



*"Empowering people through
finance"*

<http://www.abts.mn>

ANNUAL REPORT 2020

MESSAGE FROM THE CEO



As of 2020, according to the National Statistics Committee, Mongolia's economic growth was -5.3%. This is mainly due to the outbreak of the Pandemic in Mongolia led to general quarantine and Government of Mongolia set of rules that restricted public sector's activity. Foreign direct investment decreased by 42.5% resulting large negative contribution at 19.3% to Mongolia's economic growth.

Exports and imports especially transportation restriction have slowed down the economy and negatively affected the growth of businesses. Inflation reached to the 2.3%. The exchange rate of the MNT strengthened even inflation increased. The Tugrig depreciated against the US dollar by 4% while JPY exchange rate appreciated against MNT by 2.5 tugrig or 9.94%.

During the last year, total assets of ABTS NBFI decreased by 2% to 19.3 billion, total loans decreased by 4% to 12.1 billion, non-performing loans increased to 432.3 million, and total income decreased by 53.3%.

We cooperated with our customers to overcome the difficulties of covid-19 by extending the contract period, delaying the principal payment and providing additional financing if necessary.

Finally, I would like to thank our shareholders, partners, customers, trust holders and our staff for the confidence and hard work and loyalty.

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ABOUT THE “ABTS” NBFI

The “ABTS” NBFI was founded in 2001 and now in its 19th year, it has been working confidently to meet the financial needs of our customers. We have been working on transparent and open principles since its establishment. In today's rapidly changing business environment and customer demand, we are continuously introducing innovative financial products and services based on the characteristics and needs of each customer to the market, and are working to provide professional and reliable financial services in a high-class comfortable environment.

"ABTS BBSB" LLC received a loan service license from the Bank of Mongolia and started operating, on October 4, 2001. We provide financial services that meet the needs of low-income citizens and small- and medium-sized enterprises who have limited access to financial services from banks, reduces unemployment and provides stable livelihoods, thus contributing to the social and economic development of Mongolia.

The main goal of our activity is to provide financial assistance to everyone who has a specific goal, who has a sincere desire to achieve that goal, and is willing to work hard. We are working to introduce new products and services to the financial market, develop financial services in line with advanced information technology, and meet the growing demands of customers in accordance with international standards.

"ABTS NBFI" LLC total assets increased 224 times, total loans increased 171 times, and equity increased 142.5 times in 2020 compared to the end of 2001 when it was established.

Today, ABTS NBFI has become a well-known and reliable financial intermediary. Our skilled staff, proper management, support of shareholders, efforts and hard work of our team with common interests and specific goals are the basis of this success and we are confident that it will lead to further success.

MONGOLIAN ECONOMY TODAY

Due to the impact of the pandemic and the general curfew, the economy has declined by 5.3% negative. Due to the impact of transportation and import logistics bottlenecks, imports decreased by 829 million US dollars or 15.6%, but due to the smooth export of the main mining products, the total amount of trade balance was reduced by 727 million USD or 53% less than last year.

The country's budget balance was 2.3 billion US dollars, or 785 million US dollars more than last year. This has had a major impact on the MNT's stability against foreign currencies. Inflation due to shortage of transport logistics, consumer goods and curfew has increased by 2.3%. Inflation increased, but the exchange rate of MNT depreciated against foreign currencies. The Tugrik depreciated against the US dollar by 4% while JPY appreciated by 2.5 MNT or 9.94%. Moody's International Agency has classified Mongolia as B3 (-), while Fitch has classified it as B (stable).

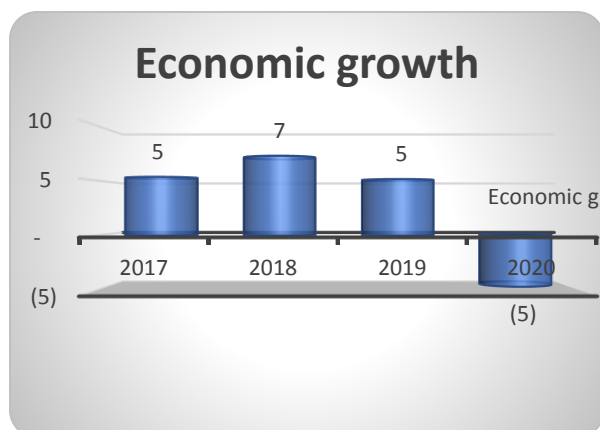
Mongolia's economy is slowly recovering and will grow by 4.8% due to the increase in internal circulation, investment and private sector credit, according to the report of the Asian Development Bank, in 2020. China's economic recovery and the growth of exports of mineral raw materials will also have an important impact. Until 60% of the population is vaccinated, health risks will continue to weigh on domestic demand and the business environment.

