



ANNUAL REPORT 2022



Everything starts with People. Only with the right, intuitive, caring people a team, an organization, a service provider can exist.

Our values...

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Mission and Vision

Evolving into a digital bank built upon the commercial sector.



MISSION

Intelligence, Will, Creativity our Ever Innovative People build The Greatest Customer Experiences

VISION

Striving to be a leading bank, renowned for outstanding customer service and social responsibility, delivering banking products and services to customers through an optimal fusion of digital and physical channels

Our Values

PEOPLE

Caring, Intuitive, Energized Effective

Everything starts with People. Only with the right, intuitive, caring people a team, an organization, a service provider can exist. Therefore, we have our people in the center – enabling everything else and holding everything together. Diversity is symbolized by the various shapes, sizes, and colors. Communicating gender, age, nationality, work experience, background, etc

PRODUCTS

Anticipative, Problem-solving, Derived from real life

The right of the two strong pillars is Products. Products and services delivered from Arig will be “anticipative - of - customers - needs”, “problem-solving”, and “derived - from - real - life”. It is depicted in Red, portraying warmth, unique brightness and visibility, and the blazing energy of fire.

PROCESSES

Effective, Innovative, Simple

The left of the two strong pillars is processes – how products and services are prepared, presented, and delivered to end users/customers. Along the way, we, the service organizations, don't always realize how complicated/cumbersome some things get when looked at through customers' eyes. Our processes, depicted in Green, should be flowing smoothly as if we had the Green Light.

PREMISES

Welcoming, Comfortable, Warm

Everyone who visits us should feel welcomed, comfortable, and warm. We expressed this with the color Purple. The color Purple symbolizes contemporariness.



Who We Are

Arig Bank, originally founded in 1997 as 'Erel Bank,' proudly holds a 26-year legacy. In 2014, the institution underwent a rebranding, adopting the name 'Arig Bank' to signify a commitment to purity and transparency.

TOTAL CUSTOMERS	CURRENT ACCOUNT HOLDERS	SAVINGS ACCOUNT HOLDERS
54,154	38,027	16,112
INTERNET BANK USERS	CARD HOLDERS	POS USERS
21,120	3,000	504
BRANCHES	EMPLOYEES	BORROWERS
12	211	2614

Foreword from the CEO

Dear shareholders, customers, partners and colleagues,,

Arig Bank, marking its 26th year of operation in Mongolia's banking and financial sector, is delighted to present the outcomes of our collaborative efforts throughout 2022. The year not only witnessed a global resurgence but also bore witness to intriguing geopolitical occurrences. The pervasive influence of the macro environment led to adjustments in interest rates by central banks worldwide, making 2022 a year of concerted economic revival endeavors.

In the first half of the year, Mongolia successfully navigated through formidable economic hurdles, while also holding a promising outlook for the recovery of foreign trade turnover and the anticipated stabilization of rapidly escalating inflation by year-end. However, as the year progressed, fresh trials emerged, particularly in the context of the Russian-Ukrainian war, injecting tension into both the economy and the banking sector.

During this critical juncture in the economic and financial landscape, Arig Bank's new management team, comprised of seasoned professionals with extensive experience in the banking and financial sectors, demonstrated swift and prudent decision-making. With the dedication of their staff and the unwavering support of their customers, we effectively surmounted challenges, resulting in a notable expansion of our operations and steadfast progress, Arig Bank's financial performance experienced remarkable growth in 2022. Key indicators surged, with a 153 percent increase in financial indicators year on year, totaling 260.4 billion MNT. The bank's total assets also rose by 153 percent, reaching MNT 260.4 billion. The net loan balance saw an impressive surge of 471 percent, reaching MNT 94.5 billion, while total disbursed funds increased by 150.6 percent, reaching MNT 163.7 billion. Notably, these efforts yielded a profitable outcome of 8.2 billion MNT.



We place paramount importance on crafting and delivering products and services tailored to the needs of our ever-expanding customer base, aligned with the demands of the digital age. This dedication has led to the creation of the Arig Online application, a pioneering endeavor that heightened awareness about the significance of digital banking within the industry. Launched on the cusp of the new year, this application swiftly garnered daily financial use by 19,360 customers. Moreover, the integration of the NES software into our core banking system has paved the way for more secure, expedited, and user-friendly banking services. Amidst a context of diminished credit activities in Mongolia driven by prevailing economic conditions, Arig Bank contributed to reinvigorating the economic cycle. As operational restrictions imposed by the Bank of Mongolia were lifted, we proactively offered a wide array of loans that catered to customer requirements, actively contributing to stabilizing economic conditions and fostering a return to normalcy. Furthermore, we successfully introduced 12 types of new products and services to the market.

Our diligent Board of Directors played a pivotal role in shaping the bank's strategy, notably by bolstering the bank's share capital to 100 billion MNT in accordance with legal requirements set by the Bank of Mongolia. Our further priority is to sustain the momentum of our 2022 success, execute our medium-term strategic plan, and expand our market presence in Mongolia's banking and finance sector through digital banking initiatives built on digital technology. Having effectively implemented International Financial Reporting Standards (IFRS) 9 "Financial Instruments," I am delighted to present a comprehensive report, aligned with IFRS, and supported by a qualified opinion from the globally recognized auditing firm "BDO LLC," affirming our bank's financial standing and annual performance.

We express our sincere gratitude to Arig Bank's committed executive management team, our colleagues shaping the bank's future through their expertise and abilities, our esteemed customers, clients, and partner organizations who entrust and collaborate with us, as well as our supportive Board of Directors and shareholders who provide steadfast backing, clear decision-making, and optimal guidance. We extend heartfelt appreciation to our esteemed investors.

Sincerely,

O. KHurelnaatar CEO of the Arig Bank

Shareholder Overview

78.84%

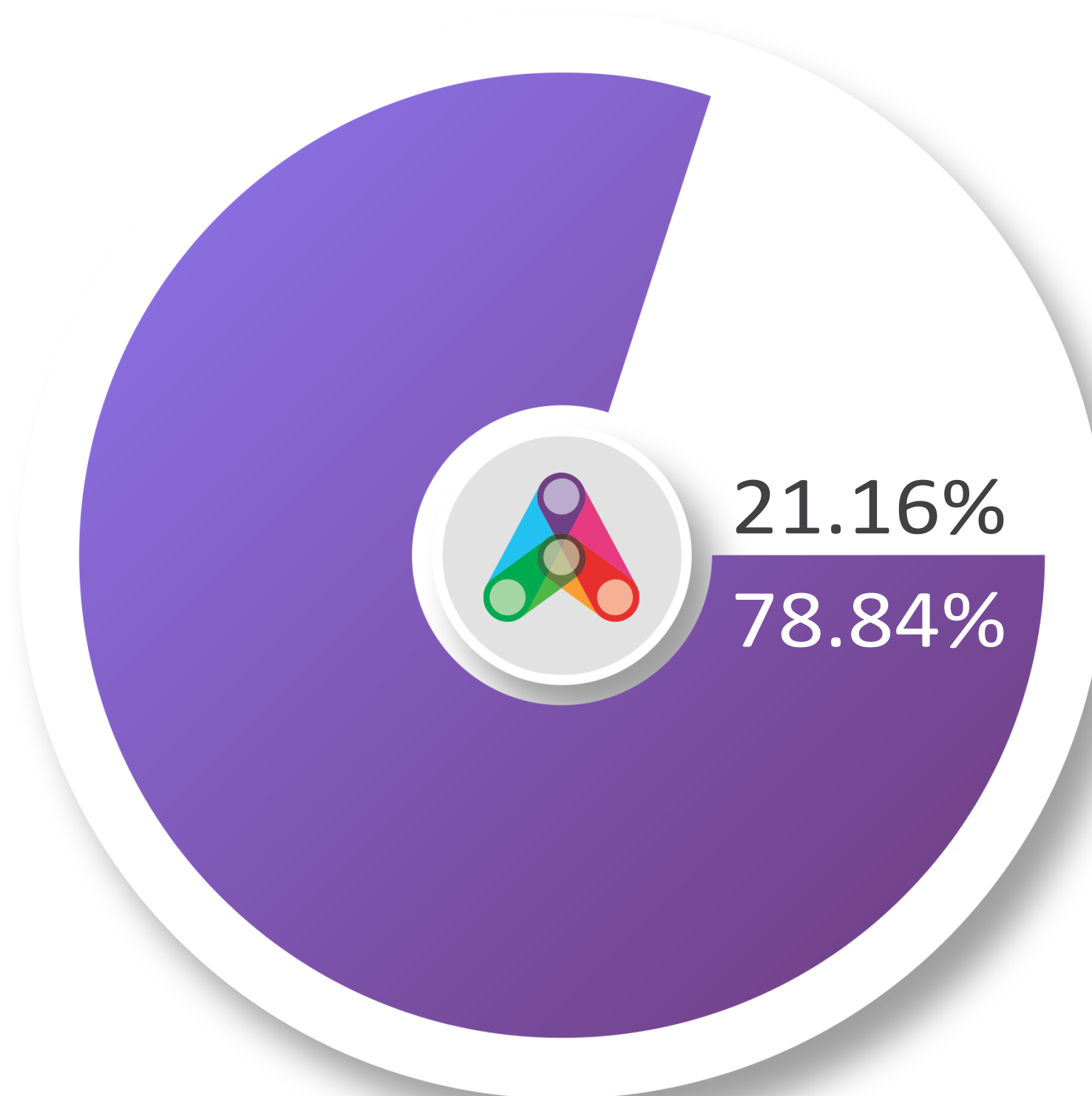
ULAANBAATAR IMPEX LLC

is the parent company of "Arig Bank" LLC. It focuses on investing in the banking and financial sector and owns 78.84 percent of Arig Bank's ordinary shares. Sh.Bayarsaikhan owns 73.18 percent of the company, while "Nomin Realtor" LLC owns 26.82 percent.

21.16%

DEM FINANCIAL ASSOCIATION

serves as the parent company of "Arig Bank" LLC, with a focus on banking and finance. The company possesses 21.16 percent ownership of Arig Bank's ordinary shares, while all of the company's shares are held by B. Erdenebat.



Board of directors



**MUNKH-ERDENE
Purev**
Chairman, independent
board member



**SAINBAT
Sanjaa**
Board member



**BAYARSAIKHAN
Shagdarsuren**
Board member



**KHOSBAYAR
Sengedorj**
Board member



**TUVSHINTAMIR
Deleg**
Independent board
member



**TEMUUJIN
Ganbat**
Director of the Internal
Audit Department

BOARD OF DIRECTORS

Arig Bank's Board of Directors operates in alignment with the mandates outlined in the regulations and rules, including the "Banking Law," "Company Law," "Arig Bank Charter," and "Board of Directors' Operating Procedures." The Board carries out its responsibilities diligently and with a strong sense of accountability. The structure, authorities, and responsibilities of the board of directors are regulated by the Board of Directors' Operating Procedures. The chairman of the board of directors is responsible for scheduling board meetings in compliance with legal requirements. Additionally, the board maintains records of topics addressed during meetings and their corresponding resolutions. These records are subsequently submitted to both shareholders and the Bank of Mongolia within the timeframe stipulated by law.

Board of Directors

The pertinent committees oversee significant transactions and conflict of interest deals in accordance with the rights and responsibilities outlined in the Company Law.

The board of directors is structured to provide ongoing supervision of the bank's activities, while the bank's shareholders retain the authority to nominate, appoint, and remove board members. (The appointment of an independent member shall be determined through a shareholders' meeting, subject to the endorsement of the Bank of Mongolia.)

RISK MANAGEMENT COMMITTEE

The Committee is responsible for supervising the adequacy of the bank's risk management measures, which span credit, market, liquidity, operational, legal, reputational, and information technology risks. It conducts yearly evaluations of procedure implementation and presents recommendations to the board of directors for any improvements.

AUDIT COMMITTEE

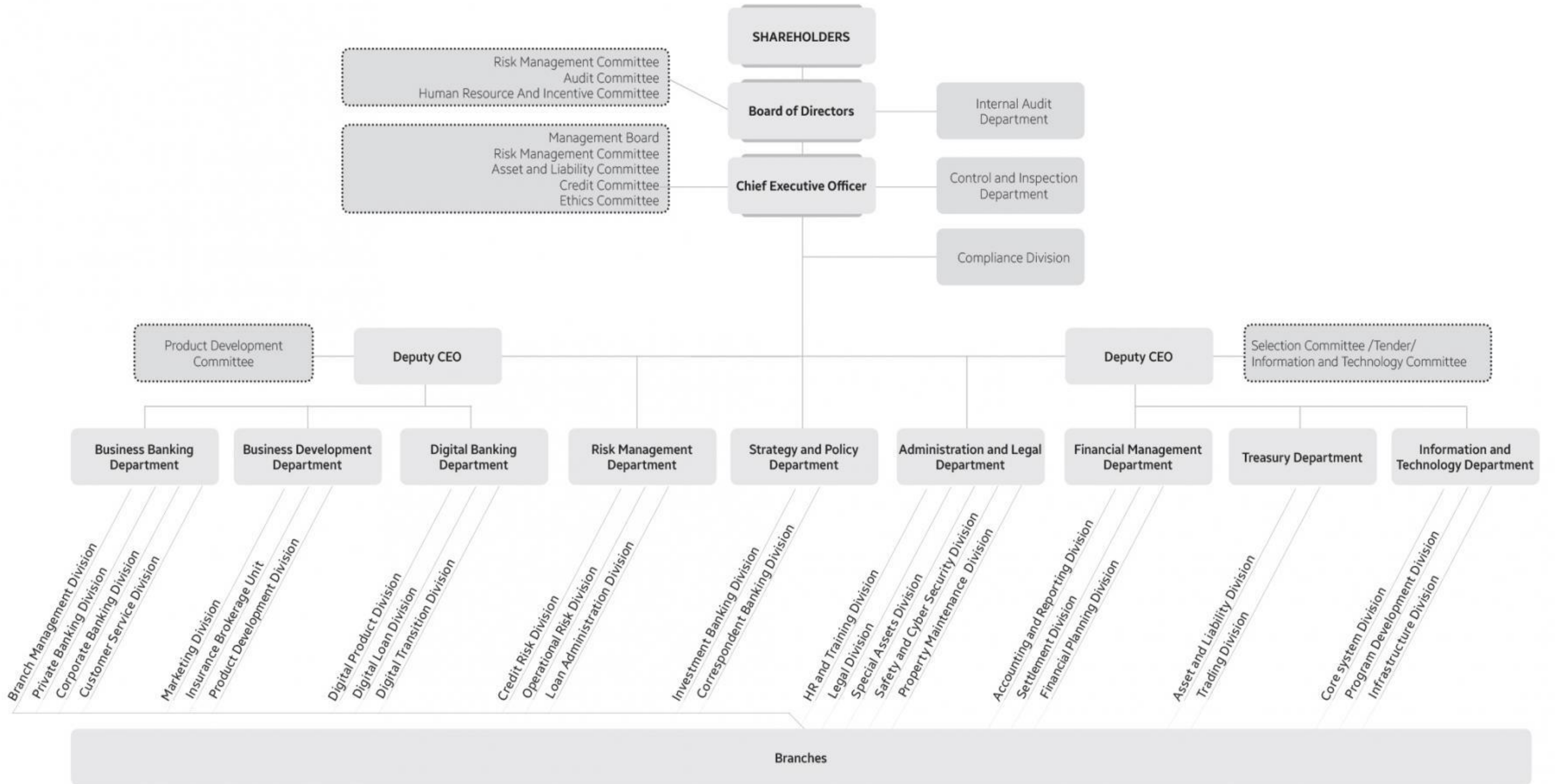
The responsibilities encompass guaranteeing accurate and comprehensive financial reporting of the bank, supervising the activities of both internal and external auditors during audits, nominating and hiring candidates for board of directors and shareholders, resolving their remuneration and termination, determining the scope and frequency of audits, examining reports and audit opinions, and monitoring Executive Management efforts and efficiency in addressing deficiencies in the bank's internal control framework.

HUMAN RESOURCE AND INCENTIVE COMMITTEE

Formed to provide assistance to the board of directors in executing their supervisory and managerial responsibilities for the bank in a effective and efficient manner, the bank's remuneration policy and practices are intended to align with the bank's business objectives and promote sustainable business growth. This is achieved by attracting, retaining, and motivating skilled employees and managers through fair and sustainable employment practices.

