



САНХҮҮГИЙН  
ЗОХИЦУУЛАХ  
ХОРОО



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# FINANCIAL MARKET REVIEW

2<sup>ND</sup> QUARTER OF 2023

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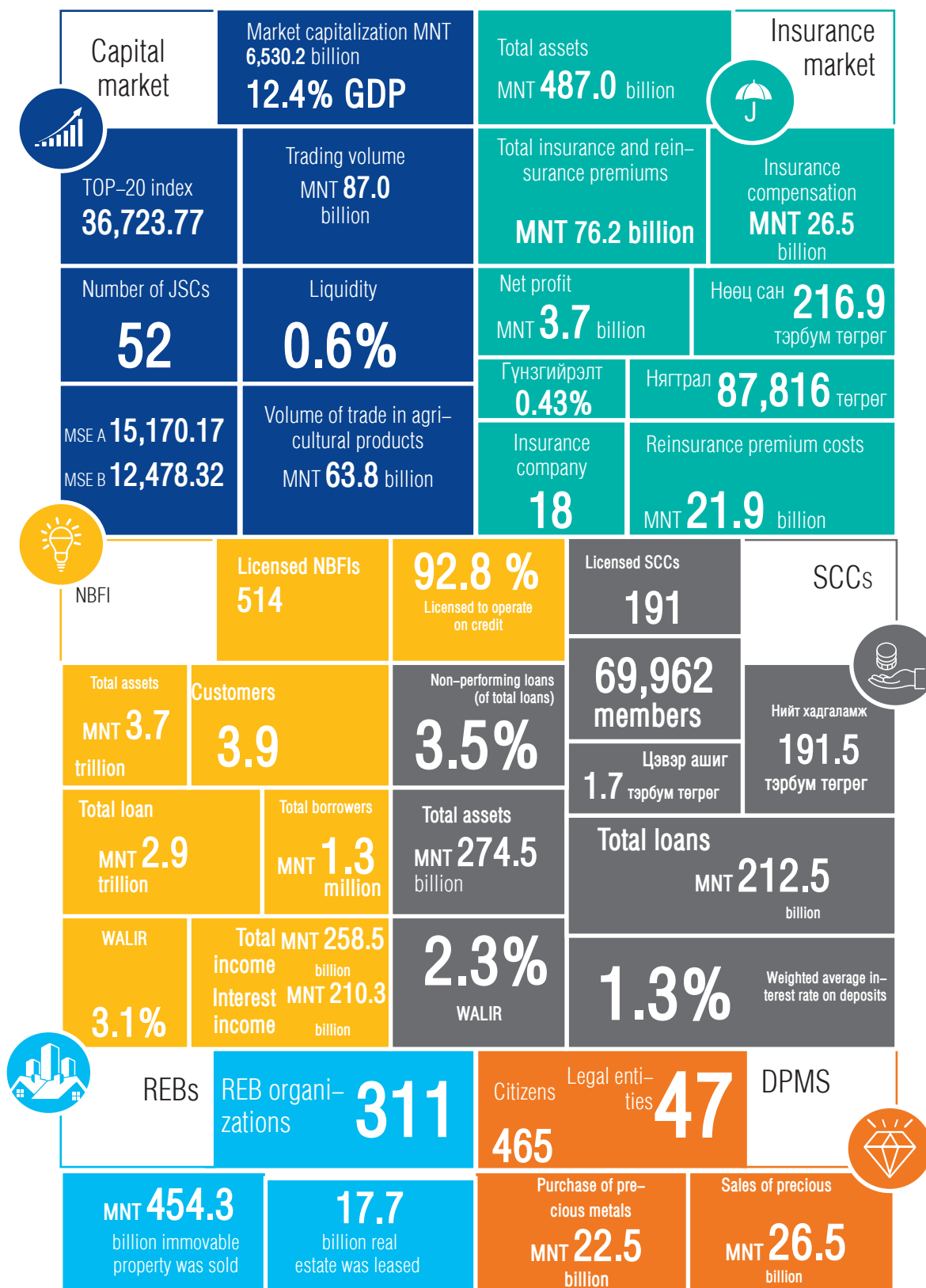
### IX. VIRTUAL ASSET SERVICE PROVIDERS MARKET

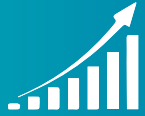
Financial market  
status

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# ABBREVIATIONS and ACRONYMS

USA	United States of America	ATM	Automated teller machine
ADB	Asian Development Bank	ESG	Environmental, Social, Governance
NBFI	Non-bank financial institution	JICA	Japan International Cooperation Agency
PRC	People's Republic of China	IAIS	International Association of Insurance Supervisors
ROK	Republic of Korea	IPO	Initial public offering
GDP	Gross domestic product	FPO	Follow up on public offering
GS	Government securities	UNEP FI	United Nations Environment Program Financing Initiative
WALIR	Weighted average loan interest rate		
MV	Market valuation		
MMC	Mongolian Mortgage Corporation		
NASCCM	National Association of Savings and Credit Cooperatives of Mongolia		
MSE	"Mongolian Stock Exchange		
MSX	Mongolian Securities Exchange		
UN	United Nations		
NFAT	Net profit after tax		
SPC	Special purpose company		
IFC	International finance corporation		
REB	Real estate brokers		
SC	Securities company		
SCC	Saving and credit cooperative		
SFC	Securities Finance Corporation		
SPC	Special purpose company		
RMBS	Residential mortgage backed securities		
ROA	Return on assets		
ROE	Return on equity		
MAPIX	Mongolian agricultural commodity price index'		
AFI	Alliance for Financial Inclusion		





# Capital market

Market valuation

**MNT 6,530.2**  
trillion



Financial market status

Accounts

**2,537,216**



Accessibility

Total trading

**MNT 87.0** billion



Products and services

Profitability



Assets of SCs MNT

**171.0**  
billion

Tax collected from  
the state budget,  
social insurance  
contributions

MNT **1.4**  
billion

Stability



MV **70.2**  
TOP-10 JSC

Regulatory Environment



## FINANCIAL MARKET STATUS



There were 608 regulated entities and JSC operating in the securities market.

Private Investment Funds (Law on Investment funds; Paragraph 5.3

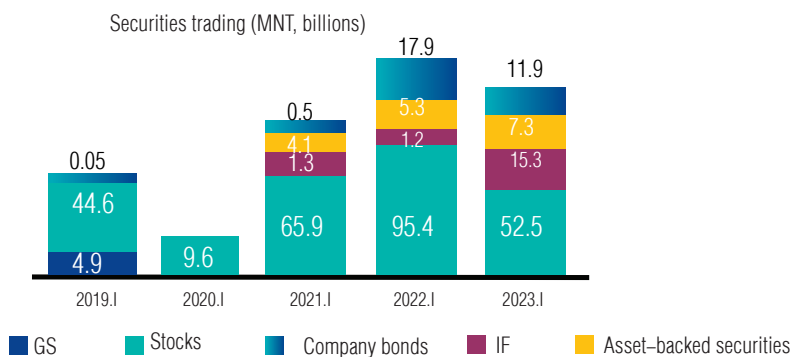
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Stock exchanges <b>3</b>	Central deposit and securities trading payments <b>1</b>	Collateral securities portfolio registration controllers <b>1</b>
IMCs <b>38</b>	Settlements <b>2</b> (1 duplicate)	Custodian banks <b>3</b>
Underwriting banks <b>2</b>	Trustees <b>8</b>	JSCs <b>318</b>
Securities firms* <b>52</b>	Agricultural commodity exchanges	ХАА түүхий эдийн брокер <b>10</b>
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Mutual investment fund <b>5</b>	Issuers of assets-backed securities <b>51 /ТЗК/</b>	Өөрийгөө зохицуулах байгууллага <b>2</b> (1 duplicate)
	Санхүүжих чадавхын зэрэглэл тогтоох байгууллага <b>1</b>	

\*Securities firms include brokers and dealers, underwriters, and investment consultancy firms..

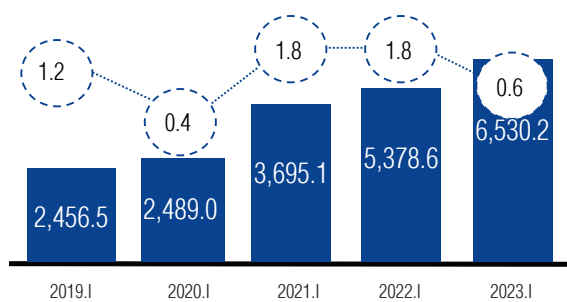
### Securities Trading

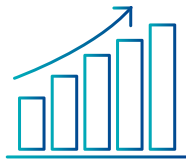
- o In the second quarter of 2023, a total of MNT 533.9 billion worth of securities was traded; an increase of 1.9-fold from the same period of the previous year, and an increase of 5.9-fold from the same period in 2019.
- o 0.5% of all trades were shares, 4.6% were investment fund units, 7.0% were corporate bonds, and 7.9 % were asset-backed securities.



### Market capitalization and liquidity

- o Market capitalization increased by 21.4% (to MNT6.5 trillion) compared to the previous year. Liquidity – 0.6%.





**TOP 20 36,723.77**

**MSE A 15,170.17**

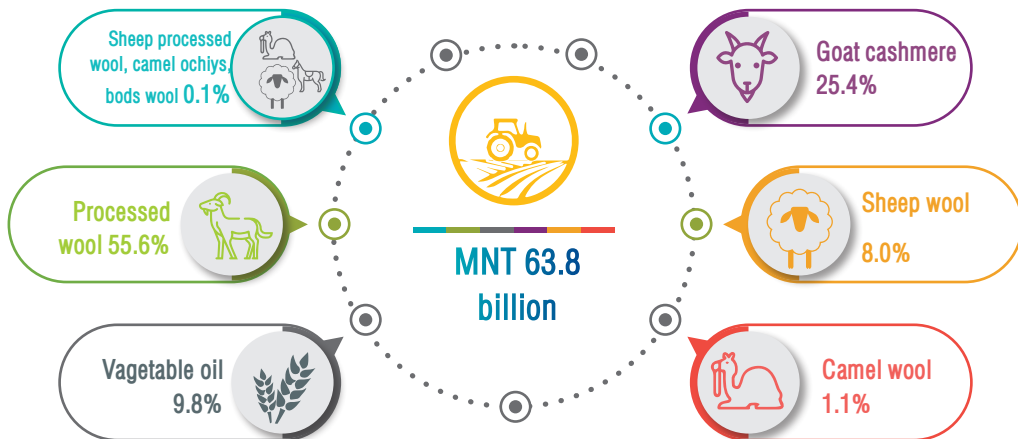
**MSE B 12,478.32**

**The Securities market index compared to the same period of the previous year.**

- TOP-20 Index decreased by 1,373.11(3.6%) points.
- MSE A index increased by 1,267.46(9.1%) points.
- MSE B index increased by 248.33(2.0%) points.

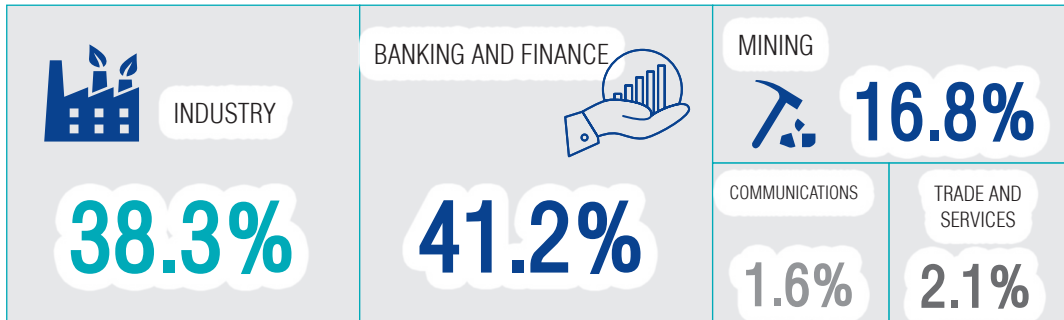


A total of 10 types of goods worth MNT 494.9 billion were traded on the Agricultural Exchange, a decrease of MNT 227.2 billion (31.5%) from the same period of the previous year.



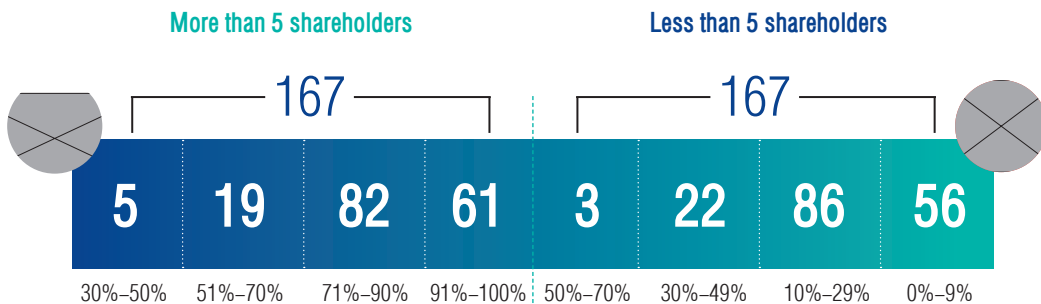
ACCESSIBILITY

SECTOR CLASSIFICATION OF JSCS INCLUDED IN THE TOP-20 INDEX (BY MV)



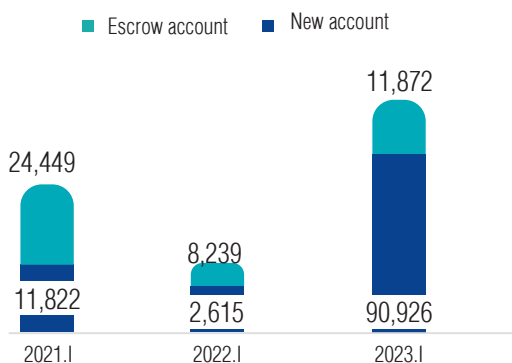
STOCK CONCENTRATION

- The table below shows the concentration of 171 JSCs that are actively traded on the stock exchange, calculated as the percentage of shareholders.



- 106,267 accounts were created; bringing the total number of accounts to 2,552,557. Another 45,169 new escrow accounts were created; to provide a total of 575,924.

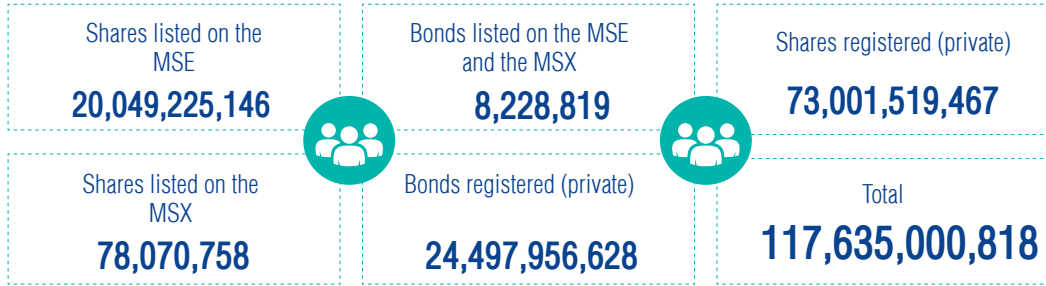
NUMBER OF OPENED ACCOUNTS



Number of opened accounts  
(growth in numbers)

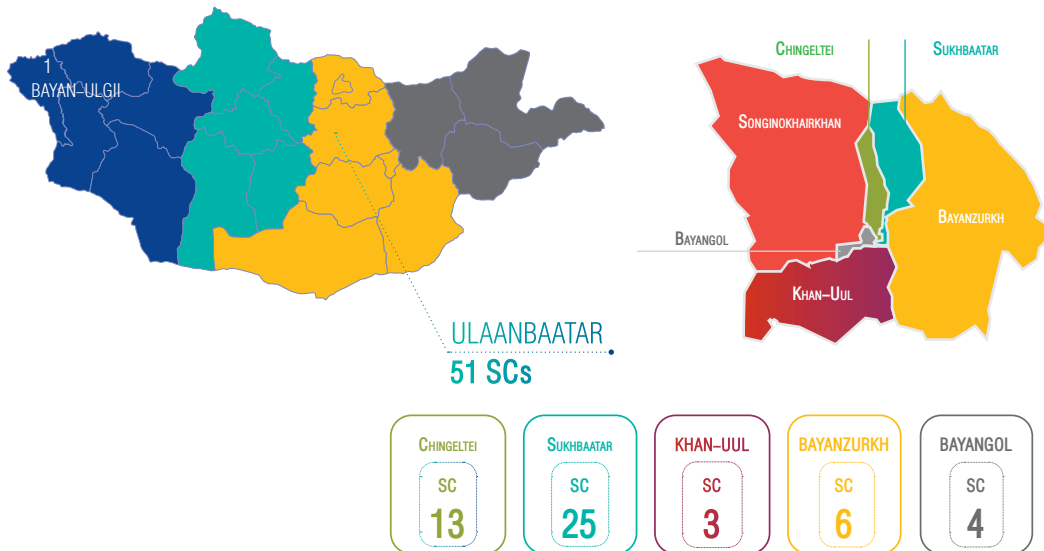
**2,537,216**

## SECURITIES LISTED IN THE MCSD



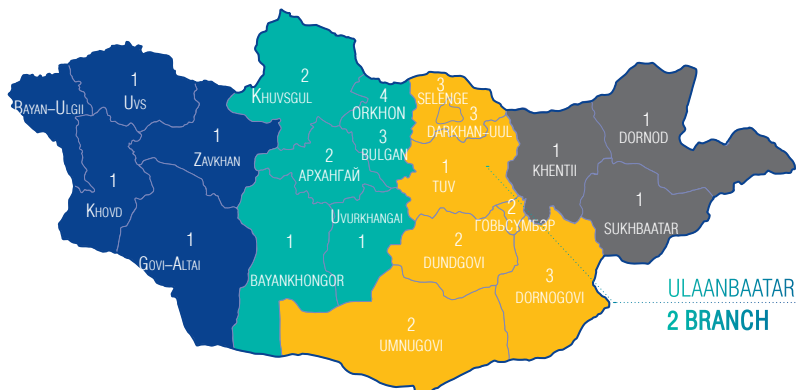
## LOCATION OF THE SECURITIES COMPANY

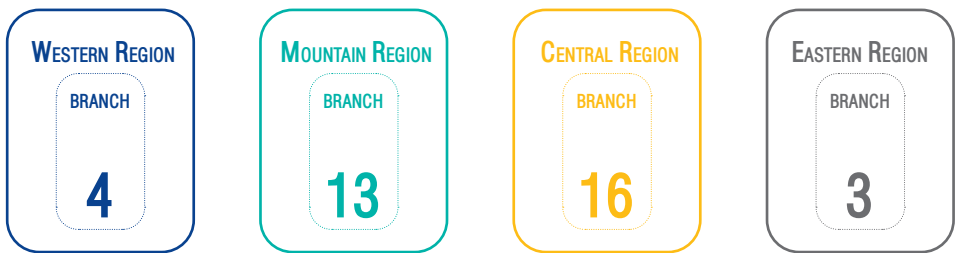
- o A total of 52 SCs operated in Ulaanbaatar; 1 was in Bayan-Ulgii.



## LOCATION OF BRANCH REPRESENTATIVE OF SECURITIES COMPANY

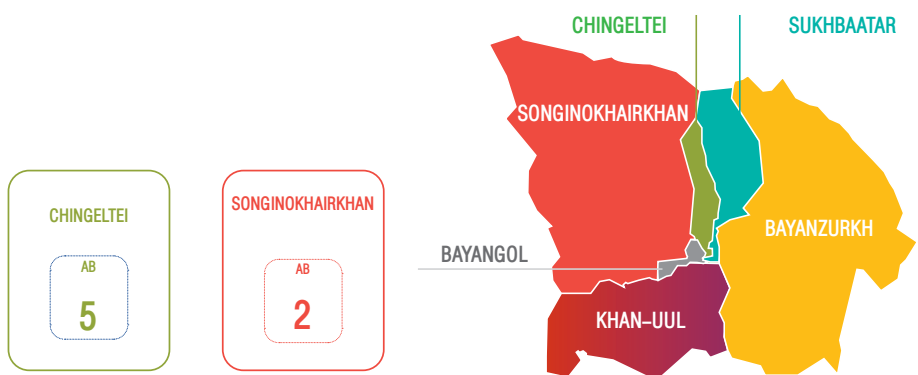
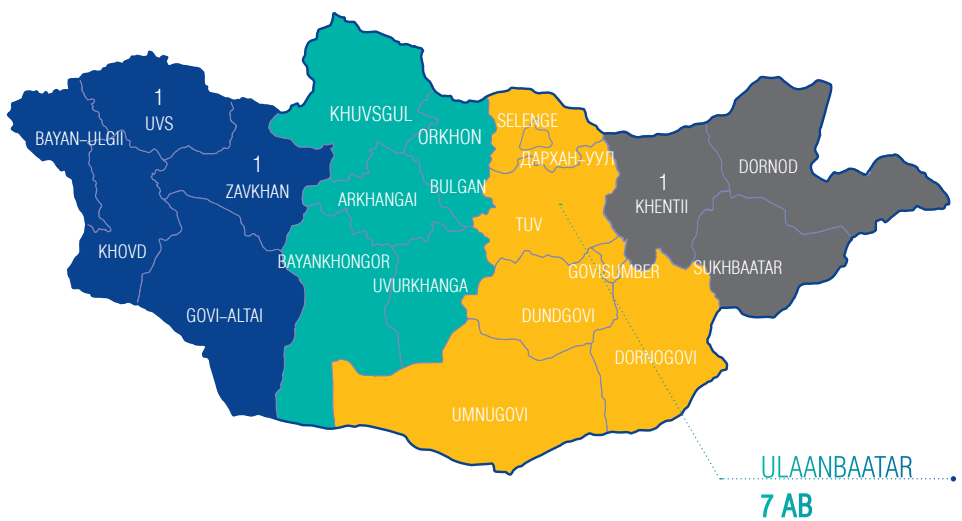
- o There are 38 branch representatives of SCs, 36 of them are in provinces and 2 are in Ulaanbaatar.





LOCATION OF SCS AND AGRICULTURAL BROKERAGES

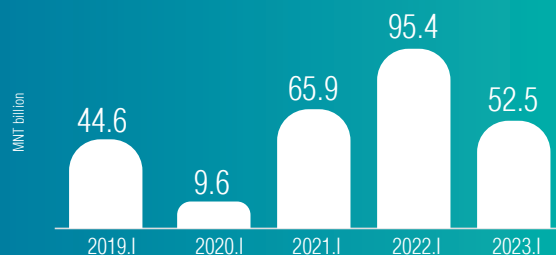
- o 10 agricultural brokers are operating, 7 of them are in Ulaanbaatar and 3 are in the provinces.



## NEW PRODUCTS AND SERVICES

## STOCK TRADING

- Stock trading reached MNT 429.8 billion, which increased by 5.2-fold compared to the same period of 2019 and increased by 3.8-fold compared to the same period of the previous year.



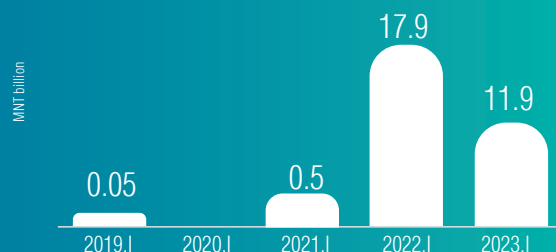
- 254.7 million shares (127 JSCs) were traded for MNT 52.5 billion in 61 trading sessions, MNT 11.9 billion (22.7%) were traded in the primary market, MNT 40.6 billion (77.3%) transactions are accounted for by the secondary market trading.

## NEW SHARES

Company	Date of registration	withdrawal amount
Shares were issued for the first time as a public offering by "Gasar Shim" LLC	2023.01.25	MNT 10.5 billion

## DEBT INSTRUMENTS OF THE COMPANY

- In the first quarter of 2023, corporate bond trading reached MNT11.9 billion; a decrease of 33.5% compared to the previous year.



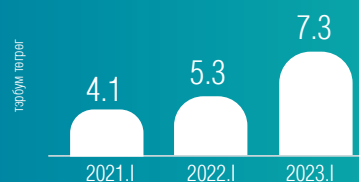
- In the primary market of corporate bonds, 85,000 debt instruments with a value of MNT 8.5 billion were traded, while in the secondary market, 33,600 debt instruments with a value of MNT 3.4 billion were traded.

## NEW TRADINGS THE DEBT INSTRUMENTS OF THE COMPANY

Company	Date of registration	Withdrawal amount
"Sendly NBF" JSC	2023.01.13	MNT 8.5 billion

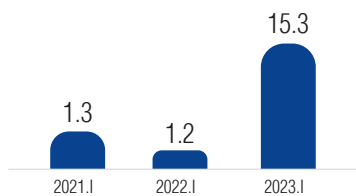
## ASSET-BACKED SECURITIES TRADING

- Asset-backed securities trading reached MNT 42.2 billion which is a decrease of 27.2% compared to the same period the previous year.



### INVESTMENT FUND TRADING

In the second quarter of 2023, investment funds trading reached MNT24.5 billion, which is a 10.5-fold increase compared to the same period the previous year.

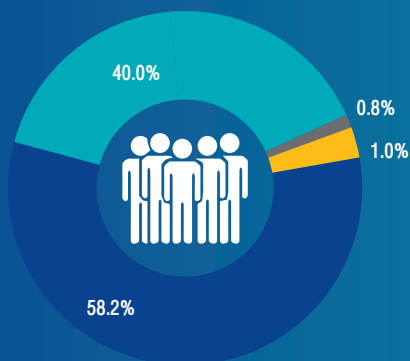


Company	Date of registration	Withdrawal amount
"Ashid arvijikh khamtin KHOS" LLC	2023.01.13	1.1 тэрбум төгрөг

NOTE

### TRADING ON OTC MARKET

In the OTC market, 16 issuers have registered 42 tranches of debt instruments valued at MNT 109.6 billion, MNT 62.6 billion have been collected, and debt instruments worth MNT 47 billion are expected to be issued.

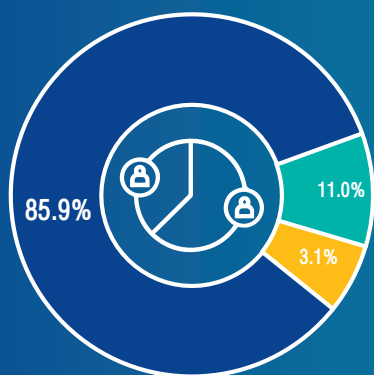


- Domestic enterprises
- Domestic citizens

### TRADING STRUCTURE, BY INVESTOR

In the second quarter of 2023, domestic enterprises trades accounted for 56.3%. Foreign enterprises' trade transactions accounted for 1.4%, and foreign individuals' transactions accounted for 0.9% of trading participants.

- Foreign enterprises
- Foreign citizens



- Privately owned
- State – owned

- State-owned (by Parliament)

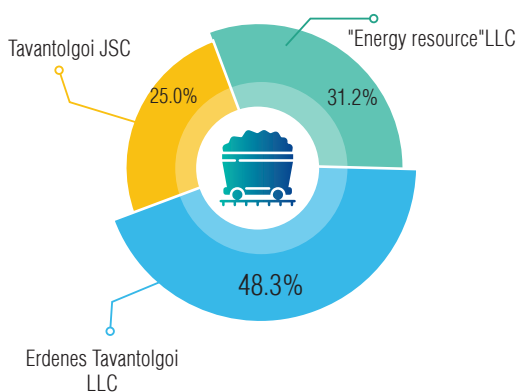
### STOCKS, BY EQUITY STRUCTURE

There were 321 JSCs in the FRC's securities register; 86.0% were private, 10.9 % were state-owned, and 3.1% were state-owned (Parliament) and locally owned.

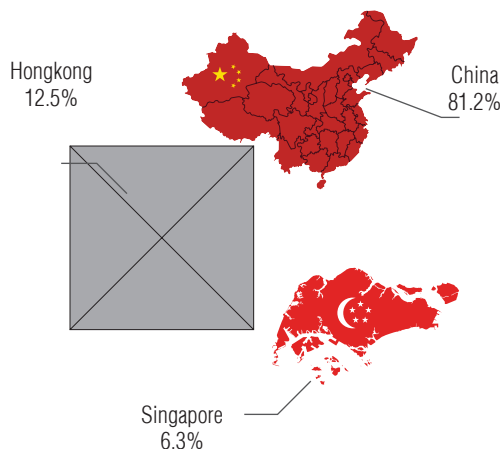
## MINING COMMODITIES (ONLINE AUCTION)

The 5 types of 1,542,400 tonnes (241 packages) of coal with a value of MNT 1,223.5 billion were purchased by coal auction.

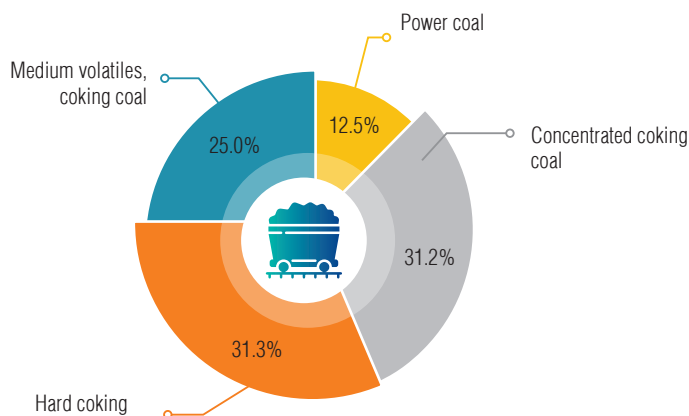
### COAL SELLERS



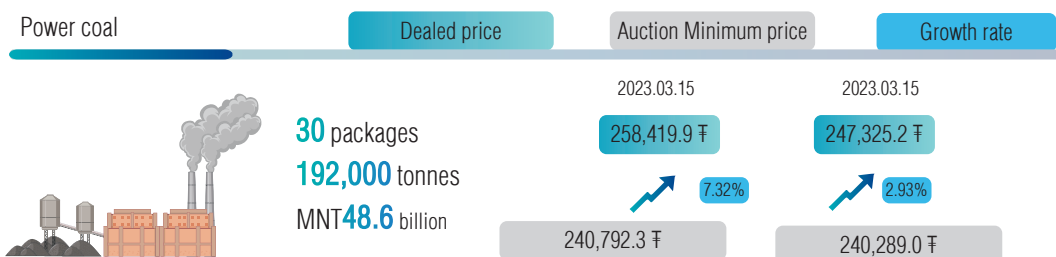
### BUYERS COUNTRIES



### TYPES AND CLASSES OF COAL TRADED

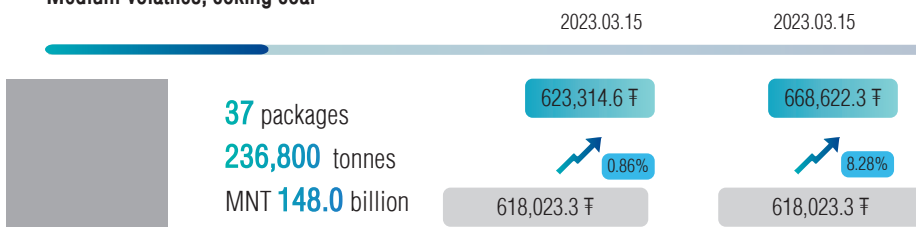


### PRICE CHANGE / GROWTH/

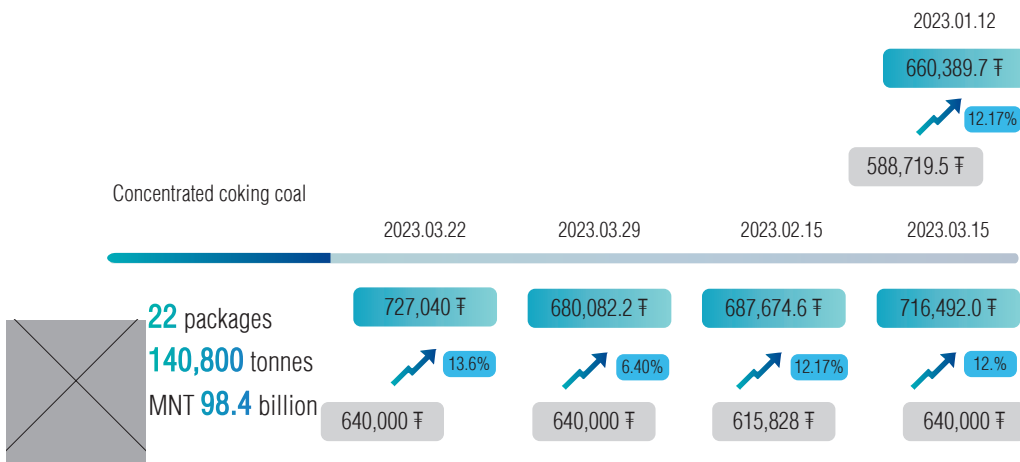


## PRICE CHANGE / GROWTH/

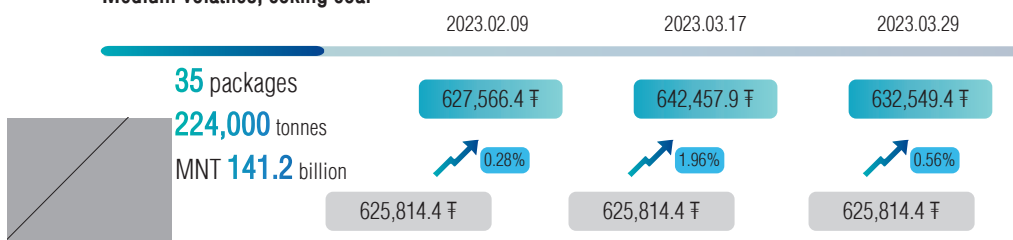
## Medium volatiles, coking coal



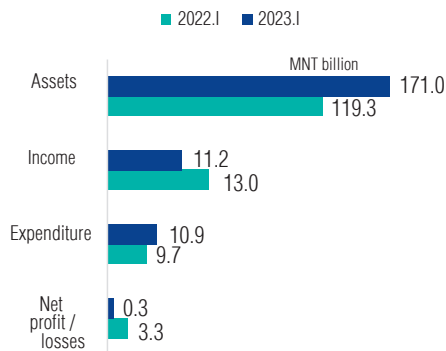
## Concentrated coking coal



## Medium volatiles, coking coal



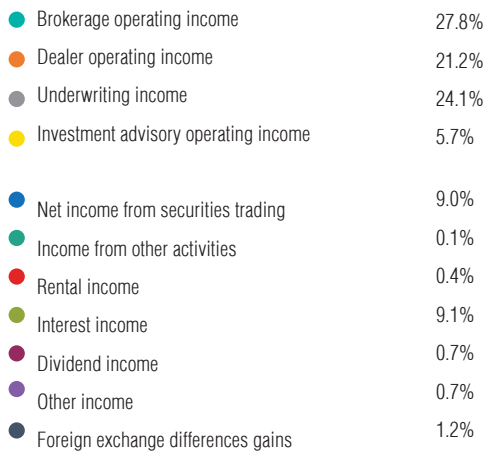
## PROFITABILITY



### PROFITABILITY OF SECURITIES COMPANIES

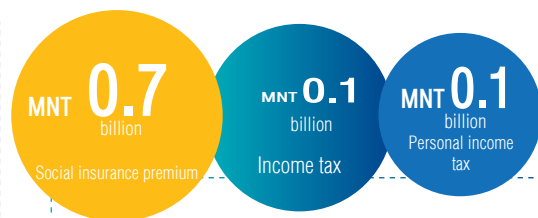
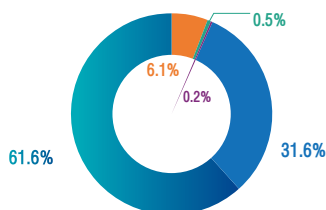
- The total asset of securities companies was MNT173.6 billion, an increase of 35.3% compared to the same period of 2022.
- Compared to the same period of 2022, income was increased by MNT16.7 billion and expense was increased by MNT12.8 billion. Net profit was MNT5.3 billion.

