



**THE BANK OF MONGOLIA**



**ANNUAL REPORT 2018**



## FOREWORD BY THE GOVERNOR



On behalf of the Bank of Mongolia, I extend my sincere greetings to you and am pleased to present the Bank of Mongolia's annual report. To demonstrate the central bank's transparency, accountability and responsibility, the report covers its actions and monetary policy operations in 2018, as well as marginal developments in the Mongolian economy.

In addition to overcoming the economic challenges successfully, 2018 marks a year of economic recovery and reforms in the banking and financial sector. The Bank of Mongolia successfully implemented monetary policy actions to fulfill its main objectives of stabilizing inflation around its target rate and stimulating economic recovery. As a result of policy actions to manage growth of money supply and credit, inflation measured by the Consumer Price Index (CPI) stood close to the target level and the preliminary estimates on economic growth reached 6.9 percent, which indicates continued acceleration and recovery in the last three years. Considering the favorable promote in overall economy, the Bank of Mongolia implemented measures to reduce bank lending rates and financial inclusion. As a result, weighted average lending rate of banks declined by 2.5 percentage points from previous year, reaching 16.9 percent at the end of 2018. Lower lending rates have supported issuance of business loans in domestic currency. Thus, growth of business loans picked up significantly from previous years and boosted domestic investment, employment and production.

In the past three years, the Bank of Mongolia undertook a wide range of reforms and has successfully fulfilled its mandate to ensure macroeconomic and financial stability. Particularly, banking and financial sector legislations were successfully reformed to validate and ensure the central bank independence. By amending the banking sector fundamental laws such as Law on Central Bank, banking law, and Banking sector stability law etc., the Bank of Mongolia was able to introduce best international practices regarding central bank governance and collective decision-making framework, and adopted a new function of macro prudential policy, which had significant implications for the financial sector. Overall, such legal reform in the banking sector would support the Bank of Mongolia's capacity to improve monetary policy effectiveness, to strengthen the banking sector, to support smooth operation of financial intermediation, to stabilize the economy and to prevent risk accumulation in the financial sector.

Starting 2018, the Bank of Mongolia is issuing its financial report in accordance with the International Financial Reporting Standard 9 and thus assured its credibility and accountability to the public. In addition, items in the Mongolian Treasury Fund were revalued in accordance with international standards for the first time and the fund was enriched with precious historical artifacts. In the reporting year, cumulative loss of the Bank of Mongolia declined by 1.2 trillion MNT. Moreover, the Bank of Mongolia established a legal framework for the national payment system, raised the maximum limit on the interbank transaction of small value to 3 million MNT, accelerated the speed of transaction by three times, and supported the system's continuity and reliability. In addition, first special license on transactions of non-cash payment was granted, marking the initial step in supporting development of Fintech industry in Mongolia.

The Bank of Mongolia increased its foreign reserves by 3.5 times over the last two years to 3.6 billion USD (to cover 8 months of import), by implementing effective monetary and exchange rate policies for macroeconomic stability and increasing its purchase of precious metals, which is the main domestic source of foreign exchange reserves. The Bank of Mongolia has purchased 22 tons of precious metal in 2018, which increased foreign reserves by 740 million USD. Such development in foreign reserves was one of the main factors that boosted confidence in the national currency – togrog, reduced sovereign risk and thus supported improvements in the country's credit rating. Consequently, as the macroeconomic condition stabilized, recovery in economic conditions and upgrade in the long-term issuer ratings made positive impact on the Government, Development Bank, Mongolian Mortgage Corporation and private sector's ability to attract funds from the international market. The Bank of Mongolia's policy decisions and measures are aimed at building external buffers and reducing economic vulnerability, while limiting excessive fluctuations in the exchange rate.

The 2018 reforms in the banking sector were aimed at maintaining financial stability, strengthening the financial system resilience, and improving banks' risk tolerance. In particular, the actions were focused on banks, reflecting the on Asset Quality Review results in banks' balance sheets, improving the legal and administrative framework for settling non-performing assets, and introducing a system for bank re-capitalization to support banking sector stability. Since strong banking sector is the basis for strong financial sector and is crucial for building strong economic fundamentals, the Bank of Mongolia shall proceed implementing the "Banking sector legal reform agenda" aimed at improving the banking sector's risk management, resilience and legal environment in accordance to the best international practice, in 2019.

The Bank of Mongolia is fully committed to the "Extended Fund Facility" program, a three-year extended arrangement jointly implemented by the Government of Mongolia and the International Monetary Fund. Under the extended arrangement, quantitative targets, such as ceiling on net domestic assets, floor on net foreign assets of the Central Bank etc., and previously agreed actions were reviewed. Successful completion of the program has strategic importance on our economic prospects. Particularly, the IMF and other donors' financial assistance would have significant implications on the medium-term external debt sustainability. Hence, the Bank of Mongolia shall remain committed to the successful completion of the program.

The Bank of Mongolia pays particular attention to disclose information on economic developments, policies and decisions, and its grounds to public for transparency purposes. In 2018, the Bank organized several forums and research sessions, including, "Economic Policy Forum", "Ulaanbaatar Consensus", "Strategy to Reduce Lending Rate", "Issues to Consider in Mongolia's Foreign Trade Policy", and "Global Environment: Considerations in Formulation and Implementation of Economic Policies" etc. Under the scope of its social responsibility and National Program on Financial Literacy, the Bank organized several regional meetings, campaigns and lectures in the capital city as well as in local regions. Furthermore, in line with best international practices, the Bank of Mongolia established the Economic Research and Training Institute in 2018.

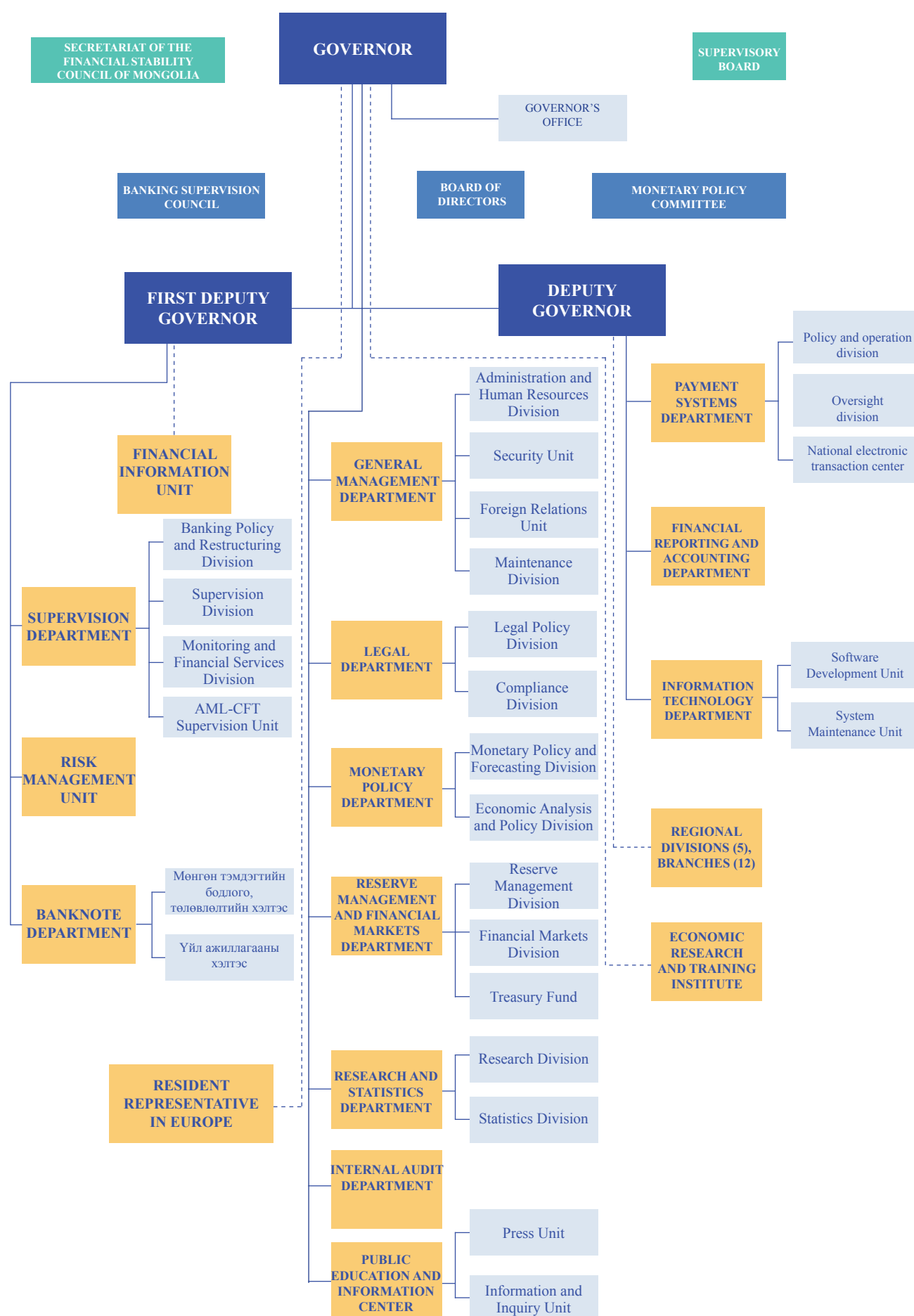
The Bank of Mongolia commits to implementing reforms and improvements that are deemed necessary to lay the basis for medium term economic and financial stability.

BAYARTSAIKHAN N.



GOVERNOR OF THE BANK OF MONGOLIA

# ORGANIZATIONAL CHART OF THE BANK OF MONGOLIA (2018)





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## 1.1 INFLATION

As stated in the Monetary Policy Guidelines, the Bank of Mongolia's objective is to stabilize annual CPI inflation around the target rate of 8 percent in 2018. Throughout the year inflation fluctuated around 6-7 percent nationwide, and reached 8.1 percent by the end of the year. In line with economic recovery, inflation has been increasing gradually since 2017. However, supply-side shocks created large fluctuations during certain months. (Figure 1).

Base effect of rising tax on imported automobiles in previous year and loss of harvest due to weather conditions kept inflation elevated until July 2018. In addition, impact of excise tax hikes on alcohol and tobacco<sup>1</sup> remains significant. Half of annual inflation in the second half of 2018 can be explained by rising prices of certain products, namely solid fuel, meat, and gasoline. For instance, change in prices of these items explain 5.4 percentage points of the year-end annual inflation in Ulaanbaatar.

Figure 1. Monthly and annual inflation, nationwide

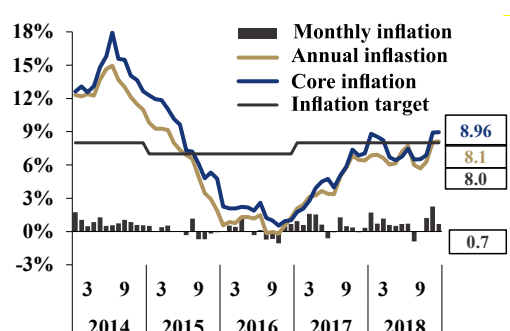


Table 1. Contribution to annual headline inflation, by main products

Product	Weight in CPI basket	Annual growth	Inflation contribution
<b>Solid fuel</b>	<b>0.03</b>	<b>64.6%</b>	<b>2.36%</b>
<b>Meat</b>	<b>0.10</b>	<b>22.5%</b>	<b>1.68%</b>
<b>Gasoline</b>	<b>0.06</b>	<b>24.8%</b>	<b>1.32%</b>
Clothing items	0.09	7.4%	0.63%
Pharmaceutical products	0.03	13.7%	0.52%
Alcoholic drinks	0.06	8.4%	0.46%
Total	0.37		6.97%

Source: The Bank of Mongolia, National Statistics Office

- According to its historical seasonal pattern, **price of solid fuel** usually increases from August to November, followed by a decline in December. However, in 2018, price of solid fuel increased from January to March and again from September to December, against its seasonal pattern, thus marked a growth of 64.6 percent y-o-y and accounted for 2.4 percentage points of the year-end annual inflation in Ulaanbaatar.
- According to its seasonal pattern, **prices of meat** usually decrease from mid-June and pick up from mid-December in a year. However, in 2018, prices of meat began to pick up starting October and thus accounted for 1.7 percentage points of the year-end annual inflation. Such discrepancy and significant change in its prices can be attributed to the fact that exporting volume of meat processed through thermal methods in 2018 was 8.3 times greater than previous year and at the same time rising cost of transportation was added to domestic price of meat, which increased by around 2000 MNT since the beginning of the year.
- Consistent with price hikes in the global oil market, domestic **price of gasoline** had been increasing in the latter half of 2018, marking a difference of 400 MNT from the beginning of the year. Although such fluctuation was creating significant pressure on headline inflation, its contribution subsided to 1.3 percentage points in December, followed by a 100 MNT decline in the price of AI-92 gasoline, which resulted in a 2.4 percent m-o-m decline in domestic prices of gasoline.

<sup>1</sup> In January 2018, excise tax on imported alcohol and tobacco were increased by 10 percent. It is expected to increase again by 5 percent in 2019.

## 1.2 REAL SECTOR

### *Real sector of the economy*

Economic recovery is sustained in 2018 and gross domestic product increased by 6.9 percent y-o-y. From the expenditure side, investment grew by 27.2 percent y-o-y, contributing 10 percentage points to economic growth. Such development can be attributed to improved sentiment in market participants and confidence of domestic and foreign investors, increased issuance of business loans by banks and expansion of foreign direct investments. Private consumption grew by 3.9 percent y-o-y, contributing 2.1 percentage points to economic growth. Improvements in the labor market, rising household income and over 40 percent y-o-y growth in consumer loans continued to support consumption. Contribution of government expenditure to economic growth on the other hand remained moderate at 0.1 percentage points, reflecting tighter control on the fiscal expenditure under the Extended Fund Facility (EFF) program. In particular, although tax revenue increased following economic recovery, 91.9 percent of planned budget expenditure was realized. Change in net exports pulled economic growth down by 5.4 percentage points. Although total exports expanded on the back of relatively high commodity prices and robust external demand and contributed 11.8 percentage points to economic growth, imports expanded rapidly mainly driven by imports of investment-related and consumer goods (Figure 2).

Figure 2. Real GDP growth  
/contributions of final demand components/

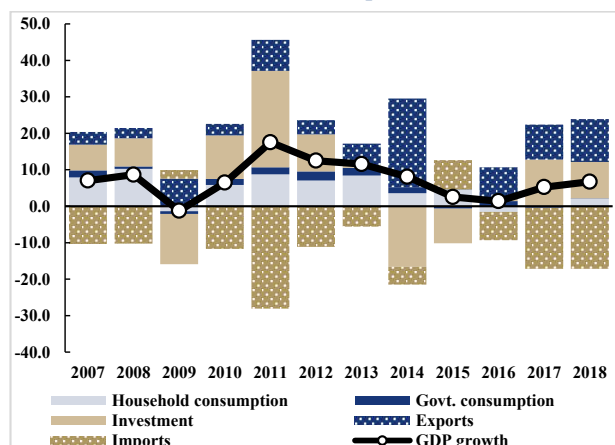
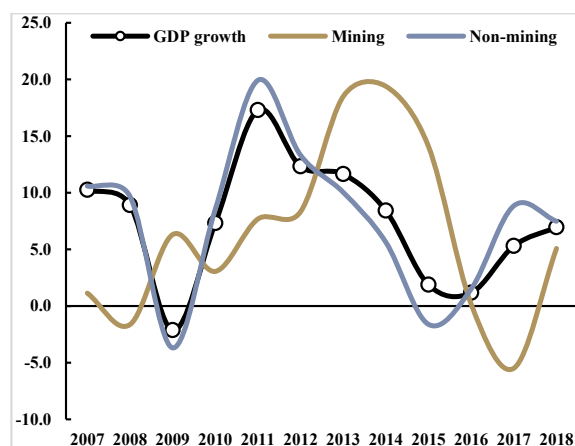


Figure 3. Real GDP growth  
/contributions of production sectors/



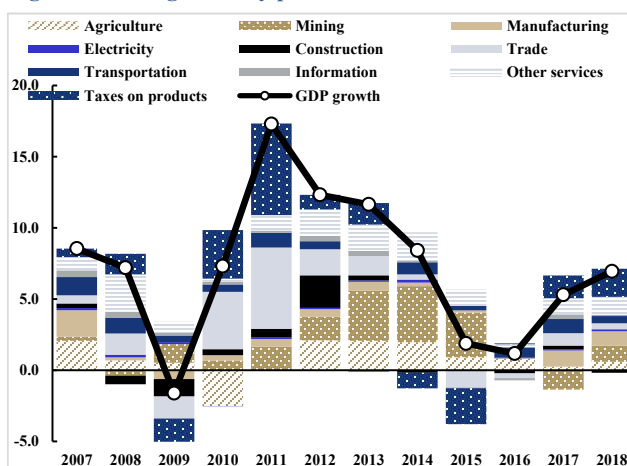
Source: National Statistics Office

Following contraction in 2018 and stagnation in the first 3 quarters of 2018, mining sector expanded in the 4<sup>th</sup> quarter. In the reporting year, mining sector expanded by 5.1 percent y-o-y, contributing 1.1 percentage points to economic growth. In particular, production of coal and gold made the largest contribution to growth in mining sector, while production of crude oil, iron ore and copper concentrates shrunk from previous year. Specifically, 50 million tons of coal (+6.2 percent y-o-y), 20.7 tons of gold (+4.1 percent y-o-y), 9.6 million tons of iron ore (-15.3 percent y-o-y) and 1.3 million tons of copper concentrates (-0.5 percent y-o-y) were extracted in 2018.

