



FINANCIAL
REGULATORY
COMMISSION



البنك الوطني
عمان
2020
البنك الوطني
عمان

FINANCIAL
MARKET REVIEW
2020

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SCCs



Credit guarantee fund



Real estate brokers

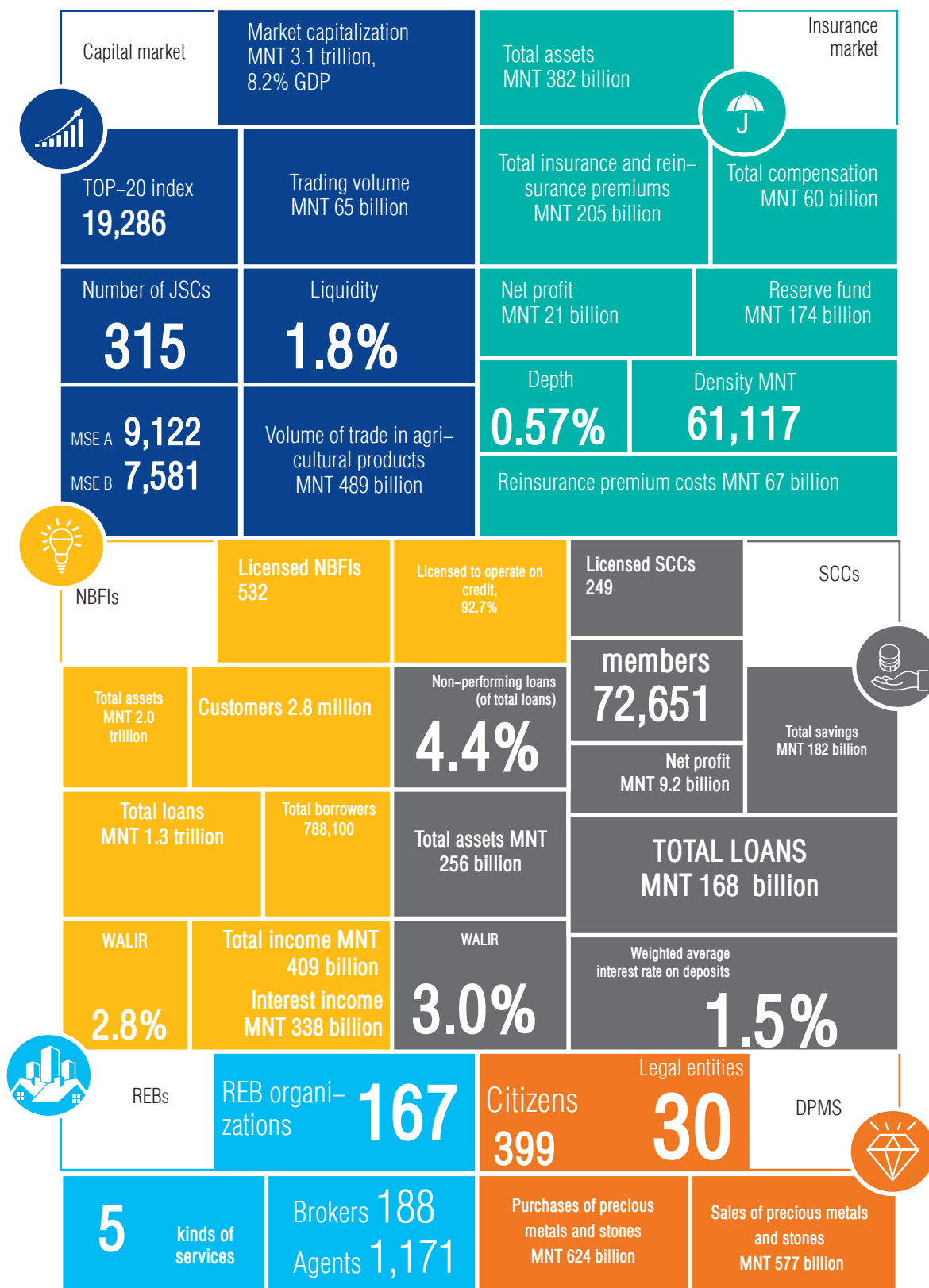


Dealers in precious metals and stones



ABBREVIATIONS and ACRONYMS

AB	Agricultural broker	MSE	Mongolian Stock Exchange
ADB	Asian Development Bank	MSX	Mongolian Securities Exchange
AFI	Alliance for Financial Inclusion	MV	Market valuation
AML/CFT	Anti-money laundering and combatting the financing of terrorism	NBFI	Non-bank financial institution
DPMS	Dealers in precious metals and stones	NPAT	Net profit after tax
ESG	Environmental, Social, Governance	REB	Real estate brokers
FPO	Follow up on public offering	RMBS	Residential mortgage backed securities
FRC	Financial Regulatory Commission (of Mongolia)	ROA	Return on assets
FTSE	Financial Times Stock Exchange	ROE	Return on equity
GDP	Gross domestic product	SC	Securities Company
GS	Government securities	SCC	Saving and Credit Cooperative
IFC	International Finance Corporation	SPC	Special purpose company
IMC	Investment management company	WAIRD	Weighted average interest rate on deposits
IPO	Initial public offering	WALIR	Weighted average loan interest rate
JICA	Japan International Cooperation Agency	UN	United Nations
JSC	Joint stock company	UNEP FI	United Nations Environment Program Financing Initiative
LLC	Limited liability company		
MACE	Mongolian Agricultural Commodity Exchange		
MAPIX	Mongolian agricultural commodity price index		
MCSD	Mongolian Central Securities Depository		
MEFIN	Mutual Exchange Forum on Inclusive Insurance		
MIK	Mongolian Mortgage Corporation		
MNT	Mongolian tugrik		





CAPITAL MARKET

Market valuation
MNT 3.0 trillion



Financial market status

Accounts
2,385,822



Accessibility

Total trading
MNT 65 billion



Products and Services

Profitability



Assets of SCs

MNT 113
billion

Stability



Fluctuations in the
TOP-20 index

1,023

Regulatory
environment



Financial market status

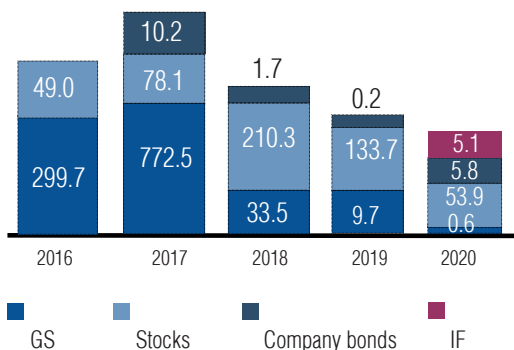


There were 591 regulated entities and JSCs operating in the securities market.

Stock exchanges 2	Central deposit and securities trading payments 1	Collateral securities portfolio registration controllers 1
IMCs 23	Settlements 1	Custodian banks 3
Underwriting banks 2	Trustees 7	JSCs 315
Securities firms* 53	Agricultural commodity exchanges 1	Agricultural and commodity brokers 14
Auditing firms 59	Security valuation firms 25	Legal consultancies 34
Securities Trust Leader 1	Issuers of asset-backed securities 27	Investment funds 22

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

Securities trading (MNT, billions)

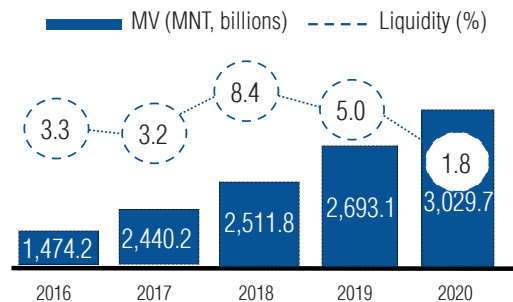


SECURITIES TRADING

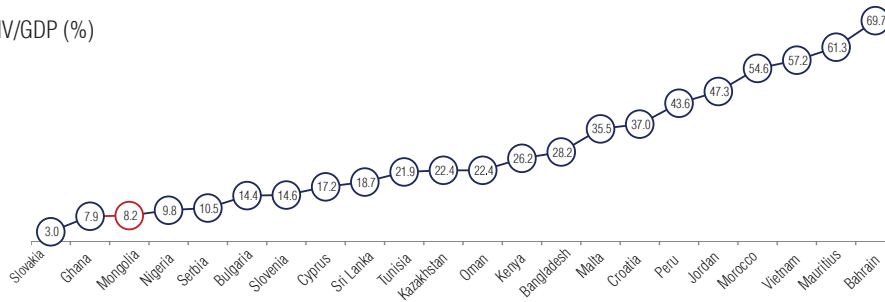
- o In 2020, a total of MNT 65.4 billion worth of securities were traded, a decrease of 54.5% from 2019 and 81.3 % from 2016.
- o In 2020, the Government borrowed 0.9% of the total trade from 7.8% investment funds, 8.9% from corporate bonds and 82.4% from shares.

Market capitalization and liquidity

- o Market capitalization increased by 12.5% from 2019 (and by 105.5% from 2016) to MNT3.0 trillion, while liquidity decreased by 3.2 percentage points (from 2019) to 1.8%.
- o The decrease in liquidity in 2020 was mainly due to a decrease of MNT79.8 billion (or 59.7%) in stock trading.



MV/GDP (%)



The Mongolian Stock Exchange valuation ranked 3rd in terms of GDP within the FTSE list. This was relatively low compared to other, similar countries.



TOP 20 19,285

MSE A 9,122

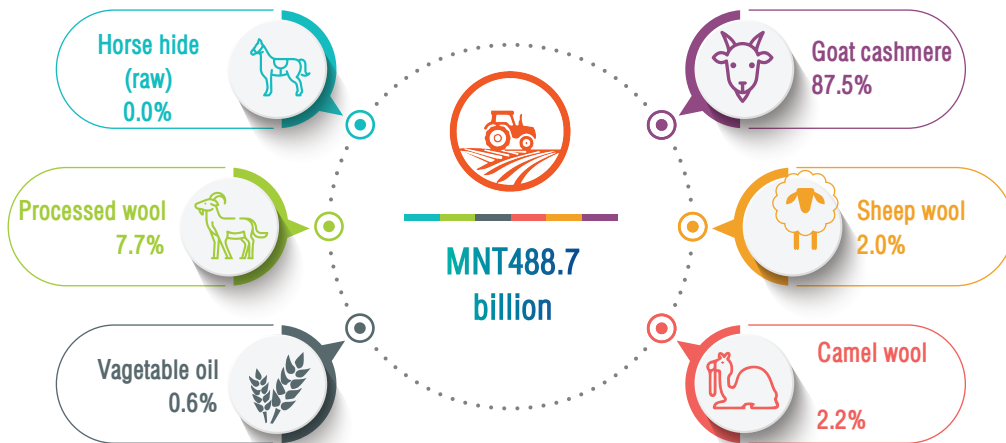
MSE B 7,581

Securities market indexes

- o TOP-20 Index decreased by 336.1 (1.7%) compared to 2019
- o MSE A Index decreased by 409.7 (4.3%) compared to 2019
- o MSE B Index decreased by 369.6 (4.6%) compared to 2019

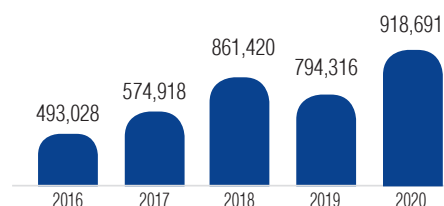


A total of MNT488.7 billion worth of goods were traded by the MACE (Mongolian Agricultural Commodity Exchange): a decrease of MNT216.3 billion (30.7%) compared to the previous year. Five types of products were traded.



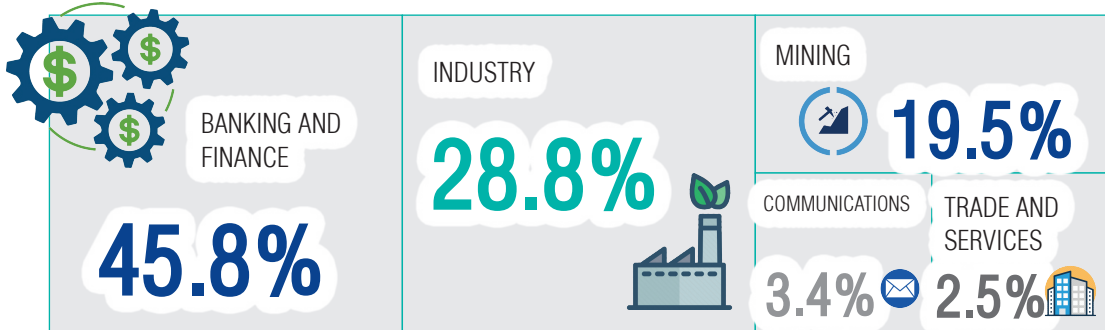
MCE's MAPEX Index

The MACE's MAPIX reached 918,691 points in 2020; an increase of 124,375 points (15.7%) compared to 2019, and 86.3% compared to 2016.



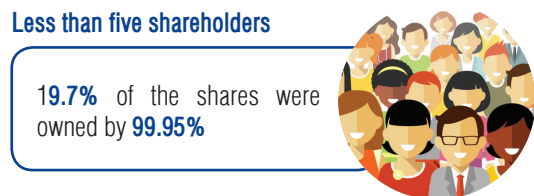
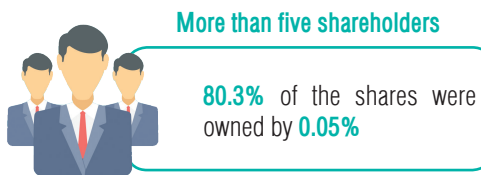
ACCESSIBILITY

SECTOR CLASSIFICATION OF JSCs INCLUDED IN THE TOP 20 INDEX (BY MV)

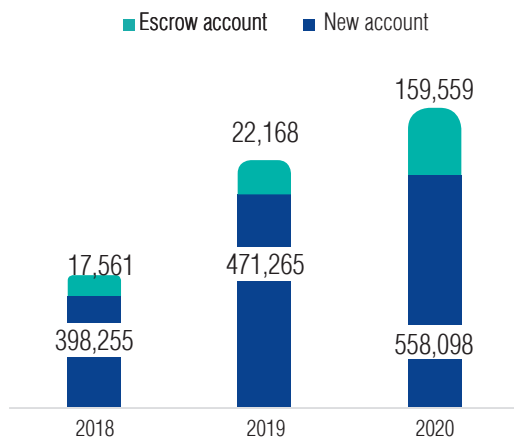


STOCK CONCENTRATION

In the TOP-20 Index, the concentration of JSCs was assessed as overly centralized: they accounted for 80.3% of the total number of shares and 0.05% of the total number of shareholders.



NUMBER OF OPENED ACCOUNTS



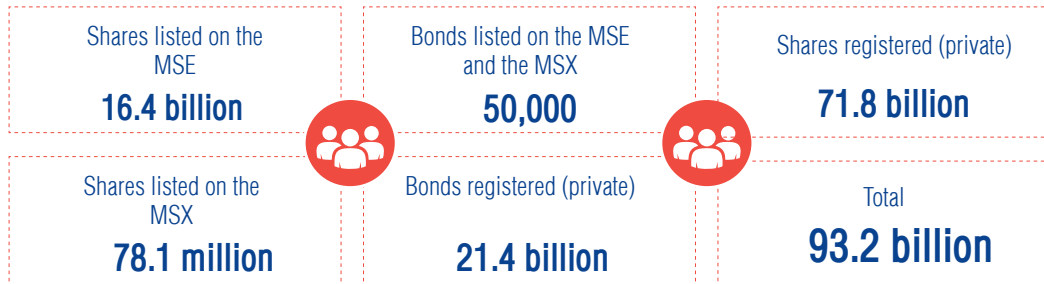
- o In 2020, 558,098 accounts were created, bringing the total number of accounts to 2,385,822, while the number of escrow accounts increased by 159,559 to reach 377,434.
- o Compared to 2019, the total number of accounts increased by 30.5%.



NUMBER OF OPENED ACCOUNTS
(growth in numbers)

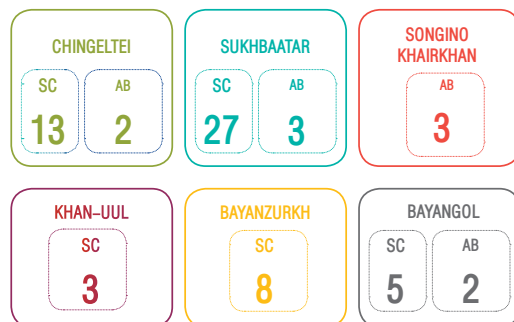
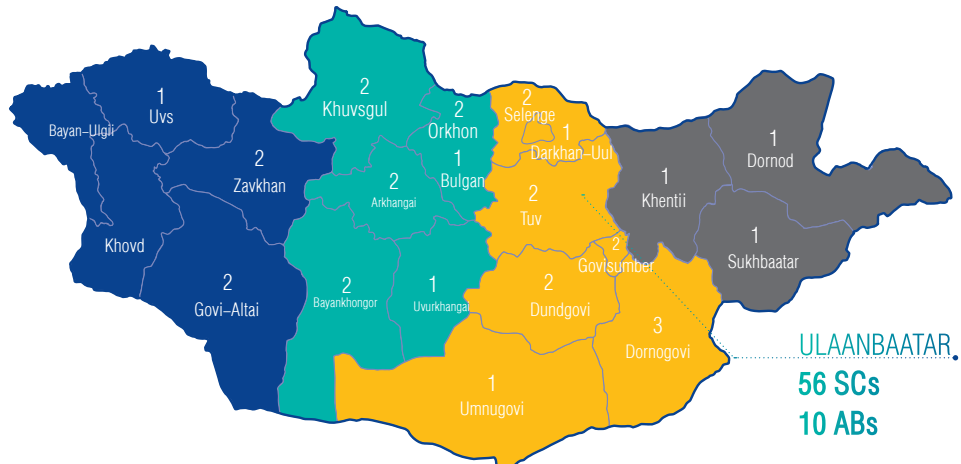
2,385,822

SECURITIES LISTED IN THE MCSD



LOCATION OF SCs AND AGRICULTURAL BROKERAGE COMPANIES

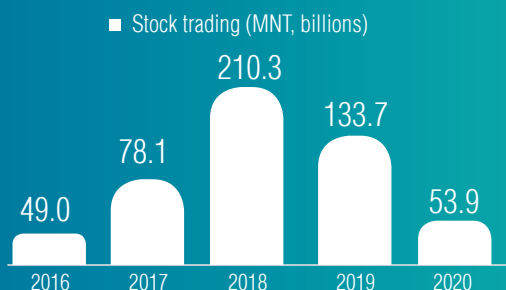
- o In 2020, 53 securities companies and their 30 branches were operating. Geographically, 56 were located in Ulaanbaatar and 27 in rural areas.
- o In 2020, a total of 14 ABs were operating, of which 10 were located in Ulaanbaatar and four in rural areas.



PRODUCTS AND SERVICES

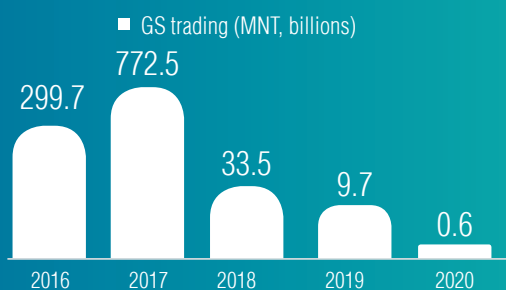
STOCK TRADING

In 2020, stock trading reached MNT53.9 billion; a decrease of 59.7% compared to 2019 and an increase of 9.9% compared to 2016.



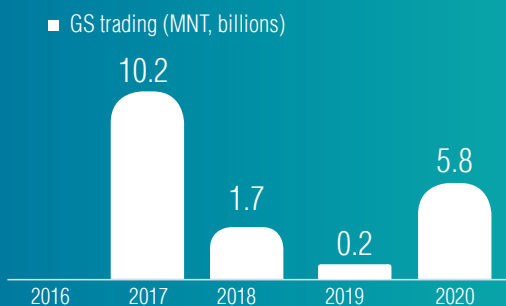
GS TRADING

In 2020, government bonds/securities trading reached MNT0.6 billion, a decrease of 93.9% compared to 2019 and 99.8% compared to 2016.



CORPORATE DEBT (BOND) TRADING

In 2020, corporate bond trading reached MNT5.8 billion, a 29-fold increase compared to 2019 and a decrease of 93% since 2017.



National Privatization
Fund

MNT **4.8** billion

Mongolia's first publicly traded investment
fund was registered.



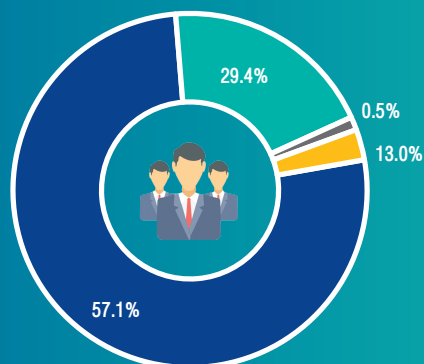
ASSET-BACKED SECURITIES

- o Residential mortgages were launched – to establish a long term and stable residential financing system – in 2013. The MIK Housing Finance Company established 24 Special Purpose Companies, issued RMBS 83,674 creditors and registered MNT4.4 trillion worth of asset-backed securities with the FRC.
- o In Mongolia, asset-backed securities were backed by real-estate properties credit, and there was MNT3.0 trillion worth of securities (of 64,553 creditors) in 2020.
- o G-Mobile LLC (a mobile phone operator company) issued asset-backed securities. It was the first issue of asset-backed securities using a type of financial instrument other than credit/loan of real estate property.
- o By law and Parliament Resolution No. 32 of 2020, the Government, the Bank of Mongolia (BoM) and the FRC were required to resolve the funding and issuance of secured by rental income or asset-backed securities (mortgage backed securities). Within the framework of the program rent-to-own, apartments for civil servants working at the epicentre of the COVID-19 pandemic. The FRC Issued a license to Capital City Housing Corporation I LLC to issue securities secured by rental income or asset-backed securities (mortgage backed securities), and registered MNT 34.4 billion worth of asset-backed securities. The FRC granted Capital City Housing Corporation II LLC a license to issue asset-backed securities.
- o The BoM and the FRC cooperated in implementing measures; such as: providing sources of financing with an interest rate close to the policy rate (to secure the Central Bank's repo-financing with a term of 1–2 years: used as collateral for securities). According to Section 1.4.1 of Resolution No. 21 of 2020 the 'Strategy to reduce interest rates' approved by the Parliament states that 'Issuance of securities secured by normal bank loans on the terms of low-interest loans to borrowers of non-mining exports and SMEs'. A license was issued to Mongolian Asset Management Corporation LLC as part of this work. The Mongolian Asset Management Corporation then formed the Mongolian Securities Finance Corporation LLC; a special purpose company that issues asset-backed securities. The FRC issued a license to the Mongolian Securities Finance Corporation LLC to issue asset-backed securities.
- o FRC issued and registered a license for Invecore Capital LLC to issue asset-backed securities. This was the first time that loan-backed securities from NBFIs had been publicly traded through a trading organization.

*Mongolian Asset Management Corporation LLC changed its name to 'Securities Finance Corporation'

TRADING STRUCTURE, BY INVESTOR

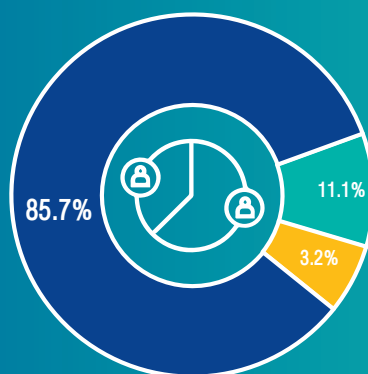
- o Domestic enterprises accounted for the largest share of traders. In 2020, domestic trade transactions accounted for the largest share at 57.1%.



- Domestic enterprises, 57.1%
- Domestic citizens, 29.4%
- Foreign enterprises, 0.5%
- Foreign citizens, 13.0%

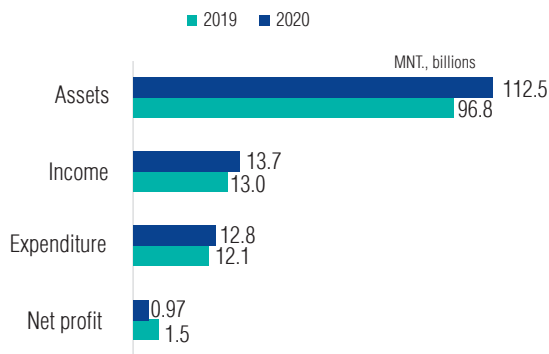
STOCKS, BY EQUITY STRUCTURE

- o In 2020, there were 315 JSCs in the FRC's securities registration.
- o 85.7% were private, 11.1% were state-owned, and 3.2% were state-owned (by Parliament).



- Privately owned 85.7%
- State-owned 11.1%
- State-owned (by Parliament) 3.2%

PROFITABILITY

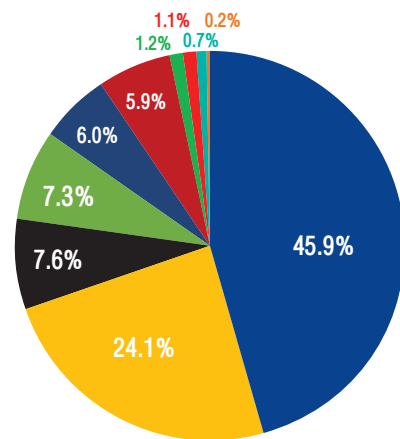


PROFITABILITY OF SCs

- o Total assets of securities companies reached MNT112.5 billion in 2020, an increase of 16.2% from 2019.
- o Compared to the previous year, revenue increased by MNT0.7 billion and expenditure increased by MNT0.7 billion, while net profit decreased by MNT0.5 billion.

