THE BANK OF MONGOLIA

ANNUAL REPORT 2009

STATEMENT FROM THE GOVERNOR

Ladies and Gentleman:

In the past financial year, the Bank of Mongolia has faced difficult challenges in sustaining financial macroeconomic stability in Mongolia. Timely decisions and measures taken by the Bank of Mongolia prevented the macroeconomic crisis from deeply affecting the economy. First of all, our monetary policy has been conducted towards stabilisation of the banking system, prevention of any misunderstandings and difficulties that may have arisen among depositors, curbing inflation, stabilizing the national currency and reinforcing the international reserves.

Although the implementation of a tight monetary policy has been a challenge, it was a necessary step to take in the first quarter. In order to protect our national currency against destabilization, we increased our policy rate, organized foreign exchange auctions which restored reliability and stability in the national currency while putting a stop to increasing deposit and account withdrawals in the banking system. Thus we were able to implement an expansionary monetary policy. Mongol Bank had already been decreasing its policy rate in May, June and September. Following the decrease in the policy rate, Mongol Banks refinancing interest rates such as repo and overnight loans were lowered by 2.5 - 3.5 units.

To increase the lending capacity of the commercial banks, the Bank of Mongolia has maintained a policy to gradually increase interbank reserve surpluses. These increased the net reserves in the banking system from the end of the first quarter from – 42.0 billion MNT to 379.9 billion MNT by the last quarter. In addition, in order to lower the interbank policy rate, the Bank of Mongolia added a premium equal to ¼ of the policy rate on the Statutory Reserve Requirement ratio and took measures to require adherence to the International and National Required Reserved ratios to be of no less than 50 percent in a day.

The credibility and quality of Mongolia's balance of payments has been improved since the "Real Time Regulation" system was launched in the second quarter of 2009. This recognizes that interbank balance payments occur with a given cycle.

The measures mentioned above are one of several actions taken in 2009. As the result, inflation has been decreasing gradually, reaching 4.2 percent across the country and 1.8 percent in Ulaanbaatar. International Reserves have been raised to total of 1.3 billion USD and the national currency has been reasonably stabilized. Thus, the foundation for long- term economic growth has been established as the main objective of macroeconomic stability has been reached.

However, the main concern in 2010 lies in overcoming the difficulties facing the microeconomics sector. The Bank of Mongolia will focus its policy in deciding on measures to be taken regarding non-performing loans and loan defaults. The Bank of Mongolia will determine the measures and implementing action to be taken to address the difficulties raising in the banking sector. It is instructing international auditing organizations to make independent examinations and evaluation of the commercial banks' loan portfolios. In addition, we are working on a strategy that will lower the policy rate and taking measures to increase the efficiency of the lending system.

L.Purevdorj

Governor

CONTENT

MONETARY POLICY OBJECTIVE AND IMPLEMENTATION

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1.1. Monetary policy implementation

Strong and highly necessary policy measures were taken by the Bank of Mongolia (BoM) in early 2009 to restore financial stability. These, allowed the economy to avert a full-scale crisis. To restore confidence in the Togrog, the BoM raised its policy rate to 14 percent from 9.75 percent and commencing buying and selling FX reserves via an auction process. These measures have had a positive impact to stop deposit flight out of the Togrog and avoided the rationing of foreign exchange and facilitated the conditions to loosen the monetary policy. Accordingly, the policy rate was cut by 1.25 percentage points in May and June down to 11.5 percent and by 1.5 percentage points to 10 percent in September.

The following measures were taken by the BoM in the first half 2009 to strengthen the country's international reserve position and administer monetary policy so as to prevent undue overshooting of the exchange rate and to keep inflation on a downward path.

1. In order to avert a currency crisis the Bank of Mongolia raised its policy rate to 14 percent and started conducting foreign currency auctions twice a week, which achieved a revival of confidence in the Togrog and stability in the foreign exchange market. In addition, to facilitate the attraction by commercial banks of new deposits and to increase their return on Togrog assets in the money market, the 12-week CBB rate was increased to 20 percent.

2. An Emergency Lending Facility was introduced by the Bank at the end of 2008 to make loans to banks that were facing a temporary liquidity shortage. Under this facility, the BoM extended loans totaling MTN 304.2 billion Togrogs as at end December 2009. A total of MNT 124.3 billion loans were paid and the outstanding amount stands at 179.9 billion Togrogs.

3. To strengthen the operational framework of monetary policy, the structure of the refinancing instruments of the BoM have been revised so that the rates applied to the repo, emergency and overnight lending facilities are set at the policy rate plus a margin of 6, 9 and 10 percent points respectively.

4. To assist interbank market development, to decrease interest rate spreads and increase returns on asset, a number of changes were made on 25 March 2009 to the reserve requirement regulation. The MNT component (required reserves only) was remunerated at a level equivalent to 25 percent of the Policy Rate, banks were required to hold a minimum of 50 percent of the reserve requirement on a daily base (compliance is on an averaged basis), and interbank deposits were excluded from the reservable base.

5. To reduce maturity mismatches, the BOM consolidated 28-week CBBs to 12-weeks. Moreover, the auctions of 12-week CBBs are now held more frequently (every 2 weeks).

6. To support the real sector of the economy and to reduce the large exposure to the construction sector of the banks, the BOM extended two loans through banks to construction companies, totaling MNT 55.7 billion. However, due to misuse of the funds by both the banks and construction companies, these loans were soon withdrawn.

The BoM's tightening monetary policy helped stabilize money markets, restore confidence in the local currency and stem rapid depreciation. Moreover, these measures led to a convergence of the official BoM and market exchange rates. These positive conditions brought about an opportunity to ease the tight monetary stance in the second half of the year.

1. The policy rate had been cut by 1.25 percentage points in May and June 2009, to 11.5 percent. The policy rate increased in real term due to the rapidly decreasing inflation rate. Urging banks to increase lending, the BoM not only cut its policy rate but also tried to fix the quantities of the CBBs in circulation.

2. The stability in the money market conditions and positive tendency in the economy were further affirmed in the third quarter of 2009, bringing an opportunity to cut the policy rate by 1.5 percentage points to 10 percent. Moreover, to decrease the cost of short term loans the BoM's revised its refinancing scheme. Thus the rate for repo was set at 14 percent, overnight lending facility at 19 percent and emergency facility at 18 percent, 4,9 and 8 percentage points higher than the policy rate. At the end the repo facility was cut by 3.5 percentage points, while the emergency and overnight lending facilities were cut by 2.5 percentage points.

3. To support gold production, the Ministry of Finance raised 89.5 million USD through its bond issues and extended 66.25 million USD loans with the maturity of one year and interest rate of 13 percent through the banks which lent 44.9 million USD loans to 23 companies in the gold mining sector. The BoM participated in the process by assuming control over the use of these funds.

4. The BoM stopped remunerating the MTN component of the required reserves at a level equivalent to 25 percent of the Policy Rate. The interbank average rate decreased from 17.9 percent in the 1st quarter to 15.1 percent in the 2nd quarter. The tendency continued further in the 3rd quarter, dropping to 11.5 percent in the 3rd quarter and to 8.6 percent in the 4th quarter.

5. Liquidity pressures in the banking system intensified in the first quarter of 2009 with the shortage reaching 42 billion MNT. The BoM substantially increased available liquidity in the interbank market to 376.9 billion MNT at the end of 2009.

6. To finance the budget deficit, the BoM purchased 3 pools of Government securities with the same maturity period of one year, in amounts of 60, 55 and 55 billion MNT. The respective rates were 5 percent, 7.5 percent and 10 percent.

Policies pursued by the BoM in 2009 brought inflation down to 1.9 percent in Ulaanbaatar, 4.9 percent in national level, increased gross international reserves over USD 1.3 billion and stabilized the exchange rate.

Reserve money

In 2009, reserve money increased year-on-year by 15.7 percent to MNT 733.1 billion. In 2007-2008 the Bank of Mongolia implemented a policy aimed at decreasing excess reserves of the banking sector to prevent overheating, to reduce inflation, to stabilize the volatility of excess reserve in banking system and to stimulate money market development. Due to the economic recession and the credit crunch, the Central Bank eased monetary policy since June 2009 by increasing excess reserves in the banking system and decreasing inter-bank interest rates. As a result, the banks' deposits with the Central Bank grew by MNT 134.7 billion, which constituted a 135.5[1] percent increase of reserve money. With the economic recession and decline in money demand, the currency in circulation decreased by MNT 43.7 billion which was 44.0[2] percent of the reserve money change.

The share of banks' deposits with the Bank of Mongolia had expanded while the share of the currency outside banks and the banks' vaults in reserve money declined in 2009. For instance, the banks' deposits with the BOM, as a share of reserve money, increased by 13.6 percentage points to 49.3 percent whereas the currency outside banks and the banks' vaults, as a share of reserve money, had respectively declined by 13.0 percentage points to 38.9 percent and by 0.6 percentage points to 11.8 percent.

The growth in reserve money was mainly generated by net foreign assets held by the BOM which increased by 91.2 percent or MNT 733.9 billion compared to the previous year. The net international reserves, which affect net foreign assets, had increased year-on-year by 79.7 percent or USD 508 million in 2009.

Table 1. Contributions to the banking systems' liquidity

	Liquidity providing (Assets)	Liquidity Absorbing (Liabilities)	Net contribution (A-L)
Monetary policy operations			
Standing facility	476,5	486	-9,5
Non-standing facility	148,2	182	-33,8
Central bank bill		272,7	-272,7
Total (a)	**624,7**	**940,8**	**-316,1**
Changes in autonomous factors affecting the banking systems' liquidity			
Net foreign assets	733,9		733,9
Government deposit (net)		82,5	-82,5
Other net factors		235,4	-235,4
Currency in circulation	35,4		35,4
Total (b)	**733,9**	**353,3**	**451,3**
Reserves			
Required reserves			28,3
In domestic currency			*16,1*
In foreign currency			*12,3*
Excess reserves			106,9
In domestic currency			*165*
In foreign currency			*-58,1*
Total (a)+(b) or (c)+(d)			**135,2**

While the BOM issued more central bank bills to sterilize liquidity injected by NFA, net domestic assets increased by 3.7 times or MNT 634.0 in comparison with the previous year. The economic downturn and the credit crunch affecting banks' profits and equity caused

1 Increased by 79.3 percentage points compared to 2008
2 Decreased by 90.0 percentage points compared to 2008

Figure 1

Reserve money and its components

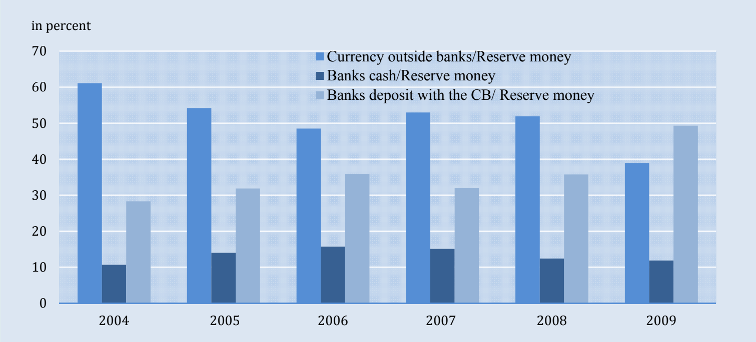


Figure 2

Structure of changes in reserve money

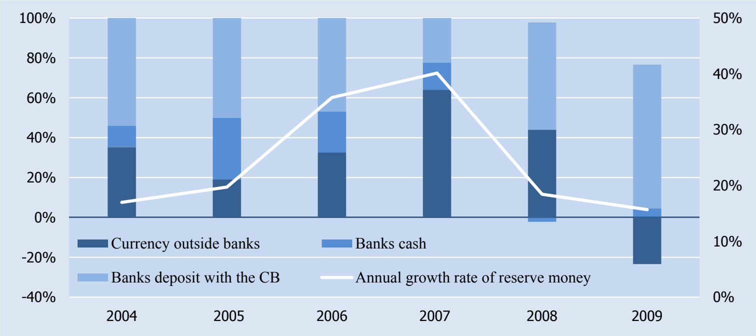
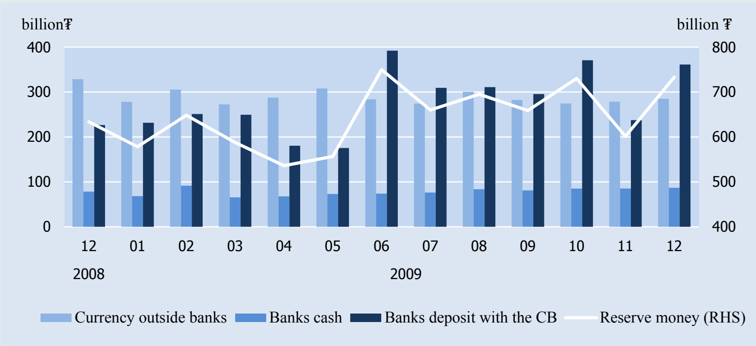


Figure 3

Changes in reserve money and its components /Liability side/



severe liquidity shortage at the beginning of 2009. However, halting the deposits flight and capital inflows raised the banks' liquidity.

The BOM issued CBBs in order to absorb excess liquidity and to stabilize the exchange rate volatility. The repayment of MNT 44.6 billion emergency loans, decline in the net credit to government by 7 percent and decrease of MNT 82.5 billion Government deposits and MNT 234.6 billion other net assets of the Central Bank's balance sheet influenced a decrease in the Central Bank's NDA.

As shown in Table 1, the net amount of liquidity injected by the autonomous factors was 451.3 billion MNT in 2009 and the net amount withdrawn by monetary policy operations was MNT 316.1 billion, which is 70 percent of total injected reserves, resulting in an increase of excess reserves by MNT 135.2 billion. The autonomous factors were mainly explained by NFA and currency in circulation. The amount of MNT 733.9 billion and MNT 35.4 billion of liquidity injections were respectively provided by an increase in NFA and a decline in currency in circulation. Successful implementation of the SBA program, in cooperation with the Government, the BOM and IMF allowed the net international reserve and the net foreign assets held by the BOM to increase substantially. Total of MNT 317.9 billion from net credit to government and net other items absorbed from the interbank market. The Central Bank Bills and repayment of emergency loans were the main instruments used to withdraw excess liquidity generated by the autonomous factors.

Reserve money and its components show strong seasonality. The seasonality of banks' deposits with the BOM experienced the same pattern observed over previous years. The seasonal fluctuation of currency outside banks declined compared with the previous year. Due to turmoil in banking sector and deposit flight from the Anod bank, the currency outside banks fluctuated highly between December 2008 and February 2009.

Monetary Policy Rate

At the beginning of 2009 Mongolia found itself in an extremely difficult economic and social situation. With the rapid worsening of the terms of trade, net foreign assets decreased and the exchange rate of the Togrog depreciated dramatically. Non-sustainable increases in public wages and social welfare expenditure, money supply and bank lending in combination with a sharp increase in food and fuel prices amplified by infrastructure bottlenecks put inflation under severe pressure. By the end of 2008 the CPI inflation rate reached 22.1 percent. Banks faced liquidity shortages and both lending activity and repayment of bank loans were troubled. In this case, the Bank of Mongolia had no choice but to react promptly with strong policy actions.

The monetary policy rate has been the policy stance indicator of the BOM. The Bank of Mongolia sets its policy rate consistent with the current economic situation and its anticipated future tendency. In March 2009, the BOM renewed its interest rate structure and increased the 7-day Central Bank Bill rate or policy rate by 4.25 percent to 14.0 percent per annum. This was in response to the unfolding financial and economic crisis mentioned above and a necessary ingredient of the Stand-by arrangement signed between the Government of Mongolia and the IMF.

Figure 4

Changes in reserve money and its components /Asset side/

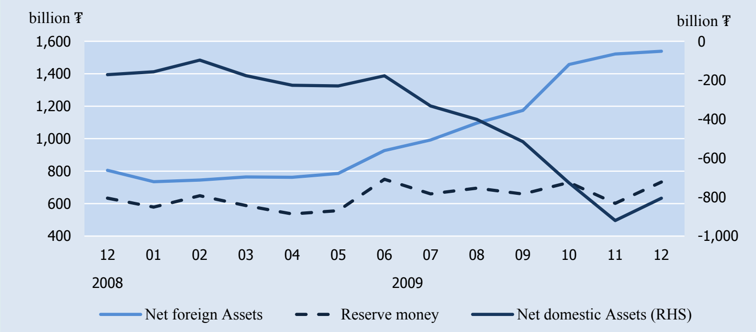
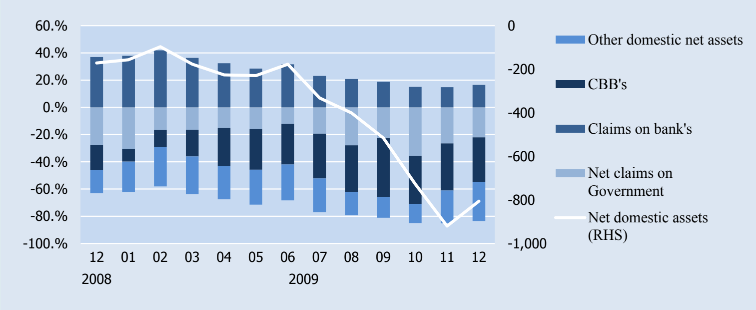


Figure 5

The Central bank's net domestic assets and its components



By tying the Central Bank's refinancing rates with the policy rate, the BoM would try to enhance its ability to guide the interbank rate. Moreover, by raising the policy rate, the BoM intended to increase the yield of Togrog funds and alleviate the pressures on the domestic currency. With the help of international institutions (Asian Development Bank and the World Bank), the BoM successfully stabilized the foreign exchange market.

In May and June 2009, the policy rate was decreased by 1.25 percent to 11.5 percent per annum. Though financial markets were stabilized and the pace of inflation decreased significantly, the economy was still experiencing credit crunch and the lack of liquidity. Therefore the main purpose of the measure was supporting the real sector through lending channels.

A falling CBB weighted rate and interbank rates created conditions for a further decrease in the policy rate. The unemployment situation and a credit crunch in the banking sector which resulted in an economy slowdown and it led to a serious crisis in some economic sectors. Moreover, in August 2010, due to a negative CPI, interest rates in real terms and thus the cost of funding increased significantly, adversely affecting cash flows and repayment of bank loans. Therefore, in September 2010, the Bank of Mongolia decreased the policy rate once more by 1.5 percent to 10.0 percent and thereby narrowed the interest rate corridor.

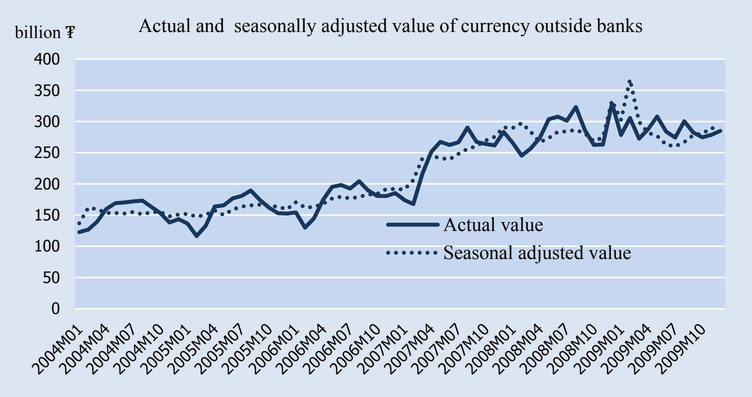
Central Bank Bills

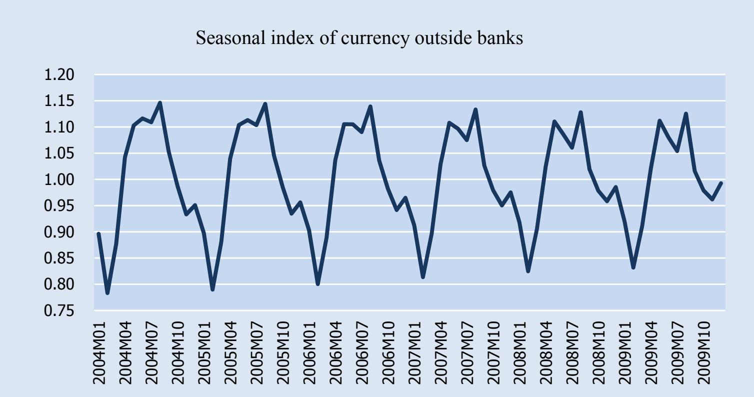
In the reporting year, the Bank of Mongolia aimed to increase the Togrog's yield, stabilize the exchange rate against foreign currency, maintain macroeconomic and financial sector stability, keep inflation at target levels and support sustainable economic growth by the monetary policy. Due to macroeconomic and financial market conditions, the Bank of Mongolia implemented the monetary policy by using its main policy instrument which is Central Bank Bill (CBB) and took measures to improve effectiveness of the monetary policy. The Bank of Mongolia conducted CBB auctions of two types, the fixed rate tender and variable rate tender. The one-week CBB auction was conducted as fixed rate tender with pre-announced full allotments in the first half of the reporting year. In the second half of 2009, the auction was done as fixed rate tender with a pre-announced allotment volume. That was one of the policy measures to maintain reserve money target in accordance with the Stand-by program of the IMF and to loosen the monetary policy. However, 12 and 28-week CBB auctions were conducted as variable rate tenders.

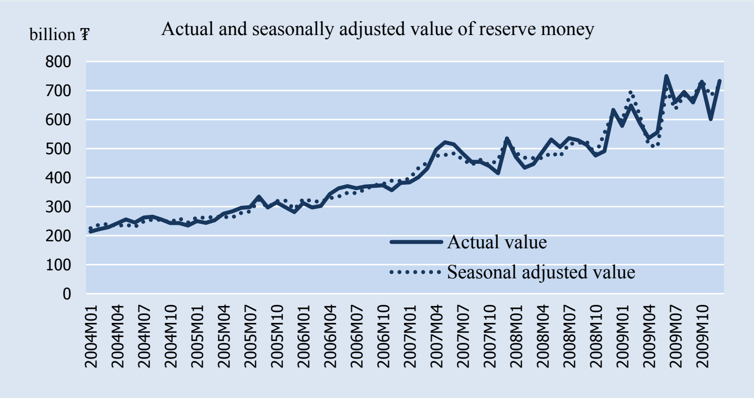
In 2009, the Bank of Mongolia conducted 77 auctions and sold MNT 6628.7 [check this number] billion CBBs. The amount of CBBs purchased by banks reached MNT 396 billion at the end of the year. It declined by 13.2 per cent from the previous quarter but increased by 3.3 times from the same period in the previous year. The reason for this increase can be explained that since the second half of the reporting year, excess reserves in the banking system increased significantly due to a more cautionary credit policy of banks and a decline of loan issues result from the market conditions and credit risks. The Bank of Mongolia raised the volume of CBBs and conducted some CBB auctions (based on the banks' demand for CBBs) to maintain stability of the Togrog exchange rate against foreign currency. During the reporting year, banks held an average MNT 218.4 billion of CBBs each day, which is 3.2 times higher than in the previous year.

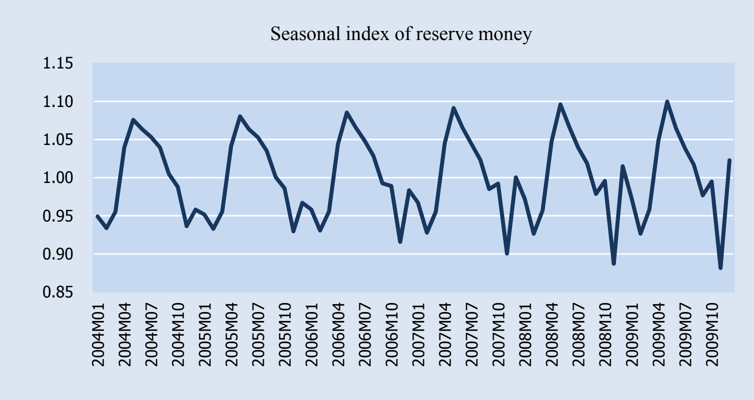
Figure 6

Seasonality fluctuation of reserve money and its components








Seasonal index of reserve money
1.15
1.10
1.05
1.00
0.95
0.90
0.85
2004M01
2004M04
2004M07
2004M10
2005M01
2005M04
2005M07
2005M10
2006M01
2006M04
2006M07
2006M10
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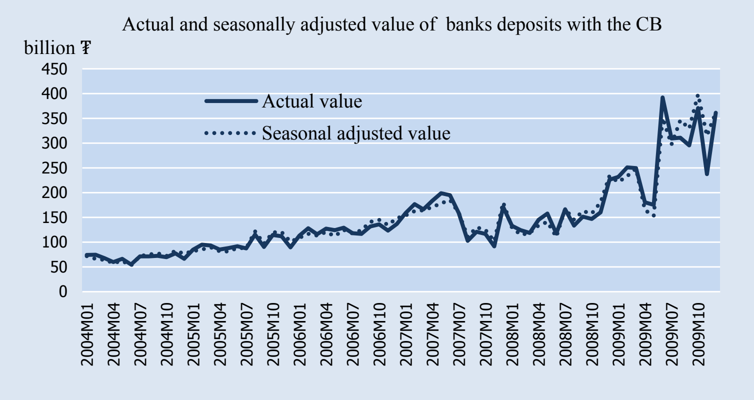
Actual and seasonally adjusted value of banks deposits with the CB
billion ₮
450
400
350
300
250
200
150
100
50
0
Actual value
Seasonal adjusted value
2004M01
2004M04
2004M07
2004M10
2005M01
2005M04
2005M07
2005M10
2006M01
2006M04
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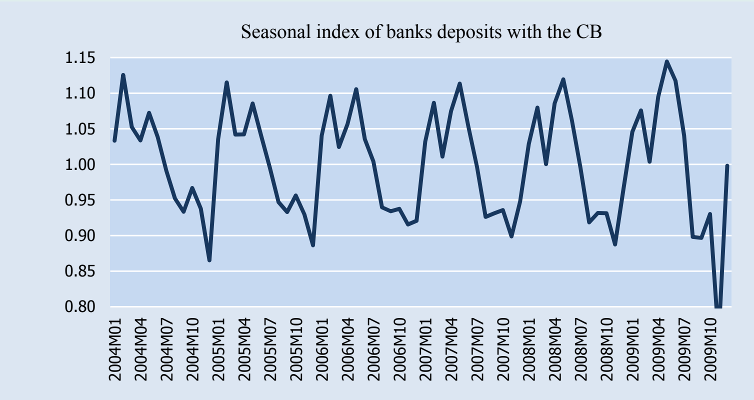
Seasonal index of banks deposits with the CB
1.15
1.10
1.05
1.00
0.95
0.90
0.85
0.80
2004M01
2004M04
2004M07
2004M10
2005M01
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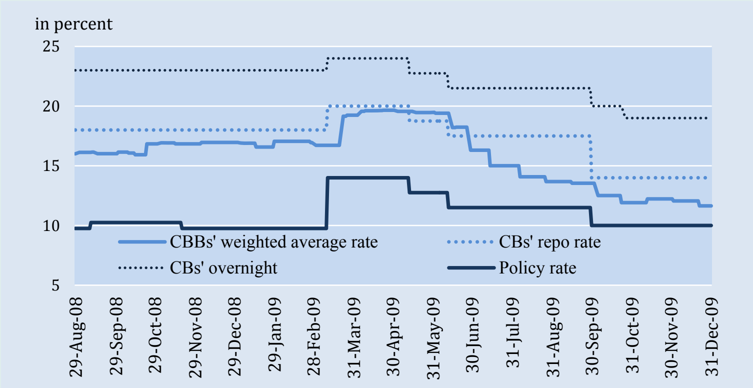
Figure 7

Structure of Central bank refinancing instruments



As of end of the reporting year, the weighted average rate of CBBs was 10.82 per cent which declined by 1.13 percentage points from the previous quarter and by 3.88 percentage points from the end of 2008, respectively. In 2009, the Bank of Mongolia paid MNT 27 billion to banks for CBB interest payment. This was MNT 19.2 billion higher than in the previous year. Since March 2009, the Bank of Mongolia ceased to sell 28-week CBBs and conducted 12-week CBBs auctions fortnightly. As a result of this policy measure, the CBB maturity and average maturity of banks' deposits became closer, causing the duration gap of banks' assets and liabilities to be reduced. By conducting 12-week CBB auctions fortnightly, the opportunity was given to banks to manage their liquidity more flexibly to match rapid changes in the financial markets.

In the first quarter of the reporting year, 28-week CBB auctions were conducted three times. However, 12-week CBB auctions were conducted 22 times throughout the year and at the end of the year, there were MNT 216 billion of CBBs outstanding, with a weighted average rate of 10.92 percent.

Reserve requirements

The reserve requirement set for banks by the Bank of Mongolia is one of the main instruments used to control money supply and manage liquidity within the interbank market. In the 1st quarter of the reporting year, the Bank of Mongolia, with the intention of lowering the spread between deposit and loan rates, increasing return on assets and minimizing the volatility within the interbank market, made amendments to the "Regulation on Calculating and Controlling Required Reserves". The new regulation came into effect in March 2009. As a result of the amendment made to the regulation, funds pooled in from domestic current and deposit accounts were excluded from the reserve base and banks are now required to maintain not less than 50 percent of their domestic and foreign currency required reserves in their current accounts daily. Aside from these changes, due to the sharp depreciation of the MNT in the 1st quarter of the reporting year, the Bank of Mongolia started paying remuneration on banks' MNT required reserves. On 6 November 2009, the Bank of Mongolia, taking into account that the exchange rate had stabilized in the fourth quarter of 2009, banks' excess reserves had increased and that liquidity conditions of banks had significantly improved, decided to stop remunerating banks' required reserves. Furthermore, as a measure taken to increase the foreign currency reserves of banks, time deposits at the Bank of Mongolia were included in the list of eligible assets for meeting reserve requirements at the end of 2008. This measure was reviewed and terminated in the 4th quarter of 2009.

Within the reporting period, required reserves in both domestic and foreign currency were calculated a total of 27 times. The fulfillment of required reserves was monitored and the required measures were duly taken. The number of banks that did not meet their reserve requirement was few in 2009 and there was an excess reserve of MNT 210.8 billion sector-wide at the year's end. This figure is higher by 93.9 percent or MNT 80.3 billion than that of the previous year.

Loans to banks

In the reporting year, the Bank of Mongolia annulled the Regulation on Financing to banks which was approved in 2003 and issued following new regulations and agreements to increase the effectiveness of the monetary policy and to support banks' liquidity management.

- Regulation on the repo financing
- Amendment of regulation on the overnight loan
- Repo master agreement
- Temporary regulation on the intraday credit

Intraday credit

In 2009, the Bank of Mongolia introduced the real time gross settlement (RTGS) system successfully to reduce various risks involved in the inter-bank settlement and improve the efficiency of the settlement. With the introduction of the RTGS system, banks needed to improve their liquidity management and increase their responsibility to make customers' settlements efficiently. Thus, the Bank of Mongolia introduced a new instrument which is an intraday credit to maintain the orderly function of the payment system. The Bank of Mongolia introduced the intraday repayable credit in the following forms:

- Non-collateralized, interest earning intraday credit
- Collateralized, interest free or intraday repo contract

The Bank of Mongolia defines the intraday credit policy according to types of securities owned by banks, liquidity management of banks, and their software infrastructure. The Bank of Mongolia sets the intraday credit limits for each bank in former case and charges certain amount for taking on credit risks, in later case intraday repo contract was offered to give the opportunities to give interest free intraday credit to banks that hold securities allowed by the Bank of Mongolia. As of now, only CBBs are included in the collateral list of intraday repo contracts.

In addition, the Bank of Mongolia allows banks to use their required reserves for settlement purpose during RTGS working hours. In the reporting year, the Bank of Mongolia issued MNT 7.9 billion to three banks as non-collateralized, interest earning intraday credit, while MNT 15.2 billion was lent to one bank as collateralized, interest free intraday credit or intraday repo contract. The intraday credit rate was set at the level of the policy rate and the weighted average rate of intraday credit issued in the reporting year was 10.84 per cent.

Collateralized loan

The Bank of Mongolia issues collateralized loans to banks that encounter temporary liquidity problems but are solvent, as a lender of last resort according to the "Regulation on Collateralized Loan to banks" which was harmonized with the Central Bank law and approved by the resolution of Governor of the Bank of Mongolia dated 11 November 2008. The Bank of Mongolia extends collateralized loans of up to 90 days if the following conditions are met: 1) the Bank of Mongolia considers that the borrower-bank's liquidity needs are of a temporary nature not exceeding three months, and that the borrower-bank is able to repay the loan and resolve its liquidity problem itself; and 2) the bank has eligible collateral assets acceptable to the Bank of Mongolia. In the reporting year, the Bank of Mongolia built and approved the interest rate structure which accords with the policy rate and as of the end of 2009, the interest rate of collateralized loans was 8 percentage points above the policy rate.

In the reporting year, the Bank of Mongolia granted MNT 103.4 billion as collateralized loans, of which MNT 95.6 billion loans were granted under the "Law on Blanket Guarantee" and MNT 7.8 billion loans were granted under "Regulation on Collateralized Loans to banks". As of the end of 2009, the outstanding of the collateralized loans were MNT 179.9 billion.

Repo financing facility

In the reporting year, the Bank of Mongolia made changes in the principal regulations of financing instruments, due to liquidity shortage in the banking system and the deterioration of liquidity of the banking sector. In the reporting year, the renewed Regulation on Repo Financing was approved and the Regulation on Reserve Repo Financing which was approved in 2008 by the resolution of the Governor of the Bank of Mongolia was combined in a new regulation.

