



# MONGOLBANK



## ANNUAL REPORT 2010

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## STATEMENT FROM THE GOVERNOR



*Ladies and Gentlemen!*

In 2010, Bank of Mongolia aimed to stop credit crunch and restore the economic growth. Cooperating with the International Monetary Fund and the Government of Mongolia, Bank of Mongolia has successfully implemented the Stand-By project to stabilize the economy. The increases of 6.1% in GDP, 62.5% in Money (M2) and 23% in Loan outstanding in 2010 show that the economy of Mongolia is wholly out of crisis.

When the inflation was speeding up in the first half of 2010, the Bank of Mongolia tightened the monetary policy by increasing the policy rate to 11%. As a result, the price speed decelerated and the inflation was 13%.

The bank loan remains the main source of finance for the private sector. The increase of 23% in loan outstanding influenced the growth of private sector. The loan outstanding of small to medium enterprises has reached about MNT 625 billion /increase of 30%/ as well as the mortgage loans reached to MNT 363 billion /increase of 48.7% /.

The Bank of Mongolia exercised the flexible exchange rate policy during the past financial year. The Bank of Mongolia MNT to USD reference rate was increased by 13% year to date. The foreign exchange reserves of Mongolia increased by 82.6% to USD 2.1 billion. The introduction of online system facilitated the interbank exchange trade and widened the operations. Furthermore, the Bank of Mongolia framed to decrease the exchange rate risk and loosen the pressure of MNT spot market through bringing out the swap and forward system in exchange trade.

The legal environment of banking system improved in 2010 as a result of newly approved Law on Bank and the changes in other related legislations. The total asset of banking system increased by 41.2% and the liabilities by 33.9%. In 2010, the increases of 20.4% in number of holders of deposits and 47.1% in amount of bank deposits show that the credibility of banks has improved. The total of non-performing loans decreased to 11.5% by the end of 2010.

Cooperating with the commercial banks, the Bank of Mongolia began providing the Mongolians with “Single card – Central network” system. The card owners in Mongolia make the payment and settlement 24/7 through the 347 ATM machines, 4418 POS terminal, 1576 POB terminal of 9 banks.

The Bank of Mongolia will focus on the steady economic growth of mid-term by containing the inflation at single digit and strengthening the potency to withstand the crisis in 2011.

The Bank of Mongolia will undertake steps to improve the financial sector discipline, enhancing the supervision, letting the banks to have transparent operations, and follow the prudential governance principles. In addition, the Bank of Mongolia will introduce the deposit insurance system, enhance the liquidity of collateral budget and frame the legal environment of investment bank.

The Bank of Mongolia began cooperating with the Visa International and China Union Pay to bring out the sophisticated ‘complex card service’. Thus the possibility of making the payments in Mongolia and member countries with low cost and without any drawback would come through.

L. Purevdorj  
Governor

### 1.1 Real Economic Development

According to preliminary estimates of the National Statistical Commission, real economic growth increased to 6.1 percent in 2010. The economic growth was estimated at -1.3 percent in 2009, while in the reporting year it amounted to 6.1 percent, 7.4 percentage points up from the preceding year. The growth in 2010 consists of 5.5 percentage points in net taxes on production and import; 1.7 percentage points in wholesale and retail trade, repair of household goods; 1.1 percentage points in transport and storage; and 1.1 percentage points in mining and quarrying sector. These sectors were the main positive contributors to economic growth. On the contrary the growth declined due to -3.4 percentage points in agriculture, hunting and forestry, fishery; and -1.2 percentage points in financial intermediation. These are mainly contributed to the economic slowdown.

Table 1. Gross Domestic Product (at 2005 prices, in million togrog)

	2007	2008	2009	2010*
<b>GDP</b>	<b>3639987.7</b>	<b>3963960.0</b>	<b>3913673.2</b>	<b>4153972.8</b>
<i>growth (%)</i>	<i>10.2</i>	<i>8.9</i>	<i>-1.3</i>	<i>6.1</i>
Agriculture, forestry and fishing	734097.9	768399.4	796318.3	662566.5
<i>growth (%)</i>	<i>14.4</i>	<i>4.7</i>	<i>3.6</i>	<i>-16.8</i>
Mining and quarrying	683848.5	672649.2	711478.9	756378.0
<i>growth (%)</i>	<i>1.1</i>	<i>-1.6</i>	<i>5.8</i>	<i>6.3</i>
Manufacturing	250807.8	257538.2	234276.8	260682.6
<i>growth (%)</i>	<i>27.5</i>	<i>2.7</i>	<i>-9.0</i>	<i>11.3</i>
Electricity, gas, steam and air conditioning supply	83531.6	90303.7	96023.7	101461.3
<i>growth (%)</i>	<i>6.2</i>	<i>8.1</i>	<i>6.3</i>	<i>5.7</i>
Water supply; sewerage, waste, management and redemination activities	15219.4	16539.3	17333.8	18162.9
<i>growth (%)</i>	<i>6.5</i>	<i>8.7</i>	<i>4.8</i>	<i>4.8</i>
Construction	90895.4	78397.1	51716.6	59788.2
<i>growth (%)</i>	<i>7.2</i>	<i>-13.8</i>	<i>-34.0</i>	<i>15.6</i>
Wholesale and retail trade; repair of motor vehicles and motorcycles	274253.4	315490.3	278185.3	343241.1
<i>growth (%)</i>	<i>5.5</i>	<i>15.0</i>	<i>-11.8</i>	<i>23.4</i>
Transportation and storage	356819.6	425540.7	459404.4	501156.3
<i>growth (%)</i>	<i>25.2</i>	<i>19.3</i>	<i>8.0</i>	<i>9.1</i>
Accommodation and food services	24150.3	25539.8	24669.4	26378.6
<i>growth (%)</i>	<i>14.7</i>	<i>5.8</i>	<i>-3.4</i>	<i>6.9</i>
Information and communication	132439.7	157640.1	169469.7	184303.7
<i>growth (%)</i>	<i>24.2</i>	<i>19.0</i>	<i>7.5</i>	<i>8.8</i>
Financial and insurance services	130038.2	169610.9	143092.9	98059.8
<i>growth (%)</i>	<i>19.5</i>	<i>30.4</i>	<i>-15.6</i>	<i>-31.5</i>
Real estate activities	166500.6	180334.4	195502.6	188628.9
<i>growth (%)</i>	<i>-0.3</i>	<i>8.3</i>	<i>8.4</i>	<i>-3.5</i>
Professional, scientific and technical activities	16835.4	27355.3	30391.8	29277.3
<i>growth (%)</i>	<i>-12.1</i>	<i>62.5</i>	<i>11.1</i>	<i>-3.7</i>
Administrative and support services	41049.4	54818.8	59911.0	62393.3
<i>growth (%)</i>	<i>10.4</i>	<i>33.5</i>	<i>9.3</i>	<i>4.1</i>
Public administration and defence; compulsory social security	68845.0	70979.8	75588.6	76298.6
<i>growth (%)</i>	<i>3.4</i>	<i>3.1</i>	<i>6.5</i>	<i>0.9</i>
Education	90357.5	96087.4	100168.8	102390.1
<i>growth (%)</i>	<i>0.9</i>	<i>6.3</i>	<i>4.2</i>	<i>2.2</i>
Human health and social work activities	44476.2	46581.0	47910.3	48078.0
<i>growth (%)</i>	<i>9.4</i>	<i>4.7</i>	<i>2.9</i>	<i>0.4</i>
Arts, entertainment and recreation	8660.7	9882.0	9315.0	8968.8
<i>growth (%)</i>	<i>6.5</i>	<i>14.1</i>	<i>-5.7</i>	<i>-3.7</i>
Other service activities	17631.8	20118.5	18961.2	18268.2
<i>growth (%)</i>	<i>6.5</i>	<i>14.1</i>	<i>-5.8</i>	<i>-3.7</i>
Net taxes on products	409529.3	480154.2	393954.1	607490.7
<i>growth (%)</i>	<i>6.8</i>	<i>17.2</i>	<i>-18.0</i>	<i>54.2</i>

In the reporting year, net taxes on production and import (12.1 percent of GDP) grew by 54.2 percent; wholesale and retail trade, repair of household goods (7.2 percent of GDP) increased by 23.4 percent; construction (1.3 percent of GDP) rose by 15.6 percent; manufacturing (6.5 percent of GDP) increased by 11.3 percent; transport and storage (8.1 percent of GDP) grew by 9.1 percent; and communications (3.2 percent of GDP) increased by 8.8 percent. On the negative side, financial intermediation (1.9 percent of GDP) decreased by 31.5 percent, agriculture, hunting and forestry, fishery (15.9 percent of GDP) decreased by 16.8 percent.

### Inflation

According to the National Statistical Commission, the year-on-year national consumer price index reached 13.0 percent, while in Ulaanbaatar city the inflation rate stood at 14.3 percent. Looking through the national CPI by groups, the prices of food and non-alcoholic beverages grew by 21.0 percent; clothes, footwear and cloth by 12.0 percent; housing, water, electricity and fuels by 13.0 percent, respectively. The increase in food prices has been driven by rising meat, milk and cheese prices. These rose by as much as 40 percent yoy in the middle of 2010 and resulted from the extreme winter conditions of late 2009 and early 2010 which decimated one fifth of Mongolia's livestock combined with the "Food" and "Mouth Disease" in the eastern provinces, which supply 30 percent of the meat industry, and rising meat exports to Russia, China, Vietnam and Iran.

### State Budget

According to preliminary estimates of the National Statistical Commission, total revenue and grants generated reached MNT 3078.4 billion, while total expenditure and net lending turned into MNT 3076.3 billion that resulted in a budget surplus of MNT 2.2 billion. Current revenues amounted to MNT 3035.9 billion, current expenditures accounted for MNT 2271.2 billion. Current revenues exceeded current expenditures by MNT 764.7 billion. Tax revenue increased by MNT 1053.0 billion or 65.0 percent in 2010. The increase was mainly due to increase of MNT 236.6 billion or 2.3 times in windfall tax on some products, and of MNT 185.2 billion or 90.2 percent in corporate income tax and of MNT 251.3 billion or 77.1 percent in value added tax, and MNT 101.8 billion or 61.0 percent in excise tax. Non-tax revenue grew by 2.9 percent from the preceding year.

Total expenditure and net lending increased by MNT 739.6 billion or 31.7 percent to billion 3076.3 billion compared to the previous year. This was mainly due to increase of MNT 247.1 billion or 31.3 percent in subsidies and transfers, MNT 74.6 billion or 13.0 percent in wages and salaries, MNT 149.0 billion or 37.8 percent in purchase of other goods and services, MNT 104.1 billion or 22.6 percent in capital expenditure.

### Foreign Trade

According to the National Statistical Commission, External trade balance showed a deficit of USD 378.7 million in 2010, increased by USD 126.4 million or 50.1 percent, compared to the previous year. Total external trade turnover increased by USD 2154.0 million or 53.5 percent,

of which exports up by USD 1013.8 million or 53.8 percent, and imports up by USD 1140.2 million or 53.3 percent respectively, compared to the previous year.

### Industry

In 2010, the total industrial output increased by MNT 169.7 billion or 10.0 percent to MNT 1874.6 billion (at 2005 constant prices) compared to the previous year. The increase in the industrial output was mainly due to 16.7-91.8 percent increase in main mining and quarrying products such as crude oil, fluor spar concentrate and coal; 11.2-69.0 percent increase in manufacturing products such as copper, lime, alcohol, metal steel, flour, solid concrete, cement, sawn wood, yoghurt, soft drinks, juice, metal foundries, fodder, milk; and 2.1-2.3 times increase in products such as steel casting, and iron ore.

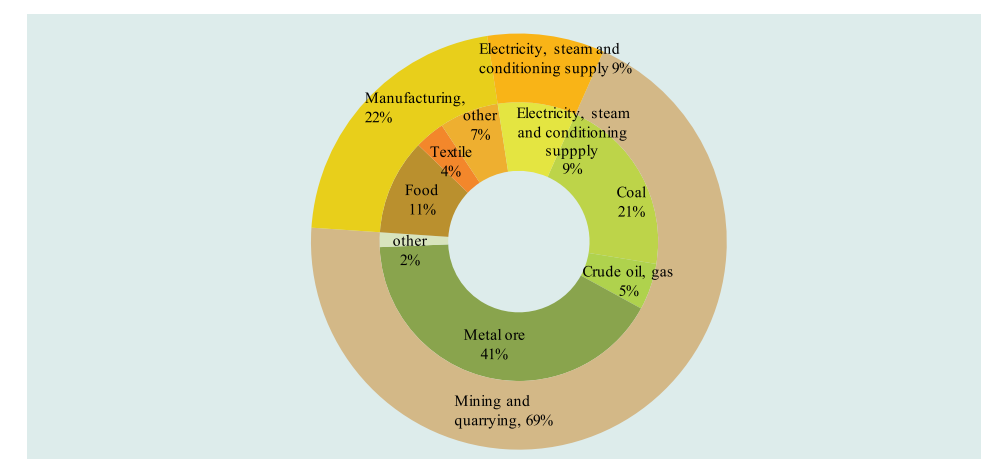


Figure 1

Total industrial production by sectors

During the reporting year, industrial output sales reached MNT 4468.2 billion, of which MNT 3062.6 billion worth of products were supplied to foreign markets. Mining and quarrying output accounted for 70.6 percent of the total manufacturing output, whereas manufacturing output accounted for 21.0 percent and electricity, thermal energy and water supply output accounted for 8.4 percent. Products sold to foreign markets comprised 91.9 percent of the mining and quarrying output and 17.6 percent of the manufacturing output; specifically 100.0 percent of crude oil, 92.9 percent of the mining of metal ore, 89.4 percent of the mining of coal, 79.2 percent of the outputs of mining of minerals, 64.2 percent of textile garments were sold to foreign markets.

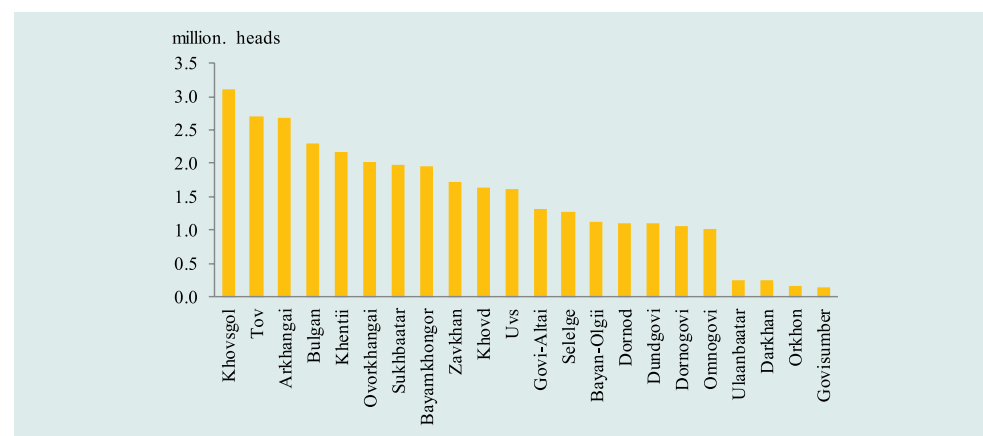
Industrial output sales in Ulaanbaatar city accounted for 54.8 percent of the total and Orkhon Aimag made up for 28.8 percent.

### Agriculture

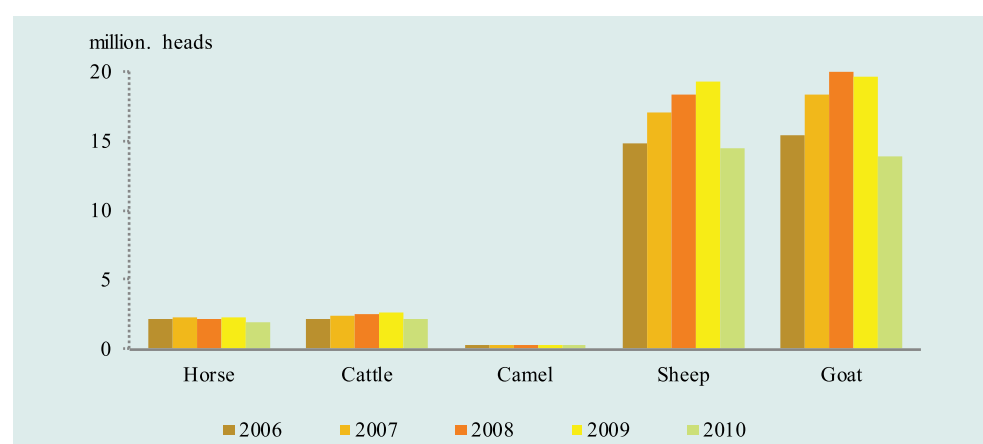
At national level as of the end of 2010, 32.7 million livestock were counted, of which 1920.3 thousands of horse, 2176.0 thousands of cattle, 269.6 thousands of camel, 14480.4 thousands of sheep and 13883.2 thousand goats. The total number of livestock decreased by 11.3 million heads or 25.7 percent compared to the previous year, of which horse by 301.0 thousand or 13.5 percent, cattle by 423.3 thousand or 16.3 percent, camel by 7.5 thousand or 2.7 percent, sheep

by 4.8 million or 24.9 percent, goat by 5.8 million or 29.4 percent. In 2010, 10.3 million heads of adult animals had lost, up by 8.6 million heads compared to the previous year.

**Figure 2**  
Number of  
livestocks by  
region in 2010



**Figure 3**  
Number of  
livestocks  
by type



In 2010, 355.1 thousand tons of cereals, 168.0 thousand tons of potatoes, 82.3 thousand tons of vegetables were harvested and 1132.3 thousand tons of gross hay harvest, 31.3 thousand tons of handmade fodder were produced. Cereals harvest decreased by 36.6 thousand tons or 9.3 percent, while potatoes increased by 16.7 thousand tons or 11.1 percent, vegetables by 4.3 thousand tons or 5.5 percent, gross hay harvest by 220.0 thousand tons or 24.1 percent, handmade fodder by 5.5 thousand tons or 21.1 percent compared to previous year.

### Construction

According to preliminary findings, construction companies performed construction and capital repair works worth MNT 350.8 billion - a decrease of 25.6 percent from the previous year. Out of the total construction work and repairs, engineering work comprised 21.7 percent; housing projects were 28.8 percent; other projects such as industrial projects, trade and service centers, hospitals, schools and cultural palaces were 26.6 percent; and capital repairs were 11.1 percent, respectively. Domestic construction companies performed 65.0 percent of the total housing and repair works in Ulaanbaatar city.

### Transportation and communication

In 2010, 29.4 million tons of freight and 250.7 million passengers (on a gross basis) were carried by all means of transport. Compared to the previous year, freight transportation and passenger rose by 18.7 percent and by 7.8 percent, respectively. Total transportation revenue reached MNT 604.9 billion which is grew by 30.0 percent, compared to the previous year.

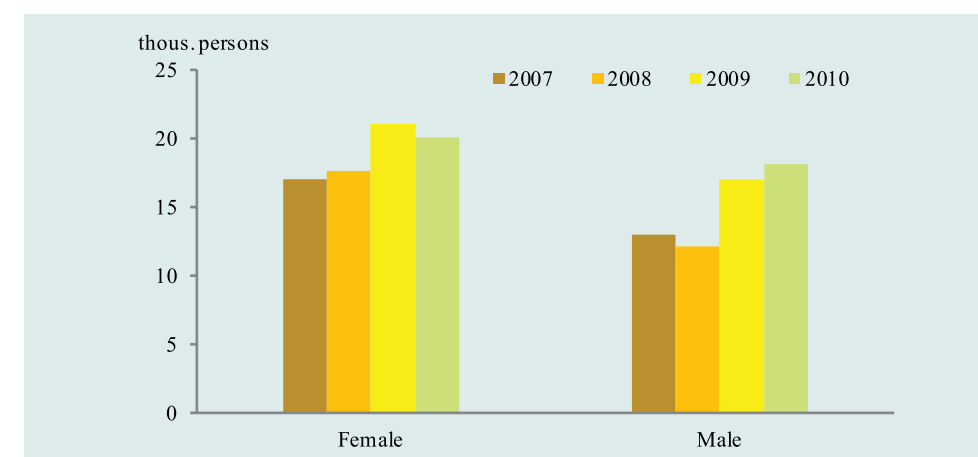
The communication sector revenue stood at MNT 401.6 billion, indicating an increase of MNT 21.6 billion or 5.7 percent from the previous year. Revenue from individuals reached MNT 315.0 billion, which is 79 percent of the total communication revenue.

### Labor productivity

At the end of the reporting year, labor productivity in the industrial sector reached MNT 36.5 million over the previous year. Labor productivity is measured as an added value divided by the average number of workers in a year. Labor productivity within the mining sector, which has the highest productivity among other industrial sectors, was MNT 69.1 million, of which labor productivity of oil and gas mining industries reached MNT 299.1 million. Also, labor productivity within manufacturing industries increased by 8.3 percent over the previous year to reach MNT 25.7 million; productivity of power and water plants rose by 5.5 percent to MNT 15.7 million since the end of 2009.

### Employment

Within the reporting year, a total of 46.3 thousand people found employment, which is lower by 10.4 percent than that of 2009. Of the total people employed in 2010, 12.3 percent were employed by government-owned entities, and the remaining 87.7 percent were employed by private companies and other entities.

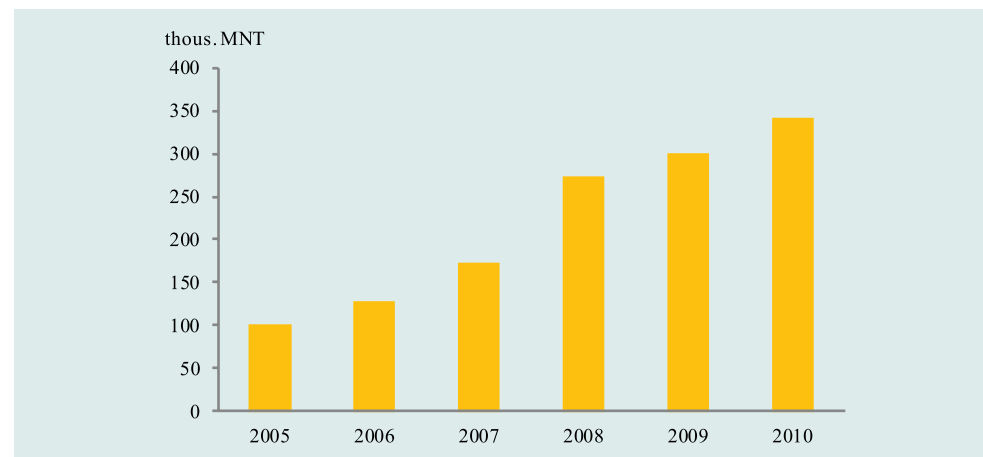


**Figure 4**  
Registered number  
of unemployed  
people

### Wages and salary

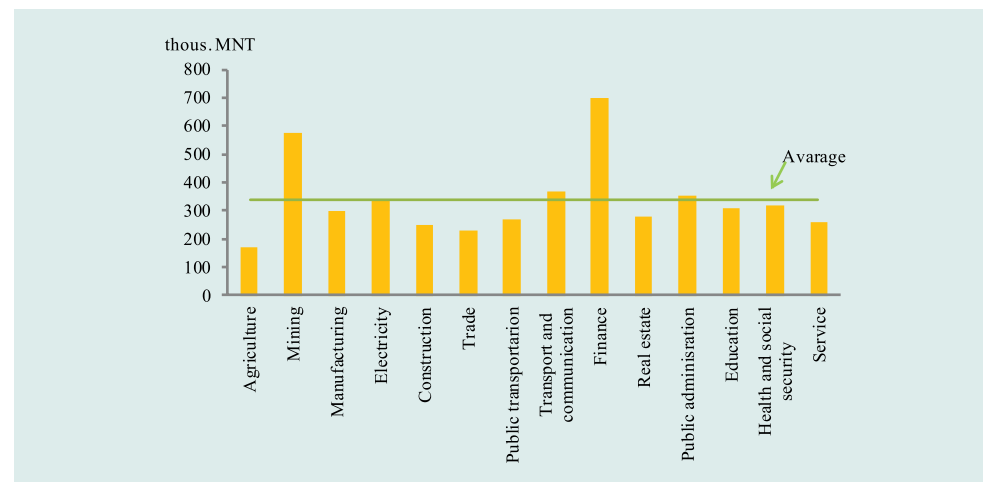
According to the NSC, in 2010, the average monthly salary of workers reached MNT 341.5 thousand, which reflects an increase of MNT 41.0 thousand or 13.6 percent over that of 2009.

Figure 5  
Average monthly salary (average of 12 months)



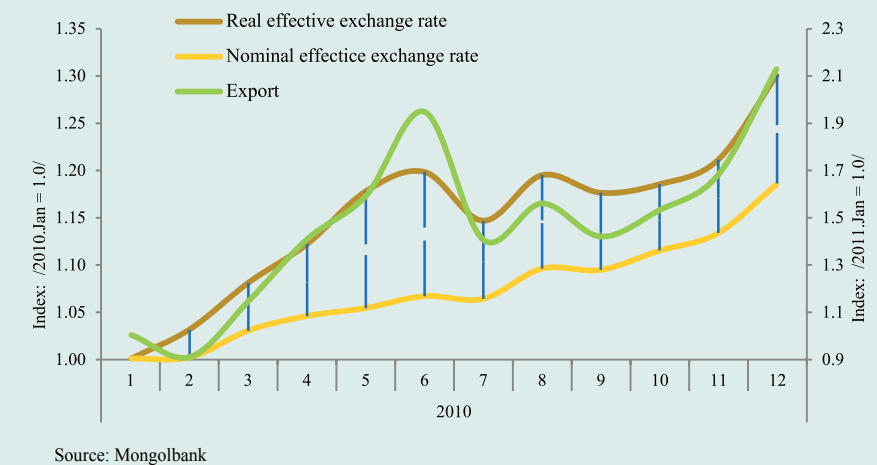
In 2010, the average monthly salary of male workers was MNT 370.4 thousand, which is MNT 55.8 thousand higher than that of female workers.

Figure 6  
Average salary by sectors in 2010



### BOX 1. World Economy and Mongolia

Mining sector is getting to be the prior sector in Mongolia. Therefore, the export of minerals and capital inflows are increasing rapidly in 2010, which indeed brings both opportunity and challenges. The expansionary monetary policy in the developed countries, on the other hand, increased the capital flow to the developing countries. These were the factors of money expanding in the market of Mongolia.



As seen in the graph export and exchange rate fluctuations are close and real effective exchange rate has appreciated 30 percent in this year. The difference between REER and NEER shows inflation gap between Mongolia and main currency issuer countries. The real exchange rate appreciation is explained by nontradables inflation which was the effects of massive capital inflows.

Figure 7  
Real and nominal effective exchange rate /left axis/, export /right axis/



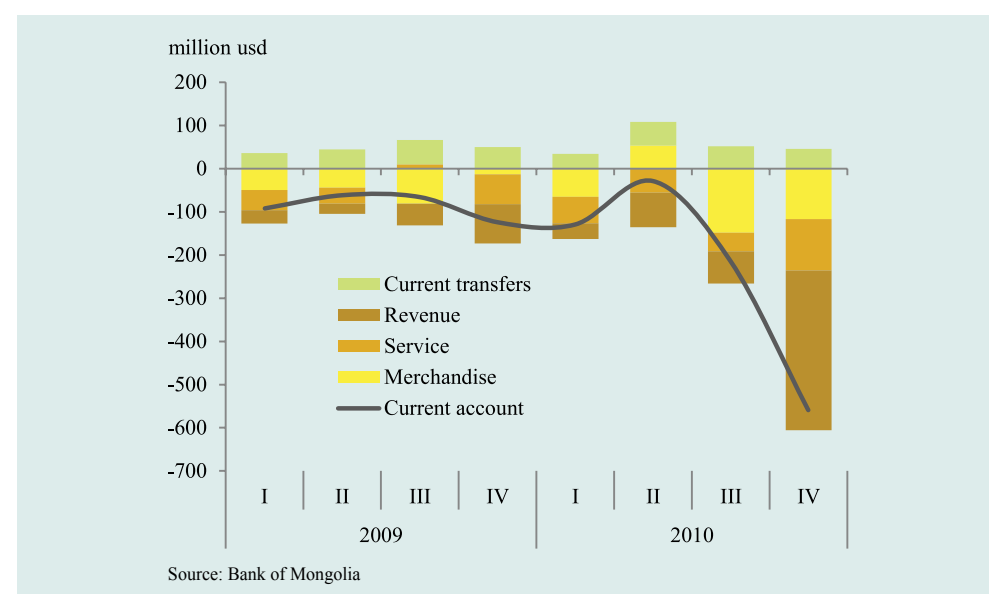
## 1.2 Balance of Payments

The real economic growth in Mongolia increased by 7.7 percentage points to 6.1%, and foreign trade turnover increased by 53.5% to USD 6177.1 million, which indicated clear economic recovery in 2010. The current account incurred a deficit of USD 931.5 million, the capital and financial account had a surplus of USD 1250.2 million, with net errors and omissions of USD 318.8 million, summing up to a surplus of USD 906.4 million of overall balance of payments in 2010.

### Current account

In the reporting year, current account had a deficit of USD 931.5 million, which equals to 15.3 percent of GDP, an increase by twofold compared to 2009, which shows a dramatic increase in the current account imbalance risk. The increase of trade and services deficits by 1.7 times reaching USD 556.9 million and the increase of income account deficit by 2.9 times reaching USD 560.6 million have most contributed to the increase of current account deficit by 2.7 times from previous year.

Figure 8  
Current account  
balance, net  
(USD million)



### Trade in goods

The trade deficit in balance of payments has increased by 47.1 percent reaching USD 277.8 million, while general merchandise deficit decreased by 9.3 percent reaching USD 428.1 million. The main factors contributing to the increase of trade turnover namely exports were the increase in physical quantity of main exporting goods and their price increase on world commodity markets, while the import increases were influenced by surge of machinery and equipments imports and petroleum products' import and their respective price fluctuations.

In the reporting year the exports has increased by 53.8 percent from previous year reaching USD 2899.2 million. The coal has become number one exporting commodity in Mongolia, its export increased by 186.1 percent due to the increase in physical quantity export of coal by 133.4 percent

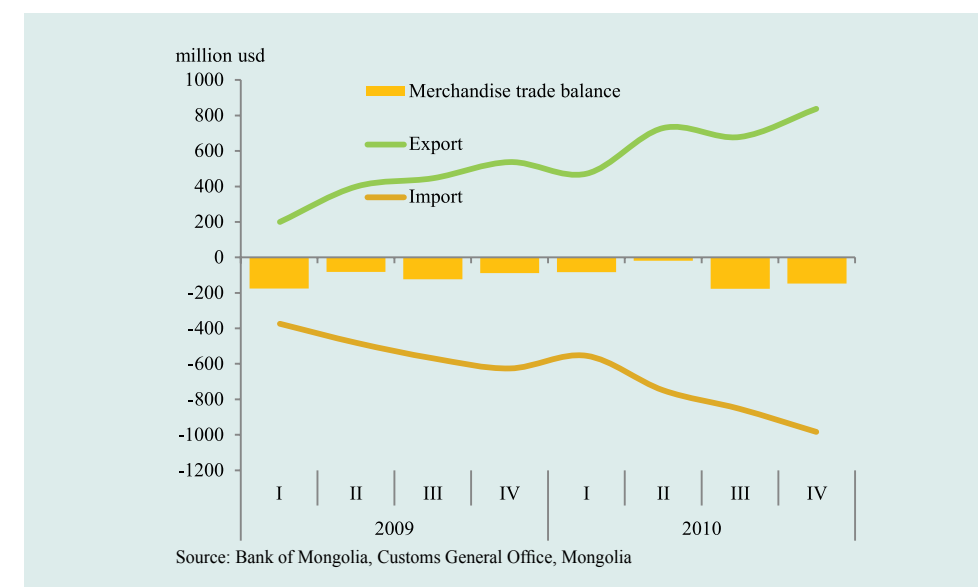


Figure 9  
Trade in goods  
(USD million)

compared to the previous year. The copper concentrate export increased by 53.5 percent due to the copper price surge on global markets, iron ore exports increased by 182.7 percent due to the increase of physical quantity exported. Moreover the export of most commodities such as crude oil, zinc, washed and combed cashmere and molybdenum concentrate have increased except for the gold exports. The gold exports have decreased by 42.2 percent compared to the previous year, which was related to the decline in the physical amount of gold exported by 53.3 percent from previous year.

In 2010, the imports increased by 53.3 percent reaching USD 3277.9 million compared to the previous year, the main contributors were:

- increase in heavy machinery, equipment and spare parts import by 95.4 percent,
- increase in transportation vehicle import by 150.1 percent,
- increase in petroleum products import by 28.4 percent.

In addition the imports of consumer goods have experienced an increase as well. The petroleum product imports reached USD 678 million, of which 72 percent of increase was attributable to the oil price surge. For example, oil price on Ural market has increased by 29.4 percent reaching USD 77.9 compared to the previous year, while import border price in Mongolia has increased by 18.6 percent to USD 796.8 per ton.



Table 2. Exports (USD million)

№	Type	2009		2010		Change in value, %	
		Quantity /tons, barrels/	Value	Quantity /tons, barrels/	Value		
1	Coal	7,093,497	305.7	16,559,009	874.6	186.06%	↑
2	Copper concentrate	586,982	501.9	568,664	770.6	53.53%	↑
3	Iron ores and concentrate	1,598,123	88.8	3,539,320	250.9	182.69%	↑
4	Non-refined gold	10,877	308.5	5,060	178.3	-42.19%	↓
5	Crude oil	1,938,541	115.6	2,078,682	154.9	33.99%	↑
6	Zinc ores and concentrate	150,737	122.5	119,789	134.1	9.50%	↑
7	Cashmere	3,527	90.9	3,016	104.6	15.04%	↑
8	Greasy cashmere	1,623	68.4	977	68.8	0.66%	↑
9	Flourspar, leucite, nepheline concentrates	314,017	48.2	376,049	63.2	31.01%	↑
10	Molybdenum ores and concentrates	6,652	50.3	4,769	52.0	3.35%	↑
	other		184.5		247.1	33.91%	↑
<b>Total export</b>			<b>1,885.4</b>		<b>2,899.2</b>	<b>53.77%</b>	<b>↑</b>

Source: Bank of Mongolia, Customs General Office, Mongolia

Table 3. Imports (USD million)

Type	First 12 months		Change, %
	2009	2010	
1 Oil products	527.9	678.0	28.42 ↑
2 Machinery and spare parts	279.5	546.2	95.39 ↑
3 Cars and vehicles	168.8	422.2	1.50 ↑
4 Food commodities	155.6	168.9	0.09 ↑
6 Office and house equipments	82.7	114.2	0.38 ↑
7 Medicine and chemical products	41.1	63.5	0.54 ↑
5 Steel, steel products	60.4	22.8	-0.62 ↓
8 Fabrics	1.5	1.7	0.15 ↑
9 Other consumer goods	92.7	124.2	0.34 ↑
other	727.4	1,136.2	0.56 ↑
<b>Total import</b>	<b>2,137.7</b>	<b>3,277.9</b>	<b>0.53 ↑</b>

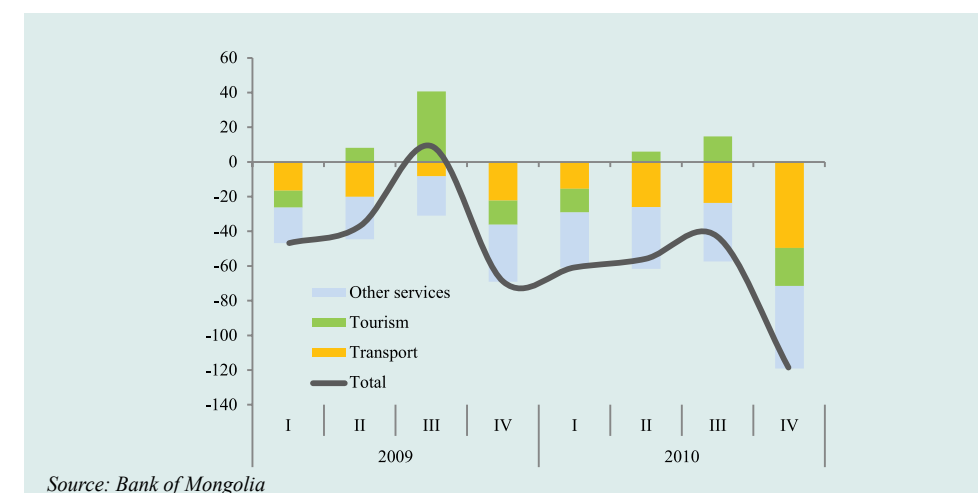
Source: Bank of Mongolia, Customs General Office, Mongolia

### Trade in services

Mongolia has exported USD 490.4 million services and imported USD 769.5 million services from abroad resulting in services account deficit of USD 279 million in 2010, an increase of 94.8 percent from previous year.

Approximately 85 percent of the services trade turnover accounts to transportation, travel and other business services. In the reporting year the transportation services had a deficit of USD 115.3 million, other business services had a deficit of USD 148.5 million, which were an increase of 70.3, 47.9 percent respectively compared to the previous year. Moreover the traveling services were also suffered a deficit of USD 15.2 million, while it had a surplus in

2009. Communications, financial, construction, insurance, computer, information, business and government services all had a deficit in 2010.



Source: Bank of Mongolia

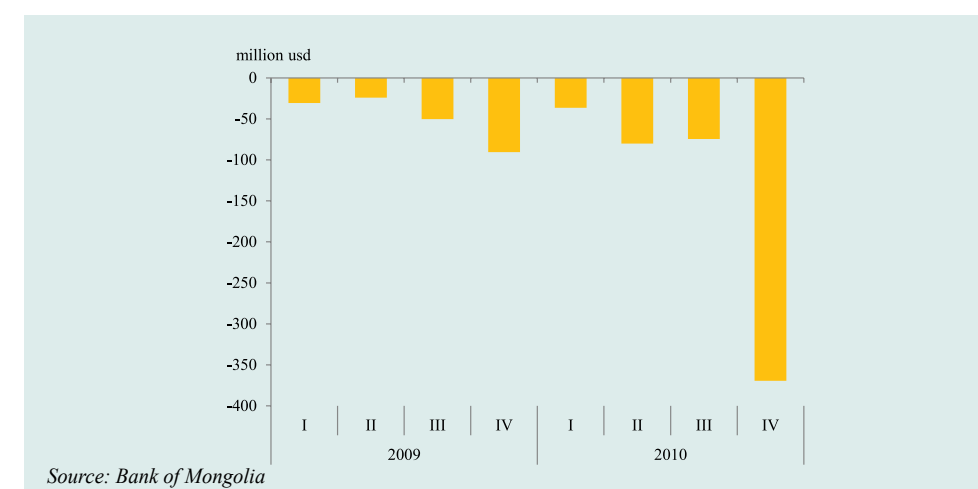
Figure 10

Services trade /net/, USD million

### Income

Foreign invested entities have distributed USD 345.4 million in dividends to its nonresident shareholders and paid USD 5.4 million in interest rate payments for the loans from direct investors. Government of Mongolia and private sector have paid USD 67 million in interest rate payments for the loan brought from abroad. Banks expensed USD 4.21 million in interest rates to nonresident allocated current and deposit accounts.

Compensation of employees account showed a deficit of USD 28.8 million, an increase by 7.4 times from 2009, due to the compensation of USD 45.3 million paid out to nonresident workers in Mongolia. Investment income account deficit increased 2.9 times from previous year reaching USD 531.8 million. Above mentioned factors led to income account deficit of USD 560.6 million, an increase of 2.9 times from previous year.



Source: Bank of Mongolia

Figure 11

Income balance (USD million)

### Current transfers

The remittances received from workers abroad increased by 18.5 percent and reached USD 226.9 million and remittances transferred abroad increased by 75.3 percent and reached USD 125.1 million. This resulted in a net current transfer surplus of USD 185.9 million, a USD 0.2 million increase from 2009.

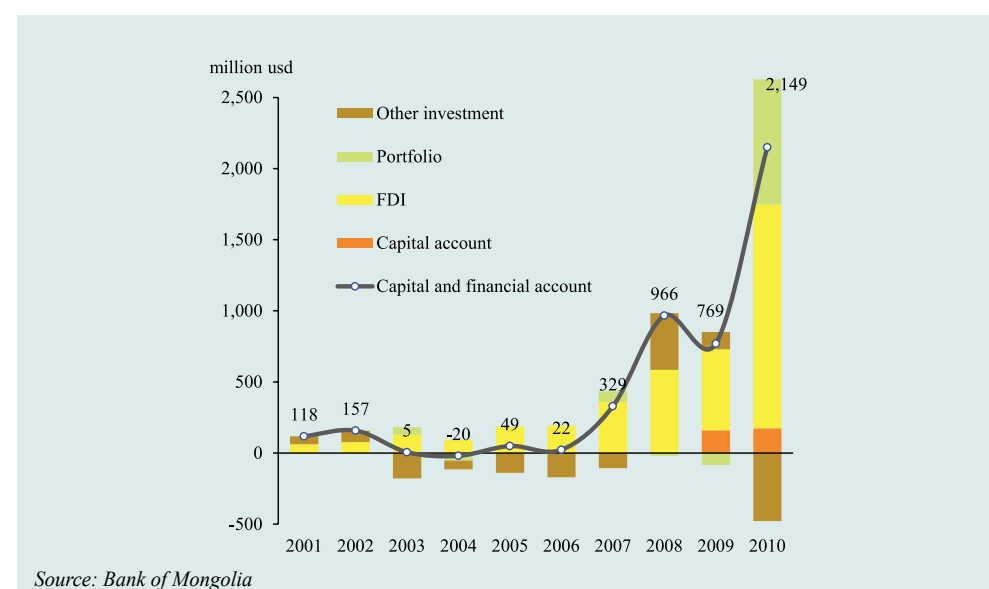
### Capital and Financial account

Capital and financial account surplus increased 2.8 times and reached USD 2148.8 million in the reporting year, compared to 2009.

It is mainly explained by following factors:

- foreign direct investment increased 2.8 times compared to 2009 and reaching USD 1573.6 million,
- portfolio investment account, which was in deficit of USD 82.1 million in 2009, showed a surplus of USD 878.7 million,
- financial account increased 3.2 times compared to 2009 and reached 1974.3 million,
- capital account surplus increased by 8.7 percent compared to 2009.

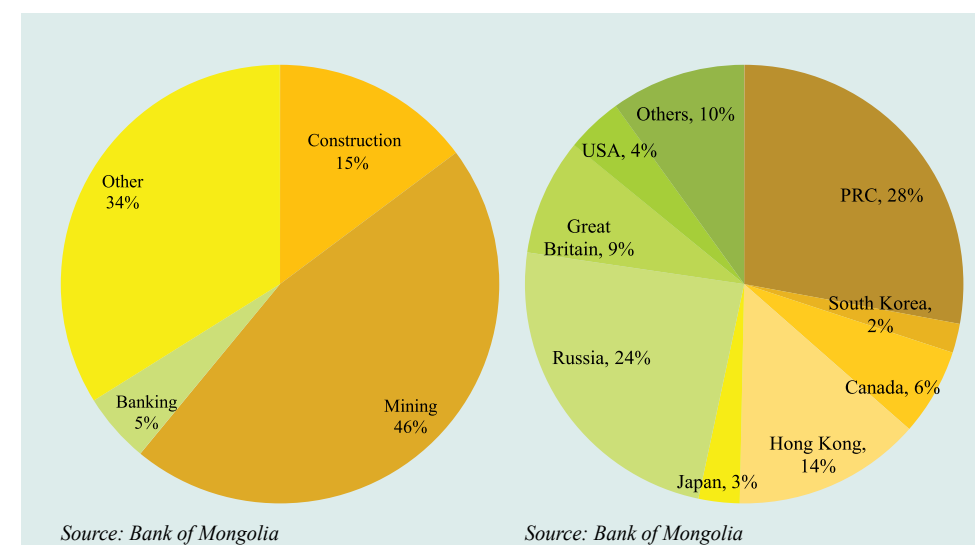
Figure 12  
Cap. & financial  
account  
(USD million)



Other investment account, which was in surplus of USD 120.6 million in 2009, incurred a deficit of USD 478.0 million in the reporting year.

### Foreign direct investments

The shares of foreign direct investment by countries are: PRC 28 percent, Russia 24 percent, Hong Kong 14 percent and United Kingdom 9 percent of total foreign direct investment. Out of the total foreign direct investments, 66 percent were invested in mining, banking and construction sectors.



### Portfolio investments

Portfolio investment account incurred a surplus of USD 878.7 million in the reporting year due to the following:

- Equity securities: “Mongolian Mining Corporation” raised USD 651 million by offering 20 percent of its shares in Hong Kong Stock Exchange initial public offering.
- Bonds and notes: Trade and Development Bank issued a USD 75 million 3-year bond in the international capital markets in 2007 within their Euro Midterm Notes Program. In the reporting period they completed the repurchase by buying back the final part at USD 41.3 million. Moreover, TDB issued another USD 175 million bond as part of the above stated program.
- Gold financing and other: The USD 66.2 million bond (discounted price), issued in the international capital markets through London’s Standard bank in 2009 as part of Mongolian Government’s gold financing program to support domestic gold miners, was repurchased for USD 75 million. Moreover, 80 percent or equivalent to USD 17.9 million of the MNT 30 billion (equivalent to USD 22.4 million) Government bond, traded through Mongolia Stock Exchange, was purchased by non-residents.

### Other investments

The Government of Mongolia has disbursed the foreign concessional loans of USD 65.8 million from International financial institutions and donor countries, has repaid USD 51.4 million in principal payment of loan, leaving Government’s foreign debt outstanding to USD 1832.4 million in 2010. According to the Ministry of Finance report, 78 percent of foreign loans were granted by WB, ADB and Government of Japan. Around 60 percent of the outstanding foreign loans were multilateral loans granted from international financial institutions and 40 percent were bilateral loans granted from foreign Governments. Majority or 94 percent of the total Government external debt service is denominated in foreign currency.

Figure 15

Government external debt structure, by countries and institutions

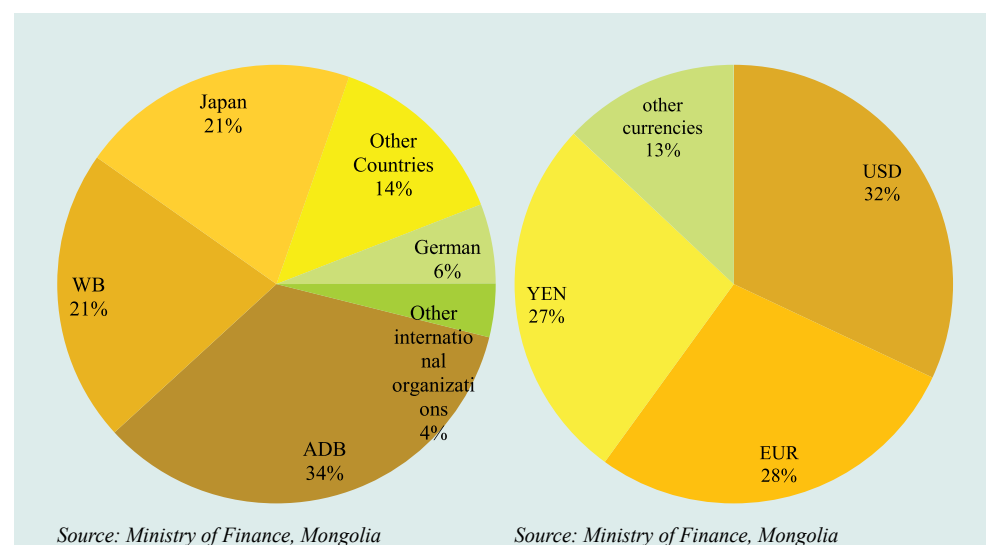


Figure 16

3 Outstanding Government external debt, by currency

The Government of Mongolia disbursed a total of USD 2114.5 million of external loan between 1990-2009, of which 52 percent were disbursed to infrastructure sector, 41 percent to other private sector and remaining to social sector. Almost 50 percent of the total Government external borrowings were disbursed to transportation, energy and other economic sectors. Whereas private entities borrowed USD 236.9 million in long term loans, USD 118.4 million in short term loans, and repaid USD 273.9 million in principal payment of the loan in the reporting year.

Table 5. Government external debt disbursements, by sectors

Sector	in millions of USD	Percentage
<b>Social sector</b>	<b>141.8</b>	<b>6.6</b>
Education sector	40	1.9
Social security, poverty reduction	65.3	3.0
Health sector	36.5	1.7
<b>Infrastructure</b>	<b>1118.7</b>	<b>52.2</b>
Transportation sector	429.8	20.0
Energy sector	318.7	14.9
Mining sector	119	5.5
Communication sector	78	3.6
Manufacturing sector	173.2	8.1
<b>Other sector</b>	<b>883.8</b>	<b>41.2</b>
Financial sector	332.2	15.5
Housing sector	83.5	3.9
Agriculture sector	60.4	2.8
IMF loan	102.3	4.8
Other sector	305.4	14.2
<b>Total</b>	<b>2144.3</b>	<b>100.0</b>

Source: Ministry of Finance

Following the External debt compilation guide methodology, Mongolian “private sector’s external debt” or any contractual liabilities that require repayments of principal and interest (debt securities, bonds, borrowings from investor), reached USD 1980.5 million in 2010. This shows an increase of 2.6 times compared to previous year. Private sector’s external debt is

expected to increase further in the future, as the economy expands, business cycle recovers and expectation remains positive.



