



*“Empowering people through
finance”*

ANNUAL REPORT 2019





Economic growth remained solid in 2019 (according to the National Statistical Office, GDP growth recorded 5.1%), mainly driven by strong growth in minerals production and export. However, Mongolia remains vulnerable to external shocks, particularly to prices of the commodities in the international market. Implementation of mega projects had not been started. The authorities had not taken substantial measures to strengthen foreign investment inflows. Foreign direct investment stood at USD 2.1 billion as December 2019, same level without essential change from 2018. Furthermore, possible rise in state budget expenditures and political uncertainty ahead of Parliamentary election in June 2020 cause another risk to sustainability of the economic growth. Confirmed cases of COVID 19 are not currently recorded in Mongolia. The Mongolian authorities are taking strict measures to prevent the spread of COVID 19. Today, it is difficult to estimate the COVID 19 impact on the Mongolian economy due to the uncertainty over the duration of outbreak and quarantine.

In the reporting year, our total assets grew by 2.6% totaling MNT 19.7 billion. Total loans (net) increased by 0.1% to MNT 12.6 billion. The ratio of non-performing loans to total loans declined from 2.2% to 1.6%. Net income showed rise of 10.4%.

Volatility of Togrog exchange rate remained high. The Mongolian Togrog weakened against USD by MNT 90.6 or 3.4%, and against JPY by MNT 1.1 or 4.6%. The exchange rate volatility remains the essential factor influencing our profitability.

In 2019, we enriched our database of customers adding attributes such as education, age, income level, and updated the existing one. In order to ensure our customers with quick solving their complaints and adopting their suggestions, we introduced a new regulation for receiving and solving the customers' complaints, comments and recommendations. Also, we introduced short questionnaire form to receive feedback from our borrowers.

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

ANNUAL REPORT 2019

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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 MNT64.3 billion loans granted to around 3829 clients throughout the 18 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 micro-financial company with a consistent record of growth and innovation. For almost two decades, ABTS has been a pioneering force in small and medium enterprise lending, using its exceptional knowledge and experience to expand at pace.

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.

Foresight, energy and a passion to be the best drive 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-financing sector of Mongolia.



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.



MONGOLIAN ECONOMY

Economic performance



Mongolia's growth was relatively slow in 2019 compared to previous year. End of year data showed GDP growth of 5.1%, maintained on the back of growing minerals output and exports.

As of December 2019, exports rose by 8.7% or USD 608 mln to USD 7.6 billion, while imports increased by 4.3% or USD 252 mln to USD 6.1 billion. Hence foreign trade surplus equaled USD 1.5 bln, higher by 31.3% than in 2018. Improved foreign trade balance resulted in decreasing Current account deficit and increasing the balance of payments surplus.

In 2019, the balance of payments showed surplus of USD 452.9 mln. Thus improved balance of payments supported accumulation of official reserves, which are essential for the maintaining currency and financial stability. The international reserves grew to USD 4.3 billion, according to the Bank of Mongolia (<https://www.mongolbank.mn/dbgrossreserves.aspx>). However Togrog continued its weakening. Volatility of Togrog exchange rate remained high. The Mongolian Togrog weakened against USD by MNT 90.6 or 3.4%, and against JPY by MNT 1.1 or 4.6%. The exchange rate volatility hinders economic and financial stability.

Standard & Poor's credit rating for Mongolia stands at B with stable outlook. Moody's credit rating for Mongolia was set at B3 with stable outlook, while Fitch's credit rating for Mongolia was at B with stable outlook.

