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FINANCIAL MARKET REVIEW 2019

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22	24	27	30	34

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38	40	42	46	50



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ABBREVIATIONS

AB	Agricultural broker	MJDA	Ministry of Justice and Domestic Affairs
AFI	Alliance for Financial Inclusion	MIK	Mongolian Mortgage Corporation
AR	Agricultural reinsurance	MOCCU	Mongolian Confederation of Credit Unions
ATM	Automated teller machine	MSE	Mongolian Stock Exchange
AWAIR	Annual weighted average interest rate	MSX	Mongolian Securities Exchange
AWASIR	Annual weighted average savings interest rate	MV	Market valuation
CGF	Credit Guarantee Fund	NBFI	Non-bank financial institution
CRD	Card reader device	NPAT	Net profit after tax
CS	Securities company	OECD	Organisation for Economic Co-operation and Development
FPO	Follow up on public offering	RSTI	Ratio of short-term investments
FRC	Financial Regulatory Commission (of Mongolia)	SCC	Saving and credit cooperative
GDP	Gross domestic product	SC	Share capital
GS	Government security	SOLLC	State-owned limited liability company
IAIS	International Association of Insurance Supervisors	SPC	Special purpose company
IF	Investment fund		
IMC	Investment management company		
IPO	Initial public offering		
JSC	Joint stock company		
LLC	Limited liability company		
MANBFI	Mongolian Association of Non-Bank Financial Institutions		
MAPIX	Mongolian agricultural commodity price index		
MCSD	Mongolian Central Securities Depository		

 CAPITAL MARKET	Market capitalization MNT 2,693 billion 7.3% of GDP	Total assets MNT 366 billion	INSURANCE MARKET
	TOP-20 INDEX 19,622	Trading volume MNT 144 billion	Total insurance and reinsurance premiums MNT 199 billion
Number of JSCs 306	Liquidity 5.0%	Net profit MNT 23 billion	Reserve fund MNT 166 billion
MSE A 9,532 MSE B 7,951	volume of trade in agricultural products MNT 705 billion	Depth 0.56%	Density MNT 60,708
		Reinsurance premium costs MNT 57 billion	

 NBFIs	Licensed 538 NBFIs	91.6 % Licensed to operate on credit	Licensed 261 SCCs	SCCs
	Total assets MNT 1.7 trillion	Customers 2.9 million	Non-performing loans (of total loans) 3.9%	70,968 members
Total loans MNT 1.2 trillion	Total borrowers 412,000	Total assets MNT 223 billion	Net profit MNT 9.2 billion	
Weighted average loan interest rate 3.0 %	Total income MNT 353 billion Profit MNT 140 billion	3.4% Weighted average loan interest rate	Total Loans MNT 157 billion	
		1.6% Weighted average interest rate on deposits		

1. FINANCIAL MARKET STATUS

Market valuation

MNT 2,693 billion



Capital market

Total assets

MNT 366 billion

Capital growth

10.2%



Insurance market

Total assets

MNT 1.7 trillion

Capital growth

34.7%



NBFIs

Total assets

MNT 223 billion

Capital growth

11.2%



SCCs



TOP-20 index

19,622



Insurance and reinsurance
premiums

MNT 199 billion

Fee increase **11.2%**



Total loans

MNT 1.2 trillion

Interest rate

3.0%



22 SCCs

84.6% of total assets of the sector

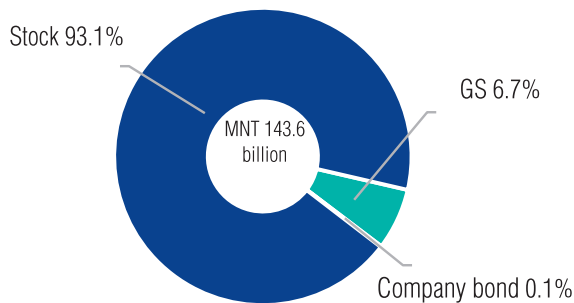
1.1 CAPITAL MARKET



There were 526 regulated entities, and joint stock companies operating in the securities market.

Stock exchange 2	Clearing and settlement 1	Depository 1
Investment management 24	Security Traders Association 1	Custodian bank 3
Underwriting bank 2	Trustee 4	Joint stock company 306
Securities firm 54	Agricultural commodity exchange 1	Agricultural and commodity broker 13
Auditing firm 59	Security valuation firm 23	Legal consultancy 32

*Securities firms include brokers and dealers, underwriters, and investment consultancy firms.

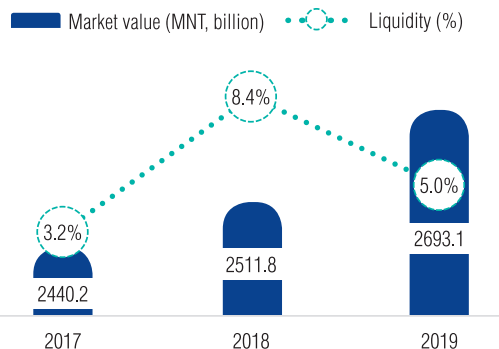


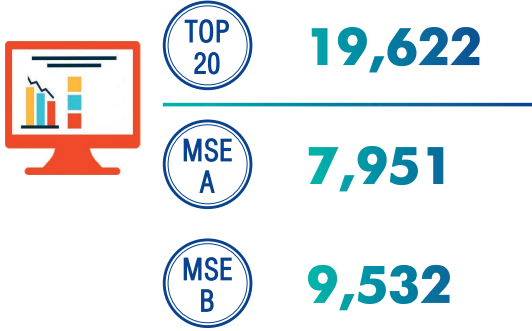
SECURITIES TRADING

- Trade volume decreased by 41.5% compared to 2018.
- Trading of government securities, company bonds, and stocks fell by 71.1%, 88.2%, and 36.4% respectively, compared to 2018.
- In 2019, MNT 42.5 billion worth of IPOs were issued by four companies while primary market trading of government securities and company bonds was inactive.

MARKET CAPITALIZATION AND LIQUIDITY

- While market capitalization increased by 7.2%, liquidity fell by 3.4 percentage points compared to 2018.
- Decreased trading volume impacted liquidity which fell. Stock trading volume was exceedingly high in 2018; due to portfolios trading of Lendmn NBFi, Darkhan Nekhii, Telecom Mongolian, MIK Holding, and APU JSC.



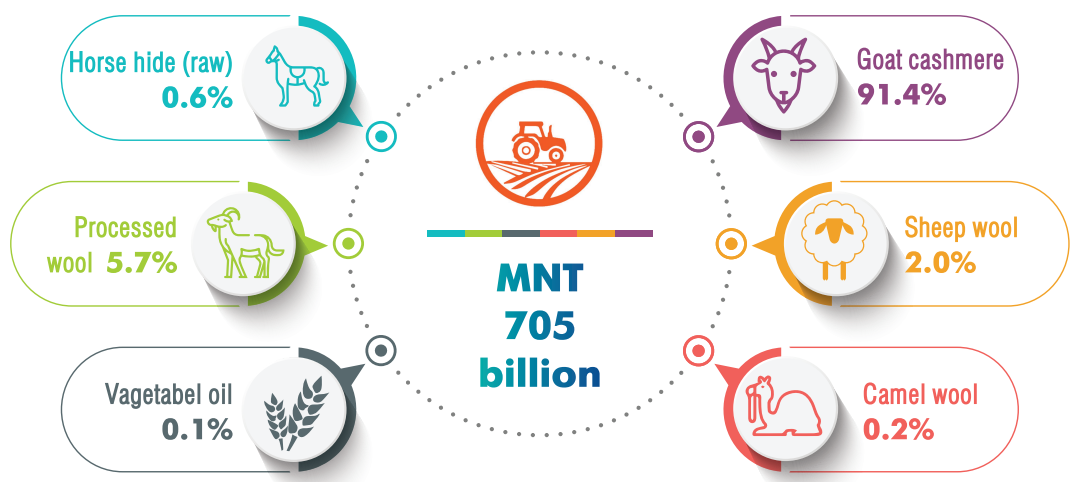


SECURITIES MARKET INDEX

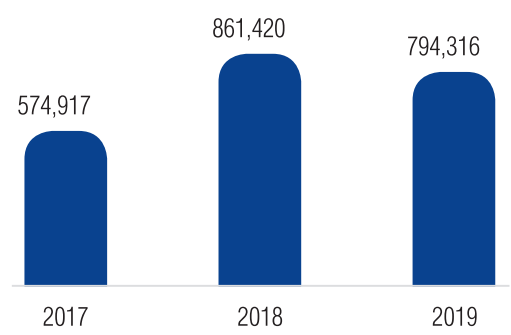
- o TOP-20 Index decreased by 1,845 (8.6%) compared to 2018.
- o MSE A index increased by 73 units (0.8%) since 2018.
- o MSE B index decreased by 371 units (4.5%) since 2018.



A total of MNT 705 billion worth of goods was traded at the MACE (Mongolian Agricultural Commodity Exchange); MNT 6.4 billion short of the 2018 total. This was mainly due to a decrease in the volume of trade in sheep wool and processed goat wool.



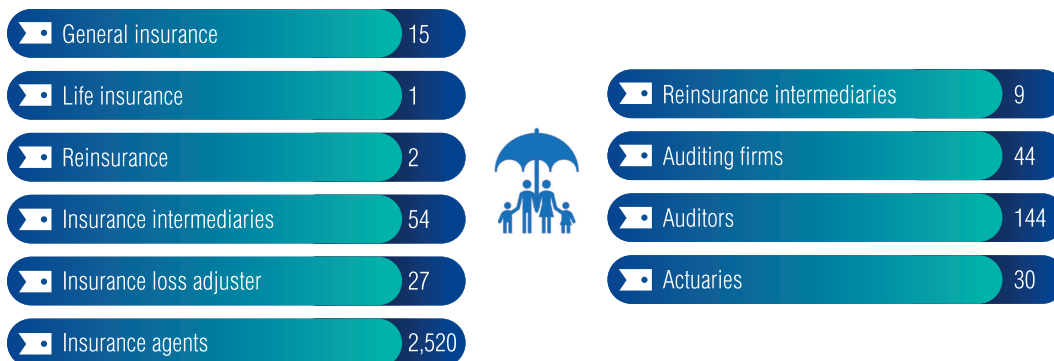
MACE's MAPIX INDEX
 In 2019 the MAPIX reached 794,316; 67,104 less than 2018.



1.2 INSURANCE MARKET

INSURANCE SECTOR STRUCTURE

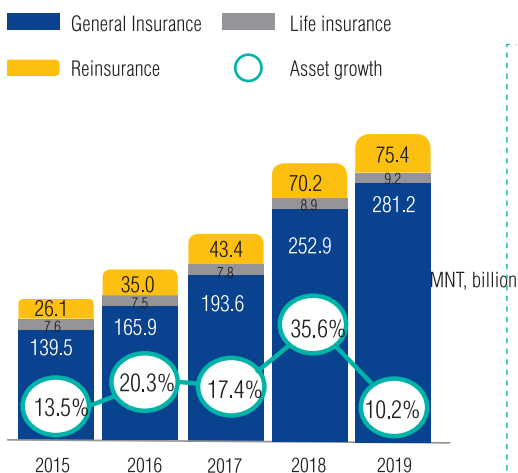
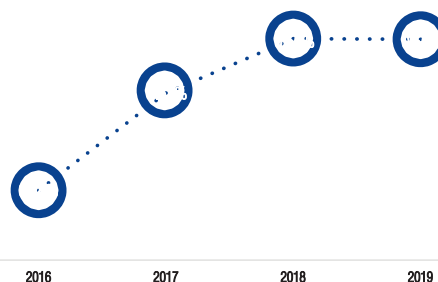
In 2019 a total of 317 insurance companies, brokers, loss adjusters, auditing firms, actuaries, auditors and 2,520 insurance agents carried out activities under license and registration by the FRC.



* Reinsurance intermediaries.

INSURANCE DENSITY

In 2019, insurance density remained unchanged at 0.56%.



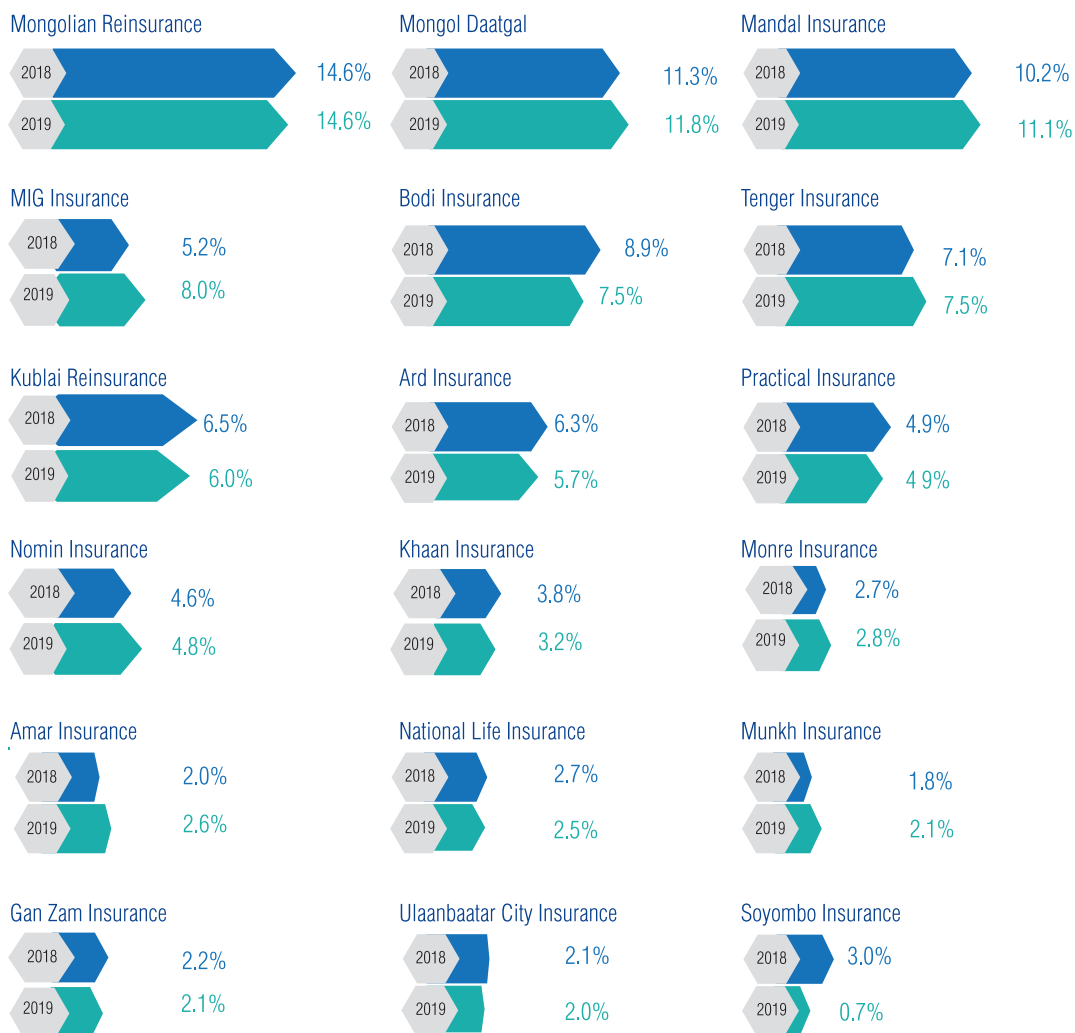
TOTAL ASSETS OF INSURANCE COMPANIES

- o In 2019, total assets increased by 10.2% compared to 2018.
- o Total assets of general insurance companies increased by 11.2% to MNT 281 billion in comparison to other types of insurance. They accounted for 76.8% of the total assets of the sector.
- o Total assets of reinsurance companies increased by 7.5% to MNT 75.4 billion compared to 2018. They accounted for 20.6% of the total assets of the sector.
- o Total assets of life insurance companies increased by 4.2% to MNT 9.2 billion compared to 2018. They accounted for 2.5% of the total assets of the sector.

MARKET SHARE (BY TOTAL ASSETS)

Three insurance companies constituted more than 9% of total assets; four insurance companies between 6% and 9% of total assets; and seven insurance companies accounted for less than 3% of total assets.

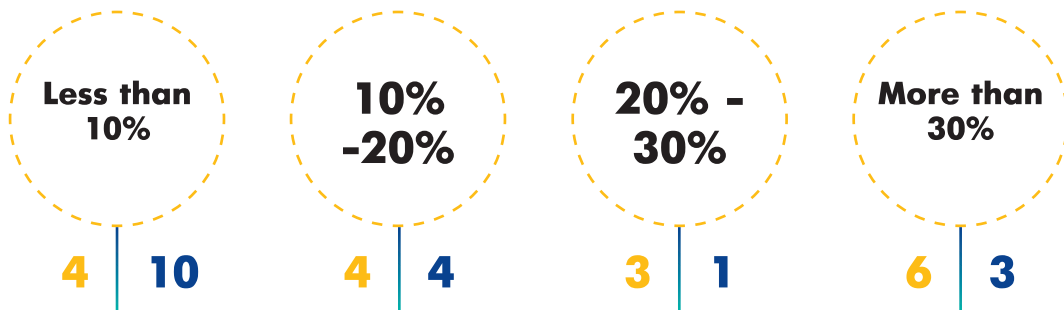
Percentage share of total assets of insurance and reinsurance companies



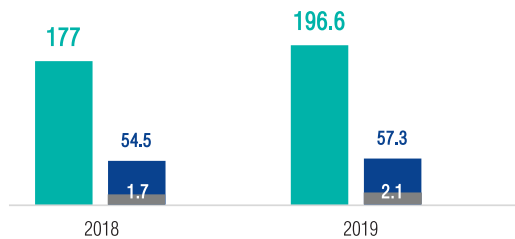
ASSETS GROWTH DISTRIBUTION OF INSURANCE COMPANY

While the average asset growth of all insurance companies was 26.8% in 2018, in 2019 it was 9.8%. There were three insurance companies with a growth of more than 30%, one with a growth between 20 and 30%, four between 10 and 20%, six with asset growth of less than 10%, and four exhibited decreased levels of assets.

2018/2019



- Total premiums for regular and life insurance (MNT, billions)
- Regular and life reinsurance premiums (MNT, billions)
- Total fees of domestic reinsurance companies (MNT, billions)

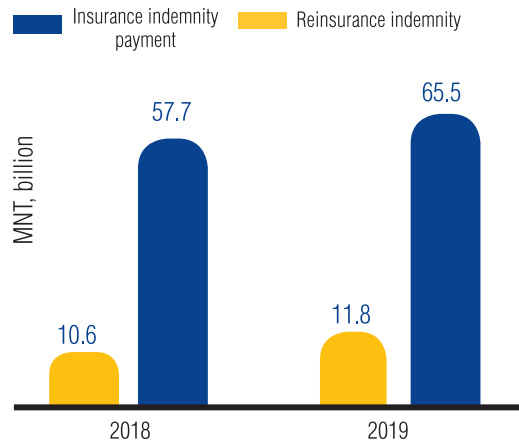


TOTAL PREMIUM

- In 2019, insurance and reinsurance companies generated a total of MNT 196.6 billion in insurance premiums. Of which, general insurance companies and life insurance companies generated MNT 195.3 billion (99.4%) and MNT 1.3 billion (0.6%) respectively.
- A total of MNT 57.3 billion worth of reinsurance premium has been paid out, of which MNT 2.1 billion or 3.7% have been paid by domestic reinsurers.
- In 2019, total insurance premiums generated by general insurance and life insurance companies rose by 11.1% compared to 2018.

INSURANCE AND REINSURANCE INDEMNITY PAYMENT/REIMBURSEMENT

- o In 2019, indemnity payments made by insurance companies totalled MNT 65.5 billion; a 13.5% increase compared to 2018.
- o Pay outs made by general insurance companies accounted for 99.2% of all indemnity payments.
- o During the 2019, indemnity payments made by reinsurers rose by 11.3% to MNT 11.8 billion.



