



ARIG BANK

ANNUAL REPORT 2018

ARIG BANK

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Shaping a Sustainable Digital Future

Arig bank aims to be where the growth is, enabling business to thrive and talent to grow, and ultimately supporting people to fulfill their hopes and realize their potential. We believe in shaping a sustainable future together with our employees, customers, and investors.

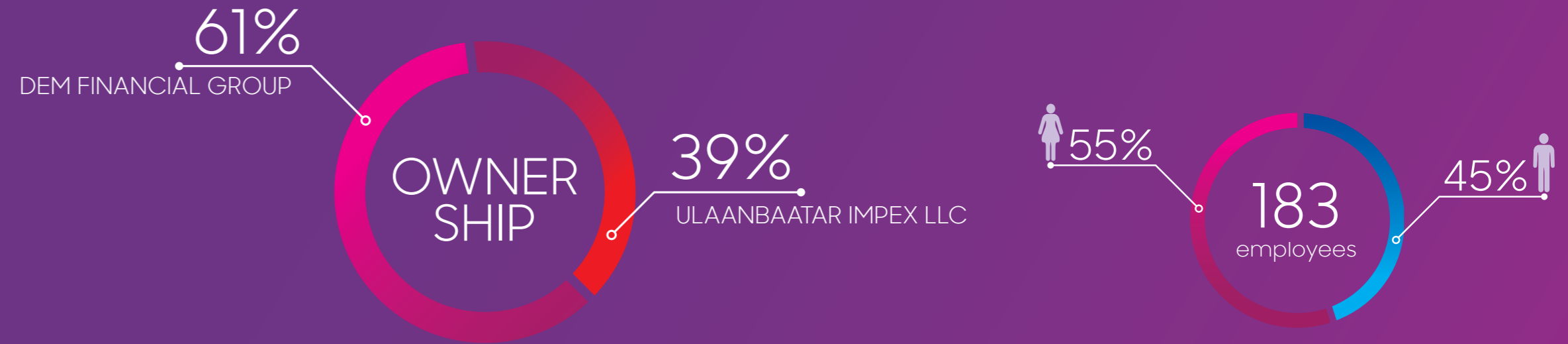
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WHO WE ARE

We respect our history

Arig Bank (former Erel Bank) is the second oldest retail bank of Mongolia, founded in 1997. The Bank offers a full range of financial products and services, including deposit products (checking accounts, savings and fixed deposits), consumer loans (housing loans, other personal loans, debit and credit cards), long-term loans (mortgage loans, SME and business loans) by developing flexible multi-channel delivery such as SWIPE services, global remittance services, online and mobile banking. To continue the customer driven digital innovation, we strive to embrace technological advances and capturing business opportunities, while maintaining a prudent approach to business. We create tomorrow's solution by enhancing our efficiencies.



1997
October 21



15
Branches



45,000
Customers



www.arigbank.mn



Arig Bank



Arig Bank



[arig.bank \(#arigbank\)](https://www.instagram.com/arig.bank)



[Arig Bank \(@ArigBankMN\)](https://twitter.com/ArigBankMN)



FOREWORDS BY THE CEO

DEAR STAKEHOLDERS,

Promoting and embracing sustainable business practices has been a priority of our management. This is predicated upon our strong belief that a sustainable business is one that generates long-term value for our stakeholders, including our customers, employees, investors, community and regulators.

With over 20 years of experience, Arig Bank has built a strong commitment in strengthening customer experiences, and maintaining leading position in resilient and sustainable business model by enhancing unique opportunities to learn from its challenges and become better, stronger, and more customer focused than ever before. For that to carry on, we

must embrace change and develop risk management practices.

In 2018, we have made foundational changes to identify and fix problems so they do not happen again and achieved significant progress in our commitment to make things right for our customers and build a better bank. Our transformation is grounded in our vision of satisfying our customers' financial needs and helping them succeed financially. While we have more work to do, I assure you that Arig Bankers committed to building on our accomplishments.

Over the years, we continued to enhance our loan infrastructure, including improving the quality of our account officers and relationship managers, developing loan products, refining lending policies and strengthening lending activities. The lending process are balanced with carefully maintained quality. We constantly applies prudent lending practices to sustain lending quality and carefully monitors economic conditions. We also consistently monitors the quality of its loan portfolio and proactively takes preventive measures. The Bank optimized operational efficiency through technology

and automation in internal controlling system while facilitating increasingly diverse customer needs. To maintain solid performance, strategic measures and efforts in 2018 will continue to be implemented in 2019.

We actively initiated, and participated in various social activities, aimed at the welfare of Mongolian society, through our corporate social responsibility programs. Considering approaches towards sustainability issues and demonstrating our commitment towards being a sustainable and responsible organization, we continued implementing green projects in cooperation with our partners.

Finally, on behalf of the management of Arig Bank, we would like to thank all our stakeholders for the support and trust they have given throughout the year, enabling us to look ahead with optimism.

ARIG CULTURE

Vision:
Intelligence, Will,
Creativity our Ever
Innovative People build
The Greatest Customer
Experiences

*“The customer is at the center
of everything we do”* is our simple

philosophy we strive to maintain. Our unique culture is largely shaped by the philosophy we carry and sustainable leadership we proceed, which is also driven by Arig 4P values. The collective contribution of employees at all levels of the organization is key to enhance customer trust and providing quality services. It is important not just to achieve good results, but to do so in a way that treats all of our stakeholders - employees, customers, regulators and shareholders - in a fair and transparent way. We are committed to holding ourselves to account in meeting that aim, and to being accountable to our stakeholders for our actions.

As part of this commitment, we determined to ensure that Arig Bank remains a place where all our people have the opportunity to fulfill their potential in a nurturing environment that encourages the right behavior. Our stakeholders expect honesty and integrity and we will continue to promote a culture in which people do the right thing.



ARIG LOGO REPRESENTS 4P VALUES



“Creativity is just connecting things. It connects experiences and synthesizes new things.” /Steve Jobs/
By connecting the 4 qualities, we show how we identified our essential 4 elements and that by working creatively and hard, we shape “Creativity”. By connecting our 4 elements, we also form the letter “A”, the first letter of the word Arig.

“Pure, Transparent”, the meaning of the word Arig is incorporated in the logo through a graphic design method called “transparent technique”. The main characteristic of this technique is in the fact that colors, shapes, and elements used in the design are transparent, and do not override or hide others. With this technique, we state the transparency and quality of our principles, operations and corporate governance.

OUR VALUES DEFINE WHO WE ARE AS AN ORGANIZATION AND MAKE US DISTINCTIVE.

PEOPLE

Caring, Intuitive, Energized

Everything starts with People. Only with the right, intuitive, caring people a team, an organization, a service provider can exist. Therefore, we have our people in the center – enabling everything else and holding everything together. Diversity is symbolized by the various shapes, sizes, and colors. Communicating gender, age, nationality, work experience, background, etc

PRODUCTS

*Anticipative, Problem-solving,
Derived from real life*

The right of the two strong pillars is Products. Products and services delivered from Arig will be “anticipative - of - customer - needs”, “problem - solving”, and “derived - from - real - life”. It is depicted in Red, portraying warmth, unique brightness and visibility, and the blazing energy of a fire.

