

VISION FUND NON-BANKING FINANCIAL
INSTITUTION LLC
Financial statements
For the year ended
31 December 2025

(With Independent Auditors' Report Thereon)

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Vision Fund NBF LLC

Company Information

Registered address	4th Floor, Somang Plaza, 15th Khoroo, Bayanzurkh District, Ulaanbaatar, Mongolia Tel: +976-11-70129771 Fax: +976-11-70129773 Website: www.visionfund.org	
Members of the Board of Directors:	Bolortsetseg Bold /Chair of Board of Directors/ Otto Farkas Abe Jacob Oyunbold Shinetsetseg	
Management team:	Chief Executive Officer: Finance Manager: Human Resource Manager: Business Operations Manager: IT Manager: SP Manager: Risk Manager:	Tsenguun Bayaraa Navchaa Badral Badamkhorloo Mavag Ochirsuren Ganbaatar Batbayar Tudevvanhig Ganmurun Sukhbaatar Tseregsuren Baljinnyam
Company registration number:	2823624	
Core activity according to Charter:	Loans	
Auditor	KPMG Audit LLC	
Auditors' address	#602, Blue Sky Tower, Peace Ave, Sukhbaatar District, 1 st Khoroo, Ulaanbaatar 14240, Mongolia	

Management's Responsibility Statement

The Company's management is responsible for the preparation of the financial statements.

The financial statements of Vision Fund NBFILLC (the "Company") have been prepared to comply with International Financial Reporting Standards. The Company's management is responsible for ensuring that these financial statements present fairly the state of affairs of the Company's financial position as at 31 December 2025 and the financial performance and cash flows for the year then ended on that date.

The Company's management has responsibility for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the requirements set out in Note 2, Note 3 to Note 4 thereto.


The Company's management also has a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Company's management considers that, in preparing the financial statements including explanatory notes, it has used appropriate policies, consistently applied and supported by reasonable and prudent judgment and estimates, and that all applicable accounting standards have been followed.

The financial statements of the Company for the year ended 31 December 2025 were authorized for issuance by the Company's management.


Tsenguun Bayaraa
Chief Executive Officer




Navchaа Badral
Finance Manager

Ulaanbaatar,
Mongolia

Date: 27th March 2026



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Independent Auditors' Report

To: The Board of Directors of Vision Fund NBFI LLC

Opinion

We have audited the financial statements of Vision Fund NBFI LLC ("the Company"), which comprise the statement of financial position as at 31 December 2025, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

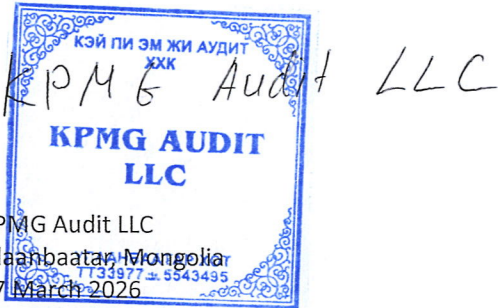
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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



Auditors' Responsibilities for the Audit of the Financial Statements, Continued

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



KPMG Audit LLC
Ulaanbaatar, Mongolia
27 March 2026

Signed by:

Tatiana Yakovleva
Director

Approved by:

Cho Sang Yong
Head of Audit

This report is effective as at 27 March 2026, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any. Furthermore, this report is intended solely for the use of the shareholders of the Company. To the fullest extent permitted by law, we do not assume responsibility towards or accept liability to any other party in relation to the contents of this report.

VISION FUND NBFI LLC
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025
IN THOUSAND MONGOLIAN TOGROGS

	Notes	31 Dec 2025	31 Dec 2024
Assets			
Cash and cash equivalents	5	4,779,841	3,160,321
Loans and advances	6	15,590,517	13,221,407
Property and equipment	7	196,268	112,283
Other assets	8	380,402	149,828
Deferred tax assets	18	77,123	69,815
Total assets		<u>21,024,151</u>	<u>16,713,654</u>
Equity and Liabilities			
Liabilities			
Borrowed funds	9	5,508,942	2,989,104
Income tax payable	18	134,193	44,161
Other liabilities	10	622,137	362,533
Total liabilities		<u>6,265,272</u>	<u>3,395,798</u>
Equity			
Share capital	11	8,157,020	8,157,020
Retained earnings		6,601,859	5,160,836
Total equity		<u>14,758,879</u>	<u>13,317,856</u>
Total equity and liabilities		<u>21,024,151</u>	<u>16,713,654</u>

The accompanying notes form an integral part of these financial statements.

VISION FUND NBFI LLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025
IN THOUSAND MONGOLIAN TOGROGS

	Notes	2025	2024
Interest income from financial assets using the effective interest method	12	6,825,172	5,640,393
Interest and similar expense	12	<u>(465,858)</u>	<u>(412,946)</u>
Net interest income		<u>6,359,314</u>	<u>5,227,447</u>
Fee and commission income	13	2,000	2,775
Fee and commission expense	13	<u>(10,775)</u>	<u>(10,609)</u>
Net fee and commission income		<u>(8,775)</u>	<u>(7,834)</u>
Other income	14	65,496	110,827
Other expenses	15	(1,826,189)	(1,717,579)
Personnel expenses	16	(2,531,512)	(2,239,842)
Impairment (losses)/reversal of impairment losses on financial assets	17	(90,896)	224,041
Non-operating expenses		<u>(201,753)</u>	<u>(134,576)</u>
Profit before tax		<u>1,765,685</u>	<u>1,462,484</u>
Income tax expense	18	<u>(324,662)</u>	<u>(91,904)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Net profit and other comprehensive income for the year		<u>1,441,023</u>	<u>1,370,580</u>

The accompanying notes form an integral part of these financial statements.

**VISION FUND NBFI LLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025
IN THOUSAND MONGOLIAN TOGROGS**

	Share capital	Retained earnings	Total equity
Balance at 1 January 2024	8,157,020	3,790,256	11,947,276
Net Profit for the year	-	1,370,580	1,370,580
Balance at 31 December 2024	<u>8,157,020</u>	<u>5,160,836</u>	<u>13,317,856</u>
Net Profit for the year	-	1,441,023	1,441,023
Balance at 31 December 2025	<u>8,157,020</u>	<u>6,601,859</u>	<u>14,758,879</u>

The accompanying notes form an integral part of these financial statements.

