Consolidated Financial Statements and Independent Auditor's Report

'Invescore' NBFI JSC

31 December 2021

Contents

Group brief information

Name of Organization:	Invescore NBFI JSC	
Founding Decision:	The Invescore NBFI JSC was incorporated on 21 April 2016.	
Certificate and license	The State Registration Certificate № 9015003118 was granted by the General Authority for State Registration of Mongolia. License №1/554 on "Non-banking financial activities" was issued in accordance with the Resolution №159 of the Financial Regulatory Commission of Mongolia on 17 May 2016.	
Board	Chairman:	B. Ankhbold
	Members:	D. Bayasgalan R. Munkhtur G. Uyangakhishig T. Telmen Namiki Hirohito
	Independent members:	Ch. Khashchuluun D. Enkhbat Ch. Unurjargal
Management team:	Chief Executive Officer	D. Bayasgalan
	Chief Business Officer	N. Arslanbaatar
	Chief Financial Officer	R. Purev
	Chief Operations Officer	G. Javkhlant
	Director of Department of Branch Management	E. Erdenekhuu
	Director of Law and Risk Management Department	Ts. Altannavch
Address:	13th Floor, Twin Tower-1 Building, Seoul Street, the 2nd Khoroo, Sukhbaatar District, Ulaanbaatar, Mongolia	
Registration number:	6060854	
Principal activities:	• Lending • Factoring services • Trust services • Investing in short-term financial instruments • Investment and financial consulting • Payment guarantees	
Number of employees:	269	
Auditor:	Grant Thornton Audit LLC - A Certified firm of audit, accounting, financial advisory, training and appraisal	

Management's statement of responsibility for financial reporting

Management is responsible for fair presentation of the Invescore NBFI JSC's consolidated financial statements for the year ended 31 December 2021, and of its financial performance, cash flows and changes in equity for the period in accordance with International Financial Reporting Standards and the IFRS 10 *Consolidated Financial Statements*.

Management has fulfilled the following responsibilities in preparing the consolidated financial statements:

- Complied all accounting standards through selection of and consistent adherence to appropriate accounting policy, as well as reasonable and accurate calculation and assessment.
- Taken necessary actions to safeguard the company's assets, to prevent any fraud and misconduct, and to identify such activities.
- The Company has prepared the [consolidated] financial statements on a going concern basis
- It is obliged to constantly review things that are legitimately or derivative accountabilities as a result of past events or that may result in future losses, and it has clarified the legitimately and derivative responsibilities and contingencies.

B. Ankhbold, Board Chairman of the Invescore NBFI JSC, and D. Bayasgalan, Chief Executive Officer, and R. Purev, Chief Financial Officer, declare that the accompanying financial statements presented in page 11 to 55 of this report give a true and fair view of the financial position of the Group as of 31 December 2021, and of its financial performance and its cash flows for the period, in accordance with International Financial Reporting Standards.

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Board Chairman	Chief Executive Officer	Chief Financial Officer
B. Ankhbold	D. Bayasgalan	R. Purev
Date: 24 February 2022	Date: 24 February 2022	Date: 24 February 2022

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Independent Auditor’s Report

To the shareholders of the Invescore NBFI JSC:

Opinion

We have audited the financial statements of the Invescore NBFI JSC and its subsidiaries (together “Group”), which comprise the statement of financial position as of 31 December 2021, including:

- Consolidated statement of financial position,
- Consolidated statement of comprehensive income for the year ended,
- Consolidated statement of changes in equity,
- Consolidated statement of cash flows
- A summary of significant accounting policies, and
- Notes to the Financial Statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position as of 31 December 2021 and of its financial performance and its cash flows for the year then ended, in all material respects, in accordance with International Financial Reporting 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 *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (the “IESBA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in the Code of Ethics for Professional Accountants of Mongolia, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of audit approaches

Key audit matters	• Due to COVID-19 pandemic, changes were made to loan structures of the Group, and those changes were recognized in the financial statements.
Materiality	• Overall materiality used in audit of the financial statements is MNT 1,433,457 thousand. The materiality was selected on the basis of 1% of profit before tax. • The Group is a publicly traded company, therefore, profit before tax and total revenue have been selected as benchmark or basic indicator to estimate the materiality. Based on the results of a company's inquiry from employees, prior audit recommendations and the audit report, the risk has been assessed as 'medium' and 1% was selected.

Emphasis of Matter

We draw attention to note 30 to the consolidated financial statements which describes circumstances related to recognition of liquidity instruments into share and its measurement. Our opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters, in our judgement, are matters that have significant impacts on financial statements for the current period. Within the scope of our audit on financial statements, matters were addressed as a whole, and no separate opinions were given on each matter.

Key audit matters	***Response***
Impairment of loans to customers: In determining a model for estimating the impairment of loans to customers, the Group considered the historical information on credit losses in prior periods at each loan product and the impact of macroeconomic factors and modeled the calculation based on management's assumptions about probable future cash flows. Loans and advance to customers under this model in the reporting year are classified into three staging in accordance with IFRS 9 *Financial Instruments and the* impairment is evaluated at MNT 3,146,865 thousand by a model of expected loss. This matter was considered by auditors to be the key audit matter due to the significant impact of impairment allowances on valuation of loans as well as due to the fact that require a significant assumption in the process of their estimation.	*Audit procedure:* We performed the following procedures in order to evaluate the loan impairment allowances: • The completeness of loan data used and the reliability of the input information used were reviewed. • A review was conducted whether loans included in collective provisioning are correct and whether ageing is appropriately determined, and respective re-classification was made in accordance with applicable procedure. • The assumptions used by management for determining the impairment of loan were reconciled with the Group's information on loan. • Explanatory notes and disclosures related to expected credit losses were assessed whether it is complete. • Auditor's point estimate is developed by changing the macroeconomic indicators used in the calculation, the range of values between the Management point estimate and Auditor's point estimate was within the materially .

Other matters

The Group's consolidated financial statements for the year ended 31 December 2020 was audited by the BDO Audit LLC and they provided an unqualified opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report of Group for the year ended 31 December 2021, but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the auditor has considered the ability to detect illegal actions, such as fraud

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

- Identify and assess the risks of material misstatement of the [consolidated] financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

auditor's 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.

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

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

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

Other regulatory requirements

In accordance with Article 92 and Article 94 of the Company Law of Mongolia, the Company is responsible to report transactions made with subjects of conflict of interests, and information specified in the law on Securities Market, and by the Financial Regulatory Commission and the Mongolian Stock Exchange as well as other information specified in the Company Charter. No non-compliance was identified in relation to these requirements.

In the course of auditing the separate financial statements, we have performed a test on compliance with the rules and regulations issued by the regulatory body for complying with financial reporting by non-bank financial institutions. No non-compliance was identified in relation to breaches of Mongolian law or the rules and regulations of the Financial Regulatory Commission.

Engagement Partner of this Auditor's Report is N. Erdenetsog.

GRANT THORNTON AUDIT LLC

B. OSORGARAV
MANAGING PARTNER

24 February 2022

N. ERDENETSOG
ENGAGEMENT PARTNER

Consolidated statement of financial position

In thousand MNT	Note	Balance 31 December 2021	Balance 31 December 2020
Assets			
Cash and cash equivalents	8	24,638,751	26,588,675
Derivative financial instruments	9	183,583	-
Loans to customers – net	10	175,508,816	96,409,802
Other financial assets – net	11	3,274,706	1,534,115
Other non-financial assets	12	1,980,060	492,217
Repossessed collateral	13	783,568	821,892
Investment	14	-	591,122
Property and equipment	15	1,558,138	5,370,589
Intangible assets – net	16	2,606,778	2,793,735
Right-of-use – net	17	1,395,268	1,149,539
Goodwill	-	292,627	292,627
Total assets		**212,222,295**	**136,044,313**
Equity and liabilities			
Liabilities			
Trust service liabilities	18	56,477,725	42,209,511
Loans taken from bank and financial institutions	19	34,396,459	14,100,200
Other sources	20	10,219,535	14,689,798
Bond issued by NBFI	21	27,620,907	7,878,886
Other financial liabilities	22	3,373,876	1,997,890
Other non-financial liabilities	23	1,844,771	889,337
Reserve liabilities	24	774,303	774,303
Income tax payable	25	1,664,171	703,802
Deferred tax liabilities	26	333,785	-
		-	-
Total liabilities		**136,705,532**	**83,243,727**

Consolidated statement of financial position-continued

In thousand MNT	Note	Balance 31 December 2021	Balance 31 December 2020
Equity			
Share capital	27	16,282,237	16,282,237
Share premium	28	15,377,738	15,377,738
Retained earnings		38,884,718	21,192,282
Non-controlling interest	29	137,655	4,257
Other components of equiiy	30	4,834,415	(55,928)
Total equity		**75,516,763**	**52,800,586**
Total liabilities and equity		**212,222,295**	**136,044,313**

The consolidated financial statements were approved 24 February 2022 by:

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Board Chairman
B. Ankhbold

Date: 2022/02/24

Chief Executive Officer
D. Bayasgalan

Date: 2022/02/24

Chief Financial Officer
R. Purev

Date: 2022/02/24

The consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 55.

Consolidated statement of comprehensive income

In thousand MNT	Note	2021	2020
Interest and similar income	31	41,122,071	29,147,505
Interest and similar expenses	32	(12,814,237)	(6,755,193)
Loan impairment expenses	10.4	(743,455)	(1,297,947)
Net interest income		**27,564,379**	**21,094,365**
Fee and commission income	33	8,886,652	450,277
General and administrative expenses	34	(12,215,131)	(7,286,068)
Income (expenses) from the exchange rate equation	35	(157,173)	86,737
Operating profit		**24,078,727**	**14,345,311**
Other non-operating income (expenses)	36	(433,018)	(197,738)
Adjustment on sale of subsidiary	-	-	205,010
Other gain/(loss)	37	64,609	(447,487)
Profit (loss) before tax		**23,710,318**	**13,905,096**
Income tax expenses	38	(4,518,782)	(2,285,987)
Profit (loss) after tax		**19,191,536**	**11,619,109**
Other comprehensive income		(165,585)	(55,928)
Total comprehensive income		**19,025,951**	**11,563,181**
Basic earnings per share		**265.25**	**161.21**

The consolidated statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 55.

Consolidated statement of changes in equity

In thousand MNT	Treasury share	Share premium	Other components of equity	Non-controlling interest	Retained earnings	Total
Balance 1 January 2020	16,282,237	15,377,738	16,463	(3,358)	8,819,404	40,492,484
Changes in accounting policies and corrections of errors	-	-	-	-	-	-
Adjusted balance	**16,282,237**	**15,377,738**	**16,463**	**(3,358)**	**8,819,404**	**40,492,484**
Profit for the year	-	-	-	(11,368)	11,471,543	11,460,175
Share capital of non-controlling interests	-	-	-	15,625	-	15,625
Other comprehensive income for the year	**-**	**-**	(72,391)	**-**	**-**	(72,391)
Adjustment on sale of subsidiary	**-**	**-**	**-**	3,358	901,335	904,693
Balance 31 December 2020	**16,282,237**	**15,377,738**	**(55,928)**	**4,257**	**21,192,282**	**52,800,586**
Changes in accounting policies and corrections of errors	-	-	-	(4,935)	(141,392)	(146,327)
Adjusted balance	**16,282,237**	**15,377,738**	**(55,928)**	**(678)**	**21,050,890**	**52,654,259**
Changes for the year	**-**	**-**	5,000,000	**-**	**-**	5,000,000
Other comprehensive income for the year	-	-	(109,657)	-	-	(109,657)
Dividends	**-**	**-**	**-**		(1,219,375)	(1,219,375)
Net profit for the year	-	-	-	138,333	19,053,203	19,191,536
Balance 31 December 2021	**16,282,237**	**15,377,738**	**4,834,415**	**137,655**	**38,884,718**	**75,516,763**

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 57.

