

ANNUAL REPORT 2017



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Mission

OUR VISION

To bring world class financial services to Mongolia.



OUR MISSION

Being a lifelong partner for our customers in providing value added financial solutions embracing the highest standards of triple bottom line mission: People, Planet, and Profit

Established in 2001

Branches 22

Employees 1111

Agents 135

Reinsurance

CHUBB -

TREATY USD15 MLN





TO OUR STAKEHOLDERS

Tenger Insurance continued to play the role it has always played – reducing fear and enabling the future – but only by partnering with clients, collaborating and encouraging diversity of thought, recognizing trends and investing in innovation, and using data to help clients achieve better outcomes.

The Company's insights-driven relationships with customers and fast and efficient claim handling service are regarded as the best in the market, with compulsory driver's liability claims settled in one working day. In 2017, Tenger Insurance settled a substantially larger claim, ceded by reinsurer for one fire incident, which is the largest and the first in the local insurance market. The claims team took immediate and efficient actions in an exceptionally short period of time; overall the Company achieved the targeted claims settlement period of three days.

A solid risk appetite framework and disciplined approach positioned Tenger Insurance to take advantage of a more favorable operating environment. Income from interest-earning assets increased by 18% from a prior year and claim expenses reduced by 11% YoY largely contributed to generate MNT 2.36 billion net profit in 2017. Net profit increased by 57% and over-performed the budget by 31%. The result has been consistently higher net income than the average for the Mongolian insurance market for last three years.

The Company's gross written premium rose by 35% to MNT 12.2 billion while net written premium increased by 20% to MNT 7.7 billion. Total assets grew by 16% percent and return on equity was 30.2% percent. The insurance claims loss ratio remained stable, closing the year at 36.2%. Continued low loss ratio and low acquisition cost resulted in an improved combined ratio of 96.2%, making Tenger Insurance the most profitable insurer in 2017.

Tenger Insurance has made considerable efforts to develop the insurance sector, while ensuring our insurance services meet international standards including the quality and financial reliability of reinsurance protection. During the last three years, Tenger Insurance's reinsurance capacity increased from USD 2 million in 2015 to USD 15 million by the end of year 2017. Tenger Insurance is setting the standards for other insurance companies in terms of technical underwriting ability and innovations in the insurance field, including its on-line insurance platform.

Various marketing events were conducted during 2017 for our clients, putting the client, as our partner, at the center of everything we do. More than 80 companies attended the 2nd annual Financial Lines Forum. The Forum featured expert speakers on topics of cyber-crime, directors' and officers' liability, and professional indemnity insurances and latest trends in financial risk management. Tenger Insurance organized a networking event for AmCham in Mongolia. Along with AmCham members, executives of premium hotels were invited for the launch of a comprehensive insurance product for hospitality industry.

In September, the product development unit was re-created to improve the standards and competitiveness of insurance products. The team prepared 12 insurance questionnaire standard forms, improved 16 existing insurance policy standard agreements, and created three new insurance policies such as product liability, professional indemnity, and a hotel comprehensive policy, all while generating tailored/customized insurance proposals to support the sales force.

The risk management team has received guidance and advice from the Group CRO and now is in the process of improving own risk management. Additionally, the team has completed the Risk Management Framework and received approval by the Board of Directors.

Tenger Insurance is still considered the Best Insurance Company in Mongolia by many, especially due to our best-in-class risk management practices, reinsurance reliability, and claims efficiency proven by a large-scale fire loss recovery of a major national manufacturer. We are glad to receive the Best Insurance Company Award by the Mongolian Chamber of Commerce and to be recognized by the International Finance Magazine as the Best in Mongolia once again in 2017.

Oybek N. Khalilov CEO



- In June 2017, MNT 2.6 billion was paid within 3 days to Gobi JSC and was promptly reimbursed by treaty reinsurers within 14 days; fire loss incident was by large the first in the local insurance market. The claim team's immediate and efficient actions at Gobi JSC's resulted in settlement of the claim in exceptionally short time period of time.
- Contractor's All Risk fronting insurance policy for Clean Energy Asia's Wind Farm Construction was successfully signed in July 2017.
- 80+ companies attended the 2nd annual FINANCIAL FORUM organized by Tenger Insurance in May 2017.
- From the International Finance magazine, Tenger Insurance LLC was named as the Best insurance company of Asia Mongolia 2017.

- Tenger Insurance organized networking event for American Chamber of Commerce in Mongolia. Along with AmCham members, executives of premium hotels were invited for the launch of a comprehensive insurance product for hospitality industry.
- Successfully established processes to have Compulsory driver's liability claims settled in one day.
- Tenger insurance LLC was awarded for the 7th year by "Top Company of Insurance Sector" when the MNCCI's annual "ENTREPRENEUR 2017" event was traditionally organized, and highlighted the top corporate and industry sectors of 2017.