VISION FUND NBFI LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025
IN THOUSAND MONGOLIAN TOGROGS

	Notes	2025	2024
Cash flows from operating activities			
Net profit for the year		1,441,023	1,370,580
Adjustments for:			
Depreciation of property and equipment	7	71,557	68,856
Amortisation		-	33,000
Loss on write-off of property and equipment		-	1,181
Impairment losses/(reversal of impairment losses) on financial assets	17	90,896	(224,041)
Interest income	12	(6,825,172)	(5,640,393)
Interest expense	12	465,858	412,946
Effect of changes in foreign exchange rates	9	42,363	-
Income tax expense	18	324,662	91,904
		(4,388,813)	(3,885,967)
Changes in assets and liabilities:			
Loans and advances		(2,383,978)	(1,939,220)
Other assets		(69,420)	(9,112)
Other liabilities		259,604	68,234
Interest received		6,764,224	5,582,332
Interest paid	9	(216,907)	(146,611)
Income tax paid	18	(241,938)	(133,150)
Net cash used in operating activities		(277,228)	(463,494)
Cash flows from investing activities			
Acquisition of property and equipment	7	(155,542)	(44,946)
Net cash used in investing activities		(155,542)	(44,946)
Cash flows from financing activities			
Borrowed funds received	9	3,236,760	2,741,346
Repayment of borrowed funds	9	(1,176,332)	(1,391,034)
Net cash generated from financing activities		2,060,428	1,350,312
Effect of impairment loss on cash and cash equivalents		(8,138)	(4,209)
Net increase in cash and cash equivalents		1,619,520	837,663
Cash and cash equivalents at 1 January	5	3,160,321	2,322,658
Cash and cash equivalents at 31 December	5	4,779,841	3,160,321

The accompanying notes form an integral part of these financial statements.

**VISION FUND NBFI LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025
IN THOUSAND MONGOLIAN TOGROGS**

1. Reporting entity

Vision Fund NBFI LLC ("the Company") is a company domiciled in Mongolia. The "Zun San Mongolia" Non-Banking Financial Institution was established on 18 November 2004 with a statutory fund of MNT 631 million, and the Company started its operation in accordance with the Company Law of Mongolia. The head office address is 4th floor, Somang Plaza, Bayanzurkh District, Ulaanbaatar, Mongolia.

It was renamed as Vision Fund Non-Banking Financial Institution in accordance with Ordinance #99 of the Chairman of the Financial Regulatory Commission dated 22 November 2007.

The Company was authorised to disburse loan activity as stated in the Annex to its License #1/113 granted by the Financial Regulatory Commission in 2007 in accordance with the Law of Mongolia on Legal Status of Financial Regulatory Commission and other related laws and regulations of Mongolia.

The Company principally operates financial lending activities by disbursing loans after assembling cash and cash equivalents through its own capital and allowable sources. In particular, the Company issues loan products to individuals who have limited opportunities to receive financial services from other banking or non-banking institutions. As at 31 December 2025, the Company operates from 8 branches and 1 head office (2024: 8 branches and 1 head office). As at 31 December 2025, the Company's sole shareholder is Vision Fund International ("VFI") and its ultimate controlling party is World Vision International.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared and presented in accordance with International Financial Reporting Standards (IFRS standards) as issued by the International Accounting Standards Board.

The financial statements of the Company for the year ended 31 December 2025 were authorised for issue by the Directors on 27 March 2026.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the items described otherwise in the related notes.

(c) Functional and presentation currency

The financial statements are presented in Mongolian togrogs ("MNT") which is also the functional currency of the Company and the currency of the primary economic environment in which the Company operates. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS standards requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses.

The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience, current and expected economic conditions. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

**VISION FUND NBFI LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025
IN THOUSAND MONGOLIAN TOGROGS**

2. Basis of preparation (cont'd)

(d) Use of estimates and judgments (cont'd)

i. Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 22.2: establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL.
- Note 3 (c)(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

ii. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Classification of financial assets – Note 3 (c) (ii); and
- Impairment of financial assets – Note 3 (c) (vi).

iii. Fair value measurement

The Company aims to use the best available observable inputs in the market when measuring fair values of assets or liabilities. Fair values are classified within the fair value hierarchy based on inputs used in the valuation method, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If various inputs used to measure the fair value of assets or liabilities are transferred between levels of the fair value hierarchy, the Company classifies the assets and liabilities at the lowest level of inputs among the fair value hierarchy which is significant to the entire measured value and recognizes transfers between levels at the end of the reporting period in which such transfers occurred.

iv. Going concern

The financial statements have been prepared on a going concern basis, which management has assessed as being appropriate.

3. Summary of material accounting policy information

The material accounting policies applied by the Company in preparation of its financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**VISION FUND NBFI LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025
IN THOUSAND MONGOLIAN TOGROGS**

3. Summary of material accounting policy information (cont'd)

(a) Foreign currency transactions

Transactions in foreign currencies are translated to MNT at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the reporting date's exchange rate of Bank of Mongolia. Foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest, impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognized in profit or loss.

(b) Cash and cash equivalents

Cash and cash equivalents include notes on hand, unrestricted balances held with commercial banks and highly liquid financial assets that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

(c) Financial assets and financial liabilities

i. Recognition and initial measurement

The Company initially recognizes loans and advances and debt securities issued on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade, which is the date on which the Company becomes a party to contractual provisions of the instruments.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition.

ii. Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**VISION FUND NBFI LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025
IN THOUSAND MONGOLIAN TOGROGS**

3. Summary of material accounting policy information (cont'd)

(c) Financial assets and financial liabilities (cont'd)

ii. Classification (cont'd)

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Financial liabilities

The Company classifies its financial liabilities as measured at amortized cost or fair value through profit or loss.

**VISION FUND NBFI LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025
IN THOUSAND MONGOLIAN TOGROGS**

3. Summary of material accounting policy information (cont'd)

(c) Financial assets and financial liabilities (cont'd)

iii. Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial assets are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Any cumulative gain/loss recognised in other comprehensive income in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale and repurchase transactions.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The derecognition criteria are also applied to the transfer of part of an asset, rather than the asset as a whole, or to a Company of similar financial assets in their entirety, when applicable. If transferring a part of an asset, such part must be a specifically identified cash flow, a fully proportionate share of the asset, or a fully proportionate share of a specifically-identified cash flow.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

iv. Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different (referred to as "substantial modification"), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

**VISION FUND NBFI LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025
IN THOUSAND MONGOLIAN TOGROGS**

3. Summary of material accounting policy information (cont'd)

(c) Financial assets and financial liabilities (cont'd)

iv. Modification of financial assets and financial liabilities (cont'd)

Financial assets (cont'd)

Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Company plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss.

For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method.

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

If the modification of a financial liability was not accounted for as derecognition, then any costs and fees incurred were recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

**VISION FUND NBFI LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025
IN THOUSAND MONGOLIAN TOGROGS**

3. Summary of material accounting policy information (cont'd)

(c) Financial assets and financial liabilities (cont'd)

v. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

vi. Impairment

The Company recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments

No impairment loss is recognised on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than net investments in finance leases) on which credit risk has not increased significantly since their initial recognition.

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade". The Company does not apply the low credit risk exemption to any other financial instruments.

IFRS 9 establishes a three-stage approach for impairment of financial assets:

- Stage 1: at initial recognition of a financial asset, the asset is classified as Stage 1 and 12-month expected credit losses are recognised, which are credit losses related to default events expected to occur within the next 12 months;
- Stage 2: if the asset has experienced a significant increase in credit risk since initial recognition (SICR), the asset is classified as Stage 2 and lifetime expected credit losses are recognised; and
- Stage 3: non-performing assets are classified as Stage 3, with expected credit losses measured and recognised on a lifetime basis.

