

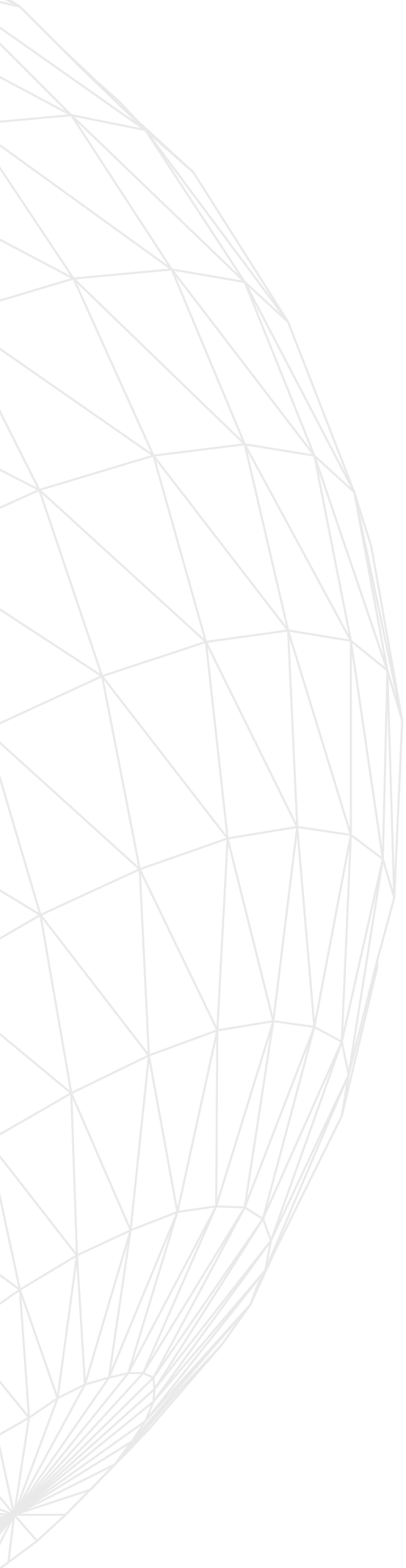


FINANCIAL
GROUP



ANNUAL REPORT 2013





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| GREETINGS FROM THE CHAIRMAN



Dear Shareholders, Investors, Colleagues, Partners, and Customers!

We are proud to present the first ever Annual Report of Ard Financial Group. The year 2013 produced excellent results for the Company. We all worked hard to build, grow, and succeed. The company repaid all outstanding debt on its books, overhauled and streamlined its operations, and managed to attract new strategic investors to its already impressive list of shareholders. The Company started rebranding itself as Ard Financial Group (Ard Holdings), following the decision of the Board. Ard stands for 'people' in Mongolian and we adopted a new corporate motto — 'Stronger. Together.' — to symbolize the importance we attach to teamwork and unity of vision.

Despite a volatile operating environment and an unstable macroeconomic situation in 2013, we managed to consolidate our businesses, sell off non-core assets, and repay our loans. We introduced more streamlined structures and processes and reinvigorated the team at all levels of the organization. You will find the new organizational structure of the Company with a discussion of operating and financial results in this Annual Report.

We split EIT Capital Management (ECM) in order to let Ronoc and MAK directly own stakes in TenGer Financial Group, following our original plans. Furthermore, ECM will be fully dismantled in 2014 to allow EIT, MCS, and Mongolia Opportunity Fund to become direct shareholders of TenGer, enabling us to represent our interests in TenGer affairs directly. ECM was created in 2008 to specifically facilitate the entry of Ronoc and BlueOrchard into TenGer.

One of our largest investments, the Institute of Engineering and Technology, obtained a university license and added a vocational high school permit. The school continues to develop rapidly under the leadership of Mr. Ganbat Baramsay.

Monet Capital underwent a significant downsizing of its team, managed to stop the losses incurred by the previous management, and streamlined and stabilized its operations. It is now a full-fledged member of the new financial holding structure. We will intensify our efforts to reposition the Company in 2014 and develop a new strategic plan under the Ard Group brand name.

Although we were forced to liquidate the pioneering pension account services offered by MTND, we are working on enabling a structure which will allow us to continue with this essential product offering within the evolving legal framework for pensions and life insurance in Mongolia.

At the end of 2013 we acquired significant stakes in Ard Insurance and Ard Credit from Inter Group. Both of these entities are the new champions in their respective sectors and will enable EIT to create a comprehensive financial holding structure – Ard Financial Group.

Ard Holdings' financial statements audit was conducted by BDO Audit and the resulting report is included in this document. Please get acquainted with the new composition of the Board of Directors presented here - this team will guide the Company in the next stage of its development.

I cannot underestimate the role of the shareholders in the success of the Company. You have placed your capital and trust in Ard Holdings and empowered the Board and management team to take action. Going forward, we will continue to capitalize on the synergies our platform offers. The collaboration continues to be based on integrity, dignity, and mutual trust. I would like to take this opportunity and thank you again for your continued support.

Sincerely,

Ganhuyag Ch. Hutagt
Executive Chairman of the Board of Directors

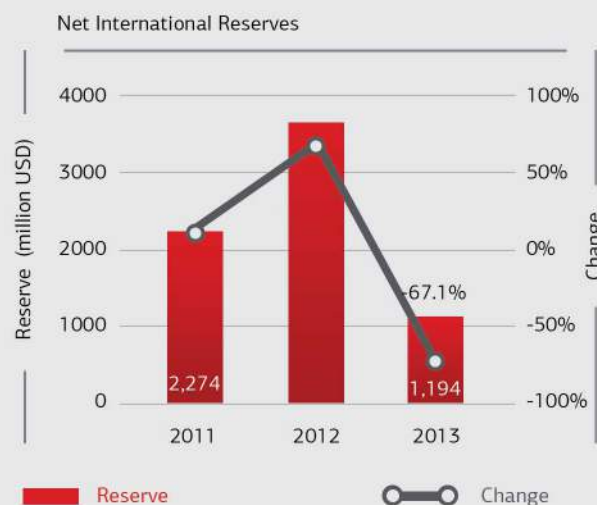
ECONOMIC OVERVIEW



Unfavorable impact from the world economic crisis on the domestic economy and an unstable legal environment continued throughout 2013. Nevertheless, the GDP reached MNT 17,550.2 billion at current prices, or MNT 6,144.2 billion at 2005 constant prices. This is a nominal 25.2 percent growth, producing a real growth of 11.7 percent.

Although, the real growth of GDP shows an impressive two digit number, it did not hit the projected target due to weaknesses in infrastructure, low productivity, and an unclear and unstable investment and business environment. The confidence of investors and businesses was shaken after certain legal changes that clearly hindered foreign investment, were introduced.

Economic growth was driven by the agricultural sector (which grew by 13.5 percent), industry and construction (20.1 percent), and services (10.0 percent). The mining sector remained stagnant due to low demand from our main trading partner, the People's Republic of China. This is associated with some skepticism in the global economic outlook, a visible slowdown in the Chinese economy and its impact on demand, and thus, the price of Mongolian raw materials and commodities.



Disruption in foreign investment flows, decrease of export revenues (derived mostly from mining), and the resultant depreciation of the Mongolian currency are severely impacting the economy. The government of Mongolia is working hard to mitigate the impact of these negative events, reinstate investor confidence, and boost exports by revisiting the laws that damaged the investment climate. The Mongolian Government needs to accelerate the introduction of legislation to promote, better protect, and further comfort businesses, and finally get Oyu Tolgoi's second phase financing agreement done within 2014. Despite these efforts, and the fact that Mongolia issued maiden sovereign bonds and guaranteed the Development Bank bonds on international markets to smooth out shocks on the economy, the net foreign currency reserves stood low at USD 2.2 billion — 1.9 billion lower than in the previous year. The Mongolian currency became the worst performing currency of 2013 and still is at the time of writing.

Non-performing loans in the banking sector are on the rise and stood at MNT 566.0 billion, which is a MNT 270.9 billion (or 91.8 percent) increase compared to the previous year.

