

NETCAPITAL FINANCE CORPORATION NBFI LLC

Separate Financial Statements together with Independent Auditors' Report

For the year ended 31 December 2025

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NETCAPITAL FINANCE CORPORATION NBFILLC

Company Information

Registered address	Room 2201, Shangri-La Ulaanbaatar, Olympic Street 19, 1 st Khoroo, Sukhbaatar District, Ulaanbaatar, 14241, Mongolia
Shareholder as at 31 December 2025	Netcapital Financial Group LLC (6.26%) Netcapital SBD LLC (6.30%) Netcapital SHD LLC (5.96%) Netcapital BZD LLC (6.23%) Netcapital Mobile BZG LLC (25.19%) Netcapital Auto BZG LLC (50.06%)
Board of Directors	Javzandulam.S <i>Chairwoman</i> Orgodol.S <i>Independent member</i> Bolorchimeg.B <i>Independent member</i> Urangoo.A <i>Independent member</i> Chudanjii.Sh <i>Independent member</i> Orgil.L <i>Independent member</i> Munkhdavaa.B <i>Independent member</i>
Chief Executive Officer Chief accountant	Khunshagai.B Batdavaa.B
Auditors	KPMG Audit LLC #602, Blue Sky Tower, Peace Avenue 17, 1 st khoroo, Sukhbaatar District, Ulaanbaatar 14240, Mongolia

Management's responsibility statement

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

The separate financial statements of Netcapital Finance Corporation NBF1 LLC (the "Company") have been prepared to comply with IFRS Accounting Standards. The Company's management is responsible for ensuring that these separate financial statements present fairly the state of affairs of the Company as at 31 December 2025 and the financial performance and cash flows for the period then ended on that date.

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


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

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

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



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ДИНАНС КОРПОРАЦИ
NETCAPITAL
FINANCE CORPORATION
KHUNSHAGAT.B
Chief Executive Officer
ATA8626 4 5255991
9022081193
25 0525252525252525



Bardavaa.B
Chief accountant

Ulaanbaatar,
Mongolia

Date: 31 March 2026



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Independent Auditors' Report

To: The Shareholders and Board of Directors of Netcapital Finance Corporation NBFI LLC

Opinion

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

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

Basis for Opinion

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

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2024 were audited by another auditor who expressed an unmodified opinion on these financial statements on 30 March 2026.

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

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



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

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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate 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 separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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



KPMG Audit LLC
Ulaanbaatar, Mongolia
31 March 2026

Signed by:

Soyolmaa Gungaanyambu
Executive Director

Approved by:

Sung-Min Kim
Partner

This report is effective as at 31 March 2026, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any. Furthermore, this report is intended solely for the use of the shareholders of the Company. To the fullest extent permitted by law, we do not assume responsibility towards or accept liability to any other party in relation to the contents of this report.

Netcapital Finance Corporation NBFI LLC
Separate Statement of Financial Position
As at 31 December 2025

<i>(In thousands of MNT)</i>	<u>Notes</u>	<u>31 Dec 2025</u>	<u>31 Dec 2024</u>
Assets			
Cash and cash equivalents	5	17,073,781	39,088,249
Loans and advances	6	269,653,894	224,812,605
Investments	7	1,486,278	581,597
Other assets	8	32,772,381	4,466,518
Premises and equipment	9	8,926,464	5,271,299
Intangible assets	10	363,629	265,295
Right-of-use assets	11	878,290	1,317,906
Investment in subsidiary	12	350,000	-
Income tax receivables	24.1	260,026	-
Derivative financial assets	28	293,416	97,847
Total assets		<u>332,058,159</u>	<u>275,901,316</u>
Liabilities			
Borrowings	13	54,515,322	88,079,461
Bond payable	14	18,180,827	25,097,757
Trust service payables	15	90,817,492	46,071,095
Other liabilities	16	34,076,266	51,231,329
Financial lease liabilities	11	940,098	1,454,400
Derivative financial liabilities	28	817,427	-
Deferred tax liabilities	24.3	1,070,978	445,615
Income tax payables	24.1	-	2,739,679
Total liabilities		<u>200,418,410</u>	<u>215,119,336</u>
Equity			
Share capital	17	55,937,667	7,178,309
Other reserves		729,912	-
Retained earnings		72,407,670	53,603,671
Revaluation reserve	17.1	2,564,500	-
Total equity		<u>131,639,749</u>	<u>60,781,980</u>
Total equity and liabilities		<u>332,058,159</u>	<u>275,901,316</u>

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

Netcapital Finance Corporation NBFI LLC
Separate Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2025

<i>(In thousands of MNT)</i>	Notes	2025	2024
Interest income	18	93,608,649	75,129,043
Interest expense	19	(30,366,695)	(24,857,135)
Net interest income		63,241,954	50,271,908
Fee and commission expense	20	(363,006)	(99,105)
Total fee and commission expense		(363,006)	(99,105)
Impairment losses on loans and advances	22	(9,600,172)	(4,378,575)
Operating expenses	21	(28,175,264)	(22,997,645)
Foreign exchange translation gains/(losses)		52,096	(1,122,716)
(Losses)/gains from financial derivative instruments	28	(621,858)	97,847
Other expense, net	23	(1,355,791)	(1,179,075)
Profit before tax		23,177,959	20,592,639
Income tax expense	24.2	(4,478,539)	(4,505,332)
Profit for the year		18,699,420	16,087,307
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Revaluation of premises and equipment	17.1	4,173,650	-
Income tax recorded directly in OCI	17.1	(774,659)	-
Other comprehensive income		3,398,991	-
Total comprehensive income for the year		22,098,411	16,087,307

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

Netcapital Finance Corporation NBF1 LLC
 Separate Statement of Change in Equity
 For the year ended 31 December 2025

<i>(In thousands of MNT)</i>	Share capital	Revaluation reserve	Other Reserve*	Retained earnings	Total equity
Balance as at 1 January 2024	3,500,000	-	-	37,516,364	41,016,364
Profit for the year	-	-	-	16,087,307	16,087,307
Total comprehensive income	-	-	-	16,087,307	16,087,307
<i>Transaction with owners</i>					
New shares issued	3,678,309	-	-	-	3,678,309
Balance as at 31 December 2024	7,178,309	-	-	53,603,671	60,781,980
Balance as at 1 January 2025	7,178,309	-	-	53,603,671	60,781,980
Profit for the year	-	-	-	18,699,420	18,699,420
Other comprehensive income	-	3,398,991	-	-	3,398,991
Total comprehensive income	-	3,398,991	-	-	22,098,411
<i>Transaction with owners</i>					
New shares issued	48,759,358	-	-	-	48,759,358
Transfer to retained earnings	-	(834,491)	729,912	104,579	-
Balance as at 31 December 2025	55,937,667	2,564,500	729,912	72,407,670	131,639,749

* As at 31 December 2025, other reserves consist of the regulatory reserves required by the Financial Regulatory Commission (FRC). In accordance with the regulation of the FRC, it is required to recognize the regulatory reserves on trust service payables and amount should be not less than 3% of the net profit for the year.

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

Netcapital Finance Corporation NBF1 LLC
Separate Statement of Cash Flows
For the year ended 31 December 2025

<i>(In thousands of MNT)</i>	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Cash flows from operating activities			
Profit for the year		18,699,420	16,087,307
Adjustment for non-cash income and expenses:			
Depreciation of premises and equipment	9	1,163,294	798,081
Amortisation of intangible assets	10	42,854	42,854
Depreciation of right-of-use assets	11	605,689	399,664
Impairment losses on loans and advances	22	9,600,172	4,378,575
Interest income	18	(93,608,649)	(75,129,043)
Interest expense	19	30,366,695	24,857,135
Loss on disposal of premises and equipment		73,379	-
Net foreign exchange (gain)/losses		(52,096)	1,122,716
Losses/(gains) on derivative financial instruments	28	621,858	(97,847)
Write-off of premises and equipment		176,885	-
Income tax expense	24.2	4,478,539	4,505,332
Changes in assets and liabilities:			
Loans and advances		(55,118,618)	(115,030,714)
Other assets		(28,305,863)	3,615,858
Other liabilities		(16,474,730)	31,983,236
Interest paid		(28,489,654)	(23,721,085)
Interest received		94,285,807	69,096,286
Income tax paid	24.2	(7,627,540)	(3,664,354)
Net cash used in operating activities		(69,562,558)	(60,755,999)
Cash flows from investing activities			
Purchases of premises and equipment	9	(1,945,073)	(1,850,504)
Purchases of intangible assets	10	(141,188)	(108,260)
Investment in share capital of subsidiary	12	(350,000)	-
Proceeds from disposal of premises and equipment		1,050,000	-
Acquisition of short-term investments		(904,681)	-
Proceeds from short-term investments		-	8,228,431
Net cash (used in)/ provided by investing activities		(2,290,942)	6,269,667
Cash flows from financing activities			
Proceeds from issuance of share capital	18	48,759,358	3,678,309
Proceeds from borrowings	13	312,674,851	177,811,975
Repayment of borrowings	13	(347,756,990)	(119,202,057)
Proceeds from trust payables	15	111,178,840	57,977,116
Repayment of trust payables	15	(67,577,245)	(44,447,479)
Proceeds from bond payable	14	17,100,000	24,000,000
Repayment of bond payable	14	(23,933,325)	(10,176,640)
Payment of financial lease liabilities	11	(680,375)	(284,862)
Net cash provided by financing activities		49,765,114	89,356,362
Net change in cash and cash equivalents		(22,088,386)	34,870,030
Cash and cash equivalents at 1 January	5	39,088,249	4,043,671
Effect of foreign exchange rate changes on cash hold		73,918	174,548
Cash and cash equivalents at 31 December	5	17,073,781	39,088,249

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

1. Reporting entity

Netcapital Finance Corporation NBFI LLC (the "Company") is domiciled in Mongolia and was established in September 2008 under the name "Netcapital NBFI" LLC and changed its name to "Net Capital Finance Corporation NBFI" LLC in December 2012. The Company operates under a non-banking financial institution ("NBFI") special license No. 101/134 issued by Financial Regulatory Commission ("FRC") on November 28, 2008.

Principal Activity: Lending activities

Its operations are classified into the following types of work and services:

- Lending;
- Foreign currency exchange;
- Trust services;
- Electronic payment and money transfer services.

As of December 31, 2025, the Company had 50 branches (2024: 36 branches).