Consolidated statement of cash flows

In thousand MNT	Note	2021	2020
Cash flows from operating activities			
Profit before tax		**23,710,318**	**13,905,096.00**
Adjustment:			
Depreciation and amortization expenses	34	1,694,572	1,130,802
Unrealized foreign exchange loss/(gain)	34	123,605	(102,864)
Gain on impairment of repossessed collateral	37	(210,864)	257,434
Gain on disposal of repossessed collateral	37	-	(53,715)
Profit from the sale of discontinued operations	-	-	791,641
Expected loss of loan receivables	10.4	520,045	1,297,947
Impairment on financial assets	37	30,181	212,713
Loss (gain) on disposal of assets	37	2,052	-
Finance cost	32	12,814,237	6,841,116
Interest expense on lease liabilities	34	130,592	140,236
Operating loss before changes in working Capital		**38,814,738**	**24,420,406**
Increase/(decrease) in loans to customers	10	(79,099,014)	(33,917,829)
Decrease/(increase)in other financial and non-financial assets	11-12	(3,228,434)	1,816,470
Increase/(decrease) in repossessed collateral	13	38,324	-
Increase/(decrease) in other financial and non-financial liabilities	22-23	2,331,420	(2,110,544)
Operating outflow		**(41,142,966)**	**(9,791,497)**
Income tax paid	25	(3,370,954)	(2,563,993)
Interest paid	18-21	(14,201,992)	(5,954,688)
Net cash flow from operating activities		**(58,715,912)**	**(18,310,178)**
Cash flow from investing activities			

Consolidated statement of cash flows-continued

In thousand MNT	Note	2021	2020
Acquisition of property and equipment	15	(1,064,183)	(972,822)
Proceeds of property and equipment	15	-	681,757
Right-of-use lease assets	17	796,632	(586,434)
Acquisition of intangible assets	16	(119,793)	(2,221,000)
Proceeds of investment	14	591,122	1,676,444
Acquisition of investment	-	-	(3,424,218)
Net cash flow from investing activities		**203,778**	**(4,846,273)**
Cash flow from financing activities			
Proceeds from bonds issued	21	25,000,000	7,927,398
Repayment of bonds	21	(4,349,000)	(319,000)
Loans taken from others	19	47,137,957	18,742,671
Repayment of loan	19	(22,600,918)	(10,720,209)
Proceeds from trust services	18	27,558,198	34,791,900
Repayment of trust services	18	(20,949,042)	(6,749,897)
Liabilities raised from secondary payables	30	5,000,000	-
Lease interest repayment	34	(130,592)	999,587
Net cash flow from financing activities		**56,666,603**	**44,672,450**
Foreign exchange equations		(104,393)	(73,468)
Net total cash flow		**(1,949,924)**	**21,442,531**
Balance cash assets at the beginning of year		**26,588,675**	**5,146,144**
Balance cash assets at the end of year		**24,638,751**	**26,588,675**

The consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 55.

Notes to Consolidated Financial Statements

1. Nature of operations and general background

The Invescore NBFI JSC was incorporated as a Limited Liability Company by its founders' decision dated 21 April 2016 in accordance with applicable laws of Mongolia. The State Registration Certificate №9010002004 and the State Registration Number 6060854 were granted on 29 March 2016 by the General Authority for State Registration of Mongolia.

Invescore NBFI JSC was granted the License №1/554 on "Non-banking financial activities" in accordance with the resolution №159 of the Financial Regulatory Commission of Mongolia on 17 May 2016.

The Company was listed on the Mongolian Stock Exchange on 22 May 2019 and traded 15% of the company's total shares on the primary market. On 11 June 2019, the company registered its change at General Authority for State Registration and obtained a new certificate.

The principal activities of the Group are lending, factoring services, trust services, investing in short-term financial instruments, investment and financial consulting and payment guarantees.

In the reporting year, the Group restructured its subsidiary in the Kyrgyz Republic, Zolotoy Standard NBFI LLC by changing the name as "Invescore CA" MFC JSC.

The Group has 269 employees as of the end of the reporting year (2020:198).

2. General information, statement of compliance with IFRS and going concern assumption

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and IFRS 10 - *Consolidated Financial Statements*.

The Group has prepared the financial statements on a going concern basis.

The financial statements for the year ended 31 December 2021 and accompanying disclosures were approved by the Group's management on 24 February 2022. (Refer to Note 47).

Overall assessment of impact of COVID-19 on the preparation and presentation of the financial statements

In order to prevent any risks to the economy during the COVID-19 pandemic and to ensure the liquidity and financial stability of non-bank financial institutions, the Financial Regulatory Commission (FRC) issued Resolution № 262 on June 23, 2021. Accordingly, a change was made to loan category until the end of 31 December 2021. This has led to changes in the classification of the company's assets and a decrease in the loss provision in the financial statements.

Going concern

In accordance with IAS 1, the management is required to assess potential matters that may cast doubt on going concern for at least 12 months after the reporting period. Current and expected profitability, loan repayment schedule, available financing source and ability to continue as a going concern should be taken into consideration for the assessment.

There is no uncertainty with significant events or conditions that may cast doubt on going concern.

3. New or revised Standards or Interpretations

3.1. New Standards adopted as of 1 January 2021

Some accounting pronouncements which have become effective from 1 January 2021 and have therefore been adopted do not have a significant impact on the Group's financial results or position.

3.2. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

IASB has issued amendments to some standards and their interpretations which are not yet effective as of date of approval of financial statements and the Group has not followed those standards and amendments in advance.

The management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. Amendments that were not required to be complied for the current period are not presented as notes and such amendments have no material impact on financial statements.

4. Significant accounting policies

4.1. Basis of preparation

The Group's consolidated financial statements have been prepared on an accrual's basis and under the historical cost convention except for the revaluation of properties, investments and derivatives.

4.2. Basis of consolidation

The Group's financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2021. All subsidiaries have a reporting date of 31 December. All transactions and balances between Group companies are eliminated on consolidation, including unrealized gains and losses on transactions between Group companies. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

4.3. Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred, and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

4.4 Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Mongolian tugrug (MNT), which is also the functional currency of the parent company.

Foreign currency transactions and balance

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange announced by the Central Bank of Mongolia prevailing on the dates of the transactions. At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the Central Bank of Mongolia prevailing on the reporting date, which is MNT 2,848.80 for 1 US dollar as of 31 December 2021 (31 December 2020: MNT 2,849.51 for 1 USD) and KGS 84.76 for 1 USD (31 December 2020: KGS 82.64 for 1 USD).

Non-monetary items are not retranslated and are measured at historic cost (translated using the exchange rates at the transaction date), except for non-monetary items carried at fair value that are denominated in foreign currencies which are retranslated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising on the settlement and retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognized directly in equity.

Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than MNT are translated into USD upon consolidation. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into MNT at the closing rate. Income and expenses have been translated into MNT at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognized in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognized in equity are reclassified to profit or loss and are recognized as part of the gain or loss on disposal.

4.5 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Group classifies an investment as a cash equivalent if they are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4.6 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

Classification and initial measurements of financial assets

Except for those account receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into one of the following categories:

- amortized cost
- fair value through profit or loss (FVTPL), or

- fair value through other comprehensive income (FVOCI)

In the periods presented, the Group/Company does not have any financial assets categorized as FVOCI. The classification is determined by both:

- the entity's business model for managing the financial asset, and
- the contractual cash flow characteristics of the financial asset.

All revenue and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets
Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held withing a business model whose objective is to hold the financial assets and collect its contractual cash flows, and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial recognition, they are measured at amortized cost using the effective interest method. Initial impairment and subsequent changes are recognized in profit or loss.

Financial assets at fair value through profit or loss (FVTPL)

Changes in fair value of financial assets that are inconsistent with classification requirements for FVOCI or measured at amortized cost to be expressed, are recognized as profit or loss.

On certain occasion, changes in fair value of financial assets can be set to be recognized as profit or loss. For example, the bank may select to recognize changes in fair value as profit or loss upon initial recognition of FVOCI or measured at amortized cost. This selection is made only for eliminating or significantly reducing discrepancies in accounting.

Above selections are not required for all similar transactions. Instead, it is a version that bank can select when more information is made available.

Financial assets at fair value through other comprehensive income (FVOCI)

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is "hold to collect" the associated cash flows and sell, and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Any gains or losses recognized in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

Derivative financial instruments

The Group measures the derivative financial instrument at fair value for the first time and then selects a financial asset to measure the change in fair value in other comprehensive income during the period or one of the methods of recording the change in fair value in profit or loss.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the "expected credit loss (ECL) model".

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortized cost and FVOCI, accounts receivables, contract assets recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.,

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1) and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2)
- Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date.

"12 month expected credit losses" are recognized for the first category while "lifetime expected credit losses" are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Account and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to Note 10.4 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

4.7 Other non-financial assets

A prepaid expense is an expenditure paid for in one accounting period, but for which the underlying asset will not be consumed until a future period. When the asset is eventually consumed, it is charged to expense.

Prepayments for acquisition of goods and other items are accounted to prepaid expense.

4.8 Interests in subsidiary

A subsidiary is an entity that is controlled by a company. A Company is considered to have control over the subsidiary when it has the authority to benefit from the subsidiary's operations and to influence the profitability of the subsidiary. The consolidated financial statements record the investment in the subsidiary at cost and are recognized in profit or loss when the subsidiary is expected to receive dividends.

4.9 Property and equipment

Buildings, IT equipment and other equipment (comprising fittings and furniture) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management. Buildings and IT equipment also include leasehold property held under a finance lease.

Depreciation is charged to profit or loss or is added to the cost of other asset on a straight line basis over the estimated useful lives of the individual assets. Depreciation commences when assets are available for use. The estimated useful lives are as follows.

Building	25 years
Computer and accessories	2 years
Vehicle	10 years
Furniture	10 years

4.10 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

4.11 Intangible assets

Intangible assets include software.

If an intangible asset is acquired as a part of a business combination, the acquisition cost of that intangible asset is based on its fair value at the date of acquisition. If no active market exists for an intangible asset, its cost reflects the amount that the entity would have paid at the date of acquisition in an arm's length transaction between knowledgeable and willing parties.

Costs other than research, development costs for internally generated intangible assets capitalized to intangible assets expense. Goodwill generated internally is not recognized as an asset.

If an intangible asset is acquired in exchange for shares or other securities of the reporting enterprise, the asset is recorded at its fair value, or the fair value of the securities issued, whichever is more clearly evident.

Internally developed software

Expenditure on the research phase of projects to develop new customized software for IT and telecommunication systems is recognized as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognized as intangible assets, provided they meet all of the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Group/Company intends to and has sufficient resources to complete the project
- the Group/Company has the ability to use or sell the software, and
- the software will generate probable future economic benefits

Development costs not meeting these criteria for capitalization are expensed as incurred.

Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

Subsequent measurement

All finite-lived intangible assets, including capitalized internally developed software, are accounted for using the cost model whereby capitalized costs are amortized on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing. The following useful lives are applied:

Software 10 years

Any capitalized internally developed software that is not yet complete is not amortized but is subject to impairment testing.

Amortization has been included within depreciation, amortization and impairment of non-financial assets.

Subsequent expenditures on the maintenance of computer software and brand names are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss within other income or other expenses.

4.12 Impairment testing of goodwill, other intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

4.13 Lease

The Group as a lessee

The rental contracts for offices are typically negotiated for terms of between1-3 years. The Group does not enter into sale and leaseback arrangements. All the leases are negotiated on an individual basis and contain a wide variety of different terms and conditions.

The Group assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in its consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

The Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

Subsequent measurement

Useful live of use-of-right assets is determined by the lower of similar assets in contract terms or equity. Estimation of material residual value and useful life of assets must be made at updated at least once a year.

Loss and gain on disposal of property and equipment are recognized as profit and loss with using the difference between disposal and carrying amount of the asset.

4.14 Equity, reserves and dividend payments

Share capital represents the nominal (par) value of shares that have been issued.

A treasury stock or reacquired stock is stock which is bought back by the issuing company, reducing the amount of outstanding stock on the open market.

Share premium includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

4.15 Revenue recognition

Revenue is generated from lending operation. In recognizing the interest income on financial assets, interest income is measured and recognized using the effective interest rate from the total value of the financial asset in accordance with IFRS 9 Financial Instruments, except the following cases. It includes:

1. Acquired or “impaired financial assets”. For such financial assets, the Company shall use the adjusted interest rate on the amortized cost from the date of initial recognition,

2. Not acquired or not an “impaired financial asset”, but it has subsequently become an impaired financial asset. In the case of such financial assets, the Company shall use them as a loan-adjusted interest rate on the amortized cost of financial assets in the subsequent period.

Recognition of interest income is stopped when there is evidence that there is a loss in the financial asset.

In recognizing revenue from services other than interest income, the Group follows the following five steps. It includes:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied

The Group often enters into transactions involving a range of the Group’s products and services. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognized either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Revenues related to unfulfilled obligations are recognized as contractual liabilities and presented as other liabilities in the statement of financial position. Likewise, they shall be presented as contractual asset or receivables in the statement of financial position when agreed obligations are fulfilled before the payment is delivered.

Lease revenue includes cash and non-cash amounts received by the lessor under the agreement on the transfer of the right-of-use assets from the lessor to the lessee for a certain period of time and for a certain fee.

4.16 Expense

Interest expense is measured on an accrual basis.

Sales, marketing, general and administrative and other expenses in the period in which they are incurred and reported in the financial statements.

4.17 Employee benefits

Short-term benefits

Short-term employee benefits including paid annual leaves shall be recognized at the amount undiscounted in benefit and other duty accounts.

Short-term employee benefits are benefits expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services and include:

- salaries and bonuses;
- paid annual leaves and paid temporary disability leaves;

Bonuses

The expected cost of bonus payments is recognized when and only when the Company has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

4.18 Provisions, contingent assets and contingent liabilities

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group is virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

4.19 Government grants

A government grant is recognized only when there is reasonable assurance that (a) the entity will comply with any conditions attached to the grant and (b) the grant will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes expenses for the related costs for which the grants are intended to compensate, which in the case of grants related to assets requires setting up the grant as deferred income or deducting it from the carrying amount of the asset.

The grant is recognized as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis. A grant receivable as compensation for costs already incurred or for immediate financial support, with no future related costs, should be recognized as income in the period in which it is receivable.

4.20 Income tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, 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 assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

4.21 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the Group's consolidated financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, revenue and expenses.

Significant management judgements

The following are the judgements made by management in applying the accounting policies of the Group that have the most significant effect on these consolidated financial statements:

Estimation uncertainty

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below.

Impairment of non-financial assets

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives and residual values of depreciable assets at each reporting date, based on the expected utility of the assets.

Impairment of financial assets

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Fair value measurement

Management uses various valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Leases – determination of the appropriate discount rate to measure lease liabilities

As noted above, the Group enters into leases with third-party landlords and as a consequence the rate implicit in the relevant lease is not readily determinable. Therefore, the Group uses its incremental borrowing rate as the discount rate for determining its lease liabilities at the lease commencement date. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over similar terms which requires estimations when no observable rates are available.

The Group uses weighted average percentage of funds raised.

Effect of estimation uncertainty:

The effect of a change in the incremental borrowing rate for leases entered into during the reporting period is shown in the table below:

Estimate	Change in estimate	Effect on right-of-use asset	Effect on lease liability
Incremental borrowing rate	1% increase in the rate	Reduces by MNT 9,450 thousand	Reduces by MNT 9,450 thousand

5 Interests in subsidiaries

4.4. Composition of the Group

Set out below are the details of the subsidiaries held directly by the Group:

Name of the subsidiary	Ownership interests %	Country of incorporation	Date of incorporation	Principal activity	Date of acquisition
Invescore Wallet NBFI LLC	100%	Mongolia	2019/05/06	Non-bank financial institutions	2019/05/06
Invescore CA MFC OJSC	100%	The Kyrgyz Republic	2004/01/23	Non-bank financial institutions	2020/04/08
Pocket KG LLC	100%	The Kyrgyz Republic	2020/06/23	Make settlements through the payment system	2020/06/23
Invescore Active SPE LLC	75%	Mongolia	2020/05/29	Special purpose company	2020/05/29

There are no newly acquired subsidiaries during the reporting period.

4.5. Significant judgements and assumptions

Summarised financial information for subsidiaries with non-controlling interests:

In thousand MNT	31 December 2021	31 December 2020
Current assets	**4,621,075**	**308**
Non-current assets		
Total assets	**4,621,075**	**308**
Current liabilities	**4,070,455**	**3,020**
Non-current liabilities		
Total liabilities	**4,070,455**	**3,020**
Equity attributable to owners of the parent	412,965	(2,034)
Non-controlling interests	137,655	(678)
Total equity	**550,620**	**(2,712)**

In thousand MNT	2021	2020
Revenue	1,226,726	-

Profit for the year attributable to owners of the parent	414,999	(48,909)
Profit for the year attributable to NCI	138,333	(16,303)
Profit for the year	**553,332**	**(65,212)**

In thousand MNT	2021	2020
Net cash flow from operating activities	(62,192)	1,361,723
Net cash flow from investing activities	-	51,260
Net cash flow financing activities	62,500	-
Net cash flow	308	1,412,983

6 Restatement of financial statements

The Group applies changes in accounting policies and correction of prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by restating the comparative amounts for the prior periods presented in which the error occurred; or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented. The financial statements including the comparative information for prior periods are presented as if the correction had been made in the period in which such a necessity arose. Therefore, the amount of the correction that relates to each period presented is included in the financial statements of that period.

7 Financial assets and liabilities

7.4 Categories of financial assets and financial liabilities

Note 4.4 provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

31 December 2021

In thousand MNT	Amortized cost	FVTPL	Financial assets at FVOCI	Total
Financial assets				
Current and term deposit at bank	24,638,751	-	-	24,638,751
Derivative financial assets		183,583		183,583
Loan receivables	175,508,816	-	-	175,508,816
Other financial assets	3,274,706	-	-	3,274,706
Total financial assets	**203,422,273**	**183,583**	**-**	**203,605,856**
Financial liabilities				
Trust service liabilities	56,477,725	-	-	56,477,725
Loans from banks and financial institutions	34,396,459	-	-	34,396,459
Other sources	10,219,535	-	-	10,219,535
Other financial liabilities	3,373,876	-	-	3,373,876
Bonds issued by NBFI	27,620,907	-	-	27,620,907
Total financial liabilities	**132,088,502**	**-**	**-**	**132,088,502**

31 December 2020

In thousand MNT	Amortized cost	FVTPL	Financial assets at FVOCI	Total
Financial assets				
Current and term deposit at bank	26,588,675	-	-	26,588,675
Loan receivables	96,409,802	-	-	96,409,802
Other financial assets	1,534,115	-	-	1,534,115
Investment	591,122	-	-	591,122
Total financial assets	**125,123,714**	**-**	**-**	**125,123,714**
Financial liabilities				
Trust service liabilities	42,209,511	-	-	42,209,511
Loans from banks and financial institutions	14,100,200	-	-	14,100,200
Other sources	14,689,798	-	-	14,689,798
Other financial liabilities	1,997,890	-	-	1,997,890
Bonds issued by NBFI	7,878,886	-	-	7,878,886
Total financial liabilities	**80,876,285**	**-**	**-**	**80,876,285**

A description of the Company's financial instrument risks, including risk management objectives and policies is given in Note 40.

8 Cash and cash equivalents

Cash and cash equivalents consist of the following:

In thousand MNT	31 December 2021	31 December 2020
Cash in hand	20	102
Cash at bank		
- MNT	21,229,748	793,121
- USD	155,158	1,976,785
- Yen	160,831	1,061,467
- Euro	89	106
- KGS	484,377	736,156
	22,030,203	**4,567,635**
Indefinite deposit		
- MNT	108,528	2,403,361
- USD	-	10,614,577
	108,528	**13,017,938**
Term deposit		
- MNT	2,500,000	9,003,000
	2,500,000	**9,003,000**
Total	**24,638,751**	**26,588,675**

There are the following restricted cash assets At the end of the reporting year.

- Term deposits are MNT deposits. Withdrawals are restricted before maturity. If the deposit agreement is terminated prior to completion of the appointed date, the annual interest rate will be reduced to 0-4.8%.
- Cash assets of MNT 36,971 thousand (1,100 soms) were confiscated according to a decision of the Sverdlovsk district court of Bishkek city, Kyrgyzstan.

As of 31 December 2021

Name of bank	Opened date	Maturity date	Interest rate annum	Total In thousand MNT
Trade and Development bank of Mongolia	2021/9/01	2022/02/11	5%	2,500,000

9 Derivative financial instruments

In thousand MNT	31 December 2021
Financial assets in USD swap agreement	3,988,318
Financial liabilities in USD swap agreement	(3,804,735)
Total	**183,583**

The swap agreement is an agreement with the bank of the Kyrgyz Republic to convert USD 1,400 thousands into soms.

10 Loan to customers – net

10.1 Loans to customers and their interest receivables are shown by quality category:

In thousand MNT	31 December 2021	31 December 2020
Asset category		
Stage 1	169,845,511	95,151,866
Stage 2	3,928,047	680,830
Stage 3	4,882,123	3,319,461
Total	**178,655,681**	**99,152,157**
Expected losses	(3,146,865)	(2,742,355)
Net total loans	**175,508,816**	**96,409,802**

The Group's expected loan losses are measured using the three-level general method described in IFRS 9 “Financial Instruments” or Note 4.4.

