



2021 SEMI-ANNUAL OPERATIONAL REPORT

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ABOUT THE COMPANY

1.1 Brief introduction and structure of the Company

Mongolian Mortgage Corporation LLC was established by the Bank of Mongolia and 10 commercial banks in 2006 to develop the housing finance system in Mongolia and has been operating for 15 years. The Company was founded in the early days of Commercial Banks lending mortgages and is the first and leading market entity to issue asset-backed securities in the secondary mortgage market.

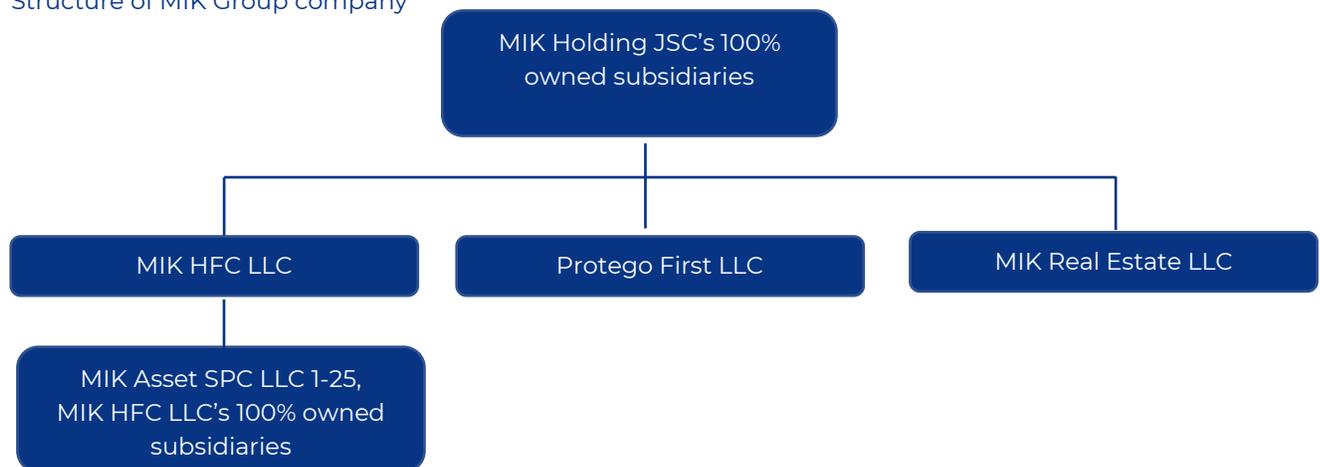
In 2015, MIK Holding JSC became an open joint-stock company listed on the Mongolian Stock Exchange, raising MNT 37.3 billion from the stock market, becoming the largest IPO company at the time, and becoming the first joint-stock company to qualify for Class I listing on the Mongolian Stock Exchange. MIK Holding JSC has been meeting these criteria for six years straight.

The Company's operations consist of MIK Holding JSC and its subsidiaries Mongolian Mortgage Corporation HFC LLC (MIK HFC LLC), MIK Real Estate LLC, Portago First LLC, and 25 special purpose companies established to issue asset-backed securities. As of the first half of 2021, Protego First LLC has not yet started operating.

