

**MONGOLIAN MORTGAGE
CORPORATION GROUP COMPANY**
2020 ANNUAL OPERTIONAL REPORT

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ACRONYMS

ABS	Asset-backed Securities
AHFP	Affordable Housing Finance Program
Board	Board of Directors
BoM	Bank of Mongolia
CEO	Chief Executive Officer
CSR	Corporate Social responsibility
DBM	Development Bank Of Mongolia
FRC	Financial Regulatory Commission
GDP	Gross Domestic Product
GoM	Government of Mongolia
HAI	Housing Affordability Index
IAD	Internal Audit Division
IFC	International Finance Corporation
IFRS	International Financial Reporting Standard
IMF	International Monetary Fund
IPO	Initial Public Offering
ISMMA	International Secondary Mortgage Market Association
KfW	German Credit Institute of Reconstruction
KYC	Know Your Customer
MBA	Mongolian Banking Association
MCSD	Mongolian Central Securities Depository LLC
MCUD	Ministry of Construction and Urban Development
MIK	MIK Group Company
MIK HFC	Mongolian Mortgage Corporation HFC LLC
MoF	Ministry of Finance
MOU	Memorandum of Understanding
NBFI	Non-banking financial institution
MSE	Mongolian Stock Exchange
NSO	National Statistical Office
PWOR	Purchase without recourse
PWR	Purchase with recourse
RMBS	Residential Mortgage-Backed Securities
SPC	Special Purpose Company
GOM	Government of Mongolia
WHO	World Health Organization

MESSAGE FROM MANAGEMENT

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Shareholders, Customers, and Partners. We present to you the 2020 Annual Report of MIK Group Company.

2020 was an exceptional transition period across the globe, and humankind has been facing new challenges and searching for solutions for the new pandemic. Due to the COVID-19 pandemic, the country conducted strict quarantine measures several times that greatly affected its economic and individual family income level. During the pandemic period, to support household income and economy, the Government of Mongolia has taken several measures that included deferring mortgage payment by 6 months and then another 8 months without accumulating interest payment during the deferral period. In order to implement the measure to defer mortgage payment by 6+8 months within the short-term, MIK collaborated closely with service provider banks, provided them guidance and informed implementation result to the authorities. Even though mortgage borrowers exempted from the interest payment, the Company has paid the coupon payments for RMBS bondholders within payment schedule. This action showed and approved that our business model has the capacity to overcome short-term challenges.

Within the reporting period, the Company continued to improve good governance, including revision and improvement of the existing internal regulations and policies according to the recommendation by International Finance Corporation, a member of the World Bank Group. We hope this action will create a positive environment for raising funds from international financial institutions, strengthen risk management and oversight of the Company and encourage stakeholder engagement.

Looking ahead, we will continue to support housing programs and policies set out by the government. Strengthen and develop good governance at the highest level of management through cooperation with international organizations, meanwhile expanding our scope of operations and overcoming challenges. We aim to move one step further into the global market and become an exemplary company.

I would like to express my sincere gratitude to all, who have supported MIK Group Company and wish you success and prosperity.

Sincerely,



M. Munkhbaatar

Chairman of the Board of Directors of
the MIK Holding JSC

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

We present to you MIK Holding company's operating results for the end of year 2020.

At the beginning of 2020, COVID-19 virus has spread around the world and has been declared as a pandemic by the WHO. Government of Mongolia's preventive measures to not to transmit COVID-19 locally, and keep it under control since the first case was registered have impacted to the company's operation significantly. In accordance with the resolutions by State Great Khural and the Government of Mongolia, MIK HFC implemented the mortgage payment deferral program couple of times (for 6 months from May 1, 2020 to November 1, 2020, and for 8 months from November 1, 2020 to July 1, 2021) in cooperation with commercial banks based on the borrowers' request which was instructed by the BoM. At the end of the 2020, a total of 51,218 borrowers, or 80.6% of the aggregate portfolio deferred and rescheduled mortgage repayment.

During the reporting period, the company actively operated to increase the source of funding for housing finance. Under the Affordable Housing Finance Program, MIK HFC purchased 4,860 mortgage loans and issued residential mortgage-backed securities in the total amount of MNT 295.3 billion. Also, we purchased market-rate loan portfolio in the sum of MNT 156.9 billion from the financial institutions through 9 transactions utilizing USD bond which was raised on the international capital market. As a result, we believe the company contributed to the stability of the financial sector, creating new source of funding, and increasing the availability of mortgage loans.

Within the reporting period, the "On Lending Agreement" signed with the Ministry of Finance and the Bank of Mongolia in 2011 has expired, and MNT 8.44 billion received through the German Credit Institution for Reconstruction was repaid in full with its interest to the Ministry of Finance.

MIK HFC initiated to draft "Procedure for listing Asset-backed securities" in cooperation with the Mongolian Stock Exchange in order to develop the stock market and to create a legal environment to trade asset-backed securities publicly. In the future, it will create positive environment to offer asset-backed securities to domestic investors through the Mongolian Stock Exchange, which will be basis for new products in the stock market.

We have reaffirmed our Information Security Management System ISO/IEC27001:2013, for the fifth year and improved the confidentiality of the information and maintained its integrity.

Whilst the condition of the pandemic is not improving in 2021, there is an expectation that the social and economic situation will return to normal due to the access to COVID-19 vaccines.

The Company will focus on expanding its operation on the secondary mortgage market, and increasing affordability of the source of funding for housing finance. In addition, within the debt management, the company aims to extend the maturity, and reduce interest rates by refinancing the USD 300 million worth of bond which was raised on the international capital market in 2019, and to focus on bringing our cooperation with international financial institutions to a next level.

I would like to take this opportunity to express my sincere gratitude to the Board members and the relevant Board committees in providing their valuable guidance in line with the policy, as well as the domestic and foreign investors and the Ministry of Finance, Bank of Mongolia and Financial Regulatory Commission for their collaboration in the policy framework of MIK's operations and would like to wish every success in all your future endeavors.

Yours sincerely,



B.Gantulga

Chief executive officer of
MIK Holding JSC and MIK HFC



MISSION

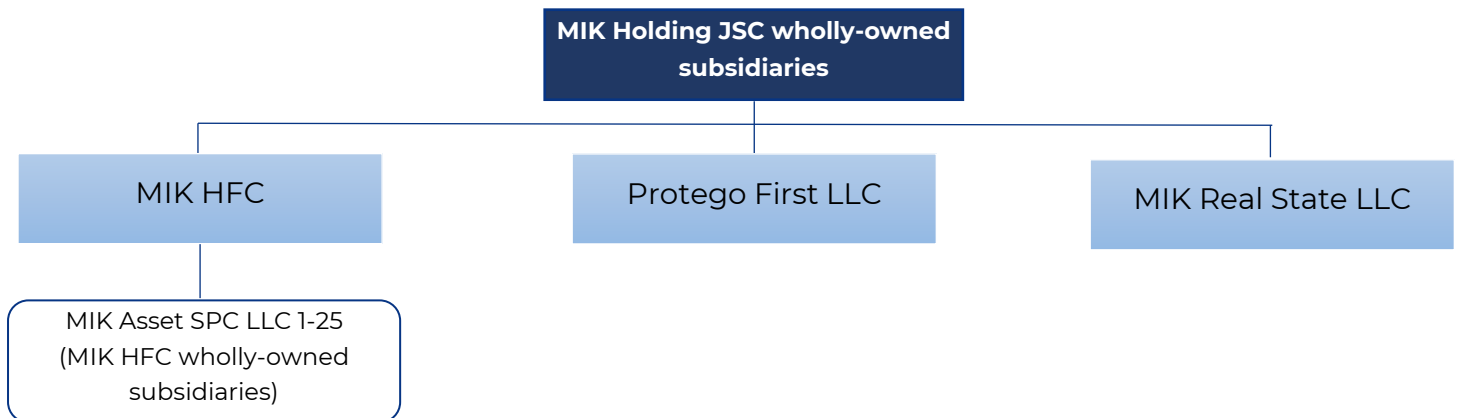
To promote development of the primary and secondary mortgage markets by issuing and selling mortgage-backed securities on domestic and international capital markets, and to establish a long-term financing structure in Mongolia that would provide the population with affordable housing and support modern urban development in the country.

ABOUT THE COMPANY

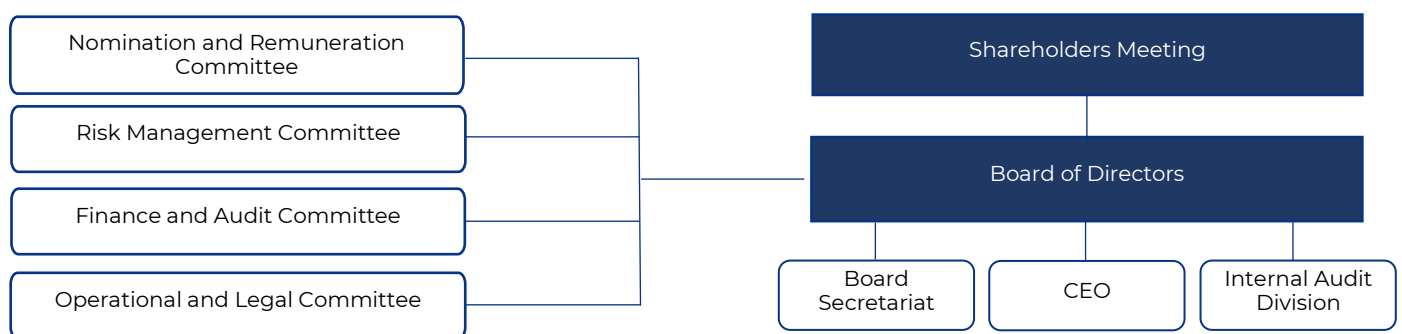
Within the reporting period, MIK HFC operations proceeded under the following structure approved by the Board.

ORGANIZATIONAL STRUCTURE

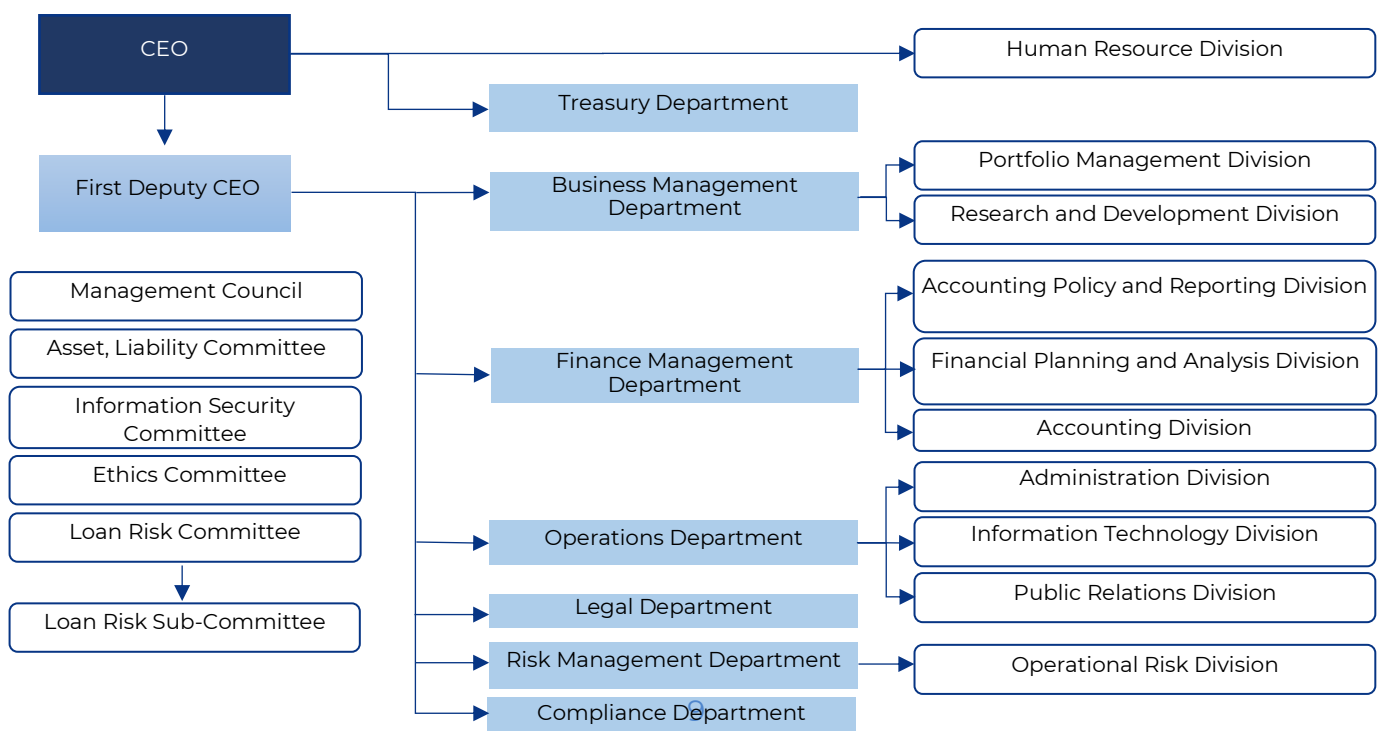
STRUCTURE OF MIK GROUP COMPANY



STRUCTURE OF MIK HOLDING JSC

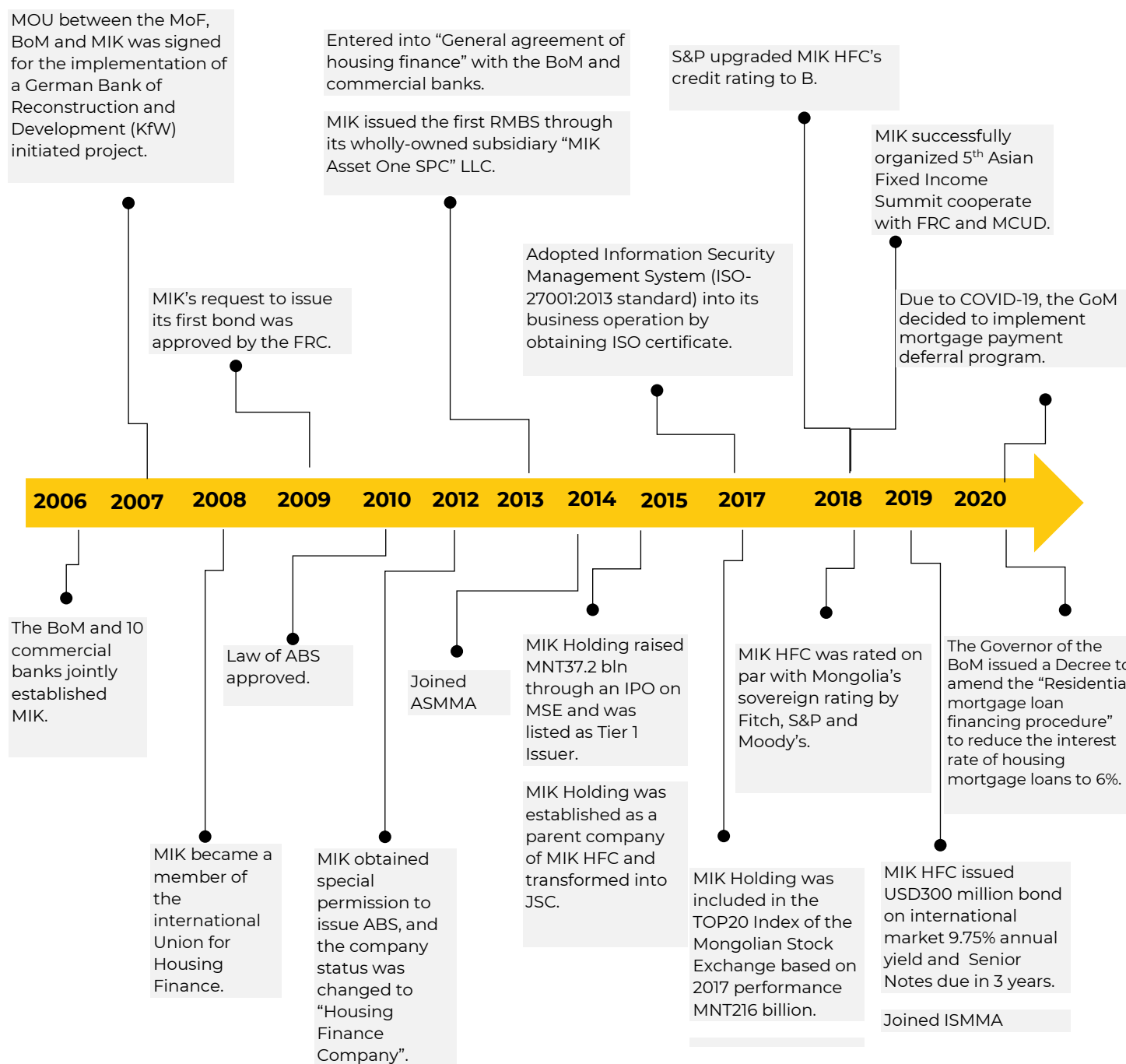


STRUCTURE OF MIK HFC

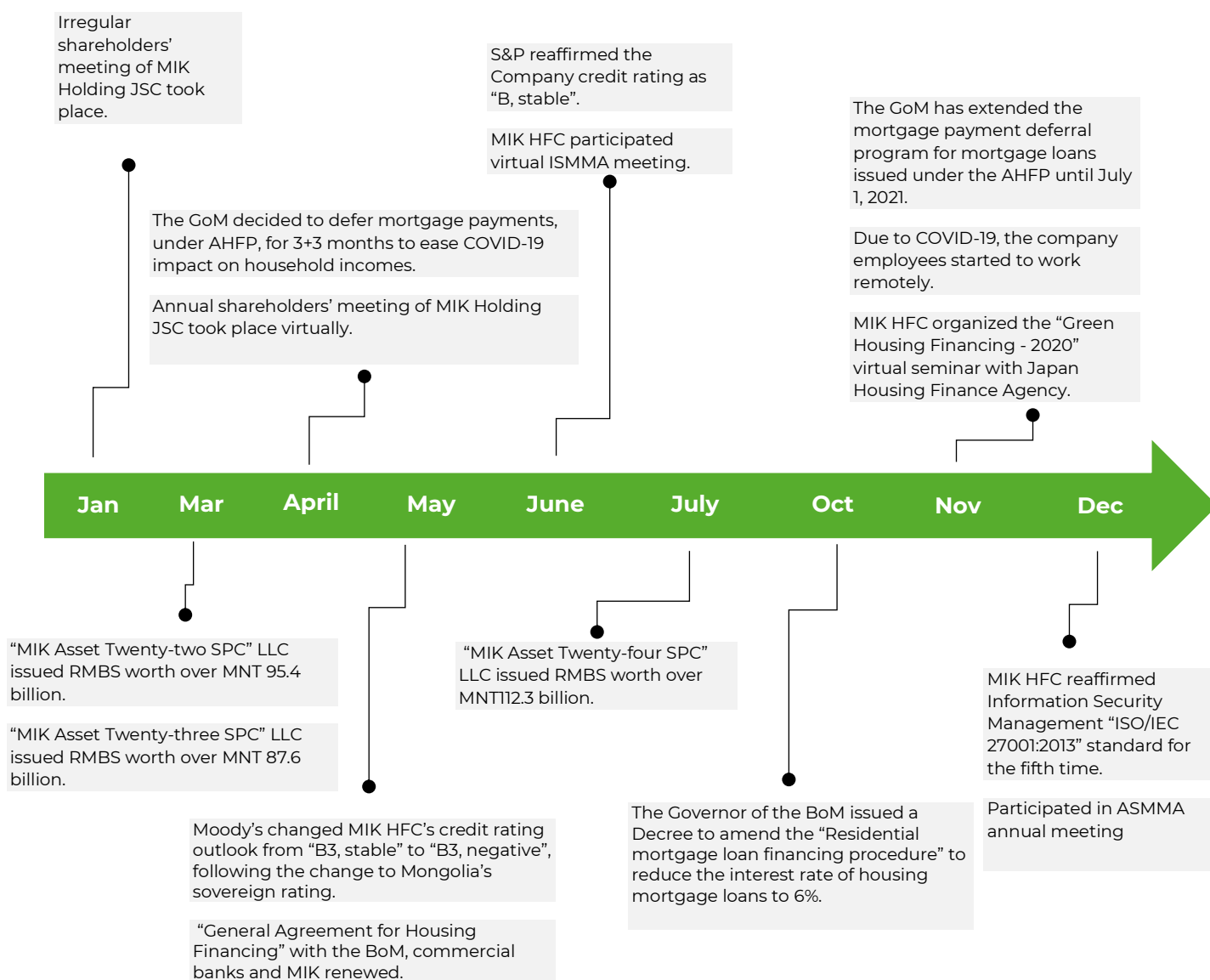


COMPANY HISTORY

MIK Holding JSC overview



2020 KEY DEVELOPMENT



CREDIT RATING

Since 2018, MIK HFC, the subsidiary of MIK Holding JSC has been assigned its credit ratings. In the reporting period, Moody's investors service changed Mongolia's sovereign rating outlook from "B3, stable" to "B3, negative" that entailed the matching change to MIK HFC rating outlook. S&P reaffirmed the Company's credit rating as "B, stable".

