



CAPITAL MARKET OF MONGOLIA

2017

AGGREGATE STATISTICS



7010-0261, 7010-0263



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ACRONYMS AND ABBREVIATIONS

CAGR	Compound annual growth rate
FRC	Financial Regulatory Commission
GDP	Gross domestic product
HFC	Housing Finance Corporation
Inv.advisory	Investment advisory
IPO	Initial public offering
JSC	Joint stock company
LLC	Limited liability company
Market cap	Market capitalization
MCSD	Mongolian Central Securities Depository
MIK	Mongolian Mortgage Corporation
MNT	Tugrik
MSCH	Mongolian Securities Clearing House
MSE	Mongolian Stock Exchange
MSX	Mongolian Securities Exchange
NBFI	Non-banking financial institution
OTC	Over-the-counter
SACCO	Savings and credit cooperative
SC	Securities company
SPC	Special-purpose company
TDB	Trade and Development Bank

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**MONGOLIA'S
CAPITAL MARKET

DEVELOPMENT**

1

CAPITAL MARKET DEVELOPMENT 2017

SEVERAL FINANCIAL MARKET INDICATORS

Banks

Number of banks.....	14
Number of branches.....	1,625
Number of employees.....	17,031
Number of clients.....	6,841,409

Non-banking financial institutions

Number of NBFIs.....	534
Number of branches.....	164
Number of employees.....	2,473
Number of clients.....	1,387,896

Securities companies

Number of securities companies.....	52
Number of branches.....	16
Number of employees.....	329
Number of clients.....	906,053

Insurance companies

Number of insurance companies.....	17
Number of branches.....	495
Number of employees.....	1,355
Number of insured.....	1,015,265

Savings and credit cooperatives

Number of SACCOs.....	290
Number of branches.....	22
Number of employees.....	501
Number of members.....	55,624

SECURITIES MARKET DEVELOPMENT INDICATORS

MARKET CAPITALIZATION

2,440.2

MNT billion

MARKET CAPITALIZATION TO GDP RATIO

9.0%

MARKET LIQUIDITY

3.2%

TOP-20 INDEX CLOSE

20,106.8

point

COMPOUND ANNUAL GROWTH RATE OF TOP-20 INDEX

18.2%

MSE ALL INDEX CLOSE

1,106.7

point

COMPOUND ANNUAL GROWTH RATE OF MSE ALL INDEX

5.3%

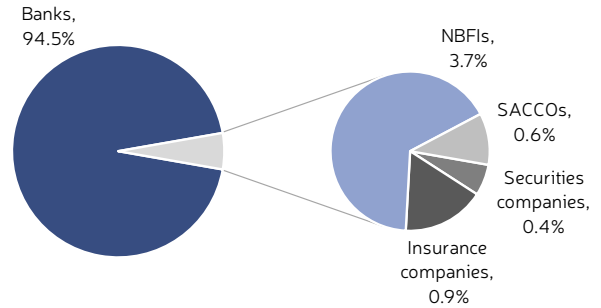
1.1 FINANCIAL MARKET DEVELOPMENT

Financial sector assets

Total assets of Mongolia's financial sector was at MNT 26.5 trillion in 2017 with 94.5% provided by banks, 0.4% by securities companies, 0.9% by insurance companies, 3.7% by NBFIs and 0.6% by SACCOs.

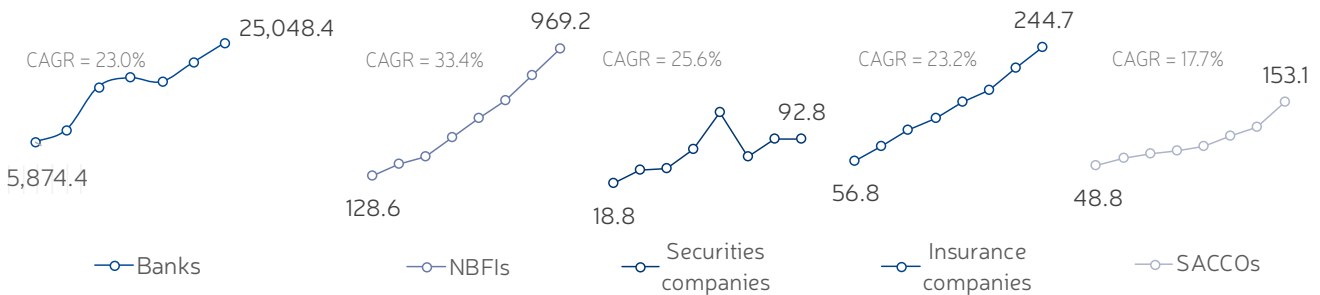
From 2010 to 2017 total assets in the financial sector increased by 23.3% annually on average. The compound annual growth rate was 23.0% for banks, 33.4% for NBFIs, 25.6% for securities companies, 23.2% for insurance companies, and 17.7% for SACCOs.

Figure 1. Financial sector total asset structure, 2017



Source: Bank of Mongolia, Financial Regulatory Commission

Figure 2. Financial sector assets, 2010-2017, MNT billion



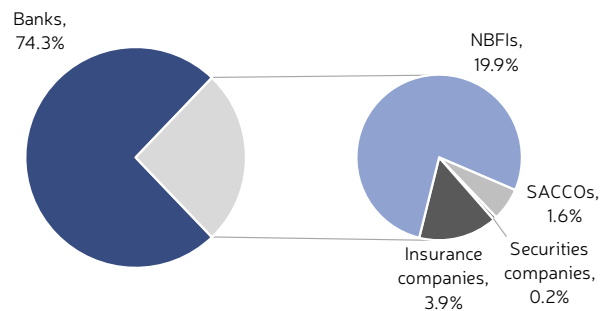
Source: Bank of Mongolia, Financial Regulatory Commission

Financial sector net income

Net income of Mongolia's financial sector companies was totaled in MNT 335.2 billion in 2017 of which 74.3% was generated by banks, 19.9% by NBFIs, 0.2% by securities companies, 3.9% by insurance companies and 1.6% by SACCOs.

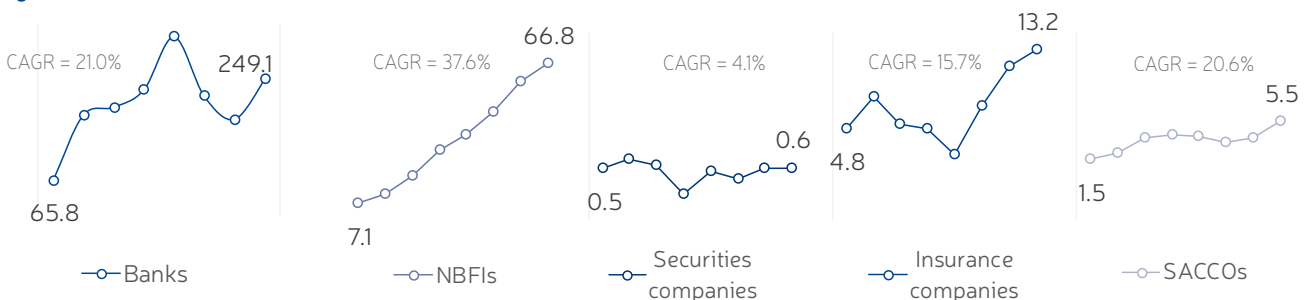
The net income of the financial sector increased by 22.8% annually on average. The compound annual growth rate was 21.0% for banks, 37.6% for NBFIs, 4.1% for securities companies, 15.7% for insurance companies, and 20.6% for SACCOs.

Figure 3. Financial sector net income structure, 2017



Source: Bank of Mongolia, Financial Regulatory Commission

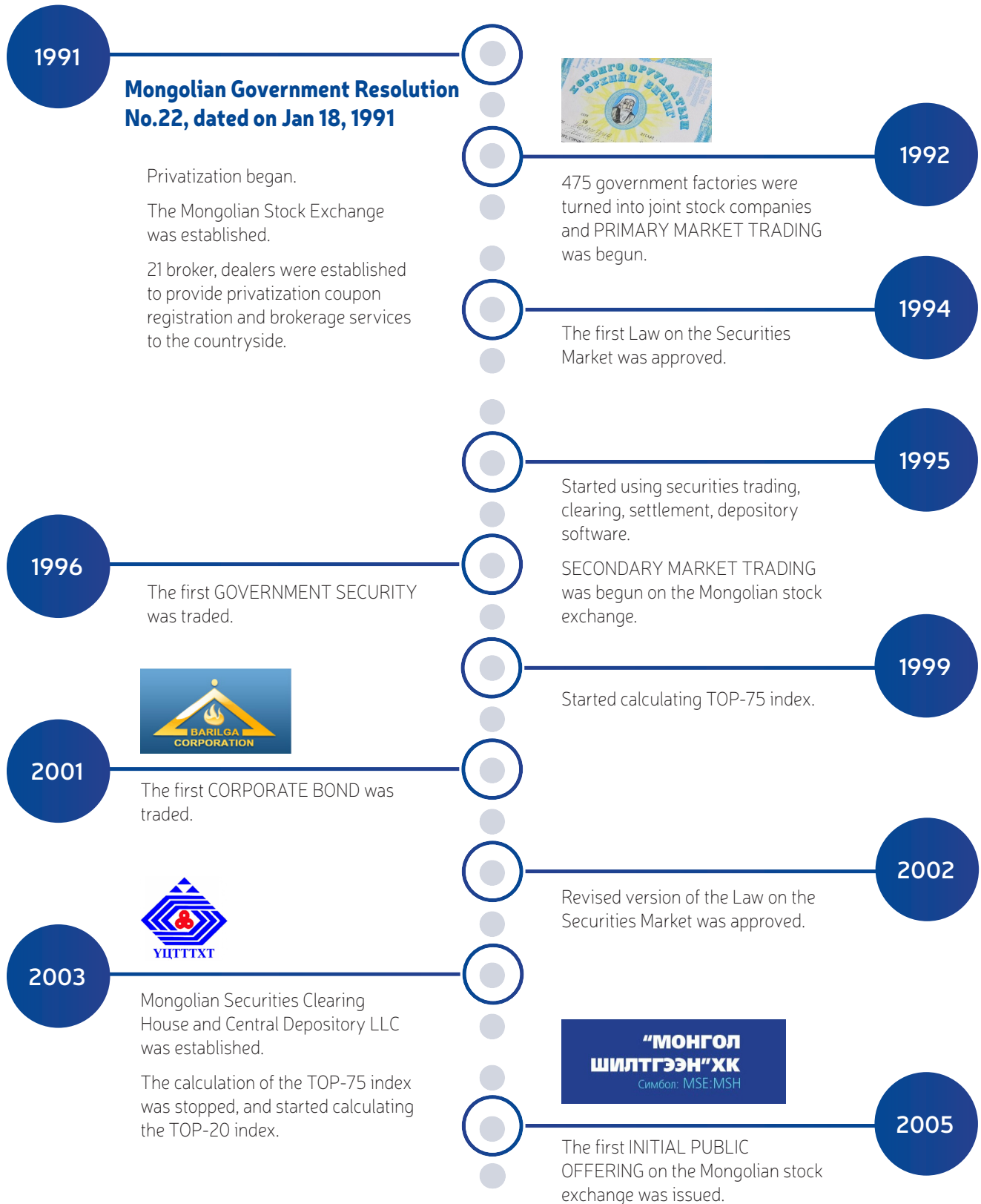
Figure 4. Financial sector net income, loss, 2010-2017, MNT billion



Source: Bank of Mongolia, Financial Regulatory Commission

- ▶ Mongolia's capital market development
- Participants in the capital market
- Investors
- Joint stock companies
- Registered securities
- Securities trading

1.2 HISTORIC EVENTS IN THE CAPITAL MARKET OF MONGOLIA



- ▶ Mongolia's capital market development
- Participants in the capital market
- Investors
- Joint stock companies
- Registered securities
- Securities trading

2007

TDB
ХУДАЛДАА ХӨГЖЛИЙН БАНК

Mongolia's first ever corporate bond was issued on the international market.

2010

MONGOLIAN MINING CORPORATION
(Stock code: 975)

The first IPO of a Mongolian company in the international market was issued.

2011

London Stock Exchange Group and the Mongolian State Property Committee signed a Master Services Agreement, confirming their intention to modernize the Mongolian Stock Exchange.

2012

ЭРДЭНЭС ТАВАН ТОЛГОЙ
ERDENES-TT

The Mongolian Stock Exchange started implementation of new trading, settlement, clearing and monitoring MIT system.

The Government of Mongolia issued its first bond on the international market.

Shares of 'Erdenes Tavan Tolgoi' JSC were distributed for free to the public.

Clearing banks started conducting settlement and clearing activities.

2013

Revised version of the Law on the Securities Market was approved.

2014

Custody banking services started in the security market.

Mongolian government securities started to be traded on the Mongolian stock exchange.

The first investment management company was established.

2015

M I K
MONGOLIAN MORTGAGE CORPORATION
МОНГОЛЫН ИПОТЕКИЙН КОРПОРАЦИ

Started calculating the MSE-ALL index.

The first asset-backed security was registered.

2016

"АРИЛЖААНЫ ТӨЛБӨР ТООЦОО" ХХК

ҮЦТХТ

Mongolian Securities Clearing House and Central Depository LLC was restructured into Mongolian Securities Clearing House LLC and Mongolian Central Securities Depository LLC.

2017

AND ENERGY

МОНГОЛЫН ҮНЭТ ЦААСНЫ БИРЖ
Mongol Securities Exchange

The first private stock exchange, the Mongolian Securities Exchange, was established and listed its first joint stock company.

Trading value on the Mongolian Stock Exchange reached its all-time high.

The Mongolian Stock Exchange, state-owned JSC, joined the Sustainable Stock Exchanges Initiative organized by the United Nations.

- ▶ Mongolia's capital market development
- Participants in the capital market
- Investors
- Joint stock companies
- Registered securities
- Securities trading

1.3 CAPITAL MARKET DEVELOPMENT INDICATORS

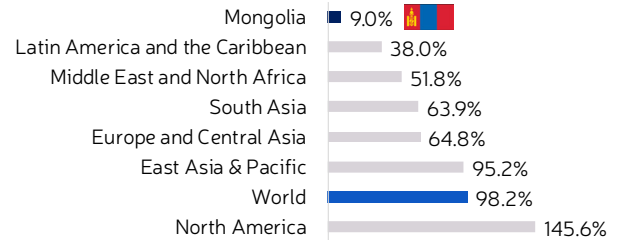
Market capitalization

In 2017, Mongolia's securities market capitalization reached MNT 2,440.2 billion, showing an increase of MNT 966.0 billion or 65.5% from the previous year.

As a percentage of the 2017 year-end nominal GDP, the market capitalization reached 9.0 percentage points, increased by 2.8 percentage points compared to the previous year.

In 2017, the world average of the market capitalization to GDP ratio was 98.2 percentage points.

Figure 5. Market capitalization to GDP ratio, 2017



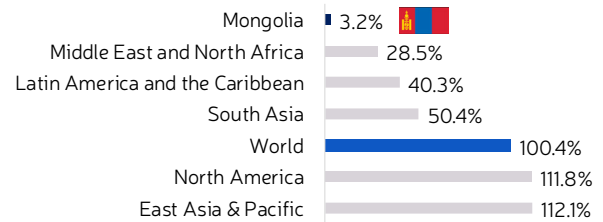
Source: World Bank, Financial Regulatory Commission

Market liquidity

A total of MNT 860.7 billion trade was executed in 2017, showing an increase of MNT 512.1 billion or 146.9% from the previous year. Of which, stocks worth MNT 78.1 billion were traded, and overall market liquidity was at 3.2%, decreased by 0.1 percentage point compared to the previous year.

