undefined terms MIK shares MNT'000	Total MNT'000
Financial assets							
Cash and cash equivalents	365,512,672	–	–	–	–	–	**365,512,672**
Bank deposits	26,044,131	38,858,635	9,137,758	–	–	–	**74,040,524**
Derivative financial assets	2,559,996	–	–	572,236	–	–	**3,132,232**
Financial investments	15,267,046	90,250,000	90,250,000	12,587,251	–	51,067,994	**259,422,291**
Loans and advances	544,902,419	57,306,496	93,217,782	837,875,933	72,345,332	–	**1,605,647,962**
Lease receivables (gross investment)	43,149,250	2,785,288	3,901,337	20,352,797	101,411	–	**70,290,083**
Other assets	38,853,329	–	72,743,070	–	–	–	**111,596,399**
Total financial assets	**1,036,288,843**	**189,200,419**	**269,249,947**	**871,388,217**	**72,446,743**	**51,067,994**	**2,489,642,163**
Financial liabilities							
Derivative financial liabilities	2,217,778	2,296,157	4,906,689	–	–	–	**9,420,624**
Customer accounts	3,152,369	–	–	–	–	–	**3,152,369**
Other liabilities	3,022,727	–	–	–	–	–	**3,022,727**
Undrawn loan commitments	69,199,099	–	–	–	–	–	**69,199,099**
Due to other banks and financial institutions	108,255,364	–	–	–	–	–	**108,255,364**
Bonds	39,646,788	123,668,644	190,743,122	1,232,476,209	182,773,614	–	**1,769,308,377**
Borrowings	124,282,389	17,299,135	17,011,264	124,281,003	101,066,147	–	**383,939,938**
Total financial liabilities	**349,776,514**	**143,263,936**	**212,661,075**	**1,363,757,212**	**283,839,761**	**–**	**2,346,298,498**
Net financial assets/ (liabilities)	**685,652,929**	**45,936,483**	**56,588,872**	**(485,368,995)**	**(211,393,018)**	**51,067,994**	**143,343,665**
Total cumulative amount	**685,652,929**	**732,448,812**	**789,037,684**	**303,668,689**	**92,275,671**	**143,343,665**	**143,343,665**

28. Financial risk management (cont'd.)

Market risks

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

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

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

28. Financial risk management (cont'd.)

Market risks (cont'd.)

A summary of the Group's interest rate gap position on its financial assets and liabilities are as follows as at 31 December 2025:

	Non-interest sensitive MNT'000	Less than three months MNT'000	Three to six months MNT'000	Six months to one year MNT'000	One year to five years MNT'000	Over five years MNT'000	Total MNT'000
Financial assets							
Cash and cash equivalents	94,365,323	1,089,769,885	–	–	–	–	**1,184,135,208**
Bank deposits	139,104	–	908,660	6,235,000	–	–	**7,282,764**
Derivative financial assets	14,216,050	–	–	–	–	–	**14,216,050**
Financial investments	66,299,744	14,316,876	–	–	185,913,441	–	**266,530,061**
Loans and advances including lease receivables	243,599,078	247,261,383	36,081,638	10,210,887	457,254,517	197,643,455	**1,192,050,958**
Other assets	77,635,208	–	–	–	–	–	**77,635,208**
Total financial assets	**496,254,507**	**1,351,348,144**	**36,990,298**	**16,445,887**	**643,167,958**	**197,643,455**	**2,741,850,249**
Financial liabilities							
Derivative financial liabilities	(17,448,079)	–	–	–	–	–	**(17,448,079)**
Customer accounts	(7,859,146)	–	–	–	–	–	**(7,859,146)**
Other liabilities	(7,969,551)	–	–	–	–	–	**(7,969,551)**
Due to other banks and financial institutions	(653,315)	(58,660,000)	–	–	–	–	**(59,313,315)**
Debt securities issued	(54,437,145)	(705,017,301)	–	–	(1,689,822,516)	–	**(2,449,276,962)**
Borrowings	(682,998)	–	(13,680,737)	(13,680,737)	(109,445,899)	(71,466,156)	**(208,956,527)**
Total financial liabilities	**(89,050,234)**	**(763,677,301)**	**(13,680,737)**	**(13,680,737)**	**(1,799,268,415)**	**(71,466,156)**	**(2,750,823,580)**
Net financial assets/ (liabilities)	**407,204,273**	**587,670,843**	**23,309,561**	**2,765,150**	**(1,156,100,457)**	**126,177,299**	**(8,973,331)**
Total cumulative amount	**407,204,273**	**994,875,116**	**1,018,184,677**	**1,020,949,827**	**(135,150,630)**	**(8,973,331)**	**(8,973,331)**

28. Financial risk management (cont'd.)

Market risks (cont'd.)

A summary of the Group's interest rate gap position on its financial assets and liabilities are as follows as at 31 December 2024:

	Non-interest sensitive MNT'000	Less than three months MNT'000	Three to six months MNT'000	Six months to one year MNT'000	One year to five years MNT'000	Over five years MNT'000	Total MNT'000
Financial assets							
Cash and cash equivalents	3,511,928	361,678,577	–	–	–	–	**365,190,505**
Bank deposits	171,738	26,044,131	38,800,000	8,100,000	–	–	**73,115,869**
Derivative financial assets	2,559,996	–	–	–	–	–	**2,559,996**
Financial investments	51,067,994	15,267,047	90,250,000	90,250,000	–	–	**246,835,041**
Loans and advances including lease receivables	540,559,456	41,586,914	44,072,476	67,734,938	561,562,331	66,532,088	**1,322,048,203**
Other assets	73,091,319	28,675,637	–	–	–	–	**101,766,956**
Total financial assets	**670,962,431**	**473,252,306**	**173,122,476**	**166,084,938**	**561,562,331**	**66,532,088**	**2,111,516,570**
Financial liabilities							
Derivative financial liabilities	1,381,978	–	–	–	–	–	**1,381,978**
Customer accounts	3,152,369	–	–	–	–	–	**3,152,369**
Other liabilities	3,729,656	–	–	–	–	–	**3,729,656**
Due to other banks and financial institutions	70,673	107,972,672	–	–	–	–	**108,043,345**
Bonds	37,764,668	–	76,530,500	109,448,000	1,025,811,300	142,458,000	**1,392,012,468**
Borrowings	8,356,815	117,890,472	12,599,519	12,599,519	100,796,149	93,466,483	**345,708,957**
Total financial liabilities	**54,456,159**	**225,863,144**	**89,130,019**	**122,047,519**	**1,126,607,449**	**235,924,483**	**1,854,028,773**
Net financial assets/ (liabilities)	**616,506,272**	**247,389,162**	**83,992,457**	**44,037,419**	**(565,045,118)**	**(169,392,395)**	**257,487,797**
Total cumulative amount	**616,506,272**	**863,895,434**	**947,887,891**	**991,925,310**	**426,880,192**	**257,487,797**	**257,487,797**

28. Financial risk management (cont'd.)

Market risks (cont'd.)

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

Sensitivity of projected net interest income	100 bp increase	100 bp decrease
At 31 December 2025	(416,178)	416,178
At 31 December 2024	(3,590,185)	3,590,185

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

Foreign currency exchange rate risk: The Group is exposed to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Asset and Liability Management Department is responsible for monitoring the Group's exchange risk and minimising its exposure. The Group assesses the impact of foreign currency exchange rate fluctuations on the Group's liquidity and profitability. Based on the impact assessment, appropriate measures are taken to effectively mitigate the foreign currency exchange rate risk. The Group has entered into few forward agreement as at 31 December 2024.

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

28. Financial risk management (cont'd.)

Market risks (cont'd.)

The table below summarizes the Group's exposure to foreign currency exchange rate risk at 31 December 2025 and 2024:

As at 31 December 2025	MNT denominated MNT'000	Foreign currencies MNT'000	Total MNT'000
Assets			
Cash and cash equivalents	438,546,860	745,588,348	1,184,135,208
Bank deposits	7,282,764	–	7,282,764
Financial investments	227,402,618	39,127,443	266,530,061
Financial derivatives assets	14,216,050	–	14,216,050
Loans and advances	886,231,152	305,819,806	1,192,050,958
Other assets	76,936,166	–	76,936,166
Total monetary financial assets	**1,650,615,610**	**1,090,535,597**	**2,741,151,207**
Liabilities			
Financial derivatives liabilities	(17,448,079)	–	(17,448,079)
Customer accounts	(7,815,032)	(44,114)	(7,859,146)
Other liabilities	(4,148,487)	(3,821,064)	(7,969,551)
Due to other banks and financial institutions	(36,498,246)	(22,815,069)	(59,313,315)
Debt securities issued	(493,586,245)	(1,955,690,717)	(2,449,276,962)
Borrowings	(44,119,382)	(164,837,145)	(208,956,527)
Total monetary financial liabilities	**(603,615,471)**	**(2,147,208,109)**	**(2,750,823,580)**
Off balance foreign currency exposure, net	(908,234,875)	912,220,544	3,985,669
Net balance sheet position	**138,765,264**	**(144,451,968)**	**(5,686,704)**
Net position ratio			**135%**

As at 31 December 2024	MNT denominated MNT'000	Foreign currencies MNT'000	Total MNT'000
Assets			
Cash and cash equivalents	74,518,641	290,671,864	365,190,505
Bank deposits	73,115,869	–	73,115,869
Financial derivatives assets	2,559,996	–	2,559,996
Financial investments	246,835,041	–	246,835,041
Loans and advances including lease receivables	823,427,384	498,620,819	1,322,048,203
Other assets	101,766,956	–	101,766,956
Total monetary financial assets	**1,322,223,887**	**789,292,683**	**2,111,516,570**
Liabilities			
Financial derivatives liabilities	(1,381,978)	–	(1,381,978)
Customer accounts	(2,483,758)	(668,611)	(3,152,369)
Time deposits	–	–	–
Other liabilities	(2,992,641)	(737,015)	(3,729,656)
Due to other banks and financial institutions	–	(108,043,345)	(108,043,345)
Debt securities issued	(574,062,686)	(817,949,782)	(1,392,012,468)
Borrowings	(44,105,601)	(301,603,356)	(345,708,957)
Total monetary financial liabilities	**(625,026,664)**	**(1,229,002,109)**	**(1,854,028,773)**
Off balance foreign currency exposure, net	(396,296,475)	398,444,682	2,148,207
Net balance sheet position	**300,900,748**	**(41,264,744)**	**259,636,004**
Net position ratio			**-11.23%**

28. Financial risk management (cont'd.)

Market risks (cont'd.)

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

	2025 MNT'000	2024 MNT'000
US Dollar strengthening by 15% (2023:15%)	(20,568,143)	(13,015,397)
US Dollar weakening by 15% (2023:15%)	20,568,143	13,015,397

29. Maturity analysis of assets and liabilities

The table shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. See Note 28 'Liquidity risk' for the Group's contractual undiscounted repayment obligations.

At 31 December 2025	Less than 12 months MNT'000	More than 12 months MNT'000	Total MNT'000
Assets			
Cash and cash equivalents	1,184,135,208	–	1,184,135,208
Bank deposits	7,282,764	–	7,282,764
Financial investments	28,285,024	238,245,037	266,530,061
Derivative financial instruments	14,216,050	–	14,216,050
Loans and advances including lease receivables	362,853,116	829,197,842	1,192,050,958
Other assets	77,635,208	–	77,635,208
Assets held for sale	3,241,592	–	3,241,592
Repossessed assets	–	143,081,135	143,081,135
Property and equipment	–	22,950,845	22,950,845
Intangible assets	–	260,709	260,709
Income tax receivables	2,443,596	–	2,443,596
Total assets	**1,680,092,558**	**1,233,735,568**	**2,913,828,126**
Liabilities			
Financial derivatives liabilities	13,523,199	3,924,880	17,448,079
Customer accounts	7,859,146	–	7,859,146
Other liabilities	7,969,551	–	7,969,551
Due to other banks and financial institutions	59,313,315	–	59,313,315
Debt securities issued*	759,454,446	1,689,822,516	2,449,276,962
Borrowings	28,044,472	180,912,055	208,956,527
Other taxes payable	1,369,724	–	1,369,724
Current income tax payable	216,708	–	216,708
Deferred tax liabilities	–	37,443,418	37,443,418
Total liabilities	**877,750,561**	**1,912,102,869**	**2,789,853,430**
Net*	**802,341,997**	**(678,367,301)**	**123,974,696**

29. Maturity analysis of assets and liabilities (cont'd.)

At 31 December 2024	Less than 12 months MNT'000	More than 12 months MNT'000	Total MNT'000
Assets			
Cash and cash equivalents	365,190,505	–	365,190,505
Bank deposits	73,115,869	–	73,115,869
Equity instruments at fair value through other comprehensive income	51,067,994	–	51,067,994
Derivative financial instruments	2,559,996	–	2,559,996
Debt instruments at amortised cost	195,767,047	–	195,767,047
Loans and advances	475,257,438	846,790,765	1,322,048,203
Other assets	101,766,956	–	101,766,956
Property and equipment	–	23,709,328	23,709,328
Intangible assets	–	240,112	240,112
Repossessed collaterals	–	89,835,112	89,835,112
Assets held for sale	76,508,604	–	76,508,604
Total assets	**1,341,234,409**	**960,575,317**	**2,301,809,726**
Liabilities			
Financial derivatives liabilities	1,381,978	–	1,381,978
Customer accounts	3,152,369	–	3,152,369
Other liabilities	3,729,656	–	3,729,656
Current income tax payable	601,460	–	601,460
Other taxes payable	1,418,815	–	1,418,815
Deferred tax liabilities	–	35,234,854	35,234,854
Due to other banks and financial institutions	108,043,345	–	108,043,345
Bonds	188,387,394	1,203,625,074	1,392,012,468
Borrowings	124,622,080	221,086,877	345,708,957
Total liabilities	**431,337,097**	**1,459,946,805**	**1,891,283,902**
Net*	**909,897,312**	**(499,371,488)**	**410,525,824**

30. Presentation of financial instruments by measurement category

The following table provides a reconciliation of financial assets with measurement categories at 31 December 2025 and 2024:

As at 31 December 2025	Financial assets at amortized cost MNT'000	Financial assets at FVOCI MNT'000	Financial assets at FVTPL MNT'000	Total MNT'000
Financial assets:				
Cash and cash equivalents	1,184,135,208	–	–	**1,184,135,208**
Bank deposits	7,282,764			
Debt instruments at amortised cost	175,071,022	–	–	**175,071,022**
Equity instruments at fair value through other comprehensive income	–	52,331,596	–	**52,331,596**
Debt instruments at fair value through other comprehensive income	–	39,127,443	–	**39,127,443**
Derivative financial instruments	–	–	14,216,050	**14,216,050**
Loans and advances including lease receivables	1,192,050,958	–	–	**1,192,050,958**
Other assets	76,888,707	–	–	**76,888,707**
Total financial assets	**2,635,428,659**	**91,459,039**	**14,216,050**	**2,733,820,984**

As at 31 December 2024	Financial assets at amortized cost MNT'000	Financial assets at FVOCI MNT'000	Financial assets at FVTPL MNT'000	Total MNT'000
Financial assets:				
Cash and cash equivalents	365,190,505	–	–	**365,190,505**
Bank deposits	73,115,869			
Debt instruments at amortised cost	195,767,047	–	–	**195,767,047**
Equity instruments at fair value through other comprehensive income	–	51,067,994	–	**51,067,994**
Derivative financial instruments	–	–	2,559,996	**2,559,996**
Loans and advances including lease receivables	1,322,048,203	–	–	**1,322,048,203**
Other assets	101,299,713	–	–	**101,299,713**
Total financial assets	**2,057,421,337**	**51,067,994**	**2,559,996**	**2,037,933,458**

All of the Group's financial liabilities except for its debt and equity instruments at fair value through other comprehensive income ("FVOCI") and derivatives were carried at amortised cost as at 31 December 2025 and 2024.

31. Fair values of financial assets and liabilities

a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

The level in the fair value hierarchy into which the recurring fair value measurements are categorised as at 31 December 2025 and 2024 are as follows:

	Level 1 MNT'000	Level 2 MNT'000	Total MNT'000
31 December 2025			
Financial assets			
Derivative financial instruments	–	14,216,050	14,216,050
Equity instruments measured at FVOCI	52,331,596	–	52,331,596
Total assets at fair value	**52,331,596**	**14,216,050**	**66,547,646**
Financial liabilities			
Derivative financial instruments	–	17,448,079	17,448,079
31 December 2024			
Financial assets			
Derivative financial instruments	–	2,559,996	2,559,996
Equity instruments measured at FVOCI	51,067,994	–	51,067,994
Total assets at fair value	**51,067,994**	**2,559,996**	**53,627,990**
Financial liabilities			
Derivative financial instruments	–	1,381,978	1,381,978

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

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

31. Fair values of financial assets and liabilities (cont'd.)

a) Recurring fair value measurements (cont'd.)

The description of valuation technique and description of inputs used in the fair value measurement for level 2 measurements at 31 December 2025 and 2024:

	2025 MNT'000	2024 MNT'000	Valuation technique	Inputs
Financial assets				
Derivative financial instruments	14,216,050	2,559,996	Market value	SOFR rate, repo rate, government bond yield, exchange rate, commodity forward price, USD discount rate, PD
Financial liabilities				
Derivative financial instruments	17,448,079	1,381,978	Market value	SOFR rate, repo rate, government bond yield, exchange rate, commodity forward price, USD discount rate, PD

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

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

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

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

(ii) Fixed rate financial instruments

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

Fair values of other borrowings approximate their carrying values as at 31 December 2025 and 2024, as there were no substantial changes in their related interest rates since inception, and/ or related liabilities (as in the case of issued promissory notes) represent principal market and thus their interest rates are not sensitive to the overall changes of interest rates in the Mongolian banking sector.