Company historical credit ratings:

	Date	S&P	Moody's	Fitch
Mongolian sovereign rate	2018	B-, stable	B3, stable	B-, stable
MIK HFC credit rate	2018	B-, stable	B3, stable	B-, stable
Mongolian sovereign rate	2018/11	B, stable	B3, stable	B, stable
MIK HFC credit rate	2018/11	B, stable	B3, stable	B-, stable
Mongolian sovereign rate	2019	B, stable	B3, stable	
MIK HFC credit rate	2019	B, stable	B3, stable	
Mongolian sovereign rate	2020	B, stable	B3, negative	
MIK HFC credit rate	2020	B, stable	B3, negative	



B3
Negative



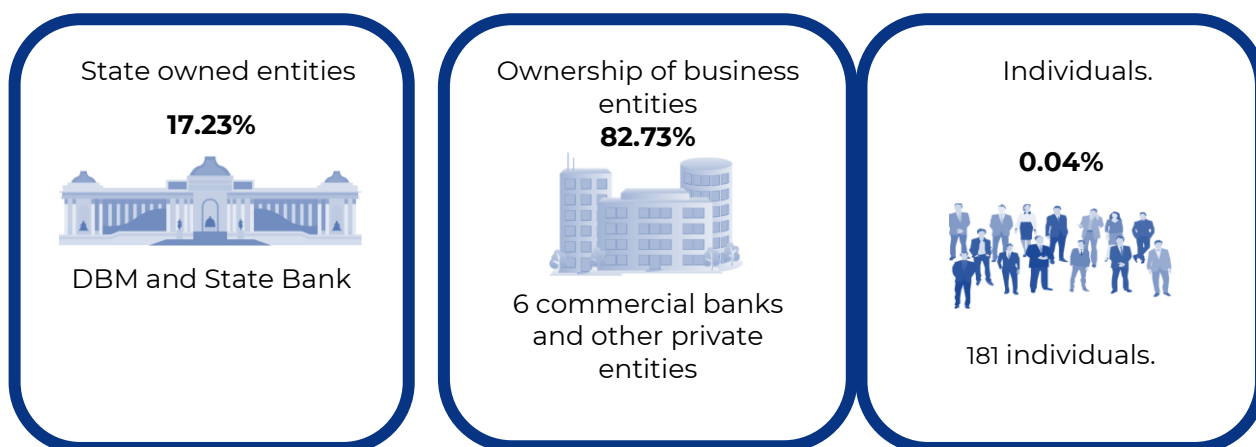
B
Stable

CORPORATE COVERNANCE

SHAREHOLDERS STRUCTURE

As of December 31, 2020, the total number of shareholders stood at 209. From the total shares of MIK Holding JSC, 17.23% shares are held by state-owned entities, 82.73% by businesses and 0.04% by individuals.

Shareholders structure of MIK Holding JCS



Source: "MCSD" /2020.12.31/

SHAREHOLDERS MEETING

April 30, 2020, a plenary shareholders meeting was organized virtually through the company's website in the interest of the shareholders. The following issues were discussed at the meeting.

- Reviewed the opinion on the 2019 group Financial Statement and Operational report;
- Presented the Boards' decision on dividends;
- Presented the 2020 Boards operational report;
- Approved the 2021 operational budget of the Board.

DIVIDEND

The Company decided not to distribute dividends based on the terms of the agreement in accordance with the company's obligations to international investors in connection with its bond issued in the international market, and the provisions of Article 3.3 of the Dividend Policy, which states that "dividends may not be paid for a specified period by decision of the Board of Directors".

BOARD OF DIRECTORS AND COMMITTEES

The Board of MIK Holding JSC consists of 9 members, including 3 independent members. The Board members were elected to serve for three years by the plenary shareholders' meeting held on April 30, 2018. The board members have a wide range of experience and skills.

M.Munkhbaatar, Chairman of the Board of MIK Holding JSC and Chair of the Nomination and Remunerations Committee. He is an Advisor of the Ulaanbaatar City Bank.

A.Enkhjin. Director of Board of Mik Holding JSC, Chair of the Operational and Legal Committee and a member of the Risk Management Committee. He is a Director General of the Reserve Management and Financial Markets Department of the Bank of Mongolia.

B.Anar Director of Board of MIK Holding JSC, member of the Operational and Legal Committee of our Board. He is a Director of the Legal and Special Assets Department of Development Bank of Mongolia.

T.Davaajav Director of Board of MIK Holding JSC, member of the Risk Management Committee and Finance and Audit Committee. He is a Director of the Treasury Department at the Trade and Development Bank.

S.Batchimeg Director of Board of MIK Holding JSC, member of the Risk Management Committee and Operational and Legal Committee. She is the Chief executive officer of the TDB Capital LLC. Master of Investment and Risk.

B.Gantulga Director of Board of MIK Holding JSC, member of the Risk Management Committee and Operational and Legal Committee. He is the CEO of the MIK HFC.

Ch. Khashchuluun An independent Director of the Board of MIK Holding JSC and a Member of the Finance and Audit Committee, Operational and Legal Committee and Nomination and Remuneration Committee. He is an Associate Professor of the National University of Mongolia. Ph.D. in Economics.

Ch.Otgochuluu An independent Director of the Board of MIK Holding JSC, Chair of Risk Management Committee and member of the Finance and Audit Committee, Nomination and Remuneration Committee. He is a Consultant of the Economic Policy and Competitiveness Research Center.

E.Shijir An independent Director of the Board of MIK Holding JSC, a Chair of the Finance and Audit Committee and a Member of the Nomination and Remuneration Committee.

Finance and Audit Committee functions include appointing external and internal auditors, monitor the performance of the internal audit unit and compliance with financial reporting requirement and provision to review financial statement, to monitor the impact on statements major transactions and to monitor transactions. In 2020, within the scope of its functions convened a total of 16 meetings, issued 29 recommendations concerning items such as selection of independent audit services, approval of work program and report related plans and financial performance.

Risk Management Committee functions include forecasting market and credit risks within the company's core business, assessing and preventing various risks related with the implementation of the company plan approved by the Board, monitor the implementation of risk protection policies and procedures, and provide advice and information. Within the scope of its functions, convened a total of 5 times, issued 7 recommendations concerning matters such as approval of the methodology

for the maximum amount of counterparty limit and discussing the risk management policy.

Operational and Legal Committee functions include exercising oversight over corporate strategic planning and its implementation; providing recommendations for the formulation of business and operational procedures, including internal rules and regulations; and providing guidance in improving overall legal and regulatory environment.

Nomination and Remuneration Committee functions include providing opinion on registration, nomination, election and termination of the authority of the Board directors; presenting these matters to the Shareholders' meeting for approval, determining remuneration policy for the Board, CEO and the management team. Within the scope of its functions, this committee convened for a total of 10 meetings, which resulted in 13 recommendations concerning matters such as the review of the annual performance of the management team and determine Incentives amount and to select newly established SPC's Board members.

Board activities

The Board of MIK Holding JSC exercises the authority of the shareholders' meeting of its subsidiaries MIK HFC, Protego First, MIK Real Estate, and the authority of the board meeting of MIK HFC and Protego First LLC in accordance with the company charter.

Over the course of the reporting period, the MIK Holding JSC Board convened a total of 10 meetings which resulted in 18 resolutions. These include approving corporate governance documents, discuss and issue financial statements, convening the shareholders meeting, select an external auditing company.

The board of MIK Holding JSC, with the full authority to represent MIK HFC announced 21 meetings and passed 24 resolutions. These include issuing bond in the international market, convening shareholders' meetings, granted authority for performing large or conflict of interest transactions, General agreement for housing finance to establish MIK Asset Twenty-four LLC, MIK Asset Twenty-five LLC, and to issue RMBS.

Furthermore, the Board of MIK HFC, with the full authority to represent shareholder meeting of SPCs, reviewed each SPC's operations and financial statements, appointed board members, approved amendments to each SPC's charter, and authorized the issuance of RMBS in the total amount of MNT 295.3 billion.

MIK Holding JSC, a full authority to represent shareholder meetings of MIK HFC and MIK Real Estate LLC, reviewed the opinion on the Financial Statements and Operational report of each company, and approved amendments to Company charter.

In addition, within the framework of its Information Policy, the Company regularly published the Company's financial statements, annual reports, RMBS issuance and other publicly available information on the Company's website.

BOARD OF DIRECTORS OF SPECIAL PURPOSE COMPANIES

The Board members of SPCs are selected once a year. Independent directors, who meet the requirements specified in the “Law on Asset-Backed Securities” are elected annually as members of the Board of SPC by the shareholder meeting. Their duties and responsibilities are to ensure effective oversight over SPCs operations, deal with potential conflict of interest, secure independence from shareholders, provide necessary recommendations and advice, and exercise other duties as specified in the relevant laws and procedures.

A total of 29 members were selected to Twenty-five SPC boards, of which 18 members are independent and 11 members are regular.

The regular board member of SPCs

G.Namuun is a Bachelor of International Economics and Master of Business administration. She is a Senior economist of the Financial Markets Division of Reserve Management Financial Markets Department of the BoM. A member of the Board of MIK Asset One SPC LLC, MIK Asset Two SPC LLC and MIK Asset Three SPC LLC.

B.Erdenekhuyag is a Bachelor of Law and Master of International relations. He is Director of Legal Policy Division of Legal Department of the BoM. A member of the Board of MIK Asset Four SPC LLC, MIK Asset Five SPC LLC and MIK Asset Six SPC LLC.

D.Erdenebileg is a Bachelor of Law. She is a Specialist of the Legal Department of the BoM. A member of the Board of MIK Asset Nine SPC LLC and MIK Asset Ten SPC LLC.

M.Batsaikhan is Bachelor of Law. He is a Specialist of the Legal Department of the BoM. A member of the MIK Asset Ten SPC LLC, MIK Asset Eleven SPC LLC and MIK Asset Twelve SPC LLC.

B.Munkhzul is a Master of Economics. He is a Senior economist of the Financial Markets Division of Reserve Management Financial Markets Department of the BoM. A member of the Board of MIK Asset Thirteen SPC LLC and MIK Asset Seventeen SPC LLC.

B.Zayabal is a Bachelor of Economics and Law. He is Head of the General Taxation Department. A member of the Board of MIK Asset Thirteen SPC LLC, MIK Asset Fourteen SPC LLC and MIK Asset Fifteen SPC LLC.

B.Orgilsaikhan is Master of Law. He is Senior lawyer of the Legal Department of the BoM. A member of the Board of MIK Asset Eighteen SPC LLC and MIK Asset Twenty-four SPC LLC.

N.Khadbaatar is a Master of Public Administration. She is Senior specialists of Financial Assets Management Division of the Financial Policy Department of the MoF. A member of the Board of MIK Asset Twenty-one SPC LLC and MIK Asset Twenty-Three SPC LLC.

J.Zolbayar is Master of Economics. He is specialist of Financial Assets Management Division of the Financial Policy Department of the MoF. A member of the Board of MIK Asset Twenty-two SPC LLC.

A.Avir is Bachelor of International economics. He is Head of the Corporate Governance and Compliance Division of FRC. A member of the Board of the MIK Asset Nineteen SPC LLC and MIK Asset Twenty SPC LLC.

P.Munkhbayar is a Master of International economics. He is Director of Financial Markets Division of Reserve Management, Financial Markets Department of the BoM. A member of the Board of MIK Asset Twenty-five SPC LLC.

The independent board member of SPCs

E.Zoson is a Master of Economics. She is a Deputy CEO at Odon Consulting LLC. Chair of Board of MIK Asset One SPC LLC and MIK Asset Three SPC LLC and an independent member of the Board of MIK Asset Two SPC LLC.

T.Tsend-Ayush is a Doctor, Professor of Business administration, Master of Economics. She is a CEO at Corporate Governance Development Center. Chair of Board of MIK Asset Two SPC LLC and an independent member of the Board of MIK Asset One SPC LLC and MIK Asset Three SPC LLC.

B.Batselenge is Bachelor of Law and Master of International economic relations. Chair of Board of MIK Asset Six SPC LLC and an independent member of the Board of MIK Asset Four SPC LLC and the Board of MIK Asset Five SPC LLC.

B.Tuguldur is an International multi-development economist, Master of science. He is a CEO of Quality Supplier Development Center NGO (QSDC). Chair of Board of MIK Asset Four SPC LLC and MIK Asset Five SPC LLC and an independent member of the Board of MIK Asset Six SPC LLC.

G.Oyungerel is a Master of Economics. She is the CEO at A-Estate LLC. Chair of Board of MIK Asset Seven SPC LLC and MIK Asset Nine SPC LLC and an independent member of the Board of MIK Asset Eight SPC LLC.

Ts.Batsukh is a Doctor of economics. He is a Professor of University of Finance and Economics. Chair of Board of MIK Asset Eight SPC LLC and an independent member the Board of MIK Asset Seven SPC LLC and MIK Asset Nine SPC LLC.

S.Bekhbat is a Master of Economics. He is the CEO at Mongolian Public-Private Partnership Development Center. Chair of Board of MIK Asset Ten SPC LLC and MIK Asset Twelve SPC LLC and an independent member of the Board of MIK Asset Eleven SPC LLC.

Kh.Purevsuren is a Master of Economics. He is an economist. Chair of Board of MIK Asset Eleven SPC LLC and an independent member of the Board of MIK Asset Ten SPC LLC and MIK Asset Twelve SPC LLC.

E.Altan-Ochir is a Bachelor of Business administration. Chair of MIK Asset Thirteen SPC LLC and an independent member of the Board of MIK Asset Fourteen SPC LLC and MIK Asset Fifteen SPC LLC.

N.Batnasan is a Doctor of Economics. He is an associate Professor of School of Business, National University of Mongolia. Chair of MIK Asset Fourteen SPC LLC, MIK Asset Fifteen SPC LLC and an independent member of the Board of MIK Asset Thirteen SPC LLC.

Kh.Togtokh is a Bachelor of Economics. He is the Project Director of Khurd Group. Chair of MIK Asset Sixteen SPC LLC, MIK Asset Seventeen SPC LLC and an independent member of the Board of MIK Asset Eighteen SPC LLC.

P.Badamsuren is Bachelor of Business management. She is an accountant at PSC LLC. Chair of MIK Asset Eighteen SPC LLC and an independent member of the Board of MIK Asset Sixteen SPC LLC and MIK Asset Seventeen SPC LLC.

E.Oyunbileg is a Master of International economics. She is an Advisor to the Corporate Governance Program of the International Finance Corporation, Managing director of Petrovis Oil LLC and Secretary of the Board of Directors. Chair of MIK Asset Nineteen SPC LLC, MIK Asset Twenty-one SPC LLC and an independent member of the Board of MIK Asset Twenty SPC LLC.

E.Khosbayar is a Bachelor of Business management and Finance and Master of Business management. He is an advisor of World Bank Project. Chair of MIK Asset Twenty SPC LLC and an independent member of the Board of MIK Asset Nineteen SPC LLC and MIK Asset Twenty-one SPC LLC.

M.Sarandavaa is Bachelor of Business management. He is the CEO of Power Solution LLC. Chair of MIK Asset Twenty-two SPC LLC and an independent member of the Board of MIK Asset Twenty-three SPC LLC and MIK Asset Twenty-four SPC LLC.

T.Munkhjargal is Bachelor of Business management and Master of Economics and Certified Tax Accountant. She is an accountant at Mimai mining LLC. Chair of MIK Asset Twenty-three SPC LLC, MIK Asset Twenty-four SPC LLC and an independent member of the Board of MIK Asset Twenty-two SPC LLC.

E.Enkhtsetseg is Bachelor of Business management. She is the Deputy CEO of Royal Park LLC and JCDecaux Mongolia LLC. Chair of MIK Asset Twenty-five SPC LLC.

E.Tsahkhiur is Master of Business management. He is the CEO of Delta Construction LLC. Independent member of MIK Asset Twenty-five SPC LLC.

ENVIRONMENTAL, SOCIAL RESONSIBILITY AND GOVERNANCE

SOCIAL RESPONSIBILITY

Within the scope of the Company mission, we strive to support sustainable development in our society by supporting social-well being and education programs.

