



ГОЛОМТ БАНК

20

22

OPERATIONAL REPORT FOR





OPERATIONAL  
REPORT FOR

2022

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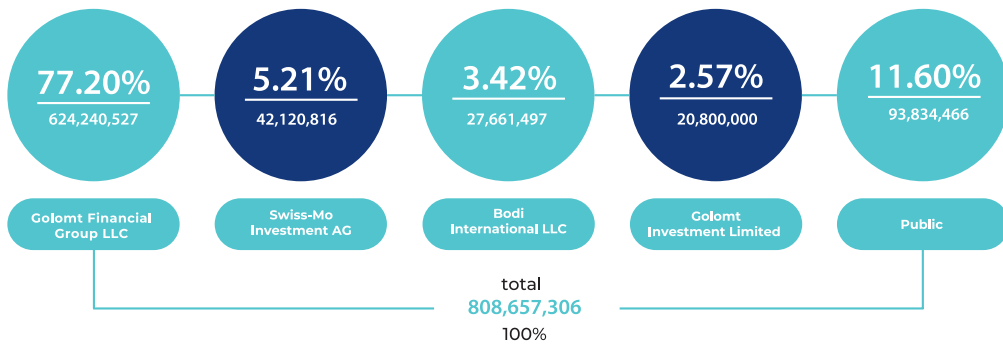
ABOUT THE  
BANK

2022 REPORT

Golomt Bank, one of the oldest commercial banks in Mongolia, was founded in 1995 with four employees, however the Bank successfully operated with 2,266 employees and 1,040,426 customers as of the end of 2022.

Since its establishment, Golomt Bank has been an integral part of the Mongolia's economic development history, supporting and financing passionate, ethical and successful businesses that contribute into the economic diversification and prosperity of the country. The Bank, dedicated to creating a better future, has paid MNT 646 billion to the state budget, and provided direct and indirect support for a creation of more than 15,000 jobs. Golomt Bank, a pioneer in technology-based services, has started the digital transformation in line with the rapid global developments and has been the leading bank in introducing various advanced innovative products and services to the Mongolian market.

**Shareholders of Golomt Bank:**



**Shareholders:**

<b>Golomt Financial Group LLC</b>	Golomt Financial Group LLC was established in 2014. The Company is with 100 percent Mongolian investment and engaged in investment and financing.
<b>Swiss-Mo Investment AG</b>	The majority shareholder of this investment fund is Mr. Urs Ernst Schwarzenbach, a Swiss citizen, businessman, and philanthropist, who is the shareholder of Golomt Bank since June 2011.
<b>Bodi International LLC</b>	Bodi International LLC was established with national investment in 1993 and is one of the largest groups of companies. Currently, it operates in real estate development and management, construction, energy, mining, and leisure and tourism sectors.
<b>Golomt Investment Limited</b>	Golomt Investment Limited is a subsidiary company of Bodi International LLC, the first large group of companies in Mongolia.
<b>Public</b>	Golomt Bank offered its shares to the public through an IPO in November 2022. Golomt Bank recorded two noticeable achievements in the history of the Mongolian Stock Exchange such as the largest IPO and raised funds of MNT 114.4 billion from the public in the shortest time. The Bank is publicly traded in the Mongolian Stock Exchange.

## General information

<b>Reporting period:</b>	<b>01/01/2022-31/12/2022</b>
Name:	Golomt Bank JSC
State Registration Certificate Number:	9016001014
Registration Number:	2075377
Telephone number:	7011-1646
Fax:	+11-313155
Registered trading entity:	Mongolian Stock Exchange
Sector of business activity:	Banking and financial sector
Audit company:	PricewaterhouseCoopers Audit LLC
Number of outstanding shares:	808,657,306 shares
Report prepared by:	O.Nomunshur /Investment Manager/

*Form 1, Regulation on Securities Registration, FRC*







GOVERNANCE

2022 REPORT

## GOVERNANCE

In accordance with the requirement for a joint-stock company, the Board of Directors (BOD) of Golomt Bank is composed of nine members, of which four members are independent. Independent members, representing minority shareholders and Swiss-Mo Investment AG, comprise the majority of the Board and ensure independence from the influential shareholders. Golomt Bank's BOD is composed of professionals with a rich expertise in commercial and investment banking. The BOD, prioritizing the Bank's interests and emphasizing its sustainable and efficient operations in the long run, is fully capable to make responsible decisions.

### **Corporate governance, governance system**

Golomt Bank adopted the vision of becoming a "Global Benchmark Bank" in Mongolia in 2018, and has been enhancing the corporate governance and governance system, introducing and implementing the best practices in all its activities, including the good governance system of the BOD. This activity facilitated the Bank to become a public company.

The joint-stock company's governance report is open for the public and all its activities are transparent. We believe becoming the joint-stock company, and making our activities, achievements, and accomplishments transparent, we provide an opportunity for the public to enhance their knowledge and understanding the Bank's activities, and strengthen their trust and confidence.

### **Leadership**

The BOD activity mainly directed at improving the corporate governance and creating a culture of ethical compliance. In collaboration with the executive management, the BOD provides directions for the mid- and long-term strategy, business plans to ensure sustainability and profitability, and updates the necessary rules, regulations to support decision-making that adheres to the right principles, values, and ethics and is for the best interest of the organization.

### **Strategy and Performance**

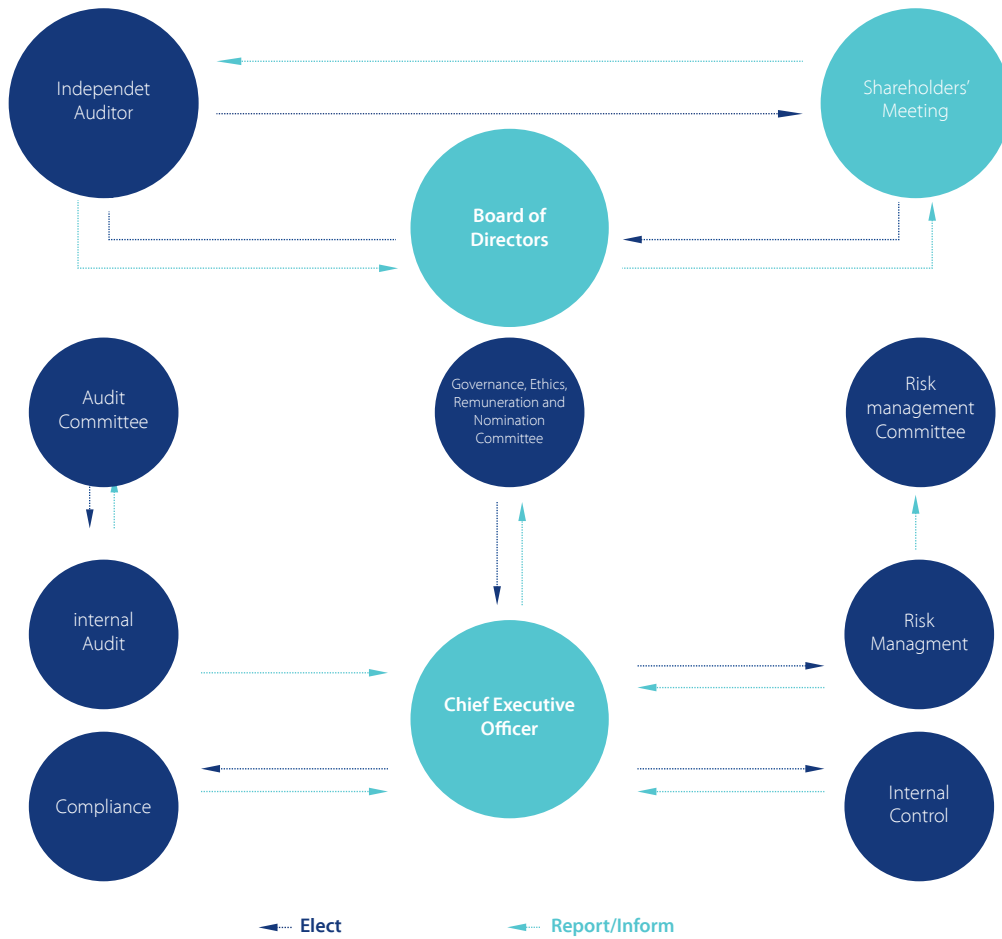
In the reporting period, the BOD approved Golomt Bank's detailed strategy for 2022 and 2023. Within this framework, the Bank's main policy documents have been revised and renewed such as follows:

- Assets and Liabilities Management Policy
- Customer-Centric Banking Policy
- Internal Audit Policy and regulations
- Business Operations Management Policy
- Human Resources Management Policy
- IT Policy
- Compliance Policy
- Credit Policy
- Marketing Policy
- Stabilization Policy documents

We worked on improving the strategic planning as well as enhancing the control over implementation of the budget and plan. The performance of the budget, implementation of planned activities and financial reports, verified by the Internal Audit Department were

regularly presented to the BOD. The performance of the executive management was regularly evaluated; the contract terms were discussed in line with professional performance of an executives, performance of the team and the Bank, ensuring balance between independent decision-making and collaborative work with the team.

## BANK'S GOVERNANCESYSTEM





ГОЛОМТОВ

GOLOMT BANK

MOODY'S

Issuer Credit Rating  
Outlook  
Counterparty Risk Rating-Foreign currency  
Counterparty Risk Rating-Domestic currency  
Baseline Credit Assessment

B3  
Stable  
B3/NP  
B2/NP  
B3

S&P Global

Issuer Credit Rating  
Outlook  
Senior Unsecured Rating  
Transfer & Convertibility Assessment  
(T&C Assessment)

B/Stable/B  
Stable  
B  
B+



BOARD OF  
DIRECTORS

2022 REPORT

## BOD composition



**Chairperson of BOD**  
**Ms. Munkhtsetseg Chultem**

Ms. Munkhtsetseg completed secondary education at the 3rd Russian (former Soviet) Secondary School in 1988, graduated with a bachelor degree in electromechanical engineering in mining from the Polytechnic University in 1993, and with a master's degree in business administration from the Johns Hopkins University, USA, in 2001. She completed certificate programs at the Oxford University, the United Kingdom in 2015 and the Harvard University, USA in 2016. Ms. Munkhtsetseg started her career from the Mongolian Stock Exchange in 1996, worked for the World Bank and Asia Foundation, founded and published Toim magazine in 2010. Ms. Munkhtsetseg was elected as a Board member of Golomt Bank in December 2012, and has served as a Chairman since December 2013.



**Member**  
**Mr. Urs Ernst Schwarzenbach**

Mr. Urs E. Schwarzenbach graduated from the Commerce College in Zurich, Switzerland, and worked at the Union Bank in Zurich in 1968 and in its London branch in 1972. He started his own business in 1976, and was awarded an honorary doctorate degree from St. Francis Xavier University in Nova Scotia, Canada in 2000. He is the Honorary Consul of Mongolia for the German speaking part of Switzerland since January 2010. Mr. Urs E. Schwarzenbach has served as a member of the BOD of Golomt Bank since 2011.



