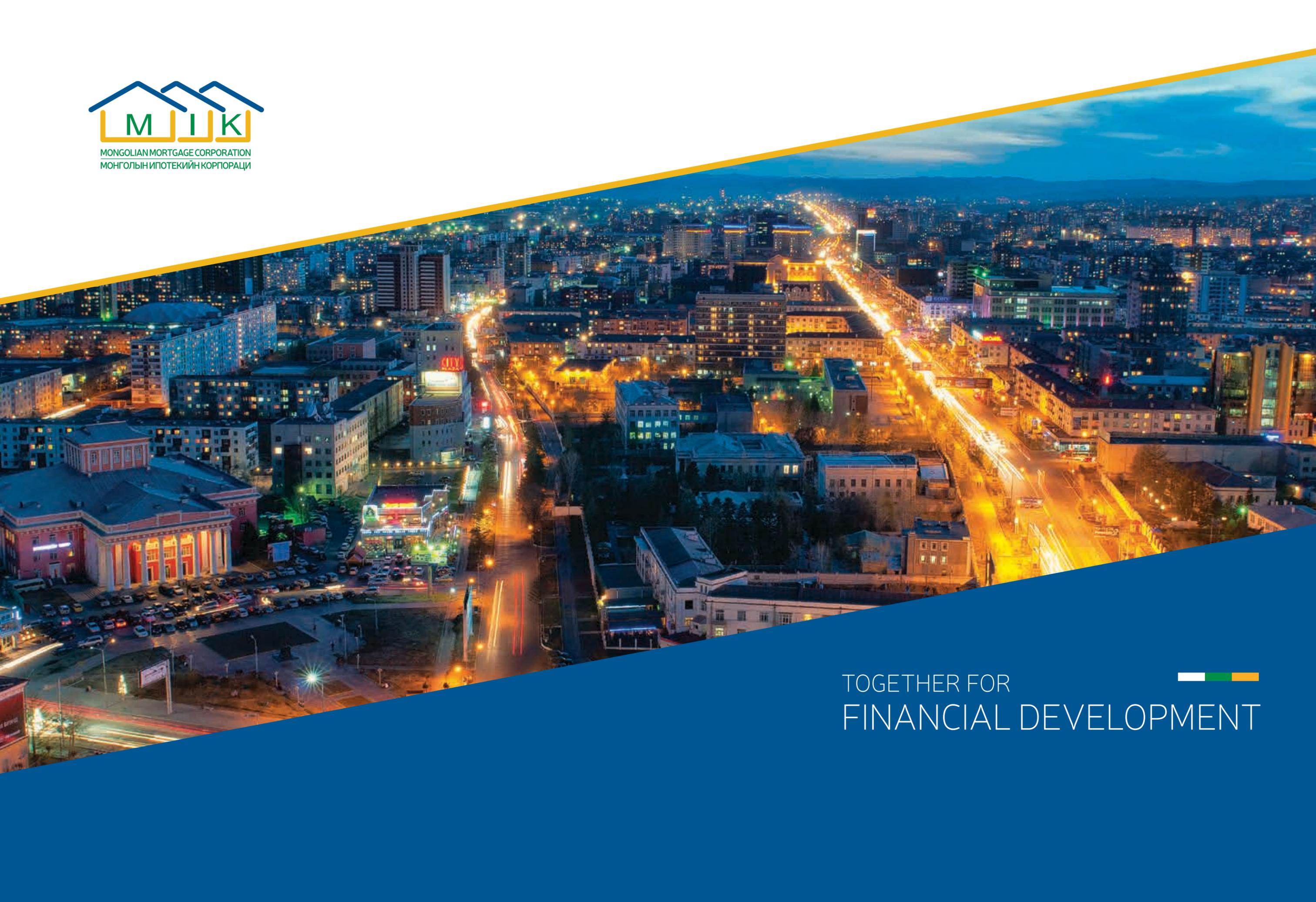




MONGOLIAN MORTGAGE CORPORATION

ANNUAL REPORT 2014-2015



TOGETHER FOR
FINANCIAL DEVELOPMENT



ABBREVIATIONS

ABS	Asset-Backed Securities
BoD	Board of Directors
CEO	Chief Executive Officer
FRC	Financial Regulatory Commission of Mongolia
IFRS	International Financial Reporting Standard
GDP	Gross Domestic Product
GoM	Government of Mongolia
HFC	Housing Finance Company
JSC	Joint Stock Company
LLC	Limited Liability Company
MIK HFC LLC	Mongolian Mortgage Corporation HFC LLC
MSE	Mongolian Stock Exchange
MNT	Official currency of Mongolia
Parliament	State Great Khural of Mongolia
SCHCD	Mongolian Securities Clearing House and Central Depository LLC
SHM	Shareholders' meeting
SIF	Social Insurance Fee
SPC	Special Purpose Company
RMBS	Residential Mortgage Backed Securities
TDB	Trade and Development Bank of Mongolia
UB	Ulaanbaatar
UBCB	Ulaanbaatar City Bank

CONTENTS

ABOUT MIK	
Our vision	3
Our mission	6
Our business operations	7
Message from the Chairman of the Board of Directors of MIK Holding JSC and MIK HFC LLC	8
Message from the Chief Executive Officer of MIK Holding JSC and MIK HFC LLC	10
About the company	12
Information about SPCs and their Board of Directors	14
ORGANIZATIONAL STRUCTURE	16
Board of Directors of MIK Holding JSC	18
MIK Holding JSC's organizational structure	20
MIK Holding JSC Board Committees	22
Shareholders of the company	24
Organizational chart	26
Corporate governance	27
HIGHLIGHTS OF 2014 AND 2015	28
Milestones	30
Social responsibility	34
MIK in a few words	37
MAIN BUSINESS OPERATIONS AND KEY PERFORMANCE INDICATORS	38
Interviews	40
Overview of primary and secondary mortgage markets	42
Mortgage asset assessment process	46
Mortgage loan purchase process	48
Securitization and RMBS issuance	51
Treasury	54
What's said about Mongolian Mortgage Market	55
RISK MANAGEMENT	56
Risk management system of the company	58
INTERNAL OPERATIONS	62
Human resources management	64
Information technology	65
Internal audit	66
REPORT OF THE INDEPENDENT AUDITORS	68



OUR MISSION

The mission of Mongolian Mortgage Corporation HFC LLC is to promote the continuous growth of the primary and secondary mortgage markets by issuing mortgage-backed securities in the domestic and foreign markets and to establish and form a long-term financing system in order to intensify contemporary urbanization and housing in Mongolia.

OUR BUSINESS OPERATIONS

The main business of Mongolian Mortgage Corporation HFC LLC is to purchase portfolios of mortgage loans from financial institutions and carry out the securitization of a portfolio in connection to providing liquidity and risk management to financial institutions. Furthermore, MIK HFC LLC contributes to the development of the bond market by launching diverse products.

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS OF MIK HOLDING JSC AND MIK HFC LLC

Dear Reader,

It is my great pleasure to introduce the Annual Report of our group company. We are aiming to promote the stable and sustainable development of primary and secondary mortgage markets in order to improve the welfare of civil society and facilitate growth for the economy.

Over the last 10 years, our company has been striving to develop the mortgage market, along with its legal and financial infrastructure, and to promote accessibility to borrowers. During this period, we have been actively and creatively working to support the legal environment of the secondary market, to issue asset backed securities, harmonize mortgage underwriting documents, and to set benchmark lending standards based on international best practices.

MIK HFC LLC is a subsidiary of MIK Holding, and it was established in 2006 at the initiative of the Bank of Mongolia and 10 commercial banks of Mongolia. Since its establishment, the company has been operating to promote the Mongolian mortgage market within the housing program for the public and to introduce international financial security instruments to the domestic market.

In 2008, the company made its first step toward the issuance of asset-backed securities in the country. At the beginning of 2013, the company entered the next stage of its development; it started to implement a mortgage loan program which was approved by the Government of Mongolia and Bank of Mongolia for residential mortgage loans designed for low and middle income households at fixed interest rate of 8+/-1 percent per annum.

The Board of Directors of the company concludes that the group company has met its financial and social duties responsibly for the last two years. Besides its stable and solid position, MIK has earned income and obtained a notable number of assets ensuring its future sustainable operations.

Therefore, the company is now expecting to accumulate net profit for distribution to various investors in society, to take its corporate governance to a new level. In other words, citizens are - through purchase of our shares - now able to benefit dividend income from our social wealth accumulated in course of housing program.

Beyond the government program, we are expecting to introduce and develop mortgage loans bearing higher interest yield above 8+/- 1 percent mortgage by issuing securities, and are currently working on market research of other attractive, profitable, and long-term business. For the purpose of taking our corporate governance to a new level, and building structural advantages by creating favorable conditions for investors, we successfully launched our first IPO on December 24, 2015, through the Mongolian Stock Exchange, and became an open joint stock company.

As an open company, it is our duty to operate in compliance within the legal and corporate governance practices. MIK carries out engineering and intermediary operations in the field of structured financing. In our business, shareholding institutional investors in parallel with civilian investors have added also stakeholder values. We are highly focused to maintain excellent operations based on best governance practice and to consolidate the interest of all our stakeholders and shareholders for achieving equitable values and returns.

It is my pleasure to note our achievements. For the recognition of our performance, MIK HFC LLC, a subsidiary of MIK Holding



JSC, won "Outstanding Achievement of the Year Award" in 2013 from the management team of the internationally known Bloomberg Awards. Moreover, the internationally known Capital Finance Journal, headquartered in London, honored MIK HFC LLC as the "Best issuer of mortgage-backed bonds of 2014 in Asia". From the Council of the European Business Assembly, our company was honored as the "Best Enterprise" of 2014, selected among other top commercial organizations, and D.Gantugs, CEO of our company, was named "Manager

of the Year" in the same year. We will grow and maintain our leading position to meet highest trust of our shareholders and bond investors. We will ensure the safe implementation of housing programs policies, dedicated to wellbeing of public

I wish you every happiness and success in all your endeavors.

Yours sincerely,

M.MUNKHBAATAR
Chairman of the Board of Directors

MESSAGE FROM CHIEF EXECUTIVE OFFICER
AT MIK HOLDING JSC AND MIK HFC LLC

Dear Sirs/Madams,

I am honored to introduce herewith our shareholder, bondholders, associates, general public our Group of companies' operational and financial performances of 2015.

Our company is working with the mission to develop the long-term sustainable mortgage finance system, secondary finance market by means of issuing mortgage-backed securities. Our companies' efforts have been targeting the enhancement of availability and accessibility of comfortable public housing with engineered infrastructure solutions. We pioneered the first ever internationally accepted and well known structured financing instrument (RMBS) in the financial sector of our country.

As the leading and the first ever professional institute for development of the Mongolian secondary market MIK HFC LLC is honored to implement benchmark standard for mortgage securitization in the Mongolian market.

Mongolia's housing sector's market based finance history started in 2003 followed by a rapid increase of housing demand through 2015. Nowadays the total housing loan portfolio of commercial banks has reached 3.4 trillion MNT, comprising 78,000 families having accessed and living in affordable, comfortable residential apartments.

MIK HFC LLC was established by the Bank of Mongolia and 10 commercial banks, and issued its first mid-term securities in 2008. The second stage development started in 2013 by implementing the mortgage loan program for low and middle

income families with interest of 8+/-1 percent. Under this program, we issued RMBS of 322.9 billion MNT and became the first company having established a Special Purposed Company (SPC) licensed by the Financial Regulatory Commission in December 2013. As of 2015, we have established 7 SPCs with an RMBS issued totaling 2.18 trillion MNT. As a result, our company's equity increased by 9.3 times and the consolidated asset size grew 101.4 times within the last three years.

Since the establishment, MIK HFC LLC has been stably operating for ten years and our priority has been always to grow to a publicly renowned, visible, successful organization, to hold a leading position and contributing to the sustainable development of the mortgage market.

Although the economy of the country the construction developers sectors' growth have receded slightly in 2015, shareholders of MIK HFC LLC, carried out a decisive far-sighted step in the company's history. By the decision of the Shareholders, MIK HFC LLC's Holding company became joint stock company listed on the Mongolian stock exchange in December 2015. Thus our operations became transparent and open to the public, and led the stock market by an IPO /initial public offering/ having sold 15 percent of our stocks for 37.2 billion MNT to institutional and private individual Shareholders.



I would like to express my sincere gratitude to the Government of Mongolia, Bank of Mongolia, the Financial Regulatory Commission, the Mongolian Stock Exchange, our Shareholders, construction developers companies, home owner families, and in particular our company's management and staff, who have worked hard and been as busy as bees to bring our efforts to the tangible financial results.

You have been supporting and guiding a sustainable growth and development of the housing finance market, having positively impacted the economy of Mongolia and the wellbeing of the population.

With all due respect,

D.GANTUGS
Chief Executive Officer

ABOUT THE COMPANY

Mongolian Mortgage Corporation HFC LLC was officially established on October 6, 2006, to operate in the secondary market and to issue Residential Mortgage Backed Securities (RMBS) by the Bank of Mongolia (BoM) and ten commercial banks, including Anod Bank, Golomt Bank, Zoos Bank, Capital Bank, Capitron Bank, Mongol Post Bank, Khan Bank, Xac Bank, Trade and Development Bank, and Ulaanbaatar City Bank.