INTERNAL AUDIT DEPARTMENT

Based on the bank's quantitative and qualitative indicators, the department's responsibility entails identifying existing and potential future risks, proactively averting them, establishing risk thresholds, and determining the requirement for on-site inspections of vulnerable points. The department shall obtain the board of directors' approval for their on-site inspection plan concerning bank operations and subsequently present the findings to the board, take necessary measures, and provide recommendations accordingly.



Management Team



O. Khurelbaatar

Chief Executive Officer



B. Byambanorov

Deputy CEO and Chief Business Officer



Sh. Enkhtur

Director, Administration and Legal Division



Kh. Ankhsuren

Director, Business Banking Division



E. Anand

Director, Financial Management Division



B. Oyuntsetseg

Director, Business Development Division



M. Sanchir

Director, Treasury Division



B. Manduul

Director, Digital Banking Division



T. Gan-Erdene

Director, Risk Management Division



A. Tamir

Director, IT department



J. Munkh-Itgelt

Director, Internal Control

Independent Audit Report

AUDITED FINANCIAL STATEMENTS OF ARIG BANK AS OF DECEMBER 31, 2022

Arig Bank is pleased to present its Audited Financial Statements for the period ending December 31, 2022.

In 2022, Arig Bank's total assets reached MNT 260.5 billion, marking a remarkable increase of 153 percent compared to the previous year. This growth encompassed various areas, with customer accounts and deposits increasing by 80 percent, short-term assets by 148 percent, and the loan portfolio expanding by an impressive 470 percent. We generated MNT 7.6 billion in revenue, and our return on assets also achieved a notable figure, reaching 5.8 percent.

During the past year, Arig Bank successfully introduced market-oriented products and services that catered to the demands of its ever-expanding customer base, and these efforts were complemented by a diverse array of offerings. Additionally, the bank launched the Arig Online application to underscore the significance of digital banking and seamlessly integrated the NES program into its core banking system. As part of its growth strategy to enhance credibility, Arig Bank has fortified its trustworthiness while concurrently increasing its share capital to 100 billion MNT, in accordance with the standards established by the Bank of Mongolia.

Independent Audit Report



ARIG BANK
Reference: B-GZ/268
Date: 2023/04/12

DIRECTORS AND EXECUTIVE MANAGEMENT STATEMENT

The executive management of the bank holds the responsibility for the preparation and reporting of the financial statements.

The financial statements of Arig Bank LLC (hereinafter referred to as the "Bank") were fairly presented in accordance with the International Financial Reporting Standards. The executive management of the bank is duly obligated to affirm the fairness and accuracy of the financial position and cash flow statements as of December 31, 2022, and for the fiscal year then concluded.

The executive management of the bank is further tasked with facilitating the necessary conditions to validate conformity with Note 2 of the bank's financial statement. They are also responsible for selecting applicable accounting principles and adhering to them and using reasonable grounds and estimation, which effectively and fairly represent the bank's financial standing.

Moreover, the executive management of the bank is responsible for identifying and preventing errors or omissions, as well as instances of fraud or illegal acts.

The executive management of the bank has selected and maintained an appropriate accounting system for the preparation and fair presentation of the bank's financial statements, utilizing reasonable grounds and estimation, and maintaining accounting records in accordance with relevant standards.

With this, the executive management of the bank hereby approves the financial statements as of December 31, 2022, and for the fiscal year then concluded.

KHURELBAATAR OSORDELEG
Chief Executive Officer

ANAID ENKHBAT
Chief Financial Officer

April 12, 2023
Ulaanbaatar
Mongolia

Албан Тоо: # *B-13/268*

Огноо: *2023, 04, 12*

Хуучбариг: _____

Чөлөөтэй Эргэн Чөлөө
Хан-Уул дүүрэг
Улаанбаатар хот 17030
Монгол Улс
Байгууллагын шугам: 7012 2222
И-мэйл: info@arigbank.mn
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Independent Audit Report



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Ulaanbaatar Mongolia

INDEPENDENT AUDITOR'S REPORT

To: Shareholders of the Arig Bank LLC

Opinion

We have audited the financial report of Arig Bank LLC (the Bank) and, which comprises the following statements:

- the consolidated statement of financial position as at 31 December 2022,
- the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, and
- notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial reports of the Company, as of 31 December 2019, are prepared, in all material respects, in accordance with International Financial Reporting Standards and give a true and fair view of the financial position and of its financial performance, changes in equity and cash flow statements for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibilities under these standards are further detailed in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report.

We are independent of the Company in compliance with the ethical mandates of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code), which are pertinent to our audit of the financial report in Mongolia. Additionally, we have fulfilled our other ethical obligations in alignment with the requisites of these standards. We are of the opinion that the audit evidence we have gathered is sufficient and appropriate to serve as the foundation for our opinion

Other matters

The other auditor conducted audits on the Bank's financial statements as of December 31, 2021, and for the fiscal year then concluded. They affixed their signature on March 15, 2022, along with a qualifying opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards, and for such internal control as

Independent Audit Report

management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance of the company are responsible for the oversight of the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate for 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 in the company and the reasonableness of accounting estimates and related disclosures made by management.
- If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements. If such disclosures are inadequately made, we modify our opinion. Our auditor's conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure, and content of the financial statements, whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated 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 identified during our audit.

KURSHID ALAM
BDO Audit LLC

Date: 2023.04.12

Room: 1502, level 15 Union building-B, Paris
Street, Narnii zam-62, Khoroo-1, Sukhbaatar
district, Ulaanbaatar Mongolia

Independent Audit Report

Arig Bank LLC
Financial Statement
As of December 31, 2022

	Note	2022	2021 Reissued*
Interest income calculated using the effective interest method	3	13,502,844	4,852,694
Other interest and similar income	3	1,835,446	1,610,648
Interest and similar expenses	4	(3,867,460)	(2,703,166)
Net interest income		11,470,830	3,760,176
Fee and commission income	5	419,452	313,001
Fee and commission expense	5	(244,529)	(256,220)
Net fee and commission income		174,923	56,781
Net trading income/expense	6	4,673,462	363,304
Net income/expense of AFS financial instruments	7	27,936	(123,467)
Net operating income		16,347,151	4,056,794
Other gains	8	348,295	418,341
Impairment gains on financial instruments.	11	3,381,153	(381,100)
Human resources expenses	9	(5,616,683)	(2,998,420)
Depreciation of fixed assets	17	(568,452)	(571,375)
Depreciation expense for right-of-use assets	17	(623,248)	(234,468)
Depreciation expenses of other tangible assets.	18	(178,873)	(173,981)
Other expenses	8	(3,905,854)	(4,100,135)
Other non-operating expenses	10	(113,827)	(95,732)
Profit/(Loss) before income tax		9,069,662	(4,080,076)
Income tax expense	12	(885,970)	357,569
Net profit/(loss) for the year		8,183,692	(3,722,507)
Other comprehensive income			
OCI transferred to P&L upon meeting specific criteria.			
Fair value changes of FVOCI financial assets.			
Total comprehensive income for the year		8,183,692	(3,722,507)

*The Financial Statements have been reissued in connection with the implementation of IFRS 9. Please refer to Note 2.4 for further details.

Accompanying Notes are integral components of this Financial Statement
FVOCI" stands for "Fair Value through Other Comprehensive Income."

