



“Empowering people through finance”

<http://www.abts.mn>



ANNUAL REPORT

2021

MESSAGE FROM THE CEO



The economy was recovering in early 2021, but due to difficulties in foreign trade, the economy grew by only 1.4 percent at the end of the year. The easing of restrictions of the services sector related to the Covid-19 pandemic and had a positive effect on the growth the financial sector in the second half of the year. But the production and construction sector has fallen, due to the border transportation logistics.

As the exchange rate strengthened, exports slowed down, causing the current account to deteriorate and the official foreign exchange reserves to decrease. Due to the war in Ukraine, the demand for foreign currency increased and banks limited the amount of transactions, which negatively affected the number of imports.

The US dollar remained stable at 2,849 rates remain stable throughout the year due to the import situation and Policy interest rate of the Bank of Mongolia was 6% and inflation reached 6.9 percent. The yen fell by 10% to 24.74.

During the reporting year, our company's total assets increased by 3 percent to 19.8 billion, total loans increased by 1 percent to 12.1 billion, non-performing loans decreased by 83 percent to 248.73 million, and net profit increased to 100.6 million.

Worked with our customers to overcome the difficulties of covid-19 by extending the contract period and delaying the principal payment, during this year.

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

ANNUAL REPORT 2021

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ABOUT THE “ABTS” NBFİ

ABTS NBFİ was established on 4 October 2001 as one of the pioneer micro finance institutions in Mongolia. ABTS NBFİ makes its contribution into the Mongolia’s socio-economic development through its financial support aimed at employment generation and improvement of sustainable livelihood. ABTS NBFİ’s micro finance services, directed at individuals and entities that have limited access to banks services, deepen the financial intermediation in our country. We strive to be the “right partner” for our customers, continuously improving our financial products and services in line with their rising demand and various needs.

ABTS NBFİ will work to achieve its goals and implement initiatives aimed at prosperity of people and sustainable development of SMEs through enabling access to financial support. We will keep pace with the developments in the financial sector introducing new products and services, international standards and the best practices. We will continue to increase the transparency and adopt corporate governance

 <p>VISION</p>	<p>Vision - ABTS is founded to support and assist people to make their dream for a good life come true. We believe that only people can make things truly better, and our efforts focused on them will actually improve their well-being.</p>
 <p>MISSION</p>	<p>Mission - Our mission is to support and financially assist people wishing and willing to act for improving their life and the lives of loved ones.</p>
 <p>VALUES</p>	<p>Values - Most of all what we care about is helping people to improve their life as well as working with them. This has been our driving force since we started our activity and has already brought us great success as an industry leader.</p>

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.

"ABTS NBFİ" 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 NBFİ 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

Economic growth stagnated in the last 3 quarters due to difficulties in the foreign trade sector, even the economy recovered in early 2021. Thus, it increased by only 1.4 percent. Economic growth was mainly supported by an increase in coal production and a recovery in the service sector in the first quarter of the year, before the foreign trade slowdown began.

Due to the war in Ukraine, the weakening of market expectations and confidence, the constant jams and interruptions at border ports intensified the demand for foreign currency, which led banks to limit the amount of currency transactions, and negatively affected the import payments of Mongolian and foreign companies.

The US dollar remained stable around at 2849 for the whole year due to the foreign trade situation and The Mongolian Bank's policy interest rate was unchanged, although the inflation reached 6.9% while JPY depreciated 10 percent to 24.74. Moody's International Agency has classified Mongolia as B3 (stable), while S&P has also classified it as B (stable).

Mongolia's economy is expected to grow by 2.5 percent in 2022 due to border delays and the impact of the war in Ukraine. It looks like coal exports could resume by the end of this year if the border issues are resolved.

As the economy recovers, labor market conditions will gradually improve to support domestic demand, but high inflation appears likely to curb the economic recovery by limiting real household income and consumption.