PROCESSES

Effective, Innovative, Simple

The left of the two strong pillars is processes – how products and services are prepared, presented and delivered to end users/customers. Along the way we, service organizations, don’t always realize how complicated/cumbersome some things get when looked at through customers eyes. Our processes, depicted in Green, should be flowing smoothly as if we had the Green Light.

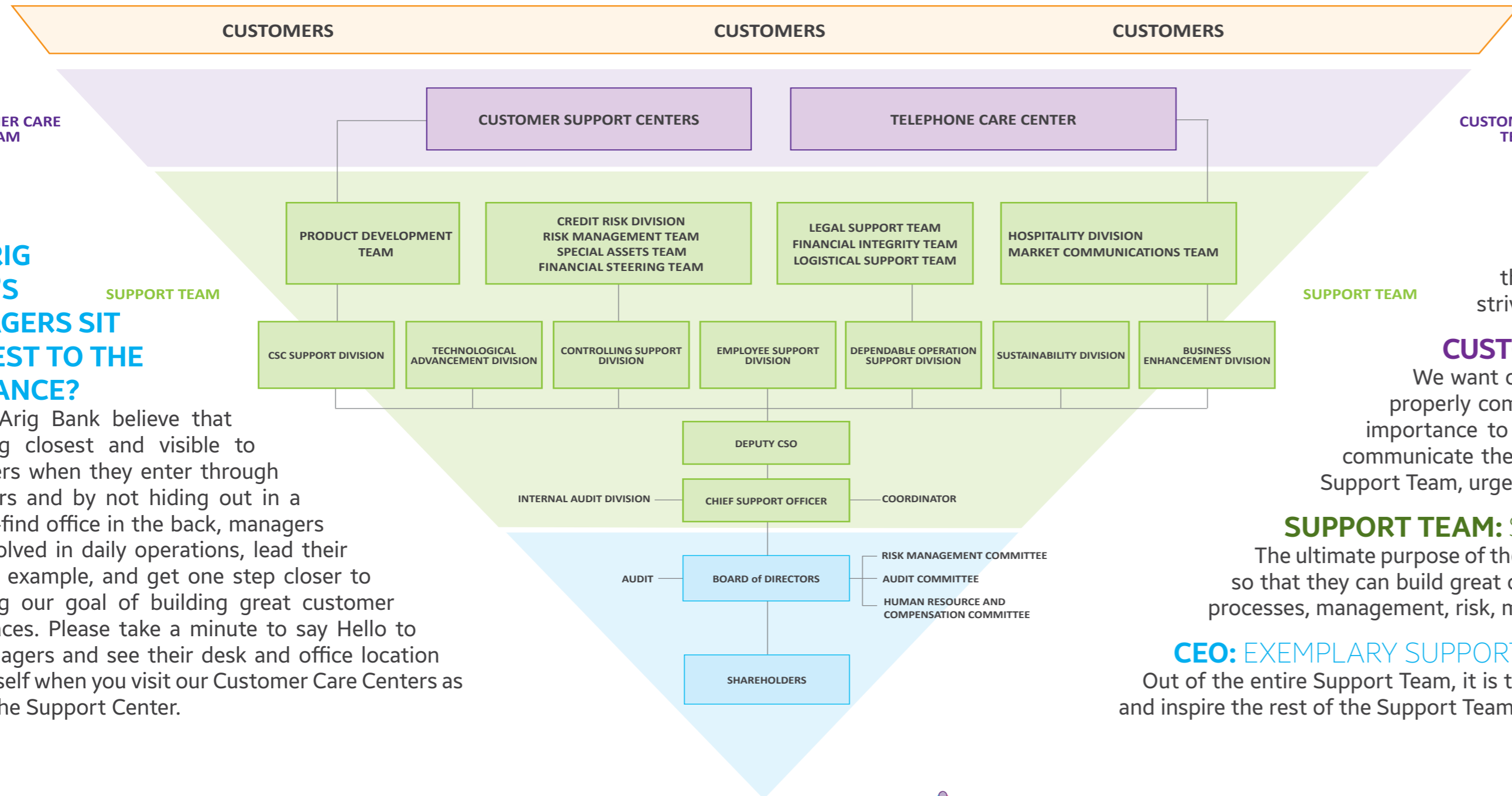
PREMISES

Welcoming, Comfortable, Warm

Everyone who visits us should feel welcomed, comfortable and warm. We expressed this with the color Purple. The color Purple symbolizes contemporariness.

WHY DO ARIG BANK'S MANAGERS SIT CLOSEST TO THE ENTRANCE?

We, at Arig Bank believe that by being closest and visible to customers when they enter through our doors and by not hiding out in a hard-to-find office in the back, managers stay involved in daily operations, lead their team by example, and get one step closer to achieving our goal of building great customer experiences. Please take a minute to say Hello to our managers and see their desk and office location for yourself when you visit our Customer Care Centers as well as the Support Center.



ORGANIZATIONAL STRUCTURE

CUSTOMERS: THE FOUNDATION OF OUR EXISTENCE

The whole concept of “business” is to offer something people want and get rewarded for doing so. Whoever builds better things for people and delivers them better, does better than others. So we see that business is and should be all about the person on the receiving end - the end customer, and giving them great experiences. At Arig, we are striving to do just that - to create great customer experiences.

CUSTOMER CARE TEAM: MOST VALUABLE PEOPLE, FACE OF THE BANK

We want our team, that directly interacts with customers, to be highly intuitive, genuinely caring, properly communicative, and well qualified professionally. Our customer care team is of paramount importance to us. They provide us with priceless information on customer needs and preferences, communicate their feedback and criticism. They have the empowerment and duty to demand, from the Support Team, urgent improvement of services whenever needed.

SUPPORT TEAM: SUPPORT THE CUSTOMER CARE TEAM IN EVERY WAY

The ultimate purpose of the Support Team’s existence is to assist and support our Customer Care Team in every way, so that they can build great customer experiences. Some of many different types of support include product design, processes, management, risk, marketing, etc.

CEO: EXEMPLARY SUPPORTER OF THE, CUSTOMER CARE TEAM

Out of the entire Support Team, it is the Chief Support Officer’s duty to be the biggest supporter of our Customer Care Team and inspire the rest of the Support Team, to ensure great customer experiences.

HUMAN RESOURCES MANAGEMENT

Seeing the best in our people



Our employees are key to our success. We are focused on creating warm and inclusive environment where people can speak up, build their skills and develop their careers. We want our employees to feel that they can contribute to our purpose and fulfill their potential with our support. Creating diverse and inclusive workforce is critical to running a sustainable and successful operation. Our approach aims to increase and leverage diversity of thought to drive creative innovation in problem solving, better manage risks, enhance collaboration, and support workforce from young generation.

We believe integrity should permeate every aspect of our operation, from how our employees deal with the customers to how they treat co-workers and

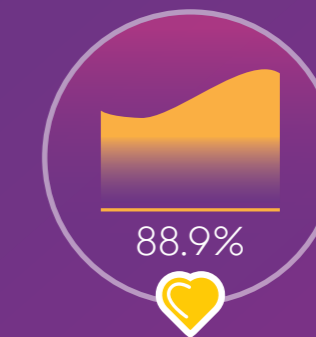
superiors. By demonstrating integrity and honesty in the workplace can lead to effective communication that eliminates misunderstanding and can encourage healthy and peaceful work environment. We are committed to enabling a thriving environment where people are valued, respected and supported.

