

Annual report

2015



Ulaanbaatar

CONTENTS

1. Message from the CEO.....	2
2. About ABTS NBFI.....	3
3. Financial highlights.....	5
4. Mongolian Economy.....	6
5. Performance in 2015.....	8
6. Loan services.....	9
7. Loan products.....	10
8. Social responsibility.....	11
9. Audit opinion.....	12
10. Audit report.....	14

MESSAGE FROM THE CEO



2015 has been a challenging year that provided us an opportunity to see how well we were prepared in the market, despite the negative economic context that we have been facing in Mongolia over the last year.

In 2015, we continued to prosper with a steady performance keeping our main financial indicators at proper level.

Total assets grew by MNT 1.2 billion or 11.3% totaling MNT 12.3 billion. Loans generated by 7% to MNT 10.7 billion. Mid-term financing from the Global Impact Investments Sàrl/Symbiotics SA

facilitated our loan market expansion.

We have an ambitious path to follow and with that in mind we will maintain our strategy and focus aligned with our capacity to develop our loan products, innovate in everything we do and create valuable assets to our Company.

Although financial institutions were doubted with worsening of their portfolio quality, we succeeded to maintain high quality of our loans. The ratio of non-performing loans to total equaled 2.6% reflecting our strength in lending operations.

As part of our values and objectives we will continue to foster a culture of innovation and creativity by delivering the solution that our customers need to succeed. We will also continue to be involved with our stakeholders always thinking about the future with progress and providing necessary support when and where our expertise can be most helpful.

We face year 2016 with a strong challenge to keep our steady performance to serve our future goals.

I wish to acknowledge our shareholders', partners' and customers' trust and confidence, and hard work and loyalty of our staff.

ABOUT ABTS NON BANK FINANCIAL INSTITUTION

ABTS is a finance company committed to providing assistance to people willing to alter their life, to change society for the better.

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, adopting IT innovations and international standards. Since its establishment, the ABTS NBFI has granted loans of MNT 46.8 billion in total to around 3400 clients – creating approximately 1500 new jobs. In 2001-2015, total assets soared 133 times; while total loans increased 163 times and the equity rose 109 times.

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.

As an outcome of our hard work and client based activities ABTS NBFI had steady performance in 2015, even though Mongolian economy was slowing down.

Mission

Our mission is to support and financially assist all wishing and willing to act for improving their life and the lives of loved ones. We aim to implement innovative marketing strategies, introduce tailor-made products, customer-oriented services, and attractive rates of loans with simplified procedures.

Vision

ABTS is founded to support and assist people 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.

Value

What we care about most of all is to help 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.

Business Goals

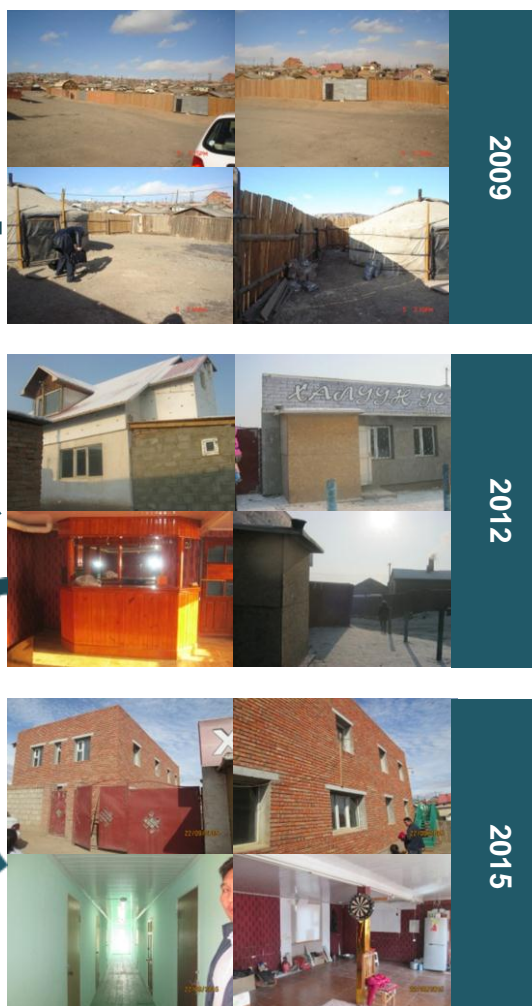
Our Non-Bank Financial Institution aims to:

- 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.

