

**MIK HOLDING JSC AND ITS
SUBSIDIARIES**
(Incorporated in Mongolia)

Unaudited interim condensed consolidated financial statements
30 June 2022

MIK HOLDING JSC AND ITS SUBSIDIARIES

FOR THE PERIOD ENDED 30 JUNE 2022

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STATEMENT BY EXECUTIVES

We, Gantulga Badamkhatan, being the Chief Executive Officer, and Sansar Ganbaatar, being the Chief Financial Officer, primarily responsible for the consolidated financial statements of MIK Holding JSC and its subsidiaries (herein collectively referred to as the “Group”), do hereby state that, in our opinion, the accompanying interim condensed consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2022 and its financial performance and its cash flows for the six-months period ended in accordance with IAS 34 Interim Financial Reporting (IAS34).



Ulaanbaatar, Mongolia
Date: 22 August 2022

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Sansar Ganbaatar
Chief Financial Officer

MIK HOLDING JSC AND ITS SUBSIDIARIES

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months period ended 30 June 2022

| | Notes | Unaudited six months ended | |
|---|-------|----------------------------|-------------------------|
| | | 30 June 2022 MNT'000 | 30 June 2021 MNT'000 |
| Interest income | 3 | 156,385,958 | 185,296,154 |
| Interest expense | 4 | (131,729,841) | (140,599,093) |
| Net interest income | | <u>24,656,117</u> | <u>44,697,061</u> |
| Fee and commission expense | 5 | (3,257,396) | (4,729,296) |
| Other operating income | 6 | 3,091,081 | 2,879,690 |
| Total operating income | | <u>24,489,802</u> | <u>42,847,455</u> |
| Credit loss reversal/(expense) | 7 | (7,198,755) | 3,789,189 |
| Net gain/(loss) on change in fair value of derivative financial instruments | 18 | 51,889,942 | (2,445,862) |
| Modification loss on purchased mortgage pool receivables | 8 | (99,926,271) | (6,623,788) |
| Net operating loss | | <u>(30,745,282)</u> | <u>37,566,993</u> |
| Operating expenses | 9 | (7,341,998) | (10,541,213) |
| Other operating expenses | 10 | (42,801,408) | (15,604,279) |
| Loss before tax | | <u>(80,888,688)</u> | <u>11,421,501</u> |
| Income tax credit/(expense) | 11 | (745,277) | (4,296,934) |
| Loss for the period, representing total comprehensive loss | | <u><u>(81,633,965)</u></u> | <u><u>7,124,567</u></u> |
| Loss per share (MNT) | | | |
| Basic and diluted loss per share | 12 | <u>(5,354.14)</u> | <u>467.28</u> |

MIK HOLDING JSC AND ITS SUBSIDIARIES**Consolidated Statement of Financial Position**

As at 30 June 2022

| | Notes | Unaudited 30 June 2022 MNT'000 | Audited 31 December 2021 MNT'000 |
|---|-------|--------------------------------------|--|
| ASSETS | | | |
| Cash and bank balances | 13 | 199,411,591 | 549,820,809 |
| Debt instruments at amortised cost | 14 | 97,538,775 | 80,766,979 |
| Mortgage pool receivables with recourse | 15 | 353,594,916 | 364,341,576 |
| Loan receivables with recourse | 16 | 99,602,252 | 44,840,080 |
| Purchased mortgage pool receivables | 17 | 2,779,776,348 | 2,901,349,797 |
| Financial assets at fair value through profit or loss | 18 | 145,499,187 | 145,499,187 |
| Derivative financial instruments | 19 | 96,898,134 | 66,638,901 |
| Other assets | 20 | 39,186,952 | 30,180,342 |
| Property and equipment | 21 | 37,511,208 | 37,709,674 |
| Intangible assets | | 134,081 | 201,833 |
| Income tax prepayments | | 1,418,787 | 1,566,195 |
| Deferred tax assets | | 3,009,508 | 3,009,508 |
| TOTAL ASSETS | | 3,853,581,739 | 4,225,924,881 |
| LIABILITIES | | | |
| Other liabilities | 22 | 12,488,911 | 13,194,729 |
| Borrowed funds | 23 | 36,331,564 | 41,581,993 |
| Debt securities | 24 | 788,370,132 | 1,004,976,075 |
| Collateralised bonds | 25 | 3,073,862,998 | 3,141,395,589 |
| Income tax payables | | 230,302 | 25,875 |
| Deferred tax liabilities | | 19,785,271 | 20,604,092 |
| TOTAL LIABILITIES | | 3,931,069,177 | 4,221,778,353 |
| EQUITY | | | |
| Ordinary shares | | 20,709,320 | 20,709,320 |
| Share premium | | 52,225,115 | 52,225,115 |
| Treasury shares | | (62,143,136) | (62,143,136) |
| Reserve | | (88,278,736) | (6,644,771) |
| TOTAL EQUITY | | (77,487,438) | 4,146,528 |
| TOTAL LIABILITIES AND EQUITY | | 3,853,581,739 | 4,225,924,881 |

MIK HOLDING JSC AND ITS SUBSIDIARIES**Consolidated Statement of Changes in Equity****For the six months period ended 30 June 2022**

| | Ordinary shares | Share premium | Treasury shares | Retained earnings* | Total equity |
|---|----------------------------|--------------------------|----------------------------|-------------------------------|-------------------------|
| | MNT'000 | MNT'000 | MNT'000 | MNT'000 | MNT'000 |
| At 1 January 2021 | 20,709,320 | 52,225,115 | (62,143,136) | 139,939,739 | 150,731,038 |
| Total comprehensive loss | – | – | – | (146,584,510) | (146,584,510) |
| At 31 December 2021 and 1 January 2022 | 20,709,320 | 52,225,115 | (62,143,136) | (6,644,771) | 4,146,528 |
| Total comprehensive loss | – | – | – | (81,633,965) | (81,633,965) |
| At 30 June 2022 | <u>20,709,320</u> | <u>52,225,115</u> | <u>(62,143,136)</u> | <u>(88,278,736)</u> | <u>(77,487,438)</u> |

* Included in retained earnings as at 30 June 2022 are restricted retained earnings of MNT 121,588,077 thousand (30 June 2021: MNT 220,978,371 thousand) that are attributable to the Group's Special Purpose Companies ("SPCs"). The restriction relates to the issuance of Residential Mortgage-Backed Securities ("RMBS"), whereby the retained earnings of the SPCs that have issued RMBSs are restricted from distribution until their liquidation in accordance with their Articles of Charter and related Financial Regulatory Commission ("FRC") regulation.

