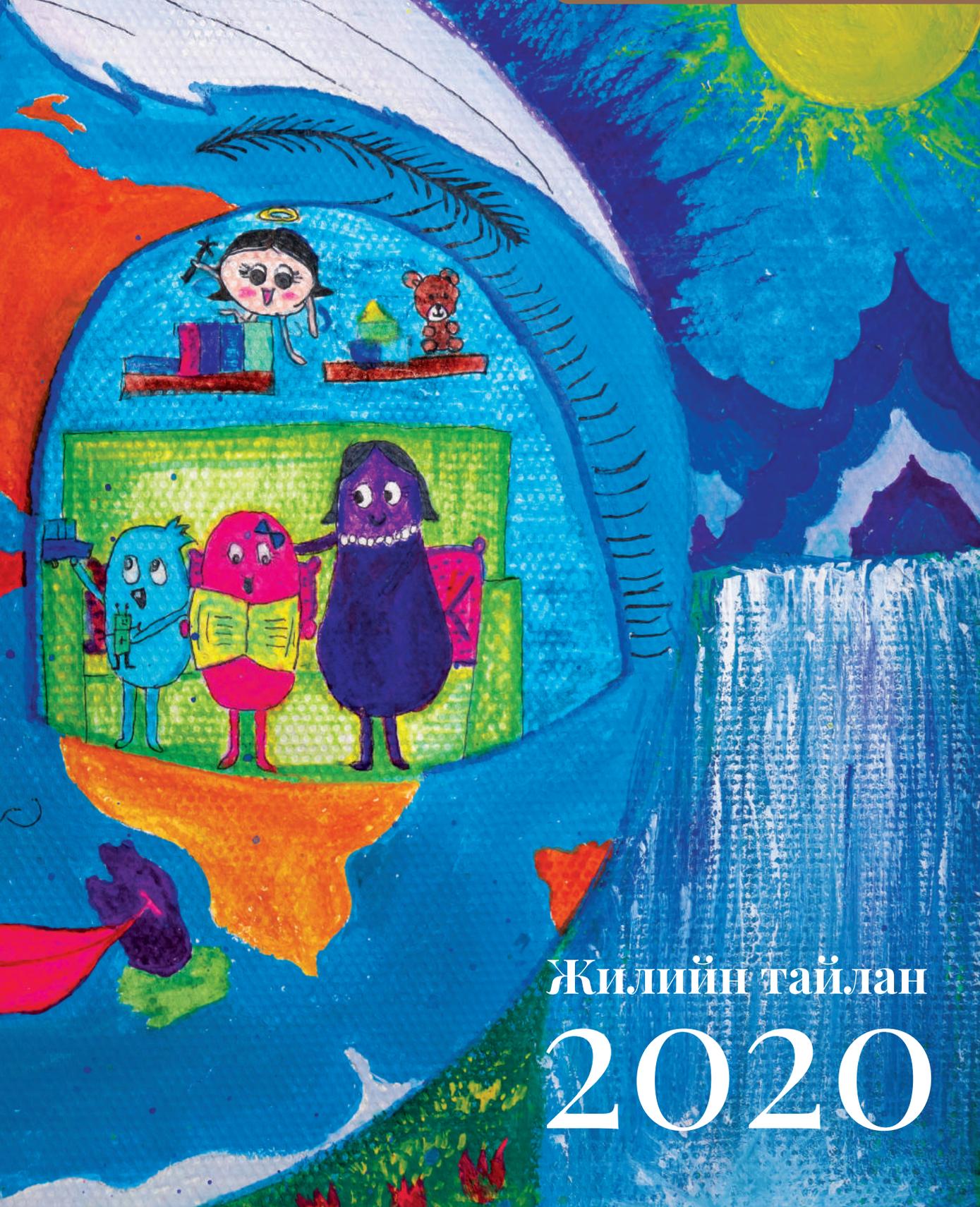




МАНДАЛ  
даатгал

10

ХАМГИЙН ТОМ ДААТГАГЧ БОЛСОН 10 ЖИЛ



Жилийн тайлан

2020

# WELCOME

Our planet holds all the wonders of life. We question the genuine worth of all these marvels, since our loved ones require the most protection, defense and compassion, along with a helping hand. While we spend our days surrounded by all that is valuable, we may be sure that danger and unexpected misfortunes are lurking all around us. That danger is now considered a part of our daily lives.

In Mongolia, traffic accident related fatality rate per capita is 6 times higher than developed countries. Respectively, Mongolia is first and second globally in terms of liver cirrhosis and stomach cancer cases per capita. It is devastating to see that at least two fatal accidents occur every day, while another 13 succumb to cancer. But the risk is not confined to health concerns and car accidents either; every other step of life is full of unpredictable risks that threaten the standard of living of the citizens of Mongolia.

Every morning, we at Mandal, come to our desks with a passion to create ways to reduce risks, surrounding Mongolian people with a pursuit to improve their living standards, and create a better environment. We aim to contribute towards the control and mitigation of financial and societal risks that may affect Mongolia's 70,000 businesses, along with the hundreds of thousands of citizens and employees that work there.

Although the act of minimizing risks for an entire society is not the responsibility of a single company, we have been a proud participant in this mission for the past decade. Our intentions and efforts to positively impact our society has enabled us to continue developing a reliable, consistent insurance system.

This report will take you through the overview of Mandal Daatgal, including financial and organizational results, annual audited financial information, and more. It is specifically designed for our clients, stakeholders and everyone in our glorious past who has been part of our legacy and who looks forward to a bright future.

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## Company overview

Company Name	<b>Mandal Insurance JSC</b>
Business Type	<b>General insurance</b>
Established Date	<b>April 26, 2011</b>
CEO	<b>Javkhlan Batsaikhan</b>
Number of Employees	<b>150</b>
Company Website	<b><a href="http://www.mandal.mn">www.mandal.mn</a></b>

# 01

## Mandal Overview

Page 06

Performance highlights  
Our history  
Market conditions  
Chairman Statement  
Letter from the CEO

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# 02

## Strategic Report

Page 22

Financial results  
Underwriting results  
Investment results  
Business development  
Customer service  
Operations  
Risk management

---

# 03

## Social Responsibility

Page 50

Intellectual investments  
Risk education

---

# 04

## Corporate Governance

Page 55

Governance structure  
Board of Directors  
Management team

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# 05

## Audited Financial Report

Page 100

# 10 ACHIEVEMENTS

## Largest in the Industry

1

Now, on its 10th Anniversary, Mandal Daatgal has established itself as the largest publicly listed general insurance company in Mongolia, leading the market with its strong financial performance and, setting new standards, and rules in the industry.

As of 2020, total assests reached MNT 55.2 billion, and investment asset reached MNT 33.5 billion, making Mandal the industry leader in terms of risk capacity. In addition, company had highest profit margin in the sector for three consecutive years.

## Pioneer in Risk Education

2

Mandal Daatgal's particular focus on contributions to the society and the country, rather than merely concentrating on profit, was the key to its success. On this grounds, many successful initiatives and projects on raising risk education and awareness have been implemented.

Our **Annual Risk Management Forum**, in particular, brings together professionals from all disciplines, to discuss risk, has grown to become one of the industry's most meaningful and sought-after events.

## Industry Thought leader

3

As a thought leader in the business, we have been implementing various projects in economics, finance, health and education to support advancement of financial and risk literacy in Mongolia.

Some examples are "Purplebook" magazine, "Checklist Manifesto", "Risk Management" books, Mandal Risk School, "eDoctor.mn" platform and others.

## Exemplary Corporate Governance

4

Since Mandal's public listing on Mongolian Stock Exchange, number of outstanding shares owned by a related party has never exceeded 51 percent.

Company regularly discloses financial and operational reports on quarterly basis to the public and stockholders, setting a new benchmark for "transparency" among listed companies.

## The COOLest, Most Dynamic Team

5

Creativity, opportunity, online activity and expertise are all highlighted in our Human Resources policy. As a result, our employees are the most remarkable bunch around, always looking for new opportunities, supporting digital transformation and working in a supportive environment conducive to growth and profitability.

# 10 YEARS

## Internationally Recognized Performance

# 6

In 2020, Mandal Daatgal became the first Mongolian company to receive a financial strength and credit rating from the global credit rating agency, AM Best, which assigned a Financial Strength Rating of B (Fair) and the Long-Term Issuer Credit Rating of 'BB+' to Mandal Daatgal JSC. The outlook assigned to these Credit Ratings is stable.

## The Industry Groundbreaker

# 7

Mandal Daatgal has always intended to disrupt the established business models and creating new competitive edge. Rather than following in the past footsteps of the insurance industry, our company has always strived to create its own unique business model. We seek to develop a new customer base and increase the insurance industry by offering goods and services that suit our customers' needs daily.

In the past decade, we have helped grow our voluntary insurance client base by introducing several new, customer-centric products and services to the insurance market.

## Stable Management, Consistent Growth

# 8

Capable and effective leadership is a vital requisite for companies aspiring to sustained high performance. Our management team is comprised of dedicated, talented experts with a combined business experience of 140 years working in the banking, finance and insurance industries

## Bringing international standards to local grounds

# 9

Insurance is a highly specialized, standardized and methodical industry, which has been in existence for approximately 350 years. However, it is still a relatively new notion for Mongolian consumers. As the local leader in the industry, our job is to introduce international standards and raise insurance services to new heights.

## Shared Success

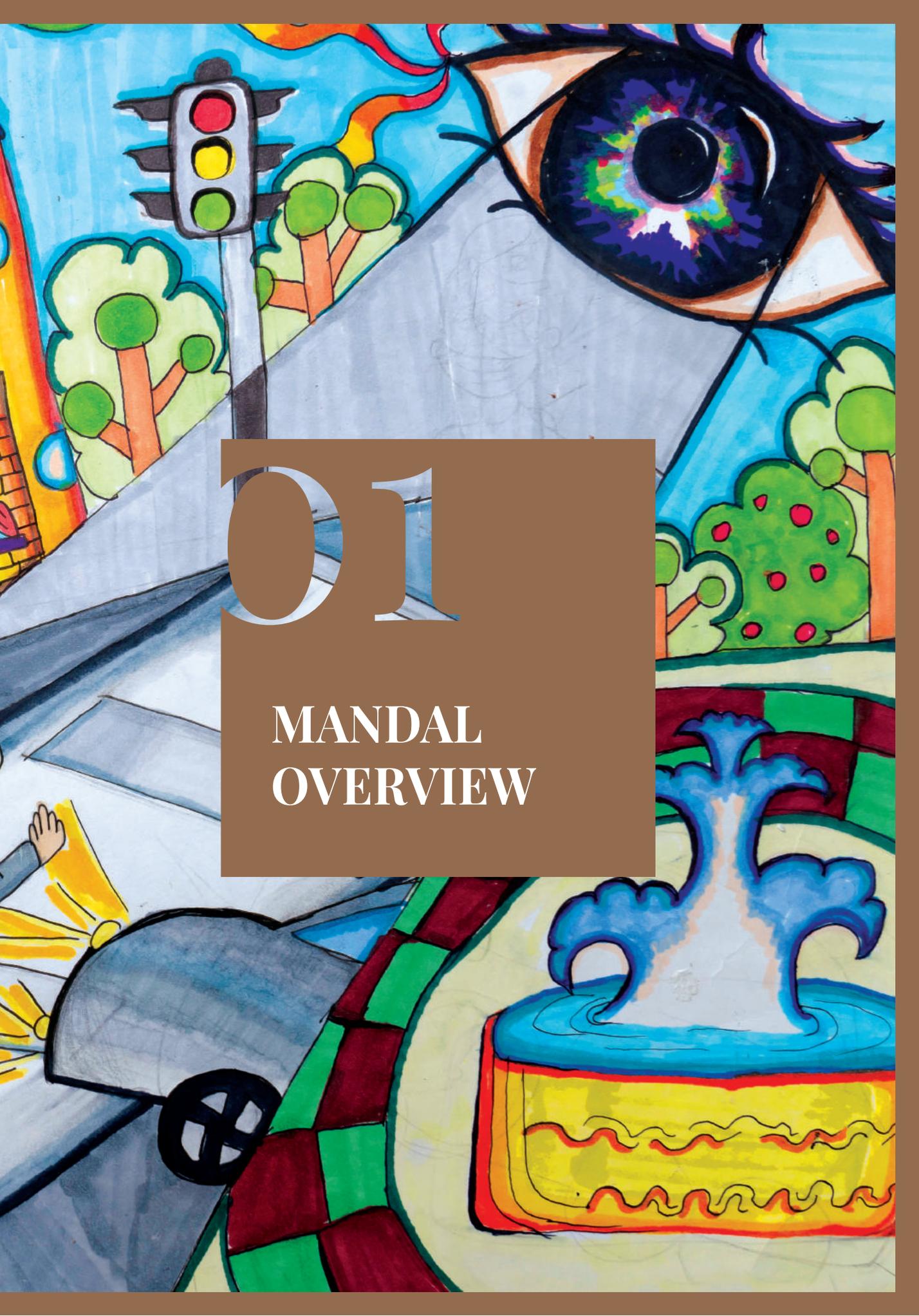
# 10

In 2018, Mandal successfully listed on the Main Board of the Mongolian Stock Exchange with an aim to share our future growth with the public. The Company offered 25% of its outstanding shares in an IPO and became Mongolia's first listed insurance company, writing a new chapter in the country's insurance history.

In line with Mandal's prudent, sustainable and progressive dividend policy, the Company has paid dividends to shareholders for 2 consecutive years. Dividends accounted for 43 percent of the overall profits in 2019 and 41 percent in 2020, respectively.



**"RISK IN MY PERSPECTIVE"**, Student of Mandal Risk School Namun T., 12 years old



# 01

## MANDAL OVERVIEW

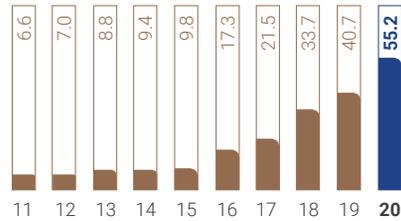
# PERFORMANCE HIGHLIGHTS

A decade of becoming the biggest insurer in Mongolia

TOTAL ASSETS, billion MNT

**55.2** billion

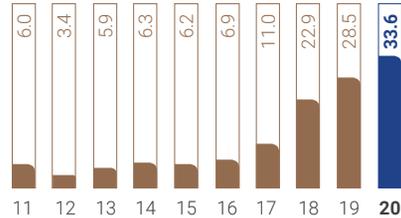
CAGR: 27%



INVESTMENT, billion MNT

**33.6** billion

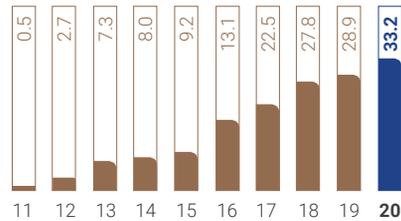
CAGR: 21%



GROSS WRITTEN PREMIUM, billion MNT

**33.2** billion

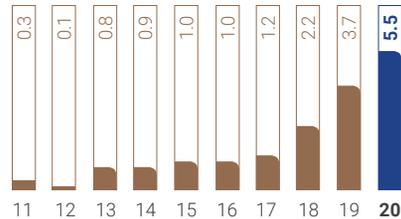
CAGR: 59%



INVESTMENT INCOME\*, billion MNT

**5.5** billion

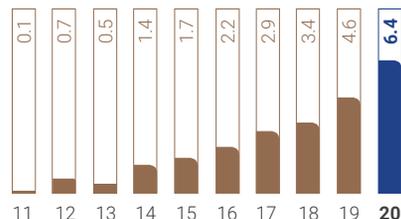
CAGR: 38%



LOSS PROVISION (RESERVE), billion MNT

**6.4** billion

CAGR: 66%

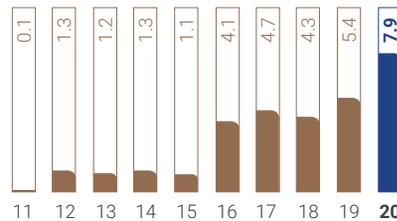


We are celebrating the first **successful decade** of building a strong business that will create long-term value for our customers, shareholders, employees and society as a whole, by introducing reforms, new standards and best management practices in the 80-year-old insurance industry of Mongolia.