MACROECONOMIC INDICATORS

chart 1. Economic growth (by percent)

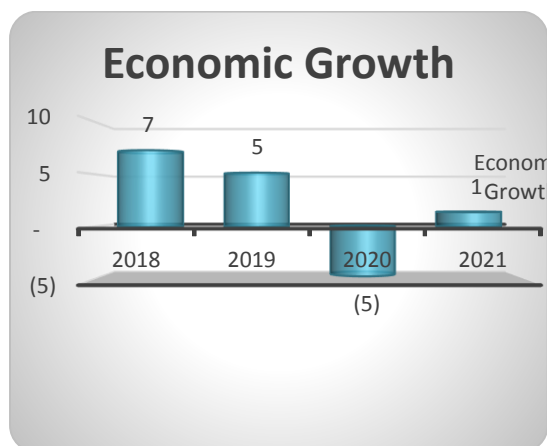
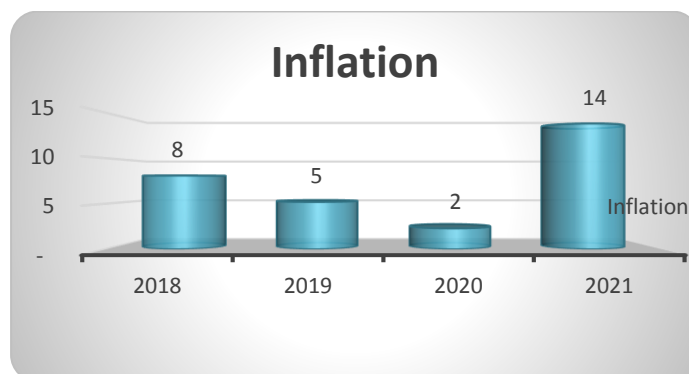


Chart 2. Gross domestic product (by billion Tugrig)



Chart 3. Inflation (by percent)



Main indicators of NBFIs

	2019	2020	2021
<i>NBFIs</i>			
Number	538	532	534
Total Assets	1,730.1	2,006.9	2709.9
Loans	1,233.1	1,327	2,012.2
NPL	105.4	136.4	140.2
NPL/Total loans %	8.5%	10.3%	6.96%

/by billion MNT/

Source: FRC

PERFORMANCE

ABTS NBFIs are slowly recovering from the effects of the Covid-19 pandemic, that total assets have increased by 3 percent and equity by 2 percent, respectively and 74 percent reduction in non-performing loans as of 2021, since the end of last year.

Currently, ABTS NBFIs have a total asset of MNT 19.8 billion a total loan of MNT 12.2 billion and a total of non-performing loans is 248.7 million MNT.

Chart 5. Total assets and total loans (million MNT)

