



A N N U A L R E P O R T

2014



CONTENTS

4	<i>Our Vision</i>
6	<i>Arig Culture</i>
7	<i>Board of Directors</i>
8	<i>Cheif Support Officer</i>
9	<i>A Letter from Our Team</i>
10	<i>Mongolian Macro-Economy</i>
11	<i>Lead Supporters</i>
12	<i>Organizational Structure</i>
13	<i>We are Growing</i>
14	<i>Our Growth in Percentages</i>
15	<i>Highlights of 2014</i>
16	<i>Social Responsibility</i>
17	<i>Independent Audit Report</i>
18	<i>Financials</i>
19	<i>Information and Data Security Management</i>

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

Our Vision



Customers

Customer Care Team

Support Team

Chief Support Officer



ARIG CULTURE

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.

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 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.

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.

BOARD OF DIRECTORS

ERDENEBAT BADARCH CHAIRMAN OF THE BOARD OF DIRECTORS

Mr. Badarch has been serving as the President of Erel Group since 2008. He started his career in 1984 as an engineer at Erel Geophysics Complex Expedition and has served as the Director of Erel Cooperative between 1989 and 1991, as the General Director of Erel LLC between 1991 and 2000. Mr. Badarch also served as a member of Mongolian Parliament between 2000 and 2008, as Minister of the Ministry of Defense, Minister of Fuel and Energy from 2004 to 2008. He has extensive experience in managing both private and state organizations.

Mr. Badarch earned his Predoctoral degree in 1997, his PhD in Economics in 2000 from International Politics and Economics Research Institute in Russia.

ERDENESANAA BURENJARGAL INDEPENDENT MEMBER OF THE BOARD OF DIRECTORS

Mr. Burenjargal is working as the Managing director of Signum Resources Corporation since 2009. He worked as Vice President, Retail Financial Services at TDB between 2003 and 2007, when the bank was managed under the technical assistance program by ING bank of Netherlands.

His prior experiences also include work as Structured Finance/ Merchant Banker at Gerald Metals Inc., Stamford Connecticut in 2007.

Founder and General Director of Inveesco (Mongolia) Co., Ltd.

He earned his MBA at University of Rochester, New York, USA in 1998 and received his bachelor's degree in Banking at Economics Academy, Irkutsk, Russia in 1991.

Mr. Burenjargal served as member of the Board of Directors of Mosdaq LLC, 2009-2010, KHAAN BANK, 2001 and Netmon non-bank financial institution, 2000-2001.

Mr. Burenjargal is a valuable leader with extensive experience in banking who contributed to the Mongolian banking sector by successfully introducing major international payment cards - American Express, Visa, MasterCard and JCB, as well as introducing MoneyGram, an international money wire service, throughout the country.

JARGALAN ERDENEBAT MEMBER OF THE BOARD OF DIRECTORS

Mr. Erdenebat graduated from SOAS University of London in 2008 with a degree in Economics and has since been serving as a Project manager and Director of Erel Group.

ROLF DIETER WOERLE INDEPENDENT MEMBER OF THE BOARD OF DIRECTORS

Mr. Woerle has held senior and management positions in European banks and bank related organizations and has extensive experience in bank training, business management, organizational development, human resource development, operational and strategic management. He started his career in 1965 as a Branch manager at the Savings bank in Burbach, Germany, moving on to Loan Department manager, Marketing manager and Chairman of the Board of Directors. Between 1974 and 1998, he served as the Deputy Director and CEO of Frankfurt Main Bank Academy. He then served as the Director of East German Savings Banks Academy in Potsdam until 2006. Mr. Woerle led the "Promotion of Service Providers in the Financial Sector" project implemented in Mongolia by the German Technical Cooperation Agency (GTZ). Since 2009, he is serving as the Independent Board Member at Arig Bank.

SERGELEN DAVAAKHUU MEMBER OF THE BOARD OF DIRECTORS

Mrs. Davaakhuu has been serving as the General Director of Erel Group since 2000. Prior to serving Erel Group, she was an expert at State Geodesy and Cartography office between 1987 and 1991, worked as the Head of Foreign Affairs Department, Director of Erel LLC from 1991 to 2000.