RESERVES FUND

- o The total reserves fund of the insurance sector increased by 13.4% to MNT 165.6 billion compared to 2018
- o In 2019 the total reserve fund of general insurance companies increased by 12.2% to MNT 132.6 billion, life insurance companies by 13.9% to MNT 23 billion, and reinsurance companies by 18.7% to MNT 30.8 billion; compared to 2018

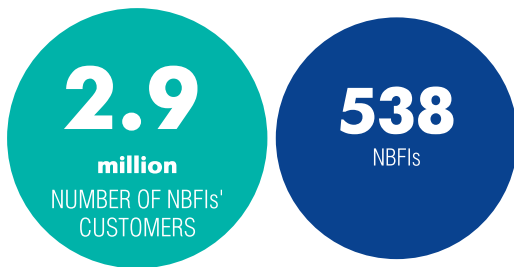
MNT
165.6
billion
2019

MNT
146
billion
2018

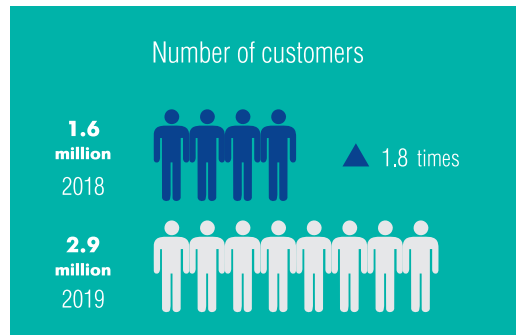
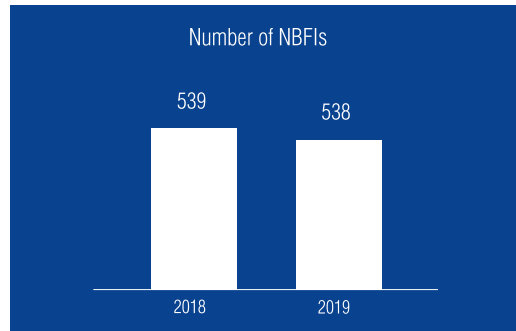


1.3 NON-BANK FINANCIAL INSTITUTIONS

- o In 2019 538 NBFIs operated under license by FRC.
- o Of these, 74 (13.8%) operated in rural areas and 464 (86.2%) in Ulaanbaatar.

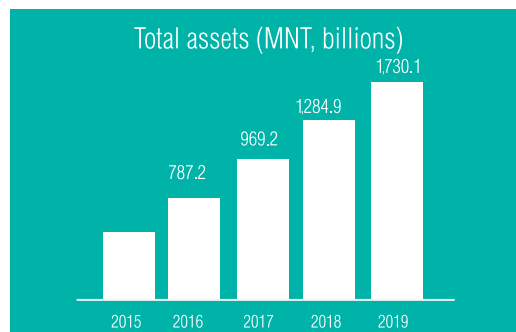
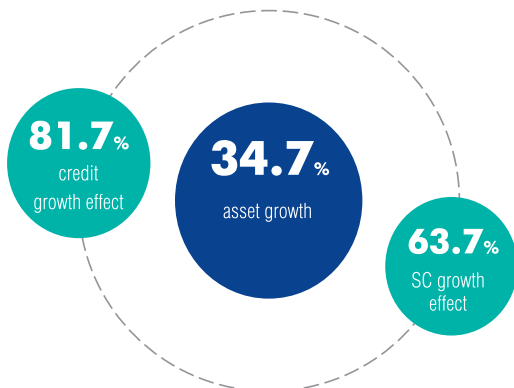
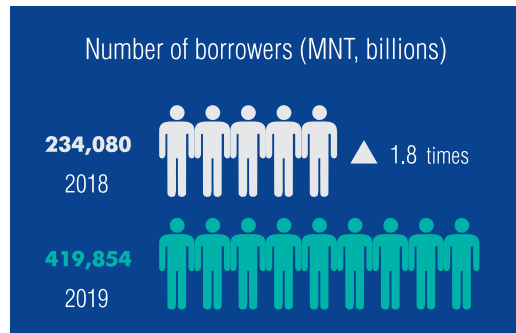


5.2% of all NBFIs are foreign-invested and 94.8% were domestically invested.



ASSETS OF NBFIs

In 2019, total assets of NBFIs reached MNT 1.7 trillion; an increase of MNT 445.2 billion (34.7%) compared to 2018



Asset structure of NBFIs (MNT, billions)

Total Assets	1,730	100
Current Assets	1,663	96
Cash	364	21
Short-term investment (net)	6.8	0.4
Credit (net)	1,152	66.6
Financial lease receivables (net)	0.0	0
Factoring settlement receivables (net)	3.8	0.2
Other property ownership and other asset ownership (net)	12.0	0.7
Other assets	124.3	7.2
Financial derivatives (derivatives/receivables)	0.1	0.0
Non-current Assets	67.1	3.9



Liability structure of NBFIs (MNT, billion)

Total liabilities	1,730	100
Liabilities	469	27
Financial resources	108.3	6.3
Liabilities to domestic and foreign banks, and financial institutions	207.6	12.0
Other resources	33.3	1.9
Bonds issued by NBFIs	41.8	2.4
Project loan financing	17.6	1.0
Other liabilities	60.4	3.5
Owners' property	1,261	72.9
Share capital	927.0	53.6
Other property	32.4	1.9
Funds	0.6	0.0
Retained earnings/losses	300.3	17.4
Secondary Payable	0.8	0.0



25%



9 NBFIs

50%



44 NBFIs

75%



179 NBFIs

100%

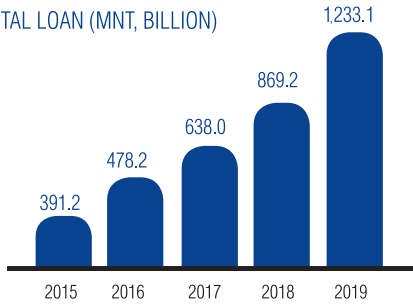


538 NBFIs

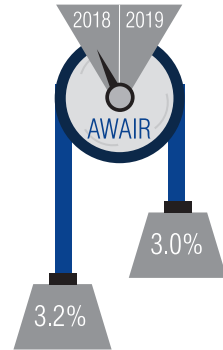
MARKET SHARE (OR SHARE OF TOTAL ASSETS OF THE SECTOR)

- 9 large NBFIs' assets account for 25% of the sector;
- 44 NBFIs' assets account for 50%;
- 170 NBFIs' assets account for 75%.

TOTAL LOAN (MNT, BILLION)



Loan/credit interest rate: in 2019, the weighted average monthly interest rate on loans issued by NBFIs had decreased to 3.0%.



TOTAL LOAN

In 2019, the total of loans in the sector increased by MNT 363.9 billion (41.%) compared to 2018.

In 2019, 98.2% of total outstanding loans were in MNT; while the remaining 1.8% were in foreign currency.

98.2%

MNT



NORMAL

87.0%



OVERDUE

4.5%



NON-PERFORMING

8.5%

MNT 1.8 trillion
Issued loan

MNT 1.4 trillion
Paid loan

Consumption



71.0% 71.8%

Wholesale and retail



13.1% 14.6%

Construction



6.8% 6.6%

Mining



2.2% 2.1%

Accommodation and food services



2.9% 1.5%

Processing factory



1.5% 1.5%

Cars and motorcycles repair services



1.7% 1.0%

Agriculture, forestry and fishing

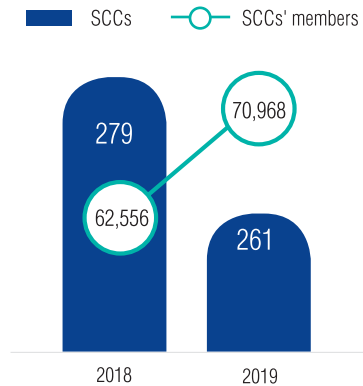


0.9% 0.9%

1.4 SAVING AND CREDIT COOPERATIVES

NUMBER AND MEMBERS OF SCCs.

- o In 2019, the number of licensed SCCs was 261, a decrease of 6.5% from 2018.
- o The number of members of SCCs increased (13.5%) from 62,556 in 2018 to 70,968



EMPLOYEES

811

The total number of employees of SCCs increased by 1.9% from 2018; of which 73.4% were women.

TOTAL

36,278

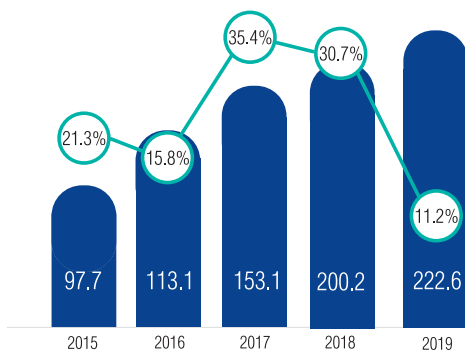
Borrower

36,483

Depositor

■ Total assets (MNT, billion)

○ Total asset growth (%)



TOTAL ASSETS AND THEIR GROWTH

- o In 2019, total assets increased by 11.2%, compared to 2018, and reached MNT 222.6 billion.
- o Capital growth decreased by 19.5 percentage points from 2018.

Total loan MNT
156.7
billion

Total savings
MNT
155.8
billion

TOTAL MARKET SHARE

Total assets of the industry

- o 22 (84.6%) of all SCCs had assets of more than MNT 1 billion;
- o 11 SCCs (3.4%) had assets of MNT 500 million to MNT 1 billion;
- o 228 (12.0%) of SCCs had assets of less than MNT 500 million.

84.6% 22 SCCs

3.4%
11 SCCs

12%
228 SCCs

Assets and Liability structure of SCCs (MNT, billions)

Total assets	222.6	100.0%
Currents assets	218.4	98.1%
Cash	57.6	26.4%
Loan (on the clean basis)	152.2	69.7%
Receivable	6.8	3.1%
Other current assets	0.9	0%
Other assets to be owned (in the clean basis)	0.9	0%
Non-current asset	4.2	1.9%
Fixed Assets	4	2%
Intangible Assets (in the clean basis)	0.2	0%
Investment and other non-current assets	0.01	0%
Total liabilities and equity	222.6	100.0%
Liabilities	179.8	80.8%
Savings	155.8	70%
Short-term loan	3.8	2%
Other short-term debt/ current liabilities	14.7	7%
Long term debt	5.5	3%
Own assets	42.9	19.2%
Member contribution	18	8%
Re-evaluation surcharge	0.2	0%
Cooperative property	24.7	11%

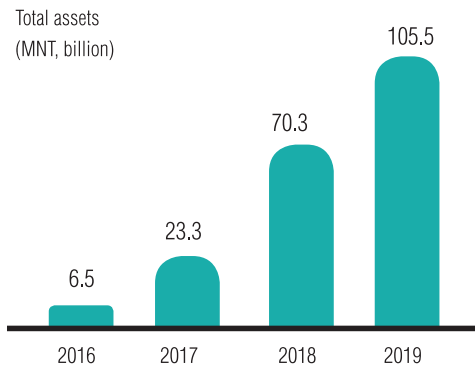


- o 98.1% of total assets were current assets and the remaining 1.9% were non-current assets.
- o 26.4% of current assets were cash, 69.7% net loan balance and 3.1% were receivables.
- o 80.8% of the total assets were liabilities and 19.2% were equity.

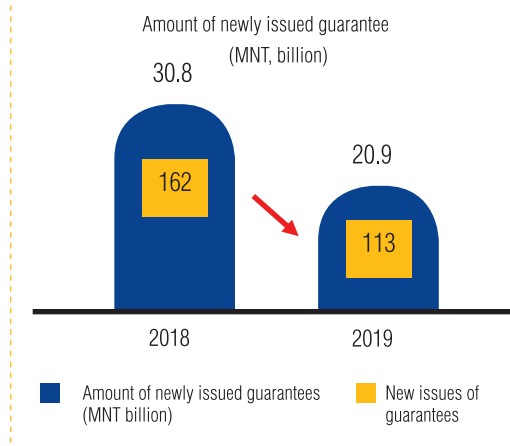
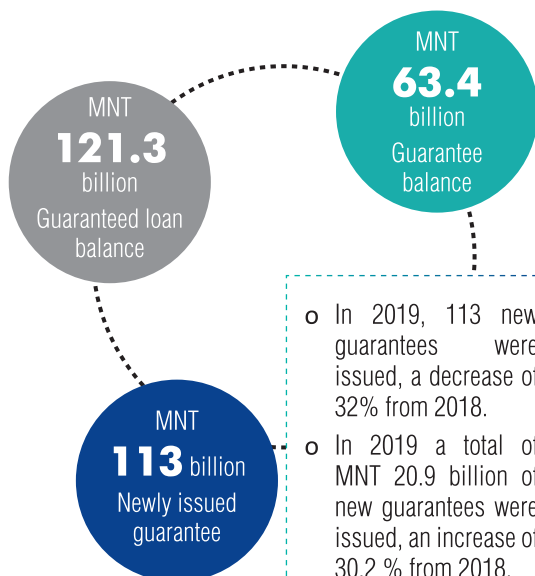
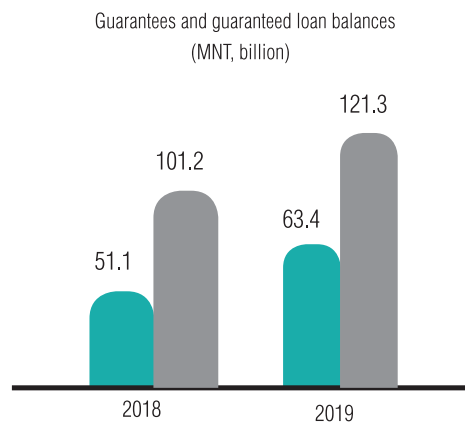
1.5 LOAN GUARANTEE FUND

50.1%
Capital Growth

In 2019, the total assets of the Fund increased by MNT105.5 billion (50.1%) from 2018.



- o In 2019 the Fund's guarantee balance reached MNT 63.4 billion, an increase of MNT 12.3 billion (24.1%) compared to 2018.
- o Guaranteed outstanding balance increased by MNT 20.1 billion (19.9%) from 2018 to reach MNT 121.3 billion.



2. ACCESSIBILITY

Account holders
1,827,724



Capital market

Insurance density

MNT60,708

Density increase/growth
8%



Insurance market

Average loan amount
MNT2.9 million

Customers **2.9**
million



NBFIs

Total branches **54**

48.9% of all
members have higher
education



SCCs



Securities companies

54



Total insurance contracts
1.2 million, of which
individuals are 80.7%



NBFIs per 100,000
people **38**

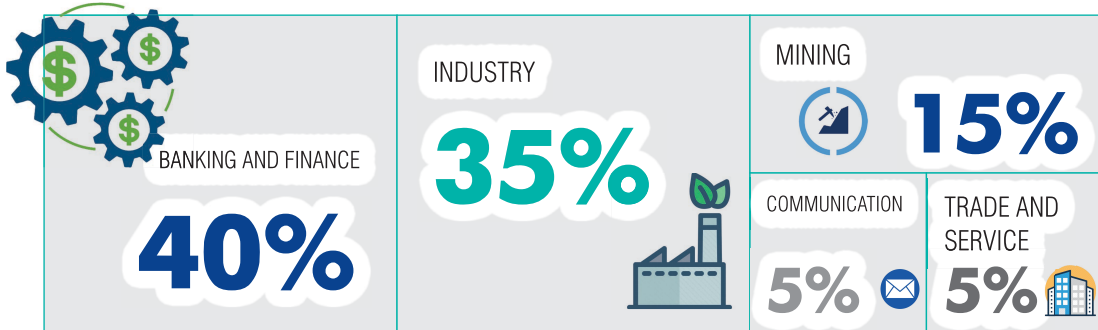
NBFIs **18,000**
enterprises



**One in every 29
people (aged 18-
64) is a member
of a SCC**

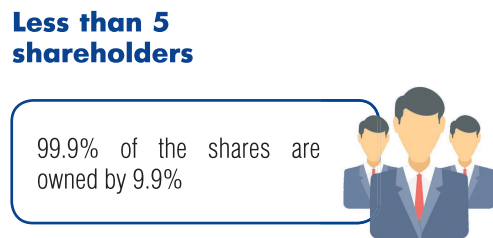
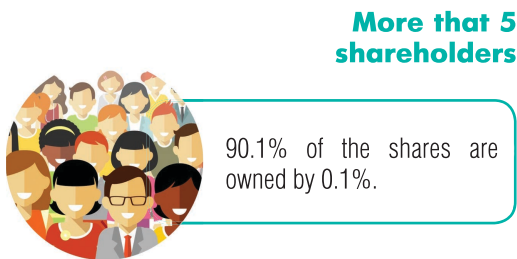
2.1 CAPITAL MARKET

SECTOR CLASSIFICATION OF JOINT STOCK COMPANIES INCLUDED IN THE TOP-20 INDEX.

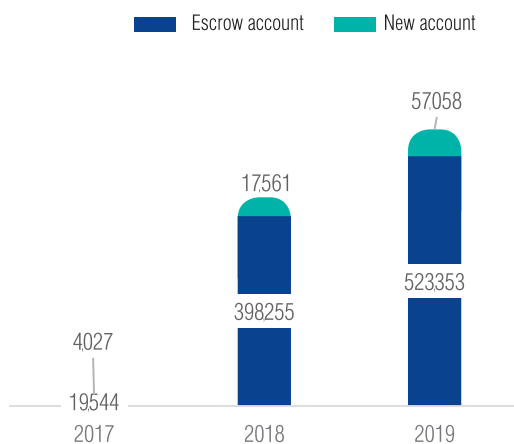


STOCK CONCENTRATION

- o Regarding concentration of the 10 joint stock companies with the highest market capitalization, 0.1% of all shareholders own 90.1% of the shares.



ACCOUNT HOLDERS



- o In 2019, 523,353 accounts were created, bringing the total number of accounts to 1,827,724, while the number of 57,058 escrow accounts reached 217,875.
- o Compared to 2018, the total number of accounts increased by 40.1%.



Account holders

1,827,724

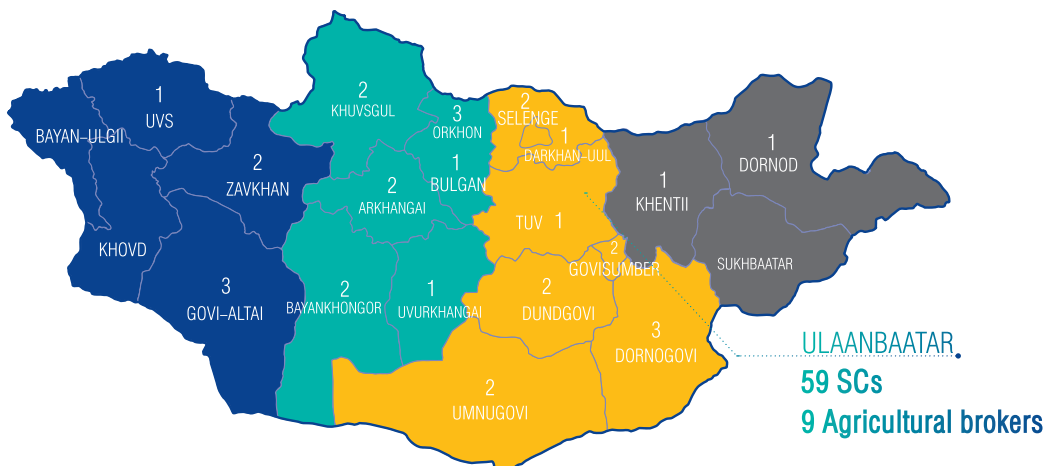
SECURITIES LISTED IN THE MONGOLIAN CENTRAL SECURITIES DEPOSITORY

Shares listed on the MSE 13,660,409,976	Bonds listed on the MSE and the MSX 904,295	TOTAL 36,506,232,365
Shares listed on the MSX 78,070,758	Bonds registered (Private) 29,423,612	Shares registered (Private) 22,737,423,724

LOCATION OF SECURITIES COMPANIES AND AGRICULTURAL BROKERAGE COMPANIES

66% Erdenes Tavantolgoi
22% Mongolian Securities Exchange
6.3% ICT Group
5.7% Other

- o In 2019, 54 securities companies and their 33 branches were operating. Geographically, 59 were located in Ulaanbaatar and 28 in rural areas.
- o In 2019, a total of 13 agricultural brokers were operating, of which nine were located in Ulaanbaatar and four in rural areas.



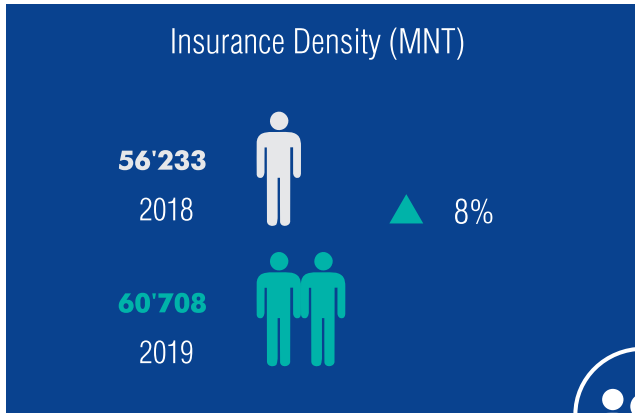
Western Region	Mountain Region	Central Region	Eastern Region
SC: 4, AB: 2	SC: 11	SC: 12, AB: 1	SC: 1, AB: 1



Chingeltei	Sukhbaatar	Songino Khaikhan
SC: 10, AB: 2	SC: 26, AB: 3	SC: 12, AB: 2
Khan-Uul	Bayanzurkh	Bayangol
SC: 1, AB: 2	SC: 9, AB: 2	SC: 8, AB: 2

2.2 INSURANCE MARKET

INSURANCE DENSITY



In terms of density, general insurance premiums per capita increased by 9.2% to MNT 60,315, while life insurance premiums decreased by 12.1% to MNT 393.