Per the 17 Sustainable Development Goals, 8 principles of the Mongolian sustainable finance, IFC 8 Performance Standards on Environmental and Social Sustainability, ISO 26000:2010 Social Responsibility Standard, and principles of "Mongolian Green Taxonomy," the Company has developed its "Corporate Social Responsibility Policy."

CSR principles of MIK



Society

Respect human rights, contribute to social well-being and uphold ethics;



ECONOMIC

Promoting green economic growth;



ENVIRONMENTAL

Support environmentally friendly activities;



STAKEHOLDERS

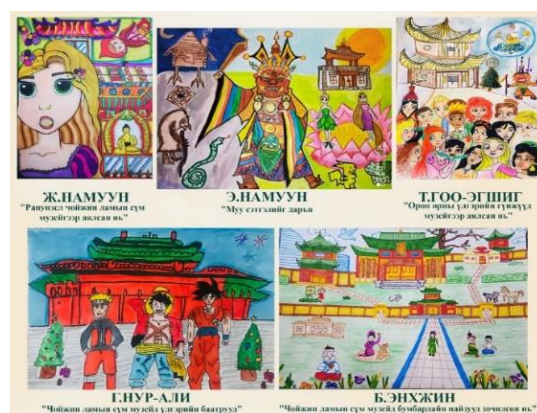
Protect stakeholders' trust and interests in order to strengthen good corporate governance and conduct any activities transparently and fairly.

Social well-being

"Fairytale characters in the Choijin Lama Temple Museum," drawing competition was organized by the Choijin Lama Temple Museum between December 4 to 18, 2020. In the scope of the principle of "Protect Cultural Heritage" of the ToC program, MIK has supported the competition. Through this competition, we can teach our future generation to love and protect historical and cultural heritage.



"Treasures of Mongolian Cultural and Historical Heritage in Hungary" and "Treasury of the Mongolian Buddhist religion in the Hermitage" books.



To collect and register Mongolian cultural heritage in the world, the International Association of Mongol Studies implemented the "Mongolian Heritage Spread Across the World" project in cooperation with the Ministry of Foreign Affairs and the Ministry of Education, Culture, Science, and Sports. In the scope of the project, MIK supported to publish the

Employee benefits and well-being

In order to support our employees' health and social issues we have implemented following activities:

- All employees underwent a set of medical examinations;
- Employees' children under the age of 18 underwent a preliminary medical examination at the National Center for Maternal and Child Health;
- Facilitated employees to access lower interest rate on salary loans and to open higher rate children's savings.

Our top priority is ensuring the health and safety of our employees. During the COVID-19 pandemic, the Company has taken the following actions:

- All employees and their families fully covered by the COVID-19 insurance;

- Provided masks and hand sanitizers;
- Provided immunity booster products;
- Regularly cleaned and disinfected workplaces;
- Allowed the employees to work remotely in accordance with the recommendations and decisions from the State Emergency Commission.

“COVID-19” AND ITS EFFECTS

In response to the adverse impact of the COVID-19 pandemic on people’s income and households’ financial burden, the GoM has decided to implement mortgage payment deferral program for mortgage loans issued under the AHFP. Following the decision above, the BoM, MIK HFC and participating banks jointly implemented the program.

First mortgage deferral program

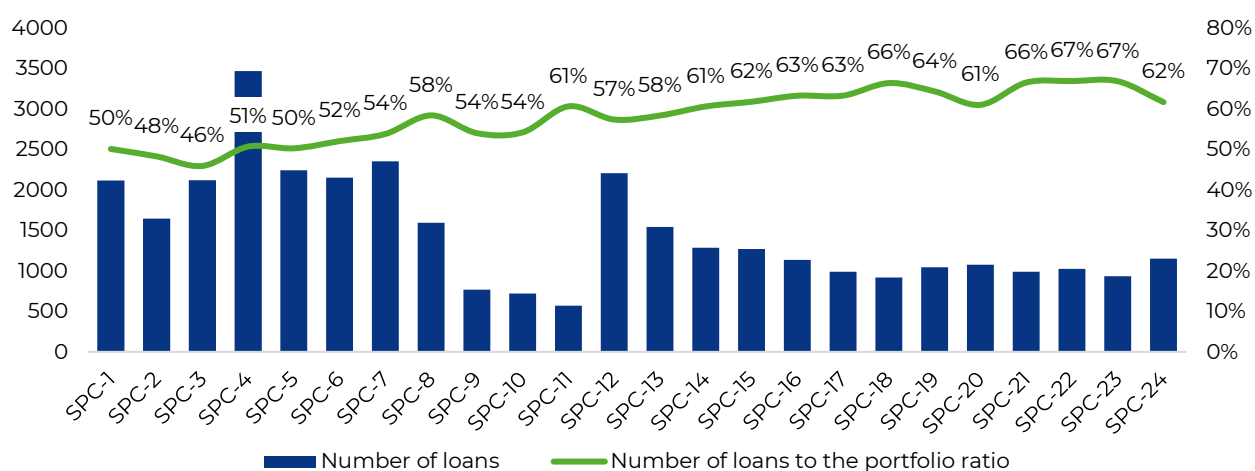
On April 29, 2020, The State Great Khural approved a law on COVID-19 prevention, fight, and mitigation of its socioeconomic impact. According to provision 10.7 of article 10 of the law, MIK HFC together with the BoM, service provider banks have implemented mortgage payment deferral up to 6 months without accumulating interest payment.

Second mortgage deferral program

The GoM declared Public Emergency Readiness regime with the first local transmission recorded in November 2020. On November 18, 2020, GoM issued Resolution №183, which extended mortgage payment deferral program until July 1, 2021.

The Bondholders meeting of MIK Asset One SPC LLC to MIK Asset Twenty-four SPC LLC was convened to adopt Special resolution regarding the mortgage payment deferral program. Under the first mortgage payment deferral program, the borrowers submitted their requests within May 1, 2020, and the service provider banks were allowed to make a decision to defer mortgage payment and amend the relevant loan agreement within the implementation period, a total of 35,291 borrowers, or 62% of the aggregate portfolio deferred their mortgage payment and rescheduled the mortgage payment period.

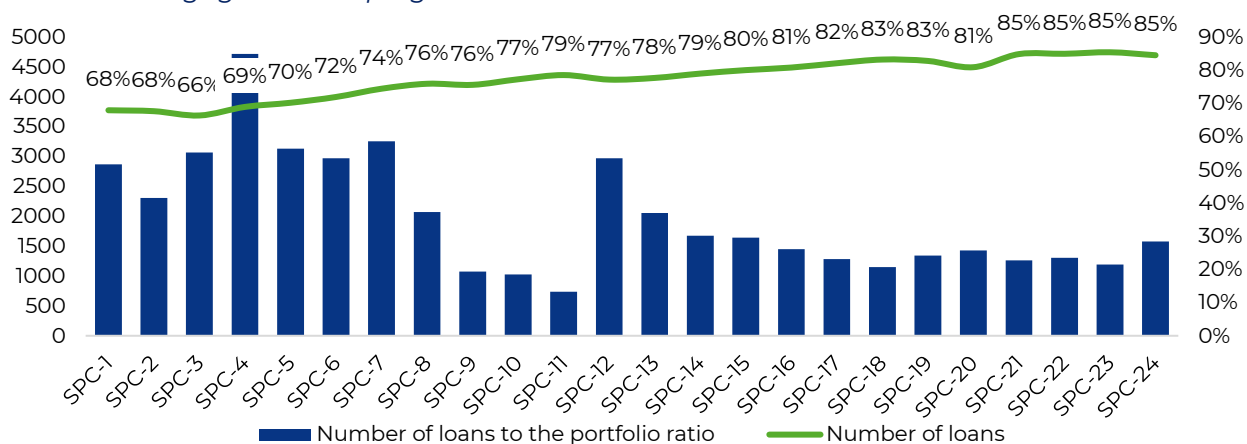
First mortgage deferral program



Under the second mortgage payment deferral program, the borrowers who wish to defer their mortgage payment were allowed to apply their request until January 31,

2021 and to extend the deferral period until July 1, 2021. Within the scope of the implementation, the service provider banks processed the borrowers' request.

Second mortgage deferral program



INTERNAL AUDIT

The IAD is responsible for the internal audit of the group company in accordance with its roles and responsibilities set by the Board. The IAD of MIK Holding JSC reports directly and independently to the Board per the principles and structure of good governance.

The IAD is involved in all aspects of the Group company's operations and conducts risk based and independent audits to effectively manage corporate governance, risk management, and internal control systems. In addition to communicating findings of the audit work to the appropriate management through advice and recommendations which is stated in audit reports, the above-mentioned operations are performed in compliance with the rules, procedures and audit plans approved by the Board, and International Standards for Professional Practice of Internal Auditing.

The IAD collaborates with the CEO to ensure that day-to-day operations of the company are aimed at achieving business and strategic goals while in compliance with the law, regulations and other documents directly related to the company's operation. To ensure effective control of all business processes while taking proper actions in conformance with the audit recommendations in order to safeguard operational efficiency, continuity and consistent improvements.

In 2020, the following activities were implemented and improved:

- Audit recommendations review task was fully automated and presented to all management and staff;
- All audit reports were coded within the framework of information security policy;
- Conducts planned audits in a timely manner and reports its findings to the CEO and Finance and Audit Committee;
- Professional development;
- Set of control system.

Furthermore, in relation to the "International internal audit awareness" month held every year by the Institute of Internal Auditors, the Internal Audit Division of MIK Holding JSC successfully organized an online event for the second time among all the Group Company's employees.

BUSINESS ENVIRONMENT

ECONOMIC INDICATORS

Due to the COVID-19 pandemic, economy faced uncertainty and Mongolia's economy contracted four quarters in a row in 2020. Mongolia's economic growth was 7.2% in 2018, and 5.1% in 2019. IMF and other international financial organizations estimated Mongolian economy to grow from 4.9% to 6.3% in 2020. However, end December 2020, economic growth rate stood at -5.3%.

In 2020, the State budget revenue was MNT 10.4 trillion, and expenditure of MNT 14 trillion, resulting deficit of MNT 4.5 trillion. The MoF estimates the budget revenue to be MNT 13.1 trillion and expenditure to be MNT 13.9 trillion in 2021.

"Monetary Policy Guidelines for 2020" by the BoM aims to support the economic and financial system stability and its development. The inflation rate targeted at 8% and decrease to 6% in the mid-term.

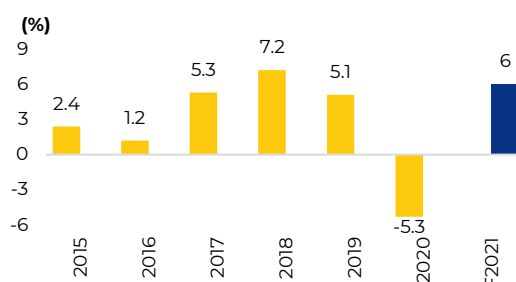
In order to maintain economic and financial stability without compromising the inflation target, the Monetary Policy Committee decided to lower the policy rate to 10% in March, 9% in April, 8% in September, 6% in November, respectively, during the COVID-19 pandemic.

As of December 2020, weighted average loan interest rate was at 14.8% and weighted average savings interest rate was at 8.4%, which is 2.1%, 2.8% respectively lower than the previous year.

In 2020, Moody's investor service changed Mongolia's outlook to "B3, Negative". However, S&P and Fitch reaffirmed Mongolia's long-term credit rating as "B Stable".

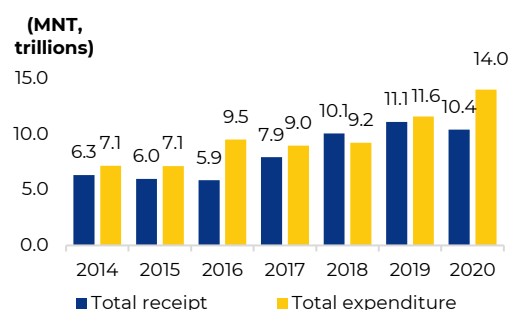
Government debt to GDP ratio was 56.1% in 2019 and was estimated to be 55.3% in 2020. However, the ratio stood at 62.2% in 2020.

Real GDP growth



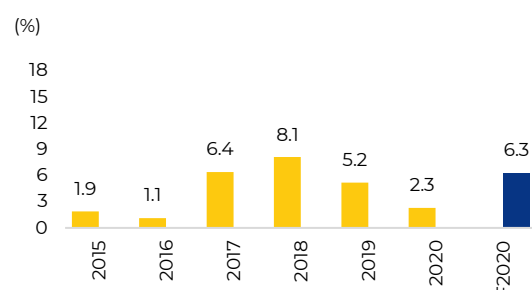
Source: NSO, IMF

Government budget performance



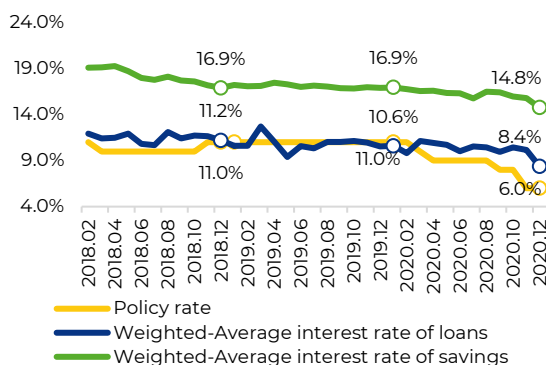
Source: MOF

Inflation rate



Source: BoM, IMF

Interest rate



Source: BoM

FINANCIAL MARKET INDICATORS

At the end of the reporting period, the total outstanding loans in the banking sector was MNT 17.0 trillion of which 28.9% was mortgage loans. Total assets of the banking sector reached MNT 36.7 trillion, while MIK HFC's total assets reached MNT 4.1 trillion, equivalent to 11.2% of the banking sector.

In December 2019, the BoM has increased foreign currency reserve requirement ratio from 10.5% to 15.0% to reduce dollarization in banking system and to keep relative return of tugrik. The weighted average interest rate of newly originated foreign currency loan was 8.7% at the end of 2019. As of the end of 2020, this figure has increased by 1.1% to 9.8%.

On October 23, the FATF officially announced that Mongolia had been removed from the "grey list" of strategic shortcomings countries, concluding that Mongolia had fulfilled its obligations.

In 2019, the Mongolian stock market capitalization increased from MNT 2.5 trillion to MNT 2.7 trillion. In 2020, Mongolian stock market capitalization reached MNT 3.0 trillion, increased by 12.5% compared to the previous year.

As of 2020, MNT 0.6 billion worth of government bond was traded on the secondary market, while the total amount of traded stock was MNT 53.9 billion. In the fiscal year, Bodi Insurance JSC has issued MNT 5.3 billion worth of IPO on Mongolian Stock Market.

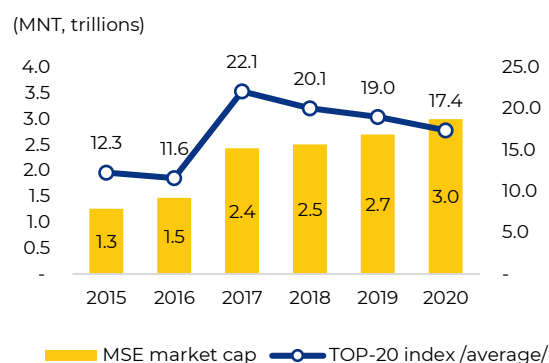
On the primary market, LendMN NBFI JSC traded a collateral trust bond the total amount of MNT 5 billion.

Statement of Financial Positions of Banks

Indicators	2019-12	2020-12
Balance sheet (MNT, billions)		
Total Assets	35,859.3	36,685.5
Reserves	6,177.7	4,062.6
Central bank notes and government bills	4,424.3	7,685.4
Foreign assets	2,045.6	1,689.6
Loans	17,932.2	17,683.8
Total liabilities	32,828.7	33,626.9
Current account	5,615.9	5,190.0
Saving account	14,534.6	17,243.9
Foreign liabilities	5,380.6	4,062.5
Government deposits	2,738.2	2,100.1
Equity	3,030.6	3,058.6

Source: BoM

MSE Market Cap



Source: MSE

Capital Market Indicators

Indicators	2019-12	2020-12
MSE, yearly statement		
Listed companies	198	192
Trading companies (average)	75	144
Total transactions (MNT, billions)	143.2	65.3
Government bond	9.7	0.6
Corporate bond	0.0	5.8
Stock	133.5	53.9

Source: MSE

MORTGAGE MARKET INDICATORS

At the end of 2020, the total outstanding balance of mortgage loans reached MNT 4.9 trillion and the number of borrowers reached 100.5 thousands: 74.0% or MNT 3.6 trillion was provided under the AHFP, while 26.0% or MNT 1.3 trillion was funded from other sources.

As of December 2020, MIK HFC had purchased 65.4% of the total mortgage loans in the market, of which 59.8% were acquired under the PWOR term.

Consequently, MNT 587.7 billion of mortgage loans under AHFP and MNT 1.2 trillion of market rate mortgage loans are yet to be acquired by MIK HFC.

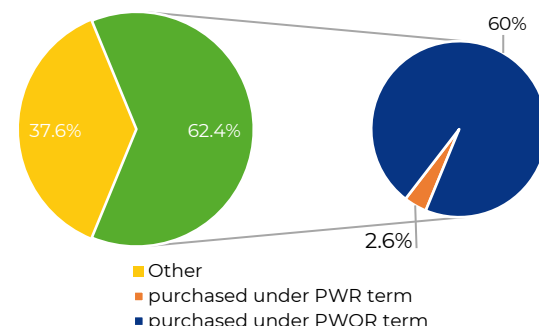
In 2020, the BoM budgeted MNT 220 billion and commercial banks budgeted MNT 120 billion for the AHFP. As of October 2020, BoM has funded a total of MNT 123.7 billion.

Since the launch of the AHFP in 2013, mortgage loan originated from the bank's own resources and other sources has steadily decreased. However, in 2019, mortgage loan disbursement from these funding sources reached MNT 418 billion, surpassing AHFP mortgage loan issuance by over MNT 88 billion.

At the end of 2020, the age classification of mortgage loan recipient analysis indicated that 25 to 35-year-olds occupy the largest bracket of HPI, making up about 42 thousand mortgagors. As of 2019, 45.5% of the total population is made up of 0 to 25-year-olds, of which 15.9% or 240 thousand people are aged from 20 to 24-year-olds that are potential mortgagors in near future.

