



FINANCIAL
MARKET REVIEW
2021

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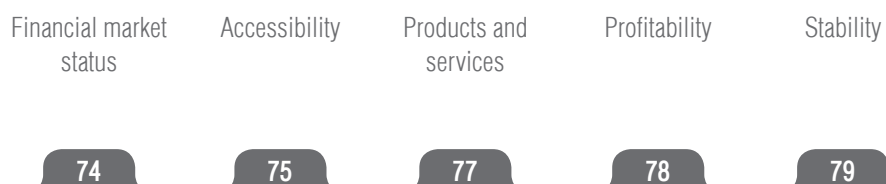
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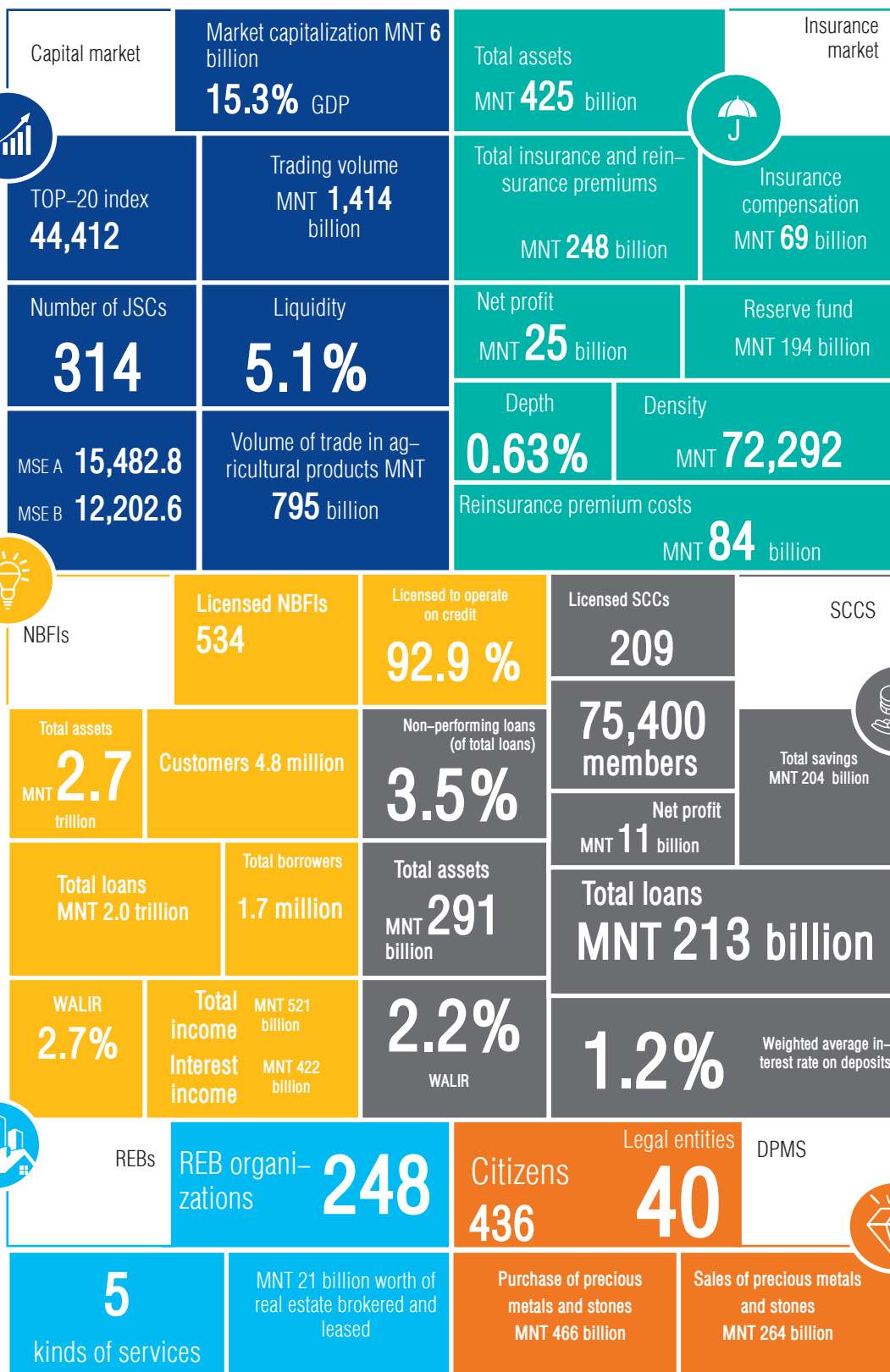


VII. Dealers in precious metals and stones



ABBREVIATIONS and ACRONYMS

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





Capital market

Market valuation

MNT 5,983

billion



Financial market status

Accounts

2,463,052



Accessibility

Total trading

MNT 1,414 billion



Products and services

Profitability



Assets of SCs
MNT 128 billion

Stability



Fluctuations in the
TOP-20 index

6,734

Regulatory environment



FINANCIAL MARKET STATUS

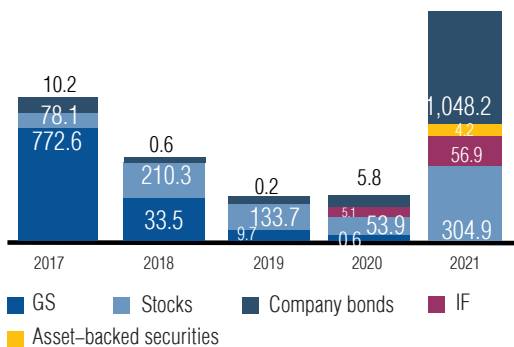


There were 579 regulated entities and JSCs operating in the securities market.

Stock exchanges 2	Central deposit and securities trading payments 1	Collateral securities portfolio registration controllers 1
IMCs 31	Settlements 2 (duplicate)	Custodian banks 3
Underwriting banks 2	Trustees 7	JCCs 314
Securities firms* 55	Agricultural commodity exchanges 1	Agricultural and commodity broker 10
Auditing firms 49	Securities valuation firms 22	Legal consultancies 39
Mutual investment fund 2	Issuers of assets-backed securities 38	

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

Securities trading (MNT, billions)

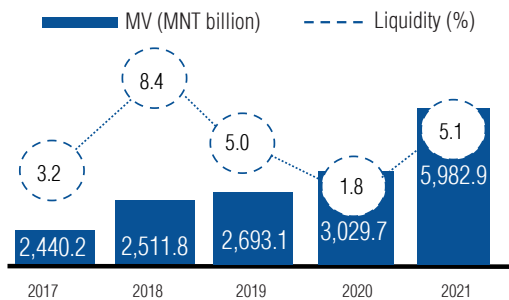


Securities Trading

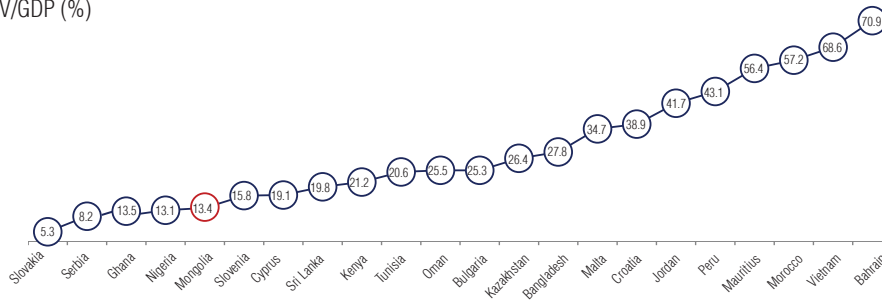
- o In 2021, MNT1.4 trillion worth of securities were traded; a 21.6-fold increase from 2020, and 64.3% from 2017.
- o Most (74.1%) of all trades were corporate bonds, 4.0% were investment fund units, 0.3% were asset-backed securities and 21.6 % were shares.

Market liquidity

- o Market capitalization increased by 97.5% to MNT6.0 trillion compared to 2020, while liquidity increased by 3.3 percentage points to 5.1%.
- o The increase in liquidity was due mainly to a 5.7-fold (MNT251.0 billion) increase in stock trading.



MV/GDP (%)



The MSE's value ranked fifth in terms of GDP within the frontier market of the FTSE list. This was relatively low compared to other similar countries.

Note

On 30 September, the FTSE formally declared that Mongolia had been added to the watch list; for possible reclassification as a frontier market.



TOP 20 44,411.6

MSE A 15,482.8

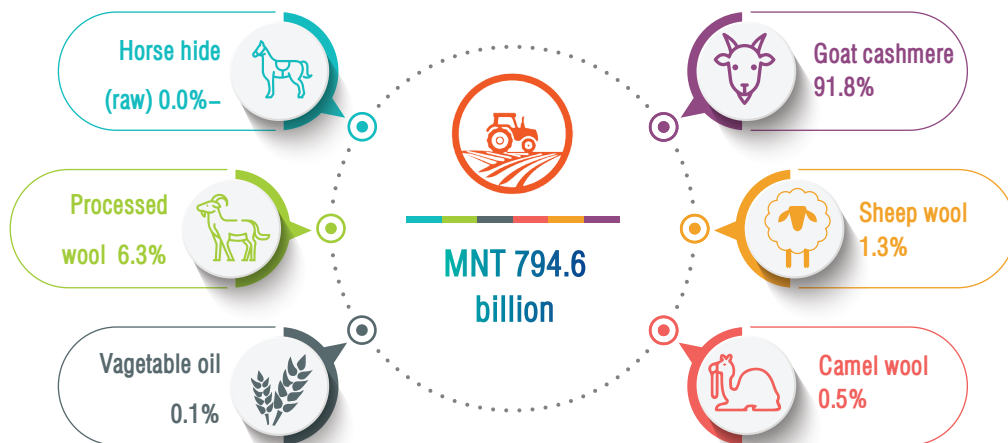
MSE B 12,202.6

Securities market indices

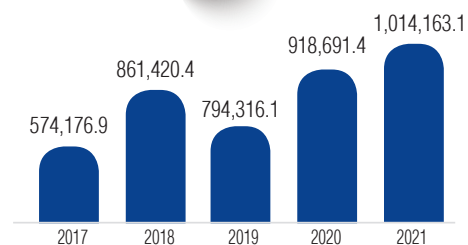
- TOP – 20 Index increased by 25,125.8 points (130.3%) compared to 2020.
- MSE A Index – increased by 6,360.8 points (69.7%) compared to 2020.
- MSE B Index – increased by 4,621.4 points (61.0%) compared to 2020.



A total of MNT794.6 billion worth of goods were traded by MACE, an increase of MNT305.9 billion (62.6%) compared to 2020. Five types of products were traded.

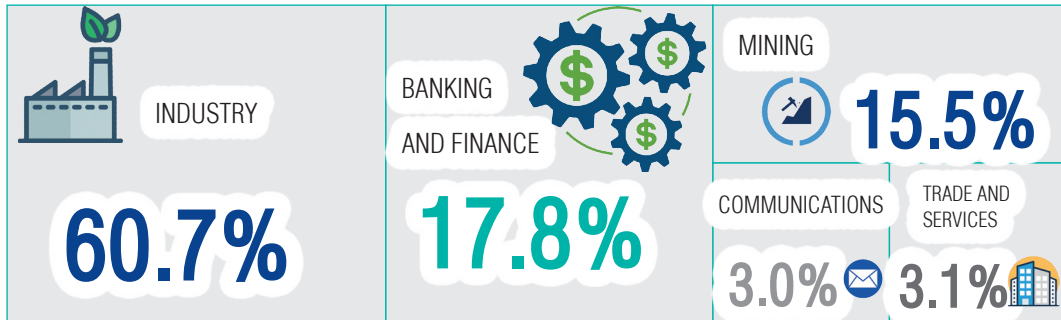
**MCE's MAPEX Index**

The index reached 1,014,163.1 points in 2021; an increase of 95,471.7 (10.4%) compared to 2020, and 76.6% compared to 2017.



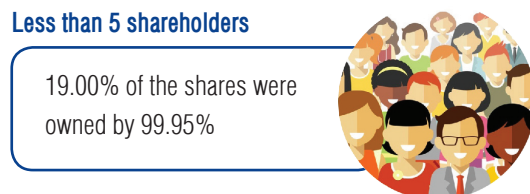
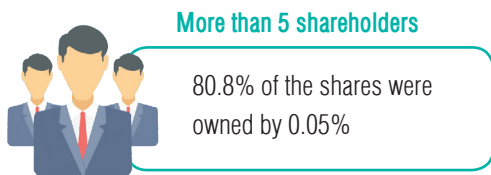
ACCESSIBILITY

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



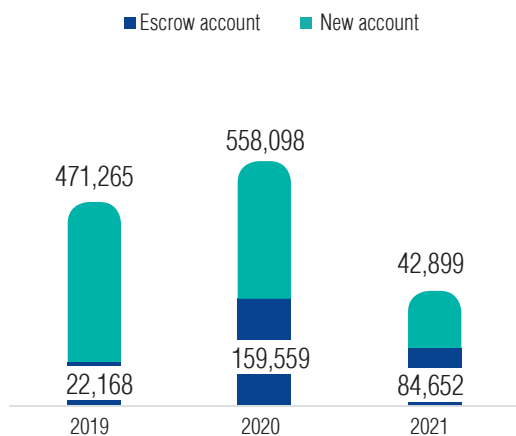
STOCK CONCENTRATION

In the TOP-20 Index, the concentration of JSCs was assessed as overly centralized: they accounted for 80.8% of the total number of shares and 0.05% of the all shareholders.



Regarding the level of concentration among 14 companies that issued IPOs during 2018–2021), 74.3% of shares belonged to 0.05% of shareholders.

NUMBER OF OPENED ACCOUNTS



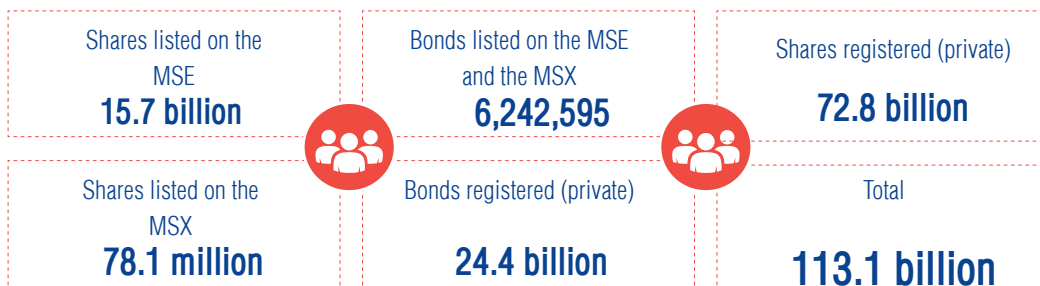
- In 2021, 42,899 accounts were created, bringing the total number of accounts to 2,463,052 while the number of escrow accounts increased by 84,652 to reach 464,076.
- Compared to 2020, the total number of accounts had increased by 3.2%.



Number of opened accounts
(growth in numbers)

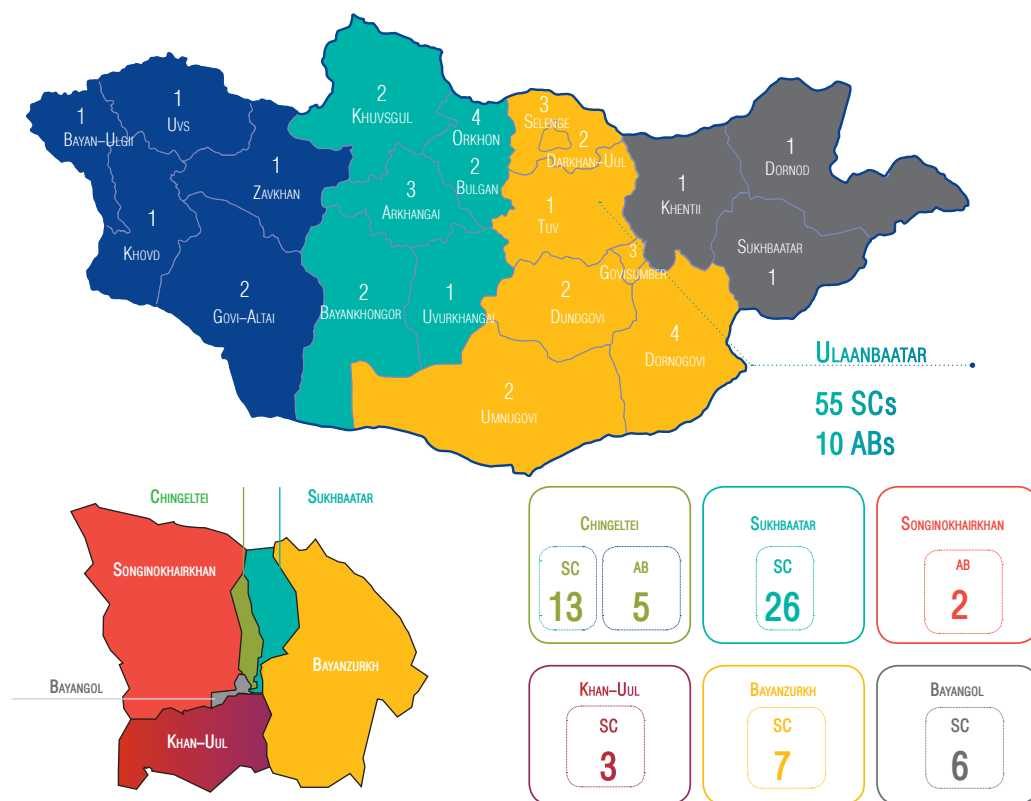
2,463,052

SECURITIES LISTED IN THE MCSD

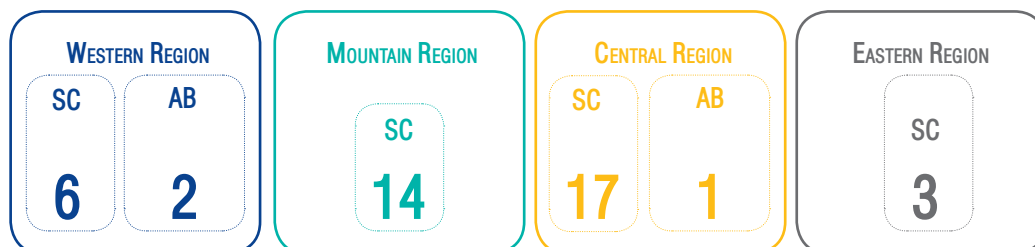


LOCATION OF SCS AND AGRICULTURAL BROKERAGES COMPANIES

- o In 2021, 55 security companies and their 40 branches were operating.
- o In 2021, 10 ABCs were operating, of which seven were located in Ulaanbaatar and three in rural areas.



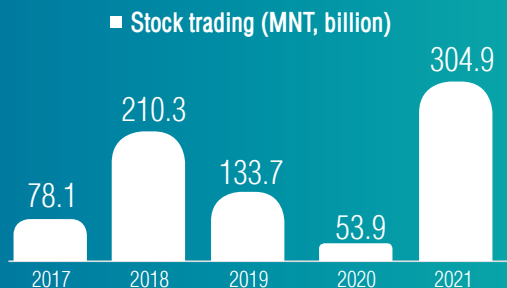
BRANCH REPRESENTATIVES



PRODUCTS AND SERVICES

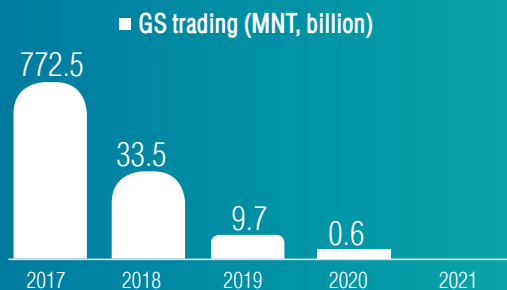
STOCK TRADING

- In 2021 stock trading reached MNT 304.9 billion; a 3.9-fold increase compared to 2017 and 5.7 times greater than 2020.



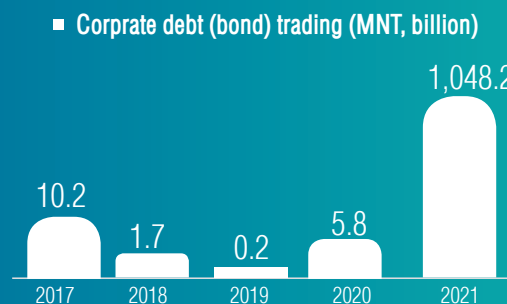
GS TRADING

- In 2021, no government bonds were traded. The chart shows government bond trading during 2017–2020.



CORPRATE DEBT (BOND) TRADING

- In 2021, corporate bond trading reached MNT 1.0 trillion, 103.2-fold increase on the same period in 2017 and 180.1 times that of the same period in 2020.



NEW PRODUCT

- Central Express CVS JSC offered 15.0% (119,966,060) of its shares to the public, of which half (59,983,030) were offered to strategic investors, and the remaining ones at a fixed price of MNT 208.0 per unit. A total of MNT 28.7 billion was raised.
- Bogd Bank launched an IPO among commercial banks. Twenty percent (12,500,000) of its shares were offered to strategic investors and the public. A total of 1,243 individuals and companies participated in the primary market trading, raising MNT 31.8 billion.
- Erdene Resources Development Corporation increased by a total of MNT 14.2 billion, traded 17.5 million additional shares on the secondary market.
- Three tranches of ETT bonds were traded, and a total of MNT 692.5 billion was raised.
- Mobifinance NBFI LLC traded 10,000 open bonds (with a maturity of 12 months, annual interest rate of 14% and a face value of MNT 100,000 each) on the primary market, raising MNT 1.0 billion.
- LendMN NBFI JSC organized the trading of corporate bonds and raised MNT 7.5 billion.
- Invescor NBFI JSC part-issued corporate bonds (registered with the FRC) for public offering, and (during the reporting period) it organized the primary market trading of three tranches; raising a total of MNT 20.0 billion.

ASSET-BACKED SECURITIES

In 2013 low-interest mortgage loans were issued to create a long-term stable system of housing financing. Within this framework, asset-backed securities were secured by real estate loans, and as of 2021, a total of 61,952 borrowers had outstanding securities totaling MNT 3.0 trillion.

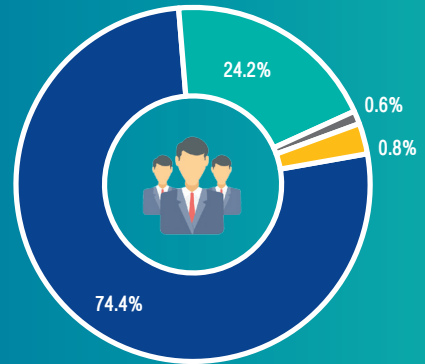
The issuing of asset-backed securities gained popularity among stock market participants, and the variety of underlying assets was increasing. For instance:

- Securities backed by funds issued by mobile operators;
- Asset-backed securities backed by rental income;
- Securities secured by non-mining exports and loans to small and medium enterprises;
- For the first time, loans secured by loans from NBFIs were publicly traded through a trading organization.

In addition, within the framework of the government's policy, the government is working in conditions of risk pandemic assets secured by rental income from rented apartments provided to government employees leased income from rented apartments is secured by assets securities and non-mining exports and low-interest loans to small and medium enterprises new types of asset-backed securities, such as asset-backed securities, have been registered.

TRADING STRUCTURE, BY INVESTOR

- Domestic enterprises accounted for the largest share of traders. In 2021, domestic citizens' trade transactions accounted for 24.2% of the total, and domestic enterprises' transactions accounted for 74.4%. Foreign enterprises' trade transactions accounted for 0.8% and foreign citizens' trade transactions accounted for 0.6%.

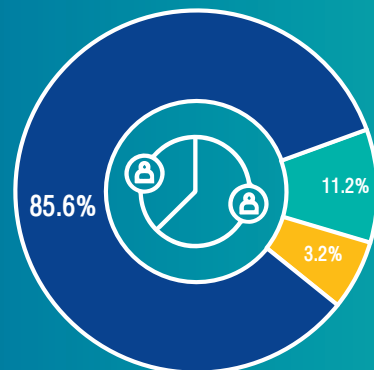


- Domestic enterprises 74.4%
- Domestic citizens 24.2%

- Foreign enterprises 0.8%
- Foreign citizens 0.6%

STOCKS, BY EQUITY STRUCTURE

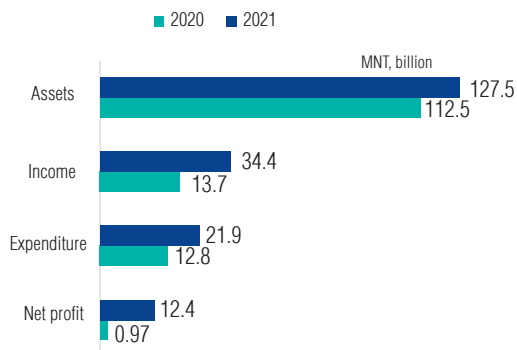
- In 2021, there were 314 JSCs in the FRC's securities registration.
- 85.6% were private, 11.2% were state-owned, and 3.2% state-owned (by Parliament).