Figure 17

Private sector external debt disbursement and repayment (USD million)

Figure 18

Private sector's outstanding external debt (USD million)

### Balance of payments projection

According to the research conducted in February 2011 by Bank of Mongolia, the current account is expected to have a deficit of USD 1.9 billion, while capital and financial account to have a surplus of USD 2.9 billion, resulting in overall balance of payment surplus of USD 1.0 billion in 2011. The income from exports is forecasted to rise by USD 0.9 billion in 2011, which will be a 31 percent increase compared to 2010. This rise is due to the following: the expected increase in exploration of coal and iron ore, expected increase in the global copper and coal prices. Total import is forecasted to be USD 5.2 billion in 2011, increased 62 percent due to the increase in rapid economic growth and large mining-related investments. As a result of this increase in imports and investments in mining, services and income accounts are expected to have deficits of USD 323 million and USD 365 million respectively, current transfers account is expected to have a surplus of USD 161 million. Above mentioned factors will likely to lead current account deficit to be doubled compared to 2010.

Capital and financial account surplus is projected to increase by 33 percent in 2011. This rise is due to the expected increase in foreign direct investments which relate to implementations of large-scale mineral projects.

Table 6. Balance of payments 2011 projection (USD million)

Description	2010 preliminary data					2011 projection				
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual
<b>I. Current account</b>	<b>-128.8</b>	<b>-28.1</b>	<b>-214.4</b>	<b>-560.1</b>	<b>-931.5</b>	<b>-250.9</b>	<b>-459.2</b>	<b>-686.0</b>	<b>-498.3</b>	<b>1894.3</b>
A. Goods	-65.7	53.3	-148.6	-117.0	-277.8	-169.2	-329.5	-539.8	-329.5	-1367.9
1. Export F.O.B.	499.0	809.7	717.0	873.5	2899.2	623.7	1013.4	1020.8	1130.5	3788.3
2. Import F.O.B.	564.7	756.3	865.5	990.5	3177.0	792.8	1342.8	1560.5	1460.0	5156.2
B. Services /net/	-61.0	-55.9	-43.0	-119.2	-279.0	72.0	-83.2	-74.6	-92.7	-322.6
C. Net income	-36.4	-80.1	-74.6	-369.4	-560.6	-57.4	-85.9	-106.4	-114.8	-364.6
D. Current transfers /net/	34.2	54.6	51.7	45.4	185.9	47.7	39.4	34.8	38.7	160.7
<b>II. Capital and Financial account</b>	<b>186.2</b>	<b>304.3</b>	<b>490.2</b>	<b>1168.2</b>	<b>2148.8</b>	<b>303.6</b>	<b>777.6</b>	<b>1104.8</b>	<b>673.9</b>	<b>2859.9</b>
A. Capital account	28.7	40.9	56.4	48.6	174.5	48.6	51.2	49.5	49.8	199.0
B. Financial account	157.5	263.4	433.8	1119.6	1974.3	255.0	726.4	1055.3	624.2	2660.9
a. Direct investment /net/	182.1	416.2	454.9	520.4	1573.6	465.4	816.2	1181.1	720.7	3183.5
b. Portfolio investment /net/	-80.4	-76.9	7.8	1028.1	878.7	23.1	25.5	23.1	29.2	100.8
c. Other investment /net/	55.8	-75.9	-28.9	-428.9	-478.0	-233.5	-115.3	-148.9	-125.7	-623.4
<b>III. Balance of payment</b>	<b>-36.3</b>	<b>162.4</b>	<b>199.6</b>	<b>580.7</b>	<b>906.4</b>	<b>52.7</b>	<b>318.4</b>	<b>418.8</b>	<b>175.6</b>	<b>965.6</b>
Net reserves	1107.4	1229.8	1460.1		2091.2	2143.9	2462.3	2881.1		3056.7

Source: Bank of Mongolia

### 1.3 Prices

By the end of the year 2010, Ulaanbaatar inflation rose by 14.3 percent, national inflation rose by 13.7 percent. During the year 2010 all item groups in consumer basket have increased, of which the highest price surges were in food prices with 20.6 percent, in education services with 20.4 and communication costs with 16.9 percent. Despite the high year on year increase of communication items group (CPI weight of 4.1 percent) the contribution of it to inflation was weak due to small weight in CPI basket, while contributions of food items (CPI weight of 41.1 percent), clothing and footwear items (CPI weight of 12.4) and housing, utilities group (CPI weight of 13.4 percent) were strong.

The CPI is highly influenced by meat price changes. In particular, between January and May 2010 monthly headline inflation increased by 1.9-4.2 percent driven by monthly increased prices of mutton by 14.2-22.9 percent and increased beef prices by 8.0-22.1 percent. As the meat prices fell in June and July of 2010 the headline inflation also slowed down. Although meat prices are depending on seasonality rising in winter and spring, the meat price increases in the winter of 2010 were especially high.

To measure demand and supply factors more precise and separate them from supply shocks, the more volatile items such as meat, milk products and vegetables were excluded from consumer basket to calculate the core inflation. The core inflation rose year on year by 9.4 percent. All item groups of CPI have contributed to core inflation, although prior contribution was driven by food products, clothing and footwear group and housing, utilities group.

### 1.4 Government finance

In the reporting year, budget revenue generated MNT 3078.4 billion (36.6 percent of GDP), expenditure rose by MNT 3076.3 billion (36.5 percent of GDP), resulting in an overall budget surplus of MNT 767.7 billion (9.1 percent of GDP).

#### Budget revenue

Total budget revenue and grants reached MNT 3078.4 billion, increased by MNT 382.5 billion or 14.2 percent on projections. Total budget revenue increased by 54.5 percent or MNT 1085.4 billion from the same period of last year.

In comparison with the previous year, current account revenue (98.6 percent of total revenue) increased by MNT 1070.4 billion or 54.5 percent, which determined the total growth of revenue. Tax revenue (88.1 percent of current revenue) increased by MNT 1058.3 billion or 65.5 percent from the same period of last year.

In comparison with the previous year, windfall tax revenue increased by MNT 236.6 billion or 126.9 percent, corporate income tax revenue by MNT 185.2 billion or 90.1 percent, which determined total growth of tax revenue (88.1 percent of current revenue).

Income tax revenue (40.1 percent of tax revenue) showed an increase of MNT 109.7 billion or 16.9 percent, tax revenue on domestic goods and services (29.2 percent of tax revenue) rose by MNT 139.2 billion or 33.8 percent, and social security contributions (11.8 percent of tax revenue) by MNT 139.2 billion or 39.1 percent.

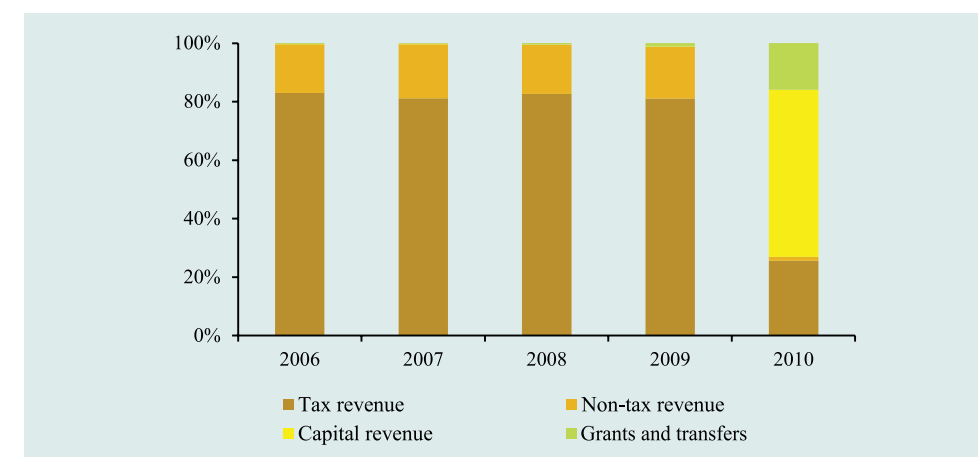


Figure 19  
Budget revenue and grants (percentage of GDP)

Value-added tax (VAT) returns comprised 66.7 percent of tax revenue on domestic goods and services. VAT receipts grew by MNT 251.5 billion or 77.2 percent, while excise duty receipts (31.1 percent of tax revenue on domestic goods and services) rose by MNT 101.8 billion or 61.0 percent and income of special purpose (2.1 percent of tax revenue on domestic goods and services) by MNT 1.6 billion or 9.8 percent.

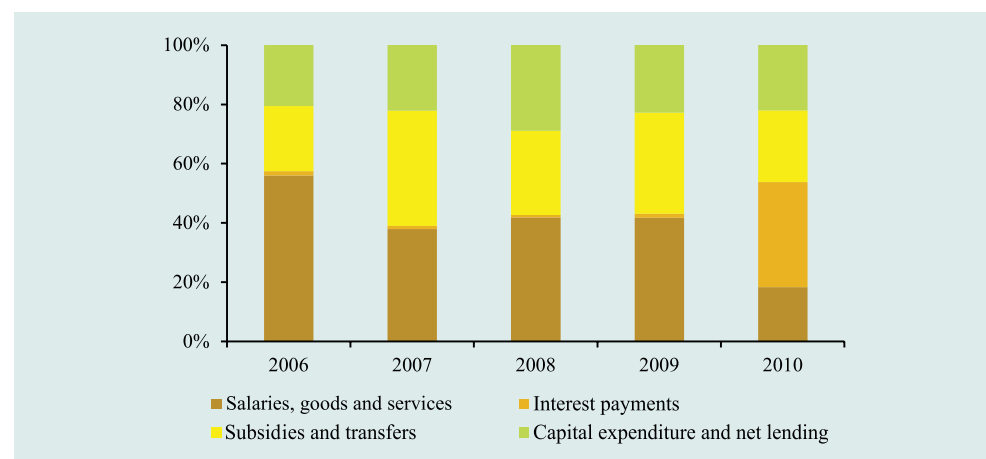
Revenue from foreign trade tax reached MNT 193.3 billion, increased by MNT 77.3 billion or 66.7 percent. Import tax revenue rose by MNT 81.9 billion, influencing the growth of foreign trade tax revenue.

Total other tax revenue increased by MNT 105.2 billion or 52.0 percent from the same period last year reaching MNT 307.5 billion. Payments of royalty for the use of mineral resources rose by MNT 60.8 billion, influencing the growth of other tax revenue.

### Budget Expenditure

In the reporting year, budget expenditure increased by MNT 754.7 billion or 32.5 percent from the same period last year, decreased by 3.1 percent or MNT 97.9 billion on projections.

Figure 20  
Budget expenditure  
and net lending



Current expenditure grew by MNT 479.1 billion or 26.7 percent, capital expenditure rose by MNT 23.3 billion or 108.6 percent, while net lending showed a rise of MNT 168.8 billion from the same period last year.

A breakdown of current expenditure shows that expenditure on goods and services (52.6%) grew by MNT 224.2 billion or 23.1 percent, interest payments (3.5%) by MNT 12.9 billion or 44.7 percent, subsidies and transfers (44.6%) rose by MNT 241.9 billion or 30.5 percent from the same period last year.

## 1.5 Capital Market

During 2010, the Mongolian Stock Exchange held 253 overlapping sales, totaling 64.5 million shares worth MNT 62.9 billion of 136 companies, 3 thousand government bills worth MNT 30 billion. Market total value reached MNT 92.9 billion and the trade value of shares rose by MNT 39.7 billion or 171.7 percent from the previous year.

The total market capitalization reached MNT 1373.9 billion, or 16.3 percent of GDP. Tavan tolgoi, Baganuur, Shivee ovoo, APU, Mongolian Telecommunication, Sharyn gol, and Gobi had the highest market capitalization.

The TOP-20 index increased to 15039.97 points, the highest points of 2010, and market capitalization reached MNT 1373.9 billion which was first time it has been higher than a trillion in its history.

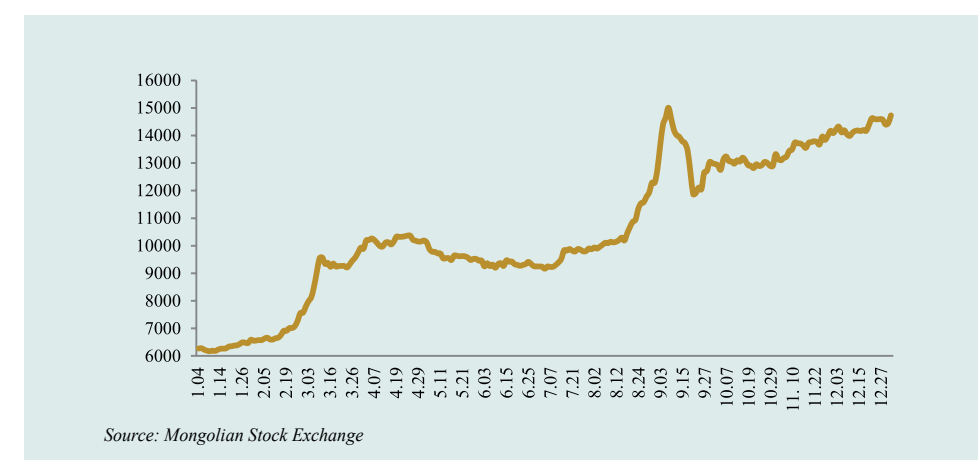
Table 8. Capital market transaction, billion togrog

	Transaction amount		Changes	
	2009	2010	Amount	Percent
Government bonds	-	30	30	100
Shares	23.2	62.9	39.7	171.1

Source: Mongolian Stock Exchange

TOP-20 index was 14756.81 points at the end of reporting year, up by 2.4 times from the previous year. This increase was due to the rise in the share prices of the some companies in the index, such as Shariin gol, Mogoin gol, Shivee ovoo, Tavan Tolgoi, APU, Baganuur, Talkh chiher, Nako tulsh, Khukh gan, and Makhimpex. The average TOP-20 index was 10582.8 points.

An average of 255 thousand shares worth MNT 248.5 million was traded daily.



Source: Mongolian Stock Exchange

Figure 21  
TOP-20 index

Table 9. The most active securities  
(by trade volume)

	Securities companies	Trade volume /million/
1	Khukh gan	19.9
2	Jenco tur buro	8.7
3	Hermes center	7.9
4	Naco tulsh	4.6
5	Baganuur	3.3
6	Mongolian Development resource	3.0

Source: Mongolian Stock Exchange

Table 10. The most active securities  
(by trade value)

	Securities companies	Trade value / billion MNT/
1	Khukh gan	3
2	Baganuur	21.1
3	Mongolian Development resource	3.4
4	Sharyn gol	12.4
5	Gobi	4.4
6	APU	3.6
7	Tavan tolgoi	2.6
8	B D Sec	2.3
9	Shivee ovoo	1.9
10	Ulaanbaatar ZB	1.5

Source: Mongolian Stock Exchange



## 2.1 Monetary policy objective and implementation

*Monetary policy.* The Bank of Mongolia aimed to maintain inflation at targeted level, and to facilitate macro economic and financial sector stability in the reporting year. The BoM tightened its monetary stance in order as a response to the sharp increase in inflation in the beginning of the year which was caused by an expansionary fiscal policy and supply side factors.

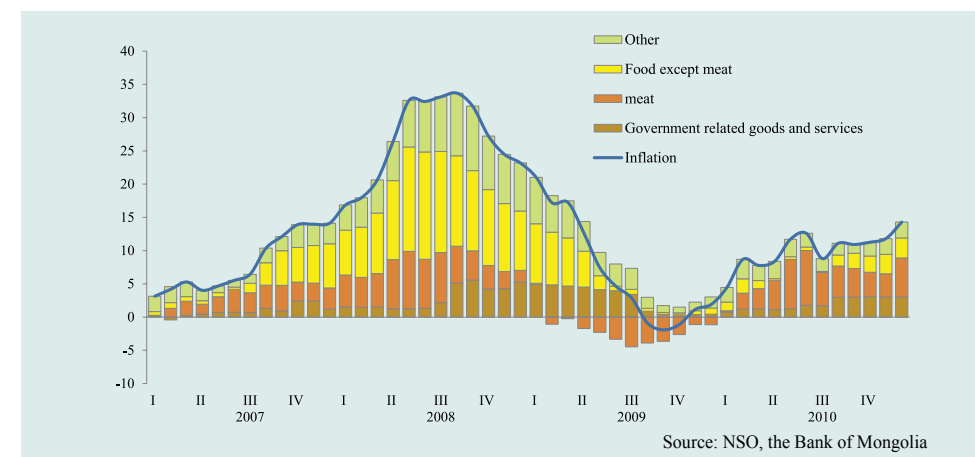


Figure 22  
Annual inflation  
decomposition,  
by main components

The following factors affected the high rate of inflation in the first half of the year. First, the main reason for rapid increase in the price of meat was the 13 percent loss of total livestock during the Zud and lack of meat reserve which has been prepared 30 percent lower than the previous years. Second, cash handout (70000 tugrugs) to children, the elderly and disabled citizens from the Human Development fund was another factor leading to high inflation. This happened concurrently with the “White moon” traditional festival, while supply could not keep up with demand, which led to an even higher increase in inflation and encouraged the expectation of further increase in prices. Third, inflation rose by more than 10 percent due to the 10-37.5 percent rise in prices of 5 kinds of public administrative goods. Consequently, increase in inflation was mostly caused by food prices, price of public administrative goods from the supply side and cash handed out to citizens from the demand side. The Bank of Mongolia took the following measures to decrease inflation. These are:

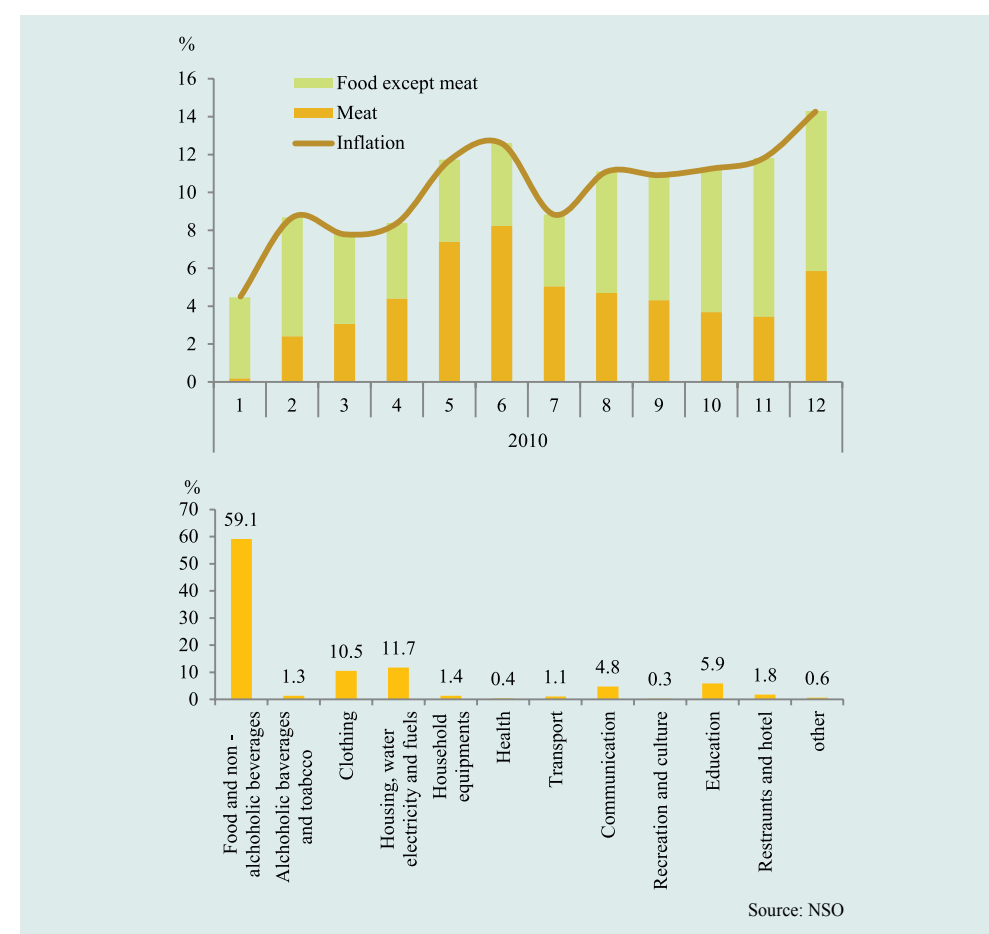
1. In April 2010, The BoM introduced a new auction framework for the 7-day CBB in which banks' bid rate must be within the range of +/- 2 percentage points of the policy rate. The purpose of this measure is to increase the effectiveness of the policy rate which increased the availability of implementing monetary policy more effectively.
2. In May 2010, The BoM increased policy rate by 1 percentage points up to 11 percent in order to decrease inflation expectation. This was the preliminary step to prevent supply side inflation provoked by inflation expectation.
3. The BoM made presentation to the Government and Parliament about inflation causes, policy measures against inflation and its calculations with the aim of anchoring supply side price increase. The government established a working group to improve the supply system of the main food products and conducted some measures to cooperate with the private sector. As a result, meat price started to decline from June 2010.

In the second half of the year, the inflation rate was relatively stable except for December. The price of meat increased because of an increase in meat exports and a decrease in meat supply from the countryside due to hoof-and-mouth disease of livestock in eastern provinces.

According to the National Statistical Commission, the year-on-year consumer price index reached 13.0 percent, while in Ulaanbaatar city the inflation rate shot up to 14.3 percent. Out of a total 13.0 percent price increase, 59.7 percent was due to a rise in food prices. Among these, meat price accounted for 5.9 points or 41.3 percent of inflation. Such groups of products and services as clothes, footwear and cloth (10.6 percents of contribution); housing, water, electricity and fuels (11.9 percents of contribution); communication (4.8 percents of contribution) showed substantial rise in prices.

Figure 23

Annual inflation contributions

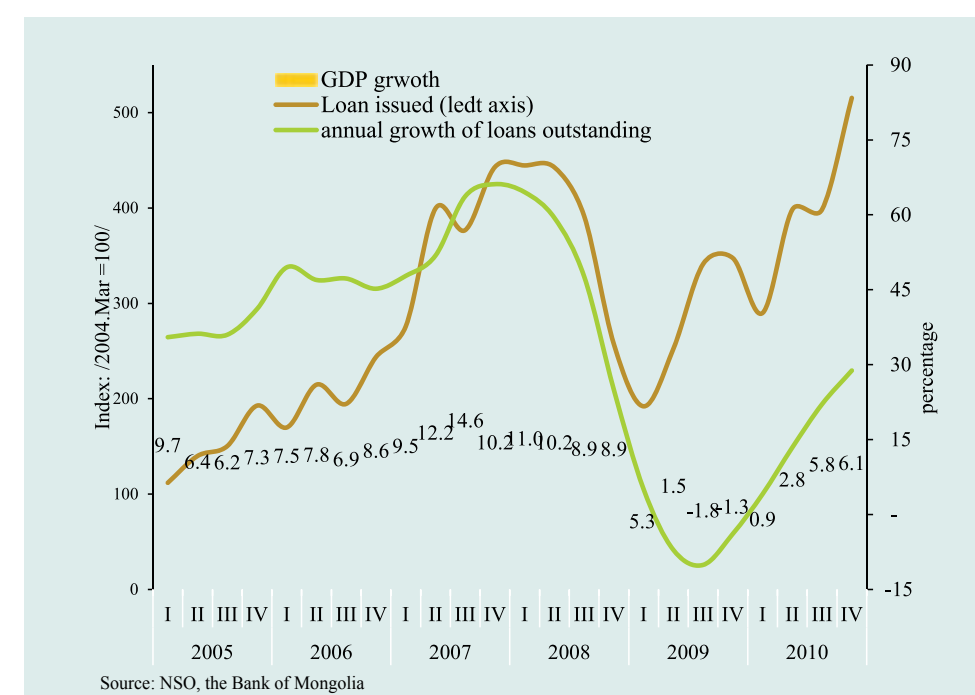


**Economic growth and credit crunch.** We implemented a policy to increase base money and excess reserve of the commercial banks in order to recover economic growth and eliminate the credit crunch in the 2nd quarter of the year when demand increased and business activities became active.

<sup>1</sup> Inflation calculated from the beginning of the year

Figure 25

GDP and Loan growth



The Bank of Mongolia issued construction loan financing in order to help banks which extended loans to the construction sector and to accumulate long run funding of housing loans for public sector officials working for the Government.

As of July 2010, The Bank of Mongolia purchased MNT 30.0 billion Government bonds with 7.8 percent ceiling rate tied to the interbank weighted average rate. The government decided to grant loans of MNT 51.4 billion for 1409 public workers and of which 926 of them have managed to establish a housing loan contract. 915 of the borrowing public officials chose their apartments from the apartments which are in loan collateral.

The Government of Mongolia and the German Development Bank agreed and signed on the contract of granting EUR 4.8 millions of Soft loan, EUR 0.5 millions of donation to the Mongolian Mortgage Corporation through the Bank of Mongolia according to the project implemented by the Government of Germany "Promotion of financial sector development and collateral mortgage loan system in Mongolia"

According to the preliminary estimates of the National Statistical Commission, real economic growth accounted for 6.1 percent in the reporting year. M2 money reached MNT 4.6 trillion, increasing by 62.5 percent from the previous year which is due to an 80 percent increase in net international assets and 23 percent increase in outstanding loans. Outstanding loan reached MNT 3.2 trillion in 2010, which indicates a successful elimination of the credit crunch.

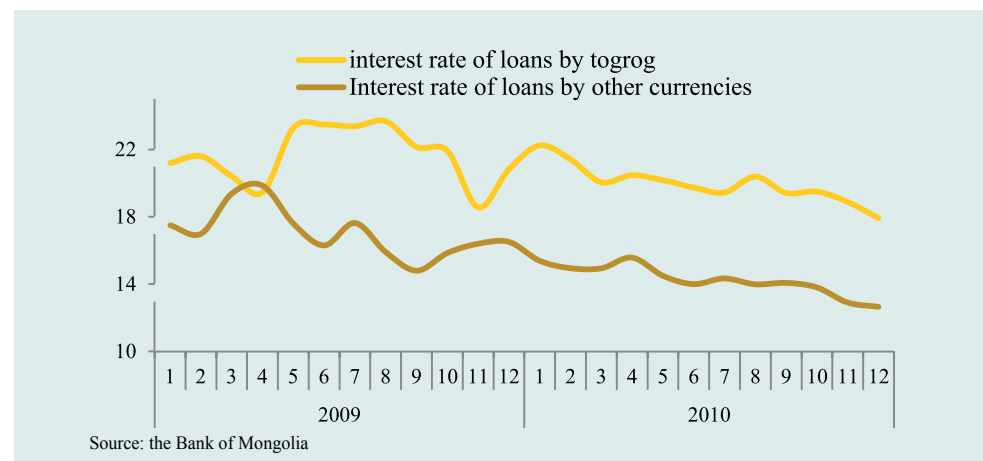
**Loan rate.** According to the plans covered in the Monetary Policy Guideline in 2010, we examined the possible measures to provide the economic and legal environment suitable for decreasing loan rate and introduced related presentation and plans to the Government, public and representatives of the commercial banks and financial institutions on the conference in November 2010. The bank announced that the rate of credit and deposits both decreased in the reporting year. Annual weighted average rate of domestic currency deposits declined to 10.7



percent, declining by 2.2 points from the previous year and weighted average rate of loans declined to 17.9 percent, falling by 2.9 points from the previous year. The main obstacle for decreasing loan rate is the accumulated amount of nonperforming loans in the banking sector. The BoM is developing a complex plan to solve non performing loan problems by changing the structure of the banking sector. The share of non-performing loans in total loans decreased to 11.5 percent by the end of the year, which was 17.4 percent in the beginning of the year.

Figure 26

Announced  
loan rate



*Public communication.* The BoM invented a new framework for arranging a press conference every month and disclosing the board of the directors' policy decisions and its reasons to the public and the financial market. This work was started in June of 2010 and regular and irregular 9 conferences were held up until now. It is significant for improving monetary policy transmission channels and its transparency, and also for introducing and advertising the policies implemented by the BoM.

## 2.2 Monetary policy indicators

### Reserve money

In 2010 the reserve money increased by 29 percent over the previous year, reaching 945.5 billion MNT.

Figure 27

The share of the  
components of the  
reserve money

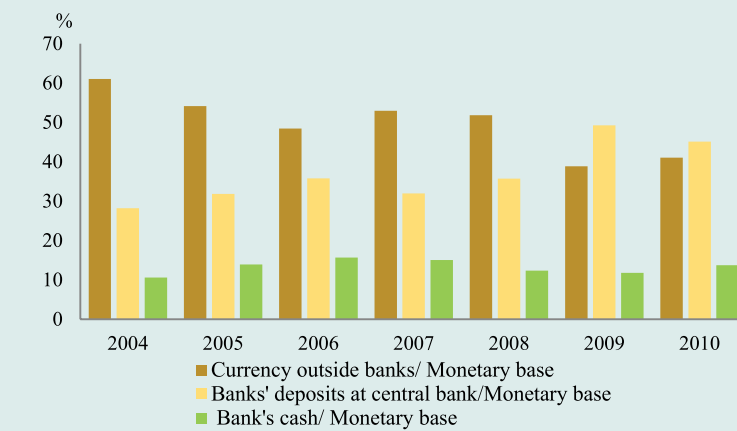


Figure 28

The change of the  
reserve money structur

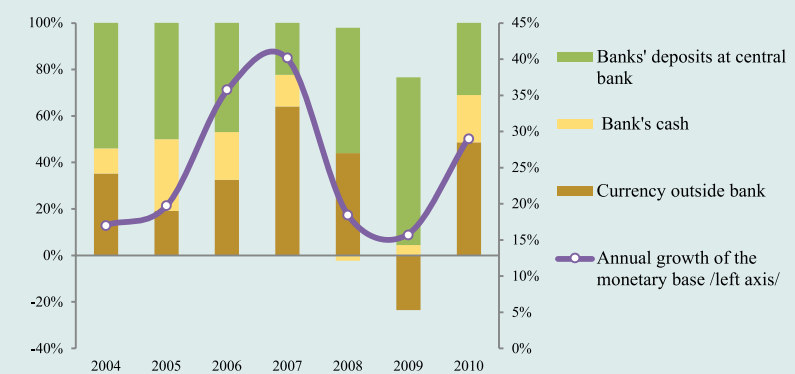
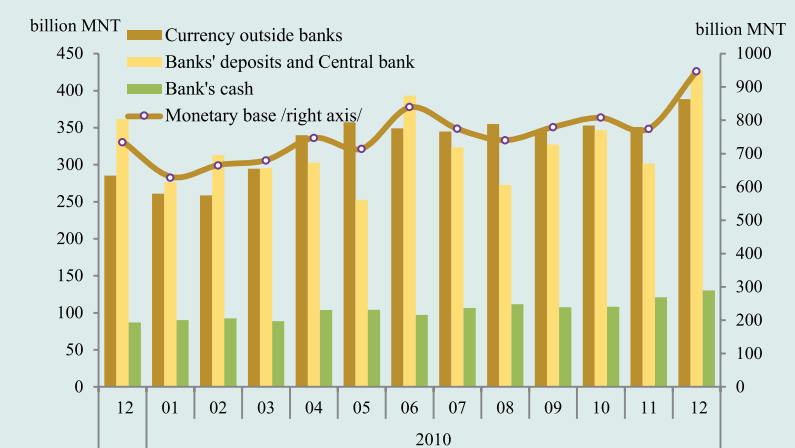


Figure 29

The reserve  
money and its  
liability components



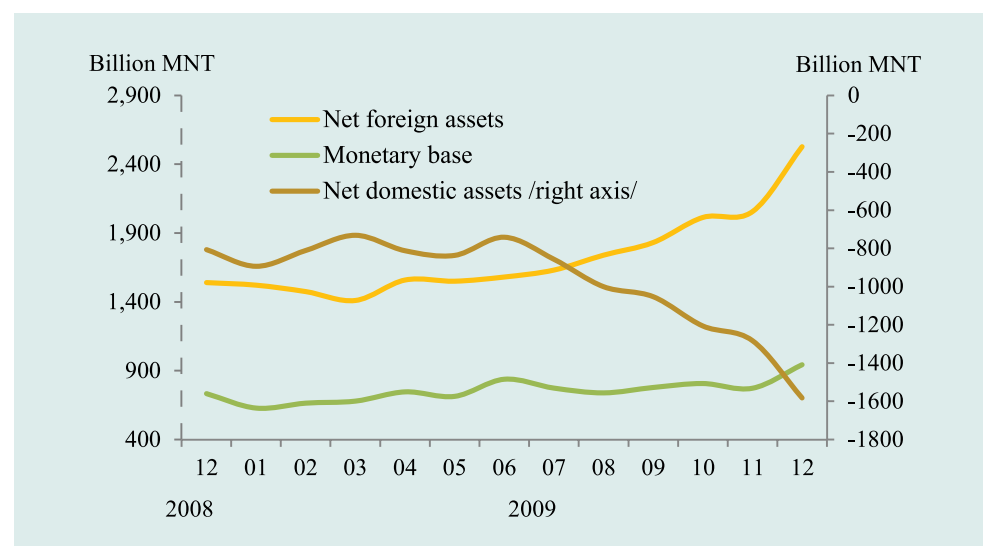
So as to cure the credit crunch and to discourage the speed of exchange rate appreciation, the Bank of Mongolia (BoM) implemented monetary operations aiming to decline the interbank market rate and central bank bills rate by rising excess reserve in the interbank market until June, 2010. However, in order to strengthen the effectiveness of policy rate, the BoM decided to absorb excess liquidity injected by budget operations and foreign exchange interventions as the inflation pressure was likely to be increased by fiscal expansion and private sector demand. For instance, daily average excess reserve of 85.6 billion MNT between January and May, 2010 declined to 42.3 billion MNT in the rest of the year.

Banks' deposits with the BoM, currency outside the banks and banks' vault, which are liability components of the reserve money, increased by 18.2 percent (65.9 billion MNT), 36.2 percent (103.2 billion MNT) and 49.9 percent (43.3 billion MNT) respectively. In addition, currency outside banks and deposits with the BoM accounted for 48.6 and 3 percent of the reserve money growth respectively. On the other hand, the percentage of the banks' deposit with the BoM in the reserve money fell by 4 percentage points to 45 percent while the share of the currency outside banks and banks' vault in the reserve money both increased by 2 percentage points, reaching 41 and 39 percent respectively.

Increasing by 64.4 percent (990.3 billion MNT) over last year, the net foreign asset (NFA), one of the big components of the Central bank asset, reflected the growth of the reserve money due to the 82.6 percent growth of net international reserve in 2010.

Figure 30

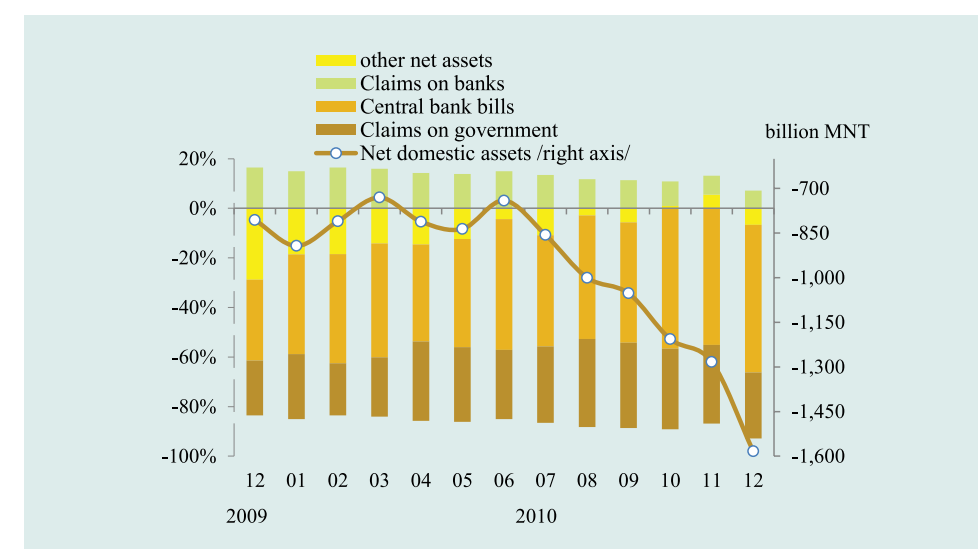
The change of reserve money and its components /asset side/



In the reporting year the net domestic assets dropped by two times (777.9 billion MNT) as a result of the great amount of increase in central bank bills. Foreign direct investment in mining sector and capital inflow led to substantial amount of liquidity in banking system and domestic currency appreciation; consequently, the BoM was challenged to manage reserve money and excess reserve in the interbank market. However, BoM raised the amount of the central bank bills by 708.5 billion MNT so as to sterilize its intervention. In addition, lent to banks during the banking turmoil in 2008-2009, the collateralized loan and refinancing lending was paid back by 67.1 billion MNT and it resulted in decline of BoM's net domestic assets. Also, net credit to Government and other assets (net) dropped by 226.2 and 223.9 billion MNT respectively.

Figure 31

Net domestic assets of Bank of Mongolia

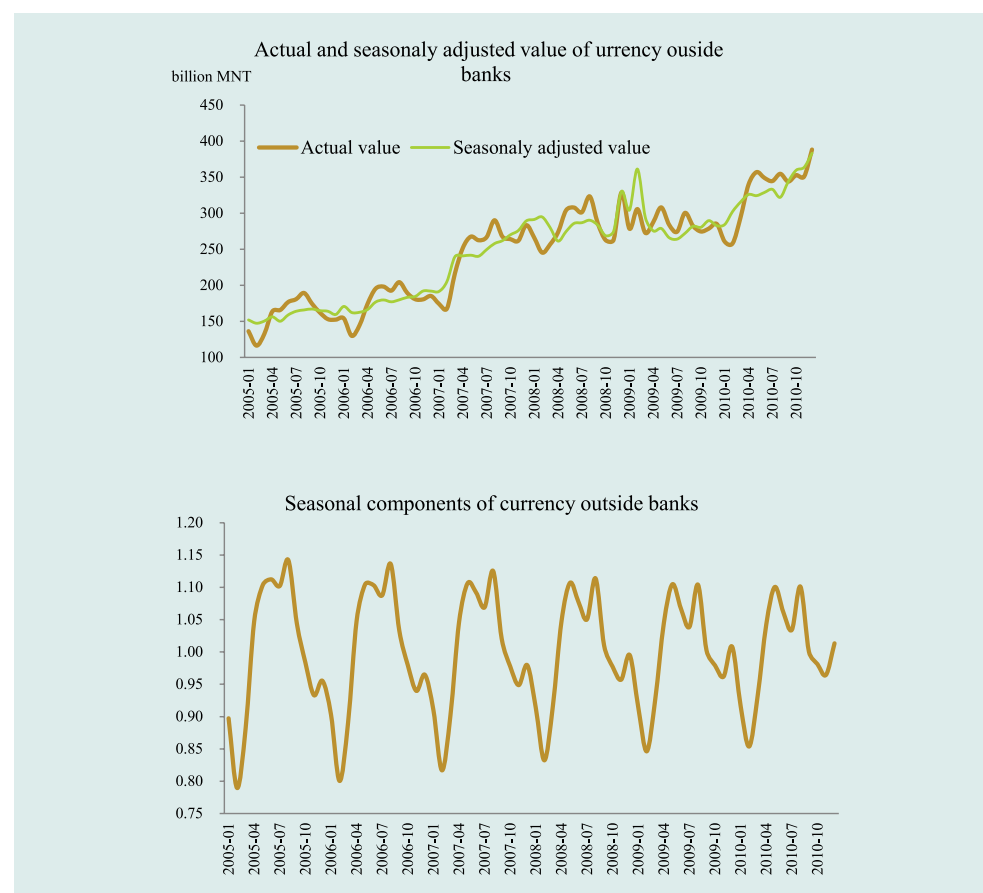


Due to the table showing the movement of banks' liquidity, the amount of liquidity injected by autonomous factors was equal to 841.9 billion MNT whereas the BoM withdrew 776.1 billion MNT, 92 percent of injected liquidity by autonomous factors, in 2010. The increase in net foreign assets, one of the autonomous factors, caused the great deal of liquidity which was 1163.3 billion MNT. As a result of the successful implementation of Stand-by program of IMF in cooperation with the Government of Mongolia and the BoM, Credit rating of Mongolia was upgraded and foreign direct investment in mining sector and capital inflow surged in 2010; consequently, it led to the dramatic increase of net international reserve and net foreign assets of BoM. On the other hand, banks' liquidity was declined by 229.1 and 147.9 billion MNT due to decrease in net credit to Government and rise in currency in circulation respectively.

The fluctuation of the reserve money reflects the seasonal pattern of the Mongolian economy. The tendency of increasing seasonal fluctuation of the reserve money also occurred in the reporting year while seasonal fluctuation of the currency outside banks, one of the indicators of the demand for money, declined in 2010. The sharp increase of the currency outside banks occurred in March and April was caused by cash handout of 70 thousand MNT funded by The Human Development Fund.

Figure 32

*The seasonal fluctuation of the reserve money and its components*



### Central bank bills

During the implementation of the IMF stand-by program monetary aggregates (not interest rate) were used as central bank operational and intermediate targets. In the extent of the program, the Bank of Mongolia introduced interest rate band for bids at the seven-day central bank bill (CBB) auction aiming to accord CBB rate with market rule coordinating to reserve money target and to build condition to equalize yields on togrog and foreign currency markets.

In the reporting year, the Bank of Mongolia conducted seven-day CBB auctions in two types such as fixed rate tender with pre announced allotment volume and interest rate tender with a certain band. The seven-day CBB auction was conducted as fixed rate tender with pre announced allotment volume in first half of the reporting year. Since second half of 2010 the auction was done as interest rate tender with a certain band. The Bank of Mongolia set an interest rate band as +/- (2) percentage points on the policy rate and aimed to ensure that the weighted average interest rate in the auction is the policy rate. CBBs were distributed according to the announced band. However, 12-week CBB auction was done as variable rate tender.

In the reporting year, the Bank of Mongolia conducted CBB auctions 78 times and sold MNT 21,034.2 billion CBBs. The amount of CBBs purchased by banks reached MNT 1,106.5 billion at the end of the year. It increased by 2.8 times from the same period of the previous year. The reason of this increase can be explained that the excess reserve in the banking system increased

significantly due to increases of the central bank intervention into the domestic foreign exchange market and capital inflow as a result of acceleration of the mining sector activities. The Bank of Mongolia raised CBB amount to absorb liquidity injected by foreign exchange auction for purpose of keeping stability of the interbank market. During the reporting year, banks possessed an average MNT 621.5 billion of CBBs each day, which is 2.8 times higher than in the previous year.

In the reporting year, 12-week CBB auctions were conducted 26 times. At the end of 2010, the outstanding of this type of CBB was MNT 326 billion and its weighted average rate was 10.22 per cent. The Bank of Mongolia issued a decision to raise the policy rate by 1 percentage point and tightened monetary policy in May of the reporting year due to inflation pressure in the first half of the year. Inflation pressure was accelerating because of increase in meat price resulted from supply shock due to 2010 Zud, MNT 70 thousand was distributed to every citizen from the Human Development Fund in the first half of the reporting year, and increase in inflation expectation due to decision to raise salary of civil servants by 30 per cent from October of 2010.

As of end of the reporting year, weighted average rate of CBB was 10.67 per cent which was declined by 0.15 percentage points from the previous year. In 2010, the Bank of Mongolia paid MNT 65.7 billion to banks for CBB interest payment. This was MNT 38.7 billion higher than in the previous year.

### Statutory reserve requirement

The reserve requirement rate set by the Bank of Mongolia to banks is a central bank policy instrument directed at controlling money supply and managing liquidity within the interbank market. During the reporting year, required reserves in both domestic and foreign currency were calculated a total of 26 times. The fulfillment of required reserves was monitored and the necessary measures were duly taken. The number of banks that did not meet their reserve requirement was few in 2010 and there was an excess reserve of MNT 270.4 billion sector-wide at the year's end (including the amount of central bank bills purchased by banks). This figure is higher by 57.1 per cent or MNT 98.3 billion than that of last year.

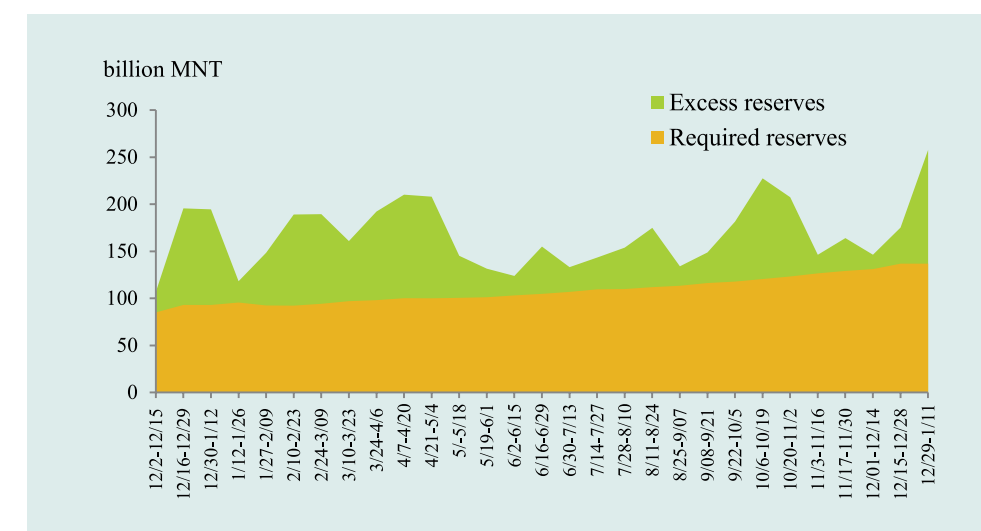
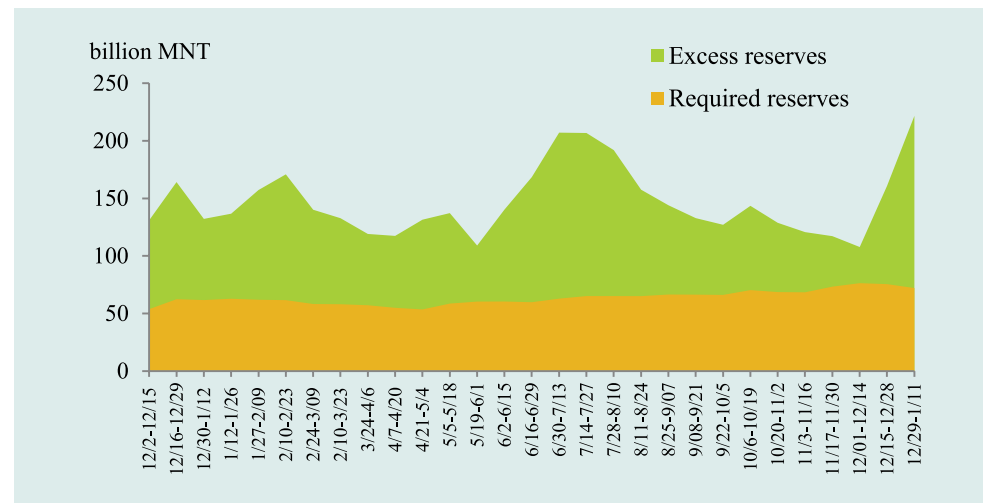


Figure 33

*Excess reserves and required reserves of banks in domestic currency /2010/*

Figure 34

Excess reserves and  
required reserves  
of banks in foreign  
currency /2010/



### Loans to banks

The Bank of Mongolia has issued loans to banks to support short term liquidity of the banks according to the Central Bank Law as a lender of last resort. The central bank credit facility includes intraday credit, overnight credit, repo financing, and collateralized loan. These facilities have different goals and different features. Particularly, the intraday credit facility aims to conduct bank's payment without delay but the overnight credit facility is used to fulfill bank's reserve requirement. However, repo financing is issued to banks to manage their long term liquidity which is up to 90 days.

### Intraday credit

In 2009, the Bank of Mongolia introduced the real time gross settlement (RTGS) system successfully to reduce many risks occurred in the inter-bank payment system and to conduct banks' payments efficiently. According to introduction of the RTGS system participant banks in the payment system need to improve their liquidity management, increase the efficiency, and have more obligations to make customers' settlements. The purpose of the central bank intraday credit is to maintain banks' liquidity and to keep ordinary function of the payment system.

In the reporting year, the Bank of Mongolia issued MNT 316.9 billion intraday repo financing. Only CBB is accepted as collateral for intraday repo financing. The Bank of Mongolia did not issue non-collateralized, interest earning intraday credit.

### Repo financing facility

The Bank of Mongolia provides repo instruments in the following forms: 1) repo financing by bank's request; 2) repo financing by repo auction announced by the Bank of Mongolia. The interest rate of repo financing by bank's request is set as four percentage points above the policy rate and in the reporting year, interest rate of repo financing was 15 per cent due to 1 percentage point increase in the policy rate. However, interest rate of repo auction is determined as result of the auction.

The Bank of Mongolia made changes in main regulations of financing instruments due to liquidity shortage in the banking system and deterioration of liquidity of the banking sector. In the reporting year, the regulation on repo financing was approved newly and the regulation on reserve repo financing which was approved in 2008 by the resolution of Governor of the Bank of Mongolia was combined to new regulation. In 2010, the Bank of Mongolia issued MNT 1015.1 billion in accumulative to banks under repo contract by bank's request. The weighted average rate of repo financing was 14.25 per cent.