Following pictures show positive impact of our loans on client's wellbeing.



Client name: O.Purevsuren.

Loan period: 2009-now

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, international financial organizations and other private entities. And we are welcoming anyone willing to cooperate with us.

Some of our current partners:





FINANCIAL HIGHLIGHTS

Some main financial indicators of ABTS NBFI as end of 2015:

thousand MNT

Indicator	2014	2015
Total assets	11 024 101,5	12 268 999,4
Equity	4 017 512,5	4 347 797,3
Total loans	10 003 625,7	10 707 179,8
NPL/Total loans ratio	0,9%	2,6%
Net income	976 088,5	1 095 773,3

Clients and loan products:

thousand MNT

Indicator	2014	2015
Total number of clients	324	320
Number of loans	279	277
Number of loan products	15	15
Female borrowers	47%	49%
Male borrowers	53%	51%

Total number of loan products by sector:

Sector	2014	2015
Agriculture	3	1
Production	76	73
Trade	83	90
Services	64	60
Other	53	53
Total	279	277

Despite a slowdown in the Mongolian economy in 2015, we have managed to end the year with positive results through our disciplined, flexible loan activities.

MONGOLIAN ECONOMY



Economic performance

Mongolian economy faced some major issues caused by unstable political situations and drop in commodity price in the world market this year. Economic growth slowed to 3.0% in the first half of 2015 amid declining exports from a continued weakening of the commodity market and slower growth in the key export market of China. Mongolia's GDP growth slowed to 2.3% as end of 2015.

According to the data from National Statistical Office, Mongolian GDP at current prices reached MNT 23,167 billion at the end of 2015.

Net exports expanded by 62.2% as lower foreign direct investment dragged down imports by 27.5%.

Inflation rate at the end of 2015 dropped significantly to 1.9% from 11% at the end of 2014, reflecting a slowing economy and tightened monetary policy directed at containing inflation and pressure on the balance of payments. Banks' nonperforming loans reached 7.1% of outstanding loans and the NBFIs' nonperforming loans estimated at 10.3% of outstanding loans highlighting the need for more cautious approach in lending.



The current account deficit narrowed sharply by 59.6% compared to the same period of last year as the goods and services balance improved significantly according to the Bank of Mongolia.

Exchange rate of Togrog against USD was kept lower than 2000 togrog per USD during 2015.

Economic prospects

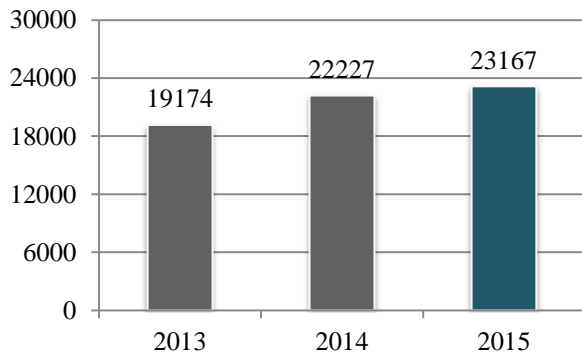
The acute deceleration in Mongolia's economy observed since Q4 2014 continued in 2015. The economy grew by 2.3% annually, which marked the slowest pace in over four years. Growth has been weighed down by plunging fixed investment, particularly in the mining sector, which is associated with the fall in commodities prices and the slowdown in China. The commodity price plunge has also put government finances under pressure. According to National Statistical Office data, the state budget deficit increased by 34%.

The growth forecast is lowered for 2016, reflecting a deteriorating external environment, drought-affected harvests, necessarily tight monetary and fiscal policies, and, on the positive side, the start of underground works at Oyu Tolgoi in mid-2016.

