



INSURANCE
SINCE 1994



INSURANCE
SINCE 1994

Investor Presentation

2018

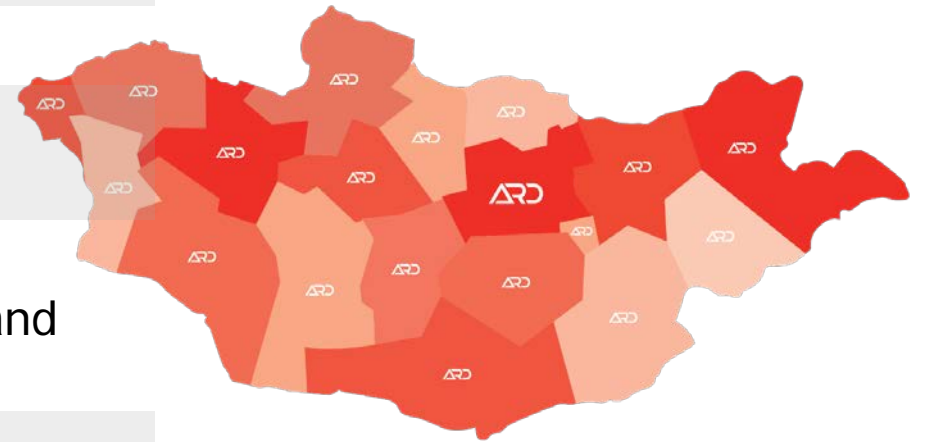
Agenda

- ✓ About the Company
- ✓ Operational performance
- ✓ About the IPO
- ✓ Use of proceeds

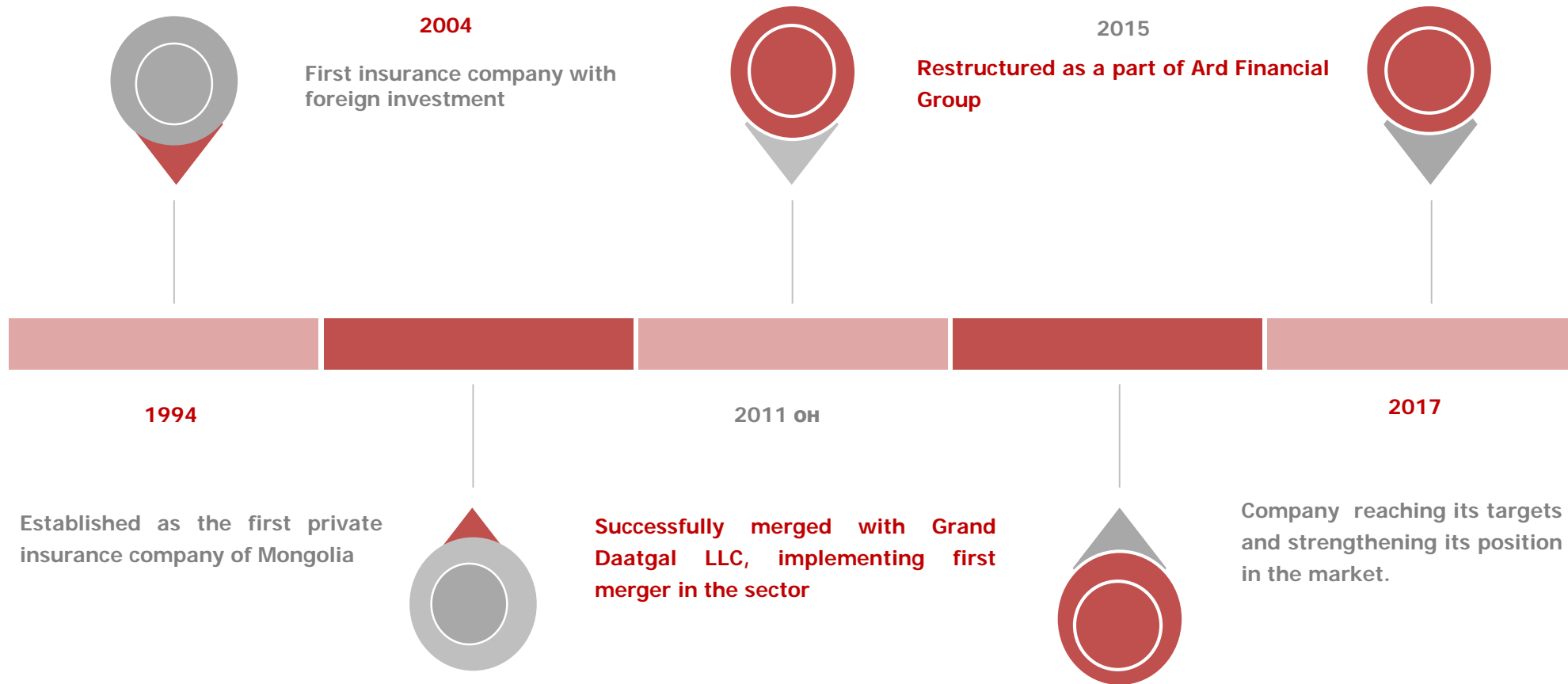


1.1. Company Overview

Company name	Ard Insurance Company (AIC)
Date of Registration	2006.02.15
Year of Establishment	1994
Company registration number	2062089
Business description	Insurance company providing services to both legal entities and individuals
Number of Services provided	50+
Number of Branches	24 (branches in all 21 provinces)
Number of Clients	54,000
Number of Employees	100+
Number of shareholders	2 /as of 2018.05.10/



1.2. Historic milestones



1.3. Company Shareholders

"Energy
International
Capital" LLC

4.69%

95.31%

ARD FINANCIAL
GROUP

ARD | INSURANCE
SINCE 1994

1.3. Company Shareholders



Ard Financial Group or Ard Holdings is a financial holding company that invests in leading financial service providers to help them capture market share, improve competitiveness and increase their value in order to maximize the return to our shareholders. The investment portfolio of Ard Holdings includes the leading companies such as Ard Insurance, Ard Credit, Ard Securities, Ard Assets, Ard Capital Management and EIT (Equity Investment Trust).



1.4. Company Structure



1.5. Management: Board of Directors

Regular members:



Board Chairman Ch. Gankhuyag:

1998-2009 CEO at XacBank
2010-2012 Deputy Minister of Ministry of Finance
2014-now CEO at Ard Financial Group



G. Tsogbadrah
CEO, AIC



B. Zolboo
Head of Investment
Department, AFG



A. Hobrou
VenturesOne B.V.



Ch. Ganzorig
CEO, Ard Credit NBF I

Independent members:



O. Odbayar

Deputy Director of Business
Development Department,
Erdenes Mongol LLC



B. Gantulga
CEO, SUU JSC



Z. Ariun

Advisor, American
International School



B. Bolorchimeg

Journalist, editor, NTV

1.5. Management: Executives



CEO G. Tsogbadrah:

Education: University of Economics, NUM
National University, USA

2000 - 2001 Director, Golden Fund for Development NBFJ

2001 – 2008 Director, XacBank internal audit department

2010 – 2011 Director, Investment department at Tenger Financial Group LLC

2011 – 2014 CEO, Tenger Insurance LLC

2005 – 2014 Board Member of Ard Financial Group JSC

2017 – now CEO, Ard Insurance LLC



Chief Operating Officer, A. Batbold

Education: Lawyer, NUM
LLM, Nagoya University

1998 - 2001 Director, Golden Fund for Development NBFJ

2001 – 2002 Administration Director, XacBank

2009 – 2014 CEO, Monet Capital, Ard Securities LLC

2014 – 2015 CEO, Ard Financial Group JSC

2015 – 2017.5 CEO, Ard Insurance LLC

2017 – now COO, Ard Insurance LLC



Chief Financial Officer, T. Battsengel

Education: Bachelor Degree, NUM
MBA, Daito Bunka University

2004 – 2009 General Accountant, XacBank LLC

2009 – 2012 General Accountant, Tenger Financial Group LLC

2012 – 2015 General Accountant, Ard Financial Group JSC

2015 – now CFO, Ard Insurance LLC



Head of Risk Management Department, Ts. Taishir

Education: Bachelor Degree, University of Humanities
Masters Degree, International University of California

2009 – 2014 Head of Business Development Department, Nomin Daatgal LLC

2014 – 2017 Head of Business Development Department, Max Group

2017 – now Head of Risk Management Department, Ard Insurance LLC



Chief Underwriter, N. Erdenetulga

Education: Bachelor degree on Engineering, MUST
MBA, University of Finance and Economics

