



**Mongolian Mortgage Corporation
Group Company**

ANNUAL REPORT 2021

ACRONYMS

ABS	Asset-Backed Securities
AHFP	Affordable Housing Finance Program
ASMMA	Asian Secondary Mortgage Market Association
BoM	Bank of Mongolia
CSR	Corporate Social responsibility
DBM	Development Bank Of Mongolia
FRC	Financial Regulatory Commission
GDP	Gross Domestic Product
GoM	Government of Mongolia
HAI	Housing Affordability Index
IAD	Internal Audit Division
IFC	International Finance Corporation
IFRS	International Financial Reporting Standard
IMF	International Monetary Fund
IPO	Initial Public Offering
ISMMA	International Secondary Mortgage Market Association
KFW	German Credit Institute of Reconstruction
KYC	Know Your Customer
MBA	Mongolian Banking Association
MCSD	Mongolian Central Securities Depository LLC
MCUD	Ministry of Construction and Urban Development
MIK	MIK Group Company
MIK HFC	Mongolian Mortgage Corporation HFC LLC
MoF	Ministry of Finance
MOU	Memorandum of Understanding
NBFI	Non-banking financial institution
MSE	Mongolian Stock Exchange
NSO	National Statistical Office
PWOR	Purchase without recourse
PWR	Purchase with recourse
RMBS	Residential Mortgage-Backed Securities
SPC	Special Purpose Company
WHO	World Health Organization

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MESSAGE FROM MANAGEMENT

Message from the Chairman of the Board of Directors

Dear shareholders, investors, and customers, we would like to present to you the annual operational report for 2021.

This year marks the 15th anniversary of the Company, which was first established to develop the housing finance market in Mongolia. During this time, the housing finance market has transitioned to a secondary mortgage market, increasing access to mortgage loans. As a result of working in tandem with government authorities and relevant organizations, a total of 87.5 thousand citizens received mortgage loans with an interest rate of 8, 5, and 6 percent, and an RMBS totaling MNT 4.6 trillion have been issued. We have become an internationally recognized company by introducing good corporate governance, operational standards, and exceptional international standards in our daily operations.

In 2021, RMBS worth MNT 367 billion was issued within the scope of the AHFP. Under the mortgage payment deferral program implemented by the Government of Mongolia, a total of MNT 4.9 trillion in mortgage loan payments have been deferred without accumulating interest fees for a time period of 6+6 months. We have successfully re-issued a \$250 million bond in a short period during difficult times in Mongolia and in all sectors of the economy and health around the world. Investors trust us in difficult times of the pandemic because the Company's operations have stabilized, and its contribution to Mongolia is appreciated. Previously, the issuance process of the bond was over two years. However, this time it was issued within 45 days, which signifies that the Company's internal structure, operations, corporate governance, and business model meet international standards.

We plan to develop a green mortgage financing system in the coming years by financing green buildings and issuing green bonds. We also plan to actively support sustainable development goals and fulfill our duties in social responsibility.

Thank you for the continuous support for 15 years, and I wish you the best in your future endeavors.

Sincerely,

M. Munkhbaatar
Chairman of the Board of
MIK Holding JSC

Message from the Chief Executive Officer

We present to you the operational report of MIK Holding JSC of 2021.

The measures taken by the government of Mongolia regarding the COVID-19 pandemic have had significant impacts on the operation of our Company as it did in the previous year.

The Law on Prevention, Combat, and Mitigation of Social and Economic Impacts of the COVID-19 has been extended. Under the direction of the Bank of Mongolia, in cooperation with commercial banks, mortgage loan payments have been deferred twice (November 18th, 2020 to July 1st, 2021; July 1st, 2021 to December 31st, 2021) without accumulating interest fee. At the end of 2021, 48,663 borrowers, or 82.2 percent of the total mortgage portfolio, have applied for the mortgage payment deferral program. The mortgage payment deferral program has continued for two years and is likely to continue in 2022.

Within the scope of debt management, we set out a goal to re-finance the US\$300 million bond issued on the international capital market in 2019 and extend its duration while decreasing the interest rate. In February of 2021, we achieved this goal by issuing a US\$250 million bond on the international capital market with an interest rate of 8.85 percent for a three-year period.

During the reporting period, we actively worked to increase the sources of housing finance. The Company has bought 5,647 mortgage loans issued under the AHFP and issued an RMBS of MNT 367 billion, which is 24.3 percent higher than the previous year. From the source of the bond issued on the international capital market, total of MNT 413.47 billion loans have been bought from banks and other financial institutions at a market rate. We see this as the Company contributing to the stability of the banking and financial sector, creating new sources for issuing mortgage loans and increasing access to credit.

For the sixth time, the ISO27001: 2013 international standard for information security management system has been adopted, and for the first time in Mongolia, the European Union's ISO27001: 2017 standard has been certified, maintaining confidentiality and integrity of borrowers' information.

We have successfully organized the "Housing and Finance" convention in cooperation with the Ministry of Construction and Urban Development. Essential topics include "government housing policy," "housing finance system," and "loan solutions and accessibility."

In 2022, it will be a challenge for the social and economic situation and the state of the pandemic to improve. The Company will focus on expanding its operations in the secondary mortgage market and increasing access to housing finance. We also plan to focus on cooperation with international financial institutions.

I would like to take this opportunity to thank the Company's employees, Board of Directors, the relevant committees who have guided our operations, domestic and foreign companies, investors who work in cooperation with us, the Bank of Mongolia, the Ministry of Finance, and the Financial Regulatory Commission and wish you all the best in your future endeavors.

Sincerely,

B. Gantulga
Chief Executive Officer of
MIK Holding JSC and MIK HFC LLC

VISION, MISSION, AND VALUES

VISION

Establish a housing finance ecosystem to support the well-being of Mongolian households.

MISSION

Increases access to mortgages by ensuring the continuity of mortgage financing.

VALUES

Ethics:

We will uphold ethics in all our activities, promote responsible action, and maintain trust in stakeholders.

Sustainable growth:

We will work for environmental, social, and economic stability.

Professionalism:

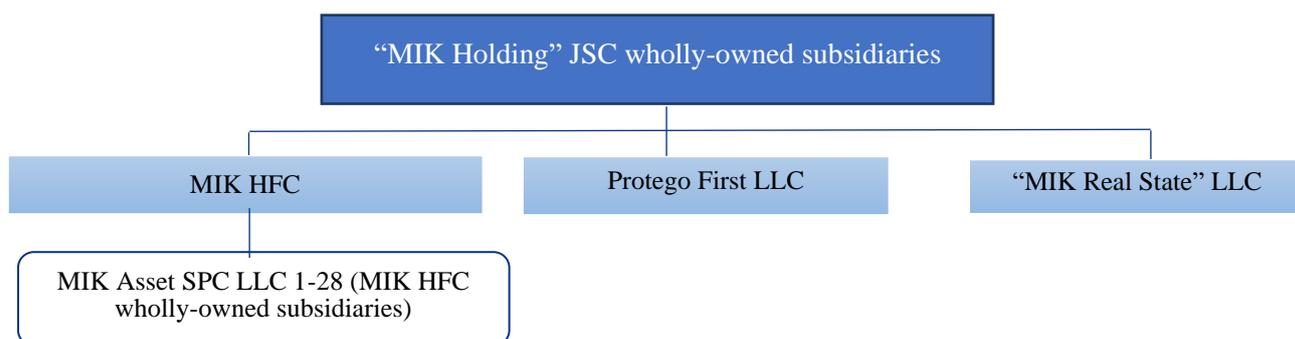
We value the knowledge and experience of our employees.

ABOUT THE COMPANY

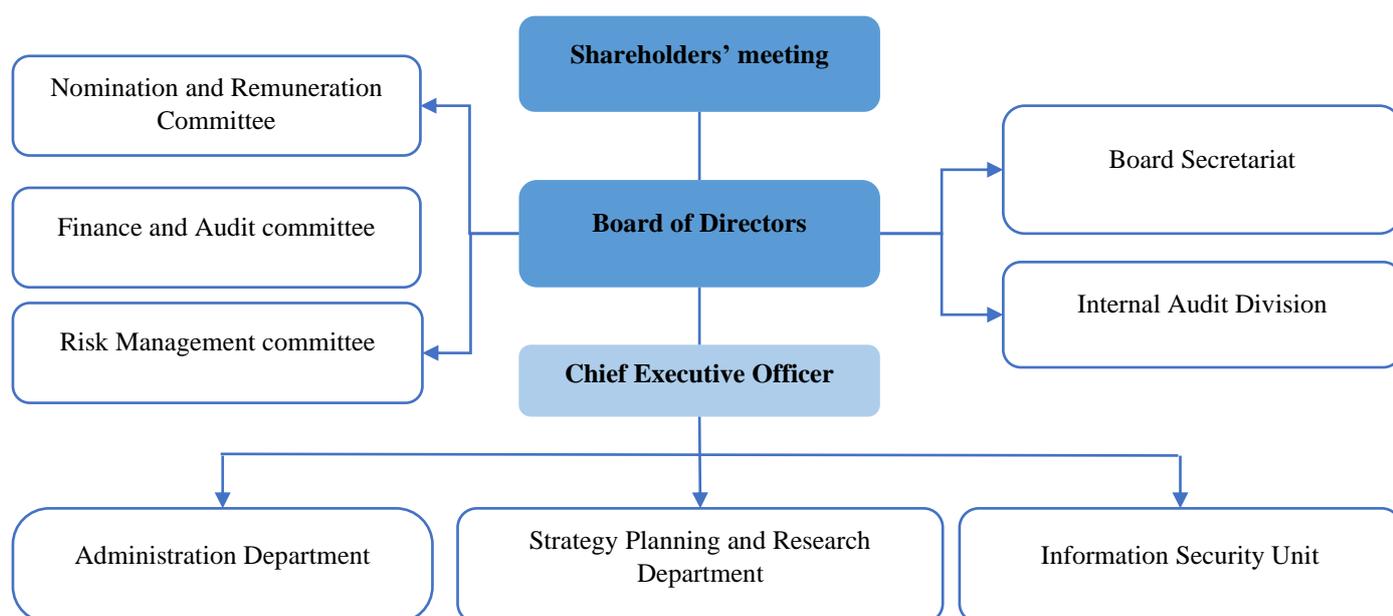
ORGANIZATIONAL STRUCTURE

The group company corporate structure has been renewed and approved within the financial reporting year to eliminate tax risks arising from transactions between MIK Holding JSC and its subsidiaries, improve reporting, improve inter-company coordination and efficiency, and expand business operations in international and domestic markets.

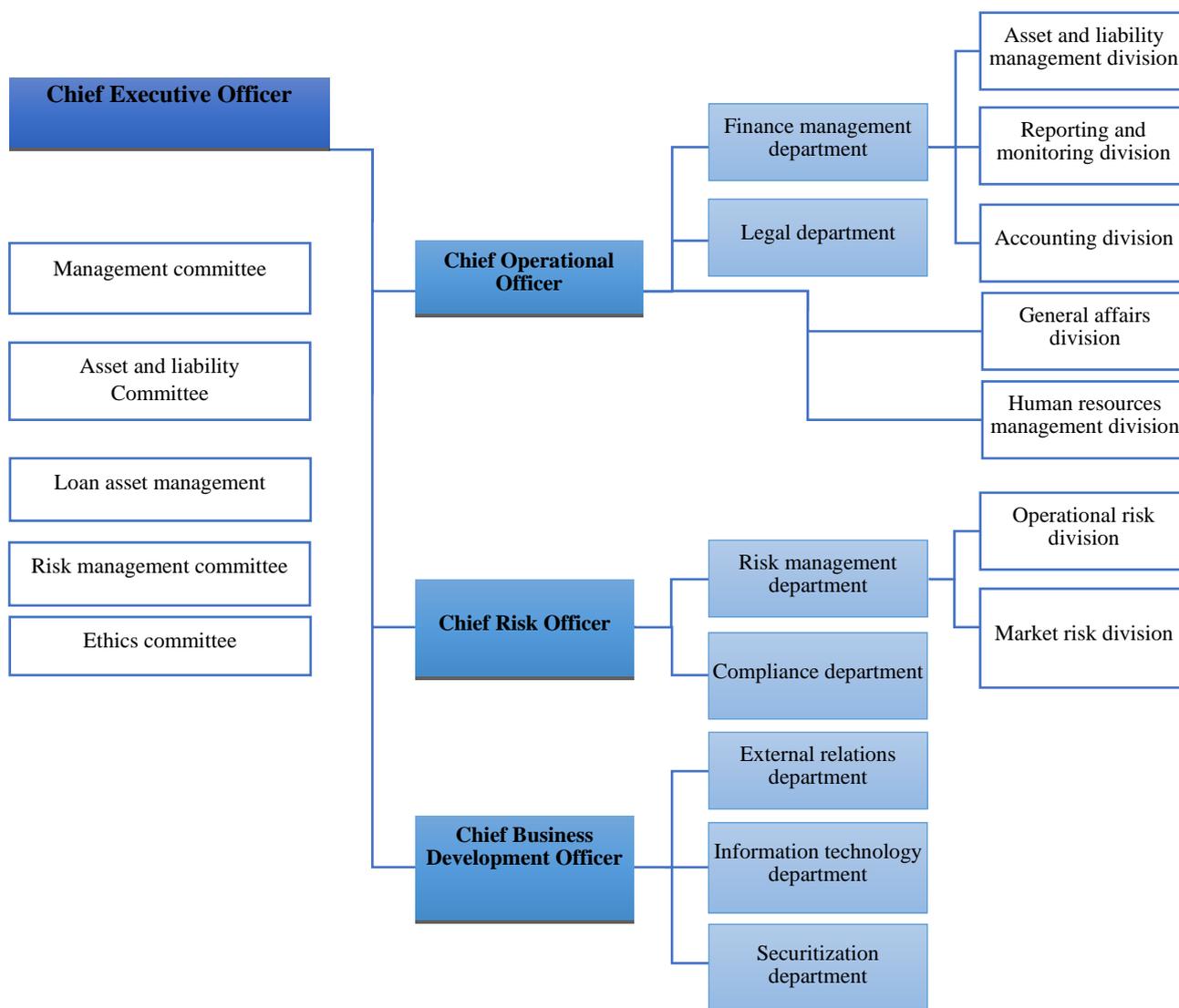
Picture 1: The organizational structure of MIK Group Company



Picture 2: The organizational structure of MIK Holding JSC



Picture 3: Organizational structure of MIK HFC

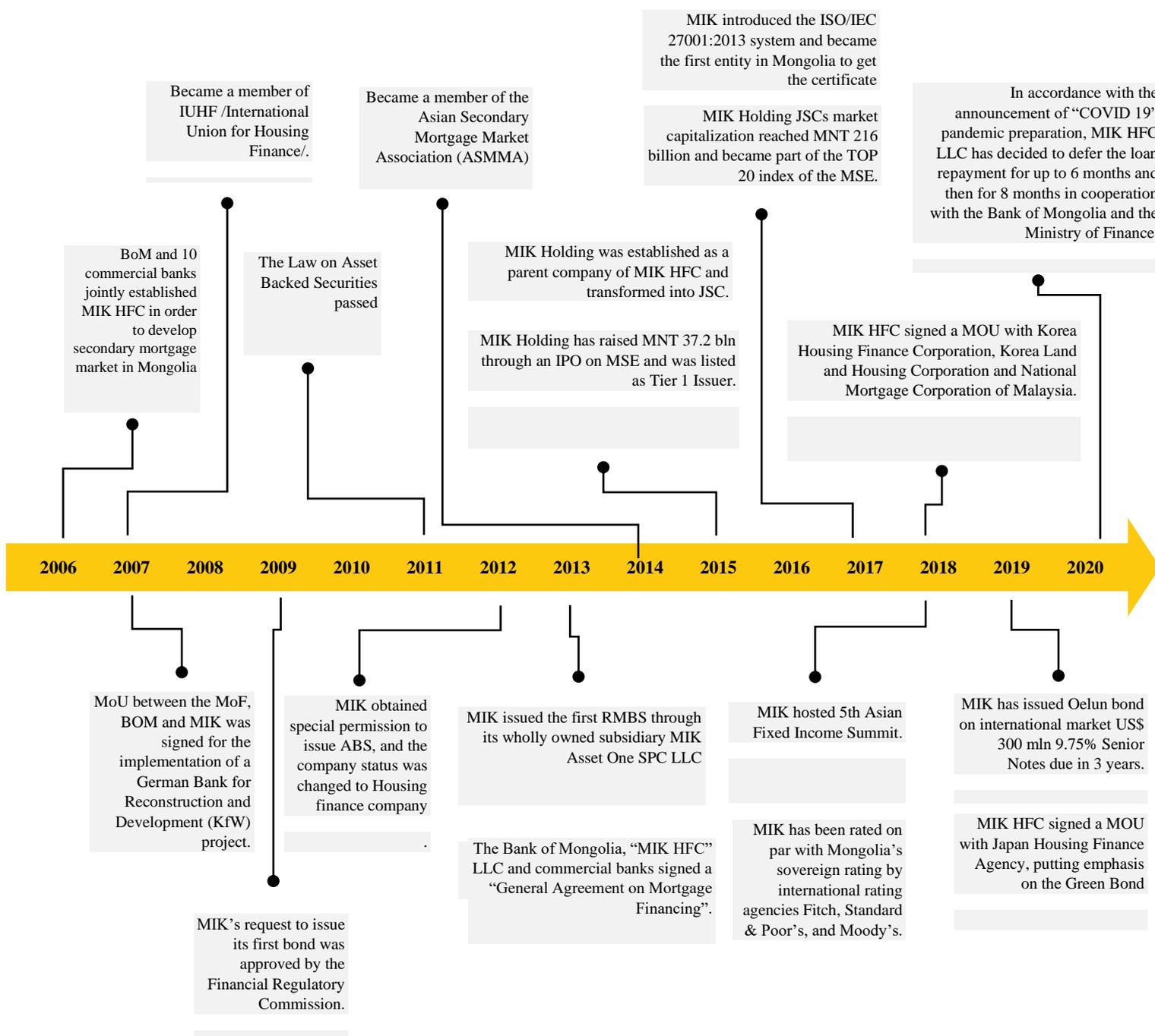


Ownership information / Principal shareholders /

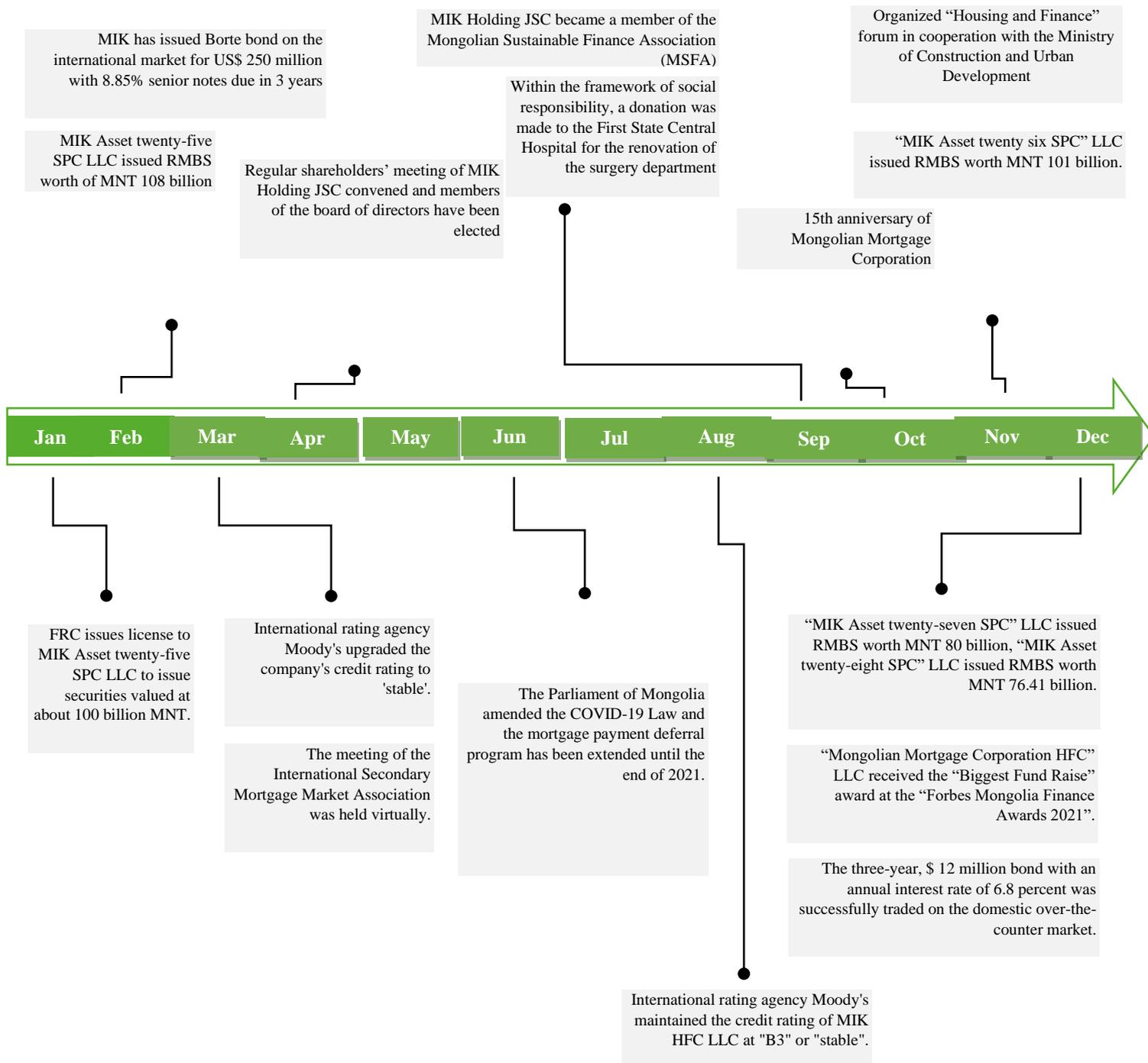
№	Shareholders	Number of shares	Percentage of Shares
1	Development Bank of Mongolia	3,081,955	14.88 %
2	CNB Consulting LLC	2,608,480	12.60%
3	Asia Diversified Real Estate Fund One private equity fund LLC	2,312,500	11.17%
4	Trade and Development Bank	2,070,932	10.00 %
5	United Banking Corporation LLC	1,232,785	5.95%
6	TDB Securities LLC	1,097,953	5.30 %

COMPANY HISTORY

Key developments of MIK Holding JSC



KEY DEVELOPMENTS OF 2021



CREDIT RATING

MIK HFC LLC has been maintaining credit rating by leading international rating agencies since 2018.