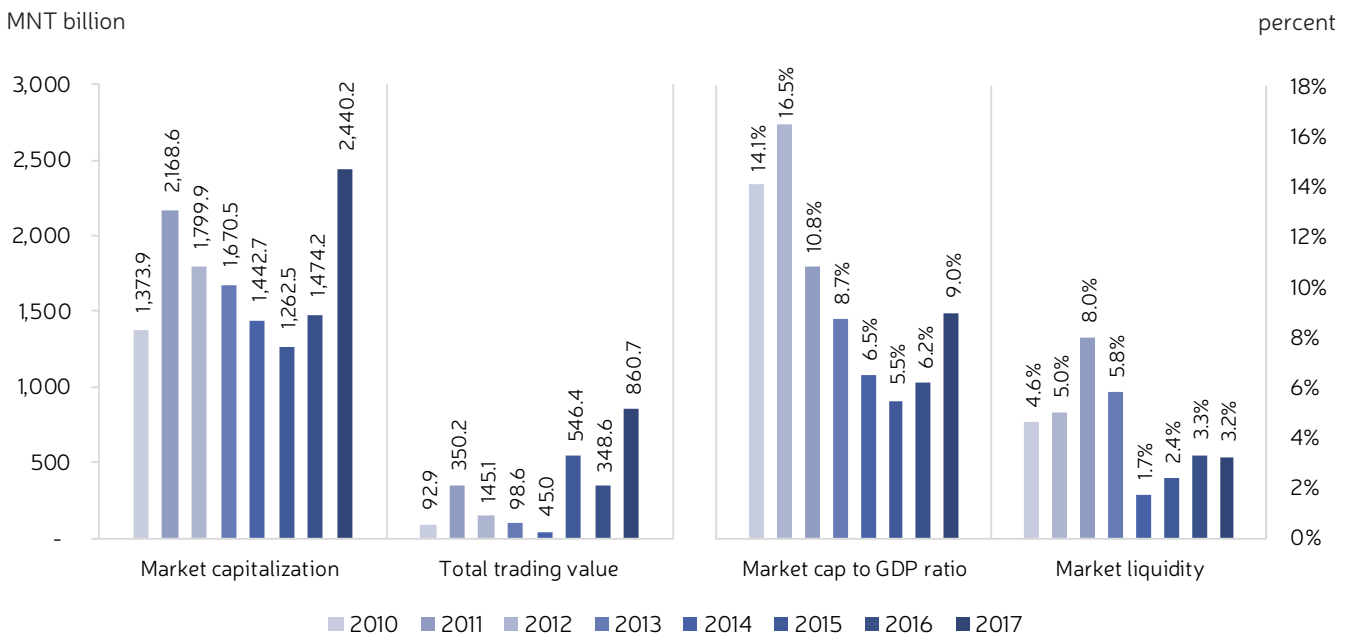
In 2017, the world average market liquidity was 100.4 percentage points.

Figure 6. Market liquidity, 2017



Source: World Bank, Financial Regulatory Commission

Figure 7. Main capital market indicators, 2010-2017



Source: Financial Regulatory Commission, MSE, MSX

Capital market indices

Market performance is measured by market indices. The MSE first started calculating the TOP-75 index in 1999. The constituents of the TOP-75 index were the best 75 companies listed on the MSE. However, since 2003, the MSE started the calculation of the current TOP-20 index, and the calculation of MSE ALL index since 2015.

In 2017, the constituents of the TOP-20 index were renewed twice in January and July.

Based on the performance of the stock in the first half of 2017, 16 securities remained in the index, while "UB-BUK", "Hermes Center", "Merex", "Remicon" were removed from the index. The new additions to the index include "BDSec", "Gutal", "Genco Tour Bureau", "Telecom Mongolia".

The MSE's TOP-20 index increased by 61.9% compared to the previous year and reached 20,106.78 points with 24,520.35 points at maximum, 11,972.11 points at minimum and 15,478.62 points on average. From 2010 to 2017, the compound annual growth rate of the TOP-20 index was 18.2 percent.

The MSE ALL index grew by 28.9% from the previous year to reached 1,106.7 points. The index average was 949.3 points with 1,329.37 points at maximum and 814.51 points at minimum. From 2010 to 2017, the MSE ALL index increased by 5.3 percent annually on average.

Table 1. TOP-20 index constituents, 2017

Nº	Company	Ticker	Market cap, MNT billion
1	APU JSC	APU	762.7
2	Tavan Tolgoi JSC	TTL	469.2
3	Gobi JSC	GOV	181.5
4	Suu JSC	SUU	87.7
5	Mongol Post JSC	MNP	55.0
6	Baganuur JSC	BAN	48.2
7	Gutal JSC	GTL	30.7
8	Talkh Chikher JSC	TCK	30.6
9	Darkhan Nekhii JSC	NEH	24.2
10	Sharyn Gol JSC	SHG	23.4
11	BDSec JSC	BDS	20.6
12	Ulsyn Ikh Delguur JSC	UID	18.7
13	Materialimpex JSC	MIE	14.9
14	Bayangol Hotel JSC	BNG	14.5
15	Telecom Mongolia JSC	MCH	14.3
16	Arig Gal JSC	EER	13.7
17	Makhimpex JSC	MMX	10.9
18	Aduunchuluun JSC	ADL	9.8
19	Khukh Gan JSC	HGN	7.1
20	Genco Tour Bureau JSC	JTB	6.1

Source: Mongolian Stock Exchange

Figure 8. Indices of the Mongolian Stock Exchange



Source: Mongolian Stock Exchange

The background features a dark blue gradient with faint, semi-transparent images of financial charts, including a candlestick chart on the left and a network diagram on the right. A large, solid blue diagonal shape cuts across the page from the top right towards the bottom left.

**CAPITAL
MARKET**

PARTICIPANTS

2

CAPITAL MARKET PARTICIPANTS 2017



MINISTRY OF FINANCE

SECURITIES TRADING ORGANIZATIONS



2



SECURITIES CENTRAL DEPOSITORY ORGANIZATION

1



SECURITIES TRADING CLEARING AND SETTLEMENT ORGANIZATION

1



MONGOLBANK CENTRAL BANK OF MONGOLIA

CLEARING BANK

4



CUSTODIAN BANK

3



FINANCIAL REGULATORY COMMISSION

SECURITIES COMPANY

52

INVESTMENT FUND

9

NOMINEE COMPANY

3

ASSET-BACKED SECURITY ISSUER

14

INVESTMENT MANAGEMENT COMPANY

17

AUDITING, PROPERTY VALUATION AND LEGAL ADVICE PROVIDERS

91

AUDITING SERVICE COMPANY

49

PROPERTY VALUATION COMPANY

21

LEGAL ADVICE COMPANY

21



SELF-REGULATORY ORGANIZATION

2

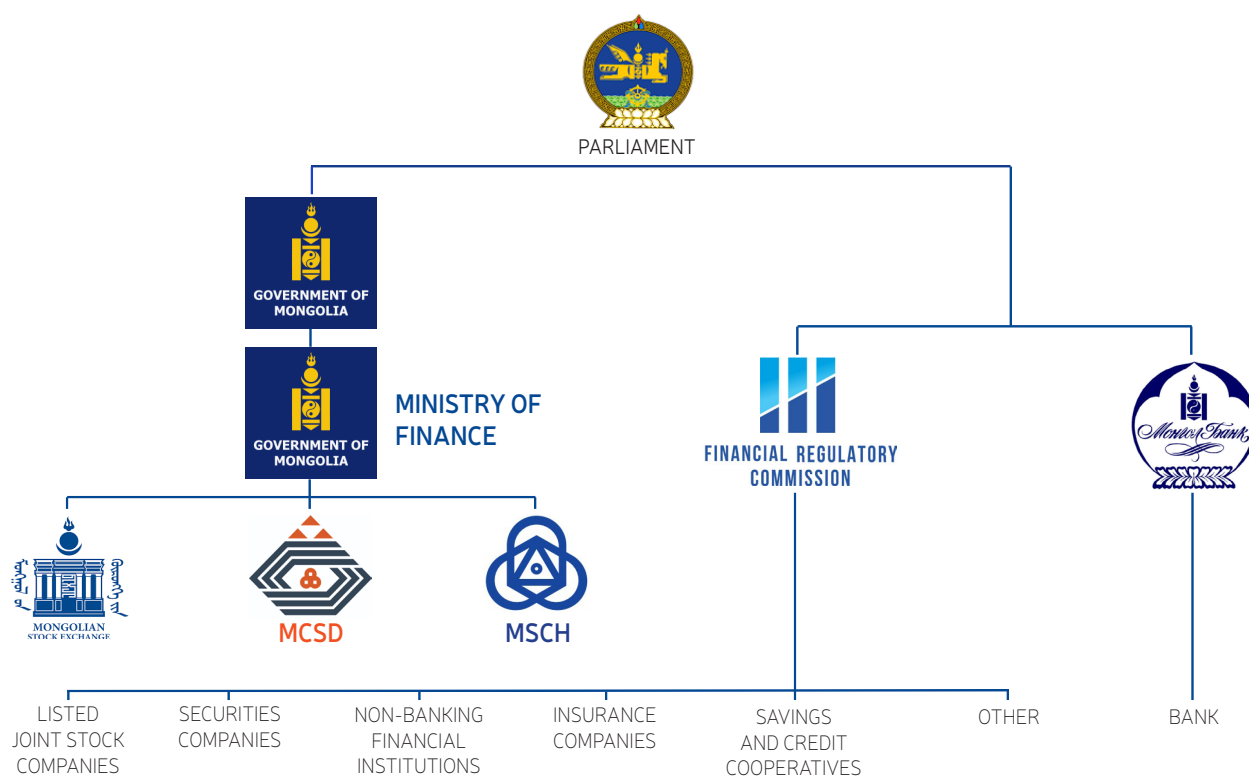
* Private company

- ▶ Mongolia's capital market development
- ▶ Participants in the capital market
- Investors
- Joint stock companies
- Registered securities
- Securities trading

2.1 REGULATORY AUTHORITY

The participants in the securities market are regulated by the Ministry of Finance, the Financial Regulatory Commission, and the Bank of Mongolia.

Figure 9. Mongolian financial market regulatory framework



Financial Stability Council

The Financial Stability Council of Mongolia was established in 2007. The primary objectives include safeguarding the financial stability of the markets by determining any kind of financial risks and managing them within the current laws and regulations. The Steering Committee of the council consists of the Governor of Bank of Mongolia, Minister of Finance and the Head of the Financial Regulatory Commission.

Ministry of Finance

The Ministry of Finance safeguards financial and fiscal stability, aims to improve living standards of the population by creating favorable financial and fiscal environment and provides optimal financial management.

Financial Regulatory Commission

The Financial Regulatory Commission strives to ensure the stability of financial market, regulate financial service institution, monitor the implementation of all relevant legislations, and protect the rights of investors and participants of the financial markets.

Bank of Mongolia

The main objective of the Bank of Mongolia is to ensure the stability of the national currency. In order to implement its objectives, the Bank of Mongolia shall conduct activities such as issuing currencies into transaction, formulation and implementation of State monetary policy, acting as the Government's fiscal intermediary, supervision of the banking activities, organization of inter-bank payments and settlements, holding and management of the State's reserves of foreign currencies.

2.2 SECURITIES TRADING ORGANIZATION (STOCK EXCHANGE)

“Mongolian Stock Exchange” state-owned JSC

The Mongolian Stock Exchange was established in 1991 by the decree of the Mongolian Government to implement the Government's plan for privatization of state-owned enterprises and further develop domestic securities market.

“Mongolian Stock Exchange” state-owned JSC creates a marketplace for buying and selling securities and derivatives and organizes securities trading. The main objectives of the Stock Exchange is to list stocks of companies according to certain requirements and criteria, classify securities, organize fair and transparent securities trading, provide information about trading to public and protect the rights of investors.

Table 2. Mongolian Stock Exchange, 2017

Year of establishment	1991
Type of ownership	State-owned joint stock company
Market capitalization of listed companies	MNT 2,436.3 billion
Number of newly listed securities in 2017	1 IPO, 1 bond
Number of listed companies	219
Number of member securities companies	50
Settlement cycle	T+1
Total assets	MNT 4,970.7 million

“Mongolian Securities Exchange” closed JSC

The Mongolian Securities Exchange acquired securities trading and clearing licenses from the Financial Regulatory Commission of Mongolia and started operating in 2015. The Mongolian Securities Exchange organizes securities trading and provides post-trade clearing service.

The MSX is able to organize traditional as well as margin trading.

Table 3. Mongolian Securities Exchange, 2017

Year of establishment	2015
Type of ownership	Private closed joint stock company
Market capitalization of listed companies	MNT 3.9 billion
Number of newly listed securities in 2017	1 IPO
Number of listed companies	1
Number of member securities companies	9
Settlement cycle	T+3
Total assets	MNT 4,988.2 million

2.3 SECURITIES CENTRAL DEPOSITORY ORGANIZATION

“Mongolian Central Securities Depository” LLC

In 2002, ‘Mongolian Securities Clearing House and Central Depository’ LLC separated from the Mongolian Stock Exchange and was established as a fully state-owned legal entity. Since 2016, ‘Mongolian Securities Clearing House and Central Depository’ LLC was divided into two companies namely ‘Mongolian Central Securities Depository’ as well as ‘Mongolian Securities Clearing House’.

The organization maintains the register of securities ownership and central depository and receives information related to the transfer of securities ownership rights based on the agreement with the issuer, stores them in a database and report them in terms of related laws.

Custodian bank

It is a bank providing a service that deposits securities relating to ownership and exercising other rights of ownership certified by the securities. Custodian bank keeps and safely maintains its own accounts separate from the accounts of its clients and each client's account separate from those of others.

As of 2017, three banks have received a custodian service license from the Financial Regulatory Commission of Mongolia. These are Trade and Development Bank of Mongolia, Khan bank and Golomt Bank.

2.4 SECURITIES TRADING CLEARING AND SETTLEMENT ORGANIZATION

“Mongolian Securities Clearing House” LLC

From 2015 to 2016, “Mongolian Securities Clearing House and Central Depository” was reorganized, and fully state-owned “Mongolian Securities Clearing House” LLC with main objective to conduct securities clearing and settlement activities was established in accordance with the order of finance minister.

“Mongolian Securities Clearing House” LLC conducts post-trade settlement and clearing activity. Following a securities trade, “Mongolian Securities Clearing House” LLC determines the payments that the parties which participated in the trade should make in accordance with a contract or agreement on a contract-by-contract and aggregate basis and makes the relevant financial and accounting records, prepares trade settlements, issues payment processing request to settlement institution, transfers the payment by the purchaser to the account of the seller in accordance with the instructions and delivers relevant information to securities depository.

Currently, the entity is conducting post-trade clearing and settlement activity as well as executing principal and interest payments of the Government securities issued in the domestic market.

Clearing bank

It is a legal entity authorized to execute the cash settlement of securities trading in accordance with the instructions received from MSCH. The settlement bank is a service that executes a cash settlement of securities transactions through a commercial bank's account in terms of buy/sell side trading.

As of 2017, four clearing banks operating in Mongolia. These are Trade and Development Bank, Khan Bank, Golomt Bank and Xac Bank.

Among 36 member securities companies of the MSE, 22 companies have their securities settlement done by the Xac Bank, 9 - by the Trade and Development Bank, 7 - the Golomt Bank and 6 - by the Khan Bank.

“Mongolian Securities Clearing House” LLC made a total of MNT 54.6 billion interbank payments, of which MNT 18.5 billion (33.9%) was Xac Bank, MNT 13.3 billion (24.4%) was Khan Bank, MNT 11.4 billion (20.8%) was Trade and Development Bank and MNT 11.4 (20.8%) billion was Golomt Bank.

