

2019

Ard Financial Group

ANNUAL REPORT

Build the Investor Nation

Table of contents

| | |
|-----------|---|
| 4 | CEO Statement |
| 10 | Mission |
| 10 | Vision |
| 11 | Principles |
| 11 | Strength |
| 12 | Key financial indicators |
| 14 | Financial ratios |
| 15 | Consolidated key figures |
| 16 | About us |
| 18 | 2019 Highlights |
| 20 | Shareholders' structure |
| 21 | Board of Directors |
| 22 | Chairman |
| 23 | Ordinary members |
| 28 | Independent members |
| 32 | Management team |
| 36 | Management of subsidiaries |
| 38 | Economy overview |
| 39 | Money and finance |
| 40 | Stock market - Mongolian Stock Exchange |
| 41 | Foreign currency |
| 41 | GDP growth prediction |
| 42 | Operational report |
| 42 | Operational performance |
| 44 | Marketing |
| 46 | Human resource |
| 48 | Technology |
| 49 | Investment |
| 52 | Financial performance |
| 54 | Investment portfolio |
| 69 | Forward looking statement |
| 70 | Valuation |
| 71 | Stock trading (MSE: AARD) |
| 72 | Independent auditor's report |

CEO Statement

Dear Shareholders!

I am delighted to continue our good tradition to present Ard Financial Group's performance outcomes for the previous year with you in the spring of each year. Given the current circumstances, for the first time, we decided to proceed with online-only distribution of our annual report.

To begin with we summarized the major highlights of 2019 followed by detailed operational and financial information. Moreover, you will find summarized subsidiary reports and Ard Financial Group's stand-alone and consolidated financial statements at the end of this report.

The year 2019 was a fruitful one, again – we generated a profit of MNT5.4 billion while finally becoming a publicly listed company. We launched Ard App and we raised capital by IPO-ing Ard Credit. We introduced the first blockchain-based cryptocurrency in Mongolia, and also strengthened our team with new talent. I can safely say that we over-delivered on what we have promised to you all. Thus, I will be only delighted to list our numerous achievements in order of their importance.

In 2019 Ard Financial Group generated a net profit of MNT3.4 billion and a comprehensive income of

MNT5.4 billion. Our stand-alone balance reached MNT78.1 billion, while our investment portfolio grew to MNT68.2 billion. I am delighted to announce that as we first launched ArdCoin, we distributed a pro rata bonus of ARDX1 billion to our shareholders, and this year, for the first time, we decided to distribute MNT1 billion in dividends to our shareholders. Congratulations to all of you – this success is a result of the trust you placed in us and our mutual efforts!

Last August, Ard Financial Group became a publicly traded company at the Mongolian Stock Exchange – an event we had been talking about, planning for, working towards and waiting for many years now. At the end of the year, Ard Financial Group's shares listed under the ticker AARD, were officially recognized as one of the most actively traded stocks and included in the MSE's Top20 index along with Ard Insurance and Ard Credit's stocks.

Through Ard Credit's IPO, in which we successfully offered 25 percent of the company to the public and raised MNT5.3 billion from a total of 1,763 investors, the valuation of Ard Financial Group increased by MNT8.9 billion, while our stake was diluted to 60.81 percent. During the reporting period, Ard Credit issued about 76.3 thousand loans and earned a profit of MNT2.2 billion. It is quite a feat for the company that only had



Ganhuyag Chuluun Hutagt
CEO

//

Collaboration and partnership among Mongolian businesses will accelerate Mongolia's economic development and increase the country's competitiveness in international markets.

over 800 active borrowers at the beginning of the year. A milestone debt-financing agreement was signed with Crowd Credit Fund of Japan for MNT-denominated funds totaling USD5 million to be received in tranches over the course of several years.

During the Investor Nation-2019 Forum, we introduced a revolutionary mobile wallet Ard App to the public. We believe this App has turned out super in every aspect: a customer can apply for an online loan by enrolling themselves using their smartphones; open savings accounts; purchase insurance policies and services; trade securities, pay electricity, housing and telephone bills; and even shop for groceries. Also, customers receive ArdCoins as loyalty bonus points for every transaction and order they make inside the App. ArdCoins then can be traded, or used as a rebate for the next service. The number of registered users of Ard App hit 260 thousand in this first year with 170 thousand ArdCoin holders. During 2019 Ard Credit applied for a digital currency license by the Bank of Mongolia.

At its last meeting for 2019 the Board approved a motion to recapitalize Ard Life for a total of MNT14 billion in order to enable us to make a first move in the market as soon as the law on private pension funds is approved by the Parliament of Mongolia.

At the end of 2018, we decided to enter e-commerce, and as of today, ArdShop developed three major proprietary systems: buyer, seller, and delivery systems. For the first time in Mongolia, Ard Shop has made a system integration with Mongol Post and became a nationwide online trading platform, offering products from Chinese manufacturers to Mongolian customers at the lowest prices. In the fourth quarter, overall, we reached our goal of becoming an e-shop which offers the cheapest and

widest selection of products by signing a cooperation agreement with an international e-shop by Turkish Post. In addition to its separate website and mobile app, an integration of Ard Shop into Ard App enabled our customers to take an advantage from purchasing directly, making instant and seamless payments as well as receiving rebates in ArdCoins. We are also increasing the reach and appeal of the e-shop by making it possible to make purchases using a variety of third party bonus points such as Candy, Redpoint alongside ArdCoins.

In 2019, Ard Financial Group made a major structural change to its balance sheet: we got rid of our tactical and short term investments and most of our assets are now tied to core strategic investments and receivables. Receivables and payables from related companies built over the years to finance our past growth have been worked out. Some non-core investments were sold or are in the process of negotiations. Loans to third-parties have been dealt with - restructured and transferred out in a range of complex deals. On the other hand, we consciously increased our exposure to bond financing, while continuing to pay-down on bank loans. While this resulted in the reduction of our financial expenses on a dollar to dollar basis we became more leveraged. Another nuance is that now Ard Bit and Ard Holdings International own 15 percent of AARD each. I like viewing them as our strategic reserves.

The total assets of the Company reached MNT78 billion, and the value of your shares grew by MNT7 billion to MNT65 billion. The main factor for the increase in the value of our portfolio was a successful IPO of Ard Credit enhanced by strong earnings of Mongol Post, Ard Insurance and Ard Credit amounting to MNT1.1 billion, MNT1.7 billion, MNT2.2 billion, respectively.

Four of our listed companies dominated the Mongolian Stock Exchange trading by the end of the year. We identified weak capital markets as an opportunity for us, and we are quickly becoming a dominant institutional investor in the market through our insurance and pension funds. They will be further assisted by the engagement of the country's first mutual investment fund which we are hoping to make operational in 2020. Based on the results of 2019, all four companies in our portfolio were listed in the Top20 Index of the Mongolian Stock Exchange.

The Group bought-back a total of MNT3.3 billion worth of its shares, and at the end of the year, we signed a share purchase agreement to buy an additional 3.6 percent of Mongol Post for MNT2.2 billion. In accordance with the terms of Ard Shop agreement, we injected MNT240 million, and sold MNT8 billion worth of immovable properties.

The first blockchain-based cryptocurrency of Mongolia was listed and traded on three domestic and foreign exchanges, and gained access to leading platforms such as CoinMarketCap, Blockfolio, and LiveCoinWatch. We started a process of registering Ard Bit, issuer of ArdCoin, in Singapore.

In terms of our MIS and IT systems development, we implemented Tableau, the business intelligence tool, and Polaris, the core business system across the Group.

We boosted our marketing efforts and initiated a several innovative campaigns that reflect our brand. We started hosting personal finance parts of the "Morning Show" by Mongol HDTV in order to enhance our brand image and provide financial education to the public. As part of our CSR Ard sponsored Education TV's "I Am a Teach-

er" reality show with the goal of contributing to the awareness of the public on the importance of access to quality and free education for all children in Mongolia.

We engaged with our customers and supporters through social media daily and promoted Ard App by way of organizing competitions and giveaways throughout the year. In order to promote greater adoption of Ard App we encouraged our customers to earn and use ArdCoins, and we held three consecutive lottery campaigns for brand new cars and an apartment. During the last year, a total of 1.5 billion ArdCoins were provided to our customers as a bonuses and gifts.

We organized a large e-commerce promotional event - Tsagaan Sugar for the first time during the year. We hope to make it an annual event going forward.

We established a full-blown call center over the course of the year. Our newly formed teams have been excelling in handling customer requests in a friendly and prompt fashion.

Messrs. Mikhail Zeldovich, James Anderson and Sergelen Munkh-Ochir were elected to the Board at the shareholders' meeting in April, and Arnaud Ventura was welcomed in September. Ms. Hulan Hangay was appointed as a Board Secretary, and Mr. Batbold Ariyasuren was appointed as a Corporate Secretary of Ard Financial Group.

Ms. Ariunaa Bayaraa became the Group Chief Marketing Officer after the resignation of her predecessor and Mr. Amarbayasgalan Enhsaikhan joined us in the capacity of the Chief Investment Officer. Mr. Gantulga Bulgan accepted to lead our pension unit in the capacity of the CEO of Ard Life. In the middle of last year, Mr. Ganzorig

Chuluun, the CEO of Ard Credit, abruptly resigned, so we had to start looking for a replacement and by the end of the year Mr. Telmen Gerelt was chosen to step in the shoes of Ard Credit's CEO from the beginning of 2020. I am very happy to report that the search for a person in charge of compliance was finally successful and Ms. Anar-Erdene Suhbaatar joined us in February 2020, while Ms. Oyuttsetsen Bayarsaihan will lead the Group's Risk Management function.

We continue to offer all employees of Ard a chance to own shares in the company through a stock ownership program. EIT (original Employee Investment Trust of XacBank) was re-established three years ago and all employees participate in the program and recapitalize it every year with one month's salary advance provided by the employer. EIT share tokens then are traded on a proprietary digital exchange dubbed eitX. On top of this we allocated MNT564 million, MNT386 million, and MNT175 million worth of shares (AIC, ADB, AARD), pension savings and ArdCoins to the Board, executive team and employees, respectively, with a lock-up period of two years.

In 2019 the Group paid MNT431 million in corporate income tax, MNT333 million in personal income tax, MNT930 million in social insurance premiums, and MNT311 million in the form of other taxes and fees, contributing a total of MNT2 billion to the state and local budgets. Moreover, more than MNT100 million was deposited in the private pension fund accounts of our employees by group companies as a contribution to their employees future financial stability.

Our vigorous efforts over the course of the past 16 years has paid-off and the momentum is building up for pension reform in Mongolia. At the same time, we continue to advocate for reforms in the insurance sector and the development of the stock market. In 2019, we organized the Investor Nation Forum twice. I am pleased to see

that this event remains the largest and most well attended investment forum in Mongolia which also speaks for its impact.

We began to explore the possibilities of expanding into Central Asia and initial investment research was conducted in Kazakhstan and Kyrgyzstan. The National Privatization Fund will be launched in 2020 as the Financial Regulatory Commission approved our application for the investment fund.

We started preparing to invest in a commercial bank. At the same time, Ard Financial Group will start looking at an opportunity to become listed on an international stock exchange in the medium term. We set up Ard Holdings International and Ard Leasing at the end of the year. Ard Properties and Ard Realty are being registered.

At the time of preparing this report, it has become increasingly clear that the global coronavirus pandemic will have a devastating and long-lasting effect on the society and economy everywhere. Therefore, our executives are taking every precaution to ensure the continuity of their businesses and are paying extra attention to the health and safety of employees. Extraordinary Board meetings are being held and necessary amendments are being made to budgets and plans, where appropriate. We shelved some initiatives and started implementing cost-cutting measures across the Group. All new employment has been frozen. The focus will shift towards preserving our loan portfolio quality and building of reserves for losses and hoarding of cash at this time. Despite all this, however, the team is confident that the corporate machine we managed to put together in time is ready to face this crisis. Everything we did in the past, from the conception of the original idea to planning, from our first employee to the Investor Nation movement, from trials and errors to diligent construction process under one vision, under one leadership, as a team that is dedicated to the goal and is unwavering

in its determination – Ard was seeded and designed to overcome the deep crises such as this one we are facing today. And not only – in my view we stand ready to take on opportunities that will be thrown at us during this time of mass panic.

In the end, I would like to remind you, dear shareholders, to pay special attention to your health and safety during this perilous time and, I would like to ask you to start using your Super Ard App.