2. Basis of preparation

2.1 Statement of compliance

These separate financial statements for the year ended 31 December 2025 have been prepared in accordance with IFRS Accounting Standard issued by the International Accounting Standards Board ("IASB"). Certain corresponding figures have been reclassified to conform to the current year's presentation.

These financial statements are separate financial statements prepared in accordance with International Accounting Standard ("IAS") 27, Separate Financial Statements, presented by a parent, an investor in an associate or a venture in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

The Company has a subsidiary, Netcapital ABS SPC LLC, which is special purpose entity. The Company has opted not to present consolidated financial statements as it considers the subsidiary to be immaterial.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2. Basis of preparation, continued

2.4. Use of estimates and judgments

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

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

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

2.4.1 Judgments

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

- Note 27.1: establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL.
- Note 3.2.2: classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
- Note 3.15: lease term: whether the Company is reasonably certain to exercise extension options.

2.4.2 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in the following notes:

- Note 3.2.2: Classification and subsequent measurement; and
- Note 3.2.6: Impairment of financial instruments: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

2. Basis of preparation, continued

2.4. Use of estimates and judgments, continued

2.4.3 Fair value measurement

The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the Company.

Financial assets quoted in an active market means that quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques, such as the discounted cash flow model, and models based on data from similar transactions performed on market or on the current values are used to determine the fair value of financial instruments for which market information on the price of transactions is not available. For calculations using these estimation methods, it may be necessary to form judgments.

Fair values are classified within the fair value hierarchy based on inputs used in the valuation method, as follows:

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

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

2.4.4 Going concern

The Company's management has assessed its ability to continue as a going concern and is satisfied that the Company has sufficient resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the separate financial statements continue to be prepared on the going concern basis.

3. Material accounting policies

The Company has consistently applied the following accounting policies to all periods presented in the separate financial statements, except if mentioned otherwise.

3.1 Foreign currency transactions

Transactions in foreign currencies are translated to MNT at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the reporting date's exchange rate. Foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest, impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency difference arising from equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI is recognised in OCI.

3.2 Financial instruments

3.2.1 Recognition and initial measurement

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

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price.

3. Material accounting policies, continued

3.2 Financial instruments, continued

3.2.2 Classification and subsequent measurement, continued

3.2.2.1 Financial assets

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

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

Business model assessment

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

The information considered includes:

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

3. Material accounting policies, continued

3.2 Financial instruments, continued

3.2.2 Classification and subsequent measurement, continued

3.2.2.1 Financial assets, continued

Business model assessment, continued

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

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

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

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

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

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

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual partial amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

3. Material accounting policies, continued

3.2 Financial instruments, continued

3.2.2 Classification and subsequent measurement, continued

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

Financial assets – Subsequent measurement and gains and losses:

Category	Components and Measurement
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Reclassifications

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

3.2.2.2 Financial liabilities

The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost.

3. Material accounting policies, continued

3.2 Financial instruments, continued

3.2.3 Derecognition

Financial assets

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

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

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

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

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

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

Financial liabilities

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

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.2.4 Modification of financial assets and financial liabilities

Financial assets

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

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

3. Material accounting policies, continued

3.2 Financial instruments, continued

3.2.4 Modification of financial assets and financial liabilities, continued

Financial assets, continued

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

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms.

If the Company plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

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

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

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

Financial liabilities

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

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

Consideration paid included non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

3. Material accounting policies, continued

3.2 Financial instruments, continued

3.2.4 Modification of financial assets and financial liabilities, continued

Financial liabilities, continued

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

3.2.5 Offsetting

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

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

3.2.6 Impairment

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

- financial assets that are debt instruments;
- net investments in finance leases;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

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

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

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

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1' financial instruments.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised are referred to as 'Stage 2' financial instruments (if the credit risk has increased significantly since initial recognition, but the financial instruments are not credit-impaired) and 'Stage 3' financial instruments (if the financial instruments are credit-impaired).

3. Material accounting policies, continued

3.2 Financial instruments, continued

3.2.6 Impairment, continued

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

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

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

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

3.2.6.1 Measurement of ECL

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

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

3.2.6.2 Restructured financial assets

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

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

3. Material accounting policies, continued

3.2 Financial instruments, continued

3.2.6 Impairment, continued

3.2.6.3 Credit-impaired financial assets

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

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

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

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

3.2.6.4 Presentation of allowance for ECL in the statement of financial position

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

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

3. Material accounting policies, continued

3.2 Financial instruments, continued

3.2.6 Impairment, continued

3.2.6.5 Write-offs

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

Recoveries of amounts previously written off are included in "Impairment losses on loans and advances" in the statement of profit or loss and other comprehensive income.

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

3.2.7 Designation at fair value through profit or loss

3.2.7.1 Financial assets

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

3.2.7.2 Financial liabilities

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

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

3. Material accounting policies, continued

3.3 Cash and cash equivalents

Cash and cash equivalents include notes on hand, unrestricted balances held with Banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

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

3.4 Loans and advances

Loans and advances includes loans and advances measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost.

3.5 Borrowings

3.5.1. Bond payable

Bonds include unlisted bonds issued at OTC market. After initial measurement, bond issued are subsequently measured at amortised cost using the effective interest method. In this calculation of the effective interest rate components such as contractual commission fees, other discounts and premiums are included.

3.5.2 Trust service payables

Trust services are an arrangement whereby a trustee temporarily controls, uses and manages assets (cash, loans, other assets) of a beneficiary on the basis of an agreement with the beneficiary with the purpose of preserving the value of the assets and earning a profit.

3.6 Derivative financial instruments

Derivative financial instruments primarily include foreign exchange contracts such as forward rate agreements, currency swaps, and cross-currency interest rate swaps are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year (gains less losses from financial derivatives). The Company does not apply hedge accounting.

3. Material accounting policies, continued

3.7 Premises and equipment

3.7.1 Recognition and measurement

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

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

3.7.2 Subsequent costs

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

Buildings held for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed.

A decrease in carrying amount arising on the revaluation of such buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

3.7.3 Depreciation

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

Gains and losses on disposal of an item of premises and equipment are determined by comparing the proceeds from disposal with the carrying amount of premises and equipment and are recognized as other non-operating income (loss). The estimated economic useful life for the current and comparative years of significant items premises and equipment is as follows:

	<u>Useful lives (years)</u>
Buildings	25 years
Vehicles	10 years
Furniture and fixtures	10 years
Computer and technical equipment	2 years

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

3. Material accounting policies, continued

3.8 Intangible assets

Software acquired by the Company is measured at cost less accumulated amortisation and any accumulated impairment losses. Expenditure on internally developed software is recognized as an asset when the Company is able to demonstrate: that the product is technically and commercially feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it can reliably measure the costs directly attributable to developing the software and capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as it incurred.

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative period is 5 to 10 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.9 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.10 Share capital

3.10.1 Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

3.11 Employee benefits

3.11.1 Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3. Material accounting policies, continued

3.11 Employee benefits, continued

3.11.2 Social and health insurance

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

3.12 Interest

3.12.1 Effective interest rate

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

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

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

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

3.12.2 Amortised cost and gross carrying amount

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

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

3.12.3 Calculation of interest income and expense

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

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

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

3. Material accounting policies, continued

3.12 Interest, continued

3.12.4 Presentation

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

- interest on financial assets measured at amortised cost;
- interest on debt instruments measured at FVOCI.

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

- financial liabilities measured at amortised cost;
- non-derivative financial liabilities measured at FVTPL.

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

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

3.13 Fees and commissions

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

Other fees and commission income, such as account servicing fees, bank charges are recognized as the related services are performed.

3. Material accounting policies, continued

3.15 Leases as a lessee

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

At commencement or on modification of a contract that contains a lease component, the Company allocates consideration in the contract to each lease component on the basis of its relative stand-alone price.

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

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

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

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

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

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

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

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

3. Material accounting policies, continued

3.15 Leases as a lessee, continued

Short-term leases and leases of low-value assets

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

3.16 Income taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

3.16.1 Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

3.16.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Company and the reversal of temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

3. Material accounting policies, continued

3.17 Related parties

- (a) A person, or a close member of that person's family, is related to the Company if that person:
- (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company.
- (b) An entity is related to the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group.
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity, and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (c) Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:
- (i) that person's children and spouse or domestic partner;
 - (ii) children of that person's spouse or domestic partner; and
 - (iii) dependents of that person or that person's spouse or domestic partner.

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

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

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

Effective date	New accounting standards or amendments
1 January 2025	<ul style="list-style-type: none"> • Lack of Exchangeability - Amendments to IAS 21

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

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

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

Effective date	New accounting standards or amendments
1 January 2026	<ul style="list-style-type: none"> • Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 • Contract Referencing Nature-dependent Electricity - Amendments to IFRS 9 and IFRS 7 • Annual Improvements to IFRS Accounting Standards
1 January 2027	<ul style="list-style-type: none"> • IFRS 18 - Presentation and Disclosure in Financial Statements • IFRS 19 - Subsidiaries without Public Accountability: Disclosures • Translation to a Hyperinflationary Presentation Currency -Amendments
Available for optional adoption/ effective date deferred indefinitely	<ul style="list-style-type: none"> • Amendments to IFRS 10 and IAS 28, Sales or Contribution of Assets between the Investor and its Associate or Joint Venture

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

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

IFRS 18 Presentation and Disclosure in Financial Statements

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

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

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

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

Netcapital Finance Corporation NBFI LLC
Notes to the Separate Financial Statements
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5. Cash and cash equivalents

<i>(In thousands of MNT)</i>	<u>31 Dec 2025</u>	<u>31 Dec 2024</u>
Current accounts at banks	17,073,781	2,558,454
Time deposit at banks	-	688,470
Accrued interest receivable	-	142,264
<i>Restricted deposit*</i>	-	35,699,061
	<u>17,073,781</u>	<u>39,088,249</u>

*As of 31 December 2024, time deposit placed at banks with carrying amount of MNT 35,699,061 thousand was pledged as security for borrowings (Note 13.2).

6. Loans and advances

<i>(In thousands of MNT)</i>	<u>31 Dec 2025</u>	<u>31 Dec 2024</u>
Loans and advances to customers	282,612,838	227,850,719
Accrued interest receivables	7,542,709	8,215,925
Gross loans and advances	290,155,547	236,066,644
Less: Allowance for impairment losses	(20,501,653)	(11,254,039)
Net loans and advances	269,653,894	224,812,605

Movement of allowance for loans and advances:

<i>(In thousands of MNT)</i>	<u>2025</u>	<u>2024</u>
Beginning balance	11,254,039	6,875,465
Impairment charge for the year (Note 22)	9,600,172	4,378,574
Written-offs	(352,558)	-
Ending balance	20,501,653	11,254,039

As of 31 December 2025 and 2024, the Company's loans and advances were pledged as security for borrowings (Note 13.2).