Implementation of the Mongolian law on asset-backed securities became effective on January 1, 2011, and this law established the legal environment for the ABS business. Accordingly, MIK LLC obtained special permission to issue asset-backed securities from the Financial Regulatory Commission (FRC) of Mongolia on March 14, 2012, and changed its name to Mongolian Mortgage Corporation HFC LLC.

MIK HFC LLC also obtained special permission for fiduciary manager services on December 16, 2013, and it is currently the only legal entity that has the license to issue ABS in Mongolia. The securitization of MIK HFC LLC has had an important impact on increasing the liquidity of commercial banks by purchasing portfolios of mortgage loans and creating a legal environment for securitization, risk management, and new types of claims.

Based on the MIK HFC LLC shareholders meeting held on November 9, 2015, MIK Holding LLC was established as the parent company of MIK HFC LLC, and shares of MIK HFC LLC were transferred to MIK Holding LLC. MIK Holding LLC became an open joint stock company by a shareholders meeting resolution issued on December 4, 2015. Changing MIK Holding LLC into MIK Holding JSC increased the number of shareholders from 12 to 52 by the end of the 2015.

As of December 31, 2014, three subsidiaries, namely MIK Asset One LLC, MIK Asset Two LLC, and MIK Asset Three LLC, were established. As of the end of 2014, the total assets of the group reached 893.3 billion MNT, and the outstanding amount of RMBS reached 835.6 billion MNT. In 2015, to expand its operations, the group established four more subsidiaries, including MIK Asset Four LLC, MIK Asset Five LLC, MIK Asset Six LLC, and MIK Asset Seven LLC, becoming a group company with seven subsidiaries.

Furthermore, MIK HFC LLC has, through its own financial resources, made 19 purchases of mortgage pools from 9 commercial banks that amount to nearly 1.9 billion MNT, and performs asset management and risk management. Meanwhile, the company has implemented several projects and programs in cooperation with a number of international financial organizations, including the United States Agency for International Development (USAID), the International Finance Corporation (IFC), German Bank for Reconstruction and Development (KfW), and Wharton Business School in the USA.

SPCs AND THEIR BOARD OF DIRECTORS

Bayartuul Chimed-Ochir, Chairman of the BoD of MIK Asset One SPC LLC

Bayartuul Chimed-Ochir studied at Shihihutug Law School from 1992-1996 and graduated with a bachelor's degree in law, and then studied at the Law School of National University of Mongolia from 1996-1998 and obtained a master's degree. She was a specialist at the General Prosecutor's Office of Mongolia's Secretariat in 1996, a teacher at Shihihutug Law School from 1996-1999, a legal specialist in the Legal Department of the Bank of Mongolia from 1999-2000, a legal specialist at the General Management Department of the Bank of Mongolia from 2000-2004, Supervisor-State Inspector in the Supervision Department of the Bank of Mongolia from 2004-2009, and a senior lawyer under contract with Bodi Group in 2012. She started her current position of General Partner at the legal partnership Bayanzurkh Consulting in 2013.

Bayanzul Davaa, Chairman of the BoD of MIK Asset Two SPC LLC

Bayanzul Davaa graduated from the Institute of Finance and Economics in 1999 with a bachelor's degree to become a banking economist and financier, and obtained a master's degree in development economics from National University of Australia in 2006. Bayanzul is a senior economist in the Monetary Policy and Research Department of the Bank of Mongolia.

Osorgarav Buukhuu, Chairman of the BoD of MIK Asset Three SPC LLC, MIK Asset Five SPC LLC, and MIK Asset Seven SPC LLC

Osorgarav Buukhuu entered the Vocational School of Finance and Economy in 1966 and graduated in 1969, and studied at National University of Mongolia from 1981-1984, graduating as an accountant and economist. Osorgarav continued with specialized programs in Moscow in 1992, at National University of Mongolia in 1993, in Seoul in 1993, in Singapore in 1994, and in Japan under a JICA program in 2006. Osorgarav obtained a Specialized Accountant's License and has served as general accountant, deputy chairman, and economist at the printing house of Govi-Altai Province from 1969-1976; as general accountant at the Public Utilities and Industry Management Department of Govi-Altai Province from 1987-1997; as accountant at the Public Housing Management Office of UB from 1986-1987; as General Director of Orgil Audit LLC from 1997-1999; and began the current position of General Director of Ulaanbaatar Audit Corporation LLC in 1999. Osorgarav Buukhuu has been honored and awarded the Polar Star, Medal of Valor for Labor, Order of Sukhbaatar, and also earned the title of Merited Economist of Mongolia in 2012.

Tsolmon Tsedev, Chairman of the BoD of MIK Asset Four SPC LLC

Tsolmon Tsedev was appointed Board Chairman of MIK Asset Four SPC LLC based on a BoD resolution dated October 27, 2014. Tsolmon studied at the Law School of the National University of Mongolia and graduated with a bachelor's degree, studied at the University of Exeter in the United Kingdom from 2001-2003, and at Columbia University in the USA from 2013-2014, earning a Master of Law degree. Tsolmon has experience working as an operator at the Organizational Department of the Parliament Secretariat of Mongolia from 1993-1994, as a teacher on the Civil Law Faculty at the National University of Mongolia from 1998-2001, and as Head of the Legal Policy Department of the Ministry of Justice from 2004-2013.

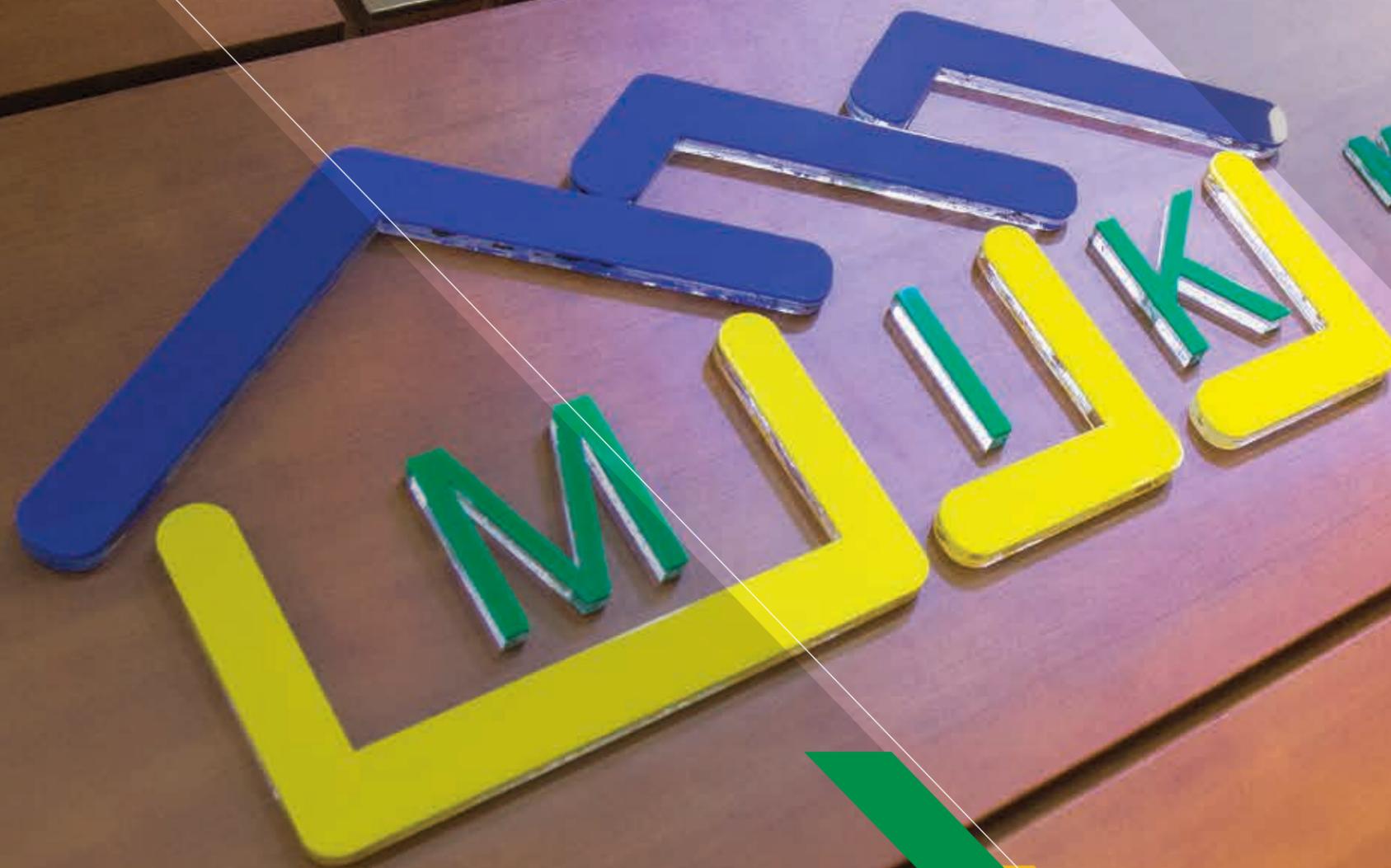
Enkhjin Atarbaatar, Chairman of the BoD of MIK Asset Six SPC LLC

Enkhjin Atarbaatar received a bachelor's degree in economics from the University of Utah in 2003, and studied mining economics at Curtin University in Australia from 2010-2011 to graduate with a master's degree. Enkhjin was an economist in the Foreign Currency Department of the Bank of Mongolia from 2004-2007, an economist in the Risk Management Department of the Bank of Mongolia from 2007-2010, and has been a senior economist in the Risk Management Department of the Bank of Mongolia since 2012.

The Issuer SPCs' BoD

Nº	SPC	Board members	Position
1	MIK Asset One SPC LLC	Ch.Bayartuul	Chairman of BoD
		A.Enkhjin	Board Member
		B.Osorgarav	Board Member
2	MIK Asset Two SPC LLC	D.Bayanzul	Chairman of BoD
		Ts.Tsolmon	Board Member
		Ch.Bayartuul	Board Member
3	MIK Asset Three SPC LLC	B.Osorgarav	Chairman of BoD
		A.Enkhjin	Board Member
		Ch.Bayartuul	Board Member

Nº	SPC	Board members	Position
4	MIK Asset Four SPC LLC	Ts.Tsolmon	Chairman of BoD
		D.Bayanzul	Board Member
		D.Gantugs	Board Member
5	MIK Asset Five SPC LLC	B.Osorgarav	Chairman of BoD
		A.Enkhjin	Board Member
		Ch.Bayartuul	Board Member
6	MIK Asset Six SPC LLC	A.Enkhjin	Chairman of BoD
		Ts.Tsolmon	Board Member
		D.Gantugs	Board Member
7	MIK Asset Seven SPC LLC	B.Osorgarav	Chairman of BoD
		Ts.Tsolmon	Board Member
		D.Bayanzul	Board Member



МОНГОЛЫН ИТГЭЭЛИЙН КОРПОРАЦИ
MONGOLIAN MORTGAGE CORPORATION



ORGANIZATIONAL STRUCTURE

COMPOSITION OF THE MIK HOLDING JSC'S BOARD OF DIRECTORS

MIK Holding JSC's Board is an executor of MIK HFC LLC's Board.

Board Directors of MIK Holding JSC and MIK HFC LLC



M. Munkhbaatar
Chairman of the Board

Munkhbaatar, the Vice Director of the UBCB, was elected as Board Chairman of MIK Holding JSC on November 26, 2015. He is also Chair of the Nomination and Remuneration Committee of Board.



D. Boldbaatar
Board Director

Boldbaatar, the Director of the Monetary Policy and Research Department of the Bank of Mongolia, was elected a board member of MIK Holding JSC on November 2, 2015. He is also Chair of the Risk Management Committee of the Board.



B. Buyanmunkh
Board Director

Buyanmunkh, the Vice President and Director of the Investment Department of Development Bank of Mongolia, was elected a board member of MIK Holding JSC on November 2, 2015. He is also Chair of the Operational and Legal Committee of the Board.



D. Sugar
Board Director

Sugar, the Vice Director and Director of the Business Development Division at Golomt Bank, was elected a board member of MIK Holding JSC on November 2, 2015. He is also a member of the Finance and Audit Committee of the Board.



L. Gantumur
Board Director

Gantumur, the Director of the Treasury Department at Trade and Development Bank of Mongolia, was elected a board member of MIK Holding JSC on November 2, 2015. He is a member of the Finance and Audit Committee of the Board.



E. Shijir
Independent Director of the Board

Shijir was re-elected an independent member of the BoD of MIK Holding JSC on November 2, 2015. He is also Chair of the Finance and Audit Committee and a member of the Nomination and Remuneration Committee of the Board.



D. Bailikhuu
Independent Director of the Board

Bailikhuu, Team Advisor of the Developing Conductive Environment for Public-Private Partnerships project at Asian Development Bank, was elected an independent member of the BoD of MIK Holding JSC on November 2, 2015. He is also a member of the Operational and Legal Committee and the Nomination and Remuneration Committee of the Board.