Wishing you all the best on behalf of the team,

A handwritten signature in black ink, consisting of stylized, overlapping loops and a long horizontal stroke extending to the right.

Ganhuyag Chuluun Hutagt
Chief Executive Officer

Mission

Build the Investor Nation

Vision

Become a leading FinTech holding company in the region

Principles

Uphold the rights of shareholders;

Maintain the highest standards of ethics and compliance;

Maintain investment returns and risk levels at an optimal level;

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 entrepreneurial mindset, stay alert to changes in the market, and develop a capacity for rapid execution;

The Group will lead in the markets we are in by continuous innovation and creative disruption;

The Group will strive to maintain highest levels of customer service;

We will assemble the most powerful, professional and lean teams. Requirements for the job holder will be stringent and individual accountability will be strictly enforced;

We will work to maximize our social impact as a responsible corporate citizen;

Ard Holdings will work to improve the legal and regulatory environment and its operating ecosystem;

We will adhere to the highest norms and standards of environmental protection and care for our planet;

We will stick to ethical code and lead in providing gender equality at both workplace and amongst our clients;

Our products and services will be designed and tailored to reflect our beliefs and philosophy.

Strength

Partnership based on competitiveness, lean organization and innovative technology;

Transparency of operations, good governance, and proven management;

Internationally recognized team with proven track record of implementing new initiatives and projects;

Sustainable investment returns;

Capacity to rapidly capitalize on the opportunities presented by the market;

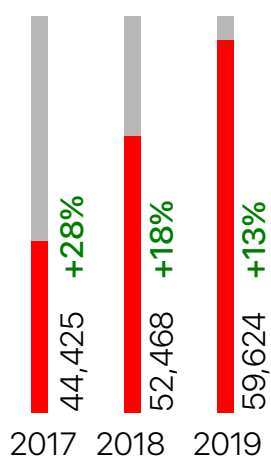
Well-recognized brand - Ard as in people and together as the Investor Nation;

Unique infrastructure covering the whole Nation;

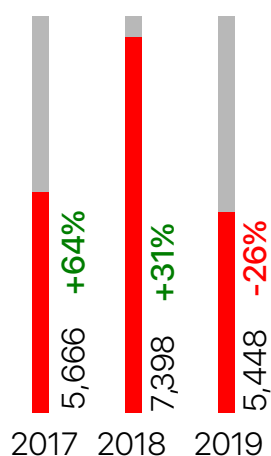
Entrepreneurial culture.

Key financial indicators

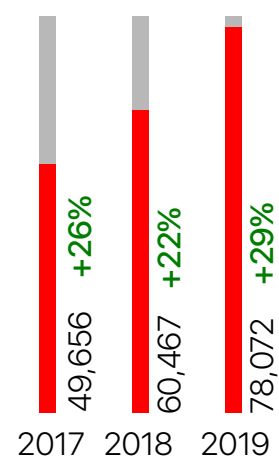
Total valuation
(MNT million)



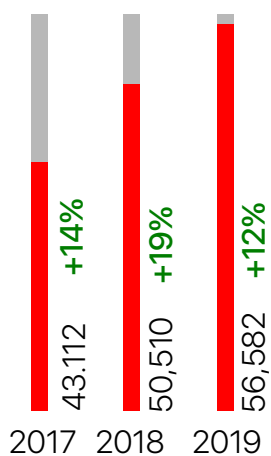
Total comprehensive income
(MNT million)



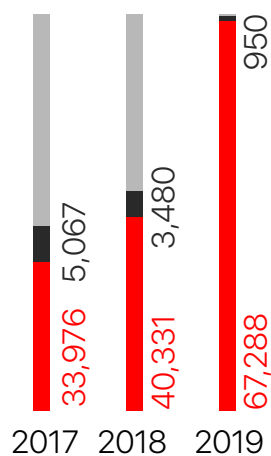
Total assets
(MNT million)



Total equity
(MNT million)



Investment portfolio
(MNT million)



| (in MNT million) | 2018 | 2019 | Change |
|------------------------------------|------------|-------------------|---------|
| Loan Portfolio and Receivables | 9,836 | 5,312 | -45.99% |
| Fixed Assets and Intangible Assets | 971 | 769 | -20.80% |
| Strategic Investment Portfolio | 40,331 | 67,288 | 79.14% |
| Tactical Investment Portfolio | 3,480 | 950 | -72.70% |
| Total Assets | 60,467 | 78,072 | 29.12% |
| Short-term Liabilities | 2,234 | 4,873 | 118.13% |
| Long-term Liabilities | 7,722 | 16,617 | 115.19% |
| Total Liabilities | 9,956 | 21,489 | 115.94% |
| Shareholders' Equity | 50,511 | 56,582 | 12.02% |
| Total Income | 5,131 | 11,721 | 124.19% |
| Total Expenses | 4,490 | 7,292 | 62.41% |
| Net Profit | 668 | 3,405 | 409.73% |
| Net Comprehensive Income | 7,398 | 5,448 | -26.36% |
| Number of Shares in Circulation | 17,194,364 | 27,175,629 | |
| Total Valuation | 52,599 | 59,624 | 13.36% |
| Earnings per Share (MNT) | 430 | 200 | |
| Internal Valuation per Share (MNT) | 3,051 | 2,195 | |

Financial ratios

| | 2018 | 2019 | Change (%) |
|----------------------------------|--------|----------------|------------|
| Loan Portfolio to Assets | 16.27% | 6.82% | -9.45% |
| Investments to Assets | 72.45% | 87.43% | 14.98% |
| Debt to Assets | 16.47% | 27.53% | 11.06% |
| Investment to Capital | 86.74% | 120.63% | 33.89% |
| Salaries to Total Expenses | 20.66% | 15.78% | -4.88% |
| Interest Expenses to Liabilities | 8.58% | 6.78% | -1.80% |
| OpEx to Assets | 4.47% | 6.00% | 1.53% |
| ROE | 14.65% | 9.63% | -5.02% |
| ROA | 12.23% | 6.98% | -5.25% |

Consolidated key figures

| | 2018 | 2019 | Change |
|------------------------------|---------|----------------|----------|
| Number of Companies | 15 | 19 | 4 |
| Number of Employees | 192 | 199 | 7 |
| Total Number of Borrowers | 1,078 | 25,580 | 24,508 |
| Total Number of Clients | 149,936 | 386,749 | 236,813 |
| Total Number of Shareholders | 4,921 | 7,183 | 2,262 |
| Total Assets | 67,312 | 76,757 | 9,445 |
| Total Equity | 31,283 | 20,093 | (11,190) |
| Net Income | 3,367 | 6,631 | 3,264 |
| Price to Book | 1.37 | 1.51 | 0.14 |
| Price to Earnings | 12.81 | 4.58 | (8.23) |

About US

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

Employees of XacBank exchanged their shares for the shares of XAC-GE, a parent company of XacBank, to unify their voice in the management of the Company. XAC-GE then was then renamed to TenGer Financial Group and expanded into a group of companies providing financial services.

Ard Financial Group was established at the initiative of XacBank's founder as "Employee Investment Trust" or EIT in September of 2005 and became the foundation of the first institutional investor in Mongolia.

EIT started with MNT1.2 million in equity and 10 shareholders in October of 2005. By the end of 2019, the

Company had MNT78 billion in assets and over 4,000 shareholders.

In 2013, our shareholders formulated a new strategy and made a historic decision to rebrand as Ard Financial Group. Following the new vision, we started investing in Ard Credit, Ard Insurance, Ard Life, Ard Securities and Ard Assets.

In 2016, Ard Financial Group successfully participated in a privatization at the Mongolian Stock Exchange which resulted in a major investment in Mongol Post. In 2017, Ard Management, an investment fund management



company, and Ard Bit, a blockchain and cryptocurrency company, were added to our strategic investment portfolio. In 2018, TenGer Systems began to reform its operations transforming to blockchain technology. Ard Properties, Ard Realty, Ard Leasing and Ard Holdings International were established and began to be part of the Group in 2019.

In 2015, Ard Financial Group was transformed into a closed joint stock company based on the original belief that people should benefit from the wealth they create and should be the owners of their bank. At the end of 2017, Investor Nation merged with Jinst-Uvs JSC and started trading on MSE. On August 8, 2019, Ard Financial Group became a public joint stock company through RTO.

2019 Highlights



January 15

Ard Bit issued ArdCoin loyalty points on the blockchain. Information about ARDX can be found on ardcoin.com and etherscan.io.

January 19

Ard Bit issued ArdCoin loyalty points on the blockchain. Information about ARDX can be found on ardcoin.com and etherscan.io.

February 19

Ard Insurance JSC decided to distribute 50 percent of its 2018 net profit to shareholders as dividends after only 4 months since its IPO.

March 1

Ard Credit's (MSE:ADB) was successfully IPOd with retail oversubscription of 300 percent.

April 5

A new feature that allows users to open their brokerage accounts online through Ard App was added.

April 8

ArdCoin was listed on Trade.mn, Mongolia's only cryptocurrency exchange. The first ARDX/MNT trade took place.

April 27

General Assembly of shareholders of Ard Financial Group, Ard Insurance, Ard Credit and Jinst Uvs JSC took place at Zaisan Hill Complex. Ard Financial Group distributed a pro-rata bonus of MNT1 billion equivalent of ARDX to all shareholders during this meeting.

May 8

The Financial Regulatory Committee reviewed and approved the merger of Ard Financial Group and Jinst Uvs.

June 21

Ard App users reached 200,000, Ard Credit acquired 100,000 customers.

July 8

FRC approved the establishment of a closed-end investment fund, National Privatization Fund, by Ard Management.

July 23

Customers can now place international orders through ArdShop.

August 8

Ard Financial Group became a publicly-traded company listed on the Mongolian Stock Exchange (MSE: AARD) via merger with Jinst Uvs.



August 22

ArdCoin is listed on BTCEXA, Australia's regulated cryptocurrency exchange.

September 2

ArdCoin is registered on CoinMerit and CoinGecko cryptocurrency databases.

September 18

ArdCoin is listed on cryptocurrency exchange STEX.

November 29

Ard Financial Group acquired an additional 3.6 percent of Mongol Post JSC.

December 1

The Investor Nation - 2020 Forum was organized under the motto "Become Masters of Your Own Future". A new version of Ard App was introduced.

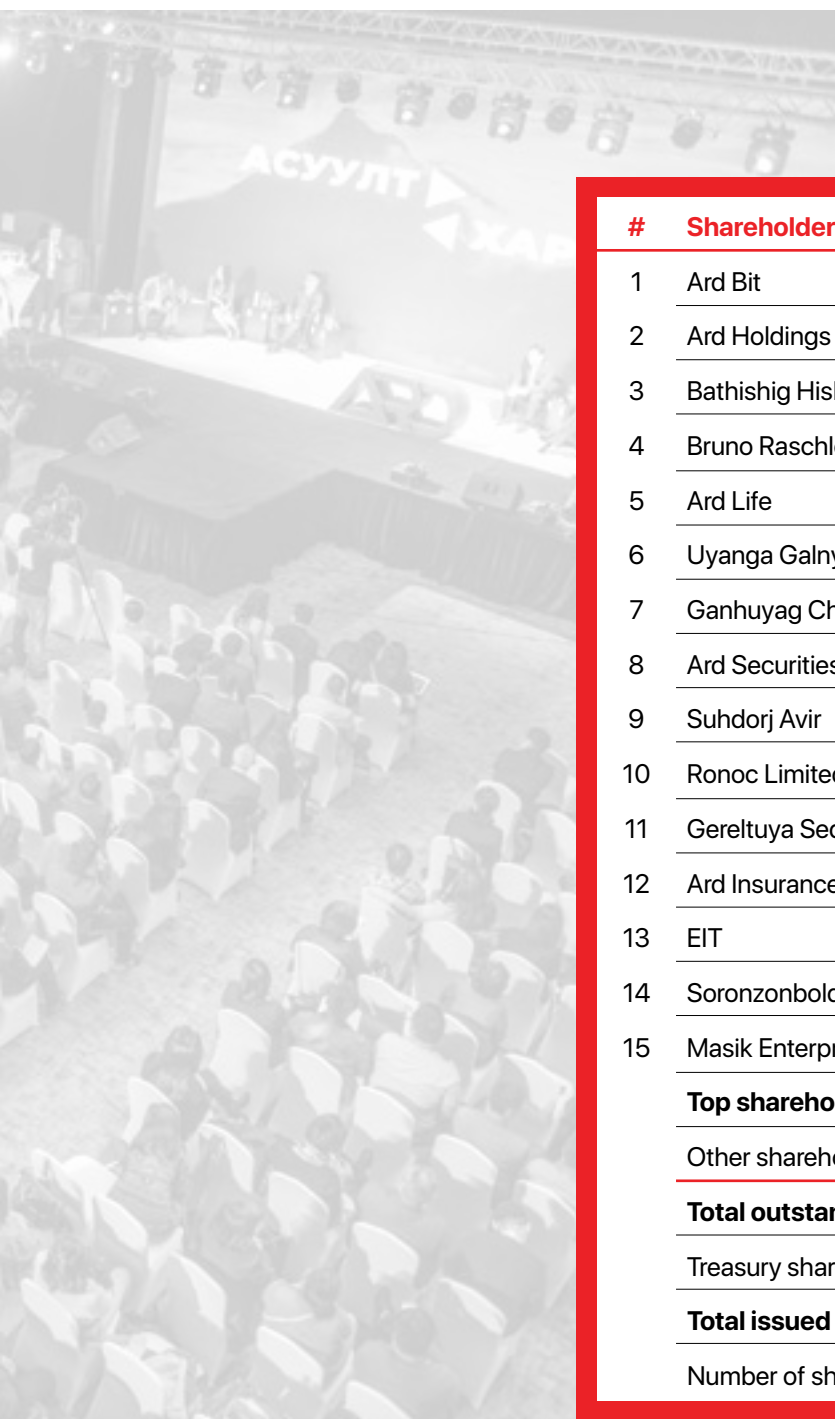
December 2

Ard Financial Group decided to invest an additional MNT15 billion to recapitalize and expand Ard Life LLC.

