



MIK HOLDING JSC

2020 SEMI-ANNUAL OPERATIONAL REPORT

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OUR MISSION

Our mission is to promote development of the primary and secondary mortgage markets by issuing and selling mortgage-backed securities on domestic and international capital markets, and to establish a long-term financing structure in Mongolia that would provide the population with affordable housing and support modern urban development in the country.



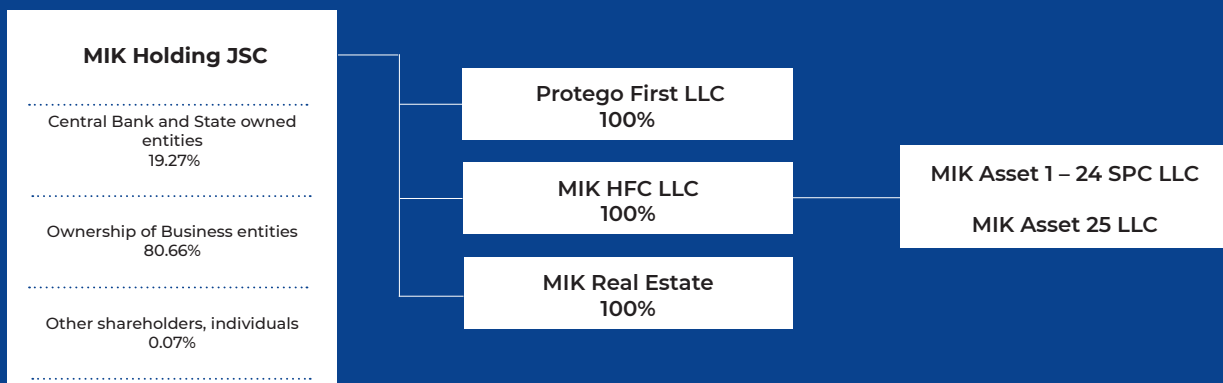
ABOUT THE COMPANY

COMPANY BRIEF INTRODUCTION, STRUCTURE

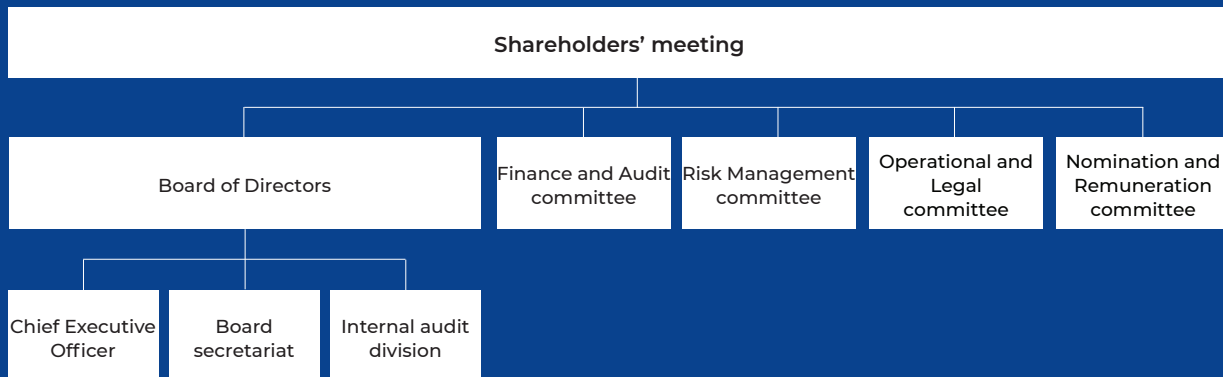
MIK Holding JSC, is a publicly listed since 2015 on the Mongolian Stock Exchange (MSE), constituent of MSE Top 20 index, categorized as Tier 1.

MIK Group Company consists of MIK Holding JSC, Mongolian Mortgage Corporation HFC LLC (MIK HFC LLC), its subsidiaries of 25 Special Purpose Companies (SPCs) that are established with the purpose to issue asset-backed securities, MIK Real Estate LLC and Protego First LLC.

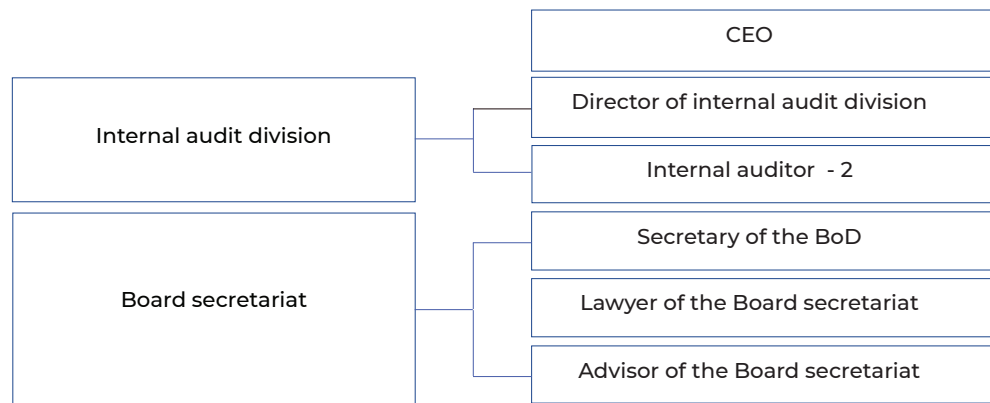
Company shareholders' structure



MIK Holding JSC structure



As of the first half of 2020, MIK Holding JSC has been operating with following structure.



These officials ensure the coordination of activities between MIK Holding JSC, MIK HFC LLC and its subsidiaries 25 Special Purpose Companies, MIK Real Estate LLC and Protego First LLC.

Company credit ratings

Since 2018, MIK HFC LLC has been assigned its credit ratings. In the reporting period, Moody's investors service changed Mongolia's sovereign rating outlook from "B3, stable" to "B3, negative" that entailed the matching change to MIK HFC LLC rating outlook. Standard and Poors (S&P) reaffirmed the Company's credit rating as "B, stable".

Historical credit ratings:

	Date	S&P	Moody's	Fitch
Mongolia's sovereign rate	2018	B-, stable	B3, stable	B-, stable
MIK HFC LLC rate	2018	B-, stable	B3, stable	B-, stable
Mongolia's sovereign rate	2018	*B, stable	B3, stable	B, stable
MIK HFC LLC rate	2018	*B, stable	B3, stable	B-, stable
Mongolia's sovereign rate	2019	B, stable	B3, stable	
MIK HFC LLC rate	2019	B, stable	B3, stable	
Mongolia's sovereign rate	2020	B, stable	B3, negative	
MIK HFC LLC rate	2020	B, stable	B3, negative	

**On 12th November 2018, S&P upgraded the credit rating for MIK HFC LLC from "B-" to "B" with a stable outlook, following with the upgrade to Mongolia's sovereign rating to "B".*

Key development



SPC 22 issued a RMBS MNT95.3 bn.
SPC 23 issued a RMBS MNT87.5 bn.



Annual Shareholders' meeting of MIK Holding JSC took place.

Parliament degree related to COVID-19 pandemic includes moratorium of 3+3 months for mortgage loans under AHFP.

January

February

March

April

May

June



Irregular shareholders' meeting of MIK Holding JSC took place.



BOM temporarily changes Loan classification guidelines



"General Agreement for Housing Financing" with Bank of Mongolia (BoM), commercial banks and MIK renewed.

Moody's
B3
Negative

Moody's investors service changed MIK HFC LLC's credit rating outlook from "B3, stable" to "B3, negative", following change to Mongolia's sovereign rating.

S&P Global
Ratings

B
Stable

S&P reaffirmed MIK HFC LLC's credit rating as "B, stable".

INFORMATION ABOUT THE MANAGEMENT

BOARD OF DIRECTORS

The Company Law of Mongolia states the Board of Directors meeting is the governing body of a company in between shareholders meetings. As stipulated in the Statute of the Company, the Board of MIK Holding JSC exercises the authority of the Shareholders' meeting and the Board meeting of the MIK HFC LLC and Protego First LLCs and exercises the authority of the Shareholders' meeting of MIK Real Estate.

Over the course of the reporting period, the Board of MIK Holding JSC convened for a total of 2 meetings, MIK HFC LLC convened 12 meetings, the Finance and Audit committee convened 11 meetings, the Nomination and Remuneration committee convened 2 meetings, and the Risk Management committee convened 2 meetings, respectively.

Members of BoD

The Board of MIK Holding JSC consists of 9 members, including 3 independent members. The Board members were elected to serve for three years by the plenary shareholders' meeting held on 30th of April 2018, under clause 75.4 of article 75 of the Company Law.

M.Munkhbaatar Chairman of the Board of MIK Holding JSC and Chairman of the Nomination and Remuneration committee. Re-elected as a Board Chairman. He is an Advisor of the Ulaanbaatar City Bank.

D.Ayush A chair of Operational and Legal Committee, member of the Risk Management Committee. She is a Director of Legal Department of Bank of Mongolia.

B.Choijiljalbuu A member of the Operational and Legal committee. He is a Deputy CEO and Director of Assets, Liability and Treasury Management Department at the Development Bank of Mongolia.

T.Davaajav A member of the Risk Management Committee And Finance And Audit Committee. He is a Director of the Treasury Department at the Trade and Development Bank.

S.Batchimeg A member of the Operational and Legal Committee and Risk Management Committee. She is a CEO of the TDB Capital LLC.

B.Gantulga A member of the Risk Management Committee and the Operational and Legal Committee. He is a CEO of the MIK Holding JSC and its subsidiaries MIK HFC LLC and Protego First LLC.

Ch.Khashchuluun An independent Director of the Board of MIK Holding JSC and a member of the Finance and Audit Committee, the Operational and Legal Committee and the Nomination and Remuneration Committee. He is an Associate Professor of the National University of Mongolia.

E.Shijir An Independent Director of the Board of MIK Holding JSC, a Chair of the Finance and Audit Committee and a member of the Nomination and Remuneration Committee. He is a Project Manager of Mining Metallurgy complex project.

Ch.Otgonchuluu An independent Director of the Board of MIK Holding JSC and a Chair of the Risk Management Committee and a member the Finance and Audit Committee, and the Nomination and Remuneration Committee. He is a Consultant of the Economic Policy And Competitiveness Research Center.

EXECUTIVE MANAGEMENT

The CEO shall exercise the following rights within the scope of daily operational activities. Herein:

- As a CEO of the Company, he shall be responsible for proposing business development policy issues to the BoD, receiving guidelines and overseeing the implementation to company operation;
- When representing the Company, and performing large or conflict of interest transactions in compliance with legislation he shall be limited to the authority granted by the BoD;
- When performing investment management activities, to invest, procure or sell company assets aside from daily business activities, the CEO will perform these actions within the authority granted by the BoD.

On 19th of May 2017, Mr. Gantulga Badamkhatan was appointed as CEO of MIK Holding JSC and MIK HFC LLC.

He holds a Bachelor's degree on business administration from the Mongolian National University (2001), and a Master's degree on commerce specializing in finance from the Australian National University (2008). His previous experience includes employment in public, private entities as well as international financial institutions.

Information about the authorized officials of the Company

Nº	Name	Title	Country of residence
1.	B.Gantulga	CEO	Mongolia
2.	G.Saruul	Secretary of the BoD	Mongolia
3.	Ts.Altantuya	Secretary of the BoD	Mongolia

INFORMATION ABOUT THE SHAREHOLDERS

Company shareholders' meeting and its resolution

A plenary shareholders' meeting convened on 30th April 2020, with 85.93% attendance. During this meeting, shareholders reviewed and approved the 2019 Annual and Financial Reports, and the BoD budget.

Influential shareholders

As of 30th of June 2020, MIK Holding JSC's total number of shareholders stood at 213.

MIK Holding JSC's shareholders with more than 5 percent shares:

Development Bank of Mongolia	14.88%
Asian Diversified Real Estate Fund One LLC	11.17%
Ulaanbaatar City Bank	10.00%
Trade and Development Bank	9.99%
TDB Capital LLC	9.22%

Source: MCSD LLC

DIVIDENDS PAYOUT

On 19th February 2020, the Board of Directors of MIK Holding JSC approved resolution №20/02 to not distribute dividends to the shareholders from its net profits of 2019.

ABOUT THE FINANCIAL INFORMATION

As end of June 2020, MIK HFC LLC transferred principal payments in the amount of MNT132.2 billion to the senior bondholders and executed coupon payments to senior and junior bondholders of RMBS in the amount for MNT77.1 billion, respectively.

Consolidated statement of financial position of MIK Group Company for the period ended 30th June 2020

	MNT million
ASSET	
Cash and cash equivalence	214,697.07
Account receivable	9,011.57
Account receivable	207,433.56
Other financial assets	3,694,704.06
Other non-financial assets	66,617.11
Property and equity	31,870.15
Intangible asset	152.88
Total assets	4,224,486.40
LIABILITIES	
Account payable	-
Tax liability	6,663.24
Interest payable	65,879.32
Unearned revenue	-
Other short term liabilities	7,087.65
Short term loan	-
Long term loan	69,249.32
Other long-term liabilities	3,818,850.41
Total liabilities	3,967,729.94
EQUITY	
Ordinary shares	20,709.32
Treasury shares	(62,143.13)
Premium shares	52,225.11
Reserve capital	251,852.53
Profit for the year	(5,887.36)
Total equity	256,756.47
TOTAL EQUITY AND LIABILITIES	4,224,486.40

As end of June 2020, the Company's total assets reached MNT4,224.5 billion, during the reporting period the Company earned MNT24.4 billion in net interest income while incurring MNT30.3 billion in total operating costs leaving an MNT5.9 billion in net losses, after taxes.

Financial ratios

PROFITABILITY RATIO

Return on assets (ROA)	-0.28%
Return on equity (ROE)	-4.53%

CHANGE IN PERCENT (FROM THE BEGINNING OF THE YEAR)

Total asset change	1.0%
Mortgage portfolio change	0.7%

ASSET RATIO

Equity/Total assets	6.08%
Mortgage portfolio/ Total assets	85.80%
Oelun bond/Total assets	19.24%

Source: MIK HFC LLC

As end of June 2020, ROA is -0.3% and ROE is -4.5%.

Compared to the beginning of the year, total assets increased by 1.0% and total mortgage portfolio increased by 0.7% which is related to issue a total of MNT182.94 billion RMBS through the newly established MIK Assets Twenty Two SPC LLC and MIK Assets Twenty Three SPC LLC.

By the end of the reporting period, total equity made up 6.1%, total mortgage portfolio made up 85.8%, and the newly issued "Oelun" bond made up 19.2% of total assets.

COMPANY BUSINESS OPERATIONS

MIK HFC LLC is engaged in purchasing residential mortgage loan portfolios from commercial banks under the **Purchase with recourse** and **Purchase without recourse** transactions.

Purchase without recourse

The Company purchases mortgages under PWR transactions from commercial banks in Mongolia and securitize the receivables due from individual borrowers under these mortgages into different series of RMBS.

This transaction which allows transfer of both mortgage returns and potential risks to MIK.

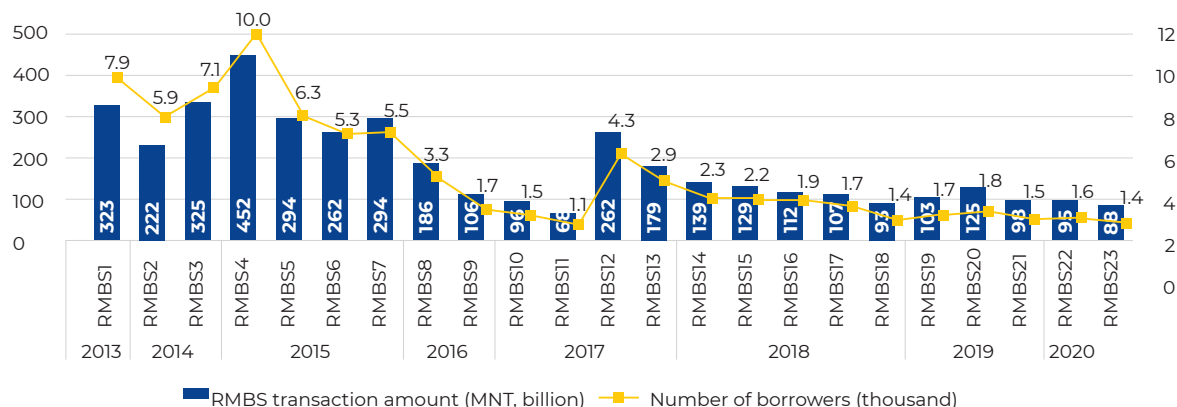
Securitization-RMBS

Under the PWOR model, mortgage loans are required to meet the criteria set forth in the Mortgage loan operation procedure, the Housing finance procedure approved by the BoM and the Affordable housing loan finance procedure approved by the Government of Mongolia.

For 2020 financial year MIK HFC LLC plans to issue four RMBSs with a total amount of MNT363.0 billion. Within the reporting period, MIK HFC LLC successfully purchased MNT182.9 billion in mortgage loans through RMBS 22 and 23 transactions. Furthermore, plans to execute RMBS 24 is scheduled to be securitized on 8th of July 2020, with an estimated aggregate portfolio of MNT112.4 billion.

Over the course of the reporting period, the Company has performed a secondary review of 4,796 mortgage loans that were provided by commercial banks under the AHFP implemented by the Government of Mongolia and the BoM. 76.39 percent of these loans were registered in the purchase list under the Loan Risk Committee decision.

Total RMBS information



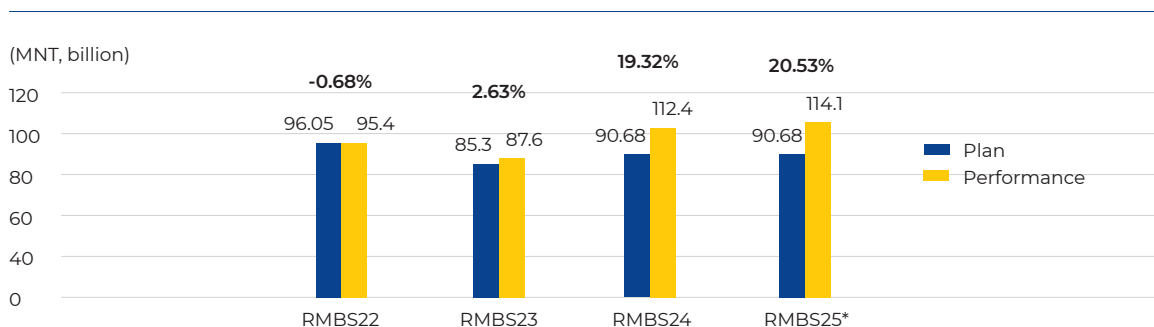
Source: MIK HFC LLC

As of the first half of 2020, Mortgage loans registered in purchase list /MNT million/

	Apartment (8%)	Herder segment (8%)	Detached house (8%)	Apartment (5%)	Detached house (5%)
RMBS 22	Number of loans	1,341	2	191	4
	Loan amount	86,723.9	82.5	953.3	174.6
RMBS 23	Number of loans	1,229	1	171	8
	loan amount	80,209.9	38.2	578.5	265.2
Percentage		92.15%		7.85%	

Source: MIK HFC LLC

As of the first half of 2020, purchase plan for PWOR versus performance

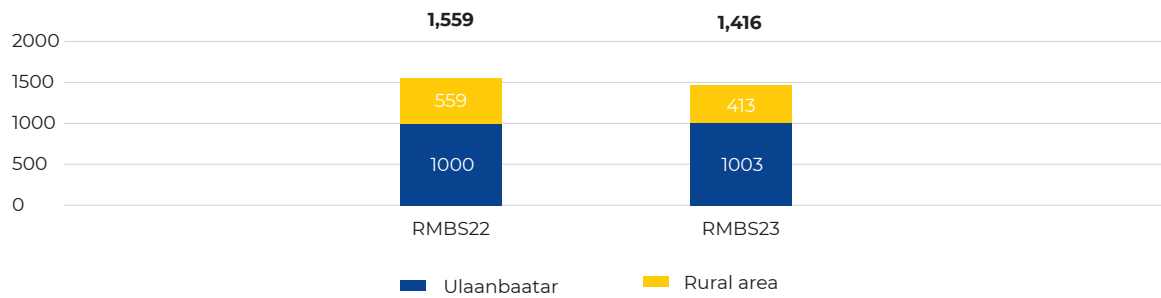


* Amounts may change during the purchase transaction.

Source: MIK HFC LLC

A total of 2,975 loans were identified to be in purchase list, 2,003 loans were issued in Ulaanbaatar and 972 loans were issued to rural areas.

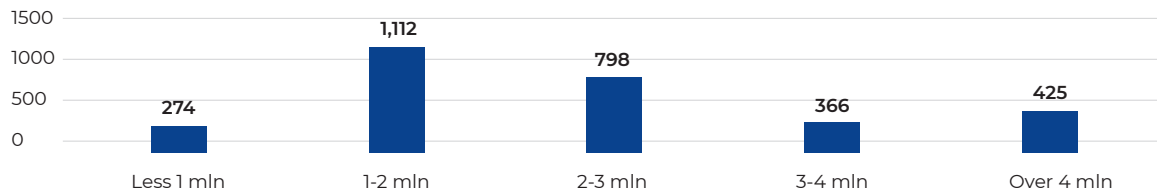
Mortgage loan distribution of RMBSs 22 and 23



Source: MIK HFC LLC

The average monthly household income of mortgage borrowers that have been identified within the reporting period, is MNT2.7 million. The monthly household income of half of the mortgage borrowers under the AHFP is lower than MNT2.0 million.

Classification of borrowers' household income under RMBSs 22 and 23

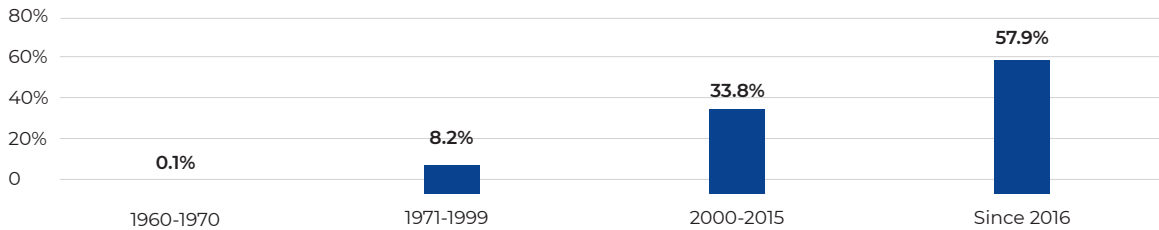


Source: MIK HFC LLC

The statistics that indicates the income of borrowers, shows that most citizens with average and below-average income have utilized the AHFP implemented by the Government and BoM. This indicates that the program has reached the target segment with higher needs and demand for homes.

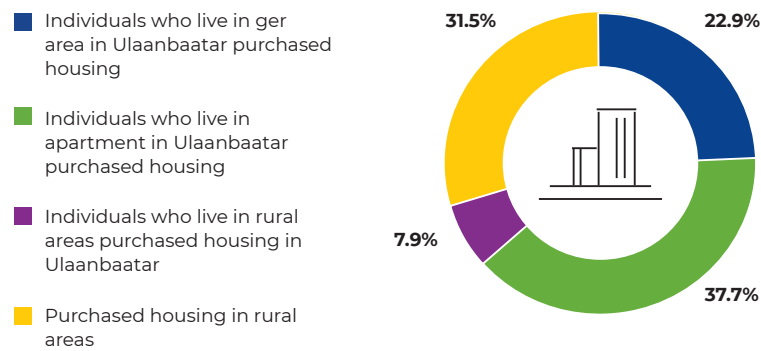
46.9% of the mortgagors' of RMBSs 22 and 23 are people from the ger areas that desired to improve their living environment by moving into apartments.

Information of a collateral asset use of date



Source: MIK HFC LLC

Impact on borrower living condition /As of 2020.06.30/



Source: MIK HFC LLC

91.7% of the total collateral pledged for RMBSs 22 and 23 under the AHFP, constitutes apartment units that were built in 2000 or later.

Purchase with recourse

MIK HFC LLC purchases mortgages under PWR model from commercial banks with funding from the Oelun bond, Development bank of German (KfW) and MIK funds.

Under the terms of PWR transaction, we allow banks to obtain an alternative source of financing and at lower cost in need of liquidity or funding an avenue. Also, it can be address maturity mismatch problem by freeing liquidity and can grant more housing loans at affordable cost.

MIK may require the originating commercial banks to either repurchase or replace delinquent mortgages if any portion of a payment under those mortgages is overdue for more than 90 days.

During the reporting period, the Company has purchased MNT28.44 billion in mortgages loans over 8 transactions. Out of which MNT28.23 billion in mortgages loans over 7 transactions were financed with the use of proceeds of Oelun bond.

A total of MNT215.54 million in mortgage loans were purchased under the PWR model with KfW repayment and it's outstanding balance is MNT4.96 billion.

Mortgages purchased with the Company's fund outstanding balance reached MNT5.51 billion.

PWR Portfolio characteristics financed by Oelun bond

Information	Number of loans	Total
	1004	Amount /MNT, billion/ 28.23
W.A. Interest rate (%):		19.26%
W.A. Loan-to-Value Ratio:		29.54%
W.A. Loan seasoning (months):		24.24
W.A Remaining life to maturity (months):		72.51
Location of collateral properties /UB:		929
Location of collateral properties /Rural area:		75
Mortgage loan portfolio maturity date:		2039.06.26

Source: MIK HFC LLC



MIK Holding JSC

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