Netcapital Finance Corporation NBFi LLC
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6. Loans and advances, continued

Gross carrying amount and credit loss allowance amount for loans and advances at amortised cost by segments as at 31 December 2025 and 31 December 2024 are as below:

<i>(In thousands of MNT)</i>	<u>31 Dec 2025</u>	<u>31 Dec 2024</u>
Gross carrying amount		
Digital loan	98,117,072	56,126,731
Auto loan	76,509,508	124,220,794
Business loan	73,785,488	8,949,875
Consumer loan	41,743,479	46,769,244
	<u>290,155,547</u>	<u>236,066,644</u>
Less: Allowance for impairment losses		
Digital loan	(16,997,284)	(7,990,580)
Auto loan	(1,136,867)	(1,343,607)
Business loan	(1,114,529)	(996,421)
Consumer loan	(1,252,973)	(923,431)
	<u>(20,501,653)</u>	<u>(11,254,039)</u>
Net loans and advances	<u>269,653,894</u>	<u>224,812,605</u>

7. Investments

<i>(In thousands of MNT)</i>	<u>31 Dec 2025</u>	<u>31 Dec 2024</u>
Time deposit at banks	1,486,278	581,597
	<u>1,486,278</u>	<u>581,597</u>

The interest rates on time deposits at banks and their maturity periods are as follows:

<i>(In thousands of MNT)</i>	<u>Maturity date</u>	<u>Interest rate per annum</u>	<u>31 Dec 2025</u>	<u>31 Dec 2024</u>
Time deposit at banks:				
Bogd Bank JSC	1/19/2027	14%	65,637	65,637
Bogd Bank JSC	1/19/2027	14%	1,420,641	515,960
			<u>1,486,278</u>	<u>581,597</u>

Netcapital Finance Corporation NBFI LLC
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8. Other assets

(In thousands of MNT)

	<u>31 Dec 2025</u>	<u>31 Dec 2024</u>
Other financial assets		
Fee and commission receivables	534,369	327,842
Settlement receivables	2,064	38
Amounts due from companies	1,148,586	364,764
Amounts due from individuals	718,266	214,628
Amounts due from related parties* (Note 25)	27,289,254	-
Total other financial assets	<u>29,692,539</u>	<u>907,272</u>
Other non-financial assets		
Prepayments	2,255,302	3,328,134
Supply materials	173,533	86,761
Amounts due from customer	647,080	144,351
Tax receivables	3,927	-
Total other non-financial assets	<u>3,079,842</u>	<u>3,559,246</u>
Total other assets	<u>32,772,381</u>	<u>4,466,518</u>

(*) Amounts due from related parties are given for the purpose of short-term financing needs of the related parties. It is unsecured, with interest of 26.4% per annum and are due upon demand.

Netcapital Finance Corporation NBFI LLC
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9. Premises and equipment

Changes in premises and equipment are as follows:

<i>(In thousands of MNT)</i>	Buildings	Vehicles	Computers and IT equipment	Furniture and fixtures	Lease improvement	Total
Cost/valuation:						
Balance as at 1 January 2024	2,976,895	1,696,487	1,059,081	706,125	48,285	6,486,873
Additions	235,713	-	682,734	607,423	324,634	1,850,504
Disposals	-	-	-	-	-	-
Balance as at 31 December 2024	3,212,608	1,696,487	1,741,815	1,313,548	372,919	8,337,377
Additions	1,042,798	1,042,798	640,863	261,412	-	1,945,073
Disposals	(1,146,871)	-	-	-	-	(1,146,871)
Write-off	-	-	-	-	(176,885)	(176,885)
Revaluations	3,201,020	-	-	-	-	3,201,020
Balance as at 31 December 2025	5,266,757	2,739,285	2,382,678	1,574,960	196,034	12,159,714
Accumulated depreciation:						
Balance as at 1 January 2024	676,188	537,467	743,587	282,450	28,305	2,267,997
Depreciation charge for the year	119,076	169,649	395,670	93,706	19,980	798,081
Balance as at 31 December 2024	795,264	707,116	1,139,257	376,156	48,285	3,066,078
Depreciation charge	350,479	210,130	464,920	89,480	48,285	1,163,294
Revaluations	(972,629)	-	-	-	-	(972,629)
Disposals	(23,493)	-	-	-	-	(23,493)
Balance as at 31 December 2025	149,621	917,246	1,604,177	465,636	96,570	3,233,250
Carrying amounts:						
At 31 December 2024	2,417,344	989,371	602,558	937,392	324,634	5,271,299
At 31 December 2025	5,117,136	1,822,039	778,501	1,109,324	99,464	8,926,464

9. Premises and equipment, continued

At 31 December 2025, the carrying amount of buildings would have been MNT 1,849,454 thousands (2024: MNT 2,417,344 thousands) had the assets been carried at cost less depreciation.

Buildings have been revalued at fair value as of 30 June 2025. The valuation was carried out by an independent firm of appraisers, who hold a recognised and relevant professional qualification and who have recent experience in the valuation of assets in similar locations and in a similar category.

The basis used for the appraisal was market value of the similar premises located in the Ulaanbaatar. In 2025, the Company recognized fair value of premises of MNT 4,173,650 thousand through other comprehensive income.

As of 31 December 2024, buildings with a total carrying amount of MNT 1,075,800 thousand and vehicle with a total carrying amount of MNT 177,400 were pledged as security for borrowings (Note 13.2).

10. Intangible assets

(In thousands of MNT)

	<u>Software</u>	<u>Total</u>
Cost:		
Balance as at 1 January 2024	556,950	556,950
Additions	108,260	108,260
Balance as at 31 December 2024	665,210	665,210
Additions	141,188	141,188
Balance as at 31 December 2025	806,398	806,398
Accumulated amortisation:		
Balance as at 1 January 2024	357,061	357,061
Amortisation charge for the year	42,854	42,854
Balance as at 31 December 2024	399,915	399,915
Amortisation charge for the year	42,854	42,854
Balance as at 31 December 2025	442,769	442,769
Carrying amount:		
At 31 December 2024	265,295	265,295
At 31 December 2025	363,629	363,629

11. Right-of-use assets and financial lease liabilities

The Company leases offices for its operations. Rental contracts are typically made for fixed periods of 1 year to 2 years.

11.1 Right-of-use assets

<i>(In thousands of MNT)</i>	<u>31 Dec 2025</u>	<u>31 Dec 2024</u>
Cost:		
Balance as at 1 January	1,851,174	234,819
Additions	166,073	1,616,355
Disposals	(533,268)	-
Balance as at 31 December	<u>1,483,979</u>	<u>1,851,174</u>
Accumulated depreciation:		
Balance as at 1 January	533,268	133,604
Depreciation charge for the year	605,689	399,664
Disposals	(533,268)	-
Balance as at 31 December	<u>605,689</u>	<u>533,268</u>
Carrying amount:	<u>878,290</u>	<u>1,317,906</u>

11.2 Financial lease liabilities

<i>(In thousands of MNT)</i>	<u>31 Dec 2025</u>	<u>31 Dec 2024</u>
Within one year	842,239	733,663
More than one year but not more than two years	266,566	1,127,325
Gross Total	<u>1,108,805</u>	<u>1,860,988</u>
Less: unearned interest	(168,707)	(406,588)
Net total	<u>940,098</u>	<u>1,454,400</u>

Amounts recognized in profit or loss

<i>(In thousands of MNT)</i>	<u>2025</u>	<u>2024</u>
Interest on financial lease liabilities (Note 19)	198,459	208,745
Expenses relating to short-term leases (Note 21)	585,322	923,248
	<u>783,781</u>	<u>1,131,993</u>

Amounts recognized in statement of cash flows

<i>(In thousands of MNT)</i>	<u>2025</u>	<u>2024</u>
Cash outflows for leases	680,375	284,862

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12. Investment in subsidiary

<i>(In thousands of MNT)</i>	<u>31 Dec 2025</u>	<u>31 Dec 2024</u>
Netcapital ABS SPC LLC	350,000	-
	<u>350,000</u>	<u>-</u>

In April 2025, the Company established a wholly owned subsidiary, Netcapital ABS SPC LLC, for a cash consideration of MNT 350,000 thousand. The subsidiary was formed as a special purpose company for the issuance of asset-backed securities in accordance with the regulations of the Financial Regulatory Commission.

13. Borrowings

<i>(In thousands of MNT)</i>	<u>31 Dec 2025</u>	<u>31 Dec 2024</u>
Borrowings from foreign financial institution	50,844,483	30,782,250
Borrowings from local financial institution	2,307,648	56,792,406
Borrowings under projects	1,050	-
	<u>53,153,181</u>	<u>87,574,656</u>
Borrowings accrued interest payable	1,362,141	504,805
	<u>54,515,322</u>	<u>88,079,461</u>

Netcapital Finance Corporation NBFI LLC
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13. Borrowings, continued
13.1 Terms and conditions of outstanding borrowings:

As at 31 December 2025:

<i>(In thousands of MNT)</i>	Note	Currency	Disbursement date	Maturity date	Interest rate	Carrying amount
	(a)	USD	2/1/2024	2/1/2027	13.00%	12,404,207
	(b)	USD	4/1/2024	4/1/2027	13.00%	12,448,310
	(c)	USD	8/1/2024	8/1/2027	13.00%	7,113,320
	(d)	SGD	9/22/2025	10/1/2028	13.00%	2,594,707
	(e)	USD	9/22/2025	10/1/2028	13.00%	1,680,728
	(f)	SGD	11/4/2025	11/1/2028	13.00%	3,834,831
		USD	8/8/2025	8/9/2027	17.80%	10,768,380
	(g)	MNT	2/29/2024	9/28/2026	22.00%	617,002
	(h)	MNT	3/14/2024	10/13/2026	22.00%	1,160,322
	(i)	MNT	6/26/2024	1/25/2027	22.50%	530,324
	Mongolian Sustainable Finance Association LLC	MNT	10/14/2024	9/20/2027	8.00%	1,050
						53,153,181

Netcapital Finance Corporation NBFI LLC
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13. Borrowings, continued

13.1 Terms and conditions of outstanding borrowings, continued:

As at 31 December 2024:

<i>(In thousands of MNT)</i>	Note	Currency	Disbursement date	Maturity date	Interest rate	Carrying amount
Alt Income Investment NC1 PTE. LTD	(a)	USD	2/1/2024	2/1/2027	13.00%	11,970,875
Alt Income Investment NC1 PTE. LTD	(b)	USD	4/1/2024	4/1/2027	13.00%	11,970,875
Alt Income Investment NC1 PTE. LTD	(c)	USD	8/1/2024	8/1/2027	13.00%	6,840,500
Arig Bank LLC	(j)	MNT	6/4/2024	6/4/2026	19.20%	1,900,000
Ashid Capital NBFI LLC	(k)	MNT	6/29/2023	3/31/2025	24.00%	1,054,584
Ashid Capital NBFI LLC	(l)	MNT	5/16/2024	5/16/2025	22.00%	2,500,000
Bogd Bank JSC	(m)	MNT	4/17/2024	4/17/2026	22.80%	1,928,393
Bogd Bank JSC	(n)	MNT	12/23/2024	1/3/2025	8.10%	4,273,100
Bogd Bank JSC	(n)	MNT	12/30/2024	1/3/2025	8.10%	5,985,000
Bogd Bank JSC	(n)	MNT	12/31/2024	1/3/2025	10.10%	1,000,000
Bogd Bank JSC	(n)	MNT	12/31/2024	1/3/2025	8.10%	4,000,000
Bogd Bank JSC	(g)	MNT	2/29/2024	9/28/2026	22.00%	1,546,789
Bogd Bank JSC	(h)	MNT	3/14/2024	10/13/2026	22.00%	2,387,391
Bogd Bank JSC	(i)	MNT	6/26/2024	1/25/2027	22.50%	2,436,377
Bogd Bank JSC		MNT	11/28/2022	6/27/2025	24.00%	34,810
Bogd Bank JSC	(o)	MNT	3/24/2023	10/23/2025	25.00%	475,328
Bogd Bank JSC	(p)	MNT	4/17/2023	11/16/2025	25.00%	628,535
Bogd Bank JSC	(q)	MNT	5/30/2023	12/29/2025	25.00%	167,720

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13. Borrowings, continued

13.1 Terms and conditions of outstanding borrowings, continued:

As at 31 December 2024:

(In thousands of MNT)	Note	Currency	Disbursement date	Maturity date	Interest rate	Principal balance
Golomt Bank JSC	(r)	MNT	12/16/2024	1/16/2025	14.00%	645,000
Golomt Bank JSC	(s)	MNT	3/24/2021	3/24/2026	15.0%	74,477
M Bank Closed JSC	(t)	MNT	2/5/2024	2/5/2026	22.20%	4,999,902
M Bank Closed JSC	(u)	MNT	12/16/2024	12/16/2025	20.00%	7,500,000
M Bank Closed JSC	(v)	MNT	12/20/2024	1/3/2025	14.60%	2,700,000
Khan Bank JSC	(w)	MNT	6/11/2024	6/11/2026	18.60%	3,000,000
TDB JSC	(x)	MNT	12/13/2024	1/11/2025	13.40%	3,555,000
TDB JSC	(y)	MNT	6/11/2024	9/6/2025	21.60%	4,000,000
						87,574,656

13. Borrowings, continued

13.2.1 Summary of borrowings arrangements for 2025:

- (a) The borrowing is collateralised by the Company's loan portfolio with carrying amount equivalent to USD 4,117.6 thousands.
- (b) The borrowing is collateralised by the Company's loan portfolio with carrying amount equivalent to USD 4,117.6 thousands.
- (c) The borrowing is collateralised by the Company's loan portfolio with carrying amount equivalent to USD 2,352.9 thousands.
- (d) The borrowing is collateralised by the Company's loan portfolio with carrying amount equivalent to SGD 1,176.5 thousands.
- (e) The borrowing is collateralised by the Company's loan portfolio with carrying amount equivalent to USD 588,235.2 thousands.
- (f) The borrowing is collateralised by the Company's loan portfolio with carrying amount equivalent to SGD 1,764.7 thousands.
- (g) The borrowing is collateralised by the Company's loan portfolio with carrying amount equivalent to MNT 4,750,509 thousands.
- (h) The borrowing is collateralised by the Company's loan portfolio with carrying amount equivalent to MNT 5,344,471 thousands.
- (i) The borrowing is collateralised by the Company's loan portfolio with carrying amount equivalent to MNT 4,705,278 thousands.

13. Borrowings, continued

13.2.2 Summary of borrowings arrangements for 2024:

- (a) The borrowing is collateralised by the Company's loan portfolio with carrying amount equivalent to USD 4,117.6 thousands.
- (b) The borrowing is collateralised by the Company's loan portfolio with carrying amount equivalent to USD 4,117.6 thousands.
- (c) The borrowing is collateralised by the Company's loan portfolio with carrying amount equivalent to USD 2,352.9 thousands.
- (g) The borrowing is collateralised by the Company's loan portfolio with carrying amount equivalent to MNT 4,750,509 thousands.
- (h) The borrowing is collateralised by the Company's loan portfolio with carrying amount equivalent to MNT 5,344,471 thousands.
- (i) The borrowing is collateralised by the Company's loan portfolio with carrying amount equivalent to MNT 4,705,278 thousands.
- (j) The borrowing is collateralised by the Company's building with carrying amount of MNT 610,130 thousands and loan portfolio with carrying amount of MNT 3,000,000 thousands.
- (k) The borrowing is collateralised by the Company's loan portfolio with carrying amount equivalent to MNT 5,062,787 thousands.
- (l) The borrowing is collateralised by the Company's loan portfolio with carrying amount equivalent to MNT 5,000,885 thousands.
- (m) The borrowing is collateralised by the Company's loan portfolio with carrying amount equivalent to MNT 2,500,000 thousands.
- (n) The borrowing is collateralised by the Company's time deposit account with carrying amount equivalent to MNT 21,699,061 thousands.
- (o) The borrowing is collateralised by the Company's loan portfolio with carrying amount equivalent to MNT 7,854,338 thousands.
- (p) The borrowing is collateralised by the Company's loan portfolio with carrying amount equivalent to MNT 5,707,533 thousands.
- (q) The borrowing is collateralised by the Company's loan portfolio with carrying amount equivalent to MNT 1,686,548 thousands.
- (r) The borrowing is collateralised by the Company's time deposit account with carrying amount equivalent to MNT 7,000,000 thousands.
- (s) The borrowing is collateralized by the Company's vehicle with carrying amount of MNT 177,400 thousands.
- (t) The borrowing is collateralised by the Company's loan portfolio with carrying amount equivalent to MNT 2,500,000 thousands and by the Company's building with carrying amount of MNT 166,070 thousand.
- (u) The borrowing is collateralised by the Company's time deposit account with carrying amount equivalent to MNT 7,500,000 thousands.
- (v) The borrowing is collateralised by the Company's time deposit account with carrying amount equivalent to MNT 3,000,000 thousands.
- (w) The borrowing is collateralized by the Company's building with carrying amount of MNT 256,600 thousands.
- (x) The borrowing is collateralised by the Company's time deposit account with carrying amount equivalent to MNT 4,000,000 thousands.
- (y) The borrowing is collateralized by the Company's building with carrying amount of MNT 43,000 thousands.

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14. Trust service payables

<i>(In thousands of MNT)</i>	<u>31 Dec 2025</u>	<u>31 Dec 2024</u>
Trust service payables	86,219,804	43,404,939
Trust service payables to related party (Note 25)	808,556	-
	<u>87,028,360</u>	<u>43,404,939</u>
Accrued interest payables	3,789,132	2,666,156
	<u>90,817,492</u>	<u>46,071,095</u>

All of the funds received under trust service as at 31 December 2025 were received in cash. In all of the trust service agreements made with the owners of assets invested, the Company has agreed to manage the received funds by investing in the lending activities of the Company and the investor's net return on the investment and payment dates of invested amount increased by net return to investor are fixed.

The trust service payables as at 31 December 2025 have fixed net return with quarterly, semi-annual and annual coupon interest payment at a range of 14%-22% (2024: 14.5%-23%) per annum with maturity date range for 12 months to 24 months. The return accrued and subsequently paid on the agreed date is disclosed as part of interest expense. Trust service payables are not collateralised. The maturity analysis of the trust service liabilities are presented in Note 30.

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15. Bond payable

<i>(In thousands of MNT)</i>	<u>31 Dec 2025</u>	<u>31 Dec 2024</u>
Bond payable	17,100,000	23,933,325
	17,100,000	23,933,325
Accrued interest payable	1,080,827	1,164,432
	18,180,827	25,097,757

15.1 Terms and conditions of bond payable:

As at 31 December 2025:

<i>(In thousands of MNT)</i>	<u>Currency</u>	<u>Disburse- ment date</u>	<u>Maturity date</u>	<u>Interest rate</u>	<u>Principal balance</u>
NC bond 5.1	MNT	2/20/2025	2/20/2026	19.50%	5,000,000
NC bond 5.2	MNT	2/20/2025	2/20/2026	18.50%	2,000,000
NC bond 6.1	MNT	4/25/2025	4/25/2026	18.50%	4,000,000
NC bond 6.2	MNT	6/5/2025	6/5/2026	19.50%	1,100,000
NC bond 7.1	MNT	12/15/2025	12/15/2026	19.00%	5,000,000
					17,100,000

As at 31 December 2024:

<i>(In thousands of MNT)</i>	<u>Currency</u>	<u>Disburse- ment date</u>	<u>Maturity date</u>	<u>Interest rate</u>	<u>Principal balance</u>
NC bond 1	MNT	1/22/2024	1/22/2025	19.00%	6,983,840
NC bond 2	MNT	2/21/2024	2/21/2025	19.00%	4,988,981
NC bond 3	MNT	4/5/2024	4/5/2025	19.00%	2,991,167
NC bond 4	MNT	8/8/2024	8/8/2025	20.50%	8,969,337
					23,933,325

In 2024, the Company has pledged 1,400,000 ordinary shares as collateral for the NC 1 and NC 3 bond program and 776,100 ordinary shares as collateral for the NC 4 bond program.

In 2025, the Company has pledged 1,076,746 ordinary shares as collateral for the NC 5.1 and NC 5.2 bond program and 1,211,656 ordinary shares as collateral for the NC 7.1 bond program.