MIK HOLDING JSC AND ITS SUBSIDIARIES
Consolidated Statement of Cash Flows
For the six months period ended 30 June 2022

| | Notes | Unaudited six months ended | |
|---|-------|----------------------------|---------------------------|
| | | 30 June 2022 MNT'000 | 30 June 2021 MNT'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit/(Loss) before tax | | (80,888,688) | 11,421,501 |
| <i>Adjustments to reconcile profit before tax to net cash flows:</i> | | | |
| Interest on borrowed funds | 4 | 1,980,530 | 2,267,542 |
| Interest on debt securities | 4 | 35,914,458 | 49,954,256 |
| Loss/(gain) on repurchase of debt securities issued | 6,10 | (3,009,797) | 15,439,937 |
| Gain on disposal of property and equipment | 6 | (32,684) | (2,562,955) |
| Amortisation of deferred grants | | – | (117) |
| Credit loss expense/(reversal) | 7 | 7,198,756 | (3,789,189) |
| Modification loss on purchased mortgage pool receivables | 8 | 99,926,271 | 6,623,788 |
| Depreciation of property and equipment | 9 | 935,345 | 710,464 |
| Amortisation of intangible assets | 9 | 89,003 | 56,409 |
| Unrealised foreign exchange loss/(gain), net | 10 | 42,238,695 | (4,918) |
| Write-off of property and equipment | 10 | 30,115 | 4,387 |
| Loss on disposal of foreclosed property | 10 | 27,844 | 22,726 |
| Loss on disposal of property and equipment | | – | – |
| Realized gain on derivative financial instruments | 19 | 21,630,709 | – |
| Net loss/(gain) on derivative financial instruments | 19 | (51,889,942) | 2,445,862 |
| <i>Operating profit before working capital changes</i> | | <u>74,150,613</u> | <u>82,589,693</u> |
| <i>Changes in working capital:</i> | | | |
| Due from banks – placement with original maturities of more than three months | | (829,129) | (43,421,981) |
| Due from banks – placement with banks classified as Stage 3 | | 1,240,147 | – |
| Debt instruments at amortised cost | | (21,737,934) | – |
| Mortgage pool receivables with recourse | | 10,305,815 | 68,342,468 |
| Loan receivables with recourse | | (55,338,986) | – |
| Purchased mortgage pool receivables | | 20,080,294 | 60,371,704 |
| Other assets | | (9,034,454) | (23,420,469) |
| Collateralised bonds | | (67,532,591) | (90,561,855) |
| Other liabilities | | (642,097) | (1,715,653) |
| Cash generated from operations | | <u>(49,338,323)</u> | <u>52,183,907</u> |
| Interest paid classified as operating activities | | (43,230,339) | (42,777,535) |
| Income tax paid | | (1,212,261) | (2,553,967) |
| Net cash flows generated from operating activities | | <u>(93,780,923)</u> | <u>6,852,406</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investment in debt instruments at amortised cost | | – | (166,212,645) |
| Purchase of property and equipment | | (798,035) | (32,752,247) |
| Proceeds from disposal of property and equipment | | – | 32,557,965 |
| Purchase of intangible assets | | (21,250) | – |
| Net cash flows used in investing activities | | <u>(819,285)</u> | <u>(166,406,927)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net proceeds from issuance of debt securities | | – | 692,058,090 |
| Repayment of borrowed funds | | (5,188,085) | (163,338) |
| Repurchase of debt securities issued | | (280,047,047) | (576,598,813) |
| Net cash flows generated from/(used in) financing activities | | <u>(285,235,132)</u> | <u>115,295,939</u> |
| Net increase/(decrease) in cash and cash equivalents | | <u>(379,835,340)</u> | <u>(44,258,582)</u> |
| Effect of exchange rate changes on cash and cash equivalents | | 29,485,214 | (50,690) |
| Cash and cash equivalents at 1 January | | <u>530,507,287</u> | <u>177,952,358</u> |
| Cash and cash equivalents at 30 June | 13 | <u><u>180,157,161</u></u> | <u><u>133,643,076</u></u> |

1. Corporate and Group information

MIK Holding JSC (the “Company”) is a joint stock company listed on the Mongolian Stock Exchange, incorporated and domiciled in Mongolia.

The Group’s objective is to develop a secondary market for mortgage loans in Mongolia by acquiring them from the commercial banks and thus providing the banking sector with additional liquidity, which can be used for further growth of mortgage lending. Its principal activities include purchases of mortgage loans issued by Mongolian commercial banks and the issuance of bonds, which are collateralised by the cash flows from the repayment of the mortgage pools.

All SPCs are incorporated in Mongolia and the principal activities of the SPCs are purchase of mortgage loans, issuance of RMBS, investment activities in securities issued by the government, central bank and legal entity and placement of term deposits with qualifying banks as governed by the Articles of the Charter of each SPC and relevant FRC regulations.

2. Significant accounting policies

2.1. Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with *IAS 34 Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021.

2.2. Changes in accounting policies 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 as of 1 January 2021:

New and amended standards and interpretations

- Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 *Interest Rate Benchmark Reform – Phase 2* and IFRS 16
- Amendments to IFRS 16 *Covid-19 Related Rent Concessions (beyond 30 June 2021)*

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions - Amendments to IFRS 16 (beyond 30 June 2021)

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. This amendment had no impact on the consolidated financial statements of the Group as it doesn’t have any leases.

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.