During the reporting year, the international rating agency S&P downgraded Mongolia's credit rating from "Stable" to "Negative" and downgraded MIK HFC's credit rating to "Negative" on June 28th. International rating agency Moody's upgraded the Company's credit rating to 'Stable' on March 18th and reaffirmed the credit rating at 'B3' or 'Stable' on August 30th.

Company's credit rating:

Picture 4: MIK HFC LLC's credit rating

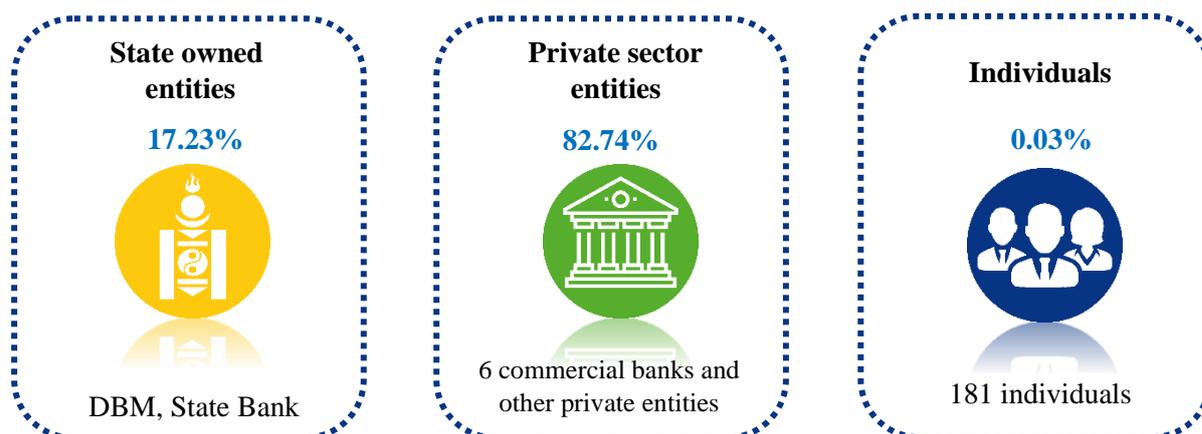


CORPORATE GOVERNANCE

SHAREHOLDERS' STRUCTURE

As of December 31st, 2021, 17.23 percent of MIK Holding's shares are owned by state-owned entities, 82.74 percent by banks and private entities, and 0.03 percent by individuals, and as of December 31st, 2021, there are 221 shareholders.

Picture 5: MIK Holding JSC's shareholders' structure



Source: "MCS D" LLC /2021.12.31/

SHAREHOLDERS MEETING

The plenary shareholders' meeting was organized via the distance and digital technology company's website and was held per the shareholders' interests on April 29th, 2021. The following issues were discussed and decided at the meeting.

- Reviewed the opinion of the board on the 2020 group Financial Statement and Operational report,
- Amendment to the company charter;
- Appointed the Board member;
- Introduced the Board of directors' decision on dividends of the Company;
- Presented 2020 annual report of the Board of directors;
- Approved the Board of directors' budget;

DIVIDEND DISTRIBUTION

The Company decided not to distribute dividends due to the contractual obligations of the issuance of bonds in the international market to international investors under the provisions of Article 3.3 of the Dividend Policy, stating that "dividends may not be paid for a specified period by decision of the Board of directors."

BOARD OF DIRECTORS AND COMMITTEE

The plenary Shareholders’ meeting elects the Board of Directors of MIK Holding JSC for three years with six regular and three independent members. The Board consists of experienced and skilled members with extensive knowledge of banking, finance, and the stock market.

№	Nomination	Name	Position
1	Chairman and Regular Member of Board of Directors	Myagmar Munkhbaatar	Adviser of “Asia diversified real state fund one LLC”
2	Regular Member of Board of Directors	Sedvanchig Tserendash	Chief Bussiness Development Officer of the Development Bank of Mongolia
3	Regular Member of Board of Directors	Atarbaatar Enkhjin	Director-General, Reserve Management Financial Markets Department at Bank of Mongolia
4	Regular Member of Board of Directors	Tovuudorj Davaajav	Director of Treasury Department of the Trade Development Bank of Mongolia
5	Regular Member of Board of Directors	Erdenebileg Tulga	President of TDB Securities LLC
6	Regular Member of Board of Directors	Battsengel Urtsaikhbaatar	Chief Executive Officer of Capitron bank
7	Independent Member of Board of Directors	Enkhbayar Shijir	Project Manager of Mining and Metallurgy complex project
8	Independent Member of Board of Directors	Chuluundorj Khashchuluun	Associate Professor of the National University of Mongolia
9	Independent Member of Board of Directors	Ulziibayar Ganzorig	Chairman of “Mandal Daatgal” JSC

Board activities

The Board of Directors of MIK Holding JSC exercises the shareholders’ meetings and Board of Directors’ meetings full authority of its subsidiaries MIK HFC LLC, Protego First LLC, shareholders’ meetings full authority of MIK Real Estate LLC. MIK HFC LLCs board of directors exercise the full authority of SPCs shareholders’ meetings full authority in accordance with the charter.

MIK Holding JSCs Board convened 13 meetings which resulted in 54 resolutions. These include renewing the organizational structure of the group company, approving corporate governance documents, discussing and issuing financial statements, convening the shareholders’ meeting, giving the assurance on securities issued by the subsidiaries, and approving the group company’s business plan.

MIK HFC LLC convened a regular and regular shareholders’ meeting. These include reviewing the opinion on the Financial Statements and Operational report and passed an amendment to the company charter.

MIK HFC LLCs Board convened a total of 14 meetings. These include establishing MIK Asset LLC, issuing securities on the international market, convening the shareholders’ meeting, and engage Master agreements.

Shareholder meeting of SPCs convened a total of 9 meetings. These include reviewing each SPC's operations and financial statements, appointing board members, approving amendments to each SPC's charter, and authorizing the issuance of RMBS in the total amount of MNT 367 billion.

“MIK Real Estate” LLC convened a regular shareholders' meeting to review the company's operations and financial statements.

Board remuneration

The shareholders' meeting approves the salaries of the Board members. The salary of a board member consists of a base salary and additional compensation. The base salary is a regular monthly salary of a board member, and the additional compensation is paid quarterly based on each meeting participated.

Board committees

The committees under the Board include Finance and Audit Committee and Nomination and Remuneration Committee, which aims support to Board in appropriate corporate governance principles.

Finance and Audit Committee

Responsible for directing and assisting the Board in performing its supervisory and effective functions, overseeing the Company's financial budget and reports, liaising with external auditors, and ensuring to provide internal audit policies and procedures.

Members of Committee:

Chairman: E.Shijir

Member: T.Davaajav, Ch.Khashchuluun, U.Ganzorig.

Nomination and Remuneration Committee

Responsible for overseeing the implementation of policies and regulations, their changes, updates, and implementation except for corporate governance.

To select and nominate the Board members, Directors, and Staff who directly report to the Board, determine the requirements, develop the terms of their contracts, and evaluate the performance of board members and management;

To monitor the implementation of salary and bonus policy of Board Members, Directors, and Staffs who directly report to the Board, set their maximum salaries and bonuses, ensure to pay salaries and bonuses within the approved amount, and responsible for defining human resource policy of the Company, reward system and evaluating the results.

Members of Committee:

Chairman: Khashchuluun

Member: M.Munkhbaatar, E.Shijir, U.Ganzorig.

Risk management committee

Responsible for controlling risk policies, acceptable risk thresholds, and monitoring and evaluating potential risks to business operations.

Members of Committee:

Chairman: A.Enkhjin

Member: S.Tserendash, B.Uurtsaikhbaatar, E.Tulga.

BOARD OF DIRECTORS OF SPECIAL PURPOSE COMPANIES

The Board members of SPCs are selected once a year. Independent directors, who meet the requirements specified in the Asset-Backed Securities Law, are elected annually as members of the Board of SPCs by the shareholders' meeting. Their duties and responsibilities are to ensure effective oversight over SPCs operations, deal with potential conflict of interests, secure independence from shareholders, provide necessary recommendations and advice, and exercise other duties specified in the relevant laws and procedures.

A total of 32 members were selected for Twenty-eight SPCs boards, of which 20 members are independent, and 12 members are regular.

The regular board members of SPCs

P.Munkhbayar holds a Master's degree in International Economics. He is the Director of the Financial Markets Division of Reserve Management, Financial Markets Department of the BoM. He is a board member of MIK Asset One SPC LLC, MIK Asset Two SPC LLC, and MIK Asset Three SPC LLC.

G.Namuun is a Bachelor of International Economics and Master of Business administration. She is a Senior Economist in the Financial Markets Division of Reserve Management, Financial Markets Department of the BoM. She is a member of the Board of MIK Asset Four SPC LLC, MIK Asset Five SPC LLC, and MIK Asset Six SPC LLC.

O.Enkhbayar holds a bachelor's degree in law. He is an economist at the Research and Statistics Department of BoM. He is a regular board member of MIK Asset Seven SPC LLC, MIK Asset Eight SPC LLC, and MIK Asset Nine SPC LLC.

B.Erdenekhuyag is a Bachelor of Law and Master of International relations. He is the Director of the Central bank Division of the Legal Department of the BoM. He is a member of the Board of MIK Asset Seven SPC LLC, MIK Asset Eight SPC LLC, and MIK Asset Nine SPC LLC.

D.Erdenebileg is a Bachelor of Law. She is a Specialist in the Legal Department of the BoM and a member of the Board of MIK Asset Nine SPC LLC and MIK Asset Ten SPC LLC.

B.Munkhzul is a Master of Economics. He is a Senior economist of the Financial Markets Division of Reserve Management, Financial Markets Department of the BoM, and a member of the Board of MIK Asset Thirteen SPC LLC and MIK Asset Fourteen SPC LLC.

M.Batsaikhan is Bachelor of Law. He is a Specialist in the Legal Department of the BoM and a member of the MIK Asset Fifteen SPC LLC and MIK Asset Sixteen SPC LLC.

U.Munkh-Undraga has a master's degree in law. She is the Director of the Banking and Finance Legal Division of the BoM and a board member of MIK Asset Seventeen SPC LLC and MIK Asset Eighteen SPC LLC.

A.Ninjin is an economist specializing in financial markets and financial engineering. She is a policy and regulatory officer of the Securities Department of the Financial Regulatory Commission and a regular member of the Board of MIK Asset Twenty-one SPC LLC.

B.Sukh-Ochir has a bachelor's degree in mathematics and a master's degree in economics. He is the head of the Financial Policy Department of the Ministry of Finance and a regular member of the Board of MIK Asset Twenty-two SPC LLC, MIK Asset Twenty-three SPC LLC, and MIK Asset Twenty-eight SPC LLC.

G.Zolboo is a Master of International Business Administration and Finance. She is the head of the Budget Consolidation Division of the Ministry of Finance and a regular member of MIK Asset Twenty-four SPC LLC and MIK Asset Twenty-five SPC LLC.

L.Sonor is a Master of International Business Administration and Finance. He is the head of the Financial Market Insurance Division of the Ministry of Finance and a regular member of the Board of MIK Asset Twenty-six SPC LLC and MIK Asset Twenty-seven SPC LLC.

The independent board member of SPCs

E.Zoson is a Master of Economics. She is the Deputy CEO at Odon Consulting LLC and chair of the Board of MIK Asset One SPC LLC and MIK Asset Three SPC LLC, and an independent member of the MIK Asset Two SPC LLC board.

T.Tsend-Ayush is a Doctor, Professor of Business administration, and Master of Economics. She is the CEO of the Corporate Governance Development Center and chair of the MIK Asset Two SPC LLC board, and an independent member of the Board of MIK Asset One SPC LLC and MIK Asset Three SPC LLC.

D.Saruultuya is a Bachelor of Business Administration and an Accountant. She is the chair of the Board of MIK Asset Five SPC LLC, and an independent Member of the Board of MIK Asset Four SPC LLC

G.Tenger has a Bachelor of Business Administration. He is an investment analyst of “MCS Investment” LLC and chairman of the Board of MIK Asset Six SPC LLC and an independent Member of the Board of MIK Asset Fifteen SPC LLC

B.Tuguldur is an International multi-development economist Master of Science. He is the CEO of UNDP’s Development and Quality Department. Chair of Board of MIK Asset Four SPC LLC and an independent member of the Board of MIK Asset Five SPC LLC and MIK Asset Six SPC LLC.

G.Oyungerel is a Master of Economics. She is the CEO of A-Estate LLC. Chair of the Board of MIK Asset Seven SPC LLC and MIK Asset Nine SPC LLC and an independent member of the MIK Asset Eight SPC LLC board.

Ts.Batsukh is a Doctor of Economics. He is a Professor at the University of Finance and Economics. Chair of Board of MIK Asset Eight SPC LLC and an independent member of the Board of MIK Asset Seven SPC LLC and MIK Asset Nine SPC LLC.

S.Bekhbat is a Master of Economics. He is the CEO of the Mongolian Public-Private Partnership Development Center. Chair of the Board of MIK Asset Ten SPC LLC and MIK Asset Twelve SPC LLC and an independent member of the MIK Asset Eleven SPC LLC board.

Kh.Purevsuren is a Master of Economics. He is an economist and chair of the Board of MIK Asset Eleven SPC LLC and an independent member of the Board of MIK Asset Ten SPC LLC and MIK Asset Twelve SPC LLC.

N.Batnasan is a Doctor of Economics. He is an Associate Professor in the School of Business at the National University of Mongolia and chair of MIK Asset Thirteen SPC LLC, MIK Asset Fourteen SPC LLC, and MIK Asset Fifteen SPC LLC.

J.Altangerel has a Bachelor of Business Administration. He is the Executive Director of “Moninvest Management Limited” LLC and an independent member of the Board of MIK Asset Thirteen SPC LLC, MIK Asset Fourteen SPC LLC, and MIK Asset Twenty-eight SPC LLC.

P.Badamsuren is a Bachelor of Business management. She is an accountant at PSC LLC and chair of MIK Asset Seventeen SPC LLC, MIK Asset Eighteen SPC LLC, and an independent member of the MIK Asset Sixteen SPC LLC board.

S.Nyambayar has a Bachelor of Business Administration. He is the Director of “Mongolian Telecommunication” JSC. He is the chairman of the Board of MIK Asset Sixteen SPC LLC and an independent member of the Board of MIK Asset Seventeen SPC LLC, MIK Asset Eighteen SPC LLC.

E.Oyunbileg is a Master of International economics. She is an Advisor to the Corporate Governance Program of the International Finance Corporation, Managing Director of Petrovis Oil LLC, and Secretary of the Board of Directors. She is the chair of MIK Asset Nineteen SPC LLC, MIK Asset Twenty-one SPC LLC, and an independent member of the MIK Asset Twenty SPC LLC board.

E.Khosbayar is a Bachelor of Business Management and Finance and a Master of Business management. He is an advisor of the World Bank Project and the chair of MIK Asset Twenty SPC LLC, and an independent member of the Board of MIK Asset Nineteen SPC LLC and MIK Asset Twenty-One SPC LLC.

D.Jargal has a Bachelor of Business Administration. She is an economist and an independent member of the Board of MIK Asset Twenty-two SPC LLC and MIK Asset Twenty-Three SPC LLC.

L.Ganchimeg holds a master’s degree in law. She is a Senior Legal Specialist at MIAT Mongolian Airlines and the chair of the Board of MIK Asset Twenty-two SPC LLC, MIK Asset Twenty-Three SPC LLC, and MIK Asset Twenty-four SPC LLC.

B.Enkhsaruul has a Bachelor of Business Administration. He is the Executive Director of TDB Asset Management LLC and an independent member of the MIK Asset Twenty-four SPC LLC board, chairman of the Board of MIK Asset Twenty-eight SPC LLC.

E.Enkhtsetseg is a Bachelor of Business management. She is the Deputy CEO of Royalpark LLC, JCDecaux Mongolia LLC, and the chair of MIK Asset Twenty-Five SPC LLC. MIK Asset Twenty-six SPC LLC and MIK Asset Twenty-seven SPC LLC.

E.Tsahkhiur is a Master of Business management. He is the CEO of Delta Construction LLC and an independent member of MIK Asset Twenty-Five SPC LLC. MIK Asset Twenty-six SPC LLC and MIK Asset Twenty-seven SPC LLC.