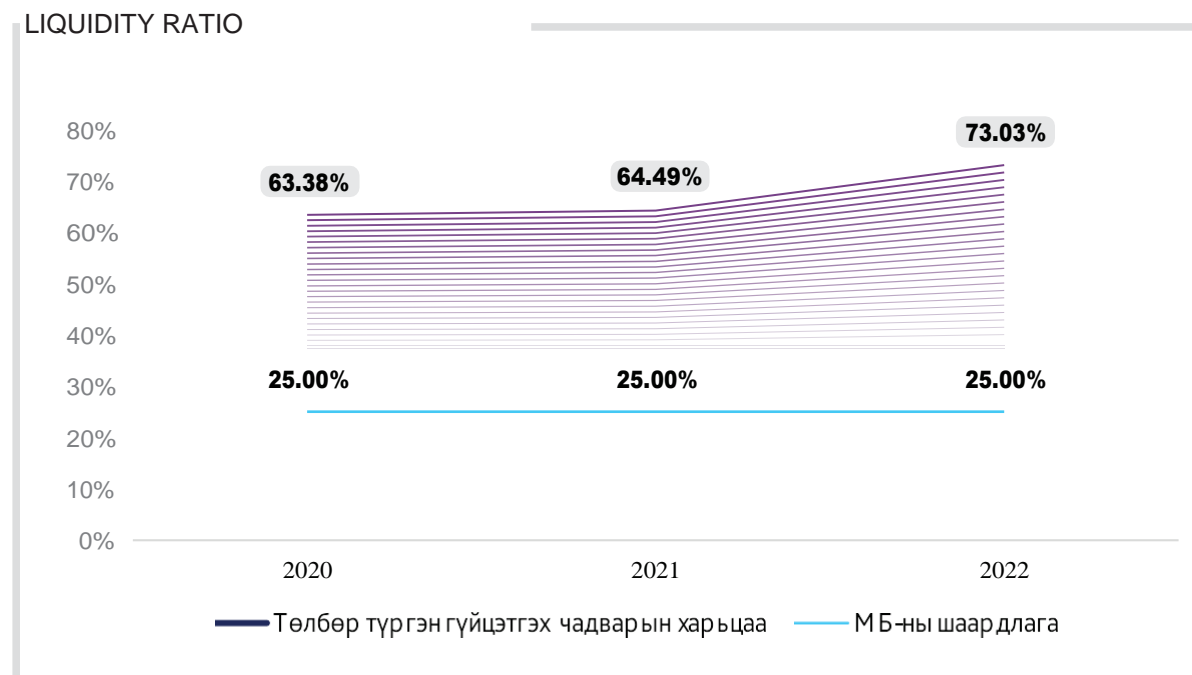
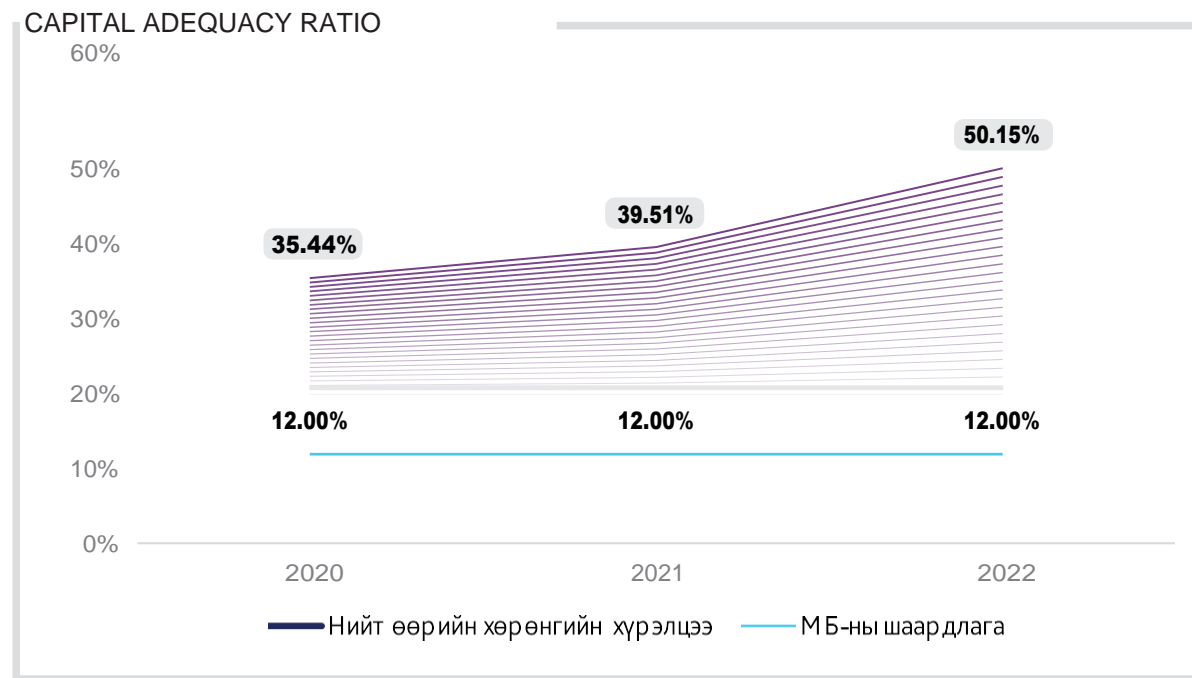
Arig Bank LLC
Financial Statement
As of December 31, 2022

(Thousand MNTs)	Note	2022.12.31	2021.12.31 Reissued*	2021.01.01 Reissued*
Assets				
Cash and current account at the Bank of Mongolia	13	48,255,697	11,569,405	18,448,727
Deposits and placements with banks and financial institutions	14	97,805,509	59,909,220	4,589,130
AFS financial instruments	15	4,402,477	4,397,477	2,867,460
Financial assets measured at FVOCI	15	923,941	33,744	33,744
Loans and deposits issued to Customers	16	101,358,715	24,748,927	30,329,309
Property and equivalents	17	7,807,915	2,735,211	2,905,037
Intangible assets	18	1,118,111	483,752	602,297
Deferred tax assets	12	1,325,653	1,659,454	1,298,657
Other assets	19	3,443,942	2,441,680	5,060,296
Total assets		266,441,960	107,978,870	66,134,657
Liabilities and equity				
Liabilities				
Current and savings accounts of other banks and financial institutions	20	90,643,376	25,538,051	41,771
Current and savings accounts of customers	21	61,872,129	34,428,837	29,533,990
Loan financing	22	11,488,147	6,045,365	6,001,084
Income tax payable	12	164,232	16,323	33,122
Deferred tax payable	12	40,909	6,121	2,893
Other liabilities	23	2,964,223	875,516	737,728
Total liabilities		167,173,016	66,910,213	36,350,588
Equity				
Share capital	24	100,033,190	50,016,595	35,009,500
Other capital		3,041	3,041	3,041
Allocated equity funds		7,106,769	6,782,219	4,974,376
Accumulated profit/loss		(7,874,056)	(15,733,198)	(10,202,848)
Total Equity		99,268,944	41,068,657	29,784,069
Total liabilities and equity		266,441,960	107,978,870	66,134,657