### INCOME STRUCTURE OF SCs



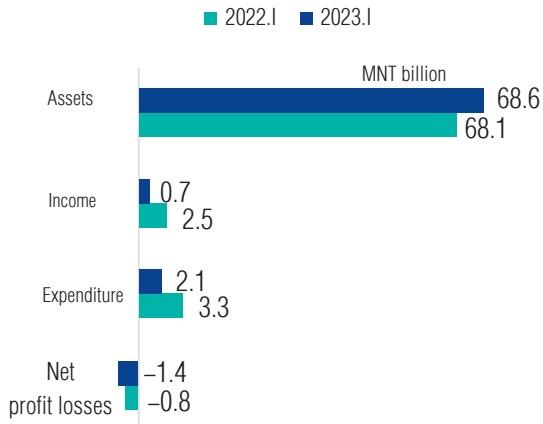
### SC'S EXPENDITURE

- sales, marketing, general and administrative expenses
- Financial expense
- Income tax expense
- Other expense
- Other losses



- Securities companies paid MNT1.5 billion for social insurance contributions, MNT0.3 billion for personal income tax, and MNT0.6 billion for entity income tax. In total, MNT2.4 billion was paid by securities companies to the state budget.

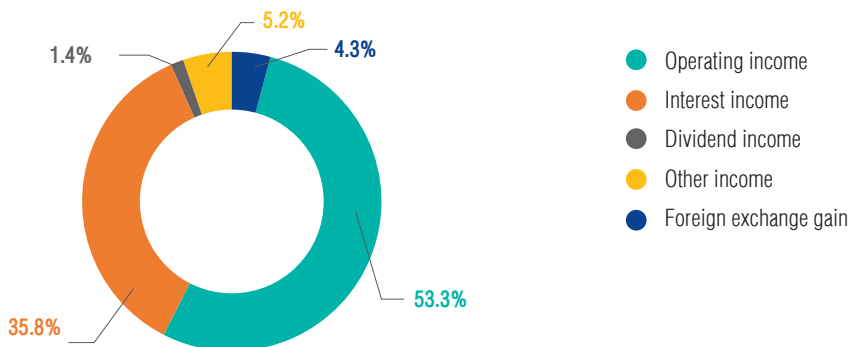
## PROFITABILITY OF INVESTMENT MANAGEMENT COMPANIES



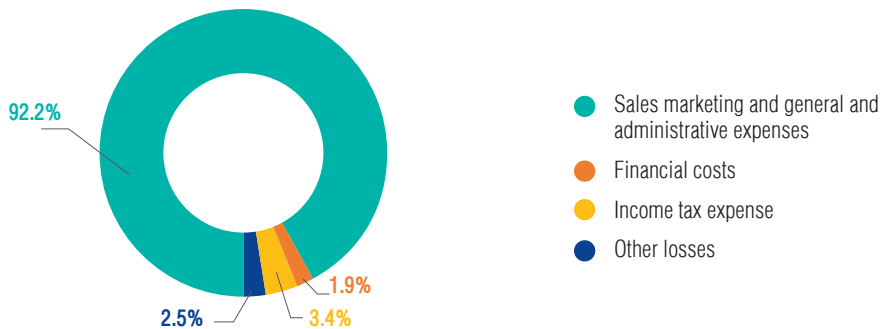
## PROFITABILITY OF IMCS

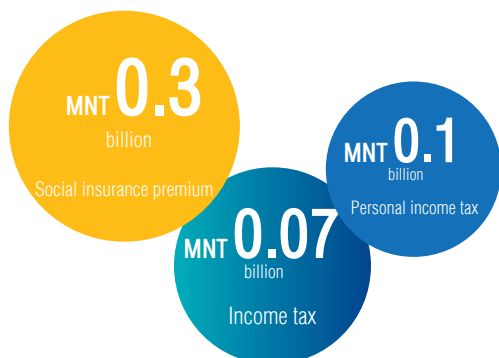
- The total asset of investment management companies was MNT71.9 billion, an increase of 1.7% compared to the same period of 2022.
- Compared to the same period of 2022, income was increased by MNT0.1 billion and expense was decreased by MNT0.2 billion. The loss was MNT0.9 billion.
- Investment management companies paid MNT0.4 billion for social insurance contributions, MNT0.1 billion for personal income tax, and MNT0.06 billion for entity income tax. In total, MNT0.5 billion was paid by securities companies to the state budget.

## IMC'S REVENUE STRUCTURE



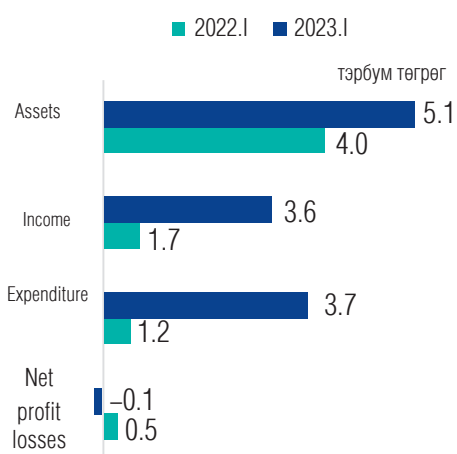
## IMC'S EXPENDITURE STRUCTURE





- Investment management companies paid MNT0.4 billion for social insurance contributions, MNT0.1 billion for personal income tax, and MNT0.06 billion for entity income tax. In total, MNT0.5 billion was paid by securities companies to the state budget.

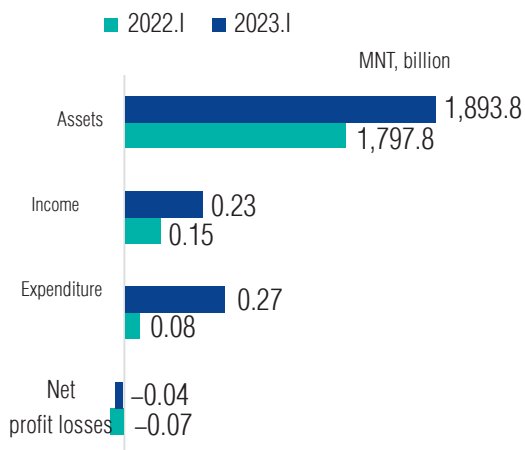
## PROFITABILITY OF AGRICULTURAL COMMODITY EXCHANGES



### PROFITABILITY OF MCE

- The total asset of agricultural commodity exchanges was MNT5.6 billion, an increase of 24.4% compared to the same period of 2022.
- Compared to the same period of 2022, income was increased by MNT0.9 billion and expense was increased by MNT0.5 billion. The profit was MNT0.3 billion.

## FINANCIAL STATEMENT INDICATORS OF CUSTODIANS

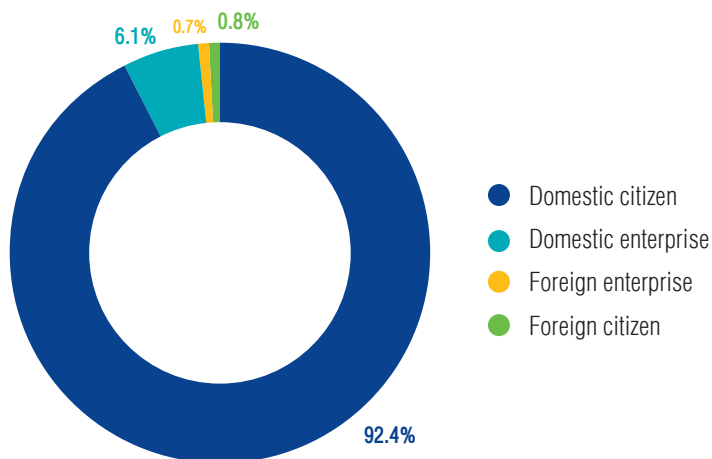


### PROFITABILITY OF CUSTODIAN BANKS

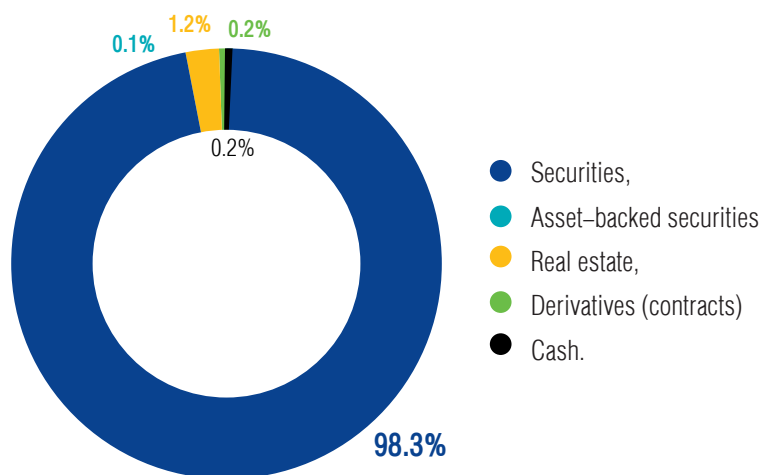
- The total asset of custodian banks was MNT1,697.2 billion, an increase of 38.9% compared to the same period of 2022.
- Compared to the same period of 2022, income was increased ed by MNT0.13 billion and expense was increased by MNT0.13 billion. The loss was MNT0.11 billion.

### CUSTOMER STRUCTURE OF CUSTODIAN BANKS

- o Most (91.2%) customers were domestic citizens, 7.3% were domestic enterprises, 0.8% were foreign citizens, and 0.7% were foreign enterprises.

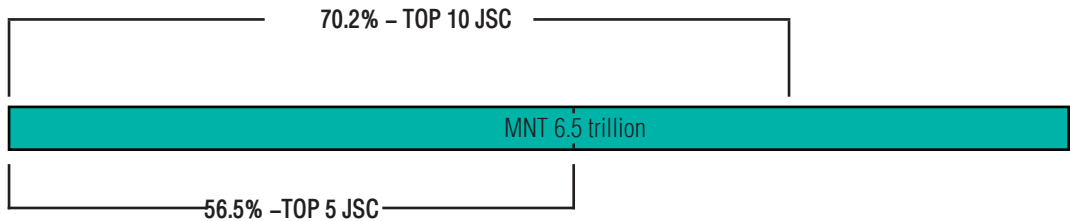


- o According to the classification of the assets deposited in the custodian banks, 93.2% were securities, 1.0% were asset-backed securities, 5.6% were cash, and 0.2% were real estate.



## STABILITY

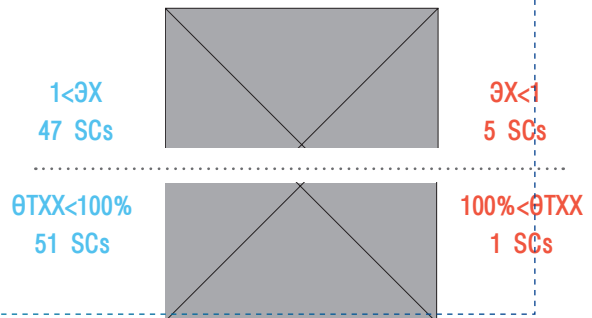
Five companies with the highest market capitalization accounted for 32.0% of the total market capitalization, while 10 companies with the highest market capitalization accounted for 40.4% of the total market capitalization.



### SOLVENCY ASSESSMENT OF SECURITIES COMPANIES

- Out of 52 securities companies, the current ratio of 47 (90.4%) companies was above 1, while 5 (9.6%) was below 1.
- The debt ratio of 51 (98.1%) companies was below 1, while one (1.9%) company was above 1.

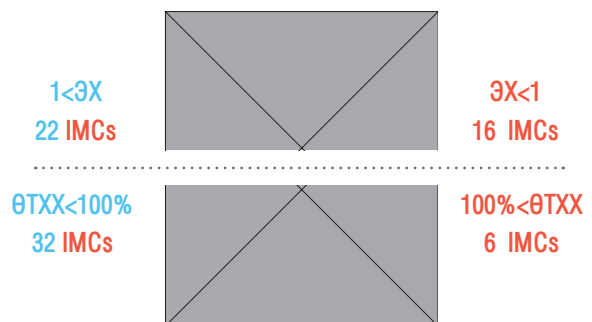
#### CURRENT AND DEBT PAYMENTS, TOTAL ASSETS RATIO



### SOLVENCY ASSESSMENT OF INVESTMENT MANAGEMENT COMPANIES

- Out of 38 investment management companies, the current ratio of 23 (60.5%) companies was above 1, while 15 (39.5%) were below 1.
- The debt ratio of 31 (81.6%) companies was below 1, while 7 (18.4%) companies were above 1.

#### CURRENT AND DEBT PAYMENTS, TOTAL ASSETS RATIO



## REGULATORY ENVIRONMENT



### POLICY AND LEGISLATION

#### Banking reform

- The Financial Regulatory Commission improves the regulatory environment for banking reforms under which banks can issue IPOs successfully, and restructure their forms as open joint companies.
- The FRC registered IPO issuances of systemically important banks including State Bank JSC, Golomt Bank JSC, Khan Bank JSC, Trade and Development Bank LLC, Xac Bank LLC by its Resolution No.505, 634, 689 of 2022, and Resolution No.179, 180 of 2023. MNT446.8 was successfully raised.
- Issuing IPOs by systemically important banks and changing their forms has several significant outcomes. These include an improvement in corporate governance, an open and transparent banking system, sustainability in banking and financial sectors, and the development of the capital market.

### INTERNATIONAL COOPERATION

- o On 22 May 2023, in cooperation with the Mongolian National Chamber of Commerce and Industry, the FRC approved the “Action Plan for increasing participation of TOP-100 enterprises in the capital market”, in order to increase their opportunity to raise funding from the capital market. Restructuring their formation as a publicly-listed company by issuing IPOs and raising funds by issuing corporate bonds will expand their business operation, increase income and profit, and improve governance and information transparency.



# INSURANCE MARKET

Total assets

MNT **487.0** billion

Capital growth **16.4%**



Financial market status

Insurance density

MNT **87,816**

Density increase/growth  
**19.5%**



Accessibility

Increase in premiums from  
increase intermediaries  
(intermediaries increase)

MNT **22.1** billion



Products and services

Profitability



Net profit  
MNT **3.7**  
billion

Tax collected from  
the state budget,  
social insurance MNT **3.6**  
billion

Stability



Reinsurance  
premium cost  
**29.3%**

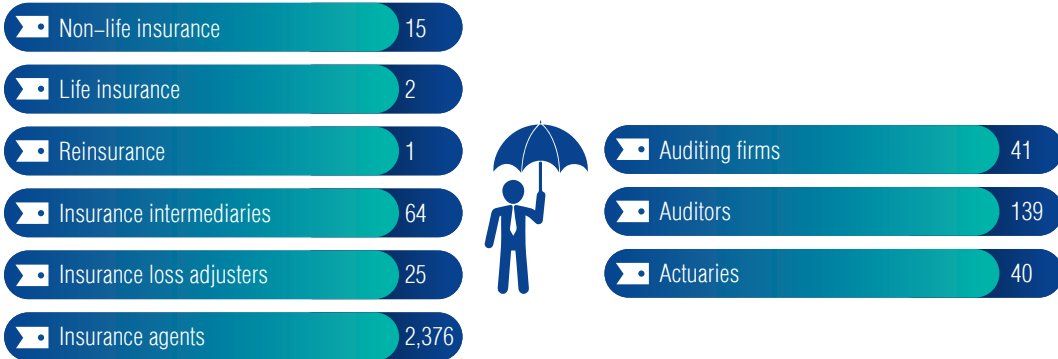
Regulatory environment



## FINANCIAL MARKET STATUS

### INSURANCE SECTOR STRUCTURE

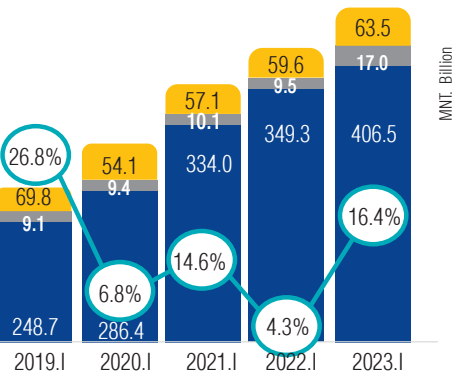
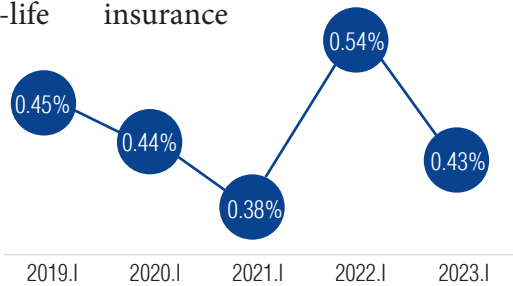
A total of 336 insurance companies, brokers, loss assessors, audit companies, actuaries and auditors are operating, based on licenses permits and rights granted by the FRC along with 2,381 insurance agents.



### INSURANCE DENSITY

- In the second quarter of 2023, insurance depth reached 0.55%; equal to the same period of the previous year and a decrease of 0.09 percentage points from the same period in 2019.

### Non-life insurance

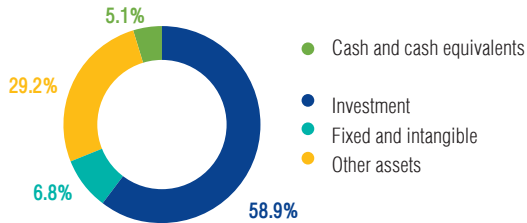


### TOTAL ASSETS OF INSURANCE COMPANIES

- Total assets increased (by 20.2%) to MNT518.3 billion compared to the same period of the previous year; and an increase of 46.1% compared to the same period of 2019.
- The total assets of non-life insurance companies increased by 20.6% compared to the same period of the previous year and reached MNT 433.2 billion, accounting for 83.6% of the total assets of the sector.
- The total assets of reinsurance companies increased by 10.5% compared to the previous year, to reach MNT68.5 billion; accounting for 13.2% of the total assets of the sector.
- The total assets of life insurance companies increased by 64.5% from the previous year to MNT16.6 billion; accounting for 3.2% of the sector. This increase is since "Mandal Life Insurance" LLC started life insurance activities in the 4th quarter of 2022.

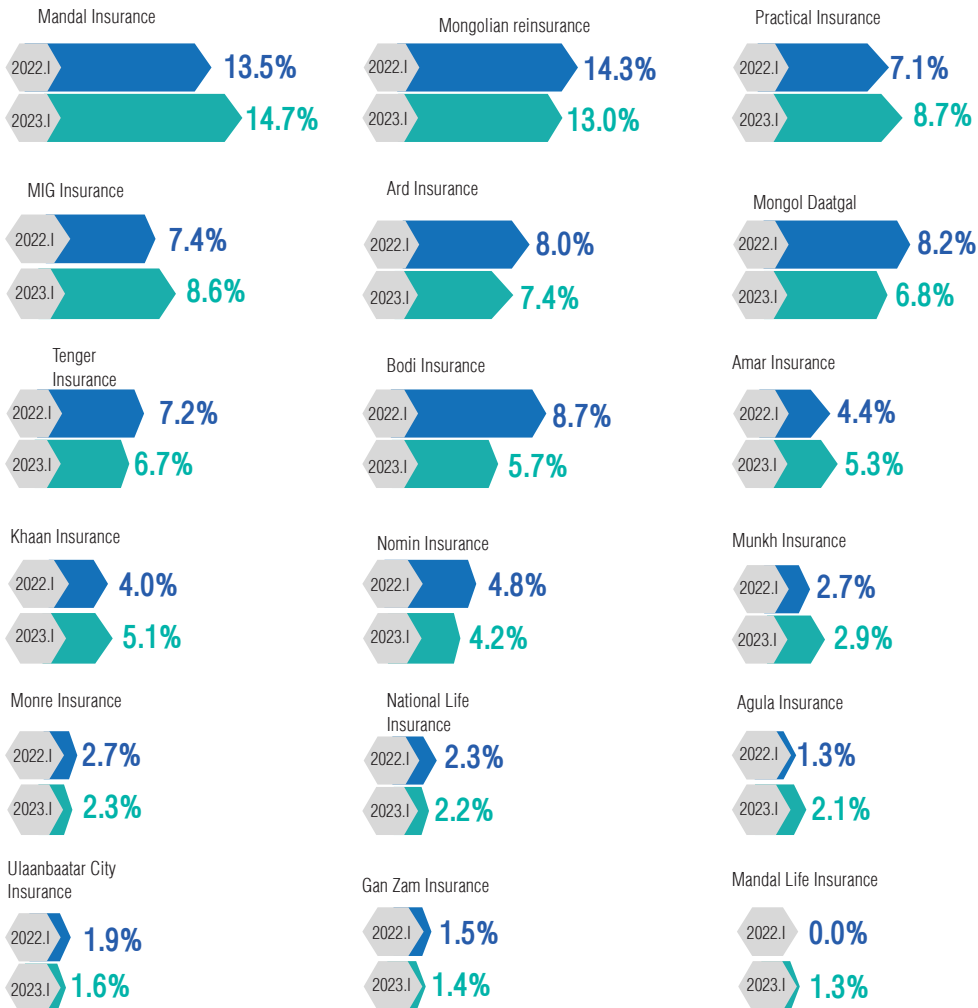
### MARKET SHARE (BY TOTAL ASSETS)

Within the total assets structure of insurance companies, MNT30.3 billion (5.8%) constituted money and cash equivalents, MNT222.1 billion (42.9%) comprised investments, MNT40.0 billion (7.7%) represented fixed and intangible assets (net amount), and MNT225.9 billion (43.6%) constituted other types of assets.



In terms of the percentage of the total assets of insurance companies, three each had more than 9%, four each had 6–9%, five each had 3–6%, and six had less than 3%.

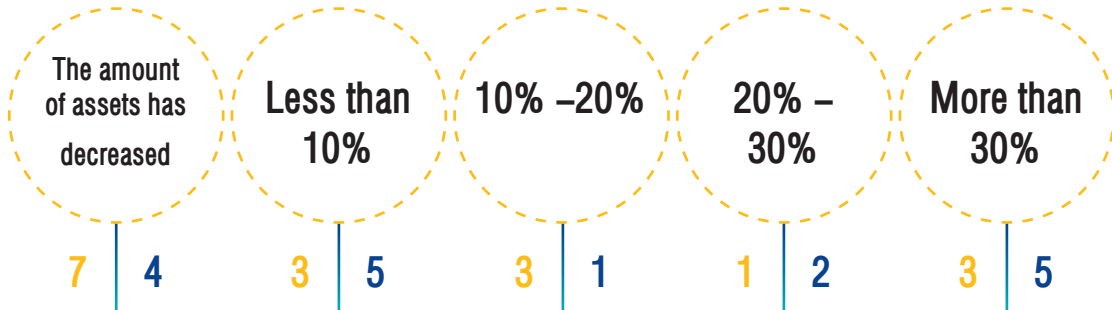
### Percentage share of total assets of insurance and reinsurance companies



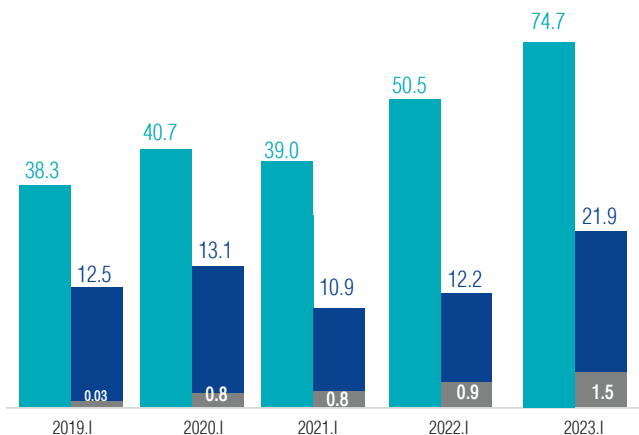
### ASSETS GROWTH DISTRIBUTION OF INSURANCE COMPANIES

The average assets growth of all insurance companies was 4.8% in the second quarter of 2022, and 20.0% in the reporting quarter. Grouped by capital growth, there were six companies with an increase of up to 30%, five with an increase of 10–20%, three with an increase of less than 10%, and three companies with a decrease in total assets.

### 2021.I–2022.I / 2022.I–2023.I



- Total premiums for non-life and life insurance (MNT, billions)
- Total reinsurance premiums for non-life and life insurance (MNT, billions)
- Total fees of domestic reinsurance companies (MNT, billions)



### TOTAL PREMIUMS

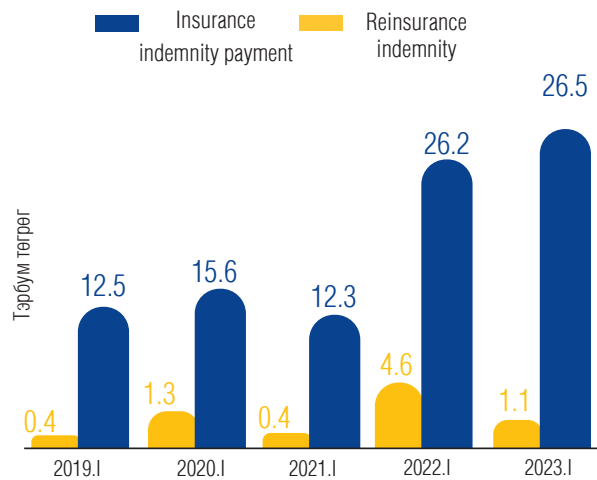
Non-life and life insurance companies collected a total of MNT 169.2 billion in premiums; Of which, non-life insurance companies accounted for MNT167.1 billion (98.8%), and life insurance companies for MNT2.1 billion (1.2%).

A total of MNT 44.6 billion was spent on reinsurance premiums, of which MNT 3.2 billion (7.2%) was paid to domestic reinsurers.

The total premiums of non-life and life insurance increased by 36.1% compared to the same period of the previous year and increased by 63.3% compared to the same period of 2019.

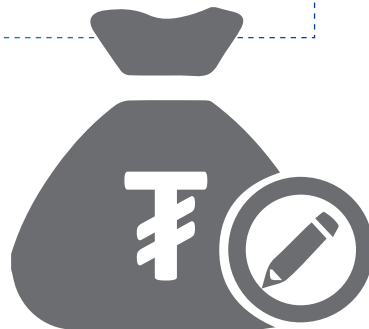
## INSURANCE AND REINSURANCE INDEMNITY PAYMENT/REIMBURSEMENT

- o The total compensation expenditures of insurance companies reached MNT53.4 billion, an increase of 10.1% compared to the same period of the previous year. Compared to 2019, the increase was 107.8%.
- o Of this, MNT 52.4 billion (98.1%) was accounted for by compensation of non-life insurance companies.
- o The amount of reinsurer's compensation decreased 2.2-fold to MNT2.8 billion.



## RESERVES FUND

- o The total reserve fund of the insurance market increased by 31.4% in the same period from the previous reached MNT244.2 billion.
- o In the reporting quarter, the total reserve of non-life insurance companies increased (from the previous year) by 34.4% to MNT208.4 billion. During the same period, life insurance companies' reserves increased by 18.5% to MNT3.5 billion, and reinsurance companies' reserves increased by 16.1% to MNT32.3 billion.



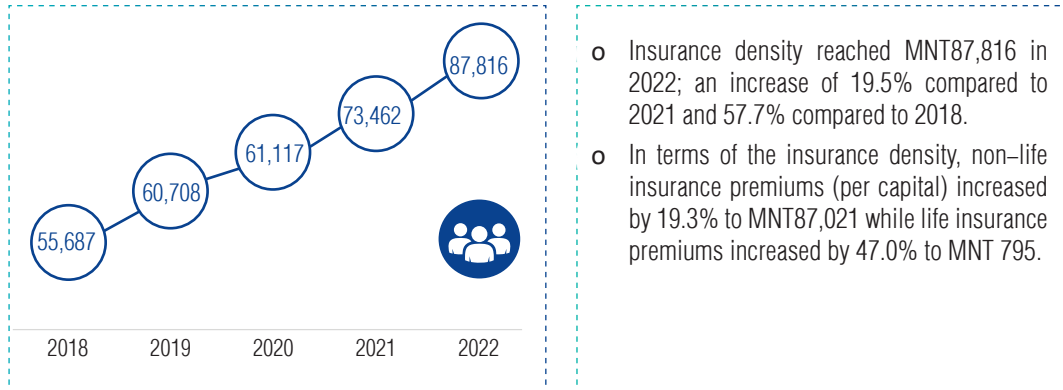
MNT **217**  
billion  
2023.I

MNT **180**  
billion  
2022.I

## ACCESSIBILITY

### INSURANCE DENSITY

The insurance density indicator (the ratio of premium income per capital) reflects the availability and demand of the market. Since the number of the population is calculated once a year, insurance density is not calculated quarterly.



Source: <https://countrymeters.info/en/Mongolia>

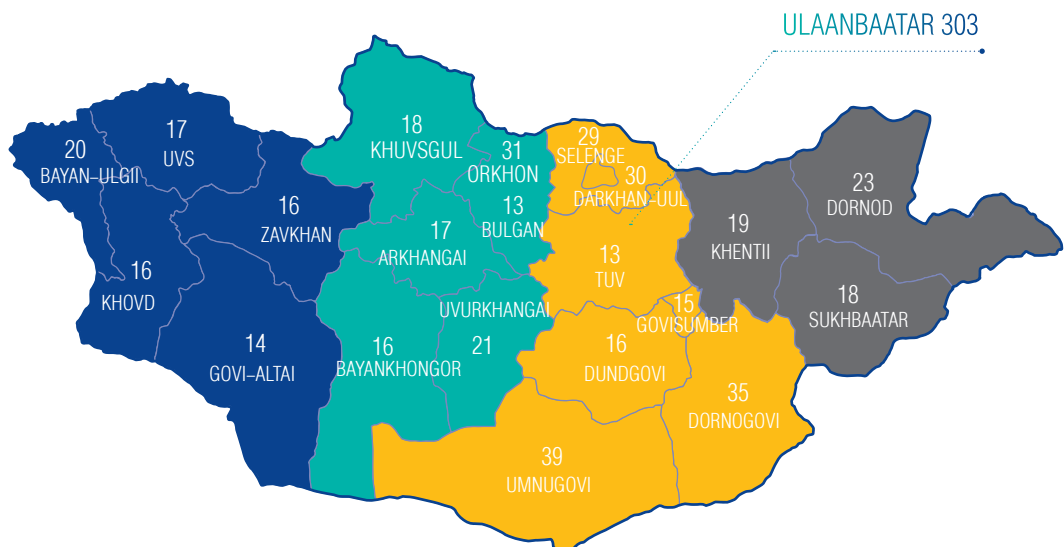
### INSURANCE CONTRACT

In the reporting quarter, a total of 883,228 insurance contracts were concluded. Out of these, 751,825 contracts (85.1%) were concluded with individuals, while 131,403 contracts (14.9%) were concluded with legal entities.