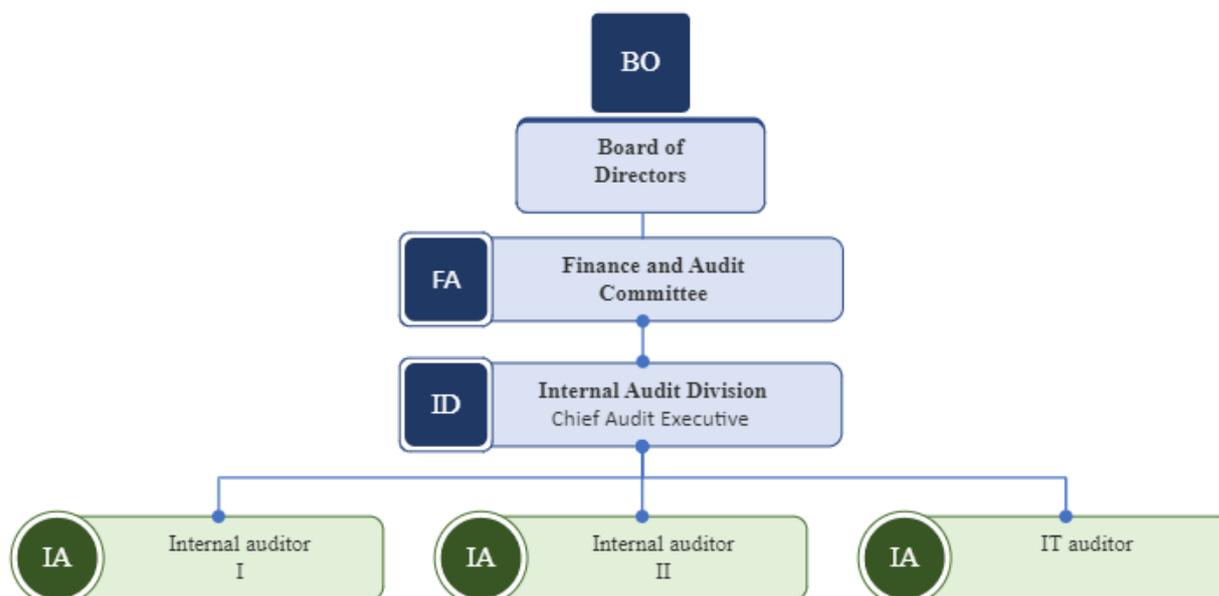
THE INTERNAL AUDIT DIVISION

The Internal Audit Division under the Board of the Directors of MIK Holding JSC is set up in conformity with the principles of good corporate governance and reports to the Board and its Finance and Internal Audit Committee. It performs audit activities in compliance with the International Professional Practices Framework and operates independently from the Executive Management.

The Internal Audit Division has studied and applied the latest auditing approaches, best practices, and revised professional standards in its auditing activities. In addition, it has worked to create the best auditing practices that suit the peculiarities of the Company. Moreover, it has developed a mid-term internal audit strategy and revised the Internal Audit Charter and Operating Guidelines for the Audit Committee, approved by the Board.

During the reporting year, the audit activities undertaken were mainly focused on the potential risks associated with the Covid-19 pandemic to the Company. In particular, the audit activities were conducted to prevent the challenges related to human resource management. Concerning the audit opinion, it made recommendations for reducing risk level and improving processes of 20 issues associated with risk and has given it to executive management and related units. Furthermore, the follow-up audit was undertaken in line with the audit plan and evaluated the implementation of 22 recommendations' corrective actions and reported it to the Finance and Audit Committee.

Picture 6: Structure of the internal audit division



ENVIRONMENT, SOCIETY, AND GOVERNANCE

Social responsibility

MIK HFC LLC has done the following activities in line with social responsibility:

- In the reporting year, “MIK HFC” LLC sponsored the renovation of the “laminar flow operating room of the General Department of Anesthesia Surgery” on the fourth floor of the First State Central Hospital. S.Enkhbold, Minister of Health, T.Munkhsaikhan, Advisor to the President of Mongolia, B.Khishigjargal, Acting Director-General of the First State Central Hospital, B.Gantulga, CEO of “MIK HFC” LLC and others attended the handover ceremony.

Picture 7: Surgery unit handover procedure



- As part of its social responsibility, MIK completely renovated 268 m2 of public sidewalks and railings at its own expense and renovated 128.5 m2 of public parking lots into pedestrian paths according to the relevant permits and planted flower beds and benches. In addition, 40 m2 of trees and greenery were planted around the Company, and ambient lighting was installed.

Picture 8: Landscaping



Joined Mongolian Sustainable Finance Association

By becoming a full member of the Mongolian Sustainable Finance Association (MSFA), the Company has joined the Eight Principles of Sustainable Finance of Mongolia, signed a Declaration on Effective Implementation, and implemented basic membership requirements. To reduce waste and the negative impact of waste on human health and the environment, waste paper, plastic containers, plastic bags, and glass cans are recycled in dedicated trash bins around the Company’s office.

Public Relations

Organized the “Housing and Finance” forum

The Ministry of Construction and Urban Development and MIK HFC LLC successfully organized a “Housing and Finance” forum on November 18th, 2021. The public and private sectors discussed housing policy, systems, and solutions in “Housing and Financing.”



Keynote speeches were made on “Government Housing Policy,” “Housing Financing System,” and “Housing Financing Solutions and Accessibility” and discussions were held on current issues.

The discussion brought together more than 200 representatives from more than 50 organizations, including governmental and non-governmental organizations, professional associations, banking and financial organizations, and international organizations, to identify collaborations and solutions.

Attending parties exchanged views on how to increase access to housing finance further and reduce mortgage loan down payments from 30 percent to 20 percent. The Minister of Construction and Urban Development emphasized that the participating organizations will establish a working group to reach a consensus on these issues.



Covid-19 pandemic prevention measures

As a part of its social responsibility, the Company has continuously implemented measures to prevent the spread of Covid-19 and reduce the negative impacts on the Company staff. These include:

- A remote working decision was made to prevent and stop the spread of Covid-19 and provide the care needed for our employees' children while schools and kindergartens are closed.
- Monitored the health of employees and customers by a sterilizing door with a thermometer in the workplace. Weekly Covid-19 tests were taken upon entering the office. Also, regularly disinfected the workplace to create a healthy and safe workplace environment.
- Provided masks, hand sanitizers, disinfectant products, and an immune-boosting health package for our employees.
- Provided financial support to employees.
- All staff was provided with online consultations and daily advice and information on Covid-19 prevention and measures to be taken in case of an infection in collaboration with a specialist.

Activities toward employees

We have introduced flexible working hours to reduce traffic congestion in the city and provide our staff with the opportunity to manage their children's schools and kindergartens. The interest rate on salary loans was reduced by 0.2 percent in cooperation with the bank to support the financial condition of employees, and the Company continued to support its employees during the reporting year by helping employees to purchase apartments and improve their living conditions.

COVID-19 and its effects

To reduce the loan burden of mortgage borrowers during the "COVID-19" pandemic, the government decided to postpone the repayment of subsidized mortgage loans, and the BoM, MIK HFC LLC, and commercial banks jointly implemented the mortgage payment deferral program

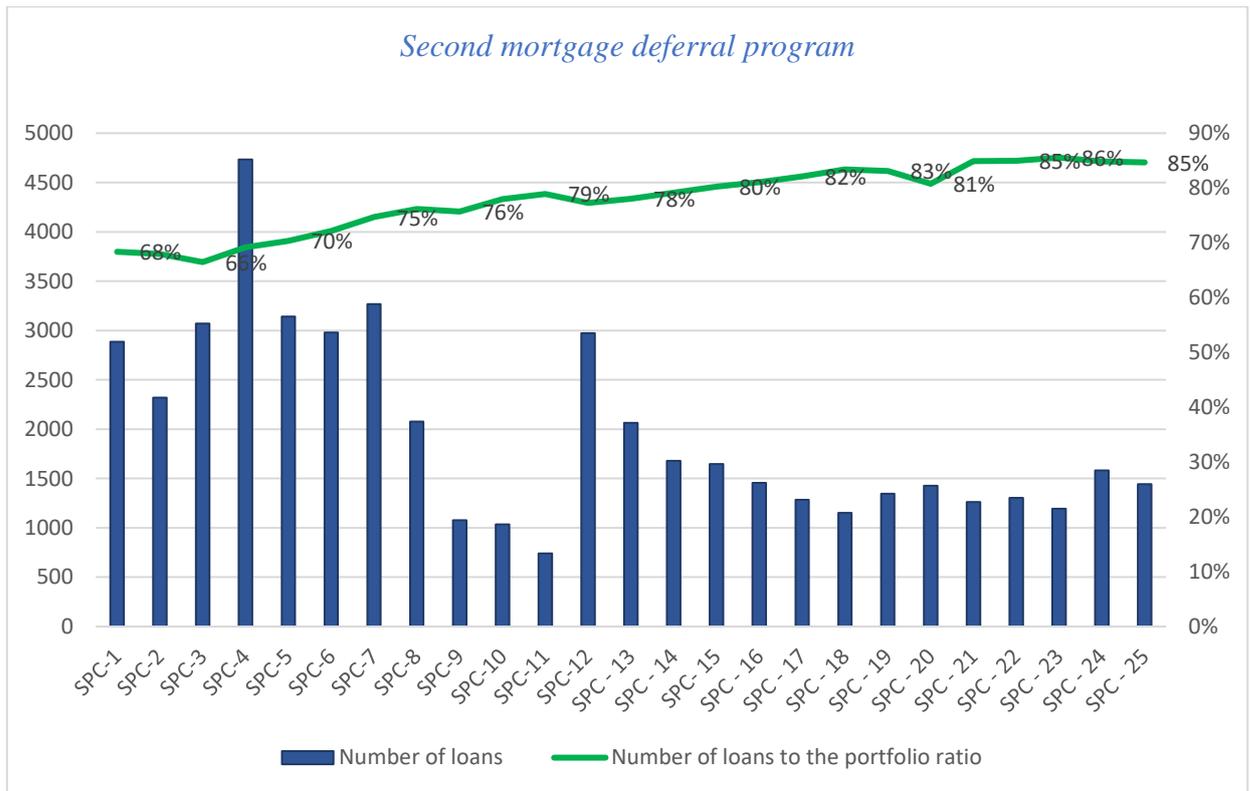
Second mortgage payment deferral program

Resolution No. 178 of the Government of Mongolia, dated November 11th, 2020, decided to implement quarantine measures. In this regard, Article 7 of Government Resolution No. 183, adopted on November 18th, 2020, deferred mortgage loan payments under AHFP until July 1st, 2021.

The bondholders of "MIK Asset One - Twenty-Four SPC" LLC met on December 31st, 2020, and decided to postpone the mortgage loan payment by a special decision of the RMBS holders.

Under the second mortgage deferral program, 75 percent of all borrowers, or 49,141, have changed their mortgage repayment schedules.

Graph 1: Second mortgage deferral program

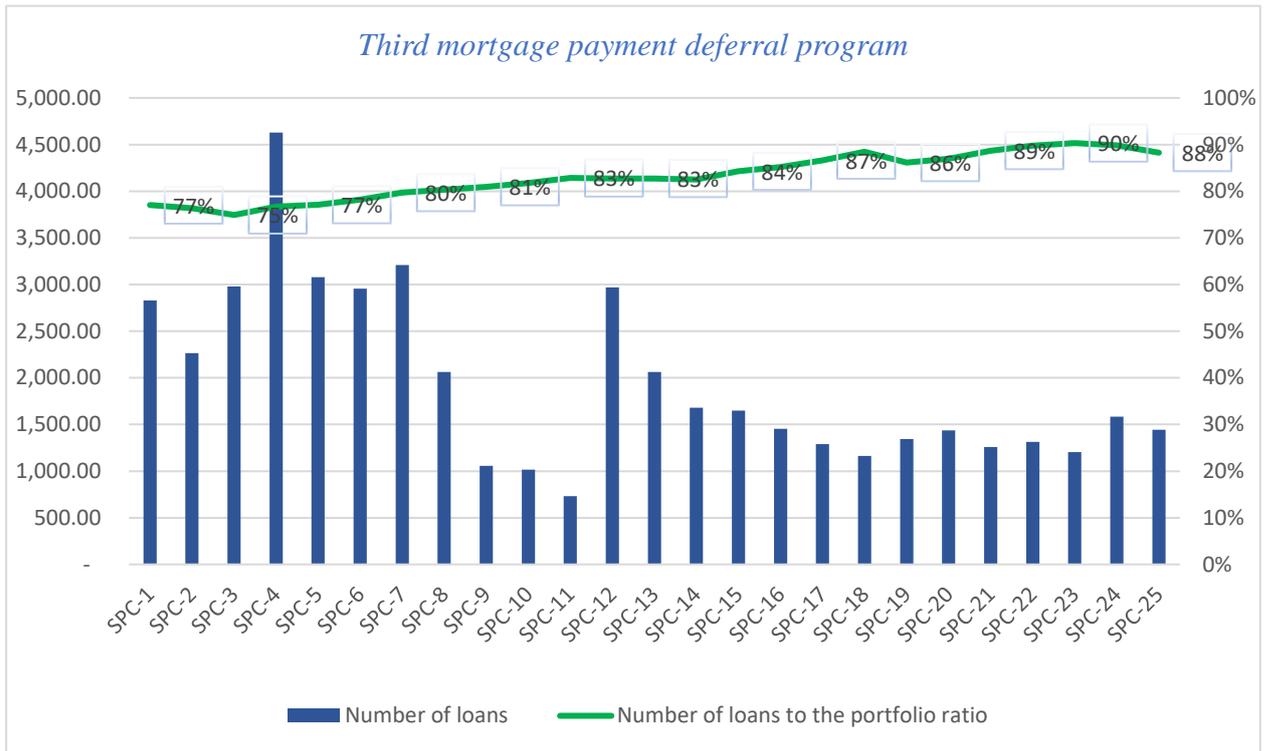


The third mortgage deferral program

Due to the worsening situation of the pandemic and the fact that its socio-economic impact has not diminished, The Law on Mitigation of Negative Impacts was amended by the State Great Hural (Parliament) on June 29th, 2021, and the validity of the law was extended until December 31st, 2021. With this decision, the mortgage payment deferral program was also extended.

Under the third mortgage deferral program, 82 percent of all, or 48,633 borrowers, have submitted their mortgage loan deferral requests electronically to their respective banks, and service providers responded to requests.

Graphic 2: Third mortgage payment deferral program

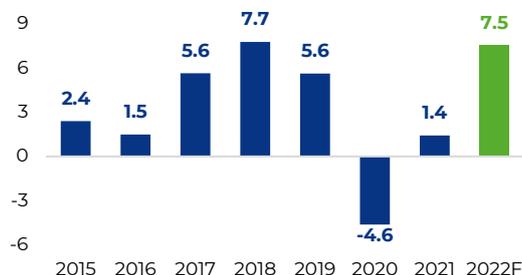


BUSINESS ENVIRONMENT

ECONOMIC INDICATORS

Due to the COVID-19 pandemic, the economy faced uncertainty, and Mongolia's economy contracted four quarters in a row in 2020. Mongolia's economic growth was 5.6% in 2019, and it declined to negative 5.3% in 2020. IMF and other international organizations estimated that the Mongolian economy would grow by 4.6% in 2021. However, real GDP growth in 2021 was 1.4%. According to IMF, economic growth is expected to grow by 7.5% in 2022.

Graph 3: Real GDP Growth /Percent/



Source: IMF, NSO

In 2021, The State budget resulted in an income of MNT 14.3 trillion and an expenditure of 15.6 trillion. In 2022, the MoF estimates that the budget income will be 15.8 trillion, and the budget expenditure will be 18.2 trillion.

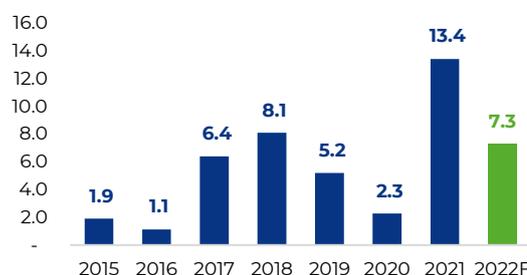
Graph 4: Government budget performance /MNT Trillions/



Source: NSO

The BoM stated to support and maintain the stability of the economic, banking, and finance system within the framework of "Monetary Policy Guidelines for 2021". They have targeted stabilizing the inflation rate by around 6% in the range of +/-2 percent between 2021 and 2023.

Graph 5: Inflation rate /percent/



Source: BoM, IMF

The Monetary Policy Committee, BoM, decided to keep the policy rate at 6% during the COVID-19 pandemic to maintain economic and financial stability.

Graph 6: Interest rate /percent/



Source: BoM, IMF

As of December 2021, the weighted average interest rate of the Mongolian national currency loan was 14.3%. The weighted average interest rate of Tugrik savings was at 5.8%, which is lower by 0.5% and 2.6%, respectively, than the previous year.

In 2021, Moody's investor service changed Mongolia's outlook from "B3, negative" to "B3, Stable". However, S&P and Fitch reaffirmed Mongolia's long-term credit rating as "B Stable."

The government debt GDP ratio was 61.5% in 2020 and is 52.1% as of 2021 preliminary performance.

FINANCIAL MARKET INDICATORS

Primary market

At the end of the fiscal year, the total loan outstanding in the banking sector is 21.2 MNT trillion, of which 26.6% are mortgage loans. As of December 2021, the banking sector's total assets reached MNT 41 trillion, while MIK HFC's total assets reached MNT 4.2 trillion, equal to 10.3% of the banking sector.

In December 2019, the BoM increased the foreign currency reserve requirement ratio from 10.5% to 15.0% following a dollarization reduction in the banking system and to keep the relative return of tugrik. The weighted average interest rate of newly originated foreign currency loans was 9.8% in 2020. And this figure decreased by 2% to 7.8% at the end of the 4th quarter of 2021.

As of December 2021, overdue loans are 4.5%, and non-standard loans are 10% of banks' total assets.

Secondary market

In 2020, Mongolian stock market capitalization increased from 2.7 trillion to 3.9 trillion. In 2021, Mongolian stock market capitalization reached 6.0 trillion, a 97.5% increase compared to the previous year.

In the fiscal year, "Central Express CVS" and "Bogd Bank" announced MNT 42.9 billion worth of IPO on the Mongolian Stock Market.

As of 2021, MNT had 2.8 billion worth of company bonds and 55.3 billion worth of stocks traded on the Mongolian secondary market, whereas there was no government bond trade.

Table 1: Statement of Financial positions of banks /MNT Billion

Indicators	2020-12	2021-12
Total Assets	36,685.5	41,011.7
Reserves	4,062.6	4,467.0
Central bank notes and government bills	9,375.0	10,356.5
Foreign assets	3,146.1	2,844.2
Loans	17,034.3	21,222.0
Total liabilities	33,626.9	37,586.3
Current account	5,190.0	7,311.3
Saving account	17,243.9	18,373.9
Foreign liabilities	4,062.5	3,929.5
Government deposits	2,100.1	1,466.9
Equity	3,058.6	3,425.5

Source: BoM

Graph 7: MSE market cap /MNT Trillion/



Source: MSE

Table 2: Capital market indicators

Indicators	2020-12	2021-12
Listed companies	192.0	179.0
Trading companies (average)	76.4	97.1
Total transactions (MNT, billions)	65.3	59.0
Government	0.6	0.0
Corporate bond	5.8	2.8
Stock	53.9	55.3

Source: BoM

MORTGAGE MARKET INDICATORS

At the end of 2021, the total outstanding balance of mortgage loans reached MNT 5.7 trillion, and the number of borrowers reached 104.4 thousand. 76.0% or MNT 4.3 trillion was provided under the AHFP, while 24.0% or MNT 1.4 trillion was funded from other sources. As of December 2021, MIK HFC had purchased 54.9% of the total mortgage loans in the market, of which 53.1% were acquired under the PWOR term.

Consequently, MNT 1.3 trillion of mortgage loans under the AHFP and MNT 1.3 trillion of market-rate mortgage loans are on the market.

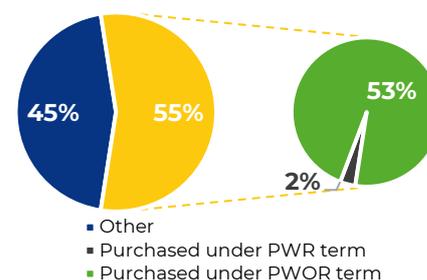
In 2021, the BoM budgeted MNT 420 billion, and commercial banks budgeted MNT 280 billion for the AHFP. At the end of 2021, the BoM has funded MNT 606.4 billion, and commercial banks have funded MNT 405.6 billion.

Since the implementation of the AHFP in 2013, mortgage loans originating from the bank's resources and other sources have steadily decreased. However, in 2021, mortgage loan disbursement from these funding sources reached MNT 533.6 billion, surpassing AHFP mortgage loan issuance by over MNT 447 billion.