The Bank of Mongolia provides repo instruments in the following forms: 1) repo financing by a bank's request; 2) repo financing by repo auction announced by the Bank of Mongolia. These are different only as regards who initiated the transaction and the type of conducting transaction. While the repo financing by bank's request is a standing facility, the repo financing by repo auction is a non-standing facility.

The interest rate of the repo financing by bank's request shall be approved by a decree of the Governor of the Bank of Mongolia based on the policy rate and according to the monetary policy. This was four percentage points above the policy rate at the end of the year. The repo auction shall be conducted in the following forms:

1. The BOM shall announce the amount and interest rate, and banks shall only bid on the amount;
2. The BOM will announce the amount and banks shall submit bids for the amount and interest rate.

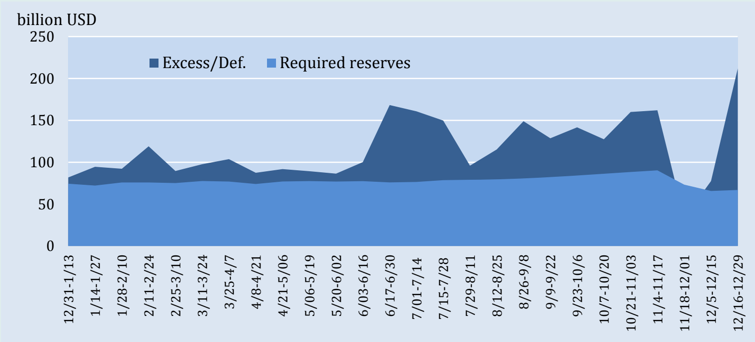


Figure 8

Excess reserves and required reserves of banks in domestic currency /2009/

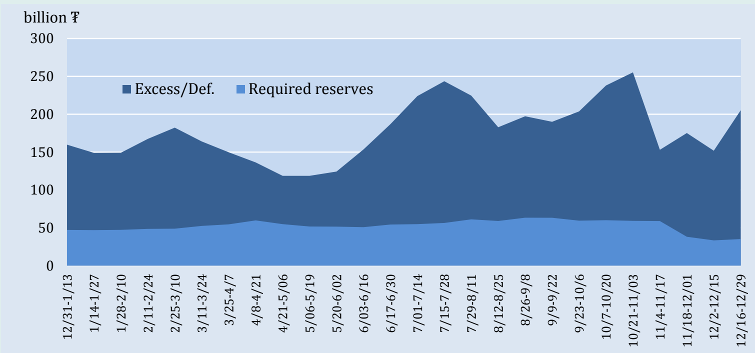


Figure 9

Excess reserves and required reserves of banks in foreign currency /2009/

In the reporting year, the Bank of Mongolia made amendments such as the maturity extension of the repo financing up to 90 days, added eligible securities under repo contract and matching the repo financing rate to the policy rate. By including MMC's bond in the collateral list of the repo financing, the Bank of Mongolia supported the MMC's activity. Moreover, this support increases banks' liquid assets and supports their liquidity management.

In the reporting year, the Bank of Mongolia issued MNT 453.8 billion in accumulated funds to banks under repo contracts by bank's requests. The weighted average rate of repo financing was 16.84 per cent.

Project loans

Agriculture Sector Development Program /ASDP /

The ASDP (1822-MON) funded by the Asian Development Bank, began implementation in 2001 with the purpose of reducing poverty by developing an efficient and market-oriented agriculture sector funding and hence, improving productivity and profitability. The ASDP was successfully implemented in Dzavkhan, Uvs, Khovd, Govi-Altai, Darkhan-Uul, Selenge, Bayankhongor and Bayan-Ulgii aimags through 6 banks, namely Anod, KHAN, Zoos, Mongol Post, Savings and Xac banks. No new loans were granted within the framework of this program in 2009.

Employment Generation Program loan

The Employment Generation Program 1290-MON, funded by the Asian Development Bank, was successfully implemented. In the reporting year, loans were extended to banks in accordance with the "Regulation on granting loans from funds repaid within the framework of the Employment Generation Program", approved by a bilateral Decree No.157 of the Governor of the Bank of Mongolia and the Minister of Social Welfare and Labour, dated 15 December 2000. Throughout 2009, within the framework of this regulation, loans were granted to Golomt, Erel, Xac and Ulaanbaatar city banks. The Bank of Mongolia provided loans amounting to MNT 921.4 million to participating banks, which brought up the outstanding balance of loans to MNT 1.2 billion by the year's end.

The Development of Small and Medium-Sized Enterprises funded by the Reconstruction and Development Bank of Germany

On the basis of a mutual agreement between the Government of Mongolia and the Government of Germany, two programs directed at developing export-oriented SME's and supporting the financial sector are being implemented. Mongolia was granted a total of EUR 8.7 million, of which EUR 5.1 million was granted from the 1st Program, and the remaining EUR 3.6 million from the 2nd Program. Banks partaking in the programs in the reporting year were Capitron, Mongol Post, and Trade and Development Bank.

The initial funds of the project have been fully utilized, and loans are being provided from repaid funds of the project. In 2009, EUR 650.000 was extended to participating banks. The outstanding balance of loans within the framework of this project was EUR 4.3 million at the end of the year. The Bank of Mongolia has officially requested an extension of the program from the Ministry of Finance.

Net Credit to Government

At the end of the reporting year, receivables of the banking system from the government stood at MNT 422.2 billion, government deposits at MNT 1159.2 billion and net credit at MNT -737.0 billion. Government deposits increased by MNT 656.9 billion and government receivables rose by MNT 419.7 billion compared with the previous year.

Government receivables

Receivables of the banking system from the Government at the end of the reporting year were MNT 422.2 billion, which is almost double as much than in the previous quarter. During the reporting year, the Ministry of Finance was authorised by the Great Khural Decree No 77 to sell securities totaling MNT 250.0 billion and the BoM purchased government securities totaling MNT 170.0 billion and maturing in one year, on 31 December 2009. To finance a seasonal budget deficit, the BoM purchased Government securities on 19 February 2009, totaling MNT 60.0 billion, maturing in 9 months with annual rate of 3 percent. However the

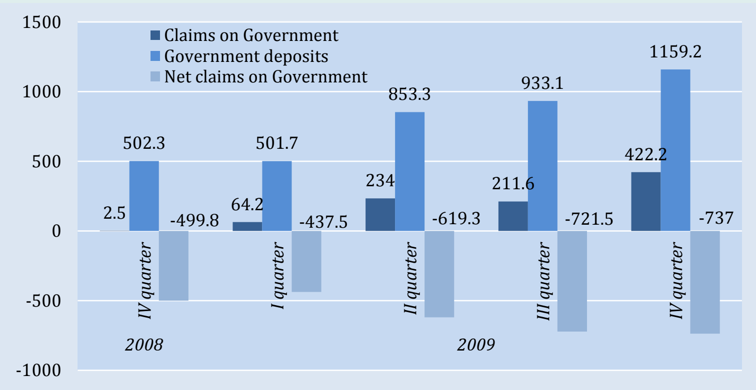


Figure 10

Net Credit to Government in banking sector (in billion MNT)

budget performance allowed the government to repay them before the maturity date on 19 September 2009.

17.3 percent of the receivables of the banks from the government constituted tax prepaid by banks to the budget and 82.7 percent constituted short-term government securities held solely by Golomt Bank.

Government deposits

Government deposits stood at MNT 1159.2 billion at the end of the reporting year, an increase by 24.2 percent from the previous quarter. Of this amount, 60.2 percent was held with the Bank of Mongolia and the remaining 39.8 percent with commercial banks. 76.1 percent of total government deposits were placed in the Single Treasury Account and the Government Current Account, 9.3 percent in time and demand deposits, 14.0 percent in the government financing fund and 0.7 percent in the local budget, respectively. The Mongolian Development Fund at the end of the reporting year had MNT 31.4 billion, which is 5.2 percent of Government deposits. 77 percent of the Mongolian Development Fund was denominated in MNT and 23 percent was denominated in USD.

1.2. Money supply

In 2009, money supply in the economy increased by 26.9 percent, or MNT 610.0 billion, from the beginning of the year, reaching MNT 2.8 trillion. This money supply growth was mainly related to a quasi money increase. In contrast, money M1 (currency outside the banks and current accounts) increased 0.6 percent or MNT 3.9 billion. When compared with the money supply growth, it increased by 32.3 percentage points. The Bank of Mongolia's policy action against inflation and measures taken in order to stabilize the financial sector stabilized money supply growth.

Quasi money and narrow money amounted to 77.4 percent of money supply (of which domestic deposit was 42.9 percent, foreign currency deposit 21.6 percent, foreign currency current account was 12.9 percent), and 22.6 percent, respectively. Trends in the composition of money supply show that annual growth of money M1 decreased in the first half of the reporting year, increased in the second half and decreased again at the end of the year, reaching 0.6 percent. The reason for the decline in the first half year was mainly due to the drop in the current account of the banking sector, and the rise in money outside the banks since the fourth quarter of 2008.

While in the first quarter of 2009, quasi money decreased by the same percent as that of money M1, since the second quarter of the year quasi money has increased, reaching 37.4 percent of M1 at the end of the year. The Togrog deposit and foreign currency deposit accounted for 55.2 percent and 44.8 percent of this growth, respectively. As a result of the actions taken by the Bank of Mongolia to slow the inflation and stabilizes the Togrog depreciation, and the blanket guarantee on the deposit and current account that was approved by the Parliament, there is a large increase in quasi money, particularly in Togrog deposits as consumers' confidence in the banking sector was restored.

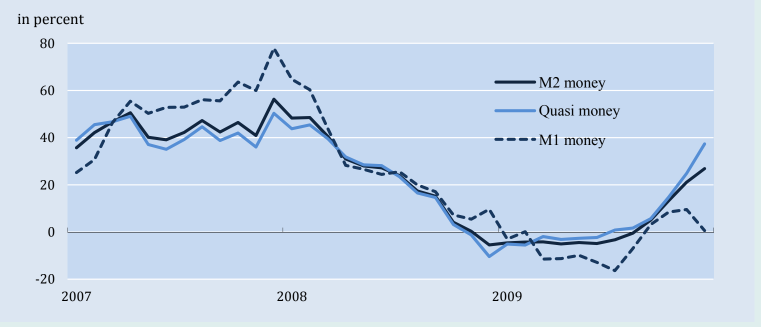


Figure 11

Composition of money supply M2

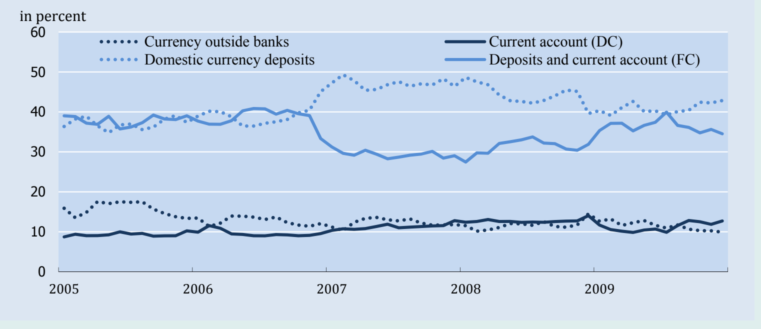


Figure 12

M2 money and it's components (as a percentage share in M2)

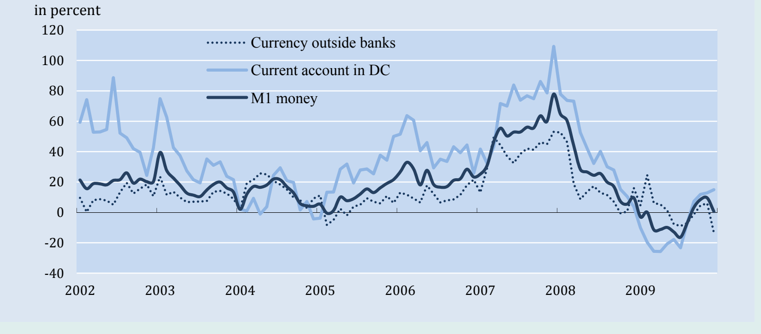


Figure 12

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

Table 2. Monetary Aggregates
(as of end of periods in billon Togrog, year on year changes in percent)

	Outstanding amount as a percentage of M2	2005	2006	2007	2008	2009
M2 money		1140,1	1536,4	2401,2	2270	2880,03
		34,6%	*34,8%*	*56,3%*	*-2,5%*	*26,9%*
M1 money	28,2%	269,1	331,9	590,4	647,3	651,2
		21,6%	*23,3%*	*77,9%*	*9,6%*	*0,6%*
Currency outside banks	14,0%	152,3	185,1	283,3	328,7	284,9
		6,2%	*21,5%*	*53,0%*	*16,0%*	*-13,3%*
Current account in DC	14,2%	116,5	146,7	307,1	331,8	366,2
		50,0%	*25,7%*	*109,3%*	*8,1%*	*15,0%*
Quasi money	71,8%	871	1204,5	1810,7	1621,8	2228,7
		39,2%	*38,3%*	*50,3%*	*-10,4%*	*37,4%*
Total deposits	59,6%	671,7	995,4	1489,7	1338,8	1856,4
		29,8%	*48,2%*	*49,7%*	*-10,1%*	*38,7%*
Domestic currency deposits	40,3%	426	692,4	1113,7	898	1234,2
		41,6%	*62,5%*	*60,8%*	*-19,3%*	*37,3%*
Foreign currency deposits	19,3%	245,6	302,9	375,9	440,1	622,3
		13,5%	*23,3%*	*24,1%*	*17,1%*	*41,3%*
Current account in FC	12,1%	199,3	209,1	321	283,7	372,3
		84,0%	*5,0%*	*53,5%*	*-11,6%*	*31,2%*

Narrow money (M1)

As of the end of the reporting year, narrow money (M1) rose by 0.6 percent or MNT 3.9 billion and reached MNT 651.2 billion, comprising 22.6 percent of the total money supply. Currency in circulation declined by 8.7 percent or MNT 35.4 billion and reached MNT 371.8 billion. Currency outside banks made up 76.6 percent of currency in circulation, which is 4.1 percentage points lower than that of previous year. In addition, the ratio of currency outside banks against M2 was 9.9 percent, which reflected a 4.6 percentage point decrease over the previous year.

While over the last year narrow money was almost unchanged, the Togrog current account increased by 15 percent or MNT 47.6 billion, and currency outside the bank decreased by 13.3 percent or MNT 43.7 billion.

Net international assets and net domestic assets

Looking at the asset side of the money supply, in the first half of 2009, growth of net domestic asset exceeds growth of net foreign asset as same as in previous year. But this pattern changed reversely in the second half of the year. In 2008, net foreign asset decreased at the same time capital outflow increased due to global financial crisis, whereas in 2009, net foreign asset increased 2.2 times or increased by MNT 849.8 billion and reached to MNT 1.5 trillion due to rise in export earnings that associated with the copper price increase, and approval of Oyu-Tolgoi agreement.

Quasi money

While in 2008 quasi money decreased, it increased in 2009 by 37.4 percent or MNT 606.1 billion, reaching MNT 2.2 trillion. Of the components of quasi money, Togrog deposits increased by 37.3 percent or MNT 335.6 billion and foreign currency deposits increased by 41.3 percent or MNT 181.9 billion.

At the end of the reporting year, the share of Togrog deposits in total deposits decreased by 0.6 percentage points, reaching 66.5 percent of total deposits. By the second half of 2008, Togrog deposits decreased and foreign currency deposits increased due to the negative impact of the global financial crisis. However, in 2009, the growth of Togrog deposits exceeds that of foreign currency deposits due to favorable economic conditions.

Money multiplier and Velocity

The velocity of money is the average frequency with which a unit of money is spent in the economy. At the end of the year, the velocity of money decreased by 0.5 points and stood at 2.1. This decline in the velocity indicates the growth of money supply was higher than the growth of nominal GDP. Over the last year, the average money multiplier decreased by 1 point from previous year, reaching 3.9. This indicates reserve money multiplied by 3.9 times, creating the money supply in the economy.

Figure 14

Annual growth of NFA, NDA, M2 (in percent)

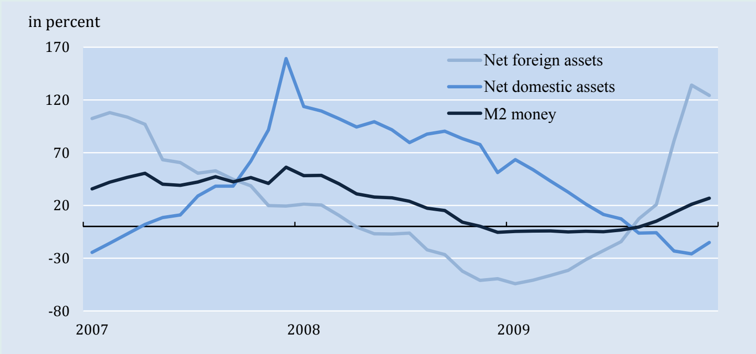


Figure 15

Quasi money and it's components (annual change)

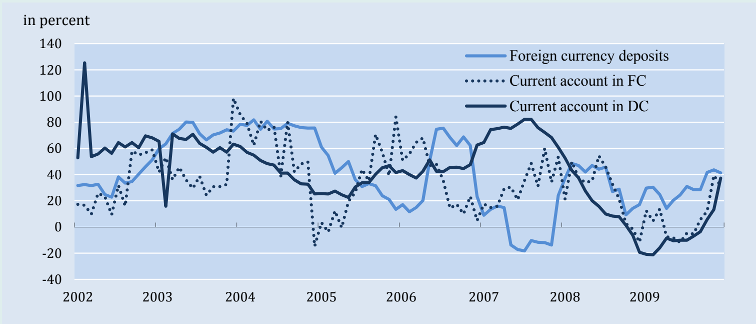
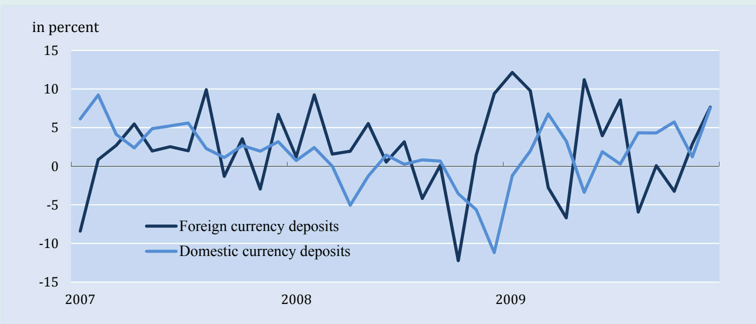
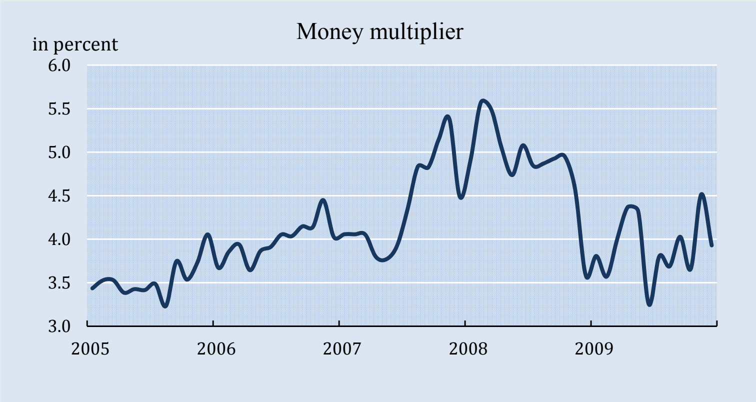


Figure 16

Togrog and foreign currency deposits (monthly changes)





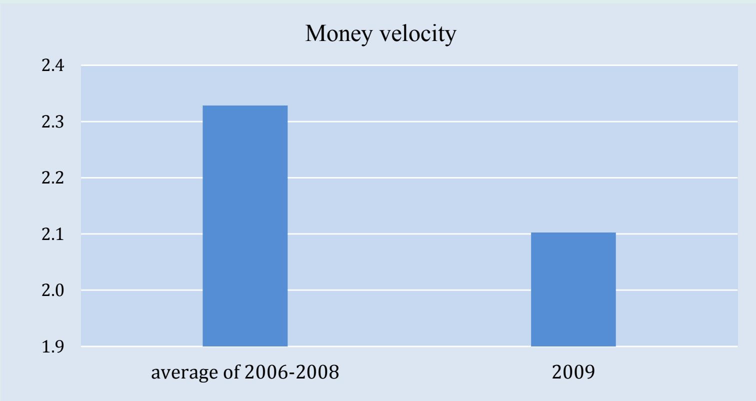


Figure 17

Money multiplier and Velocity

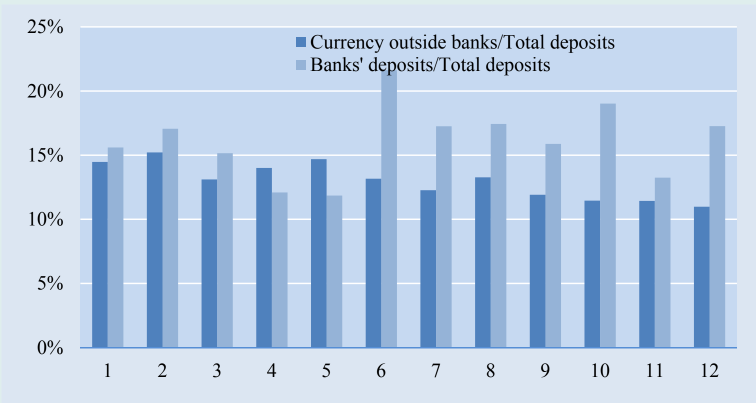


Figure 18

Factors affecting money multiplier (annual change)

BOX 1. Monetary and Financial Statistics Development

The Bank of Mongolia compiles and disseminates monetary statistics in accordance with the Monetary and Financial Statistics Manual[3] of the IMF. In addition to their role in assisting in monetary policy formulation and monitoring, monetary statistics form a basis for the development of a statistical framework for assessing financial sector stability.

In order to improve the monetary statistics framework, the Monetary Policy and Research Department (MPRD) takes a range of actions such as enrichment of statistics, improvement of quality and the dissemination of comprehensive statistics on a timely basis, thereby enhancing transparency

Expansion of statistics framework

With the purpose of establishing and developing the database necessary for policy formulation and research, the MPRD implements measures such as enhancement of Monthly Statistical Bulletin through adding new tables and indicators and showing some indicators with more data breakdowns; an expansion of data that is published in IFS; improvement of financial instruments sectorization and the adoption of the experience of other countries.

During past three years, the MPRD has included in the Monthly Statistical Bulletin the Government bond yield, interbank market interest rate, paid interest rate on loans, average interest rate on current account and deposits, national CPI[4], and a table with year-on–year changes of some key indicators. In addition, the Central Bank Bills interest rate was shown by the bills types, the interbank interest rate was shown by each transaction, and securities transactions volumes were broken down by transactions in Government bonds, corporate bonds and shares.

Broadening the scope of statistics and adding new indicators, the MPRD updated data for the previous period wherever possible. In particular, CBBs interest rate, shown by bills types, was included in the Monthly Statistical Bulletin for May 2009. Overall, all the relevant data was updated starting from October 2000.

Improvement of statistics quality

The IMF assessed the quality of macroeconomic datasets[5] in 2007. The mission compared BOM statistics with internationally accepted standards and practices. The assessment covered such aspects as prerequisites of quality, assurances of integrity, methodological soundness, accuracy and reliability, serviceability, and accessibility. Out of the total assessments of monetary statistics, 91 percent were rated as “Practice observed” and “Practice largely observed”.

In order to provide comprehensive and reliable statistics, in addition to checking and verifying data, we reconcile monetary statistics with other statistics. For instance, monetary statistics (net claims on the government) are reconciled with financial statistics (domestic financing from banking system in general government budget). In case of data

3 *IMF, 2000. Monetary and Financial Statistics Manual*
4 *The Bank of Mongolia retrieve above data from the Monthly bulletin of National Statistics Office*
5 *Report on the Observance of Standards and Codes*

discrepancies, we collaborate with the Ministry of Finance to study the source of any such discrepancy and revise the subsequent data.

The data quality issue is broader than the mere compilation of consistent statistics. The data quality framework includes improving the compilation methodology, adopting international standards and expanding data scope. According to the international methodology, statistics should be classified not only by financial instruments but also by sectors. Hence we pay an attention to the correct sectorization, in addition to classification. For example, the MPRD refined the definition of monetary base, improved the calculation of broad money, net foreign assets, and net claims on the government, in accordance with the Monetary and Financial Statistics Manual.

The International Standard Industrial Classification was renewed. Further, as new financial services and products were introduced into the financial market the MPRD responded by modification of the bank's loan report form and reflected these changes in 2008. We adopted the SME definition from the Law on Small and Medium Enterprises, passed in 2007. Banks report their loans provided to SME in the form titled "Report on Loans to Individuals and SME". In such a way, we developed our database by new products. In order to enhance the quality of banks loan reports and ensure the comprehensiveness of data, we prepared and introduced the Instruction on Completing the Reporting Forms.

As a result of the economic development and sophistication of the financial market, new financial instruments and financial products are entering the market. Accordingly, we started to collect data from banks on wage payments, pensions, consumer loans and other data. Furthermore, we included refined gold current account and deposits and certificates of deposit into the category of broad money. This improved our calculation of the money supply.

Dissemination of consistent data to the public on timely basis
Mongolia joined the GDDS[6] in 2000. The purposes of the GDDS are to encourage member countries to improve data quality; provide a framework for evaluating needs for data improvement and guide member countries in the dissemination to the public of comprehensive, timely, accessible, and reliable economic, financial, and socio-demographic statistics. Within the GDDS, the Bank of Mongolia provides banking and financial sector metadata, including coverage, periodicity timeliness, quality, plans of improvement[7] of such indicators as broad money and credit aggregates, monetary survey, Central bank aggregates, stock market performance, interest rates, balance of payments, foreign reserves and exchange rates.

According to GDDS, monetary statistics are compiled within 1-3 months after the reference period. However the Bank of Mongolia compiles data within three weeks after the reporting period. Since 2008, we have posted the calendar on data dissemination on the web site of the Bank of Mongolia and update it on a quarterly basis.

Money and credit aggregates and a monetary survey have been published in the NSO Monthly Bulletin with 1-month delay. But since 2007, we send our data to the NSO and

6 *General Data Dissemination System - GDDS*
7 *http://dsbb.imf.org*

for inclusion in their Monthly Bulletin for the same reporting period without any time lag. This data is published as the preliminary version. The compilation of statistics in a short period has a negative impact on the data quality. Hence other countries publish their statistics as preliminary estimates, then check and verify data, and include the final data in the next reporting period publication updating the previously announced statistics. We have adopted this experience in disseminating money and credit aggregates and monetary survey in the NSO Monthly Bulletin.

Enhancement of data transparency

The MPRD prepares notices on changes in the data compilation methodology and sources and informs the users in advance via the web site of the Bank of Mongolia. For instance, the joint working group of the Bank of Mongolia and Ministry of Finance had investigated balances of some government accounts, and reclassified some of them. This resulted in changes in the monetary survey. A notice on such changes in the monetary survey was posted on the BOM web site. Likewise, we announced changes in the calculation of broad money, when we started to include in the money supply such financial instruments as current account and deposits of refined gold.

All statistics compiled by the MPRD including banks consolidated balance sheets, monthly statistical bulletins, the monetary survey, quarterly loan reports, main indicators of banks operating in aimags are posted on the web site of the Bank of Mongolia according to preannounced schedule and are publicly available. The calendar is renewed quarterly.

The IMF publishes IFS, the standard source for all aspects of international and domestic finance. This monthly publication reports time series data on exchange rates, balance of payments, interest rates, monetary statistics, prices, production, labor, international transactions, government finance, national accounts, and population. The MPRD introduced new standardized report forms for monetary statistics in October 2009. When new data was published in the IFS November 2009 issue and although new forms were introduced in October 2009, the previous data starting December 2005 was revised and updated accordingly. Adoption of new report forms has been a large step forward in statistics improvement. Within this framework, we implemented international standards on classification and sectorization of financial instruments as set out in the Monetary and Financial Statistics Manual. Our statistics have become comparable with the relevant statistics of other countries. This improvement in data quality has facilitated policy decisions and analysis.

Further development of monetary statistics

Economic development and the intensification of financial market leads to an expansion of the scope of statistics and increases their importance. Compilation of high-quality statistics on a timely basis is essential for formulation and effective implementation of policy measures. Within the framework of data improvement, we will compile a survey of depository corporations, consolidating banks stock and flow data with that of saving and loan cooperatives. As a result of consolidation of stock and flow data of all depository corporations which attract financial resources through deposits, we will refine the calculation of broad money. In the next stage of this process, the MPRD will consolidate stock and flow data of depository corporations with that of Non-Bank Financial Institutions in compiling the financial corporation's survey.

1.3. Exchange rate policy

The global financial crisis, that severely impacted the Mongolian economy from the second half of 2008, led to balance of payments and state budget deficits of 13.1 percent and 4.8 percent of GDP. Moreover, it led to instability in the financial market caused by a capital outflow and sudden stop in the foreign currency inflows to the banking sector. In such an environment, BoM intervened to stabilize the exchange rate fluctuations while keeping the net international reserves (NIR) above the minimum acceptable level according to international practice. An artificial demand created by the public's inconsistent and wrong expectations of the currency exchange rate and uncertainties of intergovernmental donor financing schedules, made safeguarding togrog's exchange rate impossible and left the BOM with no choice but to fix the exchange rate. On the other hand, the drastic depreciation of togrog's exchange rate in an economy with foreign currency shortages and one third of the banking sector loans provided in foreign currency, created an environment that could have interrupted the supply of needed imports, increased the inflation and stagnated the economy, which would have eventually led to a currency crisis and even provoked banking sector instability.

Since Togrog's real exchange rate was not able to set itself in an economy where an "artificial demand" was predominant for many years, import rationing was conducted to promptly stabilize short term market instabilities. An agreement was reached with the IMF, to balance supply and demand in the inter-bank market without delaying international settlements of national importance and without creating a shortage in strategically important import products until the Stand-By Agreement program started from the 1 April 2009.

In the frame of the aforementioned policy, BoM traded with commercial banks' based on the strict condition of reselling with an added value of 5 togrogs and for an intended purpose only. Out of USD 107.2 million sold in the first quarter of 2009, USD 45.2 million or 42.2 percent were for petrol importations only. This led to continuity of the petrol imports to Mongolia, which in turn led to continuity in the power sector and the importation of necessary medicines, drugs and food supplies without causing shortages.

By implementing the Stand-By Agreement program with the IMF, clarifying donor financing amounts and schedules, withdrawing the excess money from the economy that was creating extra pressure on the Togrog's exchange rate through tightening the monetary policy, reducing artificial demand as well as trading foreign exchange only through foreign exchange auctions from 24 March 2009, we were able to allow the currency to move flexibly.

The following measures were taken against factors that did not allow the currency to move flexibly.

Table 1: Measures taken by BoM to reduce the artificial demand for foreign currency, and their results

Factors that created an "Artificial demand" for foreign currency	Measures taken by the Bank of Mongolia	Results
Enterprises and individuals were setting prices, advertising them and conducting payments and settlements in foreign currency. Erdenet and other state enterprises were paying taxes in USD. Information that the trade deficit rose dramatically for the first half of 2008 due to statistical errors made in the "International Merchandise Trade Statistics" disseminated by the Customs General Administration, changed market expectations. Taxes, customs duty and fees were paid in USD. Vast amounts of dealings were conducted without any supervision on the black market through illegal operations such as gold smuggling and selling abroad, money laundering and short term arbitrage operations on exchange rate fluctuations.	"The law on Amendments to the Foreign Exchange Regulation" and "The law on payments and settlements in the national currency" were drafted, submitted to the parliament and were adopted on July 9, 2009. Inspections and supervision of the enforcement of the above mentioned laws were conducted on 207 enterprises and organizations based on the information given by the public. Any law violations were corrected. To improve transparency and public awareness, the results of each auction has been posted on the BoM website shortly afterwards. An independent technical assistance was acquired from the IMF and its reports were sent to relevant organizations. The former balance of payments presentation for the first three quarters of 2009 was converted to the international standard presentation. Consequently, the current account deficit decreased by USD 5.9 million, capital and financial account surplus increased by USD 106.1 million, errors and omissions decreased by USD 26.5 million, resulting in an overall balance of payments surplus of USD 293.5 million. The converted balance of payments was posted on the BoM website. A working group with the representatives of BoM, the Ministry of Finance, Ministry of Foreign Affairs and Trade, National Statistical Office and Customs General Administration was established and a new trade statistics manual was developed. In order to improve the public's knowledge on foreign currency, rural and urban training courses were conducted for 200 individuals through the BoM training centre. Cooperation with other government organizations, responsible for law enforcement and supervision, has been improved.	We have created an environment, where by law payments and settlements are made in national currency and an artificial demand for foreign currency was decreased by ensuring that Erdenet and other state enterprises made payments and settlements only in Togrogs. Taxes and customs duty in general were paid to the state budget only in Togrogs. Moreover, we tightened the violation punishment for the above mentioned laws. Thus the domestic foreign exchange market was stabilized, Togrog's exchange rate was able to determine flexibly by having a real correlation with economic and market fundamentals. The Financial Regulatory Commission's conversion of 97 housing contracts worth USD 2.1 million of 12 enterprises of the construction sector, the tuition fee balance of 20 schools and kindergartens worth USD 1.2 million of the education sector, in total value of USD 3.3 million, decreased the dollarization in the economy and the artificial demand that was created in the domestic market. General price offers rents and salaries were required to be denominated in Togrogs by sending official notice letters to the relevant organizations. The quality improvement in international trade statistics resulted positively in market expectations of the Togrog and became a vital instrument in slowing the conversion of savings accounts from domestic to foreign currency. We were able to reduce information inequality that allowing arbitrage opportunities by promptly informing the foreign exchange market participants on interbank market liquidity excess/shortage, BoM intervention amounts, auction high, low, opening and closing prices and average exchange rate values.

