

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

**Unaudited interim condensed
consolidated financial information**

30 September 2023

MIK HOLDING JSC AND ITS SUBSIDIARIES

For the period ended 30 September 2023

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MIK HOLDING JSC AND ITS SUBSIDIARIES

Corporate Information

Registered Office	: Chingeltei district, 1 st khoroo, Sukhbaatar Square street 11 P.O.Box – 15160 – 215 Ulaanbaatar City, Mongolia
Board of Directors	: Mr. Khashchuluun Ch. (Acting Chairman) Mr. Davaajav T. Mr. Enkhjin A. Mr. Temuujin L. Mr. Uurtsaikhbaatar B. Mr. Sergelen N. Mr. Shijir E. Mr. Ganzorig U. Mr. Munkhbaatar M.
Corporate Secretary	: Ms. Saruul G.
Auditors	: Ernst & Young Mongolia Audit LLC Certified Public Accountants

STATEMENT BY EXECUTIVES

We, Gantulga Badamkhatan, being the Chief Executive Officer, and Sansar Ganbaatar, being the Chief Operating Officer, primarily responsible for the interim condensed consolidated financial information 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 information presents fairly, in all material respects, the financial position of the Group as at 30 September 2023, its financial performance and its cash flows for the nine-month period then ended in accordance with IAS 34 *Interim Financial Reporting*.



Gantulga Badamkhatan
Chief Executive Officer



Sansar Ganbaatar
Chief Operating Officer

Ulaanbaatar, Mongolia

Date: 2023.11.03

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Board of Directors of MIK Holding JSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial information of MIK Holding JSC and its subsidiaries (the "Group") as at 30 September 2023 which comprises the condensed consolidated statement of financial position as at 30 September 2023 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month period then ended, and explanatory notes. Management is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

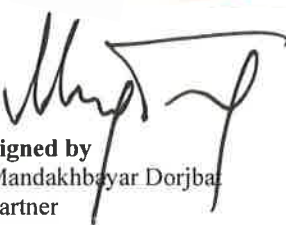
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion


Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information does not present fairly, in all material respects, the financial position of the Group as at 30 September 2023, and its financial performance and cash flows for the nine-month period then ended in accordance with IAS 34.



Ernst & Young Mongolia Audit LLC
ERNST & YOUNG MONGOLIA AUDIT LLC
Certified Public Accountants



Signed by
Mandakhbayar Dorjbaatar
Partner



Approved by
Shu Hing WONG
Partner

Ulaanbaatar, Mongolia
Date: 3 November 2023

MIK HOLDING JSC AND ITS SUBSIDIARIES**Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income****For the nine-month period ended 30 September 2023**

		Unaudited nine months ended	
		30 September	30 September
		2023	2022
	Notes	MNT'000	MNT'000
Interest and similar income	3	278,996,736	241,958,716
Interest expense	4	(217,773,590)	(192,095,998)
Net interest income		<u>61,223,146</u>	<u>49,862,718</u>
Fees and commission expense	5	(13,258,640)	(5,206,623)
Total operating income		<u>47,964,506</u>	<u>44,656,095</u>
Expected credit loss expense	6	(2,311,092)	(15,991,975)
Net gain/(loss) on financial assets at fair value through profit or loss	18	4,129,503	(960,411)
Net gain on change in fair value of derivative financial instruments	19	1,686,251	94,395,399
Modification loss on purchased mortgage pool receivables	7	–	(109,623,458)
Modification gain on collateralised bonds	8	–	53,483,447
Net operating profit		<u>51,469,168</u>	<u>65,959,097</u>
Operating expenses	9	(11,145,332)	(10,535,634)
Other expenses, net	10	(246,309)	(77,922,925)
Profit/(loss) before tax		<u>40,077,527</u>	<u>(22,499,462)</u>
Income tax expense	11.1	(9,800,878)	(785,145)
Profit/(loss) for the year, representing total comprehensive income/(loss)		<u><u>30,276,649</u></u>	<u><u>(23,284,607)</u></u>
Earnings/(loss) per share (MNT)			
Basic and diluted earnings/(loss) per share	12	<u>1,985.76</u>	<u>(1,527.17)</u>

MIK HOLDING JSC AND ITS SUBSIDIARIES

Interim Condensed Consolidated Statement of Financial Position

As at 30 September 2023

	Notes	Unaudited 30 September 2023 MNT'000	Audited 31 December 2022 MNT'000
ASSETS			
Cash and bank balances	13	297,082,857	117,448,513
Debt instrument at amortised cost	14	154,631,931	179,880,304
Mortgage pool receivables with recourse	15	215,353,997	366,348,785
Loan receivables with recourse	16	51,510,594	80,906,907
Purchased mortgage pool receivables	17	3,875,347,779	3,432,162,229
Financial assets at fair value through profit or loss	18	140,557,586	137,419,577
Derivative financial instruments	19	162,571,852	160,885,601
Other assets	20	42,115,159	28,603,389
Property and equipment		35,235,942	36,617,422
Intangible assets	22	301,764	247,996
Income tax prepayments	11.2	215,397	1,318,076
Deferred tax asset	11.3	13,069,136	12,883,280
TOTAL ASSETS		<u>4,987,993,994</u>	<u>4,554,722,079</u>
LIABILITIES			
Other liabilities	23	15,194,635	9,333,568
Borrowed funds	24	19,892,654	36,156,514
Debt securities	25	753,744,329	819,963,304
Collateralised bonds	26	4,124,770,775	3,648,483,325
Income tax payables	11.2	1,033,577	56,256
Deferred tax liabilities	11.3	32,931,239	30,578,976
TOTAL LIABILITIES		<u>4,947,567,209</u>	<u>4,544,571,943</u>
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		29,635,486	(641,163)
TOTAL EQUITY		<u>40,426,785</u>	<u>10,150,136</u>
TOTAL LIABILITIES AND EQUITY		<u>4,987,993,994</u>	<u>4,554,722,079</u>

MIK HOLDING JSC AND ITS SUBSIDIARIES

Interim Condensed Consolidated Statement of Changes in Equity

For the nine-month period ended 30 September 2023

	Ordinary shares	Share premium	Treasury shares	Retained earnings/ (Accumulated losses)*	Total equity
	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
At 1 January 2022	20,709,320	52,225,115	(62,143,136)	(6,644,771)	4,146,528
Total comprehensive loss	–	–	–	(23,284,607)	(23,284,607)
At 30 September 2022 (unaudited)	20,709,320	52,225,115	(62,143,136)	(29,929,378)	(19,138,079)
At 31 December 2022 and 1 January 2023 (audited)	20,709,320	52,225,115	(62,143,136)	(641,163)	10,150,136
Total comprehensive income	–	–	–	30,276,649	30,276,649
At 30 September 2023 (unaudited)	20,709,320	52,225,115	(62,143,136)	29,635,486	40,426,785

* Included in retained earnings/(accumulated losses) as at 30 September 2023 are restricted retained earnings of MNT 166,724,394 thousand (30 September 2022: MNT 130,224,774 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