- Privately owned 85.6%
- State-owned 11.2%

- State-owned (by Parliament) 3.2%

PROFITABILITY

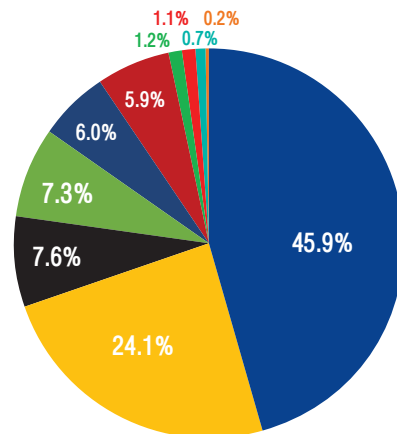


PROFITABILITY OF SCs

- o Total assets of securities companies reached MNT127.5 billion in 2021, an increase of 13.3% compared to 2020.
- o Compared to 2020, revenues increased by MNT 20.7 billion, and expenditures increased by MNT 9.1 billion, while net profits reached MNT 12.4 billion.

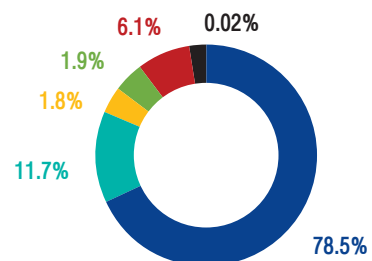
SC'S REVENUE STRUCTURE

● 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%

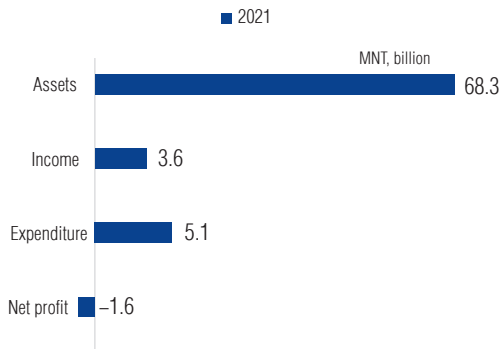


ҮЦК-ИЙН ЗАРДЛЫН БҮТЭЦ

● 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%



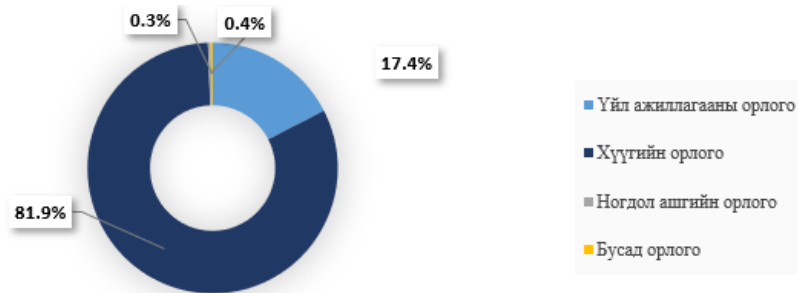
FINANCIAL STATEMENTS OF IMCS (INVESTMENT MANAGEMENT COMPANY)



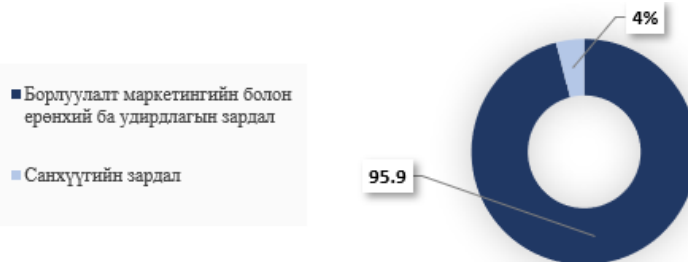
PROFITABILITY OF SCS

- In 2021, the total assets of IMCs reached MNT 68.3 billion, revenues were MNT 3.6 billion and expenditures MNT 5.1 billion, resulting in net losses of MNT 1.6 billion.

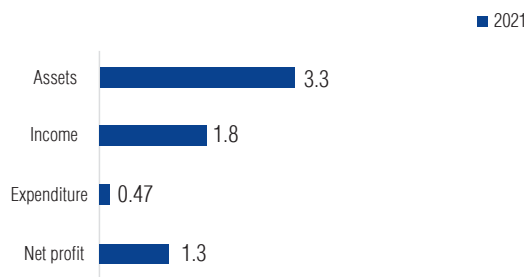
IMC INCOME STRUCTURE



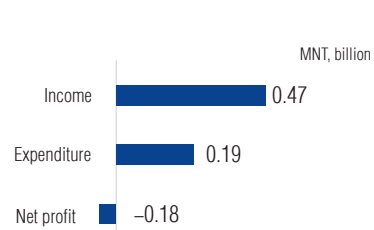
ХОМК-ИЙН ЗАРДЛЫН БҮТЭЦ



FINANCIAL STATEMENT INDICATORS OF MCE



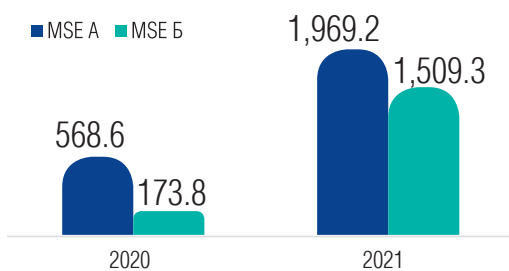
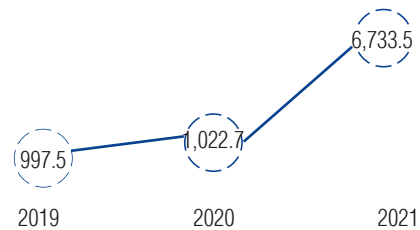
FINANCIAL STATEMENT INDICATORS OF CUSTODIANS



STABILITY

FLUCTUATIONS IN THE TOP-20 INDEX

- Stock price volatility was calculated within the TOP-20 index and – based on the standard deviation from the arithmetic mean – ranged from 4,948.1 points to 7,422.2. Fluctuations above 7,422.2 would indicate 'red zone' or high risk' but stock prices in 2021 only reached 6,733.5 points, indicating a yellow zone of risk.

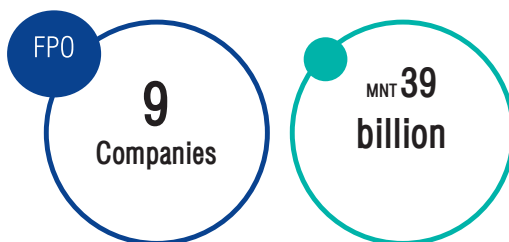
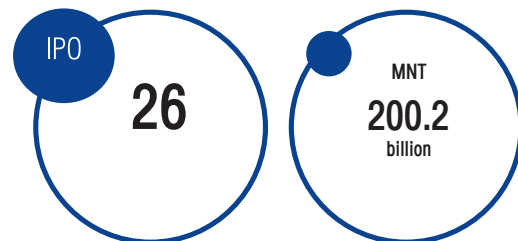


MSE A AND MSE B INDEX FLUCTUATIONS

- Fluctuations in stock prices are calculated for the MSE A and MSE B indexes. During the reporting period, the standard deviation of the MSE A index was 1,969.2 points which indicates that it is in the red risk zone, and the deviation of the MSE B index is 1,509.3 points which indicate that it is in the yellow risk zone.

IPO INFORMATION

- During 2005 to 2021, 26 companies made IPOs and raised a total of MNT 200.2 billion from the primary market.

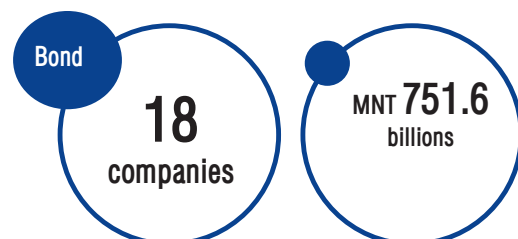


FPO INFORMATION

- Mongolia's first FPO was held in 2007.
- During 2007 to 2021, nine companies (with some duplication) raised a total of MNT 39.0 billion by issuing additional shares through 11 trades.

PRIMARY MARKET TRADING INFORMATION OF CORPORATE BONDS

- The primary bond market in Mongolia commenced trading in 2001. During 2001 to 2021, (with some duplication) 18 companies raised a total of MNT 751.6 billion in 29 trades.



REGULATORY ENVIRONMENT



INTERNATIONAL COOPERATION

- A MoU was signed between the FRC and MSF on 25 November, 2021; to develop Mongolia's financial sector and capital market, in line with the concept of sustainable and green development. Under the MoU, two sides would develop an action plan and strategy, based on public-private partnerships. This was to reduce environmental and social risks in the stock market, mitigate (and adapt to) climate change, and implement the Sustainable Development Goals 2030. It is planned to jointly develop a financing taxonomy for the Sustainable Mongolia Finance Goals, reflecting views of the UNDP and stakeholders.
- Within the framework of the Green Finance Market Development Project jointly implemented by the FRC and the IFC, an additional regulation on Green Bond was included and approved in the Regulation on Company Debt Instruments adopted by FRC Resolution No.266 of 11 June, 2021. The FRC, in cooperation with the IFC and the MSFA organized a Green Bond Webinar, to provide information on green bond issuance and regulation (21 October, 2021).
- Within the framework of the Project, the FRC and JICA collaborated on the development of a draft regulation on the OTC market's operation (approved by FRC Resolution on No.995 of 2020) to improve the regulatory environment for corporate bonds and OTC markets. Phase 2 of the project Capacity Building of the Capital Market was implemented in cooperation with JICA. Within this framework the following results were achieved in collaboration with relevant project consultants in order to develop the company's bond market and improve the regulatory environment. These include:
 - 1/ A draft of the Regulation on OTC Market Operations was developed and approved by FRC Resolution No. 995 of 2020. The MSDA was made responsible for managing the OTC market. Following the recommendations of JICA consultants, the MSDA developed detailed regulations governing OTC market relations; which were approved by Order No. 168 of the Chairman of the FRC, on 1 July, 2021.
 - 2/ The Registration Procedure of Company Debt Instruments was approved by FRC Resolution No. 226 of 11 June, 2021, and registered in the National Fund of Administrative Norms No. 5334 dated 25 June, 2021.
 - 3/ Co-developed the brochure Mongolia's OTC Market – New Markets and New Opportunities.
 - 4/ Co-developed the Mongolian Stock Market Experts Guide.
 - 5/ A seminar on the OTC Market was organized in cooperation with JICA and the MSDA open to the public on September 17, 2021. The seminar, provided information general concept of the OTC market, international experience, OTC market regulatory environment, relevant rules and regulations, and trading systems.



POLICY AND LEGISLATION

1. Within the framework of Banking reform.

o A working group was established by the Joint Order A-50/53 of the President of the Bank of Mongolia and Chairman of the FRC, on 10 February 2021. The 'Temporary regulation for restructuring banks as a listed company, and developing, implementing, reporting and monitoring a plan to change the structure of shareholders and the amount of share capital' developed by the working group was adopted by the Joint Order A-90/85 of the President of the Bank of Mongolia and Chairman of the FRC.

- o In addition, 'Regulation for approving changes in the amount of share capital and shareholder structure of listed banks' stated in Paragraph 36.11 of the Banking Law was adopted by the Joint Order A-262/262 of the President of the Bank of Mongolia and Chairman of the FRC.

2. Within the framework of reforming the legal environment of the OTC market.

- o Adoption of Regulation of the OTC Market by the FRC, for the first time in Mongolia, created a regulatory environment where securities issuers can issue corporate bonds and attract long-term investment without meeting the high registration requirements set by the trading entities.
- o Entities in the private sector issued corporate bonds (a product that can compete with bank loan products) in September 2021, by introducing an OTC platform by the MSDA.
- o Adoption of amendments to the Regulation of the OTC Market (in relation to Article 121 of the Law on Innovation) provided opportunities for start-up companies to issue their shares publicly in OTC market.

3. Within the framework of the regulatory reform of shares and corporate bonds.

The Securities Registration Regulation and Corporate Bond Registration Regulation were adopted by the FRC on 11 June 2021. Regulations on public offering to be organized by underwriter companies, making processes easier and faster, stabilizing the share price within the framework of improving the underwriter's functions and responsibilities, and setting the price of the public offering securities, were added. In addition, information transparency and corporate governance were improved, along with requirements for law, audit and asset valuation companies (that provide external services to securities market participants) to be lifted. For the first time, a legal environment was created, for entities to issue green bonds.

4. Within the framework of amending Securities Market Law.

- o A working group (established within the framework of improving the capital market legislation environment, by the Finance Minister Order №52) in charge of amending related legislation of capital market, duly amended the Securities Market Law, Investment Fund Law and Company Law; and is preparing drafts to be discussed in the autumn 2022 session of Parliament.

5. Within the framework of revising regulations and improving the policy environment of capital market.

- o A draft law to amend the Investment Fund Law (in relation to the Law on Amendments to Securities Market Law) was developed. In the draft, new regulations on expanding legal entities' forms of investment fund, creating private investment funds without contracts or in a non-legal entity forms, and funds related to trading at the exchange, were added. In addition, a regulation that allows investment funds to invest other fund units (within in the framework of increasing types of investment instruments of investment fund) was added.
- o In addition, a draft regulation on Licensing and Operation of Investment Management and Draft Regulation on Licensing and Operation of Investment Fund was developed, and uploaded on the FRC website on 12 November 2021 – in accordance with the Administrative Law – to receive comments from public and professional organizations. Necessary amendments are being examined based on the comments received.



INSURANCE MARKET

Total assets

MNT 425.4 billion

Capital growth **11.3%**



Financial market status

Insurance density

MNT 72,292

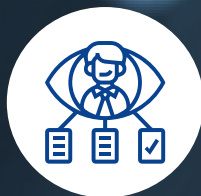
Density increase/growth
18.3%



Accessibility

Increase in premiums from
increase intermediaries
(intermediaries increase)
and reinsurance

MNT 68.4 billion



Products and services



Profitability



Net profit
MNT **25.2** billion

Stability



Reinsurance premium cost
34.1%

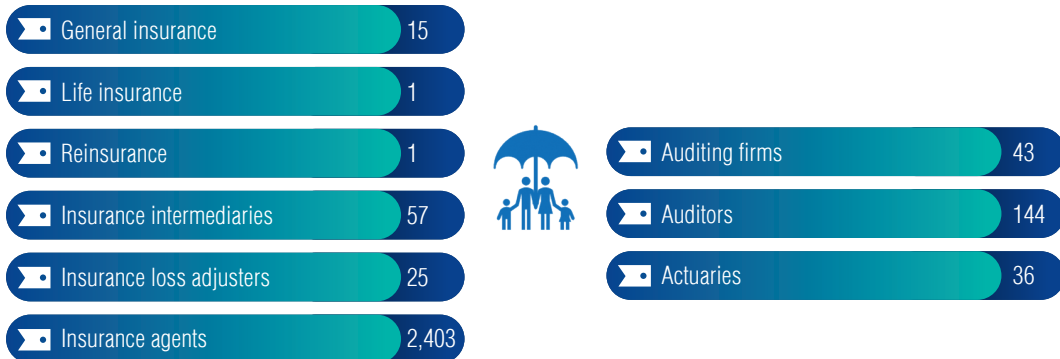
Regulatory
environment



FINANCIAL MARKET STATUS

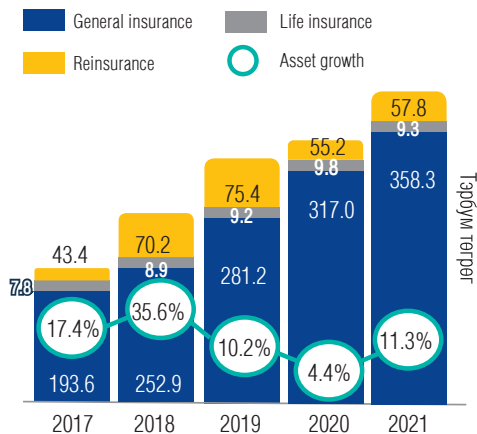
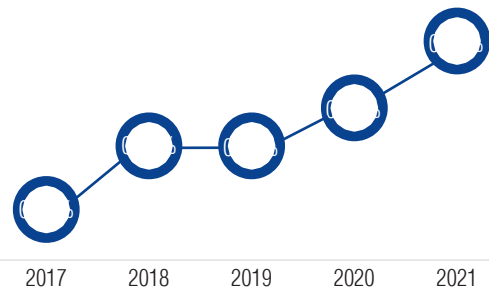
INSURANCE SECTOR STRUCTURE

Excluding double insurance intermediaries, a total of 322 insurance companies, brokers, damage assessors, audit companies, actuaries, auditors, along with 2,403 insurance representatives, operated under the FRC's licensing, permission, and registration.



INSURANCE DENSITY

- In 2021, the insurance depth reached 0.63%, an increase of 0.06% compared to 2020 and 0.1% compared to 2017.

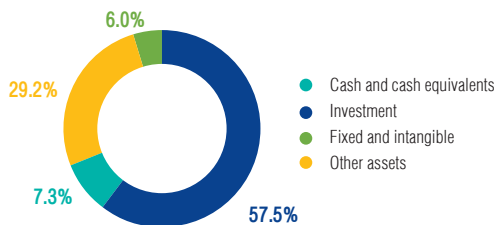


TOTAL ASSETS OF INSURANCE COMPANIES

- Total assets increased by MNT 425.4 billion (11.3%) compared to 2020 ; and by 73.8% compared to 2017
- Compared to other types of insurance, the total assets of ordinary insurance companies increased by MNT 358.3 billion (13.0%), accounting for 84.2% of the total assets of the sector.
- The total assets of reinsurance companies increased by 4.7% compared to 2020 and reached MNT 57.8 billion, accounting for 13.6% of the total assets of the sector.
- The total assets of long-term insurance companies decreased by 5.1% compared to 2020, to reach MNT 9.3 billion and accounting for 2.2% of the sector.

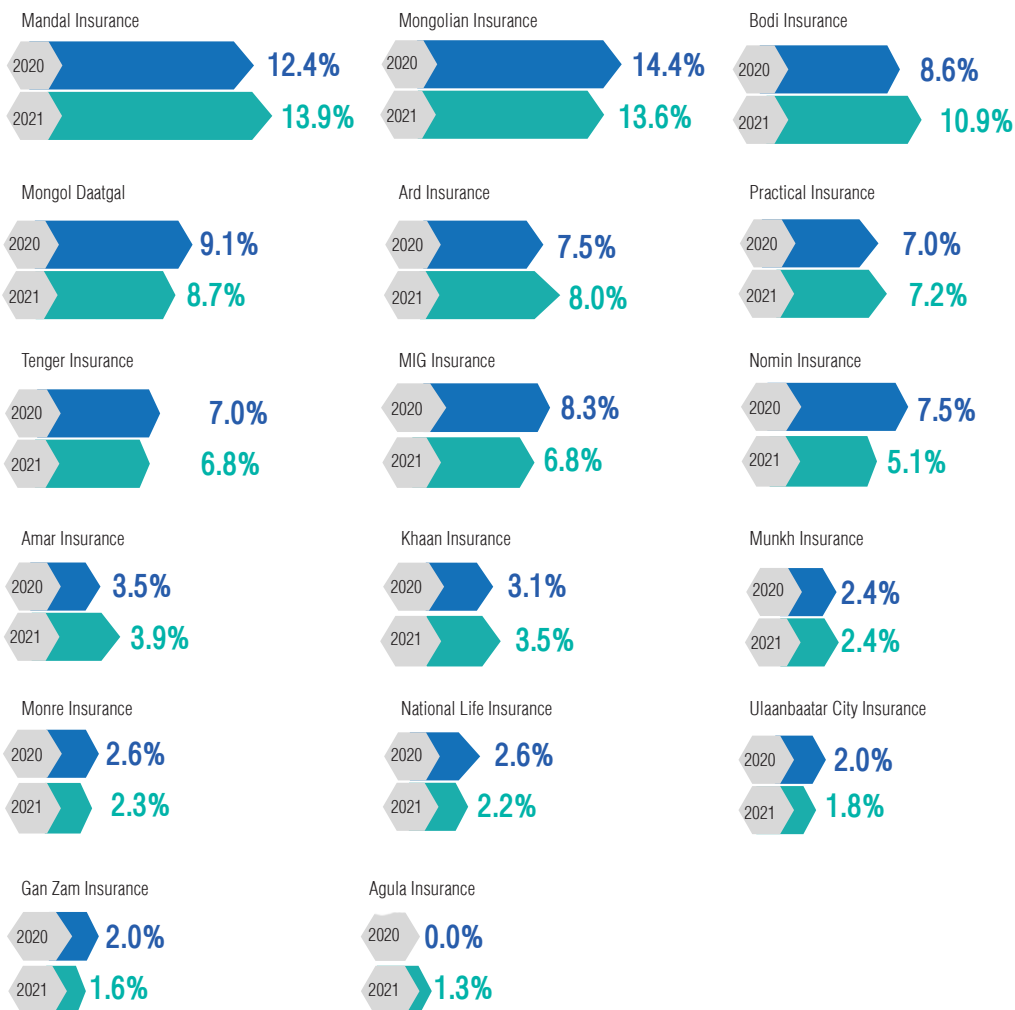
MARKET SHARE (BY TOTAL ASSETS)

Regarding the total assets structure of insurance companies, MNT 25.4 billion (6.0%) was money and cash equivalents, MNT 244.6 billion (57.5%) was investments, MNT 31.0 billion (7.3%) was fixed and intangible assets (net amount), and MNT 124.4 billion (29.2%) was other types of assets.



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

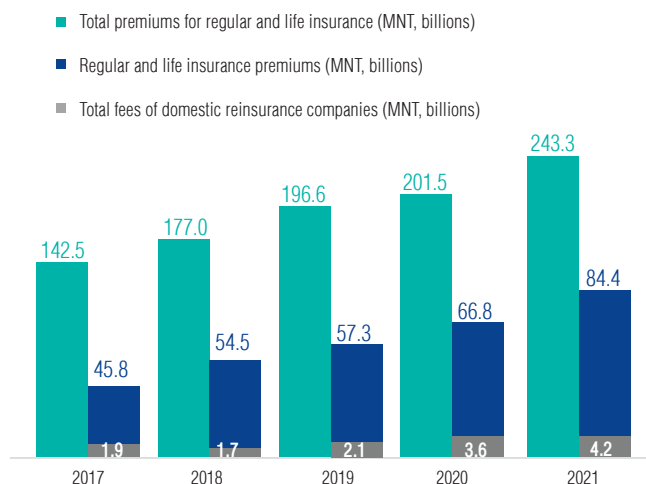
Percentage share of total assets of insurance and reinsurance companies



ASSETS GROWTH DISTRIBUTION OF INSURANCE COMPANIES

The average assets growth of all insurance companies was 6.5% in 2020 and 8.6% in the current reporting year (2022). Grouped by capital growth, there was one company with an increase of more than 30%, three with increases of 20–30%, three with increases of 10–20%, five with increases of less than 10%, and five companies exhibited a decrease in total assets.

2019–2020 / 2020–2021

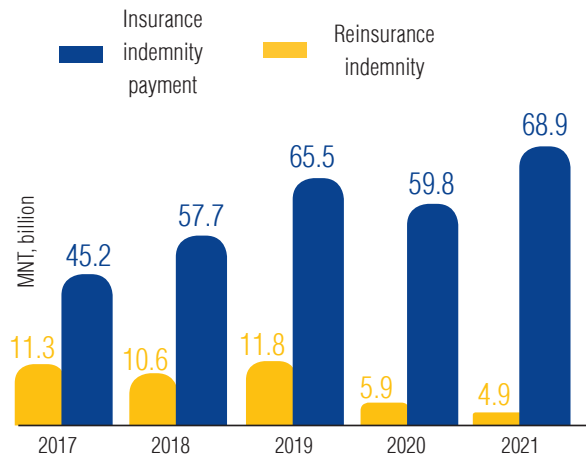


TOTAL PREMIUMS

- o In 2021, ordinary and long-term insurance companies collected a total of MNT 243.3 billion in premiums; of which, ordinary insurance companies accounted for MNT 241.5 billion (99.3%), and long-term insurance companies for MNT 1.8 billion (0.7%).
- o A total of MNT 84.4 billion was spent on double insurance premiums; of which MNT 4.2 billion (4.9%) was paid to domestic double insurers.
- o Total regular and long-term insurance premiums in 2021 increased by 20.7% compared to 2020, and by 70.7% compared to 2017.

INSURANCE AND REINSURANCE INDEMNITY PAYMENT/REIMBURSEMENT

- o In 2021, total compensation expenditures of insurance companies reached MNT 68.9 billion, an increase of 15.2% compared to 2020; 52.3% compared to 2017.
- o Of this, 97.5% was accounted for by compensation of ordinary insurance companies.
- o The amount of reinsurer's compensation decreased by MNT 4.9 billion (16.9%) compared to 2020.



RESERVES FUND

- o Total reserve fund of the insurance market increased by 11.6% from 2020; to MNT 193.7 billion.
- o Total reserves of ordinary insurance companies increased by 13.7% from 2020; to MNT 163.8 billion. Long-term insurance companies' reserves decreased by 14.9% to MNT 2.4 billion, and double insurance companies reserves increased by 3.4% to MNT 27.5 billion.