## Non-mining sector

Production in non-mining sector contributed 5.8 percentage points to economic growth (Figure 3). Within the non-mining sectors, production shrunk only in the construction sector, while production in manufacturing, financial and insurance services, agriculture and transportation sectors made the greatest contribution to economic growth.

Figure 4. GDP growth by production sectors



Source: National Statistics Office

- Owing to increased production of food items and non-ferrous items such as cement and other construction materials, manufacturing sector expanded by 15.7 percent y-o-y, contributing 1 percentage point to economic growth in 2018.
- Mainly due to expansion in household expenditures and increased financial intermediation, production in services sector expanded by 6.1 percent y-o-y and accounted for 1.3 percentage point of economic growth.
- As domestic consumption of meat increased and crop production recovered from previous year, agricultural sector expanded by 4.5 percent y-o-y, boosting economic growth by 0.6 percentage points.
- Transportation sector grew by 6.7 percent y-o-y and contributed 0.5 percentage points to economic growth. Such development can be attributed to improvements in foreign trade turnover.
- In line with recovery in economic activities, energy sector grew by 8.2 percent y-o-y, thus explains 0.1 percentage points of economic growth.
- Supported by improvements in household income and consumption, growth in information sector contributed an additional 0.1 percentage points to economic growth.
- Following recovery in economic activities, imports of investment-related and consumer goods surged, leading to greater tax revenue. Thus, expansion in net taxes reached 20.1 percent y-o-y and accounted for 2 percentage points of economic growth.
- However, as demand for residential real estate remained low and work on capital repair and maintenance declined, construction sector shrank by 5 percent y-o-y and cut economic growth by 0.2 percentage points.

Figure 5. Growth in agriculture and industrial sectors

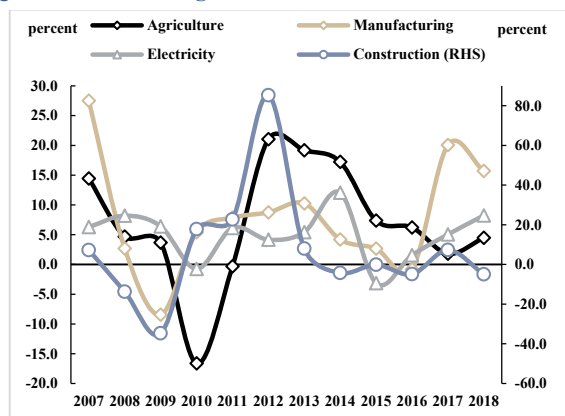
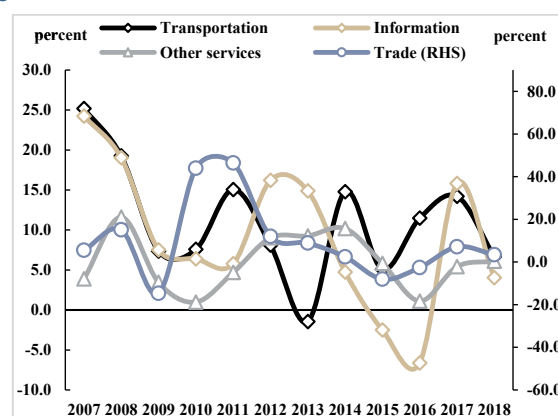


Figure 6. Growth in service sectors



Source: National Statistics Office

## Employment

Working-age population expanded by 0.3 percent y-o-y and reached 2,227 thousand as of 2018. Out of which, economically active and inactive population expanded by 0.1 and 0.6 percent y-o-y, reaching 1,359 and 868 thousand, respectively. As economically inactive population expanded rapidly relative to growth of economically active population, labor force participation rate declined by 0.1 percentage point from previous year, reaching 61.0 percent (Figure 7).

Within economically active population, number of persons employed increased by 1.2 percent y-o-y to reach 1,253 thousand, while total number of unemployed persons contracted by 11.3 percent y-o-y to reach 106 thousand in 2018. Unemployment rate reached 7.8 percent, which is a decline of 1.0 percentage point y-o-y (Figure 8).

Figure 7. Labor force participation rate

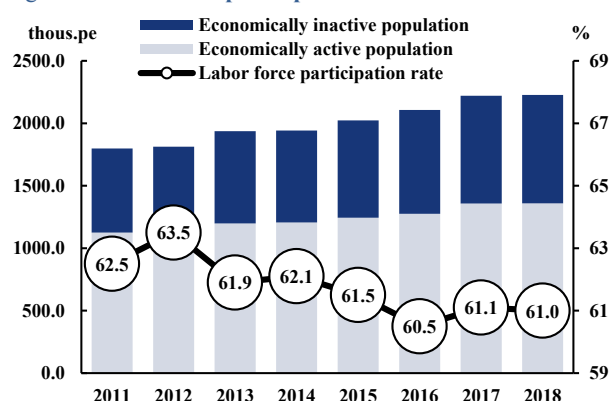
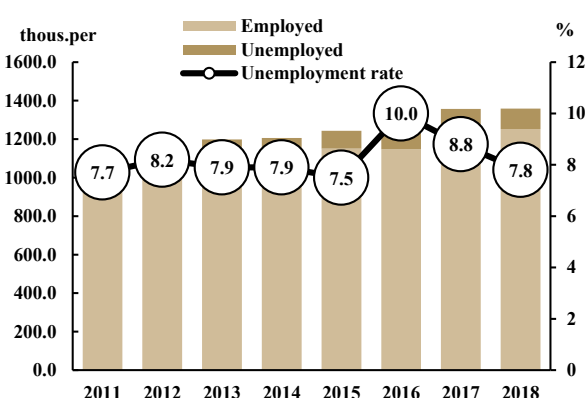


Figure 8. Unemployment rate



Source: National Statistics Office

In terms of production sectors, 450 thousand (35.9 percent of total) people were employed in services' sector, 334 thousand (26.7 percent) in agriculture sector, 258 thousand (20.6 percent) in manufacturing sector, and 211 thousand (16.9 percent) in trade sector as of 2018 (Figure 9). Particularly, employment in agriculture sector diminished by 6.3 percent y-o-y, while employment in more productive sectors such as manufacturing, trade and services' sectors grew by 8.5, 3.3 percent and 2.3 percent y-o-y, respectively.

With regards to employment status, 640 thousand (51.0 percent of total) were paid employees, 297 thousand (23.7 percent) were employed in animal husbandry, 252 thousand (20.1 percent) were self-employed, 45 thousand (3.6 percent) were unpaid household service workers and 18 thousand (1.5 percent) were employers (Figure 10). Particularly, number of paid employees and self-employed persons expanded by 3.7 and 1.7 percent y-o-y respectively, while number of those employed in animal husbandry contracted by 8.1 percent y-o-y.

Figure 9. Employment, by production sectors

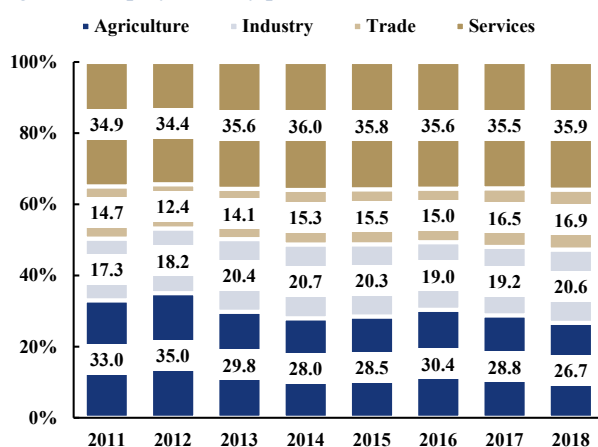
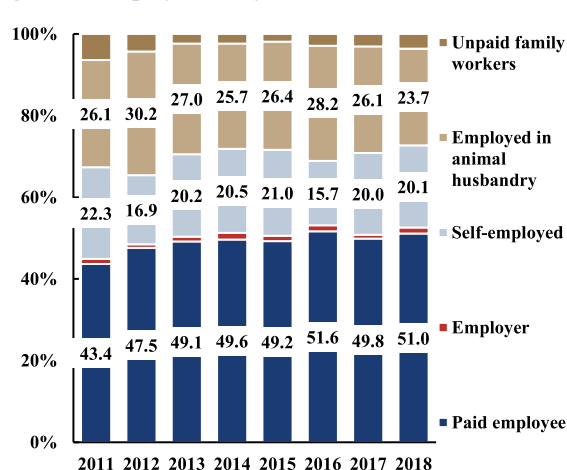


Figure 10. Employment, by status



Source: National Statistics Office

### 1.3 EXTERNAL BALANCES

#### Balance of Payment

In 2018, Mongolia's current and capital account recorded a deficit of 1,814 million USD, while financial account recorded a surplus of 1,801 million USD, and -127 million USD was recorded as errors and omissions. As a result, overall balance of payments reached a deficit of 141 million USD, which is a decrease of 1,601 million USD compared to 2017.

Figure 11. Balance of Payment (million USD)

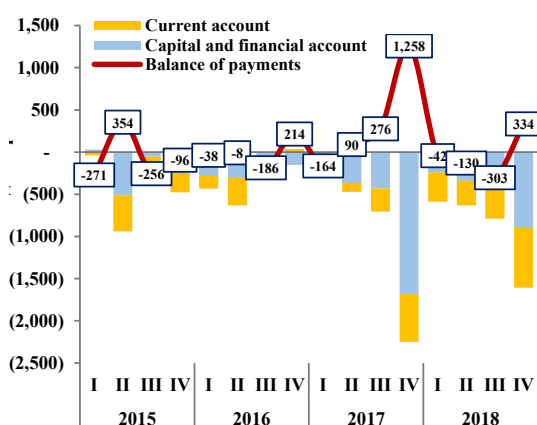
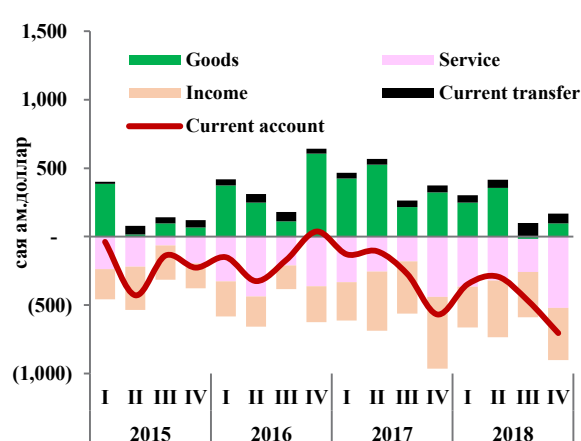


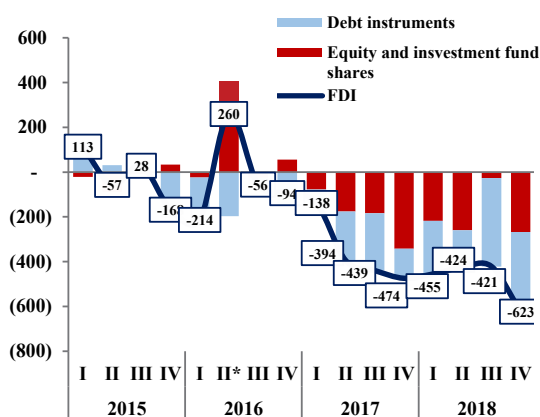
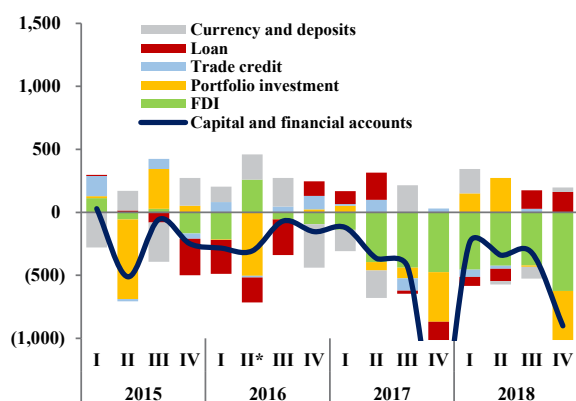
Figure 12. Composition of current account (million USD)



Source: The Bank of Mongolia

In 2018, deficit in current and capital account increased by 68 percent or 737 million USD from previous year. Such worsening can be mainly attributed to a decline of 54 percent or 804 million USD in surplus of goods account.

Figure 13. Composition of Capital and Financial accounts (million USD) Figure 14. Composition of FDI (million USD)



\* "Oyu Tolgoi" LLC issued commercial debt of 4.3 billion USD and paid 4.2 billion USD as investor loan in the 2<sup>nd</sup> quarter of 2016. The above figure does not show such transactions.

Source: The Bank of Mongolia

In 2018, surplus in financial account decreased by 31 percent or 799 million USD from previous year and reached 1,801 million USD. According to the interpretation of 6th edition of Balance of Payments manual, Mongolia issued net borrowing in the reporting year.

## Trade in goods<sup>2</sup>

Trade balance recorded a surplus of 1,137 million USD in 2018, which marks the fifth year in surplus.

Table 2. Foreign trade performance (million USD)

Category	2016	2017	2018	Change (18'/17')	
				Value	%
<b>Turnover</b>	<b>8,274</b>	<b>10,536</b>	<b>12,887</b>	<b>2,351</b>	<b>22%</b>
Export	4,916	6,201	7,012	811	13%
Import	3,358	4,335	5,875	1,540	36%
<b>Balance</b>	<b>1,558</b>	<b>1,865</b>	<b>1,137</b>	<b>-728</b>	

Source: Custom and taxation general administration

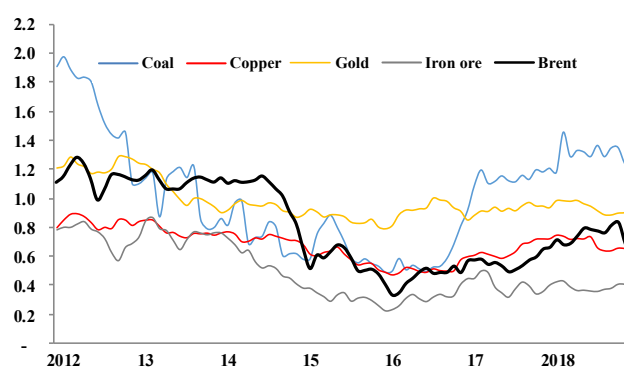
Despite a surplus of 1,137 million USD in 2018, the trade balance shrank by 39 percent or 728 million USD from previous year. Such shrink can be attributed to 36 percent increase in imports and 13 percent in exports. Total trade turnover increased by 22 percent or 2,351 million USD from previous year.

**Export:** In 2018, export increased by 13 percent or 811 million USD from previous year. Of which, 530 million USD can be explained by coal exports, owing to higher prices and greater volume.

**Gold price:** In 2018, gold price index decreased by 1 percent. Such decline can be attributed to lower demand for gold and appreciation of USD following the Fed's decision to raise its interest rate during its meeting in December.

**Copper price:** Price of refined copper at the London Metal Exchange decreased by 11 percent in the fourth quarter of 2018. Such worsening can be attributed to several factors such as the trade conflict between the United States and China, China's economic growth falling to 6.6 percent which is the lowest in the past 28 years, declining usage of metal in energy and construction sectors, conclusion of employment contracts for miners in Chile and increased supply of copper on the expectations of 18 new mines opening in Peru by 2021.

Figure 15. Commodity price index in global market (2011/1=1.0)



Source: Bloomberg

**Coking coal price:** Mongolia's coal and iron ore price indexes at the border rose rapidly in 2018 following Chinese authorities' decision to cut domestic coal production and increased production of steel. In addition, Mongolia's coal price index was supported by rising prices at the global market as economic growth slowed in developing economies. In particular, coal price at the border increased by 5 percent from previous year. Price of iron ore on the other hand increased by 10 percent from previous year.