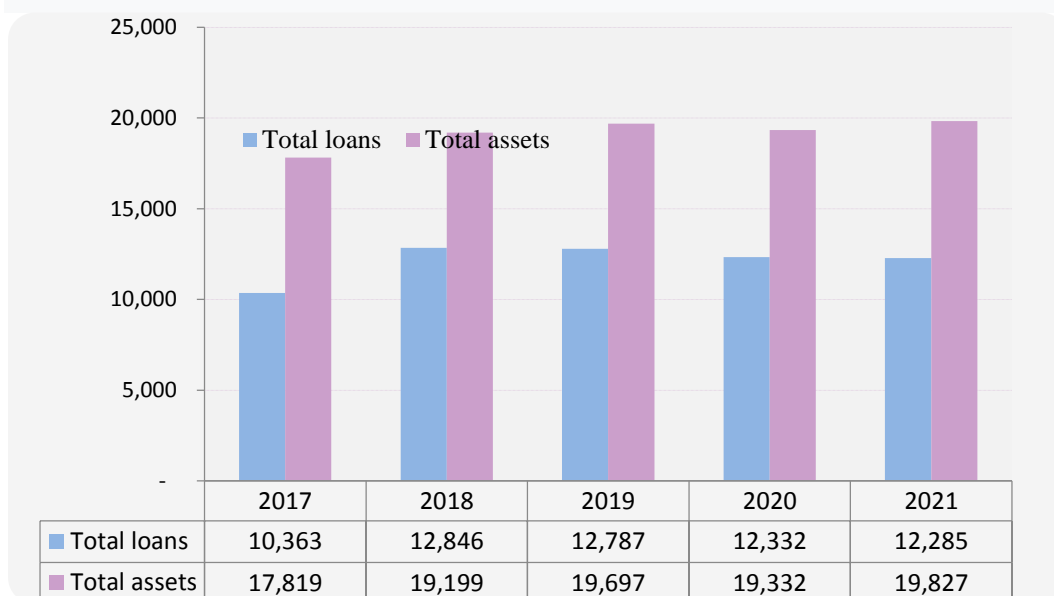
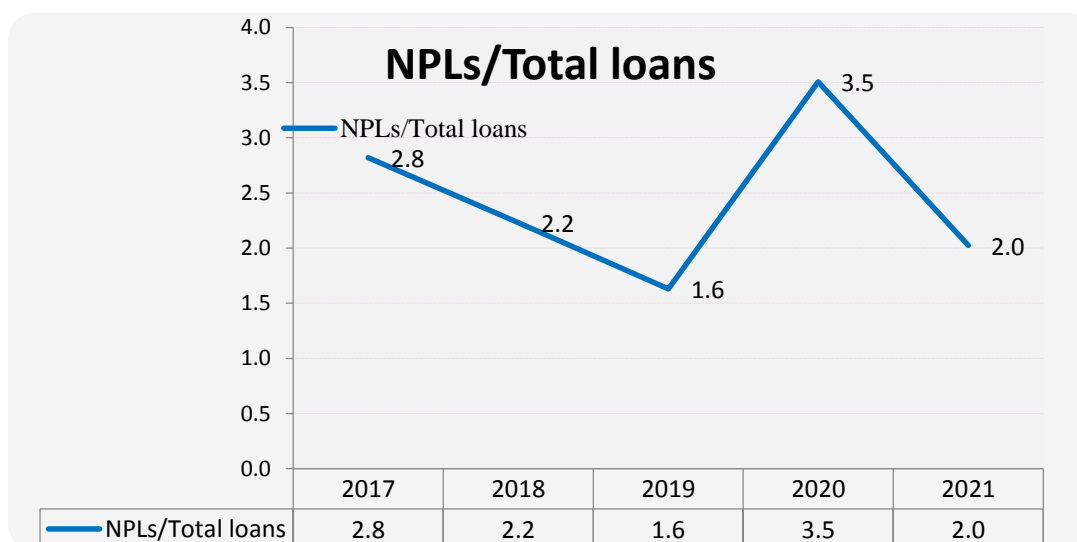


Chart 5. Ratio of non-performing loans to total loans

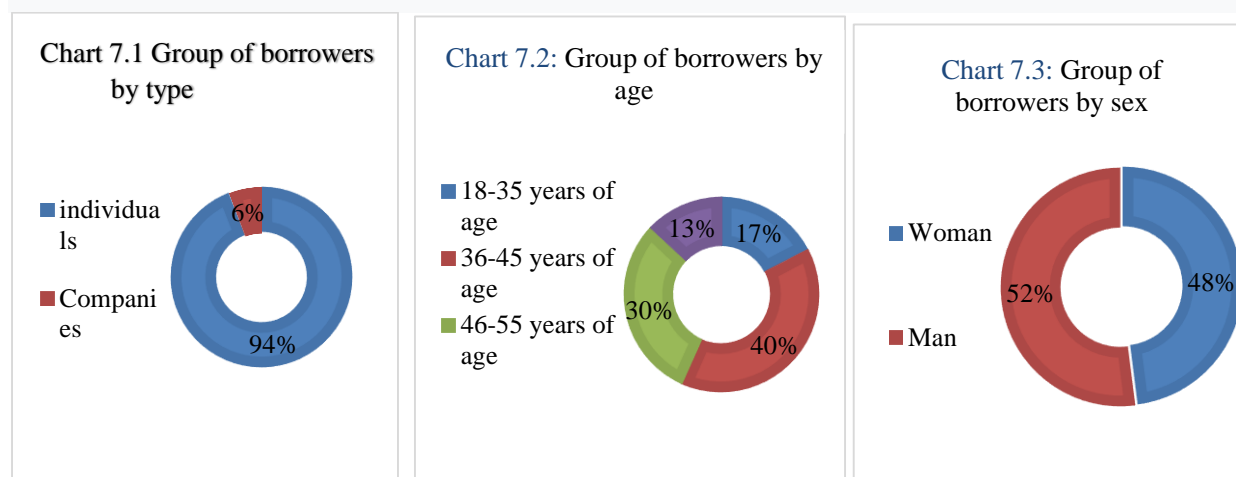


The capital adequacy of our organization was 27.7% as of 2021, and the ratio of equity to total assets determined by the Financial Regulatory Commission as at least 20%.