2002 - 2010 Manager, Mongol Daatgal LLC

2010 – now Chief Underwriter, Ard Insurance LLC

1.6. Products and Services



Motor Third party liability



Home owner liability



Property



Index Based livestock



Travel Insurance



Health personal accident



Aviation



Construction All Risk



Cargo

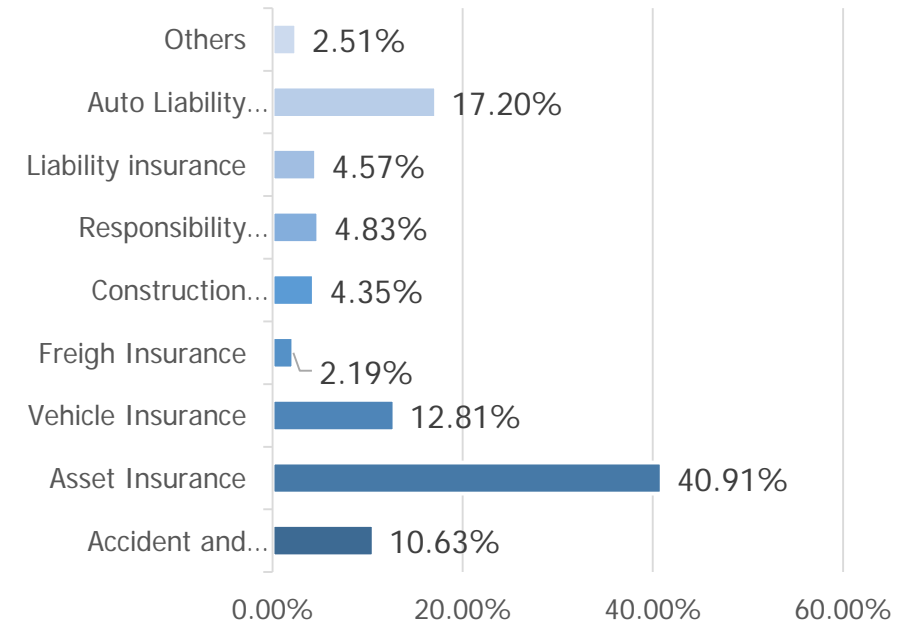


Liability



Motor own damage

Insurance Premium structure /as of 2017/



1.7. Cooperating companies



1.7. Cooperating companies

BROKERAGE REINSURERS

- UIB
 - Marnix
 - Faber
 - Marsh
 - Willis
 - AON
 - JB Boda
 - Malakut
- Hannover Re
 - Allianz
 - Scor Re
 - Sompo
 - Munich Re
 - Swiss Re
 - Lloyd's syndicates
 - Chartis
 - ACR
 - Kiln

- Royal & Sun Alliance
- Tokio Marine Europe
- Unity Re
- Ingosstrakh
- Russian Re
- PICC
- China Re
- Best Re
- Mapfre
- Beazley Singapore
- Zurich Re



2.1. Operational report

Income statement /million MNT/	2015	2016	2017	Change	
				Amount	Percentage
Gross premium	9,159.63	7,172.29	10,355.13	3,182.83	44%
Premium ceded to reinsurers	1,841.97	1,346.38	3,301.85	1,955.47	145%
Premium Returned	239.05	131.93	141.38	9.45	7%
Insurance premium – net	7,078.60	5,693.98	6,911.89	1,217.91	21%
Earned premium – net	6,502.68	5,842.94	6,028.95	186.01	3%
Claims paid	3,828.56	2,595.76	4,063.12	1,467.37	57%
Change in outstanding reserve	(132.71)	(59.95)	300.72	360.67	-602%
Gains/(Losses) on investment	580.46	801.37	1,400.03	598.66	75%
Ceding commission revenue	88.39	45.64	128.25	82.61	181%
Total operating revenue	3,550.68	4,154.14	4,745.64	591.50	14%
Total Operating expense	3,854.23	3,809.50	3,792.87	(16.63)	0%
Profit / (loss) from insurance activity	(303.55)	344.64	952.77	608.13	176%
Other profit /(loss)	222.64	144.98	307.26	162.28	112%
Profit before tax	(80.91)	489.62	1,260.03	770.41	157%
Income tax expense	58.05	58.48	136.06	77.57	133%
Net Profit after tax	(138.95)	431.13	1,123.97	692.84	161%
MARGIN	-1.5%	6.0%	10.9%		

Million MNT

2.1. Operational report

ASSET / million MNT/	2015	2016	2017	Change	
				Volume	Percentage
Cash and cash equivalents	2,405.74	405.15	793.31	388.16	96%
Receivables	2,504.18	1,964.70	1,990.82	26.12	1%
Inventories	10.96	32.61	17.30	(15.31)	-47%
Prepayments and prepaid expenses	384.12	591.19	1,108.99	517.80	88%
Short-term investments	1,901.80	4,374.27	5,783.66	1,409.39	32%
Total current asset	7,206.80	7,367.92	9,694.08	2,326.16	32%
Real estate	1,411.71	1,894.93	1,800.00	(94.93)	-5%
Other fixed asset	308.64	471.19	460.49	(10.71)	-2%
Accumulated depreciation	(168.63)	(192.90)	(227.93)	(35.03)	18%
Total non-current asset	1,551.72	2,173.23	2,032.56	(140.67)	-6%
TOTAL ASSET	8,758.53	9,541.14	11,726.64	2,185.49	23%

Million MNT

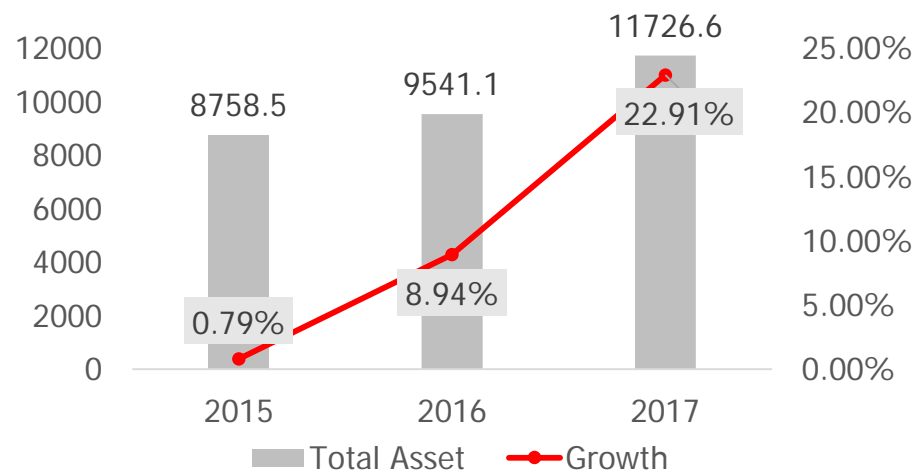
2.1. Operational report

Liabilities /million MNT/	2015	2016	2017	Change	
				Amount	Percentage
Taxes payable	62.67	81.51	190.63	109.12	134%
Other payables /payable to reinsurer , reimbursement/	352.86	861.94	739.28	(122.67)	-14%
Total short term liability	415.54	943.45	929.91	(13.55)	-1%
Outstanding reserve	4,531.62	4,355.18	5,559.59	1,204.41	28%
Total Liability	4,947.15	5,298.64	6,489.50	1,190.86	22%
Equity					
Share Capital	3,500.00	3,500.00	3,500.00	-	0%
Retained earnings	311.37	742.51	1,737.14	994.63	134%
Report date	(213.95)	431.13	1,123.97	692.84	161%
Before the report date	525.33	311.37	613.17	301.79	97%
Total equity	3,811.37	4,242.51	5,237.14	994.63	23%
Total equity and liability	8,758.53	9,541.14	11,726.64	2,185.49	23%

