BANK OF MONGOLIA

ANNUAL REPORT 2014

STATEMENT FROM THE COVERNOR

Ladies and gentlemen!

Over the last two years, the Bank of Mongolia (BOM) has been implementing the monetary policy to stabilize Mongolian economy and achieving a "soft landing" for the economy. As a result, financial and macroeconomic stability have been maintained during 2013-2014, positive changes have been made for the structure and trend of inflation, and for structure of the households' expenditures. Moreover, the required adjustments were made for international trade, balance of payment, and for the whole economy.

As the commodities super-cycle is nearing the end on global market, price of coal, copper, gold, iron ore and zinc, which make 78% of Mongolian exports, was reduced by 13%-70% in an international market in the last two years. Total net foreign direct investment (FDI) of Mongolia reached USD 9.0 billion making annual average FDI over 40% of GDP in 2011-2012; meanwhile, it sharply went down to only USD 276 million making annual average FDI 2% of GDP in 2014.

The foreign demand of mining raw materials sharply declined and capital flow moved toward developed countries in 2014 due to a negative trend of sharp decline in investment from China and developed countries into developing countries as Chinese economic growth continued to slow down. As a result of Federal Reserve's policy, USD's rate against other major currencies strengthened causing negative impacts and extra burden on national currency rate and foreign exchange reserves of the countries with balance of payment difficulties.

Although external environment has been very difficult accompanied with prolonged uncertainty, capital flow directing toward Mongolia has substantially declined, the BOM chose macroeconomic policy aiming to achieve a "soft landing" economy in the 4^{th} quarter of 2012. The policy aimed to mitigate the adverse effects of external shocks on domestic economy, to have necessary adjustments on economy made gradually, to allow households, private and public sector participants, and other economic participants to adapt to the given economic condition on their pace. As a result of above policy, Mongolian economy observed the following positive effects:

- "Medium term price stabilization program for main consumer goods" brought positive impact on structure of the inflation. Contribution of supply driven inflation declined to 1/20 in total inflation in 2014 on contrast to the contribution of 1/3 in 2010-2012. As a result, overall annual inflation measured by customer's price index (CPI) decreased from 14.0 percent to 11.0 percent in the last two years accommodating the inflation rate to reach the target level of 7% starting in 2015.

- The pressure on supply driven inflation to overall inflation has reduced and the retail price of meat, flour and gas was successfully sustained allowing the mitigation of pressures on real income of low and middle income households. Moreover, according to its initial plan, the BOM reduced its intervention in the program step-by-step and allowed market based mechanisms to determine prices gradually. In further, without the BOM's intervention, the Government of Mongolia through cooperation with private sector will finance the reserves of the individuals' main consuming goods such as meat, flour, and gas through the bank loans. As a result, the system of maintaining the stable price for those goods has been established.
- Mongolia's trade balance recorded a surplus for the first time in 2014 since 2006, the surplus totalled USD 538 million and improved by USD 2.6 billion compared to 2011-2013. Its main reasons are the BOM pursued exchange rate could be consistent with macroeconomic fundamentals policy and has accepted exchange rate weakening while balance of payment deficit reached USD 1.9 billion in 2013.
- Moreover, the soft-landing monetary policy prevented the economy from crash-landing, 20% of job loss risk on the labor market and risks of financial-economic-social crises in 2013 and 2014, and ensured balanced economic growth. While encountering balance of payments shock and supporting the agriculture, construction, transportation and non-mining sectors brought positive impact on the real GDP growth to reach 11.6% and 7.8% in 2013 and 2014 respectively.
- The policy brought positive impact to prevent a sharp rise in unemployment to reach 180,000 people and to preclude the unemployment rate to go up steeply. Moreover, the policy intended the number of construction sector employees to increase by 15.3 thousand reaching 77 thousand, and logistics sector employees to increase by 10.1 thousand reaching 70 thousand in 2013-2014. The policy contributed to increase the total number of employees to increase by 20,024 people in 2013 and by 2479 people in 2014.
- The BOM ensured financial stability by prevention from discontinuance of lending, sharp decrease of asset quality, solvency of banks, loss of capital adequacy ratio, depreciation of domestic assets and risk of systemic instability in 2013-2014. The capital adequacy and liquidity indicators increased 5.7 percentage points and 16.2 percentage points respectively in the banking sector due to regulatory levels set by the BOM. Also the contribution of non-performing loan equivalented with 5.0 percent in total loan, with the exclusion of liquidated banks (Anod, Zoos and Savings) it equivalented with 3.1 percent by banking sector. Withing the effects of the program for sustainable mortagage lending system, households' expenditure struture has seen positive change and middle class savings has been growing.
- As opposed to residents' monthly average consumption of MNT 80 billion in 2011-2012, average of MNT 23 billion was accumulated for mortgage payments at the banks in 2013-2014. By this way, the residents' savings have been increasing. By the end of 2014, the number of households with mortgage loan reached 66.3 thousand and total mortgage loan amount reached MNT 2.84 trillion. Compared to the end of 2012, the number of mortgage loan takers increased by 2.2 times, and the total amount of mortgage loan increased by 3.4 times.
- With the balance of payment difficulties, the BOM implemented the policy to mitigate the adverse effects of the external negative shocks via flexibility of exchange rate and FX intervention in 2013-2014. As a result, foreign exchange reserves kept stable between USD 1.3-1.6 billion since May 2014, at the end of 2014, reached USD 1650 million which could suffice the 4.9 months import needs or higher than rule of thumbs. Moreover, the

BOM extended the currency swap deal with the People's Bank of China and increased the deal amount to CNY 15 billion. It was significant to ensure macroeconomic stability, to mitigate the balance of payments difficulties, to finance the trade of two countries and to keep ability of foreign currency liquidity in the financial sector.

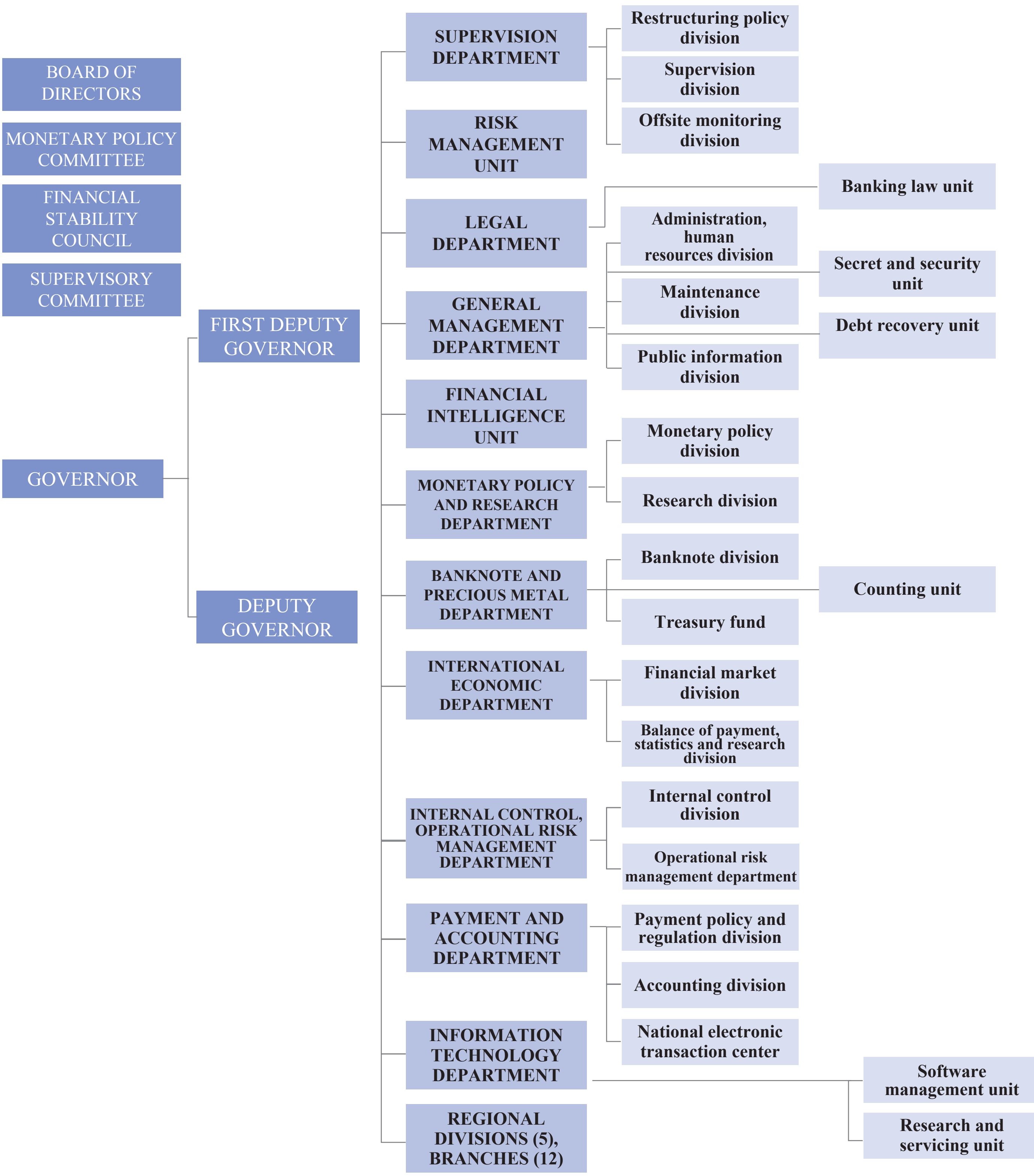
At its meetings in February, 2014, The Monetary Policy Committee (MPC) decided to keep policy interest rate unchanged at 10.5 percent and to exempt banks' long-term (3 years or more) foreign exchange denominated bonds and external loans, which are issued in or borrowed from international market, from the BOM's reserve requirement. The decisions impacted positively on increasing of foreign currency inflow to economy and promoting of macro-economic balance. But due to continuous declining of FDI and net foreign asset and high pressure on balance of payments, the MPC decided to increase interest rate by 1.5 percentage points to 12% at the recurrent meeting in July, 2014. The decision aimed to curb inflationary pressure, mitigate balance of payment difficulties, ensure financial stability in the mid and long terms, and prevent from potential risk of macroeconomic stability and smooth pressures on real income of households. Thus, through the unconventional monetary policy economy has achieved "soft-landing", the BOM reduced its intervention on program after established market based efficient sustainable mechanism and adjusted its tools suitable for market principle which started at the end of 2012. By changing the monetary policy to provide macroeconomic external balance from February of 2014, The BOM ensured financial and macroeconomic stability and prevented from potential risks.

In 2014, the banking sector assets increased by 8.1 percentages reaching MNT 22.6 trillion, the outstanding loan increased by 16.1 percentages reaching MNT 12.5 trillion, the total currency and deposits increased by 14.2 percentages reaching MNT 10.1 trillion and the banking sector's capital increased by 54.5 percentages reaching MNT 2.1 trillion respectively. Compared to the previous year, the interbank transactions in 2014 have increased by 11.5% in volume and 16.3% in value.

The monetary policy will aim to ensure external and internal balance of macroeconomy, maintain the inflation at target level of 7% and provide long-term sustained economic growth condition by ensuring the financial stability.

N.ZOLJARGAL
Governor, Bank of Mongolia

ORGANIZATIONAL CHART OF THE BANK OF MONGOLIA



CONTENT

MONGOLIA-MACROECONOMIC OVERVIEW

1

1.1 Real sector

Real GDP growth

Real GDP growth was 7.8% in 2014, slowdown by 3.8 percentage points compared to 2013. Real economic growth in agriculture and mining sectors remained stable and having a positive impact on its growth, but the effect of government budget or real change in net taxes on products have negative impacts from the 2nd quarter of 2014, that directly impacted on reducing the growth of real GDP.

In the breakdown of 2014 year-end 7.8% GDP real growth comparative price with 2010, mining sector taking 3.9%, agriculture sector 1.6%, processing industry 0.3%, services sector 2.0%, transport and warehousing sector 0.8%, trading 0.1% respectively, but net taxes on products has impacted -1.1 percentage point to economic growth.

The proportion of mining and services sector in economic growth increased compared to 2013, but the proportion of construction, trading and processing industry has declined. Manufacturing sector and services sector had a major impact in non-mineral GDP growth without agriculture and mining sector.

The real growth of all sectors in 2014, mining sector contributed 19.1%, transport and warehousing sector taking 14.1%, followed by agriculture sector with 13.7%, services sector 13.0%, information, communication sector 7.3% and processing industry sector taking 4.6% in real growth of GDP. But net taxes on products decreased by -8.1% from 2013.

Figure 1. Contribution to real GDP growth

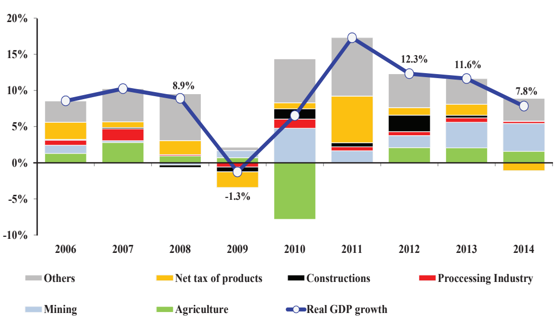
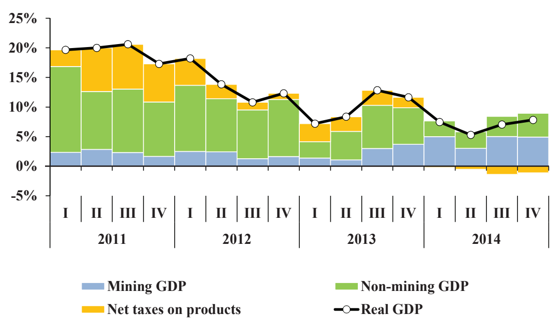


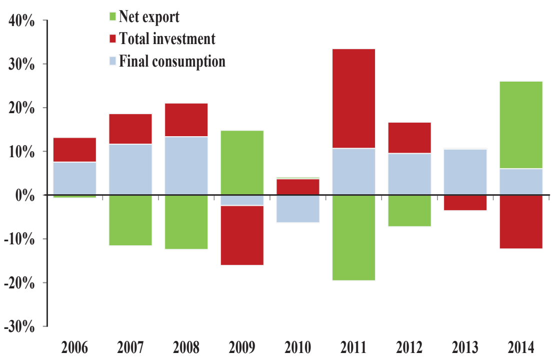
Figure 2. Real GDP growth breakdown



Source: National Statistical Office of Mongolia

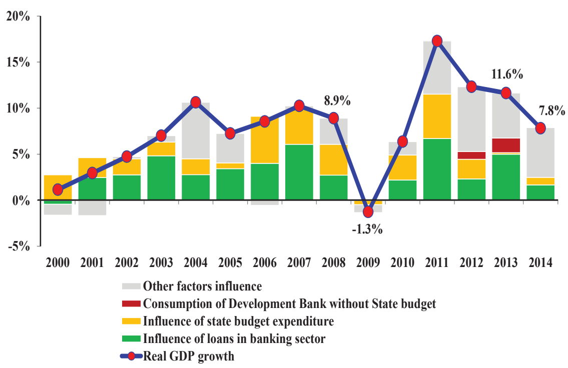
As a GDP breakdown by final consumption method, in 2014, the sharp decline of direct investment affected to the economic growth negatively. But the expenditure was relatively stable, have not decreased like a year of economic crisis in 2009. Foreign trade balance had USD 538 million surplus in 2014, net export have positive impact on real growth of GDP.

Figure 3. Real GDP growth breakdown (by final consumption)



Source: National Statistical Office (NSO)

Figure 4. Contribution to real GDP growth (by financing types)



Source: Bank of Mongolia

The evaluation on real GDP growth by results of financing types, loans in banking sector, the government budget expenditure, contribution of the Development Bank and other factors effect, the growth of 9.9 percentage points of 11.6% growth in 2013 was the banking sector loans (5.0 percentage points) and other factors contribution was (4.9 percentage points) and 1.8 percentage points created by the Development Bank contribution and the government budget expenditure. In accordance with ensuring external economic balance, made the macroeconomic policy change from middle of 2014, the 7.8% real GDP growth's 7.1 percentage points was contributed by the banking sector loans (1.7 percentage points) and the impact of other factors (5.4 percentage points), 0.7 percentage points was contributed by the government budget and expenditure of the Development bank.

Employment

Working age population increased by 1.3% (y-o-y) reaching 1870.2 thousand people by the end of 2014. Of which economically active population accounted for 60.3% of working age population and the labor participation rate decreased by 0.6% (y-o-y). The total employment increased by 2.5 thousand from the previous year, reaching 1040.7 thousand workers in 2014, while the total number of unemployed people reached 87.0 thousand, causing the decrease in the unemployment rate to 7.7%.

Figure 5. Labor force participation rate[1]

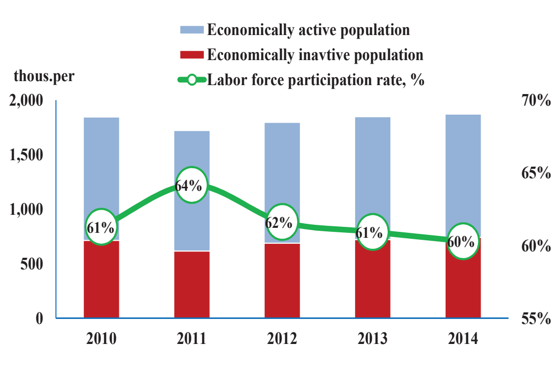
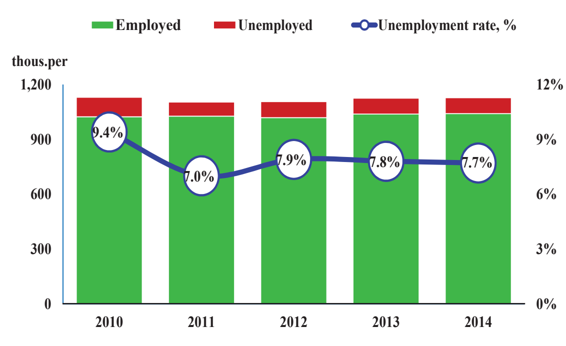


Figure 6. Unemployment rate



[1] Economically active population takes (more than 15%) in working age population.

Figure 7. Number of employed (by main sectors of economic activities)

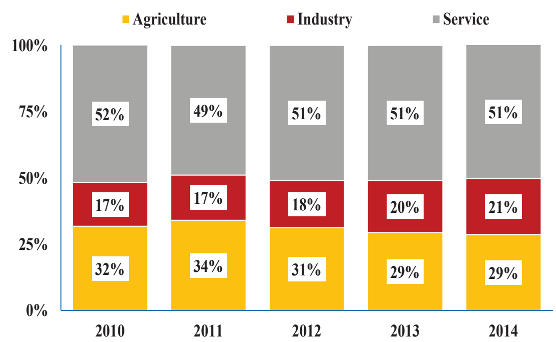


Figure 8. Number of employed (By employment status)

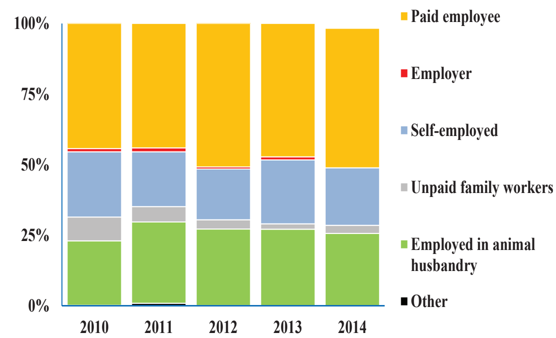
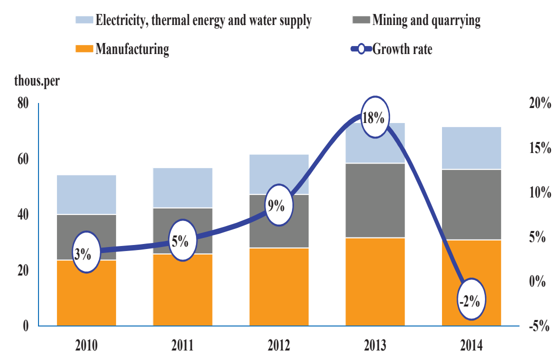


Figure 9. Employment in industrial sector



Source: NSO

Looking at the classification of economic activity, 297.5 thousand of workers (28.7% of total employment) were employed in agriculture, 218.7 thousand of workers (21.1%) were employed in manufacturing and 524.5 thousand of workers (50.5%) were employed in the services sector by the end of 2014. According to the employment status, 513.8 thousand of workers (49.4% of total employment) are paid employees and 16.4 thousand (1.6%) are employers. Furthermore, 212.5 thousand of workers (20.4% of total employment) are self-employed, 29.7 thousand of workers (2.9%) were unpaid family workers and 266.8 thousand (25.6%) were employed in animal husbandry.

Employment in the manufacturing industry has decreased by 2.0% (y-o-y) and reached 71.6 thousand by the end of 2014. Moreover, 43.2% (30.9 thousand) of which are employed in manufacturing, 35.3% (25.3 thousand) are in mining and quarrying sector, and 21.5% (15.4 thousand) are in electricity, thermal energy and water supply.

1.2 External sector

Overall Balance of Payments

The Balance of Payments for the year ended 2014 shows the current account deficit of USD 1.405 million, capital and financial account surplus of USD 1.062 million, errors and omission of USD -128 million with the overall deficit of USD 471 million, which is narrowed by USD 1.396 million or 4 times compared with performance of year 2013.

Figure 10. Balance of Payments

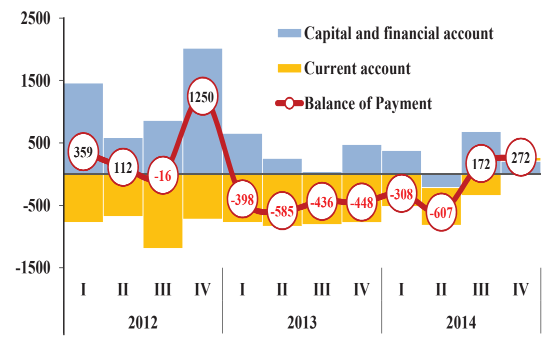
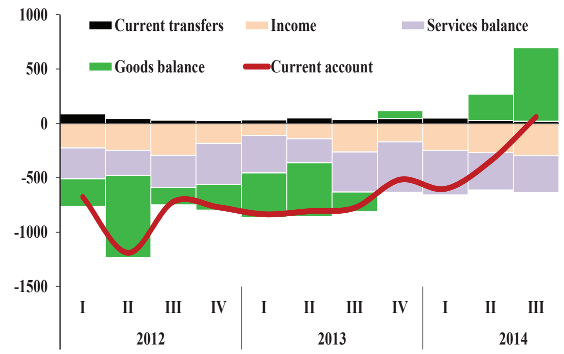


Figure 11. Structure of Current account balance



Sources: Bank of Mongolia

Current account deficit has declined by 56% or USD 1.787 million from the previous year in 2014. The deficit decline has caused by offsetting in goods balance since 2014, the deficit in F.O.B price, USD -1.321 in 2013 improved to surplus of USD 994 million in 2014. While the average current account deficit was equal 27% of GDP in 2011-2012, current account deficit narrowed to 25% in 2013, 11.6% of GDP in 2014.

Figure 12. Structure of Capital and Financial account

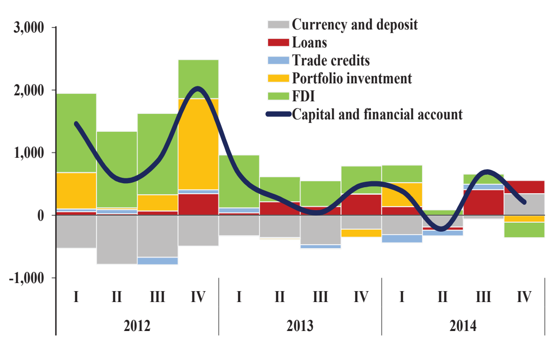
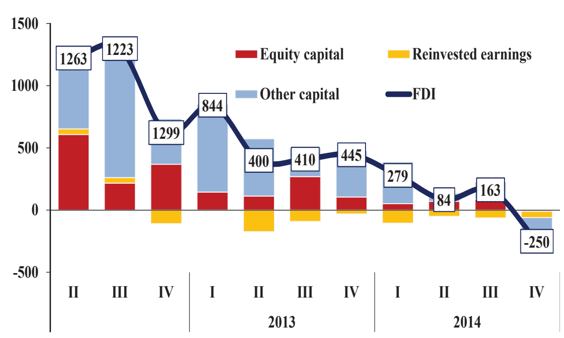


Figure 13. Structure of Foreign direct investment



Sources: Bank of Mongolia

In 2014, capital and financial account surplus reduced 26% or USD 376 million from previous year, which amounted USD 1.062 million, mainly due to drop in net FDI by 7.6 times or USD 1.822 million, equalling USD 276 million or 2% of GDP.

Goods foreign trade

Table 1. Foreign trade performance

	2014	2013	2012	**Changes** 2014/2013 Amount	Percent
Turnover	**11 010**	**10 626**	**11 122**	**384**	**3.6%**
Export	5 774	4 269	4 384	1 505	35.3%
Import	5 236	6 357	6 738	-1 121	-17.6%
Balance	**538**	**-2 088**	**-2 354**	**2 626**	

Source: Customs General Administration

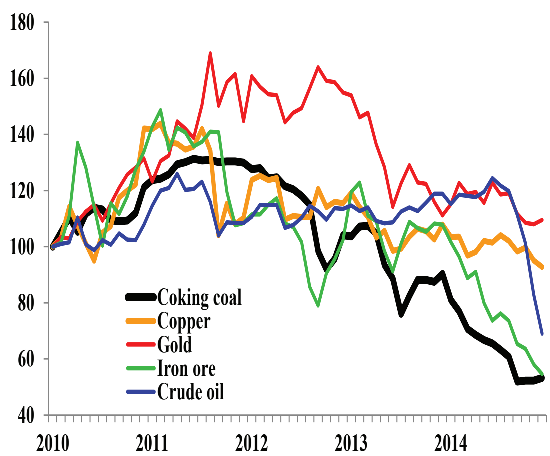
Since 1990, Mongolia's trade balance recorded surplus only in 1994, 1995, 2006 and 2014 and recorded deficit in all other fiscal years. In the reporting year, trade balance improved by USD 2627 million and recorded surplus of USD 538 million due to 35% increase in exports and 18% decrease in imports. Total trade turnover increased by 3.6% from that of the previous year and reached USD 11.010 million.

Export: Export increased by 35% or USD 1.5 billion from the previous year. The increase was mainly due to rise in copper concentrate exports by USD 1.7 billion, crude oil by USD 119 million, non-monetary gold by USD 95 million, washed cashmere by USD 36 million. Although increase in the volume of copper concentrate and crude oil affected positively in the increase of exports, decline in global commodity price and demand affected negatively in mining exports. For instance:

Gold: According to research work of EIU institute, demand of precious metals, investment goods and intermediate industrial goods declined in 2014. Moreover, economic recovery in US strengthened USD and expectation for the Federal Reserve to tighten monetary policy resulted in lower investment in gold market. As a consequence, gold price declined by 1.4 percent in 2014.

Copper: In 2014, economic situation of developed economies, except the USA, and China, did not improve significantly and therefore the demand of industrial goods declined. According to Bloomberg, copper supply increased by 6.7% and 7.5% respectively in 2013 and 2014 which resulted in excess storage of copper. Therefore, LME copper price decreased by 14.0%.

Figure 14. Commodity price index in global market (2010/12=100%)



Source: Bloomberg

Table 2. Export of goods (million USD)

	2014		2013		Changes	
	Quan/ unit (thou.tonnes, kg)	Amount	Quan/ unit (thou.tonnes, kg)	Amount	Amount	%
1. Minerals		**5,129**		**3,777**	**1,352 ⬆**	**36%**
Coal	19,481	849	18,194	1,116	(268) ⬇	-24%
Copper concentrate	1,378	2,574	650	949	1,625 ⬆	171%
Iron ore/ concentrate	6,324	446	6,724	654	(208) ⬇	-32%
Crude oil	6,885	635	5,244	515	119 ⬆	23%
Zinc ore/ concentrate	99	113	131	119	(6) ⬇	-5%
Non monetary gold	10,041	405	7,559	310	95 ⬆	31%
Spar, leucine, nepheline	314	72	338	83	(12) ⬇	-14%
Molybdenum ore/conc	4	36	4	29	6 ⬆	21%
2. Cashmere		**285.7**		**244.9**	**41 ⬆**	**17%**
Washed cashmere	4,035	224	4,070	189	35.0 ⬆	19%
Combed cashmere	637	62	564	56	5.9 ⬆	10%
3. Other		**360**		**248**	**112 ⬆**	**45%**
Total amount		**5,775**		**4,269**	**1,505.5 ⬆**	**35.3%**

Source: Customs General Administration

Coking coal: Due to higher domestic and international supply of coking coal to China and lower demand from Chinese steelmakers, Mcloskey's coking coal index declined by 41.1% in 2014.

Iron ore: Due to continuous downward trend in world economic activity and industrial production, iron ore price declined by 49.3% in 2014.

Crude oil: Not only world and regional economic slowdown, but also geopolitical condition such as western sanction against Russia effected crude oil price to decline by 41.9%.

Although export volume of coking coal, copper concentrate, non-monetary gold and combed cashmere increased in 2014, that of iron ore, zinc ore and fluorspar decreased in 2014. The increase in export by USD 1.5 billion was mainly due to rise in copper concentrate exports by USD 1.6 billion, crude oil by USD 119 million, non-monetary gold by USD 95 million, cashmere by USD 41 million. However, export of coking coal, iron ore, zinc ore and fluorspar decreased by USD 493 million in total.

Table 3. Import of goods (million USD)

	2014		2013		Changes	
	Amount	%	Amount	%	Amount	%
Consumer goods	**1,379**	**26%**	**1,526**	**24%**	**(147)**	**-10%**
Non-durables	764	15%	780	12%	(17)	-2%
Food	531	10%	559	9%	(27)	-5%
Medicinal and pharmaceutical products	82	2%	77	1%	5	6%
Other non-durables	151	3%	145	2%	6	4%
Durables	615	12%	745	12%	(130)	-17%
Clothing	58	1%	55	1%	3	5%
Household electrical appliances and furniture	137	3%	156	2%	(19)	-12%
Passenger cars and parts	348	7%	462	7%	(114)	-25%
Other durables	73	1%	72	1%	1	1%
Capital goods	**2,098**	**40%**	**2,824**	**44%**	**(726)**	**-26%**
Machinery, equipment, supplies and vehicles	1,114	21%	1,810	28%	(697)	-38%
Construction materials	756	14%	748	12%	8	1%
Other capital goods	228	4%	266	4%	(38)	-14%
Intermadiate goods and industrial materials	**592**	**11%**	**595**	**9%**	**(4)**	**-1%**
Fuesl	**1,155**	**22%**	**1,409**	**22%**	**(255)**	**-18%**
Diesels	656	13%	881	14%	(224)	-25%
Gasolines A92-95	320	6%	325	5%	(5)	-2%
Gasolines A80 and other fuels	178	3%	203	3%	(25)	-12%
Other	**14**	**0%**	**3**	**0%**	**10**	**315%**
Total amount	**5,237**		**6,358**		**(1,121)**	**-17.6%**

Source: Customs General Administration

Import: Imports decreased by 18% or USD 1.1 billion from the previous year. The decrease was mainly affected by the followings:

- Consumer goods import declined by 10% or USD 147 million. Imports of non-durables declined by 2% and imports of durables declined by 17%.
- Due to 38% decline in imports of machinery, equipment, supplies and vehicles, capital goods import, which is mainly financed by investment, decreased by 26% or USD 726 million.
- Fuel imports declined 18% or USD 255 million.

Services

In 2014, services account deficit increased by 18% from the previous year, reaching USD 1.553 million.

Due to drop in goods import, transportation service deficit declined by 33% from that of the previous year, reached USD -458 million. However deficit in travel services increased by 56%, reached USD -328 million and deficit in other services increased by 82%, reached USD -767 million.

Although service deficit of construction work decreased by 59%, business and management consulting and financial service expenditure increased sharply.

Table 4. Services foreign trade

Service account	2012	2013	2014	Change	
				Value	%
1. Transportation	-893.5	-683.1	-458.1	225.0	-33%
2. Travel	84.8	-210.1	-328.1	-118.0	56%
3. Communications services	-26.0	-68.8	-74.6	-5.8	8%
4. Construction services	-85.1	-169.2	-69.1	100.1	-59%
5. Insurance services	-57.1	-54.9	-31.1	23.8	-43%
6. Financial services	-30.3	-30.5	-99.0	-68.5	225%
7. Computer and information services	-20.1	-28.0	-25.9	2.1	-7%
8. Royalties and license fees	-6.2	-13.3	-10.6	2.7	-21%
9. Business and management consulting, and public relations services	-18.1	-30.7	-284.4	-253.7	826%
10. Other services	-48.7	-25.7	-172.3	-146.6	571%
Total services	**-1100**	**-1314**	**-1553**	**-239**	**18%**

Source: Bank of Mongolia, [-] deficit.

International investment position

Mongolia's net international investment position stood at USD -23,689 million for the year ended 2014.

- Net foreign assets were USD 3,437 million, of which 48% was foreign exchange reserve, 34% was other investment, 10% was direct investment and remaining 8% was portfolio investment.
- On the other hand, net foreign liabilities were USD 27,127 million, of which 61% was foreign direct investment, 28% was other investment liabilities and the remaining 11% was portfolio investment.
- Out of total inward foreign direct investment, 36% or USD 6.078 million fell into shareholders' investment on share capital, while 64% or USD 10,615 million were stock of loans from parent company, so called inter-company lending.

Table 5. Mongolia's international investment position, at the end of 2014 (USD million)

A. FOREIGN ASSETS	3 437	B. FOREIGN LIABILITIES	27 127
1. Direct investment abroad	355	1. Foreign direct investment in Mongolia	16 693
2. Portfolio investment	280	2. Portfolio investment	2 913
3. Financial derivatment	9	3. Financial derivatment	12
4. Other investment	1 144	4. Other investment	7 508
5. Reserve assets	1 650		
		C. POSITION	**-23689**

Source: Bank of Mongolia

International investment short position has increased by 16% or USD 3.249 million in 2014 from the previous year. The increase is due to:

- Foreign assets declined by 14% or USD 568 million and foreign liabilities increased by 11% or USD 2.682 million;
- While short position of foreign direct investment, other investment and portfolio investment widened by USD 867 million, USD 1.231 million and USD 225 million respectively;
- Foreign exchange reserves shortened by 46% or USD 598 million.

Table 6. Changes in international investment position (USD million)

Indicators	2012	2013	2014	Changes	
				Amount	%
Foreign direct investment	-12,267	-15,471	-16,338	-867	6%
Portfolio invetsment	-2,584	-2,083	-2,633	-550	26%
Financial derivatives	0	0	-3	-3	
Other investment	-3,495	-5,134	-6,365	-1,231	24%
Foreign exchange reserve	4,126	2,248	1,650	-598	-27%
Total position	**-14,219**	**-20,440**	**-23,689**	**-3,249**	**16%**

Source: Bank of Mongolia

External debt

In 2014, Mongolia's outstanding external debt has reached USD 20.942 million, increased by 10% or USD 1.920 million from the previous year. Following factors have induced the increase of external debt:

- Mainly due to external borrowings of the Development bank of Mongolia and other private enterprises, other sector's external debt increased by 34% or USD 889 million compared to previous year,

Table 7. Mongolia's total external debt (USD million)

Indicators	2012	2013	2014	Changes	
				Amount	%
Total external debt	15,386	19,022	20,942	1,920	10%
I. Government	3,684	3,684	3,610	-75	-2%
II. Central bank	415	1,065	1,568	502	47%
III. Deposit-taking corporations (Other than Central bank)	1,074	1,298	1,629	330	25%
Short-term	58	200	315	115	57%
Long-term	1,016	1,098	1,314	216	20%
IV. Other sector	1,856	2,633	3,522	889	34%
Short-term	508	406	562	156	39%
Long-term	1,348	2,228	2,960	732	33%
V. Intercompany lending	8,357	10,341	10,615	274	3%
(Gov + Gov guarantee)/GDP	41%	36%	41%		

Source: Ministry of Finance and the Bank of Mongolia

- Commercial banks' external loan and issuance of bonds in international market led to increase in deposit-taking corporations' external debt by 26% or USD 331 million,
- Inter-company lending or stock of loans from parent company (it is accounted under foreign direct investment in the Balance of Payments statistics but written in intercompany lending in External Debt statistics) increased by USD 274 million or 3% from previous year,
- Due to swap agreement between the Bank of Mongolia and the People's Bank of China, Central bank's external debt increased by USD 503 million,

Government external debt was stable level of 29.4%-30.0% of GDP in 2012-2014 (According to international standards external debt of the Development Bank classified under other sector).

Box 1. Abstract of research work: Compensation of non-resident employees in Mongolia

Purpose: According to Balance of Payments statistics, Mongolian companies paid USD 236 million in 2013 and USD 168 million in 2014 to non-resident workers, out of which 68% was in mining sector, 12% was in construction sector and 20% was in other sector. The Bank of Mongolia conducted this research in order to double check the coverage of the salary data specifically in road and construction sector in 2014.

Outcome: The total number of foreign workers, subject to social insurance service, amounted 18.852 in 2013. Out of which, workers in mining, road and construction sector have the highest weight, being nearly 14% each. The 35% of these workers receive less than MNT 200 thousand and 52% receive between MNT 200 thousand and MNT 2 million per month as a wage. Most of the workers who get paid less than MNT 200 thousand are employed in road and construction sector.

However, National employment service, research and information center states that the center has issued 26.109 work permissions to foreigners in 1.428 companies in 2013, which is 38% higher than the number captured in Social insurance data. The difference in 2 data sources is caused by numerous factors, including, 1) foreign workers who obtained permission to work in Mongolia beforehand, but could not actually enter the country; 2) foreign workers who do not get registered in Social insurance general office; and 3) foreign workers who obtained permission to work in Mongolia, but do not receive salary in cash in Mongolia.

The Bank of Mongolia collected survey data from the companies that cover 20% of total permissions given above.

Although the salary paid to non-resident workers is highest in mining sector, being USD 2.646, it is comparatively low in road and construction sector, being average of USD 590 per month.

The low salary level in road and construction sector, mainly dominated by Chinese workers, is due to the following reasons:

- Mongolian companies do not pay salary to individual workers in Mongolia, but instead are paying to the Chinese companies via the international transaction for construction service. They obtain the non-resident workers' permission on their own company name, and register the workers as receiving the lowest wage amount.
- Non-resident employees who came from Chinese parent company, do not receive their salary in Mongolia. They receive salary in their home country from the parent company directly.
- Most construction companies pay around MNT 200 thousand per month for employee's food consumption while residing in Mongolia and paying Chinese employee's social insurance premium.

However, a lot of construction workers from foreign countries, who obtain permission to work in Mongolia, are receiving its salary in their home country. Otherwise Mongolian companies pay compensation of nonresident employees via the international transaction which is equivalent to USD 195 million in 2013 and USD 87 million in 2014 that are compiled on Balance of Payments statistics.

To conclude, Mongolian companies' compensation of nonresident employees is fully covered on Balance of Payment statistics including International transaction reporting system and enterprises' survey.

1.3 Monetary and financial sector

Inflation

The Bank of Mongolia's main objective is to ensure price stability. It is a base of providing macroeconomic and financial stability, and encourage of financial intermediation activities also maintaining purchasing power of the real sector and ensuring sustainable economic growth and providing environment of reducing credit rate.

Overall consumer prices increased by 11.0 percent (y-o-y) nationwide and 10.7 percent (y-o-y) in Ulaanbaatar city, compared with 2013 it increased by 0.9 percentage points nationwide and 0.5 percentage points in Ulaanbaatar city in 2014 respectively.

Thus, the annual inflation rate was 11% at the end of 2014 which is higher than target inflation rate (8) 3 percentage points. It is cause of the negative impact of inflation on reference rate of togrog against foreign currencies from 2nd half of 2013 to first half of 2014. However supply driven inflation declined during 2013-2014 and was keeping low and stable, but the inflation of import goods and high input of domestic goods inflation was increasing during the first half of 2014. But by the last half of 2014, its inertia going to sluggish and its impact will decrease which means inflation rate will decline in last few months of the year. The price inflation of meat products which is one of the consumer basket components with high fluctuations declined and contributed to the inflation rate decline. On the other hand, the price inflation of components that exclude food, petroleum and administered goods and services accelerated and contributed in large amount to inflation.

Figure 15. Monthly and annual headline inflation and core inflation in Ulaanbaatar city

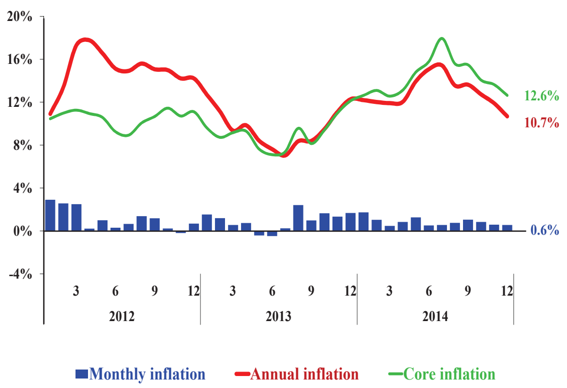
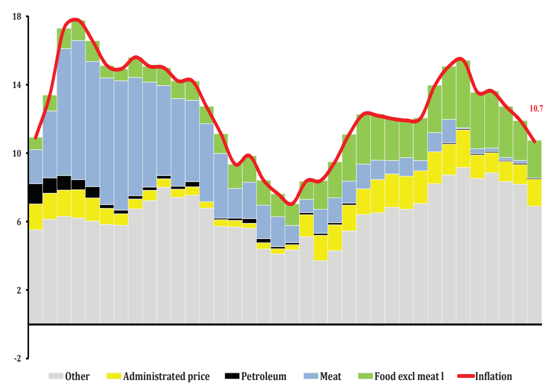


Figure 16. Contributions to the annual headline inflation in Ulaanbaatar city



Source: NSO

Meat and food products excluding meat contributed -0.06 and 2.2 percentage points respectively to the annual headline inflation at the end of 2014, while administered goods and services, petroleum and other products and services contributed 1.58, 0.07 and 6.90 percentage points respectively. The contributions of administered goods and services' prices to the overall inflation increased by 0.43 percentage points. Specifically, the state-owned university tuition fees increased by 0.3 percentage points (7.6%), residential water price increased by 0.4 percentage points (23.0%), power prices rose by 0.1 percentage points (averagely 5.8%) and the road passenger transport service price increased by 0.5 percentage points (17.7%) and all of them totally contributed to overall inflation by 1.4 percentage points.

Contribution of inflation of meat price, other foods price out of meat price and other goods prices decreased by 0.24, 0.12 and 1.29 percentage points from the previous month respectively. Whereas, fuel price remained stable and percentage of its inflation unchanged from the previous month.

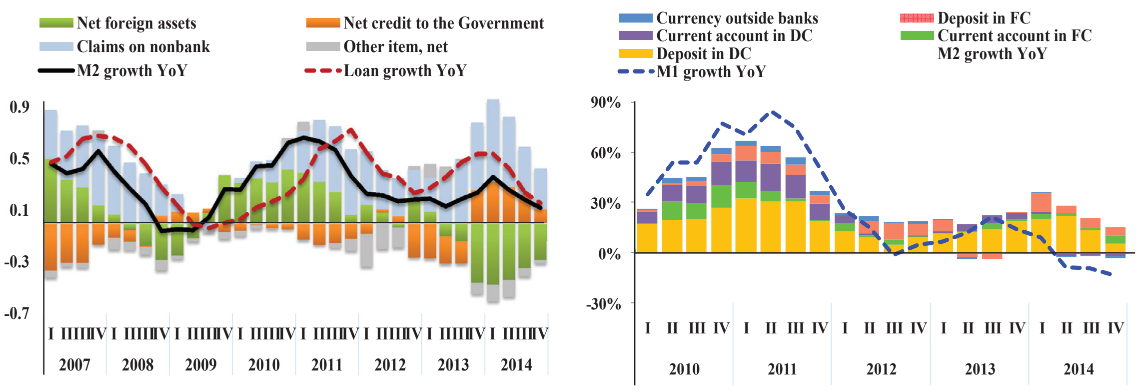
Core inflation reached 12.6 percent at the end of 2014, exceeding the headline inflation throughout the year. The following factors led to the core inflation remaining at relatively high levels: (1) Price increases of meat, milk and vegetable products, which are excluded from the core inflation, were relatively low, (2) contribution of inflation of state expenditure has not declined, (3) Due to the crisis of payment balance in 2013 continued in 2014, depreciation of MNT is directly influencing price increases in imported goods and indirectly affecting price increases in export inputs of domestic goods which take one-third of consumer basket and services.

However, due to monetary policy changed to maintain macroeconomic external balance, inflation inertia slowing down from 2nd half of 2014 and imported goods and other goods contribution of inflation declined. On the other hand, cause of successful effect of "Price stabilization and supply shock elimination mid-term program", supply-driven inflationary pressure sharp declined. Therefore, inflation will reach target level in 2015.

Monetary aggregates

Net foreign currency inflow, especially foreign direct investment continued decreasing in 2014 which take 2% in GDP and the net foreign assets (NFA) decreased by three times. But net domestic assets (NDA) rose by 44.7 percent owing to the increased domestic credit issuance financed by the Development Bank, the Government of Mongolia and the Program loans of the Bank of Mongolia.

Figure 17. Contribution to annual growth of M2: assets, liabilities



Source: Bank of Mongolia

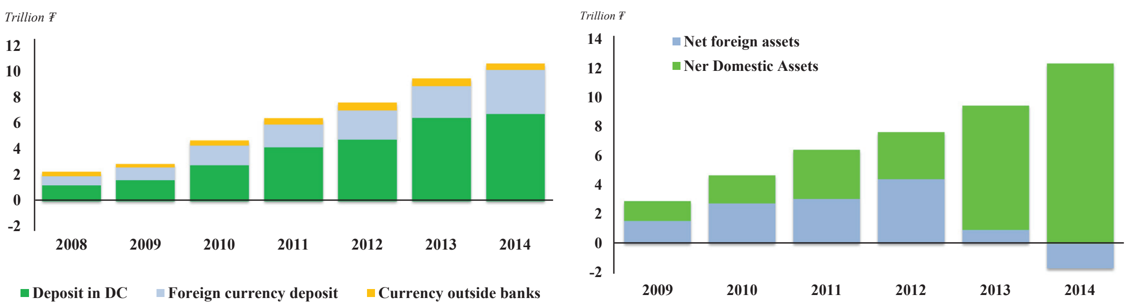
Though the contribution of net foreign assets to the money supply growth decreased, the domestic components of money supply contributed significantly, which led to M2 growth of 12.5% in 2014. The increase of credit outstanding reached to 16.1% in 2014 which influenced by depreciation of external source and growth of domestic components. Looking at the liabilities, the contribution of quasi money[2], especially current accounts in foreign currency to the growth of M2 rose significantly. However, due to growth of credit M1 increased by 14.1% in 2013, but the growth of M1 slowed down extensively in 2014 to reach -13.2 percent. In terms of the components of money supply, the percentage contribution of currency outside the banking sector has decreased while the percentage contribution of deposits in

[2] Equal with deposity MNT and current accounts in foreign currency

MNT has risen in the recent years. Compared to the previous year, the percentage contribution of current accounts in MNT declined while the deposits in foreign currency contributed a higher percentage to money supply in 2014. By the asset side, net domestic asset has taken 45% in money supply of M2 averagely in 2010-2012. In the payment balance crisis year of 2013, net foreign asset has sharply declined to 90% and in the payment balance crisis continued year of 2014, it reached 116% of M2.

In other words, in 2013, the 79% of net foreign asset sharp decline has offset by growth of 165% net domestic asset, the 282% of net foreign asset sharp decline also has offset by 45% growth of net foreign asset in 2014 respectively. It softened adverse impact of sharp decline on net foreign asset of financial sector and economy.

Figure 18. M2 money supply components: assets, liabilities



Source: Bank of Mongolia

Banking sector key performance indicators

БAs of the end of 2014, there are a total of 14 commercial banks operating in banking sector through their 1486 branches and units. Total number of depositors and borrowers reached to 2.7 million with an increase of 219.8 thousand and 803.1 thousand with an increase of 109.1 thousand respectively.

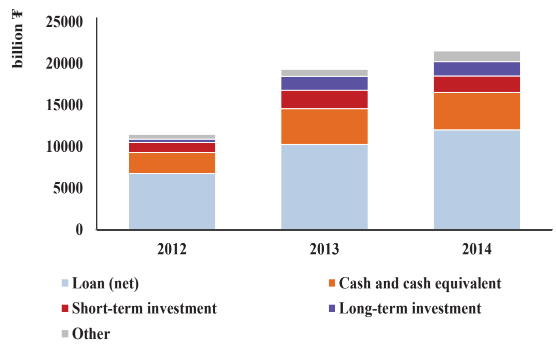
Assets

At the end of 2014, the banking sector assets increased by 11.7 percent or MNT 2.2 trillion from the previous year, totaling MNT 21.5 trillion[3]. In terms of asset composition, 55.8 percent of total banking sector assets was composed of loans outstanding, 20.9 percent of cash and cash equivalents, 9.2 percent of short-term investments, 7.9 percent of long-term investments and the remaining 6.2 percent were other assets.

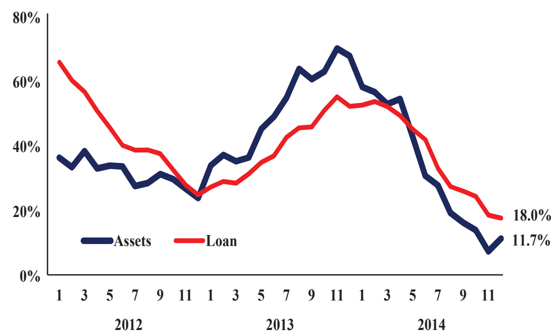
At the end of the reporting year, the amount of total loan, described as a main assets of the banking sector, with the exclusion of liquidated banks (Anod, Zoos and Savings), increased by 1.8 trillion MNT or 18%, reaching MNT 12.3 trillion. With the inclusion of liquidated banks, total amount of outstanding loan increased by 16.1%, totaling MNT 12.5 trillion.

[3] With the exclusim of liquideted banks (Anod, Zoos and Savings)

Graphic 19. Total assets structure (billion MNT)



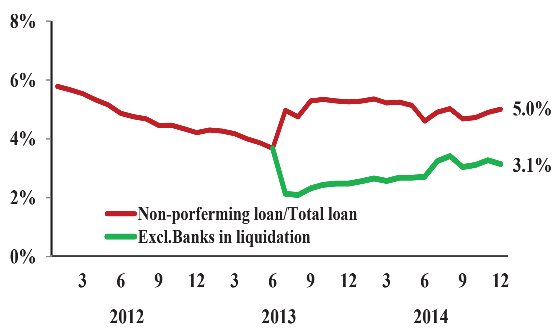
Graphic 20. Year-on-year growth of assets (%)



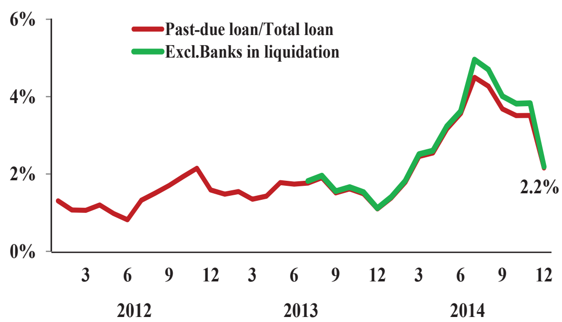
Source: Bank of Mongolia

At the end of 2014, with the exclusion of liquidated banks, 94.7% or MNT 11.607 billion of total outstanding loan of MNT 12.262 billion was classified as pass loan, 2.2% or MNT 269 billion as past due loan, 3.1% or MNT 386 billion as non-performing loan, respectively. Comparing the loan quality to the previous year, the amount of non-performing loan increased by MNT 126 billion or 49% from the end of the last year while outstanding amount of past-due loan increased by MNT 152 billion or 2.3 times. With the inclusion of liquidated banks, past-due loan increased by MNT 151 billion or 2.28 times from 2013, equaling MNT 270 billion, while non-performing loan increased by MNT 60 billion or 11%, reaching MNT 626 billion.

Graphic 21. Non-performing loan (billion MNT)



Graphic 22. Past-due loan (billion MNT)



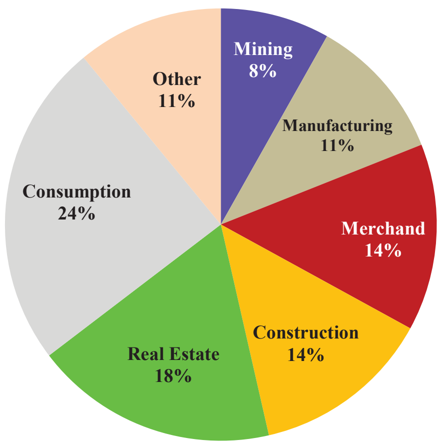
Source: *Bank of Mongolia*

Taking into account the quality of the loans in foreign currency and domestic currency separately, the loans in domestic currency performed relatively well compared to loans in foreign currency. By the end of 2014, the share of non-performing loans in domestic currency was 2.4 percent, while the share of non-performing loans in foreign currency was 6.7 percent. The share of non-performing loan in foreign currency was 3.2% in June 2013; however, it rose to 5.7% at the end of 2013 and increased by 1.0 percentage points in 2014 due to the difficulty of balance of payment during 2013-2014.

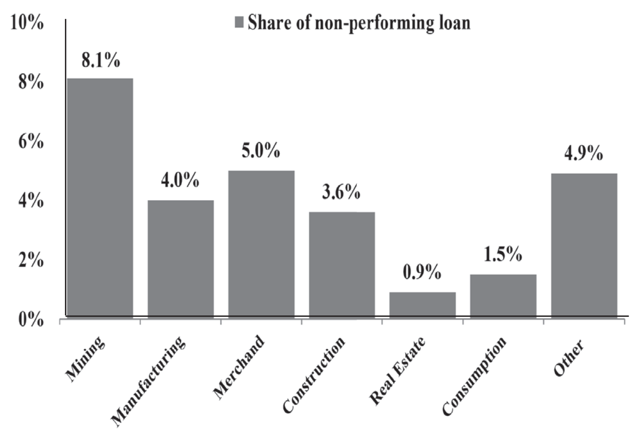
Considering outstanding loans by economic sectors, consumer loans accounted for MNT 2.9 trillion or 24.4 percent of total loans, MNT 2.2 trillion or 18.2 percent in real estate sector, MNT 1.7 trillion or 14.0 percent in wholesale and retail sector, MNT 1.6 trillion or 13.5 percent in construction sector, MNT 1.3

trillion or 10.8 percent in manufacturing and MNT 1 trillion or 8.2 percent in mining sector. To sum up loan performance of main economic sectors, the percentages of non-performing loans issued in mining, wholesale and retail sectors were relatively high compared to the other sectors, 8.1 percent and 5.0 percent, respectively. The performance of the loan issued in real estate sector and to individuals was comparatively good and the percentages of the non-performing loans in these sectors equaled 0.9 percent and 1.5 percent, respectively. At the end of the reporting year, the share of non-performing loan in mortgage outstanding loan was merely 0.4 percent, which contributes to the good quality of loan issued in the real estate sector.

Graphic 23. Share of total loan (by sector)



Graphic 24. Loan quality (by sector)

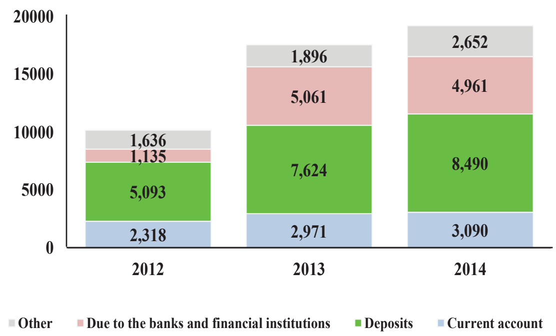


Source: Bank of Mongolia

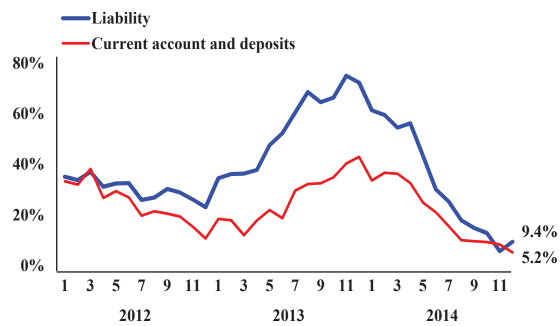
Liabilities

In 2013 under balance of payment crisis, with the intention of soft-landing for economy, the BOM implemented unconventional monetary policy, which prevents from shortage of funding, discontinuance of lending, risk of systemic instability. In one hand, due to the effect of measures taken within the frame of unconventional monetary policy, on the other hand, because of stable growth of current account and deposit, total capital of the banking sector increased by 72.4% in 2013. In 2014, total capital of the banking sector increased by MNT 1.64 trillion or 9.4%, reaching MNT 19.2 trillion and in last few months, the growth rate tends to slow down. At the end of the reporting year, the growth of total current account and deposit equals 5.2% and the growth rate decreased by 37.8% from 2013.

Graphic 25. Liability structure of banking sector (billion MNT)



Graphic 26. Year-on-year growth of liability (%)



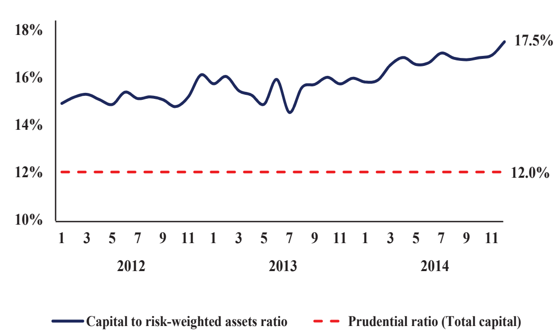
Source: Bank of Mongolia

Capital adequacy and liquidity indicators in the banking sector

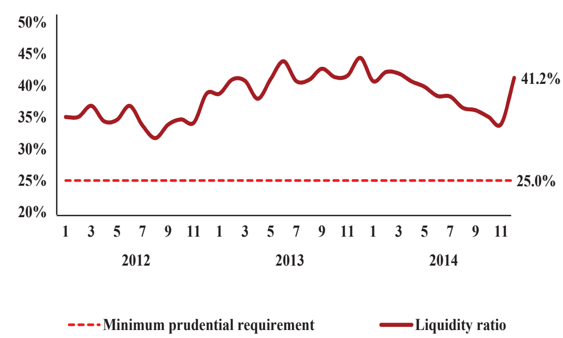
As of the end of 2014, bank's equity, an indicator of banking system's risk bearing capacity, totaled MNT 2.3 trillion with an increase of 30.9 percent or MNT 575.6 billion from the previous year and risk weighted assets reached MNT 13.1 trillion with an increase of 22.4 percent or MNT 2.4 trillion from the previous year. In 2014, the banks earned the total profit of MNT 287.8 billion, increasing their equity. The net profit of the banking sector decreased by MNT 3.8 billion from the same period of the last year, reducing the profitability indicators. Returns on assets and bank's equity reached 1.6 and 12.4 percentage points, decreased by 1.1 and 8.0 percentage points from the previous year, respectively.

Banking system's equity to risk-weighted assets ratio or Capital Adequacy Ratio (CAR) equaled 17.5 percent and Tier I CAR was 12.3 percent and these ratios were 5.5 and 3.3 percentage points above the BOM's prudential requirements, improving by 1.1 and 0.2 percentage points from the last year, respectively.

Graphic 27. Capital adequacy ratio



Graphic 28. Liquidity ratio



Source: Bank of Mongolia

At the end of 2014, liquidity ratio reached 41.2 percent, which is 3.2 percentage points below the previous year's estimate, but 16.2 percentage points higher than 25 percent of minimum regulatory requirement set by the Bank of Mongolia. The banks increased their reserves in the Central banks by permanently raising investments in the Government securities, causing the liquidity ratio to be stable. At the end of the reporting year, the total investments in the Central bank bills and Government securities reached MNT 3.5 trillion which comprises 44.6 percent of total liquid assets.