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3. Summary of material accounting policy information (cont'd)

(c) Financial assets and financial liabilities (cont'd)

vi. Impairment (cont'd)

The Company continuously assesses its credit portfolios for impairment. Advances are monitored and impaired according to the Company's impairment policy.

The objective of the measurement of an impairment loss is to produce a quantitative measure of the Company's credit risk exposure. In determining the amount of the impairment, the Company considers the following:

- the Probability of Default (PD) which is a measure of the expectation of how likely the customer is to Default;
- the Exposure at Default (EAD) which is the expected amount outstanding at the point of Default; and
- the Loss Given Default (LGD) which is the expected loss that will be realised at Default after taking into account recoveries through collateral and guarantees.

These parameters are estimated using statistical models that predict future cash flows on the basis of historical behaviour for similar exposures over equivalent measurement periods. Adjustments to statistical estimates are made to allow for current conditions that were not present in the historical data referenced, and to allow for the impact of forward-looking macro-economic forecasts.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive); and
- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and net investments in finance leases are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred

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NOTES TO THE FINANCIAL STATEMENTS
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3. Summary of material accounting policy information (cont'd)

(c) Financial assets and financial liabilities (cont'd)

vi. Impairment (cont'd)

Credit-impaired financial assets (cont'd)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at amortised cost*: as a deduction from the gross carrying amount of the assets;
- *where a financial instrument includes both a drawn and an undrawn component*, and the Company cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Company presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- *debt instruments measured at FVOCI*: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in "impairment losses on financial instruments" in the statement of profit or loss and other comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

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3. Summary of material accounting policy information (cont'd)

(c) Financial assets and financial liabilities (cont'd)

vii. Designation at fair value through profit or loss

Financial assets

At initial recognition, the Company has designated certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

Financial liabilities

The Company has designated certain financial liabilities as at FVTPL in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(d) Property and equipment

Recognition and measurement

Property and equipment is initially measured at cost and after initial recognition, is carried at cost less accumulated depreciation and accumulated impairment losses. The cost of property and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Subsequent costs

Subsequent costs are recognized in the carrying amount of property and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Depreciation

Property and equipment are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed. A component that is significant compared to the total cost of property and equipment is depreciated over its separate useful life.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized as other non-operating income (loss).

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3. Summary of material accounting policy information (cont'd)

(d) Property and equipment (cont'd)

Depreciation (cont'd)

The estimated useful lives of the assets are as follows:

	<u>Useful lives (years)</u>
Furniture and fixtures	10
Vehicles	10
Computers and others	2-3

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

(e) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating units exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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3. Summary of material accounting policy information (cont'd)

(f) Equity capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

(g) Employee benefits

i. Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Company during an accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

ii. Social and health insurance

As required by law, companies in Mongolia make social security and health contributions to the Social and Health Insurance scheme and such contributions are recognized as an expense in the comprehensive income statement as incurred.

(h) Interest

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument but not expected credit losses. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The "gross carrying amount of a financial asset" measured at amortised cost is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

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NOTES TO THE FINANCIAL STATEMENTS
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3. Summary of material accounting policy information (cont'd)

(h) Interest (cont'd)

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes:

- interest on financial assets measured at amortised cost;
- interest on debt instruments measured at FVOCI;
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and
- the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

Interest expense presented in the statement of profit or loss and other comprehensive income includes:

- financial liabilities measured at amortised cost;
- non-derivative financial liabilities measured at FVTPL; and
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Company's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

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3. Summary of material accounting policy information (cont'd)

(i) Fees and commission income

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission income – including account servicing fees and sales commission– are recognized as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognized on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Company's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Company first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(j) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

Company acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of branch and office premises the Company has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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NOTES TO THE FINANCIAL STATEMENTS
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3. Summary of material accounting policy information (cont'd)

(j) Leases (cont'd)

Company acting as a lessee (cont'd)

The Company determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(k) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

i. Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

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NOTES TO THE FINANCIAL STATEMENTS
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3. Summary of material accounting policy information (cont'd)

(k) Income taxes (cont'd)

ii. Deferred tax

Deferred tax is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilized.

However, deferred tax is not recognized for the following temporary differences: taxable temporary differences arising on the initial recognition of goodwill, or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable income.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and the carrying amount reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

If there is any additional income tax expense incurred in accordance with dividend payments, such income tax expense is recognized when liabilities relating to the dividend payments are recognized.

(l) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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3. Summary of material accounting policy information (cont'd)

(m) Related parties

For the purposes of these financial statements, a party is considered to be related to the Company if:

- i. the party has the ability, directly or indirectly through one or more intermediaries, to control the Company or exercise significant influence over the Company in making financial and operating policy decisions, or has joint control over the Company;
- ii. the Company and the party are subject to common control;
- iii. the party is a member of key management personnel of the Company or the Company's parent, or, a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individual;
- iv. the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- v. the party is a post-employment benefit plan which is for the benefit of employees of the Company or of any entity that is a related party of the Company.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

4. Application of new accounting standards or amendments for 2025 and forthcoming requirements

4.1 New standards and amendments to IFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Company has applied a number of new standards or amendments to IFRS Accounting Standards issued by the International Accounting Standards Board ('IASB') that are mandatorily effective for accounting periods that begin on or after 1 January 2025.

Effective date	New accounting standards or amendments
1 January 2025	Lack of Exchangeability – Amendments to IAS 21

The application of the new and amendments to IFRS Accounting Standards in the current year has had no material impact on the Group's financial positions and performance for the current year and on the disclosures set out in these financial statements.

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4. Application of new accounting standards or amendments for 2025 and forthcoming requirements (cont'd)

4.2 New standards and amendments to IFRS Accounting Standards that have been issued but are not yet effective

A number of new accounting standards are effective for annual periods beginning after 1 January 2026 and earlier application is permitted. However, the Company has not yet adopted the following new or amended accounting standards in preparing these financial statements.

Effective for annual periods beginning or after	New Standards or Amendments
1 January 2026	<ul style="list-style-type: none"> • Classification and measurement of financial instruments – Amendments to IFRS 9 and IFRS 7 • Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7 • Annual improvements to IFRS Accounting Standards – Volume 11
1 January 2027	<ul style="list-style-type: none"> • IFRS 18 Presentation and Disclosure in Financial Statements • IFRS 19 Subsidiaries without Public Accountability: Disclosures
Available for optional adoption/ effective date deferred indefinitely	<ul style="list-style-type: none"> • Sales or Contributions of assets between an investor and its Associates or Joint Venture – Amendments to IFRS 10 and IAS 28

The above new and amended accounting standards are not expected to have a significant impact on the Company's financial statements, except for IFRS 18 Presentation and Disclosure in Financial Statements.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statements of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit sub-total. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Company is in the process of assessing the impact of the new standard, particularly with respect to the structure of the Company's statement of profit or loss, statement of cash flows and the additional disclosure required MPMs. The Company is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.