The fact that major global economies have been recovering since 2013 and Mongolia has made some visible improvements in the legal environment (Investment Law, Law on Investment Funds, etc.) and infrastructure development (such as progress in railway construction, which was put on hold for some time), and a widespread sense of urgency in terms of getting major mining and industrial projects off the ground, do offer us a hope that the economic direction will be impacted positively in 2014.

ARD FINANCIAL GROUP FORMER EQUITY INVESTMENT TRUST

EIT or Equity Investment Trust LLC is a specialised holding company with affiliates in Mongolia's financial services industry. Our investees operate in both banking and non-bank financial services sectors under the license and supervision of both the Central Bank of Mongolia and the Financial Regulatory Committee.



The Company was founded in 2005 by 10 employees of XacBank as Employee Investment Trust in order to enable direct ownership of employees and management in the Bank. At the end of 2013, the Company's portfolio includes assets and companies in various industries to capitalize on the unique opportunity that Mongolia's current development stage offers. It has more than 370 shareholders and the total valuation stands at MNT 28 billion.



2005



2013

The Company always had a clear vision that the people who devote their hearts and lives to the creation of value must also be able to take part in the ownership of institutions they work for.

Initially since 2002 only TenGer Financial Group (formerly XAC-GE Group) employees were given access to the Company shares at subsidized prices and the Company in turn only bought TenGer shares with funding from the employee stock ownership fund, which in turn was constituted by UNDP, USAID, and employee contributions.

Since then, the Company has expanded gradually to become one of the largest investment holding companies in Mongolia with investors representing some of the largest corporate and family-owned businesses, and, of course, our founding individual shareholders. It is always difficult to start something new and work to grow it to a success. The work was not without mistakes, but we pride ourselves that we are a learning organization. We learned from our past mistakes, made extra efforts to take on every opportunity that presented itself, and delivered superior returns, surpassing all of our shareholders' expectations. This was done despite adverse changes in the environment, internal tensions, and unexpected challenges faced in the market — a unique market characterized by high volatility, rapid changes in the operating environment, hyper growth, and immense potential.

Collaboration and mutual trust amongst all shareholders, the Board of Directors, and the management plays a pivotal role in successfully overcoming the task of identifying profitable opportunities, turning around and managing companies, raising funding, and protecting and growing the shareholder value.

We have been introducing major changes in the reporting process, risk management system, and corporate governance without compromising on the effectiveness of the organization. This is done in order to maintain and enforce the trust that is considered to be the cornerstone of the success of any business.

The results are clear. In the past, the Company invested in companies such as TenGer (financial holding company), IET (a vocational education and training center), Monet Capital (a broker, dealer, underwriter, and investment advisory), MTND (the country's first private pension fund), Nomyn Hishig (real estate), TenGer Systems (a software provider for banks and non-bank financial institutions).

In 2013, EIT purchased considerable stakes in Ard Insurance and Ard Credit NBF, entering into direct competition in insurance and non-banking financial sectors. It marks the beginning of the implementation of the new strategy of the Group: to become a financial services powerhouse in Mongolia. EIT started branding itself under the new name of Ard Financial Group or Ard Holdings.

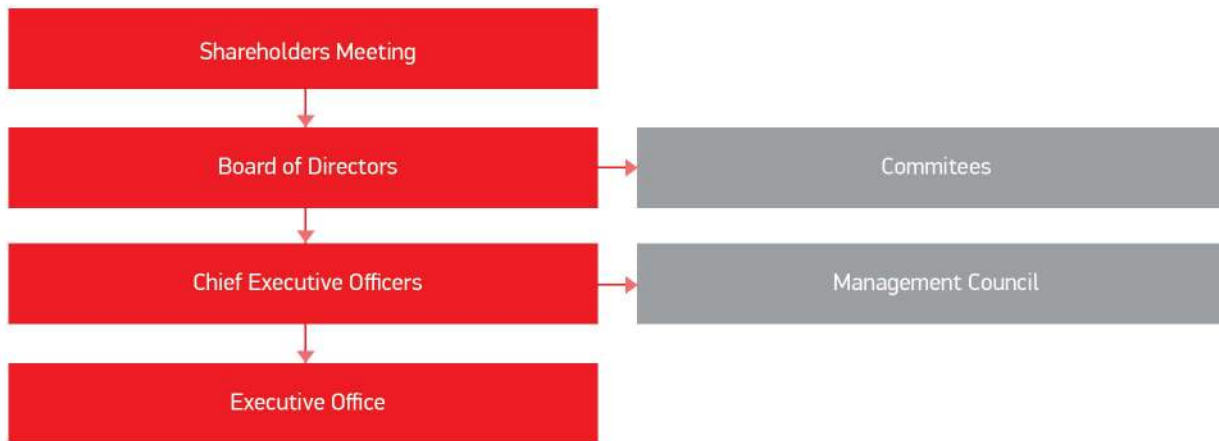
INVESTMENT STRUCTURE

In order to optimize the management and the performance of the investment portfolio and introduce internationally accepted standards, the following organizational structure is envisaged for the future.



Non-financial sector affiliates and subsidiaries will be pooled together under the new investment fund and managed in accordance with the new Investment Fund Law.

STRUCTURE



SHAREHOLDERS STRUCTURE

	SHAREHOLDERS	#	%
1.	INTERGROUP LLC	2,153,450	14.04%
2.	UBIG LLC	1,907,059	12.42%
3.	APOLLO VENTURES LLC	1,690,00	11.01%
4.	GANHUYAG CHULUUN	1,290,00	8.40%
5.	MAK LLC	873,000	5.69%
6.	LUNA AND LUNA LLC	838,663	5.46%
7.	SORONZONBOLD LHAGVASUREN	596,810	3.89%
8.	NEMEHAATAR BAYARTOGTOH	507,834	3.31%
9.	GERELTUYA SEDBAZAR	450,000	2.93%
10.	SERGELEN MUNH-OCHIR	417,710	2.72%
11.	UYANGA GALNYAM	402,561	2.62%
12.	BAT-OCHIR DUGERSUREN	313,650	2.04%
13.	ZOLJARGAL MYAGMARSUREN	300,000	1.95%
14.	BOLD MAGVAN	256,000	1.67%
15.	DELGERJARGAL BAYANJARGAL	251,960	1.64%
	15 Largest Shareholders	12,248,697	79.79%
	Remaining 349 Shareholders	3,102,958	20.21%
	Total Outstanding Shares	15,351,655	100.00%

MANAGEMENT AND BOARD



GANHUYAG CHULUUN
(Executive Chairman)



BATBOLD ARIYASUREN
(CEO, EIT LLC)



GANBAT BARAMSAI
(CEO, IET)



TSOGBADRAH GALBADRAH
(CEO, TenGer Insurance)



SORONZONBOLD LHAGVASUREN
(VP, TDB)



GERELTU YA SEDBAZAR
(Mon-International LLC)



NEMEBBAATAR BAYARTOGTOH
(CEO, ZAG LLC)



SERGELEN MUNH-OCHIR
(CEO, TCI LLC)



TSELMUUN NYAMTAISHIR
(VP, MAK LLC)



OYUNGEREL JANCHIV
(Chairwoman Nic-Petrovis)



JAVZMAA LHAGVASUREN
(CEO, Apollo Ventures LLC)



BATBAYAR PUREV
(CEO, Inter Group)

| HIGHLIGHTS

SHAREHOLDERS

- Inter Group (which is engaged in information technology, construction, transportation, logistics, healthcare, and financial sectors) became the largest shareholder. Ard Holdings will identify and capitalize on areas of mutual interest and synergies with this Group.
- MCS Holding consolidated its shareholding in ECM and swapped the shares it directly owned in EIT for ECM shares and then partially exited ECM by tagging along in a share sale transaction to Mongolia Opportunity Fund. It currently holds about 1 percent of TenGer shares directly as a result of ECM dismantling.
- Individual minority shareholders who have offered to sell their positions in Ard Holdings were assisted to sell to new strategic investors such as Luna and Luna and Zag.
- A total of MNT 2.2 billion worth of Ard Holdings shares was traded in 2013 (excluding M&A transaction with Inter Group).