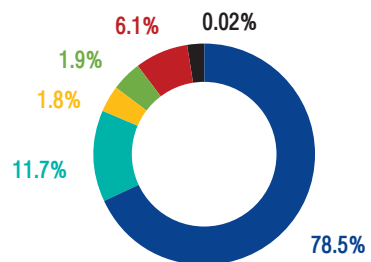
SC'S REVENUE STRUCTURE

● Brokerage activities	45.9%
● Underwriters activities	24.1%
● Investment advisory activities	7.6%
● Interest	7.3%
● Securities valuation equation, income net income	6.0%
● Other income	5.9%
● Dividends	1.2%
● Rental income	1.1%
● Dealer operating income	0.7%
● Foreign exchange differences gains	0.2%



SCs EXPENDITURE STRUCTURE

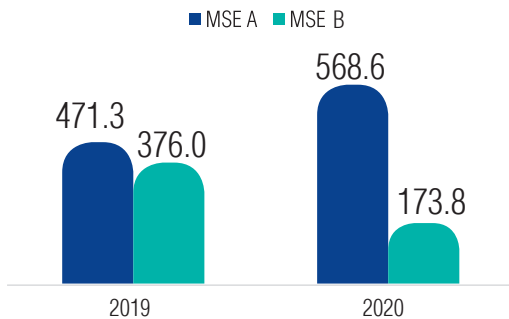
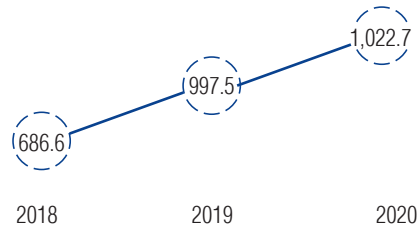
● Sales, marketing, general and administrative expenses	78.5%
● Financial expense	11.7%
● Other expense	1.8%
● Income tax expense	1.9%
● Post-tax loss on discontinued operations	6.1%
● Depreciation of property, plant and equipment	0.02%



STABILITY

FLUCTUATIONS IN THE TOP-20 INDEX

- o Stock price fluctuations were calculated within the TOP-20 index. The share price volatility was 1,023 points, an increase of 25.2 points from 2019.

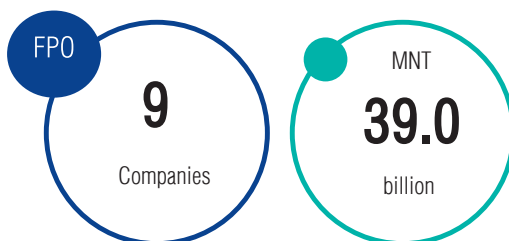
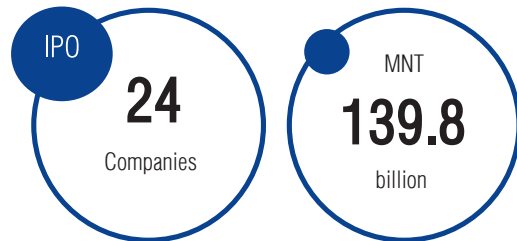


MSE A AND MSE B INDEX FLUCTUATIONS

- o For the MSE A and MSE B indices, the volatility of the MSE A index increased by 93.7 percentage points in 2020, while the MSE B index decreased by 202.2 percentage points.

IPO INFORMATION

- o Since 2005, a total of 24 companies have launched IPOs and successfully raised MNT139.8 billion from the primary market.

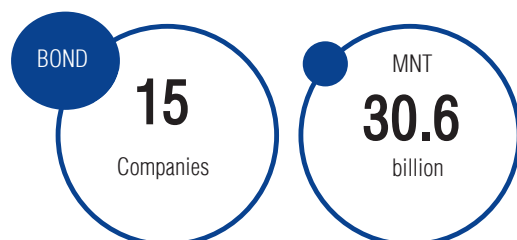


FPO INFORMATION

- o Mongolia's first FPO was held in 2007. Since 2007, nine companies (with some duplication) have raised a total of MNT39.0 billion by issuing additional shares through 11 trades. In 2020, one company was allowed to issue additional shares.

PRIMARY MARKET TRADING INFORMATION OF CORPORATE BONDS

- o The primary bond market in Mongolia commenced trading in 2001. From 2001 to 2020, 15 companies raised a total of MNT 30.6 billion in 17 trades.



REGULATORY ENVIRONMENT



INTERNATIONAL COOPERATION

- o Phase 2 of the project *Capacity Building of the Capital Market* was implemented in cooperation with JICA. Within the project framework, the FRC and JICA collaborated on: the legal regulation of over-the-counter trading, the development of the corporate bond sector, and the enhancement of the regulatory environment. In addition, the principles of legal regulation and over-the-counter trading were defined, draft regulations were developed and the opinions of market participants were taken into account. Ultimately, the FRC approved the *Regulation on OTC Markets*'n Resolution No. 995, of 2020.
- o The FRC also implemented the *Green Finance Market Development* project with the IFC. This involved working together to: strengthen the legal environment, support regulatory policies, and incorporate international best practices of ESG. In order to obtain long-term funding for the domestic stock market through the introduction of environmentally sustainable business ventures and programs.



POLICY AND LEGISLATION

- o On 29 January, 2020, the FRC approved Resolution No. 29 on *Delivery versus Payment / T+2 Settlement System*. Within this framework, preparations for the implementation of the *Delivery versus Payment / T+2 Settlement System* in the securities market were made. Preparations included: the approval of applicable regulations of infrastructure organizations, and the issuance of additional licenses. The concept was successfully implemented in the stock market on 31 March, 2020.
- o A working group was established by joint order of the FRC Chairman and the Minister of Finance, for ensuring implementation of the *Development of the stock market, creating competition and reducing financing costs* set forth in Article 4 of the *Loan Interest Rate Reduction Strategy* approved by the Parliament Resolution No. 21 of 2020. The working group made recommendations in eight main areas: reducing the fees of stock market infrastructure organizations, providing tax incentives to securities issuers and investors, developing the corporate bond over-the-counter market, building the capacity of professional service providers and increasing the banks' ability to participate in the stock market.
- o The regulation on cash and securities nominal accounts was added into the *Regulation on Licensing for Regulated Activities in the Securities Market*, and approved by the FRC Resolution No. 1014 of 2020. (in order to bring the registration of securities ownership rights in line with international standards). *Annex 1 to the *Set of Rules Governing the Securities Market*.
- o The FRC amended the *Regulation on Registering the Shares of Foreign-Listed Companies and the Shares of Domestic Listed Companies Dual-listing Overseas* with Resolution No. 19 of 2018. In order to create opportunities for citizens who own shares of dual-listed companies on the MSE, to convert their shares into foreign stock exchanges.



MEETINGS AND SEMINARS

- o Phase 2 of the project *Capacity Building of the Capital Market* was launched in cooperation with JICA. On 16 January, 2020, a discussion on *Corporate bond market growth and regulatory environment* was jointly arranged. The FRC and JICA officials, stock market participants, economists, analysts, investors, major national firms, and the media, all attended the meeting.
- o The FRC, in cooperation with the Open Society Forum, organized a discussion on *Compliance and Information Transparency of Joint Stock Companies* on 17 September, 2020, with more than 140 participants. The discussion presented major policy measures taken by the FRC to: improve the quality of corporate governance, protect the interests of small shareholders, develop the stock market, create competition, and reduce financing costs.
- o The IFC, in cooperation with the FRC, organized a public webinar on *Green Bond Market Development* on 19 June, 2020, as part of the *Green Finance Market Development* project.



INSURANCE MARKET

Total assets

MNT 382.1 billion

Capital growth **4.6%**



Financial market status

Insurance density

MNT 61,117

Density increase/growth
0.7%



Accessibility

Increase in premiums from
insurance intermediaries
(intermediated insurance)
and reinsurance

MNT 54.4 billion



Products and Services



Profitability



Net profit
MNT **21** billion

Stability



Reinsurance premium cost
33.1%

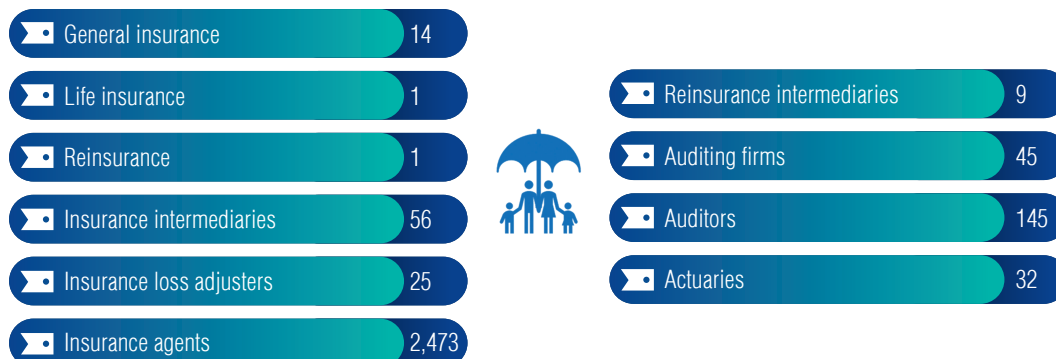
Regulatory
environment



FINANCIAL MARKET STATUS

INSURANCE SECTOR STRUCTURE

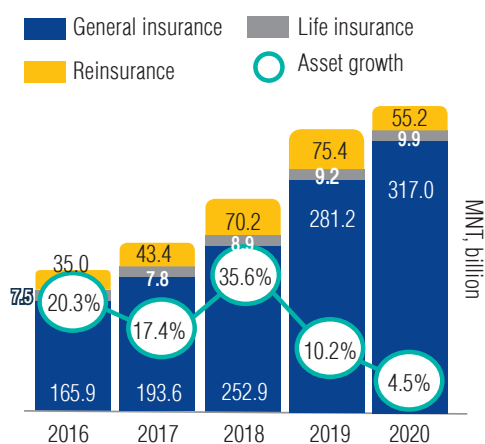
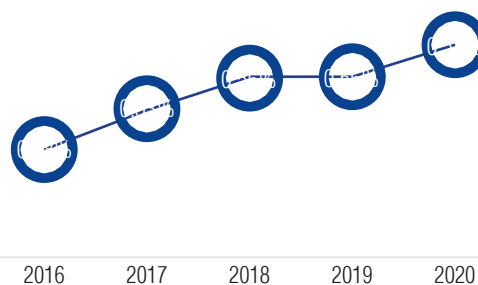
A total of 319 (excluding double insurance intermediaries) insurance companies, brokers, damage assessors, audit companies, actuaries, auditors, and 2,473 insurance representatives, operated in the reporting year under the FRC's licensing, permission, and registration.



INSURANCE DENSITY

In 2020, the insurance depth reached 0.57%; an increase of 0.01 percentage points compared to the previous year and 0.09 percentage points compared to 2016.

In 2019, the average insurance market depth in developed countries was 9.6%, while the average insurance depth in emerging markets was 3.3%.

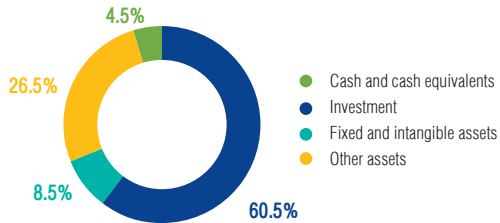


TOTAL ASSETS OF INSURANCE COMPANIES

- o In 2020 total assets increased by 4.5% from the previous year to MNT382.1 billion; and increased by 83.3% from 2016.
- o Compared to other types of insurance, the total assets of ordinary insurance companies increased by 12.8% to MNT 317.0 billion, accounting for 83% of the total assets of the sector.
- o The total assets of double insurance companies decreased by 26.8% compared to the previous year and reached MNT55.2 billion, accounting for 14.4% of the total assets of the sector. In the first quarter of 2020, the growth of double insurance assets decreased compared to the previous year due to the revocation of licenses to operate double insurance.
- o The total assets of long-term insurance companies increased by 6.1% from the previous year, reaching MNT9.9 billion, accounting for 2.6% of the sector.

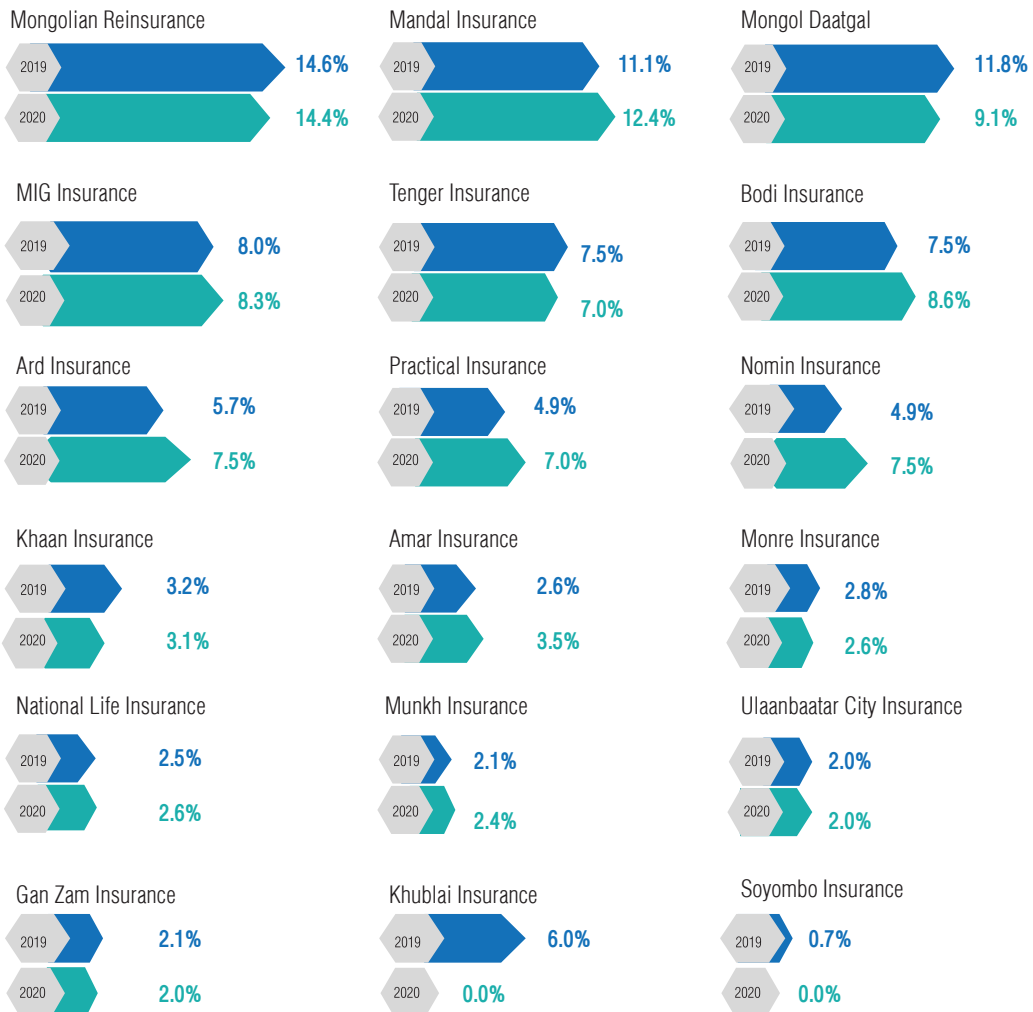
MARKET SHARE (BY TOTAL ASSETS)

Regarding the total assets structure of insurance companies, MNT17.4 billion (4.5%) was money and cash equivalents, MNT231.3 billion (60.5%) was investments, MNT32.2 billion (8.5%) was fixed and intangible assets (net amount), and 26.5% was other types of assets.



In terms of the percentage of the total assets of insurance companies, three each had more than 9%, six had 6 to 9%, two had 3 to 6%, five had less than 3%, and two companies had ceased operations.

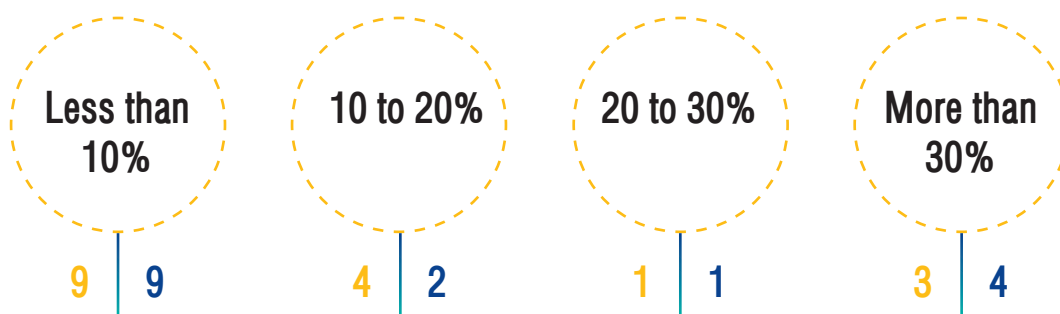
Percentage share of total assets of insurance and reinsurance companies



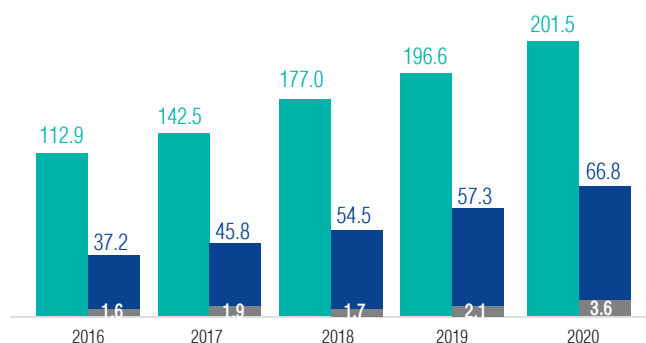
ASSETS GROWTH DISTRIBUTION OF INSURANCE COMPANIES

The average assets growth of all insurance companies was 9.4% in 2019 and 15% in the current reporting year. Grouped by capital growth, there were four companies with an increase of more than 30%, one with an increase of 20–30%, two with an increase of 10–20%, six with an increase of less than 10%, and three companies with a decrease in total assets.

2019 / 2020



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

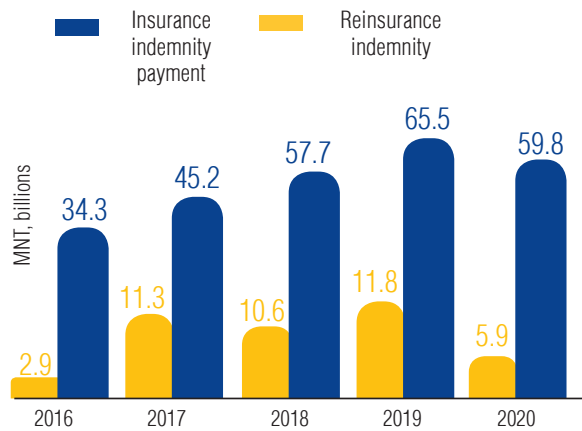


TOTAL PREMIUMS

- o In 2020, ordinary and long-term insurance companies collected a total of MNT201.5 billion in insurance premiums; of which, ordinary insurance companies accounted for MNT200.0 billion (99.3%), and long-term insurance companies for MNT1.5 billion (0.7%).
- o A total of MNT66.8 billion was spent on double insurance premiums; of which MNT3.6 billion (5.3%) was paid to domestic double insurers.
- o Total regular and long-term insurance premiums in 2020 increased by 2.5% compared to the previous year. Compared to 2016, the increase was 78.4%.

INSURANCE AND REINSURANCE INDEMNITY PAYMENT/REIMBURSEMENT

- o In 2020, total compensation expenditures of insurance companies reached MNT59.8 billion, a decrease of 8.6% compared to the previous year. Compared to 2016, it increased by 74.5%.
- o Of this, 99% was accounted for by compensation of ordinary insurance companies.
- o The amount of double insurer's compensation decreased by 50% to MNT5.9 billion during the reporting period.



RESERVES FUND

- o The total reserve fund of the insurance market increased by 4.8% in the reporting year (compared to 2019) to MNT173.5 billion.
- o In the reporting year, total reserves of ordinary insurance companies increased (compared to 2019) by 8.7% to MNT 144.1 billion, long-term insurance companies reserves increased by 22% to MNT 2.8 billion, and double insurance companies reserves decreased by 13.6% to MNT 26.6 billion.

MNT **173.5**
billion
2020

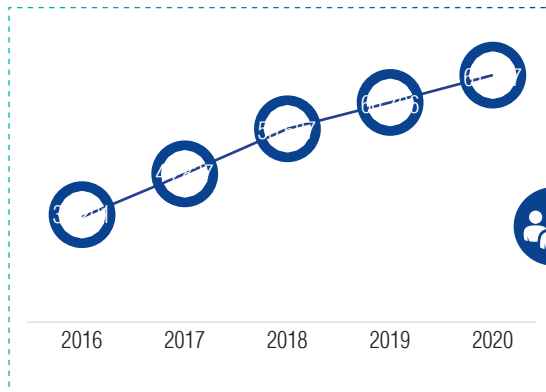
MNT **165.6**
billion
2019



ACCESSIBILITY

INSURANCE DENSITY

The insurance density indicator (the ratio of premium income per capita) reflects the availability and demand of the market..



- o Insurance density reached MNT61,117 in 2020, an increase of 0.7% compared to 2019 and 68.8% compared to 2016.
- o In terms of the insurance density, ordinary insurance premiums per capita increased by 0.6% to MNT60,668, while long-term insurance premiums increased by 14.2% to MNT449 per person.
- o In 2019, the average insurance density of developed countries was \$4,664, while the average insurance density of developing countries was \$175.

INSURANCE CONTRACT

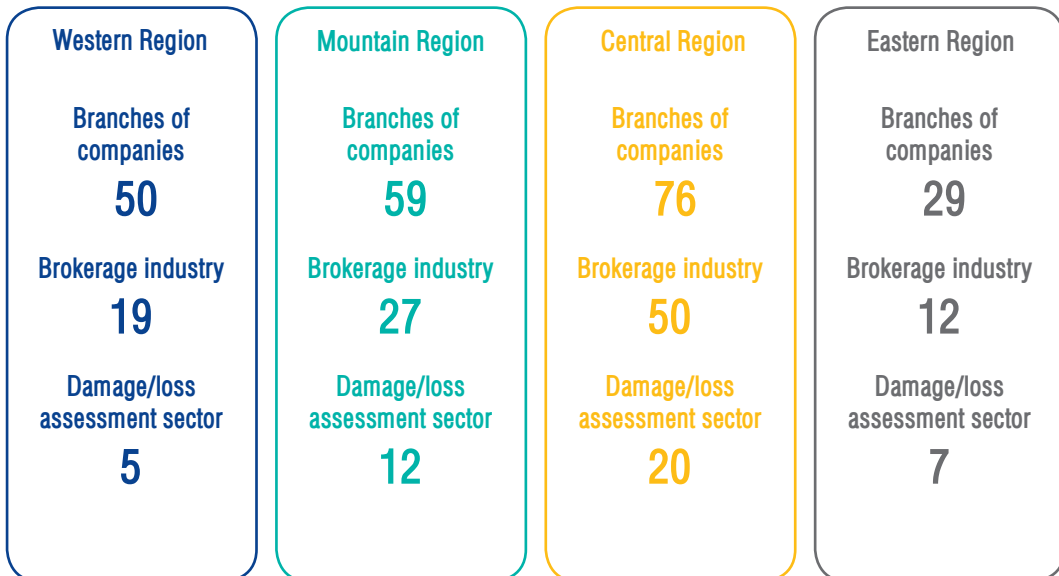
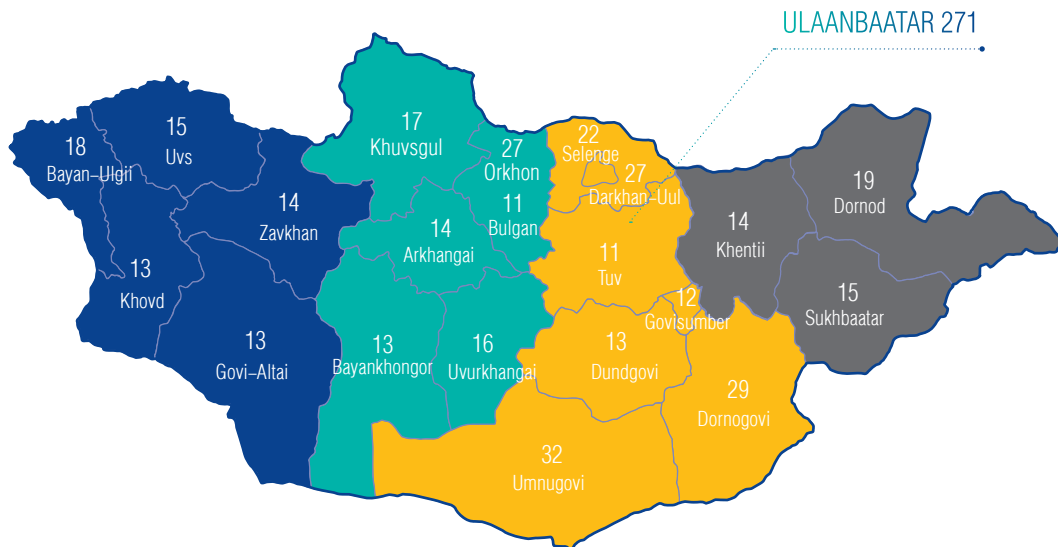
In 2020, a total of 1.1 million insurance contracts were concluded. Among these, 913,886 (82.9%) were insurance contracts concluded with individuals, and 188,943 (17.1%) were insurance contracts concluded with legal entities.

Individuals **913,886**

Legal entities **188,943**



Another indicator of the availability of insurance services is the number of insurance company branches and intermediaries. In 2020, a total of 2,230 branches and representative offices of insurance companies, intermediaries, and loss assessment companies were located in 21 provinces. By location, Mountain Region had the largest number of branches at 703, Central Region 668, the Western Region 574, and Eastern Region 285.