10.2 Loans to customers and their interest receivables are shown by product category:

In thousand MNT	31 December 2021	31 December 2020
Product category		
Business loan	73,872,970	40,542,377
Car loan	52,175,088	30,352,948
Consumer loan	15,995,299	17,236,005

In thousand MNT	31 December 2021	31 December 2020
E-loan	36,187,091	10,757,165
Pocket-zero electron loan	286,114	33,480
Credit card loan	139,119	230,182
Total	**178,655,681**	**99,152,157**
Expected credit losses	(3,146,865)	(2,742,355)
Net total loans	**175,508,816**	**96,409,802**

10.3 Expected losses on loans to customers and their interest receivables

In thousand MNT	31 December 2021	31 December 2020
Expected losses		
Opening balance	**2,742,355**	**1,305,151**
Expenses on expected loss of loan for the reporting period *	1,343,730	2,631,000
Refund on expected loss of loan for the reporting period *	(600,275)	(1,173,481)
Loans written off	(338,945)	(20,315)
Net risk provision for the reporting year	**404,510**	**1,437,204**
Closing balance	**3,146,865**	**2,742,355**

* Expenses and refund on expected loss of loan for the reporting period (Net: MNT 743,455 (2020: MNT 1,297,947) are presented in the consolidated statement of comprehensive income.

10.4 Loans to customers and their interest receivables are presented by product category and quality category:

In thousand MNT	Package assessment	Total loans and their receivables	Expected loss percent	Total expected credit loss
Asset classification-by product type				
Business loan-performing	Stage -1	70,630,314	1.90%	1,339,778
Business loan-overdue	Stage -2	818,898	2.00%	16,378
Business loans-non-performing	Stage -3	2,423,758	17.37%	421,096
Auto loan- performing	Stage -1	51,692,444	1.00%	516,924
Auto loan-overdue	Stage -2	156,113	1.00%	1,561
Auto loan-non-performing	Stage -3	326,532	19.00%	62,041
Consumer loan- performing	Stage -1	14,599,087	0.18%	25,578
Consumer loan-overdue	Stage -2	445,708	1.45%	6,459
Consumer loan- non-performing	Stage -3	950,503	16.45%	156,317
E-loan- performing	Stage -1	32,499,481	1.18%	382,649
E-loan-overdue	Stage -2	2,506,863	1.19%	29,839
E-loan- non-performing	Stage -3	1,180,746	15.21%	179,591
Credit card loan- performing	Stage -1	139,119	2.39%	3,332
Credit card loan-overdue	Stage -2	-	2.46%	-

In thousand MNT	Package assessment	Total loans and their receivables	Expected loss percent	Total expected credit loss
Credit card loan-non-performing	Stage -3	-	20.74%	-
Pocket zero electronic loan- performing	Stage -1	285,067	1.83%	5,212
Pocket zero electronic loan-overdue	Stage -2	466	2.00%	9
Pocket zero electronic loan-non-performing	Stage -3	582	17.37%	101
Total		**178,655,681**		**3,146,865**

10.5 The movement of loans to customers and their interest receivables is shown for each product:

In thousand MNT	Business loan	Car loan	Consumer loan	E-loan	Credit card loan	Pocket-zero electronic loan	Total
Movement of loan products for the reporting period							
2020/1/1	**25,068,090**	**24,911,056**	**11,862,825**	**6,645**	**459,258**	**-**	**62,307,874**
Additions for the reporting year	42,810,369	30,713,093	17,507,759	10,717,679	-	72,966	101,821,866
Paid in the year	(25,664,580)	(26,082,760)	(12,576,128)	(379,228)	(222,751)	(39,486)	(64,964,933)
Total credit risk provision	(1,058,632)	(811,558)	(440,801)	(425,039)	(6,325)		(2,742,355)
							-
2020/12/31	**41,155,247**	**28,729,831**	**16,353,655**	**9,920,057**	**230,182**	**33,480**	**96,422,452**
Additions for the reporting year	104,325,177	92,602,693	21,638,948	39,559,766	688,664	2,789,081	258,815,248
Paid in the year	(71,607,454)	(69,157,436)	(21,997,304)	(13,292,732)	(779,727)	(2,536,447)	(176,834,653)
Total credit risk provision	(1,777,252)	(580,526)	(188,354)	(592,079)	(3,332)	(5,322)	(3,146,865)
2021/12/31	**72,095,718**	**51,594,562**	**15,806,945**	**35,595,012**	**135,787**	**280,792**	**175,508,816**

10.6 The movement of loans to customers and their interest receivables is shown at each level:

In thousand MNT	Level 1	Level 2	Level 3	Total
Movement of loan products for the reporting period				
1 January 2021	**90,749,139**	**3,546,580**	**2,379,367**	**96,675,086**
Additions	*274,620,707*	*24,618,401*	*4,938,368*	*304,177,476*
Additions in the reporting year	255,502,713	2,045,952	1,266,583	258,815,248
Moved from Stage 1	-	25,637,478	155,051	25,792,529
Moved from Stage 2	15,269,510	-	3,516,734	18,786,244
Moved from Stage 3	3,848,484	(3,065,029)	-	783,455
				-
Deductions	*(195,524,335)*	*(24,236,934)*	*(2,435,612)*	*(222,196,881)*
Paid	(169,731,806)	(5,450,690)	(1,652,157)	(176,834,653)
Moved to Stage 1	-	(15,269,510)	(3,848,484)	(19,117,994)
Moved to Stage 2	(25,637,478)	-	3,065,029	(22,572,449)

In thousand MNT	Level 1	Level 2	Level 3	Total
Moved to Stage 3	(155,051)	(3,516,734)	-	(3,671,785)
				-
31 December 2021	**169,845,511**	**3,928,047**	**4,882,123**	**178,655,681**

10.7 The balance of loans to customers and their interest receivables are presented in foreign currencies as of 31 December 2021. It includes:

In thousand MNT	MNT	USD	Yen	Som	Total
Loans to customers	142,539,924	21,281,922	2,455,654	6,914,874	173,192,374
Interest receivables on loans issued to customers	4,995,489	299,217	44,052	124,549	5,463,307
Total loans	**147,535,413**	**21,581,139**	**2,499,706**	**7,039,423**	**178,655,681**
Expected credit loss provision					(3,146,865)
Total	**147,535,413**	**21,581,139**	**2,499,706**	**7,039,423**	**175,508,816**

31 December 2020

In thousand MNT	MNT	USD	Yen	Som	Total
Loans issued to customers	79,748,690	9,721,433	3,232,253	2,588,310	95,290,686
Interest receivables on loans issued to customers	3,634,864	173,518	53,089	-	3,861,471
Total loans	**83,383,554**	**9,894,951**	**3,285,342**	**2,588,310**	**99,152,157**
Expected credit loss provision	-	-	-	-	(2,742,355)
Total	**83,383,554**	**9,894,951**	**3,285,342**	**2,588,310**	**96,409,802**

11 Other financial assets -net

In thousand MNT	31 December 2021	31 December 2020
Receivables from borrowers	1,050,459	677,153
Receivables from related parties	868,203	833,943
Other receivables	1,505,262	357,513
Total	**3,423,924**	**1,868,609**
Expected credit loss provision	(149,218)	(334,494)
Total	**3,274,706**	**1,534,115**

* Receivables from the borrower represent the amount agreed to pay the balance under the settlement agreement with the borrower.

11.1 Receivables from related parties

In thousand MNT	31 December 2021	31 December 2020
Invescore AI Lab LLC	84,186	2,480
Invescore Leasing LLC	7,436	7,160
SIBJ Holding LLC	2,278	-
Invescore Capital LLC	-	50,000
SIBJ Capital LLC	774,303	774,303
Total	**868,203**	**833,943**

11.2 Expected credit loss provision

In thousand	Group assessment	Amount of receivables	Expected loss percent	Total expected loss
Expected credit loss provision				
Other financial assets-performing	Stage -1	3,261,209	0%	3,261,209
Other financial assets-overdue	Stage -2	9,057	5%	9,057
Other financial assets-non-performing	Stage -3	5,290	25%	5,290
Other financial assets — doubtful	Stage -3	1,851	50%	1,851
Other financial assets-bad	Stage -3	146,517	100%	146,517
Total		**3,423,924**		**3,423,924**

12 Other non-financial assets

In thousand MNT	31 December 2021	31 December 2020
Prepayments/prepaid expenses	1,769,934	276,885
Repossessed collateral-net	-	120,163
Inventory	126,464	69,592
Other non-financial receivables	83,662	21,577
Lease receivables	-	4,000
Total	**1,980,060**	**492,217**

Movement of prepayment/prepaid expense is as follows:

In thousand MNT	31 December 2021	31 December 2020
Opening balance	276,885	1,055,597
Additions	4,472,686	-
Deductions (recognized as expense)	(1,091,199)	-
Deduction (Recognized as asset)	(1,888,438)	(778,712)
Total	**1,769,934**	**276,885**

13 Repossessed collateral

In thousand MNT	31 December 2021	31 December 2020
Repossessed collateral	1,554,088	1,315,438

In thousand MNT	31 December 2021	31 December 2020
Loss provision	(770,520)	(493,546)
Total	**783,568**	**821,892**

13.1 Loss provision for repossessed collateral

In thousand MNT	31 December 2021	Loss provision percentage	Loss provision
Performing	484,026	0%	-
Overdue	-	5%	-
Non-performing	399,390	25%	99,848
Doubtful	-	50%	-
Bad	670,672	100%	670,672
Total	**1,554,088**		**770,520**

13.2 Changes in repossessed collateral are as follows:

In thousand MNT	31 December 2021	31 December 2020
Opening balance	**1,315,438**	**1,345,404**
Additions	1,017,416	930,643
Deductions	(778,766)	(960,609)
Closing balance	**1,554,088**	**1,315,438**
Loss provision	(770,520)	(493,546)
Total	**783,568**	**821,892**

14 Investment

In thousand MNT	31 December 2021	31 December 2020
Loan certificate issued by the Mongolian Mortgage Corporation	-	591,123
Total	**-**	**591,123**

15 Property and equipment

In thousand MNT	Building	Computer and accessories	Vehicle	Furniture	Building in progress	Total
Cost						
Balance 1 January 2020	**463,114**	**393,440**	**45,490**	**433,747**	**4,168,849**	**5,504,640**
Additions	194,379	573,712	-	204,731	-	972,822
Deductions	(444,622)	(120,234)	-	(145,024)	-	(709,880)
Balance 31 December 2020	**212,871**	**846,918**	**45,490**	**493,454**	**4,168,849**	**5,767,582**
Additions	18,491	660,297	96,031	289,364	-	1,064,183

In thousand MNT	Building	Computer and accessories	Vehicle	Furniture	Building in progress	Total
Disposal	(18,491)	(278,240)	(16,500)	(38,019)	(4,168,849)	(4,520,099)
Balance 31 December 2021	**212,871**	**1,228,975**	**125,021**	**744,799**	**-**	**2,311,666**
Accumulated depreciation						
Balance 1 January 2020	**(3,410)**	**(116,778)**	**(4,387)**	**(36,207)**	**-**	**(160,782)**
Established depreciation	(10,393)	(204,086)	(4,549)	(45,306)	-	(264,334)
Disposal	1,364	22,729	-	4,030	-	28,123
Balance 31 December 2020	**(12,439)**	**(298,135)**	**(8,936)**	**(77,483)**	**-**	**(396,993)**
Established depreciation	(10,684)	(384,487)	(11,833)	(72,201)	-	(479,205)
Disposal	2,170	111,978	3,490	5,032	-	122,670
Balance 31 December 2021	**(20,953)**	**(570,644)**	**(17,279)**	**(144,652)**	**-**	**(753,528)**
Carrying amount						-
Balance 31 December 2020	**200,432**	**548,783**	**36,554**	**415,971**	**4,168,849**	**5,370,589**
Balance 31 December 2021	**191,918**	**658,331**	**107,742**	**600,147**	**-**	**1,558,138**

As of the reporting date, there are no fixed assets pledged as security. Depreciation expense is included in the general, administrative expenses on the statement of comprehensive income. During the reporting period, building in progress with a residual value of MNT 4,168,849 thousand were transferred to payment for loans taken from others. Refer to Note 19 for more information.