Fair values of financial instruments as at 31 December 2025 and 2024 carried at amortised cost are as follows. This does not include the fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

	Carrying Amount MNT'000	Fair Value MNT'000
31 December 2025		
Liabilities:		
Debt securities issued	2,449,276,962	2,641,084,641
Borrowings	208,956,527	203,988,461
31 December 2024		
Liabilities:		
Debt securities issued	1,392,012,468	1,926,991,009
Borrowings	345,708,957	477,908,805

32. Commitments and contingencies

	2025 MNT'000	2024 MNT'000
Guarantees issued	–	550,000,000
Undrawn loan commitments	62,434,776	69,199,099
Total commitments and contingencies	**62,434,776**	**619,199,099**

The Group's management has assessed that the fair value of guarantees and undrawn loan commitments is not material as at 31 December 2025 and 2024.

*In February 2025, the guarantee was unconditionally released by the Government of Mongolia, which discharged the Group's obligation against this guarantee. Subsequently, on 18 March 2026, the Government of Mongolia issued an additional official resolution reconfirming this release.

Contingencies

Management believes that its interpretation of the relevant legislation is appropriate and the Group's positions related to tax and other legislation will be sustained. Management believes that tax and legal risks are remote at present. The management performs regular re-assessment of tax risks and its position may change in the future as a result of the change in conditions that cannot be anticipated with sufficient certainty at present. As at 31 December 2024, management has assessed that recognition of a provision for uncertain tax positions is not necessary.

33. Events after the reporting date

Management is not aware of other events that occurred after the end of the reporting period, which would have any impact on these financial statements except for:

Repayment of bonds

On 7 March 2026, the Group had fully repaid and settled its USD 200 million bond issued on international market with outstanding balance of USD 66.8 million as of 31 December 2025.

Increase of share capital

On 18 March 2026, the Government of Mongolia had issued a resolution to increase the share capital of the Group by MNT 1 trillion. The increase in share capital will be conducted through the transfer of Erdenes Mongol LLC's right to collect receivable.

34. Comparative information

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

	2024 Audited MNT'000	Reclassification Adjustments MNT'000	2024 Audited MNT'000
ASSETS			
Financial investments	–	246,835,041	246,835,041
Equity instruments at fair value through other comprehensive income	51,067,994	(51,067,994)	–
Debt instruments at amortised cost	195,767,047	(195,767,047)	–
	246,835,041	**–**	**246,835,041**

35. Mongolian translation

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

DEVELOPMENT BANK OF MONGOLIA LLC AND ITS SUBSIDIARIES
(Incorporated in Mongolia)

Audited Consolidated Financial Statements
31 December 2024

DEVELOPMENT BANK OF MONGOLIA LLC AND ITS SUBSIDIARIES

Audited financial statements

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DEVELOPMENT BANK OF MONGOLIA LLC AND ITS SUBSIDIARIES

General information

Board of directors	Mr. Anar B Mr. Erdenebat Ts Ms. Bolormaa B Mr. Hongor G Mr. Choijil B
Independent directors to the board	Ms. Suvdaa D Ms. Enkhtuya B Ms. Buyan G Mr. Nasanjargal S
Secretary of board of directors	Ms. Nergui P
Registered office	Peace Avenue-19 building, 12th floor, Sukhbaatar District, 1st khoroo, Ulaanbaatar 14210, Mongolia
Auditors	Ernst & Young Mongolia Audit LLC Certified Public Accountants

Statement by chairman and executives

We, Narantuya Zagdkhuu, being the Chief Executive Officer, and Ayurzana Davaa, being the Chief Financial Officer, primarily responsible for the consolidated financial statements of Development Bank of Mongolia LLC (the "Bank") and its subsidiaries (together "the Group"), do hereby state that, in our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").



Narantuya Zagdkhuu
Chief Executive Officer

Ayurzana Davaa
Chief Financial Officer

Ulaanbaatar, Mongolia
Date: 31 March 2025

Ernst & Young Mongolia Audit LLC
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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Development Bank of Mongolia LLC and its subsidiaries

Opinion

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

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

Key audit matter

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

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

Key audit matter	How our audit addressed the key audit matter
Impairment of stage 3 loans and advances As at 31 December 2024, the net amount of loans and advances including lease receivables represent approximately 57% of the Group's total assets. Due to the significant portion of stage 3 loans and advances and lease receivables, representing 64% of The Group's total loans and advances including lease receivables before impairment and 97% of the Group's impairment allowances for loans and advances including lease receivables as at 31 December 2024. The management of the Group individually assesses the impairment allowance for each of the Stage 3 loans which requires significant judgement and the use of highly subjective assumptions including but not limited to: the timing of the amount of expected future cash flows, value of the collateral, and discounts and haircuts to collateral values. Due to the significance of this amount to the financial statements and the related estimation uncertainty, we considered the impairment of stage 3 loans and advances as a key audit matter.	The procedures we performed to address the key audit matter included amongst others: • Obtained an understanding of, and evaluated, management's estimation process. • Assessed the design and operating effectiveness of key controls over the approval, recording and monitoring of impairment allowances. For individually assessed loans, we have critically evaluated and challenged the methodologies, inputs and assumptions used by management including: • Reviewed the Group's assumptions on the expected future cash flows, including assumptions in respect of the realizable value of the collateral and the disposal plans for timing. • For government related disposal plans, we have reviewed documents such as government resolutions and State budgets in assessing the reasonableness of management's assessment. • For existence of the collateral, we have checked ownership of the collateral.

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Key Audit Matters (Cont`d.)

Key audit matter	How our audit addressed the key audit matter
Relevant disclosures of the accounting policy and critical accounting estimates and judgements are included in Notes 2.6 and 3 to the financial statements, respectively. Other relevant disclosures of stage 3 loans and advances and related credit risk management are included in Notes 8 and 28 to the consolidated financial statements, respectively.	• For realizable value of the collateral, we have reviewed the collateral agreements and appraisal reports. For a sample of appraisal reports, we involved internal valuation specialists to assess the methods, assumptions, and data used. • We have evaluated the reasonableness of other inputs to the discounted cash flow models, such as haircut rates applied and discount rate. • We tested the arithmetical accuracy of the impairment models • We performed review on forward looking factors and scenario analysis. We assessed the adequacy of the related disclosure in the notes to the consolidated financial statements.
Debt repayment and liquidity At 31 December 2024, the Group had net assets of MNT 410,525 million and reported a loss of MNT 7,912 million for the year. In addition, as disclosed in the maturity analysis of assets and liabilities in Note 29, the Group also had net current assets of MNT 909,897 million expected to be recovered or settled within 12 months, and total bonds and borrowings of MNT 313,009 million and MNT 1,424,711 million to be settled within 12 months and beyond 12 months, respectively. As further disclosed in the basis of preparation in Note 2.1 to the consolidated financial statements, taking into account of the cash flow forecast of the Group, including stress testing on significant assumptions, the Group has evaluated and concluded its ability to settle its liabilities as they fall due and being able to manage its working capital for a period of not less than twelve months from the reporting date. The ability of the Group to achieve its plans to improve working capital and its liquidity positions are subject to inherent uncertainties and execution risk, and is therefore considered a key audit matter.	The procedures we performed to address the key audit matter included amongst others: • We obtained an understanding of the Group's business plan, the Group's cash flow forecast and actions of management to support the continuing business operations of the Group. • We evaluated the accuracy and reliability of the data used by the Group to generate the cash flow forecasts. • We critically evaluated and independently assessed the feasibility of the Group's plans. • We challenged the key assumptions including those pertaining to revenue growth, realisation of collateral and the timing of significant cash inflows in the cash flow forecast for the forecast period. • We developed and ran scenarios analysis on the cash flow forecast and assessed the implications of these scenarios on the Group's ability to meet its obligations. • We obtained the letter of support from its shareholder, the Ministry of Economy and Development of Mongolia. In addition, we evaluated the adequacy of the disclosures made by management in the basis of preparation in the notes to the consolidated financial statements.

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Other Information included in the Annual Report

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, to consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Other Sections of the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2023, were audited by another auditor, who expressed an unmodified opinion with an emphasis of matter in accordance with IFRSs as modified by Bank of Mongolia guidelines on those statements on 20 March 2024.

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

Ernst & Young Mongolia Audit LLC

ERNST & YOUNG MONGOLIA AUDIT LLC
Certified Public Accountants

Signed by

MANDAKHBAYAR DORJBAT
Partner

Approved by

ADRIAN CHU
Partner

Ulaanbaatar, Mongolia
Date: 31 March 2025

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GLOSSARY OF ABBREVIATION

AC	Amortised cost
ABS	Asset Backed Securities
BoM	Bank of Mongolia
ECL	Expected credit loss
EIR	Effective interest rate
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GoM	Government of Mongolia
GDP	Gross domestic product
IFRS	International Financial Reporting Standards
IFRS 7	IFRS 7 Financial Instruments: Disclosures
IFRS 9	IFRS 9 Financial Instruments
IFRS 13	IFRS 13 Fair Value Measurement
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
LGD	Loss given default
SOFR	Secured Overnight Financing Rate
OCI	Other comprehensive income
PD	Probability of default
RMBS	Residential Mortgage Backed Securities
SFC	Security Finance Corporation LLC
SPPI	Solely payments of principal and interest on the principal amount outstanding
VaR	Value at Risk
MIK	Mongolian Mortgage Corporation
SME	Small–to–medium enterprise
VAT	Value–Added Tax

DEVELOPMENT BANK OF MONGOLIA LLC AND ITS SUBSIDIARIES

Consolidated statement of financial position

For the year ended 31 December 2024

	Notes	2024 MNT'000	2023 MNT'000	1.1.2023 MNT'000
ASSETS				
Cash and cash equivalents	**4**	365,190,505	144,557,617	890,417,205
Bank deposits	**5**	73,115,869	15,875,683	14,084,862
Equity instruments at fair value through other comprehensive income	**7**	51,067,994	67,803,010	62,440,408
Debt instruments at fair value through other comprehensive income	**7**	–	143,535,320	247,976,762
Derivative financial instruments	**6**	2,559,996	–	21,753,965
Debt instruments at amortised cost	**7**	195,767,047	187,750,879	572,998,816
Loans and advances including lease receivables	**8**	1,322,048,203	1,258,116,157	1,513,620,306
Other tax receivables		–	17,502	14,351
Other assets	**11**	101,766,956	114,411,163	88,726,846
Property and equipment	**12**	23,709,328	24,278,795	23,955,507
Intangible assets	**12**	240,112	249,670	313,785
Repossessed assets	**9**	89,835,112	166,027,223	174,805,704
Assets held for sale	**10**	76,508,604	–	–
Deferred tax assets	**27**	–	–	47,331,743
TOTAL ASSETS		**2,301,809,726**	**2,122,623,019**	**3,658,440,260**
LIABILITIES				
Financial derivatives liabilities	**6**	1,381,978	4,227,824	5,672,829
Customer accounts	**13**	3,152,369	8,815,342	4,798,957
Time deposits	**13.1**	–	34,123,720	–
Other liabilities	**14**	3,729,656	11,867,797	7,776,754
Current income tax payable	**27**	601,460	1,012,641	9,680,055
Other taxes payable		1,418,815	809,356	21,967
Deferred tax liabilities	**27**	35,234,854	11,541,901	–
Due to other banks and financial institutions	**15**	108,043,345	225,210,272	29,583,716
Bonds	**16**	1,392,012,468	687,477,828	2,572,205,220
Borrowings	**17**	345,708,957	707,401,712	582,540,605
TOTAL LIABILITIES		**1,891,283,902**	**1,692,488,393**	**3,212,280,103**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK				
Contributed capital	**19**	1,216,300,341	1,216,300,341	1,216,300,341
Other reserve	**19**	26,276,637	37,972,640	21,761,615
Retained earnings	**19**	(832,051,154)	(824,138,355)	(791,901,799)
TOTAL EQUITY		**410,525,824**	**430,134,626**	**446,160,157**
TOTAL LIABILITIES AND EQUITY		**2,301,809,726**	**2,122,623,019**	**3,658,440,260**

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

DEVELOPMENT BANK OF MONGOLIA LLC AND ITS SUBSIDIARIES

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2024

	Notes	2024 MNT'000	2023 MNT'000
Interest and similar income	**20**	172,981,953	192,368,144
Interest and similar expense	**21**	(188,655,484)	(215,094,365)
Net interest expense		**(15,673,531)**	**(22,726,221)**
Credit loss reversal	**22**	73,191,882	56,284,033
Net interest income after reversal of credit loss		**57,518,351**	**33,557,812**
Fee and commission income		58,865	55,090
Fee and commission expense		(153,653)	(136,779)
Other income	**23**	5,132,615	535,403
Net gains/(loss) from derivative financial instruments	**25**	2,746,266	(14,119,787)
Foreign exchange translation (loss)/gain, net	**24**	(18,339,887)	20,254,299
Administrative and other operating expenses	**26**	(16,967,624)	(13,837,467)
Profit before tax		**29,994,933**	**26,308,571**
Income tax expense	**27**	(37,907,732)	(58,545,127)
Profit/(Loss) for the year		**(7,912,799)**	**(32,236,556)**
Other comprehensive income/(loss) (net of tax):			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Net change in fair value of debt instruments at fair value through other comprehensive income	**19**	855,259	21,795,486
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):		–	–
Revaluation (loss)/gain on equity instruments at fair value through other comprehensive income		(12,551,262)	4,021,951
Net amount reclassified to profit or loss		–	(9,606,412)
Other comprehensive (loss)/income (net of tax):		**(11,696,003)**	**16,211,025**
Total comprehensive loss for the year, net of tax		**(19,608,802)**	**(16,025,531)**

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

DEVELOPMENT BANK OF MONGOLIA LLC AND ITS SUBSIDIARIES

Consolidated statement of changes in equity

For the year ended 31 December 2024

	Contributed capital MNT'000 (Note 19)	Other reserves MNT'000 (Note 19)	Retained earnings MNT'000	Total equity MNT'000
At 1 January 2023	**1,216,300,341**	**21,761,615**	**(791,901,799)**	**446,160,157**
Loss for the year	–	–	(32,236,556)	(32,236,556)
Other comprehensive income	–	16,211,025	–	16,211,025
Total comprehensive income/(loss)	**–**	**16,211,025**	**(32,236,556)**	**(16,025,531)**
At 31 December 2023 and 1 January 2024	**1,216,300,341**	**37,972,640**	**(824,138,355)**	**430,134,626**
Loss for the year	–	–	(7,912,799)	(7,912,799)
Other comprehensive loss	–	(11,696,003)	–	(11,696,003)
Total comprehensive loss	**–**	**(11,696,003)**	**(7,912,799)**	**(19,608,802)**
At 31 December 2024	**1,216,300,341**	**26,276,637**	**(832,051,154)**	**410,525,824**

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

DEVELOPMENT BANK OF MONGOLIA LLC and its subsidiaries

Consolidated statement of cash flows

For the year ended 31 December 2024

	Notes	2024 MNT'000	2023 MNT'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		29,994,933	26,308,571
Adjustments for:			
Depreciation, amortization expenses	**12**	1,010,827	1,055,460
Reversal of impairment loss	**22**	(73,191,882)	(56,284,033)
Unrealized foreign exchange translation losses		12,414,959	2,741,609
Unrealized gains from financial derivatives	**25**	(5,382,691)	64,305,566
Interest income		(172,981,952)	(192,368,144)
Interest expense		188,655,484	215,094,365
Operating profit/(loss) before working capital changes		**(19,480,322)**	**60,853,394**
Changes in operating assets and liabilities:			
Net (increase)/ decrease in bank deposits		(58,004,665)	(1,038,257)
Net decrease/ (increase) in equity instruments at fair value through other comprehensive income		6,810,000	–
Net decrease/ (increase) in debt instruments at fair value through other comprehensive income		135,600,395	137,952,068
Net decrease/ (increase) in debt instruments at amortised cost		(992,178)	361,116,311
Net decrease/(increase) in loans and advances including lease receivables		37,967,726	229,091,821
Net decrease/ (increase) in other assets		20,481,222	24,593,331
Net decrease/ (increase) in investment to intercompany		–	5,015,460
Net increase/(decrease) in customer accounts		(5,662,870)	4,034,935
Net increase/(decrease) in deposits		(34,106,900)	34,523,700
Net increase/(decrease) in due to other banks		(115,670,011)	192,964,499
Net increase/(decrease) in other liabilities		(7,319,324)	934,712
Cash generated from/(used in) operations		**(40,76,927)**	**1,050,041,974**
Income taxes paid		(10,459,377)	(10,851,398)
Interest received		118,709,808	236,743,462
Interest paid		(168,469,107)	(268,978,996)
Net cash flows generated from/(used in) operating activities		**(100,595,603)**	**1,006,955,042**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	**12**	(388,110)	(106,634)
Purchase of intangible assets	**12**	(43,692)	–
Net cash flows generated from/(used in) investing activities		**(431,802)**	**(106,634)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bonds	**17**	817,615,836	455,359,860
Proceeds from borrowings	**17**	135,024,132	503,373,558
Repayment of bonds	**17**	(143,480,903)	(2,327,858,348)
Repayment of borrowings	**17**	(487,207,780)	(383,576,834)
Net cash flows generated from/(used in) financing activities		**321,951,285**	**(1,752,701,764)**
Effect of exchange rate changes on cash and cash equivalents		(290,992)	(6,232)
Net increase/(decrease) in cash and cash equivalents		**220,632,888**	**(745,859,588)**
Cash and cash equivalents brought forward	**4**	144,557,617	890,417,205
Cash and cash equivalents carried forward	**4**	**365,190,505**	**144,557,617**

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

1. Corporate information

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

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

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

1. DBM Leasing LLC, incorporated on 16 June 2017, is a financial leasing company providing equipment financing for the mining, agriculture, energy, infrastructure and health sectors and programs that support the country's economic development and financial stability.
2. DBM Asset Management SC LLC, with plans to establish various investment funds to provide long-term financing for medium and large scale projects that support economic growth. DBM Asset Management SC LLC founded the National Strategic Investment Private IF SPV LLC in 2018 as a private investment fund.