**TOTAL CLAIMS**, billion MNT

**7.9** billion

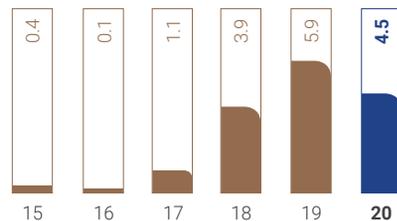
**CAGR: 69%**



**NET PROFIT**, billion MNT

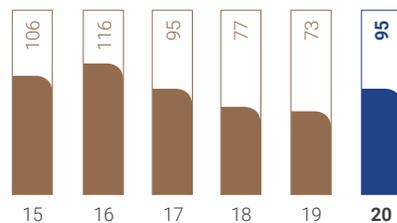
**4.5** billion

**CAGR: 33%**



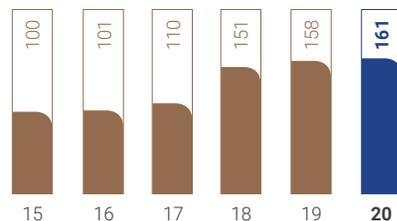
**COMBINED RATIO**, percentage

**95%**



**SOLVENCY**, percentage

**161%**



Investment income in 2020: Investment income includes real exchange rate gains associated with foreign currency investments.

# OUR HISTORY

2011 04

## Operation License

Received special permit from Financial Regulatory Commission (FRC) to undertake general insurance operations in Mongolia.



06

## Our beginning

Established Mandal Daatgal LLC in cooperation with Canada-based investment company "Mongolia Growth Group" LTD by raising capital in American and Canadian stock exchanges.



11

## Annual Risk Management Forum

Initiated and hosted "Annual Risk Management Forum" a leading professional event aimed at promoting the understanding of risk and improving risk management in Mongolia. The mission of the forum is to address the various risks exist in our business environment and society at large, share and exchange good practices of managing those risks.



2012 09

## Bancassurance in Mongolia

Started bancassurance business in Mongolia in collaboration with Mongolia's largest commercial bank, Khan Bank, laying groundwork for increasing insurance penetration.

08

2014

## Partnership with Golomt Financial Group

"Golomt Financial Group" LLC became a strategic investor for Mandal Daatgal, forming a strategic alliance for growth in the financial sector.





2015 10

### “Jargalan” insurance

Introduced “Jargalan” Mongolia’s first domestic private health insurance to the market.

12

2016

### TOP III

Mandal became one of the TOP 3 players in the insurance industry.

2017 04

### Selected as the insurer for the Oyu Tolgoi project

Mandal was selected as the health and accident insurer of 2,400 employees at Oyu Tolgoi LLC, the largest tax-payer organization in Mongolia.

09

2018

### IPO

Became the first insurance company to be listed on the Mongolia Stock Exchange through an Initial Public Offering. The company offered 25 percent of its outstanding shares, raising MNT 7.5 billion.



2019 01

### TOP 20 INDEX

Mandal Daatgal stock has been included in the TOP 20 index at the Mongolian Stock Exchange.



2019 07

## Best Domestic Insurance of the Year

Received a title of "The best domestic insurance of the year" from the Insurance Asia Awards ceremony, which honors the best insurance companies in Asia.



05 2020

## Insured our 82,000 customers with free COVID-19 coverage

To minimize the financial risk that may occur to individuals due to the ongoing COVID-19 pandemic, we insured our 82,000 customers with free COVID coverage.



12

## Received BB+ rating from AM Best

In 2020, Mandal Daatgal has become the first Mongolian company to receive financial strength and credit rating from Global credit rating agency, AM Best.

AM Best has assigned a Financial Strength Rating of B (Fair) and the Long-Term Issuer Credit Rating of 'bb+' to Mandal Daatgal JSC. The outlook assigned to these Credit Ratings (ratings) is stable.



## HIGHLIGHTS OF 2020

- In 2020, Mandal Daatgal became the first Mongolian company to receive financial strength and credit rating from the global credit rating agency, AM Best. AM Best assigned a Financial Strength Rating of B (Fair) and the Long-Term Issuer Credit Rating of 'BB+' to Mandal Daatgal JSC. The outlook assigned to these Credit Ratings is stable. The ratings reflect Mandal's balance sheet strength, which AM Best categorizes as strong, along with its strong operating performance, limited business profile, and appropriate enterprise risk management. Such a commendable rating from the only international organization that specializes in the insurance industry is a clear indication that Mandal Daatgal's underwriting, investment and risk assessment activities are conducted according to international standards.
- In 2020, total assets increased by MNT 14.7 billion to MNT 55.2 billion, while investment assets reached a record high of MNT 33.6 billion. As a result, Mandal Daatgal has established itself as the largest insurance company in Mongolia.
- Investment income increased by 47 percent to MNT 5.5 billion compared to 2019. Return on investment was 7.4 percent higher than the industry average.
- In 2020, despite the slowdown in economic growth triggered by the COVID-19 pandemic, net profits reached MNT 4.5 billion, highest in the industry.
- In 2020, according to the recommendations by the Board of Directors, a total of MNT 2.49 billion, or MNT 4 per share, was distributed as dividends from the company's 2019 net profit. The dividends reflect the strength of Mandal's financial results and the Board's continued confidence in the future prospects of the Company. In 2021, the Board approved dividend of MNT 3 per share, or a total of MNT 1.87 billion, from the net profits of 2020.
- As part of its social responsibility, Mandal Daatgal has developed "COVID coverage" financial insurance products to cover the financial burden of the pandemic, for 82,000 customers, free of charge. "COVID coverage" is an innovative insurance product that provides a one-time cash benefit of MNT 500,000 to 3,000,000 in case a customer is diagnosed with COVID-19 infection.

# MARKET CONDITIONS

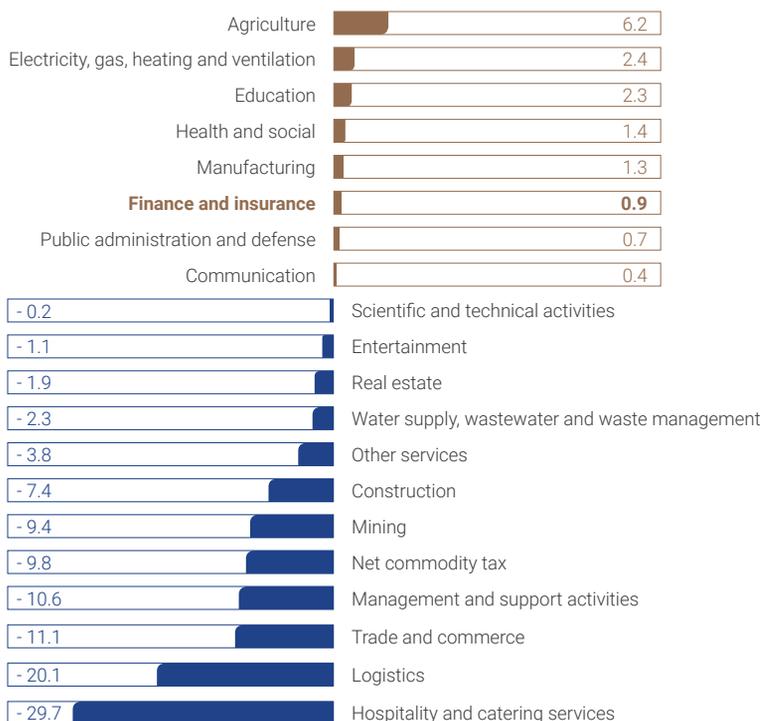
## FUNDAMENTAL ECONOMIC CONDITIONS OF THE MARKET

2020 has been a challenging year for the world as the pandemic put the economy in recession and people's livelihoods declined. According to the International Monetary Fund, the world economy is expected to shrink by 3.5 percent this year, while Mongolia's economy is expected to shrink by 5.3 percent. In the spring, Mongolia's suspension of coal exports due to the virus dealt a significant blow to the mining sector. As a result, in 2020, the growth of the mining sector decreased by about 9.4 percent from the previous year.

The transportation sector declined by 20.1 percent due to the slowdown of the mining sector. Strict curfews were imposed in the second half of the year, leading to a complete stop for the service sector. Of which, the catering and hospitality industry decreased by 29.7 percent and other services by 3.8 percent. This year, the good news was that the agricultural sector grew by 6.2 percent and the financial and insurance industries by 0.9 percent.

Despite the economic recession, the financial sector saw growth.

### ECONOMIC GROWTH BY SECTORS, 2020

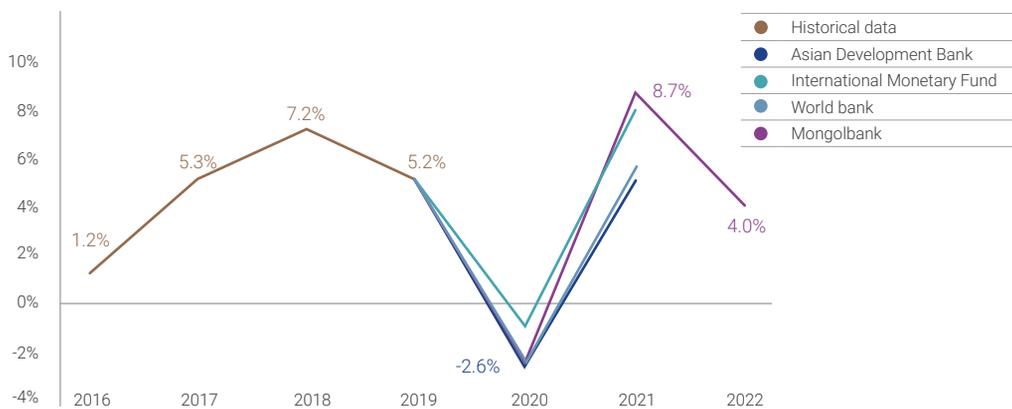


Source: National Statistical Office (NSO)

The government has attempted to support the economy by supplying cash deposits into the market, but the implementation has been lacking. The exchange rate was relatively stable, and inflation was low at 2.6 percent, due to low demand for the US dollar. In short, 2020 was a fragile year for economic activities. Many of these negative changes have taken place in the Mongolian economy, but on the other hand, high commodity prices have provided a significant boost to the country's export earnings. For example, copper prices topped \$ 9,000 per ton, which was a record high.

Based on this baseline, the chart below shows the economic growth forecast for the upcoming year. This forecast is based on the assumptions made by domestic and international research organizations.

**ECONOMIC GROWTH, Forecast**



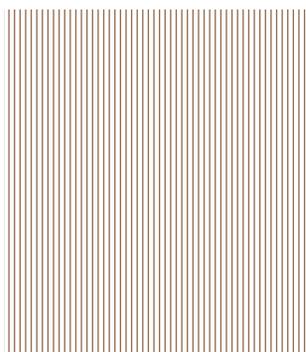
Source: World Bank, ABD, IMF



**Investment manager  
BAATARJAV D.**

It is estimated that coal and copper prices will remain consistent throughout the following year. Demand for the commodities from Mongolia is expected to be high, due to the recovery of the Chinese economy.

The 2020 budget and expansionary monetary policies will have their impact in 2021. As a result, credit growth is expected to increase. Banks have large amounts of cash and cash equivalents as a prerequisite for lowering interest rates. Deposit rates are also likely to fall sharply next year.



## THE GENERAL INSURANCE INDUSTRY AT A GLANCE

The most significant impact of the many changes in the global insurance industry, as a result of the COVID-19 pandemic, was the large number of claims issued for businesses, due to interruptions in their operations. But for our country, there was apparent growth in the insurance sector. Mongolia's insurance sector is underdeveloped compared to other countries, so there is room for continuous growth in all economic and social aspects.

A year of growth for insurance industry

In 2020, the total assets of insurance companies increased by 4.4 percent per annum, and total premium income increased by 4.3 percent. As a result, the total assets of insurance companies reached MNT 382 billion, and premium income reached MNT 205 billion.

**382** billion

**INSURANCE SECTOR TOTAL ASSETS,**  
billion MNT



**205** billion

**INSURANCE SECTOR GROSS WRITTEN PREMIUM,** billion MNT



As far as the level of insurance penetration is concerned, Mongolia was at 0.5 percent in 2020. It has not increased that much in recent years – it is two percentage points lower than the average for developing countries and nine percentage points lower than the average for developed Asian countries. That makes the growth potential of the insurance market even more transparent.

**INSURANCE PENETRATION RATE,**  
percentage



Source: NSO

To detail other statistics, in 2020, we paid out about MNT 60 billion in claims, and the reserve fund of insurance companies was at MNT 174 billion. A total of 16 insurance companies, 55 insurance brokerage companies, and 2,473 insurance agents operated during the year.

In 2019, the net profit of insurance companies was MNT 17.3 billion, and in 2020 it reached MNT 17.6 billion, an increase of 1.4 percent over the year. That is an excellent achievement for the year of economic downturn.

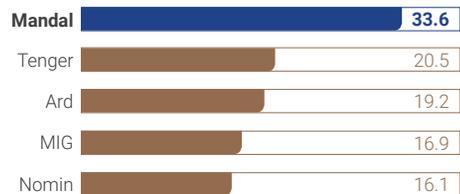
## Leading companies in the general insurance sector

The top five companies in the general insurance sector and their respective economic ratings are as follows. Mandal Daatgal leads the industry in terms of total assets, float and net profit, while Bodi Daatgal ranks first in total premium income.