INSURANCE CONTRACT

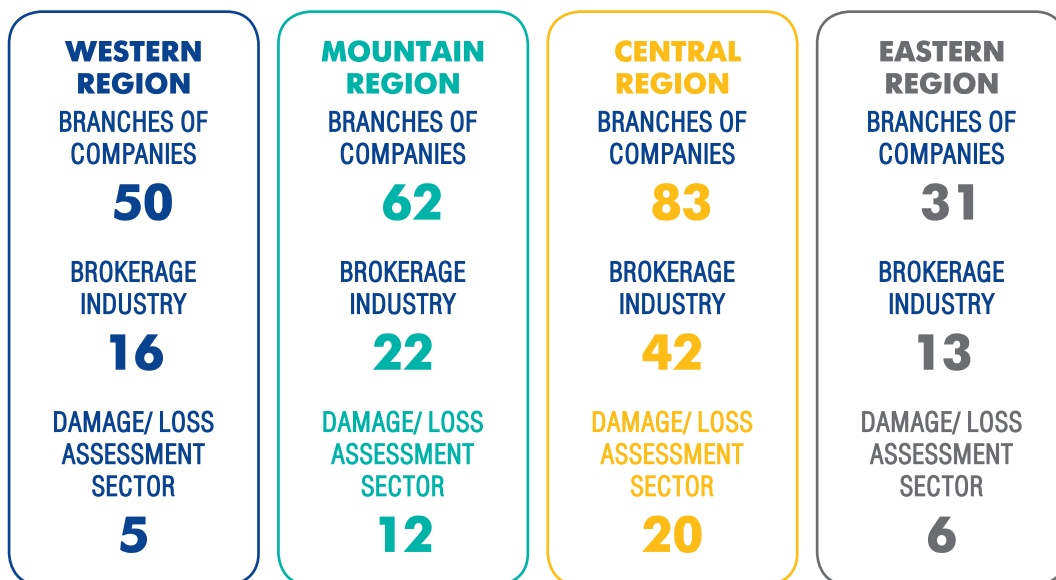
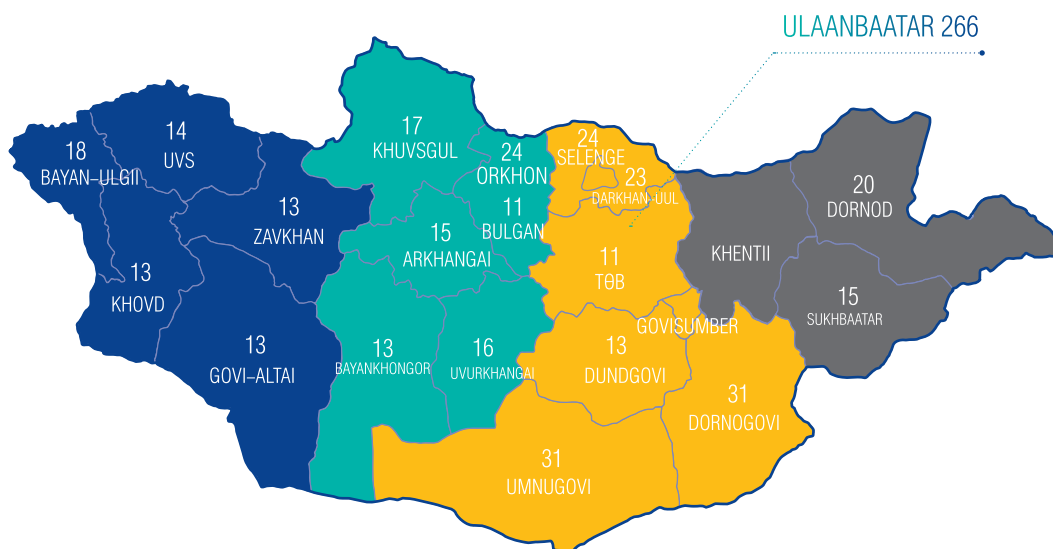
In 2019, a total of 1.2 million insurance contracts were signed. Of these, 930,853 (80.7%) were insurance contracts with individuals and 222,539 (19.3%) with legal entities.

Individuals **930,853**

Legal entities **222,539**



Another indicator of the availability of insurance services was the number of intermediaries of the insurance company. A total of 362 representative branches of insurance companies, brokers and loss adjusters were located in 21 provinces. Of these, 145 branches were in the Central Region, 96 in the Mountain Region, 71 in the Western Region, and 50 branches and representative offices in the Eastern Region.



496

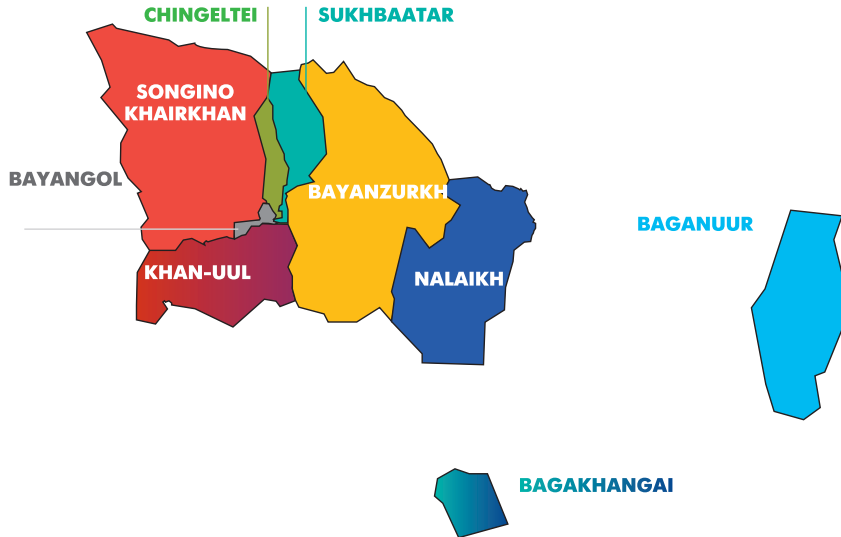
627

542

240

REPRESENTATIVES

- o During 2019, 53 branches of insurance companies, 175 branches of insurance brokers and 38 branches of loss adjuster companies operated in Ulaanbaatar.
- o 92.7% were concentrated in six central districts.
- o In addition, there were 12 insurance representatives, two of them were located in the Republic of Korea and People's Republic of China.

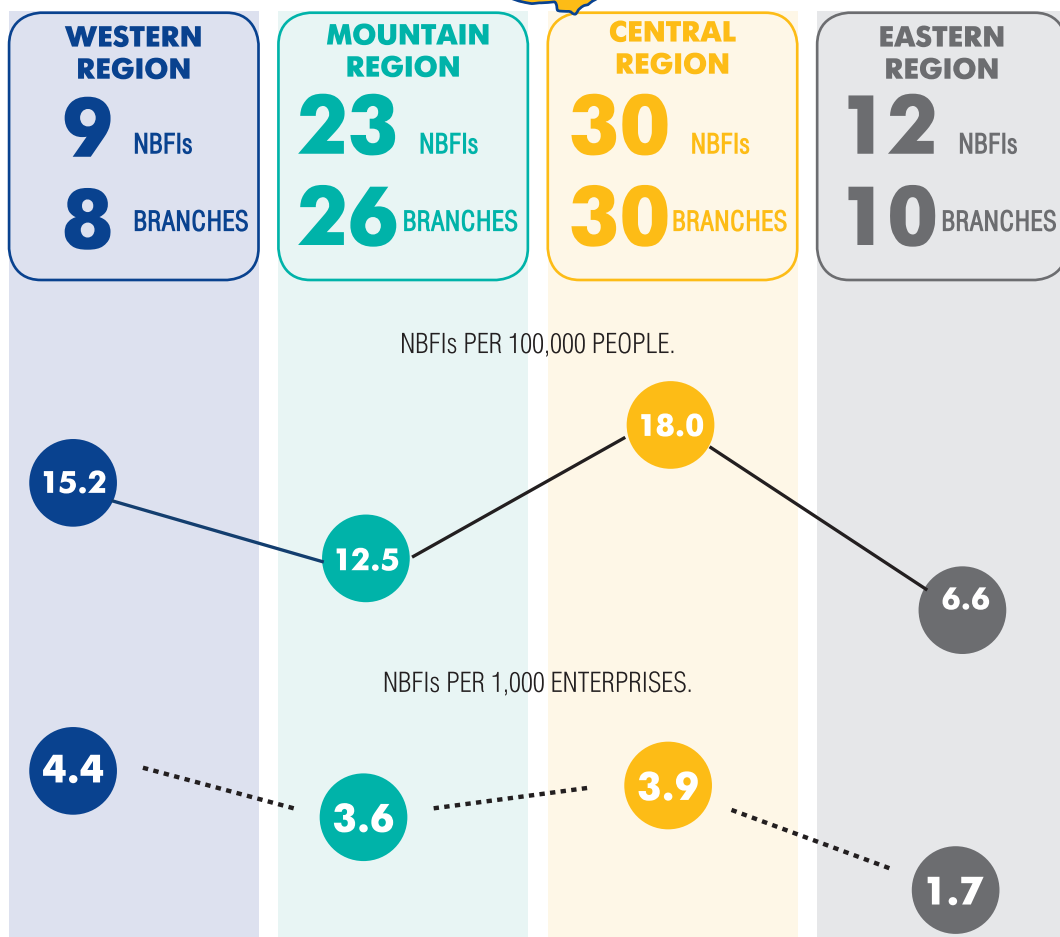
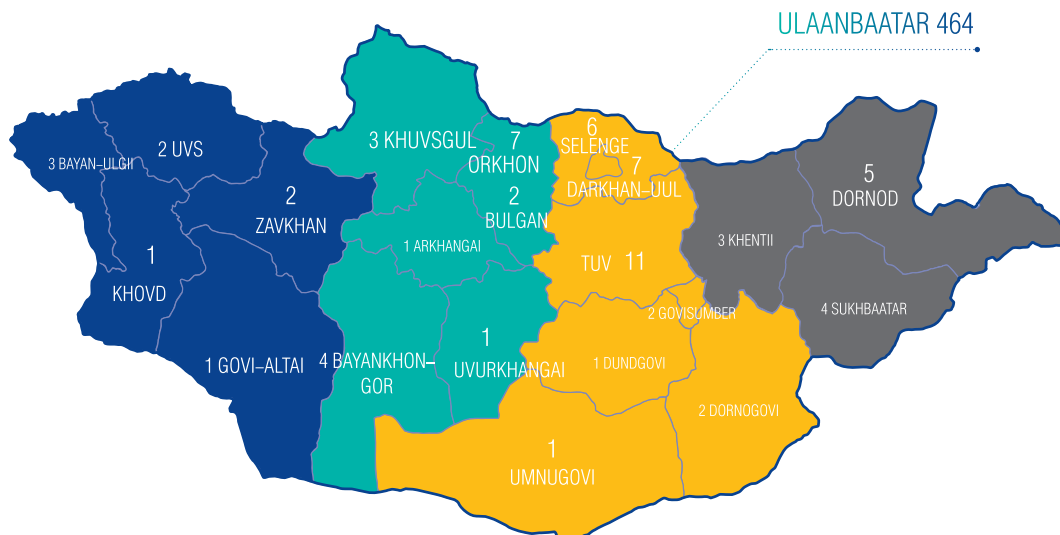


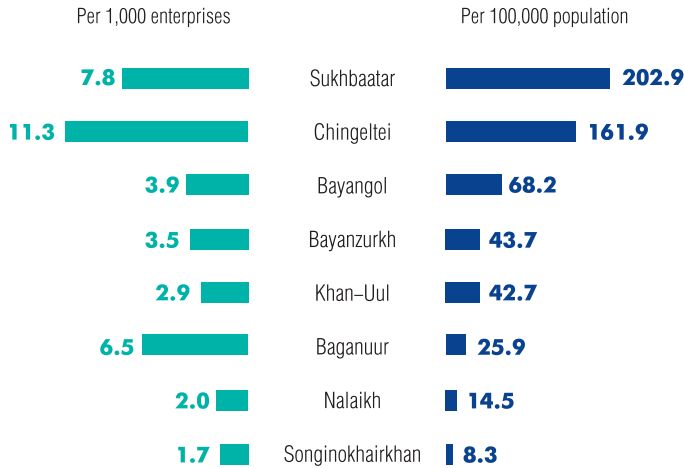
	SONGINO KHAIRKHAN	CHINGELTEI	SUKHBAATAR	BAYANZURKH
INSURANCE	5	10	12	6
BROKER	14	32	43	28
LOSS ASSESSOR	8	5	5	9
	KHAN-UUL	BAYANGOL	NALAIKH	BAGANUUR
INSURANCE	4	5	3	7
BROKER	24	27	4	3
LOSS ASSESSOR	3	7	0	1
	BAGAKHANGAI			
INSURANCE	1			
BROKER	0			
LOSS ASSESSOR	0			

2.3 NON-BANK FINANCIAL INSTITUTIONS

Nationwide, there were 538 licensed NBFIs with a total of 250 branches.

Of the 538 of NBFIs licensed by the Commission the majority (86.2%) were located in Ulaanbaatar.





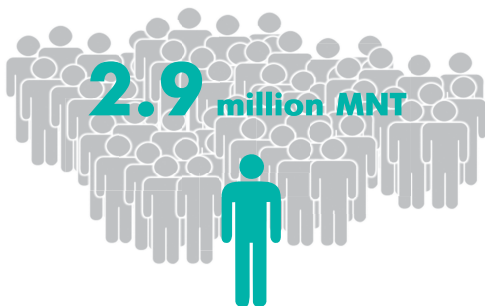
In total, 464 NBFIs operated in Ulaanbaatar; of which (by district) 5.3% were in Sukhbaatar, 30.8% in Chingeltei, 14.9% in Bayangol, 11.4% in Bayanzurkh, 6.0% in Khan Uul, 1.2% in Songino Khairkhan and 0.2% in Baganuur.

BY ACCESSIBILITY AND GEOGRAPHICAL LOCATION OF NBFIs

- There were 38 NBFIs per 100,000 people (aged 18–64) in Mongolia and 18 NBFIs per 1,000 businesses.
- Outside of Ulaanbaatar there were 13 NBFIs per 100,000 people (aged 18–64) and three NBFIs per 1,000 businesses. By location, Central Region lead with 18 NBFIs 18 per 100,000 people, and 3.9 NBFIs per 1,000 enterprises.

38 NBFIs per
100,000 people
nationwide

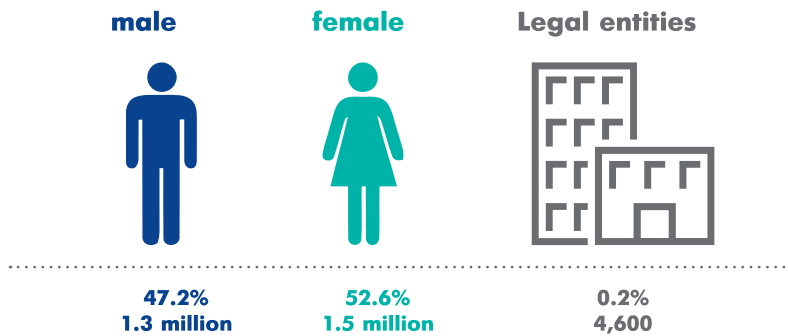
18 NBFIs per
1,000 enterprises



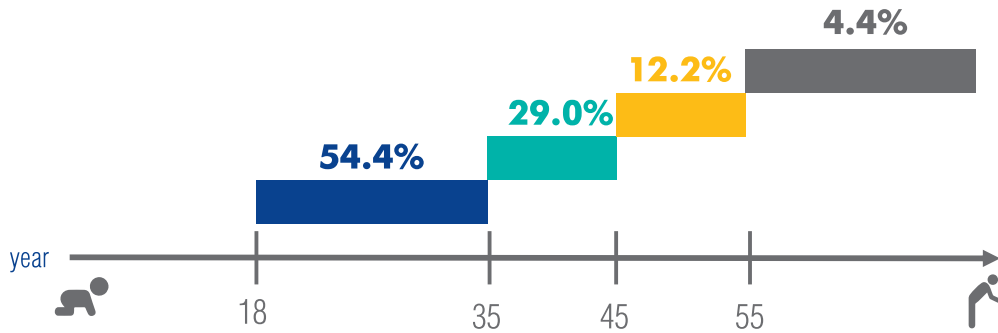
**AVERAGE
LOAN**

- In 2019, the average NBFIs borrower in Mongolia received a loan of MNT 2.9 million. In rural areas, this figure was MNT 2.3 million and in Ulaanbaatar it was MNT 3.0 million.
- This indicator was MNT 3.7 million at the national level in the previous year, and in the reporting year, the average loan amount per borrower from NBFIs decreased by MNT 776,000.

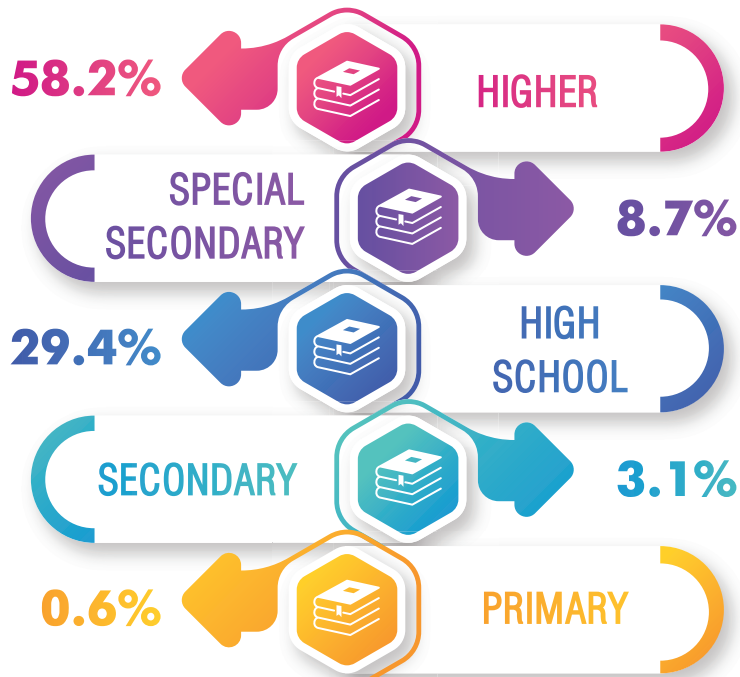
Customers of NBFIs



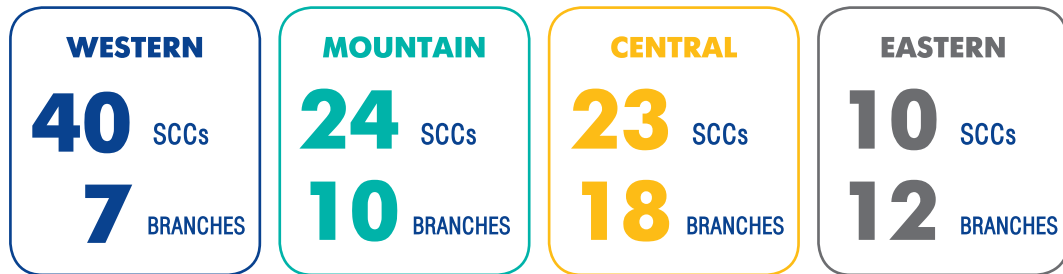
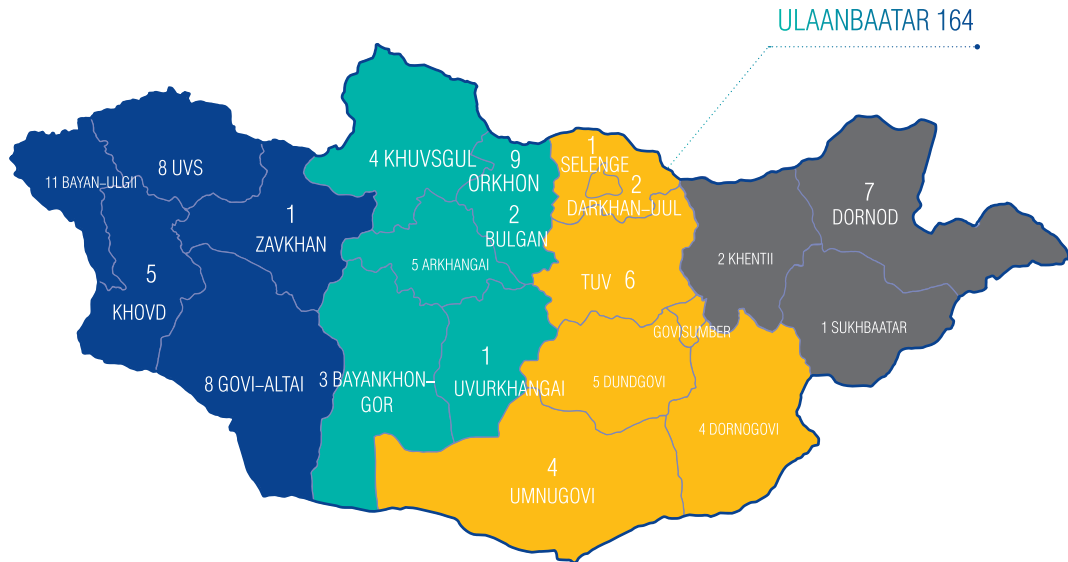
Borrowers of NFFIs (by age)