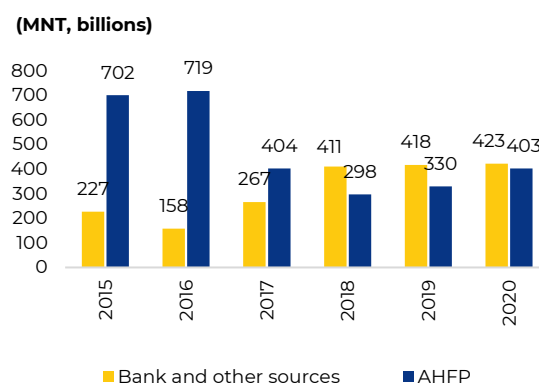
To identify housing affordability, MIK HFC began to estimate HAI, which uses ratio between average household income and the mortgage loan amount for an average priced apartment. As of Q3 of 2020, the weighted average housing price increased by 3.4% reaching MNT 102.1 million (45-meter square apartment was worth MNT 102.1 million), while median household income increased to MNT 1.5 million, an increase of 4.6%. With increase in housing price and in household income, HAI increased to 0.84.

Outstanding mortgage loans



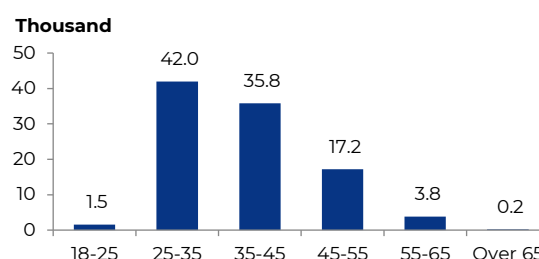
Source: BoM

Mortgage loan issuance



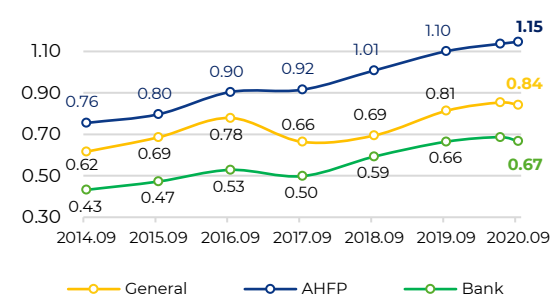
Source: BoM

Age structure of mortgagors



Source: BoM

HAI of Ulaanbaatar (2020.09)



Source: MIK HFC

LEGAL ENVIRONMENT

MIK Holding JSC and its subsidiaries MIK HFC, and MIK Real Estate LLC are actively conducting business in accordance with Company Law of Mongolia.

The main activity of MIK HFC and its subsidiary SPCs is to develop secondary mortgage market and issue asset-backed securities in accordance with the “Law on Asset-Backed Securities” and other relevant legislation in order to implement AHFP.

The MoF, BoM and the commercial banks hold the RMBS issued by the SPCs. Within the framework of RMBS issuance, FRC participate as a regulatory body, as well as the BoM, commercial banks and the Board of the SPCs participate to monitor the company operation.

The following are the main laws and regulations, which MIK HFC complies with:

Law	Regulation
<ul style="list-style-type: none"> • The Constitution • Civil Code • Law on the Securities Market • Law on the Asset-backed securities • Company law • General taxation law • Corporate income tax law 	<ul style="list-style-type: none"> • Procedure on mortgage financing • Regulation on mortgage loan procedure • Regulation on issuing, registering and licensing of asset-backed securities

Key changes to MIK HFC’s business legal environment:

[Law on COVID-19 prevention, fight, and mitigation of its socioeconomic impact of the Coronavirus Infection \(COVID-19\) was approved.](#)

On April 29, 2020, the State Great Khural approved the Law on COVID-19 prevention, fight, and mitigation of its socioeconomic impact of the Coronavirus Infection (COVID-19) and made amendment to the law on December 31, 2020. In accordance with the law, the borrowers under AHFP have been allowed to defer the principal and interest repayment of the mortgage loan without accumulating interest and extend the loan repayment period.

Also, the State Great Khural approved the Resolution on Measures to ensure financial and economic stability, risk prevention, and digital transition to public services during the outbreak of COVID-19 on such day as an appendix to the Resolution 32. Article 6.5 of the measure have been taken to create competition in the financing system of the mortgage loan, grant new licenses to the Capital Housing Corporation and other relevant entities, and register asset-backed securities issued by them.

Granting special license to other legal entities to conduct Fiduciary management activities, and issue asset-backed securities specified in the “Law on Asset-Backed Securities” has created advantages to increase competition in asset-backed security market, and increase the accessibility and affordability of the mortgage financing.

Strategy to reduce loan Interest approved

The State Great Khural approved “Strategy to reduce loan Interest” on August 28, 2020, and reduced loan interest rate by 4 units from the baseline and is expected to reach 1% at the end of 2023. “Strategy to reduce loan Interest” approved as an appendix to the resolution, has focused on the following measures to be implemented.

- In order to increase export financing, the bank shall obtain special license to issue loan-backed securities for non-mining export sector and small and medium enterprises, and shall be registered its securities.

- The bank is not allowed to charge interest on current accounts and savings accounts;

As a result of implementing the resolution shall form a macro environment for reducing the interest rates, improve the risk tolerance, governance and efficiency of the bank, assure the rights of lenders and create fundamental conditions for the parties to fulfill their obligations under the loan agreement.

Mortgage loan interest reduced to 6%

The Governor of the BoM issued Decree A-392 to amend the “Residential mortgage loan financing procedure” on October 1, 2020, and reduced the interest rate of housing mortgage loans to 6%. Within the amendment, the interest rate of housing mortgage loans under AHFP reduced to 6% from October 1, 2020, and this change will only apply to the new mortgage loans. According to the “General agreement of housing finance” executed between BoM, service provider banks, and MIK HFC, the MIK SPCs’ plan to purchase and securitize mortgage loans by service provider banks under the AHFP.

“Procedure for listing asset-backed securities” approved

The Company participated in the working group of the MSE to develop and approve “Procedure of listing asset-backed securities” and made recommendations and proposals within the legal framework. The procedure was approved by Resolution No 2020/06 of MSE Board on February 7, 2020, as an appendix. “Law on Asset-backed securities” and “Regulation to issue, register and license Asset-Secured Securities” issued by the FRC allow the issuance of ABS in an open form but in case ABS is offered to the public and issued openly then it was unclear that how to list ABS and how to monitor them etc. Nevertheless, as a result of approving the above mentioned MSE procedure, it has become possible to offer ABS to the public, to register them on the MSE record, set registration criteria and requirements, define the obligations of the issuer during the registered period, monitor it and deregister it.

OPERATIONAL PERFORMANCE

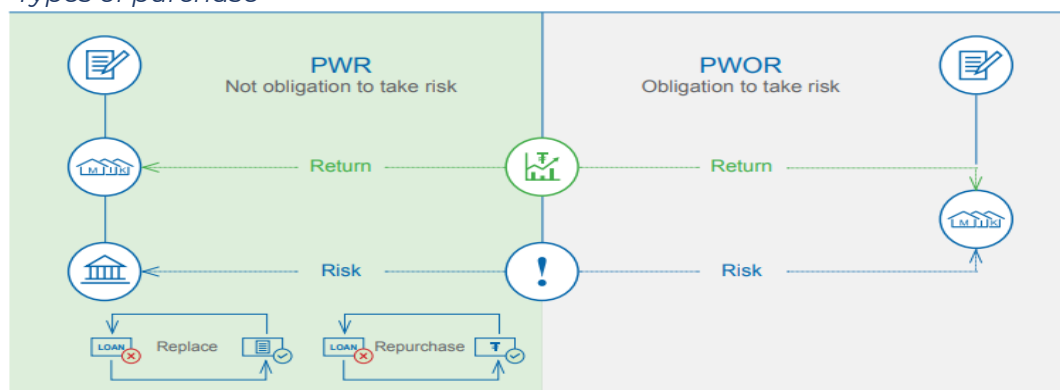
Business activities

TYPES OF ACQUISITION

MIK HFC is engaged in purchasing residential mortgage loan portfolios from commercial banks with cash and with the use of other financial instruments in order to improve the liquidity of commercial banks. Mortgage loan portfolio purchase agreements are classified as follows based on how loan risk is transferred.

1. Purchase without recourse (PWOR)
The transaction which allows transfer of both of mortgage returns and potential risks. This transaction is used for trading of subsidized interest rate mortgage loans under the AHFP implemented by the GoM and BOM with RMBSs.
2. Purchase with recourse (PWR)
The transaction which allows return or exchange of the purchased mortgage loans to a seller or an underwriting bank in case there is a risk of loan default.

Types of purchase



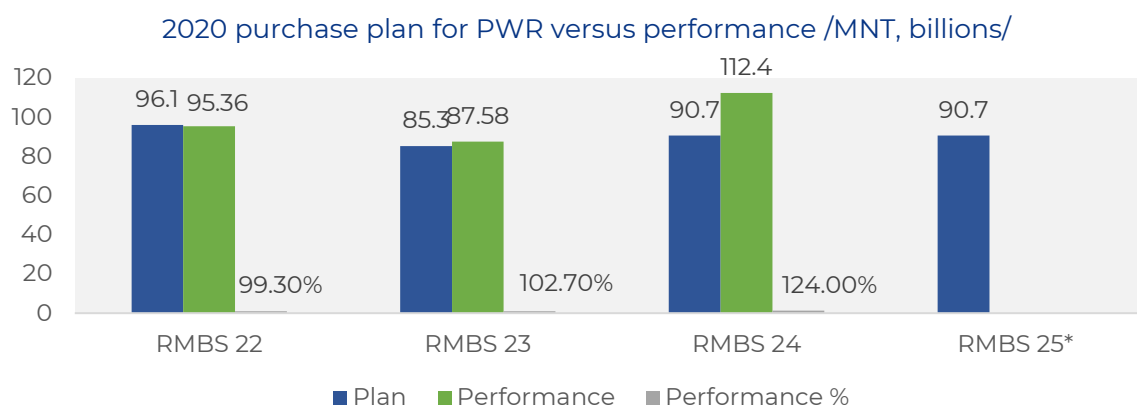
Source: MIK HFC

PURCHASE WITHOUT RECOURSE

In 2020, MIK HFC successfully purchased and securitized MNT 295.3 billion in mortgage loans under the PWOR model. Furthermore, the company has identified a mortgage portfolio totaling in MNT 323.5 billion that met all the eligibility criteria to be securitized through SPCs 25 to 27.

In the reporting period, the Company has planned to purchase a total of MNT 362.7 billion and acquired 81.4% of the company's initial acquisition plan. The following graph compares the PWR purchase plan and purchase performance for 2020.

2020 purchase plan for PWR versus performance

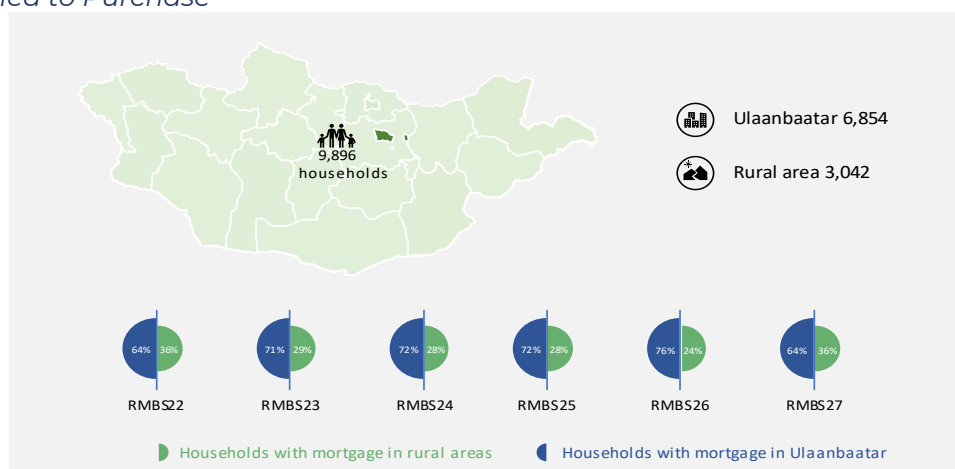


Source: MIK HFC

*Application to issue RMBS has been submitted to FRC on November 11, 2020, and FRC granted permission on January 13, 2021, due to the COVID-19.

During the reporting period, a total of 4,860 mortgage loans have been purchased and securitized under RMBS 22 to RMBS 24, and further 5,036 mortgage loans has been identified to be securitized under RMBS 25 to RMBS 27. Among the total of 9,896 mortgage loans originated, 6,854 loans were in Ulaanbaatar city and 3,042 loans in rural areas.

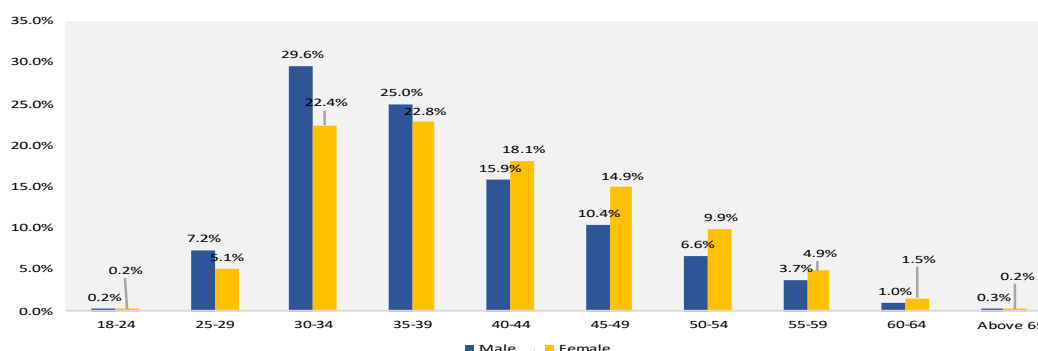
Geographical Distribution of Mortgage Loans Purchased in 2020 and of Mortgage Loans Identified to Purchase



Source: MIK HFC

The gender and age structure of mortgagors indicates that borrowers aged between 30 and 40, make up to 50.5% of the borrowers under AHFP.

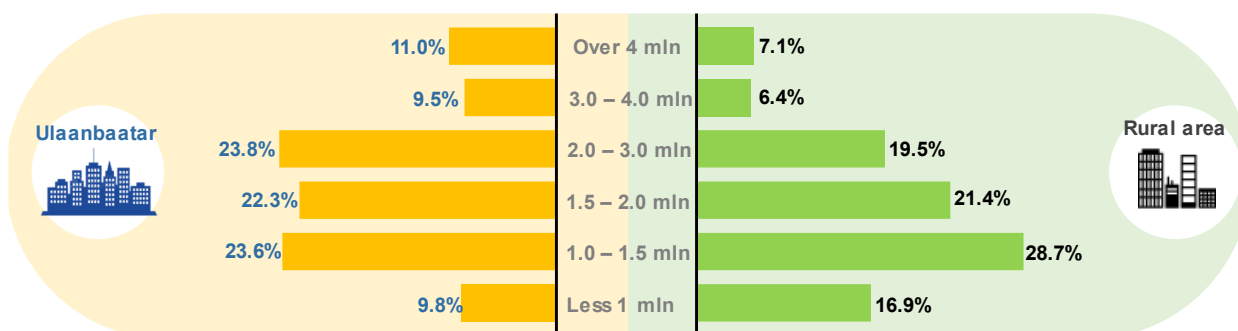
Information of borrower's age and gender



Source: MIK HFC

At the end of 2020, mortgagors with monthly income between MNT1.0 million to MNT2.0 million makes up 47.1% of the borrowers under AHFP.

Classification of borrowers' household income under RMBS 1 to 24 transactions

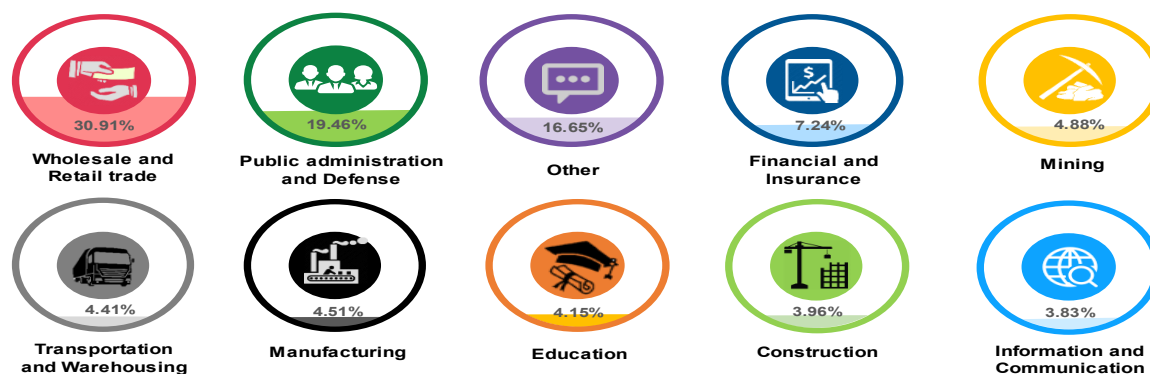


Source: MIK HFC

The graphs shown above with borrower's age and household income indicate that under the AHFP mostly consists of individuals with middle and lower-middle-class fixed income, namely young households with housing demand needs have benefitted.