NATIONAL ECONOMIC INDICATORS

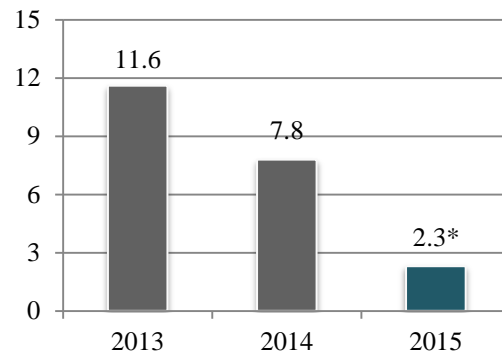
GDP at current prices

(billion MNT)



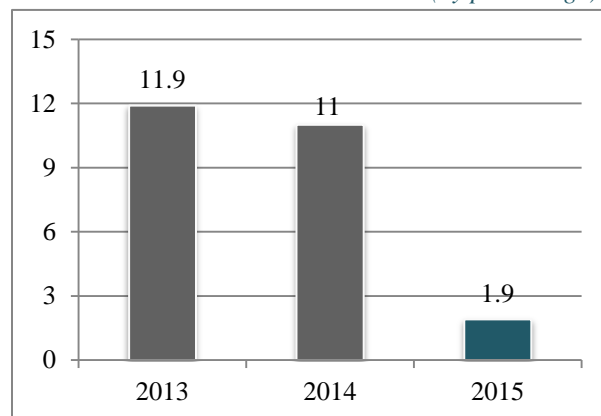
Real GDP growth

(by percentage)

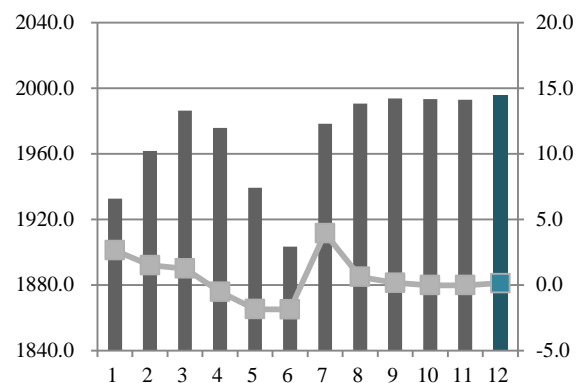


Inflation rate

(by percentage)



Monthly average USD exchange rate and changes



Main indicators of Banks and NBFIs

(by million MNT)

	2013	2014	2015
Banks			
Total assets	20883706.80	22582376.8	21556676.6
Loans	10715632.70	12440925.9	11633582.6
Deposits	8840416.3	10091683.4	9548241.6
NPL	564260.4	623937.9	822397.9
NPL/Total Loans	5.3	5.0	7.1
NBFIs			
Number	263	378	466*
Total Assets	378642.4	507965.7	609217.4
Loans	228244.6	303132.9	414418.4
NPL	11084.3	19246.1	42634.7
NPL/Total loans	4.9	6.3	10.3

Source: National Statistical Office of Mongolia, Bank of Mongolia, Financial Regulatory Commission.

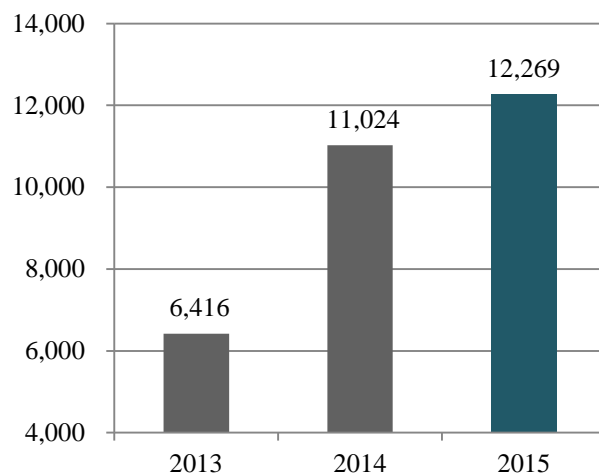
* Data for NBFIs at the end of 2015 was estimated by the staff.

PERFORMANCE IN 2015



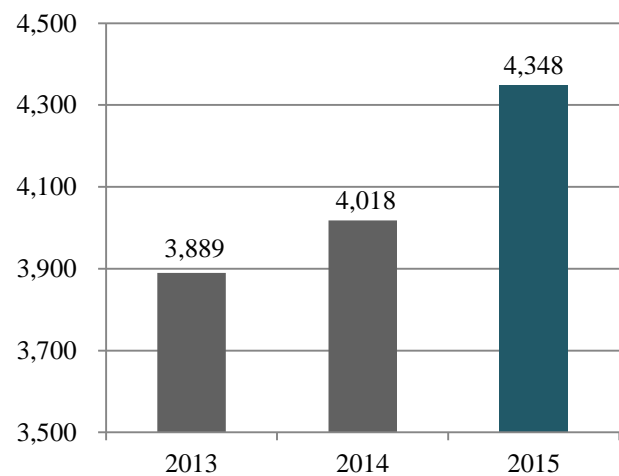
Total Assets

(million MNT)



