



FINANCIAL GROUP

ANNUAL REPORT

MSE: 



"The power within our souls knows that if only we unite our strength and mind as one nation and summon our potential to move bravely forward with resolve, there is no place we cannot go, nothing we cannot achieve; no one, no external or internal adversary, no suffering we may encounter will ever hold us back from reaching prosperity."

SUHBAATAR Damdin

Leader of Mongolia's independence movement

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CEO Statement

To All Our Stakeholders,

I am thrilled to continue our spring tradition of sharing Ard Financial Group's performance through the annual report - this time, at the beginning of the year of the Bull.

In 2020, we witnessed something unique due to the global coronavirus pandemic. It was a year full of unprecedented events: the transition to a state of emergency including the closure of the state borders, lockdowns that resulted in a turnaround in everything we are used and accustomed to, and a radical change in lifestyle and social relations thought the globe.

Although the Government has focused on ensuring the safety and financial stability of its citizens, it has been a great challenge for both people and businesses to persevere under such extreme conditions. Many companies woefully had to close their doors, cut costs, and shut down their services as they lost their markets and customers.

As a member of the Investor Nation movement, you have put your faith and investment into Ard Financial Group. Mercifully, Ard Financial Group had already sown the seeds of digital transformation, and has defined its branchless strategy while maintaining a lean and efficient headcount. For that reason, Ard Financial Group was able to reverse the trend, improve its position in the market, expand its operations, and introduce new products and services. It was a truly triumphant year for us.

In 2020, our shareholders held annual general meetings online within the legal timeframe. I was able to make up for lost time abroad by promoting Ard Financial Group products and services with my family in Europe, while our team organized workshops throughout Mongolia as part of our goal to build the Investor Nation. The National Privatization Fund, Mongolia's first closed-end mutual investment fund established by Ard Management, successfully debuted on the Mongolian Stock Exchange. Our team developed Ard App V4.0 and launched the beta version of Digital Assets Exchange (DAX.mn), a platform to enable the trading of blockchain-based crypto assets and security tokens. In cooperation with Mongol Post, we have launched the international money transfer service, EuroGiro. In cooperation with Mongol TV, The Apprentice Mongolia became an epoch-making show - educating viewers about management, marketing, business, entrepreneurship, and finance.

At the beginning of 2020, the Top-20 index basket of the Mongolian Stock Exchange was updated to include Ard Financial Group and its three listed affiliates. The Index comprises the companies with the largest market capitalization and the highest average daily trading volume.

Ard Credit has received 467.8 thousand loan requests, of which 48.6 thousand borrowers' requests were fulfilled. Ard Insurance's total assets reached MNT28.8 billion while receiving MNT15.7 billion premium income during 2020. The number of pension account holders at Ard Life hit 10,000. Meanwhile, its investment income



increased by 63 percent to MNT1.6 billion. Ard Assets' total assets increased by 66 percent to MNT6.9 billion, and National Privatization Fund's investment yielded 25.6 percent since its inception. By the end of the year, the number of Ard App users reached 637,000, and a total of 202 million ArdCoins were distributed as a rebate. We revised ArdShop's business model, and during lockdowns, it was able to expand its operations together with Mongol Post.

It was a novel business solution for Ard Financial Group and its listed affiliates to distribute dividends at a time when businesses were under pressure of being disrupted by the COVID-19 pandemic. Ard Credit allocated MNT1.1 billion, Ard Insurance MNT850 million, and Ard Financial Group MNT1 billion in dividends to their respective shareholders. I hope this speaks to our StrongerTogether philosophy. Our gratitude is to all of you for your trust and loyalty.

Ard Academy has been organizing weekly webinars and interviews with industry experts, and publishing educational articles on personal finance, investment, and management to make financial education accessible to everyone. As of 2020, Ard Academy hosted 38 webinars and published 136 articles, while 125,862 readers devoted 2,387 hours reading them.

As part of our social responsibility, Ard Financial Group has provided financial support to the "A Heart Never Forgets" project initiated by Ulaanbaatar-Songdo Hospital, and to the National Emergency Management Agency as part of a campaign created by the Mongolian NBF Association. We also supported and implemented the Government's policy of employment sustainability. It is worth emphasizing that all our companies' contributions to the state budget have been steadily increasing year by year, as we have always paid our taxes and dues promptly.

It is said that hard work pays off. Since the beginning of the year, Ard Financial Group and its affiliated listed entities have exhibited the highest share price growth - climbing to MNT3,000 and ArdCoin hitting an all time high of MNT30. For those of you who have been patient with us for so many years, has my promise to you come true? Have you reaffirmed your confidence that we are moving in the right direction? It is just the beginning. We believe that every Mongolian should become an investor and achieve financial freedom by making money work for them, and every household should achieve income diversity. We work hard for it. My point is simple - AvDar ['avdar' is Mongolian wooden box furniture that stores the most precious things in every family. 'Av' means BUY, 'Dar' means HOLD]

In 2021, we will invest in a bank. Establish an open-end mutual fund. Pursue a pension reform. Issue credit cards. Digitize all insurance policies. Perfect the Digital Assets Exchange. Expand the utilization of ArdCoins. Welcome our one millionth customer. Together, we will be listed on an international stock exchange. You can be sure. I do what I say. And I say what I believe in. Let me also emphasize that there are several projects that cannot be announced at the moment.

No great success is achieved without failure, and mistakes are inevitable. Sometimes we face insurmountable obstacles along the way. There are allegations and accusations. But because we have always been perfectly certain in what we do, we have been and will continue to overcome all obstacles and resistance - as long as our hearts are on fire. Truth always wins. The Mongolian People (Ard) are behind us..

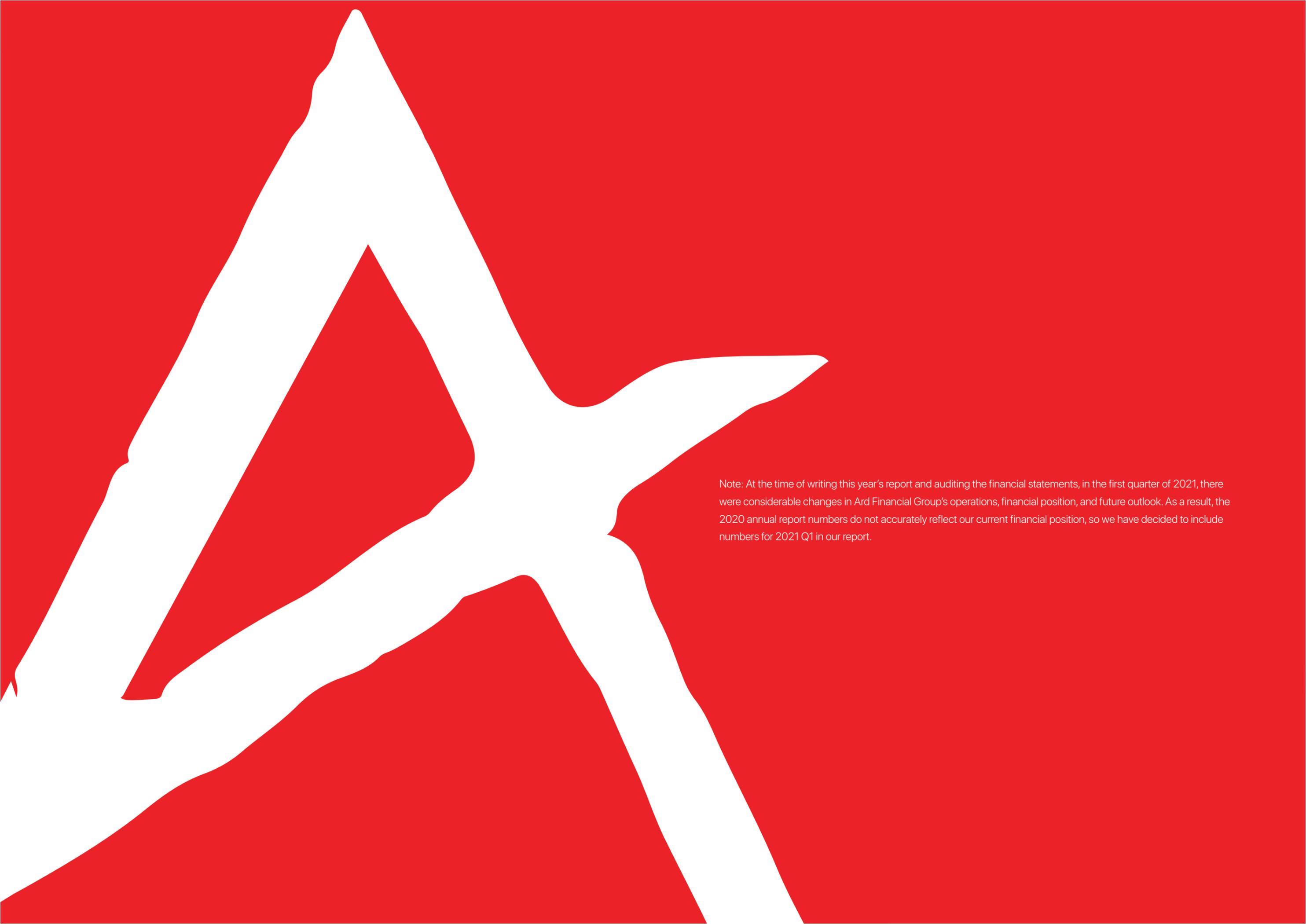
2021 is the year of the Wolf Bull, and I think that we are in a bull market. I wish you success and happiness! Good luck making your money work for you! Be like a wolf!

Stronger. Together.

Respectfully yours,

Founder of Ard Financial Group, your CEO

Ganhuyag Chuluun Hutagt



Note: At the time of writing this year's report and auditing the financial statements, in the first quarter of 2021, there were considerable changes in Ard Financial Group's operations, financial position, and future outlook. As a result, the 2020 annual report numbers do not accurately reflect our current financial position, so we have decided to include numbers for 2021 Q1 in our report.

Mission

To build the Investor Nation



Vision

To become a leading FinTech conglomerate in the region

Guiding Principles

- Upholding the rights of shareholders
- Maintaining the highest standards of ethics, compliance and gender equality
- Optimizing the investment risk and return levels
- Implementing the best corporate governance practices
- Leading through continuous innovation and creative disruption
- Adhering to the principles of high quality customer service
- Assembling the strongest, the most professional, talented, committed and lean teams, while keeping the entry requirements stringent and individual accountability strictly enforced
- Maximizing our social impact as a responsible corporate citizen
- Initiating advancements in regulatory and business environment
- Introducing the highest norms and standards of environmental protection
- Incorporating our core philosophies and beliefs into every product and service

Strengths

- Partnership based on competitiveness, lean management and innovative technology
- Proven investment track record and a transparent corporate governance
- Internationally recognized entrepreneurial team
- Consistent investment returns
- Proven ability to rapidly capitalize market opportunities into valuable investments
- Well recognized brand, Ard as the People, Together as the Investor Nation
- Unique infrastructure covering the whole nation
- Entrepreneurial culture

Key Financial Figures (on a separate basis)

(MNT million)	2019	2020	YoY	2021 Q1
Cash and cash equivalents	43	101	133.50%	616
Loan portfolio and receivables	4,913	1,685	-65.69%	11,481
Fixed assets	642	466	-27.41%	493
Intangible assets	3,262	8,941	174.14%	149,479
Long-term investments	68,238	67,481	-1.11%	268,000
Total assets	78,072	80,380	2.96%	437,025
Short-term liabilities	3,736	18,007	381.97%	16,182
Long-term liabilities	17,753	6,540	-63.16%	44,065
Total liabilities	21,489	24,548	14.23%	60,246
Shareholders' equity	56,582	55,832	-1.33%	375,779
Total income	2,854	3,251	13.90%	19,966
Total expenses	7,346	7,288	-0.80%	2,935
Net profit (loss)	-4,576	-4,035	11.83%	14,551
Other comprehensive income	10,024	4,235	-57.75%	289,672
Total comprehensive income	5,448	200	-96.32%	304,223
Total valuation	59,653	59,237	-0.70%	408,302
Number of shares in circulation (shares)	27,175,629	27,175,629		28,614,263
Earnings per share (MNT)	2,195	2,180	-0.70%	14,269

Key Financial Ratios (on a separate basis)

	2019	2020	YoY	2021 Q1
Investments to Total assets	87.40%	83.95%	-3.45%	61.32%
Investments to Shareholders' equity	120.60%	120.86%	0.26%	71.32%
Total liabilities to Total assets	27.53%	30.54%	3.01%	13.79%
Financial expenses to Total expenses	20.25%	40.41%	20.16%	23.94%
Financial expenses to Total liabilities	11.21%	14.54%	3.33%	5.61%
Administrative expenses to Total expenses	63.97%	37.78%	-26.19%	55.43%
Administrative expenses to Total assets	6.74%	3.39%	-3.35%	0.86%
HR expenses to Total expenses	15.78%	21.80%	6.02%	20.63%
HR expenses to Total income	41.31%	49.97%	8.66%	3.09%
ROA	9.63%	0.36%	-9.27%	80.55%
ROE	6.98%	0.25%	-6.73%	69.26%

Consolidated Key Figures

	2019	2020	YoY	2021 Q1
Companies	19	20	5.26%	21
Employees	199	223	12.06%	276
Shareholders	7,183	12,296	71.18%	57,940
Ard App users	334,501	637,000	90.43%	1,189,000
ArdCoin holders	155,000	286,117	84.59%	668,312
Insurance policyholders	135,191	166,509	23.17%	226,394
Borrowers	32,578	37,694	15.70%	39,000
Pension account holders	1,210	10,500	767.77%	25,000
Brokerage account holders	83,047	89,305	7.54%	117,000

About Us



In 2000, the United Nations Development Program and the US non-governmental organization Mercy Corps made a decision to donate MNT600 million to the employee investment trust fund of XacBank.

XacBank employees exchanged their shares for the shares of XAC-GE, a parent company of XacBank, to unify their voice in the management of the Company.

XAC-GE was then renamed to TenGer Financial Group and expanded into a group of companies providing financial services.

XacBank's founder established Ard Financial Group, which started as "Employee Investment Trust" or EIT in September of 2005. It became the foundation of the first institutional investor in Mongolia.

By the end of 2020, the Company had MNT80 billion in assets and over 12,000 shareholders. In 2013, our shareholders formulated a new strategy and made a historic decision to rebrand as Ard Financial Group. Following the new vision, we started investing in Ard Credit, Ard Insurance, Ard Securities, Ard Life and Ard Assets.

In 2015, Ard Financial Group was transformed into a

closed joint-stock company based on the original belief that people should benefit from the wealth they create and should be the owners of the banks

In 2016, Ard Financial Group successfully participated in the privatization of Mongol Post and became the major investor. In 2017, Ard Management, an investment fund management company, and Ard Bit, a blockchain and cryptocurrency company, were added to our strategic investment portfolio. In 2018, TenGer Systems began to reform its operations into blockchain technology. Ard

Properties, Ard Realty, Ard Leasing and Ard Holdings International were established and became part of the Group in 2019.

At the end of 2017, Investor Nation merged with Jinst-Uvs JSC and started trading on the MSE. On August 8, 2019, Ard Financial Group became a public joint-stock company through RTO. In 2020, we launched Mongolia's first closed-end mutual fund, the National Privatization Fund, and the Digital Assets Exchange or DAX was born.

2020 Highlights



January 13

Ard Financial Group, Ard Insurance, Ard Credit, and Mongol Post were included in Mongolian Stock Exchange's Top-20 Index

February 12

Ard Securities LLC was granted a special license to conduct international brokerage services

February 19

Ard Financial Group decided to allocate MNT1 billion or 12.65 percent, Ard Insurance MNT850 million or 45.95 percent, and Ard Credit MNT1.18 billion or 50 percent of their total profits to their respective shareholders as dividends

April 1

Ard Financial Group made additional investments in Ard Life.

April 27

Ard Financial Group successfully organized its first all-digital Annual General Meeting of shareholders

May 5

ArdCoin (ARDX) was listed on BitMonex, Mongolia's first international cryptocurrency exchange

May 20

Ard Credit received its digital currency license from the Bank of Mongolia, and ArdCash was born

May 25

Ard Financial Group initiated Masters of Future – Investor Children campaign

June 10

The National Privatization Fund, established at the initiative of Ard Management, received approval from the Financial Regulatory Commission

June 11

Ard Financial Group conducted roadshows in Europe and across 21 aimags of Mongolia as part of the Investor Nation campaign

June 19

An extraordinary general meeting of shareholders was held to vote on amendments to the charter of Ard Financial Group JSC. The amendments were approved

October 2

An international money transfer service was launched by Ard Credit in partnership with Mongol Post and EuroGiro

October 5

The National Privatization Fund, Mongolia's first closed-end mutual fund, rang the Mongolian Stock Exchange's opening bell

December 13

The Apprentice Mongolia, a business reality TV show run by Ard Financial Group premiered on Mongol TV

December 14

Ard Credit JSC was integrated with the Automated Clearing House (ACH+) bank payment and settlement system

Beta version of Digital Assets Exchange (DAX) was launched

December 16

Steppe Gold Ltd. (TSX: STGO) announced plans for a secondary listing of its common shares on the Mongolian Stock Exchange ("MSE"), with Ard Securities Brokerage as the main underwriter

December 26

CryptoNation fund closed with 110 percent return to its original investors after three since its inception

Shareholders' Structure

	Shareholder	2019	Ownership	2020	Ownership	2021 Q1	Ownership
1	Ard Bit	4,243,090	14.8%	3,934,898	13.8%		
2	Ard Holdings International	2,874,410	10.0%	2,874,410	10.0%	1,300,000	4.5%
3	Bathishig Hishigdorj	2,657,214	9.3%	2,657,214	9.3%	2,658,444	9.3%
4	Bruno Raschle	2,074,922	7.3%	2,098,592	7.3%	2,104,592	7.4%
5	Ard Life	1,365,018	4.8%	1,565,288	5.5%	1,842,279	6.4%
6	Uyanga Galnyam	1,330,147	4.6%	1,333,147	4.7%	1,346,936	4.7%
7	Ganhuyag Chuluun Hutagt	1,239,374	4.3%	1,264,519	4.4%	1,340,364	4.7%
8	Ard Securities	1,007,392	3.5%	1,033,080	3.6%	761,126	2.7%
9	EIT	331,253	1.2%	733,349	2.6%	4,547,305	15.9%
10	Suhdorj Avir	536,417	1.9%	563,155	2.0%	568,266	2.0%
11	Ronoc Limited	479,111	1.7%	479,111	1.7%	479,111	1.7%
12	Gereltuya Sedbazar	455,717	1.6%	455,717	1.6%	455,935	1.6%
13	Ard Insurance	435,362	1.5%	417,905	1.5%	411,455	1.4%
14	Otgonbayar Dalhaa			331,254	1.2%	233,303	0.8%
15	Soronzonbold Lhagvasuren	315,069	1.1%	271,542	0.9%	199,086	0.7%
	Top shareholders	19,344,496	71.2%	20,013,181	69.9%	18,248,202	63.8%
	Other shareholders	7,831,133	28.8%	7,186,376	25.1%	10,366,061	36.2%
	Total outstanding shares	27,199,557	95.0%	27,199,557	95.0%	28,614,263	100.0%
	Treasury shares	1,414,706	5.0%	1,414,706	5.0%	0	0.0%
	Number of shareholders	4,063		4,523		13,730	

During the preparation of this table, our shareholders' structure has changed.