At the end of 2021, the age classification of mortgage loan recipient analysis indicated that 25 to 35-year-olds occupy the largest bracket, making up about 44.5 thousand mortgagors. As of 2020, 45.5% of the total population is made up of 0 to 25-year-olds, of which 15.9% or 237 thousand people are aged from 20 to 24-year-olds that are potential mortgagors in the near future.

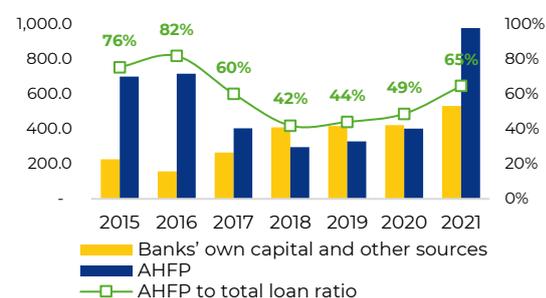
MIK HFC began to estimate HAI to identify housing affordability, which uses the ratio between average household income and the mortgage loan amount for an average-priced apartment. As of the 3rd quarter of 2021, the weighted average housing price calculated by housing sales increased by 14.6%, reaching MNT 102.1 million (45-meter square apartment was worth MNT 117 million), while median household income increased to MNT 1.6 million, an increase of 6.1%. With interest decrease (from 8% to 6%) of the AHFP and other factors, HAI increased to 0.99 in Q3 of 2021.

Graph 8: Outstanding mortgage loans



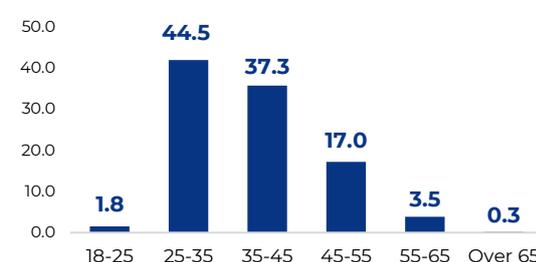
Source: BoM

Graph 9: Mortgage loan issuance /MNT billion/



Source: BoM

Graph 10: Age structure of mortgagors /thousand/



Source: BoM

Graph 11: HAI of Ulaanbaatar



Source: MIK

LEGAL ENVIRONMENT

“MIK Holding” JSC and its subsidiaries “MIK HFC” LLC, “Protego First” LLC, and “MIK Real Estate” LLC are operating under the Company Law.

MIK HFC LLC and its subsidiary SPCs are engaged in the issuance of the asset-backed securities according to the Law on Asset-backed Securities and other relevant legislation to develop the secondary mortgage market and support the Government Mortgage Program.

The RMBSs issued by the SPCs of MIK HFC LLC are held by the Bank of Mongolia, the Ministry of Finance, and commercial banks. The FRC supervised and participated in issuing the RMBSs as a regulatory body. The Bank of Mongolia, the Ministry of Finance, commercial banks, and the Board of the SPCs monitored and participated as an investor.

The following are the main laws and regulations with which MIK HFC complies with:

Law	Regulation
<ul style="list-style-type: none"> • <i>The Constitution Law</i> • <i>Civil law</i> • <i>Law on the Securities Market</i> • <i>Law on the Asset-backed securities</i> • <i>Company law</i> • <i>Tax Law</i> • <i>Corporate Income Tax Law</i> 	<ul style="list-style-type: none"> • <i>Procedure for mortgage financing</i> • <i>Regulation on mortgage loan procedure</i> • <i>Regulation on issuing, registering, and licensing of asset-backed securities</i>

Notable changes to MIK HFC’s business legal environment.:

Laws and decrees related to the prevention of the pandemic have been approved, and the RMBS holders have made a special decision

The Parliament of Mongolia approved the amendment of the The Law on Prevention, Combat, and Mitigation of Social and Economic Impacts of the COVID-19 on December 31st of 2020, June 29th, 2021, December 30th of, 2021, and January 31st of 2022 until the end of 2022. With the extension of this law, it is necessary to postpone the obligation to repay mortgage loans under AHFP until December 31st, 2022, without increasing the principal and interest payments and to extend the loan agreement for the same period. To defer the payment of principal and interest on mortgage loans, MIK Asset one - Twenty-Eight SPC LLCs issued a special decision on November 29th, 2021, and December 31st of 2021, respectively. According to this special decision, in case of inability to pay the coupon of the senior RMBS held by the Bank of Mongolia on time, it is possible to pay on the next possible coupon payment day. However, per the special decision No. 21/01 of “MIK Asset Seventeen - Twenty-six SPC ” LLC dated November 29th, 2021, from July 1st, 2021, to December 31st, 2021, The Bank of Mongolia the Ministry of Finance have been exempted from paying interest on the RMBS.

Regulations to support green development policy in the legal environment have been approved

2021 is the second phase of the transition from the foundation of green development policy to green development or the beginning of the transition to the Green Building Policy to establish Green city implementation in 2021-2030.

FRC's Resolution No. 266 of June 11th, 2021, approved the "Company Debt Instrument Registration Procedure" for the first time, and this procedure allows the public offering and sale of the Company's debt instruments in the primary market to be organized by a company licensed to conduct underwriting activities, either individually or jointly. In addition, this regulation regulates the legal environment for the first time. The financing of new and existing projects and activities in Mongolia by issuing "Green Taxonomy" and "Green Bond."

The regulation on mortgage financing has been amended

The "Regulation on Mortgage Financing" approved by the Governor of the Bank of Mongolia on December 9th, 2021, A-329, changed the loan terms so that the amount of preferential mortgage loans for one borrower does not exceed MNT 100 million.

OPERATIONAL PERFORMANCE

BUSINESS ACTIVITIES

Types of acquisition of mortgage loan portfolios

MIK HFC is engaged in purchasing residential mortgage loan portfolios from commercial banks with cash and other financial instruments to improve the liquidity of commercial banks. Mortgage loan portfolio purchase agreements are classified based on how loan risk is transferred.

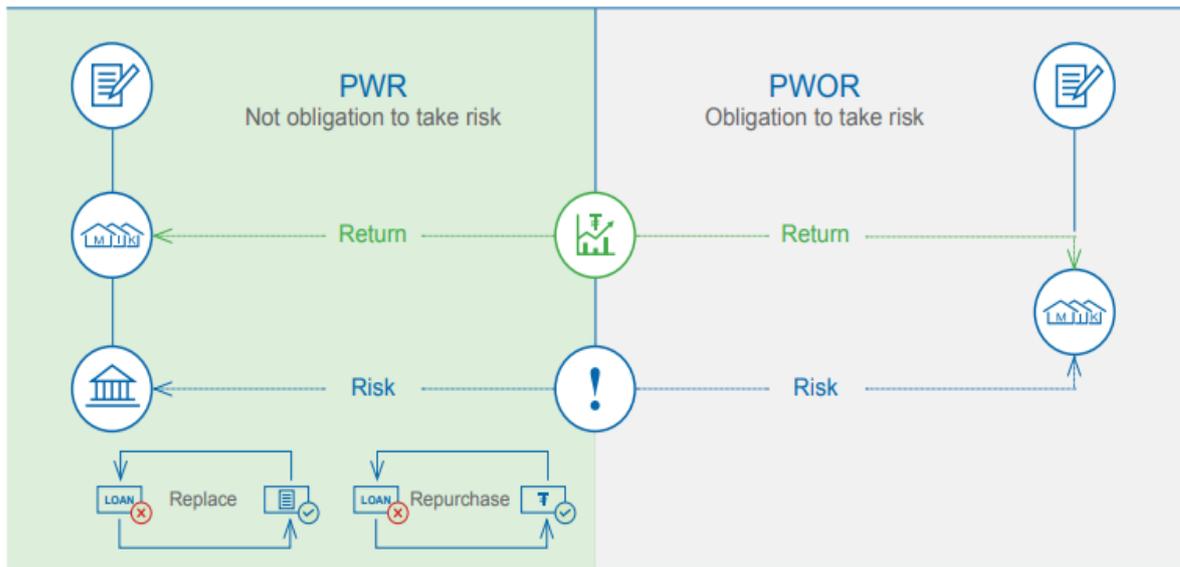
1. Purchase without recourse (PWOR)

The transaction allows the transfer of both mortgage returns and potential risks. This transaction is used for trading subsidized interest rate mortgage loans under the AHFP implemented by the Government of Mongolia and BOM with RMBSs.

2. Purchase with recourse (PWR)

The transaction allows the return or exchange of the purchased mortgage loans to a seller or an underwriting bank if there is a loan default risk.

Picture 9: Types of purchase

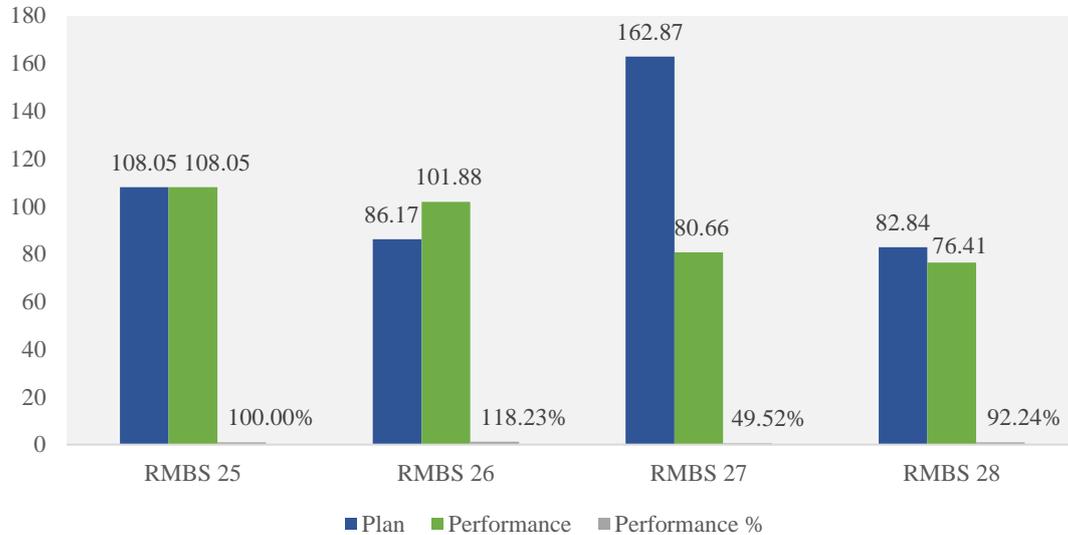


Source: "MIK HFC" LLC

Purchase without recourse

In 2021, MIK HFC successfully purchased and securitized MNT367 billion in mortgage loans under the PWOR model. This indicates a 24.3 percent increase compared to the previous year. The following graph compares the PWOR purchase plan and purchase performance for 2021.

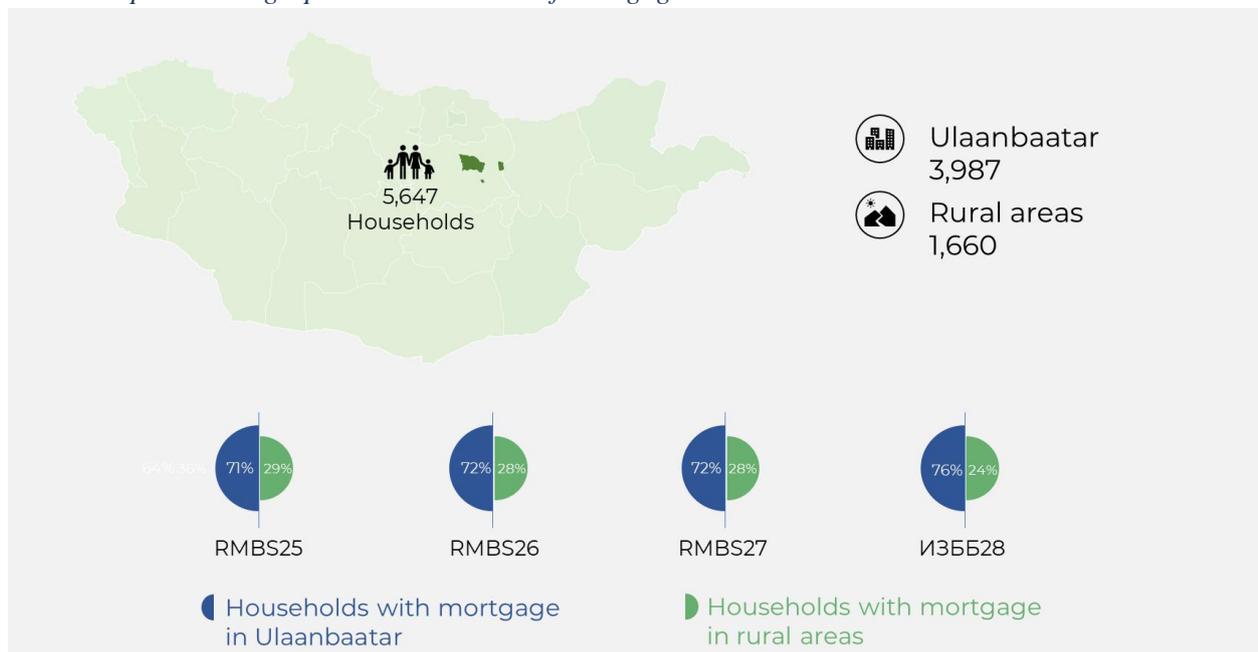
Graph 12: 2021 Purchase plan for PWOR versus performance



Source: "MIK HFC" LLC

During the reporting period, 5,647 mortgage loans have been purchased and securitized under RMBS 25 to RMBS 28. Among the total 5,647 mortgage loans securitized, 3,987 loans originated in Ulaanbaatar city, and 1,660 in rural areas.

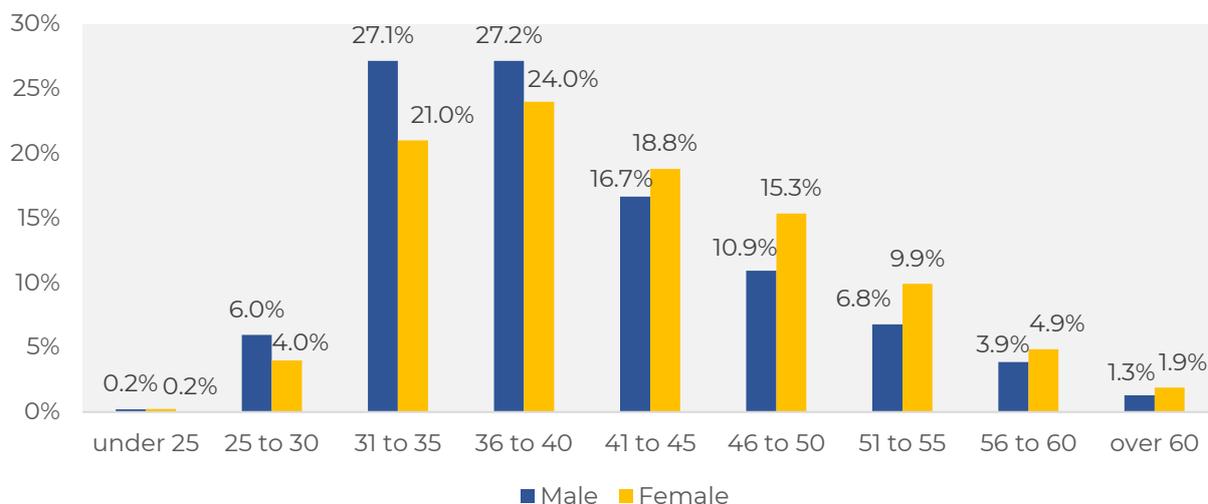
Graph 13: Geographical Distribution of Mortgage Loans Purchased in 2021



Source "MIK HFC" LLC

The gender and age structure of mortgagors indicates that borrowers aged 30 to 40 make up 50.54 of the borrowers under AHFP.

Graph 14: Information on borrowers' age and gender



Source: "MIK HFC" LLC

At the end of 2021, mortgagors with monthly income between MNT1.0 million to MNT2.0 million make up 46.3% of the borrowers under AHFP.

Graph 15: Classification of borrowers' household income under RMBS 1 to 28 transactions



Source: "MIK HFC" LLC

The graphs shown above with borrowers' age and household income indicate that under the AHFP, individuals with middle and lower-middle-class fixed income, namely young households with housing needs, have primarily benefitted.

By using MIK HFC's internally developed Borrowers' Employment and Income Analysis software, the Company was able to identify that mortgagors' working in wholesales and retail sectors make up most of the borrowers in Ulaanbaatar city. In contrast, most of the mortgagors in rural areas are employed in the civil and defense sectors.

Graph 16: Employment of Borrowers in Ulaanbaatar /by sector/



Source: "MIK HFC" LLC

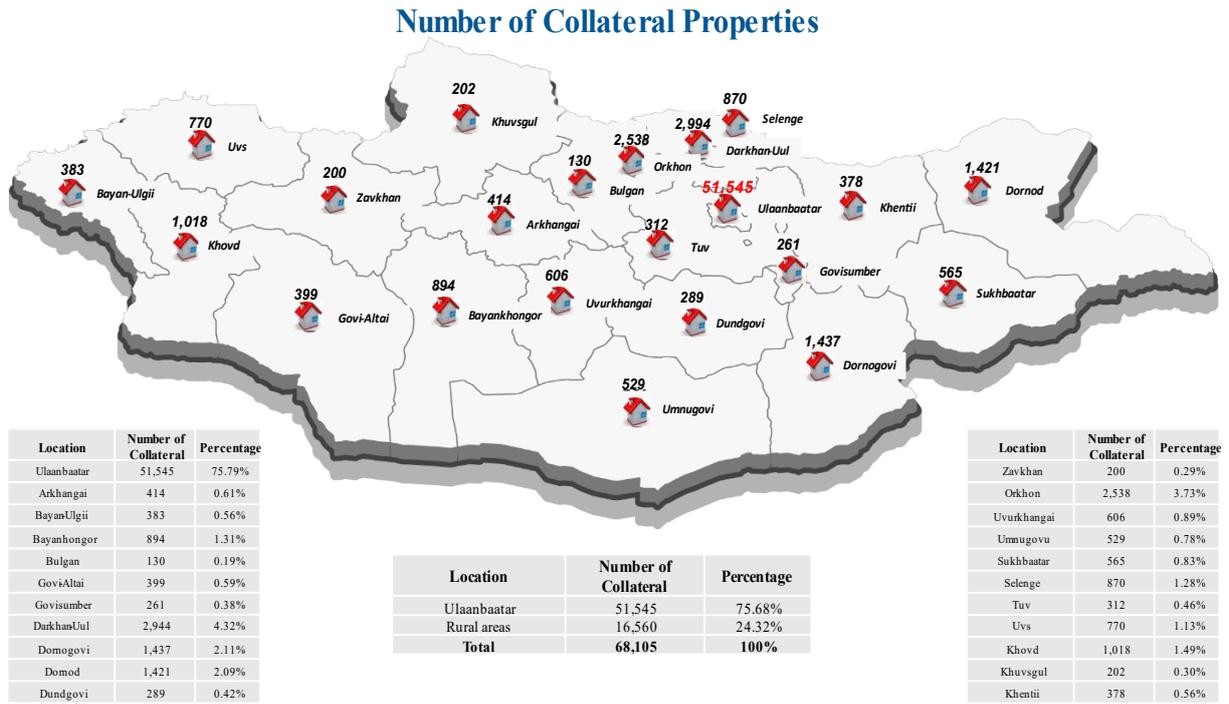
Graph 17: Employment of Borrowers in rural areas / by sector /



Source: "MIK HFC" LLC

As of December 31st, 2021, 61,952 mortgage loans with 68,105 primary and additional collateral were recorded on MIK HFC's balance. Borrowers are permitted to pledge their property against the down payment. Thus, mortgage loans can have more than one collateral asset.