**Member**  
**Mr. Unenbat Jigjid**

Mr. Unenbat graduated with the bachelor degree in economics and statistics from the Moscow Economic and Statistical Institute in 1985, and with master's degree in international economic relations from the Columbia University, USA in 1994. He has the rank of an associate professor. Mr. Unenbat has worked at the Bank of Mongolia since 1990 and served as the Governor of the Bank of Mongolia in 1996-2000, worked as the Executive Director of the Mongolian Bankers Association in 2000-2006, and as the Executive Director of the Corporate Governance Development Center since 2009. He has conducted a few researches in the field of monetary policy and has an extensive experience in the banking and finance.



**Member**  
**Mr. Munkhtur Dagva**

Mr. Munkhtur graduated with a bachelor degree in financial management from the Economic Institute of the National University of Mongolia in 1997, and with a master's degree in business administration from the University of Oklahoma, USA in 2009. Since 1996, he has worked as an assistant, economist, director of the Credit Department, director of the Accounting Department, and first deputy director at Golomt Bank. Mr. Munkhtur has served as the BOD member of Golomt Bank since 2012.



**Member**  
**Mr. Ganjooloo Ochirpurev**

Mr. Ganjooloo graduated with master's degree and a doctorate degree in economic theory from the Freie University of Berlin, Germany. He is a Chartered Accountant in the United Kingdom of Great Britain and Mongolia. Mr. Ganjooloo has worked in the branches of the international PwC Audit Company in Germany and Mongolia, and has worked as the financial director at the Bodi International LLC. Mr. Ganjooloo has worked as the executive director at the Golomt Financial Group LLC since 2016, and has been elected as a member of the BOD of Golomt Bank since 2022.



**Independent member**  
**Mr. James Bernard Dwyer**

Mr. James B. Dwyer, a certified financial analyst (CFP), graduated with a Bachelor degree in business administration from the University of Notre Dame, and has been conferred a Master of Business Administration from the Columbia University. Since 1970, he has worked as an investment banker in a financial institution located on the Wall Street in New York, held the position of the Director of Corporate Mergers and Acquisitions at UBS Bank. Mr. Dwyer first set foot in Mongolia in 2001 to participate in privatization of the Trade and Development Bank and Khaan Bank, then worked as the COO at the North American Business Council, and founded the Mongolian Business Council in 2007. He is an independent member of the BOD of Mandal Insurance JSC and Mongolia Growth Group LLC, the Vice Chairman of the Mongoljin Private Capital, and the president and the Chairman of the Board of the Mongolian Education Foundation.



**Independent member**  
**Mr. Antonio López Abelló**

Mr. Antonio L. Abello graduated with a bachelor degree in law from the University of Barcelona, Spain and with a Master of Business Administration from the IESE Business School. He is a qualified lawyer of the Bar Association of Barcelona and Certified Financial Analyst according to CEFFAS standards. He held senior positions in bond and equity financing at Credit Suisse, Goldman Sachs and BNP Paribas. Mr. Antonio L. Abello is one of the highly respected international bankers with more than 20-year work experience in leading investment banks in Singapore and London. He is the founder and partner of Turms Advisors LLP. Mr. Antonio L. Abello serves as an independent member of the Board of Golomt Bank since 2014.





**Independent member**  
**Mr. Alexander Picker**

Mr. Alexander Picker graduated with a master's degree in business and doctorate degree in law from the University of Salzburg, Austria. He started his career at the current Austrian bank in 1989, and has extensive experience holding management positions such as risk management director, COO and CEO at ERSTE bank, International Moscow Bank (IMB), UniCredit Bank, ATF Bank JSC, Hypo Alpe-Adria Bank, HBI Bundesh-Holding AG. Presently, he is a senior advisor for major projects of the World Bank, Chairman of the Supervisory Board of the Mortgage Bank in Uzbekistan, and has been appointed as an independent member of the Board of Directors of Golomt Bank since 2021.



**Independent Member**  
**Mr. Robert W. van Zwieten**

Mr. van Zwieten brings more than three decades of experience spanning both global financial markets and sustainable development. He is currently a Founding Partner of Route17, an independent firm advising on SDG-aligned institutional investment strategies, and CEO of The Serendra Group, an emerging markets advisory firm. He is a fellow of the Climate Policy Initiative, and serves as an Ambassador of the World Benchmarking Alliance, board member of several companies, and senior advisor to an Asian family office. Prior to this, Mr. van Zwieten was the President and CEO of EMPEA (now renamed GPCA), the global industry association for private capital in emerging markets. Before this, he served as Director of the Private Sector Capital Markets Division at Asian Development Bank, following a global career in senior leadership positions at firms such as Singapore Exchange, Lehman Brothers, General Electric and ABN AMRO Bank.



**Secretary of the Board**  
**Ms. Solongo Zalaa-Uul**

Ms. Solongo graduated with a bachelor degree from Sardar Patel University, Gujarat, India in 2003, and with a master's degree in business administration specializing in Corporate Governance from the Institute of Finance and Economics in 2017. She participated in the master's program for secretaries of BOD in Asia, organized by the International Finance Corporation (IFC) in Singapore in 2017, and improved her professional skills. Ms. Solongo has worked for Golomt Bank since 2007, has held the positions of secretary and assistant of the executive director, Secretary of the Board Committee, and has been working as the Secretary of the Board of Directors of Golomt Bank since 2015.

## Board committees

### **Risk Management Committee**

Golomt Bank's Risk Management Committee is chaired by an independent member of the Board and consists of all independent members and two ordinary members. The Committee holds a meeting twice a month, during which assesses bank's overall risk exposure, sets risk appetite metrics, and ensures proper implementation and risk management.

The Committee is responsible for approving and monitoring the risk policies and associated practices of the Bank including management of the overall risk, financial and non-financial risk, credit risk, operational and compliance risks. According to the Committee's Charter, the Chief Risk Officer (CRO) directly reports to the Committee, and the Committee discusses annual plans presented by the CRO and guides its implementation. To monitor credit risk, the Risk Management Committee reviews loans, and other equivalent assets with value of more than MNT 20 billion for a group of companies. Also, the Committee reviews decisions of Credit Committee headed by the CEO, and when the risk exposure is high, it has a right to forbid the relevant decision implementation. The Risk Management Committee held 27 meetings and discussed 97 issues.

The Risk Management Committee introduces to the Board, and the BOD approves and monitors the implementation of the following policies:

1. Risk Appetite Framework/Risk Appetite Statement
2. Risk Metrics
3. Credit Policy
4. Credit Committee Charter
5. Compliance Policy
6. Governance Code:
  - Code of Ethics
  - Anti-Corruption Policy
  - Regulation on resolving conflict of interest
  - Transparency Policy
  - Anti-Fraud Policy
  - Policy on making political contributions

The Risk Management Committee reviews regularly the following reports and documents:

**1. Risk report:**

Financial risk:

- Market risk
- Credit risk
- Credit portfolio report - monthly

Non-financial risk:

- Operational risk report
- Compliance risk report
- Anti money laundering and combating terrorism financing report

**2. Executive Management level Risk Management Committee's report**

**3. Credit Committee decisions on issuance of loans with high risk exposure**

**4. Report on implementation of Risk Management Policy – RAF/RAS risk metrics**

**Governance, Ethics, Remuneration and Nomination Committee**

The Committee is responsible for monitoring the implementation of all issues related to the Bank's Governance Code and relevant policies. The Committee provides recommendations and opinions on appointment, dismissal of executive management, remuneration and performance to the BOD. Also, the Committee is responsible for effective remuneration scheme for the Board members, executive management, and their performance evaluation system.

The regular meetings are held on a quarterly basis according to the schedule, approved at the beginning of the year. However, special meetings are convened in necessary cases.

In the reporting period, the Committee reviewed performance of the Executive Management Team, in collaboration with the CEO, improved evaluation scheme for fulfillment of contractual responsibilities and obligations, thus, a comprehensive system for the appointment, performance evaluation, responsibilities, and remuneration was adopted.

In line with expansion and development of the banking activities, and changing market environment, the Bank improves its organizational structure. The Governance Committee reviews the structure and presents the relevant issues to the Board for approval.

**The Governance, Ethics, Remuneration and Nomination Committee introduces to the Board, and the BOD approves the following policies and issues:**

1. Changes in the organizational structure
2. Human Resources Management Policy
3. Remuneration Policy

In addition, the Committee reviews rules and regulations on implementation of the Bank's Human Resources Policy, and provides guidelines for their improvement. In particular, the Committee reviewed and improved the salary system of sales and head office employees and their performance-based incentives system, recruitment policy, regulation on discounted loans to employees, regulation on employees' benefits, and others. The Committee reviews regularly the following reports:

- Human Resources Plan and expenses on salaries and bonuses for the next year (upon the review by the Committee, these issues are included in the budget and plan, and presented to the BOD for approval).
- Report prepared by the Human Resources Director.
- Analyses on human capital flows and human resources plan.

The Committee held 5 meetings and discussed 15 issues.

**Audit Committee**

Golomt Bank's internal audit functions are performed by the BOD Audit Committee, the Chief Audit Executive, the Internal Audit Department, and the Data Analysis Unit within the scope of the Chief Auditor's responsibilities. The Internal Audit Department consists of General Audit Division, Information Technology Audit Division, and Remote Audit and Quality Assurance Division.

The internal audit activities of Golomt Bank are in a compliance with the International Professional Practices Framework, the best international practice that was issued by the Institute of Internal Auditors. This assessment is unique in Mongolia and is done for Golomt Bank only.

Internal audit activities were evaluated according to 5 attributes: "Business Alignment, Risk Focus", "Talent Model", "Quality and Innovation", "Technology", "Stakeholder Management and Service Culture", and categorized at the 5th level out of 6 levels or "Insight Generator" level. Also, internal audit activities were compared with about 500 internal audit units in the region, and it was concluded that the internal audit activity of Golomt Bank is leading in all aspects.

The internal audit functioning is independent of the executive management and other units and activities of the Bank. The BOD appoints the Chief Audit Executive, approves the internal audit charter, structure, internal auditing regulations, strategy, annual audit plans, risk-based audit plans, and budget. Internal audit reports are introduced to the Audit Committee of the BOD on a monthly basis, while reports on implementation of planned audits and recommendations are submitted on a quarterly basis.

**Internal Audit Operation in 2022**

In 2022, the internal audit functions were restructured, and the independent Data Analysis Unit was established within the responsibility framework of the Chief Audit Executive. The Data Analysis Unit aims at optimizing internal audit activities with the Predictive analysis, more advanced level of data analysis, and introducing robotic process automation.