By implementing the Stand-By Agreement program with the IMF, the BoM was able to implement policies that allowed the currency to move broadly in line with market conditions, increase foreign exchange market efficiency, improve the legal environment on foreign exchange, ensure law enforcement, create an infrastructure for an efficient foreign exchange market, reduce the artificial demand and improve the knowledge and information transparency of the foreign exchange market participants. Moreover, further developing the exchange rate policy research work resulted in successful policy decision making and stabilization of the exchange rate.

BOX 2. Foreign exchange auction, view of reference rate

An exchange rate that is both more efficient and market driven is attained by ensuring the openness and transparency of the Bank of Mongolia's operational engagement in the domestic inter-bank foreign exchange market. To that end, the Bank of Mongolia began its foreign exchange trading with domestic banks only through the auction system from 24 March 2009. As a regulatory framework, the "Regulation on Foreign Exchange Auction" and the "Directive on Foreign Exchange Auction" were developed, defining the rights, duties and liabilities of the parties involved.

Commercial banks operating in Mongolia could take part in the foreign exchange auction by submitting their BUY/SELL bids. However, the foreign exchange auction is limited to non cash US dollar trading only. The general public, corporations and other organizations may participate in the foreign exchange auction through their own banks.

The Bank of Mongolia's foreign exchange auction takes place every Tuesdays and Thursdays of every week. The results of which are published on the Bank of Mongolia's website for public use.

Through the 82 auctions that took place since its inception in March 2009, the amount of US dollars bought and sold by the Bank of Mongolia totaled 143.2 million and 78.7 million respectively. As a result, Mongolia's foreign exchange reserve was increased by well over 64.5 million US dollar. Thus, by encouraging a well balanced market, the sharp exchange rate fluctuations that were previously witnessed were eased.
(Figure 19. Foreign exchange demand for banks and intervention of Bank of Mongolia)

As of 31 December 2009, the Bank of Mongolia's reference rate for MNT against US dollar was 1442.84 Togrogs, which was depreciation in value of 13.8 percent or 175.33 Togrogs weaker than the year end 2008. On comparison, however, the MNT appreciated in value by 9.3 percent (147.86 Togrogs) from the peak level of the same year. During 2009, the interbank exchange rate reached 1675 Togrogs and the market exchange rate reached 1740 Togrogs. However, as of 31 December 2009, both rates appreciated in value, falling to 1445.35 Togrogs and 1450 Togrogs respectively.

1.4 Foreign exchange reserve management

With the continuing global economic crisis and financial sector instability in 2009, the Bank of Mongolia adhered to the principles of ensuring prompt payment, providing security and maximizing return on its foreign exchange reserve. Within this framework, the Bank of Mongolia undertook the following principal initiatives in 2009:

1. In 2008, the Bank of Mongolia began to determine its foreign reserve requirements in line with its export and import payments. Further refinements were undertaken in 2009, which in turn improved the prompt settlement capability of Mongolia's foreign

exchange reserve and increased the possibility of carrying out foreign settlements at much lower levels of foreign exchange risk.

2. As a protection against credit and investment risks, the Bank of Mongolia invested its foreign reserves in time deposits and securities of central banks of the USA, Germany, Japan, Great Britain, Switzerland, New Zealand and "AA" graded international financial institutions. This ensured the prompt payments of foreign liabilities of the Government and the security of foreign reserves.

As of 31 December 2009, the foreign exchange reserve stood at a historical high level of USD 1,327.4 million, which is capable of covering 27.7 weeks of Mongolia's total import payments. Effectively fulfilling its requirements, this level indicates a 102 percent or USD 670 million increase from the year end 2008. The increase was due to the following factors:

- A total of USD 239.8 million was obtained through the "Stand-by Arrangement" loan disbursement and SDR allocation from the IMF,
- Monetization of gold by the Bank of Mongolia which amounted to XAU 5.2 tons or USD 163.7 million,
- Concessional loan disbursements from donor nations' governments and financial institutions amounted to US$151.3 million,
- An advance payment of USD 100.0 million was delivered under the contract signed between the Government of Mongolia and "Ivanhoe Mines Mongolia Inc" in connection with "Oyu-Tolgoi" project,
- Demand and time deposits by commercial banks at the Bank of Mongolia increased by USD 81.4 million,
- Return on investments totaled USD 15.25 million which comprises gold trading income USD 6.84 million, interest income of time deposits and securities USD 7.81 million and foreign exchange trading income USD 0.6 million.

As regards its composition, 98.2 percent of the increase in the foreign exchange reserve was real, while 1.8 percent was due to foreign exchange valuation. For example, 88.3 percent, 6.4 percent, 1.2 percent, 1.1 percent of the net foreign exchange reserve increase was affected by US dollar, euro, yen and gold respectively.

In 2009, the Bank of Mongolia directly and indirectly (via commercial banks) purchased a total of 5.2 tons or 4.5 tons of gold in monetized terms valued at MNT 198.9 billion from 125 entities and 149 individuals. This purchase accounted for 51.0 percent of Mongolia's total gold production and 97.0 percent of monetized gold. The Bank of Mongolia bought 100 percent of the total local gold production except for 5.4 tons of gold which was exported directly by Boroo Gold Co., Ltd under the "Stability Agreement" between the Government of Mongolia and Boroo Gold Co., Ltd.

The Bank of Mongolia's purchase of 5.2 tons of gold in year 2009 is 3.2 tons or 39 percent lower than the previous year. This drop was due to termination of mining activities of "Altan Dornod Mongol" company, which sold 2.7 tons of gold to the Bank of Mongolia in 2008. In addition, a decrease in the sales of gold by "MGH" company to the Bank of Mongolia by 1.2 tons or 68 percent from the previous year accounts for this drop. If the influence of these companies is deducted, the total amount of gold bought by the Bank of Mongolia increased by 0.7 tons or 15 percent compared to 2008.

Figure 19

Foreign exchange demand for banks and intervention of Bank of Mongolia

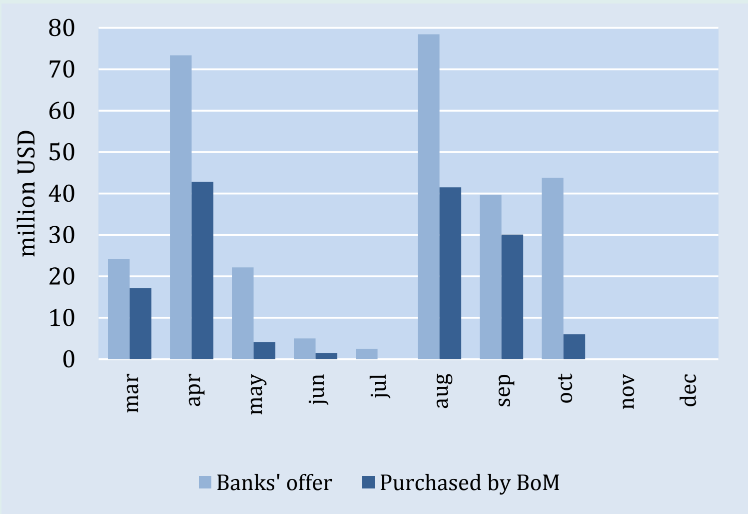


Figure 20

Foreign exchange surplus in the market

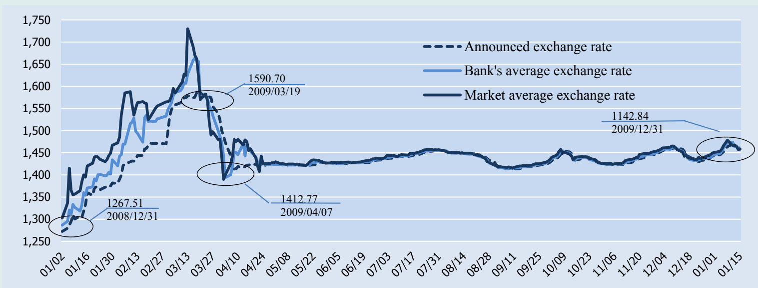


Figure 21

Movement of MNT rate, 2009 year

Due to global economic downturn and financial instability, interest rates of major currencies dropped to a historical low level, which in turn reduced interest income to the BOM from financial investments to USD 7.81 million, which is 2.8 times lower than the previous year. Moreover, the income from spot trading of precious metals was USD 4.66 million, representing a 2.2 fold drop from the previous year. The reduction was due to the decline in sales of gold by companies to the Bank of Mongolia in 2009. The total return on the foreign exchange reserve was 1.95 percent for the year ended 2009, which is 22 basis points lower than year 2008.

1.5. Risk Management of Foreign Exchange Reserves

In the reporting year, the Bank of Mongolia implemented the foreign exchange reserve management according to the classical investment triad of safety, liquidity and return. Within the risk management framework, the Risk Management Unit formulated the risk management strategy for the recent economic downturn and monitored its implementation on a short-term basis. The Bank of Mongolia set a desired composition of reserves for appropriate risk appetite levels and operated within these limits. As part of the general strategy, parameters for currency holding, allocation of assets, permissible range of investment instruments and duration requirements were established. In addition, the Risk Management Unit conducted a valuation of reserves, assessed market risk, set quarterly credit limits compliance which were monitored daily and reported on global financial market developments on a regular basis.

As the global economic and financial downturn continued into the 2009, the Bank of Mongolia's main objectives for foreign reserve management were preserving safety and liquidity of reserves. In order to safeguard reserves against credit risk, Bank of Mongolia continued to invest reserves in the relatively safe US Treasuries, short-medium term BIS debt instruments and central bank deposits.

Figure 22

Foreign exchange reserve /in 2009/

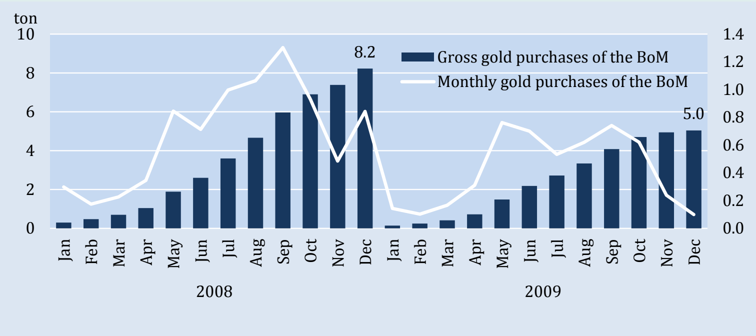


Figure 23

Purchase of gold of the BoM

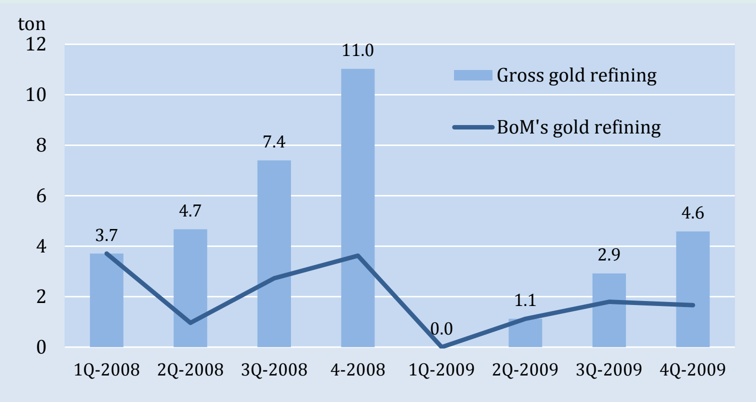


Figure 24

Gold refining of the BoM

OVERVIEW OF MONGOLIAN FINANCIAL SECTOR AND BANKING DEVELOPMENT

2

2.1. Banking sector performance and challenges

Total assets of the banking sector grew by 21.1 percent or MNT 4.4 trillion from the previous year in 2009. Foreign currencies appreciation was responsible for 13.3 percentage points of this growth. The share of the banking sector, which constitutes around 95 percent of the financial sector in GDP, increased by 9.6 percentage points to touch 69.9 percent. Due to the unfavorable overall economic situation, insolvency of Anod Bank, and MNT depreciation which lasted till the second quarter of 2009, credit quality and the liquidity of banks deteriorated and was further pressured from foreign currency adjustment costs.

The blanket guarantee of the government caused the outflows of deposits in the banking sector that had begun since October 2008 to decrease gradually. This resulted in total deposits reaching the pre-crises level-MNT 2.5 trillion. It was significantly important to lower the pressure on liquidity of the banks. In particular, the quality of Zoos Bank's loan portfolio deteriorated significantly, being unable to fully commit to repayment of customers' money because of violating the limit of a single borrower's exposure. The bank was taken into receivership under the Bank of Mongolia in November 2009. However, the collapse did not negatively affect the overall confidence of depositors. In 2009 total deposits grew by 34.5 percent or MNT 460.7 million and totaled MNT 1.8 trillion. To provide liquidity support, the Bank of Mongolia extended interbank loans of MNT 96 billion to banks via new financial instruments such as reverse repo, collateralized loan and foreign currency swaps in the domestic interbank market in the reporting year. As a result of those policy actions, the acid ratio[8] of the banking sector grew by 16.6 percentage points to 38.3 percent in 2009 compared to the previous year. Given the liquidity difficulties of the banks, there were a range of measures needed to be taken by the Central Bank and the commercial banks.

The Bank of Mongolia successfully cooperated with the Ministry of Finance and other agencies in order to support the liquidity of the commercial banks and to secure financial stability. In particular, the Bank of Mongolia assisted in the allocation of government assets in banks by the Government of Mongolia and the Ministry of Finance. A total fund of MNT 65 billion was put into 3 banks as deposits. As of the end of 2009, all of these deposits were repaid. Total funding of USD 66.25 million was given to 5 banks, of which USD 44.9 million was lent to 23 companies via those banks, to support the gold mining activities and to reduce the liquidity crisis.

Although the government's blanket guarantee on monetary savings and transactional accounts allocated in banks until 25 November 2012 affects the banks positively; it may put pressure on the state budget and taxpayers. The guarantee covers deposits of MNT 3.1 trillion which equals 51 percent of GDP.

Owing to the slow economic growth and decline in entrepreneurs' sales turnover, the capacity of borrowers to repay their loans deteriorated and thus credit risk increased. The amounts added to non-performing loans of banks eroded the banking sector profitability. For instance, as of 2009, non-performing loans increased by MNT 75.1 billion in the construction sector, MNT 60.2 billion in the manufacturing sector, MNT 41.5 billion in trading, and MNT 35.3 billion in the mining sector. Total non-performing loans outstanding of the banking sector

8 *Liquid assets over total liabilities /according to the regulation on setting prudential ratios to commercial banks/*

Figure 25

The Banking sector assets and financial intermediation

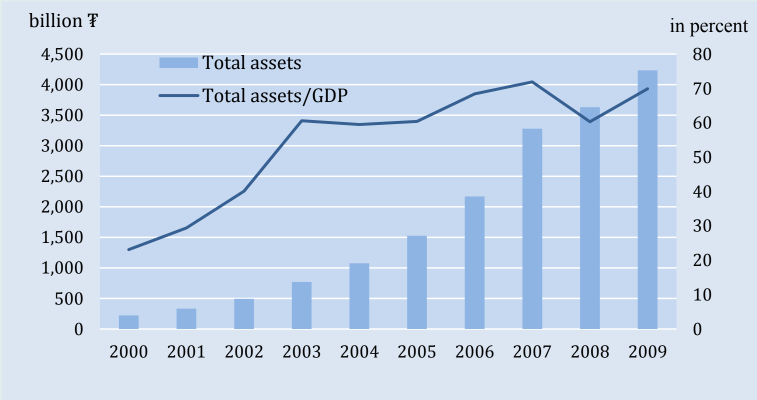


Figure 26

Total loans outstanding of the banking sector and NPL ratio

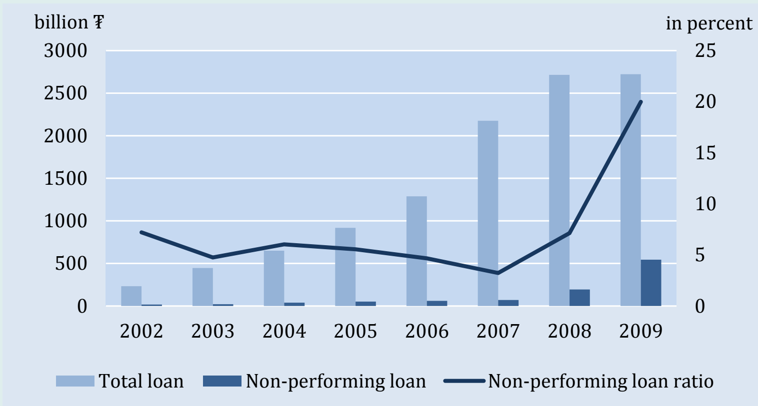
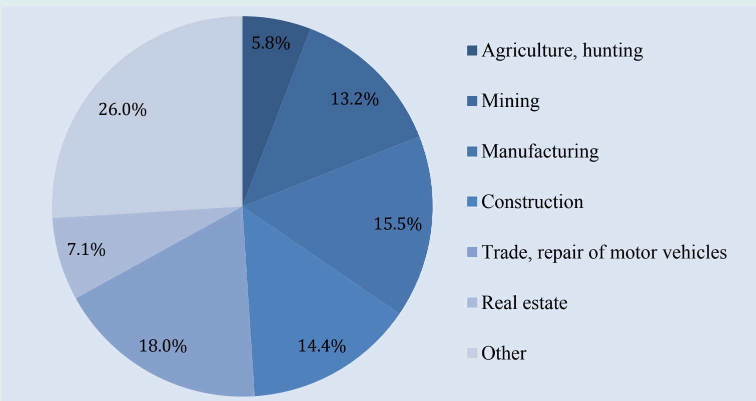


Figure 27

Distribution of loan portfolio (by economic sector)



increased 2.8 fold within 2009 and reached MNT 544.1 billion[9]. The NPL ratio grew by 12.8 percentage points to touch 20 percent. The banks limited their extension of loans to public sector due to increasing credit risk. Number of borrowers declined by 2.8 percent to 502,000.

Given the modest deterioration of credit quality and the still declining growth rate of loan portfolios, interest income generated from loans is falling and the loan loss provisioning cost is increasing. In the reporting year, the banks operated with losses of MNT 204.6 billion. Interest income from loans declined by 1.1 percent or MNT 5 billion compared to the previous year, while loan loss provision grew by 87.5 percent or MNT 128.7 billion. The weak credit quality of the banks eroded the profitability of the banking sector and led some banks to be undercapitalized below the minimum capital adequacy requirement.

Total capital of the banking sector was reduced by MNT 178.1 billion or 52.2 percent from 2008. Excluding Anod and Zoos banks, which came under receivership, capital adequacy ratio of the overall sector is 14 percent which is below the previous year's CAR by 1.3 percentage points. Given the undercapitalized banks, additional capital of MNT 64.1 billion is required by banks in order to comply with the capital adequacy ratio requirement. The amount of the additional capital needed equals 1 percent of GDP.

To make the banking sector stable and healthy, complex restructuring is required is required including the reduction of non-performing loans, the introduction of a deposit insurance system, refinancing undercapitalized but performing banks and the extension of loans to private and household sectors. In order to strengthen the risk management capacity of banks, the Bank of Mongolia increased the minimum capital adequacy ratio requirement to 12 percent by decree No. 154 of the Governor of the Bank of Mongolia dated 17 March 2009. In addition, interbank exposures and related parties lending should be included in the risk-weighted capital calculation to improve the quality of the risk management and enable a real assessments of risks.

The loan loss provision rate was lowered by joint agreement of the Bank of Mongolia and Ministry of finance dated 4 March 2009. It allowed banks to use provisions set up when the potential output was stable and the profitability of the banking sector was higher during the

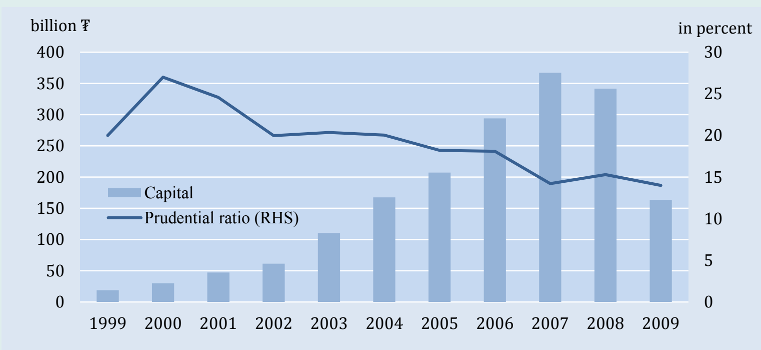


Figure 28

Capital adequacy /exluding Anod and Zoos bank/

9 *Calculation made by Supervision Department*

crises period. The loan loss provision rate declined from 40 percent to 25 percent for the substandard classification and from 75 percent to 50 percent for the doubtful classification. Given borrowers were facing temporary problems with their business operations, the Central Bank allowed banks and lenders to twice extend the duration of their loans.

The Bank of Mongolia has worked energetically to develop the primary and secondary mortgage markets. The regulation on primary mortgage loans was enacted and published. It allows banks to extend their mortgage loans under the same terms and facilitated the pooling of loans in the secondary market. The Bank of Mongolia participated in the preparatory work of approving the main law which regulates mortgage loan facilities-“Law of real estate and collateral” at the State Great Khural in spring 2009. Discussions over the use of EUR 4.8 million financing of the Restructuring and Development Bank of Germany for mortgage loans are at a final stage. The Mongolian Mortgage Corporation has provided a total amount of MNT 25 billion for mortgage loans via bonds.

2.2. Banking supervision process

To protect the rights of depositors and customers, with the aim of supporting the balanced development of the national economy, through the stability of the financial sector and banks in 2009, the Bank of Mongolia has accomplished the following:

- Within the framework of monitoring the implementation of the banking law, the monetary policy and decrees, guidance and regulations set up by the Governor of Central Bank, the Supervision Department of the Bank of Mongolia has increased the number of on-site supervisions at banks and corrected inaccuracies and contradictions discovered during short-term on-site inspections. In the reporting year, 33 full and partial inspections including double counts were conducted at 15 banks. These revealed discrepancies and contradictions: under provisioning of loan losses, inaccurate asset classification, accounting errors related to accumulated payables in interest rate and on and off-balance exposures and violations of prudential norms were revealed during those inspections. Based on the evaluation assessment following the on-site inspections, by a decree of the Governor of the Bank of Mongolia, certain banks are required to prepare capital restoration plans to correct and address the contradictions and violations mentioned above. After the Central Bank’s acceptance of the plan, the banks have been working to reduce non-performing loans and comply with prudential norms; limit the loans to a single borrower or connected parties, increase profitability and abolish some licenses on foreign transactions and settlements.

- As some critically undercapitalized banks, whose assets were non-performing or failed to comply with prudential norms, with insufficient funds to repay depositors on demand, Zoos Bank was taken into receivership by the Bank of Mongolia, in accordance with the Banking Law and other regulations, to secure the stability of the banking sector and maintain the confidence of customers. The Government established State Bank based on the good assets of Zoos Bank and recovery activities from the bad assets of Zoos Bank. The receiver is working to recover the bad loans.

- In addition, the Supervision Department of the Bank of Mongolia receives financial reports from banks on a regular basis, monitors the compliance of prudential norms and regulations and takes actions, if needed, in order to strengthen market discipline.

- The Bank of Mongolia is continuously reviewing the legal environment and is seeking to improve the capacity of the personnel of the Central Bank to strengthen the content and scope of bank supervision.

- Regulations on the proper management of banks and IT supervision are planned to be published in a near future to build a proper management system to inculcate sound practices of bank management, improve the transparency of management, support the rights of minority shareholders and assess the proper management level of the organization from the perspectives of the Bank of Mongolia. They will facilitate the opportunity to make comparison between banks and reduce the information technology risk so as to secure the reliability and speed of customer's payments and settlements and the confidentiality of information.

- In order to increase the risk bearing capacity of banks, the minimum capital requirement specified in the Regulation on setting prudential ratios to commercial banks was raised to 12 percent by Decree 154 of the Governor of the Bank of Mongolia on 17 March 2009. By a Decree issued by the Governor of the Bank of Mongolia and the Minister of Finance on 4 March 2010, the loan loss provisioning rate was lowered to allow banks to use higher provisioned reserves accumulated during the pre-crisis era.

- The Bank of Mongolia has discussed with international donors the policy actions required to address the rights of depositors and customers to maintain the stability of the banking sector during the crisis. To investigate and assess the reliability, independence, and completeness of accounting of non-performing loans and off-balance commitments, Price Waterhouse Coopers, Germany assessed and audited 4 banks. This activity was financed by the World Bank. In addition, 3 of the world's leading 4 auditors were contracted by the Bank of Mongolia to conduct inspections of commercial banks in Mongolia in the first quarter of 2010.

- The Deposit Guarantee law was amended on 6 March 2009 to cover current or transactional accounts of households and other entities. It was a significant action to prevent the sudden withdrawal of deposits from the banking sector. However, the governmental 100 percent guarantee on deposits of banks may lead some banks and creditors to take excessive risks and introduces moral hazard. A deposit insurance scheme, which can be funded by paying charges depending on the deposits acquired, should be established to reduce the potential costs of the blanket guarantee of the government. The Bank of Mongolia has begun research to have a deposit insurance law approved to create a deposit insurance agency.

- In recent years financial institutions such as non-bank financial institutions, insurance companies and securities firms have established subsidiary or business divisions, integrating their operations and capital structures. The business integration process increases the contagion risks in the financial sector, although it has the potential opportunities to develop coordination and effectiveness between financial institutions on the other hand. Therefore, the Bank of Mongolia introduced a consolidated supervision process to eliminate the systematic contagion risk. In order to implement effective consolidated supervision, a new banking law has been submitted to be approved by the parliament of Mongolia, as part of the establishment of an improved legal environment.

- To develop and enhance the operation of a consolidated database of the banking sector and to transfer necessary information to the public information system, the Bank of Mongolia is working to establish a credit information bureau system and RMS of the banking sector. The systems to be developed will be based on advanced information system technologies.

OTHER ACTIVITIES OF THE BANK OF MONGOLIA 3

3.1. Administration

The Bank of Mongolia's operational and management structure includes 7 departments, two independent units, 17 branches and a representative office in London, UK. A bank training center is operating under the authority of the Bank of Mongolia.

For the reporting year, the Bank of Mongolia employed 358 staff, of which 56.7 percents or 203 are male, and 43.3 percent or 155 are female employees. Core staff working at the head office made up 71.5 percent of the total number of employees.

54.4 percent of the bank's employees are economists and supervisors, while 45.6 percent are lawyers, information technology engineers and other professionals. 71.4 percent of the Bank of Mongolia's staffs are specialized in economics, accounting, business administration and legal matters, which means the Bank is equipped with highly trained employees who are capable of executing its strategic objectives and policy. The Bank of Mongolia encourages its employees to study or to seek highly education. In the reporting year, 90 employees from the head office and 16 supervisors from branches were sent on short and long-term courses and workshops or participated in seminars of international financial organizations.

These specialists are being trained in the USA, Australia and Japan after having signed training contracts with the Bank of Mongolia. This is being done through support provided under government programs of developed countries and international organizations to ensure that the staff acquires internationally accepted knowledge and skills.

One-off age allowances were provided twice to retired people, in accordance with the renewed regulations on retiree benefits and additional benefits issued by the Bank of Mongolia.

3.2. Internal audit

In accordance with 2007-2011 long-term action plan and 2009 annual work plan, the Internal Audit Department of the BOM conducted inspections of departments, units and regional branches of the bank to check their compliance with laws and regulations in implementing the State Monetary Policy.

Full, partial and random inspections as well as complaint follow-up checks have been carried out at the headquarters, regional branches, departments and units. Inspection exercises were aimed at identifying and mitigating potential risks. Rectification measures have been implemented and relevant recommendations and assignments issued.

During the reporting period, the "Performance Evaluation of The Bank of Mongolia's Regional Branch and Representative Office" procedure has been updated and approved for implementation by decree No. 732 of the Governor of the Bank of Mongolia dated 25 December 2009.

In the framework of a program to 'Research and update legal documentation related to the Internal Audit Department activities to ensure their compliance with international standards' a "Guidance on document filing for departments, units, branches and offices of the Bank of

Mongolia" was developed and approved by Decree No. 218 of the Governor of the bank dated in April 2009.

An Internal Audit Department Inspection Information Database has been created in 2009 with full programming support. All inspection and other data collected since 2006 has been input to the database to facilitate fast access to accurate information by departments, units, branches and representative offices of the bank.

Monitoring of the implementation of recommendations and assignments by the external audit organization by the Supervisory Council of the bank has been carried out. Reports have been submitted to the Supervisory and the Directors' Councils for their review and decision-making.

The Internal Audit Department has organized a statutory audit of the Bank of Mongolia's 2008 financial statements by "Ernst &Young Mongolia Audit LLC," the external auditor. An action plan was drawn up based on their recommendations to the bank, implementation of which has been monitored and enforced by the IAD.

3.3. Development strategy of Payment and settlement system and its implementation

In 2009, the Bank of Mongolia determined its main objectives in the payment and settlement system as the improvement of the legal framework of payment and settlement system by formulating related policies and legal documents, the introduction of advanced technology for oversight of the payment and settlement system and to enhance their reliability and efficiency and the expanded use of non-cash payment instruments.

Within the scope of the main objectives, the Bank of Mongolia launched a new RTGS system, the "Banksuljee" system, which settles payments in real-time. It also approved and updated related rules and regulations. Since its launch on 29 May 2009, the Banksuljee system has been operating smoothly without any critical failures.

In order to build a legal framework, which will be a basis for an interbank card clearing system, the Bank of Mongolia approved a "Payment Card Regulation" on 6 July 2009. At the end of 2009, the Bank of Mongolia issued card acquiring and issuing licenses for Khan bank (VISA, MASTERCARD, CUP) and Golomt bank (VISA, MASTERCARD, CUP, AMEX) according to the requirements of the regulation. Further, in order to create a more efficient environment for the faster development of card businesses, the Bank of Mongolia requires banks to follow the regulation and to obtain card acquiring and issuing licenses.

The Payment Card Regulation will also enable a smooth 24 hours clearing service on interbank payment card transactions. As a result of the regulation proceedings, Khan Bank, TDB and the Settlement Clearing Center of the Bank of Mongolia started a joint-project for an interbank card clearing service.

In order to develop a non-cash payment system in Mongolia, the Bank of Mongolia organized an international forum, "Mobile Bank", in April 2009. In implementing a recommendation of the forum, the Bank of Mongolia is planning to formulate a regulation on issuing a Payment System Operator License in 2010. The implementation of the regulation will foster the participation of the private sector in payment systems and enlarge the framework for payment system services. In particular, it will provide remote countryside citizens with access to banking services and financial system via mobile operators.

The Bank of Mongolia approved a new policy paper, "Oversight Policy for Payment System", consistent with BIS guidelines. The main purpose of the policy is to provide a smooth and reliable service for participants in the payment system and to improve monitoring of the system.

The Bank of Mongolia drafted an explanatory book about the Mongolian payment system. The book, named "Red Book", has following sections:

- Institutional structure of the Mongolian payment system;
- General information on payment instruments used in Mongolia;
- Interbank payment and settlement system.

The "Red Book" on the Mongolian Payment System will be translated into English with the cooperation of the BIS and published on the websites of the Bank of Mongolia and BIS. As a result, it is hoped that it will facilitate the attraction of foreign investment in Mongolia.

BOX 3. Real-Time Gross Settlement System

In a scope of "Financial Capacity Development Project", funded under the agreement between Government of Mongolia and International Development Association, the Bank of Mongolia introduced the "Banksuljee" system, which transfers interbank large-value payments in real-time manner on 29 May 2009.

The new RTGS system receives payments from its participants and settles them into current accounts of both Sender and Receiver participants in real-time. After the settlement process, the system immediately displaces a payment confirmation to the Receiver. As a result of The Real-Time Gross Settlement system implementation, participants have been enabled to reduce an interbank settlement risk and manage their funds effectively. From the viewpoint of the Central Bank, the "Banksuljee" system is a systemically important system, integrating other payment systems (Security Settlement, Forex, Low-value payment settlement systems) and similar RTGS-like systems implemented in more than 90 countries worldwide. It opens a new development period for the Mongolian payment and settlement system. By launching the RTGS system, the Mongolian national payment system has entered a new stage.

Since its launch, during the second half of the last fiscal year, 459,000 large value payments having MNT 8.7 trillion amounts in value have been transferred through the Banksuljee system. In addition, a net position of 1.2 billion low-value payments having MNT 156.6 billion amount values was settled through the system.

Interbank settlement

Table 4. Interbank payments (in millions)

	2006	2007	2008	2009
Number of payments	**3.2**	**3.7**	**3.6**	**4.1**
growth in percent	-	13.7	-1.1	13.3

According to statistics, around 3.2 to 4.1 million interbank payments were settled from 2006 and 2009. In 2009, the number of interbank payments increased by 0.5 million (13.3 percent) compared to the previous year.