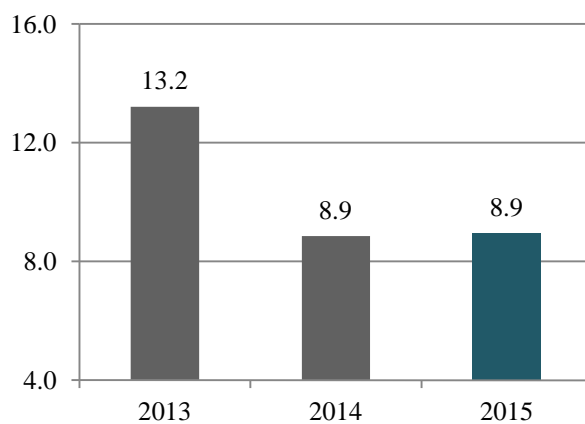
Total Equity

(million MNT)



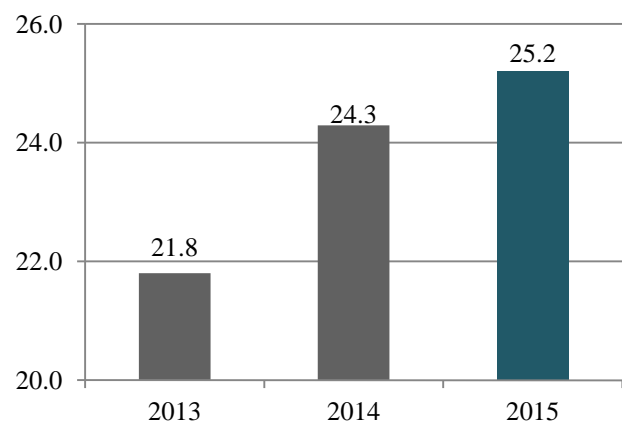
Return on Assets

(percentage)



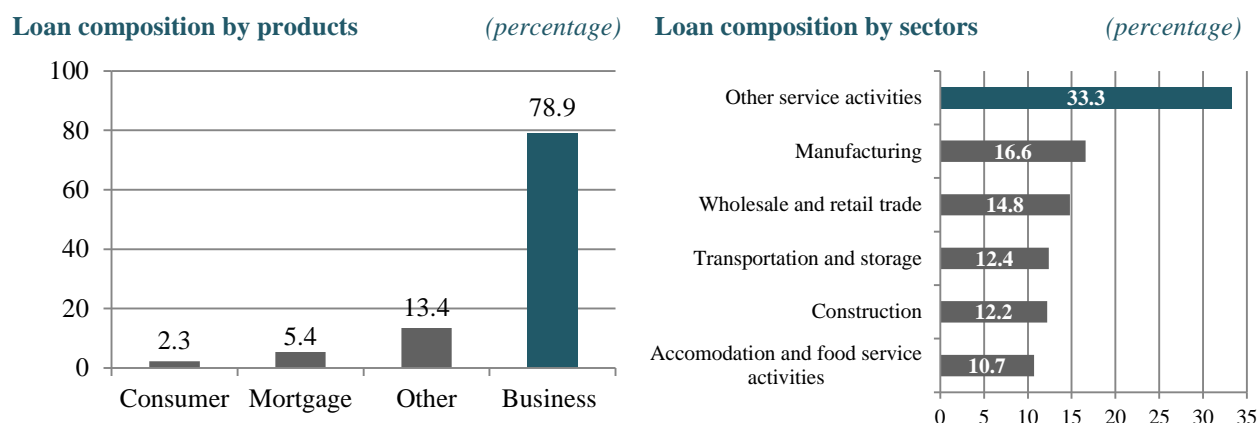
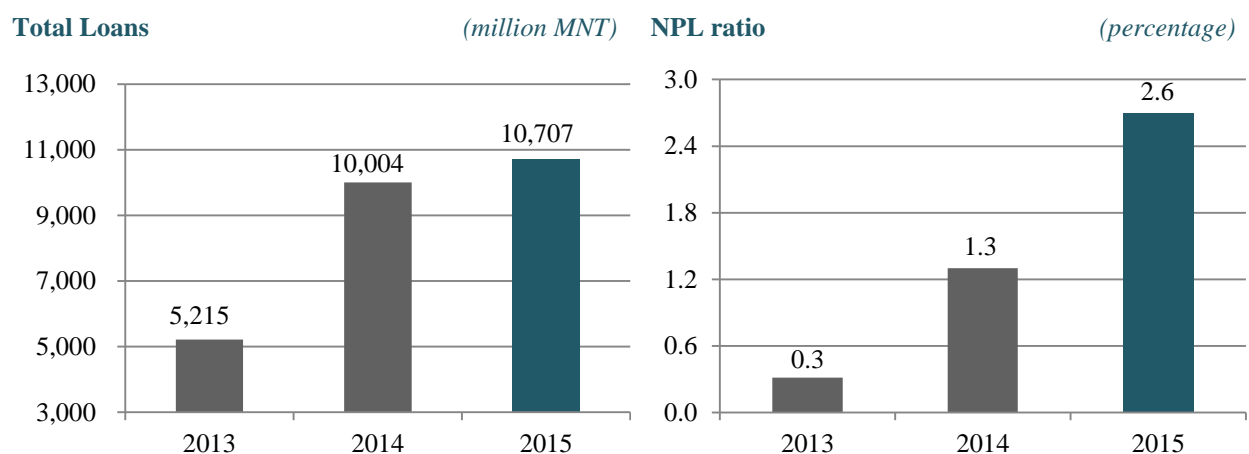
Return on Equity

