

LENDMN NBFI JSC AND ITS SUBSIDIARY
(Incorporated in Mongolia)

Consolidated Audited Financial Statements
31 December 2023



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GENERAL INFORMATION

Chairman:	Boldbaatar O.
Members of Board of Directors:	Khos-Erdene B. Bayarsaikhan V. Uuganbayar Ts. Itgel B. Enkh-Amgalan S.
Independent members of Board of Directors:	Borgil S. Jargalsuren J. Galkhuu D.
Registered address:	Pearl tower, Tourist street 34, 3 rd khoroo, Chingeltei District, Ulaanbaatar, Mongolia
Principal bankers:	Khan Bank JSC State Bank JSC Golomt Bank JSC XacBank JSC Trade and Development Bank of Mongolia JSC Capitron Bank LLC
Auditors:	Ernst & Young Mongolia Audit LLC Certified Public Accountants

STATEMENT BY EXECUTIVE MANAGEMENT

We, Uuganbayar Tserendorj, being the Chief Executive Officer of LendMN NBFJ JSC (the "Company") and its subsidiary (collectively, the "Group") and Zoljargal Ganbold, being the Chief Accountant primarily responsible for the consolidated financial statements of the Group, do hereby state that, in our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group at 31 December 2023 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 International Accounting Standards Board ("IASB").



Uuganbayar Tserendorj
Chief Executive Officer

Zoljargal Ganbold
Chief Accountant

INDEPENDENT AUDITOR'S REPORT

To the shareholders of LendMN NBFI JSC

Opinion

We have audited the consolidated financial statements of LendMN NBFI JSC (the "Company") and its subsidiary (the "Group") which comprise the consolidated statement of financial position as at 31 December 2023, 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 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as issued by International Accounting Standards Board ("IASB").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of 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 matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to 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 matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



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INDEPENDENT AUDITOR'S REPORT (CONT'D.)

To the shareholders of LendMN NBFI JSC

Key Audit Matters (Cont'd.)

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of loans and advances to customers</p> <p>The impairment of loans and advances to customers is estimated by the Group's management through the application of judgement and use of highly subjective assumptions.</p> <p>Due to significance of loans and advances to customers, representing over 92.5% of the Group's total assets as at 31 December 2023 and the related estimation uncertainty we considered impairment of loans and advances to customers as a key audit matter.</p> <p>The impairment method is based on a forward-looking Expected Credit Loss ("ECL") approach. Elements of the ECL model requires significant estimates and assumptions, including:</p> <ul style="list-style-type: none"> • Staging of financial assets; • Development of ECL models and the choice of inputs, including probability of default ("PD") and loss given default ("LGD"); • Determination of the Exposure at Default ("EAD"), including the credit conversion factor for the undrawn loan commitments; • Determination of associations between macroeconomic scenario, economic inputs, and the effect on inputs to the ECL calculation; • Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL model; • Market value determination of collateral. <p>Relevant disclosures of the accounting policy and critical accounting estimates and judgements are included in Notes 2 and 4 to the consolidated financial statements, respectively.</p> <p>Other relevant disclosures of loans and advances to the customers and related credit risk management are included in Notes 6, 12 and 21.3 to the consolidated financial statements, respectively.</p>	<p>For assessment of impairment allowance of loans and advances to customers as of 31 December 2023, our audit procedures included evaluating the methodologies, inputs and assumptions used by the Group in its ECL model in calculation of impairment of loans and advances to customers.</p> <p>In evaluating the methodologies, we obtained an understanding of the Group's ECL model and management's basis for methodologies and assumptions applied. We considered the reasonableness of the model and compared to industry practices. We also considered the reasonableness of the assumptions applied and our evaluation including the assessment of basis for classification of exposures into the 3 stages, the appropriateness of the PD, LGD and EAD determination and the forward-looking macroeconomic variables incorporated in the model.</p> <p>In testing the appropriateness of the stage classifications, we have tested the completeness of the aging report by agreeing the amounts in the aging report to the financial records. We also tested the adequacy of the aging information based on a random sampling selection basis by verifying the information against other supporting documents.</p> <p>We compared the key inputs to the ECL model to the Group's internal available historical data, externally available industry, financial and economic data. Our testing included the followings:</p> <ul style="list-style-type: none"> • Tested the accuracy of internal data applied for the calculation of historical PD and LGD on a random selection basis; • Checked the parameters to external data sources where available, including the macroeconomic variables used in multiple scenario analysis; • Checked completeness of the EAD including the accuracy of the credit conversion factors to the historical data; • Market value determination on loan with collateral; and



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INDEPENDENT AUDITOR'S REPORT (CONT'D.)

To the shareholders of LendMN NBFJ JSC

Key Audit Matters (Cont'd.)

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances to customers	
	<ul style="list-style-type: none"> • Considered the reasonableness of considerations made and compared to industry practices, including: <ul style="list-style-type: none"> - Evaluated the Group's assessments on the need for segmentation. - Evaluated the reasonableness of the qualitative factors applied in management's reassessment of its multiple macroeconomic scenario allocation. <p>We also considered the consistency of judgement applied in the key inputs to the ECL model.</p> <p>We assessed the adequacy of the related disclosure in the notes to the consolidated financial statements.</p>

Other information included in the Annual Report

The Directors and executives are responsible for the other information. The other information comprises the other sections of the Annual Report but 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.



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INDEPENDENT AUDITOR'S REPORT (CONT'D.)

To the shareholders of LendMN NBFJ JSC

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 skepticism throughout the audit. We also:

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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



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INDEPENDENT AUDITOR'S REPORT (CONT'D.)

To the shareholders of LendMN NBFJ JSC

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This report is made solely to the shareholders of the Group, as a body, in accordance with the audit requested by the shareholders in accordance with agreed terms of engagement 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

Ulaanbaatar, Mongolia
Date: 5 February 2024

Approved by:



Adrian Chu
Partner

LendMN NBFJ JSC and its subsidiary
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2023

	Notes	2023 MNT'000	2022 MNT'000
Interest and similar income	5	47,842,587	20,214,948
Interest and similar expense	5	(9,527,344)	(3,949,684)
Net interest and similar income		38,315,243	16,265,064
Credit loss expense	6	(2,684,956)	(1,438,655)
Net interest and similar income after allowance for impairment		35,630,287	14,826,409
Administrative and operating expenses	7	(10,223,598)	(7,656,249)
Other income/(expenses), net	8	(35,966)	(637,914)
Profit before income tax		25,370,723	6,532,246
Income tax expense	9.1	(5,574,907)	(1,007,265)
Net profit for the year, representing total comprehensive income attributable to equity holders		19,795,816	5,524,981
		MNT	MNT
Earnings per share			
Equity holders of the parent			
Basic and diluted earnings per share	10	26.78	7.47

LendMN NBFI JSC and its subsidiary
Consolidated Statement of Financial Position
As at 31 December 2023

	Notes	2023 MNT'000	2022 MNT'000
ASSETS			
Cash and cash equivalents	11	7,885,968	5,217,581
Loans and advances to customers	12	123,462,373	69,586,280
Debt instruments at amortised cost		–	172,230
Other assets	13	415,965	768,409
Prepayments		55,975	45,437
Intangible assets	14	355,542	401,095
Property and equipment	15	306,158	373,470
Right-of-use assets	16	945,652	217,592
Deferred tax assets	9.3	41,318	76,663
TOTAL ASSETS		133,468,951	76,858,757
LIABILITIES			
Income tax payable	9.2	3,638,541	815,146
Lease liabilities	16	981,642	285,772
Borrowings	17	77,445,677	44,225,863
Asset-backed securities	18	4,798,243	4,679,661
Other liabilities	19	3,863,865	2,622,414
Deferred tax liability	9.3	9,044	–
TOTAL LIABILITIES		90,737,012	52,628,856
EQUITY			
Ordinary shares	20.1	10,756,859	10,756,859
Treasury shares	20.2	(2,337,547)	(2,337,547)
Other reserve	20.3	57,348	57,348
Retained earnings		34,255,279	15,753,241
TOTAL EQUITY		42,731,939	24,229,901
TOTAL LIABILITIES AND EQUITY		133,468,951	76,858,757

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

LendMN NBFJ JSC and its subsidiary
Consolidated Statement of Changes in Equity
For the year ended 31 December 2023

	Share capital MNT'000 Note (20.1)	Treasury shares MNT'000 Note (20.2)	Other reserve MNT'000 Note (20.3)	Retained earnings MNT'000	Total equity MNT'000
At 1 January 2022	10,756,859	(2,337,547)	57,348	11,337,213	19,813,873
Net profit for year representing total comprehensive income for the year	-	-	-	5,524,981	5,524,981
Dividends paid (Note 20.1)	-	-	-	(1,108,953)	(1,108,953)
At 31 December 2022	10,756,859	(2,337,547)	57,348	15,753,241	24,229,901
Net profit for year representing total comprehensive income for the year	-	-	-	19,795,816	19,795,816
Dividends paid (Note 20.1)	-	-	-	(1,293,778)	(1,293,778)
At 31 December 2023	10,756,859	(2,337,547)	57,348	34,255,279	42,731,939