Graph 18: The geographical spread of collateral properties under RMBs 1-28

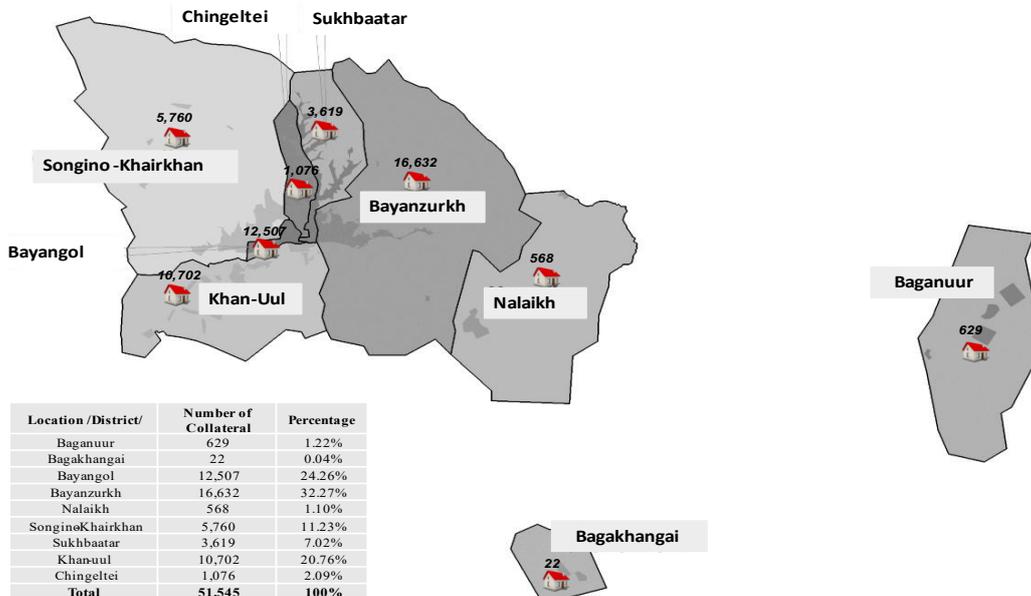


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Source: "MIK HFC" LLC

Approximately 75.68% of the total collateral is located in Ulaanbaatar city, and collaterals located in Bayangol and Bayanzurkh districts make up 56.53% of the total collateral by location. The location of collateral properties in Ulaanbaatar city is shown below by nine districts.

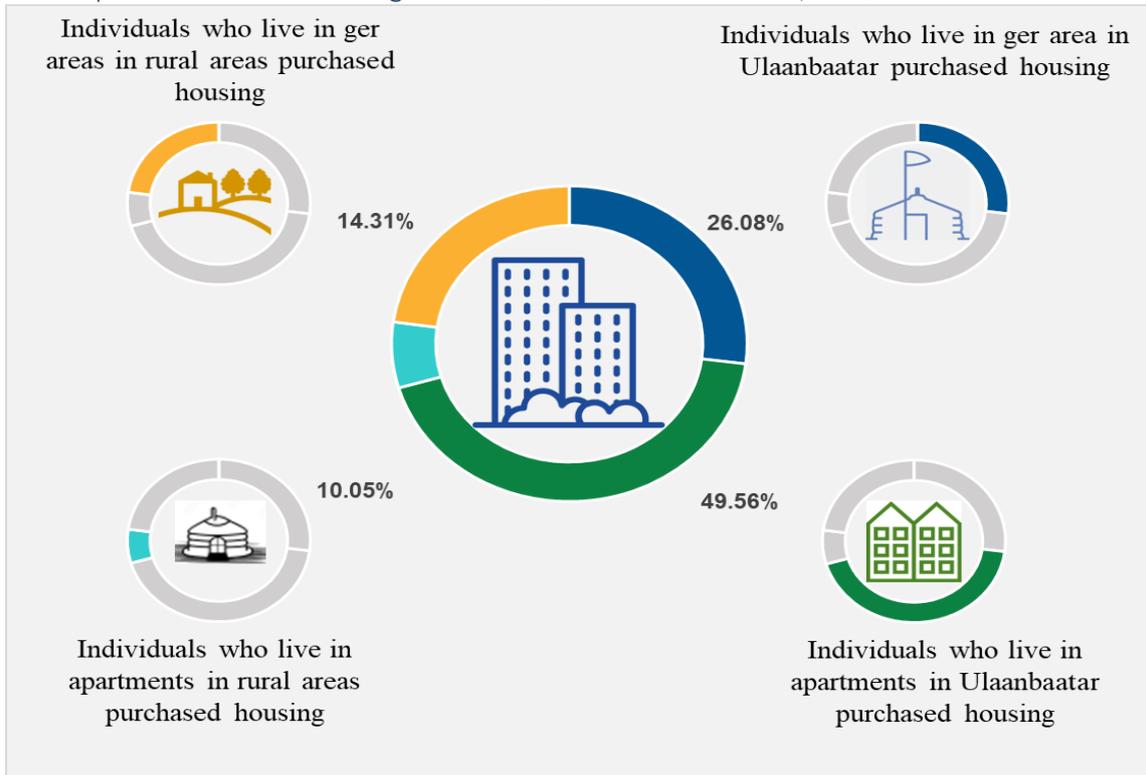
Graph 19: Geographical distribution of collateral assets located in Ulaanbaatar /by districts of Ulaanbaatar /



Source: "MIK HFC" LLC

Under the AHFP, 26.08% of borrowers who own apartments in Ulaanbaatar have migrated from the ger area and improved their living conditions.

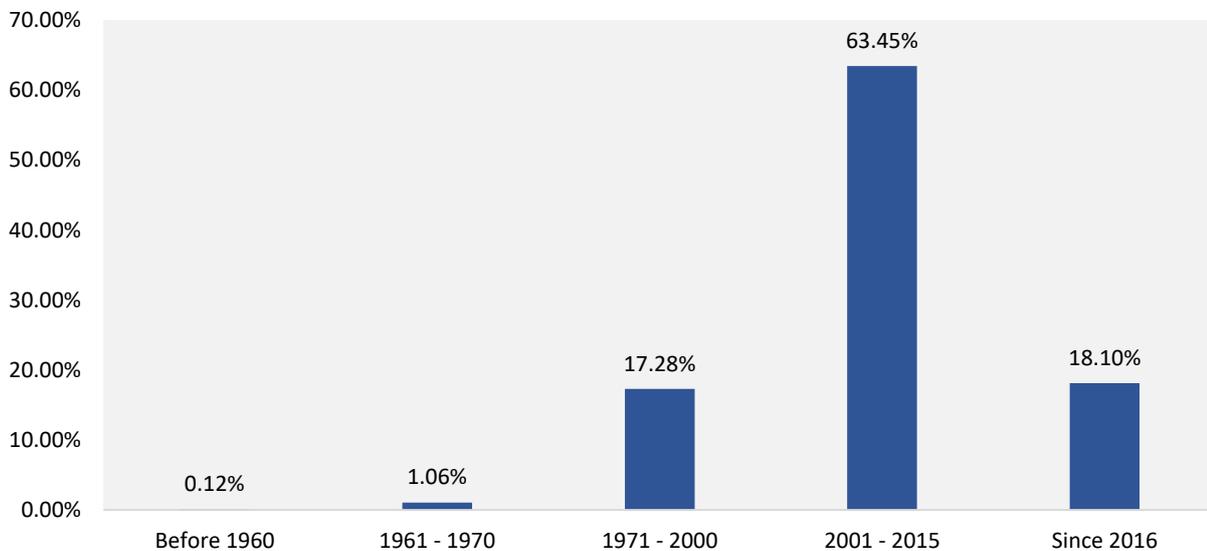
Graph 20: Impact on Borrowers' Living Conditions /as of December 31st, 2021/



Source: "MIK HFC" LLC

As of December 31st, 2021, 63.45% of the total collateral constitutes apartment units that were built between 2001 to 2015.

Graph 21: Information on the year in which the collateral commissioned



Source: "MIK HFC" LLC

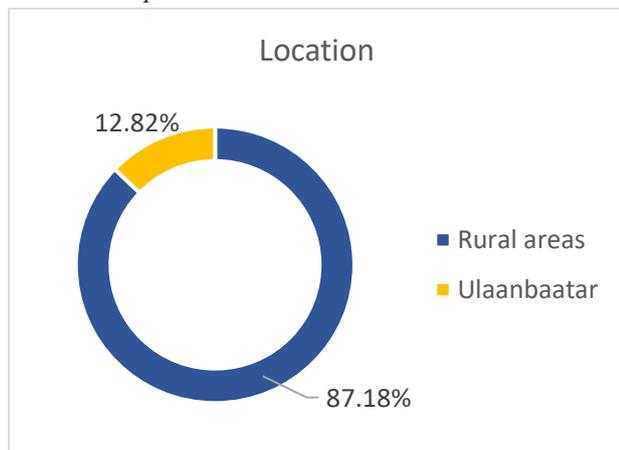
PWOR portfolio of “MIK HFC” LLC’s resource

Due to the forced liquidation of Capital Bank by the Order A-96 of the Governor of the Bank of Mongolia on April 8th, 2019, MIK HFC has registered 4 PWR portfolios on its balance sheet, which had been previously purchased by MIK HFCs Internal fund and KFW fund.

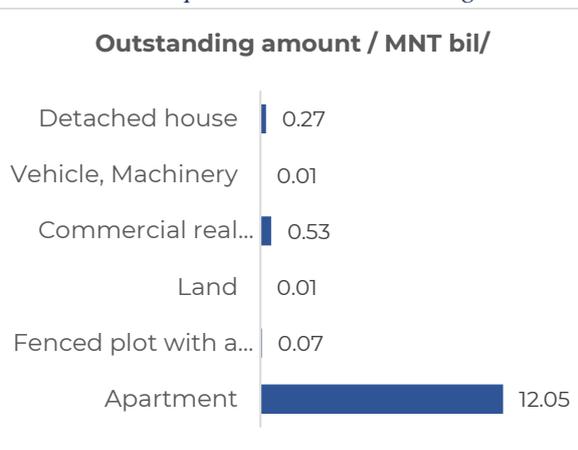
In addition, “MIK HFC” LLC has registered a loan portfolio of MNT 11.5 billion to its balance sheet as part of receivables settlement activities from Chinggis Khaan Bank.

As of December 31st, 2021, there are 190 loans with a balance of 12.94 billion MNT registered in these portfolios.

Graph 22: Loan location



Graph 23: Loan outstanding



Securitization - RMBS

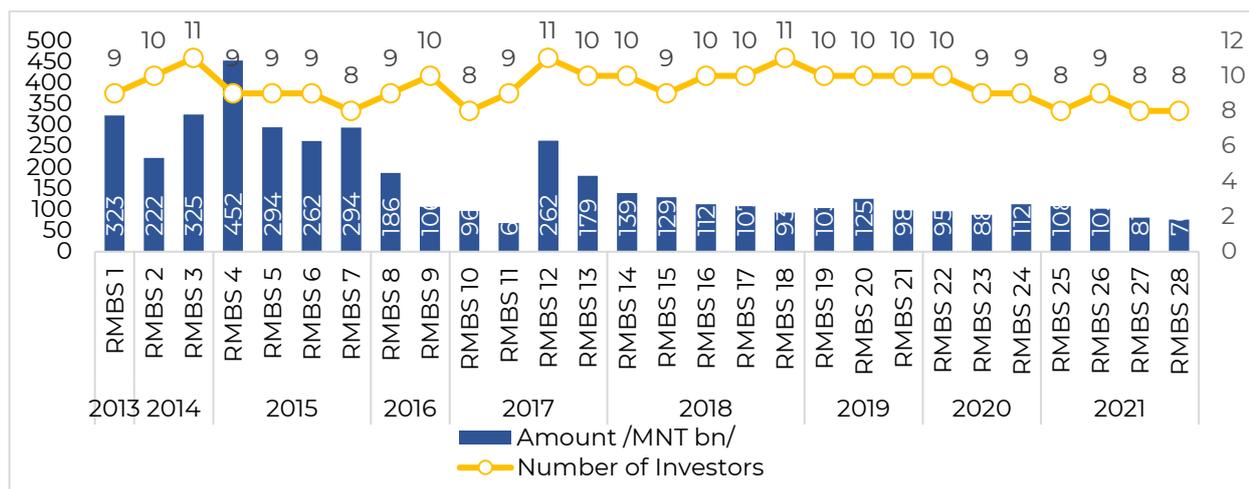
The balance sheet of a bank or financial institution consolidates long-term mortgages and other financial receivables, secures the assets and the markets from which they are issued, and ensures the ability to borrow financial resources that can be used to issue securities.

MIK HFC LLC is working to improve the liquidity of commercial banks by securing long-term mortgage loans in the housing finance system, thereby increasing access to mortgage loans.

Under the Law on Asset-backed Securities, “MIK HFC” LLC can establish an SPC and obtain a license from the FRC to trade on the stock market.

Under the AHFP implemented by the Government of Mongolia, “MIK HFC LLC” has securitized 28 transactions and issued MNT 4.6 trillion in RMBS. In 2021, a total of 367 billion MNT was securitized with mortgages through RMBS 25 to 28.

Graph 23: Information on all RMBS



Source "MIK HFC" LLC

Fiduciary management and transaction administration

On December 16th, 2013, MIK HFC was granted a special license to conduct Fiduciary managerial activities. Since then, the Company has operated fiduciary management according to Asset-Backed Securities Law and other relevant legislation.

As of the end of 2021, market total of 28 SPCs are established in the Mongolian financial and issued a total of MNT4.6 trillion in RMBS.

MIK HFC manages RMBS assets through each of the twenty eight SPCs, Executing a Trust deed agreement to protect investor rights and make securities payments.

Fiduciary manager service provides the following under the Asset-Backed Security Law and Trust deed agreement conducted with SPC.

- Protecting the interest of investors under the asset-Backed Securities Law;
- Prepare and maintain bookkeeping, including but not limited to the necessary registers prescribed by law;
- Prepare fiduciary management reports and introduce them to the Board of SPCs, Investor, and FRC quarterly;
- Transfer principal and coupon payments from RMBS issued by each SPC in a timely fashion.

Throughout the RMBS issuing process, the MIK HFC acts as a Transaction Administrator by the agreement between MIK HFC and SPCs, among other activities. Such as:

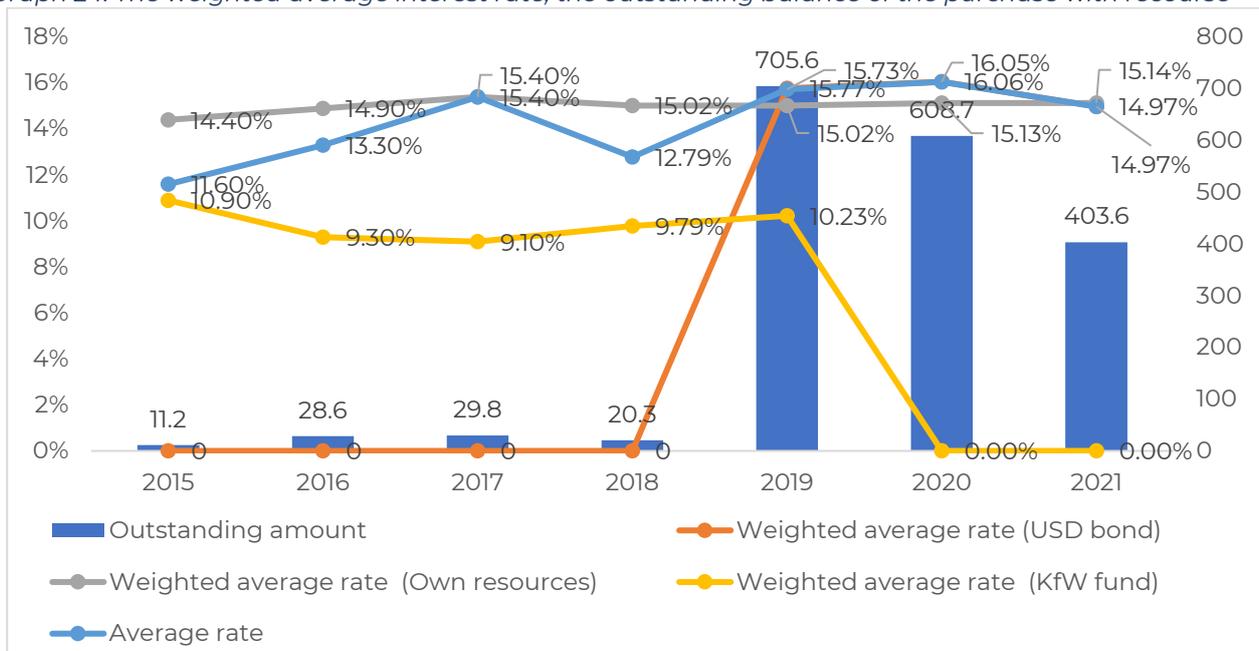
- Provide corporate administration and secretarial services to each SPC, submit requests to FRC, and issue and register the RMBS;
- Prepare and maintain the accounting records of the each SPC in accordance with IFRS and deliver the relevant person the reports;
- Review and analyze the data received from the service providers, and audit the annual financial statements of the bond issuer;
- Provide legal and risk advice to Fiduciary manager about permitted investment;
- Receive and summarize the information related to the aggregate portfolio from the participating banks, including loan status, repayment reports, quality, and the financial statements to the Investors and the FRC quarterly;
- To settle the non-performing loans, interests, and the other debts in the aggregate portfolio of the SPC and act immediately to secure the performance of collateral with collateral following the decisions made by the judicial or law enforcement agencies relating to non-performing loans.

Purchase with recourse

“MIK HFC” LLC has been purchasing loan portfolios from banks and financial institutions with recourse since 2008. This improves the bank’s liquidity and creates new sources of credit, which will allow the banks to issue loans again. On the other hand, it reduces banks’ capital costs, prolongs their term, and improves borrowers’ mortgage terms. Within the framework of this activity, “MIK HFC” LLC purchased a total of MNT 1,356.56 billion in 116 transactions from 11 banks and seven non-bank financial institutions by its internal fund resources, KfW fund, and USD bond fund raised from the international market.

A portfolio of MNT 413.47 billion was purchased from funds raised on the international markets with a weighted average interest rate of 14.97 percent per annum during the reporting period.

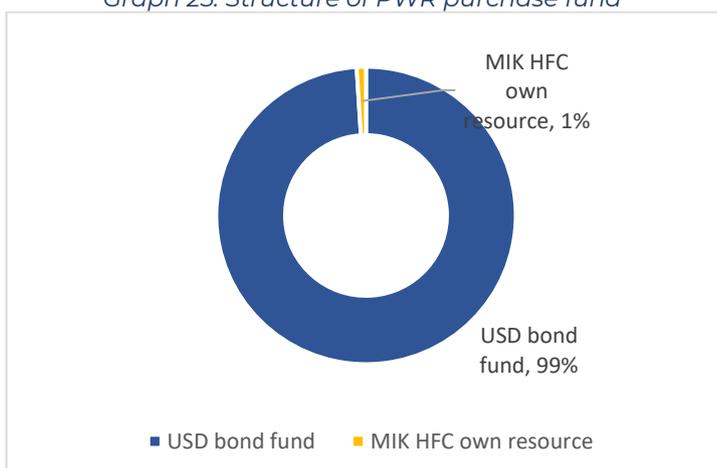
Graph 24: The weighted average interest rate, the outstanding balance of the purchase with recourse



Source “MIK HFC” LLC

At the end of the reporting period, the Company had an outstanding balance of MNT 403.65 billion (6,923 borrowers) and remained registered in the PWR portfolio.