According to the BOM regulation, net foreign currency open positions to capital ratio shall be within +/-15 percent range for single currency, while total net open positions to capital ratio is set to be within +/-40 percent range. At the end of the 2014, banking sector foreign currency prudential norms were within the regulatory level set by the Bank of Mongolia; -9.6 percent and -8.9 percent for total net positions and single currency respectively. The total foreign currency assets reached MNT 6.6 trillion, increased by MNT 1.0 trillion or 18.6 percent from the previous year while the amount of foreign currency liabilities increased by MNT 1.9 trillion or 34.8 percent from the previous year, reaching MNT 7.3 trillion

The BOM actions taken to sustain banking sector stability

The BOM has been continously incorporating the objectives of improving resilience of the banking systemin the Monetary Policy Guidelines in recent years. Therefore, the following actions were taken within the objectives:

In order to prevent systemic risk and sustain financial stability in the medium and long term, medium term banking supervision strategy was approved by the BOM.

Within framework of Macro-prudential policy to mitigate foreign currency credit risk, through increasing risk weight of the credit exposed to exchange rate risk, bank's solvency and capital adequacy were strenghtened. Furthermore, based on the research to diminish credit risk, foreign currency credit risk weight was increased through amendments made to "The Regulation on Setting and Monitoring Prudential Ratios to Commercial Banks". It was an important step to neutralize dollarization, mitigate the foreign currency credit risk and sustain the financial stability in medium term.

A research was conducted on whether implementing dynamic provisioning, one of the macro-prudential policy tools, is appropriate for our economic conditions and based on the research output, 1 percent general proviosining rule to newly issued performing loans was introduced through the amendments in "The Regulation on Asset Classifying, Provisioning and its Allocations". Therefore, it creates opportunity to increase the provisioning for non-performing assets.

For the purpose of improving financial sector regulatory framework and increasing financial intermediation, "The Regulation on Custodial Licensing and Operations" were jointly approved by the Bank of Mongolia and the Financial Regulatory Commission for introducing custodial services to the financial market. By introducing this service, it improved the environment that provides stock market trading service and created legal framework that restricts the risk to trade investor's securities without permission.

Within the scope of improving corporate governance and operational transparency of the banking sector, "The Guideline on Assessing the Implementation of Corporate Governance for Banks" was approved in line with basic principles of international standards and started implementing it in the banking operations. In relation to the changes made in the regulation, the amendments that independent board members of the banks shall only be appointed by the shareholder's meeting and dismissed by the BOM permission and for the systemically important banks, 3 or more independent members shall be included in the bank's board regardless of the types of companies were added to "The Regulation of Nomination, Appointment and Dismissal Procedure of Independent Members of Banking Board".

Within the scope of extending the credit information database and improving accessibility and quality of its information and contents, credit information of microfinance institutions were incorporated in the database, and as a result, a total of 13 banks, 226 microfinance institutions, 177 non-banking financial institutions and 49 savings and credits cooperatives are exchanging credit information. In order to make the credit information more comprehensive and accessible, an additional set including information about co-borrowers and census of livestock was added.

The Accounting batch material, updated in line with International Financial Reporting Standards, was approved for the banking operations. In relation to update of the accounting batch material, the new software system that receives and consolidates financial statements from the banks was installed. Moreover, chart of accounts and financial statement forms have been implemented in the system and its testing on receiving reports from the banks was successfully conducted.

For the purpose of protecting interests of customers in financial markets and developing a program to improve financial literacy of the nation, the working group consisted of representatives of the Ministry of Finance, the Ministry of Education and Science, the Financial Regulatory Commission and the Mongolian Bankers Association was jointly established and started developing the program. In addition, as a part of this project, “Financial glossary” was published with the funding of the World Bank Project and distributed to the public.

Moreover, researches on international best practices for implementing new policy instruments that could mitigate potential risks in the banking system and reduce the stroke of crisis and evaluating the possibilities to implement them taken into account the characteristics of the national financial sector have been constantly conducted.

Banking sector supervision

On-site inspection

In 2014, the BOM conducted full-scope on-site examinations on all banks and partial on-site examinations for some banks.

On-site inspections were conducted with an added attention to the banks risk management system evaluation by analyzing optimality of the banks’ risk assessment guidelines, effectiveness of the potential risk assessment and mitigation policy and adequacy of the internal control system. The inspections were conducted according to the Law on Central Bank (The Bank of Mongolia), Banking Law and regulations and guidelines approved by the BOM and related enforcement measures were taken against the violations of laws and regulations.

Apart from examination on the banks’ compliance of prudential requirements set by the BOM through the on-site inspections, the effectiveness of the system and methodology for assessing capital adequacy norms and the solvency in consistent with the bank’s risk, size and scope of operations and its’ optimal implementation in internal operations by banks were examined. Furthermore, the estimation methodology and system was independently developed and implemented by banks was assessed.

Table 8. Prudential ratios set by the Bank of Mongolia

	Lower Limits of Prudential Ratios
Capital adequacy	
- Tier I capital adequacy ratio	9%
- Total capital to risk-weighted assets	12% [4]
Liquidity requirement	
- The ratio of liquid assets to total deposits	25%

	Upper Limits of Prudential Ratios
Foreign currency open position	
- For single currency	+/-15%
- For all the currency	+/-40%
Loan concentration risk indicators	
Total credit and other credit equivalent exposures to single borrower and his connected parties collectively to total capital	20%
Credit and other credit equivalent exposures to connected parties to the bank collectively to total capital	20%
Credit and other credit equivalent exposures to single connected party to the bank to total capital	5%
Fixed asset indicators	
Total fixed assets to total assets of the bank	8%

Source: Bank of Mongolia

For the purpose of monitoring the implementation of Law on combating money laundering and terrorist financing, specific articles were added in the full-scope inspection guidance and examinations were conducted on their compliance in the banks inspected in 2014. In addition, loans granted under subprograms implemented by the Government were reflected in the inspection guidance and examined.

Off-site examination

In the reporting year, off-site supervision was conducted in a timely manner on the basis of monthly financial reports received from banks and on-site examination results and in accordance with the BOM Governor's orders and decrees along with the laws and regulations.

Within the scope of off-site supervision, banks' violations of legislations including inadequate asset classification and provision for loan losses, inaccurate fulfillment of accounting standards and submission of faulty reports were discovered promptly and related enforcements were conducted on a timely manner.

To the extent of implementing quality and efficient supervision of banks in a timely manner, quarterly analyses on banks with foreign investments, on banks compliance with the Article 38.2 of the Banking law and on banking capital were conducted; furthermore, analyses on changes of banks' units and branches were done on half year basis.

[4] 14% for systemically important banks

Box 2. National Financial Capability Program

Improving financial literacy of citizens is very crucial in maintaining the financial stability in the medium and long term and developing the financial market. High level of financial education of citizens for developing countries results in real economic growth and reduction of the poverty as well as preventing from financial crisis. On the other hand, for developed countries, it has a positive effect on creating conditions, in which retiring age people are able to accumulate sufficient amount of saving and stay out of debt distress.

However, the lack of basic financial knowledge and insufficient understanding of the financial services among the citizens lead them to make inadequate long term financial decisions. As a result, there are no improvements in their financial conditions; moreover, it has negative impact on the stability of the financial sector.

In the late 1990s, after the financial crisis in Asia, developed countries such as Japan, Singapore, Netherlands, New Zealand, Great Britain and USA considered the improvement of public financial literacy at the policy level and started developing national strategy, which is nationally accepted comprehensive program or system for the improvement of public financial capability.

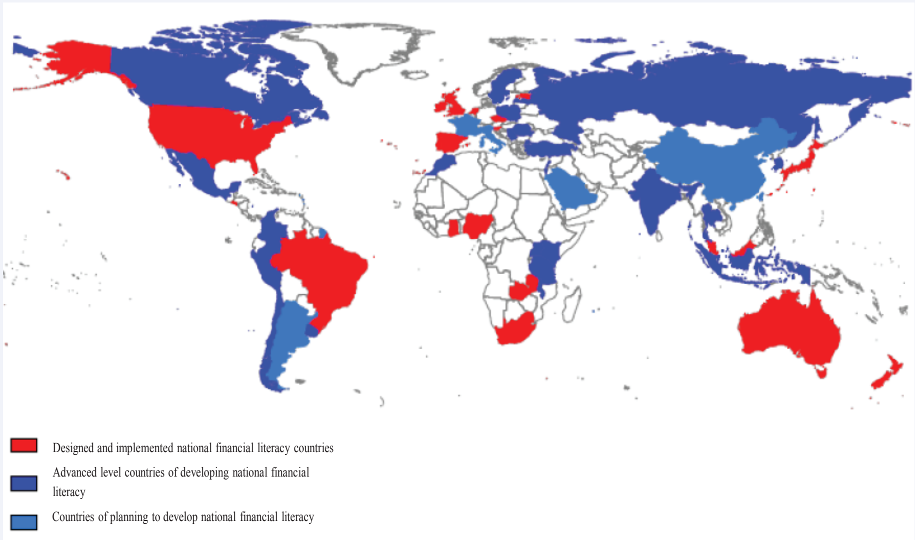
The number of countries implementing such programs has been rapidly increasing and as of 2011, 26 countries that developed their programs were in the process of implementation and the number of countries reached 45 in 2013.

Table 9. Implementation status of national strategy on improving public financial Capability

Implementation Status	Number	Countries
Countries that have implemented national strategy	20	Australia, Brazil, Czech Republic, El Salvador, Estonia, Ghana, Ireland, Japan, Malaysia, Netherlands, New Zealand, Nigeria, Portugal, Singapore, Slovenia, South Africa, Spain, Great Britain, the USA, Zambia
Countries that are at an advanced state of design of their National Strategy	25	Armenia, Canada, Chile, Colombia, India, Indonesia, Israel, Kenya, South Korea, Latvia, Lebanon, Mexico, Malawi, Morocco, Peru, Poland, Romania, Russian Federation, Serbia, Sweden, Tanzania, Thailand, Turkey, Uganda, Uruguay
Countries that are considering the design of a National Strategy	5	Argentina, China, France, Italy, Saudi Arabia

Source: OECD

Figure 29. Implementation status of national strategy on improving public financial literacy by region



Source: OECD

Depending on the level of financial market development of the countries and the needs and demands of their citizens, the objectives of the strategy are to make a financial market more inclusive, improve citizens' ability to make adequate financial decisions and help them to overcome the challenges arisen in evolving society and economy.
Although the national strategy on improving financial capability is usually designed for the public, to some extent it pays more attention to certain target groups. In most countries, youths and adults are appropriately included in the target groups, while other target groups vary depending on the countries' characteristics.

Table 10. Worldwide target groups

The target groups	The group selected countries
Women	Brazil, India, Indonesia, Saudi Arabia, Turkey
Migrants	Canada, Indonesia, Mexico
Entrepreneurs	Brazil, India, Indonesia, the Netherlands, Saudi Arabia, Spain
Workers, low and middle-income people, elderly	Brazil, Canada, China, South Korea, Turkey and the United States
The disabled	India
Immigrants to the US	Mexico
Rural population	China
Certain periods to make financial decisions as an individual and family when studying at universities, getting married, buying a house, divorcing, having children and becoming unemployed	South Korea, Netherlands, Great Britain

Source: OECD

Conducting periodic assessments for the results of the strategy on improving national financial capability in several years increase its importance. Currently, 7 countries including Australia, Japan, Netherlands, Singapore, Republic of South Africa, the Great Britain and the USA conducted qualitative and quantitative assessments. The implementation of the strategy is important for improvement of citizens' ability to opt for appropriate financial services and products for their needs, preventing from any financial fraud, reducing amount of debt by citizens, increasing savings and reducing the poverty and crimes.

In recent years, in collaboration with domestic and international related organizations, the BOM conducted research on improving public financial capability and worked to develop national strategy. Medium term (3 to 5 years) strategy for improving public financial capability approved in 2015 and it is planned to implement on national basis.

Box 3. Sustainable system of mortgage financing

Housing finance system

It has always been considered as an important issue to create the market-based housing finance system and develop the long term primary and secondary markets of mortgage in Mongolia, which is the country with harsh climate and the majority of the population lives in a ger. Since the mortgage lending activities started in 2003, deposit-based housing finance system of the banking industry has dominated. In 2003, the Asian Development Bank implemented "The housing finance" project, which helped banks to start operations of long term mortgage lending based on short term resources and played an important contribution to achieve long term goals to create sustainable system of mortgage financing.

The housing finance system is classified into the following 5 types depending on how mortgage financing is created:

- Deposit-based system
- Bond market-based system
- Securitization or secondary securities market-based system
- State housing banks or funds
- Other financial resources

To measure the efficiency of the housing finance system, we consider a number of indicators. In particular, average household income being sufficient to purchase the middle class housing mortgage loans in line with the requirements of banks, loan types to be consistent with macro-economic situation and meet the needs of customers, having little difference in spreads between bank borrowing and lending rates as well as between mortgage-backed bonds and other securities, being able to fulfill the performance of duty using the collateral, being able to predict the loan losses in advance, partially, based on the debtor's real estate information and transaction characteristics, having system with the external shock to be soft and short, as well as healthy and strength to withstand the medium sized internal shock, being able to protect lenders with poor financial education from unfair lending.

Banks are responsible for the lending, repayment, credit risk tolerance and resource mobilization activities in case of the deposit-based housing finance system. However, in case of secondary securities market-based system, they are responsible for lending and repayment activities while credit risk tolerance and resource mobilization activities are transferred to the investors who bought the securities.

The advantage of deposit-based housing finance system is banks have good control on delinquency and liquidity risk tolerance for credit risk. Also, for lenders and credit providers are a single entity, the borrowing service could be better. But the flip side of the system is the difficulty in managing the interest rate risk, the likelihood to accumulate the market liquidity risk because of the maturity mismatch or providing loan term housing demand using the short term deposits. Especially in case of a geographically small portion of the loan, the operational efficiency is likely to be low since they are involved in a variety of responsibility; competition is likely to be weak due to the limited permanent financing of the bank.

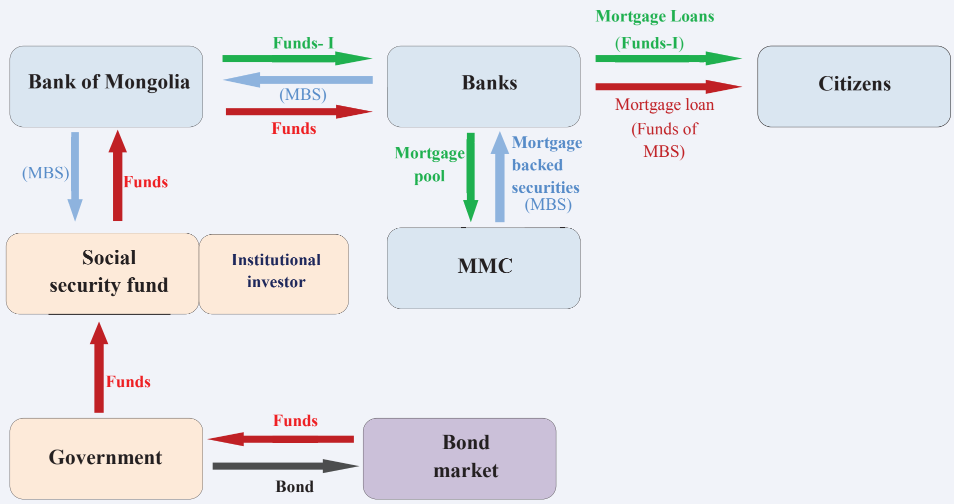
Hence, with the objective to implement mortgage financing system sustainable in the longer run, in cooperation with the Government of Mongolia, the Bank of Mongolia initiated the program “Market Financing to Create Sustainable Mortgage System” and laid initial bricks of transition to a mortgage system based on secondary market from a system based on deposits, in 2013. The new system will pave the way for significant market milestones such as an efficient management of interest rate risk by issuing and offering mortgage backed securities with various maturities to investors; an optimal spreading of liquidity risk in the market, by classifying mortgage backed securities according to its risk, setting associated rating and prices and offering risk dispersed stocks to investors; and higher efficiency in mortgage lending activity owing to advanced skills and market discipline in the field. Furthermore, secondary mortgage market will enable a smooth entrance to the credit market for a bank newly issuing mortgage credits, and thus contribute towards healthy market competition, which is a necessary condition for lower interest rate.

Yet, information asymmetry is a disadvantage of the mortgage financing system based on secondary market. Although banks issuing mortgage credit have sufficient information on the debtor, once it sells the mortgage backed security to an investor and eliminates it from its balance sheet, the risk associated with the mortgage credit is transferred to the investor and unfortunately the investor does not receive same information on the actual debtor. This in turn encourages banks to issue significant amount of credit without paying sufficient attention to its quality and risk.

In order to avoid the above mentioned puzzle and to pursue an efficient functioning of the mortgage financing system based on secondary market, it is crucial to make universal standards on credit issuance, to enhance the legal procedures to be followed in case of collateral liquidation and to create an efficient and sound real-estate registration system.

Nevertheless, in case of Mongolia, since the mortgage market is still underdeveloped and there are few professional, sizable investors willing to invest in the long term mortgage backed securities (MBS), it was highly improbable to implement and develop secondary market mortgage financing system without official involvement. Hence, the Bank of Mongolia is currently in charge of the mortgage financing until there come sizable investors available in the market. Furthermore, it is extremely crucial to build-up sufficient fund at the National Insurance Fund and to enhance its operations as an independent investor fund that would invest in the MBS and hence facilitate a long term mortgage financing system in Mongolia.

Figure 30. General scheme on implementation of sustainable system of mortgage financing project



Source: Bank of Mongolia

Securitization

In accordance with the mortgage backed security statute, only mortgage backed securities and covered bonds are offered to the financial market. Covered bond security packages are backed by the future money flow and is included in the bank's loan package balance, while the mortgage backed securities are exclude from the balance altogether. Therefore when the quality of the loan package suffers the banks take the loan risk on the covered bonds, while the investors take the loan risk on the mortgage backed securities.

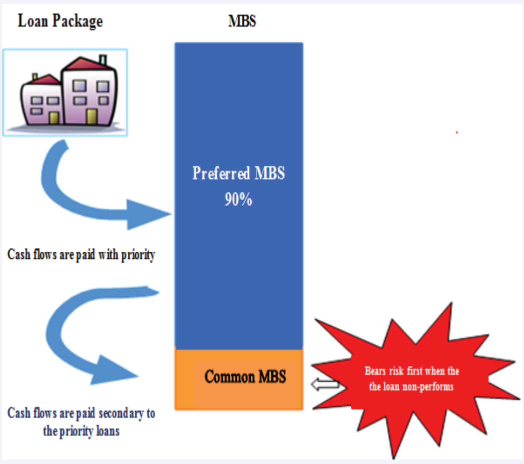
According to the mortgage backed securities legislation, there can be two types of securities in the financial market: collateralized mortgage obligation and mortgage-backed security. These securities are backed by future cash flows from mortgage loans. The differences are collateralized mortgage securities stay on the bank balance sheet; however, the mortgage backed securities or packages are removed from the balance sheet. When the loan package quality deteriorates, security issuer bank is responsible for collateralized securities while for mortgage collateralized securities investor takes the responsibility for risks.

Mongolia made a decision to issue mortgage backed securities for several reasons including underdeveloped stock markets and limited financial capacity of banks. This way the program will not put any pressure on the capital adequacy ratio of the bank and it saves the cost by selling and getting securitized the mortgage loans by a special purpose company created by MIK (Mongolian Mortgage Corporation) LLC. Moreover, the process of buying the mortgage loans according to the requirements set by MIK LLC, transforming them with same standard, and rewarding banks based on their credit extensions and lending services increases the credit circulation and improves the bank efficiency.

Even though the mortgage backed securities have above mentioned advantages, removing the loan packages from bank balance sheet exposes the investors to credit risk. In order to protect the investors from credit risk and ensure the bank prudential requirements, we made relevant arrangements in the "Mortgage Finance Regulation"

According to the program, MIK LLC purchases mortgage loans from the banks and securitizes the pool into preferred and common securities. The 90 percent of total securities are preferred and remaining 10 percent are regular mortgage backed securities. Owners of preferred mortgage backed securities have priority over common stock owners in the payments.

Figure 31. Structure of securitization



Source: Bank of Mongolia

This means that common stockholders receive payments only after all preferred stockholders have received their payments.

When credit risk occurs, first common stockholders incur the loss and when it exceeds common stockholders share, the preferred stockholders will take the responsibility.

We regulated the banks to hold common stocks for 3 years to prevent the violation of prudential requirements. Holding common stocks for some time and sharing risks and returns ensure banks to qualify prudential requirements, prevent deterioration of loan packages and systematic risks in the financial market.

Legislation

On 13 April 2013, The Government of Mongolia and the Bank of Mongolia signed a Memorandum of Understanding on joint cooperation of “Sustainable system on mortgage financing”. It was a primary condition for the development of sustainable long-term mortgage financing system based on the secondary market. The Government of Bank of Mongolia approved the “Housing Finance Regulation” on 14 June 2013. Trough providing housing demand and supply to stabilize price of housing and price of renting and also increasing supply of housing with safe and health, launched this target.

Within this framework, according to the asset-backed securities law, the Minister of Justice and the Chairman of Financial Regulatory Commission approved “Asset-backed securities registration regulation” by their joint statement of A167/203 on 20 July 2013. To develop the secondary housing finance system, the initial funding was provided by the Bank of Mongolia as loans to banks. Banks lend out the fund to the citizens and the Financial Regulatory Commission gives permission to a special purpose company to securitize the loan packages. Finally, the securities will be sold to the Bank of Mongolia. And the initial conditions for the whole system are completed successfully in the short run.

MIK LLC, within the Asset-backed Securities Law, received permission to organize the first special purpose company from Financial Regulatory Commission in 2013. The first asset-backed securities were issued in the financial market on 20 December 2013. Here we need to mention the organized and understanding cooperation of state institutions which led to success in building roots to sustainable housing finance system and providing 8 percent housing loan to our citizens without any hassles.

By implementing of sustainable system on mortgage financing project in the last 18 months, outstanding loans of mortgage of banks reached MNT 2845 billion and MNT 2028 billion of it which is 71.3 % were loans under this project. The total number of borrowers were 29.887 at the end of 2012, at the end of 2014 it increased by 2.2 times and reached 66.334. Consequently, the contribution of mortgage loans on GDP was 6% at the end of 2012, by the end of 2013 it reached 11% and 13% at the end of 2014

1.4 Government budget

Net credit to government

At the end of 2014, government liabilities of banking sector reached to MNT 2519.9 billion, government assets reached to MNT 2320.6 billion and net credit reached to MNT 199.3 billion. The net credit to government (NCG) rose by 1255.3 MNT billion or 118.9 percent compared with the previous year.

Table 11. Net credit to government in banking sector, billion MNT

Assets	2013	2014	Change	Liabilities	2013	2014	Change
Current account	1,268.2	400.9	(867.3)	Government bonds	1,780.3	2,290.5	510.2
Domestic currency	*807.1*	*311.9*	*(495.2)*	*Short term*	*393.0*	*723.8*	*330.8*
Foreign currency	*461.1*	*89.0*	*(372.1)*	*Medium term*	*1,387.3*	*1,566.7*	*179.3*
MNT reserves	386.4	319.7	(66.7)	Government lending	-	-	-
Social security fund	565.6	726.1	160.5	Other	42.7	229.4	186.7
Government financing	540.1	693.0	152.9				
Other	118.7	180.9	62.2				
1. Total	2,879.0	2,320.6	(558.4)	**2. Total**	1,823.0	2,519.9	696.9
				NGG (2-1)	**(1,056.0)**	**199.3**	**1,255.3**

Source: Bank of Mongolia

Government liabilities increased by MNT 696.9 billion 38.2 percent from the same period of last year. The change was mainly due to increase in the sales of the Government bonds' balance MNT 510.2 billion through the BOM and Mongolian Stock Exchange.

Government assets decreased by MNT 558.4 billion or 19.4 percent from the previous year. However, social security fund and government financing increased in the banking sector, government current accounts declined by MNT 867.3 billion. 15.0 percent of total government liabilities are held by the BOM, 85.0 percent is held by banks. 33.7 percent of total government assets are held by the BOM and 66.3 percent is held by banks.

Table12. NCG is shown by banks, million MNT

NET CREDIT TO GOVERNMENT
as of December 31, 2014

ACCOUNTS / BANKS	Banks	Quarterly growth (%)	Bank of Mongolia	Quarterly growth (%)	TOTAL	Quarterly growth (%)
1. Government liabilities	**2 140 813.2**	**17.4**	**379 085.8**	**100.0**	**2 519 899.0**	**38.2**
Advance financing	9 121.4	241.0	-	-	9 121.4	241.0
Treasury bills	723 823.2	84.2	-	-	723 823.9	84.2
Government bonds	1 364 248.4	(1.7)	202 404.4	100.0	1 566 652.8	12.9
Accrued interest	43 619.5	9.0	-	-	43 619.5	9.0
Government lending	-	-	-	-	-	-
Other	-	-	176 681.4	100.0	176 681.4	100.0
2. Government assets	**1 538 314.2**	**29.7**	**782 288.2**	**(53.8)**	**2 320 566.1**	**(19.4)**
Central government budget	1 512 314.2	27.9	782 288.2	(53.8)	2 294 602.4	(20.2)
Current account in DC	-	-	311 938.0	(61.4)	311 938.0	(61.4)
Time deposits in DC	6 037.0	471.4	-	-	6 037.0	471.4
Demand deposits in DC	43.4	(17.2)	-	-	43.4	(17.2)
Reserves in DC	-	-	319 677.8	(17.3)	319 677.8	(17.3)
Reserves in CFC	-	-	28 465.4	649.8	28 465.4	649.8
Current account in CFC	-	-	88 969.6	(80.7)	88 969.6	(80.7)
Time deposits in CFC	-	(100.0)	-	-	-	(100.0)
Demand deposits in DC	-	-	-	-	-	-
Current account of Central Government in CFC (project)	-	-	25 799.3	2.6	25 799.3	2.6
Income transfers in DC	9 025.7	(48.7)	-	-	9 025.7	(48.7)
Income transfers in CFC	30.8	(99.7)	-	-	30.8	(99.7)
Social security & pension funds in DC	726 147.7	28.4	-	-	726 147.7	28.4
Social security & pension funds in CFC	-	-	-	-	-	-
Central government budget special account in DC	47 157.4	13.7	-	-	47 157.4	13.7
Central government budget special account in CFC	30 896.5	430.0	-	-	30 896.5	430.0
Government financing	692 975.7	28.3	-	-	692 975.7	28.3
Payable of the Government (KFW II)	-	-	7 409.9	(2.7)	7 409.9	(2.7)
Accrued interest	-	-	28.2	(98.3)	28.2	(98.3)
Local government budget	25 963.7	563.2	-	-	25 963.7	563.2
Local budget special account in DC	8 900.3	175.9	-	-	8 900.3	175.9
Local budget special account in CFC	17 063.3	2 375.8	-	-	17 063.3	2 375.8
3. Net credit to government (1-2)	**602,535.3**	**(5.4)**	**(403,202.3)**	**(76.2)**	**199,332.9**	**(118.9)**

Source: Balances of the BOM and banks

2.1 Monetary policy objectives, measures and outcomes

Unfavorable external environment in 2013-2014 and balance of payment difficulties in 2013

Terms of trade have been deteriorating since the 4th quarter of 2011 due to slowdown in global economy and industrial production growth, end of global commodity super cycle and downward price trend. Compared to 2012, prices of major export products, coal and copper, dropped by 70% and 20% respectively.

Global investment environment has been uncertain and outward capital flows flight from emerging markets still tends to prevail, especially from Asia. Furthermore, Chinese investment in developing economies has significantly been falling. Not only were there unfavorable external factors; but also our country's domestic investment environment was uncertain and project-financing issues were prolonged. Therefore, foreign capital inflow into Mongolian economy has not been recovered during the last 30 months and effect of balance of payment (BOP) difficulties in 2013 persisted in 2014. Net foreign direct investment significantly went down to USD 276 million in 2014, which was 17 times less than the peak in 2011. It is equivalent to 2% of GDP, dramatically decreasing from 45% of GDP within the last three years. Moreover, the performance was worse than that in times of financial crises in 2009.

Figure 32. Foreign direct investment (net amount)

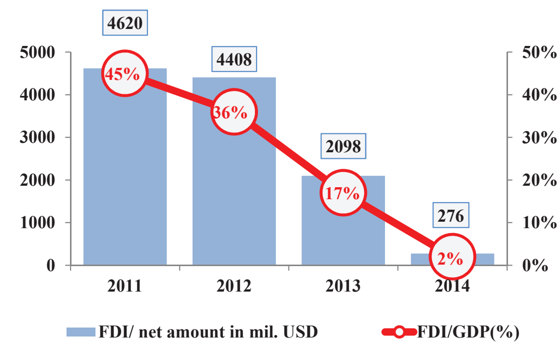
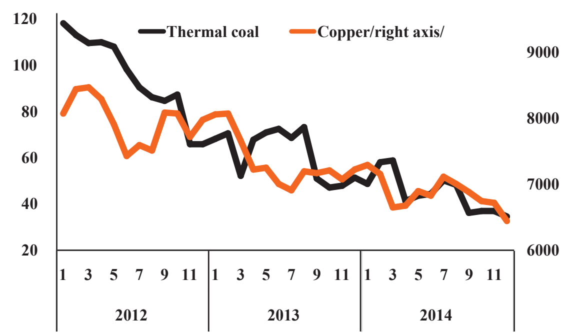


Figure 33. Global market prices of coal and copper



Source: Bank of Mongolia, Customs General Administration, LME, and Bloomberg

Monetary policy aimed at achieving a soft - landing and stability in 2013 and 2014

Monetary policy measures for economic stabilization and a soft-landing have enabled adjustmens in the overall economy, and further more enabled private sector and other economic participants gradually adapt (time-buying) to the real economic condition. Specifically, economic crash-landing, contraction in broad money, a credit crunch in the banking system, devaluation of domestic assets and risks of financial-economic-social crises in 2013 and 2014 were prevented despite the slowdown in real GDP growth which was 12.3%, 11.6% and 7.8% in 2012, 2013 and 2014 respectively. Henceforth, the basis for future economic structural change, sustainable and healthy growth has been established.

Programs of unconventional monetary policy had positive effects such as preventing the non-mining sector from dramatic collapse, maintaining employment, promoting balanced economic growth and rebalancing international trade in times of BOP crisis. For instance, the policy measures played a major role in real growth rate performances in the agriculture, consctruction, transportation and logistics sectors. It was 19% and 14.4% in the agricultural sector in 2013 and 2014 respectively, 8% in the construction sector in 2013 (8% with 2010 as basis, whereas 66% with 2013 as basis) and 23.5% in the transportation and logistics sector in 2014.

There were robust positive swings in the trade balance. Specifically, it improved from negative USD 2 billion (on average) in 2011-2013 to positive USD 0.5 billion in 2014. Although current account deficit was 26.4% of GDP on average in 2011-2013, it went down to 11.6% in 2014 by which it became 2.2 times less than that in the previous years as export increased by 35% and import shrunk by 18%. Moreover, soft-landing monetary policy prevented from 20% of job loss risk on the labor market and had positive effect on maintaining employment in the agriculture, construction, transportation and logistics sectors.

Table 13. Contribution to the real GDP growth

Real GDP		7.80%	100%
1	Agriculture, forestry, fishery, hunting	1.7%	21%
2	Minerals mining	4.9%	63%
3	Transportaion and logistics	1.4%	17%
4	Retail/whole sales; automobiles, motorcycles repairing services	-1.0%	-13%
5	Net product tax	-1.1%	-14%
6	Information, communication	0.1%	2%
7	Industrial manufacturing	0.2%	2%
8	Construction	0.0%	1%
9	Electricity, gas, steam and air conditioning supply	0.1%	1%
10	Other services	1.6%	20%

Table 14. Real GDP growth (by sector)

Sectors	Sectors	2013	2014
	Real GDP	**11.6%**	**7.8%**
1	Agriculture, forestry, fishery, hunting	19%	14%
2	Minerals mining	19%	24%
3	Transportaion and logistics	-2%	23%
4	Retail/whole salesl; automobiles, motorcycles repairing services	7%	-7%
5	Net product tax	13%	-8%
6	Information, communication	13%	6%
7	Industrial manufacturing	11%	3%
8	Construction	8%	1%
9	Electricity, gas, steam and air conditioning supply	5%	5%
10	Other services	9%	8%

Source: NSO

The number of people in employment increased by 15.3 thousand reaching 77 thousand in the construction sector; whereas, it increased by 10.1 thousand reaching 70 thousand in the transportation and logistics sector in 2013-2014. Programs of achieving a soft-landing and stability had positive effects such as preventing from the job loss risk of 180 thousand people in 2013, increasing employment by 20,024 thousand and 2,479 thousand in 2013 and 2014 respectively and maintaining unemployment rate which was 7.9% in 2012.

The banking sector credit growth supported by unorthodox monetary policy played a key role in financing the real economic growth in 2013. Empirical study shows that expansion in bank loans through unconventional monetary policy constituted 5 percentage points (percent) of real economic growth rate of 11.6% in 2013.

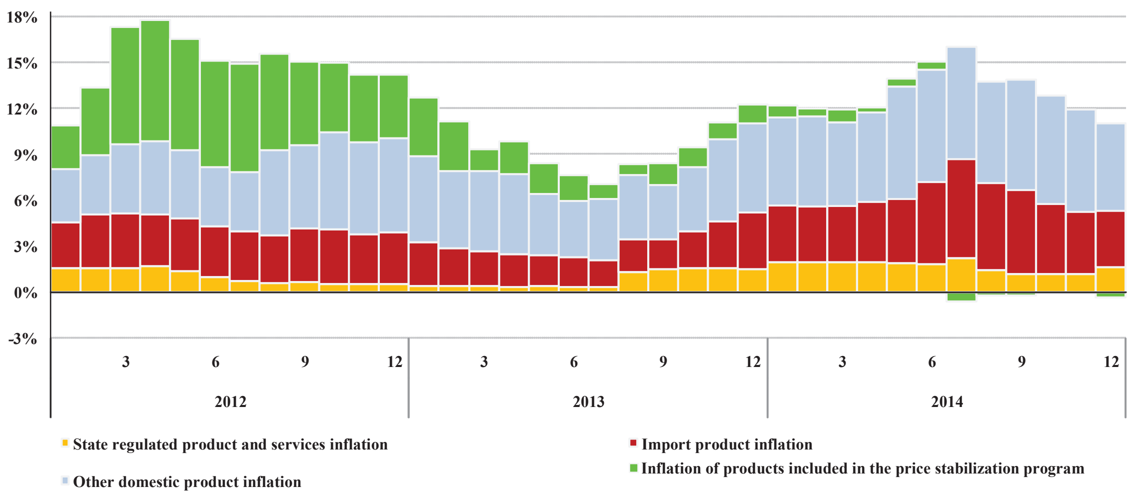
The contribution of government budget to the real GDP growth was muted in 2013 and 2014. In the second half of 2014, macroeconomic stance was aimed at improving external balance. Within this framework, the Bank of Mongolia tightened the monetary policy and phased out monetary injections gradually. Accordingly, economic growth slowed down continuously as the effects of monetary and fiscal policies on economic growth were neutralized.

BOP deficit of 2013 still remained in 2014 and as of December, 2014, Mongolian net foreign assets (including Central Bank and Depository institutions) were MNT 2,636 billion less than those at the end of 2013. BOP was negative USD 471 million in 2014 due to the fact that foreign exchange inflow was still not recovered. Although BOP deficit shrunk by USD 1.4 billion (YOY) in 2014, these negative conditions restricted monetary policy room expansion in government expenditures and persistence of BOP deficits.

It was essential that macroeconomic policy stance changed its course into improving external economic condition, reduction of government expenditures and quasi-fiscal expenditures in order to prevent from BOP crisis ascending to the financial instability. However, quasi-fiscal expenditures were unalleviated and an attempt to minimize the expenditures was not effective. Therefore, The Monetary Policy Committee (MPC) of the Bank of Mongolia decided to increase interest rate by 1.5 percentage points on July 31st, 2014 in order to relieve BOP difficulty, curb inflationary pressure, ensure the financial stability in the mid and long terms, prevent from potential risks in macroeconomic stability and smooth pressures on household real income.

Thanks to the price stabilization program, contribution of supply driven inflation has significantly declined. Specifically, supply driven inflation constituted 33.4% (1/3) of headline inflation in 2010-2012, however, the contribution declined significantly going down to 18% (1/6) in 2013 and 4.5% (1/20) in 2014. In general, the program prevented from potential risks of high inflation rate (25-30%) in 2013-2014 curbing supply driven inflationary pressure.

Figure 34. Changes in inflation composition



Source: NSO

Thus, the basis for meeting target inflation rate in 2015 was established. On the other hand, import prices and prices of goods derived from the imported goods declined and furthermore, core inflation pressure has decreased since August, 2014 due to the macroeconomic policy in improving external condition. As a consequnce, on the one hand, supply driven inflation decreased and it became stable and low. On the other hand, fundamental pressures on foreign exchange appreciation were substantially reduced due to the soft-landing policies during the BOP crisis. Therefore, foreign exchange market became stable, passthrough effects of exchange rate deprection on inflation has been neutralized since 2014 and annual inflation rate is expected to be within the target range in 2015.

Inflation rate of food products was 19.9% in 2012 and it went down to 14.4% and 6.9% in 2013 and 2014 respectively. Breaking down the items, an increase in meat price significantly dropped which was 43.7% in 2012 and 10.5% and 0.5% in 2013 and 2014 respectively.

Although, annual growth in prices of other products was 13.7% and 11.7% by the end of 2012 and 2013 respectively and it reached its peak in July, 2014 standing at 17.4%. It went down to 12.5% by the end of 2014 due to foreign exchange appreciation caused by BOP crisis in 2013, quasi-fiscal DBM expenditures and price increases in administered goods and services. Thus, the tight monetary policy measures since July, 2014 had positive effects which aimed at maintaining the macroeconomic stability, curbing inflationary pressures and improving external economic condition. The BOM and the Government of Mongolia (GOM) have jointly implemented policy for reducing supply-driven inflation since November

2012 and worked towards converting midterm programs into market based, stable system and furthermore, to have the Bank of Mongolia phase out from the program by 2015.

At its meetings on 11th of February, 2014 the Monetary Policy Committee (MPC) of the Bank of Mongolia made decisions to keep policy interest rate unchanged at 10.5% and to exempt banks' long term (maturity of 3 years or more) foreign exchange denominated bonds and external loans, which are issued in or borrowed on international market, from the BOM's reserve requirement. The decisions were made in accordance with stimulating real economic activities and securing long term foreign exchange inflows as foreign direct investment declined and pressure on BOP was high.

Core inflation started to increase in November, 2013, foreign direct investments and net foreign assets had been declining, therefore the MPC decided to increase interest rate by 1.5 percentage points to 12% at the recurrent meeting on the July 30th, 2012. The purpose was to relieve BOP difficulty, curb inflationary pressure, ensure financial stability in medium and long terms and prevent from potential risks in the macroeconomic stability. As a result, aggregate demand and current account deficits declined and annual inflation has been falling continuously since August 2014.

The Bank of Mongolia established appropriate conditions for selling government securities on primary and secondary markets and organized the deals regularly within the area of cooperation with the Ggovernment of Mongolia. It has benefits such as financing long-term target projects and programs with the least cost at the respective risk level, developing government securities market, furthermore, developing capital markets, creating government bond and MNT yield curve, ensuring fiscal and monetary allignment. Moreover, the Bank of Mongolia worked closely with the Government of Mongolia and working group in writing proposals aimed at enhancing foreign exchange inflows and improving BOP, decreasing pressures and risks on domestic entities and preventing from economic risks to be considered by the Parliament.

"Regulation of information exchange between the Ministry of Finance (MOF) and the Bank of Mongolia" was enacted according to the mutual order 129/131 of the Finance Minister and the Governor of the Bank of Mongolia on March 27 of 2008 aimed at improving fiscal and monetary policy allignment and financial market development. The regulation states that the Ministry of Finance shall submit weekly, monthly and quarterly projections of main indicators of government budget, income and expenditures projections of State treasury fund and their performances to the Bank of Mongolia. Moreover, at its meeting of March 28th, 2014, the Financial stability committee decided to improve the regulation by including the Development Bank of Mongolia (DBM) and henceforth and compile the relevant information from the former Ministry of Economy and Development and the DBM at the MOF and finally, all the information from the MOF at the BOM. As a result, it is possible that monetary policy decisions instantly reflect government budget and the DBM information. As a result, information outdating and uncertainty risks are prevented.

The Bank of Mongolia and the Government of Mongolia jointly designed and implemented the following schemes aimed at enhancing foreign exchange inflows and stimulating economic real sector development:

- In accordance with ensuring sustainable macroeconomic development through economic diversification and eliminating dependence on mining sector, the Bank of Mongolia conducted research under the topic of "*stable development of agricultural sector and establishing suitable financing system in Mongolia*" covering the sectors of livestock farming, agriculture, food production, leather, wool and cashmere manufacturing industrial within the 1st quarter of 2014. The study implied that a major policy objective should be defined as stabilizing export proceeds in non-mining sector by promoting wool, leather and final product manufacturing and food industry exports.

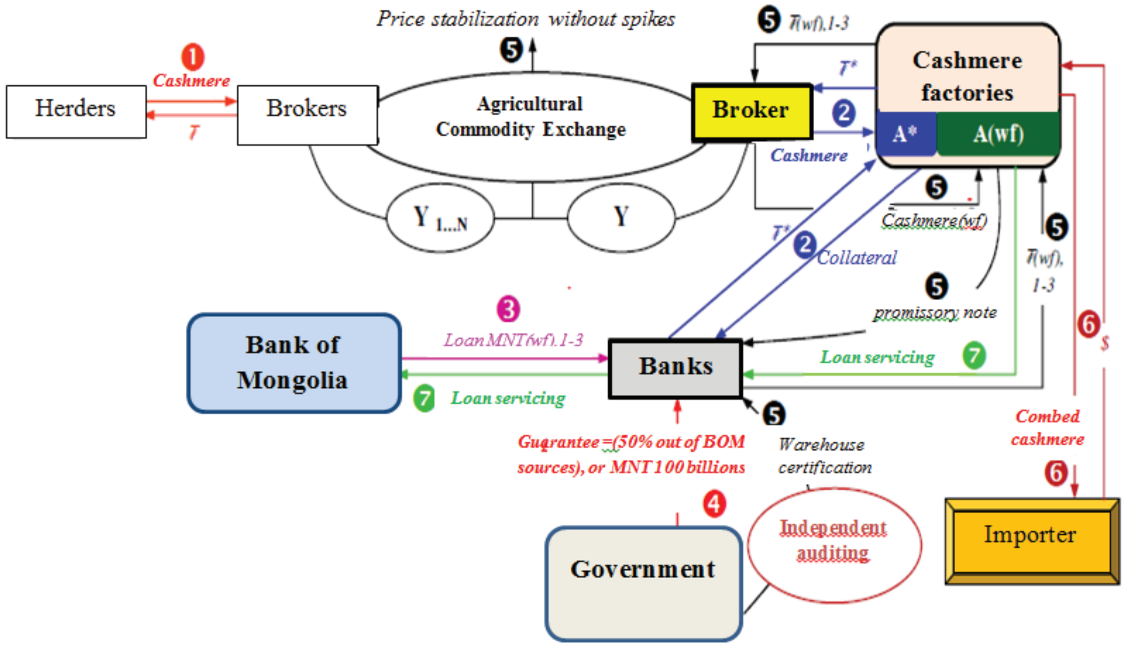
According to the meeting minutes of the National Security Committee on March 4th, 2014 and the Government of Mongolia resolution 87 on March 21st, 2014, the Bank of Mongolia and the Government of Mongolia (former Ministry of Food and Agriculture and Ministry of Finance) jointly produced and enacted framework for promoting cashmere processing and export (PCPE), implementation regulation, Agreement for government warranty, loan agreement between the Bank of Mongolia and banks, fund allocation, loan repayment and monitoring system.

The short term outcomes were increase in cashmere production and export proceeds, improved BOP, stabilized plants operations and stable employment. Whereas, in the mid-term, it is expected that a new collateralized financial product suited for financing cashmere inventories will be created, domestic plants production capacity will be increased and non-mining sector export proceeds will be increased.

Implementation procedure:

1. Herders sell their raw cashmere through brokers on the Agricultural and commodity exchange (ACE)
2. Cashmere plants take loans of ₮* amount against their assets as collateral for processing raw materials.
3. The Bank of Mongolia makes loan agreement with commercial banks to provide 70-80% out of total funds required for financing cashmere inventories in three tranches (₮(wf),1-3).
4. The Government of Mongolia issues guarantee to banks for market risks in order to promote cashmere production and export. The guarantee is equivalent to 50% of the Bank of Mongolia loans.
5. Plants take their second tranche of loans against their A* amount of inventories from the banks. They have to submit a certificate of inventories stating their amount and quality, issued by the former Ministry of Food and Agriculture (MFAA) and an independent company. Plants write bank drafts to the banks. Plants have to have additional raw material for the amount of A (wf) and A*+A (wf) amount of raw materials have to be used for only processing and exporting. Brokers representing producers make deals with brokers of ACE at fixed price; therefore, market price spikes are prevented. Brokers are responsible for purchasing raw cashmere and transporting them to the producer warehouse.
6. The Governement of Mongolia issues guarantee for the combed cashmere export and it conducts exporting process in an integrated manner.
7. Plants completely repay their debts with export proceeds. Banks retire their loans from the Bank of Mongolia according to the schedule stated in the agreement.

Figure 35. SCPE framework



Source: Bank of Mongolia

As a result, export volume of goat combed cashmere increased by 13% and its export value increased by 10%. Therefore, the framework implementation facilitated further habitual use of the new financial product by the private entities. The MFAA and the DBM should continue implementing the PCPE framework in joint with private sector (banks, cashmere plants) in 2015.

Moreover, the Bank of Mongolia organized the first conference under the topic of "New financing instruments in agricultural sector" (the link to the event: http://www.mongolbank.mn/conference/index.html) within the 4th quarter of 2014 in cooperation with the MFAA, IFC, and the World Bank. The event was aimed at analyzing struggles and opportunities of government policies and value chain in agricultural sector, providing the sector participants with information and introducing new financial instruments.

- The Parliament of Mongolia made amendments in the Law of Mongolia on Minerals which reduced royalty to 2.5% on gold proceeds from the Bank of Mongolia and commercial banks. This had positive effects such as increased domestic gold mining and supply. However, gold mining faced challenges due to a decline in global gold price, declining trend in foreign direct investment since 2013 and credit crunch in the private sector due to BOP crisis. Therefore, the Bank of Mongolia, the Ministry of Mining (MOM) and former Ministry of Economic Development (MOED) mutually passed "Program for fine-tuning financing system in the gold industry" on April 30th, 2014 and agreed to implement it in 2 stages. It was aimed at resolving financing issues in the gold industry, reducing gold price risk by the use of financial derivative instruments for increasing gold mining and furthermore, at increasing foreign exchange reserves. The Governor of Bank of Mongolia decree A-75 on May 5, 2014 passed the program guideline and framework, template of agreement and deals of financial derivative instruments with banks.

Banks received loan applications from 9 entities for the amount of MNT75 billion with the initial stage of the program implementation, however, it was considered against the monetary policy guideline of 2014 and it was postponed according to the rights of the Bank of Mongolia stated in the article No. 4 of the program and article No. 7 of the central bank duties. The Bank of Mongolia submitted proposal to the MM and MED to proceed with the program considering positive changes in l trade balance in September, 2014. However, it was postponed due to structural changes in the Government of Mongolia.

It was agreed that the MOF (the Ministry of Mining), the MOM and the DBM (Development Bank of Mongolia) should implement the program in joint with private sector (gold mining companies, banks) from 2015 and thereby, increase gold mining volume and supply.

- The Bank of Mongolia (BOM) introduced "long-term swap" to commercial banks for enhancing foreign exchange reserves and stimulating stable economic growth. Moreover, the Bank of Mongolia (BOM) extended the currency swap deal with People's Bank of China until May of 2017 and increased the deal amount to CNY15 billion. It was significant in BOP recovery and a soft-landing for the economy. Both banks agreed to adjust the swap deal in line with bilateral trades and investments.

"Program for facilitating cut in loan interest rate"

The Governor of the BOM, the Finance Minister and the Chairman of Financial Regulatory Commission and the Chairman of former National Development and Reform Commission initially implemented a program through their mutual order 677/229/188/142 on November 23rd. of 2011 aimed at facilitating loan interest rate cut by means of determining factors contributed to high loan interest rate, neutralizing their effects and establishing sound financial market until the end of 2013. Accordingly, the main fields were maintaining inflation low and stable, ensuring integrity in commercial banks' operations, maintaining financial market stability, promoting asset market development and improving financial sector infrastructure and legal environment.

- *Policy of promoting real economic activities, loans and investments:*

At its meetings on January 25th, April 8th and June 25th in 2013, the MPC decided to cut the policy rate from 13.25% to 10.5% consecutively in order to provide stable monetary and credit growth, ensure smooth functioning of the financial system, and promote economic activities. The MPC decided to keep interest rate at 10.5% unchanged and exempt banks' long-term (maturity of 3 years or more) foreign exchange denominated bonds and external loans, which are issued in or borrowed on international markets, from the Bank of Mongolia's reserve requirement.

On the one hand, the decisions were aimed at maintaining stability, promoting stable economic growth and stimulating real economic activities through soft-landing policy for the economy. On the other hand, the decisions were aimed at increasing long-term foreign exchange proceeds. Whereas, the MPC decided to increase its policy interest rate by 1.5 percentage points to 12% at the meeting of July 30th of 2014 in order to improve terms of term condition and enhance foreign exchange inflows

Based on international practice in policy implementation, the interest rate corridor framework was introduced on February 27th in 2013 due to domestic economic condition and necessity for money market development. There were positive effects such as increasing inter-bank market operations efficiency, reducing inter-bank offered rate volatility, contracting volume of central bank securities, decreasing loan interest rate from the Bank of Mongolia to commercial banks and increasing economic activity in 2013 and 2014.

- *Policy of decreasing price volatility by building stocks of main consumer products that majorly contribute to consumer price index, allocating appropriately and maintaining stable supply:*

The Bank of Mongolia (BOM) focused on maintaining demand-pull inflation low and decreasing supply shock inflationary pressure. Medium term price stabilization program for main consumer goods has been implemented for three years since October 22nd of 2012 aimed at decreasing supply driven inflationary pressure through stabilizing prices, establishing market based and efficient supply driven system for main consumer products and increasing supply of main consumer goods such as meat, flour and retail gas. As a result, supply driven inflation significantly went down and the price growth in the program goods was reduced more than that of previous years. For instance, the inflation of program goods constituted 33.4%, 18% and 4.5% of headline inflation in 2010-2012, 2013 and 2014 respectively.

- *Activities of inspecting loans regulation and implementation, preventing from potentially unfair loan deals and reducing borrowing rates and fees for customers:*

The Bank of Mongolia (BOM) established working group who conducted on-site inspection of all the commercial banks in terms of laws and regulations conformity, services terms, fee, commission and methods of interest rates calculation in savings, securities and loans operations. The Governor of the Bank of Mongolia (BOM) passed "Regulation for interest rate calculation method, interest rate, services fee and commission information transparency" by the decree of December 13th of 2013 based on the inspection results.

- *In accordance with expanding loan database, facilitation of information exchange and database accessibility between state authorities and financial institutions:*

The Bank of Mongolia (BOM) exchanges information with 14 commercial banks, 197 non-banking financial institutions and 58 savings and loan associations as of end of 2014 including all the microfinance institutions in the loans database. As of this year, 13 commercial banks, 166 non-banking financial institutions and 48 savings and loans associations exchange information with the Bank of Mongolia (BOM).

- *Stabilization of short-term, mid-term and long-term domestic bonds sales to promote money market development, increase mid-term and long- term money supply sources and create yield curve and benchmark interest rate:*

The Minister of Finance and the Governor of the Bank of Mongolia (BOM) mutually passed decree 217/A-161 on October 25th of 2012, on "Regulation of government bond issuance and sales" and decree 111/A-105/131 on May 21st of 2013 on "Regulation government bond deals on secondary market" aimed at developing primary and secondary markets for government bond and deals stability.

Furthermore, short-term bonds of 12, 28 and 52 weeks maturity and long-term bonds of 3,5,10 years maturity are sold to direct and non-direct participants on electronic platform of the government bond sales. Total outstanding bonds with short-term maturities are MNT 786.8 billion and those with mid-term and long-term maturities are MNT 1,351.2 billion as of December 31st, 2014. As of September 30th, 2014, total outstanding bonds with short-term maturities are MNT 566.2 billion and those with long-term maturities are MNT 1,206.5 billion in nominal terms.

- *Savings insurance system:*

"The Bank of Mongolia (BOM), the Government of Mongolia (GOM) and the Financial Regulatory Commission (FRC) cooperated on enacting the "Law on savings insurance in banks" on January 10th, 2013 due to the expiration of "Law on savings guarantee in banks."

- *Legal environment for loans insurance, guarantee and warranty framework to reduce loan risks:*

"Law on credit guarantee fund" was approved on February 10th of 2012 to diversify financing options for small and medium enterprises operations, promoting employment, ensuring individuals' income stability and regulating credit guarantee service for small and medium enterprises by establishing the legal environment. Since the law was approved, the credit guarantee fund was founded and its operations were stabilized.

- *Improvement in operations, reliability and usage of individual and company loan history database:*

The "Law on credit information database" was approved establishing conditions for doing certain tasks for improving credit database information quality and expanding channels for delivering credit references. Encryption and security of the database operations, information preparation and storage are required and monitoring and responsibilities of information security are determined according to the law. Moreover, the private sector is allowed to provide credit information services according to the law. Therefore, the Governor of the Bank of Mongolia (BOM) passed "Regulation for license issuance to provide credit information" on December 24th, 2012.

- "*Mid-term refined program for 2013-2016 to facilitate interest rate cut"*

Although extension of the program in 2011-2013, mutual decree proposal of mid-term refined program for 2014-2016 to facilitate interest rate cut was approved by all the cooperating organizations except for MED after refining the program based on comments by all the relevant organizations, it was still not enacted. Therefore, the program proposal was updated with additional items guided by the working group of the Standing Committee on Economics (SCE) of Parliament according to their assignment in June 2014. The Governor of the Bank of Mongolia (BOM), The Minister of Development (Minister), the Minister of Finance and the Chairman of Financial Regulatory Commission (FRC) have been implementing the "Mid-term refined program for 2014-2016 to facilitate interest rate cut" based on mutual decree A-137/67/187/232 on August 29th, 2014.

In accordance with the program above, the Bank of Mongolia (BOM) cooperated with relevant organizations in implementation activities such as increasing banking sector risk capability by expanding their assets, strengthening limited savings insurance framework, establishing legal environment for involving other financial institutions in savings insurance framework, improving legal environment relevant to loans collateral of bank and other financial institutions and reducing service fee and commission of loan issuance.

The Bank of Mongolia (BOM) prepared "Regulation for interest rate calculation method, interest rate, service fee and commission information transparency" for increasing basic knowledge of financial market participants within the scope of the program above and enforced it starting in January, 2014 by the Governor of the Bank of Mongolia (BOM) decree on December 13th of 2013. According to this regulation, information on bank loans, savings interest rates, service fee and commission is published on the Bank of Mongolia's (BOM) website comparing each bank in terms of product types monthly. Henceforth, measures were taken to ease cutting loan rates through transparent information of bank products and services, allow customers to compare bank loan rates, consumer rights protection and encourage banking rates competition.

In order to monitor regulation compliance, retirement loan terms, and calculation method for interest rates of banks, banks were inspected in March 2014 and cases of non-compliance were reported by the state inspector and appropriate measures were taken in terms of ensuring regulation conformity. In addition, the Bank of Mongolia (BOM) not only organized meetings, interviews and trainings with bank employees and journalists regarding loan real costs, but also provided technical advice in February, 2014 due to the approval of this regulation and monitored decisions regarding fee and commission changes. The Bank of Mongolia (BOM) is cooperating with the Savings Insurance Corporation in ensuring implementation of "Law on deposit insurance in banks" enacted by Parliament in 2013 within the scope of complete introduction of deposit insurance scheme.

As of December, 2014, weighted average interest rate of banks is 16.9% including the program loans in accordance with unconventional monetary policy and economic stabilization and soft-landing measures since 2013 and 19.5% excluding them. Weighted average interest rate of foreign currency denominated loans is 12.9% by the end of 2014 and increased by 0.2 percentage points (YOY).

Micro and small medium business financing

The Bank of Mongolia founded a working group for sustainable financing program cooperating with the Mongolian Bankers Association and the Ministry of Nature, Environment and Green Development within the scope of sustainable and multilateral financing and nature, environment and green business financing activities. The working group processed “Joint declaration for developing sustainable and environmentally friendly financing policy in Mongolia” and produced “Guideline for principles of sustainable financing in Mongolia” in joint with commercial banks. The banks will create policy, regulation and evaluation standards related to sustainable financing and they will conduct loan evaluations according to the regulation on natural and social protection and the Bank of Mongolia will monitor their operations.

The Bank of Mongolia implemented “Medium term price stabilization program for main consumer goods” from November, 2012 intended for decreasing supply driven inflation by eliminating supply limitations and creating efficient and stable scheme of product supply in cooperation with the Government of Mongolia (GOM). Accordingly, the Bank of Mongolia (BOM) supports small and medium business financing. For instance, banks issued working capital loans to around 240 enterprises according to 5 subprograms. Moreover, banks issued loans to 114 companies with the Bank of Mongolia funds dedicated to increasing apartment construction supply. These activities were significant in a soft-landing for the economy and preventing from risks of the private sector contraction in the times of BOP crisis.

The BOM issues easy term loans to small and medium enterprises as the project finances through commercial banks.

Especially, the Bank of Mongolia issued loans of EUR 6.44 million to 45 small and medium enterprises through commercial banks according to the project of “Stimulating expansion of small and medium enterprises and developing financial market” by KfW, Germany on December 31st, 2014.

According to the project of “Job Creation” in 2014, the Bank of Mongolia issued new loans of MNT 1.17 billion to 8 micro, small and medium enterprises through the commercial banks. As of December 31st, 2014, total outstanding loans in banks are MNT 1.19 billion issued to 9 entities. As a result, 283 new jobs were created as of the 3rd quarter in 2014.

The Bank of Mongolia conducted surveys in 13 aimags (the second level administration division) in order to study possibilities of enhancing benefits of micro, small and medium enterprises financing in the rural areas.

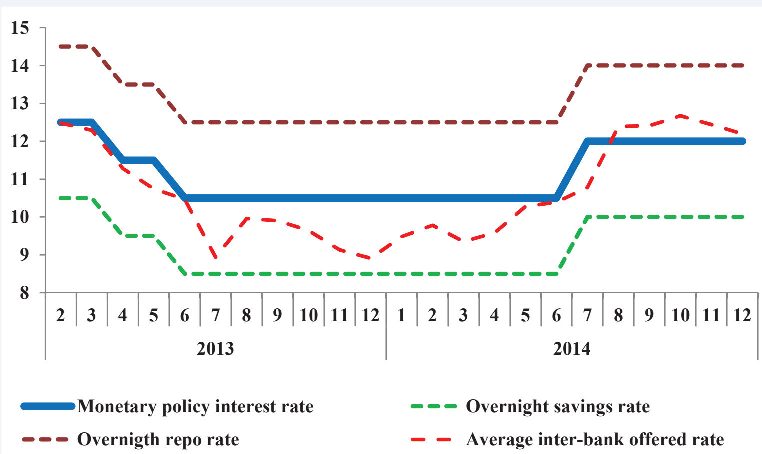
Box 4. Monetary Policy instruments and interest rate corridor framework

The Bank of Mongolia introduced interest rate corrider in February of 2013, which is defined to be equal to ±2% of monetary policy interest rate whose range is 4 percentage points. Upper and lower limits of interest rate corrider is directly dependent on monetary policy interest rate. Specifically, the upper limit is equal to overnight repo financing rate and the lower limit is equal to overnight savings rate.

The overnight repo of the Bank of Mongolia is issued to banks that do not meet reserve requirements. The maturity of the instrument is period between the bank clearing service closure and the next working day. The interest rate was monetary policy interest rate of 12% as of 2014, plus 2 percentage points, which is equal to 14%.