LendMN NBFJ JSC and its subsidiary
Consolidated Statement of Cash Flows
For the year ended 31 December 2023

	Notes	2023 MNT'000	2022 MNT'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		25,370,723	6,532,246
<i>Adjustments to reconcile profit before tax to net cash flows:</i>			
Interest expense on borrowings	5	8,493,425	3,716,854
Interest expense on asset-backed securities	5	940,822	152,289
Accretion of interest on lease liabilities	5, 16	93,097	80,761
Impairment on loans and advances to customers	6, 12	2,699,370	1,381,057
Impairment/(reversal) on undrawn commitments	6, 19	(14,414)	57,598
Depreciation of property and equipment and right-of-use assets	7	570,415	386,554
Amortisation of intangible assets	7	45,553	46,743
Unrealised foreign exchange loss/(gain), net	8	(223,852)	385,521
Loss on write-off of property and equipment	8, 15	3,950	4,419
Operating profit before working capital changes		37,979,089	12,744,022
<i>Changes in operating assets and liabilities:</i>			
Net increase in loans and advances to customers		(56,575,463)	(38,541,290)
Net decrease/(increase) in other assets		352,444	(54,621)
Net increase in prepayments		(10,538)	(26,641)
Net increase in other liabilities		1,265,774	1,608,589
Cash used in operations		(16,988,694)	(24,269,941)
Income tax paid	9.2	(2,704,705)	(269,808)
Income tax withheld by third parties	9.2	(2,418)	(4,062)
Interest portion of lease liabilities paid		(93,097)	(80,761)
Interest paid		(8,056,575)	(3,857,595)
Net cash flows used in operating activities		(27,845,489)	(28,482,167)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial instruments		-	(172,230)
Proceeds from repayment on financial instruments		172,230	-
Purchase of property and equipment	15	(99,137)	(112,435)
Net cash flows generated from/(used in) investing activities		73,093	(284,665)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bonds issued		8,705,967	7,779,862
Proceeds from loans		51,398,771	13,717,978
Proceeds from trust financing		32,064,150	17,864,887
Repayment of bonds issued		(7,500,000)	(20,000)
Repayment of loans		(35,041,154)	(4,881,238)
Repayment of trust financing		(17,441,233)	(3,974,404)
Principal portion of lease liabilities paid		(440,106)	(297,197)
Dividends paid		(1,293,778)	(1,108,953)
Net cash flows generated from financing activities		30,442,617	29,080,735
Net increase in cash and cash equivalents		2,670,221	313,903
Effect of exchange rate changes on cash and cash equivalents		(1,834)	-
Cash and cash equivalents at beginning of the year	11	5,217,581	4,903,678
Cash and cash equivalents at the end of the year	11	7,885,968	5,217,581

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

LendMN NBFI JSC and its subsidiary
Consolidated Statement of Cash Flows (Cont'd.)
 For the year ended 31 December 2023

		2023 MNT'000	2022 MNT'000
Operational cash flows from interest			
Interest received		47,970,615	20,526,063
Interest income	5	47,842,587	20,214,948
Non-cash transactions:			
Additions to ROU assets and lease liabilities	16	1,188,438	106,318
Early lease termination		(52,460)	-

Reconciliation of the liabilities arising from financing activities is shown below:

	Borrowings		Asset-backed securities	
	2023 MNT'000	2022 MNT'000	2023 MNT'000	2022 MNT'000
As at 1 January	44,225,863	18,021,590	4,679,661	-
Proceeds	92,158,888	34,697,733	-	4,664,794
Repayments	(59,982,387)	(8,875,642)	-	-
Interest expense during the year	8,493,425	3,716,854	940,822	152,289
Interest paid	(7,234,335)	(3,720,193)	(822,240)	(137,402)
Unrealised foreign exchange loss	(215,177)	385,521	-	-
As at 31 December	<u>77,445,877</u>	<u>44,225,863</u>	<u>4,798,243</u>	<u>4,679,661</u>

1 Corporate information

LendMN NBFI JSC (the "Company") is a joint stock company listed on the Mongolian Stock Exchange ("MSE") and incorporated and domiciled in Mongolia. The Company was listed on the MSE on 14 March 2018 and became a publicly traded company. The Company operates under a non-banking financial institution ("NBFI") with special license No. 1/493 issued by the Financial Regulatory Commission ("FRC") on 24 June 2015. The special license covers the permission for lending and online payment money transfer activities in Mongolia. On 20 March 2019, the Company obtained Trust service license and Factoring service license No. 45 issued by the FRC. On 23 May 2019, the company obtained foreign currency transaction service license No 128 issued by the FRC.

Principal activity. The Company was established to provide 24/7 mobile phone based financial services to issue instant loans for under/served people using its LendMN technology developed by AND Systems Tech LLC, a fellow subsidiary incorporated in Mongolia. The LendMN technology is a fintech solution licensed by AND Systems Tech LLC. In 2018, the Company enhanced its operational scope by launching a new product, Lend Wallet, which is a digital wallet that enables customers to make various types of payments and financial transactions through the Lend Wallet application.

The ultimate parent company is AND Global Pte Ltd, a fintech company incorporated in Singapore.

On 3 July 2022, the Company established a new subsidiary LendMN Active SPC LLC. The principal activities of the subsidiary are to purchase loan pools from the Company and issue asset-backed securities ("ABS") securitised by those loans. The business activity of issuing ABS is a licensed activity in accordance with the Asset-Backed Securities Law of Mongolia. The subsidiary obtained the special permit to issue ABS from the FRC on 4 August 2022.

The consolidated financial statements are presented in Mongolian Tugriks ("MNT"), and all values are rounded to the nearest thousands, unless otherwise stated.

The consolidated financial statements of the Group were authorised for issuance in accordance with the resolution of the Board of Directors on 5 February 2024.

2 Material accounting policies

Basis of preparation and statement of compliance. The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") (which includes all IFRS, International Accounting Standards ("IAS") and Interpretations) as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements have been prepared on a historical cost basis. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (including changes to the accounting policy as disclosed in Note 3).

Presentation of financial statements. The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 24.

Basis of consolidation. The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December 2023. The Company consolidates a subsidiary when it controls it. 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, and
- The ability to use its power over the investee to affect its returns

2 Material accounting policies (Cont'd.)

Basis of consolidation (Cont'd.)

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, including:

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the Company can direct those activities
- Contractual arrangements such as call rights, put rights and liquidation rights
- Whether the Company is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns

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 statement of profit and loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without 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 interests, 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 at the date of loss of control.

Going concern. The Group's management has assessed its ability to continue as a going concern and is satisfied that the Group has sufficient resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Financial instruments – Date of recognition. Financial assets and liabilities, except for loans and advances to customers and other receivables, are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans and advances to customers and other receivables are recognised when funds are transferred to the customers' accounts.

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 are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at fair value through profit or loss, transaction costs are added to, or subtracted from, this amount.

2 Material accounting policies (Cont'd.)

Initial measurement of financial instruments (Cont'd.)

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

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,
- Fair value through other comprehensive income ("FVOCI"), or
- Fair value through profit or loss ("FVPL")

Financial instruments – Loans and advances to customers. The Group measures loans and advances to customers 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; and
- 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 Group determines its business model at the level that best reflects how it manages the financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

2 Material accounting policies (Cont'd.)

Financial instruments - Loans and advances to customers (Cont'd.).

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method ("EIR")

Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position

Undrawn loan commitments are commitments under which the Group is required to provide a loan with pre-specified terms to the customer

Financial liabilities - Debt issued and other borrowed funds. Debt issued and other borrowed funds are contractual obligations to local and foreign financial institutions.

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost using the EIR. The amortised cost of debt issued and other borrowed funds is calculated using EIR by taking into account any transaction costs related to the transaction.

An analysis of the Group's debt issued and other borrowed funds are disclosed in Note 17 and 18

Derecognition of 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 financial asset have expired

Derecognition of financial liability. A financial liability is derecognised when the obligation under the liability is discharged, 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

The effective interest method. Under IFRS 9, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset. The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR.

The effective interest method

The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset. The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR

2 Material accounting policies (Cont'd.)

Impairment of financial assets

The Group has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments.

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

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

- Stage 1: When financial assets are first recognised, an allowance is based on 12mECLs. Stage 1 financial assets also include facilities where the credit risk has improved, and the financial assets has been reclassified from Stage 2.
- Stage 2: When a financial asset has shown a significant increase in credit risk since origination, an allowance is based on the LTECLs. Stage 2 financial assets also include facilities, where the credit risk has improved, and the financial assets has been reclassified from Stage 3.
- Stage 3: Financial assets considered credit-impaired. An allowance is based on the LTECLs.
- POCI: Purchased or originated credit impaired 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. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

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

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

When estimating the ECLs, the Group considers three scenarios (a base case, a best case, and a worst case). Each of these is associated with different PDs, EADs and LGDs, as set out in Note 21.3.