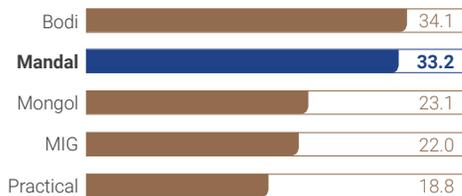
### TOTAL ASSETS, billion MNT



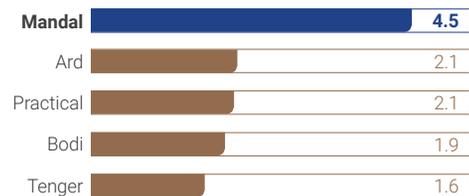
### FLOAT, billion MNT



### GROSS WRITTEN PREMIUM, billion MNT

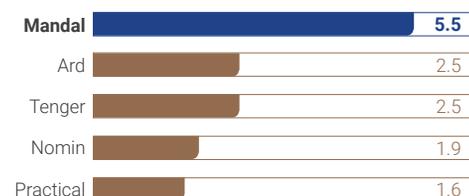


### NET PROFIT, billion MNT



Investment, one of the two main activities of the insurance business, is essential for the profitability of an insurance company. To compare the investment income indicators, Mandal Daatgal had the highest revenue of MNT 5.5 billion, followed by Ard Daatgal with MNT 2.6 billion.

### Investment income of TOP 5 insurance companies, 2020, billion MNT



Source: Mongolian Insurance Association (MIA)

# GANZORIG ULZIIBAYAR

Board Chairman, Founder



“

We believe that fundamentally, business is not about making money, but about creating sustainable positive value for the community. This is the secret to our success.

## CHAIRMAN'S STATEMENT

Dear customers, shareholders and partners of Mandal Daatgal,

When we founded the company in 2011, we had an aspiring vision to become the top insurance company. We believe that a leading company in the industry should be a winner in terms of profits and assets and a pioneer in introducing new standards and innovative ethics.

Today, ten years later, we have become a top insurance company in all respects. To mention one example, Mandal Daatgal has done tremendous work to spread risk education to the public, which is something that any other company has ever done. The secret of our success lies in the fact that we focus primarily on our contribution to society and our country than merely on profits.

Our mission is to create a safe, risk-free environment in which to work and live, for

Mongolian citizens and companies alike. In the next ten years, we will move beyond the insurance sector and set an exemplary threshold of moral values, social responsibility and new standards for all companies in our country.

Development of Mongolia cannot be shaped by the deeds of single minister or a chairman, but by humane and ambitious companies that voluntarily take responsibility for their citizens beyond their own business.

We are proudly celebrating our 10th Anniversary as a company that strives for better, sets high goals and exceeds with great confidence.



### VISION

To create a Mongolian brand that competes globally, by establishing a world-class financial services franchise.

In a relatively short period of time, Mandal Daatgal has become a leading insurance company in the industry. Mandal Daatgal's vision is not only to become the best insurance company in Mongolia, but also to create a Mongolian brand that can compete in the Pan-Asian market.

### MISSION

Guaranteed today for better tomorrow for every citizen

The biggest contribution of any insurance company to society is to protect citizens from unexpected financial losses and to ensure their rhythm of life.

Mandal Daatgal aims to make our society better through insurance, protecting the wealth that individuals, households and organizations have created to date from the risks they may face.

# JAVKHLAN BATSAIKHAN

Chief Executive Officer



“

We did not see the curfew as a drawback to our success, but rather as a means of improving the quality and availability of our products and services, developing organizational skills, and enhancing overall productivity.

## A LETTER FROM THE CEO

I wish you all a magnificent day. I am happy to present the 2020 report on the activities and results of Mandal Daatgal.

In 2020, the main topic of conversation in the world was the COVID-19 pandemic. It has been a challenging year for the economy, individuals and businesses, due to public curfews, closed international borders, customs sanctions and the resulting instability of foreign trade, in an effort to prevent the spread of the disease. When the curfews were imposed in the capital city for the first time, for almost half a year, our sales declined and at times, they even halted entirely.

However, we, the people of Mandal, regarded this time as an opportunity rather than a standstill. We have been very successful in improving the quality of our products and services, boosting the skills and availability of our employees, and increasing our productivity by means of augmenting automation. As a result of the curfews, 70 percent of the claims were settled electronically for the fourth quarter. As a result of carrying out important and necessary work, according to the plan, our insurance premium income increased by 15 percent from the previous year, reaching MNT 33.2 billion. In times of crisis like this, new opportunities arise in the market. After assessing these opportunities and improving risk management, investment income has increased by 47 percent from the previous year, to MNT 5.5 billion. As a result, net profit reached MNT 4.5 billion, and return on equity (ROE) came in at 21 percent.

For the first time in the history of the Mongolian insurance industry, AM Best, an international rating agency, evaluated our company, which was the most significant event of 2020 for Mandal. AM Best rated Mandal's financial strength at B and its long-term credit rating at "BB +." The assessment was a lengthy process over several years and confirmed that Mandal Daatgal operates according to international standards, is reliable and is able to pay indemnities.

In 2021, our company celebrates its 10th Anniversary. When our company was launched into the established market, our objective was to "make every customer aware of risks and offer the right product". Today, we have achieved this goal by providing risk management education to the Mongolian public. As a result, the level of public education on risk has improved, Mandal has gained new clients, the company's financial capacity has strengthened, and we have become a leading insurance company in the industry. Our grateful thanks all our customers and partners in this regard.

I am proud of all of Mandal's achievements and accomplishments to date, and I believe that we will face more significant challenges and rewards in the future. It is no secret that, compared to those of other developing countries, Mongolian citizens lack risk awareness and are less motivated to get insurance. There is an urgent need to use the risk management and transfer insurance mechanisms to ensure the regular operation of privately owned businesses, protect the capital resources they create, and prevent the middle class from falling into poverty, due to risk. As industry leaders, we take responsibility and actively fight for this goal.

I am confident that the uncertainty of the pandemic will eventually come to an end and that good times, during which the economy can recover, will return sooner or later.

We will overcome this together!





**"RISK IN MY PERSPECTIVE"**, Student of Mandal Risk School Sobbileg E., 9 years old



02

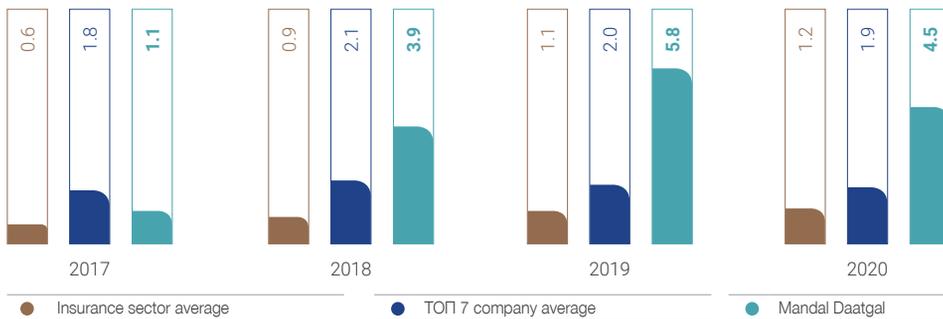
STRATEGIC  
REPORT

# FINANCIAL RESULTS

## PROFITABILITY: MANDAL DAATGAL AND THE INSURANCE INDUSTRY

Comparing the average profits of general insurance companies with the average earnings of the top seven companies that make up 82 percent of the insurance industry, Mandal Daatgal is a clear winner in terms of profits.

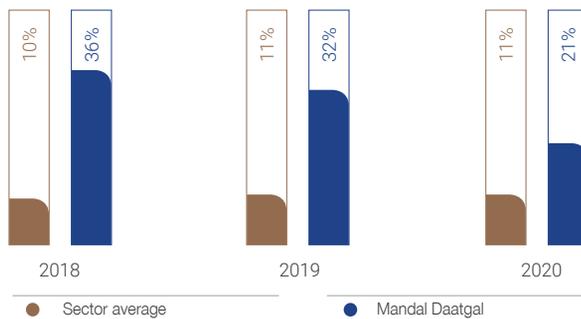
**NET PROFIT**, in billion MNT



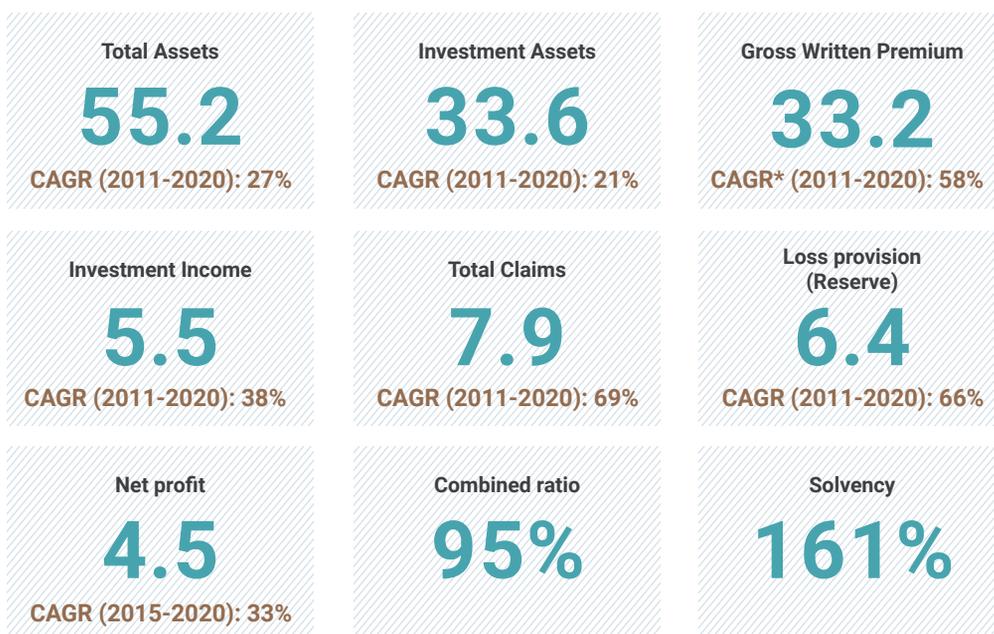
TOP 7 general insurance companies of Mongolia: Mandal Daatgal JSC, Bodi Daatgal JSC, Mongol Daatgal JSC, MIG Daatgal LLC, Practical Daatgal LLC, Tenger Daatgal LLC, Ard Daatgal JSC

Mandal Daatgal has a higher return on equity compared to the industry average, indicating healthy performance in terms of capital and asset management.

**RETURN ON EQUITY**, Percentage



## FINANCIAL HIGHLIGHTS, 2020



## TOTAL ASSETS

In 2020, the total assets increased by MNT 14.7 billion to MNT 55.2 billion, compared with 2019. The increase was mainly driven by strong insurance operations, net profit and development of the loss provision reserve. In 2020, we were industry leader in terms of total assets and investment assets. Our initial capital of MNT 6.6 billion in 2011, has been expanding consistently over the period of operation with an average annual growth rate of 27 percent.

## INVESTMENT ASSETS

In 2020, the investment assets increased by MNT 5 billion or 18 percent and reached MNT 33.6 billion, making it a historic achievement for Mandal. Since 2011, investment assets have been growing at an average annual rate of 21 percent. Recognized as a leader in terms of investment Mandal is fulfilling its stewardship responsibilities as an institutional investor in Mongolian stock market. The capital increase was also attributed by successful initial public offering (IPO) in 2018.

## GROSS WRITTEN PREMIUM

Insurers are exposed to financial markets, and through them to political and macroeconomic challenges, despite insurance services themselves being relatively insensitive to GDP changes. In 2020, the Mongolian economy contracted by 5.3 percent, but insurance sector delivered positive growth of 3 percent. As for Mandal, GWP increased by 115 percent to MNT 33.2 billion,

compared to the previous year. As a result, our market share increased from 15 percent to 17 percent. In 10 years time, our GWP increased 64 times, with an average annual growth rate of 59 percent, which was 42 percentage points higher than the average annual growth within the industry (average annual growth of the insurance industry stands at 17 percent).

## INVESTMENT INCOME

Investment income increased to MNT 5.5 billion, representing growth of 47 percent from the previous year. The increase was mainly driven by appropriate cash management and accurate investment portfolio policies. Improved investment risk management practices, including the placement of investment portfolios in short-term, credit-rated, fixed-income instruments, has positively impacted investment income growth.

## CLAIMS

In order to protect company's solvency and ensure reliable and secure claims services to our customers, significant portion of Mandal's risk portfolio is placed on global reinsurance markets. In 2020, paid claims increased by 45 percent or MNT 2.4 billion to MNT 7.9 billion, compared to previous year. Reinsurer's share of paid claims accounted for MNT 640 million.

## LOSS PROVISION (RESERVE)

The loss provision (reserve) increased by MNT 1.8 billion from the previous year, reaching MNT 6.4 billion. The increase was mainly driven by 42 percent increase in the loss ratio. Since 2011, the loss provision (reserve) has increased by an average of 67 percent per annum, in line with the performance of the loss ratio, while the reserve fund adequacy level is at 1.9 and considered sufficient.

## NET PROFIT

In 2020, the company made a net profit of MNT 4.5 billion. The net income was positively impacted by a 47 percent increase in investment income over the previous year. Based on the company's net profit and economic circumstances, Mandal declared a final dividend of MNT 3 per ordinary share, or a total of MNT 1.8 billion, in 2021.

The company's performance has been consistently positive over the past six years, with an average annual net profit growth of 33 percent. Customer-centric products, services, simplified operational modeling, underwriting and strong portfolio policies have positively impacted the company's profitability.

## COMBINED RATIO

Combined ratio is a measure of underwriting performance – the ratio of underwriting costs (claims, commissions and expenses) expressed in relation to earned premiums. In 2020, the combined ratio reached 95 percent, four points lower than the industry average combined ratio of 99 percent. Underwriting profits have been steadily improving since 2015, but due to

increased number of claims and losses occurred in 2020, the combined ratio increased by 22 points compared to previous year.

## SOLVENCY

The solvency ratio measures the capital adequacy of insurance companies, indicates the insurer's ability to meet its contractual obligations on time and bear significant risks that may occur in the future. At Mandal Daatgal, this indicator has been steadily improving over the past five years, indicating that the company's core capacity is ready for future growth. According to the 2020 report, solvency was 161 percent, which is in line with the requirements of the Financial Regulatory Commission and company's own unique risk profile.

# UNDERWRITING

*We continue to invest in our underwriting tools and capabilities, so we can constantly improve our understanding and pricing of the evolving risks that our customers face.*

## Our focus in underwriting

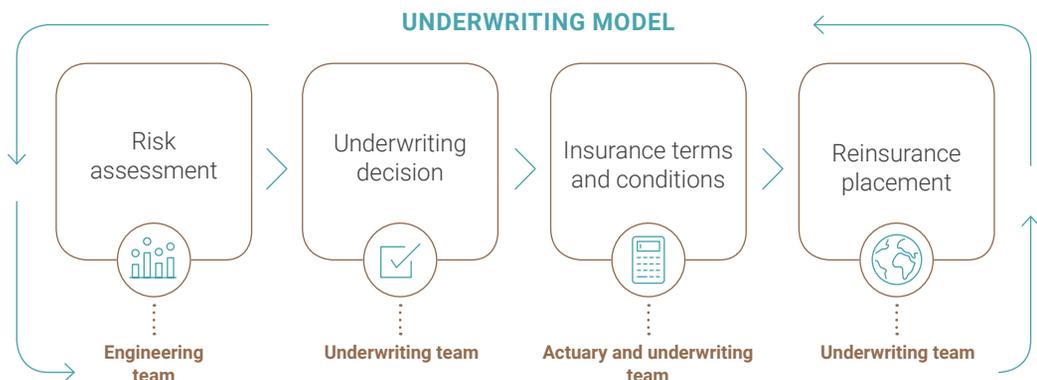
- Set and enforce rigorous underwriting standards.
- Invest in tools and technology.
- Provide training for our staff.
- Optimise reinsurance.