MNT **193.7**
billion
2021

MNT
173.5
billion

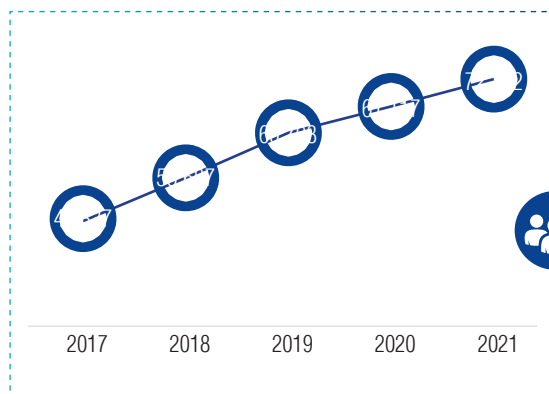
2020



ACCESSIBILITY

INSURANCE DENSITY

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



- Insurance density reached MNT 72,292 in 2021, an increase of 18.3% compared to 2020, and 61.2% compared to 2017.
- In terms of the insurance density, ordinary insurance premiums per capita increased by 18.3% to MNT 71,759, while long-term insurance premiums increased by 18.7% to MNT 532 per person.

INSURANCE CONTRACT

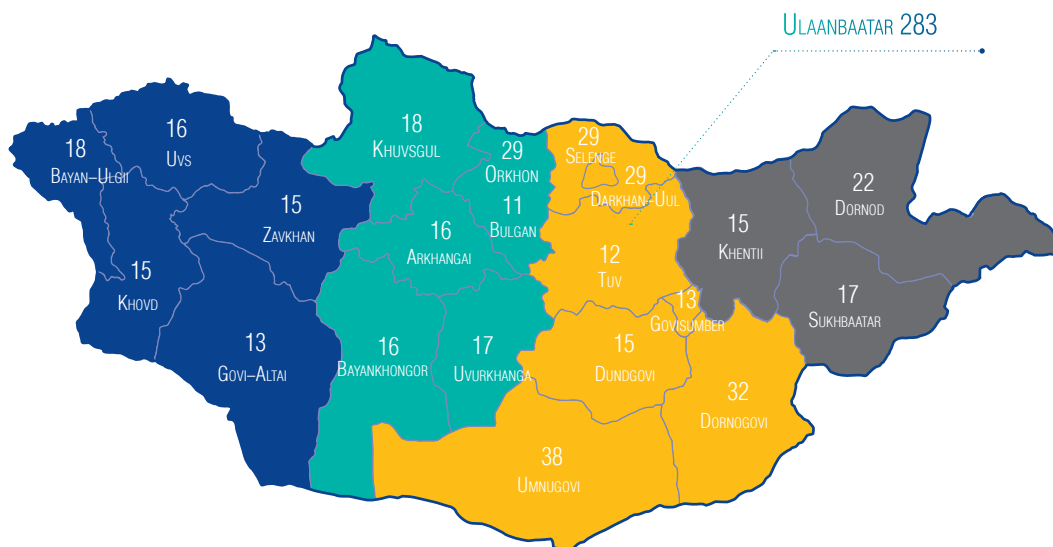
In 2021, a total of 1,210,619 insurance contracts were concluded. Among these, 1,002,249 (82.8%) were with individuals, and 208,370 (17.2%) were with legal entities.

Individuals **1,002,249**

Legal entities **208,370**



Another indicator of the availability of insurance services is the number of insurance company branches and intermediaries. In 2021, a total of 2,191 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 with 698; while Central Region had 650, Western Region 560, and Eastern Region 283.



WESTERN REGION	MOUNTAIN REGION	CENTRAL REGION	EASTERN REGION
BRANCHES OF COMPANIES	BRANCHES OF COMPANIES	BRANCHES OF COMPANIES	BRANCHES OF COMPANIES
49	57	77	28
BROKERAGE INDUSTRY	BROKERAGE INDUSTRY	BROKERAGE INDUSTRY	BROKERAGE INDUSTRY
23	37	70	19
DAMAGE/LOSS ASSESSMENT SECTOR	DAMAGE/LOSS ASSESSMENT SECTOR	DAMAGE/LOSS ASSESSMENT SECTOR	DAMAGE/LOSS ASSESSMENT SECTOR
5	13	21	7

REPRESENTATIVES

483

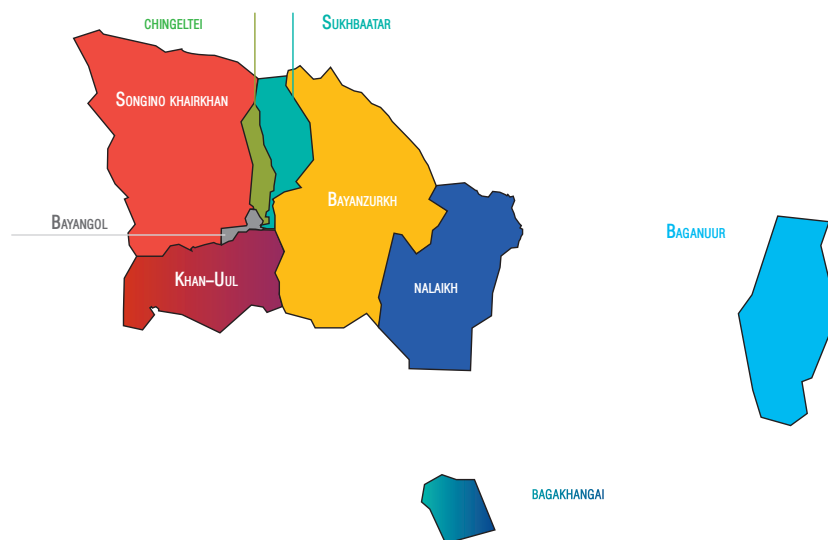
591

482

229

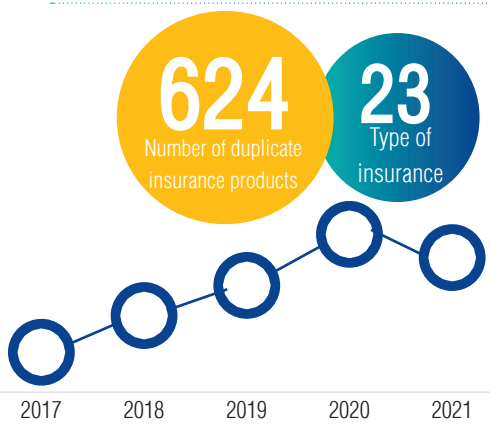
САЛБАР ТӨЛӨӨЛӨГЧ

- o In Ulaanbaatar, 48 branches of insurance companies, 194 branches of insurance brokers, and 41 branches of loss adjusters were registered with the FRC during the reporting period.
- o Within Ulaanbaatar, 92.6% of the branches were located in the six–central districts of the capital
- o There were 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	14	37	45	32
LOSS ASSESSOR	9	4	8	9
	KHAN-UUL	BAYANGOL	NALAIKH	BAGANUUR
INSURANCE	3	4	3	8
BROKER	30	28	4	4
LOSS ASSESSOR	3	7	0	1
	BAGAKHANGAI			
INSURANCE	1			
BROKER	0			
LOSS ASSESSOR	0			

PRODUCTS AND SERVICES

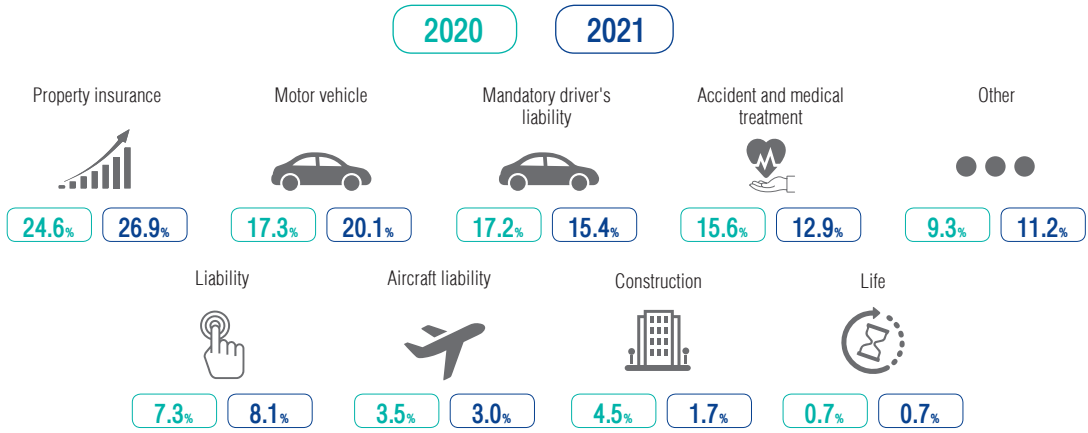


624
Number of duplicate insurance products

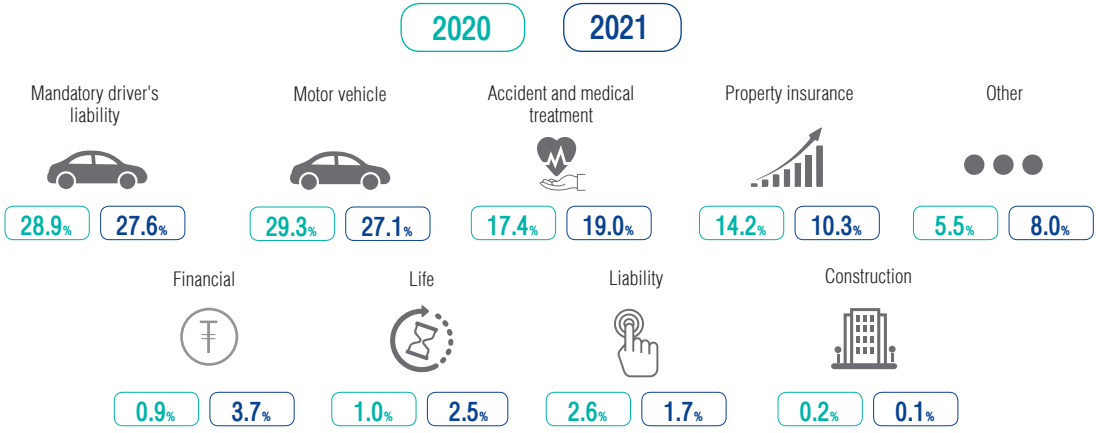
23
Type of insurance

- All 23 forms of regular and long-term insurance were voluntary except for the Compulsory Driver's Liability Insurance.
- The number of reinsurance products reached 624; a decrease of eight compared to 2020, and an increase of 64 compared to 2017.

Total insurance premium

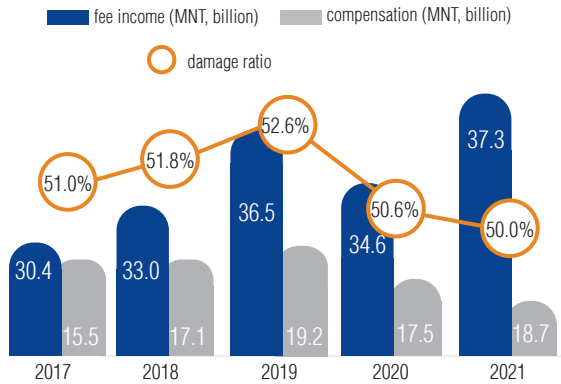


Insurance indemnity



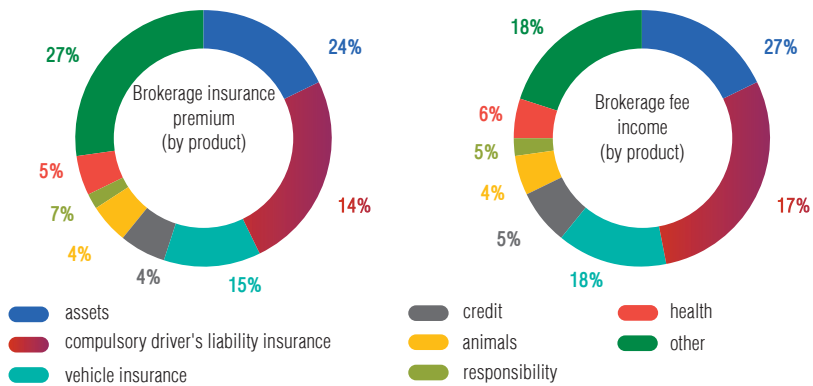
COMPULSORY INSURANCE

- o The total of Compulsory Driver's Liability Insurance premiums reached MNT 37.3 billion; accounting for 15.3% of all insurance premium income in 2021; and an increase of 6.8% from 2020.
- o MNT 18.7 billion was paid in this form, which accounted for 27.1% of the sector's total compensation costs for the year.



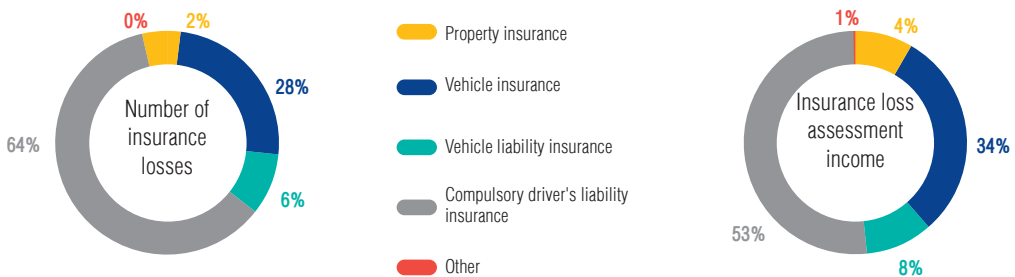
INSURANCE INTERMEDIARIES

- o Premiums and double insurance premiums collected by insurance intermediaries reached MNT 68.4 billion in 2021. Revenues from insurance intermediaries increased by MNT 2.5 billion to MNT 13.6 billion; from MNT 11.1 billion in 2020.



INSURANCE LOSS ADJUSTERS

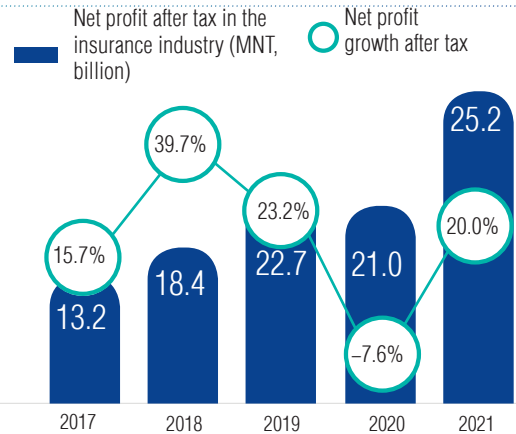
- o Insurance loss assessment companies valued a total of 27,336 losses at MNT 34.1 billion in 2021. Total insurance loss assessment income increased by MNT 479.1 billion (to MNT 1.6 billion) from 2020.



PROFITABILITY

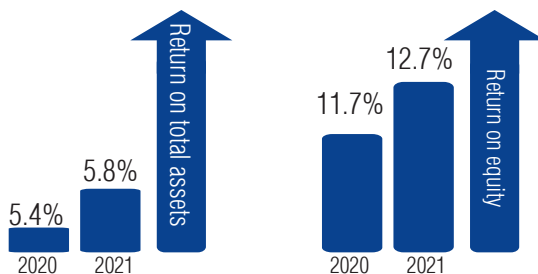
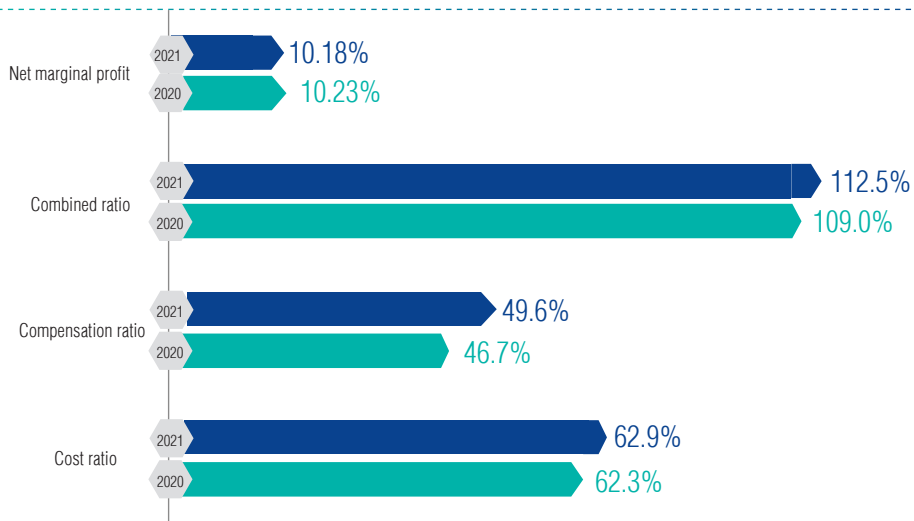
NET PROFIT INDICATOR OF INSURANCE COMPANIES

- o The net profit of insurance companies increased by 20.0% (compared to 2020) to MNT 25.2 billion. The increase was 90.9% compared to 2017.
- o In terms of net profit after tax, eight companies exhibited decreases, six had increases up to 50%, and three insurance companies had increases of more than 100%.



KEY RATIOS

- o In 2021, the compensation ratio increased by 2.9 percentage points compared to 2020.
- o The expenditure ratio increased by 0.6 percentage points from 2020 to 62.9%.
- o The net profit margin of the insurance sector decreased by 0.05 percentage points to 10.23% in 2021.



PROFITABILITY COEFFICIENT

- o Return on assets in the market was 5.4% in 2020, and increased by 0.4 percentage points to 5.8% in 2021. Return on total assets increased from 11.7% in 2020, by 1.0 percentage points to 12.7% in 2021.

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 transferred an average of more than MNT 70 billion a year (over the previous three years) to other countries.
- The cost of reinsurance premiums collected by insurance companies abroad amounted to 34.1% of total insurance premiums in 2021.

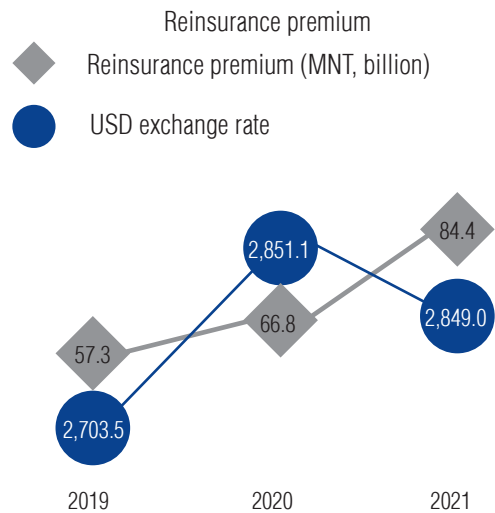
34.1%

Total reinsurance premiums percentage

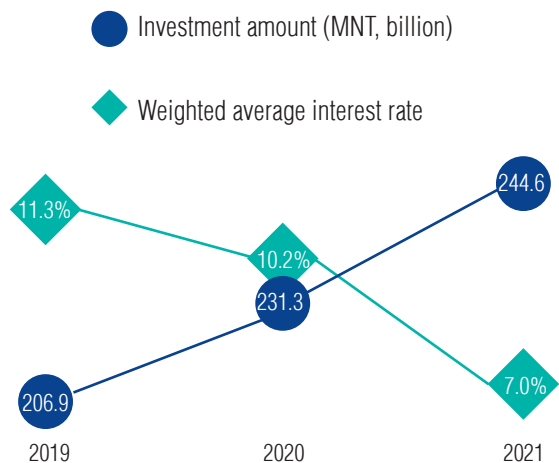
- More than half (57.5%) of the total assets of insurance companies were investments, of which 73.2% were in the form of deposits (and made as investment certificates of deposit) in 2021.
- In 2021, insurance companies earned a total of MNT 33.8 billion in interest income from deposits, certificates of deposit, and securities investments.

Investment fund

57.5%



Weighted average interest rate on total insurance investment and savings



REGULATORY ENVIRONMENT



INTERNATIONAL COOPERATION

- Participated in an online discussion on how to increase public access to health care Closing the Gap in Health Financial Security: Expanding Access to Health Insurance in Crisis and in the Future organized by the Insurance Access Initiative (A2ii) and IAIS. At the discussion, International and Insurance agencies, speakers representing the selection parties, shared an experience within the framework of increasing access to health insurance services.
- Participated in the 2021 General Conference organized by the IAIS, presented plans for 2022 from the IAIS, and discussed four issues identifying important trends affecting the insurance industry, namely:
 1. Climate Alternative Analysis: Develop a Tool to Understand Climate Risk
 2. Global Monitoring Exercise: The Changing Environment of the Insurance Sector
 3. Pandemic Risk: The Role of Supervisors in Pandemic Risk Management
 4. Innovation: Artificial Intelligence and Technology Learning Governance and Ethics
- The fifth meeting of the IAIS Working Group on Operational Resilience Task Force (ORTF) took place, to study the risks and market trends (affecting the insurance company's operations in 2020) and how they will affect the insurance company's operations and reduce risks. The meeting was attended by members of the FRC, European Insurance and Occupational Pensions Authority, National Association of Insurance Commissioners, Insurance Regulatory and Development Authority, Financial Stability Board, and the Central Bank of Hungary.
- Participated in a presentation and training on Technology-based insurance: attitudes, behaviors, and motivations of customers in the Philippines and Indonesia organized by the Mutual Exchange Forum on Inclusive Insurance. The training provided a basic understanding of the distribution of mobile phone insurance in Indonesia and the Philippines (as a result of the COVID-19 pandemic, how to define the behavior of consumers in the insurance industry, and recommendations for how (based on this definition) to develop. Also introduced challenges of using technology, such as public confidence in technology and modern tools, and the difficulty of connecting a country's population to the Internet.



POLICY AND LEGISLATION

- The concept of the draft Insurance Package submitted to the Ministry of Finance was jointly approved by the Minister of Finance and the Minister of Justice in December 2021.
- The Insurance Package is being updated in research, and the FRC is working with a team of consultants to provide services for the drafting of the law (with funding from the World Bank).
- The Chairman of the FRC and the Minister of Finance issued a joint order No. 312/206 on 24 November, 2021, setting the amount of funds to be contributed to the driver's insurance fund in 2021 (from an insurer licensed to operate driver's insurance activities).



MEETINGS

- A meeting was held in connection with reform of the Insurance Package with representatives of the Insurance Association of Mongolia, Mongolian Insurance Brokers Association, Professional Association of loss Adjuster and Property companies, and National Life Insurance LLC. The main content and changes of the revised draft law were discussed, and proposals submitted by industry stakeholders.



NBFIs

Total assets

MNT **2.7**
trillion



Financial market status

Capital growth **35.0%**

Average loan amount

MNT **1.2** million

Customers **4.8** million



Accessibility

Credit NBFIs

92.9%

7.1%

Foreign currency exchange NBFIs



Products and services

Profitability



Total income

MNT **521**
billion

Stability



Z index

25.5

Percentage of
nonperforming loans

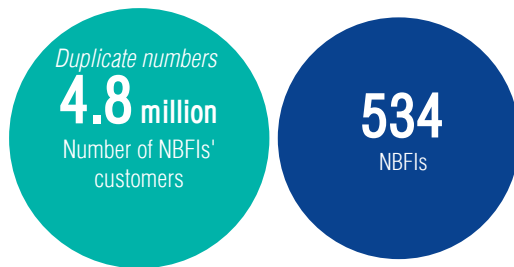
7.0%

Regulatory environment

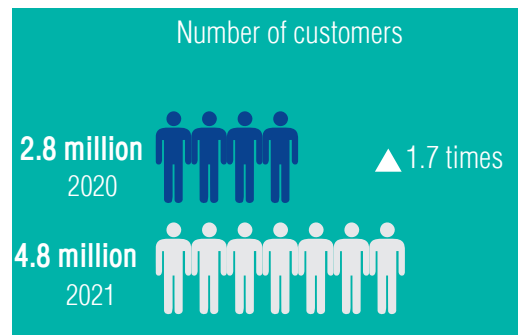
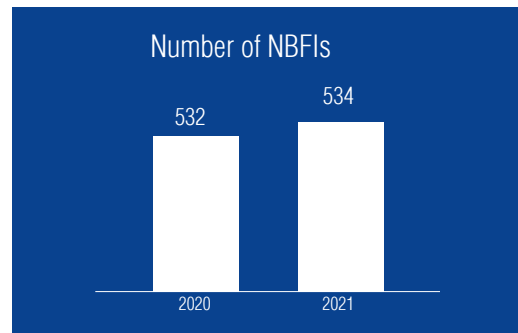


FINANCIAL MARKET STATUS

- 534 NBFIs were licensed by the FRC in 2021; an increase of 0.4% from 2020.