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



Chart 7. Borrowers type



LOAN PRODUCT AND SERVICES

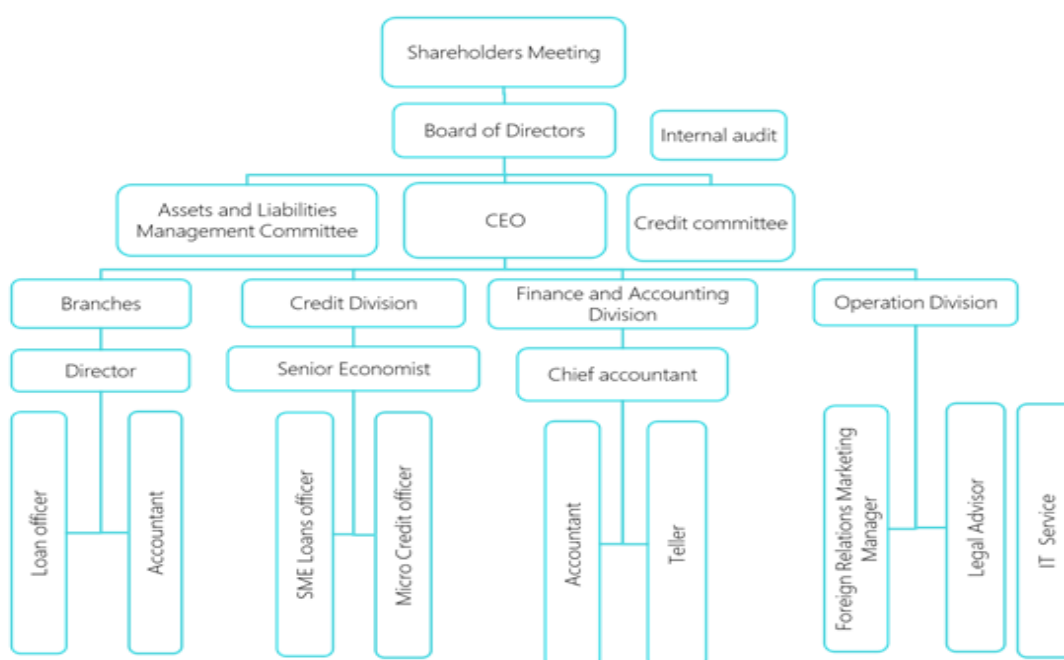
"ABTS BBSB" LLC currently provides business loans, consumer loans, housing loans, loans for buying and repairing houses, salary loans, etc., a total of 22 types of loan products and services for citizens, enterprises. It's recommended, depending on the characteristics of the loan product and its term,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

Types of Loans:

- Real estate loans (in local currency and foreign currency)
- Agricultural loans
- Transportation and logistics loans
- Trade loans
- Small-scale industry loans
- Mortgage loans
- Housing improvement loans
- small business line of credit (in local currency and foreign currency)
- Operational loans
- Consumer loans

STRUCTURE AND ORGANIZATION OF “ABTS NBF” LLC

Organizational structure



IMPLEMENTED PROJECTS AND PROGRAMS



We have successfully implemented and currently implementing various projects targeted at vulnerable households, individuals, and SMEs. Particularly, ABTS NBFi has implemented Project on Supporting Households in Remote Rural Areas through its branch in Umnugovi province, Project on Improving Living Conditions in Ger Residential Area, Project on Supplying Enhanced Stoves to reduce air pollution, and Employment Generation Project. Presently, we continue implementation of Micro Finance Development Project (Sustainable Livelihood II Project).