2. Significant accounting policies (cont'd.)

2.2. Changes in accounting policies and disclosures (cont'd.)

| | |
|---|---|
| • IFRS 17 | <i>Insurance Contracts</i> ² |
| • Amendments to IAS 1 | <i>Classification of Liabilities as Current or Non-current</i> ² |
| • Amendments to IFRS 3 | <i>Reference to the Conceptual Framework</i> ¹ |
| • Amendments to IAS 16 | <i>Property, Plant and Equipment: Proceeds before Intended Use</i> ¹ |
| • Amendments to IAS 37 | <i>Onerous Contracts – Costs of Fulfilling a Contract</i> ¹ |
| • IFRS 1 First-time adoption of International Financial Reporting Standards | <i>Subsidiary as a first-time adopter</i> ¹ |
| • IFRS 9 Financial Instruments | <i>Fees in the '10 per cent' test for derecognition of financial liabilities</i> ¹ |
| • IAS 41 Agriculture | <i>Taxation in fair value measurements</i> ¹ |
| • Amendments to IAS 8 | <i>Definition of Accounting Estimates</i> ² |
| • Amendments to IAS 1 and IFRS Practice Statement 2 | <i>Disclosure of Accounting Policies</i> ² |

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

3. Interest income and segment information

During the period ended 30 June 2022 and 2021, the Group was engaged in a single business segment, which is the purchasing of mortgage pools by issuing RMBS securitised by those mortgage pools in Mongolia or proceeds from its senior notes issued in the international capital market. There has been no single external customer that has contributed revenue exceeding 10% or more of the Group's revenue during the period ended 30 June 2022 and 2021.

| | Unaudited six months ended | |
|---|----------------------------|--------------------|
| | 30 June 2022 | 30 June 2021 |
| | MNT'000 | MNT'000 |
| <i>Interest income calculated using the effective interest method</i> | | |
| Purchased mortgage pool receivables (without recourse) | 112,977,985 | 116,995,265 |
| Mortgage pool receivables with recourse | 22,824,444 | 45,467,196 |
| Bank balances | 2,425,324 | 6,420,617 |
| Debt instruments at amortised cost | 5,515,692 | 11,206,228 |
| Loan receivables with recourse | 6,071,281 | – |
| | <u>149,814,726</u> | <u>180,089,306</u> |
| <i>Other interest income</i> | | |
| Financial assets at FVPL | <u>6,571,232</u> | <u>5,206,849</u> |
| | <u>156,385,958</u> | <u>185,296,155</u> |

Included in interest income from purchased mortgage pool receivables for the six months period ended June 2022 is an amount of MNT 97.8 billion (2021: MNT 46.0 billion), representing accrued interest arising from the amortisation of the modification loss on purchased mortgage pool receivables over the deferral period as further detailed in Note 8.

4. Interest expense

| | Unaudited six months ended | |
|--|----------------------------|--------------------|
| | 30 June 2022 | 30 June 2021 |
| | MNT'000 | MNT'000 |
| <i>Interest expense calculated using the effective interest method</i> | | |
| Collateralised bonds | 80,393,364 | 80,592,670 |
| Debt securities issued | 40,606,256 | 49,954,256 |
| Borrowed funds | 1,980,530 | 2,267,542 |
| Other payables | – | 390,466 |
| | <u>122,980,150</u> | <u>133,204,934</u> |
| <i>Other interest expense</i> | | |
| Derivative financial instruments | <u>8,749,691</u> | <u>7,394,159</u> |
| | <u>131,729,841</u> | <u>140,599,093</u> |

5. Fee and commission expense

| | Unaudited six months ended | |
|---------------------|----------------------------|------------------|
| | 30 June 2022 | 30 June 2021 |
| | MNT'000 | MNT'000 |
| Loan service fee | 3,251,434 | 4,718,313 |
| Bank service charge | 5,962 | 10,983 |
| | <u>3,257,396</u> | <u>4,729,296</u> |

6. Other operating income

| | Unaudited six months ended | |
|--|----------------------------|------------------|
| | 30 June 2022 | 30 June 2021 |
| | MNT'000 | MNT'000 |
| Gain on repurchase of debt securities issued | 3,009,797 | – |
| Gain on disposal of property and equipment | 32,684 | – |
| Others | 48,599 | 2,879,690 |
| | <u>3,091,080</u> | <u>2,879,690</u> |

7. Credit loss expense/(reversal)

| | Unaudited six months ended | |
|--|----------------------------|--------------------|
| | 30 June 2022 | 30 June 2021 |
| | MNT'000 | MNT'000 |
| Mortgage pool receivables with recourse | 440,845 | (5,772,114) |
| Cash and bank balances | (351,926) | (2,664,212) |
| Debt instruments at amortised cost | 4,966,138 | 364,268 |
| Purchased mortgage pool receivables (without recourse) | 1,566,885 | 4,282,869 |
| Loan receivables with recourse | 576,814 | – |
| | <u>7,198,756</u> | <u>(3,789,189)</u> |

8. Modification loss on purchased mortgage pool receivables

In April 2020, in order to relieve the impact of the Covid-19 pandemic on the Mongolian economy and the mortgage market, the Government and the BoM implemented a mortgage payment deferral program with respect to mortgage loans issued under the Affordable Housing Finance Program, in allowing applicants to defer the principal and interest payments. Initially the deferral program was approved for six months up to 1 October 2020, which was extended four times by the authorities up to 31 December 2022. Management assessed that the modification of the terms of loan contracts did not result in substantially different cash flows and hence the modification did not result in a derecognition of the mortgage pools. Based on the change in cash flows discounted at the original EIR, the Group recognised a modification loss on purchased mortgage pool receivables.

| | Unaudited six months ended | |
|--|----------------------------|------------------|
| | 30 June 2022 | 30 June 2021 |
| | MNT'000 | MNT'000 |
| Modification loss on purchased mortgage pool receivables | <u>99,926,271</u> | <u>6,623,788</u> |

9. Operating expenses

| | Unaudited six months ended | |
|-----------------------------------|----------------------------|-------------------|
| | 30 June 2022 | 30 June 2021 |
| | MNT'000 | MNT'000 |
| Personnel expenses | 3,948,969 | 4,126,523 |
| Professional service fees | 220,733 | 4,451,040 |
| Depreciation expense | 935,345 | 710,464 |
| Advertisement expense | 397,536 | 86,438 |
| Utility expense | 29,718 | 132,554 |
| Amortisation of intangible assets | 89,003 | 56,409 |
| Business trip expense | 179,242 | – |
| Other operating expenses | 1,541,452 | 977,785 |
| | <u>7,341,998</u> | <u>10,541,213</u> |

10. Other operating expenses

| | Unaudited six months ended | |
|--|----------------------------|-------------------|
| | 30 June 2022 | 30 June 2021 |
| | MNT'000 | MNT'000 |
| Unrealised foreign exchange loss, net | 42,238,695 | (4,918) |
| Entertainment expense | 145,111 | 49,057 |
| Realised foreign exchange loss, net | 74,497 | 22,469 |
| Loss on repurchase of debt securities issued | – | 15,439,937 |
| Loss on disposal of foreclosed property | 27,844 | 22,726 |
| Write-off of property and equipment | 30,115 | 4,387 |
| Others | 285,147 | 70,621 |
| | <u>42,801,408</u> | <u>15,604,279</u> |

11. Income tax

The Group provides for income taxes on the basis of its income for financial reporting purposes, adjusted for items which are not assessable or deductible for income tax purposes. The income tax rates for profits of the Group are 10% (2021: 10%) for the first MNT 6 billion (2021: MNT 6 billion) of taxable income, and 25% (2021: 25%) on the excess of taxable income over MNT 6 billion (2021: MNT 6 billion). The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings.