She graduated from University of Geodesy and Cartography in Novosibirsk, Russia /formerly Soviet Union/ in 1987 majoring in Aerophoto Geodetic Engineering. She earned her Bachelor's degree in English from Otgontenger University in 1997, Master's degree in Banking management from the University of Finance and Economics in 1999 and PhD from the International Politics and Economics Research Institute of Russia in 1997.



ARIG BANK

TUMURKHUU

Davaakhuu

Chief Support Officer

Prior to working at Arig bank, Mr. Tumorkhuu Davaakhuu worked as a customer relationship manager at Wainwright bank of Boston, advisor at Smith Barney in Boston and as a Managing Partner at DJ properties of New York.

He earned his master's degree in Financial management from Pace University of New York and his bachelor's degree in Linguistics from Otgontenger University in Mongolia.

A LETTER FROM OUR TEAM

Our philosophy at Arig is very simple. Take care of those who take care of you. So, who takes care of us, or any other business? That is, who keeps the lights turned on? Who funds our salaries?

Customers! If you are one of our customers, then it is for you.

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.

In 2014, we have reconstructed our entire organization and are reformatting our mentality across the company to build genuinely great customer experiences.

We are taking measures to strengthen our team by emphasizing interpersonal skills, service-focused attitude, energy and intuitiveness in our staff selection, coaching and leadership aspects of daily operations.

- New Functions - in line with our current strategy, we have established two new Divisions: Hospitality and Controlling and one new key Position: User Friendliness Advocate. Without a dedicated team to hospitality, it is difficult to reach the level of hospitality we wish to offer. Controlling - a model successfully used in German banks, integrates financial planning and steering, treasury, and risk management under one roof and designating a dedicated team rather than committees for each function.

Simplified processes - we are simplifying our processes to make receiving services from us faster and hassle free

- 24/7 Telephone Care Center - 24/7/365, we are always only a phone call away.

- New and improved Online Banking - I am

happy to announce that our Technological Advancement and Business Enhancement teams are working very hard to bring you our new and improved Online Banking service shortly.

- Internal Collaboration and Communication- timely, reliable, and non-interrupted internal communications and processes are integral in providing fast, dependable care and response to our customers. For this reason, we have jointly with Google Corporation, successfully implemented Google's complete enterprise solutions. google.com/casestudy

- Improvements - We have created a number of new products and are redesigning our existing core products to better tailor them to your needs. As this is an evolving process, we will work to continuously upgrade our offerings to fit your needs.

- Prestige - we have launched a unique service dedicated to delivering exceptional service standards and time savings for our clients.

- Rebranding - to rightly communicate the exciting new changes and quality improvements our team at Arig have been working hard on, we have strategically rebranded to Arig Bank. arigbank.mn/nameannouncement

Only people who care, say something. We thank everyone who recognizes our efforts and makes us want to do more. We thank more, the critics who bring our attention to aspects where we need further improvement.

We invite you to stop by our Customer Support Centers. We hope you will enjoy your experience whether your visit is for a financial consultation, transaction banking, and cup of coffee, free Wi fi or just to say Hello! This is only the beginning of the new chapter of our exciting journey. We are here for you!

TUMURKHUU Davaakhuu

Chief Support Officer

The Macro-Economy of Mongolia

Due to instabilities in external economic factors and decrease in price of raw materials, Mongolia's real GDP growth has declined to a single digit number of 7.8% in 2014.

With the completion of Oyu Tolgoi Phase I investment and the decrease in investor's confidence, foreign currency reserves were decreased substantially to make up for deficiencies in the balance of payments. As a result,

USD rate has reached 1,885MNT in 2014. However, we are still seeing positive growth in the economy due to decreasing, but stable financing from other sources such as Mongol bank and Government of Mongolia's joint "price stabilization" programs. The mid-term economic outlook will depend on how the Government of Mongolia and Rio Tinto decide on Phase II financing of 5 billion US Dollars for the Oyu Tolgoi underground mining project.