"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.

Project Schultz Global Mongolia. In April of 2014, funding of USD 2 million was acquired with the purpose of supporting SMEs and employment generation. As of year-end 2016, the acquired funding positively impacted our financials and loan portfolio. For instance, we provided loans of total MNT 21.4 billion to 681 customers (duplicated number of borrowers) resulting in the growth

of our loan portfolio by 2.2 times. As a result of the project, 300 jobs were created in the labor market and the acquired funding was fully repaid in February of 2016.

"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.

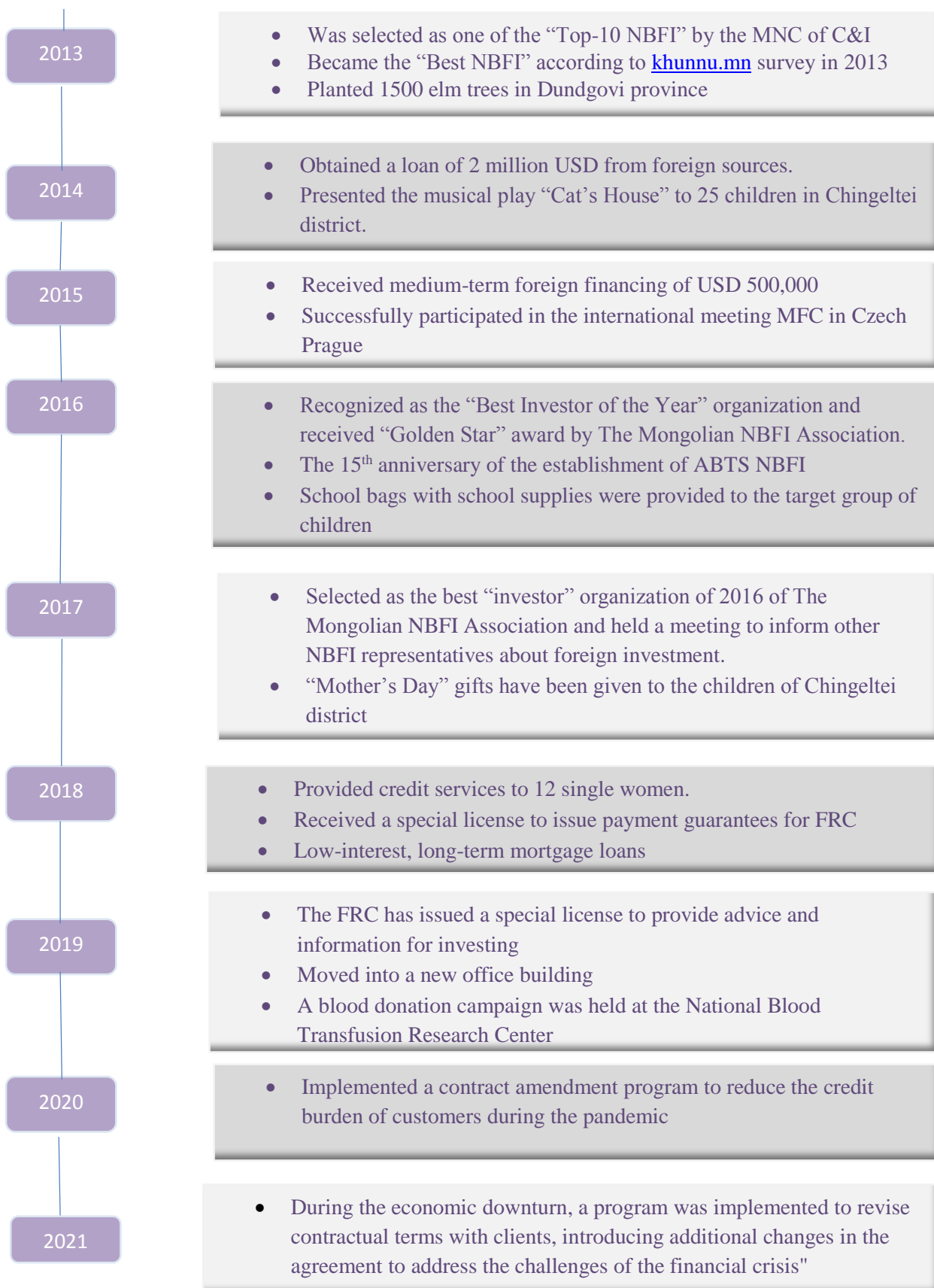
Project on Supporting Households in Remote Rural Areas. ABTS NBFI implemented the Project on Supporting Households in Remote Area through its branch in Dalanzadgad Soum, Umnugovi province in 2003-2004. ABTS NBFI achieved the project objectives, providing micro finance service to low income households in remote rural areas and enhancing their access to financial services. We granted 210 loans of MNT 128.6 million in total. Loans to residents in remote areas accounted to MNT 33.3 million, poor and low income individuals MNT 117 million and herders MNT 37.3 million, respectively.