The components of income tax expense for the six months period ended 30 June 2022 and 2021 are:

| | Unaudited six months ended | |
|--|----------------------------|------------------|
| | 30 June 2022 | 30 June 2021 |
| Current tax | | |
| Current income tax | 1,564,096 | 2,720,827 |
| Deferred tax | | |
| Relating to origination of temporary differences | (818,819) | 1,576,108 |
| | <u>745,277</u> | <u>4,296,935</u> |

12. Loss per share

The following table shows the income and number of shares used in the basic and diluted loss per share calculations:

| | Unaudited six months ended | |
|--|----------------------------|-------------------|
| | 30 June 2022 | 30 June 2021 |
| | MNT'000 | MNT'000 |
| Loss for the year and total comprehensive loss for the year (net of tax) attributable to equity holder of the Parent | <u>(81,633,965)</u> | <u>7,124,567</u> |
| Weighted-average number of ordinary shares for basic and diluted loss per share* | <u>15,246,891</u> | <u>15,246,891</u> |
| Loss per share | MNT | MNT |
| Equity holders of the Parent for the year: | | |
| Basic and diluted loss per share | (5,354.14) | <u>467.28</u> |

* The weighted-average number of shares takes into account treasury shares held by the Group.

13. Cash and bank balances

| | Unaudited | Audited |
|---------------------------------|--------------------|--------------------|
| | 30 June 2022 | 31 December 2021 |
| | MNT'000 | MNT'000 |
| Cash on hand | <u>64,247</u> | <u>285,106</u> |
| Current accounts with banks | 90,063,827 | 460,389,875 |
| Term deposits with banks | 96,503,756 | 70,451,739 |
| Trust accounts with banks | 8,349,895 | 12,306,748 |
| Collection accounts with banks | 5,054,957 | 7,364,355 |
| Gross carrying amount | <u>200,036,681</u> | <u>550,797,823</u> |
| Allowance for impairment losses | <u>(625,090)</u> | <u>(977,014)</u> |
| Net carrying amount | <u>199,411,591</u> | <u>549,820,809</u> |

13. Cash and bank balances (cont'd)

All bank accounts are placed in commercial banks operating in Mongolia, and most of these commercial banks are shareholders of the Group. The trust accounts with banks represent current accounts where the collections made by commercial banks on behalf of the Group on the purchased mortgage pool receivables are accumulated and are deposited into the current accounts on monthly basis. The collection account is used for repayment of the RMBS. The carrying amount of cash and cash equivalents approximates fair value.

Additional cash flow information

| | Unaudited 30 June 2022 MNT'000 | Audited 31 December 2021 MNT'000 |
|---|--------------------------------------|--|
| Cash and bank balances | 200,036,681 | 550,797,823 |
| Less: Placement with banks with original maturities of more than three months | (19,879,520) | (19,050,389) |
| Less: Cash and bank balances classified as Stage 3 | — | (1,240,147) |
| Total cash and cash equivalents for the consolidated statement of cash flows | <u>180,157,161</u> | <u>530,507,287</u> |

13.1. Impairment allowance for cash and bank balances

| | Unaudited 30 June 2022 MNT'000 |
|---|--------------------------------------|
| At 1 January | 977,014 |
| Credit loss expense/(reversal) (Note 7) | (351,924) |
| At 30 June | <u>625,090</u> |

14. Debt instruments at amortised cost

| | Unaudited 30 June 2022 MNT'000 | Audited 31 December 2021 MNT'000 |
|--|--------------------------------------|--|
| Gross loan notes receivables | 111,781,102 | 90,043,167 |
| Allowance for impairment losses | (14,242,328) | (9,276,188) |
| Net debt instruments at amortised cost | <u>97,538,775</u> | <u>80,766,979</u> |

Loan notes receivables

Bodi International LLC

On 11 December 2018, the Group purchased through MIK HFC and its SPCs loan notes from Bodi International LLC (“Bodi”) for MNT 25.0 billion and MNT 20.0 billion, respectively. The loan notes bear an interest rate of 12.2% per annum, with interest repayable semi-annually beginning from 20 July 2019 to 20 July 2023 and principal repayable in three instalments beginning from 20 January 2023 to 12 December 2023

QSC LLC

On 20 March 2020, the Group invested in MNT 45 billion loan notes bearing 13 percent interest per annum issued by QSC LLC. On 28 June 2021, when the outstanding balance on the loan notes was MNT 35 billion, the initial contract maturity of 20 July 2021 was extended until 28 June 2024, with an amended interest rate of the BoM policy rate plus 2 percent per annum. Per contract, principal payments are to be made in three instalments of MNT 10 billion on 28 June 2022, 28 June 2023 and MNT 5 billion on 28 June 2024, while interest is repayable on a quarterly basis.

TDB Leasing LLC

On 25 March 2021, the Group purchased loan notes from TDB Leasing LLC (Olympic Bond) for MNT 1 billion. The notes have an interest rate of 15 percent per annum and are due to mature on 26 March 2023, with interest repayable semi-annually and principal repayable at maturity.

On 3 May 2022, the Group purchased 2,000 loan notes from TDB Leasing LLC (Olympic Bond) with a par value of MNT 1 million each for a consideration of MNT 2 billion. The loan notes bear an interest rate of 13.2 percent per annum and are due to mature in 24 months.

14. Debt instruments at amortised cost (cont'd.)

Loan notes receivables (cont'd)

Khukh Mongol Gobi Trans LLC

The Group purchased loan notes issued by Khukh Mongol Gobi Trans LLC in the amounts of MNT 3.0 billion on 29 July 2021 and MNT 3.0 billion on 9 November 2021, for a total of MNT 6 billion. All notes bear an interest rate of 17 percent per annum and are due to mature in one year from the date of purchase, with interest repayable quarterly and principal repayable at maturity. The loan notes are secured by property valued at MNT 7.0 billion on the date of purchase.