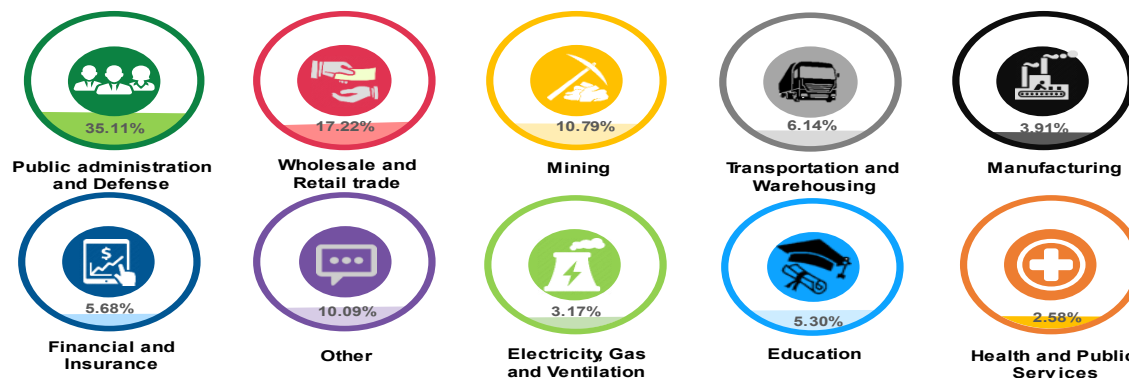
Through the use MIK HFC's internally developed Borrower's Employment and Income Analysis software, the company was able to identify that mortgagors working in wholesales and retails sector make up most of the borrowers in Ulaanbaatar city, whereas in rural areas, most of the mortgagors are employed in the civil and defense sectors

Employment of Borrowers in Ulaanbaatar / by sector /



Source: MIK HFC

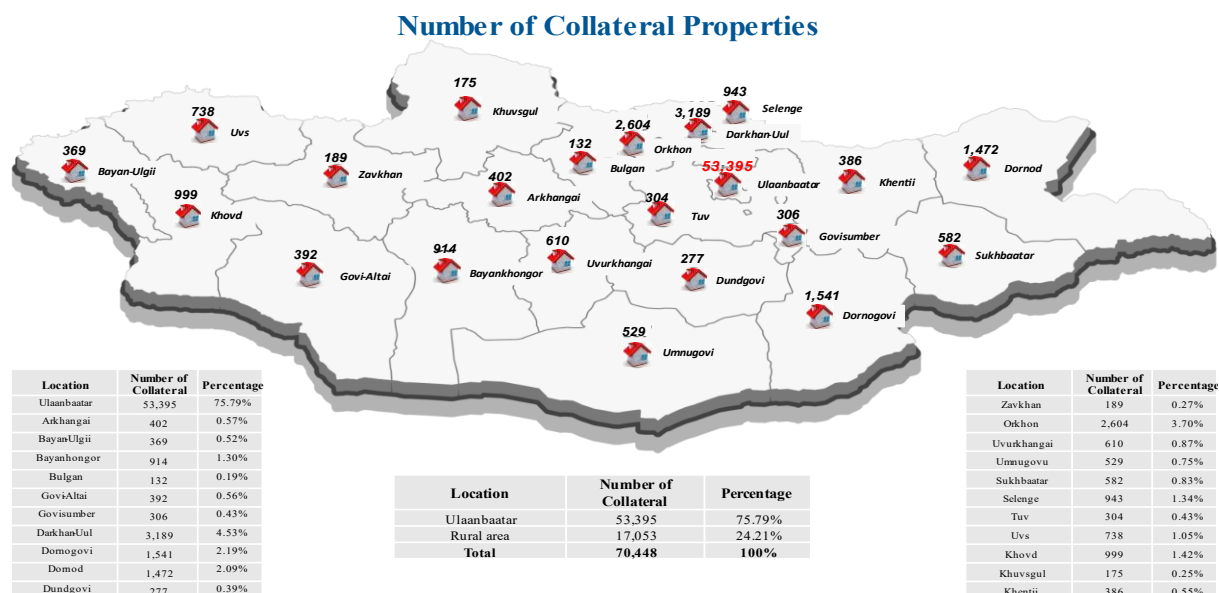
Employment of Borrowers in rural areas / by sector /



Source: MIK HFC

As of December 31, 2020, a total of 63,553 mortgage loans with 70,448 primary and additional collateral were recorded on MIK HFC's balance. Borrowers are permitted to pledge his or her property against the down payment thus mortgage loans can have more than one collateral asset.

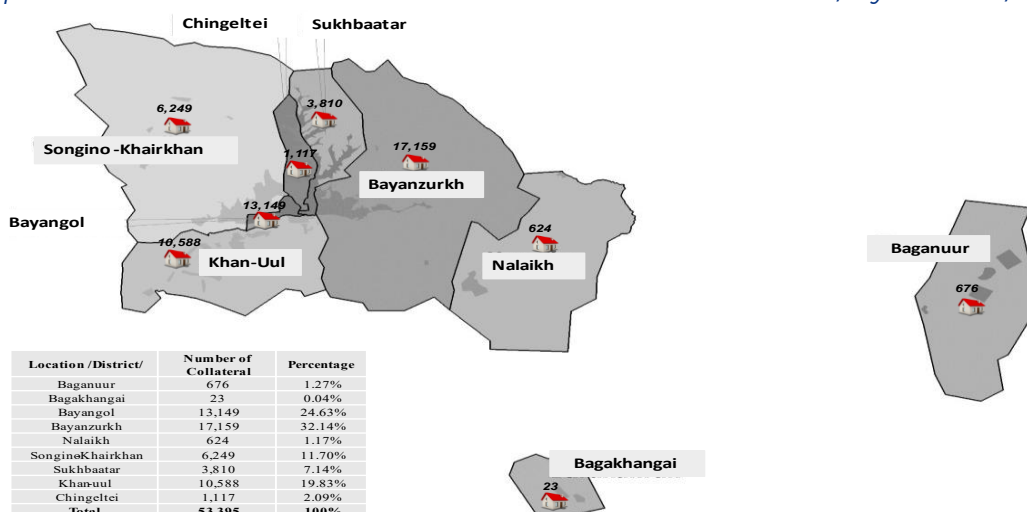
Geographical spread of collateral properties under RMBSs 1-24



Source: MIK HFC

Approximately 75.79% of the total collateral is located in Ulaanbaatar city, and collaterals located in Bayangol and Bayanzurkh districts make up to 56.77% of the total collateral by location. The location of collateral properties in Ulaanbaatar city is shown below by 9 districts:

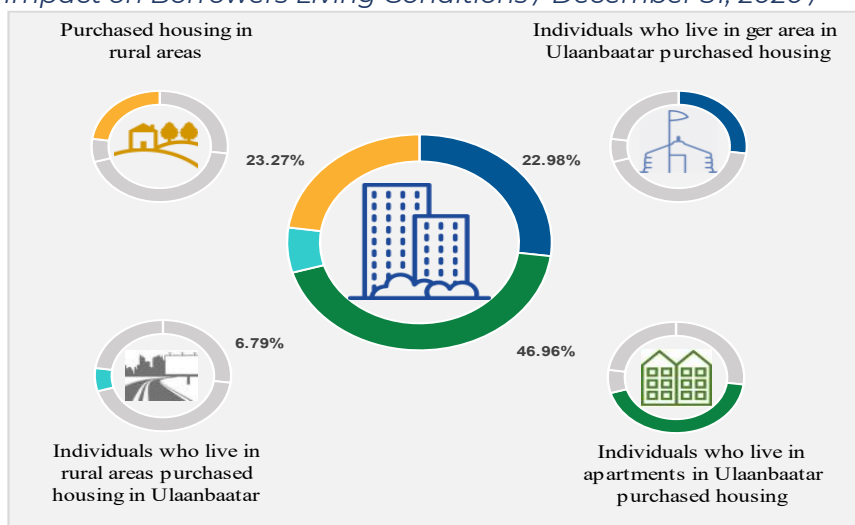
Geographical distribution of collateral assets located in Ulaanbaatar / by districts /



Source: MIK HFC

Under the AHFP, 22.98% of borrowers who own apartments in Ulaanbaatar city have migrated from the ger area and improved their living conditions.

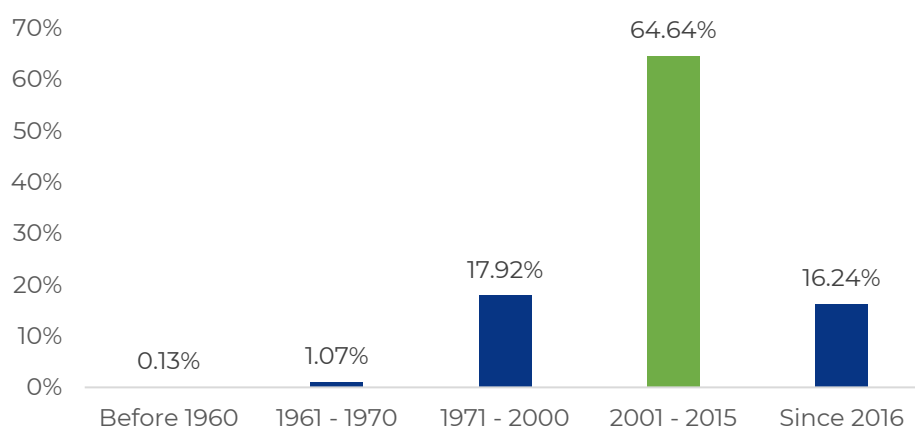
Impact on Borrowers Living Conditions / December 31, 2020 /



Source: MIK HFC

As of December 31, 2020, 64.64% of the total collateral constitutes of apartment units that were built between 2001 and 2015.

Information of collateral assets use of date



Source: MIK HFC

SECURITIZATION - RMBS

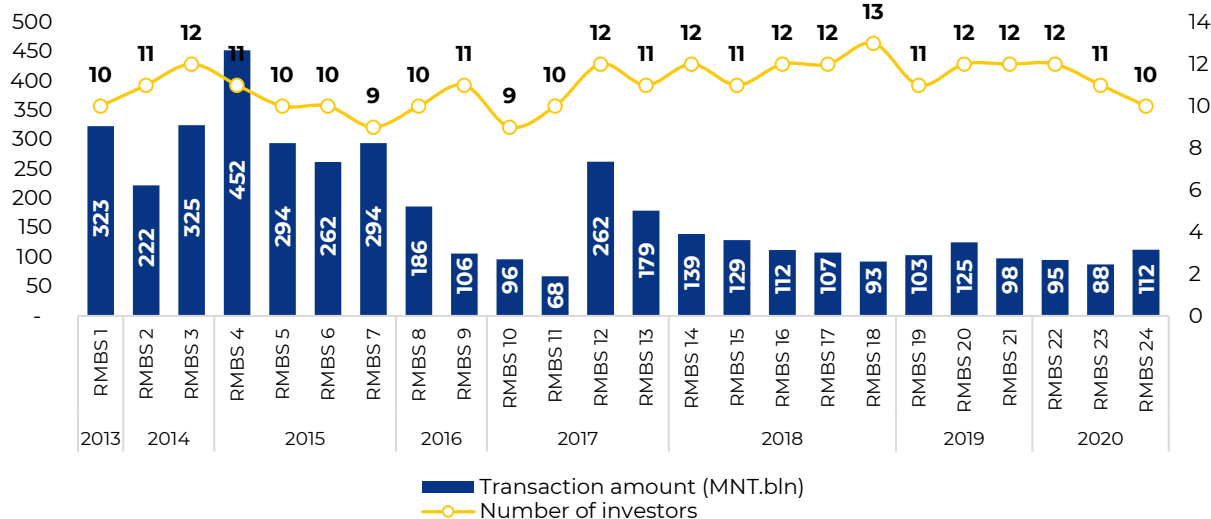
Securitization is the process of attracting necessary financial resources through the issuance of securities to investors by aggregating cash flows from pooled long-term mortgage loans and other financial receivables on the balance of banks and financial institutions.

As part of the long-term housing finance system, MIK HFC operates to increase the availability of mortgage loans by improving the liquidity of banks through the securitization of long-term mortgage loans.

Under the “Law on Asset-backed securities”, MIK HFC establishes an SPC and obtain the relevant license from the FRC, which allows it to issue and trade RMBS on the capital markets.

Within the framework of AHFP, MIK HFC has performed 24 transactions and issued a total of MNT 4.3 trillion in RMBS. In 2020, through the securitization of RMBS 22, 23 and 24, a total of MNT 295.3 billion worth of RMBS was issued.

Total RMBS information



Source: MIK HFC

FIDUCIARY MANAGEMENT AND TRANSACTION ADMINISTRATION

On December 16, 2013, as MIK HFC was granted a special license to conduct Fiduciary managerial activities. Since then, the company has operated fiduciary management according to “Law on Asset-backed securities” and other relevant legislation.

As of the end of 2020, in the Mongolian financial market, a total of 24 SPCs were established and issued a total of MNT 4.3 trillion in RMBS.

MIK HFC manages RMBS assets through each of the twenty four SPCs, executing a Trust deed agreement in order to protect investor rights and make securities payment.

Fiduciary manager service provides the following services in accordance with the “Law on Asset-backed securities” and Trust deed agreement conducted with the SPCs:

- Protecting the interest of investors pursuant to the asset-Backed Securities Law;
- Prepare and maintain bookkeeping, including but not limited to the necessary registers prescribed by the law;
- Prepare fiduciary management reports and introduce them it to the Board of SPCs, Investor, and the FRC on a quarterly basis;
- Transfer principal and coupon payments from RMBS issued by each SPC in a timely manner.

Throughout the RMBS issuing process, MIK HFC acts as a Transaction Administrator in accordance with the agreement between MIK HFC and SPCs among other activities. Such as:

- Provide corporate administration and secretarial services to each SPC, submit requests to the FRC, issue and register RMBS;
- Prepare and maintain the accounting records of each SPC in accordance with IFRS and to deliver and advance the relevant person the reports;
- Review and analyze the data received from the service providers, and audit the annual financial statements of the bond issuer;
- Provide legal and risk advice to Fiduciary manager about permitted investments;
- Receive and summarize the information related to the aggregate portfolio from the participating banks, including the information about loan status, repayment reports, quality and the financial statements to the Investors and the FRC quarterly.
- To settle the non-performing loans, interests and other debts in the aggregate portfolio of the SPC, including interest and other related payables, taking action on getting loans paid, getting repayments through selling collateral assets in cases when rulings were made by judicial organizations.
- Provide any other services agreed with the Issuer.

PURCHASE WITH RECOURSE

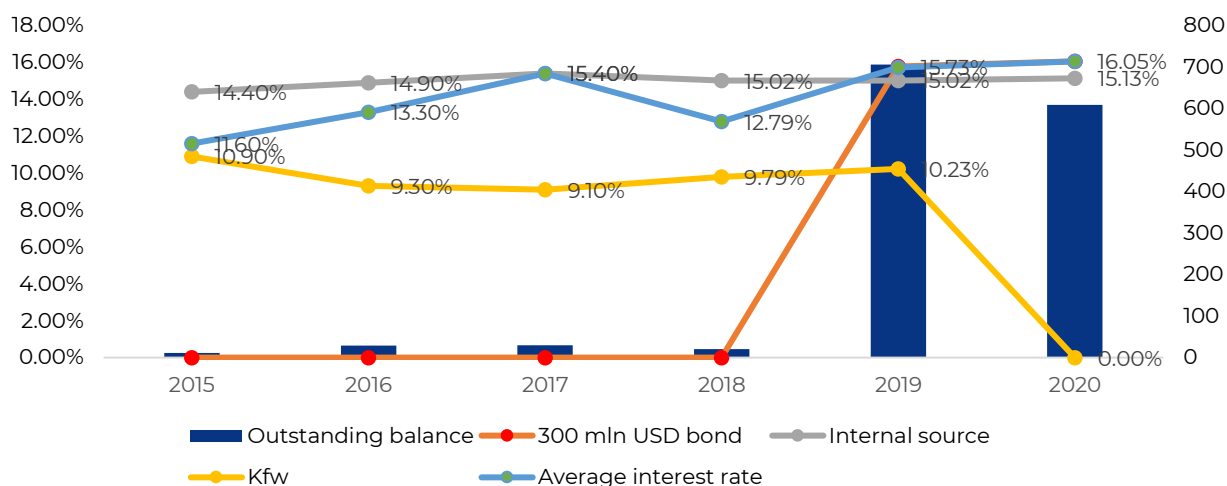
MIK HFC has been purchasing mortgage portfolios from banks and financial institutions with recourse since 2008, which allows banks to create additional sources of funding to improve their liquidity. Additionally, the transaction aims to reduce the cost of funding, lengthen loan maturity and improve mortgage terms for borrowers.

On February 14, 2019, the Company has priced an inaugural international capital market bond raise of USD 300 million, with a three-year tenor, at 9.75% coupon rate listed on the Singapore International stock exchange (SGX:MGMTGE), to support the housing market and increase housing finance.

With the proceeds, MIK HFC purchased MNT 857.34 billion in mortgage loans through 30 PWR transactions from 7 banks and 1 non-bank financial institution, of which MNT 156.94 billion was purchased at a weighted average interest rate of 16.06 percent per annum during this reporting period.

During the reporting period, the Company has purchased MNT 215.54 million in mortgage loans through 1 PWR transaction with KfW funding at an interest rate of 8% per annum, and the weighted average interest rate on the total portfolio was 16.05 percent.

The weighted average interest rate, outstanding balance of Purchase with recourse

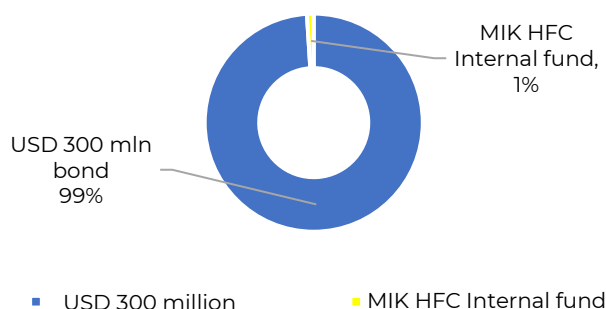


Source: MIK HFC

In addition, due to the expiration of the “On Lending Agreement” with the MoF and the BoM on January 3, 2011, the Company has fulfilled its contractual obligations and repaid the funding of MNT 8.44 billion to the MoF on November 30, 2020.

As a result, the Company ended the year with an outstanding balance of MNT 608.71 billion (4,477 mortgagors) in PWR portfolio.

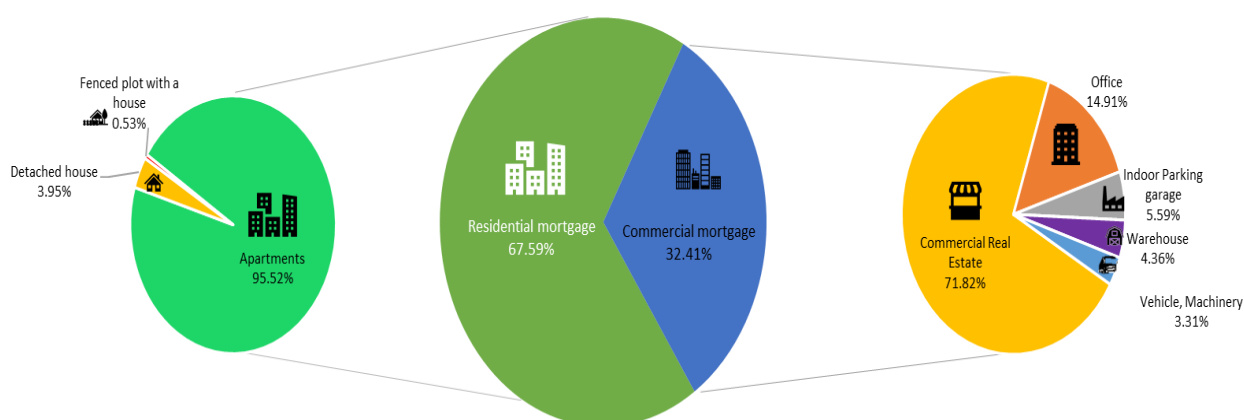
Structure of PWR purchase fund



Source: MIK HFC

As for the breakdown of collateral assets under Purchase with recourse, 67.59% of mortgages were used to purchase residential mortgage and the remaining 32.41% were commercial mortgage.