Main indicators of NBFIs

	2018	2019	2020
<i>NBFIs</i>			
Number	539	538	532
Total Assets	1,284.9	1,730.1	2,006.9
Loans	869.2	1,233.1	1,327
NPL	82.9	105.4	136.4
NPL/Total loans %	9.5%	8.5%	10.3%

Source: FRC

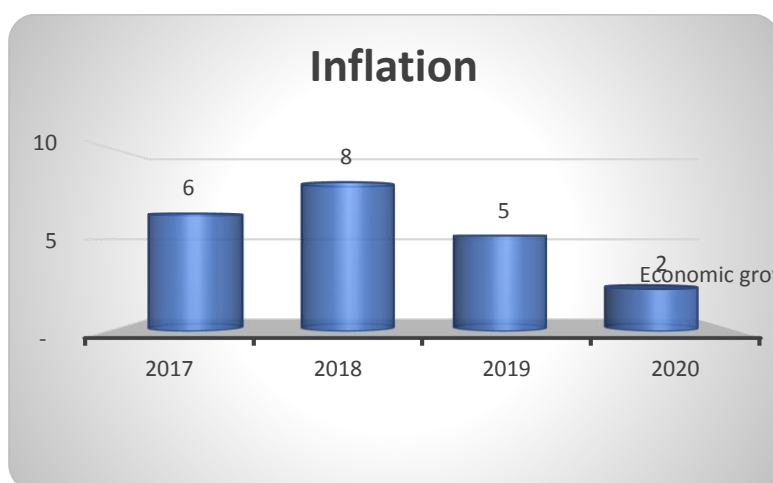
MACROECONOMIC INDICATORS



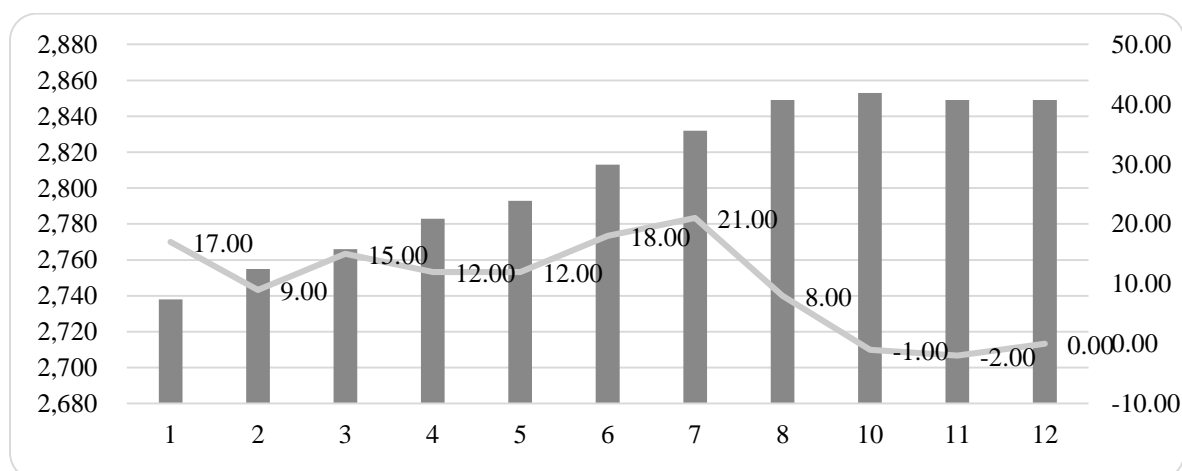
1. Economic growth (by percent)