### Collateralized loan

The Bank of Mongolia issues collateralized loan to bank that encounter temporary liquidity problem but solvent as a lender of last resort according to the "regulation on collateralized loan to banks" which was harmonized with Central bank law and approved by the resolution of Governor of the Bank of Mongolia dated 11 November 2008. The Bank of Mongolia extends collateralized loans up to 90 days if the following conditions are met: 1) the Bank of Mongolia assumes that the borrower-bank's liquidity need is a temporary nature and the borrower-bank is able to repay the loan and resolve its liquidity problem itself; and 2) the bank has an eligible collateral assets acceptable to the Bank of Mongolia. The Bank of Mongolia built and approved the interest rate structure which accords with the policy rate and as of the end of 2010 interest rate of collateralized loan was eight percentage points above the policy rate.

In the reporting year, the Bank of Mongolia granted MNT 4 billion as collateralized loans and as end of the year the outstanding of collateral loan was MNT 120 billion. This loan outstanding is belonged to loans under "Law on Blanket guarantee". This loan should be exchanged by Government bond. In the reporting year, the Bank of Mongolia took measures to enforce MNT 18.3 billion loans which were non-performing by bank assets.

### Project loans

#### Employment Generation Program loan

Within the framework of the "Employment Generation Project MON-1290" Asian Development Bank loans were extended to Golomt and Erel banks. The Bank of Mongolia granted a total of MNT 536.8 million from the project's revolving fund to the two banks mentioned above and the outstanding amount borrowed by banks at the end of the year reached MNT 684.8 million.

#### "Development of Small and Medium-sized Enterprises" program loan by the KfW bank

Based on an agreement between the Government of Mongolia and the Government of the Federal Republic of Germany, two programs with the purpose of developing SME's directed at exporting and the financial sector are being successfully implemented. The Government of Mongolia was granted DM 10.0 million or EUR 5.1 million within the context of the first program, and EUR 3.6 million within the framework of the second program. The project funds were fully utilized and loans repaid by banks were again extended as loans according to the project purpose. In 2010, EUR 775.2 thousand were extended as loans to banks and the outstanding loan amount at the end of the year reached EUR 2.9 million.

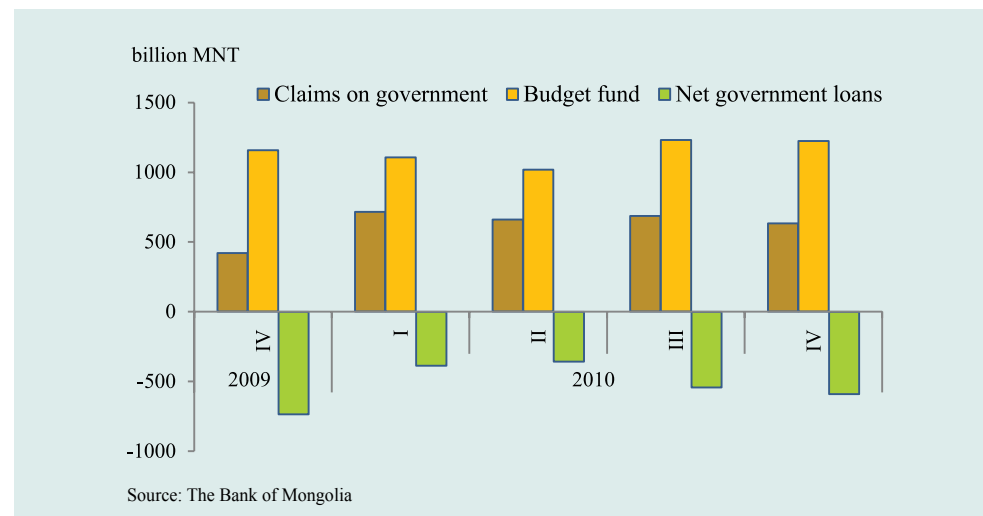


### Net Credit to Government

At the end of the reporting year the banking sector's claims on the Government was MNT 633.8 billion, and the central Government and local budget reached MNT 1225.2 billion, and net credit to Government was MNT -591.4 billion. If we compare this to that of the same period of 2009, central and local budget deposits and claims on Government rose by MNT 66.0 billion and MNT 211.6 billion, respectively.

Figure 35

Net credit to Government of the banking sector (billion MNT)



### Claims on Government

The Bank of Mongolia and commercial banks' claims on Government was MNT 633.8 billion, which is MNT 211.6 billion higher than that of the end of the previous year. In March of the reporting year, the Bank of Mongolia signed contracts with the Ministry of Finance on issues such as securitization of loans extended to Zoos bank and the financing of housing of 4000 civil servants, and medium to long term maturity Government bonds worth of MNT 63.0 billion were purchased by the Bank of Mongolia. Claims on Government have changed in structure from that of last year. For instance, in 2009 commercial banks' claims on Government occupied only 2.1 percent of total claims, whereas this number reached 12.5 percent at the end of 2010. At the end of the reporting year, advance and delayed tax payment from banks to the budget took up 1.5 percent of banks' claims on Government, accumulated interest receivable occupied 4.9 percent, and short to medium term Government bonds occupied the remaining 93.6 percent. Short term bonds were purchased by Golomt, Trade and Development, and State banks, while the medium term bonds were purchased by KHAN and Trade and Development banks.

### Consolidated budget of the Government

At the end of 2010, the budget fund, current account and deposits within the banking sector reached MNT 1225.2 billion. 65.5 percent of the total outstanding amount is allocated at the Bank of Mongolia, and the remaining 34.5 percent at commercial banks. 83.6 percent of total budget funds are funds from the Treasury single account and current account, while deposits occupied 1.5 percent, Government financing – 14.4 percent, and Local budget funds – 0.5 percent.

## 2.3 Money supply

At the end of 2010, money supply increased by 62.5 percent or MNT 1.8 trillion from the same period of last year, reaching MNT 4.7 trillion. If we classify by monetary aggregates, annual growth of quasi money was 58.0 percent, comprising 71.9 percent of money supply growth.

Among this, domestic currency deposit increased by 62.2 percent over the previous year, which was 59.0 percent and 43.0 percent of the annual growth of quasi money and money supply, respectively. Foreign currency current account and deposits were 29.0 percent of annual growth of money supply and domestic currency current account was 6.9 percent, and the residual was growth of currency in circulation.

During the last month of 2010, quasi money increased by 58.0 percent or MNT 1.3 trillion from the same period of last year, and narrow money increased by 77.8 percent or MNT 506.4 billion.

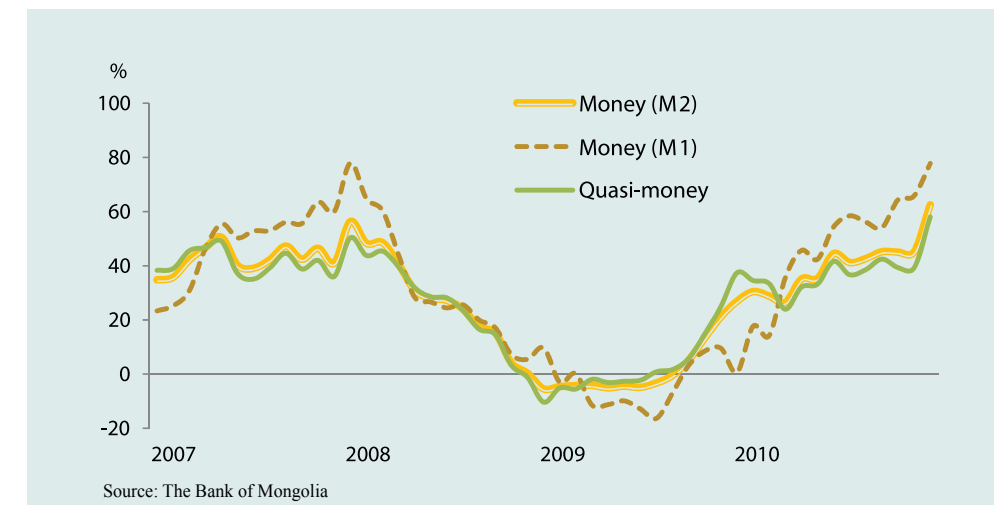


Figure 36

Component of money M2 (annual growth rate)

Trends in the composition of money supply show that annual growth of money M1 increased significantly during the reporting year, reaching 77.8 percent at the end of the reporting year. The reason for the annual growth of M1 money was mainly due to the rise in the current account of the banking sector during the reporting year.

Quasi money increased from the second half of 2009 to the first half of 2010, since the second quarter of the year quasi money has declined but at the end of the year, rapidly rose again to reach 58.0 percent. Domestic currency deposit and foreign currency current account and deposit accounted for 59.3 percent and 40.7 percent of this growth, respectively. Growth of Quasi money, especially the growth of domestic currency deposit was positive since the second quarter of the reporting year excluding August, 2010.

Table 12. monetary aggregates (at the end of the year, MNT billion, annual change rate, %)

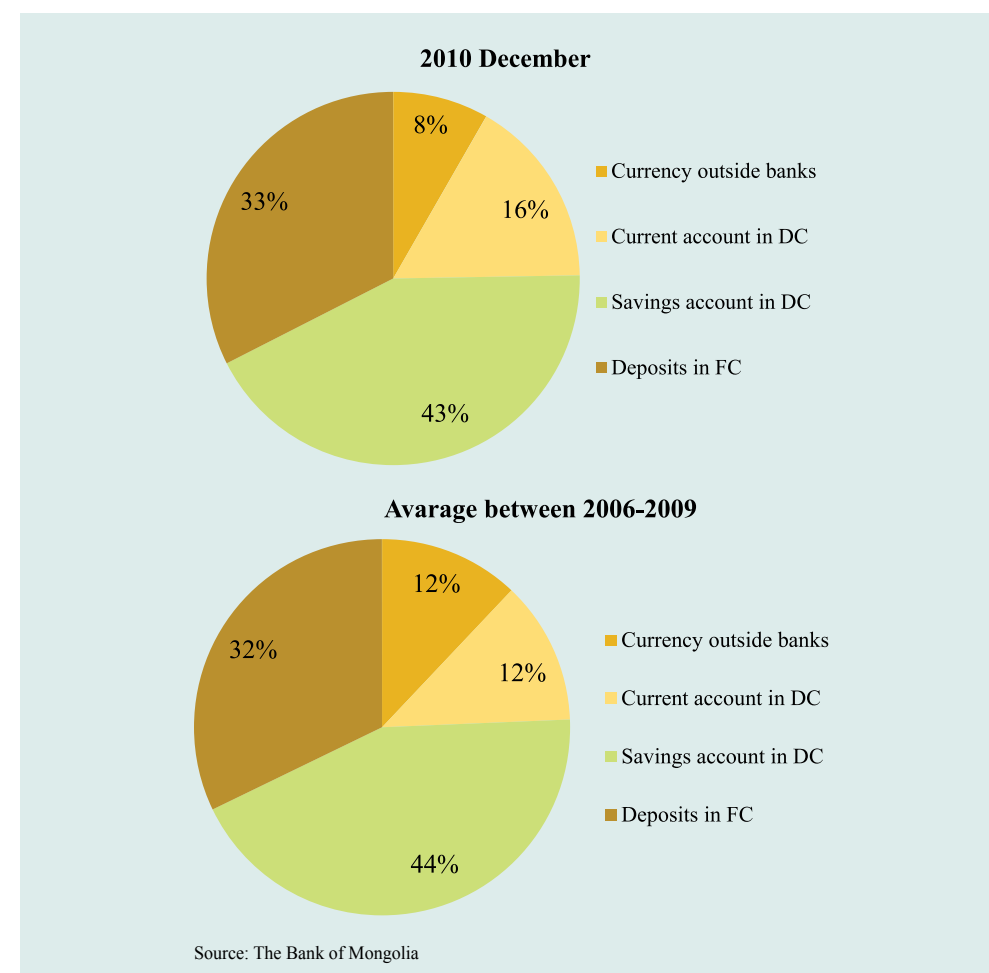
Money aggregates	2005		2009		2010			
	Annual change, %	VALUE	Annual change, %	VALUE	Annual change, %	VALUE	Share of annual change	Share in M2
<b>1 Money (M1) = a+b</b>	<b>21.6%</b>	<b>269.1</b>	<b>0.6%</b>	<b>651.2</b>	<b>77.8%</b>	<b>1,157.6</b>	<b>28.1%</b>	<b>24.7%</b>
a. Currency outside bank's	6.2%	152.4	-13.3%	285.0	36.2%	388.2	5.7%	8.3%
b. Current account in DC	50.0%	116.8	15.0%	366.3	110.1%	769.4	22.4%	16.4%
<b>2 Quasi money = c+d</b>	<b>39.2%</b>	<b>871.0</b>	<b>37.4%</b>	<b>2,228.8</b>	<b>58.0%</b>	<b>3,522.4</b>	<b>71.9%</b>	<b>75.3%</b>
c. Total Deposits = i+ii	29.8%	671.7	38.7%	1,856.4	48.5%	2,756.2	50.0%	58.9%
i. Deposits in DC	41.6%	426.0	37.3%	1,234.3	62.2%	2,001.6	42.6%	42.8%
ii. Deposits in FC		245.7	41.3%	622.1	21.3%	754.6	7.4%	16.1%
d. Current account in FC	84.0%	199.3	31.2%	372.4	105.8%	766.1	21.9%	16.4%
<b>Broad money (M2) = (1)+(2)</b>	<b>34.6%</b>	<b>1,140.1</b>	<b>26.9%</b>	<b>2,880.0</b>	<b>62.5%</b>	<b>4,680.0</b>		

Source: The Bank of Mongolia

At the end of the reporting year, the increased share of domestic currency in money M2 over the previous year caused expectation of exchange rate appreciation related capital inflow.

Figure 37

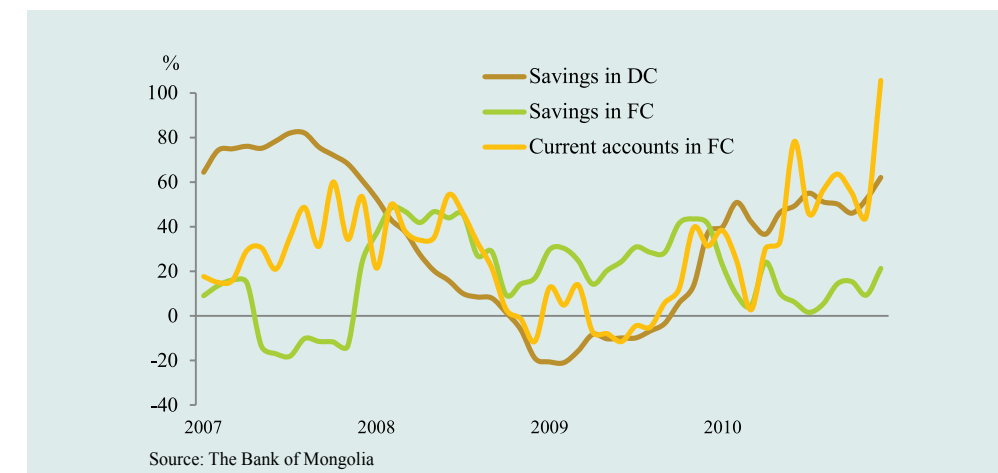
Component of money M2 (share in money M2)



Share of domestic currency current account, deposits in money supply exceeding that of the previous year explained increase of 4.0 percentage points in the share of domestic currency current account in money supply. As of December 2010, share of currency outside banks in money supply declined due to an even higher growth of total money supply over the annual 36.2 percent growth of currency outside banks.

Figure 38

Money M2, components (annual growth)



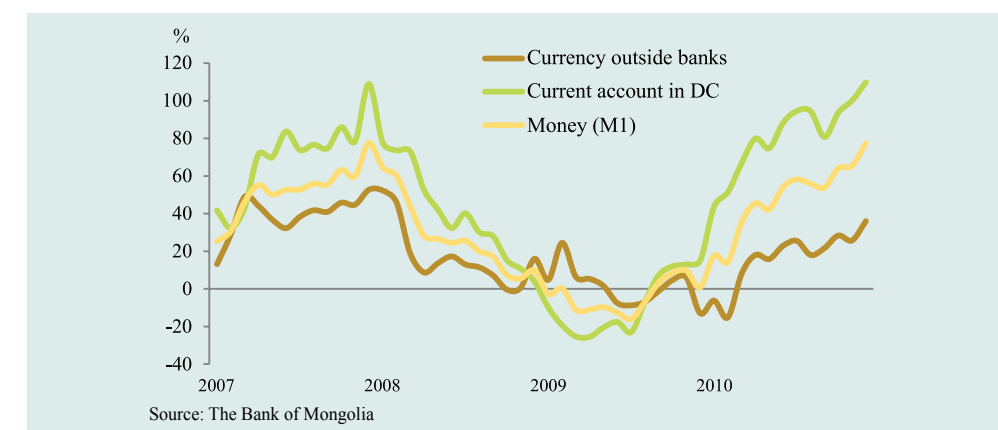
If we classify money supply growth by component side, since the 2nd half of 2009, the growth rate of net foreign assets was higher than that of net domestic assets. It was mainly due to an increase in return on tugrug, income of gold and copper exports which was influenced by a rise in world commodity market prices and capital inflow derived from implementation of mineral resource projects.

### Narrow Money (M1)

At the end of the reporting year, narrow money (M1) rose by 77.8 percent or MNT 506.4 billion and reached MNT 1.2 trillion, comprising 24.7 percent of the total money supply.

Figure 39

Annual changes in money supply, compared to previous year=100%



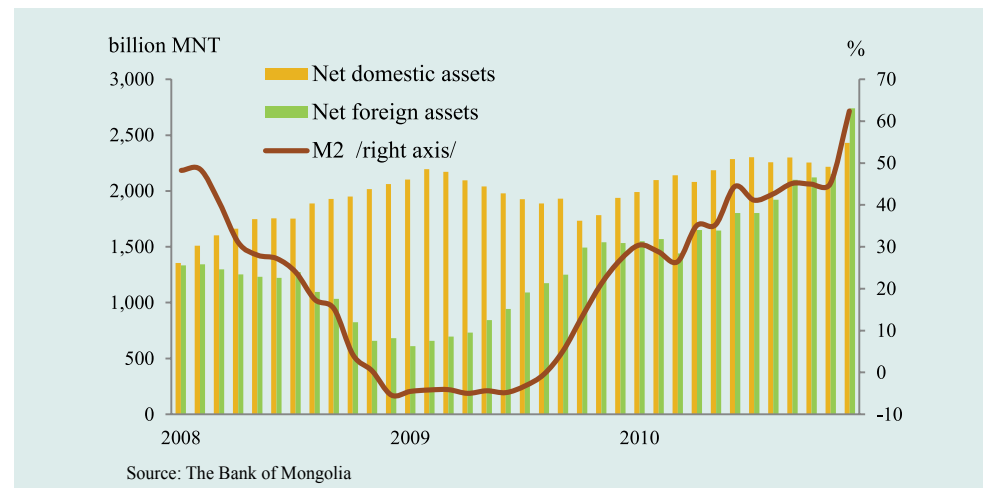
Currency in circulation increased by 39.8 percent or MNT 147.9 billion and reached MNT 519.7 billion. Currency outside of banks made up 74.7 percent of currency in circulation, which is 1.9 percentage points lower than that of the previous year.

### Net foreign assets and net domestic assets

In December 2011, one of the total assets, net foreign asset increased by MNT 587.6 billion over the previous year due to rise of MNT 578.5 billion in quasi money. It comprises 73.3 percent of the change in total assets and remaining 26.7 percent is for change in domestic loans. At the end of 2010, net domestic assets increased by 25.4 percent over the previous year.

Figure 40

Annual growth of NFA, NDA, (in billion MNT) M2 (in percent, right axis)



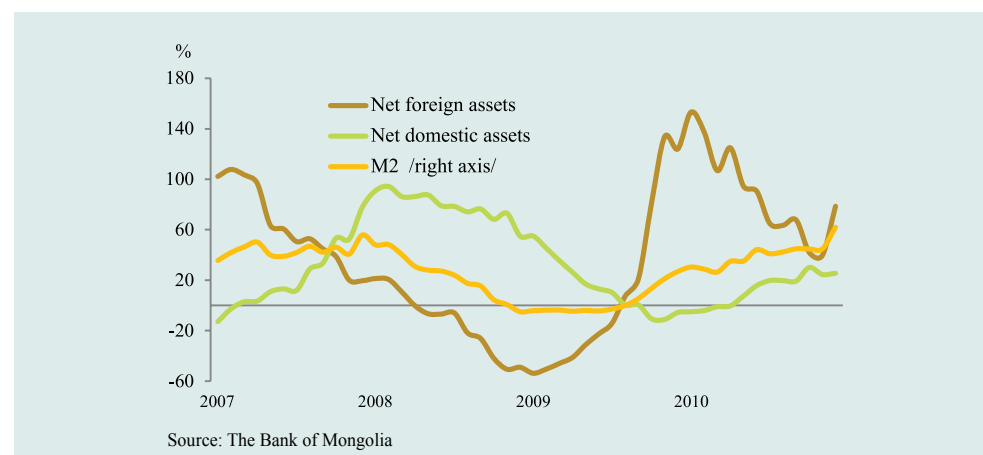
Change in net foreign asset comprises the most of the change in total assets. In order to stabilize the Togrog (MNT) exchange rate fluctuation, The Bank of Mongolia bought the US dollar amounted MNT 1.2 trillion from foreign exchange market for supply of Togrog in money market and due to this measure, money supply increased through the domestic currency deposit, and current account and net foreign asset also increased.

### Quasi money

In 2010, Quasi money increased by 58.0 percent, reaching MNT 3.5 trillion or 75.3 percent of total money supply. Of the components of quasi money, domestic currency deposits increased by 62.2 percent or MNT 767.3 billion and foreign currency deposits increased by 52.9 percent or MNT 526.3 billion.

Figure 41

Quasi money Components (annual change)



### Money Multiplier and Velocity

At the end of the reporting year, the velocity of money decreased by 0.5 points from previous year and stood at 1.8. This decline in the velocity indicates the growth of nominal GDP was higher than the growth of money supply.

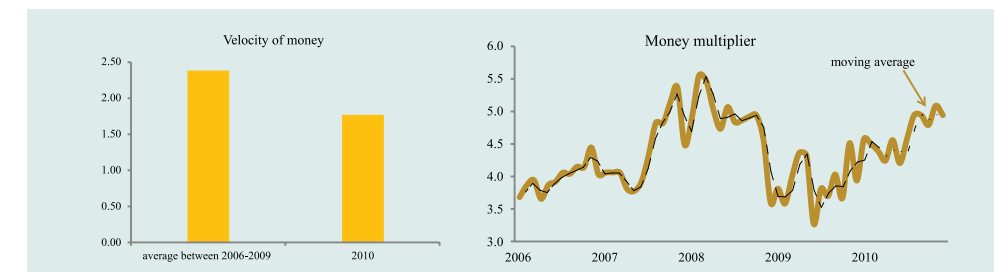


Figure 42

Money Multiplier and Velocity

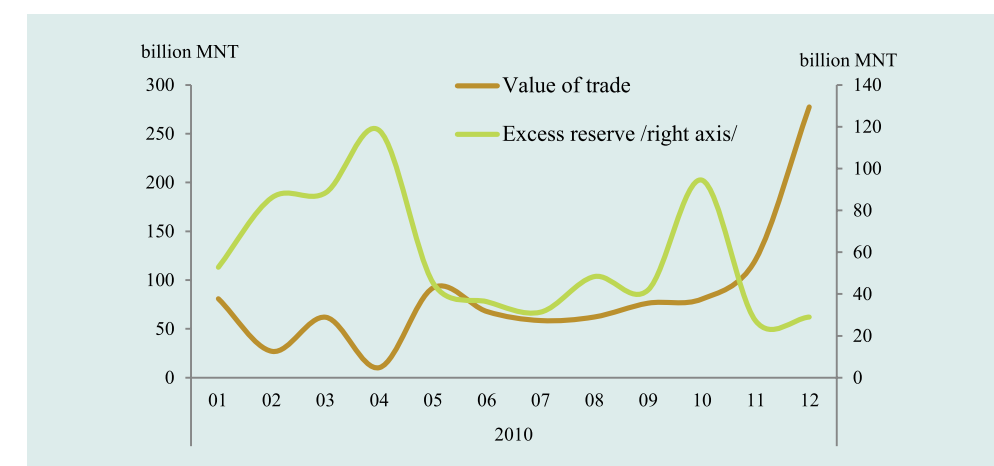
The higher velocity indicates that banks create the higher money supply by lower reserve money in the economy. From the second half of last year, money multiplier had increased and reached an average of 4.7 in the reporting year. The average money multiplier decreased by 0.74 points from the previous year. This indicates reserve money multiplied by 4.7 times and creating money supply in the economy.

### 2.4 Interbank money market

Transactions such as interbank overnight loans, repo financing, central bank bill secondary market transactions, as well as interbank loans and deposits take place on the interbank money market. Interbank market activity was relatively low during the first half of 2010, but picked up speed during the latter half of the year. At the beginning of 2010, total volume of transactions on the interbank market was MNT 80.5 billion, but by the end of December, this number had shot up by MNT 197.3 billion to reach MNT 277.8 billion.

Figure 43

Total value of trade if interbank market, Excess reserve

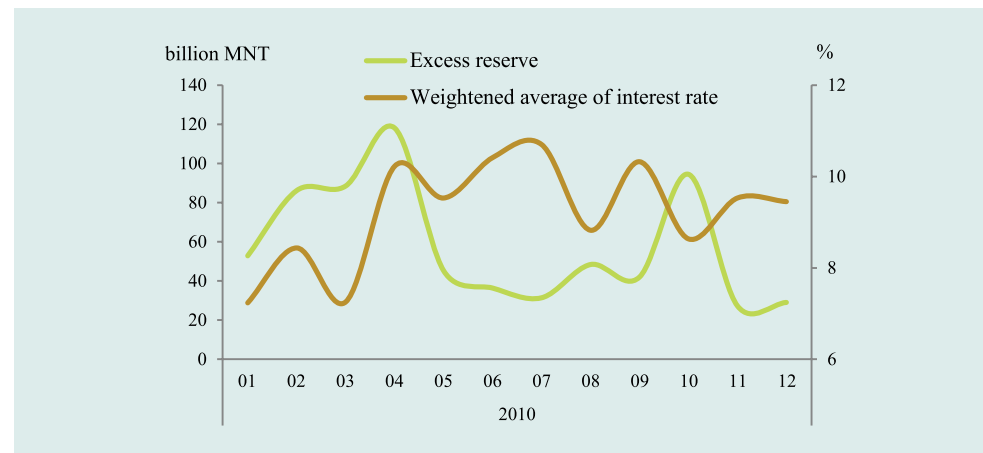




The interbank market rate was 7.22 percent at the end of Q1 of the reporting year, 10.42 percent at the end of Q2, 10.33 percent at the end of Q3, and 9.45 percent at the end of the year. Because banks had sufficient financial resources, the interbank market weighted average rate stayed relatively low throughout the year.

Figure 44

WAR in interbank market, excess reserves of banks



## EXCHANGE RATE POLICY & INTERNATIONAL RESERVES MANAGEMENT

3

### 3.1. Exchange rate policy

The Bank of Mongolia has implemented the exchange rate policy in accordance with the managed floating exchange regime allowing currency fluctuations and flexibility based on the developments in macroeconomic fundamentals. On the other hand, The Bank of Mongolia intervened into the foreign exchange market to smooth excessive volatilities due to changes in short term imbalance in foreign exchange supply and demand. In addition, the Bank of Mongolia sterilized its interventions through open market operations and pursued a policy of protecting the foreign exchange international reserves.

The net capital inflows increased 5.8 times from that of the previous year and reached 1.6 Billion of USD in 2010 whereas the USD denominated capital inflows grew 9.9 times and the terms of trade index improved by 15.2 percent.

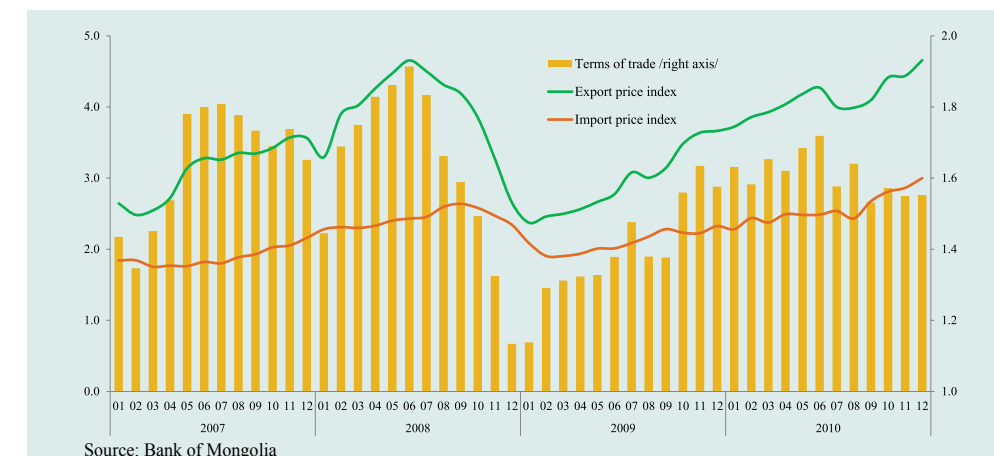


Figure 45

Terms of trade index /2000.01=100/

Table 13. Trade balance

	First 12 months		Changes, %
	2009	2010	
Total foreign trade turnover	4023.1	6177.1	53.5
Trade paid in foreign currency	3704.1	5867.2	58.4
Export	1885.4	2899.2	53.8
Trade paid in foreign currency	1868.5	2895.7	55.0
Import	2137.7	3277.9	53.3
Trade paid in foreign currency	1835.7	2971.5	61.9
Trade balance	-252.3	-378.7	50.1
Trade paid in foreign currency	32.8	-75.9	

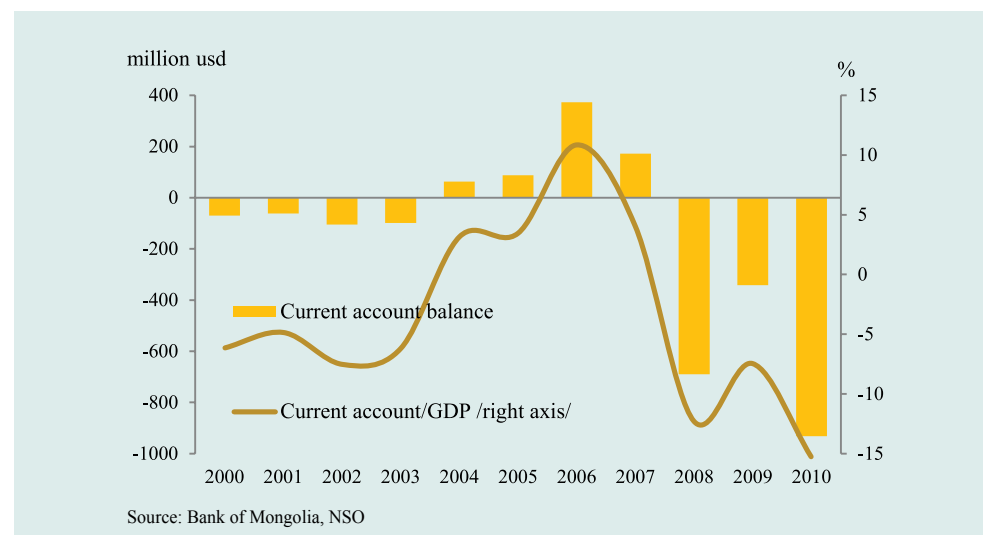
Source: Bank of Mongolia, Customs organization

Table 13 shows that in reporting period the trade deficit increased by 50.1 percent, the negative balance of trade paid in foreign currencies grew by 108.6 percent from that of the previous year and reached 75.9 millions of USD in 2010. As a result, the current account deficit grew 2.7 times and reached 931.5 millions of USD (Figure 46). Due to these changes in macroeconomic fundamentals, the Bank of Mongolia needed to smooth excessive appreciation of exchange rate.

Therefore, the Bank of Mongolia intervened in the foreign exchange market when it was necessary by buying up excess USD inflows and at the same time sterilized these interventions through open market operations such as selling Central Bank Bills so that avoiding any increase in inflationary pressure and to maintain exchange rate stability. In the meantime, the country's foreign exchange international reserves hit a record high level of 2287.7 Million of USD, which was equal to country's imports of 9.2 months by the end of 2010.

Figure 46

Current account  
balance, percent  
to GDP



In order to further develop the foreign exchange market infrastructure, deepen and increase the market efficiency as well as to improve exchange rate flexibility, the Bank of Mongolia undertook following measures during the reporting period:

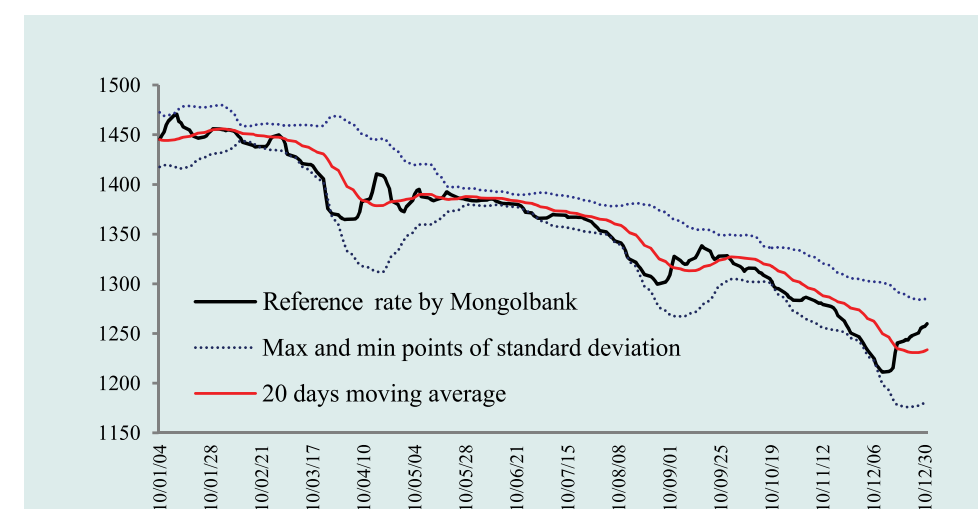
1. The Bank of Mongolia created Bloomberg "MGFX" screen-system, introduced an electronic Bloomberg system for foreign exchange market operations and signed agreements with the commercial banks to improve the market efficiency and transparency, activated overall market operations and improved information exchange among the market participants. As a result of these measures, the market operations increased by 128.3 percent in comparison to that of the previous year and the volume of transactions reached 358.7 Million of USD, whereas 78.3 percent of transactions were conducted through the "MGFX" Bloomberg system.
2. Rules and regulations such as "The Bank of Mongolia Deposit Account Rules and Regulations for Commercial Banks", which create a legal framework for the regulation of commercial bank's foreign exchange deposit accounts at the Bank of Mongolia, and "Regulations for Swap and Forward Transactions", which is important for the development of the domestic derivatives market and activation of transactions in derivatives, were renewed, approved and implemented. One of the main results, achieved due to all these measures, was advancements in the exchange rate risk management and liquidity management of foreign exchange market participants. In addition to this, the Bank of Mongolia updated "The Calculation Methodology of the Bank of Mongolia Exchange Rates" and "The Calculation Methodology of Togrog Exchange Rate against USD". As a result, the Bank of Mongolia became able to announce the Bank of Mongolia reference rates without a time lag.
3. Considering the increase in capital inflows the Bank of Mongolia enhanced the allowed bid size up to 20 Million of USD, which is a 4 fold increase in size.

### Exchange Rate Development

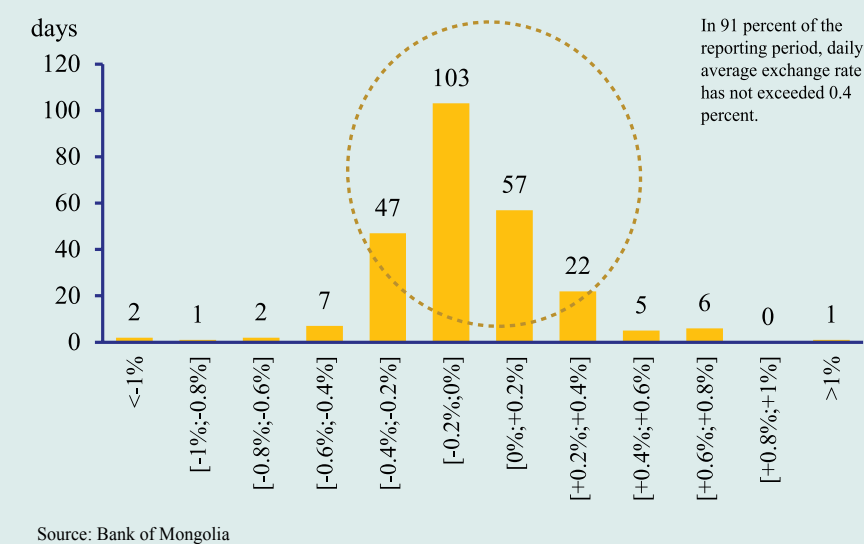
The Bank of Mongolia togrog exchange rate against USD as of 31st December, 2010 was 1257.18, indicating a 13 percent appreciation in comparison to the beginning of the year. During the reporting period, the average daily fluctuation of the togrog exchange rate was 0.05 percent, whereas the average daily appreciation and depreciation rates were 0.19 and 0.21 percent respectively. Although the togrog exchange rate tended to appreciate, the fluctuations of the exchange rate over 331 days in 2010 did not exceed 0.4 percent and only on 3 days it fluctuated at more than 1 percent. In 2010 the togrog's real and nominal exchange rates appreciated by 31.8 and 16.8 percent respectively. It is worth to point out that the togrog exchange rate has been stable since April 2009, over 21 months period.

Figure 47

The Bank of Mongolia  
togrog exchange rate  
against USD



Source: Bank of Mongolia



Source: Bank of Mongolia

Figure 48

The daily average  
fluctuation of the  
togrog exchange rate  
against USD

Figure 49

Impacts of Inflation and NEER on REER

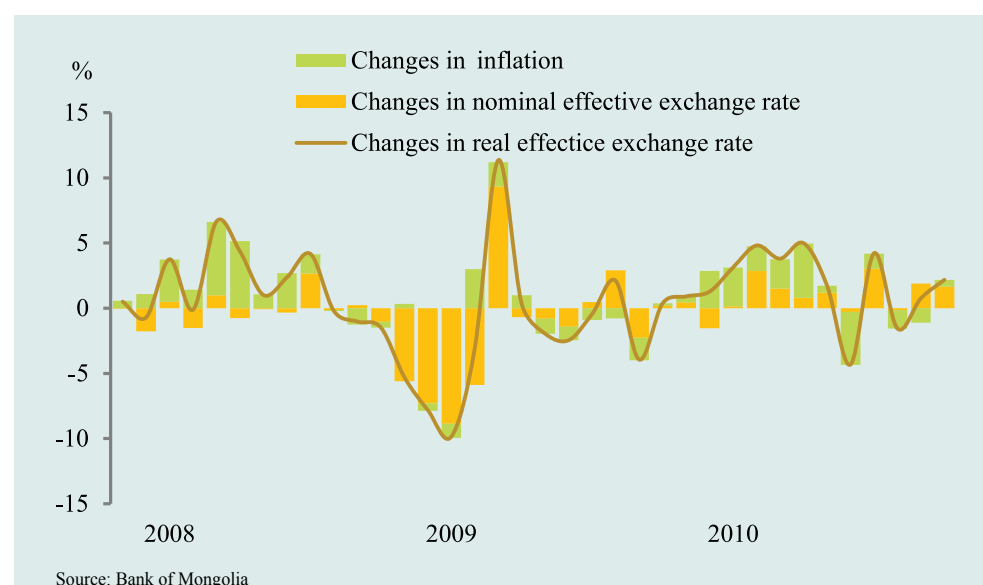
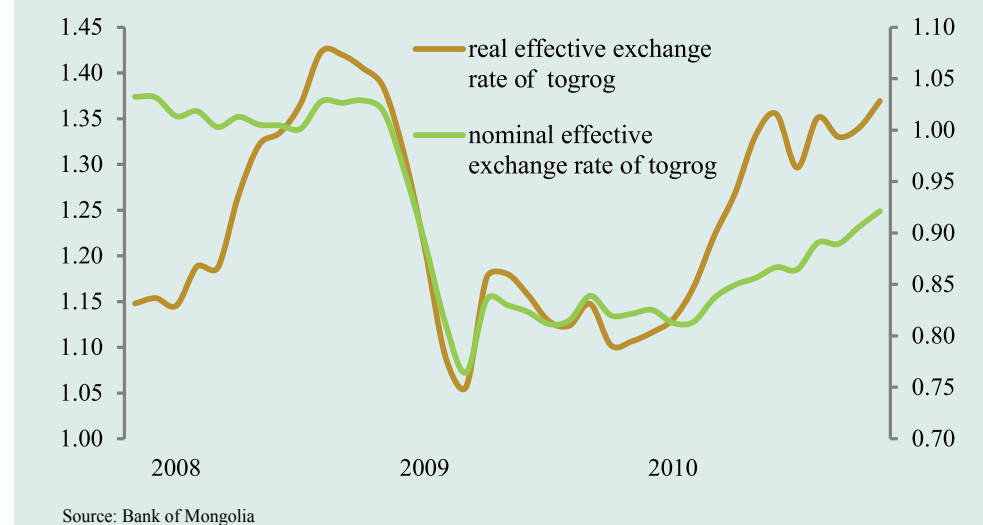


Figure 50

Nominal and Real effective exchange rates



#### BOX.2 Domestic Foreign Exchange Market, Foreign Exchange Auction

After the financial crisis, world economy especially Asian economy has rebounded well and demand for base metals, energy minerals and price of those commodities have increased substantially. The foreign exchange inflows have increased dramatically in 2010 because of stabilized balance of payments, favorable conditions of foreign trade and terms of trade as well as high expectations on economic growth. Foreign exchange inflows mainly consist of export revenue, foreign direct investment, foreign borrowing and portfolio investments. Because of the pleasant economic environment in Mongolia, commercial banks and large corporations could raise capital from international market thanks to high yield in local market.

The supply of foreign exchange in interbank market increased abruptly with varied amount every month and it had increased the pressure on Togrog to appreciate rapidly against foreign currency. In response the Bank of Mongolia has increased the foreign exchange reserves opportunistically by buying the excess foreign exchange supply in the market and smoothing the exchange rate volatility.

By meeting the requirements for macroeconomic fundamental conditions for Togrog's exchange rate against foreign currencies to be flexible, the bank of Mongolia ensured the openness and transparency of its operational engagement in the domestic foreign exchange market and continued to operate the foreign exchange auction that was initially introduced in 2009 through 2010. The Bank of Mongolia's foreign exchange auction takes place every Tuesdays and Thursdays of every week by commercial banks operating in Mongolia submitting their bids and offers and the general public, corporations and other organizations may also participate through their banks.

With the tremendously growing market size, Bank of Mongolia increased the minimum amount in each bid/offer to 200,000 USD and the maximum to 2 million USD in August 10th, 2010 and increased the maximum amount to 4 million USD again in August 31st 2010 which enabled banks to submit bids/offers of 20 million USD. The Bank of Mongolia has accepted 56% of the banks' offers and bought 678.7 million USD through 103 auctions in 2010. Thus, Togrog's exchange rate against foreign currencies has been stabilized and foreign exchange reserves have been increased to a historical high level.

### 3.2 Foreign exchange reserves management

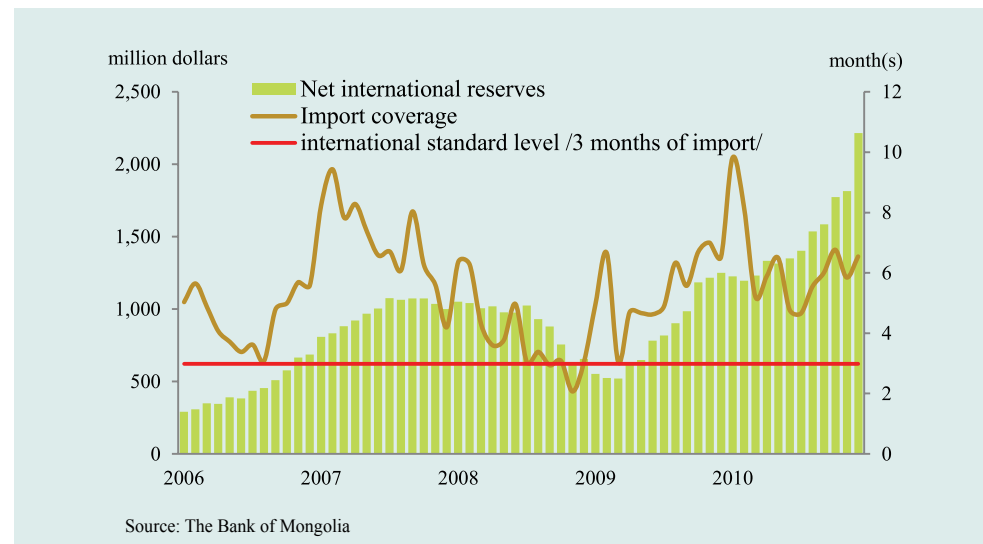
The Bank of Mongolia continued to adhere to the principles of ensuring liquidity, safety and maximizing return on its foreign exchange reserves. Within this framework, following principle initiatives were undertaken in 2010:

1. From 2008, The Bank of Mongolia began to determine the foreign exchange reserve structure with its export and import payments. Further refinements were undertaken in 2010, which improved the prompt settlement capability of Mongolia's foreign exchange reserve and increased the possibility of carrying out the foreign settlements at much lower levels of foreign exchange risk.
2. As a protection against credit and investment risks, the Bank of Mongolia invested its foreign reserves in time deposits and securities of central banks of the USA, Germany, Japan, Great Britain, Switzerland, and New Zealand and "AA" rated international financial institutions. This ensured the liquidity and safety of foreign reserves.

As of December 31st of 2010, the foreign exchange reserve reached USD 2,287.73 million which is capable of covering 26.17 weeks of Mongolia's total import payments. This level indicates a 72 percent or USD 960.3 million increase from the previous year end. The major factors related to the increase are:

- Via the foreign exchange auction, the Bank of Mongolia purchased USD 678.7 million from the commercial banks;

**Figure 51**  
*Foreign exchange international reserve/2006-2010/*

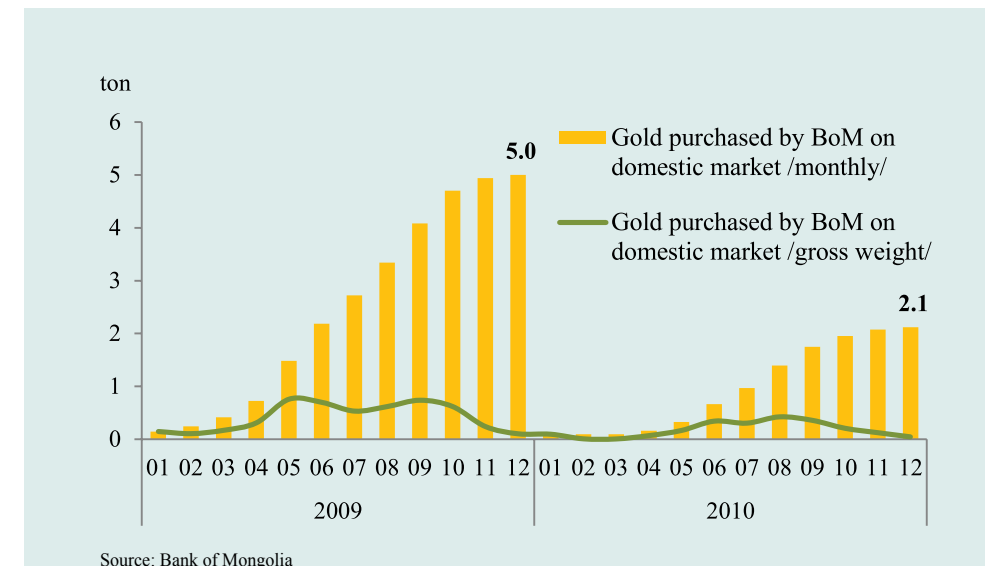


- Demand and time deposits by commercial banks at the Bank of Mongolia increased by USD 195.6 million;
- Monetization of gold by the Bank of Mongolia amounted to USD 85.47 million
- An advance payment of USD 50 million was delivered in connection with “Oyu Tolgoi” project;
- Return on investments totaled USD 8.78 million which comprises interest income of time deposits USD 1.61 million, income from short term securities of USD 2.69 million and gold trading income USD 4.48 million. Due to the expiration of long term US Government securities and decrease in yields of major foreign currencies, the return on investments and interest income fell by USD 2.99 million from the year end of 2009.