Information on collateral assets under transaction with recourse



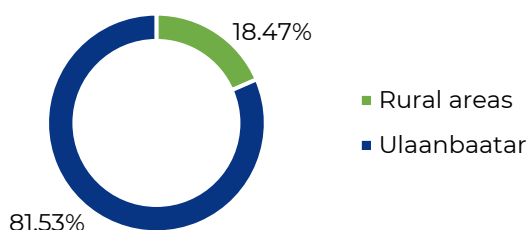
Source: MIK HFC

SOURCES OF PWR FUNDING

Internal fund of MIK HFC

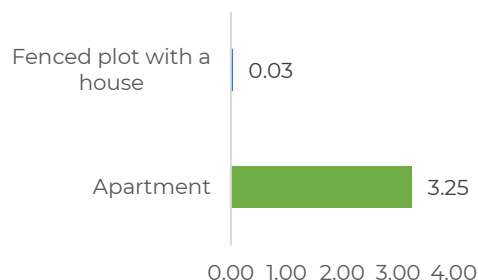
In regards with liquidation of the Capital Bank by the Order A-96 of the Governor of the BoM on April 8, 2019, MIK HFC has registered 4 PWR portfolios on its balance sheet, which has been previously purchased by its own fund and KFW fund. As of December 31, 2020, a balance of MNT 3.28 billion that consists of 99 mortgagors has been registered under those 4 PWR portfolios.

Loan originated location of MIK HFC
Fund portfolios



Source: MIK HFC

Internal Information on loan usage
purpose (MNT, billion)



Source: MIK HFC

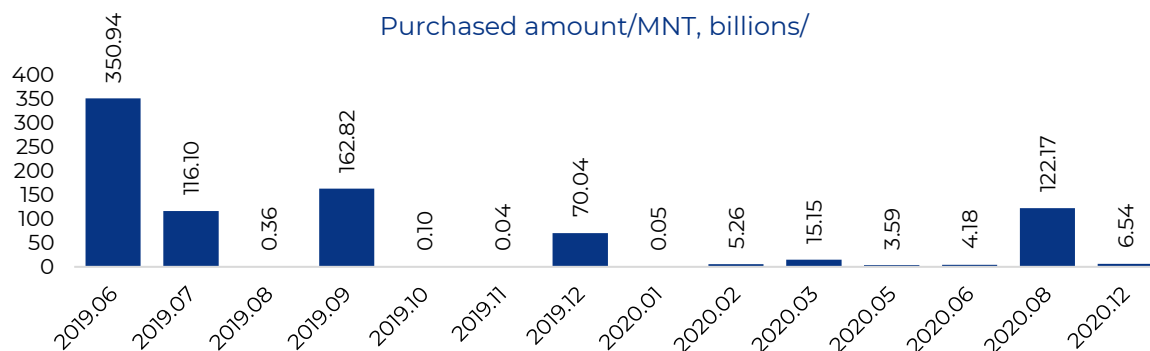
USD 300 million bond

As of December 31, 2020, MIK HFC purchased mortgage loans in the sum of MNT 857.34 billion through 30 PWR transactions from 7 banks and 1 non-bank financial institution by USD bond fund.

Out of the total, MNT 827.69 billion was disbursed yielding a weighted average interest rate of 16.06%, the remaining USD 11.13 million was disbursed over 2 PWR transactions with a weighted average interest rate of 9.75%.

At the end of the reporting period, USD bond funded PWR portfolio has outstanding balance of MNT 604.77 billion that consists of 4,372 mortgagors.

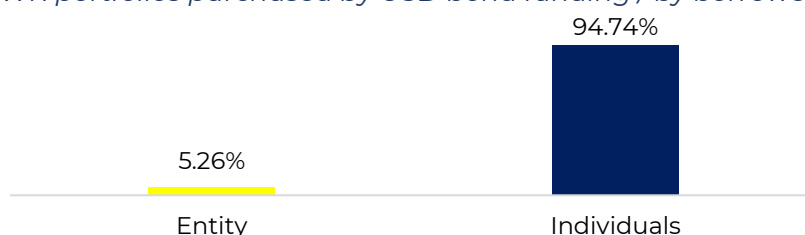
Process of acquisition mortgage loan portfolio with USD bond funding
From June 2019 to Dec 2020



Source: MIK HFC

Aside from purchasing residential mortgages, MIK HFC has purchased long-term mortgages of business entities. 5.26% of the total disbursement of the USD bond fund was used to purchase mortgage loans provided to business entities.

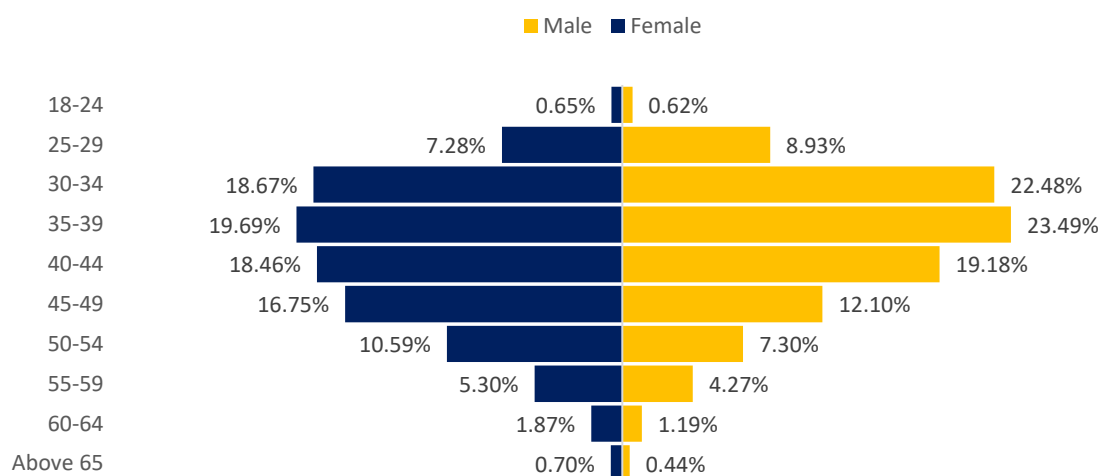
PWR portfolios purchased by USD bond funding / by borrower type /



Source: MIK HFC

In terms of age structure, majority or 67.3% of total borrowers of the mortgage portfolio purchased with USD bond funds are aged between 30 and 45.

PWR portfolios purchased by USD bond funding /information of borrower's age and gender/



Source: MIK HFC

92.28% of the total collateral assets of purchased mortgage portfolio is located in Ulaanbaatar.

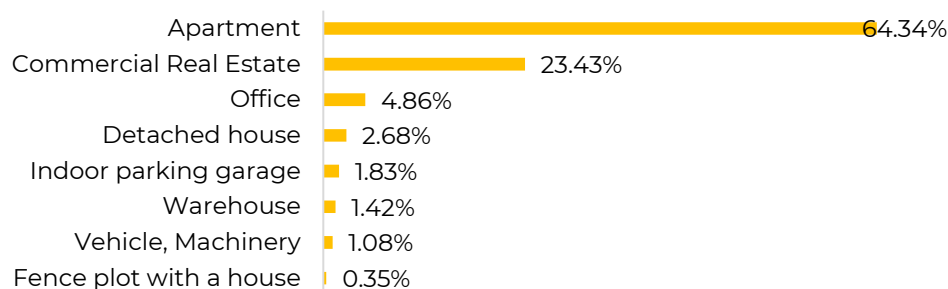
Location of collateral of PWR portfolios purchased by USD bond funding



Source: MIK HFC

By collateralized assets under the PWR portfolios purchased by USD bond fund, 64.34% is residential apartments while 23.43% is commercial real estate.

Types of collateral of PWR portfolios purchased by USD bond funding

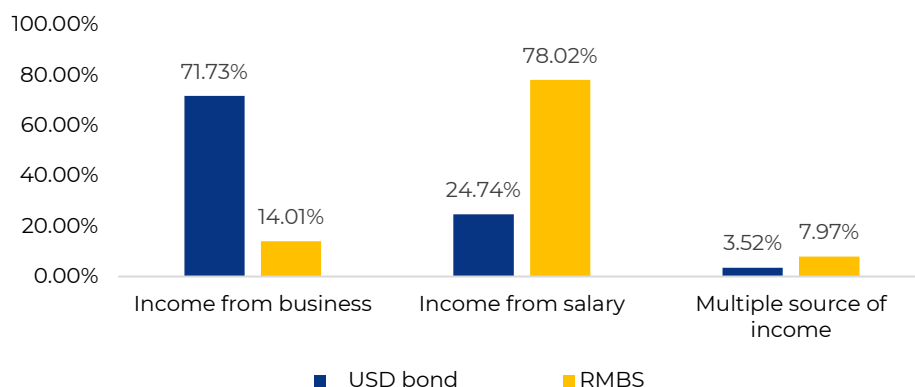


Source: MIK HFC

By the source of income, 24.74% of the borrowers produce income from salary, while 71.73% produce income from a business. This comparison of the source of

income of borrowers of AHFP shows that borrowers who produce income from businesses tend to borrow market rated mortgages.

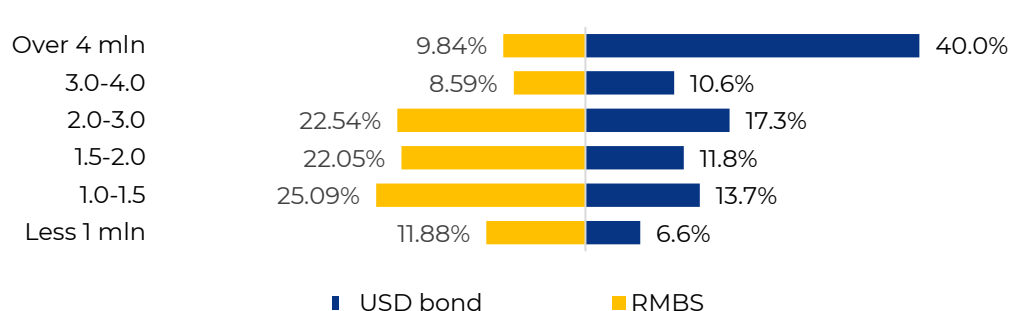
Comparison of Borrowers income source



Source: MIK HFC

By the household income, most borrowers under AHFP earn a monthly salary from MNT 1.0 million to MNT 1.5 million, while most borrowers under the USD bond fund have a monthly salary that is above MNT4 million.

Comparison of Borrowers household income amount



Source: MIK HFC

LOAN PORTFOLIO MANAGEMENT

Since mortgage loans can last up to 30 years, MIK HFC preforms asset portfolio management activities to ensure timely repayment of mortgage loans, maintain high levels of yield from the loan portfolio, and mitigate credit risk associated with the loan portfolio for the life of the RMBS.

During the reporting period, the company received and processed 5,077 requests to amend the structure of the agreement signed with the originator. An additional 51,633 repayment rescheduling requests were approved and processed by the servicing banks.

The Company provides notification of changes to the FRC on regular Laws license.

Information of borrowers request as of December 31, 2020

Type of acquisition	Processed	Total	Type of request			
			Repayment rescheduling	Changing borrower	Changing collateral owner	Changing collateral
PWOR	MIK HFC	4,740	16	360	109	4,255
	Servicing Banks	51,633	51,633	-	-	-
PWOR total		56,373	51,649	360	109	4,255
PWR	MIK HFC	337	2	-	-	335
	Servicing Banks	-	-	-	-	-
PWR total		337	2	-	-	335

Source: MIK HFC

During the reporting period, the company received and registered 22 request to change collateral and a total of 4,568 collaterals were partially and fully released.

Information of collateral, changed and released as of 31st of December 2020

Type of acquisition	Total	Changing collateral	Releasing collateral	
			Full release	Partial release
PWOR	4,255	19	3,553	683
PWOR total		19	3,553	683
PWR	MIK HFC	53	52	-
	KfW	26	25	1
	USD bond	256	252	2
PWR total		335	329	3

Source: MIK HFC

During the COVID-19 pandemic, within the scope of the first mortgage payment deferral program, a total of 38,739 borrowers under MIK Asset SPC 1-24 portfolio requested to defer their payment. Out of them, total of 35,291 borrowers with total of MNT 1.87 trillion deferred and the company rescheduled the repayment period.

As of December 31, 2020, within the scope of the second mortgage deferral program, a total of 43,821 mortgage loans purchased by MIK Asset SPC 1-24 applied for payment deferral and requested to reschedule their repayment period.

Information of mortgage loan repayment deferral as of December 31, 2020 / MNT, millions /

MIK Asset SPC 1-24	Information of the borrowers to applied for payment deferral			Information of the deferred loans		
	Loans	Amount	% in portfolio	Loans	Amount	% in portfolio
Mortgage payment deferral program (1)	38,739	2,020,557.00	66%	35,291	1,870,088.03	61%
Mortgage payment deferral program (2)	43,821	2,200,847.81	75%	15,927	803,680.61	27%

Source: MIK HFC

In addition, the Company returned 1,244 loans amounting to MNT 99.5 billion in mortgages back to the originating banks due to the trigger of the recourse clause. Additionally, MIK HFC swapped and registered 121 loans amounting to MNT 53.4 billion to 462 loans amounting to MNT 46.5 billion.

Information of loans, swapped and repurchased by banks / MNT, millions /

Type of acquisition		Banks	Repurchased by banks		Swapped			
			Loans	Amount	Loans	Amount /Bank received/	Loans	Amount /MIK received/
PWOR		2	2	104.79	1	28.00	1	28.78
PWR	MIK HFC	4	7	322.10	1	25.12	1	28.36
	KfW	4	142	1,363.16	18	687.72	22	657.34
	USD bond	5	1,093	97,672.36	101	52,633.59	438	45,811.04

Source: MIK HFC

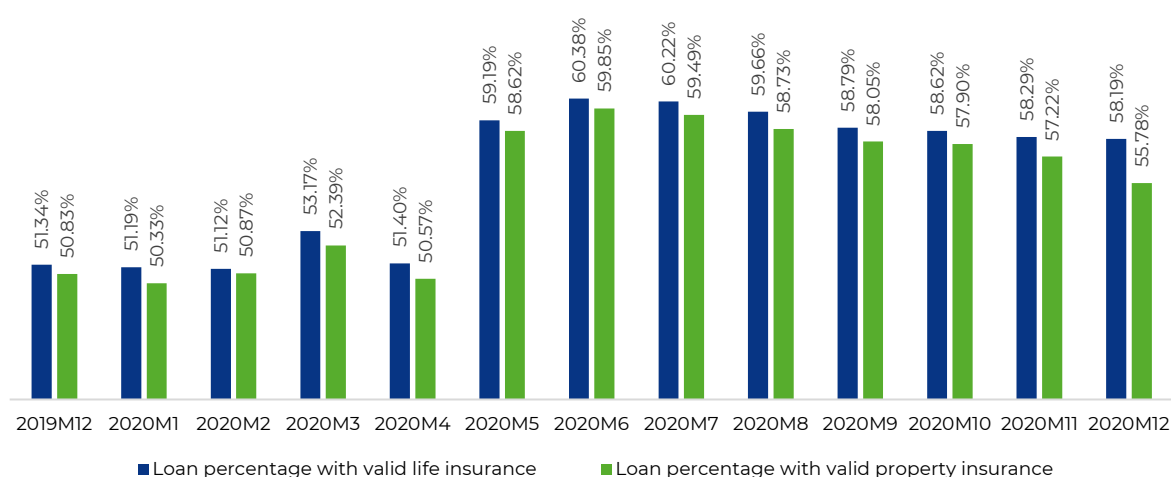
MORTGAGE INSURANCE

MIK HFC complies with the FRC's "Mortgage insurance procedure", amended on June 6, 2018. This procedure requires mortgagors to maintain life, health, and property insurance over the course of a mortgage loan.

MIK HFC monitors life and property insurance of each loan in the mortgage portfolio of its SPCs continuously through service providing banks. Insurance extension and insurance case information are received and monitored monthly via the "Insurance Module" system between MIK HFC and the service providing bank. As a result, the Company continuously improves its mortgage insurance status by sending reminder letters to banks concerning the percentage of life and property insurance that are valid and comparative studies with other service providing banks.

Compared to the end of last year, life insurance coverage rate increased by 6.85% and property insurance coverage by 4.95%.

Loan percentage with valid life and property insurance



Source: MIK HFC

In 2020, a total of 22 life and property insurance cases were recorded.

Life and property insurance cases

Insurance type	Reason	Number	Claimed amount
Life insurance	Death -Disease	4	49,032,726.45
	Loss of full labor capacity –	2	41,155,369.03
	Other accident		
Property insurance	Plumbing damage	9	6,258,763.00
	Other accident	7	152,545,124.82

*Source: MIK HFC***RISK MANAGEMENT SYSTEM**

In the reporting year, the Company's risk management system conformed to ISO/31000:2018 standards, IFRS9, ISO/IEC27001:2013 standards, three lines of defense models and recommendations of international professional organizations and relevant research and analysis conducted to introduce a methodology for measuring the impact on operations depending on macroeconomic factors.

MARKET RISK MANAGEMENT

Market risks are risks that create fluctuations to the company's earnings, the value of financial assets, interest rates, foreign exchange rates, and market prices. Every year, the company conducts foreign exchange risk analysis, interest rate risk analysis and solvency risk analysis to pay off financial liabilities on time.

Market risk increased during the reporting year due to the issuance of USD bonds in the international market. Therefore, the company manages market risk by making swap arrangement to reduce market risk, developing a methodology for measuring market risk and automating reporting and information.

Also, to determine the company's ability to operate sustainably depending on macroeconomic factors, relevant research and analysis have been conducted to introduce a methodology for measuring the impact on the company's operations.

COMPLIANCE RISK MANAGEMENT

In the reporting period, the following activities have taken place per the Company's compliance policy and operating procedures and the compliance activities regularly reported to the CEO and Board.

- To identify compliance obligations following the applicable laws and regulations. Ensure monitoring of its performance;
- Identification, assessment, and control of compliance risks;
- To implement KYC.

The Corporate Governance Assessment was conducted by the IFC. MIK revised its Compliance policy, Compliance operational procedure, and developed a Code of Conduct regarding the recommendations.

KYC software has been developed internally, to register, identify and improve reporting politically influential person and create database, ensuring implementation

of the law on combating money laundering and terrorism financing. We have also started to develop reporting menu (dashboard) on internal task management software, which facilitates registration of compliance obligations and its implementation and control.