FUNCTIONS OF THE BOD OF MIK HOLDING JSC AND MIK HFC LLC

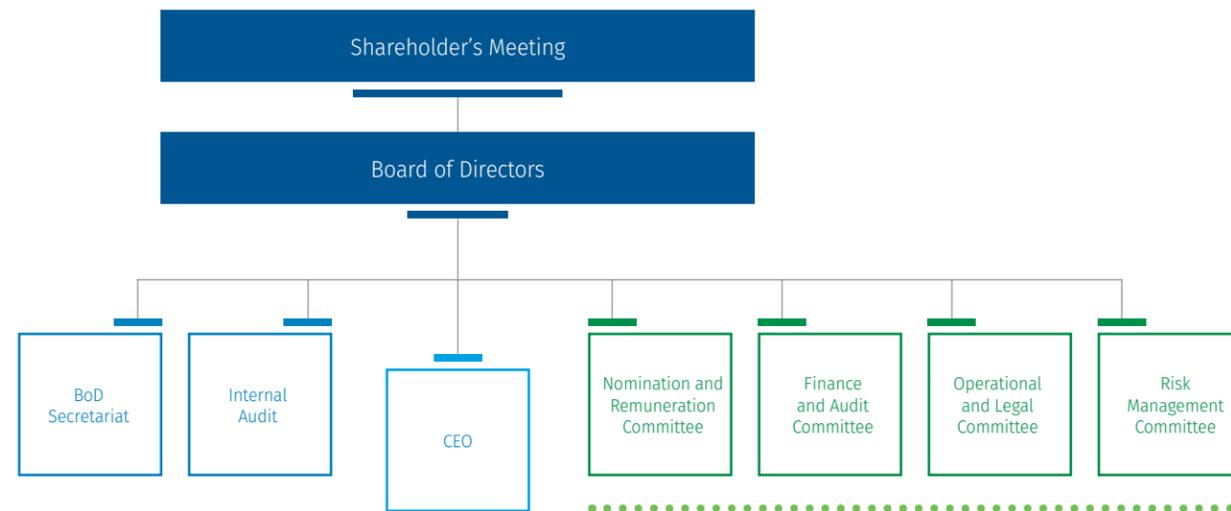
Complying with international corporate governance standards, the Board of Directors is composed of five board members and two independent members.

The BoD is the executive management of the company and responsible for determining the top priorities of business, and monitors and directs the performance of the management team by making decisions on issues beyond the authority of Shareholders.

The BoD meeting can be regular or extraordinary. Regular meetings of the Board of Directors are held quarterly. The BoD meeting is valid when majority attendance is satisfied, and a BoD resolution becomes valid when it receives the absolute majority vote from board members present at a meeting.

The representatives of shareholders who are not on the Board of Directors can be elected members of board committees in order to facilitate the transparency of the company and protect small shareholders rights.

ORGANIZATIONAL CHART OF MIK HOLDING JSC



Composition of committees (As of December 31, 2015)

No	Committee	Number of members	Election	Name
1.	Finance and Audit Committee	4	Chair	E.Shijir
			Member	D.Sugar
			Member	L.Gantumur
			Member	B.Delgerjargal
2.	Risk Management Committee	3	Chair	D.Boldbaatar
			Member	D.Zorigt
			Member	B.Battulga
3.	Operational and Legal Committee	4	Chair	B.Buyanmunkh
			Member	M.Oyuntuya
			Member	D.Bailiikhuu
			Member	B.Bayaraa
4.	Nomination and Remuneration Committee	3	Chair	M.Munkhbaatar
			Member	E.Shijir
			Member	D.Bailiikhuu

Composition of BoD (As of December 31, 2015)

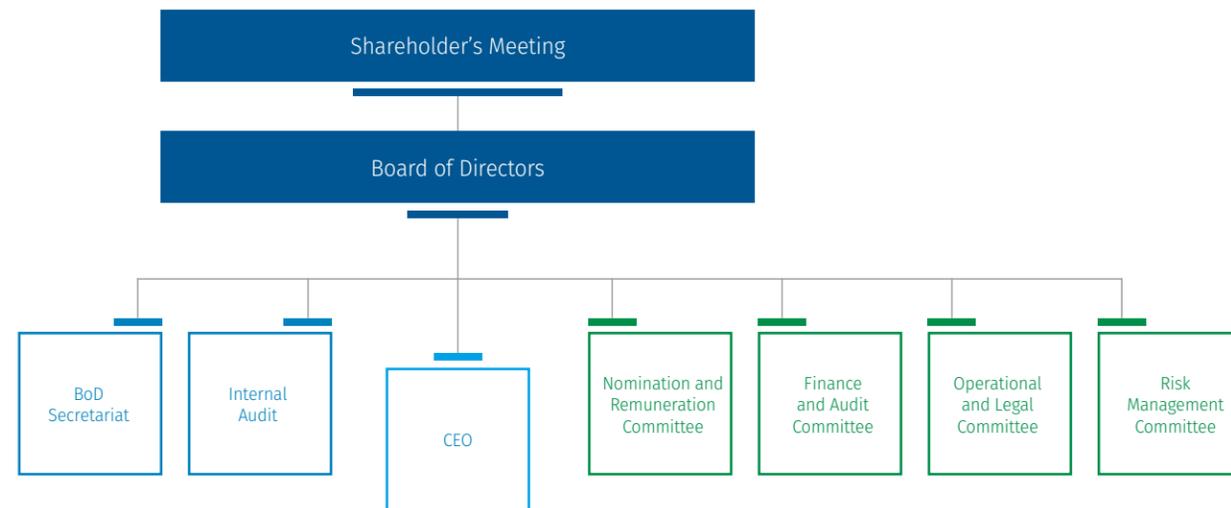
No	Elected Position	Name	Current position
1	Chairman of the Board	M.Munkhbaatar	Vice Director of the UBCB
2	Board Director	D.Boldbaatar	Director of Monetary Policy and Research Department at the Bank of Mongolia
3	Board Director	B.Buyanmunkh	Vice President and Director of Investment Department at Development Bank of Mongolia
4	Board Director	D.Sugar	Vice Director and Director of Business Development Division at Golomt Bank
5	Board Director	L.Gantumur	Director of the Treasury Department at Trade and Development Bank of Mongolia
6	Independent Director of the Board	E.Shijir	Citizen
7	Independent Director of the Board	D.Bailiikhuu	Team Advisor of Asian Development Bank's public-private partnerships project

Board committees and their functions

The issuer pays great concern to the accurate policy and principles of corporate governance by regularly organizing shareholders meetings, Board of Directors meetings, and board committees meetings of the company to make decisions within their authority.

The board has four operating committees, namely the Finance and Audit Committee, Risk Management Committee, Operational and Legal Committee, and Nomination and Remuneration Committee.

BOARD COMMITTEES OF MIK HOLDING JSC



Nomination and Remuneration Committee's functions are to nominate, elect, and remove board members; to extend terms of office; to determine the remuneration policy for the BoD, the management team, and other authorized persons of the company; and to make decisions on matters related to human resource planning and the creation of stable working conditions.

The Finance and Audit Committee's functions are to support efficient and creative implementation of the BoD's monitoring and supervision in relation to ensuring the accuracy of financial statements, internal audit policies and procedures; to facilitate the communication between independent and internal auditors; to supervise and appraise accounting and financial management operations; and to give related information and recommendations.

The Operational and Legal Committee's functions are to support and give recommendations on strategic planning and implementation and the formulation of the legal environment, including internal procedures and guidelines, contracts and transactions.

The Risk Management Committee's functions are to monitor the implementation of risk management procedures and the approved plans of market and credit risk mitigation of the company operations by the BOD, and to provide accurate recommendations and information.

MEMBERS OF BOARD COMMITTEES



B. Delgerjargal
Member of the Nomination and Remuneration Committee

Delgerjargal, the Director of Retail Banking at Xac Bank, was elected a member of the Nomination and Remuneration Committee on December 4, 2015.



D. Zorig
Member of the Risk Management Committee

Zorig, the Director of the Business Banking Department at Capitron Bank, was elected a member of the Risk Management Committee on December 4, 2015.



B. Battulga
Member of the Risk Management Committee

Battulga, the Director of the Credit Policy Department at State Bank, was elected a member of the Risk Management Committee on December 4, 2015.



B. Bayaraa
Member of the Operational and Legal Committee

Bayaraa, a Partner at Financial and Legal Advisor LLP, was elected a member of the Operational and Legal Committee on December 4, 2015.



M. Oyuntuya
Member of the Operational and Legal Committee

Oyuntuya, the Director of the Risk Management Department at Capital Bank, was elected a member of the Operational and Legal Committee on December 4, 2015.

Committee meetings are valid when majority attendance is satisfied. Committee decisions shall be concluded and become validated by the absolute majority vote from committee members present at the meeting.

SHAREHOLDERS OF THE COMPANY

About MIK Holding JSC, the sole shareholder of MIK HFC LLC

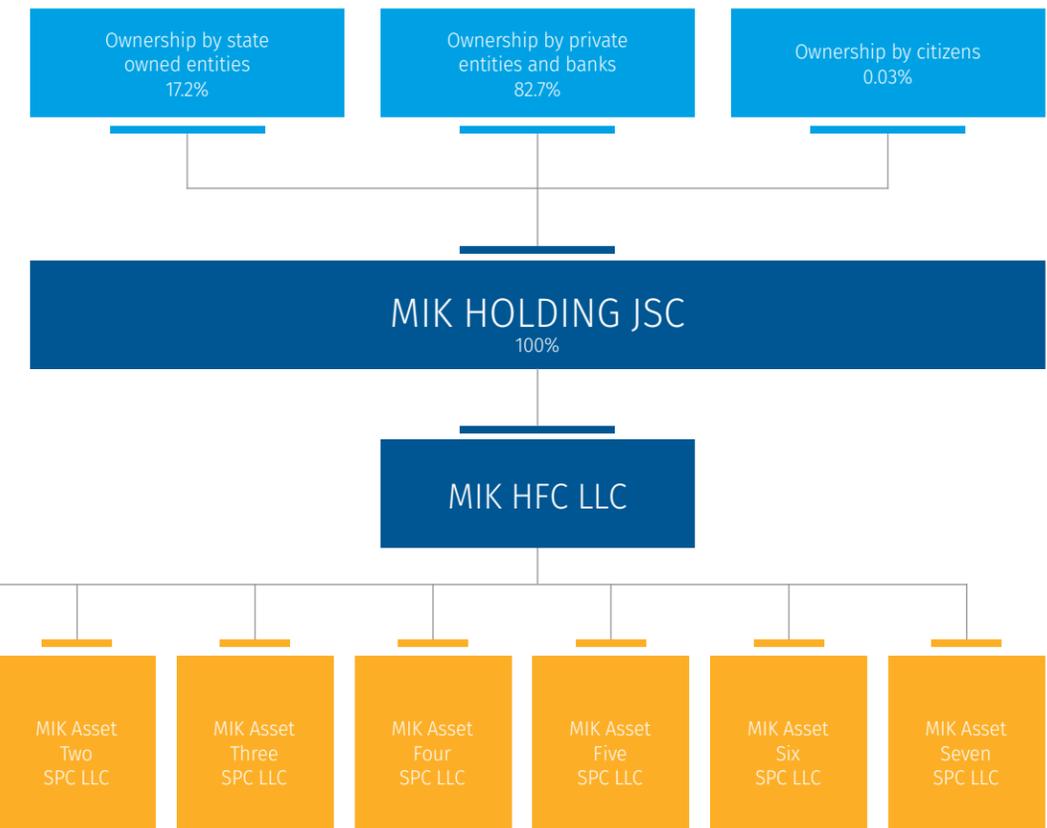
MIK HFC LLC established SPC A LLC in 2008, and changed the name of the company to MIK Holding LLC in October 2015.

Based on a resolution of the MIK HFC LLC shareholders meeting held on November 9, 2015, all of MIK HFC LLC's shares were transferred to MIK Holding LLC shares by making MIK Holding LLC the head company of MIK HFC LLC and by concluding the Share to Share Exchange and Assignment Agreement. Accordingly, the Share to Share Exchange and Assignment Agreement was concluded and the charters of MIK HFC LLC and MIK Holding LLC were amended.