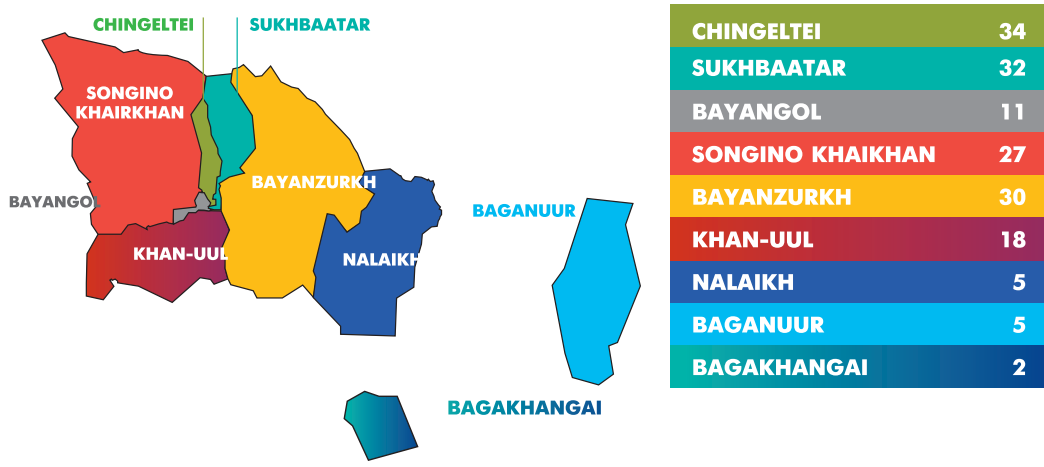
By level of education



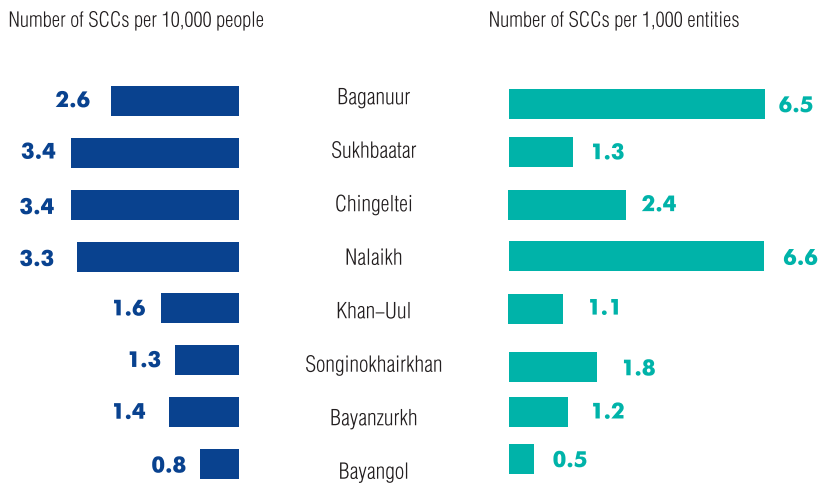
2.4 SAVING AND CREDIT COOPERATIVES



- Of all 261 listed SCCs, 164 were in Ulaanbaatar, and 97 are in rural areas.
- Of all SCCs in rural areas, 41.3% were in Western Region, 10.3% in Eastern Region, 24.7% in Mountain Region, and 23.7% in Central Region.
- Of all 164 SCCs in Ulaanbaatar, 92.7% were in the six central districts, and 7.3% were in the three remote districts.
- In Bagakhangai district, only SCCs (out of all financial institutions) operate.

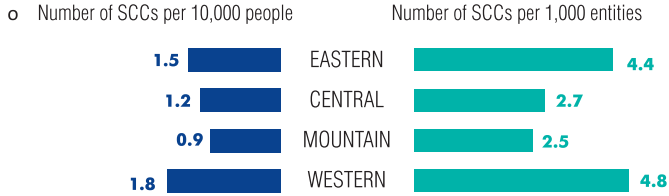


Financial Inclusion Indicators released by the Alliance for Financial Inclusion's *Financial Inclusion Data Working Group* (in 2013) are shown below. These include the number of SCCs per 10,000 people (aged 18 to 64 years) and the number of SCCs per 1,000 entities.

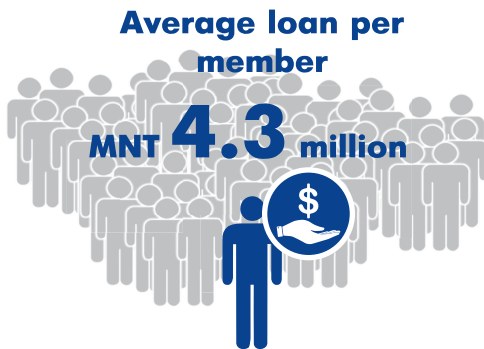


- o For the number of SCCs per 1,000 entities, Nalaiikh and Baganuur districts had most (with 6.6 and 6.5 respectively) and Bayangol district had least (with 0.5).
- o For the number of SCCs per 10,000 people, Sukhbaatar and Chingeltei districts had the most, both with 3.4.

¹ <https://www.afi-global.org/sites/default/files/publications/fidwg-core-set-measuring-fi.pdf>



Western Region had most, in the number of SCCs per 1,000 entities and per 10,000 people.



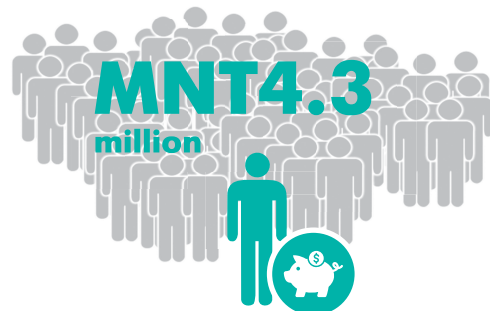
ACCESS TO LOANS

- o Nationally, one in 57 of all 8–64 year olds was a member of an SCC, and in receipt of a loan.
- o One in 105 people in rural areas, and one in 36 in Ulaanbaatar were members of SCCs, and in receipt of loans.
- o Average loan (per member) among all members who received loans was MNT4.3 million; nationally.
- o Average loan (per member) was MNT5.2 million in Ulaanbaatar and MNT2.2 million in rural areas.

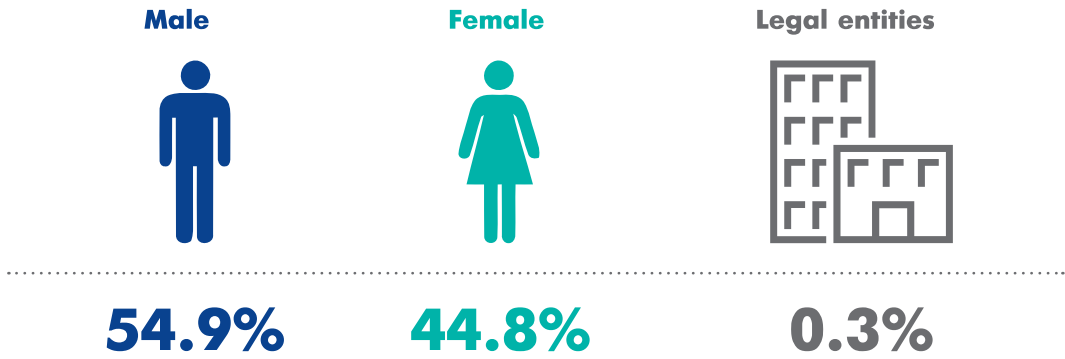
ACCESS TO SAVINGS

- o Nationally, one in 57 of all 18–64 year olds) was a member of an SCC and engaged in saving.
- o One in 87 people in rural areas, and one in 40 in Ulaanbaatar was a member of an SCC and engaged in saving.
- o Average savings per member (among all members holding saving accounts) was MNT4.3 million.
- o Average savings per member was MNT5.9 million in Ulaanbaatar and MNT1.4 million in local areas.

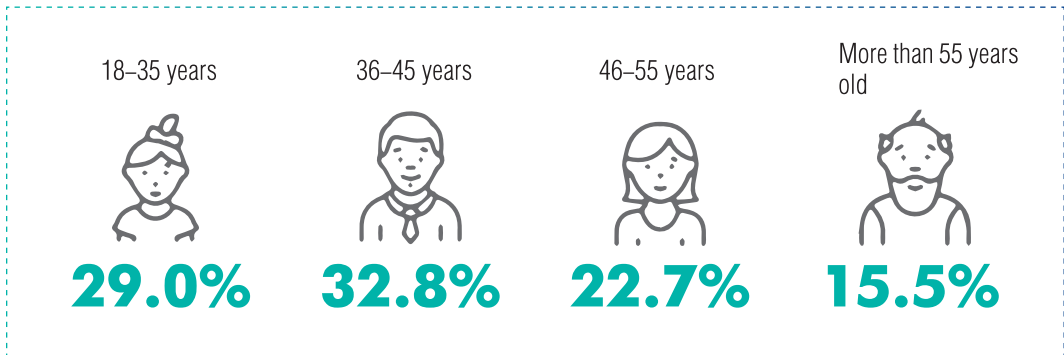
Average amount of savings per member



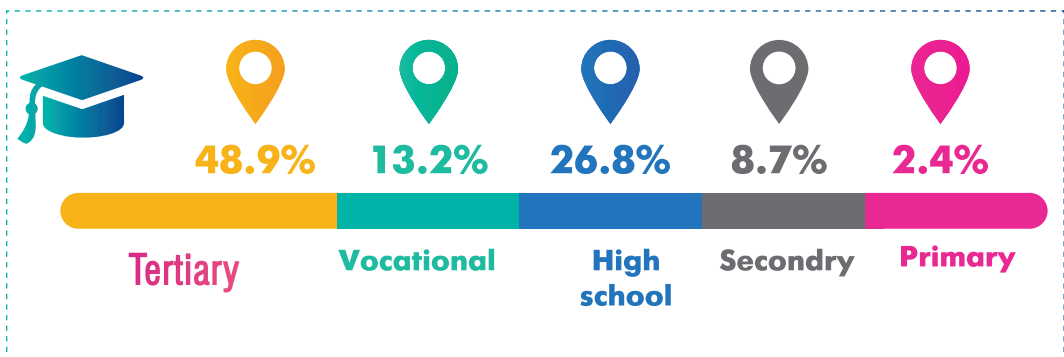
MEMBERS OF SCCs



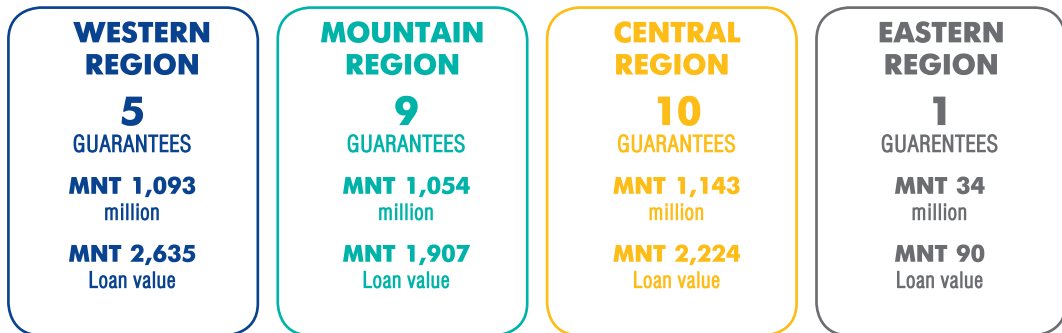
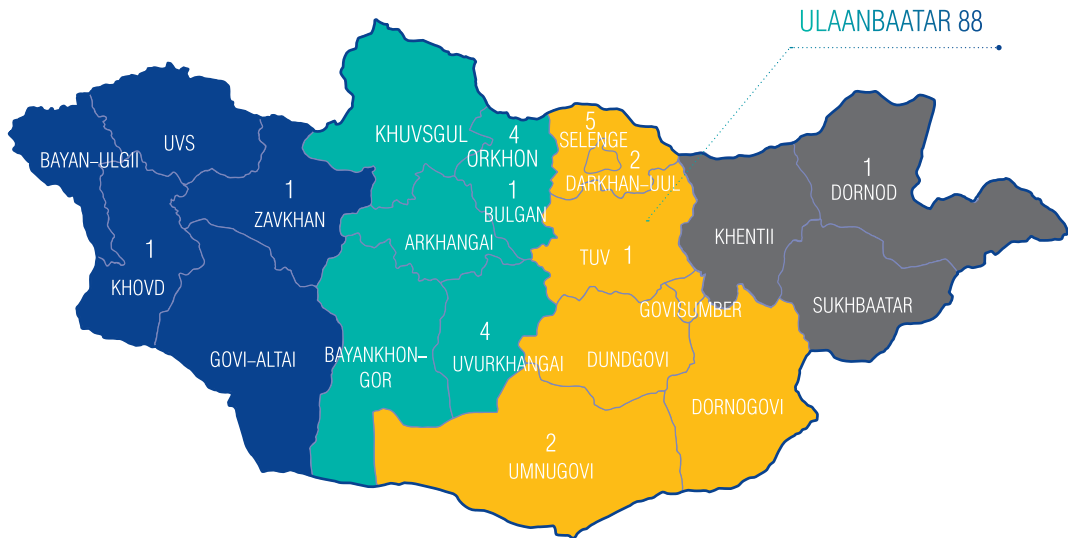
BY AGE



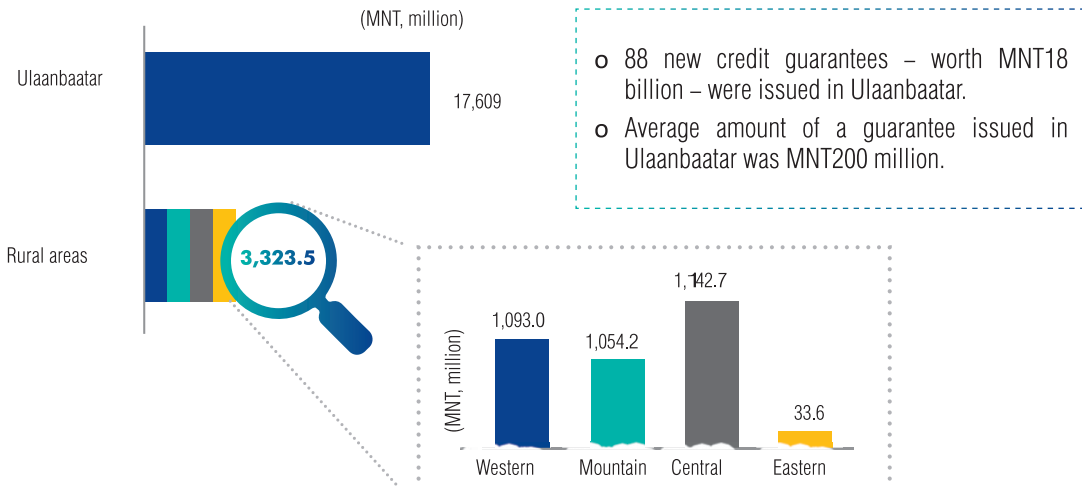
BY EDUCATION



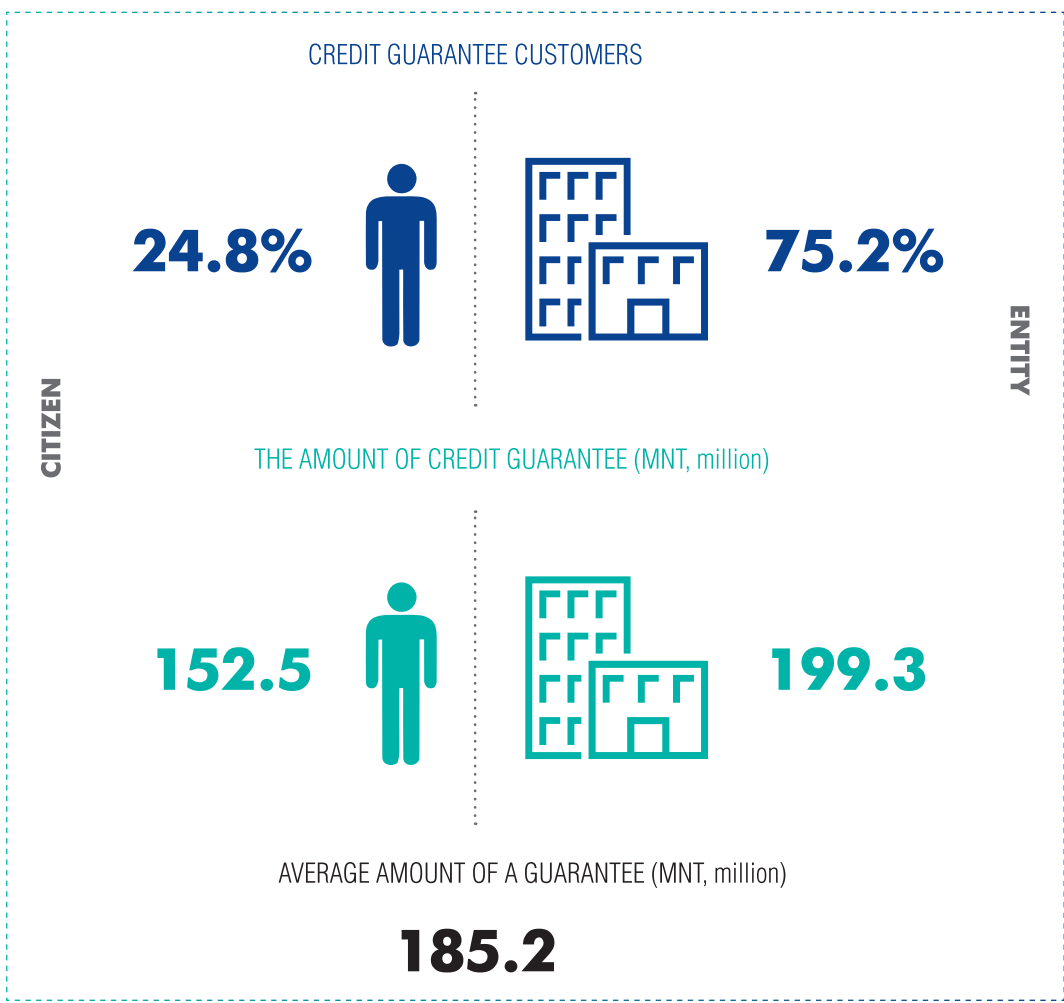
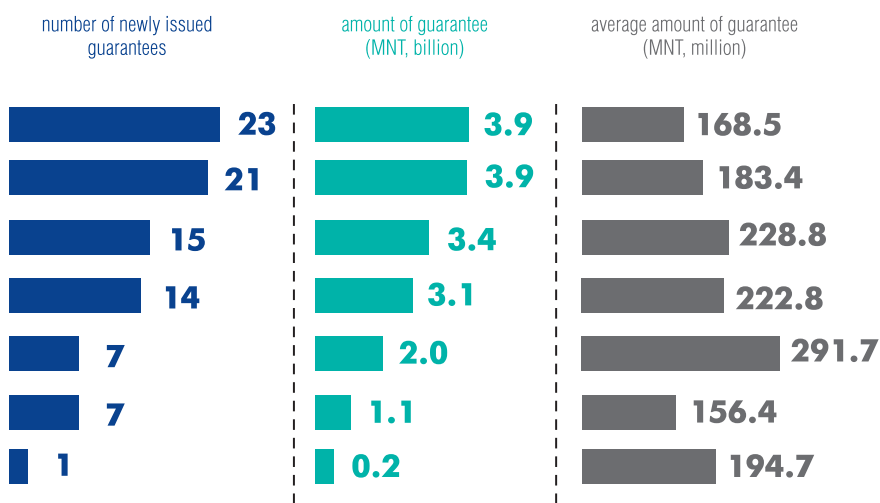
2.5 CREDIT GUARANTEE FUND



AVERAGE AMOUNT OF A GUARANTEE



- o 88 new credit guarantees – worth MNT18 billion – were issued in Ulaanbaatar.
- o Average amount of a guarantee issued in Ulaanbaatar was MNT200 million.



