“ШОНХОР ҮНЭЛГЭЭ АУДИТ” ХХК
Улаанбаатар хот, Сүхбаатар дүүрэг,
6 дугаар хороо, Метро бизнесс оффис,
6 дугаар давхар 603 тоот

Утас: 70150001, 80110088
Цахим хаяг: www.shonkhor.mn
И-мэйл: shonkhor.mn@gmail.com

2024. 03. 21 № 24/26

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“To the Shareholders of
National investment bank” LLC

INDEPENDENT AUDITOR’S REPORT

Qualified Opinion

We have audited the financial statements of National investment bank LLC (the “Company”) which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified 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. We are independent of the Company in accordance with the relevant ethical requirements to our audit of the financial statements in Mongolian Law on Auditing, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Owner’s equity adequacy

We draw attention to the statement of changes in equity of the financial statements, which indicates that in 2023, The minimum share capital of a commercial bank, which was newly approved by the order of the President of the Bank of Mongolia No. A-276 dated October 30, 2017, is still not met. According to the year-end report of 2023, total liabilities increased by 4,840,945.3 thousand MNT and reached 128,914,754.2 thousand MNT, and the amount of equity became (46,930,520.4) thousand MNT.

Other Matter – Contingent liability and risks

In the light of the Company's liability, the Company is likely to recognize a substantial loss over the next reporting because of activities of some related parties, insufficient repayment of some loans and lack of collateral. Bank may be exposed to liquidity risk due to payment delay. It is also worth mentioning the revaluation and acceptance for property and intangible assets transferred from shareholders to the bank and the impact of the correction associated with them. We are bringing this issue to management's attention, and we have not changed our opinion in respect of this issue.

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

Management is responsible for the preparation and fair presentation of the financial statements that give a true and fair view 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

- 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.

INDEPENDENT AUDITOR'S REPORT (CONT'D.)

Other Matter

Our report is made solely to the shareholder of the Company, as a body, in connection with the audit requested by company in accordance with Article 94 of the Company Law of Mongolia and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SHONKHOR UNELGEE AUDIT LLC
SHONKHOR UNELGEE AUDIT LLC

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ХХК

Shiirev Davaajavj, Partner
Suite 603, Metro business center,
13 th building, Sukhbaatar street,
Sukhbaatar district, Ulaanbaatar, Mongolia

Date: 22 March, 2024

NATIONAL INVESTMENT BANK LLC
Statement of Financial Position
as at 31 December 2023

(In thousands of MNT)

Indicator	**31 Dec 2023**	**31 Dec 2022**
Assets		
Cash and cash equivalents	628,115.8	385,646.3
Financial investments- available-for-sale	890,660.4	722,878.8
Loans and advances to customers /net/	2,977,568.0	3,736,396.5
Other financial assets at fair value	(35,208.8)	(2,576.2)
Other non-financial assets	3,322,823,2	8,419,204.4
Property and equipment	9,665,525.8	10,167,992.92
Assets for sale	94,718,341.1	74,727,408.8
Intangible assets	16,746,928.6	16,456,545.7
Total assets	**128,914,754.2**	**114,613,497.2**
Equity and Liabilities		
Liabilities		
Current accounts	144,412,772.3	59,637,024.9
Deposits	9,777,802.4	89,779,633.1
Due to other banks and financial institutions	6,051,282.0	6,977,929.4
Other funds	504,995.7	598,745.7
Other liabilities	10,839,839.4	13,533,436.4
Other Non-liabilities	4,258,582.6	477,559.6
Total liabilities	**175,845,274.5**	**171,004,329.2**
Equity		
Share capital	50,130,000.62	50,130,000.62
Revaluation surplus	4,260,124.69	4,260,124.69
Retained loss/profit	(101,320,645.7)	(110,780,957.3)
Total equity	**(46,930,520.4)**	**(56,390,832.0)**
Total equity and liabilities	**128,914,754.2**	**114,613,497.2**

SHONKHOR UNELGEE AUDIT LLC
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NATIONAL INVESTMENT BANK LLC
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2023

(In thousands of MNT)

Indicator	**31 Dec 2023**	**31 Dec 2022**
Interest income	16,189,474.2	2,170,107.0
Interest expense	1,915,023.7	4,786,375.0
Net interest income	**14,274,450.5**	**(2,616,268.0)**
Hedge fund costs	15,905,976.3	25,441,811.3
Net interest income after provision	**(1,631,525.7)**	**(28,058,079.3)**
Other income	115,793,824.6	155,102,317.4
Other expense	100,628,252.6	131,080,158.7
Losses before tax	**13,534,046.3**	**(4,035,920.6)**
Income tax expense	969,563.3	
Net loss for the year	**12,564,482.9**	**(4,035,920.6)**
Total comprehensive income for the year	**12,564,482.9**	**(4,035,920.6)**