National Statistical Office



Banking Sector

In 2014, the banking sector assets have reached 22.5 trillion tugrugs, equaling to 103% of GDP. 20% of all assets is coming from the Government of Mongolia and Mongol bank for different programs implemented by the central bank and assets raised from the Chingis Bond. The sector asset growth has stabilized at 8%.

In order to stabilize inflation and currency rates, Mongol bank has raised the monetary policy rate by 1.5 percentage points, in July of 2014, to 12%. Another

policy change that was made to support the banking sector was the lowering of the reserve requirement for tugrug and foreign currency and allowing to meet 50% of deficiency with surplus.

To create a favorable discounted mortgage environment, mortgage loans worth 1.1 trillion tugrug were securitized and purchased from banks' balance sheets as well as Mongol bank's financing of 350 billion tugrug loans.

SECTOR ASSET GROWTH



22.5 TRILLION MNT

LOAN PORTFOLIO GROWTH



12.4 TRILLION MNT

DEPOSIT GROWTH



10 TRILLION MNT

National Statistical Office

LEAD SUPPORTERS



BULGAN Altangerel
Lead Supporter
Employee Support Division

Ms. Altangerel (Bulгаа) has extensive experience in successfully managing and directing Human Resource Functions in Mongolian and foreign invested companies. During this time, she worked on different projects and programs focusing on discovering employee talent, ensuring participation in decision making, training young leaders, systematically developing executive management strategies and empowering management teams through advanced methods of Human Resource management.

Bulgan Altangerel is a psychologist by profession and obtained her Masters' degree from the University of Eotvos Lorand in Budapest, Hungary with a specialization in Organizational psychology.



AMARJARGAL Baldanjamts
Lead Supporter
Business Enhancement Division

Mr. Baldanjamts (Amaraa) is working as the Lead Supporter of the Business Enhancement Division at Arig Bank since June, 2014. He gained experience in banking operations management through his 7 years of work at Xac bank as a Branch Manager and Regional Director. From 2008 through 2012 he worked as the Director of Logistics and Procurement Division as well as Risk Management and Internal Audit divisions of Energy Resource LLC. He earned his bachelor's degree in Business and Financial Administration from the Mongolian University of Science and Technology in 2003.



MUNKHZUL Ganbaatar
Lead Supporter
Hospitality Division

Ms. Ganbaatar (Zulaa) is the Lead Supporter of the Hospitality Division. She and her colleagues work to provide excellent service exceeding customers' expectations through 24/7 Telephone Care Center by consistently improving service quality.

She earned her bachelor's degree in Russian studies from the National University of Mongolia in 2005 and received a MA degree in European Studies from Bucharest Academy of Economic Studies in 2010. Throughout her professional career, Ms. Munkhzul has worked at an international environmental protection NGO, veterinary pharmaceutical importer in Sofia, Bulgaria, and at Air Market LLC in Ulaanbaatar, Mongolia.



BAT-ERDENE Sharav
Lead Supporter
CSC Support Division

Mr. Sharav (Erdenee) has been the Lead Supporter of the CSC (Customer Support Center) Support Division of Arig bank since January, 2014. After receiving his degree from the National University of Mongolia in 2004, he started his career at Xac bank, one of the major commercial banks of Mongolia. He gained experience in providing financial services to SMEs and micro business owners.

He received his Master's degree in Economics from Ritsumeikan University of Japan with a scholarship from ADB.



GELEGJAMTS Jav
Lead Supporter
Controlling Support Division

Mr. Jav (Gelegee) has been working as the Lead Supporter of the Controlling Support Division of Arig Bank since 2010. Between 2008 and 2010, he worked as the Systems and Risk analyst at Millenium LLC in Berlin, Germany.

He graduated from the Institute of Science and Technology in 1996 with a degree in Thermal Power Station Engineering and earned his Master's degree in Economics and Mathematics in 2007 from the University of Berlin, School of Technology and Economics.