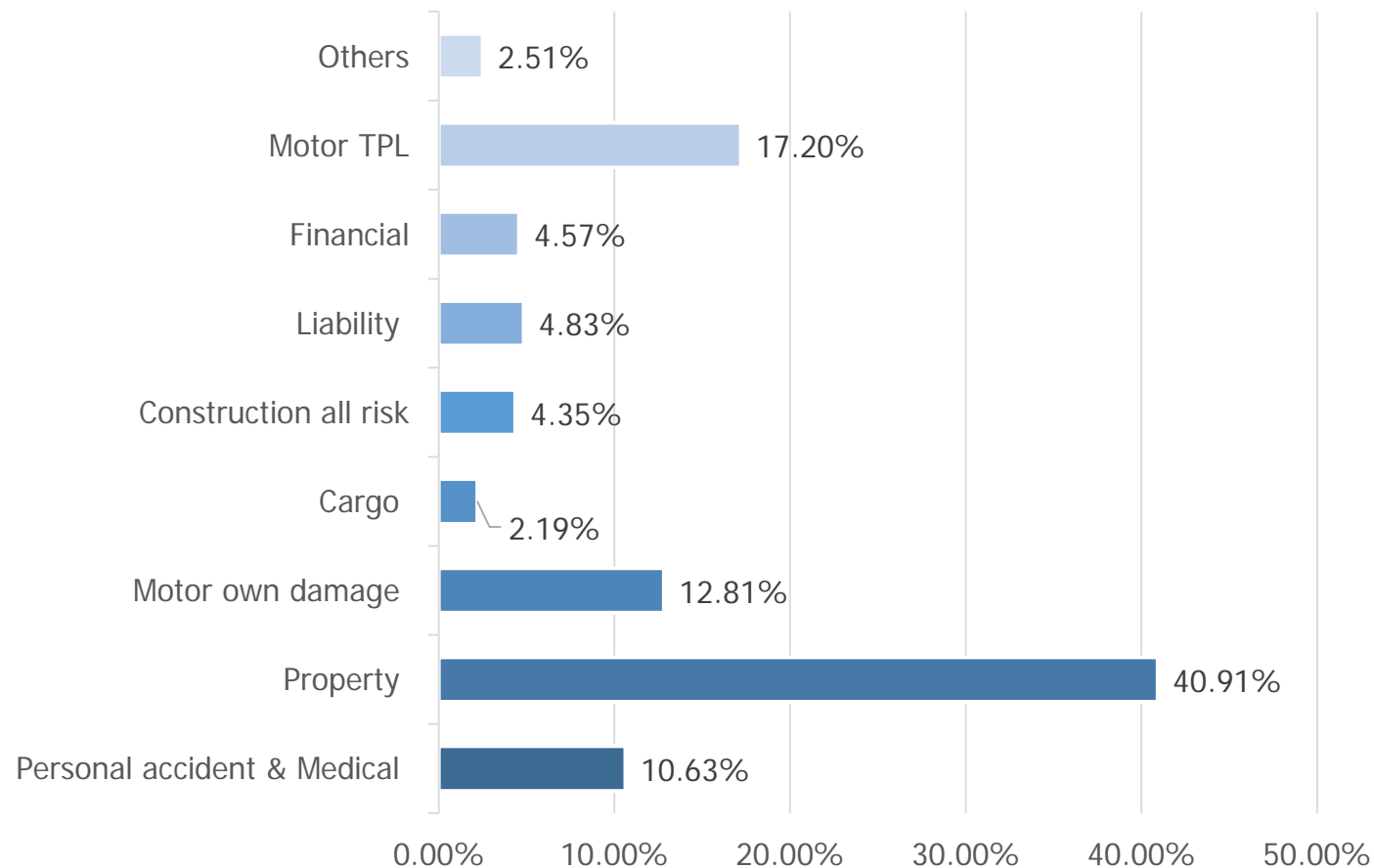
Million MNT

2.1. Operational Report

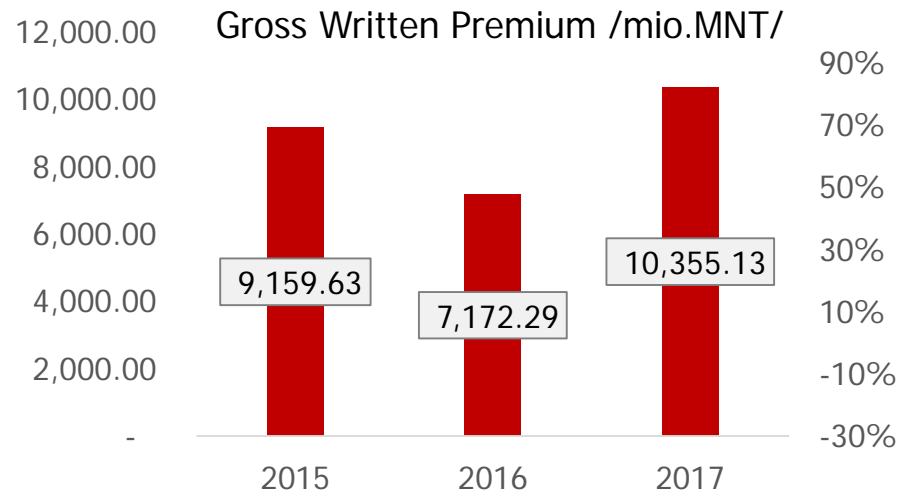
Total Asset /mio.MNT/



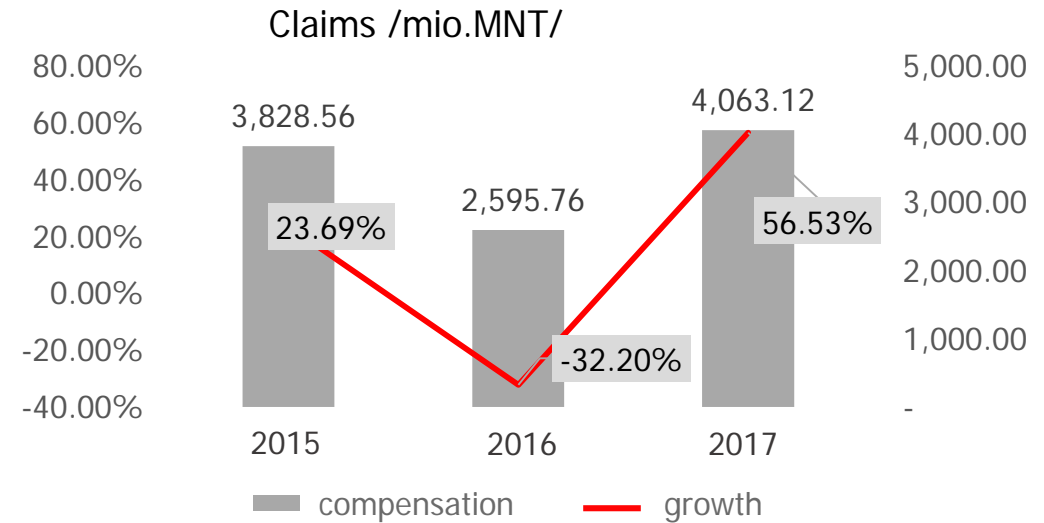
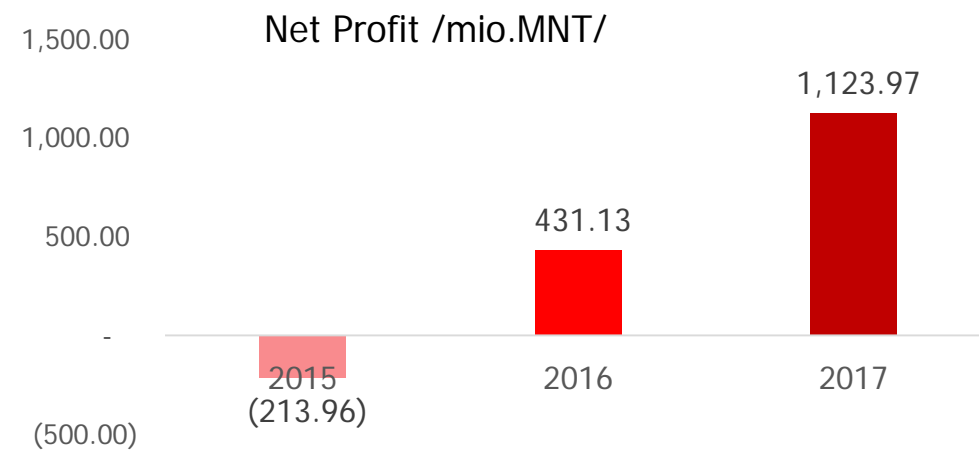
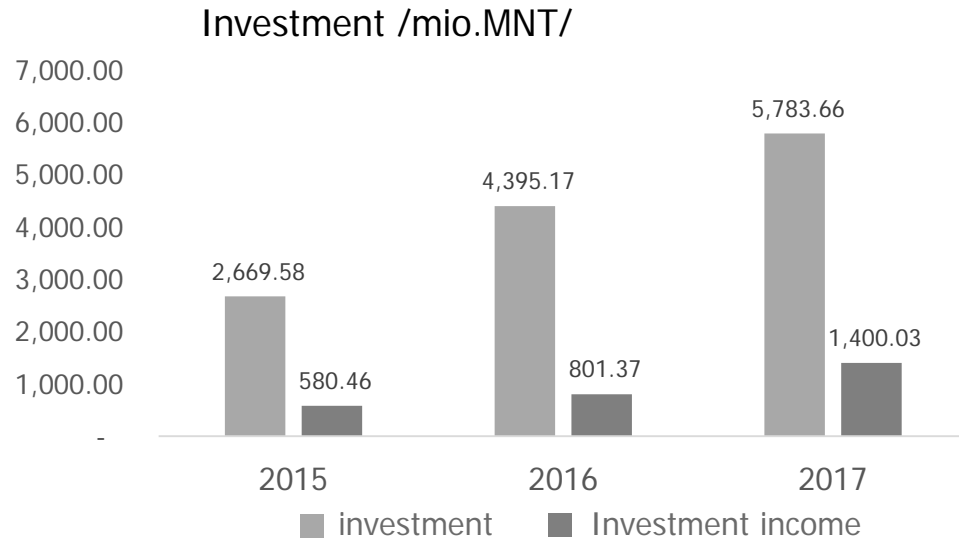
Gross written premium structure /2017/