Mandal Daatgal expanded its customer base by 1,698 in 2020, compared to the previous year, reaching 82,902 customers.

<b>Financial indicators</b> , in million MNT	<b>2019</b>	<b>2020</b>
Number of policies	115,260	<b>125,141</b>
Gross written premium	28,927	<b>33,225</b>
Total claims	5,423	<b>7,862</b>
Loss ratio	27%	<b>42%</b>
Number of conducted risk assessments	-	<b>21</b>

## PORTFOLIO MANAGEMENT AND REINSURANCE

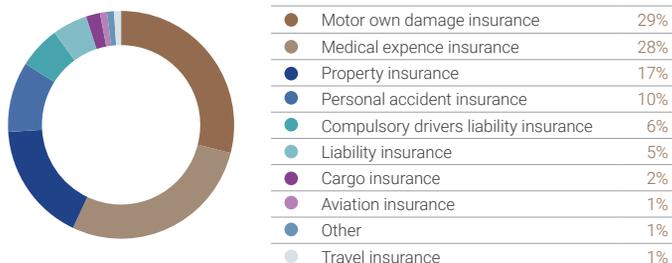
### Our underwriting model



At the heart of our business sit the data science driven disciplines of underwriting and claims handling. Every year we seek to move these forward, using modern techniques of analytics, as well as focus on skills and training.

We have a balanced portfolio in terms of our product offering and the way we distribute these products. This scale and breadth helps us to manage the impact of volatility on the Company effectively.

### PRODUCT PORTFOLIO



### P&C reinsurance treaty agreement

In line with the Company's underwriting policy, liabilities exceeding the underwriting capacity of Mandal are automatically ceded to a reinsurer under treaty agreement. Reinsurance arrangements ensure that we are protected from volatility and large losses while we develop our understanding of the sector. The advantage of this agreement is that it allows the Company to automatically transfer the risk to the reinsurers, according to pre-agreed terms, rather than negotiating the wager of each client separately for each insurance policy that is reinsured. The limits of treaty agreement are shown in the table below:

Property and casualty treaty reinsurance, USD	Deductible	Limit per risk	Aggregate limit
Commercial general liability			<b>3,000,000</b>
Professional indemnity		1,000,000	
Special purpose machinery and heavy truck			
Cargo	200,000	2,000,000	<b>5,000,000</b>
Property			
Contractors all risk		5,000,000	

In the event of a significant insurance loss, it is important to provide reimbursement of the covered obligations in a timely manner. Therefore, under our treaty agreement we strive to work with A rated global reinsurers with strong performance and track-record.

Reinsurer



*hannover re*



Rating

**AA- (S&P)**

**A+ (AM Best)**

**A+ (ACRA)**

### Health insurance treaty agreement

Mandal Daatgal has been working together with AXA PPP Healthcare Limited, one of the top three health reinsurers globally, by entering into treaty reinsurance agreement on international and domestic health insurance lines since 2020.



AA- (S&P)

## UNDERWRITING RESULTS

### Gross Written Premium

Gross written premium, by product line	2019		2020	
	million MNT	Percentage	million MNT	Percentage
Personal accident and medical expense insurance	8,165	28%	<b>8,224</b>	<b>25%</b>
Contractors all risk insurance	6,377	22%	<b>6,585</b>	<b>20%</b>
Motor own damage insurance	6,095	21%	<b>6,472</b>	<b>19%</b>
Property insurance	3,711	13%	<b>4,209</b>	<b>13%</b>
Liability insurance	1,234	4%	<b>3,236</b>	<b>10%</b>
Compulsory drivers liability insurance	491	2%	<b>1,000</b>	<b>3%</b>
Other	2,854	10%	<b>3,499</b>	<b>11%</b>
Total	28,927	100%	<b>33,225</b>	<b>100%</b>

Breakdown of 2020 GWP of MNT 33.2 billion by product line is provided below:

The composition of the product lines show that the company's revenue structure is healthy, well diversified, and not focused on a single line of business. Compared to the previous year, accident and medical expenses insurance, which accounted for 28 percent of the portfolio, decreased by 3 percent, Contractors all risk insurance and motor own damage insurance showed negative offset of 2 percent, and liability insurance increased by 6 percent, which in turn reduced the portfolio concentration.

### Total Claims

In 2020, Mandal Daatgal paid out a total of MNT 7.9 billion in 13,604 insurance claims, and the number of claims compared to the previous year was as per the table below.

Total claims, by product line	2019		2020	
	million MNT	Percentage	million MNT	Percentage
Personal accident and medical expense insurance	2,275	42%	<b>2,944</b>	<b>37%</b>
Motor own damage insurance	1,930	36%	<b>2,940</b>	<b>37%</b>
Property insurance	273	5%	<b>1,222</b>	<b>16%</b>
Compulsory drivers liability insurance	275	5%	<b>464</b>	<b>6%</b>
Liability insurance	561	10%	<b>254</b>	<b>3%</b>
Other	109	2%	<b>38</b>	<b>0%</b>
Total	5,423	100%	<b>7,862</b>	<b>100%</b>

In 2020, 8 percent of total claims of MNT 7.9 billion or about MNT 641 million was paid by the reinsurer, one percent or 57 million MNT by subrogation and the remaining MNT 7.2 billion, or 91 percent, by the Company.

### Loss ratio

In 2020, the company's loss ratio increased by 15 percent to 42 percent, compared to the previous year. This increase was attributed to negative development in personal accident and medical expenses insurance, motor own damage insurance and property insurance lines. Loss ratios are a key lever in the Company's financial performance. Improvements in the business mix, together with investments in digitally enabled underwriting and claims excellence, implementation of risk assessment and risk reduction practices, are targeted at reducing and maintaining loss ratio.

Loss ratio, by product line	2019	2020
Personal accident and medical expense insurance	26%	39%
Contractors all risk insurance	3%	0%
Motor own damage insurance	38%	61%
Property insurance	7%	29%
Liability insurance	21%	7%
Other	53%	46%
Total	27%	42%

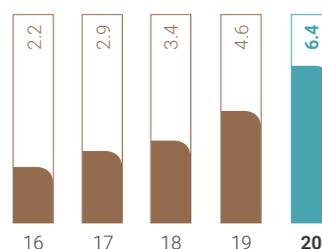
## LOSS PROVISION

Claims Reserve or loss provision is a provision established to cover the estimated cost of claims payments and claims handling expenses that are still to be settled and incurred in respect of insurance cover provided to policyholders up to the reporting date.

Mandal Daatgal is regulated by the FRC Resolution №2 of January 9, 2019, Annex №3, of the "Insurance Provisions", "Regulations on formation, distribution and control of the insurance reserve, compulsory insurance reserve, and other reserves." The reserve was calculated according to these regulations.

- At the end of 2020, a reserve of MNT 6.4 billion was established, of which MNT 768 million was allocated for reinsurance, and the total reserve for the year increased by 40 percent from 2019.
- The Company has a strong capital base and are well reserved to maintain ongoing resilience and continue to serve customers well. The assessment of the reserve margin remains at its target level.

RESERVE, in billion MNT



Reserve  
increased by

△40%

compared to 2019

# INVESTMENT

*Mandal adopts a prudent investment strategy with the investment portfolio favouring low risk, highly liquid assets.*

Mandal Daatgal's investment portfolios continued to concentrate on high-quality assets focused on delivering income while maintaining a low risk structure.

Asset allocation is based on macroeconomic and financial market conditions and investment opportunities, with the primary strategy of investing in low-risk, highly liquid assets. Selected less liquid assets are subject to strong internal and external governance.

Indicator, billion MNT	2019	2020	Change
Float	28.5	<b>33.6</b>	<b>18%</b>
Investment income	3.8	<b>5.5</b>	<b>47%</b>

The Company's investment activities are conducted in line with the FRC's guideline for insurance companies ratios and investment limits.

All aspects of investment policy and strategy are managed by the Investment Subcommittee under the Executive Committee of Mandal. The Committee provides oversight of the operation of investment portfolios within established strategy and risk frameworks, makes independent decisions based on risk and return, and does not invest in related parties.

Investment department reviews the company's investment position on a daily basis, monitors developments in market conditions and adjust strategy in light of the associated risks and opportunities that arise.

## RETURN ON INVESTMENT COMPARISON



Source: MIA, Mongolbank

The Company's investment assets and investment balances as of December 31, 2020, are as follows:

<b>Indicator</b> , billion MNT	<b>2020</b>	Percentage
Cash and cash equivalents	<b>2.2</b>	6%
Fixed income investment	<b>30.1</b>	90%
Deposits at banks and certificates of deposits	<b>24.8</b>	74%
Bonds	<b>1.5</b>	4%
Company bond	<b>3.7</b>	11%
Stocks	<b>1.3</b>	4%
Total	<b>33.6</b>	100%

Bonds and cash continued to represent the substantial majority of assets or 90%, while equities represent just 4%. Bond investments continue to be managed and monitored to ensure that they provide an appropriate match against both the currency and term of the underlying insurance liabilities. Appropriate management of cash investments will remain the main factor attributing to investment income and Company's overall profitability.

Credit rating of debt and security issuers are as follows:

<b>Indicator</b> , billion MNT	<b>2020</b>	Percentage
Rated B3 /Moody's/	<b>27.0</b>	81%
Unrated	<b>6.5</b>	19%
Total	<b>33.6</b>	100%

81 percent of of cash investments are placed in B3 rated securities by Moody's. Assigned rating by Moody's to Mongolia is B3 as well.

# BUSINESS DEVELOPMENT

*To ensure that we offer the right products at the right price and on the right terms, we work hard to increase our understanding of our customers' risks and their evolving needs.*

Good business starts with our customers and we strive to keep them at the heart of what we do. To ensure that we offer the right products at the right price and on the right terms, we work hard to increase our understanding of our customers' risks and their evolving needs.

Since the beginning, we strived to provide products tailored to customer needs by analysing market trends and investing in technology to keep pace with digital developments. Our product development policies are focused on product quality, market competitiveness, and efficient sales channels.

In Mongolia, due to certain stereotypes and misconceptions about the insurance industry, such as the fact that insurance products do not meet the needs of customers and that they create unfavorable and challenging conditions when receiving claims, customers are less likely to participate in voluntary insurance. To solve these problems and increase voluntary insurance penetration, our company introduced research-based product development technology in 2014. As a result, we have launched many successful products such as Jargalan, Songolt, Zamd Gary and COVID.

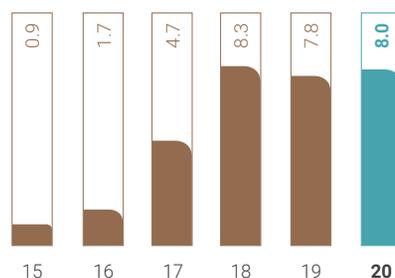
## HEALTH INSURANCE

In 2015, Mandal Daatgal introduced Jargalan, the first domestic private health insurance in Mongolia. Citizens by obligation have to pay a fixed annual fee to the State Health Insurance Fund to receive medical services from state owned hospitals and medical facilities. But due to limited access and insurance coverage, many people chose private hospitals for convenience, even though their out-of-pocket costs rise tremendously. Therefore, affordability and service availability were key product features Mandal needed to work on to tailor a product addressing these needs.

Since its launch, Jargalan has become best-seller in the market, with 8,000 policyholders, accounting for 60 percent of the private health insurance market alone.

### HEALTH INSURANCE GROSS WRITTEN PREMIUM, billion MNT

**8.0** billion  
CAGR: 54%



## 2015

Jargalan, the first domestic private health insurance in Mongolia, was introduced to the market.

Jargalan won the **Bloomberg Award** in the “**Best Innovation of the Year**” category.



## 2016

Created largest hospital network including all public hospitals and 13 leading private hospitals.

Furthermore, formed best-in-class, specialized team consisting of medical specialists and doctors.



## 2017

Mandal was selected as the health and accident insurer of 2,400 employees at Oyu Tolgoi LLC, the largest tax-payer organization in Mongolia.



## 2018

GCR Mongolia LLC, one of the largest subcontractors of the Oyu Tolgoi project, insured all employees and their families with Jargalan.

Our private health insurance alone accounts for a 60 percent of the entire market.

## 2020

Signed a reinsurance agreement with AXA, the world's leading health insurance group, further building upon our health and wellness strategy to deliver superior health outcomes.



Over the past six years, Mandal Daatgal has provided a total of MNT 6.4 billion in health insurance claims and resolved the financial issues of more than 8,100 customers with Jargalan insurance.

#### Benefits of Jargalan health insurance

- Largest hospital network including leading private and public hospitals.
- Health insurance operation unit with in-house medical professionals and experts.
- Providing Direct billing solution for inpatient services for the 5<sup>th</sup> year in a row.
- Introduced first mobile claims application for handling claims and services.

## MOTOR INSURANCE

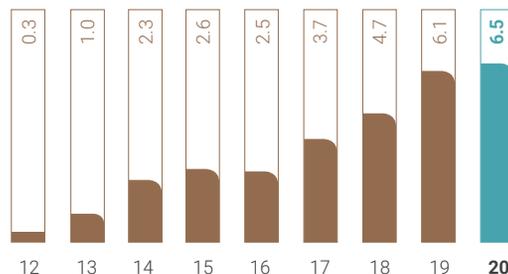
Motor insurance is one of the most popular products in the industry, has been showing rapid growth over the years. Despite that, the penetration rate is still low, with less than 15% of total vehicles are insured under motor insurance policy, and there is almost non-existence of voluntary motor insurance in the retail market. Which means most of the policies came from bank required insurance policies for their leased vehicles.

In the last ten years, the number of vehicles in Mongolia has doubled to over 1 million. The low penetration rate is seen as a potential for future growth in the market. For this reason, we have been continuously evolving our product and service propositions, in order to gain a greater market share, build a loyal customer base and ensure sustainable growth.

#### MOTOR OWN DAMAGE INSURANCE GROSS WRITTEN PREMIUM, billion MNT

**6.5** billion

**CAGR: 36%**



Providing insurance services through cost efficient, yet high service standard channels has been main distribution strategy of our company. Brokers - the main channel for retail sales in the market, has high commission rates opposed to low service standard, which interferes with our main strategy. For this reason in 2014, Mandal established its in-house direct sales unit specifically targeted toward retail market. Since then, it has become the largest direct sales team in the industry renowned for its professional excellence and service quality.

Our ability to attract the highest quality recruits and provide them with the best training and back-office support across every aspect of direct sales management is an important driver of motor insurance line growth. We believe that the strategy of using tied direct sales teams will continue to be the cornerstone of Mandal's future success.

## ТЭЭВРИЙН ХЭРЭГСЛИЙН ДААТГАЛ

2012

The establishment of bancassurance, or a bank insurance brokerage system, has contributed significantly to the expansion of the motor insurance market.