Table 4. Clearing banks chosen by several member securities companies of the MSE, 2017

Nº	Securities company	Clearing bank
1	Apex Capital	Golomt Bank
2	Argai Best	Xac Bank
3	Ard Capital	TDB
4	Ard Securities	Xac Bank
5	Bats	Xac Bank
6	BDSec	All
7	Bluesky Securities	Xac Bank
8	Bumbat-Altai	Xac Bank
9	Gauli	Golomt Banks
10	Gendex	Xac Bank
11	Golomt Capital	Golomt Bank
12	Granddevelopment	Golomt Bank
13	Goodsec	Xac Bank
14	Darkhan Broker	Xac Bank
15	Delgerkhangai Securities	Xac Bank
16	Euroasia Capital Holding	TDB
17	Zerged	Xac Bank
18	ZGB	Xac Bank
19	Lifetime Investment	Xac Bank
20	Mirae Asset Securities Mongolia	Khan Banks, TDB
21	Monsec	Khan Bank
22	Mergen Sanaa	Xac Bank
23	Novel Investment	Khan Bank, Xac Bank
24	National Securities	TDB
25	Undurkhaan Invest	Xac Bank
26	Sanar	Xac Bank
27	Secap	Xac Bank
28	Standard Investment	TDB
29	TDB Capital	TDB
30	Tulgat Chandmani Bayan	Xac Bank
31	Tenger Capital	Xac Bank
32	Hunnu Empire	Khan Bank
33	MIBG	TDB
34	SG Capital	Xac Bank
35	FCX	All
36	Silver Light Securities	Golomt Bank

Source: “TDB Capital SC” LLC research

2.5 SECURITIES COMPANY

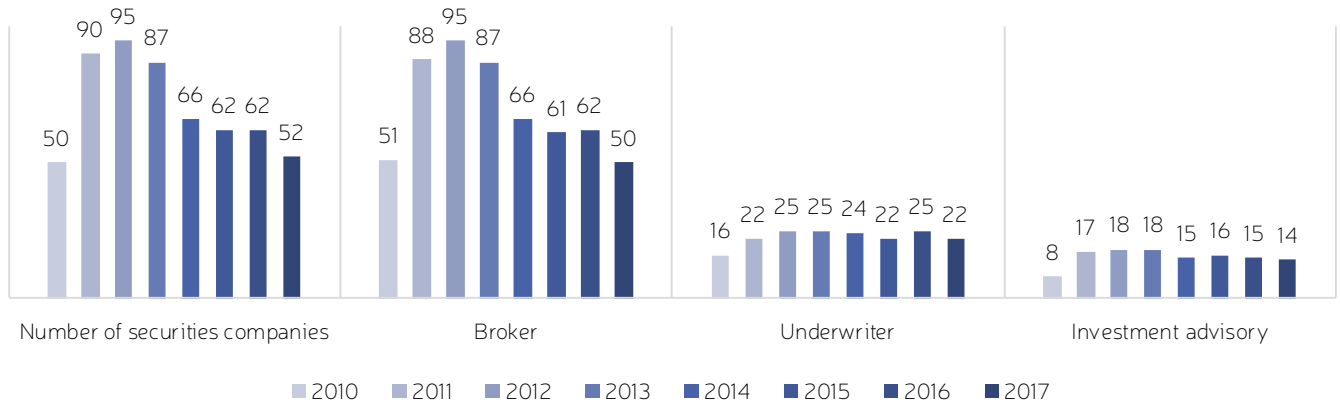
Licenses of securities companies

In 1991, the Mongolian Stock Exchange was established as well as a nationwide networks of 21 brokerage and dealer firms to register privatization vouchers and provide brokerage services in rural areas of Mongolia.

The brokerage firms received and registered blue and red privatization vouchers of citizens, kept an record the conversion of the shares of privatized companies into a primary market trading, and opened brokerage accounts.

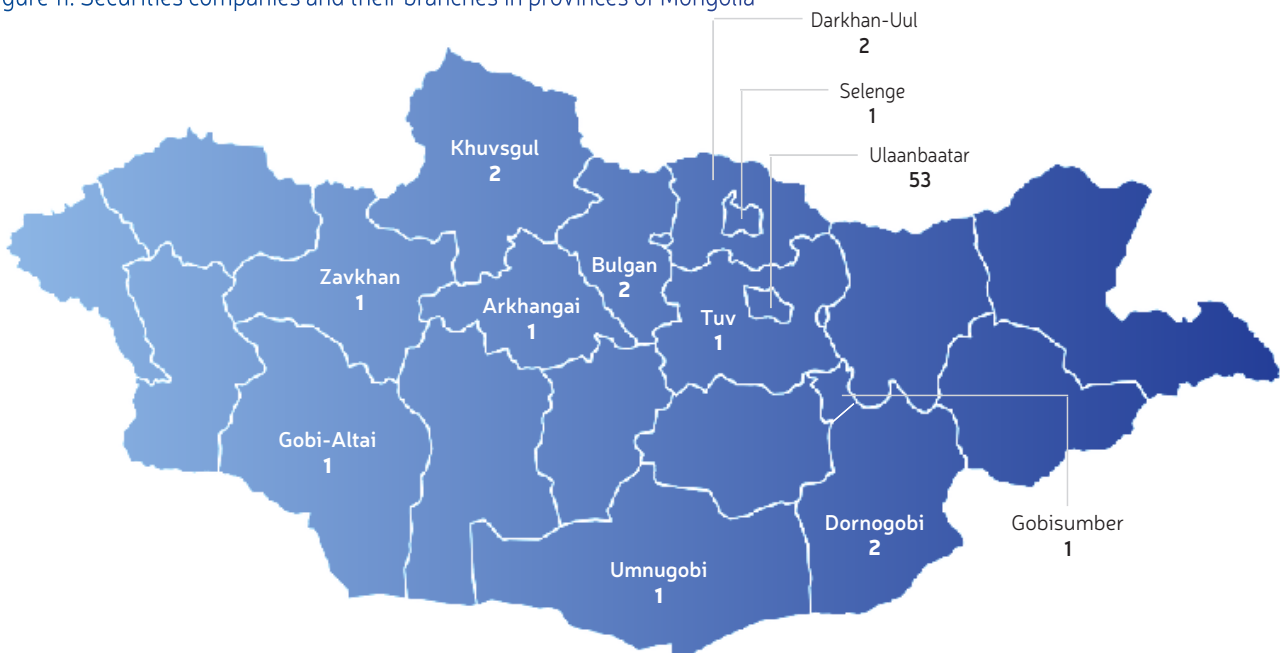
In connection with the domestic market development and the Cabinet's decision to provide every citizen in Mongolia with 1,072 shares of "Erdenes Tavan Tolgoi" JSC, the number of securities companies reached its historic high to 95 in 2012. However the number of securities companies decreased to 52 in 2017 mainly due to the fact that the FRC tightened the criteria and requirements for professional participants in the market, the investment environment declined and profitability of securities companies dropped dramatically.

Figure 10. Number of securities companies, by type of license



Source: Financial Regulatory Commission

Figure 11. Securities companies and their branches in provinces of Mongolia



Source: Financial Regulatory Commission

Table 5. Securities companies, by type of license

Nº	Securities company name	Brokerage	Dealer	Underwriter	Inv. advisory
1	Asia Pacific Securities	•	•		
2	Altan Khoromsog	•	•		
3	Apex Capital	•	•		
4	Argai Best	•	•		
5	Ard Capital	•	•	•	
6	Ard Securities	•	•	•	•
7	ACE&T Capital	•	•	•	•
8	Bats	•	•		
9	BDSec	•	•	•	•
10	Bloomsbury Securities	•	•	•	
11	Blackstone International	•	•		
12	Blue Sky Securities	•	•		
13	Bulgan Broker	•	•		
14	Bumbat-Altai	•	•	•	
15	Gauli	•	•	•	
16	Gatsuurt Trade	•	•		
17	Gendex	•	•		
18	Golomt Capital	•		•	•
19	Granddevelopment	•	•		
20	Goodsec	•	•	•	•
21	Darkhan Broker	•	•		
22	DCF	•	•		
23	Delgerkhangai Securities	•	•		
24	Eurasia Capital Holding	•	•	•	•
25	Zerged	•	•		
26	ZGB	•	•		
27	Capital Market Corporation	•	•	•	
28	Lifetime Investment	•	•	•	
29	Masdaq	•	•		
30	Mirae Asset Securities Mongolia	•	•	•	•
31	Mongol Securities	•	•		
32	Monsec	•	•	•	
33	Mergen Sanaa	•	•		
34	Novel Investment	•	•		•
35	National Securities	•	•	•	•
36	Undurkhaan Invest	•	•		
37	Sanar	•	•		
38	Secap	•	•	•	•
39	Silver Light Securities	•			
40	Standard Investment	•	•	•	•
41	Tavan Bogd	•	•		
42	TDB Capital	•		•	
43	Tulgat Chandmani Bayan	•	•		
44	Tenger Capital	•	•	•	•
45	Frontier Securities	•	•		
46	Hunnu Empire	•	•		
47	MING	•	•	•	
48	MICC	•	•	•	
49	SG Capital	•	•	•	•
50	FCX	•	•	•	
51	Sunlurved*		•		•
52	National Investment Management*	•	•		

Source: Financial Regulatory Commission, Mongolian Stock Exchange

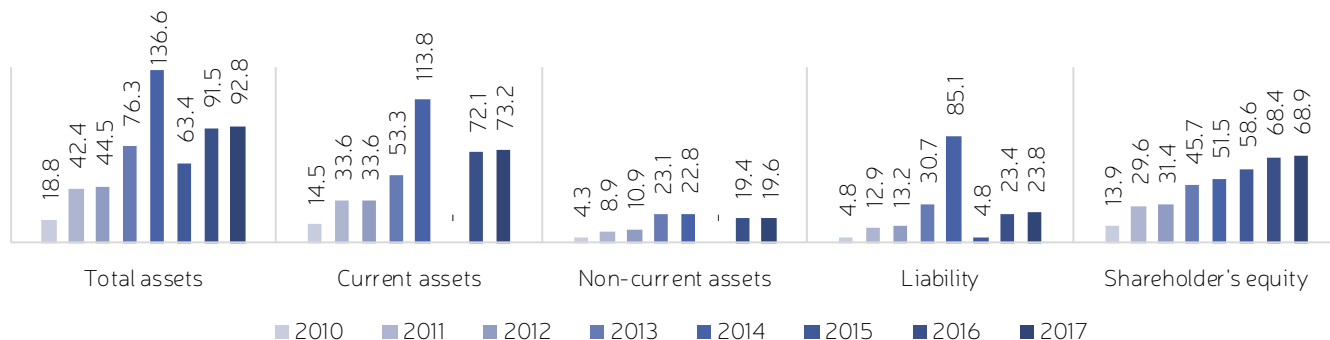
*"SunlurvedSC" LLC and "National Investment Management SC" LLC are not members of the MSE or MSX.

Financial performance of securities companies

Total assets of 51 securities companies were worth MNT 18.8 billion in 2010, while it reached to MNT 92.8 billion in 2017.

According to the asset source structure, 74.2% or MNT 68.9 billion is shareholder's equity, 25.8% or MNT 23.9 billion is liability.

Figure 12. Financial performance of securities companies, MNT billion



Source: Mongolian Stock Exchange

Total assets

In 2017, total assets of 50 member companies of the MSE was MNT 92.8 billion, and 75.3% of it was generated by the Top 5 largest securities companies.

During the reporting period, operating revenue and net profit of the securities companies were MNT 13.7 billion and MNT 607.3 million respectively.

Table 6. Financial performance of largest securities companies by total assets, 2017, MNT billion

No	Company name	Total assets	Operating revenue	Net profit
1	TDB Capital	39.3	2.0	1.2
2	BDSec	18.9	6.3	1.2
3	Ard Capital	4.6	0.6	0.0
4	Mirae Asset Securities Mongolia	3.6	0.4	0.1
5	Ard Securities	3.5	0.2	0.0
6	Other 45 companies	22.9	4.2	(1.9)
Total		92.8	13.7	0.6

Source: Mongolian Stock Exchange

Share capital

In accordance with Resolution No. 94 of the FRC of 2016 "Determining minimum share capital amount of entities that conduct regulated activity in the securities market", the FRC decided to increase share capital amount of regulated entities sequentially starting from January 1, 2017.

Table 7. Minimum share capital requirement of regulated activities, MNT million

License	2016	2017
Investment advisory	10	30
Securities brokering	50	100
Securities dealing	50	200
Underwriting	200	1,000
Securities trading	1,000	2,000
Securities central depository services	100	2,000
Securities trading settlements	100	2,000
Securities trading clearing	100	2,000
Custodial services	1,000	1,000

Source: Financial Regulatory Commission

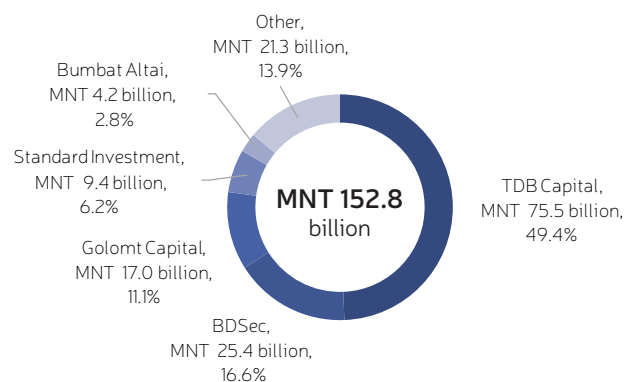
Participation in securities trade

Stock

Stocks worth MNT 152.8 billion were traded (buy and sell trades) on the MSE in 2017, of which 1.8% or MNT 2.7 billion were the primary market trading and 98.2% or MNT 150.2 billion were the secondary market trading.

During the reporting period, "Itools" JSC launched its IPO on the primary market, and "Standard Investment SC" LLC, the underwriter of the transaction, executed 73.9% of the primary market trading solely. As for the secondary market trading, "TDB Capital SC" LLC executed 50.2%, "BDSec SC" JSC 16.9%, "Golomt Capital SC" LLC 11.3%, "Standard Investment SC" LLC 5.0% of total secondary market trading.

Figure 13. Total trade of stocks in 2017 (buy and sell trade)



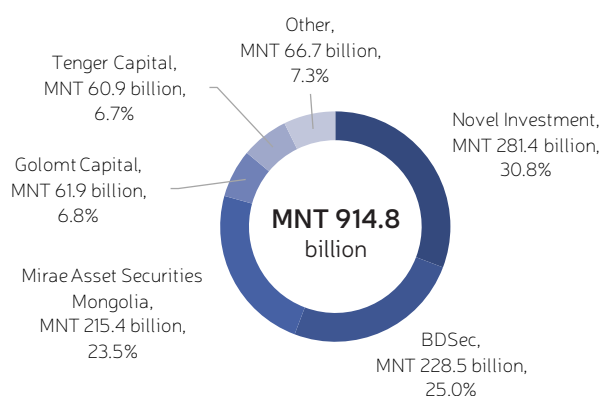
Source: Mongolian Stock Exchange

Government securities

In 2017, government securities worth MNT 914.8 billion were traded (buy and sell trades) on the MSE, of which the Government issued bonds worth MNT 630.1 billion, and the secondary market trading accounted for MNT 284.7 billion.

"BDSec SC" JSC actively participated in the primary market trading and executed 35.9% of it, while "Mirae Asset Securities Mongolia SC" LLC executed 20.0%, "Novel Investment SC" LLC 14.7% and others 29.3% respectively. As for the secondary market trading, "Novel Investment SC" LLC and "Mirae Asset Securities Mongolia SC" LLC executed 97.6% of total trade in the secondary market of government securities.

Figure 14. Total trade of government securities in 2017 (buy and sell trade)



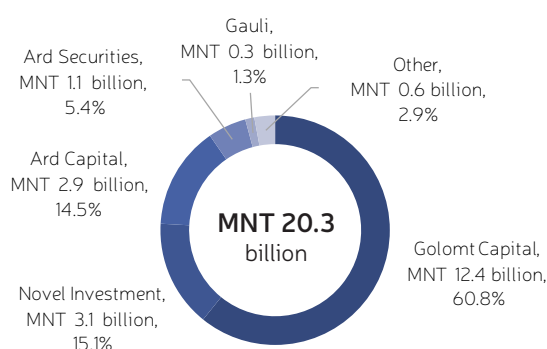
Source: Mongolian Stock Exchange

Corporate bond

"Suu" bond was newly issued in 2017. As a result, corporate bonds worth MNT 12.0 billion and MNT 8.3 billion were traded (buy and sell trades) in the primary and secondary markets respectively on the MSE in 2017.

"Golomt Capital SC" LLC, the underwriter of the transaction, executed 70.1% of the primary market trading solely, while 47.4% of the secondary market trading was generated by "Golomt Capital SC" LLC, 28.6% by "Novel Investment SC" LLC, 10.9% by "Ard Capital SC" LLC and 13.1% by others.