Gross Written Premium /mio.MNT/



2.1. Operational Report



2.2. Insurance Ratio

Ratio	2015	2016	2017	Change	
				Amount	Percentage
Compared to Gross Premium					
Loss Ratio	0.42	0.36	0.24	(0.12)	-34%
Expense Ratio	0.42	0.53	0.37	(0.16)	-31%
Combined Ratio	0.84	0.89	0.61	(0.28)	-32%
Compared to Insurance Premium-net					
Loss Ratio	0.54	0.46	0.37	(0.09)	-20%
Expense Ratio	0.54	0.67	0.55	(0.12)	-18%
Combined Ratio	1.09	1.12	0.92	(0.21)	-19%
Compared to Earned Premium					
Loss Ratio	0.59	0.44	0.42	(0.02)	-5%
Expense Ratio	0.59	0.65	0.63	(0.02)	-4%
Combined Ratio	1.18	1.10	1.05	(0.05)	-4%
ROE	-3.4%	10.7%	23.7%	10.6%	
ROA	-1.6%	4.7%	10.6%	4.8%	
Financial Capability	100.06%	102.01%	111.47%		

2.3. Dividend policy

- During the board meeting on March 30, 2018, Board of Directors of Ard Insurance has approved the resolution to distribute **30-50 %** of the net profit as the dividends **annually** for the **company's dividend policy**.
- According to the Article 46.1 of Company law, Article 13.1 of the Company Charter, Board of Directors have the right to decide whether to allocate dividends or not. The securities issuer have decided to distribute dividends two consecutive years.
- The dividend, which have been distributed in the past:
 - Board has decided to distribute **MNT123.3 million** which is 30% of the net profit as a dividend for the fiscal year 2016.
 - Board has decided to distribute **MNT562 million** or 50% of the net profit as a dividend for the fiscal year 2017.

2.4. Insurance Market Overview

There are **15** companies operating as a General Insurance Company in the market providing over **80** types of insurance products.

Total Assets of General Insurance Companies reached **MNT193.6 billion** as of 2017 year-end. **49** percent out of it or **MNT94.8** billion is an insurance reserve while **31.2** percent or **MNT61.3** billion accounts for Statutory Reserve of the companies.

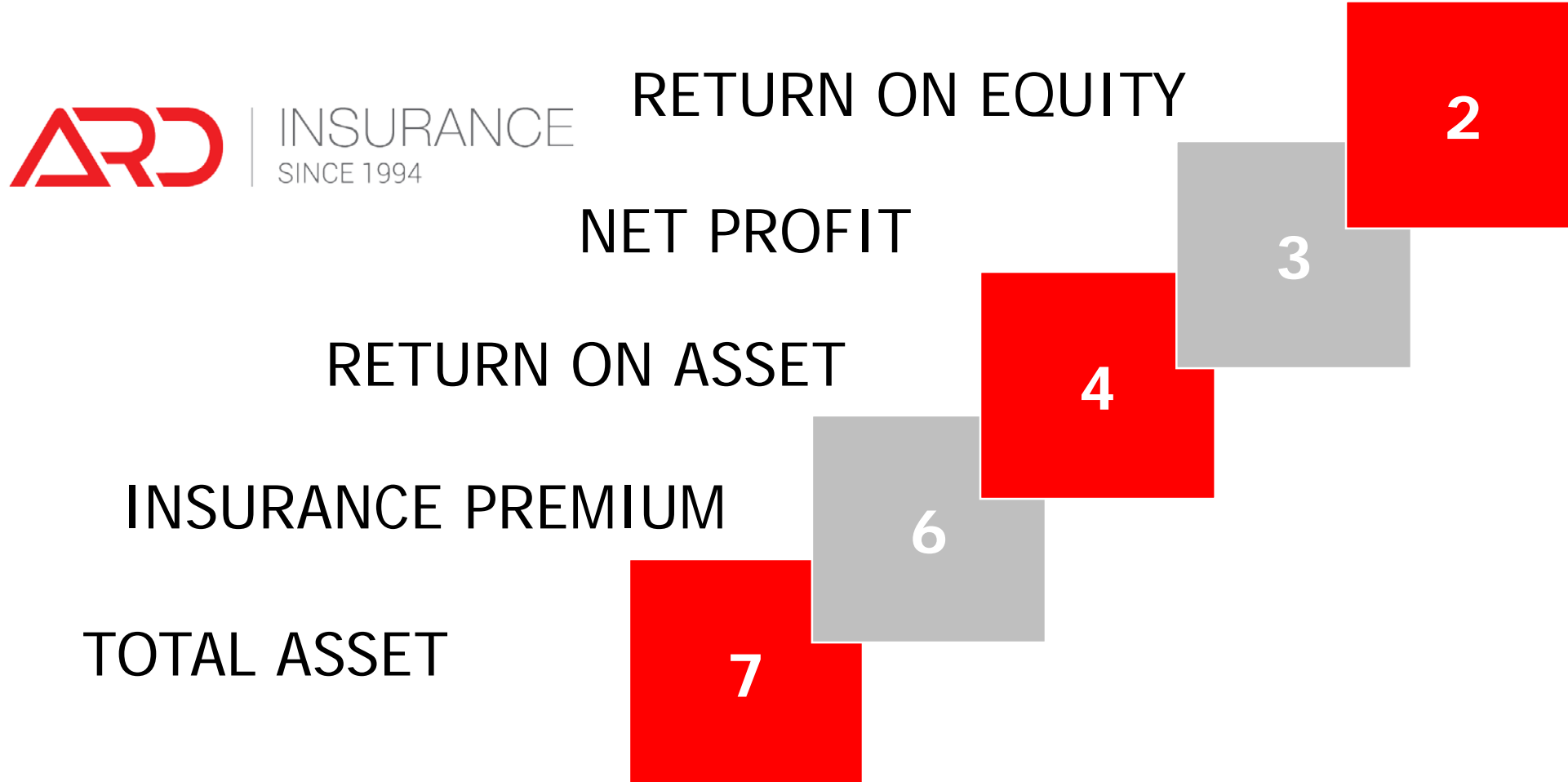
81.3 percent of the total premium consist of the following five products:



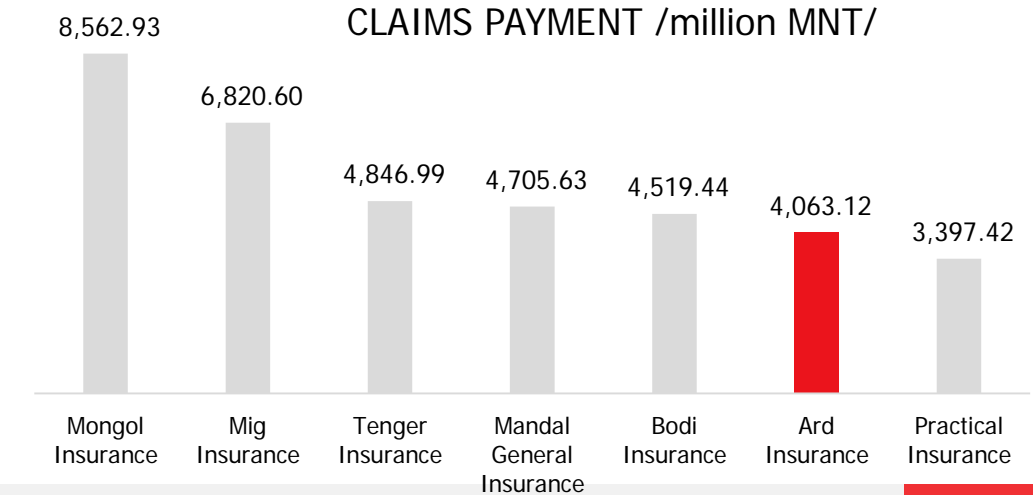
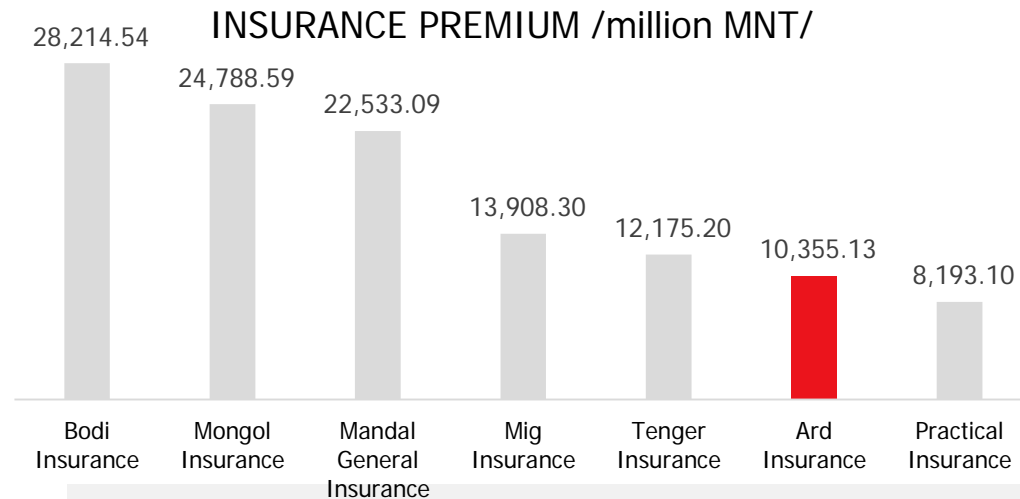
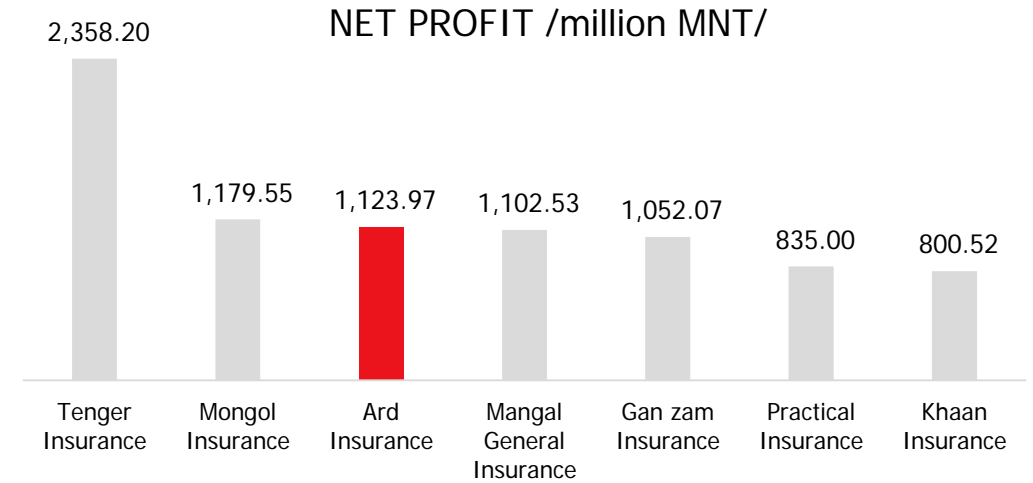
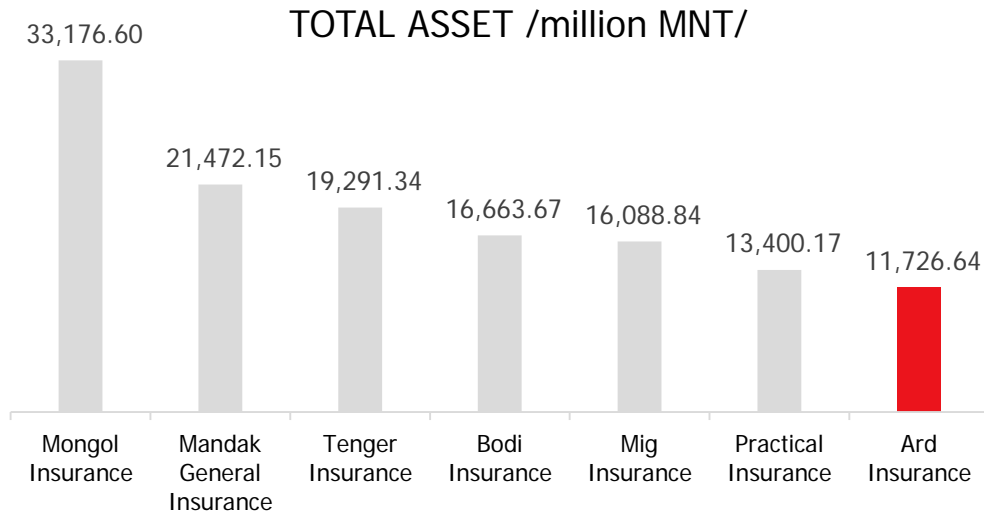
2.4. Insurance Market characteristics

- **Low-risk sector:** Insurance companies allocate its risks by gaining premium from various types of insurers, compensates to a specific number of insurers, has comparatively low operational cost and invests portion of the premium income onto various investments.
- **Availability of Reinsurance:** Reinsurance is the situation in which the same risk is insured by two overlapping but independent insurance policies. Thus, the insurance which requires a big amount of compensation are being double insured to decrease the possible risk.
- **Legal Environment:** Operates under the Financial Regulatory Commission.
- **International expectation:** It is predicted that insurance premium income would increase by 4.5% in the upcoming years along with the economic growth. Moreover, for developing countries it is expected that insurance premium income would increase by 9.5%.
- **Wide network:** While service and manufacturing companies offer one type of product, insurance service is available for everyone who wants to protect themselves against any possible risk.