Graph 25: Structure of PWR purchase fund



Source “MIK HFC” LLC

Graph 26: Information on collateral assets under transaction with recourse



Source "MIK HFC" LLC

Sources of PWR purchase fund

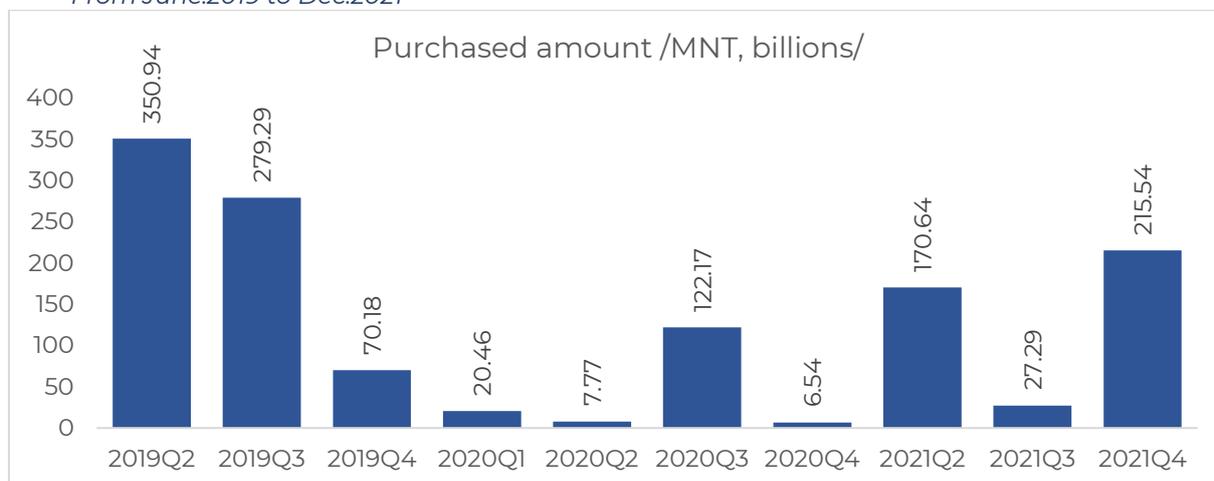
USD bond fund raised from the international market.

As of the end of the 4th quarter of 2021, MIK HFC purchased MNT 1,270.81 billion in mortgage loans through 44 PWR transactions from 7 banks and six non-bank financial institutions by USD bond fund raised from the international market.

MNT 1,084.41 billion was purchased from 7 banks and six non-bank financial institutions with a weighted average interest rate of 14.97 percent per annum, and USD 66.13 million was purchased from 1 non-bank financial institution and one bank through 3 transactions.

At the end of the reporting period, the USD bond-funded PWR portfolio has an outstanding balance of MNT401.68 billion consisting of 6,869 borrowers.

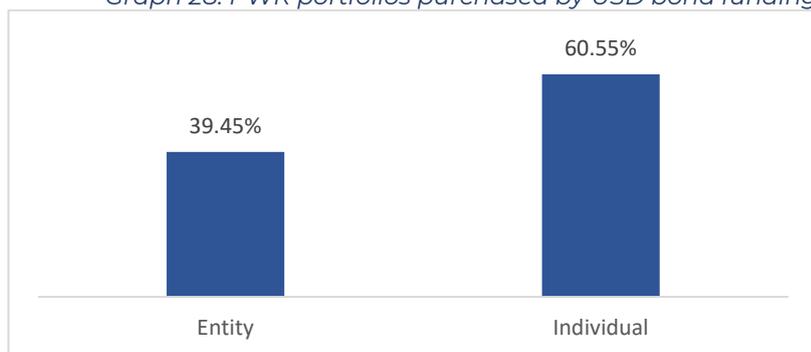
Graph 27: Process of acquisition mortgage loan portfolio with 300 million USD bond funding From June.2019 to Dec.2021



Source "MIK HFC" LLC

Aside from purchasing residential mortgages, MIK HFC has purchased long-term mortgages of business entities. 39.45% of the total disbursement of the USD bond fund was used to purchase mortgage loans provided to business entities.

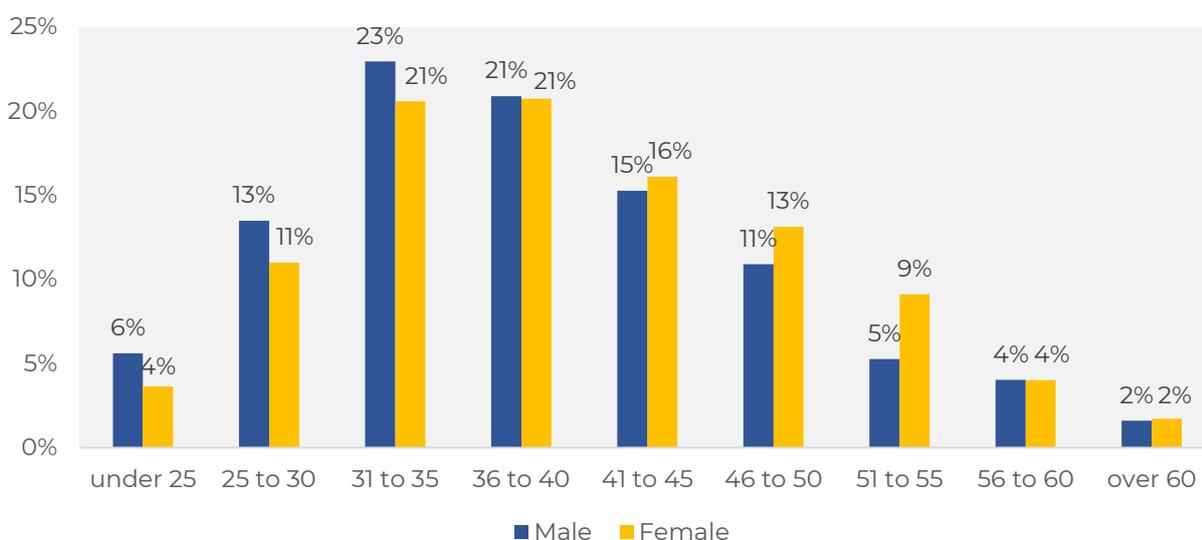
Graph 28: PWR portfolios purchased by USD bond funding / by borrower type /



Source: "MIK HFC" LLC

In terms of age structure, the majority (58.25%) of total borrowers of the mortgage portfolio purchased with 300 million USD bond funds are aged between 30 to 45.

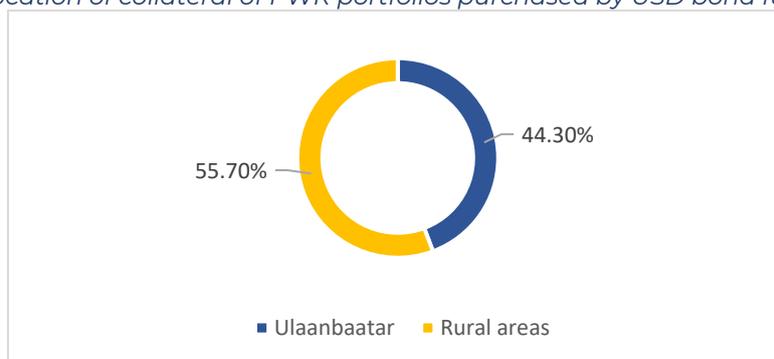
Graph 29: PWR portfolios purchased by USD bond funding/information of borrower's age and gender /



Source: "MIK HFC" LLC

55.7% of the total collateral assets of the purchased mortgage portfolio are located in Ulaanbaatar.

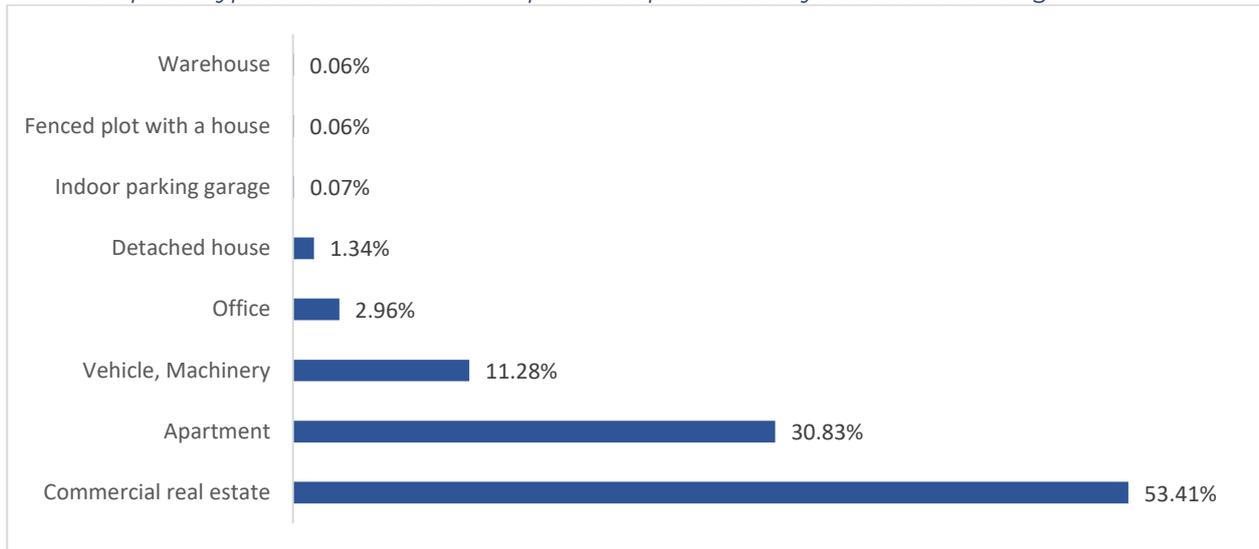
Graph 30: Location of collateral of PWR portfolios purchased by USD bond funding



Source: "MIK HFC" LLC

By collateralized assets under the PWR portfolio purchased by the USD bond fund, 53.41% is commercial real estate, while 30.83% is residential apartments.

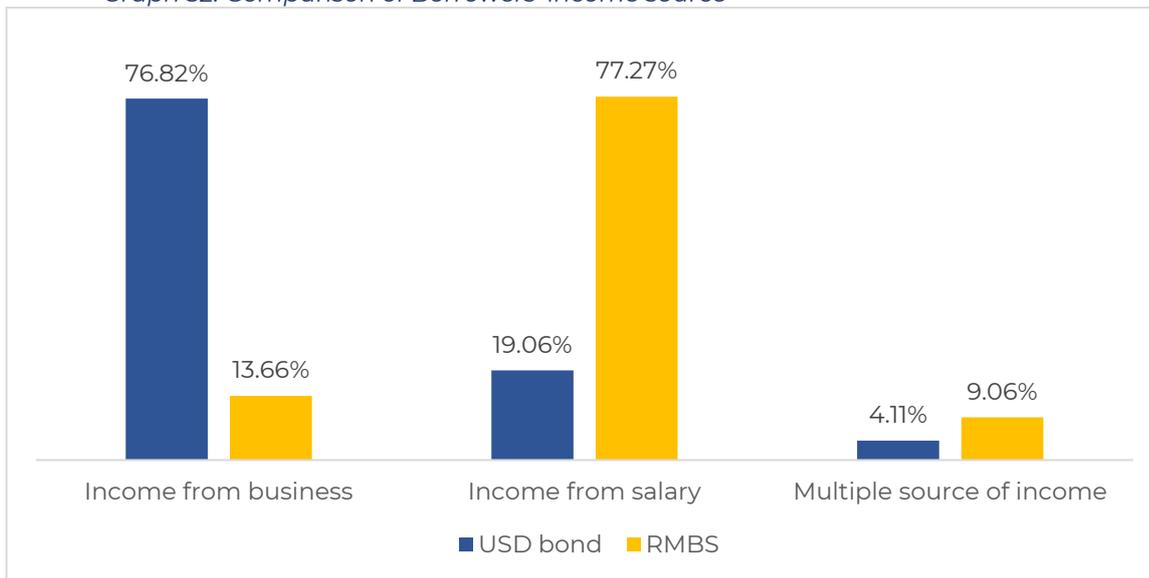
Graph 31: Types of collateral of PWR portfolios purchased by USD bond funding



Source: "MIK HFC" LLC

By the source of income, 19.06% of the borrowers produce income from salary, while 76.82% are self-employed.

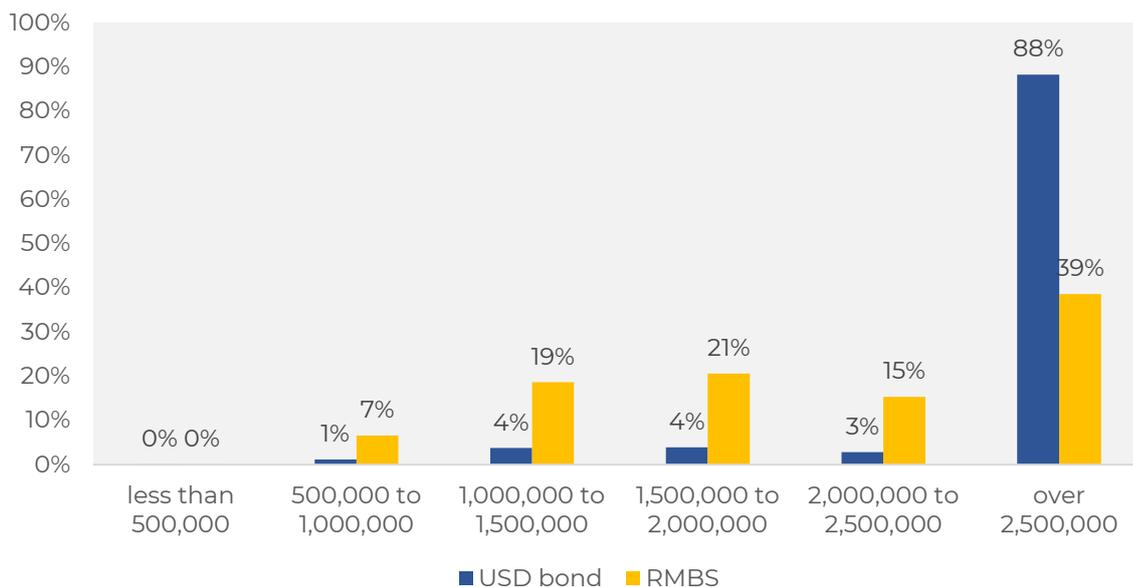
Graph 32: Comparison of Borrowers' income source



Source: "MIK HFC" LLC

Borrowers with more than MNT 2.5 million in revenues accounted for the largest share in the portfolio, and RMBS portfolios purchased from USD bond fund sources.

Graph 33: Comparison of Borrowers' household income amount



Loan portfolio management

Since mortgage loans can last up to 30 years, MIK HFC performs asset portfolio management activities to ensure timely repayment of mortgage loans, maintain high levels of yield from the loan portfolio, and mitigate credit risk associated with the loan portfolio for the life of the RMBS.

During the reporting period, the Company received and processed 8,573 requests to amend the structure of the agreement signed with the originating banks. The servicing banks approved and processed an additional 95,927 repayment rescheduling requests while providing notification of changes to the FRC under issuing residential mortgage-backed securities, registering, and issuing special license procedures.

Table 3: Information of borrowers' requests as of December 31st, 2021

Type of acquisition	Processed	Total	Type of request			
			Repayment rescheduling	Changing borrower	Changing collateral owner	Changing collateral
PWOR	MIK HFC	8,291	8	369	122	7,792
	Servicing Banks	95,927	95,927	-	-	-
PWOR total		104,218	95,935	369	122	7,792
PWR	MIK HFC	94	-	-	-	94
	Servicing Banks	-	-	-	-	-
PWR total		94	-	-	-	94
PWOR (MIK)	Capital bank	-	99	6	2	13
	Chinggis Khan bank	-	44	1	1	22
PWOR (MIK) total		188	143	7	3	35

Source: "MIK HFC" LLC

The Company received and processed 21 collateral change requests during the reporting period, and 7,900 collaterals were partially and fully released.

Table 4: Information of collateral, changed and released as of December 31st, 2021

Type of acquisition		Total	Changing collateral	Releasing collateral	
				Full release	Partial release
PWOR		7,792	21	6,705	1,066
PWOR total		7,792	21	6,705	1,066
PWR	MIK	-	71	1	-
	USD	-	57	-	2
PWR total		129	-	128	1

Source: "MIK HFC" LLC

During the COVID-19 pandemic, under the decision of mortgage loan repayment deferral, the Government of Mongolia and the Bank of Mongolia gave directions that mortgage loan repayment must be postponed by extending the loan term without increasing the outstanding loan amount.

Under the 2nd decision of mortgage loan repayment deferral, the repayment of 49,141 loans amounting to MNT 2.52 trillion of "MIK Asset 1-25 SPC" LLCs portfolios were deferred, and the repayment schedule was updated. As of December 31st, 2021, under the 3rd decision of mortgage loan repayment deferral, out of 48,667 repayment rescheduling requests, the repayment of 46,637 loans amounting to MNT 2.42 trillion of "MIK Asset 1-28 SPC" LLCs portfolio has been deferred, and the repayment schedule has been updated.

Table 5: Information of mortgage loan repayment deferral as of December 31st, 2021

"MIK Asset 1-28 SPC" LLCs	Deferred loan information		
	Loans	Amount (MNT, millions)	% in portfolio
Mortgage loan repayment deferral (2)	49,141	2,525,774.7	88.2%
Mortgage loan repayment deferral (3)	46,637	2,417,928.4	80.9%

Source: "MIK HFC" LLC

In 2021, the Company returned loans amounting to MNT 680.8 billion in mortgages back to the originating banks due to the trigger of the recourse clause. Additionally, MIK HFC swapped and registered MNT 66.1 million loans with loans amounting to MNT 64.5 million.

Table 6: Information of loans swapped and repurchased by banks (MNT, millions)

Type of acquisition	Repurchased by banks	Swapped	
	Amount	Amount /Bank received/	Amount /MIK received/
PWOR	161.41	-	-
PWR	680,664.3	66.1	64.5

Source: MIK HFC

Mortgage insurance

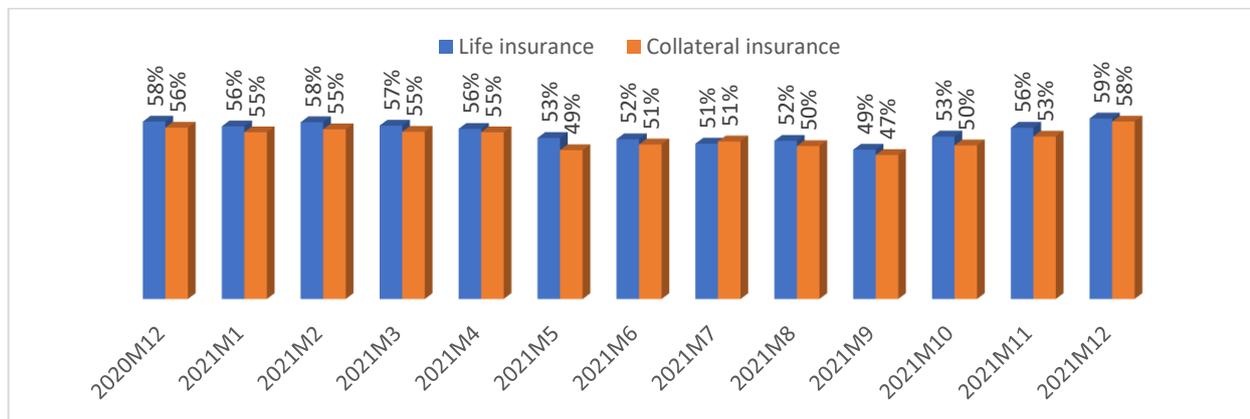
MIK HFC complies with the FRC's "Mortgage insurance procedure," amended on June 6th, 2018. This procedure requires mortgagors to maintain life, health, and property insurance over the course of a mortgage.

MIK HFC monitors each loan's life and property insurance in the mortgage portfolio of its SPCs continuously through service-providing banks. Insurance extension and insurance case information are received and monitored monthly via the "Insurance Module" system between MIK HFC and the service-

providing bank. As a result, the Company continuously improves its mortgage insurance status by sending reminder letters to banks concerning the percentage of life and property insurance valid and comparative studies with other service-providing banks.

Compared to the end of last year, the life insurance coverage rate increased by 1.00% and property insurance coverage by 2.00%.