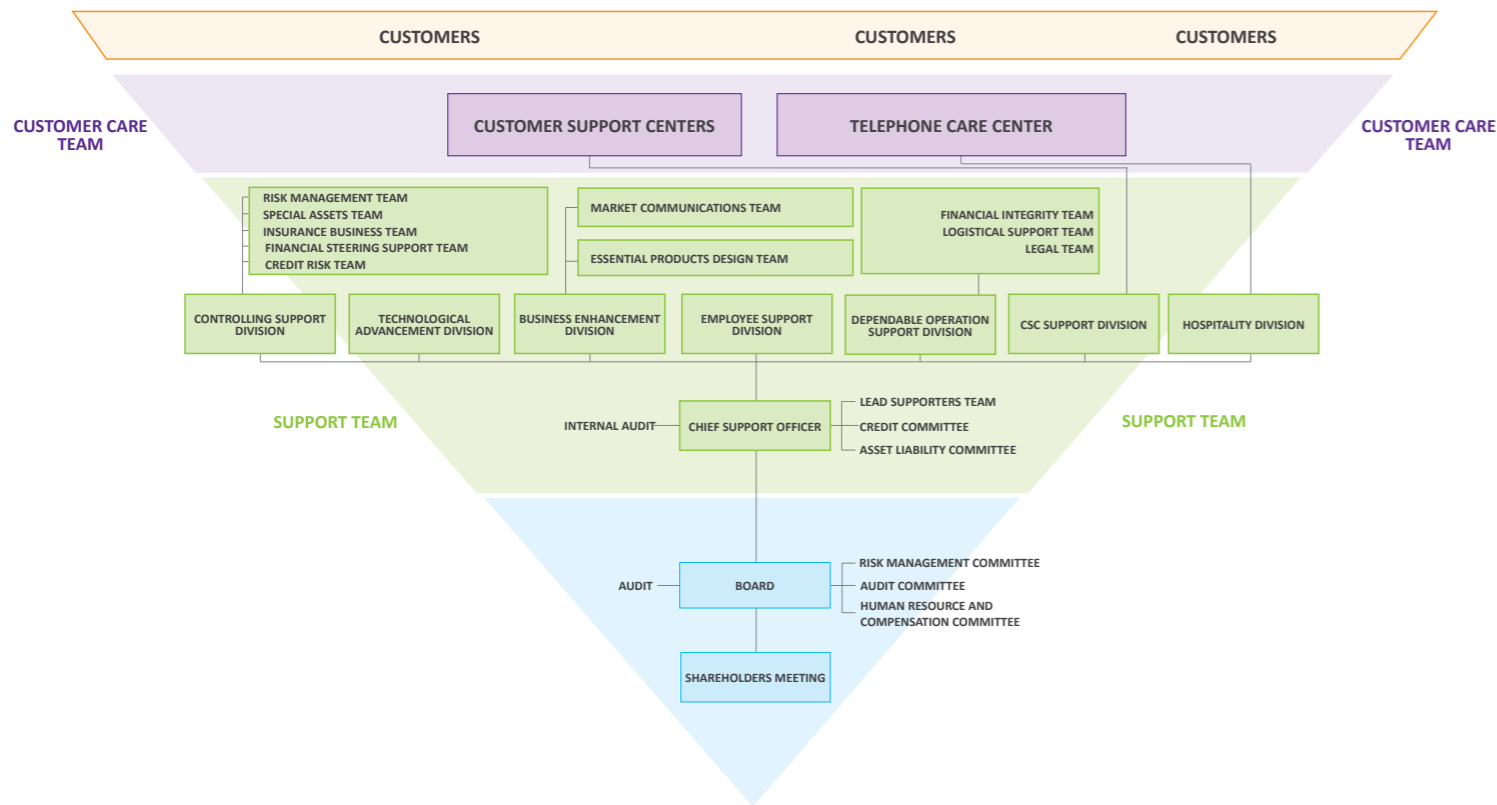


MUNKHBAYAR Batkhuu
Lead Supporter
Information Technology Support Division

Mr. Batkhuu (Bmr) earned his bachelor's degree in Business Administration from the University of Finance and Economics and earned his master's degree in Computer Science from the Mongolian University of Science and Technology.