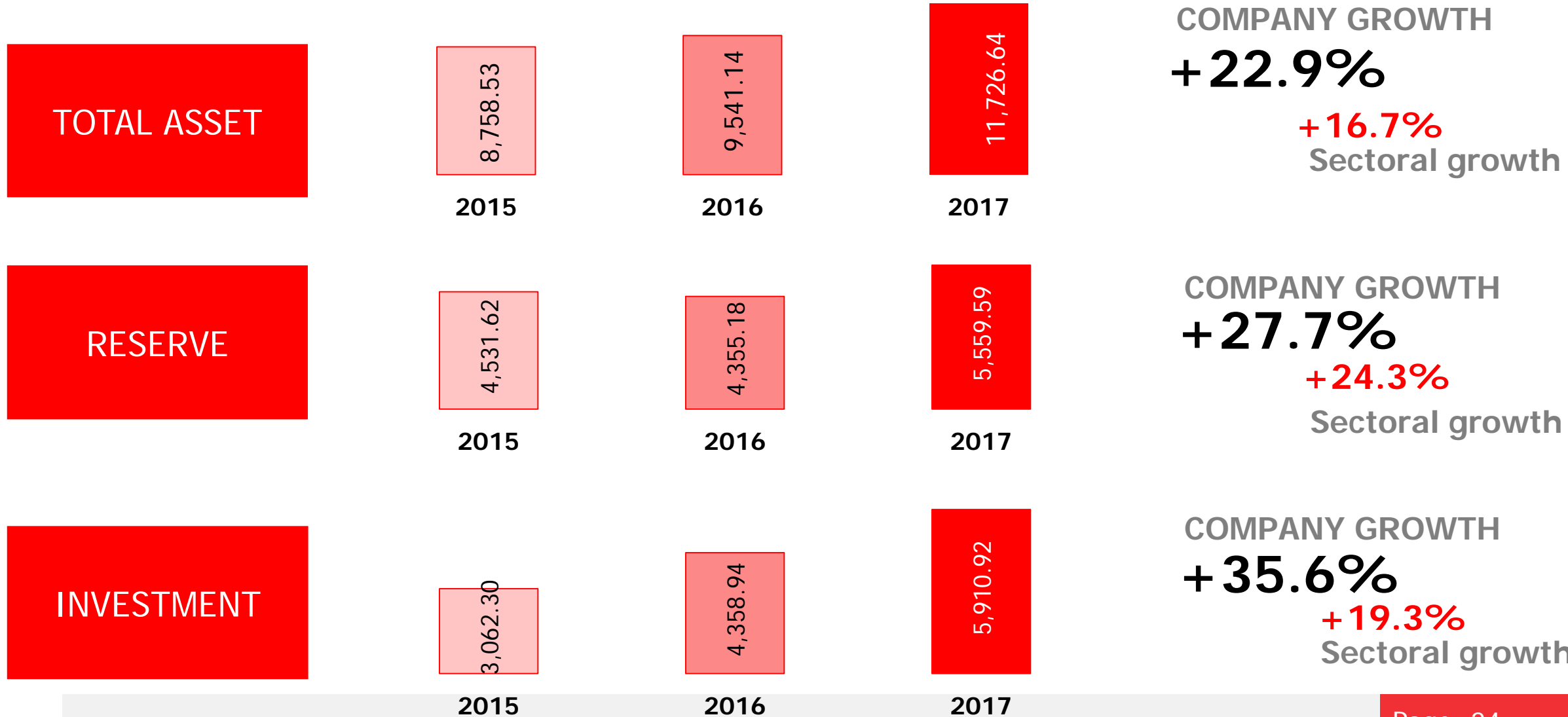
2.5. Rankings on the market



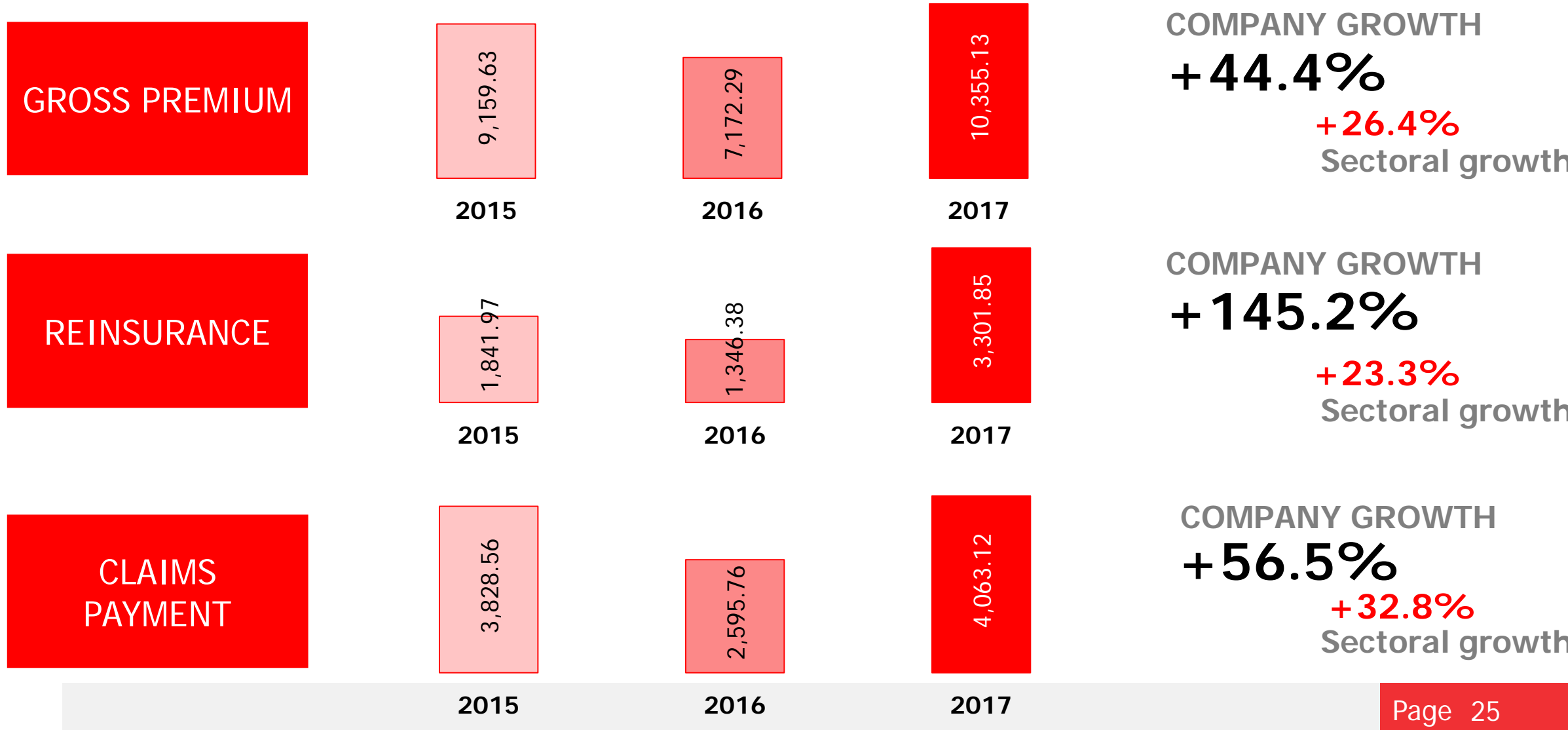
2.5. Market share of the company



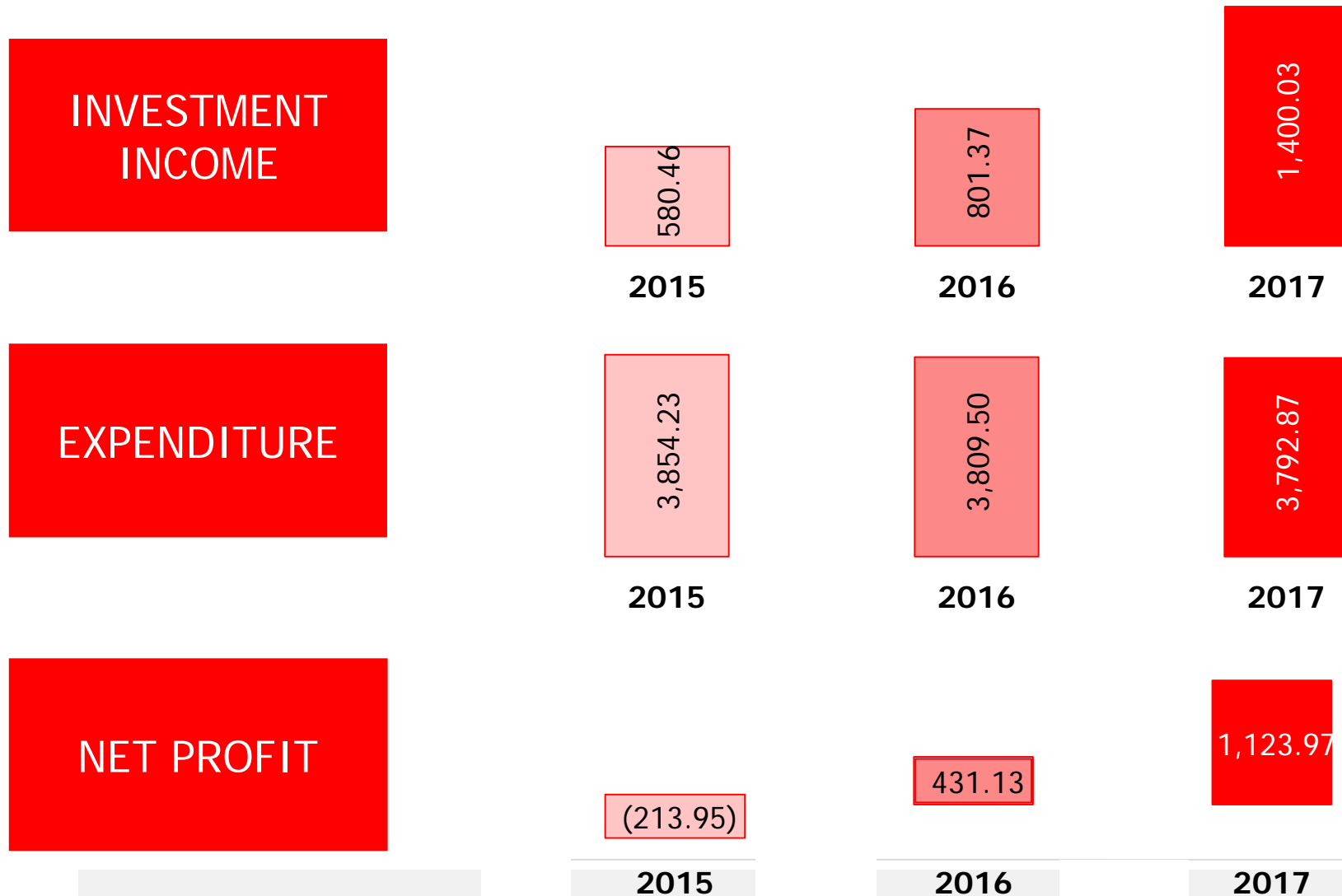
2.6. Company growth VS market



2.6. Company growth VS market



2.6. Company growth VS market



COMPANY GROWTH

+74.7%

+40.4%

Sectoral growth

COMPANY GROWTH

+0.4%

+17.5%

Sectoral growth

COMPANY GROWTH

+160.7%

+2.9%

Sectoral growth

2.7. Financial Projection

➤ Asset projection:

/thousand MNT/	2018	2019	2020	2021	2022
Cash and Cash equivalent	384.76	178.74	1,013.43	2,199.21	2,364.27
Receivable	2,488.75	3,085.43	3,861.93	4,796.53	6,002.44
Inventory	22.20	19.93	21.93	24.12	26.53
Prepaid payments	1,681.33	1,069.95	1,477.84	1,822.34	2,296.52
Savings	5,000.00	5,600.00	7,000.00	8,500.00	10,500.00
Short-term investment	6,550.00	7,850.00	10,700.00	14,600.00	18,000.00
Total current asset	16,127.04	17,804.05	24,075.13	31,942.20	39,189.76
Real estate	1,800.00	1,800.00	800.00		3,000.00
Other fixed assete	587.64	637.64	687.64	737.64	787.64
Accumulated deoreciation	(355.37)	(448.39)	(521.40)	(590.71)	(663.50)
Total non-current asset	2,032.27	1,989.26	966.24	146.93	3,124.15
Total asset	18,159.31	19,793.31	25,041.37	32,089.13	42,313.91
Non-financial and tax payable	38.12	65.65	108.66	162.68	229.14
Other payables /double insurance, compensation/	851.36	767.24	970.72	1,198.14	1,512.41
Total short-term liabilities	889.48	832.89	1,079.38	1,360.82	1,741.55
Statutory reserve	5,701.64	6,028.87	8,118.63	10,028.56	12,623.42
Total liabilities	6,591.12	6,861.76	9,198.01	11,389.38	14,364.97
Equity	8,750.00	8,750.00	8,750.00	8,750.00	8,750.00
Total accrued profit	2,818.18	4,181.54	7,093.37	11,949.74	19,198.94
During the report date	1,643.03	2,363.36	3,911.83	5,856.37	8,249.20
Before the report date	1,175.15	1,818.18	3,181.54	6,093.37	10,949.74
Total Shareholders' equity	11,568.18	12,931.54	15,843.37	20,699.74	27,948.94
TOTAL EQUITY AND LIABILITY	18,159.30	19,793.30	25,041.38	32,089.12	42,313.91

*The projection is based on Ard owning 9% of the market share in 2018, and the market share increasing 1% yearly

2.7. Financial Projection

➤ Income projection:

/thousand MNT/	2018	2019	2020	2021	2022
Gross premiums	13,000.00	15,921.84	20,106.72	24,793.74	31,245.23
Premiums ceded to reinsurers	3,209.89	3,836.22	4,853.59	5,990.72	7,562.05
Returned insurance	120.2	144.24	173.09	207.71	249.26
Net premiums	9,669.90	11,941.38	15,080.04	18,595.30	23,433.92
Fair Value gains and losses	471.97	1,075.03	1,647.70	1,397.41	1,923.47
Net realized gains and losses	9,197.93	10,866.35	13,432.34	17,197.90	21,510.45
Total claims paid	3,501.60	4,204.67	5,309.82	6,591.15	8,269.61
Change in statutory reserve	702.55	979.32	442.06	512.53	671.38
Investment income	1,400.00	1,900.00	2,500.00	3,000.00	4,000.00
Reinsurance income	160.49	191.81	242.68	299.54	378.1
Gross Profit	6,554.27	7,774.17	10,423.14	13,393.75	16,947.56
Operating cost	4,795.88	5,222.14	6,113.63	6,921.78	7,812.39
Operating gains and losses	1,758.39	2,552.04	4,309.51	6,471.97	9,134.18
Non-operation gains and losses	67.2	73.92	36.96	35.11	31.6
Profits before taxes	1,825.59	2,625.96	4,346.47	6,507.08	9,165.78
Tax Expense	182.56	262.6	434.65	650.71	916.58
Net Profit	1,643.03	2,363.36	3,911.83	5,856.37	8,249.20
Margin	13%	15%	19%	24%	26%

*The projection is based on Ard owning 9% of the market share in 2018, and the market share increasing 1% yearly

2.8. Future benefits

If the investment is increased as planned year by year, total investment would be MNT 4 billion by 2022 which would be an increase of 185.7 percent compared to 2018.

/million MNT/	BP2018	BP2019	BP2020	BP2021	BP2022
Net Profit	1,643.03	2,363.36	3,911.83	5,856.37	8,249.20
Insurance Premium	13,000.00	15,921.84	20,106.72	24,793.74	31,245.23
Total claims payment	3,501.60	4,204.67	5,309.82	6,591.15	8,269.61
Total Investment	13,350.00	15,250.00	18,500.00	23,100.00	31,500.00
Total Investment Income	1,400.00	1,900.00	2,500.00	3,000.00	4,000.00
Net Profit Margin	13%	15%	19%	24%	26%
EPS	65.72	94.53	156.47	234.25	329.96
Book Value Per Share	462.73	517.26	633.73	827.99	1,117.96

3.1. About the IPO

PRICE PER SHARE

MNT 700

TOTAL SHARES OFFERED TO
PUBLIC

7.5 million shares

TOTAL FUNDS TO BE RAISED

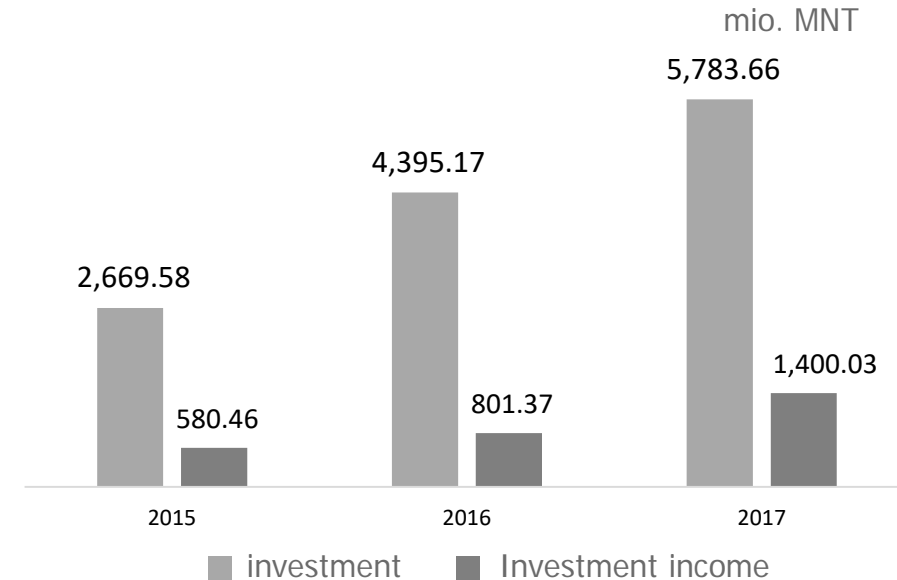
MNT 5.25 bln

Offering percentage	30%
Type of the shares	Common
MSE listing	1st category
Current number of shares	17,500,000
Number of shares after IPO	25,000,000
Date of subscription:	2018.08.29-2018.09.26
Order registration to MSE system:	2018.09.17-2018.09.26 (Till 14:00)

3.2 Use of proceeds

The securities issuer would be investing the raised fund of MNT 5.25 billion within the framework of FRC's regulation:

- Bank depository;
- NBFi trust;
- Government Bond;
- JSC listed on 1st and 2nd category at MSE;
- Company bond;
- Investment fund.