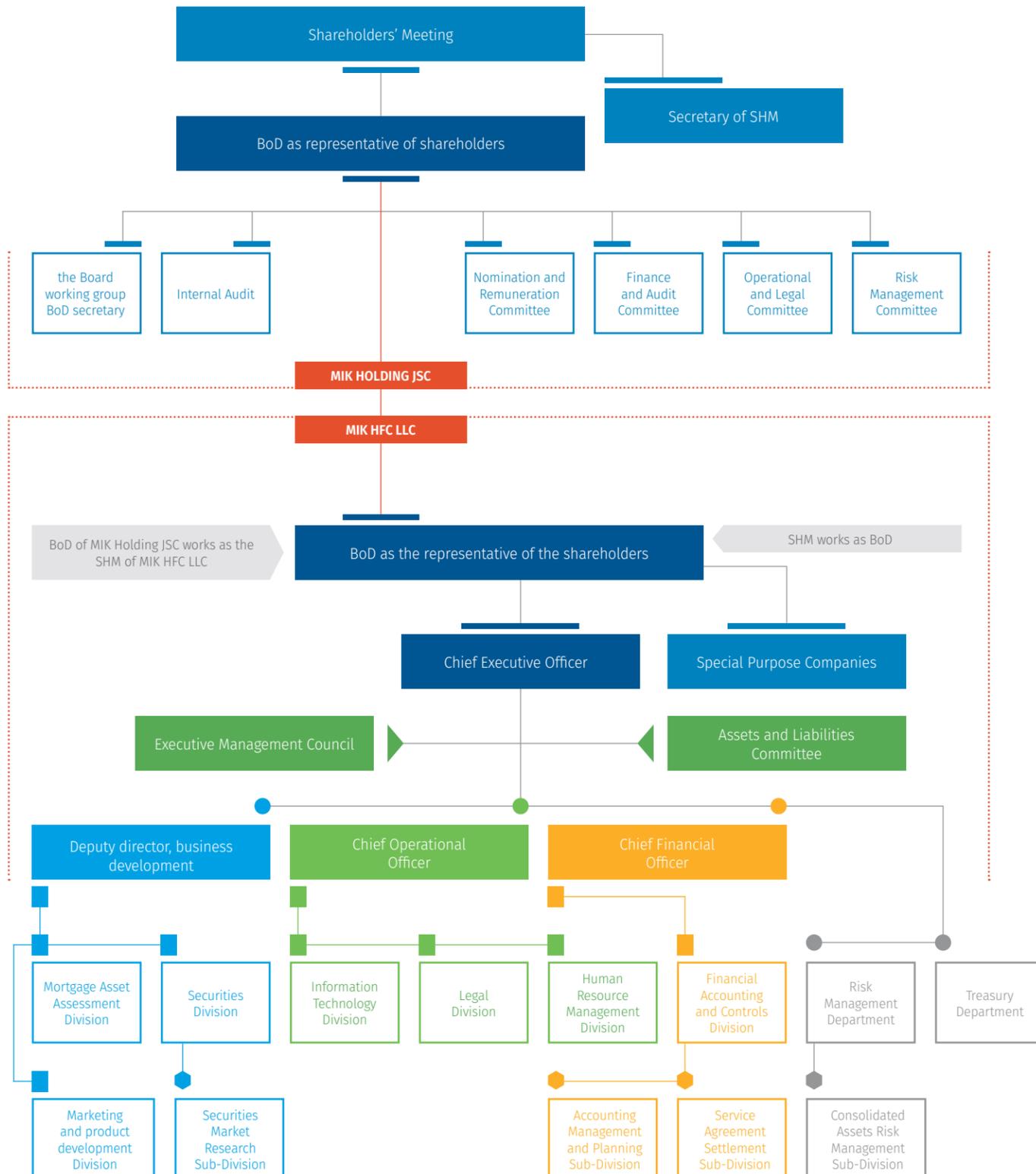
Through a resolution of the MIK Holding LLC's shareholders meeting held on December 4, 2015, they decided to amend the company's charter by changing MIK Holding LLC to a Joint Stock Company, and approved the structure of the organization in order to issue an IPO of 3,106,398 shares of the total offered shares based on the open subscription through Stock Exchange Company.

MIK Holding LLC successfully made two share trades on the primary market on December 24, 2015 and on the secondary market on December 31, 2015 at the MSE. According to the information of SCHCD on December 30, 2015, MIK Holding JSC has 52 shareholders compared to MIK Holding LLC's 12 shareholders.

Shareholders of MIK HFC LLC and MIK Holding JSC (as of December 31, 2015)



ORGANIZATIONAL CHART OF MIK HOLDING JSC AND MIK HFC LLC



CORPORATE GOVERNANCE



As the company expands and stabilizes its operations, MIK HFC LLC is emphasizing corporate governance issues and aiming to develop its corporate governance in accordance with the best international practices. MIK HFC LLC, as the first professional organization which aims to develop the primary and secondary mortgage markets and create a long-term financing system with smooth functions, is striving to play a historical leading role in the development and establishment of higher standards. For this purpose, the company has amended its charter and is looking forward to constant improvements.

Recently, MIK HFC LLC approved and has been implementing basic guidelines and procedures that regulate the company's main operations, including the Package Procedures on Mortgage Loan Purchase and Servicing, Procedure on Collecting Mortgage Portfolios and Secondary Review, and the Procedure on the Issuance of Asset-Backed Securities. The management principles and standards of the aforementioned procedures have been applied to the operations of all seven subsidiaries, from MIK Asset One SPC LLC to MIK Asset Seven SPC LLC.

Corporate governance oriented activities have come into implementation through decisions that were made by all shareholders with the joint effort of the company workforce, because the company's priority is to enable equal access to all shareholders, to be transparent, and to ensure our responsibility for obligations to our shareholders and public.

MIK HFC LLC will ensure its leading position in the housing finance market in the country as it studies the best international practices of corporate governance standards in domestic and foreign institutions which have similar functions, and implements them in the local market by fulfilling the interests of shareholders and their growing expectations for the future.




HIGHLIGHTS (2014-2015)

2006

- Bank of Mongolia and nine commercial banks (including Anod Bank, Golomt Bank, Capital Bank, Capiron Bank, Mongol Post Bank, Khan Bank, Xac Bank, Trade and Development Bank, and Zoos Bank) jointly organized a meeting to establish a company to support the development of primary and secondary mortgage markets and established Mongolian Mortgage Corporation (MIK). D.Ashidmaa, councilor of the Economic Policy Renovation and Competency Project, was appointed acting CEO of MIK.

2007

- Memorandum of Understanding between the Ministry of Finance, the Bank of Mongolia, and MIK signed for the implementation of a German Bank for Reconstruction and Development (KfW) initiated project.
- Ts.Enkhbayar becomes CEO of MIK.

2008

- MIK becomes a member of IUHF (International Union of Housing Finance)
- Memorandum of Understanding signed with the Mongolian National Chamber of Commerce and Industry.
- BoM approves the Residential Mortgage Financing Procedure drafted with MIK.
- MoU signed with the Mongolian Bankers Association on cooperation.
- German Bank for Reconstruction and Development (KfW) and the Ministry of Finance conclude a Cooperation Agreement on providing technical assistance to MIK.

2009

- Parliament enacts the Law on Real Estate Collateral, which was submitted by a working group involving MIK.
- FRC registers and approves MIK's first application for the issuance of bonds.
- MIK team takes part in a working group preparing a draft of the Law on Asset-Backed Securities.

2010

- Round table meeting organized in cooperation with the Parliament Secretariat to discuss the Law on Asset-Backed Securities.
- Organized a meeting to discuss Development of the Mongolian House Financing Market, a project funded by the German Bank for Reconstruction and Development, with commercial banks.
- Organized the "Sales of Mortgage and Accounting Issues Related to Mortgage-Backed Security" seminar in cooperation with the Frankfurt School of Finance and Management under the KfW project to support the mortgage market.

2011

- MIK signs an MoU with the Mongolian National Construction Association and Mongolian National Center of Commerce and Industry for cooperation on the "Private Sector 10,000 Family Housing" program.
- Prepared and printed "General Methodology of Mortgage Loans" for the use of workers at banks and non-banking financial organizations, funded by the International Finance Corporation.
- Commercial banks purchase additional MIK shares and MIK's equity fund increased.
- Organized the Asia Pacific Regional Conference on Housing Finance in cooperation with Asia Pacific Union for Housing Finance and Frankfurt School of Finance and Management.
- FRC enacts Procedure on Issuance of Asset-Backed Securities.

2012

- Obtained a license from the FRC for the issuance of asset-backed securities and become a housing finance company (HFC).

2013

- Concluded an MoU with the Bank of Mongolia and Ministry of Construction and Urban Development to implement the Construction Sector Support and Residential Housing Price Stabilization sub-program.
- MIK shareholders elected members of MIK's Board of Directors and S.Orgodol, who is a deputy CEO of TDB, was elected Chairman of the BoD.
- MIK's BoD appoints Gantugs Damdin CEO of MIK.
- The Bank of Mongolia, MIK HFC LLC, and commercial banks conclude the General Agreement on House Financing for the implementation of the housing finance program of the Government of Mongolia.
- Shareholders of MIK HFC LLC decide to establish MIK Asset One LLC for issuing RMBS in compliance with the Law on Asset-Backed Securities.
- FRC approved and granted MIK Asset One LLC special permission for the issuance of RMBS.
- MIK Asset One SPC LLC issues an initial RMBS of 322.9 billion MNT on December 23, 2013.

 **322.9 BILLION ₮**

2014 ОНЫ ОНЦЛОХ ҮЙЛ ЯВДАЛ



MIK HFC LLC becomes a supporting member of the Mongolian Banking Association.



The SHM of MIK HFC LLC decided to establish MIK Asset Two SPC LLC, MIK Asset Three SPC LLC, and MIK Asset Four SPC LLC.

FRC approves and grants special permission to MIK Asset Two SPC LLC, MIK Asset Three SPC LLC, and MIK Asset Four SPC LLC.



MIK HFC LLC wins "Outstanding Achievement of the Year" in 2013 from the Bloomberg Awards.



The CFI.co Awards, headquartered in London, names MIK HFC LLC as Asia's best issuer of mortgage-backed bonds in 2014.



The General Authority of Social Insurance names MIK HFC LLC the "Top Employer" and "Best Social Insurance Premium Paying Organization" and presents certificates of honor.



Development Bank of Mongolia becomes an MIK HFC LLC shareholder.

222.0 BILLION MNT

MIK Asset Two SPC LLC issues RMBS of 222 billion MNT on July 10, 2014.

324.5 BILLION MNT

MIK Asset Three SPC LLC issues RMBS of 324.5 billion MNT on November 30, 2014.

2015 ОНЫ ОНЦЛОХ ҮЙЛ ЯВДАЛ

The SHM of MIK HFC LLC decides to establish MIK Asset Four SPC LLC, MIK Asset Five SPC LLC, MIK Asset Six SPC LLC, and MIK Asset Seven SPC LLC.



MIK Asset Four SPC LLC, MIK Asset Five SPC LLC, MIK Asset Six SPC LLC, and MIK Asset Seven SPC LLC obtain licenses for the issuance of RMBS from the FRC.

Residential Mortgage Financing Procedure approved by the Governor of the BoM amended in order to provide mortgage loans for herder families and single houses.



452.2 BILLION MNT

MIK Asset Four SPC LLC issues RMBS of 452.25 billion MNT on January 30, 2015.

294.3 BILLION MNT

MIK Asset Five SPC LLC issues RMBS of 294.3 billion MNT on June 10, 2015.

261.7 BILLION MNT

MIK Asset Six SPC LLC issues RMBS of 261.7 billion MNT on August 21, 2015.

293.8 BILLION MNT

MIK Asset Seven SPC LLC issues RMBS of 293.8 billion MNT on December 11, 2015.

The European Business Assembly names MIK HFC LLC "Best Enterprise" and CEO D.Gantugs "Manager of the Year".



Mongolian Mortgage Corporation expands and becomes a group company named MIK Holding JSC.



MIK Holding JSC listed on the MSE and raises 372 billion MNT by launching an IPO on December 23, 2015.

SOCIAL RESPONSIBILITY

Housing is a basic human need and asset that can be kept for life with value that increases over time. The main criteria for a borrower to obtain a mortgage loan are to be a tax payer, to have a stable income, and to not have overdue loans outstanding or debt in court. These requirements for borrowers are a foundation to increase responsibility and to stabilize employment and income.

The primary mortgage market is a long-term financial relationship raised upon negotiations between the banks and borrowers, while the secondary mortgage market is the creation of new financial resources by way of securitizing granted mortgages after classifying them by their specific qualities and conditions. In this way, mortgages are converted into cash, bringing favorable mortgage conditions such as decreased interest rates and extended terms.

The Bank of Mongolia and Government of Mongolia concluded a Memorandum of Understanding on Cooperation to Create a Stable Environment for Mortgage Financing System on October 22, 2012.



BoM, under its initiative to facilitate residential mortgage loan financing operations based on the Construction Sector Support and Residential Housing Price Stabilization sub-program, has provided soft loans to originators as an initial round of financing to originate mortgages at $\pm 8\%$ per annum (p.a.).

The $8+/-1$ interest rate sub-program started in 2013 to support housing for low and middle income households, and MIK HFC LLC, for the purpose of the securitization exercise, purchases portfolios of mortgage loans from the originators. This is one of the highest social contributions made by MIK HFC LLC in light of its social responsibility mission.

As of the end of 2015, the number of borrowers reached 77,105 and outstanding mortgages amounted to 3.4 trillion MNT in Mongolia. By the end of 2014, statistics show that 148,600 families lived in apartments, while 204,200 families lived in ger areas. This shows that there is a high demand for living in an apartment. The number of families living in apartments increased by 1.2 percent from 2013 to 2014.

According to the amendment made to the Residential Mortgage Financing Procedure by a resolution issued by the Governor of BoM, not only are citizens in urban areas allowed to obtain mortgage loans, but households in rural areas and herders became eligible for the mortgage program with the $8+/-1$ interest rate.



A FEW WORDS ABOUT MIK



Officially established in 2006 with the ownership of the Bank of Mongolia and 10 commercial banks.