14.1. Impairment allowance for debt instruments at amortised cost

| | Unaudited 30 June 2022 MNT'000 |
|---|---|
| At 1 January | 9,276,188 |
| Credit loss expense/(reversal) (Note 7) | 4,966,140 |
| At 30 June | <u>14,242,328</u> |

15. Mortgage pool receivables with recourse

The Group acquires mortgage pool receivables with recourse from commercial banks, most of whom are shareholders of the Group. The Group has the right to request from the respective commercial bank, when any individual mortgage loan is overdue more than 90 days, either to replace the defaulted loan with another performing mortgage loan with similar terms or to pay immediately in cash an amount equal to the carrying amount of the defaulted loan plus accumulated interest. Thus, mortgage pool receivables with recourse represent, in substance, loans issued to commercial banks in Mongolia, which are collateralised by related mortgage loan receivables of those commercial banks, as well as by the related residential properties that are used as collateral, as additional guarantee.

| | Unaudited 30 June 2022 MNT'000 | Audited 31 December 2021 MNT'000 |
|---|---|---|
| Mortgage pool receivables | 342,811,139 | 357,798,130 |
| Accrued interest receivables | 13,202,437 | 8,521,261 |
| Gross mortgage pool receivables with recourse | <u>356,013,576</u> | <u>366,319,391</u> |
| Allowance for impairment losses | <u>(2,418,660)</u> | <u>(1,977,815)</u> |
| Net mortgage pool receivables with recourse | <u>353,594,916</u> | <u>364,341,576</u> |

15.1. Impairment allowance for mortgage pool receivables with recourse

| | Unaudited 30 June 2022 MNT'000 |
|---|---|
| At 1 January | 1,977,815 |
| Credit loss expense/(reversal) (Note 7) | 440,845 |
| At 30 June | <u>2,418,660</u> |

16. Loan receivables with recourse

| | Unaudited 30 June 2022 MNT'000 | Audited 31 December 2021 MNT'000 |
|--------------------------------------|---|---|
| Gross loan receivables with recourse | 100,949,021 | 45,610,035 |
| Allowance for impairment losses | <u>(1,346,769)</u> | <u>(769,955)</u> |
| Net loan receivables with recourse | <u>99,602,252</u> | <u>44,840,080</u> |

Loan receivables with recourse represent consumer loan receivables from individual borrowers and legal entities, purchased from financial institutions.

16. Loan receivables with recourse (cont'd)

16.1. Impairment allowance for loan receivables with recourse

| | Unaudited 30 June 2022 MNT'000 |
|------------------------------|---|
| At 1 January | 769,955 |
| Credit loss expense (Note 7) | 576,814 |
| At 30 June | <u>1,346,769</u> |

17. Purchased mortgage pool receivables

| | Unaudited 30 June 2022 MNT'000 | Audited 31 December 2021 MNT'000 |
|---|---|---|
| Purchased mortgage pool receivables | 2,786,096,821 | 2,905,100,780 |
| Accrued interest receivables | 6,787,018 | 7,789,619 |
| Gross purchased mortgage pool receivables | <u>2,792,883,839</u> | <u>2,912,890,399</u> |
| Allowance for impairment losses | <u>(13,107,491)</u> | <u>(11,540,602)</u> |
| Net purchased mortgage pool receivables | <u>2,779,776,348</u> | <u>2,901,349,797</u> |

Purchased mortgage pool receivables represent mortgage loan receivables due from individual borrowers, purchased from Mongolian commercial banks, most of whom are shareholders of the Group. All significant risks and rewards related to these mortgage loans, including the rights to the related collateral, are fully transferred to the Group at acquisition of the mortgage pools.

17.1. Impairment allowance for purchased mortgage pool receivables

| | Unaudited 30 June 2022 MNT'000 |
|---|---|
| At 1 January | 11,540,602 |
| Credit loss expense/(reversal) (Note 7) | 1,566,889 |
| At 30 June | <u>13,107,491</u> |

18. Financial assets at fair value through profit or loss

| | Unaudited 30 June 2022 MNT'000 | Audited 31 December 2021 MNT'000 |
|--|---|---|
| Fair value as at 1 January | 145,499,187 | 140,997,079 |
| Acquisitions | – | – |
| Net gain/(loss) from change in fair value through profit or loss | – | 4,502,108 |
| Fair value as at 30 June | <u>145,499,187</u> | <u>145,499,187</u> |

Investment in fund

On 25 December 2018, the Group purchased 500,000 investment units of Asia Diversified Real Estate Fund One Private Investment Fund LLC (the "Fund") at 10,000 per unit at a total amount of MNT 5.0 billion. The Fund is a registered fund licensed by the FRC and has issued 1,500,000 investment units and is due for liquidation upon maturity in 10 years since its establishment in 2018. Management has assessed that it does not have either control or significant influence on the operating and financial decisions and activities of the Fund, as the Fund is governed by the Investment Fund Law of Mongolia which requires the Fund to be independent and not controlled/influenced by its investors. The Fund is classified as a financial investment at FVPL in accordance with IFRS 9 requirements. In making this judgment, management has also considered the followings:

- The Fund is managed by a managing company which is independent of the Group, and the Group has no right or ability to nominate or replace the managing company;
- By contract and the relevant law, the Group or other investors are prohibited from influencing the decision, including investing decisions and operation of the managing company.

As at 30 June 2022, the Fund's underlying investment comprised of principally an investment portfolio of the Group's shares.

18. Financial assets at fair value through profit or loss (cont'd)

Investment in preference shares

In November 2020, the Group sold back all preference shares held in TDB Capital LLC ("TDB Capital"), and purchased 30,000 new preference shares of TDB Capital, with a par value of MNT 5 million per share for a total consideration of MNT 150 billion on 7 December 2020. The preference shares have an annual dividend rate of the BoM policy rate plus 1 percent and have no fixed maturity terms.

Per the contractual terms, TDB Capital may defer payments and no additional interest is accrued on the amounts deferred. Therefore, management has assessed that the investment does not pass the SPPI test in accordance with IFRS 9 and has classified the investment in preference shares as a financial asset at FVPL.