For the past 18 years, he has held management positions across various sectors including communications, IT, banking, trade and import, health and pharmaceutical companies, supply and storage, government and non-government organizations. Some of his past positions include 5 years as the system administrator and marketing manager at Mobicom Corporation, 5 years as the co-founder and General Director at USI /United Solutions International/ and 5 years as the director of the IT Department of Xac bank.

OUR ORGANIZATIONAL STRUCTURE



Why do Arig Bank's managers sit closest to the entrance?

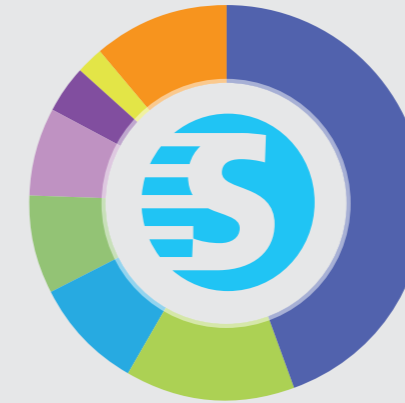
We, at Arig Bank believe that by being closest and visible to customers when they enter through our doors and by not hiding out in a hard-to-find office in the back, managers stay involved in daily operations, lead their team by example, and get one step closer

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.

WE ARE GROWING...

2,000
USERS

146%
INCREASE
compared to last year



SECTOR

- 44% Markets and Shopping centers
- 14% Stores and Supermarkets
- 9% Restaurants, Cafes, Karaoke
- 8% Taxi and Transportation
- 7% State services
- 4% Banking and Financial entities
- 2% Barbers and Beauty salons
- 11% Other

1. Card accepting Taxi

For the first time in Ulaanbaatar, Taxis have started accepting payment cards and now more than 100 taxis called "Card accepting Taxi" are becoming popular among the residents of UB.

2. Wheel lock service

The city of Ulaanbaatar has implemented the "Wheel lock service" to promote organized parking habits. Thanks to Swipe, drivers now have the choice of paying fines on the spot, with cash or payment cards.

3. Insurance services

Insurance agents are now able to work closer to their customers thanks to our mobile POS device, Swipe. Now residents can obtain insurance at Emission Testing facilities, carwashes, major markets and malls.

4. Internet and Cable installation

Internet and cable TV installation field agents are now accepting payment cards when providing door-to-door services.

5. Goods and Food delivery

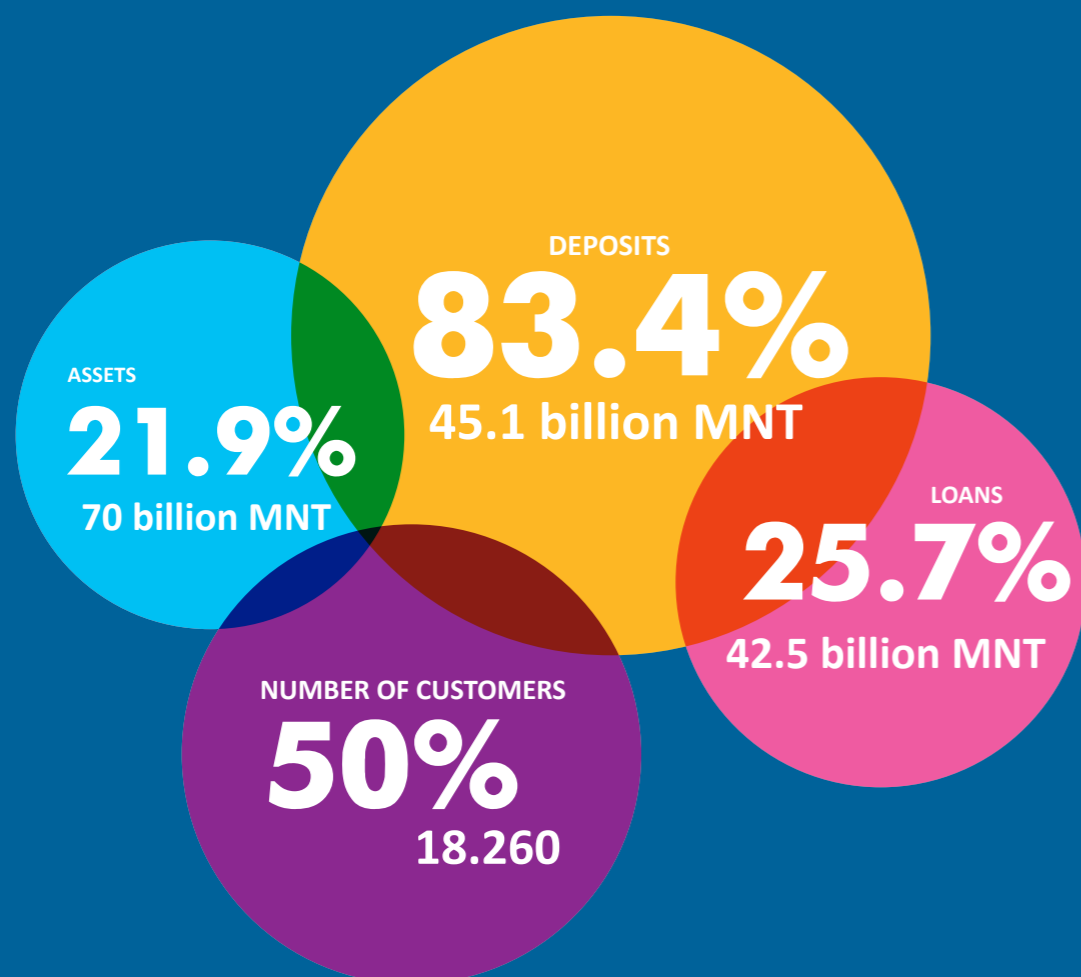
The true benefit of a mobile POS is shown in businesses that are mobile and go to their customers. Businesses that sell and deliver goods by taking orders via Facebook or their online shops, or food delivery services can use Swipe to take payments on the spot.