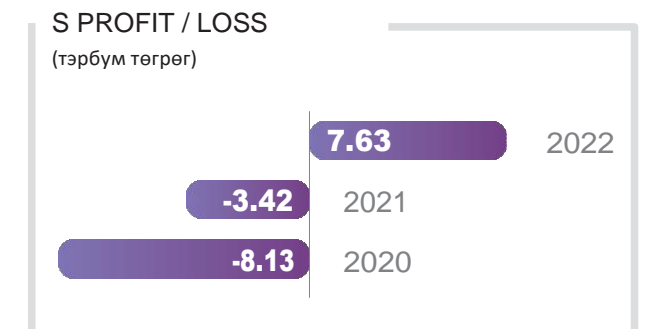
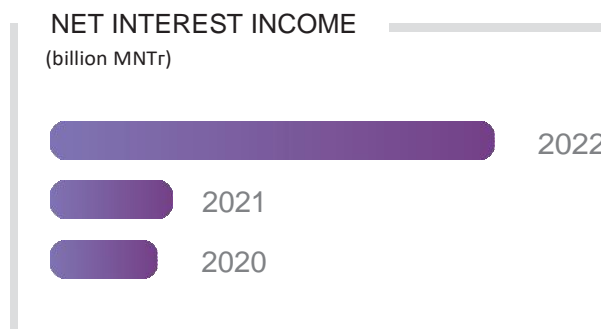
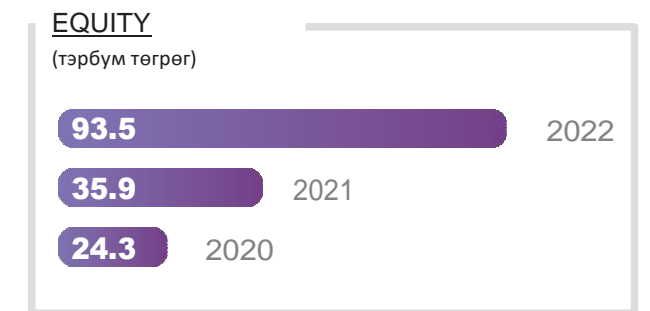
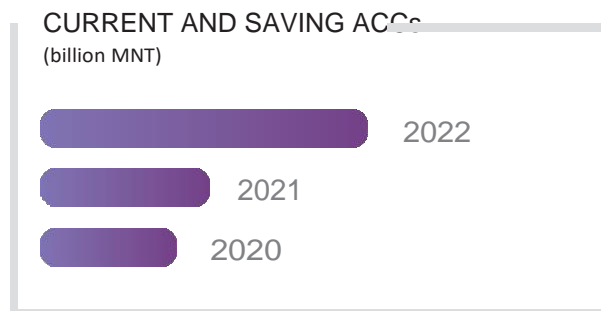
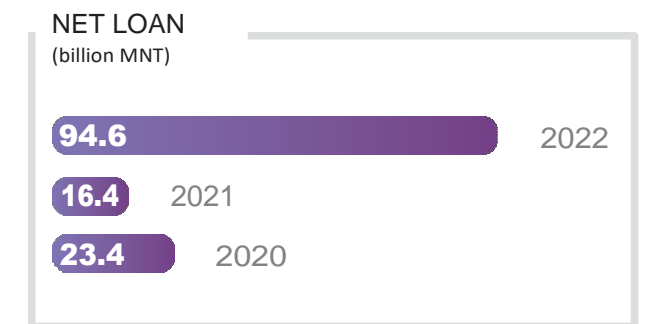
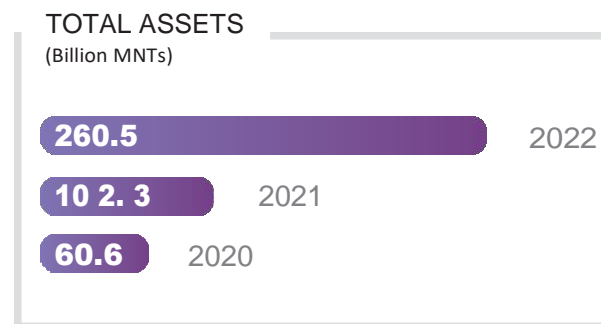
*The Financial Statements have been reissued in connection with the implementation of IFRS 9. Please refer to Note 2.4 for further details.

Accompanying Notes are integral components of this Financial Statement

Financial Indicators as of 2022.12.31



Financial Indicators as of 2022.12.31



2022 KEY EVENTS





25 Жил



100 тэрбум



Номин Бизнес карт

2022 marked the historic 25th-anniversary milestone for Arig Bank, strategically pursuing to amplify its foothold in the financial market and evolve into a technology-driven digital bank.

Arig Bank's share capital reached 100 billion ₮, meeting the requirement set by the Bank of Mongolia. Consequently, this achievement has enhanced the bank's capacity to manage risks and bolstered its solvency.

"The "NOMIN BUSINESS CARD" has been introduced, offering comprehensive loyalty services to dedicated customers of "NOMIN TAV TRADE" LLC and "ARIG BANK." This advanced payment method encompasses discounts, incentives, and exclusive access to new products and services, serving as valuable assistance for the customer's day-to-day business operations.



The interest rate on deposits has been raised three times, resulting in an annual interest rate of 13.5% for ordinary term deposits.

Arig Online has launched its electronic banking application, providing convenient remote access to a full range of competitive banking services available in the market, while also expanding its online presence.

In alignment with the "Billion Trees" campaign led by the President of Mongolia, Arig Bank actively participated in the annual tree planting event.

Last year, driven by meticulous customer demand research, we launched 7 new loan offerings and 5 fresh deposit options, tailored to cater to our customers' specific needs.



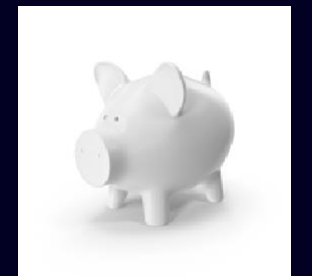
Interest rise



Arig Online app



Billion Trees



New Products

Embracing Social Responsibility



Arig Bank continues to expand its cooperation in order to further improve its social responsibility and customer service.

- Initiated a collaboration with the Small and Medium Enterprises Support Center of the Capital city.
- A MOU was formalized with Development Solutions NGO, the implementing body of the "Business Excellence for Sustainability and Transparency" (BEST) program funded by the United States Agency for International Development (USAID)..
- Arig Bank inked a cooperative agreement with MOST Fintech LLC.



1. Underscoring our dedication to social responsibility, Arig Bank proudly takes center stage as the principal sponsor of the annual "Trust, Hope, and Opportunity" marathon, organized in partnership with "Achillis Mongolia."
2. Embracing "Banker's Day" on June 2nd annually, Arig Bank embarked on a purposeful endeavor, planting 700 larch saplings atop Bogd Mountain. This act stands as a testament to our unwavering commitment to social responsibility. As a cherished tradition, "Banker's Day" is observed on

June 2nd every year, inspiring us to promote sustainable and conscientious development by planting trees in harmony with the community..

3. •Recognizing the crucial role of blood donors in ensuring a steady supply of blood products in Mongolia, Arig Bank, a staunch advocate of social responsibility, collaborates with the National Blood Transfusion Research Center to organize the annual "Blood Donation Day." .



“

Бид хэрэглэгчдийнхээ тав тухтай, бүтээмж өндөртэй, аюулгүй байдлыг тэргүүн эгнээнд тавин ажилладаг билээ.

Technology Innovation

NES system implementation

In 2021, a comprehensive restructuring of the bank's structure and organization took place, resulting in the establishment of three distinct units under the Department of Information Technology: the Core System Division, Program Development Division, and Infrastructure Division. This restructuring led to diversified operations, accelerating task execution and fostering an environment for enhanced dual and sequential control processes, ultimately improving overall efficiency.

In 2022, in alignment with the bank's medium-term strategic plan, significant focus was placed on the core banking system upgrade project. This upgrade was followed by a two-phased implementation of subsystem modernization. Additionally, information exchange systems were developed in collaboration with government organizations and subsequently deployed across diverse business units for effective operation.

Regulatory Body Requirements

In accordance with the "Procedures for Bank Information Technology Criteria" approved by the Bank of Mongolia, an external audit of the COBIT system covering the years 2019-2021 was conducted as required and the report was submitted to the Bank of Mongolia.

Also, the Bank of Mongolia started implementing the Staging Big Data project based on big data technology in order to automate the processing and delivery of reports on prudential ratio indicators, and ITD is actively participating in the project.

System Upgrades and Development

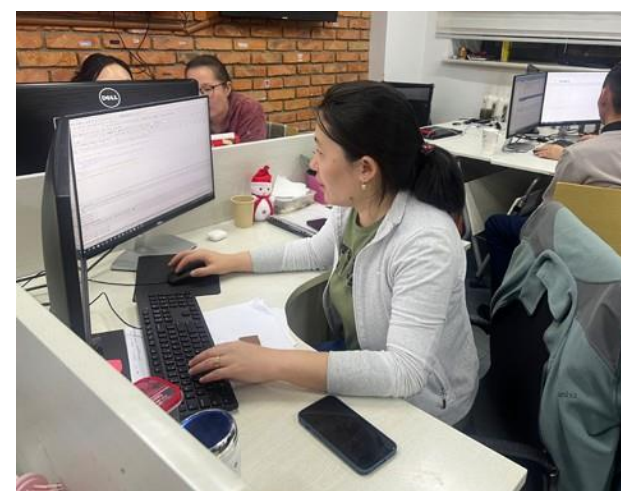
In the midst of rapid technological advancement and innovation, the implementation of the NES system project, in compliance with international standards and requirements, has been incorporated into the bank's strategic plan. The implementation and enhancement of any technology and system are intricately dependent on the core banking system. Specifically, all regulatory and business subsystems, such as the card system, Internet banking, mobile banking, information exchange system, and internal operational system, operate in integration with the core banking system. Within the framework of the core system upgrade project, these subsystems have been seamlessly transitioned, including 2 systems integrated with the Bank of Mongolia, 4 associated with government organizations, and 23 entwined with the bank's business functions.

The introduction of the NES system led to the phasing out of previously manual business and internal operational systems, which have now been comprehensively automated through modules integrated into the core system. In collaboration, the Digital Banking Department diligently revamped the mobile banking system, introduced the Mostmoney solution to the bank, and successfully integrated the solution with other subsystems.