Structure of the Company's Shareholders



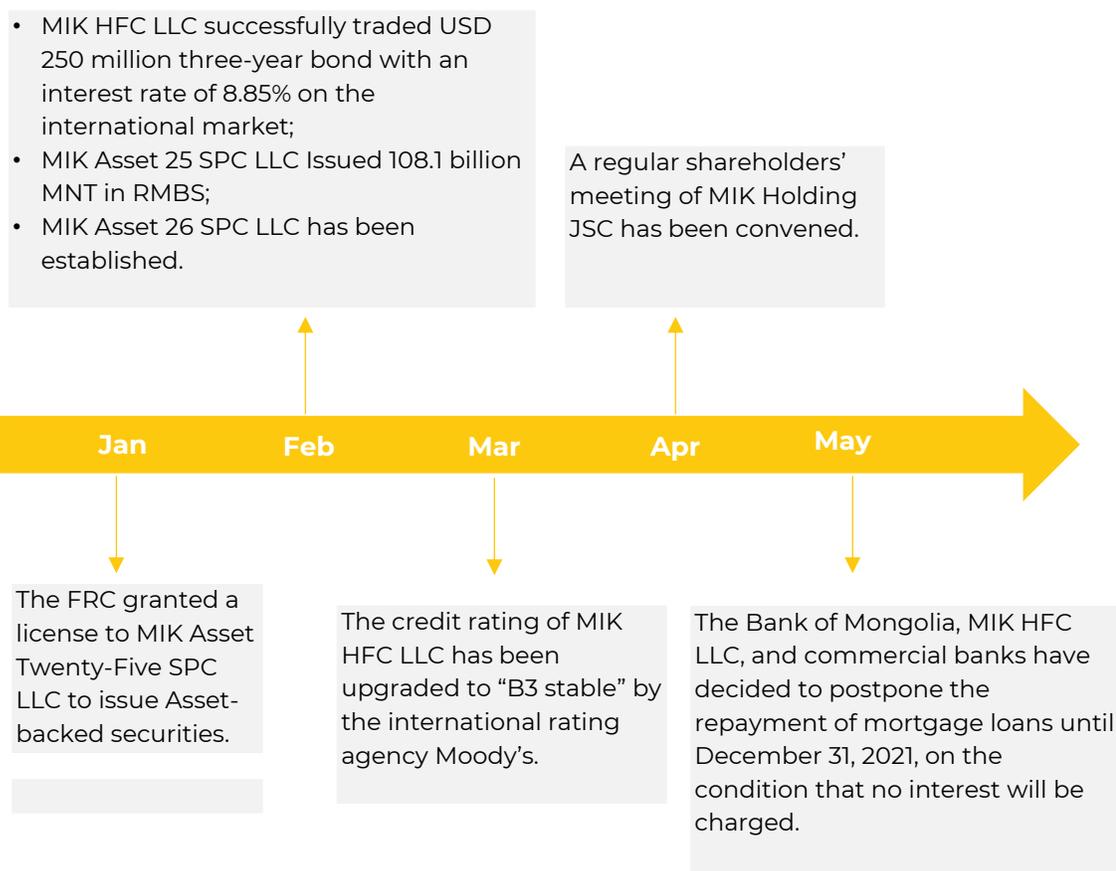
Structure of MIK Group company



Structure of MIK Holding JSC



1.2 Key Developments



1.3 Credit Ratings

Since 2018, MIK HFC LLC, a subsidiary of MIK Holding JSC, has been undergoing credit ratings by leading international agencies.

Information for the reporting period:

March 2021 International rating agency Moody's upgraded MIK HFC LLC's credit rating to 'Stable', raising the company's credit rating to 'B3, Stable'.

June 2021 Standard & Poor's agency downgraded MIK HFC LLC's credit rating from 'stable' to 'negative'.

Credit rating of the Company

	Year	 S&P Global Ratings	 MOODY'S	 Fitch Ratings
Mongolia's credit rating	2018	B-, Stable	B3, Stable	B-, Stable
Company's credit rating	2018	B-, Stable	B3, Stable	B-, Stable
Mongolia's credit rating	2018/11	B, Stable	B3, Stable	B, Stable
Company's credit rating	2018/11	B, Stable	B3, Stable	B-, Stable
Mongolia's credit rating	2019	B, Stable	B3, Stable	
Company's credit rating	2019	B, Stable	B3, Stable	
Mongolia's credit rating	2020	B, Stable	B3, Negative	
Company's credit rating	2020	B, Stable	B3, Negative	
Mongolia's credit rating	2021	B, Stable	B3, Stable	
Company's credit rating	2021	B, Negative	B3, Stable	

CORPORATE GOVERNANCE

2.1 Board of Directors (BoD)

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.

There are the Finance and Auditing Committee, Risk Management Committee, and Nomination and Remuneration Committee under the Board of Directors of MIK Holding JSC.

During the reporting period, the Board of Directors of MIK Holding JSC convened a total of 7 times, MIK HFC LLC convened 7 times, Finance and Audit Committee convened 4 times, Nomination and Remuneration Committee convened 6 times, respectively.

Board Members.