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5. Cash and cash equivalents

	<u>31 Dec 2025</u>	<u>31 Dec 2024</u>
Current accounts at banks	4,445,251	816,024
Savings placed at banks	358,609	2,360,178
Gross cash and cash equivalents	4,803,860	3,176,202
Less: Allowance for impairment losses	(24,019)	(15,881)
Net cash and cash equivalents	4,779,841	3,160,321

A reconciliation of the allowance for impairment losses on due from banks is as follows:

	<u>31 Dec 2025</u>	<u>31 Dec 2024</u>
At 1 January	(15,881)	(11,672)
Impairment charge for the year (Note 17)	(8,138)	(4,209)
At 31 December	(24,019)	(15,881)

6. Loans and advances

	<u>31 Dec 2025</u>	<u>31 Dec 2024</u>
Loans and advances	15,624,740	13,275,931
Accrued interest receivables	387,443	326,493
Gross loans and advances	16,012,183	13,602,424
Less: Allowance for impairment losses	(421,666)	(381,017)
Net loans and advances	15,590,517	13,221,407

The movement in the allowance for impairment losses for loans and advances is as follows:

	<u>31 Dec 2025</u>	<u>31 Dec 2024</u>
At 1 January	(381,017)	(625,803)
Impairment charge for the year (Note 17)	(75,818)	-
Reversal of impairment allowance (Note 17)	-	236,805
Write-off	35,169	7,981
At 31 December	(421,666)	(381,017)

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7. Property and equipment

Changes in property and equipment are as follows:

	<u>Furniture and fittings</u>	<u>Computers and IT equipment</u>	<u>Vehicles</u>	<u>Total</u>
<i>At cost:</i>				
Balance at 1 January 2024	161,658	406,129	192,990	760,777
Additions	3,621	41,325	-	44,946
Write-off	<u>(30,590)</u>	<u>(97,972)</u>	<u>-</u>	<u>(128,562)</u>
Balance at 31 December 2024	<u>134,689</u>	<u>349,482</u>	<u>192,990</u>	<u>677,161</u>
Additions	8,257	147,285	-	155,542
Write-off	<u>(2,427)</u>	<u>-</u>	<u>-</u>	<u>(2,427)</u>
Balance at 31 December 2025	<u>140,519</u>	<u>496,767</u>	<u>192,990</u>	<u>830,276</u>
<i>Accumulated depreciation:</i>				
Balance at 1 January 2024	118,249	363,073	142,081	623,403
Depreciation charge	8,052	50,883	9,921	68,856
Write-off	<u>(29,409)</u>	<u>(97,972)</u>	<u>-</u>	<u>(127,381)</u>
Balance at 31 December 2024	<u>96,892</u>	<u>315,984</u>	<u>152,002</u>	<u>564,878</u>
Depreciation charge	7,009	54,627	9,921	71,557
Write-off	<u>(2,427)</u>	<u>-</u>	<u>-</u>	<u>(2,427)</u>
Balance at 31 December 2025	<u>101,474</u>	<u>370,611</u>	<u>161,923</u>	<u>634,008</u>
<i>Carrying amounts:</i>				
31 December 2024	<u>37,797</u>	<u>33,498</u>	<u>40,988</u>	<u>112,283</u>
31 December 2025	<u>39,045</u>	<u>126,156</u>	<u>31,067</u>	<u>196,268</u>

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8. Other assets

	<u>31 Dec 2025</u>	<u>31 Dec 2024</u>
Receivables from third parties*	352,030	191,946
Prepayments and advances	184,710	113,737
Supplies and materials	3,896	5,783
Other	27,463	31,808
Impairment loss allowance	<u>(187,697)</u>	<u>(193,446)</u>
	<u>380,402</u>	<u>149,828</u>

A summary of the allowance for impairment losses on other assets is as follows:

	<u>2025</u>	<u>2024</u>
At 1 January	(193,446)	(221,073)
Charge for the year (Note 17)	(6,940)	(8,555)
Write off	<u>12,689</u>	<u>36,182</u>
At 31 December	<u>(187,697)</u>	<u>(193,446)</u>

(*) Receivables from third parties includes an amount of MNT 168,096 thousand (2024: Nil) receivable from Kiva Microfunds.

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9. Borrowed funds

	<u>31 Dec 2025</u>	<u>31 Dec 2024</u>
Current	3,361,558	2,280,758
Non-current	<u>2,064,227</u>	<u>680,575</u>
	5,425,785	2,961,333
Accrued interest payable*	<u>83,157</u>	<u>27,771</u>
	<u>5,508,942</u>	<u>2,989,104</u>

(1) Borrowed funds as at 31 December 2025 are summarized as follows:

Lender	Currency	Final maturity	Interest rate	31 Dec 2025
Current portion:				
Kiva Microfunds	USD	Not applicable**	8.00%	2,086,371
EBRD	MNT	2 Nov 2026	14.70%	680,574
Alterfin CV	MNT	24 Nov 2027	16.66%	594,613
				<u>3,361,558</u>
Non-current portion:				
Alterfin CV	MNT	24 Nov 2027	16.66%	1,189,227
VFI	MNT	1 Apr 2027	16.50%	875,000
				<u>2,064,227</u>

(*) Accrued interest payable included an amount of MNT 36,495 thousand (2024: Nil) payable to VFI.

(**) Borrowings from Kiva Microfunds are running balances and are payable on demand accordingly these are classified as current.

(2) Borrowed funds as at 31 December 2024 are summarized as follows:

Lender	Currency	Final maturity	Interest rate	31 Dec 2024
Current portion:				
EBRD	MNT	3 Feb 2025	14.70%	170,143
EBRD	MNT	13 Feb 2025	15.30%	339,604
Kiva Microfunds	USD	Not applicable**	8.00%	1,771,011
				<u>2,280,758</u>
Non-current portion				
EBRD	MNT	2 Nov 2026	14.70%	680,575

Reconciliation of liabilities arising from financing activities

	<u>2025</u>	<u>2024</u>
At 1 January	2,989,104	1,372,457
Changes from financing cash flows:		
Proceeds from borrowed funds	3,236,760	2,741,346
Repayment of borrowed funds	(1,176,332)	(1,391,034)
Liability-related changes:		
Interest expense (Note 12)	465,858	412,946
Interest paid	(216,907)	(146,611)
Receivables from Kiva Microfunds	168,096	-
Effect of changes in foreign exchange rates	<u>42,363</u>	<u>-</u>
At 31 December	<u>5,508,942</u>	<u>2,989,104</u>

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10. Other liabilities

	<u>31 Dec 2025</u>	<u>31 Dec 2024</u>
VFI payable (Note 19)	102,762	98,413
Other taxes payable	121,878	101,692
Other	397,497	162,428
	<u>622,137</u>	<u>362,533</u>

11. Share capital

	<u>Number of ordinary shares</u>		<u>Value</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
At 1 January	815,702	815,702	8,157,020	8,157,020
Issued during the year	-	-	-	-
At 31 December	<u>815,702</u>	<u>815,702</u>	<u>8,157,020</u>	<u>8,157,020</u>

As at 31 December 2025, the Company's registered share capital consists entirely of common stock of 815,702 shares (2024: 815,702 shares) with a par value of MNT 10,000 per share.