**Crude oil price:** Although production in the US increased and the OPEC member countries reached a consensus, price of crude oil increased by 12 percent in 2018 due to potential disruptions to global oil supply. Major shocks to global supply chain can be attributed to uncertainty regarding the US sanction set on Iranian exports, continued decline in Venezuelan production and lower level of OPEC reserves.

<sup>2</sup> This statistics is based on the "International trade in goods statistics" from National Customs Agency and different from Balance of Payment statistics due to methodological approach.

Table 3. Export of goods (million USD)

Category	2017			2018			Change	
	Volume (unit)	Value	%	Volume (unit)	Value	%	Value	%
<b>1. Mining products</b>		<b>5,519</b>	<b>89%</b>		<b>6,200</b>	<b>88%</b>	<b>681</b>	<b>12%</b>
1.1. Copper ores and concentrates	1,447	1,613	26%	1,437	2,012	29%	399	25%
1.2. Coal	32,990	2,256	36%	35,758	2,786	40%	530	23%
1.3. Crude oil	7,514	374	6%	6,190	392	6%	18	5%
1.4. Iron ores and concentrates	6,258	310	5%	7,449	342	5%	32	10%
1.5. Non-monetary gold/kg/	14,548	595	10%	3,432	144	2%	(451)	-76%
1.6. Zinc ores and concentrates	118	181	3%	124	198	3%	17	9%
1.7. Fluorspar, leucite, nephile etc.	319	84	1%	555	190	3%	106	126%
1.8. Molybdenum ores and concentrates	6	37	1%	6	50	1%	13	34%
1.9. Tungsten ores and concentrates	1	8	0%	1	9	0%	1	9%
1.10. Silver/tonnes/	0	1	0%	0	1	0%	(0)	-24%
1.11. Other	440	58	1%	536	75	1%	17	
<b>2. Animal products</b>	<b>363</b>	<b>379</b>	<b>6%</b>	<b>412</b>	<b>477</b>	<b>7%</b>	<b>98</b>	<b>26%</b>
2.1. Live animals, meat	29	56	1%	41	87	1%	32	57%
2.2. Hide, skin and leather	306	23	0%	342	17	0%	(6)	-26%
2.3. Cashing	0	6	0%	1	9	0%	2	35%
2.4. Cashmere	8	262	4%	9	333	5%	70	27%
2.5. Wool, other hair	19	29	0%	15	28	0%	(1)	-3%
2.6. Other	1	2	0%	4	3	0%	1	33%
<b>3. Horticultural products</b>	<b>153</b>	<b>14</b>	<b>0%</b>	<b>56</b>	<b>15</b>	<b>0%</b>	<b>2</b>	<b>12%</b>
<b>4. Manufacturing goods</b>	<b>360</b>	<b>289</b>	<b>5%</b>	<b>234</b>	<b>319</b>	<b>5%</b>	<b>30</b>	<b>10%</b>
4.1. Food	19	77	1%	36	92	1%	14	19%
4.2. Cashmere goods	1	32	1%	1	35	0%	3	8%
4.3. Other apparel, footwear etc	3	16	0%	4	25	0%	9	x5
4.4. Mining products	35	110	2%	61	107	2%	(2)	-2%
4.5. Electronic goods	0	1	0%	0	3	0%	2	212%
4.6. Machinery, equipment and their parts	2	45	1%	3	52	1%	6	14%
4.7. Other	300	7	0%	129	5	0%	(2)	-25%
<b>5. Other</b>	<b>1</b>	<b>1</b>	<b>0%</b>	<b>1</b>	<b>1</b>	<b>0%</b>	<b>0</b>	<b>3%</b>
<b>Total</b>		<b>6,201</b>			<b>7,012</b>		<b>811</b>	<b>13%</b>

Source: Mongolian Customs and the Bank of Mongolia

**Import:** In 2018, import expenditures increased by 36 percent or 1,540 million USD, where:

- As activities in private firms recovered and foreign investments to Mongolian economy improved, imports of capital goods increased by 41 percent or 694 million USD. In particular, imports of machinery, equipment and parts increased by 40 percent, while imports of construction materials expanded by 47 percent.
- Imports of fuel items increased by 323 million USD, mainly due to rising oil prices in the global commodity market and greater investments in Mongolia.



Table 4. **Import of goods (million USD)**

Category	2017		2018		Change	
	Value	%	Value	%	Value	%
<b>Consumer goods</b>	<b>1,285</b>	<b>30%</b>	<b>1,643</b>	<b>28%</b>	<b>358</b>	<b>28%</b>
<b>Non-durables</b>	733	17%	864	15%	131	18%
Food	510	12%	596	10%	86	17%
Medical and pharmaceutical products	95	2%	119	2%	24	26%
Other non-durables	128	3%	149	3%	21	17%
Durables	553	13%	779	13%	226	41%
Clothing	64	1%	74	1%	10	16%
Household electrical appliances and furniture	94	2%	120	2%	27	28%
Passenger cars and parts	328	8%	499	9%	171	52%
Other durables	66	2%	85	1%	18	27%
<b>Capital goods</b>	<b>1,702</b>	<b>39%</b>	<b>2,396</b>	<b>41%</b>	<b>694</b>	<b>41%</b>
Machinery, equipment, supplies and vehicles	1,077	25%	1,512	26%	435	40%
Construction materials	441	10%	648	11%	207	47%
Other capital goods	183	4%	236	4%	53	29%
<b>Intermediate goods and industrial materials</b>	<b>552</b>	<b>13%</b>	<b>717</b>	<b>12%</b>	<b>165</b>	<b>30%</b>
<b>Fuels</b>	<b>789</b>	<b>18%</b>	<b>1,112</b>	<b>19%</b>	<b>323</b>	<b>41%</b>
Dissels	428	10%	577	10%	149	35%
Gasolines A92-95	211	5%	264	4%	53	25%
Gasolines A80 and other fuels	150	3%	272	5%	122	81%
<b>Other</b>	<b>7</b>	<b>0%</b>	<b>7</b>	<b>0%</b>	<b>(1)</b>	<b>-11%</b>
<b>Total</b>	<b>4,335</b>		<b>5,875</b>		<b>1,540</b>	<b>36%</b>

Source: Mongolian Customs and the Bank of Mongolia

Imports for consumer goods increased by 358 million USD from previous year, of which imports of food items and automobile and spare parts explain 86 and 171 million USD, respectively.

### Trade in services

In 2018, deficit in services account widened by 20 percent from previous year, reaching 1,449 million USD.

Deficit in service account was mostly affected by the following; deficit in tourism services increased by 88 percent or 258 million USD, increasing imports led to widening deficit of 51 percent or 428 million USD in transportation services. The Bank of Mongolia increased its statistical coverage by adopting a new survey in 2018, and it may have had significant impact on the jump in expenditure on tourism services.

Table 5. **Foreign trade in services (million USD)**

Service account	2016	2017	2018	Change (18'/17')	
				Value	%
1. Transportation	-176	-284	-428	145	51%
2. Travel	-166	-137	-258	121	88%
3. Construction services	-137	-218	-147	-72	-33%
4. Insurance services	-15	-20	-21	0	1%
5. Financial services	-205	-24	-62	38	159%
6. Royalties and license services	-23	-15	-15	0	0%
7. Communication, computer and information services	-69	-48	-76	28	58%
8. Other business services	-529	-435	-415	-20	-5%
13. Other services	-18	-31	-27	-4	-12%
<b>Total services</b>	<b>-1338</b>	<b>-1212</b>	<b>-1449</b>	<b>236</b>	<b>20%</b>

Source: The Bank of Mongolia,

### International investment position

Mongolia's net international investment position reached -33,374 million USD at the end of 2018, which is a 4 percent or 1,344 million USD expansion from previous year. Mongolia's total investment to abroad or net foreign assets stood at 6,204 million USD, of which 57 percent was in the form of foreign exchange reserve, 30 percent in other investment, 8 percent in direct investment, and remaining 5 percent in the form of portfolio investment.



On the other hand, total investment in Mongolia or net foreign liabilities stood at 39,578 million USD, of which 50 percent was in the form of other investment liabilities, 37 percent in foreign direct investment and the remaining 12 percent in portfolio investment. Out of total foreign direct investment to Mongolia, 54 percent or 10,759 million USD were made in the form of shareholders' investment on capital, while 46 percent or 9,197 million USD were stock of loans from parent companies, so called inter-company lending.

Table 6. **Mongolia's international investment position, at the end of 2018 /USD million/**

<b>A. Foreign assets</b>	<b>6,204</b>	<b>B. Foreign liabilities</b>	<b>39,578</b>
1. Direct investment abroad	521	1. Foreign direct investment in Mongolia	19,956
2. Portfolio investment	294	2. Portfolio investment	4,884
3. Financial derivatives	0	3. Financial derivatives	1
4. Other investment	1,846	4. Other investment	14,738
5. Reserve assets	3,542		
		<b>B. Position</b>	<b>-33,374</b>

Source: The Bank of Mongolia

Table 7. **Changes in international investment position /USD million/**

Annual change in the short-term foreign investment position can be explained by:

- Increased short position in foreign direct investment by 1,909 million USD,
- Decreased short position in other investment and portfolio investment by 78 and 1 million USD respectively.
- Expansion in other investment by 0.4 percent or 46 million USD.
- Expansion of foreign exchange reserves by 18 percent or 534 million USD.

Indicators	2016	2017	2018	Change (17/16')	
				Amt	%
Foreign direct investment	-15,822	-17,525	-19,434	1,909	11%
Portfolio investment	-3,351	-4,668	-4,590	-78	-2%
Financial derivatives	-15	0	-1	-1	-269%
Other investment	-11,458	-12,846	-12,892	46	0%
Foreign exchange	1,296	3,008	3,542	534	18%
<b>Total position</b>	<b>-29,350</b>	<b>-32,031</b>	<b>-33,374</b>	<b>1,344</b>	<b>4%</b>

Source: The Bank of Mongolia

## External debt

At the end of 2018, Mongolia's outstanding external debt reached 28,743 million USD, which is a 5 percent or 1,330 million USD higher level from previous year. Change in external debt stock can be mainly explained by the following factors:

- The Government's stock of external bond and notes and concessional loans decreased by 2 percent or 130 million USD.
- External debt of the Central Bank remained relatively stable, rising by 5 million USD due to increased balance of current and deposit accounts and use of the IMF loan program.
- Growth of external debt in the private sector can be explained by inter-company borrowing. Outstanding loan of entities operating in Mongolia increased by 21 percent or 1,624 million USD from previous year.

Table 8. **The Gross External Debt of Mongolia (USD million)**

Indicators	2016	2017	2018	Change (17/16')	
				Amt	%
Total external debt	24,625	27,413	28,743	1,330	5%
<b>I. Government</b>	4,869	7,317	7,183	-135	-2%
(Gov) GDP	41%	66%	55%	-10.5%	
<b>II. Central bank</b>	1,791	2,025	2,030	5	0%
<b>III. Deposit-taking corporations</b> (Other than Central bank)	2,417	2,309	2,220	-89	-4%
Short-term	469	411	757	346	84%
Long-term	1,948	1,898	1,463	-435	-23%
<b>IV. Other sector</b>	8,121	8,189	8,114	-76	-1%
Short-term	394	599	597	-2	0%
Long-term	7,727	7,591	7,517	-73	-1%
<b>V. Intercompany lending</b>	7,426	7,572	9,197	1,624	21%

Source: Ministry of Finance and the Bank of Mongolia.

Government external debt-to-GDP ratio had been stable around 29-41 percent during 2013-2016. Although it increased to 66 percent in 2017, it dropped to 55 percent by 2018. (According to the international standard, external debt of the Development Bank of Mongolia is classified under *other sector* category).

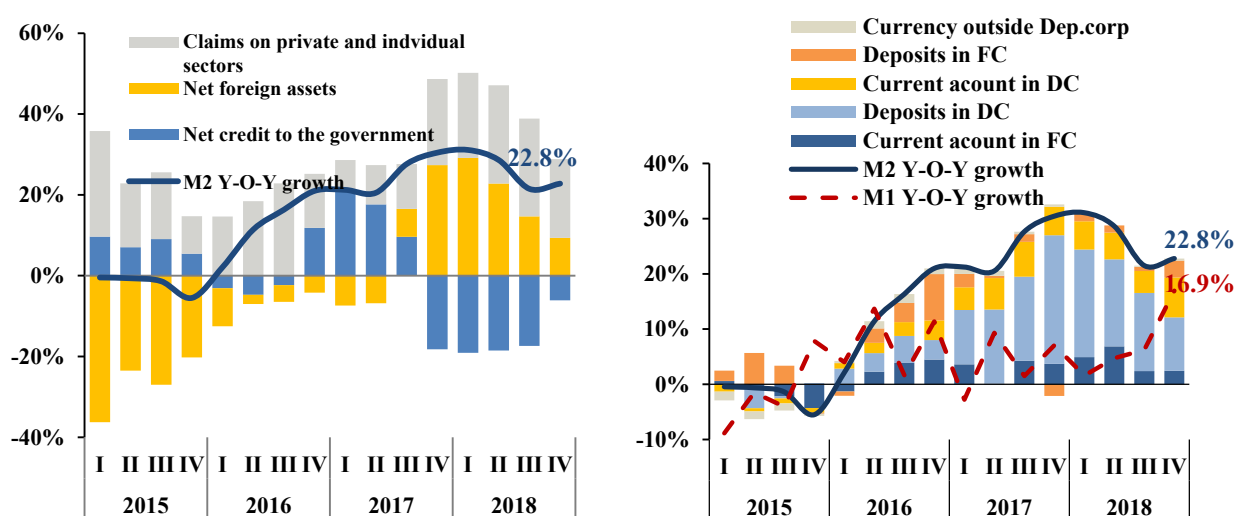
## 1.4 MONETARY AND FINANCIAL SECTOR

### Money and Credit indicators

Money supply (M2) expanded by 22.8 percent and reached 19.5 trillion MNT in 2018, as M1 money and balance of current accounts and deposits increased. Outstanding loans issued by depository corporations, including the balance transferred to Mongolian Mortgage Corporation, expanded by 24.3 percent and reached 20.1 trillion MNT by the end of 2018.

Within money supply, balance of individual deposits in domestic currency expanded by 1.9 trillion MNT. Balance of current account in domestic currency increased by 0.8 trillion MNT, deposits in foreign currency increased by 0.5 trillion MNT and currency outside depository corporations increased by 58.8 billion MNT.

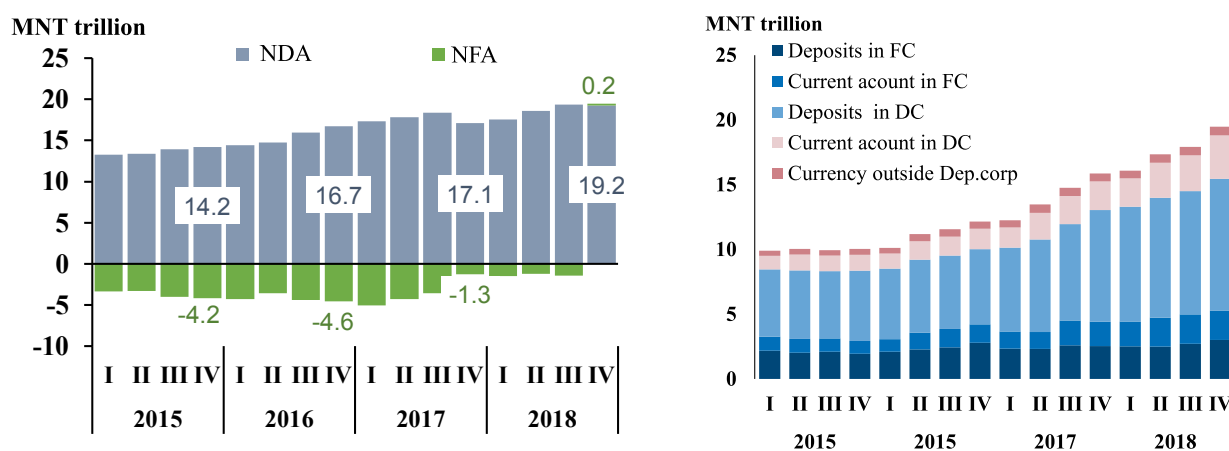
Figure 16. Contributions to annual growth of M2



Source: The Bank of Mongolia

Net domestic assets (NDA) increased by 12.4 percent y-o-y in 2018, and explains 98.8 percent of M2 money supply. Net foreign assets (NFA) increased by 1.2 times /118.5 percent/, which is an expansion of 1.5 trillion MNT from previous year. Growth of net foreign assets in the Central Bank's balance made significant contribution to such expansion in the NFA. Specifically, net international reserves increased by 17.7 percent and reached 3.5 billion USD.