Payment card usage

In order to study the statistical data, increase and trends of the card usage, the Bank of Mongolia publishes "The Statistics of Card Usage" every half year. All of the 12 banks which offer card services are included in the statistics of 2008-2009[10].

Table 5. The number of card holders and card users

#	Card holder/card user	2008	2009	2008 2009
1	Card holders number	1,182,526	1,885,103	59.4%
2	Card users number*	470,773	476,230	1.2%

*Card users, who use card more than 5 times a month, are to be considered as card holders

In 2009, the number of card holders increased by 702.6 thousand or 59.4 percent and the number of card users also grew by 5.5 thousand or 1.2 percent compared with the previous year.

Table6. The number of terminals

#	Terminals	2008 он	2009 он	2009 он 2008 он
1	POS	3,060	3,754	22.7%
2	POB	1,299	1,186	-8.7%
3	ATM	189	292	54.5%
4	Imprinter	470	377	-19.8%
	Total:	5,018	5,609	11.8%

In 2009, the number of POS terminals increased by 694 terminals or 22.7 percent, the number of ATM terminals grew by 103 terminals or 54.5 percent. However, the number of POB terminals declined by 113 terminals or 8.7 percent and the number of imprinter terminals decreased by 93 terminals or 19.8 percent compared with the previous year.

10 *Geminate numbers were used in the Study*

Table 7. The total number and amount of transactions processed in POS, POB and ATM terminals

Transactions processed in terminals		2008 он	2009 он	2009 он / 2008 он
POS	amount (billion MNT)	94.0	100.3	6.6%
	number (million)	1.8	1.7	-1.6%
POB	amount (billion MNT)	473.8	453.5	-4.3%
	number (million)	4.1	3.2	-21.8%
ATM	amount (billion MNT)	641.1	874.6	36.4%
	number (million)	9.1	15.2	67.0%

In 2009, the total amount of POS transactions were 100.3 billion MNT with the increase of 6.6 percent, while the total number of POS transactions decreased by MNT 0.1 million or 1.6 percent. The total amount of POB transactions were 453.5 billion MNT with decrease of 4.3 percent and the total number of POB transactions decreased by 0.9 million MNT or 21.8 percent. The total amounts of ATM transaction were 874.6 billion MNT with an increase of 36.5 percent and the total number of ATM transactions increased 6.1 million or 67.0 percent compared with the previous year.

Those numbers show that the most card holders are using cards to withdraw cash for further use rather than making non-cash payment.

BOX 4. Implementing card clearing service

Implementing the interbank card clearing service has the following advantages for banks and other organizations:

- There will be significant program and technological advances if card transactions are settled through integrated system
- Card products and services can reach customers more efficiently in a timely manner if card holders start using POS, POB and ATM terminals
- Card business will be expanded and non-cash payments will be increased with the increase of card holders and merchants

3.4. Cash management

For the purpose of meeting the requirement for transaction demand and the appropriate structure of the currency, 10,000 banknotes were newly published at a higher level of quality and security features and were introduced into circulation in 2009. The branch offices have been supplied with the required amount and denominations of cash in a timely manner. Damaged banknotes were returned to head office for withdrawal and destruction. Banknotes were counted and verified before and after deliveries. The BOM introduced MNT 630.5 billion into circulation against requests from commercial banks and were counted and verified and MNT 742.6 billion were withdrawn from commercial banks into circulation. In 2009, the BOM withdrew 31.1 million damaged banknotes worth MNT 47.3 billion from circulation.

3.5. Information Technology Department

The Information technology department of the Bank of Mongolia is working to determine the direction of information technology of the bank, to introduce new and advanced technologies, and to ensure the reliable operation of the information systems. Within the scope of making interbank payments fast and safe, the fully automated BankNet system was established for transferring payments between banks in real time.

In order to improve transparency for the public, the website of the Bank of Mongolia was redesigned and improved. It now provides the public with the latest reliable information about the activities of the Bank of Mongolia. In order to mitigate the risks of the banks, the Bank of Mongolia introduced new core systems, like the Credit information Bureau system and the Report Management System of banks. It has also commenced information technology auditing of banks.

The IT Department undertook a software development project to make the internal operations of the BOM more efficient and more reliable. It introduced about 30 upgrades to the current software systems. In addition, it revised internal information technology related policies and introduced a new integrated information technology policy for the Bank of Mongolia, which covers most IT related aspects. In addition, we reconstructed and upgraded the server rooms, the network connectivity and the network security of the Bank of Mongolia.

3.6. Development of banking legislation

The draft amendments to the Blanket Guarantee Law were approved by the Parliament on 6 March 2009. The amendments included accounts in addition to savings accounts and defined deposit accounts that are not subject to the Blanket Guarantee Law.

The Mortgage Law was passed by the Parliament on 9 July 2009. The law is to regulate relations with respect to placing real properties and/or interests in connection thereof under a mortgage as security for the obligation and dealing with mortgage contracts and foreclosure. In connection with this law, draft amendments to the Law of Mongolia on Deposits, Loans and Transactions of Banks and Authorized Entities were approved. On 9 July 2009, the Law on Payments and Settlements in National Currency was adopted by the Parliament. Under this law, payments and settlements in connection with goods, works and services are required to be denominated and be executed in the national currency. Draft Amendments to the Law on Currency Regulation were approved at the same time.

Draft Amendments to Criminal Code of Mongolia were approved by the Parliament on 24 December 2009. By the amendments, the definition of “Money laundering” was revised in accordance with international standards and was placed under Article 166. Article 268 for money laundering was annulled accordingly.

3.7. Domestic Cooperation

Current conditions of the mortgage market

Although issuing construction loans are not part of the main duties, the Bank of Mongolia has actively contributed to developing the primary and secondary mortgage markets in Mongolia.

The support provided to the mortgage market by the central bank is closely related to the tradition of playing a leading role in the development of the financial market. It is directed at creating new financial instruments and building infrastructure, as well as facilitating economic growth. Thus the efficiency of the mortgage market will increase, and the conditions for developing the secondary mortgage market and selling mortgage-based securities on the international markets will be created.

In order to create and promote a secondary market for securities backed by collateral assets, the Bank of Mongolia and commercial banks signed a contract to establish the Housing Finance Company on 4 September 2006. On October 6 of that year, the company changed its name to Mongolian Mortgage Corporation (MMC).

In July 2007, the Bank of Mongolia participated in a working group appointed to develop the concept and methodology related to calculating the housing index and to provide a uniform method of calculation.

Currently banks extend mortgage loans funded by the ADB, MMC and their own resources for 10-15 years at a weighted average of 19.8 percent. At the end of the reporting year, the outstanding balance of mortgage loans had risen by 3.7 percentage points from the beginning of the year. 4.1 percent of total mortgage loans or MNT 9.3 billion was overdue or bad loans.

In February 2009, the economic downfall started to stabilize, which entailed a sudden increase in the volume of mortgage loans in the 3rd quarter. As a result, the outstanding balance of mortgage loans is rapidly growing.

Although the outstanding balance of mortgage loans is increasing, overdue and bad loans have also risen by 3.95 percent within the last 3 months. In December 2009 mortgage loan repayments were higher than the amount of mortgage loans granted, which brought the share of overdue and bad loans down to 4.11 percent or MNT 9.3 billion in volume, which is 2.9 percentage points higher than at the beginning of the year.

Mortgage loans

The total loans to the construction sector from the banking system at the end of the year was MNT 383.0 billion, which is 2.4 percent lower than in the previous quarter and 0.1 percent lower than in 2008. Of these, 44.1 percent were up to one year loans, 52.9 percent were from one to five years loans and 3.1 percent were more than five years loans. Past due in arrears loans and non-performing loans, as a proportion of total loans, was 16.6 percent at the end of the last year. These increased to 37.9 percent, which is MNT 145.1 billion, at the end of this year.

There are limited options to support the mortgage market from the supply side. The government can purchase bad assets from the banks and provide more support to the demand side in order to keep down non-performing loans.

Participation of the Bank of Mongolia in the 4000 Household program

The Bank of Mongolia has declared its willingness to financially support the 4000 Household program. This is intended to help solve some of the difficulties of the construction sector, improve the liquidity conditions of banks and providing civil servants and civilians with long term housing loans.

The Bank of Mongolia took an initial part in the working group responsible for developing a regulation for this program. It provided information on studies and calculations of loan criteria and conditions. For example, by the recommendation of the Bank of Mongolia, the loan period was set to be 20 years in the regulation. This should significantly lower payment pressures on borrowers.

Bank of Mongolia's role in promoting the mortgage market

Bank of Mongolia has been actively cooperating with international organizations IFC, KfW and the EBRD in providing advisory services, investments, technical assistance and granting loans to the MMC to introduce mortgage securities.

Following the agreement between the Government of Mongolia and the Government of the Federal Republic of Germany on Development Policy Cooperation, KfW and the Government of Mongolia signed an agreement on a credit line of 4.8 million EUR and a grant of 0.5 million EUR channeled through Bank of Mongolia to MMC in regards to the "Promoting financial sector – Promoting Mortgage market system" project implemented by the Government of Germany in Mongolia.

To stimulate the secondary mortgage market and to enhance MMC's financial capacity, the Board of Directors of the Bank of Mongolia decided to select mortgage securities as an eligible instrument for monetary policy. Regulated mortgage securities are now eligible as collateral for repo operations. Risk weighting for mortgage securities stands at 35 percent. Moreover, in repo operations the haircut on bonds stands at 30 percent. Thus the Bank of Mongolia qualifies mortgage securities on the same level with Government securities. This will encourage banks and investors to possess mortgage securities and should increase the volumes traded.

The Bank of Mongolia has played a major role in the standardization of mortgage instruments and documentation of the primary mortgage market. A work team including Bank of Mongolia, MMC and other banks, drafted the "Regulation for mortgage market operation" approved by decree No.446 of the Governor of the Bank of Mongolia dated 17 October 2008. Regarding the regulation, Bank of Mongolia organized joint courses and seminars with the international institutions which supported the activities. This provided the opportunity to start the German Government project earlier. Standardization of mortgage instruments and documentation should reduce transaction costs and decrease mortgage loan risk and interest rates.

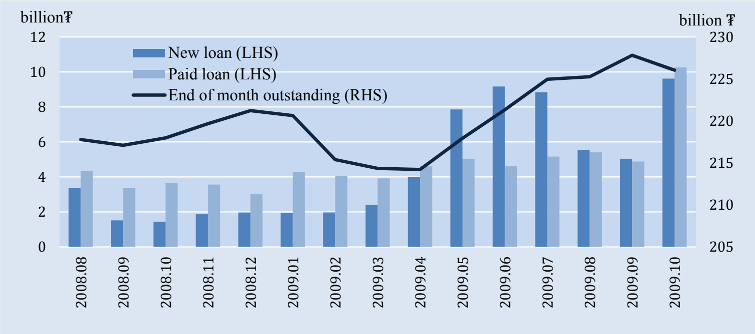


Figure 29

The mortgage market

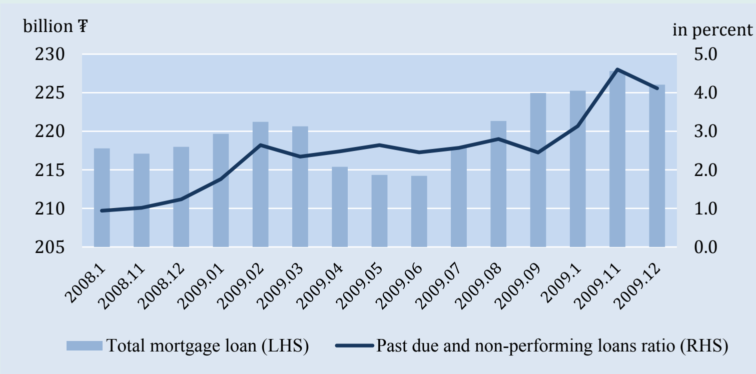


Figure 30

Classification of Mortgage loans

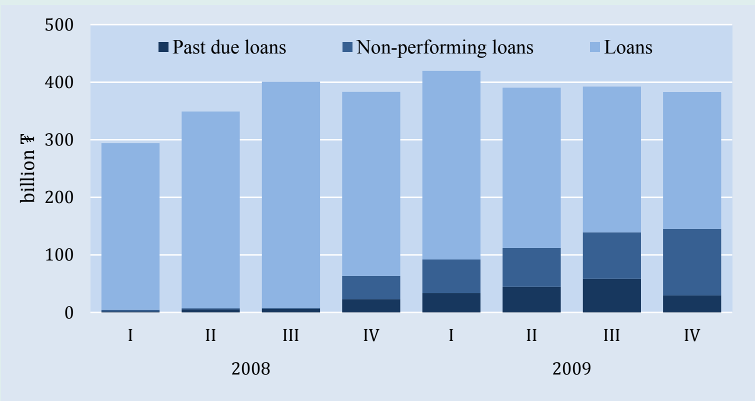


Figure 31

Quality of construction loan

The Bank of Mongolia places great importance on creating a sound legal environment for supporting mortgage market. In order to strengthen the primary market, the Bank of Mongolia actively participated in the development of the Law of Real Estate Collateral. In addition, to help build a viable secondary mortgage securities market, the Bank of Mongolia joined the working group to develop the Asset Backed Security law.

To put in place adequate legal, regulatory and primary market infrastructure, the Bank of Mongolia organized various trainings, seminars and round table meetings for financial institutions and other relevant government agencies. As an example of this, the training on “Implementing International Mortgage Standard in Mongolia” was organized for the banks, NBFIs and government agencies.

3.8. International cooperation

International Economic Cooperation Bank, International Investment Bank

As the stakeholder representing Mongolia at the IECB and IIBR, BoM exercises its control rights at these institutions and ensures at the regular Board Meetings of IECB and IIBR that their policies comply with interests of Mongolia. Within this framework, BoM researched and put forward a proposal to these institutions to place long-term, low interest funds with Mongolian commercial banks. As a result, USD 11.8 million has been placed with domestic commercial banks and loans totaling USD 5.7 million have been distributed to domestic firms.

South East Asian Central Banks Research and Training Centre (SEACEN)

In cooperation with SEACEN and so to improve the quality of data and research in SEACEN’s online database, BoM submitted quarterly balance of payments statistics as well as capital flow projection for 2009 and its trend for 2010.

Coin Invest Trust company

To commemorate the Mongolian gold and silver-medalist athletes at the Beijing 2008 Olympic Games and in accordance with “Treasury Fund Law of Mongolia”, the BoM contracted the internationally recognized company Coin Invest Trust to produce gold and silver coins bearing the names and pictures of the said athletes. These coins have been added to the Treasury Fund.

3.9. Activities on anti-money laundering and combating the financing of terrorism

In compliance with the Law on Combating Money Laundering and Terrorist financing, the following activities were carried out by the Bank of Mongolia.

The Financial Information Unit (FIU) of the Bank of Mongolia conducted on-site supervision on 13 banks, in accordance with the "Regulation for AML/CFT supervision on banks" adopted by the Governor of the Bank of Mongolia in 2009 and took corrective measures to identified breaches. Works have been started to implement "Know your customer and reporting suspicious and cash transaction reports to the FIU regulation" adopted by the Financial Regulatory Commission. It is designed for non-bank financial institutions with the purpose of combating money laundering and terrorist financing.

The amendment to the Criminal Code in relation to the money laundering offence was passed by the Mongolian Parliament. The FIU participated actively in this process to expand the scope of the money laundering related criminal offences that meet the requirement of international standards.

Within the framework of enhancing the activities of the FIU, memoranda of understanding were signed and cooperation was set up with the General Police Department and the Independent Authority against Corruption in 2009.

As a result of activities carried out by the FIU to introduce and provide information on Mongolia's efforts of commitment to fight against money laundering at the international level, the FIU joined the Egmont group of Financial Intelligence Units as a member. Furthermore, to strengthen and expand its foreign cooperation, the FIU signed memoranda of understanding concerning cooperation in the exchange of information with the Islamic Republic of Afghanistan and the People's Republic of China in 2009.

3.10. Operation of Bank Training Center

In 2009, the Bank Training Center (BTC) organized 31 training and seminar events in 25 subjects, totaling 425 participants and 785.5 participant/day trainings. In the rural areas, training events took place with 64 employees of 5 aimags, including Darkhan-Uul, Khuvsgul and Zavkhan.

ECONOMY REVIEW

4

4.1. Real Economic Development

According to preliminary estimates of the National Statistical Commission, real economic growth diminished to 1.6 percent in 2009. The economic growth was estimated at 8.9 percent in 2008, while in the reporting year it amounted to -1.6 percent, 10.5 percentage points down from the preceding year. Although growth was recorded in mining and quarrying; manufacturing; and other community, social and personal service activities, other economic sectors showed declines such as a 4.3 percentage point drop in agriculture, 42.8 percentage points reduction in wholesale and retail trade and 8.4 percentage points drop in transport, storage and communications.

In the reporting year, agriculture, hunting and forestry (21.2 percent of GDP) grew by 1.5 percent, mining and quarrying (22.5 percent of GDP) increased by 3.7 percent, transport, storage and communications (11.2 percent of GDP) rose by 12.1 percent, and real estate, renting and other business activities (9.1 percent of GDP) increased by 2.8 percent. These sectors were the main positive contributors to economic growth. On the negative side, wholesale and retail trade and repair of household goods (12.2 percent of GDP) decreased by 26.6 percent, manufacturing (5.9 percent of GDP) by 11.1 percent, financial intermediation (3.0 percent of GDP) by 20.4 percent and construction (1.2 percent of GDP) by 48.8 percent, respectively. These mainly contributed to the economic slowdown.

Sectors as other community, social and personal service activities; and transport, storage and communications recorded the highest growth of 16.3 percent and 12.1 percent, respectively, but, compared with previous year, the growth in other community, social and personal service activities; and transport storage and communications slowed by 1.0 percentage point and 8.4 percentage points, respectively. The Mongolian economy was affected by the world financial crisis and a slump in economic activity. In particular, growth in the financial intermediation services indirectly measured (FISIM) sector slowed by 57.6 percentage points, in wholesale and retail trade and repair of household goods sector by 42.8 percentage points, in the financial intermediation sector by 40.3 percentage points, in the construction sector by 36.0 percentage points, in hotels and restaurants sector by 29.9 percentage points, and in real estate, renting and other business activities by 16.8 percentage points, respectively.

Total industrial output (at 2005 prices) decreased by 3.3 percent, or 5.9 percentage points compared with the preceding year. This slowdown was the result of an output decline in manufacturing of basic metals; manufacturing of textiles; manufacturing of wearing apparel, dressing and dyeing of fur; and production of other non-metallic mineral products.

The growth of the agricultural sector was 1.5 percent, which was lower by 4.3 percentage points than that in the previous year and by 14.3 percentage points than in 2007. The total number of livestock increased by 3.0 million or 7.5 percent in 2008, but this growth rate dropped in 2009 and amounted to 735.4 thousand or 1.7 percent. However, the average yield per hectare for cereals was 1,550 kg and for potatoes 11,180 kg, showing a rise of 170 kg and 220 kg, respectively. The cereal crop grew by 178.8 thousand tons or 84.0 percent, and the potato crop by 16.4 thousand tons or 12.2 percent, but the vegetables crop decreased by 0.6 thousand tons or 0.7 percent. Appropriate measures taken within the Crop Rehabilitation National Program (Third stage) facilitated the growth of agricultural production. For example, within the program framework, new imported agricultural equipment and machinery such as

Table 4.1 Gross Domestic Product (at 2005 prices, in million togrog)

	2005	2006	2007	2008	2009*
GDP	2779578.2	3017425.8	3325892.6	3622670.5	3564278.1
growth (%)	*7.3%*	*8.6%*	*10.2%*	*8.9%*	*-1.6%*
Agriculture, hunting & forestry, fishery	608335.1	654148.2	757493.6	801203.2	813519.8
growth (%)	*11.1%*	*7.5%*	*15.8%*	*5.8%*	*1.5%*
Mining & quarrying	608208.9	646310.2	665021.2	645922.7	669827.7
growth (%)	*10.9%*	*6.3%*	*2.9%*	*-2.9%*	*3.7%*
Manufacturing	101962.9	115585.3	149055.5	154660.4	137525.9
growth (%)	*-19.2%*	*13.4%*	*29.0%*	*3.8%*	*-11.1%*
Electricity, gas & water supply	80021.1	83634.8	89875.6	98180.9	101866.4
growth (%)	*0.9%*	*4.5%*	*7.5%*	*9.2%*	*3.8%*
Construction	58835.2	61827.5	67065.5	58450.5	29926.9
growth (%)	*15.9%*	*5.1%*	*8.5%*	*-12.8%*	*-48.8%*
Wholesale & retail trade, repair of houshold goods	226961.1	261759.7	279352.9	324726.6	238356.7
growth (%)	*2.9%*	*15.3%*	*6.7%*	*16.2%*	*-26.6%*
Hotels & restaurants	19135	21022.1	24391.9	26065.8	20082.4
growth (%)	*17.1%*	*9.9%*	*16.0%*	*6.9%*	*-23.0%*
Transport, storage & communicaton	309100	346429.2	438597.9	528554.3	592300
growth (%)	*22.9%*	*12.1%*	*26.6%*	*20.5%*	*12.1%*
Financial intermediation	99966.8	96776.1	125955.9	150977.3	120236.5
growth (%)	*14.7%*	*-3.2%*	*30.2%*	*19.9%*	*-20.4%*
Real estate, renting & other business activities	217120.3	228863.4	224947.9	269100.8	276741.2
growth (%)	*8.8%*	*5.4%*	*-1.7%*	*19.6%*	*2.8%*
Public administration & defence, compulsory social security	66847.2	67154.5	70205.1	73141.2	76200.1
growth (%)	*3.4%*	*0.5%*	*4.5%*	*4.2%*	*4.2%*
Education	84915.7	88685.5	90527.9	97278.1	98909.3
growth (%)	*-5.0%*	*4.4%*	*2.1%*	*7.5%*	*1.7%*
Health & social work	37966.5	41515.4	45953	48628.4	50249.5
growth (%)	*3.0%*	*9.3%*	*10.7%*	*5.8%*	*3.3%*
Other community, social & personal service activities	28323	30027.1	32336.3	37283	43362.4
growth (%)	*4.0%*	*6.0%*	*7.7%*	*15.3%*	*16.3%*
Financial intermediation services indirectly measured	-79858.5	-109673.2	-144416.9	-171656.9	-105199.9
growth (%)	*15.0%*	*37.3%*	*31.7%*	*18.9%*	*-38.7%*
Net taxes on production and import	311737.9	383359.9	409529.3	480154.2	400373.1
growth (%)	*1.5%*	*23.0%*	*6.8%*	*17.2%*	*-16.6%*

** Preliminary data*

tractors, combine harvesters, flour milling machines, irrigation equipment, and fertilizers are exempt from customs tariffs and Value Added Tax (VAT) until 31 December 2011. In addition, a few aimags received financing from the state budget in the form of loans.

In the result of monetary policy implemented by the Bank of Mongolia and favorable world commodities market conditions, the inflation rate sharply decreased in the first 9 months. According to the National Statistical Commission, the year-on-year national consumer price index reached 4.2 percent, while in Ulaanbaatar city the inflation rate stood at 1.9 percent. Looking through the national CPI by groups, prices of some products like alcoholic beverages, tobacco increased by 20.21 percent, miscellaneous goods and services by 14.06 percent, restaurants and hotels by 11.13 percent and clothes, footwear and cloth by 10.86, respectively, which were the highest price increases. The prices of food and non-alcoholic beverages grew by 0.48 percent, housing, water, electricity and fuels by 0.66 percent, transport by 1.34 percent, respectively, the contribution of which into the overall CPI is the highest. Mainly because of these increases, the inflation rate was not so high.

According to preliminary estimates of the National Statistical Commission, total revenue and grants generated reached MNT 1993.0 billion, while total expenditure and net lending turned into MNT 2321.6 billion that resulted in a budget deficit of MNT 328.6 billion. That the budget deficit increased by MNT 32.2 billion from the preceding year is due to 2.3 percent points of difference between total revenue decline and total expenditure and net lending decline. Current revenues amounted to MNT 1965.5 billion, current expenditures accounted for MNT 1792.1 billion. Current revenues exceeded current expenditures by MNT 173.4 billion. Tax revenues decreased by MNT 275.6 billion or 14.6 percent from the previous year which was mainly caused by decreases of price increase tax of some products by MNT 198.3 or 51.1 percent, corporate income tax by MNT 47.9 billion or 18.9 percent, value added tax by MNT 42.2 billion or 11.5 percent and excise tax by MNT 11.7 billion or 6.6 percent, respectively. Non-tax revenue grew by MNT 90.1 billion or 34.6 percent from the preceding year. According to preliminary estimates of 2009, total expenditure and net lending reached MNT 2321.6 billion which is less by MNT 145.2 billion or 5.9 percent from the previous year.

According to the National Statistical Commission, total exports decreased from the previous year by 24.9 percent and reached USD 1,902.6 million while total imports dropped by 34.3 percent and amounted to USD 2,131.3 million. As a result, the foreign trade deficit was estimated at USD 228.7 million, or USD 481.4 million or 3.1 times less than in 2008. The main contributor to the total export fall was exports of mineral products (65.4 percent of the total exports), which decreased by 18.6 percent from the previous year, and exports of natural or cultured stones, precious metal and jewelry (17.7 percent of the total exports) which reduced by 44.0 percent. Imports of mineral products (26.6 percent of the total imports) went down by 41.2 percent, while imports of cars, equipments and transport vehicles (18.7 percent of the total imports) decreased by 30.2 percent.

Industry

In the reporting year, the main components of industrial production were mining and quarrying (65.4 percent), manufacturing (24.7 percent), and electricity generation, thermal energy, and water supply (9.9 percent). Mining of metal ores accounted for the largest share

(73.7 percent) in mining and quarrying. Out of the total of manufacturing production, the manufacture of basic metals accounted for 10.6 percent, manufacture of food and beverages was 45.3 percent, and manufacture of textiles was 25.4 percent. The production of electricity, thermal energy and steam made up 93.1 percent of the total of electricity generation, thermal energy, and the water supply sector.

In 2009, total industrial production reduced by 3.3 percent (at 2005 prices). This included a rise of 2.2 percent in mining and quarrying, 1.8 percent in electricity generation, thermal energy, and the water supply sector; and a fall of 14.2 percent in manufacturing. The main subsectors showed expansion as follows: the manufacture of food and beverages rose by MNT 41.2 billion or 22.1 percent, and the production of electricity, thermal energy and steam rose by MNT 4.0 billion or 2.2 percent. However, the manufacture of textiles declined by MNT 7.1 billion or 5.3 percent, the manufacture of basic metals declined by MNT 94.4 billion or 64.1 percent and mining of metal ores decreased by MNT 48.8 billion or 6.2 percent.

During the reporting year, domestic industrial output sales increased by 5.8 percent compared to the previous year and reached MNT 3099.8 trillion, of which MNT 1,882.2 trillion worth of products were supplied to foreign markets. Mining and quarrying output accounted for 65.9 percent of the total manufacturing output, whereas manufacturing output accounted for 24.7 percent and electricity, thermal energy and water supply output accounted for 9.4 percent. Products sold to foreign markets comprised 83.6 percent of the mining and quarrying output and 22.8 percent of the manufacturing output; specifically 100.0 percent of crude oil, 86.6 percent of the outputs of mining of minerals, 83.6 percent of the mining of metal ore 75.9 percent of textile garments, 47.7 percent of the manufacture of basic metal products were sold to foreign markets.

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

Agriculture

In 2009, 44.0 million livestock were counted, of which 19.6 million were goats, 19.3 million were sheep, 2.6 million were cattle, 2.2 million were horses and 277.1 thousand were camels. Considering livestock variations by type, sheep increased by 912.400 head, cattle by 95,900, camels by 10,600, horses by 34,400, while goats decreased by 317,900 head. Out of the total livestock, 44.6 percent was accounted for by goats and 43.8 percent by sheep, 5.9 percent by cattle, 5.0 percent by horses and 0.6 percent by camels.

Aimags such as Khovsgol (3,924,500), Ovorkhangai (3,620,200), Arkhangai (3,619,100), Tov (3,464,200), and Zavkhan (2,827,600) have led in terms of livestock numbers.

The average number of livestock per herder family was 192 livestock; specifically an average of one camel, ten horses, 11 cattle, 84 sheep and 86 goats.

In 2009, 15.3 million female livestock, or 82.7 percent of the total female livestock, were breeding stock. Newborn livestock, as a proportion of the total breeding stock, decreased by 0.4 percentage points from the previous year. The number of survivors declined by 1.6 percentage points, reaching 89.4 percent of the total number of newborn livestock.

During the reporting year, the total area of cultivated land increased by 89.7 thousand hectares or 46.6 percent to 282.2 thousand hectares. The area for cereals was enlarged by 98.4 thousand hectares or 63.9 percent, for potatoes by 0.8 thousand hectares or 7.2 percent, and for vegetables by 0.1 thousand hectares or 1.7 percent, while the area for fodder decreased by 2.2 thousand hectares or 40.4 percent.

During the reporting year, 391.7 thousand tons of cereals, 388.1 thousand tons of wheat, 151.2 thousand tons of potatoes, and 78.0 thousand tons of other vegetables were harvested. Moreover, 23.1 thousand tons of fodder and 893.4 thousand ton of supplementary livestock feed were prepared. Consequently, the country recorded a growth of 84.0 percent in cereals crops, 85.0 percent in wheat crops, 13.3 percent in supplementary livestock feed, 85.0 percent in the potato crops and 0.7 percent in the crops of other vegetables.

The average yield per hectare for cereals was 1,550 kg and for potatoes 111.8 kg, indicating a rise of 12.3 percent in cereals and 0.2 percent in potatoes from the previous year.

Construction

According to preliminary findings, construction companies performed construction and capital repair works worth MNT 279.4 billion - a decrease of MNT 228.8 billion, or 54.9 percent from the previous year. Out of the total construction and capital repair works, 89.7 percent were carried out by domestic construction companies.

Out of the total construction work and repairs, housing projects comprised 35.9 percent, other projects such as industrial projects, trade and service centers, hospitals, schools and cultural palaces were 24.6 percent, engineering work was 21.7 percent, and capital repairs were 12.6 percent, respectively. Domestic construction companies performed 55.3 percent of the total housing and repair works in Ulaanbaatar city.

Transportation and communication

In 2009, 24.7 million tons of freight and 232.4 million passengers (on a gross basis) were carried by all means of transport. Compared to the previous year, freight transportation and passenger transportation rose by 825.3 thousand tons (3.4 percent) and by 0.8 million passengers (0.03 percent), respectively.

Total transportation revenue grew by MNT 44.4 billion or 10.6 percent, reaching MNT 463.6 billion. Revenue generated from road transportation increased by MNT 28.4 billion or 28.4 percent, railway transportation by MNT 21.5 billion or 10.4 percent, while air transportation revenue decreased by MNT 4.7 percent and water transportation by 2 percent.

Road freight transportation grew by 14.0 percent to 10.6 million tons, while passenger transportation rose by 0.09 percent to 229.0 million passengers.

Rail freight transportation reduced by 3.4 percent or 14.1 million. Passenger transportation dropped by 29.5 percent or 3.1 million passengers.

Air freight and passenger transportation showed a decline of 26.9 percent and 25.0 percent, respectively.

According to the results of motor vehicle inspection, 224.0 thousand motor vehicles were registered, of which 153.9 thousand or 68.7 percent were cars. Out of total registered cars, 65.0 percent were registered in Ulaanbaatar city.

The communication sector revenue stood at MNT 362.8 billion, indicating an increase of MNT 19.4 billion or 5.7 percent from the previous year. Revenue from individuals rose by 3.9 percent and made up 85.4 percent of the total revenue. Revenue from mobile telephone users grew by MNT 10.7 billion or 3.8 percent.

The number of mobile telephone users increased by 462.8 thousand or 26.5 percent to 2.2 million, while the use of wireless telephones was increased by 10.0 thousand or 29.6 percent to 45.5 thousand. The number of landline telephone lines decreased by 10.6 thousand or 7.0 percent to 141.0 thousand. As of end 2009, the mobile telephone network covered all soums.

Labor productivity

At the end of the reporting year, labor productivity in the industrial sector had risen by MNT 327.0 thousand to reach MNT 34.8 million over the previous year. Labor productivity is measured as an added value divided by the average number of workers in a year. Labor productivity within the mining sector, which has the highest productivity among other industrial sectors, was MNT 71.6 million, of which labor productivity of oil and gas mining industries rose by MNT 36.4 million or 16.5 percent, up to MNT 256.4 million. However, labor productivity within manufacturing industries decreased by 10.2 percent over the previous year to reach MNT 23.6 million. In addition, productivity of power and water plants rose by 1.8 percent to MNT 15.0 million since the end of 2008.

Employment

The population of Mongolia in 2009 was forecasted to reach 2,736.8 thousand, which is higher by 53.2 thousand people or 1.98 percent than that of 2008. The number of unemployed people registered with the Labor and Welfare Service Department went up to 38.0 thousand by 27.7 percent or 8.3 thousand people since the end of 2008. Nationwide, 21.0 thousand women have registered as unemployed, which makes up 55.3 percent of the total population registered as unemployed.

Within the reporting year, a total of 51.7 thousand people found employment, which is lower by 6.7 percent than that of 2008. Of the total people employed in 2009, 13.8 percent were employed by government-owned entities, and the remaining 86.2 percent were employed by private companies and other entities.

