

# A SUMMARY OF THE COMPANY OPERATIONAL AND FINANCIAL REPORT IN 2022



GLOBAL BANKING &  
**Finance**  
review®

"BDSec" JSC was awarded  
**"DECADE OF EXCELLENCE  
BROKERAGE MONGOLIA  
2022"** and  
**"DECADE OF EXCELLENCE  
INVESTMENT BANKING  
MONGOLIA 2022"** by Global  
banking and finance awards .

## HIGHLIGHTS



- 1 We submitted the Khan Bank IPO prospectus to the FRC, MSE and Bank of Mongolia on April 22nd, 2023. Khan Bank LLC was approved become an open joint-stock company and offer its shares to the public at the regular meeting of the Financial Regulatory Commission on December 9th, 2022.



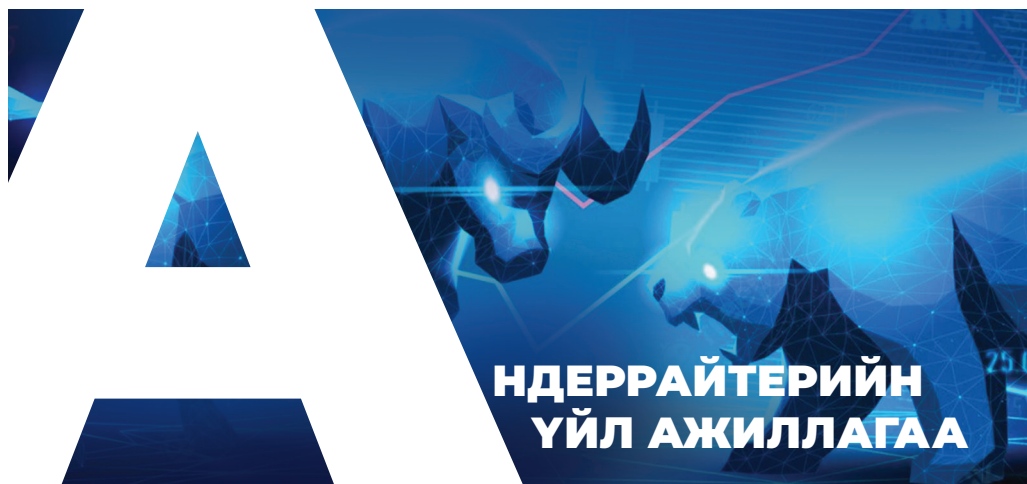
- 2 BDSec JSC was selected as an underwriter for the public offering of Mongolian Re's shares.



- 3 BDSec JSC participated in the "Coal Mongolia" conference. "Coal Mongolia" is an International Conference and Exhibition for Coal investors.



- 4 31.5 billion MNT of private placement bonds of three companies were raised funds from the OTC market.



**Total  
 research  
 project**

**37**

BDSec JSC strives to support local entities which are important for the further economic growth of Mongolia by helping them to raise capitals from the capital market in forms of equity or bonds and working as an underwriter to the project.

We also cooperate with SMEs and start-up companies by investing in their private and public bonds or holding a certain percentage of the company.

Provided advisory and information

**70%**

Returned project that do not meet the criteria

**16%**

Successfully contracted, and is being implemented

**14%**

**Судалсан төсөл  
 салбараар**

**FINANCE**

**29.7%**

**MINING**

**18.9%**

**BUILDING**

**10.8%**

**ХУДАЛДАА**

**13.5%**

**EDUCATION**

**2.7%**

**PRODUCTION**

**5.41%**

**OTHER**

**16.2%**



## **THE LEADING COMPANY IN THE BANKING INDUSTRY KHAN BANK**

BDSec JSC was selected as a Lead Underwriter for the IPO of Khan Bank, Mongolia's largest and most profitable commercial bank. We submitted the Khan Bank IPO prospectus to the Financial Regulatory Commission, Mongolian Stock Exchange, and Bank of Mongolia on April 22nd, 2022

On July 27th, 2022, Received approval to issue and IPO from the Bank of Mongolia.

On September 09th, 2022, Received approval to issue and IPO from the Mongolian Stock Exchange.

At the regular meeting of the Financial Regulatory Commission on December 9th, 2022, Khan Bank LLC was approved to become an open joint-stock company and offer its shares to the public.

According to the financial statements of the last 5 years, the bank's financial performance increased as total assets by 16.9 percent, total loans by 18.3 percent, and customer accounts by 22.5 percent. To compare other systemically influential banks, the Khan Bank is increasing rapidly.

