



## **SEMI-ANNUAL REPORT OF MIKHOLDING JSC**

**30 June 2017**

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## **1. Management information**

### **1.1 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 has 6 dependent and 3 independent members, who are shareholders' representatives /Bank of Mongolia, Golomt Bank, Capital Bank, Trade and Development Bank, Development Bank of Mongolia and Ulaanbaatar City Bank/ elected at ordinary shareholders' meeting, in order to implement good corporate governance.

#### **Composition of BoD members**

**M. Munkhbaatar**, the Consultant of the Ulaanbaatar City Bank, was re-elected as a Board member of MIK Holding JSC at Shareholders' meeting held on April 28, 2017 and re-elected as a Board Chairman at BoD meeting held on May 12, 2017. He is also a Chair of the Nomination and Remuneration Committee of Board.

**B.Ganbat**, the Director of the Legal Department at Bank of Mongolia, was elected as a Board member of MIK Holding JSC at Shareholders' meeting held on April 28, 2017. He is also a Chair of the Risk Management Committee and a member of the Operational and Legal Committee of Board.

**L.Gantumur**, the Director of the Treasury Department at Trade and Development Bank, was re-elected as a Board member of MIK Holding JSC at Shareholders' meeting held on April 28, 2017. He is also a member of the Finance and Audit Committee and the Risk Management Committee of Board.

**B.Choijiljalbuu**, the Director of the Asset, Liability and Treasury Management Department, was elected as a Board member of MIK Holding JSC at Shareholders' meeting held on April 28, 2017. He is also a Chair of the Operational and Legal Committee of Board.

**B.Enkhtuya**, the Director of the Business Development Division at Golomt Bank, was elected as a Board member of MIK Holding JSC at Shareholders' meeting held on April 28, 2017. She is also a member of the Finance and Audit Committee, Operational and Legal Committee and Risk Management Committee of Board.

**D.Badamchuluun**, the Director of Risk Management Department at Capital Bank, was elected as a Board member of MIK Holding JSC at Shareholders' meeting held on April 28, 2017. He is also a member of the Risk Management Committee and Operational and Legal Committee of Board.

**E.Shijir** was re-elected as an independent member of BoD of MIK Holding JSC at Shareholders' meeting held on April 28, 2017. He is also a Chair of the Finance and Audit Committee and a member of the Nomination and Remuneration Committee of Board.

**Ch.Otgochuluu**, the Consultant of Economic Policy and Competitiveness Research Center, was elected as an independent member of BoD of MIK Holding JSC at Shareholders' meeting held on April 28, 2017. He is also a member of the Finance and Audit Committee, Operational and Legal Committee and Nomination and Remuneration Committee of Board.

**Ch.Khashchuluun**, the Professor of National University of Mongolia, was elected as a temporary independent member of BoD of MIK Holding JSC at Shareholders' meeting held on April 28, 2017. He is also a member of the Finance and Audit Committee, Operational and Legal Committee and Nomination and Remuneration Committee of Board.

### **Composition of Board Committees**

Based on resolution approved by BoD meeting on May 12, 2017, the only members of BoD were elected to Board Committees rather than representatives of shareholders.

No	Board Committee	Number of members	Name	Status
1	Finance and Audit Committee	5	E.Shijir B.Enkhtuya Ch.Otgochuluu L.Gantumur Ch.Khashchuluun	Chair Member Member Member Member
2	Risk Management Committee	5	B.Ganbat L.Gantumur D.Badamchuluun B.Enkhtuya Ch.Otgochuluu	Chair Member Member Member Member
3	Operational and Legal Committee	5	B.Choijiljalbuu D.Badamchuluun B.Enkhtuya B.Ganbat Ch.Khashchuluun	Chair Member Member Member Member
4	Nomination and Remuneration Committee	4	M.Munkhbaatar E.Shijir Ch.Otgochuluu Ch.Khashchuluun	Chair Member Member Member

### **1.2 Executive management**

#### ***Information of Chief Executive Officer***

At Extraordinary BoD meeting of MIK Holding JSC held on May 19, 2017, Gantugs Damdin were relieved from the duty of Chief Executive Officer and Gantulga Badamkhatan was appointed to Chief Executive Officer.

The Chief Executive Officer of MIK Holding JSC and MIK HFC LLC, B.Gantulga, is an economist who has graduated from School of Economic Studies of National University of Mongolia with a bachelor degree in financial management and economics; and also graduated from Australian National University with a master degree in financial management. He has, previously, worked as an expert and economist at Ministry of Finance, International Monetary Fund and Asian Development Bank; and the Director and Deputy Director at Ulaanbaatar Capital LLC, Ulaanbaatar City Bank and Ministry of Finance. He was appointed as a Chief Executive Officer of MIK HFC LLC in May 2017 and moreover, he has not got conflict of interest with others, debt to others, punishment and not being investigated by law enforcement authorities.

## 2. Information about shareholders

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

The ordinary shareholders' meeting was held on April 28, 2017 according to resolution 17/07 approved by BoD meeting of MIK Holding JSC in 2017. At this meeting, the conclusions made on annual report and financial statements of 2016 by BoD and BoD cost budget were approved; and election of members of BoD was taken place.

### 2.2 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 107 from 12 by April 5, 2017. 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	25.46%
2	Trade and Development Bank	20.66%
3	Development Bank of Mongolia	14.88%
4	Capital Bank	8.12%
5	TDB Capital LLC	7.49%
6	Golomt Bank	5.57%
7	MIK HFC LLC	9.98%

## 4. Dividend information

Based on the Board of Directors' resolution 17/05 approved on March 16, 2017, MIK Holding JSC resolved to distribute the dividend of MNT 471.6 per share to its shareholders from operating profit of 2016 and the names of shareholders eligible for the dividend are set by April 5, 2017 which is the registration date of ordinary shareholders meeting. The dividends were distributed to the shareholders on May 5, 2017 through Securities clearing, settlement and depository house.

## 5. Financial information

As of June 30, 2017, three subsidiaries, namely MIK Asset Ten SPC LLC and MIK Asset Eleven SPC LLC and MIK Asset Twelve SPC LLC were established by MIK HFC LLC and RMBS in totally amounting to MNT 426.31 billion were issued. Moreover, the companies /from MIK Asset One SPC LLC to MIK Asset Eleven SPC LLC/ have made principal payments for senior bonds amounted to MNT 92.13 billion and interest payments for senior and junior bonds amounted to MNT 56.77 billion to the bondholders in the first half, 2017.

### **CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF MIK HOLDING JSC, GROUP FOR THE PERIOD ENDED 30 JUNE 2017**

<b>ASSETS</b>	<b>MNT'000</b>
Cash and bank balances	183,408,139.47
Accounts receivable	674,534.82
Financial investments	1,000.00
Other financial assets	2,486,024,217.08
Other non-financial assets	551,196.85
Property, plant and equipment	14,512,416.87
Intangible assets	50,152.77
<b>TOTAL ASSETS</b>	<b>2,685,221,657.86</b>
<b>LIABILITIES</b>	
Accounts payable	893,830.46
Tax payable	1,069,943.51
Interest payable	17,843,938.63
Unearned revenue	3,652.24
Other short-term payables	3,375,816.73
Short-term borrowing	600,000.00
Long-term borrowing	8,440,772.06
Other long-term payables	2,492,659,138.41
<b>TOTAL LIABILITIES</b>	<b>2,524,887,092.04</b>
<b>EQUITY</b>	
Share capital	20,709,320.00
Treasury shares	(24,057,435.6)
Share premium	52,225,114.83
Retained earnings	75,401,191.06
Current period retained earnings	36,056,375.53
<b>TOTAL EQUITY</b>	<b>160,334,565.82</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,685,221,657.86</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	102,587,001.59
Interest expense	(59,492,702.51)
<b>NET INTEREST INCOME</b>	<b>43,094,299.08</b>
Non-interest income/expense	(7,037,923.55)
<b>Net income</b>	<b>36,056,375.53</b>

Total assets of the Group reached to MNT 2,685.2 billion as of June 30, 2017. During the first half of year 2017, the company earned total income amounting to MNT 103.6 billion

and incurred total expenses amounting to MNT 67.5 billion, that resulted in net profit after tax to MNT 36.05 billion.

<b>Financial ratios</b>	June 30, 2017
<b>Profitability ratios</b>	
Return on assets (ROA)	1.30%
Return on equity (ROE)	22.48%
<b>Growth ratios</b>	
Total asset growth	15.6%
Mortgage portfolio growth	15.5%
Mortgage-backed securities growth	15.5%
<b>Asset ratios</b>	
Equity / Total assets	5.8%

The mortgage-backed securities compose 92.5 per cent and the equity composes 5.8 per cent of total assets. Total assets have increased by 15.6 per cent this year in relation to increase of RMBS transaction amount by 15.5 per cent compared to prior year. The return on assets is 1.3 per cent and return on equity is 22.48 per cent as of June 30, 2017.