At 31 December 2018, Arig Bank had a total workforce of 183 full-time employees compared with 180 at the end of 2017. The employee **retention rate was 88.9%** in 2018. We aim to increase the performance orientation and retention factor in compensation packages of all levels of employees. To support the achievement of individual targets, work units, and the company as a whole, Arig Bank believes that the best performance is achieved through the creation of a favorable working climate. This is developed and

reflected in the Arig Culture. A favorable working climate is developed with an awareness of healthy performance competition, through a transparent and fair performance assessment. The individual performance is reviewed once every 1 year on KPI (Key Performance Indicator) to help the Bank define and measure progress. The result of the individual performance appraisal will be the basis for the company's appreciation in the form of promotion and compensation.

Each Arig employee is given the opportunity to actualize their skill and competencies to achieve work targets. The Bank provides opportunities for employees to develop talents and interests both through training programs and outdoor activities such as sports or the arts. In 2018, total **training hours increased up to 7,779**, representing an increase of 65% of growth compared to 2017. In line with that, the average hours of training per employee reached 42.5hrs, up 64.2% from 15.2 in 2017.

Our workforce mix by age group and gender remains stable. As of the measured period, the gender diversity rate remained 55/45 and the median age of total employees was 31 years. More than 70% are within the ages of 25 to 35 and 60% are female.



EMPLOYEE RETENTION RATE
88.9% REMAINS STABLE



TOTAL TRAINING HOURS
INCREASED BY 65%



GENDER DIVERSITY 55% / 45%



MEDIAN AGE 31 YEARS

RISK MANAGEMENT

COMPREHENSIVE INTERNAL CONTROL SYSTEM

The internal control systems are embedded in each business or operational unit and are considered the first line of defense for risk management. These units are charged with risk monitoring by their Internal Control Units at the branches, regional offices, and headquarters. To support the implementation of risk management, Arig Bank has detailed risk management policies, procedures, and risk limits. The Bank strongly encourages a culture of compliance with regards to the applicable regulations. Internal control is conducted by the Risk Management Unit and Compliance Unit that together form the second line of risk management defense.

RISK MANAGEMENT COMMITTEES

have the main function of developing policies, strategies and guidelines for risk management implementation; determining matters related to irregular business decisions, and enhancing the implementation of risk management based on evaluation of the implementation of an effective risk management process and system. The Bank is in compliance with the policies and procedures that stated by the Bank of Mongolia (BM). The Bank is implementing risk strategies under the supervision of the Central Bank of Mongolia; delivering detailed monthly reports about the operation and receives feedback.

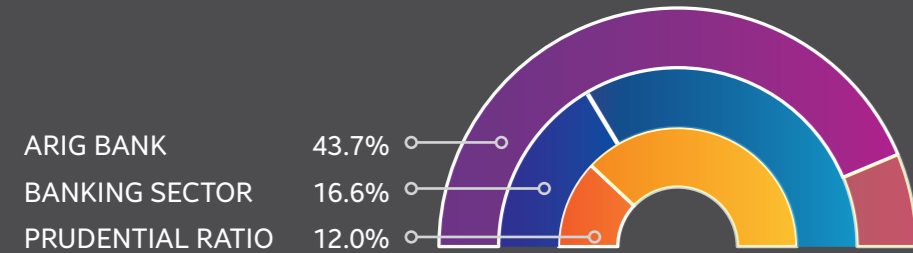
CREDIT CONCENTRATION RISK MANAGEMENT POLICY

Portfolio management addresses credit risk by determining risk concentration limits for, among others, industrial sector exposure, foreign exchange lending, and certain types of loans as well as both individual and business group exposures. Along with monitoring the development of the ratings database, technology, human resources, the Bank's complexity level, as well as the market and regulations, the Bank's portfolio management unit actively works to optimize the allocation of the Bank's capital to achieve an acceptable risk level in line with risk appetite and risk tolerance parameters.

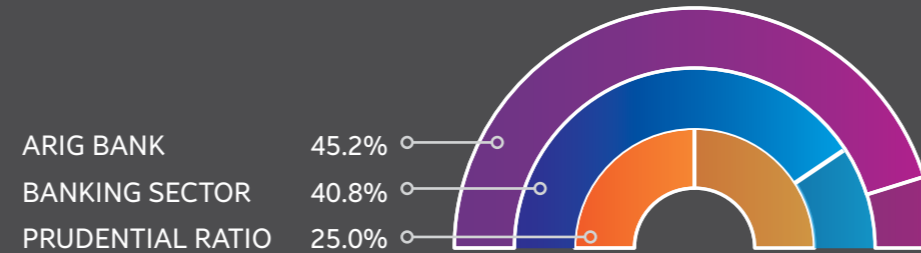


FINANCIAL PERFORMANCE FOR YEAR ENDED 31 DEC 2018

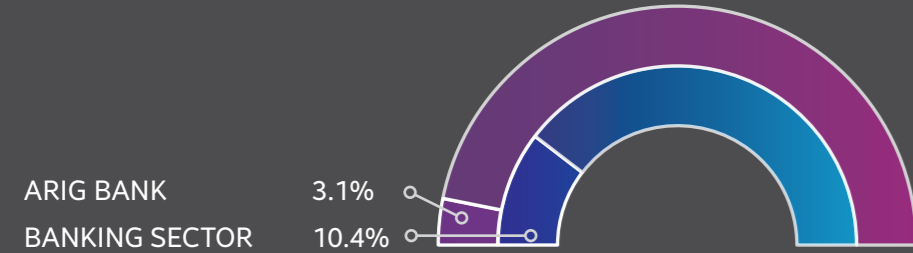
CAPITAL ADEQUACY RATIO



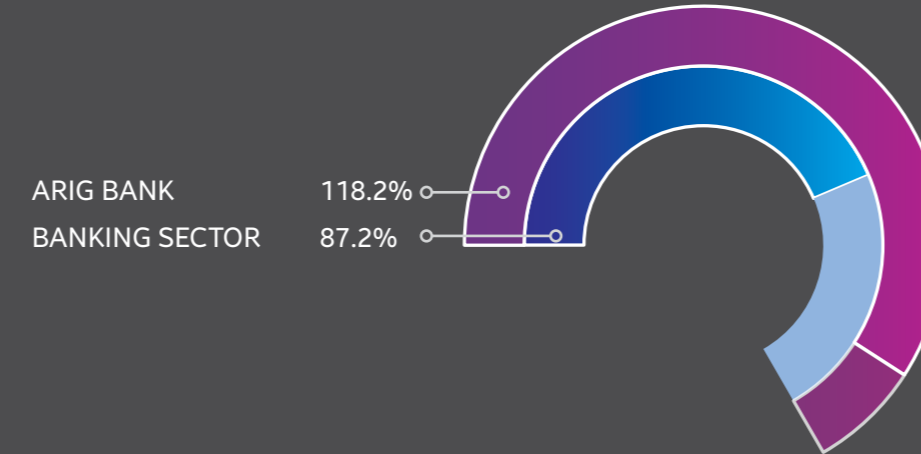
LIQUIDITY



NONPERFORMING LOAN



RISK COVERAGE RATIO



FINANCIAL PERFORMANCE FOR YEAR ENDED 31 DEC 2018

TOTAL ASSETS (BN MNT)