Individuals **380,769**  
Legal entities **63,228**

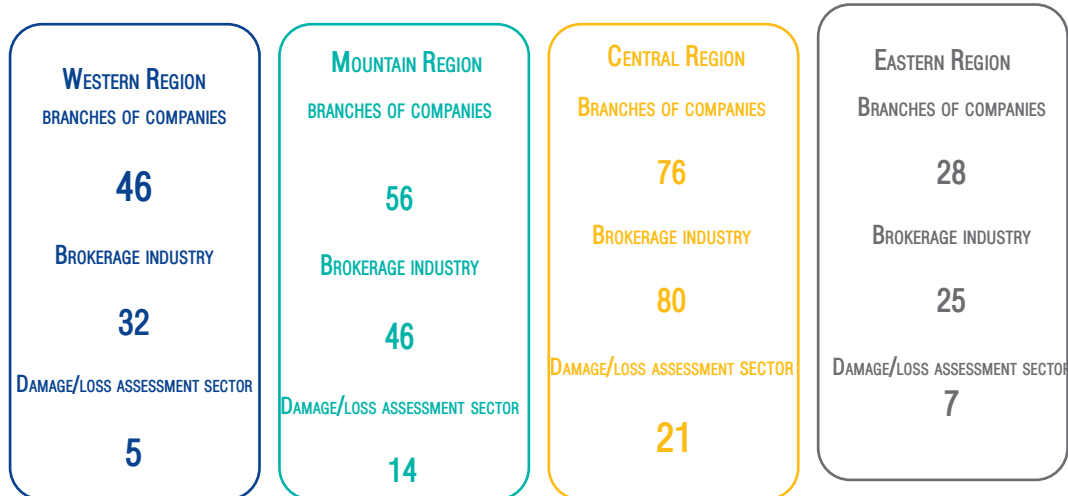


LOCATION OF INSURANCE



BRANCHES REPRESENTATIVE

Another measure of the availability of insurance services is the pretense of insurance company branches and intermediaries. In total, there are 1,780 representatives and 439 branches operating across insurance companies, intermediaries, and loss assessment companies.



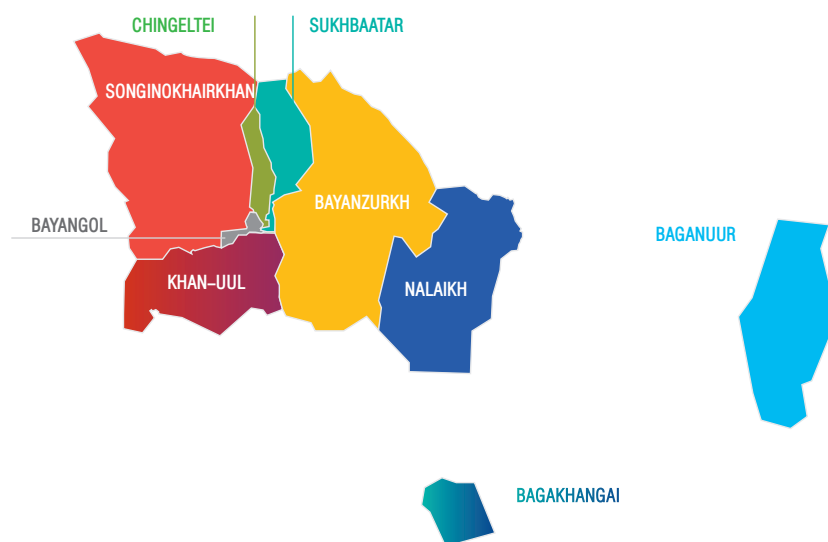
REPRESENTATIVES



## A BRANCHES REPRESENTATIVE

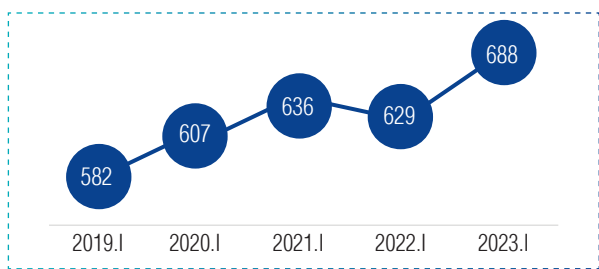
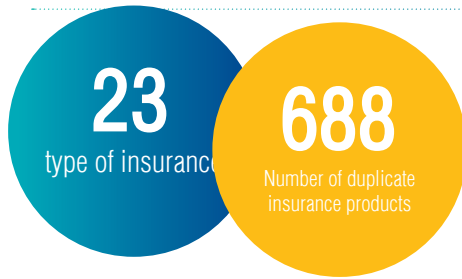
## ULANBAATAR

- o In the second quarter of 2023, a total of 299 representative offices (44 branches of insurance companies, 212 branches of insurance brokers, and 43 branches of loss adjusters) were registered in Ulaanbaatar. Among these, 92.3% of the branches were located in the six central districts of the capital.
- o The total number of representative offices in Ulaanbaatar amounted to 601.
- o Additionally, there were 11 representative offices of insurance companies registered with the FRC, of



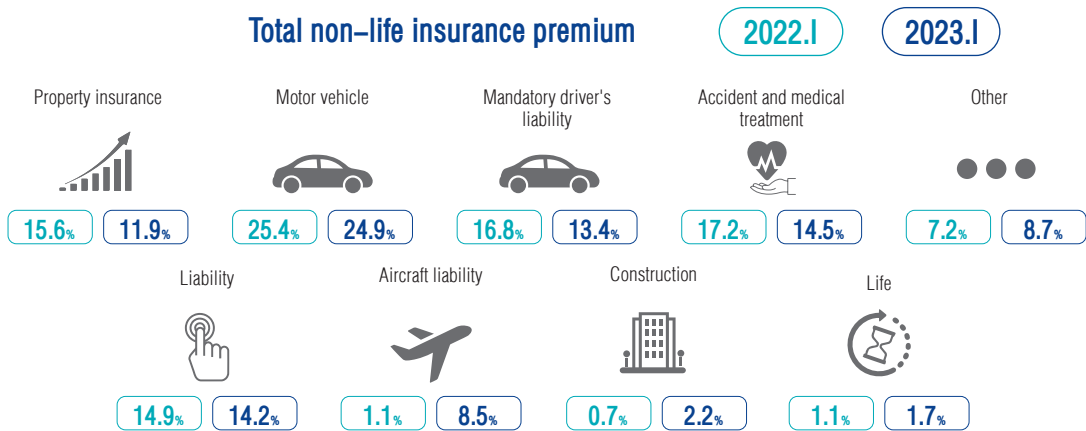
	SONGINOKHAIRKHAN	CHINGELTEI	SUKHBAATAR	BAYANZURKH
INSURANCE	4	9	11	5
BROKER	17	39	48	37
LOSS ASSESSOR	9	5	8	9
	KHAN-UUL	BAYANGOL	NALAIKH	BAGANUUR
INSURANCE	3	4	3	8
BROKER	33	28	6	4
LOSS ASSESSOR	3	8	0	1
	BAGAKHANGAI			
INSURANCE	1			
BROKER	0			
LOSS ASSESSOR	0			

PRODUCTS AND SERVICES

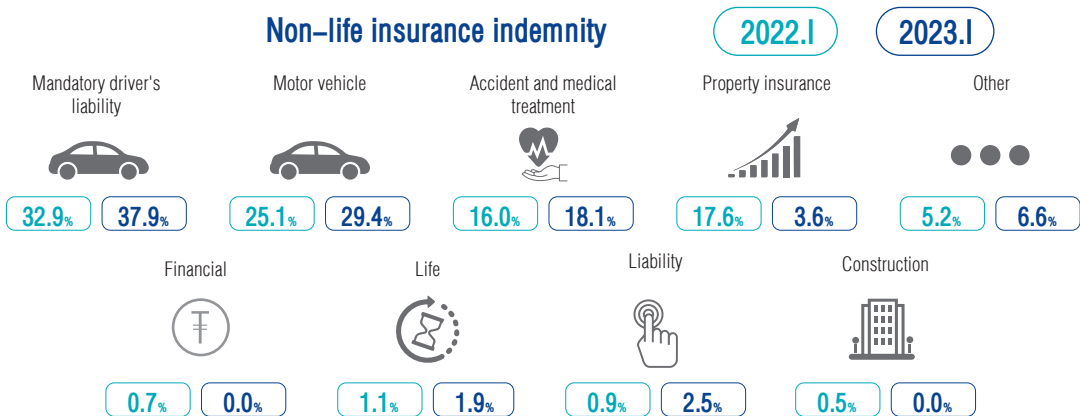


- o Out of the 23 forms of non-life and life insurance are voluntary; except for the Compulsory Driver's Liability Insurance.
- o The number of reinsurance products reached 702, which represents an increase of 78 compared to the second quarter of 2022 and an increase of 117 compared to the second quarter of 2019.

Total non-life insurance premium

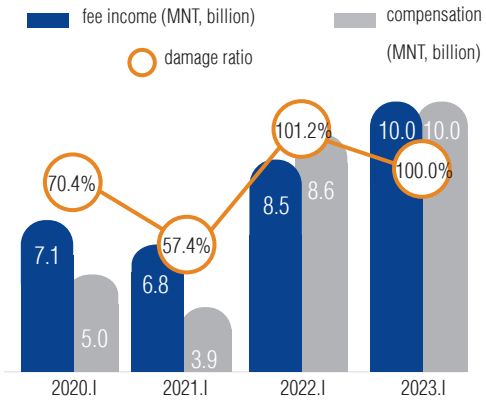


Non-life insurance indemnity



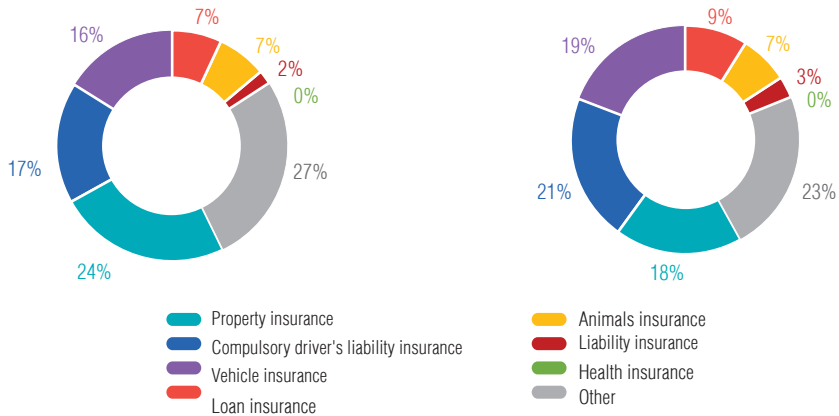
COMPULSORY INSURANCE

- o The total premiums for Compulsory Driver's Liability Insurance reached MNT26.0 billion – an increase of 14.0% compared to the same period of the previous year – and accounted for 15.4% of total insurance premium income.
- o In comparison to the same period of the previous year, reimbursements increased by 8.7%. During the reporting quarter, MNT 17.5 billion was disbursed as compensation representing 32.8% of the total compensation costs within the sector.



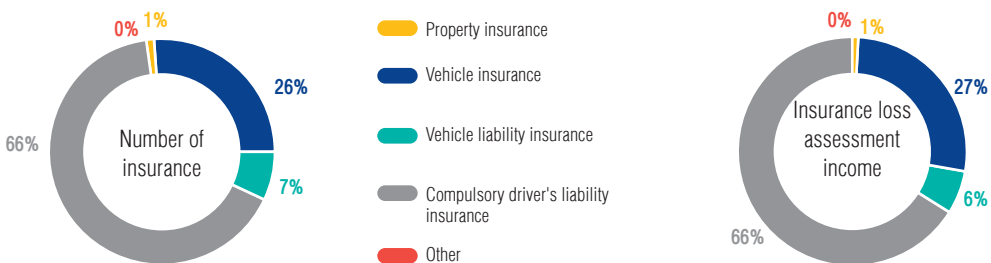
INSURANCE INTERMEDIARIES

- o The insurance and reinsurance premiums collected by insurance brokers amounted to MNT 105.9 billion. Notably, the premium income of insurance intermediaries increased by 31.2% in the reporting quarter, reaching MNT 10.1 billion compared to MNT 7.7 billion in the same period of the previous year.



INSURANCE LOSS ADJUSTERS

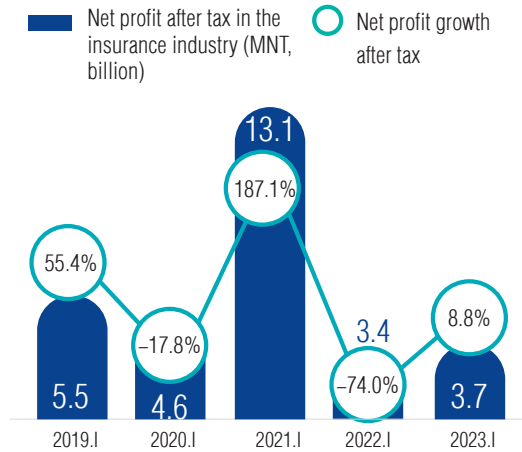
- o Insurance loss assessment companies evaluated a total of 9,717 losses, with a value of MNT 17.8 billion. Total income from insurance loss assessment increased by 63.4% compared to the same period of the previous year, reaching MNT 0.9 billion.



## PROFITABILITY

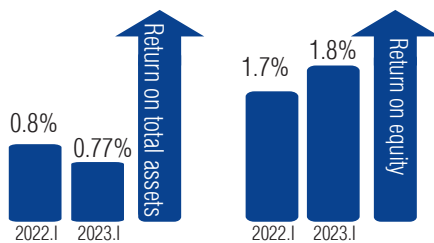
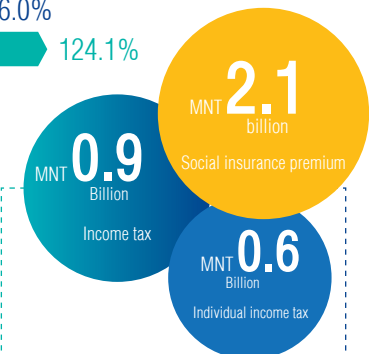
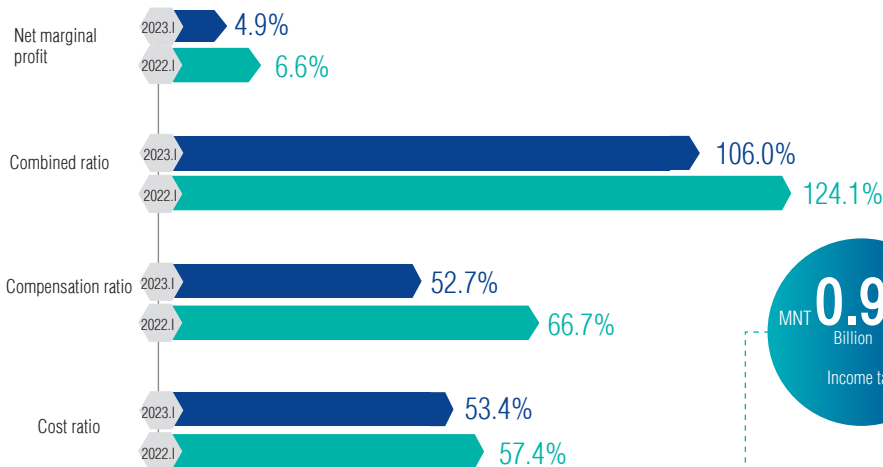
### NET PROFIT INDICATOR OF INSURANCE COMPANIES

- o The net profit of insurance companies decreased by 88.0% (compared to the second quarter of 2022) and reached MNT1.1 billion; a decrease of 91.3% (compared to the same period of 2019).
- o In terms of net profit after tax, seven companies exhibited decreases, two had increases up to 50%, three had increased between 50 and 100% and five insurance companies had increases of more than 100%.



### KEY RATIOS

- o The compensation ratio decreased by 12.2 percentage points compared to the second quarter of 2022.
- o The expenditure ratio decreased by 10.3 percentage points to 48.9%.
- o The net profit margin of the insurance sector decreased by 6.7 percentage points, to 0.6%.



### PROFITABILITY COEFFICIENT

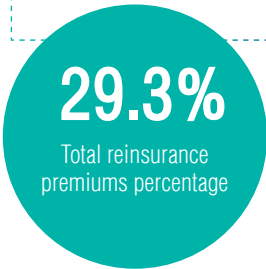
- o Return on assets in the market decreased by 4.4 percentage points to 0.2%. Return on equity decreased by 1.7 percentage points to 0.5%.

- o Insurance companies made the following payments: MNT4.4 billion for social insurance premiums, MNT1.3 billion for personal income tax, and MNT1.6 billion for corporate income tax. In total, MNT7.3 billion was collected and contributed to the state budget.

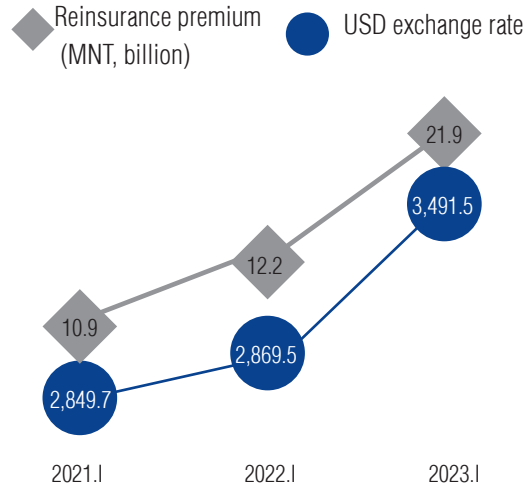
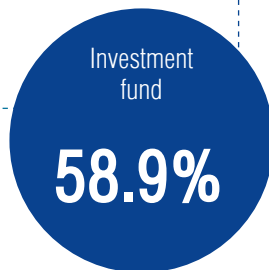
## STABILITY

### MARKET RISK

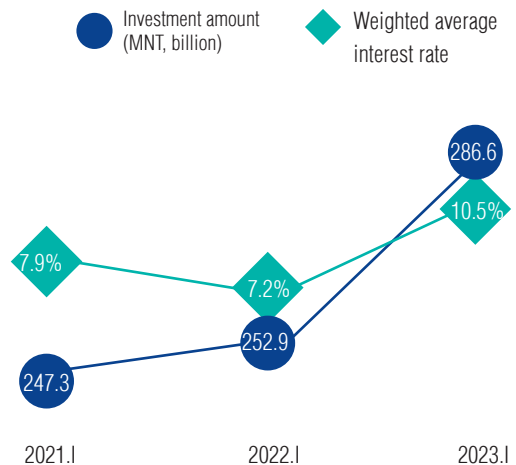
- Currency exchange rate risk remains a significant challenge in the Mongolian insurance market
- A majority of insurance companies engaged in double insurance abroad transferred an average of over MNT70 billion annually to other countries during the previous three years.
- Reinsurance premiums collected by insurance companies abroad accounted for 26.4% of the total insurance premiums in the reporting quarter.



- Investments accounted for 56.8% of the total assets of insurance companies, with deposits, in the form of investment certificates of deposit representing 72.1% of these investments.
- In the second quarter of 2023, insurance companies generated a total of MNT14.5 billion in interest income from deposits, certificates of deposit, and investments in securities.



### Weighted average interest rate on total insurance investment and savings



## REGULATORY ENVIRONMENT



### POLICY AND LEGISLATION

- On 23 December 2022, an amendment was approved by Parliament, allowing insurers to issue warrants and guarantees to parties other than related parties as stated in the Law on Insurance and Law on Purchase of Goods, Works, and Services with State and Local Property. According to this, by resolution No. 191 of 2023 of the Financial Regulatory Commission "Voluntary insurance form" has been changed.
- Proposals were developed and submitted to the Ministry of Finance for the draft order on amendments to the tender standard documents and relevant regulations approved by the order of the Minister of Finance.
- Draft resolutions on the following document amendments have been prepared and posted on the website of the Financial Regulatory Commission for public opinion in accordance with relevant laws and regulations.
- –Appendix No. 2 of the Insurance Package Rules "Insurer's Solvency Criteria and Regulations for Monitoring"
- –Appendix No. 11 "Instructions for submission of reports, news and applications by insurers and insurance professional participants"



### INTERNATIONAL COOPERATION

- An Insurtech workshop was organized for insurance market participants in cooperation with the Asian Development Bank (ADB) on 27 April 2023. During the workshop, experts shared their experiences on the development of international digital insurance services, current issues, and future trends.

### MEETINGS AND SEMINARS

- On 4 April 2023, FRC's representatives participated in the first joint conference of construction companies on the theme "Revival of the construction sector" organized by the NGO "Union of Builders for Development". On this occasion, information was given and worked on the amendments made to the Law on Insurance and the Laws on the Purchase of goods, works, and services with state and local property funds, as well as the "Regulations for the Insurer's Guarantee".
- On 13 April and 20 April 2023, meetings were held with the Ministry of Labour and Social Protection regarding the draft Law on Private pension insurance. At the meeting, opinions were exchanged related to the draft law.
- On 26 April 2023, gave information and exchanged views regarding a meeting with representatives of Japanese life insurance "Lifenet" company, a shareholder of "Mobifinance" LLC the current situation and legal environment of life insurance in Mongolia. Also, on 3 May 2023, in the framework of improving the legal framework for life insurance activities met with the representatives of "Mandal Life Insurance" LLC and exchanged opinions.
- On 26 April 2023, the Policy Council of Insurance held a meeting. From the meeting, recommendations were made to ensure and activate in direction of the participation of professional participants in increasing public insurance education.
- On 3 May, the "Sector of Health and Insurance" training and discussion was organized with the Ministry of Health.
- On 6 June 2023, a meeting was organized for the participants of the sector in cooperation with the Mongolian Insurance Association on the topic of "Supporting the insurance sector with tax policy".
- In the training and discussion on "Financial Market Development and Citizen Participation" organized by the Financial Regulatory Commission, the insurance sector was presented and gave information to the public.



# NBFIs

Total assets

MNT **3.7**  
Trillion



Financial market status

Capital growth

**24.5%**

Customers **3.9** million

Average loan amount  
MNT **2.2** million



Accessibility

Credit NBFIs  
**92.8%**

Foreign currency exchange NBFIs

**7.0%**



Products and services

Profitability



Total income

MNT **258.5**  
billion

Tax collected by the  
state,

MNT **16.2**  
billion

Stability



Z index

**21.4**

Percentage of non-  
performing loans

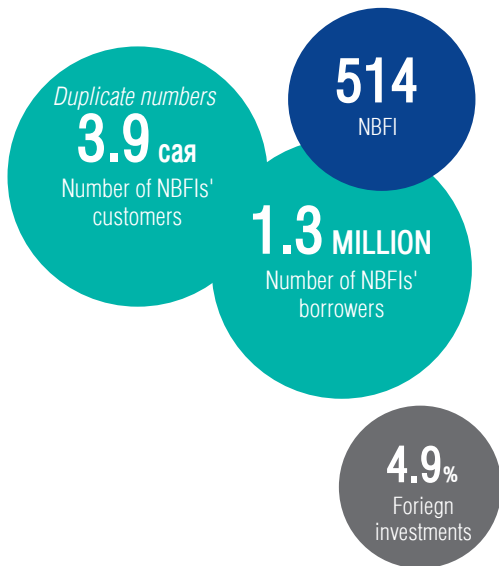
**8.0%**

Regulatory environment



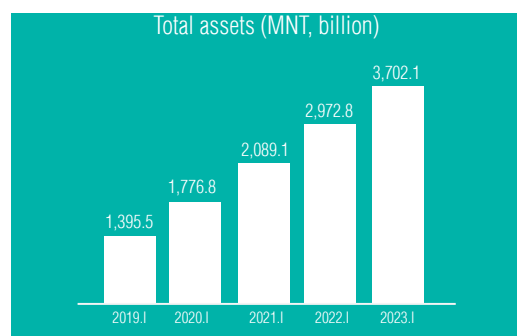
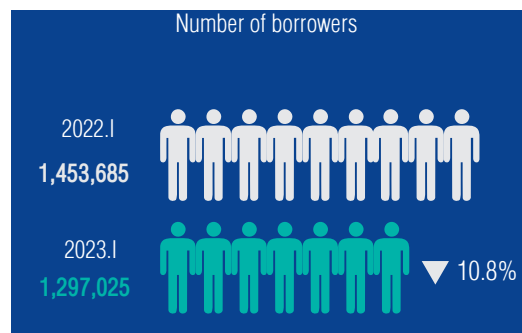
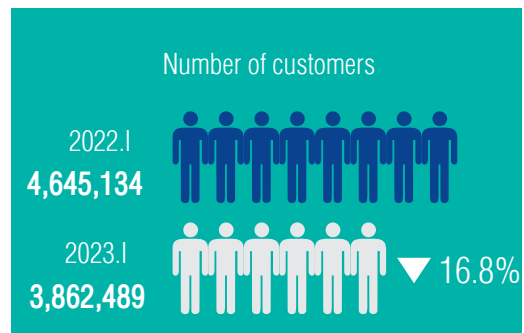
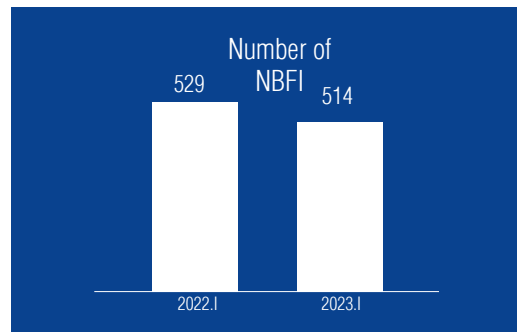
## FINANCIAL MARKET STATUS

- 522 NBFIs licensed by the FRC in the second quarter of 2023; a decrease of 0.9% from the same period of the previous year and a decrease of 3.0% from the same period of 2019.
- 25(4.8%) of NBFIs have international investments



### ASSETS OF NBFIs

In the second quarter of 2023, the total assets of NBFIs reached MNT3.9 trillion; an increase of MNT763.2 billion (24.0%) from the same of the previous year, and an increase of MNT 2.4 trillion (157.4%) from the second quarter of 2019.



Assets structure of NBFIs (MNT, billions)

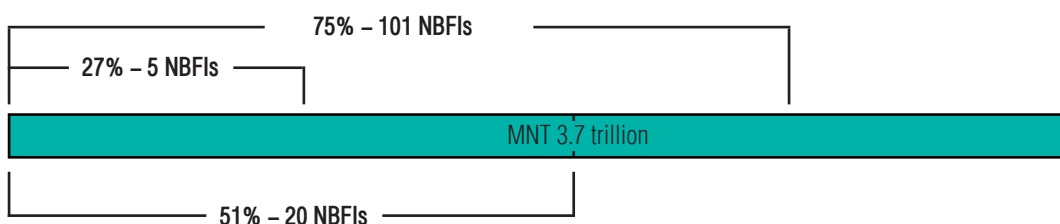
<b>Total assets</b>	<b>3,702.1</b>	<b>100.0%</b>	
<b>Current assets</b>	<b>3,583.7</b>	<b>96.8%</b>	
Cash	513.7	13.9%	
Credit (net)	2,698.6	72.9%	
Short-term investment (net)	33.2	0.9%	
Factoring settlement receivables (net)	9.6	0.3%	
Other property ownership and other ownership (net)	22.6	0.6%	
Other assets	306.0	8.3%	
<b>Non-current assets</b>	<b>118.3</b>	<b>3.2%</b>	

Liability structure of NBFIs (MNT, billions)

<b>Total liabilities</b>	<b>3,702.1</b>	<b>100.0%</b>	
<b>Liabilities</b>	<b>1,385.7</b>	<b>37.4%</b>	
Financial resources	398.6	10.8%	
Liabilities to domestic and foreign banks, and financial institutions	393.6	10.6%	
Other resources	48.8	1.3%	
Bonds issues by NBFIs	249.6	6.7%	
TProject loans financing	30.2	0.8%	
Other liabilities	264.9	7.2%	
<b>Owner's property</b>	<b>2,316.3</b>	<b>62.6%</b>	
Share capital	1,361.1	36.8%	
Other property	61.6	1.7%	
Funds	1.2	0.0%	
Retained earnings/losses	816.4	22.0%	
Secondary payable	76.0	2.1%	

Market share, in terms of total assets of the sector, were:

- o The five largest NBFIs accounted for 25% of total assets,
- o 20 NBFIs accounted for 50%, and
- o 102 NBFIs accounted for 75%.



	Number of NBFIs		Total assets		Total loans		Percentage of non-performing loans in loan portfolio	Customers	
	No.	%	Amount (MNT, billions)	%	Amount (MNT, billions)	%		No.	%
Top 27 %	5	1.0%	1012.6	27.4%	793.4	27.7%	1.6%	207,527	5.4%
Top 51 %	20	3.9%	1,876.5	50.7%	1,522.2	53.1%	3.2%	3,436,825	89.0%
Top 75 %	101	19.6%	2,775.5	75.0%	2,225.6	77.7%	5.6%	3,756,768	97.3%
<b>TOTAL OF SECTOR</b>	<b>514</b>	<b>100.0%</b>	<b>3,702.1</b>	<b>100.0%</b>	<b>2,864.0</b>	<b>100.0%</b>	<b>8.0%</b>	<b>3,862,489</b>	<b>100.0%</b>

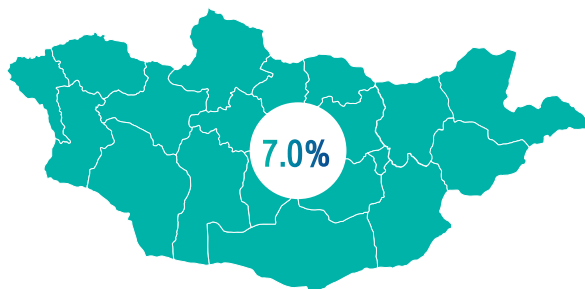
Loans of NBFIs – those which constituted 26%, 50% and 75% of the total assets of the non-bank financial sector – accounted for 28.3%, 53.8% and 78.2% of the total outstanding loans, respectively. While the proportions of total assets and total loans were comparable, the percentage of non-performing loans (among all loans) stood at 1.6%, 3.0% and 5.2%, respectively.

Some of the 20 NBFIs, representing 50% of the sector's total assets, utilized technology to offer inclusive services. The majority of customers (87.5%) were served by these NBFIs.

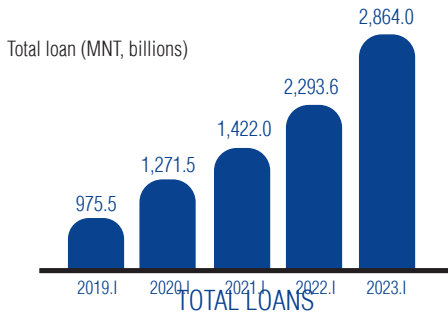
	Number of NBFIs	Total assets		Total loans		Customers	
		Amount (MNT, billions)	%	Amount (MNT, billions)	%	No.	%
With domestic investment	489	3,192.3	86.2%	2,446.6	85.4%	3,739,183	96.8%
With foreign investment	25	509.8	13.8%	417.4	14.6%	123,306	3.2%

NBFIs with foreign investments included: 11 (44.0%) from Japan, seven (28.0%) from South Korea, two from the US, and the remaining from Russia, Malaysia, Seychelles, the UK, Canada, and China. Foreign-invested NBFIs accounted for 14.3% of the total sector assets and provided services to 2.6% of all customers.

In the second quarter of 2023, the total assets of NBFIs amounted to 7.5% of Mongolia's GDP.

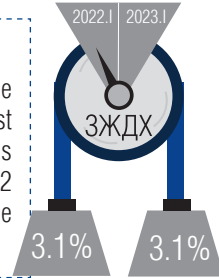


In 2022, the total assets of NBFIs amounted to 7.0% of Mongolia's GDP.



Loan interest rate::

In the second quarter of 2023, the weighted average monthly interest rate on loans issued by NBFIs reached 3.3%, an increase of 0.2 percentage points from the same



The total value of loans in the non-bank financial sector increased by MNT609.7 billion (24.4%) from the same period of the previous year; an increase of MNT2.0 trillion (183.3%) from the second quarter of 2019.

In the second quarter of 2023, the majority of loans, specifically 97.4% of them were disbursed in the local currency (MNT), The remaining 2.6% of loans were disbursed in foreign exchange.