December 19

ArdCoin was listed on Blockfolio making it present on three most recognized cryptocurrency platforms – CoinMarketCap, LiveCoinWatch, and Blockfolio.

Shareholders' structure



| # | Shareholder | 2019 | Ownership |
|---------------------------------|----------------------------|-------------------|---------------|
| 1 | Ard Bit | 4,243,090 | 14.8% |
| 2 | Ard Holdings International | 2,874,410 | 10.0% |
| 3 | Bathishig Hishigdorj | 2,657,214 | 9.3% |
| 4 | Bruno Raschle | 2,074,922 | 7.3% |
| 5 | Ard Life | 1,365,018 | 4.8% |
| 6 | Uyanga Galnyam | 1,330,147 | 4.6% |
| 7 | Ganhuyag Chuluun | 1,239,374 | 4.3% |
| 8 | Ard Securities | 1,007,392 | 3.5% |
| 9 | Suhdorj Avir | 536,417 | 1.9% |
| 10 | Ronoc Limited | 479,111 | 1.7% |
| 11 | Gereltuya Sedbazar | 455,717 | 1.6% |
| 12 | Ard Insurance | 435,362 | 1.5% |
| 13 | EIT | 331,253 | 1.2% |
| 14 | Soronzonbold Lhagvasuren | 315,069 | 1.1% |
| 15 | Masik Enterprises | 269,483 | 0.9% |
| Top shareholders | | 19,613,979 | 68.5% |
| Other shareholders | | 7,561,650 | 26.5% |
| Total outstanding shares | | 27,175,629 | 95.0% |
| Treasury shares | | 1,438,634 | 5.0% |
| Total issued shares | | 28,614,263 | 100.0% |
| Number of shareholders | | 4,063 | |

Board of Directors

| Nº | Full name | AIC | AARD | ADB | MNP |
|----|----------------------|--------|-----------|-----------|--------|
| 1 | Ganhuyag Ch. Hutagt | | 1,239,374 | 666,212 | 2,299 |
| 2 | Batbayar Purevjargal | 70,586 | 44,001 | | |
| 3 | Bruno Raschle | | 2,074,922 | | |
| 4 | Sergelen Munh-Ochir | 17,407 | 19,890 | | |
| 5 | Odbayar Odonchimed | | | | |
| 6 | James Anderson | | | | |
| 7 | Suhdorj Avir | 6,892 | 536,417 | 3,571,428 | |
| 8 | Munhbat Chuluun | 16,342 | | | |
| 9 | Mikhail Zeldovich | | | | |
| 10 | Bathishig Hishigdorj | 19,868 | 2,657,214 | | 28,315 |
| 11 | Arnaud Ventura | | | | |

MSE: 

MSE: 

MSE: 

MSE: 

Board members



Chairman of the Board

Batbayar Purevjargal

(Chairman of the Board, Ard Financial Group)

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

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



Ordinary member

Ganhuyag Chuluun

(Founder and CEO, Ard Financial Group)

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

Gan started his career at the Mongolian Stock Exchange as a floor supervisor in 1991. He joined the Central Bank's supervision division after graduating from the Budapest University of Economic Sciences in 1997. He was hired by UNDP's MicroStart Pilot Project in 1998, and then steered this project to transform into the country's first non-bank financial company, X.A.C., in 1999 and then into XacBank and TenGer Financial Group in 2001. He held the position of the CEO of XacBank and TenGer until his appointment as Vice Minister of Finance in 2010.

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

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



Ordinary member

Bruno Raschle

(Non-Executive Vice Chairman, Schroder Adveq)

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

Prior to founding Adveq, Bruno was the founder and Managing Director of the MC Partners fund of funds investment programs at Motor-Columbus, Switzerland in 1986. Bruno's operational experience includes the management of start-ups, turn-around and expansion situations in various industries on different continents.

Bruno holds MSc degrees in Construction Engineering from the Swiss Federal Institute of Technology (ETH) and in Industrial Engineering from Stanford University. Furthermore, he completed the Advanced Management Program at Harvard University in 1990.



Ordinary member

Suhdorj Avir

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

Suhdorj Avir, Board Chairman of Grape City LLC, and Most Fintech LLC began his career at Mongolia's Planning Committee in 1975, soon after he was appointed as the Director of the Data Center Division of the Central Bank of Mongolia and effectively led the division for many years. He studied computer engineering at the University of Polytechnics located in Kiev, Ukraine. Soon after the transition from Socialism to a market-based economy, in 1991 he founded Mongolia's first information communications technology company, BSB Service LLC (now BSB Group). While working as BSB Service LLC Chairman and CEO, in 2000, he founded GrapeCity Mongolia LLC, a company focused on software solutions for banking, and in 2001, he also established Incomnet LLC, a space communications service provider. Today, GrapeCity Mongolia LLC has become the leader in banking and payments solutions in Mongolia.

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



Ordinary member

Bathishig Hishigdorj

(CEO, Khishig Arvin Industrial LLC)

Mr. Bathishig Hishigdorj studied Political science and Public administration at Tongji University located in Shanghai, China from 2010-2014, after which he mastered International Law at the National University of Mongolia from 2014-2015.

In 2014 Mr. Bathishig started working at Khishigarvin Industrial LLC, his family owned business, as a business development manager. In 2015 he was promoted to Chief Executive Officer. He started working as a Board member for Ard Financial Group in 2016.



Ordinary member

Odbayar Odonchimed

(Deputy Director, Erdenes Mongol LLC)

Mr. Odbayar Odonchimed. Earned his Bachelor's and Master's degrees from Kiev Pedagogical University and majored as a teacher from 1984 to 1988. He graduated from Florida Institute of Technology, USA, majoring in economics, and from 1997 to 2000 majored as a lawyer from Otgontenger University in Mongolia. In 2017 Odbayar graduated from Harvard University, Boston, USA with a degree in management as well.

He was employed as a Director of the Mongolian-Chinese joint State-owned factory in the past; he served as Attache and Third Secretary at the Embassy of Mongolia in China; advisor to the Prime Minister of Mongolia; Vice-President of Altai Holding LLC. From 2016 to 2019 he worked as the Deputy Director for Business Development at Erdenes Mongolia LLC, and managed large state-owned enterprises; involved in putting strategical fields into economic circulation; natural resources exploitation and processing; managing investment and infrastructure projects, as well as the distribution of its benefits to citizens of Mongolia through wealth funds. Mr. Odbayar helps manage 13 subsidiaries of Erdenes Mongolia LLC, such as Baganuur JSC, Shi-vee-Ovoo JSC and world-class copper-gold and coking coal mines such as Erdenes Oyu Tolgoi LLC and Erdenes Tavan Tolgoi JSC.



Munhbat Chuluun

(President, SouthGobi Sands)

Mr. Munhbat Chuluun has been appointed as President and Executive Director of SouthGobi Sands LLC effective September 7, 2015. He joined the Company as an Advisor in 2012 and later was appointed as the General Manager of Government Relations and Compliance of SouthGobi Sands. Before joining the Company, Mr. Munhbat was a Project Director at Asian Development Bank funded project and a Coordinator at World Bank project.

Independent member

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



Independent member

Sergelen Munh-Ochir

(President, IET)

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

Mr. Sergelen has a Bachelor of accounting from the International College of Business and the second Bachelor of management from Isiti College, Japan.



Independent member

Mikhail Zeldovich

(Chairman of Cocoon Capital Supervisory Board)

Mr. Zeldovich is an investment professional and commodities trading executive with two decades of experience investing, trading, negotiating, consulting and Board directorship experience in the emerging markets (EM). He has worked as a private equity investor for a USD2.2 billion emerging markets fund, consultant at Boston Consulting Group and a trade negotiator for the U.S. President's office. He graduated from Harvard Law School and the Fletcher School of Law and Diplomacy. Now he chairs a South-East Asia seed investment fund Cocoon Capital and invests independently as an angel investor in green tech, ag tech, cyber security and natural resources.

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



Independent member

James Anderson

(Chairman of the Board, Asian Credit Fund)

Mr. Anderson is a banking and microfinance professional with extensive experience with banks, MFIs and NBFIs in Central Asia and Mongolia. His experience includes a senior advisory position with XacBank and membership on the Board of TenGer Financial Group. He is currently engaged as Board Chair of Asian Credit Fund, Kazakhstan and a member of the investment committee of Alterfin, a Brussels-based social investor in microfinance institutions and sustainable agriculture. He has a commercial banking background with leadership positions in New York and Tokyo.



Independent member

Arnaud Ventura

(Founder, Baobab Group)

Arnaud Ventura founded Baobab Group (formerly MicroCred), the leading digital microfinance group focusing on serving micro and small businesses in Africa and China.

Baobab's mission is to unleash the potential of its clients offering them simple and easy to use financial services. Founded in 2005 as MicroCred, today Baobab has disbursed in 2018 over 1 billion EURO of loans both digitally and through a network of over 1000 branches and points of service. Baobab has next to 1 million clients and 4000 employees operating mostly in Africa (Burkina Faso, DRC, Ivory Coast, Madagascar, Mali, Nigeria, Senegal, Tunisia, Zimbabwe) and China.

Prior to the creation of Baobab, Arnaud Ventura co-founded PlaNet Finance (now Positive PlaNet) one of the leading International non-profits in the field of international development and microfinance and the Positive Economy Forum, one of the largest forums in Europe focusing on Social Business.

Arnaud was nominated a Young Global Leader by the World Economic Forum (Davos) in 2013. Arnaud was nominated French American Young Leader in 2005. Arnaud is also co-founder of the France China Foundation.

Before co-founding PlaNet Finance, Arnaud worked for BNP Paribas in France and Argentina and participated in the creation of two leading Internet providers in France and Thailand (Club-Internet & Internet Thailand).

Management team



GANHUYAG Chuluun

Chief Executive Officer



ZOLBOO Batbileg

Chief Financial Officer



ALTANGUNII Jargalan

Chief Operating Officer



ARIUNAA Bayaraa

Chief Marketing Officer



TENUUN Gardi

Chief Digital Officer



AMARBAYASGALAN Enhsaihan

Chief Investment Officer



MUNH-ERDENE Munhbat

Internal Auditor



BATBOLD Ariyasuren

Corporate Secretary



ANAR-ERDENE Suhbaatar

Chief Compliance Officer



HULAN Hangai

Secretary of the Board



OYUTTSETSEN Bayarsaihan

Risk Manager

Management of subsidiaries



TSOGBADRAH Galbadrah

CEO

Ard Insurance



TELMEN Gerelt

CEO

Ard Credit



ZOLZAYA Jargalsaihan

CEO

Ard Securities



GANTULGA Bulgan

CEO

Ard Life



BILGUUN Ganhuyag

CEO

Ard Assets



SUHBAATAR Gurragchaa

CEO

Ard Leasing



ZOLZAYA Enhbold

CEO

ArdShop



HANDAA Chuluunbaatar

CEO

Ard Management



TENUUN Gardi

CEO

TenGer Systems



ANHBAATAR Badamrai

CEO

Mongol Post

Economy

overview

In 2019, the general government budget revenue amounted to MNT11.9 trillion, with MNT10.8 trillion accounting for the equilibrated revenue which accounts for 90.5 percent of the total revenue. Total expenditure and net lending amounted to MNT11.4 trillion, representing a deficit of MNT627.8 billion in the equilibrated balance.