3. PRODUCTS AND SERVICES



Total trading
MNT 143.6 billion



Capital market

Insurance premium from insurance intermediaries (intermediated insurance) and reinsurance

MNT **54.5** billion



Insurance market

Credit NBFIs

91.6% billion MNT

8.4%

Foreign currency exchange



NBFIs

Paid consumption loan of

68.1%



SCCs



4 IPO

MNT **42.5 billion**



Premium of Driver's Liability
(Compulsory) Insurance

MNT **36.5 billion**



Number of NBFIs per
100,000 people

38

Number of NBFIs per
1,000 entities

18



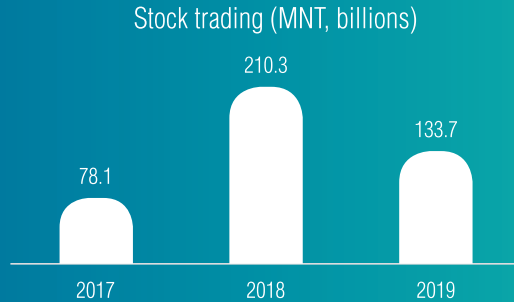
Total amount of
savings of SCCs

MNT **155.8 billion**

3.1 CAPITAL MARKET

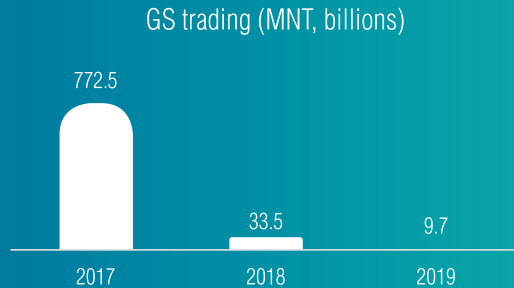
STOCK TRADING

- o In 2019, total stock trading reached MNT133.7 billion, a decrease of 36.4% compared to 2018 and an increase 71.2% compared to 2017.



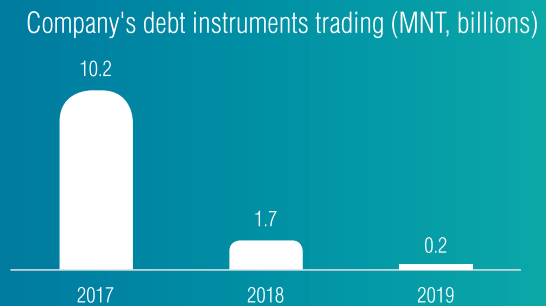
GOVERNMENT BONDS/SECURITIES TRADING

- o In 2019, government bonds/securities trading reached MNT9.7 billion, a decrease of 71.1% compared to 2018.



CORPORATE DEBT (BOND) TRADING

- o In 2019, corporate debt (bond) trading was MNT0.2 billion, a decrease of 88.2% compared to 2018.



21 SPC	78,703 Borrower	MNT 4.1 trillion
G-Mobile promissory note		MNT 7 billion

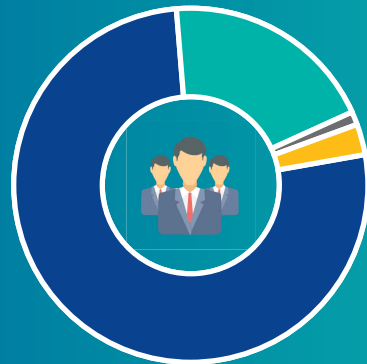
ASSET-BACKED SECURITIES

- o Residential mortgages were launched, to establish a long-term and stable residential financing system, in 2013. MIK Housing Finance Company established 21 Special Purpose Companies, issued RMBS of 78,703 creditors, and registered MNT4.1 trillion worth of asset-backed securities with the FRC.

- o In Mongolia, asset-backed securities have been backed by real estate properties credit, and there were MNT2.9 trillion worth of securities of 62,512 creditors in 2019.
- o G-Mobile LLC (a mobile phone operating company) issued asset-backed securities. It was the first issue of asset-backed securities using types of financial instrument other than credit/loan of real estate properties.

TRADING STRUCTURE, BY INVESTOR

- o Compared to 2018, trading of domestic entities increased by 35.6 percentage points, while trading of domestic individual and foreign entities decreased by 0.5 and 35.2 percentage points, respectively. Trading of foreign individual remained unchanged.



- Domestic enterprises, 76.4%
- Domestic citizen, 19.5%
- Foreign enterprises, 1.2%
- Foreign citizen, 2.8%

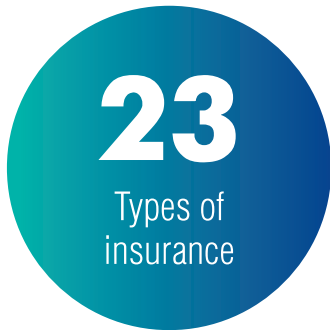
STOCKS, BY EQUITY STRUCTURE

- o In 2019, there were 306 JSCs in the FRC's securities registration.
- o 84% were private, 10% were state-owned, and 6% were partially state-owned.



- Privately owned 84%
- State-owned 10%
- State-owned participation 6%

3.2 INSURANCE MARKET

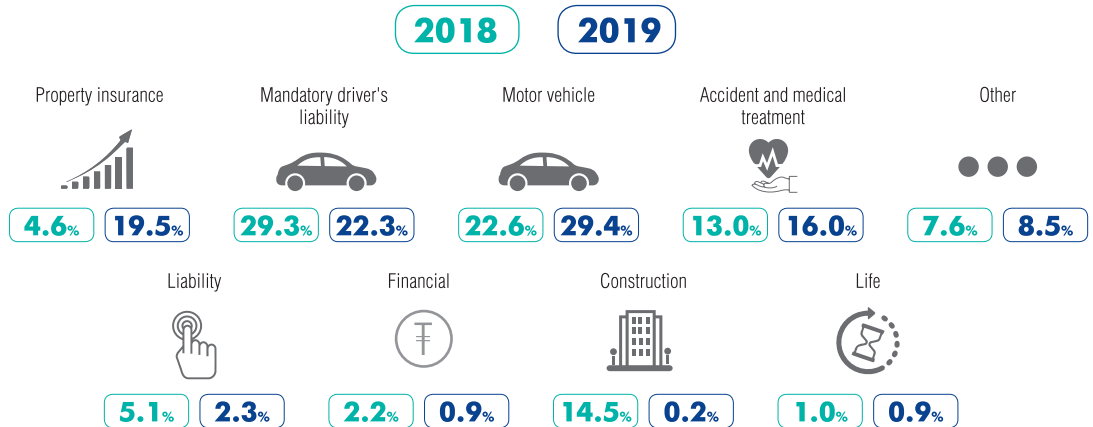


- Among the 23 types of non-life and life insurance, all were voluntary, except for the *Compulsory Driver's Liability Insurance*.

Total insurance premium

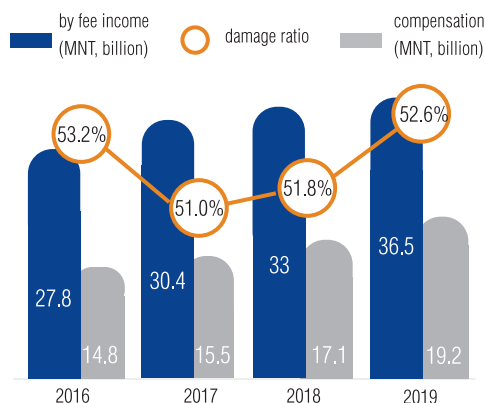


Cost of insurance indemnity



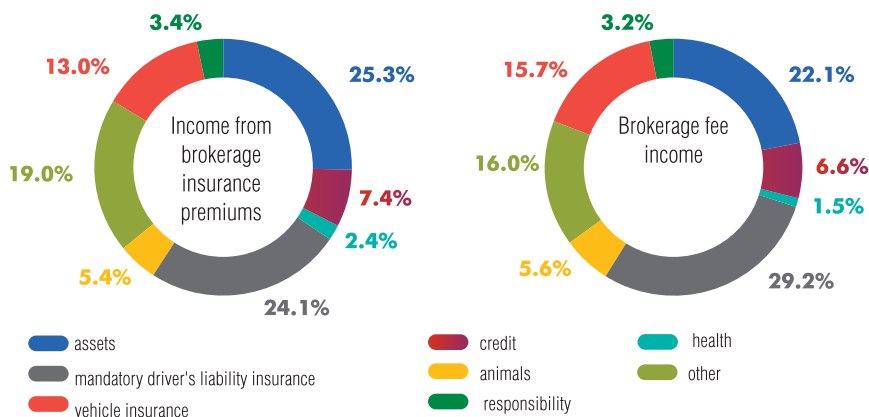
COMPULSORY INSURANCE

- o Total revenue from mandatory driver's liability insurance reached MNT 36.5 billion in 2019, accounting for 18.4% of total insurance premium revenue. Compensation increased from 10.3% in 2018 to 12.3% in 2019.
- o In 2019, MNT 19.2 billion was paid, which accounted for 29.3% of the sector's total compensation costs.



INSURANCE INTERMEDIARIES

- o In 2019, the insurance and reinsurance premiums collected by insurance intermediaries reached MNT 54.5 billion. In 2019, the income of insurance intermediaries increased by MNT 784.9 million to MNT 7.5 billion, from the MNT 6.8 billion in 2018.



INSURANCE LOSS ADJUSTERS

- o In 2019, insurance loss adjustment companies recorded 26,402 losses totalling MNT 95.2 billion.
- o Total loss adjustment revenue increased by MNT 68.5 million (from 2018) to reach to MNT 778.8 million.



3.3 NON-BANK FINANCIAL INSTITUTIONS

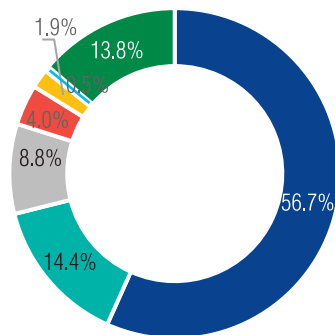
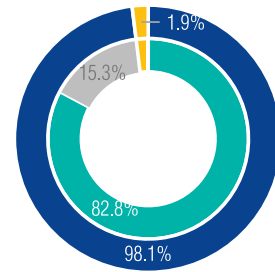
NUMBER OF NON-BANK FINANCIAL INSTITUTIONS AND TYPES OF SERVICES (WITH DOUBLE COUNTING)



REVENUE FROM PRODUCTS AND SERVICES

- o In 2019, total revenues of NBFIs reached MNT 352.9 billion.
- o 98.1% of total revenue was operating income, interest and non-interest income; MNT 292.3 billion (82.8%) was interest and MNT 53.9 billion (15.3%) was non-interest income.

- interest
- non-interest income
- non-operating income
- operating income



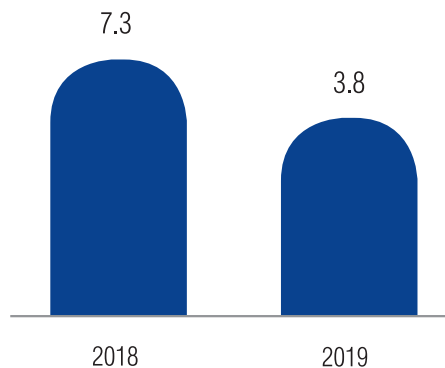
- service fee, fee income
- income from exchange and valuation equations
- commercial income
- card service income
- income from financial advisory and information services
- remittance income
- other

BREAKDOWN OF NON-INTEREST INCOME

Non-interest income included 56.7% of service fee and commission income, 14.4% of exchange rate and valuation equation income, 8.8% of commercial income, 4.0% of card service income, 1.9% of remittance income, 0.5% of financial advisory and information services, and 13.8% of other income.

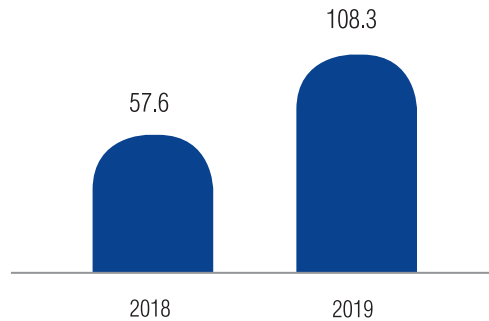
- o In 2019, a total of MNT 3.8 billion net factoring receivables were registered in the sector.
- o Net factoring receivables decreased by 47.8% compared to 2018.

Net receivables for factoring services (MNT, billion)

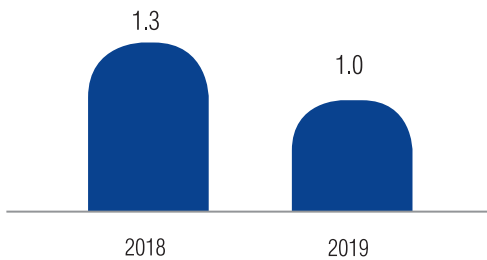


- o A total of 34 NBFIs in the sector were licensed to provide trust services, but during 2019 only 26 provided such services.
- o Total liabilities for their trust services amounted to MNT 108.3 billion, an increase of 88.0% 2018.

Trust service payable (MNT, billions)



Remittance service income (MNT, billion)

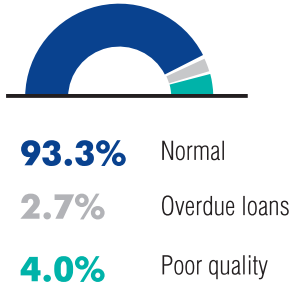
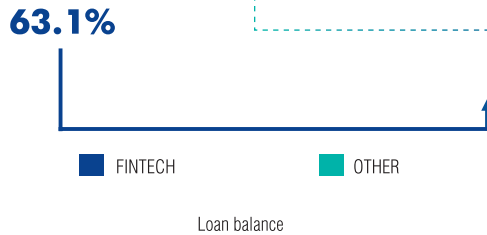
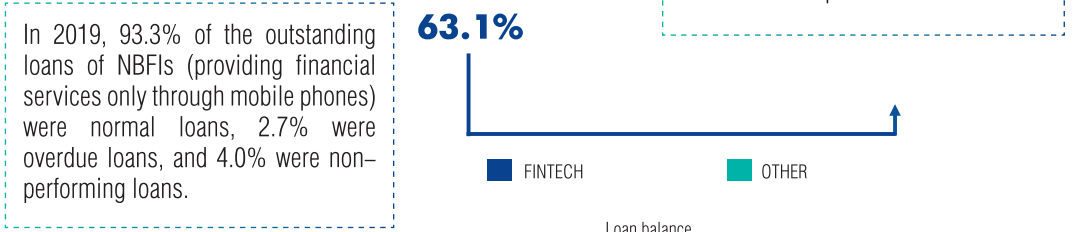
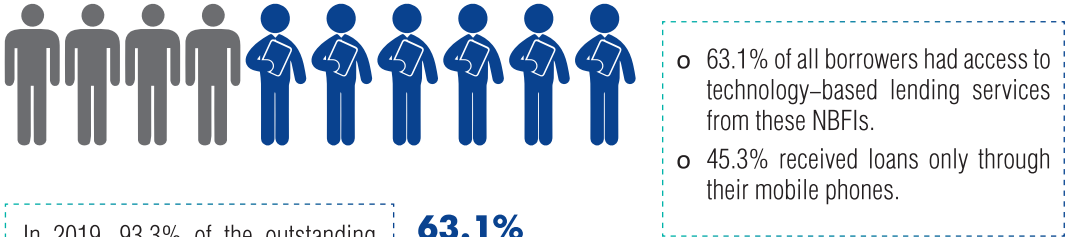
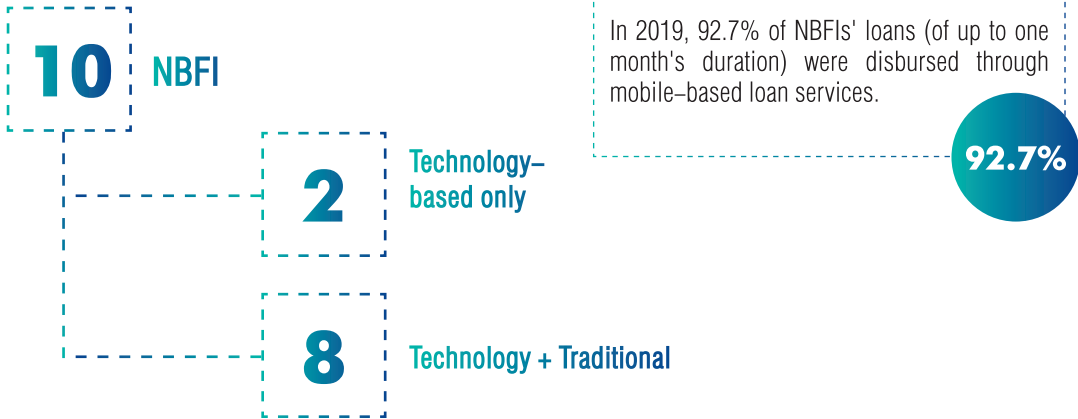


- o In 2019, NBFIs earned a total of MNT 1.0 billion from remittance services. This was a decrease of MNT 324.0 million since 2018.
- o A total of 31 organizations in the sector were licensed to provide the service, of which 11 earned revenue during the year.

CURRENCY TRADING NEWS

CURRENCY NAME	Bought	Sold
	Result (MNT, billions)	Result (MNT, billions)
CHINESE YUAN	593.8	578.4
US DOLLARS	542.5	527.2
EURO	110.9	107.8
KOREAN WON	39.0	36.9
JAPANESE YEN	32.7	32.5
OTHER	34.5	34.2

FINTECH

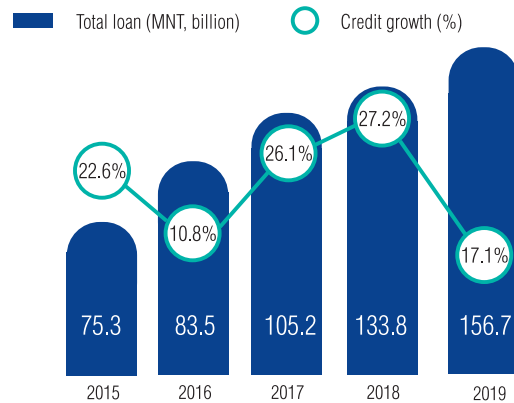


Although the percentage of loans was small, the percentage of loans disbursed and repaid shows that the turnover of these NBFIs was good.

3.4 SAVING AND CREDIT COOPERATIVES

LOANS FROM SCCs

- o In 2019, loans totalled MNT 156.7 billion, an increase of 17.1% from 2018.
- o Net loans increased by 16.9% – from 2018 – to MNT 152.2 billion, and credit risk fund increased by 25.7% to MNT 4.5 billion.