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16. Other liabilities

<i>(In thousands of MNT)</i>	<u>31 Dec 2025</u>	<u>31 Dec 2024</u>
Other financial liabilities		
Amounts due to related parties (Note 25)	1,485,216	42,112,775
Financing received from subsidiary* (Note 25)	21,791,090	-
Insurance payables	486,513	483,822
Liabilities for settlements	3,293,015	2,478,131
Amounts due to entities	118,441	164,246
Amounts due to individuals	227,422	227,422
Amounts due to customers	1,449,199	536,418
Others	866,183	1,304,825
Total other financial liabilities	<u>29,717,079</u>	<u>47,307,639</u>
Other non-financial liabilities		
Deferred loan origination fees	1,429,298	1,711,354
Payables to employees	264,434	222,240
Tax payables other than on income	2,665,455	1,990,096
Total other non-financial liabilities	<u>4,359,187</u>	<u>3,923,690</u>
Total other liabilities	<u>34,076,266</u>	<u>51,231,329</u>

(*) In June 2025, the Company established a wholly-owned special purpose company ("SPC") for the purpose of issuing asset-backed securities ("ABS") with 20% interest rate per annum for 24 months period. Upon successful issuance of the ABS, the subsidiary transferred the proceeds from the issuance to the Company. The ABS is collateralised by the Company's loan portfolio with carrying amount equivalent to MNT 21,791,090 thousands.

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17. Share capital

	Number of ordinary shares		Share capital	
	2025	2024	2025 MNT'000	2024 MNT'000
At 1 January	7,178,309	3,500,000	7,178,309	3,500,000
New shares issued	48,759,358	3,678,309	48,759,358	3,678,309
At 31 December	55,937,667	7,178,309	55,937,667	7,178,309

As at 31 December 2025, the Company's registered share capital consists of entirely common stocks of 55,937,667 shares (2024: 7,178,309 shares) with a par value of MNT 1,000 per share.

The shareholders of the Company as at 31 December 2025 and 31 December 2024 and the percentages of ownership are as follows:

	31 Dec 2025		31 Dec 2024	
	Number of ordinary shares	Ownership	Number of ordinary shares	Ownership
Netcapital Financial Group LLC	3,500,000	6.26%	3,500,000	48.76%
Netcapital SBD LLC	3,529,235	6.30%	1,652,899	23.03%
Netcapital SHD LLC	3,331,438	5.96%	426,463	5.94%
Netcapital BZD LLC	3,485,509	6.23%	1,598,947	22.27%
Netcapital Mobile BZG LLC	14,091,485	25.19%	-	-
Netcapital Auto BZG LLC	28,000,000	50.06%	-	-
	55,937,667	100%	7,178,309	100%

17.1 Revaluation reserve

(In thousands of MNT)	2025	2024
Beginning balance	-	-
Revaluation of premises and equipment	4,173,650	-
Realised revaluation reserve	(774,659)	-
Tax impact on premises and equipment	(834,491)	-
Ending balance	2,564,500	-

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18. Interest income

Interest income from financial assets:

<i>(In thousands of MNT)</i>	<u>2025</u>	<u>2024</u>
Cash at banks	241,151	1,021,428
Loans and advances	91,090,655	73,986,614
Interest income on loans provided to related parties (Note 25)	2,292,405	105,833
Other interest income	-	43,532
Reversal of interest income	(15,562)	(28,364)
	<u>93,608,649</u>	<u>75,129,043</u>

19. Interest expense

<i>(In thousands of MNT)</i>	<u>2025</u>	<u>2024</u>
Trust service	9,810,163	7,780,968
Borrowings	10,360,460	10,564,952
Bond payables	3,358,329	3,831,620
Interest expense on lease liabilities (Note 11)	198,459	208,745
Interest expense on loans from related parties (Note 25)	5,500,490	2,470,850
Interest expense on swap trading	1,138,794	-
	<u>30,366,695</u>	<u>24,857,135</u>

20. Fee and commission expense

<i>(In thousands of MNT)</i>	<u>2025</u>	<u>2024</u>
Fee and commission expense:		
Bank charges	(363,006)	(99,105)
Total fee and commission expense	<u>(363,006)</u>	<u>(99,105)</u>

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21. Operating expenses

<i>(In thousands of MNT)</i>	<u>2025</u>	<u>2024</u>
Personnel expense	18,375,258	14,556,294
Professional service fee	2,241,190	1,040,564
Depreciation expense	1,768,983	1,197,747
Fuel expense	1,102,858	979,361
Marketing and advertisement expense	1,058,951	1,094,728
Repair expense	671,605	289,344
Rent expense	585,322	923,248
Communication expense	536,682	461,913
Supply material	416,610	652,778
Stationary expense	250,121	318,316
Business trip	205,332	362,001
Automation expense	188,711	112,961
Utility expense	153,987	205,875
Collection expense	153,485	89,389
Property tax	82,340	-
Amortisation expense	42,854	42,854
Training expense	38,283	217,354
Other	302,692	452,918
	<u>28,175,264</u>	<u>22,997,645</u>

21.1 Personnel expense

<i>(In thousands of MNT)</i>	<u>2025</u>	<u>2024</u>
Salaries, wages and bonus	16,358,552	12,961,834
Staff benefits	22,251	11,084
Contribution to social and health	1,994,455	1,583,376
	<u>18,375,258</u>	<u>14,556,294</u>

22. Impairment losses on loans and advances

<i>(In thousands of MNT)</i>	<u>2025</u>	<u>2024</u>
Loans and advances (Note 6)	9,600,172	4,378,575
	<u>9,600,172</u>	<u>4,378,575</u>

23. Non-operating expenses

<i>(In thousands of MNT)</i>	<u>2025</u>	<u>2024</u>
Other	1,282,412	1,179,075
Loss on disposal of premises and equipment	73,379	-
	<u>1,355,791</u>	<u>1,179,075</u>

24. Income tax

24.1 Income tax (receivables)/payables

<i>(In thousands of MNT)</i>	<u>31 Dec 2025</u>	<u>31 Dec 2024</u>
Income tax receivables	(260,026)	-
Income tax payables	-	2,739,679
	<u>(260,026)</u>	<u>2,739,679</u>

<i>(In thousands of MNT)</i>	<u>2025</u>	<u>2024</u>
Income tax payable as at 1 January	2,739,679	2,270,729
Current income tax expense	4,627,835	4,133,304
Current income tax paid	(7,627,540)	(3,664,354)
Income tax (receivables)/payable as at 31 December	<u>(260,026)</u>	<u>2,739,679</u>

24.2 Income tax expense

Income tax expense consists of the following:

<i>(In thousands of MNT)</i>	<u>2025</u>	<u>2024</u>
Current income tax expense	5,285,635	4,533,304
Deferred tax (benefit)/ expense	(149,296)	372,028
Tax incentives	(657,800)	(400,000)
Income tax expense for the year	<u>4,478,539</u>	<u>4,505,332</u>

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

<i>(In thousands of MNT)</i>	<u>2025</u>	<u>2024</u>
Profit before income tax	23,177,959	20,592,639
Income tax expense at statutory income tax rate (*)	5,794,490	5,148,160
Effect of income tax subject to lower tax rate	(900,000)	(900,000)
Effect of income not subject to tax	(251,934)	(288,177)
Effect of expenses not deductible for tax purposes	469,668	843,206
Effect of tax incentive	(657,800)	(400,000)
Tax under special tax rate	24,115	102,143
	<u>4,478,539</u>	<u>4,505,332</u>

(*) According to Mongolian Tax Laws, 10% tax rate is applied for taxable profits up to MNT 6 billion and 25% on the portion of taxable profits above MNT 6 billion.

24. Income tax, continued

24.3 Deferred tax

The tax effect of the movements in these temporary differences in 2025 is detailed below and is recorded at the rate of 25%:

<i>(In thousands of MNT)</i>	<u>Opening balance</u>	<u>Recognised in profit or loss</u>	<u>Recognised in OCI</u>	<u>Closing balance</u>
Loans and advances - interest income on loans overdue more than 90 days	(784,909)	245,499	-	(539,410)
Fair value changes of derivative financial instruments	(20,280)	119,147	-	98,867
Unrealised foreign exchange differences on financial liabilities	77,595	244,470	-	322,065
Amortisation on borrowings	354,708	(467,115)	-	(112,407)
Loan origination fee-prepaid income	(121,929)	56,495	-	(65,434)
Other	49,200	(49,200)	-	-
Revaluation reserve for buildings	-	-	(774,659)	(774,659)
Net deferred tax liability	<u>(445,615)</u>	<u>149,296</u>	<u>(774,659)</u>	<u>(1,070,978)</u>

The tax effect of the movements in these temporary differences in 2024 is detailed below and is recorded at the rate of 25%:

<i>(In thousands of MNT)</i>	<u>Opening balance</u>	<u>Recognised in profit or loss</u>	<u>Recognised in OCI</u>	<u>Closing balance</u>
Loans and advances - interest income on loans overdue more than 90 days	(73,587)	(711,322)	-	(784,909)
Fair value changes of derivative financial instruments	-	(20,280)	-	(20,280)
Unrealised foreign exchange differences on financial liabilities	-	77,595	-	77,595
Amortisation on borrowings	-	354,708	-	354,708
Loan origination fee-prepaid income	-	(121,929)	-	(121,929)
Other	-	49,200	-	49,200
Net deferred tax liability	<u>(73,587)</u>	<u>(372,028)</u>	<u>-</u>	<u>(445,615)</u>

25. Significant related party transactions

25.1 Identify related parties

The Company has related party transactions with:

- (i) Its ultimate controlling party;
- (ii) Its related companies;
- (iii) Its directors and executive officers;

As at 31 December 2025, the main related parties to the Company are as follows:

Name of party	Relationship
a. Ultimate shareholder	Javzandulam.S
b. Entities under common control	Entities under common control are other companies the ultimate shareholder has control or significant influence
c. Key management personnel	Executive management and Board of Directors

A number of Company transactions are entered into with related parties during the normal course of business. These include loans, trust service and professional service fees.

25.2 Transactions with related parties

Particulars of significant transactions between the Company and the above related parties during the 2025:

<i>(In thousands of MNT)</i>	Shareholder	Entities under common control	Subsidiary	Total
New shares issued	48,759,358	-	-	48,759,358
Interest income	1,020,450	1,271,955	-	2,292,405
Interest expense	82,086	1,262,699	4,278,829	5,623,614
Professional service fee	-	415,000	-	415,000

Particulars of significant transactions between the Company and the above related parties during the 2024:

<i>(In thousands of MNT)</i>	Shareholder	Entities under common control	Subsidiary	Total
New shares issued	3,678,309	-	-	3,678,309
Interest income	-	105,833	-	105,833
Interest expense	-	1,567,098	-	1,567,098

Terms and conditions of transactions with related parties

The above mentioned transactions and outstanding balances arose in the ordinary course of business. The interest charged to and by related parties are at normal commercial rates.