Whereas, at the end of working day, the banks are allowed to invest in the overnight savings of the Bank of Mongolia. In 2014, the savings rate was 10%, which is 2 percentage points below the monetary policy interest rate of 12%.

Figure 36. Interest rate corridor, Bank of Mongolia (March-December, 2014)



Source:Bank of Mongolia

The interest rate applied to loans between the banks is called inter-bank offered rate (IBOR). The IBOR is based on the monetary policy rate of the Bank of Mongolia and it can fluctuate within the interest rate corridor. On the one hand, looking for loans on the inter-bank market, banks can take loans from the central bank at the rate of no more than 14%. On the other hand, giving loans to the central bank, banks can invest their extra reserves in the overnight savings at the rate of no less than 10%. Henceforth, introduction of interest rate corridor allows efficient management of short-term interest rate, reduction of volatility and improvement in the effectiveness of monetary policy interest rate.

2.2 Financial stability

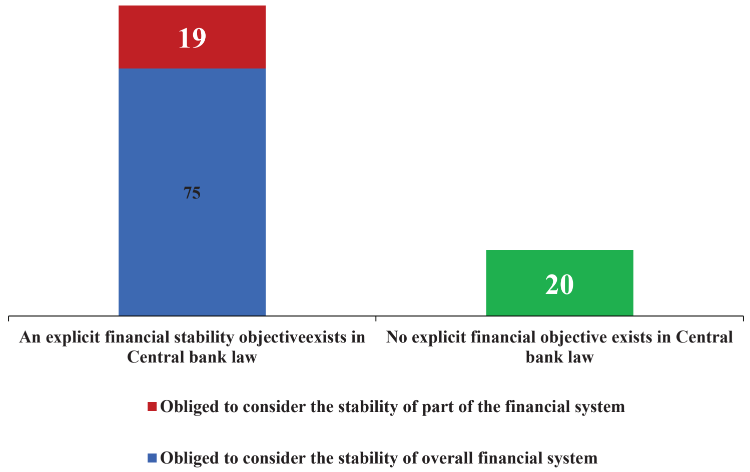
Financial stability is defined broadly in the context of macroeconomic policies, financial sector's regulatory framework, micro prudential policy macro prudential policy and their interrelationship. Therefore, until now, the financial stability has not been given specific, unique definition which is accepted among the public. However, in the broad sense, financial stability can be understood as a mode where financial system fulfills the following three main objectives without causing substantial cost for the society:

1. Financial system performs the financial intermediary efficiently
2. Financial system distributes the risks rationally
3. Financial system performs the transactions continually

The financial and economic crisis of 2008-2009 increased the importance of financial sector's impact on the real economy, prevention of systemic risks, and support for the financial sector's balanced development. Meanwhile, maintaining the macroeconomic stability; the crisis also increased the importance of establishing the prudent arrangement and capacity of micro prudential/macro prudential policy implementing institutions; meanwhile, ensured the macroeconomic financial stability.

According to the legal system in our country, there are three main institutions that are held responsible for ensuring financial stability: The central bank /The Bank of Mongolia/, the Financial Regulatory Committee, and the Financial Stability Council. According to article No.4 section 2 of the Central Bank law, "The Bank of Mongolia within its fundamental objectives is to support the growth of the local economy through stabilizing the financial market, and the banking framework". Article No. 27.2 section 1 of the Central bank law states "the Financial Stability Council's main role is to ensure the financial framework and the financial stability of Mongolia". The Bank of Mongolia within its responsibility stated in the Central bank law implements continuous audit and organizes transactions between banks. This process is a top priority in ensuring total financial system stability policy, especially in a country such as Mongolia, where the financial sector is mainly bank centered.

Figure 37. Classification of the financial stability objectives found in the laws of some countries, as of December 2012



Source: BIS, Central bank laws of 114 countries.

During ongoing economic situation in 2013-2014, which was caused by the consecutive balance of payment deficits, The Bank of Mongolia has been supervising the commercial banks regularly. The Bank of Mongolia starting from 2012 has been continuously implementing the macro/micro prudential policy to safeguard financial stability, if the country faces the risk of economic crisis due to the occurrence of any of the following risks:

1. Credit crunch in the financial sector
2. The risk of occurring financial systemic instability
3. The risk of monetary and financial indicators' unpredicted (sudden) shrinkage

The counter cycle policies and diminishing domestic asset quality risk were implemented to protect potential risks arising in the financial sector, which resulted in preventing the occurrence of systemic risk in the financial sector.

Measures taken for supervision and financial stability in the banking sector

As of the end of 2014, The BOM conducted full-scope on-site examination on 13 banks and partial on-site examination on one bank in accordance with the law on Central Bank, Banking Law, other laws, regulations and acts approved by the BOM and took measures such as imposing state inspector's act and penalties on detected violation. Fulfillment of Governor's decree related to examination is being supervised on a timely manner.

In accordance with Banking law, "Regulation on setting prudential ratios to commercial banks" approvedby the joint decree No. 460 of the Governor of the Bank of Mongolia and the Finance Minister in July 30, 2010, "Regulation on Assets classifying, provisioning and its allocations" approvedby the joint decree No. 475/182 of the Governor of the Bank of Mongolia and the Finance Minister in August 11, 2010 and other related laws and legal acts, off-site inspection is being conducted in a timely manner.

To predict possible risks that may arise in banking operation, overall banking system, economic condition and how banks meet prudential ratios set by the BOM in the future, the BOM has been working to have stress test regularly conducted by banks. Within the scope of that, to determine banking sector ability to bear risk, the BOM conducted sensitivity analysis for credit risk, large borrowers, exchange rate risk and liquidity risk in I and III quarters of 2014 and the result of estimation was reflected in the policy action to be made in the future. Furthermore, the BOM, along with international consultant, is working to develop stress test modeling for credit risk, large borrowers, exchange rate risk, and liquidity risk and had it performed by all banks, introduced the result to the management team and collaborating with banks to make the model more effective.

To refine legal acts related to the BOM's supervisory operation, within the frame of determining the coordination between legal acts, difficulties arisen in implementation and renewing if necessary, the BOM consolidated proposal of laws and regulations associated with banking operation dispatched from Mongolian bankers association, banks and other related organizations. Moreover, the BOM developed regulations on banking license and bank's unit, is working to improve and to have it approved by authorities. For diversification of banking operation, classifying in terms of form of operation, developing draft regulation on bank with diversified operation, collecting the proposals from related departments, the BOM renewed draft regulation.

Research to preventing from risks that may arise in the banking sector such as exchange rate and credit risk and possible tools that reduce influence of the risks were conducted; based on the result, proposal to make amendments related to risk weights and capital adequacy ratio to "Regulation on setting prudential ratios to banks" were developed and approved by decree A-122 of the Governor of the Bank of Mongolia and the requirements was compiled by banks from 2015. Furthermore, amendment to "Regulation on assets classifying, provisioning and its allocation" were made by joint decree No. 136/184 of the Governor of the Bank of Mongolia and the Finance Minister in August 26, 2014, which requires that 1% provision must be created for pass loan.

According to the international practices, since there is tendency to shift from performance-based supervision to risk-based supervision, the BOM pays special attention to prediction of possible risks that banks may face, proper estimation, allocating more resource and capacity of supervision to operation with high risk, advanced regulatory methodology to reduce range of aftermath of system risk that may arise in the banking sector. Within the scope of that process, the BOM, along with international consultant, is working to develop guideline, regulation that are vital for implementation of new methodology and developed draft regulation on risk-based supervision. Furthermore, research is being made on making "*Guideline for supervisors*" consistent with supervisory principle based on risk assessment.

Developing draft of "*Medium-term strategy banking supervision strategy*", the BoM has been conducting research on implementation of Basel standard in relation to specific action to be orderly implemented, reflected in the mid-term strategy within the scope of banking supervision in the next 5 years. As a result of implementation of the standards, there will be possibility to improve banking sector's ability to bear risks and implement supervisory and regulatory methodology consistent with international standard for financial statement. Moreover, the process of updating the current accounting batch material that banks comply with was finished and delivered to the Ministry of Finance for joint approval. With respect to implementation of the batch material, FINA system for consolidation of financial statements was introduced and it is in the process of testing to receive all banks' statements.

To introduce principle of appropriate corporate governance to banking operation, protect all shareholders' interest and develop independent board of directors, the BOM, in collaboration with Corporate governance development center and the Asian development bank, developed "Regulation on the implementation of the corporate governance principles for banks" consistent with proposal and recommendation given by participants who attended discussion "Corporate governance principle for banks" taken place during the forum "7th corporate governance forum in Mongolia" and approved by decree No. A-151 of the Governor of the Bank of Mongolia in September 30, 2014 and all the banks are assigned to comply with the decree. Moreover, the BOM collaborating with related organizations conducted several trainings to improve bank's corporate governance, assess its implementation and introduced about draft of regulation.

For the purpose of increasing financial inclusion, making financial service more efficient for local citizens and legal entities who are isolated from a bank's branch, have poor financial knowledge, not fully informed, "Regulation on transparency of method of calculation of interest rate, commission, charge of banks" was approved by decree No. A-236 of the Governor of the Bank of Mongolia in December 13, 2015. According to the regulation, banks are obliged to meet the requirement of information transparency of banks' interest rate, commission, charge and regularly provide public with necessary information.

Partial examination were conducted in May and June, 2015 to determine whether implementation of the regulation mentioned above equally serves to public, to restrict unfair deal to be made, to inspect the condition of loan granted in local area and to give assessment. For the purpose of examining the level of financial inclusion in local area, the survey of financial inclusion were taken based on sampling from citizens and economic entity in local area. The result of the survey and the examination was consolidated for evaluation in 4th quarter of 2014.

The BOM is working to analyze banks' operational cost, take necessary measures if it increases due to the state organizations and give banks recommendation. Furthermore, the BOM is working to take some decisive actions based on the Mongolian bankers association's proposal on factor influencing increase of banks' operational costs, analyze on the structure of cost arisen from bank itself and cost related to citizens and customers.

The BOM worked on the draft laws on pledge of movable, immovable properties and the registration of right in collaboration with the State parliament of Mongolia and the Ministry of Justice. Within the frame of that, the BOM developed draft law on the pledge of movable and immovable properties and consolidated the proposals dispatched from Mongolian bankers association, banks and other related organization. Moreover, with respect to development of the draft law that make amendments to these laws, concept of the draft was supported in Government meeting held in June 2014 and the working group has finished developing draft law. The law on registration of property right was drafted and delivered to all the ministries, organizations and the proposals were consolidated and discussed during the Government meeting taken place in December 3, 2014.

With the support of technical assistance by international financial organizations the BOM, in collaboration with the Ministry of Finance, the Ministry of Economic Development and the Financial Regulatory Committee, worked to draft policy deed that develops financial sector in mid-term. Within the framework of that, The BOM made proposal to the World Bank and started to establish a working group along with the Ministry of Finance, the Ministry of Economic Development and Financial Regulatory Committee. To develop market for securities backed by immovable properties and create professional investors, the BOM has been working with Mongolia Mortgage Corporation. Within the scope of that project, for the purpose of asset-backed securitization of mortgage loan, principle to adhere during selling portfolio was reflected in “Regulation on mortgage lending process” and regulatory framework was established to support professional investors and protect their interests.

Conducting research on appropriate structure of financial market, environment for free competition and advancement of financial intermediary, the BOM studied central banks’ missions and experience of developed countries to determine the BOM’s policy to adhere, attitude of principle, norm of participation. In parallel, the BOM, in collaboration with the FRC, planned to reflect guideline for multi-pillar structure of financial market, further, increase types of financial instruments and deliver it to isolated local area in policy deed through support for development of insurance and capital markets.

For the purpose of introducing custodial service to our financial market, the BOM along with the FRC developed “Regulation on Custodial Licensing and Operation”, which was approved by the joint decree No. 85/A106 of the Governor of the Bank of Mongolia and the Finance Minister. Introducing that service has benefits that improve environment of post-purchasing service of stock market and restricts the risk to trade investors’ securities without their permission. Apart from that, it creates possibility to raise foreign investment through domestic firm that provides custodial service becoming sub-custodian of internationally accepted firm that provides custodial service. In other words, it is possible for foreign investor to make investment connecting with domestic custodial banks operating in Mongolia via reputable foreign custodial banks that operate internationally.

Within the framework of improving financial intermediary, the BOM conducted on-site examination to have fair and proper condition of banks’ operation met by banks, bank’s cash deposit, security, law, decree, guideline, regulation that banks comply with, their implementation, service commission related to lending operation, condition of fee and to inspect method of calculation of interest rate. As a result of the examination, within the scope of providing financial stability, the BOM concluded to focus on protection of customer’s interest, improvement of customer’s financial education and bank’s lending and savings product, condition of service, real expense of lending, transparency of fee and commission, and to set the norm to be followed by the community.

Therefore, to improve the method of calculation of bank’s interest rates, to have transparency of fee and commission related to savings and lending operation complied by banks and to adjust to international standard, the BOM newly developed “Regulation on Method of Calculation of Interest Rate and

Transparency of Interest rate, fee and commission", approved it based on article 1 of the Law on Central Bank and implemented starting from Jan 2014. In this regulation issues on real value of lending, informing calculating savings' real interest rate, standardization of base day to calculate interest rate of securities, lending and savings, methods of calculation of accrued interest rate, condition of fee and commission, having transparency of information complied by banks were reflected and regulated. Within the framework of implementation of the regulation, information about interest rate, fee and commission was publicized via official website (http://www.mongolbank.mn/liststatistic.aspx?did=10) every month through 2014.

Furthermore, first six months information about bank's interest rate, fee and commission including first seven months of 2014, consolidated from the BOM, was publicized via the website.

In the wake of implementing that regulation, it will facilitate to meet implementation of law, legal acts and regulation that is being complied in loan and deposit operation, to compute interest rate with consolidated method, to make commission and charge related to savings, securities and loan operation publicly available, to provide customers with possibility of making right choice and to create condition that reduces loan interest rate on the ground of encouraging competition between banks.

For the purpose of increasing financial inclusion, making financial service more efficient for local citizens and legal entities who are isolated from a bank's branch, have poor financial knowledge, not fully informed, following actions were done between May and June, 2015:

i. Conducted the research on financial inclusion, collecting from the local citizens and economic entity;

ii. Determine whether the implementation of the regulation mentioned above equally serves to public and for restriction of unfair deal to be made, the partial inspection were conducted in banks in 13 provinces, examining condition of loan issued in local area;

iii. Consolidated the results of the examination and the survey conducted in 4th quarter of 2014.

Financial Stability Council

The Financial Stability Council has been meeting to address macroeconomic outlook, the difficulties faced in the economy, finding methods for these issues, about ensuring policy coordination at the same time discuss other current issues, and make decisions on these problems.

The Financial Stability Council held its first quarterly meeting of 2014 on March 28th at the Bank of Mongolia. Through this meeting, the following issues were discussed:

i. Macroeconomic condition, factors that impacted the exchange rate in the first two months of 2014

ii. Request from the United States of America to implement the law on American citizen, entity's "Abroad accounts being included for taxation"

iii. To widen the scope of the reviews of other financial institutions prepared by The Bank of Mongolia. The decisions made on these issues by the Council are assigned to the respective departments to implement them.

Particularly, even though since the beginning of the year foreign trade has been stabilizing, financial account inflow with no specific noticeable improvement in foreign direct investment, and partial income from the exported coal caused the balance of payment pressure to stay at the same level. In this environment, it was proven that The Development Bank of Mongolia, The State Bank suddenly financing expenses that are outside of the national budget has negative impact on the exchange rate market. As a result, the sudden financing depreciates the exchange rate of “MNT” against foreign currencies in a short amount of time. On this basis, it was decided that there should be weekly information about future “MNT” expenditure from The Ministry of Finance, The Ministry of Economic Development (former name) sent in advance to the Bank of Mongolia, with the purpose of providing macro prudential coordination.

The Financial Stability Council Meeting for the second quarter of 2014 was held on the 23rd of June, 2014, and the following issues were discussed during the meeting:

i. The Financial Regulatory Committee’s proposal on opportunities to directly include Non-bank financial institutions for inter-bank FX transactions and CBB transactions with the Bank of Mongolia

ii. Issues on foreign exchange swap and forward agreements, buying securities issued by the Bank of Mongolia, and including microfinance loans in intermediated loans

iii. Mongolia’s sovereign rating and the analysis of its driving factors

iv. Review of Mongolia’s external sector and the domestic foreign exchange market, and the decisions made by the Financial Stability Council.

The Financial Stability Council Meeting for the third quarter of 2014 was held on the 26th of September, 2014, and the following issues were discussed during the meeting:

i. Budget draft of Mongolia for 2015

ii. Introduction of “Monetary Policy Guidelines for 2015” draft

iii. Introduction of membership fee for Alliance of Financial Inclusion (AFI).

Regularly, the Financial Stability Council is scheduled to meet quarterly, and the Council can announce irregular meetings whenever the need arises.

The Financial Stability Council has been publishing “Financial Stability Report of Mongolia” semi-annually, and has already published the first four volumes of the report to improve the public’s basic knowledge of finance, to provide the public with the symmetric financial information on time, to increase the public’s expectation for the financial sector, and to safeguard the financial stability of the financial sector. For instance, during reporting period, Analytic and Coordinating unit under the Financial Stability Council at the Bank of Mongolia published “Financial Stability Report of Mongolia №3” in May 2014, “Financial Stability Report of Mongolia №4”in November 2014. The unit made electronic versions of the reports available to the public by putting on the Bank of Mongolia’s official website. Macro-prudential policy instruments related issues were covered in semi-annually published “Financial Stability Report of Mongolia” in context of defining risks with potential of affecting financial stability negatively, researching macro prudential policy tools that are suited for current economic situations, and preparing policy drafts.

Analytic and Coordinating unit under the Financial Stability Council prepares “Quarterly Review of Macroeconomics, and Financial sector” and uploads the electronic version of the review for public on the Bank of Mongolia’s official website by the next quarter of given quarter. Moreover, during reporting period, the Unit has finalized the following three research papers:

i. “Intuitional Model for Macro prudential policy”
ii. “A Cobweb Model of Financial Stability in Mongolia”
iii. “Financial deepening and its impact on real sector”.

The Bank of Mongolia, the Ministry of Finance, and the Financial Regulatory Commission in their respective fields prepare reports, statistical information, and research for financial sector, external sector, and macroeconomic sector and inform the public on daily, monthly, quarterly basis using their official websites. Moreover, the Financial Stability Council recommends guidelines whenever it is needed.

2.3 Exchange rate policy

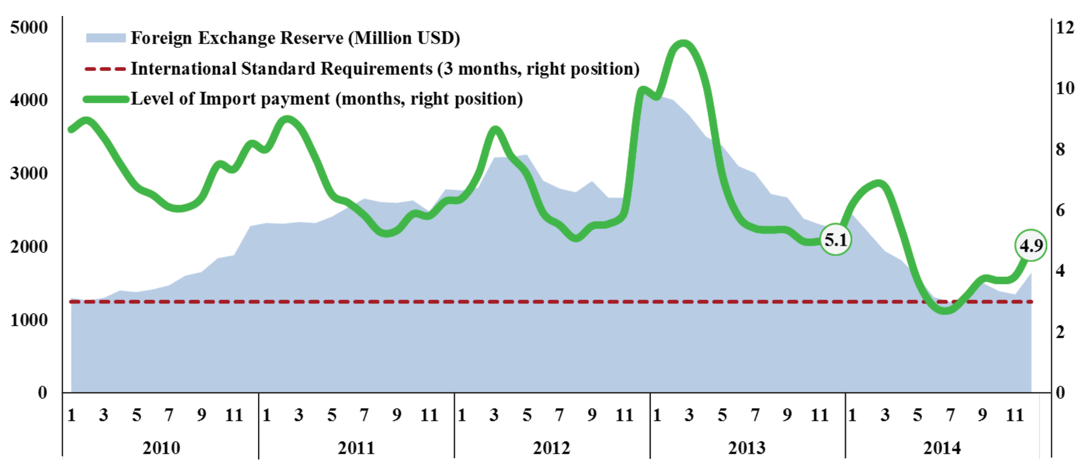
A floating exchange rate regime helps to establish macroeconomic equilibrium and promotes long-term sustainable growth by preventing potential financial and economic crises by providing cushion in the case of adverse external shock via exchange rate. Therefore, under the monetary policy framework, the Bank of Mongolia maintains a policy that *Exchange rate should be set consistent with the macroeconomic fundamentals*, pursuing floating exchange rate regime. The Bank of Mongolia continued to follow this principle in the exchange rate policy framework of 2014.

In the last year, the exchange rate policies implemented by the Bank of Mongolia have mitigated the adverse effects of external shocks on the economy and have created a fundamental condition to make necessary adjustment on domestic economy via foreign trade and current account. As a result, the exchange rate was consistent with macroeconomic fundamentals.

Although the exchange rate depreciation in the period between February of 2013 and January of 2014 tended to increase cost of the import goods, the inflation rate was relatively low in the target level. The depreciation, however, has promoted the export while decreasing unnecessary imports and luxury consumption (For instance, the consumer durables import such as automobile and its spare parts decreased by 25 percent in the last year.) and affected to increase domestic production and employment. It was also helpful to balance the foreign trade, creating a condition to have positive current account, improve domestic competitiveness and reach sustainable economic growth path in Mongolia.

In the last two years with the balance of payment difficulty, the Bank of Mongolia implemented a policy to mitigate the adverse effects of the external negative shocksvia both floating exchange rate and FX intervention. As a result, MNT's rate against the USD changed in line with the macroeconomic fundamentals with relatively smooth volatilities (average daily change was about 0.17%). In other side, the foreign exchange reserve covered 4.6 months of imports calculated by monthly average import of 2014, and 5.9 months of imports in 2013-2014 that was at relatively adequate level. In the end of 2014, the foreign reserve was equal to 4.9 months of imports, calculated based on the last 3 months import number.

Figure 38. Foreign exchange reserve and level of import payment



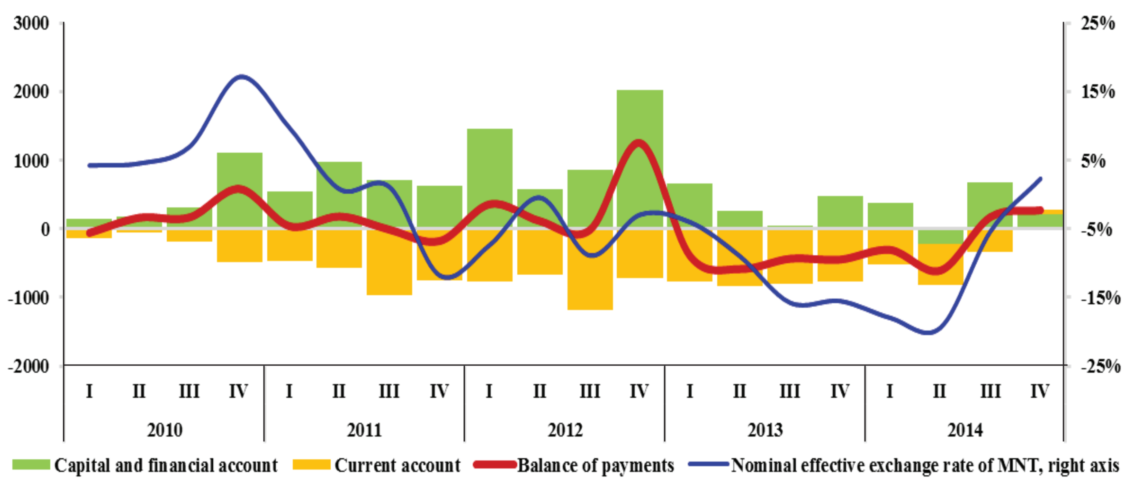
Source: Bank of Mongolia, Customs General Administration

In the last two years with the balance of payment difficulty, the Bank of Mongolia implemented a policy to mitigate the adverse effects of the external negative shocks via both floating exchange rate and FX intervention. As a result, MNT's rate against the US dollar changed in line with the macroeconomic fundamentals with relatively smooth volatilities (average daily change was about 0.17%). In other side, the foreign exchange reserve covered 4.6 months of imports calculated by monthly average import of 2014, and 5.9 months of imports in 2013-2014 that was at relatively adequate level. In the end of 2014, the foreign reserve was equal to 4.9 months of imports, calculated based on the last 3 months import number.

In 2014, foreign exchange inflow into Mongolia significantly decreased as main export commodities' price and foreign direct investment declined rapidly. The current account deficits of Mongolia was 26 percent of the GDP on average in 2011-2013 and financed by the financial account surplus in 2011-2012 and by the international reserves in 2013 respectively. The balance of payment deficit reached USD 1.9 billion in 2013 and USD 0.5 billion in 2014 due to the decrease in the capital and financial account surplus by 71% in 2013 and 26% in 2014. As a result, the overall balance of payment deficit reached to USD 2.4 billion (over 20% of GDP) in 2013-2014 and it increased the pressure of exchange to depreciate.

Because of the high balance of payment deficit, the trade weighted nominal and real effective exchange rate (NEER and REER) depreciated by 15.5% and 8.2% respectively. However, narrowing of the deficit and depreciation of Russian ruble against MNT via depreciation of ruble rate against the USD led the NEER and REER to appreciate by 2.3% and 11.0% respectively in 2014. In addition, settlement exchanges weighted NEER and REER also depreciated by 16.3% and 6.8% in 2013 and by 10.3% and 3.3% in 2014 respectively. The BOM's reference rate of MNT against USD depreciated by 19.2% in 2013 and 13.8% in 2014.

Figure 39. Balance of Payments (million USD) and Nominal effective exchange rate of MNT changes (%)[5]



Source: Bank of Mongolia

5 Increase and decrease express appreciation and depreciation of NEER respectively,

Figure 40. Nominal effective exchange rate (YoY)

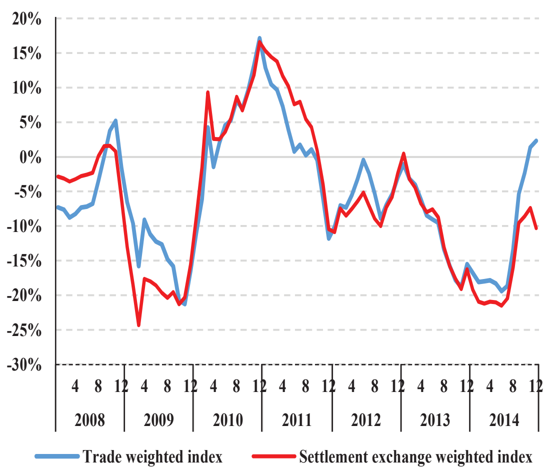
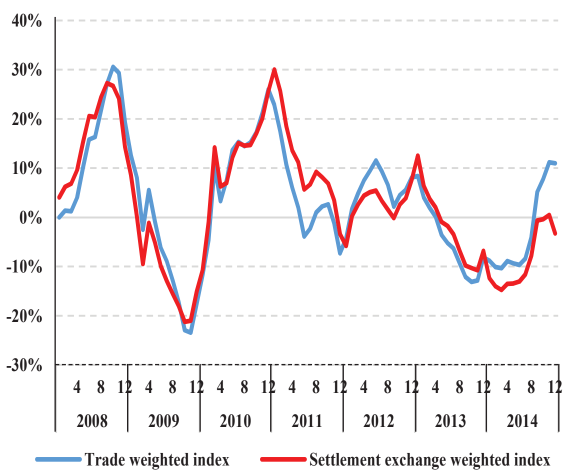


Figure 41. Real effective exchange rate (YoY)



Source: Bank of Mongolia

In the result of the recent soft landing policy, foreign trade surplus reached USD 538 million in 2014 although it was with deficit of USD 2042 million on average in 2011-2013. The Changing the monetary policy stance to become tightening since July of 2014 has also impacted to exchange rate depreciation to decrease and balance of payment to improve since third quarter of 2014. As a result, the domestic foreign exchange market has tended to stabilize, the current account deficit has decreased and the balance of payment has improved. In other words, the pressure of domestic exchange rate to depreciate has decreased significantly. Therefore, we can conclude that the exchange rate pressure has been decreasing in 2014 compared to 2013 as the result of the soft landing policy which led the current account to reduce as the foreign trade has been balanced. In other side, it is a result of that the Bank of Mongolia intervened regularly in the FX market in the recent years.

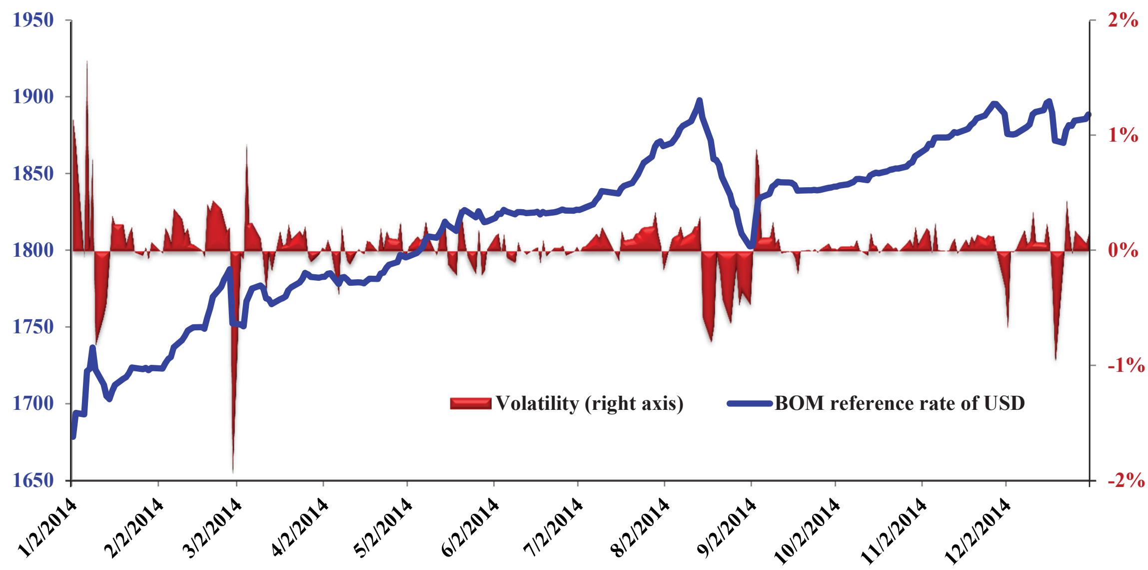
The Bank of Mongolia has intervened in the domestic FX market to fill the short term gaps between the foreign exchange supply and demand and to fix FX market expectations when it was necessary. In 2014, the Bank of Mongolia intervened the market with USD and RMB in the amount of USD 1260 million and USD 582 million respectively through a total of 102 interventions with the domestic commercial banks in 2014.

Furthermore in order to decrease exchange rate risks for the commercial banks and their customers and provide short term liquidity in foreign exchange for banking sector, the Bank of Mongolia extensively traded short term financial derivatives such as MNT-USD, MNT-RMB swaps and forwards. This extensive trading of short term derivatives was aimed to stabilize domestic FX market and provide the short term liquidities and decrease exchange rate risks and prevent financial sector from any systematic risk. In 2014, the Bank of Mongolia traded USD 3.3 billion MNT swap, USD 3.2 billion US dollar swaps and RMB160.5 million swaps with the commercial banks.

As part of the fuel price stabilizing program (SIFS), the Bank of Mongolia entered into forward agreements with the commercial banks. By the year end of 2014, the Bank established forward contracts in the amount USD 903.4 million which was aimed to remove the risks of inflation pressure due to possible changes in fuel retail price in response to exchange rate depreciations.

As a result of the intervention, the MNT's rate against USD appreciated by maximum 1.97% and depreciated minimum 1.66% daily while the daily average change was 0.17%. In addition, the average daily change was below 0.4% in 85% of the period and it was maximum 1.97% in the remainder of the period. The daily average change also decreased by 0.08 percentage point reached 0.17% from the preceding year. As a result of the Bank of Mongolia's partaking in a foreign exchange market from 2014 till the end of the current year, MNT's highest appreciation was 1.97%, the depreciation was 1.66% and the average volatility per day was 0.17%. Daily volatility of the exchange rate did not exceed 0.4% over 85% of the reporting period. Furthermore, the average daily volatility rate was 0.17% in 2014, decline of 0.08% from 2013.

Figure 42. The BOM's reference rate of USD, its volatility

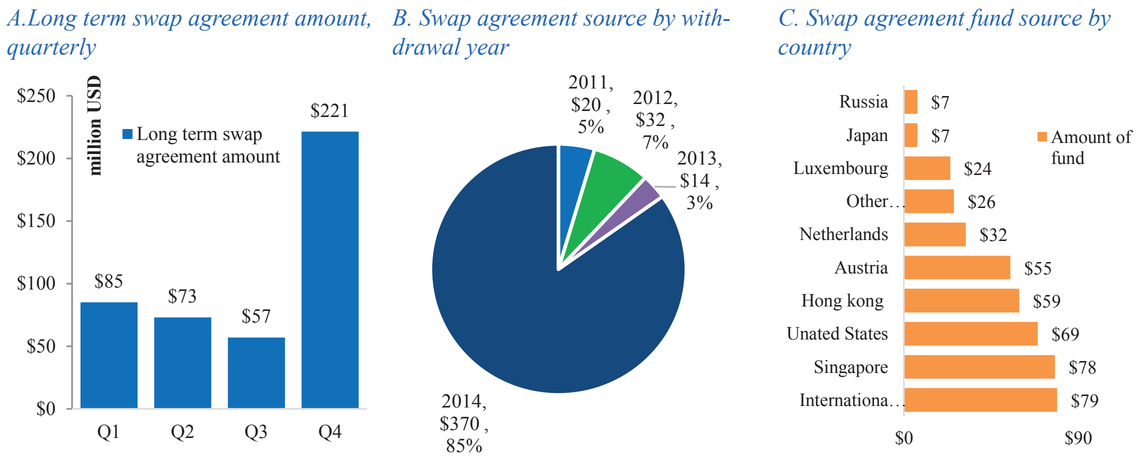


Source: Bank of Mongolia

In order to increase an inflow of foreign currency, support local banks on obtaining long-term financing from foreign markets, increase foreign asset and decrease foreign currency denominated loans and dollarization of the economy, the Bank of Mongolia has exempted bonds and loans with 3 or more years of maturity from the reserve requirement and introduced "Long term swap agreement regulation" in the 1st quarter of 2014. By the end of 2014, the total outstanding amount of the trading of long term swap agreements (over 1 year maturity) have expanded noticeably, amounting to USD 436 million which lead to the increase in foreign exchange reserves by that amount 85 percent of the long term swap agreements were funded by new foreign currency borrowing which obtained in 2014. Consequently, by engaging in the swap-covered foreign currency borrowing, the domestic banks were able to reduce the exchange rate risk and lower their financing cost, which allow them to lend in local currency and significantly contribute for reducing exchange rate risk of the system as a whole.

"Contingency plan in case of instability in the foreign exchange market" was approved by Governor's Decree No. N-30, on September 15th, 2014, which promotes the efficiency and safety of the financial market to minimize the risk of contingent circumstance and maintaining a clear mechanism to assess the degree of financial stability on time, make a necessary pre-requisite or response decision and implement it without delay.

Figure 43. Long term swap agreement indicators /in millions USD/



Source: Bank of Mongolia

In accordance with the Governor's Decree No A-122 dated July 30, 2014, amendments which applied from 1st of January, 2015 to *"The regulation on setting and monitoring prudential ratios to banking operation"* risk weight of foreign currency denominated loans was increased. It was a significant step toward decreasing dollarization ratio and risk of foreign currency denominated loan which would provide stabilization in the financial market in medium term.

In addition to that, the BOM issued "Guidance for loan applicants in foreign currency" and "Comprehensive guidance on reducing exchange rate risk by employing financial derivatives aimed at individuals and businesses" and spread it to public through commercial banks. Due to exchange rate fluctuation, non-hedged borrowers with foreign currency loans might incur losses and complication in repayment of loans which would adversely affect the stability of the financial market. Therefore, there is a need for extensive use of financial derivative instruments to reduce the exchange rate risk.

In order to activate the process of FX Platform system, The Financial Stability Council decided by its meeting in June, 2014 to give permission for non-banking financial institutions to attend FX auction and financial derivative operations (swap and forward deal) through commercial banks according to the legislation and regulation. In doing so, the recent condition of FX market should be more efficient and fruitful when the non-banking financial institutions are eligible to attend FX auction and hedging financial instruments. With the intent to actively involve market participants, specially non-banking financial institutions in FX auction and other market operations the Financial Regulatory Commission and Non-Banking Financial Institution's Association have cooperated actively while the Bank of Mongolia are providing methodical guideline. Non-banking financial institutions are eligible to participate in FX auction through the bank according to the three sided agreement dated in November 25, 2014 between the Non-Banking Financial Institution's Association, the Non-Banking Financial Institution and the Trade and Development Bank.

2.4 Management of state foreign exchange reserve

Subject to the 5th and 21st Articles of the Law of Mongolia on Central Bank, the Bank implements foreign exchange reserve management policy that ensures objectives of liquidity and safety of foreign reserve. Only after fulfilling these objectives, the Bank seeks to optimize its return.

In 2014, the Bank carried out its foreign exchange reserves management in accordance with the generally accepted asset management principals and within the scope of established risk limits. In terms of general structure, the Bank defined its foreign currency asset composition, foreign currency investment composition, optimal investment duration, and eligible financial instruments. Financial due diligence has been conducted on capital markets periodically to assess idiosyncratic risk, systematic risk, credit risk and other key investment risks. Moreover, global market has been studied thoroughly and conferring investment reports have been published regularly.

During the fiscal year, the Bank prioritized its assets' safety by investing in major reserve currencies, allocated and unallocated gold, current and deposit accounts with highly regarded central banks such as the Federal Reserve System (bank), the Bank of Japan, the Bank of England and the Bank of France and money market instruments issued by supranational such as the Bank for International Settlements. The Bank took a conventional risk-averse approach when investing in foreign corporate banks and financial institutions and it has only proceeded to invest in entities with the highest investment grade credit ratings. With global economic growth was expected to expand slightly comparing to previous years and given the Federal Reserve System's policy of 'tapering' in the late 2014 and expectation of interest rate hike, the Bank positioned its' bond holdings in the investment bucket of 0-3 year based on our view of the United States' Treasury curve expectations.

From the first quarter of 2014, the Bank was given a permission to invest in China's domestic treasury market, and commenced to invest in the Government bonds of the PRC.

Upon completing diligent studies on generally accepted asset management principles of central banks with track record of success and consulting with the World Bank Treasury, the Bank classified its' foreign exchange reserve portfolio into two tranches: a liquidity tranche with a duration of 0-1 year and an investment tranche with a duration of 0-3 years. Moreover, the Bank implemented a passive management on its' fixed income portfolio by mirroring the United States treasury 0-3 year index.

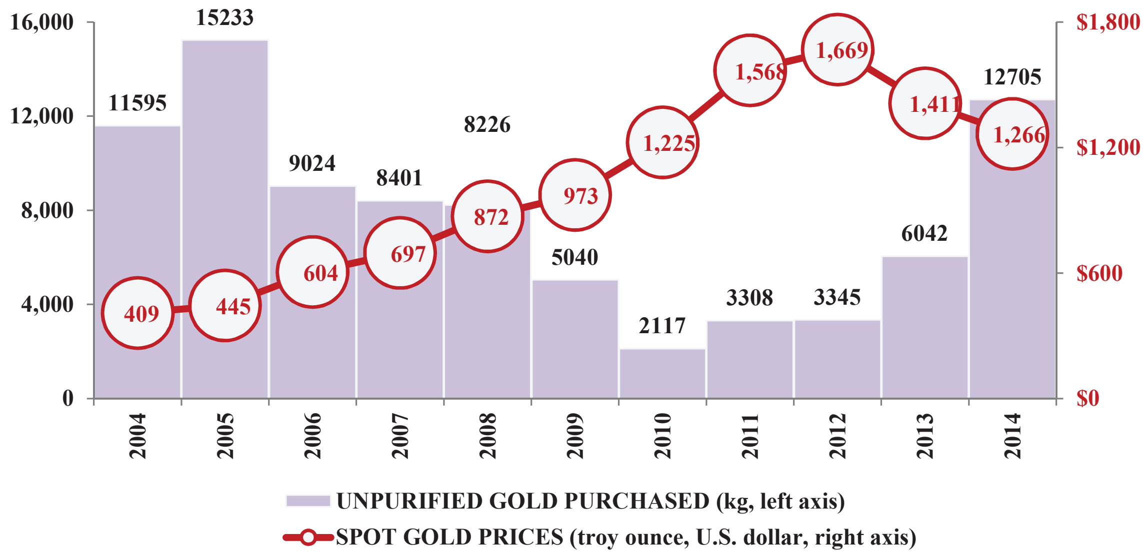
As of December 31, 2014, the Foreign Exchange Reserve reached USD 1649.9 million, a decrease of 26.6% or USD 598 million from the beginning of the year. This level satisfies the measure of International rule of thumb that requires reserve to be equal to 12 weeks or 3 months of import payment. In the end of 2014 Foreign exchange reserve illustrated to:

- 19.1 weeks or 4.8 months of actual foreign currency denominated import payment of December 2014,
- 19.4 weeks or 4.9 months of foreign currency denominated import payment of last 3 months average imports.

The decrease in the level of Foreign exchange reserve was mainly due to: (i) commercial banks withdrew from their accounts net amount of USD 1314.8 million, (ii) external loan repayment of the Ministry of Finance totaling of USD 220.1 million, (iii) depreciations of the major currencies against USD in the Foreign exchange reserve, such as CNY, GBP, EUR, JPY and GOLD falling by in between 1.5-13.9% against USD.

In the year of 2014, with the ratification of "*Law of Mongolia on Amending the Minerals Law (the Amendment)"*, the domestic gold production has increased and the Bank purchased 12.7 tons gold dores from domestic gold producers, increase of 6.7 tons from 2013 and 9.4 tons from 2012.

Figure 44. Unpurified gold purchased by Bank of Mongolia (kg) and spot gold price ($/troy ounce)



Source: Bank of Mongolia

2.5 Payment and settlement systems

The Bank of Mongolia is pursuing a policy aiming to ensure the safety, stability and efficiency of the payment and settlement systems, promote the use of non-cash payments, and support the development of financial market infrastructure.

Within the objective of strengthening the legal and regulatory framework for payment and settlement systems, the Bank of Mongolia issued the Mobile banking regulation for the payment system participants to articulate the aspects related to innovative payment instruments, while making necessary amendments to current regulations on the interbank payment cards, high and low value payments.

The issues of promoting the use of non-cash payment instruments, establishing the robust legal framework, implementing the new assessment methodology for financial market infrastructure and supporting the cooperation among the payment system participants have been discussed at the 13th and 14thmeetings of the National Payment System Council.

The Bank of Mongolia with technical assistance from the World Bank is aiming to update a national payment system development strategy; enhance the legal framework for payment and settlement systems, and to ensure the development of a unified financial market infrastructure.

Furthermore, starting from the 23rd of May, 2014, interbank low value payments are processed in a real-time 24/7 basis, meaning the payment from payer will be transferred to a payee's account immediately providing more convenient and faster banking service to citizens.

To ensure the safety and efficiency of the payment system and to protect the end-users rights, the Bank of Mongolia oversees the payment systems operations by supervising, examining and granting the relevant licenses to participants for new payment instruments and services.

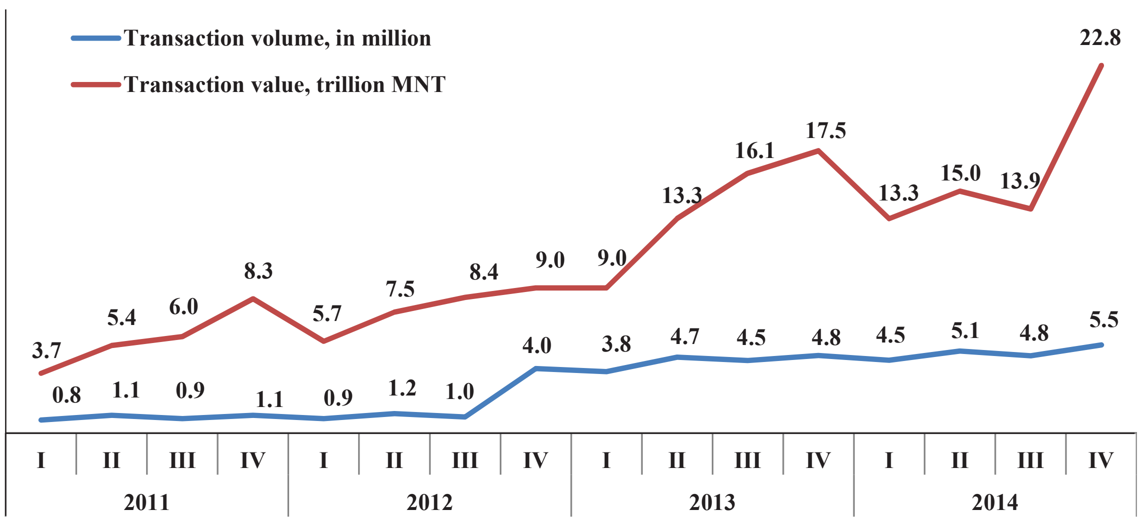
Table 15. Interbank transaction volume and value for 2011-2014 (volume in thousand, value in trillion)

	2011		2012		2013		2014	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
I quarter	798	3.7	914.9	5.7	3 846.3	9.0	4513.4	13.3
growth (%)	*15.1*	*68.2*	*14.6*	*53.8*	*320.4*	*57.9*	*17.3*	*48.1*
II quarter	1 077.5	5.4	1 249.4	7.5	4 664.1	13.3	5087.2	15.0
growth (%)	*18.5*	*80.0*	*16.0*	*38.5*	*273.3*	*77.3*	*9.1*	*12.7*
III quarter	903.6	6.0	1 018.5	8.4	4 524.5	16.1	4789.2	13.9
growth (%)	*12.7*	*73.5*	*12.7*	*40.2*	*344.2*	*91.7*	*5.8*	*-13.6*
IY quarter	1 139.3	8.3	3 954.9	9.0	4 780.1	17.5	5466.5	22.8
growth (%)	*15.9*	*76.6*	*247.1*	*8.4*	*20.9*	*94.4*	*14.4*	*30.4*
Total	**3 919.3**	**23.4**	**7 137.8**	**30.6**	**17 815.0**	**55.9**	**19856.3**	**65.0**
growth (%)	***15.7***	***77.3***	***82.1***	***30.7***	***149.6***	***82.7***	***11.5***	***16.3***

Source: Bank of Mongolia

Compared to the previous year, the interbank transactions in 2014 have increased by 11.5% in volume and 16.3% in value.

Figure 45. Inter-bank transaction volume and value for 2011-2014



Source: Bank of Mongolia

The transaction value and volume have been increasing steadily since 2011, thus, 19.9 million transactions with the total value of MNT 65 trillion were successfully processed in 2014.

Payment cards

Yearly increase in usage of cards demonstrates the interest of citizens in using non-cash payment instruments in their daily payments routine. Banks issue 4 types of payment cards including Visa, MasterCard, Union Pay and national brand ₮ card. In the beginning of the year, 60% of all cards issued were Visa cards, however, by the end of the year Visa card's share have been decreased to 47% while T card's share has reached to 44%. Remaining 9% belongs to other payment cards.

Table 16. Payment cards usage

Number of cardholders		2012	2013	2014	Rural region	*Growth (%) 2013/2012*
Cardholder		2 855 378	3 456 440	3 590 646	1 048 256	*3.9*
Active cardholder		1 123 041	1 343 284	1 361 630	321 462	*1.4*
Number of devices		2012	2013	2014	Rural region	*Growth (%) 2013/2012*
POS		7 210	9 535	12015	2 811	*26.0*
MPOS				2084	48	
POB		2 384	2 765	1848	1 005	*-33.2*
ATM		915	1 032	1229	285	*19.1*
Others		316	314	24	-	*-92.4*
Settled payments by each device		2012	2013	2014	Rural region	*Growth (%) 2013/2012*
POS	Volume (in million)	10.3	13.6	24.1	*3.3*	*77.2*
	Value (in trillion MNT)	735.1	738.7	1099	*74.3*	*48.8*
MPOS	Volume (in million)			0.01		
	Value (in trillion MNT)			0.9		
POB	Volume (in million)	1.7	1.4	3.8	*0.8*	*171.4*
	Value (in trillion MNT)	557	422.5	972.9	*151.7*	*130.3*
ATM	Volume (in million)	57.4	57	103.1	*22.4*	*80.9*
	Value (in trillion MNT)	3993.2	4647.5	6392.1	*1235.2*	*37.5*
Total	Volume (in million)	69.5	72	131	*26.5*	*82.0*
	Value (in trillion MNT)	5305.3	5808.7	8465	*1461.2*	*45.7*

Source: Bank of Mongolia

2.6 Development of the banking legislation

In the reporting year, with regard to financial sector legislation, the Parliament has enacted amendments to the Banking law, the law on Corporate Income Tax, the law on Mineral Resources, the law on Treasury, the Judicial Decision Enforcement Act, and Criminal Code and Criminal Procedure code, respectively.

1. By amendment of a new section of “7.2.7 If a request from the bailiff to obtainaccount information of debtor which avoids to report statement of asset is approved by the head of the bailiff service" to the Article 7 of the Banking law (prohibited activities for a bank, its affiliate and subsidiary), the judicial decision enforcement office is now included in the list of entities authorized to obtain such information.

2. In the article 17 of the law on Corporate Income Tax /Tax rates/ is added with provision of "17.2.10 by 10 percent on the bond interest income for the non-resident taxpayerwho purchased such bond issued by a commercial bank of Mongolia on the foreign and domestic stock exchanges."

   As bank borrows from foreign market where an investor and lender require that their interest income is not to be levied any taxes for Mongolia, bank increases its operating expenses and pays this tax to the government budget in accordance with tax law, thus increasing costs. The tax cost had been added to loan interest charged against borrower, and was a burden for business operators. An enactment of amendment to the law helps bank to decrease loan cost and to reduce interest burden forbusiness, and, furthermore, to stimulate interest for cheap fund from abroad; providing room to increase money and foreign exchange supply.

3. In the article 35 of the Law on Minerals /Common responsibilities of the license holder/ the amendments "35.6. The legal entities with operation license and micro-mine gold miners shall deliver the extracted gold within the current financial year". In the article 47, paragraph 47.3 (The royaltiesshall be as follows): "47.3.3. The royalty set forth in the article 47.3.2 of this law for the gold to be sold to the Bank of Mongolia and to authorized bank shall be 2.5%; and the amount of the additional payments referred to in the article 47.5 shall be equal to 0 percent" were made, respectively. And the "other than those specified in 47.3.1" of the article 47, paragraph 47.3.2 of the law has been changed to "other than gold sold to the Bank of Mongolia and the banks authorized by it asset forth in 47.3.1 and 47.3.3".

   Due to the increased tax burden for gold mining entities, trend of increasing occurrences in which gold miners and purchasers tends to avoid tax by illicit smuggling of gold through border and by hiding and storing those extracted gold, and the significant reduction in the amount of gold sold to the Bank of Mongolia and bank, which have having the negative impact on the accumulation of the state's foreign exchange reserves, above modification were made to the law. In addition, it also ensures that competent authorities to enable transparency in mineral exploration, exploitation, processing and marketing activitie; and that the legal entitieswith operation license and micro-mine gold miners to sell their extracted goldwithin the current financial year.

   As a result of these adjustments, the amount of gold to be sold to the Bank of Mongolia, evidently increasing foreign exchange reserves; the drawing rights rate of Mongolia improved; the tax base expanded; and it made room to increase the state budget revenue by collection of taxes on gold sold, royalties and corporate income tax, add gold reserves and make gold mining and salestransparent within the legal framework.

4. In the article 40 (Asset statement) of the Judicial Decision Enforcement Act was added with the following section: "40.4.The bailiff shall submit the proposal to obtain savings and current account information of the debtor, which avoids reporting of asset statement, to the chief of the bailiff service, who then shall examine the justification of the proposal".The followingsection of thelaw was also revised: "40.1. After initiation ofthe process of enforcing the judicial decision, the bailiff based on the request of the payee shall obtain from the payer the statement son the followingassets:

   "40.1.1.On the debtor's proprietary and monetary assets in the bank"

   The Bailiff in connection with enforcing the court decision has a right to obtain information on monetary assets and securities existing in the savings and current accounts in the banks and non-banking financial institutions, and, in the case where the debtor avoids information reportingon the savings and current accounts, the bailiff shall submit the proposal to obtain such information from the banks and non-banking financial institutions to chief of the bailiff service, and it is able to apply to relevant authorities as stated in the law if the proposal is justified.

5. The "precious metals to individuals," of the clause 11.1 of the article 11 of the Law on Treasury (Treasury expenditure) has been changed to "precious metals other than those related to the cultural heritage toindividuals". As a result of this change, precious metal and gemstone other than those related to the cultural heritage are able to be sold to commercial entity, organization and individual in accordance with the approved expenditure balance, taking into consideration the world market prices and by the price set by the Bank of Mongolia.

6. In order to improve the legislation on combating the money laundering and financing of terrorismin line with international standards and norms, to unify contents of definitions of the money laundering crime with Criminal Code and the law on Combating Money Laundering and Financing of Terrorism, and to expand the types of basic crimes of money laundering crimes, the Parliament passed the law on 16 January, 2014 with following amendments to the Criminal Code and the Criminal Procedure Code:

7.

1) In the Criminal Code:

a) In order to ensure Mongolian law to be in line with standards and models of international law, it has been amended that criminal liability can now be imposed on the legal entity if it set forth in special section of the code determined in 8.3, 20.2 of the Law.

b) 166^1. The clause on money laundering has been updated; the definition of money laundering crime was brought to conformation with the international standards; and its scope has been expanded.

c) Abusing the securities market and causing significant damage to others were criminalized or "166^3. Abusing the securities market" was newly legalized.

d) In order to prevent usage of inside, non-public information that may affect the prices of securities with personal gain intention, the new article "166^3. Illegal trading using the inside information" was enacted.

e) In addition, the article 178^2 "Financing of terrorism" which criminalized accumulating, transferring, and spending of assets fully or in parts, illegally and intentionally, directly and indirectly, knowing in advance that it will be spent for terrorist, terrorist organizations and terrorist operations, has been updated.

2) In the Criminal Procedure Code:

To ensure conformity of measures related to the temporary and permanent confiscation of proceeds of crime with international standards, definition of "proceeds of crimes" which include proceeds of money laundering as well as indirect acquisition of assets related to underlying crime is enacted.

a) In the section 27.3 (the investigator of the organization to combat corruption) of the article 27 (The organization to conduct investigation), article and their detected the Criminal Code article number **166^1** (Laundering money) is added.

b) The article 134 (Sequestration of the property) with section of 134.1. With purpose of satisfying civil claim and confiscation of property, to sequester the property of defendants, suspects or the legally liable people on their behalf, or if there sufficient ground exists to prove that the assets and income would be the proceeds of crimes, those assets and income are bound to be sequestered" has been added.

It should be noted that amending the Criminal Code and other relevant laws of Mongolia with articles and provisions on money laundering and financing terrorism wasancrucial step in honoring obligations assumed under international treaties and conventions.

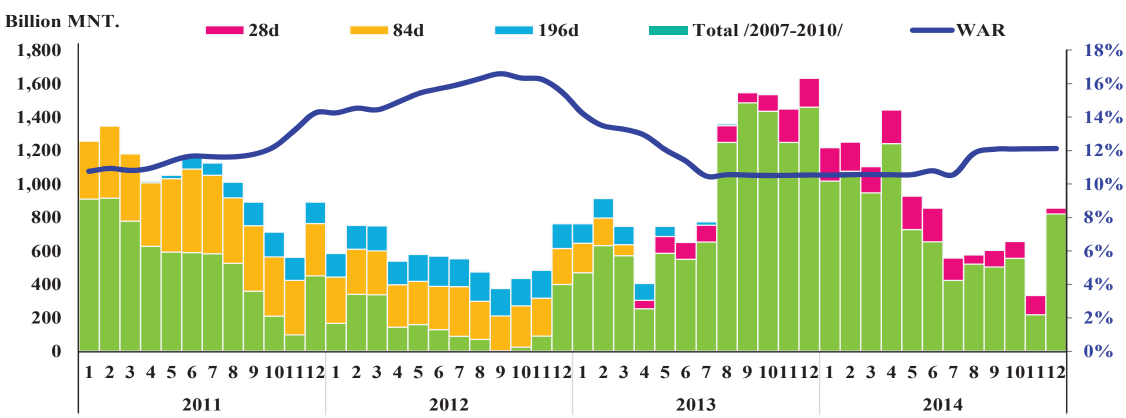
3.1 Central bank bill

The Central bank bill is the main instrument of the central bank to manage liquidity of the banking system. The following two types of bills are regularly auctioned with the commercial banks on the basis of reserve demand and supply:

- CBB with maturity of 7 days
- CBB with maturity of 28 days

To maintain CBB rates consistent with market condition and provide the means for equilibrating MNT and foreign exchange returns, CBBs have been being auctioned three times a week since March, 2013 and the total outstanding amount in the year end of 2014 has reached MNT 855.6 billion, 96% of which is the type with maturity of 7 days and 4% with maturity of 28 days.

Figure 46. Total outstanding CBBs held by the banks (by maturity type, monthly)



Source: Bank of Mongolia

3.2 Central bank financing

In order to implement the monetary policy and manage the appropriate level of cash in the banking system the Central Bank uses intraday credit, overnight repo financing, repo trading and secured loan lending. These instruments are differentiated based on their tenor, interest rate and specification. All financing done by Central Bank are collateral and included in the list of assets pledged by Risk Management Unit of the Bank of Mongolia.

Intraday credit

Intraday credit is uses in order to ensure the proper functioning of the settlement in the banking system and designed to be paid back at the same day. The intraday credit does not have any interest rate and 3.5 billion worth of credit were granted to the bank in the reporting year.

Overnight repo financing

Overnight repo financing is designed to provide banks with liquidity to fulfill the reserve requirement. Overnight repo financing is given to the banks at the end of the transactions of that specific day to the opening of transactions on the next day. The repo rate is the highest rate of the Central Banks rate corridor and is equivalent to Central Banks policy rate plus 2 percent. In 2014, the banks received a total of MNT 6.0 trillion worth of overnight repo financing from Bank of Mongolia.

Repo trading

The central bank's repo trade is an agreement between banks and Central Bank to repurchase the bills owned by the banks at the end of the tenor at the previously agreed price; therefore providing liquidity to the banks. Repo trades provide funding up to seven days and designed to aid the lack of capital and poor liquidity in the banking system. In the reporting year the Bank of Mongolia provided banks with repo trading in four occasions and the total amount was worth MNT 550.0 billion.

Secured loan

As the lender of last resort the Central Bank provides banks with secured loans as way of implementing the monetary policy and providing banks with short-term liquidity. In 2014 the secured loan rate was set at policy rate plus 2 percent. In the reporting year the Bank of Mongolia had issued 659.0 billion worth secured loans to the banks and by the end of 2014 the outstanding amount of secured loan was MNT 82.8 billion.

Through monetary policy implementation tools the Bank of Mongolia had supplied banks with MNT 7.2 trillion worth of which 83.1% is overnight repo financing, 9.2% is secured loan lending 7.6% is repo trading and the rest 0.1% is intraday loan.