Interim Condensed Consolidated Statement of Cash Flows

For the nine-month period ended 30 September 2023

	Notes	Unaudited nine months ended 30 September 2023 MNT'000	30 September 2022 MNT'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		40,077,527	(22,499,462)
<i>Adjustments to reconcile profit/(loss) before tax to net cash flows:</i>			
Interest on borrowed funds	4	2,374,172	2,976,641
Interest on debt securities	4	59,419,341	58,554,658
Expected credit loss expense	6	2,311,092	15,991,975
Modification loss on purchased mortgage pool receivables	7	–	109,623,458
Modification gain on collateralised bonds	8	–	(53,483,447)
Depreciation of property and equipment	9	1,429,994	1,428,326
Amortisation of intangible assets	9	231,411	125,849
Unrealised foreign exchange loss, net	10	1,858,561	84,882,621
Gain on repurchase of debt securities issued, net	10	(3,082,412)	(1,917,309)
Loss on disposal of mortgage pool receivables	10	1,087,877	–
Gain on disposal of debt instruments at amortised cost	10	(103,468)	–
Discount on other receivables	10	291,543	1,205,121
Loss on disposal of foreclosed property, net	10	70,484	21,960
Loss/(gain) on disposal of property and equipment	10	(2,954)	10,871
Write-off of property and equipment	10	283	760
Gain on redemption of preference shares	18	(59,896)	–
Net loss/(gain) on financial assets at FVPL	18	(4,129,503)	960,411
Net gain on derivative financial instruments	19	(1,686,251)	(94,395,399)
<i>Operating profit before working capital changes</i>		<u>100,087,801</u>	<u>103,487,034</u>
<i>Changes in working capital:</i>			
Due from banks – placement with original maturities of more than three months		–	19,050,389
Due from banks – placement with banks classified as Stage 3		167,848	522,447
Debt instruments at amortised cost		(480,967)	(3,267,115)
Mortgage pool receivables with recourse		153,922,237	36,402,078
Loan receivables with recourse		29,743,172	(45,410,942)
Purchased mortgage pool receivables		304,929,195	18,781,303
Other assets		(3,521,692)	(8,149,612)
Collateralised bonds		(279,299,750)	(85,287,975)
Other liabilities		<u>5,861,067</u>	<u>(7,076,394)</u>
Cash generated from operations		311,408,911	29,051,213
Interest paid classified as operating activities		(76,207,128)	(82,128,787)
Income tax paid	11.2	(1,676,375)	(1,019,964)
Income tax withheld by others	11.2	<u>(3,878,096)</u>	<u>(1,398,083)</u>
Net cash flows generated from/(used in) operating activities		<u>229,647,312</u>	<u>(55,495,621)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in debt instruments at amortised cost		(5,000,000)	(82,453,527)
Proceeds from disposal of debt instruments at amortised cost		22,500,000	–
Investment in financial assets at FVPL	18	(198,610)	–
Proceeds from disposal of financial assets at FVPL	18	1,250,000	–
Purchase of property and equipment	21	(48,797)	(835,076)
Proceeds from disposal of property and equipment	21	2,954	49,525
Purchase of intangible assets	22	<u>(285,179)</u>	<u>(207,821)</u>
Net cash flows generated from/(used in) investing activities		<u>18,220,368</u>	<u>(83,446,899)</u>

MIK HOLDING JSC AND ITS SUBSIDIARIES

Interim Condensed Consolidated Statement of Cash Flows

For the nine-month period ended 30 September 2023

	Notes	Unaudited nine months ended	
		30 September 2023 MNT'000	30 September 2022 MNT'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from maturity of derivative financial instruments	19	–	21,630,709
Net proceeds from issuance of debt securities	25	745,923	–
Repayment of debt securities issued		–	(249,643,193)
Repurchase of debt securities issued		(54,302,324)	(49,957,964)
Repayment of borrowed funds		(15,327,109)	(5,283,308)
Net cash flows (used in financing activities)		<u>(68,883,510)</u>	<u>(283,253,756)</u>
Net increase/(decrease) in cash and cash equivalents		178,984,170	(422,196,276)
Effect of exchange rate changes on cash and cash equivalents		854,449	99,274
Cash and cash equivalents at 1 January		117,297,737	530,507,287
Cash and cash equivalents at 30 September	13	<u>297,136,356</u>	<u>108,410,285</u>
OPERATIONAL CASH FLOW FROM INTEREST			
Interest received		277,064,807	87,133,351
Interest paid		(223,830,234)	(88,932,180)
Non-cash transactions:			
Purchase of mortgage pool receivables (without recourse)		(755,587,840)	(505,438,759)
Issuance of collateralised bonds		755,587,200	505,438,400

The reconciliation of liabilities arising from financing activities is shown below:

	Borrowed funds		Debt securities issued	
	30 September 2023 MNT'000	30 September 2022 MNT'000	30 September 2023 MNT'000	30 September 2022 MNT'000
As at 1 January	36,156,514	41,581,993	819,963,304	1,004,976,075
<i>Cash items:</i>				
New disbursement/additions	–	–	745,923	–
Transaction costs	–	–	–	–
Repurchase of debt	–	–	(54,302,324)	(49,957,964)
Repayment classified as financing activity	(15,327,109)	(5,283,308)	–	(249,643,193)
	<u>(15,327,109)</u>	<u>(5,283,308)</u>	<u>(53,556,401)</u>	<u>(299,601,157)</u>
<i>Non-cash items:</i>				
(Gain)/loss on repurchase of debt	–	–	(3,082,412)	(1,917,309)
Movement in accrued interest	(936,751)	(672,722)	(13,476,864)	(17,618,712)
Foreign exchange movement	–	–	3,896,702	119,863,390
	<u>(936,751)</u>	<u>(672,722)</u>	<u>(12,662,574)</u>	<u>100,327,369</u>
As at 30 September	<u>19,892,654</u>	<u>35,625,963</u>	<u>753,744,329</u>	<u>805,702,287</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 Special Purpose Companies (“SPCs”) are incorporated in Mongolia and the principal activities of the SPCs are mainly restricted to the purchase of mortgage loans, issuance of RMBS and restricted investment activities as governed by the Articles of the Charter of each SPC and relevant FRC regulations.

The interim condensed consolidated financial information of the Group were authorized for issue in accordance with the resolution of Chief Executive Officer on 3 November 2023.

2. Basis of preparation and changes to the Group’s accounting policies

2.1. Basis of preparation

The interim condensed consolidated financial information for the nine months ended 30 September 2023 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2022.

2.2. New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective in these consolidated financial information.

Several amendments apply for the first time in 2023, but do not have a material impact on the interim condensed consolidated financial information of the Group. The other standards and amendments include the following:

- IFRS 17 *Insurance Contracts*
- Amendments to IFRS 17 *Insurance Contracts*
- Amendments to IAS 8 *Definition of Accounting Estimates*
- Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies*
- Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

IFRS 17 – Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers.

2. Basis of preparation and changes to the Group’s accounting policies (cont’d.)

2.2. New standards, interpretations and amendments adopted by the Group (cont’d.)

IFRS 17 – Insurance contracts (cont’d.)

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The amendments had no impact on the Group’s interim condensed consolidated financial information.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group’s interim condensed consolidated financial information.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decision about accounting policy disclosures.

The amendments had no impact on the Group’s interim condensed consolidated financial information, but are expected to affect the accounting policy disclosures in the Group’s annual consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 *Income Tax* narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group’s interim condensed consolidated financial information.

3. Interest and similar income

	Unaudited nine months ended	
	30 September 2023	30 September 2022
	MNT'000	MNT'000
<i>Interest income calculated using the effective interest method</i>		
Purchased mortgage pool receivables (without recourse)	209,189,588	173,614,099
Mortgage pool receivables with recourse	19,957,939	34,415,182
Debt instruments at amortised cost	17,461,555	9,854,178
Loan receivables with recourse	9,464,975	9,943,655
Bank balances	7,912,129	3,311,054
	263,986,186	231,138,168
<i>Other interest income</i>		
Financial assets at FVPL	15,010,550	10,820,548
	278,996,736	241,958,716

Included in interest from purchased mortgage pool receivables for the nine-month period ended 30 September 2022 is an amount of MNT 150.4 billion representing accrued interest based on the effective interest rate of the modified financial assets in relation to the deferral program as further detailed in Note 7.