97.1%



NORMAL

87.6%

-2.4%



OVERDUE

4.4%

+0.9%



NON-PERFORMING

8.0%

+1.5%

MNT 1.4 trillion | Issued loan

Paid loan | MNT 1.3 trillion

Wholesale and retail



9.4%

9.7%

Construction



3.0%

3.3%

Mining



0.7%

0.8%

Cars and motorcycles repair services



1.9%

2.1%

Accommodation and catering



1.6%

1.3%

Processing factories



0.7%

0.7%

Agricultural



0.4%

0.5%

Other



82.3%

81.6%



88.3%

91.1%

91.2%

LOAN BALANCE

LOANS ISSUED

PAID LOAN

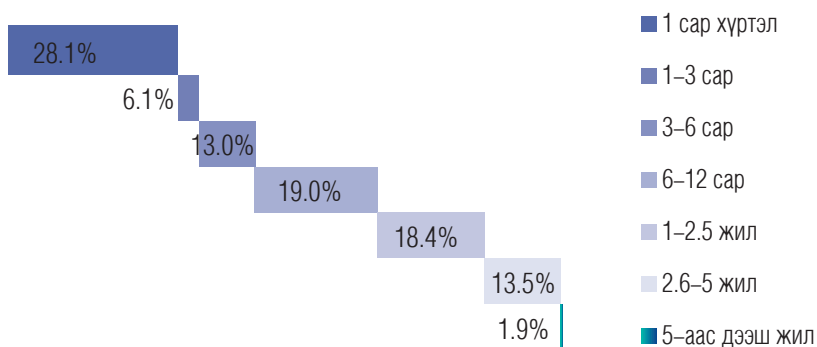
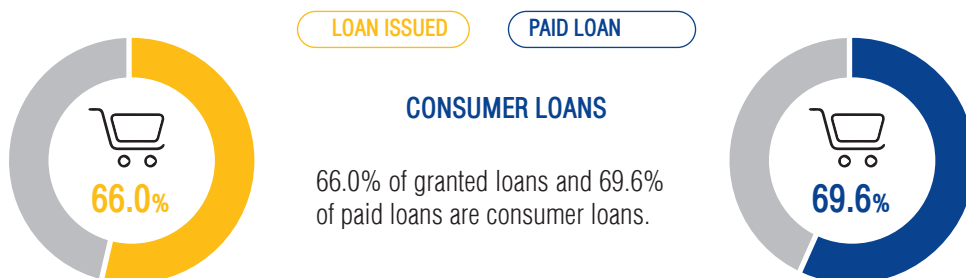


11.7%

8.9%

8.8%

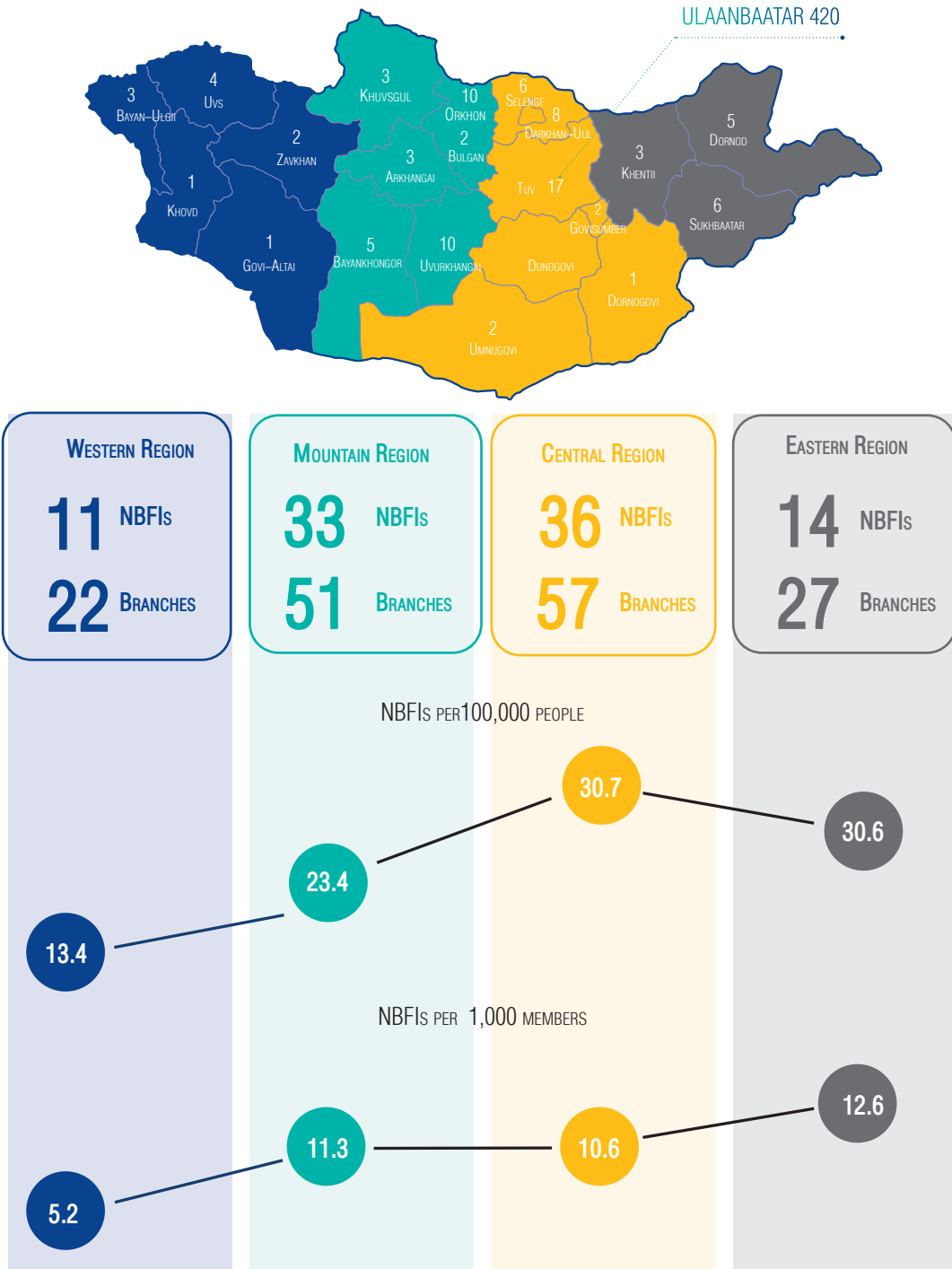
In the second quarter of 2023, approximately 88.2% of outstanding loans were provided to individuals, and 11.8% were to legal entities.

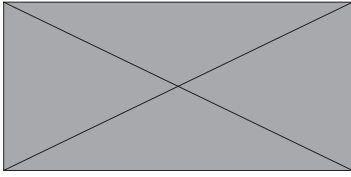


63.6% of granted loans and 66.7% of paid loans are consumer loans.

## ACCESSIBILITY

The majority of the loans of the NBF sector were made up of 27.3% of loans with a term of up to 1 month, while the sum of the terms of 6 months to 5 years was 51.1%.

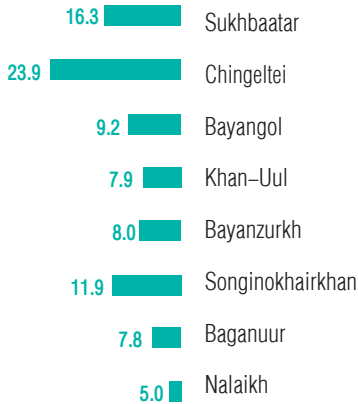




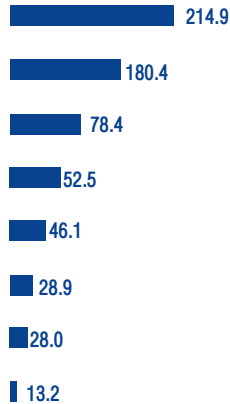
Sector accessibility is calculated using the key indicators for assessing financial inclusion in countries as developed by the International Alliance for Financial Inclusion (AFI):

13 (61.9%) of the country's 21 provinces had three or more NBFIs.

Per 1,000 enterprises



Per 100,000 population



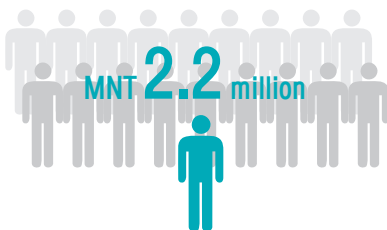
Of the 427 NBFIs operating in Ulaanbaatar, 33.7% were in Sukhbaatar district, 27.4% in Chingeltei, 16.9% in Bayangol, 10.6% in Bayanzurkh, 9.1% in Khan Uul, 2.1% in Songinokhairkhan, and 0.2% in Baganuur district.

#### BY ACCESSIBILITY AND GEAGRAPHICAL LOCATION

- There was an average of 49 NBFIs per 100,000 people aged 18–64 years and 11 NBFIs per 1,000 businesses throughout Mongolia.
- Locally, these ratios were 25, 10 in the regions generally. The Central Region NBFIs of 32 NBFIs per 100,000 people, and the Eastern Region led in terms of access to 11 per 1,000 enterprises.
- In Ulaanbaatar, there were 76 NBFIs per 100,000 people and 11 per 1,000 businesses; indicating good access, compared to the situation in rural areas.

48 NBFIs per  
100,000  
people nationwide

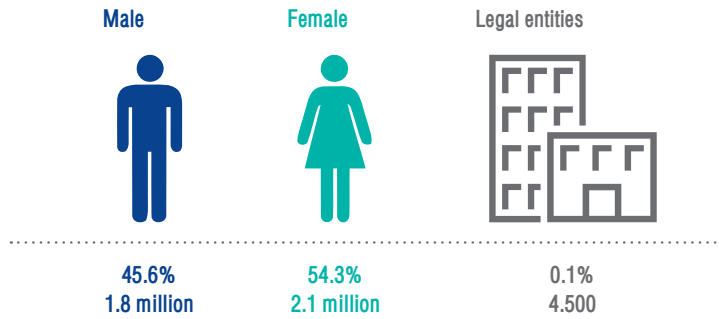
11 NBFIs per  
1,000 enterprises



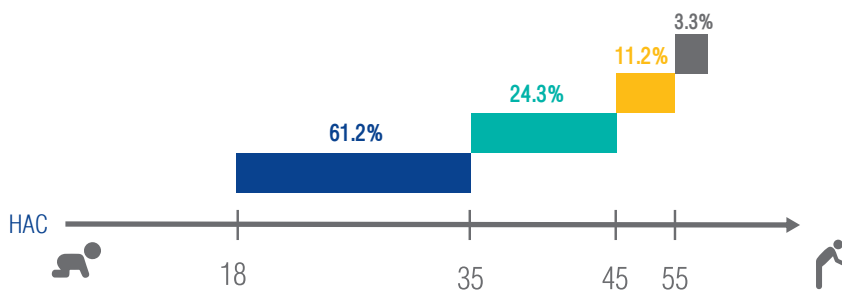
AVERAGE LOAN

- In the second quarter of 2023, the average NBFi borrower had a loan of MNT2.4 million; ranging from MNT2.6 million in rural areas to MNT2.4 million in Ulaanbaatar.
- This compares to MNT1.6 million nationwide in the same period of the previous year, since when the average loan amount per borrower from NBFIs increased by 50%.
- The total number of borrowers was 1.3 million, and 67 out of every 100 people of working age (18–64 years) had loans from NBFIs.

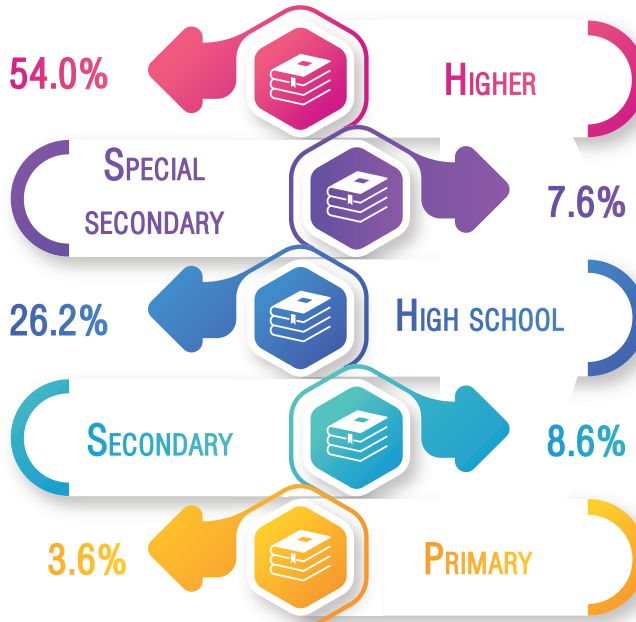
Customers of NBFIs



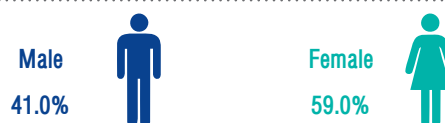
Borrowers of NBFIs (by age)



Borrowers of NBFIs (by level of education)



NBFI employees



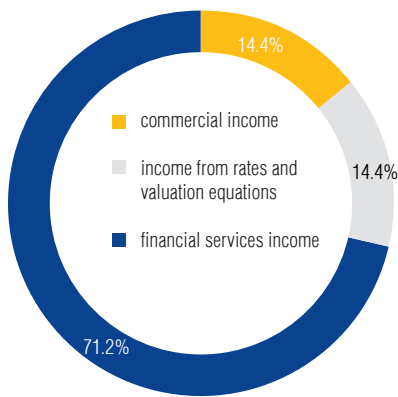
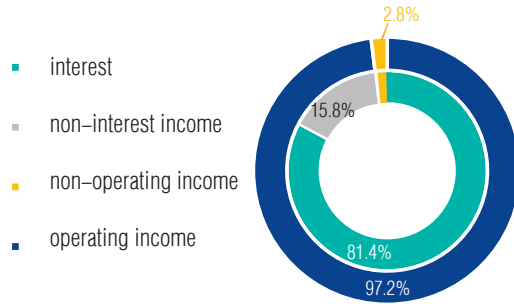
## PRODUCTS AND SERVICES

### NUMBER OF NBFIS AND TYPES OF SERVICES (WITH DOUBLE



**INCOME FROM PRODUCTS AND SERVICES**

- o In the second quarter of 2023, the total income of NBFIs reached MNT520.2 billion.
- o Most (97.6%) of total revenue was operating income, interest, and non-interest income. Of this, 84.4% (MNT439.1 billion) of the total revenue, was interest income and 13.2% (MNT68.4 billion) was non-interest income.

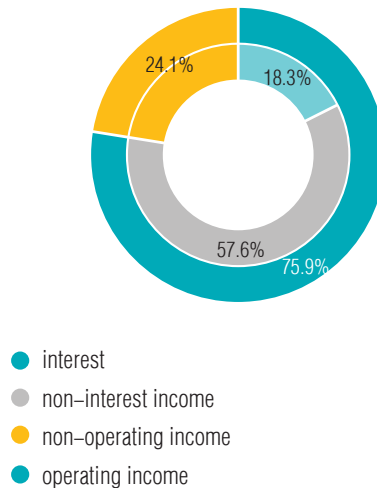


**BREAKDOWN OF NON-INTEREST INCOME**

- o Non-interest income was generated by: non-interest income service fees and commissions (68.4%), foreign exchange rate and valuation equations (13.6%), and trading (18.0%).

**COSTS OF PRODUCTS AND SERVICES**

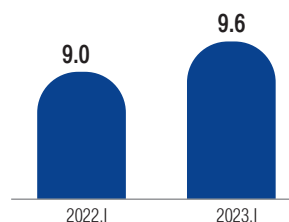
- o The total cost of NBFIs has reached MNT 331.1 billion. 75.5% were operating expenses, MNT 189.2 billion (57.1%) were non-interest expenses, and MNT 60.7 billion (18.3%) were interest expenses.



Expenditures related to product and service risks (or potential risks) amounted to a total of MNT50.7 billion, of which 92.2% were credit risk expenses, 2.3% were other real estate risk expenses, and 5.3% were expenses of receivables risk, 0.2% were factoring service risk expenses.

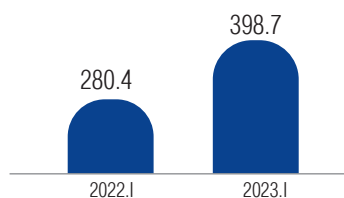
- o Factoring services are the sales of the entire rights to demand a monetary payment obligation, from a creditor by a third party. The recipient of this right is responsible for exercising the right and the consequences. In the first quarter of 2023, a total of MNT9.6 billion of net factoring receivables was registered in the sector.

Net receivables for factoring services (MNT billions)

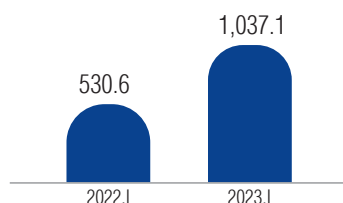


A total of 82 NBFIs provided trust services in the sector. Total liabilities for trust services amounted to MNT449.3 billion; an increase of 49.6% from the same period of the previous year.

Trust service payable (MNT, billions)



Remittance service income (MNT, billions)



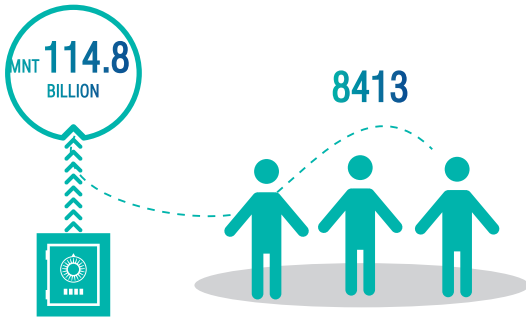
- o As of the second quarter of 2023, NBFIs earned MNT 2.3 billion in revenue from money transfer services. This was an increase of MNT 1.1 billion from the same period of the previous year.

## CURRENCY TRADING NEWS

In the second quarter of 2023, NBFIs purchased a total of MNT1,168.0 billion worth of currency and sold MNT1,159.9 billion worth. The Yuan accounted for 50.1% of the currency purchased and 52.1% of the currency sold.

CURRENCY NAME	Bought	Sold
	Result (MNT, billions)	Result (MNT, billions)
US DOLLARS	445.0	407.6
CHINESE YUAN	393.9	397.0
RUSSIAN RUBLE	30.2	30.5
JAPAN YEN	74.9	73.3
KOREAN WON	10.7	10.8
OTHER	50.6	53.0

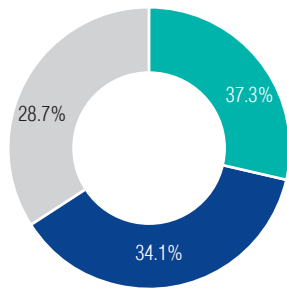
## GREEN LOAN



• **Balance of green loan:** MNT 127.2 billion (4.1%) of the total loan balance, which is the amount of loans granted to 7,542 borrowers.

	LOW CARBON EMISSION TRANSPORTATION	GREEN CONSTRUCTION	SUSTAINABLE AGRICULTURE LAND USE, FORESTRY AND ECO TOURISM	Savings of energy	LOW POLLUTION ENERGY	ACTIVITIES TO PREVENT AND REDUCE POLLUTION
Green loans by percentage	91.6%	7.4%	0.7%	0.3%	0.0%	0.0%
Borrowers	7,532	800	17	61	2	1
Amount of loan balance /MNT million/	105,162.9	8,445.5	837.7	370.9	0.1	0.1

### LOW CARBON EMISSION TRANSPORTATION



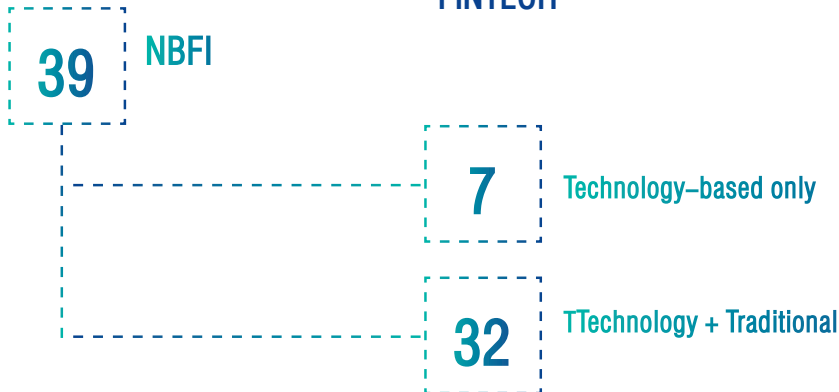
- Transportation with a service life of 0–5 years
- Transportation with a service life of 5–10 years
- Transportation with a service life of more than 10 years

### AMOUNT LOANS

	Savings of energy	GREEN CONSTRUCTION	SUSTAINABLE AGRICULTURE LAND USE, FORESTRY AND ECO TOURISM	LOW CARBON EMISSION TRANSPORTATION
Borrowers	2	114	–	1,344
Amount loans /MNT, million/	2.6	1,103.7	40.0	24,572.8

Loans issued during the reporting quarter: A total of 28 NBFCs issued 4 types of green loan products worth MNT 25.7 billion.

## FINTECH



- o In the second quarter of 2023, 90.0% of outstanding loans of NBFIs (using technological advances in financial services) were normal loans, 3.1% were overdue loans, and 6.9% were non-performing loans.

- o Most of all customers in the sector (93.0) and 77.3% of borrowers are customers of these NBFIs or technology-based loan service recipients.
- o 16.6% of all borrowers are taking loans only through mobile.

76.0%



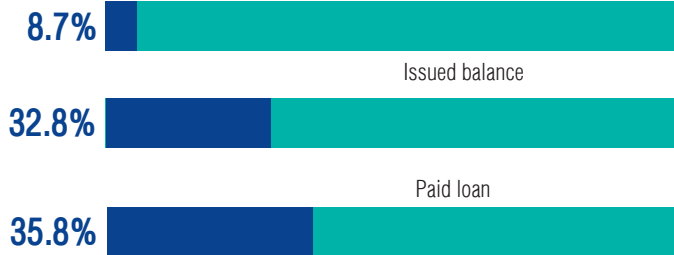
Loan balance



88.2% normal

4.6% overdue loans

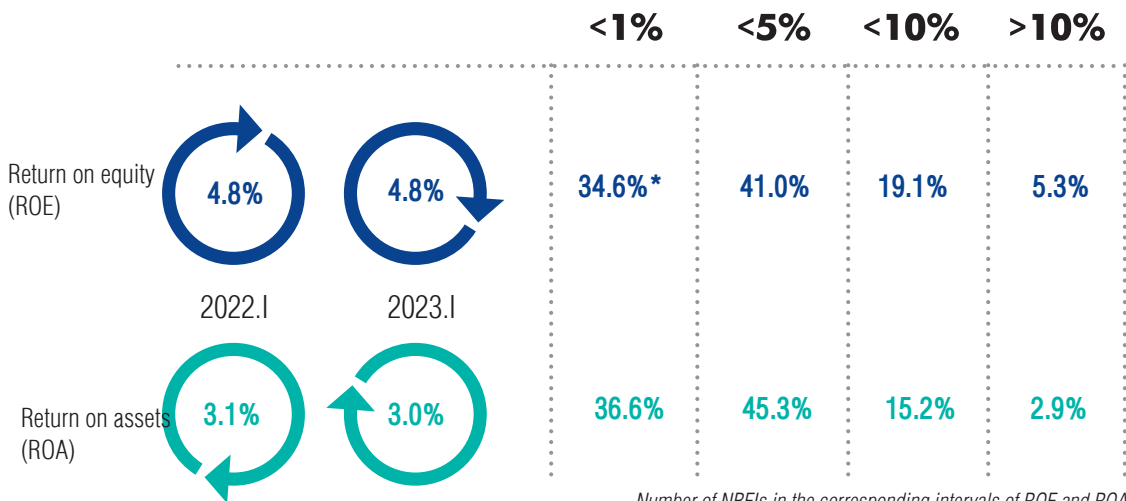
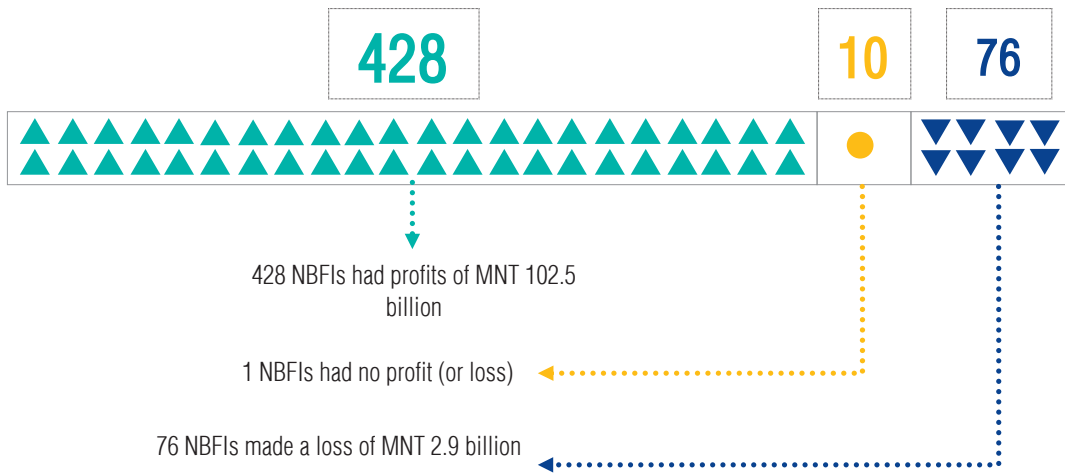
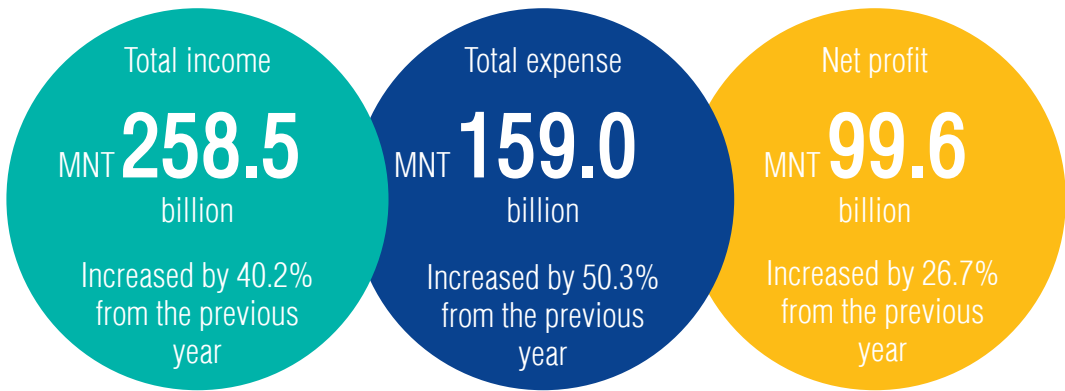
7.2% poor quality



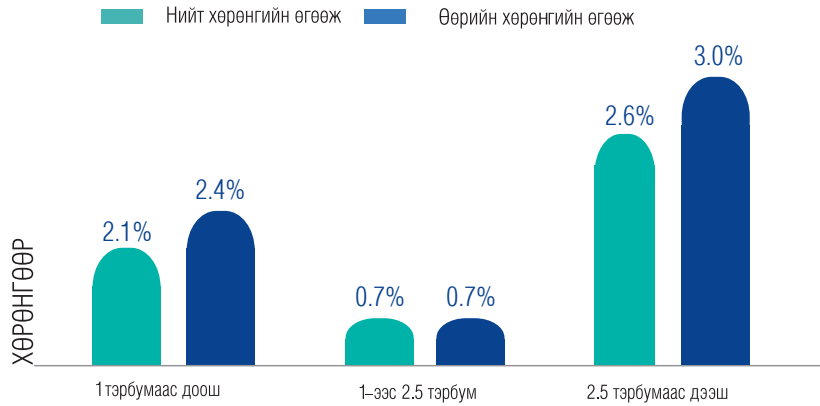
Although it had a small share in the total loan balance of the sector – in terms of the share of loans issued and repaid – the loans of NBFIs were on good terms.

	Total loans		Borrowers		Average loan amount per borrower (MNT, thousands)
	Amount (MNT, billions)	%	Number	%	
Fintech	551.8	19.3%	985,521	76.0%	559.9
Traditional	2,312.2	80.7%	311,504	24.0%	7,422.7
TOTAL	2,864.0	100.0%	1,297,025	100.0%	2,208.1

PROFITABILITY



Number of NBFI in the corresponding intervals of ROE and ROA  
 (\*) For example: 21% of all NBFI had no ROE of less than 1%



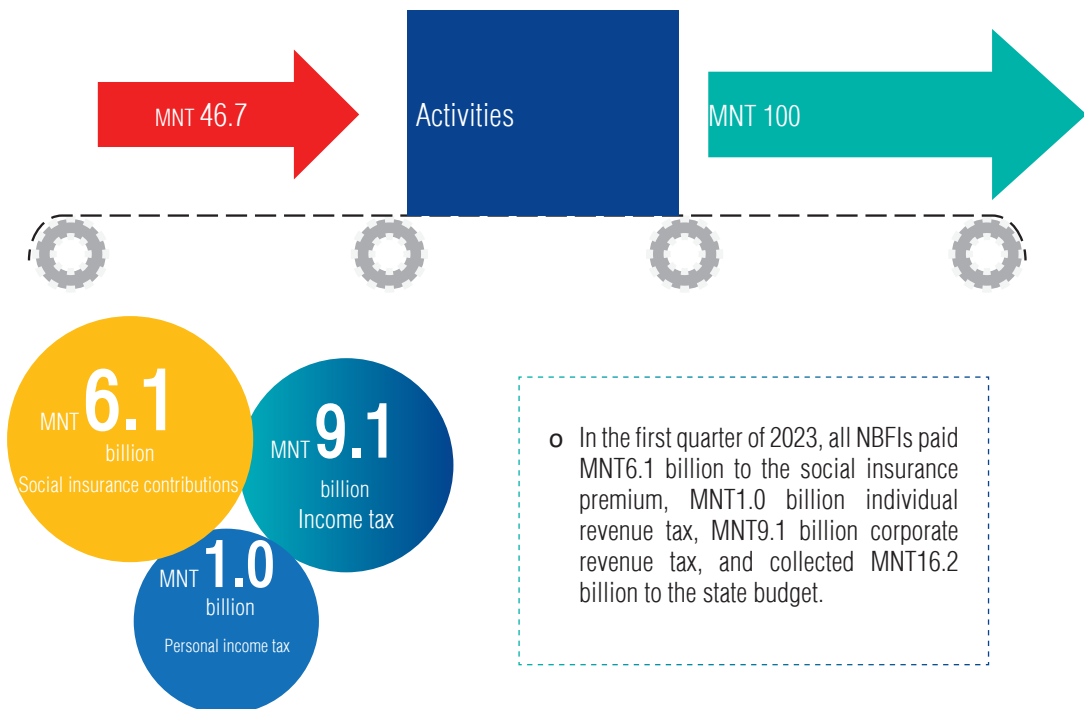
### RETURN ON ASSETS AND RETURN ON EQUITY RATIO (BY ASSET CLASSIFICATION)

In terms of the ROA (return on asset) and the ROE (return on equity) of NBFIs (by share capital), half of NBFIs with equity of less than MNT1.0 billion had a ROA of less than 2.9%. Half of NBFIs with a share capital of MNT1.0 to 2.5 billion had a ROA of less than 0.3% and half of NBFIs with equity of more than MNT2.5 billion had a ROA of less than 4.6%. In terms of ROE, the relevant values were 3.3%, 0.3% and 5.5% (in the three categories of assets, by size).

### COST, REVENUE RATIO

The ratio of expenses to income was 63.6% in the reporting quarter, which is a decrease of 15.6 percentage points from the same period of the previous year.

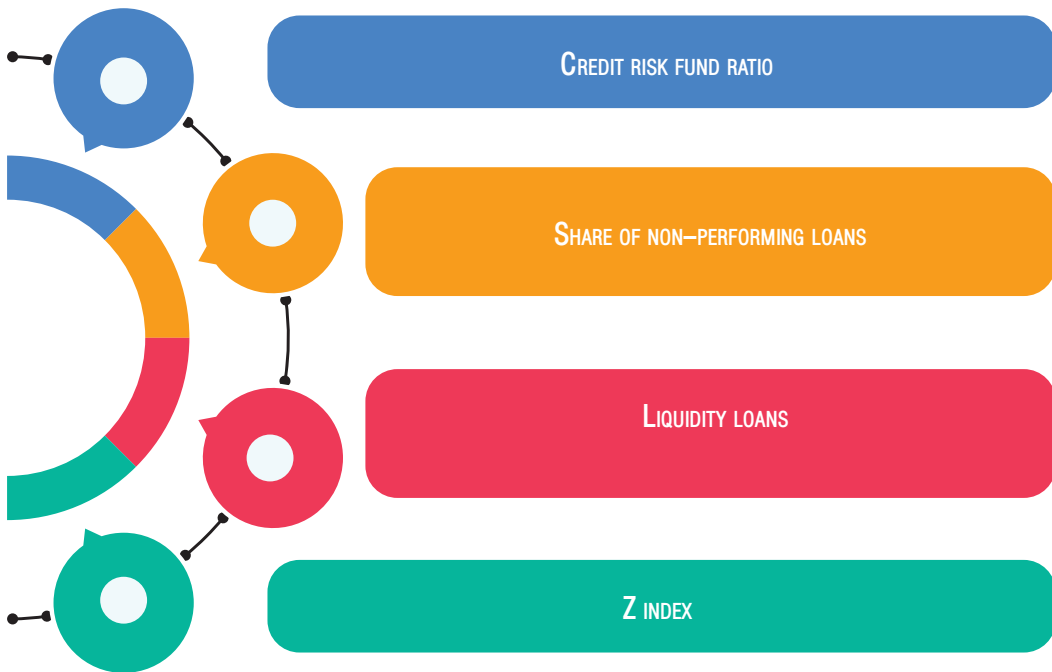
In the second quarter of 2023, all NBFIs paid MNT12.8 billion to the social insurance premium, MNT3.2 billion individual revenue tax, MNT25.5 billion corporate revenue tax, and MNT41.5 billion collected to the state budget.



- o In the first quarter of 2023, all NBFIs paid MNT6.1 billion to the social insurance premium, MNT1.0 billion individual revenue tax, MNT9.1 billion corporate revenue tax, and collected MNT16.2 billion to the state budget.