BOARD OF DIRECTORS

- Ms. Oyungerel Janchiv, Ms. Javzmaa Lhagvasuren, Ms. Gereltuya Sedbazar, and Mr. Batbayar Purev. were appointed as new Directors to the Board in 2013.
- Further work went into raising the level of corporate governance and eliminating weaknesses in the system. Various standing committees of the Board were designed to improve governance in key areas such as internal audit, investment oversight, risk management, accounting and finance, compensation, and corporate governance. The following is the list of those committees and their composition:

1. Investment Committee:

Mr. Sergelen Munh-Ochir, Mr. Telmen Tunsag, Ms. Oyungerel Janchiv, Mr. Soronzonbold Lhagvasuren, Mr. Batbayar Purev.

2. Compensation, Governance and Nomination Committee:

Ms. Oyungerel Janchiv, Mr. Nemehbaatar Bayartogtoh, Ms. Gereltuya Sedbazar, Mr. Ganbat Baramsai, Mr. Batbayar Purev.

3. Risk and Finance Management Committee:

Mr. Ganbat Baramsai, Mr. Soronzonbold Lhagvasuren, Mr. Batbayar Purev, Mr. Tsogbadrakh Galbadrah.

4. Audit Committee:

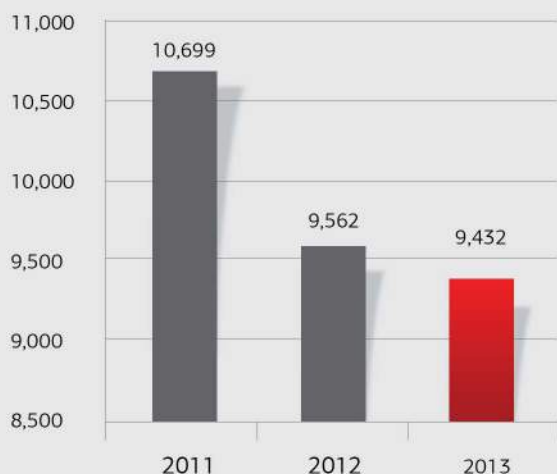
Ms. Javzmaa Lhagvasuren, Mr. Tsogbadrakh Galbadrah, Mr. Sergelen Munh-Ochir, Mr. Telmen Tunsag, Ms. Gereltuya Sedbazar.

INVESTMENTS

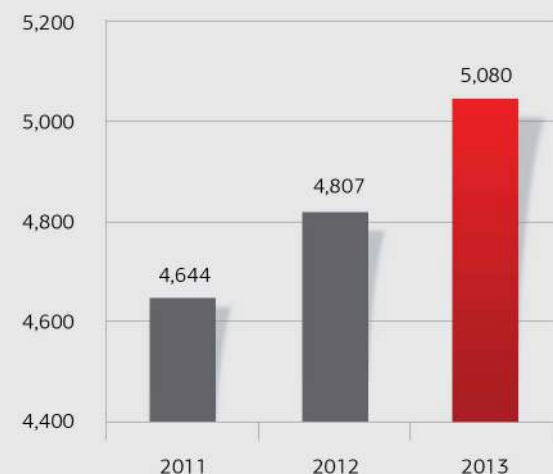
- EIT entered into the largest M&A deal in the financial sector in recent history and successfully acquired Ard Insurance and Ard Credit with respective licenses of the Financial Regulatory Committee of Mongolia to provide general insurance services and non-bank financial services. As a result of this deal, EIT changed its name to Ard Financial Group and started a branding campaign for the new Group.
- MTND (the first private pension service provider in Mongolia and a fully owned subsidiary of EIT) divested its investment in ECM through a strategic sale to Mongolia Opportunity Fund and closed all of the pension accounts and transferred the funds owed to pension account holders at the request of the employers.
- Pension account services are to be carried out by Ard Assets, a new savings and credit cooperative in which Ard Holdings became a member.
- The investment policy was revisited under the new strategic direction of the Company and changes were made in the investment portfolio accordingly. Non-strategic companies such Active Zuuch LLC and iConcept LLC were sold.
- A tactical decision to sell 27.57 percent in ECM, or a direct stake of 2.77 percent in TenGer, to Mongolia Opportunity Fund was made and carried out.
- An agreement to dissolve ECM was reached and implemented, resulting in MAK, Ronoc, MOF, MCS, and EIT having direct ownership stakes in TenGer.
- A tactical decision to invest in Wild Digital Agency ("Wild"), a start-up social media marketing and branding company, was made.
- Payment for the shares was completed after some outstanding issues were resolved with the majority shareholder of Nomyn Hishig.
- TenGer Systems' operations recommenced after it acquired the source code to the core banking system 'RightBanker'. The company provides licenses and services 'RightBanker' to rural credit cooperatives and non-banking financial institutions. A new version of the software will be developed.

FINANCIAL INDICATORS

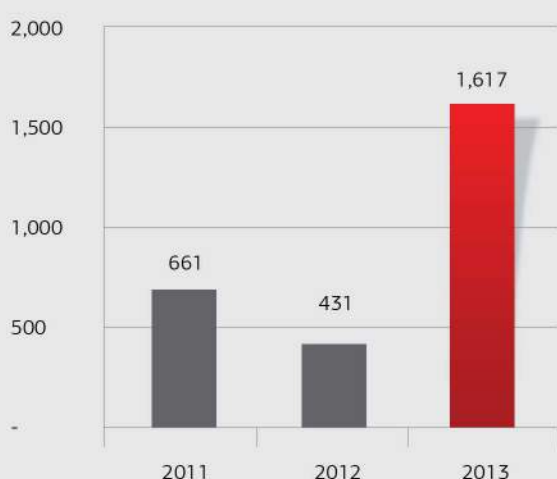
Assets (million MNT)



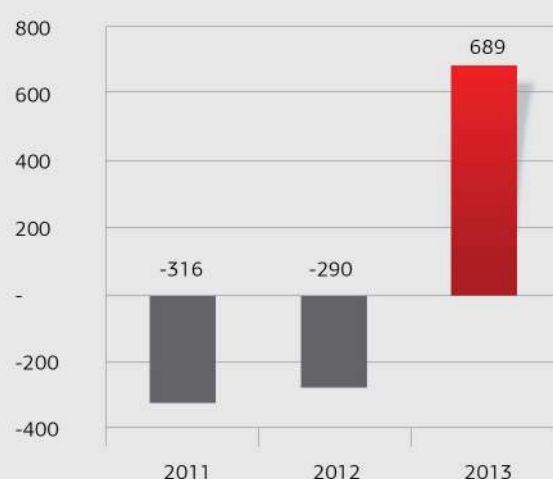
Equity (million MNT)



Income (million MNT)



Profit (million MNT)



Total assets of Ard Holdings decreased by 1.3 percent to reach MNT 9,432 million with 73.2 percent of it made up of long-term investments. The reason for the decline in total assets is attributed to the transfer of MNT 6 billion worth of assets to MCS and MTND.

The Company reported gross revenue of MNT 1,617 million, 95 percent of it coming from investment income. In 2013, operating costs stood at MNT 387 million, interest expenses amounted to MNT 257 million, and we incurred a foreign exchange loss of MNT 206 million due to the free fall of the Mongolian Tugrog and a mismatch in the FX position.

Total shareholders' equity is MNT 5,080 million at the end of 2013, a 5.7 percent increase from the previous year. This growth comes from MNT 689 million in operating profit.