MIK HOLDING JSC AND ITS SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Information – 30 September 2023

4. Interest expense

	Unaudited nine months ended	Unaudited nine months ended
	30 September 2023	30 September 2022
	MNT'000	MNT'000
<i>Interest expense calculated using the effective interest method</i>		
Collateralised bonds	150,019,541	121,267,416
Debt securities issued	59,419,341	58,554,658
Borrowed funds	2,374,172	2,976,641
	<u>211,813,054</u>	<u>182,798,715</u>
<i>Other interest expense</i>		
Derivative financial instruments (Note 19)	5,960,536	9,297,283
	<u>217,773,590</u>	<u>192,095,998</u>

Included in interest expense on collateralised bonds for the nine-month period ended 30 September 2022 is an amount of MNT 38.5 billion representing accrued interest based on the effective interest rate of the modified financial liabilities as further detailed in Note 8.

5. Fee and commission expense

	Unaudited nine months ended	Unaudited nine months ended
	30 September 2023	30 September 2022
	MNT'000	MNT'000
Loan service fee	13,239,006	5,196,615
Bank service charge	19,634	10,008
	<u>13,258,640</u>	<u>5,206,623</u>

6. Expected credit loss expense/(reversal)

	Unaudited nine months ended	Unaudited nine months ended
	30 September 2023	30 September 2022
	MNT'000	MNT'000
Debt instruments at amortised cost (Note 14.1)	8,705,836	3,269,836
Purchased mortgage pool receivables (without recourse) (Note 17.1)	6,384,578	(1,402,307)
Cash and bank balances (Note 13.1)	36,427	(349,815)
Loan receivables with recourse (Note 16.1)	(346,859)	(394,698)
Mortgage pool receivables with recourse (Note 15.1)	(2,116,785)	1,536,879
Other assets	(10,352,105)	13,332,080
	<u>2,311,092</u>	<u>15,991,975</u>

7. 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 until 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.

From 1 January 2023, in line with the Covid-19 law, the mortgage payment deferral program has ceased, and the Group has resumed collecting payments on all purchased mortgage pool receivables without recourse.

	Unaudited nine months ended	Unaudited nine months ended
	30 September 2023	30 September 2022
	MNT'000	MNT'000
Modification loss on purchased mortgage pool receivables	<u>–</u>	<u>109,623,458</u>

MIK HOLDING JSC AND ITS SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Information – 30 September 2023

8. Modification gain on collateralised bonds

In conjunction with the mortgage principal and interest repayment deferral program as noted in Note 7, MIK Asset Ten SPC LLC to MIK Asset Thirty-One SPC LLC were given the option by the BoM and the MoF to defer the coupon payments due to them on the senior RMBS up to 31 December 2022 if they did not have the ability to pay, given that the entities have been making the coupon payments per schedule since the commencement of the deferral program and had started to exhaust their reserves. All other principal and coupon payments were to be made per schedule.

Similar to the contract modification on purchased mortgage pool receivables, management assessed that the deferral did not result in substantially different cash flows and hence the modification did not result in a derecognition of the collateralised bonds. Based on the change in cash flows discounted at the original EIR, the Group recognised a modification gain on collateralised bonds

	Unaudited nine months ended	
	30 September 2023	30 September 2022
	MNT'000	MNT'000
Modification gain on collateralised bonds	–	53,483,447

9. Operating expenses

	Unaudited nine months ended	
	30 September 2023	30 September 2022
	MNT'000	MNT'000
Personnel expenses	6,523,541	5,927,501
Depreciation expense	1,429,994	1,428,326
Business trip expense	972,826	369,606
Professional service fees	742,958	1,389,122
Amortisation of intangible assets	231,411	125,849
Advertisement expense	200,249	536,704
Property tax expense	161,983	155,126
Utility expense	42,582	38,618
Other operating expenses	839,788	564,782
	11,145,332	10,535,634
* Personnel expenses		
Salaries, wages and bonus	5,707,483	5,175,402
Contribution to social and health fund	734,753	660,670
Staff training	45,175	35,097
Others	36,130	56,332
	6,523,541	5,927,501

10. Other operating expenses/(income), net

	Unaudited nine months ended	
	30 September 2023	30 September 2022
	MNT'000	MNT'000
Unrealised foreign exchange loss, net	1,858,561	84,882,621
Loss on disposal of mortgage pool receivables	1,087,877	–
Discount on other receivables	291,543	1,205,121
Realised foreign exchange loss/(gain), net	90,567	(10,812,044)
Loss on disposal of foreclosed property, net	70,484	21,960
Entertainment expense	60,427	179,432
Write-off of property and equipment	283	760
Loss/(gain) on disposal of property and equipment, net	(2,954)	10,871
Gain on redemption of preference shares (Note 18)	(59,896)	–
Gain on disposal of maturity of debt instruments at amortised cost	(103,468)	–
Gain on repurchase of debt securities, net (Note 25)	(3,082,412)	(1,917,309)
Other expenses, net	35,297	4,351,513
	246,309	77,922,925

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Notes to the Interim Condensed Consolidated Financial Information – 30 September 2023

11. Income tax

11.1. Income tax expense

The components of income tax expense for the nine months ended 30 September 2023 and 2022 are:

	Unaudited nine months ended	Unaudited nine months ended
	30 September 2023	30 September 2022
	MNT'000	MNT'000
Current tax		
Current income tax	7,634,471	2,918,172
Deferred tax		
Relating to origination of temporary differences (Note 11.3)	2,166,407	(2,133,027)
	<u>9,800,878</u>	<u>785,145</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 are 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). The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings.

11.2. Income tax prepayments/(payables)

	Unaudited	Audited
	30 September 2023	31 December 2022
	MNT'000	MNT'000
At 1 January	1,261,820	1,540,320
Charge for the period (Note 11.1)	(7,634,471)	(4,331,719)
Income tax paid	1,676,375	2,657,970
Income tax withheld by others	3,878,096	1,395,249
At 30 September/31 December	<u>(818,180)</u>	<u>1,261,820</u>

	Unaudited	Audited
	30 September 2023	31 December 2022
	MNT'000	MNT'000
Income tax prepayment/(payable), net:		
- Income tax prepayment	215,397	1,318,076
- Income tax payable	(1,033,577)	(56,256)
	<u>(818,180)</u>	<u>1,261,820</u>

11.3. Deferred tax liabilities

	Unaudited	Audited
	30 September 2023	31 December 2022
	MNT'000	MNT'000
Deferred tax liabilities, net		
At 1 January	17,695,696	17,594,584
Recognised in profit or loss (Note 11.1)		
Future dividend distribution of the SPCs	2,182,014	550,214
Fair value change of derivative financial instruments	168,625	9,424,670
Fair value change of financial assets at FVTPL	1,624	–
Unrealised foreign exchange movement, net	(185,856)	(9,873,772)
	<u>2,166,407</u>	<u>101,112</u>
At 30 September/31 December	<u>19,862,103</u>	<u>17,695,696</u>

MIK HOLDING JSC AND ITS SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Information – 30 September 2023

11. Income tax (cont'd.)

11.3. Deferred tax liabilities (cont'd.)

	Unaudited 30 September 2023		Audited 31 December 2022	
	Deferred tax assets MNT'000	Deferred tax liabilities MNT'000	Deferred tax assets MNT'000	Deferred tax liabilities MNT'000
Future dividend distribution of the SPCs	–	16,672,429	–	14,490,415
Fair value change of derivative financial instruments	–	16,257,186	–	16,088,561
Fair value change of financial assets at FVTPL	–	1,624	–	–
Unrealised foreign exchange loss, net	10,059,628	–	9,873,772	–
Tax losses carried forward	3,009,508	–	3,009,508	–
	<u>13,069,136</u>	<u>32,931,239</u>	<u>12,883,280</u>	<u>30,578,976</u>
		<u>19,862,103</u>		<u>17,695,696</u>

The Group has tax losses of MNT 318,503,780 thousand of tax losses pertaining to business operation of previous years, of which MNT 51,089,817 thousand, MNT 168,158,587 thousand and MNT 99,255,376 thousand of tax losses will expire in 2024, 2025 and 2026, respectively. The Group recognised deferred tax assets pertaining to tax losses to the extent that the Group expects to have sufficient taxable profit in the next four years available against which the tax losses carried forward can be utilised.