81.7 percent of the general government's budget revenue was tax revenue, 8.8 percent came from non-tax revenue, 8.7 percent from the future heritage fund and 0.8 percentage from the stabilization fund. In 2019, tax revenue reached MNT9.7 trillion, increasing by MNT1.5 trillion or 18.8 percent compared to the previous year. This growth was mainly affected by increases of MNT460.8 billion or 22.1 percent in income tax, MNT355.0 billion or 21.9 percent in social security revenue, MNT288.0 billion or 13.1 percent in value added taxes, MNT205.2 billion or 28.8 percent in other taxes, MNT109.0 billion or 14.4 percent in excise taxes and MNT107.7 billion or 15.8 percent in revenue from foreign activities. 26.1 percent of the total tax revenue was accumulated from income tax, 25.5 percent from value added tax, 20.3 percent from social security contributions, 11.2 percent from other taxes, 8.9 percent from excise taxes, 8.1 percent from foreign trade revenues.

In 2019, Mongolia's total trade turnover reached USD13.7 billion, of which USD7.6 billion were exports and USD6.1 billion were imports. Total foreign trade turnover increased by USD860.6 million or 6.7 percent, of which exports increased by USD608.0 million or 8.7 percent and imports increased by USD252.6 million or 8.0 percent compared to the same period of previous year.

Mongolian foreign trade balance has been in surplus since 2014 and foreign trade surplus reached USD1.5 billion in 2019, increasing by USD355.4 million or percent from the previous year.

In December 2019, the consumer price index at the national level increased by 5.2 percent from the previous year. The inflation rate was 1.3 percent in December 2016, 6.4 percent in December 2017, 8.1 percent in December 2018 and 5.2 percent in December 2019. The annual average inflation rate was 6.8 percent in 2018, it accelerated to 7.3 percent in 2019.



Money and finance¹

The money supply (broad money or M2) reached MNT20.8 trillion at the end of December 2019, increasing by MNT1.3 trillion or 6.8 percent compared with the end of the previous year. The main reason for this increase was MNT923.0 billion increase of time deposits in domestic currency and MNT464.2 billion increase of time deposits in foreign currency. The national currency in circulation reached MNT897.4 billion, increasing by MNT37.2 billion or 4.3 percent from the previous month, while it shows a decrease of MNT71.2 billion or 7.4 percent from the same period of the previous year. The reason for this is MNT59.0 billion decrease in current accounts and MNT56.0 billion decrease in the currency outside depository corporations.

At the end of December 2019, time deposits in domestic currency amounted to MNT11.1 trillion, increasing MNT923.0 billion or 9.1 percent. 84.7 percent or MNT9.4 trillion were individuals' deposits and 15.3 percent or MNT1.7 trillion belonged to corporates. Time deposits in foreign currency amounted to MNT3.5 trillion, increasing by MNT464.2 billion or 15.4 percent from the previous year.

At the end of December 2019, the amount of outstanding loans to entities, enterprises and citizens amounted to MNT18.1 trillion, showing an increase of MNT 870.4 billion or 5.1 percent from the same period of previous year. The total outstanding loan portfolio shows that MNT9.4 trillion or 52.1 percent was individuals' loan, MNT8.7 trillion or 47.9 percent was enterprise lending.

Current loans amounted to MNT15.4 trillion, showing an increase of MNT164.7 billion or 1.1 percent from the previous month and MNT854.6 billion or 5.9 percent from the previous year. Current loans make up to 85.4 percent of total loans, showing an increase of 0.7 points from the previous year. The principals in arrears amounted to MNT824.0 billion, showing a decrease of MNT24.8 billion or 2.9 percent from the previous year. The principals in arrears make up the 4.6 percent of total loans, showing a decrease of 0.3 points from the end of the previous year. Also, non-performing loans in the banking system amounted to MNT1.8 trillion, increasing by MNT40.6 billion or 2.3 percent from the end of the previous year. The non-performing loans in the banking system make up to 10.1 percent of total loans, decreasing by 0.3 points from the previous year.

¹ Source: National Statistics Office



Stock market - Mongolian Stock Exchange²

By the end of 2019, total market capitalization of Mongolian Stock Exchange reached MNT2.7 trillion, 7.27 percent or MNT182.3 billion increase. Sum of market capitalization of the largest 30 companies listed on the stock exchange, including Ard Insurance, Ard Credit, Mongol Post, Ard Financial Group amounted to 90.8 percent of the total market capitalization.

TOP-20 index fluctuated from 21,888.16 points to 17,922.82 with the weighted average point of 19,978.13 during the year. In comparison to the same period of previous year, the index decreased by 8.59 percent or 1,844.90 points reaching 19,621.86 points at the end of the year.

Throughout the year, the total trading volume reached MNT143.2 billion decreasing by 41.3 percent or

MNT100.9 billion from the same period of previous year. Out of the total trading volume, 93.2 percent or MNT133.5 billion worth of equities were traded, and the remaining 6.8 percent or MNT9.7 billion is attributed to the secondary trading of the government bonds.

A total of MNT133.5 billion worth of equity securities of 132 companies were traded during 251 trading days, of which 41.87 percent or MNT55.9 billion were block trades, 31.8 percent or MNT42.4 billion were primary market trades, 3.5 percent or MNT4.6 billion were tender trades, and the remaining 22.8 percent or MNT30.5 billion were secondary market trades. Average trading volume per day amounted to MNT570.5 million in 2019.

²Source: Mongolian Stock Exchange

Securities traded in last 5 years (in MNT billion):

| Securities | 2015 | 2016 | 2017 | 2018 | 2019 |
|-----------------|-------|-------|-------|-------|-------|
| Equity | 30.5 | 49.0 | 76.4 | 210.0 | 133.5 |
| Government Bond | 515.5 | 299.6 | 772.5 | 33.5 | 9.7 |
| Corporate Bond | 0.5 | 0 | 10.2 | 0.6 | 0 |
| Total | 546.5 | 348.6 | 859.1 | 244.1 | 143.2 |

³Foreign currency

The monthly average exchange rate of MNT to USD announced by the Central Bank of Mongolia in December 2019 was MNT2,727.34 to one USD, a depreciation of 3.4 percent from the previous year.

MNT388.75 to one CNY, which shows a depreciation of 1.5 percent.

MNT depreciated by 10.8 percent against the Russian Ruble and stood at MNT43.38 to one RUB.

The exchange rate of MNT to the Chinese Yuan announced by Mongolbank in December 2019 was

| Currency | 2016.12 | 2017.12 | 2018.12 | 2019.12 |
|---------------|----------|----------|----------|----------|
| USD | 2,482.57 | 2,433.49 | 2,637.35 | 2,727.34 |
| Annual change | 24.4% | -2.0% | 8.4% | 3.4% |
| EUR | 2,619.89 | 2,879.43 | 3,002.43 | 3,030.51 |
| Annual change | 20.6% | 9.9% | 4.3% | 0.9% |
| CNY | 358.73 | 369.00 | 383.03 | 388.75 |
| Annual change | 16.0% | 2.9% | 3.8% | 1.5% |
| RUB | 40.00 | 41.52 | 39.15 | 43.38 |
| Annual change | 40.0% | 3.8% | -5.7% | 10.8% |

³Source: MongolBank, National Statistics Office

Operational report

Operational performance

In early 2019, we hosted the Investor Nation Forum-2019, which already became the largest single investor event in Mongolia. We launched the super version of Ard App to the public, giving our customers an opportunity to access all services offered by Ard Financial Group's affiliates on their smartphones. Ard App is a multi-functional application, which includes services as diverse as opening of brokerage and pension accounts, bank deposits, stock trading, eshopping, purchase of insurance policies, online lending, and as well as epayments, such as electric and telephone bills, movie tickets, and cash transfers via Facebook Messenger, etc.

The most important achievement of 2019 was the fact that Ard Financial Group became a publicly traded company. It is followed by Ard Credit IPO and Ard Holdings starting to circulate its groundbreaking innovation - a blockchain-based customer reward program - ArdCoin. We also decided to distribute a special dividend to our shareholders for the first time - a payment of nominal MNT1 billion worth of ArdCoins on a pro-rata basis. Our shareholders benefited at least twice that amount as the rate went up as high as MNT7 per ArdCoin on trade.mn. Shares of the four public affiliates have consistently been in high demand on the Mongolian Stock Exchange, resulting in all of them to be

included in the TOP20 Index.

As mentioned earlier ArdCoin debuted its trading on trade.mn, Mongolia's then only cryptocurrency trading platform with MNT, USD, and BTC and ETH pairs. It has also been registered and traded on some foreign information platforms such as CoinMarketCap, Blockfolio and LiveCoinWatch. We initiated the process of registering Ard Bit, the issuer of ArdCoin, in Singapore. In 2019, Ard Insurance celebrated its 25th anniversary. We are pleased to see that the first private insurance company established 25 years ago, now has a nationwide branch network with a presence in every province of Mongolia and is highly regarded in the industry.

FRC gave a greenlight to Ard Management to establish a closed-end investment fund - National Privatization Fund in the third quarter. We are planning to launch the fund in 2020.

As an activist organization, we have maintained our active participation in the CEO Club, the Ulaanbaatar Chamber of Commerce, and the Mongolian Chamber of Commerce and Industry - champions and advocates for private sector and business interests. We have also been vocal members of AmCham, Business Council of Mongolia and EuroChamber.





We welcomed 2020 by organizing Investor Nation Forum-2020 at the Corporate Convention Center under the motto "Become a Master of Your Future!". The main theme of this event was the Pension Reform - as a result of our tireless work over the past 16 years we successfully laid the groundwork for pension reform in Mongolia - a working group was set up by the Parliament to draft a new law on private pension programs. At the same time, we have never let the pressure off the insurance and banking sector reforms all the while continuing to push for the development of the stock markets in Mongolia.

At the end of 2019, the Board of Directors of Ard Financial Group decided to recapitalize Ard Life LLC injecting over MNT14 billion of fresh capital in a combination of equity and debt. As soon as the law on private pension funds passes through the Parliament, Ard Life will be in the position to make the first move and reap the benefits as a veteran pioneer.

Marketing

2019 was a significant year for marketing, as the Group achieved important milestones such as the launch of two new iterations of Ard App—coinciding with two Investor Nation Forum events, introduction of ArdCoin and a long awaited for and well-publicized IPO and RTO. Alongside each milestone, coordinated marketing campaigns were run across multiple traditional and digital channels to drive brand awareness, user acquisition, user activation as well as customer education. In addition, we promoted transparency and guided the narrative around issues that matter to us. On a daily basis, we communicated our company culture, business results and key achievements as evidenced by our very active social media feed, highly engaged audience and Ard headlines across media outlets. By the end of 2019, 420 thousand users had downloaded the app and ARDX1.5 billion was distributed as loyalty bonuses. December's Investor Nation Forum drew nationwide media coverage and created a sense of urgency around Mongolia's pension system reform.

Among the various marketing channels we use, social media remains by far the most effective and important one. The use of social media and other digital communication channels aligns well with our goal of bringing digital transformation into the financial sector.

Moreover, it makes common sense to engage our audience where they spend the most amount of time. We develop native content for social media, including Ard Vlog series, Live broadcasts of key events and quarterly report presentations. Going forward, we will build more sophistication into our digital marketing efforts, using the advanced analytics and business tools available on various platforms.

One of the most successful marketing campaigns from 2019 was the ArdCoin lottery campaign, run in two consecutive stages each with the grand prize of a brand-new car for one lucky Ard App user. Ard App users were encouraged to earn lottery tickets using

ArdCoins they collected from downloading, registering and using the app. The campaign's goals were to drive Ard App user acquisition, expand adoption of ArdCoins and send customer traffic to ArdShop. By the time the second car was given away the campaign had earned 43 million ArdCoins. The third stage of the campaign was announced, with the grand prize of an apartment at the end of the second quarter.