VALUATION

(thousand MNT)

Investment	Base of Valuation	Internal Valuation
TenGer Financial Group 2013 Q4 BV	Last traded price (BVx1.88)	11,598,601
IET	Real estate	8,488,800
Ard Insurance	Investment	3,960,000
Ard Credit NBFi	Investment	700,000
Ard Assets	Investment	13,000
Wild Digital Agency	Investment	20,000
Monet Capital	Investment	500,000
Nomyn Hishig	Real estate	1,290,200
Real estate	Real estate	511,200
Cash*		1,154,031
Total		28,235,832
Receivable*		792,230
Value		29,028,062
Share Numbers		15,384
Price per share		1.88

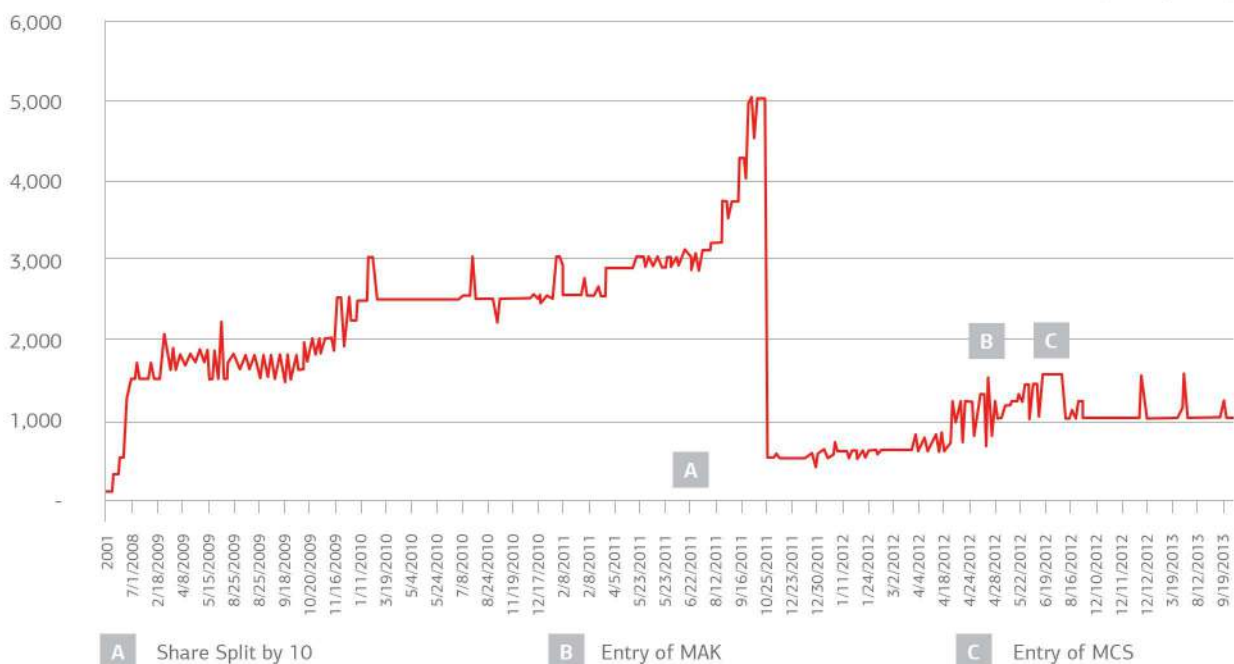
* as at the end of February, 2014

STOCK TRADING

MNT 2.2 billion worth of stocks were traded by the shareholders in 2013.

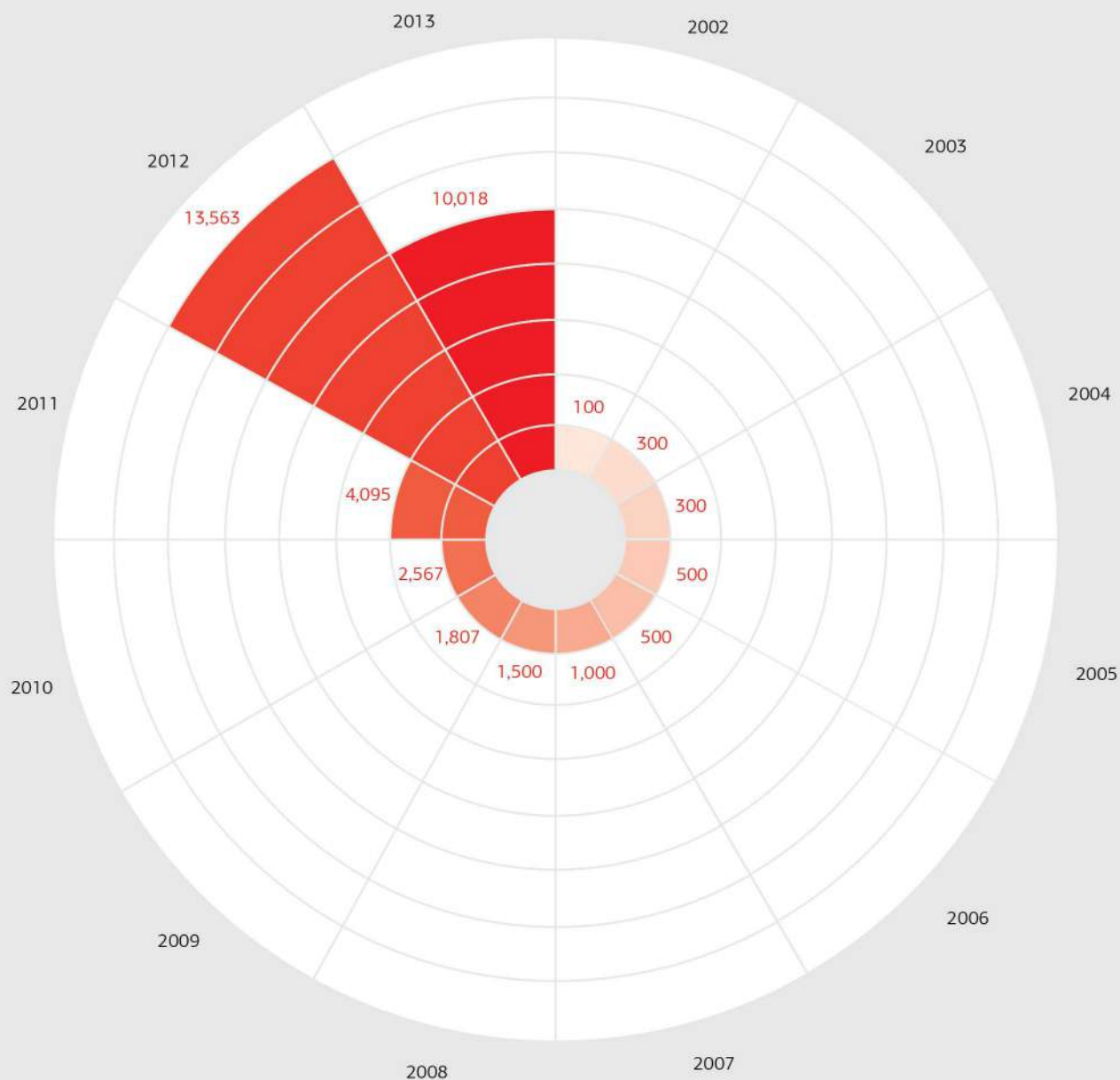
STOCK PRICE CHANGES

(Price of trade)



STOCK TRADING PRICE AND VOLUME CHART

(converted to the price prior to share split.)



Starting from 2001, original employee shareholders purchased EIT/XacBank shares at a subsidized price – under the Employee Stock Ownership Plan, shares with a face value of MNT 1,000 were sold at MNT 100. In 2013, these shares were traded at MNT 10,018 on average, growing the value of the original investment by more than 100 times. Ard Holdings' share yield a stunning 9,918 percent for the first investors, which can be translated into an average annual yield of 763 percent.

| INVESTED COMPANIES



TENGER FINANCIAL GROUP

MISSION

TenGer's mission is to create synergies among its affiliates in order to maximize both social and financial gains for its stakeholders. TenGer's businesses are driven by innovation and dynamism to deliver premium quality services.

ABOUT THE COMPANY

X.A.C. and Goviin Ehlel, two pioneering non-bank financial institutions in Mongolia, merged in 2001 to create TenGer Financial Group, initially known as X.A.C.-GE.

The company offers commercial banking, general insurance, financial leasing, and investment advisory through its subsidiaries XacBank, XacLeasing, TenGer Insurance, TenGer Capital, TianRong, and XacSecurity. XacBank, which is a flagship investment of TenGer, is a leading commercial bank in Mongolia, well-known for its transparency and social responsibility.