Figure 15. Total trade of corporate bonds in 2017 (buy and sell trade)



Source: Mongolian Stock Exchange

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INVESTORS

**IN THE CAPITAL
MARKET**

3

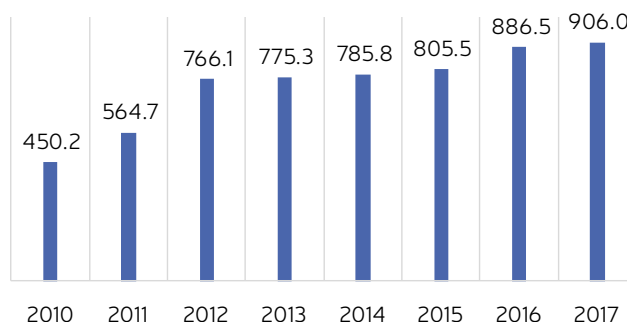
3.1 SECURITIES ACCOUNT

Total securities accounts

As of the end of 2017, a total of 906,043 securities accounts were registered in the Mongolian Central Securities Depository, of which 99.5% or 901,129 accounts belong to Mongolian citizens, 0.3% or 2,633 accounts to Mongolian business entities, 0.2% or 2,094 accounts to foreign citizens and 0.0% or 187 accounts belong to foreign business entities.

From 2010-2017, a total number of securities accounts were opened in the Mongolian Central Securities Depository increased by 10.5% annually on average.

Figure 16. Total number of securities accounts, thousand accounts



Source: Mongolian Central Securities Depository

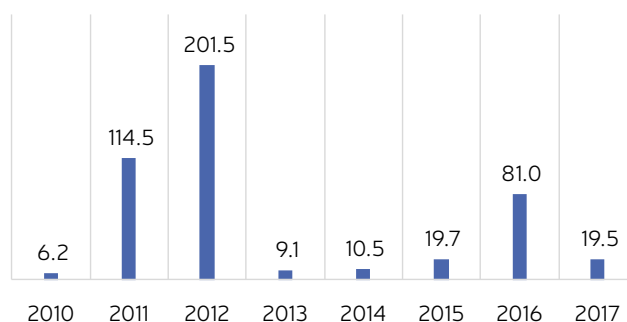
New securities accounts

Along with the Government's decision of 2012 to distribute shares of 'Erdenes Tavan Tolgoi' JSC to the public for free, the number of securities accounts registered in the Mongolian Central Securities Depository reached its highest number in 2012.

In 2017, a total of 19,544 accounts were newly opened in the MCSD, of which 98.9% or 19,334 accounts belonged to Mongolian citizens, 0.5% or 94 accounts belonged to Mongolian business entities, 0.5% or 107 accounts belonged to foreign citizens, 0.0% or 9 accounts belonged to foreign business entities.

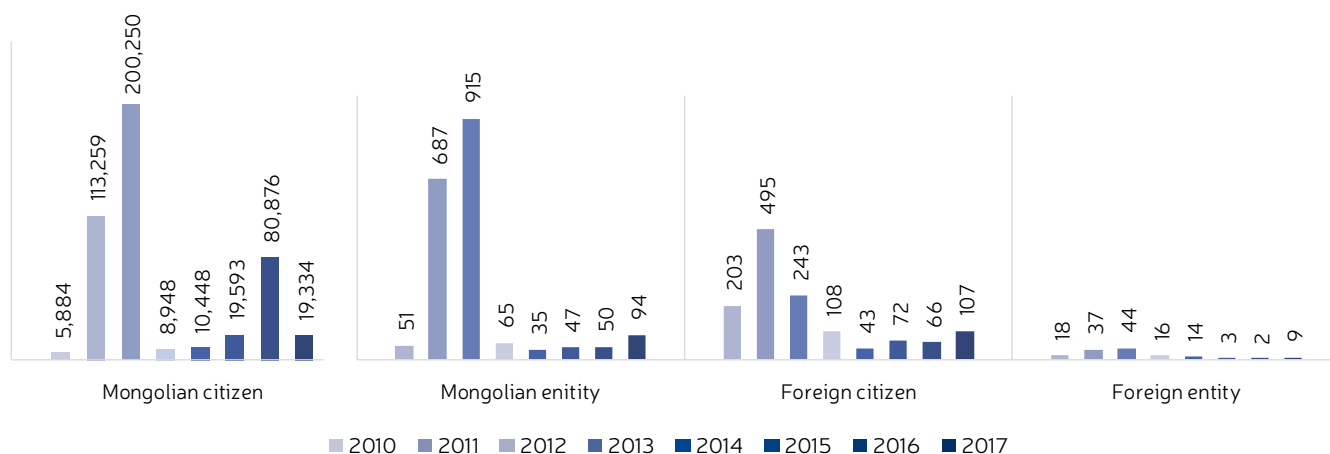
From 2010-2017, the compound growth rate of newly opened securities accounts was 17.9%.

Figure 17. Number of new securities accounts, thousand accounts



Source: Mongolian Central Securities Depository

Figure 18. Number of new securities accounts, by investor type, 2010-2017



Source: Mongolian Central Securities Depository

3.2 INVESTORS' TRADING

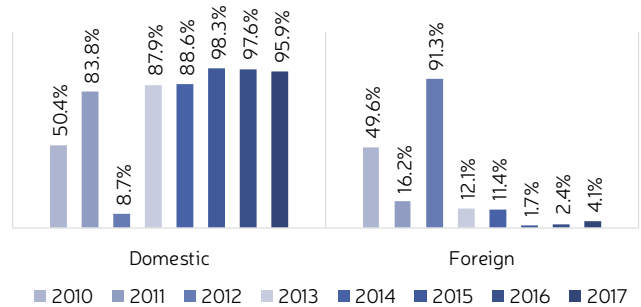
Foreign and domestic investors in total securities trade

In connection with the development of the mining sector and the overall economy of Mongolia, foreign investors started actively participate in securities trading and made about 91.3% of total trade on the MSE in 2012.

However, since 2013, domestic investors, mostly domestic entities, have been making more than 88% of total trade on the MSE.

From 2010 to 2017, total trade amount of domestic investors increased by 50.6% annually on average, while total trade amount of foreign investors dropped by 3.9% annually on average.

Figure 19. Foreign and domestic investors in total trade on the MSE, 2010-2017



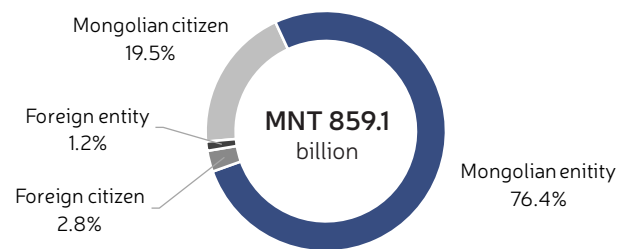
Source: Mongolian Securities Clearing House

Investors in total securities trade of 2017

In 2017, securities worth MNT 859.1 billion were traded on the MSE, of which 19.5% or MNT 167.5 billion were traded by Mongolian citizens, 76.4% or MNT 656.7 billion by local entities, 2.8% or MNT 24.3 billion by foreign citizens and 1.2% or MNT 10.6 billion by foreign entities.

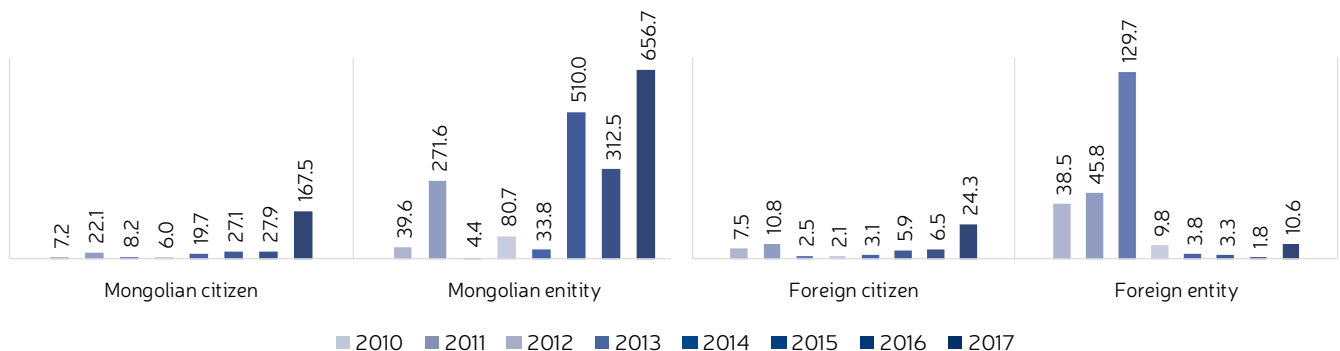
From 2010 to 2017, securities trade increased by 37.4% annually on average. The compound annual growth rate of trading value was 56.7% for Mongolian citizens, 49.4% for local entities and 18.3% for foreign citizens, while trading value of foreign entities decreased by 16.8% annually on average.

Figure 20. Total securities trade, by investor type, 2017



Source: Mongolian Securities Clearing House

Figure 21. Total securities trade, by investor type, 2010-2017, MNT billion



Source: Mongolian Securities Clearing House

▶ Investors

Joint stock companies

Registered securities

Securities trading

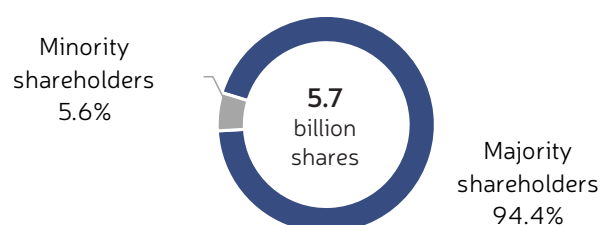
3.3 OWNERSHIP CONCENTRATION

Shareholders' structure

As of 2017, 261.8 thousand shareholders hold 5.7 billion shares of 219* joint stock companies listed on the MSE and MSX.

Majority shareholders (investors that hold at least 5% of total number of shares) that account for 0.3% of total shareholders own 94.4 percent of total number of shares of JSCs listed on the stock exchanges. Minority shareholders that account for 99.7% of total shareholders own 5.6 percent of total number of shares of JSCs listed on the stock exchanges.

Figure 22. Shareholders' structure of joint stock companies, 2017



Source: "TDB Capital SC" LLC research

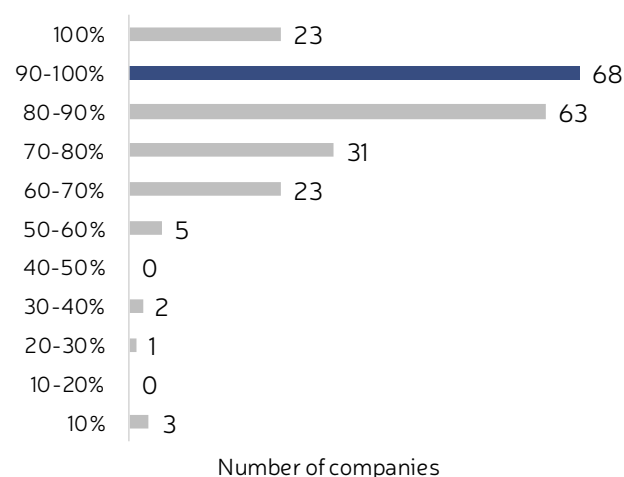
Ownership concentration

As of 2017, 68 out of 219* joint stock companies have ownership concentration of 90-100 percent. In other words, 90-100 percent of total number of shares of 68 companies are held by majority shareholders. Average ownership concentration in Mongolia was 83 percent in 2017.

In 2017, there are 23 JSCs with ownership concentration of 100 percent, and 19 of them are fully owned by the state.

Most of the minority shareholders or 129.2 thousand investors hold shares of companies with ownership concentration of 60-70 percent.

Figure 23. Ownership concentration of companies, 2017



Source: "TDB Capital SC" LLC research

Table 8. Ownership concentration of 219* companies listed on the MSE, 2017

Ownership concentration /interval/	Number of companies	Total number of shareholders	Number of majority shareholders	Number of minority shareholders
10%	3	670	0	670
10-20%	0	0	0	0
20-30%	1	589	2	587
30-40%	2	5,218	6	5,212
40-50%	0	0	0	0
50-60%	5	2,640	20	2,620
60-70%	23	129,288	64	129,224
70-80%	31	30,981	104	30,877
80-90%	63	61,161	220	60,941
90-100%	68	31,239	259	30,980
100%	23	26	26	0
Total	219*	261,812	701	261,111

Source: "TDB Capital SC" LLC research

* The number of shares outstanding of the MSE listed "Beren Mining" JSC is 0 units.

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JOINT STOCK --- COMPANIES

4

- ▶ Joint stock companies
- Registered securities
- Securities trading

4.1 NUMBER OF LISTED JOINT STOCK COMPANIES

As of 2017, 300 companies were registered with the FRC, 219 companies were listed on the MSE, 1 company was listed on the MSX, and shares of 313 companies held by the MCSD respectively. Due to differences in listing and delisting requirements between regulators and other authorities, statistical number of listed companies differ.

During 2010-2017, number of listed companies on both of the exchanges decreased from 336 to 220.

Number of listed companies by ownership type

As of 2017, 19 or 8.6 percent of 220 listed companies were wholly state-owned, 12 companies or 5.5 percent of listed companies were partially state-owned and 189 companies or 85.9 percent were private companies.

During 2010-2017, number of wholly state-owned companies, partially state-owned companies and private companies dropped by 3, 17 and 96 respectively.

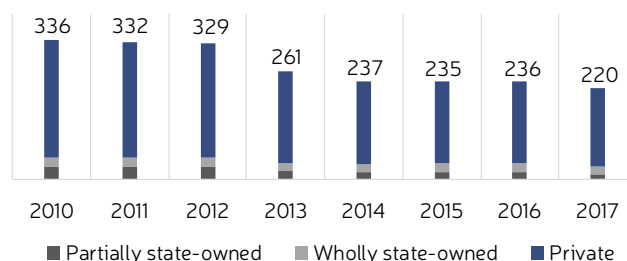
Number of listed companies by sector

Looking at sector, 36 companies out of listed 220 or 16.4% of them operate in agricultural sector, 29 companies or 13.2% operate in construction sector, 26 companies or 11.8% operate in food manufacturing sector, 22 companies or 10.0% operate in mining sector, 17 companies or 7.7% operate in logistics sector respectively.

Number of listed companies by tier

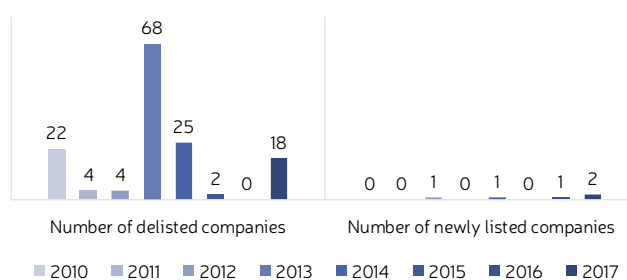
As of 2017, 9 or 4.1% of 220 joint stock companies were listed in the Tier I on the MSE, 41 companies or 18.6% were listed in the Tier II on the MSE, 169 companies or 76.8% were listed in the Tier III on the MSE, and 1 company or 0.5% of total joint stock companies was listed on the MSX.

Figure 24. Number of listed companies by ownership type, 2010-2017



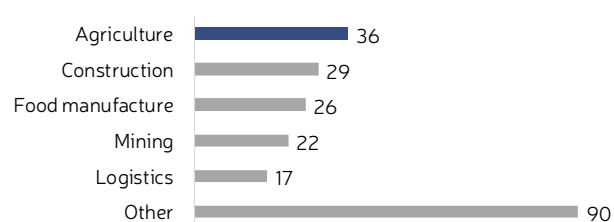
Source: Mongolian Stock Exchange, Mongolian Securities Exchange

Figure 25. Number of newly listed and delisted companies, 2010-2017



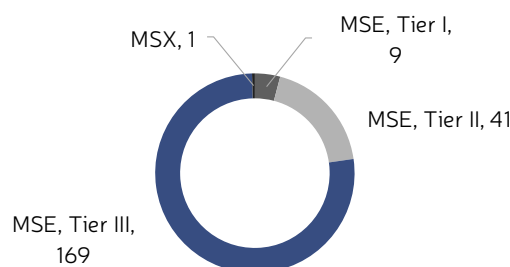
Source: Mongolian Stock Exchange, Mongolian Securities Exchange

Figure 26. Number of listed companies by sector, 2017



Source: "TDB Capital SC" LLC research

Figure 27. Number of listed companies by tier, 2017



Source: Mongolian Stock Exchange, Mongolian Securities Exchange

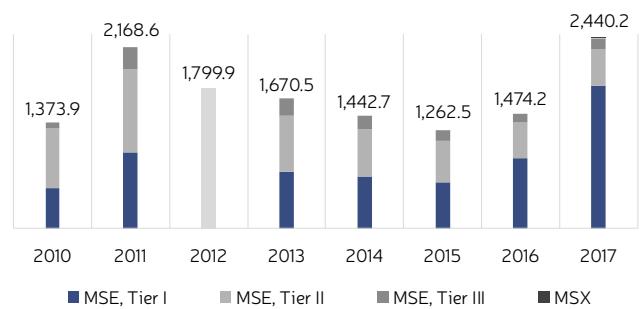
4.2 MARKET CAPITALIZATION

Market capitalization by tier

As of 2017, total market capitalization of 220 companies listed on both of the stock exchanges was MNT 2,440.2 billion, of which 75.3% or MNT 1,838.3 billion was generated by 9 companies listed in the Tier I on the MSE, 18.9% or MNT 462.0 billion was generated by 41 companies listed in the Tier II on the MSE, 5.6% or MNT 136.0 billion was generated by 169 companies listed in the Tier III on the MSE, and 0.2% or MNT 3.9 billion was generated by 1 company listed on the MSX.