REPRESENTATIVES

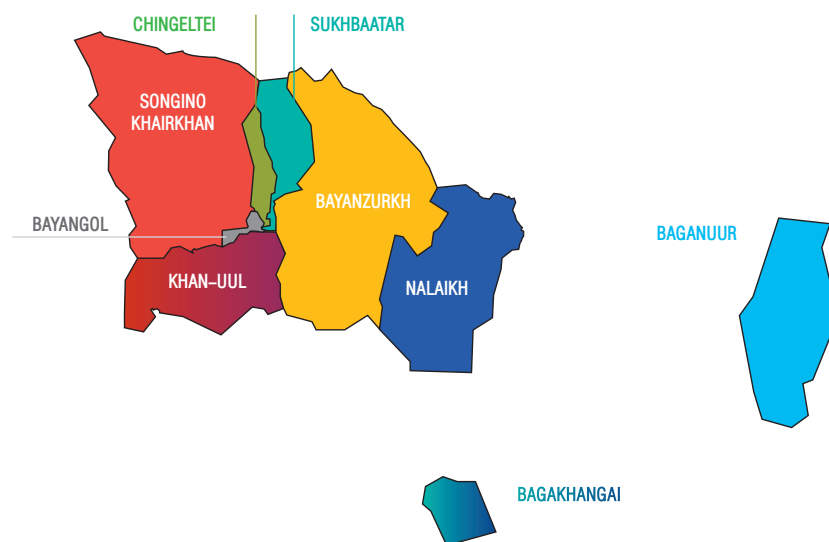
500

605

522

237

- o In Ulaanbaatar, 47 branches of insurance companies, 183 branches of insurance brokers, and 41 branches of loss adjusters were registered with the FRC during the reporting period.
- o By district, 93% of the branches were located in the six central districts of the capital.
- o In addition, there are 12 representative offices of insurance companies registered with the FRC, of which one was located in China.



	SONGINO KHAIRKHAN	CHINGELTEI	SUKHBAATAR	BAYANZURKH
INSURANCE	4	9	11	5
BROKER	13	35	44	28
LOSS ASSESSOR	8	5	8	9
	KHAN-UUL	BAYANGOL	NALAIKH	BAGANUUR
INSURANCE	3	4	3	7
BROKER	29	27	4	3
LOSS ASSESSOR	3	7	0	1
	BAGAKHANGAI			
INSURANCE	1			
BROKER	0			
LOSS ASSESSOR	0			

PRODUCTS AND SERVICES

632

Number of duplicate insurance products

23

Type of insurance

- All 23 forms of regular and long-term insurance are voluntary except for the *Compulsory Driver's Liability Insurance*.
- The number of reinsurance products reached 632; an increase of 40 compared to 2019, and a decrease of 91 (from 541) products in 2016..

Total insurance premium

2019

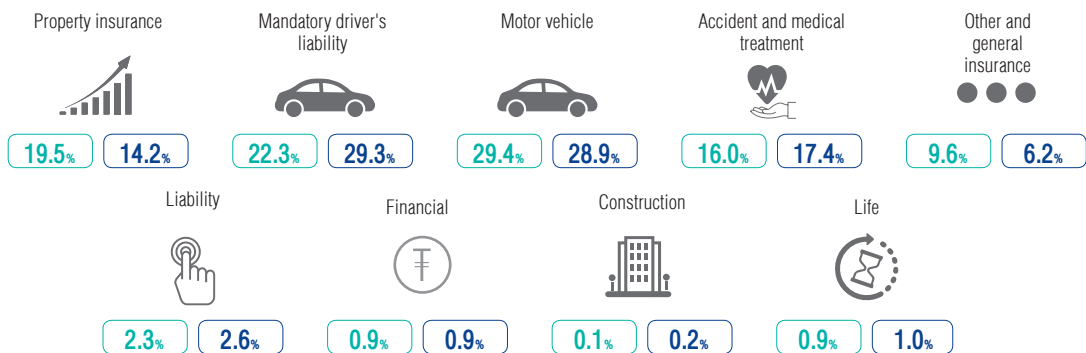
2020



Insurance indemnity

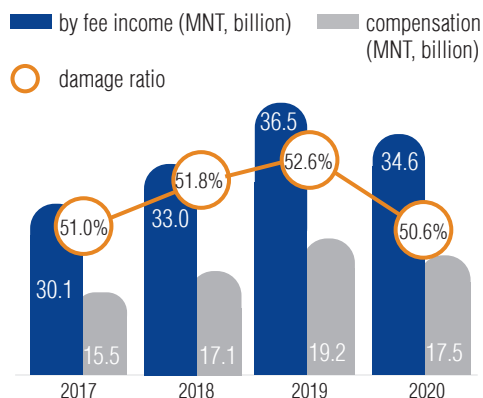
2019

2020



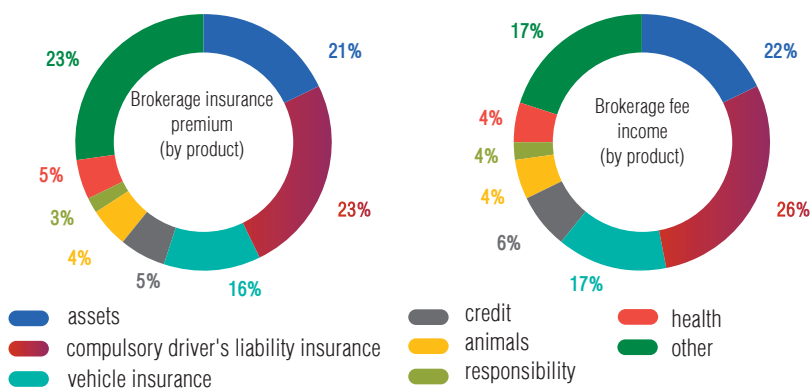
COMPULSORY INSURANCE

- o The total of compulsory driver's liability insurance premiums reached MNT34.6 billion; accounting for 17.2% of the total insurance premium income in the reporting year; and a decrease of 8.9% from the previous year.
- o MNT17.5 billion was paid in this form, which accounted for 29.3% of the sector's total compensation costs for the year.



INSURANCE INTERMEDIARIES

- o Premiums and double insurance premiums collected by insurance intermediaries reached MNT54.4 billion in 2020. In the reporting year, revenues from insurance intermediaries increased by MNT648.3 million to MNT11.1 billion; from MNT10.5 billion the previous year.



INSURANCE LOSS ADJUSTERS

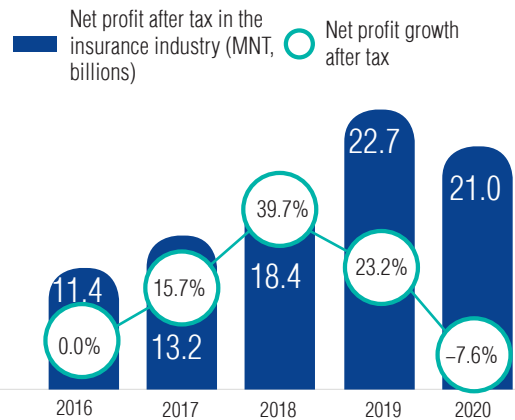
- o Insurance loss assessment companies valued a total of 28,314 losses at MNT26.4 billion in the reporting year. Total insurance loss assessment income decreased by MNT11.7 million to MNT1.1 billion, from the previous year.



PROFITABILITY

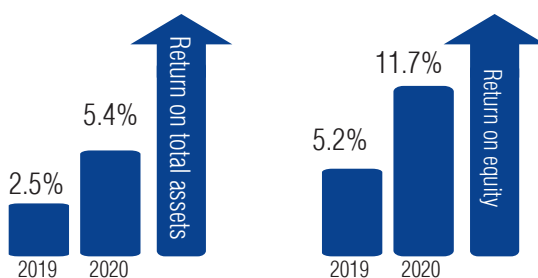
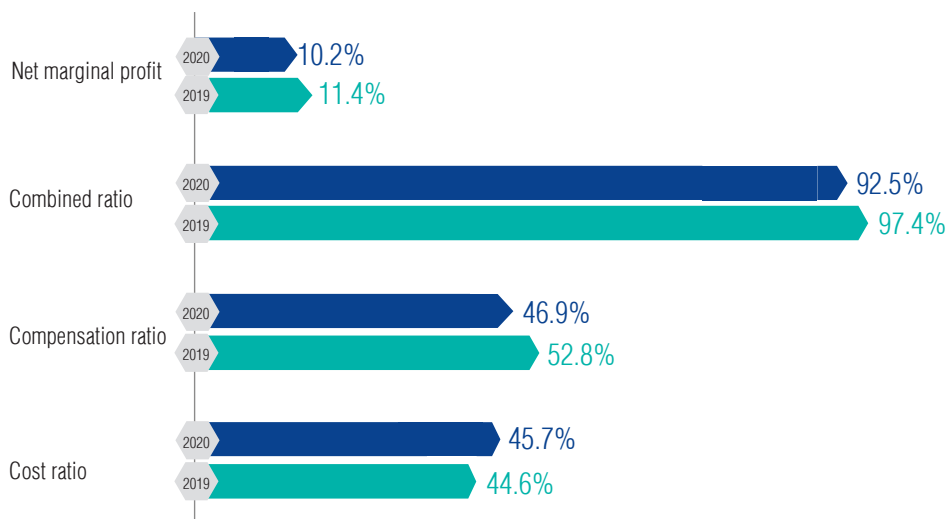
NET PROFIT INDICATOR OF INSURANCE COMPANIES

- o The net profit of insurance companies decreased by MNT1.7 billion (compared to the previous year) to MNT21.0 billion in the 2020. The increase was 83.8% compared to 2016.
- o In terms of net profit after tax, seven companies exhibited decreases, three had increases up to 50%, two had increases of 50 to 100% and four insurance companies had increases of more than 100%



KEY RATIOS

- o In the reporting year, the compensation ratio decreased by 5.9 percentage points compared to the previous year.
- o The expenditure ratio increased by 1.1 percentage points to 45.7% from the previous year.
- o The net profit margin of the insurance sector decreased by 1.2 percentage points to 10.2% in the reporting year.



PROFITABILITY COEFFICIENT

- o Return on assets in the market was 5.23% in 2019, and increased by 6.5 percentage points in 2020 to 11.7%. Return on total assets increased from 2.5% in 2019, by 2.9 percentage points in 2020 to 5.4%.

STABILITY

MARKET RISK

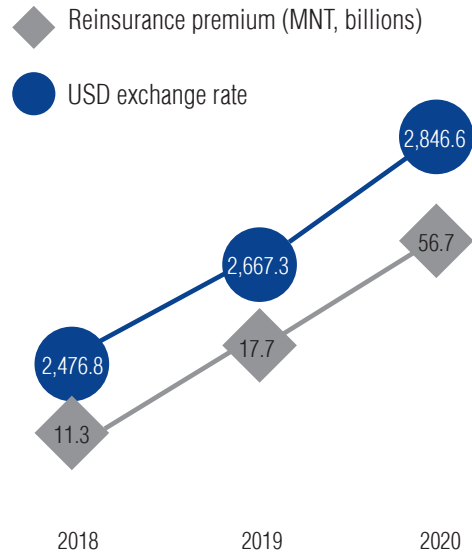
- One of the most pressing issues in the Mongolian insurance market was exchange rate risk.
- Most insurance companies were double insured abroad and had transferred an average of more than MNT50 billion a year (over the previous three years) to other countries.
- The cost of double insurance premiums collected by insurance companies abroad amounted to 33.1% of total insurance premiums in the reporting year.

33.1%
Total reinsurance
premiums percentage

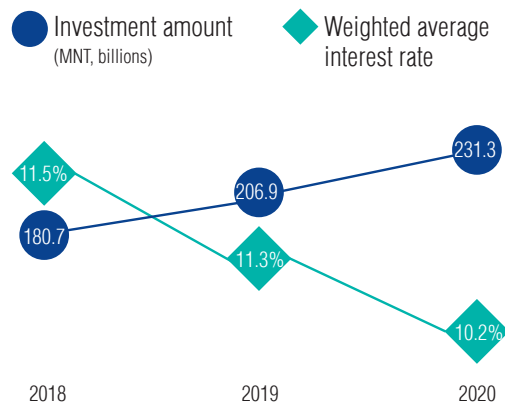
- 60.5% of the total assets of insurance companies were investments, of which 88.3% were in the form of deposits (and made as investment certificates of deposit) in the reporting year.
- In 2020, insurance companies earned a total of MNT16.9 billion in interest income from deposits, certificates of deposit, and securities investments.

Investment
amount
60.5%

Reinsurance premium



Weighted average interest rate on total insurance investments and savings



REGULATORY ENVIRONMENT



INTERNATIONAL COOPERATION

- o The German Corporation for International Cooperation (GIZ) in cooperation with the Mutual Exchange Forum on Inclusive Insurance (MEFIN) hosted a virtual conference organized within the framework of *Climate and Disaster Risk Reduction* on 29 and 30 September, 2020. The *9th Public–Private Sector International Consultation Meeting* included the participation of about 70 insurance sector experts, representatives of regulatory agencies, and guest speakers from MEFIN and members and other relevant organizations. Representatives from the FRC, the National Emergency Management Agency, the Mongolian Insurance Association, and the Mongolian Insurance Brokers Association exchanged experiences about the situation in Mongolia.



POLICY AND LEGISLATION

Draft amendments to the revised version of the *Law on Insurance*, the *Law on Insurance Intermediaries*, and the *Law on Driver's Insurance* were approved.

- o The Commission participated in the working group to draft amendments to the revised version of *Law on Insurance*, the *Law on Insurance Intermediaries*, and the *Law on Driver's Insurance*, and submitted proposals to the Ministry of Finance. A draft concept of the laws was approved in April 2020.

Relevant draft laws were submitted for a proposal to establish a private pension insurance system.

- o A draft *Law on Personal Supplementary Pensions* was developed by the ADB working group, and the draft *Law on Private Pensions* – initiated by a member of Parliament (Uchral.N) – along with relevant proposals was presented.

Relevant regulations and instructions on the *Insurance Package* were updated and amended:

- o To increase confidence of the insured within the public insurance sector (by making the activities of insurance market participants more ethical, and competition fairer), the *Insurance Market Code of Conduct* was revised within the unified state register of administrative norms and approved by FRC Resolution No. 114 of 2020.

Relevant rules and regulations of the *Insurance Package* were revised to encourage investment.

- o The second appendix to the *Insurance Package Rules* was approved by the FRC Resolution No. 2 of 2019 (*Insurer's solvency criteria and monitoring procedures*), and the fourth appendix. An amendment was developed for the *Conditions and requirements for the amount of assets concentrated in the insurance reserve fund*.

In accordance with the revised legal environment, relevant regulations and instructions were revised and approved (for example, in accordance with the General Administrative Law) and registered in the unified state register of administrative norms.

- o The *Procedure for calculating the amount of index-based livestock insurance premium* by the joint order of the Minister of Finance and the Chairman of the FRC No. 6/10 of January 14, 2020, and *Indexed mutual insurance contingency fund, the procedure for its financing and disbursement* was re-approved

and registered under the state registration number 4673 and 4674 of the Administrative Normative Act by the order No. 5/11 of 14 January, 2020

- o In FRC Resolutions 165 and 166 of 8 April, 2020, *On Amendments to the Procedure for Applying Calculate Driver's Insurance Premiums, and Amendments to the Form of Compulsory Driver's Liability Insurance Application, Contract Standards, and Templates* were registered under the Unified State Registration No. 3947,3948 of the Administrative Norms Act.



MEETINGS AND SEMINARS

- o Within the framework of the *National Risk Assessment for Money Laundering and Terrorism Financing of Mongolia*, the *Insurance Money Laundering and Terrorism Financing Risk Vulnerability Assessment* and the *Money Laundering Risk Assessment of Inclusive Insurance Products* were introduced to market participants and relevant organizations, and an evaluation discussion was organized on 27 and 28 October, 2020.





NBFIs

Total assets

MNT **2.0**
trillion



Financial market status

Capital growth **16.0%**

Average loan amount

MNT **1.7** million

Customers **2.8**
million



Accessibility

Credit NBFIs

92.7%

7.3%

Foreign currency exchange NBFIs



Products and Services

Profitability



Total income

MNT **408.8**
billion

Stability



Z index

33.0

Percentage of non-
performing loans

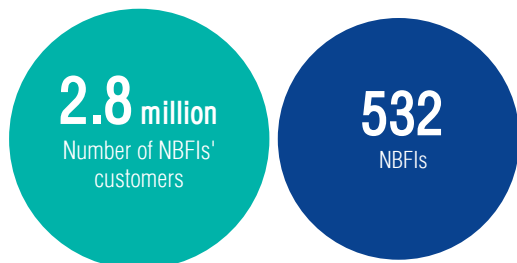
10.3%

Regulatory environment

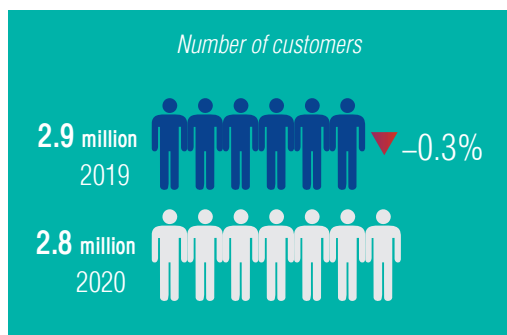
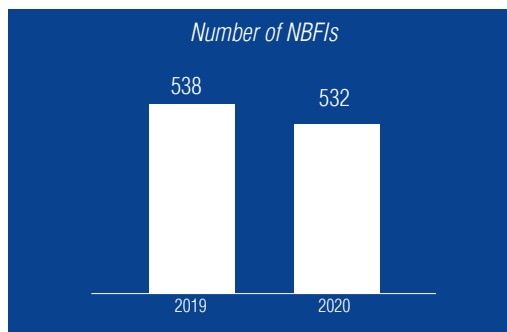


FINANCIAL MARKET STATUS

- o 532 NBFIs were licensed by the FRC in 2020; a decrease of 1.1% from the previous year and an increase of 2.7% from 2016.

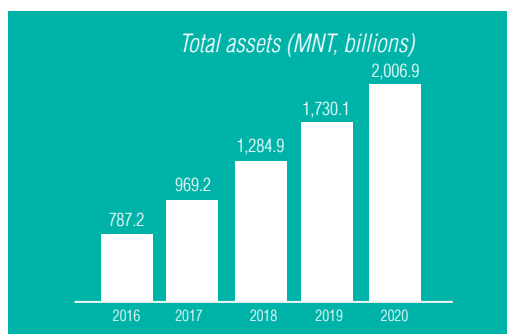
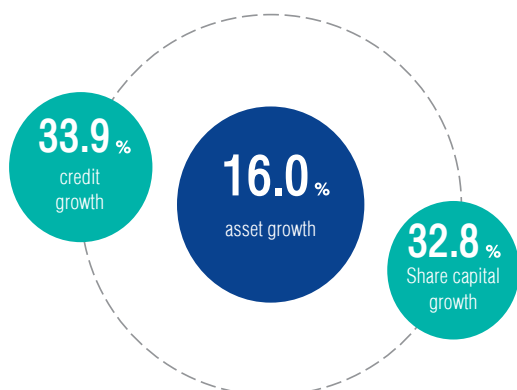
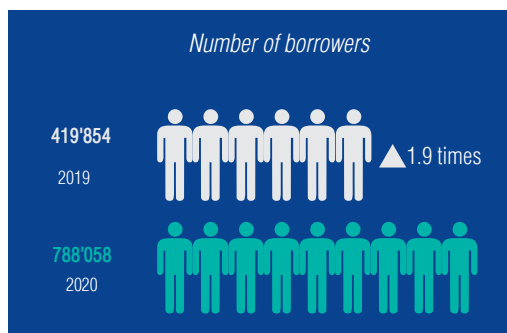


5.5% of all NBFIs had foreign investment, and 94.5% had national investment.



ASSETS OF NBFIs

In 2020, the total assets of NBFIs reached MNT2.0 trillion; an increase of MNT276.8 billion (16.0%) from the previous year, and MNT1.2 trillion (154.9%) from 2016.

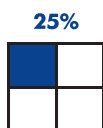


Asset structure of NBFIs (MNT, billions)

Total Assets	2,006.9	100.0%	
Current Assets	1,927.8	96.1%	
Cash	491.5	24.5%	
Credit (net)	1,222.6	60.9%	
Short-term investment (net)	11.9	0.6%	
Factoring settlement receivables (net)	3.0	0.2%	
Other property ownership and other asset ownership (net)	15.0	0.7%	
Other assets	183.8	9.2%	
Non-current Assets	79.1	3.9%	

Liability structure of NBFIs (MNT, billions)

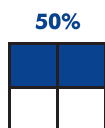
Total liabilities	2,006.9	100.0%	
Liabilities	556.2	27.7%	
Financial resources	146.9	7.3%	
Liabilities to domestic and foreign banks, and financial institutions	171.2	8.5%	
Other resources	43.2	2.2%	
Bonds issues by NBFIs	62.5	3.1%	
Project loans financing	20.8	1.0%	
Other liabilities	111.7	5.6%	
Owner's property	1,450.7	72.3%	
Share capital	1,017.7	50.7%	
Other property	32.9	1.6%	
Funds	1.1	0.1%	
Retained earnings/losses	398.1	19.8%	
Secondary payable	0.8	0.0%	



8 NBFIs



172 NBFIs



41 NBFIs



532 NBFIs

Market share (share of total assets) in terms of total assets of the sector

- o The eight largest NBFIs account for 25% of total assets.
- o 41 NBFIs account for 50% of assets.
- o 172 NBFIs account for 75% of assets.

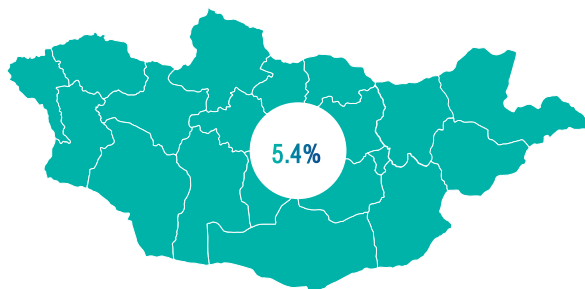
Share of total assets	Number of NBFIs		Total assets		Total loans		Percentage of non-performing loans in loan portfolio	Customers	
	No.	%	Amount (MNT, billion)	%	Amount (MNT, billions)	%		No.	%
25 %	8	1.5%	508.6	25.3%	342.4	25.8%	5.7%	272,383	9.6%
50 %	41	7.7%	1,004.0	50.0%	697.9	52.6%	8.0%	2,575,480	90.3%
75 %	172	32.3%	1,504.6	75.0%	1,028.9	77.5%	9.7%	2,729,673	96.1%
100 %	532	100.0%	2,006.9	100.0%	1,327.0	100.0%	10.3%	2,844,782	100.0%

Loans of NBFIs – which accounted for 25, 50 and 75% of the total assets of the non-bank financial sector – accounted for 25.8, 52.6, and 77.5% of the total outstanding loans in the sector, respectively. Although the share of total assets and total loans were similar, the share of non-performing loans (among all loans) was 5.7, 8.0 and 9.7%, respectively. That is, the loan quality of NBFIs with a large share in the sector is good compared, to the industry average.

Some of the 41 NBFIs which accounted for 50% of the sector's total assets, used technology to provide inclusive services. Ninety percent (90.3%) of the total were customers of these NBFIs alone..

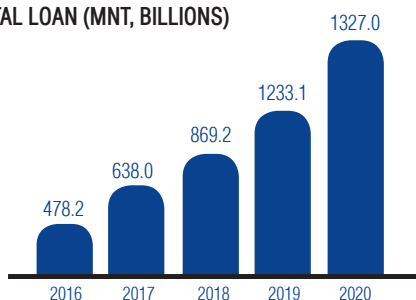
	Number of NBFIs	Total assets		Total loans		Customers	
		Amount (MNT, billions)	%	Amount (MNT, billions)	%	No.	%
With domestic investment	502	1,690.4	84.2%	1,108.1	83.5%	2,780,364	97.7%
With foreign investment	30	316.5	15.8%	218.9	16.5%	64,418	2.3%

Of the total NBFIs with foreign investments, 12 (41.3%) were from Japan, 8 (27.6%) from South Korea, two from the United States, two from the United Kingdom, and the rest from Malaysia and Hong Kong. Although NBFIs with foreign investment owned 15.8% of the sector's total assets, they provided services to just 2.3% of the total customers.

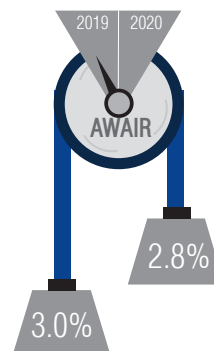


In 2020, the total assets of NBFIs amounted to 5.4% of Mongolia's GDP.

TOTAL LOAN (MNT, BILLIONS)



Loan interest rate: In 2020, the weighted average monthly interest rate (on loans issued by NBFIs) reached 2.8%; a decrease of 0.2 percentage points from the previous year and by 1.2 percentage points from 2016..



TOTAL LOANS
In 2020, the total value of loans of the sector increased by MNT93.9 billion (7.6%) from the previous year, and by MNT848.9 billion (177.5%) from 2016.

In 2020, 96.9% of total loans were disbursed in MNT and the remaining 3.1% were disbursed in foreign currency.