2014

Established direct sales unit specifically targeted toward retail customers, which was a "first" in the agency based distribution in the sector.

Since then, professionalism and a scale our direct sales team has become our core competitive advantage in the retail market and expansion of motor insurance line.

2015

Our research based, innovative motor insurance products named "Songolt" and "Classic" has been introduced to the market.

The products rapidly gained popularity among customers for its flexibility, bundled coverage and ease of getting insured.



2018

Since 2018, we started regularly organizing promotional campaigns to support sales and grow customer base.

In total, more than 5,100 customers have participated in our insurance campaigns, such as "Insurance Syndrome", "One Ton Gasoline" and "Viva Friendship" and received promotional prizes.

2020

We organized a Customer Care Day for our loyal customers, and provided them with free auto check-ups, medical examinations, and additional services. Due to its positive response, the Company decided to continue this activity, regularly to improve customer satisfaction and retention.



# CUSTOMER SERVICE

*Serving customers well is our raison d'être. We strive to address their changing needs and continually improve our service.*

Customers are at the heart of what we do and for the last 10 years we have built our brands and reputation in this way. Modern times bring heightened demands and expectations from our customers. These range from digital delivery of services, to help with new or changing areas of risk. We are committed to doing all we can to improve and to serve customers well. Across the Company where our underwriting is stable and producing the expected results, customer retention and satisfaction levels are generally high and improving. Conversely, when loss challenges require adjustments to pricing or underwriting conditions, we experience more



challenges with service and retention. Many initiatives continue across our business, using technology and data science, to serve customers better. And we are striving to meet rising customer expectations with competitive services that deliver good outcomes.

## SERVICE DELIVERY

### 1. Developing innovative products that meet changing needs.

Developing innovative and relevant products remains an important differentiator. In 2020, we introduced "COVID coverage" financial insurance products to cover the financial burden of the pandemic, for our 82,000 customers, free of charge.

### 2. Efficient sales and service channels

We aim to deliver our sales and services to the customer's preferred location and through the customer's desired channels, by constant expansion and development efforts. Therefore, we continue to invest in technology to improve customer satisfaction, retention and sales efficiency. In 2020, began the rollout of a new distribution channel based on Facebook messenger, which continues to progress well.

Our customers can choose their preferred service from numerous channel options, including brokers, dealers, digital and electronic channels, unique telephone lines and insurance managers.

### 3. Prompt claims service

We are constantly developing and introducing new solutions to optimize the claims process. Examples are:

- In 2017, started using scooters for the emergency calls and on-site inspections and managed to reduce the travel time to the accident site by 50-80 percent during heavy traffics.
- In 2018, we moved closer to our clients by establishing Service desk at Intermed Hospital, an international standard private medical facility that provides the largest number of health services to our policyholders.
- In 2019, continued to make significant and targeted investments to simplify processes and enhance efficiency, driving further productivity improvements and that we deliver quality service to our customers. For example, Business Process Reengineering project aimed at optimizing internal processes and improving productivity in service and sales has been successfully implemented.
- Depending on their preferences, our customers engage with us both online and offline. We continue to invest in improving our digital capabilities of online self-service. In 2019, we introduced "Mandal App" - first insurance mobile application that allows users to file claims, submit related documents, file complaints through touch of a button.

## CUSTOMER SATISFACTION

### Service metrics

We have introduced the internationally recognized Net Promoter Score (NPS), Customer Effort Score (CES) and Customer Satisfaction Score (CSAT), to measure and improve the quality of our service. NPS is evaluated on quarterly basis in line with our Customer Policy that outlines steps our businesses must take to ensure we treat customers fairly and provide them with quality products and services

### Customer research

We have been conducting customer satisfaction and customer journey surveys since 2019, to measure customer satisfaction and determine the pain-points of improvement and establish a benchmark.

In the customer journey survey, we used five indicators: access to information, online sales channels, service desk efficiency, claims handling speed and customer effort score for comparison. Our company was ranked first in terms of three indicators, compared to other insurance companies.



### Quality management

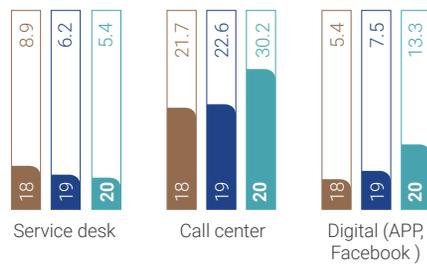
We pay constant attention to improving the quality of our services, and we carry out internal quality controls, discuss issues with the Internal Quality Subcommittee, implement quality management and control effectiveness.

## COMPLAINT MANAGEMENT

Based on customer complaints and compliments, we have continuously improved the quality of our products and services and implemented customer-centric strategic policies. Every customer’s feedback is valuable to us.

In 2020, our customers interacted with us on more than 49,000 service-related transactions. The number of inquiries increased by 18 percent from the previous year, to 30,225, the number of customers served in-person decreased by 12 percent to 5,444, and the number of online interactions has increased by 78 percent, to 13,348. This was the result of increased digitalisation of customer services.

**SERVICE INTERACTIONS**, thousand customers



We also redial customers who are disconnected from the call center and operate at an international standard, without missing any customer calls.

In 2020, customer complaints decreased by 38 percent from the previous year, and a total of 117 complaints were resolved within 2.5 days.

Customer effort score (CES): single-item metric that measures how much effort a customer has to exert to get an issue resolved, a request fulfilled, a product purchased/returned or a question answered.

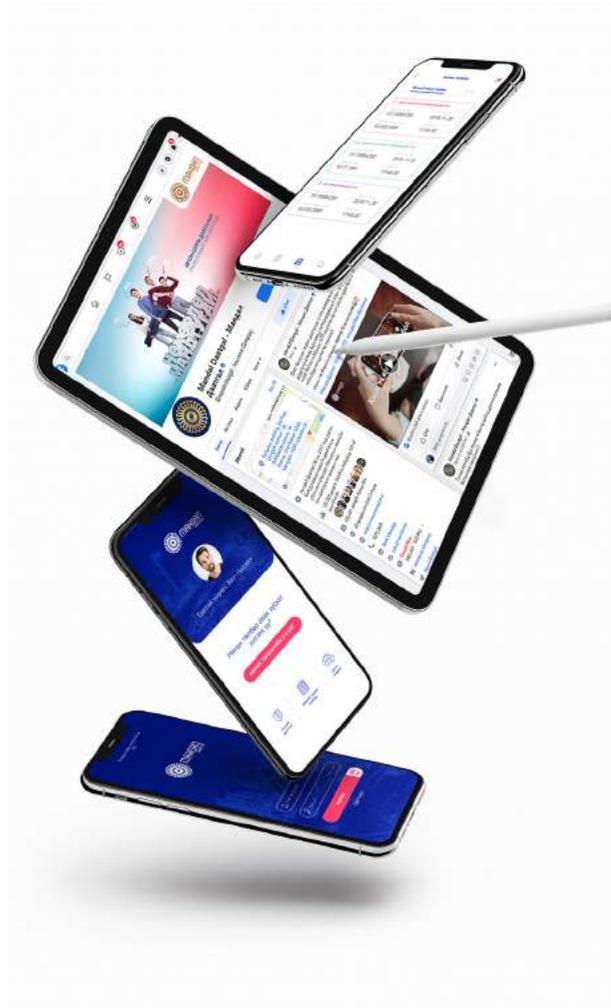
## DIGITAL SOLUTIONS

Increasing interconnectivity and developing technology mean customers expect more from companies. Our customers are increasingly expecting us to be able to serve them digitally, both through sales and service and claims processing.

In 2019, we continued to make significant and targeted investments to enhance efficiency in claims services. The Company made two major improvements and updates to its mobile application, which helped us to deliver a seamless uninterrupted service to customers during difficult period of repeated transitions to strict curfews.

In 2020, 70 percent of all claims were handled digitally, 26 percent through the app, and 44 percent through other digital channels. As a result, many customers have switched to our e-services and can easily file their claims or submit service inquiries through their mobile phones.

During the strict curfew from November 12, 2020 to December 31, 2020, the emergency call center received a total of 1,735 insurance claims calls, documented them digitally through mobile application, and promptly resolved claims of MNT 959 million, to protect the health and properties of our policyholders. During the quarantine period due to the pandemic, our staff was able to provide customers with uninterrupted service without any delays, thanks to thorough advance preparation of our technological solutions to work remotely.



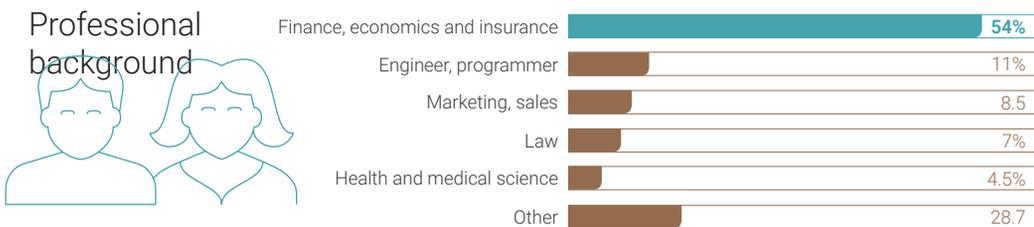
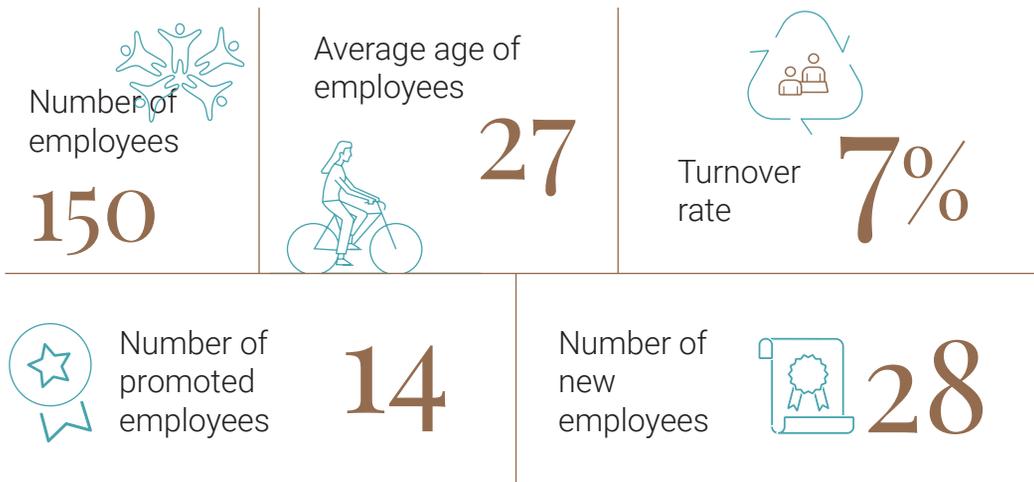
# OUR PEOPLE

*Our commitment to our people has helped us build a strong, high-performing workforce that believes in teamwork and is determined to serve our customers in the best way possible.*

Cental to Mandal Daatgal's success are more than 150 talented, professional and committed employees. It's due to their dedication, hard work and unrelenting focus on customer service and consistent execution of our strategy that we are able to sustain our strong track record of growth and success.

Mandal's culture is characterised by our mission of "Guaranteed today for better tomorrow for every citizen." We believe the key to maintaining our culture is ensuring that we attract, train and retain highly capable employees who actively look for opportunities we provide for continuing professional development and who embrace Mandal's brand promise and purpose.

## OUR PEOPLE IN NUMBERS



## FOSTERING CULTURE OF PEOPLE DEVELOPMENT

We foster a robust learning culture at Mandal that empowers our people to develop critical capabilities for their current roles and career aspirations. Our company-wide development framework align our people development with our business strategy and talent needs. Core development modules for employees such as “Starter Programme”, “Professional Certificate Programme” remain foundational curriculum items offered throughout the year. These core modules are complemented with wide variety of skills-based trainings to target individual development needs as well.

In 2020, we have outlined capability roadmaps to provide our leaders and employees with key knowledge, skills and behaviours required for their success in future roles. We offer internal mobility opportunities in other teams and functions to broaden our employees’ perspectives and present new career experiences.

### TRAINING AND DEVELOPMENT

Implemented

**286** > **70**   
hours of training training sessions

Average training grade

**A93.3%** 

Total training participation

**94%**

Average training hours per employee

**21.8** 



## ENGAGING OUR PEOPLE

We organize quarterly community sports and arts events, and make efforts to improve employee engagement, for example, by creating a comfortable workplace environment, flexible working hours, competitive salaries within the industry and reward incentives.

Due to the COVID-19 pandemic and several strict curfews, we sought flexible working conditions, remote work opportunities and technological solutions to increase efficiencies, reporting and analytical capabilities. With more employees choosing to work remotely, extra office spaces have been redecorated into recreational areas and sports corners, to help employees with managing stress and staying active.

We introduced internal social club initiative, with five active clubs, to improve employee productivity, encourage creative thinking, improve teamwork and active participation. At these clubs, employees are engaged in creative activities to develop their skills, support emotional and physical wellbeing.

We also a reward framework focused on supporting, celebrating and recognising new ideas and initiatives withing the Company.



# INFORMATION TECHNOLOGY

*As a leader in the insurance industry, we aim to be not just a part of, but a real shaper of the digital transformation in the industry.*

A key enabler of our strategic priorities is the transformation of our technology systems and business processes through digitalisation. During the year, we made significant investments in relevant technology to enhance back-office processes and systems, driving further productivity improvements across all channels and using innovation customer experience and products we offer.

Performance of system operation  
without network interruptions

**99.5%**



*Reduced man-hours  
using technology*

Internal  
operations

**11,500**  
man-hours



## CYBERSECURITY

Customer privacy is of paramount importance to Mandal. We continue to upgrade and invest in physical, administrative and technical measures to protect personal and business data. We have improved the security of our network by implementing enhancements to detection systems, access control and third-party risk assessments.

We have a framework in place to understand potential threats, as well as to manage and mitigate potential risks to customer data. Within this framework, the following activities have been carried out

- All systems, software and network security have been assessed by a professional third-party organization, to identify and improve any vulnerabilities that may surface. As a result, all systems and software had their reliability scores boosted, ensuring uninterrupted operation of the customer database.

- Raised awareness of cyber security with dedicated internal campaigns focusing on behaviours that promote cyber security and data protection alongside mandatory training for our employees.
- Conducted mock 'ethical hacking' attacks on our systems to assure that our cyber capabilities also work in practice. The outcome of these exercises was used to validate and inform the remediation plans and they will also be a regular feature of our security testing programme going forwards.
- The next-generation firewall fully controls the flow of information through external and internal networks within the organization, and adequate measures are taken to fully detect and stop misconduct within the organization, and prevent any external attacks.
- Cyber security solutions have been developed to work with the unique features of our softwares. For example, all web-based softwares are protected with web application firewall, and Microsoft's online email protection software provides uninterrupted and reliable operation. As an additional measure, the software database and source codes are backed-up on local and Cloud storage daily.
- Implemented a comprehensive information security solution for our fully remote office.