(percentage)



In the reporting year, total assets rose by 11.3% to MNT 12.3 billion and the equity generated by 8.2% and totaled MNT 4.3 billion. Income data showed good performance. Profit after tax soared by 12.3%, while ROE reached 25.2% and ROA was 8.9% in 2015.

LOAN SERVICES



ABTS NBFI received mid-term foreign financing of USD 0.5 million in May, which translated into corresponding expansion of our loan market and funding for individuals and SMEs.

In 2015, total loans rose by MNT 703.6 million or 7% to MNT 10.7 billion. Out of total loans, 16.6% was provided to manufacturing, 14.8% to wholesale and retail trade, 12.4% to transportation and storage, 12.2% to construction, and 10.7% to accommodation and food service activities, while loans to other economic sectors made up 33.3%.

The breakdown of loan portfolio by loan purposes remained comparatively stable. The share of business loans slightly increased from 78.1% to 78.9%, while the share of mortgage loans decreased from 5.8% to 5.4%, and consumer loans dropped from 2.9% to 2.3% in 2015. In summary, business purposes loans made up the largest portion in the loan portfolio.

In the reporting, year we granted loans to 277 borrowers and our average loan issued was MNT 36 million. Ratio of non-performing loans to total increased from 0.9% to 2.6%.

LOAN PRODUCTS



We are offering the following loan products to our customers in financial need:

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. **Sustainable livelihood project loans** - Micro-finance loan is designed to provide credit facilities to low and middle income people who have no access to financial services and credit facilities available at banks and other financial institutions. The purpose of the Micro Finance Development Loan is to help those marginal and low income people to increase their income, build stable income source, improve their living conditions and reduce their social vulnerability.
3. **Salary loans** - ABTS NBFI's salary loan service is available to all working people in both private and public sectors.
4. **Credit line** - Credit line is extended to businesses and entrepreneurs to help them to smooth their financial flows.
5. **Mortgages** - Mortgage loans finances purchase of apartments and houses by individuals. We introduced simplified loan issue procedure.
6. **Apartment maintenance loans** - Loan provided to individuals for their apartment maintenance and repairs.
7. **Loans on improvement of living conditions** - This loan is issued for improvement, expansion and maintenance of living premises.
8. **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.
9. **Trust secured loans** - Loans collateralized by financial resources held in trust account with ABTS NBFI.
10. **Consumer loans** - Consumer loan is lent for various personal, family, household purposes.
11. **Loans for acquisition of premises** - Loan is provided for purchasing premises, houses.
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 preferential loan is provided to the employees of ABTS NBFI in order to serve financial needs of employees and sustainable performance of the company.

SOCIAL RESPONSIBILITY



What is a social responsibility?