Investment yield

2015: up by 18.23 percent
2017: up by **24.2 percent**

Total Investment

2015: 2.67 billion MNT
2017: 5.78 billion MNT (up by **112.7 %**)

3.2 Use of proceeds

Investment plan of AIC to be implemented in the following 5 years: (million MNT)

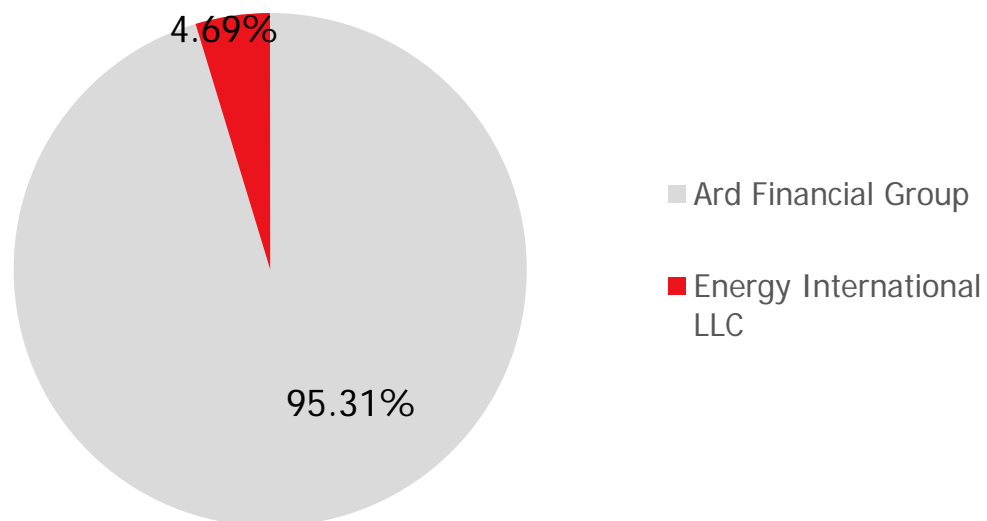
№	Investments	2017	BP2018	BP2019	BP2020	BP2021	BP2022
1	Savings	2,600.00	5,000.00	5,500.00	7,000.00	8,500.00	10,500.00
2	NBFI trust	60.00	550.00	750.00	1,300.00	2,300.00	3,500.00
3	Government Bond	1,386.40		300.00	1,000.00	1,200.00	1,000.00
4	Securities on MSE	639.40	2,700.00	3,000.00	3,400.00	4,400.00	5,000.00
5	Company Bond	1,097.70	1,500.00	1,800.00	2,400.00	3,500.00	4,500.00
6	Real estate	1,800.00	1,800.00	1,800.00	800.00	-	3,000.00
7	Investment fund	-	1,800.00	2,000.00	2,600.00	3,200.00	4,000.00
Total Investment		7,583.70	13,350.00	15,250.00	18,500.00	23,100.00	31,500.00

Total investment structure is planned to place 35 percent in capital markets, 36.4 percent in banking sector, 7.4 percent in Non-Bank Financial Institutions and remaining percent in real estate and Investment funds.

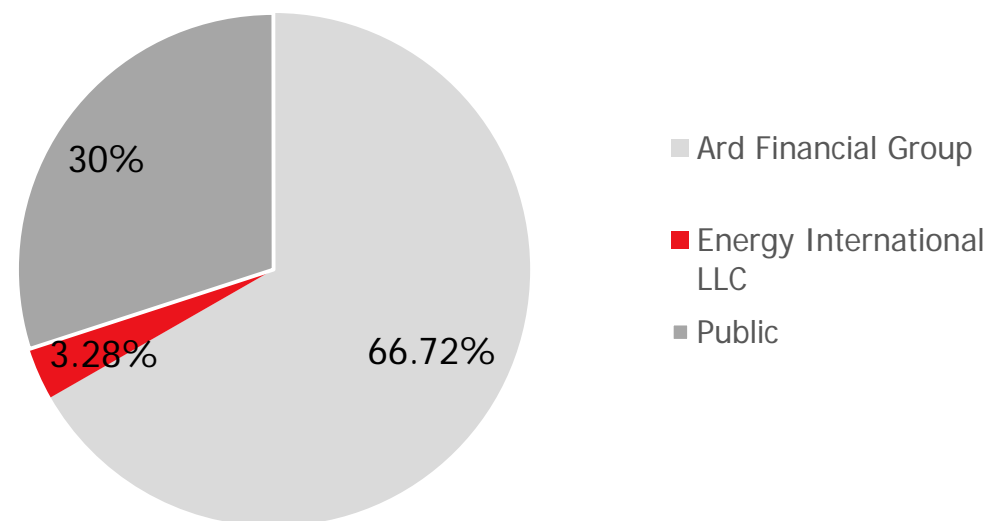
3.3. Major shareholders pre and post IPO

Shareholders	Before IPO		After IPO	
	Number of Shares	Percentage	Number of Shares	Percentage
Ard Financial Group	16,679,250	95.31%	16,679,250	66.72%
Energy International LLC	820,750	4.69%	820,750	3.28%
Public	-	-	7,500,000	30%
Total	17,500,000	100%	25,000,000	100%

Pre-IPO



Post-IPO



3.4. Rationale for IPO

BDO Executed Business valuation

COMPANY BUSINESS VALUATION

Minimum valuation

18,91 billion MNT

Maximum valuation

20,37 billion MNT

“BDO” independent audit company has estimated “**Ard Insurance Company**” valuation as MNT18.9-20.37 billion. Nevertheless, as a result of discussions with underwriter the company has decided to decrease its valuation by 40% to MNT **12.25** billion and offers its shares for MNT 700 per share.

The offering price is relatively low enabling the public to buy shares at **DISCOUNTED PRICE**.

3.4. Rationale for IPO

DCF valuation (discount rate - 24%)

Equity Value Evaluation	BP18T	BP19T	BP20T	BP21T	BP22T
Cash Flow	802,404	261,679	1,608,195	3,228,637	5,222,617
Terminal Value					26,514,975
Number of Period	0.50	1.50	2.50	3.50	4.50
Discount rate	0.90	0.72	0.58	0.47	0.38
Discounted cash flow	720,316	189,415	938,987	1,519,214	1,981,601
Discounted terminal value					10,060,493
Equity Value (thousand MNT)					18,910,026
Equity Value (thousand USD)					7,791

-35.2%

DCF valuation (discount rate - 23%)

Equity Value Evaluation	BP18T	BP19T	BP20T	BP21T	BP22T
Cash Flow	837,404	349,179	1,695,695	3,316,137	5,310,117
Terminal Value					28,348,291
Number of Period	0.50	1.50	2.50	3.50	4.50
Discount rate	0.90	0.73	0.60	0.48	0.39
Discounted cash flow	754,792	255,843	1,010,317	1,605,263	2,089,593
Discounted terminal value					11,155,382
Equity Value (thousand MNT)					20,371,190
Equity Value (thousand USD)					8,393

-39.9%

3.5. Advantages of AIC

- OPERATION:** The first private insurance company.
Provides every service of General Insurance Company.
Operates in all **21** provinces / Cooperation with “Mongol Post” JSC/
- COMPANY GOVERNANCE:** Composition of Board of Directors
Experienced Management team
Open and Transparent
- DIVIDEND POLICY:** According to the BoD’s resolution on March 30, 2018, the company decided to distribute 30-50% of net profit as a dividend annually.
- Dividend distribution for the past two years:**
- 2016: 30% of net profit - 123.3 million MNT
 - 2017: 50% of net profit - 562 million MNT

3.5. Advantages of AIC

SECURITIES:

Tier-1 company on MSE listing.

Offering a discounted price to public by decreasing its business valuation.

INSURANCE SECTOR GROWTH POSSIBILITY:

It is predicted that the insurance premium would grow with the same level as Gross Domestic Product at around 4.5%. However, for developing countries, the estimated growth projection is around 9.5%. While the Gross Insurance premium/Gross Domestic Product ratio is 0.5% in Mongolia, world average is 2.9% implicating that there are still possibility for insurance sector to grow furtherly.

3.5. Advantages of AIC

FINANCIAL PERFORMANCE	Net Profit Growth/2016-2017/	Sector	+2.9%
		COMPANY	+160.7%
	Total Asset /2016-2017/	Sector	+16.7%
		COMPANY	+22.9%
MULTIPLES	Net Profit Margin	Sector	+6.16%
		COMPANY	+10.85%
	Return on Equity	Sector	+7.89%
		COMPANY	+23.71%
	Return on Asset	Sector	+4.84%
		COMPANY	+10.57%

Assisted Consultants



Underwriter: "BDSec" JSC



Audit: Dalaivan audit



Үнэлгээ: "BDO AUDIT" LLC



Legal Advisory: ELC LLP