According to a report by the National Statistics Commission, at the end of 2009, people aged between 25-34 occupied the highest percentage (32.7 percent) among the total number of unemployed people.

Wages and salary

According to the NSC, at the end of the fourth quarter of 2009, the average monthly salary of workers in the private sector reached MNT 308.1 thousand, which reflects an increase of MNT 17.0 thousand or 5.8 percent over that of 2008.

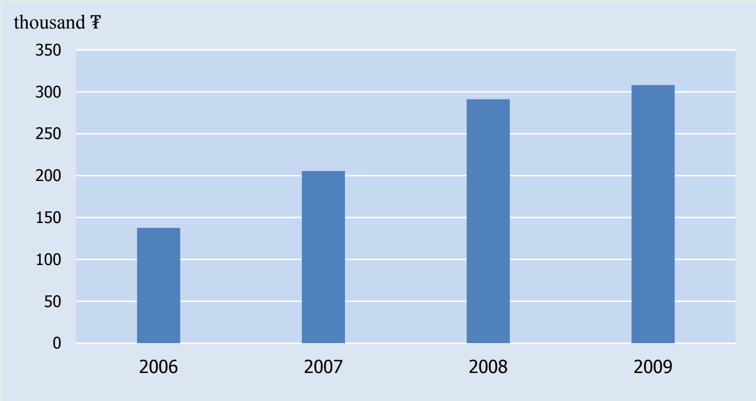


Figure 32

Average monthly salary, at the end of the 4th quarter of every year

At the end of 2009, the average monthly salary of male workers was MNT 332.7 thousand, which is MNT 48.2 thousand or 16.9 percent higher than that of female workers. However, if classified by profession, the average monthly salary of administrative officers in government-owned and non-government-owned entities, as well as that of heavy machinery operators, specialized persons, and managers was higher by MNT 13.7 – 202.5 thousand that the national average, while the average monthly salary of other professions was lower by MNT 44.7 – 88.7 thousand than the national average. Salaries of male workers are comparatively higher than those of female workers.

If classified by economic operations, the average monthly salary of workers in the private entities within the field of financial transactions was MNT 621.1 thousand; in the mining sector MNT 402.9 thousand; in public administration, civil defense, social insurance sectors MNT 350.1 thousand; education sectors MNT 296.2 thousand, health and social security sectors MNT 292.8 thousand; while manufacturing sectors MNT 277.7 thousand, which is higher than the national average, but lower than the other sectors.

BOX 5. World economic outlook

Under deep recessionary conditions, policy-makers across the world implemented wide-ranging public intervention programs to support demand, lower uncertainty, and systemic risk. Governments activated fiscal stimulus and other crisis prevention public policies, while monetary authorities implemented a monetary easing strategy of lowering interest rates, buying bonds, or loosening credit requirements. Together, these measures reduced uncertainty and increased confidence, fostering an improvement in financial conditions and international capital flows. As a result, global economic activity and trade picked up and many economies - particularly in the developing world - reported positive growth at the end of 2009. However, the recovery will be slow for most economies due to shortage in investment, vulnerability of the financial systems and persisting high unemployment levels. The key policy requirements remain to restore financial sector health, continue supportive macroeconomic policies while avoiding inflation traps and overheating in the economy. Policymakers need to begin preparing for an orderly unwinding of extraordinary levels of public intervention.

World economic growth is forecast to be -1 percent in 2009, and 3 percent in 2010. Advanced economies are projected to expand sluggishly through much of 2010, with unemployment continuing to rise until later in the year. Annual growth in 2010 for advanced economies is projected to be about 1¼ percent, following a contraction of 3½ percent in 2009. In emerging economies, real GDP growth is forecast to reach 5 percent in 2010, up from 1¾ percent in 2009. The rebound is driven by growth in China, India, and a number of other emerging Asian economies.

Rebalancing the Global Economy

Achieving sustained healthy growth over the medium term will depend on addressing the supply disruptions generated by the crisis and rebalancing the global pattern of demand.

Addressing Lower Potential Output

Historical and current evidences point to a permanent decrease in potential production levels following the financial crisis. To restore the previous positions in investment, productivity, lending, and employment levels, policy makers might need to undertake restructuring of financial firms and financial markets, as well as ensuring flexibility in the job market.

Adjustment in supply and demand patterns

Countries that typically relied on export-led growth strategies will need to rely more on domestic demand and imports to ensure strong recovery. To complement efforts to repair the demand side of economies are successful, there must also be adjustments in the supply side. This entails improving the financial system and encouraging public investment.

Policy Challenges

The policy priorities remain to restore the health of the financial sector and to maintain supportive macroeconomic policies until the recovery is on a firm footing, even though policymakers must also begin preparing for an eventual unwinding of extraordinary levels of public intervention.

Timing the Tightening of Accommodative Monetary Conditions

The key issues facing monetary policymakers are when to start tightening and how to unwind large central bank balance sheets. While advanced economies have more room to continue accommodative macroeconomic policies, a number of emerging economies face an increase in inflation necessitating monetary tightening. In some economies, the risk of asset price bubbles are high, which calls for further monetary tightening while closely monitoring credit growth and current account flow.

Maintaining Fiscal Support while Safeguarding Fiscal Sustainability

Despite large deficits and rising public debt in many countries, fiscal stimulus needs to be sustained until the recovery is firm and may need to be amplified or extended beyond current plans if downside risks to growth materialize. To be able to continue a fiscal stimulus in economic downturns and keep investor's confidence, governments need to commit to a countercyclical policy in economic booms as well as downturns.

Healing Financial Sectors while Reforming Prudential Frameworks

Deterioration of asset quality across the financial system and the public burden of "too-big-to-fail" institutions have become the major problems facing the industry. Thus, the challenge for the near future is recapitalization and restructuring of existing financial institutions to ensure resumption of normal lending and reform of the prudential frameworks to reduce the risk of further crises.

Structural and Social Policy Challenges

Rising unemployment presents a major challenge in many advanced economies and poverty continues to challenge many developing economies. Tax credits, social safety nets, job matching and technical training programs, along with slower growth in wages or wage cuts for some sectors might be necessary to reduce unemployment levels. On the other hand, international aid and better coordination of cooperation between donor and recipient countries will be necessary to reduce the impact of the crisis on the vulnerable populations in the emerging nations.

4.2 Balance of payments /2009 preliminary data/

Preliminary statistics on the balance of payments for the year 2009 shows a current account deficit of USD 382 million, capital account surplus of USD 850 million, with net errors and omissions decreasing to USD 7.8 million and foreign reserves adding USD 475.8 million.

Current account balance

The current transfer account showed a surplus of USD 138.3 million, however due to the deficits of trade balance, service balance and net income of USD 157.1 million, USD 128.3 million and USD 234.9 million, respectively, the overall current account suffered a deficit of USD 382.0 million.

Foreign trade

In 2009, the turnover of foreign trade in the balance of payments has decreased by 30.3 percent, reaching USD 3962.3 million compared to the previous year.

Table 9. Trade Balance (in million USD)

	2007 он	2008 он	2009 он	Annual change	
				in value	in percent
Export	1 950.7	2 534.5	1 902.6	-631.9	-24.9
Import	2 003.1	3 147.0	2 059.7	-1 087.3	-34.6
Trade turnover	3 953.8	5 681.5	3 962.3	-1 719.2	-30.3
Trade balance	-52.4	-612.6	-157.1	455.5	-74.4

By the balance of payment method[11], total imports and exports have experienced a decrease of 34.6 and 24.9 percent compared to the previous year, reaching USD 2,059.7 million, USD 1,902.6 million respectively. In 2009, preliminary foreign trade balance had a deficit of USD 157.1 million. This deficit was due to the decrease in global market prices of Mongolia's main export commodities such as copper concentrate, zinc ores and concentrate, coal and wool and cashmere. In addition, imports were higher than exports.

According to General Customs Administration of Mongolia, in 2009 the trade turnover paid in hard currency has decreased by 30.2 percent or USD 1608.9 million compared to previous year and reached USD 3,725.7 million. Net exports in 2009, decreased by 24.9 percent or USD 1,902.6 million and net imports decreased by 34.3 percent or USD 2,131.3 million. In 2009 the foreign trade paid in hard currency achieved a surplus of USD 57.3 million, whereas in 2008 it showed a deficit of USD 409.6 million.

Table 10. Foreign trade paid in hard currency (in million USD)

	2005	2006	2007	2008	2009	Annual change	
						in value	in percent
Export	962.6	1,447.1	1,865.1	2,462.4	1,891.5	-571.0	-23.2
Import	882.1	1,219.6	1,748.7	2,872.1	1,834.2	-1,037.9	-36.1
Trade turnover	1844.7	2,666.7	3,613.8	5,334.5	3,725.7	-1,608.9	-30.2
Trade balance	80.5	227.5	116.4	-409.6	57.3	466.9	-114.0

11 According to the new BOP compilation methodology, the import data was converted from c.i.f. into f.o.b. basis using a coefficient of 11.0 percent. Of which, freight service is 10 percent and insurance is 1 percent.

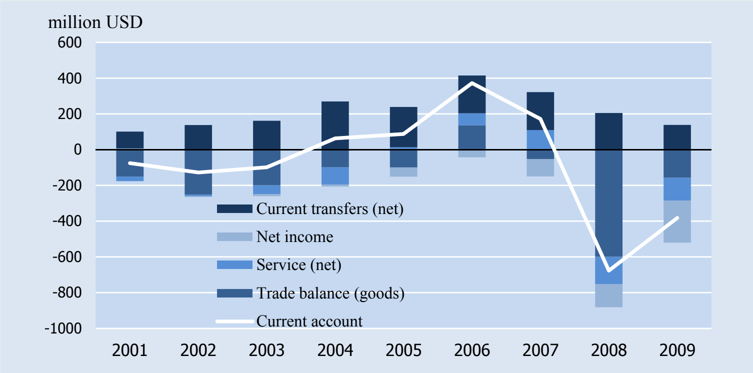


Figure 33

Current account balance (USD million)

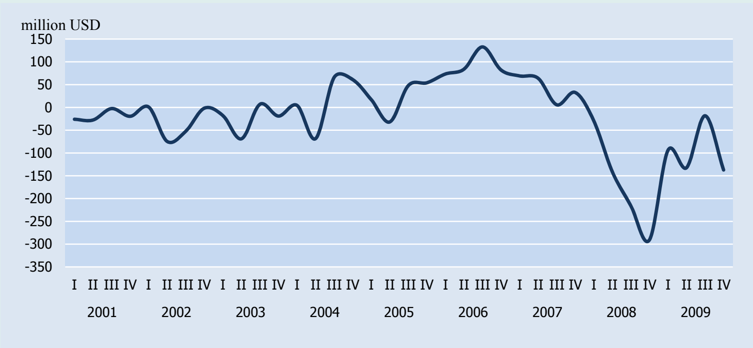


Figure 34

Current account balance (USD million)

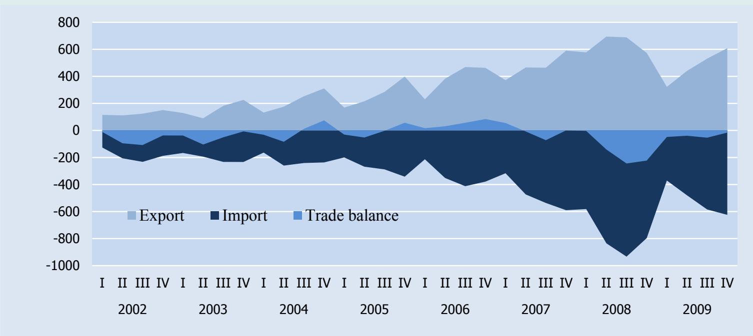


Figure 35

Trade balance (USD million)

In 2009 the export quantity of gold decreased by 47.1 percent reaching 11.7 tones. The income from gold exports decreased by USD 264.0 million compared to 2008 and reached USD 335.9 million in 2009.

The copper concentrate price has dropped dramatically by 40.4 percent and reached approximately USD 855.1 per ton. However the export quantity of copper concentrate has decreased by mere 0.7 percent reaching 586.9 thousand tons. The income from copper concentrate decreases by 39.9 percents from 2008 and reached USD 501.8 million.

The export of gold and copper concentrate constitutes the 18.0 and 26.5 percents of exports paid in hard currency respectively.

Table 11.Gold and copper concentrate exports and petroleum products' imports

	2005	2006	2007	2008	2009	Annual change	
						in value	in percent
In value (USD million)							
Gold export	331.4	270.1	213.6	599.9	335.9	-264.0	-44.0
Copper concentrate export	326.2	635.4	742.4	835.6	501.8	-333.8	-39.9
Petroleum product import	291.8	422.1	551.3	890.5	525.4	-365.1	-41.0
In quantity (tons)							
Gold export (tons)	23.8	15.4	10.7	22.1	11.7	-10.4	-47.1
Copper concentrate export (thousand tons)	587.1	599.5	557.9	582.9	586.9	4.0	0.7
Petroleum product import (thousand tons)	561.9	649.2	782.6	845.7	767.0	-78.7	-9.3

In 2009, Mongolia exported 7254.9 tons of cashmere, 68.2 thousand units of cashmere products and received income of USD 168.7 million. In the reporting year the quantity of exports of combed, washed cashmere and cashmere products increased by 53.4 percent compared to 2008. However due to the price decrease of cashmere on global markets the income from the exports decreased by 6.6 percent. The export of cashmere and cashmere products constituted 8.9 percents of exports paid in hard currency.

The quantity of petroleum products imported decreased by 14 percent equivalent to 125.0 thousand tons compared to 2008 and reached 767.0 thousand tons. The imports of petroleum products constituted 28.6 percents of imports paid in hard currency.

Services

In 2009, the total income and expenses from international trade in services in balance of payments were USD 444.3 million and USD 572.6 million respectively, which resulted in a services account deficit of USD 128.3 million.

The tourism sector revenue has reached USD 18.1 million in 2009. However, the overall services account had a deficit due to the USD 41.4 million transportation services, USD 8.2 million insurance services and USD 18.6 million communication services bought from abroad.

In 2009, 282.5 thousand foreign tourists have visited Mongolia and spent around USD 189.0 million in the country, whereas 340.1 thousand resident tourists travelled abroad and spent USD 177.9 million while there.

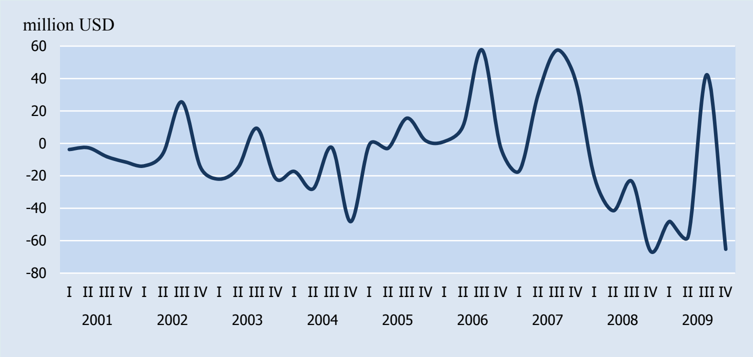


Figure 36

Services balance (USD million)

Table 12. Total income and expenditures from tourism (in million USD)

	2007	2008	2009	Annual change	
				in value	in percent
Total revenue of tourism sector	287.0	229.5	189.0	-40.5	-18%
Number of tourists (thousand)	432.7	342.3	282.5	-59.8	-17%
Total expenditure of tourism sector	166.6	169.0	177.9	8.9	5%
Number of resident tourists travelled abroad (thousand)	321.4	315.1	340.1	25.0	8%
Net income of tourims sector	120.4	60.5	11.1	-49.4	-82%

In 2009, other services showed a deficit of USD 42.0 million.

Net income

In 2009 dividends paid to the foreign shareholders from joint ventures accounted for USD 142.4 million. The Government, banks and private sector have paid USD 89.5 million in interest payments on foreign loans and deposits and received USD 9.1 million from abroad. The compensation made to non-resident employees accounted for USD 12.1 million. Thus the net income account had a deficit of USD 234.9 million.

Current transfers

In 2009, a total of USD 191.1 million remittances from workers have been received from abroad and USD 70.6 million was transferred abroad, resulting in a surplus of USD 138.3 million.

Table 13. Workers' remittances (in million USD)

	2007	2008	2009	Annual change	
				in value	in percent
Workers remittance (net)	84.0	100.0	120.5	20.5	20.5%
Inflow	174	214.8	191.1	-23.7	-11.0%
Outflow	90.3	114.8	70.6	-44.2	-38.5%

Capital and financial account

Balance of payments preliminary data show surplus of USD 850.0 million in capital and financial account which is a decrease of 12 percent compared to 2008. It is mainly related to:

i) Decrease of foreign direct investment by 10 percent equivalent to USD 58.1 million,

ii) Decrease in other investment by 47.0 percent equivalent to USD 187.2 million.

Due to the global financial and economic crisis the foreign direct investment into Mongolia has decreased by 26.9 percent compared to 2008 and reached USD 467.2 million.

The shares of foreign direct investment by countries are: Peoples Republic of China 27.9 percent, Russian Federation 24.0 percent, Hong Kong 13.9 percent and Great Britain 8.6 percent of total foreign direct investment.

In 2009, most of the foreign direct investment was directed to the mining, oil and geology sectors with 46.2 percent and 14.8 and 5.1 percent were invested in construction and banking industry respectively. The remaining 33.9 percent of foreign direct investment was invested in other industries.

In 2009, international financial organizations and donating countries granted a total of USD 365.8 million long term loans to the Government of Mongolia, of which 92.8 percent were from IMF, ADB, WB and the Government of Japan.

In the reporting year, the Government of Mongolia has paid USD 61.4 million in principal payment of loan and USD 18.7 million in interest payments, USD 80.1 million in foreign debt, leaving USD 1808.9 million in outstanding foreign long term loans.

Mongolian resident banks and private enterprises have lent USD 300.6 million long term loans and USD 131.9 million short term loans from non-resident foreign sources. A total of USD 201.0 million was paid in principal payments leaving USD 701.2 million in outstanding loans.

Balance of payments projection

According to the research conducted in February 2010 by Bank of Mongolia, the current account is expected to have a deficit of USD 1031.2 million, while capital and financial account is expected to have a surplus of USD 1102.8 million, resulting in an overall balance of payment surplus of USD 71.6 million.

The income from exports is forecasted to rise by 12.4 percent due to the expected increase in exploration of coal, raw petroleum and other minerals. However the recovery of the economy, the investment flow from the Oyu Tolgoi project and an increase in imports will have the main influence on the deficit in the current account in 2010. Even so, most of the increases of imports are set to be in investments rather than hard currency imports, therefore it will not have much pressure on the balance of payment.

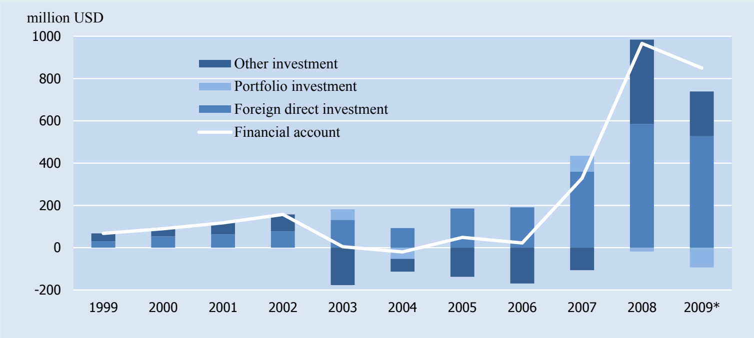


Figure 37

Capital and financial account (USD million)

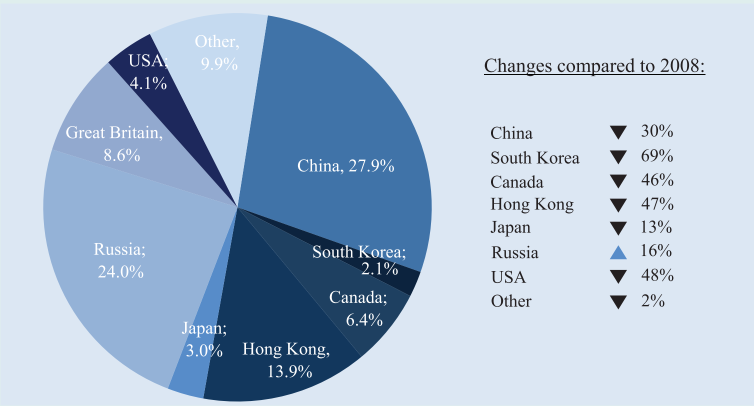


Figure 38

Foreign direct investment (by countries)

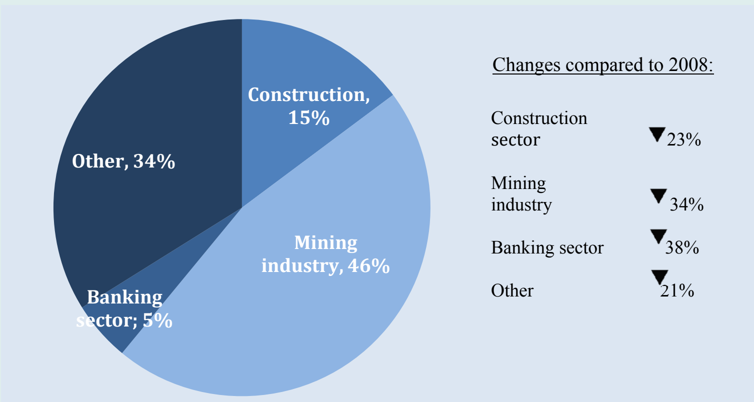


Figure 39

Foreign direct investment (by industry)

Table 14 . Balance of payment 2010 projection (in million USD)

	2007	2008	2009					2010F				
			Q1	Q2	Q3	Q4	annual	Q1	Q2	Q3	Q4	annual
Current account	**171.8**	**-721.9**	-94.1	-132.4	-18.3	-137.7	**-382.5**	-205.0	-290.7	-333.5	-202.1	**-1031.2**
Trade balance	**-52.4**	**-612.6**	-48.4	-39.4	-53.7	-14.9	**-156.4**	-179.4	-248.7	-259.0	-159.3	**-846.4**
Export	**1950.7**	**2534.5**	322.3	440.6	530.9	608.8	**1902.6**	317.4	597.0	616.4	607.9	**2138.8**
Import	**2003.1**	**3147.0**	370.7	480.0	584.6	623.7	**2059.0**	496.8	845.7	875.4	767.2	**2985.2**
Capital and financial account	**328.7**	**966.2**	65.9	168.7	252.0	362.5	**849.2**	173.2	342.5	379.2	207.9	**1102.8**
Balance of payment	**288.0**	**-351.3**	-27.9	126.5	148.2	229.1	**475.8**	-31.8	51.8	45.7	5.8	**71.6**

4.3. Price

Price levels, according to Consumer price index rose by 1.9 percent year on year in 2009. The index of alcoholic beverages and tobacco group increased by 22.1 percent, miscellaneous goods and services group increased by 15.9 percent, medical care and services group increased by 14.2 percent, restaurants and hotels group increased by 12 percent, education group increased by 9 percent, communication group increased by 7 percent, furnishings, household equipment and tools group increased by 6.5 percent, footwear and clothing group increased by 3.7 percent, recreation and culture group increased by 1.9 percent, while food and non-alcoholic beverages group decreased by 0.5 percent, transportation group decreased by 0.8 percent and housing, water, electricity and fuels group decreased by 3.9 percent.

Annual CPI in 2009 was 1.9, which is 21.3 percentage points lower than the CPI of 23.2 percent at the end of 2008. From June to October 2009, the consumer price index decreased by 0.1-1.4 percent on a monthly basis and increased by 0.1-2.2 percent in the other months. Although average monthly growth was 1.1 percent in the first 5 months of 2009, it showed a decline in the second half of the year.

Table 15. National Consumer Price Index

	Weight	XII.09 XII.08	Contribution
Food and Non-Alcoholic Beverages	41.1	-0.5	-8.7
Alcoholic Beverages and Tobacco	2.3	22.1	23.9
Clothing and Footwear	12.4	3.7	21.4
Housing/Water/Electricity/Gas & Other Fuels	13.4	-3.9	-24.6
Furnishings, HH Eqpt, HH Routine Maintenance	4.3	6.5	13.2
Health	1.6	14.2	11.0
Transport	8.7	-0.8	-3.3
Communications	4.0	7.0	13.8
Recreation and Culture	3.3	1.9	3.0
Education	4.1	9	17.8
Hotels, Cafes and Restaurants	1.7	12	9.8
Miscellaneous Goods and Services	3.0	15.9	22.7
General Index	**100**	**1.9**	**100**

Source: NSI, Monthly bulletin

The decrease in annual inflation, indicated by CPI, is due to an appreciation of the Togrog against foreign currencies, a gradual decline in food prices and a decrease in household demand relative to economic downturn.

4.4. Interbank money market

The interbank money market is where interbank overnight loans, repo transactions, CBB transactions, interbank loans and deposits take place. In the latter half of the reporting year, interbank market activity slowed by 43.6 percent from MNT 139.5 billion at the beginning of the year to MNT 78.7 billion.

The interbank market weighted average rate (WAR) was on a downward trend starting from January, 2009 when it was 17.9 percent, falling to 15.1 percent, 11.5 percent and 8.6 percent by the end of the 2nd, 3rd and 4th quarters, respectively. The interbank market WAR is determined by demand and supply on the interbank market. A slowing down of activity is related to a declining trust between banks and interbank segmentation.

4.5. Government finance

In the reporting year, budget revenue generated MNT 1993.0 billion (32.9 percent of GDP), expenditure rose by 2321.6 MNT billion (38.3 percent of GDP), resulting in an overall budget deficit of MNT 328.6 billion (5.4 percent of GDP) and a current account surplus of MNT 0.1 billion (2.8 percent of GDP).

Table 16. General Government Budget 2009 (in million MNT)

	2008		2009			in percent	
	Actual	weight	Projection	Actual	weight	2009/2008 (overall)	Overall
Total Revenue and Grants	**2,156,382.6**	**100.00**	**2,088,246.3**	**1,992,985.8**	**100.0**	92.4	95.4
Current revenue	2,136,092.1	99.06	2,060,816.0	1,965,510.3	99.1	115.1	95.4
Tax revenue	1,888,925.2	88.43	1,719,312.2	1,615,251.2	87.6	125.7	93.9
Income tax	758,232.3	40.14	463,937.9	520,006.4	35.2	116.9	112.1
Social security contribution	223,270.6	11.82	252,088.1	257,339.2	10.4	139.1	102.1
Taxes on property	8,987.1	0.48	10,838.5	10,979.8	0.4	108.8	101.3
Taxes on goods and services	550,975.3	29.17	630,281.0	508,656.9	25.6	133.8	80.7
Taxes on foreign trade	150,838.7	7.99	163,193.4	115,987.5	7.0	147.2	71.1
Other taxes	196,621.1	10.41	198,973.4	202,281.3	9.1	115.1	101.7
Non-tax revenue	247,166.9	11.57	341,503.8	350,259.1	11.5	69.9	102.6
Capital revenue	4,440.1	0.21	5,430.3	2,958.2	0.2	176.1	54.5
Grants	15,850.4	0.74	22,000.0	24,517.3	0.7	72.0	111.4
Total expenditure and Net lending	**2,462,046.6**	**100.00**	**2,481,313.22**	**2,321,599.6**	**100.0**	94.3	93.6
Current expenditure	1,749,518.5	71.06	1,864,603.9	1,792,065.7	77.2	102.4	96.1
Expenditures on goods and services	1,030,660.9	58.91	976,478.1	969,549.4	41.8	94.1	99.3
Interest payments	19,840.4	1.13	41,440.6	28,965.6	1.2	146.0	69.9
Subsidies and transfers	699,017.2	39.95	846,685.2	793,550.8	34.2	113.5	93.7
Capital expenditure	624,898.8	25.38	512,431.0	457,923.9	19.7	73.3	89.4
Net lending	87,629.3	3.56	104,278.3	71,610.0	3.1	81.7	68.7
Current balance	386,573.6		196,212.1	173,444.6		44.9	88.4
Overall balance	**(305,664.0)**		**(393,066.9)**	**(328,613.8)**		107.5	83.6
Financing	305,664.0		393,066.9	328,613.8		107.5	83.6
Foreign (net)	43,042.4		249,615.6	443,283.1		1029.9	177.6
Domestic (net)	262,621.6		143,451.3	(114,669.3)		-43.7	-79.9

Budget revenue

Total budget revenue and grants reached MNT 1993.0 billion, decreased by MNT 95.3 billion or 4.6 percent on projections. Total budget revenue decreased by 7.6 percent or MNT 163.4 billion from the same period of last year. In comparison with the previous year, current account revenue (98.6 percent of total revenue) decreased by MNT 170.6 billion or 8.0 percent, which determined the total decline in revenue.

Figure 40

Inflation (monthly change)

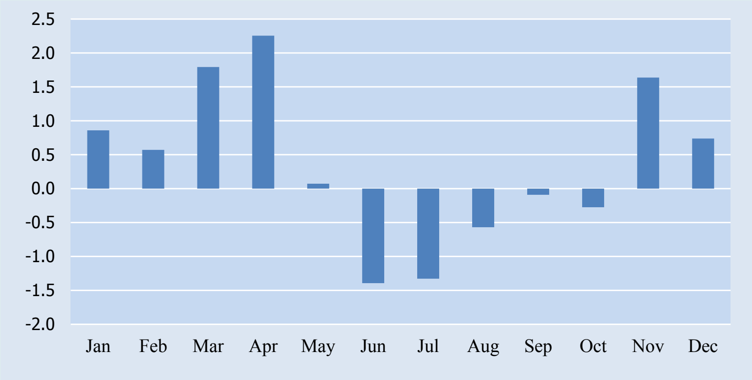


Figure 41

Interbank transaction volume, excess reserves

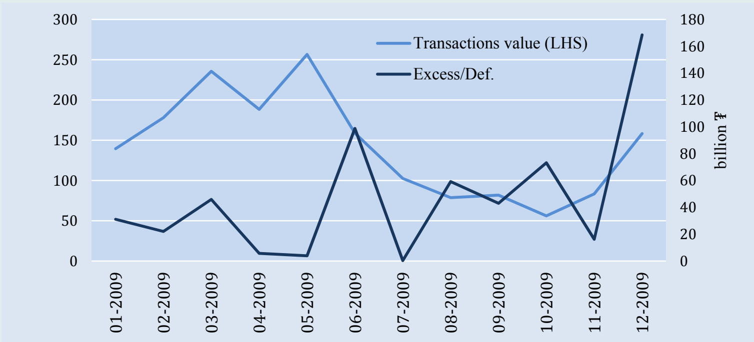
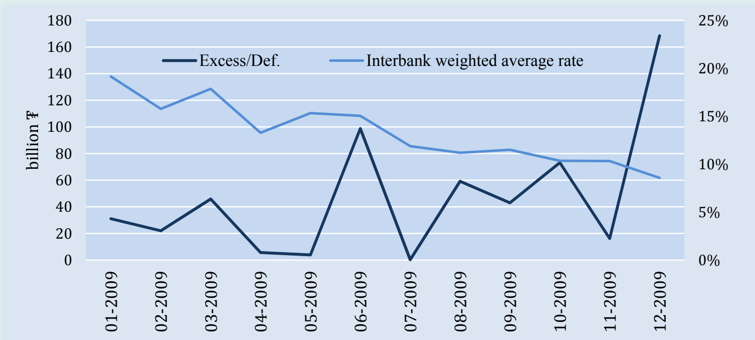


Figure 42

Interbank market WAR, excess reserves



Tax revenue (82.2 percent of current revenue) showed a decrease of MNT 273.7 billion or 14.5 percent, corporate income tax revenue decreased by MNT 47.9 billion or 18.9 percent, and windfall tax revenue by MNT 202.2 billion or 52.0 percent. Tax revenue on domestic goods and service (31.5 percent of tax revenue) decreased by MNT 42.3 billion or 7.7 percent.

Value-added tax (VAT) returns comprised 64.1 percent of tax revenue on domestic goods and services. VAT receipts decreased by MNT 29.2 billion or 8.2 percent, and excise duty receipts (32.9 percent of tax revenue on domestic goods and services) decreased by MNT 11.7 billion or 6.6 percent. Decrease in VAT resulted from overall decrease in imports. Also the decrease in VAT on imported goods resulted from lower taxes imposed on alcoholic beverages by 5.5 percent, excise tax on petroleum and diesel by 66.8 percent, automobile by 62.2 percent.

Revenue from foreign trade tax was decreased by MNT 34.8 billion or 23.1 percent. Import tax revenue (95.9 % of foreign trade tax revenue) decreased by MNT 30.8 billion or 21.7 percent. Fee of minerals mining and exploration license increased by MNT 5.7 billion or 20.7 percent and made up 16.5 percent of the total revenue from other taxes.

Budget Expenditure

Total budget expenditure reached MNT 2321.6 billion, decreased by MNT 140.4 billion or 5.7 percent from the same period last year, 6.4 percent or MNT 159.7 billion up on projections.

Current expenditure grew by MNT 42.5 billion or 2.4 percent, capital expenditure decreased by 167.0 billion or 26.7 percent, while net lending MNT 16.0 billion or 18.3 percent, reaching MNT 71.6 billion.