2018	144.4
2017	135.5
2016	104.2

₹144.4bn ↑6.6%

LOAN TO CUSTOMERS (BN MNT)

2018	85.0
2017	46.8
2016	54.3

₹85.0bn ↑81.7%

DEPOSIT SAVING (BN MNT)

2018	88.9
2017	64.3
2016	67.5

₹88.9bn ↑38.4%

COMMON EQUITY (BN MNT)

2018	38.1
2017	38.7
2016	16.2

₹38.1bn ↓-1.6%

TOTAL INCOME (BN MNT)

2018	19.1
2017	20.3
2016	21.9

₹19.1bn ↓-5.7%

OPERATIONAL COST (BN MNT)

2018	6.2
2017	6.7
2016	5.9

₹6.2bn ↓-7.4%

INNOVATION FOR COMPETITIVENESS

Adapting to Customer Preferences provided both challenges and opportunities for the banking industry in Mongolia. Throughout the year, we continue to adapt, embracing technological advances and capturing business opportunities, while maintaining a prudent approach to business. The Bank always prioritizes the comfort of its customers by providing convenient, secure and reliable services at all times. We strengthen our services while developing integrated digital-based products, such as Swipe card reader, PocketBank mobile application, Finger Vein detection, Glory cash handling automated system and iDual system.

We seek to offer innovative digital solutions across products.

Leveraging on technology advancement, Arig Bank consistently refines its banking products and services to fit customer needs. Adoption of the latest technology supports automation in every business line, enhancing operational efficiency. We are actively pursuing opportunities in the fintech space and are deploying solutions with a higher level of agility than our traditional model, helping to enable us to be more competitive in this area.

SWIPE CARD READER

SWIPE is a mobile payment solution that suits best for today's modern digital lifestyle. Swipe card reader is enabling merchants, small business owners and individuals to receive payments in a cost effective way from their cards in a matter of seconds.

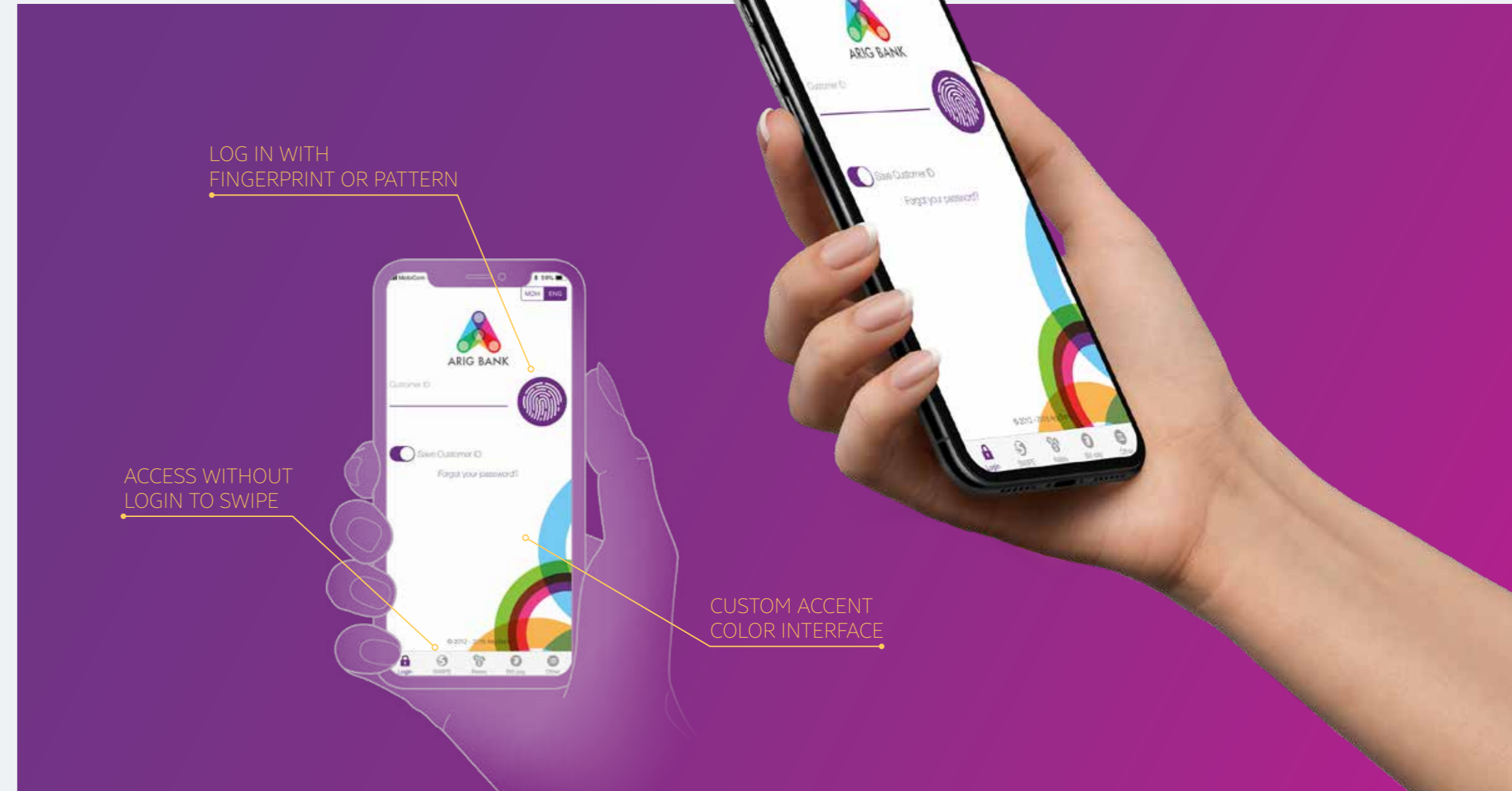
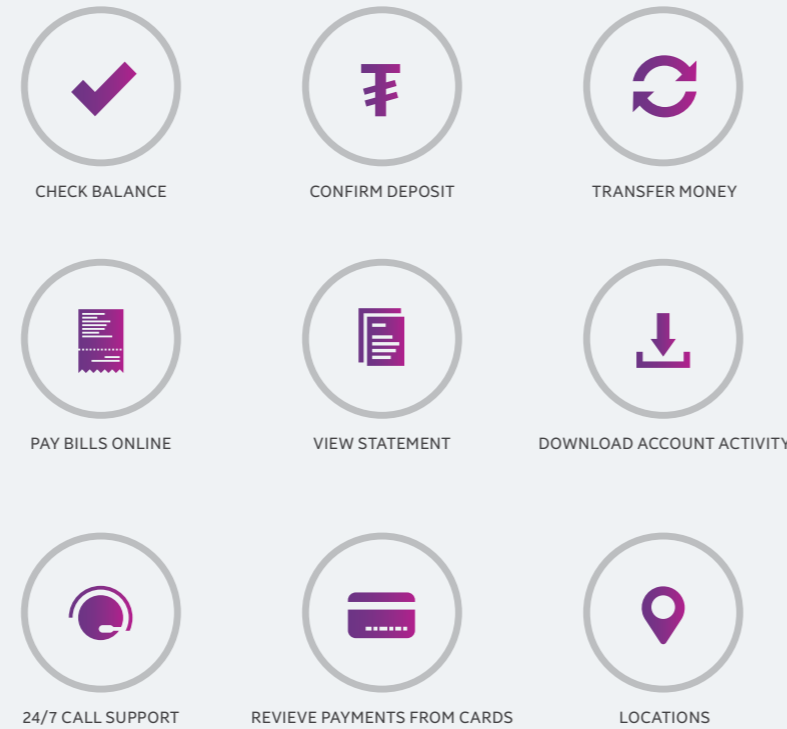
Furthermore, consumers will simply use their bank cards at any corner and anywhere they go, whether taking a cab, riding a bus, or shopping in a market. As a result, ATM hunting and worrying about shopping without cash on hand will be eliminated.



