

# Statement of financial position

In thousand MNT	Note	Balance 31 December 2022	Balance 31 December 2021
<b>Assets</b>			
<b>Current assets</b>			
Cash assets	8	23,544,170	6,925,372
Short-term investment		50,000	50,000
Loan	9	78,127,005	66,313,470
Other receivables	10	2,165,053	1,606,595
Other assets	11	1,612,690	629,879
<b>Total current assets</b>		<b>105,498,918</b>	<b>75,525,316</b>
<b>Non-current assets</b>			
Fixed assets	12	4,046,206	4,279,692
Intangible assets	13	83,245	28,887
<b>Total non-current assets</b>		<b>4,129,451</b>	<b>4,308,579</b>
<b>Total assets</b>		<b>109,628,369</b>	<b>79,833,895</b>
<b>Equity and liabilities</b>			
<b>Liabilities</b>			
<b>Short-term liabilities</b>			
Short-term loans from banks and financial institutions	14.1	28,295,372	7,999,822
Short-term payables in bond	15	14,264,928	10,226,428
Trust service payables	16	25,269,033	20,807,601
Short-term lease liabilities	17	46,302	39,653
Other liabilities	18	7,891,526	7,370,766
<b>Total short-term liabilities</b>		<b>75,767,161</b>	<b>46,444,270</b>

# Statement of financial position


## (continued)

In thousand MNT	Note	Balance 31 December 2022	Balance 31 December 2021
<b>Long-term liabilities</b>			
Long-term loans from banks and financial institutions	14.2	2,068,275	5,205,699
Long-term payables in bond	15	-	1,500,000
Long-term lease liabilities	17	122,907	169,209
<b>Total long-term liabilities</b>		<b>2,191,182</b>	<b>6,874,908</b>
<b>Total liabilities</b>		<b>77,958,343</b>	<b>53,319,178</b>
<b>Equity</b>			
Share capital	19.1	3,500,000	3,500,000
Retained earnings	19.2	28,170,026	23,014,717
<b>Total equity</b>		<b>31,670,026</b>	<b>26,514,717</b>
<b>Total liabilities and equity</b>		<b>109,628,369</b>	<b>79,833,895</b>

The financial statement was approved on 24 March 2023:

  
 B. Khunshagai  
 Chief Executive Officer



  
 B. Batdavaa  
 Chief Accountant

The notes set out on pages 14-33 form an integral part of this statement of financial position.

# Statement of comprehensive income

In thousand MNT	Note	2022	2021
Interest income	20	29,999,636	19,652,693
Interest expense	21	(10,697,536)	(6,839,264)
<b>Net interest income</b>		<b>19,302,100</b>	<b>12,813,429</b>
Non-interest income	22	6,733,227	1,577,003
Non-interest expense	23	(16,929,298)	(7,820,608)
<b>Net non-interest expense</b>		<b>(10,196,071)</b>	<b>(6,243,605)</b>
<b>Operating profit before establishing a contingency fund</b>		<b>9,106,029</b>	<b>6,569,824</b>
Contingency risk expense	25	(3,124,671)	(231,977)
<b>Operating profit</b>		<b>5,981,358</b>	<b>6,337,847</b>
Non-operating expenses	24	(227,132)	(235,509)
<b>Profit before tax</b>		<b>5,754,226</b>	<b>6,102,338</b>
Income tax expense	26	(598,917)	(697,194)
<b>Net profit</b>		<b>5,155,309</b>	<b>5,405,144</b>

The notes on pages 14-33 form an integral part of this statement of comprehensive income.

## Statement of changes in equity

In thousand MNT	Equity	Retained earnings	Total
Balance 1 January 2021	3,500,000	17,609,573	21,109,573
Net profit for the year	-	5,405,144	5,405,144
Balance 31 December 2021	3,500,000	23,014,717	26,514,717
Net profit for the year	-	5,155,309	5,155,309
Balance 31 December 2022	3,500,000	28,170,026	31,670,026

The notes on pages 14-33 form an integral part of this statement of changes in equity.