A breakdown of current expenditure shows that expenditure on goods and services (comprises 54.2 percent of current expenditure) decreased by MNT 61.1 billion, interest payments (comprises 1.6 percent of current expenditure) rose by MNT 9.1 billion, while subsidies and transfers (comprises 44.2 percent of current expenditure) increased by MNT 94.5 billion compared to the same period last year.

4.6. Capital Market

During 2009, the Mongolian Stock Exchange held 255 overlapping sales, totaling 89.9 million shares of 131 companies. The total market value reached MNT 23.2 billion. In comparison with the previous year, the trade value of shares declined by MNT 37.2 billion or 61.6 percent. A total of 25.7 million shares worth MNT 2.6 trillion were traded on the primary market and 64.2 million shares worth MNT 20.6 trillion on the secondary market. The primary market transaction accounted for 11.2 percent and secondary market transaction 88.8 percent of total transactions. The total market capitalization reached MNT 620.7 billion, or 10.2 percent of GDP. Baganuur, Tavan Tolgoi, Mongolian Telecommunication, APU, Shivee ovoo, Gobi, Tuul songino usnii nuuts had the highest market capitalization.

Good Sec Ltd, London Asia Capital Mongolia Ltd and Tengri Securities Ltd obtained their broker's licenses, raising the total number of broker companies to 45. Out of which, 13 were foreign investment companies. Shareholder meetings were announced by 126 companies of 358 registered companies in the reporting year. 26 companies paid dividends to their shareholders.

Table 17. Capital market transactions (in million togrog)

	Transaction amount		Changes	
	2008	2009	Amount	Percent
Government bonds	1,494.7		-1,494.7	-100
Corporation bonds	502.0		-502.0	-100
Shares	60,349.3	23,181.5	-37,167.8	-61.6

The TOP-20 index was 6189.91 points at the end of reporting year, which was higher by 606.69 points or 10.9 percent compared to previous year. The average TOP-20 index was 5551 points. The highest index was in September and October and their monthly average was 7224.17 points, whereas the lowest index was in February and its average was 4747 points.

An average of 352.6 thousand shares worth MNT 90.9 million was traded daily.

Figure 43

Fiscal balance (as a percentage of GDP)

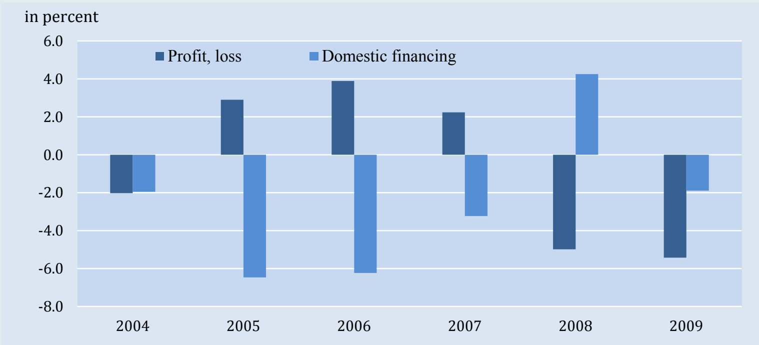


Figure 44

Budget revenue and grants

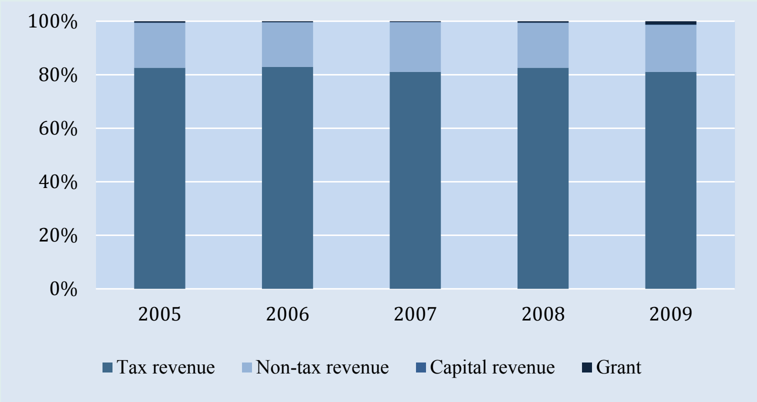


Figure 45

Budget expenditure and net lending

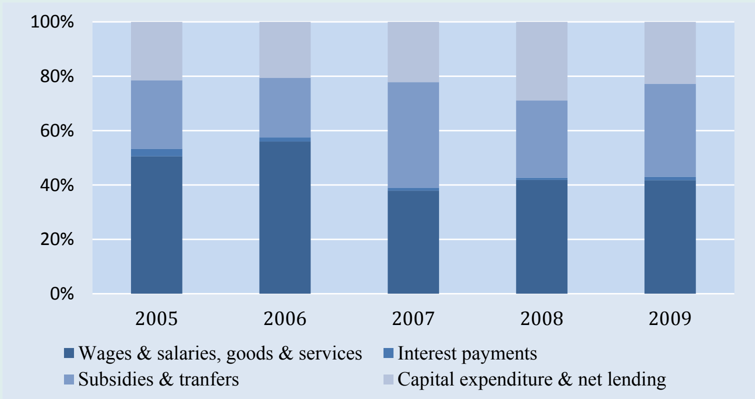
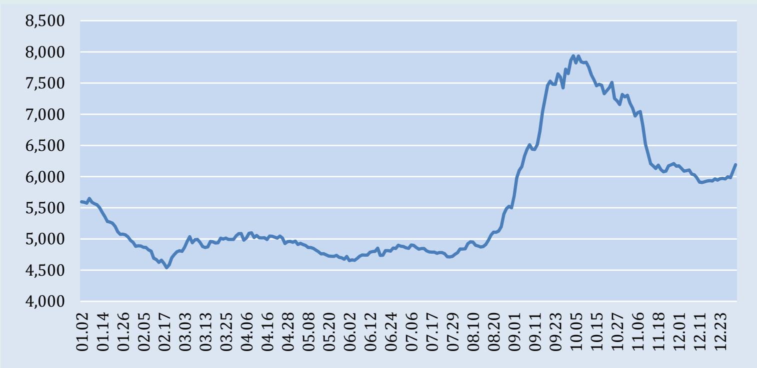


Figure 46

TOP-20 index



Source: Mongolian Stock Exchange

SUMMARY OF POLICY AND PROCEDURES APPROVED BY THE BANK OF MONGOLIA IN YEAR 2009

5

Summary of policy and procedures approved by the Bank of Mongolia in year 2009

№	Date	No.	Title	Content
1.	2009.01.06	6	Adoption of Regulation	Regulation on listing assets of the Fund For Developing Mongolia on financial market.
2.	2009.01.15	13	Amendments to Regulation	According to the amendments to the Regulation on Bank of Mongolia's Asset Backed Loan to banks, an opinion regarding a bank's liquidity would be issued by the Supervision Department to be furnished to Monetary Policy Department.
3.	2009.03.04	125/50	Amendments to the Regulation	Under the amendments to the Regulation on Asset Classification, Establishing Asset Risk Fund and Disposing , the "performing" classification would include loans that are extended at one time.
4.	2009.03.10	138	Amendments to the Regulation	The amendments made to the Regulation on Central Bank Securities would allow the Bank of Mongolia to impose a ceiling on interest competed transactions [Query ?].
5.	2009.03.16	149	Adoption of Regulation	Regulation on Bank Supervision With Respect To Anti-Money Laundering and Terrorism Financing consists of supervisory on-site activities in connection with combating money laundering and terrorism financing and preventing banks from money laundering and terrorism financing.
6.	2009.03.17	154	Amendments to the Regulation	The Amendments to the Regulation on Prudential Ratio Requirements for Banking Activities imposed limits on first tier capital.
7.	2009.03.19	160	Interest rate structure	Interest rate structure for Bank of Mongolia was established.
8.	2009.03.19	162	Amendments to the Regulation	The Amendments to the Regulation on Compulsory Reserve For Banks would allow the Bank of Mongolia to pay interest on the reserve. It also would require banks to provide reports on the reserve.
9.	2009.03.20	164	Regulation on Foreign Currency Tender Offer, Rules on Foreign Currency Tender Offer	This defines the Bank of Mongolia's activities in foreign currency market for domestic banks.
10.	2009.03.27	172	Regulation on Security of Financial Information Unit	This deals with FIU's internal organisation, its security measurements and safeguards. In addition, it includes database security, filing for keywords, safety for personals and safekeeping issues.
11.	2009.03.27	177	Rules on Calculating Togrog's Rate Against Foreign Currency and Disclosure of Rate	According to the Rules, the Bank of Mongolia's reference rate and theweighted average rate of domestic exchange of previous working day, would be disclosed by Currency and Economy Department to the public.
12.	2009.04.03 2009.03.20	15/191	Adoption of Regulation	In addition to the Regulation on Opening and Closing Accounts For Election Expenses, and Reporting Balances; Forms for Election Expenses and Reporting Balances of Political Party/Coalition/ were approved.

13.	2009.04.06	203	Amendments to the Rules	The amendments to the Rules on Foreign Currency Tender Offer would allow state organisations and international organisations that have accounts with the Bank of Mongolia to use the Bank of Mongolia's reference rate disclosed on that day when dealing with currency transactions.
14.	2009.05.20	286	Receiving Information	Regulation on Receiving Information consits of relations with respect to reporting of money flow expectation among banks, significant customers and deposit holders, performing and nonperforming loans; and off balance sheet accounts.
15.	2009.05.22	293	Adoption of Regulation	In order for the Bank of Mongolia to implement monetary policy and to provide banks with liquidity in a shorter time, Regulation on the Bank of Mongolia's Repo Financing was adopted.
16.	2009.05.26	296	Amendments to the Regulation	The amendments to the Regulation on Overnight Loan added two more conditions under which an overnight loan might be granted.
17.	2009.08.06	440	Adoption of Regulation	Regulation on Payment Cards, is to regulate relations with respect to defining working principles regarding payment cards, issuing or revoking a license for conducting payment card business, setting out rights and obligations, responsiblities of participants in card busines and overseeing the implementation of the regulation.
18.	2009.12.10	701	Adoption of Regulation	Regulation on Memorial Coins consists of relations with respect to producing coins with precious metals reflecting the Bank of Mongolia's name and the symbol, approving for production, registering, safekeeping, exhibiting and managing the coins.
19.	2009.12.22	723	Adoption of Regulation	The Regulation deals with relations respecting to registering of foreign loans borrowed by banks, entities, organisations and individuals.

AUDITED FINANCIAL STATEMENTS

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Board of directors' responsibility statement

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

The financial statements of Bank of Mongolia have been prepared to comply with International Financial Reporting Standards. The Board of Directors is responsible for ensuring that these financial statements present fairly the state of affairs of the Bank as at 31 December 2009 and the results and cash flows for the year then ended.

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

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

The Board of Directors consider that, in preparing the financial statements on pages 4 to 57, they have used appropriate policies, consistently applied and supported by reasonable and prudent judgement and estimates, and that all applicable accounting standards have been followed.

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

L. PUREVDORJ
Covernor, Bank of Mongolia

Ulaanbaatar
31 December 2009

Ernst & Young Mongolia Audit LLC

Suite 401
4th Floor Bodi Tower
Sukhbaatar Square
Ulaanbaatar, Mongolia

Tel: +976 11 314032
+776 11 312005
Fax: +976 11 312042
www.ey.com

REPORT OF THE INDEPENDENT AUDITORS

To the member of Bank of Mongolia

We have audited the accompanying financial statements of Bank of Mongolia, which comprise the statement of financial position as at 31 December 2009 and the statements of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

It is our responsibility to form an independent opinion based on our audit. Except as discussed in the following paragraph, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Ernst & Young Mongolia Audit LLC

REPORT OF THE INDEPENDENT AUDITORS (CONT'D.)

To the member of Bank of Mongolia

Basis for Qualified Opinion

As disclosed in Note 17(iii)(a) to the financial statements, included in loans to local banks as at 31 December 2009 is an amount of MNT127.6 billion (2008: MNT84.7 billion), net of allowance of impairment losses of MNT18.3 billion (2008: MNT18.7 billion), owing by a local commercial bank, which is currently placed under receivership. Based on the Blanket Guarantee Law approved by Parliament of Mongolia on 25 November 2008 and the provisions in the memorandum of understanding with the Ministry of Finance dated 20 May 2009, the directors are of the opinion that the balance of the loan MNT127.6 billion (2008: MNT66.0 billion) is recoverable from the Government of Mongolia. However, as no other information was made available due to delay in settlement scheme, we were unable to carry out such other alternative audit procedures to satisfy ourselves as to the recoverability of the balance of MNT127.6 billion (2008: MNT66.0 billion), as to the above impairment amount of MNT18.3 billion (2008: MNT18.7 billion). Our audit opinion in respect of the financial statements for the year ended 31 December 2008 was qualified on the same basis.

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, on the corresponding financials and on the current year, as might have been determined to be necessary had the matters described in the Basis for Qualified Opinion paragraph been satisfactorily resolved, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

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

Ernst & Young Mongolia Audit LLC

ERNST & YOUNG MONGOLIA AUDIT LLC
Certified Public Accountants

CHUNG SING PETER YONG
Partner

Ulaanbaatar, Mongolia
Date : 24 MAY 2010

BANK OF MONGOLIA

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 MNT 'million	2008 MNT 'million
Interest income	3	16,114	29,559
Interest expenses	4	(31,268)	(11,864)
Net interest (expense)/income		(15,154)	17,695
Net gain from trading of gold and precious metal	5	31,197	41,221
Foreign currency gain, net	6	60,029	7,875
Other operating income		4,401	2,169
Total operating income		80,473	68,960
Allowances for impairment loss	7	(23,417)	(21,868)
Net operating income		57,056	47,092
Administrative expenses	8	(13,571)	(6,995)
Other operating expenses	10	(4,686)	(10,683)
Profit for the year attributable to equity holder of the Bank		38,799	29,414
Other comprehensive income			
Net (loss)/gain on available-for-sale financial investments		(3,680)	2,438
Revaluation of buildings		-	5,320
Other comprehensive income for the year	11	(3,680)	7,758
Total comprehensive income for the year attributable to equity holder of the Bank		35,119	37,172

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

BANK OF MONGOLIA

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

	Note	2009 MNT 'million	2008 MNT 'million
ASSETS			
Cash in hand		47,749	39,589
Due from foreign financial institutions	**12**	1,271,630	212,898
Financial investments - available-for-sale	**13**	421,759	324,635
Reverse repurchase agreements	**14**	469,933	237,278
Gold bullion and precious metals	**15**	63,388	137,432
Government securities	**16**	170,000	-
Loans to local banks	**17**	166,988	224,354
Loan to Ministry of Finance	**18**	262,755	25,564
Property, plant and equipment	**19**	23,966	23,514
Other receivables	**20**	1,149	316
TOTAL ASSETS		2,899,317	1,225,580
LIABILITIES			
Cash in circulation		371,832	407,210
Central bank bills	**21**	392,512	119,786
Deposits from government agencies	**22**	698,227	210,696
Deposits from local banks	**23**	541,638	226,526
Liabilities due to foreign parties	**24**	737,056	145,272
Other liabilities	**25**	49,548	42,705
TOTAL LIABILITIES		2,790,813	1,152,195
CHARTER FUND AND RESERVES			
Charter fund	**26**	5,000	5,000
Retained earnings		-	25,914
General reserves	**27**	29,961	20,834
Other reserves	**28**	73,543	21,637
TOTAL EQUITY		108,504	73,385
TOTAL EQUITY AND LIABILITIES		2,899,317	1,225,580

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 2009

	←----- Non-Distributable		-----→	Distributable	
	Charter Fund	General Reserve (Note 27)	Other Reserves (Note 28)	Retained Earnings	Total
	MNT 'million	MNT 'million	MNT 'million	MNT 'million	MNT 'million
At 1 January 2008	5,000	15,704	13,879	5,130	39,713
Total comprehensive income	-	-	7,758	29,414	37,172
Transfer to Social Development Fund	-	-	-	(3,500)	(3,500)
Transfer from retained earnings to reserves	-	5,130	-	(5,130)	-
At 31 December 2008	5,000	20,834	21,637	25,914	73,385
Total comprehensive income	-	-	(3,680)	38,799	35,119
Transfer from retained earnings to reserves	-	9,127	55,586	(64,713)	-
At 31 December 2009	5,000	29,961	73,543	-	108,504

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

BANK OF MONGOLIA

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 MNT 'million	2008 MNT 'million
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	38,799	29,414
Adjustments for :-		
Unrealised gain on revaluation of gold	(557)	(11,693)
Unrealised gain on revaluation of foreign exchange	(45,301)	(5,093)
Depreciation of property, plant and equipment	1,157	944
Property, plant and equipment written off	50	4
Allowance for impairment loss for financial guarantee contract	2,199	-
Allowances for impairment losses on loan to local bank	13,161	18,723
Allowances for impairment losses on other assets	8,057	3,145
Provision for social development fund	4,000	-
Operating profit before working capital changes	21,565	35,444
Changes in operating assets:-		
Gold bullion and precious metals	74,601	239,556
Financial investments - available-for-sale	(100,803)	(206,449)
Reverse repurchase agreements	(232,655)	(172,696)
Due from foreign financial institutions	(351,085)	(4,962)
Loans to local banks	44,205	(223,785)
Loan to Ministry of Finance	(237,191)	4,040
Government securities	(170,000)	-
Other assets	(8,890)	(1,045)
Fund illiquidate by court	(127)	(427)
Changes in operating liabilities:-		
Central bank bills	272,726	16,361
Liabilities due to foreign parties	351,738	5,463
Deposits from government agencies	487,531	(392,636)
Deposits from local banks	315,112	55,499
Other liabilities	644	(114)
Net cash flow used in operating activities	467,371	(645,751)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on disposal of property, plant and equipment	1,069	512
Purchase of property, plant and equipment	(2,728)	(1,561)
Net cash flow used in investing activities	(1,659)	(1,049)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease)/increase of cash in circulation	(35,378)	43,136
Repayment of borrowings	(2,934)	(9,693)
Proceeds from Stand-by Arrangement loan	242,980	-
Net cash flow generated from financing activities	204,668	33,443
Net increase in cash and cash equivalents	670,380	(613,357)
Effect of foreign exchange differences	45,301	5,093
Cash and cash equivalents at 1 January	154,493	762,757
Cash and cash equivalents at 31 December (Note 29)	870,174	154,493

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

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

1. CORPORATE INFORMATION

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

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

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

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

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

The financial statements of the Bank for the year ended 31 December 2009 were authorised for issue by the Board of Directors in accordance with a resolution of the directors on

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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.

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

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Interest income and expense

Interest income and expense for all interest-bearing financial instruments except those classified as held for trading or designated at fair value through profit or loss are recognised in 'Interest income' and 'Interest expense' in the statement of comprehensive income using the effective interest rates of the financial assets or financial liabilities to which they relate. Interest income is recognised in the statement of comprehensive income as it accrued, except in the case of impaired loans and advances. Interest on impaired financial assets is recognised at the original effective interest rates of the financial assets applied to the impaired carrying amount.

(b) Commission income

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

(c) Foreign currencies translation

The financial statements are presented in Mongolian Togrog, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded at the rates ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rates ruling at the statement of financial position date. It is the Bank's policy to revalue its monetary assets and liabilities denominated in foreign currencies daily. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

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

(d) Gold bullion and precious metals

Gold bullion is recorded in the statement of financial position at its fair value and revaluation is performed daily. The fair value is determined by taking into consideration the market value of gold. Translation gain or loss is recognised in the statement of comprehensive income.

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

(e) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents consist of cash on hand, denominated in local currency and foreign currencies, short term time deposits and placement repayable on demand.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

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

(f) Financial instruments - initial recognition and subsequent measurement

(i) Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Bank commits to purchase or sell the asset. Derivatives are recognised on trade date basis.

(ii) Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

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

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

Derivatives embedded in other financial instruments, such as the embedded derivatives in the convertible bond, 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 being reported through statement of comprehensive income.

(iv) Financial assets or financial liabilities held for trading

Financial assets or financial liabilities held-for-trading, comprising financial instruments held for trading other than derivatives, are recorded in the statement of financial position at fair value. Changes in fair value are recognised in 'Foreign currency gain, net'. Interest and dividend income or expense are recorded in 'Interest income' or 'Interest expense' according to the terms of the contract, or when the right to the payment has been established.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

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

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

(iv) Financial assets or financial liabilities held for trading (Cont'd)

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

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

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising the gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instruments contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

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 'Foreign currency gain, net'. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in 'Other operating income' when the right to the payment has been established.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

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

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

(vi) "Day 1" profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the differences between the transaction price and fair value (a 'Day 1' profit) in the statement of comprehensive income in 'Foreign currency gain, net'. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognised in the statement of comprehensive income when the inputs become observable, or when the instrument is derecognised.

(vii) Held-to-maturity financial investments

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

(viii) Due from banks and loans and advances

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

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

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

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

(ix) Available-for-sale financial investments

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

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealised gains or losses are recognised directly in equity in the 'Available-for-sale Reserve'. When security is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the statement of comprehensive income in 'Foreign currency gain, net'.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 effective interest rate. Dividends earned whilst holding available-for-sale financial investments are recognised in the statement of comprehensive income as 'Other operating income' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the statement of comprehensive income in 'Impairment losses on financial investments' and removed from the Available-for-sale Reserve.

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

Issued financial instruments or their components, which are not designated at fair value through profit or loss, are classified as liabilities under 'Central bank bills' and 'Liabilities due to foreign parties', where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset for a fixed number of own equity shares. The components of compound financial instruments, that contain both liability and equity elements, are accounted for separately with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

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

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

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

(g) 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 where:

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

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred not 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. 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.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank's continuing involvement is the amount of the transferred asset that the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities

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

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

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

(h) Determination of fair value

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

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

An analysis of fair value of financial instruments and further details as to how they are measures are provided in Note 31.

(i) Impairment of financial assets

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

(i) Due from banks and loans and advances

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

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

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

(i) Impairment of financial assets (cont'd)

(i) Due from banks and loans and advances (cont'd)

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

If a future write-off is later recovered, the recovery is credited to the 'Allowances for impairment loss'.

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

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

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience with credit risk characteristic to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

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

(i) Impairment of financial assets (cont'd)

(ii) Held-to-maturity financial investments

For held-to-maturity investments the Bank assesses individually whether there is objective evidence of impairment. 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. The carrying amount of the asset is reduced, and the amount of the loss is recognised in the statement of comprehensive income.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to the 'Impairment losses on financial investments'.

(iii) 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 or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 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 comprehensive income - is removed from equity and recognised in the statement of comprehensive income. Impairment losses on equity investments are not reversed through the statement of comprehensive income; increases in their fair value after impairment are recognised directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of 'Interest income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

(iv) Renegotiated loans

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

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

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

(j) Offsetting financial instruments

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

(k) Property, plant and equipment

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

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

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

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

(k) Property, plant and equipment (cont'd)

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

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

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

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

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

(l) Income tax

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

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

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

(m) Impairment of non-financial assets

The Bank assesses at each statement of financial position date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair values less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset. 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.

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

(n) 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. The corresponding cash received, including accrued interest, is recognised on the statement of financial position as a 'Repurchase agreements', reflecting its economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest method. Where the transferee has the right to sell or pledge the asset, the asset is recorded on the statement of financial position as 'Financial assets held for trading pledged as collateral'.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

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

(n) Repurchase and reverse repurchase agreements (cont'd)

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

(o) Financial guarantees

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

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

(p) 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 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 2009

2.3 CHANGE IN ACCOUNTING POLICIES

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

* IFRS 1	First-time Adoption of International Financial Reporting Standards - Costs of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)
* IFRS 2	Share-based payments - Vesting Conditions and Cancellations (Amendment)
* IFRS 7	Financial Instruments: Disclosures (Amendments)
* IFRS 8	Operating Segments
* IAS 1	Presentation of Financial Statements (Revised)
* IAS 23	Borrowing Costs (Revised)
* IAS 27	Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)
* IAS 32	Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)
* IFRIC 9	Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement - Embedded Derivatives (Amendments)
* IFRIC 13	Customer Loyalty Programmes
* IFRIC 15	Agreements for the Construction of Real Estate
* IFRIC 16	Hedges of a Net Investment in a Foreign Operation
* IFRIC 18	Transfer of Assets from Customers

Improvements to International Financial Reporting Standards, which includes:

* IAS 1	Presentation of Financial Statements
* IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
* IAS 10	Events after the Reporting Period
* IAS 16	Property, Plant and Equipment
* IAS 18	Revenue
* IAS 19	Employee Benefits
* IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
* IAS 23	Borrowing Costs
* IAS 27	Consolidated and Separate Financial Statements
* IAS 28	Investments in Associates
* IAS 29	Financial Reporting in Hyperinflationary Economics
* IAS 31	Interest in Joint Ventures
* IAS 34	Interim Financial Reporting
* IAS 36	Impairment of Assets
* IAS 38	Intangible Assets
* IAS 39	Financial Instruments: Recognition and Measurement
* IAS 40	Investment Property
* IAS 41	Investment Property
* IFRS 7	Financial instruments: Disclosures

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

2.3 CHANGE IN ACCOUNTING POLICIES (CONT'D)

The adoption of the above interpretations did not result in significant changes to accounting policies and did not have any effect on the financial performance or position of the Bank except for those discusses below:

IAS 1 - Presentation of financial statements (revised)

This standard requires an entity to present all owner changes in equity and all non-owner changes to be presented in either in one statement of comprehensive income or in two separate statements of income and comprehensive income. The revised standard also requires that the income tax effect of each component of comprehensive income to be disclosed. In addition, it requires entities to present a comparative statement of financial position as at the beginning of the earliest comparative period when the entity has applied an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in the financial statements.

The Bank has elected to present comprehensive income in one single statement. Information about the individual components of comprehensive income have been disclosed in the notes to the financial statement. The Bank has not provided a restated comparative set of financial position for the earliest comparative period, as it has not adopted any new accounting policies retrospectively, or has made a retrospective restatement, or retrospectively reclassified items in the financial statements.

Amendments to IFRS 7 Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments

The amendments to IFRS 7 were issued in March 2009 to enhance fair value and liquidity disclosures.

With respect to fair value, the amendments require disclosure of a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value and specific disclosures related to the transfers between levels in the hierarchy and detailed disclosures related to level 3 of the fair value hierarchy. In addition, the amendments modify the required liquidity disclosures with respect to derivative transactions and assets used for liquidity management.

Comparative information has been restated although this is not strictly required by the transition provisions of the amendment.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

2.3 CHANGE IN ACCOUNTING POLICIES (CONT'D)

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

* IFRS 1	First-time Adoption of International Financial Reporting Standards - Additional Exemptions for First-time Adopters (Amendments)
* IFRS 2	Group Cash-settled Share-based Payment Arrangements
* IFRS 3	Business Combinations (Revised)
* IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
* IFRS 9	Financial Instruments
* IAS 27	Consolidated and Separate Financial Statements (Amendment)
* IAS 39	Financial Instruments: Recognition and Measurement - Eligible hedged items (Amendment)
* IFRIC 17	Distributions of Non-Cash Assets to Owners
* IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

Improvements to International Financial Reporting Standards, which includes:

* IAS 1	Presentation of Financial Statements
* IAS 36	Impairment of Assets
* IAS 38	Intangible Assets
* IAS 39	Financial Instruments: Recognition and Measurement
* IFRS 2	Share based Payments
* IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
* IFRS 8	Operating Segments
* IAS 7	Statement of Cash Flows
* IAS 17	Leases
* IAS 18	Revenue
* IFRIC 9	Reassessment of Embedded Derivatives
* IFRIC 16	Hedges of a Net Investment in a Foreign Operation

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Bank except that the impact of adopting the improvement to IAS 39: Financial Instruments: Recognition and Measurement and IFRS 9 which are discussed as follows:

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

2.3 CHANGE IN ACCOUNTING POLICIES (CONT'D)

IFRS 9: Financial Instruments

On 12 November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting 1 January 2013, with early adoption permitted with the main changes as discussed as follows:

(a) IFRS 9 divides all financial assets that are currently in the scope of IAS 39 into two classifications – those measured at amortised cost and those measured at fair value. Classification is made at the time the financial asset is initially recognised, namely when the entity becomes a party to the contractual provisions of the instrument. The available-for-sale and held-to-maturity categories currently in IAS 39 are eliminated.

(b) All equity investments in scope of IFRS 9 are to be measured at fair value in the balance sheet, with value changes recognised in profit or loss, except for those equity investments for which the entity has elected to report value changes in 'other comprehensive income'. There is no 'cost exception' for unquoted equities.

(c) A debt instrument that meets the 'business model test" and "cash flows characteristic test" can be measured at amortised cost. All other debt instruments must be measured at fair value through profit or loss (FVTPL). Even if an instrument meets the two amortised cost tests, IFRS 9 contains an option to designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

(d) The embedded derivative concept of IAS 39 is not included in IFRS 9. Consequently, embedded derivatives that under IAS 39 would have been separately accounted for at FVTPL because they were not closely related to the financial host asset will no longer be separated. Instead, the contractual cash flows of the financial asset are assessed in their entirety, and the asset as a whole is measured at FVTPL if any of its cash flows do not represent payments of principal and interest.

The Bank is in the process of making an assessment of the impact of this amendment upon initial application.

Improvement to IAS 39: Financial Instruments: Recognition and Measurement

The improvement to IAS 39 introduced the assessment of loan prepayment penalties as embedded derivatives. A prepayment option is considered closely related to the host contract when the exercise price reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.

The Bank is in the process of making an assessment of the impact of this new IFRS upon initial application.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Allowances for impairment for loans and advances

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

3. INTEREST INCOME

	2009 MNT 'million	2008 MNT 'million
Financial investments - available-for-sale	7,789	10,006
Reverse repurchase agreements	371	4,208
Due from foreign financial institutions	1,257	10,415
Loans to local banks and Ministry of Finance	6,697	4,930
Total interest income from financial assets not at fair value through profit and loss	16,114	29,559

4. INTEREST EXPENSES

	2009 MNT 'million	2008 MNT 'million
Central bank bills	26,824	7,827
Liabilities due to foreign parties	1,866	340
Deposits from government agencies	313	3,004
Deposits from local banks	1,787	350
Repurchase agreement	478	343
Total interest expense from financial liabilities not at fair value through profit and loss	31,268	11,864

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

5. NET GAIN FROM TRADING OF GOLD AND PRECIOUS METAL

	2009 MNT 'million	2008 MNT 'million
Gain on gold trading	6,472	12,091
Unrealised gain on revaluation of gold	557	11,693
Realised gain on revaluation of gold	13,430	6,227
Realised foreign exchange gain on precious metal refining	11,016	11,581
Net gain of other precious metals trading	1	73
Transportation and refining cost	(279)	(444)
	31,197	41,221

6. FOREIGN CURRENCY GAIN, NET

	2009 MNT 'million	2008 MNT 'million
Realised gain on foreign currency trading	15,977	3,244
Losses from available-for-sale financial instruments	(1,249)	(462)
Unrealised gain on revaluation of foreign currency	45,301	5,093
	60,029	7,875

Included in 'Losses from available-for-sale financial investments' is the amount transferred from equity to the statement of comprehensive income on the derecognition of available-for-sale investments.

7. ALLOWANCES FOR IMPAIRMENT LOSS

	2009 MNT 'million	2008 MNT 'million
Loans to local banks (Note 16)	13,161	18,723
Financial guarantee contract	2,199	-
Other assets (Note 20)	8,057	3,145
	23,417	3,145

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

8. ADMINISTRATIVE EXPENSES

	2009 MNT 'million	2008 MNT 'million
Advertising expense	146	95
Depreciation of property, plant and equipment (Note 19)	1,157	944
Staff cost (Note 9)	6,783	2,002
Legal and professional fees	2,413	1,447
Property, plant and equipment written-off	50	4
Operating expenses of foreign representative office	6	21
Security expenses	451	392
Telecommunication	782	608
Transportation and business trip	329	298
Training expenses	180	137
Utilities	308	255
Membership and professional fee	549	313
Other administrative expenses	417	479
	13,571	6,995

9. STAFF COST

	2009 MNT 'million	2008 MNT 'million
Wages and salaries	2,347	1,676
Contributions to Social and Health Fund	436	326
Provision for social development fund	4,000	-
	6,783	2,002

10. OTHER OPERATING EXPENSES

	2009 MNT 'million	2008 MNT 'million
Cost of printing of bank notes	3,977	9,372
Other operating expenses	709	1,311
	4,686	10,683

11. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2009 MNT 'million	2008 MNT 'million
Available-for-sale financial assets:		
(Losses)/gain arising during the year	(2,595)	3,907
Less: Reclassification adjustment for gains included in the foreign currency gain, net	(1,085)	(1,469)
	(3,680)	2,438
Revaluation of buildings	-	5,320
Other comprehensive income for the year	(3,680)	7,758

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

12. DUE FROM FOREIGN FINANCIAL INSTITUTIONS

	2009 MNT 'million	2008 MNT 'million
Short term time deposits	749,334	13,268
Placements repayable on demand (Note 29)	73,645	102,063
IMF quota subscription	337,841	96,736
SDR Holdings	110,379	75
World Bank subscription	427	752
Other subscriptions	4	4
	1,271,630	212,898

Short term time deposits

This represents short term time deposits with foreign central banks and other financial institutions which are denominated in USD and Euro with maturity periods of up to 33 days (2008: 33 days).

Placements repayable on demand

This represents current account deposits with foreign central banks and other financial institutions which are non-interest bearing. Included in deposits is an amount of MNT554 million (2008: MNT427 mil) had been attached by the District Court of Zurich at the request of third parties.