# RISK MANAGEMENT

*We recognise the importance of sound risk management in every aspect of our business and for all stakeholders.*

While effective risk management is vital to any organization, it goes to the core of a insurance business where it is a fundamental driver of value. Our risk management and controls frameworks were created to ensure that we identify, measure and manage risks across the Company before they adversely impact on our customers or the business. This information, together with the strength of capital position, allows us to set a risk strategy and appetite that articulates the level of risk the Company is prepared to take in delivering strategic objectives.

Solvency

**161%**

The Solvency is a measure of the capital adequacy of insurance companies.

Loss ratio

**42%**

Percentage of net earned premiums that is paid out in claims and claims handling expenses.

Implemented internal project to align standards and processes



**ISO 9001:2015**

to Quality Management System

Third-party risk assessment of our information technology, data security, cyber security received

**Adequate rating** 

## RISK GOVERNANCE

We consider the foundation of an effective risk management framework to be the cultivation of a risk culture that promotes accountability and openness (a willingness to admit mistakes and learn from the past).

In 2020, our Risk Policy Framework has been developed to enhance alignment between risk, requirements and controls, and to bring better definition to controls validation. The set of policies has been revisited to remove policies no longer needed and to identify any gaps requiring new policies.

### Lines of defence and their respective responsibilities

Parties	Responsibilities
01 THE BOARD OF DIRECTORS	<ul style="list-style-type: none"> <li>Approve risk management policy framework</li> </ul>
02 EXECUTIVE COMMITTEE	<ul style="list-style-type: none"> <li>Provide resources to implement risk management policies</li> <li>Establish a risk management framework and culture</li> <li>Provide streamlined processes for timely identification, assessment and escalation of risk issues</li> <li>Approve the risk management plan and monitor implementation</li> <li>Review quarterly risk reports and provide recommendations and tasks to the company's internal units and employees.</li> </ul>
03 RISK MANAGER	<ul style="list-style-type: none"> <li>Ensure consistent application of the risk management framework across the Company</li> <li>Implementation of the risk management plan</li> <li>Performance reporting to Executive Committee</li> <li>Compile records of risks and manage risk database</li> <li>Providing employees with risk management trainings</li> </ul>
04 EXECUTIVE MANAGEMENT, MANAGERS (Department directors, division and functional managers)	<ul style="list-style-type: none"> <li>Ensure consistent application of the risk management framework across departments and functional units</li> <li>Implementation of the risk management plan</li> <li>Performance reporting to Executive Committee</li> <li>Create a culture of risk recognition and reporting</li> </ul>
05 EMPLOYEE	<ul style="list-style-type: none"> <li>Comply with risk management policies and processes</li> <li>Risk reporting, risk identification</li> </ul>
06 INTERNAL CONTROL MANAGER	<ul style="list-style-type: none"> <li>Monitoring the implementation of risk management policies framework</li> </ul>

## RISK LANDSCAPE

The Company maintains detailed risk taxonomy to ensure all risk are identified and systematically managed. The principal risks and their definitions are summarized below:

## RISK LANDSCAPE

<b>Underwriting risk</b>	<b>Portfolio risk</b> Concentration risk in terms of product and geography	<b>Claims risk</b> Risk of loss ratio exceeding the appropriate levels	<b>Давхар даатгалын эрсдэл</b> Risks such as the inability to reinsure risks that exceed the company's risk capacity, the discrepancy between the reinsurance contract and the internal contract and the insolvency of the reinsurer	
<b>Investment risk</b>	Risk of below-adequate return on investment and investment default	<b>Liquidity and asset management risks</b>		Risk of deterioration of the company's solvency ratio and operational failure due to lack of cash
<b>Market and economic risks</b>	<b>Economic risk</b> Risk of deterioration of the external and internal economic environment and decline in consumer income	<b>Sales and competition risk</b> Risks such as declining sales, dependence on a small number of sales channels, reliance on a small number of large customers, loss of target customers, and a decrease in premium rates due to competition		
<b>Operational risk</b>	<b>Risk of property loss and operational interruption</b> Activities such as fire, collapse, damage to office buildings due to natural disasters, force majeure, external influences and other factors, water damage due to faulty plumbing, freezing, theft, power outages due to office failure, burning of electrical appliances, and risk of temporary and long-term operational interruptions	<b>Мэдээллийн технологийн эрсдэл</b> Risks of company software, system and server security failure, system supplier termination, system failure, server damage, employee computer damage, company data, source code, loss or destruction	<b>Мэдээллийн аюулгүй байдлын эрсдэл</b> Risks related to information security, such as violation of the company's "Information Security Regulations" or loss of internal company information due to intentional or unintentional actions of employees	<b>Хүний нөөцийн эрсдэл</b> Risks related to human resources, such as sudden layoffs, serious illness, inability to work and the loss of many jobs simultaneously, can disrupt the company's day-to-day operations and affect productivity.
<b>Legal and regulatory risks</b>	Risk of violation of relevant laws and regulations, loss of the right to sell products, permanent or temporary closure of the company, adoption of rules and regulations that adversely affect the company's operations	<b>Reputation risk</b>		Due to these risks and other reasons, the risk of the company's reputation falling, the spread of false rumors on social media and a decrease in the company's revenue and loss of market share

# SOCIAL RESPONSIBILITY

*Our long-term success depends on our ability to support customers, employees and the communities we serve to manage and respond to a wide range of risks and opportunities.*

Insurance is perfectly placed to support society on social challenges, and Mandal has accelerated its contribution. Over the past ten years, we have successfully implemented dozens of projects and programmes to improve risk education among public and businesses, and have repeatedly proven to be a thought leader in the industry.

## INTELLECTUAL INVESTMENTS

### Purple book magazine

Purple book contains independent researches, opinions and analysis for corporate decision makers, business owners and government officials. Its primary intention is to provide a professional assessment of international, economic and market events, and to determine the ongoing nature of events. The scale of this work is evident in the number of people who have appreciated the Purple book series since its inception, setting a profound example of exercising corporate social responsibility by providing valuable information for customers.

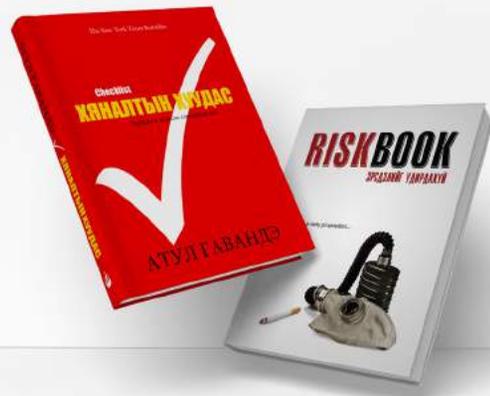
Mandal Daatgal has published eight issues since 2011, writing more than 150 analytical articles on socio-economic issues and distributing them in print to more than 6,000 public and private decision-makers.



### Checklist Manifesto нoм

In 2011, Mandal Daatgal translated and published the Checklist Manifesto, a best-selling book by Atul Gawande professor, author and surgeon at Harvard Medical School, and donated 1,000 copies to the Mongolian Surgeons' Association. The Mongolian Surgeons' Association has members from 11 central clinics in the capital city and 21 provinces, who work around the clock to save lives of thousands.

The purpose of this book is to provide an understanding of how to reduce risk, increase safety and productivity, and organize your work more efficiently, using a simple but essential tool called a checklist. We can use the checklist in all modes of human endeavor. In particular, this is a must-read book for health, manufacturing, and transportation professionals, as their jobs are vitally relevant to human life, health and occupational safety precautions.



### Risk book - Risk management simplified

It's no secret that risk management sounds like an alarming and complicated concept to most people. As complicated as it sound, people face various risk everyday. Therefore, in 2013, Mandal Daatgal developed and published a book called "Risk book - Risk Management simplified" which explains the complex concept of risk management in simple terms. We published 2,000 copies and distributed them free of charge to business owners, managers and decision makers. The book is written in a way that anyone from an executive to a risk specialist, an accountant, a salesperson, a journalist, or even a student can relate and gain a comprehensive understanding of risk management.

### eDoctor.mn - Integrated health portal

"Health is not only a disease-free body, but also a superstructure of physical, mental and social well-being," says the World Health Organization. The prevalence of chronic diseases, such as cancer, high blood pressure and diabetes, is high among the population of our country, and the mortality rate due to these non-infectious diseases is high compared to developed countries. That is partly due to environmental factors, poor food quality, inadequate medical services and a lack of public health education.

People need to be provided with health education: how to prevent and protect oneself against diseases. They need to learn how to identify and control significant risks, not only to their health but also to their finances.

Therefore, Mandal Daatgal, as a leading health insurance provider in Mongolia, made a decision to develop intergrated health portal named "eDoctor.mn" to contribute to the health sector of Mongolia and to provide health education to the people. The website offers easy access to reliable, well-sourced health information, prepared in collaboration with professional doctors, and it offers more than 200 symptoms, diagnostic details, an intelligent search engine for symptoms, a medical information directory and healthy lifestyle tips.



## PROMOTING RISK EDUCATION

### Annual Risk Management Forum

Mandal Daatgal has been organizing Mongolia's Annual Risk Management Forum since 2011. Now in its 11th year, the RISK MANAGEMENT FORUM of Mongolia has firmly cemented its position as the most prominent risk event in Mongolia, providing the business community and relevant stakeholders with the most comprehensive overview of Mongolia's risks, and current appropriate risk management topics.

Over the past ten years, a total of 3,500 businesses and corporate executives have participated and, 75 presentations on various risk topics discussed and 10 risk reports have been published. In addition, with calculation and publication of the "National Risk Index" report, initiated by Mandal Daatgal, Mongolia for the first time in its history has begun to measure its risks according to world standards, and to create benchmark for future actions.

As a result of this forum, the Customs Administration, the Mongolian Tax Office, and the Professional Inspection Agency have established their own Risk Management departments.



### Risk report

Any new changes in risk levels need to be identified, measured and evaluated, in order to prevent risks and reduce potential losses. For example, several international surveys assess countries by risk levels, such as the United Nations Global Risk Index and Lloyds' Urban Risk Index from the British insurance market. However, the lack of a unified risk indicator in our country was the main leverage for Mandal Daatgal to calculate the "Risk Index."

The risk index is a quantitative measure of natural disasters and social risks that cause substantial damage to the health, property, and activities



of citizens and organizations. The index we have calculated was approved by the National Emergency Management Agency and the Institute of Disaster Management, and in 2017, we jointly improved the index calculation methodology and decided to name it the "National Risk Index." It is calculated annually, based on annual risk statistics and published for public disclosure.

### TV programme

Our society is in demand for qualified financial market news, based on research and expert analysis. Leaving the responsibility to deliver economic and financial market news to the community, solely on the shoulders of media organizations is an act of irresponsible behavior from professional companies. Therefore, in 2012 and 2013, for the first time in our sector, Mandal Daatgal specialists prepared and aired the "Expert Hour" information program on several television channels, delivering economic, financial market and social risk analyses to the public.

### Professional risk seminars

One of the projects started by Mandal Daatgal to reduce the risks in society was series of seminars and workshops on risk management. The risk workshop was a smaller version of the Annual Risk Management Forum that is focused on a specific industry or a topic. Since 2011, Mandal Daatgal has organized a total of 10 risk workshops for more than 800 professionals.

In addition to teaching about risk nature and risk management tools, this workshop teaches tools and management processes for identifying potential threats to an organization. We have successfully organized seminars for small and medium-sized businesses on construction, mining, gold, civil aviation and management responsibilities, and provided industry professionals with detailed risk know-how.



### Online risk school for kids

One-third of the total population of our country is made up of children aged 0 to 19. Unfortunately, 40,000 of them become victims of accidents and lose their physical abilities and even their lives every year. Every time there is shocking news on television and in social media about the injuries and deaths of young children, the public blames the government and parents, but hardly anybody complains about the lack of risk education among children.

To reduce this significant risk, raising parents' awareness and improving environmental safety won't be enough. We should educate children to recognize, understand and manage risks themselves. Therefore, as part of our social responsibility, Mandal Daatgal has launched the Mandal Risk School project, urging people to "start a risk education program today, to prevent potential risks of tomorrow."

Currently, a series of nine video lessons on the risks common to children aged 4-12, tailored to their age and psychological traits, is available at Mandal Risk Schools website. These classes are open to all children free of charge, and parents can simply register their email addresses and start watching the video lessons. In just two months since its launch, Mandal Risk School of has grown to more than 6,000 students and has been applauded by parents and educators as a timely and child-friendly project.

Mandal  
Risk School

ХҮҮХДҮҮДЭД ЗОРИУЛСАН  
ЭРСДЭЛИЙН ОНЛАЙН  
ХИЧЭЭЛ

[WWW.MANDALSCHOOL.MN](http://WWW.MANDALSCHOOL.MN)





# 03

CORPORATE  
GOVERNANCE

"RISK IN MY PERSPECTIVE", Student of Mandal Risk School Khaliun J., 12 years old

# MANDAL GOVERNANCE

*Incorporating the best practices of good corporate governance practices into our business and building a well-governed and well-managed company is critical to achieving Mandal's mission and vision.*

Strong corporate governance is about companies having clear and systematic decision-making processes, this providing clarity about responsibilities, avoiding conflicts of interest and ensuring satisfactory internal control, risk management and transparency. Commitment to Mandal's mission and vision requires the integration of sound corporate governance practices into regular business activities in order to, attain - as far as possible - a company that is well governed and well managed.

## SHAREHOLDER'S MEETING

The Shareholders meeting is the highest decision-making body of Mandal Daatgal, at which shareholders exercise their voting rights. At the Shareholders meeting, decisions are taken regarding matters such as the annual accounts, dividend, election of the Board of Directors and auditors, remuneration for Board members.

Due to COVID-19, Annual Shareholders meeting of Mandal Daatgal for 2020 was announced online on the Company's official Facebook page, [facebook.com/mandaldaatgal/](https://www.facebook.com/mandaldaatgal/) on Thursday, April 23, 2020, at 5 PM. Attendance, voting and questions from the shareholders' meeting were posted on website [www.stock.mandal.mn](http://www.stock.mandal.mn).

The following issues were discussed and approved at the meeting:

1. Discussion and approval of the Board opinion on company's operational and financial results for 2019.
2. Introduction and election of a new member of the Board of Directors.