Board of Directors



Nº	Full name	AIC		AARD		ADB		MNP	
		2020	2021 Q1	2020	2021 Q1	2020	2021 Q1	2020	2021 Q1
1	Ganhuyag Chuluun Hutagt	9,561	56,454	1,264,519	1,340,364	714,785	884,885	11,708	11,762
2	Batbayar Purevjargal	70,586	70,586	88,008	98,603				
3	Bruno Raschle	25,591	25,591	2,098,592	2,104,592				
4	Sergelen Munh-Ochir	17,407	17,407	56,432	62,635				
5	Odbayar Odonchimed				7,091				
6	Suhdorj Avir	149,749	149,749	563,155	568,266	5,086,580	5,086,580		
7	Munhbat Chuluun	16,342	16,342	29,686	36,786				
8	Mihail Zeldovich								
9	Tulgat Mainbayar		1,000		1,000	39,682	50,000		
10	Arnaud Ventura			7,903	13,923				

Chairman



Batbayar Purevjargal

(Chairman of the Board, Ard Financial Group)

Batbayar Purevjargal serves on the Board of Ard Financial Group as Chairman. He has 20 years of experience in local and international banking and finance, based both in London and Ulaanbaatar. He worked with EBRD for about 10 years, at times as the representative in charge of the natural resources sector for Mongolia. In this role, he was responsible for deal origination and execution of numerous landmark transactions in the minerals and hydrocarbon sectors across Eastern Europe, CIS, and Mongolia. His prior work experience includes top management positions in: Khan Bank, a leading Mongolian commercial bank; Inter Group LLC, a medium-sized family company; and Olova LLC, a mining company.

Batbayar obtained his undergraduate degree (Bachelor of Science in Economics) from University Wales Swansea (UWS), and his postgraduate degree (Masters in Finance) from London Business School (LBS) in the United Kingdom. He is a co-founder and partner at RMM Pty Ltd., a boutique mining services and advisory group. He also sits on the board of the Mongolian Rugby Football Union.

Ordinary Members



Ganhuyag Chuluun Hutagt

(Founder and CEO, Ard Financial Group)

Ganhuyag re-engaged in business on a full-time basis after resigning from the Vice Minister of Finance position in 2012. He is a serial entrepreneur and is a recognized spokesperson for large businesses in Mongolia.

Gan started his career at the Mongolian Stock Exchange as a floor supervisor in 1991. He joined the Central Bank's supervision division after graduating from the Budapest University of Economic Sciences in 1997. He was hired by UNDP's MicroStart Pilot Project in 1998, and then steered this project to transform into the country's first non-bank financial company, X.A.C.,

in 1999 and then into XacBank and TenGer Financial Group in 2001. He held the position of the CEO of XacBank and TenGer until his appointment as Vice Minister of Finance in 2010.

In 2009 he was nominated to the Forum of Young Global Leaders of the World Economic Forum. In 2010 he was chosen as president of the Mongolian Students Union. Ganhuyag is also a founding Secretary-General of the Mongolia Economic Forum since 2009.

Gan has been, and continues to be, involved in a great number of social campaigns, projects and initiatives.

Ordinary Members



Bruno Raschle

(Non-Executive Vice Chairman, Schroder Adveq)

Bruno Raschle was the Founder and Executive Chairman of Adveq since 1997. He sold the Adveq Group of companies to Schroders Group in 2017. Today, Schroder Adveq is a specialized provider of private equity investment management and services. The company has over USD10 billion of financial assets from institutional clients under management for investments in venture and growth capital, buyouts, and secondary investments globally.

Prior to founding Adveq, Bruno was the founder and Managing Director of the MC Partners fund of funds investment programs at Motor-Columbus, Switzerland in 1986. Bruno's operational experience includes the management of start-ups, turn-around, and expansion situations in various industries on different continents. Bruno holds MSc degrees in Construction Engineering from the Swiss Federal Institute of Technology (ETH) and in Industrial Engineering from Stanford University. Furthermore, he completed the Advanced Management Program at Harvard University in 1990.



Suhdorj Avir

(Founder of BSB Service, GrapeCity Mongolia, Most Fintech)

Suhdorj Avir, Board Chairman of Grape City LLC and Most Fintech LLC, began his career at Mongolia's Planning Committee in 1975. Soon after, he was appointed as the Director of the Data Center Division of the Central Bank of Mongolia and effectively led the division for many years. He studied computer engineering at the University of Polytechnics located in Kyiv, Ukraine. In 1991, soon after the transition from socialism to a market-based economy, he founded Mongolia's first information communications technology company, BSB Service LLC (now BSB Group). In 2000, while working as BSB Service LLC Chairman and CEO, he founded GrapeCity Mongolia LLC - a

company focused on software solutions for banking. In 2001, he also established Incomnet LLC, a space communications service provider. Today, GrapeCity Mongolia LLC has become the leader in banking and payments solutions in Mongolia.

He spearheaded Mongolia's information and communications technology development for the past 40 years, and was the driving force in developing solutions for banking and payments systems. In 2008, he established the national payments service provider Most Fintech LLC, and he successfully launched Most Money mobile wallet.

Ordinary Members



Odbayar Odonchimed

(Board member, Ard Insurance JSC)

Mr. Odbayar Odonchimed earned his Bachelor's and Master's degrees from Kyiv Pedagogical University and majored as a teacher from 1984 to 1988. He graduated from Florida Institute of Technology in the United States, majoring in economics. From 1997 to 2000, he majored as a lawyer from Otgontenger University in Mongolia. In 2017, Odbayar graduated from Harvard University with a degree in management.

In the past, he has served as: Director of the Mongolian-Chinese joint state-owned factory, Attache and Third Secretary at the Embassy of Mongolia in China, Advisor to the Prime Minister of Mongolia, and Vice-President of Altai Holding LLC. From 2016 to 2019, he worked

as the Deputy Director for Business Development at Erdenes Mongolia LLC, and managed large state-owned enterprises. This role included: putting strategic fields into economic circulation, natural resources exploitation and processing, managing investment and infrastructure projects, and distributing its benefits to Mongolia's citizens through wealth funds. Mr. Odbayar helps manage 13 subsidiaries of Erdenes Mongolia LLC, such as Baganuur JSC, Shivee-Ovoo JSC, and world-class copper-gold and coking coal mines such as Erdenes Oyu Tolgoi LLC, and Erdenes Tavan Tolgoi JSC.



Tulgat Mainbayar

(Deputy Director, Hishig Arvin Industrial)

Mr. Tulgat graduated from Faculty of Economics of Kyoto University in Japan with a Bachelor's in Economics and Master's degree. Tulgat started working as a manager at Hishig Arvin Industrial LLC in 2013 and is currently working as a Deputy Director.

Mr. Tulgat started his career as an employee in the business planning department of Softbank in Japan from 2005 to 2009, and from 2009 to 2013 he was the General Director of Backforce Inc. He has been a regular member of the Board of Directors of Ard Financial Group since May 2020.

Independent Members



Munhbat Chuluun

(President, SouthGobi Sands)

Mr. Munhbat Chuluun was appointed as President and Executive Director of SouthGobi Sands LLC in September 2015. He joined the company as an advisor in 2012, and later was appointed as the General Manager of Government Relations and Compliance of SouthGobi Sands. Before joining the company, Mr. Munhbat was a project director at an Asian Development Bank-funded project, and a coordinator at a World Bank project.

Mr. Munhbat has a Bachelor of Law from the Institute of the Ministry of Internal Affairs in Leningrad, Russia. He also earned a Postgraduate Diploma in Public Administration from the Academy of Management in Ulaanbaatar, Mongolia. In 1998, Mr. Munhbat graduated from the University of Waikato, New Zealand with a Master of Social Science majoring in Public Policy and Administration. Mr. Munkhbat also serves as Honorary Consul of New Zealand to Mongolia.



Sergelen Munh-Ochir

(Director of Foreign Affairs, IET)

Mr. Sergelen Munh-Ochir is the President of the Institute of Engineering and Technology and a Director of Mongol Kosen College. Prior to this, Mr. Sergelen has served as a Director of TCI LLC and MAC LLC. He was appointed as the board member of Ard Financial Group JSC in May 2018.

Mr. Sergelen has a Bachelor's degree in accounting from the International College of Business, and a Bachelor's degree in management from Isiti College, Japan.

Independent Members



Mikhail Zeldovich

(Chairman of Cocoon Capital Supervisory Board)

Mr. Zeldovich is an investment professional and commodities trading executive with two decades of experience in investing, trading, negotiating, consulting, and board directorship experience in the emerging markets (EM). He has worked as a private equity investor for a USD2.2 billion emerging markets fund, consultant at Boston Consulting Group and a trade negotiator for the U.S. President's office. He graduated from Harvard Law School and the Fletcher School of Law and Diplomacy. Now, he chairs the

Southeast Asia seed investment fund Cocoon Capital and invests independently as an angel investor in green tech, ag tech, cybersecurity and natural resources.

Mikhail has been working in Mongolia as regional head for a global commodity trader for almost a decade. For his contribution to Mongolian energy independence, he was awarded the Order of the Polar Star of Mongolia.



Arnaud Ventura

(Managing Partner, Gojo & Company)

Arnaud Ventura founded Baobab Group (formerly MicroCred), the leading digital microfinance group focusing on serving micro and small businesses in Africa and China, which has next to 1 million clients and 4,000 employees operating primarily in Africa.

Between 1998 and 2008, Ventura co-founded and led PlaNet Finance, one of the most successful European Financial Inclusion Groups.

Additionally, Arnaud Ventura has been appointed Young Global Leader of the World Economic Forum in 2013. He co-founded the French China Foundation, the leading network of Young Leaders in France and China.

Management Team

Our valued assets
a strong team comprised of industry leaders



GANHUYAG Chuluun Hutagt
Chief Executive Officer
 BSc in Economics
 Budapest University of Economic Sciences



ALTANGUNII Jargalan
Chief Government Relations Officer
 MBA
 National Taiwan University of Science and Technology



ZOLBOO Batbileg
Chief Financial Officer
 BSc in Finance, Summa Cum Laude
 The State University of New York at Plattsburgh



AMARBAYASGALAN Enhsaihan
Principal Investment Banker
 MBA in Finance and Decision Science
 Indiana University



ANAR-ERDENE Suhbaatar
Chief Compliance Officer
 Bachelor of Laws (LLB)
 Peking University, Law School



MUNH-ERDENE Munhbat, CPA, CPTA
Internal Auditor
 MSc in Audit Management,
 Certified Accountant
 Mandah University



BARHAS Tsolmon
Chief Marketing Officer
CEO of Ard Holdings International
 MBA
 Virginia International University



OYUTTSETSEN Bayarsaihan, ACCA
Chief Risk Officer
 MSc in Accounting and Finance
 BPP University



HULAN Hangai
Secretary of the Board
 BA in International Relations
 Renmin University of China

Economic Overview



2020 brought unprecedented challenges to the global society and economy. For the second time since 1980, the global GDP contracted by 4.4 percent. The net decline of 0.1 percent in 2009 during the previous economic crisis is a testament to the seriousness of the current situation.

The main factor was the COVID-19 pandemic. Countries worldwide imposed lockdowns and restrictions of movement at the beginning of its first wave earlier

in 2020, which triggered the most rapid economic contraction in modern economic history.

After the first wave, most economies had a chance for respite and managed to recover sharply. However, the second wave of COVID-19 pulled the economy back down, which had a more severe impact on the economies of developed countries, where the average net GDP contraction was 5.8 percent. In contrast, for developing countries, it was 3.3 percent.

Mongolia's economy also shrank sharply during the COVID-19 pandemic. The Government took action to curb the spread of the virus, such as lockdowns and border closures. As a result, the outbreak was controlled domestically until mid-November 2020.

The shock waves sent by coronavirus through the economy resulted in Mongolia's GDP shrinking by 5.3 percent in 2020, compared to average growth of about 6 percent over the past three years.

The Government has pursued a policy of maintaining economic stability and health protection and has implemented a budget stimulus plan worth 7.2 percent of GDP. As a result, the Government budget deficit widened to MNT4.5 trillion, equivalent to 12.5 percent of the country's GDP.

At the end of 2020, total equilibrated revenue and grants of the state budget fell by MNT1.5 trillion or 13.6 percent from the previous year to MNT9.4 trillion. The Government spending and net redeemable debt reached MNT14.0 trillion, increasing by MNT2.3 trillion or 19.7 percent from the prior year.

Mongolia's total external debt increased by 4.8 percent year-on-year to USD32.2 billion, equivalent to 248 percent of GDP. In comparison, the Government's total external debt rose 10.8 percent to USD8.7 billion, about 70 percent of GDP. The main reason for the growth was

the stimulus package implemented by the Government to support the economy, but the multiplier effect was not significant.

Inflation fell from 5.2 percent in 2019 to 2.3 percent in 2020, down by 290 basis points.

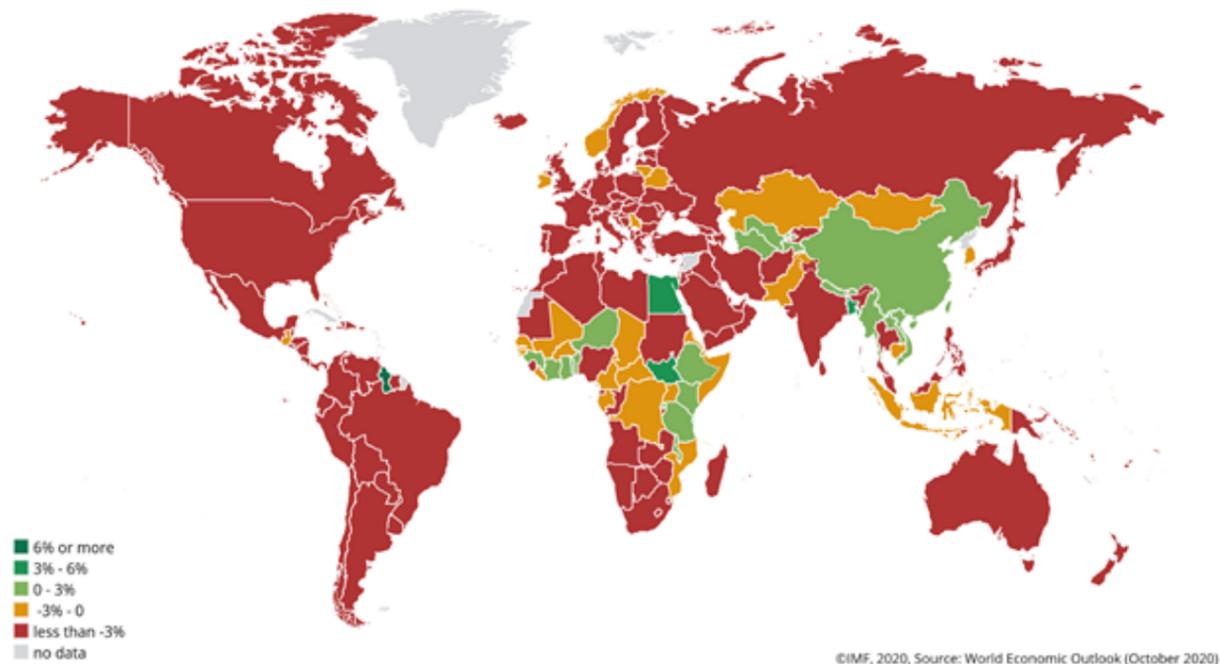
In October 2019, Mongolia was "greylisted" by the Financial Action Task Force (FATF) - a list of high-risk jurisdictions with significant strategic deficiencies in their regimes to counter money laundering, terrorist financing, and financing of proliferation. Since then, Mongolia has been taking comprehensive measures to strengthen the anti-money laundering and anti-terrorist financing system and be removed from the list in record time on October 23, 2020.

In 2020, Mongolia traded with 146 countries, with a total foreign trade turnover of USD12.9 billion, of which exports amounted to USD7.6 billion and imports to USD5.3 billion.

Compared with the same period of the previous year, the total trade turnover decreased by USD876.9 million or 6.4 percent, exports by USD43.3 million or 0.6 percent, and imports by USD833.6 million or 13.6 percent. The balance of payment increased by USD790.3 million from USD1.5 billion in 2019 to a surplus of USD2.3 billion in 2020.

IMF DataMapper

Real GDP growth (Annual percent change, 2020)



In addition to measures taken during the pandemic, the mining sector - which accounts for most foreign trade - has provided a significant boost to the economy. Rising gold prices on the global market have contributed to a growth in domestic gold production. In contrast, increased demand for coal and copper from China had a positive impact on the trade sectors and the transportation of the mining sector.