The number of borrowers for issued RMBS

47 498



Number of total employees

65

SOCIAL IMPORTANCE

- To raise financial resources by issuing RMBS in domestic and foreign stock markets
- To promote the primary and secondary mortgage markets
- Housing the Mongolian public
- Supporting the intensity of contemporary urbanization
- Establishing a long-term financing system
- Promoting the primary mortgage market
- Determining the need for apartments among ger area residents to resolve their housing issues
- Ending requirements for borrowers to have stable income, a stable tax payment history, and to be free from overdue loans and debt to be resolved in court
- Mortgage relations increase the responsibility of citizens and become grounds for their stable employment and income
- Herder families are able to become borrowers under the 8+/-1 interest rate mortgage program and apartments built in rural areas are affordable under the program

IMPACT ON HOUSING MARKET

(MNT'000)

Total issued RMBS	2,171,732,100
Total mortgage loans outstanding	2,171,735,459
Newly originated loans	1,654,133,194
Refinanced loans	517,602,265

Number of borrowers in rural areas	11,942
Number of borrowers in UB	35,556

LOAN QUALITY STATISTICS (4TH QUARTER OF 2014)

Overdue loans percentage	3.90
NPL percentage	0.14

RATIO INDICATORS

	2014	2015
Liabilities/Total assets (Financial leverage)	94.82%	94.77%
Net profit margin (NPM)	28.90%	24.19%
Earnings per share, MNT (EPS)	746	1,744
Return on Asset (ROA)	1.94%	1.98%
Return on Equity (ROE)	34.36%	38.02%
Book Value of Equity Per Share (BVPS)	2,854	6,514
Current ratio	1710	18.96
Debt/Equity ratio	18.25	18.04



MAIN BUSINESS ACTIVITIES
AND KEY PERFORMANCE
INDICATORS

N.Zoljargal
Governor of the BoM

MIK IS DEVELOPING NEW FINANCIAL INSTRUMENTS IN MONGOLIA



- There is limited information about MIK's activities. Could you explain MIK's role in the establishment of the residential mortgage loan financing scheme in simple terms?

In economic theory, food, clothes, and housing are considered basic human needs. Housing has some unique characteristics, as it is an essential but expensive, and costs far more than regular income. In other words, households can make decisions regarding food and clothes based on their income more easily than decisions regarding housing. However, individuals have the capacity to ensure housing for themselves by saving for 20-30 years.

Many countries have a ready-to-go recipe that solves this problem entirely. Within the legal framework, they are solving this integrated problem through special purpose companies such as MIK, which develops the secondary market for mortgage-backed securities, meets the demand for housing mortgage loans, and keeps and develops equality and fair distribution between market participants with as low a risk as possible.

In our case, MIK is one of the main participants in the sustainable financing scheme of the mortgage loan, which solves the problem more systematically. To put it simply, MIK, a company that conducts investment operations activities based on structured funding, is initiating the development of a new financial instrument in Mongolia. It has an important role in developing a mortgage backed securities secondary market in Mongolia.

- As you mentioned, MIK is an investor, the financial institution that is introducing financing for structural reform

and developing a secondary financial market for the first time. Is this a new, unique policy measure in Mongolia?

Definitely, it is. Most countries are using this distinguished method to provide housing to the majority of the world's population. Therefore, we should not fall behind. Every resource is limited. Also, it's logical that depending on the costs associated with retrieving that resource, the value of it fluctuates and changes. Commercial banks recommending mortgage loans to investors is different from a joint recommendation, which is more efficient. However, under the government policy of providing citizens with housing and increasing middle class savings, MIK has unique characteristics - providing commercial bank cooperation and the dominance of the private sector.

- Can you summarize the impact that mortgage loans have had on the Mongolian economy?

Mortgage loans have a lot of social and economic benefits. Households save 45 percent of their overall income, so it causes a decrease in demand-driven inflation. Inflation will never stay at targeted low levels without the implementation of the mortgage loan scheme. As the number of households getting mortgage loans increases, inflation will stay low and stable. As inflation stays low and stable, it provides macroeconomic equilibrium. An interest rate will be decreased in the medium and long term, and promote expansion of the economy at a healthy pace. The structure of the economy will also become more efficient.

In addition, there are positive social and environmental externalities, such as an increase of labor productivity as their approach to work improves, and a significant decrease

in air and soil pollution. A mortgage loan is not simply a loan instrument. We see that increasing the savings of middle income households is a sustainable development model. International best practice suggests this model. The main instrument of middle class savings is their housing. An increase in residential mortgage loans also means an expansion of the savings of the middle class. The objective of increased savings is to keep the economy stable and "risk tolerant". Another social goal of this mortgage loan program is to decrease Ulaanbaatar's pollution level, which in turn decreases public health risks.

- MIK issues mortgage backed securities. What are the implications of developing a secondary market for mortgage-backed securities in the mortgage loan market?

In addition to the previously mentioned advantages, the development of a secondary mortgage loan market will result in a more stable, reliable financing framework to continue for years to come.

- MIK expanded its operations with the issuance of 8+/-1 interest rate mortgage loans. What is the contribution of MIK to the development of the mortgage market?

In 2006, when MIK was established, middle class savings, which were total banking system mortgage loans, was not even 200 billion MNT with the weighted average interest rate of 19.8. Under the Sustainable Financing of the Housing Mortgage Loan program, which started in 2013, more than 80 thousand households have a home of their own, while their total savings have reached more than 3.4 trillion MNT.

MIK's role and participation was essential to the implementation of this program to achieve the above mentioned results, and MIK's range of activities eventually expanded.

The main operational goals of MIK are to keep a sustainable mortgage loan financing framework, and to increase coverage of the mortgage loans. MIK has successfully initiated the mortgage-backed securities secondary market and put an emphasis on decreasing the high interest rates for mortgage loans, expanding the coverage of mortgage loans, and ensuring repayment of bonds to bond holders.

- Are there any risks associated with mortgage loan?

The mortgage loan is considered to be the most well-performing loan because mortgage loan collateral is the borrower's house, which is a real asset. Mortgage-backed securities are the second most reliable financial investment instrument after government bonds.

By the end of 2015, only 0.6 percent of all mortgage loans were classified as non-performing loans. This statistic shows that the risks associated with mortgage loans are very low. This is due to the majority of borrowers being responsible middle class individuals with a stable job, income, and a specialized occupation and capabilities.

As of the end of 2015, mortgage loans constituted only 0.6 percent of all non-performing loans. Furthermore, the borrowers are individuals with stable jobs, income, and responsibility. Henceforth, it is considered to be a relatively low-risk loan.

- In order to create a stable mortgage loan system, the Government of Mongolia and the Bank of Mongolia launched the Housing Mortgage Loan program. Was this a long-awaited program?

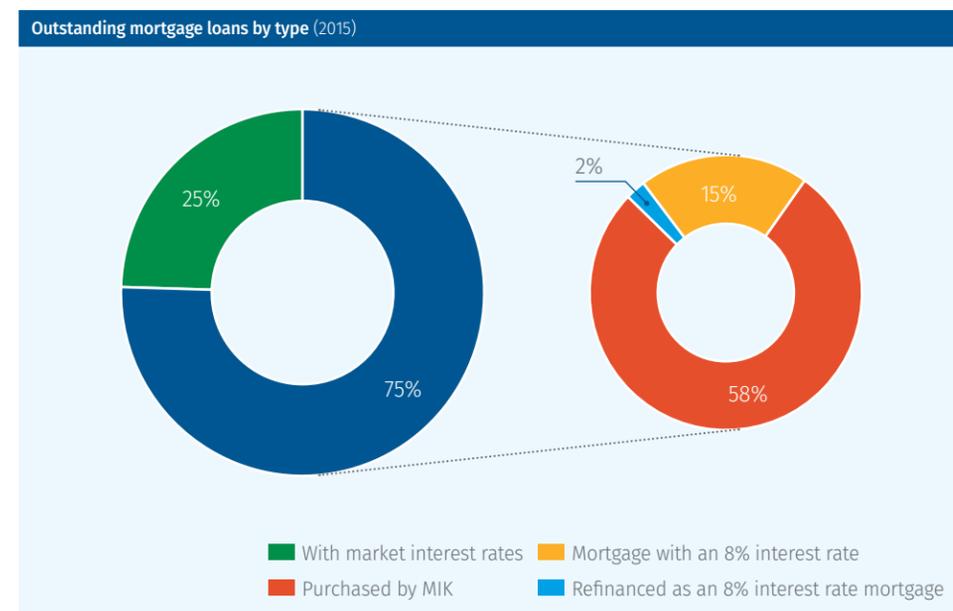
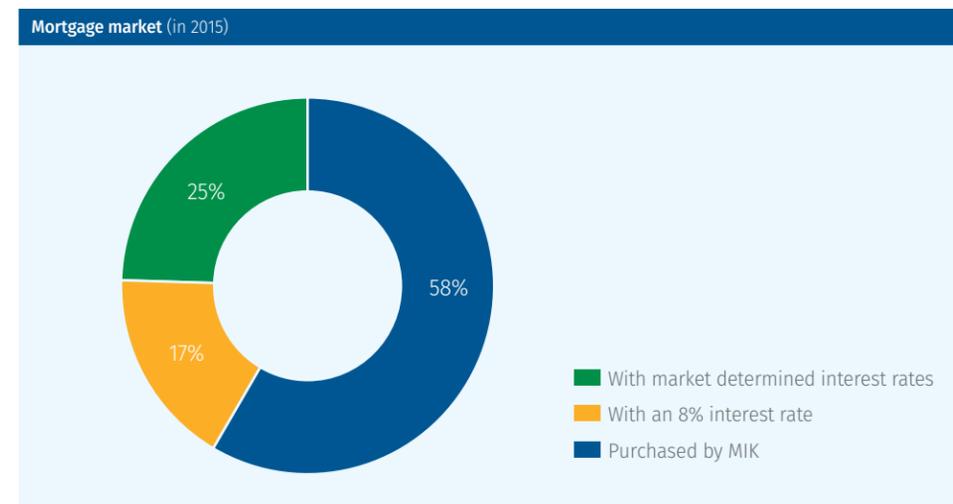
Foreign exchange flow was 12 billion USD in 2010. Between 2011 and 2012, it increased to 19 billion USD. In 2015, it dropped down to 12 billion USD again. This sudden drop of 7 billion USD is due to the dramatic fall in commodity prices and foreign direct investment. The prices of coal and copper fell from 100 USD to 25 USD and 10,000 USD to 4,000 USD respectively. From 2010 to 2012, there was an entirely irrational expectation that coal and copper prices were going to be in a constant rise. Nobody thought to consider the possibility and the impact of a mining sector collapse and two or three times lower commodity prices. Nobody asked about the possible risks. However, by the end of 2012, we were faced with a risk of the economy suddenly shrinking by 30 percent and a situation that could not be regulated with the traditional monetary policy. In just one and a half years, approximately 200 thousand people would have been unemployed if not for the policy measures taken to protect the middle class and increase their savings. The social cost of adverse shock was extremely high. It would have been impossible to bring down inflation to the current rate of 2 percent by just adhering to the traditional monetary policy. By adopting an unconventional monetary policy, along with traditional monetary policies, we were able to save our jobs and expand our middle class without shrinking the economy, while increasing their savings.

- Lastly, what is your opinion on MIK's activities?

If we look back at history for the development of MIK, along with its operational activities, as of today, there has been tremendous improvement. In the years to come, I believe the company will have a vital role in the implementation of economic structural reform and stable economic growth based on the middle-class.

OVERVIEW OF THE PRIMARY AND SECONDARY MORTGAGE MARKETS

The housing finance system consists of the primary and secondary mortgage markets. The primary market has been developed since 2003, when banks introduced mortgage loan products. As of the end of 2014, mortgage loans reached about 2.8 trillion MNT. This increase has been directly linked to the Construction Sector Support and Residential Housing Price Stabilization sub-program approved by the Bank of Mongolia and Government of Mongolia on June 14, 2013. As of 2015, mortgages issued under the mortgage program with an interest rate of 8 percent constituted 70 percent of the total loans issued in the mortgage market.



As of the end of 2015, a total of MNT 3.4 trillion in mortgage loans was issued by commercial banks with the total number of borrowers reaching 77,100. (Source: Mortgage Loan Report of December 2015, Bank of Mongolia)

Mortgage market indicators

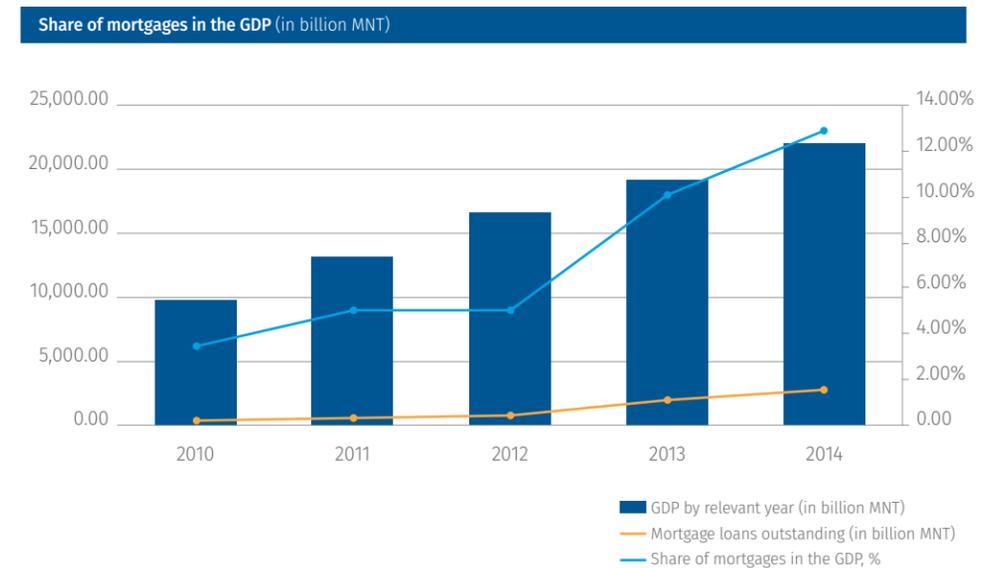
Indicators	2011	2012	2013	2014	2015
Mortgage market outstanding loans (in billion MNT)	656.49	845.20	1,938.95	2,844.61	3,319,712
Mortgage market share in total loans of the banking system	11.64%	12.09%	18.01%	22.75%	27.81%
Total debt outstanding of total loans of the banking system (in billion MNT)	5,641.23	6,990.55	10,764.17	12,502.53	11,938.47
Average amount of mortgages (in million MNT)	24.78	28.28	40.13	42.88	44.35
Total number of mortgage accounts	26,491	29,887	48,320	66,334	74,848
Weighted average mortgage interest rate	14.80%	15.30%	10.60%	10.19%	9.69%

MIK HFC LLC has purchased and securitized 2.17 trillion MNT in mortgage loan pools from commercial banks under the Construction Sector Support and Residential Housing Price Stabilization sub-program, with 1.65 trillion MNT in newly issued mortgages and 0.52 trillion MNT in refinanced mortgages.