Data processing and dashboards developed to support audit activities were continuously updated and improved in line with the changes and improvements in audit activities. In 2022, special progress was made in the direction of automating analysis of the Bank's business plan indicators, remote audits, and suspicious transactions.

In 2022, the internal auditors monitored implementation of the Quality Assurance and Improvement Program to ensure the internal quality, and a structural unit was created to improve quality operations and ensure compliance with the international best practices.

The Internal Audit Department assessed the Bank's governance and new risks exposure, and provided consulting services to other organizations sharing its knowledge and skills.

Internal auditors upgraded their professional skills, obtained certification from the international professional organizations, and became the Certified Information Systems Auditors (CISA®) and Scrum Masters, as well as Chartered Accountants certified by the Mongolian Institute.

Mr. Odonbaatar A., the Chief Audit Executive of Golomt Bank, in accordance with the succession policy of the Institute of Internal Auditors Mongolia (IIA Mongolia Chapter), resigned from a Chairman of the Board of Directors of the Institute and was elected as a Member of the Board in 2022. Also, he served as a Chair of Audit Committee of the Mongolian Bankers Association and a member of the Internal Audit Professional Council, respectively.

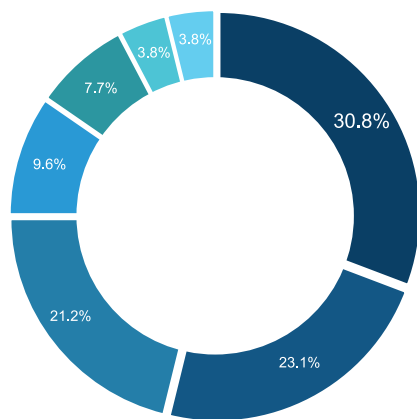
#### **Activities of the Audit Committee**

In 2022, the Audit Committee of the BOD of Golomt Bank had 5 members and was chaired by Mr. James B. Dwyer, the independent member of the BOD. In 2022, the Audit Committee provided guidelines on issues related to the following:

- Financial statements and reports
- Internal control system
- Internal audit activities
- External audit
- Compliance activities
- Reporting
- Other activities

### Performance in 2022

The Audit Committee held 9 regular and irregular meetings with average attendance of 93 percent, discussed 52 issues, and provided the relevant recommendations and decisions.



#### Discussed Issues:

- Issues related to internal audit reports
- Issues related to approval of Bank's policy, strategy, business, and other plans
- Issues related to implementation of Bank's business plan, structural units' performance (financial results, projections, other planned activities, etc.)
- Issues related to approval of internal audit plans and performed internal audits
- Other
- Issues related to external audit
- Issues related to supervision conducted by the Bank of Mongolia

In necessary cases, the Committee has a right to organize special inspections, review Bank's confidential documentation, and request information from the officers within the framework of its responsibilities and functions. Internal and external audit reports, detected violations and recommendations are reported directly to the Audit Committee.

The Audit Committee evaluates the monthly financial indicators, assigns tasks, and provides recommendations to the Management Team, also, discusses external audit reports and presents to the BOD for approval.

The Audit Committee receives information about changes in the accounting standards and amendments in legislation affecting financial reporting on a continuous basis. The Committee reviews the Charter of the Internal Audit Department, its operational regulations, and risk-based internal audit plans, and submits relevant proposals to the BOD. The Audit Committee assesses internal auditing, its compliance with the international standards and adoption of the best practices; and ensures the implementation of audit recommendations stated in the reports. The Committee makes recommendations related to appointment/dismissal of the Chief Audit Executive, presents the performance evaluation and proposal on remuneration of the Chief Audit.

## Activities of the Board of Directors

In 2022, the BOD of Golomt Bank discussed 61 issues in total at 12 regular and irregular meetings, and approved 34 resolutions and decisions.

### **Resolutions and decisions approved by BOD:**

#### **1. Related to strategy and investments**

BOD and BOD Committees meetings discussed more than 20 issues, and made 9 decisions on the relevant matters. Issues such as strategy, business plan and budget for 2022 were covered.

#### **2. Directed at improving internal operations and organizational structure**

- In total, 17 decisions were made and their implementation is being monitored.

#### **3. Directed at improving policy documents, rules, regulations, and governance**

- In total, 10 policies and regulations were improved and updated.



## THE GOVERNANCE EVALUATION

In accordance with the "Model for Assessment and Evaluation of the Implementation of the Principles of Good Corporate Governance for Banks", the first appendix of the "Regulation on Implementation of Corporate Governance Principles for Banks " approved by the resolution No. A-151 of the Governor of the Bank of Mongolia dated 30 September 2014, Golomt Bank submits a report on implementation of the principles of good governance for evaluation within April 30 every year.

In the reporting period, the relevant report was submitted to the Bank of Mongolia in April 2022, and reviewed by the regulator. Golomt Bank's governance was evaluated as Good or as a "Bank with sufficient management".

## CONCLUSIONS AND OPINION OF THE BOARD ABOUT THE EXECUTIVE MANAGEMENT'S ACTIVITIES AND PERFORMANCE



*"The Board of Directors of Golomt Bank reviewed the Bank's operations, financial results, and financial statements verified by the external audit in 2022 and concluded that "Golomt Bank successfully conducted operations and met the goals set for 2022."*





MANAGEMENT  
TEAM

2022 REPORT

# MANAGEMENT TEAM



**Mr. Norihiko Kato**  
CEO



**Mr. Galsan Ganbold**  
President



**Mr. Odonbaatar  
Amarzaya**  
Deputy CEO



**Mr. Sainbileg Mandakh**  
CIO



**Mrs. Munkhtuya Suren**  
Director of Financial  
Management Division



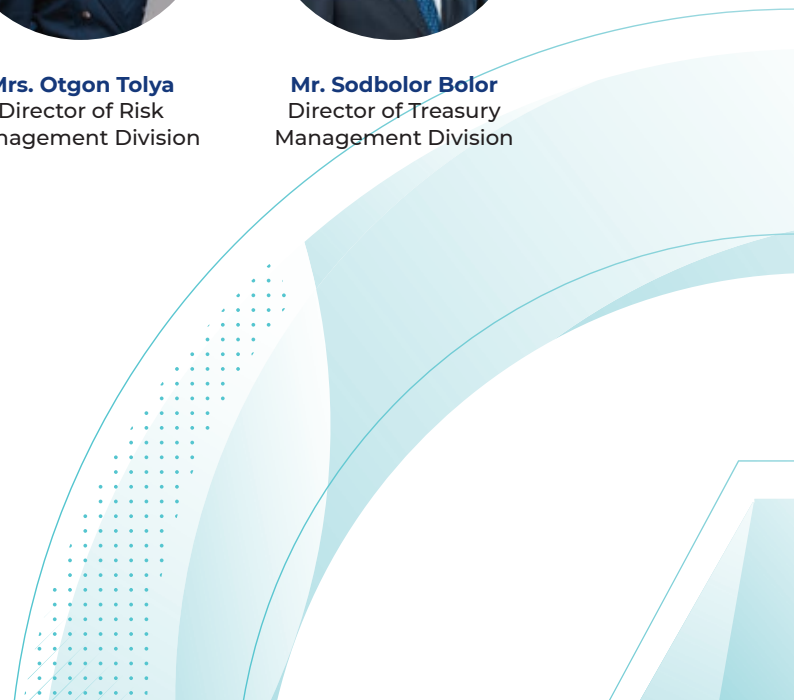
**Mr. Narankhuu Munkhbat**  
Director of Credit Division



**Mrs. Otgon Tolya**  
Director of Risk  
Management Division



**Mr. Sodboldor Bolor**  
Director of Treasury  
Management Division





**Mrs. Baigalmaa Tserenjav**  
Director of Retail Banking Division



**Mr. Myagmardorj Zanaadorj**  
Director of Corporate Banking Division



**Mrs. Uyanga Ganbold**  
Director of Human Resource Management Division



**Mr. Ochirkhuyag Nariyakhuu**  
Director of Marketing and Public Relations Division



**Mr. Purevbat Yondon**  
Director of Operation Division



**Mr. Purevdorj Khalzan**  
Director of Administration Division



**Mr. Battengel Oidov**  
Director of Information Technology Division



**Mr. Nyamsuren Amgalan**  
Director of Business Process Management Division





# BUSINESS OPERATIONS

2022 REPORT

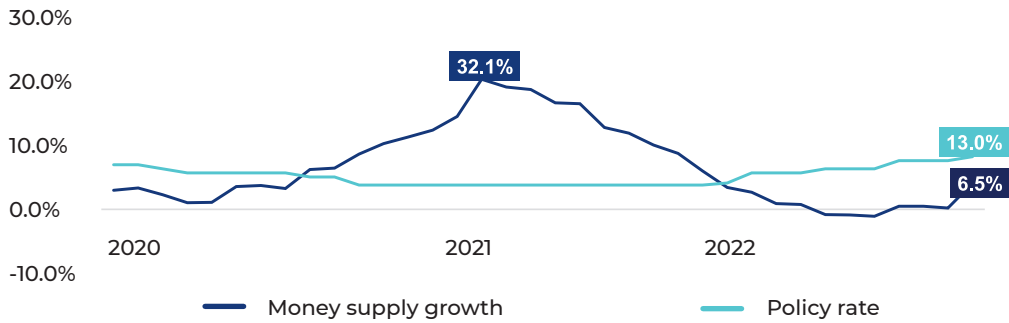
**Macro-economic overview**

As a result of tight monetary policy, overall credit and deposit growth in the banking sector declined.

While the effects of the pandemic that started at the end of 2019 have not subsided, the sudden war that started in the beginning of 2022 caused significant hardship on the economy and raised difficult issues for the policy makers. Due to the Russia-Ukraine war, inflation in many countries, including the United States of America and Europe, has reached the highest level in the last 40 years, driven by fuel shortages. Due to the rise in inflation worldwide, the prices of final goods and products have increased, which affected the economy of our country through increases in import prices. Geopolitical tensions, together with border restrictions and transportation and logistics issues caused by the Zero-Covid policy have contributed to average inflation rate being hovered around 15 percent throughout 2022.