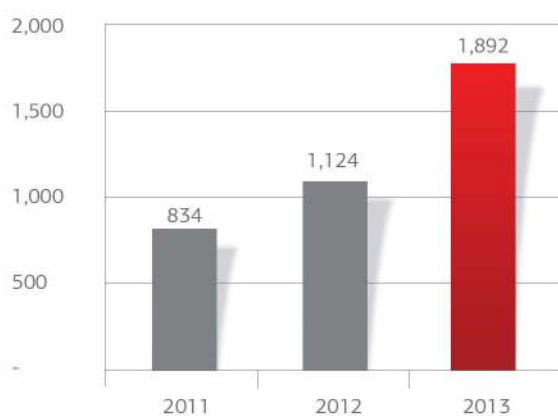
HIGHLIGHTS

01. Made a credit agreement with Triodos Investment Management, Symbiotics Group, and Development Bank of Austria with the purpose of creating sustainable sources of financing.
02. XacBank and Symbiotics Group successfully issued a \$9.8 bond.
03. The "Bank of the Year" winner's award ceremony, organized by the prestigious finance magazine "The Banker", was held in London for the fourteenth time. XacBank was awarded as "the Best Bank of Mongolia" for the year 2013.
04. On December 28th 2013, the Mongolian National Chamber of Commerce held its "ENTREPRENEUR" ceremony for the 17th time. XacBank won the "Bronze Mercury Cup" and the "Entrepreneur of Banking Sector" awards for the year of 2013.
05. The International Finance Corporation, a member of the World Bank Group, and XacBank entered into a cooperation agreement.
06. The shareholders structure of TenGer Insurance has been changed and it became a 100 percent owned subsidiary of the Group. This event will help to strengthen the competitive position of the business and is an important step towards offering a full package of financial services to its customers.

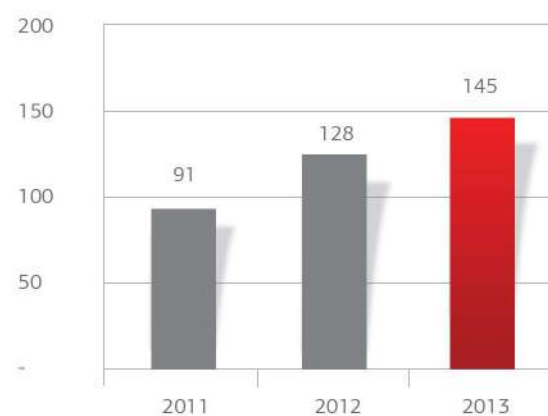
FINANCIAL PERFORMANCE

Total assets stood at MNT 1,892 billion (an increase of 68 percent) with total equity at MNT 145 billion (an increase of 13 percent). The net loan and lease portfolio, which comprises 57 percent of total assets, increased by 64 percent.

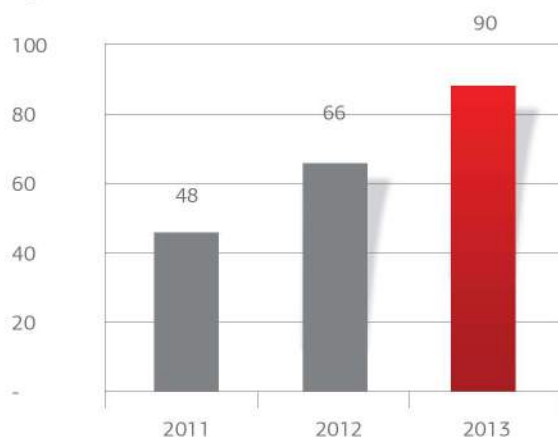
Assets (billion MNT)



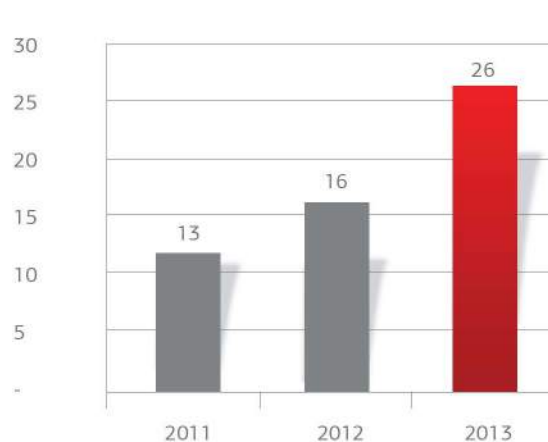
Equity (billion MNT)



Operational Income (billion MNT)



Profit (billion MNT)



In 2013, the total operating income reached MNT 101 billion, increasing 46 percent from the previous year. The net profit stood at MNT 26 billion, increasing 62 percent. This growth is attributed to an increase in interest income by 26 percent, which constitutes 77 percent of the revenues. Fees and commission income, which increased three times, comprised 11 percent of the total.



INSTITUTE OF ENGINEERING AND TECHNOLOGY

OUR MISSION

Training skilled workers fully capable of competing in the labor market with higher and vocational education in compliance with international standards.



ABOUT THE SCHOOL

The Institute was established in 1984 as the 5th Vocational School of Construction. In 1995, it became the Mongolian-Turkish Joint Construction Technical College and in 2000 was further restructured to become the Technical and Technological College with the aim of training skilled workers in the areas of construction, road construction, and food industry. In 2012, the College obtained a university license approval from the Ministry of Education and became the only private school that prepares professionals in primary, secondary, and higher education. In addition, the School was accredited by the Asia Pacific Accreditation Commission. The Institute of Engineering and Technology has been operating successfully for 30 years and is considered to be one of the leading private educational institutions in Mongolia. The college trained more than 12,000 professionals and currently has over 2,600 students and 160 staff members.

HIGHLIGHTS

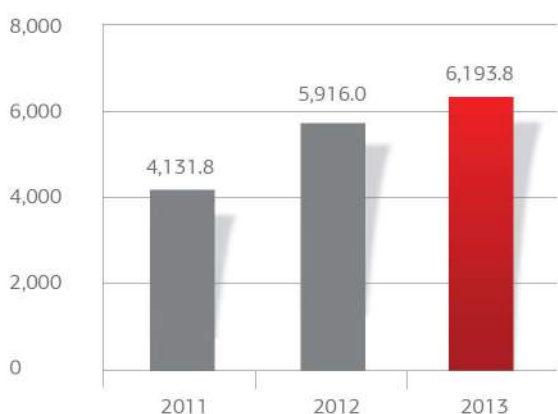
01. Changes were made in the organizational structure of the School and 3 divisions and 9 professional departments were created.
02. The Institute was certified as "the Centre for Excellence in Construction in Mongolia" by the Millennium Challenge Fund project. Within this program 16 projects with a total funding of \$3.1 million have been implemented.
03. During the academic year of 2013-2014, the School obtained Technical High School license and began implementing the "Introduction to Koosen's framework" project.
04. In accordance with the Government's program, the Ministry of Construction, and the Urban Development Police, the School has implemented a project called "promoting an environment-friendly and energy-efficient construction industry" with funding from the European Union and the Czech Republic's Caritas organization.
05. The School started cooperation in research, professional development, and experience sharing with the College of Forest Industry, (Buryatia, Ulan-Ude City, Russia) and with the Holmesglen University (Melbourne, Australia).
06. A total of 7 professionals and guest professors from Germany, Australia, Japan, Korea, New Zealand, and other countries are working at the College and sharing their experience.
07. The School has launched the "Dual Diploma Program" in cooperation with the Korean DIT Technological College for training skill of auto technicians.
08. A carpentry and welding professionals' competition, called "Talent-2013" was organized among the students and instructors of vocational training centers and a total of 30 teachers and 27 students from seven cities and 23 local schools participated in the competition.
09. A skill competition was organized by the Ministry of Labor with the purpose of improving the reputation of vocational training centers. Our students participated in the fitting and welding competitions and won the leading places.
10. In 2013, the School trained 160 people and gave professional training as part of its program of training specialized workers in a short period if time.



FINANCIAL HIGHLIGHTS

Total assets grew by 4.7 percent to reach MNT 6,193.8 million. Working capital accounted for 22.5 percent of total assets. In 2013, the Institute of Engineering and Technology earned MNT 2,982.6 billion in revenue which is an increase of 11.2 percent.