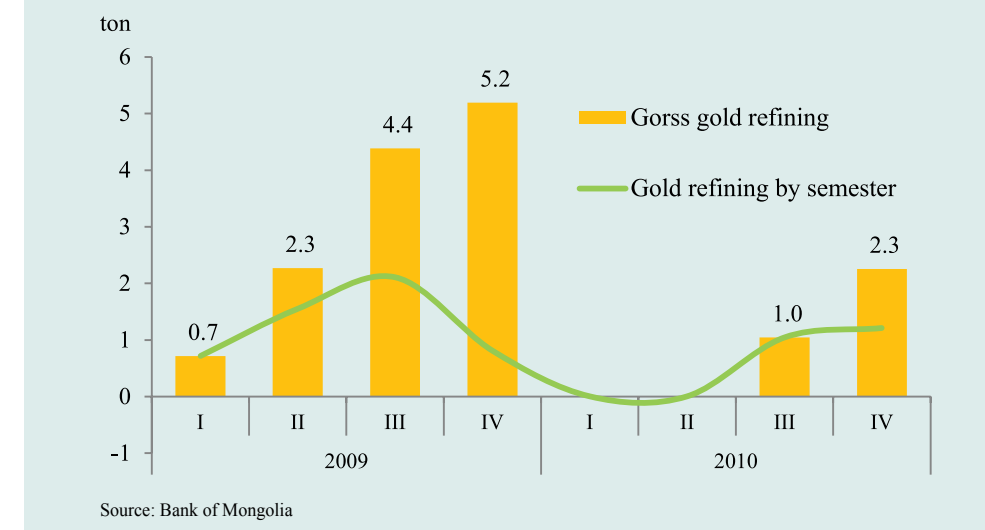
Regarding increase in foreign exchange reserve, USD, EUR and GBP reserve levels were increased by 80.5 percent, 8.6 percent and 0.6 percent respectively. The purchase of gold by the Bank of Mongolia is one of the domestic sources that contribute to increase in the foreign exchange reserve. In 2010, the Bank of Mongolia adhered to the policy of concessional purchase from local suppliers. In 2010, the Bank of Mongolia purchased a total of 2.1 tons of gold in monetized terms valued at MNT 101.31 billion from 105 entities and individuals. This purchased accounts 31.5 percent of total gold assayed or 81.8 percent of total gold assayed excluding Boroo Gold Co., by Bureau of Standard and Measurement. These numbers have decreased by 16.3 percent, 15.5 percent respectively from the year end of 2009.

### **Risk Management of Foreign Exchange Reserves**

The Bank of Mongolia implements the long-term policy for the foreign exchange reserve management and monitors its implementation on a daily basis. In the reporting year, the Risk Management Unit set a desired composition of reserves for appropriate risk appetite levels. As part of the general strategy, parameters for currency holding, allocation of assets, permissible range of investment instruments and duration requirements were established. In addition, the Risk Management Unit set quarterly credit limits compliance of which were monitored daily by



**Figure 52**  
*Purchase of gold of the BoM Amount /weight, tons/*



**Figure 53**  
*Gold refining of the BoM Amount /weight, tons/*

conducting valuation of reserves, assessment of market risks and reported on global financial market developments on a regular basis.

As financial markets were not yet fully stabilized in the year 2010 in order to preserve safety and liquidity of the reserves the Bank of Mongolia invested reserves in gold, deposits at central banks and international financial institutions, US and German Government bonds and notes, and BIS short-term debt instruments. The Bank of Mongolia continued the policy of collateralizing all investments regardless the credit rating of the customer.

Although the size of foreign exchange reserves increased and the need for liquidity portfolio decreased which in turn expanded the opportunity to invest in long-term instruments, the fact that major central banks as the Federal Reserve Bank and European Central Bank were keeping their benchmark rates at historically low levels was increasing interest rate risk. Therefore the Bank of Mongolia continued its policy to invest mainly in short-term instruments.

### 4.1 Banking sector performance

As of the end of 2010, total of 14 registered banks with their 1070 branches are operating and two banks are at present under the receivership by the Bank of Mongolia. Total assets of the banking sector grew by 43 percent or MNT 1.9 trillion from last year to MNT 6.2 trillion which constitutes 75.3 percent of GDP.

Short term investment, as of the end of 2010, increased 2.2 times to MNT 1.2 trillion and 96 percent of which is covered by Central bank bills (CBB). By the end of 2010, CBB increased nearly 2.8 times or by MNT 710.5 billion reaching MNT 1.1 trillion. The increase in banking liability, in particular that of current accounts contributed to banks' decision to improve their liquidity as well as increase short-term, liquid assets.

As the newly amended "Law on bank's deposit guarantee" on July 2010 by the parliament states, previously covered deposits - deposit accounts from interbank markets, foreign banks and financial institutions - will be dissociated from the guarantee. Interbank market operation has been expanding continually from the third quarter of the reporting year and its balance remained well above MNT 200 billion.

In comparison with the last year, the loans outstanding grew by MNT 0.4 trillion and reached MNT 3.1 trillion. While in previous year, the quality of total loans outstanding deteriorated as the balance of non-performing loans was amounted to MNT 544.1 billion which accounted for 20 percent of the total loans, at the end of the reporting year those estimates has improved to be MNT 209.6 billion and 6.7<sup>2</sup> percent respectively.

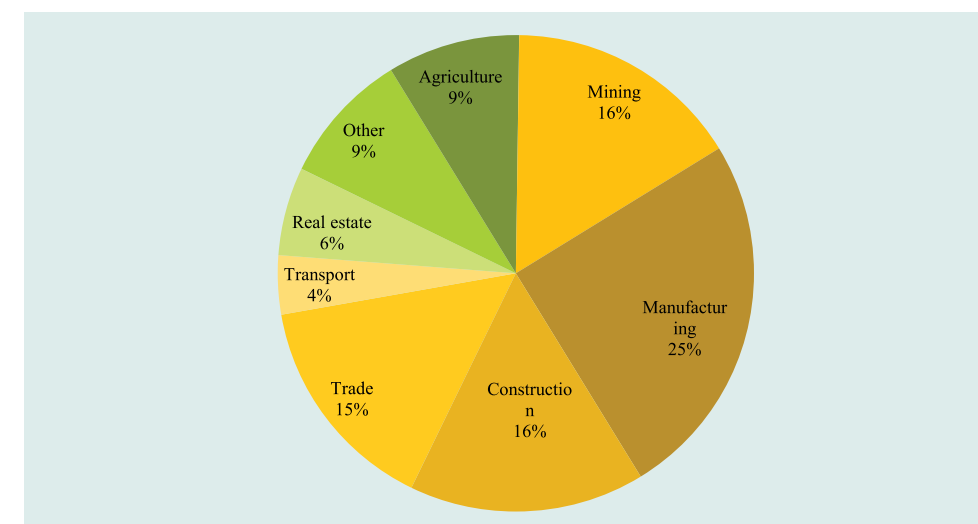


Figure 54

*Non-performing  
loans by  
economic sectors*

The break-down of total loans by economic sectors shows that wholesale and retail, manufacturing, mining and construction sectors accounted for 18 percent, 14 percent, 12 percent and 11 percent respectively and their share plunged in comparison to previous year (see fig.59). In contrast, mortgage loan grew considerably as its share in the total real estate loans yields 14 percent. As of the end of 2010, 7.1 percent of total loans accounted for real estate loans.

<sup>2</sup> Provided the amounts of non-performing loans at banks under receivership - Anod and Zoos - are included, the same estimates change to MNT 381 billion and 11.6 percent respectively.



The Bank of Mongolia, as delegated under Monetary Policy guidelines of lowering the interest rate of loan, has been duly taking appropriate measures and as of the end of the reporting year loan rates in both MNT and foreign currencies reduced to 17.9 per annum (p.a.) and 12.6 p.a. respectively compared with the same estimates in last year of 20.8 p.a. for MNT and 16.5 p.a. for foreign currencies.

Figure 55

Total assets of banking system and its share in GDP /in billion MNT/

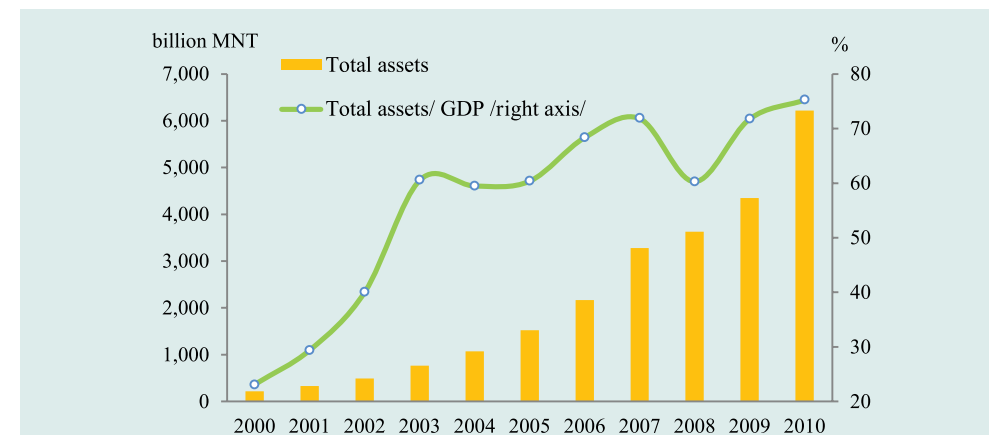


Figure 56

Cash and Central bank bills /in trillion MNT/

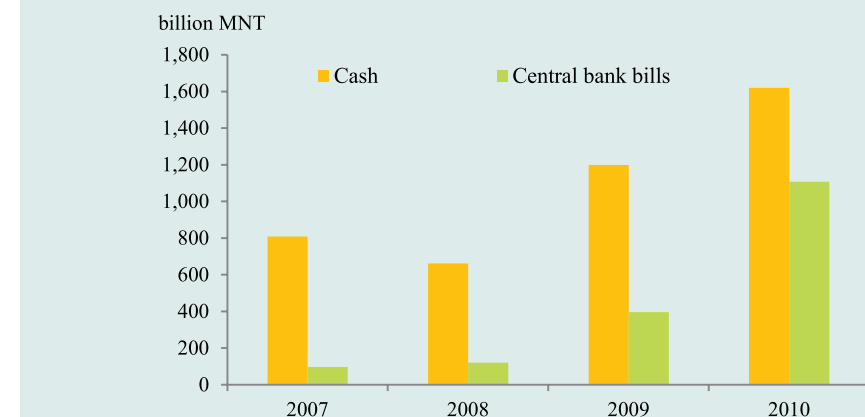
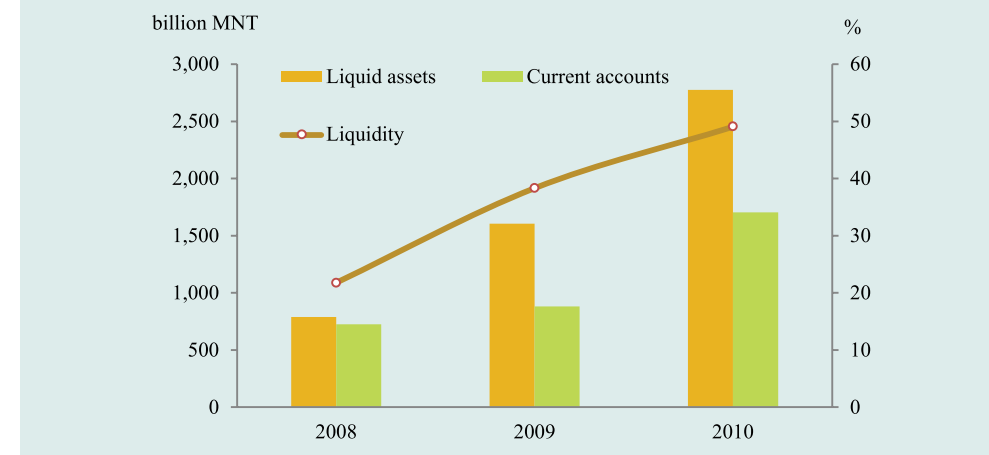


Figure 57

Liquidity indicators /in billion MNT/



In the reporting year, number of depositors in the banking sector grew by 20.4 percent or 3 million individuals from previous year to 1.7 million. With the growth in the number of depositors, the banking liabilities have consequently increased to MNT 5.6 trillion by MNT 1.4 trillion and

Figure 58

Credit quality of banking sector

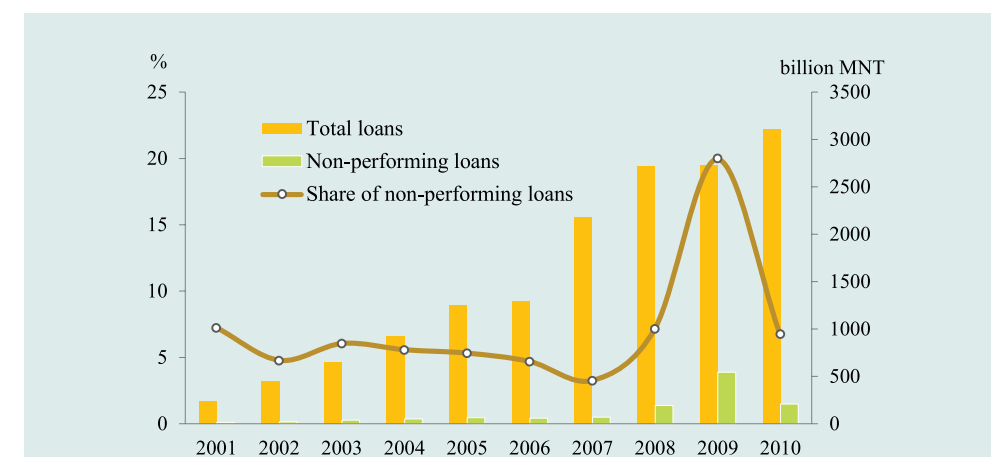
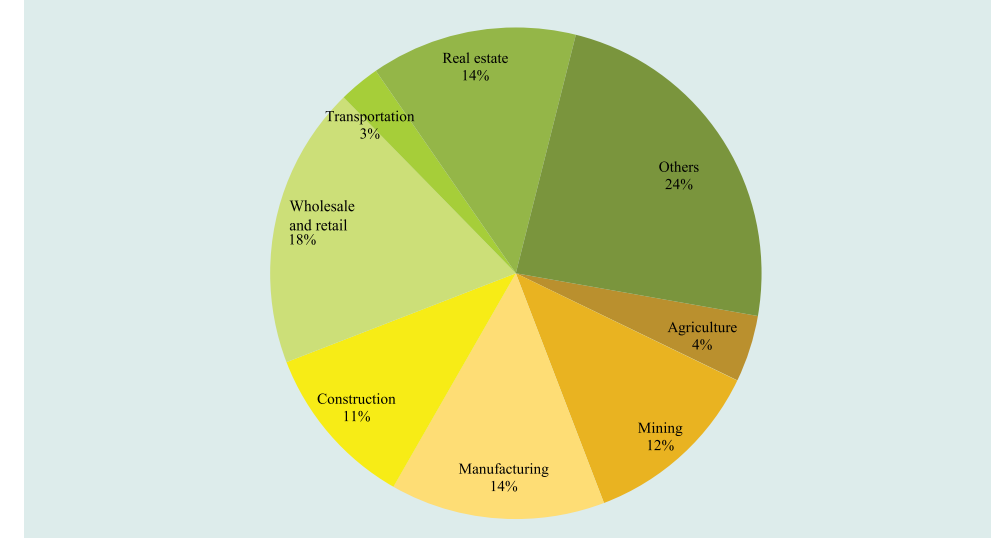


Figure 59

Loans outstanding by sector



33.9 percent from previous year. The favorable growths in total savings by 41.4 percent or MNT 0.8 trillion to MNT 2.8 trillion along with 1.9 times in total current accounts by MNT 0.8 trillion to MNT 1.7 trillion were mainly due to the restored public confidence, an explicit Blanket deposit guarantee from the state on current accounts and savings and an increased capital inflow to the economy. Considering the 70.5 percent or MNT 580.4 billion increase of time deposits and 29.5 percent or MNT 243.3 billion increase in demand deposits were mainly accounted for the growth in total deposits (by MNT 823 billion), it could be gathered that there is an optimistic prospect for potentially increasing long-term liabilities which in turn would help sustaining longer term investment.

As the decomposition of total deposits shows, 87.3 percent or MNT 1.8 trillion was from individuals, 6.4 percent or MNT 0.2 trillion was by private sector and the remaining 6.4 percent was collectively constituted by state organizations, foreign residents, non-residents and other entities. Due to the substantial growth in deposits, the need for additional funding has diminished and thus as of the year end liabilities from foreign banks reduced to MNT 180.5 billion - a decrease of 36.7 percent or MNT 104.9 billion from last year.

The amount of total capital in banking sector, a pertinent indicator of which shows the ability of banks to absorb potential risks, as of the year-end increased nearly 2.6 times or by MNT 454.2

billion to MNT 631 billion. The increase was mainly due to the profitability improvements of banks which also led to the increase of banks' net profits to MNT 70.9 billion at the end of reporting year. Moreover, the total interest income has grown to MNT 533.7 billion –an increase of MNT 83.7 billion, and interest expenditure also increased by MNT 16.9 billion to MNT 332.1 billion. The vast share of interest income was mainly generated by loan interest income from private sectors along with the accrued interest income from CBB.

The enhanced public confidence in the banking sector exhibited by growth in overall clientele including depositors coupled with the increased capital inflow from foreign markets have resulted in the favorable growth of bank funding which in turn allowed banks to take further precautionary measures to contain their liquidity risks by taking various aspects of risks such as timing into account and consequently invest them into much liquid and short-term assets and thus by retaining liquidity sufficient enough to withstand sudden outflows of funding.

Banks' approach to credit handling has also shifted from extending additional loans to concentrating more on the quality of the loan portfolio by putting emphasis on reducing NPLs, mitigating risks on credit concentration, improving loan repayments as well as setting adequate extension on repayment rescheduling where necessary. Moreover, the overall credit environment has improved with decline in NPLs and loss provisioning expense, and improved credit repayment that eventually resulted in profitability improvement from interest incomes as well as the capability to withstand risks with strong capital adequacy ratios from major capital increase.

### Prudential ratio indicators

With the newly modified “Regulation on setting and controlling prudential ratios to banks” on 30 July 2010 under Bank of Mongolia Governor's decree No.460, the more realistic assessments of bank risk profiles were facilitated. Total risk-weighted assets in reporting year, calculated in line with the regulation increased by MNT 0.8 trillion and amounted to MNT 3.8 trillion. By the end of the reporting year, total capital reached MNT 0.6 trillion and subsequently resulted the capital adequacy ratio of 16.2 percent which makes it well above by 4.2 percentage points against minimum requirement.

The regulation also sets the compliance ratio for single currency open position to maintain within +/- 15 percent range and +/- 40 percent for total currency open position. In the reporting year, the total currency open position maintained well within the preset range by BOM with 17.4 percent. As of the year-end, the total foreign currency assets grew by MNT 0.5 trillion or 30.5 percent whereas the total foreign currency liabilities reached MNT 2.4 trillion with MNT 0.6 trillion or 33.1 percent increase from last year. While of the total foreign currency assets, cash accounts constituted 52.9 percent, loans outstanding - 44.1 percent and the remainder was covered by other assets, the share of total deposits and current accounts in total foreign currency liabilities were 32.8 and 32.3 percent respectively, 15.1 percent of it was by funding from other banks and financial institutions, 5.8 percent was by banking capital and remaining 14 percent were generated from other payables and liabilities.

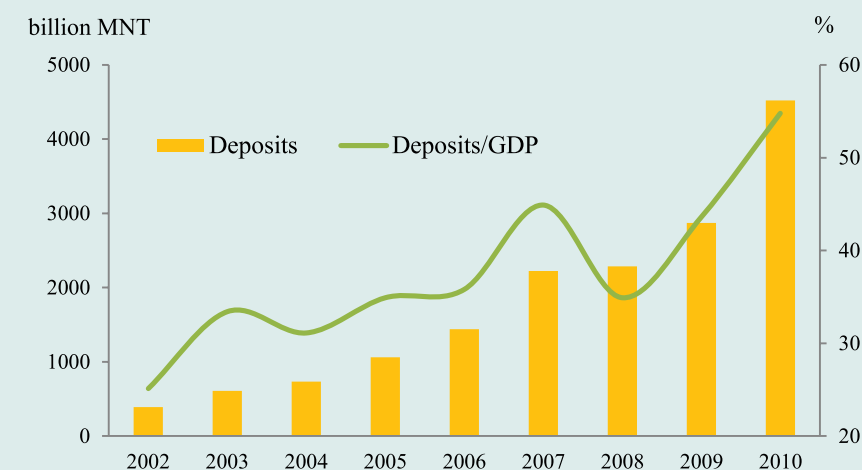


Figure 60

Dynamics of total deposits /in billion MNT, percentage/

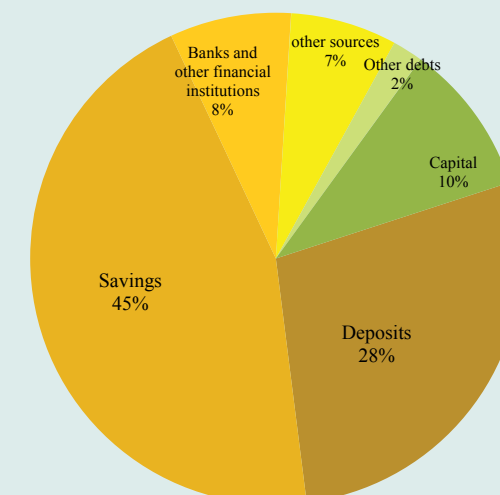


Figure 61

Decomposition on total liabilities /in percentage/

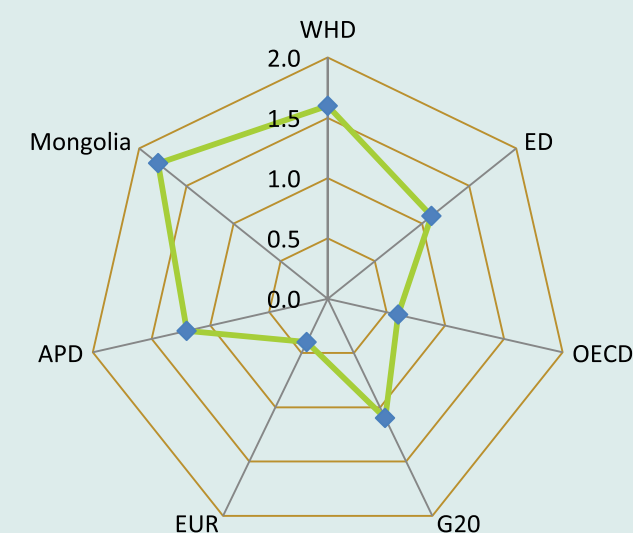


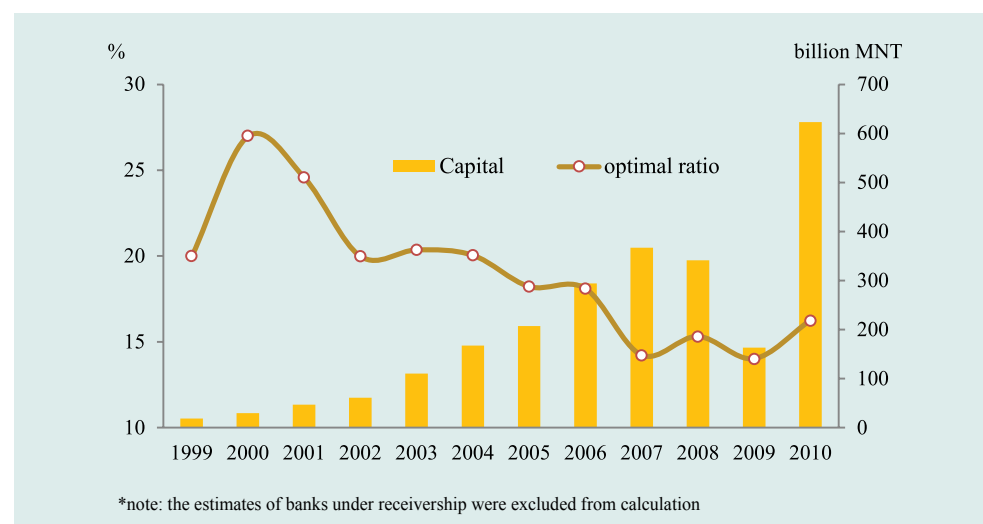
Figure 62

Profitability indicators /in percentage/

\*WHD – Western hemisphere countries, ED – emerging and developing economies, OECD- organizations for economic cooperation and development, G20 - group 20 countries, EUR- European countries, APD – Asia-Pacific countries)



Figure 63  
Capital adequacy  
indicators



### The Legal Environment

Newly amended Banking Law was approved by the Parliament on January 28, 2010 and came into effect from March 31, 2010. In addition to specifying the broader and more comprehensive definition of the term “Related party”, the law also provides provisions for regulatory measures in solving issues the banking system is mostly encountered with, and to ensure the banking sector stability in the future. For instance, the law delivers more granulated specifications as regards to the enforcement measures of supervisory authority onto banks by tying them to their capital adequacy requirements, establishing stricter fit-and-proper criteria for shareholders and thereby demanding them to invest with funding derived only from legitimate and credible endeavors, employing much heightened and thorough consolidated supervision on all members across financial conglomerates of which the supervised bank is operated under, focusing particularly on those related parties whose influence on the bank might threaten and ultimately be detrimental to its safety and soundness.

The growing concern over potential widespread exploitations on “Law on banks’ deposit guarantee” had prompted the amendments regarding the limited coverage on deposits to be specified and eventually was approved in July, 2010. In order to enable the legal environment for smooth transitioning from generalized State blanket guarantee towards the classic deposit insurance scheme with limited coverage, the working group on draft “Deposit insurance law” was formed by the joint decree No.640/239 by Governor of Bank of Mongolia and Minister of Finance on November 3, 2010. The working group comprised the representatives from BoM, MoF, FRC and other relevant authorities.

Within the objectives of enforcing the newly approved banking law, adopting successful international practices and growing trends onto domestic context as well as mitigating the shortfall and deficiencies stemmed from the financial crisis, the revised “The regulation on setting and controlling prudential ratios to commercial banks” by decree No.460 of the Governor of BoM on July 30, 2010, and “The regulation on asset classification and loan loss provisions” by joint decree No.475/182 of the BoM, and MoF on August 11, 2010 along with “The guideline on the implementation of the corporate governance principles for banks” and “Evaluation model

to monitor the corporate governance status of banks” by the decree No.311 of the Governor of the BoM on May 26, 2010 were approved and are being implemented since.

Moreover, as a way of facilitating the legal environment for the appointment of independent board member of a bank, “The regulation on proposing, electing, releasing an independent member of the board of a bank” was approved by joint decree No. 434/113/167 of the BoM, FRC, and MoF on July 20, 2010 along with setting amendments and modifications on other pertinent regulations and guidelines were carried out where necessary. Further to those changes, the following adjustments were made:

- More specified definitions on capital and capital adequacy ratios were stipulated along with adequate representations on operational risks criteria, supervisions on liquidity risks compliance;
- More realistic assessment methodologies for financial conditions and the risk profile of a bank;
- More specified provisions on classifying restructured loans;
- Further provisions of reserving additional provisions upon violations of related parties’ loans limit;
- Value of a collateral is taken more into consideration when classifying loans, encouraging banks to engage in syndicated loans;
- Allowing banks to assess risks internally;
- Evaluating senior management of a bank against corporate governance principles;

Consequently, it gives several perks in identifying problem loans at an early stage, classifying loans based not only on repayment schedules but also tying them with borrower’s business condition and other factors which may influence on credit quality, assessing financial condition of a bank more accurately, and preventing banks from concealing problem assets. Moreover, by assessing the management quality/system of a bank through more comprehensive approach where various aspects of management such as board of directors, executive management, transparency, internal control, external auditing, shareholders meetings were incorporated into the evaluation process, the core financial risks were supplemented by risks from inadequate management system and thus by allowing supervisory authority to implement more holistic approach.

Formations of financial groups are gaining momentum as the activities of business entities are becoming more sophisticated. Thus it raises the need for implementing consolidated supervision across the member legal entities of financial group which are also the related party to the bank. Building on to above rationale, BoM expressed its interests on exchanging practices with relevant authorities, conducting researches and analysis, carrying out supervisions and receiving technical assistance regarding the adequate supervision on financial conglomerates. As a major step, BoM has drafted regulation on consolidated supervision and started conducting supervision only on those members who are engaged in financial activities.

## 4.2 Supervisory process in the banking sector

### *Improvements made in the fields of supervisory review process*

In efforts to sustain financial system stability, restore capital shortages in the banking system due to the financial crisis and to improve the capacity of banks to absorb risks, “Banking sector Capacity building, capital injection program” was implemented jointly by World Bank and other International donor organizations. The objective of the program was to provide banks with additional capital support, ensure compliance of requirements set by banking legislations and ultimately strengthen the overall banking system. The program was sent to parliament for review through Government officials and members of parliaments after thorough deliberation within financial stability council on August 12, 2010. In order to meet the pre-conditions of the program, 10 registered large and medium sized banks in terms of their asset-size were subject to external auditing by internationally recognized auditing firms<sup>3</sup> funded by World Bank.

The exclusive evaluations of external auditing were carried out in line with the laws and legislations in Mongolia as well as other international standards. “The Financial Sector Assessment Program” was implemented for the second time in 2010. The program was designed to analyze stability of the financial system as a whole, and give fair evaluations on banking supervision, policy and regulatory process and ultimately offered the sets of policy recommendations for further development of the financial sector.

As the Article.38 of newly approved Banking law states regarding public disclosure of financial statements and other information, the ownership structure of registered banks were disclosed to the public and BoM is aiming to take further steps to enhance transparency to the public.

The following measures were taken in an effort to mitigate credit risk, improve credit quality, maintaining transparency and enabling individuals and legal entities to gain access to the credit information bureau:

- The BoM is taking an active role in maintaining the confidentiality of credit information dataset, proposing and assisting the institutions which provide confidential information and supporting their further working conditions and opportunities.
- Efforts have been made in including as many creditor institutions as possible to the dataset. In reporting year, BoM started engaging in active dialogues with 14 non-bank financial institutions and MHFC in accumulating their information of credit information dataset and collaborating for further exchange of information between the institutions.

Therefore, by upgrading the software applied by credit information bureau, it was made possible to make information flows available online for 24 hours between creditor institutions as well as the information quality has improved with diverse contents. Thus, by the virtue of the new software, previously existed information-lag problems were resolved for borrower individuals and legal entities and allowed creditor institutions to receive relevant information from variety of sources.

<sup>3</sup> KPMG, Ernst& Young, PWC

### *On-site inspection process*

In line with the guidance by BoM governor, the supervision department has conducted full-scope, onsite inspections on the financial conditions and status of 9 registered banks thus far and the further policy recommendations and measures to be taken are monitored for their compliance after being reviewed by the board of BoM. A total of 26 partial, onsite examinations were carried out. Subsequent corrective measures were taken in the forms of imposing restraining order by state examiner and demanding banks to make relevant adjustments to the transactions as a result of misconducts such as incorrect classifications of assets, lack of loss provisions, exceeding credit concentration limit, noncompliance with the foreign currency and capital adequacy prudential ratios, failure of following international accounting standards, misrepresenting the reports and other information, refusal of executive management to enter and close required agreements or transactions as well as the inability of shareholders to exercise their rights authorized under bank charter and other legislations of Mongolia, detected by on-site inspections.

In order to regulate the compliance of newly approved Banking law other regulations and the potential effect that they might exert, 6 selected banks were subject to partial onsite examinations. Therefore, the banks were required to submit plans for ways to follow the restrictions and requirements imposed by the newly approved law and regulations and adequate monitoring was put in place accordingly. Moreover, other measures such as successive onsite inspections on the financial conditions of some banks are being carried out on a regular basis.

The Central Bank aimed to strengthen financial stability by ensuring a smooth, safe and reliable operation of all payment and settlement systems, improving its legal framework, promoting the usage of non-cash payment instruments, updating the interbank card payment switching system into 24 hour operation to provide banking and payment services to all citizens equally without regarding to their income level, geographical location and time constraints.

In order to formulate the legal framework for mobile banking services and promote the cooperation among participants of the payment system for developing the mobile banking services in Mongolia, the Central Bank started to implement a project “Transformational mobile banking services” with the funding provided by Asian Development Bank.

“General guidance for national payment system development” issued by the Committee on Payment and Settlement Systems of the Bank for International Settlements (BIS) was translated into Mongolian language and published on the Bank of Mongolia website with the purpose of improving public knowledge and understanding on concepts and issues related to payment systems.

National payment system report, which contains the current information on payment systems development, its changes and updates, was compiled in accordance with the internationally accepted report “Red book”. The Bank of Mongolia jointly with the BIS is planning to publish the “Red Book” on their website which will play a significant role in publicizing the payment system development of Mongolia internationally and making it transparent to public.

### Interbank settlement

The Table 14 shows the number and amount of interbank payments for 2010 compared with previous years.

Table 14. The number and amount of interbank payments for 2007- 2010<sup>4</sup> (quarterly)  
(number in thousands, amount in billion MNT)

	2007		2008		2009		2010	
	number	amount	number	amount	number	amount	number	amount
I quarter	378.7	1.4	499.9	2.4	502	1.7	693.8	2.2
growth (%)			32	70.4	0.4	-29.1	38.2	25.8
II quarter	482.8	1.8	633.6	2.8	715.9	1.8	908.9	3
growth (%)			31.2	49.6	13	-35.6	27.0	69.6
III quarter	413.6	1.8	494.3	2.6	626.2	1.9	801.9	3.4
growth (%)			20	47	26.7	-24.4	28.1	74.2
IV quarter	546.5	3	624.2	2.9	800.3	2.5	983.1	4.7
growth (%)			14.2	-0.4	28.2	-13.6	22.8	86.2
Total	1821.6	7.9	2252	10.7	2644.4	7.9	3387.7	13.2
growth (%)			23.6	34.4	17.4	-25.4	28.1	66.5

Source: Bank of Mongolia

According to data the amount of interbank payments compared to the previous year increased by 34.4% in 2008, decreased by 25.4% in 2009 and increased by 66.5% in 2010. However, the number of interbank payments increased each year, by 23.6% in 2008, 17.4% in 2009 and

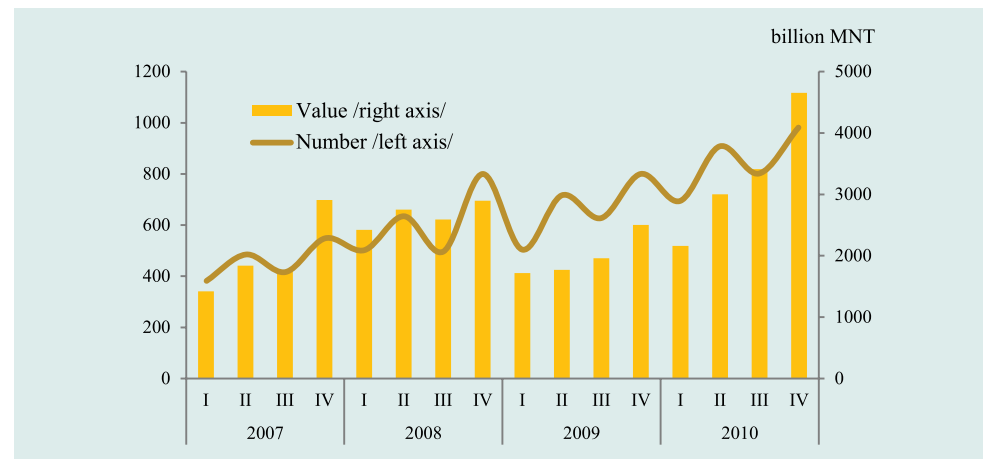
<sup>4</sup> Data provided by banks

28.1% in 2010 respectively. The highest number and amount of payments are usually settled in the Fourth quarter, while the lowest number and amount of transactions appear in the First quarter.

The dynamics of interbank payments for 2007-2010 are shown in the Figure 64.

Figure 64

The number and amount of interbank payments for 2007-2010 (quarterly)



The number and amount of interbank transactions decreased between the Fourth quarter of 2008 and the First quarter of 2009, however, since the Second quarter of 2009 numbers were increasing smoothly with the exception of some seasonal fluctuations.

### Payment cards

In 2010 all the banks issuing payment cards joined the Interbank Centralized Payment Card Network enabling all citizens of Mongolia to use the “Single card-central network” services. As at the end of 2010, 9 banks were offering 24-hour “Single card-central network” service through their 367 ATM, 4 418 POS, 1 576 POB, 1 434 branches and 4 376 card receiving entities. Totally 1.5 million cardholders settled 14.9 million card payments for the amount of 1.3 billion MNT. This shows how banking and financial services are becoming more simple, reliable and efficient and how non-cash payments are used widely by customers and business entities in their daily operation.

Table 15. Payment card usage for 2008-2010

Number of card holders					Number of card users				
2008	2009	2010			2008	2009	2010		
		Total	of which in provinces	growth (+), reduction (-)			Total	of which in provinces	growth (+), reduction (-)
1 182 526	1 885 103	1 538 336	490 942	-18%	470 773	476 230	670 887	227 965	35%

Source: Bank of Mongolia

During 2008-2009 a number of cardholders has increased, while in 2010 it has decreased by 18%. However, a number of card users has been increasing every year during 2008-2010, which demonstrates the trend that in recent years bank customers prefer using more non-cash payments. Along with card usage expansion, the number of POS, POB, and ATM devices has been increasing every year respectively. As such, in 2010 the total number of devices has increased by 20%.

Table 16. Number of devices increase

(+, decrease (-))

	2008	2009	2010	2009/2010
POS	3 060	3 754	4 418	18
POB	1 299	1 186	1 576	33
ATM	189	292	367	19
Imprinter	470	417	412	-1
<b>Total</b>	<b>5 018</b>	<b>5 649</b>	<b>6 773</b>	<b>20</b>

Source: Bank of Mongolia

The total number and amount of POS, POB, ATM payments is shown in Table 17. In 2010 total amount of payments made at POS has increased by 133% compared to 2009, which shows that cardholders are using their payment cards at the service centers more thus expanding the payment card market. In contrast, the amount of POB transactions has decreased by 32%, and the number of transactions declined by 17% than those of the last year.

Table 17. Total number and amount of POS, POB, ATM payments<sup>5</sup>

(number in millions, amount in billion MNT)

	2008	2009	2010	Growth by %, 2009/2010
<b>POS Amount</b>	<b>53.2</b>	<b>100.3</b>	<b>233.8</b>	<b>133</b>
Number	0.7	1.4	2.7	93
<b>POB Amount</b>	<b>261.4</b>	<b>453.5</b>	<b>376.5</b>	<b>-17</b>
Number	2.2	3.2	2.2	-32
<b>ATM Amount</b>	<b>170.7</b>	<b>874.9</b>	<b>1541.5</b>	<b>76</b>
Number	5.3	15.3	22.1	45
<b>Total Amount</b>	<b>485.3</b>	<b>1428.7</b>	<b>2151.8</b>	<b>50.6</b>
Number	8.2	19.8	26.9	35.6

Source: Bank of Mongolia

In 2010 around 22.1 million transactions in the amount of 1541.5 billion MNT were made through ATM devices.

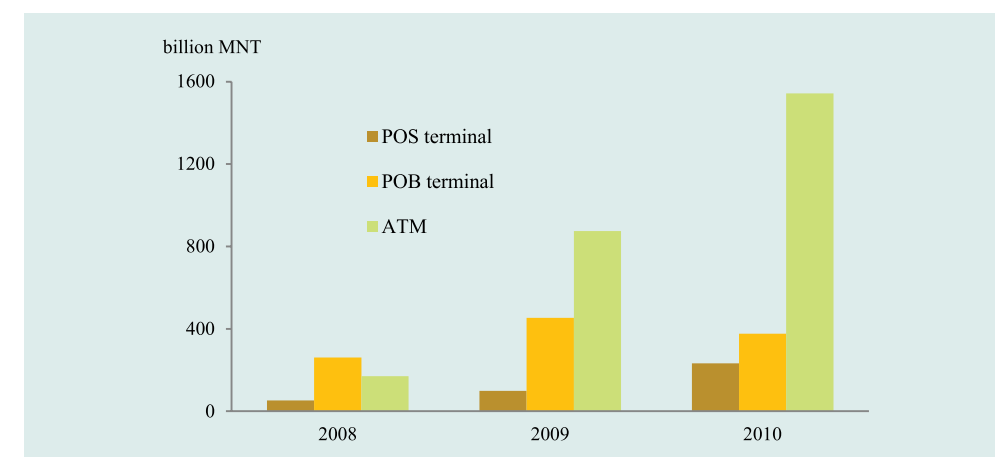


Figure 65

Total amount of card payments for 2008-2010

Total amount of POS payments has been increased every year reaching 233.7 billion MNT in 2010, whereas the amount of ATM transactions reached 1541.5 billion MNT, growth of 45% compared to 2009. Due to a declined tendency in using POB terminals, total POB payments amount has decreased in 2010 by 77 billion MNT compared to 2009.

<sup>5</sup> Number and amount of card payments acquired by banks

## OTHER ACTIVITIES OF THE BANK OF MONGOLIA

6

*About the organizational structure:*

The Central bank of Mongolia includes 7 departments, 2 independent units, 17 branches and a representative office in London, United Kingdom. Also the Bank Training Center is operating under the authority of the Bank of Mongolia.

For the reporting year, the Bank of Mongolia employs 391 staff, of which 52.2% is male and 47.8% is female. The 71% of the total employees is core staff working at the head office and the 76% of the bank's employees are the economists, accountants, lawyers and IT engineers.

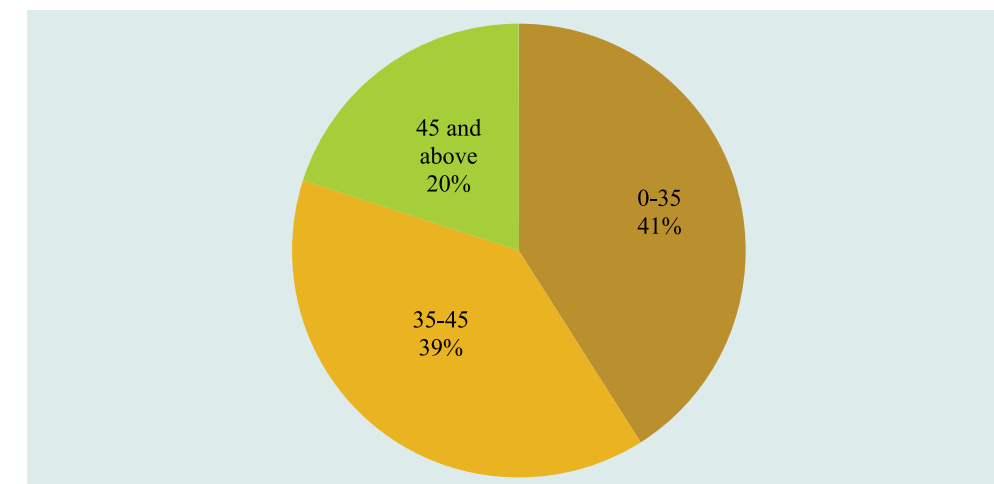


Figure 66

*Age classification*

In scope of ensuring the rights of employees to obtain the internationally accepted level and to learn, 8 staffs were sent to gain master's degrees through the governmental cooperation with USA, Australia, Japan, Europe in 2010. Totally 90 employees attended 99 short term seminars in abroad.

Cooperating with the SEACEN and Bank of Japan, the Bank of Mongolia organized the seminar titled "Capital price growth: Influence and Challenge in Monetary Policy" in July 25-28 of 2010 in Ulaanbaatar including 28 representatives from 12 countries, 10 from Bank of Mongolia and other officials.

Bank of Mongolia launched the workshop under the topic of "Monetary Policy and Its Operations: Lesson from Crisis" with the Bank of England - Centre for Central Banking Studies during August 2-4 of 2010 in Ulaanbaatar involving 32 participants of the Bank of Mongolia, Ministry of Finance, National Development and Innovation Committee, Financial Regulatory Commission and the Secretarial Office of the President.

*About the staff salary and social guarantee:*

Under the resolution of Government of Mongolia, the Bank of Mongolia raised the salary of employees by 30% by the decision of Board of Directors after conducting a survey among the other state authorities in accordance with the increase in salary of civil servants beginning from October 1 of 2010.

Cooperating with the departments to equalize the work pressure and enhance the working time consumption and creativity along with taking the measures to improve the employees' education and the welfare and housing conditions by relating with the alleged budget.

### *Information Technology*

The Bank of Mongolia has been aiming to increase productivity of the information technology systems within the organization.

In 2010, the Bank of Mongolia introduced some advanced technologies and ensured the stable and secure operations of the information technology systems.

Within the scope of computerization of organization tasks, several new in-house software applications were developed, like foreign currency exchange, foreign reserve management and local administrative management systems. Furthermore, new upgrades for the Accounting system and Money market system were also introduced.

In order to increase efficiency of computer systems, we have increased the bandwidth of the internal network and installed new monitoring system.

### *Development of banking legislation*

The year 2010 was exclusive year to development of banking legislation. This year Parliament approved the revised Banking Law and amendments to the Central Bank Law.

### *Banking law /revised/*

Revised Banking law has approved by the Parliament in 28 January 2010. This revised law is to regulate followings:

- 1/ Banking activities, compliance on banking activities, limitation on banking activities, licensing of banks, the fact of cash invested in the bank's paid-in capital;
- 2/ To strengthen corporate governance by distinguishing managers' rights and responsibilities of the bank;
- 3/ Minimizing banking risk through determining related parties;
- 4/ To determine financial conglomerate and to conduct consolidated supervision;
- 5/ Enforcement measures against a bank, provisional administration at banks;
- 6/ Improvement on banking audit, financial report and statement;
- 7/ To determine Central bank supervisors' rights, responsibilities and legal assurance;
- 8/ To strengthen responsibilities to violation of banking legislation;

Approving this law was important step to broadening financial procurement, to measure financial sector risk, to prevent with over crisis through to inspire citizens' confidence to banking sector.

### *Law on Central Bank*

Amendments to the Central bank law /2010.1.28/ made Bank of Mongolia's monetary policy and banking supervision information more transparent and efficient.

Provided Bank of Mongolia's supervisors to prevent from conflict of interest, provided legal assurance to implement their duties, internal transparency, and to apply different rate to the reserve requirement.

Through this law:

- 1/ Central bank transparency,
- 2/ Efficient State monetary policy implementation,
- 3/ Efficient banking supervision,
- 4/ Anti bank note counterfeit,
- 5/ Supervisor's legal assurance to implement their duties and objection to conduct



SUMMARY OF POLICY AND PROCEDURES  
APPROVED BY THE BANK OF MONGOLIA  
IN YEAR 2010

7

No.	Date	Decree No.	Title	Main description
1	2010.04.13	210	Amendment to the regulation	“The regulation on auction of central bank bills” approved under the decree No 311 of 2007 of the Governor of the bank of Mongolia. CBB auction is held with fixed rate or competitive principle within certain time interval and auction type to be announced by statement of CBB auction. The fixed rate and lowest, highest limit is determined under the decree of the Governor of the Bank of Mongolia, and is announced by statement of the auction. The other auctions of CBB are held by the principle of rate competing. During the competitive principle within certain interval, the policy rate is the mean rate.
2	2010.04.20	232	Amendment to the regulation	To amend the following article of “The regulation on auction of central bank bills” approved under the decree No 311 of 2007 of the governor of the Bank of Mongolia. 1/ the article 1.5.2 of the regulation to be revised: “the amount of bills bank purchasing is equal to bank’s current account out standings in togrog at the bank of Mongolia subtracted according to “The regulation on calculating and controlling reserve requirements” by required reserves and added the amount of maturing CBBs for the bank.
3	2010.05.04	266/97/62	Regulation on Financial Stability Committee	Joint regulation on Financial Stability Committee is regulating its rule, structure, human resource and management.
4	2010.05.06	278	Regulation on Providing information to Mortgagee	Regulation on Providing information to Mortgagee is regulating mortgage, construction and maintenance as collateral.
5	2010.05.12	117/284	Regulation on Providing information regarding Anti money laundering and financing terrorism to officials	This regulation has adopted in order to determine the procedure of providing information regarding the suspects of money laundering and financing terrorism to related officials.
6	2010.05.24	305	On Approving Form	Form for reporting “Foreign Settlement Transactions” specified in Article 3.1.3 of “Regulation on Reporting Suspicious and Cash Transactions” approved by Decree 313 of the Governor of the Bank of Mongolia dated July 2, 2007 was approved.
7	2010.05.26	311	Amendment to the regulation	According to the Decree No 311 Governor of the Bank of Mongolia, in 2010 May 26, re-edited “the Guideline on the Corporate Governance Principles regulation of Banking”, approved by decree № 594 Governor of the Bank of Mongolia in 2006 December 12, through a “Regulation on Implementation of Banking Governance”. Moreover guidelines of an IT inspection and Banking Governance are approved by above decree.
8	2010.06.16	365	Amendment to the regulation	The “Payment Card Regulation” approved by the Governor by the order number 440 dated 2009/08/06; states that all interbank card payments regardless its payment volume should be regulated and executed under the “Interbank Low Value Payment Regulation” arrangement.
9	2010.07.20	434/113/167	Regulation on Independent member of bank’s Share Holder Board	In the regulation clearly measured necessity requirements of an independent member. Which are an independent members of bank, their rights, duties, how to nominate independent members and to establish an evaluation committee, to appoint, to dismissing and criteria of a member etc.
10	2010.07.28	447	Manual on Bank’s record	The purpose of this guideline is to implement off-site monitoring, collect financial data of banks and to use for analyze based on data.
11	2010.07.30	460	Revised regulation on Setting and Monitoring Prudential Ratios to commercial banks	This regulation has revised to comply with article 16.1.2 of the banking law of Mongolia, to assess with precision the prudential ratios of commercial banks and control its optimal level and to undertake the enforcement measure.
12	2010.08.03	464	Amendment to the regulation	Added by amendment according with decree № 464 Governor of the Bank of Mongolia, 2010 Aug 03, which is aimed to provide the detailed description on corporate governance of banks and internal control environment, “Evaluation model on governance on banks” which allowed banks to conduct their own assessment of internal control environment and corporate governance status on the bank so that bank had the opportunity to detect the flaws and shortcomings in its internal control and further fix them effectively.