19. Derivative financial instruments

On 28 March 2019, the Group entered into a cross-currency swap agreement with nominal amount of USD 295.4 million or MNT 777,151 million with commercial bank for foreign currency risk management purposes. The swap agreement is designed to manage the risk of variability of cash flows denominated in USD from its Senior Notes issued on the international market in January and February 2019. The USD/MNT swap was a maturity of three years, with interest payable semi-annually beginning 30 September 2019 to 30 March 2022 on a net basis. On 14 January 2022, an amendment to the original cross-currency swap agreement with commercial bank was signed extending the term of the arrangement until 24 January 2024 to continue to manage the risk of variability of cash flows denominated in USD from its Senior Notes issued on the international capital market. With the amendment, the nominal amount was reduced from USD 295.4 million to USD 196 million, with interest payable quarterly starting from 14 April 2022 on a net basis.

The table below shows the fair value of derivative financial instruments recorded as assets together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

| | Unaudited 30 June 2022 MNT'000 | Audited 31 December 2021 MNT'000 |
|--|---|---|
| Fair value as at 1 January | 66,638,901 | 82,581,091 |
| Net gains/(loss) on derivative financial instruments | 51,889,942 | (15,942,190) |
| Realized fair value gain from derivative financial instruments reduction | (21,630,709) | – |
| Fair value as at 30 June | <u>96,898,134</u> | <u>66,638,901</u> |

20. Other assets

| | Unaudited 30 June 2022 MNT'000 | Audited 31 December 2021 MNT'000 |
|---------------------------------|---|---|
| Financial assets | | |
| Other receivables | <u>16,037,323</u> | <u>9,673,011</u> |
| Non-financial assets | | |
| Prepayments | 19,191,247 | 16,710,008 |
| Foreclosed properties | 332,684 | 759,650 |
| Consumables and office supplies | 382,145 | 118,474 |
| Value-added tax receivables | 3,243,554 | 2,919,199 |
| | <u>23,149,629</u> | <u>20,507,331</u> |
| | <u>39,186,952</u> | <u>30,180,342</u> |

Included in other receivables as at 30 June 2022 is accrued interest on preference shares held in TDB Capital LLC of MNT 15,774,643 thousand (31 December 2021: MNT 9,203,412 thousand)

21. Property and equipment

As of 30 June 2022, property and equipment with a carrying amount of MNT 37,511,208 thousand (2021: MNT 37,709,674 thousand), of which amount of MNT 35,590,021,646 thousand (2021: MNT 36,330,836 thousand) of premises are collateralised for borrowed funds.

22. Other liabilities

| | Unaudited 30 June 2022 MNT'000 | Audited 31 December 2021 MNT'000 |
|---|---|---|
| Financial liabilities | | |
| Interest payable on cross-currency swap | 5,231,627 | 2,148,019 |
| VAT payable | 91,072 | 2,944,266 |
| Other payables | 5,618,678 | 6,243,788 |
| | <u>10,941,377</u> | <u>11,336,073</u> |
| Non-financial liabilities | | |
| Withholding tax liability | <u>1,547,534</u> | <u>1,858,656</u> |
| | <u>12,488,911</u> | <u>13,194,729</u> |

Included in other payables are loan service fee payables to the banks for the collection of the mortgage pool receivables. Loan service fees are normally settled to the banks with the next quarterly coupon payment of the RMBS.

23. Borrowed funds

| | Unaudited 30 June 2022 MNT'000 | Audited 31 December 2021 MNT'000 |
|----------------------------|---|---|
| TDB | 10,221,975 | 15,451,856 |
| Golomt Bank LLC (“Golomt”) | 26,109,589 | 26,130,137 |
| | <u>36,331,564</u> | <u>41,581,993</u> |

TDB:

- (a) On 17 May 2018, the Group entered into a loan agreement with TDB of MNT 11.4 billion. The loan bears an interest rate of 14.4% per annum and the loan principal is repayable monthly beginning from 17 May 2018 to 17 May 2033. The outstanding borrowings amounted to MNT 10,221,975 thousand and MNT 10,415,691 thousand at 30 June 2022 and 31 December 2021, respectively.
- (b) On 8 January 2019, the Group obtained a loan of MNT 5 billion with an interest rate of 11.0% per annum from TDB to finance its working capital. The Group fully settled the loan per schedule on 8 January 2022.

Golomt:

The Group obtained a loan of MNT 25 billion from Golomt on 11 December 2018. The loan bears an interest rate of 10.0% per annum and the interest is repayable semi-annually beginning from 20 July 2019 to 20 January 2024, while the principal is repayable in full on 20 January 2024. The loan is secured by gross mortgage pool receivables with recourse of MNT 30 billion and cash in a current account held with Golomt.

24. Debt securities

| | Unaudited 30 June 2022 MNT'000 | Audited 31 December 2021 MNT'000 |
|-----------------------------------|---|---|
| Debt securities at amortised cost | <u>788,370,132</u> | <u>1,004,976,075</u> |

International capital market

On 8 February 2021, the Group issued senior notes (“2024 Notes”) with nominal value of USD 250 million on the international capital market to refinance its senior notes issued on the same market in 2019. The 2024 Notes bear an interest of 8.85% per annum payable semi-annually in arrears starting from 8 August 2021 to 8 February 2024. The bond is unconditionally and irrevocably guaranteed by the Company.

On 29 January 2022, the Group made the final principal and coupon payment on its 2022 Notes and settled their debt as per schedule.

On 15 February 2022, 1 April 2022, 14 June 2022 and 15 June 2022, the Group purchased a portion of its 2024 Notes in principal amounts of USD 5 million, USD 1.2 million, USD 2 million, and USD 3 million, respectively. (2021: USD 4,000,000).

Qualifying transaction costs are capitalized and to be amortised over the life of the financial instruments using EIR.

24. Debt securities (cont'd.)

OTC market

On 28 December 2021, the Group issued a USD 12 million bond on the local over-the-counter market. The debt securities bear an interest rate of 6.8% per annum, with interest payable semi-annually and principal payable upon maturity in three years. Qualifying transaction costs are capitalised and amortised over the life of the financial instruments using EIR.