During 2010-2017, total market capitalization increased by 8.6% annually on average. The compound annual growth rate was 19.8% for Tier I companies, 9.4% for Tier II companies, while market capitalization of Tier III companies fell 7.0% annually on average.

Figure 28. Market capitalization of joint stock companies by tier, MNT billion

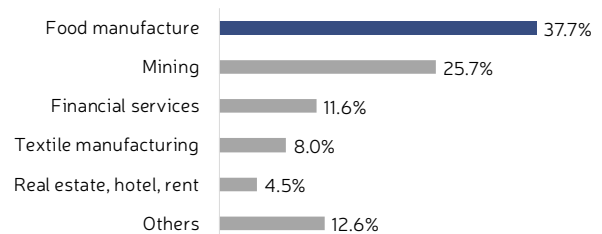


Source: Mongolian Stock Exchange, Mongolian Securities Exchange

Market capitalization by sector

Looking at sector, the market capitalization of companies operating in food manufacturing sector reached MNT 919.1 billion and generated 37.7% of total market capitalization, market capitalization for mining companies reached MNT 627.8 billion or 25.7%, market capitalization for companies conducting financial activity reached MNT 282.3 billion or 11.6%, market capitalization for textile manufacturing companies reached MNT 194.3 billion or 8.0%, and market capitalization for companies operating in real estate, hotel and rental business reached MNT 110.1 billion or 4.5%.

Figure 29. Market capitalization of joint stock companies by sector, 2017



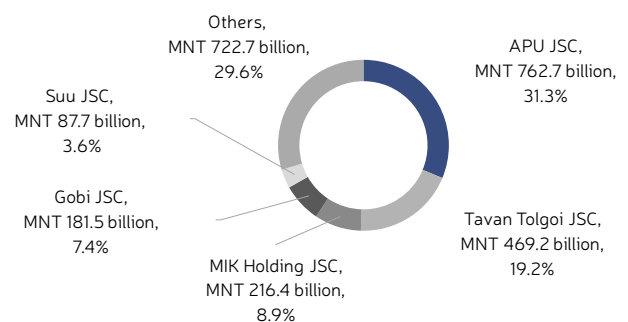
Source: "TDB Capital SC" LLC research

Companies with largest market capitalization

As of 2017, market capitalization of 5 companies accounted for 70.4% of total market capitalization.

In 2017, market capitalization for 'APU' JSC reached MNT 762.7 billion, generating 31.3% of total market capitalization, market capitalization for 'Tavan Tolgoi' JSC reached MNT 469.2 billion, generating 19.2%, market capitalization for 'MIK Holding' JSC reached MNT 216.4 billion, generating 8.9%, market capitalization for 'Gobi' JSC reached MNT 181.5 billion, generating 7.4%, market capitalization for 'Suu' JSC reached MNT 87.7 billion, generating 3.6%.

Figure 30. Companies with the largest market capitalization, 2017



Source: Mongolian Stock Exchange, Mongolian Securities Exchange

- ▶ Joint stock companies
- Registered securities
- Securities trading

4.3 ACTIVELY TRADED STOCKS

Most actively traded stocks

In 2017, the most actively traded 5 stocks generated 68.4% of ordinary trade of stocks amount. Stocks of 'APU' JSC traded the most for MNT 8.5 billion and accounted for 27.7% of ordinary trade of stocks. Stocks of 'Tavan Tolgoi' JSC traded for MNT 4.4 billion and generated 14.4%, stocks of 'Atar Urguu' JSC traded for MNT 4.0 billion and generated 13.0%, stocks of 'Gobi' JSC traded for MNT 2.6 billion and generated 8.5%, stocks of 'Shivee Ovoo' JSC traded for MNT 1.5 billion and generated 4.8% of ordinary trade respectively.

Stocks with most growth

132 stocks listed on the MSE and 1 stock listed on the MSX were traded through 249 trading session in 2017. Among these 133 joint stock companies, stock price growth rate and holding period return of 114 companies were able to be estimated. The average stock price growth rate and the average holding period return of them were 20.4% and 21.6% respectively.

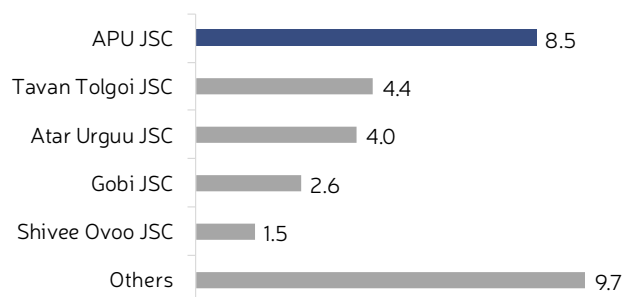
Stock price of 'Jinst Uvs' JSC showed the highest growth of 270.9% and reached MNT 1,858.00. Stock price of 'Khuvsgul Altan Duulga' JSC increased by 249.0% to MNT 3,507.00, stock price of 'Tavan Tolgoi' JSC increased by 228.7% to MNT 8,910.00, stock price of 'Global Mongolia Holding' JSC increased by 177.3% to MNT 1,109.00, stock price of 'Monnoos' JSC increased by 153.3% to MNT 3,799.00 in 2017, respectively.

Holding period return of 'Tavan Tolgoi' JSC was the highest, reaching 317.6% as not only the stock price increased substantially, but also the company paid a large amount of dividends in 2017.

Stocks with most decline

Stock price of 'HBOil' JSC showed the largest decline of 72.2% and reached MNT 55.03. Stock price of 'Tumriin Zavod' JSC decreased by 57.1% to MNT 7,800.00, stock price of 'Eurofeu Asia' JSC decreased by 47.6% to MNT 943.75, stock price of 'Standart Noos' JSC decreased by 45.6% to MNT 400.00, stock price of 'Ulaansan' JSC decreased by 45.0% to MNT 1,100.00 in 2017, respectively.

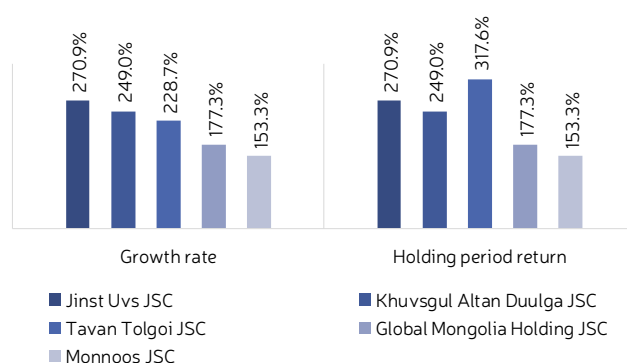
Figure 31. Ordinary trade of stocks, 2017, MNT billion



*To see block trade information go to page 45.

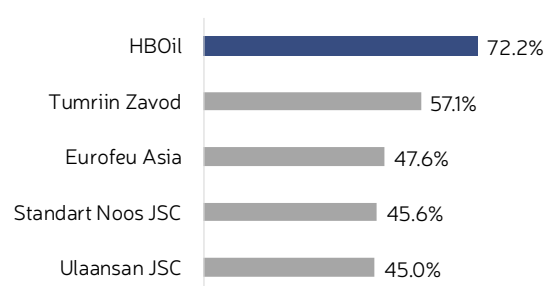
Source: "TDB Capital SC" LLC research

Figure 32. Stocks with most growth and highest holding period return, 2017



Source: "TDB Capital SC" LLC research

Figure 33. Stocks with most decline, 2017



Source: "TDB Capital SC" LLC research

Liquidity

33.2% of ordinary trade was generated by 15 stocks that were traded for more than 125 days out of 249 trading days in 2017. 8 of these stocks were listed in the Tier I on the MSE, and 7 of them were listed in the Tier II on the MSE.

Stocks of 'Gobi' JSC and 'Tavan Tolgoi' JSC were traded with the highest frequency for 242 days, stocks of 'APU' JSC were traded for 236 days, stocks of 'Suu' JSC for 232 days, and stocks of 'Remicon' JSC for 208 days.

Among these 15 stocks, stock turnover was 55.6% for 'Genco Tour Bureau' JSC, 47.7% for 'Mongol Post' JSC, 29.3% for 'Remicon' JSC, 23.4% for 'Telecom Mongolia' JSC, 21.2% for 'Suu' JSC, and 20.5% for 'APU' JSC.

In terms of liquidity of stocks, stock liquidity was 15.5% for 'Genco Tour Bureau' JSC, 9.9% for 'Remicon' JSC, 6.8% for 'Makhimpex' JSC, 2.1% for 'Mongol Post' JSC, and 1.9% for 'Aduunchuluun' JSC.

Table 9. Number of days traded, 2017

Nº	Days traded	Number of companies
1	Not traded	87
2	Traded for 1-20 days	70
3	Traded for 21-40 days	26
4	Traded for 41-60 days	5
5	Traded for 61-80 days	6
6	Traded for 81-100 days	4
7	Traded for 101-120 days	6
8	Traded for 121-140 days	4
9	Traded for 141-160 days	2
10	Traded for 161-180 days	2
11	Traded for 181-200 days	2
12	Traded for 201-220 days	2
13	Traded for more than 221 days	4
Total		220

Source: "TDB Capital SC" LLC research

Table 10. Stocks traded for more than 125 days in 2017

Nº	Company name	Ticker	Tier	Days traded	Stock turnover	Stock liquidity	Traded amount, MNT mln
1	Gobi JSC	GOV	I	242	11.3%	1.4%	2,598.9
2	Tavan Tolgoi JSC	TTL	I	242	13.4%	1.0%	4,707.5
3	APU JSC	APU	I	236	20.5%	1.6%	12,268.7
4	Suu JSC	SUU	I	232	21.2%	0.9%	832.6
5	Remicon JSC	RMC	II	208	29.3%	9.9%	286.9
6	Mongol Post JSC	MNP	I	205	47.7%	2.1%	1,150.5
7	Genco Tour Bureau JSC	JTB	II	192	55.6%	15.5%	938.7
8	Ulsyn Ikh Delguur JSC	UID	II	190	2.1%	0.8%	149.8
9	Makhimpex JSC	MMX	I	179	10.1%	6.8%	743.0
10	Talkh Chikher JSC	TCK	I	165	6.6%	1.4%	439.9
11	Baganuur JSC	BAN	II	156	7.4%	0.3%	129.5
12	Aduunchuluun JSC	ADL	II	148	18.8%	1.9%	182.6
13	Telecom Mongolia JSC	MCH	II	130	23.4%	1.2%	176.0
14	Darkhan Nekhii JSC	NEH	I	130	2.8%	0.7%	179.8
15	Arig Gal JSC	EER	II	128	9.5%	1.2%	171.3

Source: "TDB Capital SC" LLC research

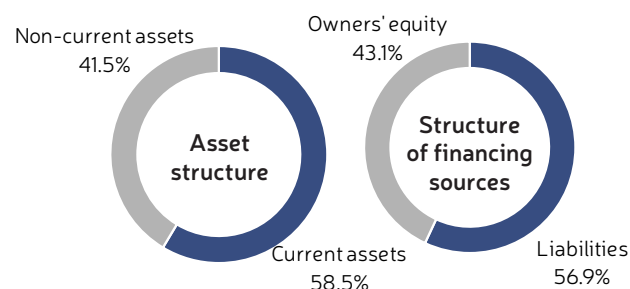
4.4 FINANCIALS

Total assets

Total assets of 182 companies that submitted their financial report in 2017 reached MNT 8,206.9 billion, of which 58.5% or MNT 4,800.9 billion was generated by current assets, and 41.5% or MNT 3,406.0 billion by non-current assets. During 2010-2017, the compound annual growth rate was 49.5% for total assets, 27.9% for current assets, and 37.6% for non-current assets.

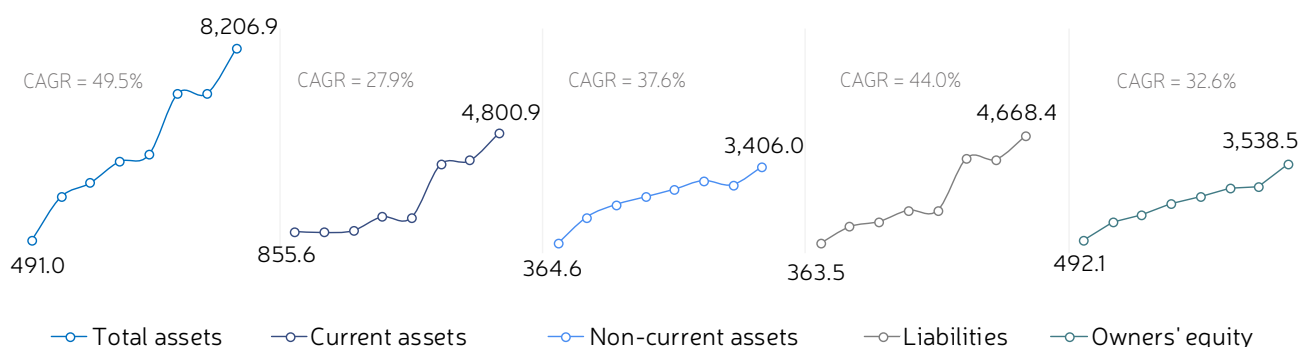
Looking at the structure of financing sources, 56.9% or MNT 4,668.4 billion was liabilities, and 43.1% or MNT 3,538.5 billion was owners' equity. During 2010-2017, total liabilities and owners' equity of listed companies increased by 44.0% and 32.6% respectively.

Figure 34. Total asset structure of joint stock companies, 2017



Source: "TDB Capital SC" LLC research

Figure 35. Assets of listed companies, 2010-2017, MNT billion



Source: "TDB Capital SC" LLC research

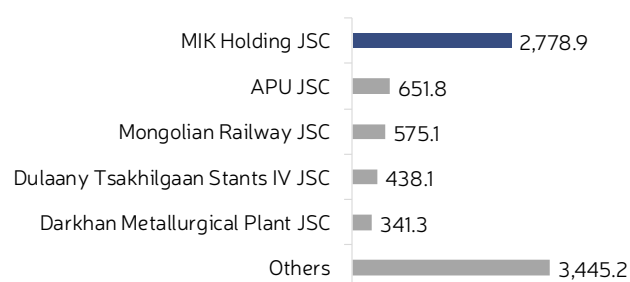
Largest joint stock companies by assets

As of 2017, 58.1% of total assets of listed companies was generated by the largest 5 companies.

For instance, assets were 33.9% of total assets or MNT 2,778.9 billion for 'MIK Holding' JSC, 7.7% or MNT 632.9 billion for 'APU' JSC, 7.0% or MNT 575.1 billion for 'Mongolian Railway' JSC, 5.3% or MNT 438.1 billion for 'Dulaany Tsakhilgaan Stants IV' JSC, and 4.1% or MNT 341.3 billion for 'Darkhan Metallurgical Plant' JSC.

Three of the largest joint stock companies, 'Mongolian Railway' JSC, 'Dulaany Tsakhilgaan Stants IV' JSC and 'Darkhan Metallurgical Plant' JSC, are wholly owned by the Government of Mongolia.