3.3 Government bill (GB)

The primary market of GB

Figure 47. WAR (12 weeks GB)

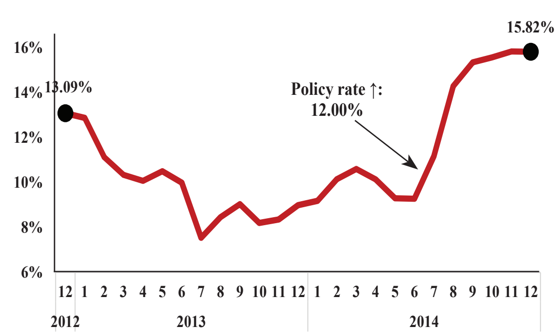
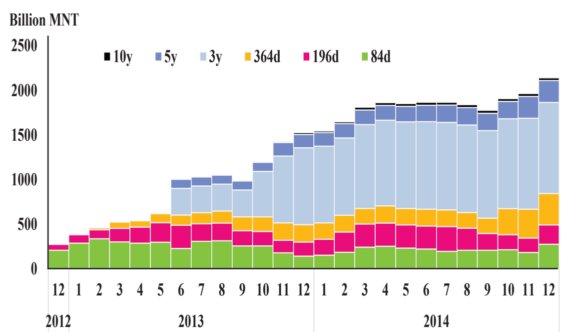


Figure 48. Outstanding GB



Source: Bank of Mongolia

Table 17.Trade in the secondary market of GB

Auction on secondary market of GB			
/Date	i/ Short term	ii/ Long term	/i+ii/ Total
Jan - 2014	-	-	-
Feb - 2014	1 500	2 500	4 000
Mar - 2014	-	10 000	10 000
Apr - 2014	29 000	10 000	39 000
May - 2014	35 000	12 500	47 500
Jun - 2014	1 500	22 000	23 500
Jul - 2014	-	-	-
Aug - 2014	-	-	-
Sep - 2014	-	-	-
Oct - 2014	500	-	500
Nov - 2014	15 020	-	15 020
Dec - 2014	-	-	-
TOTAL	**82 520**	**57 000**	**139 520**

Source: Bank of Mongolia

In order to improve financial management of the Government and to diversify monetary policy instrument, Ministry of Finance and the Bank of Mongolia jointly passed the "Regulation of Government securities issuance and auction" in October 2012. Under this regulation, 65 Government securities auctions were held through the BOM and the total outstanding amount of the GB sold through the BOM was MNT 2.1 trillion as of the year end (see Figure 11 and Figure 12).

The Bank of Mongolia together with the Ministry of Finance plans to introduce "Primary dealer system" on the government bonds market. The Bank believes that the introduction of the primary dealer system will significantly improve the liquidity of government securities and will increase the efficiency and competition of the entire market.

In 2013, by the joint decree of the Minister of finance, the Governor of the Bank of Mongolia and the Chairman of the Financial Regulatory Commission, the regulation for "Government Securities Trading" has been put in place; therefore successfully launching the secondary market activity. In 2014, total of MNT 135.9 billion worth Government Securities has been traded on the secondary market. Of those, MNT 78 billion were short term and MNT 57 billion were long term government securities.

Development of secondary market for Government Securities would contribute to determine risk free yield curve of MNT, enhance the liquidity in the government securities market and the development of the financial sector.

3.4 Foreign exchange market intervention

Although current account deficit narrowed due to trade surplus in 2014, capital and financial account surplus, especially foreign direct investment declined sharply resulting USD 471 million balance of payment deficit during the reporting period. Therefore, upward pressure on foreign exchange market remained high in 2014, inducing higher volatility risk.

Under the circumstance, the Bank of Mongolia has been persistent in pursuing a floating exchange rate regime that is consistent with macroeconomic fundamentals and supports MNT's stability and balanced development of the national economy. The Bank has been taking active participatory role in the domestic foreign exchange market through the foreign exchange auction, in order to mitigate fluctuations in the exchange rate arising from the changes of short term imbalance in foreign exchange supply and demand and to stabilize market participant's expectation errors in the foreign exchange market.

In order to improve efficiency of operational engagement in the domestic foreign exchange market, the Bank of Mongolia has activated FX Platform System. As part of the initiation process, the Bank of Mongolia in cooperation with the Financial Regulatory Commission and Non-banking Financial Institutions Association, made it eligible for non-banking financial institutions to participate in foreign exchange auction held by the Bank of Mongolia, in order to enhance active involvement of those institutions in foreign exchange market.

Furthermore, long term swap agreement has been introduced into the market with the intent of reducing exchange rate risk and increasing the foreign currency inflow.

Foreign exchange spot market

In the reporting year, the Bank of Mongolia has supplied net of USD 1260.0 million and RMB 3584.8 million, equivalent to USD 582 million, totaling USD 1842.0 million through 102 forex auctions. Moreover, total of USD 295.1 million was injected into the foreign exchange market by non-auction practice when necessary.

Figure 49. Intervention of USD

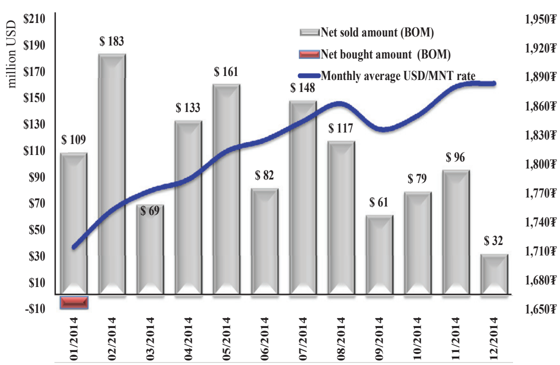
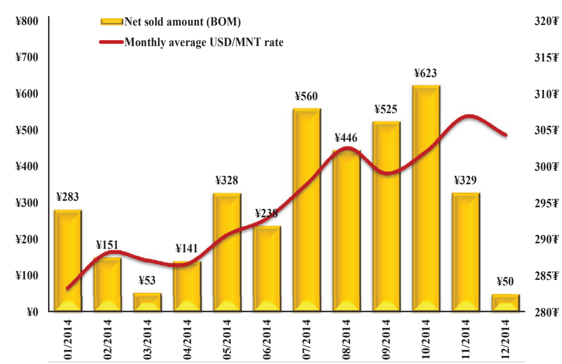


Figure 50. Intervention of CNY

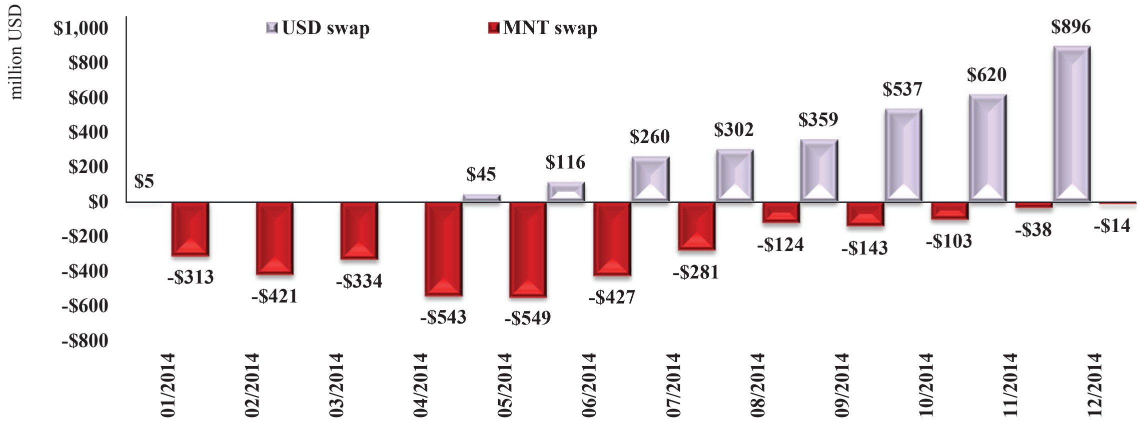


Source: Bank of Mongolia

Long and short term financial derivatives in the foreign exchange market

Despite participating in foreign exchange spot market, the Bank of Mongolia has been using short term financial derivatives to support the short term liquidity and to hedge the exchange rate risk of commercial banks and their customers. In 2014, USD 3.3 billion of MNT swap and USD 3.2 billion of USD swap transactions were made by the Bank of Mongolia. Moreover, RMB 160.5 million swap agreements were carried out with the local commercial banks according to the “Bilateral Local Currency Swap agreement” between the People’s Bank of China and the Bank of Mongolia.

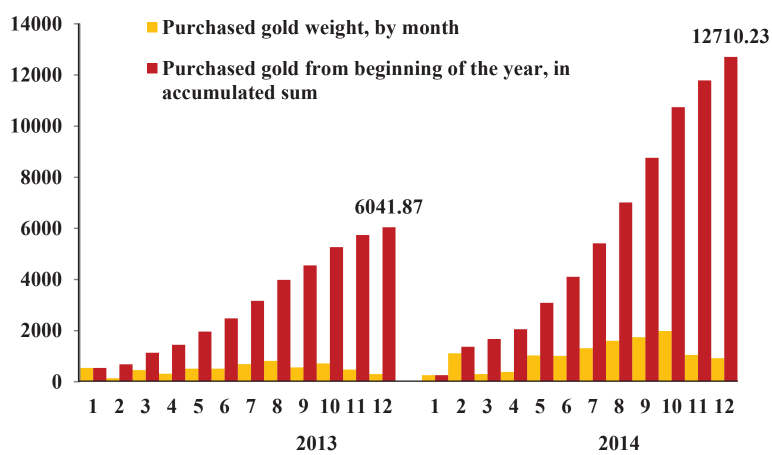
Figure 51. Swap agreement



Source: Bank of Mongolia

3.5 Gold purchasing operation of the Bank of Mongolia from domestic market

Figure 52. Purchased gold amount of the Bank of Mongolia in 2013-2014 (gross weight terms / kg)



Source: Bank of Mongolia

One of the main sources of expanding national foreign exchange reserve is purchasing gold do res from domestic market. The Bank of Mongolia purchase gold do res from domestic gold miners and artisanal miners further to refine the gold do res at foreign refinery up to international standard level, and increase foreign exchange reserves. In compiling period the Bank of Mongolia purchased from 79 gold miners and 105 persons 12.7 tons of gold do res in total, spent for purchasing MNT 830.8 billion which is 6.7 tons higher than previous year or 2 times increased result compared to previous year.

In 2014, the Bank of Mongolia in total 11.2 tons of gold do res refined at refinery, which is in terms of USD 430 million increase of national foreign exchange reserve accumulation.

MEDIUM TERM PRICE STABILIZATION PROGRAM FOR CONSUMER GOODS

4

Within the framework of implementing the 57th, 62th decree of the Parliament dated in 2012, 2013 respectively, the monetary policy guidelines for 2013, 2014 and Government action plan for 2012-2016, the Bank of Mongolia and Government of Mongolia has been implementing "The medium term price stabilization program" since October 22, 2012.

This program has implemented to the private sector loans provided by banks for mid-term period for the purpose to reduce supply driven inflation and maintaining low and stable inflation establishing market based efficient sustainable mechanism on supply chain of the main consumer goods.

As a result of program, supply driven inflation has been significantly been reduced annual inflation wend down from 14.0 to 11.0 percent within 2 years difficulties on balance-of-payments, by substantially reducing increase prices of meat, flour and retail gasoline by to mitigated pressures on real incomes of low and middle income braked households further more enabling positive environment for inflation target at 7 percent. Meanwhile, in the mid-term there some capacity for establishing market based efficient sustainable mechanism on supply chain of the main consumer's goods (warehouse financing through bank loans), promoting domestic producers for expanding production capacity for construction materials, for farming enterprises, entities which operate in food storage and warehouse. In addition the program has played crucial role to prevent potential risk of unemployment maintaining employment in agriculture, building and construction, transportation and warehousing sectors during 2013 BOP crisis and economic difficulties in 2013-2014.

The BOM intense to transfer outstanding MNT 475.4 billion to the Government by end of first half of 2015, because program basically achieved its goal; the BOM initially planned to phase out the program after establishing market based efficient sustainable mechanism in the mid-term; by the Parliament resolution #69, 2014 optimal phasing out strategy from the program; by the Parliament resolution #41, 2015 outstanding program loans in the BOM's balance should be transferred to the Government. Program loans balance at the end of 2013 was 714.1 billion at the end of 2014, fell to 633.8 billion. Program loans balance at the end of 2015, 232.3 billion, is expected to slow to 27.3 billion at the end of 2016.

In the contract between enterprises implementing the program and participating banks the repayment of the loan is no changeable as scheduled and loan repayments continue to be made according to a fixed schedule specified in the contract.

Table18. Outstanding program loans (in billions of MNT) by the end of period

		2013	2014	2015.06.30	end of 2015	end of 2016
Food price stabilization subprogram	Prepare reserves of meat , price stabilization	61.6	17.3	30.2	0.0	0.0
	Flour price stabilization	12.5	47.0	21.2	0.0	0.0
	Food product storage, increase number of storage, develop intensive enterprise	99.0	132.2	111.1	82.2	7.6
Fuel retail price stabilization subprogram		192.0	176.1	92.2	0.0	0.0
Price stabilization and lowering costs of main import goods and commodities subprogram		12.0	15.9	7.7	1.3	0.0
Construction sector support and housing price stabilization subprogram	Support the domestic production of basic construction materials	169.7	211.7	200.8	148.5	19.7
	Reduce seasonal supply of import imminent construction materials	99.4	0.0	0.0	0.0	0.0
	Support contraction material projects with advanced and nature friendly technology	0.0	0.0	0.0	0.0	0.0
Accumulation of coal reserves and energy price stabilization subprogram.		67.9	33.6	12.2	0.3	0.0
TOTAL		**714.1**	**633.8**	**475.4**	**232.3**	**27.3**

Source: Bank of Mongolia

4.1 Strategic import financing scheme (SIFS), aimed at stabilizing the retail fuel price

Necessity and goal of the program:

Since Mongolian petroleum consumption is 100% dependent on imports, fluctuation in oil price of global market and volatility in foreign exchange rates effects dramatically in inflation and further triggers economic instability. In this sense, stabilizing oil retail price is directly related to the Central bank's main goal. On the other hand, even though the Government of Mongolia is planning to implement medium to long term projects such as building oil refinery plant and increasing national reserve in order to stabilize petroleum retail price in domestic market, it will require time to complete these projects. Until then, the government and BoM agreed on to stabilize retail fuel price through financing retail fuel import with minimum cost and minimizing the exchange rate risk at the border. In order to fulfill these objectives, the Bank of Mongolia and the Ministry of Mining signed an agreement and jointly launched the "SIFS" subprogram on October 26, 2012.

Table 19. Goal of the program

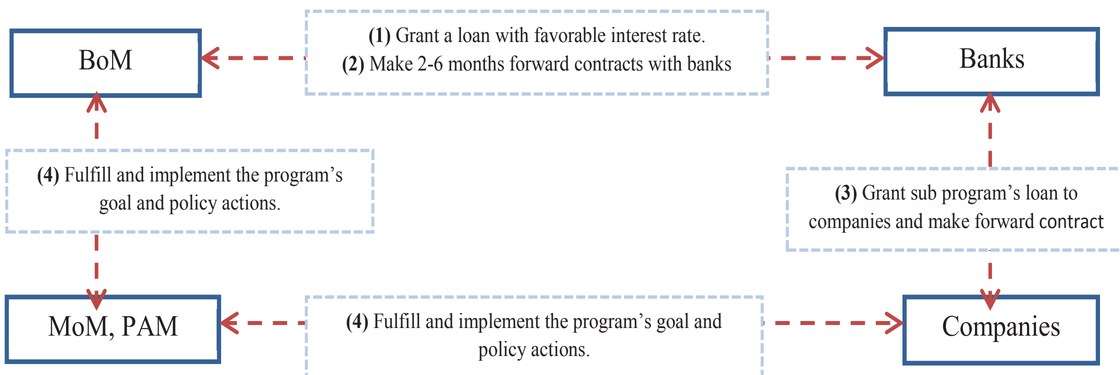
Main goal	Policy actions
Retail fuel price is stabilized ◆ Financial cost is reduced. ◆ Exchange rate risk is minimized.	◆ Oil import tax is set based on the border price of oil. ◆ Oil stock reserving containers of oil products are built. ◆ Reserve of oil products is increased. ◆ Supply source of oil products is diversified.

Source: Bank of Mongolia

In 3 years, the subprogram aim to stabilize the retail fuel price through financing retail fuel imports with BoM's predetermined interest rate and minimizing its exchange rate related risks.

The outstanding credit amount was MNT 192 billion, 176.1 billion at end of 2013, 2014 respectively. By June 2015, the program's outstanding credit, which is equal to MNT 92.2 billion, will transfer to the government and will be repay by end of 2015.

Figure 53. SIFS subprogram's implementation phase



Outcomes of the subprogram:

- Compared to beginning of the subprogram, oil retail price increased by 5%, although MNT strengthened against USD by 33%. Therefore effects of fluctuation of oil price in domestic inflation are declined significantly.
- Exchange rate risk and proponent companies' current asset deficit is minimized.
- Total reserve of oil products was increased by 3.0 times from that of the prior subprogram level and therefore stable supply of the oil products was maintained.
- Supply source of oil products is diversified.
- Restored tax regulation on oil products and enlarged tax legislation area.
- In order to minimize exchange rate risk, 2-6 months forward contracts were made with companies, resulted stable retail fuel price.

Figure 54. Monthly price changes of AI-92 gasoline (Togrog)

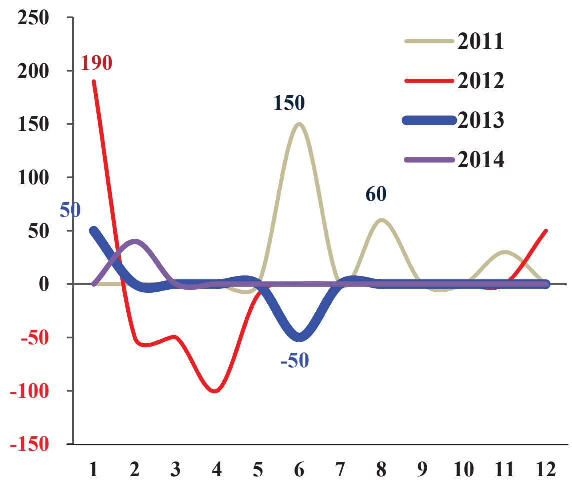
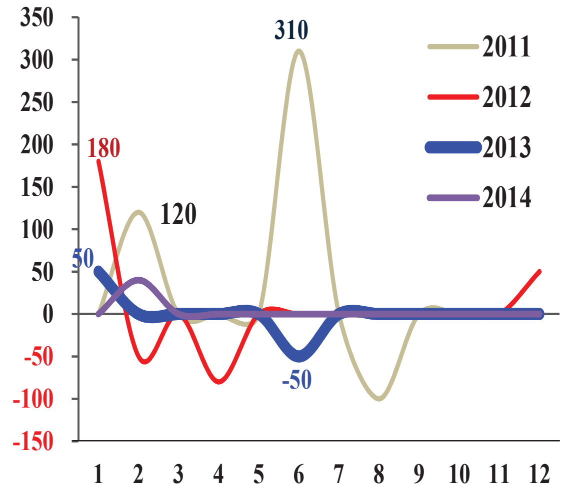


Figure 55. Monthly price changes of Diesel fuel (Togrog)



Source: Bank of Mongolia, Petroleum authority of Mongolia

Figure 56. National oil reserve (thousand tonnes)

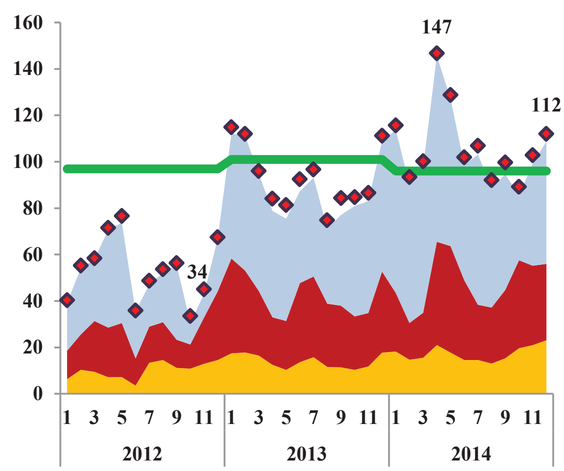
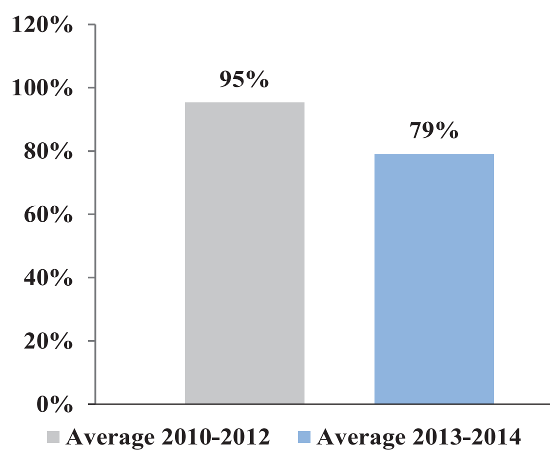


Figure 57. Russian federation's share of total oil import



Source: Bank of Mongolia, Petroleum authority of Mongolia

Recommendation on further action:

According to Parliament decree no.41, following actions must be taken:

– Transfer the program's outstanding credit, which is equal to MNT 92.2 billion, to the government and the Development bank by June 2015. In this scope, finalize credit line agreement between Development bank and VTB bank.

– To stabilize the retail fuel price and minimize oil price effects in the inflation, the government and the Development bank should continue to implement the program with companies. Bring to an end the forward agreement activities by June 2015, if there is new forward agreement between BoM and companies during February 2015 and June 2015, the Government should payback the total amount to BoM via forward agreement.

– To protect domestic market from external risks, implement following actions:

  • To stabilize the retail fuel price and minimize oil price fluctuation risks, establish a risk fund (the Ministry of Finance).

  • Develop methodology that transfer change in exchange rate and cross border oil price to retail oil price without shocking the domestic market (Ministry of Finance, Ministry of Mining).

  • Affirm a methodology that calculate cost of oil products, publicly announce the pricing of the oil products via MoM and PAM's official websites (Ministry of Mining).

  • Build stock reserving containers of oil products, increase physical reserve of oil products, establish a controlling mechanism (Ministry of Mining).

Table 20. Change in custom and excise tax of oil products

	Excise tax		***Custom tax***	***Government decree number, date***
	Mining	***Non mining***		
Sep-12				
AI80	0 ₮/tn	0 ₮/tn	-	
AI92				
Diesel				
Nov-12				
AI80	130,000 ₮/tn	0 ₮/tn	-	Government decree #134, 2012.12.23
AI92	0 ₮tn	0 ₮/tn		
Diesel	109,000 ₮/tn	0 ₮/tn		
Jul-13				
AI80	130,000 ₮/tn	0 ₮/tn	3%	Government decree #236, 2013.07.06
AI92	0 ₮/tn	0 ₮/tn		
Diesel	109,000 ₮/tn	80,000 ₮/tn		
Dec-13				
AI80	130,000 ₮/tn	0 ₮/tn	3%	Government decree #406, 2013.12.07
AI92	0 ₮/tn	0 ₮/tn		
Diesel	109,000 ₮/tn	0 ₮/tn		

Jan-14				
AI80	30,000 ₮/tn	30,000 ₮/tn	1%	Government decree #24, 2014.01.28
AI92	0 ₮/tn	0 ₮/tn		
Diesel	30,000 ₮/tn	30,000 ₮/tn		
Jan-15				
AI80	252,000 ₮/tn	252,000 ₮/tn	5%	Government decree #18, 2015.01.19
AI92	259,000 ₮/tn	259,000 ₮/tn		
Diesel	265,000 ₮/tn	265,000 ₮/tn		

Source: Petroleum authority of Mongolia

4.2 Trade logistics and facility subprogram (TLF), aimed at lowering the costs of imported consumer goods

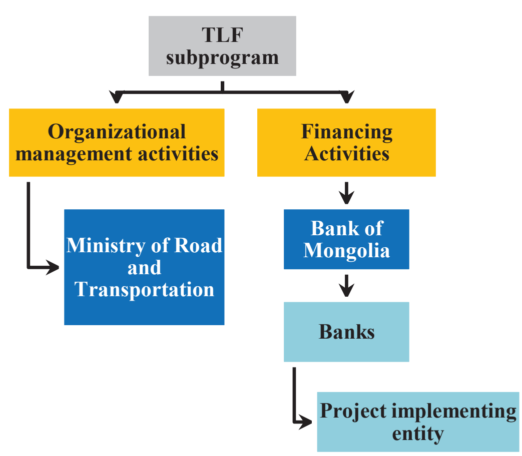
Necessity and goal of the program:

High transportation cost of international trade, together with limited capacity of logistics systems in Mongolia, has been causing supply shortage of imported goods in the market and has been putting upward pressure on inflation for many years. Therefore, there was significant need to improve transportation and logistics systems in order to maintain sustainable supply of imported consumer goods and to limit the price increase.

In this regard, the Bank of Mongolia and the Ministry of Road and Transportation (MRT) jointly approved a Decree no.A-167/57 on October 26, 2012 to launch the "Trade logistics and facility subprogram (TLF)". The program, to be implemented in 3 years, is aimed at improving and facilitating railway services quality by cultivating organizational management, planning, internal and external relationships.

To implement the program, the MRT not only took regulatory measures and effectively managed internal activities, but also introduced project financing proposals to the Bank of Mongolia. Moreover, the MRT took full responsibility in selection of project implementing entities and contracted with them. Based on the MRT's entity selection, the Bank of Mongolia issued loans to commercial banks and commercial banks, which are fully responsible for credit risk, issued loans to project implementing entities.

Figure 58. TLF subprogram's implementation scheme



Outcomes

1. **Freight turnover of consumer goods got increased and accelerated. (Zamiin-Uud - UB).**
   - Four special purpose trains were added to transportation of consumer goods. As a result of management reform made by the Ministry of Road and Transportation, transportation time between UB-ZU was reduced to 20 hours and wagon turnover time was shortened to 3.27 days in 2014 from 4.41 days in 2011.

Figure 59. Wagon turnover time speeded up

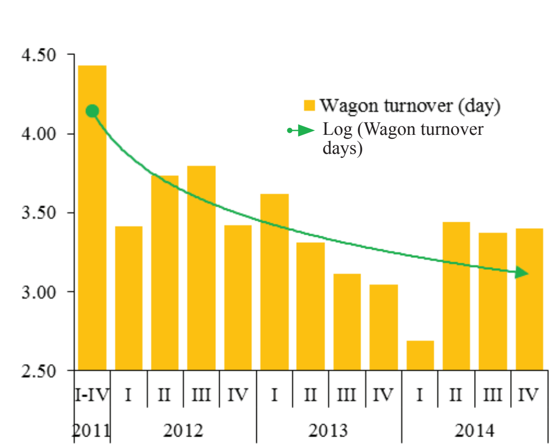
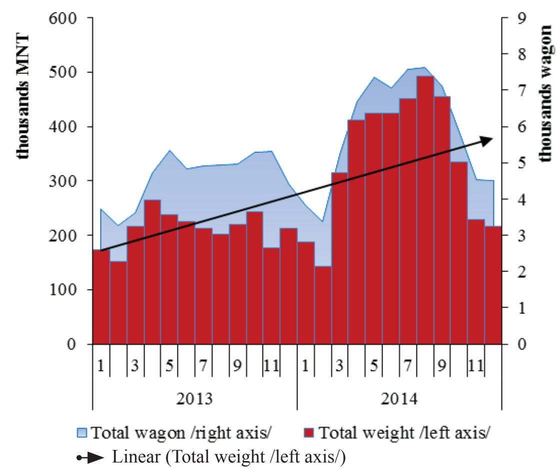


Figure 60. ZU-UB transportation turnover increased



Source: Ministry of Road and Transportation

2. **Transportation cost got reduced.**
   - Since September 2011, transportation cost of consumer goods has not changed.
   - The BOM lent MNT 34 billion to "Ulaanbaatar railway" Mongolia-Russia Joint Venture Company in order to support working capital shortage of fuels import. As of end 2014, total outstanding loan stood at MNT 15.9 billion. As the result of working capital support, the company's cost got reduced by MNT 8 billion which eventually made it possible to not increase transportation cost.
   - By installing loading/unloading and truck tracking software, Zamiin-Uud transshipping team's technical time got reduced from 20 minutes to 1 minute per vehicle.

3. **Freight transportation between Tianjin and Zamiin-Uud got facilitated.**
   - In order to facilitate freight transportation between Tianjin and Zamiin-Uud, particular actions have been regularly taken to accelerate transshipping trains from narrow to wide gauge railway since November 2012.
   - "Tianjin-Mongolia transportation and logistics center" project's technical report has been finished.
   - Officials from the Government of Mongolia and the Government of China signed several documents regarding transportation issues. As the result of consecutive meetings, the

Government of China allowed the Government of Mongolia to use following seaports; Dalian, Zhangzhou, Jiankou, Qinhuangdao, Huangqi and Tianjin. Also the Government of China agreed to give convenient conditions on transit transportation for Mongolia and to regularly provide freight train between Tianjin-Ulaanbaatar route.

4. **UBTZ's transportation capacity got improved.**
   - UBTZ purchased 4 locomotives, 15 wagons and "Railbus" in June 2014 and 4 mainline locomotives in November 2014 by their own capital.

5. **Freight terminal capacity in Zamiin-Uud got improved.**
   - In order to increase freight terminal capacity in Zamiin-Uud, UBTZ strengthened its technical procedures. Also "Zamiin-Uud-1" station's railway got extended and freight handling capacity was increased by 20-30 percent.
   - By the Asian development bank's financing, 11 km long, paved road was constructed between "Zamiin-Uud's trucks crossing complex-Customs X-ray inspection area-Zamiin-Uud transshipping terminal".

Further actions:

In accordance with Section 2.2 of the State Great Hural (Parliament)'s Decree No. 41 dated Feb 18, 2015, UBTZ's expected outstanding credit amount of MNT 7.7 billion as June 30, 2015 will be transferred from commercial banks to the Government by 30 June 2015. The Government will continue its operation to keep accelerating freight turnover for imported consumer goods.

4.3 Food price stabilization subprogram, evaluation, summary and recommendation

"Food price stabilization subprogram" consists of three programs:

- "Preparation of meat stock, price stabilization"
- "Flour retail sales price stabilization"
- "Food product storage, increase number of storage, develop intensive enterprise"

"Flour retail sales price stabilization program"

Firstly, it was planned for 3 years for "Flour retail sales price stabilization program" since 12th of December 2012.

- Enabling stable retail sales price of flour
- Run sustainable production by collateralized loans by grain stock.
- Introduce financial instruments by confirming food and product warehouse balances and establishing market based efficient sustainable mechanism.

The Bank of Mongolia financed 100% through commercial banks by the loans with discounted interest rate it the first year, next years was 80 and 60 per cent according with the objective of implementing "Flour retail sales price stability" subprogram and rest of the financing made from flour mill funds or issuing certificate from warehouse wheat-backed stocks. The Bank loaned 37 companies a total of MNT 12.5

billion to the real economy via the banking system as of the end of 2013 and MNT 47.0 billion as of the end of 2014 within the subprogram. The Ministry of food and agricultural reported that according to the program increased four mill capacity and increased number of new high-tech mills where has been able to meet 100% of Ulaanbaatar city's demand for flour. As confirmed in 2014-2015 the funding of the program will fully repaid, according to the agreed repayment schedule which ends on 2015.09.19.

"Food stock, warehouses in crescent, development of engaged enterprises"

The program started from November 2013. Within context of the Memorandum of Understanding established between the Bank of Mongolia and the Government of Mongolia on 22 October, 2012, implementation of the program will continue in 3 years. Main goals of the program:

- Create conditions to construct standard food stock and storages.
- Introduce financial instrument certified by food and product balances of warehouses establishing market based efficient sustainable mechanism;
- Expand production and increase supply of food from meat, milk and vegetable producers, engaged enterprisers, domestic producers by collateral real estate or other assets as bank loans.

The Bank of Mongolia has been provided 66 entities a total of MNT 137.0 billion to the real economy via the banking system since commencing implementation of price stabilization programs (PSP), as of the end of 2014 it has been declined by MNT 132.2 billion down to MNT 82.2 billion at the end of 2015. Outcomes expected from the program:

- 3 year program prolongs for and according to it 24 projects for storages increased capacity by 82.6 thousand ton.
- By setting up automatic and semi-automatic controlled, complete mechanized storage, warehouse shopping centers for potato, vegetables, meat and meat products will realize:
  - Potato, food stocks will increase by 64.5 thousand ton, meat, meat products stocks with refrigerator will increase by 15.1 thousands ton;
  - Potato, food stock capability will increase by 37 percent and reach 238.1 thousand ton.
  - By 32 projects of engaged enterprises will supply 6 thousand tons fresh meat in 2014, 6.8 thousand tons in 2015, and 7.7 thousand tons in 2016, of fresh meat. It is mainly plans to increase the supply of meat from February to July by 15 percent.

"Food storage, warehouses expand by development of engaged enterprises" subprogram loan balance will be MNT 7.6 billion at the end of 2016 and in September of 2017 will end full repayment.

"Meat accumulation and meat retail sales price stabilization"

Within the objective of implementing Food price stabilization subprogram further it has long term goal to introduce financial instrument certified by food and product balances of warehouses; establish market based efficient sustainable mechanism on supply chain of the main consumer's goods.

In 2013 within the subprogram for the needs of the population in Ulaanbaatar, Darkhan and Erdenet cities' meat stock manager companies stock up meat with total amount of 11.5 tons which was prepared by MNT 87.0 billion bank loans and selling activity was conducted successfully. The loan repaid completely and the reserves were sold. During the implementation of the program certified meat stocks sold by manager companies by substantially reducing increase prices of meat were 3.1 less time than average 3 years.

Meat stock manager companies sold build up 14.6 thousand tons of meat stocks at certified warehouses during the implementation of the program in 2014. The banks loaned total amount of MNT 77.0 billion within the subprogram. The subprogram's 20% financed by commercial bank's own resources and 80% financed by the Central bank's recourses for the purpose of establishing market based efficient sustainable mechanism by stage by the article 4.1 in Parliament resolution #62 on 14th November in 2015.Sells for the stock meat started from 25th December 2013 and as 31th July 2014 stock meat completely sold and the loan was 100% repaid to the banks and the Central bank. During the implementation of the program the increase prices of meat were 2.8 less time than during the average same period of the year and 10.9 less time than 3 year average.

The meat stock managers companies funded 40% by its own recourses or from the agreed market conditions bank loans as for 2015. The Central Bank financed rest 60% to commercial banks loans with discounted interest rate. The program loans shall be paid back in 31th July 2015 in accordance to prevent from unintended use.

The new financial product was introduced which can fund movable estate reserves and in mid-term to transfer to the mechanism where private sector can fund 100% by itself.

As well as the implementation of subprogram bank and supervision authorities can permanently supervise preparation of meat stocks, sells activity.

Recommendation on further action:

- The BOM should transfer outstanding MNT 162.5 billion to the Government by end of first half of 2015.
- In the future, The Government continues to implement the scheme, and funding with private sector in principle of 50-50%;
- To expand the loan portfolio, transfer of funds through foreign banks and financial institutions from external sources;
- Approve law for deposit on movable estate and non-property assets.

4.4 "Construction sector support and housing price stabilization" subprogram evaluation, summary and recommendation

"Construction sector support and housing price stabilization" subprogram implemented the following objectives for supply of major construction materials:

➢ Support production of major construction materials

- To maintain the stability of domestic supply of important construction materials
- To eliminate the constrains caused by seasonal supply of important construction materials that must be imported such as cement and steel (Only in 2013)
- To advance and support the production of environmentally friendly building materials

"Support production of major construction materials" program started from December 2012. The Bank of Mongolia and the Government of Mongolia implemented the program for 3 years from 22 October, 2012. The main objectives of the program are:

- Give loans to domestic producers of major construction materials, to entities for importing construction materials that must be imported such as cement and steel, to support projects for advance and production of environmentally friendly building materials and to make condition for maintaining the stability of supply of important construction materials
- Create the possibility for major construction material producers, for standardized goods importers give loans to expand production by depositing material stock, manufacture, equipment.

The program, in cooperation with the Ministry of Construction and Urban Development, came into force on 9th of January 2013 with joint order A-2/06.

The banks financed 86 companies by MNT 264.2 billion loans in order to ensure to stability of domestic supply of key construction materials and outstanding amount of MNT 211.7 billion was at the end of 2014. The outstanding amount of subprogram loans was MNT 148.3 billion at the end of 2015, which had declined down to MNT 19.7 billion at the end of 2016.

Recommendation on further action:

- The BOM should transfer outstanding MNT 200.8 billion of outstanding loan as of the first half of 2015 to the Government;
- In the future to ensure an equilibrium of the housing market, create the right structure of the market and compose necessary resources for it.

4.5 "Accumulation of coal reserves and energy price, tariffs stabilization" subprogram evaluation, summary and recommendation

The Governor of the BOM and Minister of Energy signed joint order A-148/95 on 9 July 2013 "Stock up on adequate coal in preparation for winter and stabilization of the prices and tariffs of the energy sectors" subprogram in order to secure the financial capability of state-owned enterprises in fuel and energy sectors, to ensure adequate reserves of coal in preparation for winter, and to stabilize the prices and tariffs of the energy sector. The program will last 2 years and one of the its main component is to strengthen financial positions of the state-owned enterprises by bank's concessional loans with up to 12 months.

The banks made MNT 74.9 billion loans to 16 energy companies in the first year, second year MNT 11.4 billion loans were made to 9 energy companies and in total MNT 86.3 billion loan were given through 7 banks under this program. The outstanding amount of subprogram loans was MNT 67.9 billion at the end of 2013, which had MNT 33.6 billion in the end of 2014 and it has expectation of MNT 12.2 in the first half of 2015. The subprogram loan balance in accordance with repayment schedule will be MNT 0.3 billion at the end of 2015 and in January of 2016 will end full repayment.

The implementation of subprogram showed concerns in reduction of the risk of a rise in the power tariff, in the lack of finance period the energy sector and enterprises increase the financial capacity where the coal accrued liabilities and short-term debt reduced the amount to keep stable, to provide reliable energy from energy producers, enterprises, to adequate reserves of coal in preparation for winter. During the program state-owned enterprises improved efficiency for internal resources, management and reduced the cost by MNT 10.7 billion.

Recommendation on further action:

- The BOM should transfer MNT 12.2 billion of outstanding loan as of the first half of 2015 to the Government;
- The BOM should prevent supply driven inflation pressures caused by the sharp increases in energy price, tariffs and provide the time to respond on it.

ORGANIZATIONAL STRUCTURE AND OTHER ACTIVITIES OF THE BANK OF MONGOLIA

5

5.1. Organizational structure of the Bank of Mongolia

The central bank conducts its activities with organizational structure of 9 departments, 2 independent units and 17 regional branches in Mongolia and a representative office in London. In 2014, the Bank employs 464 staffs, of which 347 staffs in headquarter and 117 staffs in local branches.

Within the framework of capacity-building program and human resource policy, BoM regularly approves foreign official trip and training plans and involves its employees in domestic or international conferences, meetings, trainings and seminars. According to the training plan, staff members participated in 242 short-term foreign and domestic trainings and seminars based on their job description in 2014, of which 26 senior staff members participated in 50 international conferences.

A working group was established in order to improve salary hierarchy structure and to make changes in classification of positions. For this end, relevant decision was made and being enforced. In addition, apartment loan was granted to 26 staffs from the Social Development Fund in 2014 for the purpose of building capacity to formulate and implement state monitory policy and to ensure sustainable and effective employment.

In connection with the 90th Anniversary of the Establishment of Banking System and the 93rd Anniversary of the Mongolian People's Revolution, the Order of Red Labor Banner was awarded to 6 employees, the Order of the Pole Star to 11 employees and the Honorary Medal of Labor to 13 employees respectively.

5.2 Communication

The bank's communication initiatives in 2014 focused on several key areas including the economic outlook, monetary policy soundness for the better accountability and credibility. Accomplishing the initiatives, some strategic actions which have increased the understanding of the central bank's understanding of the central bank's main objective, transparency, resilience of the monetary and budgetary policies were carried out through various channels involving press conference, meetings, workshops, interviews, lectures and articles. Moreover, intending the students and attendances "Visit bank of Mongolia" excursion has been enduring

Promoting the "Draft on monetary policy guidelines"

Within promoting and interpreting the "Draft on monetary policy guidelines for 2015" to the parliament, government, press, and the public, the Central bank held the seminar involving the journalists and publicists of the mass media. Within this framework, the Bank of Mongolia organized workshops for media journalists regularly and explained the outlook of macro-economic, financial sector, development theory-policy and implementation of monetary policy. Therefore, statement from the governor and the interviews of the directors in accordance with the draft on guideline was published on the daily papers for the public understanding.

Monetary policy decision making and press conference

The bank has established Monetary Policy Committee in October, 2012 which was separated from the Board of Directors and increased the number of independent members. Thus, the Monetary Policy Committee works with new structure and regulation by discussing the draft of monetary policy decision with 3 steps in the large scale from all aspects. The Monetary Policy Committee meeting held on 12th of February and 30th of July respectively and made its monetary policy decisions. According to the decisions central bank has organized official press conferences. The Monetary policy statements were published on the central bank's official website in Mongolian and English. Besides, the protocol of press conference was also published on central bank's official website. The pre-announcement of press conference date is a great significance for central bank's function prediction and it also positively affect to financial market decision making.

The press conference comprises explanations on background considerations of monetary policy decision, implementation of monetary policy and the monetary policy committee members answer the related questions of the journalists.

Publications

Annual report as a traditional press product of Bank of Mongolia, the Draft on Monetary Policy Guidelines, The Financial Stability Report and the Research book of Bank of Mongolia were released and delivered to public.

Improving the website

The Bank has given substantial emphasis on improving the website. Within this improvement, the bank established sub menus, banners and pages on its website, also in accordance with its schedule published related news, updates and information on website. 'Innovative agriculture finance opportunities' conference and 'Information transparency' core areas are newly added on the website. Therefore, the bank worked more openly to the public. 'Monetary policy committee' and 'Monetary policy' area content newly included main objective of policy, methods of function, transmission mechanism and policy making and updated regularly. The Bank focused on proclaim to public about the independence, accountability, transparency, credibility of the central bank via using the website.

The bank products including researches, reports and statistics were being informed through the website. For example, "Statistical Bulletin", "Consolidated balance sheet of banks", "Consolidated loan report of banking system", "Regional bank report", "Money survey", "Mortgage loans report", "Report of macro-economic and financial sector", "Foreign trade review", "External sector review", "Payment system review", "Mobile banking report", "Individuals, small and medium entities loan report" are informing through its website regularly.

5.3 International cooperation

Within the framework of foreign relation policy, the Bank of Mongolia continues its goal to develop effective partnership and to develop its foreign relations and cooperation with international banking and finance organizations, and to improve banking and finance system of Mongolia in conformity with common standards of developed countries. For the reporting year, the Bank expanded its relations and cooperation with international banking and finance organizations with the Bank of Thailand, the People's Bank of China, the Central Bank of Russia and other international banking and finance organizations.

The Bank has performed the following activities in the field of foreign relation:

- The Bank signed the Amendment to extend the term of Bilateral Currency Swap Agreement by another 3 years in May 2014 and the Amendment to expand swap scale to CNY 15 billion in August 2014 with the People's Bank of China. This swap agreement has significant positive impact on foreign trade finance, improvement of economic cooperation and promotion of regional economic stability between two countries. In addition, it became a strong financial tool to ease difficulty relating to balance of payments and to ensure financial and macroeconomic stability in 2013 to 2015. In the future, it is expected to extend regularly the term of this Agreement and to increase swap scale in relation with bilateral trade and investment conditions.

- The Bank submitted its proposal to the Central Bank of Russia to enter into Mongolian Tugrik / Russian Ruble Bilateral Currency Swap Agreement. In this regard, the meetings of Governors of two central banks and related working group were held in October to December 2014 and made negotiations. In addition, the Bank included its objective to use ruble for foreign trade with Russia and to increase the value of export from Mongolia to Russia to 1 billion USD by 2018 into the action plan of intergovernmental commission. A resolution from the Government of Russia is required to enter into currency swap agreement between central banks, and this matter is pending.
- In June 2014, the Governor of the Bank made official meeting with the Governor of Bank of Korea, exchanged ideas on bilateral cooperation, particularly opportunities of national currency swap agreements, and agreed to launch related investigation in this field.
- In June 2014, the Governor of the Bank signed a Memorandum of Understanding on Cooperation with the Head of the Financial Services Agency of Japan and agreed to exchange knowledge and experience between two parties. Under the current globalization circumstance of global financial market, this Memorandum is very important for bilateral cooperation ad dressed to improve financial regulation system and develop financial market. Furthermore, it is agreed to exchange knowledge and experience in the above-mentioned fields.
- During official discussion with the management of the European Bank for Reconstruction and Development (EBRD) at its annual meeting, the Governor of the Bank emphasized that Mongolia aims to diversify economic structure, to promote non-mining sector and to develop competitive, productive, advanced technology-based, sustainable and export-orientated agricultural sector in regardless of significant economic growth fueled by production in mining sector or contributed by foreign direct investment in mining sector. The Governor of the Bank exchanged ideas with officials from the EBRD on the ways of implementing research works or program made in regarding to the above-mentioned issue. In consideration of that the abundant experience of the EBRD and Europe in agricultural sector, their lending or financing practice in such sector and related technology or know-how is very important to Mongolia, the Bank expressed its request to obtain financial and other support from the EBRD. The management of the EBRD agreed to provide support and cooperate in the said fields.
- The Bank of Mongolia successfully hosted the SEACEN Course on Assessing Liquidity Risk of a Bank in Ulaanbaatar, Mongolia during September 29 and October 3, 2014.

The course was designed to specifically build capacity of bank supervisors in the application of the liquidity ratios according to international sound practices and methodologies and strengthen the understanding of liquidity risk management measures taking into account changing financial market landscape.

A total of 34 representatives from 13 countries participated the course and speakers specialized in Liquidity Risk Assessment representing Australia, United States, Thailand, Malaysia, Japan and Mongolian Regulatory Authorities and Commercial banks shared their insights into the mentioned topic.

5.4 Measures implemented to combat money laundering and terrorist financing

In accordance with APG (Asia/Pacific group on money laundering) mutual evaluation which was conducted in 2007, the FATF recognized Mongolia's AML/CFT system as insufficient and identified to be subject to monitoring process under its on-going global AML/CFT compliance process. As a result of complex measures implemented by Financial Information Unit and National Cooperation Council of Mongolia, FATF, during its Plenary in June, 2014 welcomed improvements regarding to strategic deficiencies and noticed that Mongolia is therefore no longer subject to its monitoring process, therefore this was a significant progress in our banking and financing system.

In order to strengthen legislative framework and comply it with international standards particular amendments were adopted to the following laws:

- Criminal Code
- Criminal Procedure Code
- Anti-terrorism Law
- State Registration Law
- Additionally, in May 31, 2013 Parliament of Mongolia adopted revised version of Law on Combating money laundering and terrorism financing, and the Government issued resolution on "Designation of terrorists, freezing of their assets and review of frozen assets" Amendment to the Law on State Registration Law and revised version of Law on combating money laundering and terrorism financing were passed by State Great Khural. Therefore, Government of Mongolia approved procedure on "Designation of terrorists, freezing of their assets and review of frozen assets" by the resolution No.348.

FIU is receiving technical assistance from the Asian Development Bank (ADB) and the International Monetary Fund (IMF) to improve the compliance of these laws, enhance capacity of law enforcement personnel in AML and develop risk based approach of supervision in financial institutions in order to effectively allocate resources for supervision.

According to its supervisory responsibility, in 2014, FIU conducted on-site inspections in financial institutions. In addition, FIU cooperated with the Financial Regulatory Commission sharing their experience and information.

Table 21. AML/CFT supervision

Indicators	2014 year
On-site inspections carried out in banks	10
Inspections carried out in other financial institutions	151
Number of supervisory notices for banks and other financial institutions	152
Timely corrective actions taken for banks and other financial institutions	295

FIU, Bank of Mongolia

During the reporting year FIU received reports in accordance with the revised version of AML/CFT Law.

Table 22. Number of reports received by reporting entities

Indicators	2014 year
Cash transaction reports, CTR	1 962 408
Suspicious transactions reports, STR	212
Foreign transaction reports, FTR	149 682
Customs declarations	2 347

FIU, Bank of Mongolia

In 2014, overall number of STR amounted to 212. In totally, FIU collected 813 STR in previous years. To compare with 2013, number of STR has decreased by 25 %. Alternatively, numbers of CTR and FTR have increased 2.5 times than in 2013.

One of the core function of FIU is to analyze received STR's, if there is a reasonable ground to suspect in money laundering, the STR is transferred to law enforcement agencies for further investigation. In reporting year, FIU established an effective information sharing channel with domestic law enforcement agencies to identify and trace proceeds of crime:

Table 23. Statistics regarding to information sharing

Indicators	2014 year
Number of STR's analyzed by the FIU	275
Number of STR's disseminated to law enforcement agencies	6
Number of information requests to the FIU by the domestic authorities	634
Information provided by the FIU to domestic authorities in accordance with information requests	631

FIU, Bank of Mongolia

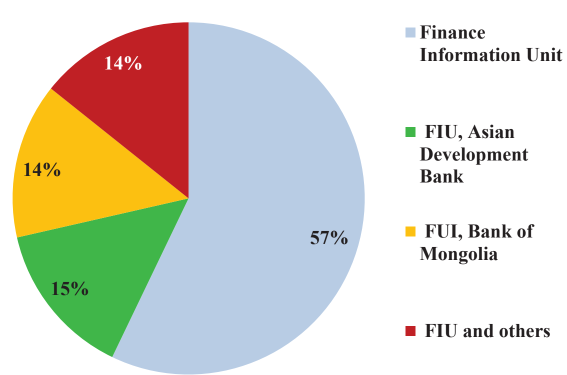
According to the Law, the FIU is responsible to propagate information on preventive measures on combating money laundering and terrorist financing, throughout the reporting year the FIU has conducted joint trainings with competitive organizations on regular basis. In 2014, the FIU has organized 14 workshops and involved in total amount 598 participants. Within the scope of functions set fifth in AML/CFT Law FIU conducted 4 training sessions for 164 officials of financial institutions and conducted 10 training sessions in cooperation with other agencies for 428 participants to increase awareness and improve compliance of AML/CFT for the year of 2014.

The training sessions were mainly focused on:

- Improving AML/CFT system;
- Development of the AML/CFT national strategy;
- Introduction of preventative and combating measures in AML/CFT;
- Introduction of international AML/CFT standards;
- Introduction of domestic legal framework of AML/CFT.

As a member of the Egmont Group, FIU of Mongolia exchanges information with FIUs of other countries in order to support the activities of the law enforcement in detecting inflow and outflow of illegal funds.

Figure 61. Preventative AML/CFT training Sessions conducted by FIU



Source: Bank of Mongolia

5.5 Internal control and Operational Risk Management Department

The Internal Control and Operational Risk Management Department of the Bank performs inspections of departments, units, and regional branches of the Bank to supervise their compliance with laws and regulations in implementing the State Monetary Policy, takes necessary measures when breaches are detected, gives assessments and provides management with information. In order to enhance employee's skills the department organized seminars, process the draft of regulation on operational risk policies and responsible for organizing external auditing of the financial reports of the bank.

In current year the Internal Control and Operational Risk Management Department performed on-site inspections of 9 departments, units and all 17 rural divisions and branches of the Bank according to audit plans approved by the Governor and the reports are being prepared and reported to the Board of Directors of the Bank and the Supervisory Board. Although the department has performed partly inspection on operations related to the Board of Receivership of banks, conducted and made a decisions on 10 contingent, partly and unexpected inspections of rural branches and units of the bank to enhance the control of operations related to the reserve fund.

We have implemented in stages actions to optimize the Internal Control and Operational Risk Management Department's organizational structure, enabling us more effectively and continuously execute primary and consecutive control's prevent potential risk exposure, enhance employee's skills and carry out our duties with more sophisticated approach.

5.6 Issue of banknotes

In the reporting year, the Bank of Mongolia carried out the following activities, regarding the issuance of currency. Last year notes in 100 MNT denominations were printed in the French company, Oberthur Fiduciare, notes in 1, 5, 10 and 20 MNT denominations in the UK Company, De La Rue Currency, notes in 10000 MNT denominations in the German company, Giesecke and Devrient respectively.

As for the end of the reporting period, cash in circulation totaled MNT 810.2 billion, a 3.8 percent or MNT 32.1 billion decrease from the previous year. According to the abovementioned table, by the end of reporting year cash in circulation in pieces increased by 13.9 million notes or 4.4 per cent from previous year. The reason is that notes in 10, 20, 50 and 100 MNT denominations increased in circulation.

Table 24. Inducaters of cash supply

No	Notes	31-st December 2013				31-st December 2014			
		Million MNT	Percent	Piece Thousand	Percent	Million MNT	Per cent	Piece Thousand	Percent
1	1	29	0.0%	29,264	9.3%	30	0.0%	29,716	9.0%
2	5	131	0.0%	26,237	8.3%	133	0.0%	26,699	8.1%
3	10	571	0.1%	57,064	18.1%	623	0.1%	62,307	18.9%
4	20	880	0.1%	43,999	13.9%	966	0.1%	48,284	14.6%
5	50	1,843	0.2%	36,858	11.7%	2,016	0.2%	40,317	12.2%
6	100	3,745	0.4%	37,447	11.9%	3,963	0.5%	39,636	12.9%
7	200	34	0.0%	169	0.1%	34	0.0%	172	0.1%
8	500	5,661	0.7%	11,321	3.6%	5,078	0.7%	11,956	3.6%
9	1000	14,263	1.7%	14,262	4.5%	14,756	1.8%	14,755	4.5%
10	5000	53,975	6.4%	10,794	3.4%	50,003	6.2%	10,000	3.0%
11	10000	207,230	24.6%	20,723	6.6%	187,416	23.1%	18,741	5.7%
12	20000	553,908	65.8%	27,695	8.8%	544,274	67.2%	27,213	8.3%
	Total	842,269	100.0%	315,840	100%	810,192	100.0%	329,803	100%

The changes for amount and pieces of banknotes supplied to commercial bank and withdrawal from commercial banks are indicated in the following table.

Table 25. Quantity and total amuont of cash (Withdrawal from banks and supply to banks)

Years	Supply to Banks		Withdrawal from banks	
	Billion MNT	Thousand piece	Billion MNT	Thousand piece
2010	827.9	131,954	862.5	123,713
2011	1246.4	181,258	1310.6	170,460
2012	1564.2	213,305	1663.4	198,521
2013	1601.6	216,394	1728.7	202,035
2014	1377.6	143,936	1536.1	176,422
Total	6,617.7	886,847	7,101.3	871,151

In the reporting year MNT 252.0 billion were supplied to local branches of the Bank of Mongolia and MNT 33.3 billion of unfit banknotes were withdrawn.

5.7 Information technology

In the reporting year, the Bank of Mongolia has worked by providing reliable, stable and fail-safe operations of the information technology systems for interbank payments and operations.

We have developed first stage of in-house new application software for the collecting reports from our branches and banks. Furthermore, we have introduced some application software for local operations and upgraded existing interbank money market systems.

In order to provide more reliable information technology systems, IT team have achieved some success in area of the cloud computing and implemented primary stage of cloud segment.

5.8 Summary of the policies and technical measures implemented by the Bank of Mongolia 2014

No:	Date	Decree number	Title of the procedure	Content
1.	17.01.2014.	A-14	Regulation on long-term swap transactions	In order to increase the inflow of foreign exchange, to lower credit interest rates and growth of foreign currency denominated borrowing, and to set up a framework of mitigating foreign exchange risks, the regulation sets the adhering principles in entering swap agreements to concluded between the Bank of Mongolia and bank with the long-term external sources, rights and obligations of the parties and other relations.
2.	29.01.2014.	A-19	Regulation on operations of Treasury fund	The regulation sets the Bank of Mongolia's the activities related to Treasury fund specified in the Law on Treasury fund
3.	12.02.2014	2014/01	Monetary policy decision	It keeps policy interest unchanged at 10.5 percent, and frees foreign exchange fund raised in form of bond issue and borrowing with terms of 3 years or more in international market from compulsory reserve requirement.
4.	24.03.2014.	A-54/59	On exchange rates applied in customs statement	By the joint order of the Governor of the Bank of Mongolia and the Minister of Finance, the exchange rates of MNT and foreign currency used in customs statement shall use official rate set by the Bank of Mongolia at then day when the commodities is declared to a custom office.
5.	30.04.2014.	A-69/36/ 87	Measures related to effecting financing framework of gold extractive industry	By the implementation of such measure approved by the joint order of the Governor of the Bank of Mongolia, the Minister for Economic Development and the Minister of Mining, its importance lies in promoting gold extraction and increasing amount of gold sold to the Bank of Mongolia, thereby increasing foreign reserves of Mongolia.
6.	05.05.2014.	A-77	Regulation on bank's reporting to the Financial information unit	It regulates relations between FIU, bank, their management and employee with regard to Bank's reporting of suspicious transactions including cash and foreign settlement transactions with amount of more than 20.0 (twenty) million tugriks (foreign currency equivalent to it) or equal as it set in clause 4.1.1 of the article 4 of the Law on Combating money laundering and Financing of terrorism,maintaining confidentiality of such information, and ensuring implementation of relevant provisions of the articles 7 and 9 of the law.
7.	27.05. 2014.	A-83/02	On resetting the amount of asset	By joint decision of the Governor of the Bank of Mongolia, the Minister of Social Welfare and the Head of the National Social Insurance Board, it resets that the amount of asset to be deposited in commercial banks in form of demand and time deposit in 2004 from free outstanding balance within the Social insurance fund will be 640.0 (six hundred forty) billion tugriks.
8.	27.06.2014.	A-101	Policy of payment systems control	The regulation intends to support operations of financial market infrastructure by way of managing the potential risks to the reliable, efficient and continuous operation of the national payment system.

9.	03.07.2014.	A-106/85	Regulation on custody license and activities	By the joint order of the Governor of the Bank of Mongolia and the Head of the Financial Regulatory Committee (FRC), it sets terms and requirements in issuing, suspending, renewing and revoking license for conducting custodian activities by Financial Regulatory Committee and other relevant relations.
10.	03.07.2014.	A-107	Regulation on selling and purchasing banknotes for special purposes	It regulates activities related to selling and purchasing bank notes in form of paper notes, their designs and souvenir notes in the Bank of Mongolia's reserves that have been in circulation before 1993 (removed from circulation), to and from individual and legal entity.
11.	18.07.2014.	A-111	Charter of State Inspectorof the Bank of Mongolia	It defines the legal status of and core principles pursued in activities of state inspector of the Bank of Mongolia, and regulates relations related to supervisory actions of state inspector to check compliance of bank, legal entity and their staff with legislation concerning financial market, rules and procedures issued by the Bank of Mongolia and decision made by the Governor of the Bank of Mongolia.
12.	18.07.2014.	A-113	Regulation on procedure of the of State Inspector's Council of the Bank of Mongolia	It defines legal status of the Council and regulates relations concerning granting inspector's power, suspending and terminating powers, testing state inspector and discussing and resolving request, report and complaint submitted with regard to state inspector's administrative acts.
13.	21.07.2014.	A-116	Regulation on procedure of Cooperation Council	Procedure of the Cooperation Council is set by the regulation in accordance with the provisions of the article 22 of the "Law on Combating Money Laundering and the Financing Terrorism".
14.	28.07.2014.	A-119/ A/132	Regulation on cooperation between the Bank of Mongolia and the General Department of Customs	The joint order of the Governor of the Bank of Mongolia and the General director of Customs General Administration is to maintain constant exchange of information regarding foreign trade, flow of currency, exchange rate between two authorities, to transfer seized valuables to Treasury fund and to implement the article 15 of the Law on CML/TF.
15.	31.07.2014.	A-127	To set Central bank policy rate	Monetary policy rate has been increased by 1.5 basis point at 12.0 percent with purpose of easing balance of payment difficulty, minimizing intensity of inflation, ensuring financial stability in mid and long term, preventing possible risk to macro-economic stability, and protecting real income of citizens.
16.	06.08.2014.	A-129/ 171	Code of Conductof employees of the Deposit Insurance Corporation	The joint order of the Governor of the Bank of Mongolia and the Minister of Finance sets the ethical principles, norms, professional behaviors to be conducted by employee of the deposit insurance corporation, its compliance and ethical misconduct in implementing the objectives and functions defined in the Law on Deposit Insurance and other legislation.