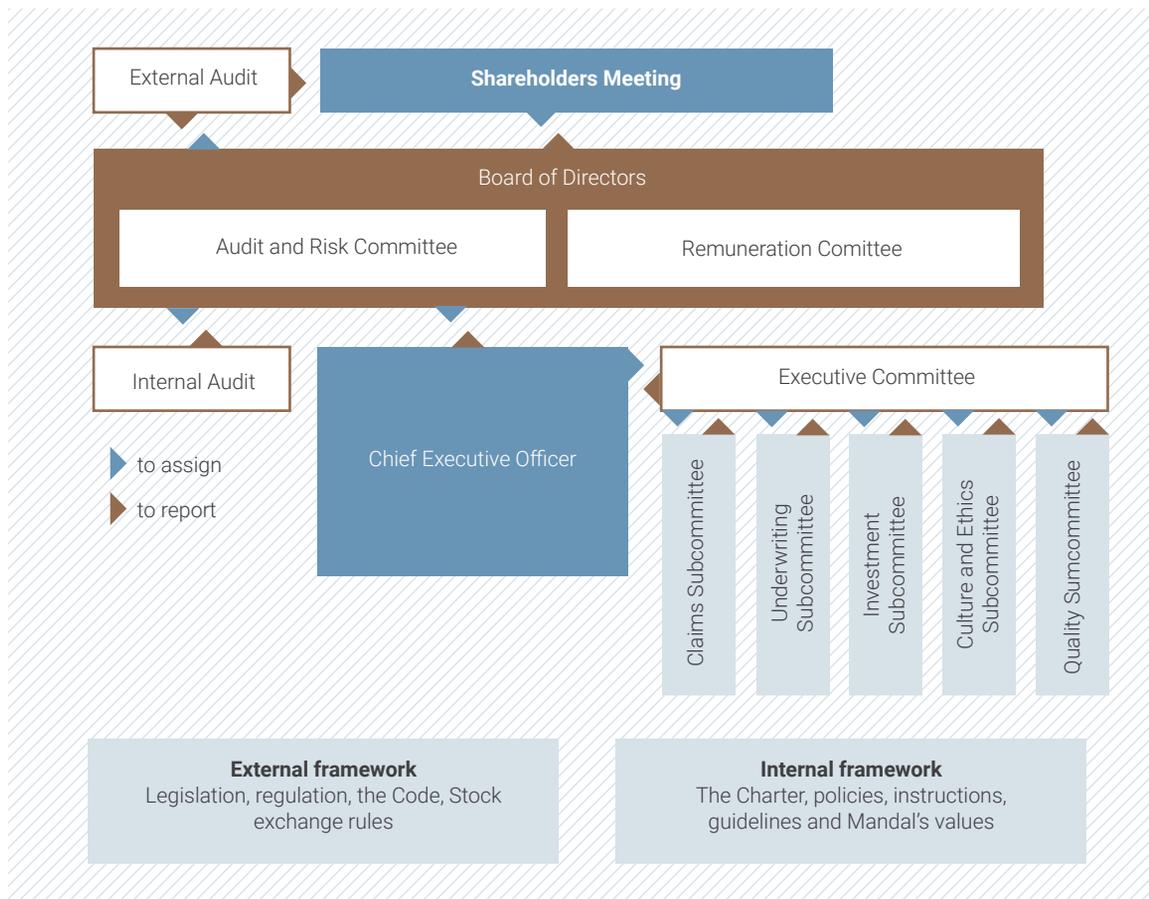
## THE BOARD OF DIRECTORS

The Board, under the leadership of the Chairman, is responsible for determining the overall strategy of the Company, including a strong commitment to sustainability. It holds the ultimate decision-making authority for Mandal Daatgal JSC, except for decisions on matters reserved for the shareholders.

### **Composition of the Board of Directors**

According to the Company charter, the Board of Directors consist of nine members, six regular and three independent members elected by the Shareholders meeting.

## CORPORATE GOVERNANCE STRUCTURE



The term of office for Board members is three years. According to the Charter, the aim is to ensure that the Board as a whole for the purpose of its work possesses the requisite knowledge of and experience in the financial sector of Mongolia. According to the Code, the board is to have a composition appropriate to the Company's operations, phase of development and other relevant circumstances.

All board assignments in Mandal are based on merit with the prime consideration being to maintain and enhance the Board's overall effectiveness.

The board members elected by the Shareholders meeting of 2018 and 2020 are listed below.

## Board members:

- Ganzorig Ulziibayar
- Gantuya Sharavpiljee
- Ganjooloo Ochirpurev
- Amundra Amartuvshin
- Vanchin-Erdene Chuluun
- Javkhlan Batsaikhan

## Independent Board members:

- James Bernard Dwyer
- Delgersaikhan Jamsrandorj
- Manduul Nyamandeleg

### The work of Board of Directors

The Board of Directors annually establishes its working plan, in which the management and risk reporting to the Board is also established. The Board is charged with the organisation of Mandal and the management of the Company's operations and the overall management of Mandal's affairs in accordance with external and internal framework. Furthermore, the Board shall ensure that the Company's organisation in respect of accounting, management of funds and financial position in general includes satisfactory controls. The Board is ultimately responsible for ensuring that an adequate and effective system of internal control is established and maintained.

## BOARD COMMITTEES

In accordance with the external framework and in order to increase the effectiveness of the board work, the Board of Directors has established separate working committees to assist the Board in preparing matters, belonging to the competence of the Board and to decide in matters delegated by the Board.

### Audit and Risk Committee

The Board Audit and Risk Committee (ARC) assists the Board in fulfilling its oversight responsibilities by inter alia monitoring the Mandal Daatgal's financial reporting process and submit recommendations or proposals to ensure its reliability, in relation to the financial reporting process monitoring the effectiveness of internal control and risk management systems, keeping itself informed as to the statutory audit the annual and consolidated accounts as well as of the conclusions from the quality assurance reviews of the external auditors, and by reviewing and monitoring the impartiality and independence of the external auditors.

Also, the ARC assist the Board of Directors in fulfilling its oversight responsibilities concerning the management and control of the risks, risk frameworks, controls and processes associated with company's operations, including market, liquidity, business and operational risks.

### Remuneration Committee

The Board Remuneration Committee (RC) is responsible for preparing and presenting proposals to the Board of Directors on remuneration issues. This duty includes proposals regarding the Mandal's Remuneration Policy and underlying instructions, as well as guidelines for remuneration for the executive officers.

### Shareholders of Mandal Daatgal JSC as of April 1, 2020

Shareholders	Number of shares	Percentage
Golomt Financial Group LLC	255,000,000	40,85%
UMC Capital LLC	227,928,800	36,51%
Public	141,372,800	22,64%
Total	624,301,600	100,00 %

## BOARD OF DIRECTORS



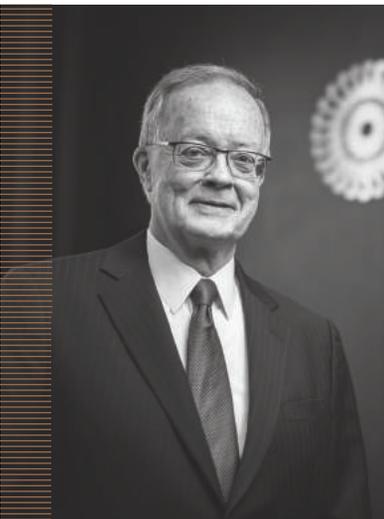
### **GANZORIG Ulziibayar** | Chairman

Ganzorig U. has extensive experience, spanning about 20 years, in the financial industry. He specializes in insurance, banking and capital markets and has made a significant contribution to the development of Mongolia's financial sector.

Previously, he held positions at Golomt Bank, Tenger Daatgal, Ulaanbaatar City Bank, Golomt Capital, Trade and Development Bank, XacBank and Capitron Bank. He has been a member of the FRC Policy Council, a member of the Economic Council under the Prime Minister, Vice President of the Mongolian Insurers Association and President of the Mongolian Bankers Association.

Ganzorig U. is the founder and Board Chairman of Mandal Daatgal. He is also the President of the Financial Markets Association.

Ganzorig U. has a bachelor's degree in accounting, a diploma in financial management and a master's degree in business administration. He holds a dealer certificate from the International Financial Markets Association.



### **JAMES BERNARD DWYER** | Independent Board Member

James Dwyer is an investment banker with more than 30 years of experience as an investment banker in New York City. He has led the M&A unit of the world's largest investment banks, including Shearson Loeb Rhoades and UBS.

Dwyer first visited Mongolia in 2001 as an investment banker representing the Government of Mongolia on the privatization of the Trade and Development Bank and worked as an investment advisor on the privatization of Khan Bank. He founded the Business Council of Mongolia (BCM) in 2007 and served as its director until 2016.

James Dwyer holds a bachelor's degree in business administration from the University of Notre Dame and a master's degree in business administration from Columbia University.



**DELGERSAIKHAN Jamsrandorj** | Independent Board Member

Delgersaikhan J. is a lecturer and associate professor at the University of Finance and Economics. He has been teaching at the University of Finance and Economics since 1996 and has written numerous research papers, and has made valuable contributions to Mongolia's financial sector.

Delgersaikhan is a leading figure of the financial and banking sector and was elected as a consultant to the MSE, the Mongolian Banking Association and FRC.

Delgersaikhan holds a bachelor's degree in economics from the University of Agriculture, a bachelor's degree in law from the Law School of the National University of Mongolia and a master's degree in financial management from the University of Finance and Economics.



**MANDUUL Nyamandeleleg** | Independent Board Member

Manduul N. is the head of the Securities Registration Department of Erdenes Tavan Tolgoi JSC.

He has experience as a consultant to the Public Investment Department of the Ministry of Finance, Head of the Budget Division and Head of the Fiscal Policy Financial Markets and Insurance Division. In 2016, he was appointed as a member of the FRC Board.

Manduul holds a bachelor's degree in economics and business administration from the American University of Bulgaria and a master's degree in business administration from Brandeis University in Massachusetts, United States.



**VANCHIN-ERDENE Chuluun** | Board member

Vanchin-Erdene Ch. is the vice president of Tavan Bogd Trade LLC. He previously worked as a financial analyst at MCS Holding and as the director of the Financial Planning Department at Skytel LLC.

Ch. Vanchin-Erdene graduated from the School of Economics of the National University of Mongolia with a bachelor's degree in business administration.



### **GANJOLOO Ochirpurev** | Board member

Ganjooloo is the CEO of Golomt Financial Group. He has extensive experience working in the German and Mongolian branches of PricewaterhouseCoopers, the world's largest audit firm.

He also served as Chief Financial Officer of Bodi International LLC and as Chairman of the Audit Committee of the Board of Directors at Golomt Bank.

O. Ganjooloo holds a master's degree in economics from the Free University of Berlin, Germany.



### **AMUNDRA Amartuvshin** | Board member

Amundra A. is one of the most prominent representatives of the media in Mongolia. From 2010 to 2017, he was the CEO of Mongol Mass Media Group, which includes Mongolia's most-watched television channels, such as Eagle TV and Edutainment TV.

Amundra A. has been working as the CEO of Bodi International LLC since 2017.



### **GANTUYA Sharavpeljee** | Board member

Gantuya Sh. is the CEO of UMC Capital LLC. She previously worked as the Director of the Marketing Department at Mongol News LLC and as the Head of the Marketing Department at Ulaanbaatar Hotel LLC.

## MANAGEMENT TEAM



Orgodol P.  
Director of Operations

Javkhlan B.  
CEO

Davaadash Ch.  
President

Khaliunaa G.  
CFO

Tumendemberel N.  
Deputy CEO

Odmaa Z.  
Director of Business  
Administration and Marketing

Garvaa J.  
Underwriting Officer

**JAVKHLAN Batsaikhan** | CEO and Board Member

Javkhlan B. is the CEO of Mandal Daatgal and he has been in charge of the company's insurance, business development and risk management departments. He has ten years of experience in the insurance industry and has worked in the information technology sector since 2000. During his five years as an IT project leader in Tokyo, Japan, he launched several successful solutions into the Japanese market.

Javkhlan graduated from the University of Science and Technology with a bachelor's degree in computer science.

**Chultem DAVAADASH** | President

Davaadash Ch. has held managing positions in telecommunications, oil supply, banking and finance sectors in Mongolia since 2001. Since 2008, he has worked as a CEO of Newcom, Newtel of Mobicom Group, deputy director of Petrovis Groups NIC LLC, vice president, deputy director of Skytel, divisional director and deputy director of Golomt Bank.

He started his office as the President of Mandal Daatgal in the second half of 2019 and holds a Master's degree in Economics and Business Administration.

**Naidandorj TUMENDEMBEREL** | Deputy CEO

Tumendemberel N. has worked in the banking and financial sector for more than ten years and has held senior positions such as Golomt Bank's division director, XacBank's project unit director, and Browns Group's finance and credit manager.

He has been appointed as Deputy Chief Executive Officer of Mandal Daatgal since 2019 and is in charge of the Corporate and Retail Insurance Departments.

Tumendemberel N. holds a bachelor's degree in finance from Liberty University in the United States and a degree in design, products and environmental research from the GIFT Institute in Hong Kong, China.

**KHALIUNAA Gantulga** | Chief Financial Officer

Khaliunaa G. is the Chief Financial Officer of Mandal Daatgal and is responsible for the company's financial and investment management. She was the Director of the Information Management Division at Golomt Bank LLC.

Khaliunaa holds a bachelor's degree in financial management from the School of Economics, National University of Mongolia.

**GANZORIG Ganbat** | Director of Investment

Ganzorig G. is the Investment Director of Mandal Daatgal and has previously served as a chief economist at Golomt Bank, an economist at the Financial Markets Association, financial analyst of UMC Alpha and risk analyst at Mandal Daatgal. He holds a bachelor's degree in financial management from the University of Finance and Economics and a master's degree in economics from the University of Leeds, England.

Ganzorig regularly publishes economic articles and papers to improve public financial education in Mongolia.

**ODMAA Zorigt** | Director of Business Development and Marketing

Odmaa Z. is the Director of Business Development and Marketing at Mandal Daatgal and is responsible for the company's business development, marketing, branding and public relations. She has 11 years of experience in marketing and business development in the insurance industry. She has also worked as general manager for a marketing consultancy agency and has successfully managed significant branding campaigns.

Odmaa holds a master's degree in business administration from the University of Finance and Economics.