2 Material accounting policies (Cont'd.)

Impairment of financial assets (Cont'd.)

When estimating ECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. For outstanding loans and receivables as at 31 December 2023 and 2022, the ECL is presented together with the loans and receivables. For undrawn loan commitments, the ECL is recognised within Provisions.

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

- Monthly state household consumption,
- Monthly M2 - money supply,
- Monthly CPI (consumer price index),
- Change of monthly household consumption,
- Monthly unemployment rate,
- Monthly average salary,
- Monthly foreign investment,
- Monthly loan interest rate /MNT/,
- Silver price,
- Monthly Gini coefficient.

Collateral. The Group's main loan products and receivables, namely microloans, are not collateralised. Car loans, which represented 4.13 % of the Group's total loan portfolio as at 31 December 2023, are secured by the underlying cars purchased by borrowers.

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 a quarterly basis. Details of the impact of such credit enhancements are disclosed in Note 21.3.

To the extent possible, the Group uses active market data for valuing the assets held as collateral.

Write-offs. Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss for the period.

Cash and cash equivalents. Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments (primarily term deposits with banks) with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statements.

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

At the end of each reporting period management assesses whether there is any indication of impairment of property and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is 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. Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses). Depreciation on items of property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

2 Material accounting policies (Cont'd.)

Property and equipment (Cont'd.)

	<u>Useful lives in years</u>
Furniture, office equipment and vehicles	10 years
Computers and technical equipment	3 years
Office renovation	5 years

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

Leases. The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Office building – 5 years ownership of the leased asset transfers to the Group.

After lease commencement, a lessee shall measure the right-of-use asset using a cost model. Under the cost model a lease asset is measured at cost less accumulated depreciation and accumulated impairment. The right of use asset is subject to impairment. Refer to section "Impairment of non-financial assets" and also note 16 for Right of use assets.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. Please refer to Note 16 for details.

2 Material accounting policies (Cont'd.)

Intangible assets. The Group's intangible assets have definite useful lives and primarily include capitalised licenses and service license.

Computer software licenses acquired are capitalised on the basis of the costs incurred to acquire and bring them to use. Intangible assets are amortised using the straight-line method over their useful lives:

	<u>Useful lives in years</u>
LendMN technology licenses (Lending and wallet systems)	10 years

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the balance sheet date. The income tax charge comprises current tax and deferred tax and is recognised in the profit or loss unless it relates to transactions that are 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 consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

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. 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 period 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.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest, and taxes other than on income are recognized based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Value added tax (VAT). Management has assessed that the Group has no VAT liabilities arising from non-financial services activities, while financial services activities (such as lending) are exempted from VAT based on Value Added Tax Law of Mongolia. Thus, the Group was not registered for VAT as at 31 December 2023 and 31 December 2022.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Other liabilities. Other liabilities are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

2 Material accounting policies (Cont'd.)

Income and expense recognition. Interest income and expense are recorded for financial instruments other than credit-impaired assets on accruals 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, negotiating the terms of the instrument and for processing transaction documents. LandMN fee income, charged on each loan disbursement, is also part of the effective interest rate although it is not called interest income.

When a financial asset becomes credit-impaired and is therefore regarded as Stage 3 in the ECL models, the Group calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset.

If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Share capital and reserves. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

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

Foreign currency translation. The functional currency of the Group is a currency of the primary economic environment in which the entity operates. Thus, the Group's functional currency and presentation currency is the national currency of Mongolia, Mongolian Tugrik ("MNT").

Monetary assets and liabilities are translated into the Group's functional currency at the official exchange rate of the Bank of Mongolia ("BOM") at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into the Group's functional currency at year-end official exchange rates of the BOM are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the statements of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Staff costs and related contributions. Wages, salaries and other salary related expenses are recognised as an expense in the year in which the associated services are rendered by the Group's employees. Short term accumulating compensated absences such as paid annual leave are recognised when services rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when absences occur. As required by law, companies in Mongolia make contributions to the government pension scheme - Social Security and Health Insurance Fund. Such contributions are recognised as an expense in the profit or loss as incurred. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

2 Material accounting policies (Cont'd.)

Share-based payments. AND Global Pte Ltd (the ultimate parent company of the Group) granted equity settled share-based payments to key employee(s) of the Group. The fair value of these equity settled transactions is determined at grant date and is recognised as an employee expense in the statement of profit or loss, with the corresponding increase in equity, on a straight-line basis over the vesting period. Non-market vesting conditions are included in the assumptions about the number of options that are expected to vest. At each reporting date, the Group revises its estimates of the number of options that are likely to vest. Any adjustment from this revision is recognised in the statement of profit or loss with a corresponding adjustment to equity. The Group does not operate any cash-settled share-based payment schemes or share-based payment transactions with cash alternatives as defined in IFRS 2.

Segment reporting. Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

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

Transactions with related parties. A related party is a person or entity that is related to the Group:

- (a) A person or a close member of that person's family is related to a Group if that person:
 - (i) has control or joint control of the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group.
- (b) An entity is related to a Group if any of the following conditions applies:
 - (i) The entity are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) 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).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a) (i) 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).
 - (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. All material transactions and balances with the related parties are disclosed in the relevant notes to the consolidated financial statements and the detail is presented in Note 23.

3 Changes to accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following standards and amendments to IFRS that became effective for annual period beginning on or after 1 January 2023. Amendments and interpretations apply for the first time in 2023, but do not have an impact on the financial statements of the Group

3 Changes to accounting policy and disclosures (Cont'd.)

New and amended standards and interpretations

- | | |
|---|---|
| • IFRS 17 | <i>Insurance Contracts</i> |
| • Amendments to IAS 8 | <i>Definition of Accounting Estimates</i> |
| • Amendments to IAS 1 and IFRS Practice Statement 2 | <i>Disclosure of Accounting Policies</i> |
| • Amendments to IAS 12 | <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> |
| • Amendments to IAS 12 | <i>International Tax Reform—Pillar Two Model Rules</i> |

Standards issued but not yet effective

The Standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

- | | |
|----------------------------------|---|
| • Amendments to IFRS 16 | <i>Lease Liability in a Sale and Leaseback</i> ¹ |
| • Amendments to IAS 1 | <i>Classification of Liabilities as Current or Non-current</i> ¹ |
| • Amendments to IAS 7 and IFRS 7 | <i>Supplier Finance Arrangements</i> ¹ |

¹ Effective for annual periods beginning on or after 1 January 2024

These amendments are not expected to have a material impact on the Group.

4 Critical accounting estimates, and judgments in applying accounting policies

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

Impairment losses on loans and advances to customers. The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of the models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- Staging of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL model.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

4 Critical accounting estimates, and judgments in applying accounting policies (Cont'd.)

Impairment losses on loans and advances to customers (Cont'd.)

Management uses estimates based on historical loss experience for assets with 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.

5 Net interest and similar income and segment information

During the years ended 31 December 2023 and 2022, the Group was engaged in a single business segment, which is issuing instant and car loans to the individual borrowers in Mongolia. Information reported to the Group's chief decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented. As the Group's major operations and customers are located in Mongolia, no further geographical segment information is provided. There has been no single external customer that has contributed revenue exceeding 10% or more of the Group's revenue during the years ended 31 December 2023 and 2022.

