



*“Empowering people through  
finance”*

*<http://www.abts.mn>*

A large, vibrant nighttime photograph of a city, likely Ulaanbaatar, Mongolia, serves as the background for the lower half of the cover. The city is densely packed with buildings, many of which are brightly lit, creating a warm, golden glow. In the background, a hill is visible, also covered in lights. The overall scene is a dynamic and colorful representation of urban life at night.

# ANNUAL REPORT 2018

## MESSAGE FROM THE CEO

*Mrs. Tsolmon E, CEO*

Although Mongolia performed well under the IMF supported program, the economy has not significantly recovered. Achievements have been made in fiscal position and foreign debt burden easing. However the Government has not strengthened investment climate to attract foreign direct investment. Mega projects have not been moved forward. Moreover, the Togrog exchange rate has been very volatile; Togrog has weakened against USD by MNT 215.8 or 8.9%.

Due to these factors, we have implemented cautious lending policy. On the other hand, we have made loan repayments and interest payments to our foreign and domestic investors, and we have successfully fulfilled our obligations under the relevant agreements. But the economic volatility and political instability hindered attracting new resources. In the reporting year, our profit decreased by about 23%, and ROE recorded low at 5.3%.

In December, we received additional financing from Business Partner Co., Ltd under the agreement conducted in 2016. This led to rise in loans at the end of the year.

Our total assets grew by MNT 1.4 billion or 7.7% totaling MNT 19.2 billion. Loans increased by MNT 2.5 billion or 24% to MNT 12.8 billion. Non-performing loans ratio of 2.2% was well below the NBFIs' average.

In order to further improve our operations and services quality, we have developed our internal regulations. Within the framework of implementation of AML/CFT Law, we have introduced five new regulations and renewed two regulations. Also, we have adopted new Regulation on Receiving and Resolving Complaints from Customers, Service Standards and Ethical Rules.

I would like to thank our shareholders', partners' and customers' trust and confidence, and hard work and loyalty of our staff.

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## ABOUT ABTS NBFI

ABTS is a non-bank financial institution committed to providing assistance to PEOPLE who are willing to alter their lives, to change society for the better.

As one of the leading NBFI with nearly MNT61.9 billion loans granted to around 3740 clients throughout the 17 years of operation in the field, ABTS NBFI offers quality service, relatively low interest rate and flexible terms to our customers.

ABTS NBFI is a well-established non-bank financial institution with a consistent record of growth and innovation. For almost two decades, ABTS has been a pioneering force in small and medium enterprise lending, based on its exceptional knowledge and experience in the sector.

We have proved ourselves as an effective and reliable partner. ABTS NBFI has successfully collaborated with certain number of other organizations, including the Mongolian Government institutions, Mongolian and foreign private entities, and international financial organizations such as World Bank and Asian Development Bank. And we are welcoming anyone willing to cooperate with us.

Since the establishment in 2001, ABTS NBFI has consistently grown and diversified, and today offers a wide range of loan products and financial services to its customers. Passion to be the best drives us to explore new opportunities and to form strong and effective business partnerships built on trust, integrity and mutual benefit. We are proud of the expertise that exists within ABTS and we work hard to maintain our reputation as a leader in micro-finance sector of Mongolia.



*“Our mission is to support and financially assist people wishing and willing to act for improving their life and the lives of loved one.”*



*“ABTS is founded to support and assist people to make their dream for a good life comes true. We believe that only people can make things truly better, and our efforts focused on them will actually improve their well-being.”*



*“Most of all we care about is helping people to improve their life as well as we work with them. This has been our driving force since we started our activity and has already brought us great success as an industry leader.”*



## Partners



We have proved ourselves as an effective and reliable partner. ABTS NBFI has successfully collaborated with certain number of other organizations, including the Mongolian Government institutions, Mongolian and foreign private entities, and international financial organizations. And we are welcoming anyone willing to cooperate with us.