**GARVAA Jamsran** | Underwriting Officer

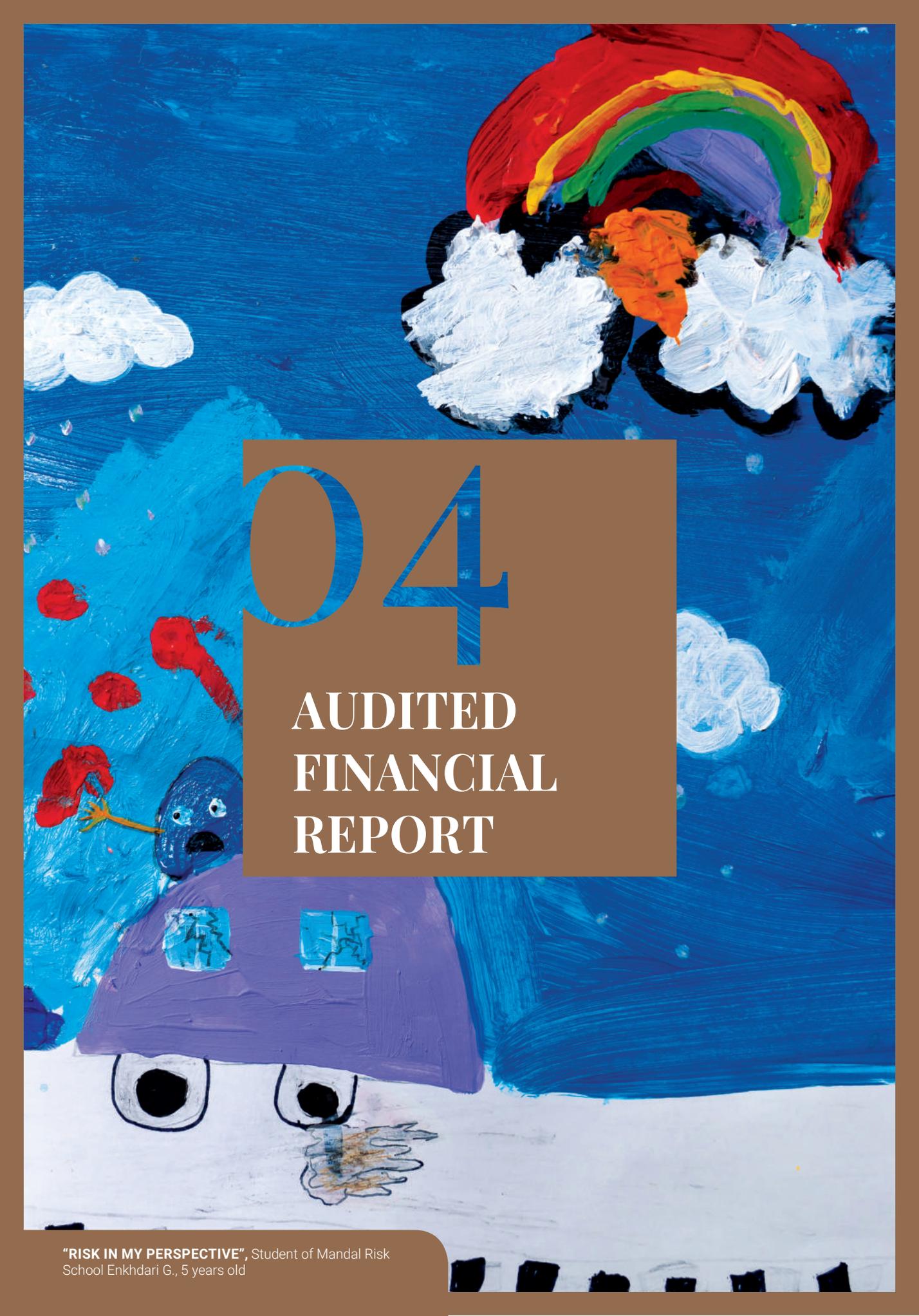
Garvaa J. is the Underwriting Officer at Mandal Daatgal and is responsible for insurance underwriting, reinsurance and actuarial policy. He previously held the position of Director of Corporate Insurance and was responsible for the corporate insurance business development, sales and customer care departments.

Garvaa holds a bachelor's degree in business administration and has experience in marketing working at Mandal Daatgal, MCSPB LLC and Mon Suu LLC.

**Purevdorj ORGODOL** | Director of Operations

Orgodol P. is the Director of Operations at Mandal Daatgal and is in charge of the company's administration, human resources, information technology and business process departments. He has five years of experience in the insurance industry, including financial planning, risk analysis and internal control.

Orgodol graduated from the School of Economics of the National University of Mongolia with a bachelor's degree in economics.

A child's painting on a blue background. At the top right is a vibrant rainbow with red, orange, yellow, green, and blue bands, arching over white, fluffy clouds. In the middle left, a blue, round creature with large eyes and a yellow arm is visible. Below it is a purple house with two windows and two large black circular eyes. The bottom of the painting shows a white ground with some brown and blue scribbles.

04

AUDITED  
FINANCIAL  
REPORT

# Independent auditor's report

"Grant Thornton Audit" LLC  
A member firm of GTIL global network for assurance, tax and advisory services

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UNESCO street, Sukhbaatar  
District-1, Ulaanbaatar 14230  
Mongolia  
T + 976 70 110744  
T + 976 70 110799

## To the shareholders of Mandal Daatgal JSC:

### *Opinion*

We have audited the financial statements of Mandal Daatgal JSC (the "Company"), which comprise the statement of financial position as of 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position as of 31 December 2020 and of its financial performance and its cash flows for the year then ended, in all material respects, in accordance with the "Accounting guidance, chart of accounts, financial statements forms, guidance for preparation of financial statements and disclosure" approved by the Minister of Finance (order 132 dated 9 dated 2020) in compliance with International Financial Reporting Standards.

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Code of Ethics for Professional Accountants of Mongolia, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matters*

Key audit matters, in our professional judgement, are matters that have significant impacts on financial statements for the current period. Within the scope of our audit on financial statements, matters were addressed as a whole and no separate opinions were given on each matters Including:

- Gains and losses from temporary differences between financial and tax return and deferred tax assets and liabilities that will have effect on taxable income in future period were not recognized in the financial statements.
- Deferred tax assets and liabilities amounts that were arisen from the differences are not material and were not adjusted during the audit due to complex accounting software.

### *Other information*

Management is responsible for other information. The other information comprises the information included in the annual report of the Company for the year ended 31 December 2020, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.



Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the [consolidated] financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards

Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period. Key audit matters are selected from matters communicated with those charged with governance. These matters are therefore stated in the report unless prohibited by any law and regulations to disclose to the public. In rare occasion, if there is an expectation that negative outcome from disclosing such information to the public overcomes its positive benefits to the public, auditor may decide not to disclose such items in the report.

#### *Other regulatory requirements*

Basic legislations for insurance business in Mongolia are the Law on Insurance, the Law on Professional Insurance Participants, the Law on the Drivers Insurance and set of insurance regulations adopted by FRC.

The Company is liable to report transactions with entities with conflict of interest under the Corporate Law, article 92 and 94, information required by Securities Market Law, information required by FRC and Mongolian Stock Exchange and other information specified in the Company Charter. No violation was found relevant to these requirements.

The Company prepared the financial statements in accordance with the "Accounting guidance, chart of accounts, financial statements forms, guidance for preparation of financial statements and disclosures" jointly approved by the Minister of Finance (order 132 dated 7 July 2020) in compliance with International Financial Reporting Standards.

#### *Solvency ratio*

Solvency ratio of the Company as of 31 December 2020 was 161.40% (2019: 157.53%), which met the criteria described in the Calculation Procedure of Solvency of General Insurer, article 3.12 as "Solvency ratio of an insurer shall be more than 100%".

#### *Use of the audit report*

As per the Corporate Law article 94 this audit report is intended only for the Company's shareholders and not for any other parties. Within the audit report we have no liability to third parties.

Engagement partner of the audit report is N.Erdenetsog.

  
GRANT THORNTON  
AUDIT LLC  
B.OSORGARAV  
MANAGING PARTNER  
Ulaanbaatar city, Mongolia  
01 March 2021

# STATEMENT OF FINANCIAL POSITION

In thousand MNT	Note	2019	2020
<b>Assets</b>			
Cash and cash equivalents	5	904,137	<b>2,230,334</b>
Insurance receivable	6	6,253,418	<b>5,256,775</b>
Other financial assets	7	618,472	<b>376,269</b>
Other non-financial assets	8	867,695	<b>560,599</b>
Investments	9	27,638,364	<b>31,355,450</b>
Insurance assets	10	3,857,214	<b>13,748,739</b>
Property and equipment	11	537,192	<b>1,483,514</b>
Intangible assets	12	69,519	<b>144,057</b>
Total assets		40,746,011	<b>55,155,737</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Insurance payables	13	1,850,517	<b>2,913,586</b>
Other financial liabilities		-	<b>19,074</b>
Other non-financial liabilities	14	738,085	<b>1,776,045</b>
Unearned premium reserves	15	12,834,046	<b>21,371,085</b>
Loss provisions (reserve)	16	4,594,113	<b>6,421,757</b>
Total liabilities		20,016,761	<b>32,501,547</b>
<b>Equity</b>			
Share capital	17	6,243,016	<b>6,243,016</b>
Paid-in capital (share premium)		4,441,896	<b>4,441,896</b>
Revaluation surplus		(71,096)	<b>(147,148)</b>
Retained earning		10,115,434	<b>12,116,426</b>
Total equity		20,729,250	<b>22,654,190</b>
Total equity and liabilities		40,746,011	<b>55,155,737</b>

# STATEMENT OF COMPREHENSIVE INCOME

In thousand MNT	Тодруулга	2019	2020
Gross written premiums	18	28,927,212	<b>33,224,744</b>
Premiums refunded	18	(2,210,956)	<b>(1,599,998)</b>
Reinsurance premium expense	18	(10,842,392)	<b>(15,220,697)</b>
Net written premium		15,873,864	<b>16,404,049</b>
Change in unearned premiums reserve	18	(281,307)	<b>8,537,040</b>
Change in deferred reinsurance premiums	18	(267,079)	<b>(9,140,559)</b>
Earned premiums		16,422,250	<b>17,007,568</b>
Gross claims paid	18	5,422,537	<b>7,862,275</b>
Claims paid reinsurers' share	18	674,283	<b>640,962</b>
Indemnification by the accused	18	384,427	<b>57,144</b>
Net claims paid		4,363,827	<b>7,164,169</b>
Change in loss provision	18	1,683,438	<b>985,026</b>
Change in reinsurers' share of loss provision	18	415,132	<b>(634,774)</b>
Change in unexpired risk reserve	18	(472,722)	<b>842,618</b>
Claims expense		5,989,675	<b>8,357,039</b>
Insurance contract expense	19	(1,177,917)	<b>(1,541,836)</b>
Commission income of reinsurance	20	82,585	<b>127,740</b>
Investment income	21	3,734,284	<b>4,788,912</b>
Profit from insurance activities		13,071,527	<b>12,025,345</b>
Commission income from rights and interest		26,127	<b>29,655</b>
Other income		51,451	<b>344,953</b>

# STATEMENT OF COMPREHENSIVE INCOME

(continued)

In thousand tugriks	Тодруулга	2019	2020
General and administrative expenses	22	(5,611,432)	<b>(6,600,523)</b>
Sales and marketing expenses	23	(1,014,256)	<b>(940,021)</b>
Finance expense	24	-	<b>(254,691)</b>
Other expenses	25	(3,104)	<b>(417,554)</b>
Gain on foreign exchange difference		14,956	<b>824,660</b>
Gain on disposal of tangible and intangible assets		366	-
Other losses		(6,535,892)	<b>(7,013,611)</b>
Profit before tax		6,535,635	<b>5,011,734</b>
Income tax expense	26	665,047	<b>477,666</b>
Profit after tax		5,870,588	<b>4,534,068</b>
Profit after tax for discontinued operation			
Net profit for the year		5,870,588	<b>4,534,068</b>
Revaluation surplus difference of assets		(91,587)	<b>(76,052)</b>
Total comprehensive income for the year		5,779,001	<b>4,458,016</b>
Basic earnings per share		0.009	<b>0.007</b>

# STATEMENT OF CHANGES IN EQUITY

In thousand MNT	Share capital	Paid-in capital	Revaluation surplus	Retained earning /(loss)	Total
As of 1 January 2019	6,243,016	4,441,896	20,490	4,869,148	<b>15,574,550</b>
Net profit (loss) for the year	-	-	-	5,870,588	<b>5,870,588</b>
Other comprehensive income	-	-	(91,586)	-	<b>(91,586)</b>
Dividends	-	-	-	(624,302)	<b>(624,302)</b>
As of 31 December 2019	6,243,016	4,441,896	(71,096)	10,115,434	<b>20,729,250</b>
Net profit (loss) for the year	-	-	-	4,534,068	<b>4,534,068</b>
Other comprehensive income	-	-	(76,052)	-	<b>(76,052)</b>
Change in equity	-	-	-	(35,870)	<b>(35,870)</b>
Dividends	-	-	-	(2,497,206)	<b>(2,497,206)</b>
As of 31 December 2020	6,243,016	4,441,896	(147,148)	12,116,426	<b>22,654,190</b>

# STATEMENT OF CASH FLOWS

In thousand MNT	2019	2020
Cash flows from operating activities		
Total cash inflow (+)	26,805,666	<b>33,191,584</b>
Gross income from insurance premiums	24,985,154	<b>31,390,135</b>
Reinsurance claims	731,903	<b>929,034</b>
Cash received from insurance claims	-	<b>1,421</b>
Other income	1,088,609	<b>870,994</b>
Total cash outflow (-)	(24,073,267)	<b>(29,935,749)</b>
Paid to employees	(2,494,071)	<b>(3,438,296)</b>
Paid to social insurance administration	(621,390)	<b>(361,600)</b>
Paid to acquire inventories	-	<b>(35,764)</b>
Paid for utilities	(12,701)	<b>(20,879)</b>
Premiums ceded to reinsurers	(10,039,789)	<b>(13,976,368)</b>
Paid for indemnification	(5,335,014)	<b>(7,505,807)</b>
Including: Voluntary insurance	(5,069,365)	<b>(7,066,336)</b>
Compulsory insurance	(265,649)	<b>(439,470)</b>
Insurance agent commission	(75,725)	<b>(179,477)</b>
Paid to insurance brokers	(714,760)	<b>(835,086)</b>
Paid to insurance loss assessor	-	<b>(2,830)</b>
Paid for fuel, transportation cost and spare parts	(39,782)	<b>(51,031)</b>
Paid for interest	-	<b>(254,692)</b>
Paid to taxation administration	(989,476)	<b>(779,585)</b>
Paid for insurance claims	(2,834)	<b>(238)</b>
Other cash outflow	(3,747,725)	<b>(2,494,097)</b>
Net cash flow from operating activities	2,732,399	<b>3,255,835</b>

In thousand MNT	2019	2020
Cash flow from investment activities		
Total cash inflow (+)	37,921,898	<b>44,946,333</b>
Proceeds from disposal of property and equipment	587	-
Proceeds from disposal of investment	34,522,997	<b>42,558,794</b>
Interest received	3,367,923	<b>2,287,228</b>
Dividend received	30,391	<b>100,311</b>
Cash outflow (-)	(42,271,073)	<b>(44,498,686)</b>
Paid to acquire property and equipment	(189,342)	<b>(459,823)</b>
Paid to acquire intangible assets	(48,541)	<b>(265,813)</b>
Paid to acquire investment	(42,033,190)	<b>(43,773,050)</b>
Net cash flow from investment activities	(4,349,175)	<b>447,647</b>
Cash flow from financial activities		
Cash inflow (+)	-	<b>5,119,684</b>
Loan received, securities issued	-	<b>5,100,000</b>
Exchange difference	-	<b>19,684</b>
Cash outflow (-)	(561,390)	<b>(7,496,969)</b>
Paid for loan and securities fees	-	<b>(5,100,000)</b>
Dividend paid	(561,390)	<b>(2,243,347)</b>
Other	-	<b>(153,622)</b>
Net cash flow from financial activities	(561,390)	<b>(2,377,285)</b>
Total net cash flows	(2,178,166)	<b>1,326,197</b>
Cash and cash equivalents at the beginning of the year	3,082,303	<b>904,137</b>
Cash and cash equivalents at the end of the year	904,137	<b>2,230,334</b>



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**"RISK IN MY PERSPECTIVE"**, Student of Mandal Risk School Gegeelen Ts., 9 years old