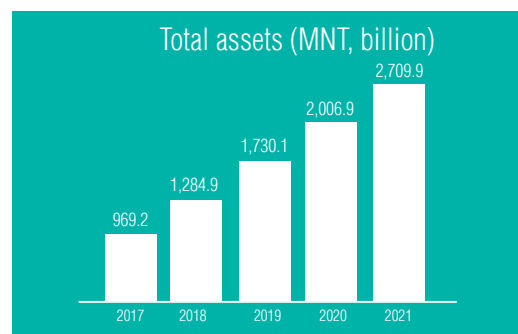
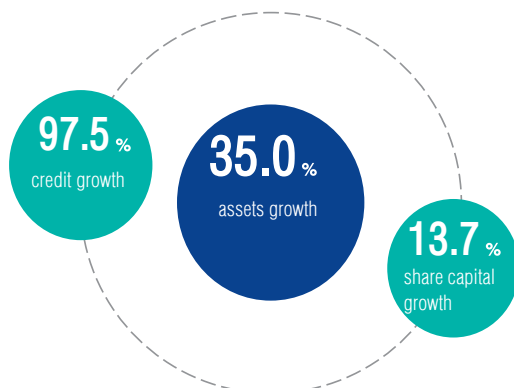
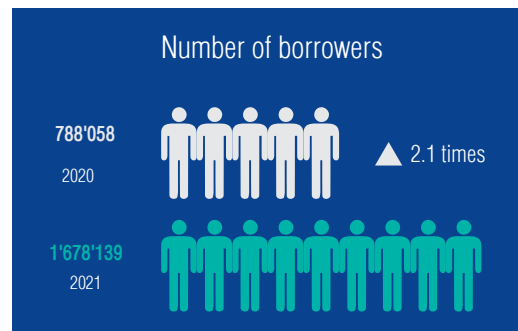


5.2% of NBFIs had foreign investment, and 94.8% had national investment.




ASSETS OF NBFIS


In 2021, the total assets of NBFIs reached MNT 2.7 trillion; an increase of MNT 703.0 billion (35.0%) from 2020, and MNT 1.7 trillion (179.6%) from 2017.



Assets structure of NBFIs (MNT, billions)

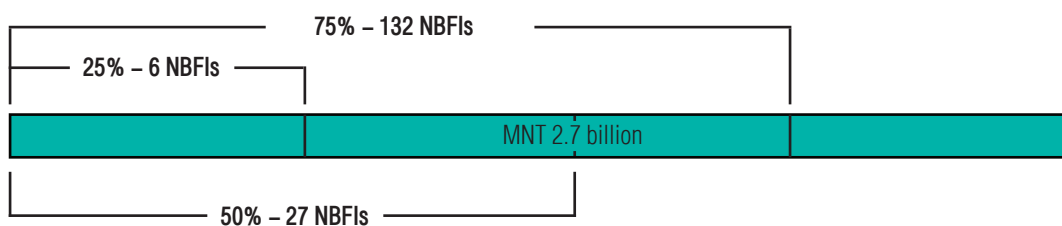
Total assets	2,709.9	100.0%	
Current assets	2,616.4	96.5%	
Cash	429.7	15.9%	
Credit (net)	1,897.5	70.0%	
Short-term investment (net)	22.6	0.8%	
Factoring settlement receivables (net)	9.9	0.3%	
Other property ownership and other ownership (net)	13.6	0.5%	
Other assets	243.1	9.0%	
Non-current assets	90.9	3.5%	

Liability structure of NBFIs (MNT, billions)

Total liabilities	2,709.9	100.0%	
Liabilities	910.8	33.6%	
Financial resources	246.9	9.1%	
Liabilities to domestic and foreign banks, and financial institutions	282.9	10.5%	
Other resources	54.4	2.0%	
Bonds issues by NBFIs	149.8	5.5%	
Project loans financing	19.9	0.7%	
Other liabilities	156.9	5.8%	
Owner's property	1,799.1	66.4%	
Share capital	1,114.1	41.1%	
Other property	50.6	1.9%	
Funds	1.0	0.0%	
Retained earnings/losses	563.3	20.8%	
Secondary payable	70.1	2.6%	

Зах зээлд эзлэх хувь хэмжээ буюу нийт хөрөнгөд эзлэх хувиар нь харвал салбарын нийт хөрөнгийн

- o the six largest NBFIs accounted for 25% of total assets;
- o 27 NBFIs accounted for 50% of assets;
- o 132 NBFIs accounted for 75% of assets.

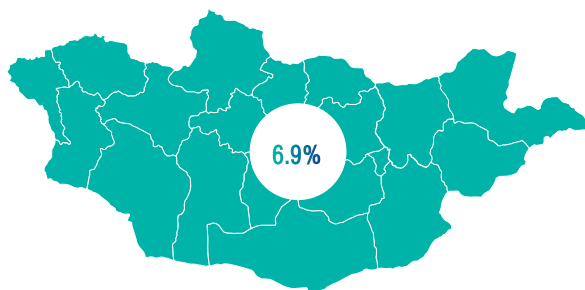


	Number of NBFIs		Total assets		Total loans		Percentage of nonperforming loans in loan portfolio	Customers	
	No.	%	Amount (MNT, billions)	%	Amount (MNT, billions)	%		No.	%
25 %	6	1.1%	734.2	27.1%	580.9	28.9%	3.6%	1,186,790	24.6%
50 %	27	5.1%	1,360.5	50.2%	1,091.6	54.3%	4.5%	3,812,676	79.1%
75 %	132	24.7%	2,032.8	75.0%	1,573.2	78.2%	5.9%	4,675,151	97.0%
100%	534	100.0%	2,709.9	100.0%	2,012.2	100.0%	7.0%	4,820,624	100.0%

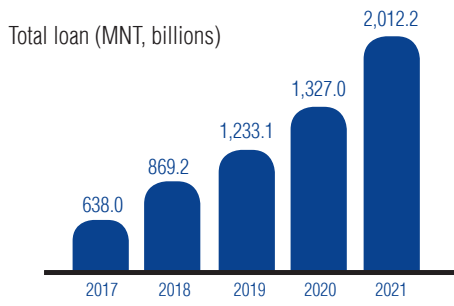
Loans of NBFIs – which accounted for 25%, 50% and 75% of the total assets of the non-bank financial sector accounted for 28.9%, 54.3%, and 78.2% of the total outstanding loans, respectively. Although the share of total assets and total loans were similar, the share of non-performing loans (among all loans) was 3.6%, 4.5%, and 5.9%, respectively. Some of the 27 NBFIs accounting for 50% of the sector's total assets, used technology to provide inclusive services. Most (79.1%) 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	506	2,341.3	86.4%	1,724.6	85.7%	4,726,234	98.0%
With foreign investment	28	368.6	13.6%	287.6	14.3%	94,390	2.0%

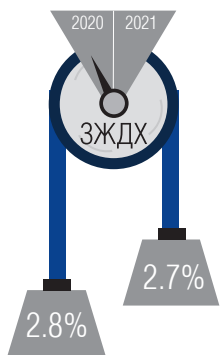
Of all the NBFIs with foreign investment, 12 (42.9%) were from Japan, 6 (21.4%) from South Korea, two from the USA, two from the UK, and the rest from Malaysia and Hong Kong. Although NBFIs with foreign investment owned 13.6% of the sector's total assets, they provided services to just 2.0% of all customers.



In 2021, the total assets of NBFIs amounted to 6.9% of Mongolia's GDP.



Loan interest rate: In 2021, the weighted average monthly interest rate (on loans issued by NBFIs) reached 2.7%; a decrease of 0.1 percentage points from 2020 and a decrease of 0.7 percentage points from 2017.

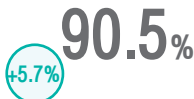


TOTAL LOANS
In 2021, the total value of loans of the sector increased by MNT 685.2 billion (51.6%) from 2020, and by MNT 1.4 trillion (215.4%) from 2017.

In 2021, 96.8% of all loans were disbursed in MNT and the remaining 3.2% were disbursed in foreign currency.



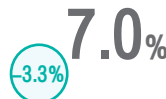
NORMAL



OVERDUE



NON-PERFORMING



MNT 3,015.6 billion Issued loan

Paid loan MNT 2,327.0 MNT billion

Wholesale and retail



Construction



Mining



Cars and motorcycles repair services



Accommodation and catering



Processing factories



Agricultural



Other





87.5%

91.5%

91.3%

LOAN BALANCE

LOANS ISSUED

PAID LOAN

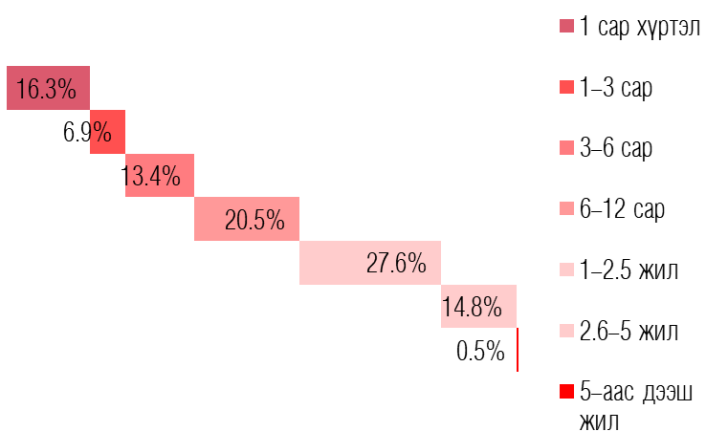
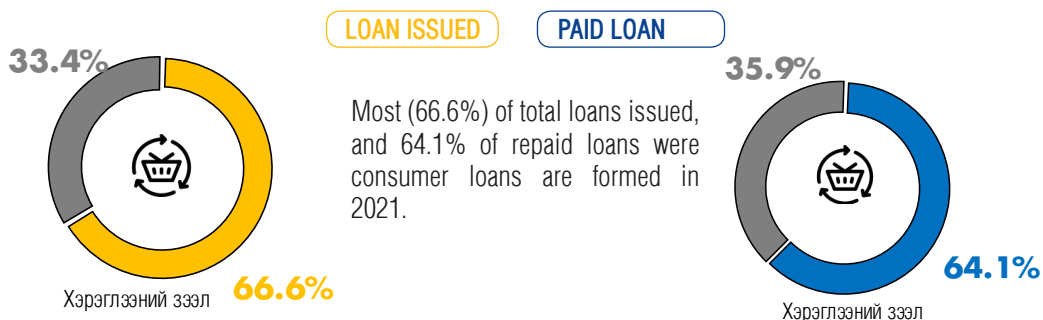


12.5%

8.5%

8.7%

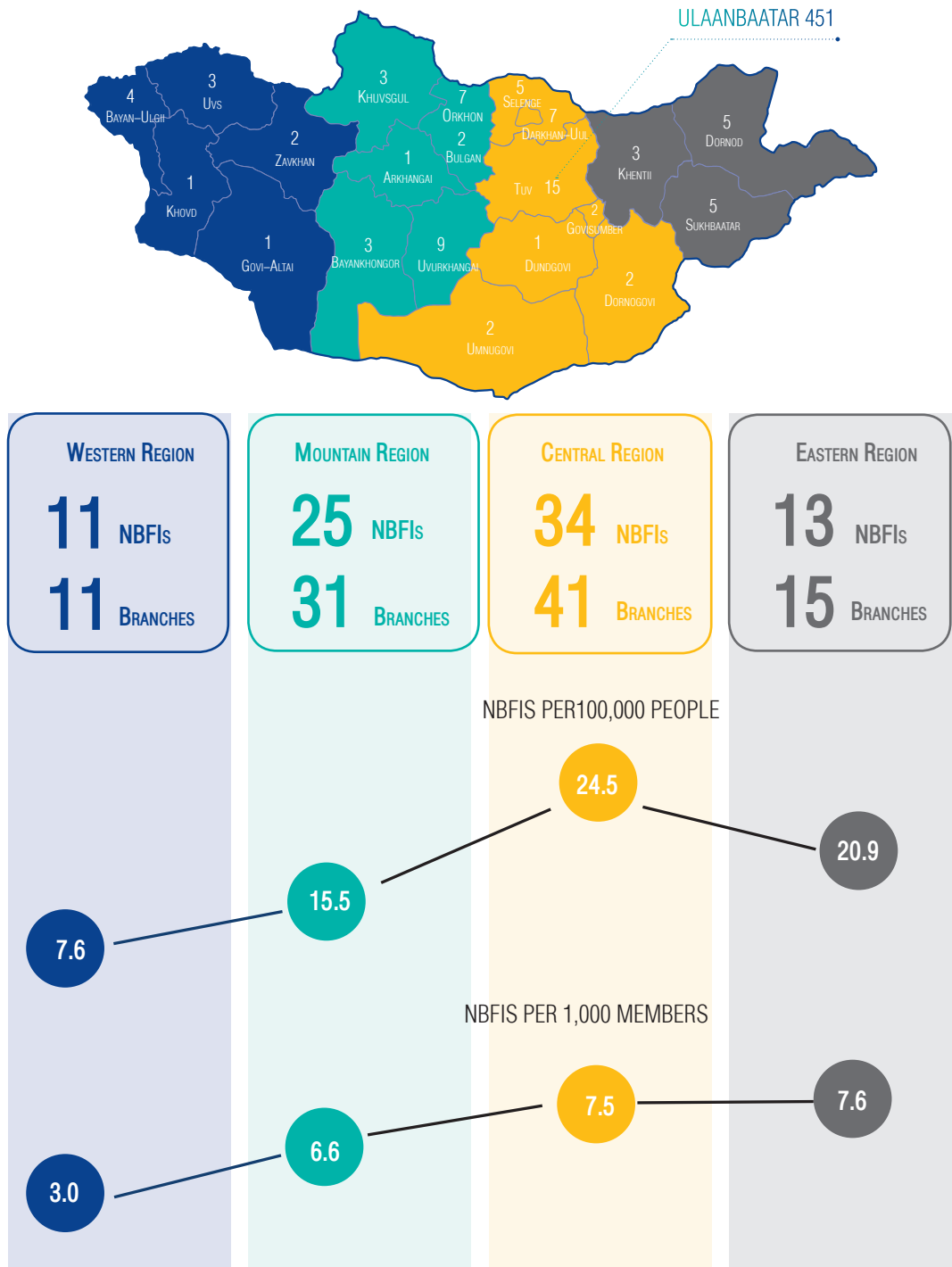
As of 2021, 87.5% of total loans were outstanding loans to individuals and 12.5% are outstanding loans to legal entities.

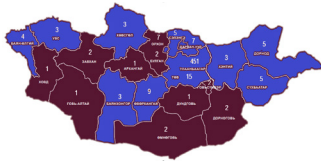


In 2021, 27.6% of loans issued by NBFIs were loans had terms of 1.0–2.5 years, 20.5% were loans with a term of 6–12 months, and 16.3% were loans with a term of up to one month.

ACCESSIBILITY

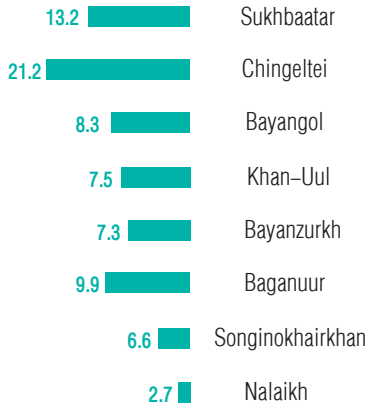
Nationwide, there were 534 licensed NBFIs with a total of 331 branches. The majority (84.5%) of NBFIs operated in Ulaanbaatar.



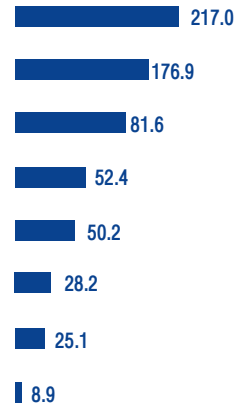


Twelve (57.1%) of the total of 21 provinces had three or more NBFIs.

Per 1,000 enterprises



Per 100,000 population



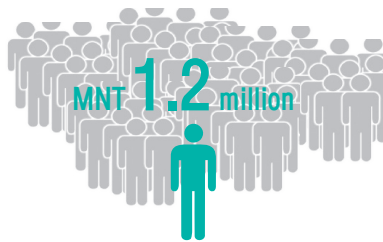
Of the 451 NBFIs operating in Ulaanbaatar, those are located in 34.4% in Sukhbaatar district, 28.2% in Chingeltei district, 16.2% in Bayangol district, 11.3% in Bayanzurkh district, 7.5% in Khan-Uul district, 2.2% in Songinokhairkhan district and 0.2% in Baganuur district.

BY ACCESSIBILITY AND GEAGRAPHICAL LOACATION OF NBFIS

- There were 44 NBFIs per 100,000 people aged 18–64 years, and 29 NBFIs for 1,000 businesses throughout Mongolia.
- Locally these ratios were 17 and 6 in the regions generally; Central Region led in terms of access to NBFIs, with eight NBFIs per 100,000 people, and 25 per 1,000 enterprises.
- In Ulaanbaatar, there were 77 NBFIs per 100,000 people and 10 per 1,000 businesses, indicating good access; compared to the countryside.

44 NBFIs per
100,000 people nationwide

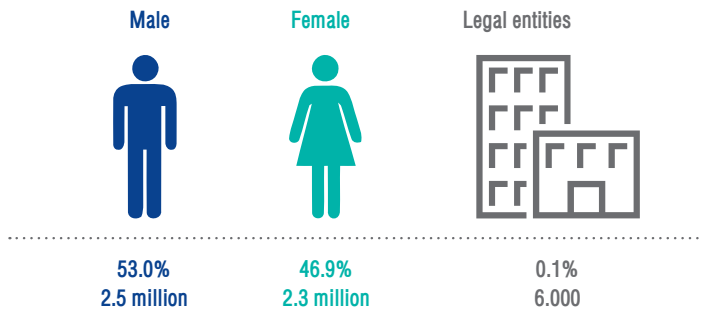
29 NBFIs per
1,000 enterprises



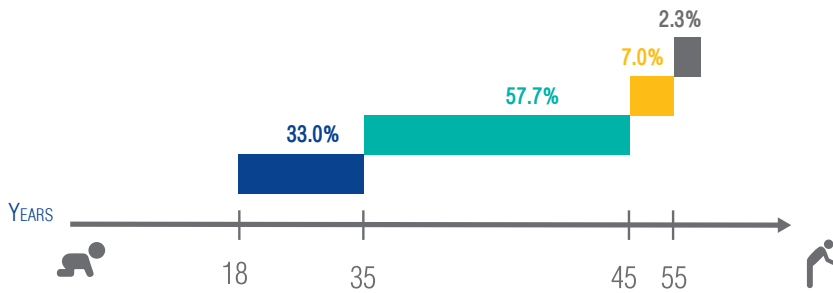
AVERAGE LOAN

- In 2021, the average NBFi borrower in Mongolia received a loan of MNT 1.2 million; ranging from MNT 1.9 million in rural areas to MNT 1.2 million in Ulaanbaatar.
- This compares to MNT 1.7 million nationwide in 2020; since when the average loan amount per borrower from NBFIs decreased by MNT 564.800 (1.5%).
- The total number of borrowers was 1.7 million; meaning 85% of people of working age (18–64 years) had loans from NBFIs.

Customers of NBFIs



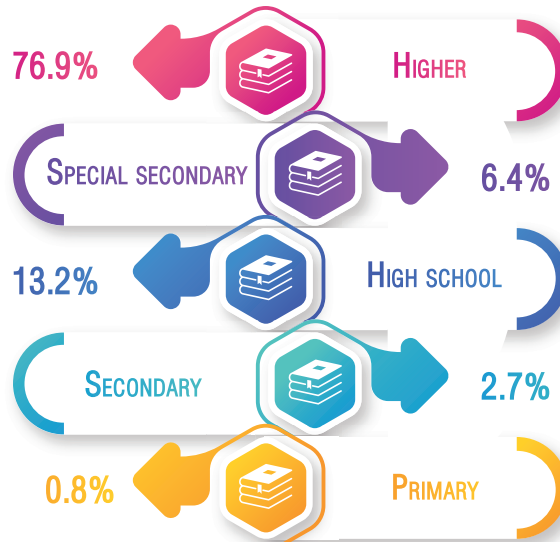
Borrowers of NBFIs (by age)



Employees of NBFIs



Borrowers of NBFIs (by level of education)



PRODUCTS AND SERVICES

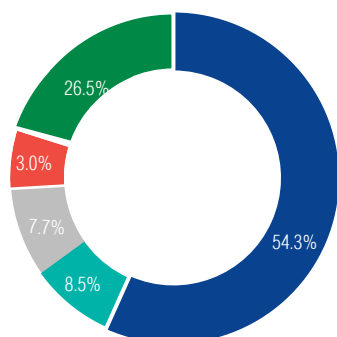
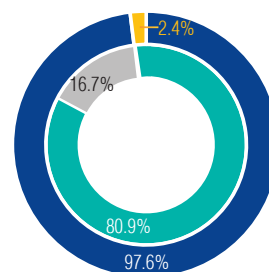
NUMBER OF NBFIS AND TYPES OF SERVICES (WITH DOUBLE COUNTING)



REVENUE FROM PRODUCTS AND SERVICES

- o In 2021, the total income of NBFIs reached MNT 521.3 billion.
- o Most (97.6%) of total revenue was operating income, interest, and non-interest income. Of this, 80.9% (MNT 421.7 billion) of total revenue was interest income and 16.7% (MNT 87.0 billion) was non-interest income.

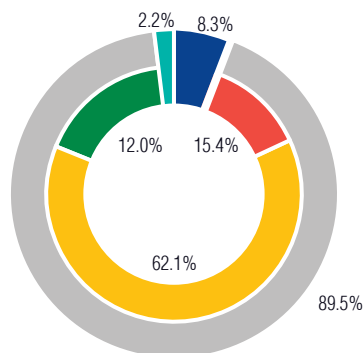
- interest
- non-interest income
- non-operating income
- operating income



- service fees
- exchange and valuations
- commerce
- remittances
- card service income
- financial advisory and information services
- other

BREAKDOWN OF NON-INTEREST INCOME

- o Non-interest income was generated by non-interest income service fees and commissions (54.3%), foreign exchange rate and valuation equations (8.5%), trading (7.7%), remittances (3.0%), and others (26.5%).



- potential risks
- non-interest
- interest
- non-core operations
- operating
- income tax

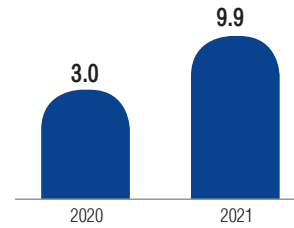
COSTS OF PRODUCTS AND SERVICES

- o Most (89.5%) were operating expenses, 2.2% were non-operating expenses and 8.3% were income tax expenses.
- o Interest expenses (a component of operating expenses) accounted for 15.4% of total expenditure, non-interest expense for 62.1%, and contingency risk 12.0%.

Expenditures related to product and service risks (or potential risks) accounted for a total of MNT 37.3 billion, of which 90.6% were credit risk expenses, 5.0% were other property risks and 3.1% were receivables risk expenses.

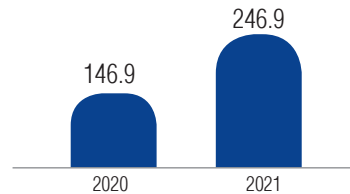
- o Factoring services are the sales of the entire rights to demand a monetary payment obligation, from a creditor or creditor to a third party. The recipient of this right is responsible for exercising the right and the consequences. In 2021, a total of MNT 9.9 billion net factoring receivables was registered in the sector.

Net receivables for factoring services (MNT billions)

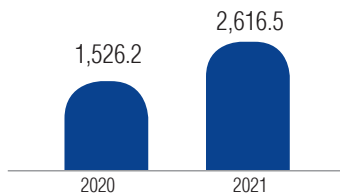


- o A total of 49 NBFIs provided trust services in the sector.
- o Total liabilities for trust services amounted to MNT 246.9 billion; an increase of 68.1% from 2020.

Trust service payable (MNT, billions)



Remittance service income (MNT, billions)



- o In 2021, NBFIs earned a total of MNT 2.6 billion from remittance services. This was an increase of MNT 1.1 billion from 2020.

CURRENCY TRADING NEWS

In 2021, NBFIs purchased a total of MNT 2.1 trillion worth of currency and sold MNT 2.2 trillion worth. The US dollar accounted for 46.3% of the currency purchased and 46.4% of the currency sold.

CURRENCY NAME	Bought	Sold
	Result (MNT, billions)	Result (MNT, billions)
US DOLLARS	994.1	1,014.3
CHINESE YUAN	964.8	974.6
EURO	130.6	138.7
KOREAN WON	26.0	26.1
JAPANESE YEN	16.6	17.1
OTHER	16.4	16.0

FINTECH

28 NBFIs

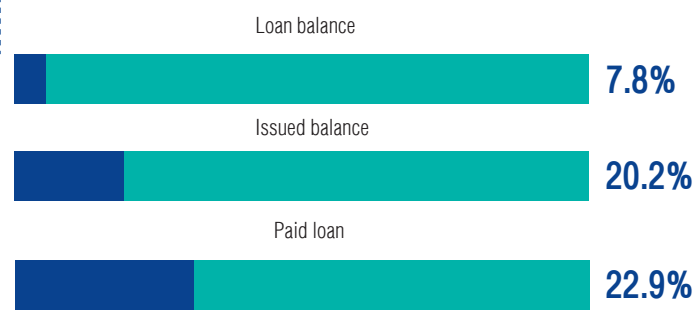
11 Technology-based only

17 Technology + Traditional



- o Most (92.1%) of all customers in the sector were those of NBFIs, and they had access to technology-based credit services.
- o Most (80.4%) of all borrowers received loans through their mobile phones.

o In 2021, 94.4% of outstanding loans of NBFIs (using technological advances in financial services) were normal loans, 1.9% were overdue loans, and 3.7% were non-performing loans.