Economic prospects

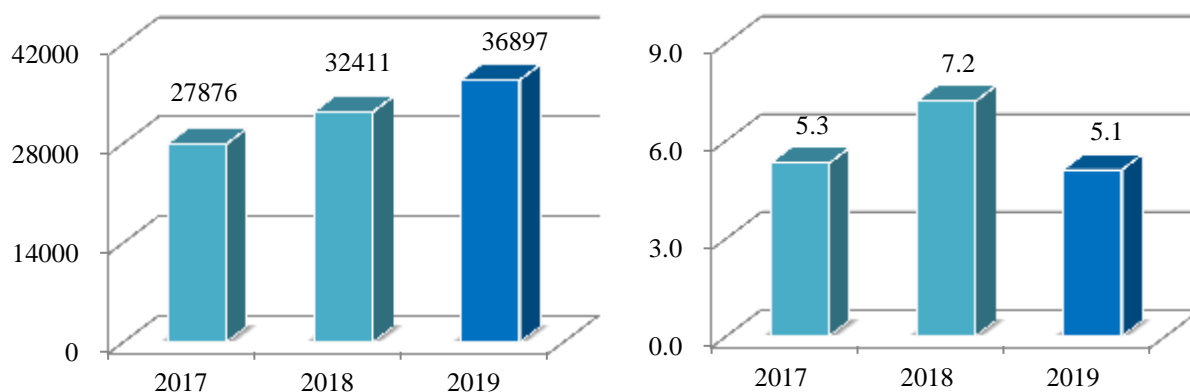


Mongolia's growth outlook remains positive in 2020 and beyond. Preliminary results showed GDP growth of 5.1%, maintained on the back of growing minerals output and exports. However the Mongolian economy still remains vulnerable to external shocks due to the economy's dependence on mineral exports. Risks to the outlook include unexpected downturn in commodities price in international markets; delay in implementation of mega projects; political uncertainty ahead of parliamentary elections in 2020 and associated backslides in the government's fiscal policy. Diversifying the economy, improving infrastructure, enhancing the investment climate would boost economic growth of the country. Prudent fiscal and monetary policies should be continued after the election in 2020.

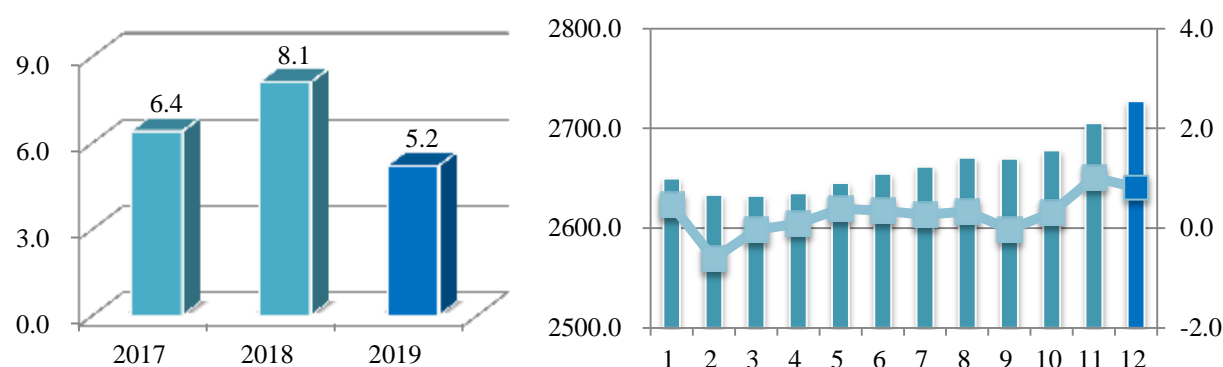
The government plans IPO of the state-owned Erdenes Tavan Tolgoi coal mine in 2020 that will contribute into the further growth of the economy and foreign investment. In addition, successful completion of Oyu Tolgoi investment and infrastructure projects could boost investor confidence and add into the enhancement of foreign investment climate.

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)

	2017	2018	2019
Banks			
Total assets	28,772.9	33,053.3	35,859.3
Loans	13,506.5	17,082.4	17,932.2
NPL	1,148.5	1,778.3	1,818.9
NPL/Total Loans %	8.5%	10.4%	10.1%
	2017	2018	2019*
NBFIs			
Number	534	539	539*
Total Assets	969.2	1,284.9	1,628.5*
Loans	638.0	869.2	1,169.3*
NPL	81.1	82.9	104.7*
NPL/Total loans %	12.7%	9.5%	8.9%*

Source: Bank of Mongolia, FRC

*- Since the 4th quarter financial statements of NBFIs' have not been released yet, 2019 indicators of NBFIs are shown as the end of 3rd quarter.