## STABILITY

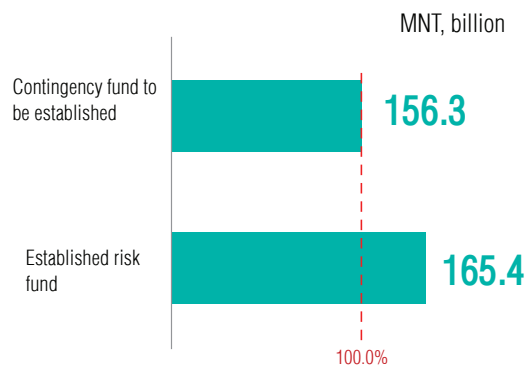
- o The following four indicators of NBFIs were calculated in accordance with AFI's guidelines; to determine financial access and financial stability.



### CREDIT RISK FUND RATIO

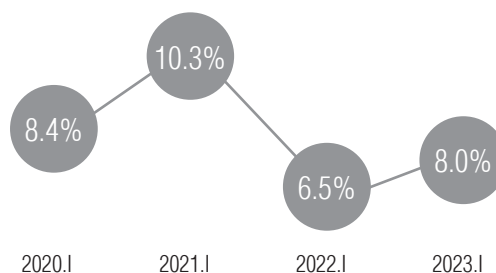
- o In the second quarter of 2023, the ratio was 109.0%, accomplished by the creation of a contingency fund.
- o This was an increase of 5.3 percentage points from the same period of the previous year.

**105.8%**



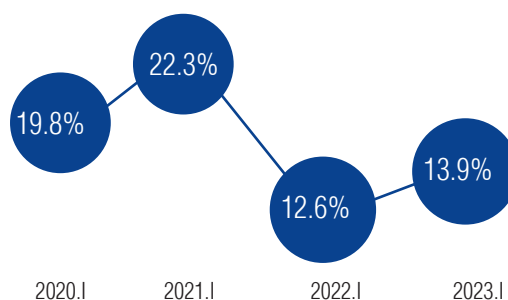
### NON-PERFORMING LOANS

In the reporting quarter, non-performing loans reached MNT237.4 billion, and the amount of non-performing loans (among total loans) reached 7.7%. An increase of 0.7 percentage points from the same period of the previous year.



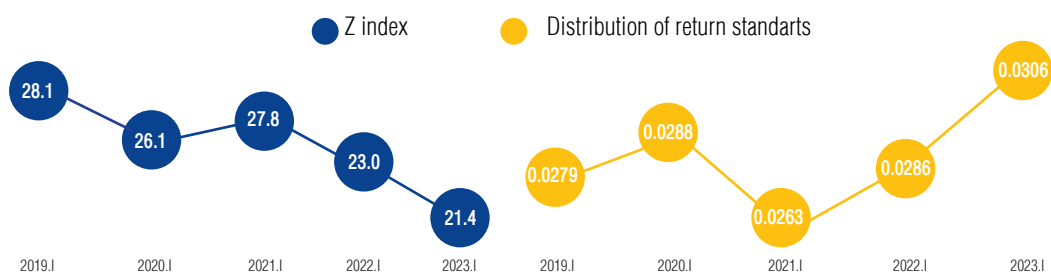
### TOTAL CASH ASSETS COMPARATIVE RATIO

- The ratio of cash assets to total assets increased by 1.0 percentage points to 13.3% in the reporting year.



### Z INDEX

The Z index – showing the probability of an NBFIs going bankrupt – is calculated by the sum of the ROA and the ROE to the volatility of the ROA. The value of the Z index is higher when profitability and equity leverage are high, and lower when income uncertainty is high. That is, a high value of the index indicates low risk and stability. In the second quarter of 2023, the Z index of the non-bank financial sector decreased by 6.0 percentage points from the same period of the previous year.



## REGULATORY ENVIRONMENT



### POLICY AND LEGISLATION

- Resolution No.136 dated 21 April 2023 of FRC was approved "Minimum amount of share capital of non-banking financial institutions for trust services and the schedule for gradual increase". Accordingly, it was registered in the State Unified Fund of Administrative Norms Act No. 6222 dated 2 May 2023.
- Joint order of No. A-106/298 dated 23 May 2023 by the President of the Bank of Mongolia and Chairman of the Financial Regulatory Commission was approved as a 'Methodology for banks and authorized legal entities to calculate the amount of interest on deposits and loans, and to ensure transparency of information'. Accordingly, it was registered in the State Unified Fund of Administrative Norms Act No. 6258 dated 20 June 2023.
- Resolution No.220 of the Financial Regulatory Commission dated 23 June 2023 approved amendments to "Regulations for regulating and controlling foreign currency trading activities of non-banking financial institutions".
- Resolution No.160 of the Financial Regulatory Commission dated 6 April 2022 was approved "Regulation of non-bank financial loans activities". In accordance with clause 3 of this regulation stipulated that 'non-bank financial institutions engaged in fintech loan services must register with the Financial Regulatory Commission by 30 June 2023'. Accordingly, the E-Council met 4 times and submitted 28 requests. Of these, 24 fintech loan products of 23 NBFIs that match the regulatory requirements were registered and uploaded to the website of the Financial Regulatory Commission.
- Resolution No. 380 of the Financial Regulatory Commission dated 30 June 2023 approved amendments to the "Regulation for risk-based supervision of non-banking financial institutions".
- Resolution No. 381 of the Financial Regulatory Commission dated 30 June 2023 approved amendments to the 'Regulations for increasing, reducing, issuing, selling, and transferring the share capital of non-banking financial institutions'.
- **Implementation of Article 15 of the Law on Non-Banking Financial Activities:**
- 434 NBFIs (85.4%) implemented the obligation to verify the financial statements by external audit, and 409 NBFIs (80.5%) implemented the obligation to inform the public at the end of 2022.

#### Implementation of the Law on Loan Information:

- **In accordance with Article 7 of the Law on 'Combating Money Laundering and Financing of Terrorism'; MNT 1,270.4 million for 110 named NBFIs (in 6,823 cases), MNT 1,520.6 million for 4 named NBFIs (in 13 cases) was reported to the financial information office of Bank of Mongolia and the obligations under the law were implemented.**



POLICY AND LEGISLATION



## INTERNATIONAL COOPERATION

- • The Financial Regulatory Commission collaborated with the Asian Development Bank (ADB) to implement project titled "Expanding the Capacity of the Nonbank Finance Sector to Support Financial Access". As part of this project, international and national consultants worked together to develop standard project. The FRC presented these projects to sector participants and organized a discussion on the 3rd and 4th of May 2023 to gather opinions.
- The benchmark projects that were the focus of discussion were:
  - –'Regulations for regulating and controlling the non-banking financial trusts activities'
  - –'Regulations for regulating and controlling non-bank financial foreign currency trading activities.
- From 13 to 16 June 2023, a series of "Sustainable Finance Week 2023" events were organized in cooperation with the Sustainable Finance Association, the Office of the President of Mongolia, and domestic and foreign partner organizations. In the following branch meeting, the relevant employees of the Financial Regulatory Commission participated and exchanged views on policy implementation, challenges, and good practices.
- –A training in 'Climate Risk Management and Calculation of Greenhouse Gas',
- –'Green Finance Leadership Program',
- –The main part of the event 'Mongolian Green Finance Forum 2023',
- –Branch meeting of the 'Sustainable entity financing',
- –'Energy-efficient building financing'
- "Regulations for regulating and controlling non-bank financial foreign currency trading activities" were amended and registered in the State Unified Fund of Administrative Norms Acts. Training on "Empowerment of non-banking financial institutions of the Western Region" for the executive officials of 33 NBFI branches operating in the Western Provinces is being organized in Ulaangom Soum of Uvs Province.



# SCCs

Total assets

**MNt 274.5 billion**

Capital growth **-5.8%**



Financial market status

Total branches

**61**

Total members

**69,962**



Accessibility

Loans for consumption and other related purposes

**88.3%**



Products and services

Profitability



Net profit

MNT **1.7**  
billion

Tax collected by the  
state,

MNT **0.2**  
billion

Stability



Percentage of non-performing  
loans (on total loans)

**3.5%**

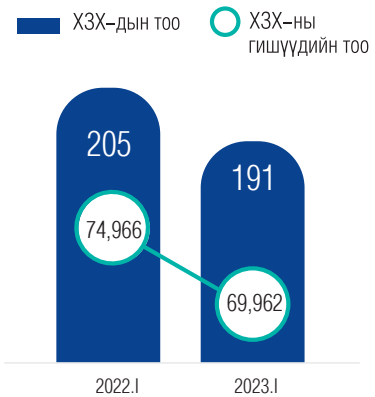
Regulatory environment



## FINANCIAL MARKET STATUS

### NUMBER AND MEMBERS OF SCCS

- In the second quarter of 2023, the 192 licensed SCCs; decreased by 4 (8%) compared to the same period of the previous year.
- The number of SCC members had decreased by 1,9% to 71,184, compared to the same period of the previous year.
- The number of SCCs decreased by 30.2% in the reporting year, compared to 275 in the second quarter of 2019. The number of SCC members in the reporting period had increased by 5.6%, from 67,434 in the second quarter of 2019.



### EMPLOYEES

685

Total workers 70.5% female workers which decreased by 0.9% from the same period.

### TOTAL MEMBERS

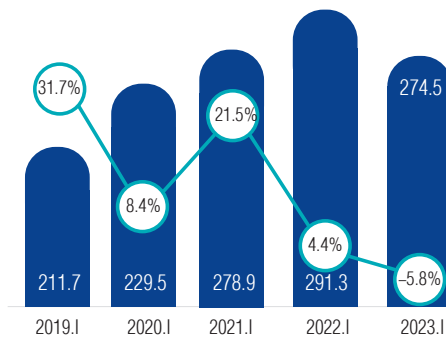
31,248

Borrowers

40,340

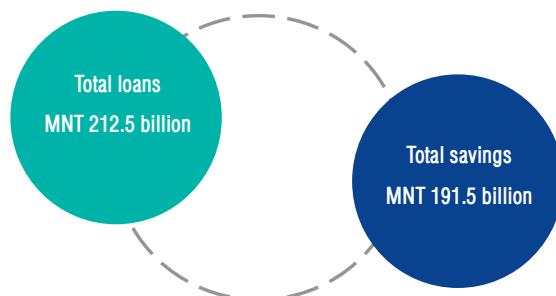
Depositors

■ Total assets (MNT, billions) ○ Total assets growth (MNT, billions)



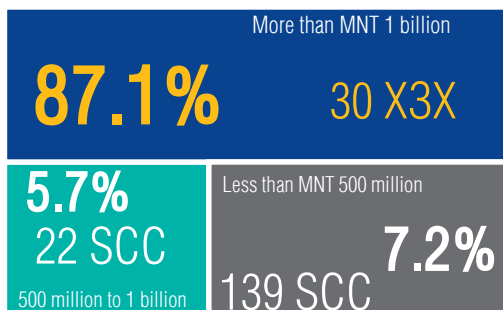
### TOTAL ASSETS AND THEIR GROWTH

- Net worth increased by 9.0% to MNT295.9 billion compared to the same period of the previous year.
- In the second quarter of 2023, the total net worth of SCCs increased by MNT85.4 billion (40.6%) to MNT295.9 billion – compared to the same period of 2019.



TOTAL MARKET SHARE

- o 33 SCCs with net capital greater than MNT1 billion each comprised 88.8% of the market.
- o 20 SCCs with net capital of MNT500 million to 1 billion each, comprised 4.6% of the market.
- o 139 SCCs with net capital of less than MNT500 million each, comprised 6.6% of the market



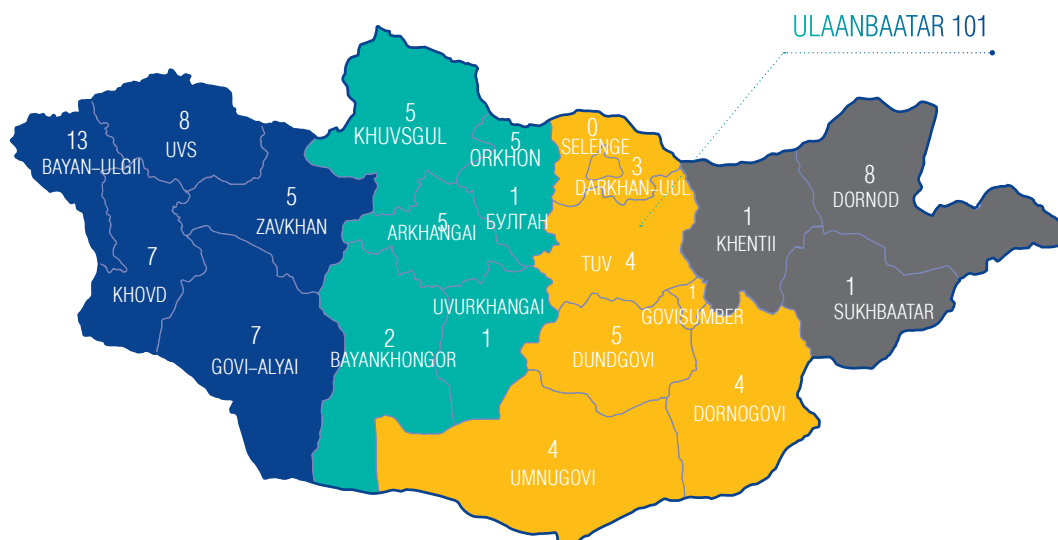
Assets and Liability structure of SCCs (MNT, billions)

<b>Total assets</b>	<b>274.5</b>	<b>100.0%</b>
<b>Currents assets</b>	<b>270.4</b>	<b>98.5%</b>
Cash	42.5	15.4%
Short term investment	0.7	0.3%
Loan /Net/	207.9	75.7%
Receivables	17.2	6.3%
Other current assets	1.1	0.4%
Other assets /net/	1.0	0.4%
<b>Non-current asset</b>	<b>4.1</b>	<b>1.5%</b>
Fixed assets	3.9	1.4%
Intangible assets	0.2	0.1%
Investment and others	0.0	0.0%
<b>Total liabilities and equity</b>	<b>274.5</b>	<b>100.0%</b>
<b>Liabilities</b>	<b>215.2</b>	<b>78.3%</b>
Savings	191.5	69.7%
Short-term loan	2.5	0.9%
Other short-term debt/current liabilities	15.5	5.6%
Long term debt	5.7	2.1%
<b>Own assets</b>	<b>59.3</b>	<b>21.7%</b>
Member contribution	26.6	9.7%
Re-evaluation surcharge	0.2	0.1%
Cooperative property	32.5	11.9%



- o Current assets were 98.6% and non-current assets were 1.4% of the total assets.
- o Cash assets were 17.7% of net capital, 72.9% of loans balance; and the balance of receivables was 5.6% and 2.4% others of net capital.
- o Liabilities were 79.2% – and own assets 20.8% – of net capital.

## ACCESSIBILITY



## WESTERN REGION

**40** SCCs  
**8** BRANCHES

## MOUNTAIN REGION

**19** SCC  
**18** BRANCHES

## CENTRAL REGION

**21** SCC  
**20** BRANCHES

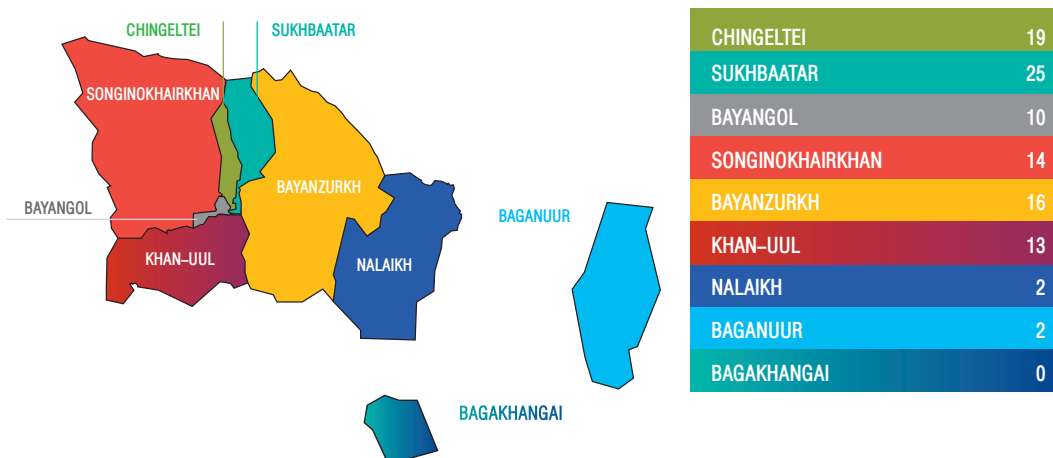
## EASTERN REGION

**10** SCC  
**11** BRANCHES

## ULAANBAATAR

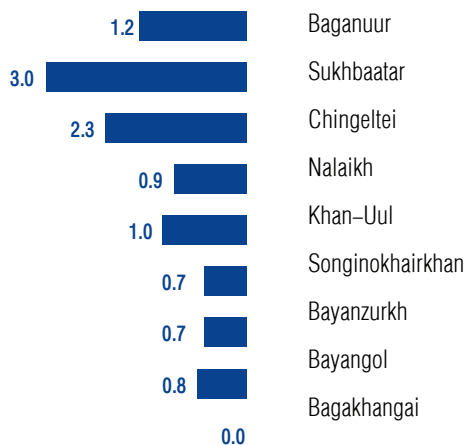
**101** SCC  
**4** BRANCHES

- Of all 192 listed SCCs, 101 were in Ulaanbaatar, and 91 were in rural areas.
- Of all SCCs in rural areas, 44.0% were in the Western Region, 12.1% in the Eastern Region, 20.8% in the Mountain Region, and 23.1% in the Central Region.
- Of all 101 SCCs in Ulaanbaatar, 96.0% were in the central six districts, and 4.0% were in the two remote districts.

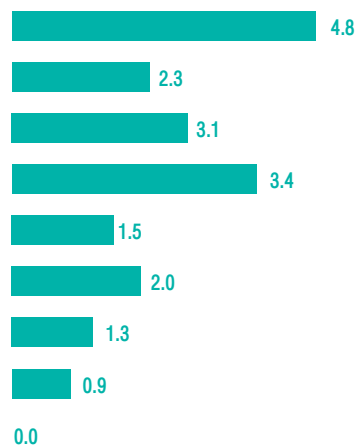


Financial inclusion indicators released by the AFI Data Working Group (2013) are shown below. These include the number of SCCs per 10,000 people (aged 18 to 64 years) and the number of SCCs per 1,000 entities.

Number of SCCs per 10,000 people

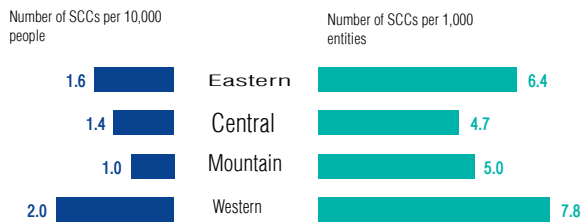


Number of SCCs per 1,000 entities



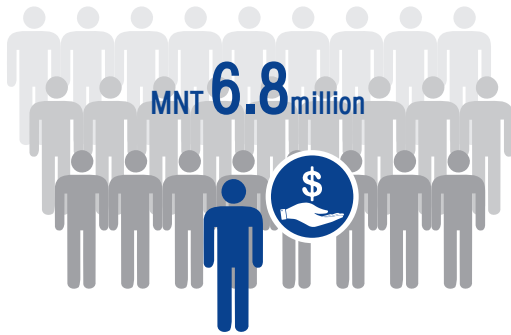
- o With respect to the number of SCCs per 1,000 entities, Baganuur district had 4.8, Nalaikh district 3.4, Chingeltei district 3.1, Sukhbaatar district 2.5, and Bayangol district had 0.9 (the least).
- o For the number of SCCs per 10,000 people, Sukhbaatar, Chingeltei, and Baganuur districts lead with 3.2, 2.1, and 1.2 respectively.

<sup>1</sup> <https://www.afi-global.org/sites/default/files/publications/fidwg-core-set-measuring-fi.pdf>



Western Region had the most SCCs, per 1,000 entities and per 10,000 people.

### Average loan per member



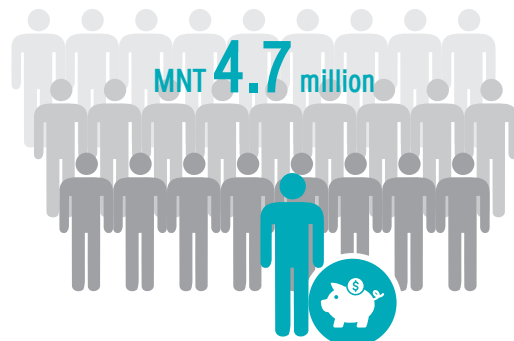
### ACCESS TO LOANS

- o Nationally, one in 65 of all 18 to 64-year-olds was a member of an SCC, and in receipt of a loan.
- o One in 64 people in rural areas, and one in 65 in Ulaanbaatar, were members of SCCs, and in receipt of loans.
- o The average individual loan among all members who received loans was MNT7.3 million nationally.
- o The average loan (per member) was MNT12.0 million in Ulaanbaatar and MNT3.1 million in rural areas.

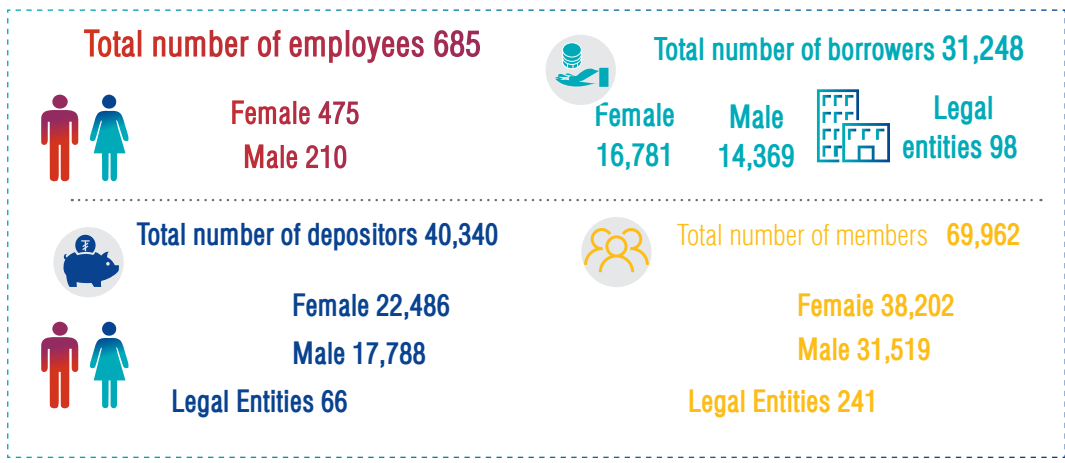
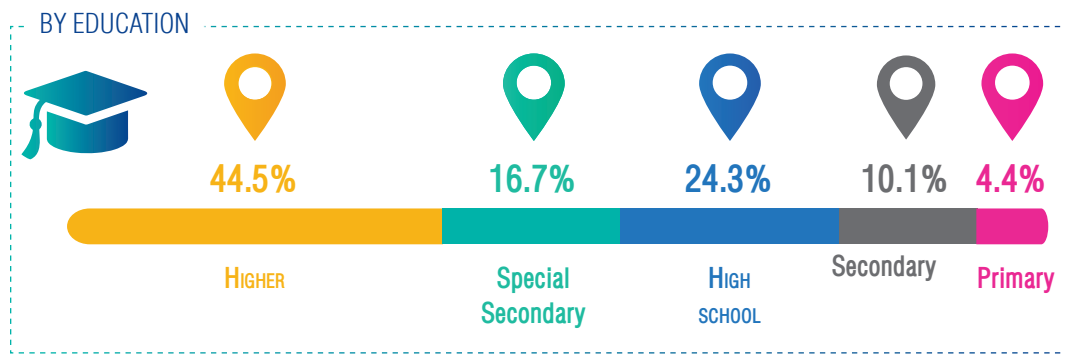
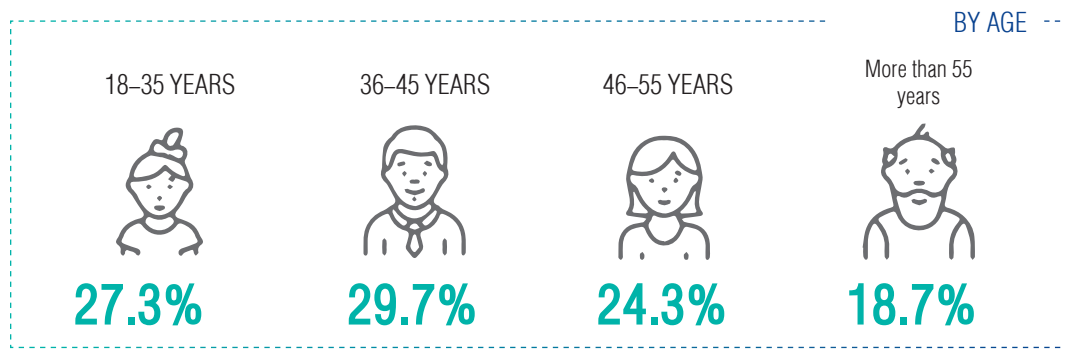
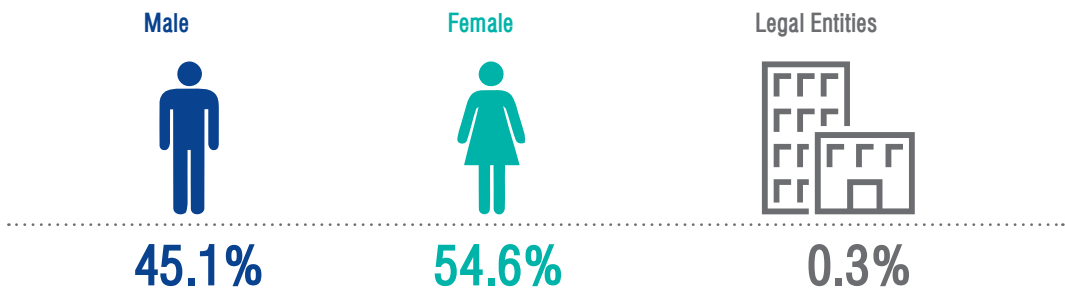
### ACCESS TO SAVINGS

- o Nationally, one in 47 of all 18 to 64-year-olds was engaged in saving an SCC.
- o One in 52 people in rural areas, and one in 43 in Ulaanbaatar was a member of an SCC and engaged in saving.
- o The average individual savings among all members holding saving accounts was MNT4.9 million.
- o The average savings per member was MNT7.5 million in Ulaanbaatar and MNT2.0 million in rural areas.

### Average amount of savings per member



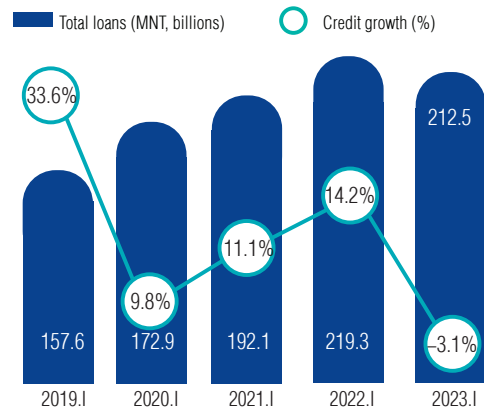
MEMBERS OF SCCs



## PRODUCTS AND SERVICES

### LOANS FROM SCCs

- o In the second quarter of 2023, loans totaled MNT220.4 billion; increase of 40.8% (63.9 billion) compared to the same period of the 2019, and increase of 1.2% (2.6 billion) compared to the same period the previous year.
- o Net loans increased by 1.7% – to MNT215.7 billion – compared to the same period the previous year, and the credit risk fund decreased by 17% to MNT4.7 billion.



NORMAL

92.5%



OVERDUE

4.0%



o Non-performing

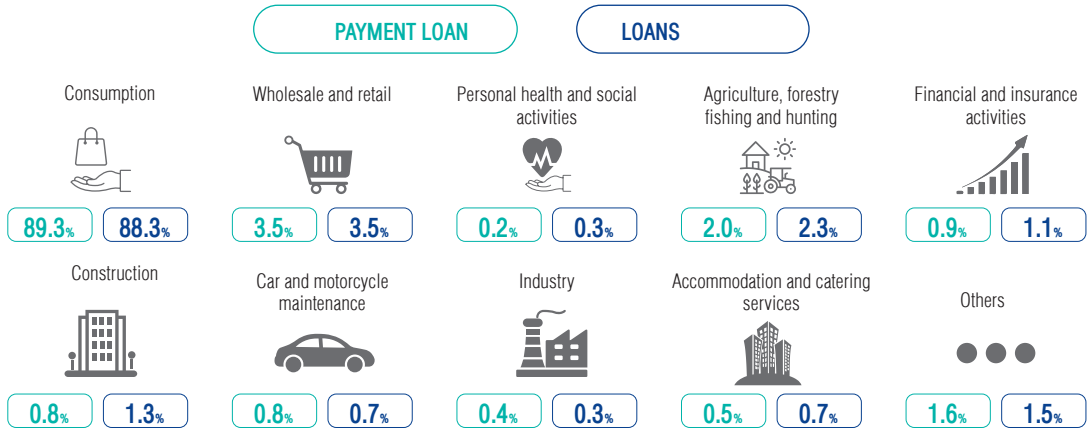
3.5%

### LOAN QUALITY OF SCCS

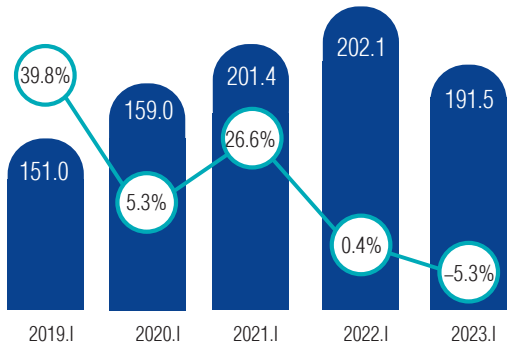
- o The normal loans increased by 0.1% reach to MNT205.1 billion from the same period the previous year.
- o Normal loans accounted for 93.1% of total loans.
- o Overdue loans increased 43.0% to MNT8.0 billion from the same period the previous year.
- o Non-performing loans increased 0.3% to MNT7.3 billion from the same period the previous year.
- o In the second quarter of 2023, SCCs' non-performing loans increased by MNT0.9 billion (13.3%) to MNT7.3 billion, compared to the second quarter of 2019.

### PURPOSE OF SCC LOANS

- o Most 46.5% of loans were issued for general consumption, 18.1% for the wholesale and retail sectors, 15.8% for maintenance of cars and motorcycles.
- o Of the total repaid loans, 48.7% were from general consumption, 18.2% from wholesale and retail trade, 16.5% from the maintenance of cars and motorcycles.



■ Total loans (MNT, billions)    ○ Credit growth (%)



SCCs SAVINGS

- o Total savings in SCCs increased by 7.7% to MNT203.9 billion compared to the second quarter of 2022.
- o In the second quarter of 2023, the total savings in SCCs increased by MNT55.5 billion (37.4%) compared to the second quarter of 2019.

TOTAL SAVINGS

- o Term savings accounted for 97.7%, and non-term savings accounted for 2.3%.



98.5%

TERM



1.5%

NON-TERM



Deposits attracted

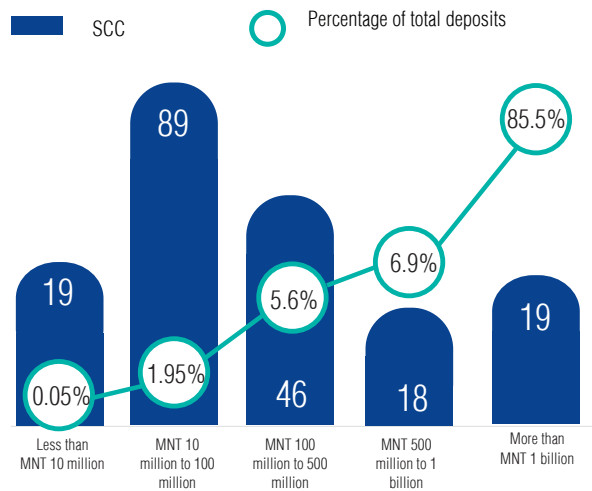
190 SCC



No deposits

1 SCC

- o 190 SCCs (99.0%) had total savings of MNT203.9 billion.
- o The remaining 2 SCCs (1.0%) had no deposits at all.



#### PERCENTAGE OF TOTAL SAVINGS

- 20 SCCs with savings of more than MNT1 billion each, accounted for MNT177.0 billion (86.81%) of total deposits in the sector.
- 152 SCCs with savings of MNT10 million to billion each, accounted for MNT26.8 billion (13.15%) of total deposits in the sector.
- 18 SCCs with savings of less than MNT10 million each, accounted for MNT0.1 billion (0.05%) of total deposits in the sector.
- 2 SCCs with not collected savings of all.