	2023 MNT'000	2022 MNT'000
<i>Interest income calculated using the effective interest method</i>		
Loans and advances to customers	47,812,710	20,163,700
Interest income on bank accounts	16,873	40,622
Corporate loans	13,004	10,626
Total interest and similar income	<u>47,842,587</u>	<u>20,214,948</u>

	2023 MNT'000	2022 MNT'000
<i>Interest expense calculated using the effective interest method</i>		
Interest expense on borrowings	(8,493,425)	(3,716,854)
Interest expense on asset-backed securities	(940,822)	(152,269)
Interest accretion on lease liabilities (Note 16)	(93,097)	(80,761)
Total interest and similar expense	<u>(9,527,344)</u>	<u>(3,949,884)</u>

6 Credit loss expense

The table below shows the impairment charges/(reversals) on financial assets for the year recorded in profit or loss:

	2023 MNT'000	2022 MNT'000
Credit loss expense on loans and advances to customers (Note 12.1)	2,699,370	1,381,057
Credit loss expense/(reversal) on undrawn commitments (Note 19)	<u>(14,414)</u>	<u>57,598</u>
	<u>2,684,956</u>	<u>1,438,655</u>

7 Administrative and operating expenses

	2023	2022
	MNT'000	MNT'000
Staff costs	2,995,943	2,558,332
Professional services	2,665,743	1,598,240
LendMN system maintenance/service fees (Note 23)	2,222,570	1,197,607
Other administrative expenses	731,725	984,117
Advertising and marketing services	480,863	423,714
Depreciation of property and equipment and right-of use-assets (Notes 15 and 16)	570,415	386,554
Social security contributions	352,508	310,389
Bank charges	138,061	99,357
Maintenance expenses	20,217	51,196
Amortisation of intangible assets (Note 14)	45,553	46,743
	<u>10,223,598</u>	<u>7,656,249</u>

8 Other income/(expenses), net

	2023	2022
	MNT'000	MNT'000
Unrealised foreign exchange gains/(losses), net	223,852	(385,521)
Gain on recovery of written-off loans	146,299	226,271
Other income	48,596	87,110
Loss on write-off of property and equipment (Note 15)	(3,950)	-
Realised foreign exchange losses, net	(80,740)	(336,685)
Other expenses	(370,023)	(229,089)
	<u>(35,960)</u>	<u>(637,914)</u>

9 Income tax

9.1 Income tax expense

Income taxes recorded in profit or loss for the year comprise the following:

	2023	2022
	MNT'000	MNT'000
Current tax:		
Current income tax (Note 9.2)	5,530,518	1,050,795
Deferred tax:		
Relating to origination of temporary differences (Note 9.3)	44,389	(43,530)
	<u>5,574,907</u>	<u>1,007,265</u>

The Group provides for income taxes on the basis of its income for financial reporting purposes, adjusted for items which are not assessable or deductible for income tax purposes. The income tax rate for profits of the Group is 10% (2022:10%) for the first MNT 6 billion (2022: MNT 6 billion) of taxable income and 25% (2022: 25%) on the excess of taxable income over MNT 6 billion (2022: MNT 6 billion) in accordance with Mongolian tax legislation.

9 Income tax (Cont'd.)

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 are as follows:

	2023 MNT'000	2022 MNT'000
Profit before tax	25,370,723	6,532,246
Tax at statutory rate of 25% (2022: 25%)	6,342,681	1,622,771
Effect of expenses not deductible for income tax purpose	255,016	238,343
Effect of income subject to lower tax rate	(1,022,790)	(853,849)
Income tax expense for the year	<u>5,574,907</u>	<u>1,007,265</u>

The effective income tax rate for the Group for the year ended 31 December 2023 is 22.0% (2022: 15.4%).

9.2 Income tax payable

	2023 MNT'000	2022 MNT'000
As at 1 January	815,146	38,221
Income tax expense for the year (Note 9.1)	5,530,518	1,050,795
Income tax paid during the year	(2,704,705)	(269,808)
Income tax withheld by third parties	(2,418)	(4,052)
As at 31 December	<u>3,638,541</u>	<u>815,146</u>

9.3 Deferred tax balance

Deferred tax assets were recognised for deductible or taxable timing differences resulting from the unrealised exchange difference arising from monetary assets and liabilities, depreciation of property and equipment, accrued expenses and leased asset depreciation and interest accretion.

Deferred tax assets/liabilities in relation to:	Opening balance MNT'000	Recognised in profit or loss MNT'000 (Note 9.1)	Deferred tax asset/(liability) MNT'000
2023			
Unrealised foreign exchange loss/(gain), net	38,552	(47,596)	(9,044)
ROU asset depreciation and interest accretion	6,871	(3,274)	3,597
Accrued expenses	31,240	6,481	37,721
	<u>76,663</u>	<u>(44,389)</u>	<u>32,274</u>
2022			
Unrealised foreign exchange loss	2,454	36,098	38,552
ROU asset depreciation and interest accretion	10,542	(3,671)	6,871
Accrued expenses	20,137	11,103	31,240
	<u>33,133</u>	<u>43,530</u>	<u>76,663</u>

10 Earnings per share

The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share is equivalent to the basic earnings per share.

	2023 MNT'000	2022 MNT'000
Profit or loss, representing total comprehensive income for the year (net of taxes) attributable to equity holders	19,795,816	5,524,981
Weighted-average number of ordinary shares for basic and diluted earnings per share	739,301,683	739,301,683
	2023 MNT	2022 MNT
Equity holders:		
Basic and diluted earnings per share	26.78	7.47

11 Cash and cash equivalents

	2023 MNT'000	2022 MNT'000
Cash on hand	295	330
Cash at bank	7,885,673	5,217,251
	<u>7,885,968</u>	<u>5,217,581</u>

Cash at bank balances are current accounts and short-term savings accounts placed in commercial banks and other financial institutions operating in Mongolia and are not collateralised. The carrying amount of cash and cash equivalents approximates fair value. Current accounts outstanding as at 31 December 2022 were interest-free, while current accounts outstanding as at 31 December 2023 were placed at interest rates ranging between 0.0%-2.0%.

The Group estimated the expected credit loss on cash and cash equivalents in accordance with IFRS 9 as at 31 December 2023 and 2022. As most of the cash and cash equivalents are available on demand, the estimated expected credit loss was assessed to be insignificant. Therefore, the Group did not recognise the expected credit losses on cash and cash equivalents in its consolidated financial statements for the years ended 31 December 2023 and 2022.

12 Loans and advances to customers

	2023 MNT'000	2022 MNT'000
Consumer loans	123,659,805	65,442,582
Corporate loans	130,034	22,656
Car loans	5,339,456	7,418,168
Total loans and advances to customers	<u>129,129,295</u>	<u>72,883,406</u>
Allowance for impairment losses	(5,666,922)	(3,297,126)
Net loans and advances to customers at amortised cost	<u>123,462,373</u>	<u>69,586,280</u>

Based on the business model of the Group, most borrowers of the Group using the LendMN application are individuals who use loans to finance their short-term and mid-term financial needs.

Starting from 2021, the Group issued car loans to customers whose historical credit scores assessed within the LendMN application met the required criteria. Car loans are collateralised by the underlying vehicles purchased by the borrowers.

12 Loans and advances to customers (Cont'd.)

In October 2022, LendMN Active SPC LLC publicly issued ABS amounting to MNT 4,850,000 thousand on the Mongolian Stock Exchange (see Note 18 for further details). The ABS are secured by the Group's car loans with carrying value of MNT 4,877,446 thousand (MNT 4,733,316 thousand) as at 31 December 2023.

In April 2023, the Group newly introduced a revolving loan product with credit limit ranging from MNT 5 million to MNT 50 million offered to finance the borrowers' mid-term financial needs. The loan is available only to borrowers with excellent credit history with the Group for at least two years.

12.1 Impairment allowance for loans and advances to customers

The Group assesses impairment of loans in accordance with IFRS 9. Under the general approach, the Group classifies its loan portfolio into Stage 1, 2 and 3 as follows, and calculates the probability-weighted forward-looking PDs and LGDs separately for each stage. The details of calculation and policies about ECL allowances are explained in Note 21.3.

Stage 1: Loan portfolio on time + Loan portfolio past due less than 31 days

Stage 2: Loan portfolio past due by 31-90 days

Stage 3: Loan portfolio past due by more than 90 days

The table below shows credit quality of the total loan portfolio.

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
31 December 2023				
Performing loan	119,732,242	–	–	119,732,242
Non-performing loan	–	3,751,139	5,645,914	9,397,053
Total	119,732,242	3,751,139	5,645,914	129,129,295
31 December 2022				
Performing loan	68,302,290	–	–	68,302,290
Non-performing loan	–	1,450,756	3,130,360	4,581,116
Total	68,302,290	1,450,756	3,130,360	72,883,406

An analysis of changes in gross carrying amount and the corresponding ECL allowances in relation to the loan and advances to customers is as follows:

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
Gross carrying amount at 1 January 2023	68,302,290	1,450,756	3,130,360	72,883,406
New assets originated or purchased	662,385,713	–	–	662,385,713
Assets derecognised or repaid	(585,755,920)	(12,295,033)	(7,759,297)	(605,810,250)
Transfer to Stage 2	(26,100,841)	26,100,841	–	–
Transfer to Stage 3	–	(10,004,425)	10,004,425	–
Write-offs	–	–	(329,574)	(329,574)
At 31 December 2023	119,732,242	3,751,139	5,645,914	129,129,295
Gross carrying amount at 1 January 2022	31,287,850	1,170,803	2,164,154	34,622,807
New assets originated or purchased	338,668,473	–	–	338,668,473
Assets derecognised or repaid	(285,799,445)	(11,377,788)	(2,949,950)	(300,127,183)
Transfer to Stage 2	(15,854,588)	15,854,588	–	–
Transfer to Stage 3	–	(4,196,847)	4,196,847	–
Write-offs	–	–	(280,691)	(280,691)
At 31 December 2022	68,302,290	1,450,756	3,130,360	72,883,406