Trade with China amounted to USD7.4 billion in 2020, accounting for 57.5 percent of the total trade turnover, while coal exports accounted for 36.6 percent, and copper concentrate for 32.4 percent of the trade with China.

Despite the challenges of 2020, Mongolia's medium-term economic outlook is relatively stable given its fast-growing neighbors' needs and economic conditions, which can absorb exports of untapped natural resources.

Money and Finance

During the COVID-19 pandemic, the Central Bank of Mongolia lowered its policy rate by 500 basis points to 6 percent, raised the threshold of consumer debt-to-income ratio, and provided targeted long-term financing to the banking sector. These direct policy measures are supporting the economic recovery.

Money supply (M2) reached MNT24.2 trillion at the end of December 2020 - an increase of MNT3.3 trillion or 16 percent from the previous year. The main factor for this increase was a rise of MNT1.2 trillion 33.2 percent in foreign currency deposits and MNT2.2 trillion or 20.1 percent in MNT deposits.

In the financial sector, the Bank of Mongolia has taken temporary measures to ease assets classification requirements, extend consumer and mortgage loans, and

restructure business lending in the banking sector. These measures have reduced the burden on borrowers and banks.

Total outstanding loans to enterprises, organizations, and individuals reached MNT17.2 trillion at the end of December 2020, decreasing by MNT889.2 billion or 4.9 percent compared to the previous year. Of the total outstanding loans, 8.7 trillion or 50.6 percent belong to individuals. Overdue loans reached MNT1.3 trillion, increasing by MNT445.4 billion or 54.1 percent from the previous year and accounting for 7.4 percent of total outstanding loans, which increased 280 basis points from the prior year. Non-performing loans reached MNT2.0 trillion, rising by MNT184.5 billion or 10.1 percent from the previous year and accounting for 11.7 percent of total outstanding loans.

Capital Markets¹

2020 was another strong year for most asset classes including: a 14 percent increase in MSCI World Index which measures global stock markets, a 28 percent jump in the gold price, and a 5 percent increase in Barclays Aggregate Bond Index that represents the global bond market. As a result, global stock markets have now posted two consecutive years of double-digit gain. A big part of this growth was driven by the technology sector, which has also seen double-digit growth for the second year in a row, growing by 40 percent in 2020.

However, not all asset prices have gained in 2020. For example, oil prices (WTI crude) plunged by 24 percent as energy demand declined due to the slowing global economy caused by the pandemic. And within stocks, a plethora of businesses have been devastated or forced into bankruptcy as a result of the COVID-19 pandemic. In terms of the S&P 500, which represents the market capitalization of the top 500 companies in the United States, the energy sector saw the biggest drop at about 37 percent. The household, finance, and real estate sectors have also shown swift declines.

The top three US stock indexes: the S&P 500, the NASDAQ which tracks technology companies, and the Dow Jones Industrial Average (DJIA) which tracks the top 30 companies were all up. During the pandemic, technology companies saw the biggest increase in demand and valuation, resulting in a 43.4 percent year-over-year rise in the NASDAQ index.

In the European market, pandemic-related bans and restrictions have had a negative impact on the market. London (FTSE 100) and Paris (CAC 40) stock indexes fell 13.1 percent and 6.3 percent, respectively, but the economies have struggled to recover since the first wave of the pandemic. However, the Frankfurt Stock Exchange's DAX 30 index rose 3.5 percent year on year.

Asian stock market indexes, Tokyo's NIKKEI and Shanghai's SSE Composite Index rose 16 percent and 12 percent, respectively, while Hong Kong's Hang Seng Index (HSI) fell 4 percent.

2020 closing rates, annual changes, and charts of the world's major financial centers' indexes:



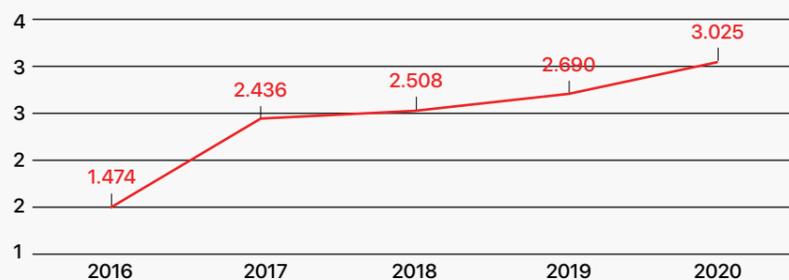
In 2020, Mongolia's stock market experienced a similar downturn due to lockdown and border restrictions, but the market grew at a rate of 12.5 percent per year, maintaining a five-year continuous growth, with a total market capitalization of MNT3.3 trillion, showing a

five-year increase of 105.3 percent. The main drivers for this growth were the introduction of new securities, which were mainly influenced by Ard Financial Group companies.

¹ Source: Credit Suisse, CNBC, Yahoo Finance, MSE

Market Capitalization

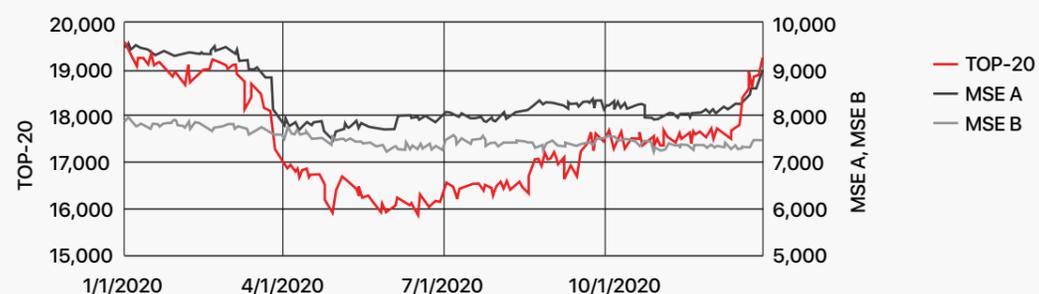
(MNT trillion)



The National Privatization Fund, Mongolia's first closed-end mutual investment fund established by Ard Management, was listed on the Mongolian Stock Exchange on October 5, 2020.

The Top-20 index, which reflects the market value of the 20 largest and most traded companies on the Mongolian stock market, decreased by 336.06 points or 1.7 percent to 19,285.80 points during the year. The MSE A Class I Index and the MSE B Class II Index fell 4.3 percent and 4.7 percent, respectively.

Market Indexes



In terms of trading activity, securities worth a total of MNT65.3 billion were traded, showing a 54.4 percent decrease from the previous year. During the reporting period, an average of MNT263.4 million was transacted daily. Out of total trading volume, 82.5 percent was stock trading, 0.9 percent was government securities trading,

7.8 percent was investment fund unit trading, and 8.9 percent was corporate bond trading. The 20 most actively traded stocks accounted for 90.2 percent of the total volume and all Ard Financial Group's listed affiliated entities were included in the Top-20 index.

Commodity Market⁴

For commodity markets, 2020 was undeniably an unpredictable and turbulent year. Oil futures, known as the "thermometer" of the world economy had gone negative in the second quarter under the influence of the pandemic. Although major oil suppliers, the United States, and OPEC were able to support the oil prices by cutting supplies, oil still traded at twice below the pre-pandemic rate during the year. Nevertheless, for Mongolia, the impact of the fall in oil prices was mainly positive on the foreign trade balance as crude oil imports comprise 20 percent of total imports.

Gold prices rallied to USD2,067 due to geopolitical risk and economic downturn resulting from the pandemic. As a result of rising gold prices on the global market, the domestic production increased while due to the border closures, the illegal gold smuggling cases have decreased -bringing the volume of precious metals purchased by the Bank of Mongolia in 2020 to 23.6 tons, 8.3 tons increase from the previous year. As a result, the foreign exchange reserves of the Bank of Mongolia increased by USD900 million to an all-time high of USD4.5 billion.

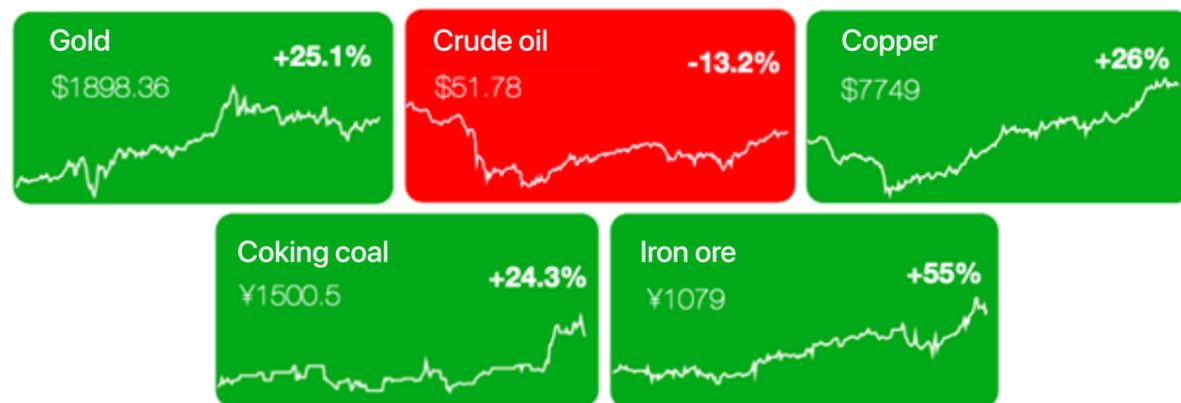
Regarding the copper market, the prices have declined sharply in early 2020 due to an expected decline in demand caused by the pandemic. However, the prices have rebounded in the second half of the year as

disruptions in production have deepened and China's economy has slowly recovered. As a result, copper gained 26 percent in 2020. In 2019, Mongolia's copper exports were 1.4 tons and amounted to USD1.8 billion, while in 2020 it exported 1.36 tons for USD1.78 billion.

As China accounts for half of the global steel production, prices of Mongolia's strategically important export products - the coking coal and iron ore - depend on China's economy, geopolitical situations, and its production capacity. In early 2020, China imposed a lockdown to fight coronavirus which resulted in an economic downturn, causing a reduction in demand for coking coal and iron ore. Besides China's slowing economy, the world's business inactivity led to a fall in steel demand which caused a drop in raw materials prices. Nevertheless, similar to other commodity prices, coking coal and iron ore rebounded in the second half of the year as pandemic situations have improved and China's economy slowly recovered whilst the production of other major suppliers were expected to fall. Mongolia's coal exports fell by 21.6 percent from 36.6 million tons in 2019 to 28.7 million tons in 2020, and in value terms, the coal export income decreased by 30 percent from USD3 billion to USD2.1 billion. Regarding the iron ore exports, the volume decreased by 3.5 percent year-on-year to 8.2 tons, while the value of exports increased by 11 percent to USD640 million.

⁴ Source: Bloomberg bulletin, Reuters

2020 closing prices, annual changes, and charts of the strategically important commodities of Mongolia:



Foreign Exchange Market²

In 2020, the Bank of Mongolia increased its foreign exchange reserves by 4.27 percent to USD4.5 billion.

The monthly average exchange rate of Mongolian Tugrik against the US dollar announced by the Bank of Mongolia was MNT2,849.55 in December 2020, a

4.5 percent depreciation from the previous year. The exchange rate against the Chinese Yuan was MNT 435.64 in December 2020, showing annual depreciation of 12.1 percent. However, the exchange rate against the Russian Ruble strengthened by 11.4 percent year-on-year to MNT38.42.

Statistic	2018	2019	2020
USD/MNT	2,637.35	2,727.34	2,849.55
Annual change	8.4%	3.4%	4.5%
EUR/MNT	3,002.43	3,030.51	3,466.18
Annual change	4.3%	0.9%	14.4%
CNY/MNT	383.03	388.75	435.64
Annual change	3.8%	1.5%	12.1%
RUB/MNT	39.15	43.38	38.42
Annual change	-5.7%	10.8%	-11.4%

² Source: Bank of Mongolia, National Statistical Office

Cryptocurrency Market³

2020 was also an extraordinary year for the cryptocurrency market. Despite the financial and economic downturn caused by the COVID-19 pandemic, the market capitalization of the crypto market has quadrupled from USD190.9 billion to USD760.7 billion due to the global digital transformation.

Bitcoin fell by about 50 percent in March 2020, in the wake of the liquidity crisis due to the coronavirus spread. But, it recovered rapidly and grew exponentially by 300 percent year-on-year. In May, Bitcoin halved for the third time since its inception, halving the rewards for Bitcoin mining. In other words, Bitcoin inflation has halved, bringing the value up.

In addition to Microstrategy and Square, other financial institutions have begun to express their support for the cryptocurrency market. Goldman Sachs, which previously ignored cryptocurrencies, has announced the setup of its crypto trading desk. Fidelity, one of the world's largest investors, has set up a Bitcoin ETF and recommended an investment strategy of up to 5 percent of the portfolio to be in Bitcoin. Singapore's DBS Bank has also announced plans to set up a digital assets exchange, while Citibank has surprised the world by predicting that Bitcoin could surpass USD300,000 by 2021.

23-fold from USD700 million to USD15 billion as new protocols, yield farming and other initiatives were announced every week.

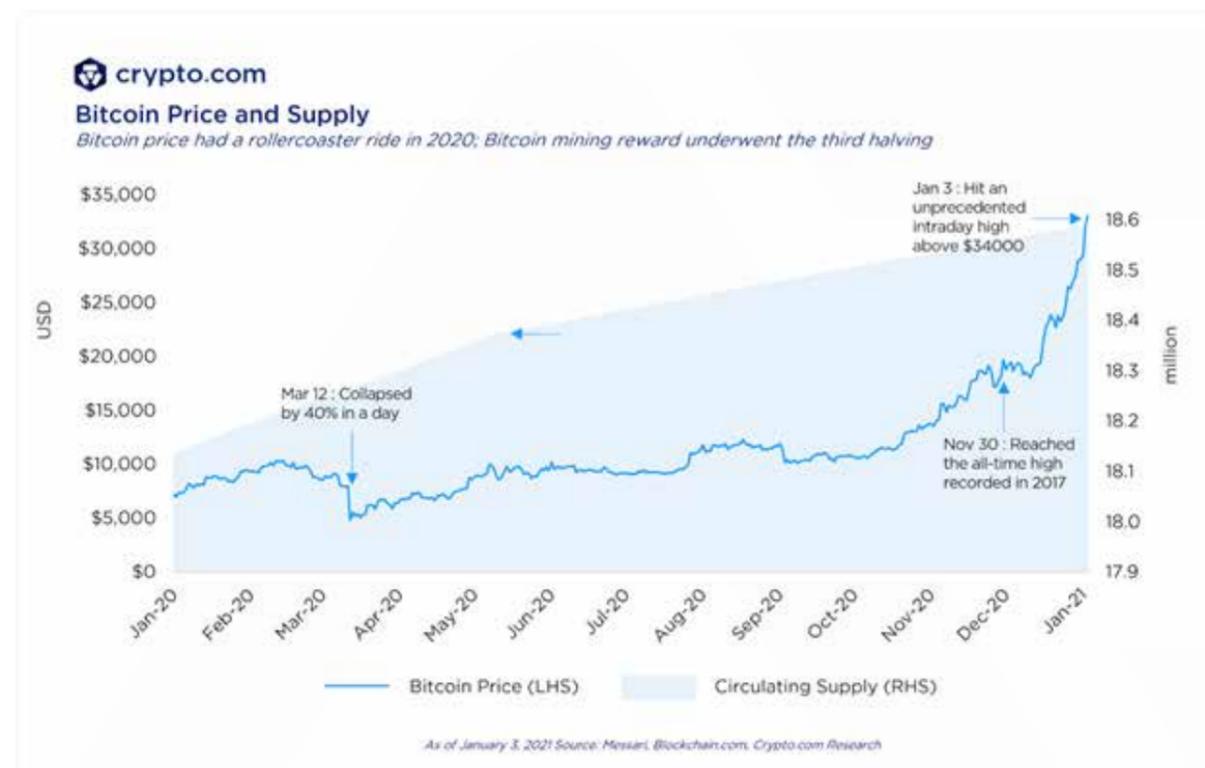
The rapid growth of DeFi has underlined the need to expand the Ethereum base, the foundation of most cryptocurrencies. Because Ethereum transactions hit a record high, the Ethereum community and developers updated the system and released version 2.0 in December.

One of the most significant developments in 2020 was the rapid increase in the supply of e-money, which is a direct expression of Stablecoin. The Tether (USDT) surpassed the supply of more than USD20 billion, meaning USD20 billion has become digital.

China's digital yuan, which was uncertain a year ago, has progressed rapidly in 2020 and launched pilot programs across the country. The central bank's e-money is expected to create a more flexible and efficient payment system, and disrupt the traditional banking structure.

In addition to investing, large financial institutions have begun to introduce cryptocurrencies in their operations. Paypal announced in October that it would allow its 300 million users to buy cryptocurrencies directly. PayPal users have begun to transfer large amounts of assets to cryptocurrencies, especially Bitcoin, in partnership with Paxos, a trading exchange to facilitate purchases.

Decentralized Finance (DeFi) opened up new opportunities in the market in 2020. DeFi's most revolutionary idea was yield farming. The total value of cryptocurrencies in the DeFi market has increased



In the second half of the year, Bitcoin hit a record high every day since Microstrategy announced the largest

Bitcoin acquisition for USD250 million in August.

³ Source: coinmarketcap.com, crypto.com

Operational Report

Marketing

Although 2020 was a complex and challenging year where our lifestyles and social interactions were severely affected by the COVID-19 global pandemic, the Group and its subsidiaries, with the solid digital foundation we laid, adapted quickly and reached our goals. We held our Annual General Meeting of shareholders remotely. With our mission to Build the Investor Nation in mind, we conducted roadshows across Europe and Mongolia. The Apprentice Mongolia, a business reality TV show we ran with Mongol TV, became an instant success and a must watch for anyone interested in entrepreneurship and business. We emphasized the uses of ArdCoin and started operations of our native digital asset exchange platform, the Digital Assets Exchange or DAX. Through Ard Academy, we have been continuously promoting financial education and literacy.

Digitally providing all types of financial services was in line with our goals, and we were committed to using social media to deliver timely news and information.