17.	29.08. 2014.	A-137/ 67/187/ 232	The mid-term program aimed at creating a market environmentof credit interest rate reduction to be implemented in 2014-2016	The order of the Governor of the Bank of Mongolia, the Minister for Economic Development, the Minister of Finance and the Chairman of the Financial Regulatory Commission has approved the mid-term program to maintain inflation at low and stable level, to ensure fair and proper activity of bank, ensure the stability of the financial sector, to accelerate the development of the capital market and to improve the infrastructure and legal environment of the financial sector.
18.	30.09.2014.	A-151	Regulation on implementing the principles of Bank Corporate Governance	It aims to improve corporate governance framework in banking and to ensure shareholders meeting, the Board of Directors and the executive management of banks serve to interest of bank shareholders, customers, depositors and related parties.
19.	07.11.2014.	A-177	The mid-termstrategy for Banking supervision	The document which covers 2014-2019 has been formulated with purpose of introducing best practices, tools and technical measures that are internationally recognized to banking sector of Mongolia, based on conditions commonly occurred in current regulatory framework.
20.	14.11.2014.	A-182	Regulation on foreign currency auctions, and Guideline on foreign currency auction	It sets the defining principles in foreign exchange auctions organized by the Bank of Mongolia, the rights and obligations of parties with aim to improve efficiency of local foreign exchange market and to determine MNT and foreign exchange by market principles through transparent and open participation of the Bank of Mongolia in the domestic inter-bank foreign exchange market. The guideline aims to mitigate operational and transaction risk by determining principle of organizing foreign currency auctions by the Bank of Mongolia with accordance to the regulation, the decision-making process, the requirements for each bodies and units participating in the trade, their functions and operational steps and by setting supervisory conditions.
21.	17.12.2014.	A-199	Template of the certificate of license	The template of certificate of banking license has been approved in accordance with the Banking Law and with the “Regulation on the banking license”.
22.	24.12.2014.	A-204	Regulation on mobile banking	It sets requirements for conducting mobile banking service, rights and obligations of participant, secrecy, safety, reliability, continuation and monitoring of such service.
23.	25.12.2014.	A-206/ A/277	Regulation on granting loan sourced from the loan repayment conducted by the Asian Development Bank employment stimulation project	By the joint order of the Governor of the Bank of Mongolia and the Minister of Labor, it sets regulation granting preferential rate loan which is sourced from repayment in “The employment stimulation project” implemented in Mongolia by the Asian Development Bank, to individuals and businesses with aim of improving employment, ensuring coordination between the participating organizations, providing sound communicative work between them, allocating the credit assets optimally and using it effectively.

BANK OF MONGOLIA
(Incorporated in Mongolia)

Audited Financial Statements
31 December 2014

BANK OF MONGOLIA

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FOR THE YEAR ENDED 31 DECEMBER 2014

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BANK OF MONGOLIA

GENERAL INFORMATION

BOARD OF DIRECTORS:	N. Zoljargal (Governor) B. Javkhlan (First Deputy Governor) E. Bat-Shugar (Deputy Governor) D. Chimed-Yunden (Director of Administration Department) Kh. Delger (Director of Internal Control and Operational Risk Department) D. Boldbaatar (Director of Monetary Policy and Research Department) D. Delgersaikhan (Director of International Economic Department) D. Ganbat (Director of Supervision Department) M. Amgalan (Director of Payment and Accounting Department) P. Sukhbaatar (Director of Banknotes and Precious Metals Department) G. Erdenebayar (Director of Legal Department) D. Dovchinbazar (Director of Information Technology Department) N. Batsaikhan (Director of Risk Management Unit) S. Bold (General Economist of the Bank)
REGISTERED ADDRESS:	Bank of Mongolia Building Baga Toiruu-3, 15160 Ulaanbaatar-46, Mongolia
AUDITORS:	Ernst and Young Mongolia Audit LLC Certified Public Accountants

BANK OF MONGOLIA

STATEMENT BY THE BOARD OF DIRECTORS

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

The financial statements of Bank of Mongolia (the Bank) have been prepared in accordance with International Financial Reporting Standards. The Board of Directors is responsible for ensuring that these financial statements present fairly the financial position of the Bank as at 31 December 2014 and its financial performance and its cash flows for the year then ended.

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

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

The Board of Directors considers that, in preparing the financial statements on pages 5 to 91 it has used appropriate policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed.

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

N. ZOLJARGAL
(Governor, Bank of Mongolia)

Ulaanbaatar, Mongolia
Date: 01 May 2015

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REPORT OF THE INDEPENDENT AUDITORS

To the Member of the Bank of Mongolia

We have audited the accompanying financial statements of Bank of Mongolia (the "Bank"), which comprise the statement of financial position as at 31 December 2014 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 auditors' 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 auditors consider 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.

Building a better working world

REPORT OF THE INDEPENDENT AUDITORS (CONTD.)

To the Member of the Bank of Mongolia

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Restriction on use

This report is made solely to the member of the Bank, as a body, in connection with the audit requested by the member in accordance with Article 40 of the Central Bank Law of Mongolia and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Ernst & Young Mongolia Audit LLC

ERNST & YOUNG MONGOLIA AUDIT LLC
Certified Public Accountants

PETER MARKEY
Director

Ulaanbaatar, Mongolia
Date: 01 MAY 2015

BANK OF MONGOLIA

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014 MNT'million	2013 MNT'million
Interest income	3	164,858	132,717
Interest expense	4	(240,106)	(255,387)
Net interest expense		**(75,248)**	**(122,670)**
Gains/(losses) from trading of gold and precious metals, net	5	25,562	(66,805)
Foreign exchange gains/(losses), net	6	(73,161)	21,278
Losses from financial derivatives, net	7	(300,377)	(14,381)
Gains/(losses) from disposal of securities	8	103	(6,529)
Other operating income	9	6,636	4,205
(Provision for)/reversal of impairment losses	10	(81,226)	23,508
Administrative expenses	11	(21,806)	(18,487)
Operating and other expenses	12	(15,958)	(71,191)
Loss for the year		**(535,475)**	**(251,072)**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale reserve			
-Fair value changes		(271)	155
-Recycled to profit or loss		103	135
		(168)	290
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(168)**	**290**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Revaluation of buildings		–	4,263
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**–**	**4,263**
Other comprehensive income for the year		**(168)**	**4,553**
Total comprehensive income for the year		**(535,643)**	**(246,519)**

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

BANK OF MONGOLIA

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	2014 MNT'million	2013 MNT'million
ASSETS			
Cash on hand	13	57,990	63,691
Due from foreign financial institutions	14	1,409,350	1,951,095
Financial investments available-for-sale	15	1,246,939	953,530
Reverse repurchase agreements	16	1,466,557	1,529,215
Gold bullion and precious metals	17	333,959	287,169
Derivative financial instruments	18	3,264	2,803
Government securities	19	204,828	–
Due from local banks	20	–	405,896
Loans to local banks	21	2,085,945	2,787,461
Other assets	22	658,602	205,424
Property, equipment and intangible assets	23	27,390	28,446
TOTAL ASSETS		**7,494,824**	**8,214,730**
LIABILITIES			
Cash in circulation		809,657	841,129
Central bank bills	24	853,781	1,627,017
Liabilities due to government organizations	25	798,649	1,710,024
Deposits from local banks	26	2,803,462	2,497,197
Derivative financial instruments	18	89,710	70,017
Liabilities due to foreign parties	27	2,987,888	1,774,807
Other liabilities	28	81,471	88,690
TOTAL LIABILITIES		**8,424,618**	**8,608,881**
EQUITY			
Charter capital	29	5,000	5,000
Accumulated loss		(952,809)	(424,209)
Other reserves	30	18,015	25,058
TOTAL EQUITY		**(929,794)**	**(394,151)**
TOTAL LIABILITIES AND EQUITY		**7,494,824**	**8,214,730**

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 2014**

	Note	Charter capital MNT'million	Accumulated losses MNT'million	Other reserves MNT'million	Total equity MNT'million
At 1 January 2013		**5,000**	**(302,685)**	**150,053**	**(147,632)**
Total comprehensive income		–	(251,072)	4,553	(246,519)
Transfer to other reserves	30	–	129,548	(129,548)	–
At 31 December 2013		**5,000**	**(424,209)**	**25,058**	**(394,151)**
Total comprehensive income		–	(535,475)	(168)	(535,643)
Reversal of revaluation surplus			2	(2)	–
Transfer from other reserves	30	–	6,873	(6,873)	–
At 31 December 2014		**5,000**	**(952,809)**	**18,015**	**(929,794)**

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

BANK OF MONGOLIA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 MNT'million	2013 MNT'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year:		**(535,475)**	**(251,072)**
Adjustments for:			
Unrealised (gain)/loss on revaluation of gold	5	6,873	23,021
Unrealised (gain)/loss on foreign currency translation	6	370,027	264,438
Unrealised loss in financial derivatives	7	19,232	67,214
Loss on disposal of government securities	8	–	6,664
Revaluation loss of property and equipment	12	–	3,618
Gain on disposal of property and equipment		–	(56)
Loss on property and equipment write off	12, 23	36	151
Depreciation of property, equipment and intangible assets	11, 23	2,476	2,038
Provision for impairment losses	10	81,226	–
Provision for social development fund	11	3,000	3,000
Gain from disposal of investment securities available-for-sale	8	(103)	(135)
Income from unquoted investments	9	(2,536)	–
Interest income	3	(164,858)	(132,717)
Interest expense	4	240,106	255,387
Operating activities before working capital changes		**20,004**	**241,551**
Changes in operating assets:			
(Increase)/decrease in gold bullion and precious metals		(53,663)	129,479
Decrease in reverse repurchase agreements		62,658	594,738
(Increase)/decrease in due from local banks		405,000	(405,896)
Increase in loans to local banks		(368,296)	(2,566,817)
Increase in other assets		(171,345)	(198,023)
Changes in operating liabilities:			
Increase/(decrease) in central bank bills		(772,359)	884,812
Decrease in deposits of government organizations		(909,583)	(1,315,175)
Increase in deposits from local banks		228,679	1,125,525
Increase/(decrease) in other liabilities		(12,489)	13,921
Cash flows used in operating activities before interest		**(1,571,394)**	**(1,495,885)**
Interest received		148,974	118,384
Interest paid		(224,322)	(261,116)
Net cash flows used in operating activities		**(1,646,742)**	**(1,638,617)**

BANK OF MONGOLIA

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014 MNT'million	2013 MNT'million
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, equipment and intangible assets	23	(1,793)	(3,369)
Proceeds from disposal of property and equipment		23	66
Purchase of financial instruments available for sale		(1,626,983)	(2,953,451)
Proceeds from disposal/settlement of financial instruments available-for-sale		2,104,095	2,153,898
Purchase of government securities		(207,780)	–
Proceeds from disposal/settlement of government securities		–	149,931
Net cash flows generated from/(used in) investing activities		**267,562**	**(652,925)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) of cash in circulation		(31,472)	12,679
Repayment of liabilities due to foreign parties		(22,507)	(222,920)
Drawdown of liabilities due to foreign parties		1,017,417	1,235,512
Net cash flows generated from financing activities		**963,438**	**1,025,271**
Effect of exchange rate changes on cash and cash equivalents		(131,738)	(20,390)
Net decrease in cash and cash equivalents		**(547,480)**	**(1,286,661)**
Cash and cash equivalents brought forward		**2,013,940**	**3,300,601**
Cash and cash equivalents carried forward	13	**1,466,460**	**2,013,940**

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

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

1. CORPORATE INFORMATION

The Bank of Mongolia (the "BOM" or the "Bank") is the central bank of Mongolia and operates in accordance with the constitution of Mongolia, the Law on Central Bank (Bank of Mongolia), and other laws of Mongolia. The Bank was established under the resolution of the Government of Mongolia dated 2 June 1924 and is located at Baga Toiruu 3, Ulaanbaatar 46, Mongolia.

All operations of the BOM are conducted in Mongolia. The BOM network includes 17 regional offices throughout Mongolia and its representative office in London, United Kingdom.

In accordance with the legislation, the primary function of the BOM is ensuring the stability of the national currency of Mongolia and to promote balanced and sustained development of the national economy, through maintaining stability of the financial market and the banking system.

The BOM does not aim to earn profits. The financial results of BOM's activities, as well as the structure of its assets, liabilities and equity are defined by the functions of the BOM as a special central government authority.

In accordance with the Law on Central Bank, the main functions of BOM are as follows:

- Issue of national currency of Mongolia and organisation of its circulation;
- Formulation and implementation of monetary policy by regulating money supply in the economy;
- Acting as depository of the Government of Mongolia (the "Government" or the "State")
- Exercising banking regulation and supervision
- Organization of interbank payments and settlements;
- Holding and management of the State's reserves of foreign currency;
- Acting as a lender of the last resort for banks and organizing a system of refinancing;
- Representing Mongolia with other central banks, international banks and other credit institutions where co-operation is maintained between the central banks;
- Exercising other functions in financial and credit areas within the competence defined by the Law.

According to the Law, BOM provides loans to banks to support their liquidity, buys and sells securities in the secondary market, buys and sells foreign currency valuables, precious metals, sells commemorative coins made of precious and non-precious metals in the domestic and foreign markets, performs operations of servicing of the government debt in respect of placement of government securities, their redemption and interest payments, maintains accounts of the government and other governmental institutions, including accounts of the Ministry of Finance (fiscal agent of the Government of Mongolia), accounts of international organizations and conducts other operations necessary for the performance of its functions.

The charter capital of BOM is fully owned by the State of Mongolia.

The financial statements of the Bank were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 01 May 2015.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

Statement of compliance

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

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 32.

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 statement of profit or loss and other comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the following standards and amendments to IFRS that became effective as of 1 January 2014:

New and amended standards and interpretations

- Amendments to IFRS 10 — *Consolidated Financial Statements - Investment Entities*
- Amendments to IFRS 12 — *Disclosure of Interests in Other Entities - Investment Entities*
- Amendments to IAS 27 — *Separate Financial Statements - Investment Entities*
- Amendments to IAS 32 — *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
- Amendments to IAS 36 — *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to IAS 39 — *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONT'D.)

New and amended standards and interpretations (Cont'd.)

• IFRIC 21	*Levies*
• Annual Improvements (2010-2012 cycle)	*Amendments to a number of IFRSs issued in December 2013*
• Annual Improvements (2012-2014 cycle)	*Amendments to a number of IFRSs issued in December 2013*

The adoption of the above new and amended standards and interpretations did not have any significant impact on the financial performance or position of the Bank.

Standards issued but not yet effective
The Standards and Interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

• IFRS 9	*Financial Instruments*[3]
• Amendments to IFRS 10	*Consolidated Financial Statements - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
• Amendments to IFRS 11	*Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*[2]
• IFRS 14	*Regulatory Deferral Accounts*[2]
• IFRS 15	*Revenue from Contracts with Customers* [3]
• Amendments to IAS 16	*Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization* [2]
• Amendments to IAS 16	*Property, Plant and Equipment - Bearer Plants*[2]
• Amendments to IAS 19	*Employee Benefits - Defined Benefit Plans: Employee Contributions*[1]
• Amendments to IAS 27	*Separate Financial Statements - Equity Method in Separate Financial Statements*[2]
• Amendments to IAS 28	*Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
• Amendments to IAS 38	*Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*[2]
• Amendments to IAS 41	*Agriculture - Bearer Plants*[2]
• IFRIC 15	*Agreements for the Construction of Real Estate* [1]
• Annual Improvements (2010-2012 cycle)	*Amendments to a number of IFRSs issued in December 2013*[1]
• Annual Improvements (2011-2013 cycle)	*Amendments to a number of IFRSs issued in December 2013*[1]
• Annual Improvements (2012-2014 cycle)	*Amendments to a number of IFRSs issued in September 2014*[2]

[1] Effective for annual periods beginning on or after 1 January 2015
[2] Effective for annual periods beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after 1 January 2018

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONT'D.)

Standards issued but not yet effective (Cont'd.)

The Bank is in the process of assessing if the adoption of these Standards and Interpretations in the future periods will have material impact on its financial statements.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

The functional currency of the Bank is the Mongolian Tugrug. Transactions denominated in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the statement of financial position date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates 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 is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

The principal rates of exchange used for translating foreign currency balances were:

	31 December 2014	31 December 2013
	MNT	MNT
USD	1,885.60	1,654.10
SDR	2,731.68	2,555.93
EUR	2,293.36	2,275.63
CNY	303.57	272.88
JPY	15.74	15.70

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) **Date of recognition**

Financial instruments are recognised in the Bank's statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. This includes "regular way trades" described as purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

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

Financial instruments – initial recognition and subsequent measurement (Cont'd.)

(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. 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

The Bank uses derivatives such as currency forwards and swaps to manage its exposure to market risks. 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 'Gains/(losses) on financial derivatives'.

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 in the trading portfolio recognised in profit or 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 profit or loss within the statement of profit or loss and other comprehensive income. Interest and dividend income or expense is recorded in 'Net trading income' according to the terms of the contract, or when the right to the payment has been established.

As at 31 December 2014 and 2013, the Bank does not have financial assets or liabilities held for trading.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

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

Financial instruments – initial recognition and subsequent measurement (Cont'd.)

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

Financial assets and financial liabilities classified in this category are those that have been designated by management on initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.
- 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.
- The financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would 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 the statement of profit or loss and other comprehensive income. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is also recorded in the statement of profit or loss and comprehensive income when the right to the payment has been established.

As at 31 December 2014 and 2013, the Bank does not have financial assets or liabilities designated at fair value through profit or loss.

(vi) Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale financial investments are those which are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Bank has not designated any loans or receivables as available-for-sale financial investments. After initial measurement, available-for-sale financial investments are subsequently measured at fair value.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

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

Financial instruments – initial recognition and subsequent measurement (Cont'd.)

(vi) Available-for-sale financial investments (Cont'd.)

Unrealised gains and 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. Where the Bank holds more than one investment in the same security 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 EIR. Dividends earned whilst holding available-for-sale financial investments are recognised in the statement of profit or loss and other comprehensive income when the right to receive payment has been established. The losses arising from impairment of such investments are recognised in profit or loss and removed from the 'Available-for-sale reserve'.

(vii) Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, 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 EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. 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.

If the Bank were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Bank would be prohibited from classifying any financial asset as held-to-maturity financial investments during the following two years.

As at 31 December 2014 and 2013, the Bank does not have held-to-maturity instruments.

(viii) Loans and advances

This includes 'Due from local banks', 'Loans to local banks', 'Due from foreign financial institutions' and 'Other financial asset' included in 'Other assets' which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank upon initial recognition designates as at fair value through profit or loss

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

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

Financial instruments – initial recognition and subsequent measurement (Cont'd.)

(viii) Loans and advances (Cont'd.)

- Those that the Bank, upon initial recognition, designates as available-for-sale financial investments
- Those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration

After initial measurement, loans and advances are subsequently measured at amortised cost using the EIR, 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 EIR. The amortisation is included in 'Interest income' in profit or loss. The losses arising from impairment are recognised in the profit or loss as 'Provision for impairment losses'.

(ix) Borrowings

Financial instruments issued by the Bank, which are not designated at fair value through profit or loss, are classified as liabilities under borrowings. This account includes 'Central bank bills', 'Liabilities due to government organizations', 'Deposits from local banks', 'Liabilities due to foreign parties' and 'Other financial liabilities' included in 'Other liabilities'. 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, borrowings are subsequently measured at amortised cost using the effective interest method (EIR). The amortised cost of borrowed funds is calculated using EIR by taking into account any transaction costs related to the transaction.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

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

Financial instruments – initial recognition and subsequent measurement (Cont'd.)

(x) Reclassification of financial assets

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is recycled to profit or loss.

The Bank may reclassify a non-derivative trading asset out of the 'Held-for-trading' category and into the 'Loans and receivables' if it meets the definition of loans and receivables and the Bank has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Bank does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

(xi) 'Day 1' profit or loss

When the transaction price is different to the fair value of 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 recognizes the difference between the transaction price and fair value (a 'Day 1' profit or loss) in profit or loss. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in profit or loss when the inputs become observable or when the instrument is derecognized.

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

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

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

Derecognition of financial assets and financial liabilities (Cont'd.)

(i) Financial assets (Cont'd.)

- 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:
  - The Bank has transferred substantially all the risks and rewards of the asset, or
  - 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 recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

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.

(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 original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

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 EIR. Securities lent to counterparties are also retained in their respective statement of financial position categories.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

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

Repurchase and reverse repurchase agreements

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 EIR.

Determination of fair value

The fair value for financial instruments traded in active markets at the statement of financial position date 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 traded in an active market, the fair value is determined by using appropriate valuation techniques.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

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

Determination of fair value (Cont'd.)

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External appraisers are involved for valuation of properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 34.

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, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates 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 cost

Due to relatively small number of debtors (customers and other debtors) the Bank performs individual assessment on all financial assets i.e. the BOM assesses whether objective evidence of impairment exists individually for all financial assets carried at amortised cost.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

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

Impairment of financial assets

(i) Financial assets carried at amortised cost (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 credit losses 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 as 'Provision for impairment losses'. Interest income continues to be accrued 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 income' in the profit or loss.

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. Recoveries of written-off loans from previous years are recorded as 'Reversal of impairment losses' in the period it was recovered.

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

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.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

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

Impairment of financial assets (Cont'd.)

(ii) Available-for-sale financial investments (Cont'd.)

In the case of debt instruments classified as available-for-sale, the Bank assesses 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 income' in the statement of profit or loss and other comprehensive 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 the current year profit or loss.

In the case of equity investments classified as available-for-sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. 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 the statement of 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 the fair value after impairment are recognised in equity.

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, therefore, the related assets and liabilities are presented gross in statement of financial position.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

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

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 EIR, 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 EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest income' for financial assets and 'Interest expense' for financial liabilities.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Commission income

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

Cash and cash equivalents

For the purposes of reporting cash flows reflecting changes in both foreign and domestic liquidity, cash and cash equivalents include items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include financial assets, which are on demand or maturing within three months and which are available for use at short notice. Financial assets that cannot be freely converted into cash due to insufficient liquidity or due to restrictions on their use are excluded from cash and cash equivalents.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

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

Gold bullion and precious metals

Gold bullion consists of the stocks of gold bars of international standard held in foreign banks. Gold bullion represents a part of international reserves. Gold bullion is recorded in physical weight in troy ounces and is valued in Mongolian Togrog at the official exchange rate of the BOM. The official exchange rate is calculated based on information on gold prices determined (fixed) by participants of the London Bullion Market Association in US dollars translated into MNT at the BOM official MNT/US dollar exchange rate. Apart from holding gold as gold bullion, the Bank purchases unrefined gold from producers and companies in Mongolia and trades in gold.

Gold bullion and silver bars of international standard are measured in the statement of financial position at their fair value and revaluation is performed daily. The fair value is determined by taking into consideration the market value of gold and silver. Revaluation gain or loss is recognized in the profit or loss. Annually, unrealized gain or loss on fair value changes is transferred from the retained earnings to "Precious metal valuation reserve" within other reserves in equity.

Other precious metals including gold and silver ore, coins and cultural valuables are recognized as inventory and are carried at lower of cost and net realizable value.

Repossessed assets

The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category. Assets that are determined better to be sold are immediately transferred to 'Assets held for sale'. Repossessed assets where the Bank is yet to determine its use are retained under this account.

Repossessed assets are initially recognised at the lower of their fair values less costs to sell and the amortised cost of the related outstanding loans on the date of the repossession together with the related impairment allowances are derecognised from the statement of financial position. Subsequently, repossessed assets are measured at the lower of their cost and fair value less costs to sell and are included in 'Other assets'.

Properties held for sale

Properties held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Properties are classified as properties held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

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

Property and equipment

Buildings are initially recorded at cost and subsequently measured at fair value less accumulated depreciation and impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

The frequency of revaluations depends upon the changes in fair values of the buildings being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Some items of buildings may experience significant and volatile changes in fair value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of buildings with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every five years.

A revaluation surplus is credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Other property and equipment is 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 the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The estimated useful lives of the assets are as follows:

Buildings	40-60 years
Furniture and office equipment	8-10 years
Computer and technical equipment	5-10 years
Motor vehicle	6-8 years

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

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

Property and equipment (Cont'd.)

The residual values, useful lives and depreciation methods are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in statement of profit or loss and other comprehensive income and the unutilised portion of the revalued surplus on that item is taken directly to accumulated loss in equity.

Intangible assets

The Bank's intangible assets include the value of computer software and licenses. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is presented as part of 'Administrative expense' in profit or loss.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives of 4 years.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

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

Income taxes

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

Impairment of non–financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash–generating unit's (CGU) fair value 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 losses 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.

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 unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

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. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

(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.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

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

Cash in circulation

Cash in circulation is a claim on the Bank for notes issued for circulation, fully guaranteed by the Government of Mongolia, in favor of the holder. Cash in circulation is recorded at face value as a liability in the statement of financial position.

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 statement of profit or loss and other comprehensive income net of any reimbursement.

Charter capital

Charter capital (fund) is classified as equity.

General reserve

In accordance with the Law on Central Bank (Bank of Mongolia), at least 40% of the Bank's net income for the year shall be allocated to the general reserve, while the remaining amount (i.e. maximum 60% of net income) can be transferred to the State Budget account. The general reserve includes only such portions of net income accumulated over the years, which the Bank has the full right to determine how to utilize them. In case of balance of reserves arisen from unrealized gains or losses are not sufficient to cover operating loss in current year, general reserve is disbursed. As at 31 December 2014 and 2013, the balance of the general reserve is nil.

Other reserves

Other reserves consist of unrealized foreign exchange translation gains and losses, unrealized revaluation gains and losses on gold bullion and precious metals (silver), revaluation reserve (related to buildings), and reserve for available-for-sale financial investments. In accordance with its policies, the Bank transfers unrealized foreign exchange translation gains and losses and unrealized revaluation gains and losses on gold bullion and precious metals, previously recognised through profit or loss, to other reserves at the end of the year.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Bank's accounting policies, management has exercised judgment and estimates in determining the amounts recognised in the financial statements. The most significant uses of judgment and estimates are as follows:

Initial recognition of borrowings from the Ministry of Finance and loans to local bank

The Bank has borrowings due to the Ministry of Finance in the amount of MNT 23,772 million (2013: MNT 24,064) that relate to the borrowings received by the Ministry of Finance on behalf of the Government of Mongolia, under inter-state project financing from the Government of Germany (KfW) and Asian Development Bank. These borrowings are subject to low interest rates ranging from 0.75% to 1% per annum and are conditional on lending to selected sectors of the economy or for other specified purposes at low rates. Management has considered whether gains should arise on initial recognition of such instruments. In making this judgment management made a conclusion that these borrowings should be considered as instruments of a special purpose market represented by inter-state project financing aimed to serve the public interest that is often provided at just a token or even free of charge. Further, the funding from these institutions was also available at low interest rates to certain Mongolian commercial banks for selected sectors or specific purposes. As a result, no initial recognition gains were recognized.

As a result of such financing, the Bank is able to advance funds to eligible banks at advantageous rates. Management has considered whether losses should arise on initial recognition of such instruments. As the transactions are with unrelated parties, management’s judgment is that this lending is at the appropriate market rates and no initial recognition losses should arise. In making this judgment management also considered that these instruments are a separate market segment.

Fair value of financial instruments

The Bank regularly enters into derivative contracts with banks for risk management purposes and as part of the government of Mongolia’s Price Stabilization Program. These derivatives are measured at fair value. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer-dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities. The valuation of financial instruments is described in more detail in Note 34.

Impairment of loan to Anod bank which is under liquidation

The Bank regularly reviews its loan related to Anod bank which is under liquidation to assess impairment. In determining whether an impairment loss should be recorded, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

Impairment of loan to Anod bank which is under liquidation (Cont'd.)

The Bank's management was of the opinion that this loan was recoverable from the Government of Mongolia, through the issuance of a government bond by the Ministry of Finance.

As of the date of these financial statements, the issuance of a government bond has not yet been approved by the Parliament of Mongolia. Given the high uncertainty about the issuance of this bond, the Bank raised 100 percent provision against the loan to Anod Bank.

Impairment of available-for-sale investments

The Bank records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Bank evaluates, among other factors, historical price movements and duration and extent to which the fair value of an investment is less than its cost.

Impairment of financial support to Deposit Insurance Corporation (DIC)

In 2013, the Bank issued a short term financial support to DIC in support of the government decision to acquire shares in State Bank LLC. DIC owns 75% of State Bank LLC. Based on the agreement, BoM will be repaid solely from the proceeds from the privatization of State Bank LLC in 2014. As of the date of these financial statements, the State Bank LLC has not been privatized and given that there is high uncertain of whether the privatization of State Bank LLC will happen, the Bank provided a full provision for the financial support to DIC in 2014.

Initial recognition of loans under Price Stabilization Program

As disclosed in Note 21, starting November 2012, the Bank issued loans in MNT to local banks for further lending to local companies in the petroleum, food, construction and cashmere sectors as part of the Government Price Stabilisation Program. These loans were issued under terms and conditions defined by Government joint resolutions and the Bank has no discretion in defining the terms of these loans. In addition, decisions on participation of certain companies in the program are also taken by the Government, and the companies selected are entitled to obtain loans, which are refinanced by the Bank of Mongolia, from any commercial bank.

In accordance with the government instructions the interest rate at which the loans have been granted to commercial banks is 0.5% to 7% per annum.

As these loans under the Price Stabilisation Program of the Government were made for a specific purpose and targeting specific Mongolian economic sectors, no initial loss were recognised.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

Control over banks under receivership

Management applies judgment to determine whether the substance of the relationship between BOM and banks under receivership indicates that these banks are controlled by BOM and, hence, should be consolidated by BOM. In making this judgment management takes into account the following:

- the receiver is appointed by BOM following the requirements of the Law;
- the receiver effectively acts in a fiduciary capacity and has the narrow objective to wind up the bank and there are no other strategic decisions to be made;
- the receiver acts within the prescribed legal framework and the order of priority of liabilities is also set by the legislation, therefore the receiver cannot use its power specifically with the aim to influence benefits attributable to Bank of Mongolia;
- although Bank of Mongolia may issue loans to banks under receivership, these loans are provided effectively on behalf of the Government as it is the Government's responsibility under the Law to guarantee repayment of customer deposits; therefore Management believes that the benefits receivable by Bank of Mongolia from such loans will be ultimately in the form of Government bonds;
- Further, benefits received from receivership are limited with low variability.

Based on above, although Bank of Mongolia has power to govern activities of banks under receivership, it cannot use that power to influence its own benefits as those benefits are independent from the performance of banks under receivership. Therefore management concluded that these banks should not be consolidated into these financial statements.

Control over Deposit Insurance Corporation (DIC)

Management applies judgment to determine whether the substance of the relationship between BOM and DIC indicates that DIC is controlled by BOM and, hence, should be consolidated by BOM. In making this judgment management takes into account the following:
- power over the DIC;
- exposure, or rights, to variable returns from its involvement with the DIC; and
- the ability to use its power over the DIC to affect the amount of the BOM's returns.

BOM has power over DIC if it can direct the relevant activities of DIC. According to the Charter of DIC, the National Committee has seven members, and is chaired by the Deputy Governor of BOM. The remaining six members comprise of the following:
- State Secretary in charge of finance and budget issues;
- Standing Commissioner of the Mongolian Financial Regulatory Commission;
- Executive Director of DIC;
- Three members to be appointed by the joint decisions of the BOM Governor, Minister of Finance and Mongolian Bankers Association (an independent Association made up of local banks and financial institutions and does not include BOM).

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

Control over Deposit Insurance Corporation (DIC) (Cont'd.)

All decisions concerning the activities of DIC must be approved by vote from each of the seven members of the National Committee and no member has any unilateral power to direct the activities of DIC. Despite BOM having its Deputy Governor chairing the National Committee, the fact that the Chairman does not have any unilateral power to direct the activities of DIC and that BOM has limited influence in the appointment of the remaining three members of the National Committee sufficiently demonstrates that BOM does not have power over DIC. Therefore management concluded that DIC should not be consolidated into these financial statements.

Going concern

Management prepared these financial statements on a going concern basis. As of 31 December 2014, the Bank has negative equity position and net current liabilities. Management believes that there is no risk that the Bank will not be able to continue as a going concern in the foreseeable future as BOM is the issuer of the national currency, and therefore the Bank is not exposed to MNT liquidity risk.

Revaluation of buildings

The Bank measures its buildings at revalued amounts with changes in fair value being recognised in other comprehensive income (OCI). In 2013, the Bank engaged an independent valuation specialist to assess fair value of the buildings. Buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the buildings. As at 31 December 2014, management has assessed that the fair values of buildings has not changed significantly from the carrying amounts. This assessment requires exercise of judgment from management based on their experience on those properties as well as other assumptions described in Note 34.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

3. INTEREST INCOME

	2014 MNT'million	2013 MNT'million
Loans to local banks	126,153	114,582
Government securities – at amortised cost	373	6,741
Due from foreign financial institution	2,080	7,706
Financial investments – available-for-sale	19,510	3,012
Local securities	16,578	–
Other interest income	164	676
	164,858	132,717

4. INTEREST EXPENSE

	2014 MNT'million	2013 MNT'million
Central bank bills	89,440	109,243
Liabilities due to foreign parties	139,997	55,127
Liabilities due to government organizations	5,072	80,247
Other interest expense	5,597	10,770
	240,106	255,387

5. GAINS/(LOSSES) FROM TRADING OF GOLD AND PRECIOUS METALS, NET

	2014 MNT'million	2013 MNT'million
Gain/(loss) on gold trading	23,240	(36,980)
Unrealized loss on revaluation of gold	(6,873)	(23,021)
Gain/(loss) of other precious metals trading	9,195	(6,804)
	25,562	(66,805)

6. FOREIGN EXCHANGE GAINS/(LOSSES), NET

	2014 MNT'million	2013 MNT'million
Unrealised gain/(loss) on translation of foreign exchange	(370,027)	(264,438)
Realised gain on translation of foreign exchange	289,928	293,963
Foreign exchange trading gain/(loss)	6,938	(8,247)
	(73,161)	21,278

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

7. LOSSES FROM FINANCIAL DERIVATIVES, NET

	2014 MNT'million	2013 MNT'million
Gain/(loss) on financial derivatives-realised	(281,145)	52,833
Loss on financial derivatives-unrealised (Note 18)	(19,232)	(67,214)
	(300,377)	(14,381)

8. GAINS/(LOSSES) FROM DISPOSAL OF SECURITIES

	2014 MNT'million	2013 MNT'million
Loss from disposal of local securities	–	(6,664)
Gain from disposal of investment securities available-for-sale	103	135
	103	(6,529)

9. OTHER OPERATING INCOME

	2014 MNT'million	2013 MNT'million
Fees and commission	3,210	3,452
Rental income and proceeds from disposal of property, equipment	559	601
Income from unquoted shares	2,536	–
Other operating income	331	152
	6,636	4,205

10. (PROVISION FOR)/REVERSAL OF IMPAIRMENT LOSS

	2014 MNT'million	2013 MNT'million
Other assets (Note 22)	(85,044)	5,244
Loans to local banks (Note 21)	3,818	11,860
Government securities (Note 19)	–	6,404
	(81,226)	23,508

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

11. ADMINISTRATIVE EXPENSES

	2014 MNT'million	2013 MNT'million
Salary and wages	8,255	6,983
Social development fund expense	3,000	3,000
Depreciation and amortization of property, equipment and intangible assets (Note 23)	2,476	2,038
Telecommunication and utility expenses	1,485	1,348
Legal and professional fees	1,626	653
Security and guarding expenses	996	922
Advertising expenses	933	569
Transportation and trip expenses	708	603
Other expenses	2,327	2,371
	21,806	18,487

12. OPERATING AND OTHER EXPENSES

Operating expenses		
Banknote printing and shipping expense	11,737	16,484
Gold transportation and shipping expense	1,263	599
	13,000	17,083
Other expenses		
Expense for Deposit Insurance Corporation	–	50,000
Revaluation loss on property and equipment	–	3,618
Property and equipment written-off	36	151
Other expenses	2,922	339
	2,958	54,108
Total	**15,958**	**71,191**

13. CASH AND CASH EQUIVALENTS

	2014 MNT'million	2013 MNT'million
Cash on hand	57,990	63,691
Due from foreign financial institutions (Note 14)		
– Short term deposits in foreign currency	207,777	1,592,170
– Demand deposits	1,083,418	247,620
– Special drawing rights holdings	117,275	110,459
	1,466,460	2,013,940

The above balances are presented as cash and cash equivalents for the purposes of the statement of cash flows.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

14. DUE FROM FOREIGN FINANCIAL INSTITUTIONS

	2014 MNT'million	2013 MNT'million
Short-term deposits in foreign currencies	207,777	1,592,170
Demand deposits	1,083,418	247,620
Special drawing rights holdings	117,275	110,459
Restricted cash	758	738
World Bank subscription	118	104
Other subscription	4	4
	1,409,350	1,951,095

Short-term deposits in foreign currencies

This balance represents short-term time deposits with foreign central banks which are denominated in USD and GBP with initial maturity periods up to 51 days (2013: 92 days).

Demand deposits

This balance represents current account deposits with foreign central banks and other financial institutions.

Restricted cash

This balance represents an amount of CHF 397,703 equivalent to MNT 758 million (2013: MNT 738 million), which is blocked by the District Court of Zurich at the request of third parties. For details on this litigation refer to Note 28.

Special Drawing Rights Holdings

This balance represents the Bank's holding of special drawing rights to supplement existing reserve assets related to the subscription to International Monetary Fund. As at 31 December 2014 the balance is SDR 42.9 million (2013: SDR 43.2 million) and is interest bearing.

World Bank subscription

This balance 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 27) and is non-interest bearing.

All balances are neither past due nor impaired and management believes that they are fully recoverable, as funds are placed in the central banks of OECD countries and other reputable international institutions. None of these balances are collateralized. Management believes that fair value of these balances approximates carrying value. The geographical analysis, currency risk analysis, interest rate risk analysis, and maturity analysis are disclosed in Note 32.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

15. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

	2014 MNT'million	2013 MNT'million
Debt instruments available for sale:		
Bonds issued by Bank for International Settlements	113,133	494,187
US treasury bills	189,763	290,149
RAMP Investment Account Assets	189,681	166,110
Senior RMBS Bonds	748,742	–
Equity securities available for sale		
Equity investments at cost	5,620	3,084
	1,246,939	953,530

RAMP Investment Account Assets

As of 31 December 2014 the Investment Account Assets consist of cash balance in the amount of USD 0.3 million (MNT 613 million), and securities in the amount of USD 100.3 million (MNT 189,068 million). The custodian of the investment account assets is the Federal Reserve Bank of New York.

The securities representing the major part of Investment Account Assets mainly include US treasury bills and securities issued by other governmental agencies.

Credit quality of debt securities included in Investment Account Assets, ranges from AA to AAA based on the lowest of the ratings assigned by Standard and Poor's, Fitch Ratings and Moody's.

Senior RMBS Bonds issued by Mongolian Mortgage Corporation (MIK)

The Bank signed the Apartment Mortgage Funding Agreement - a three-way agreement with MIK and the commercial banks in Mongolia on 14 June 2013. The Bank received the RMBS Senior Bonds issued by MIK to the commercial banks in settlement of soft loans granted to the commercial banks. These bonds earn interest rate of 4.5% per annum and have 20 years maturity.

Equity investments at cost

Unquoted equities represent investments in Mongolian Mortgage Corporation, International Investment Bank, and International Bank of Economic Co-operation.

The investments are recorded at cost. There is no market for these investments and the Bank intends to hold them on a long-term basis.

Based on available financial information of the investees, management believes that there are no indications of impairment for these investments as of 31 December 2014 and 2013.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

16. REVERSE REPURCHASE AGREEMENTS

	2014 MNT'million	2013 MNT'million
Federal Reserve Bank of New York	944,686	503,177
Local banks	521,871	1,026,038
	1,466,557	1,529,215

Federal Reserve Bank of New York

The Bank entered into an automatic investment program arrangement in respect of its deposit account held with Federal Reserve Bank of New York. Under this program, amounts exceeding minimum balance of USD 100,000 are to be invested in Repurchase Agreement Pool ("repo pool") of the Federal Reserve Bank of New York. As at 31 December 2014 the funds invested in repo pool amounted to USD 501 million (equivalent of MNT 944,686 million). These investments have two days maturity and carry an interest rate of 0.09% per annum.

Local Banks

Reverse repurchase agreements with local banks represent short-term loans to local banks secured by central bank bills (refer to Note 24) and government securities to resell at a certain date in the future at a fixed price. The maturity of these instruments is five days and they bear an interest rate of 14.0% per annum. These balances are considered neither past due nor impaired.

17. GOLD BULLION AND PRECIOUS METALS

	2014 MNT'million	2013 MNT'million
At fair value		
Gold bullion	207,066	251,440
Silver	116	305
At cost		
Gold purchased from miners	121,154	30,127
Gold in transit for refining	1,321	
Coins and cultural valuable	4,302	5,297
	333,959	287,169

Monetary gold is mainly placed at Bank of England and Bank of Nova Scotia. Non-monetary gold, coins and cultural valuable items are kept at the Bank.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

18. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments represent the fair value of foreign currency swap transactions with local and foreign banks that have subsequent maturity and foreign currency forward transactions with local banks related to price stabilisation program for the petroleum industry, which are mandatory to be concluded when a loan is granted.

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

	Notional Amount	Fair Value Assets	Fair Value Liabilities	Notional Amount	Fair Value Assets	Fair Value Liabilities
	2014 MNT'mil	2014 MNT'mil	2014 MNT'mil	2013 MNT'mil	2013 MNT'mil	2013 MNT'mil
Forwards	202,175	–	20,177	455,381	–	57,473
Swaps	1,289,766	3,264	69,533	661,494	2,803	12,544
	1,491,941	**3,264**	**89,710**	**1,116,875**	**2,803**	**70,017**

At their inception, derivatives often involve only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Bank.

As at 31 December 2014 and 2013, maturities and weighted average forward rates from these derivative contracts are as follows:

		Weighted Average Forward Rate 2014	Maturities 2014	Weighted Average Forward Rate 2013	Maturities 2013
Forwards					
USD/MNT	Sell	MNT1,532.00	1 to 6 months	MNT 1,450.75	2 to 6 months
Swaps					
USD/MNT	Buy	MNT 1,793.74	Up to 3 months	MNT 1,530.20	Up to 6 months
USD/MNT	Sell	MNT 1,870.42	Up to 3 months	MNT 1,396.11	Up to 6 months
USD/MNT	Sell	MNT 2,033.16	1 to 5 years	–	–
CNY/MNT	Sell	MNT 291.79	1 to 6 months	MNT 230.94	1 to 6 months
CNY/USD	Sell	CNY 6.1232	1 to 10 months	CNY 6.1348	Up to 1 months

The Bank's exposure under derivative contracts is closely monitored as part of the overall management of its market risk (see also Note 32).

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

19. GOVERNMENT SECURITIES

	2014 MNT'million	2013 MNT'million
Ministry of Finance securities, at amortised cost	202,404	–
Accrued interest receivable	2,424	–
	204,828	–

The Bank purchased government securities with premium from secondary market. Par value amounted to MNT 195 billion at interest rate of 9.6%- 10.3% per annum and the securities will mature in 2016 and 2018.

Movements in the provision for government securities are as follows:

	2014 MNT'million	2013 MNT'million
At 1 January	–	6,404
Recoveries (Note 10)	–	(6,404)
At 31 December	–	–

20. DUE FROM LOCAL BANKS

	2014 MNT'million	2013 MNT'million
Time deposits in local banks	–	405,000
Accrued interest	–	896
	–	405,896

This balance represents time deposits with local banks which are denominated in MNT with initial maturity periods up to 365 days with interest rate of 4% or 7% per annum as of 31 December 2013. All time deposits with local banks matured in 2014.

21. LOANS TO LOCAL BANKS

	2014 MNT'million	2013 MNT'million
Loans issued under price stabilization program	2,060,974	2,770,573
Loans to Anod Bank which is under liquidation	73,812	77,630
Other loans	24,971	16,888
	2,159,757	2,865,091
Less: Allowances for impairment losses	(73,812)	(77,630)
	2,085,945	2,787,461

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

21. LOANS TO LOCAL BANKS (CONT'D.)

Loans issued under Price Stabilization Program

Starting from November 2012 the Bank has issued loans in MNT to local banks for further lending to local companies from selected industries (petroleum, food, construction, etc.) as part of the government price stabilisation program.

These loans were issued under terms and conditions defined by the government and the participating banks have no discretion in defining the terms. In addition, decisions on participation of particular companies in the program are also taken by the government and the companies selected are entitled to obtain loans, which are refinanced by the Bank of Mongolia, from any commercial bank.

In accordance with the government instructions the interest rate at which the loans have been granted to commercial banks range from 0.5% to 7% per annum.

Under the Apartment Mortgage Funding Master Agreement signed by BOM, MIK and local commercial banks, BoM has received the senior RMBS bonds in settlement of the loans to local commercial banks issued from the Price Stabilization Program (Note 15).

Loans to Anod Bank which is under liquidation

The Bank signed the loan agreement with the Receivership of Anod Bank on 12 December 2008 in order to provide short-term liquidity to Anod Bank, which has been put under receivership. The main purpose of the loan was to finance the required amount of money to return customer deposits of Anod Bank in accordance with the Blanket Guarantee Law, which, states that the Government of Mongolia guarantees that citizens' deposits placed in the Mongolian commercial banks are recoverable and will be returned to citizens in the case of the default or bankruptcy of a commercial bank. The loan agreement represents a credit line with maximum amount of MNT 147.9 billion. Based on the agreement Anod Bank can request in tranches, while total outstanding amount should not exceed this limit. Each tranche should be returned within 6 months from its origination. The interest rate is equivalent to the interest rate of 7-day central bank bills, which was 9.75% per annum at the time of the origination of this loan arrangement. Based on the agreement, interest shall be accrued every 90 days and deducted directly from the current account of Anod Bank. The loans to Anod Bank under this arrangement are collateralized by Anod Bank's loans issued to customers in the amount of MNT 186.3 billion. The first tranche was disbursed immediately upon signing of the Agreement, on 12 December 2008.

Due to difficulties faced in the collection of these loans, maturity date of loans was extended from 6 months to 12 months, based on the appendix to the agreement dated 28 July 2009. Further, no contractual interest was accrued for the loans since 2009, while recoveries during 2010 and 2011 were not significant. Consequently, no new loans were approved during 2010 and 2011, and the Bank has started the negotiation process with the Government of Mongolia and the Ministry of Finance related to recovery of these loans.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

21. LOANS TO LOCAL BANKS (CONT'D.)

Loans to Anod Bank which is under liquidation (Cont'd.)

During 2014 and 2013 the Bank recovered MNT 3.8 billion and MNT 11.8 billion respectively.

Prior to 2010 management was of the opinion that these loans were recoverable from the Government of Mongolia through the issuance of a government bond by the Ministry of Finance, which was to be used for repayment of receivables due from Anod Bank. However, the issuance of the government bond was not approved by the Parliament of Mongolia during 2012. Taking into account the high uncertainty of the issuance of the government bond, full impairment was provided against the loans to Anod Bank which is under liquidation in 2012.

Loans in local currency

The loans in local currency included as part of "Other loans", consist of loans related to the programs of Asian Development Bank (ADB) in the amount of MNT 964 million (2013: MNT 645 million), Government of Germany through KfW in the amount of MNT 5,759 million (2013: MNT 5,225 million) and secured loans in amount of MNT 9,224 million (2013: MNT 459 million).

The loans related to ADB programs were disbursed to various local banks in Mongolia, for further lending to Mongolian enterprises. The funding was made available 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 bear interest at the rate of 10% per annum and the repayment terms for each disbursed loan vary according to the date of disbursement. The Bank's credit risk does not depend on the repayments of these funds by the borrowers, as BOM has the right to automatically withdraw funds from the accounts of commercial banks with BOM when repayments are due.

Loans in foreign currency

The loans in foreign currency, included as part of "Other loans", consist mainly of loans disbursed to local banks to promote small and medium scale companies in the amount of MNT 8,234 million (2013: MNT 9,846 million) and loans for improving commercial banks' systems and enhancing capability of banking specialists in the amount of MNT 754 million (2013: MNT 701 million).

Loans disbursed to local banks for further lending to Mongolian enterprises to promote small and medium scale companies were made available under two separate programs by the Government of Germany through KfW. The loans under both programs bear interest at the rate ranging from 1.25% to 1.75% per annum and are not backed by any security. The loans under both programs are disbursed through three local banks to the borrowers which meet specific criteria set by KfW. Accordingly, the repayment terms for each disbursed loan vary according to the date of disbursement.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

21. LOANS TO LOCAL BANKS (CONT'D.)

Loans in foreign currency (Cont'd.)

The Bank's credit risk does not depend on the repayments of these funds by the borrowers, as BOM has the right to automatically withdraw funds from the accounts of commercial banks with BOM when repayments are due. For more details on these programs and related liabilities to the Ministry of Finance see Note 25.

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

Movements in the provision for loan impairment during 2014 are as follows:

	2014 MNT'million	2013 MNT'million
At 1 January	77,630	89,490
Charge for the year	–	–
Recoveries (Note 10)	(3,818)	(11,860)
At 31 December	73,812	77,630

No provisions have been raised against loans issued under price stabilization program, loans in local and foreign currency as at 31 December 2014 or 2013 as these loans have no indication of impairment.

None of the loans to local banks are collateralized except for those related to Anod Bank and secured loans in local currency. The Anod Bank related loans are collateralized by the loan portfolio of Anod Bank. As disclosed above, Anod Bank is currently in liquidation. The secured loans are collateralized by Government securities and its performing loan portfolios as well.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

22. OTHER ASSETS

	2014 MNT'million	2013 MNT'million
Other financial assets		
Receivable from Deposit Insurance Corporation	204,911	204,912
Receivables from companies	50,228	44,821
Claims on foreign financial institutions	16,485	14,461
Promissory notes	537,584	–
Less: Allowance for impairment losses	(151,626)	(59,282)
	657,582	204,912
Other non-financial assets		
Prepaid expenses	151	124
Properties held for sale	450	–
Other	816	617
Less: Allowance for impairment losses	(397)	(229)
	1,020	512
	658,602	205,424

Receivables from DIC

Receivables from DIC include a loan of MNT 119.9 billion and financial support of MNT 85 billion. The loan of MNT 119.9 billion will be repaid in full by 30 September 2023, and the financial support of MNT 85 billion will be repaid by 25 December 2014 from the proceeds from the planned privatization of State Bank LLC. As of 31 December 2014, the privatization of State Bank LLC did not happen and the financial support has repaid. The Bank provided a provision for impairment loss for full amount of MNT 85 billion due to the uncertainty of collection (Note 2.4).

Receivable from companies

Receivables from companies include receivables due from gold producing companies that have not fulfilled their obligations under the gold option contracts entered into with the Bank in prior years. These receivables amount to MNT 35,534 million (2013: MNT 31,358 million), are considered impaired and thus they are fully provided for. The Bank no longer enters into gold option contracts. Remaining balances due from companies in the amount of MNT 14,607 million (2013: MNT 13,463 million) are also considered impaired and fully provided as of 31 December 2014 and 2013.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

22. OTHER ASSETS (CONT'D.)

Receivable from companies (Cont'd.)

These outstanding balances are related to 2005 to 2007 transactions that resulted in non-compliance with Article 23 of the Law on Central Bank which prohibits the Bank taking deposits from or extending credit or providing settlement services to individuals or legal entities other than the Government of Mongolia and banks. Management issued regulation No. 99 on 26 February 2003, which relates to conducting trade deals when gold miner or trader requests trade deal. In accordance with this regulation, the Bank made its internal investigation and has identified some cases of non-compliance, which in management's view do not have adverse consequences on the Bank's operations.

Claims on foreign financial institutions

Claims on foreign financial institutions are considered to be non-recoverable and thus fully provided, as related foreign institutions are no longer operating.

Promissory notes

Promissory notes represent promissory notes as follows issued by local companies and bank with details as follows:

The promissory notes issued by three (3) local companies have a nominal value of MNT 350 billion. These notes have a maturity of 5 - 6 years and earn interest of 8% - 21% per annum. The promissory note contracts provides for interest reduction if certain conditions are met (eg. if the issuer can attract additional investment to Mongolia in a given period of time). The Bank's management as well as their internal lawyers are of the view that these transactions do not violate any provisions under the Central Bank Law and other related laws in Mongolia.

The Bank also purchased a MNT 177 billion promissory note issued by Development Bank of Mongolia (DBM) which has a one (1) year term and will mature on 12 February 2015. The note earns 3.75% interest.

Other non-financial assets

Other non-financial assets mainly consist of prepayments, advances to staff, consumable materials, stationary supplies and properties held for sale.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

22. OTHER ASSETS (CONT'D.)

Provision for impairment

Movements in the provision for impairment of other assets during 2014 and 2013 are as follows:

	2014 MNT'million	2013 MNT'million
Other financial assets		
At 1 January	59,282	56,065
Translation of provisions denominated in foreign currency	7,458	8,461
Charge for the year	85,000	–
Recoveries	(114)	(5,244)
At 31 December	151,626	59,282
Other non-financial assets		
At 1 January	229	219
Translation of provisions denominated in foreign currency	10	10
Charge for the year	158	–
At 31 December	397	229

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23. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

At 31 December 2014	Buildings/ premises MNT'million	Construction in progress MNT'million	Office and computer equipment MNT'million	Total premises and equipment MNT'million	Intangible assets MNT'million	Total MNT'million
Cost/Valuation						
At 1 January 2014	46,732	759	8,873	56,364	2,301	58,665
Additions	11	1,455	280	1,746	47	1,793
Disposals	(15)	–	(1,598)	(1,613)	(81)	(1,694)
Write-offs	(27)	–	(124)	(151)	–	(151)
Reclassification	1,246	(2,176)	930	–	–	–
Transfer	(609)	–	–	(609)	–	(609)
At 31 December 2014	47,338	38	8,361	55,737	2,267	58,004
Accumulated depreciation						
At 1 January 2014	24,426	–	4,250	28,676	1,543	30,219
Charge for the year	1,020	–	1,205	2,225	251	2,476
Disposals	(13)	–	(1,577)	(1,590)	(81)	(1,671)
Write-offs	(25)	–	(90)	(115)	–	(115)
Transfer	(295)	–	–	(295)	–	(295)
At 31 December 2014	25,113	–	3,788	28,901	1,713	30,614
Net carrying value	**22,225**	**38**	**4,573**	**26,836**	**554**	**27,390**

The Bank transferred some of the building with net book value of MNT 314 million to property held for sale in 2014. See Note 22.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

23. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (CONT'D.)

At 31 December 2013	Buildings/ premises MNT'million	Construction in progress MNT'million	Office and computer equipment MNT'million	Total premises and equipment MNT'million	Intangible assets MNT'million	Total MNT'million
Cost/Valuation						
At 1 January 2013	25,117	34	9,076	34,227	2,376	36,603
Additions	832	725	1,812	3,369	–	3,369
Disposals	–	–	(1,604)	(1,604)	(75)	(1,679)
Write-offs	–	–	(411)	(411)	–	(411)
Revaluation Upward	26,231	–	–	26,231	–	26,231
Revaluation Downward	(5,448)	–	–	(5,448)	–	(5,448)
At 31 December 2013	46,732	759	8,873	56,364	2,301	58,665
Accumulated depreciation						
At 1 January 2013	3,743	–	4,875	8,618	1,354	9,972
Charge for the year	545	–	1,229	1,774	264	2,038
Revaluation Depreciation	20,138	–	–	20,138	–	20,138
Disposals	–	–	(1,594)	(1,594)	(75)	(1,669)
Write-offs	–	–	(260)	(260)	–	(260)
At 31 December 2013	24,426	–	4,250	28,676	1,543	30,219
Net carrying value	**22,306**	**759**	**4,623**	**27,688**	**758**	**28,446**

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

23. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (CONT'D.)

The last valuation was performed as of 31 December 2013 by independent appraisers "Consortium of companies on appraisal and project".

Had these buildings been recognised under the cost model as at 31 December 2014, the carrying amount of the buildings would have been MNT 14,281 million (2013: MNT 14,573 million).

None of the property, equipment and intangible assets have been pledged as security for borrowings as of 31 December 2014 (2013: MNT 2,504 million).

24. CENTRAL BANK BILLS

	2014 MNT'million	2013 MNT'million
Bills payable	853,781	1,627,017

This balance represents BOM bills issued to local banks. Such bills have maturities between 7 days to 28 days and bear interest rate of 12% p.a as of 31 December 2014 (2013: from 10.50% to 10.88%). The Bank uses BOM bills to withdraw excessive cash from the economy to control inflation.

25. LIABILITIES DUE TO GOVERNMENT ORGANIZATIONS

	2014 MNT'million	2013 MNT'million
Liabilities to the Ministry of Finance related borrowings:		
– Government of Germany (KfW)	15,488	16,015
– Asian Development Bank (ADB)	8,284	8,049
– International Development Association (IDA)	7,004	7,548
Current accounts of Ministry of Finance	767,873	1,678,412
	798,649	1,710,024

Ministry of Finance accounts

This relates to various current accounts that the Ministry of Finance maintains with the Bank. These current accounts are on demand and do not bear any interest.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

25. LIABILITIES DUE TO GOVERNMENT ORGANIZATIONS (CONT'D.)

Liabilities due to the Ministry of Finance related to borrowings from international organisations

These liabilities relate to the borrowing agreements signed by the Government of Mongolia with KfW (acting on behalf of the Government of Germany) and Asian Development Bank (ADB). The Ministry of Finance of Mongolia ('MOF') acts as fiscal agent with regard to these agreements, while the Bank of Mongolia acts as project executing agency.

The loans received from the Government of Germany under the credit programme for small and medium enterprises (SMEs) were made available under two separate programmes in 1995 and 2003. The loans under both programmes are denominated in Euro with maturity of 30 years and bear interest at 0.75% per annum. The repayment of loan principal of the first programme commenced in 2005 and for the second programme in 2012.

The loans received from the ADB are mainly for purposes of reducing poverty in Mongolia by developing and promoting private enterprises, and providing training and consultancy to the Government, nongovernment organisations and local banks. The loans bear interest of 1% per annum (2013: 1% per annum) and have maturity ranging from 27 to 30 years.

The Bank's obligations are to MOF and it has no direct obligations toward KfW and ADB, as the MOF acts as a fiscal agent of the Government of Mongolia. However, the Bank, as project executing agency, was responsible for channeling funds to commercial banks, which further channeled the funds to final customers (borrowers) who meet criteria specified by KfW and ADB.

Based on the arrangement between the MOF and BOM, BOM has borrowed related funds from the MOF under the same conditions, as MOF has borrowed under the agreement with KfW and ADB. Further, BOM also acts as a depository i.e. it is responsible for settling payments from the account of the MOF with regard to KfW and ADB. Loans issued to local banks from these funds are disclosed in Note 21. For management's judgment related to these liabilities to MOF and loans to local banks, refer to Note 2.4.

Proceeds of the borrowings received by the MOF on behalf of the Government of Mongolia from the International Development Association (IDA) are for the private sector development project and the financial capacity development project, and are on lent to BOM by the MOF with interest rates of 1% and 3% per annum.

Balances and transactions with related parties are disclosed in Note 36.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

26. DEPOSITS FROM LOCAL BANKS

	2014 MNT'million	**2013 MNT'million**
Correspondent accounts:		
	1,098,540	1,748,766
– In foreign currency	1,501,042	711,641
Short-term deposits	127,500	36,790
Time deposits in foreign currency	76,380	–
	2,803,462	2,497,197

Correspondent accounts mainly consist 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.

Short-term deposits consist of overnight saving placed by local banks with interest rate of 8.50% per annum.

Time deposits in foreign currency represent USD deposit placed by local banks with interest rate of 5.57% per annum and initial term is 371 days.

27. LIABILITIES DUE TO FOREIGN PARTIES

	2014 **MNT'million**	2013 **MNT'million**
Secured		
Loan from HSBC, London	–	238
Unsecured		
Loan from People's Bank of China	2,763,903	1,649,346
Loan from Bank of Tokyo Mitsubishi, Singapore	90,582	–
International Monetary Fund ("IMF")		
– IMF No.1 account	–	287
– IMF No.2 account	–	7
– Allocation of Special Drawing rights ("SDR")	133,190	124,620
Subscription to World Bank	118	104
Subscription to IDA	34	34
Current account of World Bank	60	160
Current account of ADB	1	11
	2,987,888	1,774,807

Loan from HSBC, London

This balance 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 was secured by a building and fully settled in 2014.

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27. LIABILITIES DUE TO FOREIGN PARTIES (CONT'D.)

Loan from People's Bank of China

This balance represents a 6 month to one (1) year loan denominated in CNY from People's Bank of China that was used by BOM for CNY funding to local banks. Interest rate is based on SHIBOR+200 bps.

Loan from Bank of Tokyo Mitsubishi, Singapore

This balance represents a one-year loan denominated in USD from Bank of Tokyo Mitsubishi, Singapore that was used by BOM for gold purchasing from miners. Interest rate is based on LIBOR+300 bps.