**Money supply and policy interest rates:**

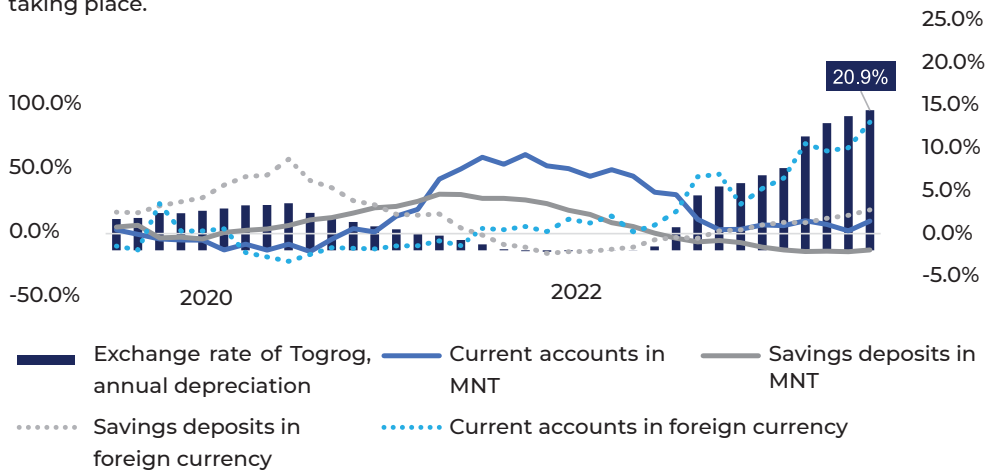
An increase in the policy interest rate leads to a decreased money supply.



In order to reduce inflation and maintain the value of the Mongolian currency, the Bank of Mongolia repeatedly raised the policy interest rate which reached 13 percent at the end of the year. As a result of this policy, money supply growth slowed from the highest level of 32 percent since the beginning of the pandemic to 6.5 percent at the end of the year.

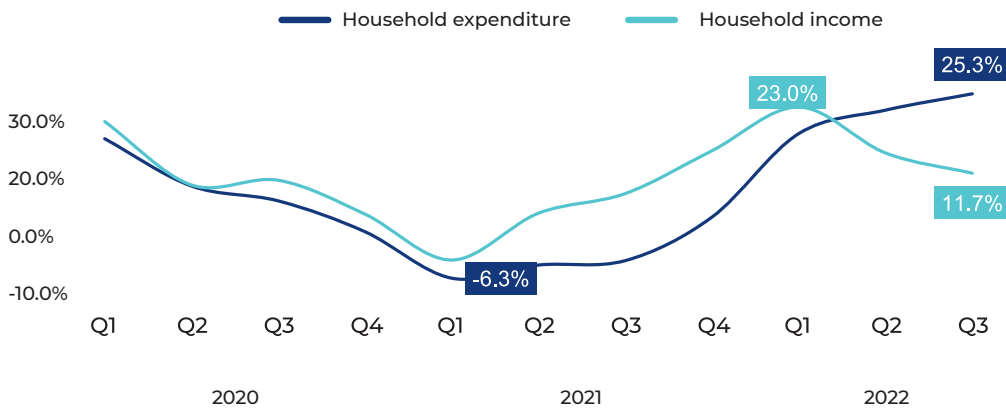
**Exchange rate, current accounts and savings deposits:**

Due to the decrease in people's confidence in MNT, the phenomenon of dollarization is taking place.



Since the beginning of 2022, the balance of payments has recorded a deficit, resulting on reduction in the official foreign exchange reserves held by the Bank of Mongolia and having a negative effect on the exchange rate. Also, since the beginning of 2022, the exchange rate of MNT against USD has depreciated by 21%, which led to reduced public confidence in the national currency. As a result, the dollarization in the banking system has intensified. The money supply increased by 6.5%, compared to the previous year, but this rise was mainly due to the increase in current accounts and savings deposits in foreign currency. Specifically, change in foreign currency current accounts contributed into the annual change in money supply by 9.3 p.p., change in foreign currency savings deposits by 3.4 p.p., change in MNT current accounts by 2.5 p.p., change in currency outside the banks by -0.1 p.p., and change in MNT savings deposits by -8.7 p.p., respectively. At the end of 2022, foreign currency current accounts increased by 111%, foreign currency savings deposits grew by 20.2%, while MNT savings deposits decreased by 15.4 percent, compared to the previous year. The high inflation rate lowered the real interest rates on MNT savings, and led to the reduction in depositors' appetite to save.

**Household income and expenditure:**



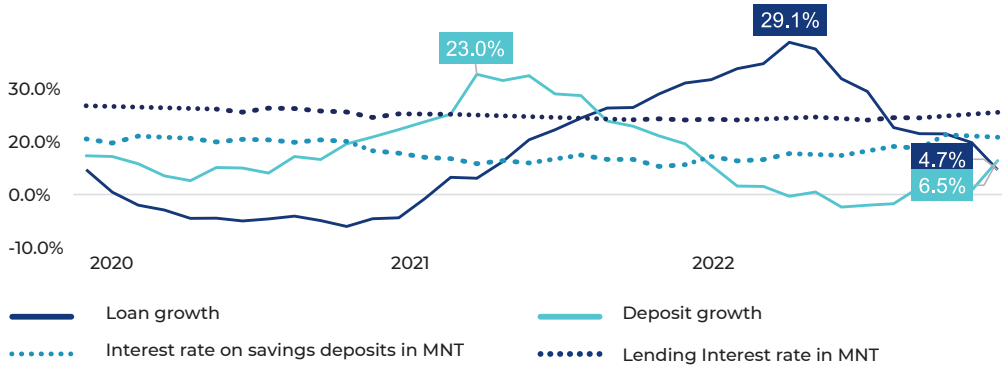
In accordance with the Law on “Prevention, Combat, and Mitigation of Social and Economic Impacts of the Coronavirus Disease /COVID-19/”, continued moratorium on monthly mortgage payments in 2022 had a certain effect on reducing household expenses. However, lower overall lending, higher interest payments, and bubble in consumer goods led to an increase in household spending. Household income growth, which soared to 23%, the highest level since the beginning of the pandemic, slowed down to 11.7% in the third quarter of 2022, while spending increased by 25.3% since the beginning of 2021. In real terms, household income, however, decreased by 2.4%, and expenditure increased by 8.5%.

**Banking sector's operation**  
Banking sector performance

Indicators	Нэгж	2020	2021	2022	2022 оны өсөлт
Total assets	billion ₮	36,685	41,012	46,003	12.2%
Total loan balance	billion ₮	17,476	21,205	22,205	4.7%
Past due loans	billion ₮	1,265	932	1,123	20.5%
Non-performing loans	billion ₮	2,002	2,073	2,019	-2.6%
Non-performing loan ratio	%	11.5%	9.8%	9.1%	-7.0%
Retail loans, ₮	billion ₮	8,463	10,328	11,492	11.3%
Retail loans, \$	billion ₮	68	63	63	0.0%
PDL, Retail, ₮	billion ₮	250	177	269	52.1%
PDL, Retail, \$	billion ₮	1	4	1	-81.0%
NPL, Retail, ₮	billion ₮	471	472	479	1.5%
NPL, Retail, \$	billion ₮	26	22	22	-0.3%
Non-performing loan ratio, Retail, ₮	%	5.6%	4.6%	4.2%	-8.8%
Non-performing loan ratio, Retail, \$	%	37.6%	34.9%	34.8%	-0.4%
Corporate loan, ₮	billion ₮	6,488	8,580	8,980	4.7%
Corporate loans, \$	billion ₮	1,440	1,235	1,156	-6.4%
PDL, Corporate, ₮	billion ₮	684	449	690	53.8%
PDL, Corporate, \$	billion ₮	320	299	163	-45.4%
NPL, Corporate, ₮	billion ₮	1,271	1,425	1,358	-4.7%
NPL, Corporate, \$	billion ₮	222	146	151	3.5%
Non-performing loans ratio, Corporate, ₮	%	19.6%	16.6%	15.1%	-9.0%
Non-performing loans ratio, Corporate, \$	%	15.4%	11.8%	13.1%	10.6%
Total deposits	billion ₮	23,350	26,965	28,758	6.6%
Current account, ₮	billion ₮	3,513	5,854	6,693	14.3%
Current account, \$	billion ₮	1,983	2,345	4,947	111.0%
Saving account, ₮	billion ₮	13,314	14,963	12,657	-15.4%
Saving account, \$	billion ₮	4,609	3,904	4,694	20.2%
Equity	billion ₮	3,059	3,425	4,454	30.0%
Total liabilities	billion ₮	33,627	37,586	41,549	10.5%



As interest rates rise, total credit growth decreases



Interest rates on deposits and loans increased due to the policy rate, and at the end of 2022, the interest rate on deposits reached 10.9 percent and the interest rate on loans reached 15.7 percent. Thus, the growth rate of deposit increased by 6.5 percent at the end of 2022, which was at the peak of 23 percent since the outbreak of the epidemic. Furthermore, the loan amount reached 29.1 percent at its peak, and the growth rate slowed down to 4.7 percent at the end of the year. Total deposit balances reached 30.7 trillion at the end of 2022, an increase of 1.9 trillion or 6.5 percent compared to the previous year. As for the loan balance, it reached 22.2 trillion, and it increased by 1 trillion or 4.7 percent YoY.



Golomt Bank earned "Great place to work" certification from the internationally recognized Great Place to Work Institute.



BANKING  
OPERATIONS,  
HIGHLIGHTS

2022 REPORT

## Banking operations, highlights

Golomt Bank, implementing a customer-centric strategy, has continuously developed its products and services to meet the demand and needs of more than 1 million customers across the country, and provided easy, accessible and fast services through its 102 branches, settlement centers and CDM in total.

### **Golomt Bank issued its shares to the public and became an open joint-stock company**

Golomt Bank offered its shares to the public through IPO in November 2022. Golomt Bank recorded two noticeable achievements in the history of the Mongolian Stock Exchange such as the largest IPO and raised funds of MNT 114.4 billion from the public in the shortest time.



Due to the high subscription demand from the public during the initial market trading, Golomt Bank and the underwriters decided to exercise Greenshoe and issue additional 12,060,411 shares equal to 15% of the shares in accordance with Section 5.7 of the Prospectus. Thus, the Bank has issued 92,463,154 shares in total, and successfully raised funds of MNT 118,815,152,890 from the public.

In January 2023, the Top 20 index of the Mongolian Stock Exchange was updated, and Golomt Bank JSC was included in the portfolio. The shares of the Bank are openly traded on the Mongolian Stock Exchange.

**A new card system was adopted**

Within the framework of the Open Bank strategy, Golomt Bank has introduced a new card system that supports the development of card business products, services and technology in cooperation with the CARDZONE Company. CARDZONE is a leading provider of a card management system based in Malaysia that has been operating since 2008.

This system complies with the PCI DSS standard that fully ensures the privacy and security of payment cards, implements the 3DS security V2.0 version of Internet trading, includes all the necessary services for connecting and linking to other systems of the Bank, and fully meets



the technological requirements of the Bank's main card system. This system is used by more than 30 banks in 8 countries.