We organized our Annual General Meeting of shareholders, and presented our quarterly reports and annual report to our shareholders and customers without any complications. With content tailored for social media, we were able to reach thousands of customers. For example, through the Ard Talk show, we presented weekly financial market reviews, and with our Ard Vlog series, we showcased new products and services. With frequent Facebook lives, we provided up-to-date information about new promotions and announcements.

We will further improve our digital marketing efforts with more professional tools and a research-driven approach.

As part of our Investor Nation Europe roadshow, our CEO Ganhuyag conducted introductory training on Ard's Products and Services in Budapest, Prague, Vienna, Munich, Stuttgart, Berlin, France, and Switzerland from June through August 2020. More than 300 Mongolians actively participated in these events. We also made it possible for Mongolians living abroad to register on Ard App.

During the Investor Nation domestic roadshow, representatives from the Group and its subsidiaries toured the country and visited Uvurhangai, Bayanhongor, Darhan-Uul, Orhon, Bulgan, Selenge, Huvsgul, Arhangai, Harhorin, Gobi-Altai, Hovd, Bayan-Ulgii, Uvs, and Zavkhan aimags and successfully organized financial education training and showcased our products. Even people from isolated soums made trips to aimag centers to attend these events.

During the tour, C-level executives from the Group presented lectures on Pension reform (How to start your retirement savings), financial education (How to be responsible in financial interactions, How to effectively manage your personal finance, and Managing your finances), and investments (Stocks, Bonds, and Retirement). Altogether over 2,000 people attended the events.

The first episode of The Apprentice Mongolia, the business reality TV show we ran in collaboration with Mongol TV, aired in December. The show became an instant success and sparked interest in finance, business, and entrepreneurship. People tuned in each week and gained insights about running a business, its challenges, and what it takes to overcome them. During the show, we were able to showcase some of our products to a broad audience. These included personal retirement accounts of Ard Life, All-in-One super app Ard App, our loyalty token ArdCoin, and our health insurance product ArdMend.

When we first launched our blockchain-based loyalty reward program ArdCoin, we focused on distributing ArdCoins to attract and engage customers. However, in 2020, we focused on promoting the potential uses of ArdCoins. For example, Ard Shop and Ard Life opened ways to offer discounts utilizing ArdCoins, and DAX made it possible to trade ArdCoins for security tokens, fiat money and other cryptos. On May 5, ArdCoin was listed on Mongolia's first international crypto-exchange, Bitmonex, and now there are even more ways to trade ArdCoin.

Ard Academy became well known among our clients for bringing financial education articles on personal finance,

investing, weekly interviews with industry experts, and short videos and webinars on various topics related to economic and technological literacy. At the end of 2020, Ard Academy had hosted 38 webinars, and published 136 articles with 125,862 readers having spent 2,387 hours reading them. We produced 10 exciting episodes of a financial education series where we explained finance and investment concepts in straightforward terms in just five minutes. We have aired the episodes on Mongol TV and our social media platforms, where they reached a nationwide audience.

The October launch of the National Privatization Fund, Mongolia's first closed-end mutual fund, was one of our significant achievements of 2020. It aimed to raise MNT4.75 billion and was oversubscribed by MNT1 billion or 16.5 percent. The successful implementation of marketing promotions about this new financial product significantly contributed to the oversubscription of the new fund offering.

By fulfilling our responsibilities to all stakeholders and by conducting marketing activities online, the number of Ard App users reached 637,000 by the end of 2020. And, our clients now hold 4.7 billion ArdCoins.



Human Resources

Since its inception, Ard Holdings has maintained a lean and efficient headcount, relying on multiple roles for each of its managers to the best of its ability.

As of 2020, the Company had nine full-time employees and all ancillary functions were contracted out to third parties. Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Marketing Officer, Internal Auditor, Principal Investment Banker, Chief Digital Officer, Chief Accounting Officer, and Board Secretary were employed at the Group level. Mr. Anar-Erdene Suhbaatar was appointed Chief Compliance Officer and Ms. Oyuttsetsen was appointed Chief Risk Officer during the year.

Mr. Anar-Erdene holds a law degree from Peking University Law School in China. During his studies in Beijing, he worked as an intern at the head office of Dentons Law Firm and Shearman • Sterling Law Firm (US) in Beijing, and also worked as an associate attorney for the Mongolian (UB) branch of Dentons law firm from 2016 to 2020.

Ms. Oyuttsetsen holds a master's degree in Finance and Accounting from London, Great Britain, and was qualified by ACCA, an Association of Chartered Certified

Accountants in 2020. She has served in finance roles at Moninjbar JSC, BDO Audit LLC and Golomt Bank from 2015 to 2020.

The management of subsidiaries changed too. Mr. Telmen Gerelt was appointed as the CEO of Ard Credit and Ms. Ariunaa Bayaraa, who had worked as Chief Marketing Officer of the Group, was appointed as the CEO of Ard Shop (MEC Partners). Mr. Telmen has more than 10 years of management and executive experience in Mongolian and international trade and investment companies. Prior to joining Ard Credit, he was a Deputy President overseeing strategic planning and business development at Mongol Post from 2016 to 2020. After the privatization of Mongol Post in 2016, he has been instrumental in increasing the company's profitability 15 times in three years and expanding logistics operations in the region. Ms. Ariunaa Bayaraa received her MBA from the UCLA Anderson School of Management in the United States. She crafted and executed market penetration strategies for Blue Sky Hotel & Tower and Etugen Cashmere, a US-based e-commerce brand of cashmere apparel.

For the first time, Mongol TV obtained the right to produce the famous business reality show, The Apprentice, from MGM production (US) and ran with

Ard Financial Group. Our CEO, Mr. Ganhuyag decided to choose a potential leader who can remain steady-handed in any business environment. The winner's reward was a CEO position with an annual salary package of MNT200 million. The show began with 14 short-listed candidates from over 1,000 applicants. Mr. Barhas, the winner of the show, joined our team as CEO of Ard Holdings International and CMO of Ard Financial Group. He has worked as a branch manager, head of marketing and general manager in the field of finance, marketing and management for eight years. He received his bachelor of arts degree from the Institute of Finance and Economics, and his MBA from the International School of Virginia University in the United States.

One of the participants from The Apprentice show, Mr. Amarbold Otgonbayar, has been appointed as Chief Operating Officer at Ard Life. He is a graduate from the University of Humanities, Flight operation school of Korean Air, and the University of International Business and Economics of Beijing with a major in

Foreign Relations, Flight Attendant and Management of Corporate governance. He studied in both the Chinese and English languages. Mr. Amarbold has worked as Sales Manager at MPA Group, Procurement Manager at Oyu Tolgoi LLC, the Head of the Representative office in China, a flight attendant at the national flag carrier MIAT Mongolian Airlines, Secretary to the Board of directors, and COO and CEO at Jinhua Group.

Based on the 2020 performance, we decided to distribute Ard Insurance, Ard Credit and Ard Financial Group shares, Ard Life's private pension contributions, and ArdCoins as a special bonus to all employees. In addition, we are pleased to announce that we have paid bonuses of MNT234 million to the Board of Directors and MNT525 million to the management team and employees. The Group has always strived to build a team composed of the most talented and motivated young professionals, and we have been strictly adhering to the philosophy that employees must be financially sufficient and have a bright future.



Technology

Our core banking system Polaris was successfully implemented at Ard Credit, Ard Life, Ard Securities, Ard Assets, and Ard Bit, while the newly operational Ard Leasing company is scheduled to integrate Polaris in the second quarter of 2021. With the completion of this significant project, Ard Financial Group companies will have a unified platform that will become the foundation to becoming a bank.

The self-enrollment functionality of Ard App, our All-in-One app, has been improved by creating a direct connection to a Government agency for customer verification. We have also enabled Mongolian citizens living abroad to use this self-enrollment process, by adding international phone number verification. Integration to Bank of Mongolia's ACH+ system was completed, making the real-time interbank transactions possible on the same level as banks.

Ard Insurance has integrated Health, International travel, and Vehicle Insurance products on Ard App. Ard

Insurance also successfully implemented a CRM system, automating internal processes.

ArdShop (www.ardshop.mn) improvements are continuously being made, with new UI and functionality updates aimed at creating a seamless shopping experience for Ard App customers. MyDelivery module was introduced to the App, enabling delivery from and to every corner of Mongolia. Also, a new internet banking project has started, which will be very important in growing our merchant base as well as providing new products for corporate clients.

Eurogiro services have officially been launched in partnership with Mongol Post, enabling international money transfer to over 100 countries worldwide. We are working to further improve this service by adding an international money remittance function on Ard App. Ethereum blockchain platform was successfully integrated with our core banking system, allowing us to launch our own Digital Assets Exchange platform.

With the investment contract for Trade.mn coming to an end, we were able to successfully launch our own DAX exchange, the very first exchange in Mongolia for digital assets. DAX customer enrollment numbers and trading volume numbers have grown at an incredible pace within a very short timeframe.

Due to the COVID-19 pandemic, the Annual General Meetings of shareholders of Ard Financial Group, Ard Credit, and Ard Insurance were conducted online, with digital registration, voting, and Q&A possibilities.

To improve our customer service qualities, new systems are being implemented for our Call Center team, automating the back-end processes. A Learning Management System was also introduced, adding the online capability for internal training conducted for Ard Financial Group employees.

According to recommendations from government regulatory agencies as FRC and MSE, we have renamed our AARD security token tickers on DAX from AARD to ARDT. Also, tasks have been completed as per Bank of Mongolia recommendations. We made changes on Ard App related to ArdCoin, customer registration, and transaction limits. Ard Credit, as well as other related companies, place the highest priority to resolve any issues within the timeframe given by regulatory agencies.

Regular IT system audits are done through an accredited international audit company, with continuous improvements being made on the system infrastructure and information security. Our digital strategy has been finalized with the help of an external consultant. Ard Financial Group is looking to hire a Chief Technology Officer, whose main responsibility will be to mitigate risks related to our reliance on third party solutions such as Most platform, as they are becoming the bottleneck to our fast-paced growth.

Investment

Ard Holdings makes strategic and tactical investments.

Our strategic investment portfolio includes companies that are an integral part of our strategy to provide complete financial products and services from a single point. We have been continuously investing in these companies with financial resources and management expertise.

To pursue Ard Financial Group's goal of owning a bank – and, our clients owning the bank – we have started negotiations and due diligence works related to bank investment through Ard Holdings International.

On the other hand, our tactical investment portfolio consists of investments that have the optimal risk, high and consistent returns.

Our investment policy involves share repurchases when it's deemed undervalued.

In 2020, we implemented a policy to protect and persevere our businesses. We kept the spending minimum, accumulated cash reserves, and restricted any additional debt acquisitions to reduce financial expenses.

Ard Assets has also grown despite the heavy regulations, while maintaining the capital adequacy ratios. We conducted a rescue operation on ArdShop, resolving shareholder conflicts, injecting additional funding and increasing our share in the business. We have total control over the management now.

For most of the year, we did not participate in the trading of our public companies' stocks; did not have the resources to participate. At the end of the year, we bought back shares of Ard Credit from two large shareholders. We exercised a call option agreement with one of Ard Financial Group's large shareholders. We completed all payments according to the share purchase agreement of 3 percent of Mongol Post.



DAX

Digital Assets
Exchange



DAX - Digital Assets Exchange

In 2020, we terminated our investment agreement with trade.mn and created our own Digital Assets Exchange, DAX, which started its operations in December 2020. The exchange is a blockchain-based trading platform that is to be regulated by the Virtual Assets Service Providers Law, which is expected to be approved by Parliament soon. Products such as ArdCoin, Bitcoin, and Ard Financial Group's security token are currently traded on this exchange 24/7. DAX, or Ard Ex, is 60 percent owned by Ard Financial Group. At the end of 2020, its daily trading volume was MNT10–20 billion. DAX constantly generates premium revenue by facilitating trades.

CryptoNation

Private investors in Bitcoin and cryptocurrencies have suffered considerable losses in recent years. At the same time, the Crypto Nation Fund (Fund), led by Ard Financial Group, closed in December 2020 with a 110 percent return on investment. We have distributed a total of 24.8 bitcoins over the past three years. At the exchange rate on December 26, 2020, that is MNT1.7 billion. At the Fund's Shareholders' Meeting, we resolved that the Fund would continue its operations as a public company. For investors interested in continuing their investment in the Fund, we have acquired Bulgan Undraga JSC (BUN), a public company listed on the Mongolian Stock Exchange. We plan to convert the Fund's assets into shares of this company.



National Privatization Fund

National Privatization Fund was founded in 2019 as the first ever closed-end mutual fund of Mongolia. The total assets reached MNT5 billion after raising MNT4.75 billion through the Mongolian stock exchange in 2020. Ard Securities took part as a lead underwriter, and the investors to the fund were Mongolian-leading corporations such as MCS group, Shunhlai group, Teso group, insurance companies, banks and 2,239 other retail investors. The fund aims to distribute returns from investments into domestic and internationally traded securities. As of the end of 2020, the fund's investment return was 4.42 percent, or 25.6 percent per annum.

ardshop.mn

ArdShop

MEC Partners, owner and operator of ArdShop, successfully raised a new round of investment from its existing shareholders by issuing new shares. The additional investment is being used for developing ArdShop's technology and providing working capital for the fast-growing e-commerce platform. Ard Holdings' ownership stake in the company increased to 61.24 percent from 40 percent.

A new mobile user interface was developed with the goal of optimizing the user experience. A faster, more shoppable Ardshop was introduced in early January 2021. COVID-19 and the resulting stay-at-home orders strongly compelled Mongolian consumers to turn to online shopping. ArdShop received 384 percent more orders in December 2020 compared to the same month in 2019.

Real Estate

Ard Credit bought a house owned by Ganbat at Sankt Morit town located in Sharga Morit for MNT1 billion. Payments were made by EIT shares, land, and house at Hiimori town owned by Ard Life through settling intra-group receivables and payables. The house at Sankt

Morit town is an investment that will increase in value in the long run and yield rental income in the short term. Another house in Sankt Morit town was transferred to Ard Insurance at a cost of MNT1.5 billion to settle intra-group receivables

Trading on the Mongolian Stock Exchange

Ard Financial Group's companies have an investment policy that involves share repurchases when it's deemed undervalued - their shares are bought on the open market when the market price is lower than the valuation.

Trading of Ard Financial Group companies on the MSE in 2020:

- 0.2 percent of Ard Insurance (AIC) for MNT43 million
- 4.2 percent of Ard Credit (ADB) for MNT887 million
- 3.3 percent of Ard Financial Group (AARD) for MNT1.55 billion
- 4.9 percent of Mongol Post (MNP) for MNT3 billion were bought, bringing the total trade volume to MNT5.5 billion

Financial Performance

During the pandemic, Ard Financial Group implemented a set of financial arrangements to ensure financial stability and potential growth within the group.

1. To ensure that cash flows are not disrupted, all costs that are not necessary for the survival of the business have been cut as part of measures to maintain and accumulate cash reserves at all levels of the organization. Payments for all existing contracts were postponed, installments were re-negotiated and rescheduled, and cash outflows were delayed as much as possible. As a result, the consolidated cash reserves increased by MNT2.7 billion to MNT5 billion, while the portfolio of fixed-income investments such as savings, trusts, and bonds reached MNT18.6 billion.
2. The Group has monitored the loan portfolio daily, and implemented a sound marketing campaign to improve the quality of the loan portfolio and keep the repayments stable. Subsequently, customer loan repayments have steadily increased, and a policy of constantly increasing the loan portfolio was pursued. Ard Credit's loan portfolio increased by 10 percent year-on-year to MNT20.2 billion while the non-performing loan portfolio ratio was 9.4 percent, 2.3 percent lower than the industry average of 11.7 percent. Ard Asset increased its loan portfolio by 64 percent to MNT 5.2 billion, while maintaining the best quality loan portfolio in the sector, where the non-performing loans ratio kept at 0.7 percent.

3. Regarding the company's operations and performance, the company's capital structure was restructured to keep the financing costs minimal.

On a separate basis, Ard Financial Group's total assets increased by 3 percent or MNT2.3 billion from the previous year to MNT 80.4 billion during the reporting period. Despite the economic and market downturn, the market prices of listed equities and virtual assets in which Ard Financial Group has invested were stable - generating a total of MNT4.2 billion investment income. In addition, 1.3 percent of Mongol Post and Ard Insurance holding by Ard Financial Group were sold and CryptoNation fund was closed, decreasing the long-term investment portfolio by MNT757 million to MNT67.5 billion in 2020. Intangible assets have shown the highest growth, having increased by MNT5.7 billion from MNT3.3 billion to MN 8.9 billion during the year. ArdCoin was accounted for as an intangible asset in accordance with the audit recommendations for the revaluation approach as per IAS 38 Intangible Assets. MNT3.2 billion receivables were settled, reducing the balance from MNT4.9 billion to MNT 1.7 billion.

Total liabilities increased by MNT3 billion from MNT21.5 billion to MNT24.5 billion in 2020. As a result of financial actions taken to restrict cash outflows and increase cash reserves during the pandemic, payments accumulated and accounts payables increased by MNT1.9 billion to MNT4.5 billion. On the other hand, short-term and long-term bank loans decreased by MNT1.8 billion to MNT1.5 billion, with short-term loans and long-term

loans amounting to MNT1.1 and MNT400 million, respectively.

In order to expand operations, finance working capital and make additional investments, private corporate bonds were issued and the balance as of the end of 2020 was MNT14.3 billion – out of which MNT10.2 billion were to be repaid in national currency, and MNT4.1 billion in USD. During the reporting period, a total of MNT2.9 billion was spent on financial costs such as interest and coupons, which brought the weighted average cost of capital to 14.1 percent. Initially, our private corporate bonds were issued with a coupon rate of 19.2 percent per annum in March 2017.

Equity decreased by 1.3 percent or MNT750 million from MNT56.6 billion to MNT55.8 billion. Although our investment revaluation reserves increased by MNT3.2 billion from MNT24.1 billion to MNT27.3 billion, retained earnings decreased by MNT3.9 billion, which reduced the equity. Dividends of MNT1 billion distributed during the reporting period had a negative impact on the retained earnings.