POCKETBANK

Arig Bank is working hard to offer convenient and safe use of mobile banking services. Therefore, the Bank capitalizes on latest technological developments to improve customer experience and operational efficiency through PocketBank mobile application. It continues to improve the use of internet and mobile banking services, which serve as more efficient platforms than ATMs. The Bank socializes to customers that internet and mobile banking services are more convenient and easier to use, with unrestricted accessibility, 24 hours a day, seven days a week. The Bank also continues to enrich the functionality and increase the transaction capacity of internet and mobile banking platforms.

The PocketBank application users can log-in their Fingerprint or pattern to access their Arig Bank account, instead of password. Customers can receive following banking services and information through their PocketBank:





iDual

CUSTOMER INFORMATION IS NOW
DUAL PROTECTED



To make customer service more secure and time-saving we are now using HITACHI Finger vein scanning system. As finger vein patterns are found internally within the body, forgery is extremely difficult. Dryness or roughness on the surface of the skin also has no effect on the accuracy of vein pattern authentication.



GLORY

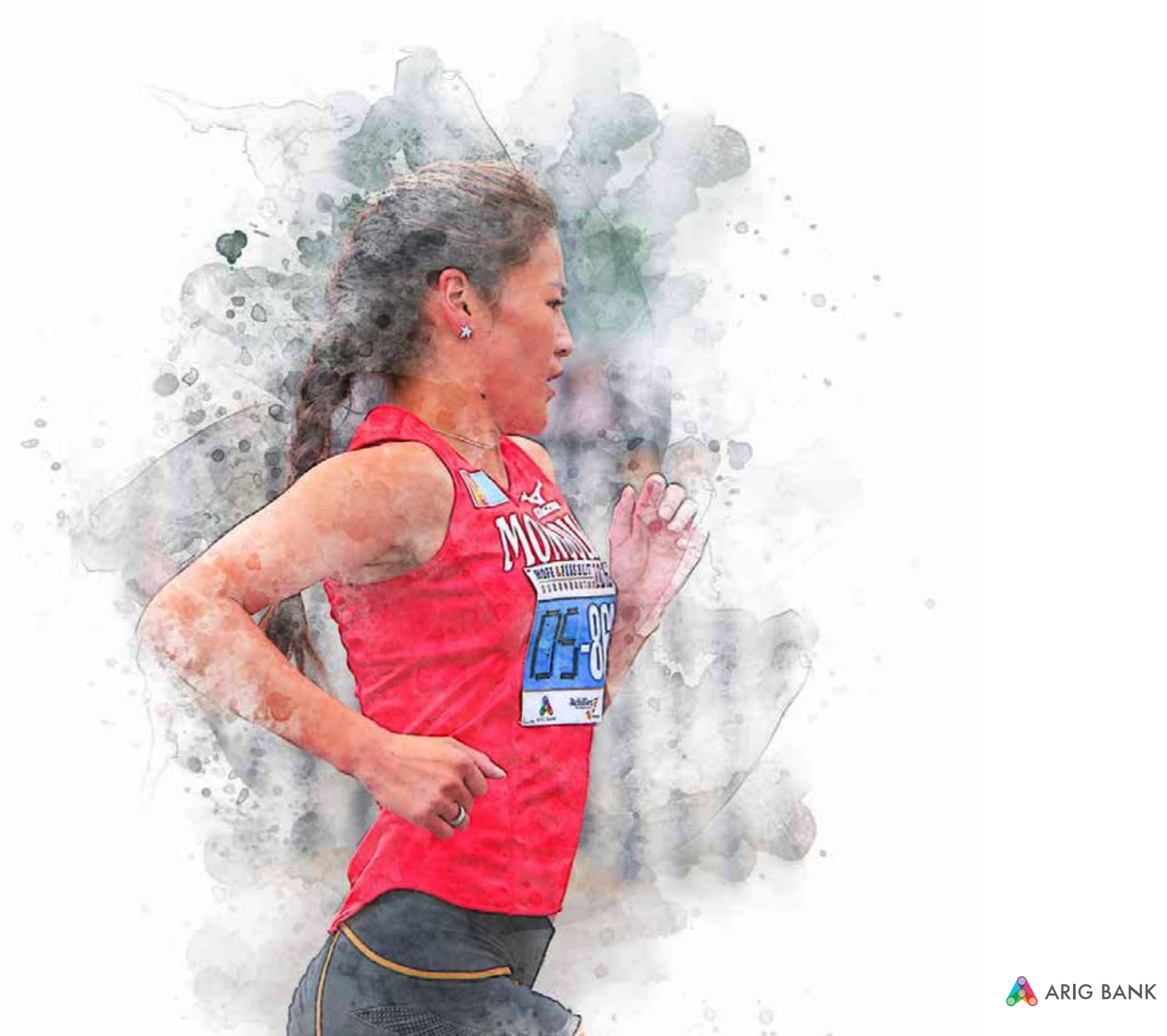
In cooperation with Glory Global Solutions, a worldwide leader and pioneer in the development and manufacturing of cash handling systems, Arig Bank has introduced the first Teller Cash Recycler in Mongolia. We ensure that cash moves seamlessly throughout operations, significantly reducing cost while transforming staff productively and saving customers valuable time.



CORPORATE SOCIAL RESPONSIBILITY

Arig creating social impacts

We recognize that promoting long-term sustainable development and providing financing that is in our customers' best interests are fundamental to our continuing success. The bank dedicated to promoting sustainable and responsible practices to positively impact the wider community. In 2013, Arig Bank has joined Mongolian Sustainable Finance Program by signing memorandum of declaration for Sustainable Finance policies. We have been successfully implementing and introducing Sustainable Finance principles into our banking strategy and policies since joined the program. We strive to maintain our leadership in Corporate Social Responsibility by delivering the best practices and leading other organizations in banking sector by our initiatives in sustainable financing.



GER KINDERGARTEN - for the better future



Arig Bank in cooperation with ING Bank of Netherland, implemented “Ger Kindergarten” project for the 4th year since it’s launched in 2015. The number of pre-school and elementary aged kids is forecast to increase over the coming 10 years by more than 30%. At present, approximately 776,000 pre-school aged kids, only a half has access to pre-school kindergarten education. The number is even acute especially for kids from poorer family. Since the project launched in four different locations in ger district, it has involved over 150 kids who could not attend the kindergarten. This year, we donated two gers and a washing block to Ger Kindergarten №251 of Bayanzurkh District.