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 account from the IMF (See Note 14). The net accumulation of the allocation was MNT 133,190 million (2013: MNT 124,620 million) equivalent to SDR 48.757 million (2013: SDR 48.757 million).

Subscription to World Bank and IDA

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

28. OTHER LIABILITIES

	2014 MNT'million	2013 MNT'million
Other financial liabilities		
Initial capital contribution for local banks	9,391	16,388
Deposits by non-banking entities	8,758	10,395
Other payables	9,055	7,850
Other liabilities		
Social development fund	8,516	9,525
Provision for claims under documentary letters of credit issued	45,751	44,532
	81,471	88,690

Initial capital contribution for local banks

Initial capital contributions relate to special purpose accounts for the purpose of increasing the share capital of Mongolian commercial banks. These accounts have restricted use i.e. they are used only for making investments in respective banks. Initial capital contribution as of 31 December 2014 represent share capital increase of Golomt Bank (2013: Golomt Bank).

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

28. OTHER LIABILITIES (CONT'D.)

Social development fund

Based on its internal regulations, the Bank allocates certain funds to the social development fund which is used for improving living and working conditions of the Bank's employees. These funds are used for payment of benefits, reimbursements, work performance remunerations of the Bank's employees, purchasing apartments to guarantee social welfare of employees and help to employees in need etc. Management believes that allocated funds in social development fund are sufficient as of 31 December 2014 and 2013 to cover outstanding obligations.

Deposits by non-banking entities

Deposits by non-banking entities relate to deposits from the government organizations, Securities Clearing House Central Depository and Deposit Insurance Corporation (DIC).

Provision for claims under documentary letter of credit issued

Provision for claims under documentary letter of credit issued relates to litigation initiated in 2008, whereby the Bank acts as defendant in legal proceedings held in Swiss and German courts in connection with the payments allegedly due under issued documentary letters of credit to two financial institutions, which operate in these countries. Though the Bank has been vigorously defending its position in these cases, taking into account its contractual obligations under the issued letters of credit, the Bank has created provision in the amount of its full exposure (including interest) in 2009. There were no movements in the provision during 2014 and 2013 apart from the impact of foreign exchange fluctuations.

With regard to these letters of credit, the Bank has initiated litigations against certain individuals and corporations in the United States District Court for the Southern District of Florida for breach of law and other offences (such as fraudulent misrepresentation, negligent misrepresentation, breach of contract, indemnification, unjust enrichment etc.). The amount of claims against these individuals and corporations significantly exceeds the amount of claims against the Bank outlined above. Though the outcome of these proceedings is likely to be favorable for the Bank, there is not sufficient certainty about the recoverability of these receivables from defendants. Thus, the Bank has not recognized receivables related to these claims in these financial statements, though the Bank makes the best efforts to recover the claimed amounts.

29. CHARTER FUND

	2014 MNT'million	2013 MNT'million
Charter Fund	5,000	5,000

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

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

30. OTHER RESERVES

Available-for-sale Reserve

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

Revaluation Surplus on Property 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.

Foreign Currency Translation Reserve

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

Precious Metal Valuation Reserve

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

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

30. OTHER RESERVES (CONT'D.)

Movements in the other reserves during 2014 and 2013 are as follows:

	Available-for-sale investment reserve	Revaluation surplus	Foreign currency translation reserve	Precious metal valuation reserve	Total
	MNT 'million	MNT 'million	MNT 'million	MNT 'million	MNT 'million
At 1 January 2013	(342)	7,788	106,527	36,080	150,053
Gain on fair value changes of available-for-sale investments	155	–	–	–	155
Transfer to profit or loss upon disposal	135	–	–	–	135
Transfer to accumulated loss	–	–	(106,527)	(23,021)	(129,548)
Transfer of revaluation surplus	–	4,263	–	–	4,263
At 31 December 2013	(52)	12,051	–	13,059	25,058
At 1 January 2014	(52)	12,051	–	13,059	25,058
Loss on fair value changes of available-for-sale investments	(271)	–	–	–	(271)
Transfer to profit or loss upon disposal	103	–	–	–	103
Transfer to accumulated loss	–	–	–	(6,873)	(6,873)
Revaluation surplus	–	(2)	–	–	(2)
At 31 December 2014	(220)	12,049	–	6,186	18,015

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

31. CONTINGENCIES AND COMMITMENTS

To meet the financial needs of the Bank's counterparties, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank.

	2014 MNT'million	2013 MNT'million
Contingent asset		
Receivable from foreign financial institutions	–	11,677
Contingent liabilities		
Export letters of credit	(152,105)	(279,320)
Promissory notes	(31,669)	–
Commitments		
Undrawn credit line from People's Bank of China	1,821,420	545,760
Undrawn credit line to People's Bank of China	(4,500,000)	(2,000,000)
Capital commitments	(198)	–
	(2,862,552)	(1,721,883)

Receivable from foreign financial institutions

The Bank has recorded its investments in several foreign financial institutions at cost due to new valuations of the investments being disputed by third party investors of the same investment. As a result the Bank has decided to record the difference between cost and the disputed valuations as a contingent asset until the dispute is settled. The dispute has been fully settled and the Bank has recognised the share allocation as additional income in 2014. Refer to Note 9 and Note 15.

Export letters of credit

Export letters of credit are mainly issued to the Government of Mongolia with regard to export arrangements. Through issued letters of credit the Bank is obliged to make payment on behalf of the Government or its institutions to foreign legal entities which provided services or delivered goods to the Government, its institutions or other entities at the Government's request. Further, the recorded amount also includes letters of credit subject to the litigations that are currently held in the Swiss, German and US courts, as disclosed in these financial statements. The Bank has recognised provision for material losses that could be incurred with regard to these legal proceedings amounting to MNT 45,751 million and MNT 44,532 million as of 31 December 2014 and 2013, respectively (Note 28 above).

The Bank's management believes that the fair value of letters of credit and credit line commitments is not material as of 31 December 2014, apart from the recognised provision for litigation related to letters of credit. The total outstanding contractual amount of undrawn credit lines and letters of credit does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

31. CONTINGENCIES AND COMMITMENTS (CONT'D.)

SWAP Agreement with People's Bank of China

The Bank has entered into "Chinese Yuan / Mongolian Togrog Bilateral Currency Swap Arrangement" with the People's Bank of China in May 2011. The agreement was renewed in August 2014. Both banks agreed to establish a bilateral currency swap arrangement for the purpose of promoting bilateral trade for economic development of the two countries, and providing short-term liquidity for stabilization of financial markets.

Based on the agreement, the People's Bank of China (PBoC) and BOM may, from time to time, conduct transactions involving the purchase and sale, and subsequent repurchase and resale, of CNY (Chinese Yuan) against MNT and of MNT against CNY. For these purposes, each bank has opened a special non-interest bearing account in its national (home) currency for the other party: PBoC has opened account for BOM in CNY while BOM opened an account in MNT for PBoC.

Based on the agreement, the period of use of funds (i.e. usage period) can be up to twelve months. Each usage is made upon the request of one bank and approval of another bank. The maximum amounts requested for use are limited to the opened limit of CNY 15 billion (2013: CNY 9 billion) when BOM is the requesting party and MNT4.5 trillion (2013: MNT2 trillion) when PBoC is the requesting party. The bank using funds is obliged to pay interest for the used amount on the date of repayment at interest rates specified in the agreement. In the case of BOM requesting to use CNY, the interest rate is equivalent to 200 basis points plus the Shanghai Interbank Offered Rate ("SHIBOR") for CNY deposits with corresponding usage period. In the case PBoC requests for use of MNT, the interest rate is equivalent to the Interbank MNT Weighted Rate with corresponding usage period.

During the year BOM has made additional purchase of CNY funds of CNY 3 billion and increased its usage to CNY 9 billion equal to MNT 2,732,130 million as of 31 December 2014 (2013: CNY 6 billion, MNT 1,637,280 million equivalent). The unused amount of CNY 6 billion equivalent to MNT 1,821,420 million represents BOM's credit related commitment as at 31 December 2014 (2013: CNY 2 billion, MNT 545,760 million equivalent).

Other legal proceedings

Apart from the provision raised for an ongoing litigation with respect to letters of credit as disclosed in Note 28, management is not aware of any other legal proceedings as of 31 December 2014, in which the Bank acts as defendant and which could result in material losses to the Bank. Thus, management believes that no provision, apart from the provision related to the above claims connected with issued letters of credit, is necessary in these financial statements.

32. FINANCIAL RISK MANAGEMENT

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 (including control of inflation), financial stability and business continuity of Mongolian banking operations. At certain times, the Bank may be overly exposed to certain risks and/or take disadvantageous positions of fulfilling its primary objectives and responsibilities, which are typical for central banks and consequently the Bank may incur unexpected financial losses, e.g. losses from translation of foreign currency balances. Such financial losses could be incurred with regard to all financial risks.

From the financial point of view, the Bank is exposed to credit risk, liquidity risk and market risk. In addition, it is also subject 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. Those risks which are unique to the Bank as the central bank of Mongolia are monitored through the Bank's strategic planning process. In addition, the Bank actively explores the possibility of setting up a Risk Committee which would have the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits, as well as for making relevant decisions related to monitoring and managing risks. At present, the Investment Committee is responsible for development of risk strategy and making decisions on relevant limits, while the Risk Management Unit and International Economic Department are in charge of implementing principles, frameworks, policies and limits.

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. Further, it provides recommendations on risk management related issues to the Governor of the Bank.

The Board of Directors approves the "Annual Investment Policy" and determines acceptable levels of risk. Based on the acceptable risk, the Board of Directors proposes the structure of the State foreign currency reserve for the Governor's approval. The Board's proposal defines the currency composition of foreign currency reserves and its acceptable variation, asset allocation and its acceptable variance, duration of investments, eligible instruments, counterparties and the counterparty limits. The counterparty and issuer credit limits are approved by the Governor on a quarterly basis and represent the key method used in managing credit risk.

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

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

32. FINANCIAL RISK MANAGEMENT (CONT'D.)

Risk Management Structure (Cont'd.)

Investment Committee. The Investment Committee is a key body responsible for risk management in the Bank. As such, the Committee is responsible for offering recommendations on the area of risk management policy to the Governor and the Board of Directors. It consists of the First Deputy Governor, Deputy Governor, Director of Risk Management Unit, Director of International Economic Department and Director of Payment and Accounting Department.

The risks related to the Bank's foreign currency assets (reserves) are a key area of focus, given the proportion of foreign currency reserves in the Bank's total assets. Thus, the activities of the Investment Committees and departments involved in the risk management process are mainly focused on monitoring and managing risks related to foreign currency reserves. However, the Investment Committee is also responsible for monitoring the activities of the Risk Management Unit and other responsible departments which address financial risks related to the Bank's financial assets and liabilities, and overall compliance with the Bank's investment policy. The methods used in managing financial risks are further outlined below.

Risk management unit. The Risk Management Unit ("RMU") is responsible for implementing and maintaining foreign exchange reserve management and other 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. In addition, RMU also ensures the complete capture of risk measures related to the foreign exchange reserves and reporting system.

According to the Regulation on State Foreign Exchange Reserve Management, 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;
- Guarantee payment of government foreign exchange debt;
- Control excessive volatility of the foreign exchange market;
- Use as a liquidity buffer in the event of national disaster or emergency.

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

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

32. FINANCIAL RISK MANAGEMENT (CONT'D.)

Risk Management Structure (Cont'd.)

International Economic Department
International Economic Department is responsible for general implementation of the investment policy through its specific units. The Director of International Economic Department monitors and manages the general structure of the asset portfolio, including asset composition, instruments, counterparties, maturity, as well as limits over the foreign currency reserve.

Internal Control, Operational Risk Management Department
The Bank's Internal Control, Operational Risk Management Department mission is to examine and evaluate the adequacy and effectiveness of the risk management system in its activities toward the accomplishment of the Bank's objectives, and fulfillment of policies and plans. Internal Control, Operational Risk Management Department ("ICORMD") charter determines its duties 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 as well as integrity, and security of financial and operational information. ICORMD carries out general risk assessment and further assessment focused on specific issues. General risk assessment is undertaken during the development of long-term and annual audit plans to ensure proper allocation of audit resources according to the degree of risk, while specific assessment focuses on particular issues at the specific level. ICORMD of the Bank has carried out activities in accordance with audit program and annual audit plan for 2014. Priorities for audits are determined by applying criteria which reflect potential and actual degree of risk to 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 totaled 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. The evaluation is aimed at ensuring the existence of adequate procedures and competent performance, as well as reliability of financial reporting system and compliance of all activities with applicable laws and regulations. ICORMD reports about findings and its recommendations administratively to the Governor, and functionally to the Supervisory Board. After each assessment, ICORMD discusses the results with management of the Bank, as well as undertaking follow-up reviews on the actions taken by management.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

32. FINANCIAL RISK MANAGEMENT (CONT'D.)

Credit Risk

Credit risk is the risk that the Bank will incur a loss because its counterparties failed to discharge their contractual obligations. Exposure to credit risk results from the Bank's lending and other transactions with counterparties, which give rise to financial assets. Credit risk is managed and controlled through proper selection of investment assets, credit quality of investment assets and setting limits on the amount of investment per investment asset. Limits on the level of credit risk by type of investment and counterparty are approved regularly by management. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

The credit quality of the Bank's financial assets is primarily monitored based on the assigned ratings of international rating agencies, including country ratings if related foreign institution (such as central bank) is not individually rated. The Bank has fully suspended trading with certain parties without considering their ratings due to instability of international financial markets, which could lead to a system risk, if counterparty risk is not properly addressed.

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

For domestic monetary policy operations, the Bank actively uses collateral to reduce its exposure to credit risk. According to the Regulation on Central Bank Refinancing, the main types of collateral used when financial instruments are issued to Mongolian commercial banks are as follows:

1. Central Bank bills;
2. Government securities;
3. Promissory notes of financial institutions accepted by the Bank;
4. Loans issued by financial institutions.

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. The Bank applies haircuts to valuation of collateral assets in order to protect against potential losses.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

32. FINANCIAL RISK MANAGEMENT (CONT'D.)

Credit Risk (CONT'D.)

Given that the biggest Mongolian commercial banks are rated by international rating agencies, financial assets due from local banks are also monitored on this basis. In the case of unrated Mongolian commercial bank, the Bank considers their financial conditions based on recent financial information, compliance with prudential ratios, and other information available to the Banking Supervision Department and other relevant departments for assessing credit quality of related assets. At present, the Bank does not use internal credit rating systems for assessing credit quality of financial assets due from commercial banks.

In respect to foreign currency reserves, all counterparties have credit limits, which are set taking into consideration their ratings, financial information, and other factors. The credit limits are approved quarterly by the Governor and compliance with the limits is monitored daily by the Risk Management Unit.

In order to monitor its credit risk, the Bank also monitors the aging of its financial assets, particularly loans to commercial banks and other financial assets. Any significant exposures against counterparties with deteriorating creditworthiness are reported to and reviewed by the Board of Directors, which also makes decisions on necessary actions.

32. FINANCIAL RISK MANAGEMENT (CONT'D.)

The table below shows the credit quality by class of asset for all financial assets expose to credit risk, based on Moody's ratings system. The amounts presented are gross of impairment allowances.

At 31 December 2014	Neither past due nor impaired					Past due or individually impaired	Total
	AAA	AA	A	B	Not rated		
	MNT'million	MNT'million	MNT'million	MNT'million	MNT'million	MNT'million	MNT'million
Assets							
Due from foreign financial institutions	2,044	454,917	835,110	–	4	–	1,292,075
Financial investments available-for-sale	116,905	375,671	1,523	–	752,840	–	1,246,939
Reverse repurchase agreements	–	944,686	–	376,099	145,772	–	1,466,557
Government securities	–	–	–	204,828	–	–	204,828
Financial derivatives	–	–	–	3,264	–	–	3,264
Loans to local banks	–	–	–	1,668,890	417,055	73,812	2,159,757
Other financial assets	–	–	–	176,681	480,901	151,626	809,208
	118,949	**1,775,274**	**836,633**	**2,429,762**	**1,796,572**	**225,438**	**7,182,628**

32. FINANCIAL RISK MANAGEMENT (CONT'D.)

At 31 December 2013	Neither past due nor impaired					Past due or individually impaired	
	AAA	AA	A	B	Not rated		Total
	MNT'million	MNT'million	MNT'million	MNT'million	MNT'million	MNT'million	MNT'million
Assets							
Due from foreign financial institutions	1,518,168	321,867	15	–	4	–	1,840,054
Financial investments available-for-sale	922,692	9,814	1,686	–	19,338	–	953,530
Reverse repurchase agreements	503,177	–	–	682,461	343,577	–	1,529,215
Government securities	–	–	–	–	–	–	–
Financial derivatives	–	–	–	2,803	–	–	2,803
Due from banks	–	–	–	180,342	225,554	–	405,896
Loans to local banks	–	–	–	1,468,035	1,319,426	77,630	2,865,091
Other assets	31	2,227	–	–	202,654	59,282	264,194
	2,944,068	**333,908**	**1,701**	**2,333,641**	**2,110,553**	**136,912**	**7,860,783**

When the counterparty is a central bank or international financial institution, which is not rated (such as Bank of England), its rating is equivalent to the country credit rating. Cash on hand and special drawing rights holdings in IMF do not expose the Bank to credit risk.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

32. FINANCIAL RISK MANAGEMENT (CONT'D.)

Credit Risk (Cont'd.)

As disclosed in Note 31, the Bank enters into certain credit related commitments, which are deemed to be of importance for the country (e.g. exporting goods and/or services) and/or when such arrangements are requested by the Government of Mongolia or its institutions. The primary purpose of these instruments is to ensure that funds are available to the Government or other relevant parties in these arrangements as required. Issued letters of credit represent irrevocable assurances that the Bank will make payments in the event that the party requesting this arrangement cannot meet its obligations to third parties and expose the Bank to similar risks to loans, which are mitigated by the same control processes and policies. Commitments to extend credit represent unused portions of authorisations to extend credit and relate to the arrangement with the People's Bank of China. Based on analysis performed, the Bank's management believes that counterparty risk in the case of this arrangement is low.

The Bank's maximum exposure to credit risk is reflected in the carrying amounts of monetary financial assets in the statement of financial position. The credit risk is mitigated by collateral as disclosed in Notes 21. For letters of credit and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment (see Note 31).

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. When assessing market risk, as well as liquidity risk, management's main considerations also include intervention needs, structure of the import and current liabilities to foreign parties. 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. The Bank is not significantly exposed to other price risk.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk is managed through diversification of foreign currency portfolio and determination of the below parameters:

- foreign currency reserve management.
- maximum share of the managed currency in related assets denominated in foreign currencies for foreign currency reserve and short-term and long-term investment portfolio.

The currency composition of the foreign exchange reserves is approved by the Board of Directors on an annual basis.

The following table indicates the currencies and SDRs to which the Bank had significant exposure at 31 December 2014 and 31 December 2013 on its monetary assets and liabilities.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

32. FINANCIAL RISK MANAGEMENT (CONT'D.)

Currency risk (Cont'd.)

	Financial assets MNT'million	Financial liabilities MNT'million	Derivatives MNT'million	Net position MNT'million
2014				
US Dollars	1,728,835	(1,446,273)	(1,578,416)	(1,295,854)
Mongolian Togrog	4,149,828	(3,539,774)	1,310,045	1,920,099
CNY	160,628	(2,786,257)	181,925	(2,443,704)
Euros	240,376	(177,788)	–	62,588
SDRs	117,276	(141,472)	–	(24,196)
Others	732,282	(189,076)	–	543,206
	7,129,225	(8,280,640)	(86,446)	(1,237,861)

	Financial assets MNT'million	Financial liabilities MNT'million	Derivatives MNT'million	Net position MNT'million
2013				
US Dollars	2,772,425	(1,184,119)	1,107,134	2,695,440
Mongolian Togrog	4,414,883	(4,281,298)	(929,257)	(795,673)
CNY	213,169	(2,848,227)	(245,091)	(2,880,149)
Euros	209,787	(33,461)	–	188,003
SDRs	110,459	(132,669)	–	(22,210)
Others	175,113	(5,034)	–	170,080
	7,895,836	(8,484,808)	(67,214)	(644,509)

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates of foreign currencies and SDRs applied at the end of the reporting period relative to the functional currency of the Bank, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit or loss while a positive amount reflects a net potential increase.

Currency	Change in currency rate in % 2014	Effect on profit or loss and equity 2014 MNT'million	Change in currency rate in % 2013	Effect on profit or loss and equity 2013 MNT'million
USD	15%	(194,378)	15%	404,316
	(15%)	194,378	(15%)	(404,316)
CNY	15%	(366,556)	15%	(432,022)
	(15%)	366,556	(15%)	432,022
EUR	15%	9,388	15%	26,449
	(15%)	(9,388)	(15%)	(26,449)
SDR	15%	(3,629)	15%	(3,331)
	(15%)	3,629	(15%)	3,331
Others	15%	81,481	15%	25,512
	(15%)	(81,481)	(15%)	(25,512)

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

32. FINANCIAL RISK MANAGEMENT (CONT'D.)

Currency risk (Cont'd.)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Bank and monetary balances denominated in SDRs.

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. The main objective when managing the interest rate risk is to maintain stable return on investments while not exceeding the risk levels that can be undertaken per investment policies.

Assets and liabilities of the Bank are predominantly fixed rate or non-interest bearing, which significantly reduces exposure to interest rate risk. Further, in its strategic benchmark development process the Bank sets duration requirements for its foreign reserve portfolio in order to limit exposure to interest rate risk. The duration requirement is monitored on a daily basis. The duration of the investment is assessed through the application of horizon analysis. The Bank uses a one-year investment horizon, defined negative return as minimum return and up to 5% of acceptable variance of negative return for calculation of prudential duration.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

32. FINANCIAL RISK MANAGEMENT (CONT'D.)

The table below summarises the Bank's exposure to interest rate risks. The table presents the aggregated amounts of the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

	Total	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Non-interest bearing
	MNT'million	MNT'million	MNT'million	MNT'million	MNT'million	MNT'million
2014						
Total financial assets	7,132,454	3,209,462	1,716,692	652,480	971,862	581,958
Total financial liabilities	(8,370,350)	(5,265,045)	(2,855,319)	(833)	(29,080)	(220,073)
Total interest sensitivity gap	**(1,237,896)**	**(2,055,583)**	**(1,138,627)**	**651,647**	**942,782**	**361,885**
2013						
Total financial assets	7,898,638	3,871,839	1,926,556	500,882	987,819	611,542
Total financial liabilities	(8,554,825)	(6,699,647)	(1,699,778)	(778)	(29,476)	(125,146)
Total interest sensitivity gap	**(656,187)**	**(2,827,808)**	**226,778**	**500,104**	**958,343**	**486,396**

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

32. FINANCIAL RISK MANAGEMENT (CONT'D.)

Interest is accrued at floating rates on the following financial assets and liabilities: SDR holdings (Note 14), SDR allocation, loan from Bank of Tokyo Mitsubishi, Singapore and loan from People's Bank of China (Note 27). The following table demonstrates the sensitivity to a reasonably possible change in interest rates (all other variables being held constant) of the Bank's profit or loss.

	Effect on profit or loss
	MNT'million
31 December 2014	
100 basis points increase	(28,386)
100 basis points decrease	28,386
31 December 2013	
100 basis points increase	(16,517)
100 basis points decrease	16,517

The primary reason for the above effects on profit or loss is mainly as a result of (higher)/lower interest expense paid on variable interest liabilities if interest rates (increased)/decreased, primarily on the loan from Bank of Tokyo Mitsubishi, Singapore and loan from the People's Bank of China.

32. FINANCIAL RISK MANAGEMENT (CONT'D.)

Geographical risk concentrations. The geographical concentration of the Bank's financial assets and liabilities at 31 December 2014 is set out below:

	Mongolia	OECD	IMF	Non-OECD	Total
2014	**MNT'million**	**MNT'million**	**MNT'million**	**MNT'million**	**MNT'million**
Assets					
Cash on hand	57,990	–	–	–	57,990
Due from foreign financial institutions	–	1,128,547	117,276	163,527	1,409,350
Financial investments available for sale	749,233	492,576	–	5,130	1,246,939
Reverse repurchase agreements	521,871	944,686	–	–	1,466,557
Derivative financial instruments	2,720	–	–	544	3,264
Government securities	204,828	–	–	–	204,828
Loans to local banks	2,085,945	–	–	–	2,085,945
Other financial assets	635,387	22,195	–	–	657,582
Total financial assets	**4,257,974**	**2,588,004**	**117,276**	**169,201**	**7,132,455**
Liabilities					
Cash in circulation	809,657	–	–	–	809,657
Central bank bills	853,781	–	–	–	853,781
Liabilities due to government organizations	798,649	–	–	–	798,649
Deposits from local banks	2,803,462	–	–	–	2,803,462
Derivative financial instruments	89,710	–	–	–	89,710
Liabilities due to foreign parties	–	–	133,262	2,854,626	2,987,888
Other financial liabilities	27,204	–	–	–	27,204
Total financial liabilities	**5,382,463**	**–**	**133,262**	**2,854,626**	**8,370,351**
Net	**(1,124,489)**	**2,588,104**	**(15,986)**	**(2,685,425)**	**(1,237,896)**
Contingencies and commitments	**(31,669)**	**(152,105)**		**(4,500,000)**	**(4,683,774)**

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

32. FINANCIAL RISK MANAGEMENT (CONT'D.)

The geographical concentration of the Bank's financial assets and liabilities at 31 December 2013 is set out below:

	Mongolia	OECD	IMF	Non-OECD	Total
2013	**MNT'million**	**MNT'million**	**MNT'million**	**MNT'million**	**MNT'million**
Assets					
Cash on hand	63,691	–	–	–	63,691
Due from foreign financial institutions	–	1,639,726	110,459	200,910	1,951,095
Financial investments available for sale	490	950,446	–	2,594	953,530
Reverse repurchase agreements	1,026,038	503,177	–	–	1,529,215
Government securities	–	–	–	–	–
Due from local banks	405,896	–	–	–	405,896
Loans to local banks	2,787,461	–	–	–	2,787,461
Other financial assets	207,715	–	–	–	207,715
Total financial assets	**4,491,291**	**3,093,349**	**110,459**	**203,504**	**7,898,603**
Liabilities					
Cash in circulation	841,129	–	–	–	841,129
Central bank bills	1,627,017	–	–	–	1,627,017
Liabilities due to government organizations	1,710,024	–	–	–	1,710,024
Deposits from local banks	2,497,197	–	–	–	2,497,197
Liabilities due to foreign parties	–	547	124,914	1,649,346	1,774,807
Other financial liabilities	104,650	–	–	–	104,650
Total financial liabilities	**6,780,017**	**547**	**124,914**	**1,649,346**	**8,554,824**
Net	**(2,288,727)**	**(3,092,802)**	**(14,455)**	**(1,445,842)**	**(656,222)**
Contingencies and commitments		**(267,643)**		**(2,000,000)**	**(2,267,643)**

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

32. FINANCIAL RISK MANAGEMENT (CONT'D.)

Other risk concentrations

Management monitors concentrations of credit risk through obtaining reports listing exposures to borrowers per counterparty limits, which are disclosed above. The Bank did not have any such significant risk concentrations as of 31 December 2014 and 31 December 2013.

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 which 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 servicing, volatility of demand and supply of foreign exchange in the domestic market, liquidity is the most important concern of foreign exchange reserve management. In order to manage liquidity risk, the Bank divided its foreign reserve portfolio into two sub-portfolios:

– The Liquidity 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 and securities ranging from a week to twelve month maturity and commodities (monetary gold).
– The Investment Portfolio: This portfolio is invested in medium term highly liquid securities issued by the US government supranationals and agencies.

The Board of Directors approves the strategic benchmark and duration of the foreign exchange reserves portfolio. In order to minimize the liquidity risk, the following asset structure is followed in accordance with the regulation on State Foreign Exchange Reserve Management:

- Not less than below limit defined as certain percentage of total assets with short-term maturity (i.e. maturity up to 1 year) shall be placed as current accounts and cash in foreign currency;
- Not less than below limit defined as percentage of total assets with short-term maturity (i.e. maturity up to 1 year) shall be placed as deposits with maturity up to 6 months.

The table below shows liabilities at 31 December 2014 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received i.e. payments in respect of gross settled forwards and swaps are accompanied by related cash inflows.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

32. FINANCIAL RISK MANAGEMENT (CONT'D.)

Liquidity risk (Cont'd.)

Liquidity requirements to support calls under issued letters of credit are considerably less than the amount of the commitment disclosed in the maturity analysis, because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit as included in the maturity table below does not necessarily represent future cash requirements, since these commitments may expire or terminate without being funded.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

32. FINANCIAL RISK MANAGEMENT (CONT'D.)

The maturity analysis of financial liabilities based on *undiscounted* cash flows at 31 December 2014 is as follows:

2014	On-demand and less than 1 month MNT'million	From 1 to 6 months MNT'million	From 6 to 12 months MNT'million	Over 12 months MNT'million	Total MNT'million
Liabilities					
Cash in circulation	809,657	–	–	–	809,657
Central bank bills	855,650	–	–	–	855,650
Liabilities due to government organizations	767,874	862	833	29,080	798,649
Deposits from local banks	2,803,462		–	–	2,803,462
Liabilities due to foreign parties	135,348	2,832,274	179,248	–	3,146,870
Other financial liabilities	27,204	–	–	–	27,204
Gross settled swaps and forwards					
- Inflows	(485,945)	(118,375)	(26,677)	(860,457)	(1,491,454)
- Outflows	506,130	117,040	27,324	927,406	1,577,900
Credit related commitments					
- Undrawn credit line from PBoC	(1,821,420)	–	–	–	(1,821,420)
- Undrawn credit line to PBoC	4,500,000	–	–	–	4,500,000
- Other contingent liabilities	154,608	6,758	22,408	–	183,774
Total potential future payments for financial obligations	**8,252,568**	**2,838,559**	**203,136**	**96,029**	**11,390,292**

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

32. FINANCIAL RISK MANAGEMENT (CONT'D.)

The maturity analysis of financial liabilities based on *undiscounted* cash flows at 31 December 2013 is as follows:

2013	On-demand and less than 1 month MNT'million	From 1 to 6 months MNT'million	From 6 to 12 months MNT'million	Over 12 months MNT'million	Total MNT'million
Liabilities					
Cash in circulation	841,129	–	–	–	841,129
Central bank bills	1,630,500	–	–	–	1,630,500
Liabilities due to government organizations	1,679,230	980	974	32,497	1,713,681
Deposits from local banks	2,497,197	–	–	–	2,497,197
Liabilities due to foreign parties	125,223	1,675,356	–	238	1,800,817
Other financial liabilities	34,633	–	–	–	34,633
Gross settled swaps and forwards					
- Inflows	(752,690)	(354,444)	–	–	(1,107,134)
- Outflows	770,330	404,018	–	–	1,174,348
Credit related commitments					
- Undrawn credit line from PBoC	(545,760)	–	–	–	(545,760)
- Undrawn credit line to PBoC	2,000,000	–	–	–	2,000,000
- Other contingent liabilities	279,320	–	–	–	279,320
Total potential future payments for financial obligations	**8,559,112**	**1,725,910**	**974**	**32,735**	**10,318,731**

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

32. FINANCIAL RISK MANAGEMENT (CONT'D.)

Liquidity risk (Cont'd.)

A significant portion of deposits from local banks and liabilities due to government organizations represent core deposits, i.e. stable sources of financing the Bank's operations. Similarly, cash in circulation also represents a stable source of financing, although the Bank does not have unconditional contractual rights to delay payment. Refer to maturity analysis based on expected maturity above.

The Bank does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. Instead, the Bank monitors expected maturities of carrying amounts of financial assets and liabilities and the resulting expected liquidity gap. The table below shows the maturity analysis of financial assets and liabilities based on expected maturity.

Expected maturity of financial liabilities significantly differs from contractual maturity, due to a large amount of core deposits (consisting primarily of deposits from government organizations and local banks) and cash in circulation, as mentioned above. Financial assets that are readily saleable if it should be necessary to meet cash outflows on financial liabilities are included in the maturity analysis based on their expected date of disposal. Impaired loans are included at their carrying amounts net of impairment provisions, and based on the expected timing of cash inflows.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

32. FINANCIAL RISK MANAGEMENT (CONT'D.)

The maturity analysis at 31 December 2014 is as follows:

2014	Demand and less than 1 month MNT'million	From 1 to 6 months MNT'million	From 6 to 12 months MNT'million	Over 12 months MNT'million	Total MNT'million
Assets					
Cash in hand	57,990	–	–	–	57,990
Due from foreign financial institutions	1,408,474	–	–	876	1,409,350
Financial investments available-for-sale	245,636	80,693	28,325	892,285	1,246,939
Reverse repurchase agreements	1,466,557	–	–	–	1,466,557
Derivative financial instruments	541	1,335	–	1,388	3,264
Government securities	–	2,424	–	202,404	204,828
Loans to local banks	9,136	1,271,187	436,661	368,961	2,085,945
Other financial assets	87	187,595	–	469,900	657,582
Total financial assets	**3,188,421**	**1,543,234**	**464,986**	**1,935,814**	**7,132,455**
Liabilities					
Cash in circulation	809,657	–	–	–	809,657
Central bank bills	853,781	–	–	–	853,781
Liabilities due to government organizations	767,903	833	833	29,080	798,649
Deposits from local banks	2,803,462	–	–	–	2,803,462
Derivative financial instruments	20,725	–	648	68,337	89,710
Liabilities due to foreign parties	133,403	2,831,785	22,700	–	2,987,888
Other financial liabilities	9,133	62	–	18,009	27,204
Total financial liabilities	**5,398,064**	**2,832,680**	**24,181**	**115,426**	**8,370,351**
Net liquidity gap	**(2,209,643)**	**(1,289,446)**	**440,805**	**1,820,388**	**(1,237,896)**

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

32. FINANCIAL RISK MANAGEMENT (CONT'D.)

The maturity analysis at 31 December 2013 is as follows:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
2013	**MNT'million**	**MNT'million**	**MNT'million**	**MNT'million**	**MNT'million**
Assets					
Cash in hand	63,691	–	–	–	63,691
Due from foreign financial institutions	1,950,253	–	–	842	1,951,095
Financial investments available-for-sale	379,260	337,861	13,649	222,760	953,530
Reverse repurchase agreements	1,529,215	–	–	–	1,529,215
Government securities	-	–	–	–	–
Due from local banks	255,896	150,000			405,896
Loans to local banks	8,353	1,728,116	402,221	648,771	2,787,461
Other financial assets	2,803	–	204,912	–	207,715
Total financial assets	**4,189,471**	**2,215,977**	**620,782**	**872,373**	**7,898,603**
Liabilities					
Cash in circulation	841,129	–	–	–	841,129
Central bank bills	1,627,017	–	–	–	1,627,017
Liabilities due to government organizations	1,679,197	778	778	29,238	1,710,024
Deposits from local banks	2,497,197	–	–	–	2,497,197
Liabilities due to foreign parties	125,223	1,649,346	–	238	1,774,807
Other financial liabilities	55,076	49,574	–	–	104,650
Total financial liabilities	**6,824,839**	**1,699,698**	**778**	**29,476**	**8,554,824**
Net liquidity gap	**(2,635,368)**	**516,279**	**620,004**	**842,897**	**(656,221)**

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

33. DERIVATIVE FINANCIAL INSTRUMENTS

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange forward and swap contracts entered into by the BOM. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period. The contracts are short term in nature.

	Assets 2014 MNT'million	Liabilities 2014 MNT'million	Assets 2013 MNT'million	Liabilities 2013 MNT'million
Foreign exchange forwards and swaps: fair values, at the end of the reporting period, of				
– USD receivable on settlement (+)	–	202,175	156,565	249,911
– USD payable on settlement (-)	(322,683)	(1,032,806)	(245,091)	(512,855)
– MNT receivable on settlement (+)	325,947	781,349	–	455,381
– MNT payable on settlement (-)	–	(222,353)	(153,949)	(262,454)
– CNY receivable on settlement (+)	–	181,925	245,278	–
Net fair value of foreign exchange forwards and swaps	**3,264**	**(89,710)**	**2,803**	**(70,017)**

Foreign exchange derivative financial instruments entered into by BOM are generally traded in an over-the counter market with professional market counterparties on standardized contractual terms and conditions. Derivatives have potentially favorable (assets) or unfavorable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. Where quoted market prices are not available, the Bank used valuation techniques.

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

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

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

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 provides the fair value measurement hierarchy of the Bank's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2014 and 2013 are as follows:

		Fair value measurement using		
	Total	**Quoted prices inactive markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
2014	**MNT'million**	**MNT'million**	**MNT'million**	**MNT'million**
Assets measured at fair value				
Financial investments available-for-sale				
RAMP investment account assets	189,681	189,681	–	–
Bonds of Bank for International Settlements	113,133	113,133	–	–
US Treasury	189,763	189,763	–	–
Senior RMBS bonds	748,742	–	748,742	–
Gold bullion and precious metals				
Gold Bullion	207,066	207,066	–	–
Silver	116	116	–	–
Derivative financial instruments	3,264	–	3,264	
Revalued property and equipment				
Buildings/premises	22,305	–	–	22,305
Liabilities measured at fair value				
Derivative financial instruments	89,710	–	69,533	20,177

There have been no transfers between the fair value hierarchy levels during the period.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

		Fair value measurement using		
	Total	Quoted prices inactive markets (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3)
2013	**MNT'million**	**MNT'million**	**MNT'million**	**MNT'million**
Assets measured at fair value				
Financial investments available-for-sale				
RAMP investment account assets	166,110	166,110	–	–
Bonds of Bank for International Settlements	494,187	494,187	–	–
US Treasury	290,149	290,149	–	–
Gold bullion and precious metals				
Gold Bullion	251,440	251,440	–	–
Silver	305	305	–	–
Derivative financial instruments	2,803	–	2,803	–
Revalued property and equipment				
Buildings/premises	22,305	–	–	22,305
Liabilities measured at fair value				
Derivative financial instruments	70,017	–	12,544	57,473

The following table sets out the gains and losses of level 3 assets and liabilities measured at fair value included in profit or loss and other comprehensive income.

Level 3 Assets and Liabilities	**2014 MNT'million**	**2013 MNT'million**
Unrealised losses for the year included in profit or loss		
– Revaluation of properties	–	(3,618)
– Derivatives	(20,177)	(57,473)
	(20,177)	**(61,091)**
Gains for the year included in other comprehensive income		
– Revaluation of properties	–	4,263
	–	**4,263**

Derivatives

Derivative products valued using a valuation technique with market-observable inputs are mainly currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

Derivatives (Cont'd.)

Derivative products valued using a valuation technique with significant non–market-observable inputs are SIFS forwards. These derivatives are valued using swap models which incorporate the Bank's specific interest rates as a significant non-market-observable input. Significant increases (decreases) in the interest rates used in the calculation would result in a significantly lower (higher) fair value.

Level 3 Financial Assets or Liabilities	Valuation technique	Significant unobservable Inputs	Range	Sensitivity of the input to fair value
Forwards	Forward Valuation Model	Annual interest rate	0.89% - 12.5% (2013: 0.89%- 10.5%)	11.6% (2013: 9.6%) increase (decrease) in the annual loan interest rate offered to local banks would result in decrease (increase) in fair value by MNT 1,141 million (2013: MNT 9,197 million).

Revaluation of Buildings

Fair value of the buildings was determined by using cost approach. This means that valuations performed by the valuer are based on the estimated costs of construction of a similar building type as approved by the Mongolian Government Resolution 336. As at the date of revaluation 1 October 2013, the properties' fair values are based on valuations performed by a consortium of companies who are all accredited independent valuers.

Significant unobservable valuation input:
Price per square meter (office building): MNT 619.27
Price per square meter (bank): MNT 593.34
Price per square meter (garage): MNT 509.80

Significant increases (decreases) in estimated price per square meter for each type of building in isolation would result in a significantly higher (lower) fair value.

The unobservable valuation inputs above were based on the valuation exercise performed by the Bank in 2013. The Bank has assessed these inputs have not changed significantly in 2014.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

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

	2014		2013	
	Carrying value MNT'million	Fair value MNT'million	Carrying value MNT'million	Fair value MNT'million
Financial assets				
Cash in hand	57,990	57,990	63,691	63,691
Due from foreign financial institutions	1,409,350	1,409,350	1,951,095	1,950,522
Reverse repurchase agreements	1,466,557	1,466,557	1,529,215	1,529,215
Government securities	204,828	204,828	–	–
Due from local banks	–	–	405,896	405,000
Loans to local banks	2,085,945	2,085,216	2,787,461	2,786,766
Other financial assets	657,582	657,571	204,948	204,900
	5,882,252	**5,881,512**	**6,942,306**	**6,940,094**
Financial liabilities				
Cash in circulation	809,657	809,657	841,129	841,129
Central bank bills	853,781	853,781	1,627,017	1,627,017
Liabilities due to government organizations	798,649	798,620	1,710,024	1,708,201
Deposits from local banks	2,803,462	2,803,462	2,497,197	2,497,197
Liabilities due to foreign parties	2,987,888	2,956,041	1,774,807	1,762,739
Other financial liabilities	27,204	27,142	34,632	34,574
	8,280,641	**8,248,703**	**8,484,806**	**8,470,857**

Financial assets and liabilities which are not measured at fair value but whose fair values are disclosed in the fair value table

The fair value of these financial assets and liabilities are categorized under level 2 as the Bank determined the fair value based on valuation techniques (eg. discounted cash flow model) using market observable inputs.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

35. MATURITY ANALYSIS

The following table provides information for each line item in the statement of financial position which combines amounts expected to be recovered or settled before and after twelve months after the reporting period.

As at 31 December 2014	Within 12 months MNT'million	After 12 months MNT'million	Total MNT'million
Assets			
Cash in hand	57,990	–	57,990
Due from foreign financial institutions	1,408,474	876	1,409,350
Financial investments available-for-sale	354,654	892,285	1,246,939
Reverse repurchase agreements	1,466,557	–	1,466,557
Gold bullion and precious metals	329,656	4,303	333,959
Government securities	2,424	202,404	204,828
Derivative financial instruments	1,876	1,388	3,264
Loans to local banks	1,716,985	368,960	2,085,945
Other assets	188,702	469,900	658,602
Total assets	**5,527,318**	**1,940,116**	**7,467,434**
Liabilities			
Cash in circulation	809,657	–	809,657
Central bank bills	853,781	–	853,781
Liabilities due to government organizations	769,569	29,080	798,649
Deposits from local banks	2,803,462	–	2,803,462
Derivative financial instruments	21,373	68,337	89,710
Liabilities due to foreign parties	2,987,888	–	2,987,888
Other liabilities	17,711	63,760	81,471
Total liabilities	**8,263,441**	**161,177**	**8,424,618**
Net	**(2,736,123)**	**1,778,939**	**(957,184)**

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

35. MATURITY ANALYSIS (CONT'D.)

As at 31 December 2013	Within 12 months MNT'million	After 12 months MNT'million	Total MNT'million
Assets			
Cash in hand	63,691	–	63,691
Due from foreign financial institutions	1,950,253	842	1,951,095
Financial investments available-for-sale	730,771	222,759	953,530
Reverse repurchase agreements	1,529,215	–	1,529,215
Gold bullion and precious metals	283,154	4,015	287,169
Government securities	–	–	–
Due from local banks	405,896	–	405,896
Loans to local banks	2,138,690	648,771	2,787,461
Other assets	88,327	119,900	208,227
Total assets	**7,189,997**	**996,287**	**8,186,284**
Liabilities			
Cash in circulation	841,129	–	841,129
Central bank bills	1,627,017	–	1,627,017
Liabilities due to government organizations	1,680,786	29,238	1,710,024
Deposits from local banks	2,497,197	–	2,497,197
Liabilities due to foreign parties	1,774,569	238	1,774,807
Other liabilities	158,707	–	158,707
Total liabilities	**8,579,405**	**29,476**	**8,608,881**
Net	**(8,491,078)**	**966,811**	**(422,597)**

36. RELATED PARTY TRANSACTIONS

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

36. RELATED PARTY TRANSACTIONS (CONT'D.)

As of 31 December 2014 and 31 December 2013, the Bank has disclosed balances and transactions with the following related parties: Government (which includes organizations, such as Ministry of Finance, which management is appointed by the central government); local commercial bank, State Bank, which is owned by MOF and DIC and the management is appointed by the government; Development Bank of Mongolia, which is owned by MOF and the management is appointed by the government; and DIC, which is fully owned by the government and all decisions concerning the activities of DIC must be approved by vote from each of the seven members of the National Committee Chaired by the Deputy Governor of BOM. The Bank utilised the amendment in IAS 24 on 'partial exemption from the disclosure requirement for government-related entities'. Thus, individually immaterial transactions with government-related entities are not disclosed in these financial statements.

The outstanding balances with related parties as of 31 December 2014 and 2013 were as follows:

31 December 2014	Government MNT'million	State Bank MNT'million	Development Bank MNT'million	DIC MNT'million
Government securities	204,828	–	–	–
Loans to local banks	–	127,967	–	–
Loans to non-financial institutions	–	–	–	204,911
Swap derivative assets	–	151	–	–
Other assets	–	31	176,681	–
Central bank bills	–	(99,836)	–	–
Deposits from local banks	–	(410,699)	(107,137)	–
Deposit from non-financial institutions	–	–	–	(351)
Liabilities due to government organizations	(798,649)	–	–	–
Swap derivative liabilities	–	(30)	–	–
Other liabilities	–	(62)	–	–
	(593,821)	**(382,478)**	**69,544**	**204,560**

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

36. RELATED PARTY TRANSACTIONS (CONT'D.)

31 December 2013	Government MNT'million	State Bank MNT'million	Development Bank MNT'million	DIC MNT'million
Government securities	–	–	–	–
Loans to local banks	–	249,691	–	–
Loans to non-financial institutions	–	–	–	204,911
Other assets	–	36	–	–
Central bank bills	–	(209,505)	–	–
Deposits from local banks	–	(278,714)	(419)	–
Deposit from non-financial institutions	–	–	–	(3,533)
Liabilities due to government organizations	(1,710,024)	–	–	–
Swap derivative liabilities	–	(394)	–	–
Other liabilities	–	(59)	–	–
	(1,710,024)	**(238,945)**	**(419)**	**201,378**

The income and expense items with related parties for the years 2014 and 2013 were as follows:

31 December 2014	Government MNT'million	State Bank MNT'million	Development Bank MNT'million	DIC MNT'million
Interest income	373	6,216	–	600
Interest expense	(6,537)	(15,758)	–	–
Commission income	253	430	5	–
	(5,911)	**(9,112)**	**5**	**600**

31 December 2013	Government MNT'million	State Bank MNT'million	Development Bank MNT'million	DIC MNT'million
Interest income	6,957	7,838	–	155
Interest expense	(87,128)	(8,024)	–	–
Commission income	281	262	2	–
Subscription for share capital	–	–	–	50,000
	(79,890)	**76**	**2**	**50,155**

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

36. RELATED PARTY TRANSACTIONS (CONT'D.)

The transactions with related parties arose from the ordinary course of business. The interests charged to and by related parties are at normal commercial rates. Outstanding balances except for loans and advances to related parties at year end are unsecured. There have been no guarantees provided or received for any related party receivables and payables.

Key management compensation is presented below:

	2014 MNT'million	2013 MNT'million
Salaries and wages	539	465
Benefits in-kind	98	113
Social and pension fund contribution	70	64
Other compensation	392	597
	1,099	**1,239**

37. CAPITAL MANAGEMENT (CONT'D.)

The capital of the Bank comprises the residual value of the Bank's assets after deduction of all its liabilities. The Bank's objectives when managing capital are to maintain an appropriate level of capital to ensure the economic independence of the Bank and its ability to perform its functions. The Bank considers total capital under management to be equity shown in the statement of financial position as disclosed in these financial statements.

No external capital requirements exist for the Bank as the central bank. The Law on Central Bank defines the minimum amount of statutory capital (charter fund) and minimum portion of annual net income which needs to be allocated to the Bank's equity. As disclosed in Note 29, statutory capital of the Bank was MNT 5,000 million (31 December 2013: MNT 5,000 million), which represents the minimum amount defined by the Law. Also, the Law states that at least 40% of the Bank's net income has to be allocated to the Bank's equity, while the remaining amount (i.e. maximum 60% of net income) can be transferred to the State Budget account. The Bank has accumulated losses and thus, no transfers were made to the State Budget during 2014 and 2013.

As disclosed in the statement of profit or loss and comprehensive income, the Bank has incurred loss of MNT 535,473 million in 2014 (2013: MNT 251,072 million) and had negative equity position of MNT 929,794 million as at 31 December 2014 (2013: MNT 394,151 million). The management has taken legal steps since 2012 when the Bank started to be in negative equity position such as informing the Government of Mongolia and relevant Standing Committees of the Parliament. Such steps being considered under the framework of Article 38.1 of the Central Bank Law stipulates that, if a deficit of the Central Bank arises, the Parliament shall make a decision whether the Government has to issue securities in order to cover the difference in the amount of the net deficit.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

37. CAPITAL MANAGEMENT (CONT'D.)

Thus, the Government has no obligation to fund a net deficit of the Bank. However, issuance of government bonds for covering a deficit is a possibility which could be used by the Parliament, if covering a deficit is necessary to enable the Bank to perform its functions and continue its operations. According to Article 37 of the Law, the revaluation fund of the Bank should include the following:

- differences resulting from the foreign currency revaluation of assets and liabilities that are held in gold and in foreign currency due to fluctuations of foreign exchange rate of Mongolian Togrog (MNT);
- differences resulting from the revaluation of fixed assets (i.e. buildings).

According to Article 37 of the Law, the differences resulting from the revaluation of foreign currency denominated assets and liabilities and gold should not be included in the determination of net distributable income of the Bank.

As a result, the Bank has established a foreign currency revaluation fund, revaluation reserve for precious metals, revaluation reserve for fixed assets, and revaluation reserve for financial investments available for sale, refer to Note 30.

38. EVENTS AFTER THE END OF THE REPORTING PERIOD

- The promissory note issued by Development Bank of Mongolia (DBM) as discussed in Note 22, has expired on 12 February 2015 and has not been settled by DBM as at the date of the issuance of this report. The Bank is currently in discussion with DBM to recover this receivable. As at the date of this report, the Bank has provided an allowance of MNT 78,999 million equal to 50 percent of total outstanding balance of this note.

- As disclosed in Note 22, one (1) of the promissory notes issued by a local company has met the criteria to reduce the interest rate from 21% per annum to 7% per annum. The Bank has reversed its accrual of interest income from this receivable amounting to MNT4,085 million in 2015.

- Under the Parliament decision #69 dated on 13 November 2014, the Bank has been suspending gradually its participation in the Price Stabilization Program described in Note 2.4 and has ceased issuing additional loans and financial derivatives to the commercial banks.

Management is not aware of any other events that occurred after the end of reporting period until the issuance of the report, which would have impact on these financial statements.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

39. COMPARATIVES

Certain comparative amounts have been reclassified to conform to current year's presentation.

40. 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.

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 depository corporations		amount	monthly changes %	Current account in DC
				amount	monthly changes %			
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 12	364,074.4	12.5	80,749.1	283,325.3	8.2	590,471.6	13.6	307,146.3
2008 12	407,210.5	23.0	78,486.5	328,724.0	25.0	647,335.3	18.1	318,611.3
2009 12	371,831.9	2.2	86,838.0	284,993.9	2.3	651,247.0	8.4	366,253.2
2010 12	519,692.4	9.9	131,489.8	388,202.7	10.7	1,157,617.9	16.3	769,415.2
01	565,690.3	8.9	170,922.1	394,768.2	1.7	1,131,534.4	-2.3	736,766.2
02	474,517.4	-16.1	138,076.2	336,441.2	-14.8	1,031,274.1	-8.9	694,833.0
03	531,134.7	11.9	144,313.1	386,821.6	15.0	1,181,542.7	14.6	794,721.1
04	628,571.6	18.3	153,753.1	474,818.5	22.7	1,338,482.3	13.3	863,663.8
05	624,752.2	-0.6	145,813.1	478,939.2	0.9	1,422,762.8	6.3	943,823.7
06	638,773.5	2.2	159,073.3	479,700.2	0.2	1,552,624.4	9.1	1,072,924.2
07	673,939.2	5.5	176,800.3	497,138.9	3.6	1,559,400.7	0.4	1,062,261.9
08	705,791.8	4.7	175,363.1	530,428.7	6.7	1,653,779.0	6.1	1,123,350.3
09	705,251.3	-0.1	180,113.0	525,138.2	-1.0	1,676,234.5	1.4	1,151,096.3
10	694,919.4	-1.5	187,343.0	507,576.4	-3.3	1,622,945.0	-3.2	1,115,368.6
11	678,907.7	-2.3	190,946.8	487,960.9	-3.9	1,552,663.2	-4.3	1,064,702.2
2011 12	713,351.1	5.1	195,857.0	517,494.2	6.1	1,741,075.7	12.1	1,223,581.5
2012 01	656,998.9	-7.9	197,571.7	459,427.3	-11.2	1,565,796.9	-10.1	1,106,369.6
02	673,778.6	2.6	215,380.7	458,397.9	-0.2	1,500,327.8	-4.2	1,041,929.9
03	648,454.6	-3.8	200,372.5	448,082.1	-2.3	1,488,163.7	-0.8	1,040,081.6
04	708,876.4	9.3	210,050.7	498,825.7	11.3	1,595,806.6	7.2	1,096,980.9
05	782,922.5	10.4	187,269.2	595,653.3	19.4	1,741,358.4	9.1	1,145,705.1
06	891,527.8	13.9	228,596.4	662,931.5	11.3	1,797,175.2	3.2	1,134,243.8
07	801,409.3	-10.1	209,693.3	591,716.0	-10.7	1,660,362.3	-7.6	1,068,646.3
08	814,882.5	1.7	223,623.9	591,258.7	-0.1	1,681,086.8	1.2	1,089,828.2
09	745,629.7	-8.5	193,840.6	551,789.1	-6.7	1,658,017.5	-1.4	1,106,228.4
10	717,559.2	-3.8	216,271.6	501,287.6	-9.2	1,578,738.0	-4.8	1,077,450.3
11	722,110.5	0.6	220,890.6	501,220.0	0.0	1,557,134.1	-1.4	1,055,914.1
12	828,450.3	14.7	225,085.0	603,365.3	20.4	1,834,894.1	17.8	1,231,528.8
2013 01	742,095.5	-10.4	226,997.2	515,098.3	-14.6	1,579,396.5	-13.9	1,064,298.2
02	675,601.5	-9.0	209,119.2	466,482.3	-9.4	1,480,366.9	-6.3	1,013,884.6
03	687,718.8	1.8	205,061.0	482,657.7	3.5	1,589,180.2	7.4	1,106,522.4
04	759,822.5	10.5	228,295.1	531,527.4	10.1	1,668,296.9	5.0	1,136,769.5
05	830,979.7	9.4	233,190.4	597,789.3	12.5	1,779,178.3	6.6	1,181,389.0
06	835,813.3	0.6	235,778.9	600,034.4	0.4	2,026,501.7	13.9	1,426,467.3
07	832,173.6	-0.4	245,126.3	587,047.3	-2.2	1,927,595.6	-4.9	1,340,548.3
08	867,821.9	4.3	237,157.0	630,664.9	7.4	1,950,472.6	1.2	1,319,807.8
09	874,965.7	0.8	277,479.2	597,486.4	-5.3	2,016,712.3	3.4	1,419,225.9
10	824,792.1	-5.7	245,402.2	579,389.9	-3.0	1,938,258.2	-3.9	1,358,868.3
11	803,911.5	-2.5	246,227.8	557,683.7	-3.7	1,826,929.8	-5.7	1,269,246.1
12	841,129.3	4.6	259,095.2	582,034.1	4.4	2,093,197.7	14.6	1,511,163.6
2014 01	894,289.7	6.3	274,993.8	619,295.9	6.4	1,963,134.7	-6.2	1,343,838.8
02	756,630.8	-15.4	242,061.1	514,569.7	-16.9	1,755,175.7	-10.6	1,240,606.0
03	801,171.5	5.9	251,357.2	549,814.3	6.8	1,737,315.8	-1.0	1,187,501.5
04	841,608.9	5.0	250,233.8	591,375.0	7.6	1,845,703.9	6.2	1,254,328.9
05	863,001.8	2.5	266,794.7	596,207.0	0.8	1,826,340.0	-1.0	1,230,132.9
06	860,041.0	-0.3	288,893.4	571,147.6	-4.2	1,862,126.7	2.0	1,290,979.1
07	859,579.7	-0.1	404,419.5	455,160.2	-20.3	1,698,459.4	-8.8	1,243,299.2
08	880,080.1	2.4	264,114.0	615,966.1	35.3	1,874,699.0	10.4	1,258,732.9
09	827,298.6	-6.0	291,120.9	536,177.7	-13.0	1,836,379.6	-2.0	1,300,201.8
10	809,649.4	-2.1	321,457.1	488,192.3	-8.9	1,751,772.8	-4.6	1,263,580.5
11	768,989.6	-5.0	345,367.0	423,622.6	-13.2	1,689,756.9	-3.5	1,266,134.3
12	809,657.1	5.3	310,399.4	499,257.7	17.9	1,816,717.7	7.5	1,317,460.1