Deferred tax assets have not been recognised in respect of remaining tax losses as they may not be used to offset taxable profits based upon the likely timing and the level of future taxable profits. The annual amount of tax loss deductible from taxable income is limited to 50% (2022: 50%) of the taxable income in a given year.

12. Earnings/(loss) per share

The following table shows the basic and diluted earnings/(loss) per share calculations:

	Unaudited nine months ended	
	30 September 2023 MNT'000	30 September 2022 MNT'000
Profit/(loss) for the year and total comprehensive income/(loss) for the year (net of tax) attributable to equity holder of the Parent	<u>30,276,649</u>	<u>(23,284,607)</u>
Weighted-average number of ordinary shares for basic and diluted earnings/(loss) per share*	<u>15,246,891</u>	<u>15,246,891</u>
Earnings/(loss) per share		
	MNT	MNT
Equity holders of the Parent for the year:		
Basic and diluted earnings/(loss) per share	<u>1,985.76</u>	<u>(1,527.17)</u>

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

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Notes to the Interim Condensed Consolidated Financial Information – 30 September 2023
13. Cash and bank balances

	Unaudited 30 September 2023 MNT'000	Audited 31 December 2022 MNT'000
Cash on hand	36,398	22,678
Current accounts with banks	137,001,491	24,992,307
Term deposits with banks	137,024,314	68,237,942
Trust accounts with banks	18,937,722	13,509,822
Collection accounts with banks	4,623,103	11,189,508
Gross carrying amount	297,623,028	117,952,257
Allowance for impairment losses	(540,171)	(503,744)
Net carrying amount	297,082,857	117,448,513

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. The Group earns interest income at a rate of 4.1% to 11.5% (2022: 3.6% to 9.7%) per annum on term deposits.

Additional cash flow information

	Unaudited 30 September 2023 MNT'000	Audited 31 December 2022 MNT'000
Cash and bank balances	297,623,028	117,952,257
Less: Cash and bank balances classified as Stage 3	(486,672)	(654,520)
Total cash and cash equivalents for the consolidated statement of cash flows	297,136,356	117,297,737

13.1. Impairment allowance for cash and bank balances

	Unaudited 30 September 2023 MNT'000	Audited 31 December 2022 MNT'000
At 1 January	503,744	977,014
Credit loss expense/(reversal)	36,427	(473,270)
At 30 September/31 December	540,171	503,744

The table below shows changes in the gross carrying amount and the corresponding ECLs:

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
30 September 2023				
Gross carrying amount as at 1 January	117,275,059	–	654,520	117,929,579
New assets originated or purchased	3,176,753,783	–	–	3,176,753,783
Assets derecognised or repaid	(2,997,783,333)	–	(167,848)	(2,997,951,181)
Foreign exchange movement	854,449	–	–	854,449
At 30 September	297,099,958	–	486,672	297,586,630
ECL allowance as at 1 January	75,245	–	428,499	503,744
New assets originated or purchased	1,527,979	–	–	1,527,979
Assets derecognised or repaid	(1,470,442)	–	(109,881)	(1,580,323)
Impact on ECL of changes to inputs	61,114	–	27,657	88,771
At 30 September	193,896	–	346,275	540,171

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Notes to the Interim Condensed Consolidated Financial Information – 30 September 2023
13. Cash and bank balances (cont'd.)
13.1. Impairment allowance for cash and bank balances (cont'd.)

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
31 December 2022				
Gross carrying amount as at 1 January	549,272,570	–	1,240,147	550,512,717
New assets originated or purchased	2,531,206,379	–	–	2,531,206,379
Assets derecognised or repaid	(2,976,031,601)	–	(519,436)	(2,976,551,037)
Transfer to Stage 1	154,879	–	(154,879)	–
Transfer to Stage 3	(88,688)	–	88,688	–
Foreign exchange movement	12,761,520	–	–	12,761,520
At 31 December	<u>117,275,059</u>	<u>–</u>	<u>654,520</u>	<u>117,929,579</u>
ECL allowance as at 1 January	179,233	–	797,781	977,014
New assets originated or purchased	1,033,704	–	–	1,033,704
Assets derecognised or repaid	(1,160,665)	–	(334,153)	(1,494,818)
Transfer to Stage 1	99,633	–	(99,633)	–
Transfer to Stage 3	(2)	–	2	–
Impact on ECL on transfers between stages and changes to inputs	(76,658)	–	64,502	(12,156)
At 31 December	<u>75,245</u>	<u>–</u>	<u>428,499</u>	<u>503,744</u>

14. Debt instruments at amortised cost

	Unaudited 30 September 2023 MNT'000	Audited 31 December 2022 MNT'000
Debt instruments at amortised cost	175,132,205	191,674,742
Allowance for impairment losses	(20,500,274)	(11,794,438)
Net debt instruments at amortised cost	<u>154,631,931</u>	<u>179,880,304</u>

Included in the debt instruments at amortised cost are loan notes from Bodi International LLC (“Bodi”), QSC LLC and callable bonds from Globull Investment and Development PTE Ltd (“Globull”) amounting to MNT 30.7 billion, MNT 34.1 billion and MNT 89.1 billion, respectively. (2022: 177.6 billion). The notes are repayable from December 2023 to June 2024 (see Note 28).

14.1. Impairment allowance for debt instruments at amortised cost

	Unaudited 30 September 2023 MNT'000	Audited 31 December 2022 MNT'000
At 1 January	11,794,438	9,276,188
Credit loss expense	8,705,836	2,518,250
At 30 September/31 December	<u>20,500,274</u>	<u>11,794,438</u>

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Notes to the Interim Condensed Consolidated Financial Information – 30 September 2023
14. Debt instruments at amortised cost (cont'd.)
14.1. Impairment allowance for debt instruments at amortised cost (cont'd.)

The table below shows changes in the gross carrying amount and the corresponding ECLs. Details of the Group's stage classification and methodology for calculating ECL are explained in Note 31.2.

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
30 September 2023				
Gross carrying amount as at 1 January	146,368,040	45,306,702	–	191,674,742
New assets originated or purchased	21,961,746	–	–	21,961,746
Assets derecognised or repaid	(37,741,379)	(762,904)	–	(38,504,283)
Transfer to Stage 2	(5,683,719)	5,683,719	–	–
At 30 September	<u>124,904,688</u>	<u>50,227,517</u>	<u>–</u>	<u>175,132,205</u>
ECL allowance as at 1 January	1,793,592	10,000,846	–	11,794,438
New assets originated or purchased	1,209,056	–	–	1,209,056
Assets derecognised or repaid	(482,582)	(168,133)	–	(650,715)
Transfer to Stage 2	(1,006,089)	1,006,089	–	–
Impact on ECL on transfers between stages and changes to inputs	(362,977)	8,510,472	–	8,147,495
At 30 September	<u>1,151,000</u>	<u>19,349,274</u>	<u>–</u>	<u>20,500,274</u>
31 December 2022				
Gross carrying amount as at 1 January	54,524,439	35,518,728	–	90,043,167
New assets originated or purchased	111,983,290	–	–	111,983,290
Assets derecognised or repaid	(10,351,715)	–	–	(10,351,715)
Transfer to Stage 2	(9,787,974)	9,787,974	–	–
At 31 December	<u>146,368,040</u>	<u>45,306,702</u>	<u>–</u>	<u>191,674,742</u>
ECL allowance as at 1 January	1,198,656	8,077,532	–	9,276,188
New assets originated or purchased	4,045,221	–	–	4,045,221
Assets derecognised or repaid	(265,155)	–	–	(265,155)
Transfer to Stage 2	(908,131)	908,131	–	–
Impact on ECL on transfers between stages and changes to inputs	(2,276,999)	1,015,183	–	(1,261,816)
At 31 December	<u>1,793,592</u>	<u>10,000,846</u>	<u>–</u>	<u>11,794,438</u>