In 2019, debt comprised 27.5 percent of total assets, while in 2020, this ratio increased by 3 percent to 30.5 percent. In terms of investments, long-term investments account for 84 percent and intangible assets account for 11 percent of total assets.

Regarding the liabilities, 73 percent were to be repaid in the short term or within a year, and 27 percent in the long term.

In 2020, total revenue increased by 13.9 percent from the previous year or MNT2.9 billion to MNT 3.3 billion. A total of MNT1.3 billion of dividends were received from Ard Insurance, Ard Credit and Mongol Post, which was MNT775 million or 144 percent more than the previous year. Although our operations have expanded, our reach to the public has increased, and our financial resources have increased. The total cost has decreased by about MNT200 million from the previous year to MNT7.1 billion due to the actions taken to neutralize COVID-19 impacts. Compared to 2019, operating expenses decreased by 42 percent to MNT2.7 billion and HR expenses increased by 35 percent to MNT1.6 billion. The company's operations have expanded and debt financing has increased steadily in recent years, reaching the target maximum level. As a result, financial expenses climbed by 98 percent to MNT2.9 billion. In terms of cost ratios, operating expenses comprised 37 percent of total expenses, down by 26 basis points from the previous year. HR expenses increased by 6 percent to 22 percent of total expenses, and financial expenses increased by 20 percent to 40 percent of total expenses.

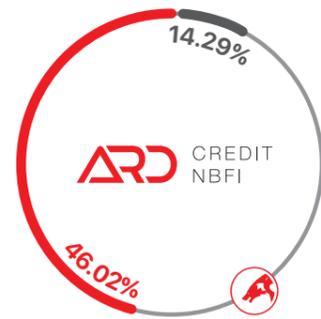
In accordance with the recommendations of Grant Thornton, the external auditor of the 2020 financial statements, the change in fair value of the investment has been recognized to other comprehensive income per IFRS 9 Financial Instruments standards and the requirement for listed investments have been implemented – which leads to a major change in the profit and loss for the year and previous year. According to the audited financial statements for 2019, Ard Financial Group produced a net profit of MNT3.4 billion and a total comprehensive income of MNT5.4 billion at the end of the period, including MNT2 billion of revaluation gain on investments. However, Grant Thornton made adjustments where MNT4.6 billion of loss was recognized, and MNT10 billion of revaluation gain on investments was accounted for in accordance with the International Financial Reporting Standard. In 2020, there was an operating loss of MNT4 billion, and a revaluation surplus on investment was recorded at MNT 4.2 billion, generating a total of MNT200 million in total comprehensive income.

The events after the reporting period had a huge positive impact on the company's growth and profitability. In the first quarter of 2021, Ard Financial Group individually generated MNT19.6 billion of revenue, recorded MNT3 billion of expenses and MNT1.7 billion of income tax, which led to MNT14.6 billion of net profit. In addition, MNT183.9 billion of unrealized profit was recorded as a result of the revaluation surplus on listed investments and virtual assets owned by Ard Financial Group, resulting in a total of MNT198.5 billion of comprehensive income. The generated profit increased the equity to MNT377 billion, increasing the company's net assets fivefold over the quarter. Total assets increased by 4.5 times to MNT437 billion – the main factors being the long-term investment portfolio having increased to MNT268 billion and intangible assets being increased to MNT149 billion.

Investment Portfolio



General Insurance



Non-Bank Financial Institution



Broker, Dealer, Underwriter



Pension Fund



Savings and Credit Cooperative



Real Estate



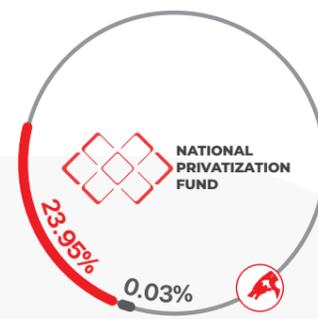
Asset Management



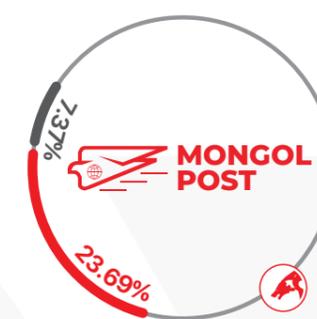
Leasing



Investment



Mutual Fund



Postal Service



Information Technology



Cryptocurrency Investment Fund



E-Commerce



Loyalty program



Digital Assets Exchange

(As of December 31, 2020)

Public company

Ard Financial Group

Affiliated entities

Ard Insurance (MSE: AIC)

2020 Highlights

- Launched a new product for employees of corporate and government organizations operating during COVID-19 lockdowns
- Increased the number of shareholders to 2,069
- Several significant losses were indemnified, including fire loss of the State department store and international and domestic cargo losses
- Listed in the MSE Top-20 index for the third consecutive year
- Launched CRM system for customer management
- Introduced Critical Illness insurance in Mongolia
- Organized "Investor Nation domestic roadshow" campaign jointly with Ard Financial Group companies in 21 provinces
- Enrolled employees in "The Chartered Insurance Institute" courses
- For five years in total and the third consecutive year, the company has distributed dividends to its shareholders
- Introduced "Triple pension savings" jointly with Ard Life LLC to launch a world-class pension fund system
- Rewarded ArdCoins to drivers who have been accident-free for the last three years
- With the introduction of e-insurance solutions, added an insurance function to the Ard App - allowing anyone who uses the app to buy vehicle and health insurance
- Premiered The Apprentice Mongolia business show, run by Ard Financial Group and Mongol TV, where we successfully introduced our health insurance product, ArdMend

Operational Report

In 2020, Ard Insurance delivered insurance products and services nationwide through its comprehensive network of 24 branches, five partner banks, 70 professional broker organizations, and over 100 insurance agents.

The Company's operations expanded rapidly, and the sales income totaled a record high of MNT15.8 billion. With its nationwide reach, the Company has served 190,000 policyholders as of 2020. We are proud that we have signed over 15,000 insurance contracts with over 2,000 corporate clients and provided our services to clients in all sectors. These include:

- | | |
|--|---|
|  Infrastructure, transportation |  Banking and finance, insurance |
|  Aviation |  Tourism, sport |
|  Construction |  Health |
|  Real estate |  Information technology, communication |
|  Energy, mining, oil |  Government and public institutions |
|  Agriculture |  Science, education, law |
|  Commercial trading |  International institutions, embassies |
|  Light and heavy industry | |
|  Defense, army, police and emergency agencies | |

Our esteemed partners include Energy Resources, Oyu Tolgoi, Erdenet, Trade and Development Bank, State Bank, KhanBank, Civil Aviation Authority, Petrovis LLC, Magnai Trade LLC, Max group, National Emergency Management Agency, Moncement LLC, MCS Holding LLC, and its subsidiaries, Shangri-La and many more.

In terms of reinsurance, we have worked with Hannover Re of Germany on our Whole Account Excess of Loss treaty program for the last 5 years, where the risks are covered for up to USD2 million in excess of USD50,000 each and every loss. This program enables us to raise up our underwriting capacity and protect us and our policyholders from high severity claims. We cede the risks exceeding the limit of USD2 million to a facultative.

A certain percentage of the international health and travel medical expense quota share treaties are also protected under reinsurance security, which allows our clients to enjoy our product with a wide variety of coverage all over the world.

Ard Insurance JSC has transferred 40 percent of the reinsured risks to an Asian market, 36 percent to a European market, 9 percent to Russia, and 15 percent to the local reinsurance market. Most of the reinsurance companies we work with have A++ or B+ or higher ratings by AM Best credit rating agency.

In 2020, Ard Insurance paid out indemnity of MNT4.7 billion to 4,824 insured occurrences, fulfilling the promise made in the policy. During the reporting period, the company has successfully worked with reinsurers and 11.6 percent of the indemnity or MNT547 million was paid by reinsurance companies. The rest of the indemnity was funded from the company's loss reserve.

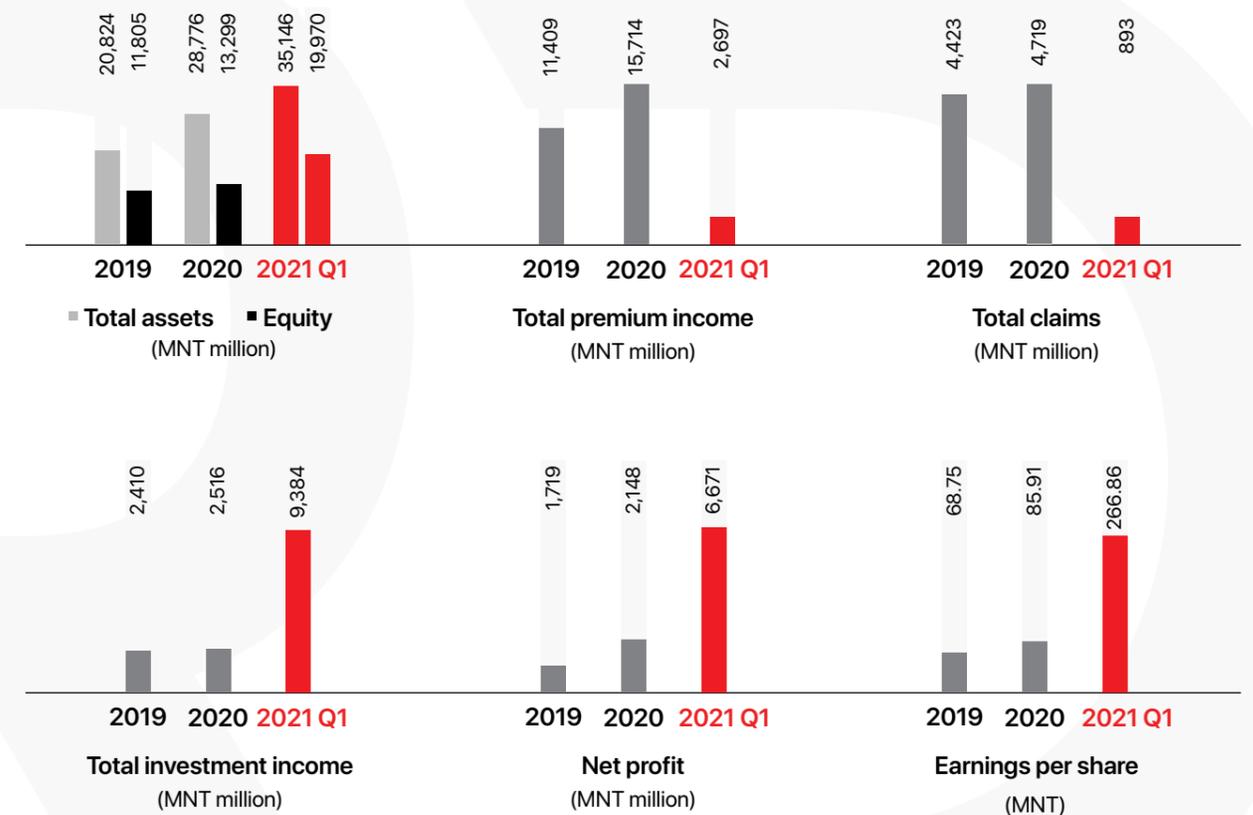
The majority, or 62 percent, of the indemnity from reinsurance was in respect of property insurance, while 38 percent was of health insurance.

Stock Trading

MSE: 	Open (MNT)	High (MNT)	Low (MNT)	Close (MNT)	Change	Daily average trading volume (MNT)	Total trading volume (MNT)	Number of shares traded
2020/01/01 - 2020/12/31	798.00	800.00	630.00	799.96	0.25%	5,054,302	1,177,652,456	1,643,406
2020/12/31 - 2021/03/31	785.00	1,590.00	705.00	1,455.00	85.35%	109,316,601	5,800,454,474	5,509,069

	2019	2020	2021 Q1		2019	2020	2021 Q1
Number of shareholders	1,637	2,069	8,142	Closing price (MNT)	799.95	799.96	1,455.00
Total number of issued shares (million)	25	25	25	P/E	11.64	9.31	5.45
Market capitalization (MNT million)	19,999	19,999	36,375	P/B	1.69	1.50	1.82

Financial Indicators



Ard Credit (MSE: ADB)

2020 Highlights

- Ard Credit NBFI (ADB) listed in the MSE Top-20 index for 2020
- Mr. Telmen Gerelt was named CEO
- Distributed MNT1.18 billion or 50 percent of its net profit for 2019 to its shareholders as a dividend on April 30, becoming the first listed company to distribute dividends that year
- A Memorandum of Understanding was signed with "Hugjiin Shiidel" NGO to implement the BEST program to support SMEs. Within this framework, two parties initiated works on enhancing lender's education
- Organized Annual General Meeting of shareholders online successfully, with the overall attendance of 85.21 percent
- Obtained the Digital currency license from the Central Bank, and ArdCash was born
- Successfully repaid funding from CrowdCredit Fund of Japan
- During the Investor Nation domestic roadshow, we launched Fast Cash online loans in Bayanhongor and Uvurhangai provinces
- In cooperation with Mongol Post JSC and EuroGiro, we launched an international money transfer service on October 2
- Successfully integrated ACH+ (Automatic Clearing House) interbank payment system

Operational Report

Due to COVID-19, 2020 was a challenging year that brought unprecedented changes to our society, politics, and business. Despite these challenges, Ard Credit aimed to meet its customers' financial needs and increase the availability and accessibility of financial services by introducing new products and services based on innovative solutions.

Although it has been less than a year since Ard Credit became a listed joint-stock company, it was an honor to be listed in the Top-20 index of the Mongolian Stock Exchange while distributing MNT1.1 billion or 50 percent of our net profit for 2019 as a dividend to our shareholders.

At the end of 2020, the company's total assets increased by 28.4 percent year-on-year to MNT29.7 billion, and its net loan portfolio reached MNT18.9 billion, rising by 6.7 percent. The total comprehensive income for 2020 amounted to MNT2.1 billion.

Furthermore, the company obtained the digital currency license from the central bank to issue e-money, thereby introducing Ard Cash. The company also integrated with the ACH+ (Automatic Clearing House) bank payment

and settlement system and launched an international money transfer service in cooperation with EuroGiro and Mongol Post. Because of these achievements, the number of Ard App users has significantly increased to 637,000 - a 44.1 percent increase from last year.

ArdCash is freely convertible into MNT and vice versa. Hence, Ard App's half-million users can easily access a wide range of financial services, including online loans, securities trading, online shopping, money transfers, and payments.

Moreover, as a result of ACH+ (Automatic Clearing House) integration, Ard App users will be able to quickly complete transactions up to MNT3 million in real-time, on a 24/7 basis.

Ard Credit introduced EuroGiro, a financial supermarket platform, in cooperation with our strategic partner Mongol Post. This platform provides international money transfer services for 4 billion people through its 500,000 partner financial institutions worldwide. As a result, many customers living abroad can now transfer money to their loved ones in Mongolia from more than 60 countries such as the USA, Russia, South Korea, Australia,

Turkey, and Great Britain. It uses global money transfer operators, including Ria, KoronaPay, Small World, and PostalPay.

Launching one of our main products, Fast Cash online loan, in Bayanhongor and Uvurhangai provinces was a fresh start in providing our loan services nationwide.

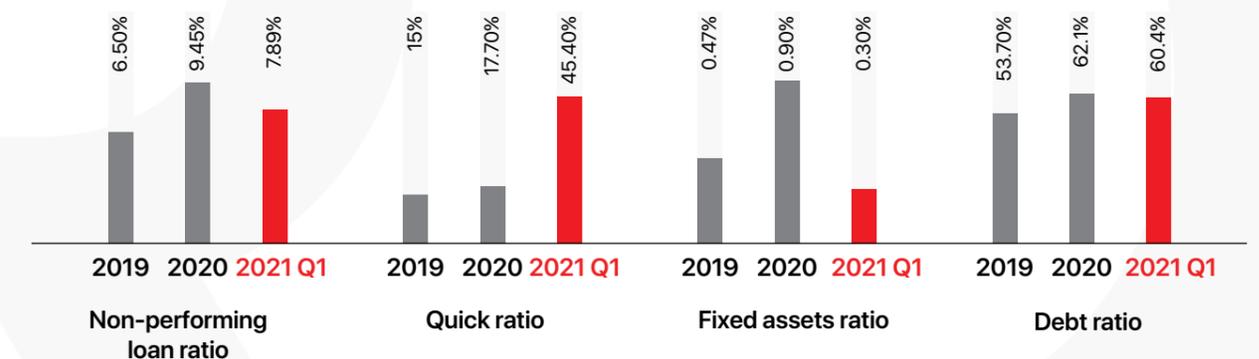
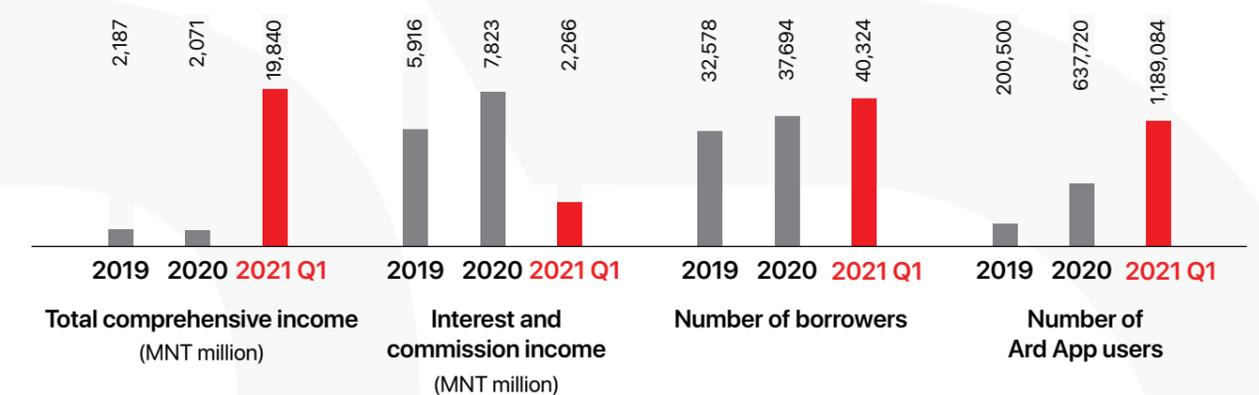
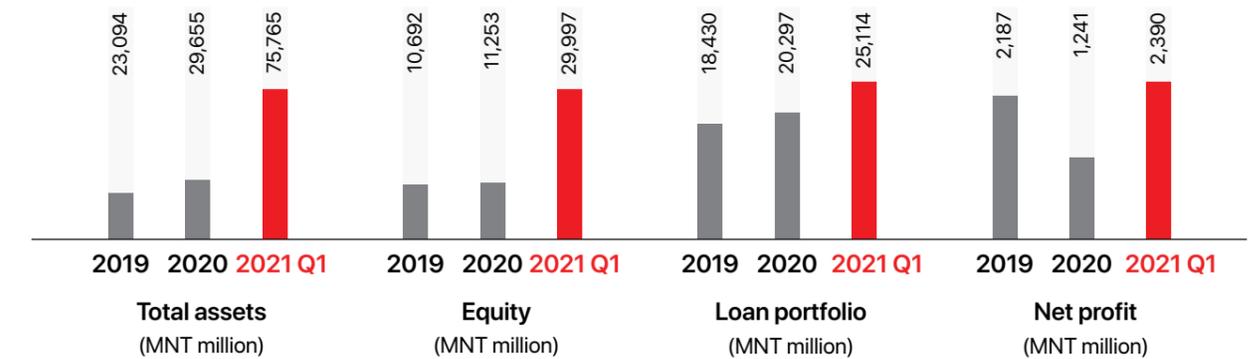
As of now, we are pleased to inform you that Ard Credit has more than 10,000 shareholders. Our share price (ADB) has reached its historical highest price of MNT275, and Ard App has more than 1.2 million customers.