Competitions and giveaways among our customers and social media audiences were used to drive user activation and engagement. ARDX Alpha was a series of competitions among ArdCoin holders to reward exchanges on trade.mn and transfer of ArdCoin to Ard App. Project Alpha crowdsourced creative marketing ideas for our products and services. Ard Quiz encouraged our Instagram followers to learn about the company and answer trivia questions. These and other competitions were held throughout the year. We completed two major television sponsorship

projects aimed at creating brand awareness and educating customers. The first featured Ard on Mongol HD TV's Morning show on the show's personal finance segment for 33 weeks in 2019. Ard Securities CEO Ms. Zolzaya continues to host the segment through the first quarter of 2020 and provide viewers with financial market updates, personal finance advice and news from Ard. The second was Education TV's I Am A Teacher - a reality show competition among middle school teachers, that prominently featured Ard's commitment to education.

Human resource

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

As of 2019, the Company had eight full-time employees and all ancillary functions were contracted out to third parties. Chief Financial Officer, Internal Auditor, Chief Operating Officer, Chief Marketing Officer were employed at the Group level, and Corporate Secretary, Mr. Batbold Ariyasuren, who is also Chief Operating Officer of Ard Insurance, supervised and coordinated the secretaries of the boards of subsidiaries.

Ms. Hulan Hangai has been appointed as a Secretary of the Holdings' Board during the year. Ms. Haliunaa Soronzonbold, Chief Compliance Officer, resigned in June 2019 and Mr. Anar-Erdene Suhbaatar replaced her in early 2020. Anar-Erdene is a graduate of the Law School of Peking University, China, with a degree in law and is currently studying at the Law School of the National University of Mongolia for LL.M degree. During his studies in Beijing, he worked at the head office of Dentons Law Firm and Shearman • Sterling Law Firm (US) in Beijing, while also joining the Constitutional Court of Mongolia as an intern. During his time as an associate attorney for the Mongolian branch of Dentons law firm, he specialized in investment, mining, concessions, and corporate law.

As the company grew, we sought to create specific positions, define roles and responsibilities and assign new functions, while trying to avoid duplication of

efforts at subsidiaries' level. At the end of the year, Ms. Doljin Tsend-Ayush, Chief Marketing Officer, decided to go abroad to study, and Ms. Ariunaa Bayaraa was recruited to succeed her. Ariunaa has more than a decade of marketing and senior leadership experience. She crafted and executed market penetration strategies for Blue Sky Hotel & Tower and Etugen Cashmere, a US-based e-commerce brand of cashmere apparel. She received her BA from the American University in Bulgaria majoring in Business Administration, and MBA from UCLA Anderson School of Management, with a concentration on digital marketing.

We created a new position of Chief Investment Officer from 2020 and appointed Mr. Amarbayasgalan Enhsaihan. He has more than 20 years of experience in financial management and investment, and has served as CEO and CFO of Golomt Capital, Newcom Group and Managing director of MICC. Amarbayasgalan holds a Bachelor's degree in Business Administration in Finance from Georgia University and a Master's degree in Finance and Decision Science from Indiana University.

In addition to Altangunii Jargalan, the Group's Chief Operating Officer, who has been overseeing the human resource function up to now, Ms. Uranchimeg Enhbaatar was appointed as Human Resources Manager and is in charge of day-to-day operations. Uranchimeg holds a Bachelor's degree in Business Administration from Brigham Young University of Hawaii and has worked as a human resources manager at Sky Trading and the

Polynesian Cultural Center, Hawaii's most attractive tourist destination.

Mr. Telmen Gerelt was appointed as the CEO of Ard Credit after the resignation of Mr. Ganzorig Chuluun and Mr. Gantulga Bulgan was brought in to manage Ard Life. Mr. Telmen has more than 10 years of management and executive experience in Mongolian and international trade and investment companies. Prior to joining Ard Credit, he was a Deputy CEO overseeing strategic planning and business development at Mongol Post from 2016 to 2020. After the privatization of Mongol Post in 2016, he has been instrumental in increasing the company's profitability 15 times in three years and expanding logistics operations in the region. Mr. Telmen obtained a Bachelor's degree of International Economic Relations from the School of Foreign Services of the National University of Mongolia in 2008, earned Master's degree of Science in Management from the Business School of SungKyunKwan University in Korea in 2013.

Mr. Gantulga is an economist with extensive experience in banking, finance, foreign trade, mining, food and agricultural production, fintech, stock exchanges, and financial markets. He has served as CEO of Lendmn fintech, largest dairy producer in Mongolia and ANAX

LLC, Deputy Director of Monnis Group, and Deputy Director of Marketing at XacBank. He graduated from the Plekhanov Russian Academy of Economics with a Bachelor's degree in Economics.

It's been three years since we started offering our employees a right to own shares through EIT, an employee investment company. Its shares are distributed annually to all employees on an equal basis, funded by one year loan from the employer. Employees can then decide to buy or sell their shares in a secondary trading on the internal private exchange. EIT is governed by employee representatives and paid its first dividend this year.

In addition, shares of Ard Insurance, Ard Credit and Ard Financial Group, deposits in Ard Life's private pension accounts, and ArdCoins were handed out to all employees as bonuses for 2019. Based on the last year's performance, we are pleased to announce that we have paid bonuses of MNT564 million to the Board of the holding company and MNT593 million to the management team and the employees. The Group has always strived to build a team comprised of the most talented and motivated young professionals, and we always adhered to the philosophy that employees must be financially sufficient and their future guaranteed.

Technology

In 2019, we focused on improving Ard App and our core business system infrastructure. Version 3.0 of Ard App was launched in December enabling many new features along with a new and improved user interface. New functionalities include Ard Life account opening - customers are able to open their pension accounts without coming to branches; Ard Securities integration - our customers can open brokerage accounts and trade in stocks in real time on the Mongolian Stock Exchange; show nearby ATM locations and withdraw cash without a bank card; charge your current account using other banks' apps - no need to generate and share QR codes, simple-to-use interface for customers; salary loan product - automatic credit scoring and online disbursement of salary loans; repay and close loans according to the repayment schedule; initiate standing orders - start saving at your customized interval with a desired amount; purchase movie tickets - select your movie and seats from the App, no need to stand in line at the theatres or make phone calls; bill payment - pay your apartment, utility, internet and other bills with your app.

Improvements and new systems were implemented for our back office as well. Market leading Business Intelligence tool Tableau was introduced for all Ard Financial Group companies, leading to more efficient reporting and better data analysis with tailored products for our end customers. Our core banking system infrastructure was updated, and measures were taken to improve data security. Systems backup and system monitoring platforms were rolled out further strengthening our core infrastructure.

Investment

Ard Life

Laws and regulations related to private pension funds are being developed by the relevant authorities. Considering future minimum capital requirements, Ard Financial Group transferred real estate and stock valued at MNT14 billion to Ard Life, increasing its owner's equity by MNT9 billion. This increase in capital was done to further cushion risks to pension holders, diversify the investment portfolio, and to create a basis for long term sustainable growth.



20% Ard Holdings transferred real estate (20 percent holding of Nomiin Khishig and other residential properties)

4% 4 percent of the Institute of Engineering and Technology

3.6% 3.6 percent of Mongol Post.

As a result Ard Financial Group disposed of its non-core investments and realized gains. Ard Life's risk capital increased tenfold and risk to pension holders was lowered. Ultimately, Ard Life's investment portfolio was considerably diversified.

Private share buy-backs

Ard Financial Group bought back its shares in the amount of EUR420 thousand from Ventures One Fund and MNT500 million from Gereltuya prior to the RTO.



Mongol Post

The Group increased its stake in Mongol Post by 3.61 percent to 31.4 percent in a deal with our former shareholder Luna and Luna. Ard Financial Group will continue increasing its shares in Mongol Post as part of the plan to unleash a full potential of the postal infrastructure and cross-sell financial products and services, provide delivery for ArdShop, and, eventually, provide a full suite of banking services through Mongol Post's 391 branches.



Ard Shop

As part of the investment agreement made in 2018, the Company pays MNT20 million per month to MEC Partners for ArdShop development. By paying a total of MNT480 million, Ard Holdings will own 40 percent of ArdShop.

Trading on the Mongolian Stock Exchange

Ard Financial Group supports its stock on the open market and buys back its shares when it considers the stock price is considerably below its intrinsic value.

In 2019, the Group purchased 5.25 percent of Ard Insurance for MNT927 million, 5.74 percent of Ard Credit for MNT1.2 billion, 2.3 percent of Ard Financial Group for MNT1.09 billion, 0.46 percent of Mongol Post for MNT271 million in the open market. In total, the Group bought back shares totaling MNT3.5 billion at the Mongolian Stock Exchange.



Ard Holdings International

We set up a SPV, Ard Holdings International, transferring 15 percent of its own shares in order to attract strategic investors to fund our future growth and potentially invest in a commercial bank. Research and initial discussions were initiated.

Ard Bit Global

Ard Holdings' loyalty program is based on blockchain technology and the legal framework for this technology is yet to be developed in Mongolia. Therefore, the management started to explore the establishment of Ard Bit Global PTE in Singapore, one of the pioneering countries in blockchain technology.

Share buy-back

Before Ard Financial Group was listed on the Mongolian Stock Exchange, it conducted two share buy-back transactions in the amount of 420 thousand euros from Ventures One Fund (paid in four equal payments) and MNT500 million from Gereltuya.



Financial performance

Total assets of Ard reached MNT78.1 billion on a stand-alone basis increasing by MNT17.6 billion or 29.1 percent since the end of the last year. The Company's investment portfolio increased by MNT17.9, and main influencing factors were IPO by Ard Credit and transfer of AARD's 10 percent into Ard Holdings International, which is a SPV for the potential acquisition of a banking group. Besides, account receivables and loans to others decreased by MNT4.5 billion bringing the balance to MNT5.3 billion. In contrast, assets held for sale increased from MNT4.8 billion to MNT6.7 billion.

Overall increase in total assets was financed by debt of MNT11.5 billion and equity growth of MNT6 billion.

The total liabilities grew by MNT11.5 billion, from MNT10.0 billion to MNT21.5 billion. Long-term liabilities

increased by MNT6.6 billion since the Company has been issuing corporate bonds via private placements throughout the year to finance the investment portfolio growth, working capital needs. During the reporting period, coupon and interest expenses totaled MNT1.5 billion with an average cost of debt of 6.78 percent.

Also, due growth in our investment portfolio's value, our deferred tax liability increased by MNT1.1 billion bringing the balance to MNT3.1 billion.

MNT6.1 billion was added into our shareholders' equity resulting in MNT56.6 billion in equity at the end of the year. Changes in our capital resulted in a net increase in the total internal valuation by 13.4 percent or MNT7.0 billion in a year bringing the value of the Company to MNT59.6 billion or MNT2,195 per share.



Debt-to-Assets ratio increased by 11 basis points reaching 27.5 percent from 16.5 percent. Also, debt-to-equity ratio amounted to 38.9 percent, increasing by 19.2 basis points from 19.7 percent.

By the end of 2019, the total operating income increased by MNT6.5 billion or 125 percent totaling to MNT11.7 billion compared to the previous year. The Company received dividends of MNT537.2 million from Ard Insurance (MSE: AIC) and Mongol Post (MSE: MNP). This fell short by MNT360.5 million from the 2018 figure because Ard Credit didn't distribute dividends based on its 2018 figures and a plan for an IPO. Total operating expenses increased due to expanding operations and increasing public outreach, amounting to MNT7.3 billion by the end of 2019. If one was to look at the cost structure, salaries to total expenses stood

at 15.8 percent, decreasing by 4.9 basis points, while total operating expenses to total assets increased by 1.5 basis points to 6 percent.

During the reporting period, the Company has generated a net profit of MNT3.4 billion from its operations, a 4 times increase from MNT667 million made in 2018. At the same time our total comprehensive income decreased by MNT2 billion amounting to MNT5.4 billion by the end of 2019.