16 Intangible assets

In thousand MNT	Software	Total
Cost		
Balance 1 January 2020	**562,006**	**562,006**
Additions	2,335,724	2,335,724
Deductions	-	**-**
Balance 31 December 2020	**2,897,730**	**2,897,730**
Additions	119,793	119,793
Deductions	-	**-**
Balance 31 December 2021	**3,017,523**	**3,017,523**
		-
Accumulated amortization		**-**
Balance 1 January 2020	**(25,387)**	**(25,387)**
Additions	(78,608)	(78,608)
Balance 31 December 2020	**(103,995)**	**(103,995)**

In thousand MNT	Software	Total
Additions	(306,750)	(306,750)
Balance 31 December 2021	**(410,745)**	**(410,745)**
		-
Carrying amount		-
Balance 31 December 2020	**2,793,735**	**2,793,735**
Balance 31 December 2021	**2,606,778**	**2,606,778**

Amortization costs are included in the general, administrative expenses on the statement of comprehensive income.

During the reporting period, expense of MNT 119,793 thousand was capitalized in software costs.

17 Right-of-use assets – net

In thousand MNT	Amount
Cost	
Balance 31 December 2019	**1,868,559**
Additionally established	1,045,709
Term of lease completed and the contract has been terminated	(901,028)
Balance 31 December 2020	**2,013,240**
Additionally established	1,412,845
Term of lease completed and the contract has been terminated	(616,213)
Balance 31 December 2021	**2,809,872**
Depreciation and impairment	
Balance 31 December 2019	**(374,423)**
Depreciation for the year	(790,795)
Term of lease completed and the contract has been terminated	301,517
Balance 31 December 2020	**(863,701)**
Depreciation for the year	(908,617)
Term of lease completed and the contract has been terminated	357,714
Balance 31 December 2021	**(1,414,604)**
Carrying amount	
Balance 31 December 2020	**1,149,539**
Balance 31 December 2021	**1,395,268**

* Depreciation expense of right-of-use assets is presented in general and administrative expenses on the statement of the comprehensive income.

17.1 Lease liabilities

In thousand MNT	31 December 2021	31 December 2020
Opening balance	**890,524**	**1,007,653**
Additions	477,826	859,524
Interest expense	137,290	140,236
Impact of changes in lease terms	14,450	(560,991)

In thousand MNT	31 December 2021	31 December 2020
Lease payment discount	-	(1,421)
Lease payment	(361,344)	(555,887)
Foreign exchange differences	1,157	1,410
Total lease liabilities	**1,159,903**	**890,524**

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the consolidated statement of financial position:

Right-of-use asset	Number of right-of-use assets leased	Range of remaining term	Number of leases with extension options	Number of leases with options to purchase	Number of leases with variable payments	Number of leases with termination options
Office	2	1-2.5 years	-	-	-	Office
Branches	15	1-3 years	15	-	-	Branches

17.2 Lease payments not recognized as a liability

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expense relating to payments not included in the measurement of the lease liability is as follows:

In thousand MNT	31 December 2021	31 December 2020
Short-term leases	149,192	40,211
Total	**149,192**	**40,211**

18 Trust service liabilities

In thousand MNT	31 December 2021	31 December 2020
Individual	47,314,840	35,991,377
Total trusts from individuals	**47,314,840**	**35,991,377**
Legal entity	3,884,812	3,442,584
Legal entity-Related party	1,136,071	740,833
Total trusts from legal entities	**5,020,883**	**4,183,417**
Accrued interest liability	4,142,002	2,034,717
Total trusts and interest liabilities	**56,477,725**	**42,209,511**

Trust service liabilities represent funds raised from individuals and entities for a term of up to 5 years with an interest rate of 0.25% -0.4% per month.

18.1 Trust service liabilities are denominated in principal currencies as following:

In thousand MNT	Interest rate	31 December 2021	31 December 2020
MNT	3.0%-12.6%	52,340,516	27,981,045
USD	3.5%-8.5%	3,728,935	12,456,223

In thousand MNT	Interest rate	31 December 2021	31 December 2020
JPY	6.5%-7.0%	408,274	1,772,243
Total trust and interest liabilities		**56,477,725**	**42,209,511**

19 Loans taken from banks and financial institutions

In thousand MNT	31 December 2021	31 December 2020
Long-term		
Loans from related parties (1)	1,937,771	9,574,323
Loans from local banks (2)	2,000,000	-
Loans from other financial institutions (3)	24,858,553	3,516,018
Long-term loan interest payable	300,841	654,766
Total long-term loans and their interests	**29,097,165**	**13,745,107**
Short-term		
Golomt Bank - loan secured by loan portfolio of immovable property loan and car loan (4)	1,500,000	-
TDB - loan secured by savings deposit (7)	1,490,000	-
TDB - credit card loan (8)	139,119	230,182
Loans from related parties (9)	2,000,000	-
Loan interest payable	170,175	124,911
Total short-term loan and their interests	**5,299,294**	**355,093**
Total loans and liabilities	**34,396,459**	**14,100,200**

(1) According to a loan agreement #18033001 concluded with the parent company SIBJ Capital LLC on 30 March 2017 on opening a line of credit, the Group has opened a line of credit to receive the business loan of MNT 25 billion. Under this agreement, a loan is requested from the investor when the source of the loan is required. The loan maturity date shall be on 30 March 2032 and the borrower shall pay the principal payment at the end of the term.

№ZB-RCC171108090-2-8, which is an integral part of the loan agreement; and in accordance with the agreements №ZB-RCC180416040-2-9; № ZBRCC180416040-2-10; №ZB-RCC180416040-2-12; №ZB-RCC180416040-2-13; №ZB-RCC180416040-2-14 on "Pledge agreement on movable and immovable property", it pledged following properties held by the parent company (SIBJ Capital LLC), including Sukhbaatar district, 9th khoroo, 7th khoroolol /14182, Altai street, building number 281, flat 605 (42.36 m2); flat 806 (68.79 m2); flat 610 (62.97 m2); flat 1007 (78.11 m2); flat 1808 (51.28 m2); flat 1803 (34.96 m2); 1804 flat (55.54 m2); flat 1802 (67.38 m2); Office building room 1805 (51.76 m2) and current account # 413014834, #413014721, #432001123, and # 413015077 at the Trade and Development Bank.

According to the Board of Directors' Resolution №A/19T dated 14 October 2021, the unfinished building with carrying value of MNT 4.1 billion registered in the company will be sold to the parent company "SIBJ Capital" LLC, accordingly, MNT 2.5 billion was deducted from the principal loan and MNT 1.6 billion of accrued interest was also deducted.

(2) On 17 May 2021, an agreement (№ZENG/CC210514017-5) on opening a line of credit was signed with the Trade and Development Bank to finance the working capital. According to the agreement, the amount of credit line is MNT 2 billion, the term is 2 years, the interest rate is 14.4 percent per annum, the overdue interest is 30 percent per annum, and the percentage of unused loans is 4 percent per annum. In order to ensure the contractual obligations, it concluded a collateral agreement №ZB/CC210514017-5-7 pledging movable property and intangible assets with the value of MNT 4 billion. During the reporting period, MNT

12.2 billion was borrowed and MNT 10 billion was repaid, leaving a balance of MNT 2 billion at the end of the year.

(3) The Group received loans from the following financial institutions:

* According to a loan agreement №FL20013001 concluded with the Bridge Japan LLC on 30 January 2020, the Group received a loan of 22.1 million Yen with the term of three years for the aim of funding the business. Maturity date of the loan shall be on 29 January 2023 and the loan interest is repayable at the end of each year from the date of loan disbursement. The principal loan is repaid on the loan maturity date.

* According to a loan agreement №2FL200829001 signed with the Bridge Japan LLC on 29 August 2020, the Group obtained USD 520,000 with the term of three years for funding business operation. Term of maturity date shall be on 28 August 2023 and the loan interest is repayable at the end of each year from the date of loan disbursement. The principal loan is repaid on the loan maturity date.

* According to a loan agreement №FL201030-001 signed with the Bridge Japan LLC on 30 October 2020, it acquired a loan of USD 500,000 with the term of three years to finance business activities. Maturity date of loan shall be on 23 October 2023, and the loan interest is repayable at the end of each year from the date of loan disbursement. The principal loan is repaid on the loan maturity date.

(4) On 31 May 2021, a Loan Agreement ZGS000040615-1/LNFL" was signed with the Golomt Bank. According to the agreement, it has a credit line of up to MNT 1.5 billion with a term of one year. During the reporting period, MNT 6.1 billion was borrowed and MNT 4.6 billion was repaid, leaving a balance of MNT 1.5 billion at the end of the year.

(5) On 12 August 2021, a loan agreement ZG2705145991 was established with the Golomt Bank for a term of 14 days. Accordingly, a loan of MNT 1 billion will be provided with a pledge of savings deposit.

(6) On 30 September 2021, a loan agreement № ZG2705147093 was signed with the Golomt Bank for a term of 30 days. Accordingly, a loan of MNT 950 million will be granted with a pledge of savings deposit.

(7) A loan agreement №2021/0007/011207/006 for a term of 50 days was concluded with the Trade and Development Bank on 23 December 2021. The savings deposits were pledged as a security for the loan of MNT 1.49 billion.

(8) (3)- According to a principal agreement (№ZG/RCC171108030-2) on opening a credit line concluded with the Trade and Development Bank on 19 December 2017, the Group received a loan to finance the credit card services. The total loan amount is MNT 500 million, which is included in the additional agreement to the principal agreement №ZENG/171108030-2-2 that was signed on 18 December 2019.

(9) According to a loan agreement №FL-210514-001 on opening a line of credit signed on 14 May 2021 with the parent company SIBJ Capital LLC, it raised MNT 2 billion for a term of one year. A collateral agreement №FC-210514-001 is an integral part of the loan agreement.

The above loans have an interest rate of 0.00% -22.8% per annum.