Stock Trading

	Open (MNT)	High (MNT)	Low (MNT)	Close (MNT)	Change	Daily average trading volume (MNT)	Total trading volume (MNT)	Number of shares traded
2020/01/01 - 2020/12/31	80	82	60	82	3.27%	9,110,974	2,190,301,292	29,765,830
2020/12/31 - 2021/03/31	79	275	77	250	3.2x	156,492,917	9,505,176,103	70,905,930

	2019	2020	2021 Q1		2019	2020	2021 Q1
Number of shareholders	1,500	2,139	10,071	Closing price (MNT)	82	82.1	250.23
Total number of issued shares (million)	280	280	280	P/E	10.5	18.1	20.8
Market capitalization (MNT million)	22,952	22,459	69,060	P/B	2.2	2	2.3

Financial Indicators



Ard Securities

2020 Highlights

- Ard Securities led the industry in terms of secondary market trading on the Mongolian Stock Exchange
- Mr. Amarbayasgalan Enhsaihan was named as the Executive Chair of the Board of Ard Securities. Amarbayasgalan has worked in the financial sector for 20 years and has over ten years of experience in the investment management industry
- Ard Securities has acquired a license to conduct international securities brokerage from the Financial Regulatory Commission and has started opening accounts for its clients on the Interactive Brokers trading platform and offering international brokerage services
- Ard Securities was selected as an underwriter to dual-list Steppe Gold (TSE: STGO) on the Mongolian Stock Exchange
- Raised over MNT7 billion through privately placing bonds
- Ard Securities worked as an underwriter for the National Privatization Fund, which is the first closed-end mutual investment fund listed on the Mongolian Stock Exchange, and successfully raised MNT4.75 billion from the public and leading national companies

Operational Report

In 2020, Ard Securities offered brokerage accounts on Ard App that enabled clients to freely buy and sell equities and bonds listed on the Mongolian Stock Exchange. Customers had access to technical insights and equity analyses that helped them to meet their trading objectives.

As of December 31, 2020, a total of MNT97 billion was traded on the Mongolian Stock Exchange, out of which Ard Securities accounted for 24 percent or MNT23 billion.

Under its underwriting and investment advisory license, Ard Securities provided financial advisory services to client companies and raised MNT7.1 billion in financing. Our specialists conducted classroom and virtual workshops and have successfully organized the “Investor Nation” campaign in rural areas.

Ard Securities has been nominated as an underwriter for the dual-listing of Steppe Gold (TSE: STGO) on the Mongolian Stock Exchange. Steppe Gold aims to raise MNT5 billion will be raised from the public through the Mongolian Stock Exchange. The main objective of this deal is to open an easy and low-cost way for Mongolian citizens to become owners of their mineral wealth.

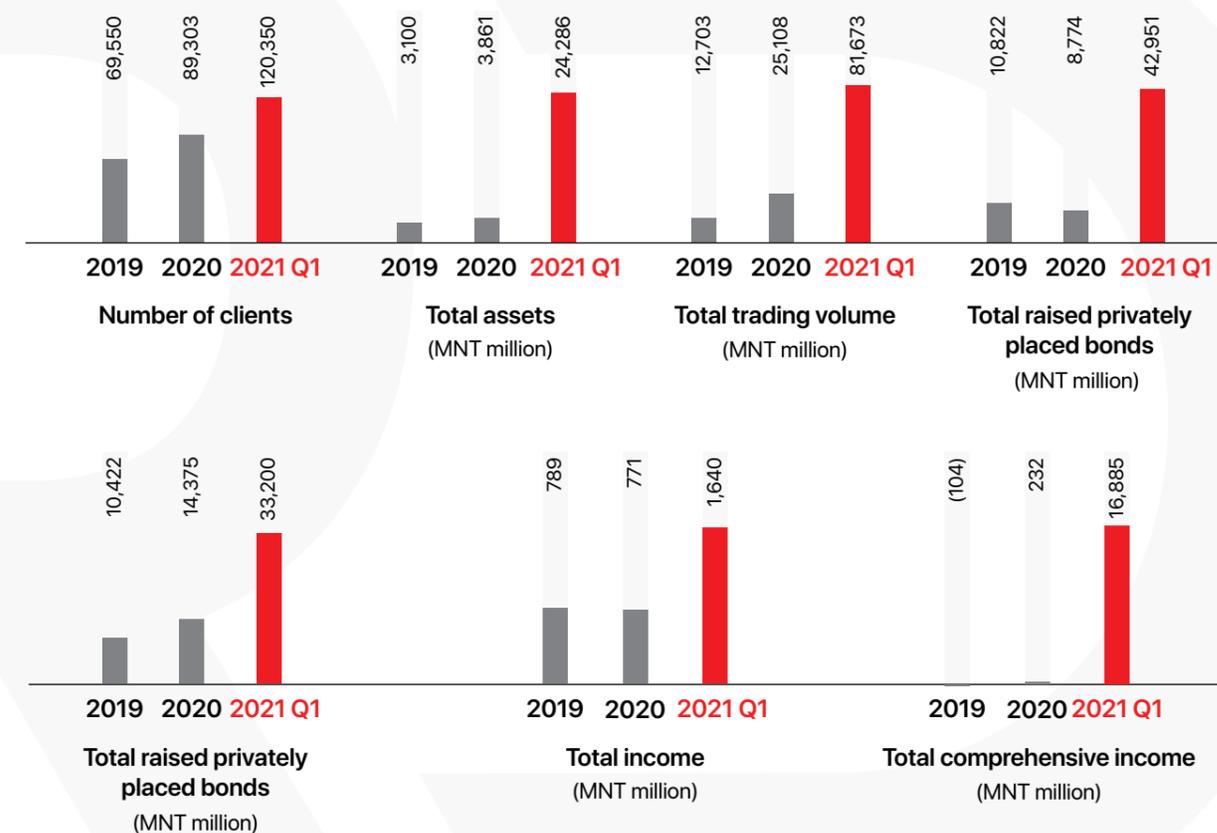
Ard Securities worked as an underwriter for the National Privatization Fund and raised MNT3.5 billion from 1,845

customers, or 83 percent of the total order of MNT5 billion. Fifty percent of IPO customers placed orders through Ard App. The fund return has been higher than expected, yielding 4.42 percent or 25.6 percent per annum at the end of December 2020. Ard Securities regularly conducts domestic and international market investment research for the fund.

Ard Securities is looking forward to becoming a leading investment bank shortly and plans to expand its investment advisory, international brokerage, proprietary trading, and underwriting activities.

We are confident that the banking reform and private pension funds, changes in the insurance sector, and the growing public interest in the capital market will positively impact Ard Securities’ business.

Financial Indicators



Ard Life

2020 Highlights

- Investment return of 20 percent was allocated to pension holders
- Participated in the submission of the draft law on private pension
- The number of customers increased by 763 percent

Operational Report

The year 2020 happened to be a tough time for Ard Financial Group (Ard) just as it was for other companies. However, we recognized the digital transformation as an opportunity to bring growth to all our subsidiaries through Ard App, which was a challenge for us. As for Ard Life LLC (Ard Life), it's been a year of historic growth on key indicators such as the number of customers, investment valuation, and a total amount of pension fund savings.

Within the first quarter of the year, Ard Life distributes the return from the previous year's investment to those who have created investment pension accounts, and we started the year 2020 with a success of distributing 20 percent annual investment return to pension holders.

In the first half of 2020, five new members have been appointed to the Board of Directors who have gained immense experience in investment and insurance markets including: Tsogbadrah.G, CEO of Ard Daatgal, who has earned immense experience in the stock and insurance markets, Amarbayasgalan.E, Principal Investment Banker of Ard Financial Group, Gantulga.B, the CEO of Ard Life, Oyun-Erdene.L, the Chairman of the Board of Directors of Nexus NBFi and Sangaamaa.E, the Local Representative of ING Bank Mongolia. The new board constitution has made expedient decisions on

investment management and the investment valuation reserves of Ard Life have increased by 148 percent, reaching MNT2.7 billion by 2020.

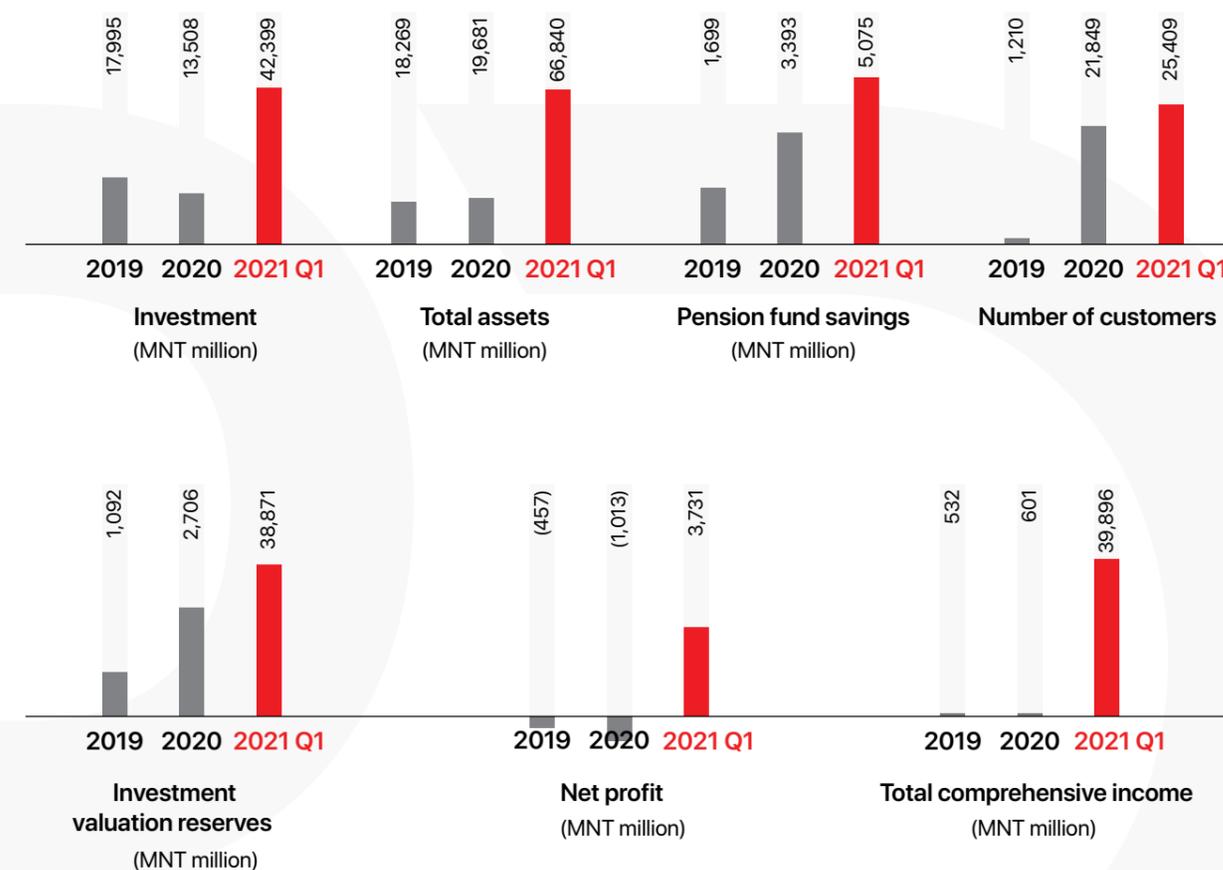
Throughout the pandemic, Ard Life continued to provide training and deliver timely news and information to organizations and citizens. As a result, we have 34 organizations and their employees on our partners' list. People were enabled to create pension accounts using Ard App, which increased the number of customers creating voluntary pension accounts to 10,447 by the end of 2020, showing a growth of 763 percent over the past year. This demonstrates Ard Life's successful use of an online environment and achievements in reaching out to citizens. As there is an increase in the number of customers, the pension fund savings of Ard Life has also increased by 100 percent - reaching MNT3.4 billion.

Ard Life actively engages in social works. Its major contribution in 2020 was its inclusion in the pension reform group, and reflecting items in terms of people's education on private pension, introducing foreign experience in drafting pension laws and offering pension account products suitable for the Mongolian market. As part of this work, we organized the Investor Nation campaign and traveled through 14 provinces of Mongolia

to provide financial education to people while introducing them to the importance of pension accounts, future benefits, and inherited property to future generations. Such training and presentations have shown their results, and the pension system reform is being considered as an important topic and major change that will have a positive impact on future generations. Within the framework of the private pension law project, we have been assiduously involved and contributed to the development

of the law by assisting in the projects of State Great Hural, the Ministry of Labor and Social Protection, and the Asian Development Bank. With the approval of the law, we are certain that it will meet the interests of the total population and bring historic change that will open the door to the people of Mongolia – allowing them to own the wealth of the country and have a long, healthy, happy life.

Financial Indicators



Ard Assets

2020 Highlights

- Ranked as the 4th biggest Savings and Credit Cooperative (“SCC”) in the industry as total assets have grown
- The online Annual General Meeting of all members was successfully organized in March with 23.5 percent attendance
- Number of Cooperative members increased by 45 percent, reaching 733
- Total equity increased by 18 percent to MNT949 million

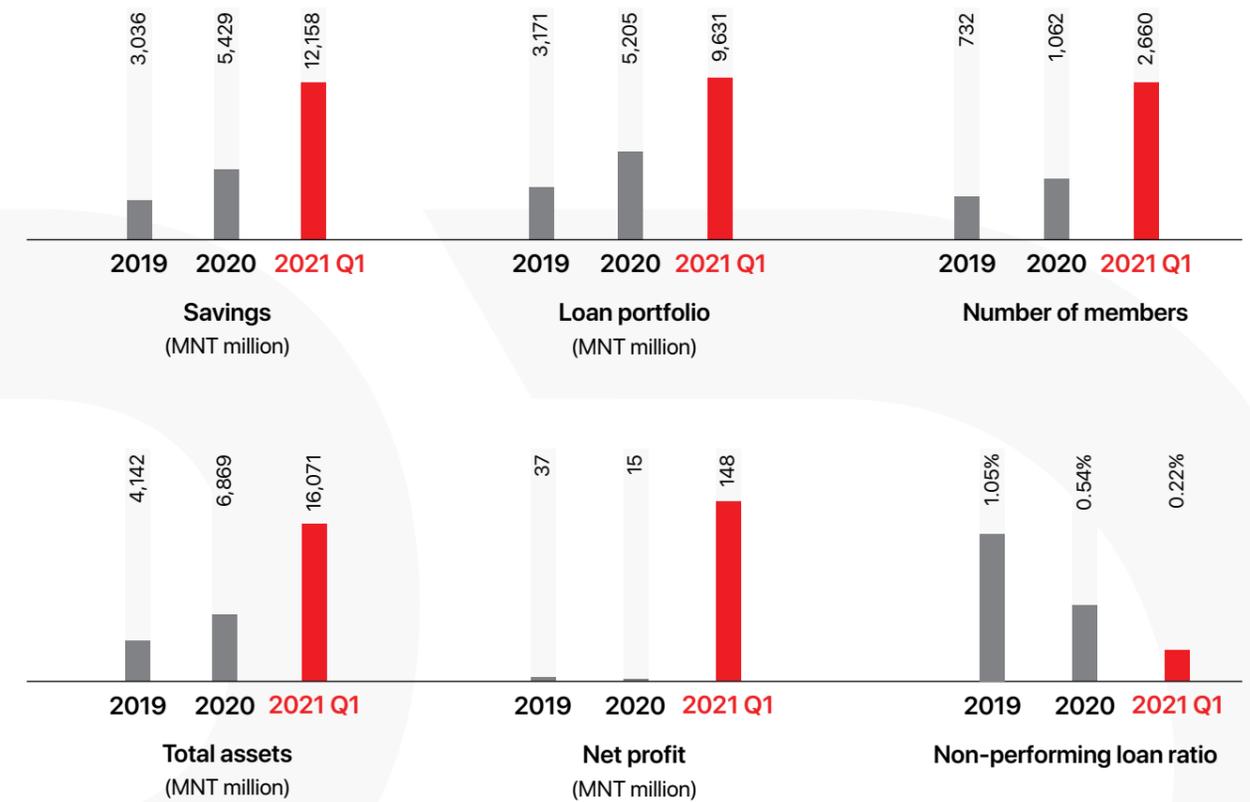
Operational Report

Ard Assets SCC was established in 2004 as Trasko SCC. In 2013, Ard Financial Group started investing in Trasko and changed its name to Ard Assets SCC.