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

The consolidated financial statements for the year ended 31 December 2024 were authorised for issue on 31 March 2025 by the executive management of the Bank.

Funding environment of the Group

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

International credit rating agencies, Standard and Poor's, Moody's, and Fitch rated The Group as "B+" stable, "B2" stable, "B+" stable on 4 October 2024, on 19 November 2024 and on 20 September 2024, respectively, the same rating as Mongolia's sovereign credit rating. Also Moody's upgraded DBM's Baseline Credit assessment from B2 to CAA2. Credit rating agencies consider The Group as a Government-owned, policy-oriented statutory financial institution which plays main policy role to provide funds to strategically important sectors and large projects supports, and having access to full government support if needed in accordance with the Law on Development Bank of Mongolia, and the Law on Debt Management.

2. Material accounting policies

2.1 Basis of preparation and statement of compliance

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

For the previously issued consolidated financial statements for the year ended 31 December 2023, the Group prepared and presented its consolidated financial statements in accordance with the Group's accounting policies, which were formulated in accordance with IFRSs, as issued by the IASB, except for the adoption of IFRS 9 *Financial Instruments*, of which the Group applied the modifications of the BoM provisioning and classification guidelines for the impairment and classification of financial assets.

As at 31 December 2024, The Group has adopted IFRS 9 for the first time. Therefore, these consolidated financial statements for the year ended 31 December 2024 are the first time The Group has prepared in accordance with IFRSs. Refer to Note 2.7 for information on how the Group has adopted IFRSs.

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for debt and equity instruments at fair value through other comprehensive income ("FVOCI"), financial assets at fair value through profit and loss ("FVTPL") and derivative financial instruments. The consolidated financial statements are presented in Mongolian Tugriks, which is denoted by the symbol MNT, and all values are rounded to the nearest thousands, except when otherwise indicated.

These consolidated financial statements are prepared as consolidated financial statements of the Group and stand-alone financial statements of the Bank is issued separately

The Group's ability to continue as a going concern.

As at 31 December 2024, the Group had net assets of MNT 410,525,824 thousand (2023: MNT 430,134,626 thousand) and a loss after tax of MNT 7,912,799 thousand (2023: MNT 32,236,556 thousand) for the year then ended. During the year, the Group did not issue any new loans to customers and focused on the collection of non-performing loans, including the collection from repossessed collateral.

As at 31 December 2024, the Group had cash and cash equivalents of MNT 365,190 million and total bonds and borrowings of MNT 1,737,721 million, of which MNT 313,009 million is due within one year and MNT 704,829 million, representing the USD200 million Senior Notes, due in March 2026. Details of the bonds, borrowings, liquidity risk analysis and maturity analysis of assets and liabilities are set out in notes 16, 17, 28 and 29 to the consolidated financial statements.

In view of above circumstances, management has given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Management has prepared a cash flow forecast in line with the business plan approved by the Board of Directors of the Group, which involves judgements and estimations based on management's input of key variables and the latest market conditions. The cash flow forecast has been prepared using estimations of future cash flows based on its projected income and expenses and working capital needs. Project income mainly includes the estimated cash inflows from its loan receivables and collection from repossessed collaterals, working capital needs include the repayment of its bonds and borrowings according to their maturity dates and the assumption that the Group will exercise its endeavors in obtaining new long term funding, for which a plan has been approved by the Board of Directors and the Group is currently in an initial stage of executing the plan.

In addition, the shareholder of the Group, the Ministry of Economy and Development, has provided a financial support letter confirming its commitment in accordance with the Law on the Development Bank of Mongolia, in fulfilling its responsibility to ensure the Group's financial stability and solvency.

The Audit Committee and the Board of Directors have confidence in the Group's management and concurred with management's view that the Group's business plan for the next twelve months is feasible and achievable. The Government of Mongolia is informed about the Group's business plan, and has approved resolutions to support repayment of government related loans and a potential capital injection. The Group has actively implemented, or is actively implementing, all the improvement targets outlined above for the purposes of increasing profits and improving the cash flow position of the Group. Accordingly, the Board of Directors is satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2. Material accounting policies (cont'd)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2024. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

2.3 Presentation of consolidated financial statements

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the consolidated statement of financial position date (current) and more than 12 months after the consolidated statement of financial position date (non-current) is presented in Note 29.

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

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

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

2. Material accounting policies (cont'd)

2.4 Standards issued but not yet effective

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

Amendments to IAS 21	*Lack of Exchangeability*[1]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
IFRS 18	*Presentation and Disclosure in Financial Statement*[3]
IFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]

[1]*Effective for annual periods beginning on or after 1 January 2025*
[2]*Effective for annual periods beginning on or after 1 January 2026*
[3]*Effective for annual periods beginning on or after 1 January 2027*

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

2.5 New and amended standards and interpretations

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

Other amendments and interpretations that were applied for the first time in 2024 are summarised below:

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

These amendments had no material impact on the consolidated financial statements of the Group during the period.

2.6 Summary of material accounting policies

Financial instruments – initial recognition

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group recognises balances due to customers when funds are transferred to the Group.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments, other than those measured at FVTPL, are initially measured at their fair value including respective transaction costs. While financial instruments at FVTPL are recognised at its fair value and any transaction costs are recognised in profit or loss. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

'Day 1' profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in trading and other operating income/expenses. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

2. Material accounting policies (cont'd)

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

Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- FVOCI
- FVTPL

The Group classifies and measures its derivative and trading portfolio at FVTPL. The Group may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

- Level 1 financial instruments – Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Group has access to at the measurement date. The Group considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.
- Level 2 financial instruments – Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Group will classify the instruments as Level 3.
- Level 3 financial instruments – Those that include one or more unobservable input that is significant to the measurement as whole.

The Group periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Group's financial instruments such as credit risk (CVA), own credit (DVA) and/or funding costs (FVA). Therefore, the Group applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralised financial instruments. The Group estimates the value of its own credit from market observable data, such as secondary prices for its traded debt.

The Group evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the end of the reporting period.

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

2. Material accounting policies (cont'd)

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

Financial assets and liabilities per financial statement line item

Due from banks, Loans and advances to customers, Financial investments at amortised cost

The Group measures Due from banks, Loans and advances to customers and other financial investments at amortised cost only if both of the following conditions are met:

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

The details of these conditions are outlined below.

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

- The risks that affect the performance of the business model and, in particular, the way those risks are managed;
- Past experience with how the cash flows from these assets were obtained;
- The metrics used to measure and report on portfolio performance and reported to the key management;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

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

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

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

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

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

Derivatives recorded at fair value through profit or loss

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

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

The Group enters into derivative transactions with various counterparties. These include interest rate swaps, cross currency swaps and forward foreign exchange contracts on interest rates and foreign currencies. 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.

Changes in the fair value of derivatives are included in other income unless hedge accounting is applied.

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

2. Material accounting policies (cont'd)

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

Financial assets and liabilities per financial statement line item (cont'd.)

Financial assets or financial liabilities held for trading

The Group classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

Debt instruments at FVOCI

The Group classifies debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

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

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

Borrowed funds and debt securities issued

Borrowed funds and debt securities issued are contractual obligations to local and foreign financial institutions.

After initial measurement, borrowed funds and debt securities issued are subsequently measured at amortised cost using the EIR. The amortised cost of borrowed funds and debt securities issued is calculated using EIR by taking into account any transaction costs related to the transaction.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. When establishing the accounting treatment of these non-derivative instruments the Group first establishes whether the instrument is a compound instrument and classifies such instruments or components separately as financial liabilities, financial assets, or equity instruments in accordance with IAS 32. Classification of the liability and equity components of a convertible instrument is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when exercise of the option may appear to have become economically advantageous to some holders. When allocating the initial carrying amount of a compound financial instrument to its equity and liability components, the equity component is assigned the residual amount after deducting from the entire fair value of the instrument, the amount separately determined for the liability component. The value of any derivative features (such as a call options) embedded in the compound financial instrument, other than the equity component (such as an equity conversion options) is included in the liability component. Once the Group has determined the split between equity and liability, it further evaluates if the liability component has embedded derivatives which would require separation.

2. Material accounting policies (cont'd)

2.6 Summary of significant accounting policies (cont'd.)

Financial assets and liabilities per financial statement line item (cont'd.)

Financial assets and liabilities at FVTPL

Financial assets in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9.

Financial assets at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss. Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using the contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as other operating income when the right to the payment has been established.

Financial guarantee and undrawn loan commitments

The Group issues financial guarantees and undrawn loan commitments.

Financial guarantees are initially recognised in the consolidated financial statements (within 'other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and an ECL allowance.

The premium received is recognised in the income statement in Net fees and commission income on a straight line basis over the life of the guarantee.

The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments are disclosed in Note 32.

Reclassification of financial assets

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

Modification of financial assets and liabilities

Modification of financial assets

When the contractual cash flows of a financial asset are renegotiated or otherwise modified as a result of commercial restructuring activity rather than due to credit risk and impairment considerations, the Group performs an assessment to determine whether the modifications result in the derecognition of that financial asset. For financial assets, this assessment is based on qualitative factors.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

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

If the modification does not result in cash flows that are substantially different, as set out below, then it does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Modification of financial liabilities

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

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

2. Material accounting policies (cont'd)

2.6 Summary of significant accounting policies (cont'd.)

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

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

Derecognition other than for substantial modification

Financial assets. A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the asset; or
- It retains the right to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the original asset), but assumes a contractual obligation to pay those cash flows to one or more entities (the eventual recipients), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset; or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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

2. Material accounting policies (cont'd)

2.6 Summary of significant accounting policies (cont'd.)

Forborne modified loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department.

Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

If modifications are substantial, the loan is derecognised, as explained above. Once the terms have been renegotiated without this resulting in the derecognition of the loan, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

When the loan has been renegotiated or modified but not derecognised, the Group considers that there has been a significant increase in credit risk since initial recognition and thus classifies the loan as Stage 2. Once an asset has been classified as forborne, it reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period
- The customer does not have any contracts that are more than 30 days past due

Details of forborne assets are disclosed in Note 9.

Impairment of financial assets

Overview of the ECL principles

The Group records an allowance for ECL for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or "LTECL"), unless there has been no significant increase in credit risk ("SICR") since origination, in which case, the allowance is based on the 12 months expected credit loss ("12mECL"). The Group's policies for determining if there has been a SICR are set out in Note 28.

The 12mECL is the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 as described below:

Stage 1: When loans are first recognised, the Group recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired. The Group records an allowance for the LTECL.

POCI: POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

2. Material accounting policies (cont'd)

2.6 Summary of significant accounting policies (cont'd.)

Impairment of financial assets (cont'd.)

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

Calculation of ECL

The Group calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD: The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD: The Exposure at Default ("EAD") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD: The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD.

When estimating the ECL, the Group considers three scenarios (a base case, an upside and a downside). Each of these is associated with different PDs, EADs and LGDs.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in the earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

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

The mechanics of the ECL method are summarised below:

Stage 1: The 12mECL is calculated as the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit-impaired, the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

POCI POCI assets are financial assets that are credit impaired on initial recognition. The Group only recognises the cumulative changes in lifetime ECL since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR.

2. Material accounting policies (cont'd)

2.6 Summary of significant accounting policies (cont'd.)

Impairment of financial assets (cont'd.)

Loan commitments	When estimating LTECL for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.
Financial guarantee contracts	The Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in profit or loss, and the ECL provision. For this purpose, the Group estimates ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios. The ECL related to financial guarantee contracts are recognised within 'other liabilities'.

Debt instruments measured at FVOCI

The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

Credit enhancements: Collateral valuation and financial guarantees

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group's statement of financial position.

Cash flows expected from credit enhancements which are not required to be recognised separately by IFRS standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed, at a minimum, at inception and re-assessed on annual basis.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers or based on housing price indices.

Guarantees held are included in the measurement of loan ECL when either they are specified in the contractual terms of the loan or else are integral to the loan, in that they formed part of the basis on which the loan was extended.

Guarantees that are not integral to the loan's contractual terms are accounted as separate units of accounts subject to ECL as an off-balance sheet item.

Write-offs

Financial assets are written off either partially or in their entirety only when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include government investment and Bank of Mongolia's investment securities with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

Bank deposits. Bank deposits are recorded when the Group advances money to counterparty banks with initial maturity of more than three months with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

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

2. Material accounting policies (cont'd)

2.6 Summary of significant accounting policies (cont'd.)

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

Leases.

(i) Group as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

At commencement or modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative standalone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, The Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group 's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in property and equipment' and lease liabilities in lease liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including office space. The Group recognizes the lease payments associated with these leases as an expense right on a straight-line basis over the lease term.

2. Material accounting policies (cont'd)

2.6. Summary of significant accounting policies (cont'd.)

Leases (cont'd.)

(ii) Group as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

In an arrangement contains lease and non-lease components, then The Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of other revenue.

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

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

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

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

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

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

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

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

- Computer software and license 10 years

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

2. Material accounting policies (cont'd)

2.6 Summary of significant accounting policies (cont'd.)

Impairment of tangible and intangible assets. At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment or intangible assets. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

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

Sale and repurchase agreements. Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognized. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to other banks or other borrowed funds. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the effective interest rate.

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

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

Repossessed assets. The Group's policy is to determine whether a foreclosed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their foreclosed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to "Assets held for sale" at their fair value (if financial asset) or fair value less cost to sell for non-financial assets at the repossession date. Assets that are expected to be sold beyond twelve months are included in "Repossessed assets" and are measured at the lower of the cost and fair value less costs to sell.

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

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

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

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

2. Material accounting policies (cont'd)

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

Deferred income tax (cont'd.)

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

Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

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

Financial guarantees and commitments to provide a loan are initially recognized at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition.

At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period. In cases where the fees are charged periodically in respect of an outstanding commitment, they are recognized as revenue on a time proportion basis over the respective commitment period.

Employee benefits

(i) **Short term benefits**
Wages, salaries and other salary related expenses are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised as a liability when services are rendered by employees that increase their entitlement to future compensated absences in profit or loss, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

(ii) **Defined contribution plans**
As required by law, companies in Mongolia make contributions to the government pension scheme, Social and Health Fund. Such contributions are recognised as an expense in profit or loss as incurred. The Group also contributes to a defined contribution pension plan. The contribution paid is recorded as an expense under "Pension fund expense" in proportion to the services rendered by the employees to the Group.

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

2. Material accounting policies (cont'd)

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

***Income and expense recognition*.** Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

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

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

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

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

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

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

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

Related party transactions. A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

A person or a close member of that person's family is related to the Group if that person:
- has control or joint control over the Group or;
- has significant influence over the Group or;
- is a member of the key management personnel of the Group or of a parent of the Group.

2. Material accounting policies (cont'd)

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

Related party transactions (cont'd.)

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

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

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

Presentation of statement of financial position in order of liquidity. The Group does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the separate statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. The amounts of financial assets and liabilities expected to be recovered or settled before and after twelve months after the reporting period approximate the amounts disclosed in analysis of the financial assets and liabilities presented for liquidity management purposes in Note 29. In case of non-financial assets and liabilities, management believes that the Notes related to these assets and liabilities, contain sufficient information for the users of these consolidated financial statements with regard to period of their expected recovery or settlement.

2.7 First time adoption of IFRS

These consolidated financial statements, for the year ended 31 December 2024, are the first the Group has prepared in accordance with IFRSs. For the year ended 31 December 2023, the Group prepared its consolidated financial statements in accordance with the Group's accounting policies, which were formulated in accordance with IFRSs, as issued by IASB, except for the adoption of IFRS 9 Financial Instruments, of which the Group applied the modifications of the BoM provisioning and classification guidelines for the impairment and classification of financial assets.

Accordingly, the Group has applied IFRS 1 First-time Adoption of International Financial Reporting Standards and prepared consolidated financial statements that comply with IFRSs applicable as at 31 December 2024, together with the comparative period data for the year ended 31 December 2023, as described in the summary of material accounting policies. In preparing the consolidated financial statements, the Group's opening statement of financial position was prepared as at 1 January 2023, the Group's date of transition to IFRSs. This note explains the principal adjustments made by the Group in restating its prior year consolidated financial statements previously prepared based on the accounting policies then applied, including the statement of financial position as at 1 January 2023 and the consolidated financial statements as of, and for the year ended 31 December 2023.