- In the 1st Quarter of 2017, Corporate sales team provided a comprehensive training to the bank's team of corporate loan economists on topics of Insurance in general and specific Insurance products & services. Insurance cross sold to XacBank corporate clients resulted in MNT 523 million, an increase of 342% compared to previous year's MNT 370 million.
- In total, 1,100 employees of 30 major corporate clients received training on Safety Risk management and Personal Accident, Health Insurance, Employer's Liability, Heavy Machinery & Equipment insurance coverage and claims specific topics. The trainings were conducted to our clients in their headquarters, mining site locations and via a remote-learning online platform. Insurance Information Corners were created at the high-traffic areas of some of our corporate clients' offices.
- In September, Product development unit was recreated to improve the standards and competitiveness of our insurance products. The team prepared 12 insurance questionnaire standard forms, improved 16 existing insurance policy standard agreements, created 3 new insurance policies / Product liability, Professional Indemnity, Hotel comprehensive policy /, while generating tailored insurance proposals daily to support the sales team.

















The strategy of Tenger Insurance is to supply a wide range of products to clients in all business segments through our 22 branches and variety of sales channels which includes 3 retail banks, 16 brokers, 9 distribution partner companies, and 135 agents. We are reaching out to individuals as well as entities through each channel possible to improve our accessibility due to increasing demand for insurance services. Through our sales channels we have provided insurance services to over 42,000 individuals and 1,875 companies, an increased performance of 12.5% and 9% respectively from the previous year.

During the reporting period we aimed to:

- > Provide better services to customers in more innovative and efficient ways;
- > Achieve financial and economic KPIs;
- > Introduce new insurance products;
- Manage investments actively;
- $\,\blacktriangleright\,$ Create and introduce long term growth platforms.

In the reporting period, we successfully took part in procurement tenders announced by multinational corporations and provided our insurance services. Tenger Insurance has become the risk management partner of top Mongolian companies.

We have actively participated in relevant events, meetings, exhibitions that were held in Ulaanbaatar and regional areas.

In collaboration with Mongolian Chamber of Commerce and our global partner brokers, the second annual Financial Forum was successfully organized. The attendees were representatives of state and private entities including commercial banks, non-banking financial institutions.

We have organized several trainings on property underwriting, financial analysis, risk management, reinsurance, communication skills and customers service in order to improve the professional capacity of our sales and underwriting team. Health and Safety training workshops were conducted to ensure safe working environment. Reinstruction of Health and Safety rules has been provided to all employees, while required instructions and banners have been renewed in accordance with regulations.

In 2017, we have organized insurance trainings for 30 companies.

In order to meet the changing needs of insurance consumers, we further improved our products on Errors and omissions liability, Auto, Personal accident, Property and Product liability to be in line with international standards.

We introduced Group Life products with High Benefit Limit to the market in cooperation with "A-rated" reinsurance company.

In 2017, over 272,000 livestock of one thousand herders were covered by Index based Livestock Insurance through 9 branches, 186 active agents, bringing premium income of MNT 272.5 million. Tenger Insurance has issued MNT 65.5 million of claims to herders who suffered from climatic hardship.

FOREIGN RELATIONS AND COOPERATION

Tenger Insurance cooperates with reputable reinsurance companies based on their solvency and financial capability and reinsurance brokers based on their reputation and professionalism. In accordance with the company's policy on reinsurance and strategic plan, we strive to maintain strong and relationships with reinsurance companies who are rated by Standard and Poor's, Moody's, Fitch, A.M.Best. In 2017, we established networking partnerships with AIG (Europe), AVIVA UK and participated in the 14th Singapore International Reinsurance Conference /SIRC / and AIG Multinational Network Partner Summit 2017.





