# UNDERWRITING OPERATION



## **THE ONLY REINSURANCE COMPANY IN MONGOLIA**

According to the Resolution of the Government of Mongolia dated June 29th, 2022, the main direction was given to turn the state-owned JSC into an open joint-stock company in 2022-2023.

Within the framework of the resolution, Mongolian Reinsurance has announced a tender for the selection of underwriters to the IPO. We participated in the tender and signed an underwriting agreement on September 19th, 2022.



**UPTO  
 2 TRILLION MNT  
 COMPANY BOND**



In May 2022, 76.6 billion MNT of Erdenes Tavan Tolgoi JSC was raised from the primary market.

The total raised funds are intended to be spent on major projects of strategic importance in Mongolia, such as the construction of the Tavantolgoi-Zuunbayan railway, a coal concentration plant, and the Tavantolgoi thermal power plant.



**OPERATION**

**Efficiency of project**

The construction of the Tavantolgoi-Zuunbaya railway line was invested within the framework of the funds raised from the capital market. As a result, it became an opportunity to transport mining products at twice the cost. Also, there will be an opportunity to reduce the cost of coal transportation and increase coal exports.

**UNDERWRITING**

According to the Resolution No.168 of the Financial Regulatory Commission dated Jul 1st, 2022, Section 2.5 of the “Regulation on Non-Exchange Market Operation” was approved. Within the framework of the regulation, our company has successfully implemented the following projects.

## UNDERWRITING



## OPERATION

In June 2022, the registration committee of the Mongolian Association of Securities Dealers approved the issuance of bonds by Khuren Tolgoi Coal Mining LLC on the OTC market. Particularly, Khuren Tolgoi LLC offered USD/MNT currency exchange rate-linked bonds denominated in MNT

21.2 billion MNT was raised from the institutional investors.

In June 2022, the registration committee of the Mongolian Association of Securities Dealers approved the issuance of 3 billion MNT worth of bonds by BID NBF on the OTC market.

1.5 billion MNT was raised from the institutional investors.

In December 2022, the registration committee of the Mongolian Association of Securities Dealers approved the issuance of 10 billion MNT worth of bonds by Zasagt Khaan LLC on the OTC market.

8.8 billion MNT was raised from the institutional investors.

An underwriting agreement was signed on December 14th, 2022. In March 2023, the registration committee of the Mongolian Association of Securities Dealers approved the issuance of 3 billion MNT worth of bonds by Munkhiin useg on the OTC market. Munkhiin Useg LLC is a fully automatic printing factory with over 30 years of experience.

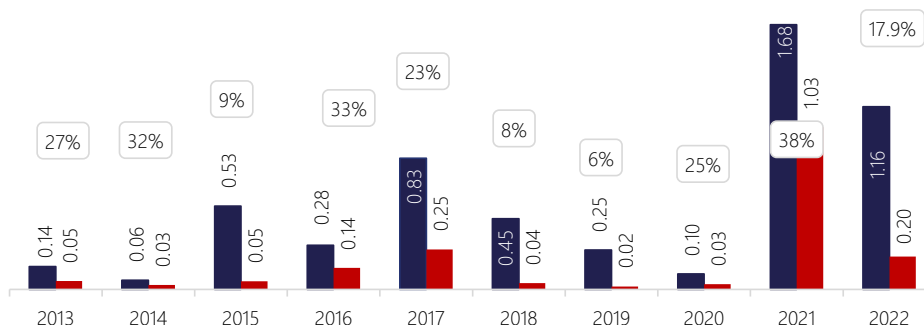
3 billion MNT was raised from the institutional investors.

## BROKERAGE OPERATION

We are delivering complex service to our clients and investors which includes introducing clients to buying and selling equity, bonds on the Mongolian Stock Exchange, providing with ongoing information and advisory as well as introducing to the international stock exchange trading.