Figure 17. The M2 money supply components: Assets and Liabilities



Source: The Bank of Mongolia

Outstanding loans issued by financial corporations<sup>3</sup> increased by 21.9 percent y-o-y in 2018, reaching 22.6 trillion MNT. A majority of such growth can be attributed to increased loans by depository corporations. Of the total outstanding loans issued by financial institutions 75.3 percent is held by depository corporations, while 12.9 and 11.8 percent are held by the Mongolian Mortgage Corporation and the Development Bank of Mongolia, respectively.

Figure 18. The annual growth rate of credit of financial institutions, by components

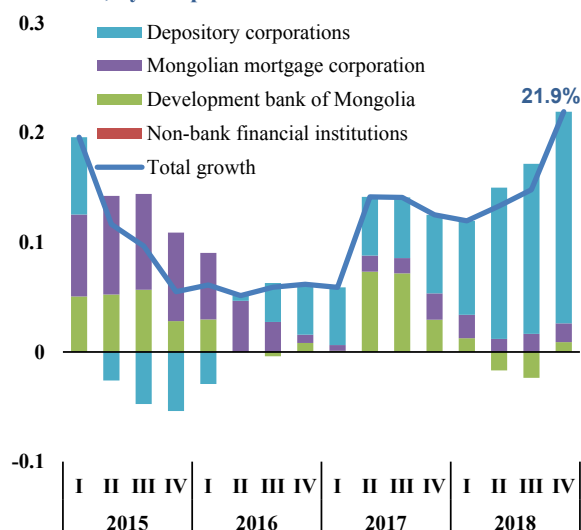
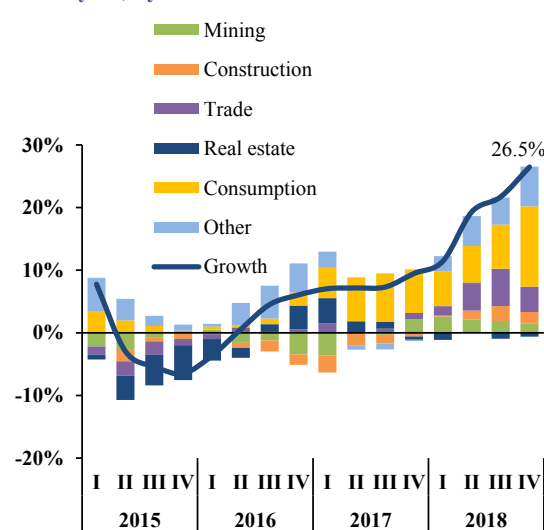


Figure 19. Annual growth of newly issued loans in a quarter and in a year, by sector



Source: The Bank of Mongolia

Total outstanding loans issued by banks increased by 26.5 percent and reached 17.1 trillion MNT by the end of 2018. By sectoral breakdown, consumption loans and loans issued for mining and construction sectors increased by 53.4, 19.7 and 19.5 percent, respectively. Meanwhile, loans issued for real estate activities decreased by 4.3 percent y-o-y. Of the total loans 84.0 percent was issued in domestic currency and 16.0 percent in foreign currency. Newly issued bank loans increased by 55.8 percent y-o-y in 2018. Of which, loans for consumption and trade sector constituted 20.4 and 14.8 percentage points, respectively.

Ratio of non-performing loans to total loans at banks increased by 1.9 percentage points and reached 10.4 percent at the end of 2018, while ratio of overdue loans to total loans decreased by 1.1 percentage points, reaching 4.9 percent.

### Banking sector

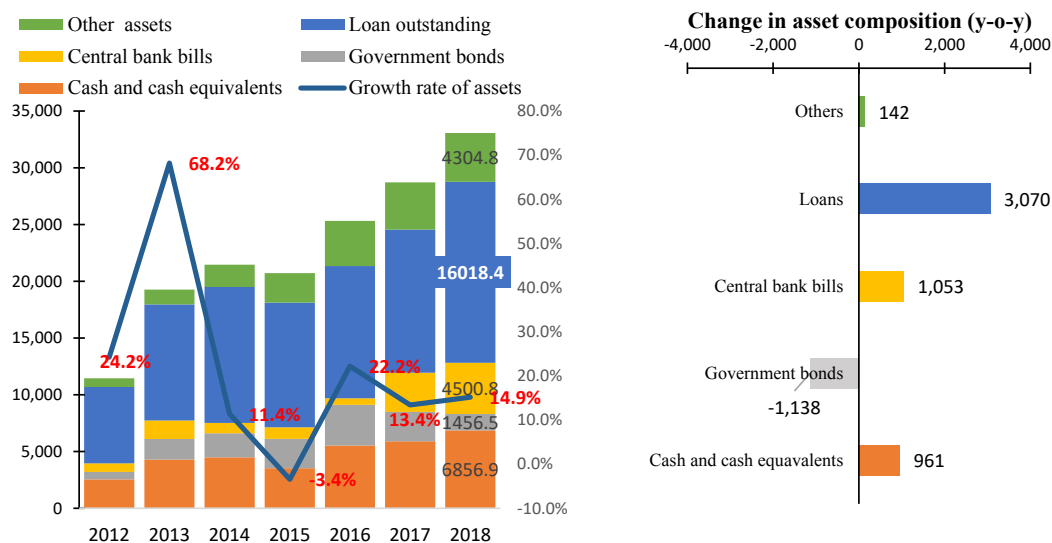
By the end of 2018, a total of 14 commercial banks were operating in the banking sector through their 1512 branches and units. Total number of depositors and borrowers reached 3.1 and 1.2 million, respectively.

### Assets

In terms of asset composition, 48.2 percent of the total banking sector was composed of loans, 20.7 percent was in the form of cash and cash equivalents, 13.6 percent was in Central Bank bills, 4.4 percent was in Government bonds and the remaining 13.0 percent was in other forms of other assets. By the end of 2018, the banking sector assets totaled 33.1 trillion MNT, which is an expansion of 14.9 percent or 4.3 trillion MNT from previous year. Such expansion can be mainly attributed to increase in loans and cash in the banking sector by 3.1 and 1.0 trillion MNT, respectively. The total amount of Government bonds and Central Bank bills have not changed significantly from previous year, as the government bonds declined by 1.1 trillion MNT while Central bank bills grew by 1.0 trillion MNT from previous year. (Figure 20)

<sup>3</sup> Financial corporations consist of banks, credit unions, MMC and non-bank financial institutions.

Figure 20. Composition of assets, growth (million MNT)



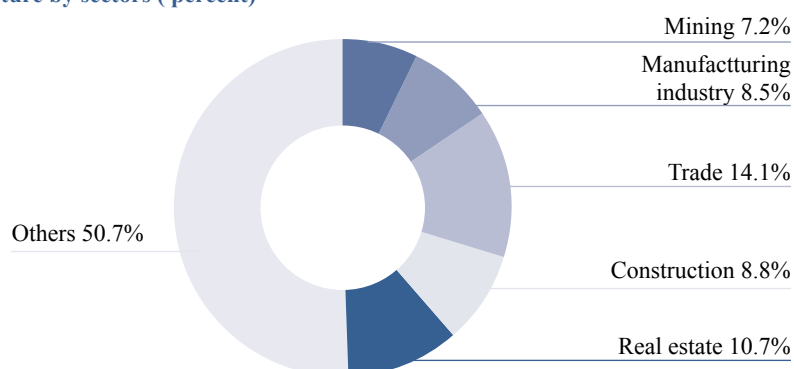
Source: The Bank of Mongolia  
 \*-Net of Loan loss provision

### Loan structure

Total amount of loans outstanding reached 17.1 trillion MNT at the end of 2018, up by 26.5 percent from previous year. Growth of household loans contributed 17.1 percentage points to total loan growth, while loans issued to private sector entities constituted 8.5 percentage points. Following the Bank of Mongolia's decision to limit consumer loans starting 2019, banks showed increased tendency to issue consumer loans in the fourth quarter of 2018. Consumer loans to households (excluding mortgage loans) constitutes 32.6 percent of total loans outstanding and contributed 13.9 percentage points to total loan growth. In addition, 44.8 percent of newly issued loans in 2018 were consumer loans and it shows that it is becoming increasingly common for households to finance their consumption through loans. Foreign and local currency denominated loans accounted for 16.0 and 84.0 percent of total loans, respectively.

In terms of loan structure, loans to wholesale and retail trade sector accounted for 16.2 percent of total loans, while 10.3 percent was issued for real estate sector, 8.7 percent for construction sector, 7.9 percent for manufacturing sector, and 6.6 percent for mining sector.

Figure 21. Loan structure by sectors ( percent)



Source: The Bank of Mongolia

## Quality of loan<sup>4</sup>

As for quality, 84.7 percent of total loans or 14.5 trillion MNT was classified as performing, 4.9 percent or 843.4 billion MNT as special-mention and 10.4 percent or 1.8 trillion MNT as non-performing. (Figure 22, 23). Outstanding balance of non-performing loans grew by 54.8 percent or 629.8 million MNT from previous year and non-performing loan ratio reached 10.4 percent, up by 1.9 percentage points. Volatilities in prices of commodities and foreign exchange rates created negative consequences for the domestic economy and business environment, thus weakened the quality of loans. In case of domestic factors, diminished flow of funds in main economic sectors, depreciation of national currency, credit concentration and poor risk management by banks explain the weak quality of loans.

Figure 22. Past-due loans (MNT million)

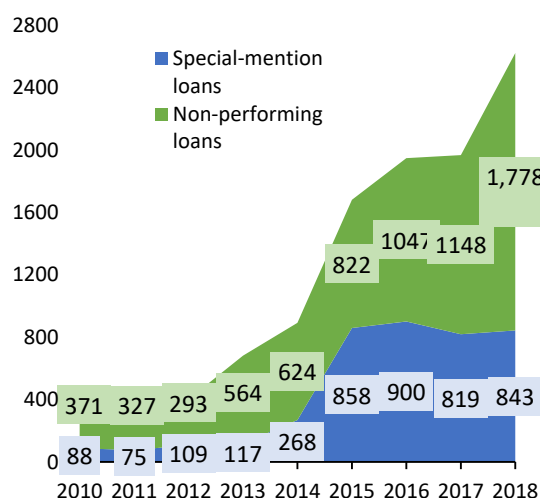
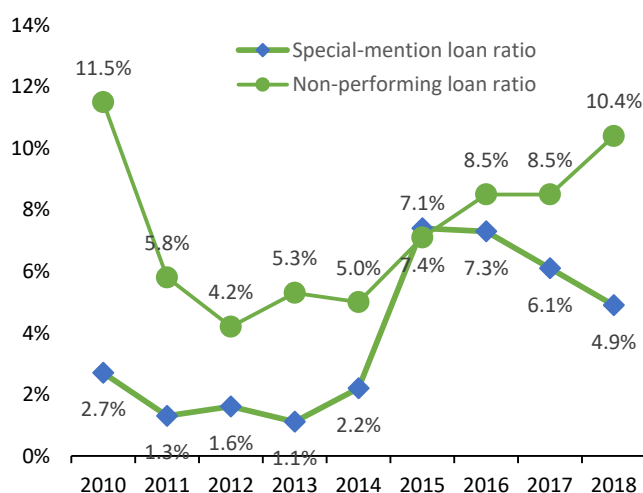


Figure 23. Non-performing and special-mention loan ratio (percent)



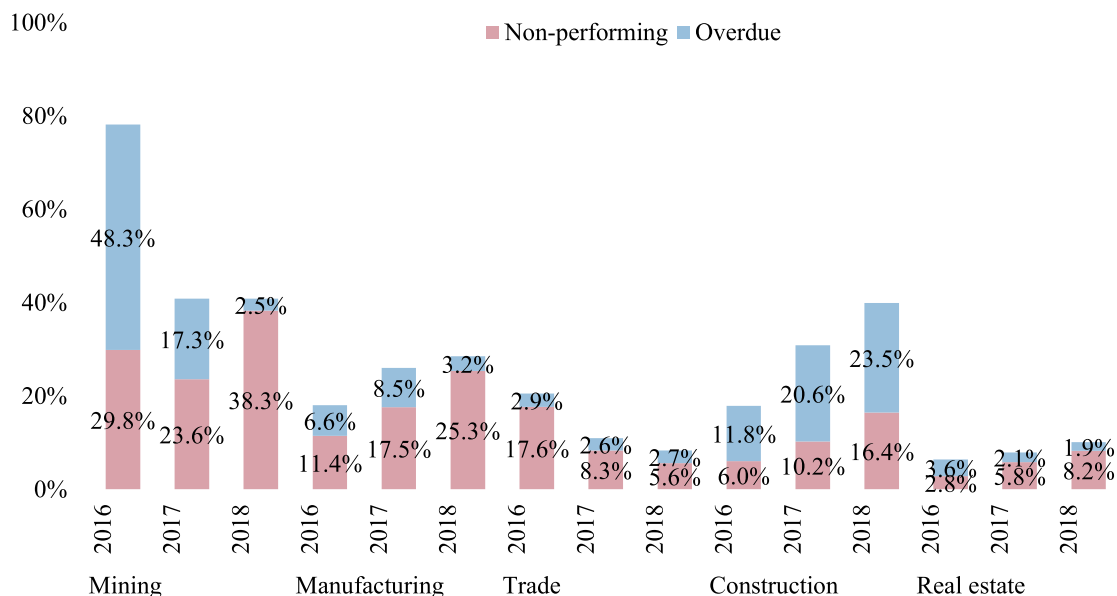
Source: The Bank of Mongolia

Regarding the structure of non-performing loans, ratio of non-performing corporate loans which accounted for 0.7 percent of total borrowers reached 19.1 percent and the amount of non-performing corporate loans constitutes 85.4 percent of total non-performing loan in the banking sector, whereas the quality of consumer loans was relatively good and share of non-performing loans in consumer loans was 2.8 percent.

Weakening in quality of loans can be mainly explained by deterioration in quality of loans issued to main economic sectors such as mining, manufacturing and construction sector, where non-performing loan ratios stand at 38.3, 25.3 and 16.4 percent respectively. In addition, share of special mention loans in construction sector reached 23.5 percent in 2018, which indicates a potential increase in share of non-performing loans in construction sector, in the short term.

<sup>4</sup> According to the regulation on bank asset classification, provisioning and its disbursements, loans are classified as performing, special mention, substandard, doubtful, and loss. Moreover, non-performing assets consist of substandard, doubtful and loss loans.

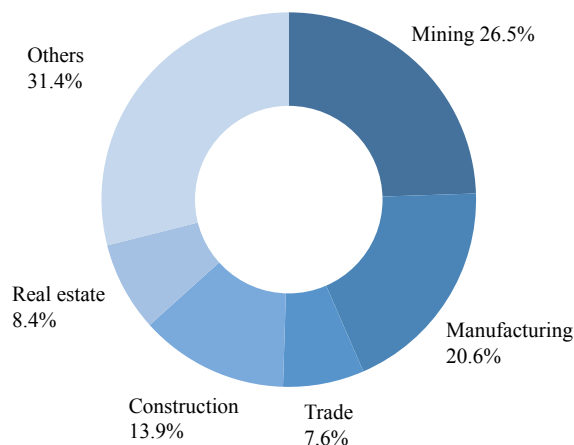
Figure 24. Indicators of loan quality, by economic sectors (percent)



Source: The Bank of Mongolia

When broken down by economic sectors, the mining sector accounted for 471.8 million MNT or 26.5 percent of total NPLs, manufacturing sector for 366.2 million MNT or 20.6 percent, trade sector for 247.0 million MNT or 13.9 percent, real estate sector for 149.3 million MNT or 8.4 percent and trade sector for 135.2 million MNT or 7.6 percent. In other words, total amount of non-performing loans in these six economic sectors reached 1363.9 million MNT and constitutes 77.0 percent of total NPLs in the banking sector.

Figure 25. Structure of NPLs, by economic sectors ( percent)



### Profitability

At the end of the reporting year, total loss of banking sector reached 97.7 million MNT. Main indicators of profitability, ROA (return on assets) and ROE (return on equity) were at -0.3 and -3.2 percent, respectively. Although net profit of the banking sector was positive in the first half of the year, its profitability was negatively affected by the result of Asset Quality Review, conducted under the EFF program of the IMF in the second half of the year. In particular, due to one-off provisioning to financial statements of banks, outstanding balance of loan loss provisions increased by 430.1 million MNT..