The principal loan is as follows in disaggregation by the customer:

In thousand MNT	Currency	31 December 2021	31 December 2020
TDB - loan secured by movable and intangible assets	MNT	2,000,000	-
Bridge Japan LLC	USD	1,481,376	1,481,745
Bridge Japan LLC	USD	1,424,400	1,424,755
Bridge Japan LLC	JPY	546,754	609,518

In thousand MNT	Currency	31 December 2021	31 December 2020
SIBJ Capital LLC	MNT	1,937,771	9,574,323
Rio Tinto Mongolia LLC	MNT	2,622,920	-
MIK OCCK LLC	MNT	9,999,973	-
EMF Microfinance Fund AGMVK	USD	8,546,400	-
Golomt Bank - loan secured by loan portfolio of immovable property loan and car loan	MNT	1,500,000	-
TDB - loan secured by savings deposit	MNT	1,490,000	-
TDB- credit card financing loan	MNT	139,119	230,182
SIBJ Capital LLC	MNT	2,000,000	-
Loan from the Finance Credit Bank	KGS	236,730	
Total loan balance		**33,925,443**	**13,320,523**
Loan interest payable		471,016	779,677
Total		**34,396,459**	**14,100,200**

Movement of loans shown by customers is as follows. It includes:

In thousand MNT	TDB - loan secured by movable and intangible assets	Bridge Japan LLC	SIBJ Capital LLC	Rio Tinto Mongolia LLC	MIK OCCK LLC	EMF Microfinance Fund AGMVK	Golomt Bank - loan secured by loan portfolio of immovable property loan and car loan	Golomt - Loan secured by savings deposit	TDB- credit card financing loan	TDB - loan secured by savings deposit	Loan from the Finance Credit Bank	Line of credit - TDB	Total
(I) Principal loan													
2020/01/01	**-**	**-**	**9,574,323**	**-**	**-**	**-**	**-**	**-**	**459,259**	**500,000**	**-**	**-**	**10,533,582**
Additions	-	3,516,018	-	-	-	-	-	-	9,132	-	-	9,982,000	13,507,150
Repaid	-	-	-	-	-	-	-	-	(238,209)	(500,000)	-	(9,982,000)	(10,720,209)
2020/12/31	**-**	**3,516,018**	**9,574,323**	**-**	**-**	**-**	**-**	**-**	**230,182**	**-**	**-**	**-**	**13,320,523**
Additions	12,200,000	-	2,000,000	2,622,920	9,999,973	8,546,400	6,150,000	1,950,000	688,664	2,980,000	-	-	47,137,957
Repaid	(10,200,000)	(63,488)	(7,636,552)	-	-	-	(4,650,000)	(1,950,000)	(779,727)	(1,490,000)	-	-	(26,769,767)
2021/12/31	**2,000,000**	**3,452,530**	**3,937,771**	**2,622,920**	**9,999,973**	**8,546,400**	**1,500,000**	**-**	**139,119**	**1,490,000**	**-**	**-**	**33,688,713**
(II) Accrued interest payable													
2020/01/01	**-**	**-**	**3,982,395**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,982,395**
Additions	-	124,911	1,819,121	-	-	-	-	-	6,730	-	-	-	1,950,762
Repaid	-	-	(5,146,750)	-	-	-	-	-	(6,730)	-	-	-	(5,153,480)
2020/12/31	**-**	**124,911**	**654,766**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**779,677**
Additions	56,498	347,781	2,000,852	-	19,020	105,657	78,605	11,857	-	21,641	236,730	-	5,030,545
Repaid	(47,756)	(352,187)	(2,450,452)	-	-	-	(71,474)	(11,792)	-	(16,911)	-	-	(2,950,572)
2021/12/31	**8,742**	**120,505**	**205,166**	**-**	**19,020**	**105,657**	**7,131**	**65**	**-**	**4,730**	**236,730**	**-**	**2,859,650**
(III) Amortization cost													
2020/12/31	**-**	**3,640,929**	**10,229,089**	**-**	**-**	**-**	**-**	**-**	**230,182**	**-**	**-**	**-**	**14,100,200**
2021/12/31	**2,008,742**	**3,573,035**	**4,142,937**	**2,622,920**	**10,018,993**	**8,652,057**	**1,507,131**	**65**	**139,119**	**1,494,730**	**236,730**	**-**	**33,925,443**

Loan balance classified by maturity is as follows. It includes:

In thousand MNT	Floating interest	Fixed interest
2021		
Maturity date within 1 year	-	5,600,135
Maturity date within 1-2 years	-	26,806,983
Maturity date more than 2 years	-	1,989,341
Total	**-**	**34,396,459**
2020		
Maturity date within 1 year	-	230,182
Maturity date within 1-2 years	-	-
Maturity date more than 2 years	-	13,870,018
Total	**-**	**14,100,200**

20 Other sources

31 December 2021

Trust contract number	Trust deposited	Gain	Total
T20021093001M	2,000,000		2,000,000
T20021011801M	6,377,090	942,445	7,319,535
Cash assets from non-contracted customers	900,000		900,000
Total			**10,219,535**

On 30 September 2021, a customer with the contract T20021093001M deposited a trust of MNT 2 billion for a period of 6 months, however, on 31 December 2021, the customer made a request to withdraw its trust prior to the maturity date. At the request of the client, the interest rate was suspended and reported to other sources.

A customer with the number T20021011801M placed a trust of MNT 6.4 billion on 18 January 2021, however, on 27 December 2021, the customer made a request to withdraw its source of trust before the maturity date. At the request of the customer, the interest rate was suspended and reported to other sources.

31 December 2020

Trust contract number	Trust deposited	Gain	Total
T20020092401M	10,000,000	679,919	10,679,919
T20020090703U	2,853,931	133,183	2,987,114
Cash assets from non-contracted customers	1,022,765	-	1,022,765
Total			**14,689,798**

The trust customer with the contract number T20020092401M placed a trust of MNT 10 billion on 24 September 2020 for a term of 6 months, however, on 31 December 2020, an early withdrawal request was submitted. At the request of the client, the interest was suspended and recorded as other sources.

The trust customer with the contract number T20020090703U placed a trust of USD 1 million on 7 September 2020. The term of trust completed on 31 December 2020 and the interest was suspended and recorded as other sources.

21 Bond liabilities

In thousand MNT	Interest	12 months	18 months	24 months	Total
Closed bond organized by TDB Capital in 2020	17.5%		15,000		**15,000**
	18.0%			2,147,000	**2,147,000**
	19.0%			1,370,000	**1,370,000**
Open bond	13.0%			20,000,000	**20,000,000**
Closed bonds organized by Invescore Capital in 2021	14.4%	3,740,000			**3,740,000**
Total		**3,740,000**	**15,000**	**23,517,000**	**27,272,000**

The company received permission to issue MNT10 billion worth of closed bonds by the resolution No.85 of Financial Regulatory Commission dated 28 February 2020. A total of MNT 8.2 billion worth of bonds were traded by TDB Capital SPC on the Mongolian Stock Exchange. “Invescore Bond” has 4 term options: 6 months, 12 months, 18 months and 24 months, and the interest rate of the bond is between 15% and 19% depending on the order price and term. The last tranche will be paid on 7 October 2022.

The Financial Regulatory Commission (FRC) issued Resolution №484 on 28 October 2021, authorizing the issuance of a total of 10,000 closed bonds with a term of 18 months and an interest rate of up to 15 percent per annum, each with a par value of MNT 1 million. An issuance of bond was organized by the Invescore Capital JSC and a total of MNT 3.7 billion bonds were trade for a term of one year with annual interest rate of 14%.

In thousand MNT	Bond	Total
(I) Principal payment of bonds issued by NBFI		
1 January 2020	**-**	**-**
Bonds issued	8,200,000	8,200,000
Paid	(319,000)	(319,000)
31 December 2020	**7,881,000**	**7,881,000**
Bonds issued	25,000,000	25,000,000
Treasury	(1,260,000)	(1,260,000)
Repaid	(4,349,000)	(4,349,000)
31 December 2021	**27,272,000**	**27,272,000**
(II) Interest payables on bonds issued by NBFI		
1 January 2020	**-**	**-**
Additions	598,742	598,742
Deductions	(414,176)	(414,176)
31 December 2020	**184,566**	**184,566**
Additions	2,085,402	2,085,402
Deductions	(1,627,935)	(1,627,935)
31 December 2021	**642,033**	**642,033**
(III) Bond issuance fee		

In thousand MNT	Bond	Total
1 January 2020	**-**	**-**
Additions	(272,651)	(272,651)
Deductions	86,463	86,463
31 December 2020	**(186,188)**	**(186,188)**
Additions	(312,000)	(312,000)
Deductions	205,062	205,062
31 December 2021	**(293,126)**	**(293,126)**
Bond liabilities at amortized cost		
31 December 2020	**7,878,886**	**7,878,886**
31 December 2021	**27,620,907**	**27,620,907**

22 Other financial liabilities

In thousand MNT	31 December 2021	31 December 2020
Secondary payables' interest payables	2,329	-
Deposit account payables	312,358	464,483
Asset-backed securities payables	1,140,474	-
Other financial payables	586,483	169,561
Lease payable	1,159,903	890,525
Payables to related parties	134,375	434,592
Customer* is unidentified	37,954	38,729
Total	**3,373,876**	**1,997,890**

*A payable with unidentified owner is created when the owner transfers money to the Group's account but the description is indefinite and the transaction cannot be identified. Based on information such as the account to which the money was transferred from and the economist's accounting, it is recorded as loan repayment.

Financial liabilities to related parties

In thousand MNT	31 December 2021	31 December 2020
Invescore AI Lab LLC	13,726	431,367
Invescore Leasing LLC	7,436	-
Invescore Property LLC	113,213	-
Invescore Capital LLC	-	3,225
Total	**134,375**	**434,592**

23 Other non-financial liabilities

In thousand MNT	31 December 2021	31 December 2020
Salary payables	109,706	21,710
Personal income tax payables	330,671	34,429
Employees' savings fund	61,058	-

Payables to related parties	429,147	14,701
Social insurance premium payables	-	2,481
Withholding tax payables	107,198	134,747
Other payables	768,540	658,911
Unearned revenue	38,451	22,358
Total	**1,844,771**	**889,337**

Non-financial liabilities to related parties

In thousand MNT	Currency	Total	Balance 31 December 2021
SIBJ Holding LLC	USD	107,220	305,447
SIBJ Holdings LLC	JPY	5,000,000	123,700
Total			**429,147**

24 Reserve liabilities

Contingent liabilities at the end of the reporting period represent a tax dispute that may arise from the parent's additional investment. The Group's management believes that there are no contingent liabilities or potential losses, but assumes that it is not possible to predict the position of the tax authorities, therefore, the reserve liabilities are recognized in the financial statements.

25 Income tax payable

In thousand MNT	31 December 2021	31 December 2020
Opening balance	**703,802**	**981,808**
Impact on changes in accounting policies and corrections of errors	127,572	-
Adjusted balance	**831,374**	**981,808**
Tax expense for the year	4,518,782	2,285,987
Taxes paid	(3,370,954)	(2,563,993)
Deferred tax impact	(315,031)	-
Closing balance	**1,664,171**	**703,802**

26 Deferred tax liabilities

In thousand MNT	31 December 2021	31 December 2020
Opening balance	**-**	**-**
Impact on changes in accounting policies and corrections of errors	18,754	
Adjusted balance	**18,754**	**-**
Decreased in profits and losses	315,031	-
Closing balance	**333,785**	**-**

Deferred tax for the year ended 31 December 2021 is as follows:

In thousand MNT	1 January 2021	Recognized in profit or loss	31 December 2021
Temporary differences arising from the re-measurement of interest income		51,788	51,788
Temporary difference from the year of amortization of intangible assets	18,754	259,137	277,891
Temporary differences associated with right-of-use assets		4,106	4,106
Total	**18,754**	**315,031**	**333,785**

27 Share capital

Number of shares unless otherwise stated	31 December 2021	31 December 2020
Number of issued shares	71,727,918	71,727,918
Number of treasury shares	-	-
Number of shares in circulation	**71,727,918**	**71,727,918**
Nominal value per share /MNT/	227	227
Total share capital	**16,282,237**	**16,282,237**

The share capital for the period ended 31 December 2021 consists of 71,727,918 ordinary shares with par value of MNT 227 each. The Group has only one class of ordinary share with no fixed income rights.

The table below shows the information on the group's shareholders.