## Business Goals

Our Non-Bank Financial Institution aims to:

- provide financial assistance to individuals and legal entities which are unable to get needed financial support from banks
- help small and medium-sized businesses to reduce unemployment and poverty
- support the social and economic development of Mongolia through well-organized cash transmission channels
- become one of the best Micro Financial Institutions of a New Generation



## Clients

We provide services focusing heavily on our clients' perspectives and reviewing our procedure to meet various needs. In such a way, we promote a highly flexible set of policies which are designed to help everyone in different situations and difficulties.

Our borrower improved his living conditions. He was able to finish building his 2-storey house and install cement block fences financed by ABTS.



## MONGOLIAN ECONOMY

### Economic performance



Mongolia's economy grew 6.9 percent in 2018, beating expectations and accelerating from a 5.3 percent in the previous year. An increase in foreign trade revenues, particularly from mineral resources such as coal and copper helped to drive the expansion.

Coal and copper exports generated almost 70 percent of Mongolia's total export revenues. Most of mining output was sold to neighboring China.

The fifth review of IMF Program implementation was completed in October 2018, indicating that Mongolia continues to perform well. The Mongolian authorities met the end-September quantitative targets with over-performance on fiscal targets that is helping to improve macroeconomic stability.

In 2018 The Fitch Ratings has upgraded Mongolia's Long-Term Foreign-Currency Issuer Default Rating (IDR) to "B" from "B-" with Stable outlook, and S&P Global Ratings raised Mongolia's sovereign credit rating to "B" from "B-" and assigned a stable outlook.

The international reserves grew to USD 3.5 billion, according to the Bank of Mongolia. <https://mongolbank.mn/dbgrossreserves.aspx/>. As of December 2018, exports rose by 13.1% to USD 7.0 billion, while imports increased by 35.5% to USD 5.9 billion that led to 39.1% drop in foreign trade surplus. But balance of payments pressure has remained, and balance of payments deficit reached USD 141.2 million. Mongolian Togrog exchange rate was extremely volatile; Togrog depreciation against US Dollar reached 8.9% as end-December 2018. Togrog weakened by MNT 215.8.

### Economic prospects

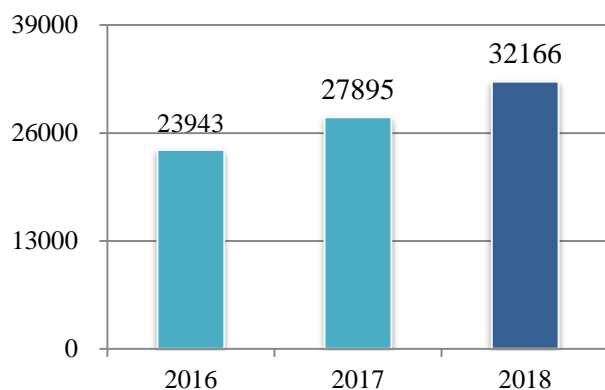
Mongolia's growth outlook in upcoming years remains positive; however the Mongolian economy still remains vulnerable to external shocks. These risks comprise price volatility in the world commodities market and weakening global demand for coal and other commodities mainly from China. Political uncertainty increased by the parliamentary election in 2020 could delay implementation of mega projects in the mining sector.

Anticipated expansion of the massive "Oyu Tolgoi" mine and development of other mega projects should lift economic growth back into positive territory. The government plans IPO at least 30% of the state-owned "Erdenes Tavan Tolgoi" coal mine that might boost the economic growth through investment. Fostered foreign investment will contribute into the development of Mongolia. But there is a large room for policymakers to create a favorable environment to facilitate foreign investment.