12 Loans and advances to customers (Cont'd.)

12.1 Impairment allowance for loans and advances to customers (Cont'd.)

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
ECL allowance at 1 January 2023	1,012,025	536,485	1,748,616	3,297,126
New assets originated or purchased	10,045,122	–	–	10,045,122
Assets derecognised or repaid	(8,864,190)	(5,252,212)	(3,441,247)	(17,577,650)
Transfer to Stage 2	(380,891)	380,891	–	–
Transfer to Stage 3	–	(4,492,940)	4,492,940	–
Impact on year end ECL of exposures transferred between stages and changes to inputs used for ECL calculations	(23,977)	10,304,827	(48,953)	10,231,898
Write-offs	–	–	(329,574)	(329,574)
At 31 December 2023	<u>1,768,089</u>	<u>1,477,051</u>	<u>2,421,782</u>	<u>5,666,922</u>
ECL allowance at 1 January 2022	317,571	530,469	1,348,720	2,196,760
New assets originated or purchased	5,018,000	–	–	5,018,000
Assets derecognised or repaid	(4,234,647)	(4,207,471)	(1,647,840)	(10,089,958)
Transfer to Stage 2	(234,915)	234,915	–	–
Transfer to Stage 3	–	(1,551,981)	1,551,981	–
Impact on year end ECL of exposures transferred between stages and changes to inputs used for ECL calculations	146,016	5,530,553	776,446	6,453,015
Write-offs	–	–	(280,691)	(280,691)
At 31 December 2022	<u>1,012,025</u>	<u>536,485</u>	<u>1,748,616</u>	<u>3,297,126</u>

Movement analysis for impairment losses for loans and advances to customers is as follows:

	2023 MNT'000	2022 MNT'000
At 1 January	3,297,126	2,196,760
Charge for the year (Note 6)	2,699,370	1,381,057
Written off during the year	(329,574)	(280,691)
At 31 December	<u>5,666,922</u>	<u>3,297,126</u>

13 Other assets

	2023 MNT'000	2022 MNT'000
Other receivables	400,352	747,803
Supply materials	15,613	20,606
	<u>415,965</u>	<u>768,409</u>

Other receivables are unsecured, interest free and repayable on demand. The recoverability of other receivables was assessed with reference to the credit status of the debtors and the expected credit losses as at 31 December 2023 and 31 December 2022 were considered to be minimal.

14 Intangible assets

	2023 MNT'000	2022 MNT'000
At cost		
At 1 January and 31 December	<u>610,818</u>	<u>610,818</u>
Accumulated amortisation		
At 1 January	209,723	162,980
Charge for the year (Note 7)	<u>45,553</u>	<u>46,743</u>
At 31 December	<u>255,276</u>	<u>209,723</u>
Net carrying value	<u>355,542</u>	<u>401,095</u>

Intangible assets of the Group consist of licenses for the LendMN system's exclusive rights-of-use in the territory of Mongolia for lending activities and wallet transactions purchased from AND Systems Tech LLC, a fellow subsidiary. The lending application or the original platform was purchased in December 2016 from AND Systems Tech LLC, which has customer on-boarding, credit scoring, banking back-end, customer support and reporting modules and the LendMN Application. The one-time license fee for the LendMN system's exclusive right of use amounted to MNT 300,000 thousand.

The license agreements are not cancellable unless such is mutually agreed, or the Group no longer holds its lending licenses. Although the license period is for 50 years, the LendMN system is amortised over 10 years based on management's best estimate of the useful life of each license.

In August 2021, the Group contracted with AND Solutions Pte. Ltd, a related party incorporated in Singapore, to upgrade the existing LendMN system version to LendMN v2.0 with new modules for MNT 300,042 thousand. LendMN v2.0 is amortised over 10 years.

15 Property and equipment

	Furniture, office equipment and vehicles MNT'000	Computers and equipment MNT'000	Office renovation MNT'000	Total MNT'000
At cost				
At 1 January 2023	273,523	402,760	203,636	879,919
Additions	9,350	76,143	13,644	99,137
Write-offs (Note 8)	(6,662)	(54,922)	(3,200)	(64,784)
At 31 December 2023	<u>276,211</u>	<u>423,981</u>	<u>214,080</u>	<u>914,272</u>
Accumulated depreciation				
At 1 January 2023	67,081	294,959	144,409	506,449
Charge for the year (Note 7)	30,426	64,792	67,281	162,499
Write-offs (Note 8)	(2,831)	(54,803)	(3,200)	(60,834)
At 31 December 2023	<u>94,676</u>	<u>304,948</u>	<u>208,490</u>	<u>608,114</u>
Net carrying amount	<u>181,535</u>	<u>119,033</u>	<u>5,590</u>	<u>306,158</u>
At cost				
At 1 January 2022	292,486	313,174	203,636	809,296
Additions	15,095	97,340	–	112,435
Write-offs (Note 8)	(34,058)	(7,754)	–	(41,812)
At 31 December 2022	<u>273,523</u>	<u>402,760</u>	<u>203,636</u>	<u>879,919</u>
Accumulated depreciation				
At 1 January 2022	70,989	242,536	103,724	417,249
Charge for the year (Note 7)	29,964	55,944	40,685	126,593
Write-offs (Note 8)	(33,872)	(3,521)	–	(37,393)
At 31 December 2022	<u>67,081</u>	<u>294,959</u>	<u>144,409</u>	<u>506,449</u>
Net carrying amount	<u>206,442</u>	<u>107,801</u>	<u>59,227</u>	<u>373,470</u>

There were no borrowing costs capitalised as part of property and equipment and no property and equipment was pledged for any of the Group's liabilities.

16 Right-of-use assets and lease liabilities

The Group has numerous lease contracts for office space and parking lots in two main buildings, with lease terms ranging between 1 to 5 years.

During the year, the Group entered into a new lease contract for office space with a term of 2 years, as well as several amendments to a previous contract to modify the scope or the lease payments on the existing office lease.

The Group's obligations under the leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. The lease contract has an extension option allowing the Group to extend the lease term by 2 years without notification and prepayment. For a termination option, the Group can cease the lease with 2 months prior notice from expiry date without additional payments.

The Group also has certain leases of parking lots with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	2023 MNT'000	2022 MNT'000
At 1 January	217,592	371,235
Additions	1,188,436	106,318
Charge for the year (Note 7)	(407,916)	(259,961)
Early lease termination	(52,460)	–
At 31 December	<u>945,652</u>	<u>217,592</u>

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2023 MNT'000	2022 MNT'000
At 1 January	285,772	476,651
Additions	1,188,436	106,318
Accretion of interest (Note 5)	93,097	80,761
Lease payments	(533,203)	(377,958)
Early lease termination	(52,460)	–
At 31 December	<u>981,642</u>	<u>285,772</u>

17 Borrowings

		2023 MNT'000	2022 MNT'000
Bonds	(i) 14.0-18.0%	12,058,824	10,769,582
Loans	(ii) 12.0-21.8%	28,920,602	11,768,024
Trust financing	(iii) 8.0-23.0%	36,466,251	21,688,257
		<u>77,445,677</u>	<u>44,225,863</u>

17 Borrowings (Cont'd.)

- (i) On 2 July 2021 and 12 December 2021, the Group publicly issued 50,000 units and 25,000 units of bonds on the MSE amounting to MNT 5,000,000 thousand and MNT 2,500,000 thousand, each instrument with MNT 100 thousand nominal value, 14% annual coupon rate, half-yearly coupon payment and guaranteed by its ultimate parent company, AND Global Pte Ltd. The bonds matured on 2 July 2023 and 2 December 2023, respectively.

On 4 April 2022, the Group publicly issued 31,000 units with each instrument with MNT 100 thousand nominal value, 15% annual coupon rate, half-yearly coupon payment and guaranteed by the ultimate parent company. The bonds mature on 3 April 2024.

On 8 Sep 2023, the Group publicly issued 90,000 units with each instrument with MNT 100 thousand nominal value, 18.0% annual coupon rate, quarterly coupon payment and collateralized by the parent company's shares in the Group. The bonds mature on 7 Sep 2025.

- (ii) In 2021, the Group obtained MNT 2,845,000 thousand of subordinated debt from its parent company AND Systems LLC with semi-annual interest payment at 14% p.a. and maturity in 5 years.

On 30 December 2022, the Group obtained a credit line of MNT 10,000,000 thousand from AND Systems LLC with an annual interest rate of 18.0% and maturity in 1 year. In October 2023, the above credit line conditions were amended with an increased annual interest rate of 19.0% and maturity in October 2025. The credit line was fully drawn as at 31 December 2023.

On 20 October 2023, the Group obtained a credit line of USD 3,000 thousand from AND Systems LLC with an annual interest rate of 12.0% due to mature in 2 years. As at 31 December 2023, USD 1,029 thousand was drawn on the credit line.