PERFORMANCE IN 2019

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

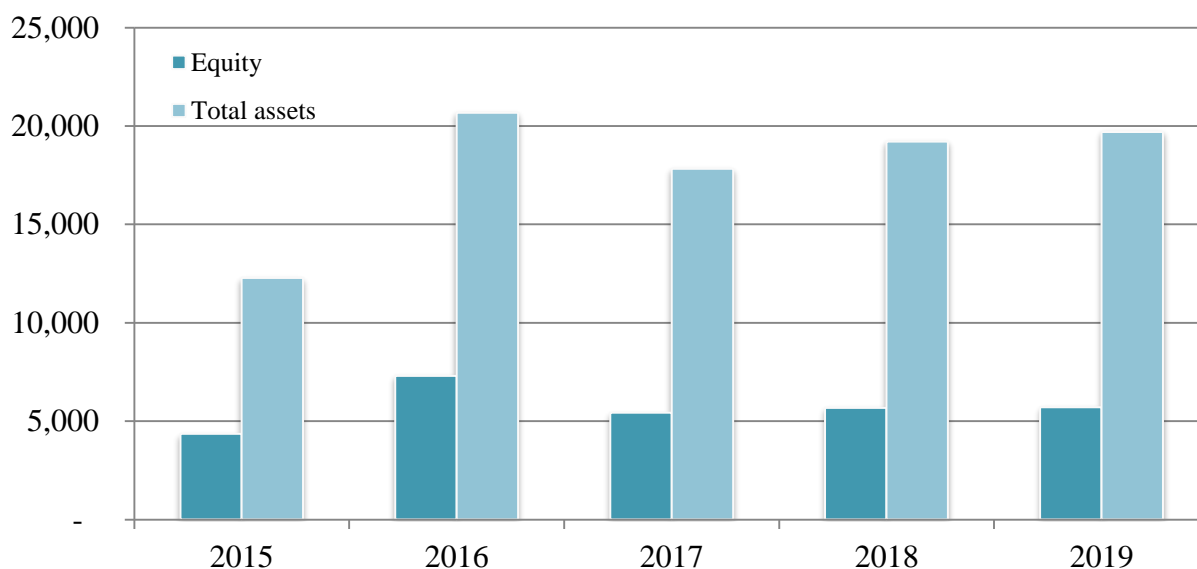
We direct our activity at meeting demand and needs of our clients with personal touch by introducing new financial products and services, improving our operations, and adopting international standards. In 2001-2019, the ABTS NBFI has granted total loans of MNT 64.3 billion to 3829 clients.

Since 2001, total assets soared 214 times, while total loans increased 196 times and equity rose 142 times.

Compared to the end of 2018, total assets grew by 2.6%, while total loans (net) rose by 0.1%. The ratio of non-performing loans to total loans made up 1.6% which is 0.6 p.p. decrease from last year's 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/



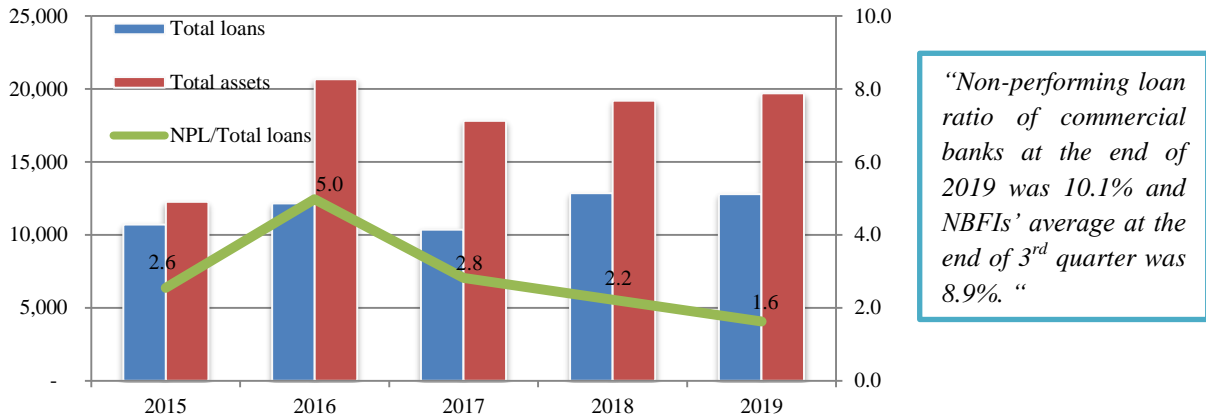
In the reporting year, total assets rose 2.6% to MNT 19.7 billion, while total loans slightly lowered by 0.5% to MNT 12.8 billion. We continued our lending policy to improve loan quality and monitor non-performing loans due to the economic uncertainties.

Equity rose 0.6% and totaled MNT 5.7 billion. Profit after tax also increased by 10.4%, while ROE increased 0.6 p.p. to 5.9% and ROA added 0.1 p.p. to 1.7% in 2019.

LOAN SERVICES

In 2019, due to the economic uncertainties, we have continued to pursue a tight lending policy. Total loans declined by MNT 58 million or 0.5% to MNT 12.8 billion in 2019. Since we continued our lending policy from 2018 to directing distribution of loans to comparatively trustworthy clients and taking measures on enhancing the quality of loan portfolio, it resulted in decline of non-performing loans ratio to 1.6% from 2.2% previous year.