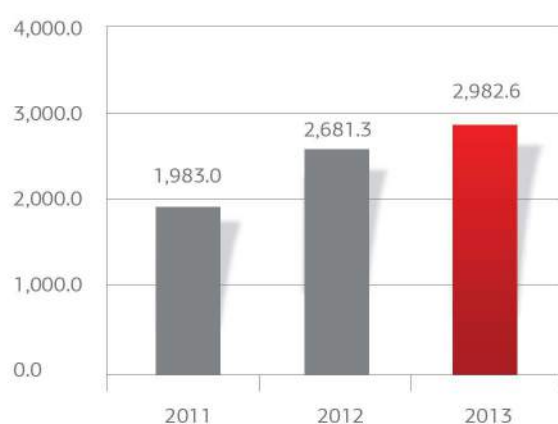
Assets (million MNT)



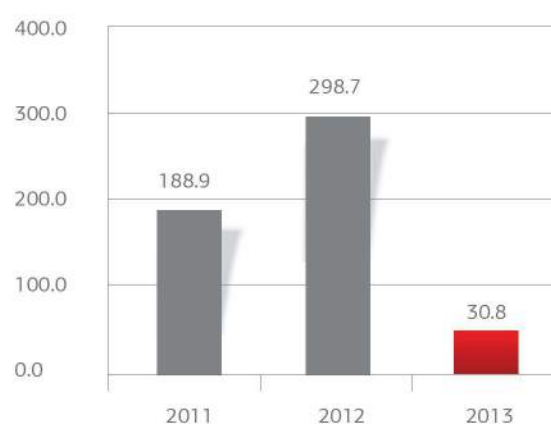
Equity (million MNT)



Income (million MNT)



Profit (million MNT)



Profits went down to MNT 30.8 million due to higher operating costs and an unexpected loss from the foreign currency exchange rate. The total equity at the end of 2013 is MNT 2,086.0 million.



ARD CREDIT NBFi

OUR MISSION

To become a market leader through innovation in the financial services industry.

ABOUT THE COMPANY

Ard Credit Non-Bank Financial Institution is a limited liability company that was established by Inter Group in April 2011. Since its founding, Ard Credit operated under the license of the Financial Regulatory Committee and engaged mostly in lending activities with a limited offering of currency exchange, investment, and financial advisory. In June 2013, the Company attracted strategic investors with in-depth knowledge of the financial sector and an ability to not only bring in additional capital but also to help the company introduce new products with advanced technology. Ard Credit underwent significant changes in the way it was run. Structural changes were made following the launch of new strategic plans and new policies and products were introduced with the aim of taking the leading position in the market.

In December 2013, EIT became the controlling shareholder of Ard Credit under the M&A agreement with Inter Group to create Ard Financial Group, where Inter Group became a leading shareholder.

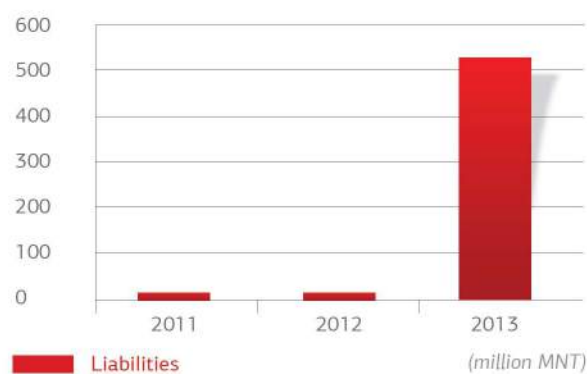
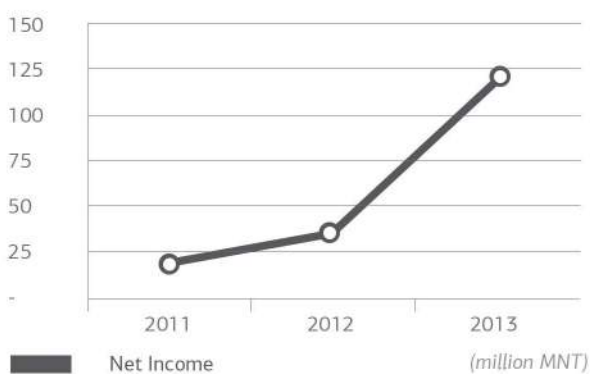
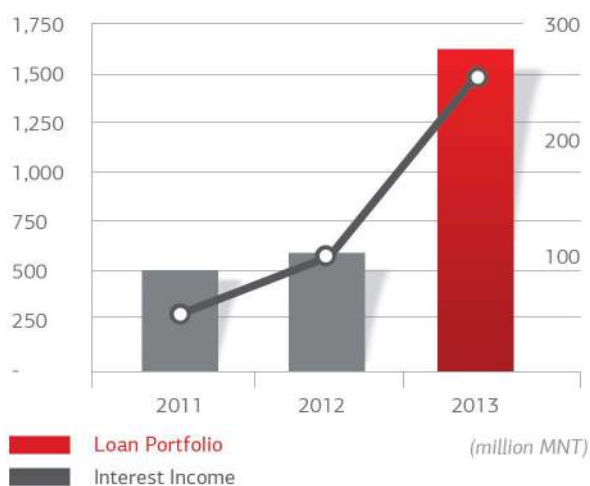
The Company adopted an objective to make microlending services accessible and affordable to its clients through the use of modern technology.

HIGHLIGHTS

01. In July 2013, changes were made in the shareholding structure and the Company attracted MNT 600 million worth of domestic investment. Total capital reached MNT 1.1 billion.
02. The new Board of Directors was appointed and a management team was installed. Activities of the Company have been restructured.
03. The Company moved to a new office building and a full renovation was carried out.
04. An Internet website and a social media marketing campaign was launched.
05. The Company received an approval to issue MNT 550 million worth of closed bonds from the Financial Regulatory Committee in order to expand its operations, and successfully raised financing.

FINANCIAL INDICATORS

In 2013, total assets increased by 226 percent and reached MNT 1,827 million while gross loan portfolio increased by 197 percent and stood at MNT 1,658 million. Total equity grew to MNT 1,279.2 million (a 130 percent increase) which is directly related to new investments and higher profits.



The Company operated with interest income of MNT 261 million, a 160 percent increase in comparison to 2012. Net profit was MNT 123.3 million, up 278 percent.

Since 2013, Ard Credit began cooperating with the Rural Microfinance Development Association (RMDA) which is a second-tier institution comprised of 50 savings and credit cooperatives that are dispersed throughout Mongolia. The Company offers additional funding to the member cooperatives along with training and technical assistance.



ARD INSURANCE LLC

MISSION

To provide high quality insurance services tailored to the needs of clients and maintaining high ethical norms and standards.



ABOUT THE COMPANY

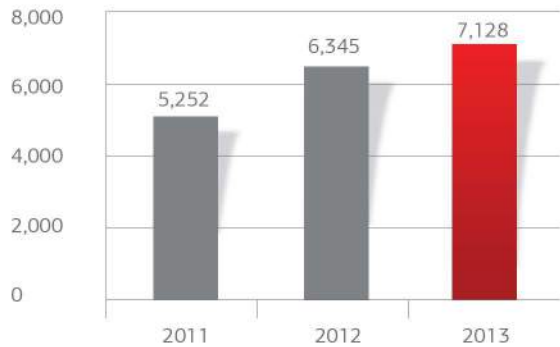
Ard Insurance LLC was established in 1994 and was the first private insurance company in Mongolia. In 2004, UK's Wittington Group, which provides investment and financial services, invested in the Company and became a shareholder, making Ard Insurance the first foreign invested insurance company in Mongolia, while bringing international insurance best practices to the market.

In 2011, the Company merged with another insurance provider, Grand Daatgal, and became a market leader in terms of total assets, reserves, and premium income.

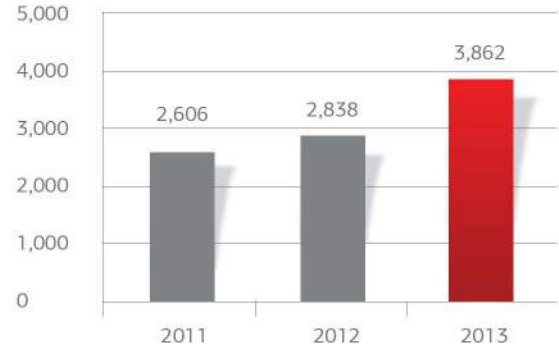
The Company operates 30 branches nationwide and employs over 100 people.