Graphic 34: Insurance coverage of the loan portfolio



In 2021, a total of 155 life and collateral insurance cases occurred under the following causes

Graphic 35: Life and collateral insurance cases:

Type of Insurance	Causes of Insurance	Cases	Insurance claim
Life Insurance	Loss of work ability- Household accident	14	65,503,576.20
	Death-illness	9	645,611,629.89
	Death-Accident	6	223,102,461.79
	Other	5	5,393,955.94
Collateral Insurance	Plumbing	101	71,112,895.60
	Natural Disaster	16	11,442,885.00
	Other	4	10,155,346.00

RISK MANAGEMENT SYSTEM

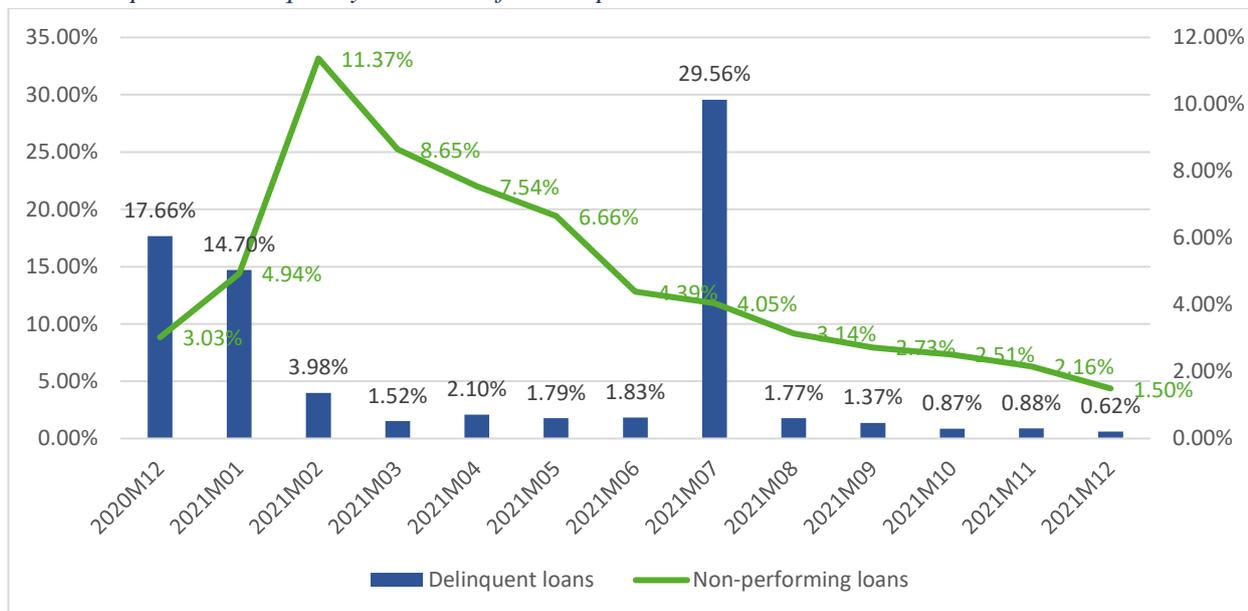
Credit risk management

Credit risk is risks concerning the failure of borrowers to comply with contractual obligations that may lead to financial loss to the Company. Therefore, credit risk management involves taking measures to prevent, identify, monitor, evaluate, and report on the quality of the loan portfolio to be purchased and ensure the continuity of the borrower's life and collateral insurance. During the reporting year, the following activities were implemented within the credit risk management framework.

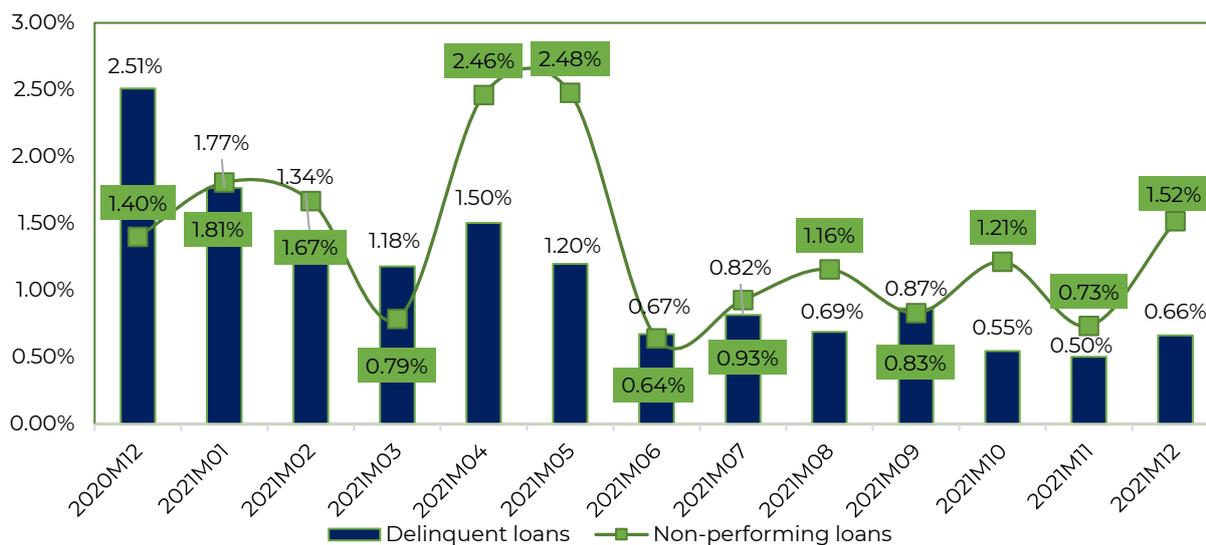
- The decision to purchase a mortgage pool is based on independent legal and financial secondary analysis. Independent auditors are selected through an open tendering process. All 4 SPCs established in 2021 underwent independent secondary analysis to evaluate prudent levels for each mortgage portfolio.
- IFRS 9 – Financial Instrument was adopted in 2018 to evaluate credit risk in a compliant way with international standards. Mortgage loan portfolio risk is assessed by calculating loan impairment provision in accordance with IFRS 9 and assured by an independent auditing company. Shareholders and investors use the results of the implementation of IFRS 9 to make risk-assessed decisions.
- To transfer the credit risk, we obtain information about life and collateral insurance of borrowers from servicing banks to ensure the continuity of insurance for each loan in the portfolio. Collateral information is received monthly, and we require service providing banks to keep the continuity of the collateral.
- To mitigate the credit risk on delinquent mortgage loans, the Company, on an ongoing basis, receives information about the measures taken and planned from the servicing banks on each of the 13,218 loans that were overdue for more than 30 days and collaborates with the servicing banks to settle outstanding amounts on high-risk mortgage loans.
- During the reporting period, out of total loans which were 30 days past due, the Company took action on 1,056 loans by the following measures: 275 loans were repaid in principal, 711 loans were settled out of court, 31 loans were repaid through a court decision, moreover 9,237 delinquent loans were returned to normal state.
- The “Past-due loan monitoring” system, which records overdue and non-performing loans reported from servicing banks monthly, has been updated and introduced into the operation of servicing banks as a test mode. In addition, the introduction of the “High-Risk Collateral” module has been implemented to prevent the RMBS from purchasing loans with high-risk collateral.
- On April 8th, 2019, the Governor of the Bank of Mongolia (BoM) signed an order A-96 to liquidate Capital Bank and cease its operation. The bank failed to fulfill its duties to take necessary actions. As a result, the loan portfolio of MNT 2.1 billion of the bank's 63 borrowers was transferred to a new service provider bank.
- The Company terminated the “Servicing Agreement” with Chinggis Khaan Bank as the bank breached its “Servicing Agreement” and the “General Agreement on the Sale and Purchase of the Loan Portfolio.” The bank's RMBS portfolio has been transferred to a new service provider. About 40 percent of the total receivables have been settled as part of the settlement of receivables in the bank's trust account and collection account.
- The Company terminated the “Servicing agreement” with the National Investment Bank as the bank breached contractual obligations under the “Servicing Agreement” and delayed payments. The RMBS portfolio was transferred to a new service provider, and the total receivables in the bank's trust and payment collection accounts were fully settled.
- To promptly sell non-performing loans with recourse terms to the servicing financial institutions, we receive repayment reports twice a month and sell non-performing loans promptly.

Although the COVID-19 pandemic had negative impacts on the economy, such as decreased household income and increased unemployment rate, with the effective credit risk-mitigating measures described above, at the year-end of 2021, non-performing loans made up 1.50% of the total purchased mortgage pool.

Graph 36: Delinquency and NPL of PWR pools



Graph 37: Delinquency and NPL of PWR pools



Counterparty risk management

Counterparty risk is the likelihood of incurrence of financial loss due to the probability that the counterparty may not fulfill its part of the deal or may default on the contractual obligations.

To mitigate this risk, the Company has implemented internationally accepted best practices used for counterparty credit rating and methodologies for setting the deal limit to minimize any possible risks arising from counterparty risk. Following decisions are made following the methods mentioned above: setting limits on cash and deposit accounts held in banks, setting the limits on purchasing loan portfolios with recourse,

and investing decisions in a third party. Implementation of the counterparty deal limit is monitored and reported regularly.

Market risk management

Market risk is the risk associated with the fluctuations of market variables such as but not limited to the policy rate, GDP, and foreign exchange rate, which can affect the value and income of the Company. MIK Group Company regularly performs foreign exchange, interest rate, liquidity/solvency, and macroeconomic risk analysis.

Currency risk

The Company uses VAR to assess exchange rate risk and requires losses from exchange rate fluctuations not to exceed above 15% of its total assets. The risk management department conducts monthly exchange rate risk analysis and provides the results to relevant departments and management. Exchange rate risk is mitigated through SWAP agreement by transferring the risk to a third party. For the reporting period, the Company kept the internally set requirement (losses from FX fluctuation not to exceed 15% of the total assets).

Liquidity risk

The quick ratio and solvency ratios are used to measure liquidity risk. A quick ratio is the ratio of net cash outflow for the next 30 days to liquid assets. Under the Company's internal rule of risk management, the quick ratio is required to be above 100% at all times. As of reporting date, MIK HFC LLC kept the ratio adequate and planned to continue the risk monitoring and reporting process under the Risk Appetite for the upcoming years.

A liquidity gap report measures the solvency of the Company. MIK Group Company internally requires the accumulated net liquidity gap to be greater than 0. At the reporting date, the accumulated net liquidity gap was positive.

Interest risk

Interest rate risk is calculated as the difference between the assets and liabilities with the floating interest rate and the difference between the interest-bearing assets and the interest expense liabilities. On a recurring basis, the risk management department reports the interest gap report to corresponding departments and management.

Prepayment risk

Mortgage loan prepayment risk is directly affected by macroeconomic variables such as savings rate.

Since the pandemic, there has been a significant increase in loan prepayment amounts of purchased mortgage pools of SPCs, mainly due to the four-time loan deferral program implemented by the Government of Mongolia. The loan deferral program allowed borrowers to pay their principal amount during the deferral period through prepayments. This program decreased the maturity date of a purchased mortgage pool without recourse.

Operational risk management

The Company implements operational risks that may occur due to employees, internal processes, systems, or externally based on the three lines of defense model in risk management.

Within the reporting period, we focused on strengthening and continuously improving the operational risk management framework and performed the following activities:

- ✓ Per the International Finance Corporation’s (IFC) recommendations, MIK revised the ‘Risk Policy’ and ‘Operational Risk Procedure,’ and the “Fraud Prevention Policy” approved by Board.
- ✓ To improve awareness of Operational risk, the differences between the first line and second line of defense, and the roles of stakeholders in each line, we conducted the training for all employees to build a risk culture throughout the company.
- ✓ To increase the usage of the Risk assessment methodology in the first line and simplify the monitoring and calculation of the risk assessment results in the second line, we automated the Risk Control Self-Assessment Methodology.
- ✓ In preparation for implementing process-based risk management, the Company’s Business processes were identified and mapped.

During the last two years, to protect the health of employees and ensure business continuity, all employees and their families were fully covered by the COVID-19 insurance of National Life Insurance LLC. In addition, MIK provides workplace guidelines and recommendations following the COVID-19 pandemic situation and decisions from the State Emergency Commission, and its implementation was organized effectively.

Compliance risk management

In the reporting year, the following activities were performed regularly in accordance with the compliance policy and operating procedures, and the implementation was reported to the Board and executive management.

- Define compliance, enforce and monitor compliance in accordance with laws and policies;
- Identify, assess, monitor, and recommend compliance risks;
- Implement customer identification activities.

Implement the process of amending the Compliance Policy, Compliance Procedures, Anti-Money Laundering and Terrorism Financing Procedures, revising the Code of Conduct, and reporting the Compliance Activity Report to the Board of Directors of MIK Holding JSC in line with the recommendations of the International Finance Corporation’s corporate governance assessment.

MIK Group has developed and implemented the Company’s internal control program to combat money laundering and terrorism financing under the Mongolian Law on Combating Money Laundering and Terrorism Financing, regulations, recommendations, and standards of international and domestic regulators.

Workshops were organized accordingly to increase compliance knowledge and skills, introduce compliance activities, and provide relevant knowledge and information on ethics. Regular internal training is organized for all employees and new employees of the Company.

In addition, in accordance with the Company’s compliance policy and international compliance management standard ISO37301: 2021, each company employee has started to comply with international standards according to the principle of being a compliance officer.

RESOURCE MANAGEMENT

Human resource management

Human resource policy supports the management team by developing human resources policy and strategy within the framework of the Company's mission and objectives to create and strengthen highly competitive human resources in the sector within the framework of making the Company the best employer in the banking and financial sector.

Throughout 2021, we have focused on building a team of talented and qualified employees, increasing productivity, and increasing employee satisfaction. We also outlined our long-term human resource strategy, goals, and objectives related to the new strategy.

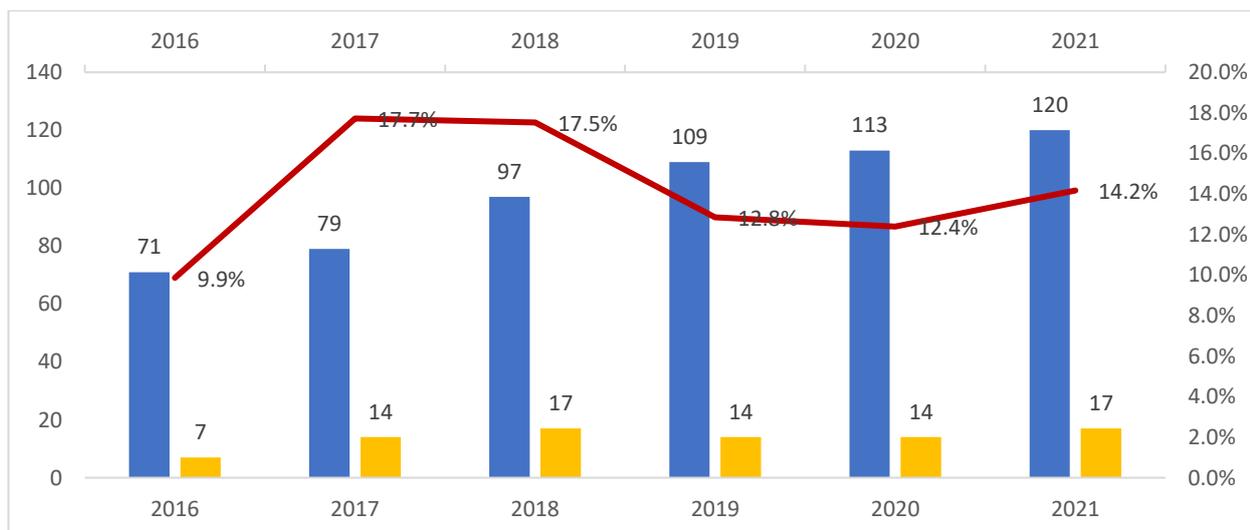
To ensure our employees' continuous and effective career development, we have ensured a balanced gender ratio in promotion and appointment.

As part of the Company's corporate social responsibility, we are training students to be future successors in the financial sector, providing them with continuous employment, and enrolling them in the Company's tuition scholarship program.

Human resource development

In 2021, MIK planned to increase the number of employees to 145 within the framework of the organization's restructuring as part of its goal to increase funding for housing. However, as the global pandemic situation (COVID19) worsened and its socio-economic impact deepened, we had 120 staff. The average turnover rate 14.2%.

Figure 38: Human resource and labor turnover 2016 - 2021



Training and development

During the reporting period, we focused on improving the professional skills of our employees and gradually improved the knowledge and skills of our employees by training them in local professional organizations in the areas of Strategic Planning, Project Management, Revised Labor Law, Law, Finance, Taxation, and Information Security. A total of 88 employees were trained.

Human resource statistics, Human resource recruitment, and selection:

Thirty-one vacancies were advertised in the labor market, 1,325 applications were received, 176 job applicants were interviewed, and 21 new employees were selected. Four employees are recent graduates, and 18 have previous work experience in banking and financial institutions.

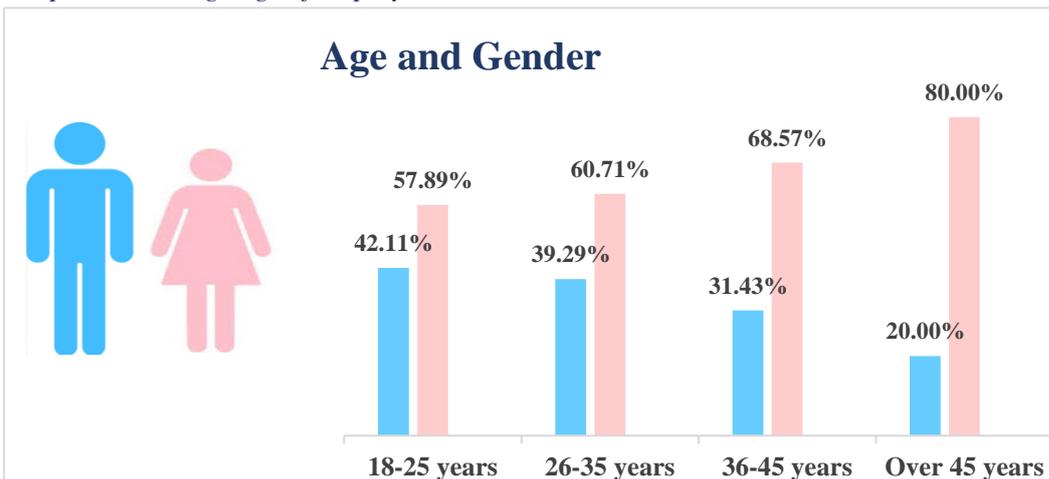
Within the Company, seven employees were promoted to the position of senior specialist, Director of departments and divisions, and successfully implemented the career development policy.