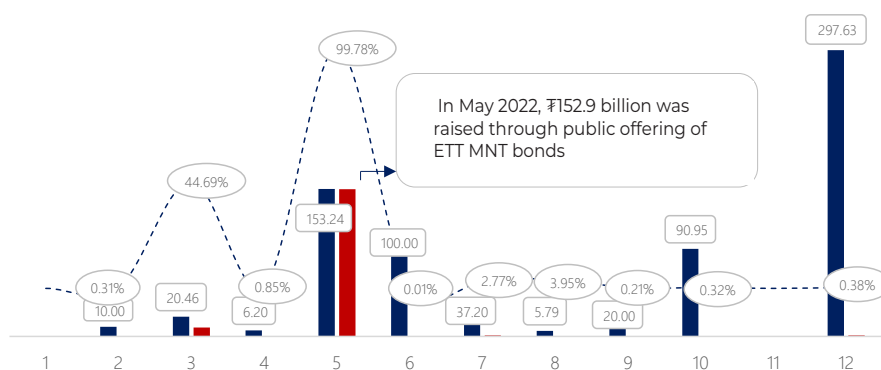
### Total trade amount /trillion MNT/:

A total of 1.16 trillion MNT trading were made on the MSE, of which 207.8 billion MNT trading were executed by "BDS" JSC. It's 17.9 percent.



### A Primary market trading /billion MNT/:

In 2022, A total of 4 IPO, 2 FPO, 3 company bonds and 6 Asset-Backed Securities were traded on the primary market of MSE. Out of this, our company alone completed 22.2%.



## SECURITY ACCOUNT

New accounts

**1,914**

Entity

**17**

Individual

**1,897**

Local client

**1,910**

Foreign client

**4**

# BROKERAGE OPERATION

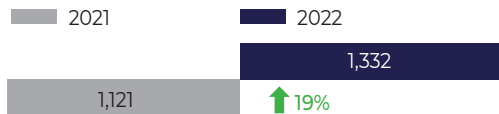
## ONLINE BROKER

The service provides with an opportunity to trade online and see current balance, previous trades for a client using a web browser, computer or smart phone. It has simplified client's access to their account and efficient to the investorts.

ONLINE  
BROKER  
SERVICE  
Trading  
fee

**1%**

Total number of clients involved in trading



Amount of orders received for online /billion MNT/



The following services are available online:

- ❖ Account overview
- ❖ Account statement
- ❖ Transaction history
- ❖ Balance
- ❖ News
- ❖ Yield calculation
- ❖ Profit calculation
- ❖ My watchlist /demo trading/
- ❖ Trade
- ❖ Money withdrawal form



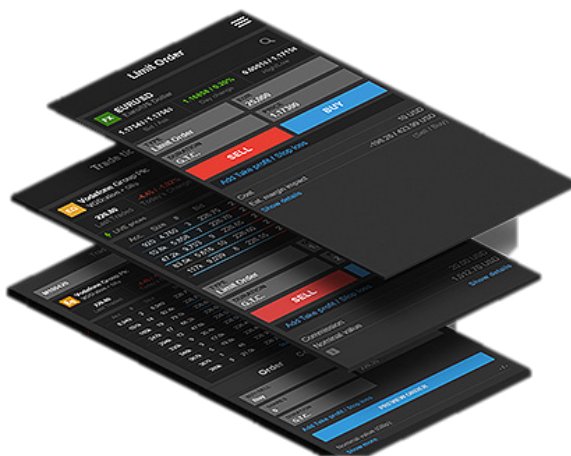
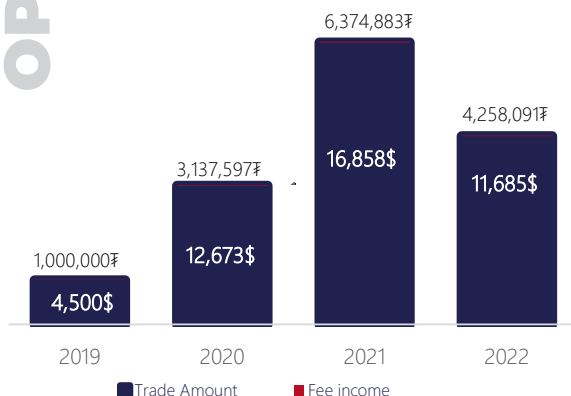
BDSec JSC has acquired its license as an introducing broker to trading on foreign stock exchange and have established an opportunity for clients to trade not even on local stock exchange but also internationally. The company cooperates with Saxo Bank within the service.

We have executed USD 11,685 trade through Saxo Bank's platform on the international stock exchange in 2022. Out of this, our company's 4,258,091 MNT was earned by fee income.

**BROKERAGE OPERATION**

**New accounts**

	Individual	Entity
2022	26	-
2021	25	1
2020	50	-
2019	34	-



# INVESTMENT ADVISORY

[www.agm.bdsec.mn](http://www.agm.bdsec.mn)



Within the framework of AGM organization, our company develops web and application for AGMs. We organized annual general meeting of shareholders of MSE listed 8 companies through online.