1.3%

Weighted average monthly interest rate on deposits



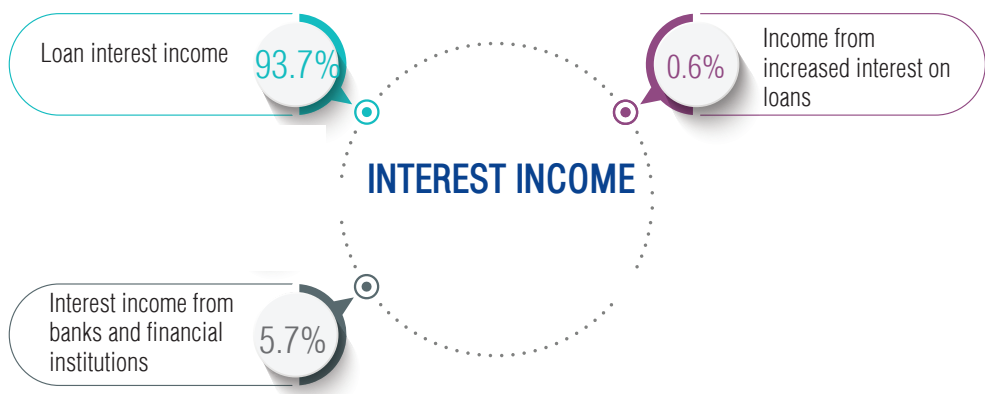
2.3%

Weighted average monthly interest rate

	2021.II	2021.III	2021.IV	2022.I	2022.II	2022.III	2022.IV	2023.I
WAIR	2.2	2.2	2.2	2.1	2.1	2.4	2.3	2.3
WAIRD	1.4	1.4	1.2	1.1	1.2	1.2	1.2	1.3

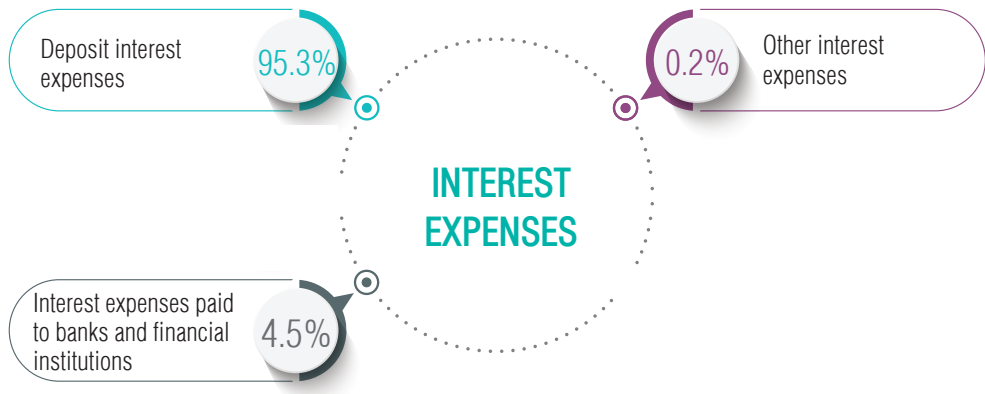
**INCOME**

- o Total interest income of SCCs increased by 1.3%, to MNT28.7 billion, compared to the second quarter of 2022.
- o The largest portion of the total interest income 26,6 billion (92.9%) was loan interest income.
- o Interest income from banks and financial institutions accounted for 1,8 billion (6.4%).
- o Increased interest income from loans accounted for 196,0 million (0.7%).



**EXPENSES**

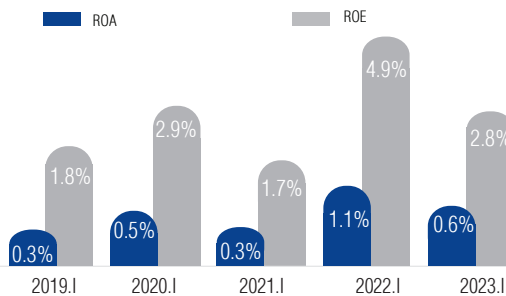
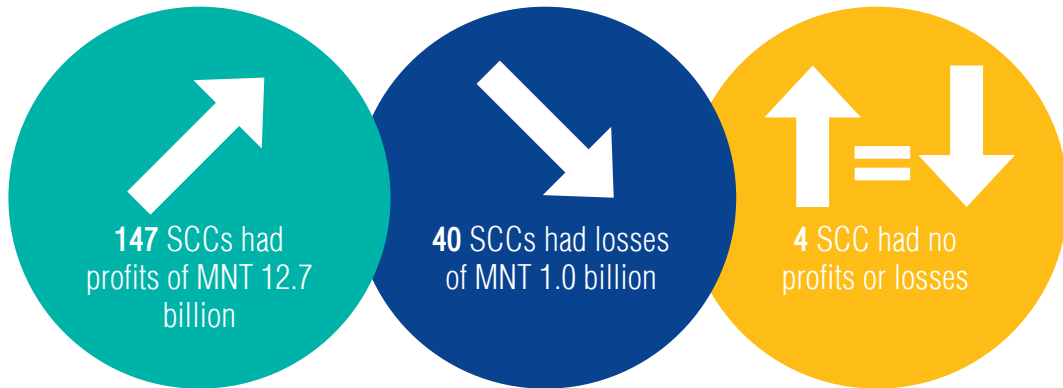
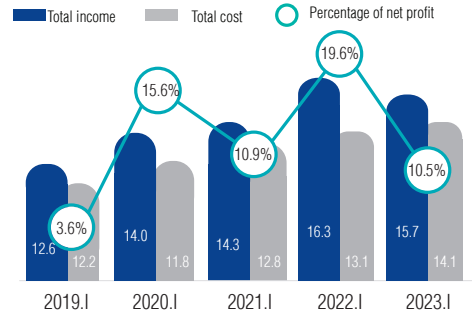
- o Total interest expenses of SCCs increased by 7.7% and reached MNT17.4 billion, compared to the second quarter of 2022.
- o Deposit interest rate was MNT16.6 billion (95.3%) of total interest expenses.
- o Interest paid to banks and financial institutions, which accounted for MNT804.3 million (4.6%) of interest expenses.
- o Other interest expenses were MNT17.3 million (0.1%).



## PROFITABILITY

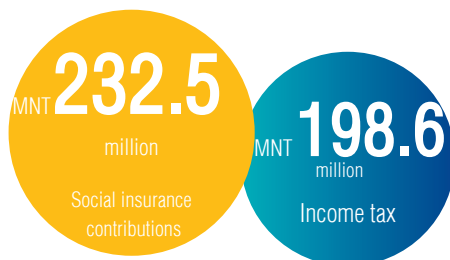
### INCOME AND EXPENSES OF SCCs

- o In the second quarter of 2023, SCCs earned MNT30.3 billion in revenue, spent MNT27.5 billion in expenses, and earned MNT2.8 billion in profit.
- o The share of net profits from total revenue decreased by 9.1 percentage points to reached 9.1% from the second quarter of 2022.



### TOTAL RETURN ON EQUITY

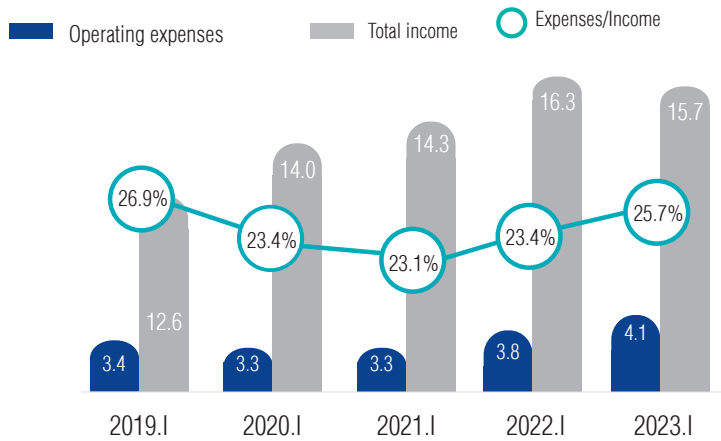
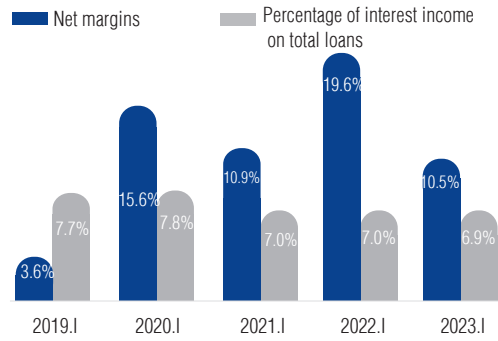
- o Calculated as net profit after tax, the return on equity of SCCs decreased by 4.9 percentage points to 4.5%. compared to the second quarter of the previous year.
- o Return on equity decreased by 1.0 percentage points to 0.9%.
- o



- o During the reporting period, SCCs spent MNT1.0 billion on social security and health insurance, MNT0.4 billion in Corporate Income Tax, and 0.3 billion in personal income tax.

**KEY RATIOS**

- o The share of interest income in total loans reached the same points and 13.0% in the same period in 2022.
- o The ratio of net income to total income decreased by 7.6 percentage points compared to the same period in 2022 and reached 9.1%.



**COST REVENUE RATIO**

- o SCCs spent an average of MNT26.6 to earn MNT100.

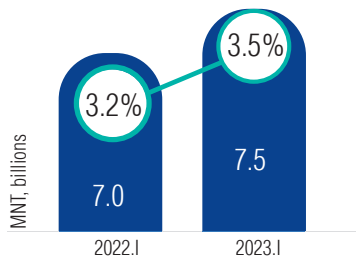


## STABILITY

SCCs assess the potential risks of their operations in accordance with the following four key indicators (PEARLS) methodology. Including:

1. Asset quality and protection.
2. Effective financial structure.
3. Return and cost share.
4. Liquidity.

- Non-performing loans (MNT, billions)
- Percentage of non-performing loans in total loans

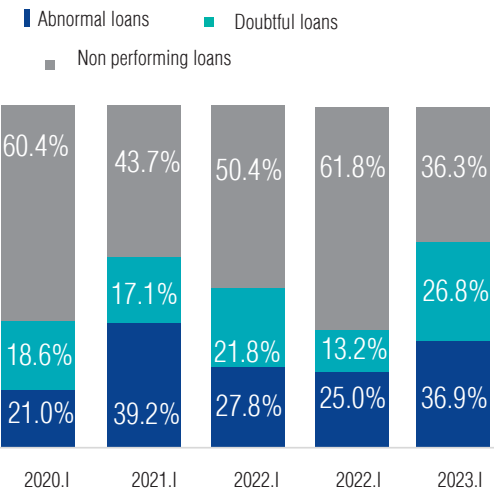


### NON-PERFORMING LOANS OF SCCS

- Total amount of non-performing loans reached MNT7.3 billion.
- Share of non-performing loans on total loans reached same level percentage points and 3.5% to the same period in 2022. According to prudential ratio standards of SCCs, this indicator should be less than 5.0%.

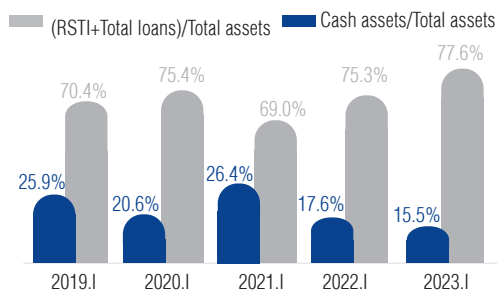
### CLASSIFICATION OF NON-PERFORMING LOANS

- The share of abnormal loans in the nonperforming loans category increased by 1.3 percentage points – compared to the same period in 2022 – to 26.4%.
- Doubtful loans increased by 16.7 percentage points to 34.4% compared to the same period in 2022, while the share of bad debts in non-performing loans was 39.2% and decreased 18.0% compared to the same period in 2022.

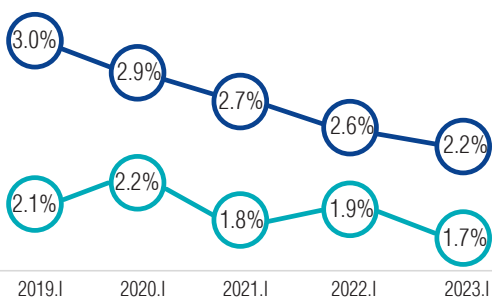


**LIQUIDITY OF SCCs:**

- o In the reporting period , the ratio of monetary assets to total assets was equal to 17.6%.
- o The ratio of short-term investments and total loans to total assets was equal to 74.7%.



- Share of credit risk fund in total loans
- Share of credit risk fund in total assets



**CREDIT RISK FUND**

- o In the first quarter of 2023, the share of the credit risk fund in total loans was 2.1%, and the share of the credit risk fund in total assets amounted to 1.6%.

Ratio	Adequate level	Reporting period
Loans received from others/Total loans	<20%	3.9%
Total savings/Total assets	20%–80%	69.7%
Net loans/Total assets	60%–85%	75.7%
Equity of cooperatives/Total assets	>5%	11.9%
Reserve fund/Equity of cooperatives	>3%	38.4%
Savings protection fund/Equity of cooperatives	>5%	8.7%
Stabilization fund/Equity of cooperatives	>5%	8.7%
Operating expenses/Total assets	<15%	1.5%

## REGULATORY ENVIRONMENT



### POLICY AND LEGISLATION

- According to the draft of the Law on Savings and Credit Cooperatives (revised version) and accompanying documents, a meeting and discussion was held with the National Association of Savings and Credit Cooperatives of Mongolia members on April 13, 2023.
- To introduce a risk-based inspection system in the SCC sector, a draft of "Regulation for Monitoring the Activities of SCCs" was developed. The scoring system of the "Methodology for Remote Risk Assessment" project, which is an appendix of this regulation, was tested and a distance assessment was conducted in 49 named SCCs. Based on the results of the distance evaluation, in accordance with the guidelines approved by the Chairman of the FRC's Order No184 (28 March 2018), the members of the working group are tested in the second appendix of the draft regulation, "Instructions for on-site inspections of savings and credit cooperatives" during on March 29 to April 04, 2023.
- By the Chairman of the FRC's order (30 June 2023), the "Sample Model of Conduct for Savings and Credit Cooperatives" was approved, and was submitted to the State Consolidated Fund for registration.
- According to Resolution No. 08 of April 4, 2023, of the Standing Committee on Social Policy of the Parliament, a working group responsible for the preparation of the submission on increasing the participation of women entrepreneurs in the economy by the Standing Committee and the General Assembly, and the task of drafting opinions was established, and a representative of the FRC is working in the sub-section.
- "The methodology for the calculation of the interest rate on deposits and loans of banks and authorized legal entities, disclosure of information on interest, fees, and charges" approved by the joint No. A-43/108 (March 9, 2023) the President of the Bank of Mongolia and the Chairman of the FRC, and was submitted to the State Consolidated Fund for registration in accordance with the General Law on Administration, but it was returned. Therefore, the representatives submitted the relevant proposal to the revision drafts of it on April 17, 2023.
- The list of documents and forms to be submitted for the registration and approval requests of the deposit and credit cooperative industry and the checklist for special approval documents updated in an electronic approval system on April 26, 2023.



## MEETINGS AND SEMINARS

- At the regular meeting of the Microfinance Policy Council on March 3, 2023, the draft recommendations for discussion at the regular session of the Financial Stability Council by The Bank of Mongolia and the current situation of the microfinance sector and the implementation of laws and regulations were discussed.
- Within the framework of the TA 9654–MON project " Expanding the Capacity of the Nonbank Finance Sector to Support Financial Access " implemented in cooperation with ADB, training on "Risk management of savings and credit cooperatives" aimed at improving internal control and empowering microfinance institutions was held on April 26–27, 2023 in Ulgii sum of Bayan–Ulgii province. 26 supervisory board members and executive directors of 13 SCCs participated and, during the training, the SCC risk assessment questionnaire and internal control checklist were presented.
- In accordance with clause 2.1.12 of the "Conditions and Requirements for the Operation of Savings and Credit Cooperatives" approved by Resolution No. 245 of 2018 of the FRC, the topic of "Overview of the financial market other than banks" gave information in the training that was attended by 50 citizens, including elected members and executive directors of the SCC.
- On May 1, 2023, the representatives of the FRC participated in the "Lawyer Pro Bono Day–2023" organized by the Mongolian Lawyers' Association and informed citizens about the legal framework of SCC.
- On May 16, 2023, Within the framework of the project implemented by the capital, the FRC met with the representatives of the "Small, Medium Enterprises and Services Support Center" and exchanged opinions on the cooperative loan repayment process and related issues.
- A joint meeting of the Investigative Department of the Capital City Administration, the Ministry of Justice and Internal Affairs, and the FRC was held on May 31, 2023, and in connection with the implementation of the Law on Regulation Activities of Money Loans, opinions were exchanged on how to ensure the coordination of information between electronic systems and organizations and how to connect databases.
- Representatives of the FRC participated in Eurasia Regional Committee (EARC) Annual Meeting and Seminar of the International Association of Deposit Insurance (IADI) held on June 28, 2023, in Ulaanbaatar.

## INTERNATIONAL COOPERATION

- The Chairman of the FRC met project coordinator Jennifer R. Torres of the ADB TA 9654–MON project " Expanding the Capacity of the Nonbank Finance Sector to Support Financial Access " on April 9, 2023, and discussed with project consultants on April 20, 2023.
- The request for the exchange of experience and cooperation in the field of SSCs was submitted to the representative office of KOICA in Mongolia on March 10, 2023.



# CREDIT GUARENTEE FUND

Total assets

MNT 255.0  
billion



Financial market status

Average amount of  
one guarantee

MNT 302.4  
million



Accessibility

Number of  
requests 29

Number of requests  
approved 20



Products and services

Profitability



Total income

MNT **2.5** billion

Total profit

MNT **1.8** billion

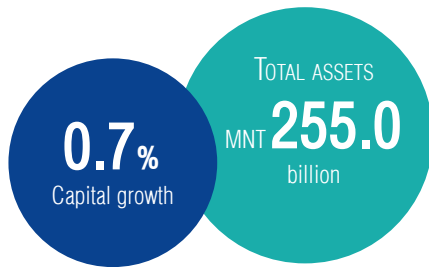
Stability



Percentage of non-performing  
guarantees

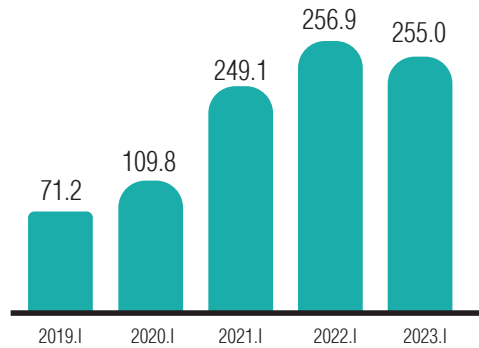
**12.2%**

## FINANCIAL MARKET STATUS



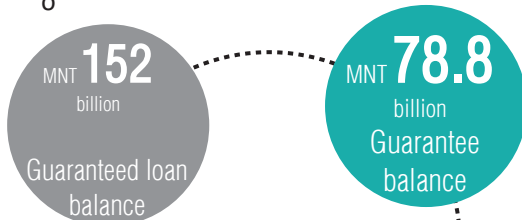
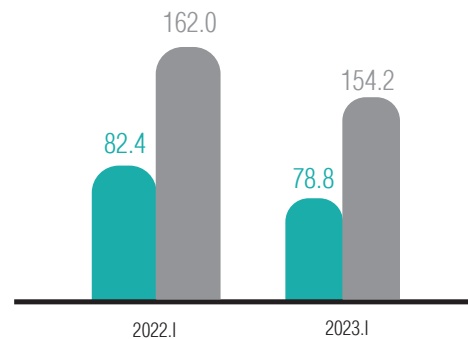
In the second quarter of 2023, the total assets of the Fund decreased by MNT1.3 billion (0.5%) to reach MNT257.6 billion.

Total assets (MNT, billions)

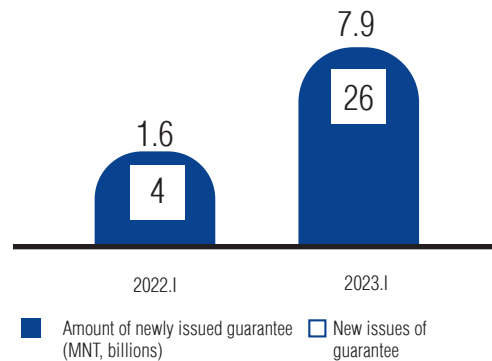


- o In the reporting quarter, the Fund's guarantee balance reached MNT85.5 billion, an increase of MNT2.8 billion (3.4%) compared to the same period of the previous year.
- o The guaranteed outstanding balance increased by MNT4.5 billion (2.8%) in the same period of the previous year to reach MNT166.8 billion.

Guarantee balance  
Guaranteed loan balance



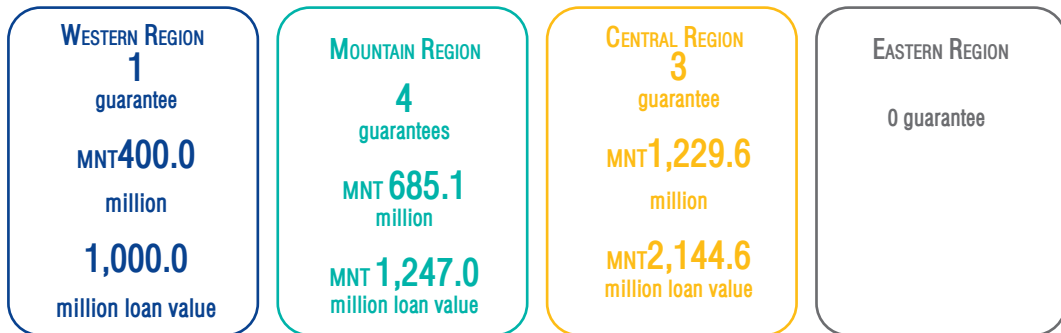
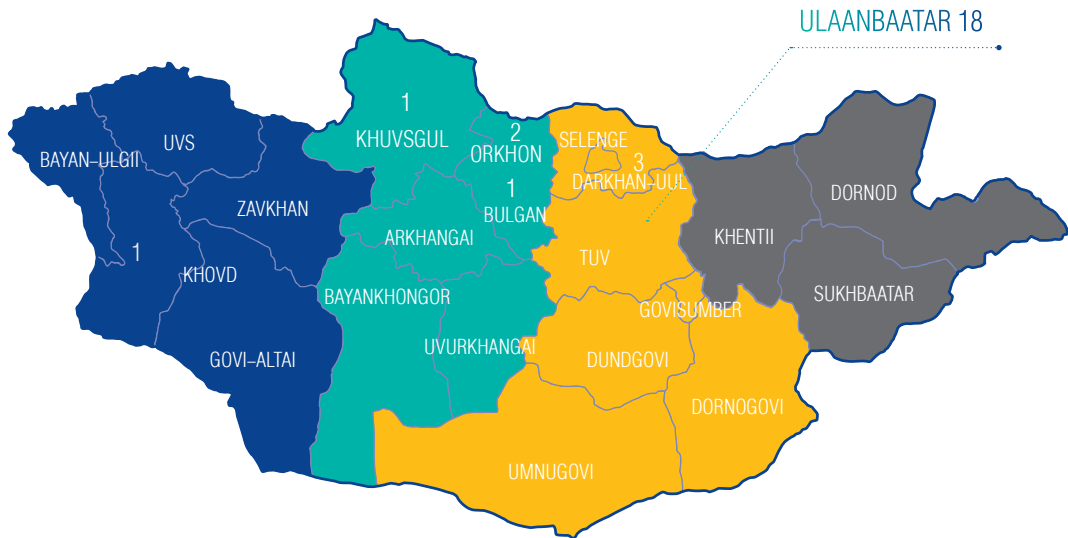
New issues of guarantee (MNT, billions)



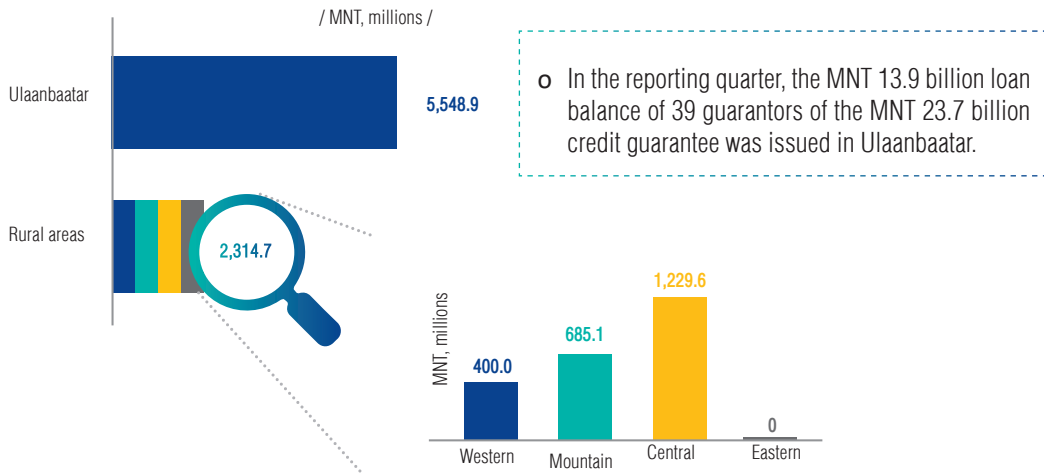
**26**  
New issued guarantee

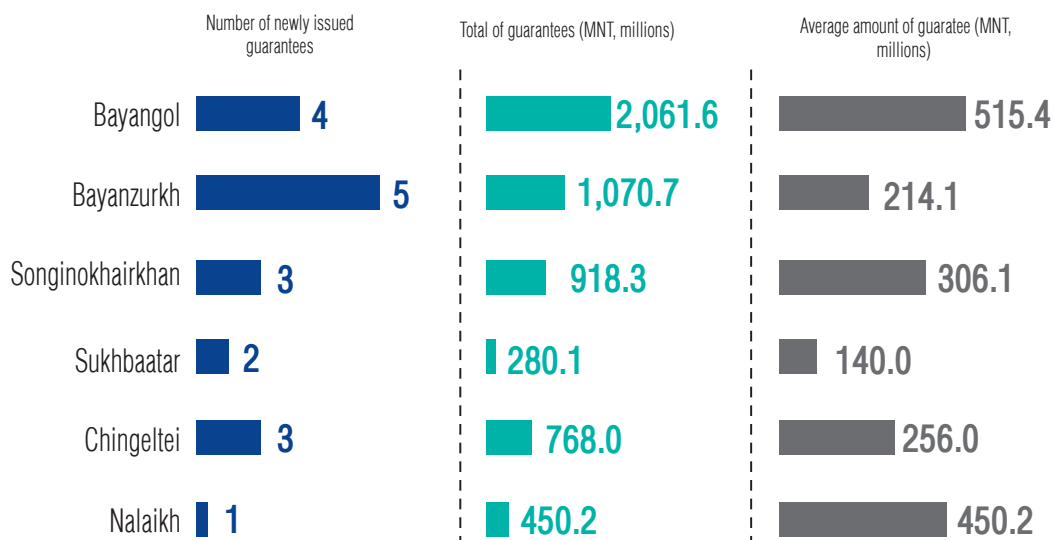
In the reporting quarter, 97 credits of guarantee were issued, amounting to MNT 21.4 billion. The number of credits guaranteed increased by 4.6 times compared to the same period of the previous year.

## ACCESSIBILITY



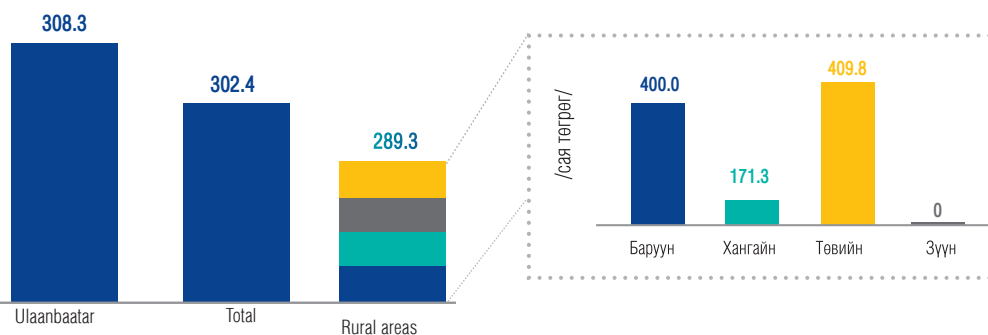
### AVERAGE AMOUNT OF GUARANTEE





#### AVERAGE AMOUNT PER GUARANTEE

- o The average amount of a guarantee issued in Ulaanbaatar was MNT356.3 million, and in provinces MNT121.6 million. The average amount of a guarantee issued nationwide was MNT216.0 million.
- o The highest amount of guarantee issued per person (in the Central Region) was MNT859.1 million.

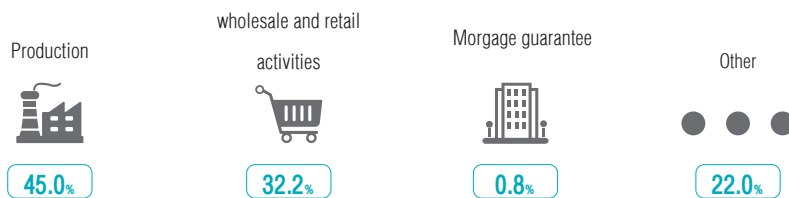


## PRODUCTS AND SERVICES

	Number of applications for a guarantee	Number of applications approved	Approval
2020.I	31	14	45.2%
2021.I	28	14	50.0%
2022.I	5	4	80.0%
2023.I	29	20	69.0%

Of the total of 132 applications were received and 102 were approved. Of these, 97 requests were granted. The number of submitted requests increased by 3.5 times, and the number of resolved requests increased by 4.4 times compared to the same period of the previous year. The approval rate of requests is 77.3% which is an increase of 16.8 percentage points from the same period last year.

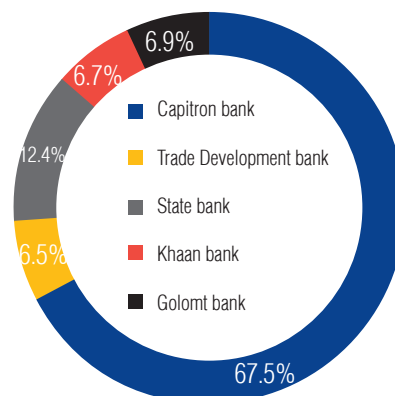
2023.I



In the second quarter of 2023, 40.8% of all guarantees were issued for the manufacturing sector, 44.2% for the wholesale, retail, and production sector, and the remaining 15.0% for other sectors.

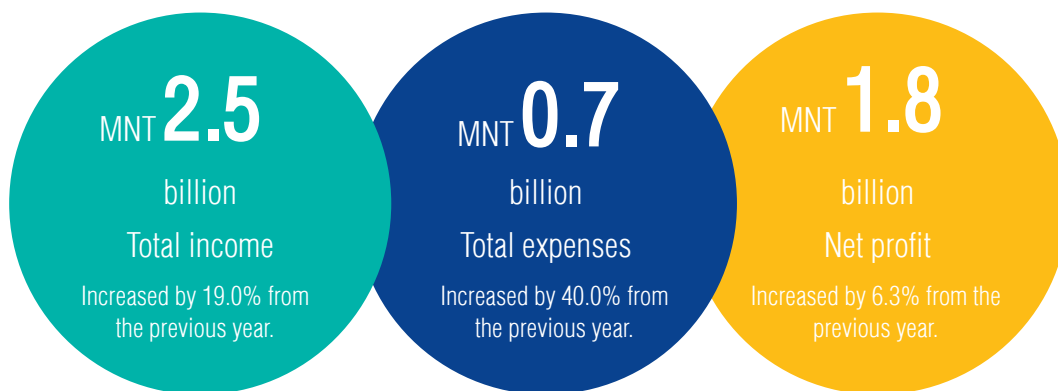
- The average term of the guarantee issued was 164.2 months (13.6 years).
- This was an increase of 78.9 months (6.6 years) compared to the same period of the previous year.

120  
CAP

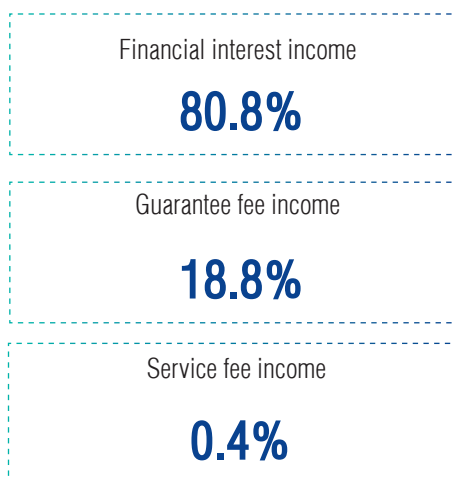


47.8% of the guarantees were issued by Capitron Bank, 4.3% by Khas Bank, 15.3% by Khan Bank, 2.5% by Golomt Bank, 4.5% by State Bank, and 25.6% by the Trade Development Bank.