In 2020, Ard Assets SCC increased its total assets by 66 percent to MNT6.9 billion and its equity rose by 18 percent to MNT919 million. Total income increased by 21 percent to MNT992 million which resulted in a net profit of MNT42 million.

In 2020, we attracted MNT5.6 billion new savings and the total savings balance reached MNT 5.2 billion. Additionally, we issued new loans totaling MNT5.9 billion, and our total loan balance as of December 31, 2020 was MNT5.2 billion. We introduced a new credit policy that offers lower interest rate loans to debtors with good credit history, and managed to decrease the non-performing loans ratio to 0.7 percent - which is the lowest within the industry.

Financial Indicators



Ard Management

2020 Highlights

- The National Privatization fund, Mongolia's first mutual fund, was established and launched
- As per the investment management agreement, we managed the NPF portfolio actively and outperformed the overall market return
- We successfully completed the acquisition process of Bulgan Undraga JSC

Operational Report

2020 was a historical year for both the Mongolian stock market and Ard Management LLC. We successfully launched the first closed-end mutual fund, the National Privatization fund (NPF). By the closing date of October 16, we were able to reach the targeted MNT4.75 billion and were even oversubscribed by MNT1 billion. The money was raised from over 2.5 thousand private and institutional investors. We efficiently put our 3-people team to use, and can credit at least MNT 800 million out of the MNT 5 billion for their efforts. Since investing became easier than ever, we are sure that this milestone created a positive image in our investors' minds and will invite more people to enter the capital market.

The National Privatization Fund aims to distribute a higher return than the overall market to its unitholders by actively managing the fund, engaging in profitable business, participating in upcoming privatizations, and distributing its yield through dividends to its unitholders.

Ard Management managed its daily operation efficiently with its newly hired fund manager. Its depth in portfolio research and on-time trading achieved a 10 percent higher return than we initially expected. At the end of December 2020, the portfolio return of the NPF reached 4.42 percent, which brought our yearly return to 25.6 percent.

In the upcoming year, Ard Management is aiming to establish an open-end mutual fund. At the same time, we also began the acquisition process of Bulgan Undraga JSC and CryptoNation LLC at the end of 2020. Its assets were transferred to the newly acquired Bulgan Undraga JSC and traded on the Mongolian Stock Exchange under BUN. A lot of work has been done, but the process is not finalized yet. We believe that this newly acquired company will expand its operation to blockchain technology and cryptocurrency in 2021 and beyond.

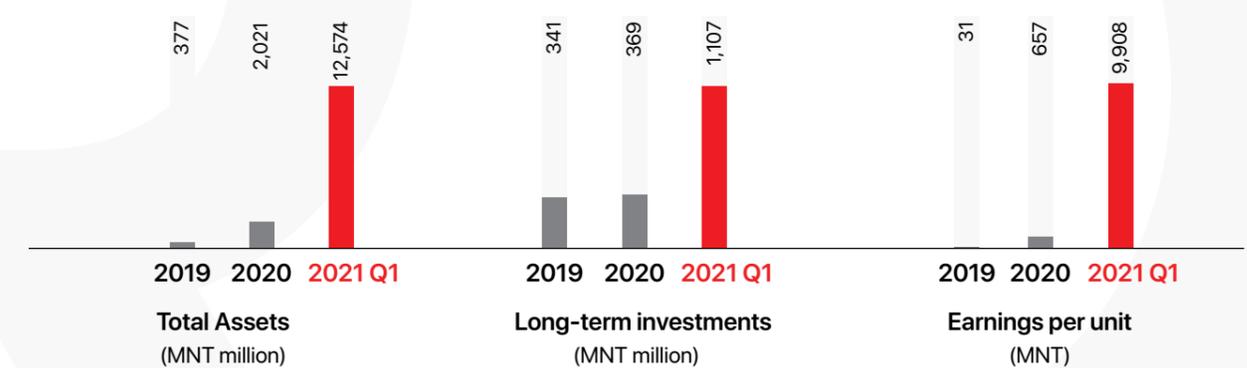
To support the operations of our parent company and its invested companies, we have carried out the following tasks successfully:

- Merged Ard Financial Group JSC and Jinst Uvs JSC securities accounts as part of the RTO process
- Successfully completed Recapitalization of EIT LLC, Ard Holdings International LLC and share transfer of Altan Horomsog LLC

Financial Indicators

At the end of 2020, Ard Management generated a total comprehensive income stand of MNT575 million, incurring an operational cost of MNT295.3 million. Total assets reached MNT2 billion by the end of the year.

In 2020, we did some restructuring and mainly focused on our core operation, which led to a decrease in other income and increased HR expenses.



Ard Bit

2020 Highlights

- We successfully recalled 17 million ArdCoins from other exchanges through a withdrawal program
- The number of ArdCoin owners reached 286,117
- The program to SWAP ArdCoin with AARD, ADB, and AIC shares was successfully implemented and 4.4 million ArdCoins were Swapped
- ArdCoin's native exchange Digital Assets Exchange successfully launched its Demo version

Operational Report

In 2020, to support the activities of Ard companies, we offered pension funds to ArdCoin (ARDX) owners in partnership with Ard Life. With this initiative, 7,047 ArdCoin holders opened pension accounts. It also allowed customers to use their ArdCoins to make their first deposit into their pension funds, and 68 million ArdCoins were deposited. In partnership with Ard Shop, 1,000 customers enjoyed a discount of a total of 8.2 million ArdCoins which helped promote online shopping during the COVID-19 pandemic. The HODL program has been successfully launched to reward long-term ArdCoin

holders, with 1,340 people depositing 165 million ArdCoins into their HODL savings in the Ard App. With the SWAP program initiative to increase the utilization of ArdCoin, 4.4 million ArdCoins were swapped with Ard Financial Group (AARD), Ard Insurance (AIC), and Ard Credit (ADB) stocks. In December 2020, Digital Assets Exchange (DAX) and Mongolia's first Security Token (ARDT) was successfully launched, allowing Ard App users to trade their loyalty points, ArdCoins, with MNT, Bitcoin, and ARDT.

Performance

Rewards given to new customers

Nº	Products	Number of customer	Number of ArdCoins allocated
1	Registration Reward	147,654	108,572,400.00
2	Email Confirmation	19,803	2,265,560.00
3	Friend Invites	79,984	94,800,500.00
4	Facebook Confirmation	21,854	2,645,000.00
Top Shareholders		269,295	208,283,460.00

ArdCoin Reward programs for 2020

(12/31/2020)

Nº	Company	Number of customers	Number of ArdCoins allocated
1	Ard Credit	233,556	33,968,155.52
2	Ard Insurance	1,728	677,092.31
3	Ard Securities	23,061	7,740,966.92
4	Ard Life	6,049	10,582,489.80
5	Ard Assets	193	1,651,473.02
6	ArdShop	1,019	679,370.42
7	Ard Holdings	1,511	9,600,890.00
Total		267,117	64,900,437.99

(12/31/2020)

ArdCoin Reward programs for 2020

Nº	Name of the Program	Number of Participants	Number of ArdCoins
1	HODL	1,340	165,277,327
2	SWAP	12	4,466,897
3	Pension fund deposits	7,047	68,241,751
4	Kids with StoXX	10	2,880,000
5	Purchases (ArdShop)	997	8,222,551

ArdShop

2020 Highlights

- Ariunaa Bayaraa was appointed as CEO, with a focus on technology and customer service
- COVID-19 lockdowns and changes in consumer behavior have driven e-commerce growth
- There was a new round of equity investment by existing shareholders
- The number of registered users increased by 137 percent from 2019

Operational Report

Ariunaa Bayaraa, formerly Chief Marketing Officer of Ard Financial Group, started as CEO of MEC Partners LLC in the third quarter of 2020. The strategic objective of ArdShop is to use technology to deliver the highest level of e-commerce customer service. ArdShop is a two-sided e-commerce platform that enables consumers to shop a wide selection of products online and sellers to reach a large base of digital consumers. In 2020, ArdShop increased its registered users to 254,000, up by 137 percent from 2019. ArdShop's registered users surpassed 700,000 at the end of the first quarter of 2021.

MEC Partners, owner and operator of ArdShop, successfully raised a new round of investment from its existing shareholders by issuing new shares. Ard Holdings' ownership stake in the company increased

to 61.24 percent from 40 percent. The additional investment is being used for developing ArdShop's technology and providing working capital for the fast-growing e-commerce platform.

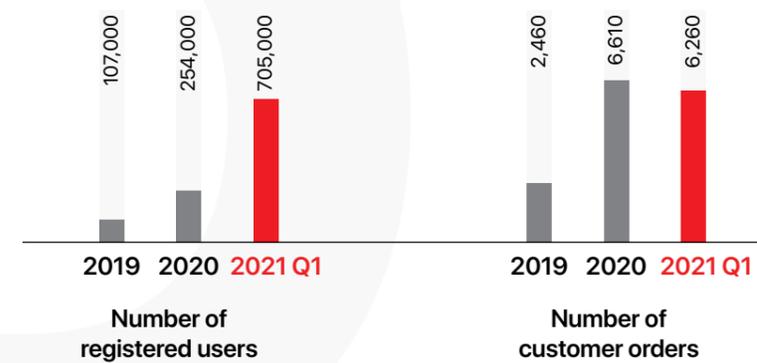
Development of the latest mobile user interface started in the last quarter of 2020, with a focus on optimizing the online store's user experience. A faster and more shoppable Ardshop was launched in January 2021. This new version of ArdShop has been successfully integrated into Ard App v4.0.

The COVID-19 pandemic has strongly compelled Mongolian consumers to turn to online shopping. Stay-at-home orders in November and December especially necessitated consumers to shop for products online. ArdShop received 384 percent more orders

in December 2020 compared to December 2019. Customers of ArdShop shopped for everything from books and everyday essentials, to high-value items such as electronics and exercise equipment. As a result of the pandemic, the change in consumer behavior will be lasting. For manufacturers and merchants, an online

storefront is no longer a nice-to-have but a must-have. ArdShop, armed with its strategic partnership with Mongol Post and the ArdCoin loyalty program, is strongly positioned to help businesses reach Mongolia's digital consumers.

Key Indicators



DAX - Digital Assets Exchange (DAX.mn)

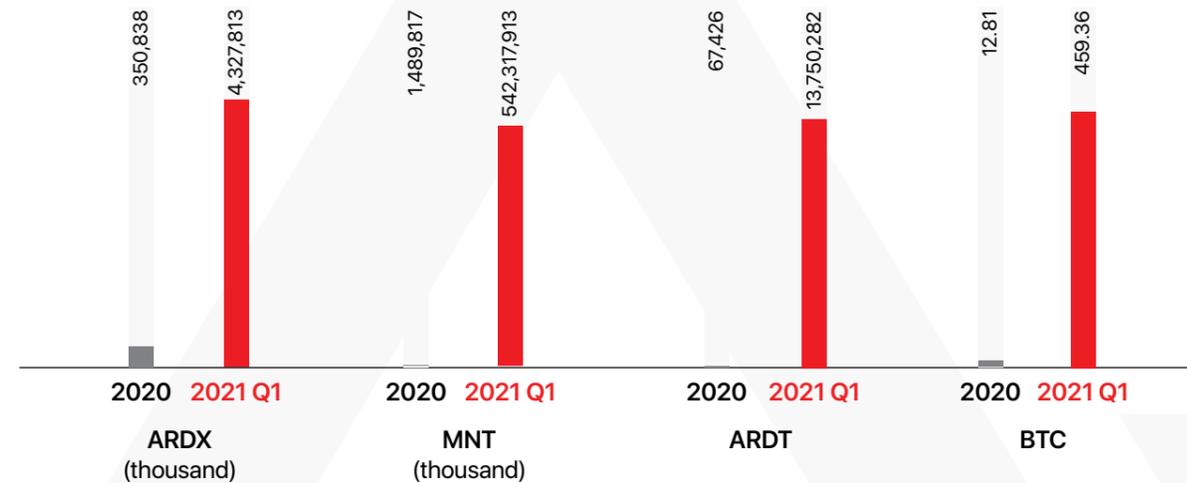
Digital Assets Exchange was launched in December 2020. The exchange is a blockchain-based trading platform to be regulated by the Virtual Assets Services Provider Law, which is expected to be approved by Parliament in the near future. Products such as ArdCoin,

Bitcoin and security token of Ard Financial Group (AARD) are currently traded on this exchange 24/7. DAX, or ArdX LLC, is 60 percent owned by Ard Financial Group, and at the end of 2020, its daily trading volume was MNT10-20 billion average.

Key Indicators



Trading Statistics



National Privatization Fund (XOC)

The National Privatization Fund is the first closed-end mutual fund of Mongolia which was founded in 2019 and raised MNT4.75 billion from the public through the Mongolian Stock Exchange in 2020. By investing into the fund, your money will be managed

by a professional asset management team and you will benefit from participation in major government-owned enterprises' privatizations, investments into domestic and international markets.

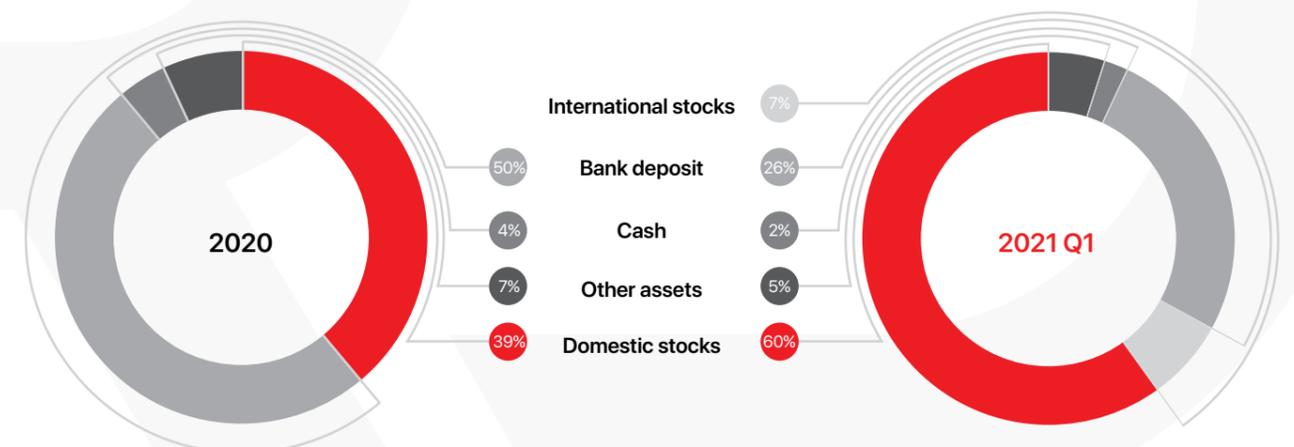
Fund Shares Trading

MSE: XOC	Open (MNT)	High (MNT)	Low (MNT)	Close (MNT)	Change	Daily average trading volume (MNT)	Total trading volume (MNT)	Number of units traded
2020/01/01 - 2020/12/31	100	114.04	100	108.63	8.63%	6,981,621	321,154,588	2,998,594
2020/12/31 - 2021/03/31	108.63	259.7	107	259.7	139.07%	21,394,392	1,305,057,932	7,163,109

	2020	2021 Q1	2020	2021 Q1
Number of unit holders	2,451	3,792	Closing price (MNT)	108.63 / 259.7
Total number of units	50,000,000	50,000,000	Net asset value (MNT)	104.75 / 161.24
Market capitalization (MNT)	5,431,500,000	12,985,000,000		



Investment Portfolio



Mongol Post (MSE: MNP)

2020 Highlights

- Started the new sorting center construction project
- Produced new products and services in rural areas
- Launched the international money remittance services
- Completed the delivery project for government services, E-Mongolia

Increased competitiveness of International postal service

Expanded logistics and transit services, created infrastructure

Implemented financial services, expanded types of financial services provided

Improved asset utilization, introduced additional services

Operational Report

During lockdowns imposed by the Mongolian government in response to the global COVID-19 pandemic, Mongol Post operated under increased safety and preventive procedures and continued to provide our postal and delivery services. At the end of 2020, Mongol Post employed a total of 980 staff, of which 520 were employed in rural branches and 460 were employed in the capital Ulaanbaatar.

To improve domestic postal services, Mongol Post purchased additional delivery vehicles and doubled the capacity of delivery services. In addition, the delivery structure has been simplified, the service system and supplier app have been improved, and it started receiving delivery orders on www.mydelivery.mn. Furthermore, Mongol Post introduced the E-Mongolia system of mail-order delivery, diploma delivery service in cooperation

with universities, and order delivery service. By investing in the expansion of inter-province transportation services and increasing its capacity, we have provided regular deliveries 1-4 times a week to all provinces and remote districts under strict safety and preventative procedures during the pandemic.

Foreign mails exchange has been resorted towards special duty and chartered flights as part of efforts to ensure an uninterrupted and reliable operation of the international postal network during the pandemic. In addition, air and rail transportation was provided to ensure the normal operation of the transit post. The International Postal Distribution Center was inaugurated and funded by the World Postal Quality Fund for the projects "Improving Inter-Branch Postal Delivery" and "Electronic Registration, Transmission, and Exchange of International Postal Information." In addition to opening its Express Mail Service branch, it has launched a campaign to promote international postal services to the

Mongolian market. In terms of the quality of express mail, Mongol Post was selected from 198 member countries of the World Postal Union and won the "Best Customer Service" award for the second time.

Mongol Post has joined EuroGiro, an international money transfer service, in cooperation with Ard Credit JSC. Our first transaction was donated against the COVID-19 pandemic. In order to increase the scope of financial services in the future, a project to develop a financial services strategy funded by the Universal Postal Union is being implemented.

To be more accessible to our customers in emergency work situations, we mainly used social media and the internet to provide timely information to our customers and regularly monitor customer satisfaction. Also, as part of the e-transition, the company's website is being updated and the MongolPost App is under development.