25. Significant related party transactions, continued

25.3 Outstanding balances with related parties

Outstanding balances with related parties as of 31 December 2025 are shown in below table:

<i>(In thousands of MNT)</i>	<u>Shareholder</u>	<u>Entities under common control</u>	<u>Subsidiary</u>	<u>Total</u>
Loans and advances	5,211,855	-	-	5,211,855
Amounts due from related parties	23,071,169	4,218,085	-	27,289,254
Amounts due to related parties	1,485,216	-	21,791,090	23,276,306
Trust payables	482,093	326,463	-	808,556

Outstanding balances with related parties as of 31 December 2024 are shown in below table:

<i>(In thousands of MNT)</i>	<u>Shareholder</u>	<u>Entities under common control</u>	<u>Subsidiary</u>	<u>Total</u>
Amounts due to related party	-	42,112,775	-	42,112,775

25.4 Transactions with key management personnel

Key management personnel compensation comprised:

<i>(In thousands of MNT)</i>	<u>2025</u>	<u>2024</u>
Wages and salaries	247,975	307,615
Compulsory social security contributions	29,757	38,452
	<u>277,732</u>	<u>346,067</u>

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26. Reconciliation of liabilities arising from financing activities

The table below sets out an analysis of the Company's debt and movements for each of the periods presented.

<i>(In thousands of MINT)</i>	Borrowings	Bond payable	Trust service payable	Lease liabilities	Total
Liabilities from financing activities at 1 January 2025	88,079,461	25,097,757	46,071,095	1,454,400	160,702,713
Cash transactions:					
Cash inflows	312,674,851	17,100,000	111,178,840	-	440,953,691
Cash outflows	(347,756,990)	(23,933,325)	(67,577,245)	(680,375)	(439,947,935)
Interest paid	(9,522,790)	(3,441,934)	(8,687,187)	(198,459)	(21,850,370)
	43,474,532	14,822,498	80,985,503	575,566	139,858,099
Non-cash transactions:					
New leases	-	-	-	166,073	166,073
Interest accrued	10,360,460	3,358,329	9,810,163	198,459	23,727,411
Amortisation on transaction cost	(484,530)	-	-	-	(484,530)
Foreign exchange adjustment	1,164,860	-	21,826	-	1,186,686
	54,515,322	18,180,827	90,817,492	940,098	164,453,739
Liabilities from financing activities at 31 December 2025					

26. Reconciliation of liabilities arising from financing activities, continued

<i>(In thousands of MNT)</i>	Borrowings	Bond payable	Trust service payable	Lease liabilities	Total
Liabilities from financing activities at 1 January 2024	29,706,887	10,929,258	31,579,878	122,907	72,338,930
Cash transactions:					
Cash inflows	177,811,975	24,000,000	57,977,116	-	259,789,091
Cash outflows	(119,202,057)	(10,176,640)	(44,447,479)	(284,862)	(174,111,038)
Interest paid	(11,706,048)	(3,419,806)	(6,819,388)	(208,745)	(22,153,987)
	76,610,757	21,332,812	38,290,127	(370,700)	135,862,996
Non-cash transactions:					
New leases	-	-	-	1,616,355	1,616,355
Interest accrued	11,468,704	3,831,620	7,780,968	208,745	23,290,037
Amortisation on transaction cost	-	(66,675)	-	-	(66,675)
Liabilities from financing activities at 31 December 2024	88,079,461	25,097,757	46,071,095	1,454,400	160,702,713

27. Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Company's business.

The Company's exposure to these risks and the financial risk management policies and practices used by the Company to manage these risks are described below.

Risk management structure

The Company's risk management framework is based on COSO ERM principles and the three lines of defense model. Under this framework, the first line of defense comprises the business and supporting units that are responsible for identifying, assessing, managing and reporting risks arising from day-to-day operations. In respect of financial risks, the principal first line functions include branches, investment management and finance.

The second line of defense comprises the Risk Management Department and other control functions, which are responsible for establishing risk management policies and procedures, monitoring compliance with approved risk appetite and limits, providing oversight and independent challenge, and reporting material risk matters to management and relevant committees.

The third line of defense is Internal Audit, which provides independent assurance on the effectiveness of the Company's governance, risk management and internal control systems.

Management Committee

Management is responsible for promoting risk culture, implementing the approved risk management framework, ensuring that the Company operates within its approved risk appetite and risk limits, and allocating adequate financial, human and technological resources for effective risk management. Management also reviews risk reports on a regular basis and takes corrective actions where required.

Credit Committees (Branch level and Head Office level)

Credit Committees at branch and Head Office levels are part of the Company's credit risk governance framework. These committees review and approve credit proposals within their delegated authorities, ensure compliance with credit policies and underwriting standards, review collateral adequacy and customer repayment capacity, and monitor concentration and portfolio quality indicators. Escalation procedures apply for higher-risk or non-standard exposures.

Internal Audit

Internal Audit provides independent assurance over the adequacy and effectiveness of the Company's internal control, risk management and governance processes. Internal Audit reports to the Board or Audit committees and evaluates whether the risk management framework is operating as intended.

27. Financial risk management, continued

27.1 Credit risk

The Company exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Company's lending and other transactions with counterparties, giving rise to financial assets.

The Company's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position.

The maximum exposure to credit risk as follows:

<i>(In thousands of MNT)</i>	2025	2024
Cash and cash equivalents	17,073,781	39,088,249
Loans and advances	269,653,894	224,812,605
Investments	1,486,278	581,597
Other assets	29,692,539	907,272
Total maximum exposure to credit risk	317,906,492	265,389,723

ECL measurement

Significant increase in credit risk ("SICR")

The Company assesses whether there has been a significant increase in credit risk since initial recognition by comparing the risk of default at the reporting date with the risk of default at the date of initial recognition. The primary SICR trigger used by the Company is days past due. In line with IFRS 9, exposures more than 30 days past due are presumed to have experienced a significant increase in credit risk and are classified in Stage 2, unless there is reasonable and supportable evidence to rebut that presumption. The Company has determined that such presumption is not rebutted based on its historical portfolio behaviour.

In addition to delinquency status, the Company considers other reasonable and supportable indicators of credit deterioration where available, including persistent partial payments, short-term payment delays, restructuring or extension of contractual terms, breaches of contractual obligations and adverse borrower legal circumstances. These indicators supplement, but do not override, the Company's primary delinquency-based staging approach.

27. Financial risk management, continued

27.1 Credit risk, continued

Default definition

For ECL measurement purposes, a financial asset is considered to be in default when the borrower is unlikely to pay its credit obligations in full without recourse by the Company to actions such as the realisation of collateral, or when the exposure is more than 90 days past due. The Company's default definition is aligned with its internal credit risk management framework and is applied consistently across the loan portfolio. Qualitative indicators, including breach of contractual obligations and legal case status, are also considered where relevant.

Staging

The Company applies a three-stage approach for the measurement of expected credit losses.

Stage 1 includes exposures that have not experienced a significant increase in credit risk since initial recognition. These generally include exposures that are current or up to 30 days past due, and a 12-month ECL is recognised for such exposures.

Stage 2 includes exposures for which credit risk has increased significantly since initial recognition but which are not credit-impaired. These generally include exposures that are between 31 and 90 days past due, together with any other exposures identified through supplementary SICR indicators. Lifetime ECL is recognised for Stage 2 exposures.

Stage 3 includes credit-impaired exposures, generally including loans more than 90 days past due as well as loans subject to other indicators of impairment. Transfers between stages are recognised when credit risk deteriorates or improves relative to the date of initial recognition.

Level of ECL assessment

Expected credit losses are measured on collective basis only. The Company primarily assesses retail and homogeneous exposures collectively by grouping loans with similar credit risk characteristics. Segmentation is performed by product and risk characteristics, with the main segments comprising consumer loans, business loans, automotive loans and online loans.

Impairment assessment

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. The impairment assessment reflects reasonable and supportable information available without undue cost or effort, including historical credit loss experience, current portfolio conditions and forward-looking information. The Company's impairment framework is designed to reflect actual credit risk characteristics of its lending activities and to provide an unbiased and probability-weighted estimate of expected credit losses.

27. Financial risk management, continued

27.1 Credit risk, continued

The key principles of calculating the credit risk parameters

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

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 are calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL are calculated by multiplying the lifetime PD by LGD and EAD.

PD is estimated using a migration matrices approach based on historical movements between delinquency buckets. Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is calculated based on the 12-month PDs over the life of the instrument. The Company uses different statistical approaches depending on the segment and product type to calculate lifetime PDs, such as the extrapolation of 12-month PDs based on migration matrices, developing lifetime PD based on the historical default data.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default.

Forward-looking information incorporated in the ECL models

The Company incorporates forward-looking information into the measurement of ECL by considering relevant macroeconomic factors that may affect borrower repayment capacity and recovery outcomes. Such factors include, where relevant, GDP growth, inflation, unemployment and exchange rate movements. The Company applies forward-looking adjustments primarily through PD, as management has determined that the PD framework already captures long-run credit behaviour through historical transition analysis. The use of forward-looking information is based on reasonable and supportable data and reflects management judgement regarding the relevance and weighting of macroeconomic conditions for different portfolio segments.