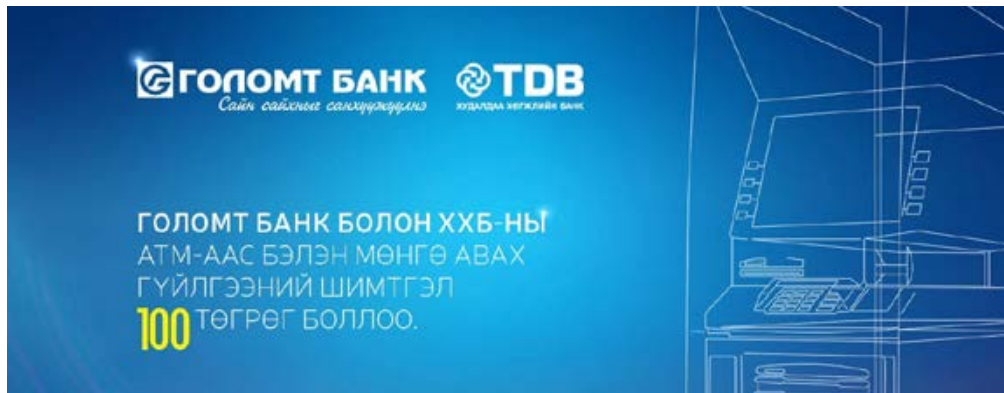
### Use of blockchain network by the Bank facilitated the customers in verification of their account statements

There are many cases when individuals and entities need to manage their property and bank account information, and verify that the information is accurate and up-to-date. Therefore, Golomt Bank integrated blockchain into its business operations for the first time in the banking sector in 2022. Blockchain network is one of the main technologies of digital transition that provides the Bank's customers with the opportunity to quickly perform their accounts verification.

Using this service, customers do not need to go to the Bank's branch to get stamped account statement and credit report. Instead of this, they can simply use the internet banking, enter the blockchain network, and download the necessary statements. Organization requested the customers' account statement will use Notly service website or application to verify the accuracy of the statements.

### In cooperation with the Trade Development Bank, Golomt Bank has reduced ATM fees

Golomt Bank and Trade Development Bank signed a Memorandum of Cooperation aimed at improving customer service conditions. Within the scope of this memorandum, the fee for withdrawal transactions was reduced, and self-service banking devices' /ATM, CDM, CRM/ fee decreased from MNT 500 to MNT 100 per transaction. In other words, the reduced withdrawal fee will apply for users of Golomt Bank's cards, when they use ATMs of the Trade Development Bank, and vice versa.



To expand customer-centric banking services, we intend to develop transparent and flexible cooperation, and jointly contribute to the development of the banking sector.

## Achievements and awards in 2022

### "The Bank of the Year – 2022"

Golomt Bank won the award for “Bank of the Year-2022” by "The Banker" magazine, the world's premier banking and finance resource. Thus, Golomt Bank has been awarded by "The Banker" magazine for the 8th time, and named as “The Bank of the Year” for the second consecutive year in a row.



### "The Best Digital Bank - 2022"

Golomt Bank of Mongolia has been named “The Best Digital Bank” by Global Finance magazine, which sets the standard for excellence in banking and financial sector around the world. Golomt Bank has been awarded for the 8th time , and named as the best for the last four years in a row.

### "The Featured Sustainable Finance Bank - 2022"

The Mongolian Sustainable Finance Association in collaboration with the Bank of Mongolia and the Financial Regulatory Commission announces banks with a significant progress in implementing the sustainable finance policy every year. In the reporting year, non-bank financial institutions joined the Mongolian Sustainable Finance Association, and the membership of the Association expanded. Golomt Bank has been recognized as the "Featured Sustainable Finance Organization – 2022" out of total 11 organizations.

Since its establishment, Golomt Bank has been supporting environmentally and socially friendly activities. Golomt Bank joined the United Nations Environment Programme Finance Initiative (UNEP FI) together with more than 300 banks from around the world. The Bank facilitates the implementation of the Principles for Responsible Banking and Sustainable Development Goals against climate change for the 4th year.

**"Great place to work"**

Golomt Bank earned "Great place to work" certification from the Great Place to Work Institute for the first time in Mongolia's banking and financial sector.

The internationally renowned Great Place to Work Institute has been conducting annual



surveys of 11 million employees from more than 90 countries on 5 continents during more than 30 years, evaluating and confirming the organizations, which are the most pleasant places to work. Employees evaluate the organization by five dimensions such as credibility, respect, fairness, pride and camaraderie with high confidentiality. The Great Place to Work Institute compiles the survey results independently of the organizations.

Golomt Bank is ranked at the same level as the world's leading companies in terms of human resources policy and employees' satisfaction. The Bank learns from the best practices, and enhances its culture and values.



**Ranked among the top 5 from "TOP-100" enterprises**

Golomt Bank has been selected as one of the "TOP 100 Enterprises" for the 19th year. In 2022, Golomt Bank was ranked among the top 5, advancing by 4 rankings from the previous year. In the reporting year, the negative impact of the pandemic remained, the situation in the country's economy and banking and financial sector was challenging, but Golomt Bank took prompt measures and implemented flexible operations, adjusted to the worsened environment. The Bank paid taxes of MNT 137 billion, thus contribution to the state budget totaled more than MNT 360 billion in the last three years, supporting the economy.



**"The Best Customer Centric Company"**

Golomt Bank has always been focused on creating a positive customer experience and increasing satisfaction, and has improved all its internal operations and management. The Bank receives customers' feedback, identifies their needs, and delivers products and services beyond the expectations using all its channels. Achievements were recognized and Golomt Bank was named as "The Best Customer Centric Company" by the organizers of "The Future of Customer Experience Conference".



## Products and Services

Golomt Bank, implementing the customer-centric policy, always improves and develops its products and services, reflects the customers' suggestions and feedback in its operations, and provides easier, more accessible, and more efficient products and services. Therefore, we succeeded to increase our market share by providing products and services that meet the needs and demand of our customers.

### **Sustainable Financing**

Within the framework of the Sustainable Development Strategy, Golomt Bank aims to increase the green loan portfolio, attract more foreign sustainable and green investments, implement environmental and social risk management, and make its operations more environmentally and socially friendly. The Bank introduced new loan products, namely the Sustainable and Green Business Loans, Green House Loans based on the International EDGE Standard, and Eco-Car Loans, to the market in 2022.

Golomt Bank classifies and reports its green loans portfolio in accordance with the Green Taxonomy. Out of total green loans portfolio, green buildings made up 57%, sustainable agriculture 21%, sustainable water and waste use 21%, respectively, and the remaining loans were for low-carbon transportation, renewable energy and energy efficiency sectors.

In 2022, Golomt Bank focused on environmental and social risk management, made a few amendments and improvements to the Internal Regulations for Environmental and Social Risk Assessment, adding a procedure to identify unacceptable high environmental and social risks, models for special basic assessment of more than 400 economic sub-sectors, and modeling green loan assessment. Golomt Bank issued 667 business loans in total, of which 71% was assessed for environmental and social risks.

Within the framework of an environmental and social risk management, we defined the industries with the most carbon dioxide emission, adopted the methodology for calculating their carbon dioxide emissions, and started to calculate greenhouse gas emission for each loan in these sectors. As a result, it became possible to calculate the greenhouse gas emission of our customers businesses, and work together with them to define the ways for reducing greenhouse gas emission. Also, Golomt Bank joined the Partnership for Carbon Accounting Financials, global initiative to assess and disclose the greenhouse gas emissions, and is going to introduce global standard to measure and report emission in its credit assessments.

### **The Mongolian Sustainable Finance Association's rating**

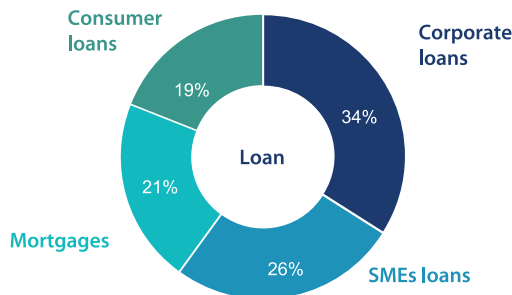
Since 2016, the Mongolian Sustainable Finance Association (MSFA) has been conducting assessment of sustainable finance implementation by its member banks. In 2022, the MSFA collaborated with the Bank of Mongolia and the International Finance Corporation in assessing banks. Golomt Bank received an A+ rating, indicating improvement in sustainable finance implementation from the year ago. The Bank of Mongolia announces the "Best Sustainable Finance Bank" every year, and Golomt Bank was named the "Outstanding Sustainable Finance Bank" in 2022. Golomt Bank's new initiative to calculate greenhouse gas emission within the credit risk assessment was highlighted.

**United Nations Environment Programme Finance Initiative (UNEP FI)**

Golomt Bank adopted the Principles for Responsible Banking issued by the United Nations Environment Programme - Financial Initiative (UNEP FI), and adhered to United Nations Sustainable Development Goals and the Paris Agreement to make its contribution to combatting climate change. In accordance with the special methodology issued by UNEP FI within the framework of implementation of the UN Principles of Responsible Banking, Golomt Bank conducted an Impact Analysis of its loan portfolio or analysis of the Banks' loan portfolio impacts on society and the environment. By carrying out an Impact Analysis of the total loan portfolio, we identified impact areas; based on the results, assessed the impact of the loan portfolio on the climate and water reserves, and created baseline data in 2022. The Bank set the quantitative targets for reducing greenhouse gas emissions of the loan portfolio.

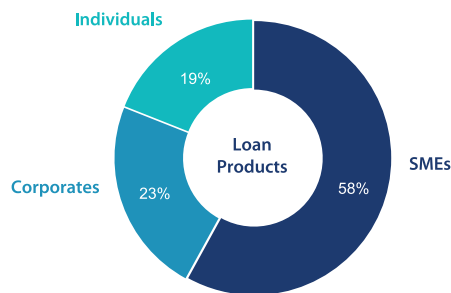
**Loan Products**

As end of 2022, Golomt Bank offered more than 80 loan products to customers in total, of which 34% was corporate loans, 26% - SME loans, 21% - mortgages, and 19% - consumer loans, respectively. We implement the policy to ensure a balanced and stable growth in each segment of loan products.



**Current Accounts, Savings Deposits**

With the purpose to support the economy, increase individuals' savings, and encourage savings habit, Golomt Bank offers 15 types of savings products to individuals and entities in 4 main categories such as accumulated savings, children's savings, savings for investment, and savings for unexpected needs. As of end of 2022, the share of accumulated savings was the largest or about 50% of the total savings.



Also, we offered and provided the customers with products and services such as "Big Loyalty" and "GenZ Loyalty", encouraging customers' regular use of savings deposits and current accounts, "Social Pay Loves You" and "Si Card" facilities and benefits tailored to the needs of customers, throughout 2022.

### Foreign trade financing service

Golomt Bank developed cooperation with 153 international and foreign banks and financial institutions, collaborated in providing targeted loans, trade financing, issuing joint guarantees with the export credit agency, issuing letters of credit, conducting foreign settlements, currency trading, supplying cash on hand, and others. In addition, the Bank helped the customers to improve their foreign trade turnover and reduce financing costs, provided payment guarantee and letter of credit services to the customers engaged in import of goods from countries such as Korea, Japan, China, Singapore, Spain, Turkey, Italy, Germany, Poland, Malaysia, and the UAE. In particular, Golomt Bank issued import letters of credit that accounted for 46% of total import letters of credit issued in Mongolia, and issued 33% of total foreign guarantees in 2022.