**APU COMPANY**

Absolute. Pure. Unique.

APU

**ERD** ERDENE  
RESOURCE DEVELOPMENT

ERDENE RESOURCE DEVELOPMENT CORPORATION



BODI INSURANCE



KHOT DEVELOPMENT



E-TRANS LOGISTIC



GOVIIN UNDUR



BAYAN TEEG



BOGD BANK

ДОТООД СИСТЕМ  
 ХӨГЖҮҮЛЭЛТ

## UNDERWRITER-CENTERED IPO

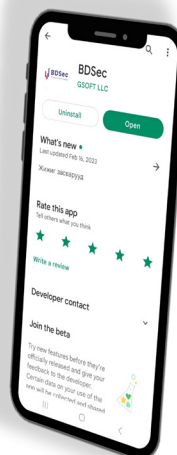
# UaaS SYSTEM

In cooperation with "And Systems" LLC, the research and development stage of the system was completed for Khan Bank IPO.



**WEB SITE  
 AND MOBILE  
 APPLICATION DEVELOPMENT**

We developed the company's web page and mobile application. Now we offer our customers an updated version.



## BDSCUP

On September 17th, 2022, The BDsec JSC organized the BDSCUP football tournament among the professional participants of the capital market for the 15th time.

**First place**



**Second place**



**Third place**



**General sponsored by:**



**Sponsored by:**





# FINANCIAL STATEMENT

## BALANCE SHEET

№	Items	/Мянган төгрөг/	
		2022.01.01	2022.12.31
<b>1</b>	<b>ASSET</b>		
1.1	A. Current asset		
1.1.1.	Cash and cash equivalent	1,774,085.8	2,660,936.4
1.1.2	Short term investment	14,776,608.1	26,172,741.3
1.1.3	Account receivable	4,312,413.7	4,130,293.3
1.1.4	Inventory	-	-
1.1.6	Prepaid expenses	17,501.6	133,059.2
1.1	Current asset amount	20,880,609.2	33,097,030.2
1.2.	Б.Non-current asset		
1.2.1	Fixed asset	4,414,284.3	4,381,510.3
1.2.2	Long term investment	51,000.0	51,000.0
1.2.3	Intangible asset	12,547.9	40,864.3
1.2.	Non-current asset amount	4,477,832.2	4,473,374.6
	<b>TOTAL ASSETS</b>	<b>25,358,441.4</b>	<b>37,570,404.8</b>
<b>2</b>	<b>LIABILITIES AND OWNER'S EQUITY</b>		
2.1.1	Short term liabilities	7,270,839.4	2,835,005.7
2.1.1.1	Account payables	5,705,826.8	1,156,799.4
2.1.1.2	Salary payables	157,518.7	40,409.2
2.1.1.3	Tax payables	149,834.1	25,441.4
2.1.1.4	Income tax payables	36,953.2	24,438.1
2.1.1.5	Short term loan	500,000.0	999,831.7
2.1.1.6	Interest payables	2,535.4	377,938.5
2.1.1.7	Dividend payables	-	-
2.1.1.8	Pre-paid income	242.2	477.9
2.1.1.9	Reserves /liabilities/	41,084.6	41,084.6
2.1.1.10	Other payables	676,844.4	168,584.9
2.1.1.11		-	-
<b>2.1.2</b>	<b>LONG TERM LIABILITIES</b>	<b>-</b>	<b>20,592,499.7</b>
2.1.2.1	Long term loans	-	20,592,499.7
2.1.2.2	Reserves /Liabilities/	-	-
2.1.2.3	Deffered tax payables	-	-
2.1.2.4	Other payables	-	-
<b>2.2</b>	<b>TOTAL LIABILITIES</b>	<b>7,270,839.4</b>	<b>23,427,505.4</b>
2.3	2.Shareholder's equity	13,151,322.0	12,551,128.1
2.3.1	Share: a) government	-	-
2.3.2	b) private	1,369,488.3	1,369,488.3
2.3.3	Additional paid capital	7,957,309.3	7,957,309.3
2.3.4	Revaluation reserve	3,824,524.4	3,824,524.4
2.3.5	Other capital	-	(600,193.9)
2.3.6	Retained earnings	4,936,280.0	1,591,771.3
2.3.7	Total owner's equity	18,087,602.0	14,142,899.4
2.4	Total liabilities and shareholder's equity	18,087,602.0	14,142,899.4
	<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>25,358,441.4</b>	<b>37,570,404.8</b>