[1] *Data of Savings and Credit Cooperatives was included in Broad Money*

Money supply

Continued

End-of-period	Other deposits		Of which					Money (M2)	
	amount	monthly changes %	Time deposit in DC	Of which		Time deposits in FC	Current account in FC	amount	monthly changes %
				Individuals	Corporations				
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	282,570.9	3.8	147,384.8	137,355.8	10,029.0	71,147.8	64,038.2	470,298.7	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 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 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 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 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
01	3,673,919.9	4.3	2,236,593.2	1,947,921.4	288,671.8	829,272.3	608,054.4	4,805,454.3	2.7
02	3,836,157.5	4.4	2,311,625.7	2,016,739.1	294,886.6	842,059.1	682,472.6	4,867,431.6	1.3
03	3,773,586.1	-1.6	2,338,658.1	2,068,784.6	269,873.5	792,974.6	641,953.4	4,955,128.8	1.8
04	4,012,030.3	6.3	2,363,348.0	2,094,155.4	269,192.6	859,476.7	789,205.6	5,350,512.6	8.0
05	4,006,154.0	-0.1	2,434,478.5	2,166,378.3	268,100.1	849,213.7	722,461.9	5,428,916.9	1.5
06	4,219,933.5	5.3	2,555,476.5	2,282,435.6	273,040.9	850,500.2	813,956.8	5,772,557.8	6.3
07	4,360,991.7	3.3	2,641,049.8	2,350,471.9	290,577.9	866,835.6	853,106.3	5,920,392.4	2.6
08	4,249,456.1	-2.6	2,680,172.2	2,379,244.6	300,927.6	865,361.4	703,922.6	5,903,235.1	-0.3
09	4,377,634.3	3.0	2,778,679.9	2,440,373.9	338,306.0	893,335.5	705,619.0	6,053,868.9	2.6
10	4,455,359.6	1.8	2,843,670.9	2,497,040.3	346,630.6	901,189.0	710,499.8	6,078,304.6	0.4
11	4,560,531.7	2.4	2,809,589.6	2,460,719.4	348,870.2	1,004,914.2	746,027.8	6,113,194.9	0.6
2011 12	4,671,183.6	2.4	2,912,432.3	2,586,648.3	325,784.0	977,902.4	780,849.0	6,412,259.3	4.9
2012 01	4,581,661.8	-1.9	2,859,121.7	2,614,113.3	245,008.4	1,026,832.4	695,707.7	6,147,458.7	-4.1
02	4,737,242.4	3.4	2,995,548.2	2,743,409.3	252,138.9	999,690.5	742,003.8	6,237,570.2	1.5
03	4,616,653.9	-2.5	2,980,692.6	2,729,181.8	251,510.8	765,641.0	870,320.3	6,104,817.6	-2.1
04	4,767,102.1	3.3	2,981,443.4	2,738,807.9	242,635.5	999,587.1	786,071.6	6,362,908.7	4.2
05	4,988,250.9	4.6	3,023,980.7	2,777,971.3	246,009.3	1,200,918.4	763,351.8	6,729,609.3	5.8
06	5,254,022.5	5.3	3,079,726.5	2,855,003.7	224,722.8	1,287,877.6	886,418.4	7,051,197.7	4.8
07	5,293,169.2	0.7	3,130,745.7	2,905,401.2	225,344.4	1,287,022.0	875,401.5	6,953,531.5	-1.4
08	5,316,061.1	0.4	3,081,023.8	2,854,473.4	226,550.4	1,334,530.0	900,507.2	6,997,147.9	0.6
09	5,454,158.5	2.6	3,082,286.2	2,844,351.5	237,934.7	1,496,225.8	875,646.5	7,112,176.0	1.6
10	5,553,857.1	1.8	3,174,975.0	2,870,656.2	304,318.8	1,487,330.6	891,551.6	7,132,595.1	0.3
11	5,476,076.7	-1.4	3,164,672.5	2,905,611.3	259,061.1	1,432,376.6	879,027.6	7,033,210.8	-1.4
12	5,778,800.9	5.5	3,484,964.2	3,106,186.2	378,777.9	1,434,728.1	859,108.6	7,613,694.9	8.3
01 2013	5,761,304.5	-0.3	3,604,128.1	3,174,665.6	429,462.5	1,332,263.3	824,913.1	7,340,701.0	-3.6
02	5,757,678.1	-0.1	3,696,441.8	3,267,275.1	429,166.7	1,257,292.4	803,944.0	7,238,045.0	-1.4
03	5,711,420.0	-0.8	3,698,789.8	3,299,691.9	399,097.9	1,187,615.3	825,015.0	7,300,600.2	0.9
04	5,515,865.2	-3.4	3,669,698.3	3,280,166.1	389,532.2	1,029,468.2	816,698.8	7,184,162.1	-1.6
05	6,129,721.6	11.1	3,949,014.0	3,291,788.9	657,225.1	1,190,003.0	990,704.6	7,908,899.9	10.1
06	5,977,299.6	-2.5	3,940,370.0	3,348,515.6	591,854.4	1,100,707.6	936,222.0	8,003,801.3	1.2
07	6,161,088.6	3.1	4,013,744.5	3,332,389.2	681,355.4	1,227,616.5	919,727.6	8,088,684.2	1.1
08	6,459,674.0	4.8	3,970,477.2	3,266,783.8	703,693.4	1,398,048.5	1,091,148.3	8,410,146.6	4.0
09	6,465,175.8	0.1	4,084,489.6	3,406,572.0	677,917.6	1,239,102.2	1,141,583.9	8,481,888.2	0.9
10	6,777,667.3	4.8	4,362,390.8	3,385,688.5	976,702.4	1,319,041.9	1,096,234.6	8,715,925.5	2.8
11	7,274,507.8	7.3	4,630,963.4	3,396,388.5	1,234,574.9	1,410,480.0	1,233,064.4	9,101,437.6	4.4
12	7,361,734.9	1.2	4,911,278.7	3,662,325.8	1,248,952.9	1,476,207.3	974,248.9	9,454,932.6	3.9
2014 01	8,058,724.0	9.5	4,964,258.6	3,745,381.8	1,218,876.8	1,907,463.7	1,187,001.8	10,021,858.7	6.0
02	8,092,603.2	0.4	4,918,273.1	3,728,463.9	1,189,809.1	2,024,203.9	1,150,126.3	9,847,778.9	-1.7
03	8,212,118.1	1.5	5,184,155.7	3,695,190.7	1,488,965.0	1,998,485.0	1,029,477.5	9,949,433.9	1.0
04	8,357,611.4	1.8	5,739,985.2	3,672,166.4	2,067,818.9	1,452,772.5	1,164,853.6	10,203,315.3	2.6
05	8,414,191.2	0.7	5,733,096.5	3,653,723.5	2,079,373.0	1,404,699.3	1,276,395.3	10,240,531.1	0.4
06	8,244,906.0	-2.0	5,692,454.7	3,678,622.4	2,013,832.4	1,447,348.8	1,105,102.5	10,107,032.7	-1.3
07	8,379,767.2	1.6	5,553,818.6	3,609,504.3	1,944,314.3	1,562,234.0	1,263,714.6	10,078,226.6	-0.3
08	8,261,298.9	-1.4	5,447,043.9	3,571,024.9	1,876,019.0	1,517,434.3	1,296,820.7	10,135,997.9	0.6
09	8,237,957.6	-0.3	5,218,098.5	3,584,404.8	1,633,693.7	1,756,118.1	1,263,741.0	10,074,337.2	-0.6
10	8,221,477.7	-0.2	5,062,532.4	3,598,710.7	1,463,821.7	1,691,766.5	1,467,178.8	9,973,250.4	-1.0
11	8,238,384.8	0.2	4,977,122.9	3,597,390.1	1,379,732.8	1,875,763.6	1,385,498.2	9,928,141.7	-0.5
12	8,819,093.5	7.0	5,410,251.4	3,838,372.7	1,571,878.7	1,969,787.0	1,439,055.1	10,635,811.3	7.1

[1] *Data of Savings and Credit Cooperatives was included in Broad Money*

Depository Corporations Survey

In millions of togrogs

End-of-period	Net foreign assets	Domestic claims (net)	Domestic claims (net) Excl. Banks in liquidation	Of which: General Government	Of which: General Government Excl. Banks in liquidation	Of which: Central Government	Of which: Central Government Excl. Banks in liquidation	Local Government
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		-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 12	1,352,046.2	1,329,532.9		-726,528.0		-719,606.1		-6,921.9
2008 12	683,478.2	2,061,976.5		-573,575.1		-566,471.1		-7,104.0
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	1,888,563.5		-700,265.6		-689,294.3		-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	1,734,009.7		-883,976.6		-875,409.6		-8,566.9
11	1,541,558.5	1,782,186.4		-849,844.7		-840,799.7		-9,045.0
2009 12	1,532,827.5	1,937,874.3		-717,126.1		-709,477.0		-7,649.1
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
2010 12	2,739,285.7	2,429,981.1		-834,796.9		-828,917.2		-5,879.7
01	2,666,682.5	2,611,222.8		-829,042.3		-821,162.2		-7,880.1
02	2,610,140.3	2,637,578.4		-888,724.7		-880,054.7		-8,670.0
03	2,618,912.3	2,734,749.6		-996,082.0		-988,369.0		-7,712.9
04	2,920,282.0	2,951,367.3		-1,022,511.7		-1,008,053.3		-14,458.5
05	2,697,019.9	3,195,242.3		-1,051,576.6		-1,034,400.8		-17,175.9
06	2,949,693.7	3,380,151.7		-1,172,639.7		-1,161,741.9		-10,897.8
07	3,064,096.1	3,458,332.7		-1,223,066.5		-1,203,839.6		-19,226.9
08	2,885,662.8	3,585,761.8		-1,285,041.0		-1,267,576.9		-17,464.1
09	3,041,323.7	3,699,454.1		-1,359,623.3		-1,350,632.8		-8,990.5
10	3,059,841.8	3,699,329.9		-1,522,578.4		-1,514,016.6		-8,561.8
11	3,005,462.5	3,840,801.2		-1,597,937.7		-1,588,186.5		-9,751.2
2011 12	3,067,439.5	4,270,983.8		-1,370,249.9		-1,362,960.6		-7,289.3
01	2,882,446.5	4,187,918.7		-1,459,709.5		-1,446,271.6		-13,437.9
02	2,851,992.2	4,264,746.3		-1,441,488.0		-1,416,663.1		-24,824.9
03	3,354,801.4	4,403,777.8		-1,377,728.3		-1,347,112.8		-30,615.4
04	3,444,431.7	4,550,257.9		-1,385,724.8		-1,355,422.0		-30,302.8
05	3,512,764.8	4,808,497.9		-1,312,702.2		-1,279,327.6		-33,374.6
06	3,448,389.3	5,287,742.3		-1,030,442.9		-1,018,306.4		-12,136.5
07	3,218,826.0	5,376,276.0		-1,052,243.5		-1,027,807.9		-24,435.6
08	3,102,716.0	5,627,434.6		-1,047,636.4		-1,029,299.7		-18,336.7
09	2,866,553.8	5,863,181.6		-1,004,152.4		-994,354.1		-9,798.4
10	2,575,164.5	5,848,798.4		-1,006,617.6		-995,441.7		-11,175.9
11	2,392,927.8	5,973,956.0		-893,825.8		-882,502.0		-11,323.7
12	4,401,613.3	3,948,550.6		-3,039,814.5		-3,032,884.1		-6,930.3
2013 01	4,102,792.8	4,076,637.2		-3,063,187.2		-3,055,812.6		-7,374.6
02	4,041,551.3	4,141,002.8		-3,027,461.0		-3,011,180.1		-16,280.9
03	3,930,140.4	4,379,959.4		-3,010,669.5		-2,996,783.1		-13,886.4
04	3,426,150.2	4,739,585.3		-3,031,474.9		-3,018,768.5		-12,706.4
05	3,197,099.7	5,584,661.8		-2,641,757.0		-2,629,733.9		-12,023.1
06	2,779,342.3	6,075,486.3		-2,532,767.9		-2,522,290.6		-10,477.3
07	2,398,073.2	6,573,912.7	*6,336,465.1*	-2,543,775.3	*-2,517,080.1*	-2,532,935.7	*-2,496,976.0*	-10,839.6
08	2,261,364.3	7,455,595.6	*7,216,374.8*	-2,327,505.0	*-2,300,841.6*	-2,317,025.2	*-2,280,380.0*	-10,479.8
09	1,934,990.8	8,088,695.1	*7,805,147.7*	-2,269,602.1	*-2,243,392.5*	-2,261,680.2	*-2,225,306.7*	-7,921.9
10	1,542,595.1	8,786,384.1	*8,499,625.3*	-1,907,312.9	*-1,881,103.3*	-1,902,584.3	*-1,875,369.7*	-4,728.6
11	1,125,727.3	9,734,742.9	*9,445,784.1*	-1,292,701.2	*-1,269,263.6*	-1,287,776.5	*-1,253,587.2*	-4,924.7
12	933,838.6	9,920,734.3	*9,638,853.5*	-1,048,347.6	*-1,022,405.8*	-1,044,432.7	*-1,008,279.6*	-3,914.9
2014 01	1,172,512.4	10,234,794.4	*9,952,163.3*	-979,933.4	*-953,639.2*	-975,207.9	*-938,275.7*	-4,725.5
02	812,674.6	10,744,383.2	*10,511,988.9*	-1,078,893.1	*-999,943.5*	-1,056,629.6	*-966,644.4*	-22,263.5
03	489,158.6	11,394,136.0	*11,109,597.9*	-646,275.8	*-620,066.3*	-614,005.0	*-587,795.6*	-32,270.7
04	297,579.7	11,874,351.5	*11,589,591.5*	-524,533.5	*-498,324.0*	-492,601.2	*-466,391.8*	-31,932.3
05	-175,857.0	12,324,504.7	*12,045,503.2*	-403,261.4	*-377,051.9*	-379,886.7	*-353,677.2*	-23,374.7
06	-684,955.8	12,697,584.3	*12,483,580.7*	-256,537.0	*-230,327.5*	-232,641.8	*-206,432.3*	-23,895.2
07	-1,055,479.7	12,782,732.6	*12,568,085.5*	-296,817.8	*-270,154.6*	-264,739.2	*-238,075.9*	-32,078.7
08	-901,941.8	12,878,474.8	*12,666,776.6*	-316,440.5	*-289,777.2*	-296,953.4	*-270,290.1*	-19,487.1
09	-972,083.8	13,177,329.0	*12,964,666.5*	-282,180.5	*-255,504.9*	-261,259.0	*-234,583.4*	-20,921.5
10	-1,441,357.2	13,404,441.2	*13,191,011.9*	-421,754.5	*-395,079.0*	-395,945.3	*-369,269.7*	-25,809.3
11	-2,033,227.5	13,801,104.3	*13,586,373.4*	-339,943.0	*-313,267.4*	-316,670.0	*-289,994.4*	-23,273.0
12	-1,701,887.9	14,100,050.7	*13,868,097.9*	106,286.8	*130,538.3*	132,250.5	*156,502.0*	-25,963.7

[1] *From December 2008 the Settlement on PRGF loan was included in Net Domestic Credit, particularly in Claims on Government*
[2] *Data of Savings and Credit Cooperatives was included in Broad Money*

Depository Corporations Survey

Continued

End-of-period	Claims on other sectors	Claims on other sectors Excl. Banks in liquidation	Of which:						
			Other financial corporations	Public sector	Private sector	Private sector Excl. Banks in liquidation	Individuals	Individuals Excl. Banks in liquidation	Other
2000 12	67,659.9			6,281.5	45,482.9				
2001 12	136,088.6			10,402.0	114,670.4				
2002 12	232,466.6			12,184.9	203,567.2				
2003 12	417,928.0			16,203.6	365,024.4				
2004 12	606,798.6		455.1	13,125.7	365,057.9		210,931.1		17,228.9
2005 12	859,851.8		498.8	34,169.2	489,064.7		321,606.8		14,512.4
2006 12	1,223,287.3		1,597.1	36,731.6	659,019.3		507,570.0		18,369.3
2007 12	2,056,060.8		2,828.5	27,331.8	1,166,149.5		838,778.5		20,972.4
2008 12	2,635,551.6		3,412.1	34,794.6	1,570,398.9		1,013,694.2		13,251.7
01	2,671,994.3		3,934.3	26,411.5	1,631,658.9		995,905.1		14,084.4
02	2,685,301.5		3,278.4	25,436.3	1,653,170.0		989,544.2		13,872.6
03	2,671,726.6		4,039.9	26,158.4	1,672,342.0		963,525.9		5,660.2
04	2,580,239.4		4,078.1	22,441.4	1,617,792.1		930,567.3		5,360.5
05	2,534,907.0		4,385.7	21,635.9	1,607,257.3		894,662.2		6,965.9
06	2,558,929.7		3,767.8	20,199.9	1,653,214.5		875,248.8		6,498.8
07	2,580,778.5		4,021.2	27,764.4	1,662,311.1		880,152.4		6,529.6
08	2,588,829.1		5,155.8	26,099.5	1,639,487.7		911,531.9		6,554.1
09	2,630,934.7		4,274.1	24,402.5	1,663,783.5		924,277.4		14,197.1
10	2,617,986.3		4,310.8	23,089.8	1,652,200.0		928,245.8		10,139.9
11	2,632,031.1		4,845.3	21,492.9	1,693,188.3		901,729.8		10,774.9
2009 12	2,655,000.4		4,711.2	20,429.4	1,716,253.8		904,892.3		8,713.7
01	2,674,444.5		3,827.1	20,422.8	1,720,862.3		920,916.9		8,415.5
02	2,715,751.0		4,942.8	19,615.3	1,724,255.4		953,654.9		13,282.6
03	2,768,548.3		12,013.7	16,948.8	1,760,220.7		964,035.3		15,329.8
04	2,764,871.2		11,883.5	16,589.3	1,754,070.2		972,219.7		10,108.4
05	2,852,717.4		10,470.7	15,245.7	1,815,477.0		1,001,587.6		9,936.5
06	2,882,629.3		11,354.6	15,592.9	1,806,502.8		1,038,929.1		10,250.0
07	2,971,993.3		10,436.2	32,651.1	1,844,147.8		1,075,174.1		9,584.2
08	3,022,044.7		11,083.2	34,614.5	1,789,347.8		1,177,478.7		9,520.5
09	3,085,352.1		11,745.6	37,686.6	1,808,074.9		1,218,394.9		9,450.1
10	3,090,290.4		11,778.3	38,336.0	1,797,039.9		1,233,809.4		9,326.8
11	3,112,494.3		12,458.1	36,873.6	1,783,352.2		1,270,186.9		9,623.5
2010 12	3,264,778.0		14,067.6	17,073.9	1,854,774.6		1,369,232.5		9,629.5
2011 01	3,440,265.1		13,711.5	16,598.0	1,909,018.9		1,491,117.4		9,819.4
02	3,526,303.0		13,252.8	15,756.6	1,999,058.5		1,488,750.3		9,484.9
03	3,730,831.5		14,479.0	13,029.5	2,099,485.9		1,596,083.2		7,753.9
04	3,973,879.1		13,580.2	16,163.3	2,226,969.0		1,709,263.3		7,903.3
05	4,246,818.9		15,444.4	15,421.2	2,393,198.6		1,815,285.5		7,469.3
06	4,552,791.3		14,951.3	16,160.3	2,568,669.9		1,944,813.6		8,196.1
07	4,681,399.2		13,720.4	23,953.4	2,637,482.9		1,998,308.4		7,934.2
08	4,870,802.7		15,631.8	26,441.7	2,685,825.7		2,134,699.7		8,203.7
09	5,059,077.4		18,284.0	27,143.3	2,770,747.4		2,234,430.6		8,472.1
10	5,221,908.3		16,503.3	26,225.8	2,861,279.8		2,309,733.5		8,165.9
11	5,438,738.9		17,704.3	41,716.2	2,969,558.6		2,401,950.0		10,812.5
12	5,641,233.7		17,469.1	100,646.0	3,064,543.2		2,452,685.0		11,568.4
2012 01	5,647,628.3		13,745.9	58,975.0	3,095,504.6		2,472,319.2		10,711.2
02	5,706,234.3		15,165.6	51,022.3	3,116,170.9		2,516,673.6		10,530.3
03	5,781,506.0		16,445.1	50,675.2	3,154,928.2		2,552,540.0		10,173.2
04	5,935,982.7		15,218.4	58,984.7	3,246,970.0		2,606,016.8		10,097.2
05	6,121,200.1		16,220.6	63,851.6	3,328,245.3		2,704,399.3		10,137.1
06	6,318,185.2		11,774.3	64,108.9	3,451,365.5		2,783,070.3		11,173.1
07	6,428,519.6		11,883.1	66,356.2	3,541,896.9		2,799,379.9		17,415.3
08	6,675,071.0		10,672.2	71,128.3	3,635,612.4		2,945,413.2		10,227.9
09	6,867,334.0		10,266.3	71,286.3	3,730,255.2		3,044,689.0		17,435.4
10	6,855,416.0		10,249.0	46,185.2	3,723,563.2		3,064,678.5		10,370.1
11	6,867,781.8		9,794.7	48,662.1	3,715,577.6		3,082,934.9		23,610.5
12	6,988,365.1		9,711.6	41,959.8	3,827,721.5		3,097,403.7		7,443.0
2013 01	7,139,824.4		8,142.4	39,665.8	3,884,346.8		3,196,958.2		10,711.2
02	7,168,463.8		9,043.1	14,596.4	3,893,630.0		3,240,664.0		10,530.3
03	7,390,628.9		11,466.9	31,655.3	3,961,354.1		3,375,979.4		10,173.2
04	7,771,060.2		11,087.0	30,540.7	4,215,492.2		3,503,843.1		10,097.2
05	8,226,418.8		10,912.1	44,789.8	4,487,364.7		3,673,215.2		10,137.1
06	8,608,254.3		10,887.0	47,154.6	4,727,167.7		3,811,871.8		11,173.1
07	9,117,688.0	*9,117,688.0*	12,288.6	49,332.3	5,021,567.1	*4,768,054.5*	4,017,084.7	*4,006,454.6*	17,415.3
08	9,783,100.7	*9,783,100.7*	13,833.0	51,033.4	5,342,958.7	*5,086,968.9*	4,365,047.8	*4,355,153.3*	10,227.9
09	10,358,297.2	*10,358,297.2*	224,331.7	59,600.5	5,489,504.4	*5,190,541.3*	4,567,425.1	*4,556,631.2*	17,435.4
10	10,693,697.0	*10,693,697.0*	224,845.7	59,399.4	5,652,555.9	*5,350,370.6*	4,746,525.9	*4,735,742.8*	10,370.1
11	11,027,444.1	*11,027,444.1*	226,563.0	78,861.1	5,866,721.7	*5,564,980.9*	4,831,687.8	*4,821,032.1*	23,610.5
12	10,969,081.9	*10,969,081.9*	224,000.2	80,546.4	5,998,812.7	*5,702,615.5*	4,658,279.6	*4,646,654.3*	7,443.0
2014 01	11,214,727.8	*11,214,727.8*	224,282.3	122,899.0	6,008,604.2	*5,711,232.9*	4,852,927.0	*4,841,373.0*	6,015.2
02	11,823,276.3	*11,823,276.3*	689,950.7	74,272.1	6,127,945.5	*5,828,059.2*	4,925,374.2	*4,913,916.6*	5,733.8
03	12,040,411.8	*12,040,411.8*	679,312.0	73,884.3	6,226,336.1	*5,902,862.9*	5,055,191.2	*5,067,883.4*	5,688.2
04	12,398,885.0	*12,398,885.0*	686,284.9	72,619.3	6,388,642.9	*6,088,836.9*	5,245,376.8	*5,234,213.3*	5,961.1
05	12,727,766.1	*12,727,766.1*	677,754.2	73,002.8	6,547,838.4	*6,253,429.4*	5,423,419.6	*5,412,617.6*	5,751.1
06	12,954,121.4	*12,954,121.4*	678,273.7	74,995.9	6,590,902.2	*6,354,393.8*	5,602,413.2	*5,598,708.5*	7,536.4
07	13,079,550.5	*13,079,550.5*	866,889.0	101,306.4	6,610,011.5	*6,372,416.6*	5,493,485.6	*5,489,770.0*	7,857.9
08	13,194,915.3	*12,956,553.8*	872,423.4	116,634.6	6,535,234.5	*6,300,526.4*	5,661,685.8	*5,658,032.4*	8,937.1
09	13,459,509.5	*13,220,171.5*	872,534.1	144,539.8	6,654,878.5	*6,419,087.8*	5,778,345.1	*5,774,797.8*	9,212.0
10	13,826,195.7	*13,586,090.9*	868,049.5	134,796.0	6,916,828.6	*6,680,239.2*	5,895,921.2	*5,892,405.7*	10,600.4
11	14,141,047.3	*13,899,640.8*	1,166,280.9	132,619.9	7,189,420.6	*6,946,840.8*	5,642,532.9	*5,639,046.0*	10,192.9
12	13,993,763.9	*13,737,559.5*	1,164,311.8	128,550.9	6,980,150.6	*6,731,749.0*	5,710,514.3	*5,707,071.0*	10,236.3

[1] *Data of Savings and Credit Cooperatives was included in Broad Money*

Depository Corporations Survey

Continued

End-of-period	Money	Total deposits & foreign currency current account	IMF Loan Ministry of Finance*	Government lending loans	Other items (net)
2000 12	130,775.0	128,067.7			27,685.4
2001 12	156,155.3	174,908.9			18,360.9
2002 12	187,727.8	282,397.8			38,409.2
2003 12	212,833.4	490,499.0			67,624.3
2004 12	221,327.6	625,704.9			111,277.8
2005 12	269,124.4	871,014.4		17,272.7	181,791.8
2006 12	331,903.4	1,204,590.0		18,765.0	321,918.9
2007 12	590,471.6	1,810,778.1		17,620.0	262,709.3
2008 12	647,335.3	1,622,666.2		18,122.4	457,330.8
01	535,268.2	1,665,977.3		18,495.5	494,258.4
02	549,886.6	1,764,924.4		19,458.1	520,452.9
03	511,386.8	1,841,171.2		20,449.5	493,103.7
04	517,897.9	1,823,929.6		18,775.8	467,046.0
05	559,144.5	1,845,529.7		19,767.1	459,796.3
06	544,382.1	1,894,865.5		19,879.3	462,881.8
07	521,831.8	1,987,939.3		20,198.0	487,898.3
08	597,140.1	1,966,857.2		20,168.5	479,229.3
09	622,707.3	2,030,707.4		20,421.0	506,925.7
10	608,778.2	2,062,242.6		20,592.0	535,727.8
11	600,593.4	2,114,668.4		21,115.6	587,367.5
2009 12	651,247.0	2,228,786.8		20,201.7	570,466.3
01	629,701.0	2,241,310.1		19,995.3	648,344.5
02	627,897.5	2,353,955.3		19,177.2	664,557.9
03	693,003.0	2,281,480.3		18,075.6	588,954.2
04	754,299.9	2,408,657.9		17,786.0	549,809.9
05	795,971.6	2,458,107.6		16,923.1	558,658.7
06	839,932.0	2,683,675.2		16,456.8	544,942.5
07	826,662.4	2,716,472.8		17,251.7	543,239.1
08	932,036.2	2,725,373.0		16,247.5	504,305.4
09	959,096.3	2,892,619.1		17,499.9	528,653.9
10	1,000,575.4	2,872,484.9		19,034.8	481,583.1
11	995,746.4	2,943,893.7		17,873.9	410,509.6
2010 12	1,157,617.9	3,522,363.5		17,781.0	471,504.4
01	1,131,534.4	3,673,919.9		18,171.1	454,279.9
02	1,031,274.1	3,836,157.5		18,453.8	361,833.2
03	1,181,542.7	3,773,586.1		17,856.7	380,676.4
04	1,338,482.3	4,012,030.3		19,530.3	501,606.6
05	1,422,762.8	4,006,154.0		16,854.6	446,490.7
06	1,552,624.4	4,219,933.5		17,181.1	540,106.4
07	1,559,400.7	4,360,991.7		17,153.5	584,882.9
08	1,653,779.0	4,249,456.1		17,083.4	551,106.1
09	1,676,234.5	4,377,634.3		16,657.5	670,251.4
10	1,622,945.0	4,455,359.6		17,419.3	663,447.8
11	1,552,663.2	4,560,531.7		17,064.5	716,004.4
2011 12	1,741,075.7	4,671,183.6		17,133.5	909,030.4
01	1,565,796.9	4,581,661.8		17,050.7	905,855.9
02	1,500,327.8	4,737,242.4		16,925.2	862,243.0
03	1,488,163.7	4,616,653.9		16,665.7	1,637,095.9
04	1,595,806.6	4,767,102.1		16,467.7	1,615,313.2
05	1,741,358.4	4,988,250.9		15,606.2	1,576,047.1
06	1,797,175.2	5,254,022.5		15,710.8	1,669,223.2
07	1,660,362.3	5,293,169.2		15,575.5	1,625,995.0
08	1,681,086.8	5,316,061.1		16,202.8	1,716,799.9
09	1,658,017.5	5,454,218.5		17,040.1	1,600,459.3
10	1,578,738.0	5,553,907.1		17,108.1	1,274,209.7
11	1,557,134.1	5,476,176.7		17,131.0	1,316,442.0
12	1,834,894.1	5,778,910.9	222,553.6	17,031.9	496,773.5
2013 01	1,579,396.5	5,761,427.5	207,088.0	17,363.1	614,154.9
02	1,480,366.9	5,761,632.7	205,208.1	16,997.0	718,349.4
03	1,589,180.2	5,715,499.2	187,735.4	16,722.0	800,963.1
04	1,668,296.9	5,519,577.9	178,034.5	17,336.0	782,490.2
05	1,779,178.3	6,142,668.0	177,966.8	17,302.2	664,646.3
06	2,026,501.7	5,988,809.3	160,034.4	17,107.2	662,376.0
07	1,927,595.6	6,171,880.2	153,052.1	18,070.2	701,387.9
08	1,950,472.6	6,471,348.0	165,082.7	19,449.6	1,110,607.0
09	2,016,712.3	6,477,112.6	145,018.6	20,101.9	1,364,740.5
10	1,938,258.2	6,790,090.7	135,628.6	21,337.5	1,443,664.2
11	1,826,929.8	7,274,507.8	136,952.6	21,451.2	1,600,628.8
12	2,093,197.7	7,361,734.9	107,751.6	20,184.9	1,271,703.8
2014 01	1,963,134.7	8,058,724.0	94,740.1	20,888.2	1,269,819.9
02	1,755,175.7	8,092,603.2	98,774.6	21,728.0	1,588,776.3
03	1,737,315.8	8,212,118.1	73,890.5	21,657.6	1,838,312.7
04	1,845,703.9	8,357,611.4	56,998.0	22,019.1	1,889,598.8
05	1,826,340.0	8,414,191.2	57,268.6	21,906.5	1,828,941.4
06	1,862,126.7	8,244,906.0	32,409.2	21,636.8	1,851,549.9
07	1,698,459.4	8,379,767.2	33,007.8	21,855.6	1,594,162.9
08	1,874,699.0	8,261,298.9	31,725.7	20,957.9	1,787,851.6
09	1,836,379.6	8,237,957.6	15,777.1	20,373.0	2,094,757.9
10	1,751,772.8	8,221,477.7	15,935.4	24,604.5	1,949,293.7
11	1,689,756.9	8,238,384.8	15,952.7	20,611.1	1,803,171.4
12	1,816,717.7	8,819,093.5	5,234.6	19,722.1	1,737,394.7

[1] *Data of Savings and Credit Cooperatives was included in Broad Money*

Financial corporations survey

In millions of togrogs

End-of-period	Net foreign assets	Domestic credit (net)	Of which	
			General Government	Of which: Central Government
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	646,850.0	40,506.5	45,022.0
2005 12	570,198.7	768,505.8	-90,847.2	-87,822.4
2006 12	1,131,772.5	743,807.7	-477,882.5	-470,640.1
2007 12	1,352,046.2	1,326,704.3	-726,528.0	-719,606.1
2008 12	683,478.2	2,058,564.4	-573,575.1	-566,471.1
2009 12	1,532,827.5	1,933,163.1	-717,126.1	-709,477.0
2010 03	1,439,459.5	2,178,977.6	-629,417.9	-623,859.7
06	1,797,632.0	2,329,485.5	-599,207.2	-591,966.0
09	2,096,505.7	2,348,807.9	-787,055.7	-779,067.2
12	2,736,016.4	2,478,983.7	-835,523.9	-829,644.2
2011 03	2,613,967.8	2,790,891.5	-996,777.3	-989,064.4
06	2,943,481.5	3,449,704.1	-1,173,940.0	-1,163,042.2
09	3,033,837.7	3,765,565.2	-1,360,911.5	-1,351,921.0
12	3,055,546.7	4,354,219.2	-1,371,073.4	-1,363,784.1
2012 03	3,341,200.3	4,489,092.9	-1,378,430.1	-1,347,814.7
06	2,632,492.3	5,391,730.2	-1,031,201.1	-1,019,064.6
09	2,015,854.1	6,060,877.0	-1,004,831.4	-995,033.1
12	3,807,703.2	4,509,985.1	-3,040,624.5	-3,033,694.1
2013 03	3,285,344.0	5,164,304.0	-3,011,789.5	-2,997,903.1
06	1,974,117.7	6,795,346.8	-2,962,476.0	-2,951,998.7
09	970,327.6	8,539,646.9	-3,227,793.8	-3,219,871.8
12	60,613.9	9,954,605.6	-3,029,591.1	-3,025,676.2
2014 03	-923,831.0	11,029,441.9	-3,016,980.2	-2,984,709.4
06	-2,184,719.2	12,378,341.0	-2,764,167.1	-2,740,271.9
09	-3,050,573.5	12,750,465.1	-2,778,255.2	-2,757,333.7
12	-4,180,549.4	15,200,014.6	-2,171,512.8	-2,145,549.1

[1] *From December 2008 the Settlement on PRGF loan was included in Net Domestic Credit, particularly in Claims on Government*
[2] *Data of Savings and Credit Cooperatives was included in Broad Money*

Financial corporations survey

Continued

End-of-period	Local Government	Public sector	Private sector	Individuals	Other
1999 12		8,564.5	31,408.6		
2000 12		6,281.5	45,482.9		
2001 12		10,402.0	114,670.4		
2002 12		12,184.9	203,567.2		
2003 12		16,203.6	365,024.4		
2004 12	-4,515.6	13,125.7	365,057.9	210,931.1	17,228.9
2005 12	-3,024.9	34,169.2	489,064.7	321,606.8	14,512.4
2006 12	-7,242.4	36,731.6	659,019.3	507,570.0	18,369.3
2007 12	-6,921.9	27,331.8	1,166,149.5	838,778.5	20,972.4
2008 12	-7,104.0	34,794.6	1,570,398.9	1,013,694.2	13,251.7
2009 12	-7,649.1	20,429.4	1,716,253.8	904,892.3	8,713.7
2010 03	-5,558.2	16,948.8	1,760,220.7	1,015,896.2	15,329.8
06	-7,241.2	15,592.9	1,806,502.8	1,096,347.0	10,250.0
09	-7,988.5	37,686.6	1,808,074.9	1,280,652.2	9,450.1
12	-5,879.7	17,073.9	1,854,774.6	1,433,029.7	9,629.5
2011 03	-7,712.9	13,029.5	2,099,485.9	1,667,399.5	7,753.9
06	-10,897.8	16,160.3	2,568,669.9	2,030,617.7	8,196.1
09	-8,990.5	27,143.3	2,770,747.4	2,320,113.9	8,472.1
12	-7,289.3	100,646.0	3,064,543.2	2,554,213.0	5,890.4
2012 03	-30,615.4	50,675.2	3,154,928.2	2,655,002.0	6,917.5
06	-12,136.5	71,278.4	3,451,365.5	2,892,421.2	7,866.2
09	-9,798.4	155,625.4	3,730,255.2	3,168,990.6	10,837.2
12	-6,930.3	402,467.4	3,913,008.5	3,223,565.3	11,568.4
2013 03	-13,886.4	609,835.5	4,047,757.4	3,508,327.4	10,173.2
06	-10,477.3	977,692.9	4,815,767.3	3,953,189.5	11,173.1
09	-7,921.9	1,407,157.1	5,620,929.8	4,721,918.4	17,435.4
12	-3,914.9	1,892,147.8	6,274,588.1	4,810,017.8	7,443.0
2014 03	-32,270.7	2,251,677.8	6,238,581.1	5,550,474.9	5,688.2
06	-23,895.2	2,395,306.9	6,656,349.2	6,083,315.7	7,536.4
09	-20,921.5	2,706,584.9	6,848,894.9	5,964,028.6	9,212.0
12	-25,963.7	3,164,974.0	7,468,827.8	6,727,489.3	10,236.3

[1] *Data of Savings and Credit Cooperatives was included in Broad Money*

Financial corporations survey

Continued

End-of-period	Currency outside financial corporations	Deposits	Government lending loans	Other items (net)
1999 12	87,281.3	105,341.3		64,010.1
2000 12	100,933.4	157,909.2		27,685.4
2001 12	109,160.7	221,903.6		18,360.9
2002 12	120,783.6	349,342.0		38,409.2
2003 12	131,496.7	571,835.7		67,624.3
2004 12	143,512.7	703,519.7		110,822.7
2005 12	152,369.5	987,769.3	17,272.7	181,791.8
2006 12	185,126.7	1,351,366.7	18,765.0	320,321.7
2007 12	283,325.3	2,117,924.4	17,620.0	259,880.7
2008 12	328,724.0	1,941,277.4	18,122.4	453,918.7
2009 12	284,993.9	2,595,040.0	20,201.7	565,755.1
2010 03	294,303.8	2,680,155.2	18,075.6	625,902.5
06	348,882.6	3,174,701.5	16,456.8	587,076.6
09	343,754.5	3,507,938.3	17,499.9	576,120.9
12	388,179.9	4,291,778.8	17,781.0	517,260.5
2011 03	386,793.5	4,568,307.2	17,856.7	431,901.8
06	479,673.2	5,292,857.7	17,181.1	603,473.6
09	525,108.8	5,528,730.6	16,657.5	728,906.0
12	517,462.4	5,894,765.2	17,133.5	980,404.8
2012 03	448,055.9	5,656,735.5	16,665.7	1,708,836.1
06	662,897.8	6,388,267.3	15,710.8	957,346.7
09	551,754.6	6,566,543.9	17,040.1	941,392.6
12	603,331.3	7,016,536.6	17,031.9	680,788.5
2013 03	482,622.1	6,844,753.9	16,722.0	1,105,550.0
06	599,992.6	7,451,874.5	17,107.2	700,490.3
09	597,444.0	7,926,004.9	20,101.9	966,423.7
12	581,989.6	8,889,077.5	20,184.9	523,967.5
2014 03	549,758.9	9,418,556.8	21,657.6	115,637.7
06	571,089.6	9,539,509.8	21,636.8	61,385.6
09	536,114.5	9,542,838.4	20,373.0	-399,434.3
12	499,193.2	10,138,907.2	19,722.1	361,642.6

[1] *Data of Savings and Credit Cooperatives was included in Broad Money*

Other financial corporations survey

In millions of togrogs

End-of-period	Cash in vault	Foreign assets	Claims on			
			General Government	Of which:		Other financial corporations
				Central Government	Local Government	
1999 12						
2000 12						
2001 12						
2002 12						
2003 12						
2004 12						
2005 12						
2006 12						
2007 12						
2008 12						
2009 12						
2010 03	24.2					
06	23.1					
09	22.5					
12	22.8					
2011 03	28.1					
06	27.0					
09	29.5					
12	31.7					
2012 03	26.2					
06	33.7	12.0				
09	34.5	4.0				
12	34.0	3.7				
2013 03	35.6	3.3				
06	41.8	2.7	3,857.3	3,857.3		
09	42.5	16.6	3,857.3	3,857.3		
12	44.6	24.3	8,132.7	8,132.7		
2014 03	55.4	25.6	8,236.5	8,236.5		
06	58.0	21.3	8,236.5	8,236.5		
09	63.2	16.5	24,041.3	24,041.3		
12	64.4	12.6	281,087.7	281,087.7		

Other financial corporations survey

Continued

End-of-period	Loans			
	Public sector	Private sector	Individuals	Other
1999 12				
2000 12				
2001 12				
2002 12				
2003 12				
2004 12				
2005 12				
2006 12				
2007 12				
2008 12				
2009 12				
2010 03			51,861.0	
06			57,418.0	
09			62,257.2	
12			63,797.2	
2011 03			71,316.3	
06			85,804.1	
09			85,683.4	
12			101,528.0	
2012 03			102,462.1	
06	7,169.5	0.0	109,350.9	0.0
09	84,339.1	0.0	124,301.6	0.0
2012 12	360,507.6	85,287.0	126,161.5	0.0
2013 03	578,180.2	86,403.3	132,348.0	0.0
06	930,538.3	88,599.6	141,317.7	0.0
09	1,347,556.5	131,425.4	155,569.8	0.0
12	1,811,601.5	275,775.3	151,738.3	0.0
2014 03	2,177,793.5	12,245.0	483,720.1	0.0
06	2,320,310.9	65,447.0	480,625.0	0.0
09	2,562,045.1	194,016.3	184,462.4	0.0
12	3,036,423.0	499,580.0	1,019,074.2	0.0

Other financial corporations survey

In millions of togrogs

End-of-period	Demand deposits	Total deposits & foreign currency current account	Securities other than shares	Loans	Foreign liabilities	General Government deposits	Of which: Central Government deposits	Capital accounts
1999 12								
2000 12								
2001 12								
2002 12								
2003 12								
2004 12								
2005 12								
2006 12								
2007 12								
2008 12								
2009 12								
2010 03				12,057.4	2,392.4	530.7	530.7	79,217.7
06				11,855.2	3,575.9	376.4	376.4	85,749.3
09				13,503.0	2,518.6	548.4	548.4	89,437.5
12				16,316.2	3,269.3	727.0	727.0	91,961.5
2011 03				16,143.9	4,944.6	695.4	695.4	101,704.6
06				19,355.8	6,212.2	1,300.3	1,300.3	119,933.0
09				26,424.2	7,486.0	1,288.2	1,288.2	123,484.3
12				21,137.4	11,892.7	823.5	823.5	138,182.4
2012 03				28,395.2	13,601.1	701.9	701.9	142,722.9
06	0.0	1.1		31,367.6	815,909.0	758.2	758.2	185,648.0
09	6,090.0	7.0		31,656.6	850,703.7	679.0	679.0	203,028.3
12	6,090.0	7.0	84.6	32,452.0	818,136.8	810.0	810.0	246,577.1
2013 03	0.0	22,732.3	0.0	44,195.1	832,535.2	1,120.0	1,120.0	267,998.0
06	2,136.2	34,461.7	376.8	47,746.9	965,261.6	433,565.4	433,565.4	276,747.2
09	869.8	30,606.4	1,192.8	56,673.5	1,109,698.4	962,048.9	962,048.9	376,186.8
12	10,769.4	5,409.6	1,235.0	74,568.5	981,000.6	1,989,376.1	1,989,376.1	403,553.5
2014 03	5,616.8	1,348.9	487,461.0	81,533.1	1,486,905.7	2,378,940.9	2,378,940.9	449,526.2
06	2,184.1	1,411.3	478,409.1	100,214.5	1,532,193.9	2,515,866.7	2,515,866.7	496,219.7
09	377.6	3,914.1	172,430.9	115,238.5	2,094,283.2	2,520,116.0	2,520,116.0	580,123.7
12	708.4	3,446.8	1,002,237.5	110,179.2	2,483,908.7	2,556,463.3	2,556,463.3	646,580.1

Consumer price index

In percent

End of period	Food & non-alcoholic beverages	Of which							
		Food	Of which						Non-alcoholic beverages
			Bread, flour, cereals	Meat, meat products	Milk dairy products, eggs	Sugar, candy	Vegetables	Oils & fats	
					2005.12=100				
2005 12[1]	*41.08*	*39.52*	*9.92*	*16.51*	*3.55*	*1.61*	*4.12*	*2.27*	*1.56*
2006 12	41.96	40.31	10.25	16.39	3.75	1.87	4.12	2.25	1.65
2007 12	52.26	50.55	13.87	19.75	4.47	1.87	4.75	3.66	1.72
2008 12	65.08	62.96	18.77	21.84	6.03	2.23	7.01	4.41	2.12
2009 12	64.76	62.34	18.85	20.14	6.37	3.04	6.96	4.18	2.42
03	76.10	73.60	18.74	29.03	6.99	3.42	8.37	4.08	2.50
06	86.61	84.15	18.96	40.39	6.20	3.19	8.26	3.99	2.46
09	76.11	73.68	20.39	27.81	5.92	3.45	8.84	4.00	2.42
2010 12	78.07	75.64	20.76	28.93	7.00	3.41	8.23	4.03	2.43
					2010.12=100				
2010 12[2]	*30.03*	*28.61*	*8.26*	*10.11*	*3.40*	*1.09*	*2.95*	*1.45*	*1.42*
01	31.50	30.08	8.26	11.34	3.55	1.09	3.02	1.46	1.42
02	31.60	30.17	8.23	11.45	3.52	1.09	3.05	1.46	1.43
03	30.72	29.28	8.24	10.58	3.48	1.09	3.06	1.45	1.44
04	30.22	28.78	8.20	10.16	3.42	1.09	3.07	1.44	1.44
05	31.32	29.89	8.27	11.26	3.34	1.08	3.13	1.42	1.43
06	31.70	30.26	8.28	11.28	3.23	1.08	3.59	1.41	1.44
07	32.26	30.82	8.29	11.62	3.16	1.08	3.86	1.42	1.44
08	31.88	30.44	8.29	11.55	3.12	1.08	3.58	1.43	1.44
09	31.70	30.27	8.28	11.66	3.19	1.08	3.21	1.47	1.43
10	31.30	29.86	8.28	11.35	3.33	1.10	2.89	1.46	1.43
11	31.46	30.01	8.26	11.29	3.49	1.10	2.95	1.47	1.45
2011 12	32.31	30.87	8.28	11.91	3.61	1.12	3.03	1.47	1.45
01	34.24	32.74	8.32	13.36	3.78	1.15	3.10	1.49	1.50
02	36.53	35.03	8.34	15.43	3.82	1.16	3.20	1.53	1.50
03	39.41	37.87	8.43	18.07	3.77	1.16	3.30	1.54	1.53
04	39.60	38.04	8.42	18.34	3.68	1.16	3.32	1.56	1.55
05	40.07	38.52	8.47	18.78	3.59	1.16	3.37	1.55	1.55
06	40.19	38.63	8.51	19.01	3.33	1.17	3.57	1.48	1.56
07	40.94	39.38	8.53	19.58	3.29	1.18	3.74	1.47	1.56
08	40.45	38.89	8.58	18.88	3.26	1.20	3.82	1.48	1.56
09	39.30	37.74	8.60	18.27	3.23	1.20	3.24	1.50	1.55
10	38.10	36.53	8.69	17.03	3.38	1.20	3.00	1.51	1.57
11	38.14	36.57	8.69	16.85	3.51	1.20	3.08	1.51	1.57
12*	38.75	37.18	8.73	17.11	3.60	1.20	3.30	1.50	1.58
2013 01	39.63	38.05	8.78	17.60	3.73	1.20	3.49	1.51	1.58
02	41.39	39.81	8.96	18.97	3.75	1.21	3.64	1.51	1.59
03	41.92	40.32	9.34	18.92	3.93	1.21	3.60	1.53	1.60
04	42.82	41.21	9.46	19.73	3.89	1.22	3.60	1.53	1.61
05	42.89	41.27	9.43	19.85	3.87	1.20	3.66	1.51	1.62
06	42.56	40.95	9.45	19.78	3.62	1.20	3.63	1.52	1.61
07	42.51	40.90	9.46	19.62	3.51	1.19	3.85	1.52	1.61
08	41.22	39.60	9.61	18.34	3.58	1.20	3.56	1.53	1.62
09	41.32	39.66	9.82	18.22	3.82	1.20	3.22	1.53	1.65
10	41.24	39.40	10.26	17.56	3.99	1.23	2.89	1.60	1.84
11	41.90	40.04	10.32	17.21	4.52	1.24	3.20	1.62	1.86
12	42.84	40.96	10.40	17.54	4.64	1.25	3.57	1.63	1.88
2014 01	44.45	42.65	10.42	19.03	4.74	1.25	3.63	1.63	1.80
02	45.59	43.75	10.47	19.97	4.84	1.25	3.63	1.64	1.84
03	46.13	44.29	10.48	20.31	4.92	1.25	3.72	1.64	1.84
04	46.79	44.92	10.65	20.49	5.19	1.25	3.70	1.64	1.87
05	47.90	46.05	10.86	21.29	5.31	1.27	3.72	1.65	1.85
06	48.29	46.36	11.07	21.53	4.96	1.27	3.89	1.67	1.93
07	47.64	45.68	12.03	19.69	4.57	1.29	4.34	1.71	1.96
08	45.93	43.96	12.05	18.72	4.51	1.30	3.56	1.72	1.96
09	46.00	44.04	12.13	18.50	4.70	1.33	3.52	1.76	1.96
10	45.49	43.49	12.15	17.79	4.86	1.35	3.43	1.76	2.00
11	45.31	43.32	12.12	17.45	5.03	1.32	3.48	1.76	2.00
12	45.81	43.79	12.20	17.46	5.14	1.33	3.70	1.78	2.01

Source: Monthly Statistical Bulletin, NSC

[1] Since december 2000 the CPI calculation is based on the basket containing 239 consumer goods compared to 205 in previous years.

[2] Since April 2006 the items in consumer basket updated to 287 and prices of December 2005 was taken as the base period.

** Average price of meat weighted by sales value of meat on food market in UB. (after 2012.12)*

Consumer price index

Continued

End of period	Alcoholic beverages, tobacco	Clothing, footwear and cloths	Of which: Clothing, cloth	Of which: Men's clothing	Of which: Women's clothing	Of which: Children's clothing	Of which: Footwear	Housing, water electricity, and fuels	Of which: Water supply, miscellaneous services	Of which: Electricity, gas, other fuels
					2005.12=100					
2005 12[1]	*2.26*	*12.38*	*8.11*	*3.26*	*2.93*	*1.11*	*4.27*	*13.40*	*4.24*	*7.60*
2006 12	2.41	13.28	8.84	3.54	3.21	1.22	4.45	14.70	5.18	7.91
2007 12	2.38	13.56	8.96	3.58	3.10	1.35	4.60	15.73	5.37	8.41
2008 12	2.59	17.10	11.35	4.62	3.91	1.76	5.74	18.45	5.83	9.90
2009 12	3.17	17.71	12.17	4.97	4.14	1.93	5.54	17.74	5.90	9.23
03	3.21	18.36	12.37	5.07	4.22	1.94	5.99	17.68	6.29	8.81
06	3.23	18.20	12.49	5.20	4.22	1.96	5.72	18.40	6.29	9.66
09	3.25	18.93	13.11	5.46	4.32	2.19	5.82	19.54	7.32	9.63
2010 12	3.43	19.86	13.38	5.57	4.40	2.21	6.48	19.96	7.32	9.96
					2010.12=100					
2010 12[2]	*3.69*	*12.17*	*8.87*	*3.27*	*3.54*	*1.53*	*3.30*	*14.07*	*2.17*	*6.63*
01	3.77	12.25	8.93	3.31	3.55	1.53	3.32	13.90	2.17	6.40
02	3.78	12.39	9.04	3.31	3.61	1.57	3.35	13.82	2.17	6.35
03	3.78	12.51	9.10	3.34	3.63	1.58	3.41	13.62	2.17	6.21
04	3.79	12.74	9.26	3.42	3.69	1.63	3.47	13.52	2.17	6.02
05	3.80	12.71	9.20	3.41	3.65	1.62	3.51	14.40	2.27	6.56
06	3.80	12.90	9.32	3.43	3.68	1.68	3.58	14.28	2.28	6.41
07	3.79	12.95	9.34	3.43	3.70	1.69	3.61	14.26	2.28	6.33
08	3.79	13.22	9.60	3.49	3.85	1.73	3.62	14.58	2.28	6.47
09	3.79	13.67	9.98	3.54	4.09	1.80	3.69	15.99	2.28	7.83
10	3.79	14.22	10.42	3.79	4.20	1.82	3.80	16.03	2.28	7.83
11	3.80	14.46	10.51	3.82	4.20	1.87	3.95	16.08	2.28	7.83
2011 12	3.80	14.41	10.46	3.85	4.12	1.87	3.96	16.09	2.28	7.83
01	3.90	14.85	10.82	3.87	4.38	1.93	4.03	15.90	2.28	7.64
02	3.92	14.94	10.89	3.88	4.42	1.95	4.05	15.57	2.28	7.31
03	3.97	14.98	10.99	3.91	4.51	1.93	3.99	15.33	2.28	7.05
04	3.99	15.29	11.19	3.94	4.68	1.94	4.10	15.35	2.39	6.92
05	4.01	15.32	11.20	3.98	4.64	1.95	4.12	15.82	2.39	7.03
06	4.02	15.32	11.19	3.99	4.64	1.92	4.13	16.06	2.39	7.01
07	4.04	15.37	11.24	4.00	4.64	1.97	4.13	16.03	2.39	7.01
08	4.05	15.56	11.36	4.04	4.67	2.02	4.20	16.68	2.39	7.42
09	5.69	15.94	11.72	4.09	4.84	2.12	4.22	17.22	2.39	7.96
10	5.80	16.22	12.00	4.21	4.93	2.19	4.22	17.95	2.39	8.60
11	5.83	16.26	12.12	4.34	4.93	2.16	4.14	17.61	2.39	8.26
2012 12	5.87	16.29	12.15	4.37	4.92	2.17	4.14	17.49	2.39	8.14
01	5.87	16.28	12.16	4.39	4.93	2.17	4.12	17.27	2.39	8.04
02	5.88	16.31	12.16	4.39	4.94	2.16	4.16	16.94	2.39	7.71
03	5.88	16.27	12.20	4.42	4.95	2.16	4.07	16.88	2.39	7.62
2013 04	5.92	16.23	12.16	4.45	4.86	2.17	4.07	16.88	2.39	7.62
05	5.92	16.28	12.20	4.46	4.90	2.17	4.07	16.18	2.39	7.05
06	5.92	16.28	12.20	4.46	4.91	2.16	4.08	15.98	2.39	6.79
07	5.92	16.32	12.21	4.47	4.93	2.15	4.11	16.38	2.39	6.93
08	5.94	16.78	12.63	4.58	5.04	2.34	4.15	17.47	2.39	7.38
09	6.21	16.96	12.79	4.70	5.11	2.31	4.16	17.65	2.62	7.39
10	6.31	17.53	13.18	4.93	5.20	2.35	4.35	18.52	2.62	8.18
11	6.37	17.81	13.33	4.98	5.24	2.39	4.48	18.76	2.62	8.23
12	6.56	18.48	13.81	5.29	5.29	2.49	4.67	18.95	2.62	8.43
2014 01	6.58	18.59	13.76	5.24	5.30	2.47	4.83	18.95	2.62	8.43
02	6.61	18.71	13.84	5.22	5.33	2.54	4.87	18.95	2.62	8.43
03	6.61	18.78	13.86	5.22	5.33	2.56	4.92	18.95	2.62	8.43
04	6.80	18.83	13.98	5.33	5.34	2.56	4.85	18.96	2.62	8.43
05	6.88	19.00	14.25	5.45	5.51	2.49	4.75	18.98	2.62	8.43
06	6.88	19.20	14.48	5.54	5.57	2.59	4.72	18.75	2.62	8.43
07	6.93	19.21	14.51	5.54	5.57	2.65	4.70	19.50	2.94	8.59
08	6.93	19.54	14.78	5.60	5.64	2.78	4.75	19.96	2.94	8.76
09	6.99	19.74	14.95	5.60	5.71	2.83	4.80	21.09	2.94	9.89
10	7.02	19.84	15.03	5.63	5.71	2.88	4.80	22.67	2.94	11.47
11	7.05	20.03	15.19	5.66	5.74	2.95	4.84	23.25	2.94	11.53
12	7.24	20.18	15.33	5.66	5.85	2.96	4.84	23.15	3.13	11.24

[1] *Since december 2000 the CPI calculation is based on the basket containing 239 consumer goods compared to205 in previous years.*
[2] *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

End-of-period	*Furnishings, household equipment, tools*	*Medical care, services*	*Transport*	*Of which*		*Communi-cation*	*Recreation, culture*	*Education*	*Restraurants, hotels*	*Miscellaneous goods & services*
				Maintenance of personal transport	*Transport services*					
				2005.12=100						
2005 12[1]	*4.30*	*1.62*	*8.71*	*2.47*	*5.76*	*4.05*	*3.33*	*4.15*	*1.72*	*3.00*
2006 12	4.64	1.77	9.57	2.53	6.07	3.09	3.62	4.58	1.89	3.32
2007 12	5.22	2.10	10.59	3.19	6.81	2.90	3.73	5.50	2.08	3.48
2008 12	5.99	2.68	14.17	3.59	9.87	2.78	4.05	7.57	2.80	4.02
2009 12	6.37	3.06	14.06	3.82	9.57	2.98	4.14	8.25	3.14	4.66
03	6.37	3.07	14.19	3.83	9.61	3.48	4.16	8.25	3.42	4.72
06	6.45	3.11	14.28	3.79	9.75	3.48	4.12	8.25	3.48	4.74
09	6.50	3.12	14.25	3.76	9.74	3.48	4.16	9.93	3.51	4.79
2010 12	6.66	3.17	14.32	3.85	9.73	3.48	4.20	9.93	3.61	4.80
				2010.12=100						
2010 12[2]	*3.51*	*3.00*	*12.58*	*4.92*	*3.74*	*4.41*	*3.10*	*6.12*	*3.55*	*3.77*
01	3.52	3.00	12.58	4.92	3.74	4.41	3.10	6.12	3.55	3.78
02	3.53	3.01	12.74	5.06	3.75	4.41	3.10	6.12	3.55	3.78
03	3.53	3.01	12.74	5.06	3.76	4.42	3.10	6.12	3.55	3.78
04	3.57	3.02	12.82	5.15	3.76	4.42	3.12	6.12	3.55	3.81
05	3.59	3.03	12.80	5.11	3.76	4.43	3.13	6.12	3.56	3.87
06	3.63	3.04	13.73	5.57	4.23	4.43	3.19	6.12	3.63	3.93
07	3.63	3.04	14.02	5.57	4.51	4.42	3.20	6.12	3.63	3.93
08	3.68	3.04	14.12	5.58	4.60	4.42	3.20	6.58	3.63	3.93
09	3.69	3.05	14.12	5.58	4.60	4.42	3.20	6.58	3.65	3.93
10	3.73	3.05	14.14	5.59	4.60	4.42	3.21	6.58	3.68	3.98
11	3.73	3.05	14.18	5.62	4.61	4.42	3.21	6.58	3.68	4.00
2011 12	3.70	3.05	14.18	5.62	4.62	4.42	3.16	6.58	3.68	4.00
01	3.74	3.09	14.84	6.21	4.68	4.42	3.21	6.58	3.76	4.06
02	3.77	3.14	15.09	6.07	4.70	4.40	3.26	6.58	4.21	4.06
03	3.80	3.24	15.08	6.02	4.74	4.40	3.27	6.58	4.21	4.08
04	3.81	3.25	14.66	5.83	4.74	4.40	3.29	6.58	4.28	4.09
05	3.78	3.25	14.75	5.94	4.71	4.38	3.28	6.58	4.43	4.11
06	3.79	3.23	14.79	5.98	4.71	4.38	3.25	6.58	4.43	4.12
07	3.81	3.23	14.79	5.98	4.71	4.38	3.23	6.58	4.43	4.12
08	3.83	3.33	14.79	5.98	4.71	4.38	3.28	7.64	4.48	4.14
09	3.82	3.36	14.84	6.03	4.71	4.36	3.22	7.64	4.48	4.17
10	3.83	3.40	15.08	6.03	4.71	4.36	3.25	7.64	4.48	4.22
11	3.85	3.41	15.01	6.03	4.73	4.36	3.28	7.64	4.48	4.23
2012 12	3.87	3.41	15.25	6.17	4.73	4.36	3.28	7.64	4.48	4.25
01	3.87	3.41	15.46	6.39	4.73	4.37	3.28	7.64	4.65	4.25
02	3.87	3.41	15.49	6.39	4.76	4.36	3.28	7.64	4.65	4.25
03	3.87	3.54	15.52	6.39	4.79	4.36	3.29	7.64	4.74	4.28
2013 04	3.88	3.54	15.53	6.39	4.79	4.36	3.29	7.64	4.74	4.31
05	3.89	3.58	15.53	6.39	4.79	4.36	3.26	7.64	4.74	4.32
06	3.91	3.63	15.38	6.25	4.79	4.36	3.22	7.64	4.74	4.33
07	3.96	3.70	15.14	6.25	4.79	4.36	3.23	7.64	4.74	4.36
08	4.09	3.75	15.27	6.33	4.84	4.36	3.25	9.81	4.94	4.51
09	4.27	3.93	15.38	6.37	4.91	4.35	3.21	9.81	4.95	4.63
10	4.41	4.07	15.41	6.40	4.91	4.35	3.20	9.81	5.14	4.85
11	4.54	4.07	15.50	6.40	5.00	4.35	3.21	9.81	5.26	5.06
12	4.67	4.15	15.50	6.40	5.00	4.35	3.21	9.81	5.27	5.14
2014 01	4.68	4.15	16.08	6.42	5.55	4.35	3.22	9.81	5.27	5.21
02	4.71	4.15	16.20	6.48	5.62	4.35	3.22	9.81	5.30	5.21
03	4.72	4.15	16.24	6.52	5.62	4.35	3.22	9.81	5.30	5.21
04	4.74	4.16	16.26	6.68	5.62	4.37	3.23	9.81	5.51	5.45
05	4.76	4.23	16.41	6.68	5.62	4.37	3.23	9.81	5.51	5.45
06	4.75	4.44	16.48	6.68	5.69	4.39	3.24	9.81	5.50	5.53
07	4.83	4.51	16.97	6.68	5.71	4.39	3.25	9.81	5.50	5.54
08	4.88	4.51	16.98	6.68	5.71	4.39	3.47	11.55	5.51	5.54
09	4.94	4.51	16.98	6.68	5.71	4.39	3.50	11.55	5.51	5.55
10	4.98	4.52	16.98	6.68	5.71	4.39	3.51	11.55	5.51	5.56
11	5.04	4.59	17.07	6.77	5.71	4.39	3.51	11.55	5.54	5.58
12	5.06	4.62	17.10	6.78	5.73	4.39	3.52	11.55	5.54	5.61

[1] Since december 2000 the CPI calculation is based on the basket containing 239 consumer goods compared to 205 in previous years.
[2] 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

End-of-period	General CPI	Inflation monthly	Inflation from the beginning of the year	Inflation annual	Moving average of monthly inflation	Core inflation			National CPI		
						Monthly	Changes from the begin. of year	Annual	Monthly	Changes from the begin. of year	Annual
2005 12[1]	100.0										
2006 12	104.8	0.5	4.8	4.8	0.0	0.0					
2007 12	119.5	0.5	14.0	14.0	0.4	-0.6	12.5	12.5	1.8	17.8	17.8
2008 12	147.3	-0.5	23.2	23.2	1.6	-0.5	23.1	23.1	0.0	22.1	22.1
2009 12	150.0	0.2	1.9	1.9	0.2	0.2	4.1	4.1	0.7	4.2	4.2
03	163.0	1.9	8.7	7.8	0.6	-0.3	2.2	6.0	1.9	7.4	8.5
06	174.3	0.1	16.2	12.6	1.0	0.7	3.0	6.1	-1.5	11.4	11.4
09	167.6	-1.4	11.7	10.9	0.9	0.4	7.3	7.2	-0.7	8.3	10.6
2010 12	171.5	2.4	14.3	14.3	1.1	0.3	9.4	9.4	2.4	13.0	13.0
2010 12[2]	100.0										
01	101.5	1.5	1.5	13.0	1.1	0.1	0.1	8.9	1.5	1.5	8.6
02	101.8	0.3	1.8	9.2	0.8	0.3	0.3	7.9	0.5	2.0	8.7
03	100.9	-0.9	0.9	6.1	0.5	-0.1	0.3	8.3	-0.4	1.6	9.1
04	100.7	-0.2	0.7	3.3	0.3	0.3	0.6	8.9	-0.1	1.6	9.3
05	102.8	2.0	2.8	1.2	0.1	1.2	1.8	9.8	1.5	3.1	8.9
06	104.4	1.6	4.4	2.7	0.2	1.4	3.3	10.7	1.1	4.3	9.7
07	105.2	0.8	5.2	7.8	0.6	0.4	3.7	10.7	0.7	5.0	9.6
08	106.1	0.8	6.1	7.0	0.6	1.4	5.1	8.1	0.3	5.3	10.3
09	107.8	1.6	7.8	10.3	0.8	2.2	7.4	10.1	1.1	6.5	10.8
10	108.1	0.3	8.1	11.8	0.9	0.9	8.4	10.1	0.4	6.9	10.5
11	108.6	0.5	8.6	11.3	0.9	0.4	8.8	9.8	0.7	7.7	9.8
2011 12	109.4	0.7	9.4	9.4	0.8	-0.1	8.7	8.7	1.1	8.9	8.9
01	112.6	2.9	2.9	10.9	0.9	1.7	1.7	10.5	2.8	2.8	10.2
02	115.5	2.6	5.6	13.4	1.1	0.7	2.4	11.0	2.5	5.4	12.4
03	118.3	2.5	8.2	17.3	1.3	0.2	2.6	11.3	2.2	7.6	15.3
04	118.6	0.2	8.4	17.8	1.4	0.1	2.7	10.9	0.5	8.2	16.0
05	119.8	1.0	9.5	16.6	1.3	0.8	3.5	10.6	1.0	9.2	15.4
06	120.1	0.3	9.8	15.1	1.2	0.2	3.7	9.2	0.5	9.7	14.7
07	120.9	0.7	10.6	14.9	1.2	0.1	3.8	8.9	0.6	10.4	14.5
08	122.6	1.4	12.1	15.6	1.2	2.5	6.4	10.1	0.7	11.1	14.9
09	124.0	1.2	13.4	15.1	1.2	2.8	9.3	10.7	1.0	12.2	14.8
10	124.3	0.2	13.7	15.0	1.2	1.6	11.1	11.4	0.6	12.9	15.0
11	124.1	-0.2	13.4	14.2	1.1	-0.3	10.8	10.7	0.2	13.1	14.4
2012 12	124.9	0.7	14.2	14.2	1.1	0.3	11.1	11.1	0.8	14.0	14.0
01	126.0	0.8	0.8	11.9	0.9	0.2	0.2	9.6	1.4	1.4	12.6
02	127.5	1.2	2.0	10.4	0.8	0.0	0.2	8.7	1.0	2.8	11.3
03	128.2	0.6	2.6	8.3	0.7	0.6	0.8	9.2	0.8	3.6	9.8
2013 04	129.1	0.7	3.4	8.9	0.7	0.2	1.0	9.3	1.1	4.8	10.4
05	128.6	-0.4	2.9	7.4	0.6	-0.7	0.3	7.6	0.3	5.1	9.7
06	128.0	-0.5	2.4	6.5	0.5	-0.3	0.0	7.1	-0.3	4.7	8.8
07	128.3	0.2	2.7	6.1	0.5	0.4	0.4	7.4	0.1	4.9	8.3
08	131.4	2.4	5.1	7.1	0.6	4.5	4.9	9.6	1.7	6.7	9.4
09	132.7	1.0	6.2	6.9	0.6	1.4	6.4	8.1	1.4	8.2	9.9
10	134.8	1.6	7.9	8.5	0.7	2.8	9.4	9.4	1.4	9.7	10.8
11	136.6	1.3	9.4	10.1	0.8	1.2	10.7	11.0	1.3	11.1	12.0
12	138.9	1.7	11.2	11.2	0.9	1.3	12.1	12.1	0.7	11.9	11.9
2014 01	141.3	1.7	1.7	12.2	1.0	0.7	0.7	12.6	1.7	1.7	12.3
02	142.8	1.0	2.8	12.0	1.0	0.3	1.0	13.1	0.9	2.7	12.2
03	143.5	0.5	3.3	11.9	0.9	0.2	1.2	12.6	0.8	3.5	12.4
04	146.5	1.3	5.5	13.9	1.1	0.8	2.7	14.8	1.5	6.2	13.7
05	146.5	1.3	5.5	13.9	1.1	0.8	2.7	14.8	1.5	6.2	13.7
06	147.3	0.5	6.0	15.1	1.2	0.6	3.3	15.8	0.5	6.7	14.6
07	148.1	0.6	6.6	15.4	1.2	2.2	5.6	17.9	0.4	7.2	14.9
08	149.2	0.7	7.4	13.6	1.1	2.4	8.1	15.6	0.4	7.7	13.7
09	150.7	1.0	8.5	13.6	1.1	1.3	9.6	15.5	0.7	8.5	13.0
10	152.0	0.8	9.4	12.7	1.0	1.5	11.3	14.1	0.8	9.3	12.1
11	152.9	0.6	10.1	11.9	0.9	0.8	12.2	13.6	0.7	10.1	11.5
12	153.8	0.6	10.7	10.7	0.9	0.4	12.6	12.6	0.8	11.0	11.0

[1] Since december 2000 the CPI calculation is based on the basket containing 239 consumer goods compared to 205 in previous years.
[2] Since April 2006 the items in consumer basket updated to 287 and prices of December 2005 was taken as the base period.