## NATIONAL ECONOMIC INDICATORS

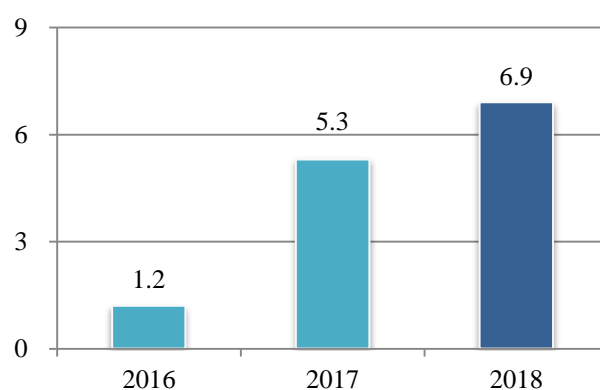
**GDP at current prices**

(billion MNT)



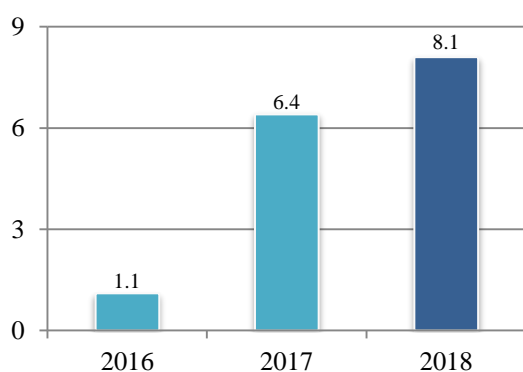
**Real GDP growth**

(by percentage)

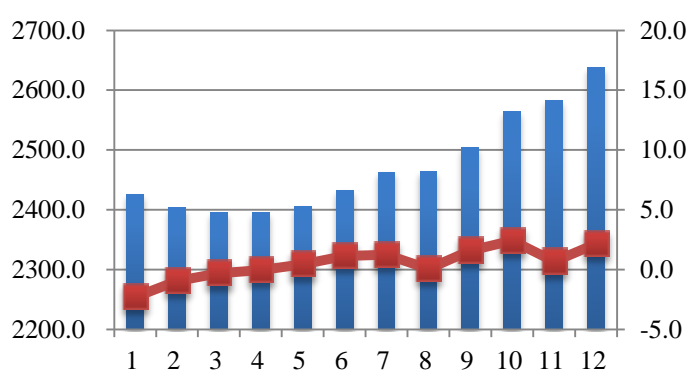


**Inflation rate**

(by percentage)



**Monthly average USD exchange rate and changes**



**Main indicators of Banks and NBFIs**

(by billion MNT)

	2016	2017	2018
<b>Banks</b>			
<b>Total assets</b>	25,338.4	28,772.9	33,053.3
<b>Loans</b>	12,338.0	13,506.5	17,082.4
<b>NPL</b>	1,047.5	1,148.5	1,778.3
<b>NPL/Total Loans %</b>	8.5%	8.5%	10.4%
<b>NBFIs</b>			
<b>Number</b>	518	534	539
<b>Total Assets</b>	787.2	969.2	1284.9
<b>Loans</b>	478.2	638.0	869.2
<b>NPL</b>	59.5	81.1	82.9
<b>NPL/Total loans %</b>	12.4%	12.7%	9.5%

Source: Bank of Mongolia, FRC

## PERFORMANCE IN 2018

ABTS NBFI was established on 4 October 2001 as one of pioneer micro finance institutions in Mongolia.