Figure 36. Largest companies by assets in 2017, MNT billion



Source: Mongolian Stock Exchange, Mongolian Securities Exchange

- ▶ Joint stock companies
- Registered securities
- Securities trading

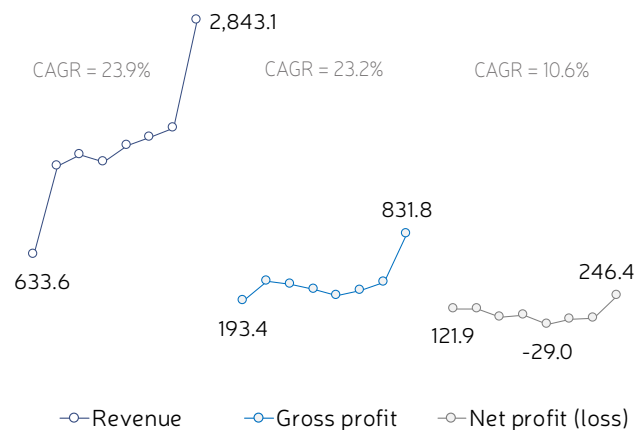
Profitability

Total revenue of 182 companies that submitted their financial reports was MNT 2,843.1 billion, gross profit was MNT 831.8 billion and net profit was MNT 246.4 billion in 2017, respectively.

88 out of 182 companies earned net income of MNT 284.5 billion, 73 companies operated with loss of MNT 38.1 billion, and 21 companies did not conduct any activities.

During 2010-2017, total revenue of stock companies increased by 23.9%, gross profit increased by 23.2% and net profit increased by 10.6% annually on average.

Figure 37. Profitability of joint stock companies, 2010-2017, MNT billion



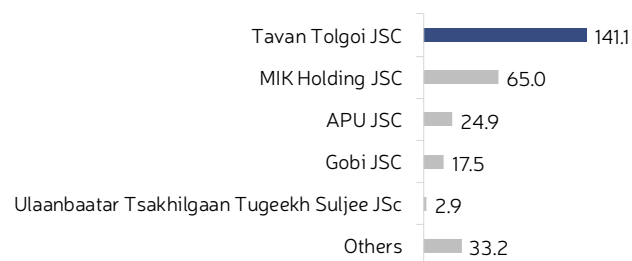
Source: "TDB Capital SC" LLC research

Largest annual profits

Net profit of 'Tavan Tolgoi' JSC reached MNT 141.1 billion and accounted for 49.6% of total net profit of 88 companies that operated with profit in 2017.

During the reporting period, net profit was MNT 65 billion or 22.9% for 'MIK Holding' JSC, MNT 24.9 billion or 8.7% for 'APU' JSC, MNT 17.5 billion or 6.1% for 'Gobi' JSC, MNT 2.9 billion or 1.0% of total net profit for 'Ulaanbaatar Tsakhilgaan Tugeekh Suljee' JSC respectively.

Figure 38. Largest annual profits of 2017, MNT billion

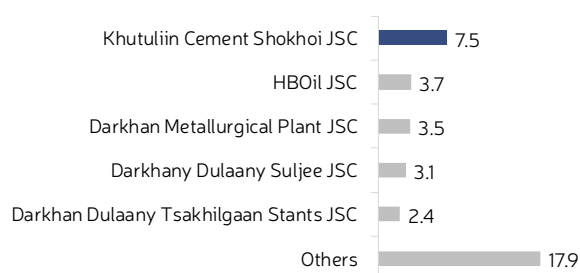


Source: Mongolian Stock Exchange, Mongolian Securities Exchange

Largest annual losses

In 2017, loss of Khutuliin 'Cement Shokhoi' JSC reached MNT 7.5 billion and generated 19.8% of total losses of 73 companies. Also, loss of MNT 3.7 billion for 'HBOil' JSC generated 9.7%, loss of MNT 3.5 billion for 'Darkhan Metallurgical Plant' JSC generated 9.2%, loss of MNT 3.1 billion for 'Darkhany Dulaany Suljee' JSC generated 8.0%, and loss of MNT 2.4 billion for 'Darkhan Dulaany Tsakhilgaan Stants' JSC generated 6.4% of total losses.

Figure 39. Largest annual losses of 2017, MNT billion



Source: Mongolian Stock Exchange, Mongolian Securities Exchange

- ▶ Joint stock companies
- Registered securities
- Securities trading

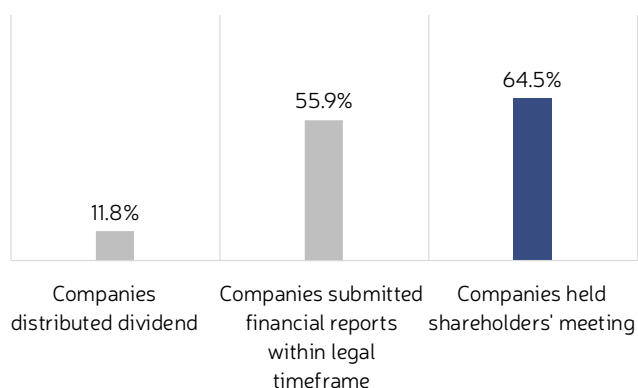
4.5 CORPORATE GOVERNANCE

Implementation of the basic obligations of listed companies

The Mongolian Stock Exchange emphasizes three main indicators to summarize the implementation of the basic obligations of listed companies: organization of its shareholders' meeting, dividend distribution and submission of its financial reports within legal time frame.

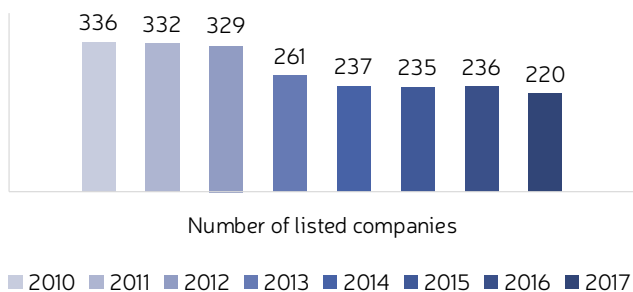
As of 2017, 42 companies or 64.5% of 220 listed companies held their shareholders' meeting, 123 companies or 55.9% submitted their financial report within legal time frame, and 26 companies or 11.8% distributed dividends.

Figure 40. Implementation of the basic obligations of listed companies, 2017



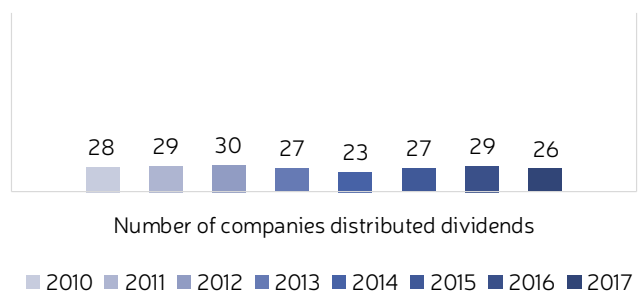
Source: Mongolian Stock Exchange, Mongolian Securities Exchange

Figure 41. Number of listed companies on the stock exchanges, 2010-2017



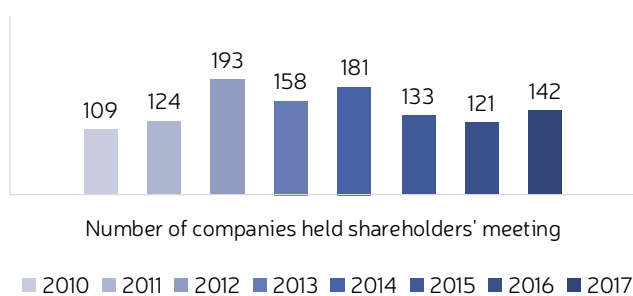
Source: Mongolian Stock Exchange, Mongolian Securities Exchange

Figure 42. Number of companies distributed dividends, 2010-2017



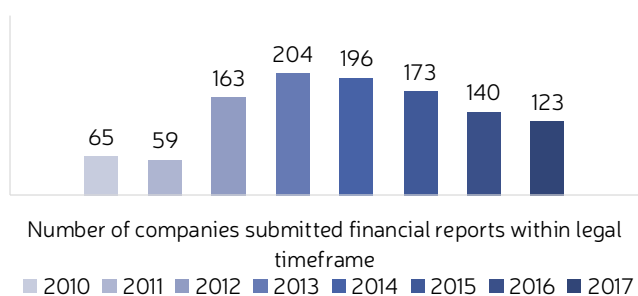
Source: Financial Regulatory Commission, Mongolian Stock Exchange

Figure 43. Number of companies held shareholders' meeting, 2010-2017



Source: Financial Regulatory Commission

Figure 44. Number of companies submitted financial reports in legal period, 2010-2017



Source: Financial Regulatory Commission

► Joint stock companies

Registered securities

Securities trading

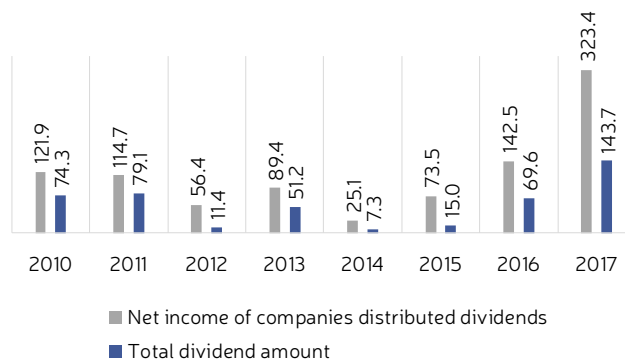
4.6 DIVIDENDS

In 2017, 26 out of 220 listed companies earned total net income of MNT 323.4 billion and distributed dividends for total of MNT 143.7 billion.

During 2010-2017, total dividend amount distributed by joint stock companies increased by 9.9% annually on average.

The average dividend payout ratio was equal to 39.8% in 2017.

Figure 45. Dividend distribution, MNT billion



Source: Mongolian Stock Exchange, Mongolian Securities Exchange

Table 11. Dividend distribution information of joint stock companies, 2017

Nº	Company name	Ticker	Tier	Net profit, MNT million	Dividend payout ratio	Total dividend, MNT million	Dividend per share, MNT
1	Tavan Tolgoi JSC	TTL	I	141,054.6	90.0%	126,923.1	2,410.0
2	APU JSC	APU	I	24,871.9	42.8%	10,641.8	10.0
3	Gobi JSC	GOV	I	17,474.7	9.8%	1,716.2	220.0
4	Suu JSC	SUU	I	2,430.1	42.5%	1,032.0	3.0
5	Juulchin Duty Free JSC	SUL	II	1,070.7	61.0%	653.6	10,000.0
6	Aduunchuluun JSC	ADL	II	435.5	94.1%	409.7	130.0
7	Hermes Center JSC	HRM	II	715.4	54.9%	392.7	5.0
8	Makhimpex JSC	MMX	I	354.8	107.1%	380.1	100.0
9	Mongol Post JSC	MNP	I	911.8	40.2%	366.5	3.68
10	Talkh Chikher JSC	TCK	I	1,128.0	15.4%	174.0	170.0
11	Bayangol Hotel JSC	BNG	II	2,481.2	6.1%	150.2	355.0
12	Takhi Ko JSC	TAH	II	790.1	16.3%	128.5	108.0
13	And Energy JSC	AND	MSX	121,400.0	0.1%	99.1	1.27
14	Gutal JSC	GTL	II	2,492.8	3.3%	83.0	1,270.0
15	Mogoin Gol JSC	BDL	II	245.6	33.8%	83.0	100.0
16	Teever Darkhan JSC	TEE	III	38.7	211.2%	81.7	500.0
17	Arig Gal JSC	EER	II	148.5	50.0%	74.2	21.33
18	Khurd JSC	HRD	III	694.4	9.7%	67.2	497.0
19	Ulaanbaatar Khivs JSC	UBH	II	247.1	16.4%	40.5	100.0
20	Mongol Alt JSC	ERS	III	74.2	53.7%	39.9	150.0
21	Talyn Gal JSC	TAL	III	143.2	24.2%	34.7	50.0
22	Barilga Corporation JSC	BRC	III	397.2	7.2%	28.5	700.0
23	Bayanteeg JSC	BTG	II	1,131.6	2.2%	25.3	100.0
24	Gan Khiits JSC	GHC	II	(158.9)		24.2	100.0
25	Materialimpex JSC	MIE	II	493.0	2.8%	13.7	10.0
26	Darkhan Selengiin Tsakhilgaan Tugeekh Suljee JSC	DSS	III	2,329.1	0.3%	7.7	56.6
Total				323,395.4		143,671.1	17,170.9

Source: "TDB Capital SC" LLC research

The background features a dark blue gradient with a faint, semi-transparent financial candlestick chart. The chart shows several bars of varying heights, some with wicks, set against a grid. The overall aesthetic is professional and data-oriented.

REGISTERED

SECURITIES

5

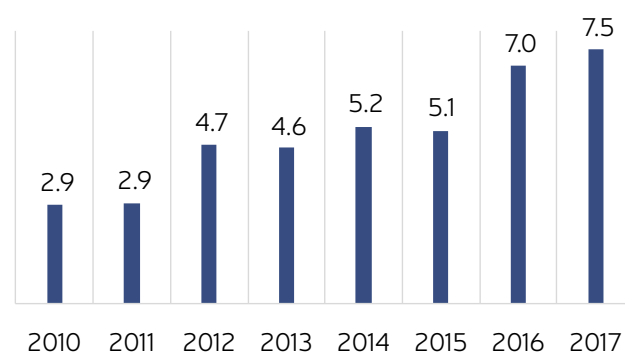
5.1 REGULATED MARKET SECURITIES

Regulated market securities

As of 2017, a total of 7.5 billion units of securities were registered in the regulated capital market, of which 7.48 billion units or 99.9% were stocks and 3.9 million units or 0.1% were bonds.

During 2010-2017, regulated market securities increased by 14.4% on average. The compound annual growth rate for number of stocks and for number of bonds was 14.4% and 30.6% respectively.

Figure 46. Number of regulated market securities, billion units



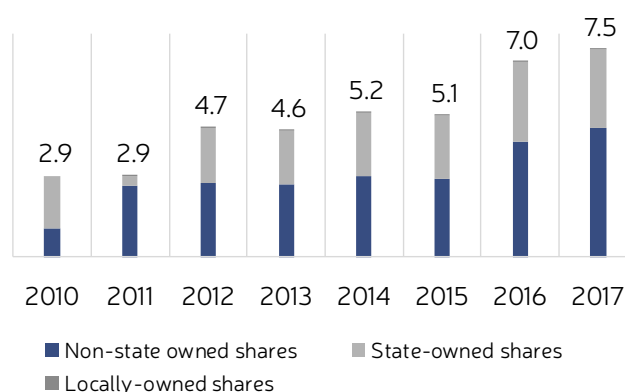
Source: Mongolian Central Securities Depository

Regulated market stocks

As of 2017, 7,476,703 thousand units of shares of 313 open joint stock companies held by the MCSD, of which 37.7% or 2,818,124 thousand units were state-owned shares, 0.4% or 29,046 thousand units were locally-owned shares, and 61.9% or 4,629,533 thousand units were non-state owned shares.

During 2010-2017, the number of state-owned shares and non-state owned shares rose 5.9% and 23.9% annually on average respectively, while the number of locally-owned shares has not been changed since 2011.

Figure 47. Number of regulated market stocks, billion units



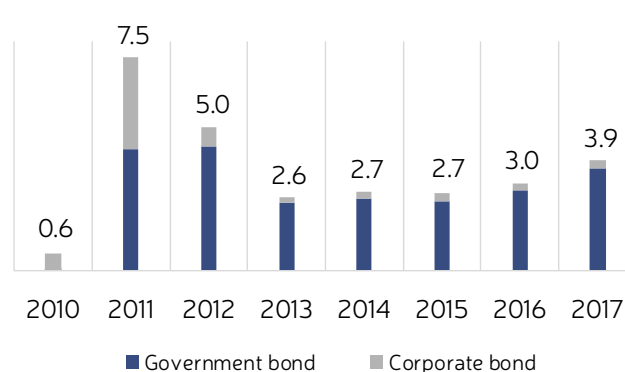
Source: Mongolian Central Securities Depository

Regulated market bonds

As of 2017, a total of 3,860 thousand units of bonds were registered in the regulated capital market, of which 3,567 thousand units or 92.4% were Government bonds and 293 thousand units or 7.6% were corporate bonds.

During 2010-2017, the number of Government bonds increased by 175.0% annually on average, while the number of corporate bonds decreased by 9.6% annually on average.