13	2010.08.11	475/182	Revised regulation on asset classification and provisioning	The regulation have updated and approved by Resolution No 475/182 Governor of the Bank of Mongolia and Minister of Finance the in 2010 August 11.
14	2010.11.19	647	Amendment to the regulation	Amendment to the Forex auction regulation-Time frame for announcement of auction's cut off rate.
15	2010.11.22	674	"Regulation on commercial banks foreign exchange deposit at Bank of Mongolia and", "Manual on commercial banks foreign exchange deposit at Bank of Mongolia and"	The purpose of rules and regulation is to manage the foreign currency deposits of domestic commercial banks in Bank of Mongolia.
16	2010.12.03	699	Amendment to the regulation	Amendment to the Rule and Regulation for calculation of reference rate-diminished the lag of calculation and publication of reference rate.
17	2010.12.03	700	Amendment to the regulation	Revised respective rules and regulations of Forex auction in accordance of developed foreign exchange auction electronic system
18	2010.12.24	730	"Foreign exchange swap, forward agreement", "Foreign exchange swap, forward manual"	Introduced the USD swap/forward rate arrangements as a monetary policy instruments to manage FX and MNT liquidity. The main purpose of rules and regulation on foreign exchange swaps and forwards is to support the development of hedging instruments and to provide short term liquidity. Also the regulation and rules are governing participants' responsibilities and eligibilities.
19	2010.12.27	735	Amendment to the regulation	Annex 5 of the Regulation on Foreign exchange auction has amended.

## BANK OF MONGOLIA

## BOARD OF DIRECTORS' RESPONSIBILITY STATEMENT

The Bank's Board of Directors is responsible for the preparation of the financial statements.

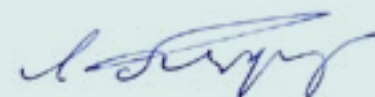
The financial statements of Bank of Mongolia have been prepared to comply with International Financial Reporting Standards. The Board of Directors is responsible for ensuring that these financial statements present fairly the state of affairs of the Bank as at 31 December 2010 and the results and cash flows for the year then ended.

The Board of Directors have responsibility for ensuring that the Bank keeps proper accounting records which disclose with reasonable accuracy the financial position of the Bank and which enable them to ensure that the financial statements comply with the requirements set out in Note 2 thereto.

The Board of Directors also have a general responsibility for taking such steps which are reasonably open to them to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.


The Board of Directors consider that, in preparing the financial statements on pages 4 to 60, they have used appropriate policies, consistently applied and supported by reasonable and prudent judgement and estimates, and that all applicable accounting standards have been followed.

Signed in accordance with a resolution of the Board of Directors:



**L. PUREVDORJ**  
Governor, Bank of Mongolia

Ulaanbaatar



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## REPORT OF THE INDEPENDENT AUDITORS To the member of Bank of Mongolia

We have audited the accompanying financial statements of Bank of Mongolia, which comprise the statement of financial position as at 31 December 2010 and the statements of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

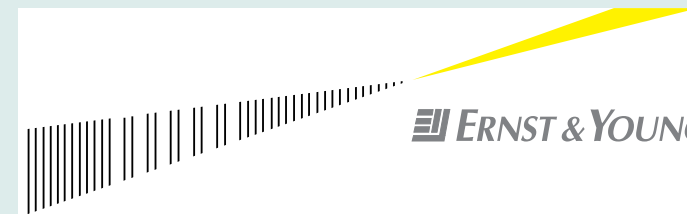
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

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

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

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



Ernst & Young Mongolia Audit LLC

## REPORT OF THE INDEPENDENT AUDITORS (CONT'D.) To the member of Bank of Mongolia

### Basis for Qualified Opinion


As disclosed in Note 18(iii) to the financial statements, included in loans to local banks as at 31 December 2010 is an amount of MNT120 billion (2009: MNT127.6 billion), net of allowance of impairment losses of NIL (2009: MNT18.3 billion), owing by a local commercial bank, which has been placed under receivership since 2008. Based on the Blanket Guarantee Law approved by Parliament of Mongolia on 25 November 2008 and the provisions in the memorandum of understanding with the Ministry of Finance dated 20 May 2009, the directors are of the opinion that the balance of the loan MNT120 billion (2009: MNT127.6 billion), less subsequent to year end recovery of MNT 4 billion is recoverable from the Government of Mongolia. However, as no other information was made available as to when the balance will be settled and the quantum of the settlement amount, we were unable to carry out such other alternative audit procedures to satisfy ourselves as to the recoverability of the balance of MNT116 billion (2009: MNT127.6 billion). Our audit opinion in respect of the financial statements for the year ended 31 December 2009 was qualified on the same basis.


### Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, on the corresponding financials and on the current year, as might have been determined to be necessary had the matters described in the Basis for Qualified Opinion paragraph been satisfactorily resolved, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Other Matters

This report is made solely for the member of the Bank, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

  
ERNST & YOUNG MONGOLIA AUDIT LLC  
Certified Public Accountants

  
CHUNG SING PETER YONG  
Executive Director

Ulaanbaatar, Mongolia  
Date : 12 MAY 2011

## BANK OF MONGOLIA

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 MNT 'million	2009 MNT 'million
Interest income	3	11,751	16,114
Interest expenses	4	(70,709)	(31,268)
<b>Net interest expense</b>		(58,958)	(15,154)
Net gain from trading of gold and precious metal	5	12,189	31,197
Foreign currency (loss)/gain, net	6	(198,319)	60,029
Commission income		1,069	959
Other operating income		746	3,442
<b>Total operating (loss)/income</b>		(243,273)	80,473
Allowances for impairment loss	7	9,794	(23,417)
<b>Net operating (loss)/income</b>		(233,479)	57,056
Administrative expenses	8	(16,041)	(13,571)
Other operating expenses	10	(4,285)	(4,686)
<b>(Loss)/profit for the year attributable to equity holder of the Bank</b>		(253,805)	38,799
<b>Other comprehensive income</b>			
Net loss on available-for-sale financial investments			
- Gain/(loss) on fair value changes		21	(2,595)
- Transfer to profit or loss upon disposal		(227)	(1,085)
Other comprehensive income for the year		(206)	(3,680)
<b>Total comprehensive income for the year attributable to equity holder of the Bank</b>		(254,011)	35,119

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

## BANK OF MONGOLIA

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Note	2010 MNT 'million	2009 MNT 'million
<b>ASSETS</b>			
Cash in hand		14,609	47,749
Due from foreign financial institutions	12	1,457,584	1,271,630
Financial investments - available-for-sale	13	1,087,375	421,759
Financial investments - held-to-maturity	14	72,702	-
Reverse repurchase agreements	15	491,280	469,933
Gold bullion and precious metals	16	125,433	63,388
Government securities	17	53,044	170,000
Loans to local banks	18	130,391	166,988
Loans to Ministry of Finance	19	247,230	262,755
Property, plant and equipment	20	25,568	23,966
Other receivables	21	2,396	1,149
<b>TOTAL ASSETS</b>		<b>3,707,612</b>	<b>2,899,317</b>
<b>LIABILITIES</b>			
Cash in circulation		519,692	371,832
Central bank bills	22	1,100,997	392,512
Deposits from government agencies	23	802,966	698,227
Deposits from local banks	24	640,730	541,638
Liabilities due to foreign parties	25	722,207	737,056
Other liabilities	26	66,527	49,548
<b>TOTAL LIABILITIES</b>		<b>3,853,119</b>	<b>2,790,813</b>
<b>CHARTER FUND AND RESERVES</b>			
Charter fund	27	5,000	5,000
Accumulated losses		(34,331)	-
General reserves	28	-	29,961
Other reserves	29	(116,176)	73,543
<b>TOTAL EQUITY</b>		<b>(145,507)</b>	<b>108,504</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,707,612</b>	<b>2,899,317</b>

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

**BANK OF MONGOLIA**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Charter Fund	General Reserve (Note 28)	Other Reserves (Note 29)	Retained Earnings/ Accumulated Losses	Total
	MNT 'million	MNT 'million	MNT 'million	MNT 'million	MNT 'million
<b>At 1 January 2009</b>	5,000	20,834	21,637	25,914	73,385
Total comprehensive income	-	-	(3,680)	38,799	35,119
Transfer from retained earnings to general and other reserve:	-	9,127	55,586	(64,713)	-
<b>At 31 December 2009</b>	5,000	29,961	73,543	-	108,504
Total comprehensive income	-	-	(206)	(253,805)	(254,011)
Transfer to other reserves from retained earnings	-	-	(183,170)	183,170	-
Transfer from other reserves to retained earnings	-	-	(5,792)	5,792	-
Transfer of revaluation surplus for the building disposed	-	-	(551)	551	-
Transfer from general reserve to retained earnings	-	(29,961)	-	29,961	-
<b>At 31 December 2010</b>	5,000	-	(116,176)	(34,331)	(145,507)

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

**BANK OF MONGOLIA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	2010 MNT 'million	2009 MNT 'million
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>(Loss)/profit for the year</b>	(253,805)	38,799
<i>Adjustments for :-</i>		
Unrealised gain on revaluation of gold	(6,458)	(557)
Depreciation of property, plant and equipment	2,403	1,157
Gain on disposal of property, plant and equipment	(2)	-
Loss on disposal of Ministry of Finance securities	1,000	-
Property, plant and equipment written off	231	50
Allowance for impairment loss for financial guarantee contract	33	2,199
(Reversal)/allowances for impairment losses on loan to local bank	(9,380)	13,161
(Reversal)/allowances for impairment losses on other assets	(447)	8,057
Interest income on impaired loan	(492)	-
Provision for social development fund	1,500	4,000
<b>Operating (losses)/profit before working capital changes</b>	(265,417)	66,866
<i>Changes in operating assets:-</i>		
Gold bullion and precious metals	(55,587)	74,601
Financial investments - available-for-sale	(665,822)	(100,803)
Financial investments - held-to-maturity	(72,702)	-
Reverse repurchase agreements	(21,347)	(232,655)
Due from foreign financial institutions	(2,910)	(351,085)
Loans to local banks	46,469	44,205
Loan to Ministry of Finance	15,525	(237,191)
Government securities	115,956	(170,000)
Other assets	(833)	(8,890)
Fund illiquidate by court	24	(127)
<i>Changes in operating liabilities:-</i>		
Central bank bills	708,485	272,726
Liabilities due to foreign parties	6,279	351,738
Deposits from government agencies	104,739	487,531
Deposits from local banks	99,092	315,112
Other liabilities	15,479	644
<b>Net cash flows generated from operating activities</b>	27,430	512,672
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds on disposal of property, plant and equipment	580	1,069
Purchase of property, plant and equipment	(4,814)	(2,728)
<b>Net cash flows used in investing activities</b>	(4,234)	(1,659)

**BANK OF MONGOLIA**  
**STATEMENT OF CASH FLOWS (CONT'D)**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	<b>2010</b>	<b>2009</b>
	<b>MNT 'million</b>	<b>MNT 'million</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease)/increase of cash in circulation	147,860	(35,378)
Repayment of borrowings	(54,348)	(2,934)
Proceeds from Stand-by Arrangement loan	33,220	242,980
<b>Net cash flows generated from financing activities</b>	<b>126,732</b>	<b>204,668</b>
<b>Net increase in cash and cash equivalents</b>	<b>149,928</b>	<b>715,681</b>
<b>Cash and cash equivalents at 1 January</b>	<b>870,174</b>	<b>154,493</b>
<b>Cash and cash equivalents at 31 December (Note 30)</b>	<b>1,020,102</b>	<b>870,174</b>

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

**BANK OF MONGOLIA**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010**

**1. CORPORATE INFORMATION**

Bank of Mongolia, the Central Bank of Mongolia (the "Bank"), was established under a resolution by the Mongolian Government dated 2 June 1924, and is located at Baga Toiruu 9, Ulaanbaatar 46, Mongolia.

The Bank constitutes a single business, all conducted in Mongolia with no branches or operations abroad other than a representative office in London, England.

The Bank is the organization in charge of implementing national monetary policy within the territory of Mongolia. Its primary objectives are to ensure stability of the Mongolian national currency - Togrog and to promote balanced and sustained development of the national economy, through maintaining the stability of financial markets and banking system.

The Bank of Mongolia conducts the following activities in order to achieve its objectives. These are:

- Formulation and implementation of the monetary policy by regulating money supply in the economy
- Acting as the Government's fiscal intermediary
- Supervision of banking activities
- Organization of inter-bank payments and settlement
- Holding and management of the State reserves of foreign currencies
- Issuing currencies into circulation

The financial statements of the Bank for the year ended 31 December 2010 were authorised for issue by the Board of Directors in accordance with a resolution of the directors on

**2. ACCOUNTING POLICIES**

**2.1 BASIS OF PREPARATION**

The financial statements have been prepared on a historical cost basis, except for buildings and available-for-sale financial investments that have been measured at fair value. The financial statements are presented in Mongolian Togrog, which is denoted by symbol MNT, rounded to the nearest million, except when otherwise indicated.

**Statement of Compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board

**Presentation of financial statements**

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 34.



## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 2.1 BASIS OF PREPARATION (CONT'D)

**Presentation of financial statements (Cont'd)**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the bank.

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**(a) Recognition of income and expenses**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

**(i) Interest income and expense**

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. Interest income is recognised in profit or loss as it accrued, except in the case of impaired loans and advances. Interest on impaired financial assets is recognised at the original effective interest rates of the financial assets applied to the impaired carrying amount.

**(ii) Commission income**

Commission income derived by the Bank relate mainly to inter-bank settlement and foreign bank settlement. Commission income are generally recognised on an accrual basis when the service has been provided.

**(b) Foreign currency translation**

The financial statements are presented in Mongolian Togrog, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the statement of the statement of financial position date. It is the Bank's policy to revalue its monetary assets and liabilities denominated in foreign currencies daily. Foreign exchange differences arising on translation are recognised in profit or loss. Annually, such gains or losses arising from the above translation are transferred from retained earnings to the "Foreign Currency Translation Reserve".

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**(b) Foreign currency translation (Cont'd)**

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

**(c) Gold Bullion and precious metals**

Gold bullion are recorded in the statement of financial position at its fair value and revaluation is performed daily. The fair value is determined by taking into consideration the market value of gold. Revaluation gain or loss is recognised in the profit or loss. Annually, gain or loss on fair value changes are transferred from the retained earnings to "Precious Metal Valuation Reserve". Upon the sales of gold bullion, the related valuation reserve will be transferred back to retained earnings.

Gold and silver ore and coins and cultural valuables are stated at the lower of cost and net realisable value.

**(d) Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents consist of cash on hand, denominated in local currency and foreign currencies, short term time deposits with an original maturity of four months or less and placement repayable on demand.

**(e) Financial instruments - initial recognition and subsequent measurement****(i) Date of recognition**

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Bank becomes a party to the contractual provision of the instruments.

**(ii) Initial recognition of financial instruments**

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs except, in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

**(iii) Derivatives recorded at fair value through profit or loss**

Derivatives include gold option contracts, forward foreign exchange contracts and options on foreign currencies. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in 'Net Trading Income'.

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**(iii) Derivatives recorded at fair value through profit or loss (Cont'd)**

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held-for-trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the profit and loss.

**(iv) Financial assets or financial liabilities held for trading**

Financial assets or financial liabilities held-for-trading are recorded in the statement of financial position at fair value. Changes in fair value are recognised in 'Net Trading Income'. Interest and dividend income or expense are recorded in 'Interest income' or 'Interest expense' according to the terms of the contract, or when the right to the payment has been established.

Included in this classification are debt securities, equities and securities which have been acquired principally for the purpose of selling or repurchasing in the near term.

**(v) Financial assets or financial liabilities designated at fair value through profit or loss**

Financial assets and financial liabilities classified in this category are designated at initial recognition when the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising the gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instruments contains one or more embedded derivative which significant modify the cash flows that otherwise be required by the contract.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in 'Net gain or loss on financial assets and liabilities designated at fair value through profit or loss'. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in 'Other operating income' when the right to the payment has been established.

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**(vi) 'Day 1' profit**

Where the transaction price differs from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the differences between the transaction price and fair value (a 'Day 1' profit) in profit or loss in 'Other operating income'. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognised in profit and loss when the inputs become observable, or when the instrument is derecognised.

**(vii) Held-to-maturity financial investments**

Held-to-maturity financial investments are non derivative financial assets with fixed or determinable payments and have fixed maturities and which the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in 'Interest income' in profit or loss. The losses arising from impairment of such investments are recognised in profit or loss in 'Impairment losses on financial investments'.

**(viii) Due from banks and loans and advances**

Due from banks' and 'Loans and advances' are financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as 'Financial assets held for trading', designated as 'Financial investment-available-for-sale' or 'Financial assets designated at fair value through profit or loss'. After initial measurement, amounts due from banks and loans and advances are subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are integral part of the effective interest rate. The amortisation is included in 'Interest income' in profit or loss. The losses arising from impairment are recognised in profit or loss as 'Allowances for impairment loss'.

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

## (e) Financial instruments - initial recognition and subsequent measurement (Cont'd.)

## (ix) Available-for-sale financial investments

Available-for-sale financial investments are those designated as such or do not qualify to be classified as at fair value through profit or loss, held-to-maturity or loans and advances. They include equity instruments, investments in mutual funds and money market and other debt instruments.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealised gains or losses are recognised directly in equity (other comprehensive income) in the 'Available-for-sale Reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in profit or loss in 'Foreign currency gain, net'. Where the Bank holds more than one investment in the same investment, they are deemed to be disposed of on a first-in-first-out basis.

Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate. Dividends earned whilst holding available-for-sale financial investments are recognised in profit or loss as 'Other operating income' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in profit or loss in 'Impairment losses on financial investments' and removed from the Available-for-sale Reserve.

## (x) Central bank bills and liabilities due to foreign parties

Financial instruments issued by the Bank, which are not designated at fair value through profit or loss, are classified as liabilities under 'Central bank bills' and 'Liabilities due to foreign parties', where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on the quoted market prices for similar debt instruments). The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the debt component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

After initial measurement, central bank bills and liabilities due to foreign parties are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

## (f) Derecognition of financial assets and financial liabilities

## (i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - (a) the Bank has transferred substantially all the risks and rewards of the asset, or
  - (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognised an associated liability. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Bank has retained.

## (ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the financial liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

**(g) Determination of fair value**

The fair value for financial instruments traded in active markets at the statement of financial position is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

An analysis of fair value of financial instruments and further details as to how they are measures are provided in Note 33.

**(h) Impairment of financial assets**

The Bank assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**(i) Financial Assets carried at amortised costs**

For amounts due from banks, loans and advances and financial investments carried at amortised cost, the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

**(h) Impairment of financial assets (cont'd)****(i) Financial Assets carried at amortised costs (cont'd)**

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected impairment loss that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'other operating income'.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience with credit risk characteristic to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.



## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

**(h) Impairment of financial assets (cont'd)****(i) Financial Assets carried at amortised costs (cont'd)**

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

**(ii) Available-for-sale financial investments**

For available-for-sale financial investments, the Bank assesses at each statement of financial position date whether there is objective evidence that an investment is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The Bank treats 'significant' generally as 20% and 'prolonged' generally as greater than six months. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss - is removed from equity and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the Bank assessed individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest and similar income'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

**(iii) Renegotiated loans**

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate as calculated before the modification of loans and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

**(i) Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

**(j) Property, plant and equipment**

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Subsequent to initial recognition, buildings are stated at revalued amount, which is the fair value at the date of the revaluation or cost less accumulated depreciation and any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are performed on a regular basis to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the statement of financial position date. Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss.



BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(j) Property, plant and equipment (Cont'd)

Subsequent to initial recognition, other property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Assets under construction are not depreciated. Depreciation of property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Buildings	25 - 60 years
Furniture and office equipment	8 - 10 years
Computers and software	5 - 10 years
Motor vehicles	6 - 8 years

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and unutilised portion of the revalued surplus on that item is taken directly to retained earnings.

(k) Income tax

In accordance with Economic Entity and Organisation Income Tax Law of Mongolia, the Bank is exempted from income tax.

(l) Impairment of non-financial assets

The Bank assesses at each statement of financial position date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair values less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment loss are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(l) Impairment of non-financial assets (cont'd)

An assessment is made at each statement of financial position date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(m) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognised from the statement of financial position as the Bank retains substantially all the risk and rewards of ownership. The corresponding cash received, including accrued interest, is recognised in the statement of financial position as a 'Repurchase agreements', reflecting its economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest method. Where the counterparty has the right to sell or repledge the asset, the Bank reclassifies those securities in its statement of financial position to 'Financial assets held-for-trading pledged as collateral' or to 'Financial investments available-for-sale pledged as collateral', as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognised in the statement of financial position. The corresponding cash paid, including accrued interest, is recognised in the statement of financial position as a 'reverse repurchase agreements'. The difference between the purchase and resale prices is treated as interest income and is accrued over the life of the agreement using the effective interest method.

(n) Financial guarantees

In the ordinary course of business, the Bank issues financial guarantees, mainly consisting of letter of credits and guarantees. Financial guarantees are initially recognised in the financial statements at fair value, in 'Other liabilities', being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

**(n) Financial guarantees**

Any increase in the liability relating to financial guarantees is recorded in profit or loss in 'Allowances for impairment loss'. The premium received is recognised in profit or loss in 'Other operating income' on a straight-line basis over the life of the guarantee.

**(o) Employee benefits****(i) Short term benefits**

Wages, salaries and other salary related expenses are recognised as an expense in the year in which the associated services are rendered by employees of the Bank.

**(ii) Defined contribution plans**

As required by law, companies in Mongolia make contributions to the government pension scheme, Social and Health Fund. Such contributions are recognised as an expense in profit or loss as incurred.

**(p) Provisions**

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

## 2.3 CHANGE IN ACCOUNTING POLICIES

The Bank has adopted the following new and amended IAS, IFRS and IFRIC interpretations during the year.

- \* IFRS 1: First-time Adoption of International Financial Reporting Standards
  - Additional Exemptions for First-time Adopters (Amendments)
- \* IFRS 2: Share-based payments - Group Cash-settled Share-based Payment Arrangements
- \* IFRS 3: Business Combination (Revised)
- \* IAS 27: Consolidated and Separate Financial Statement (Amendments)
- \* IAS 39: Financial Instruments: Recognition and Measurement
  - Eligible hedged items (Amendments)
- \* IFRIC 17: Distributions of Non-Cash Assets to Owners

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 2.3 CHANGE IN ACCOUNTING POLICIES (CONT'D)

Improvements to International Financial Reporting Standards, which includes:

- \* IFRS 2: Share Based Payment
- \* IFRS 5: Non Current Assets Held for Sales and Discontinued operations
- \* IFRIC 8: Operating Segments
- \* IAS 1: Presentation of Financial Statements
- \* IAS 7: Statement of Cash Flows
- \* IAS 17: Leases
- \* IAS 18: Revenue
- \* IAS 36: Impairment of Assets
- \* IAS 38: Intangible Assets
- \* IAS 39: Financial Instruments: Recognition and Measurement
- \* IFRIC 16: Hedge of Net Investment in a Foreign Operation
- \* IFRIC 19: Reassessment of Embedded Derivatives

The new amendment and interpretations above did not have any effect on the financial position or performance of the Bank.

At the date of authorisation of these financial statements, the following standards and Interpretations were in issue but not yet effective:

	Effective for annual periods beginning on or after
* IAS 24: Related Party Disclosures (Revised)	1 January 2011
* IAS 32: Financial Instruments: Presentation - Classification of Rights Issue (Amendment)	1 February 2011
* IFRS 1: First-time Adoption of International Financial Reporting Standard - Limited Exemption from Comparative IFRS 7 for First Time Adopters	1 July 2010
* IFRS 9: Financial Instruments Classification and measurement	1 January 2013
* IFRIC 14: Prepayments of a Minimum Funding Requirement (Amendment)	1 January 2011
* IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

Improvements to International Financial Reporting Standards, which includes:

* IAS 1: Presentation of Financial Statements	1 January 2011
* IAS 27: Consolidated and Separated Financial Statements	1 January 2011
* IAS 34: Interim Financial Reporting	1 January 2011
* IFRS 1: First-time Adoption of International Financial Reporting Standards	1 January 2011
* IFRS 3: Business Combinations	1 January 2011
* IFRS 7: Financial Instruments Disclosures	1 January 2011
* IFRS 13: Customer Loyalty Programmes	1 January 2011

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 2.3 CHANGE IN ACCOUNTING POLICIES (CONT'D)

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Bank except that the impact of adoption of IFRS 9: Financial Instruments: Classification and Measurement which are discussed as follows:

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. In subsequent phases, the IASBs will address impairment and hedge accounting. The completion of this project is expected in mid 2011. The adoption of the first phase of IFRS 9 will primarily have an effect on the classification and measurement of the Bank's financial assets. The Bank is currently assessing the impact of adopting IFRS 9. However, as the impact of the adoption depends on the assets held by the Bank at the date of adoption, it is not practical to quantify the effect.

## 2.4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

**Allowances for impairment for loans and advances**

The Bank reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

## 3. INTEREST INCOME

	2010 MNT 'million	2009 MNT 'million
Financial investments - available-for-sale	2,333	6,744
Financial investments - held-to-maturity	81	-
Reverse repurchase agreements	591	371
Government securities - at amortised cost	5,194	1,045
Due from foreign financial institutions	1,910	1,257
Loans to local banks and Ministry of Finance	1,150	6,697
Interest income accrued on impaired loan	492	-
<b>Total interest income from financial assets not at fair value through profit or loss</b>	<b>11,751</b>	<b>16,114</b>

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 4. INTEREST EXPENSES

	2010 MNT 'million	2009 MNT 'million
Central bank bills	65,679	26,824
Liabilities due to Ministry of Finance	769	-
Liabilities due to foreign parties	3,430	1,866
Deposits from government agencies	-	313
Deposits from local banks	155	1,787
Repurchase agreement	676	478
<b>Total interest expense from financial liabilities not at fair value through profit or loss</b>	<b>70,709</b>	<b>31,268</b>

## 5. NET GAIN FROM TRADING OF GOLD AND PRECIOUS METAL

	2010 MNT 'million	2009 MNT 'million
Gain on gold trading	4,286	19,902
Unrealised gain on revaluation of gold	6,458	557
Gain on precious metal refining	1,455	11,016
Net gain of other precious metals trading	73	1
Transportation and refining cost	(83)	(279)
	<b>12,189</b>	<b>31,197</b>

## 6. FOREIGN CURRENCY (LOSS)/GAIN, NET

	2010 MNT 'million	2009 MNT 'million
(Loss)/Gain on foreign currency trading	(15,052)	15,977
Losses from available-for-sale financial instruments	(97)	(1,249)
(Loss)/gain on translation of foreign exchange	(183,170)	45,301
	<b>(198,319)</b>	<b>60,029</b>

Included in 'Losses from available-for-sale financial investments' is the amount transferred from equity to profit or loss on the derecognition of available-for-sale investments.

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 7. ALLOWANCES FOR IMPAIRMENT LOSS

	2010 MNT 'million	2009 MNT 'million
Loans to local banks (Note 18)	(9,380)	13,161
Financial guarantee contract	33	2,199
Other assets (Note 21)	(447)	8,057
	<u>(9,794)</u>	<u>23,417</u>

## 8. ADMINISTRATIVE EXPENSES

	2010 MNT 'million	2009 MNT 'million
Advertising expense	280	146
Depreciation of property, plant and equipment (Note 20)	2,403	1,157
Staff cost (Note 9)	4,780	6,783
Legal and professional fees	3,376	2,413
Loss on disposal of Ministry of Finance securities	1,000	-
Property, plant and equipment written-off	231	50
Operating expenses of foreign representative office	71	6
Security expenses	489	451
Telecommunication	760	782
Transportation and business trip	385	329
Training expenses	948	180
Utilities	347	308
Membership and professional fees	390	549
Other administrative expenses	581	417
	<u>16,041</u>	<u>13,571</u>

## 9. STAFF COST

	2010 MNT 'million	2009 MNT 'million
Wages and salaries	2,762	2,347
Contributions to Social and Health Fund	518	436
Provision for social development fund	1,500	4,000
	<u>4,780</u>	<u>6,783</u>

## 10. OTHER OPERATING EXPENSES

	2010 MNT 'million	2009 MNT 'million
Cost of printing of bank notes	3,282	3,977
Other operating expenses	1,003	709
	<u>4,285</u>	<u>4,686</u>

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 11. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The summary of significant policies in Note 2 describes how the classes of financial instruments are measured, and how income and expenses, included fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial assets and liabilities by category as defined in IAS 39 and by statement of financial position heading.

	Held-to-maturity investments MNT 'million	Available-for-sales investments MNT 'million	Financial assets and liabilities at amortised cost MNT 'million	Total MNT 'million
<b>At 31 December 2010</b>				
<b>Financial assets</b>				
Cash in hand	-	-	14,609	14,609
Due from foreign financial institutions	-	-	1,457,584	1,457,584
Financial investments	72,702	1,087,375	-	1,160,077
Reverse repurchase agreements	-	-	491,280	491,280
Government securities	-	-	53,043	53,043
Loans to local banks	-	-	130,391	130,391
Loans to Ministry of Finance	-	-	247,231	247,231
<b>Total financial assets</b>	<u>72,702</u>	<u>1,087,375</u>	<u>2,394,138</u>	<u>3,554,215</u>
<b>Financial liabilities</b>				
Central bank bills	-	-	1,100,997	1,100,997
Deposits from government agencies	-	-	802,966	802,966
Deposits from local banks	-	-	640,730	640,730
Liabilities due to foreign parties	-	-	722,207	722,207
Other liabilities	-	-	60,946	60,946
<b>Total financial liabilities</b>	<u>-</u>	<u>-</u>	<u>3,327,846</u>	<u>3,327,846</u>

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 11. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS (CONT'D)

	Held-to-maturity investments MNT 'million	Available-for-sales investments MNT 'million	Financial assets and liabilities at amortised cost MNT 'million	Total MNT 'million
<b>At 31 December 2009</b>				
<b>Financial assets</b>				
Cash in hand	-	-	47,749	47,749
Due from foreign financial institutions	-	-	1,271,630	1,271,630
Financial investments	-	421,759	-	421,759
Reverse repurchase agreements	-	-	469,933	469,933
Government securities	-	-	170,000	170,000
Loans to local banks	-	-	166,988	166,988
Loans to Ministry of Finance	-	-	262,755	262,755
Other receivables	-	-	115	115
<b>Total financial assets</b>	<b>-</b>	<b>421,759</b>	<b>2,389,170</b>	<b>2,810,929</b>
<b>Financial liabilities</b>				
Central bank bills	-	-	392,512	392,512
Deposits from government agencies	-	-	698,227	698,227
Deposits from local banks	-	-	541,638	541,638
Liabilities due to foreign parties	-	-	737,056	737,056
Other liabilities	-	-	43,991	43,991
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>2,413,424</b>	<b>2,413,424</b>

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 12. DUE FROM FOREIGN FINANCIAL INSTITUTIONS

	2010 MNT 'million	2009 MNT 'million
Short term time deposits	958,852	749,334
Placements repayable on demand (Note 30)	47,171	73,645
IMF quota subscription	105,979	108,981
IMF Stand-by Arrangement securities	254,349	228,860
Special Drawing Right Holdings	90,983	110,379
World Bank subscription	247	427
Other subscriptions	3	4
	<b>1,457,584</b>	<b>1,271,630</b>

**Short term time deposits**

This represents short term time deposits with foreign central banks and other financial institutions which are denominated in USD and Euro with maturity periods up to 89 days (2009: 33 days) as at statement of financial position date.

**Placements repayable on demand**

This represents current account deposits with foreign central banks and other financial institutions which are non-interest bearing. Included in deposits is an amount of CHF398,703, MNT equivalent being MNT530 million (2009: MNT554 mil) had been attached by the District Court of Zurich at the request of third parties.

**IMF quota subscription**

This balance represents the Bank's holdings of their quota subscription at the International Monetary Fund. This amount is stated in SDR51.1 million (2009: SDR 51.1 million) and non-interest bearing.

**IMF Stand-by Arrangement Securities**

This balance represents the Bank's holdings arising from use of Fund Credit at the International Monetary Fund. This amount is stated in SDR122.64 million (2009: SDR 107.31 million) and non-interest bearing.

**Special Drawing Rights Holdings**

This balance represents the Bank's holding of special drawing rights to supplement existing reserve assets in related to the subscription to International Monetary Fund. The amount is stated in SDR 47.2 million (2009: SDR48.7 million) and interest bearing.

**World Bank subscription**

This represents the deposits and quota at the World Bank as part of the condition to be a member of the World Bank group. This amount is matched by a corresponding liability (see Note 25) and is non-interest bearing.



## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 13. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

	2010 MNT 'million	2009 MNT 'million
<b>Quoted investments</b>		
Foreign bonds, at fair value	-	140,459
<b>Unquoted investments</b>		
Foreign bonds, at fair value	1,084,291	278,505
Equities, at cost	3,084	2,795
	<u>1,087,375</u>	<u>421,759</u>

Unquoted equities represent investment in Mongolian Mortgage Corporation, International Investment Bank and International Bank of Economic Co-operation. The investments are recorded at cost due to the absence of quoted market price and the fair value cannot be reliably measured using valuation techniques. There is no market for these investments and the Bank intends to hold it on a long term basis.

## 14. FINANCIAL INVESTMENTS - HELD-TO-MATURITY

	2010 MNT 'million	2009 MNT 'million
<b>Unquoted investments</b>		
Foreign bonds, at amortised cost	<u>72,702</u>	<u>-</u>

## 15. REVERSE REPURCHASE AGREEMENTS

	2010 MNT 'million	2009 MNT 'million
Reverse repurchase agreements	<u>491,280</u>	<u>469,933</u>

The Bank had purchased certain investments under agreements to resell these investments at a certain date in the future at a fixed price.

## 16. GOLD BULLION AND PRECIOUS METALS

	2010 MNT 'million	2009 MNT 'million
<b>At valuation</b>		
Gold bullion	115,042	47,362
Silver	148	57
<b>At cost</b>		
Gold and silver ore	7,392	13,233
Coins and cultural valuables	<u>2,851</u>	<u>2,736</u>
	<u>125,433</u>	<u>63,388</u>

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 17. GOVERNMENT SECURITIES

	2010 MNT 'million	2009 MNT 'million
Government bonds converted from loan to a local bank, at amortised cost	21,912	-
Government bonds on apartment, at amortised cost	31,132	-
Ministry of Finance Securities, at amortised cost	<u>-</u>	<u>170,000</u>
	<u>53,044</u>	<u>170,000</u>

On 26 March 2010, the Ministry of Finance of Mongolia has issued government bonds of MNT33 billion to replace the loan to a local bank in prior years which was under receivership. The bonds bear effective interest of 10% per annum with maturity period of 4-6 years.

The government bonds on apartment were purchased by the Bank from Ministry of Finance. These securities were issued for a period of 5 years and bear interest of 7.8% per annum.

The Ministry of Finance Securities in prior year represents government securities purchased by the Bank. These securities were issued for a period of 365 days and bear interest of 5% to 10% per annum.

## 18. LOANS TO LOCAL BANKS

	2010 MNT 'million	2009 MNT 'million
Loans in foreign currency	5,927	9,668
Loans in local currency	5,389	1,153
Collateralised loans	120,000	179,903
Reverse repurchase agreements	<u>-</u>	<u>7,724</u>
Gross loans and advances	<u>131,316</u>	<u>198,448</u>
Less: Allowances for impairment losses	<u>(925)</u>	<u>(31,460)</u>
	<u>130,391</u>	<u>166,988</u>

## (i) Loans in foreign currency

The loans in foreign currency consists mainly of loans disbursed to local banks to promote small and medium scale companies and loans for improving commercial banks' systems and enhancing capability of banking specialists.

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 18. LOANS TO LOCAL BANKS (CONT'D)

## (i) Loans in foreign currency (cont'd)

Loans disbursed to local banks for the onward transmission to Mongolian enterprises to promote small and medium scale companies (see Note 25) was made available under two separate programmes by the Government of Germany. The loans under both programmes bear interest at the rate ranging from 1.25% to 1.75% (2009: 1.25% to 1.75%) per annum and are not backed by any securities. The loans under both programmes are disbursed in various disbursements to three local banks according to the needs of the borrowers of the relevant local banks. Accordingly, the repayment terms for each disbursed loan vary according to the date of disbursement.

Loans for improving commercial banks' systems and enhancing capability of banking specialists are provided by the Bank and other commercial banks to finance the training conducted by DAI (Thailand) Limited Company for bank staff at the Banking Training Centre in accordance with the agreement signed between Mongolia and the Asian Development Bank. Repayment period of this loan is 14 years.

## (ii) Loans in local currency

The loans in local currency amounted to MNT 685 million were disbursed to various local banks in Mongolia, for the onward transmission to Mongolian enterprises. The funding was made available under two separate programmes by the Asian Development Bank to create more job opportunities for the people of Mongolia and to develop the agricultural sector in the country. The loans under the first programme bears interest at the rate of 10% (2009: 10%) per annum and the repayment terms for each disbursed loan varies according to the date of disbursement. The loans under the second programme bears interest at the rate of 5.5% (2009: 5.5%) per annum with the maturity of up to one year for each loan disbursed.

The other loan in local currency was loan to a local bank converted from collateralised loan to Anod Bank. The loan bear effective interest at a rate of 18% per annum and receivable within 3 years.

## (iii) Collateralised loans

The purpose of the loan is to provide short term liquidity to Anod Bank which was under receivership. The directors are of the opinion that the loan is recoverable from the Government of Mongolia based on the Blanket Guarantee Law approved by the Parliament of Mongolia on November 25, 2009 and the memorandum of understanding signed with the Ministry of Finance on 20 May 2009. The Bank is currently awaiting the issuance of government bond by the Ministry of Finance which need to be approved by Parliament of Mongolia.

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 18. LOANS TO LOCAL BANKS (CONT'D)

## (iv) Reverse repurchase agreements

Reverse repurchase agreements represent loans to a local bank secured on Central Bank bills to resell at a certain date in the future at a fixed price.

## Impairment allowance for loans to local banks

A reconciliation of the allowance for impairment losses for loans to local banks are as follows:

	2010 MNT 'million	2009 MNT 'million
At 1 January	31,460	18,853
Charge for the year (Note 7)	-	13,161
Amounts written off	-	(554)
Contra with government bonds received	(13,160)	-
Transfer to other receivables	(7,995)	-
Recoveries (Note 7)	(9,380)	-
At 31 December	925	31,460
Individual impairment	925	31,460
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	124,706	179,903

## 19. LOAN TO MINISTRY OF FINANCE

	2010 MNT 'million	2009 MNT 'million
Poverty Reduction and Growth Facility Loan	10,977	19,775
Stand-By Arrangement Loan	236,253	242,980
	247,230	262,755

The Poverty Reduction and Growth Facility ("PRGF") loan refers to the Ministry of Finance portion of the total PRGF loan outstanding as at year end, as referred to in Note 25. The loans have a maturity period of 10 years and carry an annual interest at 0.5% (2009: 0.5%).

The Stand-by Arrangement loan was granted to the Ministry of Finance under IMF stabilization economic programme, as referred to in Note 25. The loans have a maturity period of 5 years and carry an annual interest at SDR rate + 1%.

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 20. PROPERTY, PLANT AND EQUIPMENT

At 31 December 2010	Buildings MNT 'million	Furniture and Other Equipments MNT 'million	Computers MNT 'million	Motor Vehicles MNT 'million	Building in Progress MNT 'million	Total MNT 'million
<b>At cost/valuation</b>						
At 1 January 2010	22,734	2,961	3,219	1,117	33	30,064
Additions	1,360	284	2,732	334	104	4,814
Disposals	(605)	(86)	(177)	(13)	-	(881)
Write-offs	(2)	(256)	(600)	(278)	-	(1,136)
At 31 December 2010	23,487	2,903	5,174	1,160	137	32,861
Representing:						
At cost	1,798	2,903	5,174	1,160	137	11,172
At valuation	21,689	-	-	-	-	21,689
	23,487	2,903	5,174	1,160	137	32,861
<b>Accumulated depreciation</b>						
At 1 January 2010	2,632	1,311	1,458	697	-	6,098
Depreciation charge for the year (Note 8)	370	399	1,493	141	-	2,403
Disposals	(29)	(85)	(176)	(13)	-	(303)
Write-offs	-	(240)	(387)	(278)	-	(905)
At 31 December 2010	2,973	1,385	2,388	547	-	7,293
<b>Net carrying amount</b>						
At cost	1,748	1,518	2,786	613	137	6,802
At valuation	18,766	-	-	-	-	18,766
	20,514	1,518	2,786	613	137	25,568

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 20. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

At 31 December 2009	Buildings MNT 'million	Furniture and Other Equipments MNT 'million	Computers MNT 'million	Motor Vehicles MNT 'million	Building in Progress MNT 'million	Total MNT 'million
<b>At cost/valuation</b>						
At 1 January 2009	22,294	2,542	2,756	862	140	28,594
Additions	440	440	619	268	961	2,728
Disposals	-	(7)	(38)	(10)	(1,068)	(1,123)
Write-offs	-	(14)	(118)	(3)	-	(135)
At 31 December 2009	22,734	2,961	3,219	1,117	33	30,064
Representing:						
At cost	440	2,961	3,219	1,117	33	7,770
At valuation	22,294	-	-	-	-	22,294
	22,734	2,961	3,219	1,117	33	30,064
<b>Accumulated depreciation</b>						
At 1 January 2009	2,271	994	1,230	585	-	5,080
Depreciation charge for the year (Note 8)	361	336	337	123	-	1,157
Disposals	-	(6)	(38)	(10)	-	(54)
Write-offs	-	(13)	(71)	(1)	-	(85)
At 31 December 2009	2,632	1,311	1,458	697	-	6,098
<b>Net carrying amount</b>						
At cost	438	1,650	1,761	420	33	47,932
At valuation	19,664	-	-	-	-	14,423
	20,102	1,650	1,761	420	33	23,966

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 20. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

- (a) Details of the latest valuation of buildings stated at revalued amounts are as follows:

<i>Date of valuation</i>	<i>Valuer</i>	<i>Description of Property</i>	<i>Basis of Valuation</i>
31 December 2009	Property Appraisal Centre LLC	Buildings	Open market value

Had the revalued buildings been carried at historical cost, the net book value of the buildings that would have been included in the financial statements of the Bank as at 31 December 2010 would have been MNT5,865 million (2009: MNT5,926 million)

- (b) A building with net book value MNT1,696 million (2009 : MNT1,727 million) has been pledged as securities for borrowings as referred in Note 25.

## 21. OTHER RECEIVABLES

	2010 MNT 'million	2009 MNT 'million
Claims on a foreign financial institution	10,985	12,614
Receivables from companies	43,768	32,141
Receivables from financial institutions	-	2,401
Receivables from individuals	164	-
Others	2,396	1,362
	57,313	48,518
Less: Allowance for impairment losses	(54,917)	(47,369)
	2,396	1,149

Included in the receivables from companies are amounts recoverable from gold producing companies that have not fulfilled their obligations under the gold option contracts entered into with the Bank in prior years. The amount is MNT24.24 billion (2009: MNT27.72 billion).

These outstanding balances in prior year had resulted in non-compliance of Article 23 of the Law on Central Bank which states that it is prohibited for the Bank to, among others, take deposits from or extend credit or provide settlement services to individuals or legal persons other than the Government of Mongolia and banks.

Others consists of prepayments, advances to staff, consumable materials and stationery supplies.

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 21. OTHER RECEIVABLES (CONT'D)

## Impairment allowance for other receivables

A reconciliation of the allowance for impairment losses for other receivables are as follows:

	2010 MNT 'million	2009 MNT 'million
At 1 January	47,369	42,474
Charge for the year (Note 7)	-	8,057
Transfer from loan to local banks	7,995	-
Written off	-	(3,162)
Recoveries (Note 7)	(447)	-
At 31 December	54,917	47,369

	2010 MNT 'million	2009 MNT 'million
Individual impairment	54,917	47,369

Gross amount of other assets, individually determined to be impaired, before deducting any individually assessed impairment allowance	54,917	47,369
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## 22. CENTRAL BANK BILLS

	2010 MNT 'million	2009 MNT 'million
Bills payables	1,100,997	392,512

This represents Bank of Mongolia bills issued by the Bank to local banks. Such bills have maturities between 7 days to 12 weeks (2009: 7 days to 28 weeks).

## 23. DEPOSITS FROM GOVERNMENT AGENCIES

	2010 MNT 'million	2009 MNT 'million
State budget and other government accounts	196,131	358,557
Ministry of Finance accounts	606,835	339,670
	802,966	698,227

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 23. DEPOSITS FROM GOVERNMENT AGENCIES (CONT'D)

**State budget and other government accounts**

This relates to both local and foreign currency deposit accounts of government agencies maintained with the Bank. These deposits are repayable on demand and are non-interest bearing.

**Ministry of Finance accounts ("MOF")**

This relates to various deposits accounts that MOF maintained with the Bank. These deposits are repayable on demand and are non-interest bearing.

## 24. DEPOSITS FROM LOCAL BANKS

This mainly consists of various deposit accounts and obligatory reserves of local banks maintained with the Bank, calculated as a percentage of their eligible liabilities to deposit holders.

## 25. LIABILITIES DUE TO FOREIGN PARTIES

	2010 MNT 'million	2009 MNT 'million
<b>Secured</b>		
Loan from HSBC, London	677	997
<b>Unsecured</b>		
International Monetary Fund ("IMF")		
(i) Loans received under PRGF	10,977	19,775
(ii) IMF currency holdings		
- IMF security account	359,774	337,279
- IMF No. 1 account	272	272
- IMF No. 2 account	6	7
(iii) Allocations of Special Drawing Rights (SDR)	93,926	110,400
(iv) Stand-by Arrangement loan	236,796	243,426
Loans received from the Government of Germany	12,919	16,445
Loans from Asian Development Bank ("ADB")	6,506	7,820
Subscription to IDA	34	34
Current accounts of World Bank	72	174
Subscription to World Bank	248	427
	<u>721,530</u>	<u>736,059</u>
	<u>722,207</u>	<u>737,056</u>

**Loan from HSBC, London**

This represents a 10 year term loan from HSBC, London for the purpose of funding the acquisition of a property. The repayment of loan principal had commenced in 2005 and bears interest at 1.75% above HSBC's base rate per annum. The loan is secured by a building as referred in Note 20.

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 25. LIABILITIES DUE TO FOREIGN PARTIES (CONT'D)

**International Monetary Fund ("IMF")****(i) Loans received under Poverty Reduction and Growth Facility ("PRGF")**

Loans received under the PRGF (formerly known as Enhanced Structural Adjustment Facility) are loans granted by the IMF with a maturity period of 10 years and bear interest at 0.5% (2009: 0.5%) per annum. These loans are disbursed under a three-year arrangement, subject to observance of performance criteria and completion of programme reviews. The loans and repayments are denominated in Special Drawing Rights ("SDR").

**(ii) IMF currency holdings**

IMF member countries are allocated SDR in proportion to their subscriptions to the IMF. The allocation represents the holdings of currency by IMF, against which assets are received in SDR from IMF. The total currency holdings by IMF as at year end amounted to SDR173.607 million (2009: SDR158.277 million), equivalent to MNT360,052 million (2009: MNT337,558 million).

**(iii) Allocations of Special Drawing Rights**

IMF member countries are allocated SDR in proportion to their subscription to the IMF. The allocation represents a dormant liability of the Bank to the IMF, against which assets are received in SDR Holdings from the IMF as referred in Note 12. The net accumulation of the allocation was MNT93,926 million (2009: MNT110,400 million) equivalent to SDR48.757 million (2009: SDR48.757 million).

**(iv) Stand-by Arrangement loan**

The Stand-by Arrangement loan are loans granted from IMF under the stabilization economic programme and bears interest at SDR rate + 0.1% per annum. These loans are disbursed under 18 month arrangement, subject to observance of performance criteria and completion of programme reviews. The loans and repayments are denominated in SDR.

**Loans received from the Government of Germany**

Loans received from the Government of Germany under the credit programme for small and medium enterprise are made available under two separate programmes. The loans under both programmes are denominated in Euro with a tenure of 40 years. The loan under the first programme started in 1995 and bears interest at 0.75% (2009: 0.75%) per annum. The repayment of loan principal had commenced in 2005. The loan under the second programme started in 2002 and bears interest at 0.75% (2009: 0.75%) per annum. The repayment of the loan principal will commence in 2012.



**BANK OF MONGOLIA****NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010****25. LIABILITIES DUE TO FOREIGN PARTIES (CONT'D.)****Loans from Asian Development Bank (“ADB”)**

The loans from ADB are mainly for purposes of alleviating poverty in Mongolia by way of developing and promoting private enterprises, and providing training and consultancy to the Government, non-governmental organizations and local banks. The loans bear interest at 1% to 1.5% (2009: 1% to 1.5%) per annum and have tenures ranging from 30 to 40 years.

**Subscription to World Bank**

The balance represents the Bank’s subscription obligations to World Bank and IDA.

The Bank has not had any default of principal, interest and other breaches with respect to loans during the financial year.