Figure 26. Total income and expenditure (million MNT)

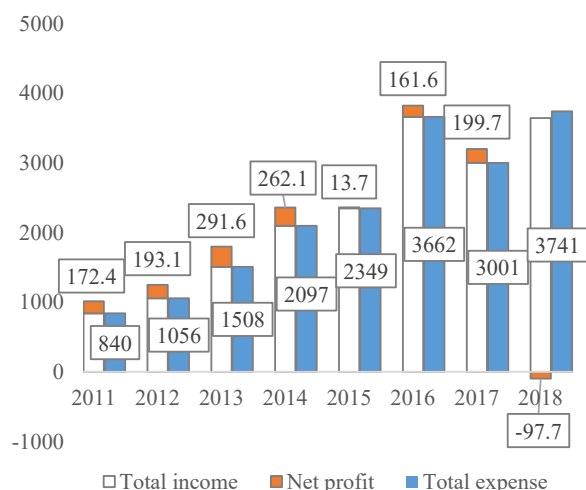
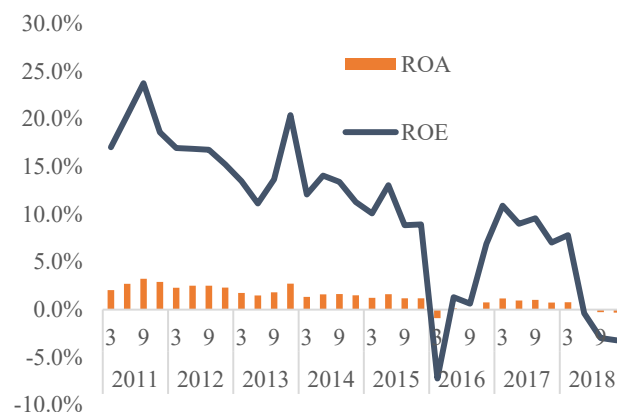


Figure 27. Return on assets and equity (percent)

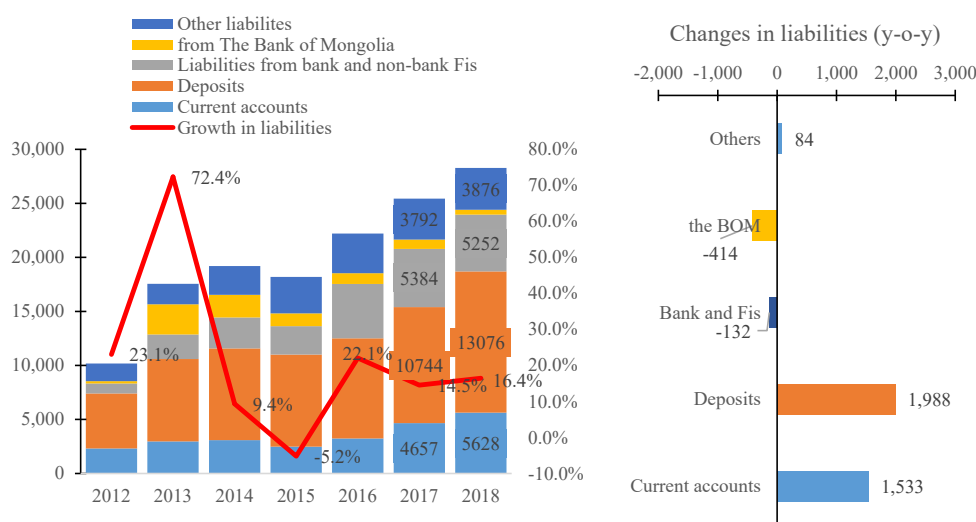


Source: The Bank of Mongolia

### Structure of liabilities and its growth

At the end of the reporting year, total liabilities of banking sector reached 29.6 trillion MNT, up by 16.4 percent or 4.2 trillion MNT from previous year. The outstanding balance of current accounts and deposits at banks increased by 3.6 trillion MNT and thus boosted growth of total liabilities. Although average interest rate on togrog and FX denominated deposits declined by 1.3 and 0.5 percent respectively, balance of deposits increased by 2.6 trillion MNT from previous year, reaching 13.1 trillion MNT at the end of the reporting year. In terms of the structure of deposits, 67.4 percent of total deposits were term deposits with maturity up to one year, while the remaining 32.6 percent were in the form of term deposits with longer maturities. Togrog denominated deposits accounted for 76.9 percent of total deposits or 10.1 trillion MNT, up by 17.5 percent, while FX denominated deposits accounted for 23.1 percent or 3.2 trillion MNT, which is an expansion of 28.3 percent y-o-y (when adjusted for exchange rate fluctuations, growth declines to 17.7 percent).

Figure 28. Structure of liabilities and growth



Source: The Bank of Mongolia

Deposits of individuals, private sector entities and state organizations which are considered as stable funding, accounted for 67.7 percent of total liabilities. Liabilities from banks and financial institutions stood at 17.7 percent, while other liabilities, including securities issued by banks, project financing funds and other types of liabilities constituted the remaining 14.6 percent. Compared to previous year, share of stable funding within total liabilities, improved by 7.1 percentage points.



## Indicators of capital adequacy and liquidity in the banking sector

As of the end of 2018, tier 1 capital adequacy ratio, a main indicator of banking sector's risk tolerance, stood at 12.8 percent and total capital adequacy ratio was at 16.6 percent. Such readings were 3.8 and 4.6 percentage points above the minimum requirements set by the Bank of Mongolia (Figure 29). In addition, liquidity ratio of the banking sector reached 40.9 percent, which is 15.9 percentage points above the 25 percent minimum regulatory requirement set by the Bank of Mongolia (Figure 30).

Figure 29. Capital adequacy ratio (percent)

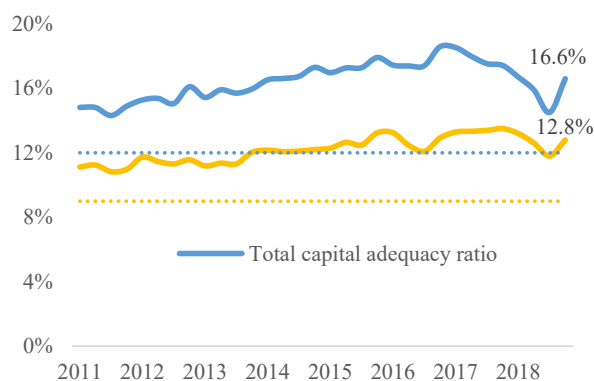
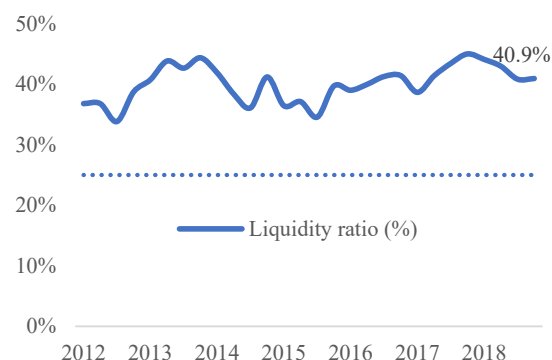


Figure 30. Liquidity ratio (percent)



Source: The Bank of Mongolia

In order to improve risk tolerance against the potential loss stemming from exchange rate volatility, the Bank of Mongolia requires that ratio of total net open positions to capital to be within +/- 40 percent range. This ratio was at -5.1 percent at the end of the reporting year.

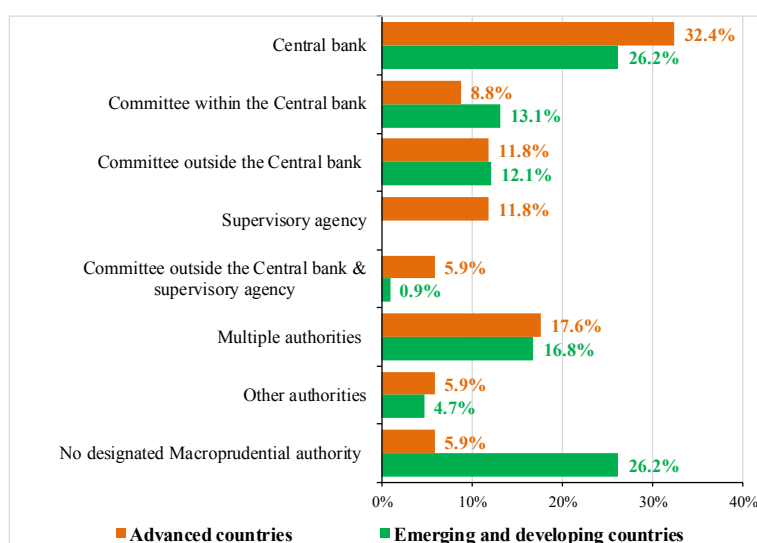
## Financial sector

The financial sector plays an important role in the development of the economy by moving funds from parties with excess capital to parties in need. However, risks identified in the financial sector can negatively affect the real economy and exacerbate the magnitude of shocks. One of the apparent examples of this phenomenon is the global financial crisis of 2008. The crisis increased awareness of the need for macroprudential policy to address stability of financial system and clearly showed that output and price stability were insufficient to ensure macroeconomic stability. As a result, globally the issue of financial stability received more attention, and consequently there has been growing trend of establishing macroprudential policy framework, reorganizing traditional institutions that are feasible, and increased commitment to design laws which reflect the mandate of financial stability. For instance, the IMF conducted a survey on macroprudential policies covering its member countries in 2018, and 111 of them responded to the part on macroprudential policy. Of which, 81 countries (73 percent) responded that they had authorities for macroprudential policies<sup>5</sup> (Figure 31).

<sup>5</sup> Within the countries that responded to the macroprudential policy sections, 94.1 percent of developed countries and 73.8 percent of emerging and developing countries attested to having a macroprudential policy institution with relevant authorities and mandates.



Figure 31. Authorities that implement macroprudential policies in countries around the world /percentage of respondents/



Source: “Annual Macroprudential Policy Survey-Objectives, Design, and Country Responses” IMF (2018).

Following international practices, the Law on Central Bank was amended by the Parliament of Mongolia on January 12, 2018, and hence it provided the Bank of Mongolia with a mandate to implement macroprudential policies. Consequently the Bank of Mongolia became responsible for formulating and implementing macroprudential policies in order to assess, identify as well as to reduce and prevent the risks that would negatively affect the stability of the banking and financial system, in addition to its traditional functions of regular supervision of banks and settlement of interbank transactions.

According to international practices, institutional framework of macroprudential policies can be in one of the three general models depending on where their mandates and functions are situated. These are:

- Model 1: Under this integrated model, macroprudential policy mandate and responsibility are assigned to the Central Bank and the Governor of the Central Bank or the Monetary Policy Committee (board/council) makes the policy decisions (e.g. Czech, Ireland, New Zealand, Singapore, Mongolia). Since the rights and responsibility of implementing macroprudential policies are centered at one institution, it has its advantage in terms of accountability and coordination among policies (monetary policy, micro and macro-prudential policy).
- Model 2: Implementing macroprudential policy is the mandate and responsibility of a dedicated committee at the Central Bank separate from the Monetary Policy Committee (e.g. the UK and Malaysia). This model can mitigate dual-mandate risk in central banks by creating a separation between the objectives and decision-making body for the monetary policy and macroprudential policy.
- Model 3: Macroprudential policy mandate is assigned to a committee or board outside the Central Bank and the Central Bank works as a member institution (e.g. Australia, France and USA). In this model, involvement of the Ministry of Finance is high, and it is advantageous when legal adjustments are required to enable the government intervention for systemic risk mitigation, to tackle the issue of policy coordination with fiscal policy, to introduce new instruments for macroprudential policy purposes and to expand policy applicability.

In structural terms, banks alone constitute about 95 percent of Mongolian financial system and the non-bank financial market is in its early stage of development. Although by the third quarter of 2018 there were 540 registered non-bank financial institutions, 288 savings and credit cooperatives, and 18 insurance companies, their numbers are increasing every year and scope of their activities are expanding. Yet they only make up a small percentage of the overall financial market in comparison to the banking sector (Table 9).

Table 9. Structure of the financial sector /billions MNT/

	Asset		Profit		Own assets	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
<b>2017</b>						
Bank	28,772	95.2%	249	74.2%	3,150	77.0%
NBFI	969	3.2%	67	19.9%	758	18.5%
Insurance	245	0.8%	13.2	3.9%	115	2.8%
MOCCU	153	0.5%	6	1.6%	15	0.4%
Securities participant	92	0.3%	1	0.3%	52	1.3%
<b>2018Q3</b>						
Bank	31,033	94.5%	42	30.7%	3,098	72.7%
NBFI	1,202	3.7%	74	53.6%	932	21.9%
Insurance	328	1.0%	14	10.5%	162	3.8%
MOCCU	192	0.6%	4	3.0%	15	0.4%
Securities participant	93	0.3%	3	2.2%	55	1.3%

Source: The Bank of Mongolia, Financial Regulatory Commission

Notes: \*Since information on professional participants in securities activities were not available for the third quarter of 2018, data from second quarter were used instead.

The Financial Stability Council (FSC) of Mongolia, whose primary responsibility is to discuss about detecting, monitoring and reducing systemic risks associated with ensuring the stability of the Mongolian financial system and to coordinate its members' activities, have met 32 times since 2010 and discussed 146 set of issues. During its regular meetings, the Council has discussed and made relevant decisions on some of the key issues in the macroeconomic and financial sectors. For instance, in 2018 the FSC jointly approved strategies and plans that would have significant implications on the stability and development of Mongolian financial sector, such as "2018 Action plan for implementing National program to develop Mongolia's financial market until 2025", "Monetary and capital markets development plan", "Resolution Strategy for Non-Performing Loans", "Strategy to reduce lending rate 2018-2023" as well as an action plan to implement this strategy which are being implemented by the relevant institutions.

In addition, within the objective to ensure the stability of the financial system and to increase confidence in the financial sector by deepening public understanding of the financial sector, delivering real-time financial information to the public in a timely manner, and forming realistic expectations, the FSC has been publishing "Financial Stability Report of Mongolia" since 2013 and currently 12 editions are published and made available to the public.

### Banking supervision

In the reporting year, within its objective to maintain stability in the banking sector, the Central Bank has conducted supervisory actions on banks in accordance with the banking regulation.

As banks' operations extend, supervisory actions on their operations need to be upgraded as well. In this regard, the Bank of Mongolia plans to develop a supervisory operation that includes risk-based instruments for identifying and assessing risk inherent in banking operation and supervision instruments aimed at improving control from bank customers. The plan is developed with the assistance of the IMF and its implementation is under process.

Considering the requirements set by the banking legislation and results of the Asset Quality Review implemented under the IMF program, the Bank of Mongolia took measures to ensure the fulfillment of the requirements by banks and undertook administrative measures stated in the law for banks that failed to meet the requirements.

In the reporting year, full scope and targeted examination were conducted according to the approved examination schedule, results of the examinations were presented at the Supervisory committee meetings, based on the results Governor resolutions were issued and regular monitoring on the implementation of the resolutions was conducted.

Within the scope of on-site examination on banks, the Bank of Mongolia examined financial condition, management, liquidity, profitability and accountability of banks. Based on the examination supervisory reports, the Bank of Mongolia took measures to correct breaches and deficiencies uncovered during the examinations in accordance with the banking regulation. The results of the examination were presented at the Supervisory committee meetings. Based on the results Governor resolutions were issued and regular monitoring on implementation of these resolutions were conducted.

Within the scope of off-site examination, financial condition and liquidity of banks were evaluated based on their financial statements and dynamic data on liquidity, profitability and asset quality. As a result, administrative measures were taken for banks that failed to meet requirements. Moreover, banks' business plan for 2018 were assessed.

Supervision department of the Bank of Mongolia has cooperated with the IMF and other international institutions to maintain financial stability and sustain economic growth. Moreover, joint examination with government institutions were conducted in accordance with the banking regulation and supervisors of Supervision department served as experts in civil and criminal cases at the request of law enforcing agencies.

### *Measures of Anti-Money Laundering and Combating Financing of Terrorism*

Based on the FATF's Technical Compliance and Effectiveness Assessment, FATF made a decision to include Mongolia in "Enhanced Follow-up" of the International Cooperation Review Group in July 2017.

In correspondence with Mongolia being included in the "Enhanced Follow-up" of the International Cooperation Review Group, the Bank of Mongolia has participated the Annual meeting of the Asia/Pacific Group on Money Laundering (APG) which was held in Kathmandu, Nepal on July 21-27 2018, to report the improvement of the legal and regulatory framework for money laundering and terrorist financing in accordance with the recommendation made by the FATF.

The Bank of Mongolia has developed an action plan for 2018 based on the recommendation given by APG, FATF. Therefore, Mongolia will be remaining in "Enhanced Follow-up" for a period of 1 year; the result will be discussed during the next annual meeting.