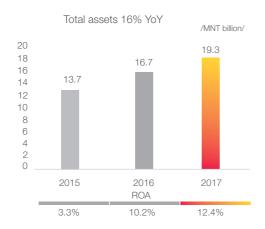


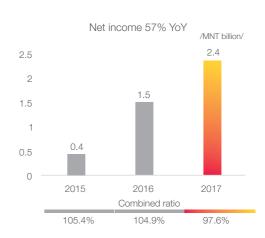


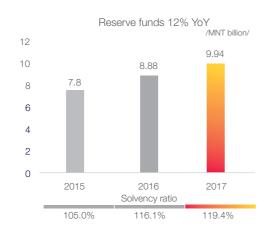


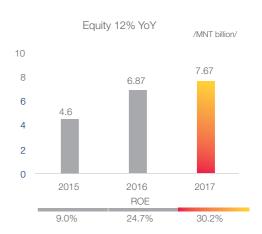


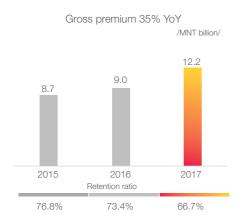


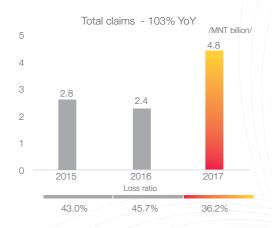






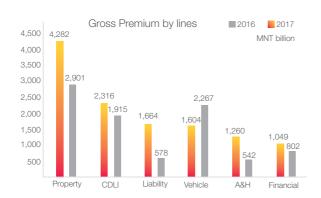


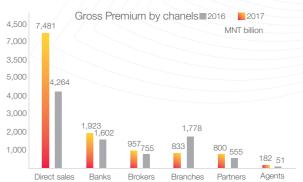






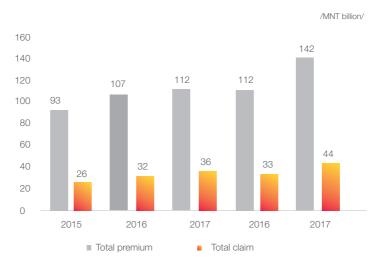








There are 15 general, 1 life and 1 reinsurance, in total 17 carriers are operating today. The insurance market grew steadily by 26.4% to MNT141 billion in 2017. Premium income increased in all lines, especially in property, personal accident & health, vehicle and comp.dr.liab insurances. Insurance density (insurance premium per capita) reached MNT 44400 in 2017 from MNT 31700 of 2013. Even though insurance penetration, measured as share of insurance premium in GDP rose to 0.52% from 2013 - 0.48%, the development levels of insurance in Mongolia is still very low compared to the developed countries.



Along widening of insurance use and coverage among customers, the activities of insurance inermediaries are also expanding. For instance, the number of brokers and banks intermediating insurance aumented with their share in gross premium hitting 29%.





CLAIMS

Tenger Insurance continues its partnership with XacBank on 24/7 Call Center service for the 4th year with 4,919 calls received from our clients in 2017.

Loss incident call onsite visit is attended by field appraisers of both the Company and our partner AutoSos, cooperating with us for the last 4 years. Through simplification of claims handling by reducing layers in the internal approval process, as well as capacity building of claims, teams and our partners claims are now settled within 1-5 days depending on its complexity. The capacity building the efforts included standardization, universalization towards better customer experience in the processes involved.

Tenger Insurance experienced a settlement of one substantially large claim, covered by reinsurer for a fire incident, which was also the largest claim in the Mongolian insurance market. The claim & reinsurance team's immediate and efficient actions resulted in settlement of the claim in an exceptionally short period of time.

Total claims, net of recoveries from reinsurers were at MNT 2.6 billion, less than previous year's by MNT 318 million, due to lower claims in motor insurance.

INFORMATION TECHNOLOGY

Improvements in IT systems, mainly insurance core system, continued, to increase productivity of the company staff. Development of middleware enables direct selling of insurance and its automated transaction in the core system. Tenger Insurance has taken steps in creating digitalized sales channels for its clients, building invaluable expertise in technology utilization in the sector.

IT security evaluation and necessary logical and physical security measures towards data protection have been implemented. These measures serve as foundation for client data protection and security within retail insurance service environment, which builds trust and reliability in the services of Tenger Insurance.

FINANCE

The prudential ratio of Solvency was fulfilled throughout the year at 120.6 percent on average. Higher solvency was positively impacted by appropriate management of insurance reserves.

The company's Asset and Liability Management Committee adheres strongly to the newly enforced Investment policy, which within the financial risk management framework, supports long term financial sustainability over short term high risk gains in investment activities. The managed funds earned MNT 2.1 bln interest income from smaller placements in Government and corporate bonds, but largely from deposits at major and systemic banks.

Tenger Insurance continues fostering operational efficiency in all areas of the business with operational expense ratio kept at 60 percent, inclusive of acquisition cost of 15 percent. With claims loss ratio of 36 percent, the combined ratio remained at sound level of below 100 percent at 96 percent for 2017.

HR STRATEGY TO SUPPORT GROWTH.