**26. OTHER LIABILITIES**

	<b>2010</b> <b>MNT 'million</b>	<b>2009</b> <b>MNT 'million</b>
Social development fund	5,581	5,557
Provision for claims under documentary letter of credit issued	31,988	33,409
Obligation under financial guarantee	419	2,199
Initial capital contribution for proposed Development Bank of Mongolia	16,700	-
Other payables	11,839	8,383
	<u>66,527</u>	<u>49,548</u>

**27. CHARTER FUND**

	<b>2010</b> <b>MNT 'million</b>	<b>2009</b> <b>MNT 'million</b>
Charter Fund	<u>5,000</u>	<u>5,000</u>

The Bank is wholly owned by the Government of Mongolia. The Charter Fund represents the capital of the Bank.

**BANK OF MONGOLIA****NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010****28. GENERAL RESERVE**

	<b>2010</b> <b>MNT 'million</b>	<b>2009</b> <b>MNT 'million</b>
At 1 January	29,961	20,834
Transfer from retained earnings	-	9,127
Transfer to retained earnings	<u>(29,961)</u>	<u>-</u>
At 31 December	<u>-</u>	<u>29,961</u>

In accordance with the Law on Central Bank (Bank of Mongolia), at least 40% of the Bank’s net income is allocated to its General Reserve Fund with the balance transferred to the State Budget account. At the statement of financial position date, the Bank has decided to transfer the general reserve to retained earnings after taken into consideration of substantial loss incurred during the year.

**BANK OF MONGOLIA**  
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010**  
**29. OTHER RESERVES**

	Available-for- sale Reserve MNT 'million	Revaluation Surplus on Property, Plant and Equipment MNT 'million	Foreign Currency Translation Reserve MNT 'million	Precious Metal Valuation Reserve MNT 'million	Total MNT 'million
At 1 January 2010	227	8,339	52,727	12,250	73,543
Gain on fair value changes	21	-	-	-	21
Transfer to profit or loss upon disposal	(227)	-	-	-	(227)
Transfer from retained earnings	-	-	(183,170)	-	(183,170)
Transfer to retained earnings	-	-	-	(5,792)	(5,792)
Transfer of revaluation surplus for building disposed	-	(551)	-	-	(551)
At 31 December 2010	21	7,788	(130,443)	6,458	(116,176)
At 1 January 2009	3,907	8,339	9,391	-	21,637
Gain on fair value changes	(2,595)	-	-	-	(2,595)
Transfer to profit or loss upon disposal	(1,085)	-	-	-	(1,085)
Transfer from retained earnings	-	-	43,336	12,250	55,586
At 31 December 2009	227	8,339	52,727	12,250	73,543

**BANK OF MONGOLIA**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010**

**29. OTHER RESERVES (CONT'D.)**

**(i) Available-for-sale Reserve**

This reserve comprises changes in fair value of financial investments - available-for-sale.

**(ii) Revaluation Surplus on Property, Plant and Equipment**

The revaluation surplus reserve is used to record the surplus arising from the revaluation of the Bank's building carried out by the Governor's decree in 2009.

**(iii) Foreign Currency Translation Reserve**

The foreign currency translation reserve is used to record the amount of gains or losses arising from the translation of monetary assets and liabilities denominated in foreign currency transferred from retained earnings.

**(iv) Precious Metal Valuation Reserve**

Precious Metal Valuation Reserve is used to record the amount of gains or losses arising from fair value changes of gold bullion held transferred from retained earnings.

**30. CASH AND CASH EQUIVALENTS**

	2010 MNT 'million	2009 MNT 'million
Cash in hand	14,609	47,749
Due from foreign financial institutions (Note 12)		
- Short term time deposits	958,852	749,334
- Placement repayable on demand	47,171	73,645
	<u>1,020,632</u>	<u>870,728</u>
Less: Fund illiquidate by court	(530)	(554)
Cash & cash equivalent at year end	<u>1,020,102</u>	<u>870,174</u>

**31. RELATED PARTY DISCLOSURE**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank is wholly owned by the Government of Mongolia.

	2010 MNT 'million	2009 MNT 'million
<b>Remuneration paid to key management personnel</b>		
Short-term employment benefits	223	201
Post-employment benefits		
- Contributions to Social and Health Fund	42	38
	<u>265</u>	<u>239</u>

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 32. CAPITAL COMMITMENT

	2010 MNT 'million	2009 MNT 'million
<b>Approved but not contracted for:</b>		
- Construction of office building	957	-
- Purchase of assets	1,904	-
	<u>2,861</u>	<u>-</u>

## 33. FAIR VALUE OF FINANCIAL INSTRUMENTS

## Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 MNT million	Level 2 MNT million	Level 3 MNT million	Total MNT million
<b>Financial assets</b>				
<b>At 31 December 2010</b>				
Financial investment available-for-sale				
Unquoted foreign bonds (Note 13)	-	1,084,291	-	1,084,291
<b>At 31 December 2009</b>				
Financial investment available-for sale				
Quoted foreign bonds (Note 13)	140,459	-	-	140,459
Unquoted foreign bonds (Note 13)	-	278,505	-	278,505
	<u>140,459</u>	<u>278,505</u>	<u>-</u>	<u>418,964</u>

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

## Financial instruments recorded at fair value

The unquoted foreign bonds are valued using discounted cash flow model which incorporate both observable and non-observable data. Observable inputs include assumption regarding current interest rate. Non observable input include assumption of future default rate and market liquidity discounts.

## Transfers between level 1 and 2

There were no transfers between level 1 to level 2 of the fair value hierarchy for the financial assets which are recorded at fair value.

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

Set out below is a comparison by class of the carrying values and fair values of the Bank's financial instruments that are not carried at fair value in the financial statements. The table does not include the fair value of non financial assets and non financial liabilities.

	Note	Carrying value 2010 MNT 'million	Fair value 2010 MNT 'million	Carrying value 2009 MNT 'million	Fair value 2009 MNT 'million
<b>Financial assets</b>					
Cash in hand		14,609	14,609	47,749	47,749
Due from foreign financial institution	12	1,457,584	1,457,584	1,271,630	1,271,630
Financial investment - held-to-maturity	14	72,702	72,760	-	-
Reverse repurchase agreements	15	491,280	491,280	469,933	469,933
Government securities	17	53,044	53,044	170,000	170,000
Loans to local banks	18	130,391	129,948	166,988	147,487
Loan to Ministry of Finance	19	247,230	247,257	262,755	262,843
Other receivables	21	-	-	115	115
<b>Financial liabilities</b>					
Central bank bills	22	1,100,997	1,100,997	392,512	392,512
Deposits from government agencies	23	802,966	802,966	698,227	698,227
Deposits from local banks	24	640,730	640,730	541,638	541,638
Liabilities due to foreign parties	25	722,207	727,536	737,056	731,648
Other liabilities	26	44,246	44,246	43,991	43,991

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

**Assets for which fair value approximate carrying value**

For financial assets and financial liabilities that are liquid or having short term maturity (less than one year), it is assumed that the carrying amounts approximate to their fair value. This assumption also applies to deposits from government agencies and local banks.

**Fixed rate financial instruments**

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term of maturity.

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 34. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. See Note 35.3 'Liquidity risk and funding management' for the Bank's contractual undiscounted repayment obligations.

	Less than 12 months MNT 'million	More than 12 months MNT 'million	Total MNT 'million
<b>At 31 December 2010</b>			
<b>Financial assets</b>			
Cash in hand	14,609	-	14,609
Due from foreign financial institution	1,457,584	-	1,457,584
Financial investments - available-for-sale	1,087,375	-	1,087,375
Financial investments - held to maturity	72,702	-	72,702
Reverse repurchase agreements	491,280	-	491,280
Government securities	-	53,044	53,044
Loans to local banks	122,841	7,550	130,391
Loans to Ministry of Finance	4,703	242,527	247,230
	<u>3,251,094</u>	<u>303,121</u>	<u>3,554,215</u>
<b>Non financial assets</b>			
Gold bullion and precious metals	115,190	10,243	125,433
Property, plant and equipment	-	25,568	25,568
Other receivables	2,396	-	2,396
	<u>117,586</u>	<u>35,811</u>	<u>153,397</u>
<b>Total</b>	<u>3,368,680</u>	<u>338,932</u>	<u>3,707,612</u>
<b>Financial liabilities</b>			
Central bank bills	1,100,997	-	1,100,997
Deposits from government agencies	802,966	-	802,966
Deposits from local banks	640,730	-	640,730
Liabilities due to foreign parties	460,344	261,863	722,207
Other liabilities	55,955	4,991	60,946
	<u>3,060,992</u>	<u>266,854</u>	<u>3,327,846</u>
<b>Non financial liabilities</b>			
Cash in circulation	519,692	-	519,692
Other liabilities	5,581	-	5,581
	<u>525,273</u>	<u>-</u>	<u>525,273</u>
<b>Total</b>	<u>3,586,265</u>	<u>266,854</u>	<u>3,853,119</u>
<b>Net</b>	<u>(217,585)</u>	<u>72,078</u>	<u>(145,507)</u>

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 33. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONT'D.)

	Less than 12 months MNT 'million	More than 12 months MNT 'million	Total MNT 'million
<b>At 31 December 2009</b>			
<b>Financial assets</b>			
Cash in hand	47,749	-	47,749
Due from foreign financial institution	1,271,630	-	1,271,630
Financial investments - available-for-sale	421,759	-	421,759
Reverse repurchase agreements	469,933	-	469,933
Government securities	170,000	-	170,000
Loans to local banks	12,849	154,139	166,988
Loans to Ministry of Finance	6,873	255,882	262,755
Other receivables	115	-	115
	<u>2,400,908</u>	<u>410,021</u>	<u>2,810,929</u>
<b>Non financial assets</b>			
Gold bullion and precious metals	47,362	16,026	63,388
Property, plant and equipment	-	23,966	23,966
Other receivables	1,034	-	1,034
	<u>48,396</u>	<u>39,992</u>	<u>88,388</u>
<b>Total</b>	<u>2,449,304</u>	<u>450,013</u>	<u>2,899,317</u>
<b>Financial liabilities</b>			
Central bank bills	392,512	-	392,512
Deposits from government agencies	698,227	-	698,227
Deposits from local banks	541,638	-	541,638
Liabilities due to foreign parties	456,833	280,223	737,056
Other liabilities	43,510	481	43,991
	<u>2,132,720</u>	<u>280,704</u>	<u>2,413,424</u>
<b>Non financial liabilities</b>			
Cash in circulation	371,832	-	371,832
Other liabilities	5,557	-	5,557
	<u>377,389</u>	<u>-</u>	<u>377,389</u>
<b>Total</b>	<u>2,510,109</u>	<u>280,704</u>	<u>2,790,813</u>
<b>Net</b>	<u>(60,805)</u>	<u>169,309</u>	<u>108,504</u>



## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 35. RISK MANAGEMENT

## 35.1 Introduction

Risk is inherent in the Bank's activity, however it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's management to pursue its monetary policy and ensure the containing inflation, financial stability and business continuity of Mongolian banking operations. From the financial point of view, the Bank is exposed to credit risk, liquidity risk and market risk. In addition, it is also subjected to operational, reputation and legal risks.

Currently, the Bank has a decentralized risk management process. Each department is responsible for the independent control of risks, including monitoring the risk of exposures against their activities, and the assessment of risks of new product.

Those risks which are unique to the Bank as the central bank in Mongolia are monitored through the Bank's strategic planning process. In addition, the Bank actively explores the possibility of setting up Risk Committee which would have the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is supposed to be responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

**Risk Management Structure**

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

*Board of Directors*

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

*Supervisory Board*

The Supervisory Board has been established outside of the Bank's internal organization in order to maintain external supervisory role and has the responsibility to monitor the overall risk process within the Bank.

*Internal Audit*

The Bank's internal audit mission is to examine and evaluate the adequacy and effectiveness of risk management system in its activities toward the accomplishment of the Bank's objectives, and fulfilment of policies and plans. Internal Audit Department ("IAD") charter determines its duties as to examine the effectiveness of all levels of risk management in planning, organization, coordination and controlling the implementation of the policies and procedures adopted by the Bank, examining the compliance of operations and systems with laws, regulations; oversee the reliability, integrity, and security of financial and operational information.

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 35. RISK MANAGEMENT (CONT'D.)

## 35.1 Introduction (Cont'd.)

**Risk Management Structure (Cont'd.)***Internal Audit (Cont'd)*

IAD carries out risk assessment in general and specific operations level. General risk assessment is undertaken during the development of long-range and annual audit plans to ensure proper allocation of audit resources according to the degree of risk, while assessment focuses on particular issues at the specific level. Presently, IAD of the Bank carried out activities in accordance with long term audit program for 2007-2011 and annual audit plan for 2010. Priorities for audits are determined by applying some criteria which reflect potential and real degree of risk at which each area of operation is exposed. For these purposes certain criteria are developed and appropriate weights are assigned to each type of criteria in relation to the activities audited. The weighted scores are totalled for each operational area and the degree of risk is classified as high, medium and low accordingly.

The evaluation of internal control system is also a very important aspect of internal audit work. Internal control is defined as consisting of all the means developed to reach objectives in effectiveness, economy and efficiency of the Bank operations; reliability of financial reporting system and compliance of all activities with applicable laws and regulations. The evaluation is aimed at ascertaining the existence of adequate procedures and competent performance. IAD reports about findings and its recommendations administratively to the Governor, and functionally to the Supervisory Board. After each assessment, IAD discusses the results with management of the Bank, as well as it takes follow-up reviews on the actions taken by management.

*Risk Management Unit*

The Risk Management Unit ("RMU") is responsible for implementing and maintaining foreign exchange reserve management risk related procedures to ensure an independent control process. RMU is responsible for monitoring compliance with strategic benchmark for foreign exchange reserve management, risk principles, policies and limits, when managing foreign exchange reserves of the Bank. In addition, RMU also ensures the complete capture of risk measures related to the foreign exchange reserves and reporting system.

According to the State Foreign Exchange Reserve Management Regulation, the objectives of reserve management are subordinated to the Bank's monetary and foreign exchange policies.

The main objectives in holding foreign reserves are to:

- Support monetary policy
- Control excessive volatility of the foreign exchange market
- Guarantee payment of government foreign exchange debt
- Use as a liquidity buffer in the event of national disaster or emergency

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 35. RISK MANAGEMENT (CONT'D.)

## 35.1 Introduction (Cont'd.)

## Risk Management Structure (Cont'd.)

Risk management of foreign reserves contributes to these objectives by strategically managing and controlling the exposure to financial and operational risks. Every year, the Bank determines strategy for asset selection and allocation to control exposures to external risks. This involves establishing parameters for (1) the currency holding and composition necessary to maintain the ready availability of convertible currencies (2) the permissible range of investment instruments that meet liquidity and security requirements, (3) duration requirements for limiting exposure to interest rate risk.

## 35.2 Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. For the domestic monetary policy operations, the Bank actively uses collateral to reduce its credit risks. According to the Regulation on Central Bank Refinancing, the main types of collateral are as follows:

1. Central Bank bills
2. Short-term government securities
3. Government securities issued by the OECD members and accepted by the Bank
4. Liquid securities of AAA rating and owned by recognized foreign financial institutions
5. Promissory notes accepted by the Bank
6. Time deposits at the Bank and foreign banks

The eligible borrowing banks have to meet all prudential ratios set by the Bank. If the borrowing local bank breaches one of the prudential ratios, the Bank terminates the refinancing operation in order to limit total exposure to the borrowing bank.

In order to minimize credit risk, foreign exchange reserves are invested in securities issued by the AAA-rated Governments and supranational institutions. The credit risk on foreign currency deposits and money market instruments is limited by transacting with counterparties rated “AA-” or above by internationally recognized rating agencies. The minimum rating is taken when a counterparty has ratings from more than one rating agency.

In addition, all counterparties have credit limits, which are set taking into consideration their ratings, capital, and other factors. The credit limits are set quarterly and compliance with the limit is monitored daily.

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 35. RISK MANAGEMENT (CONT'D.)

## 35.2 Credit risk (Cont'd.)

## Credit-related Commitments Risks

The Bank makes available to its customers guarantees which may require that the Bank makes payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Bank to similar risks to loans and these are mitigated by the same control processes and policies.

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

**Maximum exposure to credit risk without taking account of any collateral and other credit enhancements**

At the reporting date, the Bank's maximum exposure to credit risk is represented by:

- (a) The carrying amount of each class of financial assets recognised in the statement of financial position.
- (b) A nominal amount of NIL (2009: MNT 831million ) related to financial guarantee granted on the letter of credit issued by a commercial bank.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes.

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 35. RISK MANAGEMENT (CONT'D.)

## 35.2 Credit risk (Cont'd.)

## Risk concentrations of the maximum exposure to credit risk

A geographical analysis of the Bank's financial assets, before taking into account collateral held or other credit enhancements, is as follows:

	Gross maximum exposure 2010 MNT 'million	Gross maximum exposure 2009 MNT 'million
Mongolia	431,157	599,743
Belgium	3	-
France	961,463	-
Germany	100,287	41,621
Japan	3,384	27,072
Russia	2,594	2,594
Switzerland	1,092,751	928,724
United Kingdom	4,704	133,969
United States	943,263	1,029,457
	<u>3,539,606</u>	<u>2,763,180</u>

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 35. RISK MANAGEMENT (CONT'D.)

## 35.2 Credit risk (Cont'd.)

## Credit quality by class of financial assets

	Note	Neither past due nor impaired High grade MNT 'million	Standard grade MNT 'million	Past due or individually impaired MNT 'million	Total MNT 'million
<b>At 31 December 2010</b>					
Due from foreign financial institutions	12	1,457,584	-	-	1,457,584
Financial investments - available-for-sale	13	1,087,375	-	-	1,087,375
Financial investments - held-to-maturity	14	72,702	-	-	72,702
Reverse repurchase agreements	15	491,280	-	-	491,280
Government securities	17	53,044	-	-	53,044
Loans to local banks	18	-	6,649	124,706	131,355
Loans to Ministry of Finance	19	247,231	-	-	247,231
Other receivables	21	-	-	54,917	54,917
Total		<u>3,409,216</u>	<u>6,649</u>	<u>179,623</u>	<u>3,595,488</u>
<b>At 31 December 2009</b>					
Due from foreign financial institutions	12	1,271,630	-	-	1,271,630
Financial investments - available-for-sale	13	421,759	-	-	421,759
Reverse repurchase agreements	15	469,933	-	-	469,933
Government securities	17	170,000	-	-	170,000
Loans to local banks	18	-	18,545	179,903	198,448
Loans to Ministry of Finance	19	262,755	-	-	262,755
Other receivables	21	115	-	47,369	47,484
Total		<u>2,596,192</u>	<u>18,545</u>	<u>227,272</u>	<u>2,842,009</u>

All the past due loans are considered to be impaired and disclosed in Note 18 and Note 21.

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 35. RISK MANAGEMENT (CONT'D.)

## 35.2 Credit risk (Cont'd.)

## Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The bank address impairment assessment in individually assessed allowances as follows:

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of the other financial support and the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

## 35.3 Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Liquidity risk of foreign currency is the main area of risk faced by the Bank.

With respect to the classical investment triad (safety–liquidity–return), the investment policy of the Bank is maximizing returns ought to be considered only if all the liquidity and safety requirements are met.

In circumstances of high import dependence, constant supply requirement of Government external debt services, volatility of demand and supply of foreign exchange in domestic market, liquidity is the most important concern of foreign exchange reserve management.

In order to manage liquidity risk, the Bank divided foreign reserve portfolio into two sub-portfolios:

- (i) **The Short-Term Investment Portfolio (including the cash management or liquidity portfolio)** This portfolio is used for purposes of debt servicing and smooth functioning of the foreign exchange market. It consists of cash, overnights and demand deposits. It is also invested in time deposits, highly liquid money market instruments (commercial papers) and securities ranging a week to twelve month maturity and commodities (monetary gold).
- (ii) **The Long-Term Investment Portfolio.** Invested in medium to long-term high liquid instruments, including government bonds and securities.

Investment Committee proposes the limits for foreign exchange portfolio.

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 35. RISK MANAGEMENT (CONT'D.)

## 35.3 Liquidity risk (Cont'd.)

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December 2010 and 31 December 2009 based on contractual undiscounted repayment obligations. See Note 34 'Maturity analysis of assets and liabilities' for the expected maturities of these liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

Financial Liabilities	On Demand MNT 'million	3 to 6 months MNT 'million	6 to 12 months MNT 'million	1-5 years MNT 'million	Over 5 years MNT 'million	Total undiscounted MNT 'million
<b>At 31 December 2010</b>						
Central bank bills	1,106,500	-	-	-	-	1,106,500
Deposits from government agencies	802,967	-	-	-	-	802,967
Deposits from local banks	640,735	-	-	-	-	640,735
Liabilities due to foreign parties	455,318	3,420	4,412	252,032	18,052	733,234
Other liabilities	56,898	1,006	653	2,210	3,361	64,128
<b>Total</b>	<b>3,062,418</b>	<b>4,426</b>	<b>5,065</b>	<b>254,242</b>	<b>21,413</b>	<b>3,347,564</b>
<b>At 31 December 2009</b>						
Central bank bills	331,000	65,000	-	-	-	396,000
Deposits from government agencies	698,227	-	-	-	-	698,227
Deposits from local banks	541,644	-	-	-	-	541,644
Liabilities due to foreign parties	450,846	3,903	4,880	268,522	22,959	751,110
Other liabilities	40,493	1,780	1,237	481	-	43,991
<b>Total</b>	<b>2,062,210</b>	<b>70,683</b>	<b>6,117</b>	<b>269,003</b>	<b>22,959</b>	<b>2,430,972</b>

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 35. RISK MANAGEMENT (CONT'D.)

## 35.4 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates or foreign exchange rates. The Bank manages and monitors this risk element using sensitivity analyses. Except for the concentrations within foreign currencies, the Bank has no significant concentration of market risk.

## Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Assets and liabilities of the Bank are predominantly fixed rate. In strategic benchmark development process the Bank sets duration requirements for foreign reserve portfolio in order to limit exposure to interest rate risk. The duration requirement should be met on daily basis.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank's equity. The sensitivity of equity is calculated by revaluing fixed rate financial investments - available-for-sale as at year end assumed changes in interest rate.

Currency	Change in basis points	Sensitivity of net equity MNT 'million
<b>At 31 December 2010</b>		
USD	+50	(829)
EUR	+50	(68)
EUR	-25	34
<b>At 31 December 2009</b>		
USD	+50	(279)
USD	-	-
EUR	+50	(49)
EUR	-25	25

## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 35. RISK MANAGEMENT (CONT'D.)

## 35.4 Market risk

## Currency risk

Currency risk is the risk that the value of a financial investment will fluctuate due to changes in foreign exchange rates. The Board set limits on position by currency. Positions are monitored on a daily basis to ensure positions are maintained within established limits.

The tables below indicate the currencies to which the Bank had significant exposure at 31 December 2010 on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the MNT, with all other variables held constant on the income statement (due to the fair value of currency sensitive monetary assets and liabilities). A negative amount in the table reflects a potential net reduction in income statement while a positive amount reflects a net potential increase.

Currency	Change in currency rate in 2010	Effect on profit before 2010 MNT 'million	Change in currency rate in % 2009	Effect on profit before 2009 MNT 'million
USD	+2.00	44,271	+2.00	15,785
USD	-5.00	(110,676)	-5.00	(39,463)
EUR	+5.00	15,996	+5.00	10,433
EUR	-2.00	(6,398)	-2.00	(4,173)
CHF	+5.00	1,576	+5.00	33
CHF	-5.00	(1,576)	-5.00	(33)
GBP	+5.00	2,374	+5.00	1,873
GBP	-5.00	(2,374)	-5.00	(1,873)
JPY	+5.00	434	+5.00	1,666
JPY	-5.00	(434)	-5.00	(1,666)
XAU	+5.00	5,752	+5.00	2,368
XAU	-5.00	(5,752)	-5.00	(2,368)



## BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

## 35. RISK MANAGEMENT (CONT'D.)

## 35.4 Market risk (Cont'd)

## Prepayment risk

The Bank does not have prepayment risk as the Bank does not grant loans and advances for commercial purposes.

## 35.5 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage those risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education, on-going training and assessment processes, including the use of internal audit.

In order to manage operational risk of foreign reserves, all operational procedures should be well documented. Operational procedures of foreign reserves are regulated by the Guidelines to conduct Foreign Exchange Trading. The main purpose of these guidelines are to define the requirements and the duties for the structural units and staff that are involved in the reserve management as set in “The State Foreign Exchange Reserve Management Regulation” to differentiate duties, to assign certain functions to different personnel, to enable parties to oversee one another and to tackle any operational and transactional risk. These Guidelines are used to initiate, carry out and control daily transactions.

## 36. MONGOLIAN TRANSLATION

These financial statements are also prepared in the Mongolian language. In the event of discrepancies or contradictions between the English version and the Mongolian version, the English version will prevail.

## STATICTICAL APPENDIX

9

## Main Economic Indicators

	2002	2003	2004	2005	2006	2007	2008	2009	2010 <sup>1</sup>
Real GDP growth				6.2	8.6	10.2	8.9	-1.3	6.1
GDP, current prices, billions of togrog				2524.3	3715.0	4599.5	6555.6	6590.6	8255.1
Inflation				9.5	6.0	15.1	23.2	1.9	14.3
<i>Monetary survey (billions of togrog)</i>									
Money (M2)	470.1	703.3	847.0	1140.1	1536.5	2401.2	2270.0	2880.0	5350.5
Net foreign assets	308.5	256.3	311.0	570.2	1131.8	1352.0	683.5	1533.3	2739.3
Net domestic credit	200.0	514.6	647.3	769.0	745.4	1329.5	2062.0	1937.9	2430.0
Money (M2)/GDP	37.9	48.1	44.3	45.2	41.4	52.2	34.6	43.7	64.8
Loans/GDP	18.7	30.3	31.8	34.1	32.9	28.9	31.5	29.4	29.4
Deposits/GDP	17.6	24.9	27.0	27.5	26.8	32.4	20.4	28.2	33.4
Banks' total loans	231.4	442.1	606.8	859.9	1223.3	2056.1	2635.6	2655.0	3264.8
Non-performing loans	11.7	21.1	39.1	49.5	60.0	68.1	188.7	462.0	374.4
Banks' loan rate	26.6	25.6	24.0	21.6	20.0	17.1	18.6	18.7	15.3
Banks' deposit rate	14.0	14.0	13.2	12.6	13.5	13.4	13.6 <sup>2</sup>	12.9	10.7
CBBill's weighted average rate	9.9	11.5	15.8	4.8	6.4	9.9	14.8	10.8	11.0
<i>Balance of payments (millions of U.S. dollars)</i>									
Exports f.o.b	523.9	627.3	872.1	1068.6	1545.2	1950.7	2534.5	1885.4	2899.2
Imports f.o.b	752.8	826.9	901.0	1097.4	1356.7	2003.1	3147.0	2137.7	3277.9
Current account	-105.1	-98.7	63.4	84.2	306.3	171.8	-721.9	-341.8	-931.5
Current account/GDP	-9.4	-8.3	3.9	4.0	8.2	4.4	-13.7	-5.2	-11.3
Net international reserves	225.9	129.0	163.6	298.0	687.3	975.3	637.2	1145.3	2123.5
In weeks of imports	15.6	8.1	9.5	14.2	26.4	25.5	10.6	27.9	33.3
Togrog rate against U.S. dollar (yearly average)	1110.4	1146.5	1185.4	1205.3	1179.6	1170.4	1166.1	1437.9	1355.9
<i>General government budget (billions of togrog)</i>									
Total revenue and grant	477.0	535.8	697.4	831.4	1360.4	1880.5	2156.4	1993.0	3078.4
Current revenue	469.7	526.4	690.5	827.2	1354.1	1856.0	2136.1	1965.5	3035.9
Total expenditure and net lending	550.5	616.5	713.8	750.3	1237.0	1653.0	2462.0	2321.6	3076.3
Current expenditure	415.3	446.3	525.9	589.0	982.3	1317.8	1749.5	1792.1	2271.1
Overall balance	-73.4	-80.7	-16.5	81.1	123.4	227.5	-305.7	-328.6	2.2
Overall balance/GDP	-5.9	-5.5	-0.9	3.2	3.3	4.9	-4.7	-5.0	0.03

<sup>1</sup> Preliminary<sup>2</sup> Weighted average rate of deposits since end of 2008

### Money supply

*in millions of togrogs*

End-of-period	Currency issued in circulation		Of which			Money (M1)		Of which
	amount	monthly changes %	Bank's vault	Currency outside banks		amount	monthly changes %	Current account in DC
				amount	monthly changes %			
1990 12	742.7		5.7	737.0		4,749.9		3,915.9
1991 12	2,003.0		308.7	1,694.3		7,313.7		5,592.1
1992 12	2,896.4		1,057.2	1,839.2		7,640.2		5,789.8
1993 12	10,786.1	13.2	2,035.5	8,750.6	12.0	18,548.4	-8.8	9,757.2
1994 12	21,804.8	3.1	3,037.6	18,767.2	5.7	32,871.2	-0.4	14,104.0
1995 09	29,703.2	1.7	4,668.5	25,034.7	3.6	41,893.7	-4.6	16,859.0
1995 12	29,755.7	0.8	4,164.5	25,591.2	2.6	42,636.5	-0.4	17,045.3
1996 12	46,095.8	11.8	4,391.4	41,704.4	14.4	64,301.6	14.7	22,597.2
1997 12	56,816.5	3.1	7,048.2	49,768.3	4.1	76,108.9	4.0	26,340.6
1998 12	61,754.2	5.7	5,308.4	56,445.8	9.2	82,582.0	9.4	26,136.2
1999 12	91,567.5	13.8	4,286.2	87,281.3	15.2	114,825.7	14.9	27,544.4
2000 12	107,394.4	7.8	6,461.0	100,933.4	7.3	130,775.0	8.9	29,841.6
2001 12	119,205.8	5.7	10,045.1	109,160.7	8.2	156,155.3	6.9	46,994.6
2002 12	134,642.8	0.5	13,859.2	120,783.6	1.2	187,727.8	6.9	66,944.1
2003 12	152,826.6	1.1	21,329.9	131,496.7	-2.1	212,833.4	4.4	81,336.7
2004 12	168,521.1	1.7	25,008.4	143,512.7	3.9	221,327.6		77,814.9
2005 12	191,688.3	3.1	39,318.8	152,369.5	-0.4	269,124.4	6.3	116,754.9
2006 12	245,098.9	5.1	59,972.2	185,126.7	2.6	331,903.4	2.1	146,776.7
2007 01	224,615.1	-8.4	50,378.6	174,236.5	-5.9	334,997.0	0.9	160,760.5
02	224,539.6	0.0	56,903.8	167,635.8	-3.8	342,596.8	2.3	174,961.0
03	264,875.0	18.0	48,718.8	216,156.2	28.9	401,498.6	17.2	185,342.4
04	312,432.3	18.0	60,738.8	251,693.5	16.4	455,119.2	13.4	203,425.7
05	322,894.9	3.3	55,507.1	267,387.9	6.2	490,293.1	7.7	222,905.2
06	319,860.0	-0.9	57,436.6	262,423.4	-1.9	502,223.4	2.4	239,800.0
07	325,062.4	1.6	58,327.2	266,735.2	1.6	497,043.9	-1.0	230,308.7
08	351,604.5	8.2	61,436.7	290,167.8	8.8	535,468.4	7.7	245,300.7
09	333,389.7	-5.2	66,068.5	267,321.2	-7.9	515,432.2	-3.7	248,111.1
10	323,094.0	-3.1	59,129.5	263,964.6	-1.3	523,434.3	1.6	259,469.8
11	323,651.7	0.2	61,902.4	261,749.3	-0.8	519,932.0	-0.7	258,182.7
12	364,074.4	12.5	80,749.1	283,325.3	8.2	590,471.6	13.6	307,146.3
2008 01	338,462.7	-7.0	72,525.7	265,937.0	-6.1	551,883.4	-6.5	285,946.5
02	310,026.9	-8.4	64,750.4	245,276.5	-7.8	549,183.5	-0.5	303,907.0
03	328,462.5	5.9	71,780.7	256,681.7	4.6	577,707.5	5.2	321,025.8
04	344,092.3	4.8	70,626.5	273,465.9	6.5	583,650.2	1.0	310,184.3
05	373,613.3	8.6	69,853.7	303,759.6	11.1	620,609.8	6.3	316,850.2
06	387,718.8	3.8	79,928.0	307,790.8	1.3	624,894.1	0.7	317,103.3
07	369,636.8	-4.7	68,397.7	301,239.1	-2.1	624,047.6	-0.1	322,808.4
08	395,670.4	7.0	72,443.0	323,227.4	7.3	642,216.9	2.9	318,989.5
09	361,057.2	-8.7	74,911.2	286,146.0	-11.5	603,473.3	-6.0	317,327.3
10	329,316.5	-8.8	66,801.0	262,515.5	-8.3	561,252.6	-7.0	298,737.1
11	330,943.3	0.5	67,943.6	262,999.8	0.2	548,309.3	-2.3	285,309.5
12	407,210.5	23.0	78,486.5	328,724.0	25.0	647,335.3	18.1	318,611.3
2009 01	346,623.4	-14.9	68,287.5	278,335.9	-15.3	535,268.2	-17.3	256,932.2
02	397,300.9	14.6	91,636.8	305,664.2	9.8	549,886.6	2.7	244,222.4
03	338,280.4	-14.9	65,679.7	272,600.7	-10.8	511,386.8	-7.0	238,786.1
04	355,608.6	5.1	67,948.0	287,660.5	5.5	517,897.9	1.3	230,237.3
05	381,150.2	7.2	73,139.4	308,010.7	7.1	559,144.5	8.0	251,133.8
06	357,754.2	-6.1	73,955.4	283,798.8	-7.9	544,382.1	-2.6	260,583.2
07	350,644.3	-2.0	76,370.4	274,273.9	-3.4	521,831.8	-4.1	247,557.9
08	384,122.6	9.5	83,693.9	300,428.7	9.5	597,140.1	14.4	296,711.4
09	363,478.7	-5.4	81,061.0	282,417.7	-6.0	622,707.3	4.3	340,289.6
10	359,644.3	-1.1	85,077.9	274,566.4	-2.8	608,778.2	-2.2	334,211.8
11	363,915.6	1.2	85,322.6	278,593.0	1.5	600,593.4	-1.3	322,000.4
12	371,831.9	2.2	86,838.0	284,993.9	2.3	651,247.0	8.4	366,253.2
2010 01	350,828.3	-5.6	90,323.6	260,504.7	-8.6	629,701.0	-3.3	369,196.2
02	352,347.5	0.4	94,173.2	258,174.4	-0.9	627,897.5	-0.3	369,723.1
03	384,484.6	9.1	90,156.6	294,328.0	14.0	693,003.0	10.4	398,675.0
04	444,973.7	15.7	105,321.0	339,652.7	15.4	754,299.9	8.8	414,647.2
05	462,669.7	4.0	105,800.2	356,869.5	5.1	795,971.6	5.5	439,102.1
06	447,442.0	-3.3	98,536.3	348,905.7	-2.2	839,932.0	5.5	491,026.3
07	452,341.7	1.1	107,858.0	344,483.7	-1.3	826,662.4	-1.6	482,178.7
08	467,523.0	3.4	112,967.6	354,555.4	2.9	932,036.2	12.7	577,480.8
09	452,599.2	-3.2	108,822.1	343,777.0	-3.0	959,096.3	2.9	615,319.2
10	462,234.4	2.1	109,499.2	352,735.2	2.6	1,000,575.4	4.3	647,840.2
11	472,914.7	2.3	122,275.7	350,639.0	-0.6	995,746.4	-0.5	645,107.4
12	519,692.4	9.9	131,489.8	388,202.7	10.7	1,157,617.9	16.3	769,415.2

### Money supply (continued)

*in millions of togrogs*

End-of-period	Quasi money		Domestic currency deposits	Of which			Foreign currency deposits	Current account in FC	Money (M2)	
	amount	monthly changes %		Of which		amount			monthly changes %	
				Individuals	Institutions					
1990 12	883.2		726.3	726.3	-	157.0		5,633.1		
1991 12	2,601.1		1,996.9	1,553.3	443.6	604.2		9,914.8		
1992 12	5,412.1		4,430.2	2,985.7	1,444.5	112.5	869.4	13,052.3		
1993 12	24,215.8	10.6	10,103.1	7,969.6	2,133.5	2,378.0	11,734.7	42,764.2	1.2	
1994 12	43,905.8	-2.6	28,937.5	25,287.3	3,650.2	3,474.1	11,494.2	76,777.0	-1.7	
1995 09	62,986.3	8.5	38,070.1	35,188.9	2,881.2	11,528.6	13,387.6	104,880.0	2.8	
1995 12	59,408.1	-4.7	38,529.1	36,602.7	1,926.4	8,233.1	12,645.9	102,044.6	-2.9	
1996 12	64,093.7	-4.0	35,164.2	33,819.1	1,345.1	11,006.8	17,922.7	128,395.3	4.5	
1997 12	93,956.6	13.0	44,673.8	42,892.7	1,781.1	13,795.6	35,487.2	170,065.5	8.8	
1998 12	84,667.6	-0.5	44,840.1	42,044.5	2,795.6	14,468.6	25,358.9	167,249.6	4.2	
1999 12	105,341.3	-1.6	45,052.3	43,257.9	1,794.4	24,925.9	35,363.2	220,167.0	6.3	
2000 12	128,067.7	2.1	59,004.3	54,125.9	4,878.4	33,681.9	35,381.5	258,842.6	5.4	
2001 12	174,908.9	3.0	87,590.4	79,321.6	8,268.7	47,017.1	40,301.5	331,064.3	4.8	
2002 12	282,397.8	3.8	147,211.7	137,182.7	10,029.0	71,147.8	64,038.2	470,125.6	5.0	
2003 12	490,499.0	15.8	240,280.1	228,133.5	12,146.6	123,253.9	126,965.0	703,332.4	12.1	
2004 12	625,704.9	-0.2	300,976.4	287,894.4	13,082.0	216,434.0	108,294.5	847,032.4	0.9	
2005 12	871,014.4	1.6	426,033.6	399,980.0	26053.6*	245,675.0	199,305.8	1140138.8*	2.7	
2006 12	1,204,590.0	-4.5	692,483.4	647,774.2	44,709.3	302,921.7	209,184.9	1,536,493.3	-3.1	
2007 01	1,221,013.9	1.4	734,902.8	687,742.5	47,160.3	277,463.9	208,647.2	1,556,010.9	1.3	
02	1,285,170.9	5.3	802,675.3	754,942.5	47,732.8	279,842.6	202,653.1	1,627,767.8	4.6	
03	1,345,255.8	4.7	835,676.4	786,524.9	49,151.5	287,407.4	222,172.0	1,746,754.4	7.3	
04	1,428,505.6	6.2	855,496.0	800,771.8	54,724.2	303,130.1	269,879.5	1,883,624.8	7.8	
05	1,475,801.1	3.3	897,146.0	838,129.4	59,016.6	309,090.0	269,565.1	1,966,094.3	4.4	
06	1,513,866.8	2.6	944,032.3	872,878.8	71,153.5	316,914.4	252,920.0	2,016,090.2	2.5	
07	1,597,615.7	5.5	996,877.3	912,256.7	84,620.7	323,247.2	277,491.2	2,094,659.6	3.9	
08	1,659,946.0	3.9	1,019,702.1	933,639.7	86,062.3	355,266.9	284,977.1	2,195,414.5	4.8	
09	1,676,505.5	1.0	1,031,160.0	935,610.7	95,549.4	350,625.3	294,720.1	2,191,937.7	-0.2	
10	1,740,922.4	3.8	1,058,746.0	954,998.8	103,747.2	363,061.3	319,115.1	2,264,356.7	3.3	
11	1,715,148.7	-1.5	1,079,409.4	975,460.3	103,949.0	352,319.6	283,419.7	2,235,080.6	-1.3	
12	1,810,778.1	5.6	1,113,729.7	1,014,880.8	98,848.9	375,987.2	321,061.2	2,401,249.7	7.4	
2008 01	1,755,432.1	-3.1	1,121,925.2	1,034,850.0	87,075.2	380,535.0	252,971.9	2,307,315.5	-3.9	
02	1,868,412.7	6.4	1,149,065.7	1,063,357.0	85,708.7	415,702.1	303,644.8	2,417,596.2	4.8	
03	1,877,439.7	0.5	1,149,303.5	1,065,250.8	84,052.8	422,249.3	305,886.9	2,455,147.2	1.6	
04	1,883,037.6	0.3	1,091,227.7	1,004,197.2	87,030.5	430,456.5	361,353.4	2,466,687.8	0.5	
05	1,896,008.5	0.7	1,077,329.3	984,752.0	92,577.3	454,228.3	364,450.9	2,516,618.3	2.0	
06	1,939,790.0	2.3	1,092,859.0	986,760.4	106,098.7	456,723.0	390,208.0	2,564,684.1	1.9	
07	1,971,535.5	1.6	1,095,655.6	980,549.0	115,106.6	471,167.1	404,712.8	2,595,583.1	1.2	
08	1,934,607.6	-1.9	1,104,663.1	985,065.5	119,597.5	451,467.6	378,477.5	2,576,824.5	-0.7	
09	1,921,537.3	-0.7	1,111,986.0	982,604.1	129,381.9	451,975.6	357,575.8	2,525,010.7	-2.0	
10	1,796,456.5	-6.5	1,072,371.1	949,584.7	122,786.4	396,720.8	327,364.6	2,357,709.1	-6.6	
11	1,693,506.9	-5.7	1,011,971.4	893,529.9	118,441.5	402,408.1	279,127.4	2,241,816.2	-4.9	
12	1,622,666.1	-4.2	898,692.5	829,539.3	69,153.1	440,199.5	283,774.2	2,270,001.4	1.3	
2009 01	1,665,977.4	2.7	887,761.4	812,383.6	75,377.9	493,644.4	284,571.5	2,201,245.6	-3.0	
02	1,764,924.4	5.9	905,268.2	834,311.2	70,957.1	541,914.1	317,741.3	2,314,811.0	5.2	
03	1,841,171.2	4.3	966,546.7	890,798.6	75,748.1	526,807.9	347,816.7	2,352,558.1	1.6	
04	1,823,929.7	-0.9	998,035.9	912,356.6	85,679.3	491,566.5	334,327.3	2,341,827.5	-0.5	
05	1,845,529.8	1.2	964,341.2	892,364.0	71,977.2	546,650.5	334,538.0	2,404,674.2	2.7	
06	1,894,865.5	2.7	982,461.0	921,066.3	61,394.8	568,226.2	344,178.2	2,439,247.6	1.4	
07	1,987,939.3	4.9	985,294.2	923,163.3	62,130.9	617,006.3	385,638.8	2,509,771.1	2.9	
08	1,966,857.2	-1.1	1,027,885.7	962,780.0	65,105.7	580,364.3	358,607.2	2,563,997.3	2.2	
09	2,030,707.4	3.2	1,072,211.9	1,004,645.2	67,566.7	580,759.1	377,736.4	2,653,414.7	3.5	
10	2,062,242.6	1.6	1,133,696.4	1,050,083.3	83,613.1	561,906.8	366,639.5	2,671,020.9	0.7	
11	2,114,668.4	2.5	1,147,503.6	1,053,386.3	94,117.3	577,949.4	389,215.4	2,715,261.8	1.7	
12	2,228,786.8	5.4	1,234,289.7	1,125,607.8	108,681.9	622,133.6	372,363.5	2,880,033.9	6.1	
2010 01	2,241,310.1	0.6	1,240,788.9	1,139,173.9	101,614.9	607,118.3	393,402.9	2,871,011.1	-0.3	
02	2,353,955.3	5.0	1,366,290.1	1,264,587.7	101,702.3	592,424.6	395,240.6	2,981,852.7	3.9	
03	2,281,480.3	-3.1	1,374,391.0	1,281,022.3	93,368.8	550,546.3	356,542.9	2,974,483.3	-0.2	
04	2,408,657.9	5.6	1,363,602.5	1,264,842.2	98,760.2	609,930.8	435,124.7	3,162,957.8	6.3	
05	2,458,107.6	2.1	1,411,151.3	1,314,434.6	96,716.7	601,651.7	445,304.6	3,254,079.2	2.9	
06	2,683,675.2	9.2	1,467,080.2	1,376,782.3	90,297.9	602,923.0	413,672.0	3,523,607.2	8.3	
07	2,716,472.8	1.2	1,528,049.7	1,427,431.8	100,617.9	626,028.2	562,394.9	3,543,135.2	0.6	
08	2,725,373.0	0.3	1,553,856.7	1,444,402.0	109,454.7	610,734.0	560,782.3	3,657,409.2	3.2	
09	2,892,619.1	6.1	1,610,067.7	1,500,538.0	109,529.7	664,484.0	618,067.3	3,851,715.3	5.3	
10	2,872,484.9	-0.7	1,656,273.0	1,547,737.4	108,535.6	647,780.3	568,431.6	3,873,060.0	0.6	
11	2,943,893.7	2.5	1,749,261.6	1,641,120.7	108,140.8	631,437.6	563,194.5	3,939,040.0	1.7	
12	3,522,363.5	19.6	2,001,596.0	1,835,395.4	166,200.6	754,620.1	766,147.4	4,679,981.4	18.8	

## Money supply (continued)

in millions of togrogs

End-of-period	Net foreign assets	Domestic credit (net)	Of which		
			General Government	Of which	
				Central Government	Local Government
1991 12	495.4	10,971.2	-1,883.7		
1992 12	-27.0	16,078.2	-3,051.7		
1993 12	23,395.7	24,460.3	-7,143.4		
1994 12	29,699.3	49,190.3	-3,773.1		
1995 09	42,796.8	49,646.7	-14,688.9		
1995 12	51,709.7	45,494.7	-17,227.8		
1996 12	73,733.6	90,240.4	19,920.3		
1997 12	135,437.2	67,635.4	13,352.1		
1998 12	96,557.5	136,062.0	41,460.0		
1999 12	167,541.5	116,635.6	34,555.7		
2000 12	201,696.9	84,831.1	17,171.2		
2001 12	220,165.7	129,259.5	-6,829.1		
2002 12	308,507.4	200,027.4	-32,439.3		
2003 12	256,341.5	514,615.2	96,687.3		
2004 12	311,005.2	647,305.1	40,506.5	45,022.0	-4,515.6
2005 12	570,198.7	769,004.6 <sup>a</sup>	-90,847.2	-87,822.4	-3,024.9
2006 12	1,131,772.5	745,404.8	-477,882.5	-470,640.1	-7,242.4
2007 01	1,100,902.0	708,350.4	-571,814.0	-561,881.8	-9,932.2
02	1,114,748.5	775,250.2	-558,832.9	-549,147.8	-9,685.1
03	1,174,464.0	858,887.2	-545,685.9	-537,827.8	-7,858.1
04	1,259,374.8	890,479.5	-587,127.5	-576,466.3	-10,661.2
05	1,321,216.6	929,679.6	-580,058.8	-568,931.0	-11,127.8
06	1,316,665.5	977,750.0	-622,470.7	-611,969.3	-10,501.3
07	1,359,079.5	979,827.0	-660,543.5	-649,373.7	-11,169.9
08	1,405,740.4	1,082,496.4	-725,612.5	-715,049.0	-10,563.5
09	1,409,522.6	1,091,172.3	-767,948.6	-756,170.4	-11,778.2
10	1,427,842.0	1,157,288.0	-772,390.9	-760,585.8	-11,805.1
11	1,344,207.8	1,162,499.1	-798,579.6	-787,655.1	-10,924.5
12	1,352,046.2	1,329,532.9	-726,528.0	-719,606.1	-6,921.9
2008 01	1,334,265.2	1,355,904.0	-777,542.6	-764,880.2	-12,662.4
02	1,342,590.0	1,510,135.0	-720,379.0	-710,290.0	-10,089.0
03	1,297,695.4	1,603,434.8	-732,494.0	-724,161.0	-8,333.0
04	1,253,458.1	1,662,519.9	-774,010.5	-763,457.1	-10,553.5
05	1,230,973.8	1,747,506.2	-740,088.6	-727,565.8	-12,522.8
06	1,223,350.9	1,753,657.0	-805,776.0	-794,838.7	-10,937.3
07	1,274,518.2	1,752,092.0	-841,434.9	-828,737.1	-12,697.8
08	1,095,287.9	1,888,901.3	-796,374.5	-785,051.6	-11,322.9
09	1,035,442.0	1,928,681.0	-788,177.6	-776,727.4	-11,450.2
10	824,195.6	1,949,418.9	-741,864.7	-731,811.8	-10,052.9
11	658,585.3	2,015,182.9	-652,936.3	-642,107.8	-10,828.5
12	683,478.2	2,061,976.5	-573,575.1	-566,471.1	-7,104.0
2009 01	611,000.1	2,102,999.3	-568,995.0	-561,518.3	-7,476.6
02	659,613.7	2,195,108.3	-490,193.2	-482,686.7	-7,506.5
03	696,315.7	2,169,795.5	-501,931.0	-495,236.0	-6,695.0
04	732,889.8	2,094,759.5	-485,479.9	-480,307.8	-5,172.1
05	845,183.7	2,039,053.9	-495,853.0	-488,301.3	-7,551.8
06	944,242.6	1,977,766.1	-581,163.6	-574,386.6	-6,777.1
07	1,091,823.2	1,926,044.3	-654,734.3	-648,298.9	-6,435.4
08	1,174,831.5	1,876,250.8	-712,578.3	-701,607.0	-10,971.3
09	1,250,760.3	1,930,001.0	-700,933.7	-690,570.6	-10,363.0
10	1,493,330.9	1,733,459.7	-884,526.6	-875,959.6	-8,566.9
11	1,541,558.5	1,782,186.4	-849,844.7	-840,799.7	-9,045.0
12	1,533,276.9	1,937,874.3	-717,126.1	-709,477.0	-7,649.1
2010 01	1,549,683.2	1,989,667.8	-684,776.7	-676,642.2	-8,134.5
02	1,569,011.8	2,096,576.2	-619,174.9	-611,919.4	-7,255.5
03	1,441,851.9	2,139,661.1	-628,887.2	-623,329.0	-5,558.2
04	1,651,075.5	2,079,478.2	-685,392.9	-677,573.6	-7,819.4
05	1,644,686.8	2,184,974.2	-667,743.2	-660,415.8	-7,327.4
06	1,801,207.9	2,283,798.6	-598,830.8	-591,589.6	-7,241.2
07	1,801,553.6	2,302,072.3	-669,921.0	-660,553.5	-9,367.5
08	1,921,080.2	2,256,881.9	-765,162.7	-757,056.4	-8,106.3
09	2,099,024.3	2,298,844.8	-786,507.3	-778,518.8	-7,988.5
10	2,120,248.5	2,253,429.7	-836,860.8	-829,641.2	-7,219.6
11	2,151,707.9	2,216,315.7	-896,178.6	-887,616.9	-8,561.7
12	2,739,285.7	2,429,981.1	-834796.9054	-828,917.2	-5,879.7