On 27 December 2023, the Group obtained MNT 500,000 thousand loan from a commercial bank at an annual interest rate of 11.2% due to mature on 3 January 2024, which was secured by a term deposit of MNT 1,001,011 thousand.

As at 31 December 2023, the Group had a credit line of USD 1,250 thousand (2022: USD 1,250 thousand) from commercial banks at an annual interest rate of 12.0% due to mature on 29 November 2024, which was collateralized by loans and advances to customers with carrying amount of USD 2,500 thousand.

The Group had MNT 3,000,000 thousand (2022: MNT 2,499,051 thousand) of loans under short-term repo agreements at interest rates ranging at 18.0-20.0% per annum at year-end, which were collateralized by loans and advances to customers with carrying amount of MNT 3,000,000 thousand.

In addition, the Group had MNT 4,556,000 thousand in loans from various financial institutions at interest rates ranging between 18.5-20.0% per annum due to mature in 2024.

- (ii) As at 31 December 2023, the Group had MNT 20,170,230 thousand (2022: MNT 9,361,420 thousand) trust financing from third parties with monthly, quarterly or bi-annual interest payments at a range of 15.0-23.0% (2022: 15.0-21.0%) per annum and matures between 7 January 2024 and 1 December 2025. The Group also had USD 3,737 thousand (2021: USD 3,151 thousand) trust financing from third parties, with monthly, quarterly or bi-annual interest payments at a range of 8.0-13.0% (2022: 6.0-13.0%) p.a., and maturities between 8 January 2024 and 14 December 2024. Loans and advances to customers with carrying amount of USD 2,400,000 (2022: USD 2,400,000) were collateralized for trust financing.

18 Asset-backed securities

	2023 MNT'000	2022 MNT'000
Current		
Asset-backed securities	<u>4,798,243</u>	<u>4,679,661</u>

On 18 October 2022, the Group publicly issued 48,500 units of asset-backed securities on the Mongolian Stock Exchange, each instrument with MNT 100 thousand nominal value and coupon rate of 17% per annum that is payable quarterly. The ABS are secured by the Group's car loans with a carrying value of MNT 4,877,446 thousand (2022: MNT 4,733,316 thousand) as at 31 December 2023. The ABS are due to mature on 1 November 2024.

19 Other liabilities

	2023 MNT'000	2022 MNT'000
Other financial liabilities:		
Due to companies and individuals	3,024,303	1,978,602
Other payables	<u>344,885</u>	<u>341,578</u>
Total other financial liabilities	<u>3,369,188</u>	<u>2,320,380</u>
Other non-financial liabilities:		
Taxes payable other than income tax	422,432	215,375
Provision for undrawn commitments	<u>72,245</u>	<u>86,659</u>
Total other non-financial liabilities	<u>494,677</u>	<u>302,034</u>
Total other liabilities	<u>3,863,865</u>	<u>2,622,414</u>

Payables due to companies and individuals include payables of MNT 1,310,015 thousand (2022: MNT 1,352,266 thousand) due to related parties (see Note 23). The remaining balance accounts for payables due to partnering merchants and other parties.

In compliance with IFRS 9 standards, the Group calculated expected credit losses for undrawn commitments that are highly potential to become loan products. Movements in the provision for undrawn commitments is as follows:

	2023 MNT'000	2022 MNT'000
At 1 January	86,659	29,061
Impairment/(reversal) on undrawn commitments (Note 6)	<u>(14,414)</u>	<u>57,598</u>
At 31 December	<u>72,245</u>	<u>86,659</u>

20 Share capital and reserves

20.1 Share capital

The total authorised and issued share capital of the Company represents 800,000,000 ordinary shares (2022: 800,000,000) with par value of MNT 10 (2022: MNT 10). All issued ordinary shares are fully paid. Each ordinary share carries one vote.

The immediate parent company of the Group is AND Systems LLC and the ultimate parent company is AND Global Pte Ltd, a company incorporated in Singapore.

20 Share capital and reserves (Cont'd.)

20.1 Share capital (Cont'd.)

The shareholders and their percentages of ownership are as follows:

	2023	2022
AND Systems LLC	75.0%	75.0%
Public	17.4%	17.4%
Treasury shares	7.6%	7.6%
	<u>100.0%</u>	<u>100.0%</u>

During the year, the Group declared and paid dividends of MNT 1,293,778 thousand (2022: MNT 1,108,853 thousand) to its shareholders.

20.2 Treasury shares

There were 60,698,317 shares (2022: 60,698,317 shares) held as treasury shares as at 31 December 2023. Excluding these shares, the total number of issued shares as at 31 December 2023 was 739,301,683 shares (2022: 739,301,683 shares).

20.3 Other reserve

In June 2018, AND Global Pte Ltd, the ultimate holding entity of the Group, granted share awards to the Group's key management personnel. The share award is accounted for as an equity-settled share-based payment transaction as the Group does not have an obligation to settle the award. The award was conditional upon continuous employment with the Group and achievement of non-market key performance indicators for the financial year ended 31 December 2018. No movement has been made in other reserve during the year of 2023.

21 Risk management disclosures

21.1 Introduction

The main risks inherent in the Group's operations are credit risk, liquidity risk and operational risk, all of which are controlled by the Group's Chief Executive Officer. The primary goal of risk management is to allocate capital to business segments commensurate with their risk/reward profiles and to maximise the Group's risk-adjusted return on capital through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

The Group has a risk management framework which is not designed to eliminate the risk but to optimise the risk and return trade off. The risk management framework in place is to ensure that:

- (i) Individuals who manage the risks clearly understand the requirement and measurement system;
- (ii) The capital allocation is consistent with the risk of exposures; and
- (iii) The Group's performance objectives are aligned with the risk appetite and tolerance.

21.2 Risk management structure

The Chief Executive Officer is currently responsible for the overall risk management approach and for approving the risk policy and the credit policy which specify risk appetite and tolerance. On 10 May 2018, the shareholder appointed a board of directors with 9 members. In April 2019, the Chief Executive Officer appointed a senior risk manager whose main objective will be setting up the overall risk management structure of the Group. The Board has appointed an internal audit department on 21 August 2018.

21 Risk management disclosures (Cont'd.)

21.3 Credit risk

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognized in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

The Group has considered the Government of Mongolia, Financial Regulatory Commission and the Bank of Mongolia's interventions in their ECL model based on the available information. Management has assessed that the risk of high inflation continues to remain throughout 2024 due to state budget expenditure growth ahead of the general election as well as fuel supply shortage as a result of further restrictions possibly imposed by Russia. Thus, the Group continues to reflect such outlook in its ECL model and forward-looking factors are adjusted with the latest available data as of reporting date and for macroeconomic scenarios.

The Group has considered potential impacts of the current economic volatility in determination of the reported amounts of the Group's financial and non-financial assets, and these are considered to represent management's best assessment based on observable information. Markets, however, remain volatile and the recorded amounts remain sensitive to market fluctuations.

Impairment assessment

The main credit risk of the Group arises from loan losses from its lending activities. The credit risk can arise from 1) the credit limit approval process and 2) the handling of loan lifecycle after the loan disbursement. The credit risk from the credit limit approval process can arise from approval of an inappropriate credit amount with inappropriate fee level to a customer due to inaccurate credit scoring of the LendMN System's credit scoring module. The credit scoring of the Group is based on a machine learning algorithm that constantly improves its credit assessment accuracy based on its own historical credit data including late repayments and overdue status of past loans. The machine learning system based on deep learning technology instantly updates its credit scoring algorithm as more credit information is gathered by the system itself and adjusts the credit scoring algorithm prospectively.

Management of the Group sets the credit amount intervals and fee levels and the LendMN system makes the credit decision automatically and constantly updates its credit scoring algorithm. Management monitors the overdue loans based on the targeted percentage for each interval of overdue loan as to overdue more than 1 day, 30 days, 60 days or 90 days.

The credit risk for the Group can also arise after the LendMN System's credit decision and the subsequent loan disbursements. The collection department together with the call center monitors the overdue loans daily by identifying any trends in the repayment behaviour of its customers. The collection department ensures that the overdue loan notification module of the LendMN System is operating as effective as possible and updates the notification module if a trend is noted in the repayment behaviour of its customers.

The call center supports the collection department by providing timely and accurate repayment guidance to customers under the direct supervision of the collection department.

Definition of default. The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on his contractual payments.

Probability of default. The probability of default (PD) is estimated based on historical loss experience, as adjusted for other factors described below.

21 Risk management disclosures (Cont'd.)

21.3 Credit risk (Cont'd.)

Impairment assessment (Cont'd.)

Forward-looking information. The Group uses its historical level of loan loss provision and considered the following forward-looking macro-economic factors to come up with a forward-looking probability-weighted PD:

- Monthly state household consumption,
- Monthly M2 - money supply,
- Monthly CPI (consumer price index),
- Change of monthly household consumption,
- Monthly unemployment rate,
- Monthly average salary,
- Monthly foreign investment,
- Monthly loan interest rate /MNT/,
- Monthly silver price,
- Monthly Gini coefficient.