OVERVIEW OF THE PRIMARY AND SECONDARY MORTGAGE MARKETS (continued)

Mortgages at commercial banks constituted 3.3 percent of GDP in 2008, and rose to 4.9 percent in 2011. After the government mortgage program commenced, it reached 10.1 percent of GDP in 2013. Further, total mortgages reached 12.9 percent of GDP as of the end of 2014. Therefore, it can be concluded that mortgages making up GDP nearly doubled in 2013 in comparison to previous years. The growth is showing more stabilization in 2014.



According to research conducted by the National Statistical Organization, the number of citizens moving from rural areas to Ulaanbaatar has been increasing steadily. Accordingly, the total population of the capital increased by 3.3 percent from 2010 to 2014, and in 2014, there were 31,356 citizens newly residing in Ulaanbaatar. Because of the income levels of commuters from the countryside, the ger areas keep expanding.

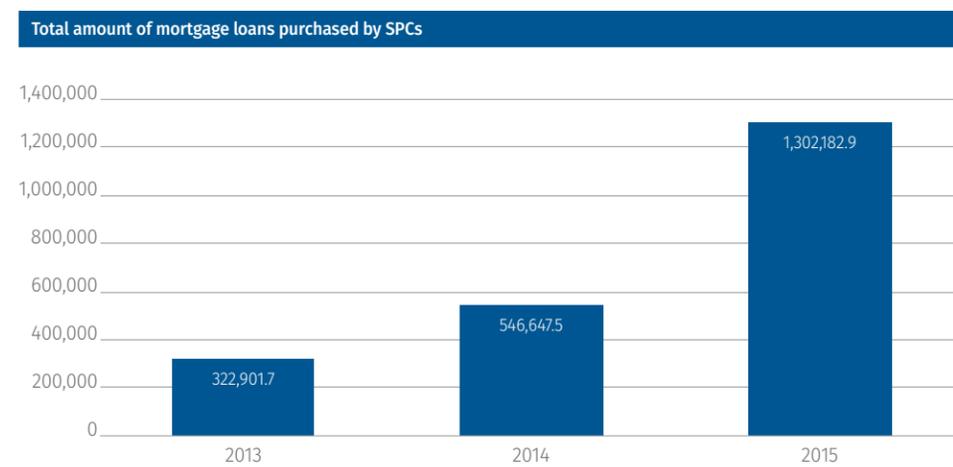
As of 2005, 58.6 percent of all families were living in the ger district, and the number changed to 59.6 percent in 2006, 60.6 percent in 2007, 61.4 percent in 2008, 61.2 in 2009, 60.1 percent in 2010, 60 percent in 2011, 59.8 percent in 2012, 59.1 percent in 2013, and 57.9 percent in 2014. Therefore, 42.1 percent of the households in Ulaanbaatar are living in apartments and 63.6 percent of all households in Ulaanbaatar are young families who are younger than 35 years old.

The statistics above show that demand for apartment purchases will be stable. However, banks have started demanding higher requirements from borrowers since 2014, due to the decreased purchasing power of citizens caused by the country's economic difficulties. These conditions have become the basis of a decrease in demand for apartment purchases and caused a decrease in the number of mortgage loans granted.

MORTGAGE ASSET ASSESSMENT PROCESS

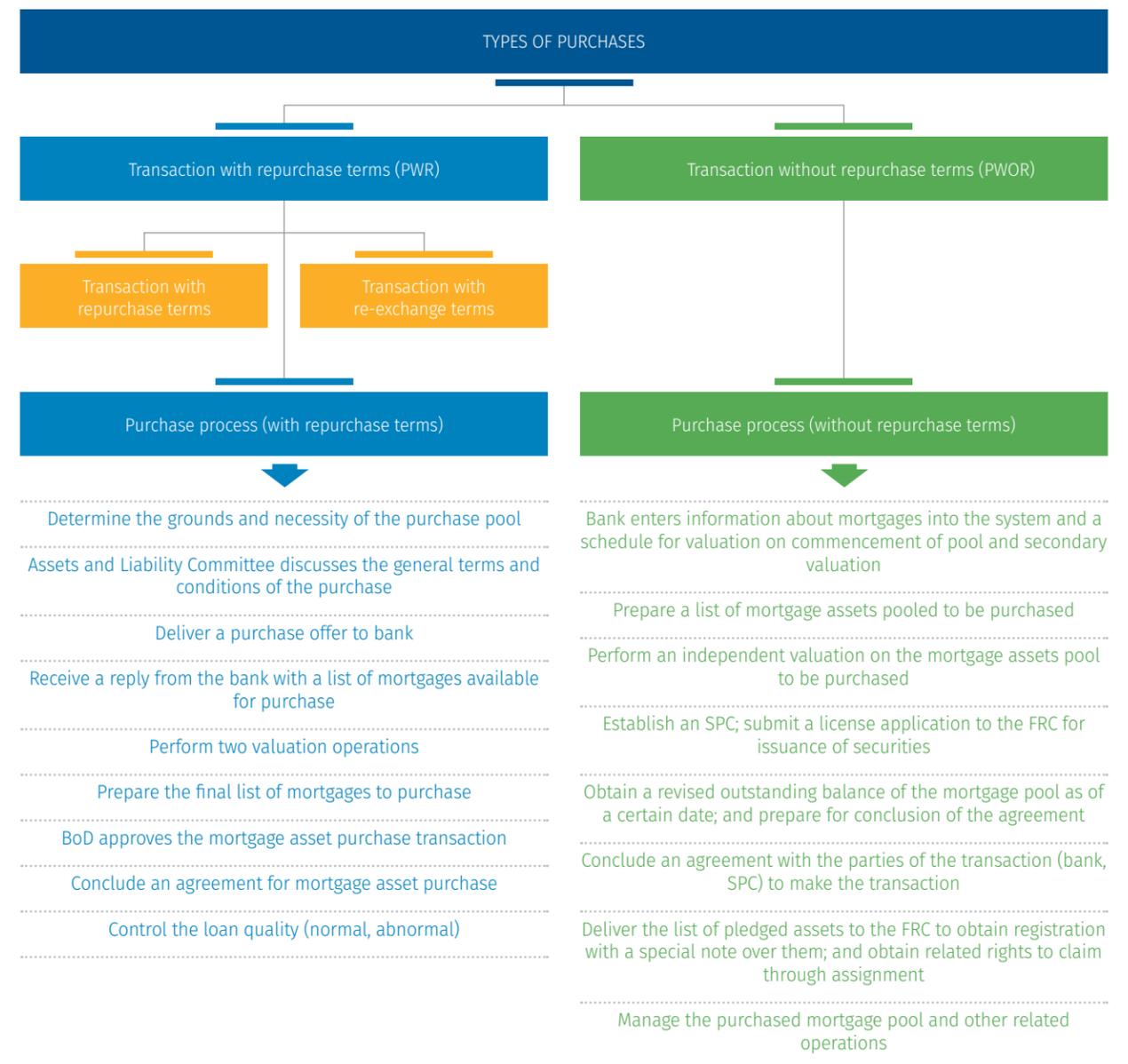
The main activity of the mortgage asset assessment of MIK HFC LLC is the valuation of a mortgage pool that is subject to purchase from originators (banks) is performed for securitization purposes. Under the Housing Mortgage sub-program, the company performed assessments on 322,902.19 million MNT in mortgage portfolios in 2013, 546,648.43 million MNT in mortgage portfolios in 2014, and 1,302,182.9 million MNT in mortgage portfolios in 2015 and prepared them for securitization.

Total pools purchased from 2013 to 2015



The mortgage loan purchase

MIK HFC LLC's mortgage loan purchase divided into a purchase with recourse (PWR) and purchase without recourse (PWOR) in terms of risk allocation conditions.



MORTGAGE LOAN PURCHASE PROCESS

Purchases of 325.43 billion MNT were made in 2013.

- Sub-program based purchases: **322.03 billion MNT**
- Purchases by own resources with repurchase terms: **3.40 billion MNT**

Sub-program based purchases

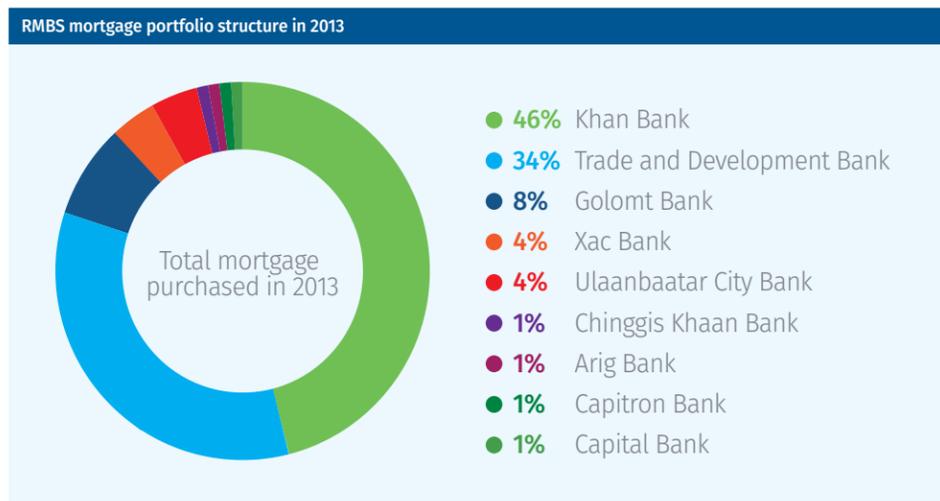
Total amount of mortgage portfolios purchased in 2013:

No	Transaction	Transaction amount (billion MNT)	Participating originators
1	RMBS 1	322.09	9

Purchases financed by KFW and internal resources

Amount of mortgage pools purchased with repurchase terms in 2013

No	Banks and financial organizations	Amount of pool (in billion MNT)	Number of borrowers	Quality of pool
1	State Bank (2 pools)	1.66	56	Normal
2	Xac Bank	0.47	12	Normal
3	UBCB (2 pools)	1.05	23	Normal
4	Transcapital NBFI	0.20	9	Normal



Purchases of 552.18 billion MNT were made in 2014.

- Sub-program based purchases: **547.31 billion MNT**
- Purchases by own resources with repurchase terms: **4.87 billion MNT**

Sub-program based purchases

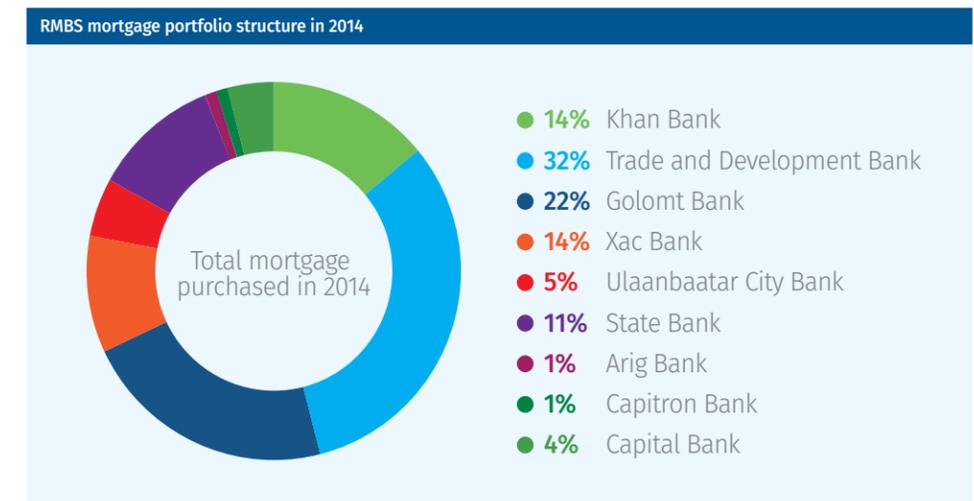
Total amount of mortgage portfolios purchased in 2014:

No	Transaction	Transaction amount (billion MNT)	Number of Participating originators
1	RMBS 2	222.72	10
2	RMBS 3	324.59	11

Amount of mortgage pools purchased with repurchase terms

Amount of mortgage pools purchased with repurchase terms in 2014

No	Banks and financial organizations	Portfolio amount (in billion MNT)	Number of borrowers	Quality of pool
1	State Bank (Dec 3 - 7th pool)	4.87	73	Normal



MORTGAGE LOAN PURCHASE PROCESS (continued)

Purchases of 1,017.91 billion MNT were made in 2015.