Figure 48. Number of regulated market bonds, million units



Source: Mongolian Central Securities Depository

5.2 OVER-THE-COUNTER MARKET SECURITIES

OTC market stocks

As of 2017, 5.2 billion units of shares of 6 closed joint stock companies and 15.0 billion units of shares of “Erdenes Tavan Tolgoi” JSC is held by the MCSD. Also, 31.7 million units of bonds are registered in the OTC market.

During 2015-2017, the number of OTC market securities increased by 417.7% annually on average.

Shares of ‘Erdenes Tavan Tolgoi’ JSC

According to the Resolution No. 154 of the Government of Mongolia dated on May 30, 2017, 9.8 billion shares owned by the Government were transferred to state-owned “Erdenes Mongol” LLC, and the remaining 3 billion shares were registered as “Not traded residual” in the MCSD.

As a result, 65.2% of total shares of the company were owned by “Erdenes Mongol” LLC, 14.7% by Mongolian citizens born before April 11, 2012, and 0.05% by domestic business entities.

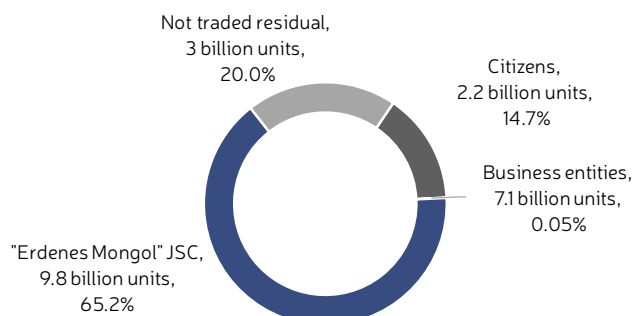
2.2 billion shares of the company is owned by 2.8 million citizens, and approximately 33% of them have opened their securities accounts and approved their ownership right.

Table 12. Over-the-counter market shares, 2017

Nº	Company name	Registered date	Total number of shares, units
1	Erdenes Tavan Tolgoi	2011	15,000,000,000
2	Agricultural Reinsurance	2015	150,000,000
3	Ard Financial Group	2015	22,752,700
4	Api Resources	2016	2,205,000
5	Mongol Basalt	2017	39,491,900
6	Stor Alliance Fund	2017	49,900
7	Mongolian Securities Exchange	2017	5,000,000,000
Нийт			20,214,499,500

Source: Mongolian Central Securities Depository

Figure 49. “Erdenes Tavan Tolgoi” JSC’s shareholders structure, 2017



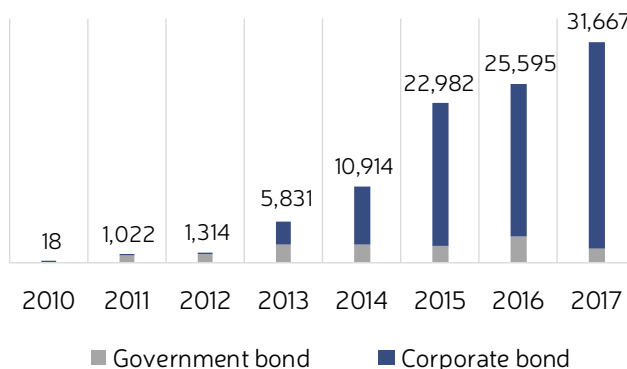
Source: Mongolian Central Securities Depository

OTC market bonds

As of 2017, a total of 31,667 thousand units of bonds were registered in the OTC market, of which 1,988 thousand units or 6.3% were Government bonds and 29,679 thousand units or 93.7% were corporate bonds.

During 2011-2017, the number of OTC market bonds rose 77.2 annually on average. The compound annual growth rate for Government bonds and corporate bonds was 12.1% and 233.4% respectively.

Figure 50. Over-the-counter market bonds, thousand units



Source: Mongolian Central Securities Depository

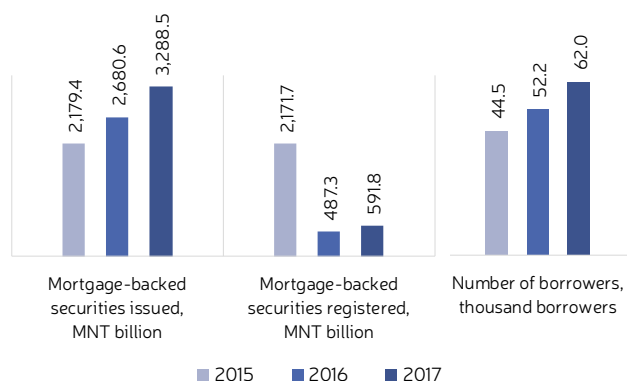
5.3 ASSET-BACKED SECURITIES

Mortgage-backed securities

In 2017, special-purpose companies "MIK Asset 12 SPC" LLC, "MIK Asset 13 SPC" LLC and "MIK Asset 14 SPC" LLC were established by "Mongolian Mortgage Corporation HFC" LLC, a 100 percent subsidiary of the MSE listed "MIK Holding" JSC. And, the MCS D registered mortgage-backed securities of 9,818 borrowers for MNT 591.8 billion.

During 2015-2017, "Mongolian Mortgage Corporation HFC" LLC issued mortgage-backed securities of its 14 SPC for MNT 3,288.5 billion, and , as of 2017, MNT 3,250.8 billion of mortgage-backed securities of 62,003 borrowers were registered in the MCS D.

Figure 51. Mortgage-backed securities amount and number of borrowers, MNT billion



Source: Mongolian Central Securities Depository

Table 13. Mortgage-backed securities

Nº	Issuer	Securities issued, MNT billion	Securities registered on the MCS D, MNT billion	Number of borrowers
2015				
1	MIK Asset 1 SPC LLC	328.1	322.9	6,658
2	MIK Asset 2 SPC LLC	224.8	222.1	5,290
3	MIK Asset 3 SPC LLC	328.5	324.6	6,593
4	MIK Asset 4 SPC LLC	429.4	452.3	9,510
5	MIK Asset 5 SPC LLC	301.2	294.3	5,802
6	MIK Asset 6 SPC LLC	267.8	261.7	5,188
7	MIK Asset 7 SPC LLC	299.6	293.8	5,414
Total		2,179.4	2,171.7	44,455
2016				
8	MIK Asset 8 SPC LLC	189.8	186.3	3,291
9	MIK Asset 9 SPC LLC	137.5	137.2	1,719
10	MIK Asset 10 SPC LLC	103.0	96.3	1,585
11	MIK Asset 11 SPC LLC	70.9	67.5	1,135
Total		501.2	487.3	7,730
2017				
12	MIK Asset 12 SPC LLC	272.3	262.4	4,439
13	MIK Asset 13 SPC LLC	190.3	190.2	3,039
14	MIK Asset 14 SPC LLC	145.3	139.2	2,340
Total		607.9	591.8	9,818
TOTAL		3,288.5	3,250.8	62,003

Source: Mongolian Central Securities Depository

The background features a dark blue gradient with various financial data visualizations. On the left, there is a candlestick chart with several bars of varying heights. In the center and right, there are line graphs with data points connected by thin lines, and some faint bar charts. The overall aesthetic is professional and data-driven.

SECURITIES --- TRADING

6

SECURITIES TRADING OF 2017



TOTAL
TRADE

STOCK

GOVERNMENT
SECURITIES

CORPORATE BOND

Primary
market

2.9

MNT billion

630.1

MNT billion

6.0

MNT billion

39.9

million units

6.7

million units

60.0

million units

Secondary
market

75.2

MNT billion

142.3

MNT billion

4.2

MNT billion

92.6

million units

1.4

million units

41.6

million units

860.7

MNT billion

78.1

MNT billion

772.5

MNT billion

10.2

MNT billion



MONGOLIAN
STOCK
EXCHANGE

76.4

MNT billion



MONGOLIAN
SECURITIES

1.7

MNT billion

Government
Securities

WEIGHTED AVERAGE
INTEREST RATE

14.2%

(annual)

Primary market trading for
Government securities has
stopped since November, 2017.

6.1 SECURITIES TRADE IN GENERAL

Total trade

During 2010-2017, the securities trade amount increased by 37.4% annually on average, and, in 2017, the trade amount rose 2.5 times comparing to the previous year. The rise in trade amount was due to the fact that Government securities were actively traded on the MSE from November 2014 to November 2017.

Total trade amount reached MNT 860.7 billion in 2017, of which 89.7% or MNT 772.5 billion were Government securities trade, 9.1% or MNT 78.1 billion were stock trade, and 1.2% or MNT 10.2 billion were corporate bond trade.

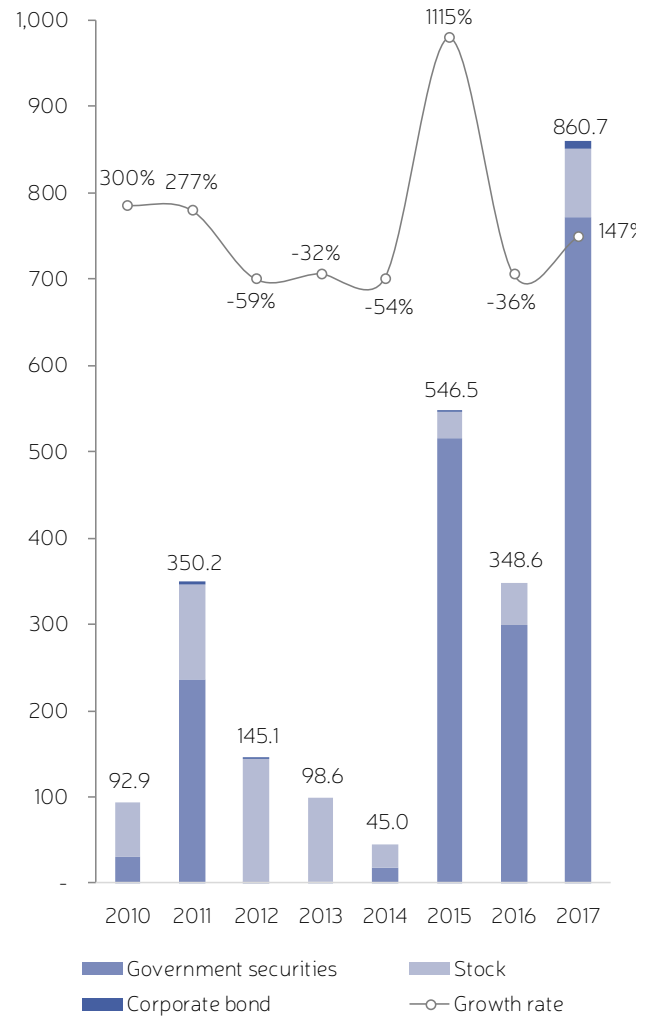
Primary market trade

In 2017, 39.9 million shares worth MNT 2.9 billion, 6.7 million Government securities worth MNT 630.1 billion and 60.0 thousand bonds worth MNT 6.0 billion, or a total of MNT 639.1 billion securities were traded on the primary market.

Secondary market trade

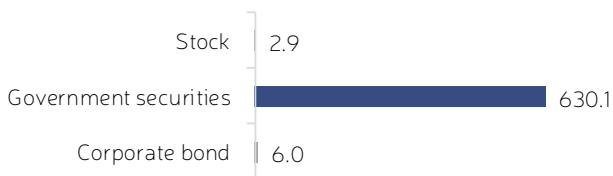
In 2017, 92.6 million shares of 133 companies worth MNT 75.2 billion, 1.4 million Government bonds worth MNT 142.3 billion and 41.6 thousand corporate bonds worth MNT 4.2 billion, or a total of MNT 221.6 billion securities were traded on the secondary market through 249 trading sessions

Figure 52. Total securities trade, MNT billion



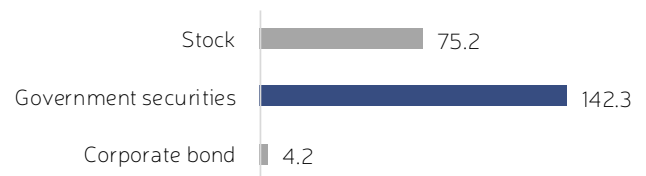
Source: Mongolian Stock Exchange, Mongolian Securities Exchange

Figure 53. Primary market trade of 2017, MNT billion



Source: Mongolian Stock Exchange, Mongolian Securities Exchange

Figure 54. Secondary market trade of 2017, MNT billion



Source: Mongolian Stock Exchange, Mongolian Securities Exchange

6.2 STOCK TRADE

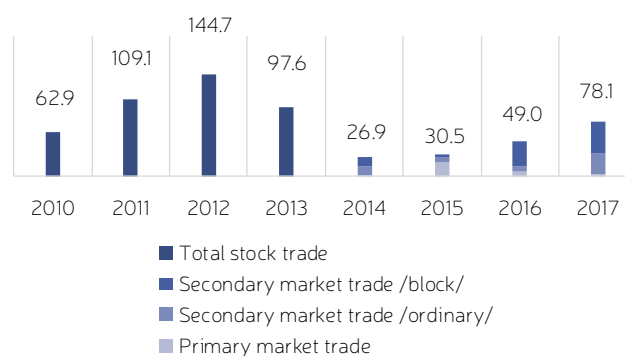
Total trade

From 2010 to 2017, total stock trade increased by 3.1% annually on average, and, in 2017, stock trade rose 59.4% to MNT 78.1 billion.

In 2017, 3.7% of total stock trade or MNT 2.9 billion were primary market trade, and 96.3% or MNT 75.2 billion were secondary market trade.

57.1% of total secondary market trade of 2017 or MNT 44.6 billion were generated by block trade.

Figure 55. Total stock trade, MNT billion



Source: Mongolian Stock Exchange, Mongolian Securities Exchange

Primary market trade

From 2010 to 2017, shares of 12 companies worth MNT 76.4 billion were traded on the primary market of stocks.

Among them, 5 companies launched their IPO for MNT 42.1 billion, and 7 companies issued additional shares for MNT 34.3 billion.

In 2017, two companies launched their IPO for MNT 2.9 billion. "Itools" JSC was listed on the MSE and raised MNT 1.3 billion, and "And Energy" JSC was listed on the MSX and raised MNT 1.6 billion from the public.

Table 14. Stock primary market trade history, 2010–2017

Company	Ticker	Tier	Sector	Registered date	Fund raised, MNT million
IPO					
E-Trans Logistics JSC	ETR	MSE, II	Logistics	2012.04.09	924.0
Merex JSC	MRX	MSE, II	Building material manufacture	2014.01.14	965.9
MIK Holding JSC	MIK	MSE, I	Financial service	2015.12.21	37,276.8
Itools JSC	ITLS	MSE, II	Informational technology	2017.09.27	1,338.8
And Energy JSC	AND	MSX	Electrical installation and automation	2017.10.10	1,592.6
Total					42,098.1
FPO					
HBOil JSC	HBO	MSE, II	Crude oil mining	2010.08.25	99.2
Naco Tulsh JSC	NKT	MSE, II	Manufacture of coke and refined petroleum products	2010.08.25	270.3
Sharyn Gol JSC	SHG	MSE, II	Coal and lignite mining	2011.01.13	5,456.0
Silicat JSC	SIL	MSE, III	Mining	2011.05.06	3,650.0
Sharyn Gol JSC	SHG	MSE, II	Coal and lignite mining	2011.10.13	18,301.4
Binse JSC	BHR	MSE, III	Veterinary activities	2015.05.04	300.0
Mongol Post JSC	MNP	MSE, I	Logistics	2015.12.22	6,264.0
Total					34,341.0
TOTAL					76,439.1

Source: Mongolian Stock Exchange, Mongolian Securities Exchange

IPO results of 2017

In 2017, two companies went public with an IPO. "And Energy" JSC, which is listed on the MSX, had subscription order of MNT 1.8 billion which was 1.11 times the supply, while "Itools" JSC, listed on the MSE, had subscription order of MNT 4.0 billion exceeding supply 2.97 times.

"And Energy" JSC raised MNT 1.6 billion from the public and 436 orders were filled. 428 orders from local individuals accounted for 98.3% of the total amount, while 7 local institutions made up 1.6%, and 1 foreign individual 0.04%.

On the other hand, "Itools" JSC raised MNT 1.3 billion from the public from 955 orders. 936 orders from local individuals accounted for 88.1% of the total amount, while 5 local institutions made up 1.5%, and 14 foreign individuals supplied 10.5%.