Project on Improving Living Conditions in Ger Residential Area (JFPR MON-9015). The Government of Mongolia in collaboration with the Asian Development Bank implemented the Project on Improving Living Conditions in Ger Residential Area during 4.5 years starting September 2005. ABTS NBFI granted 3-year loans up to MNT 1 million to residents in Bayanzurkh District of Ulaanbaatar city. The loans with monthly interest rate of 0.5 percent were provided to households in order to support them in construction, repair and extension of their homes. About 155 individuals benefited from the project support of MNT 145 million, of which 13 persons purchased ger, 57 built premises, and 85 repaired or extended the living spaces.

Project on Supplying Enhanced Stoves. The World Bank provided financing for renovation of TT-03 stoves, used within the framework of the Asian Development Bank project to reduce the air pollution in Ulaanbaatar city and rationalize use of fuel for heating purposes. ABTS NBFI took part in distribution of these renovated stoves to households in ger area through providing financial intermediary services.

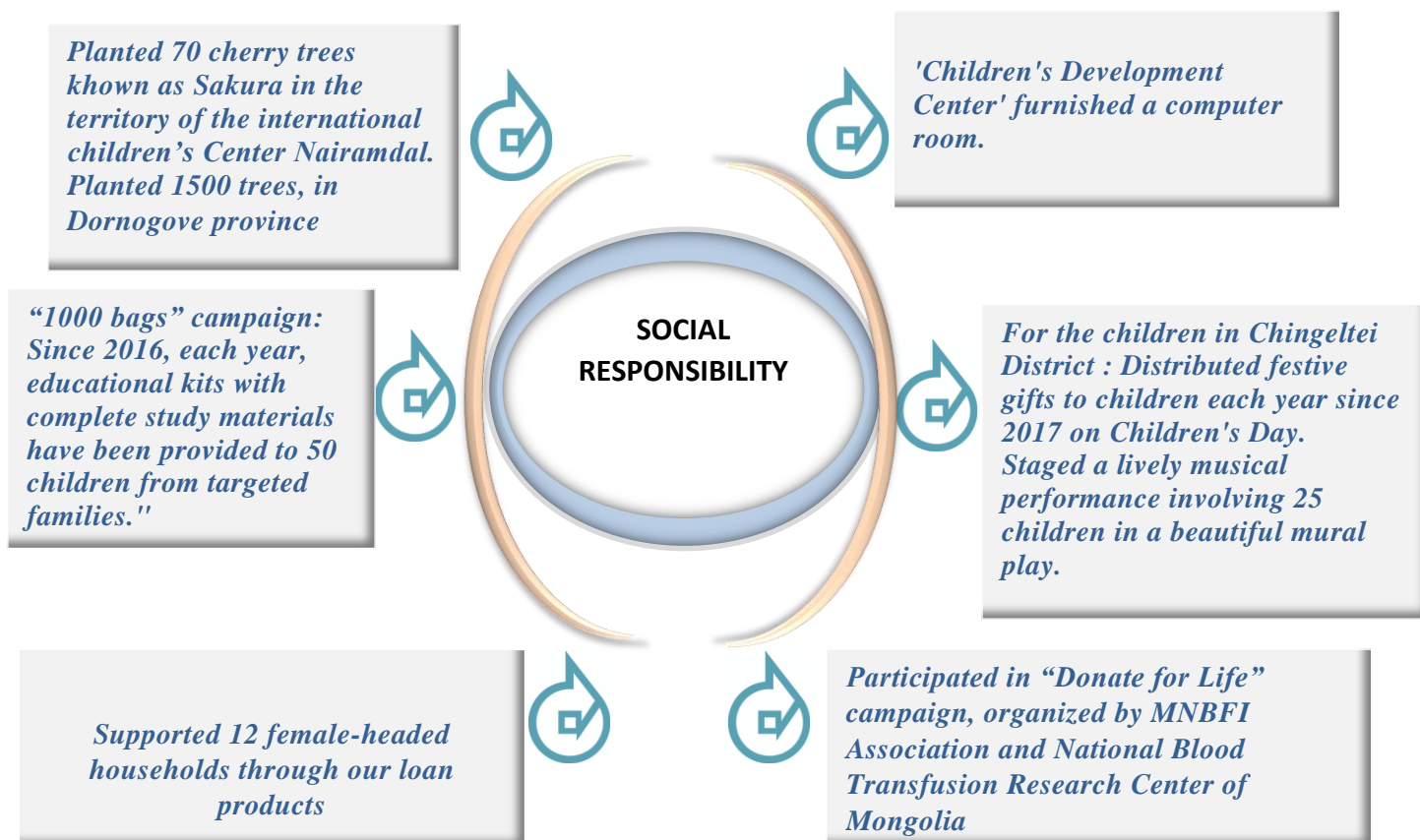
HISTORICAL BUREAU

2001	<ul style="list-style-type: none"> Obtained loan service license and was registered as the 25th non-bank financial institution in Mongolia.
2002	<ul style="list-style-type: none"> Implemented job increase project of the Ministry of Labor and Social Protection of Mongolia Received the permission to trade foreign currency
2003	<ul style="list-style-type: none"> Opened 1st branch in Bayandelger sum of Sukhbaatar province Opened 2nd branch in Dalanzadgad, Umnugobi province Implemented “Household livelihood program” of the Government
2004	<ul style="list-style-type: none"> Awarded as the “Best Non-Banking Financial Institution Supporting Private Entrepreneurs” in Chingeltei district.
2005	<ul style="list-style-type: none"> Project to reduce poverty “Financial Well” the government of Japan Implemented the project to improve the conditions of GER district by Asian Development Bank