Social responsibility is the idea that a company should embrace its social responsibilities and not be solely focused on maximizing profits. Social responsibility entails developing businesses with a positive relationship to the society in which they operate. According to the International Organization for Standardization (ISO), this relationship to the society and environment in which businesses operate is "a critical factor in their ability to continue to operate effectively. It is also increasingly being used as a measure of their overall performance."

Social responsibility activities by ABTS NBFI in 2015:

- Collaborated with the MNBFI Association in preparing proposals to develop some regulations on non-bank financial activity in Mongolia and participated in various activities organized by the Association, including sport events and training courses
- Participated in Microfinance Center Conference, held in Prague, Czech Republic.
- Supported young talent in publishing his poetry book
- Organized 2 month English course for all our staff
- Provided financial support to three young families
- Provided support to herder households in Sukhbaatar aimag, Tumentsogt soum, who suffered from dzud/drought.





SULD-AUDIT LLC

ACCOUNTING CONSULTING, AUDIT
ASSET VALUATION COMPANY

Date 29.01.2016

Ref 16/04

Ulaanbaatar

INDEPENDENT AUDITOR'S REPORT

To: The shareholders of "ABTS NBFI" LLC

The report of the Financial Statements

We have audited the accompanying financial report of "ABTS NBFI" LLC which comprises the balance sheet from 1st of January till 31st of December, 2015 and the income statement, statement of changes in equity and the cash flow statement for the year then ended.

The company management's responsibility for the Financial Report

The company management is responsible for the preparation and fair presentation of the financial report in accordance with International Standards on Financial Reporting (IFRS). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in certain circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with International Auditing Standards. These Auditing Standards require that we comply with relevant requirements relating to audit engagements and perform that audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An Audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depending on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT

/contd. /

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the certain circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the company, as well as evaluating the overall presentation of the financial report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's opinion

In our opinion, the financial report of "ABTS NBFI" LLC gave a true and fair view of the company's financial position as at 31st of December 2015 and of its performance for the year ended on that date in accordance with International Standards on Financial Reporting.

SULD-AUDIT-LLC

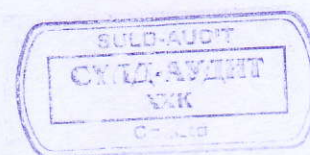
"Сүлд-Аудит"


GUNDBAYAR.CH**GENERAL DIRECTOR, CPA**

AUDITED BALANCE SHEET OF "ABTS NBFI" LLC
As of December 31, 2015

Indicators	(thousand MNT)	
	2014	2015
A. Assets	11,024,101.5	12,268,999.4
Cash and cash equivalents	408,919.6	642,869.0
Loan /net/	9,934,150.9	10,527,260.0
Accrued interest	297,842.4	739,571.2
Other assets	59,640.0	47,797.9
Current assets	10,700,552.9	11,957,498.1
2. Non-current assets		
Fixed assets	322,375.9	310,426.3
Contructions	328,526.9	328,526.3
Accumulated depreciation	(20,593.4)	(28,801.0)
Furniture and fixtures	13,418.9	13,858.7
Accumulated depreciation	(4,017.1)	(5,420.8)
Technical facilities	11,976.4	11,976.4
Accumulated depreciation	(6,935.7)	(9,713.8)
Intangible assets	1,172.7	1,075.0
Non-current assets	323,548.6	311,501.3
TOTAL ASSETS	11,024,101.5	12,268,999.4
Short-term liabilities		
Trust service payables	2,552,592.5	2,642,434.0
Interest accruals	107,392.4	296,090.8
Income tax payables	28,858.1	41,312.8
Other	6,546.0	
Total of Short-term liabilities	2,695,389.0	2,979,837.6
Long-term liabilities		
Project financing	4,311,200.0	4,941,364.5
Total of Long-term liabilities	4,311,200.0	4,941,364.5
Total liabilities	7,006,589.0	7,921,202.1
Equity		
Share capital amount	2,965,680.0	3,121,680.0
Other equity	75,744.0	130,344.0
Retained earnings/loss	976,088.5	1,095,773.3
Total of Equity	4,017,512.5	4,347,797.3
TOTAL LIABILITIS AND EQUITY	11,024,101.5	12,268,999.4

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



AUDITED REPORT OF FINANCIAL RESULTS OF "ABTS NBFI" LLC

As of December 31, 2015

(in thousand
MNT)