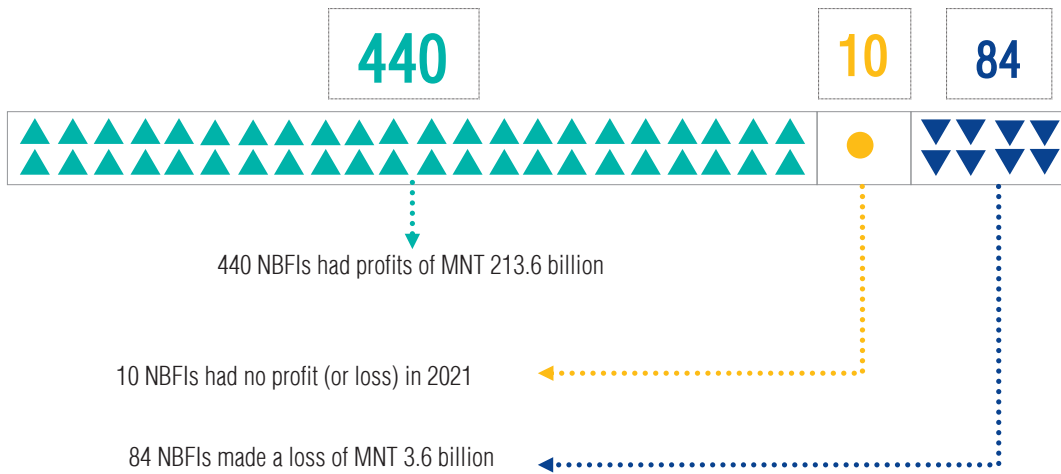
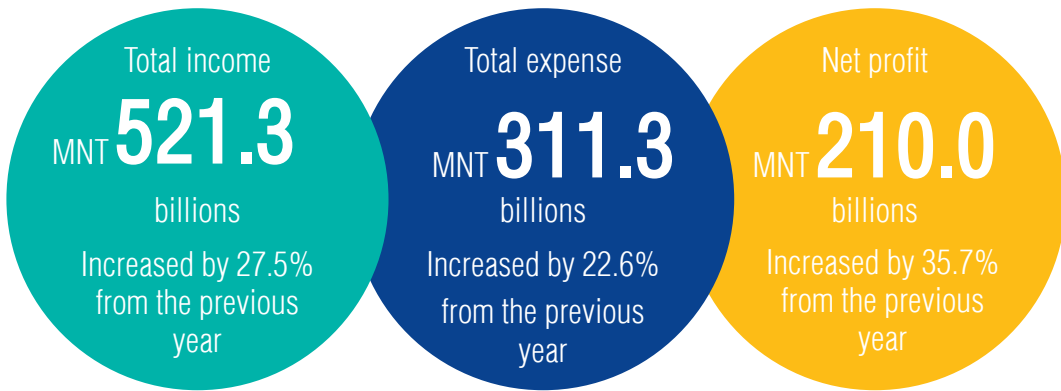


94.4% normal
1.9% overdue loans
3.7% poor quality

Although it had 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 were on good terms.

	Total loans		Borrowers		Average loan amount per borrower (MNT, thousands)
	Amount (MNT, billions)	%	Number	%	
Fintech	308.0	15.3%	1,349,116	80.4%	228.3
Traditional	1,704.2	84.7%	329,023	19.6%	5,179.4
TOTAL	2,012.2	100.0%	1,678,139	100.0%	1,199.1

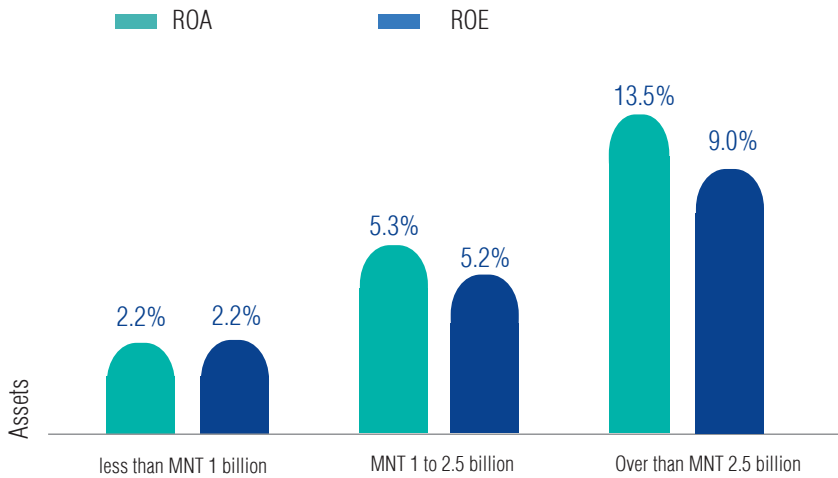
PROFITABILITY



		<1%	<5%	<10%	>10%	
Return on equity (ROE)	2020	11.4%	29.6%*	18.1%	16.5%	35.8%
	2021	12.9%	18.1%	16.5%	35.8%	
Return on assets (ROA)	2020	8.3%	30.1%	19.1%	19.5%	31.3%
	2021	8.9%	30.1%	19.1%	19.5%	31.3%

Number of NBFIs in the corresponding intervals of ROE and ROA

(*) (*) For example: 29.6% of all NBFIs had no ROE of less than 1%



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

In terms of the ROA and the ROE of NBFIs (by share capital), half of NBFIs with equity of less than MNT 1 billion had a ROA 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 5.2% and half of NBFIs with equity of more than MNT 2.5 billion had a ROA of less than 9.0%. In terms of ROA, the relevant values were 2.2%, 5.3%, and 13.5% (in the three categories of assets, by size).

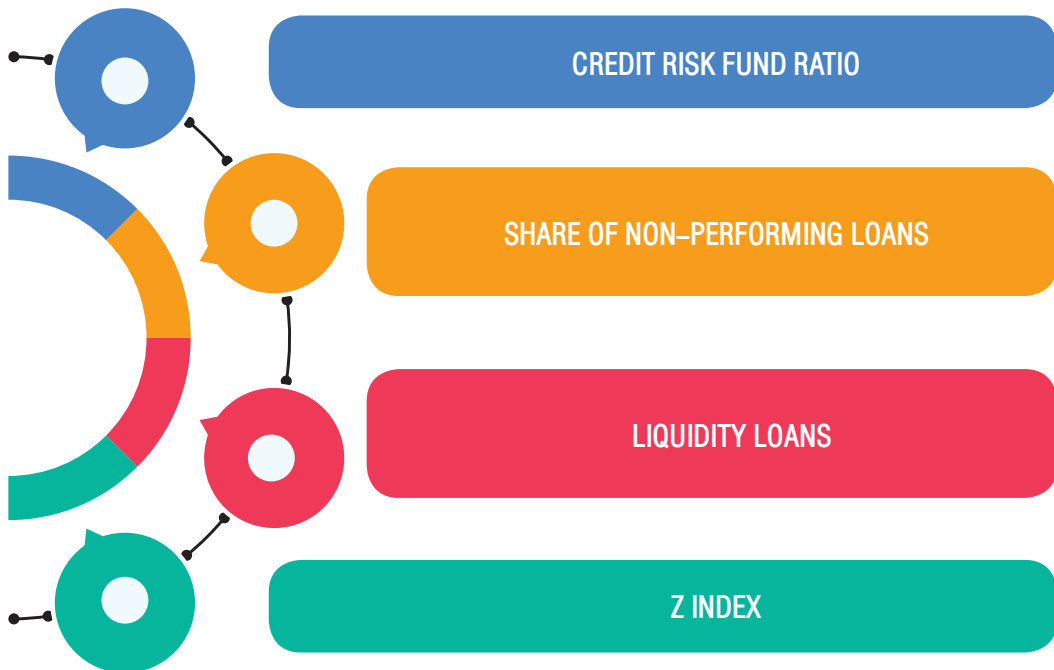
COST REVENUE RATION

The ratio of expenses to income (which estimates the average costs of NBFIs to earn one MNT) was 46.3% in the reporting year, a decrease of 0.3 percentage points from 2020. That is, NBFIs spent an average of MNT 46.3 to earn MNT 100.00.



STABILITY

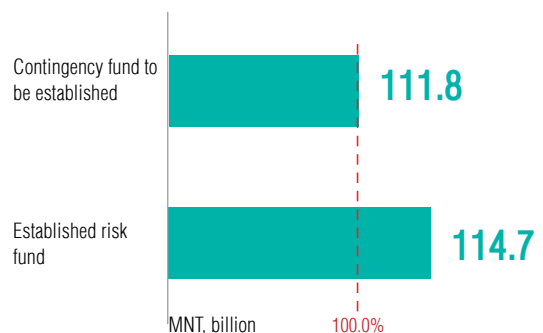
- o The following four indicators of NBFIs were calculated in accordance with the AFI's guidelines to determine financial access and financial stability.



CREDIT RISK FUND RATIO

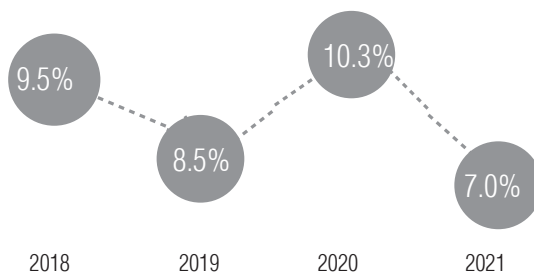
- o In 2021, the ratio was 102.6; accomplished by the creation of a contingency fund and showing the ability to cover risks by 102.6%.
- o This was a decrease of 1.4 percentage points from 2020.

102.6%



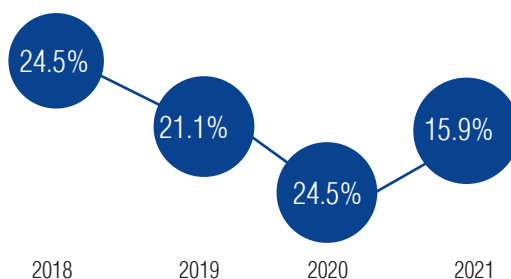
SHARE OF NON-PERFORMING LOANS

In 2021, non-performing loans reached MNT 140.2 billion, and the amount of non-performing loans (among total loans) decreased to 7.0%; a drop of 3.3 percentage points from 2020.



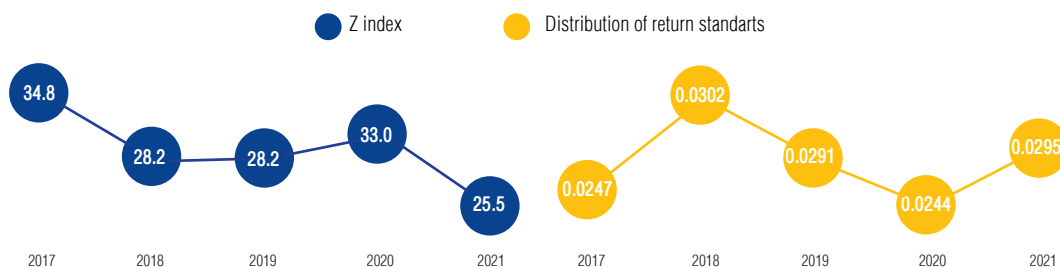
LIQUIDITY RATIO

- o The ratio of cash and cash equivalents to total assets (liquidity) reached 15.9% in the reporting year.
- o Cash growth in 2021 was decreased to 12.6%; so, liquidity had decreased by 8.6 percentage points from 2020.



Z INDEX

The Z index shows the probability of an NBFIs going bankrupt; calculated by the sum of the ROA and the ratio of equity to the volatility of the ROA. The value of the Z index is higher when profitability and equity leverage are high, and low when income uncertainty is high. That is, a high value of the index indicates low risk and stability. In 2021, the Z index of the non-bank financial sector decreased by 7.5 percentage points 25.5 from 2020.



REGULATORY ENVIRONMENT



INTERNATIONAL COOPERATION

- The FRC cooperates with the following international organizations and associations in the field of policy and regulation of the NBFi sector.
 - In cooperation with international professional associations and training institutions operating in the field of FRC regulation, an online seminar on Introduction to Risk-based Supervision of Non-bank Financial Institutions was organized as part of a project implemented by the ADB.
 - On 26 February, 2021, FRC met with representatives of the ADB to discuss the Climate Change Financing project, being implemented by the ADB. The ADB encourages NBFIs to participate in the project, and the FRC has expressed support for regulators.
 - AFI organized training on Green Finance for more than 300 NBFIs as part of the Regulated Entities' Green Finance Capacity project.
 - IFC developed a Manual for Procurement or Factoring under a Memorandum of Understanding between the FRC.
 - An online meeting was held with 15 Fintech loan service NBFIs to get feedback on the difficulties encountered in running Fintech products and services.
 - Within the framework of AFI, The Commission also worked on the Inclusive Green Finance working group and participated in online conferences and seminars.
 - The IFC, in collaboration with relevant organizations, organized an e-webinar on Using Technology Solutions in Receivable Financing to develop the supply chain financing market in Mongolia.
 - The ADB conducted a joint survey of International Fintech Regulation and fintech-based credit customers, as part of a project to support the non-bank financial sector to increase access to financial services.
 - The FRC and ADB an Action Plan for the additional funding project was submitted for capacity building of the non-bank financial sector No. 51411-001 Technical assistance to increase knowledge and support.
 - ADB – implementing Mongolia's Microfinance Institution Capacity Building and Financial Access Project – extended the project from 2021 to 2023.
 - As part of ADB's additional funding, a training plan on governance and risk-based supervision for local NBFIs and SCCs was developed and submitted to ADB.
 - In June 2021, the FRC, the Mongolian Sustainable Financing Association, and the IFC jointly conducted an interview on how to introduce a Sustainable Financial System in NBFIs, with four well-known NBFIs (Trans capital, Investor, Land MN, and Loan MN).
 - Mongolian Sustainable Financing Association collaborated to assess the current understanding and information of NBFIs in the Sustainable Financial System, and to identify potential environmental and social risk factors for their lending activities. Subsequently, external certification of the assessment was conducted by relevant officers and the Secretariat of the FRC and the Mongolian Sustainable Financing Association interviews with NBFIs, and a draft regulation on standard environmental and social governance management for financial institutions was developed.
 - In collaboration with the IFC a baseline study was conducted on the introduction of environmental, social, and governance requirements in NBFIs within the Green Finance Market Development Project (604826). Relevant draft policies and manuals, related to the introduction of environmental, social, and governance requirements in the activities of NBFIs, were developed.
 - In collaboration with the IFC, and within the framework of the Supply Chain Financing Market Development Project (603169), a draft Procedure for Receivable Procurement or Factoring Operations was developed. An e-seminar was organized for banks and NBFIs to explain the legal aspects of receivable procurement and factoring operations.



POLICY AND LEGISLATION

- o Within the framework of developing, updating, and amending the rules and regulations of NBFIs, in accordance with the legislation, the following regulations were updated and registered in the State Unified Administrative Norms Act.
 - o The Resolution on Amendments to the Regulation on Regulation and Supervision of the Loan Guarantee Fund was discussed at an FRC meeting on 24 February, 2021, and approved by Resolution No. 65. Administration Norms Act registered on 2 March, 2021
 - o FRC Resolution No. 441 of 2019 (on re-approval of the minimum share capital and step-by-step increase schedule for NBFIs) was discussed on 24 February 2021, and approved by Resolution No. 66. Registered in the State Unified Fund of Administrative Norms on 2 March, 2021.
 - o Regulation on registration and control of closed bonds to be issued by NBFIs was developed, discussed at an FRC meeting on 28 April, 2021, and approved by Resolution No. 165.
 - o A resolution on measures to be taken by NBFIs during the pandemic was developed, discussed at an FRC meeting on 23 June, 2021, and approved by Resolution No. 262.

Implementation of Paragraph 15.4 of the Law on Non-Bank Financial Activities

- o As of the end of 2021, according to Paragraph 15.4 of the Law on Non-Bank Financial Activities, 488 NBFIs (91.7%) were responsible for external auditing of the 2020 year-end financial statements, and 456 NBFIs were responsible for public disclosure.

Implementation of the Law on Credit Information

- o According to the Law on Credit Information, credit institutions are required to enter into a cooperation agreement with the Bank of Mongolia's credit database, and use information and inquiries about borrowers in their lending activities. The Governor of the Bank of Mongolia issued Order A-57 on March 3, 2020, approving the Regulations of the Bank of Mongolia Credit Database. In this regard, the Bank of Mongolia has organized a new procedure for concluding cooperation agreements with information providers, and in the fourth quarter of 2021, 422 (85.1%) of 496 NBFIs had renewed their contracts.

Implementation of the Law on Combating Money Laundering and Terrorist Financing

- o Article 7 of the Law on Combating Money Laundering and Terrorist Financing Entities (as described in Paragraph 4.1) report cash and foreign settlement transactions above MNT20 million to the Financial Information Unit within five working days; in accordance with approved procedures and formats. In this regard, 167 NBFIs, 16,824 cases, MNT 1.5 trillion were submitted to the Financial Information Unit. Article 7 of the Law on Combating Money Laundering and Terrorist Financing If entities described in Paragraph 4.1 suspect or know that an asset, income or transaction, or attempted transaction is related to money laundering or terrorism financing or is related to proceeds of crime, they must shall submit a Suspicious Transaction report to the Financial Information Unit within 24 hours; in accordance with approved procedures and formats. In this regard, 7 NBFIs, 3 cases, MNT 1.3 million were submitted to the Financial Information Unit.

Implementation of the Procedure for setting and centralizing the fees for regulatory services

- o As of the end of 2021, a total of 522 NBFIs paid MNT 1.3 trillion in regulatory fees, of which 504 (96.6%) paid MNT 1.3 billion (to the relevant accounts of the FRC).



SCCs

Total assets

MNT 291.2 billions

Capital growth 13.8%



Financial market status

Total branches 63

41% of all members have higher education



Accessibility

Loans for consumption and other related purposes

82.6%



Products and services

Profitability



Net profit

MNT **10.7**
billion

Stability



Percentage of non-performing
loans (on total loans)

3.5%

Regulatory environment



FINANCIAL MARKET STATUS

NUMBER AND MEMBERS OF SCCS

- o In 2021, there were 209 licensed SCCs; a decrease of 40 (16.1%) compared to 2020.
- o In 2021, there were 75,400 members of SCCs; an increase of 3.8% compared to 2020 where there was 72,651.
- o In 2021, the total number of SCCs had 290 decreased by 27.9%, and total members of SCCs 55,624 increased by 35.6% compared to 2017.



EMPLOYEES

741

Total 741 workers (70.9% female workers)
decreased by 11.9%

TOTAL

38,016

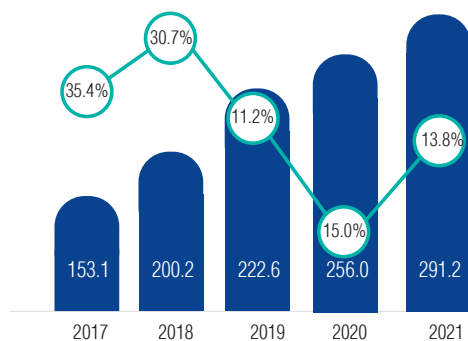
Borrowers

33,600

Depositors

■ Total assets (MNT, billions)

○ Total assets growth (MNT, billions)



TOTAL ASSETS AND THEIR GROWTH

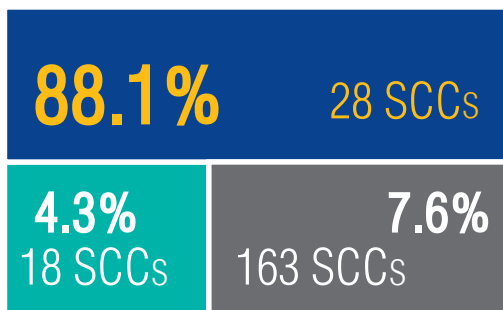
- o Net worth increased by 13.8% (MNT 291.2 billion) compared to 2020.
- o Rate of capital growth decreased by 1.2 percentage points compared to 2020.
- o • In 2021, the total net worth of SCCs (MNT 291.2 billion) had increased by MNT 138.1 billion (90.2%) compared to 2017.

Total loans MNT 213.4 billion

Total savings MNT 203.6 billion

TOTAL MARKET SHARE

- o 28 SCCs with net capital greater than MNT 1.0 billion, comprised 88.1% of the market.
- o 18 SCCs with net capital of MNT 500 million to 1.0 billion, comprised 4.3% of the market.
- o 163 SCCs with net capital less than MNT 500 million, comprised 7.6% of the market.



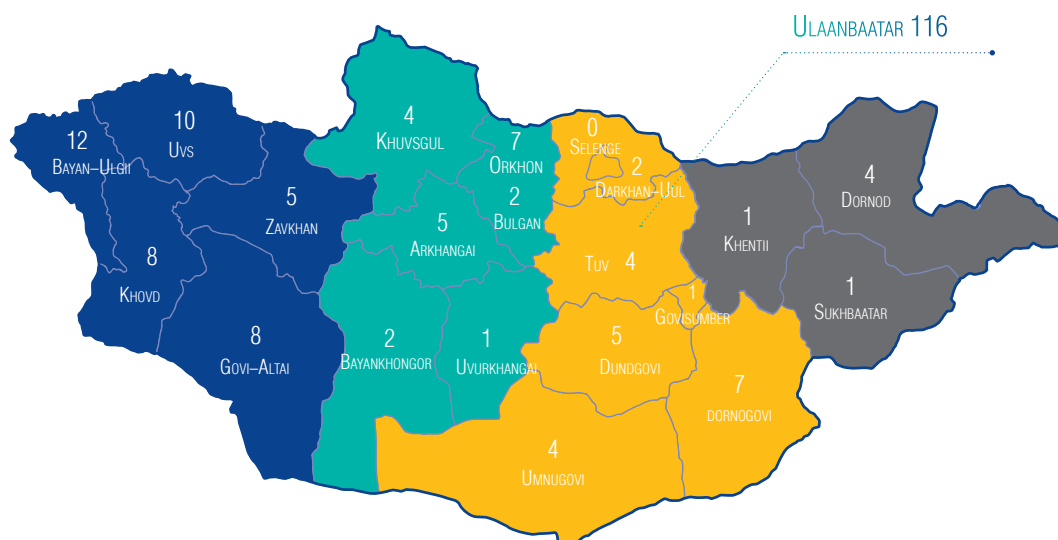
Assets and Liability structure of SCCs (MNT, billions)

Total assets	291.2	100%
Currents assets	280.1	96.2%
Cash	61.3	21.1%
Loan	207.8	71.4%
Receivables	9.1	3.1%
Other current assets	0.9	0.3%
Other assets	0.8	0.3%
Non-current asset	11.1	3.8%
Fixed assets	3.9	1.3%
Intangible assets	7.2	2.5%
Investment and others	0.0	0.0%
Total liabilities and equity	291.2	100%
Liabilities	227.3	78.1%
Savings	203.6	69.9%
Short-term loan	6.4	2.2%
Other short-term debt/current liabilities	15.1	5.2%
Long term debt	2.2	0.8%
Own assets	63.9	21.9%
Member contribution	25.4	8.7%
Re-evaluation surcharge	0.2	0.1%
Cooperative property	38.4	13.2%



- o Current assets were 96.2% of total assets, and non-current assets were 3.8% of the net capital.
- o Cash assets were 21.1% of net capital, 71.4 % of loans balance; and the balance of receivables was 3.1% of net capital.
- o Liabilities were 78.1% of net capital, and own assets were 21.9% of net capital.

ACCESSIBILITY



WESTERN REGION

43 SCCs

8 BRANCHES

MOUNTAIN REGION

21 SCCs

17 BRANCHES

CENTRAL REGION

23 SCCs

20 BRANCHES

EASTERN REGION

6 SCCs

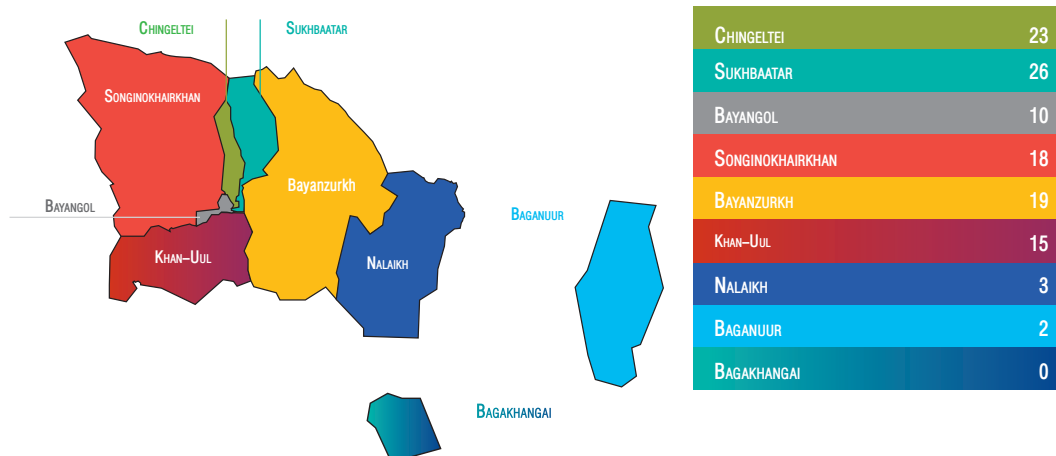
11 BRANCHES

ULAANBAATAR

116 SCCs

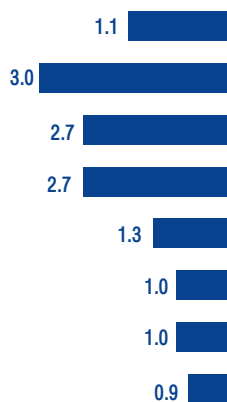
7 BRANCHES

- Of all 209 listed SCCs, 116 were in Ulaanbaatar, and 93 in rural areas.
- Of all SCCs in rural areas, 46.2% were in Western Region, 6.5% in Eastern Region, 22.6% in Mountain Region, and 24.7% in Central Region.
- Of all 116 SCCs in Ulaanbaatar, 95.7% were in the central six districts, and 4.3% in the three remote districts.