Above are only a few examples of Swipe's usage and usefulness.



OUR GROWTH IN PERCENTAGES



HIGHLIGHTS OF 2014



2014.07.25 Substantial improvements to our operations are implemented. The bank is strategically rebranded as Arig Bank.



The Children's Education Savings interest is raised to 18.2%



Compound Interest Savings products are introduced to offer wide selection to our customers.



Swipe cashflow loan is offered to support small and medium business owners.



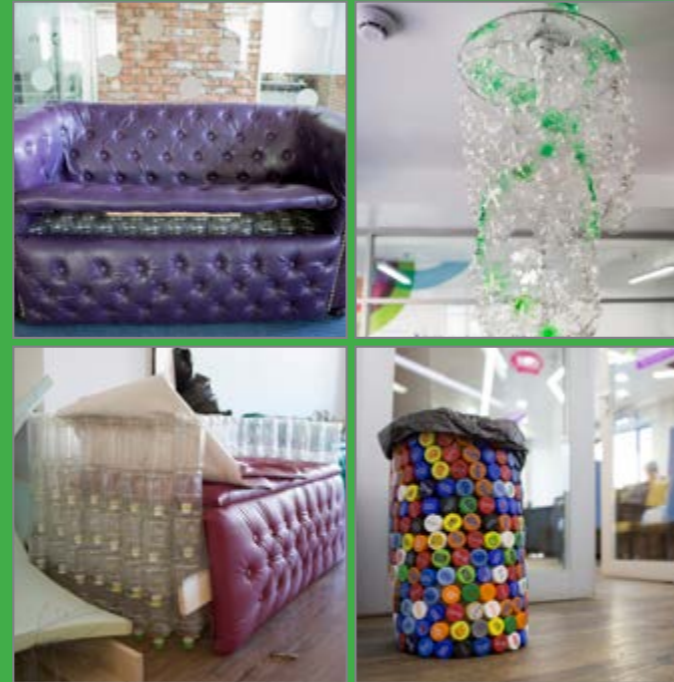
Arig Bank is voted as the "Best Bank" in the "Best of Mongolia 2014" independent public poll.



Chief Support Officer Tumurkhoo Davaakhuu is elected as the Vice President of the Mongolian Bankers Association. He also receives the "Banker of the Year 2014" award.