To determine which macro-economic variables are the best predictors of the forward-looking PD for the Group's loan product, the Group has run a linear regression analysis on the monthly PD for the last 82 months against those macro-economic variables and the final model consisted of monthly M2, monthly CPI, monthly silver price (2022: monthly household consumption) as the independent variables which are considered to be the best predictors of the PD.

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

Loss given default. With the exception of car loans, the Group calculated historical loss given default (LGD) on loans and advances to customers monthly on its historical loan data between March 2017 and December 2023 based on the following formula:

$$\text{LGD} = 1 - (\text{Recovery of loans over 90 days} / \text{Any loan over 90 days})$$

The same regression analysis that was run on the historical PDs has been conducted on the historical 82 monthly LGDs and the final model consisted of CPI, percentage point change of foreign investments, monthly loan interest rate /MNT/ (2022: M2, household consumption, percentage point change of household consumption and CPI) as the independent variables. The model passed both the quantitative and qualitative thresholds statistically significant coefficient at confidence level of 95%, adjusted R-square greater than 40% and P-value lower than 0.001.

The Group's approach in assessing LGD on car loans is different from other products in their portfolio due to such loans being secured by the underlying vehicles purchased by the borrowers.

The Group considered the recoverability rate of defaulted loans from the collateral vehicles and eventual sale of the vehicles. The Group calculated the present value of expected future cash inflows from the sale and calculated the weighted-average LGD rate. In estimating the future cash inflows, management collected market data on the vehicles matching the portfolio of the Group from the most broadly used commercial websites that are commonly used by valuation specialists in assessing the market value of properties and other assets on the Mongolian market.

21 Risk management disclosures (Cont'd.)

21.3 Credit risk (Cont'd.)

Impairment assessment (Cont'd.)

Loss given default (Cont'd.)

Credit conversion factor. The credit conversion factor was estimated at 46.07% (2022: 43.32%) based on the average factor during the last 82-month (2022: 70-month) historical data.

Significant increase in credit risk. The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been significant increase in credit risk since initial recognition. The Group considers an exposure to have significantly increased in credit risk when the loan balance becomes overdue by 31+ days, where the loan will be classified to Stage 2. If the loan balance becomes overdue by 90 days, the Group considers a default has occurred and the loan will be classified to Stage 3.

Analysis of inputs to the ECL model. An overview of the approach to estimating ECLs is set out in Note 2 – Material accounting policies and in Note 4 – Critical accounting estimates, and judgements in applying accounting policies. To ensure completeness and accuracy, the Group obtains the data used from third party sources (Bank of Mongolia, National Statistics Office etc.) and verifies the accuracy of inputs to the Group' ECL models including determining the weights attributable to the multiple scenarios.

Collateral and other credit enhancements

Car loans are collateralised by the underlying vehicles purchased by the borrowers.

The fair value of vehicles held as collateral by the Group on their car loan portfolio was MNT 7,503 million (2022: MNT 9,817 million) as at 31 December 2023.

Segmentation. The Group has considered segmenting its customers based on their working sectors to segregate them based on shared credit risk characteristics which might have become affected by the pandemic. Based on the segmentation analysis performed by the Group, there is no significant indication of credit risk indicator in the working sectors. Due to the short term nature of majority of the Group's loan portfolio, the ECL model can detect changes in risk default indicators on a timely basis. Therefore, management assessed that the risk of not detecting any changes in credit quality at an individual level is minimal.

Macroeconomic scenarios. As the Group uses the multiple macroeconomic scenarios in its model, it has updated its best case, base case and worst-case scenarios. The Group calculated the final LGD and PD rates by assigning probability weights of 20%, 60%, and 20% (2022: 15%, 60%, and 25%) for the best case, base case and worst-case scenarios, respectively. In order to determine the probability of each scenario to reflect the possible impacts management has taken into consideration various economic factors including the foreign currency exchange reserves, the exchange rate of the MNT against US dollar, current economic and political events, the performance of the mining sector of Mongolia and the State budget of 2024.

21 Risk management disclosures (Cont'd.)

21.4 Liquidity risk

The Group manages its liquidity risk with an objective of having sufficient funds to meet its increasing demand for loan disbursements and its payment obligations resulting from the day-to-day operations of the Group. The funding required to meet the demand for loan disbursements is obtained from related parties either in the form of equity or debt, or debt from third parties.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2023 and 31 December 2022 based on contractual undiscounted repayment obligations.

	On demand MNT'000	Less than 3 months MNT'000	3 to 6 months MNT'000	6 months to 1 year MNT'000	1 to 5 years MNT'000	Over 5 years MNT'000	Total undiscounted financial liabilities MNT'000
At 31 December 2023							
Undrawn commitments	4,763,299	–	–	–	–	–	4,763,299
Borrowings	3,498,700	6,904,331	19,130,109	17,909,717	43,905,207	–	90,408,129
Asset-backed securities	45,178	142,311	198,783	5,245,308	–	–	5,631,580
Lease liabilities	–	102,510	133,892	297,000	1,377,992	–	1,911,194
Other liabilities	3,369,188	–	–	–	–	–	3,369,188
	<u>11,678,433</u>	<u>8,600,152</u>	<u>19,462,581</u>	<u>23,652,025</u>	<u>45,283,199</u>	<u>–</u>	<u>108,083,305</u>
At 31 December 2022							
Undrawn commitments	6,248,203	–	–	–	–	–	6,248,203
Borrowings	1,288,728	4,470,650	7,940,825	19,482,781	17,449,185	–	50,632,169
Asset-backed securities	45,178	142,311	198,783	5,245,308	–	–	5,631,580
Lease liabilities	–	95,034	95,034	119,320	–	–	309,388
Other liabilities	2,320,380	–	–	–	–	–	2,320,380
	<u>9,902,489</u>	<u>4,707,995</u>	<u>8,234,642</u>	<u>24,847,409</u>	<u>17,449,185</u>	<u>–</u>	<u>66,141,720</u>

management expects that not all undrawn commitments will be drawn in a short period of time.

21 Risk management disclosures (Cont'd.)

21.5 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates or foreign exchange rates. The Group manages and monitors this risk element using sensitivity analyses.

21.6 Interest rate risk

The interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from loans and advances to customers, and borrowings. The Group does not use hedge instruments to manage interest rate risk. The Group's exposures to interest rate risk for changes in interest rates primarily relates to the Group's fixed rate current accounts in the bank, loans and advances to customers and borrowings. As of the reporting date, the Group has not adopted sensitivity analysis to measure interest rate risk due principally to the fact that the Group has no significant floating interest rate financial assets and financial liabilities on financial reporting date.

21.7 Foreign currency exchange rate risk

The Group defines the foreign currency exchange rate risk as potential loss due to adverse changes in currency exchange rates and their implied volatility. The Group sets risk limits on the level of exposure by foreign currencies, which are monitored on a frequent basis against the approved risk appetite.

	2023		2022	
	Assets MNT'000	Liabilities MNT'000	Assets MNT'000	Liabilities MNT'000
Foreign currency-denominated	2,947,591	22,006,321	4,635,789	16,129,545

Foreign exchange sensitivity analysis. The Group is mainly exposed to USD (referred to as "foreign currency"). The following table details the Group's sensitivity to a 10% strengthening or weakening in the foreign currency against the MNT. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rate. This analysis assumes all other risk variables remained constant.

	Changes	2023	2022
		MNT'000	MNT'000
Effect on profit before tax	+/-10%	(1,905,881)/	(1,149,166)/
		1,905,881	1,149,166

21.8 Operational risk

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

22 Contingencies and commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of own estimates and internal professional advice, management is of the opinion that no material losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

Tax legislation. Mongolian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities.

The Mongolian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged by tax authorities. As a result, significant additional taxes, penalties, and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The Mongolian tax legislation does not provide definitive guidance in certain areas, specifically in areas such as VAT, withholding tax, corporate income tax, personal income tax, transfer pricing and other areas. From time to time, the Group adopts interpretations of such uncertain areas that reduce the overall tax rate of the Group. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices. The impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity.

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 risk 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.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Commitments to extend credit represent unused portions of authorised credit line in the forms of LendMN instant loans. Even though these obligations may not be recognised on the statement of financial position, they contain credit risk and, therefore, form part of the overall risk of the Group. The Group can be exposed to loss in an amount equal to the total unused credit commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The nominal gross value of undrawn credit commitments of the Group as of 31 December 2023 was MNT 4,763,299 thousand (31 December 2022: MNT 6,248,203 thousand).

23 Related party transactions

Balances and transactions with related parties are disclosed below.