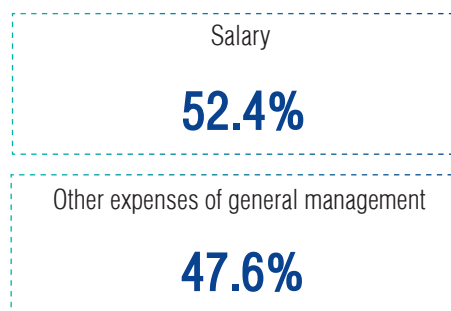
## PROFITABILITY



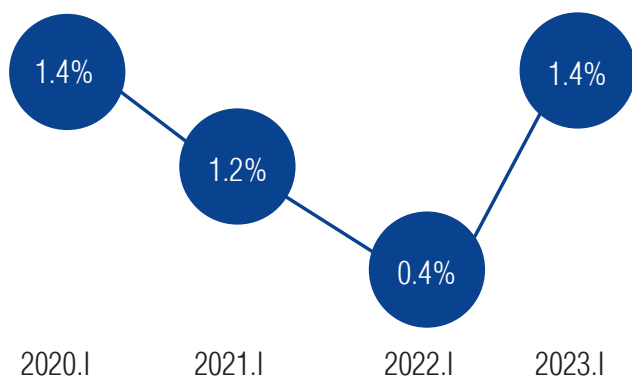
### Incomw structure



### Cost structure



### Return on total assets

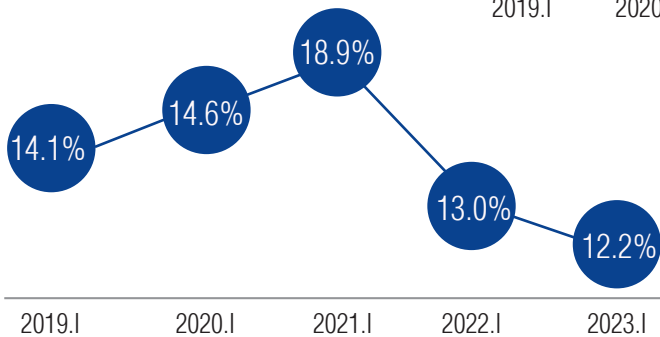
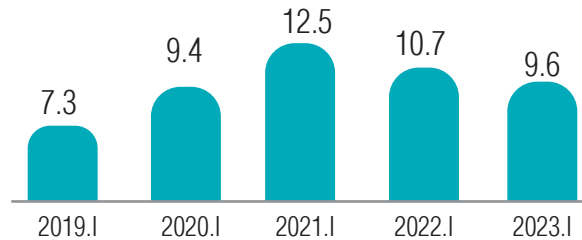


In the second quarter of 2023, the efficiency of the total assets of the Fund was 1.7%; representing a 0.2 percentage points increase in the same period of the previous year.

## STABILITY

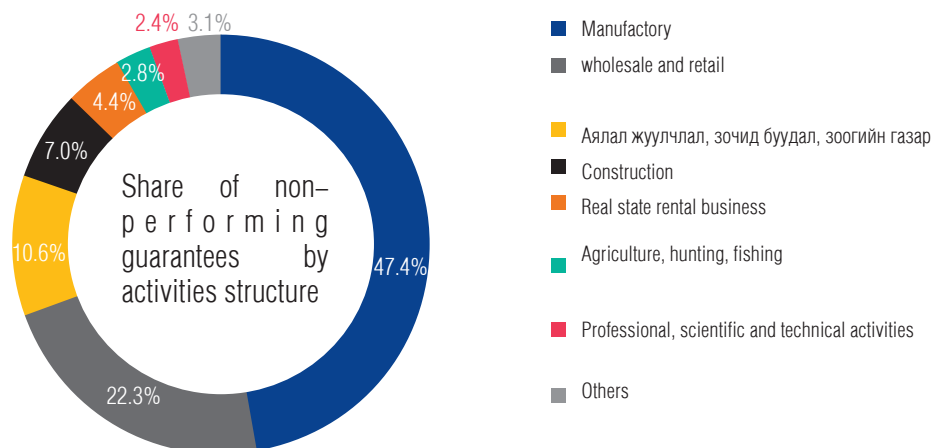
Balance of non-performing guarantees (MNT, billions)

The balance of non-performing guarantees decreased by 8.7% to MNT 9.4 billion.



The share of non-performing guarantees in the total outstanding balance decreased by 1.5 percentage points to 11.0% from the same period of the previous year.

- o Among non-performing loans, 43.1% were in the manufacturing sector, 20.0% in the wholesale, retail, and production sector, 14.6% in the tourism sector, 6.8% in the construction sector, and 15.5% in other sectors.





# REAL ESTATE BROKERS (and AGENTS)

Regulated entities

**311**



Market outlook

Real estate  
brokerage deals

**3,108**



Product and services

Accessibility



99.0% of entities operated  
in Ulaanbaatar

Regulated environment

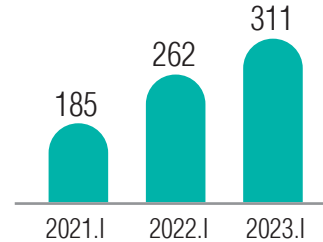


## MARKET OUTLOOK

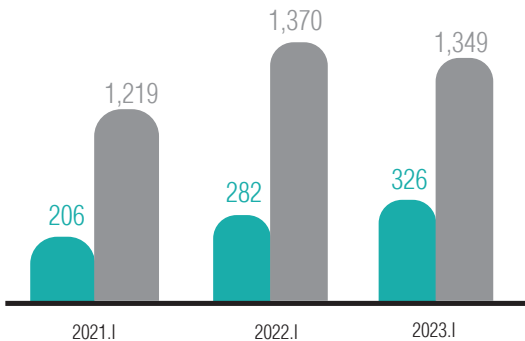


### NUMBER OF REAL ESTATE BROKERAGES

In the second quarter of 2023, 311 licensed real estate entities operated; an increase of 9.5% compared to the same period of 2022.



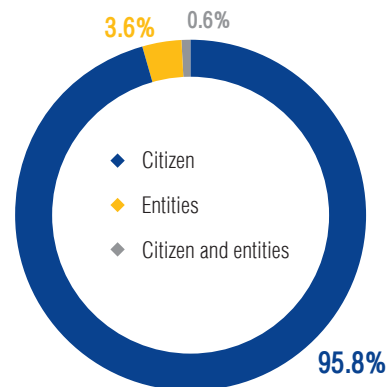
- Brokers
- Agents



A total of 324 brokers and 1,269 agents operated. On average, entities had one broker, and four agents.

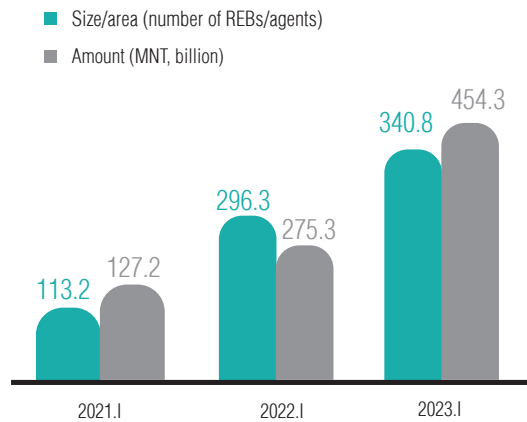
### SHARE CAPITAL

Total assets were MNT198.5 billion. Of which, MNT176.8 billion or (89.1%) were current assets, and the remaining 10.9% (MNT21.7 billion) were non-current assets. MNT171.1 billion (86.2%) of total assets were debt, and MNT27.4 billion (13.8%) were owners' capital.



### BUYING AND SELLING SERVICES

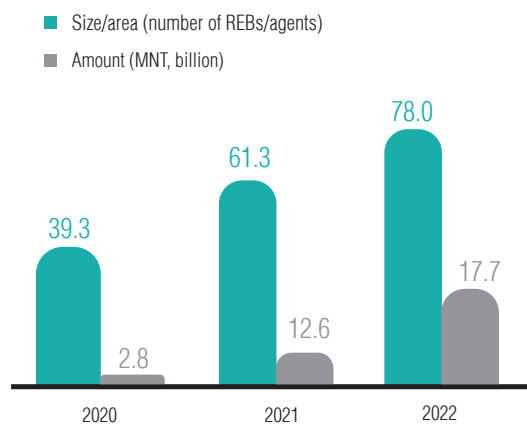
The share capital of 469 shareholders reached MNT6.7 billion; 14.5% increase compared to the same period of 2022. Most (95.8%) of shareholders were individuals, 3.5% were legal entities, and 0.7% were a combination of both individuals and entities.



### RENTING AND LEASING SERVICES

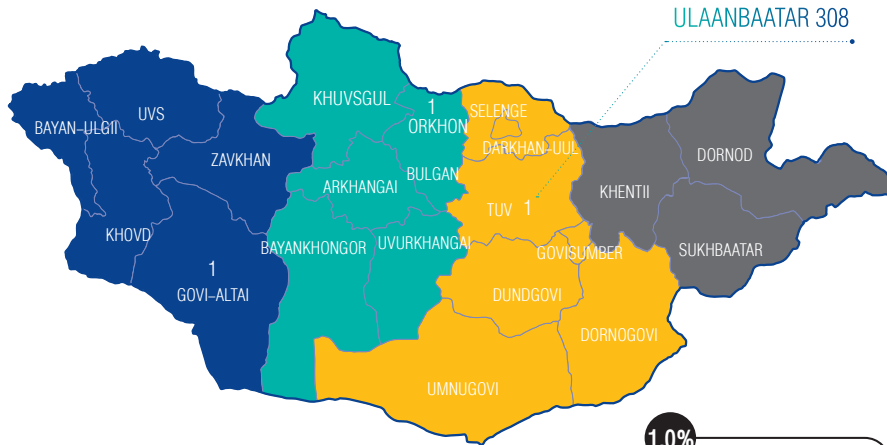
Real estate with a total area of 232,100 m<sup>2</sup> and a value of MNT66.3 billion was rented or leased through 2,735 deals.

The amount of rented real estate services increased by 37.6% (MNT18.1 billion) compared to the same period of 2022.



## ACCESSIBILITY

### LOCATION OF ENTITIES WITH LICENSES



**1.0%**  
**RURAL AREAS 3**



**29.3%**  
**SUKHBAATAR 91**

**26.4%**  
**KHAN-UUL 82**

**11.9%**  
**CHINGELTEI 37**

**11.2%**  
**BAYANGOL 35**

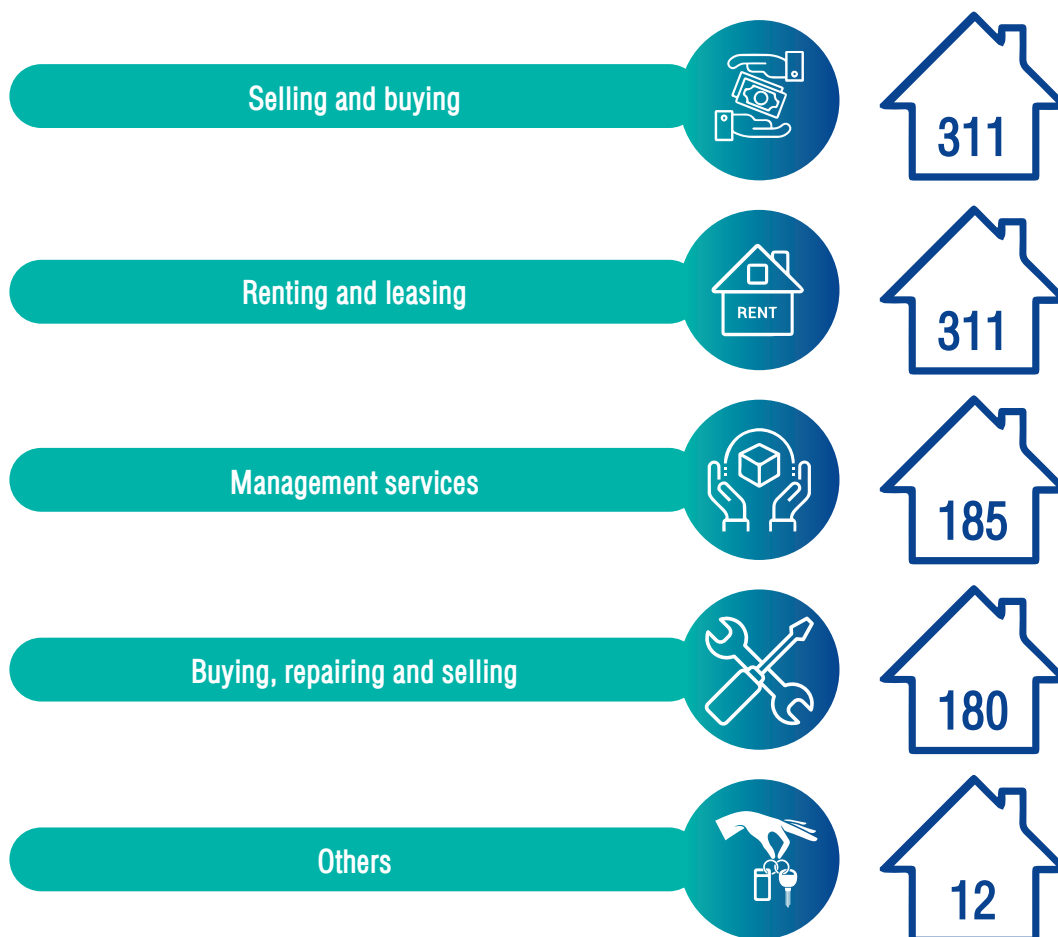
**18.3%**  
**BAYANZURKH 57**

**1.9%**  
**SONGINOKHAIRKHAN 6**

Among licensed entities, 99% or 308 were in Ulaanbaatar, and 1.0% or 3 were in Darkhan-Uul, Orkhon, and Tuv provinces. Among licensed entities in Ulaanbaatar, 31.5% were in Sukhbaatar district, 26.6% in Khan Uul, 17.5% in Bayanzurkh, 11.4% in Bayangol and in Chingeltei, and 1.6% in Songinokhairkhan district.

## PRODUCTS AND SERVICES

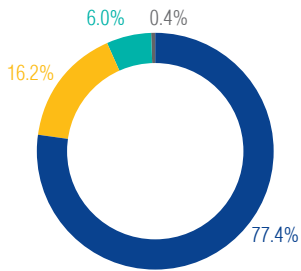
### NUMBER OF REB AND AGENTS, AND TYPES OF SERVICES (WITH DOUBLE-COUNTING)



#### NOTE

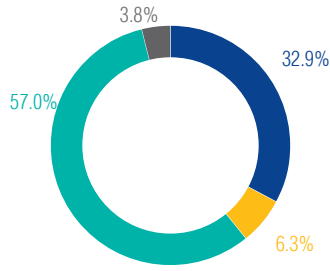
According to the [www.forbes.com](http://www.forbes.com), real estate market prices in 2022 were affected by high inflation, geopolitical problems and the lack of supply; and this situation tends to continue in 2023.

SELLING AND BUYING BROKERAGE (BY TYPE OF REAL ESTATE)



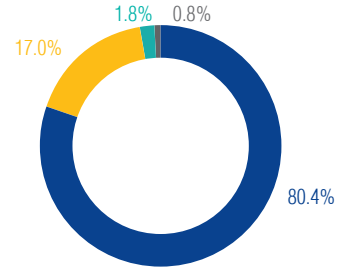
- Residential
- Commercial
- Land
- Industrial

81.4% of sold real estate were residential, 13.2% were commercial, 5.2% were land, and 0.2% were industrial.



- Residential
- Commercial
- Land
- Industrial

56.2% of the areas of all sales of real estate were land, 35.4% residential, 6.5% were commercial, and 1.9% were industrial.

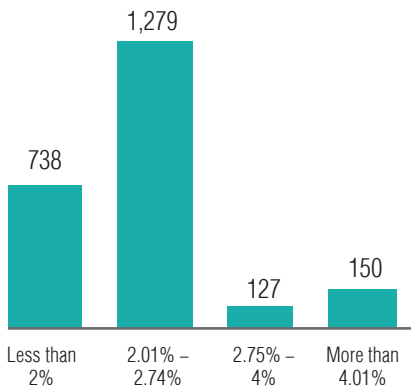


- Residential
- Commercial
- Land
- Industrial

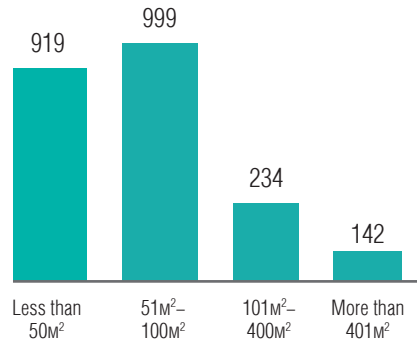
81.8% of the value of all sales were residential, 15.4% were commercial, 2.3% were land, and 0.5% were industrial.

Real estate of less than 50m<sup>2</sup> accounted for 41.1% of all sales of real estate, 51–100 m<sup>2</sup> accounted for 43.0%, 101–400 m<sup>2</sup> for 10.7%, and more than 401 m<sup>2</sup> for 5.2%

Percentage of fee



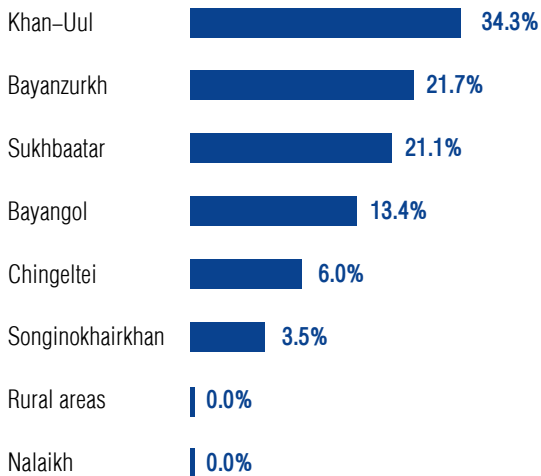
Size/area



## RENTING AND LEASING

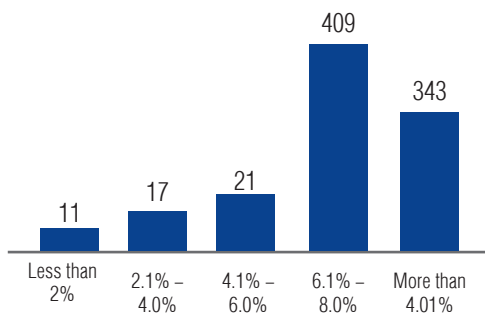
Real estate with a total area of 232,100 m<sup>2</sup> and a value of MNT66.3 billion were rented and leased through 4,728 deals.

Most (79.3%) of deals in rented and leased real estate were residential, 20.3% were commercial, 0.2% were industrial real estate, and 0.2% were land

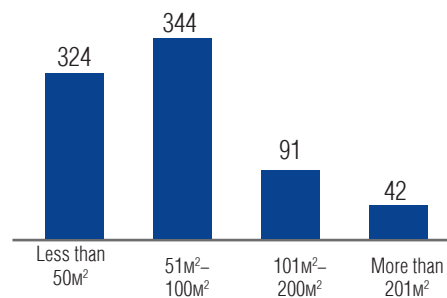


By location of brokered real estate, 31.9% were in Khan-Uul, 23.9% in Bayanzurkh, 18.7% in Sukhbaatar, 12.8% in Bayangol, 8.7% in Chingeltei, 3.8% in Songinokhairkhan district, and 0.2% in rural areas.

Percentage of fee



Size/area



## REGULATORY ENVIRONMENT



### POLICY AND LEGISLATION

- o The research on 12 countries (including USA, UK, Germany, Sweden, Kazakhstan, Kyrgyzstan, South Africa, India, South Korea, Japan, Hong Kong, and Australia) was conducted in order to explore industry regulatory bodies, regulatory and legal frameworks.
- o The 'Regulation on remote and on-site supervision for REAs/REBs' was revised by the FRC's Resolution No.235 on 23 June 2023, and registered with the State Integrated Database of Administrative Norms.
- o According to the Regulations on the protection of state and official secrets, the FRC signed a confidentiality guarantee with 12 employees of the Umbrella Association of Real Estate Entrepreneurs.
- o Activities to circulate immovable properties received for bank repayment through professional organizations were planned under Order No. A-21 of CEO of Development Bank of Mongolia dated 28 Feb 2023. The FRC cooperated with the working group with the purpose of drafting the contract, which is necessary for the implementation of joint activities with the above professional organizations.
- o The FRC delivered its opinion to amend Appendix 1 of the Information Exchange Agreement signed by the FRC and the Mongolian Tax Authority on 03 September 2020, in order to create a legal framework for receiving REAs' sales information through the electronic tax payment system.



### MEETINGS AND SEMINARS

- o 613 market participants attended the 10 virtual and in-person trainings (allowing them to operate as REAs) in accordance with the FRC's Statement No.ЦАТ-11/04/01 dated 02 March 2023 that was delivered to the 309 licensed entities.
- o A meeting with the Umbrella Association of Real Estate Entrepreneurs was conducted on 29 May 2023, in order to develop an action plan in the REBs industry.





# DEALERS IN PRECIOUS METALS AND STONES

Number of dealers

**47**

Legal entities

**465**

Individuals



Market outlook

Precious metals sold  
and bought

**MNT 22.5**

billion



Products and services

Accessibility



81.4%

Operated in Ulaanbaatar

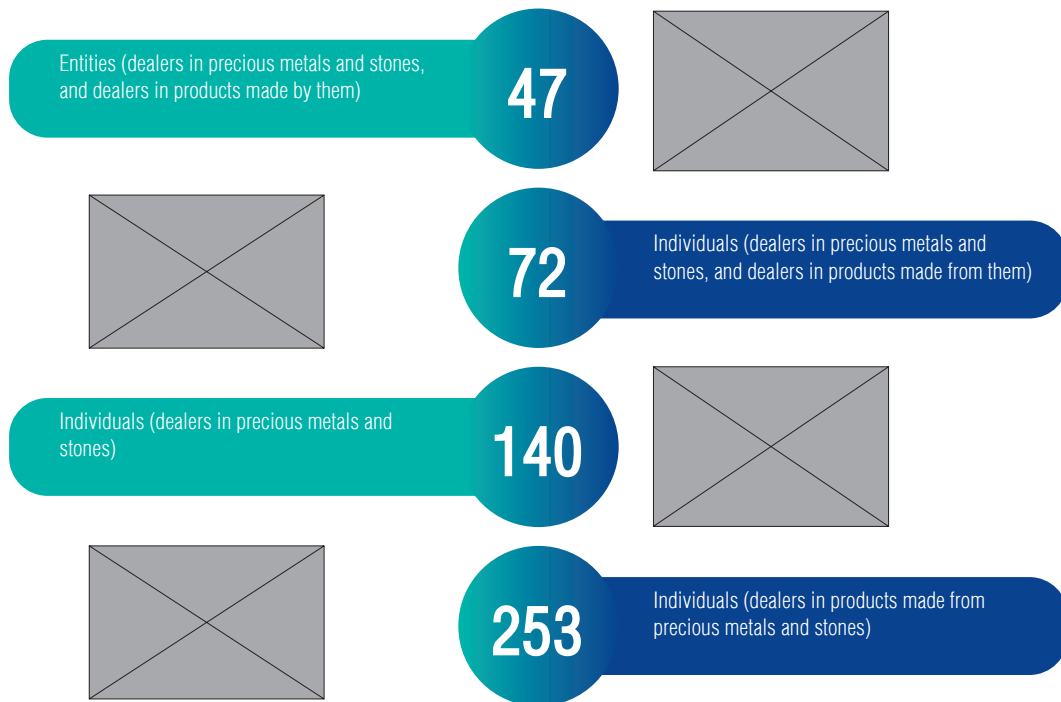
Regulatory  
environment



## MARKET OUTLOOK

### NUMBER OF ENTITIES WITH LICENSES

As of the first quarter of 2023, 47 entities and 465 individuals were operating with licenses.



### SHARED CAPITAL

The amount of share capital of 78 shareholders in 49 regulated entities was MNT9.6 billion.

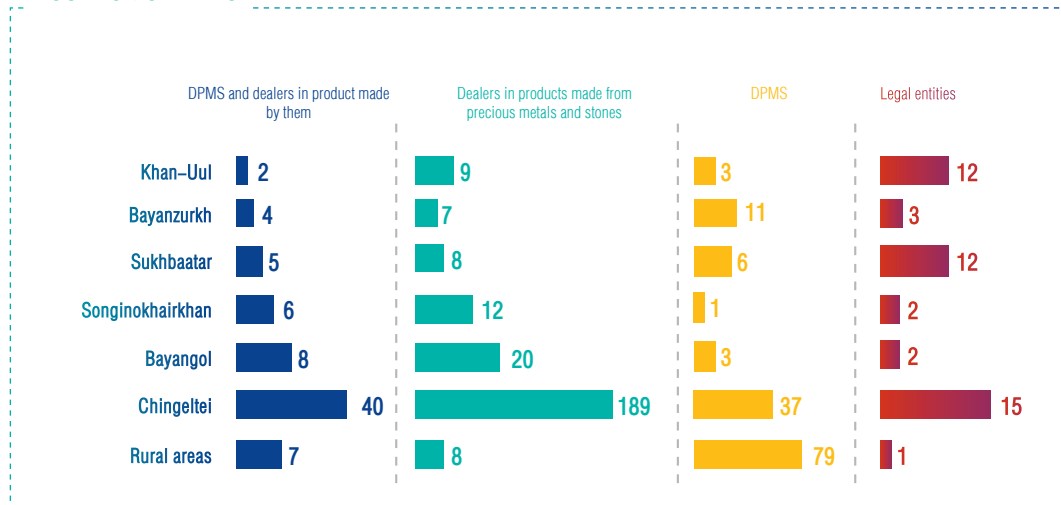
79.6% or 367 of licensed dealers operated in Ulaanbaatar, and 20.4% or 94 in rural areas.

Улаанбаатар хотод

**81.4%**

## ACCESSIBILITY

### LOCATION OF DPMS



The location of the licensed dealers is shown below:

- Most dealers in precious metals and stones were in the provinces, while most dealers in products made from precious metals and stones were in Ulaanbaatar. Among dealers in precious metals and stones, and dealers in products made by them: 81.4% were in Ulaanbaatar, and 18.6% in the provinces.

DPMS and dealers in products made from precious metals and stones

UMNUGOVI 2  
DARKHAN-UUL 1  
GOVI-ALTAI 2  
KHENTII 1  
UVS 1

Dealers in products made from precious metals and stones

KHOVD 2  
DARKHAN-UUL 5  
BAYANKHONGOR 1

DPMS

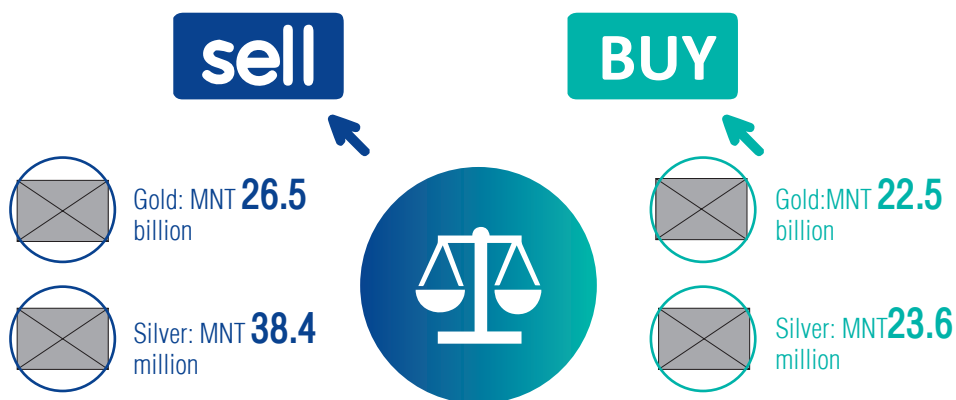
BAYANKHONGOR 15  
SELENGE 21  
TUV 14  
DARKHAN-UUL 11  
GOVI-ALTAI 3  
UMNUGOVI 6  
UVS 2  
DORNOGOVI 1  
UVURKHANGAI 1  
KHOVD 4  
DORNOD 1

## PRODUCTS AND SERVICES

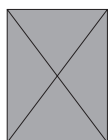
### METALS BOUGHT AND SOLD

494.8 kilograms of metals with a value of MNT63.8 billion were bought and 576.1 kilograms of metals with a value of MNT75.4 billion were sold. The amount of metals bought was decreased by 2.3 times and the amount of metals sold was decreased by 2.4 times compared to the same period of 2022.

### TRADE BETWEEN DEALERS IN PRECIOUS METALS, INDIVIDUALS AND ENTITIES



### AMOUNT OF JEWELRY BOUGHT AND SOLD



**AMOUNT OF  
PURCHASED  
PRICE**

The amount purchased: Jewelry with a value of MNT7.2 billion was bought.

## REGULATORY ENVIRONMENT



### POLICY AND LEGISLATION

- The 'Regulation on remote and on-site supervision for DPMS' was revised by the FRC's Resolution No.233 on 23 June 2023, and registered with the State Integrated Database of Administrative Norms.
- Within the scope of developing a draft Law on DPMS, research on the regulatory framework of the United Arab Emirates was conducted.
- According to the Regulations on the protection of state and official secrets, the FRC signed a confidentiality guarantee with 2 employees of the Umbrella Association of Real Estate Entrepreneurs.
- Within the scope of developing a draft Law on DPMS, developing regulatory and business environment roadmap was launched, in cooperation with the Professional Association of DMPS.
- Recommendation on AML/CFT and DPMS legal and regulatory environment was provided to approx. 500 individuals and entities during the "Mongolian Jewelry and Metal-2023" organized on 13-16 April 2023.
- A discussion with the purpose of delivering FATF's recommendation on AML/CFT, DPMS legal and regulatory environment, and supervision was conducted on 12 April 2023. 60 individuals attended the discussion.
- On 13 June 2023, the FRC delivered its proposal on the list of products and services to be licensed in a simplified way based on certificates issued by the verification authorities, to the Mongolian Agency for Standardization and Metrology.

### MEETINGS AND SEMINARS

- Participated in the 'Countering illegal mining: Challenges and Solutions' organized by the Asia Foundation on 17 February 2023 and exchanged opinions.
- Organized a meeting with the National Association of Traders of Precious Metals and other associations, and exchanged ideas on product coding on 22 March 2023.
- Participated in the discussion of the draft revision of the Law on Minerals drafted by the working group of the Ministry of Mining and Heavy Industry.
- Organizing a discussion on Compliance – improving AML/CFT framework in cooperation with the Financial Education Hub NGO on 17 January 2023.
- Organized meetings with the Bank of Mongolia and the Ministry of Culture, to promote precious metals and stones and its trading sector under the "Mongolian jewellery and metal-2023".



# SANDBOX

Number of requests

15



Market outlook

Products

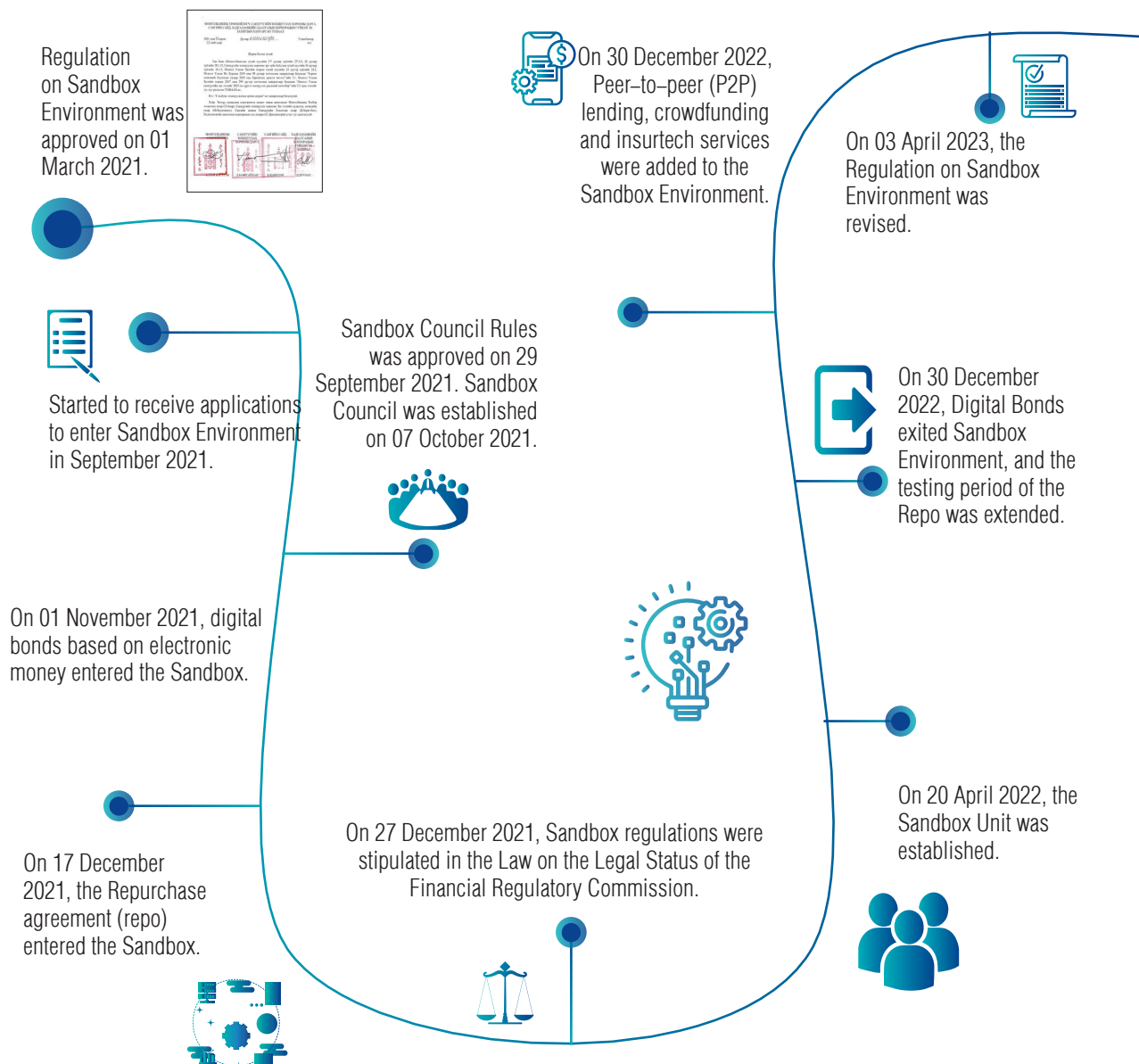
4



Products and services

## REGULATORY ENVIRONMENT

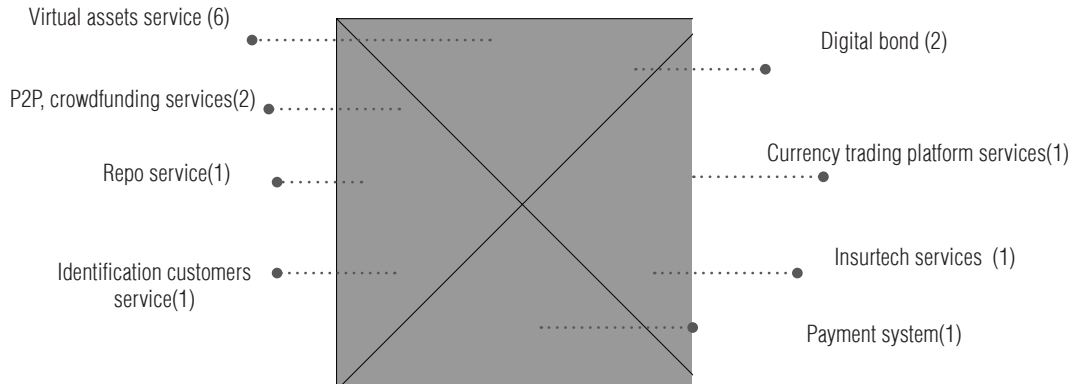
Sandbox Regulation was introduced in the financial market in March 2021, and provided opportunities to test new products and services in a limited scope, real environment and specific time under the supervision of regulatory authority.