Within the scope of the program, the Bank of Mongolia conducted the following actions:

### *Law and regulatory reforms*

The Bank of Mongolia Supervision Department has made amendments to the Law on Combating Money Laundering and Financing of Terrorism in accordance with the FATF recommendation and received approval from Parliament of Mongolia on April 26, 2018. In association with the adoption of this law, the amendments have been made in line with some applicable laws such as Law on Infringements, Law on Infringement procedures and the Criminal Law.

In addition to the changes in law, the Bank of Mongolia has adopted seven new regulations. For instance, Preventive measures regulations on Combating Money Laundering and Terrorism Financing, Regulation of onsite supervision of the banks on Anti-Money Laundering and Combating the Financing of Terrorism and Proliferation Financing and Regulation of off-site supervision of the banks on Anti-Money Laundering and Combating the Financing of Terrorism and Proliferation financing.

In order to comply to the amendments of the Law, the new legal terms of "Proliferation Financing", Customer Due Diligence, Beneficial Ownership, Politically Exposed Persons has been adopted in the regulations mentioned above making them more accurate and consistent with international standards.

Table 10. Law and regulatory reforms.

№	The name of the legal document	Date	Number	Content
1	Law on Combating Money Laundering and Terrorism Financing	2018.04.16		Amendments to the Law on Combating Money Laundering and Financing of Terrorism have been approved in accordance with the FATF recommendation.
2	Guidelines for implementation of the AML/CFT risk-based approach.	2018.02.06	A-32	The guideline requires from banking and financial institutions to have internal control in order to identify, evaluate, monitor AML/CFT risks; to take measures mitigating these risks. The internal control shall be compliant with the general economic conditions of Mongolia and the AML/CFT national risk assessment and its activities.
3	Regulation of on-site supervision of the banks on anti-money laundering and combating the financing of terrorism and proliferation financing.	2018.11.27	A-293	This regulation outlines procedures relating to the onsite inspection based on the evaluation of AML/CFT and proliferation risk. The main purpose of onsite inspection is to assess effectiveness of compliance of AML/CFT law and related decision made or decrees by Government and Bank of Mongolia.
4	Regulation of off-site supervision of the banks on anti-money laundering and combating the financing of terrorism and proliferation	2018.11.27	A-293	This regulation outlines procedures relating to the offsite surveillance of compliance of AML/CFT Law and related Government's, Bank of Mongolia's decree and decisions; to assess proliferation risk, to identify scope, frequency, directions of onsite inspections.
5	Regulation on authorizing the changes of amount and structure of the banking capital	2019.01.15	A-18	With regards to the amendments in the law on AML/CFT, new terms and conditions are added to the requirements on additional licensing of banking operations.
6	Regulation on Banking Licensing	2019.01.15	A-18	With regards to the amendments in the law on AML/CFT, new terms and conditions are added to the requirements on granting a licensing to establish a bank.
7	Preventive measures regulations on combating money laundering and terrorism financing	2019.01.21	A-26	The operations and obligations on preventing, detecting and reporting AML/CFT activities by the reporting entities, stipulated in the law on AML/CFT, are specified.

Source: AML/CFT Supervision Unit, Supervision Department, Bank of Mongolia

In addition, the Bank of Mongolia has developed and published a guidance booklet on AML/CFT for responsible Bank of Mongolia officials, public officials, trainers and representatives of financial institutions who can use the booklet in accordance with the relevant laws and regulations.

### On-site examinations and actions taken

The Bank of Mongolia Supervision department conducted partial on-site examinations on AML/CFT activities of 14 commercial banks in 2018.

The on-site examinations of banks revealed several deficiencies in the areas of risk assessment techniques, customer due diligence process, its legal arrangements, identification of politically exposed people and their associates, and implementation of law on AML/CFT and relevant regulations, and a total of 7 banks have been issued the statements by state inspectors and were imposed penalties.

In addition, the total number of 41 assignments were directed at examined banks in order to correct their identified deficiencies and improve their operations. The implementation progress has been monitored by the bank.

Table 11. On-site examinations of AML/CFT activities conducted by AML/CFT Supervision Unit

Indicators	FY 2018
Partial on-site examinations	14
Acts and statements issued by state inspectors based on their examinations	3
Number of fines and penalties imposed	5
Assignments directed at banks following their examinations	41

Source: AML/CFT Supervision Unit, Supervision Department, Bank of Mongolia

During the on-site examinations, the instructions and guidance were given to the banks on how to sufficiently revise their internal rules and regulations on AML/CFT in accordance with FATF recommendations and how to ensure the implementation progress. Likewise, in order to evaluate the implementation of law and regulations on AML/CFT, the risk assessment was conducted at each bank based on their answers of 7 set of questionnaires and 6 set of data analysis.

Furthermore, in accordance with the joint inspection guidelines stated in the FATF recommendations, the collaboration of two regulatory states of the Bank of Mongolia and Financial Regulatory Commission has conducted on-site consolidated supervision in 46 financial conglomerates in January 2019 in order to identify their organizational structures and beneficial owners, and assess to the implementation of law on AML/CFT. As of it, the instructions and guidance were given accordingly and set to develop a plan for further actions based on the findings.

Around 30 hours of 4 training courses and lectures on AML/CFT were organized by the Bank of Mongolia Supervision Department, Banking and Finance Academy and other institutions.

Table 12. Seminars and workshops on AML/CFT organized by AML/CFT Supervision Unit

No	Contents	Date	Organizers	Number of Participants
1	AML/CFT	April 2018	Banking and Finance Academy	25
2	Developing regulations and guidelines on AML/CFT	May 2018	ADB, FRC, & FIU of BOM	90
3	Discussion of law on resolution of violations	May 2018	Nyambaatar.Kh, Member Parliament	-
4	AML/CFT	October 2018	BOM	44
5	Conference on Banking sector risk /De-risking/	October 2018	BOM	75
6	Compliance forum-2018	November 2018	Mongolian Bankers Association & Golomt bank	250

Source: AML/CFT Supervision Unit, Supervision Department, Bank of Mongolia

## 1.5 GENERAL GOVERNMENT BUDGET

### *Government finance*

Total budget revenue and grants reached 9,234.9 billion MNT, while total budget expenditure and net lending reached 9,222.9 billion MNT in 2018. As such, budget surplus amounted to 12 billion MNT, or 0.04 percent of the nominal GDP in 2018.

### *Budget revenue*

Budget revenue exceeded projections in 2018, rendering collection of structural revenue to stand at 125.6 percent of the amount approved by the Parliament. Tax and non-tax revenues took up 88.9 and 11.1 percent of total budget revenue and grants, respectively. Budget revenue increased by 27 percent y-o-y in 2018 (Table 13).

Table 13. **Budget revenue**

<i>billions of MNT</i>	2017 i.	2018 iii.Act.	2018/2017 iii.-i.	iii./i. (%)
Total revenue	<b>7922</b>	<b>10063</b>	<b>2140</b>	<b>127%</b>
Future heritage fund	358	621	263	174%
Stabilization fund	326	207	-119	64%
Structural revenue	7239	9235	1996	128%
Tax revenue	6303	8207	1904	130%
Taxes related to imports	1860	2628	768	141%
VAT on imported goods and services	1032	1412	380	137%
Customs duty	512	682	170	133%
Excise tax	316	534	218	169%
Income tax revenue	1610	2086	477	130%
Social security contributions	1314	1621	307	123%
Domestic goods and services tax	986	1056	71	107%
Refund of Sales tax	-147	-114	33	78%
Other tax revenue	679	929	250	137%
Non-tax revenue	936	1028	91	110%

Source: Ministry of Finance

**Budget expenditure and net lending**

Total budget expenditure and net lending stood at 91.9 percent of the amount stated in the approved budget. Current expenditure stood at 95.6 percent (short of 342.2 billion MNT from the approved amount) and capital expenditure stood at 78 percent (short of 453.4 billion MNT), while net lending stood at 92.5 percent of the amount approved in 2018 (short of 21.5 billion MNT).

Total expenditure increased by 2.7 percent (equal to 242 billion MNT) compared to previous year. The main contributors of growth in expenditure were subsidy and transfers as well as expenditures on goods and services, which expanded by 246.7 and 204.8 billion MNT, respectively. On the other hand, expenditure on interest payments, net lending and capital expenditure diminished by 109.1, 62.3 and 38.2 billion MNT respectively.

Table 14. **Budget expenditure**

<i>billions of MNT</i>	2017 i.	2018 iii.Actual	2018/2017 iii.-i.	iii./i. (%)
Total expenditure and net lending	<b>8981</b>	<b>9223</b>	<b>242</b>	<b>103%</b>
Primary expenditure	7825	8176	351	104%
Current expenditure excluding interest payment	5850	6301	452	108%
Capital expenditure	1646	1608	-38	98%
Net lending	329	267	-62	81%
Interest payments	1156	1047	-109	91%
Structural balance	-1742	12	1754	
% of GDP	-6.5%	0.0%		
Primary balance	-586	1059	1645	
% of GDP	-2.2%	3.5%		

Source: Ministry of Finance

**Sources for financing budget deficit**

Total amount of financing gap reached 2,703 billion MNT in 2018. Of which, 1768 and 667 billion MNT were spent on repayments of domestic and foreign bonds respectively, including “Chinggis” and “Dim Sum” bonds, while the remaining 280 billion MNT was spent on repayment of foreign loans.

Table 15. Financing gap and financing sources of budget deficit

billions of MNT	2017 i.	2018 iii.Act.	2018/2017 iii.-i.
Financing sources of budget deficit	<b>1742</b>	<b>-12</b>	<b>-1754</b>
Current account and deposits outstanding of the government held at the Central Bank	-1022	622	1644
Government bonds	207	-2435	-2641
Newly issued bonds	6589	0	-6589
Principal payments	-6383	-2435	3948
Government loans	1803	1568	-234
New loans	2237	1440	-798
Principal payments	-435	129	563
Transfers of Future heritage fund	160	100	-60
Accumulated stock of Stabilization fund	572	123	-449
Privatization of property	23	9	-13

Source: Ministry of Finance

A majority of the financing gap, 2,703 billion MNT, was financed by foreign loans of 1,440 billion MNT (of which, 475 billion MNT was in the form of EFF program loans and the remaining in project loans) and 622 billion MNT was drawn from the Government's current account and deposits held at the Central Bank. The remaining 630 billion MNT was financed by transfers and arrears of the Future Heritage Fund as well as accumulated stock in the Stabilization Fund.

Outstanding amount of government domestic bonds, which had amounted to 3,336 billion MNT by the end of 2017, was reduced to 1,568 billion MNT by the end of 2018, mainly due to government repayment of domestic bonds worth 1,768 billion MNT throughout 2018.



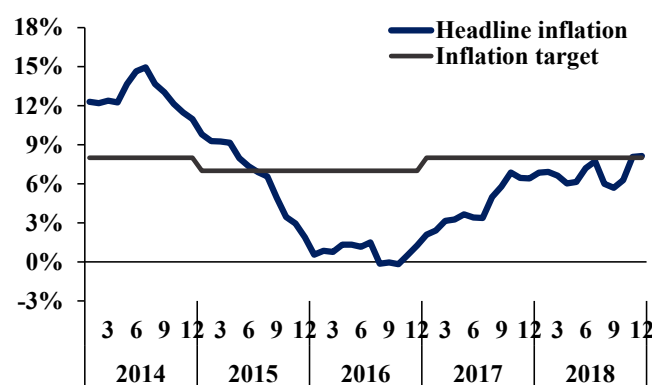


## 2.1 MONETARY POLICY OBJECTIVE, ACTIONS AND RESULT

*Using market oriented monetary policy instruments, inflation, measured by consumer price index, shall be stabilized around 8 percent during 2018-2020.*

Although CPI inflation had been fluctuating close to its target rate in the first 10 months of 2018, it increased towards the end of the year reaching 8.1 percent nationwide and 9.7 percent in Ulaanbaatar. More than half of it can be attributed to changes in prices of meat, gasoline and solid fuel. On the other hand, difference between headline and core inflation, which excludes the items with significant price fluctuations, had been low throughout 2018. At the end of the year, core inflation reached 8.96 percent.

Figure 1. Headline and core inflation



Due to supply related factors inflation accelerated in the first half of the reporting year. However, impact of supply factors were expected to recede in the upcoming period, while demand-pull inflation pressure was likely to increase following economic recovery. Regardless, headline inflation was forecasted to stabilize around the medium term target rate. In the second half of the reporting year however, China substantially increased its meat imports from Mongolia, on the back of swine flu outbreak, leading to an unanticipated spike in inflation. At the same time, price of solid fuel had risen in contrast to its seasonal factors, and change in domestic gasoline prices exceeded previous expectations. Such supply related factors were the main contributors of inflation, which exceeded its target rate in November and December.

The Monetary Policy Council met once in the first quarter of 2018 and the Monetary Policy Committee which was appointed by the Parliament, met 4 times in the remainder of 2018, taking monetary policy actions that switched from expansionary to contractionary. For instance, in the first quarter of the year, inflation was on average at 6.8 percent nationwide and 7.9 percent in Ulaanbaatar. At the moment, although demand-pull inflationary pressure was gradually building up following economic recovery, supply related one-time shocks to inflation were expected to recede, thus headline inflation was forecasted to stabilize around the target rate. Under such circumstances, in order to support economic activities without adding to inflationary pressure the Monetary Policy Council decided to reduce the policy rate by 1 percentage point and thus loosened the policy stance on March 26, 2018.

From a rate of 6.1 percent nationwide and 6.6 percent in Ulaanbaatar by May of 2018, headline inflation declined to 6 percent nationwide and 6.4 percent in Ulaanbaatar by August. Supply related factors were expected to shrink following its seasonal trend and inflation was forecasted to stabilize around its target rate

at the end of the year. However, uncertainties in the external sector and risks of declining export prices and outflow of foreign capital were building up. Considering such uncertainties the Monetary Policy Committee, appointed by the parliament, decided to keep the policy rate unchanged during its meeting in June and September. On the other hand, consumer loans had been surging in throughout the past year and growth of business loans had slumped, leading to excessive domestic demand fueled by consumer loans and thus posed risk to the balance of payments, banking sector stability and household debt burden. Under such circumstance, although the Monetary Policy Committee decided not to change the policy rate, it took macroprudential policy actions to limit consumer loans, and thus support business loans and a gradual recovery of the economy. The macroprudential measures were to come to effect starting January 1, 2019.

In the last quarter of the reporting year, although demand-pull pressure on inflation had been increasing gradually, inflation was accelerating due to spikes in prices of meat, solid fuel and gasoline. The Monetary Policy Committee held an unscheduled meeting on November 27, to discuss the inflationary factors, inflation target, approved government budget for the year 2019 and uncertainties in the external sector. Although the one-time supply related factors of inflation were expected to recede in the upcoming months, according to the approved budget, budget deficit was likely to fuel domestic demand and uncertainties in the external sector was hinting towards lower external demand. Since risk of imbalance in the external and domestic condition was building up and the medium term sustainable economic growth was at risk, the Committee decided to raise the policy rate by 1 percentage points and thus tightened the policy stance.

For the upcoming periods, demand-pull pressure and secondary effect of supply factors were estimated to be relatively lower. Thus, on December 14, the Committee decided to keep the policy rate unchanged.

**The exchange rate shall fluctuate consistent with the macroeconomic fundamentals, in line with floating exchange rate regime.**

The Bank of Mongolia maintained its principle of keeping exchange rate consistent with the macroeconomic fundamentals and pursuing a floating exchange rate regime. The Bank of Mongolia intervened in the domestic foreign exchange (FX) market only when it was necessary to mitigate significant fluctuations in short terms.

In the first half of the year exchange rate fluctuations were subdued as macroeconomic indicators of Mongolia improved, implementation progress of the IMF program was well, the Government refinanced the payment of Chinggis bond (500 million USD) by Gerege bond (800 million USD) in January, 2018 and the preliminary projections of FX inflow through foreign direct investments improved since the beginning of the year.

However, in the second half of the year due to surge in economic recovery, demand for foreign exchange increased and led to a depreciation of 8.9 percent in MNT exchange rate against USD and 2.8 percent against the basket of 22 other major currencies. The MNT exchange rate depreciation can be mainly explained by the following external and internal factors:

In 2018, the Federal Reserve Bank increased their policy rate four times totaling 2.5 percent and reached its peak level since the Global financial crisis. Therefore, yield on USD increased and capital flow to developed countries from emerging markets expanded, pushing USD to appreciate against other currencies.

Following economic recovery, total loan increased by 24 percent and total imports amounted to 5.9 billion USD or increased by 36 percent from previous year, thus resulted in greater demand for FX.