NORMAL

91.4%



OVERDUE

4.7%



POOR QUALITY

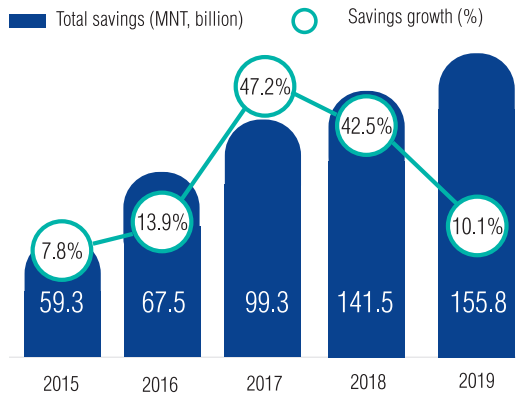
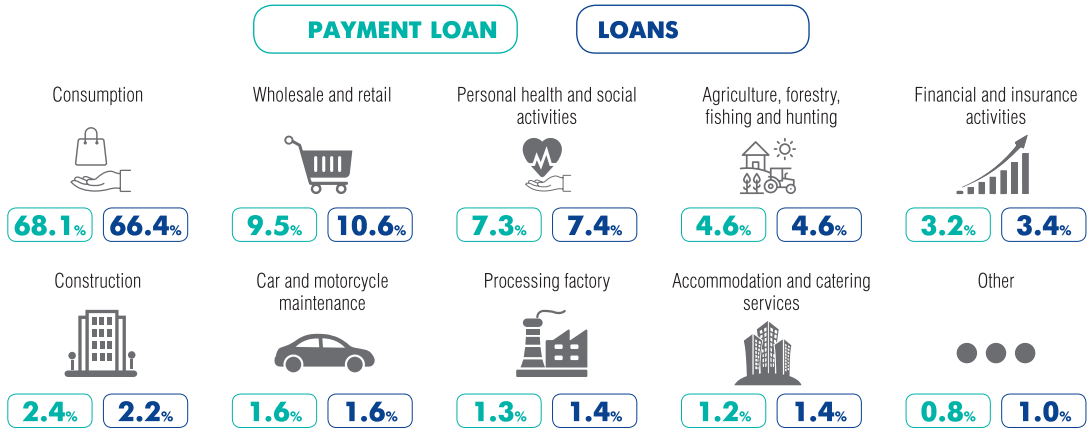
3.9%

LOAN QUALITY OF SCCs

- o In 2019, normal loans increased by 16.1% (from 2018) and reached MNT 143.3 billion.
- o Normal loans accounted for 91.4% of total loans.
- o Overdue loans increased (from 2018) by 64.7% to MNT 7.3 billion.
- o Non-performing loans increased by 3.1% to MNT 6.2 billion.

PURPOSE OF SCC LOANS

- o 66.4% of loans were issued for consumption, 10.6% for wholesale and retail trade, and 7.4% for personal health and social activities.
- o Of the total repaid loans, 68.1% were repaid from consumption, 9.5% from wholesale and retail trade, and 7.3% from personal health and social activities.



SCCs SAVINGS

- Total savings in SCCs increased by 10.1%, to MNT 155.8 billion, from 2018

TOTAL SAVINGS

- Term savings accounted for 98.3%, non-term savings accounted for 1.7%.



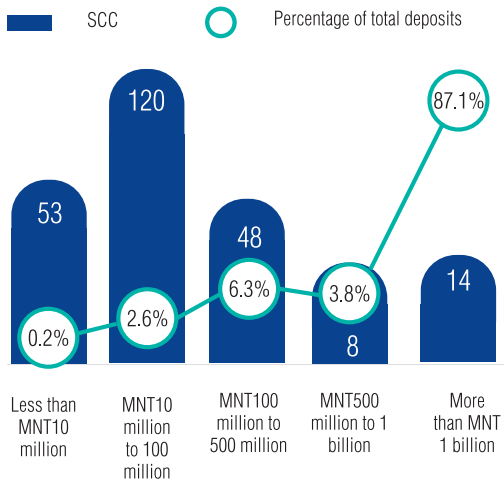
98.3%
Term savings



1.7%
Non-term savings



- In 2019, 243 SCCs (93.1%) had total savings of MNT 155.8 billion MNT.
- The remaining 18 SCCs (6.9%) had no deposits at all.



PERCENTAGE OF TOTAL SAVINGS

- o 14 SCCs with savings of more than MNT 1 billion, accounted for MNT 135.6 billion (87.1%) of total savings of the sector;
- o 56 SCCs with savings of MNT 100 million to billion, accounted for MNT 15.8 billion (10.1%) of total deposits of the sector;
- o 173 SCCs with savings of MNT 10 million to 100 million, accounted for 2.8% of total deposits of the sector.

1.6%

Weighted average
monthly interest rate
on deposits

3.4%

Weighted average
monthly interest
rate

SCCs WITH OTHER ACTIVITIES

2018

2019

SCCs licensed to provide project financing services and project implementation programs

113

104

SCCs licensed to provide financial leasing services

3

3

SCCs licensed to act as insurance agents

3

3

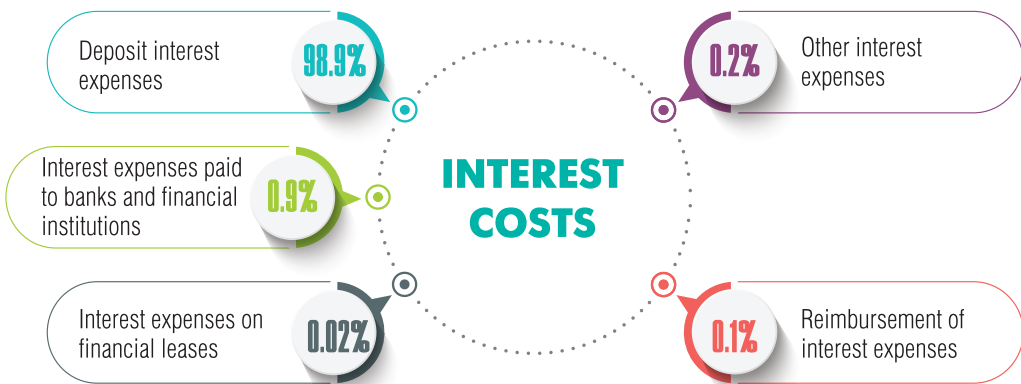
Income

- o Interest to SCCs increased by 22.4%, compared to 2018, and reached MNT 48.4 billion.
- o The largest portion of total interest income – at 96.0% – was loan interest.
- o Interest income from banks and financial institutions accounted for 3.8%, and increased interest income from loans accounted for 0.7%.
- o No income from interest was earned on securities, and income from financial leasing was MNT 1.3 million.



Expense

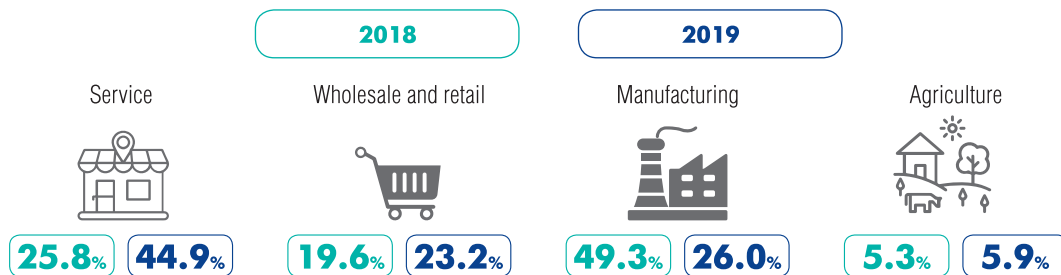
- o Interest expenses of SCCs increased by 17.1% – compared to 2018 – and reached MNT 27.0 billion.
- o Deposit interest rate was the highest (98.9%) of total interest expenses.
- o Interest paid to banks and financial institutions, which accounted for 0.9% of interest expenses, decreased by 44.7% – compared to 2018 – to MNT 248.0 million.
- o Interest expenses on financial leasing decreased by 82.9% to MNT 4.4 million.



3.5 CREDIT GUARANTEE FUND

	Number of applications for a guarantee	Number of applications approved	Approval rate
2016	62	36	58.1%
2017	107	62	57.9%
2018	356	162	45.5%
2019	193	113	58.5%

In 2019, a total of 193 applications for guarantees were received, of which 113 were approved. The number of submitted applications was half (54%) the level in 2018.



In 2018, most guarantees were issued in the manufacturing sector, while in 2019, guarantees issued in the service sector predominated.

- o Since the end of 2016, the average guarantee period has increased. The average guarantee period for 2019 was 98.7 months (8.2 years).

98.7
CAP



Issuance of loan guarantee (by bank)

- TDB 39.1%
- State bank 5.0%
- Capitron 15.0%
- Khas 14.7%
- Arig 4.3%
- Khaan 1.8%

In 2019, 39.1% of the Fund's guarantees were issued by the Trade and Development Bank, 25.0% by the State Bank, 15.0% by Capitron Bank, 14.7% by Khas Bank, 4.3% by Arig bank, and 1.8% by Khan Bank.

4. PROFITABILITY

Net profit
MNT 1.5 billion



Capital market

Net profit
MNT 22.7 billion



Insurance market

Net profit
MNT 140.2 billion



NBFIs

Net profit
MNT 9.2 billion



SCCs



Total income
MNT 13.0 billion



Net profit growth
23.2%

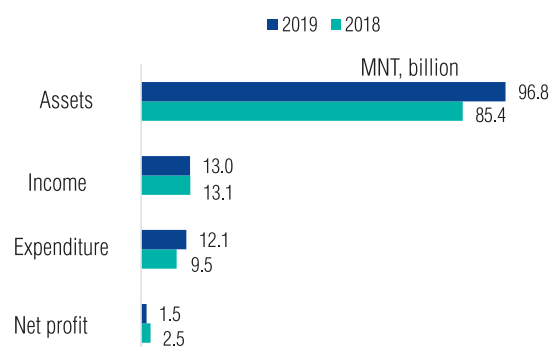


Total income
MNT 352.9 billion



Total income
MNT 50.6 billion

4.1 CAPITAL MARKET

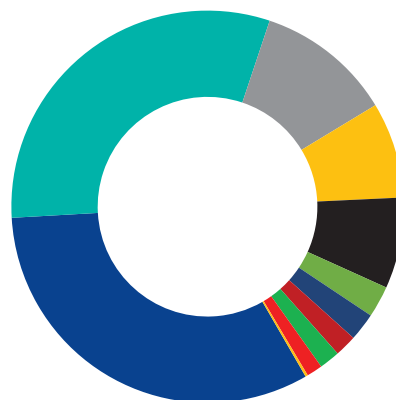


PROFITABILITY OF SECURITIES COMPANIES

- Total assets of securities companies reached MNT 96.8 billion in 2019, an increase of 13.3% from 2018.
- Revenue decreased by MNT 0.1 billion, expenditure increased by MNT 2.6 billion, and net profit decreased by MNT 1.0 billion.

SC'S REVENUE STRUCTURE

● Brokerage activities	32.4%
● Underwriters activities	31.0%
● Securities trading net income	11.2%
● Interest	7.9%
● Investment advisory activities	7.5%
● Other income	2.6%
● Dividends	2.3%
● Other activities	1.8%
● Dealer operating income	1.7%
● Rental income	1.3%
● Securities valuation equation net income net income	0.2%



SECURITY COMPANIES EXPENDITURE STRUCTURE

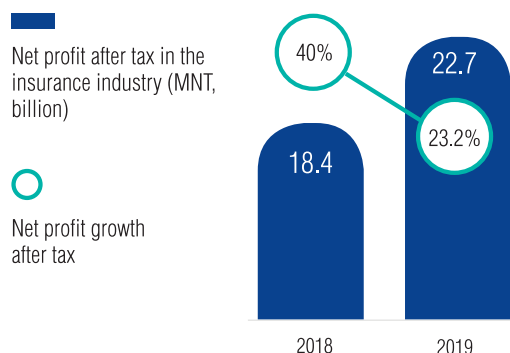
● Sales, marketing, general and administrative expenses	83.6%
● Financial expense	16.1%
● Other expenses	0.3%



4.2 INSURANCE MARKET

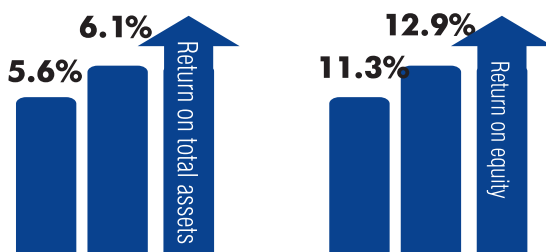
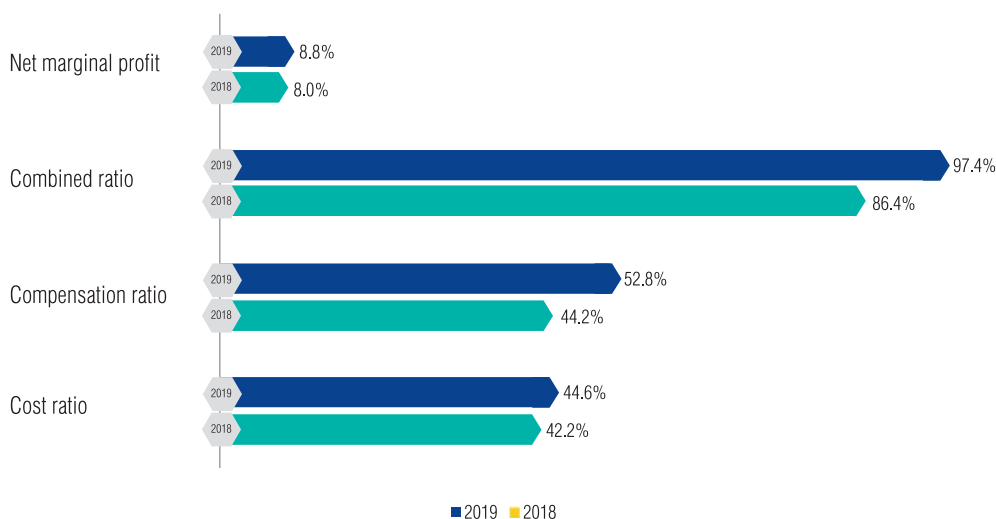
NET PROFIT INDICATOR OF INSURANCE COMPANIES

- o In 2019, the net profit of insurance companies reached MNT 22.7 billion, an increase of MNT 4.3 billion compared to 2018.
- o With respect to changes in net profit after tax, six insurance companies exhibited decrease, five exhibited growth of up to 50%, two had increases of 50–100%, and five had increases of more than 100%.



KEY RATIOS

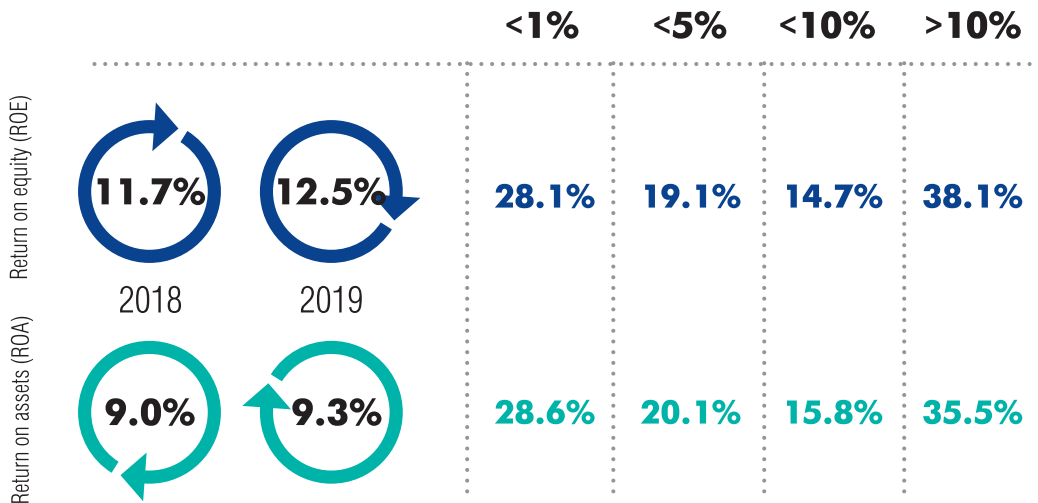
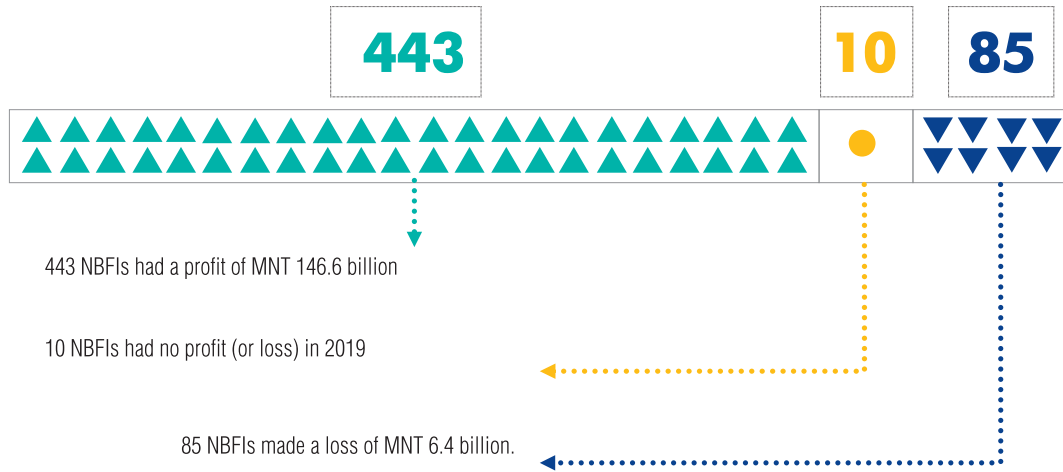
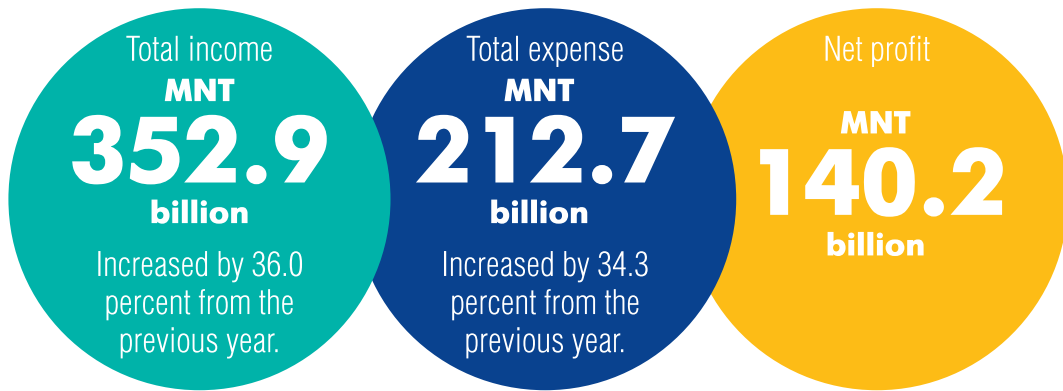
- o Compensation ratio increased by 8.6% in 2019, compared to 2018.
- o Expenditure ratio increased by 2.4 percentage points – from 2018 – and reached 44.6%.
- o Net profit margin of the insurance sector increased by 0.8 percentage points, and reached 8.8%.



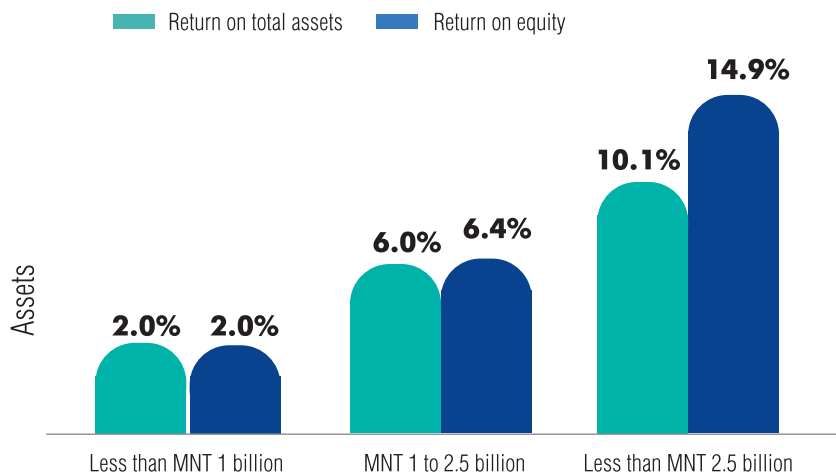
PROFITABILITY COEFFICIENT

The sector's return on equity was 11.3% in 2018 and it reached 12.9% in 2019; an increase of 1.6 percentage points. Return on total asset was 5.6% in 2018 and reached 6.1% in 2019; an increase of 0.5 percentage points.

4.3 NON-BANK FINANCIAL INSTITUTIONS



Number of NBFIs in the corresponding intervals of ROE and ROA (%)



RETURN ON ASSETS AND RETURN ON EQUITY RATIO (BY ASSET CLASSIFICATION)

Regarding the return on assets and return on equity of NBFIs – by share capital category – half of NBFIs with share capital less than MNT 1 billion, had a return on assets of less than 2.0%, and half of NBFIs with a share capital of MNT 1.0–2.5 billion had a return on assets of less than 6.0%, half of NBFIs with share capital of more than MNT 2.5 billion had a return on assets of less than 10.1%. The respective returns on equity were 2.0, 6.4 and 14.9%.