### Payment service

In 2022, the Bank introduced specially designed Si debit and credit cards with an EMV technology chip, which facilitates confidentiality of information and the card security, and with NFC technology, which increases the operational efficiency without storing the customers high-confidentiality personal information on the card. In the reporting period, Golomt Bank launched 8 types of credit cards and 9 types of debit cards for individuals, as well as co-brand card products for corporations, meeting their needs and demand. As of the end of 2022, the total number of cardholders reached 524.6 thousand, and online shopping transactions increased by 29% percent, comprising 48% of the market.

### Foreign payments and transactions

Golomt Bank provides foreign settlement services in 15 different currencies through its about 50 nostro accounts at 29 foreign banks with the international reputation. Golomt Bank expanded the cooperation with New Zealand's ANZ Bank and introduced New Zealand Dollar (NZD) in its international payment system. As of the end of 2022, the share of Golomt Bank in foreign settlements of the banking system comprised 26%, accounting for 36% of the banking system.

### Insurance brokerage service

Golomt Bank provides mortgage, heavy and special purpose machinery, vehicles, travel, casualty and property insurance services. As of the end of 2022, 172,338 customers in total were covered by insurance, and premium income of MNT 8.1 billion was received. In 2022, the number of insured customers increased by 23%, and premium income soared by 29.7%.

### Custodian banking service

Golomt Bank is the Mongolian only sub-custodian bank of the JP Morgan Bank, leading custodian bank in the world, and has successfully participated in the JP Morgan Bank's annual feasibility study for the 5th year and showed positive results. Mutual Funds, first funds in the Mongolian Stock Exchange, provide a comprehensive service on safekeeping the

customers' assets. In collaboration, we calculated the net assets value of the mutual funds in the market and disseminated to the public. In addition, we have successfully connected the Fund's unit rights trading application with the Custodian banking system, and introduced it to the market.

Global custodian bank in cooperation with Golomt Custodian Bank conducts prompt settlement of securities trading carried out by the customers in foreign markets and provides safekeeping services with competitively advantageous conditions to customers.

#### **Foreign currency trading**

Golomt Bank, a systemically important bank in the Mongolian banking system, successfully maintained its leading position in the foreign exchange market in 2022. Due to impact of external and internal environmental factors, geopolitical tensions, and the Chinese government's "Zero-COVID" policy, a shortage of foreign currency has occurred in the domestic foreign exchange market, resulting in a sharp depreciation of Togrog. However, in order to consistently meet the foreign exchange demand of our customers and mitigate exchange rate risk, the Bank offered a range of financial derivatives.

Golomt Bank started offering New Zealand Dollar trading to its customers in 2022, and conducted trading and settlement in 16 different currencies every day.

#### **Hedging**

Golomt Bank introduced currency and commodity hedging services to the market in 2019. We offered hedging services to the Mongolia's largest petroleum importers and gold mining companies. Thus, the customers were able to hedge their funds and mitigate various risks. In the nearest future, the Bank intends to introduce hedging services on all types of commodities and foreign currencies.

#### **Gold trading**

Golomt Bank has maintained its leading position in the domestic gold market in 2022, delivering the largest amount of purchased gold to the Bank of Mongolia. To enhance the investment opportunities for its customers, the Bank introduced a new Intangible Gold Trading service that made it possible for customers to own and invest gold held in their accounts. Furthermore, we aim to introduce and offer financial derivatives from the international market to our customers.



Golomt Bank is an open bank, creates new values, and contributes to the development of the country and improvement of people's life through sharing its rich experience, acquired knowledge, and developed infrastructure.



# FINANCIAL OPERATIONS

2022 REPORT

# Audit opinion



## Independent Auditor's Report on the summary financial statements

To the Shareholders of Golomt Bank JSC:

### Our opinion

In our opinion, the accompanying summary financial statements of Golomt Bank JSC (the "Bank") are consistent, in all material respects, with the audited financial statements, on the basis described in note to the summary financial statements.

### The summary financial statements

The Bank's summary financial statements derived from the audited financial statements for the year ended 31 December 2022 comprise:

- the summary statement of financial position as at 31 December 2022;
- the summary statement of profit or loss and other comprehensive income for the year then ended;
- the note explaining basis of preparation.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards ("IFRS"). Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

### The audited financial statements and our report thereon

We expressed an unmodified audit opinion including a key audit matter on the audited financial statements in our report dated 30 March 2023.

### Management's responsibility for the summary financial statements

Management is responsible for the preparation of the summary financial statements on the basis described in note to the summary financial statements.

### Auditor's responsibilities

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), "Engagements to Report on Summary Financial Statements."

Signed by

  
  
 Bayarmaa Davaa  
 Executive Director  
 PricewaterhouseCoopers Audit LLC



Shaukat Tapia  
 Country Managing Partner  
 PricewaterhouseCoopers Audit LLC

30 March 2023  
 Ulaanbaatar, Mongolia



## Financial statements

**Golomt Bank JSC**  
**Statement of Financial Position**

<i>In thousands of Mongolian Tugriks</i>	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>Assets</b>		
Cash and balances with the Bank of Mongolia	1,142,404,090	694,954,420
Mandatory cash balances with the Bank of Mongolia	357,581,959	277,343,522
Due from other banks	1,566,963,380	1,056,447,510
Investments in debt securities	1,230,251,009	1,979,439,874
Investments in equity securities	22,513,491	18,472,715
Loans and advances to customers	3,697,633,345	3,339,174,837
Investment properties	10,276,475	17,427,586
Other assets	283,402,128	39,972,362
Derivative financial instruments	436,146,109	208,917,059
Intangible assets	20,948,388	17,848,672
Premises and equipment	151,367,641	150,019,342
Right of use assets	15,192,622	13,001,148
Repossessed collateral	43,191,321	106,953,168
Non-current assets classified as held for sale	6,687,575	74,084,536
<b>Total assets</b>	<b>8,984,559,533</b>	<b>7,994,056,751</b>
<b>Liabilities</b>		
Due to other banks	52,394,763	16,782,536
Customer accounts	5,743,297,867	5,463,543,390
Other borrowed funds	1,916,312,092	1,509,446,027
REPO arrangements	211,347,644	221,912,121
Current income tax liability	30,961,395	29,389,944
Deferred income tax liability	20,743,288	9,484,597
Lease liabilities	16,290,486	14,001,667
Other liabilities	131,306,235	70,834,446
<b>Total liabilities</b>	<b>8,122,653,770</b>	<b>7,335,394,728</b>
<b>Equity</b>		
Preferred shares	-	16,388,100
Share capital	202,164,327	168,638,148
Share premium	301,481,120	169,486,044
Retained earnings	283,420,821	242,436,053
Other reserves	74,839,495	61,713,678
<b>Total equity</b>	<b>861,905,763</b>	<b>658,662,023</b>
<b>Total liabilities and equity</b>	<b>8,984,559,533</b>	<b>7,994,056,751</b>

Approved for issue and signed on behalf of the Bank's management on 30<sup>th</sup> March 2023.

  
CH. MUNKHTSAYSEG  
Chairwoman, Board of Governors

  
K. NORIHIKO  
Chief Executive Officer

  
ГОЛОМТ БАНК  
ТТГ1075-2075377  
GOLOMT BANK

  
S. MUNKHTUYA  
Head of Financial Management Division

## Income statement

**Golomt Bank JSC**  
**Statement of Profit or Loss and Other Comprehensive Income**

<i>In thousands of Mongolian Tugriks</i>	<b>2022</b>	<b>2021</b>
Interest income calculated using the effective interest method	576,384,931	526,486,180
Other similar income	33,524,234	28,291,422
Interest expense	(222,857,161)	(271,257,957)
Other similar expense	(1,481,221)	(1,560,592)
<b>Net interest income</b>	<b>385,570,783</b>	<b>281,959,053</b>
Credit loss allowance	(45,969,488)	(35,770,454)
<b>Net interest income after credit loss allowance</b>	<b>339,601,295</b>	<b>246,188,599</b>
Fee and commission income	84,131,978	62,493,142
Fee and commission expense	(39,961,185)	(21,714,228)
Gains less losses from financial assets at fair value through profit or loss	7,326,760	1,695,813
Gains less losses from modification of borrowed fund at amortised cost	1,794,198	3,638,530
Losses less gains from disposal of financial assets at fair value through other comprehensive income	(48,339)	(626)
Gains less losses from financial derivatives	34,725,648	(21,818,582)
Gains less losses from trading in precious metals	7,815,364	4,785,518
Foreign exchange translation losses less gains	(10,060,088)	153,074
Gains less losses from trading in foreign currencies	58,228,967	20,398,503
Losses less gains from loans at fair value through profit or loss	(6,120,026)	(14,571,327)
Losses less gains from modification of financial assets measured at amortised cost, that did not lead to derecognition	(1,688,544)	(848,111)
Reversal of expected credit loss allowance of debt securities at amortised cost	4,181	(2,676)
Credit loss allowance for debt securities at fair value through other comprehensive income	(662,323)	(1,782,503)
Credit loss allowance of due from banks	(3,584,406)	13,591
Losses on initial recognition of assets at rates below market	(235,786)	(2,636,090)
Credit loss allowance of other assets	(868,016)	(539,852)
Gains less losses from non-current asset held for sale	5,413	(3,973,106)
Impairment provision charge for and loss from decrease in fair value of repossessed collateral	(96,897,798)	(78,887,826)
Provision (charge)/ reversal for guarantees and letters of credit	(509,336)	1,958,933
Losses less gains on revaluation of investment properties	(3,372,606)	(7,426,258)
Dividend received	32,813	204,394
Other operating income	1,154,973	3,835,000
Administrative and other operating expenses	(175,345,911)	(137,139,597)
Other (losses)/gains, net	(1,669,242)	(1,453,421)
<b>Profit before tax</b>	<b>193,797,984</b>	<b>52,570,894</b>
Income tax expense	(77,295,936)	(26,634,228)
<b>Profit for the year</b>	<b>116,502,048</b>	<b>25,936,666</b>