Shareholders	Country of Incorporation	Ownership percentage	31 December 2021	Ownership percentage	31 December 2020
SIBJ Capital LLC	Mongolia	85%	13,839,902	85%	13,839,902
Public (shareholders holding less than 5%)	Mongolia	15%	2,442,335	15%	2,442,335
Total		**100%**	**16,282,237**	**100%**	**16,282,237**

27.4 Dividend

On 19 December 2021, dividends of MNT 1,219,375 thousand in total have been distributed to ordinary shareholders from the results of the reporting period that ended 31 December 2020.

27.5 Retained earnings

Paid-in capital since the commencement of operation. This is measured by net profit earned in the current period.

28 Share premium (paid-in capital)

The share premium represents the amounts arisen from difference between the nominal value of 10,759,188 shares publicly traded with a par value of MNT 227 and the market price.

29 Non-controlling interest

The Invescore Active SPE LLC is a subsidiary of the Group at 75%. Refer to Note 5.2 for summarized financial information.

30 Other components of equity

Pursuant to the Order № 372 of the Chairman of the FRC dated 31 December 2021 on "Admitting to raise funds through secondary payables" and the Agreement № 211222-01 concluded between the Invescore NBFI" JSC and SIBJ Capital" LLC dated 22 December 2021, MNT 5,000,000 thousand will be raised through secondary payables with a 5-year term and an interest rate of 17% per annum.

30.4 Foreign currency translation reserve

In thousand MNT	31 December 2021	31 December 2020
Opening balance	(55,928)	16,463
Other comprehensive profit (loss) for the reporting year	(109,657)	(72,391)
Total	**(165,585)**	**(55,928)**

This amount represents the exchange rate difference resulting from the translation of foreign subsidiaries' financial statements denominated in foreign currencies into the reporting currency (MNT).

31 Interest and similar income

In thousand MNT	31 December 2021	31 December 2020
Loan interest income	40,361,587	28,915,327
Interest income on current, savings deposit and securities	760,484	232,178
Total	**41,122,071**	**29,147,505**

Interest income is expressed by product type:

In thousand MNT	31 December 2021	31 December 2020
Business loan	15,296,748	8,635,728
Consumer loan	6,151,002	6,227,733
Car loan	12,551,717	9,838,934
Credit card	-	67,451
E-loan	6,205,714	4,137,720
E-loan - Pocket Zero	156,408	7,761
Interest income on current, savings deposit and securities	760,482	232,178
Total	**41,122,071**	**29,147,505**

32 Interest and similar expense

In thousand MNT	31 December 2021	31 December 2020
Interest expense on bond liabilities	2,085,402	598,742
Loan interest expense	2,644,956	2,051,118
Interest expense on asset-backed securities	456,406	-
Interest expense on derivatives	150,144	-
Interest expense on trust services	7,477,329	4,105,333

Total	**12,814,237**	**6,755,193**

33 Revenue from service fees and commissions

In thousand MNT	31 December 2021	31 December 2020
Revenue from e-loan service fee	7,880,803*	-
Income from intermediary of loan service with 8% interest rate	47,035	6,783
Revenue from loan service fee	958,814	443,494
Total	**8,886,652**	**450,277**

* Revenue from e-loan service fee is loan fee income provided through the e-loan platform of “Pocket” application.

34 General, administrative expenses

In thousand MNT	31 December 2021	31 December 2020
Salary expenses	4,215,281	2,829,534
Incentives and bonuses	584,046	29,290
Compensation paid to employees	195,500	-
Social welfare benefits for employees	24,907	30,312
Social insurance premium expenses	505,993	155,727
Business trip expenses	58,823	64,059
Training expenses	88,073	61,095
Expenses associated with lending activity	41,507	61,832
Audit fees and professional service expenses	734,397	528,158
Insurance expenses	225,572	161,406
Lease expenses	149,192	40,211
Regulatory service fee	25,120	112,900
Utilities expenses	118,271	114,579
Depreciation and amortization expenses	1,694,572	1,130,802
Current maintenance expenses	81,328	6,615
Communication expenses	310,387	256,370
Transportation and fuel expenses	39,568	118,624
Spare parts expenses	5,416	2,917
Bank charge expenses	313,290	120,948
Fee and charge expenses	349,403	101,594
Occupational safety expenses	99,381	54,007
Expenses associated with automation	601,965	284,482
Advertising expenses	1,271,747	617,957
Stationery expenses	155,754	89,418
Sanitary expenses	33,248	16,799
Real estate tax expenses	-	3,959
Expense for receiving legal advice and advocacy services	12,000	14,485
Notary expenses	11,825	9,327
Stamp duty	15,555	2,757

In thousand MNT	31 December 2021	31 December 2020
Interest expense on lease liabilities	130,592	140,236
Other expenses	122,418	125,668
Total	**12,215,131**	**7,286,068**

35 Income (expenses) from exchange rate equation

In thousand MNT	31 December 2021	31 December 2020
Unrealized gain (loss) in exchange rate equation	*(123,605)*	*102,864*
Exchange rate equation on receivables balance	14,777	-
Exchange rate equation on payables balance	41,971	-
Exchange rate equation on balance of loans issued to others	(276,592)	579,075
Exchange rate equation on cash asset balance	(104,393)	-
Exchange rate equation on trusts balance	134,248	(551,829)
Exchange rate equation on balance of loans taken from others	66,384	75,618
Realized gain in exchange rate equation	1,666	19,980
Realized loss in exchange rate equation	(35,234)	(36,107)
Total	**(157,173)**	**86,737**

36 Other non-operating income (expenses)

In thousand MNT	31 December 2021	31 December 2020
Expenses for ceremonies and festival	(299,710)	(99,328)
Expenses for guests and delegates	(79,785)	(66,167)
Non-document expenses	(26,181)	(45,943)
Donation expenses	(1,350)	(41,900)
Welfare expenses	-	(3,794)
Interest expense on savings fund	-	(2,000)
Penalty expenses	(558)	(619)
Other expenses	(62,392)	(2,926)
Other income	36,958	64,939
Total	**(433,018)**	**(197,738)**

37 Other profit (loss)

In thousand MNT	31 December 2021	31 December 2020
Loss on other financial assets impairment	(30,181)	(342,282)
Loss refund of other financial assets impairment	210,864	-
Loss on other repossessed collateral impairment	-	(257,434)
Loss refund of other repossessed collateral impairment	147,332	-
Losses on other repossessed collateral impairment	(435,806)	(34,595)
Loss on disposal of assets	(2,052)	-
Other gain	174,452	-

In thousand MNT	31 December 2021	31 December 2020
Gain on sales of investment	-	186,824
Total	**64,609**	**(447,487)**

38 Income tax expense

In thousand MNT	31 December 2021	31 December 2020
Current tax	4,203,751	2,285,987
Deferred tax (Refer to Note 26)	315,031	-
Total	**4,518,782**	**2,285,987**

Reconciliation of effective tax rate consolidation is as follows:

In thousand MNT	31 December 2021	31 December 2020
Profit before tax	**23,710,318**	**13,905,096**
Income taxed at special rate	(692,423)	(141,787)
Tax-exempt income	-	(4,388,838)
Non-deductible expenses	871,490	1,031,969
Taxable temporary difference	(1,562,926)	-
	-	
Income taxed at common rate	**22,326,459**	**10,406,440**
Tax expense at common rate	4,135,916	2,271,808
Tax expense at special rate	67,835	14,179
Deferred income tax expense	315,031	-
Income tax expense	**4,518,782**	**2,285,987**

39 Notes to the statement of cash flow

In thousand MNT	31 December 2021	31 December 2020
Current and termless deposit at bank	22,138,751	17,585,675
Short-term savings	2,500,000	9,003,000
Total	**24,638,751**	**26,588,675**

Significant non-cash flow of investment activities is presented below.

In thousand MNT	31 December 2021	31 December 2020
Intangible assets purchased but not yet paid for	777,634	299,525

In thousand MNT	31 December 2021	31 December 2020
Repayment of loan debt by unfinished building	4,168,849	-
Total	**4,946,483**	**299,525**

The following table shows non-cash flow for financing activities as an adjustment to financing activities liabilities.

Trust payable account balance

In thousand MNT	31 December 2021	31 December 2020
Opening balance	**42,209,511**	**19,933,800**
Cash flow		
Additions	27,558,198	34,791,900
Trust paid	(20,949,042)	(6,749,897)
Interest paid	(5,370,044)	(2,393,945)
Non-cash flow		
Accrued interest	7,477,329	4,105,333
Impact of foreign exchange differences	(134,248)	551,829
Receivable and payable closed	5,686,021	(8,029,509)
Closing balance	**56,477,725**	**42,209,511**

Loan account balance

In thousand MNT	31 December 2021	31 December 2020
Opening balance	**14,100,200**	**14,515,976**
Cash flow		
Additions	47,137,957	18,742,671
Loan repaid	(22,600,918)	(10,720,209)
Interest paid	(2,345,342)	(3,177,087)
Non-cash flow		
Accrued interest	2,644,956	2,051,118
Impact of foreign exchange differences	(66,427)	(1,324)
Receivable and payable closed increased (closed)	(541,848)	
Closed by assets	(4,168,849)	(7,310,945)
Closing balance	**34,159,729**	**14,100,200**

40 Related party transactions

The Group’s related parties include its associates and joint venture, key management and entities under common control.

40.4 Control relationships

The Group is controlled and owned by SIBJ Capital LLC at 85 %. The Group's ultimate parent company is the SIBJ Capital LLC, incorporated in Mongolia and domiciled in the 3rd floor, Twin Tower-2, the 2nd khoroo, Seoul Street, Sukhbaatar District, Ulaanbaatar city, and does not prepare financial statements for public.

40.5 Transactions with the parent company

During the reporting period the Group had the following transactions with the parent company:

In thousand MNT	2021	2020
Parent company		
Loan interest expense	1,902,224	1,819,121
Loan taken	2,000,000	-
Management fees	251,277	110,753
Loan and loan interest payments	4,978,849	4,722,490
Funds raised through secondary payables	5,000,000	-
Dividends paid	1,036,469	-

40.6 Transactions with companies under common control

In thousand MNT	2021	2020
Underwriting expenses	386,100	-
Inter-settlement	85,575	-
Software development fees	1,022,173	509,900
Payable payment	470,312	17,097
Software development fees	13,400	-

40.7 Transactions with key management personnel and close family members

Key management of the Group are the executive members of board of directors and members of the executive council, and their close family members. Key management personnel remuneration includes the following expenses:

In thousand MNT	2021	2020
Salaries including bonuses	234,624	186,425
Social security costs	24,405	7,582
Total	**259,029**	**194,007**

40.8 Balance of transactions with related parties

In thousand MNT	2021	2020
Receivables	**3,165,174**	**833,943**
Loan receivables transferred to Invescore Active SPE LLC	2,250,581	-
Invescore AI Lab LLC	84,186	2,480
Invescore Leasing LLC	7,436	7,160
SIBJ Holding LLC	2,278	-
Invescore Capital LLC	-	50,000
SIBJ Capital LLC	774,303	774,303

In thousand MNT	2021	2020
Balance of loans issued and similar assets	**6,180,429**	**3,749,251**
SIBJ Holdings LLC	1,429,885	-
SIBJ Real Estate LLC	1,064,612	-
Balance of loans taken and other liabilities	**6,522,437**	**13,841,242**
SIBJ Holding LLC	429,147	10,229,089
SIBJ Capital LLC	4,142,937	-
Invescore Wallet NBFI LLC	316,277	3,177,561
Invescore AI Lab LLC	13,726	431,367
Invescore Leasing LLC	7,436	-
Invescore Property LLC	113,213	-
Invescore Active SPE LLC	1,252,301	-
Invescore Capital LLC	-	3,225
Trusts raised and its interest liabilities	**1,073,758**	**764,814**
Invescore Property LLC	527,443	109,419
Invescore Capital LLC	546,315	655,395
Total	**29,603,907**	**19,320,876**

41 Contingent liabilities

There are no contingent assets and liabilities against the Group as of 31 December 2021.