Forward Looking Statement

Since the beginning of 2021, we redoubled our efforts to invest in a bank. In 2021, we started a strategic partnership with a commercial bank, and following amendments to the Banking Law, we were mandated with the IPO of Bogd Bank. We agreed to lead a pre-IPO equity round, obtaining 11.7 percent stake upon a green light from the Central Bank of Mongolia.

We are eagerly awaiting Parliamentary approval of the law on Virtual Assets' Service Providers, which will allow the Digital Assets Exchange (DAX.mn) to expand its

operations and elevate its services. With the Sandbox Regulations approved by the Financial Stability Board, regulators are planning to start some projects on a trial basis.

Ard Holdings International, a wholly-owned subsidiary of Ard Financial Group, has begun working on becoming a listed company on the Toronto Stock Exchange. We have started a partnership with an experienced Canadian consulting firm to help with this project.

- Ard Securities was mandated with the dual-listing of Steppe Gold on the Mongolian Stock Exchange, a leading gold producer in Mongolia listed on the Toronto Stock Exchange. We are working hard to finish the work in the second quarter of 2021
- We were mandated with the IPO of Bogd Bank and agreed to lead a pre-IPO equity round
- Our efforts to invest in foreign banks may be delayed due to the pandemic and political instability in the region
- We will hire a qualified Chief Digital Officer, which is one of our top priorities
- We will focus on attracting new investors
- We will extensively research DeFi or decentralized finance solutions on blockchain
- We aim to establish a Media Group that will provide timely and honest financial information, create healthy competition in the field of journalism, and create quality content
- We will work with Women's World Banking and support their "Making Finance Work for Women" initiative
- We are trying to acquire our own securities exchange and increase our contribution to the Mongolian stock market
- In this challenging time when the economy is in a downturn due to the pandemic, we will increase our efforts in implementing socially beneficial projects and providing donations
- We are preparing to become the first to use NFT and record unique creations on blockchain technology in Mongolia
- We will transfer ArdCoin to the new ERC platform and register it on Binance Smart Chain. We will also list ArdCoin on Bittrex Global, an international crypto-exchange, and start global advertising efforts
- We are planning to initiate a massive project to promote financial education and literacy in rural areas of Mongolia
- We will intensify our efforts to deliver our company's activities to Mongolians living abroad



2021 Q1 Highlights

A Unicorn Is Born

The COVID-19 pandemic continues to impact socio-economic life profoundly. The Government has imposed restrictions on population movement and business activities as the spread of the disease continues. The National Emergency Management Agency has started the vaccination efforts, and is working to cover the entire population by the second quarter of 2021.

The Government approved new amendments to the Banking Law, requiring banks to limit ownership of a single beneficial owner to 20 percent and to become public by 2022. Ard Financial Group has encouraged the public to invest in the bank, and has already signed a strategic partnership memorandum with Bogd Bank, obtained an IPO mandate, and led a Pre-IPO equity round in the bank through its subsidiary Ard Holdings International.

As of the end of the first quarter in 2021, Ard's separate total assets reached MNT437 billion. We made a total profit of MNT14.6 billion, and our total equity reached MNT377 billion. Although the market capitalization is MNT290 billion, we internally estimate that Ard's valuation reached MNT408 billion. The main driver for this is the fact that our total comprehensive income reached MNT304 billion in the first quarter. According to our internal assessment, AARD share valuation reached MNT14,266.

A total of MNT71.8 billion of stocks were traded at the MSE during the first quarter, of which MNT50.1 billion or a staggering 70.7 percent was attributed to Ard Financial

Group's related stock trading, and AARD comprised 45.8 percent of the total alone. Ard Securities was, undoubtedly, the most active broker with MNT83.5 billion of buy-and-sell orders executed. Amarbaysgalan started working as the Executive Chairman of Ard Securities. The company is looking to dual-list Steppe Gold and IPO Bogd Bank by the second quarter of 2021. The company's share price has been rising steadily since 2021. As a result, Ard Financial Group has become one of the largest companies on the Mongolian Stock Exchange, ranking third behind APU (APU) and Tavan Tolgoi (TTL).

The number of shareholders in all Ard-related companies increased to 57,940. This number includes the National Privatization Fund's unitholders and security token (ARDT) holders on DAX.

A total of 4.8 billion ArdCoins were traded on DAX. The number of registered users of Ard App reached 1.2 million in the first quarter, making us one of the largest companies in Mongolia in terms of clients.

Altogether, Ard Financial Group distributed a total of 82.4 million ArdCoins in the first quarter through our customer referral and loyalty, marketing, and CSR programs such as the "Nasny Myalaalga" Lunar new year referral campaign, and "77 ArdCoins for Every Child" campaign.

We hired 88 staff members to our team at the Group level.

We worked closely with regulators, and gave detailed explanations on the rapid growth of the price of ArdCoins and our stocks. We also transferred Crypto Nation to Bulgan Undraga JSC (BUN) and started its trading.

We improved our information technology systems and call center. Ard Leasing and Ard Properties became more active.

We issued and financed MNT40 billion private corporate bonds for Gatsuert LLC. Our largest shareholder, Hishig Arvin, offered to exchange half of his Ard Financial Group (AARD) shares for Ard Credit (ADB) and Ard Insurance (AIC) shares, and cashed out the rest. We are making the necessary arrangements and agreements.

Highlights from the main subsidiaries:

- Ard Credit increased its total loan portfolio by 25 percent to MNT25 billion. The company, which has 39,000 borrowers, made a net profit of MNT2.4 billion and a total comprehensive income of MNT19.8 billion.
- Ard Insurance's total assets reached MNT35 billion. It made a profit of MNT6.7 billion. The company's Board of Directors decided to allocate MNT1 billion to its shareholders as dividends
- Ard Life's total assets tripled and reached MNT67 billion
- The Digital Assets Exchange or DAX became an instant success upon launch, garnering 600,000 users in just three months. It has started making huge profits through its trading fee
- Ard Securities consolidated its market leadership and won two IPO mandates
- As the National Privatization Fund continued to grow, its unit price reached an all-time high at MNT300



Valuation

(MNT million)	2019	Ownership %	2020	Ownership %	2021 Q1	Ownership %
Strategic investments	67,288		67,450		244,676	
Mongol Post (MNP)	18,066	25.50%	17,689	23.68%	39,965	23.69%
Ard Insurance (AIC)	13,356	66.80%	13,108	65.54%	18,335	50.40%
Ard Credit (ADB)	13,973	60.80%	14,080	61.25%	32,243	46.02%
Ard Securities	2,305	100.00%	2,305	100.00%	19,489	100.00%
Ard Management	365	100.00%	1,265	100.00%	10,859	100.00%
Ard Assets	119	10.00%	99	9.50%	319	9.46%
Ard Life	11,426	100.00%	11,426	100.00%	51,009	100.00%
Ard Bit (incl. DAX)	200	100.00%	0	100.00%	38,923	100.00%
Ard Leasing	0	100.00%	0	100.00%	8,768	100.00%
TenGer Systems (incl. ArdShop)	1,154	100.00%	1,154	100.00%	7,502	100.00%
Ard Holdings International	6,325	100.00%	6,325	100.00%	17,264	100.00%
Tactical investments	967		50		23,255	
National Privatization Fund (XOC)	0		3	0.05%	4	0.03%
BUN			28	32.89%	230	32.89%
CryptoNation	950	32.40%	0		0	
Other financial instruments	17		19		23,021	
Other	(8,601)		(8,263)		140,281	
Fixed asset and intangible assets	769		9,407		149,972	
Cash	43		101		616	
Other net assets	(9,414)		(17,771)		(10,307)	
Total valuation	59,653		59,237		408,212	
Outstanding shares	27,175,629		27,175,629		28,614,263	
Value per share	2,195		2,180		14,266	

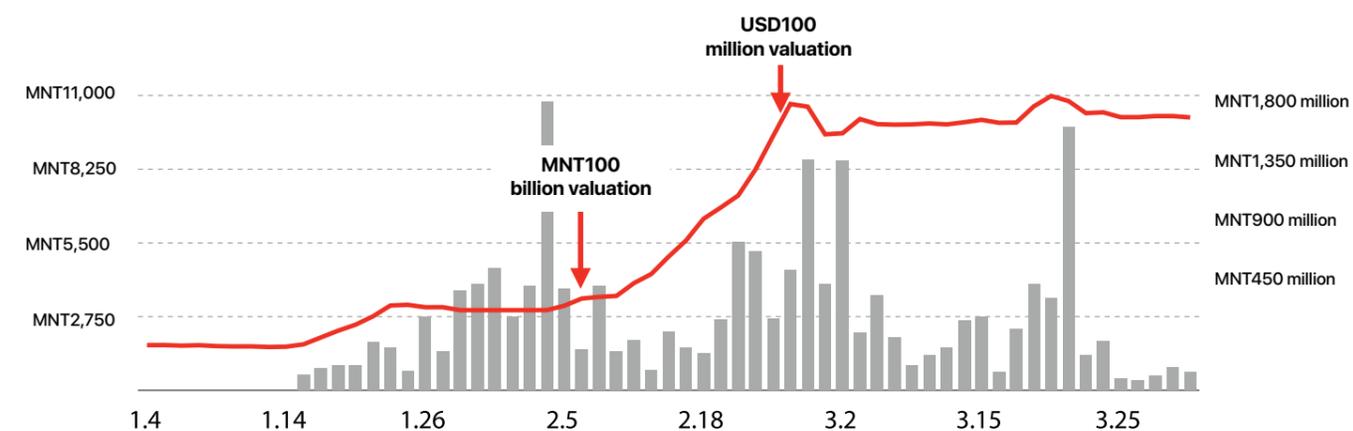
Stock Trading (MSE: AARD)

Stock Trading

MSE: AARD	Open (MNT)	High (MNT)	Low (MNT)	Close (MNT)	Change	Daily average trading volume (MNT)	Total trading volume (MNT)	Number of shares traded
2020/01/01 - 2020/12/31	1,700.00	1,800.00	1,002.00	1,758.00	3.41%	18,080,059.05	4,411,534,408.00	3,051,370
2021/01/01 - 2021/03/31	1,750.00	12,200.00	1,600.00	10,180.00	x5.8	390,775,291.90	23,837,292,803.00	4,666,940

	2019	2020	2021 Q1	2019	2020	2021 Q1	
Number of shareholders	4,063	4,523	13,730	Closing price (MNT)	1,766	1,758	10,180
Total number of shares	28,614,263	28,614,263	28,614,263	P/E	-	-	30.85
Market capitalization (MNT)	50,532,788,458	50,303,874,354	291,293,197,340	P/B	0.89	0.90	0.77

AARD trading graph





Independent auditor's report

"Grant Thornton Audit" LLC
A member firm of GTIL global network for assurance, tax and advisory services

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To shareholders of the Ard Financial Group JSC:

Opinion

We have audited the financial statements (hereinafter referred to as "Financial statement") of the Ard Financial Group JSC (hereinafter referred to as "Company"), which comprise the statement of financial position as of 31 December 2020, including:

- Separate statement of financial position,
- Separate statement of comprehensive income for the year ended,
- Separate statement of changes in equity,
- Separate statement of cash flows,
- A summary of significant accounting policies, and
- Notes to the financial statements.

In our opinion, the accompanying financial statements of the Ard Financial Group JSC give a true and fair view of the financial position as of 31 December 2020 and of its financial performance and its cash flows for the year then ended, in all material respects, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted 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 Financial Statements* section of our report.

Use of the Audit Report

Pursuant to Article 94 of the Company Law of Mongolia, this report is intended solely for shareholders of the Company and not for other subjects. We are not liable to any other third party under this report.

Engagement partner of this independent auditor report is N. Erdenetsog.




N. ERDENETSOG
ENGAGEMENT PARTNER

Statement of Financial Position

MNT thousand	31 December 2019	31 December 2020
Total assets		
Current assets		
Cash and cash equivalents	43,236	100,958
Receivables	4,912,768	1,685,343
Other financial instruments	416,506	18,737
Inventory	6,231	2,112
Prepayments	551,327	1,243,564
Total current assets	5,930,068	3,050,714
Non-current assets		
Fixed assets	642,006	466,025
Intangible assets	3,261,572	8,941,367
Right-of-use assets	-	440,433
Long-term investments	68,238,169	67,481,313
Non-current assets	72,141,747	77,329,138
Total assets	78,071,815	80,379,852
Liabilities and shareholders' equity		
Total liabilities		
Short-term liabilities		
Payables	2,613,677	4,552,360
Short-term liabilities	1,082,465	1,147,287
Short-term bond liabilities	-	11,958,106
Short-term lease liabilities	40,096	349,718
Total short-term liabilities	3,736,238	18,007,471

Statement of Financial Position (continued)

MNT thousand	31 December 2019	31 December 2020
Long-term liabilities		
Deferred tax liabilities	3,070,863	3,405,208
Long-term lease liabilities	262,390	379,093
Long-term liabilities	2,236,039	408,752
Long-term bond liabilities	12,183,955	2,347,232
Total long-term liabilities	17,753,247	6,540,285
Total liabilities	21,489,485	24,547,756
Shareholders' equity		
Share capital	28,590,335	28,590,335
Treasury shares	(1,414,706)	(1,414,706)
Revaluation reserves	24,105,478	27,284,096
Other equity	13,799	13,799
Retained earnings	5,287,424	1,358,572
Total shareholders' equity	56,582,330	55,832,096
Total liabilities and shareholders' equity	78,071,815	80,379,852

Statement of Profit or Loss and Other Comprehensive Income

MNT thousand	2019	2020
Management fee income	346,333	688,461
Investment income	879,944	303,915
Dividend income	537,157	1,311,736
Interest income	302,225	29,984
Total investment income	2,065,659	2,334,096
Other income	788,556	916,740
Sales and marketing expense	1,625,924	271,381
General and administrative expense	3,293,038	3,183,791
Financial expense	1,476,353	2,876,353
Other expense	896,380	785,887
FX gain (loss)	(20,036)	(170,140)
Asset disposal gain (loss)	(34,430)	-
Profit (loss) before tax	(4,491,946)	(4,036,716)
Income tax expense (benefit)	84,204	(2,041)
Net profit (loss)	(4,576,150)	(4,034,675)
Other comprehensive income		
Equity investment revaluation gain	9,348,676	385,328
Virtual asset revaluation gain	675,736	3,849,693
Other comprehensive income	10,024,412	4,235,021
Total comprehensive income	5,448,262	200,346
Earnings (loss) per share	(0.21)	(0.15)

Statement of **Changes in Equity**

MNT thousand	Share capital	Treasury shares	Paid-in capital	Revaluation reserves	Other equity	Retained earnings	Total equity
Balance as of 1 January 2019	1,879,653	(160,216)	9,929,061	14,081,066	13,799	24,767,270	50,510,633
Changes in accounting policy	-	-	-	-	-	10,956	10,956
Restated balance	1,879,653	(160,216)	9,929,061	14,081,066	13,799	24,778,226	50,521,589
Net loss for the year	-	-	-	-	-	(4,576,150)	(4,576,150)
Revaluation gain	-	-	-	10,024,412	-	-	10,024,412
Changes in equity	26,710,682	(1,254,490)	(9,929,061)	-	-	(14,914,652)	612,479
Balance as of 31 December 2019	28,590,335	(1,414,706)	-	24,105,478	13,799	5,287,424	56,582,330
Net loss for the year	-	-	-	-	-	(4,034,675)	(4,034,675)
Revaluation gain	-	-	-	4,235,021	-	-	4,235,021
Dividends	-	-	-	-	-	(950,580)	(950,580)
Realized profit from revaluation reserves	-	-	-	(1,056,403)	-	1,056,403	-
Balance as of 31 December 2020	28,590,335	(1,414,706)	-	27,284,096	13,799	1,358,572	55,832,096

Statement of **Cash Flow**

MNT thousand	2019	2020
Cash flow from operations		
Profit before tax	(4,036,716)	(4,491,946)
Adjustments:		
Depreciation	323,745	179,194
Depreciation - Right of use assets	-	293,622
Impairments	4,722	17,936
Revaluation adjustments	10,024,412	(428,143)
Investment revaluation gain (loss)	(7,299,818)	3,178,618
Fixed assets disposal gain (loss)	34,430	-
Deferred tax	995,785	321,359
Share capital	16,781,621	-
Other comprehensive income	-	1,056,404
Dividends declared	-	(950,579)
Cash flow from operations before changes in working capital	16,372,952	(368,307)
Changes in working capital		
Net changes in receivables	(2,072,416)	3,227,425
Net changes in other financial assets	6,639,120	397,769
Net changes in inventory	30,133	4,119
Net changes in prepayments	279,146	(692,237)
Net changes payables	2,271,678	1,938,683
Cash flow from operations	23,520,612	4,507,452
Income tax expense	33,835	15,027
Net cash flow from operations	23,554,447	4,522,479

Statement of Cash Flow (continued)

MNTthousand	2019	2020
Cash flow from investment activities		
Cash out		
Fixed assets acquisition	(28,241)	(3,212)
Intangible assets acquisition	(3,251,689)	(5,697,731)
Other long-term assets acquisition	(17,127,632)	1,184,998
Assets for sale	4,817,832	-
Right-of-use assets	-	(307,730)
Treasury shares	(1,254,490)	-
Net cash flow from investing activities	(16,844,220)	(4,823,674)
Cash flow from financing activities	-	-
Cash in	10,851,969	13,280,932
Cash from loans obtained and bonds issued	10,851,969	13,280,932
Cash from equity and other financial instruments issued	-	-
Other	-	-
Cash out	(17,530,382)	(12,922,014)
Cash paid to loans and bonds	(2,929,171)	(12,922,014)
Cash paid to finance lease	302,486	-
Cash paid to shares buyback	(14,903,697)	-
Dividends paid	-	-
Total cash flow from financing activities	(6,678,413)	358,918
Net cash flow	31,814	57,722
Beginning balance of cash and cash equivalents	11,423	43,236
Ending balance of cash and cash equivalents	43,236	100,958

2020

Stronger. Together.