12. Interest income and expense

	<u>2025</u>	<u>2024</u>
<i>Interest income:</i>		
Loans and advances	6,770,290	5,520,070
Deposits and placements with banks	54,882	120,323
	<u>6,825,172</u>	<u>5,640,393</u>
<i>Interest expense:</i>		
Borrowed funds* (Note 9)	(465,858)	(412,946)
	<u>6,359,314</u>	<u>5,227,447</u>

(*) Interest expense includes an amount of MNT 109,886 thousand (2024: Nil) related to VFI. Refer to Note 19.

13. Net fee and commission income

	<u>2025</u>	<u>2024</u>
<i>Fee and commission income:</i>		
Loan related services	2,000	2,775
<i>Fee and commission expense:</i>		
Bank fees	(3,597)	(4,571)
Intercompany transaction fees	(5,240)	(4,040)
Other expenses	(1,938)	(1,998)
	<u>(10,775)</u>	<u>(10,609)</u>
Net fee and commission income	<u>(8,775)</u>	<u>(7,834)</u>

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14. Other income

Other income is presented as follows:

	<u>2025</u>	<u>2024</u>
Recovery of loans previously written-off	61,070	90,268
Others	4,426	20,559
	<u>65,496</u>	<u>110,827</u>

15. Other expenses

Other expenses are presented as follows:

	<u>2025</u>	<u>2024</u>
Short-term lease expense*	356,107	314,177
Professional service fees	323,804	255,950
Partnership fee**	234,990	278,506
IT and communication expenses	233,079	250,268
VFI expenses**	208,860	274,629
Other expenses	133,446	-
Insurance expenses	78,736	55,036
Depreciation of property and equipment (Note 7)	71,557	68,856
Repairs and maintenance expenses	63,585	48,059
Transportation expenses	46,825	43,151
Stationery expenses	30,333	26,306
Utilities expenses	26,781	28,568
Advertisement and marketing expenses	16,786	39,993
Security expenses	1,300	1,080
Amortization of intangibles	-	33,000
	<u>1,826,189</u>	<u>1,717,579</u>

(*) The Company leases its head office and branch office facilities under short term lease agreements. The lease agreements have contract periods of between twelve months to thirty-six months. Both parties in the contracts have a right to terminate the lease agreement with one month notice period with only an insignificant risk of penalty, and therefore an enforceable contract is not in place. Moreover, all lease contracts are low value in accordance with the requirements of IFRS. As a result, the contracts are recognized as short-term leases.

(**) The Company has Partnership fee expenses and other expenses related to its parent company VFI. Also refer to Note 19.

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16. Personnel expenses

	<u>2025</u>	<u>2024</u>
Salaries	2,074,043	1,879,004
Contributions to social and health insurance	275,426	195,826
Other benefits to employees	32,237	28,261
Business trips	107,443	88,772
Employees' trainings	29,622	24,080
Other employees' expenses	12,741	23,899
	<u>2,531,512</u>	<u>2,239,842</u>

17. Impairment (losses)/reversal of impairment losses on financial assets

	<u>2025</u>	<u>2024</u>
Loans and advances (Note 6)	(75,818)	236,805
Cash and cash equivalents (Note 5)	(8,138)	(4,209)
Other assets (Note 8)	(6,940)	(8,555)
	<u>(90,896)</u>	<u>224,041</u>

18. Income tax expense

(1) Income tax expense consists of the following:

	<u>2025</u>	<u>2024</u>
Current tax expense	266,399	126,097
Tax penalty expense	65,571	-
Deferred tax income	(7,308)	(34,193)
	<u>324,662</u>	<u>91,904</u>

(2) The difference between income taxes computed using the statutory corporate income tax rates and the recorded income taxes is attributable to the following:

	<u>2025</u>	<u>2024</u>
Profit before income tax	1,765,685	1,462,484
Income tax expense at statutory income tax rate*	176,568	146,248
Effect of non-deductible expense	153,582	45,653
Effect of non-taxable income	-	(93,900)
Tax effect of special tax rate	(5,488)	(6,097)
	<u>324,662</u>	<u>91,904</u>

(*) According to Mongolian Corporate Income Tax Law, a 10% tax rate is applied for taxable profits up to MNT 6 billion and 25% for taxable profits in excess of MNT 6 billion.

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18 Income tax expense (cont'd)

(3) Current tax liability

	<u>2025</u>	<u>2024</u>
Current income tax liability as at 1 January	44,161	51,214
Current income tax expense	331,970	126,097
Current income tax paid	<u>(241,938)</u>	<u>(133,150)</u>
Current tax liability as at 31 December	<u>134,193</u>	<u>44,161</u>

(4) Changes in deferred tax assets for the year ended 31 December 2025 are as follows:

	<u>2025</u>		
	<u>Beginning balance</u>	<u>Profit or loss</u>	<u>Ending balance</u>
<i>Financial and other assets</i>	69,815	7,308	77,123

Changes in deferred tax assets (liabilities) for the year ended 31 December 2024 are as follows:

	<u>2024</u>		
	<u>Beginning balance</u>	<u>Profit or loss</u>	<u>Ending balance</u>
<i>Borrowed funds</i>	3,095	(3,095)	-
<i>Financial and other assets</i>	<u>32,527</u>	<u>37,288</u>	<u>69,815</u>
	<u>35,622</u>	<u>34,193</u>	<u>69,815</u>

The Government of Mongolia continues to reform the business and commercial infrastructure in its transition to a market economy. As a result, the laws and regulations affecting businesses continue to change rapidly.

These changes are sometimes characterized by poor drafting, varying interpretations and inconsistent application by the tax authorities. In particular, taxes are subject to review and investigation by a number of authorities who are enabled by law to impose fines and penalties. While the Company believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation and status at the period-end, the above facts may create tax risks for the Company which are not possible to quantify at this stage.