COST REVENUE RATIO

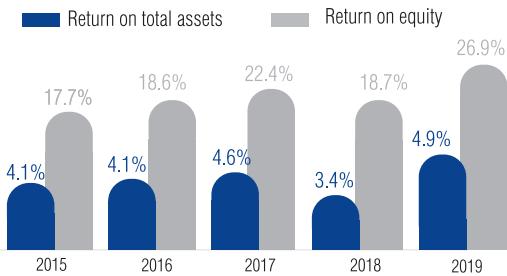
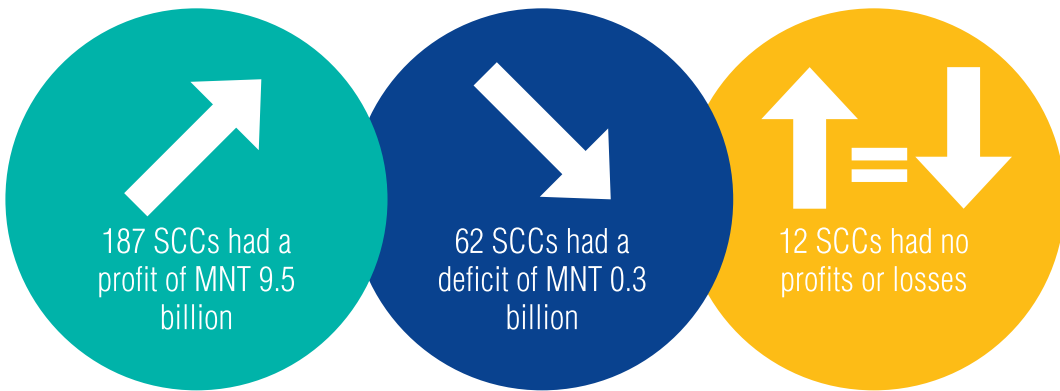
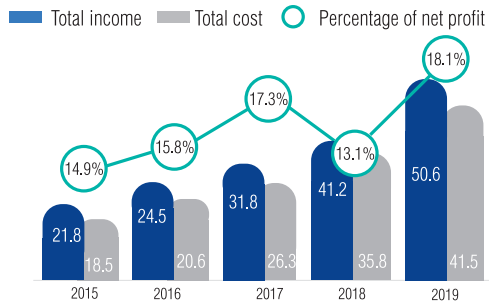
The cost to revenue ratio, which estimates NBFIs' average costs to earn MNT 1.0 in revenue, was 43.7% in 2019, a decrease of 1.2 percentage points from 2018. In other words, NBFIs spent an average of MNT 43.7 to earn MNT 100.0.



4.4 SAVING AND CREDIT COOPERATIVES

INCOME AND EXPENSES OF SCCs

- o In 2019, SCC's earned MNT 50.6 billion in revenue, spent MNT 41.5 billion in expenses and earned MNT 9.2 billion in profit.
- o The share of net profits from total revenue increased by 5.0 percentage points from 2018 and reached 18.1%

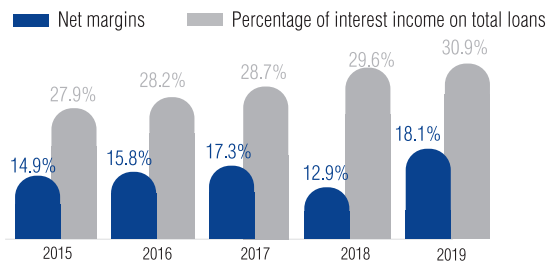


TOTAL RETURN ON EQUITY

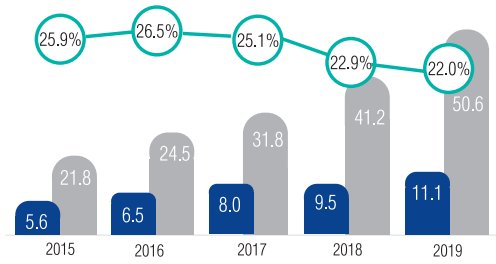
- o Return on equity of SCCs increased by 8.2 percentage points compared to the previous year and reached 26.9%.
- o Return on assets increased by 1.5 percentage points to 4.9%.

KEY RATIOS

- o During 2019 the share of interest income on total loans to members increased by 1.3 percentage points from 2018 and reached 30.9%
- o This indicator shows the average income from loan services for SCC's was equivalent to MNT 31 from each MNT 100.
- o The ratio of net income to total income increased by 5.2 percentage points from 2018 to 18.1%.



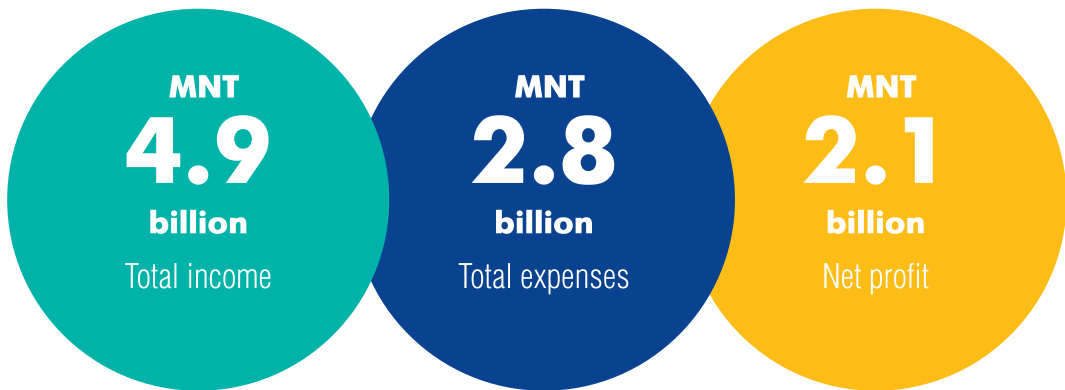
■ Operation cost ■ Total income ○ Expenses / Income



COST REVENUE RATIO

○ SCCs spent an average of MNT 22 to earn MNT 100.

4.5 CREDIT GUARANTEE FUND

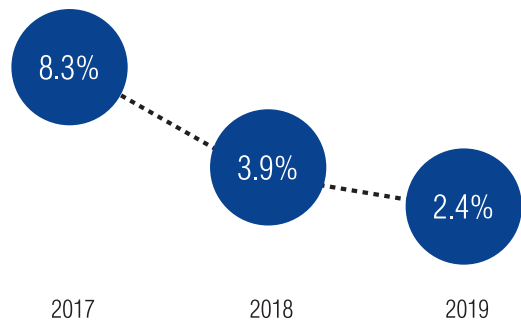


Members' tax income, or interest income
93.0%

Income from guarantees, fees and commissions
7.0%

The decline in return on total assets was capital growth outpacing growth of profit.

Return on total assets



5. STABILITY

TOP-20 index
fluctuation

997.5



Capital market

Reinsurance
premium cost

29.0%



Insurance market

Z index

28.2

Percentage of non-
performing loans

8.5%



NBFIs

Percentage of non-performing
loans on total loans

3.9%



SCCs



MSE A index fluctuations

471.3

MSE B index fluctuations

376.0



Investment amount

56.5%



Credit risk fund ratio

102.3%

Liquidity ratio

21.0%



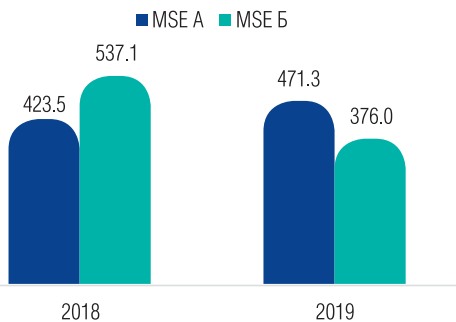
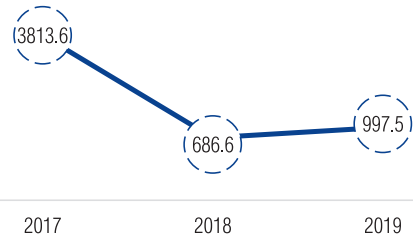
Share of cash in
total assets

25.9%

5.1 CAPITAL MARKET

FLUCTUATIONS IN THE TOP-20 INDEX

- o Stock price fluctuations were calculated within the TOP-20 index. The share price volatility was 997.5 points in 2019, an increase of 310.9 points from 2018.

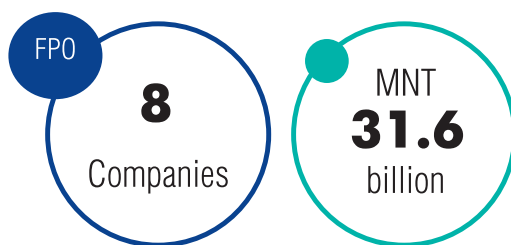
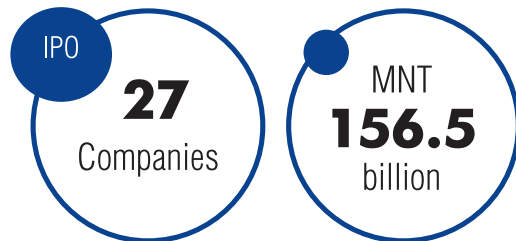


MSE A AND MSE B INDEX FLUCTUATIONS

- o For MSE A and MSE B indices, the MSE A index increased by 47.7 points and the MSE B index decreased by 161.1 points in 2019.

IPO INFORMATION

- o From 2005 to 2019, a total of 27 companies launched IPOs and raised a total of MNT 156.5 billion from the primary market.
- o In 2019, four companies raised MNT 42.5 billion from the primary market.

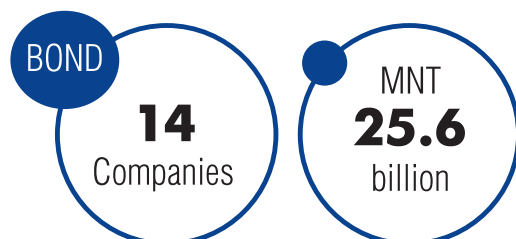


FPO INFORMATION

- o Mongolia's first Follow on Public Offering (FPO) was held in 2007. Since 2007, eight companies (with some duplication) have raised a total of MNT 31.6 billion by issuing additional shares through 10 trades. In 2019, JSCs did not issue additional shares.

PRIMARY MARKET TRADING INFORMATION OF CORPORATE BONDS

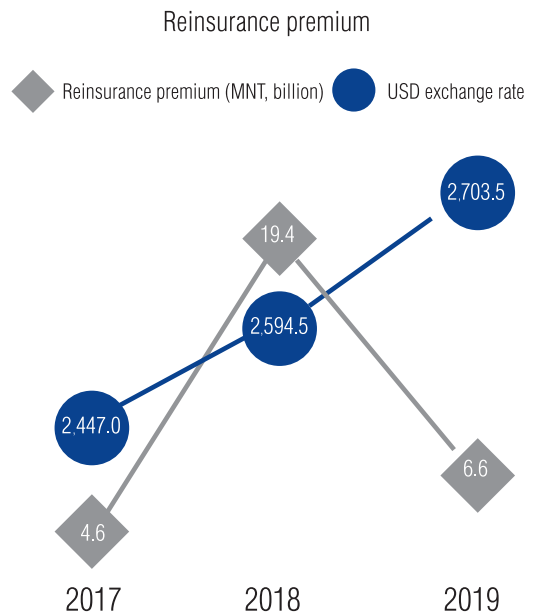
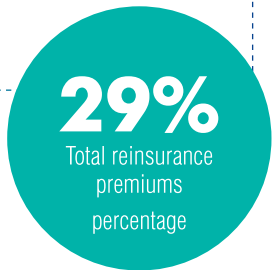
- o The primary bond market in Mongolia commenced trading in 2001. From 2001 to 2018, 14 companies raised a total of MNT 25.6 billion in 16 trades. In 2019, the companies primary market trading was inactive.



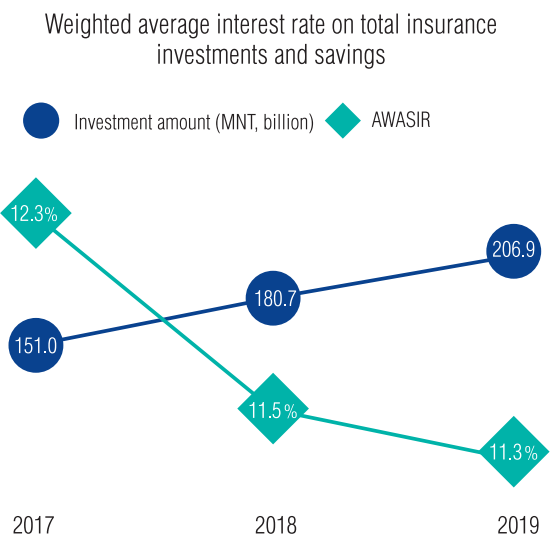
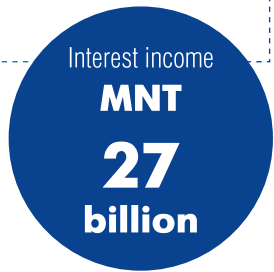
5.2 INSURANCE MARKET

MARKET RISK

- One of the most pressing issues in the Mongolian insurance market is exchange rate risk
- The majority of insurance companies are reinsured abroad, and in the last three years, an average of more than MNT 40 billion has been transferred in foreign currency, each year.
- The cost of reinsurance premiums collected by insurance companies abroad is equal to 29.0% of the total insurance premium.
- As the insurance sector expands, the increase in foreign exchange outflows in the sector is likely to have a negative impact on the sector's stability.

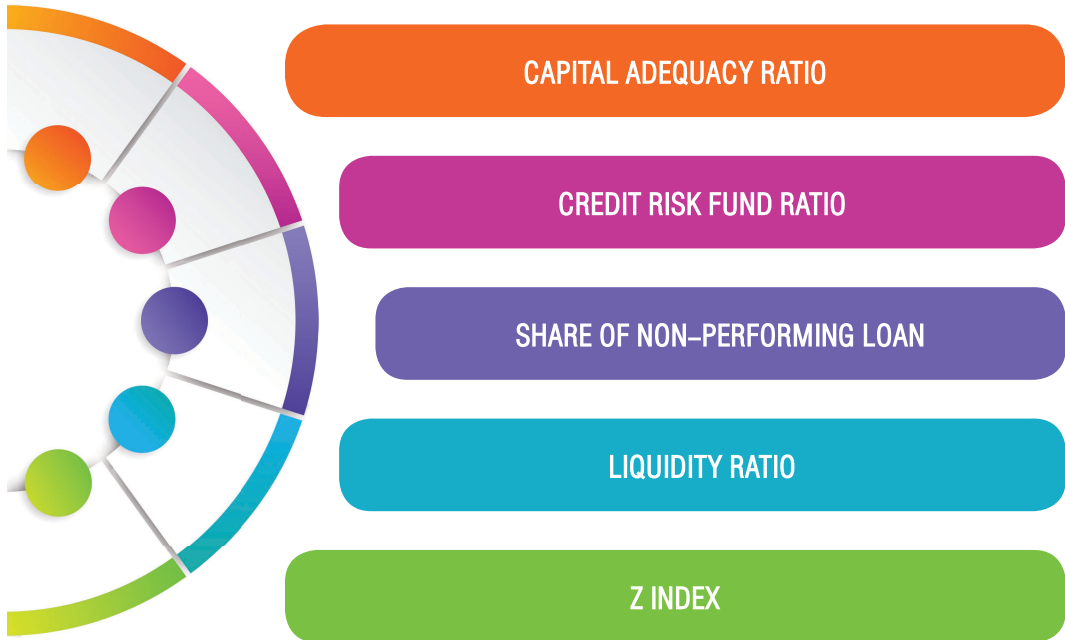


- In 2019, investments constituted 56.5% of the total assets of insurance companies, of which 45.1% were investments in the form of deposits, and certificates of deposit.
- In 2019, insurance companies earned a total of MNT 27 billion in interest income from deposits, certificates of deposits, and securities investments.



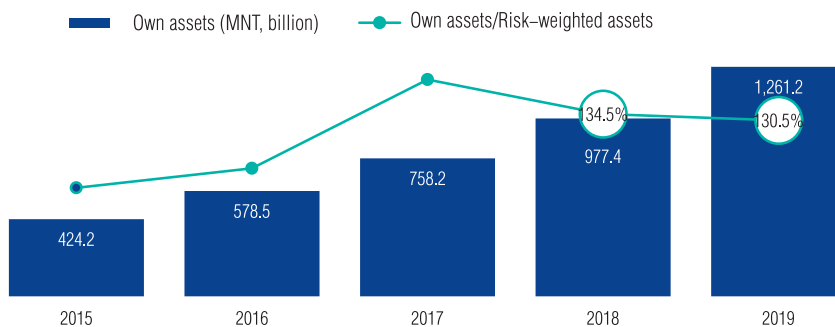
5.3 NON-BANK FINANCIAL INSTITUTIONS

- The Association of Financial Inclusion (AFI) works to establish common standards and a unified database among member countries, by defining financial inclusion and stability indicators. The AFI has named five indicators for measuring financial stability; as follows:



CAPITAL ADEQUACY RATIO

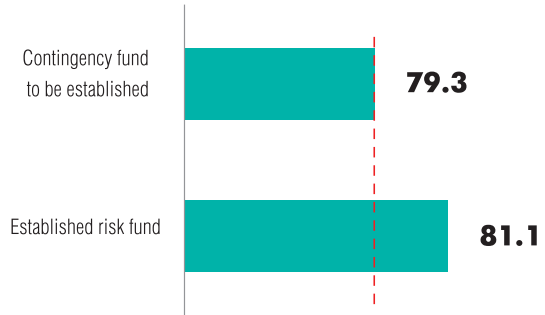
The capital adequacy ratio is an indicator for measuring risk protection level, and operational stability of NBFIs. The FRC requires NBFIs' equity to total risk-weighted assets ratio, to be maintained at the level of 30.0%. Currently, NBFIs comply with standards and had adequate levels of equity to cover the amount of risky assets. ,



CREDIT RISK FUND RATIO

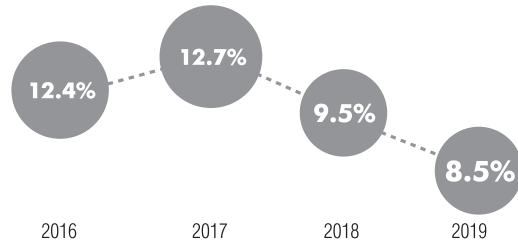
- o In 2019 the ratio increased by 0.5 units from 2018 and amounted to 102.3. Which means that the contingency fund can fully cover its risks.

102.3%



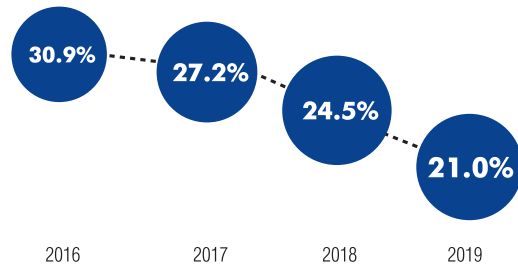
SHARE OF NON-PERFORMING LOAN

In 2019, the amount of non-performing loans reached MNT 105.4 billion; reducing the share of non-performing loans to total loans, to 8.5%, a decrease of 1.0 percentage point from 2018.



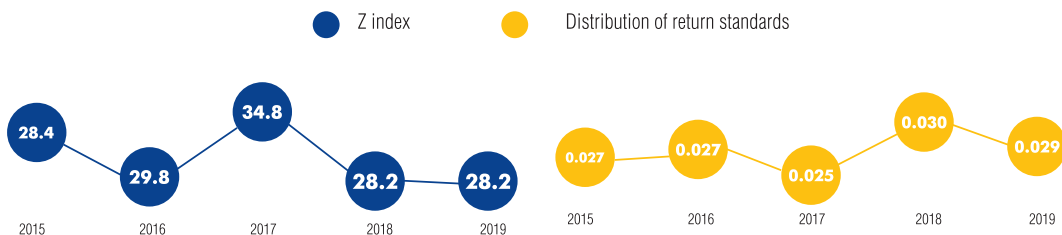
LIQUIDITY RATIO

- o The ratio of cash and cash equivalents to total assets, reached 21.0% in 2019
- o The amount of monetary assets in 2019 amounted to 19.3%, which was 15.4 percentage points lower than the total assets growth. The liquidity had decreased by 3.5 percentage points from the previous year.