SHONKHOR UNELGEE AUDIT LLC
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NATIONAL INVESTMENT BANK LLC
Statement of Changes in Equity
for the year ended 31 December 2023

(In thousands of MNT)

Indicator	Share capital	Revaluation surplus	Retained earnings	Total equity
Balance at 31 December 2021	**35,130,000.8**	**4,260,124.7**	**(106,741,785.8)**	**(67,351,660.3)**
Changes in accounting policy				
Transactions with owners, recorded directly in equity	35,130,000.8	4,260,124.7	(106,741,785.8)	(67,351,660.3)
Net profit for the year			(4,039,171.6)	(4,039,171.6)
Changes in ownership	14,999,999.8			14,999,999.8
Dividends distributed				
Balance at 31 December 2022	**50,130,000.6**	**4,260,124.7**	**(110,780,957.3)**	**(56,390,832.0)**
Changes in accounting policy				
Transactions with owners, recorded directly in equity	50,130,000.6	4,260,124.7	(110,780,957.3)	(56,390,832.0)
Net profit for the year			12,564,482.9	12,564,482.9
Changes in ownership			(3,104,171.3)	(3,104,171.3)
Balance at 31 December 2023	**50,130,000.6**	**4,260,124.7**	**(101,320,645.7)**	**(46,930,520.4)**

SHONKHOR UNELGEE AUDIT LLC
ШОНХОР ҮНЭЛГЭЭ АУДИТ ХХК
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NATIONAL INVESTMENT BANK LLC
Statement of Cash Flows
For the year ended 31 December 2023

(In thousands of MNT)

Indicator	31 Dec 2023	31 Dec 2022
Cash flows from operating activities		
Profit for the year	**13,534,046.3**	**(4,035,920.6)**
Adjustment for:	**(29,517,856.5)**	**1,248,503.1**
Hedge fund costs	15,905,976.3	25,441,943.3
Increase in depreciation & amortization expenses	570,357.4	801,522.4
Gains and Losses from foreign currency exchange translation	(478,978.6)	11,981,072.9
Accrued interest income	(16,189,474.2)	(2,170,107.0)
Accrued interest expense	1,915,023.7	4,786,375.0
Gains and losses on asset write-offs	(143,756.7)	902,060.1
Other gains and losses	(31,097,004.3)	(40,494,363.5)
Adjustment for assets and liabilities:	**17,583,793.6**	**86,669,697.3**
Increase/ decrease in Loans and advances to customers	16,093,936.1	19,424,247.8
Increase/ decrease in other assets	32,632.6	2,874.0
Increase/ decrease in non-other assets	(2,705,494.9)	50,254,185.6
Increase/ decrease in Current accounts and deposit	4,971,504.4	16,600,933.9
Increase/ decrease in Due to other banks and financial institutions	(926,647.5)	(11,186,361.0)
Increase/ decrease in to other liabilities	(2,693,597.0)	11,290,008.6
Increase/ decrease in to non- other liabilities	2,811,459.7	283,808.3
Other adjustment for:	**(8,947,616.3)**	**(85,342,659.1)**
Interest received (increase)	16,189,474.2	2,170,107.0
Interest paid (decrease)	(2,013,433.3)	(5,197,647.5)
Profits and losses closed by hedge funds	(27,849.4)	(27,849.4)
Other	(23,095,807.7)	(82,287,269.1)
Net cash provided by operating activities	**454,243.1**	**(1,460,379.3)**
Cash flows from investing activities		
Income	**5,000.0**	**1,368,600.0**
Proceeds from the sale of available-for-sale securities	5,000.0	1,368,600.0
Expense	**339,364.6**	**(41,610.7)**
Paid for acquiring fixed assets	8,077.1	(25,358.9)
Paid to acquire intangible assets	(347,441.7)	66,969.6
Net cash flows from investing activities	**344,364.6**	**1,326,989.3**
Cash flows from financing activities		
Income		
Expense	**(93,750.0)**	**(193,750.0)**
Net cash provided by financing activities	**(93,750.0)**	**(193,750.0)**
Difference of foreign currency conversion	(462,388.2)	(962,209.9)
Net change in cash and cash equivalents	**242,469.5**	**(1,289,349.9)**
Cash and cash equivalents at 01 January	**385,646.3**	**1,674,996.2**
Cash and cash equivalents at 31 December	**628,115.8**	**385,646.3**

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NATIONAL INVESTMENT BANK LLC

International Financial Reporting Standards
Financial Statements and
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31 December 2023

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