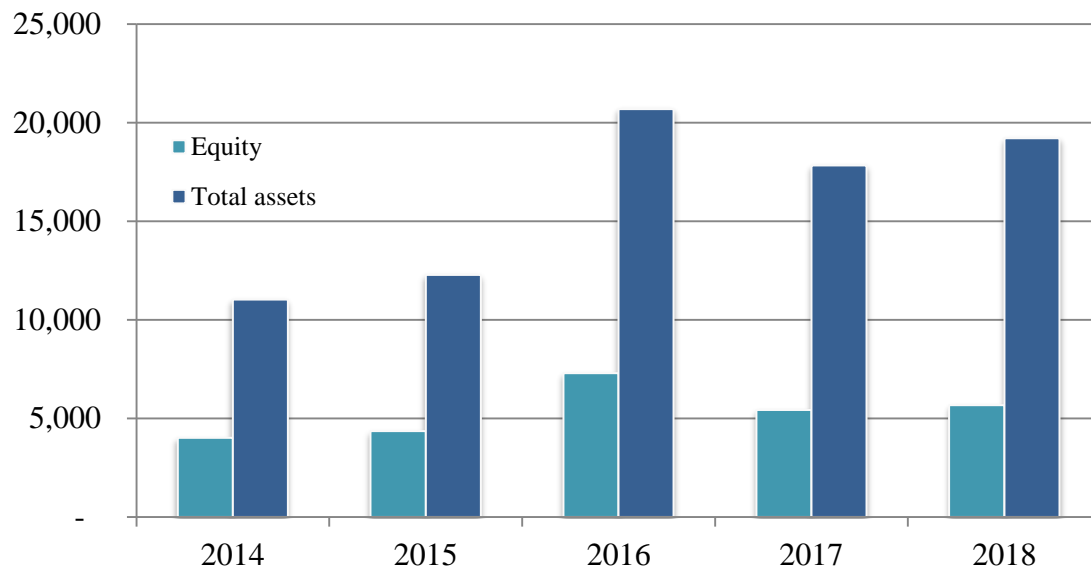
We direct our activity at meeting demand and needs of our clients with personal touch by introducing new financial products and services, improving our operations, and adopting international standards. In 2001-2018, the ABTS NBFI has granted total loans of MNT 61.9 billion to around 3740 clients.

Since 2001, total assets soared 208 times, while total loans increased 196 times and equity rose 142 times.

Compared to the end of 2017, total assets grew by 7.7%, while total loans rose by 24%. The ratio of non-performing loans to total loans made up 2.2%.

ABTS NBFI has already built the reputation of reliable financial partner. The backbone of our business is experienced staff, strong management team, and shareholders support. We believe that the team work with well-defined objectives, innovative thinking and integrated interests will drive the further success of our NBFI.

**Equity and total assets of ABTS NBFI /by million MNT/**



In the reporting year, total assets rose 7.7% to MNT 19.2 billion, while total loans increased by 24% to MNT 12.8 billion.

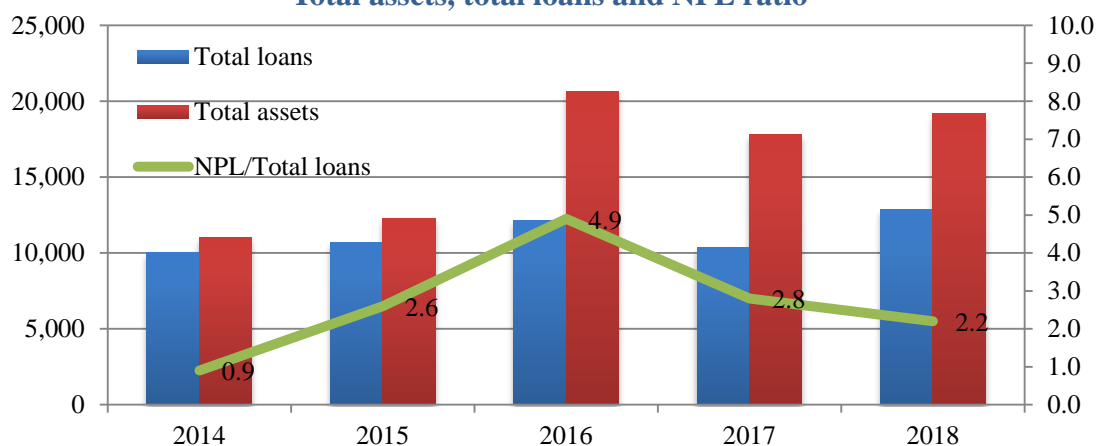
Equity rose 4.5% and totaled MNT 5.7 billion. Profit after tax lowered by 22.9%, while ROE reached 5.3% and ROA was 1.6% in 2018.