2. Gross domestic product (by billion Tugrig)



3. Inflation (by percent)



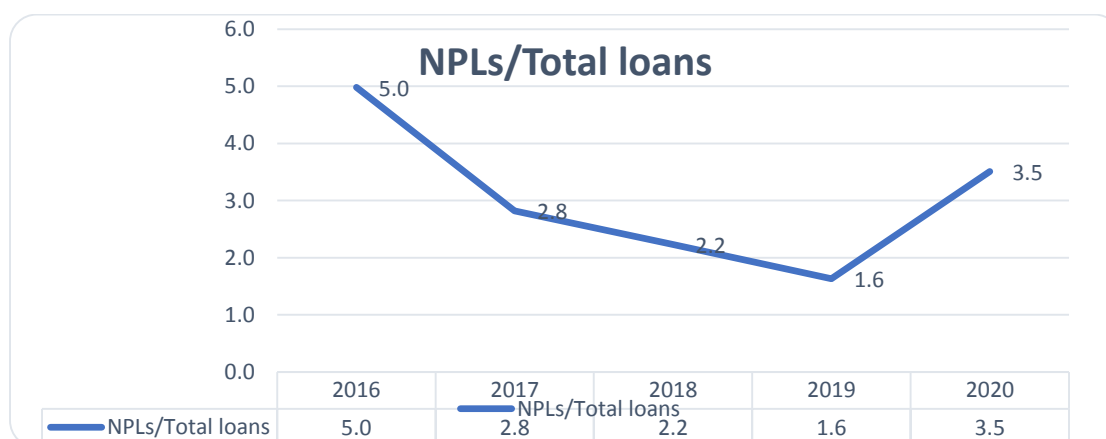
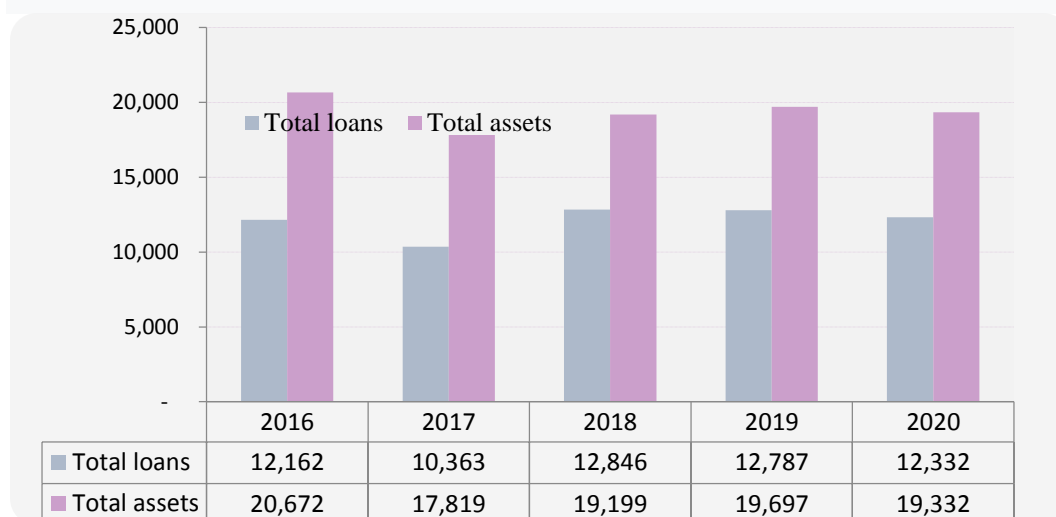
4. Exchange rate Tugrig against USD

PERFORMANCE

Compare with the end of the last year, total assets have decreased by 2% and equity by 7.5%, respectively.

As of 2020, the amount of non-performing loans has doubled due to the impact of the damage caused to the financial ability of citizens and enterprises due to the Covid-19 pandemic last year, and the fact that the ABTS NBFI has focused on the flexibility of the loan portfolio rather than the profit of the loan portfolio. ABTS NBSB currently has 19,332,360.7 MNT assets and 12,073,119.80 MNT loans. The amount of non-performing loans is 432,340.70 MNT.

Chart 5. Total assets (orange) and loans (blue million MNT) Ratio of non-performing loans to total loans (right axis)



The capital adequacy ratio of our organization was 26.9% as of 2020 and the ratio of equity and total assets determined by the Financial Regulatory Commission is at least 20%.

Chart 6. Total assets (yellow) and equity (blue) million MNT)