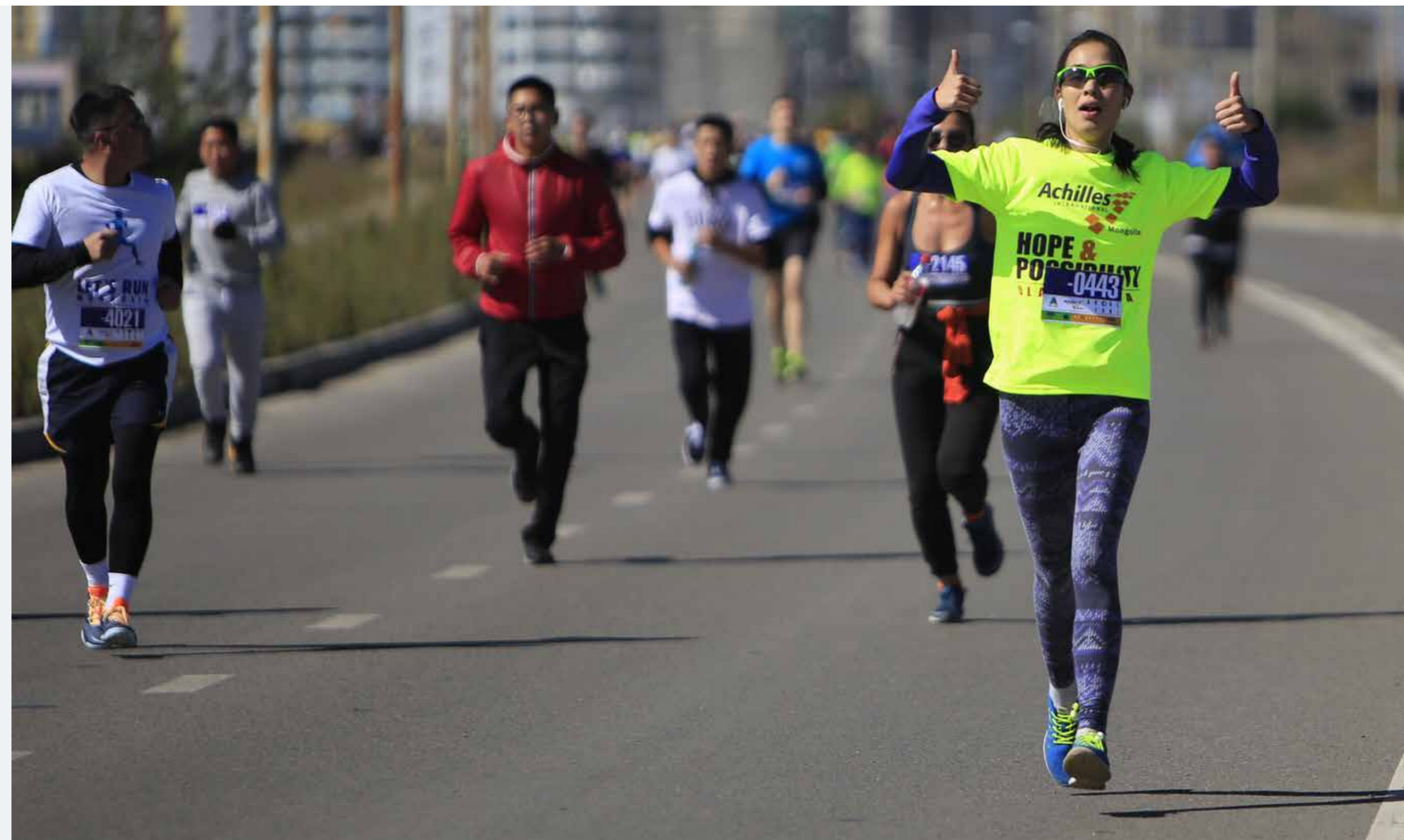
HOPE AND POSSIBILITY – Ulaanbaatar 2018

Arig Bank has successfully organized its fourth annual “Hope and Possibility – Ulaanbaatar 2018” charity marathon in cooperation with Achilles Mongolia NGO. The main objective was to raise our voice for equal opportunity, promote healthy lifestyle and empower athletes with disabilities. President of Mongolia Battulga Khaltmaa attended and gave remarks at the opening ceremony. The marathon has been held for 4 years, engaging over 8000 runners, 1000 volunteers, and 170 sponsor organizations.

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years, engaging over 8,000 runners, 1,000 volunteers, and 170 sponsor organizations.

VELOO FOUNDATION



Since 2015, Arig Bank employees are crafting sofas and chandeliers by using recycled plastic bottles. In total, over 2,800 plastic bottles have been prevented from being polluted. Sharing the experiences, the Bank has conducted trainings on “How to craft a sofa by recycled bottles” for people from Chuluun Ovoot. In cooperation with Veloo Foundation, the people from Chuluun Ovoot are continuing to make sofas for their living. This year, the Bank honored a statuette made by people from Chuluun Ovoot to show their gratitude.

“DEM DEMENDEE” COLLECTION BOX

DEM DEMENDEE is a charity shop that operates in line with an international practice allows people to donate their spare clothes, children’s toys and other belongings to who are in need through the charity shop. Since 2017, Arig Bank initiated this international practice in cooperation with Mongolian Red Cross by collecting spare stuffs of people through its customer support centers and to deliver them to DEM DEMENDEE charity shop.



BEST BANK FOR CORPORATE SOCIAL RESPONSIBILITY



With the loyal support of our customers, Arig Bank successfully delivered a year of positive financial performance and maintained its position as the best CSR bank in Mongolia by AsiaMoney. Below is an article reported on AsiaMoney about Arig Bank.

“Corporate social responsibility permeates everything Arig does. It is a stable and high-quality institution with roots that date back to 1997, making it one of the country’s oldest lenders, and with branches dotted around the big cities. But it is in the world of CSR that Arig really shines.

Acting chief executive Naranbaatar Radnaa sits on the steering committee of the Mongolian Sustainable Finance Association, a non-profit formed in January 2018 that aims to channel more capital into sustainable firms and projects.

Beyond Arig’s laudable approach to everyday sustainability (it recycles almost everything it consumes, from plastic bottles to the clothing worn by its staff) and its commitment to combating UlaanBaatar’s woeful air pollution, what stands out is the bank’s proactive approach to improving financial

literacy. It runs training programmes on consecutive Saturdays between January 1 and October 31.

Aimed at the young but catering to people of all ages, the weekly sessions offer basic advice (such as how to map out a weekly household budget or open a savings account) right up to complex advice to those hoping to forge a career in banking and finance.

Arig Bank goes out of its way to ensure that it reaches out to people in places that other banks will not or cannot go. Thus, while financial literacy training might take place one week at its main headquarters on Chinggis Avenue in the capital, it is just as likely to be hosted the following Saturday at an Arig branch in Darkhan city in the north, or the remote central region of Bumbugur.

Radnaa and Odon Darjaa, Arig’s head of sustainability, point proudly to the highly specific outreach work the bank does, notably providing financial literacy coaching to more than 60 orphaned teenagers from around the country, in the year to May 2018”.