IMF quota subscription

This balance represents the Bank's holdings of their quota subscription at the International Monetary Fund. This amount is matched by a corresponding liability (see Note 24) and is non-interest bearing.

SDR Holdings

This balance represnets the Bank's holding of special drawing rights in related to the subscription to International Monetary Fund. This amount is matched by a corresponding liability (see Note 24) and is non-interest bearing.

World Bank subscription

This represents the deposits and quota at the World Bank as part of the condition to be a member of the World Bank group. This amount is matched by a corresponding liability (see Note 24) and is non-interest bearing.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

13. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

	2009 MNT 'million	2008 MNT 'million
Quoted investments		
Foreign bonds, at fair value	140,459	225,648
Unquoted investments		
Foreign bonds, at fair value	278,505	96,192
Equities, at cost	2,795	2,795
	421,759	324,635

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

14. REVERSE REPURCHASE AGREEMENTS

	2009 MNT 'million	2008 MNT 'million
Reverse repurchase agreements	469,933	237,278

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

15. GOLD BULLION AND PRECIOUS METALS

	2009 MNT 'million	2008 MNT 'million
At valuation		
Gold bullion	47,362	121,570
At cost		
Gold and silver ore	13,290	13,126
Coins and cultural valuables	2,736	2,736
	63,388	137,432

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

16. GOVERNMENT SECURITIES

	2009 MNT ‘million	2008 MNT ‘million
Ministry of Finance Securities, at amortised cost	170,000	-

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

17. LOANS TO LOCAL BANKS

	2009 MNT ‘million	2008 MNT ‘million
Loans in foreign currency	9,668	12,189
Loans in local currency	1,153	1,968
Collateralised loans	179,903	155,177
Reverse repurchase agreements	7,724	17,331
Refinancing loans	-	56,542
Gross loans and advances	198,448	243,207
Less: Allowances for impairment losses	(31,460)	(18,853)
	166,988	224,354

(i) Loans in foreign currency

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

Loans disbursed to local banks for the onward transmission to Mongolian enterprises to promote small and medium scale companies (see Note 24) was made available under two separate programmes by the Government of Germany. The loans under both programmes bear interest at the rate ranging from 1.25% to 1.75% (2008: 1.25% to 1.75%) per annum and are not backed by any securities. The loans under both programmes are disbursed in various disbursements to three local banks according to the needs of the borrowers of the relevant local banks. Accordingly, the repayment terms for each disbursed loan vary according to the date of disbursement.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

17. LOANS TO LOCAL BANKS (CONT'D)

(i) Loans in foreign currency

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

(ii) Loans in local currency

The loans in local currency were disbursed to various local banks in Mongolia, for the onward transmission to Mongolian enterprises. The funding was made available under two separate programmes by the Asian Development Bank to create more job opportunities for the people of Mongolia and to develop the agricultural sector in the country. The loans under the first programme bears interest at the rate of 10% (2008: 10%) per annum and the repayment terms for each disbursed loan varies according to the date of disbursement. The loans under the second programme bears interest at the rate of 5.5% (2008: 5.5%) per annum with the maturity of up to one year for each loan disbursed.

(iii) Collateralised loans

As at 31 December 2009, these collaterals loans were disbursed to two local commercial banks as follows:

(a) Loans to Anod Bank - MNT 145.9 billion

The purpose of the loans is to provide short term liquidity to Anod Bank which had been taken into receivership by the Bank. An amount of MNT18.3 billion has been provided as allowance for impairment losses in respect of the loan. The directors are of the opinion that the loan is recoverable from the Government of Mongolia based on the Blanket Guarantee Law approved by the Parliament of Mongolia on November 25, 2008 and the memorandum of understanding signed with the Ministry of Finance on 20 May 2009. The Bank is currently awaiting the issuance of government bond by the Ministry of Finance which need to be approved by Parliament of Mongolia.

(b) Loans to Zoos Bank - MNT 34 billion

The purpose of the loan is to provide short term liquidity to Zoos Bank, which had been taken into receivership by the Bank, with the aim to secure stability in the banking system. On 26 March 2010, Ministry of Finance of Mongolia has issued government bond of MNT 33 billion to replace the loans. The bonds bear interest of 0.1% per annum with maturity period of 4-6 years. An amount of MNT13,161 billion has been provided as allowance for impairment loss in respect of the loans.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

17. LOANS TO LOCAL BANKS (CONT'D)

(iv) Reverse repurchase agreements

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

Impairment allowance for loans to local banks

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

	2009 MNT 'million	2008 MNT 'million
At 1 January	18,853	130
Charge for the year (Note 7)	13,161	18,723
Amounts written off	(554)	-
At 31 December	31,460	18,853
Individual impairment	31,460	18,853
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	179,903	84,853

18. LOAN TO MINISTRY OF FINANCE

	2009 MNT 'million	2008 MNT 'million
Poverty Reduction and Growth Facility Loan	19,775	25,564
Stand-By Arrangement Loan	242,980	-
	262,755	25,564

The Poverty Reduction and Growth Facility loan refers to the Ministry of Finance portion of the total PRGF loan outstanding as at year end, as referred to in Note 24. The loans have a maturity period of 10 years and carry an annual interest at 0.5% (2008: 0.5%).

The Stand-By Arrangement loan was granted to the Ministry of Finance under IMF stabilization economic programme, as referred to in Note 24. The loans have a maturity period of 5 years and carry an annual interest at SDR rate + 1%.

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19. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture and Other Equipments	Computers	Motor Vehicles	Building in Progress	Total
At 31 December 2009	MNT million	MNT million	MNT million	MNT million	MNT million	MNT million
At cost/valuation						
At 1 January 2009	22,294	2,542	2,756	862	140	28,594
Additions	440	440	619	268	961	2,728
Disposals	-	(7)	(38)	(10)	(1,068)	(1,123)
Write-offs	-	(14)	(118)	(3)	-	(135)
At 31 December 2009	22,734	2,961	3,219	1,117	33	30,064
Representing:						
At cost	440	2,961	3,219	1,117	33	7,770
At valuation	22,294	-	-	-	-	22,294
	22,734	2,961	3,219	1,117	33	30,064
Accumulated depreciation						
At 1 January 2009	2,271	994	1,230	585	-	5,080
Depreciation charge						
for the year (Note 8)	361	336	337	123	-	1,157
Disposals	-	(6)	(38)	(10)	-	(54)
Write-offs	-	(13)	(71)	(1)	-	(85)
At 31 December 2009	2,632	1,311	1,458	697	-	6,098
Net carrying amount						
At cost	438	1,650	1,761	420	33	4,302
At valuation	19,664	-	-	-	-	19,664
	20,102	1,650	1,761	420	33	23,966

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

19. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Buildings	Furniture and Other Equipments	Computers	Motor Vehicles	Building in Progress	Total
At 31 December 2008	MNT million	MNT million	MNT million	MNT million	MNT million	MNT million
At cost/valuation						
At 1 January 2008	16,875	2,015	2,577	852	-	22,319
Additions	99	537	247	27	651	1,561
Revaluations	5,320	-	-	-	-	5,320
Disposals	-	-	-	(7)	(511)	(518)
Write-offs	-	(10)	(68)	(10)	-	(88)
At 31 December 2008	22,294	2,542	2,756	862	140	28,594
Representing:						
At cost	-	2,542	2,756	862	140	6,300
At valuation	22,294	-	-	-	-	22,294
	22,294	2,542	2,756	862	-	28,594
Accumulated depreciation						
At 1 January 2008	1,997	758	1,002	469	-	4,226
Depreciation charge for the year (Note 8)	274	250	288	132	-	944
Disposals	-	-	-	(6)	-	(6)
Write-offs	-	(14)	(60)	(10)	-	(84)
At 31 December 2008	2,271	994	1,230	585	-	5,080
Net carrying amount						
At cost	-	1,548	1,526	277	140	3,491
At valuation	20,023	-	-	-	-	20,023
	20,023	1,548	1,526	277	-	23,514

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

19. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

Date of valuation	Valuer	Description of Property	Basis of Valuation
'31 December 2008	Property Appraisal Centre LLC	Buildings	Open market value

Had the revalued buildings been carried at historical cost, the net book value of the buildings that would have been included in the financial statements of the Bank as at 31 December 2009 would have been MNT5,926 million (2008:MNT6,031 million)

(b) A building with net book value MNT1,726.66 million (2008:MNT1,726.89 million) has been pledged as securities for borrowings as referred in Note 24.

20. OTHER RECEIVABLES

	2009 MNT 'million	2008 MNT 'million
Claims on a foreign financial institution	12,614	13,896
Receivables from companies	32,141	28,410
Receivables from financial institutions	2,401	-
Others	1,362	484
	48,518	42,790
Less: Allowance for impairment losses	(47,369)	(42,474)
	1 ,149	316

Included in the receivables from companies are amounts recoverable from gold producing companies that have not fulfilled their obligations under the gold option contracts entered into with the Bank in prior years which amounted to MNT27.72 billion (2008: MNT24.53 billion).

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

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

Impairment allowance for other receivables

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

	2009 MNT 'million	2008 MNT 'million
At 1 January	42,474	39,329
Charge for the year (Note 7)	8,057	3,145
Written off	(3,162)	-
At 31 December	47,369	42,474

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

20. OTHER RECEIVABLES (CONT'D)

	2009 MNT 'million	2008 MNT 'million
Individual impairment	47,369	42,474
Gross amount of other assets, individually determined to be impaired, before deducting any individually assessed impairment allowance	47,369	42,474

21. CENTRAL BANK BILLS

	2009 MNT 'million	2008 MNT 'million
Bills payables	392,512	119,786

This represents Bank of Mongolia bills issued by the Bank to local banks. Such bills have maturities between 7 days to 28 weeks (2008: 7 days to 28 weeks).

22. DEPOSITS FROM GOVERNMENT AGENCIES

	2009 MNT 'million	2008 MNT 'million
State budget and other government accounts	358,557	3,091
Ministry of Finance accounts	339,670	207,605
	698,227	210,696

State budget and other government accounts

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

Ministry of Finance accounts ("MOF")

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

23. ДОТООДЫН БАНКУУДЫН ХАДГАЛАМЖ

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

24. LIABILITIES DUE TO FOREIGN PARTIES

	2009 MNT 'million	2008 MNT 'million
Secured		
Loan from HSBC, London	997	962
Unsecured		
International Monetary Fund ("IMF")		
(i) Loans received under PRGF	19,775	25,564
(ii) IMF currency holdings		
- IMF security account	337,279	96,162
- IMF No. 1 account	272	242
- IMF No. 2 account	7	6
(iii) Allocations of Special Drawing Rights (SDR)	110,400	-
(iv) Stand-By Arrangement Loan	243,426	-
Loans received from the Government of Germany	16,445	14,486
Loans from Asian Development Bank ("ADB")	7,820	6,964
Subscription to World Bank and IDA	635	886
	736,059	144,310
	737,056	145,272

Loan from HSBC, London

This represents a 10 year term loan from HSBC, London for the purpose of funding the acquisition of a property. The repayment of loan principal had commenced in 2005 and bears interest at 1.75% above HSBC's base rate per annum. The loan is secured by a building as referred in Note 19.

International Monetary Fund ("IMF")

(i) **Loans received under Poverty Reduction and Growth Facility ("PRGF")**

Loans received under the PRGF (formerly known as Enhanced Structural Adjustment Facility) are loans granted by the IMF with a maturity period of 10 years and bear interest at 0.5% (2008: 0.5%) per annum. These loans are disbursed under a three-year arrangement, subject to observance of performance criteria and completion of programme reviews. The loans and repayments are denominated in SDR.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

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

(ii) IMF currency holdings

IMF member countries are allocated SDR in proportion to their subscriptions to the IMF. The allocation represents the holdings of currency by IMF, against which assets are received in SDR from IMF. The total currency holdings by IMF as at year end amounted to SDR158.277 million (2008: SDR50.967 million), equivalent to MNT337,558 million (2008: MNT96,410million).

(iii) Allocations of Special Drawing Rights

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

(iii) Stand By Arrangement loan

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

Loans received from the Government of Germany

Loans received from the Government of Germany under the credit programme for small and medium enterprise are made available under two separate programmes. The loans under both programmes are denominated in Euro with a tenure of 40 years. The loan under the first programme started in 1995 and bears interest at 0.75% (2008: 0.75%) per annum. The repayment of loan principal had commenced in 2005. The loan under the second programme started in 2002 and bears interest at 0.75% (2008: 0.75%) per annum. The repayment of the loan principal will commence in 2012.

Loans from Asian Development Bank ("ADB")

The loans from ADB are mainly for purposes of alleviating poverty in Mongolia by way of developing and promoting private enterprises, and providing training and consultancy to the Government, non-governmental organizations and local banks. The loans bear interest at 1% to 1.5% (2008: 1% to 1.5%) per annum and have tenures ranging from 30 to 40 years.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

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

Subscription to World Bank and International Development Agency ("IDA")

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

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

25. OTHER LIABILITIES

	2009 MNT 'million	2008 MNT 'million
Social development fund	5,557	5,783
Provision for claims under documentary letter of credit issued	33,409	28,862
Obligation under financial guarantee	2,199	-
Other payables	8,383	8,060
	49,548	42,705

26. CHARTER FUND

	2009 MNT 'million	2008 MNT 'million
Charter Fund	5,000	5,000

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

27. GENERAL RESERVE

	2009 MNT 'million	2008 MNT 'million
At 1 January	20,834	15,704
Transfer from retained earnings	9,127	5,130
At 31 December	29,961	20,834

In accordance with the Law on Central Bank (Bank of Mongolia), at least 40% of the Bank's net income is allocated to its General Reserve Fund with the balance transferred to the State Budget account.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

28. OTHER RESERVES

	Available-for-sale Reserve MNT 'million	Revaluation Surplus on Property, Plant and Equipment MNT 'million	Foreign Currency Translation Reserve MNT 'million	Precious Metal Translation Reserve MNT 'million	Total MNT 'million
At 1 January 2009	3,907	8,339	9,391	-	21,637
Net unrealised losses on available-for-sale finance investments	(2,595)	-	-	-	(2,595)
Net realised gain on available-for-sale financial investment reclassified to the income statement	(1,085)	-	-	-	(1,085)
Transfer from retained earning	-	-	43,336	12,250	55,586
At 31 December 2009	227	8,339	52,727	12,250	73,543
At 1 January 2008	1,469	3,019	9,391	-	13,879
Net unrealised gain on available-for-sale financial investments	3,907	-	-	-	3,907
Net realised gain on available-for-sale financial investment reclassified to the income statement	(1,469)	-	-	-	(1,469)
Revaluation	-	5,320	-	-	5,320
At 31 December 2008	3,907	8,339	9,391	-	21,637

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

28. OTHER RESERVES (CONT'D)

(i) Available-for-sale Reserve

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

(ii) Revaluation Surplus on Property, Plant and Equipment

Revaluation surplus arised from revaluation of the Bank's buildings carried out by Governor's decree in year 2002 and 2009.

(iii) Foreign Currency Translation Reserve

This reserve is used to record unrealised gain or losses on revaluation of foreign reserve.

(iv) Precious Metal Translation Reserve

This reserve is used to record unrealised gain or losses on revaluation of precious metal.

29. CASH AND CASH EQUIVALENTS

	2009 MNT 'million	2008 MNT 'million
Cash in hand	47,749	39,589
Due from foreign financial institutions (Note 12)		
- Short term time deposits	749,334	13,268
- Placement repayable on demand	73,645	102,063
	870,728	154,920
Less: Fund illiquidate by court	(554)	(427)
Cash & cash equivalent at year end	870,174	154,493

30. RELATED PARTY DISCLOSURE

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

	2009 MNT 'million	2008 MNT 'million
Remuneration paid to key management personnel		
Short-term employment benefits	201	152
Post-employment benefits		
- Contributions to Social and Health Fund	38	27
	239	179

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

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

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

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

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

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

		Level 1 MNT 'million	Level 2 MNT 'million	Level 3 MNT 'million	Level 4 MNT 'million
Financial assets					
At 31 December 2009					
Financial investment available-for-sale					
Quoted foreign bonds	**(Note 13)**	140,459	-	-	140,459
Unquoted foreign bonds	**(Note 13)**	-	278,505	-	278,505
		140,459	278,505	-	418,964
At 31 December 2008					
Financial investment available-for sale					
Quoted foreign bonds	**(Note 13)**	225,648	-	-	225,648
Unquoted foreign bonds	**(Note 13)**	-	96,192	-	96,192
		225,648	96,192	-	321,840

Financial instruments recorded at fair value

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

Transfers between level 1 and 2

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

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

31. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

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

		Carrying value	Fair value	Carrying value	Fair value
	Note	2009	2009	2008	2008
		MNT 'million	MNT 'million	MNT 'million	MNT 'million
Financial assets					
Cash in hand		47,749	47,749	39,589	39,589
Due from foreign financial institution	**12**	1,271,630	1,271,630	212,898	212,898
Reverse repurchase agreements	**14**	469,933	469,933	237,278	237,278
Government securities	**16**	170,000	170,000	-	-
Loans to local banks	**17**	166,988	147,487	224,354	222,585
Loan to Ministry of Finance	**18**	262,755	262,843	25,564	25,407
Other receivables	**20**	115	115	-	-
Financial liabilities					
Central bank bills	**21**	392,512	392,512	119,786	119,786
Deposits from government agencies	**22**	698,227	698,227	210,696	210,696
Deposits from local banks	**23**	541,638	541,638	226,526	226,526
Liabilities due to foreign parties	**24**	737,056	731,648	145,272	139,841
Other liabilities	**25**	43,991	43,991	36,922	36,922

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

31. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

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

Assets for which fair value approximate carrying value

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

Fixed rate financial instruments

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

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

32. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. See Note 34.3 'Liquidity risk and funding management' for the Bank's contractual undiscounted repayment obligations.

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

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

At 31 December 2008	Less than 12 months MNT 'million	More than 12 months MNT 'million	Total MNT 'million
Financial assets			
Cash in hand	39,589	-	39,589
Due from foreign financial institution	2 12,898	-	2 12,898
Financial investments - available-for-sale	128,273	196,362	324,635
Reverse repurchase agreements	237,278	-	237,278
Loans to local banks	216,952	7,402	224,354
Loan to Ministry of Finance	8,332	17,232	25,564
	843,322	220,996	1,064,318
Non financial assets			
Gold bullion and precious metals	121,570	15,862	137,432
Property, plant and equipment	-	23,514	23,514
Other receivables	316	-	316
	121,886	39,376	161,262
Total	965,208	260,372	1,225,580
Financial liabilities			
Central bank bills	119,786	-	119,786
Deposits from government agencies	210,696	-	210,696
Deposits from local banks	226,526	-	226,526
Liabilities due to foreign parties	106,396	38,876	145,272
Other liabilities	36,922	-	36,922
	700,326	38,876	739,202
Non financial liabilities			
Cash in circulation	407,210	-	407,210
Other liabilities	5,783	-	5,783
	412,993	-	412,993
Total	1,113,319	38,876	1,152,195
Net	(148,111)	221,496	73,385

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

33. RISK MANAGEMENT

33.1 INTRODUCTION

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

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

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

Risk Management Structure

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

Board of Directors

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

Supervisory Board

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

Internal Audit

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

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

33. RISK MANAGEMENT (CONT'D)

33.1 INTRODUCTION (CONT'D)

Risk Management Structure (Cont'd)

Internal Audit (Cont'd)

IAD carries out risk assessment in general and specific operations level. General risk assessment is undertaken during the development of long-range and annual audit plans to ensure proper allocation of audit resources according to the degree of risk, while assessment focuses on particular issues at the specific level. Presently, IAD of the Bank carried out activities in accordance with long term audit program for 2007-2011 and annual audit plan for 2009. Priorities for audits are determined by applying some criteria which reflect potential and real degree of risk at which each area of operation is exposed. For these purposes certain criteria are developed and appropriate weights are assigned to each type of criteria in relation to the activities audited. The weighted scores are 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. Internal control is defined as consisting of all the means developed to reach objectives in effectiveness, economy and efficiency of the Bank operations; reliability of financial reporting system and compliance of all activities with applicable laws and regulations. The evaluation is aimed at ascertaining the existence of adequate procedures and competent performance. IAD reports about findings and its recommendations administratively to the Governor, and functionally to the Supervisory Board. After each assessment, IAD discusses the results with management of the Bank, as well as it takes follow-up reviews on the actions taken by management.

Risk Management Unit

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

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

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

33. RISK MANAGEMENT (CONT'D)

33.1 INTRODUCTION (CONT'D)

Risk Management Structure (Cont'd)

The main objectives in holding foreign reserves are to:

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

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

33.2 CREDIT RISK

Credit risk Management Structure

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

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

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

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

33. RISK MANAGEMENT (CONT'D)

33.2 CREDIT RISK (CONT'D)

Credit risk Management Structure (cont'd)

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

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

Credit-related Commitments Risks

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

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

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

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

(a) The carrying amount of each class of financial assets recognised in the statement of financial position.

(b) A nominal amount of MNT 831 million (2008: MNT1,392 million) related to financial guarantee granted on the letter of credit issued by a commercial bank.

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

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

33. RISK MANAGEMENT (CONT'D)

33.2 CREDIT RISK (CONT'D)

Risk concentrations of the maximum exposure to credit risk

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

	Gross maximum exposure 2009 MNT 'million	Gross maximum exposure 2008 MNT 'million
Mongolia	599,743	252,712
China	831	-
Germany	41,621	68,394
Japan	27,072	11,477
Russia	2,594	-
Switzerland	928,724	109,980
United Kingdom	133,969	48,788
United States	1,029,457	533,378
	2,764,011	1,024,729

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

33. RISK MANAGEMENT (CONT'D)

33.2 CREDIT RISK (CONT'D)

Credit quality per class of financial assets

	Note	Neither past due nor impaired		Past due or individually impaired	
		High grade	Standard grade		Total
		MNT 'million	MNT 'million	MNT 'million	MNT 'million
At 31 December 2009					
Due from foreign financial institutions	**12**	1,271,630	-	-	1,271,630
Financial investments - available-for-sale	**13**	421,759	-	-	421,759
Reverse repurchase agreements	**14**	469,933	-	-	469,933
Government securities	**16**	170,000	-	-	170,000
Loans to local banks	**17**	-	18,545	179,903	198,448
Loan to Ministry of Finance	**18**	262,755	-	-	262,755
Other receivables	**20**	115	-	47,369	47,484
Total		2,596,192	18,545	227,272	2,842,009
At 31 December 2008					
Due from foreign financial institutions	**12**	212,898	-	-	212,898
Financial investments - available-for-sale	**13**	324,635	-	-	324,635
Reverse repurchase agreements	**14**	237,278	-	-	237,278
Loans to local banks	**17**	-	158,354	84,853	243,207
Loan to Ministry of Finance	**18**	25,564	-	-	25,564
Other receivables	**20**	-	-	42,474	42,474
Total		800,375	158,354	127,327	1,086,056

All the past due loans are considered to be impaired and disclosed in Note 17 and Note 20.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

33. RISK MANAGEMENT (CONT'D)

33.2 CREDIT RISK (CONT'D)

Impairment assessment

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

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

33.3 LIQUIDITY RISK

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

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

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

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

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

(ii) **The Long-Term Investment Portfolio.** Invested in medium to long-term high liquid instruments, including government bonds and securities.

Investment Committee proposes the limits for foreign exchange portfolio.

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

33. RISK MANAGEMENT (CONT'D)

33.3 LIQUIDITY RISK (CONT'D)

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December 2009 and 31 December 2008 based on contractual undiscounted repayment obligations. See Note 32 'Maturity analysis of assets and liabilities' for the expected maturities of these liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

Financial Liabilities	On Demand MNT 'million	3 to 6 months MNT 'million	6 to 12 months MNT 'million	1-5 years MNT 'million	Over 5 years MNT 'million	Total undiscounted financial liabilities MNT 'million
At 31 December 2009						
Central bank bills	331,000	65,000	-	-	-	396,000
Deposits from government agencies	698,227	-	-	-	-	698,227
Deposits from local banks	541,644	-	-	-	-	541,644
Liabilities due to foreign parties	450,846	3,903	4,880	268,522	22,959	751,110
Other liabilities	40,493	1,780	1,237	481	-	43,991
Total	2,062,210	70,683	6,117	269,003	22,959	2,430,972
At 31 December 2008						
Central bank bills	113,850	6,800	-	-	-	120,650
Deposits from government agencies	210,696	-	-	-	-	210,696
Deposits from local banks	226,526	-	-	-	-	226,526
Liabilities due to foreign parties	98,468	4,127	4,114	20,724	21,010	148,443
Other liabilities	35,295	1,627	-	-	-	36,922
Total	684,835	12,554	4,114	20,724	21,010	743,237

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

33. RISK MANAGEMENT (CONT'D)

33.4 MARKET RISK

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

Interest rate risk

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

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

Currency	Change in basis points	Sensitivity of net equity MNT 'million
At 31 December 2009		
USD	+50	(279)
USD	-	-
EUR	+50	(49)
EUR	-25	25
At 31 December 2008		
USD	+25	(560)
USD	-	-
EUR	+25	(25)
EUR	-50	49
JPY	+25	(3)

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

33. RISK MANAGEMENT (CONT'D)

33.4 MARKET RISK (CON'D)

Currency risk

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

The tables below indicate the currencies to which the Bank had significant exposure at 31 December 2009 on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the MNT, with all other variables held constant on the income statement (due to the fair value of currency sensitive monetary assets and liabilities). A negative amount in the table reflects a potential net reduction in income statement while a positive amount reflects a net potential increase.

Currency	Change in currency rate in % 2009	Effect on profit before tax 2009	Change in currency rate in % 2009	Effect on profit before tax 2009
		сая төгрөг		сая төгрөг
USD	+2.00	15,785	+25.50	64,542
USD	-5.00	(39,463)	-13.93	(35,258)
EUR	+5.00	10,433	+22.75	33,844
EUR	-2.00	(4,173)	-44.93	(66,841)
CHF	+5.00	33	+19.37	103
CHF	-5.00	(33)	-46.71	(249)
GBP	+5.00	1,873	+24.75	4,690
GBP	-5.00	(1,873)	-15.41	(2,920)
JPY	+5.00	1,666	+20.36	3,185
JPY	-5.00	(1,666)	-35.75	(5,592)
XAU	+5.00	2,368	+36.57	44,458
XAU	-5.00	(2,368)	-74.09	(90,071)

BANK OF MONGOLIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

33. RISK MANAGEMENT (CONT'D)

33.4 MARKET RISK (CON'D)

Prepayment risk

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

33.5 OPERATIONAL RISK

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

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

34. 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.

STATISTICAL APPENDIX

7

Main Economic Indicators

	2002	2003	2004	2005	2006	2007	2008	2009[1]
Real GDP growth	4.0	5.5	10.6	6.2	8.6	10.2	8.9	-1.6
GDP, current prices, billions of togrog	1240.8	1461.2	1910.9	2524.3	3715.0	4599.5	6019.8	6055.8
Inflation	1.6	4.7	11.0	9.5	6.0	15.1	23.2	1.9
Monetary survey (billions of togrog)								
Money (M2)	470.1	703.3	847.0	1140.1	1536.5	2401.2	2270.0	2880.0
Net foreign assets	308.5	256.3	311.0	570.2	1131.8	1352.0	683.5	1533.3
Net domestic credit	200.0	514.6	647.3	769.0	745.4	1329.5	2062.0	1937.9
Money (M2)/GDP	37.9	48.1	44.3	45.2	41.4	52.2	37.7	47.6
Loans/GDP	18.7	30.3	31.8	34.1	32.9	28.9	34.3	32.0
Deposits/GDP	17.6	24.9	27.0	27.5	26.8	32.4	22.2	30.7
Banks' total loans	231.4	442.1	606.8	859.9	1223.3	2056.1	2635.6	2655.0
Non-performing loans	11.7	21.1	39.1	49.5	60.0	68.1	188.7	462.0
Banks' loan rate	26.6	25.6	24.0	21.6	20.0	17.1	18.6	18.7
Banks' deposit rate	14.0	14.0	13.2	12.6	13.5	13.4	13.6[2]	12.9
CBBill's weighted average rate	9.9	11.5	15.8	4.8	6.4	9.9	14.8	10.8
Balance of payments (millions of U.S. dollars)								
Exports f.o.b	523.9	627.3	872.1	1068.6	1545.2	1950.7	2534.5	1885.4
Imports f.o.b	752.8	826.9	901.0	1097.4	1356.7	2003.1	3147.0	2137.7
Current account	-105.1	-98.7	63.4	84.2	306.3	171.8	-721.9	-382.0
Current account/GDP	-9.4	-8.3	3.9	4.0	8.2	4.4	-13.7	-6.3
Net international reserves	225.9	129.0	163.6	298.0	687.3	975.3	637.2	1145.3
In weeks of imports	15.6	8.1	9.5	14.2	26.4	25.5	10.6	27.9
Togrog rate against U.S. dollar (yearly average)	1110.4	1146.5	1185.4	1205.3	1179.6	1170.4	1166.1	1437.9
General government budget (billions of togrog)								
Total revenue and grant	477.0	535.8	697.4	831.4	1360.4	1880.5	2156.4	1993.0
Current revenue	469.7	526.4	690.5	827.2	1354.1	1856.0	2136.1	1965.5
Total expenditure and net lending	550.5	616.5	713.8	750.3	1237.0	1653.0	2462.0	2321.6
Current expenditure	415.3	446.3	525.9	589.0	982.3	1317.8	1749.5	1792.1
Overall balance	-73.4	-80.7	-16.5	81.1	123.4	227.5	-305.7	-328.6
Overall balance/GDP	-5.9	-5.5	-0.9	3.2	3.3	4.9	-5.1	-5.4

[1] *Preliminary*
[2] *Weighted average rate of deposits since end of 2008*

Money supply

(in millions of togrogs)

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

Money supply (continued)

(in millions of togrogs)