In addition, capacity of Gashuun Sukhait port where half of Mongolia's coal exports passes through has been cut short in November and news regarding Chinese authorities' decision to limit coking coal imports led to an expectation of exchange rate depreciation<sup>1</sup>.

Due to the above-mentioned reasons, the Bank of Mongolia increased its FX intervention in order to stabilize sharp fluctuations in the USDMNT rate in the second half of 2018 and to meet the crucial demand in the FX market. The Bank of Mongolia intervened in the domestic FX market by selling 1015.6 million USD through 103 FX auctions and 211.8 million USD through Online Platform for Interbank Foreign Exchange Trading in 2018.

<sup>1</sup> In November and December of 2018, banks' monthly average request to purchase foreign currency through FX auctions from the Bank of Mongolia was 3.9 times higher than the monthly average in the first 10 months, reaching 950 million USD a month.

A total of 803.6 million USD was purchased from the Ministry of Finance and major exporters, to fulfill the quantitative target set on the Bank of Mongolia under the EFF program, to maintain foreign exchange reserves at an adequate level which is a target stated in the “Economic Recovery Program” and “Strategy to Reduce Lending Rate”, and to attract foreign and domestic sources for foreign reserves. At the same time, The Bank of Mongolia established long-term swap agreements with banks to minimize exchange rate risk of banks and their customers; to promote getting external funding and to limit dollarization and growth of FX loans. In particular, 608.4 million USD of long-term swaps and 315.0 million USD of foreign currency deposits were made with the banks in 2018.

At the end of 2018, the MNT’s reference rate against USD had reached 2443.69 or depreciated by 8.92 percent. During the reporting period, average daily volatility of exchange rate was 0.03 percent, whereas the highest daily appreciation and depreciation rates were 0.21 percent (5.05 MNT) and 0.61 percent (14.69 MNT) respectively. Moreover, 99 percent of the exchange rate fluctuation was within the band of  $\pm 0.3$  percent. The average daily volatility of exchange rate increased by 0.04 percentage points compared to 2017 and decreased by 0.06 points compared to 2016.

Figure 2. Volatility in the Bank of Mongolia reference rate (by MNT)

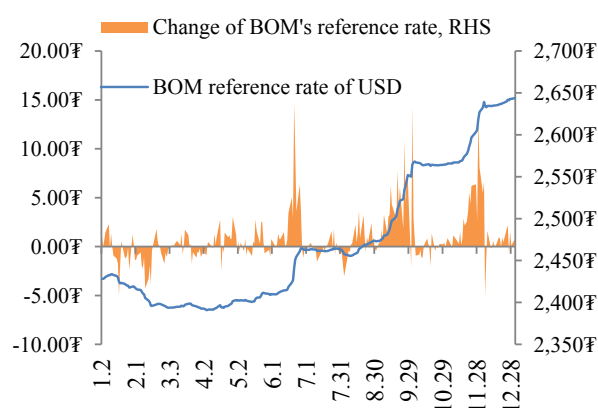
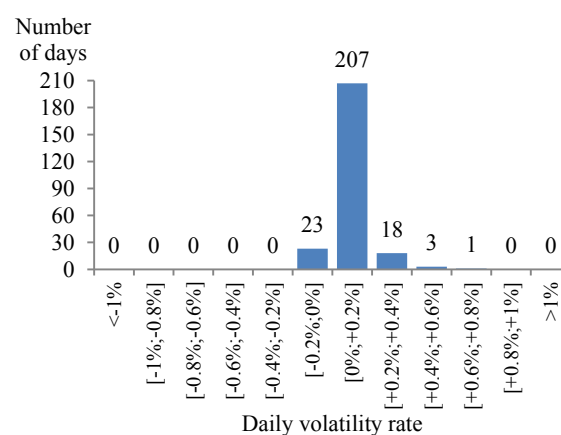


Figure 3. Histogram of daily fluctuations in exchange rate of MNT against USD



Source: The Bank of Mongolia

## 2.2 IMPLEMENTATION OF POLICIES TO SUSTAIN BANKING SECTOR STABILITY

In the reporting year, the Bank of Mongolia has taken variety of measures focused on maintaining soundness of the banking sector as well as improving bank resilience. In particular, the Bank of Mongolia drafted the Law on Bank Recapitalization, which was ratified by the Parliament on June 22, 2018. The law aims to ensure financial sector stability, protect customers’ and depositors’ assets by enabling the government to recapitalize a bank. Relevant regulations are currently being drafted. To ensure proper recapitalization, the government would step in to assist a viable systematically important bank only after they internalize their losses and exhaust all options to raise fresh capital. In addition, the legislation clearly defines an exit strategy to ensure minimum costs for taxpayers in the shortest possible timeframe.

The Parliament also amended the Banking law on January 18, 2018. The amendment empowered the Bank of Mongolia to establish a Resolution Fund (RF) to finance orderly resolution of failing banks with minimal disruption to the banking system and the real economy. The RF is composed of contributions from banks and will be gradually built up depending on economic conditions and banks’ soundness. Today, the Bank of Mongolia is working on administrative rules and regulations for the RF. In addition, the Banking law amendment allows authorities to convert debts into equity under a bank-resolution, known as bail-in. Forcing creditors to share the burden would eliminate some of the risks for taxpayers.

Prior to the Banking law amendment, bank resolution actions were limited to only conservatorship and receivership. However, with the amendment, they are now expanded to include measures such as early intervention, provisional administration, resolution, and liquidation with a range of policy options including resolution plan, P&A, bail-in, special purpose bank, resolution fund, etc. The Bank of Mongolia is mindful that every stage of the bank resolution framework must be clearly and effectively regulated. With the IMF's technical assistance, international best practices and the past experiences, the Bank of Mongolia has adopted regulations on provisional administration, resolution and liquidation in the reporting year.

Deposit insurance framework is the integral part of the financial system safety net. As a continuation to the financial system legal reform, the Parliament amended the Deposit insurance law on February 8, 2018. The amendment widens the role of Deposit Insurance Corporation with financial assistance framework in the event of a bank resolution. It is to ensure smooth transfer of bank activities and insured deposits. Moreover, the Deposit Insurance Corporation became a permanent member of the Financial Stability Council of Mongolia.

To address buildup of non-performing loans, the Bank of Mongolia has continued to work for a better NPL resolution framework. Firstly, with a close cooperation with the Asian Development Bank, the Bank of Mongolia has been working to establish Asset Management Company (AMC) since 2017. The goal of AMC is to maintain financial stability through efficient disposal of non-performing loans. To provide AMC with adequate legal environment, a joint working group consisting of the Bank of Mongolia, the Ministry of Finance, and Financial Regulatory Commission had drafted an AMC law and submitted to the Parliament. The draft law envisions a private sector dominated AMC with extended judicial power enabling it to purchase bad assets from banks and resolve them through various means.

Secondly, with positive feedback effects between the banking system and the real economy in mind, the Bank of Mongolia prepared the NPL loan resolution strategy for the following 3 years. It was approved by the Financial Stability Board on June 12, 2018 and aims for a systemwide NPL ratio of 4-5 percent by 2021 and 2-3 percent by 2023. To accelerate NPL resolution process, it also calls for significant improvement of judicial enforcement and overhaul of the tax and bankruptcy legal and regulatory environment. In this regard, the Bank of Mongolia works closely with the relevant authorities.

In the reporting year, the Bank of Mongolia has continued its endeavor to implement comprehensive strategy to rehabilitate the banking sector and improve the supervisory and regulatory framework. Most notably, a transition to risk-based supervision is underway and comprehensively structured, yet flexible system for early intervention is being designed. As a result, the Bank of Mongolia will be able to assess the degree of risk within banks' operation and prioritize policies toward the resolution of those risks without legal and operational hindrance. Furthermore, its ability to orderly wind-down a bank without inflicting damage on the real economy and causing financial instability, will be improved.

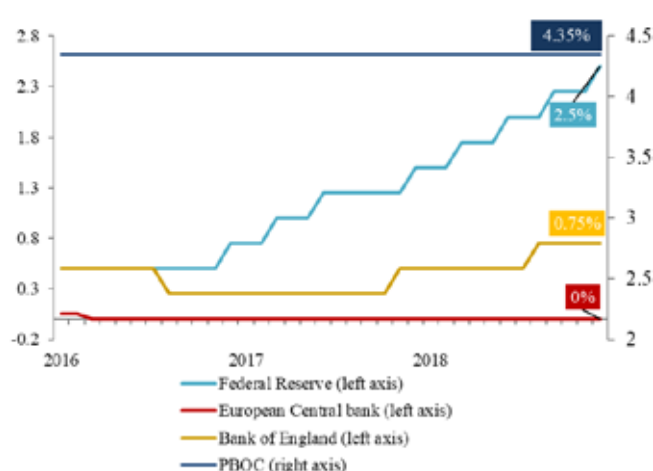
The Bank of Mongolia initiated adoption of the Pillar II of the Basel II. Once completed, it would enhance linkage between banks' risk profile and their capital planning, thus requiring robust risk management and internal control arrangements. As an integral part, harmonized supervisory tools and activities will be carried out and a tailored decision to individual bank will be produced, therefore impacting not depth of off-site and on-site supervisory activities for the bank, but also supervisory frequency and cycle.

## 2.3 MANAGEMENT OF FOREIGN EXCHANGE RESERVE

Subject to Article 21 of the Law on Central Bank, the Bank of Mongolia implements foreign exchange reserve management policy that ensures objectives of liquidity and safety of foreign reserve. Only after fulfilling above mentioned objectives, the Bank seeks to optimize its return. The structure of foreign exchange reserve management is aimed to create a monitoring system which is consistent with international standards, determines rights, responsibilities and supervision of the parties involved in the management.

In the year of 2018, the Bank of Mongolia carried out its foreign exchange reserves management in accordance with the generally accepted asset management principals and within the scope of established risk limits. In terms of general structure, the Bank defined its foreign currency asset composition, foreign currency investment composition, optimal investment duration, and eligible financial instruments. Financial due diligence has been conducted on capital markets periodically to assess idiosyncratic risk, systematic risk and credit risk, aimed to enhance the overall reserve management and strengthen supervision framework.

Figure 4. Central Bank rates ( percent)



As growth picked up in leading economies and labor market improved, the Federal Reserve Bank have raised their policy rate four times consecutively while the Bank of England have raised their policy rate once during the fiscal year (Figure 4). As a result, their yields on the investment have risen accordingly.

During the fiscal year, the Bank of Mongolia prioritized the safety of its assets by investing in major reserve currencies, current and deposit accounts with highly regarded central banks such as the Federal Reserve System (bank), the Bank of Japan, the Bank of England and the Bank of

France and money market instruments issued by the Bank for International Settlements and other supranational.

The Bank of Mongolia purchased around 22 tons of gold from the domestic market in 2018, which was an increase of 9.5 percent y-o-y. As a result, the gold reserve has risen significantly and has been managed above the benchmark level, within the approved deviation.

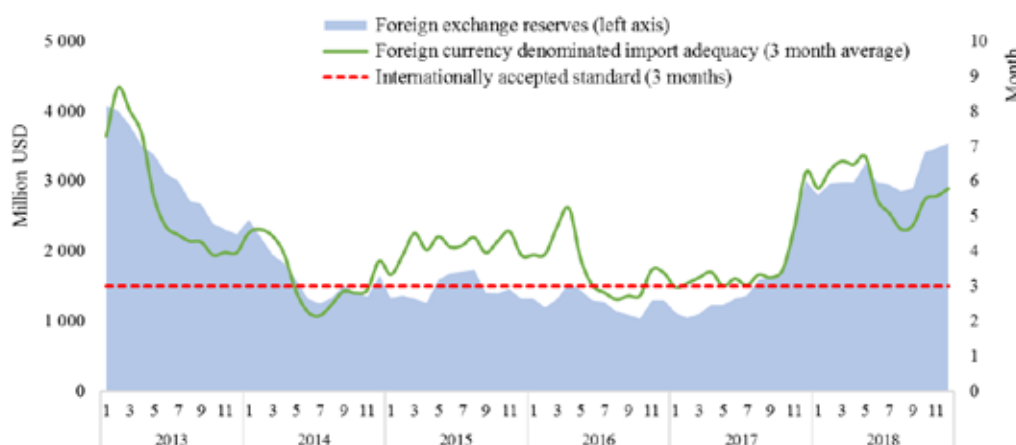
As of December 31, 2018, foreign exchange reserve reached 3541.6 million USD, an increase of 17.7 percent or 533.5 million USD from the beginning of the year. This level satisfies the internationally accepted standard that requires reserves to cover 12 weeks or 3 months of import payments (Figure 5). By the end of 2018 foreign exchange reserve is sufficient to cover:

- Import payments of 23.1 weeks or 5.8 months, based on the average of last 3 month,
- Import payments of 25.5 weeks or 6.4 months, based on the average of last 12 months

The level of foreign exchange reserves does not meet the level set by the National Security concept, adopted by the Parliament in 2010. The concept requires maintaining foreign exchange reserves that would cover imports payments for at least 12 months.



Figure 5. Foreign Exchange Reserve (in million USD) and Adequacy (monthly)



Source: The Bank of Mongolia

## 2.4 PAYMENT SYSTEM OF MONGOLIA

The Law on National Payment System was adopted on January 1, 2018. In accordance with the Law, the payment system regulations and rules were amended with a purpose of creating a sound legal environment. For example, the "Electronic Money Regulation" and "Clearing System Operator and Settlement Representative Operation Regulation" have been approved and the "Regulation of the Large-value payment System" has been updated.

The "Electronic Payment in Electronic Era" campaign initiated by the Governor of the Bank of Mongolia was held for 2 months starting October 2, 2018. It was co-organized by banks, Ministry of Finance, Financial Regulatory Committee, Mongolian Bankers' Association, the ADB's "Payment System Modernization Project" unit, Ulaanbaatar TEDx and other fintech organizations. During the campaign variety of events took place, including the "Digital Gateway" event, essay competition and training participants of payment system, which contributed to fulfillment of the Bank of Mongolia objectives to expand financial access and inclusion, to develop prompt payment system based on leading information technology, to improve financial literacy and public awareness on payment system operations, legal environment and future development of the payment system in Mongolia.

According to the Law on National Payment System, the Bank of Mongolia established the National Payment System Council on October 29, 2018, which consists of members representing the Bank of Mongolia, regulatory organizations in charge of finance and budget matters, and payment system participants. The first meeting of the Council was held on November 19, 2018. The Council aims to contribute in defining the strategic policy for the national payment system development, protection of rights, interests, integration and coordination of the participants and consumer's activities.

According to article 8.2 of the Law on Central Bank (Bank of Mongolia), the Bank of Mongolia shall provide license to banks and non-banks to issue payment instruments that are equally acceptable as cash in payments. Currently, the Bank of Mongolia authorized licenses on payment cards and e-money. In the reporting year the Bank of Mongolia issued one new license on payment card, revoked one license and extended one license. In line with the "Electronic Money Regulation", the Bank of Mongolia issued the first ever eMoney services license to "Mobifinance", a NBFi in September, 2018.

A comprehensive inspection on all banks was conducted by oversight division in order to develop guidance and to improve reporting accuracy. In addition, a large-value system and a Central Bank Securities Settlement System were self-assessed according to the Financial Market Infrastructure Principles set by the Bank for International Settlement. Results of the assessment show that 12 principles out of 24 were fully implemented, two principle were generally implemented, 1 principle was partially implemented and 9 principles were not

applicable. This assessment will enable the identification and mitigation of potential risks to the payment system.

Hardware installation and software configuration of the Digital Signature System (PKI system) is completed and the Bank of Mongolia started implementing this technology for internal communication, interbank payment system, credit information database, central bank's securities and currency trading system with the purpose of securing the integrity and accuracy of documents transmitted through electronic system.

In order to digitalize payments for public services POS devices were successfully installed in the UB city service center jointly with the State Bank. As a result, individuals can make payments for public services using cards of any bank without standing in queue at bank branches. National Electronic Transaction Center system of the Bank of Mongolia has been upgraded with the MPI system – Public Service Transaction Payments, and the E-Trans system designated for POS transactions located at UB city service center, which has the advantage of being directly integrated into the treasury account.

Total number of interbank transactions made during the reporting year increased by 68.8 percent and transaction amount by 27.3 percent compared to previous year. Figure 6 illustrates the quantitative data of interbank transactions between 2015 and 2018 shown in Table 1.