96.9% MNT



NORMAL

84.8%

-2.2%



OVERDUE

4.9%

-0.4%



NON-PERFORMING

10.3%

+1.7%

MNT1,602.4 billion | Issued loan

Paid loan | MNT1,518.5 billion

Consumption



62.1%

62.7%

Wholesale and retail



12.0%

13.2%

Construction



7.8%

6.5%

Mining



1.9%

2.6%

Accommodation and catering



2.9%

2.4%

Cars and motorcycles repair services



2.4%

1.8%

Processing factories



1.1%

1.5%

Other

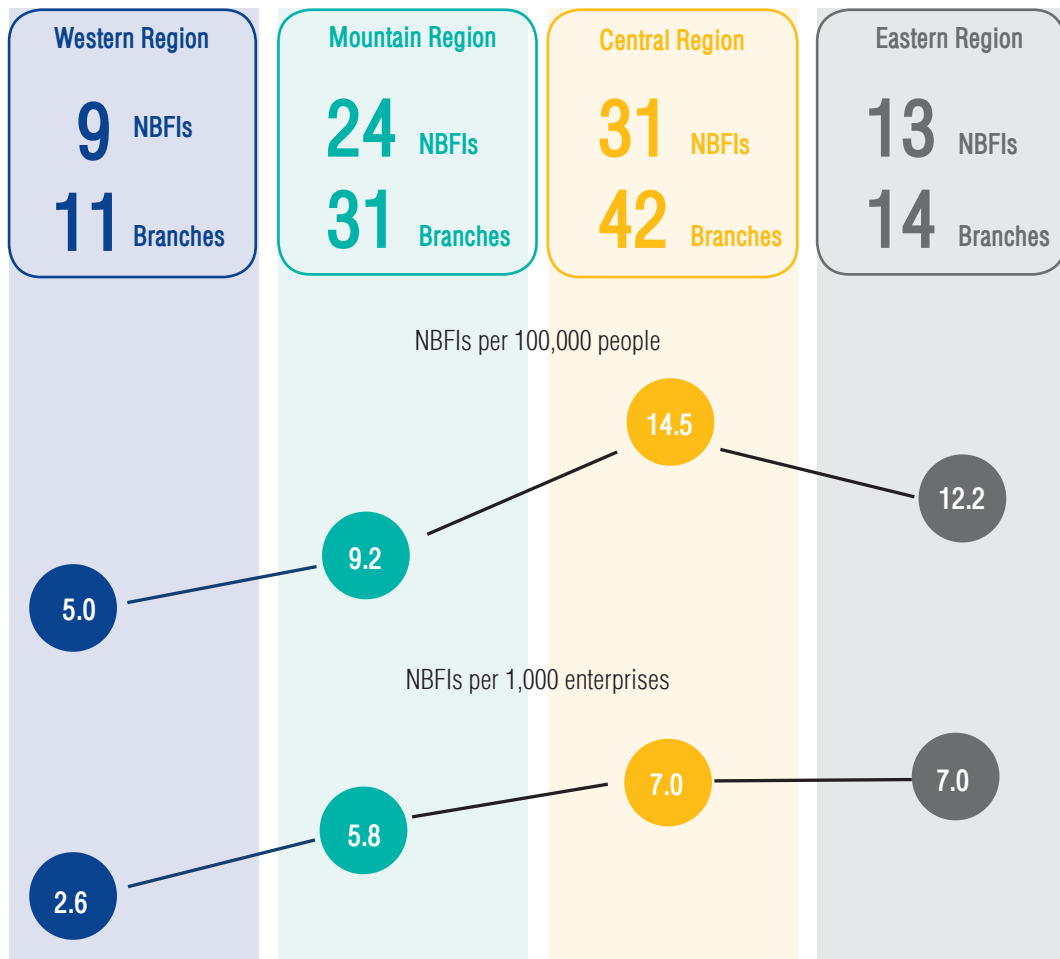
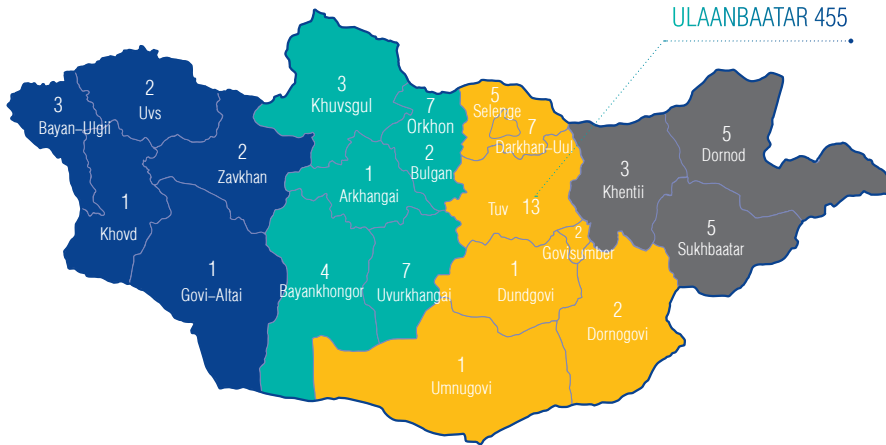


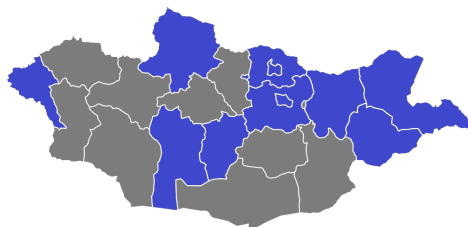
9.8%

9.3%

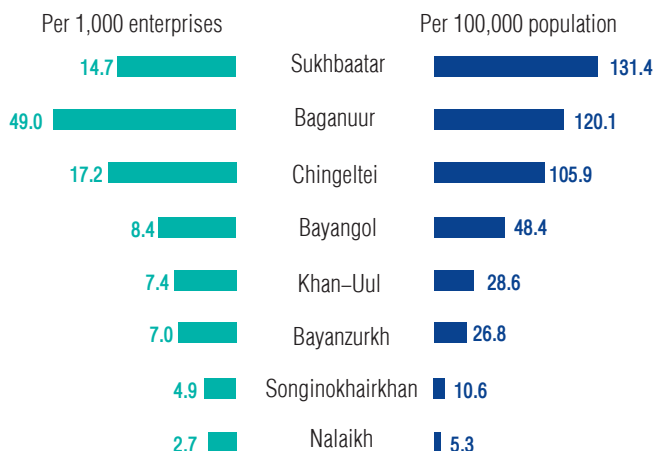
ACCESSIBILITY

Nationwide, there were 532 licensed NBFIs with a total of 295 branches. The majority (85.5%) of NBFIs operated in Ulaanbaatar.





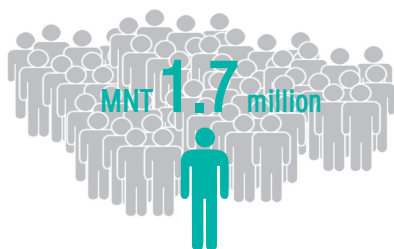
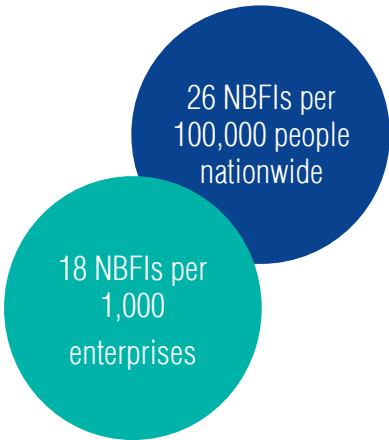
Eleven (52.4%) provinces of the total of 21 had three or more NBFIs.



Of the 455 NBFIs operating in Ulaanbaatar, 35.2% were in Sukhbaatar district, 28.8% in Chingeltei district, 16.3% in Bayangol district, 11.0% in Bayanzurkh district, 7.0% in Khan-Uul district, 1.5% in Songinokhairkhan district, and 0.2% located in Baganuur district.

BY ACCESSIBILITY AND GEOGRAPHICAL LOCATION OF NBFIS

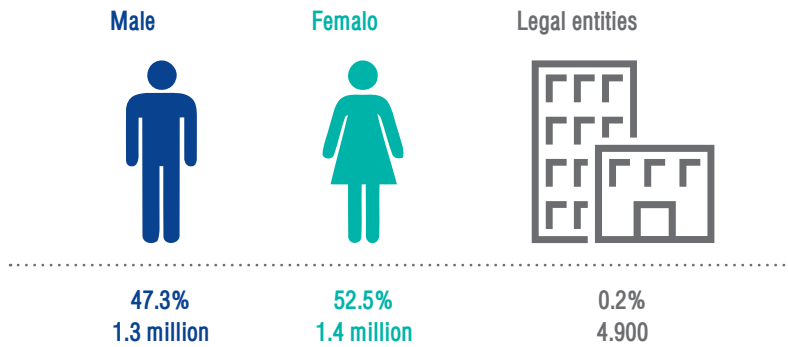
- o There were 26 NBFIs for 100,000 people aged 18–64 and 26 NBFIs for 1,000 businesses throughout Mongolia.
- o Locally these levels were 10 and 5 in the regions generally; with Central Region leading in terms of access to NBFIs, with seven NBFIs per 100,000 people, 14,1000 enterprises.
- o In Ulaanbaatar, there are 44 NBFIs per 100,000 people and 10 per 1,000 businesses, indicating good access; compared to the countryside.



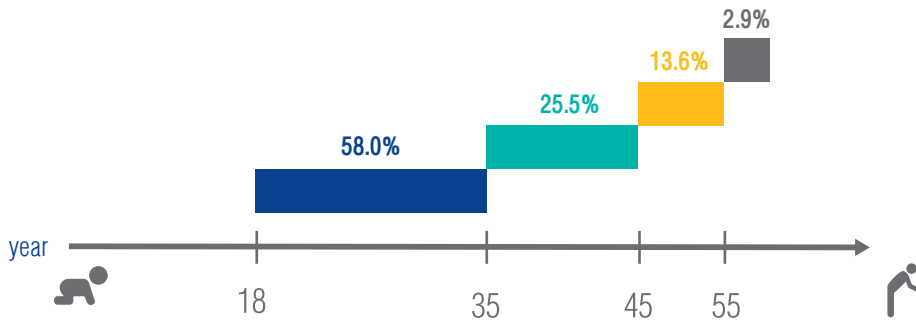
AVERAGE LOAN

- o In 2020, the average NBFi borrower in Mongolia received a loan of MNT1.7 million; ranging from MNT1.9 million in rural areas to MNT1.7 million in Ulaanbaatar.
- o This compares to MNT2.9 million nationwide in 2019; since when the average loan amount per borrower from NBFIs decreased by MNT 1.2 million (57.3%).
- o The decrease (in the average value) was due to an increase in the number of borrowers.
- o The total number of borrowers was 788,000 which meant that 25 out of 100 people of working age (18–64 years) had loans from NBFIs.

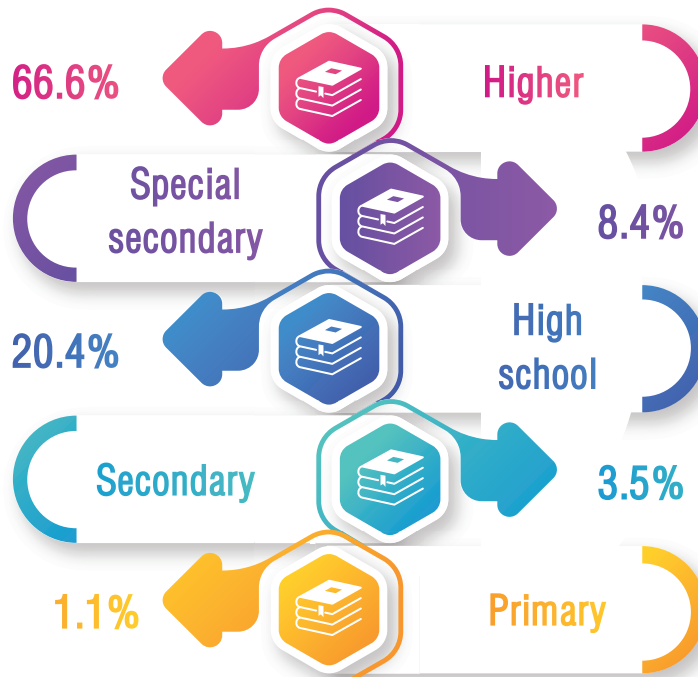
Customers of NBFIs



Borrowers of NBFIs (by age)



Borrowers of NBFIs (by level of education)



PRODUCTS AND SERVICES

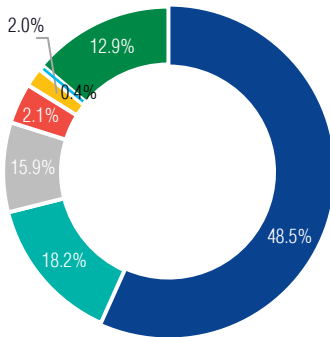
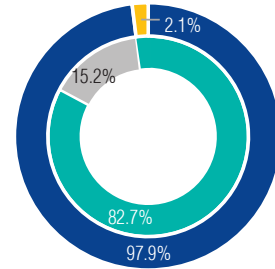
NUMBER OF NBFIs AND TYPES OF SERVICES (WITH DOUBLE COUNTING)



REVENUE FROM PRODUCTS AND SERVICES

- o In 2020, the total income of NBFIs reached MNT408.8 billion.
- o 97.9% of total revenue was operating income, interest and non-interest income. Of this, 82.7% (MNT337.9 billion) of total revenue was interest income and 15.2% (MNT 62.2 billion) was non-interest income.

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



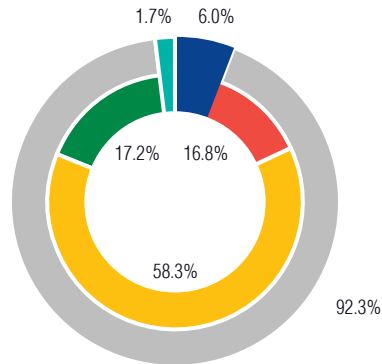
BREAKDOWN OF NON-INTEREST INCOME

- o Non-interest income was generated by non-interest income service fees and commission (48.5%), foreign exchange rate and valuation equation (18.2), trading (15.9), card service, (2.1) remittance (2.0), financial consulting and information services (0.4%), and others (12.9%).

- service fee, fees
- exchange and valuation equations
- commerce
- card services
- remittances
- financial advisory and information services
- others

COSTS OF PRODUCTS AND SERVICES

- o Most (92.3%) were operating expenses, 1.7% were non-operating expenses and 6.0% were income tax expenses.
- o Interest expenses (a component of operating expenses) accounted for 16.8% of total expenditure, non-interest expense for 58.3%, and contingency risk for 17.2%.

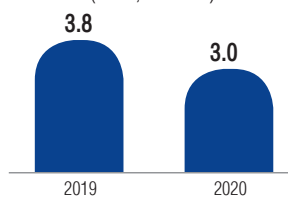


- Interest
- Non-Interest
- Potential risks
- Non-core operations
- Operating
- Income tax

Expenditures related to product and service risks (or potential risks) accounted for a total of MNT43.7 billion, of which 93.1% were credit risk expenses, 4.5% were other property risks and 2.4% were receivables risk expenses.

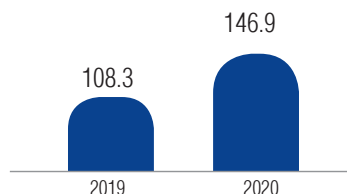
- o Factoring services are the sales of the entire rights to demand a monetary payment obligation from a creditor or creditor to a third party. The recipient of this right is responsible for exercising the right and the consequences. In 2020, a total of MNT3.0 billion net factoring receivables were registered in the sector.

Net receivables for factoring services (MNT, billions)

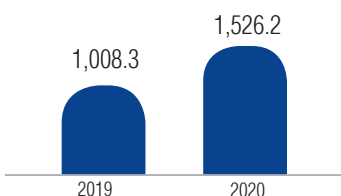


- o A total of 43 NBFIs provided trust services in the sector.
- o Total liabilities for trust services amounted to MNT146.9 billion; an increase of 35.6% from the previous year.

Trust service payable (MNT, billions)



Remittance service income (MNT, billions)

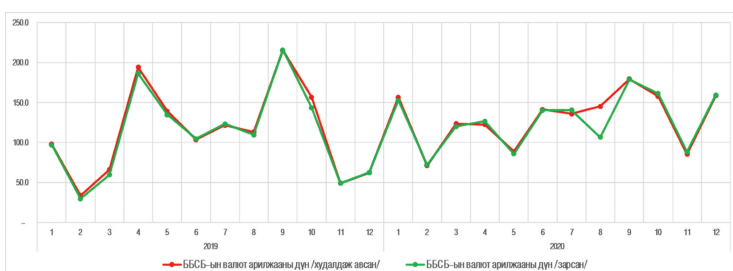


- o In 2020, NBFIs earned a total of MNT1.5 billion from remittance services. This was an increase of MNT517.9 million from the previous year.
- o A total of 34 organizations in the sector were licensed to provide remittance services, of which 13 earned revenue in the reporting year.

CURRENCY TRADING NEWS

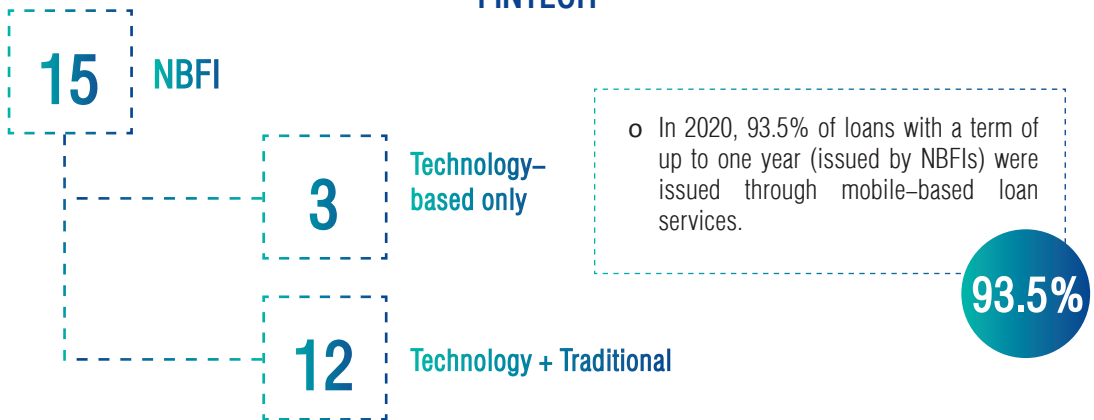
In 2020, NBFIs purchased a total of MNT1.6 trillion worth of currency and sold MNT1.5 trillion worth. The Chinese yuan accounted for 46.9% of the currency purchased and 46.8% of the currency sold.

CURRENCY NAME	Bought Result (MNT, billions)	Sold Result (MNT, billions)
Chinese yuan	734.5	717.9
US dollars	663.5	661.3
Euro	107.8	104.1
Korean won	18.0	16.7
Japanese yen	19.6	14.8
Others	22.9	18.7



In the last two years, the the most active foreign exchange trading was in September, and the weakest in February.

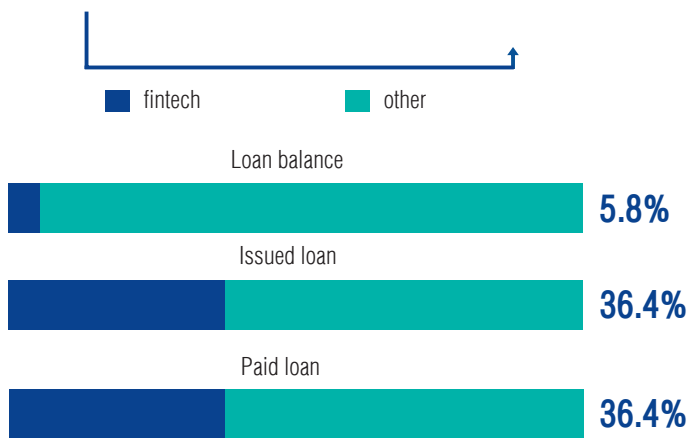
FINTECH



- Most (88.4%) of all customers in the sector were customers of NBFIs and they had access to technology-based credit services.
- Nearly half (40.0%) of all borrowers received loans only through their mobile phones.

- In 2020, 90.1% of outstanding loans of NBFIs (using technological advances in financial services) were normal loans, 3.4% were overdue loans, and 6.5% were non-performing loans.

88.4%

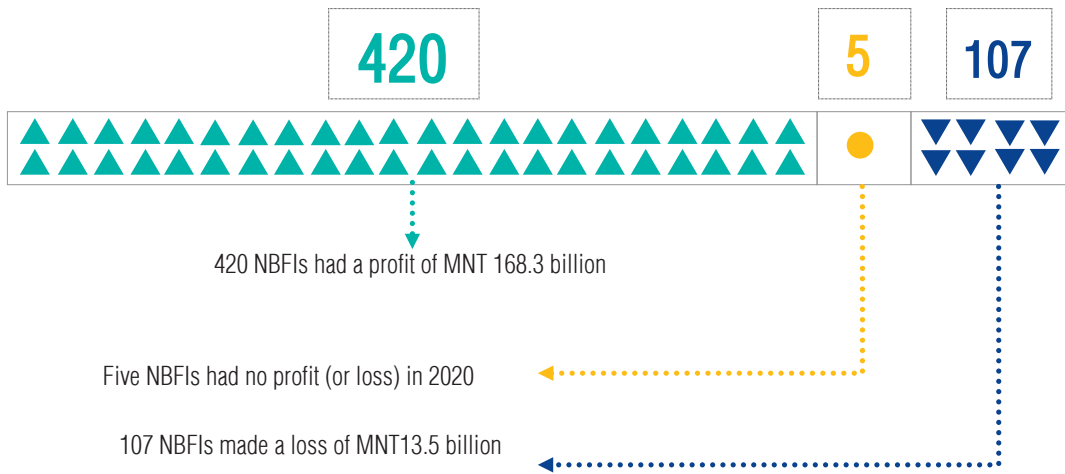
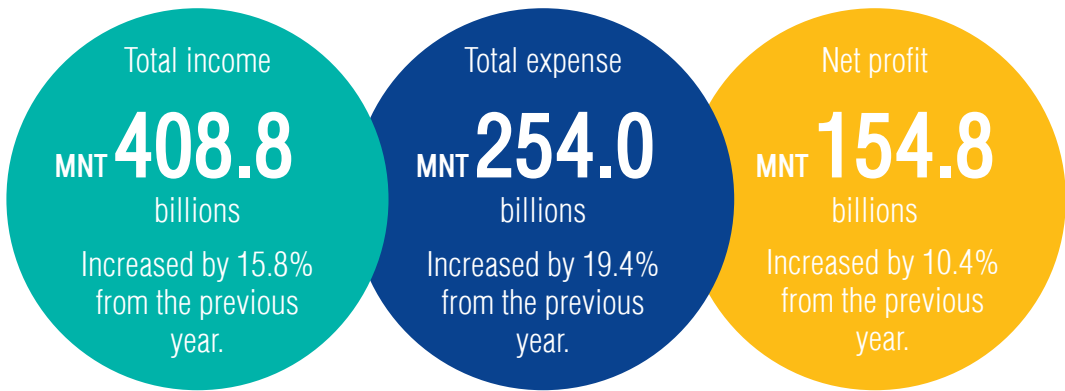


90.1% Normal
3.4% Overdue loans
6.5% Poor quality

Although it has a small share in the total loan balance of the sector – in terms of the share of loans issued and repaid – the loans from these NBFIs appear to be on good terms.

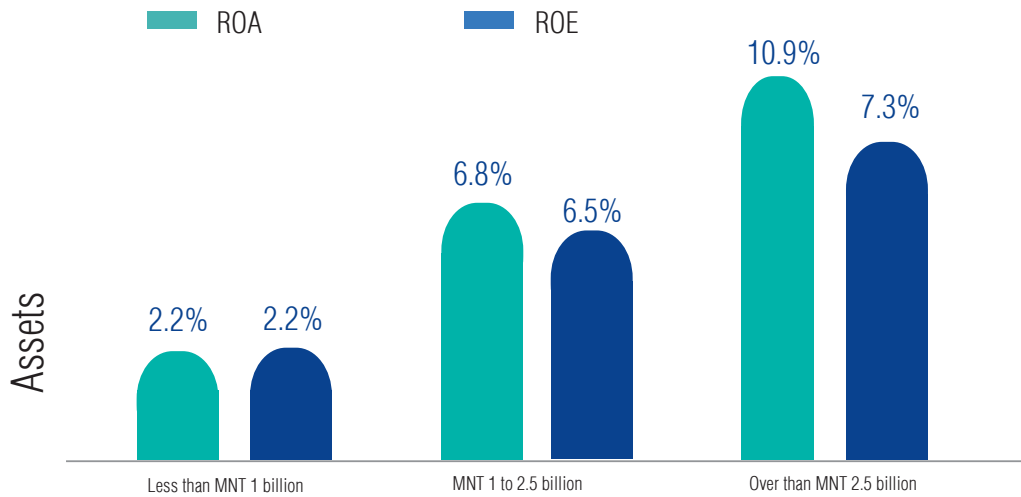
	NBFIs		Total assets		Total loans		Borrowers		Average loan amount per borrower (MNT, thousands)	Customers	
	Number	%	Amount (MNT billions)	%	Amount (MNT billions)	%	Number	%		Number	%
Fintech	15	2.8%	303.2	15.1%	77.4	5.8%	315,605	40.0%	245.2	2,515,149	88.4%
Traditional	517	97.2%	1,703.7	84.9%	1249.6	94.2%	472,453	60.0%	5,245.7	329,633	11.6%
TOTAL	532	100.0%	2,006.9	100.0%	1,327.0	100.0%	788,058	100.0%	1,683.9	2,844,782	100.0%

PROFITABILITY



	<1%	<5%	<10%	>10%		
Return on equity (ROE)	 2019 12.5%	 2020 11.4%	30.5%*	16.9%	14.8%	37.8%
Return on assets (ROA)	 9.3%	 8.3%	31.2%	17.9%	16.7%	34.2%

Number of NBFIs in the corresponding intervals of ROE and ROA (%)
 (*) For example: 30.5% of all NBFIs had an ROE of less than 1%



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

In terms of returns on total assets and the ROE of NBFIs (by share capital), half of NBFIs with equity of less than MNT1 billion had a return on total assets of less than 2.2%, Half of NBFIs with a share capital of MNT 1.0 to 2.5 billion had a ROA of less than 6.5% and half of NBFIs with equity of more than MNT2.5 billion had a return on total assets of less than 7.3%. In terms of return on assets, the relevant values are 2.2, 6.8 and 10.9%, in the three categories of assets (by size)..