Human resource statistics

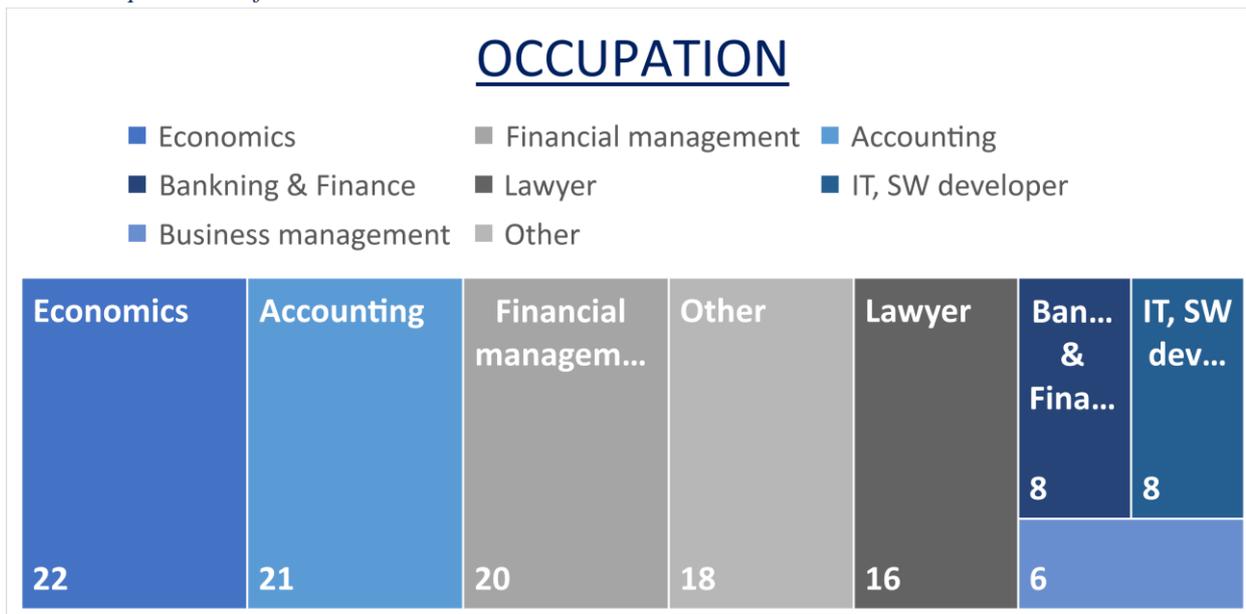
Graph 39: Number of employees



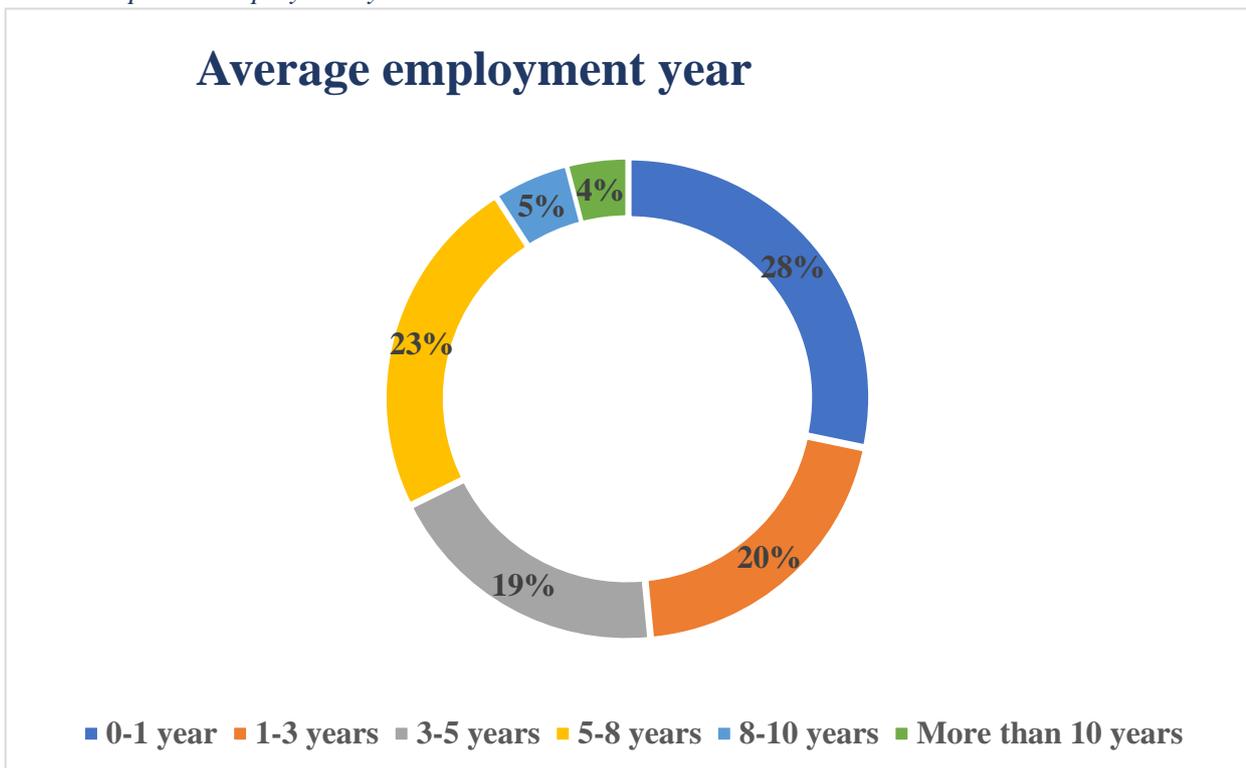
Graph 40: Average age of employees



Graph 41: Profession



Graph 40: Employment year



Information Technology

Among the significant information technology milestones at MIK in 2021 are:

Work to ensure the Company's profitability:

- Developed and implemented the Office Record-Keeping Module;
- Developed and implemented a module for recording company rules, orders and decisions;
- The development of software to automate the authorization of system users has been completed;
- As part of the design and implementation of the integrated reporting software, two new reports have been prepared in the Standard Reporting Program and a new LCR Liquidity Report in the XML Analyzer program;

- Developed and introduced a loan repayment registration software;
- Developed and introduced the CorporateGateway service as part of our efforts to automate bank account income transaction reports.

The rationale for the development of the Company's information technology infrastructure:

- Server room relocation plan developed. A new cooling system and fire extinguishing system were installed. The server computers were moved to regular operation. The server relocation was completed on schedule;
- Network and intranet cables are managed by cable management and ready to move in. Network cables are connected to the patch panel;
- Network devices and intercom devices were relocated and returned to regular operation;
- During the Covid-19 epidemic, a physical server was set up throughout the Company to create a virtual server for employees to work remotely to ensure safety for all employees. We created 18 virtual servers, each with six employees. Developed instructions for remote operation. Ensured regular operation of the virtual server.

FINANCIAL MANAGEMENT

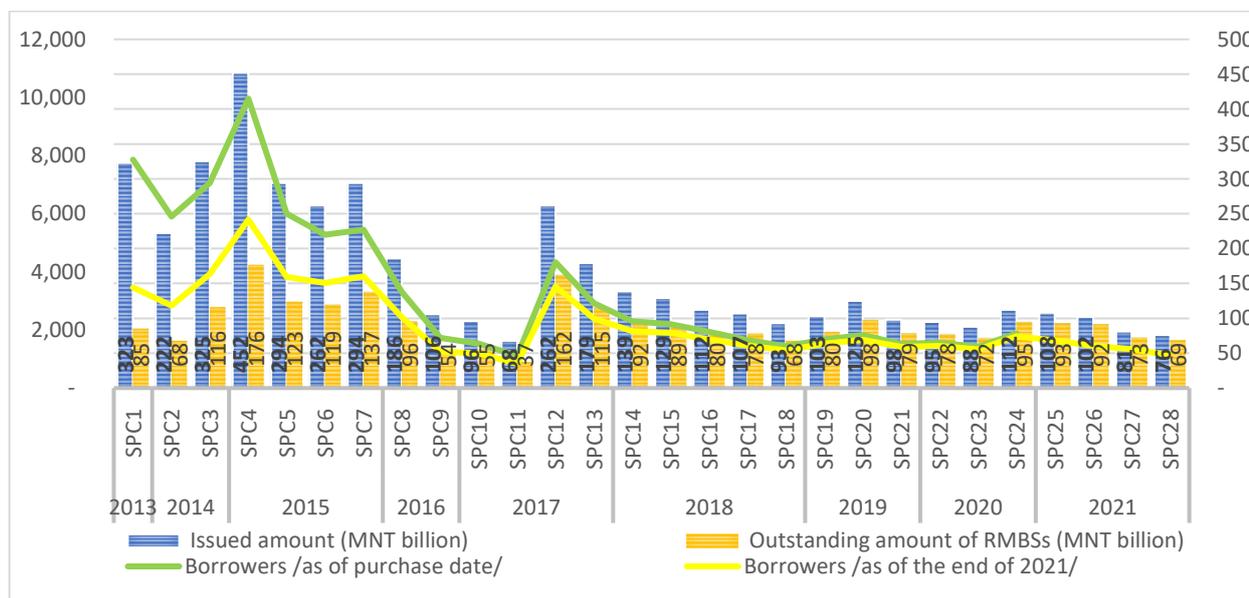
The Company has been conducting daily financial activities of MIK Holding JSC, MIK HFC, MIK Real Estate LLC, MIK Protego First LLC, and Twenty-eight SPCs in accordance with the accounting policies that comply with IFRS and Mongolian legislation in the following aspects:

- Manage the Company’s cash accurately, ensure liquidity, analyze financial results, and develop forecasts.
- Manage the daily financial operations such as payments and bookkeeping of the Company and its subsidiaries per the agreements established with the service provider banks, investors, and bondholders.
- Provide the authorities, international credit rating agencies, investors, and bondholders with the financial results, statements, or any required information and data.

Accounting of Residential Mortgage-Backed Securities

From 2013 to 2021, MIK HFC has issued MNT 4.6 trillion in RMBSs through its Twenty-eight SPCs. As of December 31, 2021, the total outstanding balance of RMBSs amounted to MNT 3.1 trillion. Since 2013, under the purchase without recourse business, the Company has managed a total of 87,477 loan accounts and provided accounting services for each corresponding party. As of the end of the fiscal year, the total number of borrowers were 61,955.

The total amount of RMBSs issued and number of borrowers (per SPC)



In 2021, within the Group’s business plan, MIK established "MIK Asset Twenty-five to Twenty-Eight SPC" LLC, and issued MNT 367.0 billion of RMBSs which consists of 5,647 borrowers of 4 loan portfolios. In 2021, the Company paid MNT 302.1 billion for principal payments and MNT 44.4 billion for coupon payments to the senior bondholders, and MNT 30.8 billion for coupon payments to the junior bondholders, with the total amount of MNT 377.4 billion through the MSCD respectively.

Total bond payments for the year (per SPCs)

Pool	Total payment			Principal payment of Senior bond			Coupon payment of Senior bond			Coupon payment of Junior bond		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
RMBS 1-25	426.0	397.8	377.4	277.3	248.3	302.1	110.1	106.4	44.4	38.7	43.2	30.8

Total payments made for the year (per SPCs)



Accounting of mortgage loan portfolio with recourse

In 2021, the Company purchased MNT 424.8 billion of mortgage loans with recourse through 14 deals financed by the funds raised from the international market.

Accounting of mortgage loan portfolio with recourse (indicators from 2017 to 2021)

Year	2017	2018	2019		2020		2021
Fund	Internal	KfW	Bond	KfW	Bond	KfW	Bond
Purchase	14.8	3.7	700.4	1.2	156.9	0.2	424.8
Total	MNT 14.8 billion	MNT 3.7 billion	MNT 701.6 billion		MNT 157.1 billion		MNT 424.8 billion

As of December 31, 2021, the outstanding balance of the purchase with recourse (PWR) payable was MNT 421.8 billion. The Company manages the accounting total of 4867 borrowers' payments in cooperation with six commercial banks under PWR.

Key financial performance

At the end of 2021, MIK's total assets increased by 3.9% from the previous year to MNT 4.23 trillion. The following are the main reasons:

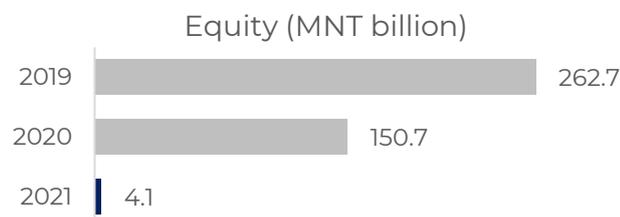
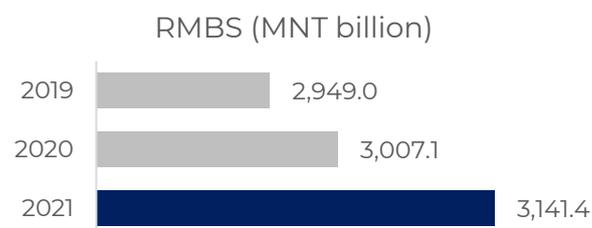
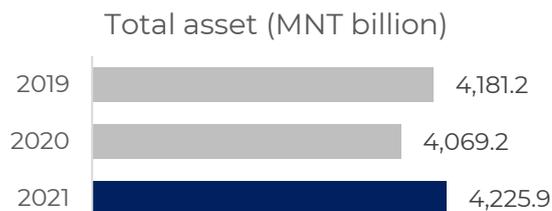
In 2021, MIK established four SPCs, issued a total of MNT 397 billion in RMBS, and purchased mortgages of MNT 367 billion.

As of December 31, 2021, the total RMBS outstanding balance was MNT 3.1 trillion, which constituted 74.3 percent of total liabilities, while the bond issued on the international market constituted 21.7% of total liabilities.

In 2021, net interest income increased to MNT 88.7 billion. However, the loan deferrals impacted the interest income.

Due to the mortgage payment deferral program, the Company had a loss of MNT 146.6 billion which caused the equity to drop to MNT 4.1 billion at the end of 2021.

A total of 49,619 borrowers have applied for the deferral program under the AHFP. With this, the Company reflected the effects of loan deferrals in its financial statements in accordance with IFRS 5.4.3 and established an impairment loss fund of MNT 96.2 billion.



Financial ratios

Key financial ratios	2020	2021	Change %
Total liabilities / Total assets	94.99%	98.1%	1.39%
Total liabilities / Total equity	18.96	52.6	29.53%
Financial leverage	19.96	53.6	27.64%
Net interest margin	2.09%	2.21%	-0.13%
Return on assets (ROA)	-2.71%	-3.53%	-4.19%
Return on equity (ROE)	-54.16%	-189.29%	-77.18%
Book value per share /MNT/ (BVPS)	9,886.02	271.96	-42.62%
Earnings per share /MNT/ (EPS)	-7,342.79	-9,614.06	-306.43%

INDEPENDENT FINANCIAL AUDIT

Statement by the Chairman of the Board and the Chief Executive Officer

STATEMENT BY CHAIRMAN AND EXECUTIVES

We, Khashchuluun Chuluundorj, being the Chairman of the Board of Directors of MIK Holding JSC, Gantulga Badamkhatan, being the Chief Executive Officer, and Sansar Ganbaatar, being the Chief Financial Officer, primarily responsible for the consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs"), as issued by the International Accounting Standards Board ("IASB").



Khashchuluun Chuluundorj
Chairman of the Board of Directors

Gantulga Badamkhatan
Chief Executive Officer

Sansar Ganbaatar
Chief Financial Officer

Ulaanbaatar, Mongolia
Date: 29 April 2022

MIK HOLDING JSC AND ITS SUBSIDIARIES

For the year ended 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	2021	2020
	MNT'000	MNT'000
Interest income	363,864,023	371,396,730
Interest expense	(275,178,917)	(287,720,558)
Net interest income	88,685,106	83,676,172
Fee and commission expense	(9,614,343)	(9,585,005)
Other operating income	3,505,711	11,214,327
Total operating income	82,576,474	85,305,494
Credit reversal/(loss expense) on financial assets	11,099,582	(17,457,868)
Net gain/(loss) on financial assets at fair value through profit or loss.	4,502,108	(8,431,481)
Net gain/(loss) on change in fair value of derivative financial instruments.	(15,942,190)	22,758,108
Modification loss on purchased mortgage pool receivables	(196,070,244)	(163,810,050)
Modification gain on collateralized bonds	14,484,838	-
Net operating income/(loss)	(99,349,432)	(81,635,797)
Operating expenses	(13,101,897)	(12,084,699)
Other operating expenses	(20,284,503)	(33,539,392)
Loss before tax	(132,735,832)	(127,259,888)
Income tax credit/(expense)	(13,848,678)	15,305,193
Loss for the period, representing the total comprehensive loss	(146,584,510)	(111,954,695)

MIK HOLDING JSC AND ITS SUBSIDIARIES

As at 31 December 2021

Consolidated Statement of Financial Position

	2021	2020
	MNT'000	MNT'000
ASSETS		
Cash and bank balances	549,820,809	224,428,670
Debt instruments at amortised cost	80,766,979	95,649,826
Mortgage pool receivables with recourse	364,341,576	614,463,700
Other loan receivables with recourse	44,840,080	-
Purchased mortgage pool receivables	2,901,349,797	2,854,533,413
Financial assets at fair value through profit or loss	145,499,187	146,268,450
Derivative financial instruments	66,638,901	78,274,700
Other assets	30,180,342	2,776,836
Property and equipment	37,709,674	32,353,623
Intangibles	201,833	200,196
Income tax prepayment	1,566,195	830,239
Deferred tax assets	3,009,508	19,419,016
TOTAL ASSETS	<u>4,225,924,881</u>	<u>4,069,198,669</u>
LIABILITIES AND EQUITY		
Accounts payable	13,194,729	15,136,583
Borrowed funds	41,581,993	41,919,385
Debt securities	1,004,976,075	825,603,454
Mortgage backed bond	3,141,395,589	3,007,051,362
Income tax payable	25,875	218,008
Deferred tax payable	20,604,092	28,538,839
TOTAL LIABILITIES	<u>4,221,778,353</u>	<u>3,918,467,631</u>
EQUITY		
Ordinary shares	20,709,320	20,709,320
Share premium	52,225,115	52,225,115
Treasury shares	(62,143,136)	(62,143,136)
Retained profits/accumulated loss	(6,644,771)	139,939,739
TOTAL EQUITY	<u>4,146,528</u>	<u>150,731,038</u>
TOTAL EQUITY AND LIABILITIES	<u>4,225,924,881</u>	<u>4,069,198,669</u>

MIK HOLDING JSC AND ITS SUBSIDIARIES

For the year ended December 31, 2021

Consolidated Statement of Changes in Equity

	Ordinary shares MNT'000	Share premium MNT'000	Treasury shares MNT'000	Retained earnings* MNT'000	Total equity MNT'000
On January 1, 2020	20,709,320	52,225,115	(62,143,136)	251,894,434	262,685,733
Total comprehensive income	–	–	–	(111,954,695)	(111,954,695)
At 31 December 2020	20,709,320	52,225,115	(62,143,136)	139,939,739	150,731,038
Total comprehensive loss	–	–	–	(146,584,510)	(146,584,510)
At 31 December 2021	20,709,320	52,225,115	(62,143,136)	(6,644,771)	4,146,568

MIK HOLDING JSC AND ITS SUBSIDIARIES

For the year ended December 31, 2021

Consolidated Statement of Cash Flows

	2021	2020
	MNT'000	MNT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts	187,262,411	297,084,034
Cash received from rendering of services /interest income/	186,326,414	296,198,110
Other cash receipts	935,996	885,924
Cash payments	238,982,811	312,168,874
Cash paid to employees	4,340,314	5,229,291
Cash paid to social insurance office	1,150,656	519,168
Purchase of inventory	48,409	132,337
Payment for utilities expense	173,132	261,584
Payment for fuel, transportation fee and spare parts	25,932	36,864
Interest paid	180,030,529	267,646,224
Tax paid	17,239,013	16,097,191
Insurance paid	14,147	28,677
Other cash payments	35,960,679	22,217,538
Net cash flows from/(used in) operating activities	(51,720,401)	(15,084,840)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash receipts	939,032,449	512,702,306
Proceeds from sales of property, plant, and equipment	92,347	91,950
Proceeds from sales of investments	-	793,688
Cash received from the repayment of advances and loans made to other parties	932,632,745	509,068,202
Cash received for interest	6,307,356	2,748,466
Cash payments	14,376,872	22,175,931
Purchase of property, plant, and equipment	353,719	3,215,141
Purchase of intangible assets	-	138,877
Cash paid to acquire investments	7,000,000	-
Cash paid to acquire other long-term assets.	-	14,000
Cash advances and loans made to other parties	7,023,153	18,807,913
Net cash flows used in investing activities	924,655,577	490,526,375
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash receipts	750,008,730	16,000
Proceeds from obtaining loans and issuing debt securities	750,008,730	-
Proceeds from issuing shares and other equity instruments	-	16,000
Cash payments	1,297,551,770	479,365,871
Repayments of loans and debt securities	1,297,551,770	479,365,871
Repurchase of treasury shares	-	-
Net cash flows from/(used in) financing activities	(547,543,040)	(479,349,871)
Total net cash flows	325,392,138	(3,908,337)
Cash and cash equivalents at 1 January	224,428,670	228,337,007
Cash and cash equivalents at 31 December	549,820,809	224,428,670