In addition, the Compliance staff have participated in the meeting related to removing Mongolia from the FATF grey list and on-site inspections organized by the BoM and Banking and Finance Academy's Compliance and Ethics training. Also, our Compliance team distributes manual to the employees, introduce compliance practices to new employees, and conduct regular training.

The Compliance team continuously and actively engaged with the Compliance professional council of the MBA and International Compliance Association to increase professional skills, learn best practices from international and domestic banking and financial institutions and applied them to our operations.

CREDIT RISK MANAGEMENT

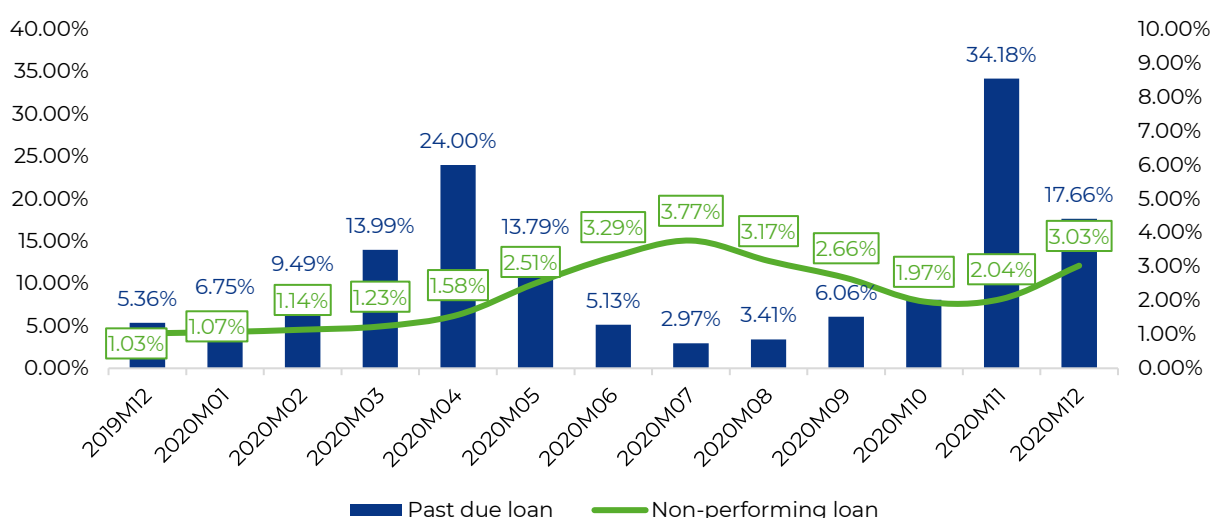
Credit risk is a risk concerning the failure of borrowers to comply with contractual obligations that may lead to financial loss to the Company. The following continuous systems are implemented to prevent and identify risks in the loan portfolio to be purchased, to monitor, evaluate and report on the quality of the purchased loan, as well as to ensure the continuity of the borrower's property insurance in the credit risk management framework. These include:

- The mortgage procurement decision is based on the results of a legal and financial independent secondary analysis to identify and prevent credit risk. An independent agent is selected through an open tendering process, the loan portfolio of the three SPCs established in 2020 underwent independent secondary analysis to evaluate prudent levels for each mortgage portfolio.
- IFRS9 – Financial Instrument was adopted in 2018, to evaluate credit risk in a way that is compliant with international standards. Mortgage loan portfolio risk is evaluated through the calculation of loan impairment provision under IFRS 9 and assured by an independent audit company. The implementation of IFRS9 is also useful for shareholders and investors to make risk-based decisions as loan portfolio risk indicators are included in the financial statements.
- To transfer credit risk, life and collateral insurance of borrowers are continuously monitored through a web-based system that transfers insurance information of existing and prospective borrowers from the service provider banks.
- The company receives regular updates of the actions being performed on loans that are 30 days past due to monitor and assess the risk and repayment of each high-risk loan was implemented in cooperation with the service provider.
- The “Delinquent loan control” system, which receives past due and non-performing loan information from service provider banks monthly, has been updated and introduced into the operation of service banks in a test mode. Besides, the “Risky collateral” module has been introduced within the company, increasing the possibilities for the RMBS to prevent the purchase of risky collateral loans.

- Capital bank was dissolved by BoM thus banks became unable to provide contractual services. Therefore, past due and non-performing loans from Capital bank were monitored, repaid and transferred to subsequent service providers to reduce credit risk.
- In order to identify PWR past due and non-performing loans, receive the PWR repayment report twice a month from service providers and return it immediately to the originating banks.
- Service agreement appendix C or “Repayment enforcement activities standards” revised for setting standards to loan repayment.

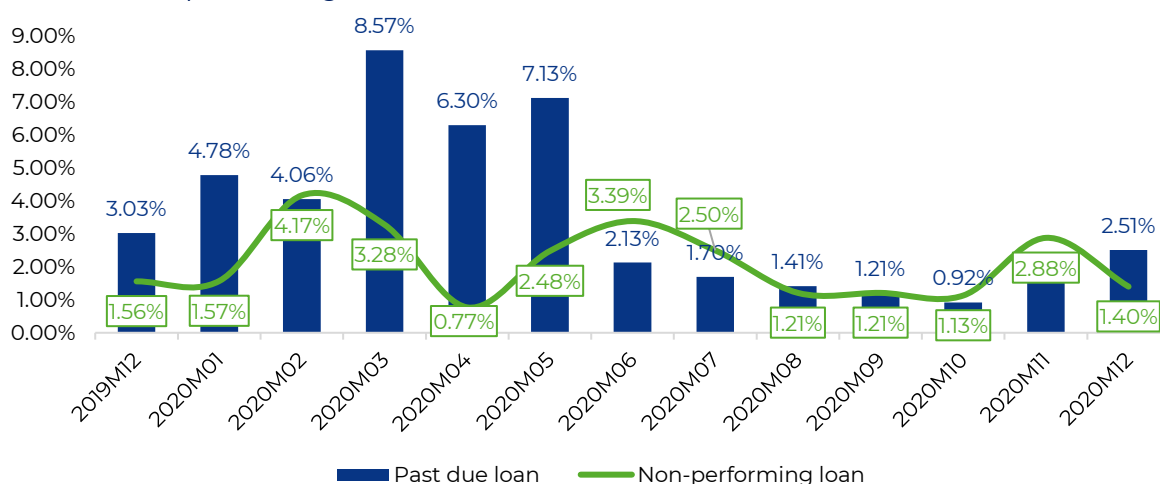
Due to COVID-19, household income has been reducing and the Company aimed to reduce the increased non-performing loan ratio caused by COVID-19 in 2020.

Past due and non-performing loans for Purchase without recourse portfolio



Source: MIK HFC

Past due and non-performing loans for Purchase with recourse



Source: MIK HFC

COUNTERPARTY RISK MANAGEMENT

Counterparty risk is the risk of financial losses incurred by the company due to the failure of counterparties to fulfill their obligation.

A methodology to define acceptable levels of risk, based on international best practices was introduced to the company to limit any unmanageable levels of financial loss due to counterparty risk.

This methodology limits the placement in current accounts, deposits, and the purchase with recourse placed at banks.

OPERATIONAL RISK MANAGEMENT

Operational risks are risks that may occur due to the intentional or unintentional mistake by employees, inadequate or failed internal process, system lapse or external factors that may negatively affect the company's status and result in financial loss.

The company conducted a risk assessment of the company's operational processes in accordance with its mid-term plan to implement ISO/31000:2018 and created an integrated risk registration board by aiming effective risk management and establishment of effective risk management system at the executive levels.

ISO/IEC27001:2013 "Information security management system" was implemented in 2017 in order to maintain the confidentiality of the company's business operations and over 60,000 borrowers' information, to use information properly and to protect from unauthorized persons. In 2020, the company was re-certified by internationally qualified French certification body AFNOR and reaffirmed fulfillment of ISO/IEC27001:2013 requirements. In addition, activities to update internal procedures and instructions, to increase network security, and to improve electronic information security control has been implemented.

RESOURCE MANAGEMENT

FINANCIAL MANAGEMENT

MIK conducts daily financial activities of MIK Holding JSC, MIK HFC, MIK Real Estate LLC, and Twenty-four SPCs in accordance with accounting policies that comply with IFRS and Mongolian legislation, in the following five main areas:

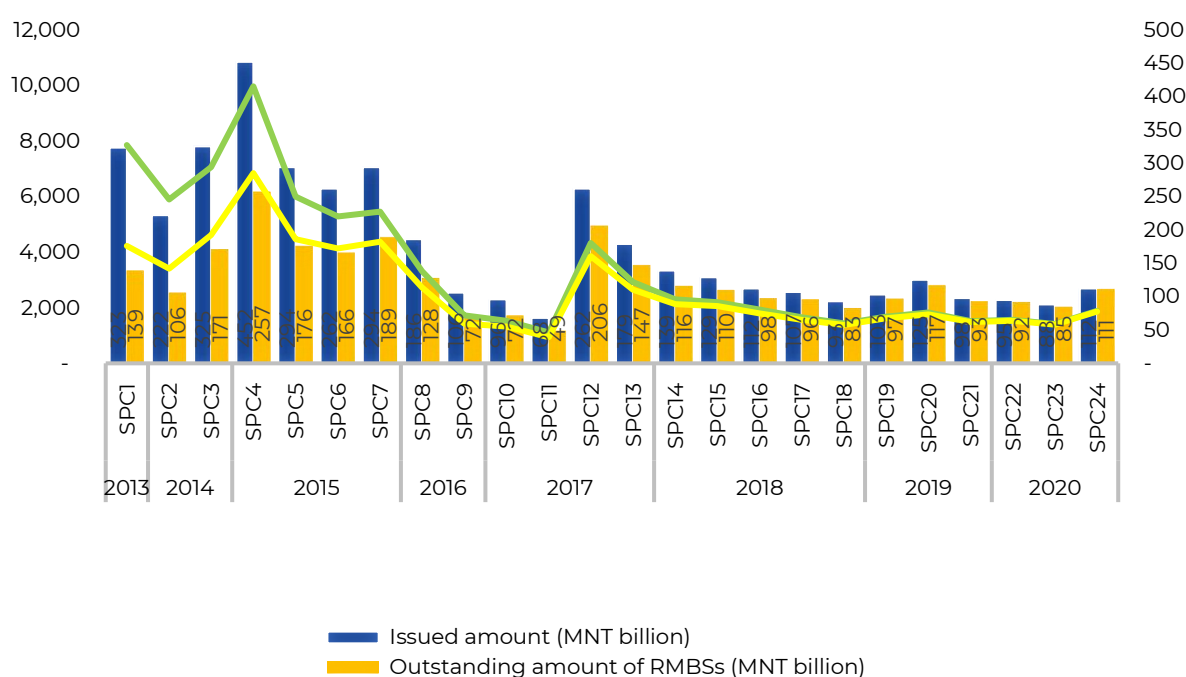
- Bookkeeping and accounting related to operations of the parent company and its subsidiaries,
- Transaction settlement and bookkeeping in accordance with agreements established with service provider banks, investor and bondholders.
- Preparing and reporting consolidated and stand-alone financial statements in compliance with international standards and Mongolian legislation,
- Supporting management decision-making, preparing financial analysis, forecasts, and projections to meet company goals and objectives.
- Providing authorities, international credit rating agencies, investors and bondholders with the financial results, statements, any required information and data.

As the Company issued USD bond in the international capital market, the Group Company prepares and provides quarterly consolidated financial statements to international investors in accordance with IFRS.

Accounting of Residential Mortgage Backed Securities

From 2013 to 2020, MIK HFC issued MNT 4.3 trillion in RMBSs through its Twenty-four SPCs. As of December 31, 2020, the total outstanding balance of RMBSs amounted to MNT 3.0 trillion. The total loan accounts of borrowers were 63,553 which provided accounting of each corresponding party.

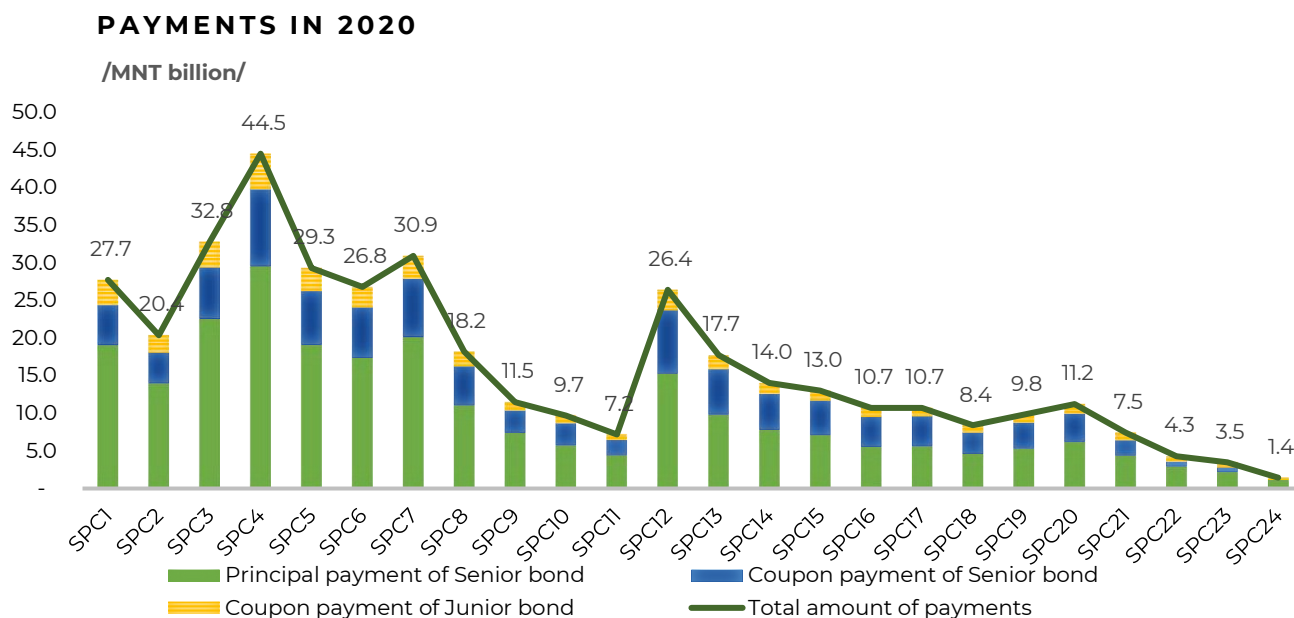
Total amount of RMBSs issued and number of borrowers (per SPC)



Source: MIK HFC

In 2020, within MIK's business plan, MIK established MIK Asset Twenty-two SPC LLC, MIK Asset Twenty-three SPC LLC, and MIK Asset Twenty-four SPC LLC, equivalent to MNT 295.3 billion of RMBSs securitized over 3 mortgage loan portfolios consisting of 4,860 borrowers.

Total payments made for the year (per SPCs)



Source: MIK HFC

During 2020, MIK HFC has transferred principal payments in the amount of MNT 248.3 billion and senior bondholder coupon payment of MNT 106.4 billion, and junior bondholder coupon payments of MNT 43.2 billion, totaling to MNT 397.8 billion, through MSCD.

Total bond payments for the year (per SPCs)

Pool	Total payment			Principal payment of Senior bond			Coupon payment of Senior bond			Coupon payment of Junior bond		
	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
RMBS 1	38.6	35.0	27.7	27.7	25.2	19.1	7.6	6.3	5.3	3.4	3.4	3.4
RMBS 2	34.8	25.2	20.4	24.5	18.1	14.0	7.3	4.8	4.1	2.9	2.3	2.3
RMBS 3	40.2	39.6	32.8	27.6	28.2	22.6	9.2	8.0	6.8	3.4	3.4	3.4
RMBS 4	56.5	53.8	44.5	38.2	37.2	29.5	13.6	11.9	10.3	4.7	4.7	4.7
RMBS 5	36.2	35.7	29.3	23.9	24.5	19.1	9.2	8.1	7.1	3.1	3.1	3.1
RMBS 6	31.3	29.6	26.8	20.0	19.4	17.3	8.5	7.5	6.7	2.7	2.7	2.7
RMBS 7	35.7	35.5	30.9	22.8	23.8	20.1	9.8	8.7	7.7	3.1	3.1	3.1
RMBS 8	21.1	21.8	18.2	12.8	14.1	11.1	6.3	5.8	5.2	1.9	2.0	2.0
RMBS 9	12.7	12.7	11.5	7.9	8.3	7.4	3.7	3.4	3.0	1.1	1.1	1.1
RMBS 10	12.1	11.6	9.7	7.5	7.3	5.7	3.5	3.2	2.9	1.0	1.0	1.0
RMBS 11	8.3	8.1	7.2	5.2	5.1	4.4	2.5	2.2	2.0	0.7	0.7	0.7
RMBS 12	29.5	28.4	26.4	16.9	16.6	15.3	9.9	9.1	8.4	2.7	2.7	2.7
RMBS 13	19.9	20.1	17.7	11.0	11.7	9.8	7.0	6.5	6.0	1.9	1.9	1.9
RMBS 14	11.4	15.7	14.0	6.2	9.1	7.8	4.1	5.2	4.8	1.1	1.5	1.4
RMBS 15	7.6	13.7	13.0	4.3	7.5	7.1	2.6	4.9	4.6	0.7	1.3	1.4
RMBS 16	3.3	12.1	10.7	1.8	6.7	5.5	1.2	4.3	4.0	0.3	1.2	1.2
RMBS 17	-	11.3	10.7	-	6.0	5.6	-	4.2	4.0	-	1.1	1.1
RMBS 18	-	9.8	8.4	-	5.2	4.6	-	3.6	2.8	-	1.0	1.0
RMBS 19	-	2.9	9.8	-	1.6	5.3	-	1.0	3.5	-	0.3	1.1

RMBS20	-	3.3	11.2	-	1.7	6.2	-	1.3	3.7	-	0.3	1.3
RMBS 21	-	-	7.5	-	-	4.4	-	-	2.1	-	-	1.0
RMBS 22	-	-	4.3	-	-	2.9	-	-	0.6	-	-	0.7
RMBS 23	-	-	3.5	-	-	2.2	-	-	0.6	-	-	0.7
RMBS 24	-	-	1.4	-	-	1.1	-	-	0.0	-	-	0.3
Total	399.1	426.0	397.8	258.4	277.3	248.3	106.0	110.1	106.4	34.7	38.7	43.2

Source: MIK HFC

Accounting of mortgage loan portfolio with recourse

During this fiscal year, the Company purchased mortgage loan portfolios with recourse worth MNT 156.9 billion, which were financed from USD bond, of which MNT 136.6 billion of loans were repurchased and MNT 20.3 billion of loans were funded by repayment. In addition, a portfolio of MNT 0.2 billion was purchased with funding from the KfW.