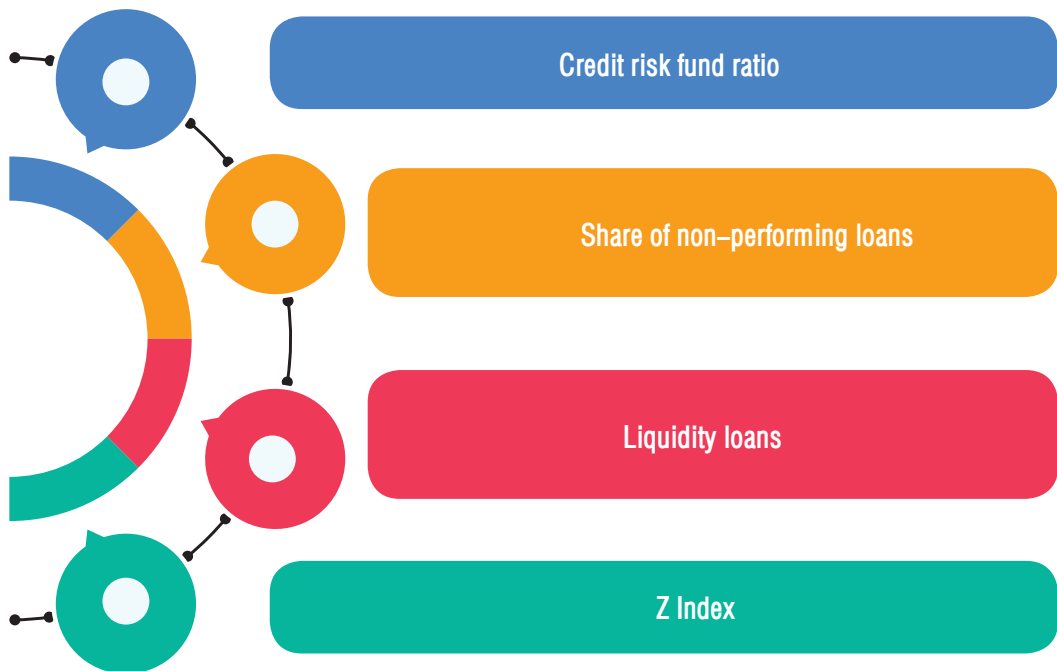
COST REVENUE RATIO

The ratio of expenses to income, which estimates the average cost of NBFIs to earn one MNT, was 46.6% in the reporting year, an increase of 3.0 percentage points from the previous year. That is, NBFIs spent an average of MNT46.6 to earn MNT100.0.



STABILITY

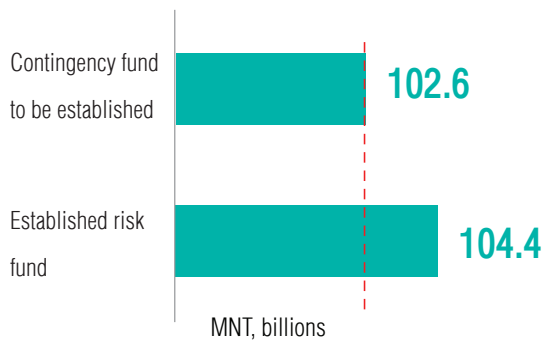
o The following four indicators of NBFIs were calculated in accordance with the AFI guidelines of *Alliance for Financial Inclusion* to determine financial access and financial stability.



CREDIT RISK FUND RATIO

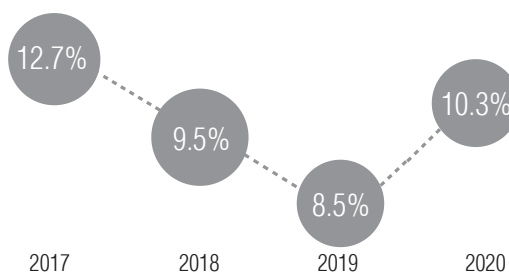
- o In 2020, the ratio was 101.8; accomplished by creation of a contingency fund and showing the ability to cover the risk by 101.8%.
- o This was a decrease of 0.5 percentage points from the previous year.

101.8%



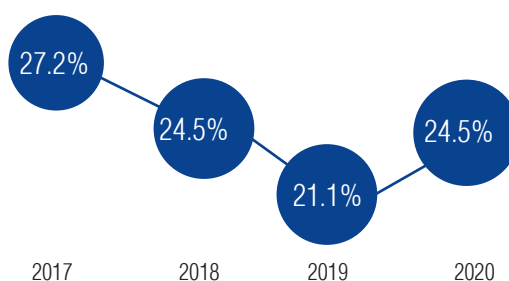
SHARE OF NON-PERFORMING LOANS

In 2020, non-performing loans reached MNT136.4 billion, and the amount of non-performing loans (among total loans) increased to 10.3%. This was an increase of 1.8 percentage points from the previous year.



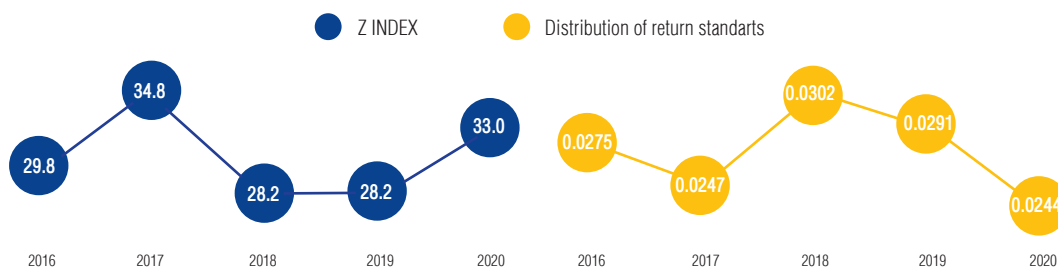
LIQUIDITY RATIO

- The ratio of cash and cash equivalents to total assets (liquidity) reached 24.5% in the reporting year.
- Cash growth in 2020 was 35.0%; 19.0 percentage points higher than total capital growth, so liquidity had increased by 3.5 percentage points from the previous year.



Z INDEX

The Z index shows the probability of an NBFIs going bankrupt; calculated by the sum of the return on assets and the ratio of equity to the volatility of the return on assets. The value of the Z index is higher when profitability and equity leverages are high, and low when returns are high and income uncertainty is high. That is, a high value of the index indicates low risk and stability. In 2020, the Z index of the non-bank financial sector had increased by 4.8 points from the previous year.



REGULATORY ENVIRONMENT



INTERNATIONAL COOPERATION

- o In cooperation with international professional associations and training institutions working in the field of coordination, the Commission, organized meetings with project consultants from the ADB. They prepared trainings on risk-based supervision in the sector and capacity building of NBFIs.
- o The FRC participated in a working group webinar and discussion on *Developing the environment and green economy during the COVID-19 epidemic*. The Financial Inclusion Association implemented a green finance project in the NBFIs sector.
- o The FRC provided information to NBFIs within the framework of the *Inclusive Green Finance Capacity of Regulated Entities* project implemented by the Association of Financial Inclusion (AFI) and received the results of the *Green Finance* survey from 266 NBFIs. And preparations were made for training on *Green Finance for Regulated Entities*.
- o Memorandums of understanding were signed with IFC on *Development of Green Finance* and *Joint Implementation of Supply Chain Financing Projects*.



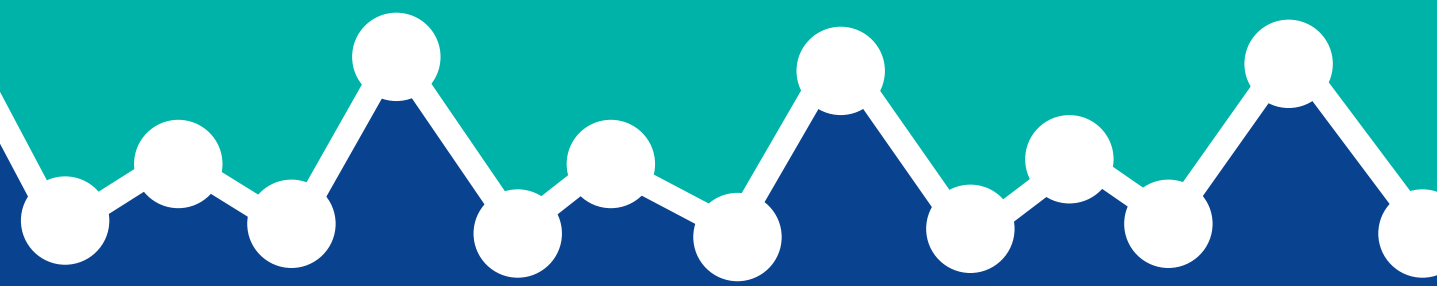
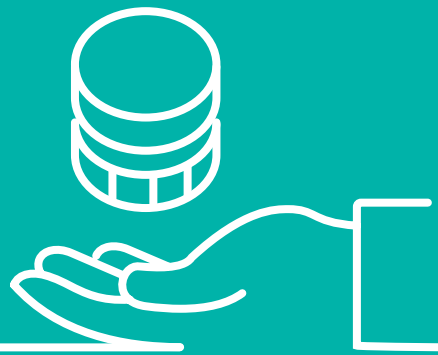
MEETINGS AND SEMINARS

- o In cooperation with the IFC and the International Factoring Association, training for NBFIs on *Development of supply chain financing and factoring activities* was organized on 14 and 15 January, 2020. Representatives of 70 NBFIs, 10 commercial banks, and 12 employees from the FRC were involved.
- o The FRC participated in a seminar on *Asia-Pacific Trade Agreement and Mongolia* organized by the UN Economic and Social Commission for Asia and the Pacific, and the Ministry of Foreign Affairs (of Mongolia).
- o The FRC participated in AFI's Working Group on Inclusive Green Finance, and in online conferences and seminars for members.
- o The FRC, in cooperation with the Mongolian Association of Non-Bank Financial Institutions, organized two trainings for senior executives of NBFIs.
- o The FRC participated in an online seminar on *Participation and policy support of financial regulators in sustainable financing* organized by the BoM, FRC, IFC and Sustainable Finance Association.
- o The FRC participated in an online seminar on *Responsible Banking Principles and Climate Risk Assessment* organized by UNEP FI, Golomt Bank and the Sustainable Finance Association.



POLICY AND LEGISLATION

- o The FRC discussed and approved the Resolution on *Procedure for increasing, decreasing, issuing, selling and transferring new shares of non-bank financial institutions* at the FRC meeting on 15 January, 2020, and approved it by Resolution No. 10 and registered it in the central database under number 4672.
- o Resolution No. 352 of the FRC of 10 June, 2020 amended the *Procedure for regulating and supervising the activities of the Loan Guarantee Fund*. This was registered in the state unified database of administrative norms under number 127.
- o Resolution No. 495 of the FRC of 29 June, 2020 amended the *Procedure for regulating and supervising foreign exchange trading activities of non-bank financial institutions* and registered it in the State Unified Fund of Administrative Norms under No. 4835. This was to regulate and monitor foreign exchange trading through a unified policy, create favorable business conditions for operators, and improve software, for customer identification. It also ensures the integrity of information of government organizations, assists obtaining customer information and trading results, and consumer rights in order to protect profits. The regulation has been developed, approved and implemented.
- o FRC Resolution No. 998 of 9 December, 2020 revised and approved the *Procedure for classification of assets of non-bank financial institutions, establishment and disbursement of asset risk fund*. It was registered in the state unified database of administrative norms under number 4925.
- o The *Regulation on classification of assets of non-bank financial institutions, establishment and disbursement of asset risk fund* was approved by the joint order No. 144/125 of the Chairman of the FRC and the Minister of Finance on 13 May 2015, and again on 18 March, 2020. It was amended by Joint Order No. 122/58 of January 1, 2020; and was implemented temporarily from 31 January, 2020 to 31 July, 2020.
- o The FRC approved Resolution No. 854 of 26 August, 2020 *On measures to be taken for non-bank financial institutions, savings and credit cooperatives*. According to this resolution, the time to be classified as overdue, abnormal, doubtful and bad loans was shortened from the scheduled number of days approved by the order No. 122/58. The amendment to this regulation expired on 31 July, 2020. Resolution No. 854 stipulates that if the loan principal and interest are repaid on time, it will be considered a normal loan, but if it is overdue by 90 days, it will be considered a normal loan also. The overdue loan category was changed from 1 to 90 days, to 91 to 150 days, and the non-performing loan category was more than 151 days (for overdue registration). It was been decided to implement this resolution until 31 December, 2020. The FRC Resolution No. 1020 of December 23, 2020 decided to extend the implementation period of the Resolution – based on the Resolution No. 183 of the Government of Mongolia – until 1 July, 2021.
- o In order to support the solvency of NBFIs in the current economic crisis, it was decided to postpone the payment of regulatory services by NBFIs to the state budget; from 1 April of each year to 31 July 2020; by Resolution No. 148 of 25 March, 2020. This allowed for a reduction in the debt burden of NBFIs' customers and borrowers.





SCCs

Total assets

MNT 256.0 billion

Capital growth 15.0%



Financial market status

Total branches 61

42.5% of all members have higher education



Accessibility

Loans for consumption and other related purposes

85.0%



Products and services

Profitability



Net profit

9.2
billion

Stability



Percentage of non-performing
loans (on total loans)

4.4%

Regulatory environment



FINANCIAL MARKET STATUS

NUMBER AND MEMBERS OF SCCs

- o In 2020, the 249 licensed SCCs was a decrease of 4.6 % compared to 2019.
- o In 2020 the 72,651 members of SCCs, was an increase of 2.4% compared to 2019 (when the total SCCs' members was 70,968)
- o Compared to 2016, the total number of SCCs had decreased by 11.1% (declined by 31 companies), and total members of SCCs – 26,468 – decreased by 57.3%.



EMPLOYEES

841

Total 841 workers (70.9% female workers) increased by 3.7% since 2019.

TOTAL

35,827

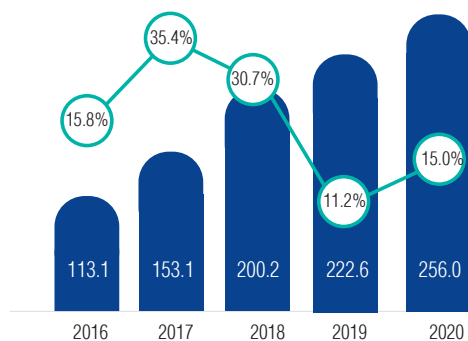
Borrowers

35,870

Depositors

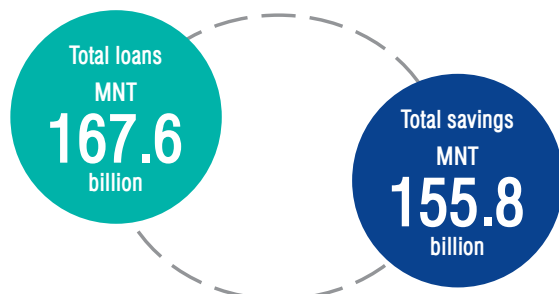
○ Total assets growth (MNT, billions)

■ Total assets (MNT, billions)



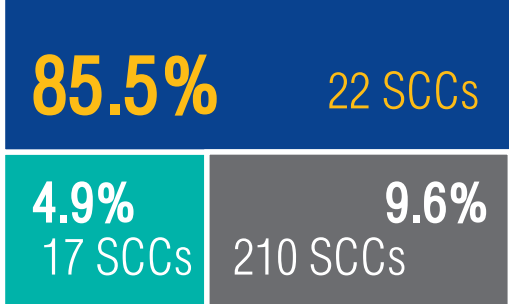
TOTAL ASSETS AND THEIR GROWTH

- o Net worth increased by 15.0% to MNT256.0 billion compared to the previous year.
- o Rate of capital growth increased by 3.8 percentage points compared to 2019.
- o Total net worth of SCCs increased by MNT142.8 billion (126.3%) compared to 2016..



TOTAL MARKET SHARE

- o 22 SCCs with net capital greater than MNT1 billion comprised 85.5% of the market.
- o 17 SCCs with net capital of MNT500 million to 1 billion, comprised 4.9% of the market.
- o 210 SCCs with net capital of under MNT500 million comprised 9.6% of the market.



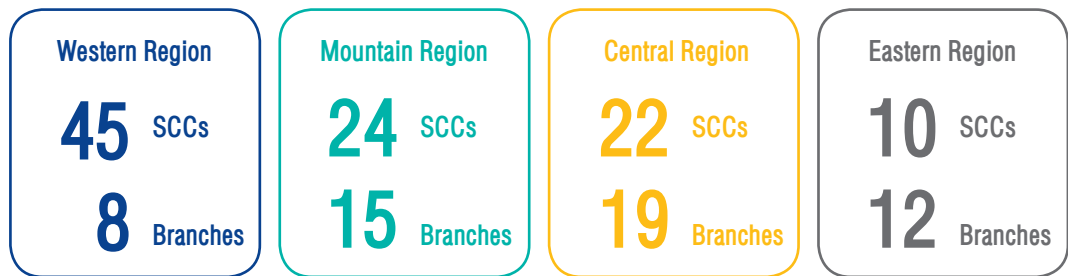
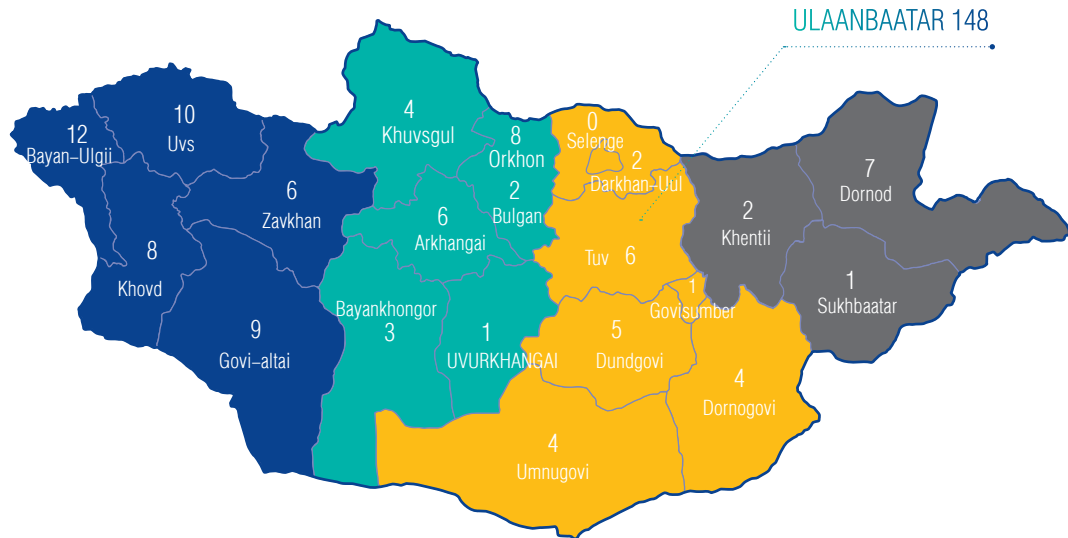
Assets and Liability structure of SCCs (MNT, billions)

Total assets	255.9	100%
Currents assets	251.6	98.3%
Cash	77.7	30.3%
Loan	162.6	63.5%
Receiveables	9.4	3.7%
Other current assets	0.9	0.3%
Other assets	1.0	0.4%
Non-current asset	4.4	1.7%
Fixed assets	4.2	1.6%
Intangible assets	0.2	0.1%
Investment and others	0.0	0.0%
Total liabilities and equity	255.9	100%
Liabilities	206.5	80.7%
Savings	182.2	71.2%
Short-term loan	3.0	1.2%
Other short-term debt/current liabilities	15.4	6.0%
Long term debt	5.9	2.3%
Own assets	49.5	19.3%
Member contribution	18.5	7.2%
Re-evaluation surcharge	0.3	0.1%
Cooperative property	30.7	12.0%

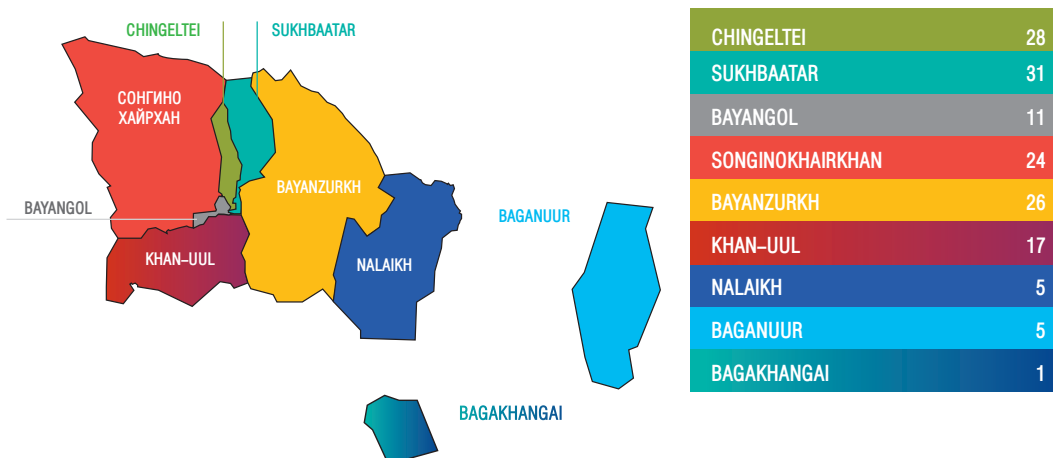


- o Current assets were 98.2% of total assets, and non-current assets were 1.8% of the net capital.
- o Cash assets were 22.6% of net capital, loan balance 71.0 %, and the balance of receivables was 3.8% of net capital.
- o Liabilities were 79.7% of net capital, and own assets were 20.3% of net capital.

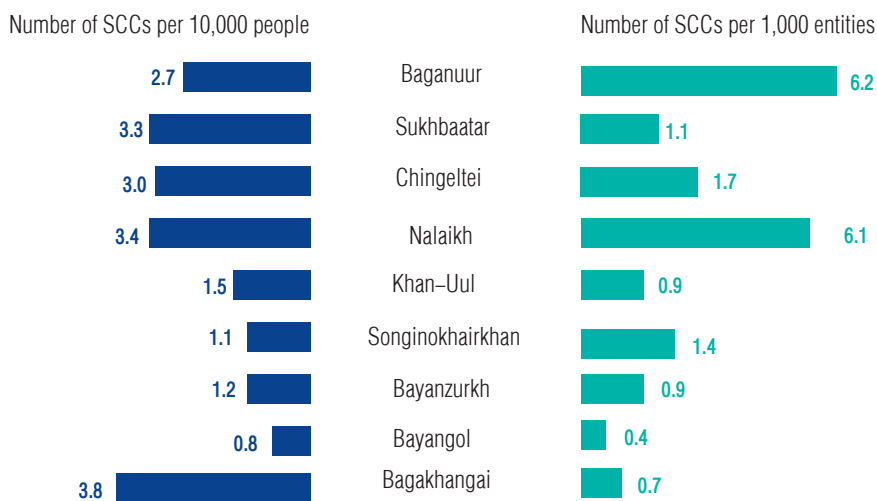
ACCESSIBILITY



- o Of all 249 listed SCCs, 148 were in Ulaanbaatar, and 101 are in rural areas.
- o Of all SCCs in rural areas, 44.5% were in Western Region, 9.9% in Eastern Region, 23.8% in Mountain Region, 21.8% in Central Region.
- o Of all 148 SCCs in Ulaanbaatar, 92.6 % were in the central districts, and 7.4% in the three remote districts.

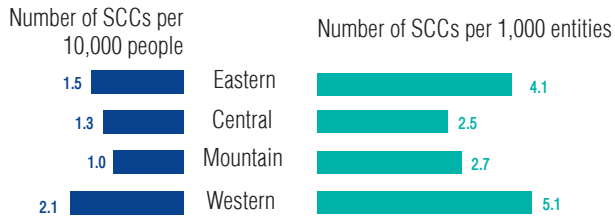


Financial inclusion indicators released by the AFI Data Working Group (in 2013) are shown below. These include the number of SCCs per 10,000 people (aged 18 to 64 years) and the number of SCCs per 1,000 entities.



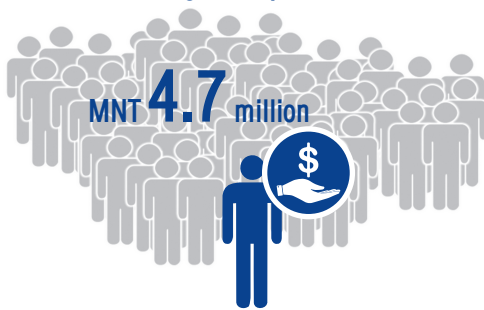
- o With respect to the number of SCCs per 1,000 entities, Baganuur district had 6.2, Nalaikh 6.5 and Chingeltei district 1.7; Bayangol district had least with 0.4.
- o For the number of SCCs per 10,000 people Bagakhangai had 3.8, Nalaikh 3.4, Sukhbaatar 3.3, and Chingeltei district 3.0.

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



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

Average loan per member



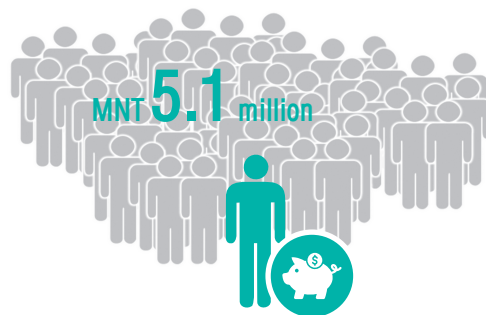
ACCESS TO LOANS

- o Nationally, one in 57 of all 18 to 64 year olds was a member of an SCC, and in receipt of a loan.
- o One in 76 in rural areas, and one in 44 in Ulaanbaatar were members of SCCs, and in receipt of loans.
- o Average loan (per member) among all members who received loans was MNT4.7 million nationally.
- o Average loan (per member) was MNT6.5 million in Ulaanbaatar and 2.1 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 69 people in rural areas, and one in 47 in Ulaanbaatar was a member of an SCC and engaged in saving.
- o Average savings per member (among all members holding saving accounts) was MNT5.1 million.
- o Average savings per member was MNT7.8 million in Ulaanbaatar and MNT1.6 million in rural areas.