SOCIAL RESPONSIBILITY

PRIORITY SERVICE FOR:



Priority Service

We are now offering priority service to seniors, expectant mothers, customers with disability and parents with infants.

Protecting the Environment

We have created Arig light fixtures, Arig sofas with the help and participation and of all employees and are actively calling upon the society to create a clean, waste free environment.



Achilles International Mongolia

We have established Achilles International Mongolia NGO and are helping individuals with disabilities to lead an active social life through sports.

Independent AUDIT REPORT

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Arig Bank LLC:

We have audited the accompanying financial statements of Arig Bank LLC (the "Bank"), which comprise the statement of financial position as at 31 December 2014 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Banking Law of Mongolia and Guidelines issued by the Bank of Mongolia (the "Guidelines") and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Guidelines.

Other Matter

This report is made solely to the shareholder of the Bank and for management purposes only, in accordance with the audit requested by the shareholder and for no other purpose. We do not assume responsibility towards, or accept liability to, any other person for the contents of this report.

Deloitte Onch Audit LLC

Deloitte Onch Audit LLC
Ulaanbaatar, Mongolia
30 March 2015

INFORMATION AND DATA SECURITY MANAGEMENT

FINANCIAL REPORT as of December 31, 2014 (in thousand of MNT)

	2014	2013
ASSETS		
Cash and Cash equivalents	12,091,007	10,821,382
Investment securities	9,058,172	8,540,876
Loan and down payments	42,528,931	33,844,376
Other accounts receivables	1,020,420	1,307,948
Supplies	203,039	97,397
Other real estate owned	952,420	879,555
Deferred tax assets	157,539	-
Fixed assets	3,640,899	1,782,866
Intangible assets	369,424	158,253
Total assets	70,021,851	57,432,653
LIABILITIES AND OWNER'S EQUITY		
Liabilities		
Customer current accounts and deposits	44,496,752	24,260,695
Current accounts and deposits from other banking and financial institutions	633,154	309,329
Securities sold in Repurchase Agreements	3,100,000	-
Income tax payable	-	29,535
Loan	4,320,800	13,484,670
Other liabilities	2,925,345	2,004,000
Total liabilities	55,476,051	40,088,229
OWNER'S EQUITY		
Stock capital	16,290,000	16,290,000
Other reserves	3,041	4,041
Cumulative loss/profit	-1,747,241	1,050,383
	14,545,800	17,344,424
Total Liabilities and Owner's Equity	70,021,851	57,432,653

COMPREHENSIVE INCOME STATEMENT as of December 31, 2014 (in thousand of MNT)

	2014	2013
Interest income	8,713,754	8,722,612
Interest expense	-4,808,308	-4,313,862
Net interest income	3,905,446	4,408,750
Income from fees and charges	359,901	228,366
Other operations income	280,900	303,274
Net non-interest income	640,801	531,640
Total net interest income and net non-interest income	4,546,247	4,940,390
Operating expense	-5,290,972	-3,202,449
Possible risk deduction expense	-2,210,438	-537,164
Profit/(Loss) before taxes	-2,955,163	1,200,777
Income tax return/payment/	157,539	-150,394
Net profit/loss after taxes	-2,797,624	1,050,383
Other comprehensive income	-	-
Total comprehensive profit/(loss)	-2,797,624	1,050,383



In 2014, much work has been done to launch new technologies and to ensure security of information.

In order to ensure high levels of customer confidentiality and information security, we have introduced a service that uses state of the art technology, we called it - iDual. iDual recognizes customers by their finger vein positioning and fingerprints simultaneously. With the launch of this service, existing customers will not be required to produce ID every time they receive service, moreover their account and transaction information will be highly secured.

Together with Glory, the Japanese leader in cash and banking related hardware and technology we have successfully tested and launched TCR (Teller Cash Recycler).

We have installed necessary equipment to ensure uninterrupted electrical supply to the main server at Support Centers and servers at our branches. The recent re-organization and improvement of our Data Technology Center reinforced the reliability and security of our IT systems.





ANNUAL REPORT 2014

Arig Bank
www.arigbank.mn
facebook.com/arigbank
7013 3060 24/7