2. Material accounting policies (cont'd)

2.7 First-time adoption of IFRS (cont'd.)

Reconciliation of statement of financial position as at 1 January 2023 (date of transition to IFRS)

	Notes	Under IFRS as modified by BoM guidelines MNT'000	Re-classification MNT'000	Re-measurement MNT'000	Under IFRS MNT'000
ASSETS					
Cash and cash equivalents		890,417,205			890,417,205
Bank deposits	**(a)**	28,931,618		(14,846,756)	14,084,862
Available-for-sale investments carried at fair value		312,472,007	(312,472,007)		–
To: Debt instruments at FVOCI	**(b)**		*(250,031,599)*		
To: Equity instruments at FVOCI	**(c)**		*(62,440,408)*		
Investment securities held to maturity		568,788,930	(568,788,930)		–
To: Debt instruments at amortised cost	**(d)**		*(568,788,930)*		
Financial assets at fair value through profit or loss		15,939,053	(15,939,053)		–
To: Debt instruments at amortised cost	**(d)**		*(15,939,053)*		
Debt instruments at FVOCI			250,031,599	(2,054,837)	247,976,762
From: Available-for-sale investments carried at fair value	**(b)**		*250,031,599*	*(2,054,837)*	
Equity instruments at FVOCI			62,440,408		62,440,408
From: Available-for-sale investments carried at fair value	**(c)**		*62,440,408*		
Debt instruments at amortised cost			588,037,514	(15,038,698)	572,998,816
From: Investment securities held to maturity	**(d)**		*588,037,514*	*(15,038,698)*	
Derivative financial assets		21,753,965			21,753,965
Loans and advances including lease receivables	**(e)**	1,835,610,278		(321,989,972)	1,513,620,306
Other tax receivables	**(f)**	7,256,948	441,937	(7,684,534)	14,351
Other assets	**(f)**	4,867,363	75,105,401	8,754,082	88,726,846
Property and equipment		23,955,507			23,955,507
Intangible assets		313,785			313,785
Repossessed assets	**(f)**	257,073,386	(82,267,682)		174,805,704
Deferred tax assets		47,331,743		–	47,331,743
TOTAL ASSETS		**4,014,711,788**	**(3,410,813)**	**(352,860,715)**	**3,658,440,260**
LIABILITIES					
Derivative financial liabilities		5,672,829			5,672,829
Customer accounts		4,798,957			4,798,957
Contract liabilities	**(f)**	3,852,750	(3,852,750)		–
Other liabilities	**(f)**	3,560,297	441,937	3,774,520	7,776,754
Current income tax payable		9,680,055			9,680,055
Other taxes payable		21,967			21,967
Due to other banks and financial institutions		29,583,716			29,583,716
Bonds		2,572,205,220			2,572,205,220
Borrowings		582,540,605			582,540,605
TOTAL LIABILITIES		**3,211,916,396**	**(3,410,813)**	**3,774,520**	**3,212,280,103**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK					
Contributed capital		1,216,300,341			1,216,300,341
Other reserves	**(h)**	23,816,452		(2,054,837)	21,761,615
Retained earnings	**(h)**	(437,321,401)		(354,580,398)	(791,901,799)
TOTAL EQUITY		**802,795,392**	**–**	**(356,635,235)**	**446,160,157**
TOTAL LIABILITIES AND EQUITY		**4,014,711,788**	**(3,410,813)**	**(352,860,715)**	**3,658,440,260**

2. Material accounting policies (cont'd)

2.7 First-time adoption of IFRS (cont'd.)

Reconciliation of statement of financial position as at 31 December 2023:

	Notes	Under IFRS as modified by BoM guidelines MNT'000	Re-classification MNT'000	Re-measurement MNT'000	Under IFRS MNT'000
FINANCIAL ASSETS					
Cash and cash equivalents		144,557,617			144,557,617
Bank deposits	**(a)**	18,156,413		(2,280,730)	15,875,683
Available-for-sale investments carried at fair value		212,183,194	(212,183,194)		–
To: Debt instruments at FVOCI	**(b)**		*(144,380,184)*		
To: Equity instruments at FVOCI	**(c)**		*(67,803,010)*		
Investment securities held to maturity		180,962,377	(180,962,377)		–
To: Debt instruments at amortised cost	**(d)**		*(180,962,377)*		
Financial assets at fair value through profit or loss		11,807,750	(11,807,750)		–
To: Debt instruments at amortised cost	**(d)**		*(11,807,750)*		
Debt instruments at FVOCI			144,380,184	(844,864)	143,535,320
From: Available-for-sale investments carried at fair value	**(b)**		*144,380,184*	*(844,864)*	
Equity instruments at FVOCI			67,803,010		67,803,010
From: Available-for-sale investments carried at fair value	**(c)**		*67,803,010*		
Debt instruments at amortised cost			192,770,127	(5,019,248)	187,750,879
From: Investment securities held to maturity	**(d)**		*192,770,127*	*(5,019,248)*	
Derivative financial assets					
Loans and advances including lease receivables	**(e)**	1,187,938,974		70,177,183	1,258,116,157
Other tax receivables	**(f)**	(1,826,198)	691,071	1,152,629	17,502
Other assets	**(f)**	41,314,781	71,673,764	1,422,618	114,411,163
Property and equipment		24,278,795			24,278,795
Intangible assets		249,670			249,670
Repossessed assets	**(f)**	241,529,319	(75,502,096)		166,027,223
Deferred tax assets	**(g)**	46,069,491		(46,069,491)	–
TOTAL ASSETS		**2,107,222,183**	**(3,137,261)**	**18,538,097**	**2,122,623,019**
LIABILITIES					
Derivative financial liabilities		4,227,824			4,227,824
Customer accounts		8,815,342			8,815,342
Time deposits		34,123,720			34,123,720
Contract liabilities	**(f)**	3,828,332	(3,828,332)		–
Other liabilities	**(f)**	7,971,812		3,895,985	11,867,797
Other taxes payable		118,285	691,071		809,356
Deferred tax liabilities	**(g)**	–		11,541,901	11,541,901
Current income tax liabilities		1,024,106		(11,465)	1,012,641
Due to other banks and financial institutions		225,210,272			225,210,272
Bonds		687,477,828			687,477,828
Borrowings		707,401,712			707,401,712
TOTAL LIABILITIES		**1,680,199,233**	**(3,137,261)**	**15,426,421**	**1,692,488,393**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK					
Contributed capital		1,216,300,341			1,216,300,341
Other reserves	**(h)**	38,817,504		(844,864)	37,972,640
Retained earnings	**(h)**	(828,094,895)		3,956,540	(824,138,355)
TOTAL EQUITY		**427,022,950**	**–**	**3,111,676**	**430,134,626**
TOTAL LIABILITIES AND EQUITY		**2,107,222,183**	**(3,137,261)**	**18,538,097**	**2,122,623,019**

2. Material accounting policies (cont'd)

2.7 First-time adoption of IFRS (cont'd.)

Reconciliation of Statement of profit or loss and other comprehensive income for the year ended 31 December 2023

	Notes	Under IFRS as modified by BoM guidelines MNT'000	Re-classification MNT'000	Re-measurement MNT'000	Under IFRS MNT'000
Interest income	(f)	185,367,992		7,000,152	192,368,144
Interest expense		(215,094,365)			(215,094,365)
Net interest income		**(29,726,373)**	**–**	**7,000,152**	**(22,726,221)**
Credit loss reversal/(expense)	(h)	70,589,421	(11,101,348)	(3,204,040)	56,284,033
Net interest income after reversal of credit loss		**40,863,048**	**(11,101,348)**	**3,796,112**	**33,557,812**
Fee and commission income		55,090			55,090
Fee and commission expense		(136,779)			(136,779)
Other income	(f)	5,406,290		(4,870,887)	535,403
Net trading gains/(losses)		17,013,443	(17,013,443)		–
Net (losses)/gains from derivative financial instruments		(14,119,787)			(14,119,787)
Impairment loss on bank deposits, repossessed assets and other assets	(h)	(170,522)	170,522		–
Net loss from financial instruments at FVTPL	(h)	(10,930,826)	10,930,826		–
Foreign exchange translation losses, net	(e)	(74,545,686)	17,013,443	77,786,542	20,254,299
Administrative and other operating expenses		(13,837,467)			(13,837,467)
Profit/(Loss) before tax		**(50,403,196)**	**–**	**76,711,767**	**26,308,571**
Income tax expense	(g)	(945,204)		(57,599,923)	(58,545,127)
Profit/(Loss) for the year		**(51,348,400)**	**–**	**19,111,844**	**(32,236,556)**
Other comprehensive income (net of tax):					
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):					
Net amount reclassified to profit or loss	(h)	24,607,464		(2,811,978)	21,795,486
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):					
Revaluation (loss)/gain on debt instruments at fair value through other comprehensive income	(h)			4,021,951	4,021,951
Net amount reclassified to profit or loss		(9,606,412)			(9,606,412)
Other comprehensive income		**15,001,052**	**–**	**1,209,973**	**16,211,025**
Total comprehensive income for the year, net of tax		**(36,347,348)**	**–**	**20,321,817**	**(16,025,531)**

Notes to the reconciliation of Statement of financial position as at 1 January 2023 and 31 December 2023 and Statement of profit or loss and other comprehensive income for the year ended 31 December 2023:

(a) ECL allowance on these reserves was calculated on the account balance as at the reporting date.

(b) Debt instruments measured at fair value through OCI under IFRS 9 include corporate bond of Erdenes Tavantolgoi JSC, previously classified as available-for-sale. Based on the assessment made,, the Bank concluded that these instruments are managed within a business model of both collecting contractual cash flows and selling the financial assets, therefore classified as debt instruments measured at fair value through OCI under IFRS 9.

(c) Equity instruments at FVOCI under IFRS 9 include quoted MIK shares, previously classified as available-for-sale. Based on the assessment made as of 1 January 2023, the Group concluded that these instrument is managed within a business model of only collecting contractual cash flows, the Group has elected the option to irrecoverably designate its previously available-for-sale unquoted and quoted equity instruments as Equity instruments at FVOCI.

(d) Included in debt instruments at amortized cost are quoted bonds issued by State Housing Corporation SOLLC and Darkhan Leather Complex LLC, previously classified as held-to-maturity investment. These bonds are held by the Group to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(e) Loans and advances to customers are measured at amortized cost.

(f) IFRS adjustment on the sale of repossessed assets (Note 9), where the consideration was accounted for as other receivables, classified as a financial asset at amortized cost.

(g) Deferred tax impact arising from ECL adjustments under IFRS.

2. Material accounting policies (cont'd)

2.7 First-time adoption of IFRS (cont'd.)

Notes to the reconciliation of Statement of financial position as at 1 January 2023 and 31 December 2023 and Statement of profit or loss and other comprehensive income for the year ended 31 December 2023 (cont'd.):

(h) Following table details the impact of transition to IFRS on reserves and retained earnings as at 1 January 2023:

At 1 January 2023	Balance MNT'000
Other reserves	
Under IFRS as modified by BoM guidelines	23,816,452
Recognition of expected credit losses under IFRS 9 for debt financial assets at FVOCI	(2,054,837)
Net effect on other reserves	(2,054,837)
Under IFRS	**21,761,615**
Retained earnings	
Under IFRS as modified by BoM guidelines	(437,321,401)
Recognition of expected credit losses under IFRS 9 for financial instruments other than debt instruments at FVOCI	(14,846,756)
Recognition of expected credit losses under IFRS 9 for debt instruments at AC	(15,038,698)
Remeasurement of other assets	8,754,082
Reclassification of equity investment securities from available-for-sale to FVPL	(3,774,520)
Remeasurement of other tax receivables	(7,684,534)
Recognition of expected credit losses under IFRS 9 for loans and advances	(321,989,972)
Net effect on retained earnings	(354,580,398)
Under IFRS	**(791,901,799)**

(i) Following table details the impact of transition to IFRS on reserves and retained earnings as at 31 December 2023:

	Balance MNT'000
At 31 December 2023	
Other reserves	
Under IFRS as modified by BoM guidelines	38,817,504
Recognition of expected credit losses under IFRS 9 for debt financial assets at FVOCI	(844,864)
Net effect on other reserves	(844,864)
Under IFRS	**37,972,640**
Retained earnings	
Under IFRS as modified by BoM guidelines	(828,094,895)
Recognition of expected credit losses under IFRS 9 for financial instruments other than debt instruments at FVOCI	(2,280,730)
Recognition of expected credit losses under IFRS 9 for debt instruments at AC	(5,019,248)
Remeasurement of other assets	1,422,618
Reclassification of equity investment securities from available-for-sale to FVPL	(3,895,985)
Remeasurement of other tax receivables	1,152,629
Remeasurement of deferred tax assets and liabilities	(57,599,927)
Recognition of expected credit losses under IFRS 9 for loans and advances	70,177,183
Net effect on retained earnings	3,956,540
Under IFRS	**(824,138,355)**

3. Significant accounting judgments, estimates and assumptions

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

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

Impairment allowances on loans and advances and repossessed collaterals

The Group assesses its corporate loans for impairment indicators due to repayment delays or other factors. Management believes that all customers likely to experience significant repayment delays have been identified, and an adequate impairment allowance has been recognized in these consolidated financial statements.

The Group regularly reviews its loan portfolio for impairment, focusing on observable data that may indicate a measurable decrease in future cash flows. This includes changes in borrower payment status and economic conditions correlated with defaults. Management uses estimates based on credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Impairment losses for individually significant loans are based on estimates of discounted future cash flows of the individual loans, taking into account repayments and realisation of any assets held as collateral against the loans.

The foreclosed properties initially recognized at the lower of their foreclosed value or the carrying value of the original secured asset and subsequently measured at the lower of their cost and fair value less cost to sell. This valuation assessment requires exercise of judgement from management and independent valuer based on their experience of those properties as well as other assumptions.

Fair value of financial instruments

When the fair value of derivative financial instruments recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Changes in assumptions could affect the reported fair value of derivative financial instruments. See Note 6 for further disclosures.

4. CASH AND CASH EQUIVALENTS

	2024 MNT'000	2023 MNT'000
Cash on hand	779	513
Current accounts at Bank of Mongolia	89,251,691	104,397,326
Current accounts at Ministry of Finance	808,051	1,592,551
Cash at other banks:	–	–
- Domestic	112,161,238	4,643,859
- Foreign	162,968,746	33,923,368
Total cash and cash equivalents	**365,190,505**	**144,557,617**
Less: Impairment allowance on cash and cash equivalents	–	–
Net amount of cash and cash equivalents	**365,190,505**	**144,557,617**

Impairment allowance for cash and balances with BoM and other banks and financial institutions

The credit quality of cash and cash qualities are rated as below based on Moody's ratings or equivalents of Standard and Poor's and/or Fitch ratings and classified as Stage 1. The estimated expected credit loss is assessed to be insignificant as at 31 December 2024 and 31 December 2023.

	12 month PD range	2024 MNT'000 Exposure at default Stage 1	12 month PD range	2023 MNT'000 Exposure at default Stage 1
At 31 December 2024				
A1	0.006%	158,917,413	0.006%	19,475,439
Baa1	0.183%	4,051,160	0.161%	14,447,751
Bank of Mongolia – B2 (2023: B3)	3.286%	90,002,687	3.002%	105,146,262
Ministry of Finance – B2 (2023: B3)	3.286%	57,055	3.002%	843,709
B2 (2023: B3)	3.286%	112,161,232	3.002%	4,643,764
Unrated	100.00%	179	100.00%	179
Total cash and cash equivalents, excluding cash on hand		**365,189,726**		**144,557,104**

5. BANK DEPOSITS

The Bank deposits represents term deposits with maturities greater than three months from the date of placement. Certain of the deposits are held at a bank which is in liquidation stage, thus, it is fully impaired. The credit quality as at 31 December 2024 and 31 December 2023 were as follows:

	2024 MNT'000	2023 MNT'000
Placement with unrated local banks and financial institutions	109,671,431	55,048,166
Total bank deposits	109,671,431	55,048,166
Less: Impairment allowance on bank deposits	(36,555,562)	(39,172,483)
Net amount of bank deposits	**73,115,869**	**15,875,683**

5. BANK DEPOSITS (cont'd.)

Impairment allowance for deposits with other banks and financial institutions

	Stage 1 MNT'000	Stage 3 MNT'000	Total MNT'000
Gross carrying amount as at 1 January 2024	**15,875,683**	**39,172,483**	**55,048,166**
Addition during the year	56,771,119	–	56,771,119
Repaid amounts	–	(646,647)	(646,647)
Net movement on accrued interest	469,067	–	469,067
Write-off	–	(1,970,274)	(1,970,274)
At 31 December 2024	**73,115,869**	**36,555,562**	**109,671,431**
ECL allowance as at 1 January 2024	**–**	**39,172,483**	**39,172,483**
Net reversal for the year (Note 22)	–	(646,647)	(646,647)
Write-off	–	(1,970,274)	(1,970,274)
At 31 December 2024	**–**	**36,555,562**	**36,555,562**
Gross carrying amount as at 1 January 2023	**684,486**	**40,253,717**	**40,938,203**
Addition during the year	14,778,881	–	**14,778,881**
Repaid amounts	–	(1,205,612)	(1,205,612)
Net movement on accrued interest	412,316	280,565	692,881
Foreign exchange rate difference	–	(156,187)	(156,187)
At 31 December 2023	**15,875,683**	**39,172,483**	**55,048,166**
ECL allowance as at 1 January 2023	**–**	**40,253,717**	**40,253,717**
Net reversal for the year (Note 22)	–	(925,047)	(925,047)
Foreign exchange rate difference	–	(156,187)	(156,187)
At 31 December 2023	**–**	**39,172,483**	**39,172,483**

6. DERIVATIVE FINANCIAL INSTRUMENTS

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

	Notional amount MNT'000	Fair value	
		Assets MNT'000	Liability MNT'000
At 31 December 2024			
Derivatives financial instruments			
Cross-currency interest rate swaps with BoM (a)	193,244,125	2,539,724	1,381,978
Forwards (b)	206,882,172	20,272	–
	400,126,297	**2,559,996**	**1,381,978**
At 31 December 2023			
Derivatives financial instruments			
Forwards (c)	**244,309,213**	**–**	**4,227,824**

At their inception, derivatives often involve only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group. The Group's exposure under derivative contracts is closely monitored as part of the overall management of its market risk. The Group's risk management strategy and how it is applied to manage its risks is disclosed in Note 29. The effects of respective hedge accounting on financial position and performance disclosed in Note 26 and below.

6. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

(a) The Group enters into cross-currency interest rate swap agreements with BoM. At initiation, the Group has paid USD funds to BoM and received MNT funds at the spot rate. During the term of the agreement with BoM, the Group receives interest on USD funds at LIBOR plus certain margin and pays interest on MNT funds at the central bank policy rate. At the end of the term of agreements, the parties shall exchange the principal payments at the exchange rate of the initial transaction.

b) As of 31 December 2024, the Group entered into a forward agreement with CICC Financial Product Limited. This agreement is effective from 23 December 2024, until 24 January 2025. Upon maturity, the Group and CICC are scheduled to receive USD 3,558 thousand and CNY 26,000 thousand, respectively.

(c) The Group had entered into a forward agreement with SAXO Bank as at the 31 December 2023, which was effective from 13 December 2023 until 18 January 2024.

7. FINANCIAL INVESTMENTS

	2024 MNT'000	2023 MNT'000
Debt instruments measured at FVOCI:		
Corporate bonds – Erdenes Tavantolgoi JSC (a)	–	143,535,320
	–	143,535,320
Equity instruments measured at FVOCI:		
Quoted equities - MIK Holding JSC (b)	51,067,994	67,803,010
	51,067,994	67,803,010
Debt instruments at amortised cost:		
Corporate bonds – State Housing Corporation SOLLC (c)	187,696,678	179,680,511
Corporate bonds – Darkhan Leather Complex LLC (d)	8,070,369	8,070,368
	195,767,047	187,750,879
Total financial investments	**246,835,041**	**399,089,209**

(a) Unquoted corporate bonds represent investment in corporate bonds on domestic market.
(b) Quoted equity securities represent investment in MIK Holding JSC share listed on domestic market.
(c) Corporate bonds comprise bonds issued by State Housing Corporation SOLLC with total nominal value of MNT 180,500 million due in December 2027, which were obtained by the Group in exchange for loans issued to State Housing Corporation SOLLC in 2013 and 2015.
(d) Corporate bonds comprise bonds issued by Darkhan Leather Complex LLC with total nominal value of MNT 15 billion due in February 2025, which were obtained by the Group in agreement to Darkhan Leather Complex LLC in 2020.

Impairment allowance for financial investment

	2024 MNT'000	2023 MNT'000
Debt instruments measured at FVOCI		
As at 1 January	**144,380,184**	**250,031,599**
Payments and assets derecognised	(144,380,184)	(105,651,415)
As at 31 December	**–**	**144,380,184**
ECL		
As at 1 January	**844,864**	**2,054,837**
Payments and assets derecognised	(844,864)	(1,209,973)
Net reversal for the year (Note 22)	(844,864)	(1,209,973)
As at 31 December	**–**	**844,864**
Carrying amount of debt instruments measured at FVOCI	**–**	**143,535,320**

7. FINANCIAL INVESTMENTS (CONT'D.)

Impairment allowance for financial investment (cont'd.)

	2024 MNT'000	2023 MNT'000
Debt instruments at amortised cost		
As at 1 January	**209,649,163**	**593,985,724**
New assets originated or purchased	10,117,809	3,489,992
Payments and assets derecognised	–	(387,826,553)
As at 31 December	**219,766,972**	**209,649,163**
ECL		
As at 1 January	**21,898,284**	**20,986,909**
New assets originated or purchased	3,383,507	3,044,292
Payments and assets derecognised	(1,281,866)	(2,132,917)
Net charge for the year (Note 22)	2,101,641	911,375
As at 31 December	**23,999,925**	**21,898,284**
Carrying amount of debt instruments at amortised cost	**195,767,047**	**187,750,879**

8. LOANS AND ADVANCES INCLUDING LEASE RECEIVABLES

	2024 MNT'000	2023 MNT'000
Loans and advances	1,294,322,795	1,214,273,740
Lease receivables	27,725,408	43,842,417
	1,322,048,203	**1,258,116,157**

8.1. Loans and advances

Loans and advances consist of the following:

	2024 MNT'000	2023 MNT'000
Public sector loan	904,378,395	784,218,720
Private sector loan	1,367,180,969	1,478,157,289
Total loans and advances	**2,271,559,364**	**2,262,376,009**
Less: Impairment allowance on loans	(977,236,569)	(1,048,102,269)
Net amount of loans and advances	**1,294,322,795**	**1,214,273,740**

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

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

Due to the nature of the Group's activities and its small number of borrowers, the Group has a certain concentration of credit risk. As at 31 December 2024, the total loans of the top 5 largest borrowers of the Group, before impairment, amounts to MNT 1,305,037 million (31 December 2023: MNT 1,236,622 million) or 57.5% of gross loans and advances (2023: 54.7%). The total carrying value of loans of these 5 largest borrowers after impairment is MNT 883,499 million as at 31 December 2024 (31 December 2023: MNT 769,508 million) or 68.3% of net loans and advances (2023: 63.4%). These top 5 largest borrowers' loans do not include any on-lending loans through local commercial banks.

8.1 Loans and advances (cont'd.)

Impairment allowance for loans and advances to customers

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

	Public sector MNT'000	Private sector MNT'000	Total MNT'000
Gross carrying amount as at 1 January 2024	**784,218,720**	**1,478,157,289**	**2,262,376,009**
New assets originated or purchased	91,813,285	–	91,813,285
Assets derecognised or repaid	(12,446,118)	(121,630,691)	(134,076,809)
Net movement on accrued interest	40,792,508	15,933,711	56,726,219
Write-offs	–	(5,279,340)	(5,279,340)
At 31 December 2024	**904,378,395**	**1,367,180,969**	**2,271,559,364**
ECL allowance as at 1 January 2024	42,223,142	1,005,879,127	1,048,102,269
New assets originated or purchased	419,388	–	419,388
Assets derecognised or repaid	(7,362,493)	(65,556,483)	(72,918,976)
Net movement on accrued interest	(190,188)	7,663,317	7,473,129
Net reversal for the year (Note 22)	(7,133,293)	(57,893,166)	(65,026,459)
Write-offs	–	(5,279,340)	(5,279,340)
Foreign exchange adjustments	–	(559,901)	(559,901)
At 31 December 2024	**35,089,849**	**942,146,720**	**977,236,569**
Gross carrying amount as at 1 January 2023	**694,803,036**	**1,946,971,704**	**2,641,774,740**
New assets originated or purchased	78,399,636	–	78,399,636
Assets derecognised or repaid	(18,324,477)	(353,916,567)	(372,241,044)
Net movement on accrued interest	29,340,525	(33,241,786)	(3,901,261)
Write-offs	–	(81,656,062)	(81,656,062)
At 31 December 2023	**784,218,720**	**1,478,157,289**	**2,262,376,009**
ECL allowance as at 1 January 2023	**39,781,545**	**1,154,425,629**	**1,194,207,174**
New assets originated or purchased	1,999,043	–	1,999,043
Assets derecognised or repaid	(1,265,064)	(45,775,051)	(47,040,115)
Net movement on accrued interest	1,707,618	(22,532,056)	(20,824,438)
Net charge/(reversal) for the year (Note 22)	2,441,597	(68,307,107)	(65,865,510)
Write-offs	–	(77,786,541)	(77,786,541)
Foreign exchange adjustments	–	(2,452,854)	(2,452,854)
At 31 December 2023	**42,223,142**	**1,005,879,127**	**1,048,102,269**

8.1. Loans and advances (cont'd.)

Impairment allowance for loans and advances to customers (cont'd.)

Credit quality of gross carrying amounts as at 31 December 2024 and 2023:

At 31 December 2024			
Performing	753,865,654	89,497,079	843,362,733
Special mention	124,862,807	–	124,862,807
Substandard	–	168,875,268	168,875,268
Doubtful	25,649,934	560,745,689	586,395,623
Loss	–	548,062,933	548,062,933
Total	**904,378,395**	**1,367,180,969**	**2,271,559,364**
At 31 December 2023			
Performing	369,425,518	174,617,946	544,043,464
Special mention	268,237,422	106,865,685	375,103,107
Substandard	–	373,533,740	373,533,740
Doubtful	146,555,780	616,913,044	763,468,824
Loss	–	206,226,874	206,226,874
Total	**784,218,720**	**1,478,157,289**	**2,262,376,009**

Loans and advances to public sector customers	**Stage 1 MNT'000**	**Stage 2 MNT'000**	**Stage 3 MNT'000**	**Total MNT'000**
Gross carrying amount as at 1 January 2024	**369,425,518**	**268,237,422**	**146,555,780**	**784,218,720**
New assets originated or purchased	91,813,285	–	–	91,813,285
Assets derecognised or repaid	(4,476,398)	(7,744,850)	(224,870)	(12,446,118)
Net movement on accrued interest	26,149,930	10,460,747	4,181,831	40,792,508
Transfer between stages	270,953,319	(270,953,319)	–	–
At 31 December 2024	**753,865,654**	**–**	**150,512,741**	**904,378,395**
ECL allowance as at 1 January 2024	**2,810,055**	**4,130,280**	**35,282,807**	**42,223,142**
New assets originated or purchased	419,388	–	–	419,388
Assets derecognised or repaid	(223,820)	(2,443,532)	(4,695,141)	(7,362,493)
Net movement on accrued interest	114,736	64,030	(368,954)	(190,188)
Transfer between stages	1,750,778	(1,750,778)	–	–
Net charge/(reversal) for the year	2,061,082	(4,130,280)	(5,064,095)	(7,133,293)
At 31 December 2024	**4,871,137**	**–**	**30,218,712**	**35,089,849**
Gross carrying amount as at 1 January 2023	**275,619,694**	**278,866,454**	**140,316,888**	**694,803,036**
New assets originated or purchased	78,399,636	–	–	78,399,636
Assets derecognised or repaid	(6,714,597)	(10,748,049)	(861,831)	(18,324,477)
Net movement on accrued interest	22,120,785	119,017	7,100,723	29,340,525
At 31 December 2023	**369,425,518**	**268,237,422**	**146,555,780**	**784,218,720**
ECL allowance as at 1 January 2023	**2,376,915**	**3,848,357**	**33,556,273**	**39,781,545**
New assets originated or purchased	599,764	279,643	1,119,636	1,999,043
Assets derecognised or repaid	(335,730)	–	(929,334)	(1,265,064)
Net movement on accrued interest	169,106	2,280	1,536,232	1,707,618
Net charge for the year	433,140	281,923	1,726,534	2,441,597
At 31 December 2023	**2,810,055**	**4,130,280**	**35,282,807**	**42,223,142**

8.1. Loans and advances (cont'd.)

Impairment allowance for loans and advances to customers (cont'd.)

Loans and advances to public sector customers (cont'd.)

Credit quality of gross carrying amounts as at 31 December 2024 and 2023:

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
At 31 December 2024				
Performing	753,865,654	–	–	753,865,654
Special mention	–	–	124,862,807	124,862,807
Doubtful	–	–	25,649,934	25,649,934
Total	**753,865,654**	**–**	**150,512,741**	**904,378,395**
At 31 December 2023				
Performing	369,425,518	–	–	369,425,518
Special mention	–	268,237,422	–	268,237,422
Doubtful	–	–	146,555,780	146,555,780
Total	**369,425,518**	**268,237,422**	**146,555,780**	**784,218,720**

Loans and advances to private sector customers

	Stage 1 MNT'000	Stage 3 MNT'000	Total MNT'000
Gross carrying amount as at 1 January 2024	174,617,946	1,303,539,343	1,478,157,289
Assets derecognised or repaid	(84,825,563)	(36,805,128)	(121,630,691)
Net movement on accrued interest	(295,304)	16,229,015	15,933,711
Write-offs	–	(5,279,340)	(5,279,340)
At 31 December 2024	**89,497,079**	**1,277,683,890**	**1,367,180,969**
ECL allowance as at 1 January 2024	3,656,344	1,002,222,783	1,005,879,127
Assets derecognised or repaid	(2,346,903)	(63,209,580)	(65,556,483)
Net movement on accrued interest	(7,598)	7,670,915	7,663,317
Net reversal for the year	(2,354,501)	(55,538,665)	(57,893,166)
Write-offs	–	(5,279,340)	(5,279,340)
Foreign exchange adjustments	–	(559,901)	(559,901)
At 31 December 2024	**1,301,843**	**940,844,877**	**942,146,720**
Gross carrying amount as at 1 January 2023	**345,940,473**	**1,601,031,231**	**1,946,971,704**
Assets derecognised or repaid	(170,281,065)	(183,635,502)	(353,916,567)
Net movement on accrued interest	(1,041,462)	(32,200,324)	(33,241,786)
Write-offs	–	(81,656,062)	(81,656,062)
At 31 December 2023	**174,617,946**	**1,303,539,343**	**1,478,157,289**
ECL allowance as at 1 January 2023	**5,960,194**	**1,148,465,435**	**1,154,425,629**
Assets derecognised or repaid	(2,292,767)	(43,482,284)	(45,775,051)
Net movement on accrued interest	(11,083)	(22,520,973)	(22,532,056)
Net reversal for the year	(2,303,850)	(66,003,257)	(68,307,107)
Write-offs	–	(77,786,541)	(77,786,541)
Foreign exchange adjustments	–	(2,452,854)	(2,452,854)
At 31 December 2023	**3,656,344**	**1,002,222,783**	**1,005,879,127**

8.1. Loans and advances (cont'd.)

Impairment allowance for loans and advances to customers (cont'd.)

Loans and advances to private sector customers (cont'd.)

Credit quality of gross carrying amounts as at 31 December 2024 and 2023:

	Stage 1 MNT'000	Stage 3 MNT'000	Total MNT'000
At 31 December 2024			
Performing	89,497,079	–	89,497,079
Substandard	–	168,875,268	168,875,268
Doubtful	–	560,745,689	560,745,689
Loss	–	548,062,933	548,062,933
Total	**89,497,079**	**1,277,683,890**	**1,367,180,969**
At 31 December 2023			
Performing	174,617,946	–	174,617,946
Special mention	–	106,865,685	106,865,685
Substandard	–	373,533,740	373,533,740
Doubtful	–	616,913,044	616,913,044
Loss	–	206,226,874	206,226,874
Total	**174,617,946**	**1,303,539,343**	**1,478,157,289**

8.2. Lease receivables

	2024 MNT'000	2023 MNT'000
Lease receivables	37,250,120	50,232,758
Accrued interest receivables	12,901,069	12,180,352
Total lease receivables	**50,151,189**	**62,413,110**
Allowance for impairment losses	(22,425,781)	(18,570,693)
Net amount of lease receivables	**27,725,408**	**43,842,417**

Outstanding balance by product stage as at 31 December 2024:

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
Transportation and logistics	2,172,199	658,333	–	2,830,532
Mining and quarrying	–	–	13,337,490	13,337,490
Manufacturing	–	–	10,229,504	10,229,504
Electric power	18,107,210	–	5,646,453	23,753,663
Gross lease receivables	**20,279,409**	**658,333**	**29,213,447**	**50,151,189**
Impairment allowance	–	(219,888)	(22,205,893)	(22,425,781)
Net lease receivables	**20,279,409**	**438,445**	**7,007,554**	**27,725,408**

Outstanding balance by product stage as at 31 December 2023:

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
Transportation and logistics	3,058,143	1,472,058	–	4,530,201
Mining and quarrying	–	–	13,039,297	13,039,297
Manufacturing	–	–	10,309,320	10,309,320
Electric power	29,459,349	–	5,074,943	34,534,292
Gross lease receivables	**32,517,492**	**1,472,058**	**28,423,560**	**62,413,110**
Impairment allowance	(5)	(67,593)	(18,503,095)	(18,570,693)
Net lease receivables	**32,517,487**	**1,404,465**	**9,920,465**	**43,842,417**

8.2. Lease receivables (cont'd.)

Movements in the impairment allowance on lease receivables are as follows:

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
Gross carrying amount as at 1 January 2024	**32,517,492**	**1,472,058**	**28,423,560**	**62,413,110**
New assets originated or purchased	3,284,488	–	–	3,284,488
Assets derecognised or repaid	(15,432,784)	(318,234)	(516,108)	(16,267,126)
Net movement on accrued interest	(258,354)	(326,924)	1,305,995	720,717
Transfer to/ (from) Stage 1	168,567	(168,567)	–	–
At 31 December 2024	**20,279,409**	**658,333**	**29,213,447**	**50,151,189**
ECL allowance as at 1 January 2024	(5)	(67,593)	(18,503,095)	(18,570,693)
Net remeasurement of loss allowance (Note 22)	5	(152,295)	(3,702,798)	(3,855,088)
At 31 December 2024	**–**	**(219,888)**	**(22,205,893)**	**(22,425,781)**
Gross carrying amount as at 1 January 2023	**5,940,190**	**54,628,585**	**23,242,928**	**83,811,703**
New assets originated or purchased	42,740,829	–	–	42,740,829
Assets derecognised or repaid	(14,036,837)	(7,922,314)	(1,576,704)	(23,535,855)
Principal transferred to other asset*	–	(36,815,316)	–	(36,815,316)
Net movement on accrued interest	2,306,472	(4,284,041)	3,796,237	1,818,668
Accrued interest transferred to account receivables*	–	(5,606,919)	–	(5,606,919)
Transfer to/ (from) Stage 1	(4,433,162)	1,472,063	2,961,099	–
At 31 December 2023	**32,517,492**	**1,472,058**	**28,423,560**	**62,413,110**
ECL allowance as at 1 January 2023	**(7)**	**(1,011,188)**	**(15,685,237)**	**(16,696,432)**
Transferred to other asset*	–	1,011,188	–	1,011,188
Net remeasurement of loss allowance (Note 22)	(99,902)	–	(2,785,547)	(2,885,449)
Transfer (to)/ from Stage 1	99,904	(67,593)	(32,311)	–
At 31 December 2023	**(5)**	**(67,593)**	**(18,503,095)**	**(18,570,693)**

*In 2023, according to the decision of the Shareholders of the Group No.99 dated 5 December 2023, the "Agreement on Settlement of Financial Lease Liabilities" was concluded in order to settle the financial lease liabilities granted to the agricultural sector. Therefore, lease receivables, interest receivables, penalty receivables and allowances of impairment loss was classified to other asset (see Note 11).