25. Collateralised bonds

| | Interest rate | Unaudited 30 June 2022 MNT'000 | Audited 31 December 2021 MNT'000 |
|------------------|---------------|--------------------------------------|--|
| Senior bonds | 4.50% | 1,987,265,343 | 2,069,291,847 |
| Junior bonds | 10.50% | 494,346,161 | 477,232,799 |
| Senior bonds II | 4.50% | 286,062,584 | 287,875,579 |
| Senior bonds I | 1.00% | 175,161,607 | 178,982,108 |
| Senior bonds II | 9.00% | 65,272,689 | 64,200,980 |
| Senior bonds III | 13.00% | 57,771,552 | 56,170,330 |
| Junior bonds | 9.00% | 7,983,062 | 7,641,946 |
| | | <u>3,073,862,998</u> | <u>3,141,395,589</u> |

The senior and junior bonds as at 30 June 2022 and 31 December 2021 represent bonds issued by the SPCs upon their mortgage pool purchases under the RMBS program of the government of Mongolia. Starting with the twenty-second issuance of RMBS, senior bonds were offered in three tranches: senior bonds I issued to the MoF, senior bonds II issued to the BoM, and senior bonds III issued to commercial banks, while prior to this change, all senior bonds were issued to the BoM and the MoF. Junior bonds are solely issued to commercial banks. The bonds are collateralised by the purchased mortgage pool receivables (see Note 17).

The principal payments of the senior bonds are payable on a quarterly basis and are equal to the quarterly principal repayment received from the purchased mortgage pool receivables acquired under the RMBS program. The principal of the junior bonds will only be redeemed after the full redemption of the principal of the senior bonds and the payments to junior bond holders are subordinate in right of payment and priority to the senior bonds.

The bonds are not publicly traded on an active market (such as the stock exchange) but are sold directly to commercial banks.

Covid-19 impact

In conjunction with the mortgage principal and interest repayment deferral program as noted in Note 8, MIK Asset Seventeen SPC LLC to MIK Asset Twenty-Five SPC LLC were given the option by the BoM and the MoF to defer the principal and coupon payments due to them on the senior RMBS up to 30 June 2022 if they did not have the ability to pay, given that these entities are relatively new and do not have sufficient reserves. All other principal and coupon payments are to be made per schedule.

26. Ordinary shares

There were 5,462,429 shares held as treasury shares as at 30 June 2022 (31 December 2021: 5,462,429 shares). Excluding these shares, the total number of issued shares as at 30 June 2022 was 15,246,891 shares (31 December 2021: 15,246,891 shares). All issued ordinary shares are fully paid. Each ordinary share carries one vote.

27. Contingent liabilities and commitments

Legal claims

Litigation is a common occurrence in the financial services industry due to the nature of the business. The Group has an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages can be reasonably estimated, the Group makes adjustments to account for any adverse effects which the claim may have on its financial standing. As of the financial report date, the Group had no significant outstanding litigation.

27. Contingent liabilities and commitments (cont'd)

Assets pledged and restricted

RMBS issued by the Group are fully collateralised by the purchased mortgage pool receivables. As of 30 June 2022, the Group had mortgage pool receivables with the gross amount of MNT 2,792,883,839 (2021: MNT 2,912,890,399 thousand) pledged as collateral for the RMBS (see Note 17). The related liabilities amount is MNT 3,073,862,998 thousand as of 30 June 2022 (2021: MNT 3,141,395,589 thousand) (see Note 25).

28. Related party disclosures

A number of transactions were entered into by the Group with related parties in the course of business. As all shareholders have the right to appoint a director, management considers them to be related parties.

Investment in preference shares from shareholder of related party

In November 2020, the Group sold back all preference shares held in TDB Capital and purchased a total of 30,000 new preference shares of TDB Capital, with a par value of MNT 5 million per share for a total consideration of MNT 150 billion on 7 December 2020. The preference shares have an annual dividend rate of the BoM policy rate plus 1 percent and have no fixed maturity terms.

Per the contractual terms, TDB Capital may defer payments and no additional interest is accrued on the amounts deferred. Therefore, management has assessed that the investment does not pass the SPPI test in accordance with IFRS 9 and has classified the investment in preference shares as a financial asset at FVPL.

Accrued interest on preference shares held in TDB Capital amounted to MNT 15,774,643 thousand (2021: MNT 9,203,412 thousand) as at 30 June 2022 (see Note 20).

Loans from/to shareholder of related party

The Group obtained a loan of MNT 25 billion from Golomt on 11 December 2018 with an interest rate of 10.0% per annum, with interest repayable semi-annually beginning from 20 July 2019 to 20 January 2024 and principal repayable in full on 20 January 2024. The loan is secured by gross mortgage pool receivables with recourse of MNT 30 billion and cash in current accounts held with Golomt (see Note 23).

On 11 December 2018, the Group purchased through MIK HFC and SPCs loan notes from Bodi, for MNT 25.0 billion and MNT 20.0 billion, respectively. The loan notes bear an interest rate of 12.2% per annum, with interest repayable semi-annually beginning from 20 July 2019 to 20 July 2023 and principal repayable in three instalments beginning from 20 January 2023 to 12 December 2023.

Investment in related party

On 20 March 2020, the Group invested in MNT 45 billion loan notes bearing 13 percent interest per annum issued by QSC LLC, a related party of a board member of the Group. The initial contract maturity of 20 July 2021 was extended till June 2024 during the year, with an amended interest rate of the BoM policy rate plus 2 percent per annum.

Investment made in the Investment Fund

On 25 December 2018, the Group purchased 500,000 investment units of Asia Diversified Real Estate Fund One Private Investment Fund LLC (the "Fund") at 10,000 per unit at a total amount of MNT 5.0 billion (see Note 19). The Fund has issued 1,500,000 investment units and is due for liquidation upon maturity in 10 years since its establishment in 2018.

Borrowed funds

On 17 May 2018, the Group entered into a loan agreement with TDB of MNT 11.4 billion with an interest rate of 14.4% per annum. The loan principal and interest are repayable monthly beginning from 17 May 2018 to 17 May .

On 8 January 2019, the Group obtained a loan of MNT 5 billion with an interest rate of 11.0% per annum from TDB to finance its working capital. The Group fully settled the loan per schedule on 8 January 2022 (see Note 23).

Swap arrangement with related party

On 28 March 2019, the Group entered into a cross-currency interest rate swap agreement with nominal amount of USD 295.4 million or MNT 777,151 million with TDB for foreign currency risk management purposes. The swap agreement is designed to manage the risk of variability of cash flows denominated in USD from its 2022 Notes issued on the international market in January and February 2019 (see Note 24). The USD/MNT swap was a maturity of three years, with interest payable semi-annually beginning 30 September 2019 to 30 March 2022 on a net basis.