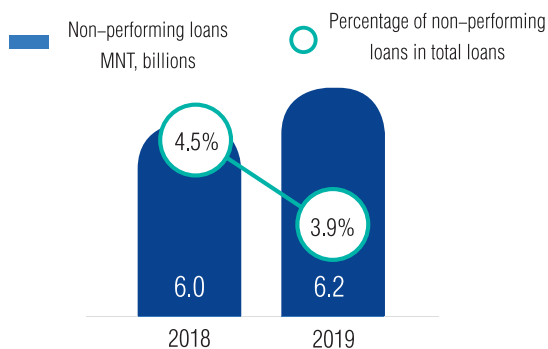
Z INDEX

The Z index shows the probability of bankruptcy; comparing the sum of return on assets and return on equity ratios to the volatility of return on assets. The value of the Z index is higher when the profitability and equity leverage are high, and low when volatility of returns and income uncertainty are high. In other words, a high value of the index indicates low risk and stability. In 2019, the Z index of non-bank financial sector was the same as in 2018.



5.4 SAVING AND CREDIT COOPERATIVES

- SCCs assess the potential risks of their operations in accordance with the following four key indicators (PEARLS methodology):
 1. Asset quality and protection;
 2. Effective financial structure;
 3. Return and cost share;
 4. Liquidity.

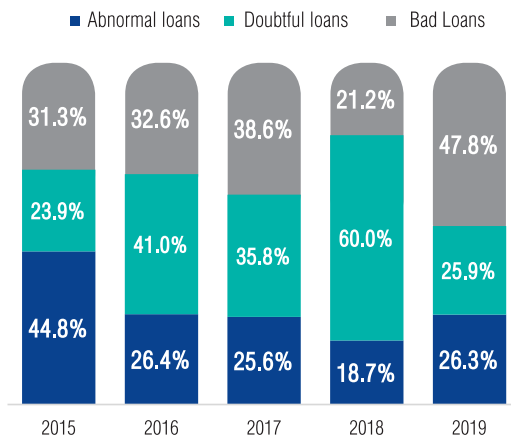


NON-PERFORMING LOANS OF SCCs

- Total amount of non-performing loans increased by MNT 0.2 billion from 2018, to MNT 6.2 billion in 2019.
- Share of non-performing loans to total loans decreased by 0.6 percentage points from 2018 and amounted to 3.9% in 2019. According to prudential ratio standards of SCCs, the indicator should be less than 5.0%.

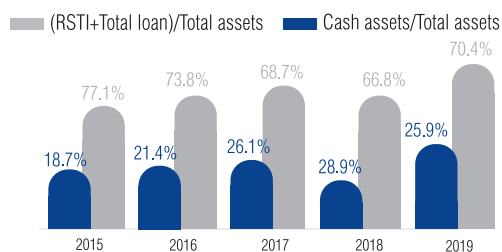
CLASSIFICATION OF NON-PERFORMING LOANS

- The share of abnormal loans in the non-performing loans category decreased by 7.5 percentage points from 2018 and amounted to 26.3% in 2019.
- Doubtful loans decreased by 34.1 percentage points from 2018 and reached 25.9% in 2019 while the share of bad debts in non-performing loans amounted to 47.8%.

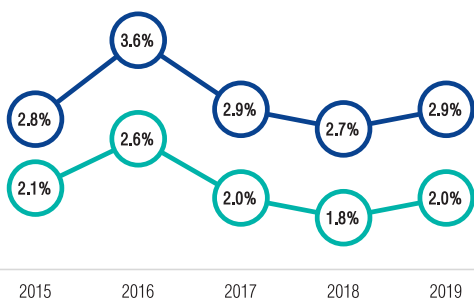


LIQUIDITY OF SCCs

- The ratio of monetary assets to total assets was equal to 25.9% in 2019.
- The ratio of short-term investments and total loans to total assets was equal to 70.4%.



- Share of credit risk fund in total loans
- Share of credit risk fund in total assets



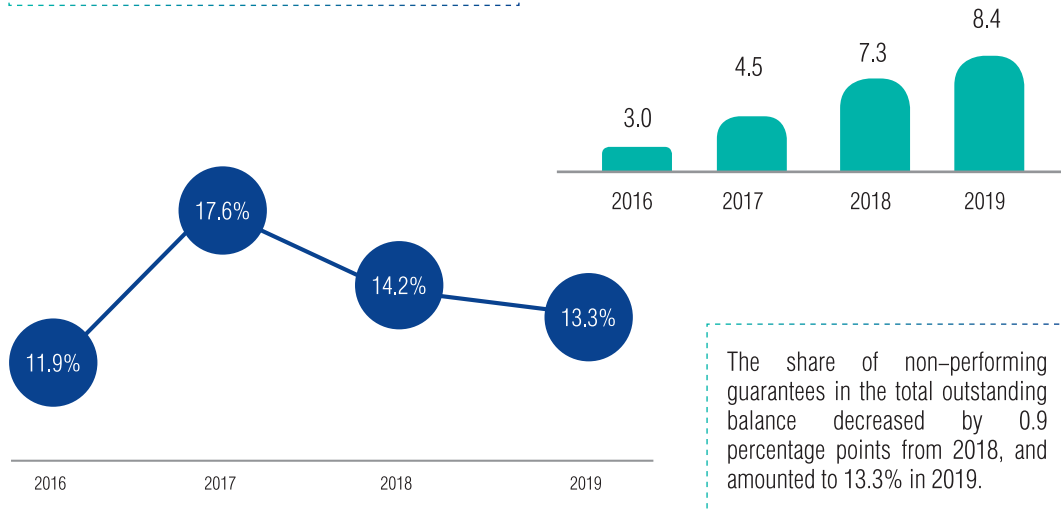
CREDIT RISK FUND

- The share of credit risk fund in total loans increased by 0.2 percentage points and amounted to 2.9%, and the share of credit risk fund in total assets increased by 0.2 percentage points and amounted to 2.0%.

Ratio	Adequate level	2019
Loans received from others/Total loans	<20%	5.9%
Total savings/Total assets	20%–80%	70.0%
Net loan/Total assets	60%–85%	68.4%
Equity of cooperatives/Total assets	>5%	11.1%
Reserve fund/Equity of cooperatives	>10%	18.0%
Savings protection fund/Equity of cooperatives	>5%	6.0%
Stabilization fund/Equity of cooperatives	>5%	6.0%
Operating expenses/Total assets	<15%	5.0%

5.5 CREDIT GUARANTEE FUND

In 2019, the balance of non-performing guarantees amounted to MNT 8.4 billion.



- Regarding non-performing loans by economic activity, 57.0% were in the agricultural sector, 17.4% in the services, 17.2% in the manufacturing, and 8.3% in the wholesale and retail sectors.
- The share of non-performing guarantees in the manufacturing sector has been declining year-by-year, while the share of non-performing guarantees in the agricultural and services sectors have increased.



Production



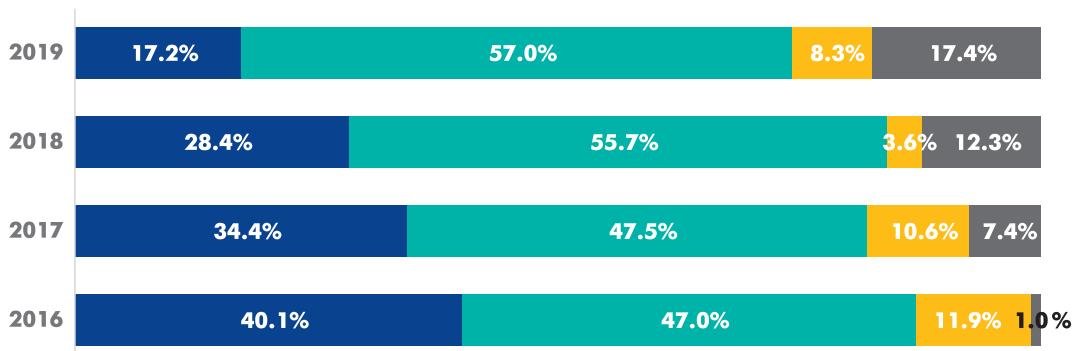
Agriculture



Wholesale and retail

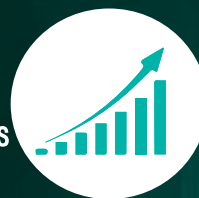


Service



6. REGULATORY ENVIRONMENT

94 Resolutions



Capital market

125 Resolutions



Insurance Market

41 Resolutions



NBFIs

67 Resolutions



SCCs



14 Decrees



29 Decrees



424 Decrees



1 Decree

6.1 CAPITAL MARKET



INTERNATIONAL COOPERATION

- The FRC accomplished *Delivery versus Payment* and *T+2 Settlement System* projects as parts of the technical cooperation project *Money and Capital Market Development Strategy for Mongolia* implemented by the EBRD.
- In cooperation with JICA, the *Project for Capacity Building of the Capital Market – Phase 2* was launched in March 2019.
- Under a project implemented by the Korea International Cooperation Agency (KOICA), a consultant was appointed as a capital market policy advisor (for the Securities Market) at the FRC, and provided training and advice on the Mongolian and international capital markets.



POLICY AND LEGISLATION

- Relevant work was underway to amend the *Law on the Securities Market* and the *Law on Investment Funds*.
- The FRC (with the support of the ADB) participated in a working group on drafting the *Law on Supplementary Private Pension Insurance* with the Ministry of Labor and Social Protection.
- in accordance with the *General Administrative Law* the following were registered in the general fund of Administrative norms: *Set of rules governing the securities market, Procedures for purchasing shares, and purchasing shares of a joint stock company, Emergency procedures for securities brokers, dealers and underwriters, and List of internal information in the securities market, and procedures for reporting it.*



MEETINGS AND SEMINARS

- Training on government and corporate bond markets was organized as part of Phase 2 of the *Project for Capacity Building of the Capital Market* in cooperation with JICA.
- The FRC organized the *Financial Markets* open days, in Darkhan–Uul, Orkhon and Khuvsgul provinces; and government organizations, banks, securities and insurance companies, NBFIs, SCCs and individuals participated.
- Within the framework of improving the public's financial knowledge, the *Public Financial Literacy Program 2016–2021* was implemented by the Bank of Mongolia, and the Ministry of Finance, the Ministry of Education, Culture and Science. Training the trainees of financial education programmes was conducted in Arkhangai and Uvurkhangai provinces (in May) and in Zavkhan province during August and September.

6.2 INSURANCE MARKET



INTERNATIONAL COOPERATION

- On the initiative of the FRC, an international dialogue and organizational meeting entitled *Climate Risk Insurance* was held in Ulaanbaatar, in cooperation with The Mutual Exchange Forum on Inclusive Insurance (MEFIN) and the German Corporation for International Cooperation (GIZ).
- The program covered such themes as: micro-insurance between 2013 and 2015, inclusive insurance between 2016 and 2018 and climate risk insurance since 2019.
- Under the *Strengthening Fiscal and Financial Stability Project* (SFFSP) implemented by the WB, an international consultant provided recommendations for improving regulation of (re)insurance and (re) insurance capacity, from a macroeconomic and supervisory perspective, and reviewed existing laws and regulations on insurance including reinsurance, coinsurance and fronting based on the international best practice. Additionally, the consultant developed a preliminary outcome for applying the spreadsheet model including draft parameters for insurance companies and a User Manual for the draft RBC.



POLICY AND LEGISLATION

- Within the framework of drafting amendments to insurance legislation, amendments to the *Law on Insurance*, *Law on Insurance Intermediaries* and the *Law on Driver's Liability Insurance* were drafted in collaboration with the Ministry of Finance, and concept papers and related studies of revised draft laws were reviewed, and comments were provided by the FRC.
- A study to eliminate duplication, gaps and inconsistencies in the *Law on Insurance Market* and related laws and to improve their coherence was conducted in collaboration with the GIZ. The FRC regulated and monitored insurance activities within the framework of the insurance package regulations (and 44 related regulations and instructions).



MEETINGS AND SEMINARS

- Within the framework of improving the public's financial knowledge the *Public Financial Literacy Program 2016–2021* was implemented by the Bank of Mongolia, the Ministry of Finance, and the Ministry of Education, Culture and Science. Training on insurance was conducted in Ulaanbaatar, Tuv, Dundgovi, Umnugovi, Arkhangai, Uvurkhangai, Dornogovi, Zavkhan and Khuvsgul.
- In 2018, the FRC signed a cooperation agreement with the Mongolian Insurance Association, and a training agreement with the Mongolian Banking Association, the Mongolian Insurance Brokerage Association, and the Mongolian Loss-adjusters' Association, cooperation agreements were evaluated and extended by a year.

6.3 NON-BANK FINANCIAL INSTITUTIONS



INTERNATIONAL COOPERATION

- The FRC collaborated with consultants of the EBRD project to amend the *Law on Non-Bank Financial Institutions Activities*.
- The FRC participated in a working group on AFI's inclusive green finance, studied international experience in green finance, and introduced the non-bank financial sector in Mongolia.
- Within the framework of the AFI's *Financial Inclusion National Program*, international experiences were exchanged.



POLICY AND LEGISLATION

- A revised version of the *Law on Non-Bank Financial Activities* was drafted.
 - Procedures for calculating and monitoring prudential ratios for NBFIs were revised and approved by the FRC.
- A draft resolution on setting the minimum share capital of a NBFIs was drafted and approved by *Resolution No. 441* in 2019.
- Procedures for regulating and supervising the activities of the loan guarantee fund were developed and approved by the FRC.



MEETINGS AND SEMINARS

- The FRC participated in the 19th working group on AFI's *Digital Service*, a workshop on *Supporting SME development policy in Mongolia* and the *Frontier FINTECH Summit*, and providing information and exchanging experiences.
- Within the framework of improving the public's financial knowledge, the *Public Financial Literacy Program 2016–2021*, trainings, and inspections were conducted in Ulaanbaatar and 14 provinces; and the activities of regulated entities were reviewed and advice was provided.
- In cooperation with the Association of Mongolian NBFIs, the FRC organized three trainings for NBFi staff (and 245 employees and 80 management of the NBFIs were involved) within the framework of the training agreement. In addition, more than 70 accountants of the NBFIs were trained on NBFi accounting practices, and received advice during the training.

6.4 SAVING AND CREDIT COOPERATIVES



INTERNATIONAL COOPERATION

- The FRC implemented the *Microfinance Institution Capacity Building and Financial Access Project* in cooperation with the Asian Development Bank (ADB).
- Within the project, regional training on *Saving and Credit Cooperatives Risk Management* was organized in May 2019, and 23 trainers of the Mongolian Confederation of Credit Unions (MOCCUs) and 42 members of SCCs' Supervisory Boards, CEOs and accountants took part; and 142 participants from Ulaanbaatar and provinces were involved.
- In accordance with the risk assessment methodology proposed by the project consultants, SCCs were assessed remotely and 35 SCCs were inspected on site, in order to confirm the risk assessment,



POLICY AND LEGISLATION

- A revised version of the *Law on Savings and Credit Cooperatives* was drafted and prepared for a public discussion forum.
- In order to ensure the implementation of the *Law on Anti-Money Laundering and Countering the Financing of Terrorism*, the *Conditions and requirements for the operation of SCCs* was amended. The amendments include the SCC's compliance with the requirements of the *Law on Anti-Money Laundering and Combatting the Financing of Terrorism*, penalties for violating the law, and other relevant provisions.



MEETINGS AND SEMINARS

- The FRC participated in the *National Forum of Co-operatives-VI* organized on 21 March, 2019 and made a presentation on state policy on SCCs.
- Representatives of the FRC participated in the annual meeting of the International Credit Union Regulators' Network (ICURN) to discuss the 2019 annual report and introduce the Mongolian SCCs market. At a time when the global technology-based financial market is gaining momentum, the meeting focused on how SCCs can overcome challenges and change their business model to compete with other financial institutions.

STOCK MARKET DATA

Statistics	2017	2018	2019
Market value (MNT, billions)	2,440	2,512	2,693
MV/GDP	8.7%	7.8%	7.3%
Liquidity	3.2%	8.4%	5.0%
Stock trading (MNT, billions)	78.1	210.3	133.7
Debt instrument trading (MNT, billions)	10.2	1.7	0.2
GS's trading (MNT, billions)	772.5	33.5	9.7
TOP-20 index	20,737	21,467	19,622
MSE A index	9,459	9,532	9,532
MSE B index	8,322	7,951	7,951
Number of JSCs	300	305	306
Number of SCs	52	54	54
Agricultural exchange trading amount (MNT, billions)	547.2	711.4	705.1
MAPIX	574,918	861,420	794,316

INSURANCE MARKET QUANTITATIVE INFORMATION

Statistics	2017	2018	2019
Total assets (MNT, billions)	244.7	331.9	365.8
Total insurance and reinsurance premiums (MNT, billions)	144.3	178.7	198.7
Total compensation (MNT, billions)	45.2	58.2	65.5
Reserve fund (MNT, billions)	118.1	146.0	165.6
Reinsurance fee (MNT, billions)	45.8	54.5	57.3
Net profit (MNT, billions)	13.2	18.4	22.7
Professional participants:			
General insurance	15	15	15
Life insurance	1	1	1
Reinsurance	1	2	2
Insurance agent	2,893	2,430	2,520
Insurance broker	42	49	54
Damage assessor	29	27	27
Actuary	21	28	30
Auditor	130	141	144
Auditor's company	42	43	44

NON-BANK FINANCIALS INSTITUTION DATA

Statistics	2017	2018	2019
Net worth	969.2	1,284.9	1,730.1
Current assets	932.7	1,234.7	1,663.0
Cash	264.1	315.1	364.0
Short-term investment	2.7	1.8	6.8
Total loan	638.0	869.2	1,233.1
Normal loan	527.0	752.9	1,072.8
Overdue loans	29.9	33.4	54.9
Non-performing loans	81.1	82.9	105.4
Credit risk fund	56.0	64.5	81.1
Other real estate to be owned and other property to be owned (net)	8.1	10.2	12.0
Non-current Assets	36.5	50.2	67.1
Total liabilities	211.0	307.5	468.9
Trust service payable	39.2	57.6	108.3
Payables to domestic and foreign banks and financial institutions	112.8	151.0	207.6
Project loan financing	14.9	17.8	17.6
Owners' property	758.2	977.4	1,261.2
Secondary charity	0.7	1.0	0.8
Share capital	595.4	740.8	927.0
Accumulated profit	155.1	224.6	300.3
Number of NBFIs	534	539	538
Of which: Ulaanbaatar	463	466	464
Rural areas	71	73	74
Number of customers	1,471,099	1,601,749	2,854,530
Total income	195.9	259.5	352.9
Interest income	161.9	217.4	292.3
Non-interest income	27.3	33.5	53.9
Non-operating income	6.7	8.6	6.8
Total cost	129.1	158.4	212.8
Interest expense	14.2	20.6	36.1
Non-interest expenses	79.3	96.0	118.0
Potential risk costs	24.4	24.0	34.3
Non-core operating expenses	2.2	3.9	3.7
Net profit	66.8	101.1	140.2

SAVINGS AND CREDIT COOPERATIVES DATA

Statistics	2017	2018	2019
Net worth	153.1	200.2	222.6
Current assets	149.6	195.9	218.4
Cash	40.0	57.9	57.6
Receipt	5.4	6.2	6.8
Non-current Assets	3.6	4.3	4.2
Fixed assets (net)	3.5	4.2	4.0
Intangible assets	0.03	0.05	0.2
Investment and other non-current assets	0.02	0.02	0.01
Total loans	105.2	133.8	156.7
Normal loans	95.7	133.8	143.2
Overdue loans	5.0	4.4	7.3
Non-performing loans	4.5	6.0	6.1
Liabilities	123.2	166.7	179.7
Savings	99.3	141.5	155.8
Short-term loans	3.9	5.5	3.8
Long-term liabilities	12.8	7.6	5.5
Other current liabilities	7.1	12.1	14.7
Own assets	30.0	33.5	42.9
Members' contributions	14.9	15.3	18.0
Property of cooperatives	14.9	18.0	24.7
Accumulated income (loss)	7.6	9.9	15.1
Total income	31.8	41.2	50.6
Interest income	30.2	39.6	48.4
Other operating income	0.7	0.8	1.0
Non-operating income	1.0	0.8	1.2
Total expenses	26.3	35.9	41.5
Interest expenses	16.2	23.1	27.0
Potential contingency fund costs	1.4	2.5	2.1
Operation costs	8.0	9.5	11.1
Non-operating expenses	0.2	0.3	0.1
Net income	5.5	5.3	9.2
Number of SCCs	290	279	261
Number of Ulaanbaatar SCCs	192	176	164
Number of local SCCs	98	103	97
Number of members (thousands)	55,624	62,556	70,698



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