Average amount of savings per member



MEMBERS OF SCCs

Male



53.7%

Female



46.0%

Legal entities



0.3%

BY AGE

18–35 years



29.3%

36–45 years



30.3%

46–55 years



23.8%

More than 55 years



16.6%

BY EDUCATION



Tertiary

Vocational

High school

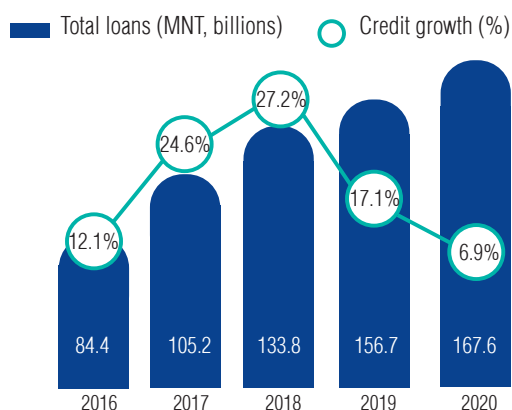
Secondary

Primary

PRODUCTS AND SERVICES

LOANS FROM SCCs

- In 2020, loans totaled MNT167.6 billion, an increase of 6.9% from 2019.
- Net loans increased to MNT162.6 billion (6.8%) from 2019, and credit risk fund increased to MNT5.0 billion (11.4%).
- In 2020, loans increased by MNT 83.1 billion (98.4%) from 2016.



Normal

92.3%



Overdue

3.3%



Poor quality

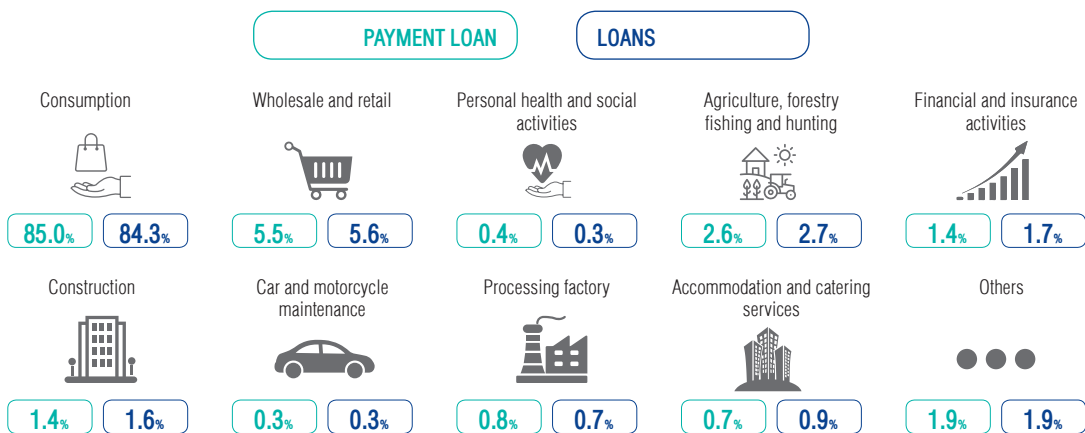
4.4%

LOAN QUALITY OF SCCs

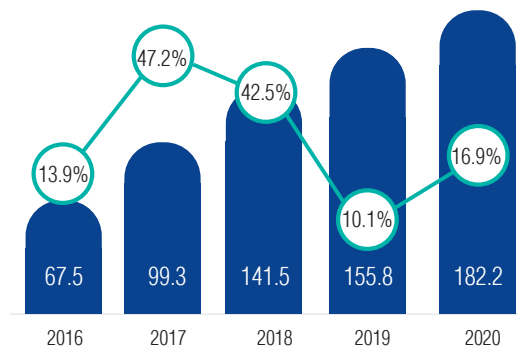
- In 2020 normal loans increased to MNT154.7 billion. (8.0%) from 2019.
- Normal loans accounted for 92.3% of total loans.
- Overdue loans decreased to MNT5.5 billion (23.9%) from 2019.
- Non-performing loans increased to MNT 7.4 billion (19.7%) from 2016 increased by 62% to MNT2.8 billion.

PURPOSE OF SCC LOANS

- Most (84.3%) of loans were issued for general consumption, 5.6% for wholesale and retail trade, and 2.7% for the agricultural sector.
- Of the total repaid loans, 85% were from general consumption, 5.5% from wholesale and retail trade, 2.6% from agricultural sector.



■ Total savings (MNT, billions) ○ Savings growth (%)

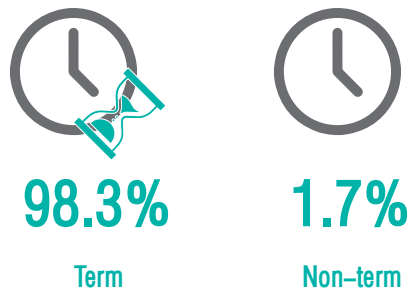


SCCs SAVINGS

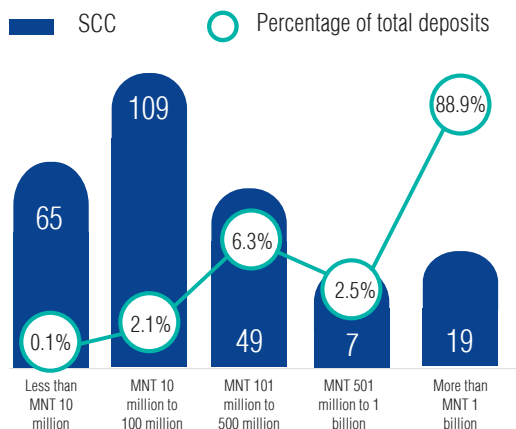
- o Total savings in SCCs increased by 16.9%, to MNT182.2 billion from 2019; and by 114.7% – to MNT114.7 billion – since 2016. .

TOTAL SAVINGS

- o Term savings accounted for 98.3%,
- o Non-term savings accounted for 1.7%.



- o In 2020, 236 SCCs (94.8%) had total savings of MNT182.2 billion.
- o The remaining 13 SCCs (5.2%) had no deposits at all.



PERCENTAGE OF TOTAL SAVINGS

- 19 SCCs with savings of more than MNT1 billion, accounted for MNT162 billion (88.9%) of total deposits of the sector.
- 165 SCCs with savings of MNT10 million to billion, accounted for MNT 19.9 billion (10.9%) of total deposits of the sector.
- 65 SCCs with savings of less than MNT10 million accounted for MNT0.3 billion (0.1%) of total deposits of the sector.



1.5%

Weighted average monthly interest rate on deposits



3.0%

Weighted average monthly interest rate

	2019.II	2019.III	2019.IV	2020.I	2020.II	2020.III	2020.IV
WAIR	3.4	3.12	3.4	3.1	2.9	2.9	3.0
WAIRD	1.5	1.45	1.55	1.5	1.5	1.5	1.5

SCCs with other activities

2019

2020

Licensed to provide project financing services and project implementation programs

104

90

Licensed to provide financial leasing services

3

3

Licensed to act as insurance agents

3

4

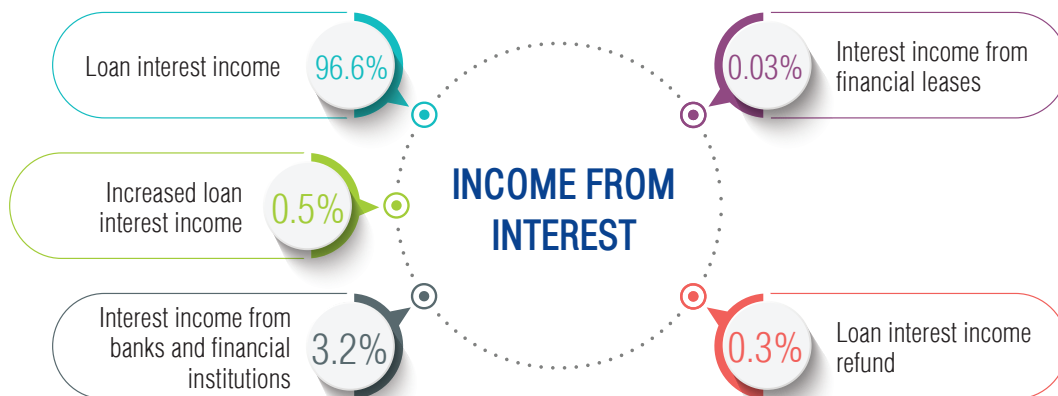
Licensed branches

54

61

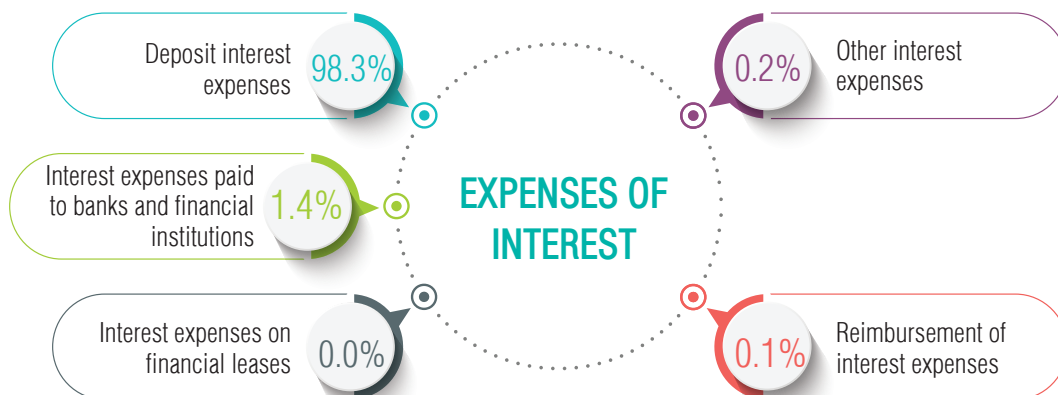
Income

- o Interest to SCCs increased by 4.3% – compared to 2019 – and reached MNT50.5 billion.
- o The largest portion of total interest income (96.6%) was loan interest.
- o Interest income from banks and financial institutions accounted for 3.2%, and increased interest income from loans accounted for 0.5%
- o Income from financial leasing was MNT17.0 million.



Expenses

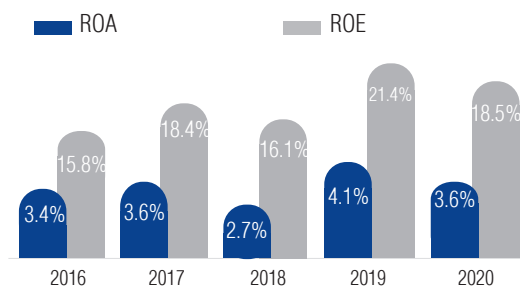
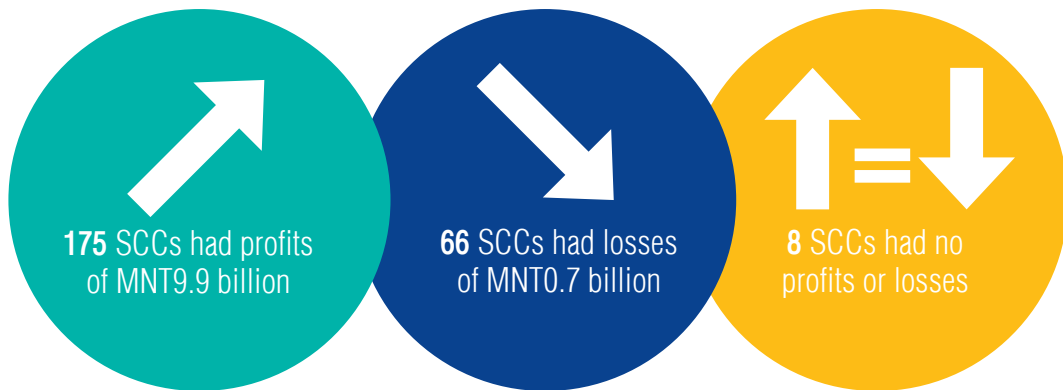
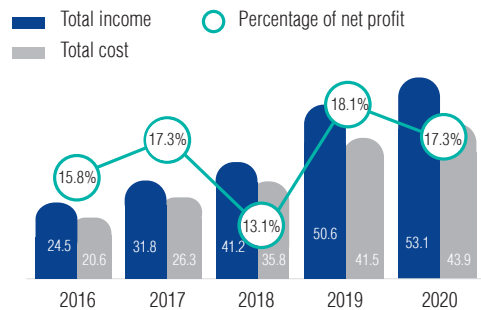
- o Interest expenses of SCCs increased by 8.4%, compared to 2019, and reached MNT29.3 billion.
- o Deposit interest rate was the highest (98.4%) of total interest expenses.
- o Interest paid to banks and financial institutions, which accounted for 1.5% of interest expenses, increased by 78.8% – compared to 2019 – to MNT443.1 million.
- o Interest expenses on financial leasing was not accounted in 2020.



PROFITABILITY

INCOME AND EXPENSES OF SCCs

- o In 2020, SCCs earned MNT53.1 billion in revenue, spent MNT43.9 billion in expenses and earned MNT9.2 billion in profit.
- o The share of net profits from total revenue decreased by 0.8 percentage points from 2019, and reached 17.3%.

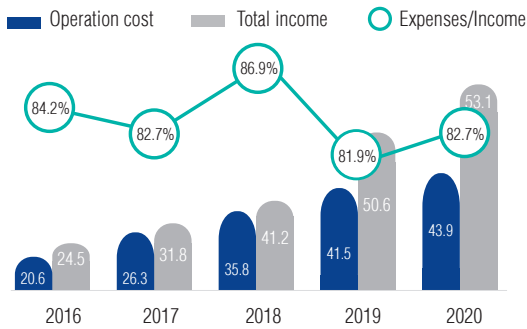
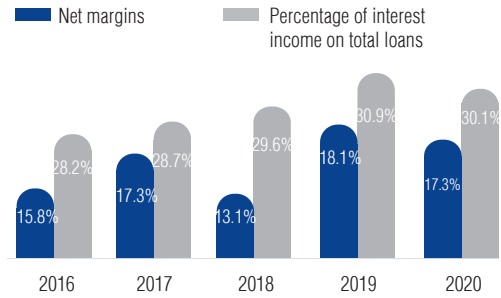


TOTAL RETURN ON EQUITY

- o ROE of SCCs decreased by 2.9 percentage points compared to the previous year and reached 18.5%.
- o ROA decreased by 0.5 percentage points to 3.6%.

KEY RATIOS

- o During 2020 the share of interest income on total loans to members decreased by 0.8 percentage points from 2019, and reached 30.1%.
- o The average income from loan services for SCCs was equivalent to MNT30.1 from each MNT100.
- o The ratio of net income to total income decreased by 0.8 percentage points from 2019 to 17.3%.



COST REVENUE RATIO

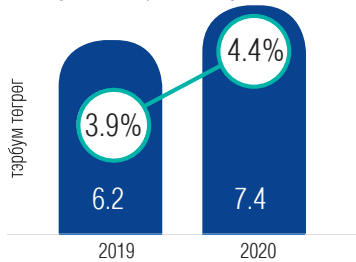
- o SCCs spent an average of MNT83 to earn MNT100.

STABILITY

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 (MNT, billions)
- Percentage of non-performing loans in total loans



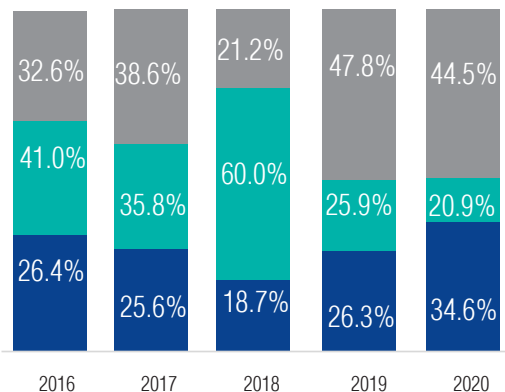
NON-PERFORMING LOANS OF SCCs

- Total amount of non-performing loans increased by MNT 1.2 billion from 2019, to MNT 7.4 billion in 2020.
- Share of non-performing loans to total loans increased by 0.5 percentage points from 2019 and amounted to 4.4% in 2020. According to prudential ratio standards of SCCs, this indicator should be less than 5.0%.

CLASSIFICATION OF NON-PERFORMING LOANS

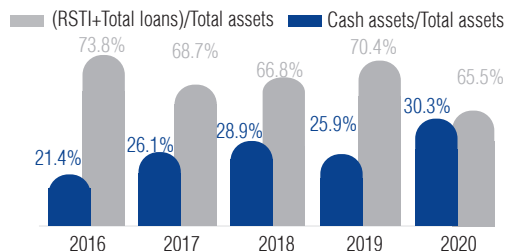
- The share of abnormal loans in the non-performing loans category increased by 8.3 percentage points from 2019, and amounted to 34.6% in 2020.
- Doubtful loans decreased 5.0 percentage points from 2019 and reached 20.9% in 2020 while the share of bad debts in non-performing loans amounted to 44.5%.

- Abnormal loans
- Doubtful loans
- Bad loans

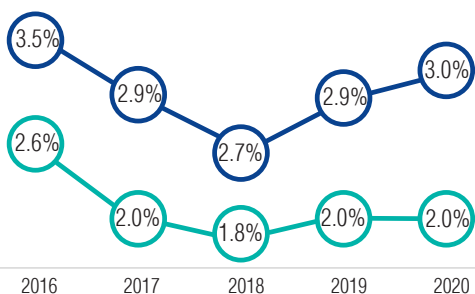


LIQUIDITY OF SCCs:

- o The ratio of monetary assets to total assets was equal to 30.3% in 2020.
- o The ratio of short-term investments and total loans to total assets was equal to 65.5%.



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



CREDIT RISK FUND

- o The share of the credit risk fund in total loans was 3.0%, and the share of credit risk fund in total assets amounted to 2.0%.

Ratio	Adequate level	2020
Loans received from others/Total loans	<20%	5.3%
Total savings/Total assets	20%–80%	71.2%
Net loans/Total assets	60%–85%	63.5%
Equity of cooperatives/Total assets	>5%	12.0%
Reserve fund/Equity of cooperatives	>10%	26.5%
Savings protection fund/Equity of cooperatives	>5%	6.2%
Stabilization fund/Equity of cooperatives	>5%	6.2%
Operating expenses/Total assets	<15%	4.5%

REGULATORY ENVIRONMENT



POLICY AND LEGISLATION

- Mongolia's shift to high level emergency preparedness hindered economic growth, disrupted individuals and business operations and adversely affected the country's finances and solvency. In order to reduce potential risks in the financial sector and maintain stability, amendments were made to the *Resolution for classification of assets of Savings and Credit Cooperatives*, and *Establishment and disbursement of asset risk fund*. This was approved by the joint decree No. 122/58 of the Chairman of the FRC and the Minister of Finance (18 March, 2020) and to be enforced until 31 July, 2020. The FRC's Resolution No. 854 of 2020 resolved to extend the term of this provisional procedure until 31 December, 2020, to coincide with the validity period of the COVID 19 *Law on Prevention, Control, and Reduction of Social and Economic Impacts*. Subsequently, by Commission's Resolution No. 1023 of 23 December, 2020, it was agreed to extend this to 1 July, 2021.
- FRC *SCCs prudential ratio statement* decree No 246, 2018, was extended (No. 1022, 31 Dec, 2020)
- A total of 285 SCCs that were registered by the National Register Authority but had not applied for licenses; or applied but were not registered (due to not matching requirements).
- The FRC meeting of 23 December 2020 (to request an SCC license, to establish an SCC branch and license on any other financial services) was postponed until 1 July 2021. As a result, FRC is working on a plan for long-term sector's stable development measures. Such as: SCCs savings insurance, stabilization fund, plan on SCC's risk identification, and risk control.
- Working in the sub-working group on revised *Law on Cooperatives* and other related laws, settled by decree No.2 (27 October, 2020) of Standing Committee on Economic Affairs, Mongolian Parliament.



INTERNATIONAL COOPERATION

- The FRC and Ministry of Finance's joint working group was established on 1 December – 2020 (No A/99) – to intensify the ADB and FRC joint project on *Expanding the Capacity of the Micro Finance Sector to Support Financial Access*. An online meeting of this working group was held on 17 December 2020, and included ADB regional and international advisors (to discuss the 2020 report and the 2021 plan).



MEETINGS AND SEMINARS

- o On 28 October 2020, the National Risk Assessment of SCCs – vulnerability risk assessment discussion – was held within the framework of anti–money laundering and combatting the financing of terrorism (using World Bank methodology).
- o On 6 November 2020, a meeting was held on the current status of information for members of the micro finance policy board.
- o The FRC seminar with AFI on *Green Finance* – for other non–banking financial authorities – was planned and prepared for 12 November 2020, but postponed (due to the State Special Commissions decision (No12, 11 November 2020) to ban public meetings for an indefinite period.



INTERNATIONAL RECOMMENDATIONS

The World Council of Credit Unions (WOCCU) developed nine recommendations on actions related to anti coronavirus (COVID 19) measures:

1. Regulatory flexibility
2. Designation of essentials
3. Capital standards
4. Accounting standards
5. IT issues
6. Members facing relief items, for credit unions to consider
7. Runs on cash/ liquidity
8. Reporting requirements
9. Regulatory relief



CREDIT GUARANTEE FUND

Total assets

MNT 147.1 billion



Financial market status

Average amount of
one guarantee

MNT 196.2
million



Accessibility

Number of requests
submitted 128

Number of
requests allowed 72



Products and Services

Profitability



Total income

MNT **8.3** billion

Total profit

MNT **4.2** billion

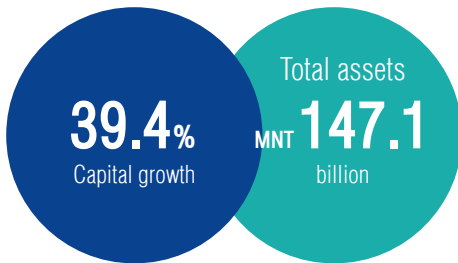
Stability



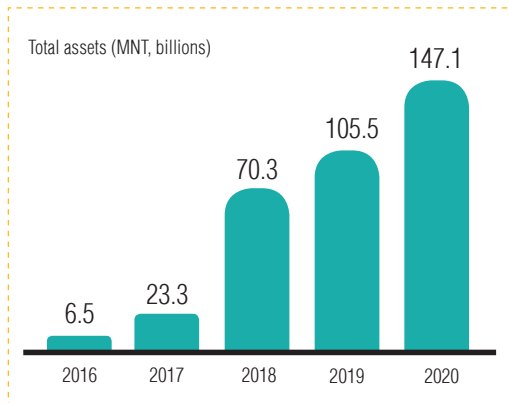
Percentage of non-performing
guarantees

18.0%

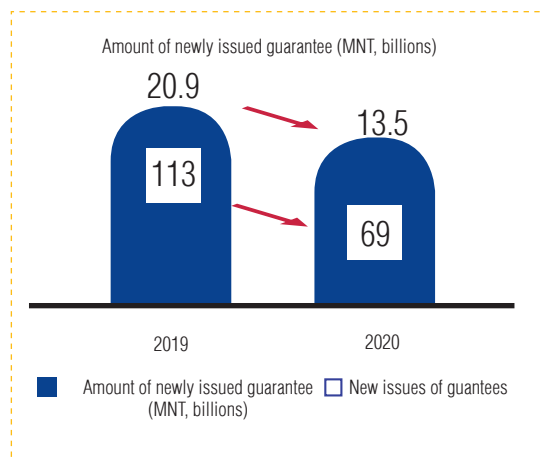
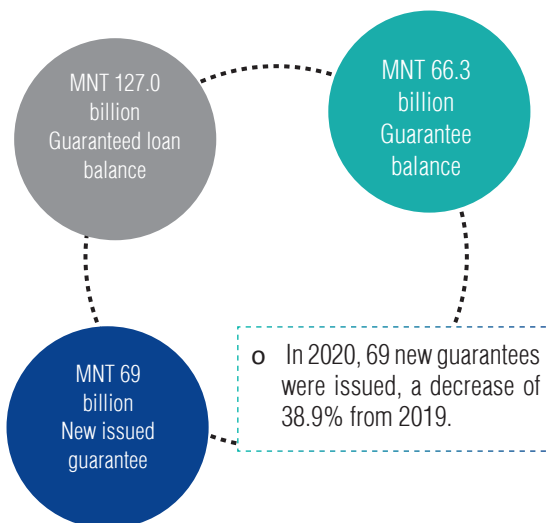
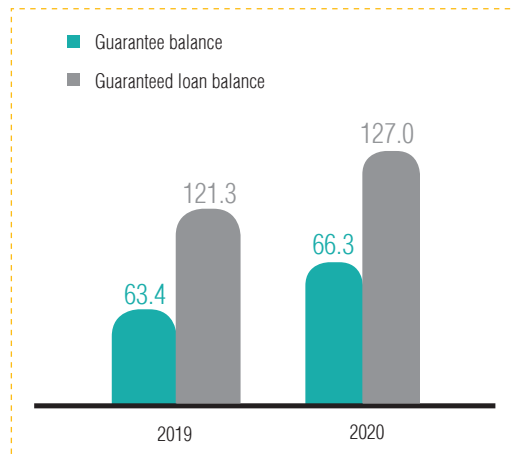
FINANCIAL MARKET STATUS



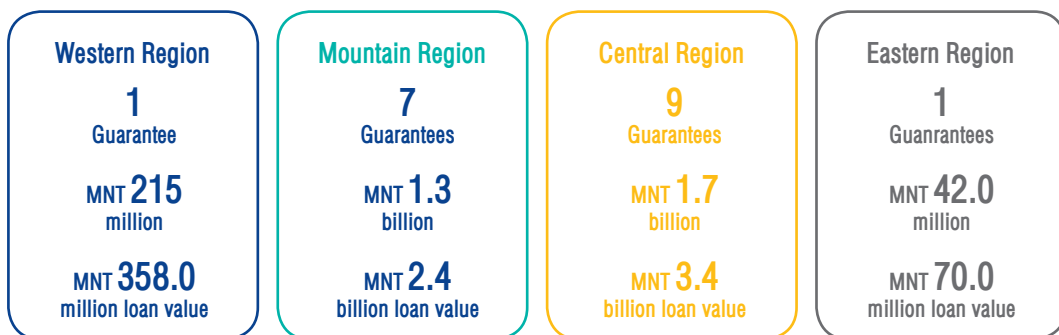
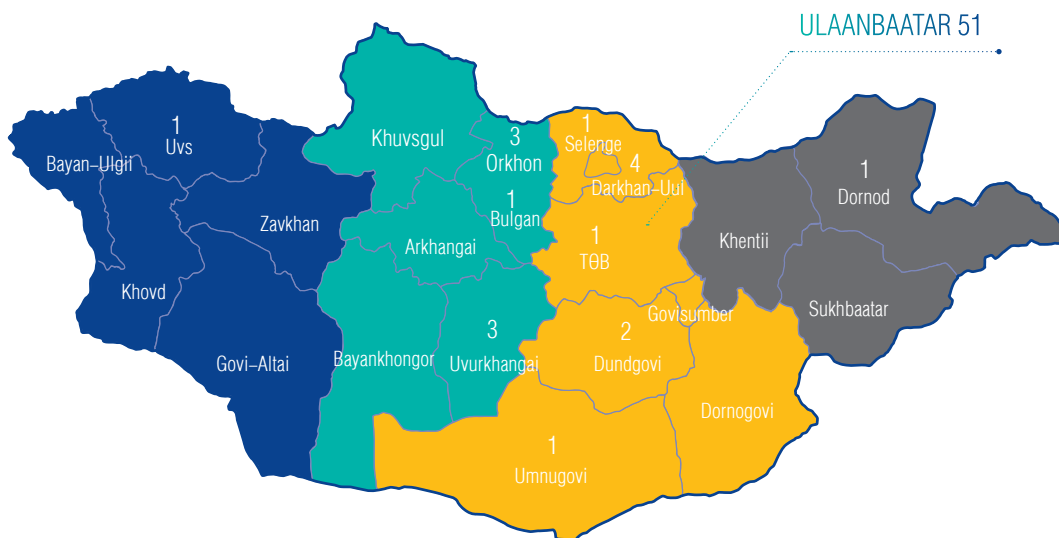
In 2020 the total assets of the Fund increased by MNT41.6 billion (39.4%) and reached MNT147.1 billion.