Indicators	2014	2015
Interest income	1,920,508.2	2,586,477.1
Interest expense	258,116.8	412,278.8
Net interest income	1,662,391.4	2,174,198.3
Currency exchange and revaluation (net)	69,829.6	
Other operating income	74,857.3	90,629.0
Total non-interest income	144,686.9	90,629.0
Net operating income	1,807,078.3	2,264,827.3
Currency exchange rate		22,773.1
Operating expenses	660,052.9	779,406.6
Total Operating expenses	660,052.9	802,179.7
Profit/Loss before loan loss provisions	1,147,025.4	1,462,647.6
Contingent risk expense	64,620.3	254,771.0
Operating Profit/Loss	1,082,405.1	1,207,876.6
Non-operating income	16,853.6	18,846.6
Non-operating expenses	18,362.4	5,675.8
Non-operational profit, loss	(1,508.8)	13,170.8
Net profit (loss) before tax	1,080,896.3	1 221 047.6
Expenses for income tax	104,807.3	125,274.3
Net profit (loss) for reporting period	976,088.5	1,095,773.3

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



AUDITED REPORT OF CHANGE IN SHAREHOLDER'S EQUITY OF "ABTS NBF" LLC
As of December 31, 2015

Indicator	Stock capital	Additional capital	Retained profit	(in thousand MNT) Company reported
Balance as at 1 January 2014	2,363,880.0	64,980.0	756,159.9	3,185,019.9
Changes in Accounting policies				
Adjusted balance				
Asset revaluation gain/ loss	2,965,680.0	75,744.0	848,021.0	3,889,445.0
Investment revaluation reserves				-
Unrecognized loss/profit in income statement				-
Net profit of reporting period			976,088.5	976,088.5
Dividends			(848,021.0)	(848,021.0)
Stock capital				
Balance as at 31 December 2014	2,965,680.0	75,744.0	976,088.5	4,017,512.5
Changes in Accounting policies				
Adjusted balance				
Asset revaluation gain/ loss				
Investment revaluation reserves				
Unrecognized loss/profit in income statement				
Net profit of reporting period			1,095,773.3	1,095,773.3
Dividends			976,088.5	976,088.5
Stock capital	156,000.0	54,600.0		210,600.0
Balance as at 31 December 2015	3,121,680.0	130,344.0	1,095,773.3	4,347,797.3

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



AUDITED REPORT OF CASH FLOW OF "ABTS NBFI" LLC
As of December 31, 2015

(in thousand MNT)

Row №	Indicators	31-Dec-15
1	Cash flow from main operating activities	956,371.6
1.1	Cash receipts from main operating activities (+)	8,918,407.5
	Loan interest income	2,134,004.8
	Commissions and fees income	21,685.3
	Proceeds from loan repayment	5,095,596.2
	Foreign currency exchange income	762.3
	Proceeds from trust services	595,361.7
	Proceeds from receivables	
	Other	1,070,997.2
1.2	Cash payments for main operating activities (-)	7,962,035.9
	Salaries and wages	184,546.2
	Cash paid for social and health insurance	23,860.4
	Issued loans	5,599,411.4
	Foreign currency exchange expenses	1,301.9
	Cash paid for utilities	2,567.0
	Cash paid for fuel, transportation, and spare parts	1,779.9
	Paid interest on borrowed funds	0.0
	Trust service income/interest expenses	199,735.5
	Trust service payments	413,326.0
	Cash paid for taxes	264,352.8
	Expenses on loan recovery	16,102.7
	Other	1,255,052.1
2	Cash flows from investing activities	
2.1	Cash receipts from investing activities (+)	
2.2	Cash payments for investing activities (-)	
	Purchase of fixed assets	
3	Cash flows from financing activities	(722,422.2)
3.1	Cash receipts from financing activities (+)	1,134,082.1
	Income from project loans	1,054,255.0
	Revaluation income	71,740.8
	Current account interest income	8,086.3
3.2	Cash payment for financing activities (-)	1,856,504.3
	Repayment of borrowed funds	1,164,391.5
	Paid dividends	363,450.8
	Paid interest on project financing	328,662.0
	Revaluation expense	
4	Total net cash flows	233,949.4
5	Cash and cash equivalents at the beginning of the year	408,919.6
6	Cash and cash equivalents at the end of the year	642,869.0

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