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19 Significant transactions and balances with related parties

(1) The following entities are considered to be related parties of the Company with which it transacted during the year:

<u>Name</u>	<u>Relationship</u>
Vision Fund International (VFI)	The Company's 100% shareholder
World Vision International (WVI)	Ultimate controlling party
World Vision International Mongolia (WVIM)	Related through VFI

(2) Significant transactions and balances with the related parties as at 31 December and for the year then ended were as follows:

	<u>2025</u>	<u>2024</u>
<i>For the year ended 31 December with VFI:</i>		
VFI expenses (Note 15)	208,860	274,629
Partnership fee (Note 15)	234,990	278,506
Borrowing interest expense (Note 12)	109,886	-
	<u>553,736</u>	<u>553,135</u>

	<u>2025</u>	<u>2024</u>
<i>As at 31 December with VFI:</i>		
Other payables	55,834	39,104
Borrowed funds – Principal (Note 9)	875,000	-
Borrowed funds – Interest (Note 9)	36,495	-
Management service payable	46,928	59,309
	<u>1,014,257</u>	<u>98,413</u>

(3) Compensation for executive officers was as follows:

	<u>2025</u>	<u>2024</u>
<i>For the year ended 31 December:</i>		
Salary and wages	111,694	68,489
Social insurance contribution	24,436	14,963
Other benefits	3,120	1,669
	<u>139,250</u>	<u>85,121</u>

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20. Fair value of financial instruments

Determination of fair value and fair value hierarchy

Financial assets and liabilities not measured at fair value, as disclosed below, are categorized into one of three hierarchy levels based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions. These two types of inputs create the following fair value hierarchy:

- Level 1: observable inputs such as quoted prices in active markets;
- Level 2: inputs, other than the quoted market prices in active markets, which are observable, either directly and/or indirectly; and
- Level 3: unobservable inputs for the asset or liability in which little or no market data exists, therefore require an entity to develop its own assumptions.

The Company determines fair values for those financial instruments which are not carried at fair value in the financial statements as follows:

(1) Financial assets and liabilities for which fair value approximates carrying amount

For financial assets and financial liabilities that are liquid or having short term maturity of less than one year, it is assumed that the carrying amounts are approximate to their respective fair value.

(2) Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost basis are estimated by comparing the interest rates of the instruments with the current market rates offered for similar financial instruments available in Mongolia.

All financial assets and financial liabilities of the Company are carried at amortised cost which approximates its fair value.

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21. Maturity analysis of assets and liabilities

The table shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. See Note 22.3 'Liquidity risk' for the Company's contractual undiscounted repayment obligations.

	<u>Less than 12 months</u>	<u>More than 12 months</u>	<u>Total</u>
At 31 December 2025			
Financial assets:			
<i>(at amortised cost)</i>			
Cash balances with banks	4,779,841	-	4,779,841
Loans and advances	4,314,147	11,276,370	15,590,517
Other assets*	191,796	-	191,796
	<u>9,285,784</u>	<u>11,276,370</u>	<u>20,562,154</u>
Financial liabilities:			
<i>(at amortised cost)</i>			
Borrowed funds	(3,444,715)	(2,064,227)	(5,508,942)
Other liabilities**	(500,259)	-	(500,259)
	<u>(3,944,974)</u>	<u>(2,064,227)</u>	<u>(6,009,201)</u>
	<u>5,340,810</u>	<u>9,212,143</u>	<u>14,552,953</u>
	<u>Less than 12 months</u>	<u>More than 12 months</u>	<u>Total</u>
At 31 December 2024			
Financial assets:			
<i>(at amortised cost)</i>			
Cash balances with banks	3,160,321	-	3,160,321
Loans and advances	3,044,603	10,176,804	13,221,407
Other assets*	30,308	-	30,308
	<u>6,235,232</u>	<u>10,176,804</u>	<u>16,412,036</u>
Financial liabilities:			
<i>(at amortised cost)</i>			
Borrowed funds	(2,308,529)	(680,575)	(2,989,104)
Other liabilities**	(260,841)	-	(260,841)
	<u>(2,569,370)</u>	<u>(680,575)</u>	<u>(3,249,945)</u>
	<u>3,665,862</u>	<u>9,496,229</u>	<u>13,162,091</u>

(*) Prepayments, supplies and materials were excluded.

(**) Other taxes payable were excluded.

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22. Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring risk, and the Company's management of capital.

Risk management

(1) Introduction

The Company adopts its parent company's, Vision Fund International (VFI), risk categories for the purposes of its risk management. The Company is committed to implement appropriate strategies and processes that identify, analyze, and manage risks associated with all its activities by means of minimizing impacts of undesired and unexpected events on the business activities.

The Company's risk management policy is approved by the Board of Directors, and Board Audit and Risk Committee which is responsible for setting risk policies, procedures, guideline and limit proposals, while each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

1.1 Risk management structure

The Board of Directors is responsible for approving the Company's risk management policy with endorsement from the Asia Regional Finance Director of the parent company, VFI. The Board Audit and Risk Committee (ARC) is responsible for performing the functions set forth in the risk policy. The management Risk, Asset and Liability Committee (RALCO) headed by Risk Manager is responsible for identifying and monitoring key risks, designing risk mitigation plans, and ensuring effective implementation within the organization.

1.2 Board Audit and Risk Committee

The Board Audit and Risk Committee (ARC) is responsible for assisting the full Board of Directors in fulfilling its responsibilities for the integrity of the Company's financial statements and disclosures, its compliance with legal and regulatory requirements, effective internal controls and audit functions, and ensures that the Company adheres to its risk appetite and applicable limits established by the Board of Directors. The ARC holds regular meetings on a quarterly basis.

1.3 Management Risk Asset and Liability Committee (RALCO)

The functions of RALCO include identifying and assessing the risks that can impact the organization and their likelihood of occurrence. Once risks are identified and assessed, the committee can design strategies and control mechanisms and assign responsibility to key individuals and teams to address them. To monitor risks effectively, the committee sets the acceptable risks threshold/ limits and each business unit is responsible to ensure the risks are controlled within these limits.

The RALCO collates the internal and external risks and reports to the management and Board Audit and Risk Committee about the major risks that the Company is currently facing, and requests the management and Board Audit and Risk Committee for recommendations for mitigation strategies. The committee holds regular meetings on a monthly basis.

1.4 Credit Committees (Branch level and Head Office level)

The Company's Credit Committees are responsible for loan approvals and credit monitoring in accordance with the organization's credit policy, monitoring the quality of the loan portfolio, reducing the risk of default, and taking decisions related to collateral and overdue and non-performing loans.

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22. Financial risk management (cont'd)

Risk management (cont'd)

(1) Introduction (cont'd)

1.5 Internal Audit

Internal Audit is to assist management of the Company in the effective discharge of their responsibilities including promoting effective control at reasonable costs. The audit scope is to examine and evaluate the adequacy and effectiveness of internal control structure of the Company and quality of performance. Internal Audit has a direct communication line to the CEO and a primary reporting line to ARC and VFI's Regional Audit Manager.

1.6 Identification, assessment, and prioritization of risks

The Company uses its internal management reports, internal and external audit reports, financial data on losses, and strategic plans, as a basis for risk identification. To assess the probability and severity of these risks, the Company uses a risk register for each department.

1.7 Risk measurement and reporting system

The Company measures risk using historical data utilizing relevant reports for core risk types. Moreover, both the Board ARC and the management RALCO monitors the implementation of relevant prudential ratios for all risk types and reports on the performance against the risk limits set by the Board of Directors.

1.8 Risk mitigation

The Company implements "Three Lines of Defence" to mitigate risk and provide pro-active control, and each unit manages its own risks within the limits set by the Board of Directors. RALCO defines the potential risks and the ways to mitigate them, formulates and regulates relevant policies, procedures and limits, and monitors the performance against limits.