Human Resources (HR) has achieved progress in the areas of strategic workforce planning, talent management, recruitment, training and development, work environment, staff relations, and improved operational efficiencies overall. 2017 was dedicated to further evolving of the HR function from an administrative unit to a professional unit. We have increasingly collaborated with our staff to identify, develop and implement strong HR solutions and create synergies.

Building the capabilities of managers and staff

Investment in skills and accelerating employees' professional and personal development are essential components of our company's HR strategy.

Total investment in training was 42,6 million in 2017, an increase of 18% over the previous year. We maintained a broad offering of professional programs. There has been a greater focus on risk management, and underwriting topics. We have organized workshops on Risk based supervison and Underwriting facilitated by the AIG experts.

Tenger Insurance's training and development strategy is aligned to address current and customer centric needs while covering areas of leadership, sales, marketing, ISO trainings and professional development at all levels.

Engaging with employees

As in previous years, we continued to invest resources in our ''Staff Well-Being and Care'' programs. In August, we conducted an Employee Engagement survey to assess levels of commitment and enablement as well as engagement with the company values and beliefs. Almost 80 employees participated – an increase, results have shown progress in both familiarity and engagement with values and beliefs.

93% 87% familiarity with values and beliefs High personal motivation to go the extra mile

The survey provided a detailed understanding of how employees experience Tenger Insurance and their immediate working environment as well as how they engage with their managers and peers.

Tenger Insurance seeks to retain, develop and continue to attract people and foster employees' engagement and motivation throughout the implementation process.

During 2017, the ability to achieve some results was still adversely affected by staffing and financial constraints, including staff turnover of 12%.



Taking measured risks is part of Tenger Insurance's business. To ensure measured risk-taking, Tenger Insurance has integrated risk management in its daily business activities.

Tenger Insurance has implemented a revised risk appetite framework. The revised concept is that risk appetite is expressed as the tolerance to allow key ratios to deviate from their target levels under adverse scenarios. This ensures identification, measurement and control of risks at all levels of the organization, safeguarding Tenger Insurance's financial strength. The mission of Tenger Insurance's risk management function is to build a sustainable competitive advantage by fully integrating risk management into daily business activities and strategic planning.

Tenger Insurance's risk management framework is based on the "Three lines of defense" concept which ensures that risk is managed in line with the risk appetite as approved by the Board of Directors.

Business, claims and support functions have primary responsibility for the day-to-day management of risk and form the first line of defense. The risk management function belongs to the second line of defense and has the primary responsibility to align risk taking with strategic planning and challenging risk appetite and limits, and monitors risk exposure. The internal audit function provides an ongoing independent and objective assessment of the effectiveness of internal controls, including financial and operational risk management and forms the third line of defense.

Tenger Financial Group's Chief Risk Officer (Group CRO) bears primary overall responsibility for the Risk management function. Tenger Insurance's CRO is responsible for the management and control of risk on a consolidated level to ensure that Tenger Insurance's risk profile is consistent with its financial resources and the risk appetite. The CRO is also responsible for establishing and maintaining a robust organizational basis for the management of risk throughout the organization.

RISK TYPES

Tenger Insurance measures the following main types of risks that are associated with its business activities:

- Insurance Risk, potential risk of inadequate assessment of the underwritten risk, loss resulting from inadequate premiums, insufficient reserves to cover insurance indemnities and catastrophic exposures;
- Credit Risk, potential risk of financial expenses as a result of debtors' insolvency or unwillingness to meet its obligations, and as a result of change of credit ratings of the companies issuing bonds (in investment portfolio), partners and intermediaries;
- Market Risk, potential risk of loss of earnings or economic value due to adverse changes in financial markets and / or prices;
- Liquidity Risk, potential risk related to failure to quickly transform the company's assets to cash to perform its liabilities;
- Compliance Risk, potential legal or regulatory sanctions, financial loss or damage to reputation and business value arising from the failure to comply with laws, regulations or standards of conduct;
- > Reputational Risk, potential risk of damage to the company, resulting in loss of earnings; and
- Strategic Risk, potential loss arising from adverse business decisions, improper implementation of decisions or lack of responsiveness to industry changes.

Total insurance liabilities of Tenger Insurance are tested for adequacy taking into account the gross claims paid. This is done by evaluating insurance liabilities on actuarial back testing assumptions plus a risk margin, ensuring that the reserves remain adequate based on current assumptions.