## Money supply (continued)

in millions of togrogs

End-of-period							Total assets
	Other financial institutions	Public sector	Private sector	Individuals	Other	Unclassified loans	
1991 12		9,779.6	3,075.3			0.0	11,466.6
1992 12		12,204.2	6,925.7			0.0	16,051.2
1993 12		21,744.4	9,859.3			0.0	47,856.0
1994 12		12,193.3	40,638.0			132.1	78,889.6
1995 09		8,892.2	55,297.8			145.6	92,443.5
1995 12		10,883.3	51,653.5			185.7	97,204.4
1996 12		14,520.3	22,851.9			32,947.9	163,974.0
1997 12		11,713.0	28,112.6			14,457.7	203,072.6
1998 12		18,295.6	43,667.5			32,638.9	232,619.5
1999 12		8,564.5	31,408.6			42,106.7	284,177.1
2000 12		6,281.5	45,482.9			15,895.6	286,528.0
2001 12		10,402.0	114,670.4			11,016.2	349,425.2
2002 12		12,184.9	203,567.2			16,714.5	508,534.8
2003 12		16,203.6	365,024.4			36,700.0	770,956.7
2004 12	455.1	13,125.7	365,057.9	210,931.1	17,228.9		958,310.2
2005 12	498.8	34,169.2	489,064.7	321,606.8	14,512.4		1,339,203.3
2006 12	1,597.1	36,731.6	659,019.3	507,570.0	18,369.3		1,877,177.3
2007 01	1,531.0	34,991.1	692,193.1	530,832.8	20,616.4		1,809,252.4
02	2,588.9	36,437.9	731,510.3	543,075.1	20,470.9		1,889,998.7
03	2,605.8	38,207.6	776,783.7	566,658.6	20,317.5		2,033,351.3
04	2,834.0	36,051.3	835,943.2	581,557.9	21,220.4		2,149,854.3
05	2,451.4	23,141.8	874,857.8	590,818.0	18,469.5		2,250,896.2
06	2,437.1	25,409.5	937,067.2	616,179.5	19,127.4		2,294,415.5
07	1,349.8	21,653.4	954,650.4	643,527.9	19,189.0		2,338,906.5
08	1,890.8	23,436.7	1,061,048.0	701,676.5	20,056.9		2,488,236.8
09	2,025.3	22,979.8	1,081,407.4	733,341.1	19,367.3		2,500,694.8
10	2,846.7	20,139.3	1,115,052.5	772,387.8	19,252.6		2,585,130.0
11	2,747.5	18,132.7	1,121,277.0	798,409.3	20,512.1		2,506,706.9
12	2,828.5	27,331.8	1,166,149.5	838,778.5	20,972.4		2,681,579.0
2008 01	3,568.9	32,307.5	1,183,043.6	893,461.6	21,065.0		2,690,169.3
02	3,990.8	31,830.7	1,261,279.5	912,735.6	20,677.4		2,852,725.0
03	5,723.8	31,726.2	1,287,578.5	987,330.7	23,569.6		2,901,130.3
04	9,492.7	22,429.4	1,348,231.4	1,032,513.9	23,863.1		2,915,978.0
05	7,729.6	10,826.0	1,422,272.7	1,022,715.5	24,051.1		2,978,480.0
06	8,520.5	10,977.9	1,472,125.9	1,031,501.6	36,307.1		2,977,007.8
07	7,459.0	14,331.2	1,491,902.6	1,042,917.5	36,916.6		3,026,610.2
08	5,064.2	17,206.9	1,530,246.2	1,086,846.2	45,912.3		2,984,189.2
09	4,442.2	19,053.9	1,556,911.6	1,090,062.8	46,388.1		2,964,123.0
10	5,227.2	18,413.0	1,555,213.6	1,070,006.2	42,423.6		2,773,614.5
11	4,497.8	23,977.7	1,553,081.3	1,051,091.4	35,471.0		2,673,768.2
12	3,412.1	34,794.6	1,570,398.9	1,013,694.2	13,251.7		2,745,454.7
2009 01	3,934.3	26,411.5	1,631,658.9	995,905.1	14,084.4		2,713,999.4
02	3,278.4	25,436.3	1,653,170.0	989,544.2	13,872.6		2,854,722.0
03	4,039.9	26,158.4	1,672,342.0	963,525.9	5,660.2		2,866,111.3
04	4,078.1	22,441.4	1,617,792.1	930,567.3	5,360.5		2,827,649.3
05	4,385.7	21,635.9	1,607,257.3	894,662.2	6,965.9		2,884,237.6
06	3,767.8	20,199.9	1,653,214.5	875,248.8	6,498.8		2,922,008.7
07	4,021.2	27,764.4	1,662,311.1	880,152.4	6,529.6		3,017,867.4
08	5,155.8	26,099.5	1,639,487.7	911,531.9	6,554.1		3,051,082.3
09	4,274.1	24,402.5	1,663,783.5	924,277.4	14,197.1		3,180,761.3
10	4,310.8	23,089.8	1,652,200.0	928,245.8	10,139.9		3,226,790.6
11	4,845.3	21,492.9	1,693,188.3	901,729.8	10,774.9		3,323,744.9
12	4,711.2	20,429.4	1,716,253.8	904,892.3	8,713.7		3,471,151.2
2010 01	3,827.1	20,422.8	1,720,862.3	920,916.9	8,415.5		3,539,350.9
02	4,942.8	19,615.3	1,724,255.4	953,654.9	13,282.6		3,665,587.9
03	12,013.7	16,948.8	1,760,220.7	964,035.3	15,329.8		3,581,513.0
04	11,883.5	16,589.3	1,754,070.2	972,219.7	10,108.4		3,730,553.7
05	10,470.7	15,245.7	1,815,477.0	1,001,587.6	9,936.5		3,829,661.0
06	11,354.6	15,592.9	1,806,502.8	1,038,929.1	10,250.0		4,085,006.4
07	10,436.2	32,651.1	1,844,147.8	1,075,174.1	9,584.2		4,103,626.0
08	11,083.2	34,614.5	1,789,347.8	1,177,478.7	9,520.5		4,177,962.1
09	11,745.6	37,686.6	1,808,074.9	1,218,394.9	9,450.1		4,397,869.1
10	11,778.3	38,336.0	1,797,039.9	1,233,809.4	9,326.8		4,373,678.2
11	12,458.1	36,873.6	1,783,352.2	1,270,186.9	9,623.5		4,368,023.6
12	14,067.6	17,073.9	1,854,774.6	1,369,232.5	9,629.5		5,169,266.8

Money supply (continued)

in millions of togrogs

End-of-period	Money	Quasi-Money	Government lending loans	Other items (net)	Total liabilities
1991 12	7,313.7	2,601.2		1,551.7	11,466.6
1992 12	7,640.2	5,412.1		2,998.9	16,051.2
1993 12	18,548.4	24,215.8		5,091.8	47,856.0
1994 12	32,871.2	43,905.8		2,112.6	78,889.6
1995 09	41,893.7	62,986.3		-12,436.5	92,443.5
1995 12	42,636.5	59,408.2		-4,840.3	97,204.4
1996 12	64,301.6	64,093.7		35,578.7	163,974.0
1997 12	76,108.9	93,956.6		33,007.1	203,072.6
1998 12	82,582.0	84,667.6		65,369.9	232,619.5
1999 12	114,825.7	105,341.3		64,010.1	284,177.1
2000 12	130,775.0	128,067.7		27,685.4	286,528.0
2001 12	156,155.3	174,908.9		18,360.9	349,425.2
2002 12	187,727.8	282,397.8		38,409.2	508,534.8
2003 12	212,833.4	490,499.0		67,624.3	770,956.7
2004 12	221,327.6	625,704.9		111,277.8	958,310.2
2005 12	269,124.4	871,014.4	17,272.7	181,791.8	1,339,203.3
2006 12	331,903.4	1,204,590.0	18,765.0	321,918.9	1,877,177.3
2007 01	334,997.0	1,221,013.9	18,626.3	234,615.3	1,809,252.4
02	342,596.8	1,285,170.9	17,457.3	244,773.6	1,889,998.7
03	401,498.6	1,345,255.8	17,577.9	269,019.0	2,033,351.3
04	455,119.2	1,428,505.6	17,097.1	249,132.3	2,149,854.3
05	490,293.1	1,475,801.1	17,013.1	267,788.9	2,250,896.2
06	502,223.4	1,513,866.8	16,712.5	261,612.8	2,294,415.5
07	497,043.9	1,597,615.7	14,670.6	229,576.3	2,338,906.5
08	535,468.4	1,659,946.0	17,548.1	275,274.2	2,488,236.8
09	515,432.2	1,676,505.5	18,375.0	290,382.1	2,500,694.8
10	523,434.3	1,740,922.4	17,242.1	303,531.1	2,585,130.0
11	519,932.0	1,715,148.7	17,779.4	253,846.8	2,506,706.9
12	590,471.6	1,810,778.1	17,620.0	262,709.3	2,681,579.0
2008 01	551,883.4	1,755,432.1	16,709.8	366,144.0	2,690,169.3
02	549,183.5	1,868,412.7	17,021.4	418,107.4	2,852,725.0
03	577,707.5	1,877,439.7	17,574.0	428,409.1	2,901,130.3
04	583,650.2	1,883,037.6	16,576.0	432,714.2	2,915,978.0
05	620,609.8	1,896,008.5	16,563.9	445,297.9	2,978,480.0
06	624,894.1	1,939,790.0	16,260.0	396,063.6	2,977,007.8
07	624,047.6	1,971,535.5	18,364.1	412,663.0	3,026,610.2
08	642,216.9	1,934,607.7	17,383.8	389,980.8	2,984,189.2
09	603,473.3	1,921,537.3	16,790.9	422,321.4	2,964,123.0
10	561,252.6	1,796,456.5	15,517.9	400,387.5	2,773,614.5
11	548,309.3	1,693,506.8	15,562.0	416,390.1	2,673,768.2
12	647,335.3	1,622,666.2	18,122.4	457,330.8	2,745,454.7
2009 01	535,268.2	1,665,977.3	18,495.5	494,258.4	2,713,999.4
02	549,886.6	1,764,924.4	19,458.1	520,452.9	2,854,722.0
03	511,386.8	1,841,171.2	20,449.5	493,103.7	2,866,111.3
04	517,897.9	1,823,929.6	18,775.8	467,046.0	2,827,649.3
05	559,144.5	1,845,529.7	19,767.1	459,796.3	2,884,237.6
06	544,382.1	1,894,865.5	19,879.3	462,881.8	2,922,008.7
07	521,831.8	1,987,939.3	20,198.0	487,898.3	3,017,867.4
08	597,140.1	1,966,857.2	20,168.5	466,916.6	3,051,082.3
09	622,707.3	2,030,707.4	20,421.0	506,925.7	3,180,761.3
10	608,778.2	2,062,242.6	20,592.0	535,177.8	3,226,790.6
11	600,593.4	2,114,668.4	21,115.6	587,367.5	3,323,744.9
12	651,247.0	2,228,786.8	20,205.4	570,911.9	3,471,151.2
2010 01	629,701.0	2,241,310.1	19,995.3	648,344.5	3,539,350.9
02	627,897.5	2,353,955.3	19,177.2	664,557.9	3,665,587.9
03	693,003.0	2,281,480.3	18,075.6	588,954.2	3,581,513.0
04	754,299.9	2,408,657.9	17,786.0	549,809.9	3,730,553.7
05	795,971.6	2,458,107.6	16,923.1	558,658.7	3,829,661.0
06	839,932.0	2,683,675.2	16,456.8	544,942.5	4,085,006.4
07	826,662.4	2,716,472.8	17,251.7	543,239.1	4,103,626.0
08	932,036.2	2,725,373.0	16,247.5	504,305.4	4,177,962.1
09	959,096.3	2,892,619.1	17,499.9	528,653.9	4,397,869.1
10	1,000,575.4	2,872,484.9	19,034.8	481,583.1	4,373,678.2
11	995,746.4	2,943,893.7	17,873.9	410,509.6	4,368,023.6
12	1,157,617.9	3,522,363.5	17,781.0	471,504.4	5,169,266.8

Balance sheet of Monetary Authorities (for Monetary Survey)

in millions of togrogs

End-of-period	Foreign Assets	Claims on					Total assets
		General Government	Public sector	Private sector	Non-Bank financial institutions	Banks	
1991 12	1,989.0	82.0	0.0	2.8		1,528.5	3,602.3
1992 12	2,212.3	0.0	0.0	1.3		6,152.7	8,366.3
1993 12	25,615.6	759.2	0.0	9.2		6,637.3	33,021.3
1994 12	42,589.0	6,405.3	0.0	6.5		10,374.9	59,375.7
1995 09	48,137.4	1,513.3	0.0	8.1		8,713.5	58,372.3
1995 12	54,544.5	433.7	0.0	1.5		7,739.5	62,719.2
1996 12	67,811.4	38,361.2	5,513.4	0.1		1,712.4	113,398.5
1997 12	113,769.2	23,979.6	3,908.3	0.0		3,092.8	144,749.9
1998 12	114,166.1	26,120.9	8,960.1	0.0		5,631.5	154,878.6
1999 12	173,895.5	24,234.4	4,565.4	0.0		6,651.2	209,346.6
2000 12	209,409.6	19,658.8	903.2	0.0		4,777.0	234,748.6
2001 12	227,993.2	13,570.5	867.6	0.0	150.3	7,347.6	249,929.2
2002 12	301,875.6	0.0	866.6	0.0	150.3	8,038.0	310,930.5
2003 12	237,578.1	164,216.0	556.2	0.0		12,688.7	415,039.0
2004 12	252,331.8	105,300.0	0.0	0.0		22,331.5	379,963.3
2005 12	414,620.6	99,372.9	0.0	0.0		17,743.8	531,737.3
2006 12	838,510.5	34,443.8	0.0	0.0		18,191.3	891,145.6
2007 01	943,846.9	33,696.0	0.0	0.0		18,467.0	996,009.9
02	972,479.6	33,696.0	0.0	0.0		19,679.3	1,025,854.9
03	1,029,211.1	33,696.0	0.0	0.0		22,209.6	1,085,116.7
04	1,076,529.0	33,696.0	0.0	0.0		22,074.1	1,132,299.1
05	1,130,451.9	33,696.0	0.0	0.0		22,032.7	1,186,180.6
06	1,170,561.4	33,696.0	0.0	0.0		19,960.9	1,224,218.4
07	1,255,572.7	23,696.0	0.0	0.0		18,107.1	1,297,375.9
08	1,265,794.2	23,696.0	0.0	0.0		18,715.9	1,308,206.1
09	1,275,409.0	23,696.0	0.0	0.0		21,886.0	1,320,991.0
10	1,267,962.8	23,696.0	0.0	0.0		21,541.1	1,313,200.0
11	1,217,685.1	23,696.0	0.0	0.0		22,108.3	1,263,489.4
12	1,173,166.2	0.0	0.0	0.0		18,549.7	1,191,715.9
2008 01	1,232,818.1	0.0	0.0	0.0		17,554.4	1,250,372.5
02	1,221,757.0	0.0	0.0	0.0		18,720.5	1,240,477.5
03	1,178,447.8	0.0	0.0	0.0		21,282.6	1,199,730.4
04	1,189,363.1	0.0	0.0	0.0		23,149.1	1,212,512.1
05	1,136,918.2	0.0	0.0	0.0		23,599.5	1,160,517.8
06	1,133,869.4	0.0	0.0	0.0		16,774.4	1,150,643.8
07	1,187,902.0	0.0	0.0	0.0		17,231.1	1,205,133.1
08	1,074,746.6	0.0	0.0	0.0		64,223.7	1,138,970.3
09	1,012,420.1	0.0	0.0	0.0		53,526.4	1,065,946.5
10	866,902.6	0.0	0.0	0.0		92,333.7	959,236.3
11	735,925.9	0.0	0.0	0.0		185,098.2	921,024.1
12	836,153.7	25,563.5	0.0	0.0		243,076.9	1,104,794.0
2009 01	766,329.1	25,813.7	0.0	0.0		244,339.1	1,036,481.9
02	777,765.2	86,887.7	0.0	0.0		250,443.6	1,115,096.5
03	796,730.1	87,471.2	0.0	0.0		234,104.9	1,118,306.2
04	899,360.7	191,881.0	0.0	0.0		208,137.1	1,299,378.8
05	928,588.8	197,086.9	0.0	0.0		152,093.6	1,277,769.3
06	1,126,806.0	254,144.2	0.0	0.0		152,501.5	1,533,451.6
07	1,193,901.1	255,774.0	0.0	0.0		142,133.6	1,591,808.8
08	1,378,905.0	252,944.7	0.0	0.0		142,521.0	1,774,370.7
09	1,517,945.3	227,935.9	0.0	0.0		156,188.1	1,902,069.3
10	1,800,892.1	227,715.5	0.0	0.0		156,293.6	2,184,901.1
11	1,875,680.8	234,597.2	0.0	0.0		193,487.4	2,303,765.4
12	1,917,594.4	432,755.2	0.0	0.0		198,448.4	2,548,798.0
2010 01	1,898,660.0	432,428.2	0.0	0.0		191,328.9	2,522,417.1
02	1,842,478.8	345,810.0	0.0	0.0		199,276.6	2,387,565.4
03	1,784,423.2	398,850.3	0.0	0.0		171,068.3	2,354,341.7
04	1,931,053.1	306,883.4	0.0	0.0		161,224.4	2,399,160.9
05	1,917,379.6	309,028.0	0.0	0.0		159,741.3	2,386,148.9
06	1,945,617.6	311,712.6	0.0	0.0		157,739.6	2,415,069.8
07	2,001,427.4	329,235.8	0.0	0.0		158,061.4	2,488,724.7
08	2,094,258.2	318,177.4	0.0	0.0		153,567.7	2,566,003.3
09	2,199,418.9	327,109.1	0.0	0.0		154,207.9	2,680,735.9
10	2,375,193.3	321,963.2	0.0	0.0		154,011.4	2,851,167.9
11	2,354,477.0	309,956.3	0.0	0.0		132,937.9	2,797,371.3
12	2,875,159.1	311,387.4	0.0	0.0		131,316.3	3,317,862.9



## Balance sheet of Monetary Authorities (for Monetary Survey)

*in millions of togrogs*

End-of-period	Monetary base	Of which					Time Savings & deposits in FC
		Currency outside banks	Banks' cash	Banks' deposits	Private sector deposits	Public sector deposits	
1991 12	2,068.1	1,694.3	308.7	37.8	0.0	27.3	0.1
1992 12	5,316.2	1,839.2	1,057.2	2,408.6	0.0	11.2	
1993 12	14,277.1	8,750.6	2,035.5	3,450.4		40.6	0.0
1994 12	29,139.1	18,767.2	3,037.6	7,334.3		0.0	0.0
1995 09	35,430.5	25,034.7	3,886.4	6,509.4		0.0	0.0
1995 12	37,507.7	25,591.2	4,141.9	7,774.6		0.0	0.0
1996 12	51,210.2	41,704.4	4,391.4	5,114.4			
1997 12	63,017.1	49,768.3	7,048.2	6,200.6			
1998 12	74,778.7	56,445.8	5,308.4	13,024.5			
1999 12	112,073.6	87,281.3	4,286.2	20,506.1			
2000 12	132,932.4	100,933.4	6,461.0	25,538.0			
2001 12	143,785.4	109,160.7	10,045.1	24,579.6			
2002 12	175,305.4	120,783.6	13,859.2	40,662.6			
2003 12	200,795.5	131,496.7	21,329.9	47,968.8			
2004 12	234,905.4	143,512.7	25,008.4	66,384.3			
2005 12	281,236.3	152,369.5	39,318.8	89,548.0			
2006 12	381,792.0	185,126.7	59,931.8	136,733.5			
2007 01	383,588.8	174,236.5	50,328.3	159,024.0			
02	401,314.0	167,635.8	56,845.3	176,832.9			
03	431,034.1	216,156.2	48,655.8	166,222.0			
04	496,012.3	251,693.5	60,681.3	183,637.6			
05	521,640.5	267,387.9	55,417.7	198,834.9			
06	514,656.9	262,423.4	57,355.8	194,877.7			
07	483,436.0	266,735.2	58,274.9	158,425.9			
08	454,220.3	290,167.8	61,384.0	102,668.5			
09	454,286.5	267,321.2	66,011.4	120,953.9			
10	439,776.4	263,964.6	59,080.5	116,731.4			
11	415,073.6	261,749.3	61,846.4	91,477.8			
12	535,047.7	283,325.3	80,695.9	171,026.5			
2008 01	471,407.0	265,937.0	72,457.0	133,013.0			
02	434,145.2	245,276.5	64,695.7	124,173.0			
03	447,109.3	256,681.7	71,723.1	118,704.4			
04	489,337.1	273,465.9	70,569.7	145,301.5			
05	531,285.6	303,759.6	69,790.2	157,735.8			
06	505,056.2	307,790.8	79,868.9	117,396.5			
07	535,979.9	301,239.1	68,346.0	166,394.7			
08	529,024.4	323,227.4	72,379.9	133,417.1			
09	512,573.6	286,146.0	74,853.2	151,574.4			
10	476,188.5	262,515.5	66,750.0	146,923.0			
11	491,052.8	262,999.8	67,889.9	160,163.2			
12	633,682.0	328,724.0	78,431.5	226,526.5			
2009 01	578,299.5	278,335.9	68,239.5	231,724.0			
02	648,330.2	305,664.2	91,568.5	251,097.6			
03	587,775.2	272,600.7	65,620.1	249,554.4			
04	536,077.4	287,660.5	67,893.1	180,523.8			
05	556,513.7	308,010.7	73,087.0	175,416.0			
06	749,832.2	283,798.8	73,901.0	392,132.3			
07	659,996.6	274,273.9	76,311.0	309,411.8			
08	695,029.1	300,428.7	83,638.1	310,962.3			
09	658,907.5	282,417.7	81,011.2	295,478.6			
10	730,344.2	274,566.4	85,031.6	370,746.2			
11	601,419.1	278,593.0	85,261.1	237,565.0			
12	733,060.9	284,993.9	86,783.7	361,283.4			
2010 01	626,879.8	260,504.7	90,168.6	276,206.5			
02	663,152.9	258,174.4	92,527.5	312,451.0			
03	678,070.5	294,328.0	88,523.7	295,218.7			
04	745,982.6	339,652.7	103,686.8	302,643.2			
05	712,997.6	356,869.5	103,974.4	252,153.7			
06	838,829.6	348,905.7	97,028.9	392,895.0			
07	773,709.3	344,483.7	106,355.5	322,870.1			
08	738,649.3	354,555.4	111,421.3	272,672.5			
09	778,315.0	343,777.0	107,371.2	327,166.8			
10	807,334.9	352,735.2	108,047.7	346,552.0			
11	772,744.6	350,639.0	120,918.8	301,186.8			
12	945,477.3	388,202.7	130,144.9	427,129.7			

## Balance sheet of Monetary Authorities (for Monetary Survey)

*in millions of togrogs*

End-of-period	Central Bank bills (net)	Foreign liabilities	Long-term foreign liabilities	General Government deposits	Government lending loans	Capital accounts	Other items (net)	Total liabilities
1991 12		0.0	10.7	784.4		3,070.4	-2,331.4	3,602.3
1992 12		0.0	13.9	1,201.8		3,264.3	-1,429.9	8,366.3
1993 12	1,500.0	15,219.8	7,790.9	638.6		1,479.9	-7,885.0	33,021.3
1994 12	2,106.0	25,632.2	7,054.6	2,465.1		3,047.0	-10,068.3	59,375.7
1995 09	605.0	21,099.4	14,779.9	4,038.9		6,933.7	-24,515.1	58,372.3
1995 12	830.0	21,587.2	14,176.2	1,649.5		8,339.5	-21,370.9	62,719.2
1996 12	0.0	28,711.7	11,121.4	8,388.0		15,342.7	-1,375.5	113,398.5
1997 12	19,055.0	32,501.3	3,659.2	12,819.9		25,295.0	-11,597.6	144,749.9
1998 12	11,697.0	36,551.3		2,908.1		40,082.5	-11,139.0	154,878.6
1999 12	21,200.0	43,952.9		4,821.7		37,843.8	-10,545.4	209,346.6
2000 12	21,080.0	55,057.8		17,940.0		42,815.4	-35,077.1	234,748.6
2001 12	50,000.0	51,342.2		16,930.5		41,152.0	-53,280.8	249,929.2
2002 12	61,000.0	47,610.0		33,516.6		33,357.1	-39,858.7	310,930.5
2003 12	79,500.0	86,878.2		91,713.9		41,156.1	-85,004.7	415,039.0
2004 12	69,247.1 <sup>1</sup>	53,431.7		53,025.8		32,033.9	-62,680.6	379,963.3
2005 12	125,713.2	42,901.8	3,181.0	90,298.2	17,272.7	45,930.7	-74,796.5	531,737.3
2006 12	70,845.1	35,821.7	5,099.1	405,129.0	18,765.0	36,796.1	-63,102.5	891,145.6
2007 01	72,774.9	34,478.0	5,093.6	509,013.6	18,626.3	40,939.3	-68,504.5	996,009.9
02	97,938.3	33,662.0	5,115.5	513,965.7	17,457.3	50,101.9	-93,699.8	1,025,854.9
03	129,300.2	34,017.1	5,091.3	500,790.6	17,577.9	50,395.0	-83,089.5	1,085,116.7
04	99,413.1	35,240.0	5,075.5	532,588.2	17,097.1	53,788.5	-106,915.7	1,132,299.1
05	116,610.9	35,547.0	6,444.9	523,784.1	17,013.1	51,687.6	-86,547.4	1,186,180.6
06	119,666.9	33,740.2	6,449.4	578,969.3	16,712.5	47,356.5	-93,333.3	1,224,218.4
07	199,530.5	34,152.1	6,474.4	616,321.4	14,670.6	58,396.6	-115,605.8	1,297,375.9
08	155,106.4	34,860.9	6,457.5	661,975.8	17,548.1	80,513.3	-102,476.3	1,308,206.1
09	127,739.5	35,237.2	6,366.8	698,368.6	18,375.0	100,439.1	-119,821.7	1,320,991.0
10	140,881.7	35,095.6	6,300.7	707,713.8	17,242.1	111,581.3	-145,391.7	1,313,200.0
11	168,698.3	35,394.8	6,320.9	724,004.0	17,779.4	125,505.5	-229,287.2	1,263,489.4
12	103,424.8	29,604.1	6,065.7	606,580.3	17,620.0	108,427.0	-215,053.7	1,191,715.9
2008 01	98,175.7	28,982.6	6,044.8	622,085.6	16,709.8	142,293.3	-135,326.3	1,250,372.5
02	138,898.0	29,171.6	5,987.5	573,102.1	17,021.4	155,152.3	-113,000.6	1,240,477.5
03	95,299.9	29,913.7	5,898.5	567,741.6	17,574.0	157,044.9	-120,851.3	1,199,730.4
04	56,087.4	28,752.3	5,877.0	569,220.1	16,576.0	146,324.1	-99,661.9	1,212,512.1
05	58,315.1	28,650.1	5,796.0	498,016.9	16,563.9	146,300.2	-124,410.1	1,160,517.8
06	63,941.8	27,402.6	5,816.0	528,287.6	16,260.0	147,559.2	-143,679.5	1,150,643.8
07	67,753.7	26,243.9	5,923.0	551,479.1	18,364.1	141,548.8	-142,159.5	1,205,133.1
08	43,329.5	25,266.1	5,848.0	553,371.9	17,383.8	106,513.2	-141,766.5	1,138,970.3
09	41,181.9	25,126.2	5,595.0	504,819.8	16,790.9	104,152.9	-144,293.9	1,065,946.5
10	44,753.5	23,104.9	5,269.9	461,283.4	15,517.9	70,817.6	-137,699.5	959,236.3
11	65,650.9	23,477.8	5,273.0	383,930.9	15,562.0	86,764.2	-150,687.6	921,024.1
12	119,786.0	25,563.5	5,666.0	208,445.7	18,122.4	157,961.7	-64,433.2	1,104,794.0
2009 01	60,924.8	25,813.7	5,758.0	222,096.6	18,495.5	197,723.7	-72,629.7	1,036,481.9
02	75,680.8	26,887.7	5,983.0	186,170.6	19,458.1	232,205.2	-79,619.2	1,115,096.5
03	126,730.3	26,324.0	6,126.7	193,338.9	20,449.5	247,872.1	-90,310.4	1,118,306.2
04	179,937.1	131,881.0	5,566.4	289,274.8	18,775.8	211,173.6	-73,307.3	1,299,378.8
05	159,251.6	137,086.9	5,796.6	282,133.4	19,767.1	220,365.1	-103,145.1	1,277,769.3
06	143,996.1	194,144.2	5,881.8	312,564.0	19,879.3	220,811.1	-113,657.1	1,533,451.6
07	202,718.9	195,774.0	5,956.4	374,920.1	20,198.0	234,221.8	-101,976.9	1,591,808.8
08	234,854.5	192,945.0	90,228.8	444,203.2	20,168.5	222,711.9	-125,770.4	1,774,370.7
09	356,599.2	227,935.9	115,671.1	415,728.5	20,421.0	222,673.8	-115,867.7	1,902,069.3
10	368,010.7	227,715.5	115,984.3	597,677.0	20,592.0	224,592.4	-100,014.9	2,184,901.1
11	452,364.2	234,597.2	119,491.3	580,692.8	21,115.6	247,337.7	46,747.5	2,303,765.4
12	392,511.8	262,755.2	116,091.5	698,141.9	20,205.4	223,387.3	102,643.8	2,548,798.0
2010 01	512,803.8	262,428.2	116,740.8	766,409.8	19,995.3	226,188.6	-9,029.3	2,522,417.1
02	532,378.9	255,975.7	113,820.9	599,116.8	19,177.2	205,065.0	-1,122.0	2,387,565.4
03	492,724.7	269,849.7	106,522.6	655,818.0	18,075.6	129,578.4	3,702.3	2,354,341.7
04	443,658.3	267,880.1	106,094.7	671,062.9	17,866.0	125,457.2	21,239.2	2,399,160.9
05	504,084.8	263,981.6	104,538.9	657,491.8	16,923.1	118,794.1	7,337.0	2,386,148.9
06	556,581.7	262,363.5	103,872.6	607,363.1	16,456.8	101,721.0	-72,118.4	2,415,069.8
07	526,269.7	266,186.7	105,300.9	690,296.2	17,251.7	101,671.9	8,038.3	2,488,724.7
08	605,765.3	254,824.4	100,818.2	783,066.1	16,247.5	33,164.4	-11,471.7	2,566,003.3
09	660,294.5	263,753.4	104,947.4	796,211.3	17,499.9	74,312.0	-14,597.7	2,680,735.9
10	872,857.3	258,607.5	103,217.2	823,137.3	19,034.8	21,368.9	-54,390.0	2,851,167.9
11	959,170.0	246,595.0	98,445.4	863,296.4	17,873.9	-54,879.2	-105,874.8	2,797,371.3
12	1,100,996.9	247,230.3	98,876.7	802,965.9	17,781.0	-43,552.7	148,087.4	3,317,862.9



Balance sheet of Other depository corporations (for Monetary Survey)

(in millions of togrogs)

End-of-period	Reserves	Central Bank bills	Foreign assets	General Government	Claims on		Other financial institutions
					Of which:		
					Central Government	Local Government	
1991 12	345.5		3,214.6	5.0			
1992 12	3,023.5		2,090.6	99.9			
1993 12	5,690.3	1,500.0	16,325.2	232.7			
1994 12	10,319.1	2,106.0	17,271.4	737.4			
1995 09	11,593.9	605.0	23,553.8	1,563.5			
1995 12	12,531.2	830.0	25,412.1	642.6			
1996 12	6,851.1	0.0	43,254.0	12,534.8			
1997 12	13,456.7	19,055.0	66,415.6	35,450.8			
1998 12	17,920.6	11,697.0	26,115.7	38,328.4			
1999 12	24,167.2	21,203.9	41,710.6	39,268.8			
2000 12	31,996.5	22,846.7	53,211.3	40,059.5			
2001 12	34,606.2	49,904.7	52,338.6	32,457.8			
2002 12	54,500.5	60,995.0	70,715.8	30,742.6			
2003 12	69,464.8	75,989.3	157,070.1	46,905.0			
2004 12	88,486.5	69255.6 <sup>1</sup>	165,806.3	31,225.8	31,225.8		455.1
2005 12	126,032.7	125,677.9	256,492.7	3,167.1	3,167.1		498.8
2006 12	190,204.6	70,813.9	410,185.2	4,887.4	4,887.4		1,597.1
2007 01	214,585.9	72,739.5	354,748.7	2,002.0	2,002.0		1,531.0
02	223,540.1	97,784.6	343,182.1	2,526.6	2,526.6		2,588.9
03	203,337.7	129,164.6	353,732.8	3,384.4	3,384.4		2,605.8
04	226,942.0	99,097.0	399,238.3	13,368.4	13,368.4		2,834.0
05	245,902.3	116,417.7	419,417.0	16,880.8	16,880.8		2,451.4
06	229,610.1	119,467.0	383,224.9	23,557.5	23,557.5		2,437.1
07	202,694.4	199,215.2	346,082.9	31,475.6	31,475.6		1,349.8
08	151,384.9	154,863.6	385,409.9	35,177.7	35,177.7		1,890.8
09	177,148.8	126,849.3	382,443.6	39,890.9	39,890.9		2,025.3
10	170,845.6	139,966.1	414,971.6	46,048.6	46,048.6		2,846.7
11	140,573.9	168,055.6	382,192.3	41,260.1	41,260.1		2,747.5
12	251,712.4	102,798.4	423,587.1	24,102.2	24,102.2		2,828.5
2008 01	205,180.2	97,838.2	358,548.5	20,404.4	20,404.4		3,568.9
02	185,247.4	138,466.1	391,225.0	19,702.2	19,702.2		3,990.8
03	192,361.8	95,095.9	418,158.1	12,055.6	12,055.6		5,723.8
04	215,811.6	55,629.4	410,385.4	4,797.6	4,797.6		9,492.7
05	227,402.9	57,888.1	444,123.8	4,798.1	4,798.1		7,729.6
06	198,414.7	63,328.4	453,862.4	6,260.2	6,260.2		8,520.5
07	236,464.6	67,578.2	515,034.1	7,087.5	7,087.5		7,459.0
08	212,078.4	43,177.4	449,548.1	7,325.5	7,325.5		5,064.2
09	229,614.5	41,088.1	432,265.0	7,550.3	7,550.3		4,442.2
10	213,673.5	44,710.4	376,266.3	8,858.2	8,858.2		5,227.2
11	230,280.9	65,665.2	337,847.8	9,135.0	9,135.0		4,497.8
12	304,507.1	119,723.3	294,472.1	2,503.9	2,503.9		3,412.1
2009 01	299,336.7	60,882.2	312,060.1	2,583.8	2,583.8		3,934.3
02	342,342.1	75,768.0	386,948.1	3,336.3	3,336.3		3,278.4
03	315,174.5	126,712.2	410,285.9	3,060.4	3,060.4		4,039.9
04	248,416.9	179,946.6	390,891.9	2,221.0	2,221.0		4,078.1
05	248,607.0	159,379.0	469,964.7	2,522.2	2,522.2		4,385.7
06	466,039.8	143,993.5	431,398.8	3,331.0	3,331.0		3,767.8
07	385,698.3	202,720.1	522,101.7	3,848.0	3,848.0		4,021.2
08	392,369.7	234,870.0	497,368.4	4,359.1	4,359.1		5,155.8
09	376,575.3	356,697.2	445,918.4	4,295.0	4,295.0		4,274.1
10	455,017.0	367,667.9	407,106.4	12,731.4	12,731.4		4,310.8
11	444,401.6	452,023.6	413,429.7	12,912.4	12,912.4		4,845.3
12	628,426.0	392,215.0	405,127.7	9,185.9	9,185.9		4,711.2
2010 01	439,212.0	512,936.1	381,768.5	76,818.8	76,818.8		3,827.1
02	470,444.5	532,589.7	449,896.2	77,702.4	77,702.4		4,942.8
03	465,768.5	492,134.4	367,457.9	78,820.9	78,820.9		12,013.7
04	509,264.5	442,576.3	437,822.7	164,297.5	164,297.5		11,883.5
05	453,067.6	502,878.9	438,490.4	143,278.7	143,278.7		10,470.7
06	524,140.2	555,346.0	553,985.3	109,608.8	109,608.8		11,354.6
07	557,492.8	526,061.0	490,134.6	109,891.5	109,891.5		10,436.2
08	462,201.8	650,663.6	479,584.6	110,456.8	110,456.8		11,083.2
09	525,648.5	660,234.7	552,922.2	119,342.5	119,342.5		11,745.6
10	518,518.5	873,359.7	576,959.3	120,949.4	120,949.4		11,778.3
11	453,277.8	960,949.4	595,313.6	119,608.1	119,608.1		12,458.1
12	770,995.4	1,102,827.6	655,876.3	79,024.9	79,024.9		14,067.6

Balance sheet of Other depository corporations (for Monetary Survey)

(in millions of togrogs)

End-of-period	Public sector	Private sector	Individuals	Other	Unclassified loans	Total assets
1991 12	9,779.6	3,072.5				16,417.2
1992 12	12,204.2	6,924.4				24,342.6
1993 12	21,744.4	9,850.1				55,342.7
1994 12	12,193.3	40,631.5			132.1	83,390.8
1995 09	8,892.2	55,289.7			145.6	101,643.7
1995 12	10,883.3	51,652.0			185.7	102,136.9
1996 12	9,006.9	22,851.8			32,947.9	127,446.5
1997 12	7,804.7	28,112.6			14,457.7	184,753.1
1998 12	9,335.5	43,667.5			32,638.9	179,703.6
1999 12	3,999.1	31,408.6			42,106.7	203,865.0
2000 12	5,378.3	45,482.9			15,895.6	214,870.8
2001 12	9,534.4	114,670.4			10,865.9	304,377.9
2002 12	11,318.3	203,567.2			16,564.2	448,403.7
2003 12	15,647.4	365,024.4			36,700.0	766,800.9
2004 12	13,125.7	65,057.9	210,931.1	17,228.9		892,317.2
2005 12	34,169.2	489,064.7	321,606.8	14,512.4		1,371,222.2
2006 12	36,731.6	659,019.3	507,570.0	18,369.3		1,899,378.5
2007 01	34,991.1	692,193.1	530,832.8	20,616.4		1,924,240.5
02	36,437.9	731,510.3	543,075.1	20,470.9		2,001,116.5
03	38,207.6	776,783.7	566,658.6	20,317.5		2,094,192.6
04	36,051.3	835,943.2	581,557.9	21,220.4		2,216,252.7
05	23,141.8	874,857.8	590,818.0	18,469.5		2,308,356.2
06	25,409.5	937,067.2	616,179.5	19,127.4		2,356,080.2
07	21,653.4	954,650.4	643,527.9	19,189.0		2,419,838.6
08	23,436.7	1,061,048.0	701,676.5	20,056.9		2,534,945.1
09	22,979.8	1,081,407.4	733,341.1	19,367.3		2,585,453.5
10	20,139.3	1,115,052.5	772,387.8	19,252.6		2,701,510.8
11	18,132.7	1,121,277.0	798,409.3	20,512.1		2,693,160.5
12	27,331.8	1,166,149.5	838,778.5	20,972.4		2,858,261.0
2008 01	32,307.5	1,183,043.6	893,461.6	21,065.0		2,815,418.0
02	31,830.7	1,261,279.5	912,735.6	20,677.4		2,965,154.7
03	31,726.2	1,287,578.5	987,330.7	23,569.6		3,053,600.3
04	22,429.4	1,348,231.4	1,032,513.9	23,863.1		3,123,154.5
05	10,826.0	1,422,272.7	1,022,715.5	24,051.1		3,221,807.6
06	10,977.9	1,472,125.9	1,031,501.6	36,307.1		3,281,298.7
07	14,331.2	1,491,902.6	1,042,917.5	36,916.6		3,419,691.4
08	17,206.9	1,530,246.2	1,086,846.2	45,912.3		3,397,405.2
09	19,053.9	1,556,911.6	1,090,062.8	46,388.1		3,427,376.6
10	18,413.0	1,555,213.6	1,070,006.2	42,423.6		3,334,792.1
11	23,977.7	1,553,081.3	1,051,091.4	35,471.0		3,311,048.2
12	34,794.6	1,570,398.9	1,013,694.2	13,251.7		3,356,758.0
2009 01	26,411.5	1,631,658.9	995,905.1	14,084.4		3,346,857.1
02	25,436.3	1,653,170.0	989,544.2	13,872.6		3,493,696.0
03	26,158.4	1,672,342.0	963,525.9	5,660.2		3,526,959.6
04	22,441.4	1,617,792.1	930,567.3	5,360.5		3,401,715.8
05	21,635.9	1,607,257.3	894,662.2	6,965.9		3,415,379.8
06	20,199.9	1,653,214.5	875,248.8	6,498.8		3,603,692.8
07	27,764.4	1,662,311.1	880,152.4	6,529.6		3,695,146.7
08	26,099.5	1,639,487.7	911,531.9	6,554.1		3,717,796.3
09	24,402.5	1,663,783.5	924,277.4	14,197.1		3,814,420.7
10	23,089.8	1,652,200.0	928,245.8	10,139.9		3,860,509.0
11	21,492.9	1,693,188.3	901,729.8	10,774.9		3,954,798.4
12	20,429.4	1,716,253.8	904,892.3	8,713.7		4,089,955.1
2010 01	20,422.8	1,720,862.3	920,916.9	8,415.5		4,085,179.9
02	19,615.3	1,724,255.4	953,654.9	13,282.6		4,246,383.7
03	16,948.8	1,760,220.7	964,035.3	15,329.8		4,172,729.9
04	16,589.3	1,754,070.2	972,219.7	10,108.4		4,318,832.1
05	15,245.7	1,815,477.0	1,001,587.6	9,936.5		4,390,433.0
06	15,592.9	1,806,502.8	1,038,929.1	10,250.0		4,625,709.7
07	32,651.1	1,844,147.8	1,075,174.1	9,584.2		4,655,573.2
08	34,614.5	1,789,347.8	1,177,478.7	9,520.5		4,724,951.6
09	37,686.6	1,808,074.9	1,218,394.9	9,450.1		4,943,500.0
10	38,336.0	1,797,039.9	1,233,809.4	9,326.8		5,180,077.4
11	36,873.6	1,783,352.2	1,270,186.9	9,623.5		5,241,643.3
12	17,073.9	1,854,774.6	1,369,232.5	9,629.5		5,873,502.2

### Balance sheet of Other depository corporations (for Monetary Survey)

(in millions of togrogs)

End-of-period	Demand deposits in DC	Time savings deposits and demand deposits in FC	Foreign liabilities	Long-term foreign liabilities	General Government deposits
1991 12	5,592.1	2,601.1	4,708.2	1,971.0	1,186.3
1992 12	5,789.8	5,412.1	4,316.0	3,809.5	1,949.8
1993 12	9,757.2	24,215.8	3,325.3	1,303.5	7,496.7
1994 12	14,104.0	43,905.8	4,528.9	397.5	8,450.7
1995 09	16,859.0	62,986.3	7,795.0	0.0	13,726.8
1995 12	17,045.3	59,408.2	6,659.7	0.0	16,654.6
1996 12	22,597.2	64,093.7	8,620.1	0.0	22,587.7
1997 12	26,340.6	93,956.6	12,246.3	0.0	33,258.4
1998 12	26,136.2	84,667.6	7,173.0	12,800.4	20,081.2
1999 12	27,544.4	105,341.3	4,111.7	5,682.5	24,125.8
2000 12	29,841.6	128,067.7	1,693.0	4,173.2	24,607.1
2001 12	46,994.6	174,908.9	2,220.1	6,603.8	35,926.8
2002 12	66,944.1	282,397.8	4,755.2	11,718.8	29,665.3
2003 12	81,336.7	490,499.0	7,328.5	44,100.0	22,719.8
2004 12	77,814.9	625,704.9	44,827.4	8,873.8	42,993.6
2005 12	116,754.9	871,014.4	43,775.8	11,056.1	103,089.0
2006 12	146,776.7	1,204,590.0	68,501.0	7,501.4	112,084.7
2007 01	160,760.5	1,221,013.9	150,582.5	7,539.6	98,498.4
02	174,961.0	1,285,170.9	154,685.8	7,449.9	81,089.8
03	185,342.4	1,345,255.8	161,886.1	7,485.3	81,975.7
04	203,425.7	1,428,505.6	167,529.6	8,547.4	101,603.7
05	222,905.2	1,475,801.1	178,552.4	8,108.1	106,851.5
06	239,800.0	1,513,866.8	188,443.0	8,488.3	100,754.9
07	230,308.7	1,597,615.7	193,240.0	8,709.6	99,393.7
08	245,300.7	1,659,946.0	196,929.8	7,215.4	122,510.4
09	248,111.1	1,676,505.5	199,665.7	7,060.4	133,166.9
10	259,469.8	1,740,922.4	206,863.9	6,832.2	134,421.6
11	258,182.7	1,715,148.7	207,697.5	6,256.2	139,531.8
12	307,146.3	1,810,778.1	202,962.6	6,074.8	144,049.9
2008 01	285,946.5	1,755,432.1	215,628.5	6,445.5	175,861.4
02	303,907.0	1,868,412.7	228,909.3	6,323.7	166,979.2
03	321,025.8	1,877,439.7	255,828.2	7,270.1	176,808.0
04	310,184.3	1,883,037.6	304,250.1	7,411.0	209,588.1
05	316,850.2	1,896,008.5	308,533.6	7,088.5	246,869.8
06	317,103.3	1,939,790.0	323,763.8	7,398.7	283,748.6
07	322,808.4	1,971,535.5	386,137.9	10,113.1	297,043.3
08	318,989.5	1,934,607.7	387,631.2	10,261.6	250,328.1
09	317,327.3	1,921,537.3	368,351.7	10,170.2	290,908.1
10	298,737.1	1,796,456.5	380,030.2	10,568.3	289,439.5
11	285,309.5	1,693,506.8	375,065.0	11,372.7	278,140.4
12	318,611.3	1,622,666.2	407,335.3	8,582.8	393,196.7
2009 01	256,932.2	1,665,977.3	427,347.0	8,470.5	375,295.8
02	244,222.4	1,764,924.4	463,182.6	9,046.2	394,246.6
03	238,786.1	1,841,171.2	470,254.0	7,995.6	399,123.8
04	230,237.3	1,823,929.6	411,895.5	8,019.9	390,307.2
05	251,133.8	1,845,529.7	400,567.3	9,918.8	413,328.8
06	260,583.2	1,894,865.5	404,002.4	9,933.7	526,074.8
07	247,557.9	1,987,939.3	407,816.6	14,632.7	539,436.2
08	296,711.4	1,966,857.2	396,709.8	21,558.2	525,678.9
09	340,289.6	2,030,707.4	344,133.9	25,362.4	517,436.1
10	334,211.8	2,062,242.6	345,596.9	25,370.9	527,296.5
11	322,000.4	2,114,668.4	367,751.5	25,712.0	516,661.5
12	366,253.2	2,228,786.8	385,141.9	25,456.6	460,925.3
2010 01	369,196.2	2,241,310.1	325,968.7	25,607.6	427,613.9
02	369,723.1	2,353,955.3	328,073.1	25,493.6	443,570.5
03	398,675.0	2,281,480.3	308,207.7	25,449.2	450,740.4
04	414,647.2	2,408,657.9	318,338.8	25,486.9	485,510.9
05	439,102.1	2,458,107.6	317,270.2	25,392.5	462,558.1
06	491,026.3	2,683,675.2	306,689.7	25,469.2	412,789.1
07	482,178.7	2,716,472.8	293,449.0	25,071.7	418,752.2
08	577,480.8	2,725,373.0	278,715.8	18,404.3	410,790.8
09	615,319.2	2,892,619.1	268,090.6	16,525.3	436,747.7
10	647,840.2	2,872,484.9	454,249.4	15,830.0	456,636.1
11	645,107.4	2,943,893.7	437,326.4	15,715.9	462,446.7
12	769,415.2	3,522,363.5	424,894.9	20,747.8	422,243.3