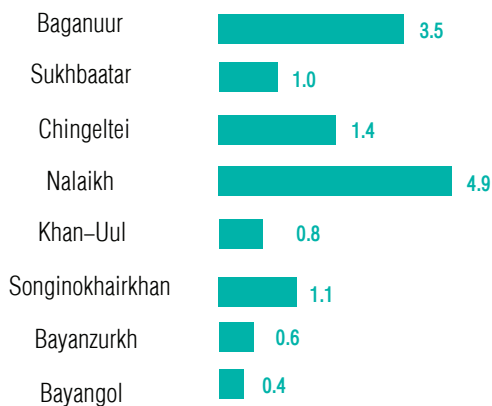


Financial inclusion indicators released by the AFI Data Working Group (in 2013) are shown below. These include the number of SCCs per 10,000 people (aged 18 to 64 years) and the number of SCCs per 1,000 entities.

Number of SCCs per 10,000 people

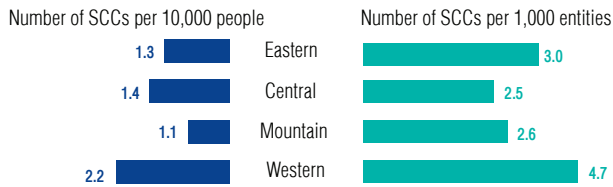


Number of SCCs per 1,000 entities



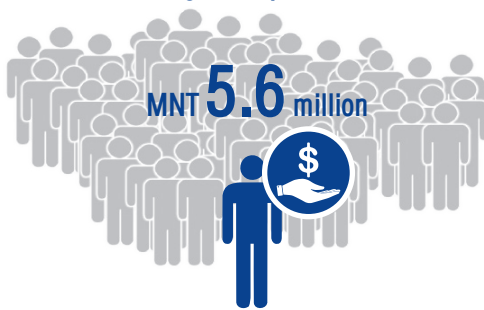
- o With respect to the number of SCCs per 1,000 entities, Nalaikh district had 4.2, Baganuur district 2.4, Chingeltei district 1.4, Sukhbaatar district 0.9, and Bayangol district had least with 0.4.
- o For the number of SCCs per 10,000 people Sukhbaatar, Nalaikh, and Chingeltei districts lead with 3.0, 2.7, and 2.7 respectively.

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



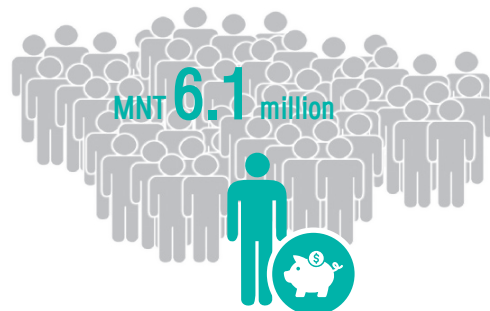
ACCESS TO LOANS

- o Nationally, one in 51 of all 18 to 64 year olds was a member of an SCC, and in receipt of a loan.
- o One in 67 in rural areas, and one in 39 in Ulaanbaatar were members of SCCs, and in receipt of loans.
- o Average loan (per member) among all members who received loans was MNT5.6 million nationally.
- o Average loan (per member) was MNT7.6 million in Ulaanbaatar and 2.7 million in rural areas.

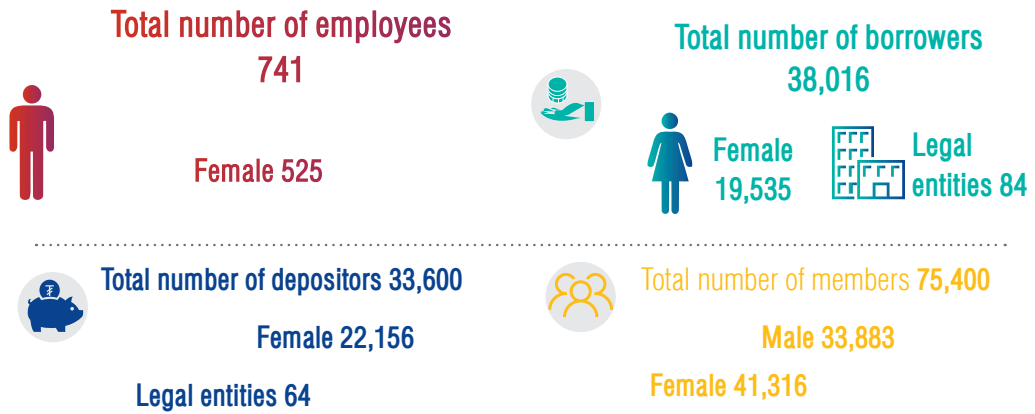
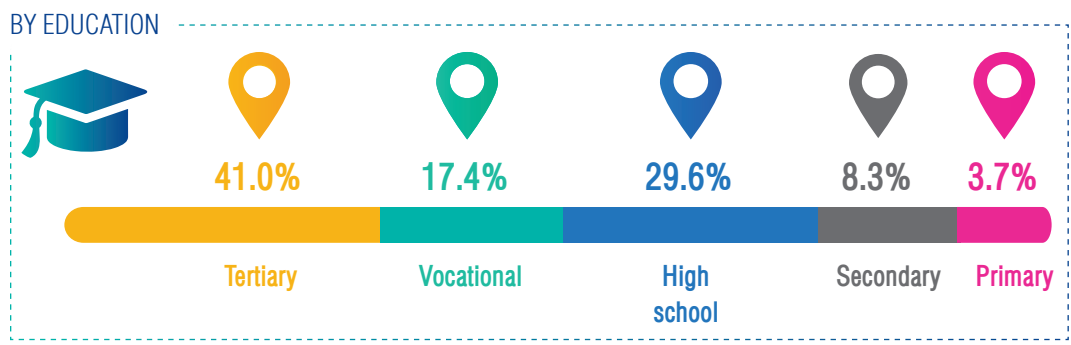
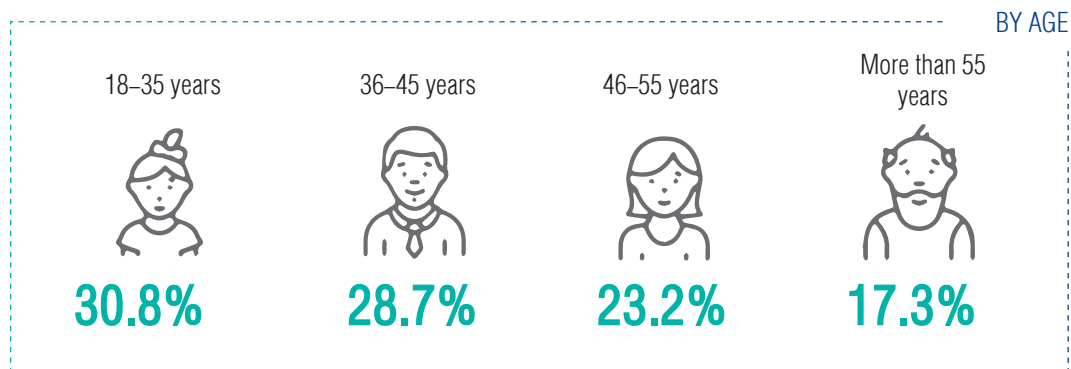
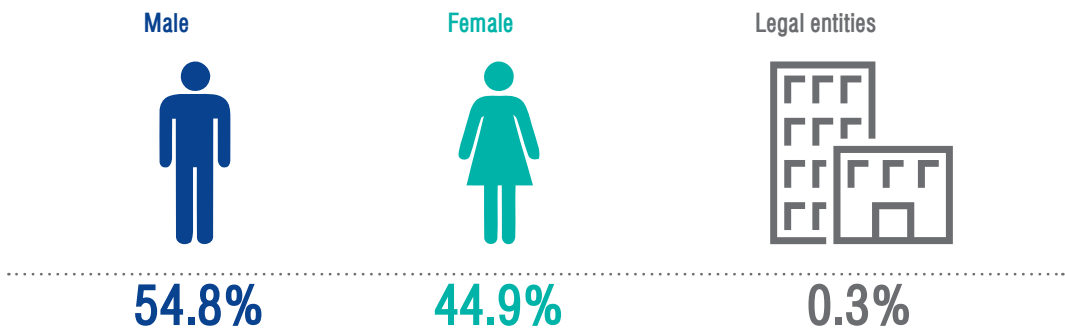
ACCESS TO SAVINGS

- o Nationally, one in 57 of all 18–64 year olds was a member of an SCC, and engaged in saving.
- o One in 61 people in rural areas, and one in 53 in Ulaanbaatar was a member of an SCC and engaged in saving.
- o Average savings per member (among all members holding saving accounts) was MNT 6.1 million.
- o Average savings per member was MNT 10.1 million in Ulaanbaatar and MNT 2.1 million in rural areas.

Average amount of savings per member



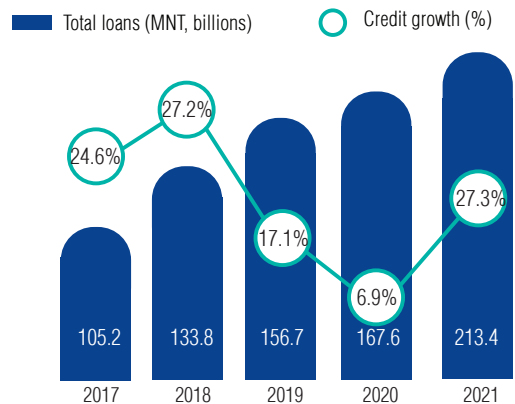
MEMBERS OF SCCS



PRODUCTS AND SERVICES

LOANS FROM SCCs

- o In 2021, loans totaled MNT 213.4 billion, an increase of 27.3% from 2020.
- o In 2021, normal loans accounted for 94.7% of total loans.
- o Net loans increased by 27.9% from 2020 to MNT 207.8 billion, and the credit risk fund increased by 11.2% to MNT 5.6 billion.
- o In 2021, the total balance of loans SCCs MNT 213.4 billion loans increased by MNT 108.2 billion (102.8%) from 2017.



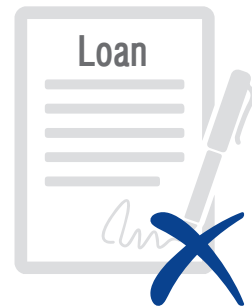
NORMAL

94.7%



OVERDUE

1.8%



POOR QUALITY

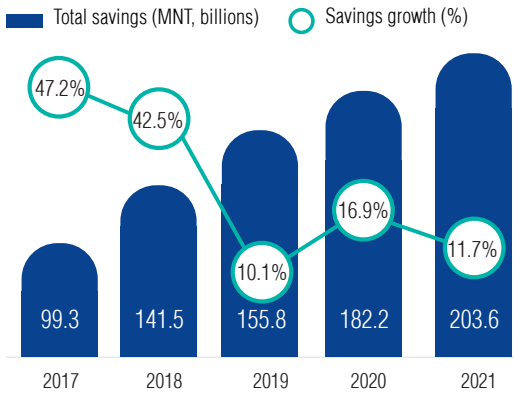
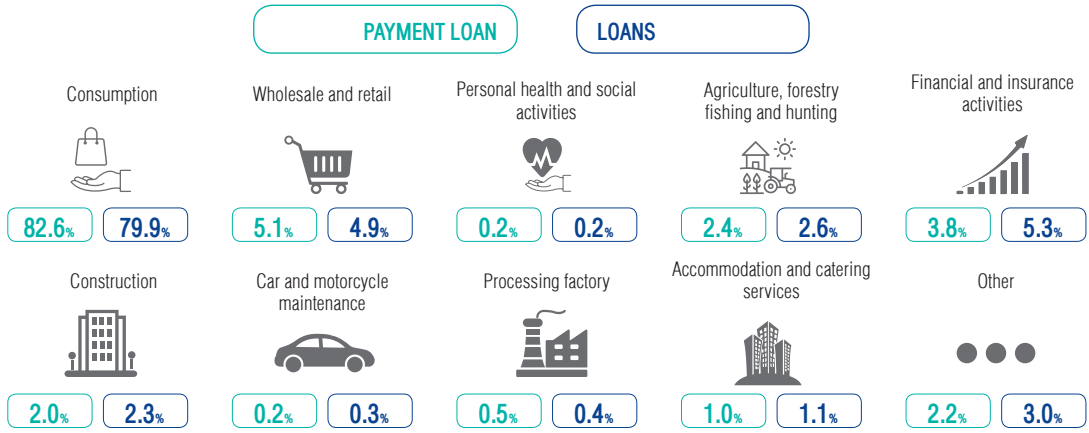
3.5%

LOAN QUALITY OF SCCS

- o Normal loans increased by 27.3% from 2020, to MNT 213.4 billion in 2021.
- o Normal loans accounted for 93.6% of total loans.
- o Overdue loans decreased by 29.5% from 2020, to MNT 3.9 billion in 2021.
- o Non-performing loans decreased by 0.4% to MNT 7.4 billion.
- o Non-performing loans increased to MNT 7.4 billion (65.6%) from 2017 in created by MNT 2.9 billion.

PURPOSE OF SCC LOANS

- o Most (79.9%) of loans were issued for general consumption, 4.9% for wholesale and retail trade, and 2.6% for the agricultural sector.
- o Of the total repaid loans, 82.6% were from general consumption, 5.1% from wholesale and retail trade, 2.4% from the agricultural sector.



SCCs SAVINGS

- o Total savings in SCCs increased by 11.7% to MNT 203.6 billion, compared to 2020.
- o In 2021, total savings in SCCs increased by MNT 104.2 billion (104.9%) to MNT 203.6 billion, compared to 2017.

TOTAL SAVINGS

- o Term savings accounted for 97.1%, non-term savings accounted for 2.9%.



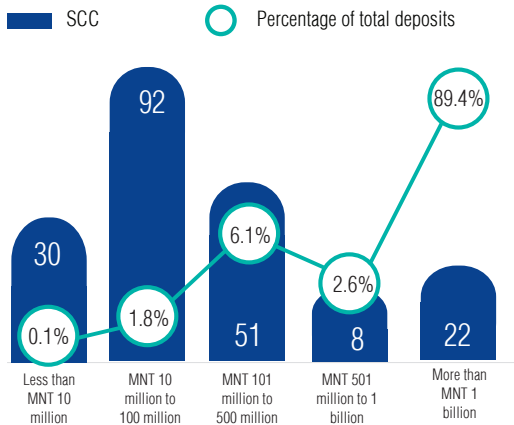
Term



Non-term



- o In 2021, 203 SCCs (95.3 %) had savings totaling MNT 191.2 billion.
- o The remaining six SCCs (2.6%) had no deposits.



PERCENTAGE OF TOTAL SAVINGS

- o 22 SCCs with savings of more than MNT 1.0 billion, accounted for MNT 181.9 billion (89.4%) of total deposits in the sector.
- o 151 SCCs with savings of MNT 10 million to 1.0 billion, accounted for MNT 21.5 billion (10.5%) of total deposits in the sector.
- o 30 SCCs with savings of less than MNT 10 million accounted for MNT 0.2 billion (0.1%) of total deposits in the sector.
- o 6 SCCs did not withdraw savings.



1.2%

Weighted average monthly interest rate on deposits



2.2%

Weighted average monthly interest rate

	2019	2020	2021
WAIR	3.4	3.0	2.2
WAIRD	1.5	1.5	1.2

SCCS WITH OTHER ACTIVITIES

2020

2021

Licensed to provide project financing services and project implementation programs

90

64

Licensed to provide financial leasing services

3

4

Licensed to act as insurance agents

4

5

Money transfer service

0

1

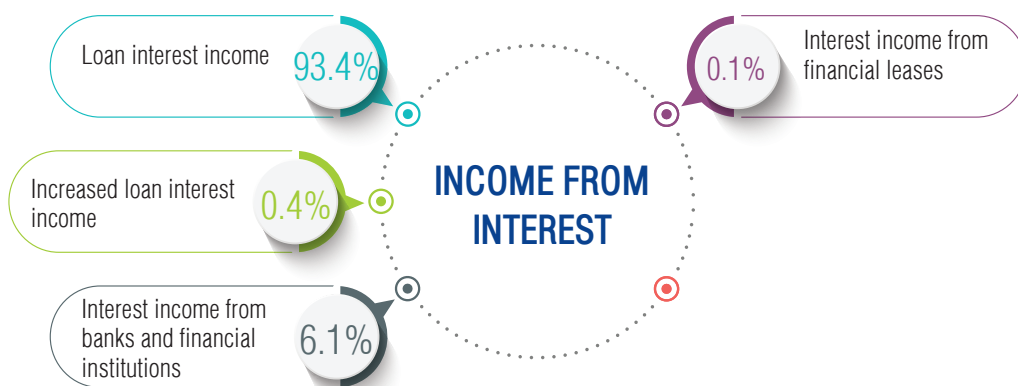
Licensed branches

61

63

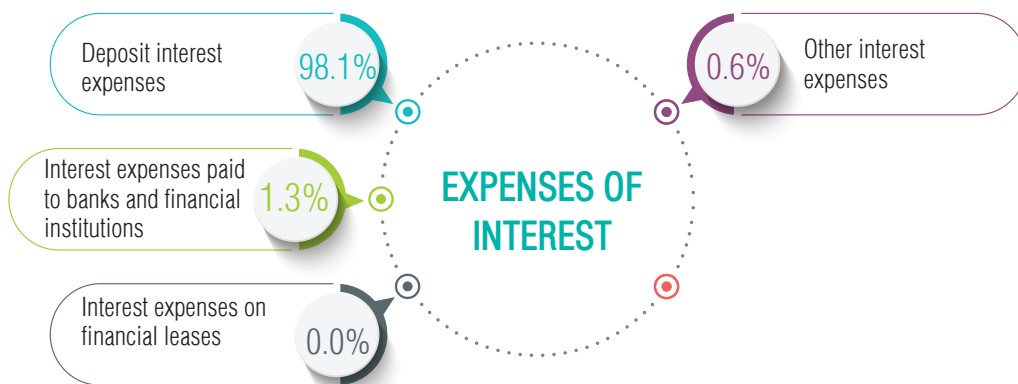
Income

- o Interest to SCCs increased by 7.3%, compared to 2020, and reached MNT 54.2 billion.
- o The largest portion of total interest income (93.4%) was loan interest.
- o Interest income from banks and financial institutions accounted for 6.1%, and increased interest income from loans accounted for 0.4%.
- o Income from financial leasing income (0.1%) MNT 63.8 billion and securities was not accounted.



Expenses

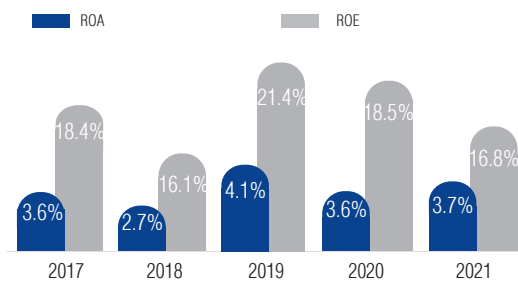
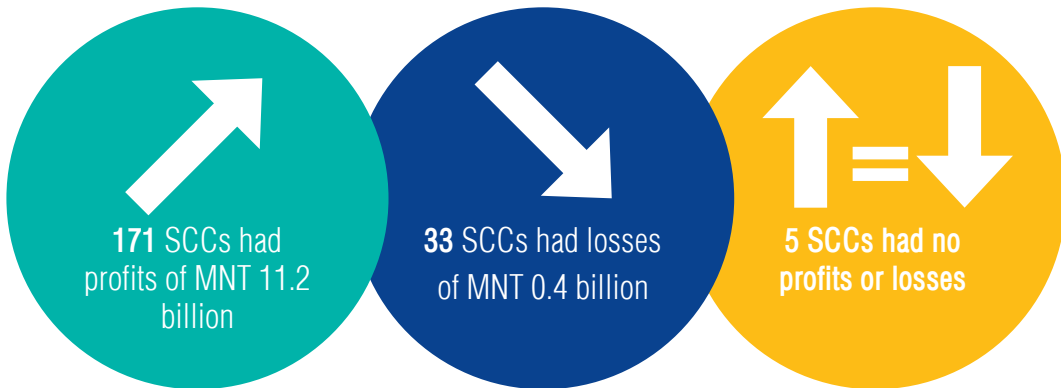
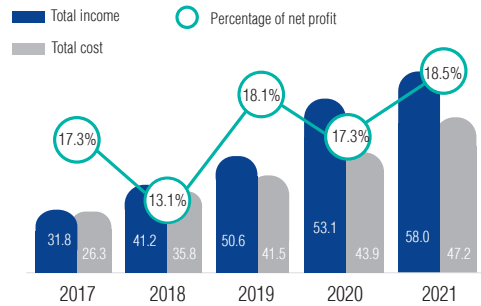
- o Interest expenses of SCCs increased by 9.0%, compared to 2020, and reached MNT 31.9 billion.
- o Deposit interest rate accounted for the bulk (98.1%) of total interest expenses.
- o Interest paid to banks and financial institutions, which accounted for 1.3% of interest expenses, decreased (by 4.5% compared to 2020) to MNT 423.1 million.
- o Interest expenses on financial leasing were MNT 543,000.



PROFITABILITY

INCOME AND EXPENSES OF SCCs

- o In 2021, SCCs earned MNT 58.0 billion in revenue, spent MNT 47.2 billion in expenses and earned MNT 10.8 billion in profit.
- o The share of net profits from total revenue decreased by 1.2 percentage points from 2020, to reach 18.5%.

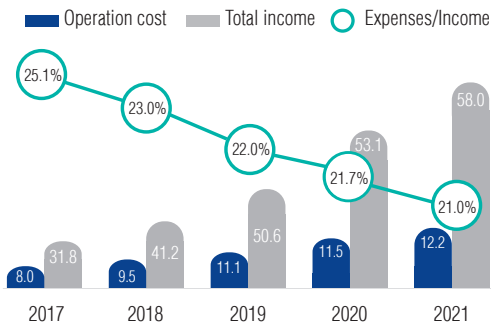
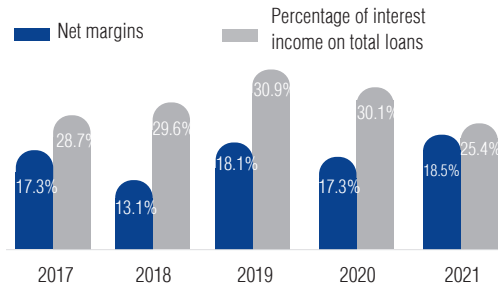


TOTAL RETURN ON EQUITY

- o ROE of SCCs decreased by 1.7 percentage points compared to 2020, to reach 16.8%.
- o ROA increased by 0.1 percentage points to 3.7%.

KEY RATIOS

- o In 2021, the share of interest income on total loans to members decreased by 4.7 percentage points from 2020, to 25.4%.
- o Average income from loan services for SCCs was equivalent to MNT 25.4 from each MNT 100.
- o The ratio of net income to total income decreased by 1.2 percentage points (from 2020) to 18.5%.



COST REVENUE RATIO

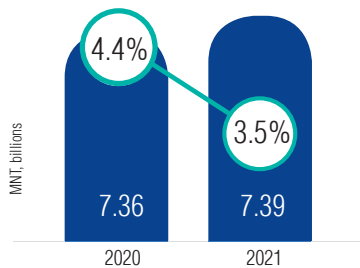
- o SCCs spent an average of MNT 21.0 to earn MNT 100.

STABILITY

SCCs assess the potential risks of their operations in accordance with the following four key indicators (PEARLS) methodology, namely:

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

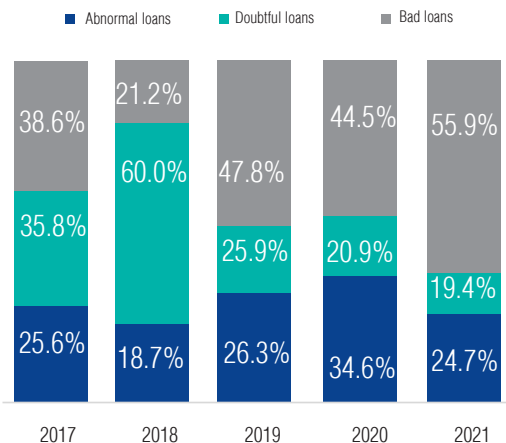


NON-PERFORMING LOANS OF SCCs

- The total amount of non-performing loans decreased by MNT 0.03 billion from 2020, to MNT 7.39
- Share of non-performing loans to total loans decreased by 0.9 percentage points from amount to 3.5% in 2020. According to prudential ratio standards of SCCs, this indicator should be less than 5.0%.