Total loans, total assets and NPL ratio

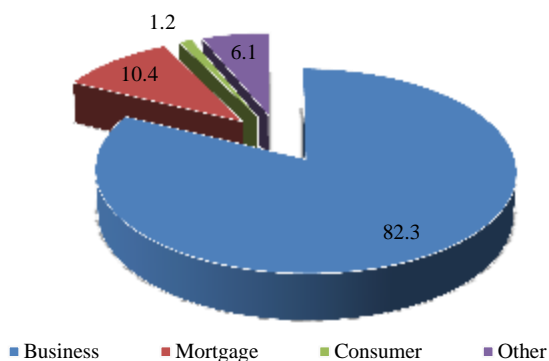


Out of total loans, 43.6% was provided to services, 28.3% to trade, 21.4% to production and 2.7% to agriculture sector, while loans to other economic sectors made up 4%.

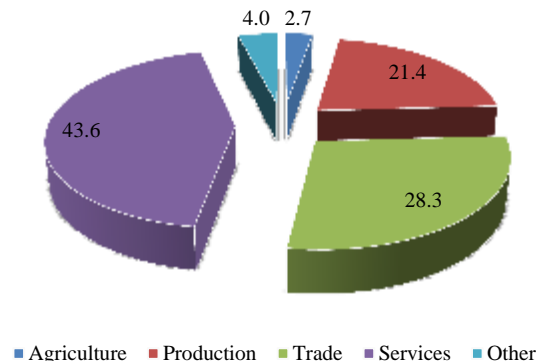
The breakdown of loan portfolio by loan purposes remained comparatively stable. The share of business loans slightly declined from 85.9% to 82.3%, while the share of mortgage loans increased from 6.8% to 10.4%, and consumer loans went up from 0.7% to 1.2% in 2019 compared to previous year end. In summary, business purposes loans made up the largest portion in the loan portfolio.

In the reporting year, we granted loans to 123 borrowers and our average loan issued was MNT 104 million.

Loan composition by products



Loan composition by sector



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 NBF1 in 2019:

- 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 to the society for decreasing air pollution. We granted loans to 27 female heads of households to support single mothers.
- Moved to a central location that provides a comfortable customer service environment and improves the working conditions for our staff.
- By regarding their contribution to the micro-financial sector development in Mongolia, MNBFI Association awarded our accountant D.Munkhzul with "Best accountant of 2019", chief loan officer M.Chanzavtsog with "Best employee of the year 2019" and our loan officer E.Tuvshinbat was awarded with "Certificate of Honor" from FRC.





“NIISLEL AUDIT” LLC

Certified audit, appraisal and accounting consultancy company

Date: *of February 05, 2020*

INDEPENDENT AUDITOR'S REPORT

TO SHAREHOLDERS OF “ABTS NBFI” LLC

Unqualified opinion

We have audited the financial statements of “ABTS NBFI” LLC, which comprise the statement of financial position as at December 31, 2019, 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, 2019 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,



Niislel audit LLC

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AUDITED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

(in thousand MNT)

INDICATORS	31-Dec-18	31-Dec-19
A. Assets		
Cash and cash equivalents	1,668,168.9	1,172,835.3
Loans /net/	12,562,551.0	12,578,095.9
Accrued interest	3,176,070.8	4,003,932.1
Other receipts	96.2	
Other assets	43,537.5	179,270.5
Total Current assets	17,450,424.4	17,934,133.8
B. Non-current assets		
Fixed assets	1,744,098.1	1,758,735.1
Buildings	328,526.9	328,526.9
Accumulated depreciation	(53,446.1)	-61,653.7
Furniture and fixtures	16,807.5	20,006.5
Accumulated depreciation	(10,103.7)	-9901.7
Technical facilities	15,835.3	16,163.3
Accumulated depreciation	(10,995.8)	-11,381.9
Unfinished goods	1,457,474.0	1,476,975.7
Intangible assets	4,245.2	3,778.3
Total Non-current assets	1,748,343.3	1,762,513.4
TOTAL ASSETS	19,198,767.7	19,696,647.2
Short-term liabilities		
Short-term loans		651,000.0
Trust service payables	4,431,947.8	3,981,809.8
Interest accruals	296,684.3	503,104.4
Income tax payables	64,203.4	13,800.4
Dividends payable	182,628.8	226,806.2
Other	213,580.1	490,532.1
Total Short-term liabilities	5,189,044.2	5,867,052.9
Long-term liabilities		
Project financing	8,336,450.0	8,124,450.0
Total Long-term liabilities	8,336,450.0	8,124,450.0
Total liabilities	13,525,494.2	13,991,502.9
Equity		
Share capital	4,689,480.0	4,689,480.0
Additional paid-in capital	679,074.0	679,074.0
Retained earnings/loss	302,354.4	333,812.3
Benefice	2,365.1	2,778.0
Total Owner's Equity	5,673,273.5	5,705,144.3
TOTAL LIABILITIES AND EQUITY	19,198,767.7	19,696,647.2