## INCOME STATEMENT

№	Items	/Мянган төгрөг/	
		2022.01.01	2022.12.31
<b>Main operation income</b>			
1.1.1	<b>Operation income:</b>	<b>3,378,231.3</b>	<b>2,447,245.8</b>
1.1.1.1	Income from broker and dealer activities	474,456.4	209,782.7
1.1.1.2	Income from underwriting activities	1,790,585.3	1,824,165.0
1.1.1.3	Income from investment advisory activities	354,630.0	20,716.1
1.1.1.4	Net income from securities trading	758,559.6	392,582.0
1.1.1.5	Income from securities valuation equalization	-	-
1.1.2	Investment income	332,566.6	1,016,496.8
1.1.2.1	Income from company bond interest	-	-
1.1.2.2	Dividend income	179,786.3	149,583.7
1.1.2.3	Interest income	-	544,518.0
1.1.2.4	Other income	42,967.3	162,247.7
1.1.2.5	Lease income	109,813.0	160,147.4
1.1.1	<b>Main operation income</b>	<b>3,710,797.9</b>	<b>3,463,742.6</b>
1.2	Cost of Investment sold	-	-
1.3.	<b>Gross profit /loss/</b>	<b>3,710,797.9</b>	<b>3,463,742.6</b>
1.4.	General and Administration cost	2,515,447.0	3,594,389.2
1.5	Operation profit /loss/	1,195,350.9	(130,646.6)
2	Non-operation profit /loss/	562,195.0	(3,213,710.3)
3	Pre-tax earnings /loss/	1,757,545.9	(3,344,356.9)
3.1	Income tax expense	123,017.1	151.8
4	Net earnings after tax payment /loss/	1,634,528.8	(3,344,508.7)
5			
6	<b>Net profit /loss/ during tax period</b>	<b>1,634,528.8</b>	<b>(3,344,508.7)</b>

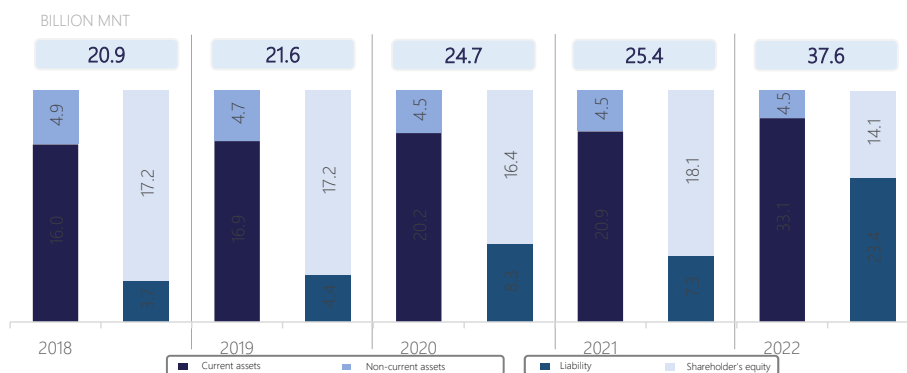
## CASH FLOW STATEMENT

ITEMS	2022.01.01	/Мянган төгрөг/ 2022.12.31
Cash flows from operating activities	1,325,420.4	14,338,232.3
Cash flows from investing activities	6,479,442.4	(12,512,437.4)
Cash flows from financing activities	(6,587,461.0)	(938,919.6)
Effect of exchange rate changes on cash and cash equivalents		(24.7)
Net change in cash and cash equivalents	1,217,401.8	886,850.6
<b>Cash and cash equivalents at beginning of period</b>	<b>556,684.0</b>	<b>1,774,085.8</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,774,085.8</b>	<b>2,660,936.4</b>

## STATEMENT OF STOCKHOLDERS' EQUITY

Items	Equity capital	Additional paid capital	Revaluation reserve	Other	Retained profit	Total amount
2020/12/31	1,369,488.3	7,957,309.3	3,824,524.4	-	3,301,751.1	16,453,073.1
Adjusted	1,369,488.3	7,957,309.3	3,824,524.4	16,453,073.1	3,301,751.2	32,906,146.3
2021/12/31	1,369,488.3	7,957,309.3	3,824,524.4	-	4,936,280.0	18,087,602.0
Adjusted	1,369,488.3	7,957,309.3	3,824,524.4	18,087,602.0	-	31,238,924.0
Net profit/loss of reporting period	-	-	-	-	-3,344,508.7	-3,344,508.7
2022/12/31	1,369,488.3	7,957,309.3	3,824,524.4	-600,193.9	1,591,771.3	14,142,899.4

### Structure of total assets and total liabilities and owner's equity



## IINCOME STATEMENT

According to the audited financial statement for 2022, the Company resulted in a loss of MNT 3.34 billion.