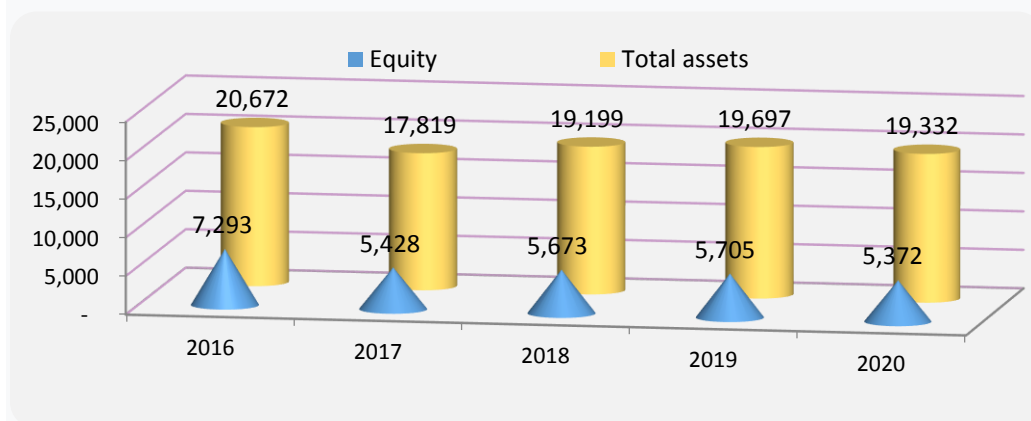
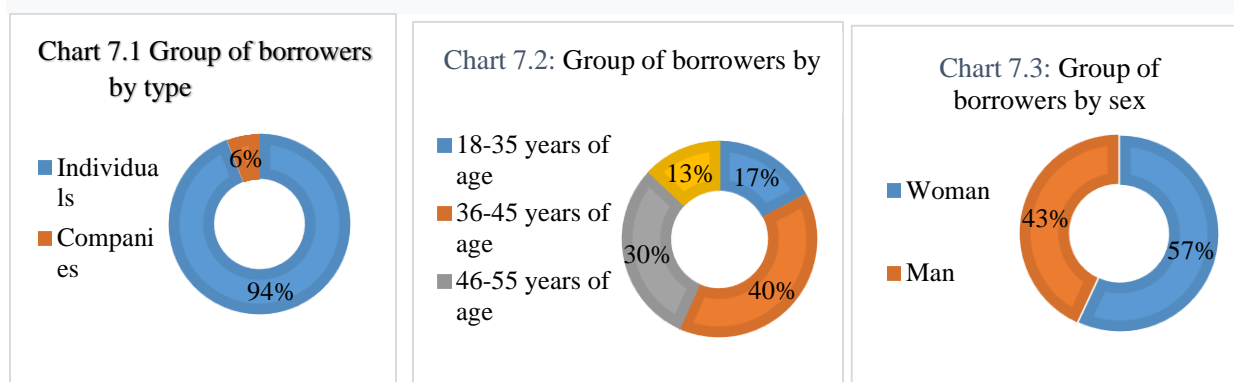


Chart 7. Borrowers type



LOAN PRODUCT AND SERVICES

"ABTS NBFI" LLC currently provides business loans, consumer loans, housing loans, loans for buying and repairing houses, salary loans, etc., a total of 22 types of loan products and services for citizens, enterprises. It's recommended, depending on the characteristics of the loan product and its term, the monthly loan interest varies between 0.7% and 3.0%.