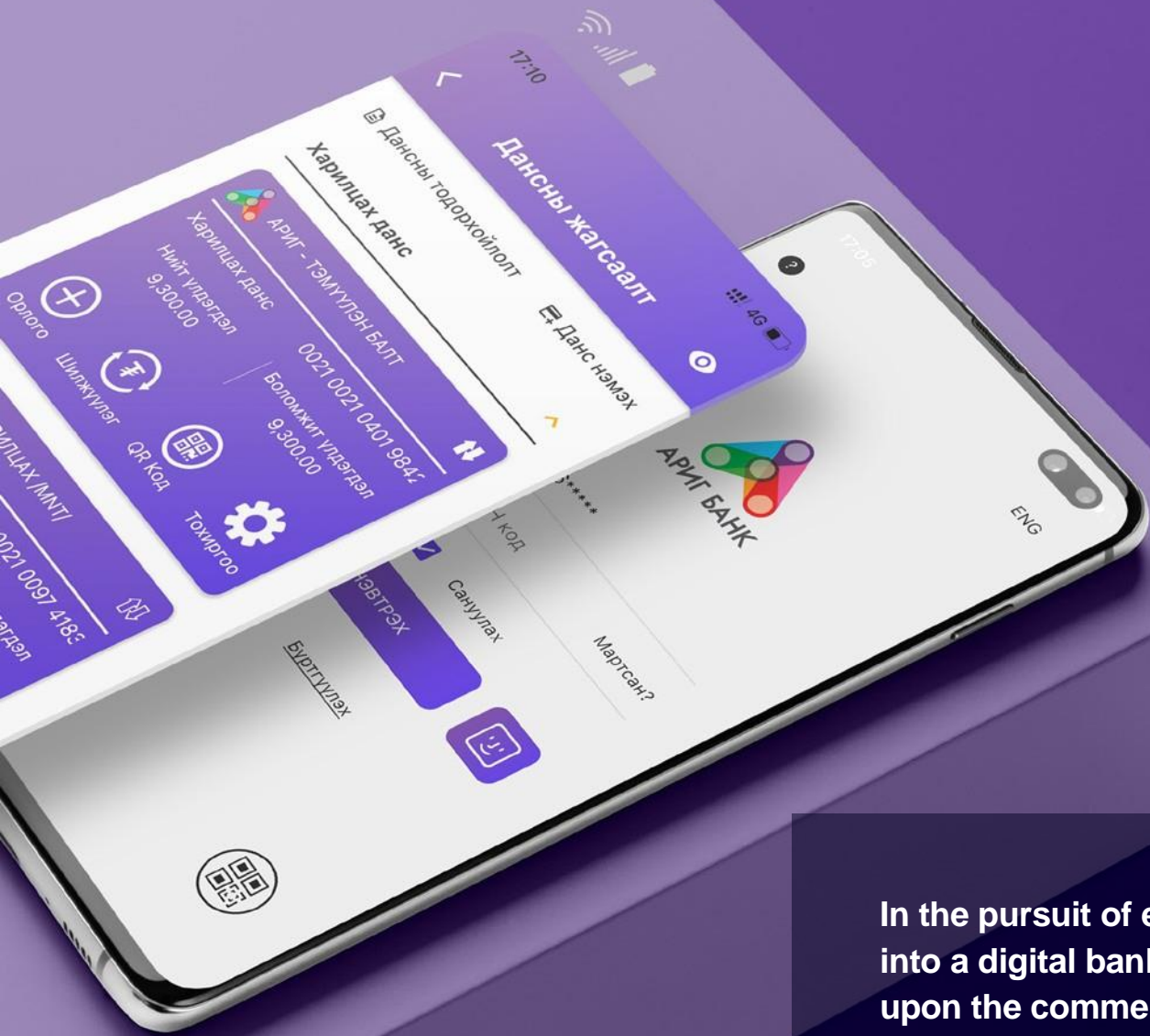
Infrastructure

Bank operations heavily rely on equipment, technology, and software, and ensuring their dependable and uninterrupted functionality is an additional responsibility of the IT Department (ITD). In alignment with this role, the bank's server computers were activated using official licenses, and a VMware system license for hosting virtual servers was procured to strengthen the infrastructure.

Recognizing the crucial significance of technical efficiency, significant improvements were implemented, encompassing the upgrading of computers for 100 employees, the enhancement of server computers, and the upgrading of network devices. These upgrades have resulted in heightened network continuity, accelerated staff operations, and an overall improvement in system throughput.



DIGITAL BANKING



In the pursuit of evolving into a digital bank built upon the commercial sector, a diverse range of technologically advanced digital products has been introduced, all crafted to enhance time-saving for our valued customers.



Payment cards:

- New designs and updated service conditions were introduced for Domestic ₮ cards and joint cards issued in collaboration with organizations.
- Corporate business debit and credit cards.
- International Visa credit card



- Introduced the "VISA RISK MANAGER" program for safeguarding payment card risks.

POS terminal:

The POS service is consistently broadening its reach through the introduction of new Android-operated devices. This expansion includes POS terminals capable of printing VAT receipts.

Internet bank:

The "ARIG ONLINE" e-banking application, crafted to meet customer needs and competitive in the market, was launched. Customers could use the Arig online application to perform the following services in the most cost-effective and easiest way:

- Various types of transfers
- Credit services
- Bill payments
- Customs and tax transactions
- QR-based payments
- Cash withdrawal
- E-shop services

Human Resources

Everything starts with People.

Only with the right, intuitive, caring people a team, an organization, or a service provider can exist.

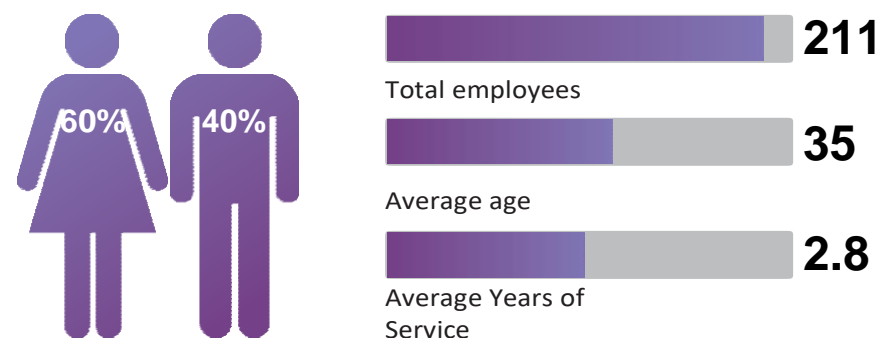
Our values....

During the reporting period, Arig Bank maintained a workforce of 210 individuals, with 40% representing males and 60% females, and the collective average age standing at 35.

