ASF 2016
Market Report
/Mongolia/

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Chair, Board of Directors, MASD
Economic performance of Mongolia
GDP, at 2010 constant price
/in tn. MNT/

Q1 GDP, at nominal price
/in bn. MNT/

Source: Ministry of Finance
Total budget /in bn. MNT/

Source: Ministry of Finance
Foreign trade /in mn. USD/

<table>
<thead>
<tr>
<th></th>
<th>Sep 2013</th>
<th>Sep 2014</th>
<th>Sep 2015</th>
<th>Sep 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total turnover</td>
<td>7,923.3</td>
<td>8,068.1</td>
<td>6,397.9</td>
<td>5,780.8</td>
</tr>
<tr>
<td>Total balance</td>
<td>-1,727.6</td>
<td>-24.4</td>
<td>684.2</td>
<td>884.8</td>
</tr>
</tbody>
</table>

Source: National Statistical Office
Exchange rate /in MNT/

**MNT/USD**

- 2013: 1,659.3
- 2014: 1,888.4
- 2015: 1,995.5
- Q3 2016: 2,243.9

**MNT/CNY**

- 2013: 274.2
- 2014: 304.6
- 2015: 307.3
- Q3 2016: 336.29

*Source: Bank of Mongolia*
Inflation /in percent/

Source: Bank of Mongolia
Money supply, M2 /in tn. MNT/

Monetary policy rate /in percent/

Source: Bank of Mongolia
Total outstanding loans /in tn. MNT/

<table>
<thead>
<tr>
<th></th>
<th>Sep-13</th>
<th>Sep-14</th>
<th>Sep-15</th>
<th>Sep-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>10.1</td>
<td>12.6</td>
<td>11.9</td>
<td>12.4</td>
</tr>
</tbody>
</table>

Total deposits /in tn. MNT/

<table>
<thead>
<tr>
<th></th>
<th>Sep-13</th>
<th>Sep-14</th>
<th>Sep-15</th>
<th>Sep-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>6.4</td>
<td>8.2</td>
<td>8.3</td>
<td>9.5</td>
</tr>
</tbody>
</table>

Source: Bank of Mongolia
Total foreign currency reserves /in mn. USD/

Source: Bank of Mongolia
Payment balance /in mn. USD/

Source: Bank of Mongolia
FDI in Mongolia /in mn. USD/

Source: Bank of Mongolia
Financial sector performance of Mongolia
WHERE ARE WE?

Mongolian Financial Market vs. Other Countries

Pillar 8: Financial market development

Source: The Global Competitiveness Report
Current situation of Mongolian financial markets

• Financial sector accounts for 4.7% of GDP
  • Banking sector accounts: 4.0%,
  • Other financial sectors: 0.7%. ("Development of Financial market" National forum)

• Bank loans: Sole source of funding

• Limited liquidity: When banks stop giving loans in times of economic difficulty
According to the 2015 performance result /in bln. MNT/

- Outstanding bank loans: 11,695.7
- Trade on MSE: 546.4
- Government securities on primary market: 510.3
- Capital raised on MSE*: 20.4

*BDSec LLC, Binse JSC, Erchim bond, MMC Holding

Source: Bank of Mongolia, MSE
Capital market performance of Mongolia
Current MSE

Listed companies: **236** /as of Q2 2016/,

- Listed companies that have filed their financials with MSE: All of them,
- Listed companies that have announced 2015 dividends: **27**,
- Average amount of trading in one day, 2015: **MNT 2.7 bn**,
- Number of “Compliant” brokers: **58**
Market capitalization /in bn MNT/

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>Q3 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>1,800</td>
<td>1,671</td>
<td>1,442</td>
<td>1,262</td>
<td>1,314</td>
</tr>
</tbody>
</table>

Number of JSC

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>JSC</td>
<td>329</td>
<td>261</td>
<td>237</td>
<td>235</td>
<td>236</td>
</tr>
</tbody>
</table>

Source: MSE
Breakdown /in bln. MNT/

Trade structure

- Shares trade
- Other trade

Source: MSE
Importance of capital market in overcoming Mongolian economic difficulty

• It decreases systematic risk of financial market and shares risk.
• It improves liquidity of financial market.
• It attracts foreign investment.
  ➢ Foreign investors tend to prefer investing in regulated market, because certain risks are prevented.
  ➢ More variety of investment is offered.
  ➢ Amount of investment can vary.
• It properly distributes capital sources using local resources.
• It encourages wealth distribution.
Opportunities on Capital market

I. Recognition of the importance of capital market priority focus

II. Listed jscs have a bullish expectation on capital market development. Still low rate of delisting.

III. More IPOs coming

In short-term:

- Additional share issuance of “Suu” JSC,
- Expected IPO issuance of “Monos Group”,
- Expected 5 pilot projects through JICA project.
IV. Privatization

- Thermal power plant IV,
- Thermal power plant III,
- Thermal power plant II,
- Thermal power plant Darkhan,
- Thermal power plant Erdenet,
- Shivee Ovoo JSC,
- Baganuur JSC,
- Mongolian Agricultural Commodity Exchange,
- Telecom Mongolia,
- MSE.
V. State owned enterprises are expected to be privatized on capital market in long-term.

82 state owned enterprises

With total asset of

MNT 11.7 tn
~ USD 5.8 bn

Source: State Property Committee
/At the end of 2014/
VI. Dual listing and DR issue of more than 40 mining companies listed abroad (LSE AIM, HKEX, ASX, TRX) such as TRQ, MMC and etc.
Thank you for your attention!