End-of-period	Quasi money		Of which					Money (M2)	
	amount	monthly changes %	Domestic currency deposits	Of which		Foreign currency deposits	Current account in FC	amount	monthly changes %
				Individuals	Institutions				
1990 12	883.2		726.3	726.3	-	157.0		5,633.1	
1991 12	2,601.1		1,996.9	1,553.3	443.6	604.2		9,914.8	
1992 12	5,412.1		4,430.2	2,985.7	1,444.5	112.5	869.4	13,052.3	
1993 12	24,215.8	10.6	10,103.1	7,969.6	2,133.5	2,378.0	11,734.7	42,764.2	1.2
1994 12	43,905.8	-2.6	28,937.5	25,287.3	3,650.2	3,474.1	11,494.2	76,777.0	-1.7
1995 09	62,986.3	8.5	38,070.1	35,188.9	2,881.2	11,528.6	13,387.6	104,880.0	2.8
1995 12	59,408.1	-4.7	38,529.1	36,602.7	1,926.4	8,233.1	12,645.9	102,044.6	-2.9
1996 12	64,093.7	-4.0	35,164.2	33,819.1	1,345.1	11,006.8	17,922.7	128,395.3	4.5
1997 12	93,956.6	13.0	44,673.8	42,892.7	1,781.1	13,795.6	35,487.2	170,065.5	8.8
1998 12	84,667.6	-0.5	44,840.1	42,044.5	2,795.6	14,468.6	25,358.9	167,249.6	4.2
1999 12	105,341.3	-1.6	45,052.3	43,257.9	1,794.4	24,925.9	35,363.2	220,167.0	6.3
2000 12	128,067.7	2.1	59,004.3	54,125.9	4,878.4	33,681.9	35,381.5	258,842.6	5.4
2001 12	174,908.9	3.0	87,590.4	79,321.6	8,268.7	47,017.1	40,301.5	331,064.3	4.8
2002 12	282,397.8	3.8	147,211.7	137,182.7	10,029.0	71,147.8	64,038.2	470,125.6	5.0
2003 12	490,499.0	15.8	240,280.1	228,133.5	12,146.6	123,253.9	126,965.0	703,332.4	12.1
2004 12	625,704.9	-0.2	300,976.4	287,894.4	13,082.0	216,434.0	108,294.5	847,032.4	0.9
2005 12	871,014.4	1.6	426,033.6	399,980.0	26053.6*	245,675.0	199,305.8	1140138.8*	2.7
2006 12	1,204,590.0	-4.5	692,483.4	647,774.2	44,709.3	302,921.7	209,184.9	1,536,493.3	-3.1
2007 01	1,221,013.9	1.4	734,902.8	687,742.5	47,160.3	277,463.9	208,647.2	1,556,010.9	1.3
02	1,285,170.9	5.3	802,675.3	754,942.5	47,732.8	279,842.6	202,653.1	1,627,767.8	4.6
03	1,345,255.8	4.7	835,676.4	786,524.9	49,151.5	287,407.4	222,172.0	1,746,754.4	7.3
04	1,428,505.6	6.2	855,496.0	800,771.8	54,724.2	303,130.1	269,879.5	1,883,624.8	7.8
05	1,475,801.1	3.3	897,146.0	838,129.4	59,016.6	309,090.0	269,565.1	1,966,094.3	4.4
06	1,513,866.8	2.6	944,032.3	872,878.8	71,153.5	316,914.4	252,920.0	2,016,090.2	2.5
07	1,597,615.7	5.5	996,877.3	912,256.7	84,620.7	323,247.2	277,491.2	2,094,659.6	3.9
08	1,659,946.0	3.9	1,019,702.1	933,639.7	86,062.3	355,266.9	284,977.1	2,195,414.5	4.8
09	1,676,505.5	1.0	1,031,160.0	935,610.7	95,549.4	350,625.3	294,720.1	2,191,937.7	-0.2
10	1,740,922.4	3.8	1,058,746.0	954,998.8	103,747.2	363,061.3	319,115.1	2,264,356.7	3.3
11	1,715,148.7	-1.5	1,079,409.4	975,460.3	103,949.0	352,319.6	283,419.7	2,235,080.6	-1.3
12	1,810,778.1	5.6	1,113,729.7	1,014,880.8	98,848.9	375,987.2	321,061.2	2,401,249.7	7.4
2008 01	1,755,432.1	-3.1	1,121,925.2	1,034,850.0	87,075.2	380,535.0	252,971.9	2,307,315.5	-3.9
02	1,868,412.7	6.4	1,149,065.7	1,063,357.0	85,708.7	415,702.1	303,644.8	2,417,596.2	4.8
03	1,877,439.7	0.5	1,149,303.5	1,065,250.8	84,052.8	422,249.3	305,886.9	2,455,147.2	1.6
04	1,883,037.6	0.3	1,091,227.7	1,004,197.2	87,030.5	430,456.5	361,353.4	2,466,687.8	0.5
05	1,896,008.5	0.7	1,077,329.3	984,752.0	92,577.3	454,228.3	364,450.9	2,516,618.3	2.0
06	1,939,790.0	2.3	1,092,859.0	986,760.4	106,098.7	456,723.0	390,208.0	2,564,684.1	1.9
07	1,971,535.5	1.6	1,095,655.6	980,549.0	115,106.6	471,167.1	404,712.8	2,595,583.1	1.2
08	1,934,607.6	-1.9	1,104,663.1	985,065.5	119,597.5	451,467.0	378,477.5	2,576,824.5	-0.7
09	1,921,537.3	-0.7	1,111,986.0	982,604.1	129,381.9	451,975.6	357,575.8	2,525,010.7	-2.0
10	1,796,456.5	-6.5	1,072,371.1	949,584.7	122,786.4	396,720.8	327,364.6	2,357,709.1	-6.6
11	1,693,506.9	-5.7	1,011,971.4	893,529.9	118,441.5	402,408.1	279,127.4	2,241,816.2	-4.9
12	1,622,666.1	-4.2	898,692.5	829,539.3	69,153.1	440,199.5	283,774.2	2,270,001.4	1.3
2009 01	1,665,977.4	2.7	887,761.4	812,383.6	75,377.9	493,644.4	284,571.5	2,201,245.6	-3.0
02	1,764,924.4	5.9	905,268.2	834,311.2	70,957.1	541,914.8	317,741.3	2,314,811.0	5.2
03	1,841,171.2	4.3	966,546.7	890,798.6	75,748.1	526,807.9	347,816.7	2,352,558.1	1.6
04	1,823,929.7	-0.9	998,035.9	912,356.6	85,679.3	491,566.5	334,327.3	2,341,827.5	-0.5
05	1,845,529.8	1.2	964,341.2	892,364.0	71,977.2	546,650.5	334,538.0	2,404,674.2	2.7
06	1,894,865.5	2.7	982,461.0	921,066.3	61,394.8	568,226.2	344,178.2	2,439,247.6	1.4
07	1,987,939.3	4.9	985,294.2	923,163.3	62,130.9	617,006.3	385,638.8	2,509,771.1	2.9
08	1,966,857.2	-1.1	1,027,885.7	962,780.0	65,105.7	580,364.3	358,607.2		2.2
09	2,030,707.4	3.2	1,072,211.9	1,004,645.2	67,566.7	580,759.1	377,736.4	2,653,414.7	3.5
10	2,062,242.6	1.6	1,133,696.4	1,050,083.3	83,613.1	561,906.8	366,639.5	2,671,020.9	0.7
11	2,114,668.4	2.5	1,147,503.6	1,053,386.3	94,117.3	577,949.4	389,215.4	2,715,261.8	1.7
12	2,228,786.8	5.4	1,234,289.7	1,125,607.8	108,681.9	622,133.6	372,363.5	2,880,033.9	6.1

Monetary survey

(in millions of togrogs)

End-of-period	Net foreign assets	Domestic credit (net)	Of which		
			General Government	Of which:	
				Central Government	Local Government
1991 12	495.4	10,971.2	-1,883.7		
1992 12	-27.0	16,078.2	-3,051.7		
1993 12	23,395.7	24,460.3	-7,143.4		
1994 12	29,699.3	49,190.3	-3,773.1		
1995 09	42,796.8	49,646.7	-14,688.9		
1995 12	51,709.7	45,494.7	-17,227.8		
1996 12	73,733.6	90,240.4	19,920.3		
1997 12	135,437.2	67,635.4	13,352.1		
1998 12	96,557.5	136,062.0	41,460.0		
1999 12	167,541.5	116,635.6	34,555.7		
2000 12	201,696.9	84,831.1	17,171.2		
2001 12	220,165.7	129,259.5	-6,829.1		
2002 12	308,507.4	200,027.4	-32,439.3		
2003 12	256,341.5	514,615.2	96,687.3		
2004 12	311,005.2	647,305.1	40,506.5	45,022.0	-4,515.6
2005 12	570,198.7	769,004.6[2]	-90,847.2	-87,822.4	-3,024.9
2006 12	1,131,772.5	745,404.8	-477,882.5	-470,640.1	-7,242.4
2007 01	1,100,902.0	708,350.4	-571,814.0	-561,881.8	-9,932.2
02	1,114,748.5	775,250.2	-558,832.9	-549,147.8	-9,685.1
03	1,174,464.0	858,887.2	-545,685.9	-537,827.8	-7,858.1
04	1,259,374.8	890,479.5	-587,127.5	-576,466.3	-10,661.2
05	1,321,216.6	929,679.6	-580,058.8	-568,931.0	-11,127.8
06	1,316,665.5	977,750.0	-622,470.7	-611,969.3	-10,501.3
07	1,359,079.5	979,827.0	-660,543.5	-649,373.7	-11,169.9
08	1,405,740.4	1,082,496.4	-725,612.5	-715,049.0	-10,563.5
09	1,409,522.6	1,091,172.3	-767,948.6	-756,170.4	-11,778.2
10	1,427,842.0	1,157,288.0	-772,390.9	-760,585.8	-11,805.1
11	1,344,207.8	1,162,499.1	-798,579.6	-787,655.1	-10,924.5
12	1,352,046.2	1,329,532.9	-726,528.0	-719,606.1	-6,921.9
2008 01	1,334,265.2	1,355,904.0	-777,542.6	-764,880.2	-12,662.4
02	1,342,590.0	1,510,135.0	-720,379.0	-710,290.0	-10,089.0
03	1,297,695.4	1,603,434.8	-732,494.0	-724,161.0	-8,333.0
04	1,253,458.1	1,662,519.9	-774,010.5	-763,457.1	-10,553.5
05	1,230,973.8	1,747,506.2	-740,088.6	-727,565.8	-12,522.8
06	1,223,350.9	1,753,657.0	-805,776.0	-794,838.7	-10,937.3
07	1,274,518.2	1,752,092.0	-841,434.9	-828,737.1	-12,697.8
08	1,095,287.9	1,888,901.3	-796,374.5	-785,051.6	-11,322.9
09	1,035,442.0	1,928,681.0	-788,177.6	-776,727.4	-11,450.2
10	824,195.6	1,949,418.9	-741,864.7	-731,811.8	-10,052.9
11	658,585.3	2,015,182.9	-652,936.3	-642,107.8	-10,828.5
12	683,478.2	2,061,976.5	-573,575.1	-566,471.1	-7,104.0
2009 01	611,000.1	2,102,999.3	-568,995.0	-561,518.3	-7,476.6
02	659,613.7	2,195,108.3	-490,193.2	-482,686.7	-7,506.5
03	696,315.7	2,169,795.5	-501,931.0	-495,236.0	-6,695.0
04	732,889.8	2,094,759.5	-485,479.9	-480,307.8	-5,172.1
05	845,183.7	2,039,053.9	-495,853.0	-488,301.3	-7,551.8
06	944,242.6	1,977,766.1	-581,163.6	-574,386.6	-6,777.1
07	1,091,823.2	1,926,044.3	-654,734.3	-648,298.9	-6,435.4
08	1,174,831.5	1,876,250.8	-712,578.3	-701,607.0	-10,971.3
09	1,250,760.3	1,930,001.0	-700,933.7	-690,570.6	-10,363.0
10	1,493,330.9	1,733,459.7	-884,526.6	-875,959.6	-8,566.9
11	1,541,558.5	1,782,186.4	-849,844.7	-840,799.7	-9,045.0
12	1,533,276.9	1,937,874.3	-717126.078	-709,477.0	-7,649.1

Monetary survey (continued)

(in millions of togrogs)

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

Monetary survey (continued)

(in millions of togrogs)

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

Balance sheet of Monetary Authorities (for Monetary Survey)

(in millions of togrogs)

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

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

(in millions of togrogs)

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

Balance sheet of Monetary Authorities (for Monetary Survey)

(continued) *(in millions of togrogs)*

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

[1] *ТБҮЦ-ыг 2004 оны 12-р сараас эхлэн зах зээлийн үнээр харуулав.*

Balance sheet of Other depository corporations (for Monetary Survey)

(in millions of togrogs)

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

Balance sheet of Other depository corporations (for Monetary Survey)

(continued) *(in millions of togrogs)*

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

Balance sheet of Other depository corporations (for Monetary Survey)
(continued) *(in millions of togrogs)*

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

Balance sheet of Other depository corporations (for Monetary Survey)

(continued) *(in millions of togrogs)*

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

Consumer price index

in percent

End-of-period	Food items	Of which							Clothes, shoes
		Wheat products	Meat and meat products	Milk and dairy products	Sugar, candy, tea, fruits	Potatoes and vegetables	Other food items	Soft drinks, cigarettes	
1991 01	100.0	100.0	100.0	100.0			100.0	100.0	100.0
1991 12	134.4	124.0	136.4	156.3			131.4	126.9	192.4
1992 12	755.4	978.4	468.3	884.2			828.9	800.1	679.1
1993 12	2,247.0	2,906.7	1,744.3	2,153.2			2,736.5	1,424.5	1,304.3
1994 12	3,565.3	4,147.5	2,723.1	3,658.8			4,681.4	1,855.4	2,363.1
1995 06	4,204.8	4,880.6	3,771.1	3,211.4			5,686.6	1,700.8	2,838.1
				1995.12=100					
1995 12	58.7	17.2	18.4	5.1			4.9	4.5	10.3
1996 12	78.2	27.0	19.5	7.1			7.5	6.3	15.4
1997 12	87.0	28.1	21.2	9.6			8.7	7.8	20.6
1998 12	87.7	27.6	22.0	10.0			10.1	7.7	22.8
1999 12	95.5	28.8	25.0	10.0			10.6	8.5	23.9
2000 12	109.6	29.6	27.7	10.4			10.5	9.4	23.9
12[1]	46.6	12.9	12.4	5.2	4.9	4.1	3.5	3.7	13.5
				2000.12=100					
2001 12	50.7	13.3	14.8	5.5	4.9	4.3	3.6	4.3	14.1
2002 12	49.9	12.2	14.8	5.6	4.7	4.8	3.6	4.3	14.9
2003 12	53.8	14.2	18.3	5.3	4.8	3.5	3.7	4.2	14.9
2004 12	61.9	16.1	22.6	5.2	5.1	4.3	4.0	4.4	15.0
2005 12	71.5	15.8	29.9	5.8	5.5	5.2	4.5	4.7	14.9

End-of-period	Food & non-alcoholic beverages	Of which								Alcoholic beverages, tobacco	Clothing, footwear and cloths
		Foodstuffs	Of which						Non-alcoholic beverages		
			Bread, flour, cereals	Meat and meat products	Milk dairy products, & eggs	Sugar, jam, candy, and chocolate	Vegetables	Oils & fats			
2005 12[2]	41.08	39.52	9.92	16.51	3.55	1.61	4.12	2.27	1.56	2.26	12.38
2006 12	41.96	40.31	10.25	16.39	3.75	1.87	4.12	2.25	1.65	2.41	13.28
2007 12	52.26	50.55	13.87	19.75	4.47	1.87	4.75	3.66	1.72	2.38	13.56
2008 01	54.60	52.88	13.57	21.89	4.66	1.89	4.90	3.67	1.72	2.43	13.62
02	57.67	55.92	14.20	23.54	4.87	1.90	5.30	3.69	1.75	2.48	13.67
03	60.57	58.73	14.99	24.72	5.22	1.98	5.63	3.72	1.85	2.51	13.80
04	67.87	66.00	17.31	28.66	5.71	2.01	5.99	3.80	1.87	2.51	13.88
05	75.00	73.07	19.92	31.37	5.72	2.09	7.20	4.18	1.92	2.48	14.45
06	77.03	75.13	19.97	32.57	5.25	2.11	8.36	4.29	1.90	2.52	14.73
07	76.78	74.81	19.84	31.95	4.97	2.18	8.89	4.24	1.97	2.57	15.18
08	74.30	72.28	19.87	29.12	5.11	2.21	8.90	4.36	2.02	2.58	15.49
09	71.39	69.28	19.78	26.93	5.14	2.22	8.04	4.50	2.11	2.58	16.01
10	67.94	65.80	19.67	23.89	5.58	2.22	7.32	4.44	2.14	2.59	16.44
11	65.47	63.35	19.24	22.01	5.79	2.23	7.16	4.44	2.12	2.56	17.11
12	65.08	62.96	18.77	21.84	6.03	2.23	7.01	4.41	2.12	2.59	17.10
2009 01	65.68	63.51	18.68	22.04	6.20	2.26	7.21	4.40	2.17	2.70	17.06
02	66.28	64.06	18.71	22.19	6.35	2.28	7.42	4.38	2.21	2.78	16.71
03	69.62	67.34	19.12	24.40	6.38	2.51	9.09	4.39	2.28	2.85	16.73
04	72.91	70.50	19.51	26.28	6.59	2.72	8.03	4.37	2.41	2.89	16.71
05	74.73	72.32	19.41	28.05	6.49	2.73	8.29	4.35	2.41	3.04	16.70
06	73.07	70.78	19.15	27.65	5.61	2.73	8.43	4.27	2.29	3.11	16.71
07	71.25	68.96	19.12	25.28	5.29	2.76	9.29	4.26	2.29	3.13	16.81
08	68.95	66.63	19.26	23.11	5.09	2.86	9.13	4.21	2.32	3.15	16.96
09	66.15	63.79	19.21	21.30	5.30	3.05	7.71	4.24	2.36	3.15	17.39
10	64.26	61.89	19.06	19.94	5.66	3.05	7.01	4.22	2.37	3.15	17.46
11	64.63	62.24	18.86	20.36	6.18	3.04	6.90	4.17	2.38	3.17	17.67
12	64.76	62.34	18.85	20.14	6.37	3.04	6.96	4.18	2.42	3.17	17.71

Source: Monthly Statistical Bulletin, NSC
[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)

in percent

End-of-period	Of which: Cotton, fabrics	Men's clothing	Women's clothing	Children's clothing	Shoes	Utilities	Household items	Medicine	Transport & communication
1991 01 16	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1991 12	148.4	174.5	229.3	100.0	236.1	115.5	209.6	100.0	137.3
1992 12	676.3	347.3	541.2	440.9	965.4	245.8	795.8	196.7	535.3
1993 12	1,161.6	650.4	896.4	1,404.4	1,782.9	1,068.3	2,087.2	1,933.9	1,673.3
1994 12	1,957.5	1,259.4	2,110.3	2,126.9	3,377.3	1,595.7	3,247.2	1,933.9	3,221.1
1995 06	3,532.6	1,265.0	2,567.1	2,161.4	3,740.3	1,644.4	4,458.6	1,933.9	3,276.1
			1995.12=100						
1995 12	0.4	1.5	3.4	1.0	4.0	10.4	3.9	2.1	7.6
1996 12	0.6	2.3	4.5	1.8	6.2	17.9	5.4	3.0	13.6
1997 12	0.7	2.9	6.5	2.3	8.2	27.0	6.6	3.8	15.0
1998 12	0.6	3.2	6.9	2.4	9.4	29.5	6.1	3.9	17.8
1999 12	0.6	3.1	7.1	2.4	10.2	32.1	6.5	4.6	23.3
2000 12	0.6	3.2	7.0	2.5	10.2	42.3	6.6	4.6	24.1
12[1]	0.3	3.5	4.6	0.5	4.6	14.1	3.2	1.4	10.1
			2000.12=100						
2001 12	0.2	3.9	4.7	0.6	4.6	17.2	3.3	1.4	10.2
12	0.3	4.0	4.8	0.6	5.2	18.0	3.4	1.5	10.5
12	0.3	4.0	4.7	0.7	5.1	17.7	3.3	1.6	10.8
12	0.3	4.3	4.6	0.7	5.0	18.4	3.4	1.7	13.1
12	0.4	4.1	4.8	0.7	5.0	19.5	3.6	1.8	13.9

End-of-period	Of which: Clothing, cloth	Men's clothing	Women's clothing	Children's clothing	Shoes	Housing, water, electricity, and fuels	Of which: Water supply & miscellaneous services	Electricity, gas and other fuels	Furnishings, household equipment & tools	Medical care & services	Transport
			2005.12=100								
2005 12[2]	8.11	3.26	2.93	1.11	4.27	13.40	4.24	7.60	4.30	1.62	8.71
2006 12	8.84	3.54	3.21	1.22	4.45	14.70	5.18	7.91	4.64	1.77	9.57
2007 12	8.96	3.58	3.10	1.35	4.60	15.73	5.37	8.41	5.22	2.10	10.59
2008 01	9.03	3.59	3.14	1.36	4.59	15.48	5.36	8.11	5.24	2.13	10.60
02	9.11	3.63	3.16	1.37	4.56	16.01	5.37	8.65	5.28	2.13	10.57
03	9.19	3.66	3.19	1.39	4.62	15.53	5.37	8.15	5.51	2.18	10.91
04	9.27	3.71	3.24	1.37	4.61	15.45	5.37	8.05	5.62	2.48	10.91
05	9.74	3.86	3.44	1.48	4.71	15.32	5.37	7.75	5.72	2.51	10.99
06	9.95	3.98	3.55	1.49	4.78	15.65	5.37	8.11	5.76	2.52	11.11
07	10.35	4.24	3.63	1.53	4.83	16.76	5.37	9.03	5.83	2.52	11.38
08	10.64	4.34	3.70	1.63	4.85	17.82	5.37	10.02	5.86	2.55	14.84
09	10.82	4.42	3.73	1.69	5.19	19.30	5.80	10.93	5.95	2.70	15.05
10	11.06	4.47	3.83	1.76	5.38	19.11	5.83	10.56	6.02	2.68	14.85
11	11.35	4.62	3.91	1.77	5.75	18.45	5.83	9.90	6.00	2.69	14.63
12	11.35	4.62	3.91	1.76	5.74	18.45	5.83	9.90	5.99	2.68	14.17
2009 01	11.32	4.58	3.94	1.75	5.74	18.17	5.82	9.67	6.07	2.69	13.72
02	11.11	4.49	3.84	1.75	5.60	17.77	5.83	9.28	5.99	2.69	13.58
03	11.29	4.63	3.85	1.75	5.44	17.78	5.83	9.28	6.17	2.70	13.88
04	11.25	4.66	3.81	1.74	5.45	17.22	5.87	8.64	6.25	2.72	13.66
05	11.44	4.73	3.99	1.74	5.25	17.31	5.87	8.85	6.19	2.91	12.97
06	11.47	4.79	3.99	1.73	5.24	17.47	5.87	9.04	6.29	2.91	13.08
07	11.58	4.82	3.98	1.81	5.23	17.57	5.89	9.11	6.27	2.95	13.70
08	11.74	4.90	3.99	1.88	5.23	17.65	5.89	9.14	6.38	2.95	13.87
09	12.09	4.97	4.09	1.89	5.30	17.90	5.89	9.39	6.37	2.95	14.02
10	12.04	4.92	4.09	1.92	5.41	17.67	5.89	9.18	6.35	3.02	14.01
11	12.12	4.95	4.13	1.92	5.55	17.69	5.89	9.18	6.39	3.06	14.01
12	12.17	4.97	4.14	1.93	5.54	17.74	5.90	9.23	6.37	3.06	14.06

[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)

in percent

End-of-period	Articles for Cultural needs	Other goods & services	General CPI	Monthly changes	Changes from the beginning of year	Annual changes	Moving average of monthly inflation	Core inflation [4]: Monthly changes	Core inflation [4]: Changes from the beginning of year	National CPI: Monthly changes	National CPI: Changes from the beginning of year	National CPI: Annual changes
1991 01 16	100.0	100.0	100.0									
1991 12	277.3	152.3	152.7	5.1								
1992 12	581.0	430.2	649.8	11.0	325.5							
1993 12	2,154.8	1,483.8	1,838.7	2.5	183.0							
1994 12	4,427.9	2,904.7	3,057.8	2.1	66.3							
1995 06	7,537.2	3,146.9	3,661.0	7.3	19.7							
		1995.12=100										
1995 12	3.6	3.5	100.0	2.1	53.1							
1996 12	5.7	5.3	144.6	3.2	44.6							
1997 12	8.2	6.4	174.2	0.9	20.5	20.5	1.6					
1998 12	9.8	7.4	184.7	2.1	6.0	6.0	0.5					
1999 12	11.3	7.9	203.1	1.6	10.0	10.0	0.8					
2000 12	11.8	8.2	219.6	2.1	8.1	8.1	0.7					
12[1]	7.4	3.7	100.0	2.1	8.1							
		2000.12=100										
12	7.3	3.8	107.9	2.1	8.0	8.0	0.7					
12	7.6	3.9	109.8	1.6	1.6	1.6	0.1	0.5				
12	8.4	4.5	114.9	1.1	4.7	4.7	0.4	-0.7				
12	9.0	4.8	127.4	0.9	11.0	11.0	1.2	-0.5				
12	9.6	5.0	139.6	1.2	9.5	9.5	0.8	-0.5	3.54			

End-of-period	Of which: Operation of personal transport equipment	Of which: Transport services	Communication	Recreation & culture	Education	Restaurants hotels	Miscellaneous goods & services	General CPI	Monthly changes	Changes from the beginning of the year	Annual changes	Moving average of monthly inflation	Core inflation[4]: Monthly changes	Core inflation[4]: Changes from the beginning of the year	Core inflation[4]: Annual changes	National CPI: Monthly changes	National CPI: Changes from the beginning of the year	National CPI: Annual changes
							2005.12=100											
2005 12[2]	2.47	5.76	4.05	3.33	4.15	1.72	3.00	100.0										
2006 12	2.53	6.07	3.09	3.62	4.58	1.89	3.32	104.8	0.5	4.8	4.8	0.0	0.0					
2007 12	3.19	6.81	2.90	3.73	5.50	2.08	3.48	119.5	0.5	14.0	14.0	0.4	-0.6	12.5	12.5			
2008 01	3.20	6.81	2.90	3.73	5.50	2.11	3.48	121.8	1.9	1.9	17.5	1.4	-0.2	-0.2	13.7	2.0	2.0	
2	3.20	6.79	2.90	3.78	5.50	2.09	3.49	125.6	3.1	5.1	17.9	1.5	1.6	1.4	15.7	2.6	4.6	
3	3.47	6.84	2.89	3.90	5.50	2.18	3.51	129.0	2.7	7.9	20.6	1.7	1.6	3.0	17.6	3.2	7.9	
4	3.47	6.84	2.89	3.91	5.50	2.22	3.63	136.9	6.1	14.5	26.4	2.1	2.8	6.0	21.6	5.1	13.8	
5	3.49	6.89	2.88	3.95	5.50	2.46	3.85	145.1	6.0	21.4	32.6	2.5	3.6	10.2	27.1	3.8	18.5	
6	3.49	7.01	2.88	3.91	5.50	2.47	3.88	147.9	1.9	23.8	32.4	2.5	1.0	11.2	28.0	0.3	18.8	32.6
7	3.60	7.18	2.78	3.90	5.50	2.48	3.90	149.6	1.1	25.1	33.1	2.5	2.2	13.5	29.2	0.3	19.2	32.0
8	4.58	9.64	2.78	3.91	7.57	2.72	3.93	154.3	3.2	29.1	33.7	2.5	7.5	21.4	30.9	3.7	24.0	34.2
9	4.54	9.86	2.78	3.95	7.57	2.76	3.99	154.0	-0.2	28.8	31.7	2.4	2.6	24.4	30.2	0.5	24.6	32.2
10	4.31	9.84	2.78	4.01	7.57	2.76	4.00	150.8	-2.1	26.1	27.2	2.0	0.2	24.6	24.9	-1.1	23.2	27.9
11	4.03	9.94	2.78	4.02	7.57	2.80	3.99	148.1	-1.8	23.8	24.5	1.9	-0.6	23.8	22.9	-1.0	22.0	24.2
12	3.59	9.87	2.78	4.05	7.57	2.80	4.02	147.3	-0.5	23.2	23.2	1.6	-0.5	23.1	23.1	0.0	22.1	22.1
2009 01	3.34	9.62	2.78	4.07	7.57	2.80	4.10	147.4	0.1	0.1	21.0	1.5	-0.3	-0.3	22.9	0.8	0.8	20.7
02	3.13	9.63	2.78	4.09	7.57	2.80	4.15	147.2	-0.1	0.0	17.2	1.4	-0.7	-1.0	20.2	0.6	1.4	18.2
03	3.49	9.63	2.77	4.08	7.57	2.86	4.25	151.4	2.8	2.7	17.2	1.1	1.3	0.4	19.9	1.8	3.2	16.3
04	3.43	9.51	2.99	4.12	7.57	2.89	4.29	154.2	1.9	4.7	12.6	1.0	0.5	0.9	17.2	2.2	5.5	12.5
05	2.89	9.37	2.98	4.17	7.57	2.92	4.40	155.9	1.1	5.9	7.4	0.6	-0.1	0.9	13.2	0.1	5.7	8.0
06	3.00	9.37	2.99	4.19	7.57	3.03	4.42	155.0	-0.7	5.1	4.7	0.4	0.2	1.0	12.3	-1.4	4.2	6.3
07	3.53	9.49	2.99	4.19	7.57	3.03	4.46	153.9	-0.6	4.6	2.9	0.3	1.2	2.0	13.3	-1.3	2.8	4.9
08	3.60	9.58	2.98	4.20	8.25	3.10	4.51	152.9	-0.6	3.9	-0.9	-0.1	1.3	3.1	4.9	-0.6	2.2	0.6
09	3.77	9.58	2.98	4.10	8.25	3.13	4.66	151.1	-1.2	2.6	-1.9	-0.2	1.0	4.1	3.3	-0.1	2.1	0.0
10	3.77	9.56	2.98	4.11	8.25	3.13	4.66	149.0	-1.3	1.2	-1.1	-0.1	-0.3	3.9	2.9	-0.3	1.8	0.8
11	3.77	9.56	2.98	4.11	8.25	3.13	4.66	149.7	0.5	1.7	1.1	0.1	0.0	3.9	3.4	1.6	3.5	3.5
12	3.82	9.57	2.98	4.14	8.25	3.14	4.66	150.0	0.2	1.9	1.9	0.2	0.2	4.1	4.1	0.7	4.2	4.2

[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.

Deposit rate

(in annual percent)

End-of-period	Deposit rate								
	Current account				Deposits				
	Announced rate, highest & lowest		Weighted average rate		Demand deposits	Time deposit		Weighted average rate	
	Domestic currency	Foregn currency	Domestic currency	Foregn currency		Domestic currency 1 year	Foregn currency 1 year	Domestic currency	Foregn currency
1993 12	2.0				24-100	70-153	10-72		
1994 12	2.0				10-63.8	50-101.2	6-72		
1995 12	2.0				12.0-42.6	12.5-101.2	6.0-42.6		
1996 12	2.0				12.0-34.5	12.7-60.1	3.6-42.6		
1997 12	2.0				3.6-34.5	6.2-69.6	2.4-42.6		
1998 12	0.8-6.0	1.0-3.6			3.6-19.6	6.0-42.58	1.2-24.0		
1999 12	3.0-6.0	1.0-3.6			3.0-13.2	9.6-30.0	3.6-14.4		
2000 12	2.4-6.0	1.0-3.6			1.2-13.2	3.6-24.0	1.2-12.0		
2001 12	0.0-5.1	0.3-4.2			1.2-9.6	2.4-24.0	1.0-13.2		
2002 12	0.0-6.0	0.3-3.0			2.4-10.2	6.0-22.0	1.2-12.0		
2003 12	0.0-6.0	0.3-3.0			1,8-10.0	6.0-22.0	2.4-12.0		
2004 12	0.0-4.8	0.3-3.0			6.0-9.6	6.0-20.4	1.4-9.6		
2005 12	0.0-4.8	0.0-7.2			6.0-9.96	6.0-19.2	1.4-10.8		
2006 12	0.0-5.0	0.0-4.0			6.0-10.2	7.56-19.4	1.4-11.4		
2007 01	0.0-5.0	0.0-4.0			6.0-10.2	7.56-19.4	1.4-11.4		
02	0.0-5.0	0.0-4.0			6.0-10.2	7.56-19.4	1.4-11.4		
03	0.0-5.0	0.0-4.0			6.0-10.2	7.56-19.4	1.4-11.4		
04	0.0-5.0	0.0-4.0			6.0-10.2	7.56-19.4	1.4-11.4		
05	0.0-4.8	0.0-3.6			6.0-10.2	7.56-19.4	1.4-11.4		
06	0.0-4.8	0.0-3.6			6.0-10.2	7.56-19.4	1.4-11.5		
07	0.0-4.8	0.0-3.6			6.0-10.2	7.56-19.4	1.4-11.4		
08	0.0-4.8	0.0-3.6			6.0-10.2	7.56-19.4	1.2-11.4		
09	0.0-4.8	0.0-3.6			6.0-10.2	7.56-19.3	1.2-11.4		
10	0.0-4.8	0.0-3.6			6.0-10.2	7.56-19.3	1.2-11.4		
11	0.0-4.8	0.0-3.6			6.0-10.3	7.56-19.3	1.2-11.4		
12	0.0-4.8	0.0-3.6			6.0-10.3	7.56-19.3	1.2-11.4		
2008 01	0.0-4.8	0.0-3.6			6.0-10.0	7.56-19.2	1.2-19.2		
02	0.0-4.8	0.0-3.6			6.0-10.0	7.56-19.2	1.2-19.2		
03	0.0-7.2	0.0-3.6			6.0-10.0	2.4-19.2	1.2-19.3		
04	0.0-7.3	0.0-3.7			6.0-10.1	2.4-19.3	1.2-10.9		
05	0.0-7.3	0.0-3.7			6.0-10.1	2.4-19.3	1.2-10.9		
06	0.0-7.2	0.0-3.6			6.0-9.96	2.4-18.6	1.2-9.6		
07	0.0-7.2	0.0-3.6			6.0-9.96	2.4-18.6	1.2-11.4		
08	0.0-7.2	0.0-3.6			4.8-10.2	2.4-18.6	1.2-11.4		
09	0.0-7.2	0.0-3.6			0.2-10.2	2.4-18.6	1.2-10.2		
10	0.0-7.2	0.0-3.6			4.8-10.2	2.4-19.44	1.2-10.2		
11	0.0-7.2	0.0-3.6			4.8-10.1	2.4-19.44	1.2-14.5		
12	0.0-7.2	0.0-3.6	2.4	1.1	4.8-12.0	2.4-19.4	1.2-14.04	13.6	7.4
2009 01	0.0-7.2	0.0-4.2	2.3	1.1	4.8-12.0	2.4-19.44	1.4-14.04	13.6	6.9
02	0.0-7.2	0.0-4.2	2.2	1.2	4.8-12.0	2.4-19.4	1.4-15.6	13.4	7.2
03	0.0-5.4	0.0-4.2	2.4	1.1	4.8-12.0	2.4-19.4	1.4-14.04	13.5	6.3
04	0.0-5.4	0.0-3.6	2.1	1.0	4.8-12.0	2.4-19.44	1.4-14.04	13.6	6.2
05	0.0-7.2	0.0-7.2	2.1	1.1	4.8-12.0	2.4-19.4	1.4-14.04	13.2	7.2
06	0.0-7.3	0.0-7.3	2.2	1.1	4.8-12.1	2.4-19.5	1.4-14.05	13.2	7.0
07	0.0-7.3	0.0-7.3	2.3	1.3	4.8-12.1	2.4-19.5	1.4-14.05	13.1	6.8
08	0.0-7.2	0.0-7.2	2.4	1.0	4.8-12.0	2.4-19.44	1.4-14.04	13.2	7.0
09	0.0-7.2	0.0-7.2	2.5	1.1	4.8-12.0	2.4-19.6	1.4-14.04	13.2	7.0
10	0.0-7.2	0.0-7.2	2.5	1.2	3.6-12.0	2.4-19.2	1.2-14.04	13.2	6.3
11	0.0-7.2	0.0-7.2	2.6	1.3	3.6-12.0	2.4-19.2	1.2-14.04	13.2	6.8
12	0.0-7.2	0.0-7.2	2.6	1.8	3.6-12.0	2.4-19.2	1.2-14.04	12.9	6.4

Loan rate

(in percent)

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

Loan rate (continued)

(in percent)

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

Exchange rates on foreign exchange market

(Togrog against foreign currency)

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

Exchange rates on foreign exchange market (continued)

(Togrog against foreign currency)

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