FINANCIAL INDICATORS

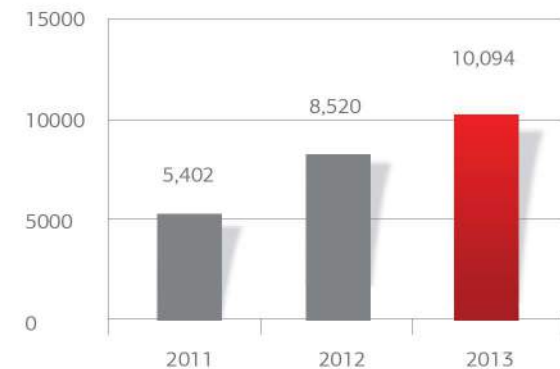
Assets (million MNT)



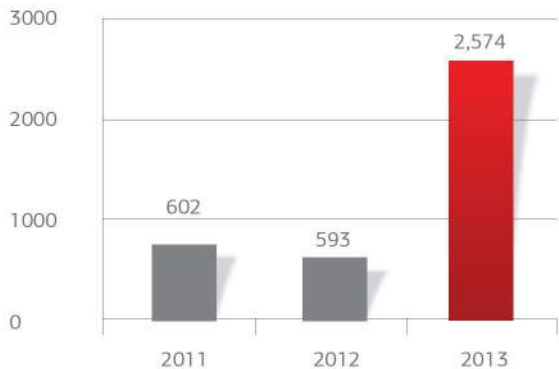
Equity (million MNT)



Premium Income (million MNT)



Net Income (million MNT)





In 2013, total assets reached MNT 7.1 billion, 96 percent of which is attributed to working capital. Total liabilities stood at MNT 3.2 billion, down 6.9 percent. Equity stood at MNT 3.9 billion, an increase of 36.1 percent. This growth is attributed to the increase in equity by MNT 750 million and a two-times increase in profits.

(thousand MNT)

Total Premium Income	Indemnity	Customers
10,093,942.35	6,267,633.04	65,947.00
Net Premium Income	Reserve	Equity Fund
5,837,831.30	3,239,530.40	2,750,000.00
Assets	Net Income	Solvency (>100)
7,128,290.94	2,574,120.52	198.52

As for the revenue, total premium income increased by 18.5 percent compared to the previous year and stood at MNT 10.1 billion with net profit reaching 2.5 billion. Real estate sale led to this fourfold increase in profits. Without this extraordinary income, net profit was MNT 1 billion.

HIGHLIGHTS

01. Ard Insurance became the leading insurance company in the sector and ranked among the country's top five companies, based on an analysis of Mongolia's top 150 companies conducted by the Mongolian Government and the Mongolian National Chamber of Commerce and Industry.
02. In 2013, the shareholding structure was changed to include EIT (or Ard Financial Group). As a result, Ard Insurance could expand its operations using the synergies with Ard Financial Group's other subsidiary companies.
03. The Company's governance was assessed by PwC (PricewaterhouseCoopers), one of the world's largest financial advisory services. The Company is working to improve its operations in accordance with PwC's directions and recommendations of the assessment.
04. In 2012 the property of one of our largest clients were damaged by fire. Hannover Re, Reinsurance Company, fully compensated the damage and it became the first and only case since the transformation into a market economy that the losses were fully compensated by the reinsurer. It has shown of how the company deals with risks by properly allocating them to reinsurance agents and it has also demonstrated our cooperation with reputable reinsurance companies and the benefits of reinsurance agreement to the insured.



MONET CAPITAL LLC

MISSION

To contribute to the development of the capital markets by offering comprehensive financial intermediation services, based on years of professional experience, to businesses and individuals.

ABOUT THE COMPANY

Monet Capital was founded in 1997 and is one of the first Mongolian brokerage companies offering brokerage dealing, underwriting, and investment advisory services under the FRC license.

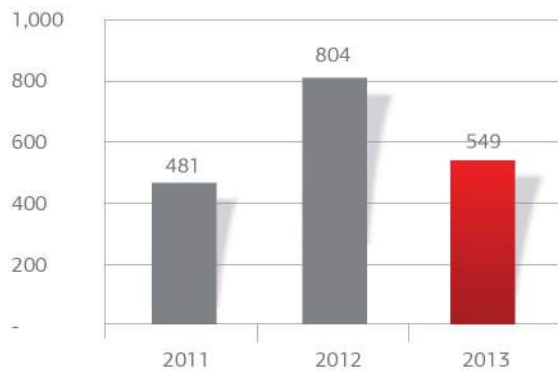
Monet Capital has brokerage accounts for more than 12,000 people which enabled them to participate in securities trading and acted as an intermediary for raising MNT 74.3 billion funding to 10 entities.

FINANCIAL INDICATORS

In 2013, the Company's total assets stood at MNT 549 million, 85 percent of that being comprised of current assets.

Total liabilities are at MNT 304.8 million with MNT 244.3 million in equity, a decrease of 43.6 and 7.4 percent respectively.

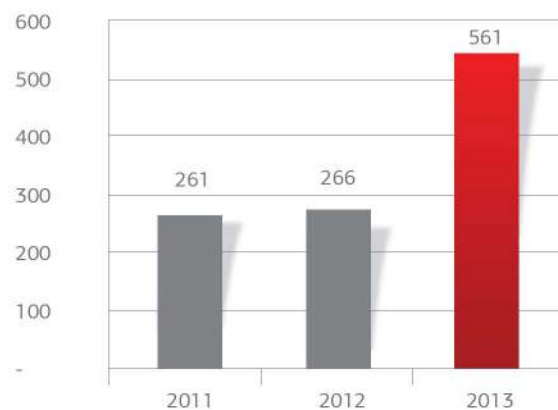
Assets (million MNT)



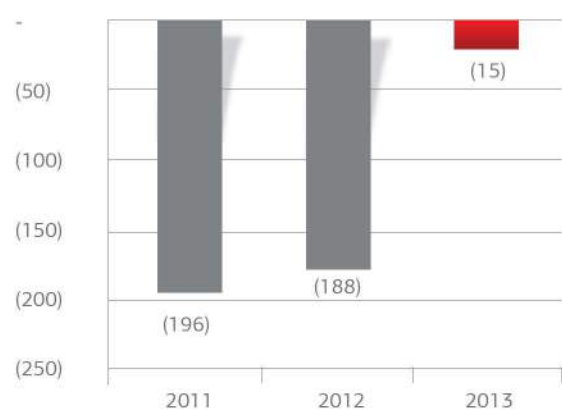
Equity (million MNT)



Income (million MNT)



Net Income (million MNT)



Operating income increased two-fold and operating expenses increased by 26.5 percent. Losses from stocks on international markets affected the performance of the Company in 2013.

HIGHLIGHTS

01. The Company made changes to the management and appointed Mr. Batbold Ariyasuren as CEO
02. The total number of brokerage accounts reached 12,413 during the reporting period.
03. The Company traded MNT 307 million worth of securities in the domestic market in 2013, which accounted for 0.3 percent of the entire market.
04. The Company intermediated MNT 346 million worth trading on international markets.
05. The Company provided investment advisory services to a total of 14 domestic and foreign investment enterprises. The Company also successfully completed five deals related to financial analysis, loan financing, and financial advisory for bond issuance.

| TENGER SYSTEMS

TenGer Systems was established with the purpose of developing and marketing banking software, specifically to non-bank financial institutions.

In 2009, the Company developed its core product, 'Right Banker'. By 2013, over 50 savings and loan cooperatives have been using the software in their operations.

The Company is currently developing a new version of the software.

| WILD DIGITAL AGENCY

The Company was established with the goal of offering comprehensive marketing services based on new information technology to companies in Mongolia. Although Wild is still in its infancy stage, it has successfully completed a number of contract jobs.

| ARD ASSETS

A cooperation with Ard Assets has been established with the purpose of continuing to work on private savings schemes based on MTND and engaging in pension savings.