Accounting of mortgage loan portfolio with recourse (indicators from 2017 to 2020)

Year	2017	2018	2019		2020	
Fund	Internal	KfW	USD bond	KfW	USD bond	KfW
Purchase	14.8	3.7	700.4	1.2	156.9	0.2
Total	MNT 14.8 billion	MNT 3.7 billion	MNT 701.6 billion		MNT 157.1 billion	

Source: MIK HFC

As of December 31, 2020, the outstanding balance of purchased mortgage portfolios of the Company with recourse was MNT 614.5 billion.

We are bookkeeping a total of 4,867 borrowers' payment in cooperation with 6 commercial banks under PWR.

KEY FINANCIAL PERFORMANCE

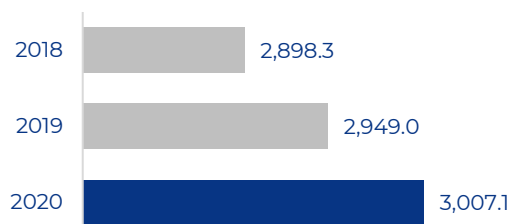
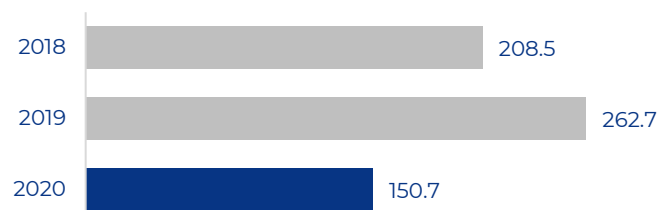
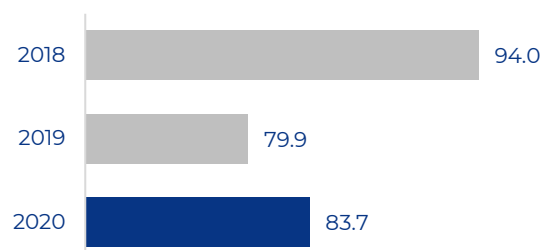
At the end of 2020, MIK's total asset decreased by 2.7% from the previous year to MNT 4.07 billion. The following are the main reasons:

- A total of 47,584 borrowers have applied for deferral program under the AHFP. In this regard, the Company reflected the effects of loan deferrals in its financial statements in accordance with IFRS 5.4.3 and established an impairment loss fund of MNT 88.2 billion.
- Even though interest income decreased due to the deferral program, the Company fulfilled its obligations to RMBS bondholders and paid MNT 149.6 billion for coupon payments of which MNT 31.9 billion was paid from reserve of the Company.

In 2020, MIK established three SPCs and issued a total of MNT 295.3 billion in RMBS. As of December 31, 2020, total RMBS outstanding balance was MNT 3.0 trillion, which constituted 74% of total liabilities, while mortgage purchased under USD bond constituted 20% of total liabilities.

Net interest income increased by 4.7 percent from previous year due to the recognition of interest income on deferred loans.

Due to the mortgage payment deferral program, the Company had a deficit of MNT 111.9 billion which caused the equity to amount to MNT 150.7 billion at the end of 2020.

Total asset (MNT billion)**RMBS (MNT billion)****Equity (MNT billion)****Net interest income (MNT billion)****Net income (MNT billion)**

Financial ratios

Key financial ratios	2019	2020
Total liabilities / Total assets	93.60%	94.99%
Total liabilities / Total equity	14.64	18.96
Financial leverage	15.64	19.96
Net interest margin	2.21%	2.09%
Return on assets (ROA)	1.47%	-2.71%
Return on equity (ROE)	23.02%	-54.16%
Book value per share /MNT/ (BVPS)	17,228.81	9,886.02
Earnings per share /MNT/ (EPS)	3,557.07	-7,342.79

Source: MIK HFC

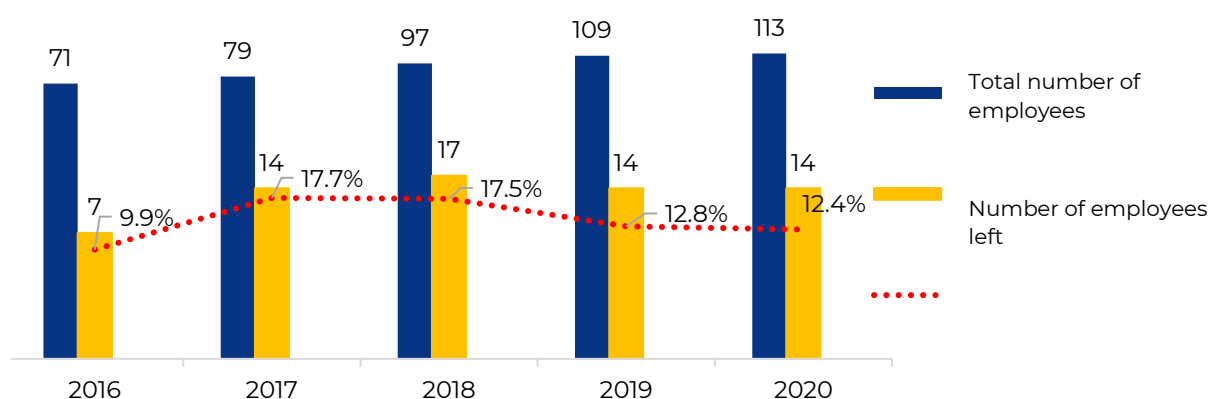
HUMAN RESOUCCE MANAGEMENT

In 2020, MIK Group Company revised its Human Resource policy and internal labor regulation. MIK's Human Resource policy is aimed at providing professional, skilled and productive training necessary to achieve the company's mission as well as long and midterm objectives. While training and motivating its workforce to work effectively and efficiently by implementing an optimal system of labor relations.

Human Resource, Labor force

As part of MIK's 2020 goal to increase sources of housing financing, we created 20 new jobs and budgeted total of 119 employees. However, due to COVID-19, we operated with a total of 113 employees.

Human resource turnover in Y2015-2020



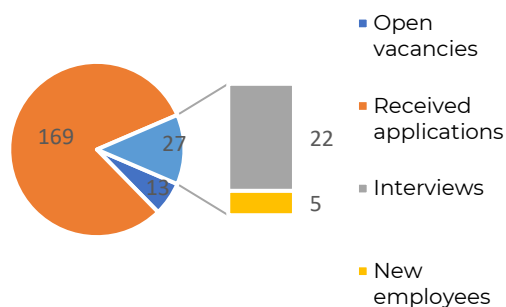
Source: MIK HFC

Training and development

In 2020, we focused on improving the knowledge and skill of our employees to strengthen their professional competency, especially in information security, taxation, risk, legal and compliance by participating in the training of domestic professional organizations. A total of 649 training hours spent on 44 trainings for 156 employees, overlapping.

Human resource statistic information at the end of 2020

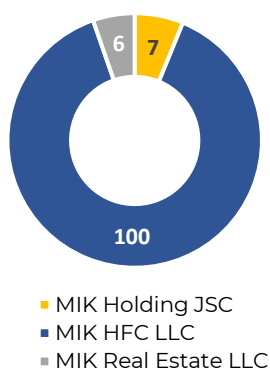
1. Human resource planning:



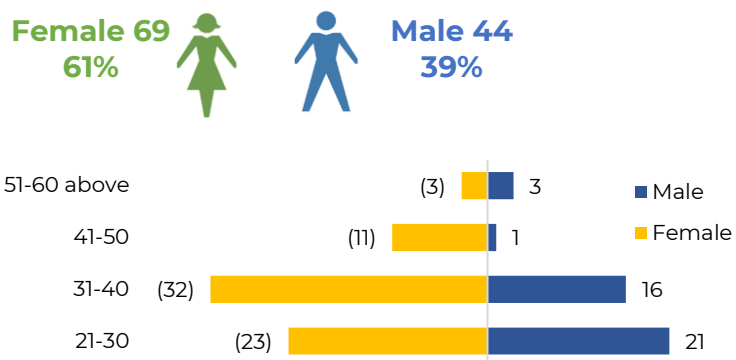
2. Career development:



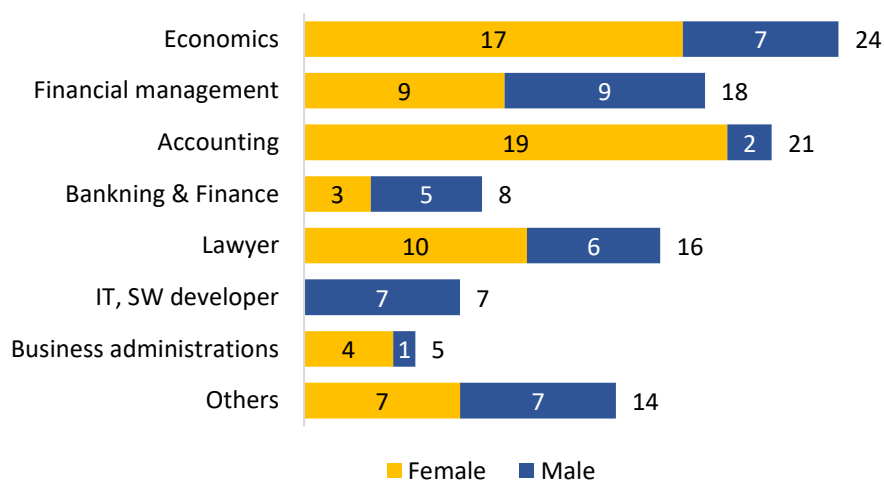
3. Total number of employees: 113



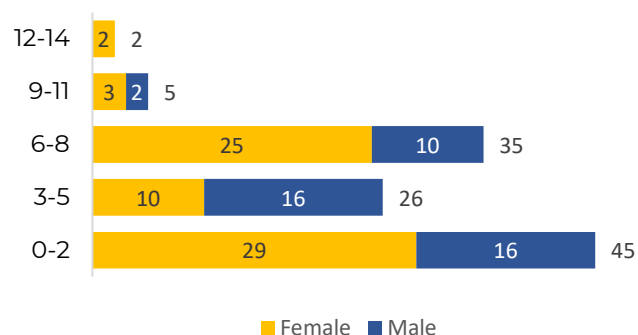
4. Average age: 34.1



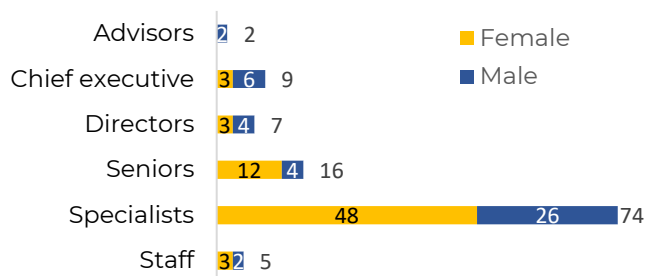
5. Classification by occupations.



6. Average employment year



7. Classification by position.



INFORMATION TECHNOLOGY

Key operations and improvements of Information Technology in 2020:

System upgraded to ensure company profitability

- Due to the Mortgage loan deferral program, a program in the internal system was developed that allows to change loan repayment schedule and receive updated information from banks in a timely manner;
- The consolidation of UBCB and TDBM required the development and implementation of new functions within the internal systems that allowed for transferring loans to another bank, continue to receive transaction information from one bank, consolidating accounts, and receiving other types of requests;
- To develop a new model that receives the XML through the Banks system.

Improvements in information technology infrastructure


- Doubling the speed and capacity of the Company's server computer and backup storage devices;
- During COVID-19, all employees were able to work remotely from home;
- In accordance with the information security standard, the remote backup server was moved to the Data Center outside of Ulaanbaatar.

INDEPENDENT FINANCIAL AUDIT REPORT

STATEMENT BY CHAIRMAN AND EXECUTIVE

We, Munkhbaatar Myagmar, being the Chairman of the Board of Directors of MIK Holding JSC, Gantulga Badamkhatan, being the Chief Executive Officer, and Bat-Ulzii Molorjamts, being the Chief Financial Officer, are primarily responsible for the consolidated financial statements of MIK Holding JSC and its subsidiaries (herein collectively referred to as the "Group"), do hereby state that, in our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs"), as issued by the International Accounting Standard Board ("IASB") and regulations issued by the Financial Regulatory Commission (FRC).

Stamp



Munkhbaatar Myagmar
Chairman of the Board of Directors



Gantulga Badamkhatan
Chief Executive Officer



Bat-Ulzii Molorjamts
Chief Finance Officer

Ulaanbaatar city

Date: 19th March 2021

Independent financial audit report

Opinion

We have audited the consolidated financial statements of MIK Holding JSC and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31st of December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements, the annual financial results and consolidated cash flows of the year presented fairly and accurately, the consolidated financial position of the Group, with the Financial Reporting Standards (IFRSs), International Accounting Standard Board (“IASB”) and regulations issued by the Financial Regulatory Commission (FRC) as of 31st of December 2020.

Basis of the opinion

We conduct our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (the “IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. We have fulfilled the responsibilities described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent financial audit report (Cont'd)

Other Matter

This report is made solely to the shareholders of the Group, as a body, in connection with the audit requested by shareholders in accordance with Article 94 of the Company Law Mongolia and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



S.Munkhbayar
Certified public accountants, Partner
Magic Consulting Audit LLC

Ulaanbaatar city
Date: 19th March 2021

MIK HOLDING JSC AND ITS SUBSIDIARIES**Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income****For the year ended 31 December 2020**

	2020 MNT'000	2019 MNT'000
Interest income	371,396,730	339,227,417
Interest expense	(287,720,558)	(259,291,261)
Net interest income	83,676,172	79,936,156
Operating expense	(21,669,704)	(25,221,715)
Other operating income/(expense)	(22,325,065)	(30,672,647)
Total operating income	43,994,769	(55,894,362)
Credit loss expense	(17,457,868)	(9,194,529)
Net gain/(loss) on change in fair value of derivative financial instruments	22,758,108	55,516,592
Net gain/(loss) on financial assets at fair value through profit or loss	(8,431,481)	(300,069)
Modification loss on purchased mortgage pool receivables	(163,810,050)	-
Profit before tax	(127,259,888)	70,063,787
Income tax expense	15,305,193	(15,829,846)
Profit for the year, representing total comprehensive income	(111,954,695)	54,234,301

MIK HOLDING JSC AND ITS SUBSIDIARIES

Consolidated Statement of Financial Position

For the year ended 31 December 2020

	2020 MNT'000	2019 MNT'000
ASSETS		
Cash and bank balances	224,428,670	228,337,007
Long-term investment	241,918,276	260,977,257
Mortgage pool receivables with recourse	614,463,700	705,561,246
Purchased mortgage pool receivables	2,854,533,413	2,894,437,216
Deferred tax asset	19,419,016	3,078,910
Tax receivables	830,239	-
Other assets	2,776,836	615,670
Derivative financial asset	78,274,700	55,516,592
Property and equipment	32,353,623	32,532,212
Intangible assets	200,196	191,868
TOTAL ASSETS	4,069,198,669	4,181,247,978
LIABILITIES		
Borrowed funds	41,919,385	70,709,375
Debt securities issued	825,603,454	839,131,215
Collateralised bonds	3,007,051,362	2,949,029,174
Other liabilities	9,255,741	17,264,296
Derivative financial liability	5,880,842	8,144,911
Income tax payable	218,008	1,459,805
Deferred tax liability	28,538,839	32,823,469
TOTAL LIABILITIES	3,918,467,631	3,918,562,245
EQUITY		
Ordinary shares	20,709,320	20,709,320
Share premium	52,225,115	52,225,115
Treasury shares	(62,143,136)	(62,143,136)
Reserve	139,939,739	251,894,434
TOTAL EQUITY	150,731,038	262,685,733
TOTAL LIABILITIES AND EQUITY	4,069,198,669	4,181,247,978

MIK HOLDING JSC AND ITS SUBSIDIARIES**Consolidated Statement of Changes in Equity****For the year ended 31 December 2020**

	Ordinary shares MNT'000	Share premium MNT'000	Treasury shares MNT'000	Reserve MNT'000	Total equity MNT'000
At 1 January 2019	20,709,320	52,225,115	(62,143,136)	197,660,133	208,451,432
Net profit (loss)	–	–	–	54,234,301	54,234,301
Repurchase of shares	–	–	–	–	–
At 31 December 2019	20,709,320	52,225,115	(62,143,136)	251,894,434	262,685,733
Net profit (loss)	–	–	–	(111,954,695)	(111,954,695)
Repurchase of shares	–	–	–	–	–
At 31 December 2020	20,709,320	52,225,115	(62,143,136)	139,939,739	150,731,038

MIK HOLDING JSC AND ITS SUBSIDIARIES

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 MNT'000	2019 MNT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts	297,084,034	313,701,610
Cash received from rendering of services /interest income/	296,198,110	313,406,495
Cash receipts from royalties, fees and commissions	-	42,875
Other cash receipts	885,924	252,240
Cash payments	312,168,874	250,116,969
Cash paid to employees	5,229,291	4,936,606
Cash paid to social insurance office	519,168	1,109,078
Purchase of inventory	132,337	40,598
Payment for utilities expense	261,584	437,258
Payment for fuel, transportation fee and spare parts	36,864	20,930
Interest paid	267,646,224	201,929,457
Tax paid	16,097,191	10,834,817
Insurance paid	28,677	34,550
Other cash payments	22,217,538	30,773,675
Net cash flows from/(used in) operating activities	(15,084,840)	63,584,641
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash receipts	512,702,306	642,517,140
Proceeds from sales of property, plant and equipment	91,950	169,050
Proceeds from sales of investments	793,688	341,813,812
Cash received from the repayment of advances and loans made to other parties	509,068,202	300,481,746
Cash received for interest	2,748,466	52,532
Cash payments	22,175,931	400,267,554
Purchase of property, plant and equipment	3,215,141	1,703,091
Purchase of intangible assets	138,877	4,452
Cash paid to acquire investments	-	391,638,189
Cash paid to acquire other long-term assets	14,000	-
Cash advances and loans made to other parties	18,807,913	6,921,822
Net cash flows used in investing activities	490,526,375	242,249,586
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash receipts	16,000	819,395,392
Proceeds from obtaining loans and issuing debt securities	-	819,391,392
Proceeds from issuing shares and other equity instruments	16,000	4,000
Cash payments	479,365,871	983,331,406
Repayments of loans and debt securities	479,365,871	983,330,382
Repurchase of treasury shares	-	1,024
Net cash flows from/(used in) financing activities	(479,349,871)	(163,936,014)
Total net cash flows	(3,908,337)	142,898,213
Cash and cash equivalents at 1 January	228,337,007	86,438,794
Cash and cash equivalents at 31 December	224,428,670	228,337,007