RESPONSIBLE FINANCING CREATING SOCIAL IMPACT

Entrenched in the culture of Arig Bank is a deep sense of purpose to do things bigger than the day-to-day business interest of the bank. In so doing, we shape a better future for the communities we operate in. Being a strong advocate for both entrepreneurship and innovation, it is natural for Arig Bank to leverage our strengths to support SMEs in delivering innovative solutions to build a better and more sustainable future.

“LET’S FIGHT AIR POLLUTION TOGETHER” Innovative Challenge

Arig Bank initiated “Let’s Fight Air Pollution Together” project in April 2017, partnering with Global Green Growth Institute (GGGI) and eight different organizations. The Bank announced innovative challenge under the project in order to support and motivate solutions on eliminating current air pollution from Ger District. In June 2018, the winner of Innovative Challenge “Let’s Fight Air Pollution Together” were announced and received prizes. The project duration



is from 2017 to 2021, in the phase 2 of the project the best solution green technologies awarded with interest-free ₮135 million loan from Arig Bank. In the banking sector of Mongolia, Arig Bank become the first to provide interest-free green product.

GREEN OFFICE

Arig Bank has successfully started implementing “The Green Office” initiatives to promote best environmentally friendly practices in daily operations. As part of developing an environmentally sustainable culture within our premises, we promoting to eliminate the paper and electricity consumption, as well as our generated carbon emissions in accordance with the solar energy system.

WASTE MANAGEMENT

In accordance with waste management, Arig Bank installed recycling bins to collect recyclables, such as waste paper, plastic, and glass bottles, and other waste.



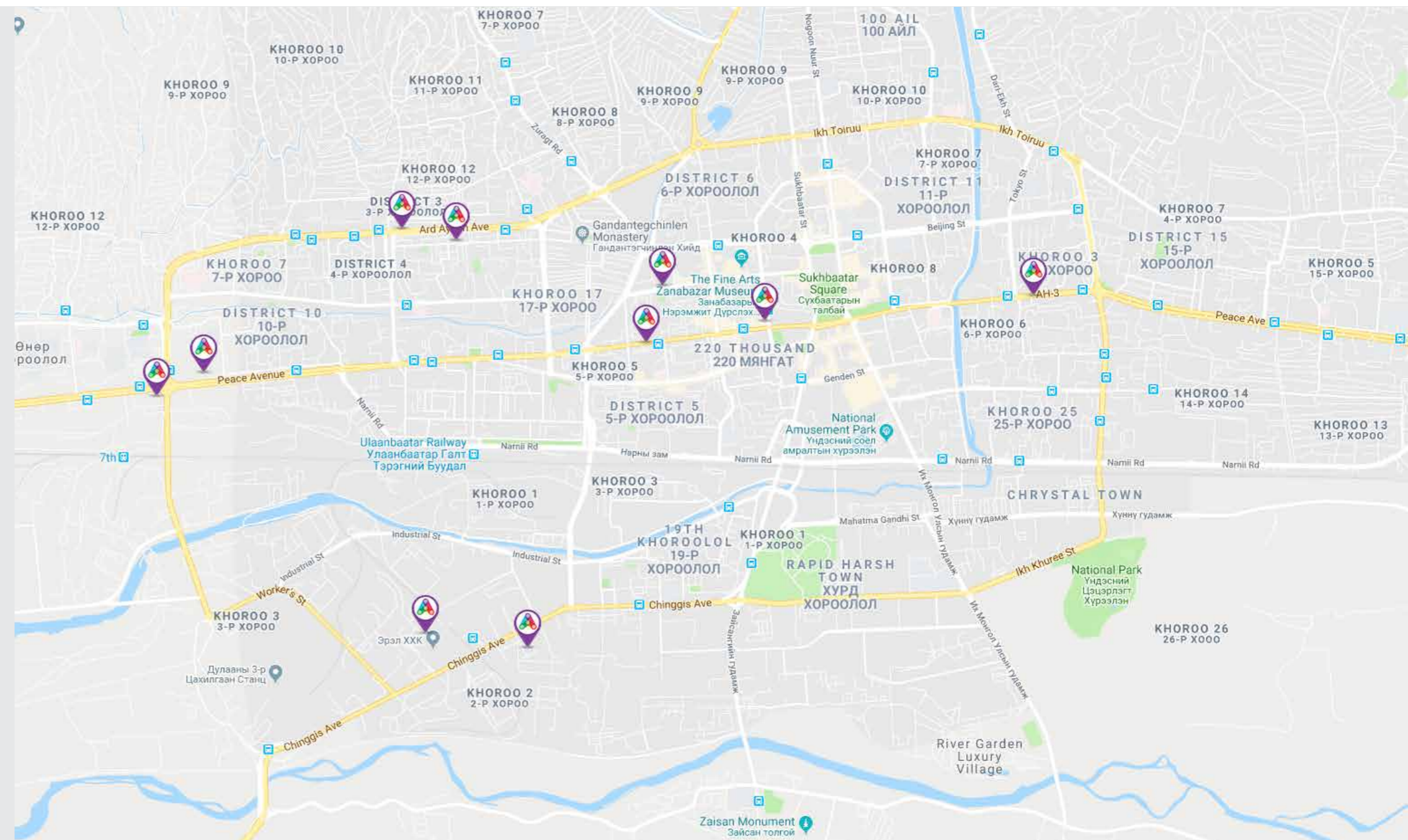
CUSTOMER SUPPORT CENTERS

As of 31 December 2018, Arig Bank serves over 45,000 customers through 15 branches in total, which are located in Ulaanbaatar and Darkhan cities. All the branches designed with contemporary interior specially created to provide both maximum comfort and secure services. We have decorated our offices with the most relaxing color purple to create a warm, welcoming, and calm environment. Every clients can enjoy special care and tea corner while discussing their business at our branch.

Despite that, we continuously strengthens our integrated transaction banking service delivery networks through the branches, which remain effective channels to strengthen customer relationships and facilitate large amount transactions. The Bank continues to selectively develop new branches networks to facilitate the ongoing need for large cash transactions.

Branch information and locations

- Khan-Uul ///century.segregate.candles
- Gurvaljin ///umpires.boxing.bombshell
- Songinokhairkhan ///bravest.nature.butlers
- Bayanzurkh ///renews.poets.relishing
- Khan-Uul United ///flannel.tributes.rejected
- Khoroolol ///observes.equipment.earlobes
- 40K ///budgeted.chair.baths
- M20 ///canny.intervene.magical
- Bumbugur ///strain.trainer.cushy
- Da Khuree ///educated.blip.with
- Khoroolol 2 ///treaty.digress.memo
- Darkhan ///earplug.observed.plumbing
- Shine Darkhan ///finishers.give.cattle



Prestige Banking

Your dedicated Personal Banker and dedicated Lifestyle Manager joined forces to make your life a breeze.

In 2014, Arig Bank launched its Prestige Banking (PB) operations, service tailored to the affluent segment of the market, comprising of owners, directors, and senior management of large businesses and corporations. At Prestige, clients enjoy undivided attention through their trusted personal contact who is prepared to assist them at all times. Through a survey that was conducted at the planning stages of PB, we concluded that most of our target clients needed convenience and time savings from their banks. One point of contact who understands and knows their banking needs and patterns. They mostly had their accountants or assistants handle all of their business related transactions, but when it came to their personal needs, they needed a trusted professional. To ensure existing clients comfort/privacy and also to ensure PB long term reputation, we select our clients on "Invitation only" basis. We look at number of attributes such as reputation in society, successful in their businesses or jobs, but most importantly their moral and ethical character.