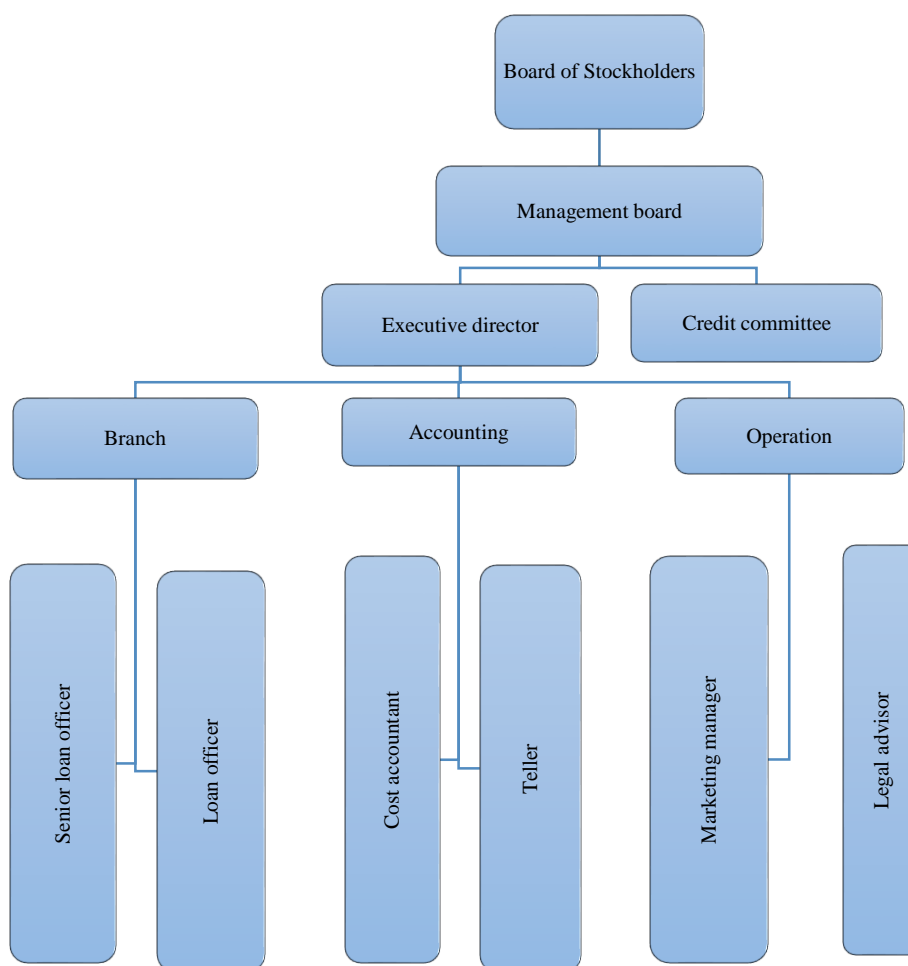
Types of loan product

- Construction loan /tugrig, USD/
- Vegetable farm loan
- Warehouse loan
- Transport logistic loan
- Trade loan
- Loan for Artisans
- Credit line for small production /tugrig, USD/
- Housing loan
- Apartment equity loan
- Loans for the purchase of fenced houses
- House equity loan
- Consumer loan
- Loan secured by trust

ORGANIZATION STRUCTURE

"ABTS NBFI" LLC has 8 shareholders. It operates under the leadership of a 3-member Board of Directors representing them, including the Executive Director, a 5-member credit committee, 5 economists, 2 financial officers, and Legal advice is being outsourced from the law firm "Mongolian Lawyer".

STRUCTURE AND ORGANIZATION OF “ABTS NBFI” LLC



IMPLEMENTED PROJECTS AND PROGRAMS

ABTS NBFI has cooperated with various programs and projects implemented by the Government of Mongolia, international financial institutions, foreign financial institutions and investors, and has accumulated rich experience in providing microloans to citizens and enterprises, in order to reduce unemployment and increase household income.

"Sustainable livelihood" project, Microfinance Development Fund project. Our organization has granted 351 loans worth MNT 3.5 billion to the poor and low-income people of Chingeltei, Bayanzurkh, Sukhbaatar, Khan-Uul, and Songinokhairkhan districts as part of the "Sustainable Livelihood" project implemented by the Government of Mongolia and the World Bank and the Microfinance Development Fund project. 1.7 billion MNT loans are allocated to citizens. As a result, 593 people benefited directly and 693 people benefited indirectly.

"Schultz Global Mongolia" project. Funding of 2,000,000 USD was collected in April 2014 in order to increase jobs and support small and medium businesses. It has also contributed to the welfare of society by supporting small and medium-sized businesses with loan financing, creating new jobs, improving the standard of living of families, and supporting single women. Our company's financial performance and loan portfolio improved, due to the effect of this financing, at the end of 2016. For example, the loan portfolio increased by 2.2 times, and 21.4 billion MNT was provided to 681 customers. As a result of the project, more than 300 new jobs have been created. The number of direct and indirect beneficiaries has increased to over 3,400 customers. The loan for the project was fully paid off in February 2016 before the term of the loan agreement.

"Business Partners Company" We are expanding the scope of our business and continue to have a positive impact on the society, economy, work and life of our people. Collected loan resources from the Japan's "Business Partners company" in 2016, and granted 22.2 billion MNT loan financing to 637 customers in duplicate within the framework of this financing. More than 200 new jobs have been created and the standard of living of households has improved as a result of the project. Our company has been cooperating with citizens and enterprises that have taken loans and expanded their personal and business activities with this loan financing of the project until now.

Job creation project. Our organization successfully implemented the "Increasing Jobs" project implemented by the Ministry of Labor and Social Security and the Employment Promotion Fund In 2002-2010. Within the framework of the project, out of a total of 416.5 million MNT loans, 195

million MNTs were given to the residents of GER districts and 33.3 million MNTs to residents of remote districts and localities, and a total of more than 700 new jobs were created.

Microloans of the Household Livelihood Support Program. Within the framework of the "Sustainable Livelihood" program implemented jointly with the Government of Mongolia and the World Bank, ABTS NBFI through its branch in Dalanzadgad sum of Umungovi province provided 210 loans of a total of 128.6 million MNT to local low-income families, vulnerable groups, citizens and herders and it was successfully implemented in 2003-2004.

"Improving the conditions of the GER district" project. The Government of Mongolia and the Asian Development Bank jointly implemented the project "JFPR MON-9015 to improve the conditions of GER district" from September 2005 to 4.5 years and ABTS NBFI successfully implemented the project by providing loans of up to MNT 1 million for the purpose of building, expanding, repairing, buying and renovating houses for a period of 3 years with an interest rate of 0.5% per month to low-income people of Bayanzurkh district. Within the project, 155 people were given 145 million MNT loans, 13 people bought new houses, 57 built new houses, and 85 improved their houses.

Home stove project. Our organization handled the issue of financial mediation in the distribution of the improved TT-03 model home stoves financed by the World Bank to the households of the GER district participated in charge in order to reduce air pollution in the city of Ulaanbaatar and regulate the fuel consumption of the residents of the GER district, a project was implemented by the Asian Development Bank with the financial support of the Japan Poverty Alleviation Fund and within the framework of the project.