27. Financial risk management, continued

27.1 Credit risk, continued

Loss allowance

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

(In thousands of MNT)

	2025			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances at amortised cost:				
Balance at 1 January	218,372,579	9,236,064	8,458,001	236,066,644
Transfer to Stage 1	856,278	(672,546)	(183,732)	-
Transfer to Stage 2	(13,577,624)	13,636,828	(59,204)	-
Transfer to Stage 3	(17,731,584)	(1,296,988)	19,028,572	-
New financial assets originated	491,658,036	-	-	491,658,036
Financial assets that have been derecognised	(402,149,243)	(6,385,123)	(3,436,813)	(411,971,179)
Write-offs	-	-	(352,558)	(352,558)
Accrued interest and others	(22,659,941)	(1,280,547)	(1,304,908)	(25,245,396)
At 31 December	254,768,501	13,237,688	22,149,358	290,155,547

(In thousands of MNT)

	2025			
	Stage 1	Stage 2	Stage 3	Total
Expected credit loss impairment:				
ECL at 1 January	5,511,984	309,845	5,432,210	11,254,039
Transfer to Stage 1	66,822	(15,899)	(50,923)	-
Transfer to Stage 2	(2,540,507)	2,561,753	(21,246)	-
Transfer to Stage 3	(7,696,929)	(81,683)	7,778,612	-
New financial assets originated	11,615,069	-	-	11,615,069
Financial assets that have been derecognised	(2,851,926)	(188,123)	(1,521,340)	(4,561,389)
Net remeasurement of loss allowance	(68,677)	454,478	2,160,691	2,546,492
Write-offs	-	-	(352,558)	(352,558)
At 31 December	4,035,836	3,040,371	13,425,446	20,501,653

27. Financial risk management, continued

27.1 Credit risk, continued

Loss allowance, continued

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

(In thousands of MNT)

	2024			Total
	Stage 1	Stage 2	Stage 3	
Loans and advances at amortised cost:				
Balance at 1 January	96,089,275	10,869,096	9,109,758	116,068,129
Transfer to Stage 1	7,002,720	(2,949,359)	(4,053,361)	-
Transfer to Stage 2	(9,476,661)	9,477,068	(407)	-
Transfer to Stage 3	(5,575,210)	(869,738)	6,444,948	-
New financial assets originated	354,783,758	-	-	354,783,758
Financial assets that have been derecognised	(214,853,913)	(7,036,334)	(3,170,322)	(225,060,569)
Accrued interest and others	(9,597,390)	(254,669)	127,385	(9,724,674)
At 31 December	218,372,579	9,236,064	8,458,001	236,066,644

(In thousands of MNT)

	2024			Total
	Stage 1	Stage 2	Stage 3	
Expected credit loss impairment:				
ECL at 1 January	969,109	552,294	5,354,061	6,875,464
Transfer to Stage 1	148,853	(148,853)	-	-
Transfer to Stage 2	(311,094)	370,713	(59,619)	-
Transfer to Stage 3	(6,088,853)	(309)	6,089,162	-
New financial assets originated	7,453,246	-	-	7,453,246
Financial assets that have been derecognised	(796,582)	(337,127)	(1,576,927)	(2,710,636)
Net remeasurement of loss allowance	(317,292)	(1,559)	(45,184)	(364,035)
At 31 December	1,057,387	435,159	9,761,493	11,254,039

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27. Financial risk management, continued

27.1 Credit risk, continued

Loss allowance, continued

Collateral and other credit enhancements

The amount and type of collateral required depends on the assessment of the credit risk of the borrower or counterparty and the type of loan granted. The Company's credit risk policy stipulates the eligible collaterals and loan acceptance to collateral value.

Description of collateral and credit enhancements held for loans to corporate and individual customers carried at amortised cost is as follows at 31 December 2025:

<i>(In thousands of MNT)</i>	<u>Digital loan</u>	<u>Auto loan</u>	<u>Business loan</u>	<u>Consumer loan</u>	<u>Total</u>
Loans and advances collateralised by:					
Vehicles	-	70,345,976	35,863,713	10,279,298	116,488,987
Inventories	18,236,278	-	12,937,924	-	31,174,202
Apartment	-	-	15,566,221	12,678,457	28,244,678
Future income and receivable	-	-	35,913	8,362,989	8,398,902
Land	-	-	1,857,490	5,942,047	7,799,537
Immovable property	-	-	5,304,426	1,328,543	6,632,969
Debt instruments and cash deposits	17,900	-	-	1,418,925	1,436,825
Parking lot	-	-	110,165	540,151	650,316
Other assets	38,729	-	3,027	599,510	641,266
Total	18,292,907	70,345,976	71,678,879	41,149,920	201,467,682
Unsecured exposures	79,824,165	6,163,532	2,106,609	593,559	88,687,865
Total gross carrying amount	98,117,072	76,509,508	73,785,488	41,743,479	290,155,547

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27. Financial risk management, continued

27.1 Credit risk, continued

Loss allowance, continued

Collateral and other credit enhancements

Description of collateral and credit enhancements held for loans to corporate and individual customers carried at amortised cost is as follows at 31 December 2024:

<i>(In thousands of MNT)</i>	Digital loan	Auto loan	Business loan	Consumer loan	Total
Loans and advances collateralised by:					
Vehicles	-	91,908,686	524,391	8,830,888	101,263,965
Inventories	18,402,856	-	476,097	2,292	18,881,245
Apartment	-	-	6,436,296	11,945,097	18,381,393
Future income and receivable	450	-	15,325	11,354,989	11,370,764
Land	-	-	356,139	5,126,505	5,482,644
Immovable property	-	-	138,266	825,738	964,004
Debt instruments and cash deposits	-	-	-	951,058	951,058
Parking lot	-	-	45,009	285,109	330,118
Other assets	51,787	-	100,000	1,800,685	1,952,472
Total	18,455,093	91,908,686	8,091,523	41,122,361	159,577,663
Unsecured exposures	37,671,638	32,312,108	858,352	5,646,883	76,488,981
Total gross carrying amount	56,126,731	124,220,794	8,949,875	46,769,244	236,066,644

27. Financial risk management, continued

27.1 Credit risk, continued

Loss allowance, continued

The extent to which collateral and other credit enhancements mitigate credit risk for financial assets carried at amortised cost that are credit impaired, is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

The effect of collateral on credit impaired assets as at 31 December 2025 is as follows:

<i>(In thousands of MNT)</i>	2025			
	Over-collateralised asset		Under-collateralised assets	
	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral
<i>Credit impaired assets:</i>				
Digital loan	3,123,307	4,699,846	13,763,767	2,805,365
Auto loan	1,915,403	3,390,300	22,960	-
Business loan	1,011,147	1,556,870	195,986	186,390
Consumer loan	1,772,022	4,886,802	344,766	179,300
At 31 December	7,821,879	14,533,818	14,327,479	3,171,055

The effect of collateral on credit impaired assets as at 31 December 2024 is as follows:

<i>(In thousands of MNT)</i>	2024			
	Over-collateralised asset		Under-collateralised assets	
	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral
<i>Credit impaired assets:</i>				
Digital loan	1,917,275	3,065,419	3,667,045	1,967,444
Auto loan	380,951	683,500	1,505,425	-
Business loan	166,837	300,000	33,713	-
Consumer loan	501,893	2,153,903	284,862	24,000
At 31 December	2,966,956	6,202,822	5,491,045	1,991,444

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27. Financial risk management, continued

27.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company closely monitors cash flow requirements and optimises its cash return. The Company prepares cash flow forecasts and ensures it has sufficient cash for the servicing of operational, financial, and capital obligations.

The table below summarizes the maturity profile of the Company's financial assets and liabilities as of 31 December 2025, based on contractual undiscounted cash flows.

	Less than 1 month	From 3 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total contractual undiscounted cash flow	Carrying amount
<i>(In thousands of MNT)</i>							
Financial assets							
Cash and cash equivalents	17,075,807	-	-	-	-	17,075,807	17,073,781
Investments	17,340	86,122	104,617	1,705,339	-	1,913,418	1,486,278
Loans and advances	16,205,385	103,195,870	59,409,422	259,024,878	980,411	438,815,966	269,653,894
Other financial assets	29,692,539	-	-	-	-	29,692,539	29,692,539
Derivative financial asset	(229,657)	(216,817)	(431,653)	1,171,543	-	293,416	293,416
	62,761,414	103,065,175	59,082,386	261,901,760	980,411	487,791,146	318,199,908
Financial liabilities							
Borrowings	2,003,814	3,186,974	5,559,460	56,127,213	-	66,877,461	54,515,322
Bond payable	1,351,619	17,817,118	5,438,056	-	-	24,606,793	18,180,827
Trust service payables	30,640,734	35,331,456	49,033,612	-	-	115,005,802	90,817,492
Financial lease liabilities	195,294	185,585	371,170	356,756	-	1,108,805	940,098
Other financial liabilities	7,925,989	-	-	21,791,090	-	29,717,079	29,717,079
Derivative financial liabilities	376,008	356,065	707,329	(621,975)	-	817,427	817,427
	42,493,458	56,877,198	61,109,627	77,653,084	-	238,133,367	194,988,245
Net gap	20,267,95	46,187,977	(2,027,241)	184,248,676	980,411	249,657,779	123,211,663

Netcapital Finance Corporation NBF1 LLC
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27. Financial risk management, continued

27.2 Liquidity risk, continued

The table below summarizes the maturity profile of the Company's financial assets and liabilities as of 31 December 2024, based on contractual undiscounted cash flows.

<i>(In thousands of MNT)</i>	Less than 1 month	From 3 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total contractual undiscounted cash flow	Carrying amount
Financial assets							
Cash and cash equivalents	39,151,928	-	-	-	-	39,151,928	39,088,249
Investments	6,785	33,700	40,938	667,318	-	748,741	581,597
Loans and advances	78,203,016	97,220,398	46,575,144	160,502,026	4,543	382,505,127	224,812,605
Other financial assets	907,272	-	-	-	-	907,272	907,272
Derivative financial asset	(179,084)	(168,266)	(333,318)	778,515	-	97,847	97,847
	118,089,917	97,085,832	46,282,764	161,947,859	4,543	423,410,915	265,487,570
Financial liabilities							
Borrowings	23,644,589	8,176,257	4,946,478	68,776,720	-	105,544,044	88,079,461
Bond payable	8,508,941	8,899,080	9,168,531	-	-	26,576,552	25,097,757
Trust service payables	22,057,988	14,690,747	13,899,144	-	-	50,647,879	46,071,095
Financial lease liabilities	234,289	240,342	305,098	1,081,259	-	1,860,988	1,454,400
Other financial liabilities	47,307,639	-	-	-	-	47,307,639	47,307,639
	101,753,446	32,006,426	28,319,251	69,857,979	-	231,937,102	208,010,352
Net gap	16,336,471	65,079,406	17,963,513	92,089,880	4,543	191,473,813	57,477,218

27. Financial risk management, continued

27.3 Market risk

The Company defines the market risk as potential for loss of earnings or economic value due to adverse changes in financial markets and/or prices. The Company's financial risk policy is ensure the Company's financial risks, i.e. market risk, capital risk and liquidity risk are adequately managed and the Company's capital and liquidity resources are deployed as efficiently and effectively as possible.

27.4 Interest rate risk

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

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

27.5 Currency risk

The Company defines the foreign currency exchange risk as potential loss due to adverse changes in currency exchange rates and their implied volatility. The Company sets risk limits on the level of exposure by foreign currencies, which are monitored on a frequent basis.