- Sub-program based purchases: **1,008.32 billion MNT**
- Purchases based on resources with repurchase terms: **9.59 billion MNT**

Sub-program based purchases

Total amount of mortgage portfolios purchased in 2015:

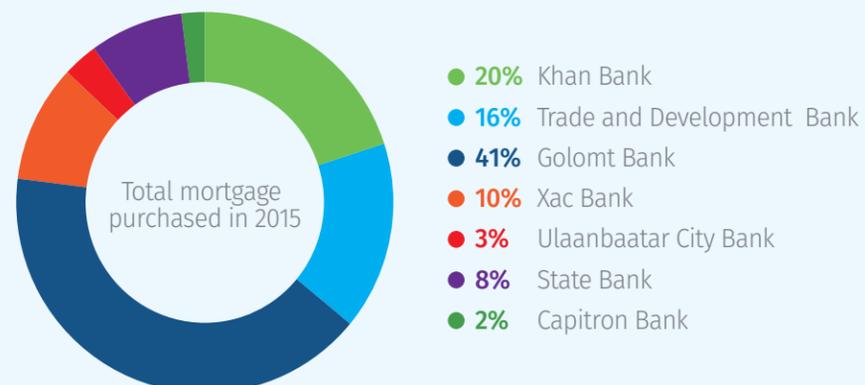
No	Transaction	Transaction amount	Number of participating originators
1	RMBS 4	452.28	9
2	RMBS 5	294.34	9
3	RMBS 6	261.70	9
4	RMBS 7	293.86	8

Amount of mortgage pools purchased with repurchase terms

Amount of mortgage pools purchased with repurchase terms in 2015

No	Banks and financial organizations	Portfolio amount (in billion MNT)	Number of borrowers	Quality of pool
1	Xac Bank (2 pools)	5.84	338	Normal
2	Capital Bank	2.02	51	Normal
3	Capitron Bank	1.47	44	Normal
4	UBC Bank	0.26	7	Normal

Composition of assets pledged for mortgage-backed bond in of 2015

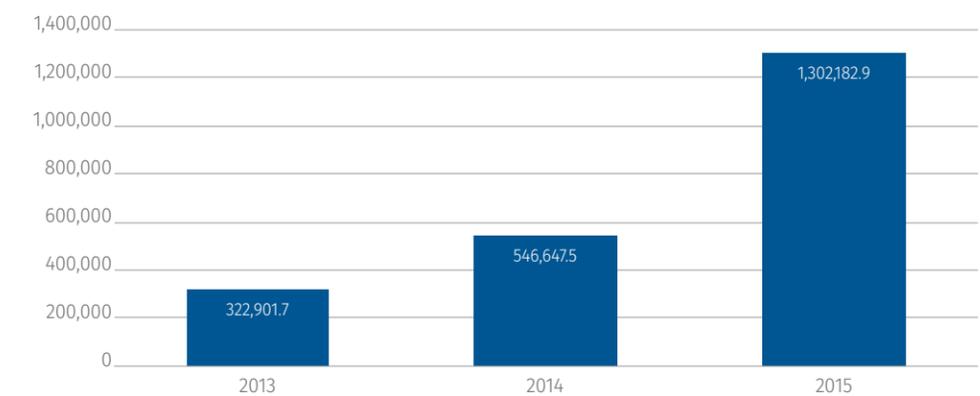


SECURITIZATION PROCESS AND RMBS ISSUANCE

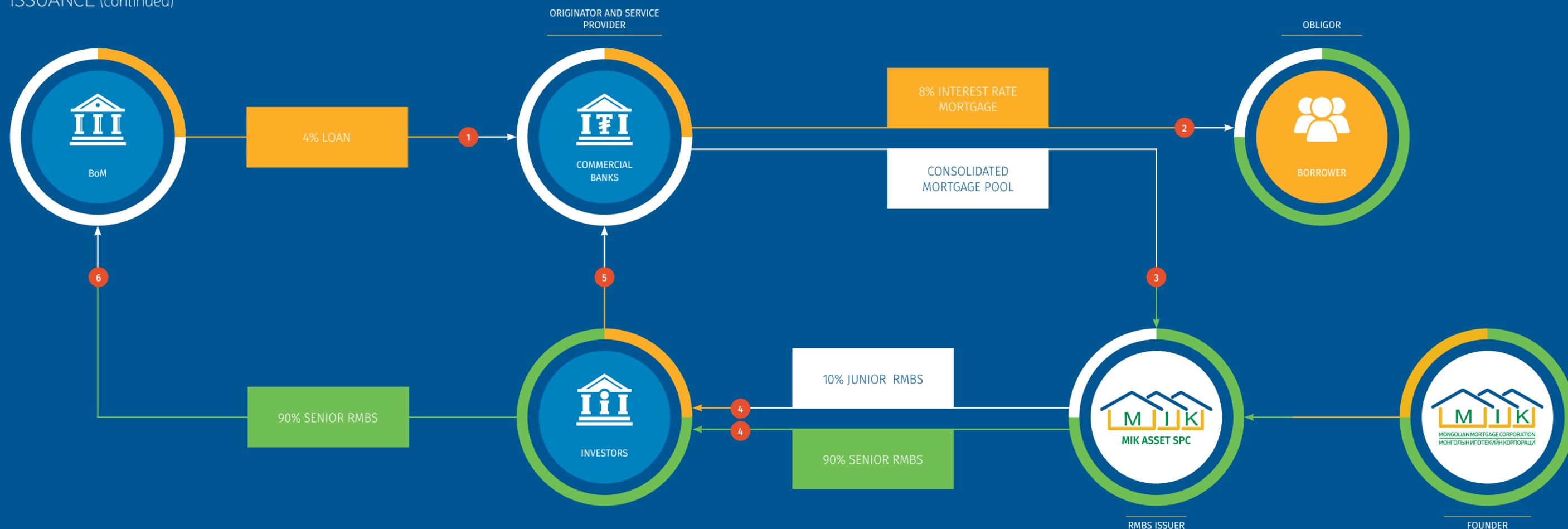
Within the implementation of the sub-program, MIK HFC LLC is promoting the development of the secondary mortgage market and issuing residential mortgage-backed securities upon the purchase of 8+/-1 interest rate mortgage portfolios from commercial banks to raise finances accumulating available assets.

In the scope of these operations, the company issued 322,901.7 million MNT of RMBS through SPC One in 2013, 546,647.5 million MNT of RMBS through SPC Two and SPC Three in 2014, and 1,302,182.9 million MNT of RMBS through SPC Four, SPC Five, SPC Six, and SPC Seven in 2015 respectively.

Amount of RMBS issued (in million MNT)



SECURITIZATION PROCESS AND RMBS ISSUANCE (continued)



Picture. Securitization transaction

The securitization transaction process is shown in the picture above. MIK HFC LLC has been appointed as the Transaction Administrator, the Fiduciary Manager and the Security Agent for the transaction.

1. Bank of Mongolia grants a 4% soft loan to the commercial bank
2. Commercial banks issued 8% interest rate mortgages to the public under requirements set by the sub-program
3. MIK Asset SPC LLC purchases 8% interest rate mortgages as a pool from commercial banks
4. MIK Asset SPC LLC offers senior and junior RMBS to commercial banks
5. Commercial banks subscribe for junior RMBS
6. Senior RMBS are sold to the BoM

Pursued legislation for RMBS transactions

Laws of Mongolia

- Civil Law of Mongolia
- Law on State Registration
- Law on State Registration of Ownership Rights and Other Related Rights
- Law on Real Estate Collateral
- Law on Asset-Backed Securities
- Law on the Securities Market

Regulations

- Residential Mortgage Financing Procedure approved by Bank of Mongolia
- Regulation on issuing, registering, and granting special

permission for asset-backed securities approved by the FRC

- Regulation to register and mark ABS portfolios
- Internal regulations for registration approved by the General Authority of Registration
- Package Procedures on Purchasing Mortgage Loans and Servicing approved by MIK HFC LLC.

Other documents

- Mortgage Loan Sale and Purchase Agreement
- The FRC's special permission to register RMBS
- Asset lists of the portfolios registered by the FRC

TREASURY

MIK HFC LLC has contributed to the financial sector by introducing a trust account in which any payment from a borrower is received as an income and payment collection account which transfers collected payments on scheduled dates as specified in agreements.

As the Transaction Administrator of SPCs, the company has been transferring RMBS payments in a timely manner, including principal and coupon payments, to investors as stated in agreements. The company could satisfy liquidity and solvency requirements by allocating reserved assets in a bank deposit and government bond under its authorization. The permitted investment fund increased by 34 percent by the end of 2015 compared to 2014.



WHAT IS SAID

ABOUT THE MONGOLIAN MORTGAGE MARKET



Z. ENKHBOLD

Speaker of Parliament

Not only in Mongolia, but also in all countries around the world, housing is a valuable commodity that is paid for over 20-30 years. Mortgage is a common system that operates in every country.

Daily News, 2016



M. BOLD

Former President of the Mongolian Bankers Association

There is an organization called a housing finance corporation which purchases mortgages. Such organizations are intermediary companies that may be owned by state or private companies. Their existence is inevitable. Mongolian Mortgage Corporation is an intermediary company that was established five years ago in Mongolia. The intermediary company should purchase mortgages issued by commercial banks and the company should pay cash, which becomes a resource for banks to issue new mortgages. This is an internationally accepted way to strengthen intermediary companies.

Today Newspaper, 2013



N. ZOLJARGAL

Governor of the BoM

We have built and commissioned apartments for 40 thousand families within the last 3 years. These apartments are converted as loans to citizens. These loans are pooled, securitized, and become securities which can finance the mortgage market. In brief, one full cycle has been carried out.

Morning Newspaper, 2016



U. GANZORIG

President of Golomt Bank

At first, we should understand that a housing loan or mortgage is a distinguished financial instrument of a free market economy. Therefore, the low interest mortgage loan is the intention of every government, central bank, and commercial banks. In our country, the mortgage loan was introduced by banks around 2004 and 2005, which is quite late. The reason for the high interest rates of mortgage loans was the high cost of the financial resource. Borrowers have transferred their 15 percent mortgage loans into 8 percent interest after the housing program. Accordingly, many people became able to afford apartments, thanks to the housing program. 76,000 families have mortgage loans now. This amount shows a threefold increase within the last three years.

News.mn, 2016

Through the 8 percent interest rate mortgage, the government is delivering financial education to population. One way or another, 8 percent interest rate mortgage is serving as social responsibility program.

itoim.mn, 2015



O. BANZRAGCH

First Deputy Director of Ulaanbaatar City Bank



B. GARAMGAIBAATAR

Head of the Economic Standing Committee of Parliament

Mortgage loan is not a policy for social care, but it is a policy for national accumulation.

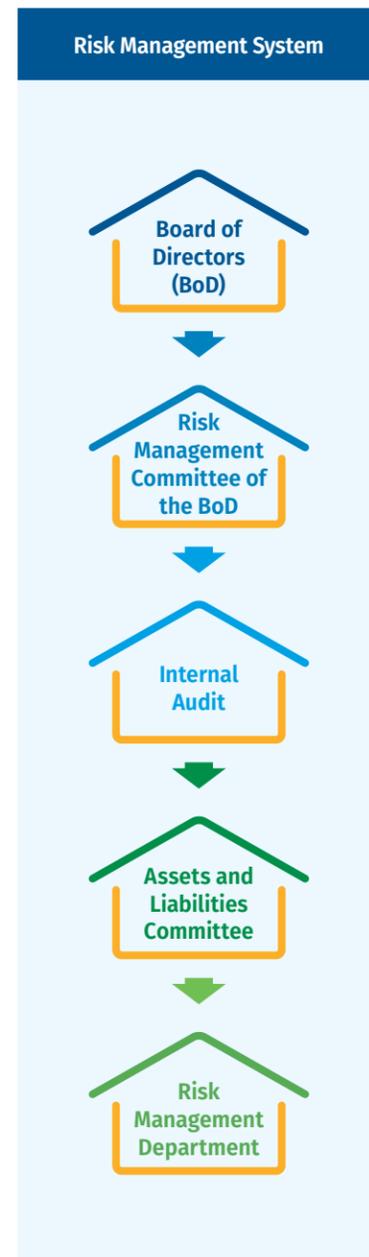
Daily News, 2013



RISK MANAGEMENT

RISK MANAGEMENT SYSTEM OF THE COMPANY

Structure of the risk management system is classified based on the responsibilities and managing level of participants of risk management operations. The risk management system operates at the following levels:



- **Board of Directors (BoD):** This is the highest management unit which is in charge of approving of risk management policy and reviewing its compliance adapted to the main business operations of the company, strategic plan, missions and visions. The BoD monitors risk management through its Finance and Audit Committee, Operational and Legal Committee, Risk Management Committee, and Nomination and Remuneration Committee.
- **Risk Management Committee of the BoD:** The committee monitors the compliance of the company's risk policy and risk tolerance level with the company's business operations and reports the results to the BoD by identifying high risk and their mitigation policy, procedures, and recommendations.
- **Internal Audit:** This unit reviews whether the result of risk management operations can support the company's mission, whether the company determined and evaluated high level risk, whether the company chose optimal measures against risks based on an acceptable level of risk, whether the company has enabled the BoD, executive management, and employees to implement their responsibility by obtaining information about risk and distributing it to all units of the company. Further, the unit makes conclusions on its findings and supplies the BoD and the Finance and Audit Committee with information.
- **Assets and Liabilities Committee:** The committee makes decisions about main business operations including the mortgage loan purchase process, aggregate portfolio and solvency risk reports, interest margin levels, and monitors the implementation of directives.
- **Risk Management Department:** This is the main unit that provides other departments, divisions, and committees with advice and recommendations for identifying, measuring, and managing risk; controls risk for consolidated mortgage collateral pools and the quality of mortgage pools; and it has obligations related to the management of market risk, information security risk, and operational risk.