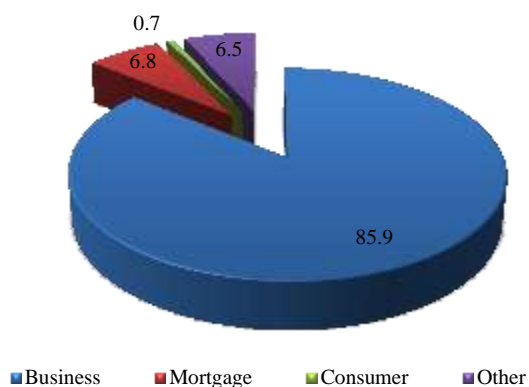
## LOAN SERVICES

Compared to 2017, economic conditions in Mongolia showed some slight improvements in 2018. However, the Government has not strengthened investment climate to attract foreign direct investment that is essential for the further development of Mongolia. Moreover, the Togrog exchange rate has been highly volatile; Togrog has weakened against USD by MNT 215.8 or 8.9%. Due to these factors, we implemented careful lending operations, directing mainly at trustworthy clients. Total loans rose by MNT 2.5 billion or 24% to MNT 12.8 billion in 2018. And non-performing loans ratio declined to 2.2% from 2.8% in the previous year.

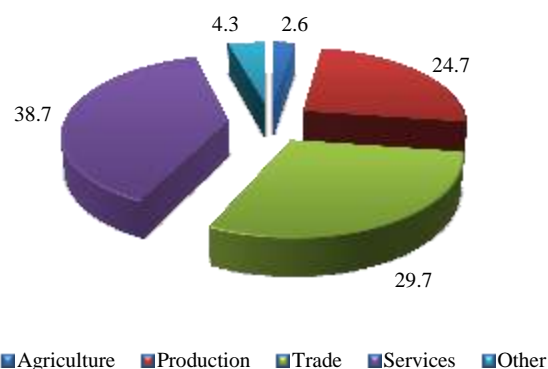
**Total assets, total loans and NPL ratio**



**Loan composition by products**



**Loan composition by sector**



Out of total loans, 38.7% was provided to services, 29.7% to trade, 24.7% to production and 2.6% to agriculture sector, while loans to other economic sectors made up 4.3%.

The breakdown of loan portfolio by loan products remained comparatively stable. The share of business loans slightly declined from 87.7% to 85.9%, while the share of mortgage loans increased from 4.1% to 6.8%, and consumer loans went down from 1.9% to 0.7% in 2018 compared to previous year end. In summary, business purposes loans made up the largest portion in the loan portfolio.

In the reporting year, we granted loans to 133 borrowers and our average loan issued was MNT 96 million.

## LOAN PRODUCTS



We offer the following loan products to our customers:

1. **Business loans** - Business loan is designed for businesses operating successfully and willing to expand their activity. Purpose of the business loan is to provide the borrowers an opportunity to expand their business operations, to create sustainable workplaces and increase living standards.
2. **Start-up loans** - This loan is provided to businesses which start their operations. As usual these businesses are without experience, and these loans bear comparatively higher risk.
3. **Credit line** - Credit line is extended to businesses and entrepreneurs to help them to smooth their financial flows.
4. **Micro Finance Development Fund's project loans** - Micro-finance loan is designed to provide credit facilities to low and middle income people to help them to increase their income, build stable income source, improve their living conditions and reduce their social vulnerability. These loans are provided within the Micro Finance Development Fund's project.
5. **Trust secured loans** - Loans collateralized by financial resources held in trust account with ABTS NBFI.
6. **Consumer loans** - Consumer loan is lent for various personal and household purposes.
7. **Salary loans** - Salary loan service is available to all working people in both private and public sectors.
8. **Loans for acquisition of premises** - Loan is provided for purchasing premises, houses.
9. **Loans on improvement of living conditions** - This loan is issued for improvement, expansion and maintenance of living premises.
10. **Mortgages** - Mortgage loans finance purchase of apartments and houses.
11. **Apartment maintenance loans** - Loan provided to individuals for their apartment maintenance and repairs.
12. **Automobile loans** - Loan provided for purchasing car.
13. **Student loans** - Loan is provided for the financial need of students that enrolled in the Mongolian Universities.
14. **Working Student loans** - Loan is issued to cover the expenses of students who are willing to work and travel abroad during their vacation.
15. **Employee salary loans** - This loan is provided to the employees of ABTS NBFI in order to serve their financial needs and facilitate sustainable performance of the company.