# Statement of changes in equity

**Golomt Bank JSC**  
**Statement of Changes in Equity**  
**31 December 2022**

<i>In thousands of Mongolian Tugriks</i>	Note	Ordinary share capital	Preferred share capital	Treasury preferred shares	Treasury shares	Share premium	Revaluation reserve for securities at FVTOCI	Revaluation reserve for premises	Other reserves	Retained earnings	Total equity
<b>Balance at 1 January 2021</b>		<b>42,240,037</b>	<b>25,778,900</b>	<b>(9,390,800)</b>	<b>(80,500)</b>	<b>291,843,805</b>	<b>(12,862,023)</b>	<b>7,495,543</b>	<b>75,680,019</b>	<b>210,853,485</b>	<b>631,558,466</b>
Profit for the year		-	-	-	-	-	-	-	-	25,936,666	25,936,666
Other comprehensive income		-	-	-	-	-	2,876,349	-	-	-	2,876,349
<b>Total comprehensive income for 2021</b>		-	-	-	-	-	<b>2,816,349</b>	-	-	25,936,666	<b>28,813,015</b>
Increase in nominal value of shares		126,720,111	-	-	(241,500)	(126,478,611)	-	-	-	-	-
Transfer of Revaluation reserve on investment in equity securities at FVTOCI to retained earnings upon disposal		-	-	-	-	-	9,349,580	-	-	(9,349,580)	-
Dividends declared and paid	33	-	-	-	-	-	-	-	-	(1,709,458)	(1,709,458)
Transfer of revaluation surplus on premises		-	-	-	-	-	-	(250,441)	-	250,441	-
Transfer to regulatory reserve		-	-	-	-	-	-	-	(20,575,349)	20,575,349	-
Other		-	-	-	-	4,120,850	-	-	-	(4,120,850)	-
<b>Balance at 31 December 2021</b>		<b>168,960,148</b>	<b>25,778,900</b>	<b>(9,390,800)</b>	<b>(322,000)</b>	<b>169,486,044</b>	<b>(636,094)</b>	<b>7,245,102</b>	<b>55,104,670</b>	<b>242,436,053</b>	<b>658,662,023</b>
Profit for the year		-	-	-	-	-	-	-	-	116,502,048	116,502,048
Other comprehensive income		-	-	-	-	-	(38,236,097)	-	-	-	(38,236,097)
<b>Total comprehensive income for 2022</b>		-	-	-	-	-	<b>(38,236,097)</b>	-	-	<b>116,502,048</b>	<b>78,265,951</b>
Share issue	33	526,179	-	-	-	131,788,974	-	-	-	-	165,315,153
Acquisition of treasury shares		-	-	(16,388,100)	-	-	-	-	-	(14,271,600)	(30,659,700)
Share retirement		(322,000)	(25,778,900)	25,778,900	322,000	206,102	-	-	-	(206,102)	-
Transfer of Revaluation reserve on investment in equity securities at FVTOCI to retained earnings upon disposal		-	-	-	-	-	3,065,729	-	-	(3,065,729)	-
Dividends declared and paid	33	-	-	-	-	-	-	-	-	(555,404)	(555,404)
Transfer of revaluation surplus on premises		-	-	-	-	-	-	(250,440)	-	250,440	-
Transfer to regulatory reserve		-	-	-	-	-	-	-	47,699,164	(47,699,164)	-
Share-based payments		-	-	-	-	-	-	-	847,461	-	847,461
Other		-	-	-	-	-	-	-	-	(9,969,721)	(9,969,721)
<b>Balance at 31 December 2022</b>		<b>202,164,327</b>	-	-	-	<b>301,481,120</b>	<b>(35,806,462)</b>	<b>6,994,662</b>	<b>103,651,295</b>	<b>283,420,822</b>	<b>861,905,763</b>

As of 31 December 2022, other reserves mainly consist of the regulatory reserves required by Bank of Mongolia (BOM). In accordance with the regulation of the BOM, it is required to recognize the excess difference of credit loss allowance and provision for repossessed collaterals determined in accordance with the regulations of BOM ("BOM impairment provision") in comparison to credit loss allowance and provision for repossessed collaterals determined under IFRS as a reserve in the statement of changes in equity. This reserve is created as appropriation of the Bank's retained earnings, as such treatment is in accordance with IFRS and the new accounting regulations of the Bank of Mongolia and represents regulatory reserve.

## Cash flow statement

### Golomt Bank JSC Statement of Cash Flow

<i>In thousands of Mongolian Tugriks</i>	Note	2022	2021
<b>Cash flows from operating activities</b>			
<b>Profit before tax</b>		<b>193,797,984</b>	<b>52,570,894</b>
Adjustments for non-cash income and expenses:			
Credit loss allowance	12	45,969,488	35,770,454
Losses less gains from financial assets at fair value through other comprehensive income		48,339	626
Gains less losses from financial assets at fair value through profit or loss		(7,326,760)	(1,695,813)
Gains less losses from modification of borrowed fund at amortised cost		(1,794,198)	(3,638,530)
Losses less gains from financial derivatives		(34,725,648)	21,818,582
Losses less gains from modification of financial assets measured at amortised cost, that did not lead to derecognition		1,688,544	848,111
Losses less gains of loans at fair value through profit or loss		6,120,026	14,571,327
Reversal of credit loss allowance of due from other banks		3,584,406	(13,591)
Impairment of debt securities at fair value through other comprehensive income		662,323	1,782,503
Credit loss allowance of debt securities at amortised cost		(4,181)	2,676
Losses on initial recognition of assets at rates below market		235,786	2,636,090
Losses on disposal of premises and equipment and investment properties		1,669,242	1,453,421
Foreign exchange (gains)/losses		10,060,088	(153,074)
Credit loss allowance for other assets	14	868,016	539,852
Reversal of provision for credit related commitment		509,336	(1,958,933)
Losses less gains from revaluation of investment properties	13	3,372,606	7,426,258
Losses less gains from non-current asset held for sale	19	(5,413)	3,973,106
Depreciation expense	16,17	27,077,479	24,555,445
Amortisation expense	15	6,063,280	3,837,579
Property and equipment written off	16	66	18,397
Impairment provision charge for and loss from decrease in fair value of repossessed collateral	18	96,897,798	78,887,826
Interest income	26	(609,909,165)	(554,777,602)
Interest expense	26	224,338,382	272,818,549
<b>Cash flows used in operating activities before changes in operating assets and liabilities</b>		<b>(30,802,176)</b>	<b>(38,725,847)</b>
(Increase) in mandatory cash balances with the Bank of Mongolia		(79,911,039)	(33,853,818)
(Increase) / decrease in due from other banks		(290,629,936)	95,873,906
Decrease / (increase) in debt securities at fair value true profit or loss		12,343,979	(2,188,600)
(Increase) / decrease in equity securities at fair value true profit or loss		(95,171)	1,029,277
(Increase) in loans and advances		(567,177,200)	(514,728,118)
(Increase) / decrease in other assets		(14,297,782)	80,328,375
Decrease / (increase) in repossessed collateral		85,278,199	(44,115,715)
(Increase) / decrease in non-current assets classified as held for sale		(44,592,847)	76,700,121
Increase in due to banks		31,075,728	2,102,465
Increase in customer account		284,574,136	256,942,420
Increase / (decrease) in other liabilities		60,809,914	(28,003,168)
<b>Net cash (used in) operating activities before tax and interest</b>		<b>(553,424,195)</b>	<b>(148,638,702)</b>
Income tax paid		(51,720,490)	(1,075,077)
Interest income received		616,840,938	557,033,125
Interest income received on investments at fair value through profit or loss		4,715,191	8,317,135
Interest paid		(225,243,451)	(382,483,341)
<b>Net cash (used in)/from operating activities</b>		<b>(208,832,007)</b>	<b>33,153,141</b>

**Golomt Bank JSC**  
**Statement of Cash Flow**

<i>In thousands of Mongolian Tugriks</i>	Note	2022	2021
<b>Cash flows from investing activities</b>			
Acquisition of debt securities at fair value through other comprehensive income		(112,280,200)	(93,473,456)
Proceeds from disposal of equity securities at fair value through other comprehensive income		138,979	12,837,742
Proceeds from disposal of investment property		7,516,430	18,648,928
Acquisition of premises and equipment	16	(21,121,361)	(25,795,226)
Proceeds from disposal of premises and equipment	16	508,280	704,525
Acquisition of intangible assets	15	(9,162,995)	(4,931,907)
Prepayment for non-current assets	14	(230,000,000)	-
<b>Net cash used in investing activities</b>		<b>(364,400,867)</b>	<b>(92,009,394)</b>
<b>Cash flows from financing activities</b>			
Proceeds from repo arrangements		424,211,523	562,558,030
Repayment of repo arrangements		(447,033,190)	(367,560,485)
Proceeds from drawdown of other borrowed funds	22	1,201,130,206	1,205,497,008
Repayment of other borrowed funds	22	(970,908,033)	(854,325,119)
Repayment of principal of lease liabilities		(5,758,791)	(5,205,254)
Issue of ordinary shares		165,315,153	-
Acquisition of treasury shares		(30,659,700)	-
Dividends paid	33	(555,404)	(1,709,458)
Other disbursement		(6,600,000)	-
<b>Net cash from financing activities</b>		<b>329,141,762</b>	<b>539,254,722</b>
Effect of exchange rate changes on cash and cash equivalents		84,779,713	7,540,251
<b>Net (decrease) / increase in cash and cash equivalent</b>		<b>(159,311,400)</b>	<b>487,938,720</b>
Cash and cash equivalents at the beginning of the period		2,434,725,888	1,946,787,169
<b>Cash and cash equivalents at the end of the period</b>	<b>7</b>	<b>2,275,414,488</b>	<b>2,434,725,888</b>

**Prudential ratios**

Golomt Bank regularly meets the prudential ratios and requirements set by the Bank of Mongolia, and continues to set a good standard in the industry.

Prudential ratios	Requirements	Golomt Bank's performance
Tier 1 Capital to Risk Weighted Assets ratio*	>9%+4% (variable component)	17.91%
Total Capital to Risk Weighted Assets ratio*	>12%	17.91%
Liquidity ratio	>25%	36.29%
Foreign Currency Open Position to Capital ratio (single foreign currency exposure risk)	<+-15%	8.00%
Foreign Currencies Open Positions to Capital ratio (total foreign currencies exposure risk)	<+-30%	10.76%

\*Based on audited financial statements for 2022.

**The Bank's liquidity and financial resources**

In addition to the liquidity ratio set by the Bank of Mongolia, Golomt Bank regularly calculates and monitors LCR and NSFR, the liquidity ratios developed by the Basel Committee. LCR or Liquidity Coverage Ratio indicates the availability of liquid assets at the bank for at least 30 calendar days to secure funding in the case of an unexpected event. Golomt Bank maintained LCR above the limit set in 2022 or above 100%, successfully managing short-term liquidity risk. NSFR or Net Stable Funding Ratio is a ratio indicating the adequacy of long-term stable funding to finance the bank's long-term assets. Golomt Bank maintained NSFR above 100%, and managed long-term liquidity risk at an appropriate level.