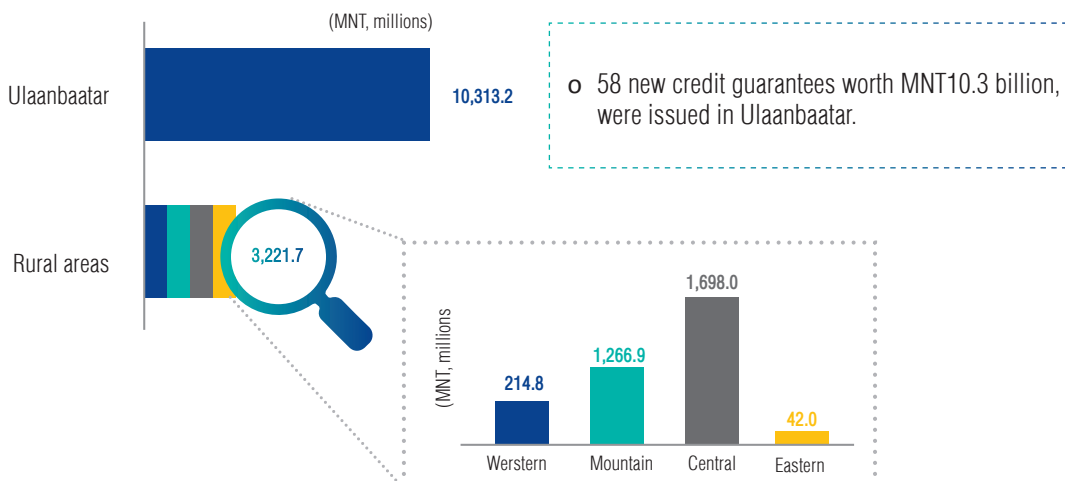
- o In 2020 the Fund's guarantee balance reached MNT 66.3 billion, an increase of MNT2.9 billion (4.5%) compared to 2019.
- o Guaranteed outstanding balance increased by MNT5.7 billion (4.7%) from 2019 to reach MNT127.0 billion.

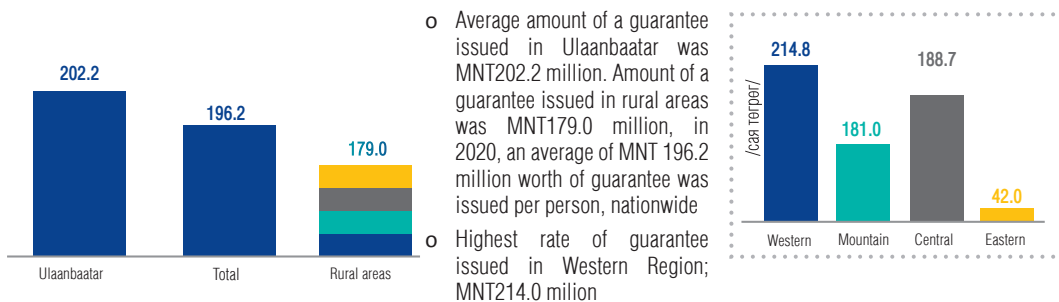
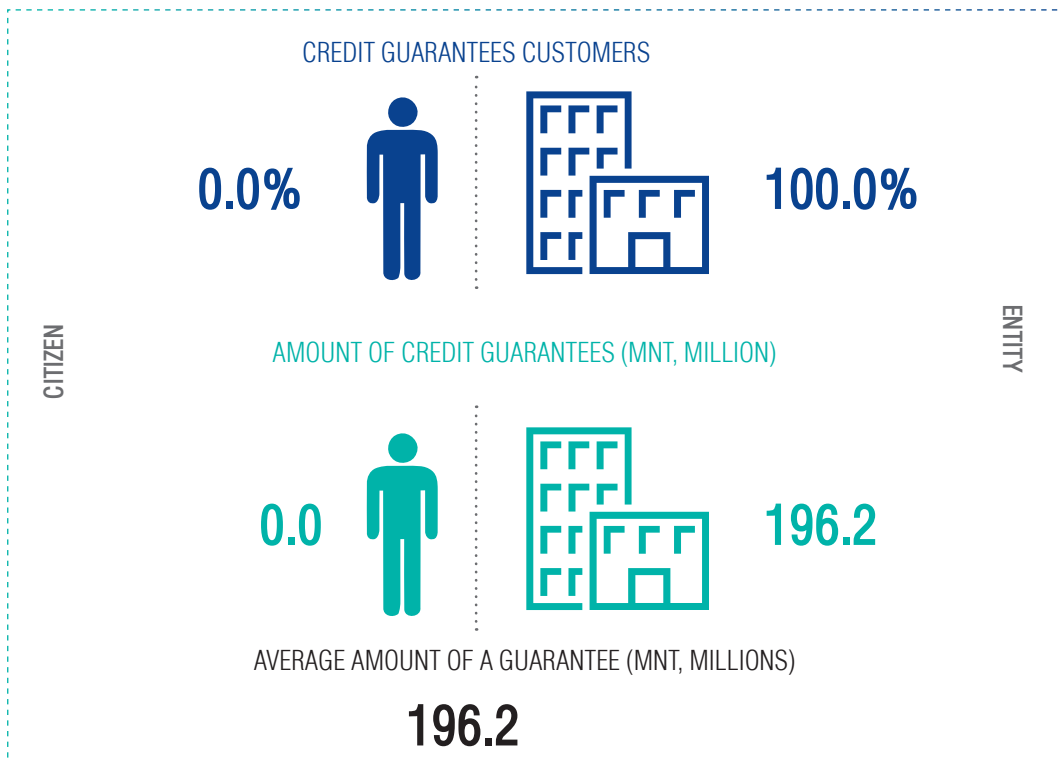
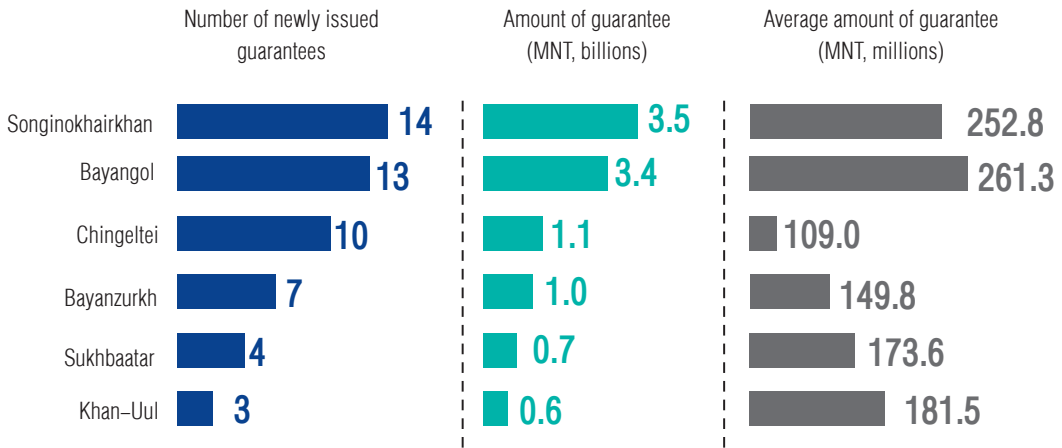


ACCESSIBILITY



AVERAGE AMOUNT OF GUARANTEE

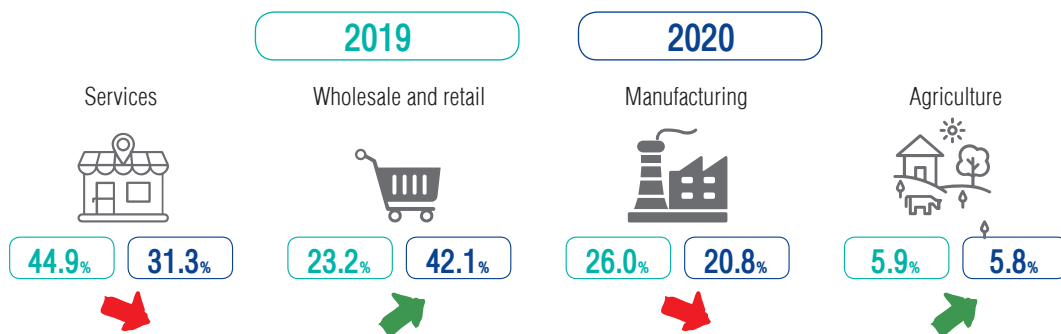




PRODUCTS AND SERVICES

	Number of applications for a guarantee	Number of applications approved	Approval rate
2017	107	62	57.9%
2018	356	162	45.5%
2019	193	113	58.5%
2020	128	72	56.3%

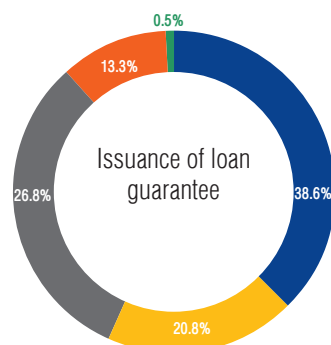
In 2020, a total of 128 applications for guarantees were received, of which 72 were approved. The number of submitted applications were lower (by 33.7%) and approved guarantees were lower (by 36.3%) than in 2019.



In 2019, most guarantees were issued in the manufacturing sector, while in 2020, guarantees issued in the wholesale and retail market predominated. In 2020, guarantees in the agricultural and service, manufacturing sector decreased.

- o Since the end of 2016, the average guarantee period has increased.
- o The average guarantee period for 2020 was 88.5 months (7.4 year).

88.5
month

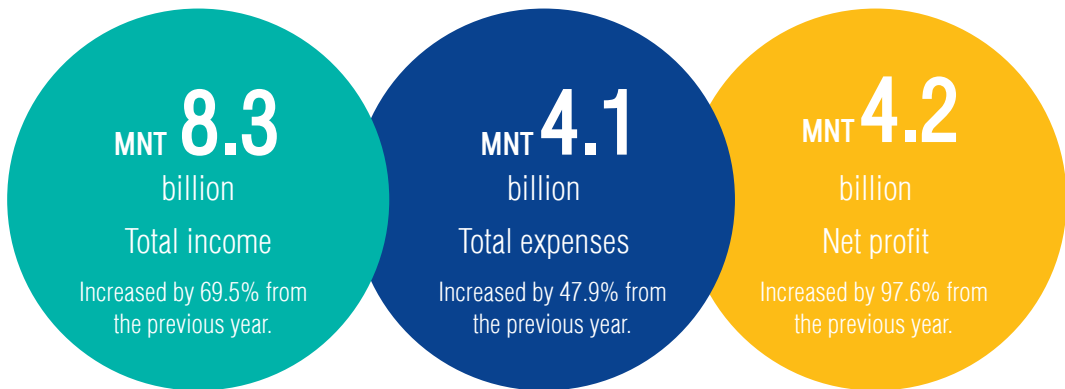


Issuance of loan guarantee (by bank)

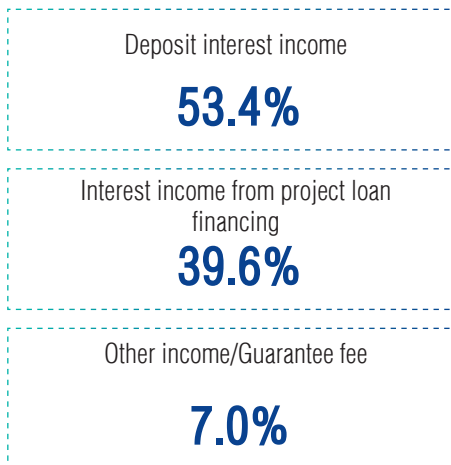
- State bank
- Capitron
- TDB
- Khaan
- Khas

In 2020, 38.6% of the Fund's guarantees were issued by the State Bank, 26.8% by the Trade Development Bank, 20.8% by the Capitron Bank, 13.3% by the Khan bank, 0.5% by the Khas Bank.

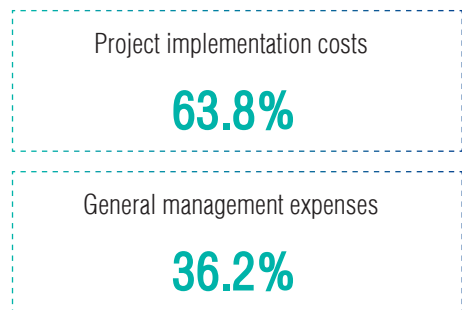
PROFITABILITY



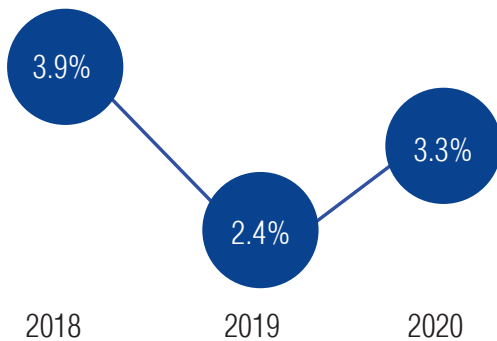
Revenue structure



Cost structure



Return on total assets

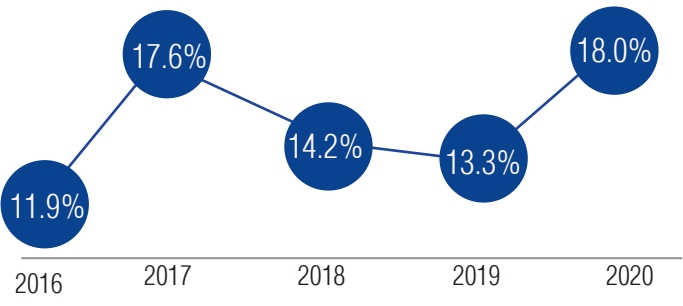
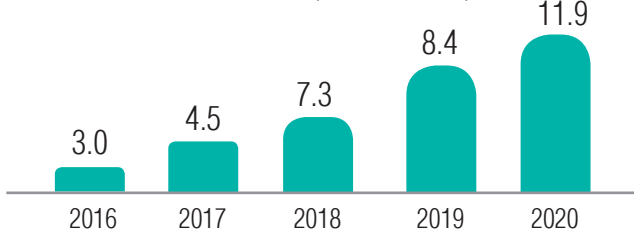


- o In 2020, the ROA was 3.3%; 0.9 percentage points greater than 2019.
- o Net profit per unit of guarantee fund increased 0.9 percentage point compared to 2019.

STABILITY

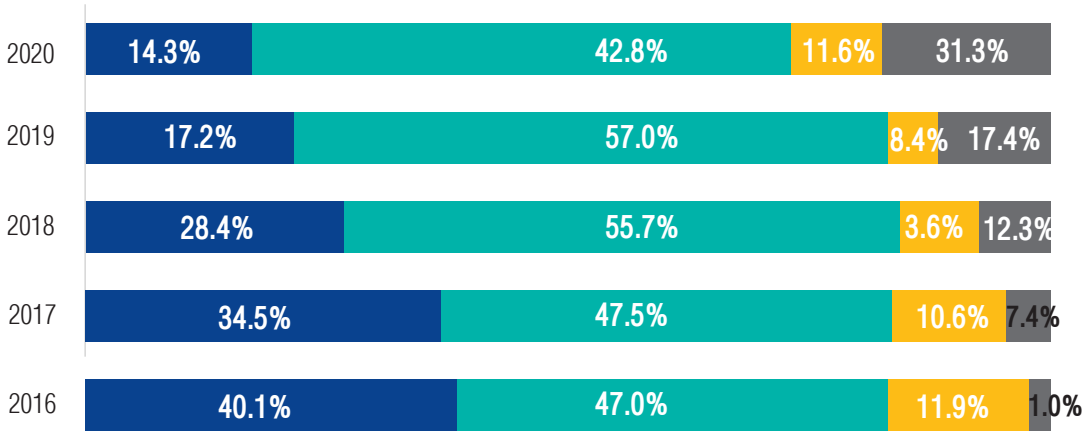
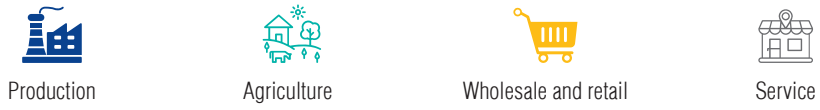
o In 2020, the balance of non-performing guarantees amounted MNT11.9 billion.

Balance of poor quality guarantees (MNT, billions)



The share of non-performing guarantees in the total outstanding balance increased by 4.7 percentage points from 2019, and amounted to 18.0% in 2020.

o Among non-performing loans, 42.8% were in the manufacturing sector, 31.3% in services, 14.3% in the agriculture sector, and 11.6% in wholesaling and retailing.
 o The share of non-performing guarantees in the manufacturing and agriculture sectors had been declining year-by-year, while the share of non-performing guarantees in the services sector increased.





REAL ESTATE BROKERS (and AGENTS)

Regulated entities

167



Market outlook

Intermediate (selling
and buying) real estates
of MNT 281.9 billion –
Products and services



Products and Services

Net profit

MNT **0.17**
billion



Profitability

Accessibility



98.2% of entities
operated in Ulaanbaatar

Regulatory environment



MARKET OUTLOOK



Entities with licenses issued by the Commission

167

It is prescribed by law that real estate brokers (REBs) and agents operate their business with licenses issued by the Commission.

At the Commission's meeting on 22 April 2021, the first licenses were issued to REBs. In 2020, 167 entities were provided with licenses. It was 19.4% higher in the 4th compared to the 3rd quarter of 2020.

Entities with licenses

Brokers
188



Agents
1,171



On average, entities had one broker, and seven agents. The highest number of agents was 106.

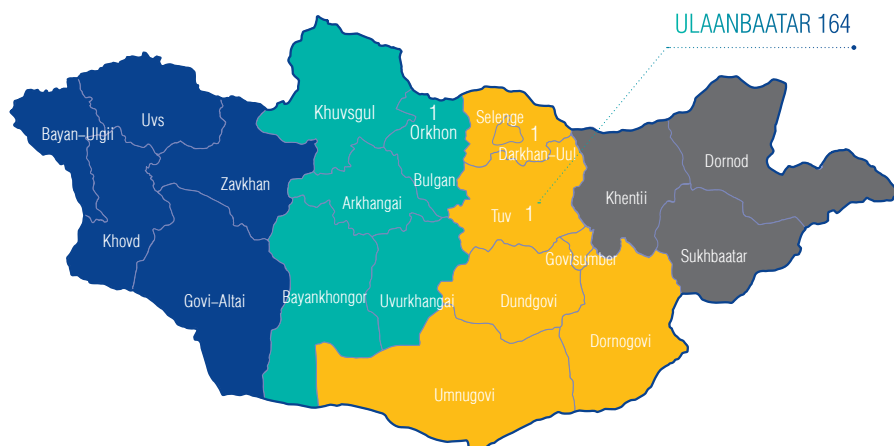
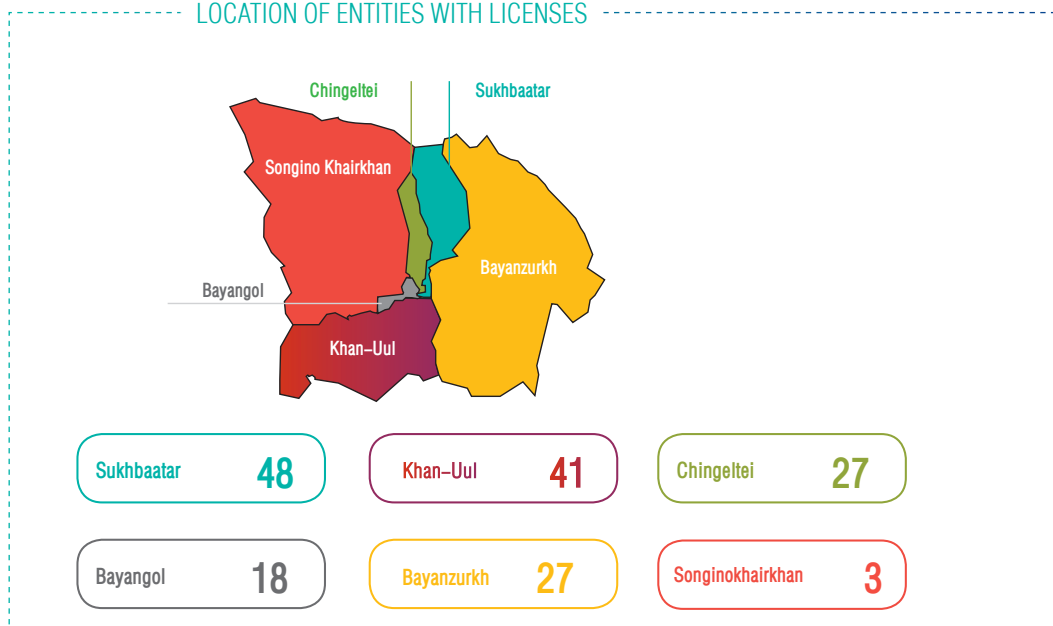


SHARE CAPITAL

The total share capital of 230 shareholders of entities with licenses was MNT19.8 billion.

ACCESSIBILITY

LOCATION OF ENTITIES WITH LICENSES



LOCATION

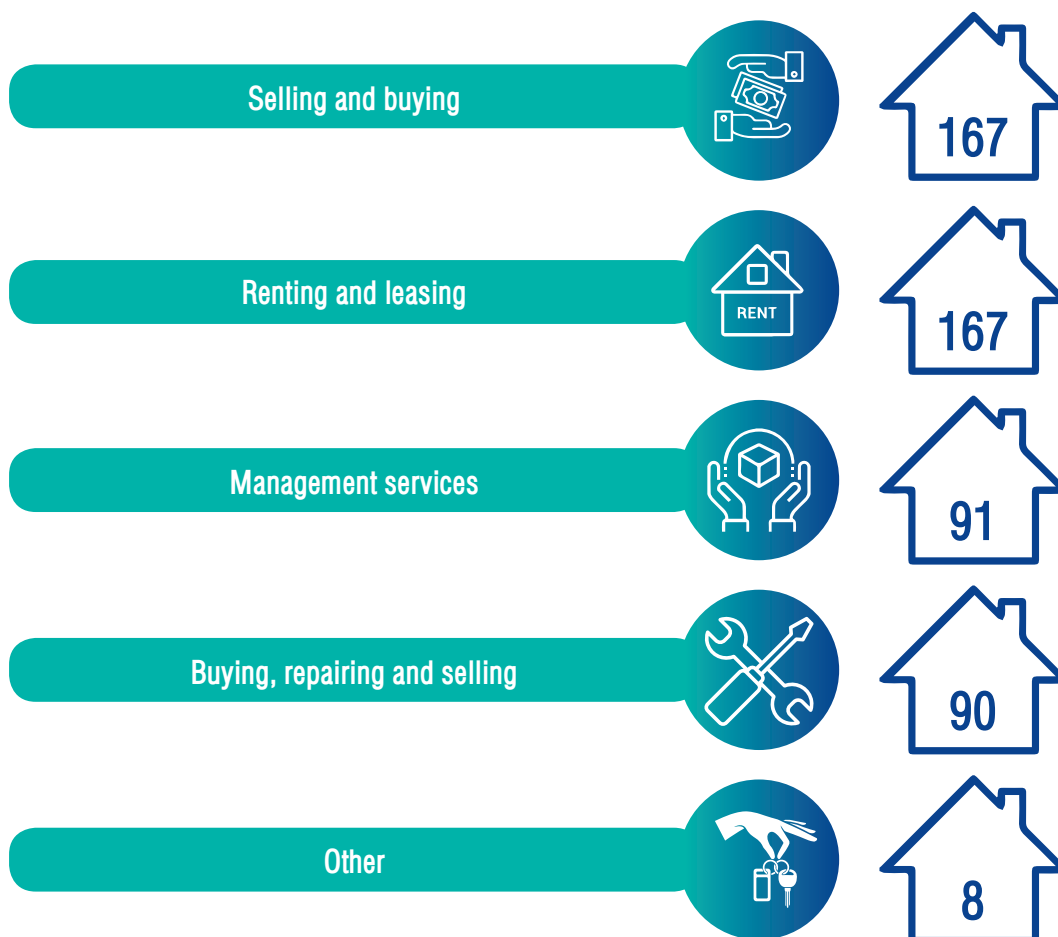
Nearly a third (28.7%) of entities with licenses in Ulaanbaatar were in Sukhbaatar district, 24.5% in Khan-Uul, 16.2% in Chingeltei, 16.2% in Bayanzurkh, 10.8% in Bayangol, and 1.8% in Songinokhairkhan district. Three entities (1.8%) were in the provinces.