- **Mortgage asset risk:** The company's credit risk arises from the loss of future cash flow and income which is caused by the failure of the contractual obligation of the obligor or the originators. The risk of mortgage loans without repurchase terms is the risk of the delinquency of the obligors' loan repayment. As the company's main business may result in greater credit risk, we give it priority consideration.



The Risk Management Department places importance on controlling the quality of purchased mortgage pools with or without repurchase terms and improving their quality. Accordingly, the department reports quarterly about the quality of consolidated mortgage portfolios to the regulators and investors. Furthermore, the department controls every loan repayment, delinquency status, possible default information, and the default loans being resolved by court or non-court procedures. Moreover, the department organizes quarterly meetings with bank specialists to review loans classified as non-performing to identify the reasons and conditions of obligors and to take an appropriate series of measures. The department reports monthly about the quality of mortgage pools and default loans to the Assets and Liabilities Committee and BoDs of SPCs, and has decisions made on such matters.

RISK MANAGEMENT SYSTEM OF THE COMPANY (continued)

- **Third party servicers risk.** The company pays close attention to the solvency of its third party financial institutions. The company has a policy to cooperate with banking financial institutions which have the ability to perform settlement without any barriers and satisfy requirements set by regulators. Based on international best practices, the company has approved a template for determining whether a banking financial institution applies quality standards. This template is also used when evaluating such organizations based on scores given on qualitative and quantitative indicators related to the general quality and policies of such banking financial institutions. Currently, the company is planning to introduce new rules and guidelines based on international best practices and working on the improvement of methodologies that are used for identifying and managing solvency risks and client risks. The client risk is a type of risk which should be carefully considered during the purchase of a mortgage pool without repurchase terms.
- **Market risk.** The company's income and assets can be affected by changing market conditions triggered by the fluctuation of the currency rate and interest rate on the market, which is called market risk. The main purpose of market risk management is to keep market risk at a proper level, and at the same time to keep income at its highest level. Interest rate risk is a fluctuation of interest rates that can affect the value of income and assets for a long period. Settlement risk is the risk that one party fails to deliver payment at the time of settlement. The company is working to approve official rules and to improve the management of market risk. We believe that there is a low probability that the company will be affected by the fluctuation of currency rates and interest rates.
- **Operational risk** is a loss that can be caused by failure in a company's structure, management, internal processes or monitoring system, and the loss can be reputational or financial. For identifying and managing this type of loss, all departments, divisions, and sub-divisions are registering and evaluating the occurrence of risk. Moreover, the company has plans to make structural changes, to introduce revised job descriptions, and to involve our employees in domestic or foreign training. As our business is expanding, new regulations are being introduced as well. Furthermore, the Executive Management Council was newly established with functions to evaluate the implementation of the group company's

business plan and to identify long-term, mid-term, and long-term prospects; to assess daily implementation and results; to prevent risk that can be caused by gaps between the functions of units and employees; and to strengthen correlation among mid-level executive units.





INTERNAL OPERATIONS

HUMAN RESOURCE MANAGEMENT

MIK HFC LLC's human resource policy is aimed to nurture and maintain a competent workforce and efficiency, and rewarding employees in accordance with their achievements and training them for future operations.

As of December 31, 2015, the company had 65 full-time workers and 13 part-time workers in charge of the evaluation of mortgage assets. The number of workers at MIK HFC LLC in 2015 is shown in accordance with their positions in the following table:

Number of employees at MIK HFC LLC

No	Name of Position	Number of Employees
1	Chief Executive Officer	1
2	Deputy Director, Business Development	1
3	Senior Auditor	1
4	Internal Auditor	1
5	Head of BoD Office	1
6	Secretary of BoD	1
7	Secretary of BoD of SPC	2
8	Director of Department	2
9	Director of Division	4
10	Chief Accountant	1
11	Head of Sub-Division	2
12	Senior Specialist	11
13	Specialist	34
14	Employee	3
TOTAL		65

The average age of the workers is 30.1. Fifty-six percent of the total employees are between the ages of 21 and 30, and over 33 percent of employees are between the ages of 31 and 40.

Training program

To increase the capabilities and productivity of our employees, we have involved our employees in 28 classroom trainings under a unified training program. This program was organized in cooperation with the Academy of Banking and Finance, the Mongolian Institute of Certified Appraisers, and other specialized organizations. Twenty-two of those 28 trainings were specialization training and 6 were development training. Furthermore, some of our employees participated in seminars and forums organized for exchanging information in specific fields.

We have started creating technical opportunities for archiving and reading technical materials on our web page to establish a unified training material database so that accessibility can be increased. In addition, we are organizing introductory training every Friday to share what was learned during previous training.

INFORMATION TECHNOLOGY

Structural changes made

The Information Technology Division was a sub-division of Legal and Administration Department until 2014. As the company expands its operations, the demand for requirements in information technology has increased, especially in the exchange of information between the company and banking financial institutions. Therefore, the sub-division was restructured as a division of the company in 2015.

Base accounting system updated

We have started using a Grapebank system customized for our business features, which is widely used for accounting systems at many banks, in order to develop reports for the accounts and collateral records of the company and its subsidiaries.

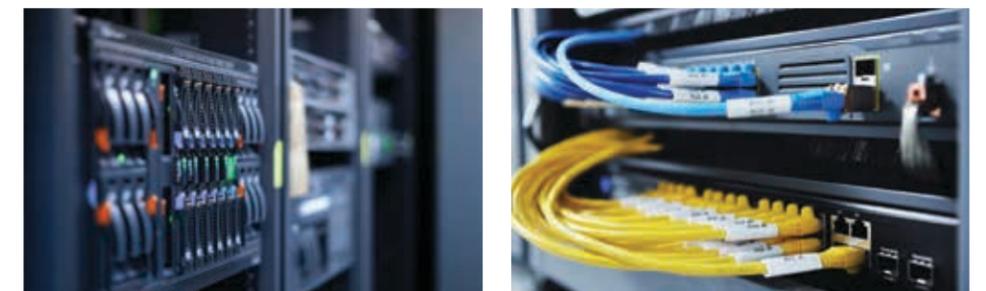
As a result, we are now able to receive information from commercial banks about transactions and the balance of each and every account of the portfolio, and to check received information against obtained information.

Introduced the Banks System

The company introduced the Banks System to perform secondary reviews of mortgage loans and to issue RMBS. This system facilitates cooperation between the company and banks, the FRC, and State Registration Authority during the processing of information, and it saves a lot of time. Nowadays, we are actively using the Banks System to collect information about accounts of the mortgage portfolios purchased by commercial banks by checking such accounts and delivering demands to commercial banks.

Information security initiatives

For protecting data from natural disaster and fire risk, the company has established an archive center apart from its main office building. Databases and setups of all software used daily is installed and archived in this center. For ensuring the safekeeping and security of information used daily on servers and on the computers of our employees, the company introduced software programs that were developed using progressive technology, and the company is controlling electronic data and related changes and access.



INTERNAL AUDITING

Management and Structure of Internal Audit

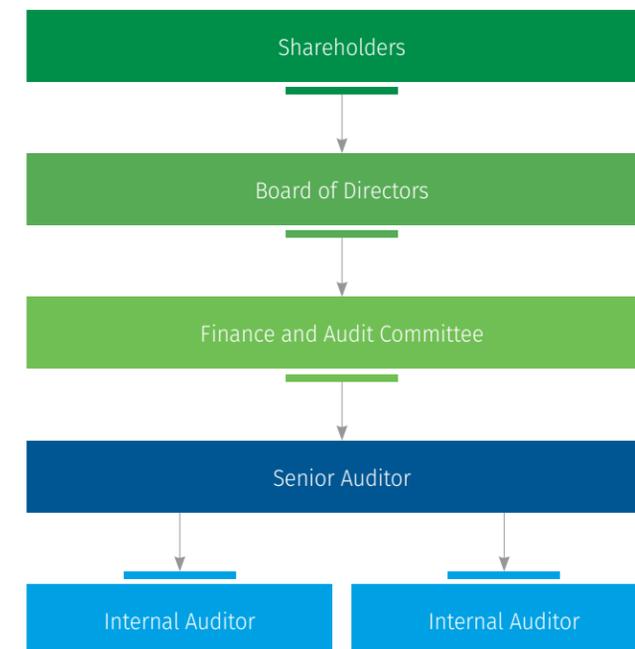
Internal Audit is a unit that works as a part of the BoD's governing power. In other words, this unit implements some functions of the BoD. Internal Audit operates under direct management of MIK HFC LLC's BoD and it is accountable for its work and reporting directly to the BoD.

Within its powers concerning management and structure, the BoD has the following obligations to ensure the independence and practicability of Internal Audit:

- To approve the rules of Internal Audit and its operational procedure
- To approve the risk-based yearly plan of Internal Audit
- To enable conditions under which Internal Audit can act and relate upon for an auditing plan, performed audits, and other issues
- To select, appoint, and remove executive management of Internal Audit and internal auditors
- To approve the budget for salaries, remuneration, and bonuses for Internal Audit;
- To enable the Executive Manager of Internal Audit to relate with the BoD and participate in BoD meetings if necessary;



Structure of Internal Audit





FINANCIAL STATEMENT



STATEMENT BY CHAIRMAN AND EXECUTIVES

We, Munkhbaatar Myagmar, being the Chairman of the Board of Directors of MIK Holding JSC (previously known as SPC A LLC); Gantugs Damdin, being the Chief Executive Officer; and Gongor Gombosuren, being the Head of the Financial and Accounting, Controlling Division primarily responsible for the financial statements of MIK Holding JSC and its subsidiaries, herein collectively referred to as the "Group", do hereby state that, in our opinion, the accompanying financial statements set out on pages 4 to 58 present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).



Ulaanbaatar, Mongolia
Date: March 18, 2016



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REPORT OF THE INDEPENDENT AUDITORS

To the Shareholders of MIK Holding JSC

We have audited the accompanying consolidated financial statements of MIK Holding JSC (previously known as SPC A LLC) and its subsidiaries, herein collectively referred as the "Group", which comprise the consolidated statement of financial position as of December 31, 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

RESTRICTION ON USE

This report is made solely to the shareholders of the Company, as a body, in accordance with the audit requested by shareholders in accordance with Article 94 of the Company Law of Mongolia and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015

	Notes	2015 MNT'000	2014 MNT'000
Interest income	3	125,520,407	41,840,929
Interest expense	4	(76,445,274)	(24,539,111)
Net interest income		49,075,133	17,301,818
Fee and commission expenses	5	(5,767,364)	(2,040,983)
Other operating income – net	6	18,873	51,161
Total operating income		43,326,642	15,311,996
Portfolio receivable assets loss impairment allowances	13	(3,288,839)	(473,419)
Net operating income		40,037,803	14,838,577
Operating expenses	7	(8,335,837)	(2,351,270)
Profit before tax		31,701,966	12,487,307
Income tax expense	8	(1,337,257)	(381,772)
Profit for the year, representing total comprehensive income		30,364,709	12,105,535
Earnings per share (MNT)			
Basic and diluted earnings per share	9	1,743.74	746.49

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015

	Notes	2015 MNT'000	2014 MNT'000
ASSETS			
Cash and bank balances	10	128,132,221	50,105,168
Financial investments-held to maturity	11	2,899,001	-
Mortgage pool receivables with recourse	12	11,196,817	5,286,570
Purchased mortgage pool receivables	13	2,010,062,427	823,404,667
Other assets	14	188,215	262,384
Property and equipment	15	14,782,248	14,749,637
Intangible assets	16	92,334	140,393
TOTAL ASSETS		2,167,353,263	893,948,819
LIABILITIES			
Borrowed funds	17	8,866,368	8,782,916
Collateralized bonds	18	2,037,542,209	835,631,986
Other liabilities	19	7,413,507	3,131,691
Income tax payable		86,676	122,642
TOTAL LIABILITIES		2,053,918,935	847,669,235
EQUITY			
Ordinary shares	20	20,709,320	16,798,856
Share premium	20	52,225,115	15,724,835
Retained earnings		40,510,068	13,755,893
TOTAL EQUITY		113,444,503	46,279,584
TOTAL LIABILITIES AND EQUITY		2,167,353,263	893,948,819



ANNUAL REPORT 2014-2015

TOGETHER FOR FINANCIAL DEVELOPMENT





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