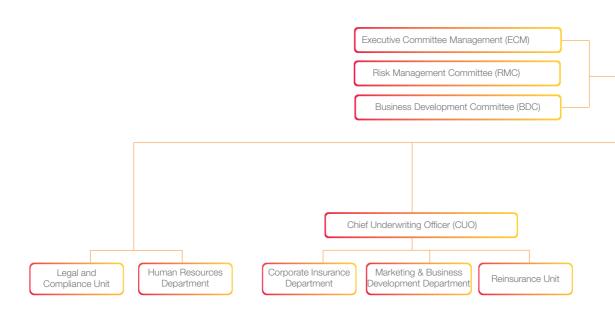
COMPLIANCE

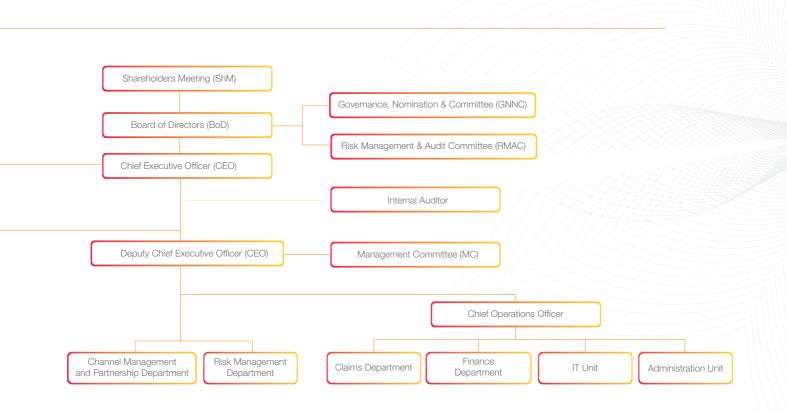
Compliance Risk is potential legal or regulatory sanctions, financial loss or damage to reputation and business value arising from the failure to comply with laws, regulations or standards of conduct. Compliance function is now under the Legal Department which ensures more control from legal side.

Being trusted is essential to building sustainable businesses. Tenger Financial Group's Code of Conduct set the foundation for the high ethical standards Tenger Insurance expects of all our business activities. The Code of Conduct require all staff at every level to conduct themselves, not only in compliance with laws and regulations, but also by acting with integrity, being open and clear, respectful, and responsible.



Organizational chart





BOARD OF DIRECTORS

Tenger Insurance's Board consists of five directors, including an independent director. All members of the Board of Directors have many years of executive management experience in the financial services industry.



BOLDOO Magvan Chairman fo the Board of Directors of Tenger Insurance

Mr. Boldoo Magvan serves as Chairman of the Board. Mr. Bold was appointed as the CEO of XacBank on 10 July 2014. Mr. Bold works also as the CEO of TenGer Financial Group. Prior to his appointment with TenGer Financial Group in January 2011, Mr. Bold worked for XacBank for 2 years as the CEO and for over 3 years as the President. Mr. Bold is a senior banking professional with more than 20-year expertise in public and private global financial institutions including the World Bank and the International Monetary Fund. From 1996 to 2000, Mr. Bold was the Deputy Governor of the Bank of Mongolia (Central Bank). In his prior professional career, he served as deputy director at the Market Research Institute, CEO of the Mongolian Export-Import Bank, member of the boards of the International Investment Bank and the International Bank for Economic Cooperation in the Russian Federation and advisor for Da Afghanistan Bank (Central Bank), Islamic State of Afghanistan. Mr. Bold holds a master's degree in economic policy management from the Columbia University, New York. Mr. Bold worked as the Vice President and President of the Mongolian Bankers Association. Mr. Bold currently serves also as the Honorary Consul of the Republic of Iceland in Mongolia.



AMARTUVSHIN Hanibal Non-Executive Director

Mr. Amar Hanibal joined XacBank in July 2014 as the President. Prior to joining XacBank, Amar worked for three years as the Managing Director for TenGer Financial Group. Previously, he was the Managing Director, Head of risk management at JSC Kazkommertsbank (KKB), the largest commercial bank in Kazakhstan. Amar joined KKB in 2008 with over 10 years of experience in international banking, specifically in risk management, project finance and leveraged finance. Prior to joining Kazkommertsbank, he had held positions with ABN AMRO Bank in various global offices, including London, Amsterdam, Chicago. As part of ABN AMRO Bank's Structured Debt unit, he worked on several high-profile transaction in the Oil & Gas, Power and Telecom sectors in Europe. Amar started his career with ABN AMRO Bank's Group cash management department, before moving to Global Risk Management division.

Amar earned a degree of Bachelor of Business Administration from the European University of Brussels, Belgium and received a Master of Business Administration diploma from Harvard Business School, Boston, USA.