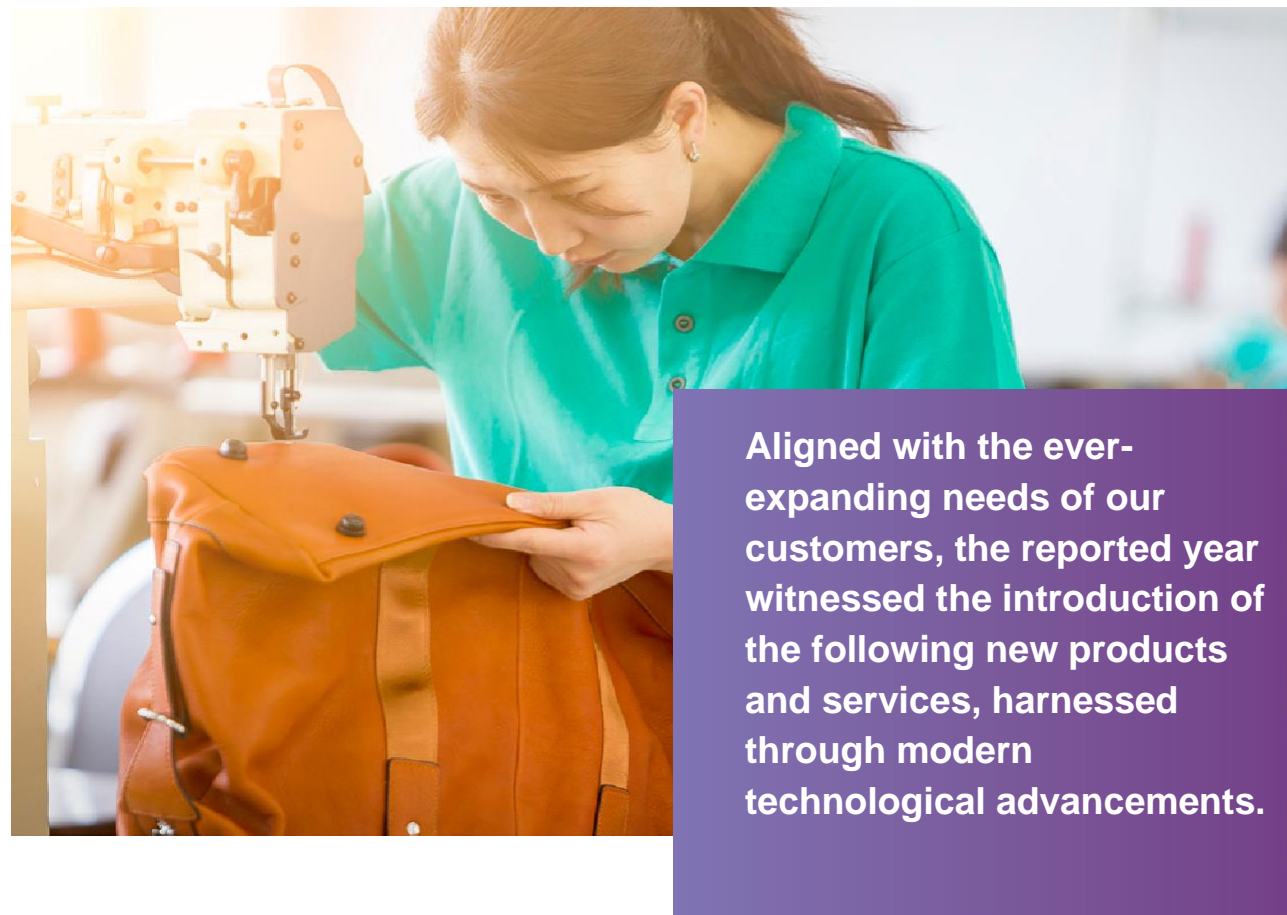
We are delighted to emphasize that, as part of our foundational efforts in human resource management to ensure the bank's seamless operations, meticulous selection and appointment led to the incorporation of 100 employees, with over 10 employees being promoted.

Dedicated to nurturing employee growth, comprehensive development training sessions were conducted via both online platforms and traditional classroom settings, involving a total of 855 employees across 65 internal and external training events. Furthermore, employees who exhibited exceptional leadership qualities within their respective teams received recognition and awards from both the Bank of Mongolia and the Ministry of Finance. Paying homage to the organization's retirees, customary honors were bestowed on Lunar New Year and Veteran's Day.

Additionally, a comprehensive preventive health assessment was conducted to ensure the overall well-being of all employees.



New Products and Services



Aligned with the ever-expanding needs of our customers, the reported year witnessed the introduction of the following new products and services, harnessed through modern technological advancements.

LOAN PRODUCTS

POS Revenue-Backed Loans

Individuals and organizations utilizing Arig Bank's POS devices now have the opportunity to secure loans using their future POS revenue as collateral.

Business Microcredit

Designed to address unforeseen business financing needs, this loan option allows borrowers to leverage movable assets, such as cars, and working capital as collateral.

Agricultural Loans

Entrepreneurs in the agricultural sector have been offered loans at a 3% annual interest rate, with the aim of alleviating the negative impact of the Pandemic disaster on the economy and reinforcing business activities as part of our economic stimulation efforts.

Fuel Financing Loans

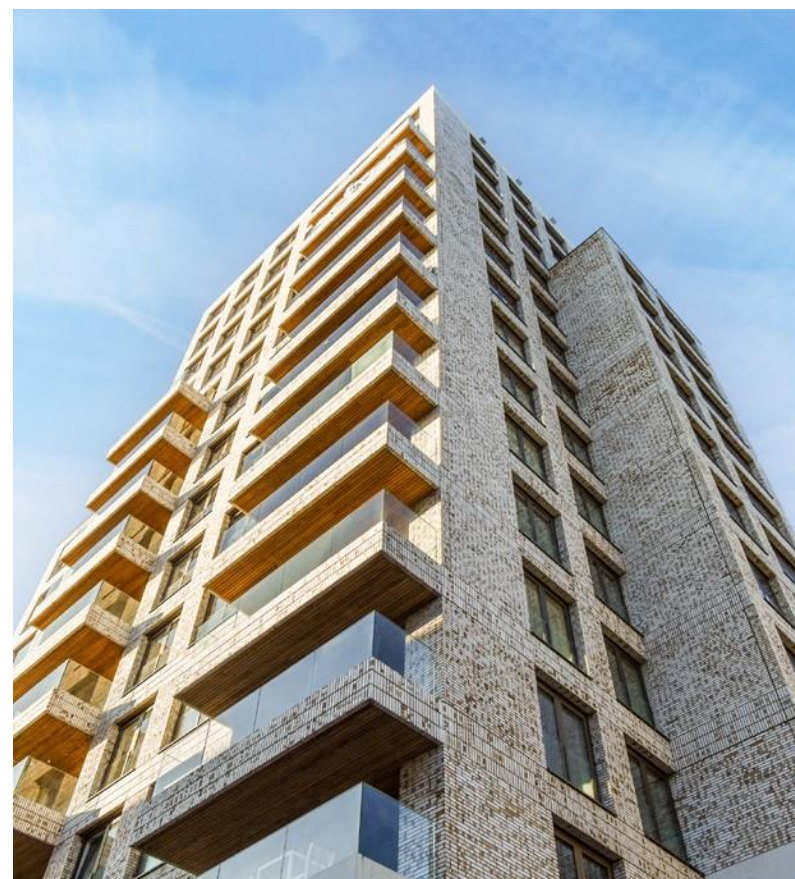
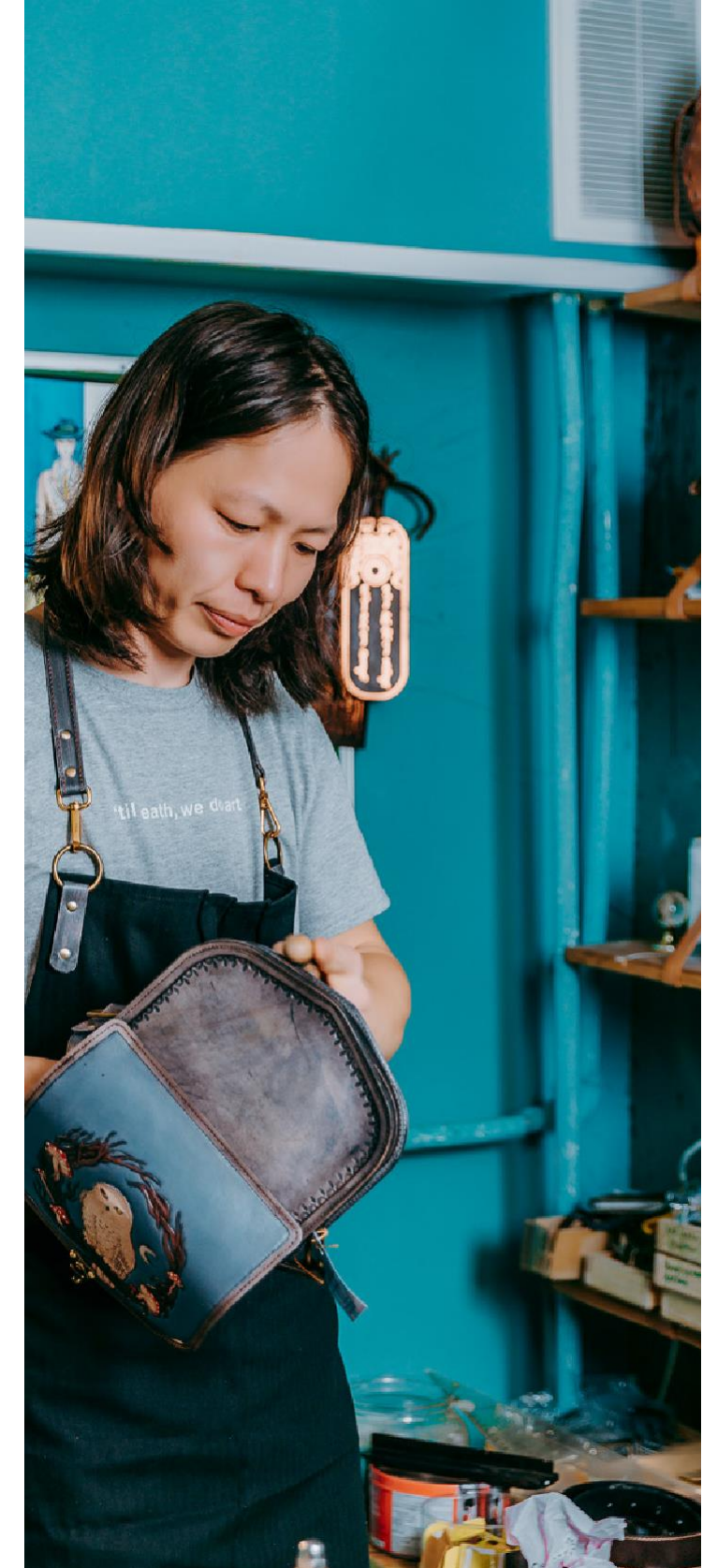
In a bid to counteract the rise in prices of crucial commodities and prevent shortages, loans have been extended to fuel importers, wholesalers, and retailers at an annual interest rate of 3.0%. This initiative is aimed at establishing fuel reserves and ensuring stability in supply.