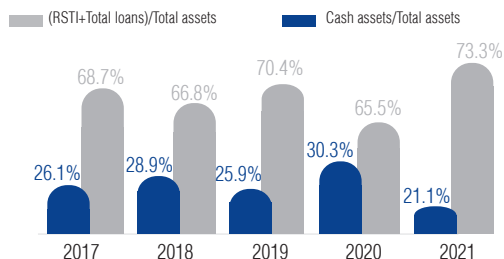
CLASSIFICATION OF NON-PERFORMING LOANS

- The share of abnormal loans in the non-performing loans category decreased by 9.9 percentage points to 24.7%, compared to 2020.
- Doubtful loans increased 1.5 percentage points to 19.4% (from 2020) while the share of bad debts in non-performing loans amounted to 55.9%.

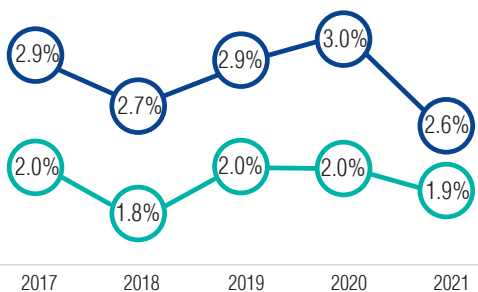


LIQUIDITY OF SCCs:

- o In 2021, the ratio of monetary assets to total assets was 21.1%.
- o The ratio of short-term investments and total loans to total assets was 73.3%.



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



CREDIT RISK FUND

- o In 2021, the share of the credit risk fund in total loans was 2.6 %, and the share of credit risk fund in total assets amounted to 1.9%.

Ratio	Adequate level	2021
Loans received from others/Total loans	<20%	4.0%
Total savings/Total assets	20%–80%	69.9%
Net loans/Total assets	60%–85%	71.4%
Equity of cooperatives/Total assets	>5%	13.2%
Reserve fund/Equity of cooperatives	>10%	24.9%
Savings protection fund/Equity of cooperatives	>5%	5.9%
Stabilization fund/Equity of cooperatives	>5%	5.8%
Operating expenses/Total assets	<15%	4.2%

REGULATORY ENVIRONMENT



POLICY AND LEGISLATION

- o A meeting was held with representatives of the National Association of Savings and Credit Cooperatives of Mongolia on 22 November, 2021 to discuss the revised draft of the Law on Savings and Credit Cooperatives.
- o In 2018, FRC Resolution No. 245 developed a revised version of the Conditions and requirements for the operation of Savings and Credit Cooperatives, and posted it on the Commission's website on 9 November, 2021 for comments. On 13, December, 2021 members of MOCCU's 78 SCC, on 14, December, 2021 representatives of 22 non-member SCCs organized an online discussion, and included relevant suggestions.



INTERNATIONAL COOPERATION

- o An MoU was signed in December 2021 with ADB, to implement the Green Finance Access and Gender Equality Project 2022–2024. Technical assistance will include a team of international and national consultants to conduct a study and assessment of the accessibility of green finance in the microfinance sector (SCCs), prepare proposals for changes to regulatory documents, and organize international events on green finance.



MEETINGS AND SEMINARS

- o On 8 November, 2021, a meeting was held with the management of Buren Scor LLC which is Bank of Mongolia to conduct credit information activities, and provided information on market conditions and exchanged views on the possibility of increasing information to be included in the credit database.
- o On 16 November, 2021, FRC met with the Acting CEO of the Deposit Insurance Corporation, to discuss options for managing the deposit insurance fund.
- o In a meeting of the Board of Directors of the Capital City Program to Support Small Business and Poverty Reduction online on 18 November, 2021 and provided information on measures taken by SCCs and the FRC participated.
- o A meeting was held with the management of the Loan Guarantee Fund on 3 December, 2021 to discuss the possibility of issuing loan guarantees to members of SCCs, and it was agreed to cooperate in 2022.
- o On 5 October, 2021, the AFI participated in an e-learning course on Small and Medium Enterprise Financing Policy organized by the Central Bank of West Africa and shared Mongolia's experience.
- o On 19 November, 2021 as a member of the AFI's working group of SMEF's provided information on gender and small and medium enterprises.
- o Within the framework of the Microfinance Capacity Building and Financial Inclusion Project – implemented in cooperation with ADB – three trainings for members of the Supervisory Board of SCCs were presented during 14 to 21 December, 2021. A total of 46 participants from 16 SCCs (14 from Ulaanbaatar and two from Tuv province) were involved.



CREDIT GUARANTEE FUND

Total assets

MNT **255.1**
billion



Financial market status

Average amount of
one guarantee

MNT **139.8**
million



Accessibility

Number of requests
submitted **334**

Number of requests
allowed **244**



Products and Services

Profitability



Total income

MNT **10.6** billion

Total profit

MNT **8.0** billion

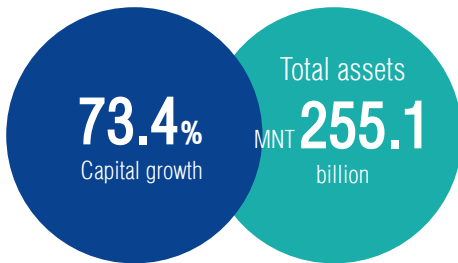
Stability



Percentage of non-performing
guarantees

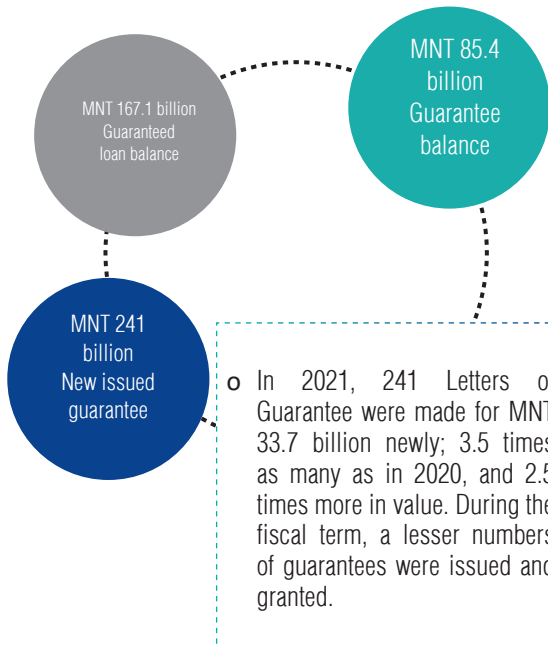
13.2%

FINANCIAL MARKET STATUS

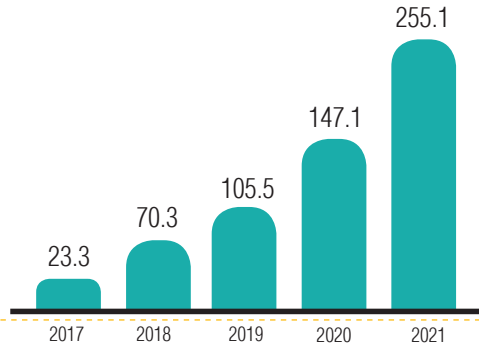


In 2021 the total assets of the Fund increased by MNT255.1 billion (73.4%) to reach MNT108.0 billion..

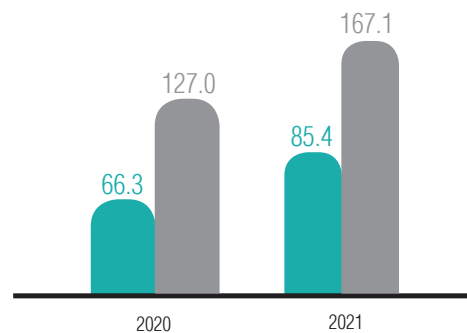
- o In 2021 the Guarantee Fund's balance reached MNT 85.4 billion, an increase of MNT 19.1 billion (28.8%) compared to 2020.
- o The Fund's outstanding balance increased by MNT40.1 billion (31.6%) from 2020 to reach MNT 167.1 billion.



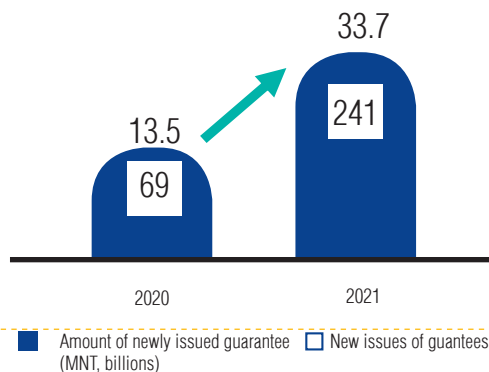
Total assets (MNT, billions)



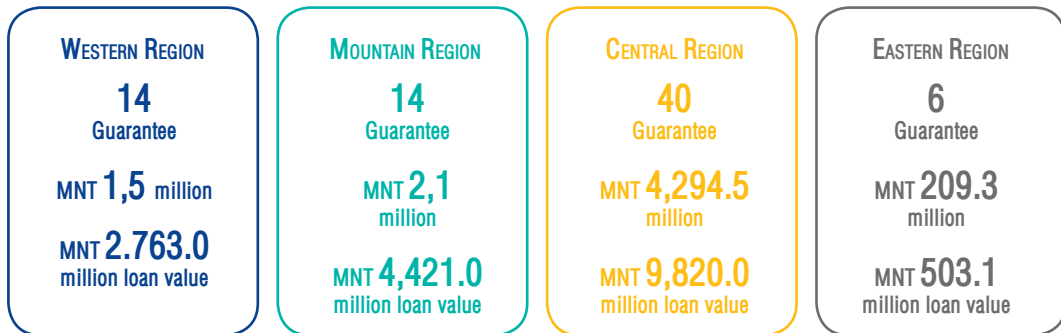
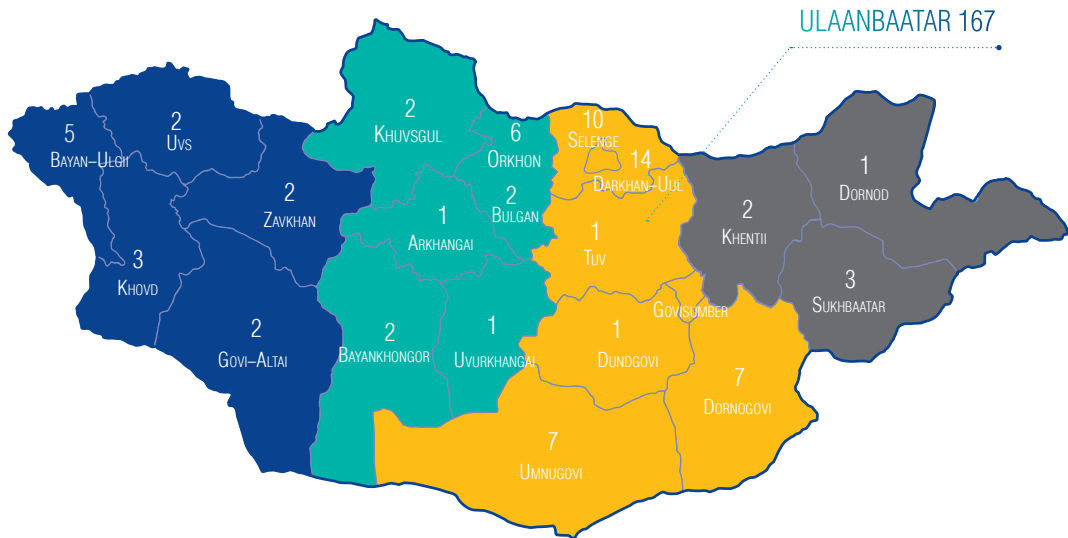
Guarantee balance
Guaranteed loan balance



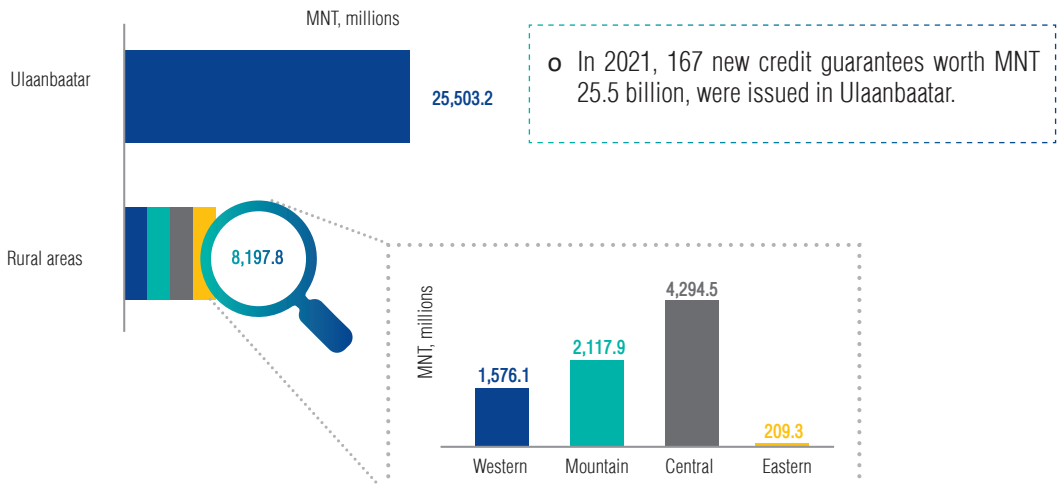
Amount of newly issued guarantee (MNT, billions)

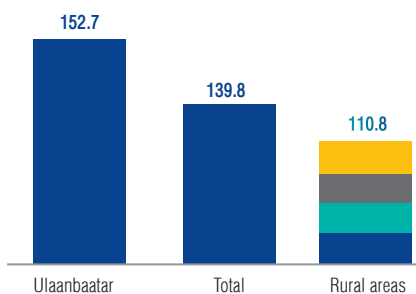
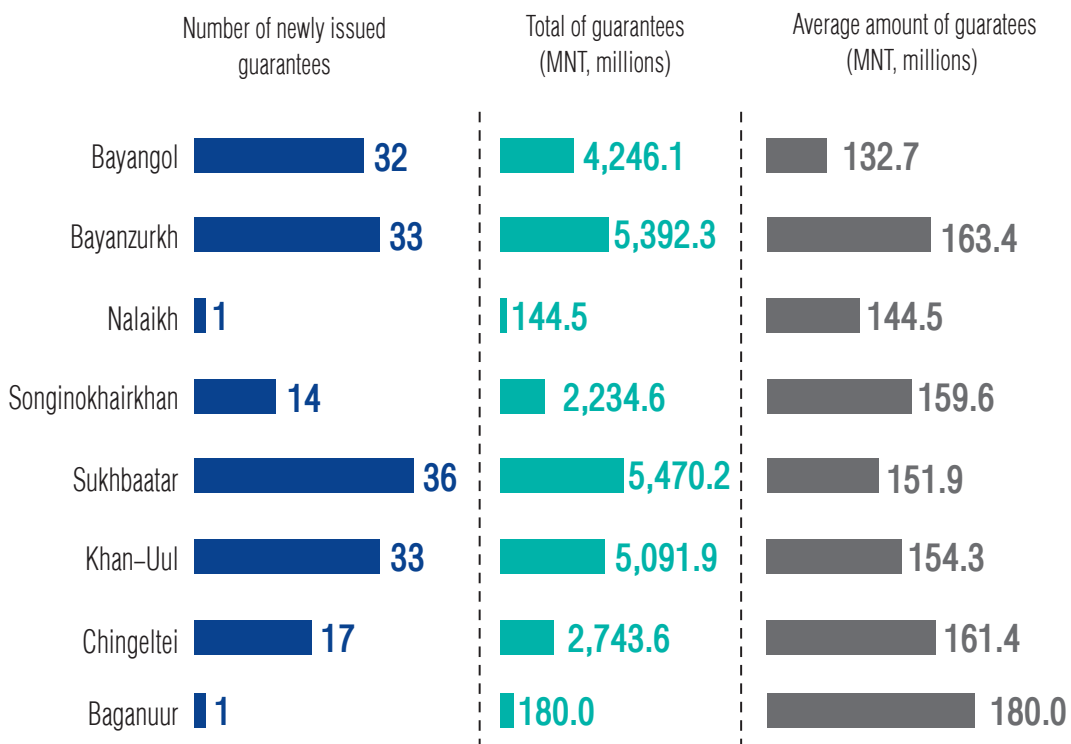


ACCESSIBILITY

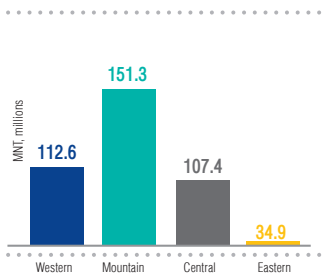


AVERAGE AMOUNT OF GUARANTEE





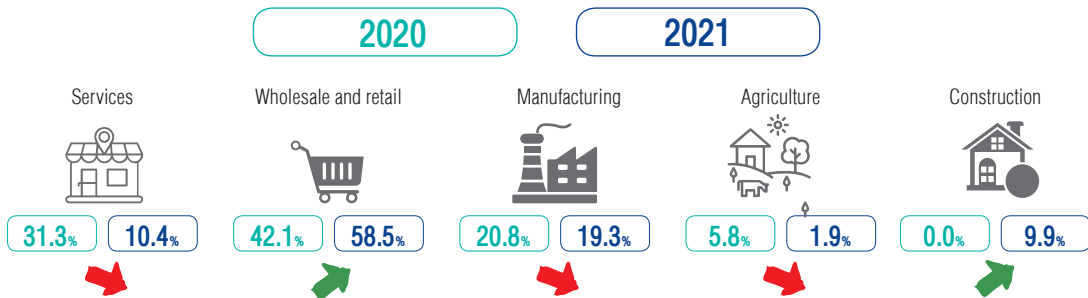
- o The average amount of a guarantee issued in Ulaanbaatar was MNT 152.7 million. The average guarantee in rural areas was MNT 110.8 million, MNT 139.8 million worth of guarantee was issued per person, nationwide.
- o Highest rate of guarantee issued per person in Mountain Region; MNT 151.3 million.



PRODUCTS AND SERVICES

	Number of applications for a guarantee	Зөвшөөрөгдсөн хүсэлтийн тоо	Approval rate
2018	356	162	45.5%
2019	193	113	58.5%
2020	128	72	56.3%
2021	334	244	73.0%

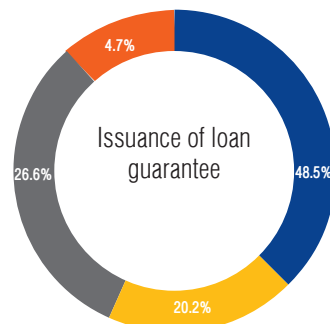
In the second quarter of 2021, a total of 334 applications for guarantees were received, of which 244 were approved. The number of submitted applications was higher (by 2.6%) and those approved was higher (by 3.4%) than in 2020. Percentage of request applications approval were increased 16.7 percentage point (by 73.0%) compared to previous year.



As of the second quarter of 2021, 58.5% of guarantees were issued for the wholesale and retail sectors, 19.3% for private production sector, 9.9% for the construction sector, 10.4% for the service sector, and 1.9% for agriculture sector. The percentages of guarantees for the wholesale and retail sectors, and for the production sector, increased by 16.4 percentage points; and by 20.9 points in the service sector.

- o The average term of guarantee issued in the second quarter of 2021 was 43.8 months (3.6 years).
- o This data reduced by 44.7 months or 3.7 years in comparison with same period of 2020.
- o During the fiscal period, many guarantees – with comparatively shorter terms – were issued and granted.

43.8
MONTH

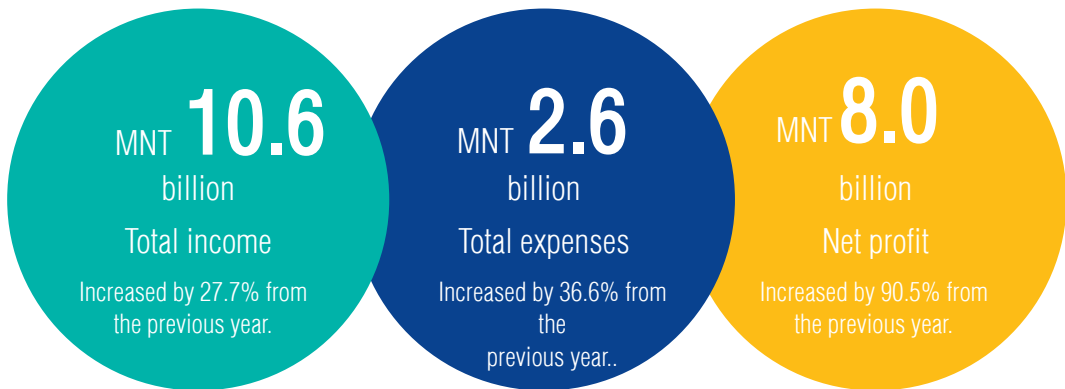


Issuance of loan guarantee (by bank)

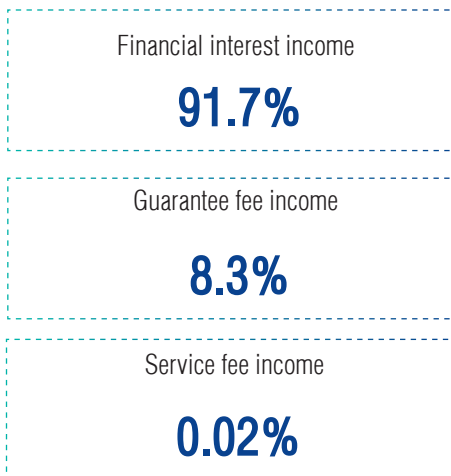
- State bank 31.6%
- Capitron 5.0%
- TDB 29.7%
- Khaan 14.5%
- Golomt 12.7%
- Khas 6.2%
- Transcapital 0.2%

In 2021, 31.6% of guarantees were issued by the State Bank, 29.7% by the Trade and Development Bank, 14.5% by Khan bank, 12.8% by Golomt bank, 6.2% by Khas Bank, 5.0% by Capitron bank, and 0.2% by the Transcapital NBF.

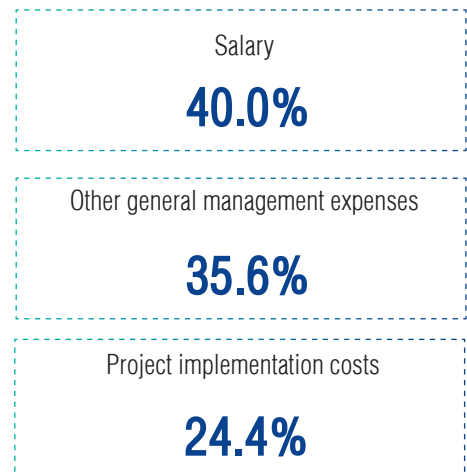
PROFITABILITY



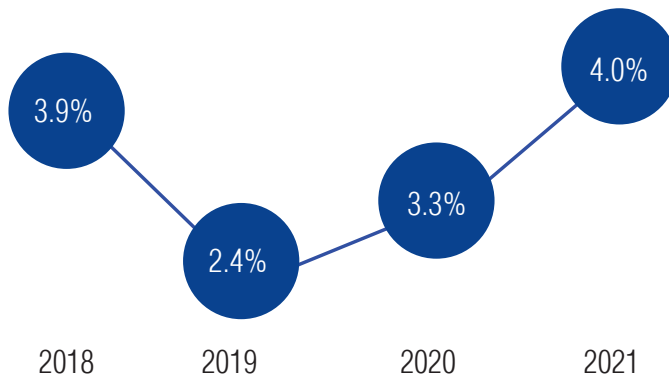
Revenue structure



Cost structure



Return on total assets

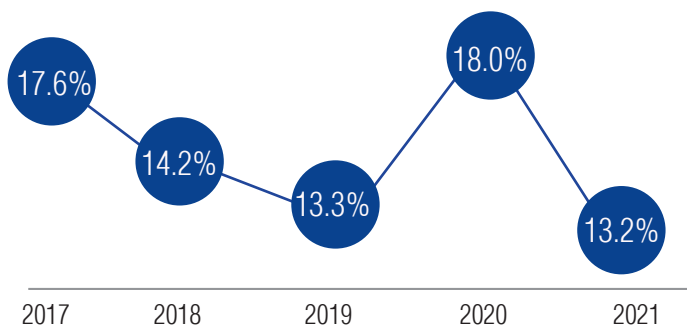
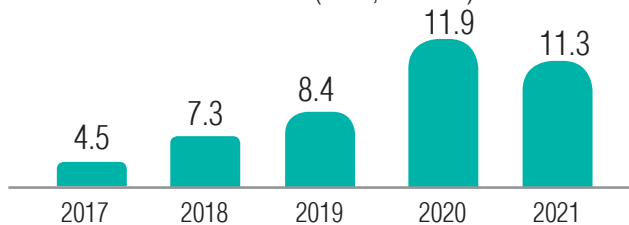


In 2021, the efficiency of the total assets of Fund was 4.0%; an increase of 0.7 percentage points compare to 2020.