## SOCIAL RESPONSIBILITY



We are committed to achieving tangible, sustainable fulfillment of our corporate social responsibilities. We are focused on conducting our business activities with a balance among three dimensions – economic, social, and environmental. Our operations were directed at consistently supporting and financing environmentally friendly activities of our borrowers.

### Social responsibility activities by ABTS NBFi in 2018:

- Supported 12 female-headed households through our loan products.
- Presented gifts to children from poor and low-income households of Chingeltei District on Children's Day.
- Provided 50 school bags within the framework of MNBFI Association's campaign directed at providing 1000 school bags to children from poor and low-income households, with the purpose to encourage them and strengthen their willingness to learn and study.
- Provided mortgage loans with low interest rate and long maturity in order to contribute into reducing air pollution.
- All the staff travelled to Manchuria trip that facilitated development of team culture.
- Achievements of our internal auditor N.Sukhbat and chief accountant Sh.Bud were honored by the state awards. They received "Order of the Red Banner of Labor Glory" and "Order of the Polar Star", respectively.





**TO SHAREHOLDERS OF “ABTS NBFI” LLC****Report on the audit of the financial statements****Unqualified opinion**

We have audited the financial statements of “ABTS NBFI” LLC, which comprise the statement of financial position as at December 31, 2018, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements express true and fair view in all material aspects the financial position as at December 31, 2018 of “ABTS NBFI” LLC, and financial performance and cash flows for the year then ended in compliance with International Financial Reporting Standards and in accordance with resolutions, ordinances and guidance approved by the Financial Regulatory Commission.

*Basis of Opinion*

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of this report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance of these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

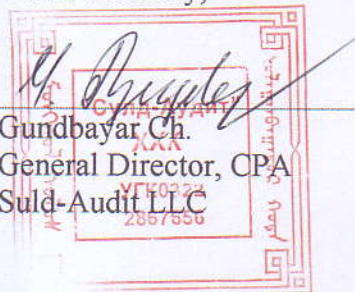


Those charged with governance are responsible for overseeing the Company's financial reporting process.

*Auditor's responsibility for the audit of the financial statements*

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

Yours sincerely,



Gundbayar Ch.  
General Director, CPA  
Suld-Audit LLC



# AUDITED STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

(in thousand MNT)