Supplier Credit

The "Supplier Credit" product is specifically designed for business owners engaged in supplying goods and services to organizations. This offering aims to enhance their business profits and provide essential support to ensure uninterrupted business operations.

Small and Medium Enterprise (SME) Support Loans

In collaboration with the Small and Medium Enterprise Service Support Center of the Capital City, we have introduced a loan program with an annual interest rate of 3.0%. This initiative aims to offer financial assistance to service providers of small and medium enterprises located in Ulaanbaatar, bolstering their growth and development.



acquisition of new apartments and residential units connected to the central engineering systems. This offering is tailored for properties sold by construction project-implementing enterprises that have entered into a cooperation agreement with Arig Bank.

SAVINGS

Corporate Savings

Our corporate savings product provides advantageous terms for both customers and partner organizations, enabling them to optimize their funds by depositing into a high-interest savings account.

Tiered Interest Savings

With each increment in the account balance, the deposit interest rate escalates automatically, creating a motivating incentive for the expansion of savings.

Term Deposits with Spending Rights

Introducing a distinctive term deposit product that grants access to funds for expenses, all the while upholding deposit terms to address unforeseen financial requirements..

Root of Fund Savings

Promoting the cultivation of regular savings practices, this product offers customers an additional 8.5% annual interest when they establish consistent monthly savings, providing the highest deposit interest rates available.

Apartment Sale Support Deposits

We introduced a groundbreaking product designed to complement housing loans, with the objective of supporting housing sales by construction companies.

Borrowers who made payments towards the principal loan were given the flexibility to use those amounts without losing the interest earned on the deposit for that month.



Risk Management

1 The risk management is organized into four tiers.

Risk Management Committee of the Board of Directors: Approves risk management strategies, policies, and the extent of risk acceptable by the bank and ensures their execution.

The Bank's Risk Committee consistently oversees the alignment of risk policies and operations with the bank's core functions, pinpoints primary risks, and reports on their implementation to the Board of Directors. This involves taking proactive steps to mitigate these risks, defining protocols pertaining to risk management, sanctioning the establishment and enhancement of risk culture, and closely supervising its implementation.

OPERATIONAL RISK MANAGEMENT

Within the operational risk framework, the bank is committed to mitigating various risks. Including:

- Exploitative Risks,
- Fraud risks
- Workplace safety risks
- Customer-related risks,
- Risks associated with products and services
- Information technology system risks
- Internal process risks
- Risks arising from external factors
- Non-compliance risks with legal and external regulations
- Liability risks

3

The Internal Control Department and the Risk Management Department, as the overseeing units, are accountable for enforcing, monitoring, and ensuring adherence to risk policies and procedures. These units also provide assistance in managing the bank's operations and risks across business units, promoting collaboration among risk stakeholders, delivering comprehensive risk insights, and coordinating the activities of the bank's risk committee.

Additionally, the branches and settlement centers are entrusted with managing risks within their specific operational domains.

4

- Capital Risk,
- Personnel Risk

Operational risk management encompasses the evaluation of the bank's operational risk profile, identification of underlying risk catalysts, informed decision-making on preventive actions, and performance assessments.

OPERATIONAL RISK

Risk management efforts are geared towards preventive measures and the maintenance of the lowest achievable risk level, encompassing three pivotal areas: credit risk, market risk, liquidity risk, and operational risk. In the preceding year, operational risk management entailed the mitigation of potential risks within the bank's operations, evaluation of control

system effectiveness, formulation of recommendations, and their submission to pertinent departments.

In 2021, proactive steps were taken to implement recommendations aimed at thwarting criminal attacks. Regulations governing user privileges for accessing bank information and registration systems were revised, effectively mitigating the perils arising from improper user access and utilization to an acceptable minimum. Within the ambit of information security, policies and procedures underwent updates to ensure the continuous and reliable functionality of the information system., найдвартай ажиллагааг хангаж ажиллаж байна.

CREDIT RISK MANAGEMENT

In 2021, following the approval of the "Regulation on Asset Classification, Provisioning, and Disbursement" by the Bank of Mongolia, internal protocols and guidelines were revised. Changes were made to the classification of outstanding loans, and a risk fund was established to ensure compliance with the prudential ratio criteria stipulated by the Bank of Mongolia. In 2021, Arig Bank comprehensively outlined its credit risk policy, adjusting credit risk limits to align with the prevailing economic conditions and the bank's short- and medium-term business strategies. Moreover, the bank proactively executed credit risk prevention measures with efficacy. The primary objective of the bank's credit risk management is to avert the degradation of loan portfolio quality arising from external influences. This includes preventing the formation of undue loan concentration within a single economic sector, currency, credit product, or affiliated group. Additionally, the aim is to ensure fulfillment of the bank's obligations to regulatory authorities and investors.

Aligned with this objective, we undertake risk management through processes that involve assessing the loan portfolio's quality, quantifying anticipated

losses, appraising and containing concentration risks, and conducting comprehensive analyses.

Arig Bank formulates and enforces risk constraints, which constitute key benchmarks for effective risk management, both at the organizational level and at appropriate tiers within relevant units and branches. These measures consider the unique attributes and magnitude of operations.

As Arig Bank's operations expand, the demand for establishing a system for expedited loan resolution within hours and minutes, rather than the same day, is growing. Furthermore, for the optimal execution of credit risk management, various levels of credit resolution, including bank branches, settlement centers, the Credit Committee, and the Board of Directors, are tasked with determining the upper limit of loan amounts and assessing the credit rating of customers.



Branches and Units

Arig Bank operates through a network of 12 branches and Private banking centers in Ulaanbaatar and Darkhan cities, offering diverse banking services in a comfortable environment catering to the needs of our customers, and progressively renovating the interior for enhanced comfort..

In line with the aforementioned approach, Arig Bank inaugurated a branch at the State Department Store, a central landmark in Ulaanbaatar city, ensuring the continuous and rapid provision of products and services throughout the year. Additionally, enhancements were made to the interior and location of the Dochin Myangat branch.

For our valued clientele in Darkhan-Uul province, we expanded the service hall of the Darkhan branch and relocated it to the "Darkhan Market" shopping center, thereby creating a conducive environment for delivering comfortable and premium services.

Aligned with our current business strategy, Arig Bank is devising a customer-centric service standard and business model, increasing the number of branches in urban and densely populated localities, adhering to an expansion-oriented policy, and delivering high-quality banking services within a uniform and comfortable environment to enhance customer satisfaction and expand service coverage.




Arig Bank's Private Banking Center's highly skilled personnel offer tailored financial services to high-income individuals and esteemed organizations, addressing their preferences and needs 24/7, regardless of location. Our aim is to bring this prospective service closer to our customers and ensure its ongoing development.

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