## PRODUCTS AND SERVICES THAT ARE BEING TESTED IN THE SANDBOX

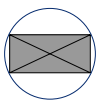
### Requests submitted to the sandbox environment by types of products and services

15 requests to test their products and services in the sandbox environment were submitted. Of which, 6 were discussed at the Sandbox Council meeting and 5 were added to the Sandbox environment.



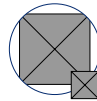
### Products and services that are being tested in the Sandbox

Out of 5 products and services that entered the sandbox environment, 1 service was tested for 1 year and exited, a testing period of 1 service was extended for 1 year, and 3 new services are being tested for 3 months.

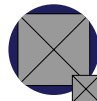


2022.

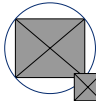
Repo platform services of NBFIs entered the Sandbox environment for one year on 17 December 2021, and the testing period was extended by one year on 30 December



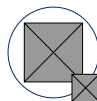
P2P lending services entered the Sandbox environment. орсон.



Insurtech services at the Laika platform entered the Sandbox environment on 30 December 2022



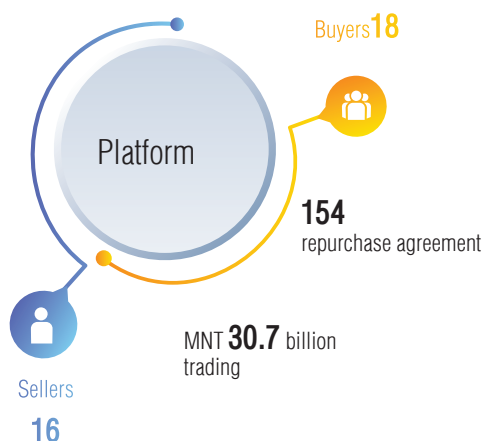
Monpay digital bond was tested for one year and exited on 30 December 2022.



Lending, incentives, and donation-based crowdfunding based on the platform entered the Sandbox on 30 December 2022

## Repurchase agreements (Repo)

Repo services entered the Sandbox on 17 December 2021, and a request to extend the testing period was submitted in 2022. According to recommendation No.05 dated 12 December 2022, and the FRC Chairman's Order No.550, the testing period was extended and the repo is being tested for its second year.



18 buyers and 16 sellers participated in the repurchase agreement, and trading with a value of MNT 30.7 billion was made by 154 agreements. From January to March, the number of borrowers and lenders and the number and amount of transactions increased sharply. In the repo agreement, the supply was exceeded by MNT6.9 billion in 20 installments and the demand was exceeded by MNT700.0 million in 2 installments.



Average term of repo loans

**31** xOHOT



Average interest rate of repo loans

**17.3%**

Repo agreements are made with a period of one, two, four and twelve weeks, and the average repo period was 31 days. A weighted average interest rate is 17.3%.

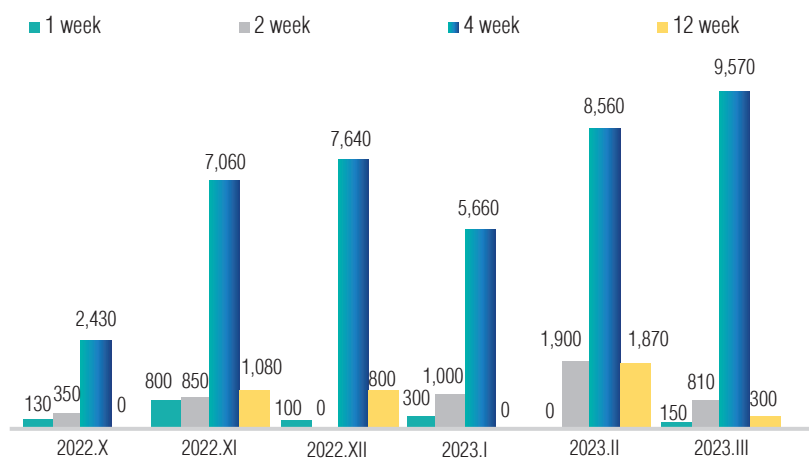
### General indicators of the money market

Time	Lenders	Borrowers	Tradings	Amount of trading	Average interest	Average term of loan
1 month	7	8	30	6,960,000,000	16.83	27
2 month	16	13	68	12,910,000,000	17.42	39
3 month	12	14	56	10,830,000,000	17.27	28
Total	-	-	154	30,700,000,000	17.34	31

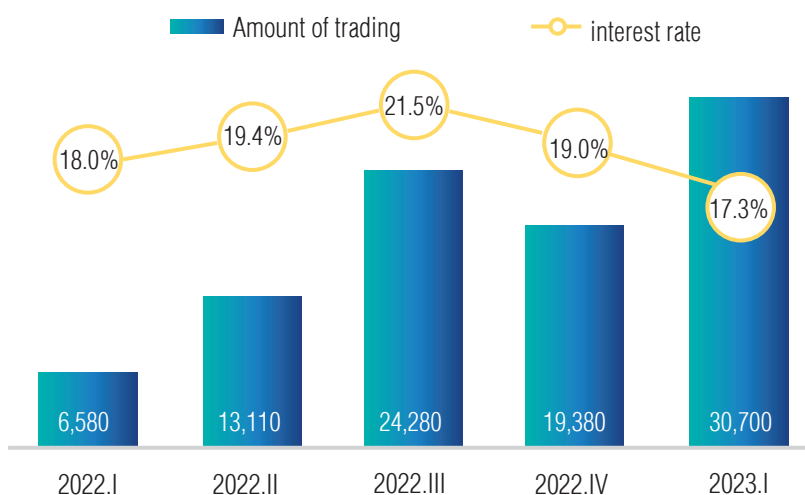
The overall outlook of repo agreements is shown in the below table as of the first quarter of 2023. Interest rates and trading amounts in the repo agreements are shown in the figure. In terms of products, repo agreements with one week and twelve weeks were made rarely. The most demanding products are two-week and four-week repo loans. The number of agreements completed in the first month of each quarter is low, while there is a trend that

agreements completed in the second and third months are higher. It can be seen that consumer behavior and seasonal effects related to holidays affect the trading volume. However, the interest rate decreased by 0.7 percentage points and reached 17.3% compared to the same period of the previous year.

Amount of money market trading, repo loan period, MNT, millions /by the month/

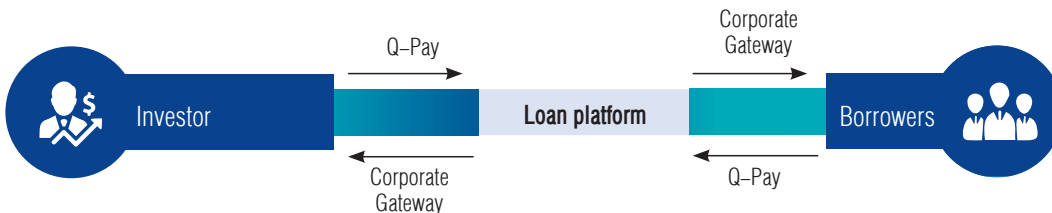


Money market interest rate and trading amount, MNT, millions /By the season/

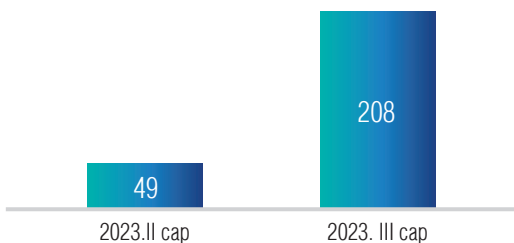


## Peer-to-peer (P2P) lending

P2P lending entered the Sandbox Environment on 30 December 2022. P2P is a service that directly connects investors and borrowers using artificial intelligence and blockchain technology for credit assessment and registration.

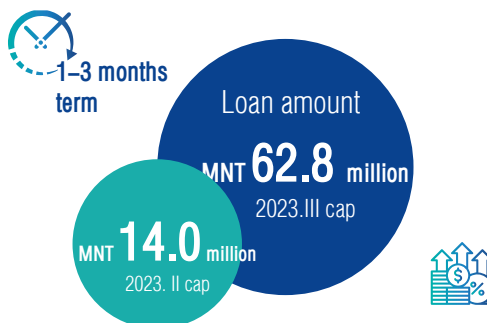


Total number of customers of P2P lending services / by growth/

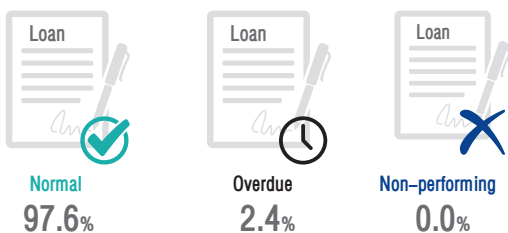


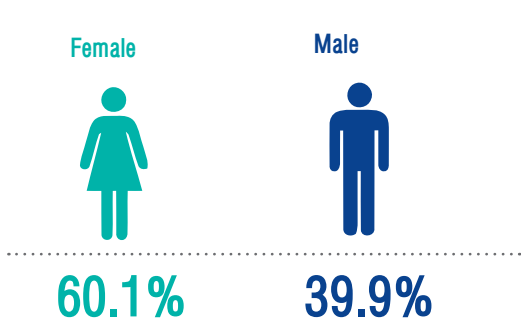
P2P entered the market in February 2023, and 208 customers received P2P loan services through this platform. Of which, 3.8% are investors and 96.2% are borrowers. MNT62.8 million loans have been granted through the platform, and the loan portfolio is 100% consumer loans.

The monthly weighted average interest rate is 2.0%, and the loan portfolio consists of loans with a term of one to three months. 88.1% of the investment portfolio through the platform is a one-year investment, while 11.9% is a six-month investment. 97.6% of the total loan balance provided through the P2R platform is normal loans, while 2.4% is overdue loans.

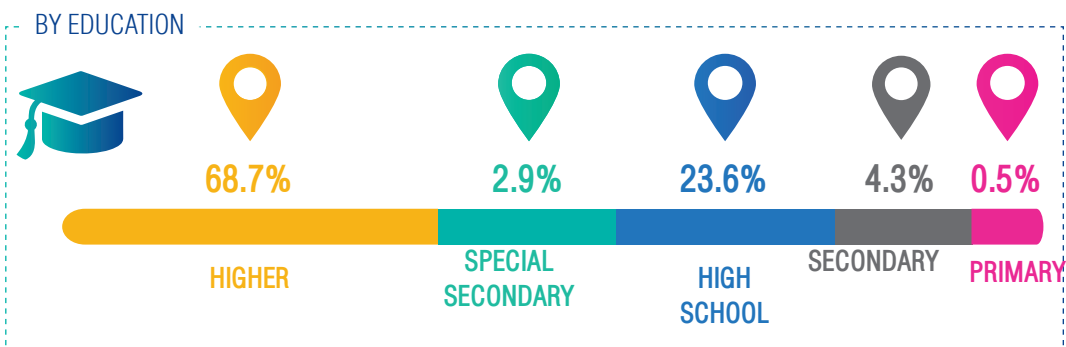
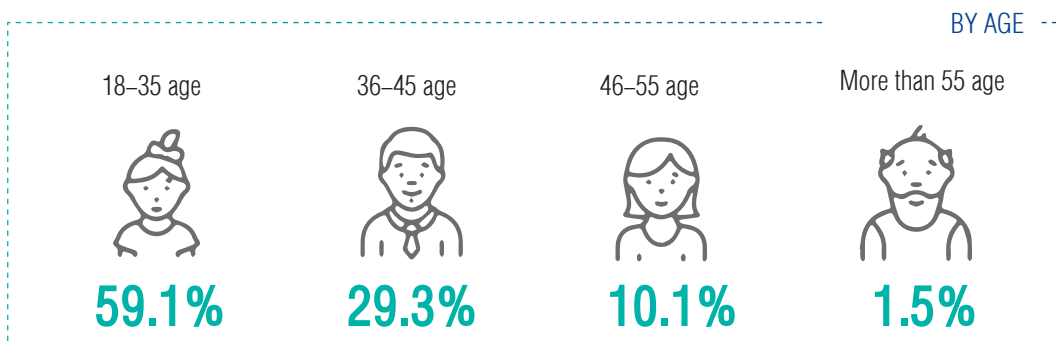


**Weighted average interest rate of loans 2.0%**



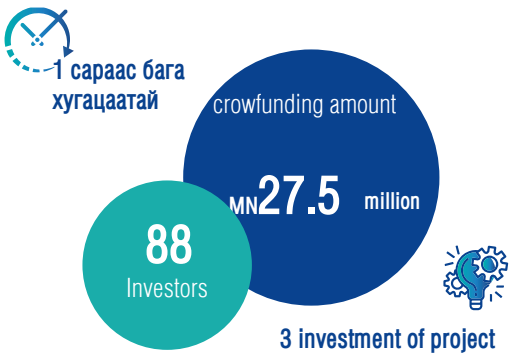


60.1% of P2P customers are women and 39.9% are men. 59.1% of all customers are 18–35 years old, 29.3% are 36–45 years old, 10.1% are 46–55 years old, and 1.5% are over 55 years old. 68.7% of customers have higher education, 2.9% have special secondary education, 23.6% have high school education, 4.3% have secondary education, and 0.5% have primary education.



## Crowdfunding services

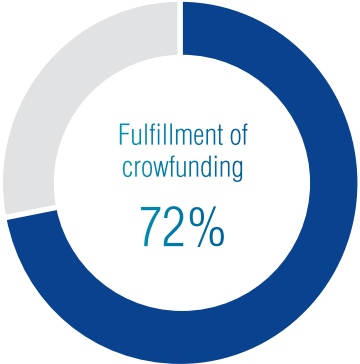
Crowdfunding services entered the Sandbox environment on 30 December 2022. Incentive-based crowdfunding is being tested. We are working to introduce loan-based and donation-based crowdfunding services in the market in stages.



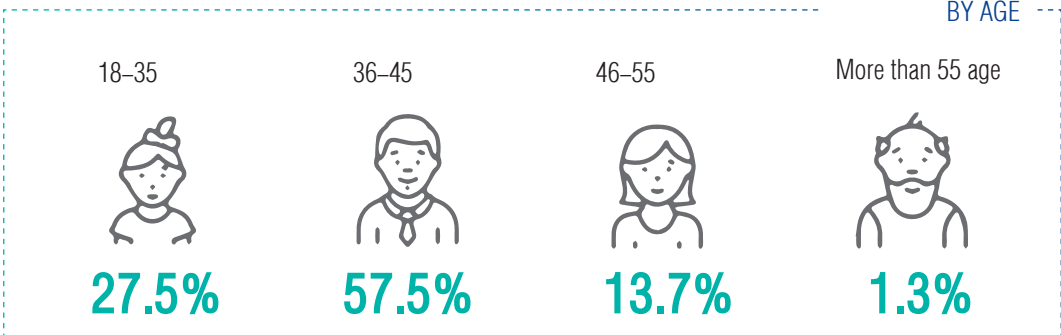
The above services introduced in the market in February 2023, and incentive-based crowdfunding with a value of MNT27.5 million was raised from 88 investors in three projects.

These three projects raised through the platform are all incentive-based crowdfunding with a period of less than one month.

“Look at me” project providing children’s psychological and physical counseling services, reggae records preorders, and “Stay yoga” discounted yoga courses have raised incentive-based crowdfunding through the platform with an average completion rate of 72%.



The average period of fundraising of the incentive-based crowdfunding that posted on this platform is 8 days. 27.5% of investors are 18–35 years old, 57.5% are 36–45 years old, 13.7% are 46–55 years old, and 1.3% are over 55 years old.



## Insurtech service

Insurtech service entered the Sandbox environment on 30 December 2022. This service allows users to select and use insurance products that meet their needs and risks without any intermediaries, develop risk-based roadmaps and assess insurance risks.



The number of customers registered in the Insurtech service platform reached 1219, and the platform has delivered 5 categories (including smart devices, driver's liability, health, and accidents) and 14 types of insurance services to 9 insured. These insurance products have a total value of MNT27 million, and 23.5% of total premium was collected from smart device insurance, 41.2% from driver's liability insurance, and 35.3% from health insurance. As of the first quarter of 2023, insurance compensation with a value of MNT1 million was provided to 2 insured.

### Smart device insurance



23.5%

### Driver's liability insurance



41.2%

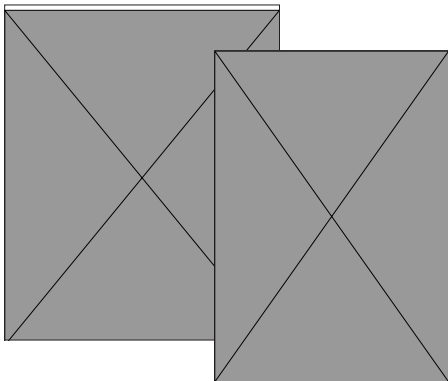
### Health insurance



35.3%

## REGULATORY ENVIRONMENT

### POLICY AND LEGISLATION



Regulation on Sandbox Environment was revised, which met with the rapid development of the technology-based financial services. The revised regulation along with impact analysis and related research were submitted to the Ministry of Justice and Internal Affairs and registered in the Government Integrated Database of Administrative Norms. The "Manual on Sandbox Regulatory Environment" for companies interested in applying for Sandbox environment was developed and delivered to the public.

### MEETINGS AND SEMINARS

7 meetings were held with 5 companies that wanted to test their products and services in the Sandbox environment.

Based on the reports submitted from the participants, off-site supervision is regularly conducted, and on-site supervision are being carried out.

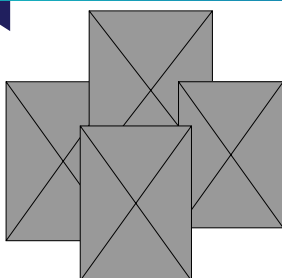
We are participating in online and in-person training and meetings on fintech development and regulatory environment..



Report forms were developed for each 4 product that are being tested in the Sandbox. Accordingly, digital database was created by collecting weekly, monthly and quarterly reports.

Studies of the international development and regulatory environment of the products and services in the Sandbox are conducted regularly.

### Increasing public awareness on sandbox environment



Posters such as "What is a Sandbox regulatory environment?", "How to submit a request in a Sandbox environment?", "Sandbox regulation internationally", and "Development of a Sandbox regulatory environment" were developed and distributed to the public. January Issue of "Inclusive Finance" Magazine published by the FRC monthly was developed with a theme of Sandbox Regulation and distributed to the public.



# VIRTUAL ASSET SERVICES

Registered platform

12



Market outlook

The amount of  
capital withdrawn  
from the primary

MNT **71.0** billion



Products and services

Accessibility



Average daily trade

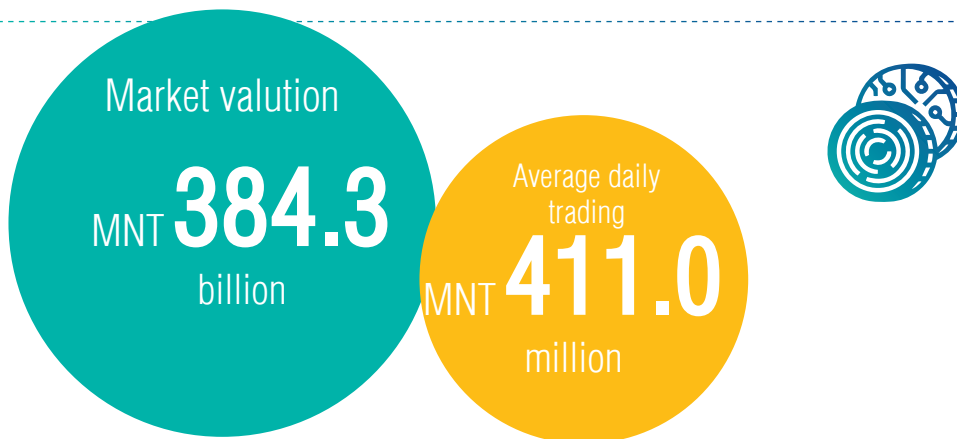
MNT **411.0** million

Regulatory environment



## MARKET OUTLOOK

As of the second quarter of 2023, out of 12 virtual asset service providers (VASPs), 10 provided 5 services that were stipulated in Paragraph 6.1 of the Law on VASPs, while 2 provided 3 services that were stipulated in Section 6.1.1, 6.1.3, 6.1.4 of the Law on VASPs.

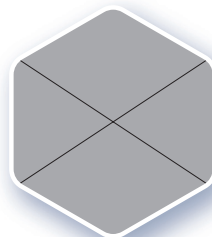


12 virtual asset service providers were registered with FRC.

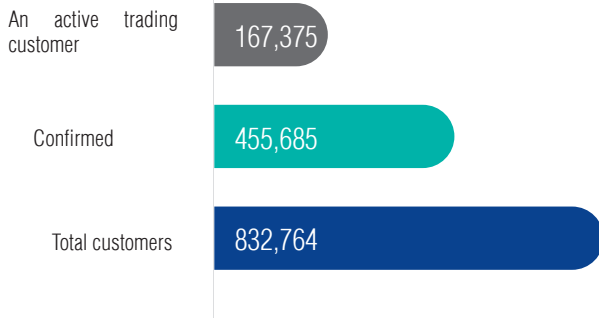
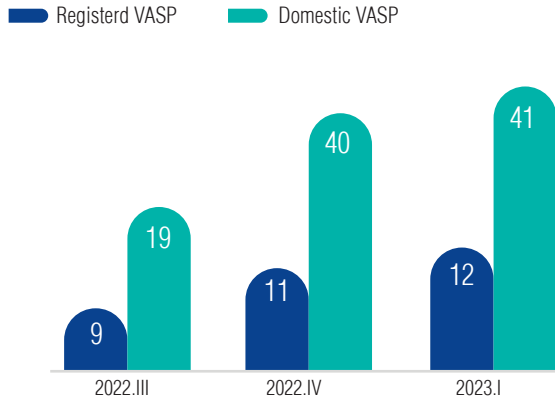


12

Total registered virtual asset service providers

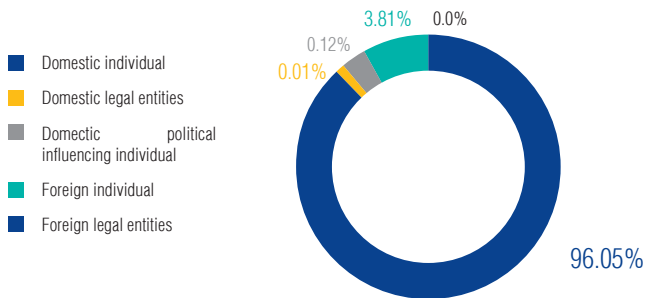


Domestic virtual asset service providers reached 41, an increase of one from the fourth quarter of 2022.



There were 832,764 (with some duplication) customers of the VASPs; and 54.7% of them verified their registration, and 20.1% were active in the trading.

CUSTOMERS WHO VERIFIED REGISTRATION /BY PERCENTAGE/



96.05% of customers who verified their registration is domestic customers. However, there are no foreign legal entities registered in the 12 VASPs.

## INSURANCE MARKET DATA

Statistic	2021.1	2022.1	2023.1
Total assets (MNT, billions)	3,695.1	5,378.6	6,530.2
MV/GDP	9.9%	12.5%	12.4%
Liquidity	1.8%	1.8%	0.6%
Stock trading (MNT, billions)	65.9	95.4	52.5
Dept instrument trading (MNT, billions)	0.5	17.9	11.9
GS's trading (MNT, billions)	1.3	5.3	7.3
Investment fund (MNT, billions)	4.1	1.2	15.3
TOP-20 index	34,635.65	38,096.88	36,723.77
MSE A index	10,149.32	13,902.71	15,170.17
MSE B index	11,610.58	12,229.99	12,478.32
Number of JSCs	312	314	318
Number of SCs	53	55	52
MACE trading amount (MNT, billions)	69.3	74.5	63.8

## INSURANCE MARKET DATA

Statistic	2021.1	2022.1	2023.1
Total assets (MNT, billions)	401.2	418.5	487.0
Total insurance and reinsurance premiums (MNT, billions)	39.8	51.3	76.2
Total compensation (MNT, billions)	12.3	26.2	26.5
Reserve fund (MNT, billions)	172.6	179.8	216.9
Reinsurance fee (MNT, billions)	10.9	12.2	21.9
Net profit (MNT, billions)	13.1	3.4	3.7
Мэргэжлийн оролцогчид:			
Non-life insurance	14	15	15
Life insurance	1	1	2
Reinsurance	1	1	1
Insurance agent	2,429	2,422	2376
Insurance broker	56	59	64
Damage assessor	26	25	25
Actuary	32	38	40
Auditor	150	144	139
Auditor's company	46	43	41

## NBFI DATA

	/Тэрбум төгрөг/		
Statistic	2021.I	2022.I	2023.I
<b>Total assets</b>	<b>2,089.1</b>	<b>2,972.8</b>	<b>3,702.0</b>
<b>Current assets</b>	<b>2,007.6</b>	<b>2,874.6</b>	<b>3,583.7</b>
Cash	465.8	374.2	513.7
Short-term investments	14.4	19.8	33.2
<b>Total loans</b>	<b>1,422.0</b>	<b>2,293.6</b>	<b>2,864.0</b>
Normal loans	1,216.3	2,065.3	2,510.0
Overdue loans	59.0	79.3	126.0
Non-performing loans	146.7	149.0	228.0
Credit risk fund	112.4	117.5	165.4
Other real estate to be owned and other property to be owned (net)	14.2	16.3	22.6
<b>Non-current assets</b>	<b>81.6</b>	<b>98.3</b>	<b>118.3</b>
<b>Total liabilities</b>	<b>607.0</b>	<b>1,108.5</b>	<b>1,385.7</b>
Trust service payable	159.1	280.4	398.6
Payables to domestic and foreign banks and financial institutions	162.7	358.5	393.6
Project loan financing	–	23.9	30.2
<b>Owner's property</b>	<b>1,482.2</b>	<b>1,864.3</b>	<b>2,316.3</b>
Secondary charity	7.8	70.9	76.0
Share capital	1,027.3	1,164.6	1,361.1
Accumulated profit	410.1	587.7	816.4
<b>Number of NBFIs</b>	<b>530</b>	<b>529</b>	<b>514</b>
Ulaanbaatar	454	444	420
Provinces	76	85	94
Customers	3,481,431	4,645,134	3,862,489
<b>Total income</b>	<b>109.1</b>	<b>184.4</b>	<b>258.5</b>
Interest income	84.2	145.6	210.3
Non-interest income	21.0	32.4	40.8
Non-operating income	3.9	6.3	7.4
<b>Total cost</b>	<b>67.6</b>	<b>105.8</b>	<b>210.3</b>
Interest expenses	8.4	19.5	29.1
Non-interest expenses	41.2	66.6	91.6
Potential risk costs	13.5	12.2	27.4
Non-core operating expenses	0.7	1.5	1.8
<b>Net profit</b>	<b>41.5</b>	<b>78.6</b>	<b>99.6</b>

## SCC'S DATA

/Тэрбум төгрөг/

Statistic	2021.1	2022.1	2023.1
<b>Total assets</b>	<b>278.9</b>	<b>291.3</b>	<b>274.5</b>
Current assets	271.6	280.4	270.4
Cash	73.6	51.2	42.5
Receipts	9.3	11.7	17.3
Non-current assets	7.4	10.9	4.1
Fixed assets (net)	4.3	3.7	3.9
Intangible assets	3.1	7.2	0.2
Investment and other non-current assets	0.0	0.0	0.0
<b>Total loans</b>	<b>192.1</b>	<b>219.3</b>	<b>212.5</b>
Normal loans	179.5	206.9	196.6
Overdue loans	5.6	5.3	8.4
Non-performing loans	7.0	7.0	7.5
<b>Liabilities</b>	<b>227.8</b>	<b>225.6</b>	<b>215.2</b>
Savings	201.4	202.1	191.5
Short-term loans	2.5	3.5	2.5
Long-term liabilities	5.0	4.0	5.8
Other	19.0	15.9	15.5
<b>Own assets</b>	<b>51.1</b>	<b>65.7</b>	<b>59.3</b>
Members' contributions	21.3	26.4	26.6
Property of cooperatives	29.6	39.1	32.5
Accumulated income /loss/	12.1	19.0	10.2
<b>Total income</b>	<b>14.3</b>	<b>16.3</b>	<b>15.7</b>
Total income	13.5	15.3	14.6
Other operating income	0.3	0.4	0.2
Non-operating income	0.5	0.7	0.9
<b>Total expenses</b>	<b>12.8</b>	<b>13.1</b>	<b>14.1</b>
Interest expenses	8.8	8.6	8.5
Potential contingency fund costs	0.4	0.4	1.3
Operating costs	3.3	3.8	4.1
Non-operating expenses	0.0	0.0	0.0
<b>Net income</b>	<b>1.6</b>	<b>3.2</b>	<b>1.7</b>
Number of SCCs	249	205	191
Number of Ulaanbaatar SCCs	148	114	101
Number of local SCCs	101	91	90
Members	75,002	74,966	69,962

## CREDIT GUARANTEE FUND

Statistic	/Тэрбум төгрөг/		
	2021.I	2022.I	2023.I
Total assets	249.1	256.9	255.0
Warranty balance	66.3	82.4	78.8
Of which: overdue	4.2	1.3	4.8
:non-performing	12.5	10.7	9.6
Guaranteed loan balance	127.7	162.0	154.2
Of which: overdue	5.9	2.4	8.1
:non-performing	23.0	22.7	23.6
Operating income	2.5	2.1	2.5
Operating expense	0.4	0.5	0.7
Operating result	2.1	1.6	1.8
Total guarantees	14	4	26
Guarantees result	0	0	4
of which: agriculture	14	4	22
manufacturing	1.6	1.8	7.9
wholesaling and retailing	0.0	0.0	0.1
services	1.6	1.8	7.8
Average term of warranty (month)	0.0	0.0	0.3
Number of applications for a guarantee	0.2	1.3	3.6
Of which: allowed	1.2	0.1	2.5
Үйлчилгээ	0.2	0.0	0.4
Бусад	0.0	0.3	1.1
Average period of guarantee issued /in months/	79.7	100.0	119.5
Number of requests submitted for bail	28	5	29
Of which: Number of approved requests	15	4	20

## REB DATA

Statistic	2021.I	2022.I	2023.I
REBs (including agencies)	185	262	311
Brokers	206	282	326
Agents	1219	1370	1349
Area of real estate bought and sold (m <sup>2</sup> )	113,184.12	309,040.7	340,823.11
Value of real estate bought and sold	128,062,984,328	278,309,101,511	454,312,093,080
Area of real estate rented and leased (m <sup>2</sup> )	39,279.8	68,955.9	78,032.58
Value of real estate rented and leased	2,786,444,471	14,692,038,180	17,696,928,644

## DPMS DATA

Statistic	2021.I	2022.I	2023.I
Entities (DPMS, and dealers in products made from them)	34	43	47
Individuals (DPMS, and dealers in products made from them)	58	67	72
Individuals (dealers in products made from precious metals and stones)	229	244	253
Individuals (DPMS)	117	130	140
Weight of bought precious metals (gram)	748,820.72	332,189.4	258,027.55
Value of purchased precious metals (MNT)	103,589,128,594	39,405,193,617.9	22,547,213,666.97
Weight of sold precious metals (gram)	587,539.32	337,083.4	316,530.57
Value of sold precious metals (MNT)	101,934,535,810	50,933,380,264.5	26,502,332,331.8
Total value of bought products (MNT)	729,912,434.1	958,043,818.8	4,205,403,897.3
Total value of sold products (MNT)	1,229,517,257.5	3,336,692,429.2	7,225,147,573.6





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