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

27.5.1 Exposure to currency risk

(In thousands of MNT)

	31 December 2025			
	USD	SGD	EUR	Total
Financia assets:				
Cash and cash equivalents	5,059	-	184	5,243
Financial liabilities:				
Borrowings	(45,762,158)	(6,429,538)	-	(52,191,696)
Trust service payable	(412,601)	-	-	(412,601)
Derivatives:	30,078,589			30,078,589
Net position	(16,091,111)	(6,429,538)	184	(22,520,465)

(In thousands of MNT)

	31 December 2024			
	USD	SGD	EUR	Total
Financia assets:				
Cash and cash equivalents	37,372	-	-	37,372
Financial liabilities:				
Borrowings	(31,013,694)	-	-	(31,013,694)
Trust service payable	(558,589)	-	-	(558,589)
Derivatives:	11,666,473			11,666,473
Net position	(19,868,438)	-	-	(19,868,438)

27. Financial risk management, continued

27.5 Currency risk, continued

27.5.2 Sensitivity analysis

The following table indicates the instantaneous change in the Company's profit after tax that would increase/(decrease) if foreign exchange rates to which the Company has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

<i>(In thousands of MNT)</i>	2025		2024	
	Increase/ (decrease) in foreign exchange rates	Effect on profit before tax	Increase/ (decrease) in foreign exchange rates	Effect on profit before tax
USD	10%	(1,609,111)	10%	(1,986,844)
USD	(10%)	1,609,111	(10%)	1,986,844
SGD	10%	(642,954)	10%	-
SGD	(10%)	642,954	(10%)	-
EUR	10%	18	10%	-
EUR	(10%)	(18)	(10%)	-

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Company entities' profit after tax and equity measured in the respective functional currencies, translated into MNT at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Company which expose the Company to currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Company's presentation currency. The analysis is performed on the same basis for 2025 and 2024.

27.5.3 Capital management

The Company actively manages its capital base to cover risks inherent in the business. The adequacy of the Company's capital is monitored using, among other measures, the rules and ratios established by the FRC. Non-banking financial institutions (NBFIs) have a long-term minimum capital requirement of MNT 10,000,000 thousand. The FRC revised its schedule of the requirement to increase the minimum capital requirement by postponing the effective dates of the increases as follows:

Effective from:	Minimum capital requirement MNT'000
10 February 2018	1,000,000
10 February 2019	1,400,000
10 February 2022	1,900,000
10 February 2023	2,500,000
10 February 2024	3,500,000
10 April 2026	5,000,000
10 April 2028	10,000,000

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

28. Derivative financial instruments

As of 31 December 2025, the Company made long-term cross-currency swap agreements with Bogd Bank JSC in an amount of MNT 18,093,620 thousand (31 December 2024: MNT 11,551,944 thousand). The Company pledged cash at bank balances for the swap agreement in an amount of MNT 904,681 thousands (2024: MNT 577,597 thousands).

All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year (gains less losses on derivatives).

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange forward and swap contracts entered into by the Company.

<i>(In thousands of MNT)</i>	<u>31 Dec 2025</u>	<u>31 Dec 2024</u>
Foreign exchange swaps: fair values, at the end of the reporting period, of		
- USD receivable on settlement	11,705,478	10,377,039
- USD payable on settlement	(11,412,061)	(10,279,192)
- MNT receivable on settlement	17,187,873	-
- MNT payable on settlement	(18,005,301)	-
Net fair value of foreign exchange forwards and swaps	<u>(524,011)</u>	<u>97,847</u>

For the year ended 31 December 2025, loss from financial derivative resulted to MNT 621,858 thousands (31 December 2024: gain of 97,847 thousands), net interest expense of MNT 1,138,794 thousands (31 December 2024: MNT 502,448 thousands).

29. Fair value disclosure

29.1 Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

The level in the fair value hierarchy into which the recurring fair value measurements are categorised as at 31 December 2025 are as follows:

<i>(In thousands of MNT)</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Carrying amount</u>
Assets at fair value				
Financial assets				
Derivative financial assets	-	293,416	-	293,416
Non-financial assets				
Premises	-	-	5,117,136	5,117,136
Total assets recurring fair value measurement	<u>-</u>	<u>293,416</u>	<u>5,117,136</u>	<u>5,410,552</u>
Liabilities at fair value				
Financial liabilities				
Derivative financial liabilities	-	(817,427)	-	(817,427)
Total liabilities recurring fair value measurement	<u>-</u>	<u>(817,427)</u>	<u>-</u>	<u>(817,427)</u>

The level in the fair value hierarchy into which the recurring fair value measurements are categorised as at 31 December 2024 are as follows:

<i>(In thousands of MNT)</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Carrying amount</u>
Assets at fair value				
Financial assets				
Derivative financial assets	-	97,847	-	97,847
Non-financial assets				
Premises	-	-	2,417,344	2,417,344
Total assets recurring fair value measurement	<u>-</u>	<u>97,847</u>	<u>2,417,344</u>	<u>2,515,191</u>

29. Fair value disclosure, continued

29.2 Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair value analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value as of 31 December 2025 are as follows:

<i>(In thousands of MNT)</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Carrying amount</u>
Financial assets				
Cash and cash equivalents	-	17,073,781	-	17,073,781
Investments	-	1,486,278	-	1,486,278
Loans and advances	-	-	269,653,894	269,653,894
Other financial assets	-	-	29,692,539	29,692,539
Total financial assets carried at amortised cost	<u>-</u>	<u>18,560,059</u>	<u>299,346,433</u>	<u>317,906,492</u>

Fair value analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value as of 31 December 2024 are as follows:

<i>(In thousands of MNT)</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Carrying amount</u>
Financial assets				
Cash and cash equivalents	-	39,088,249	-	39,088,249
Investments	-	581,597	-	581,597
Loans and advances	-	-	224,812,605	224,812,605
Other assets	-	-	907,272	907,272
Total financial assets carried at amortised cost	<u>-</u>	<u>39,669,846</u>	<u>225,719,877</u>	<u>265,389,723</u>

29. Fair value disclosure, continued

29.3 Assets and liabilities not measured at fair value but for which fair value is disclosed, continued

Fair value analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value as of 31 December 2025 are as follows:

<i>(In thousands of MNT)</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Carrying amount</u>
Financial liabilities				
Borrowings	-	54,515,322	-	54,515,322
Bond payable	-	18,180,827	-	18,180,827
Trust service payables	-	90,817,492	-	90,817,492
Other financial liabilities	-	29,717,079	-	29,717,079
Financial lease liabilities	-	940,098	-	940,098
Total financial liabilities carried at amortised cost	<u>-</u>	<u>194,170,818</u>	<u>-</u>	<u>194,170,818</u>

Fair value analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value as of 31 December 2024 are as follows:

<i>(In thousands of MNT)</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Carrying amount</u>
Financial liabilities				
Borrowings	-	88,079,461	-	88,079,461
Bond payable	-	25,097,757	-	25,097,757
Trust payables	-	46,071,095	-	46,071,095
Financial lease liabilities	-	1,454,400	-	1,454,400
Other financial liabilities	-	47,307,639	-	47,307,639
Total financial liabilities carried at amortised cost	<u>-</u>	<u>208,010,352</u>	<u>-</u>	<u>208,010,352</u>

During the year ended 31 December 2025 and 31 December 2024, there was no movement between fair value hierarchy level of 1, 2 and 3.

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30. Maturity analysis of assets and liabilities

The maturity analysis of financial instruments at 31 December 2025 is as follows:

<i>(In thousands of MNT)</i>	Less than 12 months	More than 12 months	Total
Financial assets			
Cash and cash equivalents	17,073,781	-	17,073,781
Investment	-	1,486,278	1,486,278
Loans and advances	106,142,459	163,511,435	269,653,894
Derivative financial asset	-	293,416	293,416
Other financial assets	29,692,539	-	29,692,539
	152,908,779	165,291,129	318,199,908
Financial liabilities			
Borrowings	2,654,935	51,860,387	54,515,322
Bond payable	18,180,827	-	18,180,827
Trust service payable	88,888,209	1,929,283	90,817,492
Financial lease liabilities	673,532	266,566	940,098
Derivative financial liabilities	-	817,427	817,427
Other financial liabilities	7,925,989	21,791,090	29,717,079
	118,323,492	76,664,753	194,988,245
Net gap	34,585,287	88,626,376	123,211,663

The maturity analysis of financial instruments at 31 December 2024 is as follows:

<i>(In thousands of MNT)</i>	Less than 12 months	More than 12 months	Total
Financial assets			
Cash and cash equivalents	39,088,249	-	39,088,249
Investment	-	581,597	581,597
Loans and advances	61,920,886	162,891,719	224,812,605
Derivative financial asset	-	97,847	97,847
Other financial assets	907,272	-	907,272
	101,916,407	163,571,163	265,487,570
Financial liabilities			
Borrowings	39,023,882	49,055,579	88,079,461
Bond payable	25,097,757	-	25,097,757
Trust service payable	46,071,095	-	46,071,095
Financial lease liabilities	327,075	1,127,325	1,454,400
Other financial liabilities	47,307,639	-	47,307,639
	157,827,448	50,182,904	208,010,352
Net gap	(55,911,041)	113,388,259	57,477,218

31. Contingent liabilities and commitments

Legal claims

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

Taxation

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

The Mongolian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged by tax authorities. As a result, significant additional taxes, penalties, and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The Mongolian tax legislation does not provide definitive guidance in certain areas, specifically in areas such as VAT, withholding tax, corporate income tax, personal income tax, transfer pricing and other areas. From time to time, the Company adopts interpretations of such uncertain areas that reduce the overall tax rate of the Company. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices. The impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity.

32. Events after the reporting period

On 3 February 2026, shareholders of the Company approved to establish a 100% wholly owned subsidiary, Netcapital ABS 2 SPC LLC.

On 2 March 2026, the Board of Directors of the Company approved to obtain borrowing from Alt Income Investments NCI PTE LTD in an amount of SGD 3,000 thousand with 12.5% interest per annum for 24 months period. The borrowing is collateralised by the Company's auto loan portfolio with carrying amount equivalent to SGD 3,529 thousands.

Between February 2026 to March 2026, the Company issued bonds in an amount of MNT 8,720,000 thousand with 19.0%-19.5% interest rate per annum for 12 months at the OTC market. The bond is collateralised by the Company's 1,211,656 ordinary shares.