	2022	Limit
Liquidity ratio	36.29%	≥30%
LCR	185.2%	≥100%
NSFR	126.5%	≥100%

In order to ensure the bank's ability to make payment at the first request of the customer, and match bank's assets and liabilities in terms of structure and maturity, the Bank of Mongolia has set the liquidity prudential ratio at 25%. Within the scope of Assets and Liabilities Management Policy, Golomt Bank set the liquidity ratio above 30%, and the requirements for meeting short-term obligations in MNT and foreign currency or quick ratios above 22%, respectively. The Bank has been maintaining the ratios within the appropriate levels throughout 2022.

### Off-balance sheet items and transactions

In order to meet the financial needs of its customers, the Bank issues guarantees and warranties, off-balance sheet items that are not recorded on the balance sheet. Guarantees issued in connection with Bank's loans are shown below:

MNT '000	2022
Issued financial guarantees	66,863,233
Issued performance guarantees	355,360,186
Letters of credit	244,371,440
Unutilized line of credit	284,861,192
Obligations related to loans and other equivalent assets	951,456,051

\* Based on audited financial statements for 2022.

### Loans, letters of credit and other equivalent assets to related parties

Report on loans and other equivalent assets to related parties, 2022

Bank's related parties	Assets	Outstanding balance	Өөрийн хөрөнгөд эзлэх хувь
(MNT, mln)	Share to Capital		
Loans and other equivalent assets to the bank's single related party shall not exceed 5% of the Capital			
	Зээл, зээлийн шугам, баталгаа батлан даалт	31,759	3.87%
Shareholders	Loans, lines of credit, guarantees, warranties	31,759	3.87%
Key management personnel	Loans, lines of credit, guarantees, warranties	3,185	0.39%
Other related parties	Loans, lines of credit	15,344	1.87%
Loans and other equivalent assets to the bank's single related party shall not exceed 5% of the Capital			
Shareholders	Receivables, loans, lines of credit, guarantees, warranties	42,248	5.15%
Key management personnel	Loans, lines of credit, guarantees, warranties	9,411	1.15%
Other related parties	Loans, lines of credit, guarantees, warranties, receivables, shares	19,342	2.36%







# INFORMATION ON MARKET RISK

2022 REPORT

2022 was a year of major challenges and hurdles, such as international tensions, war-related supply chain and energy crises, central banks' fight against inflation, the restrictive monetary policy, and China's anti-COVID policy. In the unstable situation of the largest economies, Golomt Bank has monitored the risks, which may affect its customers and operations, according to the internationally recognized methodology, and cooperated with the regulatory body by taking response measures in compliance with its policy.

Golomt Bank is working to further improve the main components of the risk management system, such as formation of risk capacity reserves, risk appetite statement, traffic light methodology, which are based on the results of stress testing, "Three lines of defense model", and risk tolerance. The main purpose of these policy documents is to improve the long-term financial and non-financial stability of Golomt Bank, and to develop appropriate risk management, and they are used as the main tool and guidance in our risk management activities. The Bank approved, facilitated the successful implementation of the "Three lines of defense model" according to the international standards. In particular:

- Business units responsible for managing risks associated with day-to-day operations within the framework of the Bank's policies, procedures, and their roles and responsibilities, and the units responsible for supporting them belong to the first line defense.
- Units responsible for monitoring first line risk management, controlling and setting the limits for risk exposure for the Bank, belong to the second line of defense.
- The independent internal auditors are the third line of defense.

Based on the materiality of the risks mentioned in the risk taxonomy, the Bank identified the main risks and set limits on them. These limits are defined in the Bank's "Risk Appetite Statement" and is updated annually.

In addition, the Bank assesses its capital adequacy by developing and implementing its internal capital adequacy assessment process (ICAAP) issued by the Basel Committee on Banking Supervision, applying it to the stress tests and presenting to the relevant committee. Strategic evaluation – The impact of a change or expected change in the market conditions on the Bank's profitability and risk appetite is assessed and re-evaluated at regular intervals, then reassessed based on the key assumptions of the stress test, and the results are used to develop the following year's strategic and business plan. This measures are taken within the framework of the regulatory body's policy and at an appropriate level.

#### **Market risk management**

During the reporting period, the financial market faced risks such as foreign currency risk, equity risk and commodities price volatility, but the Bank prevented from potential losses by implementing an effective market risk management policy and further strengthening the risk management system.

In 2022, Golomt Bank not only met the requirements set by the Bank of Mongolia for open foreign currency positions, but fully complied with the Bank's own risk appetite statement. The Bank adjusted financial and non-financial activities to the post-pandemic economic conditions and policy changes, and amended and updated internal limits and requirements. In addition, within the limits approved by the Assets and Liability Management Committee, potential losses from exchange rate risk are calculated and monitored daily using value at risk method, and limits are determined for each counterparty based on the credit rating and financial ratios of the counterparty and the relevant country. Also, the Bank established a long-term swap agreement within the monetary instruments of the Bank of Mongolia, and reported the value of the derivative in accordance with the International Accounting Standard IFRS 9.

#### **Liquidity risk management**

During the reporting period, we have maintained strong short and long term liquidity positions as stated in the Bank's Business Plan. The Bank maintained strong liquidity positions throughout 2022 within the framework of the requirements set by the Bank of Mongolia and the Bank's risk appetite statement.

In accordance with the standards set by the Basel Committee on Banking Supervision, the Bank regularly uses and maintains the Liquidity Coverage Ratio (LCR) to manage and monitor short-term liquidity risk, and the Net Stable Funding Ratio (NSFR) to manage and monitor medium- and long-term liquidity risk. In addition, potential liquidity risks are assessed, stress tests are regularly performed and the results are used in decision-making. In 2020, we developed internal capital adequacy assessment process (ICAAP) and internal liquidity adequacy assessment process (ILAAP) in accordance with the standards set by the Basel Committee on Banking Supervision. Under these frameworks, net stable funding ratio was estimated and the Bank's risk capacity was determined based on it.

In order to further improve the Bank's liquidity risk management and protect against potential risks, internal policies, procedures, methods, and crisis management plans have been developed and implemented in accordance with the international standards.





# REPORT ON USE OF RAISED FUNDS

2022 REPORT

Golomt Bank offered its shares to the public through the primary market in November 23-30, 2022. Due to the high subscription demand from the public during the initial market trading, Golomt Bank and the underwriters exercised Greenshoe, thus, successfully raised funds of MNT 118,815,152,890 from the public in total. The Bank increased its Capital by MNT 116,712,124,684 after deducting IPO related expenses in accordance with IFRS and Corporate income tax legislation from raised funds.

### Capital indicators

Nº	Capital indicators	6/30/2022	12/31/2022
1	Tier 1 Capital	625,445	854,064
2	Total Capital	641,833	854,064
3	Risk Weighted Assets	4,458,178	4,768,641
Nº	Үзүүлэлт	6/30/2022	12/31/2022
1	Tier 1 Capital Adequacy Ratio	14.03%	17.91%
2	(>9.0%)	14.40%	17.91%
	Total Capital Adequacy Ratio (>12.0%)	14.40%	17.91%

*\* Based on audited financial statements for 2022.*

The capital of the Bank increased, the ratio of total capital to risk-weighted assets improved by approximately 2.5 p.p., and it became possible to increase the loan portfolio.

As of the reporting date, the Bank used funds raised from the public for issuance of loans as it was stated in the IPO Prospectus.



# DIVIDEND INFORMATION

2022 REPORT

The Board of Directors of Golomt Bank JSC decided to distribute dividend of MNT 50 per share to all shareholders from the profit of 2022 at its meeting held on 15 February 2023.

The record date for the shareholders entitled to receive dividends was set at the date of registration for the Regular Shareholders Meeting. It was decided to distribute the dividends to the shareholders' accounts through the Mongolian Central Securities Depository within 60 days after receiving the approval from the regulatory body.

Date of BOD Resolution	15/02/2023
Registration date for shareholders entitled to receive dividend	04/04/2023 /Registration date, Regular Shareholders Meeting/
Dividend per Share	MNT 50
Total Dividends Distribution	MNT 40,432,865,300
Dividend distribution ratio, %	40.4%
Dividend Yield, % /Closing date, 15/02/2023/	4.4%





INFORMATION ON  
SALARIES AND  
INCENTIVES

2022 REPORT

Golomt Bank's total salaries and incentives in 2022 are as follows:

/ MNT '000 /	2022
Salaries, wages, bonuses	55,360,029
Health, social security fee payments	6,780,120
Employees benefits	658,404
Pension Fund	260,466
Employees training	466,532

*\* Based on audited financial statements for 2022*



# SOCIAL RESPONSIBILITY

2022 REPORT

## “Genesis of Heritage and Culture” project

Golomt Bank initiated the “Genesis of Heritage and Culture” historical and archeological project and started its implementation in cooperation with the Institute of Archeology of the Mongolian Academy of Sciences (MAS). The first activity within the project framework, archaeological excavations and research works at locations of the Wang Khan's Palace of Khereids or the ruins of Turgeny Balgas-Tuul "Khar Tune Ord" historical place were successfully completed. The cooperation is not limited to this project, and in the future, we will work together and support other archeological projects for the preservation and protection of Mongolia's historical and cultural immovable monuments and physical heritage, researches; develop research activities according to the methodology; and promote cultural heritage worldwide. Due to shortage in funding, the Institute of Archeology of the MAS usually has been carrying out excavations and research works in cooperation with foreign organizations, but now, the Mongolian private sector joined the forces, and Golomt Bank became the first investor in this field.



## “Heart Never Forgets” Project

Golomt Bank's Altantulkhur Children's Foundation supported and cooperated with "Heart Never Forgets" Project for the 3rd year. In 2022, the Project Team gave life to thousands of children in Mongolia, Kyrgyzstan, and Tuva by conducting examinations, diagnosis, and surgery. Golomt Bank not only provides financial support to the Project every year, but also provides other necessary assistance. In result of cooperation, 18,000 children have been examined and diagnosed; and more than 600 children have been successfully operated. The Project Team initially planned to operate on 44 children per year, but our cooperation resolved financial and other issues at a certain extent, and the number of operations per year increased to 350-360.



## “Student scholarship” program

Golomt Bank, a supporter of education, successfully implemented "100 Students Scholarship Program" within the framework of social responsibility for the 18th year. As of 2022, more than MNT 1 billion scholarships were granted to 1,600 students in 15 branches of more than 50 universities and colleges. In addition to awarding scholarship to students, the Program provides them with the opportunities to work as a research student, join the “G-Student” Club, learn and develop as a club member, engage in community activities, and enhance their knowledge and skills. The students with any majors can be included in the Program. Upon the graduation, students participated in the Program can get a stable job at Golomt Bank. There are a few examples of students who have started their career at the Bank and have been promoted to the managerial positions.



## The Mongolian Morin Khuur Ensemble

To preserve the cultural heritage and promote the traditional Mongolian art, Golomt Bank has been supporting the Morin Khuur Ensemble for the last 12 years. The Morin Khuur Ensemble celebrated its 30th anniversary in 2022, and during the period of cooperation the Ensemble has performed more than 35 concerts.





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