Loans outstanding

In millions of togrogs

End-of-period	Total loan outstanding		Total loan outstanding Excl. Banks in liquidation	Of which:					
					Of which: By sectors				
	amount	monthly changes		Standard loans	Public sector	Private sector	Individuals	Other	Other financial corporations
2000 12	66,756.7	6.6		50,861.2	5,378.3	43,305.6		2,177.3	
2001 12	135,070.7	5.2		124,204.8	9,534.4	108,722.7		5,947.7	
2002 12	231,449.8	9.4		214,885.5	11,318.3	194,578.2		8,989.0	
2003 12	442,148.1	2.7		405,448.2	15,647.4	335,978.3		53,822.5	
2004 12	606,798.6	2.5		546,063.4	12,560.1	320,077.8	196,020.3	16,950.6	454.6
2005 12	859,851.8	4.4		789,451.2	34,112.2	437,639.1	304,817.1	12,384.4	498.3
2006 12	1,223,287.3	3.5		1,129,945.4	36,255.6	594,446.6	483,212.6	14,436.8	1,593.9
2007 12	2,056,060.8	4.8		1,947,669.5	25,939.1	1,089,555.3	810,622.5	19,057.0	2,495.6
2008 12	2,635,551.6	-1.2		2,353,561.2	33,624.9	1,348,449.7	955,037.6	13,101.0	3,348.0
2009 12	2,655,000.4	0.9		2,071,259.4	18,594.3	1,238,995.1	800,490.4	8,513.8	4,665.7
2010 12	3,264,778.0	4.9		2,799,863.4	17,073.9	1,471,293.9	1,293,012.4	4,445.7	14,037.6
01	3,440,265.1	5.4		2,975,812.1	16,598.0	1,524,722.8	1,416,230.5	4,635.9	13,625.0
02	3,526,303.0	2.5		3,053,334.9	15,756.6	1,608,257.6	1,411,817.3	4,301.1	13,202.4
03	3,730,831.5	5.8		3,278,230.3	13,029.5	1,727,484.4	1,520,243.1	3,047.1	14,426.2
04	3,973,879.1	6.5		3,510,236.0	16,163.3	1,844,186.5	1,632,691.8	3,657.5	13,537.0
05	4,246,818.9	6.9		3,773,411.1	15,393.4	1,993,612.0	1,745,751.2	3,299.9	15,354.7
06	4,552,791.3	7.2		4,092,375.6	16,132.5	2,177,210.6	1,879,891.5	4,286.2	14,854.8
07	4,681,399.2	2.8		4,228,143.3	23,925.6	2,253,704.5	1,932,432.8	4,491.5	13,589.0
08	4,870,802.7	4.0		4,427,856.9	26,413.9	2,310,497.5	2,070,560.3	4,868.7	15,516.6
09	5,059,077.4	3.9		4,641,346.2	27,117.4	2,427,321.5	2,163,593.8	5,137.2	18,176.3
10	5,221,908.3	3.2		4,803,393.2	26,201.8	2,513,241.7	2,242,542.2	5,003.6	16,403.8
11	5,438,738.9	4.2		5,024,079.8	41,692.3	2,626,566.0	2,333,243.2	4,960.6	17,617.7
2011 12	5,641,233.7	3.7		5,237,535.7	100,646.0	2,745,096.9	2,369,499.7	4,905.1	17,388.0
01	5,647,628.3	0.1		5,247,166.8	58,975.0	2,785,723.9	2,382,689.5	6,099.0	13,679.4
02	5,706,234.3	1.0		5,321,745.4	51,022.3	2,816,921.9	2,432,552.6	6,166.5	15,082.0
03	5,781,506.0	1.3		5,399,905.4	50,675.2	2,852,963.2	2,473,802.0	6,078.6	16,386.3
04	5,935,982.7	2.7		5,548,213.0	51,526.7	2,946,813.5	2,526,753.0	7,953.9	15,165.8
05	6,121,200.1	3.1		5,745,491.2	56,425.5	3,039,112.2	2,626,757.4	7,066.9	16,129.1
06	6,318,185.2	3.2		5,958,571.7	54,763.8	3,171,047.2	2,714,003.8	7,026.8	11,730.2
07	6,428,519.6	1.7		6,037,638.0	58,813.4	3,232,577.5	2,726,717.3	8,118.4	11,411.5
08	6,675,071.0	3.8		6,262,134.6	65,357.4	3,305,357.2	2,870,445.7	10,363.6	10,610.6
09	6,867,334.0	2.9		6,444,040.3	65,459.5	3,385,436.6	2,973,954.0	8,963.9	10,226.3
10	6,855,416.0	-0.2		6,416,773.4	40,378.2	3,365,491.5	2,991,836.9	8,858.9	10,207.9
11	6,867,781.8	0.2		6,421,673.1	42,856.6	3,348,047.8	3,012,575.6	8,438.2	9,754.9
12	6,988,365.1	1.8		6,582,951.2	35,394.4	3,501,852.6	3,027,135.1	8,904.1	9,665.0
2013 01	7,139,824.4	2.2		6,726,843.2	33,239.9	3,551,634.3	3,125,497.7	8,388.7	8,082.7
02	7,168,463.8	0.4		6,751,652.7	13,940.7	3,557,961.4	3,162,503.3	8,246.6	9,000.7
03	7,390,628.9	3.1		6,981,873.8	31,107.6	3,635,804.2	3,296,208.1	7,327.2	11,426.7
04	7,771,060.2	5.1		7,349,390.1	30,001.5	3,878,932.9	3,422,150.5	7,256.3	11,048.9
05	8,226,418.8	5.9		7,761,983.8	44,260.6	4,106,765.7	3,592,781.2	7,325.8	10,850.5
06	8,608,254.3	4.6		8,141,649.3	46,630.4	4,347,974.1	3,727,829.6	8,361.8	10,853.4
07	9,117,688.0	5.9	*8,853,545.3*	8,503,418.8	48,819.9	4,497,633.9	3,930,120.3	14,587.7	12,257.0
08	9,783,100.7	7.3	*9,517,216.4*	9,131,848.7	50,525.0	4,786,121.0	4,274,009.3	7,390.0	13,803.4
09	10,153,397.2	3.8	*9,843,640.2*	9,462,785.3	59,100.1	4,895,735.1	4,473,953.6	14,592.1	19,404.4
10	10,488,797.0	3.3	*10,175,828.6*	9,758,863.2	58,899.0	5,028,407.8	4,642,535.5	9,100.5	19,920.5
11	10,822,440.9	3.2	*10,510,044.4*	10,088,845.6	78,360.7	5,244,403.4	4,721,903.8	22,649.3	21,528.3
12	10,764,170.3	-0.5	*10,456,347.7*	10,079,999.6	80,032.1	5,418,355.6	4,555,685.7	6,858.4	19,067.8
2014 01	11,009,764.5	2.3	*10,700,839.2*	10,275,694.5	122,384.7	5,391,599.4	4,736,980.8	5,429.2	19,300.4
02	11,153,914.6	1.3	*10,842,570.8*	10,357,074.7	73,827.7	5,452,417.4	4,805,069.8	5,187.2	20,572.6
03	11,380,924.9	2.0	*11,070,177.3*	10,506,867.9	73,439.9	5,471,119.5	4,937,355.7	5,141.8	19,810.9
04	11,737,746.9	3.1	*11,426,777.5*	10,822,570.1	72,133.9	5,597,210.7	5,122,177.4	5,913.4	25,134.8
05	12,064,921.7	2.8	*11,759,710.7*	11,063,935.8	72,007.5	5,671,337.3	5,300,025.0	5,665.9	14,900.0
06	12,302,077.7	2.0	*12,061,864.6*	11,296,859.4	74,515.8	5,703,799.0	5,484,834.2	7,488.0	26,222.4
07	12,225,429.6	-0.6	*11,075,607.2*	11,075,607.2	97,050.8	5,618,144.8	5,339,840.5	7,808.5	12,762.7
08	12,338,391.2	0.9	*11,191,298.3*	11,191,298.3	114,203.7	5,541,687.3	5,510,638.2	8,869.8	15,899.3
09	12,611,537.4	2.2	*11,556,513.9*	11,556,513.9	142,294.4	5,757,319.4	5,623,192.0	9,146.1	24,562.0
10	12,833,457.8	1.8	*11,776,586.4*	11,776,586.4	132,723.5	5,899,095.9	5,708,907.2	10,548.3	25,311.5
11	12,648,371.9	-1.4	*11,583,684.0*	11,583,684.0	129,685.9	5,973,001.6	5,442,598.2	10,132.4	28,265.8
12	12,502,525.7	-1.2	*12,261,583.6*	11,607,337.8	128,074.0	5,868,354.0	5,568,767.6	8,165.8	33,976.4

[1] *Data of Savings and Credit Cooperatives was included in Broad Money*

Loans outstanding

In millions of togrogs

End-of-period	Principal in arrears	Principal in arrears Excl. Banks in liquidation	Of which: By sectors					
			Public sector	Private sector	Individuals	Individuals Excl. Banks in liquidation	Other	Other financial corporations
2000 12	1,281.8							
2001 12	1,798.3							
2002 12	4,819.4							
2003 12	15,549.7							
2004 12	21,617.1		209.3	16,685.0	4,709.3		13.6	
2005 12	20,929.6		45.8	15,124.4	3,899.4		1,859.9	
2006 12	33,320.4		369.9	22,252.8	8,674.6		2,020.4	2.7
2007 12	40,320.0		872.1	32,283.1	7,134.9		0.0	30.0
2008 12	93,323.1		1,046.3	74,988.0	17,278.1		0.0	10.8
2009 12	121,739.5		1,674.9	96,447.6	23,531.9		74.1	10.9
2010 12	90,557.1		0.0	76,197.3	9,212.4		5,147.3	0.0
01	102,970.3		0.0	88,733.6	9,141.4		5,041.3	54.0
02	112,551.5		0.0	94,909.6	12,580.2		5,041.3	20.4
03	80,518.5		0.0	62,926.6	13,729.6		3,850.8	11.5
04	82,175.9		0.0	63,179.7	15,594.5		3,390.9	10.8
05	75,774.0		0.0	59,718.3	12,687.1		3,317.8	50.8
06	69,878.3		0.0	58,248.2	11,513.5		59.9	56.7
07	71,349.3		0.0	57,922.4	13,345.2		0.0	81.7
08	67,014.4		0.0	54,273.3	12,699.0		0.0	42.1
09	60,477.6		0.0	49,564.1	10,891.4		0.0	22.1
10	70,990.7		0.0	57,363.4	13,624.9		0.0	2.3
11	71,500.7		0.0	58,358.8	13,139.6		0.0	2.3
2011 12	73,736.9		0.0	42,061.7	31,662.7		0.0	12.6
01	73,822.9		0.0	35,550.7	38,269.9		0.0	2.4
02	61,172.1		0.0	29,988.3	31,162.1		0.0	21.8
03	61,438.1		0.0	30,153.9	31,284.2		0.0	0.0
04	71,159.1		7,458.0	32,023.3	31,677.8		0.0	0.0
05	60,055.9		0.0	30,603.6	29,402.4		0.0	50.0
06	51,777.5		1,765.3	31,748.2	18,251.3		0.0	12.7
07	85,133.2		0.0	63,516.6	21,576.6		0.0	40.0
08	100,632.1		0.0	76,887.0	22,724.1		1,001.0	20.0
09	117,001.2		0.0	90,758.3	25,242.2		1,000.7	0.0
10	132,473.5		0.0	103,597.0	27,867.9		1,008.5	0.0
11	147,657.5		0.0	120,898.1	25,217.7		1,541.7	0.0
12	110,915.1		0.0	83,907.5	26,675.8		331.7	0.0
2013 01	105,793.7		0.0	77,928.5	27,850.2		0.0	15.0
02	110,870.7		0.0	79,206.9	31,663.8		0.0	0.0
03	99,915.7		0.0	68,542.1	31,373.6		0.0	0.0
04	110,936.6		0.0	78,117.1	32,819.5		0.0	0.0
05	146,428.0		0.0	114,768.2	31,659.8		0.0	0.0
06	149,782.7		0.0	115,274.5	34,508.3		0.0	0.0
07	161,319.6	*161,304.6*	0.0	123,918.8	37,385.8	*37,385.8*	15.0	0.0
08	186,415.5	*186,415.5*	0.0	145,773.2	40,619.7	*40,619.7*	22.6	0.0
09	153,448.3	*153,370.1*	0.0	111,691.1	41,736.6	*41,658.4*	20.6	0.0
10	169,420.9	*169,363.5*	0.0	123,037.1	45,700.6	*45,643.2*	683.2	0.0
11	161,107.9	*161,051.2*	0.0	111,812.0	48,913.0	*48,856.3*	374.5	8.5
12	118,364.9	*116,806.7*	13.9	73,382.6	44,968.4	*43,435.3*	0.0	0.0
2014 01	152,280.7	*150,795.4*	13.9	95,845.9	56,420.9	*54,960.7*	0.0	0.0
02	198,955.9	*197,536.3*	13.9	139,293.3	59,648.6	*58,254.2*	0.0	0.0
03	279,596.3	*278,247.4*	0.0	219,638.5	59,957.8	*58,955.0*	0.0	0.0
04	299,020.4	*297,733.1*	41.0	237,629.0	61,350.4	*60,063.1*	0.0	0.0
05	381,216.6	*380,152.7*	550.9	316,281.8	64,346.9	*63,283.1*	36.9	0.0
06	438,255.0	*437,274.7*	35.7	371,775.3	66,444.0	*65,463.7*	0.0	0.0
07	550,115.6	*549,160.4*	3,779.1	446,818.2	99,518.4	*98,563.2*	0.0	0.0
08	527,090.5	*526,150.6*	1,954.3	433,814.6	91,302.4	*90,362.5*	19.2	0.0
09	464,584.0	*463,743.5*	1,768.8	372,819.0	89,979.0	*89,138.5*	17.2	0.0
10	450,570.7	*449,748.3*	1,596.9	330,977.6	117,993.1	*117,170.8*	3.0	0.0
11	444,661.1	*443,861.1*	2,458.4	320,018.6	122,173.5	*121,373.6*	10.5	0.0
12	269,488.7	*268,707.0*	1.3	196,614.9	70,863.5	*70,081.7*	2,009.1	0.0

[1] *Data of Savings and Credit Cooperatives was included in Broad Money*

Loans outstanding

In millions of togrogs

End-of-period	Non-performing loans	Non-performing loans Excl. Banks in liquidation	Of which: By sectors						
			Public sector	Private sector	Private sector Excl. Banks in liquidation	Individuals	Individuals Excl. Banks in liquidation	Other	Other financial corporations
2000 12	14,613.8								
2001 12	9,067.6								
2002 12	11,744.9								
2003 12	21,150.3								
2004 12	39,118.0		356.4	28,295.0		10,201.5		264.6	0.5
2005 12	49,471.0		11.1	36,301.1		12,890.3		268.1	0.5
2006 12	60,021.6		106.1	42,320.0		15,682.7		1,912.2	0.6
2007 12	68,071.3		520.7	44,311.1		21,021.2		1,915.4	302.9
2008 12	188,667.2		123.4	146,961.2		41,378.4		150.8	53.4
2009 12	462,001.5		160.2	380,811.0		80,870.0		125.7	34.6
2010 12	374,357.6		0.0	307,283.3		67,007.7		36.5	30.0
01	361,482.7		0.0	295,562.5		65,745.5		142.2	32.4
02	360,416.6		0.0	295,891.4		64,352.9		142.4	30.0
03	372,082.8		0.0	309,074.9		62,110.5		856.1	41.2
04	381,467.2		0.0	319,602.8		60,977.0		855.0	32.4
05	397,633.8		27.8	339,868.3		56,847.2		851.7	38.9
06	390,537.4		27.8	333,211.2		53,408.6		3,849.9	39.8
07	381,906.6		27.8	325,855.9		52,530.5		3,442.7	49.7
08	375,931.5		27.8	321,055.0		51,440.5		3,335.1	73.2
09	357,253.6		25.9	293,861.7		59,945.3		3,335.0	85.7
10	347,524.4		23.9	290,674.7		53,566.4		3,162.4	97.1
11	343,158.4		23.9	284,633.8		55,567.3		2,849.2	84.2
2011 12	329,961.1		0.0	277,384.7		51,522.6		985.3	68.5
01	326,638.5		0.0	274,230.0		51,359.8		984.7	64.1
02	323,316.7		0.0	269,260.6		52,958.9		1,035.4	61.8
03	320,162.6		0.0	271,811.2		47,453.7		838.9	58.8
04	316,610.6		0.0	268,133.2		47,585.9		838.9	52.6
05	315,653.0		7,426.1	258,529.5		48,239.5		1,416.4	41.4
06	307,836.0		7,579.8	248,570.2		50,815.2		839.4	31.4
07	305,748.3		7,542.8	245,802.8		51,086.1		884.9	431.7
08	312,304.3		5,770.9	253,368.2		52,243.3		880.3	41.6
09	306,292.5		5,826.8	254,060.3		45,492.8		872.6	40.0
10	306,169.1		5,807.0	254,474.6		44,973.7		872.7	41.1
11	298,451.2		5,805.5	246,631.7		45,141.6		832.7	39.8
12	294,498.8		6,565.5	241,961.4		43,592.8		2,332.6	46.6
2013 01	307,187.5		6,425.9	254,784.0		43,610.4		2,322.6	44.7
02	305,940.3		655.7	256,461.6		46,496.8		2,283.8	42.4
03	308,839.5		547.7	257,007.9		48,397.7		2,845.9	40.2
04	310,733.4		539.2	258,442.2		48,873.1		2,841.0	38.0
05	318,007.1		529.2	265,830.8		48,774.2		2,811.2	61.6
06	316,822.2		524.2	263,919.1		49,533.9		2,811.3	33.6
07	452,949.5	*189,478.9*	512.4	400,014.4	*147,115.1*	49,578.5	*39,007.2*	2,812.6	31.6
08	464,836.4	*199,554.2*	508.4	411,064.5	*155,617.9*	50,418.8	*40,583.2*	2,815.2	29.5
09	537,163.6	*228,404.1*	500.4	482,078.2	*183,155.9*	51,734.9	*41,897.6*	2,822.8	27.3
10	560,512.9	*248,437.1*	500.4	501,111.0	*198,966.5*	58,289.8	*48,358.6*	586.5	25.2
11	572,487.4	*260,954.5*	500.4	510,506.3	*208,806.3*	60,870.9	*51,037.9*	586.8	23.0
12	565,805.8	*259,612.0*	500.4	507,074.5	*210,914.1*	57,625.4	*47,592.1*	584.7	20.8
2014 01	581,789.3	*274,419.9*	500.4	521,158.8	*223,812.7*	59,525.4	*49,502.1*	586.1	18.6
02	597,884.1	*288,030.3*	430.5	536,234.7	*236,373.6*	60,655.8	*50,663.2*	546.6	16.4
03	594,460.8	*285,132.6*	444.4	535,578.1	*235,938.1*	57,877.7	*48,189.4*	546.4	14.2
04	616,156.3	*306,544.8*	444.4	553,803.2	*253,997.2*	61,849.0	*52,043.5*	47.7	12.0
05	619,769.4	*315,692.8*	444.4	560,219.3	*265,810.3*	59,047.7	*49,380.1*	48.2	9.8
06	566,963.3	*327,730.4*	444.4	515,327.9	*278,868.5*	51,135.0	*48,361.6*	48.4	7.6
07	599,706.7	*359,351.5*	476.6	545,048.6	*307,453.7*	54,126.7	*51,366.4*	49.4	5.4
08	620,002.5	*382,580.8*	476.6	559,732.6	*325,024.5*	59,745.3	*57,031.7*	48.0	0.0
09	590,439.5	*351,942.0*	476.6	524,740.1	*288,949.4*	65,174.1	*62,467.4*	48.7	0.0
10	606,300.7	*367,018.2*	475.6	536,755.1	*300,165.6*	69,020.9	*66,327.7*	49.2	0.0
11	620,026.9	*379,420.4*	475.6	541,740.1	*303,820.6*	77,761.2	*75,074.2*	50.0	0.0
12	625,699.2	*385,538.9*	475.6	554,278.9	*316,808.1*	70,883.3	*68,193.7*	61.4	0.0

[1] *Data of Savings and Credit Cooperatives was included in Broad Money*

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	CHF
	end-of-period	monthly average												
2000 12	1,097.00	1,097.00	1,006.61					0.89	9.74	132.52	1,615.11	140.66	39.18	659.53
2001 12	1,102.00	1,101.29	973.60					0.83	8.39	133.10	1,598.60	141.30	36.20	657.30
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	804.00
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	935.70
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	1,067.70
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	930.10
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	955.00
2007 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	1,032.58
2008 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	1,202.57
2009 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	1,392.03
2010 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	1,332.84
01	1,245.46	1,256.42	1,696.81	191.22	867.58	6.19	69.97	1.11	15.18	188.82	1,977.17	159.78	41.81	1,322.99
02	1,254.51	1,253.41	1,726.58	195.97	882.84	6.34	70.56	1.11	15.36	190.87	2,019.45	161.04	43.36	1,352.43
03	1,195.27	1,228.45	1,695.61	189.93	866.92	6.37	69.08	1.09	14.43	182.51	1,928.99	153.54	42.03	1,305.02
04	1,258.47	1,219.90	1,867.44	209.28	954.80	7.07	77.44	1.18	15.43	193.84	2,097.55	161.96	45.87	1,442.21
05	1,245.35	1,235.71	1,974.36	201.92	917.32	6.73	73.29	1.15	15.26	192.20	2,056.88	160.11	44.55	1,465.55
06	1,258.64	1,257.29	1,821.06	198.71	930.98	6.85	74.91	1.18	15.66	194.72	2,011.87	161.73	45.16	1,507.99
07	1,251.25	1,246.93	1,785.66	196.42	913.02	6.62	73.77	1.19	16.13	194.30	2,038.10	160.53	45.13	1,560.84
08	1,248.67	1,238.63	1,805.58	196.94	923.20	6.64	74.97	1.17	16.30	195.80	2,037.52	160.19	43.15	1,537.87
09	1,285.64	1,259.89	1,738.76	187.65	889.07	5.93	70.47	1.09	16.77	201.35	2,002.19	165.01	40.01	1,426.35
10	1,297.67	1,291.94	1,822.06	201.71	931.83	6.06	73.82	1.17	16.47	204.23	2,081.72	167.07	43.07	1,492.00
11	1,340.90	1,323.42	1,779.58	193.35	909.92	5.70	69.33	1.17	17.19	210.36	2,083.96	172.18	42.69	1,451.90
2011 12	1,396.37	1,374.20	1,806.76	202.11	923.62	5.82	70.12	1.21	18.00	221.63	2,155.30	179.72	43.44	1,484.08
01	1,366.30	1,395.12	1,798.39	202.41	919.51	6.09	71.29	1.22	17.91	216.49	2,149.80	176.16	45.02	1,491.92
02	1,340.19	1,340.73	1,804.16	204.47	922.30	6.22	72.26	1.20	16.65	212.93	2,134.59	172.82	46.14	1,496.58
03	1,318.80	1,333.28	1,760.47	199.11	900.05	5.96	71.04	1.16	16.05	209.36	2,107.64	169.87	44.91	1,461.11
04	1,316.11	1,313.13	1,743.39	195.81	891.42	6.08	70.25	1.17	16.43	208.69	2,144.62	169.73	44.82	1,451.03
05	1,316.00	1,318.03	1,632.37	181.76	834.65	5.43	63.65	1.12	16.70	206.49	2,037.04	169.50	39.94	1,359.22
06	1,342.23	1,328.01	1,687.12	192.45	862.56	5.85	65.85	1.17	16.86	211.19	2,098.24	173.06	40.86	1,404.37
07	1,349.10	1,344.04	1,654.27	198.10	854.83	5.93	65.42	1.19	17.23	211.88	2,117.41	173.99	41.87	1,377.19
08	1,381.99	1,364.22	1,729.21	207.05	884.22	6.08	69.63	1.22	17.61	217.59	2,181.13	178.19	42.39	1,439.95
09	1,394.47	1,394.83	1,803.26	213.80	921.90	6.36	71.78	1.25	17.98	221.83	2,264.62	179.85	45.04	1,490.30
10	1,397.28	1,386.98	1,812.97	210.69	926.82	6.40	72.56	1.28	17.53	224.00	2,248.15	180.29	44.59	1,500.27
11	1,397.28	1,396.40	1,819.05	210.17	930.16	6.50	72.22	1.29	16.91	224.41	2,243.89	180.29	45.29	1,510.00
2012 12	1,392.10	1,396.11	1,835.83	212.97	938.45	6.31	73.22	1.30	16.15	223.39	2,240.03	179.58	45.66	1,519.35
01	1,392.56	1,392.76	1,887.41	218.94	965.01	6.42	73.71	1.28	15.32	223.93	2,203.87	179.51	46.35	1,528.02
02	1,402.15	1,393.90	1,843.34	217.92	942.37	6.22	71.82	1.29	15.18	225.37	2,127.62	180.77	45.92	1,508.42
03	1,410.32	1,404.39	1,806.97	216.07	923.83	5.94	70.08	1.27	14.99	227.13	2,142.28	181.68	45.39	1,484.63
2013 04	1,436.12	1,417.41	1,879.23	219.67	960.87	6.26	72.92	1.30	14.70	232.95	2,226.70	185.05	46.28	1,533.58
05	1,442.20	1,438.27	1,879.84	218.95	961.05	6.35	72.96	1.28	14.33	235.03	2,193.23	185.76	45.31	1,512.06
06	1,446.17	1,437.78	1,886.89	215.38	964.69	6.40	72.56	1.27	14.64	235.45	2,205.99	186.45	44.11	1,528.48
07	1,499.60	1,474.07	1,991.69	228.68	1,018.33	6.63	77.17	1.34	15.32	244.67	2,283.44	193.37	45.44	1,616.99
08	1,616.98	1,570.43	2,139.99	245.02	1,094.22	7.13	83.11	1.46	16.49	264.19	2,509.31	208.50	48.62	1,738.03
09	1,646.48	1,662.45	2,221.92	256.21	1,136.13	7.41	86.53	1.53	16.69	269.02	2,646.96	212.33	50.75	1,812.01
10	1,716.28	1,687.62	2,351.30	267.51	1,202.13	8.00	91.41	1.62	17.45	281.64	2,749.48	221.37	53.57	1,904.86
11	1,741.71	1,733.47	2,369.94	265.52	1,211.75	7.91	86.62	1.65	17.03	285.86	2,845.26	224.65	52.49	1,923.37
12	1,659.34	1,674.58	2,288.81	258.40	1,170.32	7.72	83.54	1.57	15.80	274.17	2,735.17	213.99	50.58	1,868.31
2014 01	1,723.22	1,714.26	2,351.51	266.06	1,202.32	7.60	85.41	1.61	16.82	284.48	2,852.10	221.91	48.92	1,922.49
02	1,752.38	1,752.18	2,403.39	269.41	1,229.01	7.74	87.90	1.64	17.24	284.99	2,932.08	225.79	48.44	1,975.07
03	1,782.01	1,772.30	2,451.87	274.19	1,253.52	7.96	89.40	1.67	17.31	286.42	2,964.02	229.71	50.01	2,010.73
04	1,796.19	1,784.11	2,480.36	273.54	1,267.87	8.05	90.39	1.74	17.52	286.97	3,019.75	231.67	50.26	2,032.81
05	1,818.65	1,813.08	2,475.36	273.31	1,265.68	8.17	90.09	1.78	17.89	291.13	3,047.15	234.58	52.35	2,027.59
06	1,825.74	1,824.64	2,492.04	271.36	1,274.34	8.05	90.77	1.80	18.01	294.40	3,108.32	235.56	53.87	2,051.28
07	1,870.92	1,844.07	2,506.28	271.60	1,281.36	8.03	90.99	1.82	18.19	303.14	3,161.48	241.41	52.70	2,060.14
08	1,811.03	1,862.17	2,385.04	259.76	1,219.47	7.56	85.74	1.79	17.44	294.72	3,006.22	233.68	49.10	1,977.65
09	1,840.91	1,835.75	2,335.19	254.36	1,193.88	7.51	84.88	1.75	16.83	299.70	2,994.42	237.13	46.75	1,935.05
10	1,862.36	1,849.94	2,340.71	253.64	1,196.81	7.61	84.39	1.75	16.75	304.81	2,978.29	240.14	44.42	1,940.56
11	1,895.17	1,879.77	2,357.69	254.10	1,205.23	7.67	85.32	1.71	16.03	308.38	2,972.38	244.45	38.43	1,960.66
12	1,888.44	1,883.00	2,295.40	244.19	1,173.82	7.29	82.85	1.73	15.78	304.59	2,938.98	243.46	33.97	1,908.67

Exchange rates on foreign exchange market

Togrog against foreign currency

End-of-period	EGP	CAD	AUD	THB	IDR	MYR	SGD	XAU	XAG	SDR	REER	NEER
2000 12		720.81	608.56	26.10	0.12	288.68	634.84	300,358.60	5,062.66	1,426.96	100.00	100.00
2001 12		691.00	559.70	24.90	0.11	290.00	595.90	306,080.50	4,937.00	1,382.40	113.98	103.45
2002 12	242.80	720.60	634.90	26.00	0.13	296.10	647.60	393,187.50	5,298.80	1,519.20	122.77	100.48
2003 12	188.80	892.60	872.10	29.50	0.14	307.40	686.40	485,537.60	6,926.20	1,729.00	123.14	91.94
2004 12	197.70	999.00	936.70	31.00	0.13	318.20	738.40	528,151.70	8,263.50	1,875.00	124.86	85.73
2005 12	212.40	1,048.30	892.60	29.80	0.12	323.00	733.10	625,152.00	10,897.40	1,751.80	138.97	86.24
2006 12	204.00	1,004.20	923.20	32.30	0.13	330.70	760.20	738,959.50	15,034.30	1,751.20	142.97	86.48
2007 12	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	145.51	81.11
2008 12	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	173.63	79.83
2009 12	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	143.23	66.68
2010 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	180.47	78.11
01	212.63	1,246.33	1,239.79	40.12	0.14	406.81	970.21	1,665,049.25	34,791.93	1,948.27	175.10	75.29
02	213.12	1,284.83	1,275.40	41.00	0.14	411.11	986.33	1,773,249.89	42,082.54	1,969.04	173.02	74.68
03	200.36	1,231.09	1,235.13	39.51	0.14	395.00	948.55	1,706,427.22	45,139.37	1,970.04	172.59	75.45
04	211.61	1,321.78	1,374.82	42.09	0.14	424.37	1,026.02	1,929,089.79	60,784.10	2,038.30	171.00	75.15
05	209.36	1,283.14	1,333.33	41.09	0.15	413.60	1,010.84	1,917,403.13	48,082.96	1,983.82	171.41	74.05
06	210.83	1,302.74	1,350.21	40.92	0.15	416.35	1,023.37	1,898,947.93	43,800.67	2,010.41	170.93	72.76
07	210.01	1,315.17	1,367.43	42.07	0.15	421.94	1,037.52	2,017,822.06	49,355.56	2,003.85	172.92	73.14
08	209.75	1,277.67	1,333.64	41.67	0.15	418.60	1,038.05	2,282,568.76	51,576.31	2,008.29	175.53	73.83
09	215.52	1,231.81	1,252.79	41.32	0.15	403.09	991.62	2,092,359.82	39,726.28	2,014.91	178.79	74.23
10	217.36	1,300.27	1,371.18	42.26	0.15	423.04	1,040.80	2,224,375.08	44,756.64	2,072.35	175.45	72.82
11	223.33	1,295.49	1,335.60	42.97	0.15	422.26	1,033.53	2,294,212.86	42,419.37	2,073.35	171.63	70.98
2011 12	231.54	1,368.72	1,417.11	44.26	0.15	439.66	1,073.84	2,177,583.16	38,574.72	2,137.00	167.26	68.88
01	226.60	1,365.48	1,451.90	44.03	0.15	447.75	1,088.08	2,377,191.21	46,078.47	2,114.25	167.45	67.69
02	222.14	1,349.23	1,449.15	44.29	0.15	447.55	1,075.25	2,396,051.99	49,828.26	2,083.70	175.93	69.43
03	218.34	1,321.58	1,371.35	42.80	0.14	430.35	1,049.33	2,192,999.55	42,696.15	2,037.64	180.96	69.91
04	217.69	1,341.97	1,375.61	42.82	0.14	434.52	1,065.42	2,189,519.24	41,268.83	2,040.28	183.81	70.99
05	217.68	1,280.78	1,280.40	41.30	0.14	413.90	1,022.93	2,056,440.82	36,769.04	1,989.23	187.59	71.66
06	221.56	1,308.22	1,364.44	42.19	0.14	421.82	1,056.29	2,107,703.77	36,079.14	2,027.57	190.63	72.42
07	222.12	1,347.08	1,417.57	42.76	0.14	430.82	1,083.61	2,188,638.18	38,044.62	2,034.17	189.08	71.38
08	226.50	1,393.28	1,424.62	44.08	0.14	442.31	1,105.15	2,292,548.66	42,081.60	2,101.69	187.05	69.86
09	228.72	1,424.24	1,457.85	45.31	0.15	455.26	1,138.48	2,481,982.29	48,395.08	2,146.65	182.71	67.62
10	228.72	1,399.59	1,450.24	45.53	0.15	458.27	1,145.31	2,395,909.03	44,775.84	2,149.35	183.34	67.77
11	228.65	1,407.70	1,457.85	45.54	0.15	459.56	1,145.08	2,416,309.32	47,905.74	2,144.13	181.22	67.14
2012 12	224.93	1,399.17	1,444.79	45.49	0.14	454.71	1,138.08	2,309,841.93	41,839.57	2,145.90	180.82	66.85
01	208.29	1,388.53	1,447.78	46.75	0.14	448.74	1,125.30	2,335,107.27	44,561.92	2,145.44	181.52	66.95
02	208.06	1,372.30	1,440.92	47.13	0.15	453.70	1,134.70	2,245,403.01	40,914.74	2,123.27	183.11	67.22
03	207.31	1,388.79	1,469.13	48.15	0.15	456.41	1,137.95	2,251,716.91	39,890.90	2,112.68	184.43	67.09
2013 04	207.10	1,419.44	1,487.17	48.87	0.15	472.72	1,164.36	2,118,485.24	35,026.97	2,167.45	184.03	66.58
05	206.51	1,395.65	1,385.16	47.74	0.15	466.73	1,142.29	2,036,963.28	32,665.83	2,158.65	180.82	65.58
06	206.03	1,381.12	1,338.94	46.62	0.15	456.28	1,144.89	1,739,417.12	27,282.00	2,174.70	180.66	65.88
07	214.19	1,455.36	1,355.34	47.87	0.15	461.84	1,178.93	1,999,116.76	29,917.02	2,271.50	177.11	64.56
08	231.47	1,536.03	1,445.10	50.31	0.15	491.71	1,269.61	2,257,627.48	38,047.54	2,451.65	169.66	60.51
09	238.91	1,594.81	1,536.66	52.66	0.14	510.06	1,311.20	2,183,355.97	35,572.20	2,522.61	160.50	56.95
10	249.12	1,639.16	1,629.78	55.15	0.15	543.47	1,384.99	2,293,207.52	38,418.93	2,649.14	159.26	55.69
11	253.02	1,643.90	1,584.17	54.26	0.15	540.32	1,387.98	2,167,026.87	34,572.94	2,673.89	157.99	54.51
12	239.15	1,558.80	1,482.95	50.61	0.14	505.36	1,311.42	1,990,336.85	32,357.13	2,555.38	166.06	56.48
2014 01	247.53	1,539.41	1,504.63	52.23	0.14	515.01	1,349.75	2,177,279.85	33,749.26	2,652.85	165.48	55.71
02	251.76	1,575.17	1,571.36	53.68	0.15	534.43	1,382.93	2,329,482.54	37,203.03	2,701.05	164.62	55.05
03	255.76	1,611.15	1,645.33	54.93	0.16	545.37	1,413.51	2,302,668.77	35,337.26	2,750.98	165.35	55.03
04	256.60	1,639.91	1,667.67	55.53	0.16	550.08	1,429.92	2,318,432.24	34,792.20	2,785.18	167.67	54.70
05	254.34	1,679.12	1,693.62	55.41	0.16	566.03	1,450.45	2,285,770.25	34,672.56	2,802.13	163.91	53.58
06	255.35	1,709.33	1,716.93	56.29	0.15	568.77	1,462.52	2,400,893.74	38,148.84	2,819.17	163.18	53.09
07	261.67	1,714.95	1,741.36	58.48	0.16	586.13	1,499.86	2,424,525.23	38,774.82	2,868.45	162.17	52.51
08	253.29	1,669.00	1,694.76	56.74	0.15	574.75	1,451.26	2,332,923.57	35,306.03	2,749.43	162.84	52.39
09	257.47	1,651.11	1,610.15	56.88	0.15	562.88	1,446.23	2,238,730.65	32,188.31	2,738.05	168.76	53.89
10	260.47	1,661.86	1,640.93	57.23	0.15	566.07	1,452.19	2,187,714.29	29,965.37	2,757.74	171.65	54.38
11	265.06	1,666.23	1,609.66	57.74	0.16	561.37	1,454.02	2,247,103.07	30,550.14	2,774.98	175.65	55.27
12	264.12	1,627.54	1,546.07	57.42	0.15	540.33	1,429.12	2,266,977.80	30,602.17	2,735.18	184.27*	57.77

** According to the methodology of real effective exchange rate calculation, base periods of CPIs for Mongolia and trading partners updated to December 2010 from December 2005.*

Deposit rate

In percent, annual

End of period	Deposit rate								
	Current account				Deposit				
	Offered rate, highest lowest		Weighted average rate		Demand deposit	Time deposit		Weighted average rate	
	DC	FC	DC	FC		DC 0-1 year	FC 0-1 year	DC	FC
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			1.2-9.60	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			6.0-9.60	6.0-20.4	1.4-9.60		
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 12	0.0-4.8	0.0-3.6			6.0-10.3	7.56-19.3	1.2-11.4		
2008 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 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 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
01	0.0-7.2	0.0-3.0	3.2	1.3	0.0-8.4	6.0-18.0	0.6-14.04	10.7	4.3
02	0.0-7.2	0.0-3.0	3.1	1.3	0.0-8.4	6.0-18.5	0.6-14.04	10.6	4.9
03	0.0-7.2	0.0-3.0	3.1	1.3	0.0-8.4	6.0-18.5	0.6-14.04	10.5	5.0
04	0.0-7.2	0.0-3.0	2.9	1.4	0.0-8.4	6.0-18.0	0.6-14.04	10.7	4.8
05	0.0-7.2	0.0-3.0	3.0	1.3	0.0-8.4	6.0-18.0	0.6-14.04	10.4	5.0
06	0.0-7.2	0.0-7.2	3.0	1.3	0.0-8.4	6.0-18.0	0.6-14.04	10.3	4.2
07	0.0-7.2	0.0-7.2	2.9	1.3	0.0-8.4	6.0-18.0	0.6-14.04	10.4	4.9
08	0.0-7.2	0.0-7.2	3.0	1.2	0.0-8.4	6.0-18.0	0.6-14.04	10.3	4.7
09	0.0-7.2	0.0-7.2	2.8	1.1	0.0-8.4	6.0-18.0	0.6-14.04	10.2	4.7
10	0.0-7.2	0.0-7.2	3.0	1.2	0.0-8.4	6.0-18.0	0.6-14.04	10.4	4.7
11	0.0-7.2	0.0-7.2	2.9	1.3	0.0-8.4	3.0-18.0	0.6-14.04	10.5	4.7
2011 12	0.0-7.2	0.0-7.2	2.8	1.1	0.0-8.4	3.0-18.0	1.0-10.2	10.5	4.5
01	0.0-7.2	0.0-7.2	2.9	1.5	0.0-8.4	3.0-18.0	1.0-15.2	10.8	4.6
02	0.0-7.8	0.0-7.2	3.0	1.3	0.0-8.4	3.0-18.0	1.0-15.2	10.8	4.7
03	0.0-7.8	0.0-7.2	2.8	1.4	0.0-8.4	4.0-18.0	1.0-15.2	10.8	4.9
04	0.0-7.8	0.0-7.2	2.8	1.4	0.0-8.4	4.0-18.0	1.0-15.2	11.0	5.6
05	0.0-7.8	0.0-7.2	2.7	1.4	0.0-8.4	3.0-18.0	1.0-15.2	11.2	6.1
06	0.0-7.8	0.0-18.0	2.5	1.4	0.0-8.4	3.0-18.0	1.0-15.2	11.0	5.9
07	0.0-7.8	0.0-18.0	2.6	1.4	0.0-8.4	3.0-18.0	1.0-15.2	11.2	5.9
08	0.0-15.6	0.0-18.0	2.6	1.5	0.0-8.4	3.0-18.0	1.0-15.2	11.4	6.0
09	0.0-15.0	0.0-18.0	2.8	1.5	0.0-8.4	3.0-18.0	1.0-15.2	11.5	5.5
10	0.0-8.0	0.0-14.4	2.9	1.5	0.0-8.4	6.0-18.0	0.6-15.2	11.8	5.6
11	0.0-7.2	0.0-4.8	2.9	1.5	0.0-8.4	6.0-18.0	0.6-15.2	12.0	5.6
2012 12	0.0-7.2	0.0-7.2	2.7	1.3	1.8-8.4	6.0-18.0	0.6-15.2	11.7	6.1
01	0.0-7.2	0.0-7.2	2.9	1.4	0.1-8.4	3.0-18.0	1.2-15.0	11.7	6.2
02	0.0-7.2	0.0-7.20	2.9	1.4	0.1-8.4	3.0-18.0	1.0-10.2	11.5	6.6
03	0.0-7.2	0.0-7.2	3.0	1.5	0.0-8.0	3.0-18.0	1.0-10.2	12.3	7.0
2013 04	0.0-7.2	0.0-7.2	3.0	1.4	0.0-8.0	3.0-18.0	1.0-15.2	12.1	6.0
05	0.0-7.2	0.0-7.2	2.8	1.5	0.1-9.5	3.0-18.0	1.0-15.2	12.2	5.4
06	0.0-7.2	0.0-7.2	2.8	1.5	0.0-9.5	3.0-18.0	0.0-15.2	12.1	5.6
07	0.0-7.2	0.0-7.2	2.8	1.4	0.1-9.5	3.0-18.0	0.0-10.2	11.8	5.5
08	0.0-7.2	0.0-7.2	2.7	1.4	0.0-9.5	3.0-18.0	0.0-10.2	12.2	5.5
09	0.0-7.2	0.0-7.2	2.7	1.5	0.0-9.5	3.0-18.0	0.0-10.2	12.1	5.4
10	0.0-7.2	0.0-7.2	2.6	1.5	0.0-9.6	3.0-18.1	0.0-10.3	12.2	5.3
11	0.0-7.3	0.0-7.3	2.8	1.5	0.0-9.5	3.0-18.1	0.0-10.2	12.3	5.4
12	0.0-7.2	0.0-7.2	2.6	1.5	0.0-9.5	3.0-18.0	0.0-10.2	12.1	5.4
2014 01	0.0-7.2	0.0-7.2	3.0	1.6	0.0-9.5	3.0-18.0	0.0-10.2	12.2	5.5
02	0.0-7.2	0.0-7.2	2.9	1.8	0.0-9.5	3.0-18.0	0.0-10.2	12.2	5.4
03	0.0-7.2	0.0-7.2	2.8	1.7	0.0-9.5	3.0-18.0	0.0-10.2	12.2	5.6
04	0.0-7.2	0.0-7.2	2.7	1.7	0.0-9.5	3.0-18.0	0.0-10.2	12.2	5.3
05	0.0-7.2	0.0-7.2	2.7	1.7	0.0-9.5	3.0-18.0	0.0-10.2	12.2	5.6
06	0.0-7.2	0.0-7.2	2.5	1.6	0.0-9.5	3.0-18.0	0.0-10.2	12.2	5.6
07	0.0-7.2	0.0-7.2	2.6	1.7	0.0-9.5	3.0-18.0	0.0-10.2	12.2	5.4
08	0.0-7.2	0.0-7.2	2.7	1.7	0.0-9.5	3.0-18.0	0.0-10.2	12.2	5.5
09	0.0-7.2	0.0-7.2	2.6	1.7	0.0-9.5	3.0-18.0	0.0-10.2	12.3	5.5
10	0.0-7.2	0.0-7.2	2.7	1.7	0.0-9.5	3.0-18.0	0.0-10.2	12.6	5.6
11	0.0-7.2	0.0-7.2	2.8	1.7	0.0-9.5	3.0-18.0	0.0-10.2	12.7	5.7
12	0.0-7.2	0.0-7.2	2.8	1.5	0.0-8.0	3.0-18.0	0.0-10.2	12.5	5.8

Loan rate*

In percent, annual

End of period	Central bank's bills rate					Government treasury bill yield (as a trading rate)						
	Policy rate rate	Weighted average rate	Time deposit			Time deposit						
			1 week	4 weeks	28 weeks	12 weeks	13 weeks	1 year	1.4 years	3 years	5 years	10 years
2000 12		8.6	8.5	10.5								
2001 12		8.6	6.8	8.8								
2002 12		9.9	10.0	10.9								
2003 12		11.5	9.2	11.9								
2004 12		15.75	15.49	15.90								
2005 12		4.75		3.80								
2006 12		6.42										
2007 12	8.40	9.85	8.40		12.62							
2008 12	9.75	14.78	9.75		16.73							
2009 12	10.00	10.82	10.00									
2010 12	11.00	10.99	10.99									
01	11.00	10.77	10.82									
02	11.00	10.93	10.96									
03	11.00	10.81	11.00									
04	11.50	10.95	10.98		14.10							
05	11.50	11.37	11.40		12.51							
06	11.50	11.65	11.49		12.59							
07	11.50	11.67	11.49		12.55							
08	11.75	11.63	11.50		12.40							
09	11.75	11.77	11.75		12.43							
10	12.25	12.23	11.82		12.89							
11	12.25	13.22	12.25		13.12							
2011 12	12.25	14.25	12.25		13.72							
01	12.25	14.25	12.25		14.53							
02	12.25	14.53	12.25		14.78							
03	12.75	14.42	12.44		15.19							
04	13.25	14.88	12.92		15.97							
05	13.25	15.40	13.25		16.38							
06	13.25	15.69	13.25		16.49							
07	13.25	15.95	13.25		16.59							
08	13.25	16.31	13.25		16.68							
09	13.25	16.59	13.25		16.75							
10	13.25	16.33	13.25		16.86							
11	13.25	16.25	13.25		16.91							
2012 12	13.25	15.47	13.25		16.82							
01	12.50	14.20	13.20		16.82	12.75	12.86	11.65				
02	12.50	13.47	12.50		16.57	11.04	10.49	10.99				
03	12.50	13.27	12.50		16.15	10.32	10.29	10.24				
2013 04	11.50	12.91	11.95	11.50	15.92	10.18	10.39					
05	11.50	12.05	11.50	11.59	15.27	10.35	10.76	10.36				
06	10.50	11.39	11.31	11.61	12.95	8.75	10.05	10.12		10.52	9.64	
07	10.50	10.47	10.50	9.89	12.51	7.74	7.76	8.04				
08	10.50	10.56	10.50	10.76	12.46	8.81	8.41	9.75				
09	10.50	10.53	10.50	10.89	12.00	8.95	10.49	9.70				
10	10.50	10.51	10.50	10.70		8.16	8.25	9.22		10.01		
11	10.50	10.51	10.50	10.67		8.52	8.39	8.95		10.73	10.24	
12	10.50	10.54	10.50	10.77		9.15	9.97		10.29	10.72		12.85
2014 01	10.50	10.54	10.50	10.83		9.21	9.68	10.80	10.29	11.08	10.24	12.05
02	10.50	10.56	10.50	10.89		10.60	10.89	11.19	10.29	11.08	13.00	14.25
03	10.50	10.57	10.50	10.91		10.61	10.71	12.33	10.29	13.62	14.70	14.25
04	10.50	10.55	10.50	10.86		9.27	10.50	10.03	10.29	12.74	14.70	17.50
05	10.50	10.56	10.50	10.80		9.05	9.36	9.45	10.29	11.64	13.84	17.50
06	10.50	10.56	10.50	10.78		9.33	9.79	9.49	10.29	11.54	14.75	17.50
07	12.00	10.55	10.50	10.74		11.17	9.79	12.00	10.29	11.54	14.75	17.50
08	12.00	11.83	11.77	12.13		15.12	15.35	15.50	10.29	11.54	14.75	17.50
09	12.00	12.08	12.00	12.50		15.63	16.17	16.07	10.29	16.11	14.75	17.50
10	12.00	12.09	12.00	12.50		15.80	16.23	16.35	10.29	16.75	14.75	17.50
11	12.00	12.11	12.00	12.49		15.96	16.30	16.74	10.29	16.75	16.80	17.50
12	12.00	12.12	12.00	12.50		14.69	16.44	16.74	10.29	16.75	16.80	17.50

** Shown auction of Central banks bills with maturity of 1 week and weighted average rate from April 21, 2010.*

Loan rate*

In percent, annual

End of period	Interbank market rate						Banks loan rates				
	Interbank loans	Repos	Central bank bills	Overnight loans	Interbank deposits	Weigthed average rate	Domestic currency	Foreign currency	Including price stabilization program for MNT	Including price stabilization program for foriegn currency	Paid rate
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	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	5.80	6.06		6.16		6.12	24.5	15.5			23.0
2007 12	8.39	6.76	8.11	8.67	8.78	8.25	19.9	14.2			21.7
2008 12	11.00			19.82	14.71	17.87	20.4	16.8			19.3
2009 12	11.00	7.48	9.87	7.15	8.89	8.58	20.8	16.5			18.7
2010 12	11.19	10.45	10.32	11.09	6.53	9.45	17.9	12.6			19.0
01		8.43	9.63	10.00	11.00	9.33	18.4	12.5			18.8
02	11.00	7.46	8.58		11.00	8.38	17.8	12.2			18.4
03	11.00	8.82	10.06	10.19	11.86	10.15	15.8	13.0			18.2
04	11.00	10.39	10.69	13.44	12.11	11.38	16.4	12.9			17.9
05	13.03	11.27	11.48	12.79	14.00	11.71	16.6	14.3			17.9
06	13.20	10.29	10.43	11.00	6.09	9.36	16.2	12.3			17.9
07	11.30	10.93	11.19	11.29	6.55	9.29	17.4	12.2			17.9
08	11.00	10.87	10.66	11.28	6.80	9.18	17.2	12.7			17.7
09	11.00	11.36	11.10	11.75	6.80	10.50	16.1	12.1			17.3
10	11.00	11.78	11.72	6.71	7.01	10.59	15.9	13.3			17.1
11	11.00	12.84	11.87		8.79	11.48	16.1	12.2			16.8
2011 12	11.54	12.65	12.84	12.61	8.10	12.11	15.5	12.1			16.6
01		12.46	12.39	12.99	10.94	12.27	15.5	13.0			16.4
02		12.42	12.02	12.94	11.48	12.27	18.4	14.0			16.4
03		11.48	12.38	12.60	12.09	12.17	17.9	12.4			16.4
04		13.00	12.93	12.82	12.10	12.91	18.4	12.4			16.3
05		12.74	13.29	13.47	7.85	11.50	18.6	12.9			16.1
06		13.31	13.03	13.93	8.91	12.39	17.9	12.9			16.0
07		13.88	13.25	15.55	7.89	13.30	18.3	12.9			16.0
08		14.77	14.44	18.80	7.74	14.13	18.3	14.1			16.0
09		15.24	14.21	18.08	10.48	14.80	18.6	14.2			16.0
10		14.99		17.81	9.45	15.18	18.7	14.4			16.0
11		15.40	15.78	17.92	7.86	14.71	18.6	13.3			16.0
2012 12		14.77		18.59	9.75	13.97	18.2	13.5	14.9	12.2	16.1
01		13.94	13.68	14.94	10.61	13.22	18.9	13.6	18.7	13.6	16.1
02		13.29	13.37	13.81	7.18	12.48	19.1	13.1	18.1	13.1	16.0
03		12.91	12.51	14.17	7.05	12.29	19.6	14.2	19.5	14.2	15.9
2013 04		12.06	12.05	13.93	8.70	11.28	19.1	13.2	17.6	13.2	16.0
05		11.50	11.44	12.09	8.06	10.74	18.5	13.2	16.2	13.2	16.1
06		10.35	11.43	11.33	8.77	10.47	17.9	12.3	15.8	12.3	16.1
07		9.57	9.93	9.49	7.53	8.94	17.3	12.8	15.1	12.8	15.2
08		10.86	10.66	10.10	6.70	9.96	18.9	12.5	16.0	12.5	15.2
09		10.55	10.67	10.75	8.62	9.90	19.0	12.1	15.3	12.1	15.2
10		10.53	10.51	10.97	8.64	9.64	18.8	12.0	16.0	12.3	15.2
11		10.52	10.51	10.71	8.12	9.13	17.3	12.3	15.7	12.3	15.1
12		10.49	10.52	10.80	7.04	8.91	17.4	12.7	14.9	12.7	15.1
2014 01		10.50	10.52	10.50	8.58	9.48	18.9	12.4	17.0	12.4	15.1
02		10.53	10.52	10.63	8.52	9.78	18.4	13.8	16.4	13.7	16.3
03		10.64	10.52	10.12	8.20	9.35	19.7	12.7	17.8	12.7	19.0
04		10.50	10.50	10.50	8.24	9.58	19.4	12.1	17.6	12.1	14.8
05		10.80	10.50	10.71	9.30	10.28	19.1	12.1	17.2	12.1	14.7
06		10.51	10.49	10.93	9.13	10.39	18.8	12.4	17.3	12.4	14.7
07		10.58	10.52	10.64	11.35	10.78	19.2	13.3	17.5	13.3	15.3
08		12.02	12.24	12.41	12.55	12.39	19.6	13.5	17.6	13.5	15.3
09		11.96	12.00	12.52	12.41	12.41	18.3	13.8	16.3	13.8	15.4
10		12.03	12.17	12.59	12.86	12.67	18.9	12.5	16.9	12.5	15.4
11		12.07	12.18	12.49	12.18	12.44	18.6	12.7	17.1	12.7	15.4
12		12.02	12.31	12.30	12.04	12.20	19.5	12.9	16.9	12.9	15.4

** Shown auction of Central banks bills with maturity of 1 week and weighted average rate from April 21, 2010.*