	December 31, 2017	December 31, 2018
<b>A. Assets</b>		
Cash and cash equivalents	3 018 244.8	1 668 169.0
Loans /net/	10 076 557.6	12 562 551.0
Accrued interest	2 889 265.2	3 176 070.8
Other receivables		96.2
Other assets	84 277.5	43 537.5
<b>Total Current assets</b>	<b>16 068 345.1</b>	<b>17 450 424.5</b>
<b>B. Non-current assets</b>		
<b>Fixed assets</b>	<b>1 749 848.4</b>	<b>1 744 098.1</b>
Buildings	328 526.9	328 526.9
Accumulated depreciation	(45 238.6)	(53 446.1)
Furniture and fixtures	16 387.5	16 807.5
Accumulated depreciation	(8 362.6)	(10 103.7)
Technical facilities	11 690.3	15 835.3
Accumulated depreciation	(10 629.1)	(10 995.8)
Unfinished goods	1 457 474.0	1 457 474.0
Intangible assets	879.5	4 245.2
<b>Total Non-current assets</b>	<b>1 750 727.9</b>	<b>1 748 343.3</b>
<b>TOTAL ASSETS</b>	<b>17 819 073.0</b>	<b>19 198 767.8</b>
<b>Short-term liabilities</b>		
Trust service payables	4 273 816.0	4 431 947.6
Interest accruals	286 384.8	296 684.3
Income tax payables	78 464.1	64 203.4
Dividends payable	226 452.0	182 628.8
Other	216 892.6	213 580.1
<b>Total Short-term liabilities</b>	<b>5 082 009.4</b>	<b>5 189 044.3</b>
<b>Long-term liabilities</b>		
Project financing	7 309 382.5	8 336 450.0
<b>Total Long-term liabilities</b>	<b>7 309 382.5</b>	<b>8 336 450.0</b>
<b>Total liabilities</b>	<b>12 391 391.9</b>	<b>13 525 494.3</b>
<b>Equity</b>		
Share capital	4 689 480.0	4 689 480.0
Additional paid-in capital	679 074.0	679 074.0
Retained earnings/loss	37 298.3	302 354.4
Benefice	21 828.8	2 365.1
<b>Total Owner's Equity</b>	<b>5 427 681.1</b>	<b>5 673 273.5</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>17 819 073.0</b>	<b>19 198 767.8</b>

The accompanying notes are an integral part of the financial statements.



# AUDITED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2018

(in thousand MNT)

	December 31, 2017	December 31, 2018
Interest income	2 313 941.0	1 867 587.0
Interest expense	927 319.7	818 322.3
<b>Net interest income</b>	<b>1 386 621.3</b>	<b>1 049 264.7</b>
Currency exchange and retranslation income (net)	1 621 050.4	647 667.6
Other operating income	168 601.5	92 752.6
<b>Total non-interest income</b>	<b>1 789 651.9</b>	<b>740 420.2</b>
<b>Net operating income</b>	<b>3 176 273.2</b>	<b>1 789 684.9</b>
Difference in currency exchange and retranslation	1 839 047.6	541 602.1
Operating expenses	696 655.5	914 979.0
<b>Total Operating expenses</b>	<b>2 535 703.1</b>	<b>1 456 581.1</b>
Profit/Loss before loan provisions	640 570.1	333 103.8
Contingent risk expense	248 823.4	11 507.7
<b>Operating Profit/Loss</b>	<b>391 746.7</b>	<b>321 596.1</b>
Non-operating income	13 810.7	10 929.5
Non-operating expenses	1 401.7	1 523.5
<b>Non-operational profit (loss)</b>	<b>12 409.0</b>	<b>9 406.0</b>
<b>Net profit (loss) before tax</b>	<b>404 155.7</b>	<b>331 002.1</b>
Income tax	49 034.8	28 647.7
<b>Net profit (loss) for reporting period</b>	<b>355 120.9</b>	<b>302 354.4</b>

The accompanying notes are an integral part of the financial statements.





**AUDITED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**  
For the year ended December 31, 2018

(in thousand MNT)

	Share capital	Paid-in capital	Revaluation reserves	Retained earnings	Total amount
<b>Balance as at January 01, 2017</b>	<b>4 689 480.0</b>	<b>679 074.0</b>		<b>1 924 658.9</b>	<b>7 293 212.9</b>
Changes in accounting policies					
<b>Adjusted balance</b>	<b>4 689 480.0</b>	<b>679 074.0</b>		<b>1 924 658.9</b>	<b>7 283 212.9</b>
Revaluation reserve					
Investment revaluation reserves					
Unrecognized loss/profit in income statement					
Net profit for the reporting period				392 419.2	392 419.2
Dividends				(2 257 951.0)	(2 257 951.0)
Share capital					
<b>Balance as at December 31, 2017</b>	<b>4 689 480.0</b>	<b>679 074.0</b>		<b>59 127.1</b>	<b>5 427 681.1</b>
Changes in accounting policies					
<b>Adjusted balance</b>					
Revaluation reserve					
Investment revaluation reserves					
Unrecognized loss/profit in income statement					
Net profit for the reporting period				302 354.4	302 354.4
Dividends				(56 761.9)	(56 761.9)
Share capital					
<b>Balance as at December 31, 2018</b>	<b>4 689 480.0</b>	<b>679 074.0</b>		<b>304 719.5</b>	<b>5 673 273.5</b>