(2) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The main financial assets of the Company are loans and advances, cash and balances with banks and other assets in Mongolia. The Company manages credit risk by investing into low risk assets.

	Gross maximum exposure	
	31 Dec 2025	31 Dec 2024
Cash and cash equivalents	4,803,860	3,176,202
Loans and advances	16,012,183	13,602,424
Other assets*	379,493	223,754
Total credit risk exposure	21,195,536	17,002,380

(*) Prepayments, supplies and materials were excluded.

The table below shows the analysis by industry sector of the Company's loans and advances to customers (Note 6) in gross amounts, before taking into account the fair value of the loan collateral held or other credit enhancements.

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22. Financial risk management (cont'd)

(2) Credit risk (cont'd)

	31 Dec 2025		31 Dec 2024	
	Gross maximum exposure	%	Gross maximum exposure	%
Trade and commerce	2,405,721	15%	2,208,285	16%
Services	7,627,839	48%	5,633,751	41%
Production	1,956,117	12%	1,853,961	14%
Agriculture	2,124,906	13%	2,314,666	17%
Consumption	1,897,600	12%	1,591,761	12%
	16,012,183	100%	13,602,424	100%

Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost, based on the Company's internal credit rating. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Explanation of the terms "Stage 1", "Stage 2" and "Stage 3" is included in Note 3 (c)(vi).

	31 Dec 2025			
	Stage 1	Stage 2	Stage 3	Total
Loan and advances at amortized cost	15,497,810	111,430	402,943	16,012,183
Performing	15,354,155	-	-	15,354,155
Past due 1-30 days	143,655	-	-	143,655
Past due 31-60 days	-	57,295	-	57,295
Past due 61-90 days	-	54,135	-	54,135
Past due over 91 days	-	-	378,898	378,898
Restructured	-	-	24,045	24,045
Loss allowance	(230,527)	(9,814)	(181,325)	(421,666)
Carrying amount	15,267,283	101,616	221,618	15,590,517

	31 Dec 2024			
	Stage 1	Stage 2	Stage 3	Total
Loan and advances at amortized cost	13,200,392	40,290	361,742	13,602,424
Performing	13,119,796	-	-	13,119,796
Past due 1-30 days	80,596	-	-	80,596
Past due 31-60 days	-	29,330	-	29,330
Past due 61-90 days	-	10,960	-	10,960
Past due over 91 days	-	-	341,117	341,117
Restructured	-	-	20,625	20,625
Loss allowance	(208,500)	(982)	(171,535)	(381,017)
Carrying amount	12,991,892	39,308	190,207	13,221,407

Collateral and other credit enhancements

The Company holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

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22. Financial risk management (cont'd)

(2) Credit risk (cont'd)

Type of credit exposure

	% of exposure that is subject to collateral requirements**		Principal type of collateral held
	31 Dec 2025	31 Dec 2024	
Loans and advances			
Investment loans*	100%	100%	All types of real estate, movable assets, revenue, equipment, guarantee
Working capital loans*	100%	100%	All types of real estate, movable assets, revenue, equipment, guarantee

* Collateral requirement only applies to loans exceeding MNT 40 million.

** For all other types of loans there are no collateral requirements.

Amounts arising from ECL

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

The Company uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in probability of default (PD);
- qualitative indicators; and
- backstop indicator: if more than 30 days past due, financial asset is assigned to Stage 2; if more than 90 days past due, or restructured or rescheduled, financial asset is allocated to Stage 3.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 1-year PD by LGD and EAD. Lifetime ECL is calculated by multiplying the 2-year PD ("because 96% of the loan portfolio of the Company on gross basis is up to 2 year"), by LGD and EAD.

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22. Financial risk management (cont'd)

(2) Credit risk (cont'd)

Amounts arising from ECL (cont'd)

The Company collects performance and default information about its credit risk exposures analysed by the product types and borrower. The Company employs statistical models to analyse the data collected and generate estimates of the 1-year cumulative PD and 2-year cumulative PD and how these are expected to change as a result of the passage of time.

LGD is the magnitude of the likely loss if there is a default. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery cost of any collateral that is integral to the financial asset. The Company uses LGD under the Basel foundation approach where senior claims on corporates, sovereigns and banks not secured by recognized collateral is assigned at 45% LGD.

EAD represents the expected exposure in the event of a default. The Company calculates the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EAD is potential future amounts that may be drawn under the contract, which are estimated based on the historical observations and forward-looking forecasts.

Incorporation of forward-looking information

The Company incorporates forward-looking information into measurement of ECL.

The Company run multiple regression analyses between historical PD and combinations of macroeconomic factors using several macroeconomic factors and their combinations as multivariate regression analysis, as a result, the combination of World average coal and copper prices in USD was identified to have the strongest correlation with the Company's historical PD rates. The combinations of changes in World average coal and copper prices in USD is inversely correlated with the historical PD.

Definition of default

The Company considers a financial asset to be in default when:

- Insolvency: The borrower is considered insolvent for the following reasons:
 - o Significant financial deterioration
 - o Having difficulty pay interest or principal payment
 - o Obligor is likely to go bankrupt or other financial restructuring
- Past due more than 90 days.

In assessing whether a borrower is in default, the Company considers indicators that are:

- Qualitative – e.g. breaches of covenant;
- Quantitative – e.g. overdue status
- Based on data developed internally

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

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22. Financial risk management (cont'd)

(2) Credit risk (cont'd)

Amounts arising from ECL (cont'd)

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of loans and advances.

	2025			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances at amortised cost:				
Balance at 1 January	208,500	982	171,535	381,017
Transfer to Stage 1	27	(27)	-	-
Transfer to Stage 2	(1,010)	1,010	-	-
Transfer to Stage 3	(1,233)	(1,241)	2,474	-
Net remeasurement of loss allowance	(40,985)	9,730	62,680	31,425
New financial assets originated	182,636	2,526	55,229	240,391
Financial assets that have been derecognised	(117,408)	(3,166)	(75,424)	(195,998)
Write-off	-	-	(35,169)	(35,169)
Balance at 31 December	230,527	9,814	181,325	421,666
2024				
	Stage 1	Stage 2	Stage 3	Total
Loans and advances at amortised cost:				
Balance at 1 January	397,779	13,670	214,354	625,803
Transfer to Stage 1	649	(649)	-	-
Transfer to Stage 2	(1,654)	1,654	-	-
Transfer to Stage 3	(3,337)	(5,413)	8,750	-
Net remeasurement of loss allowance	(113,385)	(4,037)	30,328	(87,094)
New financial assets originated	183,264	2,779	7,930	193,973
Financial assets that have been derecognised	(254,816)	(7,022)	(81,846)	(343,684)
Write-off	-	-	(7,981)	(7,981)
Balance at 31 December	208,500	982	171,535	381,017

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22. Financial risk management (cont'd)

(2) Credit risk (cont'd)

Amounts arising from ECL (cont'd)

Loss allowance (cont'd)

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of loans and advances.