It was mainly caused by the unrealized losses such as stock price slump in the investment portfolio and loss from trading in foreign currencies.

In terms of our main operations, the company made a loss of MNT 262 million due to the delay of projects planned for 2022 because of the external factors.

### MAIN FACTORS AFFECTING OUR COMPANY LOSS:

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**Loss from our  
investments or price  
decrease in the  
company investment  
portfolio**

**2.2** billion  
MNT

Within the framework of Banking reform, systematically important banks had submitted their plan to issue IPO on MSE. However, due to the extension of the IPO-mandated time frame under the Banking Law, an uncertain situation has arisen for investors. Also, investors mainly waited and focused on the Banks' IPO, so liquidity and secondary market trading activity lowered last year. As a result, most of the stocks on the MSE showed decreases.

**Loss from  
trading in  
foreign  
currencies**

**983** million  
MNT

Our company acquired USD 5 million loan for the investment.

The interest expense of the loan was converted to MNT at the exchange rate of the reporting date and the unrealized expense was calculated.



## **BOARD OF DIRECTORS CONCLUSION ON THE COMPANY'S OPERATIONAL AND FINANCIAL REPORT FOR 2022**

BDSec JSC solely executed securities trading worth MNT 207.8 billion or 18 percent of total trading on the MSE. The company accounted for 22.2 percent of total trading on the primary market of the MSE, reaching MNT 164.8 billion.

According to the amendment to the Banking law dated January 29th, 2021, systemically important banks need to become public companies before June 30th, 2023.

In May 2021, BDSec JSC was selected as a Lead Underwriter for the IPO of Khan Bank, Mongolia's largest and most profitable commercial bank. Even though we submitted the Khan Bank IPO prospectus to the Financial Regulatory Commission, Mongolian Stock Exchange, and Bank of Mongolia on April 22nd, 2022, the parliament revised the amendment to the Banking Law, and the banks' IPO due date was extended until June 30th, 2023, so Khan Bank IPO delayed. The delay of the Khan Bank IPO negatively affected our company's performance for 2022.

Our company mainly worked on projects to issue corporate bonds on the OTC market in the second half of 2022. As a result, we successfully offered private bonds of Khuren Tolgoi Coal Mining LLC, BID NBFJ, and Zasagt Khaan LLC through the OTC market and raised MNT 31 billion from institutional investors. .

Furthermore, In 2022, the departments will be restructured to improve intercommunication and information exchange among departments, to reach customers more efficiently and quickly, and to improve the knowledge and skills of the employees who contact directly with clients. Also, Mr. Lkhagvadorj B. who had been a First Deputy Director of the company since 1997, was appointed as CEO of the company in November, 2022.

Even though our company resulted in MNT 3.3 billion loss in 2022, 93 percent of the total loss was driven by unrealized losses such as stock price loss in the investment portfolio and loss from trading in foreign currencies.

For the financial result, our company acquired USD 5 million in a loan to support projects we are implementing, so it was the main reason our interest expenses increased last year. However, we used this loan for investments, so our interest income to earn in the future could cover the interest expenses.

Finally, the Board of Directors of BDSec JSC concluded the company's financial statement for 2022 is reasonable.

## BOARD DECISION NOT TO PAY DIVIDEND

According to the Resolution No. 23/01 of the Board of Directors of BDSec JSC dated February 19th, 2023, the company resulted in a loss in 2022, so the Board of the company decided not to pay a dividend.

## APPROVAL OF THE BOARD BUDGET FOR 2023

	Members monthly salary	All members monthly salary /Board-9, Secretary-1/	Annual salary
Board members salary	600,000₮	4,500,000₮	64,800,000₮
Secretary salary	400,000₮	400,000₮	4,800,000₮
Costs for the Board meeting /paper,water,etc/	1,500,000₮	Once a season /4 times a year/	6,000,000₮
<b>Total</b>			<b>75,600,000₮</b>