Investment portfolio

Financial



66.8% 6.4%



100%



100%



10% 71.8%



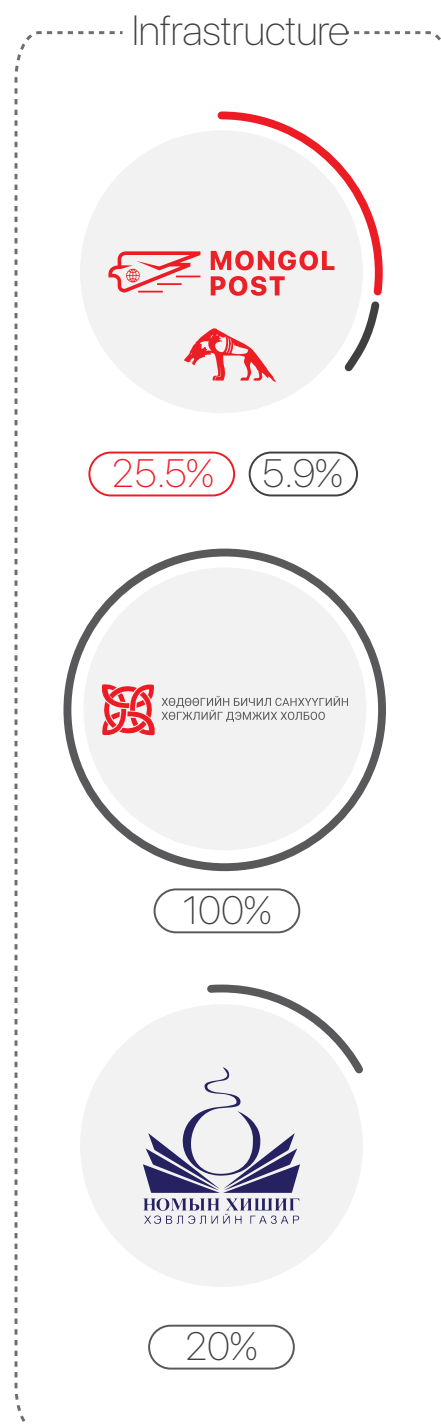
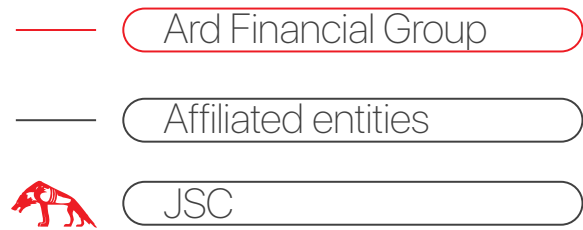
60.8% 6.4%



100%



100%



Highlights of 2019

Annual general meeting was held on 27 April 2019, and Ser-Od Ichinhorloo was elected as non-independent director;

The Board of Directors decided to distribute 50 percent of 2018's net profit in dividends and it was paid out to shareholders in June 2019;

Ard Insurance introduced health insurance products in the market;

Insurance products started selling on Insur app;

Ard Insurance sponsored the Investor Nation Forum and the "Internet versus Doctors" TV show

Procured new cars for the Claims Department and high performing branches.

Operational report

At the end of 2019, Ard Insurance JSC's equity stood at MNT11.8 billion and total assets at MNT 20.4 billion. The company earned a premium income of MNT11.1 billion and its net income reached MNT8.6 billion. Ard Insurance indemnified MNT4.4 billion to 5,152 customers fulfilling its contractual obligations. During the reporting period, partner reinsurance companies indemnified 10 percent of total loss equaling MNT450 million and the balance was paid out from the loss reserves. In 2019, indemnity payments decreased by 26 percent compared to 2018, which was directly related to decline in sales of construction insurance and increase in other types of insurance.

The Company's net profit reached MNT1.7 billion, up 36 percent YoY basis, still lower than expected. The earnings per share were MNT69, and the return on equity amounted to 15.1 percent. We earned MNT2.4 billion from investments in 2019, investing MNT15.5 billion in high-yield instruments with a weighted average yield of 11.2 percent. We invested in bank deposits, trust accounts of non-bank financial institutions, corporate bonds and Tier I and II stocks on the Mongolian Stock Exchange.

At the end of 2019, the Company's solvency ratio was 124.4 percent, loss ratio 41 percent, cost ratio 62.2 percent and combined ratio 103.3 percent.

The Company sells insurance products through 4 banks, 25 non-banking financial institutions and 20 brokerage companies. We sold insurance equaling MNT3.7 billion through insurance mediation, an increase of 14 percent YoY.

As of the end of 2019, Ard Insurance JSC has been operating with over 99 professional staff, 45 percent of whom work at rural branches.

Shareholders' structure



Ard Financial Group



Other



Energy International
Capital



BDBSec JSC

| Ticker | Open | Max | Min | Close | Change | Trading year | Daily average trading | Total trading |
|--------|------|-----|-----|-------|--------|--------------|-----------------------|---------------|
| | | | | | | IPO | 16,436,242 | 4,667,892,671 |
| AIC | 730 | 800 | 599 | 800 | 9.6% | YTD | 9,849,709 | 2,176,785,588 |
| | | | | | | Q4 | 10,524,632 | 620,953,286 |

52 weeks (2019)

Outstanding shares

Market cap

Turnover

MNT 599- MNT800

25,000,000.0

MNT19,999,750,000.0

MNT2,176,785,588.0

Closing price

Book value

P/E

P/B

MNT800.0

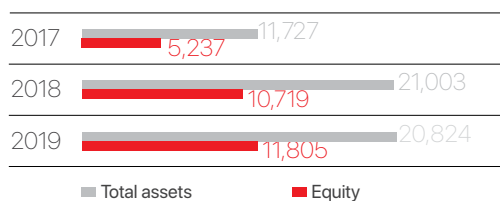
MNT472.2

11.6

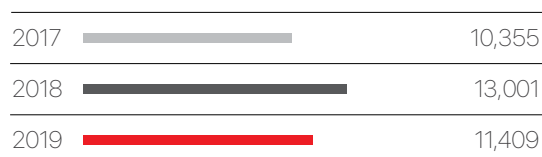
1.7

MSE: AIC

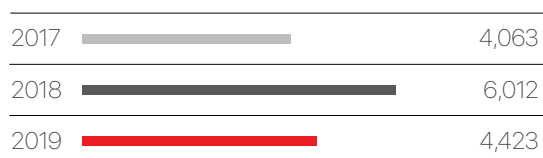
Total assets and equity (MNT million)



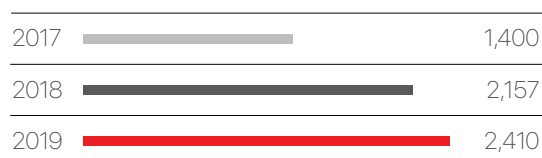
Total premium income (MNT million)



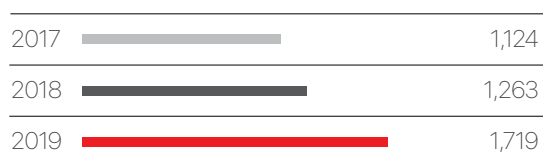
Total claims (MNT million)



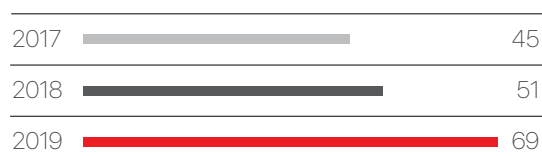
Total investment income (MNT million)



Net profit (MNT million)



Earnings per share (MNT)



Highlights of 2019

Ard Credit NBFI became a public company listed on the Mongolian Stock Exchange through IPO;

Ard App 3.0 was introduced;

Received MNT2.4 billion in 9 tranches as part of the agreement with Japanese Crowd Credit Inc to receive MNT-denominated financing totaling USD5 million.

The first Annual General Meeting was held on April 27, 2019 with 81 percent attendance;

Successfully promoted the Company to investors through sponsoring the MicroFinance Center's Conference 2019. MFC is a social finance network that unites 113 organizations across 36 countries;

Applied for e-money licence from the Central Bank of Mongolia;

Implemented SOT (Statement Originated Transaction) payment system that enables an automatic facilitation of customer payment procedure.

Operational Report

By successfully launching the All-in-One Ard App, we addressed our customers' short-term financial needs by simplifying traditional lending procedure, cutting down loan processing duration from 3 days to 3-5 minutes.

By signing a strategic partnership agreement with Mongol Post JSC, we have started providing inclusive and swift financial services to our customers throughout the postal branches across the country.

In the reporting period, total assets reached MNT23.1 billion and total loan portfolio increased to MNT18.4 billion, 120.5 percent and 142.6 percent respectively, resulting in net profit of MNT2.2 billion.

Funding grew by 76 percent reaching MNT10.8 billion, consisting of trust service, foreign funding and private bond amounting to MNT5.4 billion, MNT2.4 billion and MN 1.9 billion respectively.

Through the IPO on the Mongolian Stock Exchange, the Company successfully raised MNT5.2 billion from the public. As a result, total equity increased from MNT3.8 billion to MNT10.7 billion.

In 2019, the number of customers has surged to 200.5 thousand growing by 19,404 percent from the previous year. Loans totaling MNT42.8 billion were issued to 76,273 individuals and organizations, resulting in an increase of 142.6 percent in the loan portfolio, which amounted to MNT18.4 billion at the end of the year.

88 percent of the total issued loans were Ard App-based Fast cash (online loan), an innovative financial product in high demand.

Considering the rapid increase in the number of Ard App users, we established a Customer Service Center to take care of our customers and provide information related to products and services of Ard Financial Group and its subsidiaries.

After going public, the secondary market trading started on March 12th, and 34.7 million shares worth MNT2.74 billion were traded.

| Ticker | Open | Max | Min | Close | Change | Trading year | Daily average trading | Total trading |
|------------|------|-------|------|-------|--------|--------------|-----------------------|---------------|
| ADB | 81 | 93.15 | 64.5 | 81.97 | +1% | 2019 | 14,061,734 | 2,742,038,039 |

52 weeks (2019)

Outstanding shares

Market cap

Turnover

Closing price

Book value

P/E

P/B

MNT65 - 87.83

MNT280,000,000

MNT22.9 billion

MNT 2.74 billion




MNT 81.49

MNT 38.8




MNT 10.5

MNT 2.2




Total assets (MNT million)

| | | |
|------|---|--------|
| 2017 |  | 10,193 |
| 2018 |  | 10,472 |
| 2019 |  | 23,094 |




Loan portfolio (MNT million)

| | | |
|------|--|--------|
| 2017 |  | 7,975 |
| 2018 |  | 7,596 |
| 2019 |  | 18,430 |




Net profit (MNT million)

| | | |
|------|---|-------|
| 2017 |  | 642 |
| 2018 |  | 342 |
| 2019 |  | 2,187 |




Equity (MNT million)

| | | |
|------|--|--------|
| 2017 |  | 3,735 |
| 2018 |  | 3,757 |
| 2019 |  | 10,692 |

Interest and fees income (MNT million)

| | | |
|------|---|-------|
| 2017 |  | 1,858 |
| 2018 |  | 1,903 |
| 2019 |  | 5,916 |

Number of borrowers

| | | |
|------|--|--------|
| 2017 |  | 691 |
| 2018 |  | 1,028 |
| 2019 |  | 25,431 |

Highlights of 2019

Introduced new features on Ard App - opening a brokerage account, placing IPO orders and trading on the secondary market

Raised MNT11.1 billion for 3 companies through commercial papers via private placements

Led the MSE secondary market trading by total trading amount

Operational Report

In 2019, Ard Securities successfully worked as an underwriting syndicate on the Ard Credit NBFI IPO, raising MNT2.1 billions or 40% of total fulfilled orders from 644 clients. It was new to the Mongolian stock market that 43% of the IPO investors placed their orders through Ard App.




In addition to participating in the IPO, clients use Ard App to open brokerage accounts, buy and sell MSE listed stocks, check their portfolio and trading statements, and get access to market research and analyses. Further, the Company has been working on adding more features in the App that will enable clients to calculate their returns, to purchase fixed-income instruments, and participate in foreign exchange trading.

the primary and secondary market and the Government securities trading amounted to MNT133.5 billion and MNT 9.7 billion respectively. Out of the secondary market trading which totaled MNT60.96 billions, MNT12.7 billion or 20.8%, was conducted by Ard Securities.




As a licensed underwriter and investment advisor, Ard Securities has provided a number of companies with consulting, capital raising and market research services, and successfully organized several training workshops.

As of December 31, 2019, the total trade on Mongolian Stock Exchange reached MNT143.3 billion, out of which




Number of Clients

| | | |
|------|---|--------|
| 2017 |  | 14,869 |
| 2018 |  | 59,432 |
| 2019 |  | 69,550 |

Total income (MNT million)

| | | |
|------|--|-----|
| 2017 |  | 517 |
| 2018 |  | 976 |
| 2019 |  | 766 |

Total Assets (MNT million)

| | | |
|------|---|-------|
| 2017 |  | 3,489 |
| 2018 |  | 3,032 |
| 2019 |  | 3,119 |

Highlights of 2019

Core banking system was upgraded and integrated into Ard App.