9. REPOSSESSED ASSETS

Repossessed assets represent real estate assets acquired by the Group in settlement of overdue loans. The Group expects to dispose of these assets in the foreseeable future.

The outstanding repossessed assets as at 31 December 2024 were repossessed in exchange for non-performing loans due from Mongol Meat Expo LLC and under on-lend liabilities from Capital Bank LLC and others, in a total amount of MNT 88,306,386 thousand as at 31 December 2024 (31 December 2023: MNT 90,165,083 thousand).

In 2024, the Group monitezed repossesed assets of 46 apartments and 1 parking spaces with a carrying value of MNT 4,571,344 thousand. Gains were recognised on the repossessed collateral transferred, see Note 23.

During 2024, the Group charged a total of MNT 2,904,351 thousand impairment with respect to the repossessed assets (Note 22).

Repossessed assets consist of the following:

	2024 MNT'000	2023 MNT'000
Apartments under construction	64,729,747	59,961,874
Apartments ready for use	103,044,850	112,384,067
Total repossessed assets	**167,774,597**	**172,345,941**
Less: Impairment allowance	(1,430,881)	(6,318,718)
Transfer to assets held for sale (Note 10)	(76,508,604)	–
Net amount of repossessed assets	**89,835,112**	**166,027,223**

Impairment allowance on repossessed assets

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

	2024 MNT'000	2023 MNT'000
Opening balance	6,318,718	2,928,625
Increase during the year	463,191	5,925,665
Reversal during the year	(5,351,028)	(2,535,572)
Net movement (Note 22)	(4,887,837)	3,390,093
Closing balance	**1,430,881**	**6,318,718**

10. ASSETS HELD FOR SALE

	2024 MNT'000	2023 MNT'000
As at 1 January	–	–
Transfer from repossessed assets (Note 9)	76,508,604	–
As at 31 December	**76,508,604**	**–**

The Management assessed that those buildings and real estate are available for immediate sale and can be sold to the buyer in its current condition. The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification. A potential buyer has been identified and negotiations as at the reporting date are at an advanced stage.

11. OTHER ASSETS

	2024 MNT'000	2023 MNT'000
Other receivables	119,898,196	132,577,628
Other prepayments	420,852	1,336,513
Supply materials	28,891	12,631
Tax receivable other than income tax	17,500	38
Total other assets	**120,365,439**	**133,926,810**
Less: Impairment allowance on other assets	(18,598,483)	(19,515,647)
Total net amount of other assets	**101,766,956**	**114,411,163**

11. OTHER ASSETS (CONT'D.)

Included in other receivables of MNT 78,164,610 thousand (2023: MNT 90,912,629 thousand) are repossessed properties foreclosed in settlement of defaulted loan issued to State Housing Corporation SOLLC ("SHC") in 2013. The Group has initiated a process to transfer the assest to local governments. In 2020, the Group entered into agreements with Ulaanbaatar city, Gobi-Altai province, Khuvsgul provinces and Orkhon province for the transfer of the repossessed assets. As per the agreement terms, all the future economic benefits and risks related to repossessed assets are transferred to local government agencies. Accordingly, the Group had assessed that the controls of the sold assets are transferred to the purchasers on the date of sales agreements. The payments for these properties are made on credit terms, which include principal and interest payments.

Impairment allowance on other receivables

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

	2024 MNT'000	2023 MNT'000
Opening balance	19,515,647	19,223,562
Increase during the year	191,421	330,967
Reversal during the year	(1,108,585)	(907,344)
Net reversal for the year (Note 22)	(917,164)	(576,377)
Transferred from lease receivables (Note 8.2)*	–	1,011,188
Foreign exchange rate difference	–	(142,726)
Closing balance	**18,598,483**	**19,515,647**

*Represents lease receivables reclassified to other asset under the decision of the Shareholders of the Group No.99 dated 5 December 2023 (see Note 8.2 for further detail)

12. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

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

	Buildings and facilities MNT'000	Equipment MNT'000	Furniture and fixtures MNT'000	Vehicles MNT'000	Total property and equipment MNT'000	Computer software and licenses MNT'000	Total MNT'000
At cost							
At 1 January 2023	27,731,006	1,724,021	803,879	829,888	**31,088,794**	1,837,707	**32,926,501**
Addition	1,208,000	92,498	14,133	–	**1,314,631**	–	**1,314,631**
Write-off	–	–	(2,739)	(46,843)	**(49,582)**	–	**(49,582)**
At 31 December 2023	28,939,006	1,816,519	815,273	783,045	**32,353,843**	1,837,707	**34,191,550**
Additions	–	382,984	5,128	–	**388,112**	43,690	**431,802**
Disposal	–	–	(1,073)	–	**(1,073)**	–	**(1,073)**
As at 31 December 2024	**28,939,006**	**2,199,503**	**819,328**	**783,045**	**32,740,882**	**1,881,397**	**34,622,279**
Accumulated depreciation							
At 1 January 2023	4,619,907	1,512,838	501,526	499,014	**7,133,285**	1,523,922	**8,657,207**
Charge of the year (Note 26)	692,023	170,831	69,732	58,759	**991,345**	64,115	**1,055,460**
Write-off	–	–	(2,740)	(46,842)	**(49,582)**	–	**(49,582)**
At 31 December 2023	5,311,930	1,683,669	568,518	510,931	**8,075,048**	1,588,037	**9,663,085**
Charge of the year (Note 26)	733,655	112,273	63,217	48,434	**957,579**	53,248	**1,010,827**
Disposal	–	–	(1,073)	–	**(1,073)**	–	**(1,073)**
As at 31 December 2024	**6,045,585**	**1,795,942**	**630,662**	**559,365**	**9,031,554**	**1,641,285**	**10,672,839**
Net book value							
As at 31 December 2024	**22,893,421**	**403,561**	**188,666**	**223,680**	**23,709,328**	**240,112**	**23,949,440**
As at 31 December 2023	**23,627,076**	**132,850**	**246,755**	**272,114**	**24,278,795**	**249,670**	**24,528,465**

13. CUSTOMER ACCOUNTS

	2024 MNT'000	2023 MNT'000
Customer accounts	3,152,369	8,815,342

These customer accounts are primarily used for disbursements and repayments of the loans issued to borrowers of the Group. No interest is paid on these customer current accounts. As at 31 December 2024, customer current accounts consist of 22 accounts (31 December 2023: 10 accounts).

13.1 TIME DEPOSITS

	2024 MNT'000	2023 MNT'000
Time deposits	–	34,123,720

14. OTHER LIABILITIES

	2024 MNT'000	2023 MNT'000
Other financial liabilities		
Provision on off-balance sheet commitments	–	7,670,504
Interbank settlements	669,037	789,507
Others	2,250,329	2,661,555
Other non-financial liabilities	810,290	746,231
Total other liabilities	**3,729,656**	**11,867,797**

15. DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	2024 MNT'000	2023 MNT'000
Short-term placements from other banks	108,043,345	225,210,272

The deposits due to other banks and financial institutions consist of term deposits with one month maturity, and the interest rate is 1% to 4.25% (in 2023: 6% to 15%).

16. BONDS

	2024 MNT'000	2023 MNT'000
Unguaranteed:		
USD 200 million Senior Notes due in 2026	704,879,020	–
MNT 142.5 billion private placement notes due in 2031	145,035,310	145,231,182
MNT 76.5 billion private placement notes due in 2025	78,612,130	79,071,313
MNT 346.0 billion private placement notes due in 2027	353,710,744	353,710,744
USD 32 million Bonds issued to local commercial banks	109,775,264	109,464,589
Total issued bonds	**1,392,012,468**	**687,477,828**

In October 2021, the Group issued MNT 142,458 million private placement notes in the Mongolian over-the-counter (OTC) market. This bond was the biggest issued bond in the OTC market of Mongolia. On 20 April 2022, the Group successfully issued the second tranche of MNT 76,531 million of private placement bonds in the OTC market of Mongolia due in April 2025. In October 2024, the Group has extended the first tranche of this bond until 2031.

In May 2023, the Group issued MNT 260,073 million of private bonds and in June 2023, the second tranche of MNT 85,935 million was successfully issued together due in May 2027.

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

In March 2024, the Group issued USD 200 million unsecured bonds in the international market due in March 2026.

17. BORROWINGS

	2024 MNT'000	2023 MNT'000
Guaranteed:		
China Development Bank	176,981,277	106,689,216
Unguaranteed:		
VEB.RF	124,622,080	170,819,236
Ministry of Finance	44,105,600	–
Bank of Mongolia	–	429,893,260
Total borrowings	**345,708,957**	**707,401,712**

VEB.RF. The Group entered into two bilateral loan agreements with VEB.RF in October 2018. The purpose of these loans is to refinance funds used for purchasing agricultural equipment. Those credit facilities are maturing in October 2026.

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

China Development Bank. The Group entered into a fixed rate loan agreement with China Development Bank in 2020 for a total amount of CNY 420 million for a period of ten years to finance the expansion project of the Choibalsan Thermal Power Plant. Since the establishment of the loan agreements the Group drew down CNY 44.2 million and CNY 25.6 million in October 2021 and May 2022 respectively in line with the project implementation process. In 2023 the Group drew down CNY 11.3 million and CNY 145.1 million in March and November respectively. In May and October 2024, the Group drew down CNY 148.9 and CNY 44.5 million, respectively. Since the establishment of loan agreement the total disbursement from CDB amounted to CNY 420 million and repaid CNY 43.5 million.

Ministry of Finance. The Group entered into a fixed rate loan agreement with the Ministry of Finance.

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

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

The Group subsequently fully repaid all outstanding borrowings to VEB.RF in March 2025.

17.1 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

Movements in external funding liabilities during the year ended 31 December 2024 are as follows:

	1 January 2024	Financing cash flows		Exchange difference	Other changes (*)	31 December 2024
		Inflow	Outflow			
Bonds	687,477,828	817,615,836	(143,480,902)	9,269,282	21,130,424	1,392,012,468
Borrowings	707,401,712	135,024,132	(487,207,780)	(9,842,168)	333,061	345,708,957

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

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

(*) Other changes comprise movements in interest accrued.

18. RELATED PARTY TRANSACTIONS

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

Given the nature of its operations, the Group has a significant volume of transactions with the Government of Mongolia and other related parties, including guarantees received from the Government. Information about the operating environment of the Group is disclosed in Note 1. Management's judgements in determining the level of loan impairment allowance are disclosed in Note 2.6.

Detailed information about related party transactions is outlined below.

Assets and Transactions with Related Parties

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

1) Government of Mongolia (which includes organizations such as the Ministry of Finance and other Ministries, of which management is appointed by theGovernment);
2) Entities controlled by the Government of Mongolia, which include state organizations (i.e. corporate entities), a local commercial bank (State Bank JSC) and the Central bank and regulator, the Bank of Mongolia; these entities represent entities under common control with the Group;

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

	Statement of Financial Position		Statement of Comprehensive Income	
	2024 MNT'000	2023 MNT'000	2024 MNT'000	2023 MNT'000
Current account with Ministry of Finance	808,051	1,592,551	–	–
Current account with Bank of Mongolia (Note 4)	89,251,691	104,397,326	–	2,931,565
Current account with State bank JSC	2,589,454	683,700	7,070	99,433
Current account with State bank for employee benefit	2,762	2,774	–	–
Current account with Mongolian Securities Central Depository	1,000	–	–	–
Deposit account with State bank JSC	24,798,460	300,444	883,483	64,407
Derivative financial instruments	1,157,746	–	(2,452,002)	(49,916,571)
Debt instruments measured at fair value through other comprehensive income	–	144,380,184	8,261,441	23,399,438
Equity instruments measured at fair value through other comprehensive income	51,067,994	67,803,010	–	–
Debt instruments at amortized cost	187,696,678	187,750,879	15,384,534	15,342,500
Other receivables due from other government entities	28,779,594	31,132,536	1,086,569	–
Lease receivables due from other government entities	19,317,948	31,350,268	3,273,248	1,221,186
Customer accounts with State organizations (Note 13)	(3,034,986)	(8,746,735)	–	–
Time deposits of Erdenes Tavan Tolgoi JSC	–	(34,123,720)	(22,426)	(1,033,428)
Liabilities to Ulaanbaatar City Mayor's Office	(1,389,253)	(8,293)	8,277,431	2,714,192
Liabilities to Khuvsgul Aimag Mayor's Office	(119,872)	(178,923)	2,324,553	150,254
Liabilities to Gobi-Altai Aimag Mayor's Office	(1,013,092)	(2,310,185)	1,172,906	1,338
Liabilities to Orkhon Aimag Mayor's Office	(1,538,215)	(1,330,931)	878,722	2,058,579
Other liabilities due to other government entities	40,616	–	–	–
Short-term placement of Ministry of Finance (Note 17)	–	(100,391,71)	(2,704,110)	(391,781)
Borrowing from Bank of Mongolia (Note 17)	–	(429,893,260)	(15,632,055)	(28,493,119)
Borrowing from Minister of Finance (Note 17)	(44,105,600)	–	(919)	–
Goods and service obtained	–	–	(100,722)	(105,693)

Liabilities and expenses are shown in brackets.

18. RELATED PARTY TRANSACTIONS (CONT'D.)

Loans and advances to Related Parties

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

	Statement of Financial Position		Statement of Comprehensive Income	
	2024	2023	2024	2023
	MNT'000	MNT'000	MNT'000	MNT'000
- State Housing Corporation SOLLC	25,649,932	25,649,932	–	–
- Fourth Power Station SOSC	270,953,319	268,237,422	37,964,772	12,667,495
- Mongol Refinery SOLLC	288,466,213	255,659,982	24,843,969	21,525,654
- Erdenes MGL LLC	–	–	–	2,984,683
- Tavan Tolgoi Power Plant	64,246,052	60,919,705	3,127,694	3,188,736
- Egiin Gol Power Plant	60,616,754	59,986,141	1,243,748	4,297,689
-Eastern region power system SOSC	194,446,122	109,263,993	11,796,606	3,693,275
- Passenger Transport III SOE	–	4,501,543	215,445	930,527
Total loans and advances to related parties	**904,378,392**	**784,218,718**	**79,192,234**	**49,288,059**
Impairment allowance on loans and advances to related parties:	(35,089,849)	(65,063,221)	29,973,373	(3,208,408)
Net amount of loans and advances to related parties	**833,318,963**	**719,155,497**	–	–

The remuneration and employee benefits paid to the key management (i.e. executive management team and members of the Board) for the period ended 31 December 2024 and 31 December 2023 amounted to MNT 1,049 million and MNT 1,116 million, respectively.

Guarantees Received

As at 31 December 2024, the Group has received a Government of Mongolia guarantee for the borrowing obtained from the China Development Bank.

Guarantees Issued

In 2020, the Group entered into a financial guarantee contract with Erdenes MGL LLC and Erdenes Silver Resource LLC to guarantee in an amount of MNT 1,146 billion bonds issued by these entities, see Note 32 for details.

19. CAPITAL CONTRIBUTIONS

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

	2024	2023
	MNT'000	MNT'000
Capital contributions at 31 December	1,216,300,341	1,216,300,341

On 20 December 2024, the Government of Mongolia has assigned tasks to the relevant ministries to explore a potential capital injection to the Group and possibilities to channel funds from government related funds to the Group.

Other reserve:

	2024	2023
	MNT'000	MNT'000
At 1 January	**37,972,640**	**21,761,615**
Net changes in allowance for ECL on debt instruments at FVOCI (Note 7)	844,864	1,209,973
Net gain/(loss) on FVOCI instruments	(16,724,621)	16,341,703
Deferred tax liability (Note 27)	4,183,754	(1,340,651)
At 31 December	**26,276,637**	**37,972,640**

20. INTEREST INCOME

During the year end 31 December 2024 and 2023, the Group was engaged in a single business segment, which is the issuance of loans, deposits and other transactions and balances with customers.

	2024 MNT'000	2023 MNT'000
Interest income calculated using the effective interest method		
Loans and advances to customers	120,864,829	94,127,609
Debt instruments at amortised cost	18,768,041	44,221,031
Bank deposits	10,944,178	3,951,142
Debt instruments measured at FVOCI	8,847,289	32,894,238
Other receivable	8,607,615	6,883,550
Lease receivables	4,950,001	10,290,574
Total interest income	**172,981,953**	**192,368,144**

21. INTEREST EXPENSE

	2024 MNT'000	2023 MNT'000
Interest expense calculated using the effective interest method		
Borrowings from foreign banks and foreign institutions	10,913,859	6,044,417
Borrowings from Bank of Mongolia	15,632,055	28,493,119
Due to other banks and financial institutions	6,133,223	3,610,440
Bonds issued on the Japanese capital market due in 2023	–	24,764,231
International Senior Notes due in 2023	–	89,815,706
USD 200 million Senior Notes due in 2026	62,181,828	–
Bonds issued to local commercial banks	10,365,167	341,730
Time deposits	22,426	1,033,428
Bonds issued over-the-counter market due in 2024	14,957,997	13,865,912
Bonds issued over-the-counter market due in 2025	12,067,584	12,646,665
Bonds issued over-the-counter market due in 2027	56,380,426	34,477,898
Borrowing from Minister of Finance	919	–
Other	–	819
Total interest expense	**188,655,484**	**215,094,365**

22. CREDIT LOSS REVERSAL

	2024 MNT'000	2023 MNT'000
Loans and advances to customers (Note 8.1)	65,026,459	65,865,510
Off balance commitment	7,670,504	(3,895,984)
Repossessed assets (Note 9)	4,887,837	(3,390,093)
Other assets (Note 11)	917,164	576,377
Due from other banks and financial institutions (Note 5)	646,647	925,047
Lease receivables (Note 8.2)	(3,855,088)	(2,885,449)
Debt instrument measured at amortised cost (Note 7)	(2,101,641)	(911,375)
Total credit loss reversal	**73,191,882**	**56,284,033**

23. OTHER INCOME

	2024 MNT'000	2023 MNT'000
Penalty income	–	215,148
Gain from disposal of repossessed assets	244,043	229,062
Gain from disposal of property and equipment	580	1,420
Others	4,887,992	89,773
Total other income	**5,132,615**	**535,403**

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

Gain related to repossessed collaterals: the Group has received gain from sale of repossessed collaterals.

