

FINANCIAL GROUP

2014 ANNUAL REPORT

Mission

Optimize investment returns by maintaining a balanced view on profits and risks.

Stronger. Together

Vision

We will strive to become the strongest financial services group of the Nation delivering superior returns.

CONTENT

1)	Statement of the Management	4
2)	Economic Review	8
3)	Investment Environment	12
4)	Ard Financial Group	16
	4.1. About the Company	18
	4.2. Structure	20
	4.3. Financial Statements	22
	4.4. Operations	24
	4.5. Valuation	26
	4.6. Stock Trading	27
	4.7. Short Term Strategy	28
5)	Invested Companies	30
	5.1. Ard Insurance	32
	5.2. Ard Credit	33
	5.3. Ard Assets	34
	5.4. Ard Securities	35
	5.5. IET	36
	5.6. TenGer Financial Group	37
	5.7. TenGer Systems	38
	5.8. Nomyn Hishig	39
	5.9. Wild Digital Agency	40





STATEMENT OF THE MANAGEMENT



Dear Shareholders,

2014 was the first year of operations for the group under its new corporate identity - Ard Financial Group or Ard Holdings. We brought together managers from different companies into one team united by a new mission, crafted Ard's new logo and new motto - Stronger, Together - all part of a major corporate rebranding effort. Ard Holdings' subsidiaries underwent turn-around management in the past one and a half years, while continuing to expand their operations and we are proud to say that, all of our companies delivered strong financial performance, which ultimately translated into a financial strength for the holding company as well, against a backdrop of a slowing Mongolian economy.

Management was effective in bringing the Company's operational structure to an optimal level at a time of economic downturn and still the team was able to deliver superior performance under extreme pressure both from outside and inside. Together we managed to do it with professionalism and grace. And above all, despite all the odds and scepticism, Ard Holdings was able to capitalise on the opportunities the current operating environment presented and we managed to position the Company at a striking distance of our ultimate goal of gaining access to public capital markets once the right economic conditions arrived, and become the first quoted company in the financial sector.

The total valuation of the Company increased from MNT29.4 billion to MNT34.0 billion upon the net earnings of MNT4.6 billion. It means the intrinsic value of your investment is

MNT2,024.3 per share of stock you own. The ownership concentration is ongoing with the number of shareholders dropping to 333. At the same time a number of new investors joined our shareholder ranks and internal share transfer transactions totaled to MNT4.6 billion. Most notably the Dutch VenturesOne BV swapped their 22.31 percent stock ownership in Ard Insurance for 1,304,043 shares of Ard Holdings becoming 7.76 percent owner of Ard Holdings thus allowing us to become a controlling shareholder in Ard Insurance with 55.31 percent. Please, refer to page 20 for 2014 year end shareholding structure of the Group.

Ard Holdings' and its subsidiaries' financial statements' audits were conducted by BDO Audit once again. BDO Audit became our first internationally accredited auditor last year when they signed off on EIT's (Equity Investment Trust - a predecessor of Ard Financial Group) 2013 financial statements.

All in all, we can state that the wealth of experience of the Board coupled with new energy of the management produced excellent results in the first full year of operations of the new Ard Financial Group and its subsidiaries, despite unfavorable operating environment.

Mongolian Pension Fund LLC, with almost 10 years experience, was restructured successfully into Ard Assets, which operates under a savings and credit cooperatives licence from the Financial Regulatory Committee. Ard's pension product continues to be offered based on a trilateral agreement between Ard Assets, the employer and the employee.

Towards the end of the year Ard Holdings acquired an additional 22.31 percent of Ard Insurance bringing its ownership to 55.31 percent of the oldest private insurance company in Mongolia, which recently celebrated its 20th anniversary. Although the revenue streams of the insurance sector were unstable and indemnity payments high, Ard Insurance wrote over MNT10 billion gross premiums, third highest in the sector, and earned close to MNT550 million in profit. The Company produced a tremendous progress in their corporate governance practices, implemented auditors' recommendations, invested into its MIS and improved the internal controls. The Board decided to purchase a

new office building downtown just before the year end, weighing rental prices against the price for the real estate in Ulaanbaatar city.

Based on a thorough research and intense discussions throughout the year, our shareholders approved the establishment of Mongolia's first investment fund under the new Law on Investment Funds, which came into effect at the beginning of 2014. Ard Holdings plans to transfer all of its non-financial sector assets into this fund. Ard Securities (previously Monet Capital) is managing the process of incorporating and licensing the fund with regulatory agencies and getting necessary approvals. At the same time Ard's shareholders gave an approval to incorporate Ard Capital Management with a paid-in capital of MNT100 million to manage the new fund.

Ard Credit NBFI was the best performer within our investment portfolio. In 2014, Ard Credit had a net income of MNT300 million, in part due to a successful private placement of its bonds, new funding from the MicroFinance Development Fund, lines of credit from domestic commercial lenders, and an introduction of trust account services. Furthermore, the management of Ard Credit made a decision to pay out 30 percent of its net earnings in the form of dividends for the first time in its history.

2014 was a successful year for the Institute of Engineering and Technology: the school celebrated its 30 year anniversary, established Mongol Kosen, a technology high school, launched a new Technology Transfer and Implementation Center, and approved an ambitious long-term plan to become a leading institute in technical and technological education.

Last year was the first year of operations for Wild Digital Agency, whereas, TenGer Systems, one of our tech-subsidiaries, finalized the development of a core banking management and information system called TERBiUM. We are confident that both of these companies will compete successfully in the market.

After reaching a compromise solution after lengthy negotiations with the shareholders of TenGer Financial Group (TFG), the dissolution of Equity Investment Trust Capital Management took place and TFG shares are

now being held by Ard Holdings directly, along with MCS International and Mongolia Opportunity Fund. At the end of the year, a notice of share transfer from MCS and Mercy Corps to the National Bank of Canada was received and we are, currently, discussing our next moves and working on various alternative proposals with our Board and shareholders.

With the diligent effort and thorough understanding and support by our Board, best practices of corporate governance have been fully instituted into our operations within a short period of time. A firm boundary between the Board and executive management was drawn, Board standing committees were approved and activated, and Ms. Oyungerel Janchiv was chosen to lead the Board, while Mr. Ganhuyag Ch. Hutagt was appointed as Chief Executive Officer. In addition, MAK has replaced their representative with Ms. Tselmuun Nyamtaishir, who joined our Board once again. After a successful closing of the deal with VenturesOne BV, Mr. Anthony Hobrow was appointed into the Board as our first international director. Please, refer to page 20-21 for our latest Board composition.

Our shareholders and the Board have made, unanimously, a historic decision to list Ard Holdings at the Mongolian Stock Exchange in 2015, and the management is working diligently to execute this move - in the first quarter of 2015, we have purchased 84.6 percent of a listed company called Jinst Uvs, in a block trading, and the preparatory work for a reverse merger is ongoing. In the first stage of the process we are planning to become a closed joint stock company and once the economy picks up again and the market recovers, Ard Holdings is going to go public.

We made a decision to move back into our old historic offices, Ungot Hevlel building, before the end of 2014. This is seen as important part of our plans for 2015.

On behalf of the Board and management of Ard Financial Group, we wish you all the best in 2015.

Stronger and Together.

Oyungerel Janchiv, Chairman of the Board Ganhuyag Ch. Hutagt, CEO





ECONOMIC OVERVIEW

2014 has witnessed a major slowdown in the economy of the country due to political instability and high levels of inflation. Mongolia's economy grew 11.7 percent in 2013, but it fell to 7.8 percent in 2014, which compares to 17.5 percent growth three years ago. The trade balance surplus of USD538 million is mostly due to increase in exports of mining products, attributed mostly to Oyu Tolgoi's copper exports.

The main export products, such as coal, copper, crude oil and gold have contributed to the increase in exports. As an illustration, 1.4 million tonnes of copper concentrate and 6.9 million tonnes of oil was exported in 2014. Trade sector dropped by 6.9 percent due to economic slowdown and weak activity in the business sector. Livestock headcount has reached 52 million and traditional economic sectors, such as agriculture grew by 14.4 percent.

In November 2014, Altanhuyag's government resigned and Saihanbileg Chimed was appointed as the new Prime Minister of Mongolia, forming a grand coalition government. The new Prime Minister was handed over a stagnated economy, with no flow of FDI, low prices and demand for minerals in the market, and disrupted export revenue streams. He has a formidable task ahead of him.

Consumer price index stood at 14 percent in 2012, 12.5 percent in 2013, and at the end of 2014, it was down to 11 percent. Inflation rate was 10.7 percent in Ulaanbaatar. In January, April and June of 2014, price increase accelerated, but at the end of the year, the inflation rate stabilized.

As of December 31, 2014 trading volume at the Mongolian Stock Exchange stood at MNT60.4 billion. Of this, 51.7 million shares of 137 companies totalling MNT24.2 billion (40.2 percent of the total trading volume) were sold in 255 transactions and government bonds worth MNT36.1 billion (59.8 percent of the total trading volume) were sold in 9 trading sessions. At the end of 2014, the market capitalization of MSE was MNT1.4 trillion, which is a decrease of 13.64 percent from a year earlier.

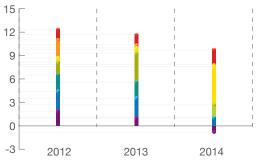






Source: Website of Mongolian Stock Exchange





Financial industry

Wholesale and retail trade

Construction

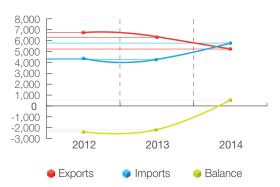
Refinery

Agriculture

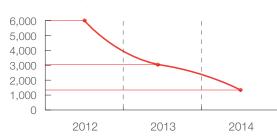
Mining industry

Others

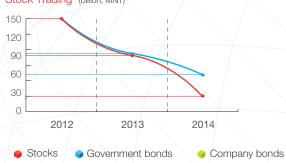
Foreign Trade (million, USD)



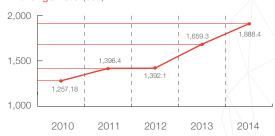
FDI (billion, MNT)



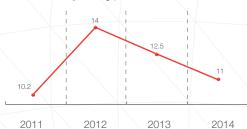
Stock Trading (billion, MNT)







Inflation Rate (percentage)

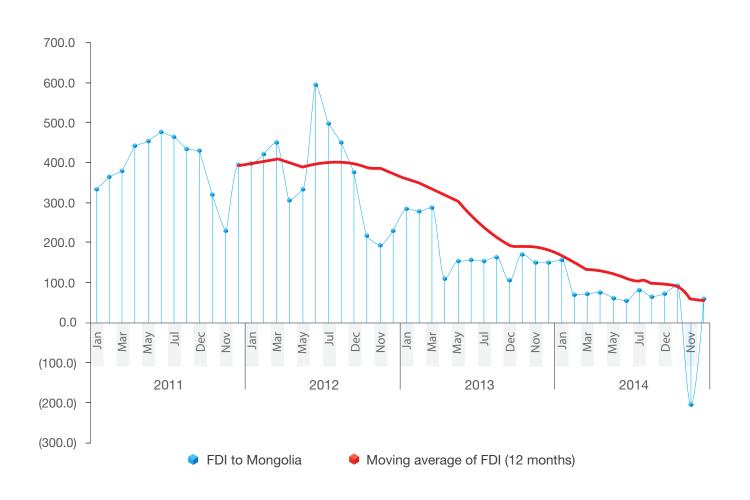








INVESTMENT ENVIRONMENT



Source: Mongolian Economy Magazine, 2015, March №06 (085)

Bank of Mongolia



Foreign direct investment – which reached its peak of USD4.8 billion in 2012 – dropped to USD2.1 billion in 2013 and dived further to USD644 million in 2014. There are several fundamental factors that affect foreign investment flows such as unstable political and legal environment, too much dependence on a couple of large scale mining projects and a fall in global commodity prices. In the first nine months of 2014 foreign direct investment was reported at USD647.5 million which is less than one-fifth of the 2012 level. FDI through May 2014 was USD402.3 million which compared to USD1.11 billion a year ago is a 64 percent decline.

In order to increase the FDI and jump start the economy, the new government has put a major thrust in pushing pro-investment changes into the legislation, revitalizing new and old tenders as part of a multi-pronged strategy. Recent agreements with two neighbors, Russia and China, made certain provisions with regard to accelerating the FDI and further increasing trade ties, investments in transportation, infrastructure and industrial sectors. The goal of these agreements boils down to growing bilateral trade with Russia and China to USD 10 billion by 2020. This is expected to provide a great stimulus for investments and upgrade the Mongolian railway systems as well as the overall Mongolian economy which is still small compared to its two giant neighbors.

On May 8, 2014 the Parliament of Mongolia issued a resolution to approve guidelines for certain actions to stimulate the economy and passed long-awaited amendments to the minerals and petroleum laws with an aim to create favorable conditions for greater FDI inflows. However, some investors remain sceptical and assert that these actions taken by Mongolia remain more of an aspiration than a reality and that real actions need to be undertaken not just words.

Moving large mining projects forward, which means resolving a dispute with the global mining giant Rio Tinto on the development of Oyu Tolgoi copper and gold project according to the terms of the original investment agreement, and turning Tavan Tolgoi coking coal deposit into the hands of the international consortium of investors, who have won the tender, is becoming crucial not only to attract investors but for the overall economic well-being of the nation.



Source: www.oxfordbusinessgroup.com, Mongolia Year in Review 2014



Stronger Together

ARD FINANCIAL GROUP

Ard Financial Group or Ard Holdings is a financial holding company that invests in leading financial services providers to help them capture market share, improve competitiveness and increase their value in order to maximize the return to our shareholders.

The investment portfolio of Ard Holdings includes the country's leading companies such as Ard Insurance, Ard Credit, Ard Securities, Ard Assets, Ard Capital Management and EIT (Equity Investment Trust), TenGer Financial Group/XacBank. The Company is also invested in the Institute of Engineering and Technology, TenGer Systems and Wild Digital Agency through its investment fund. Ard Holdings actively participates in the management of its portfolio companies and creates synergies across the Group.

In 2000 UNDP's resident mission and Mercy Corps, a US non-profit, implementing a US government backed project, contributed MNT600 million of funds into XacBank's Employee Stock Ownership Program (ESOP) recognizing the achievements made by the team, and in order to align long-term interests of the management with the Bank's as well as its shareholders.

Eventually, all XacBank employees decided to swap their shares in the Bank for the shares of the holding company, TenGer Financial Group, or XAC-GE as it was called at that time, to maximize the value of their investment and align themselves with the rest of the shareholding group of the company.

TenGer Financial Group today is one of the largest bank holding companies in the country with operating subsidiaries in the banking, capital markets and insurance markets. Ard Holdings' predecessor EIT (Equity Investment Trust) was founded in 2005 to pool together and manage all shares under XacBank's ESOP, thus becoming the first significant institutional investor in Mongolia's financial sector. There were 780 individual shareholders at that time.

EIT was founded by 10 original managers of XacBank, led by Ganhuyag Ch. Hutagt, then founding CEO of XacBank and TenGer Financial Group, with the capital of MNT1.2 million. At the end of 2014 Ard Holdings has 333 individual and institutional shareholders and it is valued at MNT34 billion.









1999 the foundation of the Company was laid with the vision to create the country's first institutional investor and allow people who who build value benefit from fruits of their labor.

Ard Holdings' predecessor EIT was incorporated in 2005 to manage the investment made into Mongolia's first non-bank financial institution, which later transformed into XacBank and its holding company TenGer Financial Group.

The Company served as a bridge to allow access into the Mongolian financial services industry for various Mongolian and international investors over the years.

The Company was able to expand into banking and non-banking financial services, general insurance and pension fund business, brokerage and investment banking, rural financial services through franchising, real estate, education and IT sectors.

In 2013 the Company reviewed its strategy and rebranded itself as Ard Financial Group with a vision to develop into a full service financial services provider with each one of its subsidiaries leading in their respective markets.

Mission

Optimize investment returns by maintaining a balanced view on profits and risks.



Vision

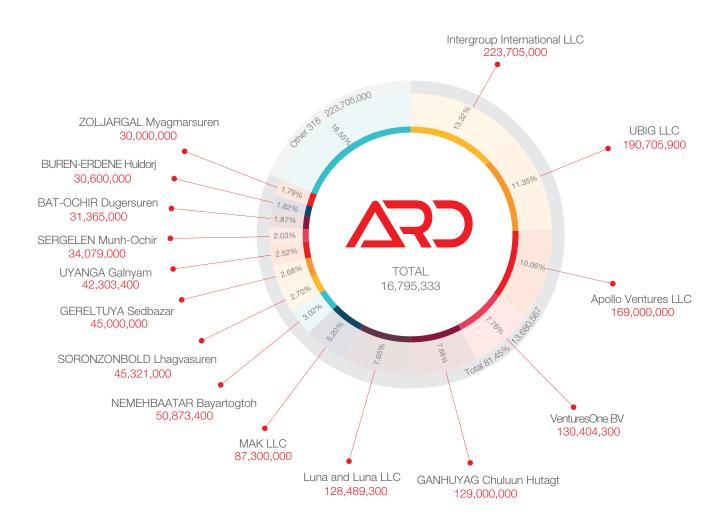
We will strive to become the strongest financial services group of the Nation delivering superior returns.

Principles

- Create, maximize and protect value for the shareholders;
- O Design and uphold the highest standards of ethics. Meticulously comply with all Mongolian laws and regulations;
- Strive to maintain a healthy balance between risk and return;
- Implement and adhere to the best practices of corporate governance and maintain transparency of operations at all levels of the organization;
- Adopt an open and flexible mindset, stay alert to changes in the market, and develop a capacity for rapid execution;
- All companies in the Group with lead in their respective markets and innovate continuously;
- All companies in the Group will strive to maintain highest levels of customer service and satisfaction;
- We will assemble most powerful, professional and lean teams throughout the Group and entry level bar will be set high for job applicants. Requirements for the job holder will be stringent and individual accountability will be strictly enforced.

ARD FINANCIAL GROUP

Shareholding Structure



Board of Directors





GANHUYAG Chuluun Hutagt (Ard Holdings LLC)



ODBAYAR Odonchimed (Mon-International LLC)





TSOGBADRAH Galbadrah (Independent)

Investment Portfolio













ARD FINANCIAL GROUP

(thousand, MNT)

BALANCE SHEET	12/31/2013	12/31/2014	Change	%
Cash and cash equivalents	182,868	408,470	225,602	123
Receivables, short term investments	1,544,896	1,546,292	1,396	0
Prepayments		79,376	79,376	
Fixed assets	348,488	447,862	99,374	29
Long term investments	31,499,654	32,331,089	831,435	3
TOTAL ASSETS	33,575,906	34,813,089	1,237,183	4
Liabilities			0	
Account liabilities	4,727,938	985,727	-3,742,211	-79
Income tax payable	7,452	1,290	-6,162	-83
Deferred tax payable*	5,646,944	5,212,734	-434,210	-8
Prepaid income			0	
Long term liabilities	136,179	136,179	0	
Total liabilities	10,518,513	6,335,930	-4,182,583	-40
Equity			0	
Share capital	1,376,218	1,679,533	303,315	22
Share premium	3,246,555	9,298,761	6,052,206	186
Gain/loss of fair value			0	
Other capital accounts	13,799	13,799	0	0
Retained earnings	18,420,820	17,485,066	-935,754	-5
Total equity	23,057,392	28,477,158	5,419,766	24
LIABILITY AND EQUITY	33,575,905	34,813,088	1,237,183	4

^{*} Deferred taxes are calculated on the revaluation income of investment assets and will be paid once they will be realised.

(thousand, MNT)

INCOME STATEMENT	12/31/2013	12/31/2014
Operating revenue	627,600	107,759
Gains on fair value	16,311,900	831,435
Administrative expenses	387,641	819,600
Profit from currency rate changes	19,238	43,802
Interest expenses	426,583	151,050
Other expenses		224,963
Profit before tax	16,144,514	(212,617)
Income tax	8,127	40,153
Deferred tax expense	4,078,000	83,144
PROFIT FOR THE YEAR	12,058,387	(335,913)

^{*} Profit realised from an actual asset sale was MNT5.5 billion. Shown in real valuation here.

^{* 2014} audited and consolidated reports of Ard Holdings are available at www.ardholdings.com.







OPERATIONS

The first full year under the new Ard brand was filled with positive energy, encounters with new challenges and a sense of great achievement by the team. People were excited to create a foundation of the new business and make personal contributions to cementing of the vision and mission of the Company. The team spirit and optimism prevailed despite difficult economic times. The Board of Directors composition was reshuffled and its functions were strengthened and intensified. The Board provided continuous strategic guidance and oversight of the executive management. Activation of the standing committees of the Board increased the effectiveness of corporate governance in the Company. Most of the agenda items for Board meetings get first vetted by appropriate committees before they go to the full Board's discussion, adding to the efficiency of decision making. Following the international best practices the Board set up Audit, Risk Management and Investments, Governance and Nominating committees which became fully operational over the course of the year. Ms. Uranbileg Enhtuvshin joined our team as Board Secretary further strengthening the smooth functioning of the Board and its communication with the shareholders and management. During its August meeting the Board appointed Mr. Ganhuyag Ch. Hutagt as Chief Executive Officer of the Company, while Ms. Oyungerel Janchiv became Chairman of the Board of Directors of Ard Holdings. At the end of the year the Board decided to strengthen the independence of the Board by relieving from Board duties all of the members of the executive management team of subsidiaries. This move was part of the preparatory work for our eventual public listing.

We crafted Ard's new logo and motto in early 2014 and successfully launched a rebranding campaign in the market combined with the introduction of our team. A major marketing thrust was initiated and the Company achieved good public recognition as a result. The Company's website was developed by the team of Wild and it was successfully launched. Ard Insurance and Ard Credit stakes were acquired from Intergroup International in a deal that involved a combination of cash and stocks with the final payment of MNT1 billion settled in the first quarter. According to this deal we acquired 33 percent of Ard Insurance and 50 percent of Ard Credit, while Intergroup became our single largest shareholder with 14.4 percent of Ard Holdings and a seat on the Board. The Company was able to up its stake in Ard Insurance to 55.31 percent in the third guarter of the year by acquiring an additional 22.31 percent from the Dutch VenturesOne BV in a share swap deal. VenturesOne now holds 7.76 percent of Ard Holdings with a verbal understanding that they can increase their stake to over 10 percent, eventually.

Ard Credit delivered a profit of MNT300 million for 2014 and decided to pay out a third of it as a cash dividend for the first time. Ard Holdings offered to buy out minority shareholders who collectively owned 50 percent of the Company at very favourable terms and in the first quarter of 2015 we were able to increase our ownership by 8 percent bringing our total to 58 percent. After obtaining regulatory approvals and registration we will be able to start consolidating this subsidiary in our financial statements.



Ard Holdings bought back MNT580 million worth of its shares last year and there were MNT1.2 billion worth of secondary stock trading amongst shareholders. The Company issued MNT2.7 billion of new shares to VenturesOne and MNT180 million of treasury stock was put into circulation. Ms. Nicole Borohov and Mr. Buren-Erdene Huldorj became our significant shareholders during the year.

In order to support operations of some of our investees, the Company decided to move its headquarters from the old City Center office to a more spacious Ungot Hevlel Building, where we own 20 percent of the property. Ard Insurance has moved into our old offices. The strategic location of our new office will allow us achieve some of our immediate targets more effectively. Moreover, this move enhances the visual presence of Ard Holdings and enables the Group to coordinate management activities of our subsidiaries more closely and efficiently. Ard Holdings' headquarters currently houses Ard Credit's management, branch of Ard Insurance, Ard Securities, Ard Assets, Wild Digital Agency and TenGer Systems. Ard Capital Management and our new investment fund will also be put in the new premises. We are currently looking at an opportunity to rent out some of our factory office space to outside companies as well.

We judged that these new premises allow us to prepare for our imminent public listing most effectively. The size and the location of Ungot Hevlel fit perfectly for our planned expansion. In 2014 our Board and shareholders decided to go ahead with the listing of the Company and approved it to become a closed public company registered with the Central Depositary and Clearing House. We will be able to complete this move in the first half of 2014 due to some unforeseen difficulties associated with active secondary trading amongst existing shareholders. At the end of 2014 we reached a strategic decision to acquire Jinst Uvs, a company listed on the Mongolian Stock Exchange. After intensive negotiations we were able to secure the purchase of 84.6 percent of its shares in block trading that took place in the first quarter of 2015. The leadership of the Mongolian Stock Exchange and Financial Regulatory Commission have been greatly supportive of Ard Financial Group's initiatives throughout in the past, and we look forward to the day of the merger between Ard Holdings and Jinst Uvs, which will become a landmark deal in the history of the capital markets development of Mongolia.

All investee companies operating outside of financial industry will be transferred to the new investment fund which will be managed by a licensed asset manager, Ard Capital Management, following the new Law on Investment Funds.

Ard Financial Group made a net income of MNT4.5 billion and its total valuation reached MNT34 billion. Share pricing according to this valuation stands at MNT2,024.3. BDO Audit was contracted for the annual consolidated financial statements' audit once more.

ARD FINANCIAL GROUP

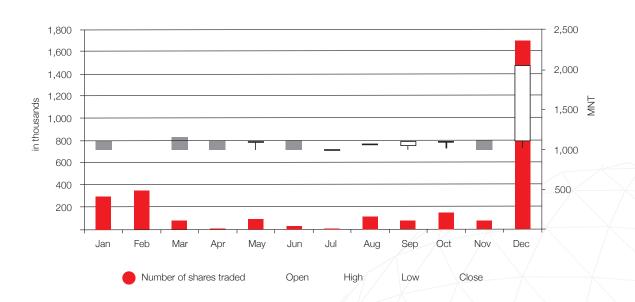
(million, MNT)

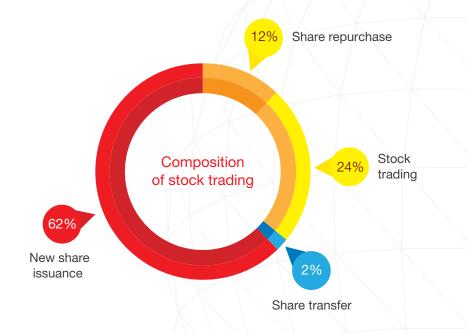
INVESTMENT	12/31/2013	12/31/2014	Ownership %	Valuation basis
TenGer Financial Group	19,444	11,685	4.26	Last trade value
Institute of Engineering and Technology	9,825	9,825	50.00	Property value
Ard Insurance		6,637	55.31	Last trade value
Ard Credit		1,600	50.00	Last trade value
Ard Securities	983	983	100.00	Cash flow
Nomyn Hishig	1,049	1,382	20.00	Property value
Others	199	219		Investment value
LONG TERM INVESTMENTS	31,500	32,331		
Short term investments	534	959		Investment value
TOTAL INVESTMENTS	32,034	33,290		
Assets				
Fixed assets	511	897		
Cash and cash equivalents	183	408		
Account receivable / (payable)	(3,324)	(596)		
Total	(2,630)	710		
TOTAL VALUATION	29,404	34,000		

Total shares outstanding	13,762,180	16,795,333
Price per share	2136.5	2024.3

Total value of Ard Financial Group stocks traded was MNT4.6 billion, up 109.1 percent from a year ago. The price was held steady during the reporting period and reached MNT2,024.3 at the year-end. This price increase was attributed to the growth of assets under management and in particular to the acquisition of additional stake in Ard Insurance in a share swap deal with VenturesOne.

Stock Trading





ARD FINANCIAL GROUP



We greeted 2014 as just a collection of different companies under new Ard Financial Group with a vague and general idea about what was going to be our mission and goals. Today, within only one year, we are united under a vivid vision and strong mission. We came up with a unique concept for the financial services industry and our team is beaming with energy and talent. Direction is becoming increasingly clear and the pace of development is picking up. The new name and logo, motto and values of Ard Holdings were well received by our shareholders and management, employees and clients alike and the operation of our subsidiaries started to solidify around it. We are well recognized by the Mongolian society now and our services are starting to receive public appreciation. Ard's team is planting the seeds of a new management culture, work ethics and corporate identity - we are building a firm foundation of the company for the future.

We, as a team, have a lot to accomplish in 2015. Tasks and projects are waiting for their completion - the job needs to get done. Many new questions and issues arise each day and they need to be resolved. The fact that the Mongolian economic downturn hasn't reached its bottom must be reflected in our future plans.

Our main goal for 2015 is to become listed on the Mongolian Stock Exchange to dramatically increase the liquidity of our shares. Everything we do must be focused in this direction. Determining every employee's roles and responsibilities, and accounting for individual performance is demanded. Team play is vital.

We set a strategic direction of the Company based on our prior collective experience and are executing on the current funding goal of generating positive cash flow sustainably, overhauling the management with the view of Ard not becoming a heavy administrative burden. The corporate governance is developing in the right direction and is well paced. The goal for the holding structure is to achieve significant value addition without undue cash burden. Mid-term objectives are to introduce a centralized and effective strategic management, risk management, treasury, marketing, internal audit, investor relations functions in the Group. Cross-selling and resources sharing capacity across the Group are to be developed. We try to maintain our structure as lean and flexible as possible.

In order to group and centralize the non-strategic investments in Ard Holdings, we are setting up an investment fund and its management company, Ard Capital Management. In order to provide a clear delineation of the business strategy for the Holdings, we will transfer non-financial sector companies to the investment fund, which will provide us with an opportunity to leverage new funding, and attract and work with specialist investors for specific assets. The Law on Investment Funds came into effect in 2014 and we are moving in to take the first mover advantage. We are planning to give this fund a historic name of Equity Investment Trust.

We want to elaborate more specifically on the opportunities that Ard Financial Group will capitalize in the immediate future here:

First, building upon a positive experience of the pilot private pension program launched by Ard's predecessor EIT in 2007, we want to take on the first mover advantage in offering pension products in the market. Because of the lack of necessary legislation, the product is currently offered as a savings product using a savings and loan cooperative license of Ard Assets. Both employer and employee get into an agreement to deposit a certain percentage of the salary into a pension account, with a matching contribution by the employer. Funds get for now disbursed as loans. All parties to this scheme win. There are two paths that we can pursue in the future: the first

is to start a life insurance company offering, essentially, the same product. And, as soon as the private pension law comes into effect the product will be span out into a real pension fund. Alternatively, launching a life insurance product by buying into or acquiring a life insurance provider is being explored.

Second, the general insurance market is underdeveloped in Mongolia. Launching new products with innovative marketing campaigns, introducing new technologies for distribution will definitely yield positive results. Investment management of the float will be an essential skill to hone for both insurance and pension funds. Ard will adopt a gradual and conservative approach to our centralized fund management based on risk.

Third, rural microfinance through franchising cooperatives offers unique opportunities for growth. Currently there are 49 cooperatives with 15 thousand members in the Association of Rural Microfinance Development, which has a strategic partnership agreement with Ard Holdings. Training, franchising package, banking and MIS software and wholesale loans are on the offer. Using social media for offering credit (Facebook banking) is a revolutionary innovation. Essentially, the idea boils down to using Facebook to market the brand, sell the product and use the network of friends to assess the creditworthiness of the borrower, and approve, and document the loan inside the closed network. This initiative will be launched in 2015.

Fourth, TenGer Financial Group remains a takeover target. A merger of Ard and TenGer will unleash further synergies, releasing tremendous value for our shareholders.

Ganhuyag Chuluun Hutagt CEO

Biography

Ganhuyag 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 (Corvinus University) in 1997. He was hired by UNDP's MicroStart Pilot Project in 1998, and then became the executive director of Mongolia's first non-bank financial company X.A.C. in 1999.

He has held the position of the CEO of XacBank since its founding until 2009, when he moved on to lead Tenger Financial Group, a parent company. In December 2010, Ganhuyag was appointed as a Vice Minister of Finance of Mongolia and served until 2012. Ganhuyag has served as honorary consul of Hungary in Mongolia between 2006 to 2012 and was appointed as advisor to Prime Minister of Mongolia, Batbold Sukhbaatar, in 2009. Moreover, he served on the Board of the Microfinance Center (MFC) in 2007 and the Global Agenda Council (GAC) on social entrepreneurship of Schwab Foundation in 2009. He also served as first President of the CEO Club and first Chairman of Mongolian Mortgage Corporation (MIK).

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. He has initiated a great number of campaigns, projects and other social activities, including hosting the 11th MFC Conference of Microfinance Institutions in Ulaanbaatar, Mongolia. Ganhuyag is also a founder of the Mongolia Economic Forum which started in 2009. He is currently serving as the CEO of Ard Financial Group since August 2014.

Stronger. Together





ARD INSURANCE



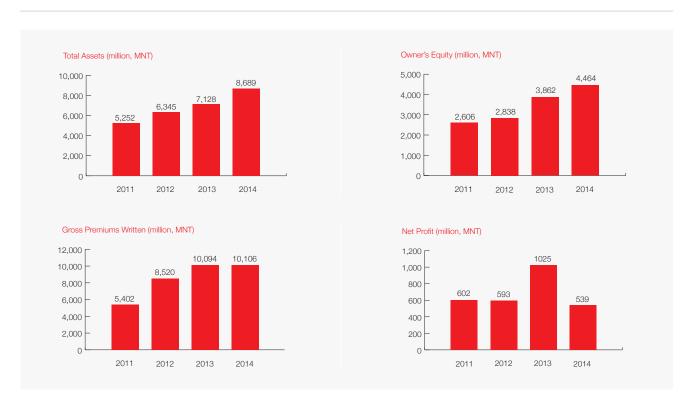
CHULUUNTSETSEG Dagvabaljir

Ard Insurance celebrated its 20 years anniversary in 2014. We are the third largest insurer domestically in terms of the gross written premium and we continue to top the list by the amount we paid out as claims as well as the reinsurance premium.

We now look forward to the future to continuously improving transparency and corporate governance practices as well as adopting International Financial Reporting Standard. Following our current merger with Ard Financial Group, we have strengthened the capacity to serve our clients.

At the end of 2014 the merger took place, in which Ard Financial Group became the major shareholder of Ard Insurance, owning a 55 percent stake. Ard Insurance had been the only insurance company to receive foreign investment at the local market and we are tremendously thankful that we have been able to access to the expertise and techniques brought in by our foreign investors.

We are glad that our foreign investor of 11 years, Ventures one BV, has recently entered into share swap agreement with Ard Financial Group and continues to work with us at group level. Notwithstanding that VenturesOne BV is no longer the direct shareholder; it still remains as one of several independent BOD members, which have recently been appointed.



ARD CREDIT



GANZORIG Chuluun

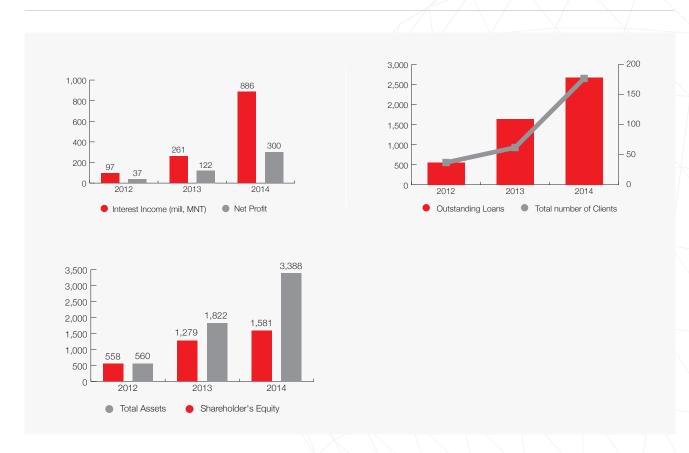
2014 was a noteworthy year for the Company as the new management team successfully navigated through its first full financial year since welcoming new strategic investors in the middle of 2013. The management team, together with the Board focused on introducing sound corporate governance practices and improving internal processes and procedures. At the same time, we were determined to sustain the exponential growth rate of our lending business and increase the level of return on the capital.

Although macroeconomic environment of Mongolia was not favorable for business, it was a year of turnaround for Ard Credit. Our team made remarkable effort throughout the year and, as a result, managed to increase the total assets by 86 percent to MNT3.4 billion and we generated net income of MNT300 million despite adverse economic conditions.

We successfully raised debt funding from local investors through our first ever private bond issuance and introduced trust account services after obtaining an approval from the Financial Regulatory Commission (FRC). Moreover, our team was able to secure a soft loan from Microfinance Development Fund (MDF) managed by the Central Bank of Mongolia, which is conditioned to support micro business owners and people living under the poverty line in Mongolia.

Furthermore, in the framework of cooperation with Association for Rural Microfinance Development (ARMD), we successfully launched a cooperative development loan product intended solely for rural savings and credit cooperatives (SCC) offering micro loans to their members most of whom are nomadic herders living in hard to reach areas of Mongolia. We view this cooperation as strategically important for Ard Credit in expanding our outreach to the population in remote areas of Mongolia.

In 2015, we are planning to diversify our funding sources by attracting investors from international capital markets. Moreover, our priority will be to improve products and services using advanced technology, introducing new channels, strengthening our risk management practices and adopting innovative approaches into our day-to-day operations.



ARD ASSETS

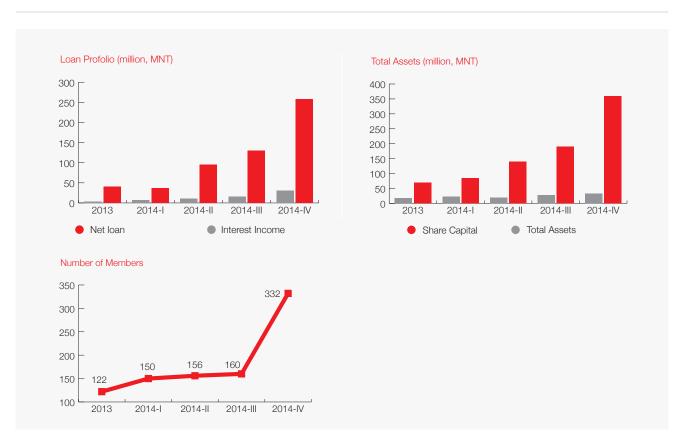


SERGELEN Munh-Ochir

2014 was the first year of Ard Assets, savings and credit cooperatives (SCC), under the management of Ard Financial Group since we overhauled and transformed former Trasco SCC, with an aim of resuming operations of Mongolia's first pension account services provider - MTND (Mongolian Pension Account Fund) LLC.

We made pension account contracts with subsidiaries and member companies of Ard Financial Group and opened long-term pension savings for their employees. During the reporting period, total number of members reached 332 and total assets grew by 524 percent.

Ard Assets continued our predecessor's initiative of marketing a long-term savings product. We will contribute to the development of the sector through active participation in much anticipated pension reforms and a creation of favorable legal environment. We will introduce new standards and best practices to the market and provide expertise for the pension fund system suited for the local environment. Ard Assets maintain and grow our leadership by introducing actuarial calculations in our daily operations along with provision of best quality service to our members.



ARD SECURITIES



BATBOLD Ariyasuren

Ard Securities was able to further consolidate its business in a period of slowing economic growth and shrinking stock markets. The company focused on cooperation with Ard Holdings' subsidiaries, cut operating expenses and consolidated its operations on investment advisory business.

The company reactivated its outward marketing policy and investment advisory services from the second half of the year only after focusing on Ard's businesses and consolidation in the first half. The policy produced the desired outcome and the company became operationally self-sufficient by the end of the year.



INSTITUTE OF ENGINEERING AND TECHNOLOGY



GANBAT Baramsai

In 2014 the Institute of Engineering and Technology celebrated its 30th year anniversary. IET established one of Mongolia's first Japanese styled Kosen high schools under a Government supported pilot project. The new Technology Transfer Center was set up and became operational as well. Forbes magazine ranked us as one of Top 10 Universities overall and 2nd among technological institutes and universities in Mongolia.



TENGER FINANCIAL GROUP

The year 2014 was characterised by major changes in operations of Tenger Financial Group. The Board decided to make structural changes, collapse the company and the management of the holding company and the management of XacBank was replaced in July 2014.

The assets of the group grew 15 percent reaching MNT 2.2 trillion in 2014. The growth was mainly affected by 21 percent increase in savings and current accounts, as well as the USD160 million of new loans from international banks and financial institutions. The total loan portfolio grew by 28 percent and reached MNT1.4 trillion.

Portfolio at risk stood at 3.7 percent which is 1.4 percent higher than the previous period. The company projected MNT27.6 billion in profits in 2014, but the year end results came at MNT14.7 billion and ROE stood at 9.5 percent.

The group's flagship company, XacBank made complete renovation of its core banking system and successfully shifted to FlexCube 12.0 version. The total assets of the bank grew 15 percent compared to last year. The bank employed total 1,732 people. Net profit of XacLeasing was MNT 1.8 billion and ROE stood at 18.7 percent. The total assets of the company was MNT45 billion of which loan portfolio makes MNT27.6 billion. PAR stood at 4.3 percent.

Tenger Insurance had MNT8.1 billion of premium income in 2014 and made MNT 755 million in profits. ROE stood at 18.6 percent.

TianRong financial company, which operates in Xinjang province of China, had MNT33.8 billion in total assets which is 20 percent increase from the previous year. The loan portfolio stood at MNT27.6 billion and PAR was 0.8 percent. The company made MNT2.2 billion in net income in 2014 and ROE stood at 6.9 percent in 2014 compared to 3.8 percent in previous year.















TENGER SYSTEMS

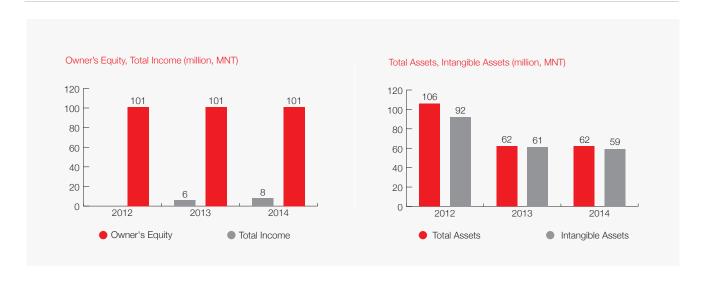


GANHUYAG Chuluun

We made major decisions regarding the future strategy of the Company in the past year. Contracts were renewed for the users of our first product Genius Banker with the number of GS clients growing to over 50. There are 43 savings and credit cooperatives, 3 non-bank financial institutions and 5 other entities.

In 2014 TenGer Systems signed a joint-venture agreement with Mr. Sundui Enebish, who works as a banking ICT consultant in Namibia, to develop a new core banking system under the name TERBiUM, which is an integrated microfinance and banking software. Mr. Sundui became a major shareholder in the Company with a 40 percent stake and the software development team was recruited. We are planning to market our product, initially, to Mongolian and African microfinance institutions.

In 2015, we will expand our product offering with new software solutions and hardware (internet banking, POS terminals) on top of our core product - TERBiUM. TenGer Systems will aim to become a financially self-sufficient company with a potential to expand in the market to reach a leadership position.



NOMYN HISHIG



ASHHUU Unurbayan

Nomyn Hishig (former Ungot Hevlel, Mongolia's oldest printing house) entered a property rental business in 2008 transforming Ungot Hevlel's factory premises into offices. Its main advantage was a central location and convenient access. In 2012 Ard Financial Group became a 20 percent shareholder of Nomyn Hishig and in 2015 it moved its offices to the historic Ungot Hevlel building.

Five tenants currently rent the 2,170 square meters of this commercial property. We aim to create sustainable cash flow and most efficient management structure for this business. The mid-term goal is to attract strategic investors for the future development of this property. will innovate and continue to develop mobile applications and new technology as well.



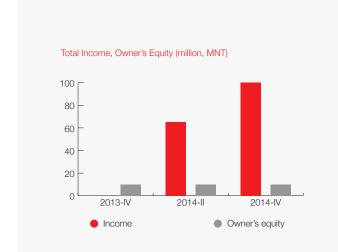
WILD DIGITAL AGENCY



TENUUN Enhbold

Last year was the first year of operations of this start-up business. Wild managed to attract some of the most talented professionals in the field of digital marketing. We excelled in crafting design solutions, websites and offering digital marketing solutions to our clients. In 2015 we decided to consolidate and will focus on becoming a leader in the field of branding offering our clients highest quality products and delighting them with our service delivery. We will innovate and continue to develop mobile applications and new technology as well.

Ard Financial Group and its subsidiaries, American Chamber of Commerce in Mongolia, Asia Pacific Council of American Chambers of Commerce, Square Grill Pub, Intergroup International are some of our first partners.









Investee companies







General Insurance

Institute of Engineering and Technology

Broker, Dealer, Underwriter, Investment Advisory







Web design, Digital Marketing, Branding Financial Holding Company Property, Lease







Long term savings

Financial Software

Non-Bank Financial Institution

Stronger. Together.