The accompanying notes are an integral part of the financial statements.

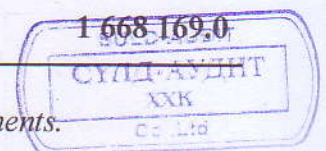




**AUDITED STATEMENT OF CASH FLOWS***For the year ended December 31, 2018*

(in thousand MNT)

Row №		December 31, 2017	December 31, 2018
1	<b>Cash flows from operating activities</b>	<b>(2 903 211.9)</b>	<b>(1 348 552.3)</b>
1.1	<b>Cash inflows from operating activities (+)</b>	<b>9 616 474.9</b>	<b>9 306 254.7</b>
	Loan interest income	1 039 787.6	1 282 169.0
	Deposits interest income	4 986.9	1 395.1
	Commission and fees income	18 249.7	12 622.3
	Savings interest income at Bank	103 185.0	65.2
	Foreign currency exchange income	305 473.8	157 840.7
	Proceeds from trust services	1 271 792.0	485 999.3
	Return on interest income	-	9 792.6
	Other cash inflows	6 872 999.9	7 356 370.5
1.2	<b>Cash outflows from operating activities (-)</b>	<b>12 519 686.8</b>	<b>10 654 807.0</b>
	Payments to employees	47 051.0	45 022.4
	Payment of social insurance benefits	848.4	637.7
	Payment to Social insurance	27 820.3	31 701.1
	Payment to Issued loans	41 168.0	13 057.6
	Foreign currency exchange expenses		
	Payment for utilities	2 818.3	3 152.2
	Payment for fuel, transportation, and spare parts	14 593.8	11 652.5
	Payment of interest on borrowed funds	696 028.7	688 627.1
	Trust service income/interest expenses		
	Trust service payments	646 312.5	975 842.7
	Tax paid	336 564.8	275 912.5
	Expenses on loan recovery	7 655 330.5	6 885 092.3
	Other cash payments	3 051 150.5	1 724 108.9
2	<b>Cash flows from non-operating activities</b>		
2.1	<b>Cash inflows from non-operating activities</b>		
	Penalties, fines		
	Income from sale of fixed assets		
	Other		
2.2	<b>Cash outflows from non-operating activities</b>	<b>(4 152.9)</b>	<b>(1 523.5)</b>
	Celebration expense	4 152.9	1 523.5
	Other	0.0	0.0
3	<b>NET CASH FLOWS</b>	<b>(2 907 364.8)</b>	<b>(1 350 075.8)</b>
4.1	<b>Cash and cash equivalents at the beginning of the year</b>	<b>5 925 609.5</b>	<b>3 018 244.8</b>
4.2	<b>Cash and cash equivalents at the end of the year</b>	<b>3 018 244.8</b>	<b>1 668 169.0</b>

*The accompanying notes are an integral part of the financial statements.*

## COMPANY DETAILS

ABTS NON-BANK FINANCIAL INSTITUTION

# 302, Logos office

Chingeltei District - 6

Ulaanbaatar – 15140

Tel: (976-11) 318-133, (976-11) 7000-7616

Fax: (976-11) 329678

E-mail: [info@abts.mn](mailto:info@abts.mn)

Website: [www.abts.mn](http://www.abts.mn)