The aim is to become a leader in savings and credit cooperatives while displaying a high level of social responsibility and providing financial services to Ard Financial Group and its members.

| NOMYN HISHIG

In 2011, EIT purchased 20 percent of shares of Nomyin Hishig with the purpose of investing in prime real estate. Currently, the Company leases its own building and generates steady cash flow.

| SOCIAL RESPONSIBILITY



ARD CREDIT

We support sports teams and athletes as part of our social responsibility initiative. In 2013, Ard Credit and Ard Insurance jointly sponsored Mr. Sodnompiljee Erdene, a Paralympics powerlifting athlete, by paying his participation and travel costs for the Asian Open Championship, which was held in Malaysia.

We also sponsored the kids soccer team of the 23rd Secondary School for its participation in the Boom-2020 competition.

ARD INSURANCE

We do believe that the preservation of nature and the environment is an essential part of corporate social responsibility and employees of the Company planted 400 seedlings in Hamryn Hiid, a Buddhist monastery in Domogovi province. A park named after Ard Insurance was opened.

The Company supported and sponsored the basketball team "Ard Hawks" in an amateur league tournament organized by the Mongolian Basketball Association in order to promote sports and cultural events among Mongolia's youth.

Ard Insurance has always supported art and culture and sponsored the movie "Legendary Anu Princess" written by Ms. Shuudertsetseg Baatarsuren and directed by Mr. Boldhuyag Damdinsuren and Ms. Altantuya Tumurbaatar. We also sponsored the "Drama Art Awards - Gegeen Muza" celebration, organized with the Initiative of the Drama Professional Actor's Center and the State Drama Theatre in collaboration with the Ministry of Education.

The Company also organized recreational activities and provided gifts to 250 children at the SOS - Children's Town event. The employees also donated school items and supplies to students who showed excellent academic performance in the previous academic year. A lecture on the importance of staying healthy, studying well, and becoming a respectable citizen was given.

| FINANCIAL REPORTS

(million MNT)

	2012	2013
ASSETS	9,562.65	9,432.3
Current Assets	1,421.86	2,084.4
Non-Current Assets	8,140.79	7,347.9
LIABILITIES AND EQUITIES	9,562.65	9,432.4
Short-term payable	2,604.99	4,275.30
Long-term debt	2,150.49	76.6
Total liabilities	4,755.48	4,351.90
Shareholder's equity	4,807.18	5,080.4
Retained earnings	47.14	736.8
INCOME	-	1,617.7
Net income	-289.98	689.7

Major transactions that influenced the financial statements

1. Liquidated MTND's investments, earning MNT 1.5 billion in profit.
2. Purchased back MNT 1.9 billion worth of shares from MCS and swapped them with ECM shares.
3. Sold an equivalent of 2.7 percent of TenGer shares in ECM to Mongolia Opportunity Fund.
4. Paid back MNT 4.7 billion of outstanding debt to Golomt Bank, CYDAN SCC, MAK, and Ungot Hevlel.
5. Liquidated ECM and MCS. MOF and EIT became direct shareholders of TenGer.

| ARD INSURANCE

(million MNT)

	2012	2013
ASSETS	6,345.00	7,128.29
Current Assets	4,953.00	6,840.62
Non-Current Assets	1,391.99	287.67
LIABILITIES AND EQUITIES	6,345.00	7,128.29
Short-term payable	127.45	26.5
Long-term debt	3,380.01	3,239.53
Total liabilities	3,507.46	3,266.03
Reserve	3,380.01	3,239.53
Shareholder's equity	2,837.53	3,862.26
Retained earnings	837.53	1,112.26
INCOME	8,520.49	10,093.94
Net income	592.78	2,574.12

Major transactions that influenced the financial statements

1. Sold the company-owned building worth MNT 1.5 billion.
2. Increased the equity capital by MNT 750 million from the retained earnings.
3. Compensated the damage to the client from the reinsurance contract for the first time in Mongolia.
4. Inter Group transferred its shares to EIT, changing the shareholding structure.

| ARD CREDIT

(million MNT)

BALANCE	2012	2013
Assets	560	1,827.10
Loan	556.6	1,658.10
Shareholder's equity	557.5	1,280.80
Total liabilities	2.5	546.3

(million MNT)

INCOME	2012	2013
Interest income	97.4	261.2
Interest expense	-	17.7
Operational expense	54.1	139.8
Net income after tax	37.1	123.3

Major transactions that influenced the financial statements

1. Attracted new investment and increased the amount of share capital by to MNT 600 million.
2. Issued MNT 500 million bond and traded successfully.
3. Got a working capital loan.

INSTITUTE OF ENGINEERING AND TECHNOLOGY

(million MNT)

	2012	2013
ASSETS	5,915.98	6,193.83
Current Assets	1,331.31	1,722.86
Non-Current Assets	4,584.67	4,470.97
LIABILITIES AND EQUITIES	5,918.98	6,193.83
Short-term payable	3,198.94	3,446.33
Long-term debt	662.51	661.64
Total liabilities	3,861.44	4,107.97
Shareholder's equity	2,057.54	2,085.86
Retained earnings	389.6	30.85
INCOME	2,612.80	2,880.52
Net income	298.7	30.85

Major transactions that influenced the financial statements

1. Received USD 3.1 million investment from the Millennium Challenge Account, implemented "building a small professional school".
2. A license for technological high school education made it possible to receive an investment of MNT 500 million from Sasakawa Fund within the scope of establishing a Koosen School.
3. The Embassy of the Federal Republic of Germany and Japan's Koosen Union provided MNT 300 million worth of training equipment.
4. South Korea's DIT High School donated equipment worth 50 million won (MNT 90 million).
5. GIZ granted MNT 60 million worth of equipment and trained three people.

| MONET CAPITAL

(million MNT)

	2012	2013
ASSETS	804.27	549.03
Current Assets	389.51	466.41
Non-Current Assets	414.77	82.62
LIABILITIES AND EQUITIES	804.27	549.03
Short-term payable	540.34	304.76
Long-term debt	-	-
Total liabilities	540.34	304.76
Shareholder's equity	263.93	244.27
Retained earnings	-433.61	-448.18
INCOME	265.9	561.31
Net income	-187.95	-14.58

Major transactions that influenced the financial statements

1. The losses accumulated in the previous periods were funded with shareholder loans given by Ard Holdings.

POST REPORTING PERIOD CHANGES:

-
01. Sold a further 2.7 percent of TenGer Financial Group LLC's shares to Mongolia Opportunity Fund and used the proceeds to repay commercial bank loans that financed past acquisitions.

 02. Ard Insurance's and Ard Credit's Boards of Directors were overhauled. Work was initiated to streamline corporate governance practices.

 03. Three standing sub-committees of the Board of Directors were formed and the first meetings of these committees took place.

 04. Management contracts were signed by Ard Holdings and all affiliated companies.

 05. An investment was made in a new start-up, Wild Digital Agency LLC, which will provide marketing, branding, and social media promotion services to the Group.

 06. The Company selected BDO for conducting the 2013 financial statements audit.

OBJECTIVES FOR 2014

-
01. Prepare to become a publicly listed company. Register on the Mongolian Stock Exchange as a closed joint-stock company.

 02. Start a marketing campaign for the Ard brand and coordinate the efforts of affiliates.

 03. Adopt global best practices of corporate governance.

 04. Introduce risk management, finance, accounting, and investment management policies and procedures; streamline the processes.

 05. Follow-up on the audit report and recommendations.

 06. Restructure the Institute of Engineering and Technology to separate property management from the school.

 07. Introduce accounting policies and procedures, management information systems, and sound governance systems.

 08. Diversify Ard Credit's funding sources by way of obtaining loans from international funders and develop a trust account product.

 09. Overhaul and revitalize Monet Capital and rebrand it under the new Ard name.

 10. Establish a new investment fund under the new law and transfer assets not related to the financial services industry to that fund. Attract additional investors.

 11. Reintroduce pension services through Ard Assets. Look into the opportunity of setting up a life insurance venture.

 12. Reach out to and work with rural savings and credit cooperatives.



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