	2025			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances at amortised cost:				
Balance at 1 January	208,500	982	171,535	381,017
Reversal of impairment	22,027	8,832	44,959	75,818
Write-off	-	-	(35,169)	(35,169)
Balance at 31 December	230,527	9,814	181,325	421,666
2024				
	Stage 1	Stage 2	Stage 3	Total
Loans and advances at amortised cost:				
Balance at 1 January	397,779	13,670	214,354	625,803
Additional impairment	(189,279)	(12,688)	(34,838)	(236,805)
Write-off	-	-	(7,981)	(7,981)
Balance at 31 December	208,500	982	171,535	381,017

(3) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities. The Company'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 Company's reputation.

The key measure used by the Company for managing liquidity risk is the ratio of liquid assets to total liabilities, as required by FRC regulations. The Company calculates the liquidity ratio as a ratio of the liquid assets, including cash on hand, deposits and cash and balances with bank and other financial institutions, and investment securities to the liabilities, including borrowed funds and other financial institutions, and other liabilities. The prudential ratio limit was set as 8% as at 31 December 2025 (31 December 2024: 8%).

Details of the ratio at the reporting date were as follows:

	2025	2024
As at 31 December	108.7%	102.7%

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22. Financial risk management (cont'd)

(3) Liquidity risk (cont'd)

Exposure to liquidity risk

The tables below summarize the maturity profile of the Company's financial assets and liabilities at 31 December 2025 and 31 December 2024 based on the contractual undiscounted repayment obligations.

As at 31 December 2025:

	<u>Less than three months</u>	<u>Three to six months</u>	<u>Six months to one year</u>	<u>More than one year</u>	<u>Total</u>
Financial assets					
Cash and cash equivalents	4,803,860	-	-	-	4,803,860
Loans and advances	6,453,496	5,520,511	9,059,595	9,787,642	30,821,244
Other assets*	379,493	-	-	-	379,493
	<u>11,636,849</u>	<u>5,520,511</u>	<u>9,059,595</u>	<u>9,787,642</u>	<u>36,004,597</u>
Financial liabilities					
Borrowed funds	2,388,358	308,591	1,150,622	2,232,530	6,080,101
Other liabilities**	500,259	-	-	-	500,259
	<u>2,888,617</u>	<u>308,591</u>	<u>1,150,622</u>	<u>2,232,530</u>	<u>6,580,360</u>

As at 31 December 2024:

	<u>Less than three months</u>	<u>Three to six months</u>	<u>Six months to one year</u>	<u>More than one year</u>	<u>Total</u>
Financial assets					
Cash and cash equivalents	3,176,202	-	-	-	3,176,202
Loans and advances	5,593,027	4,730,417	7,890,509	8,877,748	27,091,701
Other assets*	223,754	-	-	-	223,754
	<u>8,992,983</u>	<u>4,730,417</u>	<u>7,890,509</u>	<u>8,877,748</u>	<u>30,491,657</u>
Financial liabilities					
Borrowed funds	1,982,830	204,516	230,032	727,470	3,144,848
Other liabilities**	260,841	-	-	-	260,841
	<u>2,243,671</u>	<u>204,516</u>	<u>230,032</u>	<u>727,470</u>	<u>3,405,689</u>

(*) Prepayments, supplies and materials were excluded.

(**) Other taxes payable were excluded.

(4) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates or foreign exchange rates.

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22. Financial risk management (cont'd)

(4) Market risk (cont'd)

Interest rate risk

Interest rate risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specified period. The Company manages and monitors interest rate risk.

The immediate impact of variation in interest rate is on the net interest income, while long-term impact is on the Company's net worth since the economic value of the Company's asset, liabilities and off-balance sheet exposures will be affected. The Company provides loans which have only fixed rate interest.

Currency risk

Currency risk is the possibility of financial loss to the Company arising from adverse movements in foreign exchange rates. The Company's management sets limits on the level of exposure by currencies, which are monitored on a frequent basis.

The table below summarizes the Company's exposure to foreign exchange risk at 31 December 2025 and 31 December 2024. Included in the table are the Company's financial assets and liabilities at carrying amounts, categorized by currencies.

At 31 December 2025:

	Notes	MNT	USD	Total
Financial assets				
Cash and balances with banks	5	2,455,575	2,324,266	4,779,841
Loans and advances	6	15,590,517	-	15,590,517
Other assets*	8	191,796	-	191,796
		18,237,888	2,324,266	20,562,154
Financial liabilities				
Borrowed funds	9	(3,422,571)	(2,086,371)	(5,508,942)
Other liabilities**	10	(397,497)	(102,762)	(500,259)
		(3,820,068)	(2,189,133)	(6,009,201)
Net financial assets		14,417,820	135,133	14,552,953

At 31 December 2024:

	Notes	MNT	USD	Total
Financial assets				
Cash and balances with banks	5	2,628,793	531,528	3,160,321
Loans and advances	6	13,221,407	-	13,221,407
Other assets*	8	30,308	-	30,308
		15,880,508	531,528	16,412,036
Financial liabilities				
Borrowed funds	9	(1,218,093)	(1,771,011)	(2,989,104)
Other liabilities**	10	(162,428)	(98,413)	(260,841)
		(1,380,521)	(1,869,424)	(3,249,945)
Net financial assets		14,499,987	(1,337,896)	13,162,091

(*) Prepayments, supplies and materials were excluded.

(**) Other taxes payable were excluded.

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22. Financial risk management (cont'd)

(5) Capital management

The Company actively manages its capital base to cover risks inherent in the business. The adequacy of the Company's capital is monitored using, among other measures, the rules and ratios established by the Financial Regulatory Commission of Mongolia (FRC). Non-banking financial institutions (NBFIs) have a long-term minimum capital requirement of MNT 5,000,000 thousand. The FRC revised its schedule of the requirement to increase the minimum capital requirement by postponing the effective dates of the increases as follows:

Effective from:	Minimum capital requirement MNT'000
10 February 2024	2,500,000
25 February 2025	5,000,000

As at 31 December 2024 and 2025, the Company had met the minimum capital requirement issued by the FRC.

23. Contingent liabilities and commitments

Legal claims

Litigation is a common occurrence in this industry due to the nature of the business. Once professional advice has been obtained and the amount of damages reasonably estimated, the Company makes adjustments to account for any adverse effects which the claim may have on its financial standing.

Tax contingencies

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

Mongolian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible the transactions and activities that have not been challenged in the past may be challenged by the tax authorities. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for four (until 2020) calendar years preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods. Mongolian transfer pricing (TP) legislation effective from 1 January 2020 is generally aligned with the international TP principles developed by the Organization for Economic Cooperation and Development (OECD), although it has specific features. The TP legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's-length basis.

As Mongolian tax legislation does not provide definitive guidance in certain areas, the Company adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Company. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that an outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Company.

24. Subsequent events

There are no other subsequent events after the reporting period ended 31 December 2025 that require adjustment or disclosure in the financial statements.

25. Mongolian translation

These financial statements are also prepared in the Mongolian language. In the event of discrepancies or contradictions between the English version and the Mongolian version, the English version will prevail.