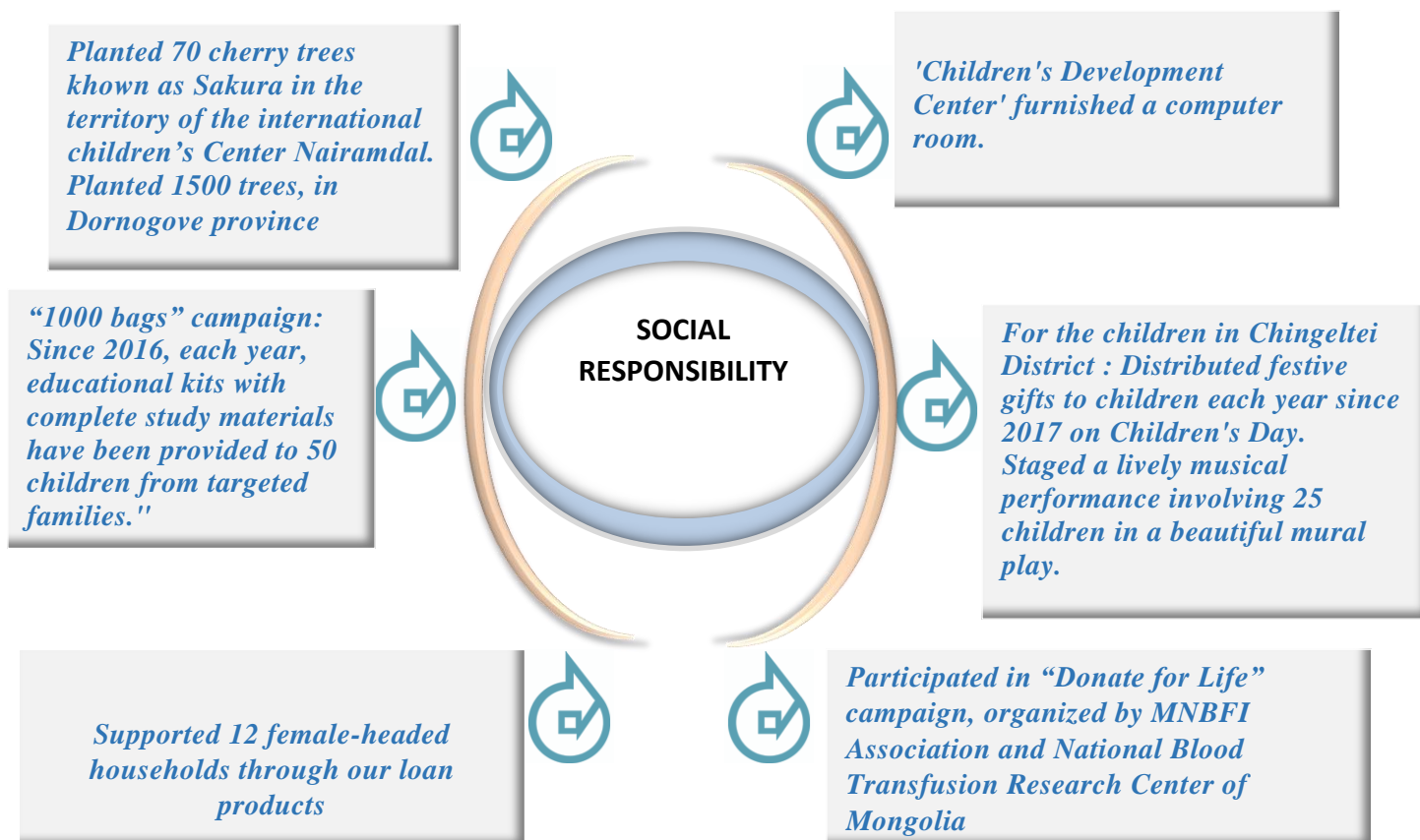
HISTORICAL BUREAU



2013	<ul style="list-style-type: none"> • Was selected as one of the “Top-10 NBFI” by the MNC of C&I • Became the “Best NBFI” according to khunnu.mn survey in 2013 • Planted 1500 elm trees in Dundgovi province
2014	<ul style="list-style-type: none"> • Obtained a loan of 2 million USD from foreign sources. • Presented the musical play “Cat’s House” to 25 children in Chingeltei district.
2015	<ul style="list-style-type: none"> • Received medium-term foreign financing of USD 500,000 • Successfully participated in the international meeting MFC in Czech Prague
2016	<ul style="list-style-type: none"> • Recognized as the “Best Investor of the Year” organization and received “Golden Star” award by The Mongolian NBFI Association. • The 15th anniversary of the establishment of ABTS NBFI • School bags with school supplies were provided to the target group of children
2017	<ul style="list-style-type: none"> • Selected as the best “investor” organization of 2016 of The Mongolian NBFI Association and held a meeting to inform other NBFI representatives about foreign investment. • “Mother’s Day” gifts have been given to the children of Chingeltei district
2018	<ul style="list-style-type: none"> • Provided credit services to 12 single women. • Received a special license to issue payment guarantees for FRC • Low-interest, long-term mortgage loans
2019	<ul style="list-style-type: none"> • The FRC has issued a special license to provide advice and information for investing • Moved into a new office building • A blood donation campaign was held at the National Blood Transfusion Research Center
2020	<ul style="list-style-type: none"> • Implemented a contract amendment program to reduce the credit burden of customers during the pandemic

SOCIAL RESPONSIBILITY

ABTS NBFI has been working to contribute for financing social welfare as its main responsibility since its establishment and example: participated in the implementation of the project to restore the melted grove in Dornogovi province, planted 1,500 trees in cooperation with Ikh Ust Tuul NGO and grove with 70 Sakura trees brought from Japan at the International Friendship Camp. Scholarships for annual tuition fees were awarded to 4 students of Zohiomj University. A postcard and greeting photo competition on the theme "My Imagined Mongolian Future" was organized among secondary school students in cooperation with the Mongolian Art Gallery. Participated in the "Smart Youth Future of Mongolia" donation campaign supported the furnishing of a computer room in order to create an environment for the education and self-development of orphans and semi-orphans, organized by the Mongolian NBFI Association and the "Living Skills Center for Children" NGO. As part of the 1,000 student bags campaign, complete school supplies and Mother's Day gifts to the target group of Chingeltei district children continue to be provided every year as a traditional event.