2006	<ul style="list-style-type: none"> Implemented job increase project of the Ministry of Labor and Social Protection of Mongolia Financial Accounting “SPINEL” program was introduced
2007	<ul style="list-style-type: none"> Implemented the JFPR MON-9015 home stove project by World bank Received the title of “leading organization supporting social development” Received permission to provide financial leasing and trust services.
2008	<ul style="list-style-type: none"> Job increase project of the Ministry of Labor and Social Security
2009	<ul style="list-style-type: none"> Was selected as one of the “Top-10 NBFI” by the MNC of C&I
2010	<ul style="list-style-type: none"> Was selected as one of the “Top-10 NBFI” by the MNC of C&I Became a “Platinum” member of the MNC of C&I Participated in the meeting of MFC in Astana, Kazakhstan Scholarship were awarded to 4 students of the Zohiomj University 70 sakura groves were planted in the International Friendship Camp
2011	<ul style="list-style-type: none"> Was selected as one of the “Top-10 NBFI” by the MNC of C&I Received funding from Japan and became a foreign-invested company The project was implemented of the microfinance development fund
2012	<ul style="list-style-type: none"> Was selected as one of the “Top-10 NBFI” by the MNC of C&I Participated in the meeting Tbilisi Microfinance Institution, Georgia Honored as the “Outstanding Organization” of the Mongolian NBF sector by the Mongolian NBFI association in 2012



SOCIAL RESPONSIBILITY

ABTS NBFi has been working to finance 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 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 women entrepreneurs working in agriculture, farming, and intensive animal husbandry, 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

Niislel audit LLC

SUGARSUREN.T

AUDITED STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

(in thousand MNT)

Row №	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