24. FOREIGN EXCHANGE TRANSLATION (LOSS)/GAIN, NET

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

	2024 MNT'000	2023 MNT'000
Net unrealized foreign exchange translation losses	14,754,6743	(3,240,854)
Net realized foreign exchange translation loss/(gain)	3,585,214	(17,013,445)
Total foreign exchange translation loss/(gain), net	**18,339,887**	**(20,254,299)**

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

25. NET GAINS/(LOSS) FROM DERIVATIVE FINANCIAL INSTRUMENTS

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

	2,024 MNT'000	2,023 MNT'000
Realized derivative financial instrument gains	950,170	50,185,779
Realized derivative financial instrument loss	(3,586,595)	–
Unrealized derivative financial instrument gains	20,483,816	95,302,372
Unrealized derivative financial instrument losses	(15,101,125)	(159,607,938)
Total derivative financial instrument gain/(loss), net	**2,746,266**	**(14,119,787)**

On 7 November 2023, four long-term swap agreements with Bank of Mongolia for a total of USD 325 million matured and resulted in a net realized gain of MNT 15,834 million. In addition, eleven forward agreements with Saxo Bank matured during 2023 and resulted in a net realized gain of MNT 34,352 million. In June 2024, the Group has entered into cross-currency swap agreement with a notional amount of USD 56.5 million with Bank of Mongolia, and resulted in a fair valuation loss of MNT 3.6 billion. Additionally, the Bank realized a gain of MNT 950 million from forward agreements which were outstanding as at 31 December 2023.

26. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

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

	2024 MNT'000	2023 MNT'000
Employee costs and benefits	10,741,350	7,876,169
Audit, legal and other professional services	2,101,904	2,128,434
Depreciation and amortization (Note 12)	1,010,827	1,055,460
IT and software	744,810	601,235
Loan collection related costs	353,900	345,310
Property tax	275,981	275,981
Communication and stationeries	239,744	209,741
Utilities, security and maintenance	270,768	216,470
Business travel and events	485,234	315,828
Advertising	220,968	186,189
Fuel and transportation expenses	35,143	28,429
Training costs	67,242	23,569
Low value and short term rental costs	17,565	16,543
Insurance costs	6,108	2,140
Others	396,080	555,969
Total operating expenses	**16,967,624**	**13,837,467**

27. INCOME TAX

The Group provides for income taxes on the basis of its income for financial reporting purposes, adjusted for items which are not assessable or deductible for income tax purposes. The income tax rate for profits of the Group is 10% (2023: 10%) for the first MNT 6 billion (2023: MNT 6 billion) of taxable income and 25% (2023: 25%) on the excess of taxable income over MNT 6 billion (2023: MNT 6 billion). Interest income on government bonds is not subject to income tax.

The income tax expense for the year ended 31 December 2024 and 31 December 2023 are:

	2024 MNT'000	2023 MNT'000
Current income tax expense	10,031,025	1,012,134
Deferred tax expense	27,876,707	57,532,993
Income tax expense for the year	**37,907,732**	**58,545,127**

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group for the year ended 31 December 2024 and 31 December 2023 are as follows:

	2024 MNT'000	2023 MNT'000
Profit before tax	**29,994,932**	**26,308,572**
Theoretical tax charge at statutory rate	7,498,733	6,577,143
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Profit subject to lower tax rate	(2,272,272)	(8,659,631)
- Expenses not deductible for tax purposes	6,864,290	11,700,811
- Tax effect of non-taxable income	(529,485)	(1,402,272)
- Deferred tax assets written off	26,346,466	50,329,076
Income tax expense for the year	**37,907,732**	**58,545,127**

27. INCOME TAX (CONT'D.)

Deferred tax assets arising from tax losses are not recognised as the Group is uncertain whether there would be sufficient taxable profit in the next four years available against which the tax losses carried forward can be utilised.

Movement of deferred tax assets and liabilities as at 31 December 2024 are as follows:

	As at 1 January 2024 MNT'000	Recognized in profit or loss MNT'000	Charged to other comprehensive income MNT'000	As at 31 December 2024 MNT'000
Deferred tax assets/ (liabilities) in relation to:				–
Bank deposits	690	88,922	–	89,612
Financial derivatives	313	37,772	–	38,085
Equity instrument measured at FVOCI	(16,229,843)	–	4,183,754	(12,046,089)
Loans and advances including lease receivables	(47,097,869)	20,545,091	–	(26,552,778)
Intangible assets	864,208	(859,670)	–	4,538
Customer accounts	231,423	(233,089)	–	(1,666)
Other liabilities	120,782	198	–	120,980
Due to other banks	841,833	610,018	–	1,451,851
Bonds	(61,958)	(5,228,538)	–	(5,290,496)
Borrowings	11,882,545	(4,931,436)	–	6,951,109
Tax loss	37,905,975	(37,905,975)	–	–
Deferred tax asset/(liability)	**(11,541,901)**	**(27,876,707)**	**4,183,754**	**(35,234,854)**

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

	As at 1 January 2023	Recognized in profit or loss	Charged to other comprehensive income	As at 31 December 2023
Deferred tax assets/ (liabilities) in relation to:				
Bank deposits	(8,138,068)	8,138,758	–	690
Financial derivatives	6,357,094	(6,356,781)	–	313
Equity instrument measured at FVOCI	(14,889,192)	–	(1,340,651)	(16,229,843)
Loans and advances including lease receivables	(101,918,260)	54,820,391	–	(47,097,869)
Intangible assets	(311,974)	1,176,182	–	864,208
Other assets	(3,472)	3,472	–	–
Customer accounts	236,269	(4,846)	–	231,423
Other liabilities	176,190	(55,408)	–	120,782
Due to other banks	624,340	217,493	–	841,833
Bonds	118,019,538	(118,081,496)	–	(61,958)
Borrowings	9,273,303	2,609,242	–	11,882,545
Tax loss	37,905,975	–	–	37,905,975
Deferred tax asset/(liability)	**47,331,743**	**(57,532,993)**	**(1,340,651)**	**(11,541,901)**

28. FINANCIAL RISK MANAGEMENT

Introduction and overview

The Group has exposure to the following principal risks:

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

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

Risk management policy

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

Risk Management Governance

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

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

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

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

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

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

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

28. FINANCIAL RISK MANAGEMENT (CONT'D.)

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

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

Credit risk

Credit risk refers to the risk that emerges when lenders or any other customers are unable to fulfil their obligations to the Group or when their collateral funds and properties fail to meet the conditions of the loan contract.

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

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

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

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

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

28. FINANCIAL RISK MANAGEMENT (CONT'D.)

Credit risk (cont'd.)

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

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

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

Collateral

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

The main types of collateral obtained are as follows:

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

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

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

The table below summarise the Group's collateral for loans and advances:

	Gross carrying amount MNT'000	Fair value of collaterals MNT'000	Coverage %
31 December 2024			
Public sector	904,378,395	1,159,235,798	128%
Private sector	1,367,180,969	2,479,193,333	181%
	2,271,559,364	**3,638,429,131**	
31 December 2023			
Public sector	784,218,720	1,178,144,381	150%
Private sector	1,478,157,289	2,705,592,750	183%
	2,262,376,009	**3,883,737,131**	

28. FINANCIAL RISK MANAGEMENT (CONT'D.)

Credit risk (cont'd.)

Maximum exposure to credit risk

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

	2024 MNT'000	2023 MNT'000
Cash and cash equivalents	365,189,726	144,557,104
Bank deposits	109,671,431	55,048,166
Debt instruments at fair value through other comprehensive income	–	144,380,184
Debt instruments at amortised cost	219,766,972	209,649,163
Loans and advances including lease receivables	2,321,710,553	2,324,789,119
Other receivables	119,898,196	132,577,628
Total on balance sheet	**3,136,236,878**	**3,011,001,364**
Guarantees issued (Note 32)	550,000,000	550,000,000
Undrawn loan commitments (Note 32)	69,199,099	170,702,222
Total off balance sheet	**619,199,099**	**720,702,222**
Total credit risk exposure	**3,755,435,977**	**3,731,703,586**

The main prudential ratios and limitations set for the Group as at 31 December 2024 are as follows:

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

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

	Criteria	Requirements	31 December 2024	31 December 2023
1	Total borrower/ Equity	≤30x	7.00	6.68
2	Largest borrowers / Loans + Guarantees + Credit equivalent assets	≤80%	87.3%	83.46%

Liquidity risk

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

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

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

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

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

28. FINANCIAL RISK MANAGEMENT (CONT'D.)

Liquidity risk (cont'd.)

Net stable funding ratio

Analysis of Net stable funding ratio outstanding at 31 December 2024 is as follows:

Indicators	Weight	Balance	Weighted
Funding:			
Total equity	100%	410,525,824	410,525,824
Customer accounts from non-financial entities	100%	2,491,508	2,491,508
Bonds > 1 year	100%	1,203,625,074	1,203,625,074
Borrowings > 1 year	100%	221,086,877	221,086,877
Total funding			**1,837,729,283**
Funding requirements:			
Asset backed securities	100%	270,834,966	270,834,966
Performing and watch loans and advances < 1 year, net of impairment allowance and excluding accrued interest	50%	204,591,326	102,295,663
Performing and watch loans and advances >= 1 year, net of impairment allowance and excluding accrued interest	100%	603,216,790	603,216,790
Non-performing loans and advances, net of impairment allowance and excluding accrued interest	100%	268,047,465	268,047,465
Repossessed collateral	100%	89,835,112	89,835,112
Property and equipment	100%	23,709,328	23,709,328
Loan commitments not yet paid	50%	69,199,099	34,599,550
Total funding requirements			**1,392,538,874**
Total funding/ Total funding requirements			**131.97%**
Requirement			**100%**

Analysis of Net stable funding ratio outstanding at 31 December 2023 is as follows:

Indicators	Weight	Balance	Weighted
Funding:			
Total equity	100%	430,134,626	430,134,626
Customer accounts from non-financial entities	100%	42,939,062	42,939,062
Bonds > 1 year	100%	531,662,146	531,662,146
Borrowings > 1 year	100%	92,690,660	92,690,660
Total funding			**1,097,426,494**
Funding requirements:			
Asset backed securities	100%	420,987,493	420,987,493
Performing and watch loans and advances < 1 year, net of impairment allowance and excluding accrued interest	50%	545,461,444	272,730,722
Performing and watch loans and advances >= 1 year, net of impairment allowance and excluding accrued interest	100%	271,567,511	271,567,511
Non-performing loans and advances, net of impairment allowance and excluding accrued interest	100%	243,356,780	243,356,780
Repossessed collaterals	100%	166,027,223	166,027,223
Property and equipment	100%	24,278,795	24,278,795
Loan commitments not yet paid	50%	170,020,084	85,010,042
Total funding requirements			**1,483,958,566**
Total funding/ Total funding requirements			**73.95%**
Requirement			**100.0%**

28. FINANCIAL RISK MANAGEMENT (CONT'D.)

Contractual maturities

The table below shows the financial assets and liabilities at 31 December 2024 and 31 December 2023 by their remaining contractual maturity. The amounts of liabilities and assets disclosed in the maturity table are the contractual undisc ounted cash flows, gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. The Group places short term deposits in commercial banks and these term deposits are flexible to call back which has comparatively less liquidity risk.

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

28. FINANCIAL RISK MANAGEMENT (CONT'D.)

Liquidity risk (cont'd.)

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities at 31 December 204 and 2023 based on contractual undiscounted repayment obligations.

Analysis of financial assets and financial liabilities by remaining contractual maturities:

	As at 31 December 2024						
	Less than three months MNT'000	Three to six months MNT'000	Six months to one year MNT'000	One year to five years MNT000	Over five years MNT'000	Undefined terms MIK shares MNT'000	Total MNT'000
Financial assets							
Cash and cash equivalents	365,512,672	–	–	–	–	–	**365,512,672**
Bank deposits	26,044,131	38,858,635	9,137,758	–	–	–	**74,040,524**
Derivative financial assets	2,559,996	–	–	572,236	–	–	**3,132,232**
Financial investments	15,267,046	90,250,000	90,250,000	12,587,251	–	51,067,994	**259,422,291**
Loans and advances	544,902,419	57,306,496	93,217,782	837,875,933	72,345,332	–	**1,605,647,962**
Lease receivables (gross investment)	43,149,250	2,785,288	3,901,337	20,352,797	101,411	–	**70,290,083**
Other assets	38,853,329	–	72,743,070	–	–	–	**111,596,399**
Total financial assets	**1,036,288,843**	**189,200,419**	**269,249,947**	**871,388,217**	**72,446,743**	**51,067,994**	**2,489,642,163**
Financial liabilities							
Derivative financial liabilities	2,217,778	2,296,157	4,906,689	–	–	–	**9,420,624**
Customer accounts	3,152,369	–	–	–	–	–	**3,152,369**
Other liabilities	3,022,727	–	–	–	–	–	**3,022,727**
Undrawn loan commitments	69,199,099	–	–	–	–	–	**69,199,099**
Due to other banks and financial institutions	108,255,364	–	–	–	–	–	**108,255,364**
Bonds	39,646,788	123,668,644	190,743,122	1,232,476,209	182,773,614	–	**1,769,308,377**
Borrowings	124,282,389	17,299,135	17,011,264	124,281,003	101,066,147	–	**383,939,938**
Total financial liabilities	**349,776,514**	**143,263,936**	**212,661,075**	**1,363,757,212**	**283,839,761**	**–**	**2,346,298,498**
Net financial assets/ (liabilities)	**685,652,929**	**45,936,483**	**56,588,872**	**(485,368,995)**	**(211,393,018)**	**51,067,994**	**143,343,665**
Total cumulative amount	**685,652,929**	**732,448,812**	**789,037,684**	**303,668,689**	**92,275,671**	**143,343,665**	**143,343,665**

28. FINANCIAL RISK MANAGEMENT (CONT'D.)

Liquidity risk (cont'd.)

	As at 31 December 2023						
	Less than three months MNT'000	Three to six months MNT'000	Six months to one year MNT'000	One year to five years MNT'000	Over five years MNT'000	Undefined terms MIK shares MNT'000	Total MNT'000
Financial assets							
Cash and cash equivalents	144,557,617	–	–	–	–	–	**144,557,617**
Bank deposits	14,848,073	394,800	345,000	–	–	–	**15,587,873**
Financial investments	16,996,649	15,096,691	136,541,672	242,434,897	–	67,803,010	**478,872,919**
Loans and advances	1,507,427,378	37,797,858	73,702,476	676,127,250	77,624,162	–	**2,372,679,124**
Lease receivables (gross investment)	28,203,738	5,507,825	4,928,066	34,395,039	535,513	–	**73,570,181**
Other assets	41,204,221	–	–	82,820,806	–	–	**124,025,027**
Total financial assets	**1,753,237,676**	**58,797,174**	**215,517,214**	**1,035,777,992**	**78,159,675**	**67,803,010**	**3,209,292,741**
Financial liabilities							
Derivative financial liabilities	4,227,824	–	–	–	–	–	**4,227,824**
Customer accounts	8,815,342	–	–	–	–	–	**8,815,342**
Time deposits	34,572,249	–	–	–	–	–	**34,572,249**
Other liabilities	11,144,862	–	–	–	–	–	**11,144,862**
Undrawn loan commitments	170,020,084	–	682,138	–	–	–	**170,702,222**
Financial guarantees	–	–	–	550,000,000	–	–	**550,000,000**
Due to other banks and financial institutions	227,404,884	–	–	–	–	–	**227,404,884**
Bonds	2,040,807	43,056,092	187,862,989	687,303,295	–	–	**920,263,183**
Borrowings	619,001,168	15,519,952	16,034,387	122,085,054	84,263,080	–	**856,903,641**
Total financial liabilities	**1,077,227,220**	**58,576,044**	**204,579,514**	**1,359,388,349**	**84,263,080**	**–**	**2,784,034,207**
Net financial assets/ (liabilities)	**676,010,456**	**221,130**	**10,937,700**	**(323,610,357)**	**(6,103,405)**	**67,803,010**	**425,258,534**
Total cumulative amount	**676,010,456**	**676,231,586**	**687,169,286**	**363,558,929**	**357,455,524**	**425,258,534**	**425,258,534**

28. FINANCIAL RISK MANAGEMENT (CONT'D.)

Market risks

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

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

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

28. FINANCIAL RISK MANAGEMENT (CONT'D.)

Market risks (cont'd.)