OUR ACHIEVMENT

The Government of Mongolia, MNC "TOP-10 NBFCs" 2009-2013. Association of non-banking financial institutions of Mongolia "2012 outstanding institution of the sector". 2013 "The best non-banking financial institution of the year" according to public polls. In 2016, the Association of Non-Banking Financial Institutions of Mongolia honored it as the "Best Investor of the Year" and received the Golden Star Award.



GOALS

Our future goal is to support unemployed individuals, entrepreneurs working in agriculture, farming and to expand our activities by implementing green loan programs that have a positive impact on the environment, including green groves and working with future plans.

“ABTS NBFI” LLC

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“NIISLEL AUDIT” LLC

Certified audit, appraisal and accounting consultancy company

Date: . 2022.02.07

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, 2021, 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, 2021 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,



DIRECTOR

Niistel audit LLC

SUGARSUREN.T

AUDITED STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

(in thousand MNT)

Row No	INDICATORS	31-Dec-20	31-Dec-21
1	Cash flows from operating activities	(729,674.9)	(139,747.1)
1.1	Cash inflows from operating activities (+)	5,420,491.9	6,838,825.9
	Loan interest income	787,242.1	1,473,478.2
	Deposits interest income	257.6	322.8
	Commission and fees income	7,737.7	2,104.6
	Savings interest income at Bank	3,411.3	764.4
	Foreign currency exchange income	23,734.7	14,024.2
	Proceeds from trust services	1,065,615.3	1,349,210.4
	Other cash inflows	3,352,493.2	3,998,921.3
1.2	Cash outflows from operating activities (-)	6,150,166.8	6,978,573.0
	Payments to employees	154,902.1	106,917.9
	Payment of social insurance benefits		
	Payment to Social insurance	16,504.9	28,198.0
	Payment to Issued loans	31,266.6	4,939.4
	Payment for utilities	6,750.3	4,026.2
	Payment for fuel, transportation, and spare parts	7,213.9	3,998.4
	Payment of interest on borrowed funds	556,131.7	1,068,614.3
	Trust service payments/interest expenses	1,839,063.6	1,176,974.6
	Tax paid	278,992.9	102,324.3
	Dividends paid	368,705.6	0
	Paid for the suppliers	2,333,484.0	3,493,514.8
	Other cash payments	557,151.2	989,065.1
2	Cash flows from non-operating activities	35,140.5	212,073.3
2.1	Cash inflows from non-operating activities	56,029.5	213,573.3
	Penalties, fines		
	Income from sale of fixed assets		
	Other	56,029.5	213,573.3
2.2	Cash outflows from non-operating activities	20,889.1	1,500.0
	Celebration expense		0
	Other	1,470.9	1,500.0
	The cost of fines	19,418.2	0
3	NET CASH FLOWS	(694,534.5)	72,326.2
4.1	Cash and cash equivalents at the beginning of the year	1,172,835.3	478,300.8
4.2	Cash and cash equivalents at the end of the year	478,300.8	550,627.0