M.Munkhbaatar is the Re-elected Chairman of the Board of MIK Holding JSC. Consultant of Asia Diversifeid Real East Fund One LLC. Member of the Nomination and Remuneration Committee under the Board.

A.Enkhjin is a regular member of the Board and Chairman of the Risk Management Committee under the Board. Director of the Reserve Management and Financial Markets Department of the Bank of Mongolia.

B.Anar is a regular member of the Board and a member of the Risk Management Committee under the Board. Director of the Legal and Special Assets Department of the Development Bank of Mongolia.

T.Davaajav is a regular member of the Board and a member of the Risk Management Committee and the Finance and Audit Committee. Director of the Investment and Coordination Department of the Trade and Development Bank.

S.Batchimeg is a regular member of the Board and a member of the Risk Management Committee under the Board. Executive Director of TDB Capital JSC.

B.Uurtsaikhbaatar is a regular member of the Board and a member of the Risk Management Committee under the Board. Deputy Director for Business of Capitron Bank.

Ch.Khashchuluun is an independent member of the Board and Chairman of the Nomination and Remuneration Committee and a member of the Finance and Audit Committee. Associate Professor of the National University of Mongolia.

E.Shijir is an independent member of the Board and Chairman of the Finance and Auditing Committee and a member of the Nomination and Remuneration Committee

U.Ganzorig is an independent member of the Board and a member of the Nomination and Rewards Committee and the Finance and Audit Committee. Chairman of the Board of Mandal Daatgal JSC.

2.2 Executive Management

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

Executive Management

Gantulga Badamkhatan was appointed as the Executive Director by the decision of an irregular meeting of the Board of Directors of MIK Holding JSC held on May 19, 2017.

B. Gantulga, CEO of MIK Holding JSC and its subsidiaries MIK HFC LLC and Protego First LLC, completed a bachelor's degree in Finance and Economics at the National University of Mongolia from 1997-2001. Graduated with a master's degree in financial management from the Australian National University in 2007-2008. Experience working in government, private sector and international organizations.

The CEO shall exercise the following rights within the scope of their authority to organize the day-to-day operations of the company. These include:

- As the CEO of the company, present their proposals to the board on corporate and business development policy and planning, get guidance and manage and implement the company's activities;
- Represent the company without accreditation, and participate in large-scale and conflict-of-interest transactions as required by law, per the authority granted by the Board of Directors;
- Transactions such as the management of a company's assets, the investment of a company other than its day-to-day operations, and the sale and purchase of other assets, within the authority granted by the board.

2.3 Shareholders' Meeting and its Resolutions

On April 29, 2021, the regular shareholders' meeting was held electronically through the company's website. The following issues were discussed and resolved at the meeting. These include:

- Discussing and approving the Board's conclusions on the company's 2020 operations and financial statements;
- Additional changes in the Company's rules;
- Election of members of the Board of Directors;
- Introducing the board's decision on dividends;
- Presentation of the Board's 2020 activity report;
- Approval of the board's salary budget.

2.4 Changes in Shareholders' structure

As of June 30, 2021, MIK Holding JSC has a total of 222 shareholders.

Shareholders with more than 5 percent of MIK Holding JSC:

Nº	Organization Name	Shares Owned
1	Trade and Development Bank	19.99%
2	Development Bank of Mongolia	14.88%
3	Asia Diversified Real Estate Fund One Private Investment Fund LLC	11.17%
4	TDB Capital LLC	11.25%

Source: Central Securities Depository

DIVIDENDS

Based on the terms of the agreement and the provisions of Section 3.3 of the Dividend Policy, the Company may not pay dividends for a certain period of time in accordance with its obligations to international investors in connection with the issuance of bonds in the international market.

MAJOR EVENTS IN THE COMPANY'S ACTIVITIES DURING THE REPORTING PERIOD

4.1 Issuance of the USD bond in the international market

MIK HFC LLC, a subsidiary of MIK Holding JSC, started attracting financing from the international market in 2018, in order to support the housing market of Mongolia and increase the sources of mortgage loans. In 2019, MIK Holding JSC successfully traded a 3-year, USD 300 million bond with an annual interest rate of 9.75 percent on the international market through the Singapore International Stock Exchange. In order to refinance the bond, a three-year, 8.85% annual interest rate, USD 250 million bond was successfully traded on February 1, 2021, extending the term to 2024 and reducing the coupon rate to 8.85%. This helped to resist the slowing economic growth.

The USD 300 million bond issued by MIK HFC LLC is the fifth bond issued by Mongolia in the international market and the first bond issued by the Mongolian private sector since 2012.

4.2 COVID-19 and its effects

In order to reduce and support the credit burden of mortgage borrowers during the COVID-19 pandemic, the Government of Mongolia has decided to defer both principal and interest repayment of loans to individuals covered by the Affordable Housing Finance Program (AHFP).

First mortgage deferral program

On April 29, 2020, the State Great Khural approved a Law on COVID-19 prevention, fight, and mitigation of its socio-economic impact due to the pandemic. As stated in article 10 section 7 of the above-mentioned law, mortgage loan repayments have been deferred for a total of 6 months starting from May 1st, 2020, until November 1st, 2020, with no additional interest fee and

the Bank of Mongolia, the participating banks and MIK HFC LLC complied in cooperation with the Government of Mongolia

Under the first mortgage loan deferral program, MIK Asset One - Twenty-Four SPC LLC changed the loan repayment schedule for 35,291 borrowers, or 62 percent of the total portfolio.

[Second mortgage deferral program](#)

Under the 2nd Mortgage Deferral Program, individuals wishing to defer repayments of their mortgage loans until July 1st, 2021, had until January 30th, 2021, to submit their requests.

As part of the event, a total of 48,954 borrowers submitted their mortgage loan deferral requests online to their customer banks.

Due to the aggravation of the pandemic situation and the fact that its socio-economic impact has not decreased, the General Assembly of the State Great Khural of Mongolia convened on June 29, 2021, and an amendment to Law on COVID-19 prevention, fight, and mitigation of its socio-economic impact has been extended until December 31st, 2021, and mortgage repayments are deferred for that given period as well.

Within the scope of this decision, MIK HFC LLC is re-implementing the loan deferral process in cooperation with the Bank of Mongolia and commercial banks.

FINANCIAL ACTIVITIES

As of the first half of 2021, MIK Asset SPC 1-25 LLC has paid 120.2 billion MNT in principal payments and 50.7 billion MNT in coupon payments for preferred and ordinary bonds.

MIK HOLDING JSCs FINANCIAL STATEMENT AS OF JUNE 30th, 2021

	MNT Million
ASSET	
Cash and cash equivalence	226,205.58
Account receivable	4,789.47
Investment	233,960.67
Other financial assets	3,622,529.57
Derivatives of Finance	75,828.84
Other non-Financial Assets	648.69
Prepaid calculations	16,099.07
Fixed assets	34,202.04
Intangible assets	144.37
Deferred tax assets	19,419.00
TOTAL ASSETS	4,233,827.29
LIABILITIES	
Accounts payable	4,208.77
Tax liability	6,134.89
Interests payable	100,163.52
Other current liabilities	1,602.74
Long term loans	40,497.22
Other long-term liabilities	3,893,249.61
Deferred tax payable	30,114.93
TOTAL LIABILITIES	4,075,971.69
EQUITY	
Equity	20,709.32
Pocket Stock	(62,143.13)
Additional paid-in capital	52,225.11
Reserves	139,939.74
Profit for the reporting year	7,124.57
TOTAL EQUITY	157,855.61
LIABILITIES AND EQUITIES AMOUNTS	4,233,827.29

As of June 30, 2021, total assets reached MNT 4,233.8 billion, with a net interest income of MNT 49.6 billion and expenses of MNT 42.5 billion, resulting in a net profit after tax of MNT 7.1 billion.

Financial Indicators

Profitability

Return on assets (ROA) 0.3%

Return on equity (ROE) 9.2%

Percentage of change (beginning of year)

Changes in assets 4.1%

Changes in loan portfolio 4.4%

Share in assets

Equity/Total assets 3.7%

Loan portfolio/total assets 85.60%

USD 300 million bond/total assets 6.1%

USD 250 million bond/total assets 16.7%

At the end of the reporting period, the return on total assets was 0.3% and the return on equity was 9.2%. Compared to the beginning of the year, total assets increased by 4.1% and total portfolio increased by 4.4%, and this is due to the establishment of a new MIK Asset Twenty-Five SPC LLC in the first half of the year and the issuance of a 108 billion MNT mortgage-backed bond from the SPC, and the release of USD 250 million bond.

At the end of the reporting period, total equity accounted for 3.7% of total assets, total loan portfolio for 85.6%, and newly issued USD 300 million and USD 250 million bonds accounted for 6.1%, and 16.7% of total assets, respectively.

COMPANY BUSINESS ACTIVITIES

MIK HFC LLC carries out its main activity in the primary mortgage market by purchasing a package of mortgage loan funds issued by the authorities through a PWR and PWOR agreement.

6.1 Purchase Without Recourse (PWOR)

MIK HFC LLC is purchasing mortgage loans issued under the preferential mortgage loan program implemented by the Government of Mongolia and the Bank of Mongolia, and buying them from banks on a non-refundable basis and replacing them with RMBS.

Under the transaction, MIK assumes all rights, benefits, and potential risks of the loan asset when it acquires a portfolio of loan assets, or the transaction is based on the principle of Real Agreement.

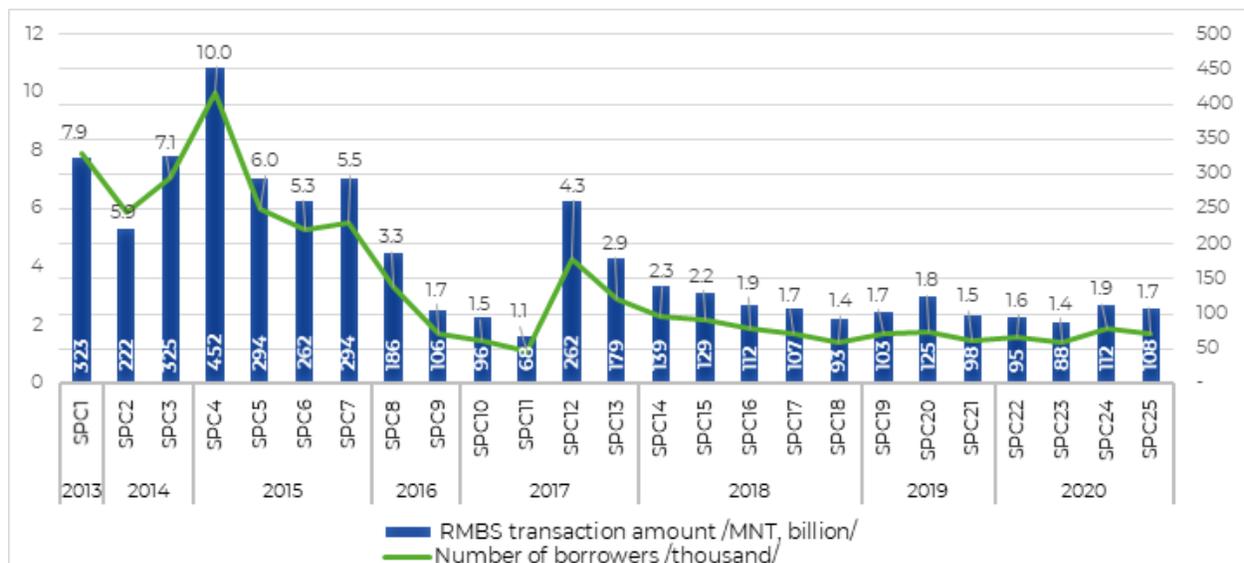
6.2 Residential Mortgage-Backed Securities (RMBS) – Securitization

MIK HFC LLC purchases a package of loan assets that meet the criteria set forth in the Bank of Mongolia's Mortgage Loan Procedure, Housing Financing Procedure and the Government Housing Loan Financing Procedure.

In 2021, a total of 439.9 billion MNT of the loan portfolio is planned to be purchased through 4 transactions, and in the first half of this year, a total of 108.1 billion MNT of RMBs were traded under the 25th round of loan agreements. In addition, a total of 105.0 billion MNT was accumulated in the 26th round of transactions and 130.5 billion MNT in the 27th round of transactions, and it is planned to trade in the third quarter of 2021.

During the reporting period, a secondary analysis of 3,911 loan cases issued by commercial banks under the Government Mortgage Loan Program was conducted, and 70.65 percent of these loans were listed on the purchase list.

Total RMBS information



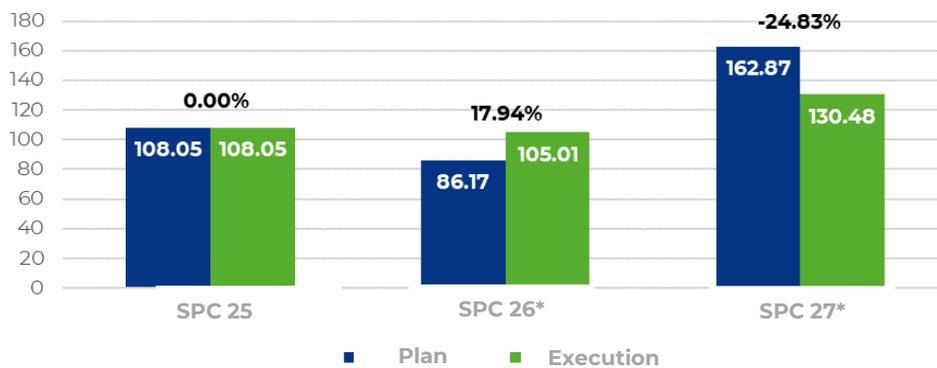
Source: MIK HFC LLC

Classification of loan products purchased in the first half of 2021 /million MNT/

		Public Housing 8%	Private Housing 8%	Herder Loan 5%	Public Housing 5%	Private Housing 5%
RMBS 25	Number of loans	1,493	3	1	205	7
	Loan Amount	99,193.20	284.28	39.28	8,287.13	248.62
Percentage in Portfolio		92.1%			7.9%	

Source: MIK HFC LLC

Planning and execution for the first half of 2021

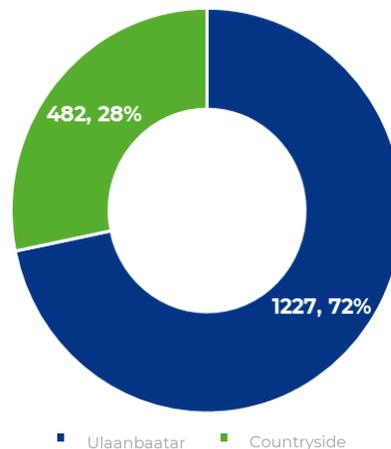


* These amounts are subject to change on the day of purchase

Source: MIK HFC LLC

A total of 1,709 loan accounts were included in the loan portfolio of the 25th round of the RMBS portfolio, of which 1,227 were in Ulaanbaatar and 482 were in the countryside.

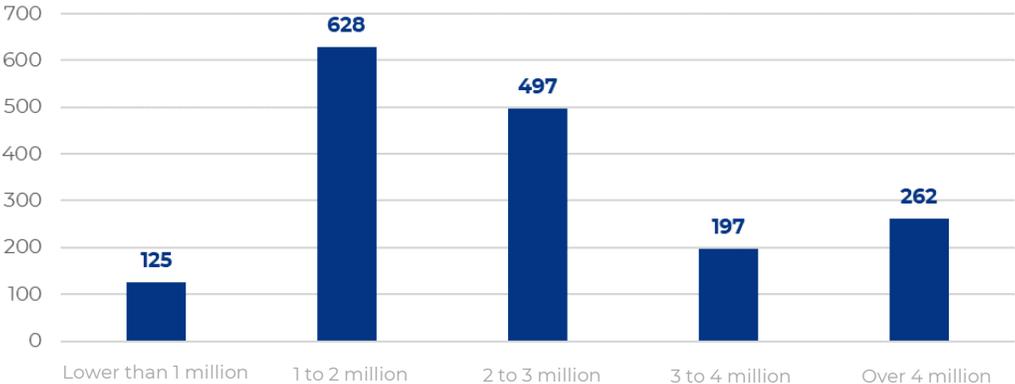
Distribution of RMBS 25th loan coverage



Source: MIK HFC LLC

The average monthly household income of borrowers in the portfolio purchased during the reporting period was MNT 2.9 million, and 55.9 percent of those covered by the preferential mortgage loan program had a household income of no more than MNT 2.0 million.

Income classification of borrowers of the 25th tranche of the RMBS portfolio



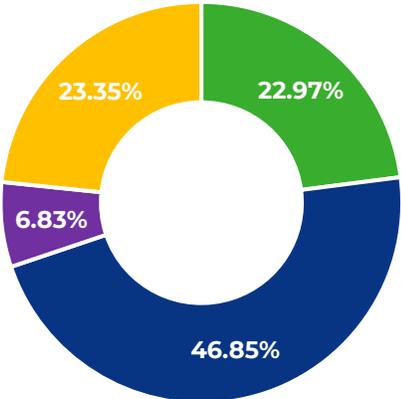
Source: MIK HFC LLC

Statistics on the income of mortgage borrowers show that the government's mortgage loan program covers middle and lower-middle-income people, reaching more households with high housing needs.

46.0 percent of the mortgage borrowers and 22.9 percent of the total portfolio participants in the 25th round of the RMBS package purchased apartments from ger areas.

Housing structure of individuals who purchased an apartment with a mortgage loan related to package SPC1-25

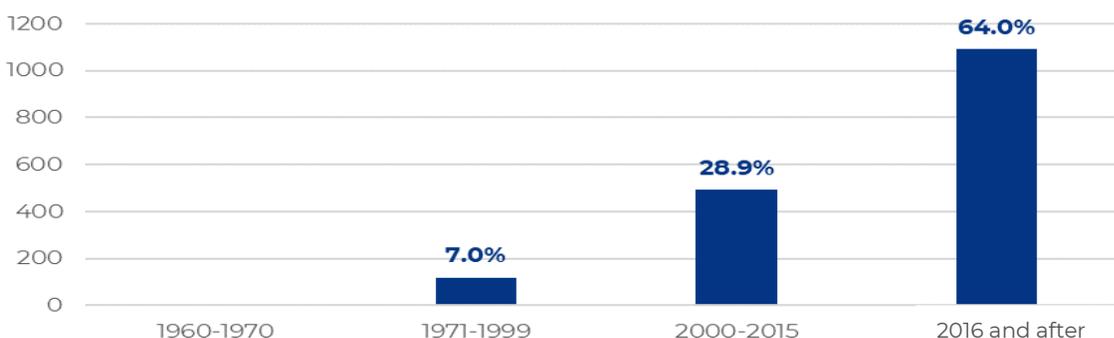
- Individual who lives in ger area of Ulaanbaatar city bought an apartment
- Individual who lives in an apartment in Ulaanbaatar city bought an apartment
- Individual who lives in the countryside bought an apartment in Ulaanbaatar city
- Individual who lives in the countryside bought an apartment in the countryside



Source: MIK HFC LLC

During the reporting period, the maturity of the loan collateral that are 2000 and after accounted for 92.9 percent of the total portfolio of loans issued purchased in the 25th round.

Information on the year in which the collateral opened



Source: MIK HFC LLC

6.3 Purchase with Recourse (PWR)

MIK HFC LLC is purchasing a repayable mortgage loan package from banks with its own funds and US dollar bonds raised from the international market.

The agreement is a condition that the loan assets purchased by MIK HFC LLC be resold to the lending bank in case of risk, or exchanged for another loan.

Purchasing a repayable portfolio from banks allows the bank to create new resources, re-lend, and improve liquidity. It also improves borrowers' mortgage terms by reducing the cost of bank lending and extending the term.

During the reporting period, 2 deals were executed under the PWR model with USD 55 million from the USD bond source and 13.9 billion MNT, respectively.

Characteristics of the portfolio purchased with US dollar bonds as of June 30, 2021

Information	Total	
	Loan amount	Amount, /billion MNT/
	5,792	709.04
W.A interest rate on loans in the portfolio	16.40%	
W.A. Loan-to-Value Ratio	55.71%	
W.A. Loan seasoning (months)	28.42	
W.A Remaining life to maturity (year)	5.70	
Mortgage loan portfolio maturity date	2050.07.27	

Source: MIK HFC LLC