# Statement of cash flow

In thousand MNT	2022	2021
<b>Cash flows from operating activities</b>		
<b>Total cash income (+)</b>	<b>42,412,305</b>	<b>64,413,023</b>
Interest income	29,929,080	30,447,182
Current account interest income	175	-
Foreign currency exchange difference	10,831	1,743
Trust services income	-	18,681,229
Cash remittance income	-	1,346,630
Service fee and commission income	3,933,554	880,619
Income from other services	8,538,665	13,055,620
<b>Total cash expense (-)</b>	<b>25,645,096</b>	<b>65,200,855</b>
Interest expenses from banks and financial institutions	5,161,115	3,991,913
Paid for bond interest	2,373,192	503,801
Basic and bonus salary	6,215,636	3,761,210
Compensation and benefits provided to employees	327,686	523,111
Social security and health insurance expense	1,589,109	446,809
Mission and training expenses	179,531	42,800
Paid for operating expenses	98,195	65,936
Money paid for fuel, communication, internet and spare parts	680,374	407,981
Stationery expenses and sanitary expenses	602,333	90,072
Paid for taxes and insurance	690,288	421,720
Paid for advertising	501,243	325,928
Paid in connection with settlement of securities and related receivables	-	100,000
Paid in connection with the settlement of loans and related receivables	72,717	47,100,916
Trust services and payments in connection therewith	3,160,849	
Paid for audits and professional consulting services	192,774	319,746
Paid for regulatory services fees	37,412	3,240
Other payments to suppliers	-	1,665,055
Paid to other services	3,762,642	5,430,617
<b>Net cash flow from operating activities</b>	<b>16,767,209</b>	<b>(787,832)</b>

## Statement of cash flow (continued)

In thousand MNT	2022	2021
<b>Cash flows from non-operating activities</b>		
<b>Total cash expense (-)</b>	<b>148,412</b>	<b>231,561</b>
Expenses for celebrations and guest, representatives	106,949	137,037
Penalty expense	3,782	-
Other	37,681	94,524
<b>Net cash flow from non-operating activities</b>	<b>(148,412)</b>	<b>(231,561)</b>
	-	
<b>Net total cash flow</b>	<b>16,618,797</b>	<b>(1,019,393)</b>
<b>Opening balance of cash and cash equivalents</b>	<b>6,925,372</b>	<b>7,944,765</b>
<b>Closing balance of cash and cash equivalents</b>	<b>23,544,170</b>	<b>6,925,372</b>

The notes on pages 14-33 form an integral part of this statement of cash flows.

# Notes to Financial Statements

## 1. Nature of operations and general background

"Netcapital Finance Corporation NBFI" LLC was founded in Mongolia in September 2008 under the name "Netcapital NBFI" LLC, and in December 2012, the company's name was changed to "Netcapital Finance Corporation NBFI" LLC. The company is officially located in Mongolia. The company is a limited liability company established under the Company Law of Mongolia.

The company has been operating since November 28, 2008 in accordance with the special license for non-banking financial institution No. 1/134 issued by the Financial Regulatory Commission of Mongolia ("FRC"). The main activity of the company is providing micro-loans in the territory of Mongolia. The license allows for lending, providing trust services, conducting foreign currency trading, and providing electronic payments and remittance services.

As of December 31, 2022, the company had a total of 29 branches (including the head office) in Mongolia. (as of December 31, 2021: 31 branches)

## 2. Mongolian business environment

Changes in the political and economic environment of Mongolia and the development of the legal, tax, and legislative systems are continuous, and the stable economic development of Mongolia depends on these changes.

The economic crisis caused by the Covid-19 pandemic, the international military-political tension, and the worldwide transportation and logistics problems continue to have a negative impact on the economy, banking, and financial sectors of our country. Mongolia's economy has entered a phase of stable recovery after the crisis related to the spread of the coronavirus infection (COVID-19).

Mongolia's economic growth will reach 4.8 percent in 2022, and this growth is due to some measures taken by the Government of Mongolia, such as the lifting of restrictions related to the COVID-19 pandemic, the vigorous recovery of the agricultural sector, the expansion of public and private sector investments, and the growth of household consumption. has a positive effect on domestic demand. The government's efforts aimed at improving the business environment, increasing the access to financing for SMEs, and creating opportunities for economic reconstruction and development as a priority, and the expanded action plan for the development of the capital market, are expected to contribute to the stability and development of Mongolia's economy.

Also, the "New Recovery Policy" put forward by the Government of Mongolia in 2022 aims to strengthen Mongolia's economic independence and independence, reduce the negative impact of the coronavirus infection /COVID-19/ pandemic on the economy, and eliminate the factors limiting development without delay. "Vision-2050" is a medium-term target program to be implemented within 10 years aimed at creating basic conditions for the effective implementation of Mongolia's long-term development policy and improving the economy, infrastructure and state productivity.

## 3. General information and going concern assumption

"Netcapital Finance Corporation NBFI" LLC prepared and presented its financial statements in accordance with the instructions and procedures approved by the FRC. When we audited these financial statements, we concluded whether the management of the company prepared and presented the financial statements in accordance with the instructions and procedures approved by the FRC.

The instructions and regulations of the Financial Regulatory Commission include the instructions, regulations and resolutions issued by the FRC since 2008. It includes: