

2017 Q4 Operational and Financial Update to the Board

Intrinsic Value per share Q4 2016:
MNT 2,454

Intrinsic Value per share Q4 2017:
MNT 2,912

Total valuation Q4 2016:
MNT 34,724

Total valuation Q4 2017:
MNT 43,554 mln

Net Profit Q4 2016:
MNT 746 mln

Net Profit Q4 2017:
MNT 1,107 mln

Dear Shareholders,

The team is working on finalizing the year-end financial statements and started drafting 2017 annual report. In the meantime, please, review this Q4 update on our financial and operational performance. It has been an eventful year for Ard Financial Group.

Total assets of Holding company grew from MNT39.4 billion to 49.6 billion. Strategic investments grew by 51.6 percent to MNT38.8 billion. Shareholders' equity amounted to MNT43.1 billion compared to 2016 figure of MNT37.4 billion. Moreover, our intrinsic value per share rose from MNT2,454 to MNT2,912, yielding 20 percent increase.

In 2017, total of 3,382,924 shares exchanged hands, from which 1.4 million were sold and 2 million bonds were bought back by the Company. Cost per share was MNT1,886 compared to average sell price of MNT2,500 per share. Starting from January 1st, the shares are now being traded at MNT2,700.

We also closed a deal to acquire an additional 2 percent of Ard Insurance from Investor Nation, bringing our stake in Ard Insurance to 95 percent. The Company's valuation went up from MNT7.7 billion to MNT9.3 billion. The strategic holding takes 23.9 percent of our investment portfolio.

Investor Nation aka Jinst Uvs shares have been trading on Mongolian Stock Exchange for over a month with stock price fluctuating between 1550 and 1800. Mongol Post shares have been trading at around MNT660.

The Board has decided to switch the auditing company from BDO audit to Dalayvan audit. They have started their on-site audit since December 25th and working towards finalizing the financial statements on or before 1st of March.

We have finalized our loan and share swap deal with IET, bringing back our stake to 12.41 percent.

The management team has already started working on the merger of Investor Nation (Jinst Uvs) and Ard Financial Group.

Subsidiaries

Investor Nation: Our marketing brand, movement Investor Nation has finally delivered its promise to its 900+ shareholders in the last month of 2017 to become an MSE listed company. Internal valuation of the company has reached MNT2.6 billion with book value of MNT1,612 per share. Share price reached MNT 1,858 on the last trading day, yielding 86 percent of profit for its initial shareholders. Merger of IN and Ard Financial Group will be their next big step awaiting in 2018.

Ard Credit team met their ambitious target of MNT10.2 billion in total assets for 2017, 56 percent increase from 2016. Net income has reached MNT658 million compared to MNT402 million in 2016. Number of credit card holders reached 598 and the total loan portfolio reached MNT7.8 billion. Ard Credit started offering the lowest loan rate of 2-2.3% among the NBFIs. Moreover, they obtained an approval from FRC for investing into short-term financial instruments. Ard Credit has distributed dividends to its shareholders for 3 consecutive year, with last dividend payout worth of MNT200 million. This trend is likely to continue in the forthcoming years. In 2017, the company introduced its new car leasing product, raised a closed bond worth of MNT1.6 billion. 2018 will be a disruptive year for Ard Credit with introduction of a SMART banking system in collaboration GrapeCity, which makes them a pioneer NBFi in digital transformation. Also the Board has decided to start the IPO process in the first quarter of 2018.

Ard Insurance: In 2017, the premium income reached MNT10.4 billion which is an increase of MNT3.2 billion or 44 percent compared to last year. During 2017, the company reimbursed MNT4.063 billion of claims, a 57 percent increase from last year. The Company operated at a net profit of MNT1.1 billion compared to MNT431 million in 2016, yielding 145 percent increase. Return on investment portfolio increased by 75 percent reaching MNT1.4 billion. Part of the return was made on the investment into cryptocurrencies. The Board has decided to make the Company - the first ever listed Insurance company in Mongolia. The Company will distribute dividends before going public.

Ard Securities: Newly appointed CEO Lhamdolgor B. left the position in early January. Hence, the Company is actively searching for a new CEO. In the meantime, Zolzaya J., the Board secretary, is overseeing the daily operations of the Company. Comprehensive income of the Company amounted to MNT688 million, which

includes the revaluation of AFG shares. The total number of customers reached 14,991 in 2017. In 2017, Ard Securities raised MNT4.3 billion for Ard Financial Group, Ard Credit and NAP Group, and USD850,000 for Hunnu Air and Ard Financial Group. Moreover, the Company participated in pre-IPO procedure of Steppe Gold, gold and silver producer company that is to be listed on Canadian Stock Exchange. In 2017, trading on MSE amounted to MNT9.96 billion, 100% percent decrease from last year, mainly due to the fact that T-bills were only issued in the first half of the year.

Ard Life's number of pension account holders reached 870 with MNT490 million outstanding balance. The company started to send monthly statements to clients. The company made a net profit of MNT114 million, 131 percent increase from 2016.

Ard Assets savings and loan cooperative grew its total assets to MNT1.4 billion, producing a growth of 121 percent. Loan portfolio stands at MNT787.3 million. Savings deposit balance grew to MNT834 million. Number of SLC members reached 531 people.

TenGer Systems new CEO, the Holding company's CDO, has redefined the strategy of the Company and presented it to their Board. The Company has started its next big project on blockchain technology, on top of the implementation of SMART banking system.

Ard Management is helping us manage our property and investment portfolios. Ard Bit's main operations are being run by them. Moreover, the Company is overseeing the newly established crypto and mining investment fund CryptoNation. Net profit of the Company was MNT68.5 million compared to the loss of MNT6 million in 2016.

Mongol Post shares were upgraded to the first trading board of the Mongolian Stock Exchange and their are now being traded at around MNT660. They have started a new income generating project called POSTSHOP and turned some of their branches into Flagship stores. POSTNEWS.MN website was launched. To increase operational efficiency MOUs were signed with 178 private sector companies. The company has gone through major rebranding: customer service, branch rendering and other operational standards were set and approved. POS machines were installed at all the branches.

Please find attached the shareholders structure and valuation.

Ard Financial Group Shareholders Structure

#	Shareholders	Q3	%	Q4	%
1	Bathishig Hishigdorj	1,689,415	11.30%	1,689,415	11.30%
2	Luna & Luna LLC	1,333,154	8.90%	1,333,154	8.90%
3	Bruno Raschle	1,317,337	8.80%	1,317,337	8.80%
4	VenturesOne BV	1,316,103	8.80%	1,316,103	8.80%
5	Ganhuyag Chuluun	1,145,400	7.70%	1,145,400	7.70%
6	Ard Securities LLC	1,050,033	7.00%	859,847	5.70%
7	Investor Nation	1,021,823	6.80%	1,020,210	6.80%
8	Ard Life	611,051	4.10%	611,051	4.10%
9	Uyanga Galnyam	597,047	4.00%	597,047	4.00%
10	Altan Horomsog LLC	471,400	3.20%	432,240	2.90%
11	Gereltuya Sedbazar	452,000	3.00%	452,000	3.00%
12	Ronoc Limited	305,697	2.00%	305,697	2.00%
13	Soronzonbold Lhagvasuren	272,656	1.80%	272,656	1.80%
14	Zoljargal Myagmarsuren	248,945	1.70%	248,945	1.70%
15	Chuluuntsetseg Dagvabaljir	157,903	1.10%	157,903	1.10%
Total of 15 shareholders		12,002,061	80.20%	11,759,005	78.60%
Other shareholders		2,955,655	19.80%	3,196,927	21.40%
Shares outstanding		14,957,716	100.00%	14,955,932	100.00%
Shares issued		17,194,364		17,194,364	
Non-voting shares		2,236,648		2,238,432	
Ard Life LLC		1,214,030		1,215,050	
Ard Securities LLC		873,000		873,000	
Ard Management LLC		149,618		150,382	

Ard Financial Group Closed JSC Valuation

	2016 Q4	2017 Q2	2017 Q4	Ownership %	Valuation
Strategic Investment					
Mongol Post	9,681	11,281	16,058	28.50	Market price (MSE)
Ard Insurance	7,689	7,689	9,528	95.04	Last transaction
Ard Credit	3,818	4,023	4,558	80.70	Cash-flow
Ard Securities	2,126	2,126	2,126	100.00	Cash-flow
Investor Nation (Jinst Uvs)	104	104	277	9.00	Market price (MSE)
Nomyn Hishig	1,780	1,780	1,780	20.00	Liquidation value
IET			2,337	12.41	Last transaction
CryptoNation			950		
Other	720	1,494	1,412		
Total	25,918	28,497	39,026		
Short-term investments	8,362	7,926	1,310		
Fixed asset	726	1,048	873		
Cash	166	44	689		
Net receivable	-1,164	-1,028	1,656		
Gain on disposal of asset	716				
Total valuation	34,724	36,487	43,554		
Shares in circulation	14.15	15.23	14.96		
Value per share	2,454	2,401	2,912		
BV per share	2,646	2,516	2,913		

Thank you for your attention!