Annual all members meeting was held in March with 21 percent attendance.

Number of members increased by 15 percent, reaching 733.

Equity increased by 102 percent to MNT803 million.

Operational report




In 2019, Ard Assets Savings and Credit Cooperative increased its total assets by 47 percent to MNT4.1 billion and its equity rose by 102 percent to MNT803 million.

Total income grew by 44 percent to MNT699 million which resulted in net profit of MNT37 million.




In 2019, we attracted MNT2.5 billion in new savings deposits and paid-off MNT1.9 billion in matured deposits to members. Total deposits balance stood at MNT3.5 billion at the end of the year.

During 2019, we issued new loans totaling MNT3.2 billion and collected MNT2.3 billion from existing debtors which resulted in a net loan balance of MNT3.2 billion as of 31 December 2019. We introduced a new credit policy that offers lower interest rates to borrowers with good credit history and managed to decrease the non-performing loans ratio to 1.4 percent, which is the lowest in the industry.




Total assets (MNT million)

| | | |
|------|---|-------|
| 2017 |  | 1,392 |
| 2018 |  | 2,816 |
| 2019 |  | 4,142 |

Deposit (MNT million)

| | | |
|------|--|-------|
| 2017 |  | 1,108 |
| 2018 |  | 2,170 |
| 2019 |  | 3,036 |

Loans (MNT million)

| | | |
|------|---|-------|
| 2017 |  | 787 |
| 2018 |  | 2,227 |
| 2019 |  | 3,205 |

Ard Life

Highlights of 2019

Investment return of 24 percent was allocated to pension holders;

A new pension savings product was introduced;

Raised the risk capital tenfold.

Operational Report

2019 was a year in which Ard Life made management changes, made new achievements, and set significant goals to attract more pension holders. We held numerous presentations under the topic of "Pension Reform" to deliver knowledge and raise awareness of the importance of having pension savings and of the possibilities of becoming inheritors of Mongolian wealth.

In the first quarter of 2019, Ard Life's Board of Directors approved the investment return rate of the year 2018 at 24 percent and a decision to allocate it through ArdCoins. Considering the ArdCoin's return - it is appropriate to mention that our customers received an actual profit of 96 percent.

Ard Life's operation was activated regarding the company's management changes in the last quarter of 2019. We actively organized and delivered presentations to the public as well as to state and private organizations. With the launch of new pension savings products in November, we opened more than 200 pension savings

accounts. By providing our customers with high-coverage health insurance, by offering high yield on their pension savings - we ensure our customers obtain savings of high-value and secure their additional source of pension in the future.

Besides, Ard Life has expanded its investment portfolio, owning shares of 17 companies as of 2019. Ard Life has increased its investment in Ard companies, owning 4.77 percent of Ard Financial Group, 4.6 percent of Ard Insurance, and 3.08 percent of Ard Credit NBFJ respectively.

Furthermore, additional investment in ArdCoin enables us to increase our capability to allocate high investment returns to our customers. We intend to diversify our investment portfolio and keep profit at the highest level.




One of the key events of the year was the decision to increase the capital of Ard Life - equity of Ard Life reached MNT10 billion as the Company prepares to expand its operations with the advent of a new law on private pensions. We focus on creating more pension savings for individual and corporate clients.

pensions. We focus on creating more pension savings for individual and corporate clients.




returns to our customers. We intend to diversify our investment portfolio and keep profit at the highest level.

One of the key events in 2019 was the increase of share capital of Ard Life. Total equity of Ard Life reached MNT10 billion as of 2019, and the Company is preparing to expand its operations and focus on creating more pension savings for individual and corporate clients.




Investments (MNT million)

| | | |
|---------|---|-------|
| 2017 IV |  | 5,337 |
| 2018 IV |  | 1,806 |
| 2019 IV |  | 6,081 |




Total assets (MNT million)

| | | |
|---------|--|-------|
| 2017 IV |  | 5,382 |
| 2018 IV |  | 2,582 |
| 2019 IV |  | 6,176 |

Pension fund (MNT million)

| | | |
|---------|---|-------|
| 2017 IV |  | 490 |
| 2018 IV |  | 927 |
| 2019 IV |  | 1,699 |

Return on investments (MNT million)

| | | |
|---------|--|-----|
| 2017 IV |  | 257 |
| 2018 IV |  | 102 |
| 2019 IV |  | 936 |

Ard Management

Operational Highlights

Obtained FRC license to launch National Privatization Fund, the first closed-end fund in Mongolia.

Provided advisory for the M&A transaction of Ard Financial Group and Jinst Uvs.

Participated in the IPO of Ard Credit at the Mongolian Stock Exchange.

Executed transactions related to the establishment of Ard Holdings International LLC.

Introduced in 2019, National Privatization Fund will be the first institutional investor of its kind in Mongolia. It aims to support public participation in the upcoming privatization of state-owned businesses. The objective is to support the capital market, help our investors maximize their investment returns and to contribute to Mongolia's economic development in the long run.




We believe and hope that the launch of the National Privatization Fund will be followed by unprecedented trading activities on the MSE.

Financial Highlights




We ended the fiscal year with MNT378 million in assets, an increase of 17% YoY. The increase in assets is mostly driven by the investment inflow to the National Privatization Fund. Gross income of Ard Management as of the end of 2019 stood at MNT259 million with a gross revenue of MNT43 million.

In 2019, Ard Management focused on its core operation which led to a sharp decline in non-operating income and staff expenses.




Total assets (MNT million)

| | | |
|-------|---|-----|
| 2017 |  | 480 |
| 2018 |  | 322 |
| 2019* |  | 378 |

Long term investment (MNT million)

| | | |
|-------|--|-----|
| 2017 |  | 453 |
| 2018 |  | 217 |
| 2019* |  | 342 |

Revenue (MNT million)

| | | |
|-------|---|----|
| 2017 |  | 76 |
| 2018 |  | 68 |
| 2019* |  | 43 |

* Not audited

Operational Report

ArdCoin (ARDX) - is an innovative blockchain-based (ERC20) loyalty program that has been integrated into a mobile super wallet, Ard App, backed by an existing financial infrastructure operated by Ard Financial Group. It includes banking, insurance, stock brokerage, investment banking and pension services, among others, topped with e-commerce. ARDX was developed by the leading software engineers of "ICT Group" and "Grape City Mongolia".

ArdCoin is the main user acquisition tool for the Ard App. Furthermore for the cross sale and marketing activation purposes 2 brand new Renault Captur cars were gifted to the lottery winners that have chosen our services. ArdCoin is the first Mongolian crypto project to be listed on three of the most reputable cryptocurrency platforms. ArdCoin has commenced its presence on the three of the most renowned international cryptocurrency platforms - CoinMarketCap, LiveCoinWatch and Blockfolio. With this news we can proudly reveal that our ArdCoin can now be found and tracked at the world's most-trusted cryptocurrency data authorities.

Highlights of 2019

Nationwide order delivery infrastructure established, covering all 21 provinces;

China cross-border ecommerce platform integration completed;

Ard App integration completed and ArdShop mobile version 2.0 launched;

110,000 registered users and 450 merchants.

Operational report

Leveraging its strategic partnership with Mongol Post, ArdShop has successfully expanded its delivery reach throughout all 21 provinces and 330 soums of Mongolia.

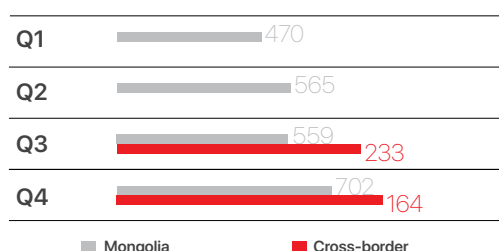
This nationwide delivery infrastructure establishes ArdShop as the premier ecommerce platform for brands and merchants looking to expand their market presence beyond Ulaanbaatar. In addition, consumers from smaller urban centers and rural areas now have access to a wide selection of products previously unavailable to them. The successful cross-border ecommerce integration with SFExpress, China, provides ArdShop customers with unparalleled selection and great prices by allowing customers to order Chinese consumer products directly from their homes.

More than 95 percent of Mongolia's Internet users regularly access the Internet through their mobile devices. Reaching consumers on their mobile devices is a key strategic priority for ArdShop. The introduction and adoption of Ard App, which includes ArdShop's

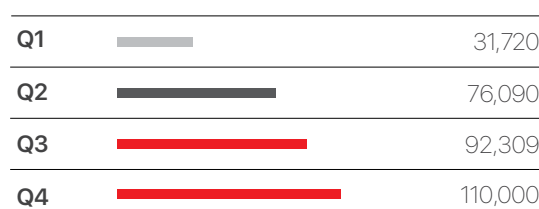
shopping cart, was a major step in this direction. In addition, the ArdCoin loyalty program promoted through this year's car lottery campaigns, was successful in generating traffic and driving brand awareness for ArdShop, increasing the total number of registered users of the ecommerce platform to 110,000.

ArdShop's value proposition is two-sided: For consumers, it offers convenience, wide selection and great prices. For brands and merchants who have continued to depend on traditional physical retail channels, ArdShop opens a new sales channel and the opportunity to reach today's consumers where they are, i.e., on the Internet. Although ecommerce sales are yet to represent a large portion of retail sales in Mongolia, ArdShop has brought 450 merchants to the platform largely organically. This signals a strong desire by businesses to go online and ArdShop is best positioned to help businesses navigate the unique technological and logistical challenges of doing so.

Total number of orders



Total number of registered users



Mongol Post

Highlights of 2019

A new domestic postal sorting center has been established;

Connected to the HUR system and started to introduce a unified public e-service center in all soums of Mongolia;

Joined Eurogyro, an international money remittance system;

"Strategic Cooperation Agreement for the Development of Postal Logistics to Support Non-Mineral Exports and Imports" signed with Russian Post.

Operational report

Mongol Post has been steadily increasing its human resources every year and by the end of 2019, it had a total of 925 employees. Of these, 495 work in rural areas and 430 in Ulaanbaatar.

As part of the work to ensure an uninterrupted and reliable operation of the international postal network, we have improved delivery, optimized transportation routes, reduced delivery delays, improved parcel registration, and updated technological processes.

In order to improve the quality of service and control conditions, we have joined the Data Compliance

project implemented by Universal Postal Union since September 2019 and received a total of 10 types of reports, focusing on correcting errors and improving the quality indicators.






180,418 items or 1.6 tons of mail were processed and delivered to and from the country. Sorting by each parcel, 129.0 thousand express mail, 1.7 million letters, 18.0 thousand parcels and 4.9 million publications were processed and delivered. Delayed deliveries account for 0.033 percent of total deliveries, and the rate is within acceptable limits of universal service quality delays.

On July 1, 2019, the Company signed an agreement with Russian Post and continued cooperation in the transit of mail from China to Russia through Mongolia.

As a result, the total number of transit traffic by road reached 155, with a total of 1.1 thousand tons and 14.4 million pieces of transit mail.






In order to improve and speed up the hand-to-hand delivery service within the city, new vehicles were purchased, the delivery structure was simplified, the service system and the delivery app were introduced, and the local by-city delivery service was launched.

Total mail exchange






| | | |
|------|---|-----------|
| 2015 |  | 1,610,819 |
| 2016 |  | 1,571,830 |
| 2017 |  | 1,757,660 |
| 2018 |  | 2,302,599 |
| 2019 |  | 2,653,661 |

(2019 онд өмнөх жилээс 15.25 хувиар өссөн)

Total income (MNT million)

| | | |
|------|--|-----------|
| 2015 |  | 10,094.19 |
| 2016 |  | 11,923.10 |
| 2017 |  | 13,627.63 |
| 2018 |  | 15,473.96 |
| 2019 |  | 16,725.01 |

Net profit after tax (MNT million)

| | | |
|------|---|----------|
| 2015 |  | 94.01 |
| 2016 |  | 1,006.58 |
| 2017 |  | 1,224.16 |
| 2018 |  | 1,560.27 |
| 2019 |  | 1,103.56 |



Forward looking statement

Our team will continue to proactively engage with various stakeholders of the pension reform movement in Mongolia. We will work to get a pension fund license for Ard Life, a private pension company that has been spearheading the effort since 2007, once the new pension law will be enacted. We will work to attract new strategic investors into this company and also offer its shares to the public.