Table 15. Investors participated in the primary market trade, 2017

Investor type	Number of investors	Trade amount	Share in trade
"And Energy" JSC			
Foreign entity	0	0	0.0%
Foreign citizen	1	600,000	0.0%
Mongolian entity	7	26,043,480	1.6%
Mongolian citizen	428	1,565,760,000	98.3%
Total	436	1,592,403,480	100%
"Itools" JSC			
Foreign entity	0	0	0.0%
Foreign citizen	14	139,935,000	10.5%
Mongolian entity	5	19,891,500	1.5%
Mongolian citizen	936	1,178,971,500	88.1%
Total	955	1,338,798,000	100%

Source: Mongolian Securities Exchange, Mongolian Securities Clearing House

Table 16. IPO, 2017

	"And Energy" JSC	"Itools" JSC
Company overview		
Year of establishment	2011	2011
Area of activity	LED light production and sales	IT /Data center, cloud mining/
Listed stock exchange	MSX	MSE
Share price valuation		
Par value per share	MNT 1.0	MNT 43.0
Book value per share before IPO	MNT 6.6	MNT 67.4
Market value per share	MNT 60.0	MNT 128.0
Share price offered to the public	MNT 60.0	MNT 100.0
IPO information		
Percentage offered to the public	34.00%	38.86%
Number of common stocks		
Number of shares before IPO	51,526,700 units	21,064,144 units
Number of shares offered to the public	26,544,058 units	13,387,980 units
Number of shares after IPO	78,070,758 units	34,452,124 units
Primary market subscription		
Subscription period	2017.10.25-2017.10.31	2017.11.01-2017.11.10
Capital raised	MNT 1,592,643,480	1,338,798,000 төгрөг
Subscription amount	MNT 1,774,557,039 /1.11x/	MNT 3,978,699,600 /2.97x/
Number of subscribed investors	436	955
Use of proceeds	Expansion of operation, working capital financing	Modular data center in Darkhan province
Underwriter	"Bumbat Altai SC" LLC	"Standard Investment SC" LLC
Dividend policy	5-8% of annual net profit	Not specified

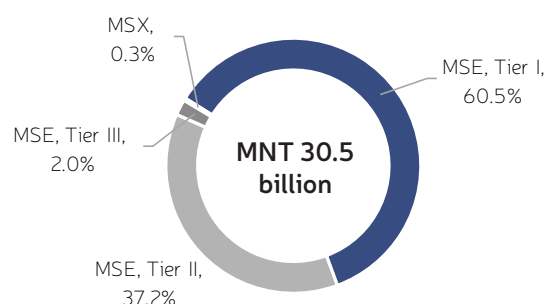
Source: Prospectuses of "And Energy" JSC and "Itools" JSC, Mongolian Securities Clearing House

Secondary market ordinary trade

In 2017, ordinary trade of stocks on the MSE and MSX was MNT 30.5 billion, of which 60.5% or MNT 18.5 billion were in Tier I on the MSE, 37.2% or MNT 11.4 billion were in Tier II on the MSE, 2.0% or MNT 601.2 million were in Tier III on the MSE, and 0.3% or MNT 86.5 million were on the MSX.

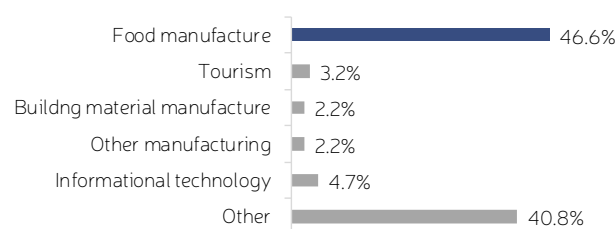
Looking at the sector, 46.6% of ordinary trade of stocks was generated by companies from food manufacturing sector, 4.7% by informational technology sector, 3.2% by tourism, 2.2% by building material manufacturing sector.

Figure 56. Secondary market ordinary trade of stocks by tier, 2017



Source: "TDB Capital SC" LLC research

Figure 57. Secondary market ordinary trade of stocks by sector, 2017



Source: "TDB Capital SC" LLC research

Secondary market block trade

14.3 million stocks of nine companies such as "APU" JSC, "BDSec" JSC, "Darkhan Hotel" JSC, "Darkhan Selengiin Tsakhilgaan Tugeekh Suljee" JSC, "Makhimpex" JSC, "MIK Holding" JSC, "Mongol Savkhi" JSC, "Tavan Tolgoi" JSC, "Sharyn Gol" JSC were traded for MNT 44.6 billion on the secondary market.

The largest block trade among them was the block trade of "MIK Holding" JSC worth MNT 36.0 billion, generating 47.9% of total secondary market trade.

Table 17. Block trade on the MSE, 2017

Nº	Company	Ticker	Number of shares	Amount traded, MNT million
1	APU JSC	APU	5,553,000	3,810.1
2	BDSec JSC	BDS	1,054,301	105.4
3	Darkhan Hotel JSC	DZG	12,973	1.3
4	Darkhan Selengiin Tsakhilgaan Tugeekh Suljee JSC	DSS	1,869,321	2,998.4
5	Makhimpex JSC	MMX	483,198	434.9
6	MIK Holding JSC	MIK	3,243,827	36,038.9
7	Mongol Savkhi JSC	UYN	868,392	486.3
8	Tavan Tolgoi JSC	TTL	1,023,100	306.9
9	Sharyn Gol JSC	SHG	219,330	410.1
	Total		14,327,442	44,592.4

Source: Mongolian Stock Exchange

6.3 GOVERNMENT SECURITIES TRADE

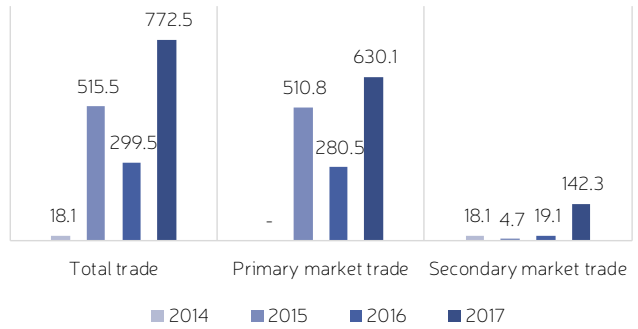
Government securities trade

According to the Resolution No. 389 of the Financial Regulatory Commission dated October 21, 2014 and by the order No. 169 of CEO of the MSE dated October 23, 2014, the Mongolian Government securities started trading on the Mongolian Stock Exchange.

The securities were issued to the public in accordance with the terms of the Ministry of Finance: bonds were issued weekly with face value of MNT 100,000 each. The coupon rate of the securities was determined by the weighted average coupon rate on the Government securities with same maturity that traded on the Bank of Mongolia at the same week.

Since November 2017, the primary market trading for the Government securities has been temporarily stopped.

Figure 58. Government securities trade, 2014-2017, MNT billion



Source: Mongolian Stock Exchange

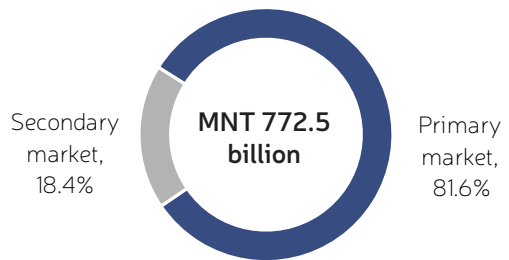
Trade of 2017

In 2017, a total of MNT 772.5 billion of Government securities were traded on the MSE, of which 81.6% or MNT 630.1 billion were traded on the primary market, and 18.4% or MNT 142.3 billion were traded on the secondary market.

84.8% of total Government securities trade were generated by bonds with a 52 week maturity.

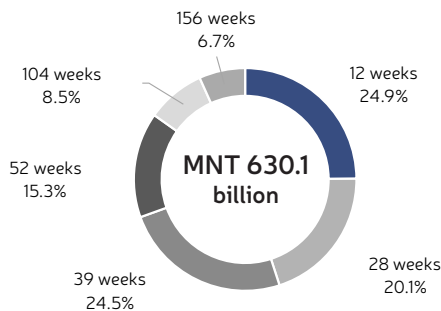
Weighted average coupon rate was 13.8% for 12 week Government securities, 13.9% for 28 week bonds, 14.5% for 39 week bonds, 14.2% for 52 week bonds, 15.7% for 104 week bonds, 16.0% for 156 week bonds.

Figure 59. Government securities trade, 2017, MNT billion



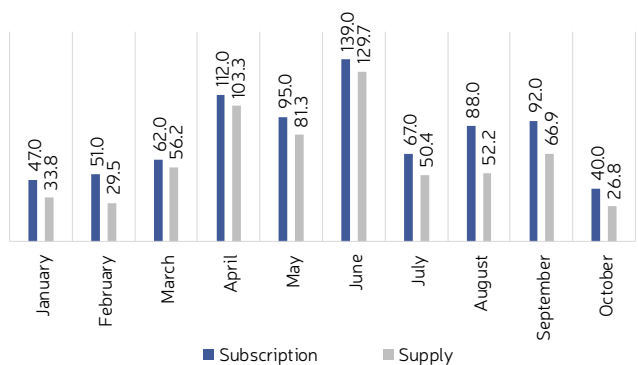
Source: Mongolian Stock Exchange

Figure 60. Primary market trade for Government securities by maturity period



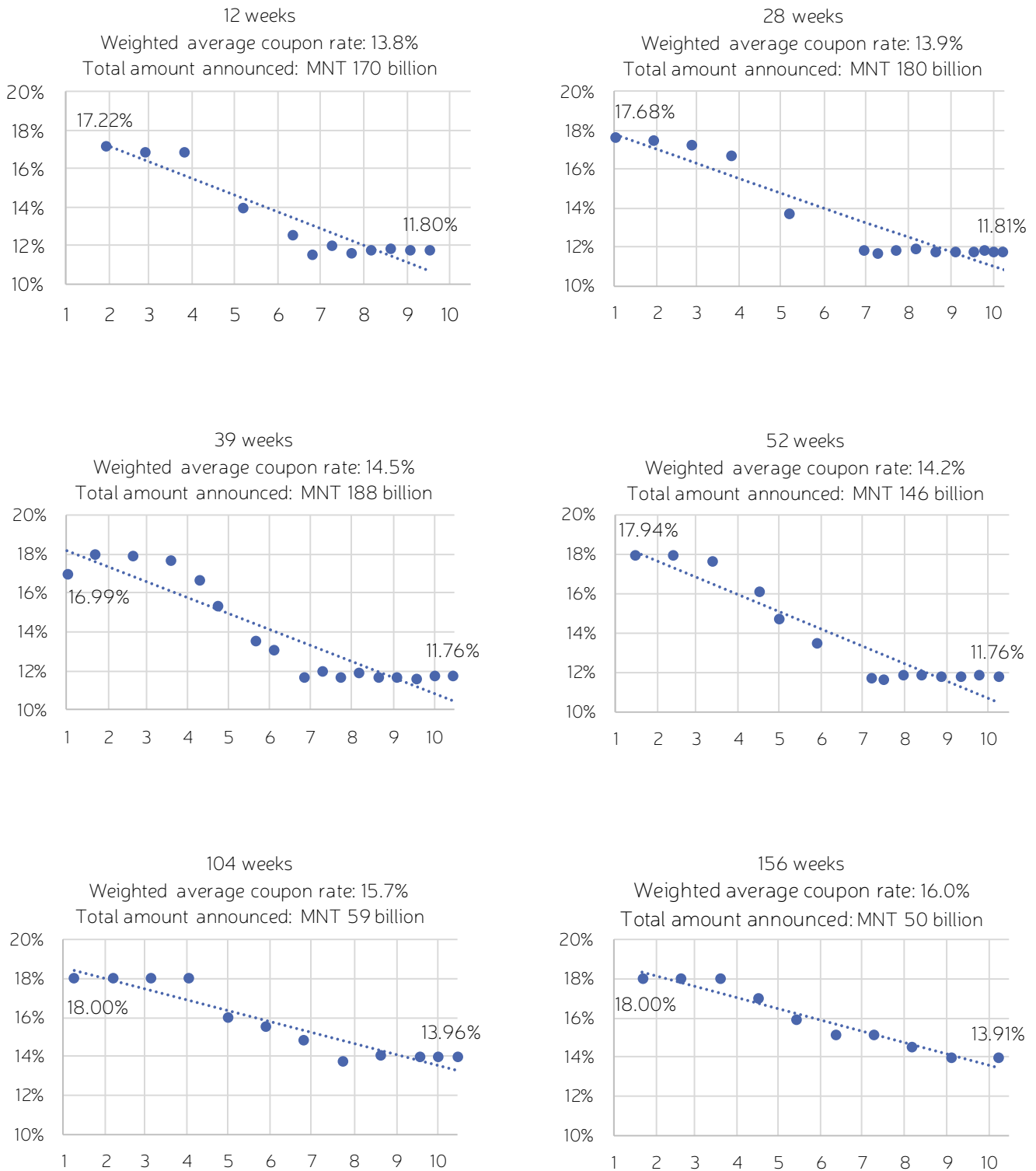
Source: "TDB Capital SC" LLC research

Figure 61. Demand and supply for Government securities of 2017, by month, MNT billion



Source: Mongolian Stock Exchange

Figure 62. Coupon rates of Government securities issued in 2017, by maturity period



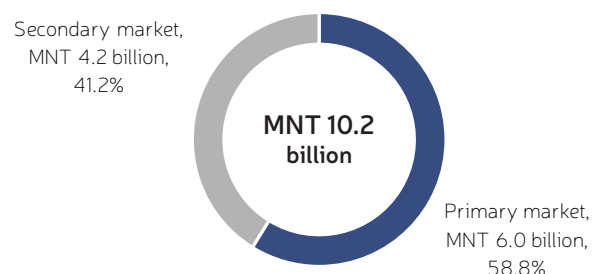
Source: "TDB Capital SC" LLC research

6.4 CORPORATE BOND TRADE

From 2001 to 2015, 14 companies issued corporate bonds on the Mongolian Stock Exchange. In June 2017, MSE Tier I listed "Suu" JSC issued "Suu Bond" worth MNT 6 billion with a coupon rate of 17.5% and a 12 month maturity.

"Suu bond" subscription reached 67,547 units or MNT 6,754,700,000, i.e. the bond was oversubscribed by 13%.

Figure 63. Corporate bond trade of 2017



Source: Mongolian Stock Exchange

Table 18. History of corporate bonds issued on the MSE, 2001-2017

Nº	Security name	Issuer	Maturity /month/	Coupon rate /annual/	Quantity	Currency	Capital raised	Registered date
1	Shine Zuun 210	Barilga Corporation JSC	10	19.60%	537,700	MNT	5,335,680,000	2001
2	Ikh Barilga	Altan Khot Corporation LLC	8	19.80%	100,000	MNT	996,920,000	2002
3	Niislel Urguu	Niislel Urguu JSC	12	19.70%	240,000	MNT	1,200,000,000	2002
4	Ikh Barilga Tusul	Ikh Barilga Tusul LLC	8	19.80%	26,000	MNT	1,300,000,000	2003
5	Anod	Anod Bank	24	19.60%	200,000	MNT	209,490,000	2004
6	MCS Electronics	MCS Electronics LLC	12	11.00%	14,728	USD	500,000	2004
7	MCS Electronics	MCS Electronics LLC	18	19.00%	22,000	MNT	872,640,000	2004
8	Puma	Puma Group LLC	12	21.60%	100,000	MNT	1,000,000,000	2004
9	Buteen Baiguulalt	Moninjbar JSC	18	21.60%	50,000	MNT	500,000,000	2005
10	Gobi	Gobi JSC	12	19.20%	100,000	MNT	1,000,000,000	2005
11	Monfresh	Monfresh Juice LLC	12	11.00%	100,000	USD	156,920	2007
12	Buteen Baiguulalt	Moninjbar JSC	24	11.10%	120,000	MNT	502,000,000	2008
13	Makh Bond	Just Agro LLC	12	16.20%	3,000,000	MNT	4,399,540,000	2011
14	Erchim Bond	Erchim Engineering LLC	6	18.50%	50,000	MNT	500,000,000	2015
15	Suu Bond	Suu JSC	12	17.50%	60,000	MNT	6,000,000,000	2017

Source: Mongolian Stock Exchange



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