A summary of the Group's interest rate gap position on its financial assets and liabilities are as follows as at 31 December 2024:

	As at 31 December 2024						
	Non-interest sensitive MNT'000	Less than three months MNT'000	Three to six months MNT'000	Six months to one year MNT'000	One year to five years MNT'000	Over five years MNT'000	Total MNT'000
Financial assets							
Cash and cash equivalents	3,511,928	361,678,577	–	–	–	–	**365,190,505**
Bank deposits	171,738	26,044,131	38,800,000	8,100,000	–	–	**73,115,869**
Derivative financial assets	2,559,996	–	–	–	–	–	**2,559,996**
Financial investments	51,067,994	15,267,047	90,250,000	90,250,000	–	–	**246,835,041**
Loans and advances including lease receivables	540,559,456	41,586,914	44,072,476	67,734,938	561,562,331	66,532,088	**1,322,048,203**
Other assets	73,091,319	28,675,637	–	–	–	–	**101,766,956**
Total financial assets	**670,962,431**	**473,252,306**	**173,122,476**	**166,084,938**	**561,562,331**	**66,532,088**	**2,111,516,570**
Financial liabilities							
Derivative financial liabilities	1,381,978	–	–	–	–	–	**1,381,978**
Customer accounts	3,152,369	–	–	–	–	–	**3,152,369**
Other liabilities	3,729,656	–	–	–	–	–	**3,729,656**
Due to other banks and financial institutions	70,673	107,972,672	–	–	–	–	**108,043,345**
Bonds	37,764,668	–	76,530,500	109,448,000	1,025,811,300	142,458,000	**1,392,012,468**
Borrowings	8,356,815	117,890,472	12,599,519	12,599,519	100,796,149	93,466,483	**345,708,957**
Total financial liabilities	**54,456,159**	**225,863,144**	**89,130,019**	**122,047,519**	**1,126,607,449**	**235,924,483**	**1,854,028,773**
Net financial assets/ (liabilities)	**616,506,272**	**247,389,162**	**83,992,457**	**44,037,419**	**(565,045,118)**	**(169,392,395)**	**257,487,797**
Total cumulative amount	**616,506,272**	**863,895,434**	**947,887,891**	**991,925,310**	**426,880,192**	**257,487,797**	**257,487,797**

28. FINANCIAL RISK MANAGEMENT (CONT'D.)

Market risks (cont'd.)

A summary of the Group's interest rate gap position on its financial assets and liabilities are as follows as at 31 December 2023:

	As at 31 December 2023						
	Non-interest sensitive MNT'000	Less than three months MNT'000	Three to six months MNT'000	Six months to one year MNT'000	One year to five years MNT'000	Over five years MNT'000	Total MNT'000
Financial assets							
Cash and cash equivalents	1,975,462	142,582,155	–	–	–	–	**144,557,617**
Bank deposits	123,995	15,101,688	–	650,000	–	–	**15,875,683**
Financial investments	83,846,718	–	–	134,830,775	180,411,716	–	**399,089,209**
Loans and advances including lease receivables	564,563,251	32,830,117	35,492,453	64,424,669	489,845,843	70,959,824	**1,258,116,157**
Other assets	114,411,163	–	–	–	–	–	**114,411,163**
Total financial assets	**764,920,589**	**190,513,960**	**35,492,453**	**199,905,444**	**670,257,559**	**70,959,824**	**1,932,049,829**
Financial liabilities							
Derivative financial liabilities	4,227,824	–	–	–	–	–	**4,227,824**
Customer accounts	8,815,342	–	–	–	–	–	**8,815,342**
Time deposits	16,820	34,106,900	–	–	–	–	**34,123,720**
Other liabilities	11,867,797	–	–	–	–	–	**11,867,797**
Due to other banks and financial institutions	1,307,811	223,902,461	–	–	–	–	**225,210,272**
Bonds	13,357,682	–	–	142,458,000	531,662,146	–	**687,477,828**
Borrowings	8,349,996	593,210,764	6,432,208	6,718,084	52,382,156	40,308,504	**707,401,712**
Total financial liabilities	**47,943,272**	**851,220,125**	**6,432,208**	**149,176,084**	**584,044,302**	**40,308,504**	**1,679,124,495**
Net financial assets/ (liabilities)	**716,977,317**	**(660,706,165)**	**29,060,245**	**50,729,360**	**86,213,257**	**30,651,320**	**252,925,334**
Total cumulative amount	**716,977,317**	**56,271,152**	**85,331,397**	**136,060,757**	**222,274,014**	**252,925,334**	**252,925,334**

28. FINANCIAL RISK MANAGEMENT (CONT'D.)

Market risks (cont'd.)

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

Sensitivity of projected net interest income	100 bp increase	100 bp decrease
At 31 December 2024	(3,590,185)	3,590,185
At 31 December 2023	(4,640,520)	4,640,520

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

Foreign currency exchange rate risk: The Group is exposed to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Asset and Liability Management Department is responsible for monitoring the Group's exchange risk and minimising its exposure. The Group assesses the impact of foreign currency exchange rate fluctuations on the Group's liquidity and profitability. Based on the impact assessment, appropriate measures are taken to effectively mitigate the foreign currency exchange rate risk. The Group has entered into few forward agreement as at 31 December 2024.

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

28. FINANCIAL RISK MANAGEMENT (CONT'D.)

Market risks (cont'd.)

The table below summarizes the Group's exposure to foreign currency exchange rate risk at 31 December 2024 and 2023:

	2024			2023		
	MNT denominated MNT'000	Foreign currencies MNT'000	Total MNT'000	MNT denominated MNT'000	Foreign currencies MNT'000	Total MNT'000
Assets						
Cash and cash equivalents	74,518,641	290,671,864	**365,190,505**	105,164,891	39,392,726	**144,557,617**
Bank deposits	73,115,869	–	**73,115,869**	15,875,683	–	**15,875,683**
Financial derivatives assets	2,559,996	–	**2,559,996**	–	–	**–**
Financial investments	246,835,041	–	**246,835,041**	399,089,209	–	**399,089,209**
Loans and advances	823,427,384	498,620,819	**1,322,048,203**	484,115,644	774,000,513	**1,258,116,157**
Other assets	101,766,956	–	**101,766,956**	114,411,163	–	**114,411,163**
Total monetary financial assets	**1,322,223,887**	**789,292,683**	**2,111,516,570**	**1,118,656,590**	**813,393,239**	**1,932,049,829**
Liabilities						
Financial derivatives liabilities	1,381,978	–	**1,381,978**	4,227,824	–	**4,227,824**
Customer accounts	2,483,758	668,611	**3,152,369**	6,262,969	2,552,373	**8,815,342**
Time deposits	–	–	**–**	–	34,123,720	**34,123,720**
Other liabilities	2,992,641	737,015	**3,729,656**	11,867,797	–	**11,867,797**
Due to other banks and financial institutions	–	108,043,345	**108,043,345**	115,448,767	109,761,505	**225,210,272**
Bonds	574,062,686	817,949,782	**1,392,012,468**	577,994,305	109,483,523	**687,477,828**
Borrowings	44,105,601	301,603,356	**345,708,957**	429,893,260	277,508,452	**707,401,712**
Total monetary financial liabilities	**625,026,664**	**1,229,002,109**	**1,854,028,773**	**1,145,694,922**	**533,429,573**	**1,679,124,495**
Off balance foreign currency exposure, net	(396,296,475)	398,444,682	**2,148,207**	119,374,150	(123,601,975)	**(4,227,825)**
Net balance sheet position	**300,900,748**	**(41,264,744)**	**259,636,004**	**92,335,818**	**156,361,691**	**248,697,509**
Net position ratio			**-11.23%**			**38.28%**

28. FINANCIAL RISK MANAGEMENT (CONT'D.)

Market risks (cont'd.)

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

	2024 MNT'000	2023 MNT'000
US Dollar strengthening by 15% (2023:15%)	(4,361,166)	23,281,859
US Dollar weakening by 15% (2023:15%)	4,361,166	(23,281,859)

Capital Management

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

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

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

	2024 MNT'000	2023 MNT'000
Capital:		
Share capital	1,216,300,341	1,216,300,341
Accumulated loss	(715,462,407)	(498,784,273)
Equity investments measured at FVOCI	(51,067,990)	(67,803,010)
Total regulatory capital/Capital base	**449,769,944**	**649,713,058**
Risk weighted capital ratio	**14.36%**	**18.47%**

Capital adequacy ratio and risk-weighted capital ratio presented above are prepared based on unaudited financial information and according to BOM regulations as of 31 December 2024 that were submitted by the Group to BoM. The capital adequacy ratio calculated based on the audited financial results prepared in accordance with IFRS is 13.65%.

29. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. See Note 28 'Liquidity risk' for the Group's contractual undiscounted repayment obligations.

At 31 December 2024	Less than 12 months MNT'000	More than 12 months MNT'000	Total MNT'000
Assets			
Cash and cash equivalents	365,190,505	–	365,190,505
Bank deposits	73,115,869	–	73,115,869
Equity instruments at fair value through other comprehensive income	51,067,994	–	51,067,994
Derivative financial instruments	2,559,996	–	2,559,996
Debt instruments at amortised cost	195,767,047	–	195,767,047
Loans and advances	475,257,438	846,790,765	1,322,048,203
Other assets	101,766,956	–	101,766,956
Property and equipment	–	23,709,328	23,709,328
Intangible assets	–	240,112	240,112
Repossessed collaterals	–	89,835,112	89,835,112
Assets held for sale	76,508,604	–	76,508,604
Total assets	**1,341,234,409**	**960,575,317**	**2,301,809,726**
Liabilities			
Financial derivatives liabilities	1,381,978	–	1,381,978
Customer accounts	3,152,369	–	3,152,369
Other liabilities	3,729,656	–	3,729,656
Current income tax payable	601,460	–	601,460
Other taxes payable	1,418,815	–	1,418,815
Deferred tax liabilities	–	35,234,854	35,234,854
Due to other banks and financial institutions	108,043,345	–	108,043,345
Bonds	188,387,394	1,203,625,074	1,392,012,468
Borrowings	124,622,080	221,086,877	345,708,957
Total liabilities	**431,337,097**	**1,459,946,805**	**1,891,283,902**
Net*	**909,897,312**	**(499,371,488)**	**410,525,824**

29. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONT'D.)

At 31 December 2023	Less than 12 months MNT'000	More than 12 months MNT'000	Total MNT'000
Assets			
Cash and cash equivalents	144,557,617	–	144,557,617
Bank deposits	15,875,683	–	15,875,683
Equity instruments at fair value through other comprehensive income	67,803,010	–	67,803,010
Debt instruments at fair value through other comprehensive income	136,639,681	6,895,639	143,535,320
Debt instruments at amortised cost	4,063,744	183,687,135	187,750,879
Loans and advances	149,699,609	1,108,416,548	1,258,116,157
Other tax receivable	17,502	–	17,502
Other assets	114,411,163	–	114,411,163
Property and equipment	–	24,278,795	24,278,795
Intangible assets	–	249,670	249,670
Repossessed collaterals	–	166,027,223	166,027,223
Total assets	**633,068,009**	**1,489,555,010**	**2,122,623,019**
Liabilities			
Financial derivatives liabilities	4,227,824	–	4,227,824
Customer accounts	8,815,342	–	8,815,342
Time deposits	34,123,720	–	34,123,720
Other liabilities	11,867,797	–	11,867,797
Current income tax payable	1,012,641	–	1,012,641
Other taxes payable	809,356	–	809,356
Deferred tax liabilities	–	11,541,901	11,541,901
Due to other banks and financial institutions	225,210,272	–	225,210,272
Bonds	155,815,682	531,662,146	687,477,828
Borrowings	614,711,052	92,690,660	707,401,712
Total liabilities	**1,056,593,686**	**635,894,707**	**1,692,488,393**
Net*	**(423,525,677)**	**853,660,303**	**430,134,626**

30. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

The following table provides a reconciliation of financial assets with measurement categories at 31 December 2024 and 2023:

	Financial assets at amortized cost MNT'000	Financial assets at FVOCI MNT'000	Financial assets at FVTPL MNT'000	Total MNT'000
At 31 December 2024:				
Financial assets:				
Cash and cash equivalents	365,190,505	–	–	**365,190,505**
Bank deposits	73,115,869			**73,115,869**
Equity instruments at fair value through other comprehensive income	–	51,067,994	–	**51,067,994**
Debt instruments at amortised cost	195,767,047	–	–	**195,767,047**
Derivative financial instruments	–	–	2,559,996	**2,559,996**
Loans and advances including lease receivables	1,322,048,203	–	–	**1,322,048,203**
Other assets	101,766,956	–	–	**101,766,956**
Total financial assets	**2,057,888,580**	**51,067,994**	**2,559,996**	**2,111,516,570**
At 31 December 2023:				
Financial assets:				
Cash and cash equivalents	144,557,617	–	–	**144,557,617**
Bank deposits	15,875,683			**15,875,683**
Equity instruments at fair value through other comprehensive income	–	67,803,010	–	**67,803,010**
Debt instruments at fair value through other comprehensive income	–	143,535,320		**143,535,320**
Debt instruments at amortised cost	187,750,879	–	–	**187,750,879**
Loans and advances including lease receivables	1,258,116,157	–	–	**1,258,116,157**
Other assets	114,411,164	–	–	**114,411,164**
Total financial assets	**1,720,711,499**	**211,338,330**	**–**	**1,932,049,829**

31. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

The level in the fair value hierarchy into which the recurring fair value measurements are categorised as at 31 December 2024 and 2023 are as follows:

	Level 1 MNT'000	Level 2 MNT'000	Total MNT'000
31 December 2024			
Financial assets			
Derivative financial instruments	–	2,559,996	**2,559,996**
Equity instruments measured at FVOCI	51,067,994	–	**51,067,994**
Total assets at fair value	**51,067,994**	**2,559,996**	**53,627,990**
Financial liabilities			
Derivative financial instruments	–	1,381,978	**1,381,978**
31 December 2023			
Financial assets			
Equity instruments at fair value through other comprehensive income	67,803,010	–	**67,803,010**
Debt instruments at fair value through other comprehensive income	143,535,320	–	**143,535,320**
Total assets at fair value	**211,338,330**	**–**	**211,338,330**
Financial liabilities			
Derivative financial instruments	–	4,227,824	**4,227,824**

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

The Group enters into cross-currency interest rate swap agreements with BoM. At initiation, the Group has paid USD funds to BoM and received MNT funds at the spot rate. During the term of the agreement with BoM, the Group receives interest on USD funds at SOFR plus certain margin and pays interest on MNT funds at the central bank policy rate. At the end of the term of agreements, the parties shall exchange the principal payments at the exchange rate of the initial transaction.

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

31. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

a) Recurring fair value measurements (cont'd.)

The description of valuation technique and description of inputs used in the fair value measurement for level 2 measurements at 31 December 2024 and 2023:

	2024 MNT'000	2023 MNT'000	Valuation technique	Inputs
Financial assets				
Derivative financial instruments	2,559,996	–	Market value	SOFR rate, repo rate, government bond yield, exchange rate, commodity forward price, USD discount rate, PD
Financial liabilities				
Derivative financial instruments	1,381,978	4,227,824	Market value	SOFR rate, repo rate, government bond yield, exchange rate, commodity forward price, USD discount rate, PD

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

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

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

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

(ii) Fixed rate financial instruments

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

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

Fair values of financial instruments as at 31 December 2024 and 2023 carried at amortised cost are as follows. This does not include the fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

	Carrying Amount MNT'000	Fair Value MNT'000
31 December 2024		
Liabilities:		
Bonds	1,392,012,468	1,926,991,009
Borrowings	345,708,957	477,908,805
31 December 2023		
Liabilities:		
Bonds	687,477,828	807,071,526
Borrowings	707,401,712	770,794,336

32. COMMITMENTS AND CONTINGENCIES

	2024 MNT'000	2023 MNT'000
Guarantees issued	550,000,000	550,000,000
Undrawn loan commitments	69,199,099	170,702,222
Total commitments and contingencies	**619,199,099**	**720,702,222**

The Group's management has assessed that the fair value of guarantees and undrawn loan commitments is not material as at 31 December 2024 and 31 December 2023.

Guarantees issued

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

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

However, subsequently, in February 2025, this guarantee was unconditionally released by the Government of Mongolia, which discharged the Group's obligation against this guarantee.

Contingencies

Management believes that its interpretation of the relevant legislation is appropriate and the Group's positions related to tax and other legislation will be sustained. Management believes that tax and legal risks are remote at present. The management performs regular re-assessment of tax risks and its position may change in the future as a result of the change in conditions that cannot be anticipated with sufficient certainty at present. As at 31 December 2024, management has assessed that recognition of a provision for uncertain tax positions is not necessary.

33. EVENTS AFTER THE REPORTING DATE

As of 20 March 2025, the Group fully repaid its euro-denominated loans due to VEB.RF Bank. These transactions were conducted in complete accordance with OFAC General Licenses 8J and 8K, thereby ensuring compliance with international sanctions. As a result, the Group has fulfilled its repayment obligations for all loans obtained from VEB.RF Bank, thus, fully meeting its financial commitments.

The Group is going through a legal reform, which includes potential updates on the Law on Development Bank of Mongolia and other related laws. The drafts were discussed at the Cabinet meeting on 12 March 2025, and are under legal process. The management of The Group is expecting, as a result of this legal reform, corporate governance will be improved, expanded business operation is expected, and more efficient supervision on the Group.

34. TRANSLATION INTO MONGOLIAN LANGUAGE

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

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DEVELOPMENT BANK OF MONGOLIA LLC

(established pursuant to Government Resolutions No. 195 of 2010 and 151 of 2011 and the Development Bank Law of 2011(as amended))

US$250,000,000 6.900% Senior Notes due 2031

OFFERING MEMORANDUM

July 21, 2026

Joint Bookrunners and Joint Lead Managers

HSBC **ING** **J.P. Morgan**