OYBEK N. Khalilov Executive Director

On September 14, 2015, Mr. Oybek Khalilov joined Tenger Financial Group as the CEO of Tenger Insurance LLC, and was nominated to represent XacBank as a Corporate Member at AmCham Mongolia. For 20+ years Mr. Khalilov has worked in the private insurance market area working with American International Group, Inc. He has spent five years from 1994 to 1999 with American International Group, Inc. in London/UK serving as the CEO of political risk JV. He was in charge of AlG general insurance operations in Central Asia and Caucasus from 2000 to 2015. His entire professional career is showcased by major contributions in taking companies to greater levels of financial, competitive, and operational performance. He has an in in-depth knowledge of property, energy, casualty, and financial lines and accident insurance and political risk insurance products for 18 years. Oybek served on the Boards of Directors of American Chamber of Commerce in Kazakhstan and Uzbekistan since 1997. He received his bachelor degree from the Tashkent State University of Economist at republic of Uzbekistan in 1994, specialized in International economics relations.



Torsten Kleine Buening Non-Executive Director

Mr. Torsten Kleine Buening was appointed as Chief Risk Officer at XacBank in January 2017. He is responsible for managing Credit, Market, Liquidity and Operational Risk and Compliance. He joined XacBank from Standard Chartered, where he served as Head, Governance for Enterprise Risk Management. Torsten is an experienced risk practitioner with 16 years of experience covering conventional and Islamic Finance in developed and emerging markets. His career spans across a diverse range of leadership roles for risk and capital management, risk governance and modelling in regional and multi-national financial institutions as well as start-ups and risk related roles in consulting. Further, Torsten drove projects and change initiatives including a Basel II implementation across 11 countries. Torsten draws his experience from engagements in US, Europe, Middle East and most recently Singapore; and holds a degree as Diplom Wirtschafts-Informatiker / Master of Science on Information Systems of Westfaelische Wilhelms-Universitaet Muenster/Germany.



GANTULGA Donorov Independent Non-Executive Director

D. Gantulga is the Chairman of the Board at Gerege Partners LLC, a professional financial advisory company. He joined the board at Tenger Insurance LLC as an independent member in July 2017. Gantulga is an actuary and started his professional career as an Actuarial analyst at Grant Thornton LLP in London City, United Kingdom. He currently serves as a Chairman of the Society of Actuaries of Mongolia. His professional background in the banking and financial sector include posts as an Independent member of the Monetary Policy Council at the Bank of Mongolia and National committee member at Deposit Insurance Corporation of Mongolia. Formerly, Gantulga worked as an Executive director of MJT LLC, a real estate investment company, and an Executive director of Gerege Estimate LLC, a valuation company. Gantulga is a graduate of the National University of Mongolia with a bachelor's and master's degree in mathematics, further he obtained an MBA degree from the Manchester Metropolitan University in Great Britain.

ATTENDANCE OF THE BOARD MEETING IN 2017

In total eight (8) Board meetings were held in 2017, of which four (4) were considered "regular" or scheduled and the other four (4) were "external online voted". More detailed information could be seen from the table below: Board of Directors' attendance (in person/voting ballot) at meetings held as "regular" were as follows:

Meeting	22 Mar 2017	21 Jun 2017	27 Sep 2017	20 Dec 2017	Attendance percentage
Names:	(QI)	(QII)	(QIII)	(QIV)	of each director
BOLDOO Magvan	Yes	Yes	Yes	Yes	100%
OYBEK N.KHALILOV	Yes	Yes	Yes	Yes	100%
AMARTUVSHIN Hanibal	Yes	Yes	Yes	N/A	80%
GANTULGA Donorov			Yes	Yes	100%
TORSTEN Kleine Buening			Yes	N/A	66.6%
Board meeting quorum	100%	100%	100%	80%	

HIGHLIGHTS OF THE BOARD RESOLUTIONS IN 2017

In 2017, total of thirty three items have been submitted by company's management to the Board of Directors information, discussion

and approval. Eighteen items were approved by Board of Directors resolutions.

The Board approved and authorized Management of the Tenger insurance LLC to operate the type of mortgage insurance according to the resolution No#109 of the FRC enacted in 2017.

Also the Board approved Reinsurance plan 2017, Reinsurance policy, Investment policy, Investment plan 2017 and Risk management framework of Tenger insurance LLC.

According to the Board of Directors' resolution No#17/06 enacted on 9 August 2017, Mr. Donorov Gantulga and Board of Directors' resolution No#17/08 enacted on 27 September 2017, Mr. Torsten Kleine Buening were newly appointed as board members. In 2017, The Board of Directors approved resignations of Mrs. Erdenejargal P., Mr. Yoshiaki Matsuoka and Mr. Tsevegjav G. from the Board of Directors of Tenger insurance LLC.