On 14 January 2022, an amendment to the original cross-currency swap agreement with commercial bank was signed extending the term of the arrangement until 24 January 2024 to continue to manage the risk of variability of cash flows denominated in USD from its Senior Notes issued on the international capital market. With the amendment, the nominal amount was reduced from USD 295.4 million to USD 196 million, with interest payable quarterly starting from 14 April 2022 on a net basis.

28. Related party disclosures (cont'd.)

Other payables

Other payables include loan service fee payable to the banks for the collection of the purchased mortgage pool receivables as follows:

| | Unaudited 30 June 2022 MNT'000 | Audited 31 December 2021 MNT'000 |
|-------------------|--------------------------------------|--|
| TDB | 826,949 | 1,151,774 |
| Khan Bank LLC | 621,995 | 848,577 |
| XacBank LLC | 213,404 | 403,686 |
| Golomt | 735,209 | 907,981 |
| Capitron Bank LLC | 70,682 | 46,666 |
| State Bank LLC | 238,962 | 328,757 |
| Total | <u>2,707,201</u> | <u>3,687,441</u> |

Loan service fees are normally settled with the banks with the next quarterly coupon payment of the RMBS.

Compensation to key management personnel

| | Unaudited 30 June 2022 MNT'000 | Audited 31 December 2021 MNT'000 |
|--|--------------------------------------|--|
| Short-term employee benefits | | |
| Salaries, incentives and allowances | 1,383,495 | 2,894,964 |
| Contribution to social and health fund | 170,102 | 313,902 |
| | <u>1,553,597</u> | <u>3,208,866</u> |

As at 30 June 2022, the Group has the following balances and transactions with related parties:

| | Bank deposits | | Collateralised bonds | | | |
|-------------------------------|-----------------------------------|-------------------------------|-------------------------|-------------------------|-----------------------------------|--------------------------------|
| | Outstanding balance MNT'000 | Interest Income MNT'000 | Issued during the year | | Outstanding balance MNT'000 | Interest expense MNT'000 |
| | | | senior bonds MNT'000 | junior bonds MNT'000 | | |
| As at 30 June 2022 | | | | | | |
| TDB | 156,820,083 | 1,751,342 | – | – | 175,287,768 | 9,151,432 |
| Khan Bank LLC | 11,610,559 | 55,475 | – | – | 145,043,934 | 7,005,681 |
| Xac Bank LLC | 1,669,757 | – | – | – | 59,531,199 | 2,876,038 |
| Golomt | 2,419,049 | 31,333 | – | – | 143,603,787 | 8,181,129 |
| Capitron Bank LLC | 8,368,482 | 243,555 | – | – | 11,446,574 | 551,401 |
| State Bank LLC | 9,023,889 | 171,059 | – | – | 64,353,684 | 3,074,673 |
| Chinggis Khaan Bank LLC | 793,484 | – | – | – | 3,646,468 | 189,627 |
| | <u>190,705,303</u> | <u>2,252,764</u> | <u>–</u> | <u>–</u> | <u>602,913,414</u> | <u>31,029,981</u> |
| BoM | – | – | – | – | 2,448,375,813 | 48,437,720 |
| MoF | – | – | – | – | 11,109,411 | 2,370,896 |
| | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>2,459,485,224</u> | <u>50,808,616</u> |
| Total | <u>190,705,303</u> | <u>2,252,764</u> | <u>–</u> | <u>–</u> | <u>3,062,398,638</u> | <u>81,838,597</u> |
| As at 31 December 2021 | | | | | | |
| TDB | 509,784,756 | 5,741,395 | 92,572,300 | 10,286,100 | 199,805,982 | 14,273,643 |
| Khan Bank LLC | 4,328,747 | – | 66,571,000 | 7,397,100 | 149,856,290 | 12,656,924 |
| Xac Bank LLC | 1,641,286 | – | 37,898,000 | 4,211,200 | 76,335,608 | 4,678,961 |
| Golomt | 17,494,818 | 4,504,308 | 61,745,300 | 6,860,700 | 163,705,878 | 12,965,540 |
| Capitron Bank LLC | 5,670,495 | 539,186 | 14,040,900 | 1,560,300 | 17,142,282 | 791,703 |
| State Bank LLC | 2,309,655 | – | 47,747,600 | 5,305,600 | 80,661,951 | 4,769,417 |
| Chinggis Khaan Bank LLC | 1,239,947 | 16,472 | 82,800 | 9,300 | 3,628,806 | 388,007 |
| | <u>542,469,704</u> | <u>10,801,361</u> | <u>320,657,900</u> | <u>35,630,300</u> | <u>691,136,797</u> | <u>50,524,195</u> |
| BoM | – | – | – | – | 2,202,268,702 | 99,634,316 |
| MoF | – | – | – | – | 233,593,920 | 8,814,366 |
| | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>2,435,862,622</u> | <u>108,448,682</u> |
| Total | <u>542,469,704</u> | <u>10,801,361</u> | <u>320,657,900</u> | <u>35,630,300</u> | <u>3,126,999,419</u> | <u>158,972,877</u> |

28. Related party disclosures (cont'd.)

Terms and conditions of transactions with related parties

The above-mentioned outstanding balances arose from the ordinary course of the Group's business. The interest charged to and by related parties are at normal commercial rates in relation to bank deposits, borrowings and mortgage pools and at the rates specified in the RMBS.

29. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and fulfil its obligations to the investors of the RMBS and the Senior Note holders by effectively managing the subsidiaries. In order to maintain or adjust the capital structure, the Group may issue new shares, obtain borrowings, invest in permitted investments or issue bonds.

Included in retained earnings as at 30 June 2022 are restricted retained earnings of MNT 121,588,077 thousand (30 June 2021: MNT 220,978,371 thousand) that are attributable to the Group's SPCs and are restricted from distribution until the liquidation of the respective SPCs in accordance with the Articles of Charter of each SPC and FRC regulation. MIK HFC is also restricted from distribution of dividends in accordance with covenants related to debt securities issued in 2019 and 2021.

The Group was not subject to any other externally imposed capital requirements throughout 30 June 2022 and 30 June 2021.

30. Subsequent events

Following its receipt of the special license to issue RMBS from the FRC on 6 July 2022, MIK Asset Twenty-Nine SPC LLC purchased mortgage pools amounting to MNT 532,754,451 thousand from commercial banks and issued RMBS amounting to MNT 532,753,800 thousand.