STABILITY

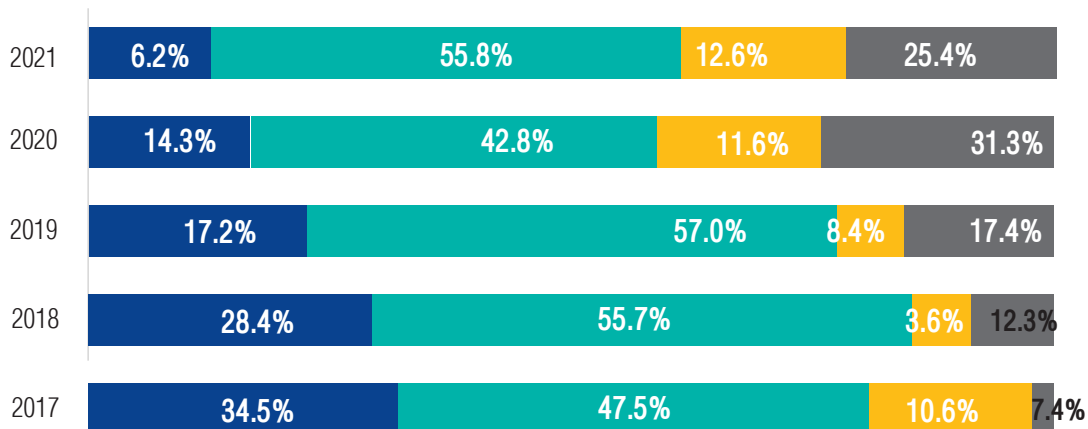
In 2021, the balance of non-performing guarantees amounted MNT 11.3 billion.

Balance of poor quality guarantees (MNT, billions)



The share of non-performing guarantees in the total outstanding balance decreased by 4.8 percentage points from 2020, and amounted to 13.2%.

- o Among non-performing loans, 55.8% were in the manufacturing sector, 25.4% in services, 6.2% in the agriculture sector, and 12.6% in the wholesaling and retailing sector.
- o Compared to 2020, the share of low-quality guarantees in the manufacturing sector was 13.0 and share of non-performing loans in the agricultural sector increased by 8.1 percentage points.





REAL ESTATE BROKERS (and AGENTS)

Regulated entities

248



Market outlook

852.6 Intermediate
(selling and buying)
real estates of MNT 853
billion – Products and
services



Product and services

Accessibility



98.5% of entities operated
in Ulaanbaatar

Regulated environment



MARKET OUTLOOK



Real estate brokers (REBs, and agents) are now under the control and regulation of the FRC, according to amendments to the Law on the Legal Status of the FRC and the Law on Licensing; made at the plenary session of Parliament on 17 January, 2020. At the Commission's meeting on 22 April 2020, the first licenses were issued to REBs. In 2021, 248 entities were operating with licenses.

Entities with licenses



On average, entities had one broker, and five agents. The highest number of agents was 105.

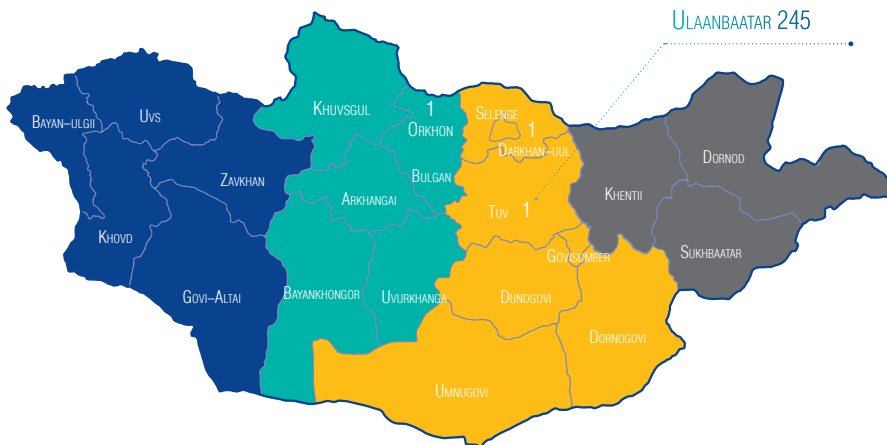
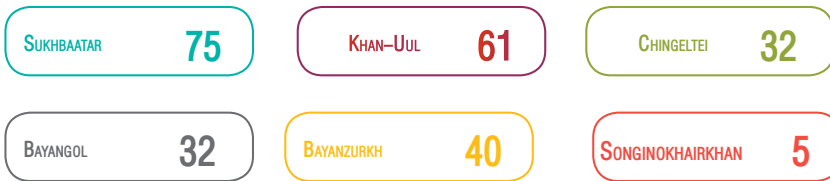
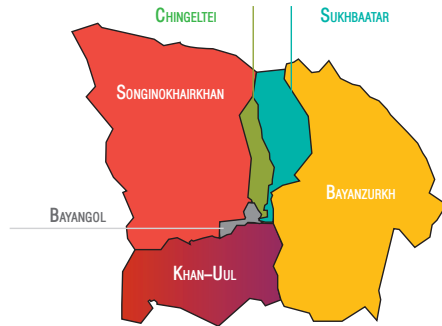


SHARE CAPITAL

The total share capital of the 366 shareholders of entities with licenses was MNT 20.6 billion.

ACCESSIBILITY

LOCATION OF ENTITIES WITH LICENSES

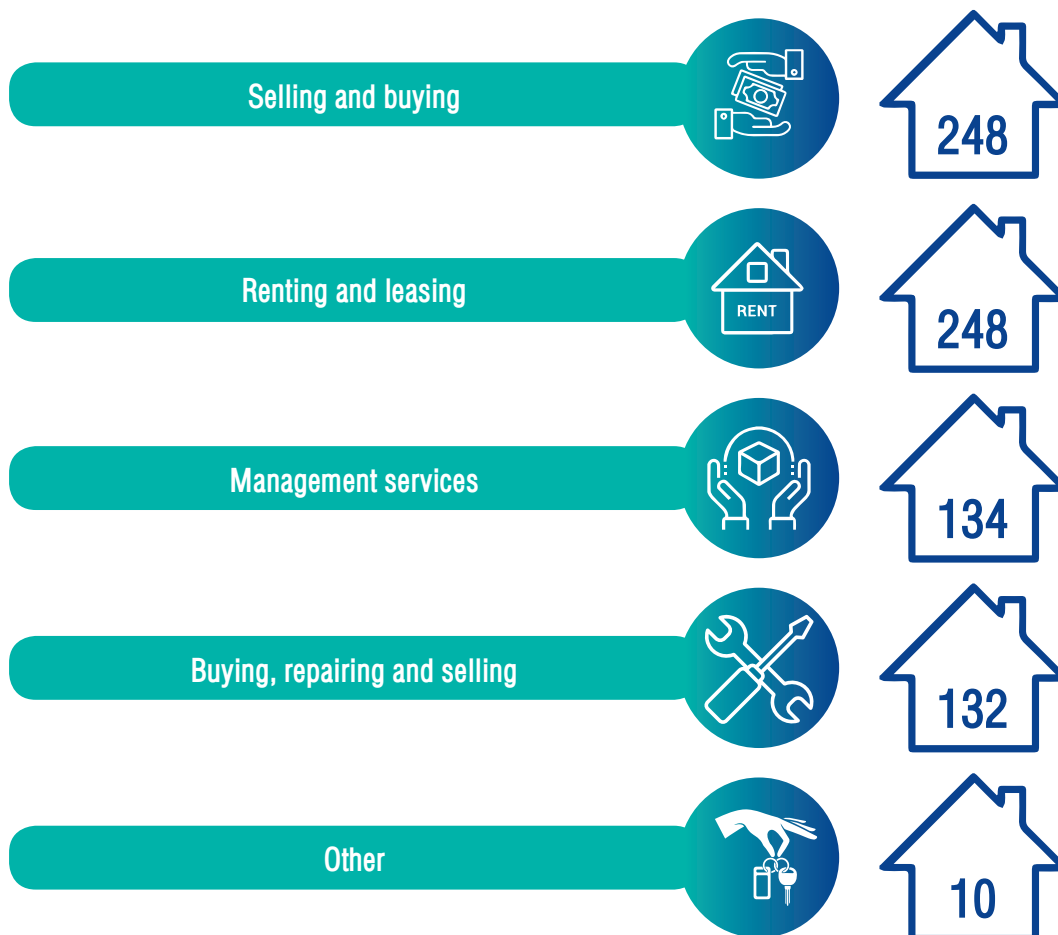


LOCATION OF ENTITIES WITH LICENSES

Among the entities with licenses in Ulaanbaatar 30.3% were in Sukhbaatar district, 24.6% in Khan Uul, 12.9% in Chingeltei, 16.1% in Bayanzurkh, 12.9% in Bayangol, and 2% in Songinokhairkhan district. Three entities (1.2%) were in the provinces.

PRODUCTS AND SERVICES

NUMBER OF REB AND AGENTS, AND TYPES OF SERVICES (WITH DOUBLE-COUNTING)

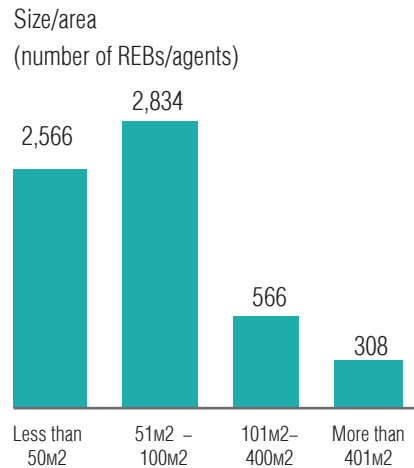
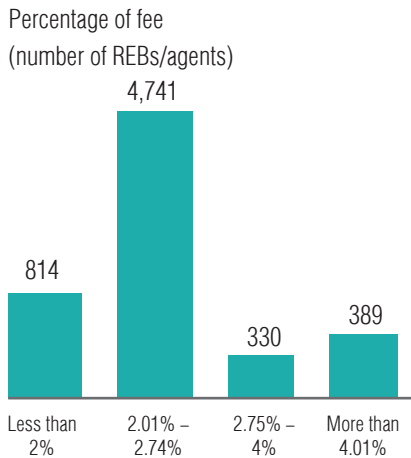


NOTE

In 2021, mortgage loans exceeded MNT 1.0 trillion, which was the highest level since 2014. In 2022, it is planned to finance a total of MNT 700.0 billion in the mortgage loan program.

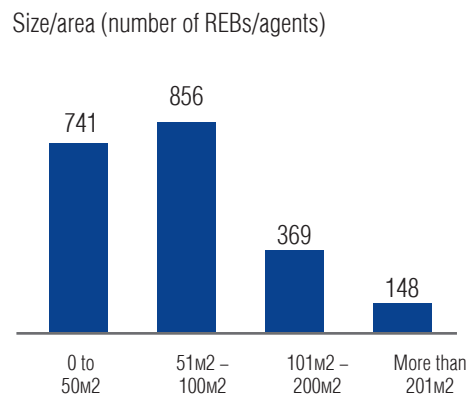
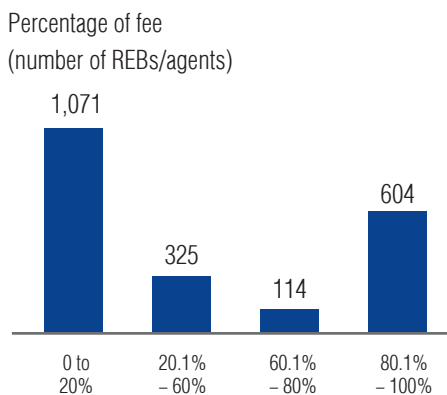
BUYING AND SELLING SERVICES RENTING AND LEASING SERVICES

In 2021, real estate with the total area of 1,302,500 m² and a value of MNT 852.6 billion was sold and transferred through 6,274 deals.



RENTING AND LEASING SERVICES

In 2021, real estate with the total area of 218,700 m² and a value of MNT 23.6 billion was rented and leased through 2,114 deals.



Note: The rental fee is deducted from the monthly rent

REGULATORY ENVIRONMENT



POLICY AND LEGISLATION

- Adopted a revised draft on Procedure for remote and on-site inspections of REBs, by FRC Resolution No.363 of 8 September 2021.
- Regulations of the requirements for professional associations of REBs was adopted by FRC Resolution No.152, of 14 April 2021.
- Within the framework of developing accompanying regulations, rules, and strategies – within the draft law on DPMS – a contract was made with a consulting team by means of the FRC's Chief Executive Order №A/61 on 18 November 2021; and the Strategy Plan 2022 – 2025 was developed.
- A working group (in charge of improving legislation, strategies, policies, operation guidelines, criteria, and standards, and protecting market participants from potential risks) was established by the FRC Chairman's Order №214 on 26 August 2021.



MEETINGS AND SEMINARS

- In 2021, the FRC organized training six times, and 378 people attended.
 - An Umbrella Association of Real Estate Entrepreneurs and agents NGO was established on 15 March 2021, and the FRC built an agreement to conduct training on 20 May 2021.
- In cooperation with the Anti-Money Laundering Unit of the Criminal Police Department of the National Police Agency, the FRC provided recommendations to 196 entities licensed to operate REBs, 38 DPMS entities, and 135 DPMS individuals, within the framework of ensuring the enforcement of Law on Combating Money Laundering and Terrorism Financing.



INTERNATIONAL COOPERATION

- The FRC is cooperating with an international consultant in developing the Law on REBs/agents under the agreement built on 16 August 2021, within the framework of the Strengthening Fiscal and Financial Stability project, of the World Bank.





DEALERS IN PRECIOUS METALS AND STONES

Number of dealers

40

Legal entities

436

Individuals



Market outlook

Precious metals sold
and bought

MNT **583.8**
billion



Products and services

Accessibility



81.5%

Operated in Ulaanbaatar

Regulatory environment



MARKET OUTLOOK

NUMBER OF ENTITIES WITH LICENSES

In 2021, 40 entities and 436 individuals operated with licenses. The first license was issued on 6 May, 2020.

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

40



67

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

Individuals (dealers in precious metals and stones)

129



240

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

SHARED CAPITAL

The amount of shared capital of 62 shareholders in 40 entities with licenses was MNT 8.5 billion.

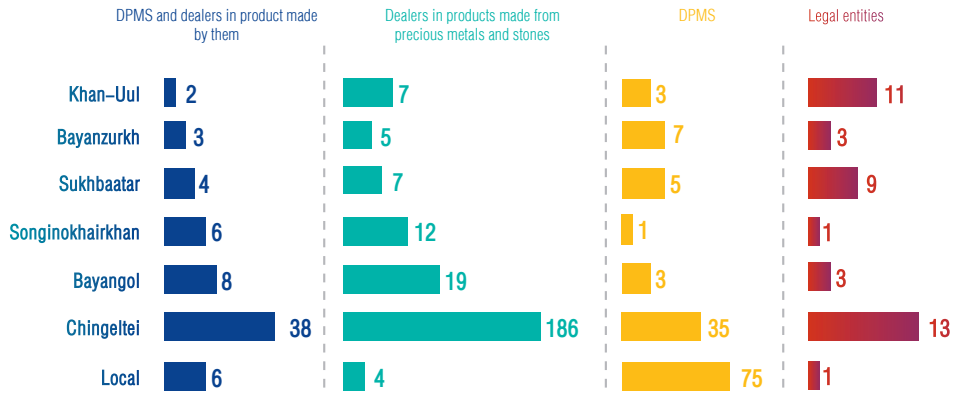
Most (81.5%) entities and individuals with licenses operated in Ulaanbaatar, while 18.5% were in the provinces.

In Ulaanbaatar

81.5%

ACCESSIBILITY

LOCATION OF DPMS



DPMS were mostly located in the provinces, while dealers in products made from precious metals and stones were in Ulaanbaatar. In particular, 58.1% of DPMS were in the provinces, and 41.9% in Ulaanbaatar.

TRADERS IN THE PROVINCES

DPMS and dealers in products made from precious metals and stones

Umnugovi 2
Darkhan-Uul 1
Govi-Altai 2
Khentii 1

Dealers in products made from precious metals and stones

Khovd 2
Darkhan-Uul 2

DPMS

Bayankhongor 14
Selenge 21
Tuv 13
Darkhan-Uul 10
Govi-Altai 3
Umnugovi 6
Uvs 2
Dornogovi 1
Uvurkhangai 1
Khovd 4

PRODUCTS AND SERVICES

METALS BOUGHT AND SOLD

In 2021, 3.9 tonnes of gold with a value of MNT 583.6 billion were bought and 4.4 tonnes of gold with a value of MNT 694.2 billion were sold. Compared to 2020, the amount of gold bought had decreased by 20.5% and the amount of gold sold decreased by 31.1%.

TRADE BETWEEN DEALERS IN PRECIOUS METALS, INDIVIDUALS AND ENTITIES



AMOUNT OF JEWELRY BOUGHT AND SOLD

**SELLING
PRICE**



According to the Ebarimt (electronic payment receipt system), 301 entities and individuals (dealers in products made from precious metals and stones) sold 16,891 products with a value of MNT 10.8 billion to 8,961 customers in 2021.

REGULATORY ENVIRONMENT



MEETINGS AND SEMINARS

- A comparative analysis of the legal and regulatory framework of some selected jurisdictions (India, UK, Singapore, Canada and United Arab Emirates) on regulating the activities of DPMS, was conducted.
- A working group (in charge of improving legislation, strategies, policies, operation guidelines, criteria, and standards, and protecting market participants from potential risks) was established by the FRC Chairman's Order №213 on 26 August 2021.
- Within the framework of developing accompanying regulations, rules, and strategies, in relation with the draft law on DPMS, a contract with the consulting team was developed by the FRC's Chief Executive Order №A/62 on 18 November 2021, and a Strategy Plan 2022–2025 of DPMS was developed.
- The first draft of the Law on DPMS was developed.



INTERNATIONAL COOPERATION

- The FRC is cooperating with an international consultant in developing the Law on DPMS, within the framework of the Strengthening Fiscal and Financial Stability project, World Bank.

CAPITAL MARKET DATA

Statistic	2019	2020	2021
Market value (MNT, billion)	2,693.1	3,029.7	5,982.9
MV/GDP	7.2%	8.2%	15.3%
Liquidity	5.0%	1.8%	5.1%
Stock trading (MNT, billions)	133.7	53.9	304.9
Dept instrument trading (MNT, billions)	0.2	5.8	1,048.2
GS's trading (MNT, billions)	9.7	0.6	–
Investment fund (MNT, billions)	–	5.1	56.8
TOP-20 index	19,621.9	19,285.8	44,411.6
MSE A index	9,531.7	9,122.0	15,482.8
MSE B index	7,950.7	7,581.1	12,202.6
Number of JSCs	306	315	314
Number of SCs	54	53	55
MACE trading amount (MNT, billions)	705.1	488.7	792.7
MAPIX	794,316.1	918,691.4	1,014,163.1

INSURANCE MARKET QUANTITATIVE INFORMATION

Statistic	2019	2020	2021
Total assets (MNT, billions)	365.8	382.1	425.4
Total insurance and reinsurance premiums (MNT, billions)	198.7	205.1	247.5
Total compensation (MNT, billions)	65.5	59.8	68.9
Reserve fund (MNT, billions)	165.5	173.5	193.7
Reinsurance fee (MNT, billions)	57.3	66.8	84.4
Net profit (MNT, billions)	22.7	20.9	25.2
Professional participants:			
General insurance	15	14	15
Life insurance	1	1	1
Reinsurance	1	1	1
Insurance agent	2,520	2,473	2,403
Insurance broker	54	56	57
Damage assessor	27	25	25
Actuary	30	32	36
Auditor	144	145	144
Auditor's company	44	45	44

NBFi DATA

	/MNT, billion/		
Statistic	2019	2020	2021
Total assets	1,730.1	2,006.9	2,709.9
Current assets	1,663.0	1,927.8	2,616.5
Cash	364.0	491.5	429.7
Short-term investments	6.8	11.9	22.6
Total loans	1,233.1	1,327.0	2,012.2
Normal loans	1,072.8	1,125.7	1,821.9
Overdue loans	54.9	64.9	50.0
Non-performing loans	105.4	136.4	140.2
Credit risk fund	81.1	104.4	114.7
Other real estate to be owned and other property to be owned (net)	12.0	15.0	13.6
Non-current assets	67.1	79.1	93.5
Total liabilities	468.9	556.2	910.8
Trust service payable	108.3	146.9	246.9
Payables to domestic and foreign banks and financial institutions	207.6	171.2	282.9
Project loan financing	17.6	20.8	19.9
Owner's property	1,261.2	1,450.7	1,799.1
Secondary charity	0.8	0.8	70.2
Share capital	927.0	1,017.7	1,114.1
Accumulated profit	300.3	398.1	563.3
Number of NBFIs	538	532	534
Ulaanbaatar	463	455	451
Provinces	75	77	83
Customers	2,348,014	2,844,782	4,820,624
Total income	352.9	408.8	521.3
Interest income	292.3	337.9	421.7
Non-interest income	53.9	62.2	87.0
Non-operating income	6.8	8.5	12.5
Total cost	212.8	254.0	311.3
Interest expenses	36.1	42.6	48.0
Non-interest expenses	118.0	148.0	193.5
Potential risk costs	34.3	30.4	37.3
Non-core operating expenses	3.7	4.3	6.7
Net profit	140.2	154.8	210.0

SCC'S DATA

/Тэрбум төгрөг/

Statistic	2019	2020	2021
Total assets	222.6	256.0	291.2
Current assets	218.4	251.6	280.1
Cash	57.6	77.7	61.3
Receipts	6.8	9.4	9.1
Non-current assets	4.2	4.4	11.1
Fixed assets (net)	4.0	4.1	3.9
Intangible assets	0.2	0.2	7.2
Investment and other non-current assets	0.0	0.0	0.0
Total loans	156.7	167.6	213.4
Normal loans	143.3	154.7	202.1
Overdue loans	7.3	5.5	3.9
Non-performing loans	6.2	7.4	7.4
Liabilities	179.7	206.5	227.3
Savings	55.8	182.2	203.6
Short-term loans	3.8	3.0	6.4
Long-term liabilities	5.5	5.9	2.2
Other current liabilities	14.7	15.4	15.1
Own assets	42.9	49.5	63.9
Members' contributions	18.0	18.5	25.4
Property of cooperatives	24.7	30.7	38.4
Accumulated income (loss)	15.1	16.2	21.8
Total income	50.6	53.1	58.0
Interest income	48.4	50.5	54.2
Other operating income	1.0	1.0	1.3
Non-operating income	1.2	1.5	2.5
Total expenses	41.5	43.9	47.2
Interest expenses	27.0	29.3	31.9
Potential contingency fund costs	2.1	2.1	2.0
Operating costs	11.1	11.5	12.2
Non-operating expenses	0.1	0.1	0.3
Net income	9.2	9.2	10.7
Number of SCCs	261	249	209
Number of Ulaanbaatar SCCs	164	148	116
Number of local SCCs	97	101	93
Number of members (thousands)	71.0	72.7	75.4

CREDIT GUARANTEE FUND

/Тэрбум төгрөг/

Statistic	2019	2020	2021
Total assets	105.5	147.1	255.1
Warranty balance	63.4	66.3	85.4
Of which: overdue	3.4	2.7	1.3
:non-performing	8.4	11.9	11.3
Guaranteed loan balanceэн	121.3	127.0	167.1
Of which: overdue	3.1	4.6	2.8
:non-performing	18.7	22.5	24.3
Operating income	4.9	8.3	10.6
Operating expense	1.7	4.1	2.6
Operating result	3.2	4.2	8.0
Total guarantees	113	69	241
Total guarantees amount	20.9	13.5	33.7
Of which: individual	1.2	0.8	0.6
manufacturing	5.5	2.8	6.5
wholesaling and retailing	4.8	5.7	19.7
services	9.4	4.2	6.9
Average term of warranty (month)	89.6	88.5	43.8
Number of applications for a guarantee	193	128	334
Of which: allowed	113	72	244

REB DATA

Statistic	2021.III	2021.IV
REBs (including agencies)	227	248
Brokers	248	269
Agents	1,272	1,367
Area of real estate bought and sold (m ²)	759,219.2	1,302,517.4
Value of real estate bought and sold	613,949,000.7	852,646,134.5
Area of real estate rented and leased (m ²)	164,438.8	218,652.4
Value of real estate rented and leased	13,332,328.1	23,564,922.7

DPMS DATA

Statistic	2021.III	2021.IV
Entities (DPMS, and dealers in products made from them)	39	40
Individuals (DPMS, and dealers in products made from them)	65	67
Individuals (dealers in products made from precious metals and stones)	235	240
Individuals (DPMS)	125	129
Weight of bought precious metals (gram)	2,563,936.0	3,965,651.9
Value of purchased precious metals (MNT)	404,152,102,899.0	583,892,349,557.3
Weight of sold precious metals (gram)	3,011,461.2	4,465,898.8
Value of sold precious metals (MNT)	464,168,985,857.9	694,444,594,444.7
Total value of bought products (MNT)	–	–
Total value of sold products (MNT)	5,623,521,364.1	10,879,157,956.0





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