42 Financial instruments risk

Group's key accounting policies and methods used for recognition criteria, basis for recognizing revenue and expense, and financial assets, liabilities and equity by category are summarized in Note 4.4.

The Group does not actively engage in the trading of financial assets for speculative purposes, nor does it write options. The most significant financial risks to which the Group is exposed are described below.

42.4 Market risk analysis

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

Credit risk also arises from cash and cash equivalents and deposits placed at banks and financial institutions.

Foreign currency sensitivity

Most of the Group's transactions are carried out in Mongolian tugrik (MNT). Exposures to currency exchange rates arise from the Group's overseas transactions, which are primarily denominated in USD, Euro and Yen. The Group has loan receivables and loan payables arising from transactions in Mongolia and the Kyrgyz Republic related to investment, lending, borrowing and the raising of similar assets. The FRC requires that the difference between on-balance sheet and off-balance sheet assets and liabilities should not exceed ±40% of its equity in units or total currency. The ratio of net difference of foreign currency accounts against the equity for the reporting year is 18%, indicating that it does not breach the criterion or requirements.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into MNT at the closing rate:

Category	USD	Yen	KGS
31 December 2021			
Financial assets	**9,213**	**107,540**	**217,749**
- Cash and cash equivalents	54	6,501	14,411
- Loans and similar receivables	9,159	101,039	203,338
Financial liabilities	**(5,436)**	**(22,243)**	
- Loan	(4,020)	(22,100)	(9,826)
- Trust payables	(1,309)	(143)	-
Other financial liabilities	(107)	-	(20,799)
Total exposure	**3,777**	**85,297**	**217,749**
31 December 2020			
Financial assets	**7,935**	**157,607**	**78,268**
- Cash and cash equivalents	4,416	38,487	9,115
- Loans and similar receivables	3,519	119,120	69,153
Financial liabilities	**(5,391)**	**(86,358)**	-
- Loan	(1,020)	(22,100)	-
Trust payables	(4,371)	(64,258)	-
Total exposure	**2,544**	**71,249**	**78,268**

The following table details the Group's sensitivity to a 10% (2020: 10%) increase and decrease in MNT against US dollar and other currencies. 10% (2020: 10%) represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2020: 10%) change in foreign currency rates.

If the MNT had strengthened against the USD and other currencies by 10% (2020: 10%) then this would have had the following impact:

In thousand MNT	Profit or loss for the year		
	USD	Yen	KGS
31 December 2021	968,393	211,025	731,871
31 December 2020	652,424	196,505	263,065

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

Interest rate sensitivity

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. The exposure to interest rates for the Group's money market funds is considered immaterial.

42.1.1 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to credit risk from financial assets including cash and cash equivalents held at banks, trade and other receivable. The highest loan risk through carrying amount of the following financial instruments is shown below:

In thousand MNT	31 December 2021	31 December 2020
Financial assets at carrying value		
- Current account and term deposit at bank	24,638,751	26,588,675
- Derivative financial instruments	183,583	-
- Loan receivables	175,508,816	96,409,802
- Other financial assets	3,274,706	1,534,115
- Investment	-	591,122

Current account and term deposit at bank

The management manages credit risk by allocating to major bank and non-bank financial institutions.

Credit rating of current and term deposit at bank under Moody's Investors Service/Standard & Poor's is as follows:

In thousand MNT	31 December 2021	31 December 2020
B3	24,638,751	26,588,675
No rating	178,967,105	98,535,039
Total	**203,605,856**	**125,123,714**

Debt investments

All the Group's investments in bonds and debentures measured at amortized cost are considered to have low credit risk. Management believes that there is no credit risk in relation to account liabilities and bonds of financial entities.

42.1.2 Liquidity risk analysis

Liquidity risk is that the Group might be unable to meet its obligations.

The Group's policy is to run a prudent liquidity management policy by means of holding sufficient cash and bank balances, as well as highly liquid assets for making all operational and debt service related payments when those become due.

As of 31 December 2021, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

Type	Current		Non-current		
	Within 6 months	6 to 12 months	1 to 5 years	More than 5 years	Total
31 December 2021					
Trust service liabilities	42,465,038	13,869,458	143,229	-	56,477,725
Loans from banks and financial institutions	471,015	3,500,000	30,188,714	-	34,159,729
Other sources	10,219,535	-	-	-	10,219,535

(expressed in thousand MNT unless otherwise specified)

Type	Current			Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	More than 5 years	Total
Bonds issued by NBFIs	1,107,907	2,773,000	23,740,000	-	27,620,907
Total	**54,263,495**	**20,142,458**	**54,071,943**	**-**	**128,477,896**
31 December 2020					
Trust service liabilities	20,153,969	20,056,863	1,998,679	-	42,209,511
Loans from banks and financial institutions	53,462	301,631	13,745,107	-	14,100,200
Other sources	14,689,798			-	14,689,798
Bonds issued by NBFIs	388,771	4,860,266	2,629,849	-	7,878,886
Total	**35,286,000**	**25,218,760**	**18,373,635**	**-**	**78,878,395**

43 Fair value measurement

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, 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 or indirectly;

Level 3: unobservable inputs for the asset or liability.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis:

Type	Level 1	Level 2	Level 3	Total
31 December 2021				
Financial assets				
Current account and term deposit at bank	24,638,751	-	-	24,638,751
Derivative financial instruments	183,583	-	-	183,583
Loan receivables	169,845,511	3,928,047	4,882,123	178,655,681
Other financial assets	-	3,274,706	-	3,274,706
Investment	-	-	-	-
Total financial assets	**194,667,845**	**7,202,753**	**4,882,123**	**206,752,721**
Financial liabilities				
Trust service liabilities	-	-	(56,477,725)	(56,477,725)
Loans from banks and financial institutions	-	-	(34,159,729)	(34,159,729)
Other sources	-	-	(10,219,535)	(10,219,535)
Other financial liabilities	-	-	(1,997,890)	(1,997,890)
Bonds issued by NBFI	-	-	(27,620,907)	(27,620,907)
Total financial liabilities	**-**	**-**	**(130,475,786)**	**(130,475,786)**
Net fair value	**194,667,845**	**7,202,753**	**(125,593,663)**	**76,276,935**

(expressed in thousand MNT unless otherwise specified)

Type	Level 1	Level 2	Level 3	Total
31 December 2020				
Financial assets				
Current account and term deposit at bank	26,588,675	-	-	26,588,675
Loan receivables	90,749,139	3,546,580	2,379,367	96,675,086
Other financial assets	-	1,534,115	-	1,534,115
Investment			591,122	591,122
Total financial assets	**117,337,814**	**5,080,695**	**2,970,489**	**125,388,998**
Financial liabilities				
Trust service liabilities	-	-	(42,209,511)	(42,209,511)
Loans from banks and financial institutions	-	-	(14,100,200)	(14,100,200)
Other sources	-	-	(14,689,798)	(14,689,798)
Other financial liabilities	-	-	(1,997,890)	(1,997,890)
Bonds issued by NBFI	-	-	(7,878,886)	(7,878,886)
Total financial liabilities	**-**	**-**	**(80,876,285)**	**(80,876,285)**
Net fair value	**117,337,814**	**5,080,695**	**(77,905,796)**	**44,512,713**

The following valuation techniques are used for instruments categorised in Levels 2 and 3:

Loan receivables (Level 2) - The Group measures loan receivables and similar assets using the three-step valuation method described in IFRS 9 Financial Instruments.

Other financial assets (Level 2) - The Group has established a provision for other financial assets in accordance with the FRC's asset classification by classifying the provision by term.

Investment (Level 3) - The Group measures the investment at amortized cost and assumes that the amortized cost at the end of the period is approximate to the fair value.

Financial Liabilities (Level 3) - The Group measures the financial liabilities at amortized cost and assumes that the amortized cost at the end of the period is approximate to the fair value.

43.4 Fair value measurement of non-financial assets

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis:

31 December 2021	Level 1	Level 2	Level 3	Total
Property and equipment:				
Building	-	-	191,918	**191,918**
Computer and accessories	-	-	658,331	**658,331**
Vehicle			107,742	**107,742**
Furniture	-	-	600,147	**600,147**
Intangible assets:				
Goodwill			292,627	**292,627**
Software	-	-	2,606,778	**2,606,778**

31 December 2020	Level 1	Level 2	Level 3	Total
Property and equipment:				
Building	-	-	200,432	**200,432**
Computer and accessories			548,783	**548,783**
Vehicle	-	-	36,554	**36,554**
Furniture	-	-	415,971	**415,971**
Unfinished building	-	-	4,168,849	**4,168,849**
Intangible assets:				
Goodwill			292,627	**292,627**
Software	-	-	2,793,735	**2,793,735**

The following valuation techniques are used for non-financial instruments categorised in Levels 3:

Property and equipment and intangible assets (Level 3) - The Group presents property and equipment and intangible assets at the end of the reporting period at residual cost from the non-revalued initial cost less accumulated depreciation and amortization. It is considered that there is no impairment in the goodwill. Management assumes that there is no materiality change in fair value at the reporting date or at the acquisition date.

44 Capital management policies and procedures

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern, and
- to provide an adequate return to shareholders by pricing products and services in a way that reflects the level of risk involved in providing those goods and services.

The Group's goal in capital management is to maintain an appropriate capital-to-overall financing ratio.

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. The Group manages the capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The amounts managed as capital by the Company for the reporting periods under review are summarised as follows:

In thousand MNT	31 December 2021	31 December 2020
Total equity	75,516,763	52,800,586
Less: Cash and cash equivalents	(24,638,751)	(26,588,675)
Capital	**50,878,012**	**26,211,911**
Total equity	75,516,763	52,800,586
Add: Loan	34,396,459	14,100,200
Add: Trust payables	56,477,725	42,209,511
Add: Bond liabilities	27,620,907	7,878,886
Add: Other sources	10,219,535	14,689,798
Overall financing	204,231,389	131,678,981
Capital-to-overall financing ratio	**0.25**	**0.20**

There are no significant changes in capital-to-overall financing ratio.

(expressed in thousand MNT unless otherwise specified)

45 Events after the reporting period

No adjusting or significant non-adjusting events have occurred between the 31 December 2021 reporting date and the date of authorisation.

46 Translation

These financial statements are prepared and submitted both in Mongolian and English languages. In the event of discrepancies between the Mongolian and English versions, the Mongolian version shall prevail.

47 Authorisation of financial statements

The financial statements for the year ended 31 December 2021 were approved by the management on 24 February 2022.

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Board Chairman	Chief Executive Officer	Chief Finance Officer
B. Ankhbold	D. Bayasgalan	R. Purev
Date: 24 February 2022	Date: 24 February 2022	Date: 24 February 2022

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