15. Mortgage pool receivables with recourse

	Unaudited 30 September 2023 MNT'000	Audited 31 December 2022 MNT'000
Commercial mortgage pool receivables	198,298,138	258,876,772
Residential mortgage pool receivables	17,279,055	109,811,994
Gross mortgage pool receivables with recourse	<u>215,577,193</u>	<u>368,688,766</u>
Allowance for impairment losses	(223,196)	(2,339,981)
Net mortgage pool receivables with recourse	<u>215,353,997</u>	<u>366,348,785</u>

15.1. Impairment allowance for mortgage pool receivables with recourse

	Unaudited 30 September 2023 MNT'000	Audited 31 December 2022 MNT'000
At 1 January	2,339,981	1,977,815
Credit loss expense/(reversal)	(2,116,785)	362,166
At 30 September/31 December	<u>223,196</u>	<u>2,339,981</u>

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Notes to the Interim Condensed Consolidated Financial Information – 30 September 2023

15. Mortgage pool receivables with recourse (cont'd.)

15.1. Impairment allowance for mortgage pool receivables with recourse (cont'd.)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to mortgage pool receivables with recourse is as follows:

	Unaudited 30 September 2023 Stage 1 MNT'000	Audited 31 December 2022 Stage 1 MNT'000
Gross carrying amount as at 1 January	368,688,766	366,319,391
New assets originated or purchased	35,156,939	57,682,610
Assets derecognised or repaid	(188,268,512)	(55,313,235)
At 30 September/31 December	215,577,193	368,688,766
ECL allowance as at 1 January	2,339,981	1,977,815
New assets originated or purchased	223,133	311,437
Assets derecognised or repaid	(1,194,896)	(298,645)
Impact on ECL of changes to inputs	(1,145,022)	349,374
At 30 September/31 December	223,196	2,339,981

16. Loan receivables with recourse

	Unaudited 30 September 2023 MNT'000	Audited 31 December 2022 MNT'000
Gross loan receivables with recourse	51,605,592	81,348,764
Allowance for impairment losses	(94,998)	(441,857)
Net loan receivables with recourse	51,510,594	80,906,907

16.1. Impairment allowance for loan receivables with recourse

	Unaudited 30 September 2023 MNT'000	Audited 31 December 2022 MNT'000
At 1 January	441,857	769,955
Credit loss reversal	(346,859)	(328,098)
At 30 September/31 December	94,998	441,857

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loan pool receivables with recourse is as follows:

	Unaudited 30 September 2023 Stage 1 MNT'000	Audited 31 December 2022 Stage 1 MNT'000
Gross carrying amount as at 1 January	81,348,764	45,610,035
New assets originated or purchased	47,802,091	112,135,115
Assets derecognised or repaid	(77,545,263)	(76,396,386)
At 30 September/31 December	51,605,592	81,348,764
ECL allowance as at 1 January	441,857	769,955
New assets originated or purchased	259,644	1,892,982
Assets derecognised or repaid	(421,198)	(1,289,667)
Impact on ECL of changes to inputs	(185,305)	(931,413)
At 30 September/31 December	94,998	441,857

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17. Purchased mortgage pool receivables

	Unaudited 30 September 2023 MNT'000	Audited 31 December 2022 MNT'000
Gross purchased mortgage pool receivables	3,889,202,476	3,439,632,348
Allowance for impairment losses	(13,854,697)	(7,470,119)
Net purchased mortgage pool receivables	<u>3,875,347,779</u>	<u>3,432,162,229</u>

17.1. Impairment allowance for purchased mortgage pool receivables

	Unaudited 30 September 2023 MNT'000	Audited 31 December 2022 MNT'000
At 1 January	7,470,119	11,540,602
Credit loss expense/(reversal)	6,384,578	(4,070,483)
At 30 September/31 December	<u>13,854,697</u>	<u>7,470,119</u>

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to purchased mortgage pool receivables is as follows:

	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
30 September 2023				
Gross carrying amount as at 1 January	3,330,521,074	87,593,152	21,518,122	3,439,632,348
New assets originated or purchased	957,603,937	–	–	957,603,937
Assets derecognised or repaid	(498,583,450)	(6,713,812)	(2,736,547)	(508,033,809)
Transfer to Stage 1	61,569,534	(55,673,955)	(5,895,579)	–
Transfer to Stage 2	(170,737,827)	172,523,280	(1,785,453)	–
Transfer to Stage 3	(40,677,392)	(2,828,788)	43,506,180	–
At 31 December	<u>3,639,695,876</u>	<u>194,899,877</u>	<u>54,606,723</u>	<u>3,889,202,476</u>
ECL allowance as at 1 January	4,102,593	2,206,043	1,161,483	7,470,119
New assets originated or purchased	1,256,353	–	–	1,256,353
Assets derecognised or repaid	(639,715)	(136,023)	(230,500)	(1,006,238)
Transfer to Stage 1	1,663,877	(1,366,662)	(297,215)	–
Transfer to Stage 2	(219,043)	305,158	(86,115)	–
Transfer to Stage 3	(81,017)	(72,560)	153,577	–
Impact on ECL on transfers between stages and changes to inputs	(920,080)	4,846,630	2,207,913	6,134,463
At 30 September	<u>5,162,968</u>	<u>5,782,586</u>	<u>2,909,143</u>	<u>13,854,697</u>
31 December 2022				
Gross carrying amount as at 1 January	2,695,434,222	164,957,824	52,498,353	2,912,890,399
New assets originated or purchased	691,023,358	–	–	691,023,358
Assets derecognised or repaid	(242,271,689)	(13,048,041)	(5,123,685)	(260,443,415)
Effect of modification	89,975,416	4,800,115	1,386,475	96,162,006
Transfer to Stage 1	178,109,573	(149,094,635)	(29,014,938)	–
Transfer to Stage 2	(78,748,893)	81,530,137	(2,781,244)	–
Transfer to Stage 3	(3,000,913)	(1,552,248)	4,553,161	–
At 31 December	<u>3,330,521,074</u>	<u>87,593,152</u>	<u>21,518,122</u>	<u>3,439,632,348</u>
ECL allowance as at 1 January	2,288,823	6,696,926	2,554,853	11,540,602
New assets originated or purchased	507,479	–	–	507,479
Assets derecognised or repaid	(183,999)	(447,747)	(207,227)	(838,973)
Transfer to stage 1	7,493,230	(6,062,324)	(1,430,906)	–
Transfer to stage 2	(24,095)	160,447	(136,352)	–
Transfer to stage 3	(7,078)	(55,056)	62,134	–
Impact on ECL on transfers between stages and changes to inputs	(5,971,767)	1,913,797	318,981	(3,738,989)
At 31 December	<u>4,102,593</u>	<u>2,206,043</u>	<u>1,161,483</u>	<u>7,470,119</u>

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18. Financial assets at fair value through profit or loss

	Unaudited 30 September 2023 MNT'000	Audited 31 December 2022 MNT'000
Fair value as at 1 January	137,419,577	145,499,187
Purchased	198,610	–
Redeemed	(1,250,000)	(5,450,000)
Net gain/(loss) from change in fair value through profit or loss	4,129,503	(2,629,610)
Gain on redemption of financial assets	59,896	–
Fair value as at 30 September/31 December	<u>140,557,586</u>	<u>137,419,577</u>

Financial assets at fair value through profit or loss includes preference shares purchased from TDB Capital LLC, a shareholder of a related party. As of 30 September 2023, the outstanding balance of the preference share is MNT 143,300,000 thousand (2022: MNT 145,500,000 thousand). On 12 January 2023, TDB Capital LLC repurchased 250 preference shares for MNT 1.25 billion, ahead of the repayment schedule, resulting in a gain of MNT 59,896 thousand (see Note 28).

