



**SEMI-ANNUAL REPORT OF  
MIKHOLDING JSC**

**30 June 2016**

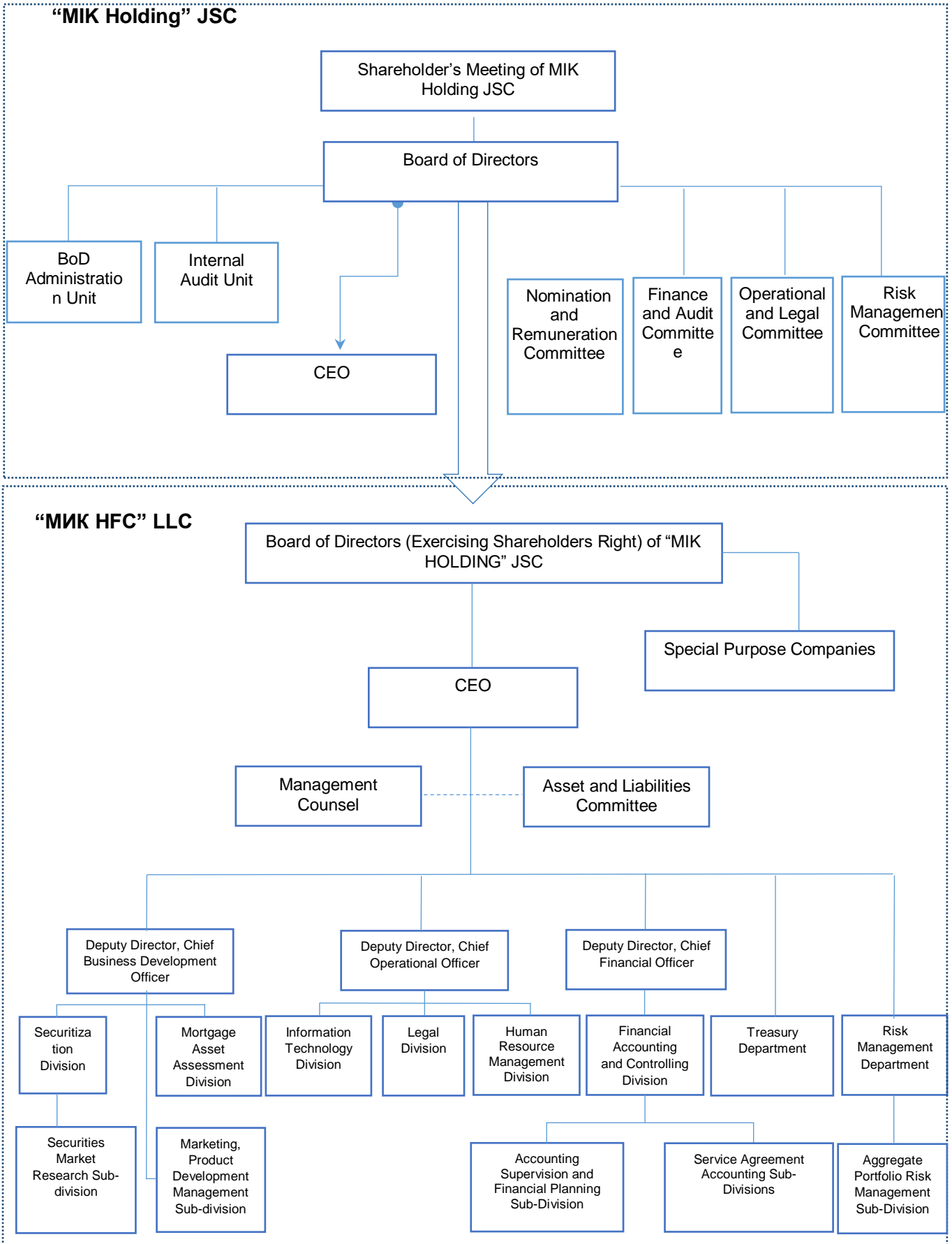
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## **1. About the company**

Based on the resolution of MIK HFC LLC shareholders meeting held on November 9, 2015, MIK Holding LLC was established as the parent company of MIK HFC LLC, and the shares of MIK HFC LLC were transferred to MIK Holding LLC. MIK Holding LLC became an open joint stock company by the shareholders meeting resolution issued on December 4, 2015 and had 12 shareholders in 2015. Moreover, MIK Holding LLC became MIK Holding JSC, a listed at the MSE, and the number of shareholders increased from 12 to 104 by March 31, 2016 and 98 by July 19, 2016.

1.1 Company structure



## 2. Management information

### 2.1 Amendment made to Management Committee

The Internal Audit Unit and BoD Administration Unit of MIK HFC LLC were transferred to MIK Holding JSC in first quarter of year 2016 in relation to resolution of changing to organizational structure of MIK Holding LLC to MIK Holding JSC, approved by shareholders' meeting of MIK Holding LLC held on December 4, 2015. Even these units were transferred to MIK Holding JSC, they still maintain their collaborative working relationship with MIK HFC LLC and its subsidiary companies /from MIK Asset One SPC LLC to MIK Asset Nine SPC LLC/.

As of June 30, 2016, MIK Holding JSC had 8 full-time workers which are shown in accordance with their positions in the following table:

#### Number of employees at MIK Holding JSC

Chief Executive Officer	1
Head of BoD Administration Unit	1
Senior Auditor	1
Internal Auditors	2
Secretary of BoD	1
Secretary of BoD of SPC	2

### 2.2 Shareholders' meeting

The governing body of MIK Holding JSC is the shareholders' meeting which can be ordinary and extraordinary in accordance with Article 59 of Company Law of Mongolia and Company Charter. An ordinary general meeting of shareholders is convened annually by Board of Directors by date specified in Company Law of Mongolia. The number of shareholders has increased to 104 from daily release of March 31, 2016 made by Securities clearing, settlement and central depository house compared to 12 shareholders before organizational structure made.

### 2.3 Board of Directors' meeting

The Board of Directors shall comply with company's policy and management except in authority of the shareholders specified in Company Law of Mongolia. According to clause 75.4 in Article 75 of Company Law, the Board of Directors of MIK Holding JSC (shareholders' representatives) have 6 dependent and 3 independent members in order to implement good corporate governance.

The Board of Directors' meetings are held on regular and extraordinary basis. Even the Board of Directors has 9 members, the company's shareholders appointed their representatives to members of Board Committees to provide the transparency to activities of shareholders and to protect the interests of small shareholders.

## **Brief introduction of BoD members**

**M. Munkhbaatar**, the Vice Director of the Ulaanbaatar City Bank, was elected as Board Chairman of MIK Holding JSC on March 7, 2016. He is also a Chair of the Nomination and Remuneration Committee of Board.

**D.Boldbaatar**, the Director of the Monetary Policy and Research Department of the Bank of Mongolia, was elected as a Board Member of MIK Holding JSC on March 7, 2016. He is also a Chair of the Risk Management Committee of Board.

**B.Buyanmunkh**, the Vice President and Director of the Investment Department of Development Bank of Mongolia, was elected as a Board member of MIK Holding JSC on March 7, 2016. He is also a Chair of the Operational and Legal Committee of Board.

**D.Sugar**, the Vice Director and Director of the Business Development Division at Golomt Bank, was elected as a Board member of MIK Holding JSC on March 7, 2016. He is also a member of the Finance and Audit Committee of Board.

**L.Gantumur**, the Director of the Treasury Department at Trade and Development Bank, was elected as a Board member of MIK Holding JSC on March 7, 2016. He is also a member of the Finance and Audit Committee and the Risk Management Committee of Board.

**G.Khurelbaatar**, the Chief Executive Officer at United Securities LLC, was elected as a Board member of MIK Holding JSC on March 7, 2016. He is also a member of the Finance and Audit Committee of Board.

**E.Shijir** was elected as an independent member of BoD of MIK Holding JSC on March 7, 2016. He is also a member of the Nomination and Remuneration Committee of Board.

**D.Bailikhuu**, Team Advisor for Public-Private Partnerships project of Asian Development Bank, was elected as an independent member of BoD of MIK Holding JSC on March 7, 2016. He is also a member of the Operational and Legal Committee and the Nomination and Remuneration Committee of Board.

**Ts.Tsolmon** was elected as an independent member of BoD of MIK Holding JSC on March 7, 2016. He is also a member of the Operational and Legal Committee and the Nomination and Remuneration Committee of Board.

## Board Committees and their functions

As Board Committees pay great concern to implement accurate policy and principles of corporate governance, the Shareholders meetings, Board of Directors meetings and Board Committees meetings are regularly organized to make decisions within their authority. There are four Board Committees operating, namely, Finance and Audit Committee, Risk Management Committee, Operational and Legal Committee and Nomination and Remuneration Committee.

The Finance and Audit Committee's functions are to support the Board of Directors in providing monitoring and supervision over company's operation through ensuring the accuracy of financial statements and internal control policy and procedures; facilitating the relationship between independent and internal auditors; supervising as well as appraising the financial management and accounting operations; and providing related information and recommendations.

The Risk Management Committee's functions are to monitor the implementation of risk management procedures, to predict the market and credit risk, to draw a conclusion on mitigation taken to diversified risks that might influence to implementation of operation plan approved by BoD and to provide accurate information and recommendations.

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

The Nomination and Remuneration Committee's functions are to nominate, elect and terminate the authority of members of BoD; to determine the policy on remuneration of BoD, CEO and other senior officials; and to make decisions on matters related to human resource planning and creation of stable working conditions.

No	Board Committee	Number of members	Name	Status
1	Finance and Audit Committee	5	E.Shijir D.Sugar B.Delgerjargal L.Gantumur G.Khurelbaatar	Chair Member Member Member Member
2	Risk Management Committee	4	D.Boldbaatar D.Zorigt Ts.Ganzorig L.Gantumur	Chair Member Member Member
3	Operational and Legal Committee	5	B.Buyanmunkh M.Oyuntuya B.Bayaraa D.Bailiikhuu Ts.Tsolmon	Chair Member Member Member Member
4	Nomination and Remuneration Committee	4	M.Munkhbaatar E.Shijir D.Bailiikhuu Ts.Tsolmon	Chair Member Member Member

## 2.5 The information of company's senior officials

No	Name	Position	Country of residence
1	D.Gantugs	Chief Executive Officer	Mongolia
2	J.Onon	Head of BoD Administration Unit	Mongolia
3	G.Saruul	Head of BoD	Mongolia

## 3. Information about shareholders

### 3.1 Company's shareholders' meeting and its resolution

- ✓ The extraordinary shareholders' meeting was held on March 7, 2016 according to resolution 16/01 approved by BoD meeting of MIK Holding JSC in 2016 and BoD members of MIK Holding JSC were selected as well as approved. The shareholders participated in the meeting with 98.63 per cent attendance.
- ✓ The ordinary shareholders' meeting was held on April 28, 2016 according to resolution 16/24 approved by BoD meeting of MIK Holding JSC in 2016. At this meeting, the annual report, financial statements of 2015, amendment made to company charter of MIK Holding JSC and BoD cost budget were approved.

### 3.2 Information on changes in influential shareholders

Since the company type changed to open joint stock company from MIK Holding LLC at shareholders' meeting held on December 4, 2015, the number of shareholders has increased to 98 from 12 by July 9, 2016. The 19.31 per cent, 80.63 per cent and 0.06 per cent of total shares of MIK Holding JSC are hold by state-owned organizations, business entities and individual, respectively.

Shareholders with more than 5 per cent shares:

No	Organization name	Shares held
1	Ulaanbaatar City Bank	28.66%
2	Trade and Development Bank	25.65%
3	Development Bank of Mongolia	14.88%
4	Capital Bank	8.12%
5	TDB Capital LLC	7.50%
6	Golomt Bank	5.57%

## 4. Dividend information

Based on the Board of Directors' resolution 16/22 approved on March 18, 2016, MIK Holding JSC resolved to distribute the dividend of MNT 241.2 per share to its shareholders from operating profit of 2015 and the names of shareholders eligible for the dividend are set by March 31, 2016 which is the registration date of ordinary shareholders meeting. The dividends were distributed to the shareholders on May 3, 2016 through Securities clearing, settlement and depository house.



## 5. Financial information

As of June 30, 2016, two subsidiaries, namely MIK Asset Eight SPC LLC and MIK Asset Nine SPC LLC were established by MIK HFC LLC and RMBS in totally amounting to MNT 292,5 billion were issued. Moreover, the companies /from MIK Asset One SPC LLC to MIK Asset Eight SPC LLC/ have made principal payments for senior bonds amounted to MNT 72.04 billion and interest payments for senior and junior bonds amounted to MNT 53.65 billion to the bondholders, of which the principal payments for senior bonds amounted to MNT 43.95 billion and interest payments for senior and junior bonds amounted to 15.3 billion were made to the Future Retirement Reserve in the first half, 2016.

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF MIK HOLDING JSC, GROUP FOR THE PERIOD ENDED 30 JUNE 2016

<b>ASSETS</b>	<b>MNT'000</b>
Cash and cash equivalents	103,757,509.54
Bank deposits	45,697,453.22
Accounts receivable	402,220.55
Financial investments	125,078.32
Other financial assets /net/	2,251,565,486.05
Other non-financial assets	421,601.55
Property, plant and equipment	14,955,354.12
Intangible assets	59,847.37
<b>TOTAL ASSETS</b>	<b>2,416,984,550.72</b>
<b>LIABILITIES</b>	
Accounts payable	1,363,304.75
Interest payable	280,931.96
Other short-term payables	4,403,146.13
Long-term borrowing	8,440,772.06
Other long-term payables	2,260,260,774.20
<b>TOTAL LIABILITIES</b>	<b>2,274,748,929.09</b>
<b>EQUITY</b>	
Share capital	20,709,320.00
Share premium	52,225,114.83
Retained earnings	69,301,186.79
<b>TOTAL EQUITY</b>	<b>142,235,621.62</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,416,984,550.72</b>

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF MIK HOLDING JSC, GROUP FOR THE PERIOD ENDED 30 JUNE 2016

	<b>MNT'000</b>
Interest income	94,600,699.78
Interest expense	(56,080,767.35)
<b>NET INTEREST INCOME</b>	<b>38,519,932.43</b>
Non-interest income/expense	(7,903,930.53)
<b>Net income</b>	<b>30,616,001.91</b>

Total assets of the Group reached to MNT 2,416.9 billion as of June 30, 2016. During the first half of year 2016, the company earned total income amounting to MNT 94.6 billion and incurred total expenses amounting to MNT 63.98 billion, that resulted in net profit before loan impairment to MNT 30.6 billion.

<b>Financial ratios</b>	June 30, 2016
<b>Profitability ratios</b>	
Return on assets (ROA)	1.30%
Return on equity (ROE)	21.50%
<b>Growth ratios</b>	
Total asset growth	11.50%
Mortgage portfolio growth	11.40%
Mortgage-backed securities growth	10.90%
<b>Asset ratios</b>	
Equity / Total assets	5.90%

The mortgage-backed securities compose 93.5 per cent of total assets and 5.9 per cent of total equity. Total assets have increased by 11.5 per cent this year in relation to increase of RMBS transaction amount by 11.4 per cent compared to prior year. The return on assets is 1.3 per cent and return on equity is 21.5 per cent as of June 30, 2016.