MANAGEMENT TEAM





Oybek N.Khalilov Chief Executive Officer

On September 14, 2015, Mr. Oybek Khalilov joined Tenger Financial Group as the CEO of Tenger Insurance LLC and was nominated to represent XacBank as a Corporate Member at AmCham Mongolia. For 20+ years Mr. Khalilov has worked in the private insurance market area working with American International Group, Inc. He has spent five years from 1994 to 1999 with American International Group, Inc. in London/UK serving as the CEO of political risk JV. He was in charge of AIG general insurance operations in Central Asia and Caucasus from 2000 to 2015. His entire professional career is showcased by major contributions in taking companies to greater levels of financial, competitive, and operational performance. He has an in in-depth knowledge of property, energy, casualty, and financial lines and accident insurance and political risk insurance products for 24 years. Ovbek served on the Boards of Directors of American Chamber of Commerce in Kazakhstan and Uzbekistan since 1997. He received his bachelor degree from the Tashkent State University of Economist at republic of Uzbekistan in 1994. specialized in International economics relations.

B. Delgerjargal Deputy Chief Executive Officer

Delgerjargal Bayanjargal has been employed by Tenger Insurance since August 07, 2017 as a Deputy CEO.

She has been worked in XacBank for 19 years, since its start as MicroStart Mongolia, UNDP funded project in 1998. She has worked in key roles in Finance, Credit, Operations and Business development and Retail bank during the institutional development.

Prior to her current appointment, between 2011 and 2016, Delgerjargal worked for XacBank for 6 years as Chief Retail Banking Officer and Chief Business Development officer and she has led strategic projects, includes Branch Transformation, Rebranding and PCI-DSS compliant Card processing center projects.

She graduated with a bachelor degree in Banking from the University of Finance and Economics of Mongolia.

She had started her career in Mongolian Stock Exchange from 1992 to 1998. She has been served as a Member of the Board Finance and Audit Committee of Mongolian Mortgage Corporation LLC and a Board member of Tenger Insurance LLC, Development Solution NGO and Qualitative Supplier Development Center NGOs during her time at XacBank





Ts. Bolor Chief Operations Officer

Ms. Bolor Tserendorj has been with Tenger Financial Group for the last 12 years mainly focusing on insurance operations, treasury and financial management. She joined Tenger Insurance in August 2014, as Chief Operating Officer, prior to which, Bolor worked for over four years, as Treasurer and subsequently as Finance director of Tenger Group, with one year serving as the CFO of Kyrgyz MCC, previously affiliated with the Group, achieving fivefold rapid financial growth for the successful sellout of the company.

Previously, Bolor headed the Treasury department of XacBank, gaining expertise in managing funds prudently through financial market constraints. Her other work experiences include financial risk management, research and policy making in public finance, retail sales and customer service.

Bolor holds a Master of Science in Banking and Finance from Cass Business School, City University of London, UK and a bachelor's degree in Financial Management with specialization in Insurance from the National University of Mongolia. She also served as Board member of Tenger Insurance, during her time at Tenger Group.

B. Zaya Chief Underwriting Officer

Ms. Zaya Bolorbold has been employed by Tenger Insurance since July 03, 2017 as a Chief Underwriting Officer

Zaya has been a consultant of the World Bank project to improve risk management of Mongolian insurance sector and she has 15 years of business management experience, including the last 8 years in insurance underwriting and reinsurance.

Zaya was one of the founding directors of Mandal Insurance and has vast experience in corporate insurance and placement of large project risks on global reinsurance markets. Zaya volunteers as co-chair to the Risk Working Group and is actively involved with the Business Ethics working group of Business Council of Mongolia.

She has bachelor's degree in Marketing and International Business from the University of South Florida, USA. Zaya has attended certificate programs at National Insurance Academy of India in 2010, Insurance School of Japan in 2016



- In May, Tenger Insurance supported the Aflaton program organized by the Development Foundation of Golden Fund, with the aim of providing financial knowledge to students, through developing easy to understand knowledge on insurance for children.
- In July, due to dry climatic conditions, and carelessness of some citizens, major forest fires have spread through Yeruu and Mandal soum of Selenge aimag, Batsumber and Erdene soum of Tuv aimag, Gurvanbulag soum of Bulgan aimag. Our employees donated MNT 2.5 million for fire fighting efforts.
- Tenger Insurance sponsored the 84th secondary school's soccer team's attendance at "Duulian 2020" which was held for the 12th year beside in sponsorship. Tenger Insurance was fully responsible for the Accident insurance coverage of all 48 students.
- In order to spread positive attitude in society, short videos on preventing families and children from risks have been produced and channeled through television and social networks. These videos did not include any product advertisements and were designed purely for social improvement.