### Balance sheet of Other depository corporations (for Monetary Survey)

(in millions of togrogs)

End-of-period	Of which		Credits from Central bank	Capital accounts	Other items (net)	Total liabilities
	Central Government deposits	Local Government deposits				
1991 12			1,522.6	1,687.9	-2,852.0	16,417.2
1992 12			6,287.6	2,641.8	-5,864.0	24,342.6
1993 12			5,390.9	7,291.8	-3,438.5	55,342.7
1994 12			10,151.8	12,784.2	-10,932.1	83,390.8
1995 09			9,134.2	15,105.1	-23,962.7	101,643.7
1995 12			7,401.9	16,998.1	-22,030.9	102,136.9
1996 12			10,890.1	-13,538.2	12,195.9	127,446.5
1997 12			762.5	16,770.0	1,418.7	184,753.1
1998 12			4,459.0	7,061.1	17,325.1	179,703.6
1999 12			2,074.8	4,565.4	30,419.0	203,865.0
2000 12			0.0	29,947.6	-3,459.4	214,870.8
2001 12			4,094.5	47,173.0	-13,543.9	304,377.9
2002 12			4,326.9	61,289.3	-12,693.8	448,403.7
2003 12			12,839.3	110,392.5	-2,415.0	766,800.9
2004 12	38,478.0	4,515.6	23,838.2	167,101.1	-98,836.5	892,317.2
2005 12	100,064.2	3,024.9	18,149.8	207,075.7	306.4	1,371,222.2
2006 12	104,842.2	7,242.4	19,092.3	294,780.0	46,052.5	1,899,378.5
2007 01	88,566.1	9,932.2	19,380.3	291,779.9	-25,314.5	1,924,240.5
02	71,404.7	9,685.1	20,997.7	294,162.4	-17,401.0	2,001,116.5
03	74,117.5	7,858.1	23,520.2	301,470.2	-12,743.0	2,094,192.6
04	90,942.5	10,661.2	23,387.4	307,336.2	-24,082.8	2,216,252.7
05	95,723.6	11,127.8	23,152.5	311,119.4	-18,134.0	2,308,356.2
06	90,253.5	10,501.3	21,158.5	318,872.0	-35,303.3	2,356,080.2
07	88,223.8	11,169.9	19,293.5	326,815.5	-55,538.2	2,419,838.6
08	111,946.9	10,563.5	19,752.0	335,073.6	-51,782.8	2,534,945.1
09	121,388.7	11,778.2	22,364.0	345,391.2	-46,811.2	2,585,453.5
10	122,616.6	11,805.1	21,964.5	354,670.3	-23,633.9	2,701,510.8
11	128,607.3	10,924.5	22,439.4	365,735.1	-21,830.7	2,693,160.5
12	137,127.9	6,921.9	18,935.9	376,385.6	-8,072.2	2,858,261.0
2008 01	163,199.0	12,662.4	17,940.7	383,491.0	-25,327.6	2,815,418.0
02	156,890.1	10,089.0	18,845.3	391,567.6	-19,790.0	2,965,154.7
03	168,475.0	8,333.0	21,353.0	404,061.1	-10,185.5	3,053,600.3
04	199,034.6	10,553.5	20,203.0	412,169.3	-23,688.8	3,123,154.5
05	234,347.0	12,522.8	18,528.4	419,970.1	7,958.6	3,221,807.6
06	272,811.3	10,937.3	16,902.0	426,620.7	-34,028.4	3,281,298.7
07	284,345.5	12,697.8	16,657.6	444,801.1	-29,405.5	3,419,691.4
08	239,005.2	11,322.9	66,182.9	448,806.5	-19,402.3	3,397,405.2
09	279,457.9	11,450.2	53,033.2	479,801.3	-13,752.6	3,427,376.6
10	279,386.6	10,052.9	91,588.6	485,380.0	-17,408.1	3,334,792.1
11	267,311.9	10,828.5	184,177.8	492,638.9	-9,163.0	3,311,048.2
12	386,092.7	7,104.0	227,137.5	340,566.4	38,661.8	3,356,758.0
2009 01	367,819.1	7,476.6	241,783.5	346,476.4	24,574.3	3,346,857.1
02	386,740.1	7,506.5	247,454.6	354,228.0	16,391.2	3,493,696.0
03	392,428.7	6,695.0	230,817.9	359,061.8	-20,250.9	3,526,959.6
04	385,135.1	5,172.1	209,923.8	352,584.9	-25,182.4	3,401,715.8
05	405,777.0	7,551.8	168,121.4	315,904.3	10,875.6	3,415,379.8
06	519,297.7	6,777.1	151,439.9	323,391.9	33,401.3	3,603,692.8
07	533,000.8	6,435.4	141,058.6	270,869.3	85,836.1	3,695,146.7
08	514,707.6	10,971.3	146,377.1	284,664.7	79,239.0	3,717,796.3
09	507,073.1	10,363.0	156,126.2	249,819.4	150,545.6	3,814,420.7
10	518,729.5	8,566.9	156,196.1	243,822.3	165,771.9	3,860,509.0
11	507,616.5	9,045.0	193,052.3	196,248.5	218,703.8	3,954,798.4
12	453,276.2	7,649.1	199,243.8	230,212.1	193,935.4	4,089,955.1
2010 01	419,479.4	8,134.5	191,254.6	219,361.4	284,867.4	4,085,179.9
02	436,315.0	7,255.5	199,303.2	264,594.9	261,670.1	4,246,383.7
03	445,182.2	5,558.2	182,542.6	263,691.1	261,943.8	4,172,729.9
04	477,691.5	7,819.4	161,186.4	267,770.6	237,233.3	4,318,832.1
05	455,230.7	7,327.4	159,696.7	267,397.9	260,907.9	4,390,433.0
06	405,547.9	7,241.2	157,739.6	295,498.7	252,821.8	4,625,709.7
07	409,384.7	9,367.5	158,059.7	290,255.9	271,333.2	4,655,573.2
08	402,684.5	8,106.3	156,553.6	290,172.5	267,460.7	4,724,951.6
09	428,759.2	7,988.5	154,185.6	295,613.9	264,398.7	4,943,500.0
10	449,416.5	7,219.6	160,986.8	313,104.9	258,945.0	5,180,077.4
11	453,885.0	8,561.7	132,905.9	380,901.1	223,346.2	5,241,643.3
12	416,363.6	5,879.7	140,320.8	393,541.1	179,975.5	5,873,502.2

Consumer price index

(in percent)

End-of-period <sup>1</sup>	Food & non-alcoholic beverages	Of which								Alcoholic beverages, tobacco	Clothing, footwear and cloths
		Foodstuffs	Of which						Non-alcoholic beverages		
			Bread, flour, cereals	Meat and meat products	Milk dairy products, & eggs	Sugar, jam, candy, and chocolate	Vegetables	Oils & fats			
				2005.12=100							
2005 12 <sup>1</sup>	41.08	39.52	9.92	16.51	3.55	1.61	4.12	2.27	1.56	2.26	12.38
2006 12	41.96	40.31	10.25	16.39	3.75	1.87	4.12	2.25	1.65	2.41	13.28
2007 12	52.26	50.55	13.87	19.75	4.47	1.87	4.75	3.66	1.72	2.38	13.56
2008 01	54.60	52.88	13.57	21.89	4.66	1.89	4.90	3.67	1.72	2.43	13.62
02	57.67	55.92	14.20	23.54	4.87	1.90	5.30	3.69	1.75	2.48	13.67
03	60.57	58.73	14.99	24.72	5.22	1.98	5.63	3.72	1.85	2.51	13.80
04	67.87	66.00	17.31	28.66	5.71	2.01	5.99	3.80	1.87	2.51	13.88
05	75.00	73.07	19.92	31.37	5.72	2.09	7.20	4.18	1.92	2.48	14.45
06	77.03	75.13	19.97	32.57	5.25	2.11	8.36	4.29	1.90	2.52	14.73
07	76.78	74.81	19.84	31.95	4.97	2.18	8.89	4.24	1.97	2.57	15.18
08	74.30	72.28	19.87	29.12	5.11	2.21	8.90	4.36	2.02	2.58	15.49
09	71.39	69.28	19.78	26.93	5.14	2.22	8.04	4.50	2.11	2.58	16.01
10	67.94	65.80	19.67	23.89	5.58	2.22	7.32	4.44	2.14	2.59	16.44
11	65.47	63.35	19.24	22.01	5.79	2.23	7.16	4.44	2.12	2.56	17.11
12	65.08	62.96	18.77	21.84	6.03	2.23	7.01	4.41	2.12	2.59	17.10
2009 01	65.68	63.51	18.68	22.04	6.20	2.26	7.21	4.40	2.17	2.70	17.06
02	66.28	64.06	18.71	22.19	6.35	2.28	7.42	4.38	2.21	2.78	16.71
03	69.62	67.34	19.12	24.40	6.38	2.51	9.09	4.39	2.28	2.85	16.73
04	72.91	70.50	19.51	26.28	6.59	2.72	8.03	4.37	2.41	2.89	16.71
05	74.73	72.32	19.41	28.05	6.49	2.73	8.29	4.35	2.41	3.04	16.70
06	73.07	70.78	19.15	27.65	5.61	2.73	8.43	4.27	2.29	3.11	16.71
07	71.25	68.96	19.12	25.28	5.29	2.76	9.29	4.26	2.29	3.13	16.81
08	68.95	66.63	19.26	23.11	5.09	2.86	9.13	4.21	2.32	3.15	16.96
09	66.15	63.79	19.21	21.30	5.30	3.05	7.71	4.24	2.36	3.15	17.39
10	64.26	61.89	19.06	19.94	5.66	3.05	7.01	4.22	2.37	3.15	17.46
11	64.63	62.24	18.86	20.36	6.18	3.04	6.90	4.17	2.38	3.17	17.67
12	64.76	62.34	18.85	20.14	6.37	3.04	6.96	4.18	2.42	3.17	17.71
2010 01	67.88	65.43	19.00	22.31	6.64	3.06	7.35	4.12	2.45	3.18	18.06
02	73.01	70.51	19.06	25.72	7.01	3.45	8.18	4.12	2.50	3.20	18.38
03	76.10	73.60	18.74	29.03	6.99	3.42	8.37	4.08	2.50	3.21	18.36
04	80.11	77.62	18.42	33.07	7.35	3.30	8.38	4.03	2.49	3.22	18.32
05	86.89	84.42	18.61	39.56	7.40	3.20	8.46	4.00	2.47	3.23	18.27
06	86.61	84.15	18.96	40.39	6.20	3.19	8.26	3.99	2.46	3.23	18.20
07	79.21	76.78	18.83	33.02	5.54	3.20	9.00	4.01	2.43	3.23	18.66
08	78.67	76.21	20.26	30.29	5.65	3.26	9.51	4.03	2.46	3.23	18.75
09	76.11	73.68	20.39	27.81	5.92	3.45	8.84	4.00	2.42	3.25	18.93
10	73.37	70.96	20.60	25.42	6.44	3.42	7.89	4.00	2.41	3.29	19.60
11	74.23	71.80	20.66	25.52	6.87	3.42	8.14	4.01	2.43	3.37	19.73
12	78.07	75.64	20.76	28.93	7.00	3.41	8.23	4.03	2.43	3.43	19.86

Source: Monthly Statistical Bulletin, NSC

<sup>2</sup>Since december 2000 the CPI calculation is based on the basket containing 239 consumer goods compared to205 in previous years.

<sup>3</sup>Since April 2006 the items in consumer basket updated to 287 and prices of December 2005 was taken as the base period.

Consumer price index (continued)

(in percent)

End-of-period <sup>1</sup>	Of which					Housing, water, electricity, and fuels	Of which		Furnish-ings, household equipment & tools	Medical care & services	Transport
	Clothing, cloth				Footwear		Water supply & miscella-neous services	Electricity, gas and other fuels			
		Men's clothing	Women's clothing	Children's clothing							
		2005.12=100									
2005 12 <sup>2</sup>	8.11	3.26	2.93	1.11	4.27	13.40	4.24	7.60	4.30	1.62	8.71
2006 12	8.84	3.54	3.21	1.22	4.45	14.70	5.18	7.91	4.64	1.77	9.57
2007 12	8.96	3.58	3.10	1.35	4.60	15.73	5.37	8.41	5.22	2.10	10.59
2008 01	9.03	3.59	3.14	1.36	4.59	15.48	5.36	8.11	5.24	2.13	10.60
02	9.11	3.63	3.16	1.37	4.56	16.01	5.37	8.65	5.28	2.13	10.57
03	9.19	3.66	3.19	1.39	4.62	15.53	5.37	8.15	5.51	2.18	10.91
04	9.27	3.71	3.24	1.37	4.61	15.45	5.37	8.05	5.62	2.48	10.91
05	9.74	3.86	3.44	1.48	4.71	15.32	5.37	7.75	5.72	2.51	10.99
06	9.95	3.98	3.55	1.49	4.78	15.65	5.37	8.11	5.76	2.52	11.11
07	10.35	4.24	3.63	1.53	4.83	16.76	5.37	9.03	5.83	2.52	11.38
08	10.64	4.34	3.70	1.63	4.85	17.82	5.37	10.02	5.86	2.55	14.84
09	10.82	4.42	3.73	1.69	5.19	19.30	5.80	10.93	5.95	2.70	15.05
10	11.06	4.47	3.83	1.76	5.38	19.11	5.83	10.56	6.02	2.68	14.85
11	11.35	4.62	3.91	1.77	5.75	18.45	5.83	9.90	6.00	2.69	14.63
12	11.35	4.62	3.91	1.76	5.74	18.45	5.83	9.90	5.99	2.68	14.17
2009 01	11.32	4.58	3.94	1.75	5.74	18.17	5.82	9.67	6.07	2.69	13.72
02	11.11	4.49	3.84	1.75	5.60	17.77	5.83	9.28	5.99	2.69	13.58
03	11.29	4.63	3.85	1.75	5.44	17.78	5.83	9.28	6.17	2.70	13.88
04	11.25	4.66	3.81	1.74	5.45	17.22	5.87	8.64	6.25	2.72	13.66
05	11.44	4.73	3.99	1.74	5.25	17.31	5.87	8.85	6.19	2.91	12.97
06	11.47	4.79	3.99	1.73	5.24	17.47	5.87	9.04	6.29	2.91	13.08
07	11.58	4.82	3.98	1.81	5.23	17.57	5.89	9.11	6.27	2.95	13.70
08	11.74	4.90	3.99	1.88	5.23	17.65	5.89	9.14	6.38	2.95	13.87
09	12.09	4.97	4.09	1.89	5.30	17.90	5.89	9.39	6.37	2.95	14.02
10	12.04	4.92	4.09	1.92	5.41	17.67	5.89	9.18	6.35	3.02	14.01
11	12.12	4.95	4.13	1.92	5.55	17.69	5.89	9.18	6.39	3.06	14.01
12	12.17	4.97	4.14	1.93	5.54	17.74	5.90	9.23	6.37	3.06	14.06
2010 01	12.25	5.00	4.17	1.94	5.81	18.06	6.12	9.34	6.38	3.07	14.06
02	12.40	5.06	4.24	1.96	5.98	18.02	6.29	9.12	6.39	3.05	13.99
03	12.37	5.07	4.22	1.94	5.99	17.68	6.29	8.81	6.37	3.07	14.19
04	12.56	5.23	4.23	1.96	5.77	17.69	6.29	8.81	6.44	3.09	14.20
05	12.55	5.20	4.24	2.00	5.73	17.66	6.29	8.93	6.45	3.09	14.45
06	12.49	5.20	4.22	1.96	5.72	18.40	6.29	9.66	6.45	3.11	14.28
07	12.88	5.36	4.26	2.15	5.78	18.44	6.29	9.69	6.47	3.11	14.26
08	12.93	5.35	4.28	2.18	5.82	19.59	7.32	9.71	6.51	3.12	14.24
09	13.11	5.46	4.32	2.19	5.82	19.54	7.32	9.63	6.50	3.12	14.25
10	13.29	5.53	4.36	2.20	6.31	19.58	7.32	9.60	6.65	3.17	14.24
11	13.32	5.56	4.36	2.21	6.41	19.94	7.32	9.96	6.68	3.17	14.32
12	13.38	5.57	4.40	2.21	6.48	19.96	7.32	9.96	6.66	3.17	14.32

Source: Monthly Statistical Bulletin, NSC

<sup>2</sup>Since december 2000 the CPI calculation is based on the basket containing 239 consumer goods compared to205 in previous years.

<sup>3</sup>Since April 2006 the items in consumer basket updated to 287 and prices of December 2005 was taken as the base period.

(in percent)

[illegible]

<sup>3</sup>Since April 2006 the items in consumer basket updated to 287 and prices of December 2005 was taken as the base period.

(in annual percent)

1993 12	2.0				24-100	70-153	10-72		
1994 12	2.0				10-63.8	50-101.2	6-72		
1995 12	2.0				12.0-42.6	12.5-101.2	6.0-42.6		
1996 12	2.0				12.0-34.5	12.7-60.1	3.6-42.6		
1997 12	2.0				3.6-34.5	6.2-69.6	2.4-42.6		
1998 12	0.8-6.0	1.0-3.6			3.6-19.6	6.0-42.58	1.2-24.0		
1999 12	3.0-6.0	1.0-3.6			3.0-13.2	9.6-30.0	3.6-14.4		
2000 12	2.4-6.0	1.0-3.6			1.2-13.2	3.6-24.0	1.2-12.0		
2001 12	0.0-5.1	0.3-4.2			1.2-9.6	2.4-24.0	1.0-13.2		
2002 12	0.0-6.0	0.3-3.0			2.4-10.2	6.0-22.0	1.2-12.0		
2003 12	0.0-6.0	0.3-3.0			1.8-10.0	6.0-22.0	2.4-12.0		
2004 12	0.0-4.8	0.3-3.0			6.0-9.6	6.0-20.4	1.4-9.6		
2005 12	0.0-4.8	0.0-7.2			6.0-9.96	6.0-19.2	1.4-10.8		
2006 12	0.0-5.0	0.0-4.0			6.0-10.2	7.56-19.4	1.4-11.4		
2007 01	0.0-5.0	0.0-4.0			6.0-10.2	7.56-19.4	1.4-11.4		
02	0.0-5.0	0.0-4.0			6.0-10.2	7.56-19.4	1.4-11.4		
03	0.0-5.0	0.0-4.0			6.0-10.2	7.56-19.4	1.4-11.4		
04	0.0-5.0	0.0-4.0			6.0-10.2	7.56-19.4	1.4-11.4		
05	0.0-4.8	0.0-3.6			6.0-10.2	7.56-19.4	1.4-11.4		
06	0.0-4.8	0.0-3.6			6.0-10.2	7.56-19.4	1.4-11.5		
07	0.0-4.8	0.0-3.6			6.0-10.2	7.56-19.4	1.4-11.4		
08	0.0-4.8	0.0-3.6			6.0-10.2	7.56-19.4	1.2-11.4		
09	0.0-4.8	0.0-3.6			6.0-10.2	7.56-19.3	1.2-11.4		
10	0.0-4.8	0.0-3.6			6.0-10.2	7.56-19.3	1.2-11.4		
11	0.0-4.8	0.0-3.6			6.0-10.3	7.56-19.3	1.2-11.4		
12	0.0-4.8	0.0-3.6			6.0-10.3	7.56-19.3	1.2-11.4		
2008 01	0.0-4.8	0.0-3.6			6.0-10.0	7.56-19.2	1.2-19.2		
02	0.0-4.8	0.0-3.6			6.0-10.0	7.56-19.2	1.2-19.2		
03	0.0-7.2	0.0-3.6			6.0-10.0	2.4-19.2	1.2-19.3		
04	0.0-7.3	0.0-3.7			6.0-10.1	2.4-19.3	1.2-10.9		
05	0.0-7.3	0.0-3.7			6.0-10.1	2.4-19.3	1.2-10.9		
06	0.0-7.2	0.0-3.6			6.0-9.96	2.4-18.6	1.2-9.6		
07	0.0-7.2	0.0-3.6			6.0-9.96	2.4-18.6	1.2-11.4		
08	0.0-7.2	0.0-3.6			4.8-10.2	2.4-18.6	1.2-11.4		
09	0.0-7.2	0.0-3.6			0.2-10.2	2.4-18.6	1.2-10.2		
10	0.0-7.2	0.0-3.6			4.8-10.2	2.4-19.44	1.2-10.2		
11	0.0-7.2	0.0-3.6			4.8-10.1	2.4-19.44	1.2-14.5		
12	0.0-7.2	0.0-3.6	2.4	1.1	4.8-12.0	2.4-19.4	1.2-14.04	13.6	7.4
2009 01	0.0-7.2	0.0-4.2	2.3	1.1	4.8-12.0	2.4-19.44	1.4-14.04	13.6	6.9
02	0.0-7.2	0.0-4.2	2.2	1.2	4.8-12.0	2.4-19.4	1.4-15.6	13.4	7.2
03	0.0-5.4	0.0-4.2	2.4	1.1	4.8-12.0	2.4-19.4	1.4-14.04	13.5	6.3
04	0.0-5.4	0.0-3.6	2.1	1.0	4.8-12.0	2.4-19.44	1.4-14.04	13.6	6.2
05	0.0-7.2	0.0-7.2	2.1	1.1	4.8-12.0	2.4-19.4	1.4-14.04	13.2	7.2
06	0.0-7.3	0.0-7.3	2.2	1.1	4.8-12.1	2.4-19.5	1.4-14.05	13.2	7.0
07	0.0-7.3	0.0-7.3	2.3	1.3	4.8-12.1	2.4-19.5	1.4-14.05	13.1	6.8
08	0.0-7.2	0.0-7.2	2.4	1.0	4.8-12.0	2.4-19.44	1.4-14.04	13.2	7.0
09	0.0-7.2	0.0-7.2	2.5	1.1	4.8-12.0	2.4-19.6	1.4-14.04	13.2	7.0
10	0.0-7.2	0.0-7.2	2.5	1.2	3.6-12.0	2.4-19.2	1.2-14.04	13.2	6.3
11	0.0-7.2	0.0-7.2	2.6	1.3	3.6-12.0	2.4-19.2	1.2-14.04	13.2	6.8
12	0.0-7.2	0.0-7.2	2.6	1.8	3.6-12.0	2.4-19.2	1.2-14.04	12.9	6.4
2010 01	0.0-7.2	0.0-7.2	2.6	1.8	0.0-18.0	2.4-19.2	1.2-14.04	12.9	6.2
02	0.0-8.4	0.0-3.0	2.7	1.6	0.0-12.0	6.0-19.2	1.4-14.04	12.3	5.8
03	0.0-8.4	0.0-3.0	2.9	1.6	0.0-12.0	6.0-19.2	1.0-14.04	12.3	5.7
04	0.0-8.4	0.0-3.0	2.9	1.5	0.1-17.0	6.0-19.2	1.0-14.04	12.2	5.7
05	0.0-8.4	0.0-3.0	2.8	1.5	0.0-8.4	2.4-19.2	0.6-14.04	12.0	6.1
06	0.0-8.4	0.0-3.0	2.9	1.6	0.0-8.4	6.0-18.5	0.6-14.04	11.9	5.8
07	0.0-8.4	0.0-3.0	2.9	1.6	0.0-8.4	6.0-19.2	0.6-14.04	11.7	5.7
08	0.0-8.4	0.0-3.0	2.9	1.8	0.0-10.2	6.0-19.2	0.6-14.04	11.8	5.8
09	0.0-8.4	0.0-3.0	3.0	1.8	0.0-8.4	6.0-19.2	0.6-14.04	11.8	5.7
10	0.0-8.4	0.0-3.0	3.5	1.8	0.0-8.4	6.0-19.2	0.6-14.04	11.6	5.4
11	0.0-8.4	0.0-3.0	3.4	2.0	0.0-8.4	6.0-19.2	0.6-14.04	11.1	3.4
12	0.0-8.4	0.0-3.0	3.2	1.6	0.0-8.4	6.0-18.0	0.6-14.04	10.7	4.0

Loan rate

(in percent)

End-of-period	Central bank's bills rate											
	Weighted average rate	Period										
		1 day	3 days	7 days	8 days	1 week	2 weeks	4 weeks	12 weeks	13 weeks	28 weeks	180 days
1993 12	120-300											
1994 12	72-264											
1995 12	72-150											
1996 12	72-109											
1997 12	45.0-50.0											
1998 12	23.3											
1999 12	11.4											
2000 12	8.6					8.5	8.5	10.5		5.0		
2001 12	8.6					6.8	8.1	8.8		13.7		
2002 12	9.9					10.0	7.6	10.9		11.4		
2003 12	11.5					9.2	9.9	11.9		13.7		
2004 12	15.75		15.47			15.49	15.79	15.90		15.96		
2005 12	4.75		1.88	4.44			3.65	3.80		9.13		
2006 12	6.42			5.09						7.39		10.05
2007 01	6.59			5.91						7.06		9.89
02	5.39			3.94						6.78		9.89
03	4.26			1.84						6.78		9.80
04	4.26			3.19						6.58		
05	4.29			4.87						3.48		
06	3.68			3.82						3.48		
07	5.67			6.40						3.48		
08	8.31			6.40					11.53			
09	8.75			6.40					11.53			
10	8.91			7.40					11.53			
11	9.19			8.40					11.50			
12	9.85					8.40			11.50		12.62	
2008 01	10.43					8.40			11.50		14.18	
02	11.15					8.40			14.35		14.73	
03	11.25					9.75			14.35		15.08	
04	13.57					9.75			14.35		15.18	
05	15.34					9.75			17.98		15.36	
06	15.42					9.75			17.98		16.06	
07	14.42					9.75			13.85		17.00	
08	14.41					9.75			13.85		16.72	
09	16.06					10.25			13.85		16.68	
10	15.72					10.25			17.77		16.60	
11	15.04					9.75			17.77		16.60	
12	14.78					9.75			17.77		16.73	
2009 01	12.07					9.75			13.48		17.21	
02	11.14					9.75			13.48		17.21	
03	13.59					14.00			19.82		16.44	
04	16.14					14.00			19.89		16.15	
05	16.83					12.75			19.68		15.71	
06	16.48					11.50			16.34		13.82	
07	14.05					11.50			14.21		13.48	
08	12.85					11.50			13.54		13.00	
09	11.95					10.00			11.91			
10	10.89					10.00			12.06			
11	10.64					10.00			11.90			
12	10.82					10.00			10.95			
2010 01	10.00	10.45				10.00			11.05			
02	10.00	10.36				10.00			9.99			
03	10.00	10.03				10.00			10.47			
04	10.00	10.03				10.00			9.81			
05	11.00	10.24				11.00*			10.91			
06	11.00	10.87				10.86			11.11			
07	11.00	11.27				10.97			11.61			
08	11.00	11.21				10.87			11.68			
09	11.00	11.01				10.50			11.17			
10	11.00	10.07				9.02			10.70			
11	11.00	10.44				11.00			9.65			
12	11.00	10.99				10.99			10.22			

Loan rate

(in percent)

End-of-period	Treasury bills rate (as a trading rate)	Interbank market rate						Banks loan rates		
		Interbank loans	Repos	Central bank bills	Overnight loans	Interbank deposits	Weighted average rate	Domestic currency	Foreign currency	Paid rate
1993 12										
1994 12										
1995 12										
1996 12										
1997 12										
1998 12								45.8	34.2	
1999 12								38.8	36.5	
2000 12								34.7	25.8	
2001 12								41.4	22.2	
2002 12		15.9	7.2	5.2	12.0		6.91	33.4	19.8	30.7
2003 12		15.6	9.6	11.9			10.24	31.5	19.6	30.2
2004 12	4.40	15.91	15.59	15.74	15.52		15.36	30.0	17.9	25.0
2005 12		13.20	4.35	4.92	6.10		6.13	28.3	14.8	23.5
2006 12	6.50	5.80	6.06		6.16		6.12	24.5	15.5	23.0
2007 01			6.30		6.43		6.40	25.3	15.1	23.1
02			5.52		6.13		6.08	21.6	15.7	23.0
03		8.19	5.33	3.94	6.15		6.49	22.5	13.2	22.9
04	5.75	6.17	3.00		4.81		4.84	22.3	16.3	22.6
05	5.79	7.88	2.00	2.84	4.92		5.30	23.7	14.1	22.4
06	5.56	6.30	0.00	4.86	4.16		5.26	21.0	15.5	22.2
07		6.16	0.00		5.02		5.66	22.3	14.5	22.1
08	6.25	6.15	5.32	6.22	6.55		6.29	20.0	12.0	21.9
09	7.45	6.97	0.00	5.40	6.05		6.46	19.7	12.9	21.6
10	7.91	7.58	7.20	6.78	6.48	8.90	7.20	21.3	13.8	21.4
11		7.78	6.95	7.40	8.29	8.50	7.81	22.3	13.4	21.0
12		8.39	6.76	8.11	8.67	8.78	8.25	19.9	14.2	21.7
2008 01		7.52	9.25	9.47	8.76	9.35	8.75	17.3	13.9	20.5
02		9.47	9.15	10.00	9.99	10.49	9.78	22.1	16.3	20.4
03		9.98	9.49	11.01	10.45	9.88	10.17	20.8	13.8	20.3
04		10.38	12.60	18.00	15.52	10.35	13.60	21.7	13.9	20.2
05		11.91	15.53		16.64	16.09	16.01	18.4	17.1	20.0
06		10.76	13.06	16.00	13.84	11.23	12.53	21.7	15.0	19.9
07		10.81	13.21		13.19	11.52	12.17	21.8	14.4	19.7
08		11.85	11.55		10.78	12.18	11.18	21.8	15.2	19.6
09		10.88	17.00		18.72	18.60	18.22	21.5	15.7	19.6
10		11.00			18.60	17.43	18.21	21.0	16.7	19.6
11		11.00	19.00		19.00	18.66	18.81	18.5	16.0	19.7*
12		11.00			19.82	14.71	17.87	20.4	16.8	19.3
2009 01		12.13			19.50	18.37	19.15	21.2	17.5	19.3
02		12.41	9.75	10.04	19.24	13.66	15.78	21.6	17.0	20.8
03		14.07		8.34	19.07	16.50	17.86	20.4	19.4	18.8
04		12.37	15.15	14.14	17.02	15.94	15.75	19.5	19.9	18.7
05		15.23	15.73	16.72	15.58	14.68	15.33	23.3	17.6	18.5
06		15.40	13.96		12.86	20.25	15.05	23.5	16.3	18.5
07		13.51	7.36	11.50	10.55	12.70	11.89	23.4	17.6	18.6
08		11.00	12.49		8.37	12.06	11.20	23.7	15.9	18.6
09		11.00	7.00	11.30	10.00	12.14	11.51	22.2	14.8	18.5
10		11.00	6.56	9.74	7.84	12.01	10.36	21.9	15.8	18.6
11		11.00	10.86	9.42	7.37	11.98	10.33	18.6	16.4	18.6
12		11.00	7.48	9.87	7.15	8.89	8.58	20.8	16.5	18.7
2010 01		12.75	5.84	7.51	5.89	6.94	7.22	22.2	15.4	18.8
02		11.00	7.88	8.94	8.00	8.00	8.43	21.4	14.9	18.9
03		11.00	7.11	6.97	5.29	9.14	7.24	20.0	14.9	19.2
04		11.00	5.00			10.43	10.23	20.5	15.6	19.2
05		11.00	7.28	10.13	12.33	9.64	9.53	20.2	14.5	19.5
06		11.19	9.67	10.85	10.00	10.93	10.42	19.7	14.0	19.4
07		11.00	12.50	10.57	10.05	11.41	10.71	19.4	14.3	19.1
08		11.00	6.00	9.62	9.47	12.00	8.82	20.4	14.0	18.9
09		11.00	10.35	10.39	9.56	11.92	10.33	19.4	14.1	19.0
10		11.00	8.28	8.63		11.18	8.63	19.5	13.8	18.9
11			8.74	9.66		11.33	9.53	18.9	12.9	18.9
12		11.19	10.45	10.32	11.09	6.53	9.45	17.9	12.6	19.0



## Exchange rates on foreign exchange market

(Togrog against foreign currency)

End-of-period	USD		EUR	SEK	BGN	HUF	CZK	KRW	JPY	CNY	GBP	HKD	RUB
	end-of-period	monthly average											
1993 12	396.51	395.03							3.55		592.70	51.32	
1994 12	414.09	413.00							4.12	48.60	639.77	53.51	0.12
1995 12	473.62	473.48							4.63	56.94	731.27	61.23	0.10
1996 12	693.51	692.76						0.82	5.98	83.57	1,172.48	89.64	0.12
1997 12	813.16	811.95						0.49	6.28	98.21	1,358.14	104.93	0.14
1998 12	902.00	891.86						0.74	7.71	108.96	1,508.05	116.45	42.65
1999 12	1,072.37	1,070.39	1,086.85					0.95	10.42	129.53	1,734.56	137.99	39.95
2000 12	1,097.00	1,097.00	1,006.61					0.89	9.74	132.52	1,615.11	140.66	39.18
2001 12	1,102.00	1,101.29	973.60					0.83	8.39	133.10	1,598.60	141.30	36.20
2002 12	1,125.00	1,124.09	1,169.40	128.00	599.30	5.00	37.30	0.94	9.38	135.90	1,804.00	144.30	35.40
2003 12	1,168.00	1,170.30	1,460.20	160.60	746.50	5.60	44.90	0.98	10.92	141.10	2,073.40	150.50	39.90
2004 12	1,209.00	1,211.77	1,647.40	183.20	842.40	6.70	54.00	1.16	11.65	146.10	2,320.90	155.50	43.40
2005 12	1,221.00	1,226.68	1,449.10	153.82	741.20	5.80	50.10	1.21	10.37	151.30	2,103.70	157.50	42.50
2006 12	1,165.00	1,164.84	1,535.30	169.83	785.00	6.10	55.80	1.25	9.81	149.20	2,290.90	149.80	44.30
2007 01	1,166.00	1,165.55	1,511.10	167.12	772.60	5.90	53.50	1.24	9.57	149.90	2,293.50	149.30	43.90
02	1,164.00	1,164.64	1,538.60	166.17	786.60	6.10	54.10	1.24	9.73	150.30	2,288.50	149.00	44.50
03	1,165.00	1,164.55	1,553.40	166.41	794.30	6.20	55.40	1.24	9.92	150.80	2,288.20	149.10	44.80
04	1,165.00	1,165.00	1,583.90	173.07	809.70	6.40	56.40	1.25	9.75	151.00	2,316.70	148.90	45.30
05	1,165.00	1,165.00	1,566.20	168.47	800.80	6.20	55.20	1.25		152.30	2,305.00	149.30	45.00
06	1,163.63	1,164.09	1,566.54	169.27	800.96	6.34	54.83	1.26	9.46	152.78	2,326.85	148.91	45.08
07	1,165.13	1,164.10	1,592.09	172.90	814.09	6.33	56.86	1.26	9.80	153.96	2,362.13	148.92	45.53
08	1,187.28	1,180.38	1,621.88	173.00	829.19	6.33	58.67	1.26	10.29	157.26	2,393.91	152.17	46.29
09	1,184.26	1,187.63	1,673.66	181.19	855.83	6.69	60.63	1.29	10.25	157.61	2,393.21	152.58	47.42
10	1,177.51	1,179.71	1,696.79	184.86	867.57	6.76	62.95	1.30	10.27	157.59	2,430.09	151.93	47.66
11	1,171.82	1,173.93	1,735.99	185.69	887.41	6.83	65.56	1.26	10.67	158.76	2,428.77	150.48	48.14
12	1,169.97	1,170.22	1,717.16	181.49	877.99	6.78	64.49	1.25	10.33	160.18	2,337.54	149.99	47.68
2008 01	1,171.77	1,170.67	1,731.06	183.14	885.09	6.70	66.46	1.24	10.98	162.92	2,332.35	150.18	47.87
02	1,171.82	1,171.67	1,768.39	188.72	904.11	6.84	70.52	1.25	11.01	164.69	2,318.86	150.54	48.59
03	1,168.17	1,170.84	1,841.68	196.03	941.54	7.17	72.88	1.18	11.69	166.58	2,329.74	150.12	49.67
04	1,164.94	1,166.67	1,811.95	193.57	926.28	7.18	71.79	1.16	11.18	166.71	2,309.73	149.52	49.18
05	1,161.37	1,163.26	1,810.69	194.11	925.73	7.51	72.48	1.13	11.05	167.41	2,290.51	148.81	49.09
06	1,158.12	1,159.22	1,823.23	193.81	932.13	7.64	75.73	1.11	10.88	168.78	2,296.20	148.44	49.39
07	1,155.35	1,156.77	1,803.10	190.71	921.70	7.83	75.98	1.14	10.70	169.03	2,290.42	148.06	49.32
08	1,150.91	1,152.91	1,699.38	180.29	868.87	7.15	68.70	1.06	10.56	168.54	2,113.47	147.39	46.81
09	1,146.10	1,148.24	1,643.95	169.34	840.55	6.79	67.02	0.96	10.79	167.43	2,074.02	147.47	46.31
10	1,144.37	1,144.58	1,511.77	153.73	772.57	5.97	63.56	0.92	11.59	167.34	1,903.43	147.61	43.13
11	1,170.64	1,155.85	1,510.36	146.56	772.29	5.77	60.08	0.79	12.30	171.43	1,802.26	150.98	42.71
12	1,267.51	1,228.97	1,786.75	163.07	913.52	6.67	67.20	1.01	14.04	185.25	1,837.19	163.55	43.12
2009 01	1,381.66	1,333.41	1,807.63	170.77	924.13	6.32	65.69	1.00	15.32	202.01	1,948.83	178.11	39.76
02	1,470.17	1,436.96	1,875.57	166.61	958.95	6.33	66.12	0.97	15.43	214.99	2,136.60	189.62	40.93
03	1,524.07	1,562.95	2,009.71	182.97	1,027.52	6.53	73.22	1.10	15.84	222.94	2,157.63	196.65	44.60
04	1,423.86	1,430.72	1,877.22	174.81	959.80	6.42	70.10	1.06	14.73	208.61	2,095.71	183.71	42.82
05	1,428.37	1,423.94	1,982.51	184.03	1,013.64	6.95	74.10	1.14	14.78	209.19	2,276.46	184.23	45.64
06	1,435.49	1,428.56	2,012.13	184.23	1,029.06	7.28	77.43	1.12	15.03	210.08	2,371.79	185.22	45.93
07	1,455.30	1,455.62	2,044.48	195.15	1,045.36	7.61	79.95	1.18	15.32	212.97	2,398.26	187.76	45.75
08	1,429.05	1,446.33	2,048.11	201.40	1,047.23	7.59	80.51	1.15	15.22	209.20	2,327.14	184.37	45.24
09	1,426.01	1,418.47	2,078.84	202.92	1,062.84	7.71	82.52	1.20	15.89	208.85	2,261.65	184.00	47.35
10	1,423.84	1,438.60	2,109.99	203.10	1,078.83	7.72	79.97	1.20	15.64	208.51	2,353.75	183.72	48.95
11	1,446.41	1,431.46	2,150.09	204.96	1,099.22	7.83	81.33	1.23	16.79	211.80	2,358.81	186.63	48.62
12	1,442.84	1,446.52	2,071.34	200.66	1,058.97	7.59	78.45	1.24	15.66	211.35	2,295.77	186.05	47.67
2010 01	1,455.70	1,455.09	2,031.94	198.42	1,038.97	7.48	77.43	1.25	16.14	213.23	2,352.56	187.39	47.87
02	1,449.82	1,446.08	1,966.10	201.61	1,005.25	7.27	75.70	1.25	16.22	212.38	2,211.63	186.77	48.24
03	1,367.10	1,412.82	1,847.43	189.20	944.52	6.97	72.74	1.21	14.77	200.28	2,057.90	176.07	46.51
04	1,372.46	1,382.64	1,812.75	188.05	926.84	6.74	70.86	1.23	14.59	201.05	2,088.88	176.71	46.90
05	1,384.85	1,387.24	1,710.29	177.07	874.61	6.23	66.72	1.16	15.16	202.73	2,009.28	177.82	45.36
06	1,368.65	1,380.33	1,671.94	175.42	854.87	5.82	64.78	1.12	15.43	201.42	2,058.31	175.82	43.82
07	1,353.49	1,365.63	1,766.85	186.99	903.35	6.21	71.35	1.14	15.67	199.83	2,116.05	174.27	44.78
08	1,301.80	1,325.13	1,657.45	176.62	847.53	5.85	66.99	1.09	15.29	191.37	2,026.71	167.33	42.44
09	1,325.59	1,324.81	1,804.39	197.21	922.60	6.53	73.34	1.16	15.85	198.16	2,097.08	170.88	43.61
10	1,283.38	1,306.77	1,778.83	189.45	909.49	6.51	72.18	1.14	15.91	192.26	2,040.96	165.45	41.66
11	1,246.69	1,274.15	1,658.16	179.28	847.54	5.94	66.99	1.08	14.87	187.09	1,950.38	160.59	39.88
12	1,256.47	1,234.08	1,662.31	184.92	849.94	5.95	65.63	1.11	15.42	190.21	1,949.35	161.43	41.35

## Exchange rates on foreign exchange market

(Togrog against foreign currency)

End-of-period	CHF	EGP	CAD	AUD	THB	IDR	MYR	SGD	XAU	XAG	SDR
1993 12	275.01		298.28								549.62
1994 12	310.99		295.08								602.19
1995 12	409.53		347.61								708.53
1996 12	514.28		506.86								999.35
1997 12	565.93		567.27								1,095.06
1998 12	656.72		582.16	547.97	24.73	0.11	237.68	543.18	257,761.60	4,446.86	1,271.24
1999 12	676.15		730.75	691.09	28.52	0.15	282.20	642.41	308,574.47	5,651.60	1,473.72
2000 12	659.53		720.81	608.56	26.10	0.12	288.68	634.84	300,358.60	5,062.66	1,426.96
2001 12	657.30		691.00	559.70	24.90	0.11	290.00	595.90	306,080.50	4,937.00	1,382.40
2002 12	804.00	242.80	720.60	634.90	26.00	0.13	296.10	647.60	393,187.50	5,298.80	1,519.20
2003 12	935.70	188.80	892.60	872.10	29.50	0.14	307.40	686.40	485,537.60	6,926.20	1,729.00
2004 12	1,067.70	197.70	999.00	936.70	31.00	0.13	318.20	738.40	528,151.70	8,263.50	1,875.00
2005 12	930.10	212.40	1,048.30	892.60	29.80	0.12	323.00	733.10	625,152.00	10,897.40	1,751.80
2006 12	955.00	204.00	1,004.20	923.20	32.30	0.13	330.70	760.20	738,959.50	15,034.30	1,751.20
2007 01	930.20	204.50	985.50	901.30	32.20	0.13	332.90	757.60	748,921.80	15,303.80	1,736.70
02	951.10	204.40	1,004.10	923.70	32.70	0.13	333.00	762.60	798,213.00	17,046.80	1,744.50
03	958.20	204.30	1,004.20	943.10	33.30	0.13	337.30	768.00	774,958.00	15,535.30	1,762.90
04	964.30	205.20	1,038.80	961.10	33.40	0.13	340.50	767.30	783,520.80	15,488.70	1,776.50
05	951.40	204.50	1,087.90	954.30	33.60	0.13	342.40	761.70	766,395.30	15,319.80	1,766.00
06	947.47	204.19	1,008.11	979.43	33.69	0.13	335.49	757.40	750,134.08	14,353.38	1,761.21
07	965.67	206.17	1,092.84	993.45	38.99	0.13	336.16	769.27	771,782.11	14,820.45	1,782.56
08	989.36	209.90	1,116.97	969.35	34.60	0.13	338.45	779.54	790,134.84	14,075.20	1,819.64
09	1,010.59	211.66	1,180.48	1,040.55	34.56	0.13	346.45	793.53	863,325.54	15,910.53	1,838.93
10	1,010.78	213.03	1,232.54	1,084.78	34.62	0.13	352.07	811.52	924,463.10	16,909.40	1,847.94
11	1,054.13	211.86	1,186.47	1,036.53	36.28	0.12	347.72	809.63	945,541.56	16,985.53	1,863.28
12	1,032.58	211.66	1,194.58	1,024.02	34.75	0.12	352.61	808.74	969,437.14	17,204.41	1,833.66
2008 01	1,073.34	210.66	1,173.06	1,039.18	35.48	0.13	362.05	825.34	1,080,371.94	19,480.68	1,863.69
02	1,102.84	213.45	1,197.87	1,099.81	36.61	0.13	365.62	838.15	1,118,677.96	22,387.62	1,875.84
03	1,170.75	213.85	1,148.53	1,073.08	37.06	0.13	365.57	845.67	1,101,467.49	21,313.26	1,923.56
04	1,121.10	215.93	1,149.65	1,087.59	36.73	0.13	369.35	855.69	1,033,185.29	19,640.89	1,898.57
05	1,113.81	217.08	1,172.51	1,116.13	35.78	0.12	358.12	850.10	1,043,258.67	20,294.94	1,891.82
06	1,133.19	216.47	1,146.37	1,112.08	34.49	0.13	354.87	849.15	1,064,428.09	20,110.75	1,883.26
07	1,105.55	217.63	1,129.93	1,096.43	34.50	0.13	354.08	844.89	1,059,398.18	20,010.66	1,880.34
08	1,053.03	214.01	1,100.56	997.38	33.80	0.13	340.30	814.54	960,031.58	15,825.01	1,810.28
09	1,036.86	210.10	1,099.68	936.53	33.64	0.12	332.54	799.06	996,181.43	14,859.06	1,800.26
10	1,014.78	205.08	960.61	783.61	32.88	0.11	323.68	780.42	889,576.02	11,769.85	1,705.16
11	975.25	212.07	953.48	761.91	33.13	0.10	323.20	774.21	952,608.30	12,010.77	1,732.68
12	1,202.57	229.41	1,027.82	875.03	38.68	0.11	363.86	878.75	1,110,719.01	13,765.16	1,973.04
2009 01	1,194.90	247.83	1,132.79	908.30	39.59	0.12	383.79	918.26	1,221,871.02	16,462.48	2,088.01
02	1,265.48	262.30	1,176.89	952.60	41.18	0.12	401.41	963.16	1,455,394.79	21,302.76	2,182.11
03	1,325.85	270.31	1,217.50	1,034.77	42.88	0.13	416.93	1,001.39	1,412,508.08	20,292.99	2,279.37
04	1,246.92	252.47	1,175.48	1,016.99	40.23	0.13	396.07	952.73	1,272,503.68	17,848.09	2,118.85
05	1,310.91	254.09	1,274.59	1,114.34	41.49	0.14	406.42	983.29	1,358,379.87	21,175.59	2,202.49
06	1,318.90	256.29	1,242.42	1,151.84	42.13	0.14	405.73	986.15	1,349,073.50	20,161.46	2,226.47
07	1,337.84	262.27	1,339.13	1,195.53	42.74	0.15	411.80	1,006.85	1,353,720.06	19,406.43	2,260.55
08	1,346.95	258.46	1,313.77	1,200.97	42.01	0.14	405.29	991.50	1,358,169.12	20,521.16	2,227.88
09	1,376.39	259.32	1,316.18	1,245.69	42.44	0.15	408.48	1,005.37	1,414,815.89	23,022.93	2,254.10
10	1,396.74	260.16	1,333.68	1,299.75	42.61	0.15	416.63	1,018.70	1,487,343.26	23,607.27	2,259.96
11	1,424.89	265.35	1,351.28	1,297.72	43.46	0.15	426.54	1,039.39	1,661,129.56	25,818.42	2,329.35
12	1,392.03	262.86	1,376.89	1,288.38	43.26	0.15	421.08	1,027.96	1,581,641.21	24,593.21	2,264.28
1384.67	2010.01		1,366.28	1,298.70	43.93	0.16	426.58	1,036.60	1,574,630.69	23,545.95	2,265.91
1343.55	02	264.08	1,368.01	1,287.08	43.86	0.16	426.07	1,029.26	1,610,532.55	23,371.10	2,217.30
1288.87	03	248.43	1,342.20	1,257.12	42.28	0.15	418.39	977.30	1,519,873.43	23,828.55	2,076.31
1263.83	04	246.89	1,360.29	1,270.62	42.45	0.15	420.09	999.86	1,602,347.05	24,807.21	2,067.63
1199.73	05	244.67	1,318.15	1,181.90	42.56	0.15	428.54	987.49	1,681,069.42	25,640.50	2,037.54
1258.47	06	240.61	1,310.65	1,176.29	42.22	0.15	421.71	981.57	1,690,351.18	25,395.30	2,025.05
1304.95	07	237.41	1,308.54	1,216.45	41.95	0.15	425.56	994.26	1,583,008.07	23,814.66	2,059.54
1264.62	08	228.23	1,241.52	1,170.51	41.62	0.14	414.85	961.66	1,610,001.15	24,929.47	1,966.86
1358.12	09	232.61	1,288.92	1,286.88	43.51	0.15	429.90	1,006.75	1,737,450.81	29,017.17	2,048.65
1297.72	10	222.24	1,255.81	1,249.56	42.82	0.14	412.63	987.79	1,719,376.27	30,698.45	2,014.34
1247.63	11	215.84	1,225.49	1,209.10	41.33	0.14	396.09	948.13	1,703,726.55	33,828.93	1,921.45
1332.84	12	216.45	1,256.91	1,277.58	41.67	0.14	407.48	972.01	1,775,574.30	38,674.15	1,926.40