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, 2021

(in thousand
MNT)

INDICATORS	Share capital	Paid-in capital	Retained earnings	Total amount
Balance as at January 01, 2020	4,689,480.0	679,074.0	336,590.3	5,705,144.3
Changes in accounting policies				
Adjusted balance	4,689,480.0	679,074.0	336,590.3	5,705,144.3
Revaluation reserve				
Investment revaluation reserves				
Unrecognized loss/profit in income statement				
Net profit for the reporting period			2,838.0	2,838.0
Dividends			(335,487.2)	(335,487.2)
Share capital				
Balance as at December 31, 2020	4,689,480.0	679,074.0	3,941.0	5,372,495.1
Changes in accounting policies				
Adjusted balance	4,689,480.0	679,074.0	3,941.0	5,372,495.1
Revaluation reserve				
Investment revaluation reserves				
Unrecognized loss/profit in income statement				
Net profit for the reporting period			-745.0	-745.0
Dividends			100,578.9	100,578.9
Share capital				
Balance as at December 31, 2021	4,689,480.0	679,074.0	103,775.1	5,472,329.1

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



AUDITED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2021

		(in thousand MNT)
INDICATORS	31-Dec-20	31-Dec-21
Interest income	1,957,259.9	1,741,494.2
Interest expense	1,178,203.8	1,194,027.1
Net interest income	779,056.1	547,467.2
Foreign exchange net income	1,398.4	18,186.3
Currency exchange and retranslation income	235,849.2	82,756.8
Service Fee premium revenue	20,606.6	199,501.4
Total non-interest income	257,854.2	300,444.5
Net operating income	1,036,910.3	847,911.7
Difference in currency exchange and retranslation	113,323.9	100,575.7
Operating expenses	948,279.3	940,715.6
Total Operating expenses	1,061,603.2	1,041,291.3
Profit/Loss before loan provisions	-24,692.9	-193,379.6
Contingent risk expense	-49,530.2	0
Operating Profit/Loss	-74,223.1	-193,379.5
Non-operating income	99,039.0	295,458.4
Non-operating expenses	-20,889.0	-1,500.0
Non-operational profit (loss)	78,150.0	293,957.4
Net profit (loss) before tax	3,926.8	100,578.9
Income tax	1,088.9	
Net profit (loss) for reporting period	2,838.0	100,578.9

The accompanying notes are an integral part of the financial statements



AUDITED STATEMENT OF FINANCIAL POSITION

As at December 31, 2021

(in thousand MNT)

INDICATORS	31-Dec-20	31-Dec-21
A. Assets		
Cash and cash equivalents	478,300.9	550,627.0
Loans /net/	12,073,119.8	12,209,864.8
Accrued interest	5,207,771.7	5,479,259.9
Other receipts	24,786.6	12,494.9
Other assets	76,171.9	143,689.7
Total Current assets	17,860,150.9	18,395,936.3
B. Non-current assets		
Fixed assets	1,468,897.8	1,428,283.2
Buildings	1,476,975.7	1,476,975.7
Accumulated depreciation	-23,370.9	-60,270.1
Furniture and fixtures	20,006.5	20,006.5
Accumulated depreciation	-11,879.5	-13,844.3
Technical facilities	19,685.7	19,685.7
Accumulated depreciation	-12,519.7	-14,270.3
Unfinished goods	0	
Intangible assets	3,311.9	2,846.8
Total Non-current assets	1,472,209.7	1,431,130.0
TOTAL ASSETS	19,332,360.6	19,827,066.3
Short-term liabilities		
Bank short-term loans	916,000.0	1,350,000.0
Trust service payables	4,162,948.1	4,373,993.4
Interest accruals	582,755.8	349,213.1
Income tax payables	59,903.3	536.2
Dividends payable	0	
Other	233,808.3	531,244.4
Total Short-term liabilities	5,955,415.5	6,604,987.2
Long-term liabilities		
Project financing	8,004,450.0	7,749,750.0
Total Long-term liabilities	8,004,450.0	7,749,750.0
Total liabilities	13,959,865.5	14,354,737.2
Equity		
Share capital	4,689,480.0	4,689,480.0
Additional paid-in capital	679,074.0	679,074.0
Retained earnings/loss	2,838.1	100,578.9
Benefice	1,103.0	358.0
Total Owner's Equity	5,372,495.1	5,472,329.1
TOTAL LIABILITIES AND EQUITY	19,332,360.6	19,827,066.3

The accompanying notes are an integral part of the financial statements

NIISLEL-AUDIT LLC
CERTIFIED ACCOUNTING
AUDIT & APPRAISAL