On 6 January 2023, the Group purchased ordinary shares of Mongolian Stock Exchange (“MSE”), with a par value of MNT 100 per share for a total consideration of MNT 198,610 thousand.

For the fair value disclosure of financial assets at FVPL, please refer to Note 31.

19. Derivative financial instruments

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.

For the fair value disclosure of derivative financial instruments, please refer to Note 31.

	Notional amount MNT'000	Fair value of assets	
		Unaudited 30 September 2023 MNT'000	Audited 31 December 2022 MNT'000
Derivatives			
Cross currency swaps	<u>515,730,880</u>	<u>162,571,852</u>	<u>160,885,601</u>

	Unaudited 30 September 2023 MNT'000	Audited 31 December 2022 MNT'000
Fair value as at 1 January	160,885,601	66,638,901
Net gain on change in fair value of derivative financial instruments	1,686,251	115,877,409
Realised gain from maturity of derivative financial instruments	–	(21,630,709)
Fair value as at 30 September/31 December	<u>162,571,852</u>	<u>160,885,601</u>

Interest earned or incurred on derivative financial instruments is accrued in interest income or interest expense (disclosed at net, see Note 4), respectively, and received or paid at the net amount between the contractual rates every quarter from 14 April 2022 to 14 January 2024. The reconciliation of interest payable or interest receivable is as shown below:

	Unaudited 30 September 2023 MNT'000	Audited 31 December 2022 MNT'000
Interest receivable/(payable) at 1 January	3,024,561	(2,148,019)
Net interest accrued (Note 4)	(5,960,536)	(5,811,621)
Net interest paid	1,866,163	10,984,201
Interest receivable/(payable) at 30 September/31 December	<u>(1,069,812)</u>	<u>3,024,561</u>

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Notes to the Interim Condensed Consolidated Financial Information – 30 September 2023

19. Derivative financial instruments (cont'd.)

The table below sets out the fair value, at the end of the reporting period, of currencies receivable or payable under the foreign exchange swap contract entered into by the Group. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time:

	Unaudited 30 September 2023 MNT'000	Audited 31 December 2022 MNT'000
Fair value of swap:		
- USD receivable on settlement (+)	679,603,577	680,869,463
- MNT payable on settlement (-)	(517,031,725)	(519,983,862)
Net fair value of swap	<u>162,571,852</u>	<u>160,885,601</u>

20. Other assets

	Unaudited 30 September 2023 MNT'000	Audited 31 December 2022 MNT'000
Financial assets		
Interest receivable on cross-currency swap	–	3,024,561
Other receivables	35,037,475	34,397,923
	<u>35,037,475</u>	<u>37,422,484</u>
Less: Allowance for other receivables	–	(13,778,400)
	<u>35,037,475</u>	<u>23,644,084</u>
Non-financial assets		
Prepayments	3,596,768	1,143,187
Value-added tax receivables	3,102,762	3,244,665
Consumables and office supplies	378,154	371,439
Foreclosed properties	–	200,014
	<u>7,077,684</u>	<u>4,959,305</u>
	<u>42,115,159</u>	<u>28,603,389</u>

21. Property and equipment

Acquisition and disposals

During the nine months ended 30 September 2023, the Group sold computers with no carrying amount for a cash consideration of MNT 2,954 thousand, resulting in a gain of MNT 2,954 thousand (30 September 2022: net loss of MNT 10,871 thousand). The gains on these disposals were recognised as part of other income in the statement of profit or loss (see Note 10). Acquisitions for the nine months ended 30 September 2023 also included purchase of furniture and computers of MNT 48,797 thousand (30 September 2022: MNT 835,076 thousand).

Collateralised property

As at 30 September 2023, premises with carrying amount of MNT 33,417,449 thousand (31 December 2022: MNT 34,519,719 thousand) are collateralised for borrowed funds (see Note 24).

22. Intangible assets

The Group's intangible assets comprise of computer software with net carrying amount of MNT 301,764 thousand (31 December 2022: MNT 247,996 thousand). During the nine-month period, the Group purchased computer software subscription for MNT 285,179 thousand (30 September 2022: MNT 207,821 thousand).

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Notes to the Interim Condensed Consolidated Financial Information – 30 September 2023

23. Other liabilities

	Unaudited 30 September 2023 MNT'000	Audited 31 December 2022 MNT'000
Financial liabilities		
Other payables	13,501,204	7,626,775
Interest payable on cross-currency swap	1,069,812	–
	<u>14,571,016</u>	<u>7,626,775</u>
Non-financial liabilities		
Withholding tax payable	623,619	1,671,746
VAT payable	–	35,047
	<u>623,619</u>	<u>1,706,793</u>
	<u>15,194,635</u>	<u>9,333,568</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 (see Note 26).

24. Borrowed funds

	Unaudited 30 September 2023 MNT'000	Audited 31 December 2022 MNT'000
TDB	9,692,654	10,026,377
Golomt Bank JSC (“Golomt”)	10,200,000	26,130,137
	<u>19,892,654</u>	<u>36,156,514</u>

25. Debt securities issued

	Unaudited 30 September 2023 MNT'000	Audited 31 December 2022 MNT'000
Debt securities at amortised cost	<u>753,744,329</u>	<u>819,963,304</u>

The debt securities represent the senior notes issued on the international market (“2024 Notes”) and on the local over-the-counter (“OTC”) market. During 2023, the Group repurchased a portion of its 2024 Notes in a principal amount of USD 16,558,000, resulting in a gain on repurchase of debt securities amounting to MNT 3,082,412 thousand (see Note 10).

The 2024 Notes had an outstanding balance of USD 212,251,000 (2022: USD 228,809,000) as at 30 September 2023.

The Group issued portion of its OTC bond during 2023, which was previously repurchased in prior year, in a principal amount of USD 212,100. As of 30 September 2023, the outstanding balance of the OTC bond is USD 3,425,300 (2022: USD 3,213,200).

26. Collateralised bonds

		Unaudited 30 September 2023 MNT'000	Audited 31 December 2022 MNT'000
	Interest rate		
Senior bonds	4.50%	1,678,148,865	1,890,716,166
Senior bonds I	1.00%	939,864,278	522,538,663
Senior bonds II	4.50%	304,200,556	325,585,305
Senior bonds III	13.00%	67,693,256	71,667,061
Senior bonds II	9.00%	459,945,150	247,157,420
Junior bonds	10.50%	537,668,109	512,333,105
Junior bonds	9.00%	137,250,561	78,485,605
		<u>4,124,770,775</u>	<u>3,648,483,325</u>

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26. Collateralised bonds (cont'd.)

The senior and junior bonds as at 30 September 2023 and 31 December 2022 represent bonds issued by the SPCs upon their mortgage pool purchases under the RMBS program of the Government of Mongolia. The bonds are collateralised by the purchased mortgage pool receivables (see Note 17).

Covid-19 impact

In conjunction with the mortgage principal and interest repayment deferral program as noted in Note 8, MIK Asset Ten SPC LLC to MIK Asset Thirty-One SPC LLC were given the option by the BoM and the MoF to defer the coupon payments due to them on the senior RMBS up to 31 December 2022 if they did not have the ability to pay, given that the entities have been making the coupon payments per schedule since the commencement of the deferral program and had started to exhaust their reserves. All other principal and coupon payments are to be made per schedule.

During 2022, all of the aforementioned SPC exercised the option to defer coupon payments of MNT 56.4 billion on the senior bonds held by the BoM due to their inability to pay.

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. At the nine-month period end, the Group had no significant outstanding litigation.

Assets pledged and restricted

RMBS issued by the Group are fully collateralised by the purchased mortgage pool receivables (see Note 26 and Note 17 for respective amounts).