INDEPENDENT AUDITORS REPORT

Deloitte.

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Tenger Insurance LLC

Opinion

We have audited the financial statements of Tenger Insurance LLC ('the Company"), which comprise the statement of financial position as at 31 December 2017, and the statement of 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 present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

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

INDEPENDENT AUDITORS REPORT

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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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. Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the 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 the directors.
- Conclude on the appropriateness of the directors' 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 may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Norjinbat Shagdarsuren.

Norjinbat Shagdarsuren Director, CPA Deloitte Onch Audit LLC



TENGER INSURANCE LLC STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 (IN THOUSANDS OF MONGOLIAN TOGROGS)

ASSETS	2017	2016
Cash and cash equivalents	1,330,533	1,260,245
Term deposits	12,224,633	9,082,024
Government and corporate bond	1,248,547	2,530,824
Accounts and other receivables	1,420,784	744,249
Corporate income tax receivable	5,504	\ \
Deferred acquisition costs	495,920	455,107
Reinsurer's share of insurance contract liabilities	1,253,362	1,341,150
Prepayments and advances	164,482	60,444
Inventories	68,160	76,684
Deferred tax assets	3,630	4,812
Property, plant and equipment	1,025,236	1,092,876
Intangible assets	50,549	5,259
Total Assets	19,291,340	16,653,674

LIABILITIES AND OWNER'S EQUITY	2017	2016
Liabilities		
Insurance contract liabilities	9,941,007	8,877,018
Accounts and other payables	/ /1,676,761	888,146
Corporate income tax payable		17,580
Total Liabilities	11,617,768	9,782,744
Owner's Equity		
Share capital	4,250,000	4,250,000
Share premium	130,000	130,000
Retained earnings	3,293,572	2,490,930
	7,673,572	6,870,930
Total Liabilities and Owner's Equity	19,291,340	16,653,674

The accompanying notes form an integral part of these financial statements.

TENGER INSURANCE LLC STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017 (IN THOUSANDS OF MONGOLIAN TOGROGS)

Earned premiums, net of reinsurance			2017	2016	
Gross earned premium			10,879,834	8,336,465	
Premiums ceded to reinsurers			(3,763,505)	(2,002,950)	
Net premiums			7,116,329	6,333,515	
Claims incurred, net of reinsurance					
Claims expense			(5,089,832)	(2,934,651)	
Claims ceded to reinsurers			2,511,713	38,529	
Net claims			(2,578,119)	(2,896,122)	
Net underwriting result			4,538,210	3,437,393	
Finance and other income			2,272,600	1,964,547	
Other gains and (losses)			48,973	39,432	
Selling, general and administrative expenses			(4,267,026)	(3,751,984)	
Profit before taxation			2,592,757	1,689,388	
Income tax expense			(234,560)	(185,243)	
Net profit for the year			2,358,197	1,504,145	
Other comprehensive income					
Total comprehensive income			2,358,197	1,504,145	
The accompanying notes form an integral part of these financial statements.					
	Share capital	Share premium	Retained earnings	Total equity	
Balance as at 1 January 2016	3,500,000	130,000	986,785	4,616,785	
Total comprehensive income for the year	-	-	1,504,145	1,504,145	
Share issued	13 750,000	-	-	750,000	
Balance as at 31 December 2016	4,250,000	130,000	2,490,930	6,870,930	
Total comprehensive income for the year			2,358,197	2,358,197	

4,250,000

(1,555,555)

3,293,572

130,000

(1,555,555)

7,673,572

The accompanying notes form an integral part of these financial statements.

Dividend declared and paid

Balance as at 31 December 2017





City Center, 11th floor, Altangerel's street-5, Baga toiruu /14200/ Sukhbaatar district, 8 khoroo, P.O.B-48/258, Ulaanbaatar, Mongolia Phone: (976) 75001889, (976-11) 312234 Fax: (976-11) 319919

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Zavkhan branch	70462237	Arkhangai branch	70332058
Orkhon branch	70354090	Baganuur branch	70212122
Uvurkhangai branch	70322998	Bayan-Ulgii branch	70422002
Umnugobi branch	70530577	Bayankhongor branch	70444044
Sukhbaatar branch	70512660	Bulgan branch	70342598
Selenge branch	70362211	Gobi-Altai branch	95202046
Uvs branch	70454090	Darkhan branch	70376898
Khovd branch	70432400	Dornogobi branch	70522252
Khuvsgul branch	70383884	Dornod branch	70584141
Khentii branch	70562181		