The accompanying notes are an integral part of the financial statements

AUDITED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2019

(in thousand MNT)		
INDICATORS	31-Dec-18	31-Dec-19
Interest income	1,867,587.0	2,066,432.0
Interest expense	818,322.3	1,064,475.6
Net interest income	1,049,264.70	1,001,956.4
Foreign exchange income	2,148.1	8,177.9
Currency exchange and retranslation income	645,519.5	410,090.8
Service Fee premium revenue	92,752.6	169,337.7
Total non-interest income	740,420.2	587,606.4
Net operating income	1,789,684.9	1,589,562.8
Currency exchange and retranslation expense	541,602.1	280,830.0
Operating expenses	914,979.0	954,702.9
Total Operating expenses	1,456,581.1	1,235,532.9
Profit/Loss before loan provisions	333,103.8	354,029.9
Contingent risk expense	11,507.7	65,147.7
Operating Profit/Loss	321,596.1	288,882.2
Non-operating income	10,929.6	90,052.3
Non-operating expenses	1,523.5	5,253.8
Non-operational profit (loss)	9,406.1	84,798.5
Net profit (loss) before tax	331,002.2	373,680.7
Income tax	28,647.7	39,868.4
Net profit (loss) for reporting period	302,354.5	333,812.3

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, 2019

(in thousand
MNT)

INDICATORS	Share capital	Paid-in capital	Retained earnings	Total amount
Balance as at January 01, 2018	4,689,480.0	679,074.0	59,127.1	5,427,681.1
Changes in accounting policies				
Adjusted balance	4,689,480.0	679,074.0	59,127.1	5,427,681.1
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				
Balance as at December 31, 2018	4,689,480.0	679,074.0	304,719.6	5,673,273.6
Changes in accounting policies				
Adjusted balance	4,689,480.0	679,074.0	304,719.6	5,673,273.6
Revaluation reserve				
Investment revaluation reserves				
Unrecognized loss/profit in income statement				
Net profit for the reporting period			333,812.3	333,812.3
Dividends			(301,941.6)	(301,941.6)
Share capital				
Balance as at December 31, 2019	4,689,480.0	679,074.0	336,590.3	5,705,144.3

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



AUDITED STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

(in thousand MNT)

Row №	INDICATORS	31-Dec-18	31-Dec-19
1	Cash flows from operating activities	(1,348,552.3)	(492,496.0)
1.1	Cash inflows from operating activities (+)	9,306,254.7	7,596,206.2
	Loan interest income	1,282,169.0	1,260,221.9
	Deposits interest income	1,395.1	3,234.0
	Commission and fees income	12,622.3	20,693.5
	Savings interest income at Bank	65.2	18,899.5
	Foreign currency exchange income	157,840.7	66,736.0
	Proceeds from trust services	485,999.3	830,865.9
	Return on interest income	9,792.6	0
	Other cash inflows	7,356,370.5	5,395,555.4
1.2	Cash outflows from operating activities (-)	10,654,807.0	8,088,702.2
	Payments to employees	45,022.4	48,952.4
	Payment of social insurance benefits	637.7	1,352.6
	Payment to Social insurance	31,701.1	41,865.2
	Payment to Issued loans	13,057.6	34,742.4
	Payment for utilities	3,152.2	5,688.3
	Payment for fuel, transportation, and spare parts	11,652.5	19,321.6
	Payment of interest on borrowed funds	688,627.1	787,766.0
	Trust service payments	975,842.7	1,472,809.1
	Tax paid	275,912.5	374,829.5
	Expenses on loan recovery	6,885,092.3	4,280,341.2
	Other cash payments	1,724,108.9	1,021,033.9
2	Cash flows from non-operating activities	(1,523.5)	(2,837.7)
2.1	Cash inflows from non-operating activities	-	-
	Penalties, fines		
	Income from sale of fixed assets		
	Other		
2.2	Cash outflows from non-operating activities	1,523.5	2,837.7
	Celebration expense	1523.5	1787.7
	Other		1050.0
3	NET CASH FLOWS	(1,350,075.8)	(495,333.7)
4.1	Cash and cash equivalents at the beginning of the year	3,018,244.8	1,668,169.0
4.2	Cash and cash equivalents at the end of the year	1,668,169.0	1,172,835.3

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



COMPANY DETAILS

ABTS NON-BANK FINANCIAL INSTITUTION

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E-mail: info@abts.mn

Website: www.abts.mn