As previously reported, we will seek a possibility for mergers and acquisitions in the insurance market to expand our market share but also as part of exploration of different options for incorporating a legal entity with a potential long-term life insurance license into the Group.

Ard Credit will complete the process of obtaining an e-money or digital currency license from the Central Bank which will enable us to provide a competitive payments solution. We will continue expansion of Ard App with various new functionalities while adding new geographies - rural lending will be gradually opened up and Ard App is to become available internationally.

We expect that the reform of the banking sector will open up more opportunities for us. As a first step we will create a partnership with a commercial bank or a banking group and initiate a mutually beneficial business partnership model. We are hoping that gradually within the framework of this cooperation, cross investments can be made followed by an M&A and an establishment of the public bank.

We will work to issue public corporate bonds in the Mongolian market, launch our first investment fund, provide our customers with the opportunity to invest in foreign markets, continue our e-commerce venture, and work to change the consumer behaviour towards online shopping. We will continue our efforts to enter the leasing and real estate markets.

The Apprentice business reality show, a production of MGM production, which has been successfully broadcast in 24 countries including the United States, Great Britain and Ireland since 2004, will be officially produced by Mongol HD TV in Mongolia. Mr. Ganhuyag will host the show as the judge. Mongol HD TV has an experienced team that provided the world's best content such as Got Talent, The Voice and Shark Tank to Mongolian viewers. Through this project, there is a scalable opportunity to effectively introduce Ard to the public and to promote products and services of Ard in an interesting and entertaining way. In addition, the project will prove that Ard is a desirable employer for talented young leaders.

Valuation

| (In MNT million) | 2018 | Ownership | 2019 | Ownership |
|---------------------------------|---------------|-----------|---------------|-----------|
| Strategic Investment | 40,331 | | 67,259 | |
| Mongol Post (MNP) | 16,334 | 24.0% | 18,066 | 25.5% |
| Investor Nation (JIV) | 23 | | | |
| Ard Insurance (AIC) | 12,928 | 67.2% | 13,356 | 66.8% |
| Ard Credit (ADB) | 5,028 | 80.7% | 13,973 | 60.8% |
| Ard Securities | 2,305 | 100.0% | 2,305 | 100.0% |
| Ard Management | 365 | 100.0% | 365 | 100.0% |
| Ard Assets | 48 | 9.9% | 119 | 10.0% |
| Ard Life | 2,426 | 100.0% | 11,426 | 100.0% |
| Ard Bit (incl. GoPay) | 200 | 100.0% | 200 | 100.0% |
| TenGer Systems (incl. Trade.mn) | 674 | 100.0% | 1,154 | 100.0% |
| Ard Holdings International | | | 6,295 | |
| Tactical Investment | 3,480 | | 950 | |
| Nomyn Hishig | 1,780 | 20.0% | - | |
| IET | 750 | 3.95% | - | |
| CryptoNation Fund | 950 | 32.4% | 950 | 32.4% |
| Other | 8,657 | | -8,585 | |
| Short-term investments | 4,964 | | 17 | |
| Fixed asset | 987 | | 769 | |
| Cash | 2 | | 43 | |
| Net receivable | 2,705 | | -9,414 | |
| Total valuation | 52,468 | | 59,624 | |
| Outstanding shares | 17,194,364 | | 27,175,629 | |
| Value per share | 3,051 | | 2,195 | |

Stock trading (MSE: AARD)



| | |
|--------------------------|---------------------|
| 52-week range | MNT1,200 - MNT2,300 |
| Total outstanding shares | 28,614,263 |
| Market capitalization | MNT50.53 billion |
| Total trading volume | MNT3.08 billion |
| Closing price | MNT1,766 |
| Book value | MNT2,163 |
| Price to earnings | 6.40 |
| Price to book | 0.82 |

Independent auditor's report



Amursana street-3, Hingol district
Ulaanbaatar-15066, Mongolia
Phone: 20004411, 20004420
Fax: +976 7005463
E-mail: info@dalaivanaudit.mn
Web site: www.dalaivanaudit.mn

INDEPENDENT AUDITOR'S REPORT

TO: THE BOARD OF DIRECTORS OF ARD FINANCIAL GROUP JSC

Opinions

We have audited the financial statements which comprise the statements of financial position as at December 31, 2019, the statements of profit or loss and other comprehensive income, the statements of changes in equity, the statements of cash flow for the year then ended and the notes to the financial statements including highly significant accounting policies of ARD FINANCIAL GROUP JSC.

In our opinion, the statement of financial position, profit or loss and other comprehensive income, changes in equity and cash flow of ARD FINANCIAL GROUP JSC as at December 31, 2019, present fairly and are, in all material respects, in compliance with the International Financial Reporting Standards.

Opinion basis

We conducted our audit in accordance with the International Standards on Auditing (ISA). According to the standards, our responsibilities are stated in the auditor's responsibility for the financial statement audit section of this financial statement. We have complied with the ethical requirements of financial statements auditing to be independent of our customers and comply with ethical responsibilities and other obligations under these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



MARCH 25, 2020

Statement of financial position

| (MNT thousand) | 2019.12.31. | 2018.12.31. |
|-------------------------------------|----------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 43,235.60 | 2,034.80 |
| Trade and other receivables | 4,902,640.10 | 3,001,265.80 |
| Loan and interest receivables | 403,269.00 | 6,820,414.50 |
| Tax and contribution receivables | 6,864.80 | 14,941.40 |
| Inventories | 6,231.10 | 36,364.20 |
| Pre-paid expense | 3,685,467.00 | 830,472.10 |
| Short-term investments | 13,989,498.90 | 146,055.70 |
| Assets held for sale | | 2,400,000.00 |
| Total current assets | 23,037,206.50 | 13,251,548.40 |
| Non-current assets | | |
| Property, plant and equipment (net) | 642,006.70 | 739,940.70 |
| Intangible assets (net) | 127,431.20 | 246,604.60 |
| Long-term investments | 54,265,176.20 | 43,810,718.80 |
| Investment properties | | 2,417,832.10 |
| Total non-current assets | 55,034,614.10 | 47,215,096.20 |
| TOTAL ASSETS | 78,071,820.60 | 60,466,644.60 |

| (MNT thousand) | 2019.12.31. | 2018.12.31. |
|--|----------------------|----------------------|
| LIABILITIES | | |
| Short-term liabilities | | |
| Trade and other payables | 2,333,638.60 | 131,267.00 |
| Other payables | 12,901.70 | 12,675.80 |
| Short-term payables | 1,082,465.30 | 1,814,620.00 |
| Short-term lease payables ^r | 41,096.30 | |
| Interest payables | 198,315.50 | 251,491.30 |
| Tax payables | 68,822.00 | 23,877.40 |
| Short-term payables | 3,737,239.40 | 2,233,931.50 |
| Long-term liabilities | | |
| Long-term loans | 2,236,039.00 | 240,370.20 |
| Lease payables | 261,389.70 | |
| Other long-term loans | 12,183,954.70 | 5,524,671.10 |
| Deferred tax liabilities | 3,070,863.00 | 1,957,039.50 |
| Long-term liabilities | 17,752,246.40 | 7,722,080.80 |
| TOTAL LIABILITIES | 21,489,485.80 | 9,956,012.30 |
| Equity | | |
| Share capital | 28,590,335.00 | 1,879,652.80 |
| Treasury shares | -1,414,706.00 | -160,216.40 |
| Paid-in capital | | 9,929,060.70 |
| Fair value adjustment reserve | 16,124,512.70 | 14,081,066.00 |
| Other equity instruments | 13,799.10 | 13,799.10 |
| Retained earnings | 13,268,394.00 | 24,767,270.20 |
| TOTAL EQUITY | 56,582,334.80 | 50,510,632.40 |
| TOTAL LIABILITIES AND EQUITY | 78,071,820.60 | 60,466,644.70 |

Statement of profit or loss and other comprehensive income

| (MNT thousand) | 2019.12.31. | 2018.12.31. |
|--|---------------------|---------------------|
| Sales revenue | 1,569,829.50 | 3,863,044.90 |
| Cost of sales | | |
| Profit (loss) | 1,569,829.50 | 3,863,044.90 |
| Interest income | 304,891.30 | 351,531.90 |
| Dividend income | 537,156.70 | 897,653.70 |
| Other income | 87,252.30 | 296,165.60 |
| Sales and marketing expense | (1,262,376.90) | (322,092.80) |
| Administrative expense | (4,441,981.10) | (3,209,382.00) |
| Interest expense | (1,454,685.70) | (854,143.20) |
| Other expense | (132,645.10) | (104,602.40) |
| Gain (loss) on foreign currency exchange differences | (20,035.50) | 54,643.70 |
| Gain (loss) on disposal of property, plant and equipment | (34,430.20) | |
| Gain (loss) on disposal of intangible assets | | |
| Gain (loss) on sale of investment | 163,761.10 | |
| Gain (loss) on investment valuation | 9,059,062.80 | (180,267.90) |
| Profit (loss) before tax | 4,375,799.20 | 792,551.60 |
| Income tax expense | (970,978.20) | (124,918.60) |
| Profit (loss) for the year - net | 3,404,821.00 | 667,633.00 |
| Other comprehensive income | | |
| Increase in fair value adjustment reserve - net | 2,043,446.80 | 6,730,845.00 |
| Total comprehensive income | 5,448,267.80 | 7,398,478.10 |
| Earnings per share (base) | 155.17 | 38.83 |

Statement of cash flow

| (MNT thousand) | 2019.12.31. | 2018.12.31. |
|--|-----------------------|-----------------------|
| 1. Cash flow from operating activities | | |
| 1.1 Cash received from primary operating activities | 307,609.90 | 849,588.40 |
| Cash from sales and services rendered | | 442,380.40 |
| Cash from royalties | | |
| Cash from insurance claims | | |
| Cash from taxes | | |
| Cash from subsidies | | |
| Other cash in | 307,609.90 | 407,208.00 |
| 1.2 Cash paid for primary operating activities | (4,294,615.90) | (3,834,173.70) |
| Cash paid to employees | (453,807.80) | (722,458.00) |
| Cash paid to social insurance organization | (167,721.60) | (118,098.70) |
| Cash paid for inventory | (28,927.90) | (638,929.00) |
| Cash paid for utilities | (369,112.20) | (859,013.40) |
| Cash paid for fuel and spare parts | (35,281.50) | (28,787.50) |
| Interest paid | (1,345,981.80) | (660,395.80) |
| Tax paid | (127,467.00) | (162,124.00) |
| Insurance premiums paid | (18,269.70) | |
| Other cash paid | (1,748,046.40) | (644,367.30) |
| Cash flow from operating activities - net | (3,987,006.00) | (2,984,585.30) |

Statement of cash flow

| (MNT thousand) | 2019.12.31. | 2018.12.31. |
|--|----------------------|----------------------|
| 2. Cash flow from investing activities | | |
| Interest received | 8,986.50 | 84,575.00 |
| Dividend received | 485,721.60 | 93,406.40 |
| Repayment of loan and advances received | 3,555,791.90 | 8,467.30 |
| Proceed from sale of property, plant and equipment | 132,951.90 | |
| Proceed from sale of intangible assets | 497,756.60 | |
| Acquisition of property, plant and equipment | (69,197.20) | (230,045.30) |
| Acquisition of sale of intangible assets | (11,027.10) | (6,180.30) |
| Loan and advances | (4,151,021.90) | (622,520.70) |
| Acquisition of investments | (2,490,212.60) | (469,000.00) |
| Acquisition of other long-term assets | (1,366,018.10) | |
| Cash flow from investing activities - net | -3,406,268.40 | -1,141,297.60 |
| 3. Cash flow from financing activities | | |
| Cash received from loans and issuing bonds | 8,468,672.80 | 4,425,231.90 |
| Cash paid as a repayment of loans and bonds | (1,032,546.60) | (825,778.70) |
| Cash received from issuing shares | | |
| Cash paid for the acquisition of shares and bonds | (1,651.00) | (160,601.90) |
| Other cash in from financing activities | | |
| Cash flow from financing activities - net | 7,434,475.20 | 3,438,851.30 |
| Net cash flow | 41,200.80 | (687,031.60) |
| Cash and cash equivalents at 1 Jan 2019 | 2,034.80 | 689,066.40 |
| Cash and cash equivalents at 31 Dec 2019 | 43,235.60 | 2,034.80 |

Stronger. Together.



info@ardholdings.mn



ardholdings.mn



[powerful.gains.animate](https://www.youtube.com/powerful.gains.animate)



7707 8080