28. Related party disclosures

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 September 2023 MNT'000	Audited 31 December 2022 MNT'000
TDB	2,208,365	882,788
Khan Bank JSC	1,757,386	677,840
XacBank JSC	619,126	258,470
Golomt	1,683,825	632,199
Capitron Bank LLC	142,739	47,517
State Bank JSC	725,715	266,850
Total	<u>7,137,156</u>	<u>2,765,664</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 nine months ended 30 September 2023 MNT'000	30 September 2022 MNT'000
Short-term employee benefits		
Salaries, incentives and allowances	1,724,860	1,980,130
Contribution to social and health fund	211,250	243,289
	<u>1,936,110</u>	<u>2,223,419</u>

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28. Related party disclosures (cont'd.)

As at 30 September 2023, the Group has the following balances and transactions with related parties:

	Bank deposits		Collateralised bonds		Outstanding balance MNT'000	Interest expense MNT'000
	Outstanding balance MNT'000	Interest Income*** MNT'000	Issued during the year			
			senior bonds MNT'000	junior bonds MNT'000		
As at 30 September 2023 (Unaudited)						
TDB	62,610,221	4,259,570	229,744,100	25,527,300	359,039,695	23,093,637
Khan Bank JSC	3,708,043	–	191,788,300	21,309,900	297,600,860	18,862,655
Xac Bank JSC	1,718,276	48,566	55,815,200	6,201,800	105,235,440	6,599,511
Golomt	40,627,150	1,192,550	121,173,600	13,463,800	225,921,446	14,243,057
Capitron Bank LLC	18,562,000	1,116,042	30,473,600	3,386,100	39,230,780	2,321,300
State Bank JSC	18,061,459	504,641	45,827,100	5,092,000	141,081,172	9,073,753
Chinggis Khaan Bank LLC	486,472	–	–	–	3,811,295	280,148
TDB Securities SC	133,969,771	–	–	–	–	–
	279,743,392	7,121,369	674,821,900	74,980,900	1,171,920,688	74,474,061
BoM	–	–	–	–	2,921,984,604	73,479,023
MoF	–	–	–	–	11,678,276	824,637
	–	–	–	–	2,933,662,880	74,303,660
Total	279,743,392	7,121,369	674,821,900	74,980,900	4,105,583,568	148,777,721
As at 31 December 2022 (Audited)						
TDB	67,692,204	2,232,614	172,598,300	19,177,900	260,092,710	13,594,832
Khan Bank JSC	4,313,102	63,736	156,306,800	17,367,800	214,482,126	11,342,067
Xac Bank JSC	3,172,905	–	43,626,900	4,847,600	81,372,355	4,611,080
Golomt	3,178,521	31,333	54,787,200	6,087,700	171,998,755	10,535,875
Capitron Bank LLC	22,400,701	419,602	32,372,000	3,597,100	26,357,971	995,468
State Bank JSC	10,095,505	276,974	124,532,400	13,837,100	123,238,327	5,456,990
Chinggis Khaan Bank LLC	654,320	–	–	–	3,693,242	285,399
	111,507,258	3,024,259	584,223,600	64,915,200	881,235,486	46,821,711
BoM	–	–	–	–	2,738,779,660	70,919,800
MoF	–	–	–	–	11,557,220	2,647,432
	–	–	–	–	2,750,336,880	73,567,232
Total	111,507,258	3,024,259	584,223,600	64,915,200	3,631,572,366	120,388,943

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28. Related party disclosures (cont'd.)

	Mortgage pool portfolio						
	Purchase of mortgage pool		Outstanding balance*		Interest income from mortgage pool*		Loan service fee
	with recourse	without recourse**	with recourse	without recourse	with recourse	without recourse	
MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	
As at 30 September 2023 (Unaudited)							
TDB	–	255,271,504	–	1,190,257,094	238,695	64,312,013	3,851,137
Khan Bank JSC	–	213,098,326	–	959,798,165	–	50,694,589	3,175,918
Xac Bank JSC	–	62,017,087	–	342,885,992	–	18,082,896	1,099,484
Golomt	–	134,637,532	392,006	789,779,161	55,666	44,118,955	2,954,814
Capitron Bank LLC	–	33,859,746	7,394,980	112,026,321	1,094,362	5,138,950	256,951
State Bank JSC	–	50,919,115	185,148	437,015,426	25,522	23,474,768	1,324,646
TDB Leasing LLC	–	–	194,475,298	–	17,776,602	–	428,734
Total	–	749,803,310	202,447,432	3,831,762,159	19,190,847	205,822,171	13,091,684

As at 31 December 2022
(Audited)

TDB	–	191,776,365	158,847,087	1,024,044,585	18,045,724	51,794,559	1,455,340
Khan Bank JSC	–	173,674,753	–	821,808,882	–	40,719,055	1,131,770
Xac Bank JSC	–	48,474,749	–	306,745,292	–	15,807,220	410,145
Golomt	–	60,875,148	456,330	729,183,052	74,079	40,346,559	1,218,006
Capitron Bank LLC	11,447,708	35,969,351	9,833,427	83,305,670	666,135	3,682,124	86,020
State Bank JSC	–	138,369,709	235,387	415,591,447	33,008	18,192,700	446,704
TDB Leasing LLC	–	–	199,316,535	–	15,596,236	–	379,864
Total	11,447,708	649,140,075	368,688,766	3,380,678,928	34,415,182	170,542,217	5,127,849

	Financial assets		Borrowings		Derivative instruments	
	Outstanding balance	Interest income***	Outstanding balance	Interest expense***	Outstanding balance	Interest expense***
	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
As at 30 September 2023 (Unaudited)						
TDB	–	–	9,692,654	1,052,255	515,730,000	5,960,536
Golomt	–	–	10,200,000	1,321,917	–	–
TDB Capital LLC	175,472,209	15,010,550	–	–	–	–
Globull	89,103,451	7,797,020	–	–	–	–
QSC LLC	43,060,754	4,657,717	–	–	–	–
Bodi	30,731,999	3,437,727	–	–	–	–
TDB Leasing LLC	–	224,335	–	–	–	–
Total	338,368,413	31,127,349	19,892,654	2,374,172	515,730,000	5,960,536

As at 31 December 2022
(Audited)

TDB	–	–	10,026,377	1,106,778	515,730,000	9,297,283
Golomt	–	–	26,130,137	1,869,863	–	–
TDB Capital LLC	157,810,662	10,820,548	–	–	–	–
Globull	91,324,368	2,027,557	–	–	–	–
Bodi	47,481,782	4,106,217	–	–	–	–
QSC LLC	39,383,688	2,728,035	–	–	–	–
TDB Leasing LLC	5,559,392	221,408	–	–	–	–
Total	341,559,892	19,903,765	36,156,514	2,976,641	515,730,000	9,297,283

* Outstanding balance/interest income from mortgage pool with/without recourse represents the principal/interest income from individual borrowers that are passed through to the Group via the commercial banks.

** Difference between issuance of RMBS (senior and junior) and the purchased mortgage pool (without recourse) is the cash payment of the Group to the respective commercial banks amounting to MNT 640 thousand (2022: MNT 1,275 thousand).

*** Interest income, interest expense and loan service fee represent the unaudited amount for the nine months ended 30 September 2023 and 30 September 2022.

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. Financial assets and financial liabilities**Risk management activities****Credit risk**

With regards to mortgage pool receivables with recourse and purchased mortgage pool receivables, management applied the following additional judgments in the estimation of ECL:

- The selection and weighting of macro-economic scenarios;
- The effect of government and other support measures put in place to mitigate the negative economic impact, including the potential extension of the repayment deferral period;
- The uncertainty over the duration and severity of the effect of the pandemic as well as the timing and duration of the recovery;
- Determination of the impact of the macro-economic scenarios on ECL and whether the required parameters can be modelled given the unavailability of historical information for a similar event;
- Identification and assessment of significant increases in credit risk and impairment for borrowers who opted for the deferral and borrowers who did not defer their repayments
- Stratification of borrowers by employment sector and type of employment for Covid-19 impact analysis

Forward-looking information:

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

- Percent change of Dollar index
- Percent change of G7 GDP rate
- Percent change in Consumer Price Index
- Percent change of Housing Price Index
- Percent change of Money Supply (M2)

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. With regards to the Covid-19 impact, the Group estimated ECLs based on two multiple scenarios (2022: two multiple scenarios), with a probability weights of 70:30 for LGD for base case and downside case (2022: 70:30).

Liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. For managing the Group's liquidity risk, certain methods outlined below have been implemented.

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to current liabilities. However, the Group's repayment schedule of RMBS is directly related to the collection of the repayments from the purchased mortgage pools; the Group has assessed that its exposure to liquidity risk is insignificant because the Group has the right to request from the respective commercial banks to replace or return any mortgage loans included in the mortgage pools purchased with recourse that are overdue more than 90 days.

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29. Financial assets and financial liabilities (cont'd.)

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities at 30 September 2023 based on contractual undiscounted repayment obligations.

At 30 September 2023 (Unaudited)	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 MNT'000
Other liabilities	15,194,635	–	–	–	–	–	15,194,635
Borrowed funds	279,643	10,714,041	461,986	923,973	7,391,782	8,623,746	28,395,171
Debt securities issued	–	202,194	775,842,860	411,248	12,587,870	–	789,044,172
Collateralised bonds	61,637,662	227,834,818	132,811,601	244,058,797	1,697,543,940	3,984,469,766	6,348,356,584
Total financial liabilities	77,111,940	238,751,053	909,116,447	245,394,018	1,717,523,592	3,993,093,512	7,180,990,562

At 31 December 2022 (Audited)	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 MNT'000
Other liabilities	9,333,569	–	–	–	–	–	9,333,569
Borrowed funds	1,216,412	461,986	1,708,562	27,177,397	7,391,782	10,009,705	47,965,844
Debt securities issued	27,737,752	11,625,293	371,163	35,247,043	834,841,877	–	909,823,128
Collateralised bonds	52,482,203	103,041,004	105,374,203	218,164,760	1,383,887,597	4,019,859,213	5,882,808,980
Total financial liabilities	90,769,936	115,128,283	107,453,928	280,589,200	2,226,121,256	4,029,868,918	6,849,931,521

30. Segment information

The following tables present revenue and profit information for the Group's operating segments for the nine months ended 30 September 2023 and 2022, respectively.

Nine months ended 30 September 2023	Purchases without recourse MNT'000	Purchases with recourse MNT'000	Others MNT'000	Eliminations MNT'000	Total MNT'000
Revenue					
External customer	232,997,033	41,220,182	4,779,521	–	278,996,736
Inter-segment	–	18,380,288	2,262,687	(20,462,975)	–
Total revenue	232,997,033	59,600,470	7,042,208	(20,462,975)	278,996,736
Results					
Profit/(loss) before tax	45,450,987	(36,166,300)	(7,189,894)	37,982,734	40,077,527

Nine months ended 30 September 2022	Purchases without recourse MNT'000	Purchases with recourse MNT'000	Others MNT'000	Eliminations MNT'000	Total MNT'000
Revenue					
External customer	188,397,015	50,775,620	2,786,081	–	241,958,716
Inter-segment	–	14,195,475	2,392,990	(16,588,465)	–
Total revenue	188,397,015	64,971,095	5,179,071	(16,588,465)	241,958,716
Results					
Profit/(loss) before tax	626,248	(32,274,843)	(1,212,835)	(10,361,968)	(22,499,462)

The following table presents assets and liabilities for the Group's operating segments as at 30 September 2023 and 31 December 2022, respectively:

	Purchases without recourse MNT'000	Purchases with recourse MNT'000	Others MNT'000	Eliminations MNT'000	Total MNT'000
Assets					
30 September 2023	4,249,604,730	822,799,297	99,688,077	(184,098,110)	4,987,993,994
31 December 2022	3,731,760,198	935,603,348	105,292,660	(217,934,127)	4,554,722,079
Liabilities					
30 September 2023	4,140,761,219	794,529,418	44,556,718	(32,280,146)	4,947,567,209
31 December 2022	3,657,859,505	876,862,926	42,342,907	(32,493,395)	4,544,571,943

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31. Fair value of financial instruments

Fair value hierarchy

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

	Level 1 MNT'000	Level 2 MNT'000	Level 3 MNT'000	Total MNT'000
At 30 September 2023				
<i>Financial assets measured at FVPL</i>	–	–	140,557,586	140,557,586
<i>Derivative financial instruments</i>	–	162,571,852	–	162,571,852
	–	162,571,852	140,557,586	303,129,438
At 31 December 2022				
<i>Financial assets measured at FVPL</i>	–	–	137,419,577	137,419,577
<i>Derivative financial instruments</i>	–	160,885,601	–	160,885,601
	–	160,885,601	137,419,577	298,305,178

The description of valuation technique and description of inputs used in the fair value measurement for level 2 measurements at 30 September 2023 is as shown below:

	Fair value (MNT'000)		Valuation technique	Inputs
	30 September 2023	31 December 2022		
Financial assets				
Derivative financial instruments	162,571,852	160,885,601	Discounted Cash Flow model	USD – MNT foreign exchange rate, Central Bank policy rate, USD SOFR rate, adjusted forward rate

Because active market prices are not available, the Group used the discounted cash flow model with unobservable inputs. Therefore, the fair value of unquoted investment in TDB Capital LLC is categorised under level 3. The fair value assessments as of 30 September 2023 was performed by management's specialist and the valuation methodology and inputs are consistent with valuation practice. A net gain of MNT 4,129,503 thousand (31 December 2022: net loss of MNT 2,629,610 thousand) was recognised in the statement of profit or loss for the nine-month period ended 30 September 2023 (see Note 18).

The following table demonstrates the sensitivity of the unquoted investment in TDB Capital LLC to a reasonably possible change in the unobservable input, with all other variables held constant.

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of the input to fair value	
				30 September 2023	31 December 2022
				MNT'000	MNT'000
Unquoted investment in TDB Capital LLC	Discounted cash flow model	Discount rate	+/-10%	(3,761,557)/ 3,761,557	(4,110,441)/ 4,110,441

Movements in Level 3 financial instruments measured at fair value

The following tables show a reconciliation of the opening and closing amounts of Level 3 financial assets and liabilities which are recorded at fair value.

	Unaudited 30 September 2023 MNT'000	Audited 31 December 2022 MNT'000
<i>Unquoted investments</i>		
Fair value as at 1 January	137,419,577	145,499,187
Purchased	198,610	–
Redeemed	(1,250,000)	(5,450,000)
Net gain/(loss) from change in fair value through profit or loss	4,129,503	(2,629,610)
Gain on redemption of financial assets	59,896	–
Fair value as at 30 September/31 December	140,557,586	137,419,577

31. Fair value of financial instruments (cont'd.)

Fair value hierarchy (cont'd.)

Transfers between level 1, 2 and 3

There were no transfers between level 1, 2 and 3 of the assets and liabilities which are recorded at fair value.

Financial instruments for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have short term maturity (less than one year), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to bank balances. Based on fair value assessments performed by the management, the estimated fair values of instruments with maturity more than one year approximate their carrying amounts as shown in the statement of financial position. This is due principally to the fact that the current market rates offered for similar deposit products do not differ significantly from market rates at inception.

Fixed rate financial instruments

The carrying value of the Group's fixed rate financial assets and liabilities approximates the fair value by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments available in Mongolia.

32. 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/(accumulated losses) as at 30 September 2023 are restricted retained earnings of MNT 166,724,394 thousand (30 September 2022: MNT 130,224,774 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 2021.

The Group was not subject to any other externally imposed capital requirements throughout period ended 30 September 2023 and year ended 2022.

33. Subsequent events

Management is not aware of other events that occurred after the end of the nine-month period ended 30 September 2023, which would have any impact on this financial information.