PRESTIGE
BANKING





We came up with many new services based on our clients needs and suggestions. “Concierge banking” service includes telephone banking and remote banking services. Telephone banking enables clients to call their Personal Banker with transaction instructions and perform those transactions via secured SMS texting. Remote banking is where PB goes to deliver banking services to a place and time client needs.

With our “Household Payment” service, clients can entrust their Personal Bankers with all of their household payments. From regular monthly payments to periodically checking their traffic violations, Personal Bankers ensure that their clients don’t miss any payments and stay up-to-date with all renewals.

We also strive to ensure that visiting PB is an experience our clients look forward to. Clients can enjoy special care and amenities offered at our branch. Custom made breakfast, meeting business collaborators for lunch, dinner with family and friends or celebrating special events - it’s all possible at our lounge. Comfortable and quiet business center, high tech meeting room, safety deposit box, reserved parking, etc,. All designed with clients comfort and convenience in mind.

In serving our clients and building relationships, we wanted to be more than just Personal Bankers to our clients. We wanted to be their trusted people - people they call whenever they have a question. We have partnered with tax advisers, lawyers, insurance agents, boutique shops, restaurants, auto dealers, florists, ticket agencies, art critiques, wine specialists to bring one stop service for our esteemed clients. Our clients also enjoy priority service and discounts at these partner places.

As projected when initially developing the business model for Prestige Banking, corporate banking services are being highly anticipated and sought after, by clients impressed and satisfied with PB’s services for their personal banking needs. Clients wish to enjoy the same professionalism, convenience and exceptional customer experience in their corporate banking relationship as they do in their personal banking at Prestige.



OUR PARTNERS



Independent Audit Report

GOLDEN PAGE AUDIT LLC
Accounting, auditing and consulting services
27th floor, 8th Block, A Corp, Metro business center,
Ulaanbaatar district, Ulaanbaatar, Mongolia
Telephone/Fax: +976 70117179 / 99170900
E-mail: info@goldenpageaudit.mn

2019-04-08, 2/09

Independent Auditor's report

To board members and shareholders of Arig Bank LLC.

Opinion

We have audited the accompanying financial statements of Arig bank LLC (the "Company"), which comprise the statement of financial position as at December 31, 2018 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other disclosure notes.

Unmodified opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Arig bank LLC as at December 31, 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the procedures and guidelines approved by the Governor of the Bank of Mongolia and the Minister of Finance.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"), as well as other relevant laws and regulations in effect in Mongolia. Our responsibilities under these standards are further described in the Auditors' responsibility for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we are compliant with the ethical requirements issued by Mongolian Institute of Certified Public Accountants, as well as Section 290 and "Independence + Audit and Review Engagements" and Section 291 "Independence - Other Assurance Engagements" of the Code of Ethics by International Federation of Accountants.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management and those charged with governance's responsibilities for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS and the procedures and guidelines approved by the Governor of the Bank of Mongolia and the Minister of Finance and for such internal control as management determines is

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necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Company prepares the financial statements on a going concern basis when, under the going concern assumption, the Company has neither the intention, nor the need, to liquidate or curtail materially the scale of its operations. It is the responsibility of the management to make an assessment of whether the going concern assumption is appropriate, or not, when they are preparing the financial statements. Those include making judgments on various uncertain future outcomes of events or conditions. Those who charged with governance are responsible to carry out control over the preparation of the financial statements.

Auditors' responsibility for the financial statements

Our responsibility is to express an opinion on these financial statements based on our audit and obtain reasonable assurance about whether the financial statements are free from material misstatements. Though the reasonable assurance is a high level of assurance, it is not an absolute assurance that audit conducted in accordance with ISA always identifies the material misstatements. Misstatements could be both due to fraud or error and it is considered to be material if the misstatements, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.


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Date: 2019.03.26




Audited Statement of Financial Position

Indication	Note	In thousand tugriks	
		31/12/2018	31/12/2017
Assets			
Cash and cash equivalents	4	36,643,585	64,313,594
Deposits and placements with banks and financial institutions	5	9,482,348	7,673,319
Investments	6	5,582,639	4,997,653
Loans	7	82,715,874	45,782,705
Other financial assets	8	464,258	315,360
Other non-financial assets	9	1,736,687	2,612,372
Property and equipments	10	4,564,030	4,691,763
Assets held for sale	11	2,436,100	4,629,295
Intangible assets	12	769,142	457,483
TOTAL ASSETS		144,394,666	135,473,544
Liabilities and equity			
Current accounts	13	2,350,271	2,770,057
Savings	13	90,771,219	64,334,618
Sources from other banks and financial institutions	14	10,210,066	26,847,274
Other resources	15	2,554,034	990,947
Other financial liabilities	16	310,441	1,130,502
Other non financial liabilities	17	150,278	700,835
TOTAL LIABILITIES		106,346,309	96,774,233
Equity			
Share capital	18	35,009,500	35,009,500
Revaluation surplus	18	195,893	189,723
Accumulated profit/(loss)	18	2,839,923	3,497,047
Other capital	18	3,041	3,041
TOTAL EQUITY		38,048,357	38,699,311
TOTAL LIABILITIES AND EQUITY		144,394,666	135,473,544

Audited Statement of Profit or Loss and Other Comprehensive Income

Indication	Note	In thousand tugriks	
		2018	2017
Interest income	19	17,075,608	16,838,658
from deposits and placements with Bank of Mongolia		407,508	367,186
from deposits and placements with other banks and financial institutions		51,957	140,256
from securities		3,680,486	5,076,405
from loans		12,935,656	11,254,541
Interest expense	20	10,273,955	8,290,465
Interest paid for current accounts		33,091	39,114
Interest paid for savings		9,886,558	7,572,500
Loan interest expense		306,351	672,237
Other interest expense		47,955	6,614
Net Interest income		6,801,653	8,548,193
Provision expense (for loan)	21	1,294,345	335,165
Net income after loss provision		5,507,308	8,213,028
Other income		29,740,828	26,932,304
Non-interest income		29,329,324	24,333,272
Commercial income	22	289,012	444,410
Gains from foreign currency exchange translation	23	27,610,102	23,303,598
Fees and income related to banking services	24	978,535	526,439
Other non-interest income	24	451,675	58,825
Other gains	25	411,504	2,599,032
Other expense	26	35,057,651	30,733,124
Non-interest expense		34,914,644	30,532,312
Other provision expense		735,862	165,871
Trading expenses		103,785	295,655
Losses on currency exchange rate		27,679,400	23,222,035
Charges and fees		228,857	189,269
Other operating expense		6,166,740	6,659,482
Other loss	27	143,007	200,812
Profit/(Loss) before income tax		190,485	4,412,208
Income tax expense	28	65,231	672,150
Net Profit/(Loss) for the year		125,254	3,740,058
Net income/expense from discontinued operations		-5,736	-
Profit/(Loss) for the year		119,518	3,740,058
Other comprehensive income		6,170	60,145
Total comprehensive income for the year		125,688	3,800,203



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