The key management compensations for 2023 and 2022 are presented below:

	2023 MNT'000	2022 MNT'000
Salaries and bonus	384,091	445,560
Social and health insurance	47,596	55,695
	<u>431,687</u>	<u>501,255</u>

23 Related party transactions (Cont'd.)

At 31 December 2023 and 2022, the outstanding balances with related parties were as follows:

	Notes	2023 MNT'000	2022 MNT'000
Loans to related parties – LendMN system	(i)	371,421	1,280
Subordinated debt received from parent company (Note 17)	(ii)	2,948,485	2,945,393
Loans from related parties (Note 17)	(ii)	13,831,662	1,040,528
Payables to related parties (Note 19)	(iii)	1,310,015	1,352,266
Wallet balances held by related parties	(iv)	1,389,145	674,779
Other receivables from related parties	(iv)	24,658	22,678

The income statement items with related parties for the year then ended 31 December 2023 and 2022 were as follows:

		2023 MNT'000	2022 MNT'000
Interest income on loans to related parties – LendMN system	(i)	28,628	1,101
Interest income on loans to related parties		–	6,329
Interest expenses on subordinated debt and loans from related parties	(ii)	923,004	445,264
LendMN system maintenance fee (Note 7)	(iii)	2,222,570	1,197,607
Fee income on services provided to related parties	(iv)	80,434	12,303
Internet service fees	(v)	23,690	3,600
Management service fees	(v)	700,000	480,000
Wallet service fees	(vi)	241,504	167,820

(i) During the year, MNT 1,016,600 thousand (2022: MNT 37,726 thousand) of loans were drawn out through LendMN system by key management personnel of the Group and its immediate parent, of which MNT 645,179 thousand (2022: MNT 39,395 thousand) was repaid. Outstanding accrued interest receivable was MNT 10,854 thousand (2022: MNT 15 thousand).

(ii) In 2021, the Group obtained MNT 2,845,000 thousand of subordinated debt from its parent company AND Systems LLC with semi-annual interest payment at 14% p.a. and maturity in 5 years (see Note 17).

On 30 December 2022, the Group obtained a credit line of MNT 10,000,000 thousand from AND Systems LLC with interest rate of 18.0% p.a. and maturity in 1 year, of which the Group had drawn MNT 1,000,000 thousand as at year-end. In October 2023, the above credit line conditions were amended with an increased interest rate of 19.0% p.a. and maturity in October 2025. The credit line was fully drawn as at 31 December 2023.

On 20 October 2023, the Group obtained a credit line of USD 3,000 thousand from AND Systems LLC with an annual interest rate of 12.0% due to mature in 2 years. As at 31 December 2023, USD 1,029 thousand was drawn on the credit line.

23 Related party transactions (Cont'd.)

- (iii) Effective from 1 July 2017, the Group signed a maintenance and service agreement with AND Systems Tech LLC for on-going maintenance of LendMN system. The monthly fee payable to AND Systems Tech LLC under this agreement is determined based on the number of lending transactions during a month and is payable on a monthly basis. In addition, on 1 November 2018, the Group signed an additional maintenance and service agreement with AND Systems Tech LLC for the wallet system's on-going maintenance and support services. The number of wallet transactions (excluding loan related transactions) are the basis of the fee calculation and payable on a monthly basis. In 2021, the Group signed an amendment maintenance and service agreement with AND Solutions Pte Ltd. and AND Systems Tech LLC for LendMN system's on-going maintenance and service and started to pay monthly maintenance service fee to AND Solutions Pte Ltd.

As at 31 December 2023, payables to related parties included MNT 1,119,614 thousand due to AND Solutions Pte Ltd for technical services received, as well as maintenance and licensing fees, MNT 21,141 thousand due to SuperUp Wallet LLC, MNT 160,762 thousand due to Digital Mall LLC and MNT 8,498 thousand due to AND Systems LLC.

- (iv) The Group places cash in bank accounts held by fellow subsidiary SuperUp Wallet LLC to be used by SuperUp application users for purposes such as loan withdrawals or purchases on credit. The balances held by SuperUp Wallet LLC amounted to MNT 1,389,145 thousand as at 31 December 2023 (2022: MNT 674,779 thousand).

Other receivables due from related parties include MNT 24,658 thousand (2022: MNT 3,458 thousand) due from SuperUp Wallet LLC relating to wallet balances. As at 31 December 2022, receivables due from related parties also included MNT 19,330 thousand due from ONDO LLC for call centre services provided and internet services received.

- (v) Fees earned for services provided to related parties, including ONDO LLC and Digital Mall LLC, amounted to MNT 80,434 thousand (2022: MNT 12,303 thousand), while fees incurred on internet services received from ONDO LLC amounted to MNT 23,690 thousand (2022: MNT 3,600 thousand) during the year. The Group receives management consulting services from its parent company AND Systems LLC. On 7 February 2023, a contract amendment was made in accordance with which the monthly management consulting service fee was increased from MNT 40,000 thousand to MNT 60,000 thousand per month.
- (vi) Effective from 31 July 2020, the Group signed a Wallet Payment Service Agreement with SuperUp Wallet LLC. The monthly fee payable to SuperUp Wallet LLC under this agreement is determined based on the number of wallet transactions during the month and is payable on a monthly basis.

24 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 21 for the Group's contractual undiscounted repayment obligations.

	Less than 12 months MNT'000	More than 12 months MNT'000	Total MNT'000
At 31 December 2023			
Financial assets			
Cash and cash equivalents	7,885,968	–	7,885,968
Loans and advances to customers	69,286,143	54,176,230	123,462,373
Other assets	415,965	–	415,965
	<u>77,588,076</u>	<u>54,176,230</u>	<u>131,764,306</u>
Non-financial assets			
Prepayments	55,975	–	55,975
Intangible assets	–	355,542	355,542
Property and equipment	–	306,158	306,158
Right-of-use assets	–	945,652	945,652
Deferred tax assets	–	41,318	41,318
	<u>55,975</u>	<u>1,648,670</u>	<u>1,704,645</u>
Total	<u>77,644,051</u>	<u>55,824,900</u>	<u>133,468,951</u>
Financial liabilities			
Lease liabilities	289,733	691,909	981,642
Borrowings	44,245,353	33,200,324	77,445,677
Asset-backed securities	4,798,243	–	4,798,243
Other liabilities	3,369,188	–	3,369,188
	<u>52,702,517</u>	<u>33,892,233</u>	<u>86,594,750</u>
Non-financial liabilities			
Other liabilities	494,677	–	494,677
Income tax payable	3,638,541	–	3,638,541
Deferred tax liability	–	9,044	9,044
	<u>4,133,218</u>	<u>9,044</u>	<u>4,142,262</u>
Total	<u>56,835,735</u>	<u>33,901,277</u>	<u>90,737,012</u>
Net	<u>20,808,316</u>	<u>21,923,623</u>	<u>42,731,939</u>

24 Maturity analysis of assets and liabilities (Cont'd.)

	Less than 12 months MNT'000	More than 12 months MNT'000	Total MNT'000
At 31 December 2022			
Financial assets			
Cash and cash equivalents	5,217,581	–	5,217,581
Loans and advances to customers	64,586,683	4,999,597	69,586,280
Debt instruments at amortised cost	172,230	–	172,230
Other assets	768,409	–	768,409
	<u>70,744,903</u>	<u>4,999,597</u>	<u>75,744,500</u>
Non-financial assets			
Prepayments	45,437	–	45,437
Intangible assets	–	401,095	401,095
Property and equipment	–	373,470	373,470
Right-of-use assets	–	217,592	217,592
Deferred tax assets	–	76,663	76,663
	<u>45,437</u>	<u>1,068,820</u>	<u>1,114,257</u>
Total	<u>70,790,340</u>	<u>6,068,417</u>	<u>76,858,757</u>
Financial liabilities			
Lease liabilities	285,772	–	285,772
Borrowings	33,066,256	11,159,607	44,225,863
Asset-backed securities	–	4,679,661	4,679,661
Other liabilities	2,320,380	–	2,320,380
	<u>35,672,408</u>	<u>15,839,268</u>	<u>51,511,676</u>
Non-financial liabilities			
Other liabilities	302,034	–	302,034
Income tax payable	815,146	–	815,146
	<u>1,117,180</u>	<u>–</u>	<u>1,117,180</u>
Total	<u>36,789,588</u>	<u>15,839,268</u>	<u>52,628,856</u>
Net	<u>34,000,762</u>	<u>(0,770,851)</u>	<u>24,229,911</u>

25 Events after the end of reporting period

In January 2024, the Group obtained MNT 3,749,000 thousand and USD 94,500 of trust financing from third parties at interest rates of 18.0-21.0% and 10-11.0% per annum, respectively, with maturities ranging between three months and one year.

In the same month, the Group also issued 30,000 units of closed bonds at a par value of MNT 100 thousand nominal value, with quarterly coupon payments at 18% p.a. The bonds are to mature on 18 June 2025.