NOTE

The real estate market is one of the socio-economic significant sectors in Mongolia, and it constitutes 5.2% of nominal GDP.

PRODUCTS AND SERVICES

THE NUMBER OF REAL ESTATE BROKERS AND AGENTS, AND TYPES OF SERVICES (WITH DOUBLE-COUNTING)



NOTE

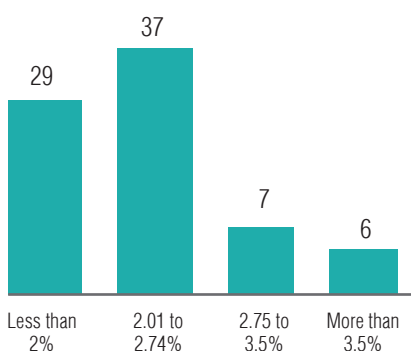
In terms of international definitions, a real estate agent or broker is a person licensed by the state to represent sellers or buyers in negotiating sales agreements and closing real estate transactions. Their salary depends on how they make agreement, since they are paid from the purchase price.

Ref: Investopedia, <https://www.investopedia.com/terms/r/realestateagent.asp>

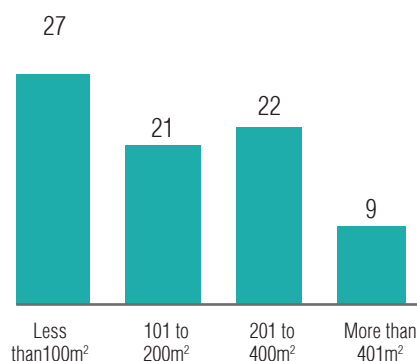
SELLING AND BUYING SERVICES

In 2020, 215 REBs sold and bought real estate with the total size of 610,300 m² and a value of MNT281.9 billion.

Amount of fee
(by number of REBs/agents)



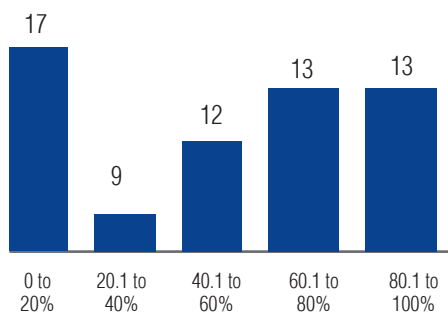
Size/area
(by number of REB/agents)



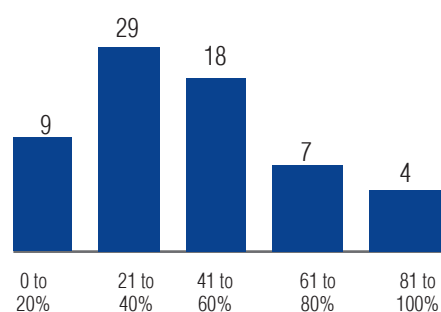
RENTING AND LEASING SERVICES

In 2020, 126 REBs/agents rented and leased real estate with the total size of 88,600 m² and a value of MNT39.9 billion.

Amount of fee
(by number of REBs/agents)



Size/area
(by number of REBs/agents)



Note: The rental fee is deducted from the monthly rent.

PROFITABILITY

TOTAL ASSET AND NET PROFIT

In 2020, total assets of REAs was MNT43.7 billion, and net income was MNT0.17 billion.

KEY INDICATORS OF FINANCIAL STATEMENTS

Current asset

MNT 15.9
billion

Non-current assets

MNT 27.8
billion



Liabilities

MNT 24.0
billion

Owner's property

MNT 19.7
billion

Key indicators of income statement

Total income
MNT 20.8
billion

—

Total costs
MNT 20.6
billion

=

Net profit
MNT 0.17
billion

Gross margin

42.0%

Net marginal profit

0.8%

REGULATORY ENVIRONMENT



INTERNATIONAL COOPERATION

- o Within the scope of the *Strengthening Fiscal and Financial Stability* project being implemented by the World Bank, several meetings with national consultants were held. The objectives included: creating a database of the real estate market, designing the software program of digital data registration, and defining the demands and needs for consultancy services. Within the framework of developing the ToR of registration and creating the database; needs and demands were introduced, and a work plan was approved on 14 September 2020.



POLICY AND LEGISLATION

- o The Regulation on *Issuance and Registration of Licenses, Permissions, and Rights for Real Estate Brokers (Agents)* was approved by Resolution No 120 of the Commission on 2 March 2020.
- o The Regulation on *Conducting On-site and Off-site Supervision of real estate brokers (agents)* was approved by Resolution No.181 of the Commission.
- o The amount of regulatory fees from REBs (and agents) was set by Resolution No. 121 of the Commission on 11 March 2020.
- o With cooperation with the General Authority for State Registration of Mongolia, activities of 6,728 REBs (and agents) without licenses were revoked by the Statement No. 4737 of State Inspector on 24 September 2020.
- o Sub-working groups with responsibilities for conducting national risk assessments of AML/CFT, and reporting were established by the Resolution No. 90 of the Minister of Finance on 27 April 2020. Within this framework, vulnerability assessments of the non-bank financial sector and professional service providers were conducted, and the report of risk assessments was developed.



MEETINGS AND SEMINARS

- o On 30 October 2020, the *Discussion of National Risk Assessment of Money Laundering* was organized within the Ministry of Justice. Twelve representatives of government organizations, and 16 representatives from among DPMS and REBs (and agents) sectors participated. During the discussion, *Risk Assessments of Money Laundering* of the two sectors were introduced, and feedback and comments in improving risk assessments and the legal environment were collected.



DEALERS IN PRECIOUS METALS AND STONES

Number of dealers

30

Legal entities

399

Individuals



Market outlook

Precious metals sold
and bought

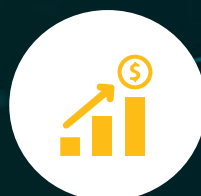
MNT **1.2**
trillion



Products and Services

Total income

MNT **2.8**
trillion



Profitability

Accessibility



83.2%

Operated in Ulaanbaatar

Regulatory environment



MARKET OUTLOOK

NUMBER OF ENTITIES WITH LICENSES

In 2020, 30 entities and 399 individuals operated with licenses, since the first license was issued on 6 May, 2020. In the 4th quarter of 2020, the number of entities increased by 13, and the number of individuals increased by 27, compared to the 3rd quarter of 2020.

Entities (dealers in precious metals and stones, and dealers in products made by them)

30



57

Individuals (dealers in precious metals and stones, and dealers in products made from them)

Individuals (dealers in precious metals and stones)

111



231

Individuals (dealers in products made from precious metals and stones)

SHARED CAPITAL

The amount of shared capital of 46 shareholders in 30 entities with licenses was MNT8.2 billion.

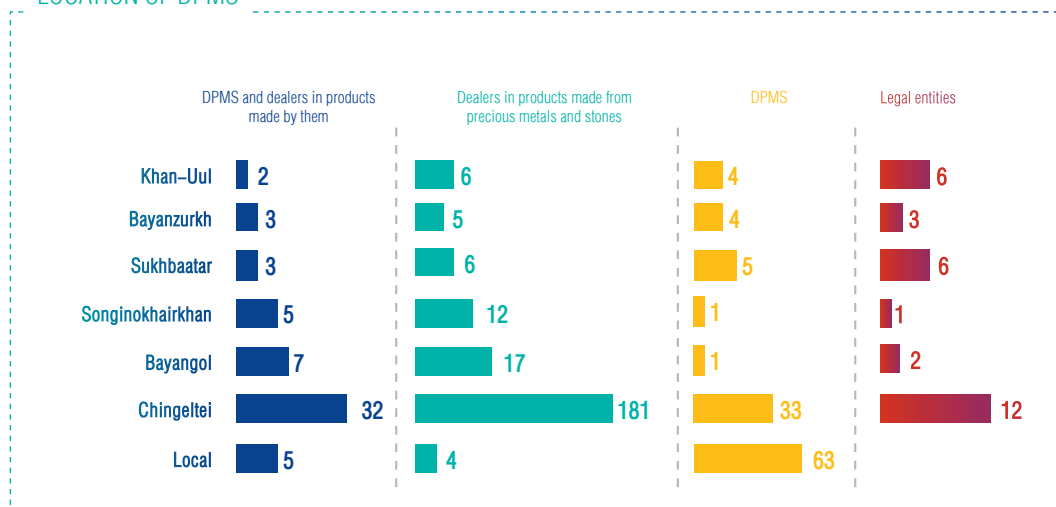
Most (83.2%) of entities and individuals with licenses operated in Ulaanbaatar, while 16.7% were in the provinces.

In Ulaanbaatar

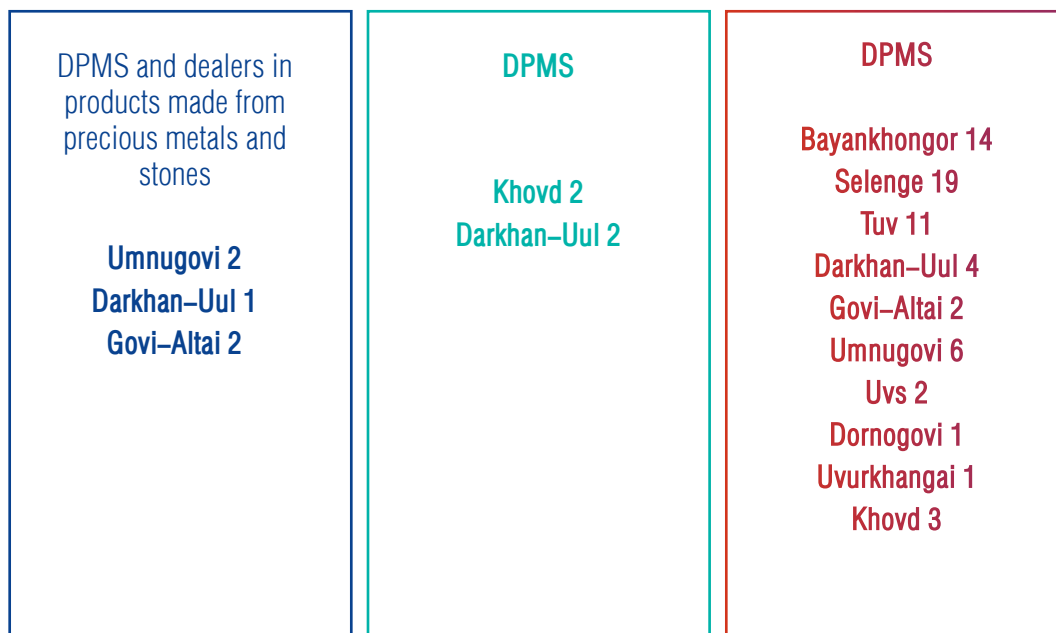
83.2%

ACCESSIBILITY

LOCATION OF DPMS



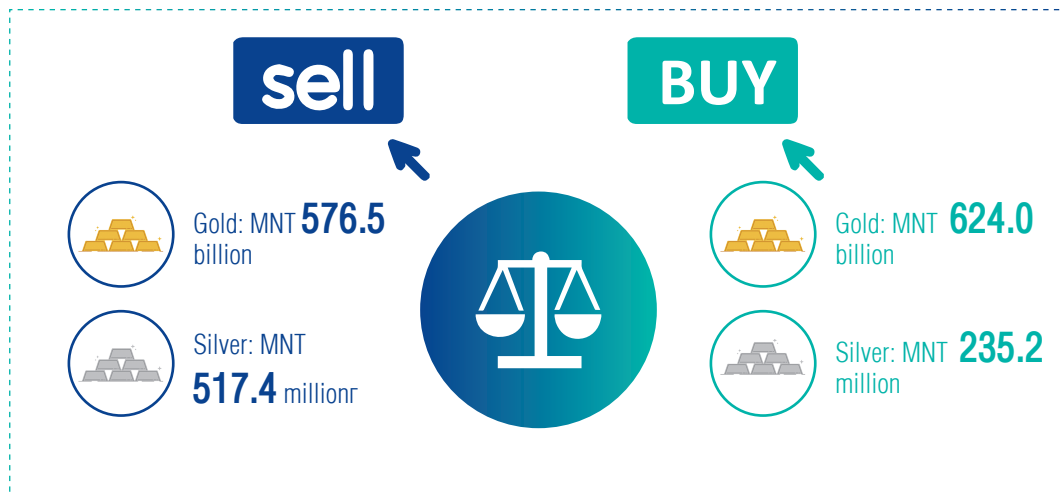
DPMS were mostly located in provinces, while dealers in products made from precious metals and stones were in Ulaanbaatar. In particular, 56.8% of DPMS were in the provinces, and 43.2% in Ulaanbaatar.



PRODUCTS AND SERVICES

METALS BOUGHT AND SOLD

In 2020, precious metals with a value of MNT624.2 billion were bought and MNT577.0 billion sold.

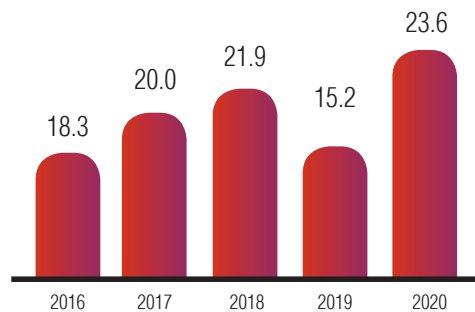


NOTE

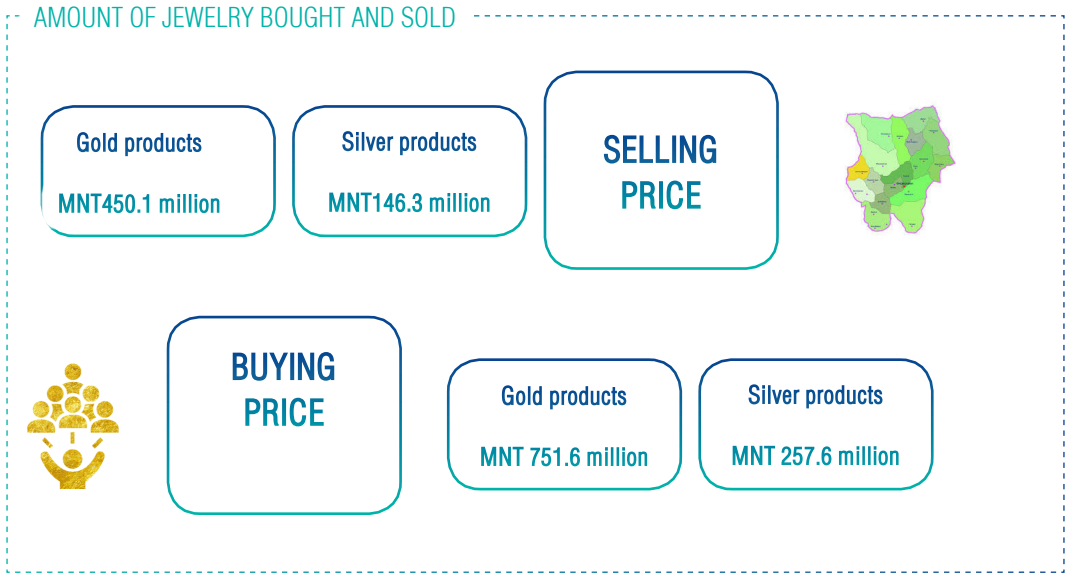


As of 31 December 2020, the price of one gramme of gold was MNT172,747.12, and the price of one gramme of silver was MNT2,318.29, according to the BoM.

The amount of precious metals bought by the BoM (tonnes).



Ref: Mongolbank statistics, Price of gold and silver

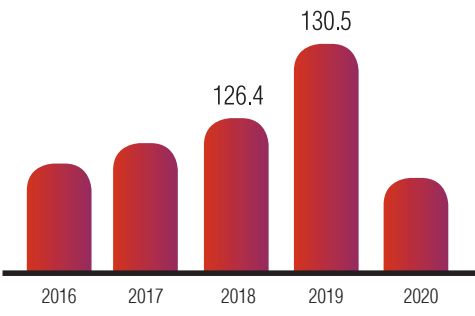


NOTE: 

'The global jewelry market size was USD330.0 billion in 2019 and is projected to reach USD 266.53 billion by 2027...' according to the Fortune Business Insights.

Jewelry market has increased in many countries; people with high income are increasingly keen to purchase luxury products including jewelry.

Asia Pacific Jewelry Market Size, 2016-2020



Ref: fortunebusinessinsights.com

PROFITABILITY

TOTAL ASSET AND NET PROFIT

In 2020, total asset of the entities (DPMS) were MNT18.4 billion, and net income was –MNT 0.13 billion.

Key indicators of Financial Statements

Current assets

MNT 11.4
billion

Non-current assets

MNT 7.0
billion



Liabilities

MNT 9.4
billion

Owner's property

MNT 9.0
billion

Key indicators of income statement:

Total income
MNT 2.8 billion

Total costs
MNT 2.9 billion



Net profit
MNT –0.13
billion

Gross margin
61.5%

Net marginal profit
–4.7%

REGULATORY ENVIRONMENT



POLICY AND LEGISLATION

- o The Regulation on *Issuance and Registration of Licenses, Permissions, and Rights for Dealers of Precious Metals and Stones* was approved by Resolution No.150 of the Commission on 25 March 2020.
- o The Regulation on *Conducting On-site and Off-site Supervision of DPMS* was approved by Resolution No. 182 of the Commission.
- o The amount of regulatory fees from DPMS was set by Resolution No. 151 of the Commission on 25 March 2020.
- o The Regulation on *Defining Requirements for Professional Associations of DPMS* was approved by Resolution No. 1048 of the Commission on 23 December 2020.
- o With cooperation of the General Authority for State Registration of Mongolia, activities of 230 DPMS (without licenses) were revoked by the Statement No. 4737 of State Inspector on 24 September 2020.
- o Sub-working groups with responsibilities for conducting national risk assessments of AML/CFT, and reporting, were established by Resolution No. 90 of the Minister of Finance on 27 April 2020. Within this framework, vulnerability assessments of the non-bank financial sector and professional service providers were conducted, and reports of risk assessments developed.



INTERNATIONAL COOPERATION

- o Within the scope of the *Strengthening Fiscal and Financial Stability* project being implemented by the World Bank, several meetings with national consultants were held. The objectives included: creating a database of the DPMS sector, designing the software program of digital data registration, and defining the demands and needs for consultancy services. Within the framework of developing the ToR of registration and creating database, needs and demands were defined, and work plan was approved on 14 September 2020.



MEETINGS AND SEMINARS

- o On 9 September 2020, within the scope of the *Agreement on Exchanging Information between the Commission and General Department of Taxation*, related officials of the Commission met with the Chair and officials of *Customs, tax and financial information technology center* state enterprise, and exchanged ideas on involving DPMS in the e-barimt system (by providing them with QR codes), receiving their reports through the e-barimt system, and further collaboration.
- o On 22 September 2020, related officials of the Commission met with the officials of Mongolian Agency for Standardization and Metrology and discussed the current situation of inspection of standards, joint inspections, and training.
- o On 11 September 2020, related officials of the Commission met with officials of Treasury Fund of the BoM, and exchanged ideas on further cooperation.
- o On 2 October 2020, related officials of the Commission met with the officials of Compliance Department of the BoM, regarding the Regulation on *Issuance and Registration of Licenses, Permissions, and Rights for Dealers of Precious Metals and Stones*.

CAPITAL MARKET DATA

Statistics	2018	2019	2020
Market value (MNT, billion)	2,512	2,693	3,030
MV/GDP	7.8%	7.3%	8.2%
Liquidity	8.4%	5.0%	1.8%
Stock trading (MNT, billions)	210	134	54
Debt instrument trading (MNT, billions)	1.7	0.2	5.1
GS's trading (MNT, billions)	33.5	9.7	0.6
Investment fund (MNT, billions)	–	–	5.4
TOP 20 index	21,467	19,622	19,286
MSE A index	10,090	9,532	9,122
MSE B index	8,728	7,951	7,581
Number of JSCs	305	306	315
Number of SCs	54	54	53
MACE trading amount (MNT, billions)	711.4	705.1	488.7
MAPIX	861,420	794,316	918,691

INSURANCE MARKET QUANTITATIVE INFORMATION

Statistic	2018	2019	2020
Total assets (MNT, billions)	332	366	382
Total insurance and reinsurance premiums (MNT, billions)	179	199	205
Total compensation (MNT, billions)	58	66	60
Reserve fund (MNT, billions)	146	166	174
Reinsurance fee (MNT, billions)	55	57	67
Net profit (MNT, billions)	18	23	21
Professional participants:			
General insurance	15	15	14
Life insurance	1	1	1
Reinsurance	2	2	1
Insurance agent	2,430	2,520	2,473
Insurance broker	49	54	56
Damage assessor	27	27	25
Actuary	28	30	32
Auditor	141	144	145
Auditor's company	43	44	45

NBFI DATA

(MNT, billions)

Statistic	2018	2019	2020
Total assets	1,285	1,730	2,007
Current assets	1,235	1,663	1,928
Cash	315	364	492
Short-term investments	2	7	12
Total loans	869	1,233	1,327
Normal loans	753	1,073	1,126
Overdue loans	33	55	65
Non-performing loans	83	105	136
Credit risk fund	65	81	104
Owner occupied property and other assets	10	12	15
Non-current assets	50	67	79
Total liabilities	308	469	556
Trust service payable	58	108	147
Payables to domestic and foreign banks and financial institutions	151	208	171
Project loan financing	18	18	21
Owner's property	977	1,261	1,451
Secondary charity	1.0	0.8	0.8
Share capital	741	927	1,018
Accumulated profit	225	300	398
Number of NBFIs	539	538	532
Ulaanbaatar	464	463	455
Provinces	75	75	77
Customers	1,423,597	2,348,014	2,844,782
Total income	260	353	409
Interest income	217	292	338
Non-interest income	34	54	62
Non-operating income	9	7	9
Total cost	158	213	254
Interest expenses	21	36	43
Non-interest expenses	96	118	148
Potential risk costs	24	34	30
Non-core operating expenses	4	4	4
Net profit	101	140	155

SCC'S DATA

(MNT, billions)

Statistics	2018	2019	2020
Total assets	200	223	256
Current assets	196	218	252
Cash	58	58	78
Receipts	6	7	10
Non-current assets	4	4	4
Fixed assets (net)	4	4	4
Intangible assets	0.0	0.2	0.2
Investment and other non-current assets	0.0	0.0	0.0
Total loans	134	157	167
Normal loans	123	143	155
Overdue loans	4	7	6
Non-performing loans	6	6	7
Liabilities	167	180	207
Savings	142	156	182
Short-term loans	6	4	3
Long-term liabilities	8	6	6
Other current liabilities	12	15	15
Own assets	34	43	50
Members' contributions	15	18	19
Property of cooperatives	18	25	31
Accumulated income (loss)	10	15	16
Total income	41	51	53
Total income	40	48	51
Other operating income	0.8	1.0	1.0
Non-operating income	0.8	1.2	1.5
Total expenses	36	42	44
Interest expenses	23	27	29
Potential contingency fund costs	3	2	2
Operating costs	10	11	12
Non-operating expenses	0.3	0.1	0.1
Net income	5	9	9
Number of SCCs	290	261	249
Number of Ulaanbaatar SCCs	192	164	148
Number of local SCCs	98	97	101
Number of members (thousands)	63	71	73

CREDIT GUARANTEE FUND

(MNT, billions)

Statistic	2018	2019	2020
Total assets	70	106	147
Warranty balance	51	63	66
Of which: overdue	2	3	3
:non-performing	7	8	12
Guaranteed loan balance	101	121	127
Of which: overdue	4	3	5
:non-performing	16	19	23
Operating income	4	5	8
Operating expense	2	2	4
Operating result	2	3	4
Total guarantees	16	28	17
Of which: individual	3	1	0
:entities	13	27	17
Total guarantee amount	31	21	14
of which: individuals	6	5	0.0
:entities	25	16	14
of which: agriculture	1	1	1
manufacturing	15	6	3
wholesaling and retailing	6	5	6
services	8	9	4
other	0.3	0.0	0.0
Average term of warranty (month)	97	90	89
Number of applications for a guarantee	356	193	128
of which: allowed	162	113	72

REB DATA

Statistics	2020.III	2020.IV
REBs (including agencies)	140	167
Brokers	160	188
Agents	944	1171
Area of real estate bought and sold (m ²)	150,583	163,059
Value of real estate bought and sold	131,318,249,284	101,325,031,690
Area of real estate rented and leased (m ²)	45,646	26,779
Value of real estate rented and leased	5,587,217,278	2,318,251,015

DPMS DATA

Statistic	2020.III	2020.IV
Entities (DPMS, and dealers in products made from them)	17	30
Individuals (DPMS, and dealers in products made from them)	55	57
Individuals (dealers in products made from precious metals and stones)	216	231
Individuals (DPMS)	101	111
Weight of bought precious metals (gram)	3,068,535	4,079,924
Value of purchased precious metals (MNT)	463.3 billion	624.2 billion
Weight of sold precious metals (gram)	2,663,263	3,640,581
Value of sold precious metals (MNT)	416.7 billion	576.9 billion
Total value of bought products (MNT)	0.6 billion	0.2 billion
Total value of sold products (MNT)	1.0 billion	0.2 billion





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