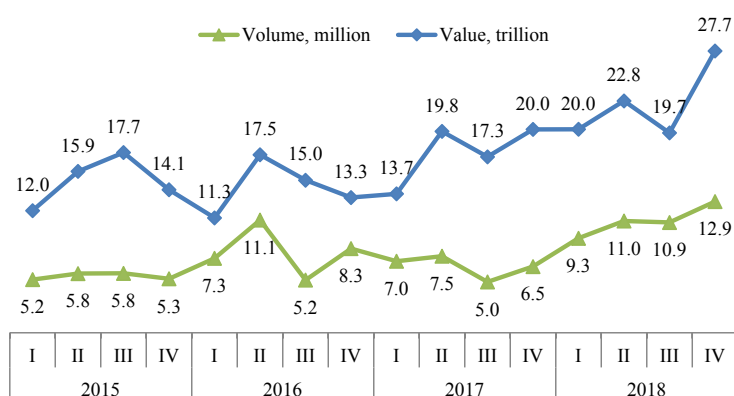
Table 1. Volume and value of interbank transactions, 2015-2018

(volume in thousand, value in trillion MNT)

	2015		2016		2017		2018	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
I quarter	5,231.4	12.0	7,323.2	11.3	7,034.1	13.7	9,295.8	20.01
growth (%)	15.9	-9.7	40.0	-5.9	-3.9	20.8	32.2	46.5
II quarter	5,824.7	15.9	11,082.4	17.5	7,533.2	19.8	10,992.30	22.80
growth (%)	14.5	5.8	90.3	10.4	-32.0	13.2	45.9	15.2
III quarter	5,844.0	17.7	5,186.8	15.0	4,999.9	17.3	10,850.60	19.7
growth (%)	22.0	27.5	-11.2	-15.2	-3.6	14.9	117.0	13.6
IV quarter	5,313.9	14.1	8,277.2	13.3	6,514.5	20.0	12,898.7	27.7
growth (%)	-2.8	-38.3	55.8	-5.3	-21.3	50.4	98.0	38.5
Total	22,213.9	59.7	31,869.6	57.2	26,081.7	70.8	44,037.4	90.2
growth (%)	11.9	-8.2	43.5	-4.2	-18.2	23.7	68.8	27.3

Source: The Bank of Mongolia

Figure 6. Interbank transaction volume and value for 2015-2018



### Payment card

Usage of payment card is increasing every year, which indicates the public's interest in non-cash payment instruments for day-to day transactions. Banks are issuing 6 different types of payment cards, including Visa, Master Card, Union Pay, National brand ₮ card, American Express, and JCB. As of 2018, 72.9 percent of the total card is national brand ₮ card and is broadly used in the market.

Table 2. Use of payment card in 2015-2018.

Number of cards		2015	2016	2017	2018	Growth (%)
Cardholder /volume, million/		4.1	4.0	3.8	4.3	11.6
Active cardholder /volume, million/		2.3	1.5	1.7	1.6	-7.6
Number of devices						Growth (%)
POS		14,780	21,325	27,304	42,014	53.9
MPOS		4,381	3,796	3,499	3,784	8.1
POB		1,930	1,872	2,031	2,177	7.2
ATM		1,545	1,897	2,031	2,358	16.1
Transaction for each device						Growth (%)
POS	Volume, million	38.1	65.7	119.2	199.6	67.5
	Value, billion	1,571.9	1,949.9	3,388.1	5,441.6	60.6
MPOS	Volume, million	0.2	0.7	0.6	0.8	27.1
	Value, billion	4.6	8.8	9.5	12.4	31.0
POB	Volume, million	1.0	0.8	1.2	3.9	228.3
	Value, billion	191.2	200.6	310.9	477.4	53.5
ATM	Volume, million	117.2	83.9	91.5	101.3	10.8
	Value, billion	6,863.5	10,525.3	18,826.9	24,659.77	31.0
Total	Volume, million	156.6	151.1	212.5	305.6	43.8
	Value, billion	8,631.1	12,684.6	22,535.4	30,591.09	35.7

Source: The Bank of Mongolia

## 2.5 CHANGES AND AMENDMENTS IN BANKING AND FINANCIAL LEGISLATION

### LEGAL REFORM ON BANKING AND FINANCIAL SECTOR

In 2018, legislations regarding the Central Bank and the commercial banks were successfully reformed by introducing international standards and best practices on maintaining financial stability, enhancing good governance, and introducing risk-based supervision and consumer protection. As such, it marks the setting of strong legal footing for healthier and stable financial system.

The rationale, objective and requirement of the legal reform were stipulated in the "Monetary Policy Guidelines for 2017" (Resolution No. 68 in 2016), the "Economic Recovery Program" (Resolution No. 71 in 2016), "Guidelines for Improving Legislation" (Resolution No. 11 in 2017) "Program on Reforming Legal Environment of Banking and Financial Sector" launched by the Bank of Mongolia in 2017 and "Extended Fund Facility" program which is jointly implemented by the Government of Mongolia and the International Monetary Fund.

In accordance with the reform agenda, amendments to the Law on Central Bank, Banking law, Law on Bank Deposit Insurance, Law on Combating Money Laundering and Terrorism Financing and Law on Stability of the Banking System were drafted in collaboration with public, relevant government agencies, non-government entities, banks and financial institutions, before being approved by the Parliament of Mongolia. The amendments were mainly focused on strengthening the Central Bank's independence over policy formulation and management, introducing collective decision-making framework, setting the legal basis for mitigating macroeconomic risks, introducing risk-based supervision approach and tools for addressing sector-wide systemic risk, establishing a bank recapitalization scheme to safeguard the stability of the banking system, defining and expanding the mandate of the Deposit Insurance Corporation, and supporting financial intermediary and customer protection. In addition, the reform covers issues in anti-money laundering and terrorism financing laws identified in mutual evaluation by international organization.

Amendments on banking and financial sector law, are summarized as follows:



### *Amendments in the Law on Central Bank (Bank of Mongolia):*

The Law on Central Bank (Bank of Mongolia) was amended with the purpose of strengthening the Bank of Mongolia's independence, introducing internationally accepted good practices and standards on its policies, operations, management and governance, and establishing a legal environment that is conducive to long-term sustainable growth of monetary and financial indicators and economic growth. The State Great Khural (Parliament) passed the law on January 12, 2018. Through the amendment status of the Monetary Policy Committee and the Supervision Committee were legalized, functions of the Bank of Mongolia were reformed to include implementation of macroprudential policies, and legal issues regarding its relation with the Government, lending operations to banks and bank supervisory actions were settled. Moreover, quasi-fiscal activities and other similar activities, which had been previously implemented by the Bank of Mongolia with the purpose of supporting specific economic sectors and individuals, were prohibited under the new law.

Amendments to the Law on State Stamp Duties and the Law on Procurement of Goods, Works, and Services with State and Local Funds have also been amended in connection with the amendments to the Law on Central Bank. Furthermore, the resolution No 4 of the Parliament on "Some measures to implement the Amendments to the Law on Central Bank" was approved on January 12, 2018.

### *Amendments in the Banking Law:*

Amendments to the Banking Law is designed to improve fitness and criteria for bank founders and management team, to reduce bank risks, and to enforce supervisory measures which will be taken not only in case of non-compliance after detection of irregularities, but also to be taken in case of unsound and unsafe practices to mitigate risk accumulation that would otherwise threaten the solvency of a bank. It also reformed legal grounds to intervene weak banks at an early stage of a problem and to address the issue of bank solvency through supervisory measures such as early intervention to bank resolution. Early intervention measures which will be based on level of risk and non-compliance, as revealed by the banking supervision, will ensure the effectiveness of supervisory measures. The law was approved by the plenary session of the Parliament on January 18, 2018.

New banking law revises the definition of related parties, tightens requirements for bank management, restricts bank's risk-taking activities and establishes a legal basis to enforce risk-based supervision. The law minimizes the risk of loss to public fund and protects the taxpayer from bank failure by establishing "bank stabilization fund" and bail-in tools through which banks' shareholders and investors will be liable for such losses in case of bank resolution. The Law on Procedures for Complying with the Amendments to the Banking law was adopted and the Law on Infringement was amended as well, followed by amendments in the Banking Law.

### *Amendment in the Law on Bank Deposit Insurance*

The Bank of Mongolia, Ministry of Finance and the Deposit Insurance Corporation have jointly drafted an amendment to the current Deposit Insurance Corporation law to improve the Deposit Insurance Corporation's governance, operations, insurance fund and its disbursement, and insurance coverage in line with the Core Principles of the International Association of Deposit Insurers. The law was passed by the Parliament of Mongolia on February 8, 2018.

The amendment covers issues regarding specification of an insurance incident, estimation of applicable insurance premiums, options of disbursing insurance to depositors through bank accounts, minimizing the time period to initiate insurance disbursement, and enabling sufficient time period for depositors to make claims, and clearly defines role and responsibilities of the Deposit Insurance Corporation in case of bank resolution.

In addition to the amendment, the Law on Infringement and the Law on Investigation of Regulatory Infringement are amended as well.

### *The Amendments in the law on Combating Money Laundering and Terrorism Financing:*

The amendment to the Law on Combating Money Laundering and Terrorism Financing was formulated in accordance with the 40 FATF Recommendations on Money Laundering and Terrorist Financing and passed on 26th of April, 2018 by the Parliament. By its enactment, it strengthens the legal status and operational capacity of the Financial Intelligence Unit and establishes a risk-based supervisory framework through expanding the

scope of the "reporting party" in line with the development of financial services and technological transformation.

Moreover, the amendment provides framework for a systematic and accurate registration of the owner of any property through the registration authority, improves the accountability of the person or legal entities violated the law, improves the legal and regulatory capacity to implement sanctions issued by the United Nations, regulates not only financing terrorism as well as weapons of mass destruction and sets up the high-level National Council at government.

In relation with abovementioned law being passed, Criminal Law, the Anti-Terrorism Law, the Customs law, Law on Post, Law on State Registration of Legal Entities, the Notary Law, Law on the Legal Status of Lawyers and the Law on Violations was amended accordingly.

#### *Law on ensuring banking sector stability:*

For the purposes of ensuring banking and financial sector stability, protecting the rights and interests of bank's customers and depositors and supporting a long-term and stable economic growth of Mongolia, the Law on ensuring banking sector stability was approved by the State Great Khural (Parliament) on June 22, 2018. The conceptual framework of the draft law intends to ensure the strengthening of restructuring policy measures in the banking industry and banking and financial capacity building.

The law imposes term demand for bank to meet its minimum capital adequacy ratio, obliges bank to meet capital requirement by its shareholder and other investor, requires shareholder and investor of a bank to assume bank loss, and regulates process, condition and procedure involving bank recapitalization request and forms, activities, management and disposing of state-invested funds. The law also has provisions regarding the supervision of recapitalized bank and liabilities in case of breach. The Banking Law was amended followed by the Law on Providing the Stability of the Banking Sector.

Pursuant to relevant provisions of reformed laws, the Bank of Mongolia issues several regulations and by-laws pertaining to monetary policy, banking supervision, payment system and bank recapitalization to ensure their implementation in practice.

In addition, within the objective to establish a unified regulation for foreign exchange, support development of capital and financial markets and ensure stability of financial market and national currency, foreign exchange act was revised and submitted to the Parliament. The draft law intends to provide effective implementation of currency exchange policy, improved statistics for foreign exchange flow, exchange or non-exchange platform and legal status for resident and non-resident.

Whereas, within the framework of risk mitigation measure in the financial sector, the Law on Asset Management was drafted and submitted to lawmakers. It was aimed to create an institutional legal environment for asset management. Draft of Law on Saving, Payment and Lending by financial businesses was formulated in collaboration with relevant authorities to improve existing legislation for financial services and customer protection.

As an institution responsible for the Treasury Fund of Mongolia, the Bank of Mongolia initiated revision of the Law on Treasury Fund to update definition of treasury, which would include historical and cultural heritages as treasure with strict criterion, to clarify powers of the State Great Khural, Government and the Bank of Mongolia in connection to the protection of cultural heritage, to clarify legal issue of ownership and acquisition of the treasury, and to enhance regulation pertaining to measurement and purchase of a precious metal. For improved regulation of commercial paper to address existing practical issues in application of commercial papers, a revision of the Law on Commercial paper was drafted incorporating best legal and regulatory practices.

In addition, in the reporting period, the draft of Law on Protection of Financial Customer was formulated for a balanced relation between customer and financial service provider, and to ensure efficient, transparent and competitive environment in financial markets, to protect consumer rights, and to strengthen confidence in the industry.

## 2.6 NATIONAL PROGRAM FOR FINANCIAL LITERACY

“National Program for Financial Literacy” was developed with the World Bank’s technical assistance by the Bank of Mongolia and in cooperation with the Ministry of Finance; the Ministry of Education, Culture and Science; Financial Regulation Commission; and the Financial Stability Council and was initiated in 2016. The program aims to improve the financial stability of the country by educating the general public on making informed financial decisions in the future.

This program helps: to improve individuals’ financial discipline; to improve their capability to make sound financial decisions; to increase long-term savings and financial investments; to increase public’s trust in the banking system and promote sustainable economic development of the country in the long term.

The program is being implemented in four priority areas since 2016:

- Financial literacy program for school children,
- Financial literacy program for the youth,
- Financial literacy program for rural residents,
- Financial literacy program through mass communication/media.

The program covers following topics:

- Basic concepts of finance,
- Budgeting and financial planning,
- Savings and deposits,
- Credits and loans,
- Investments,
- Protection against financial risks (e.g. insurance),
- Savings for retirement,
- Concepts related to social insurance and tax,
- Understanding of financial service providers and institutions.

Within the framework of this program following actions were taken in 2018:

### *Government of Mongolia*

"National program to develop Mongolia's financial market until 2025" was approved by the Government decree No 299 on October 3, 2017. Within the decree, Objective 6.2 "Every citizen of Mongolia will possess the knowledge, skills and confidence necessary to manage his/her personal and household finance in an appropriate way" is being implemented.

### *Monetary policy guideline*

The Monetary Policy guideline for 2019 was approved by Resolution No.84 of the Parliament of Mongolia on November 15, 2018. The resolution’s Objective 3.2 specified to promote and widen the scope of “National Program for Financial Literacy”.

### *Law on Central Bank*

The Law on Central Bank was amended on January 12, 2018, and range of activities for the Bank of Mongolia was expanded to include “protecting the rights and interests of bank customers and depositors”.

### *"Lending Rate Reduction Strategy 2018-2023"*

Objective 11. In order to improve the governance of the state and financial institutions and to protect financial consumer rights, measures to "Implement programs and activities to improve financial literacy of financial institutions, their customers and the public" is in progress.

***“Regulation on methodology to calculate bank interest rates and transparency of interest rate, fees and payments”***

The regulation was approved by the Governor’s decree A/203 on July 23, 2018. A section on “Information transparency” includes a direction to improve literacy of financial customers.

**Financial literacy for students.**

- As part of its social responsibility, the Banking and Financial Academy in cooperation with the Bank of Mongolia and the Deposit Insurance Corporation, has implemented a basic program and trainings on personal financial management for students between the ages of 15-18, at the “Children and Youth Training Center” and “Unur Family” children’s center.

Banks organized training sessions on 5 topics, covering introduction to internal operations of banks and an introductory financial courses on chosen topics.

Within the framework of the campaign, following topics were covered:

- Income and Expense /Khas Bank/
- Accumulation and Saving /Arig Bank/
- Debt and loan, information about interest /Trade and Development Bank/
- Investment products and understanding them /Khan Bank/
- Risk and Insurance /National Investment Bank/
- On July 7, 2018 the Minister of Education, Culture, Science and Sport signed an order on “Renewal of training plan” with No. A/453, where the “Business Studies” course was approved as an elective course for secondary school curriculum.
- A total of 30 methodologists from 21 provinces and 9 districts were trained by the Ministry of Education, Culture Science and Sport on teaching the “Business Studies” course.
- Teacher’s manual for 11th and 12th grade “Business Studies” course was developed and published.
- A total of 9000 booklets covering 3 series of “Anar and Anu”, a financial literacy comic book designed for school age children, were printed and distributed across the nation and during campaign events for financial literacy.
- With regards to the Global Money Week and the “Global Money Week-2018”, the Bank of Mongolia, Mongolian Bankers Association and banks co-organized educational sessions, reaching 700 high school students. Lessons on “Money matters are important” were taught during students’ visit to the Treasury Fund of the Central Bank.
- The Bank of Mongolia, the Deposit Insurance Corporation, Mongolian Bankers Association, German Savings Bank Foundation for International Cooperation “Sparkasse” and 10 banks co-organized the “Savings Day-2018” campaign as per the “World savings day. The campaign was initiated on October 22, while separate events were organized in Ulaanbaatar and Darkhan-Uul province on October 31 and November 2, respectively. The events focused on school children and youth for the purpose of introducing financial services. German Savings Bank Foundation for International Cooperation “Sparkasse” distributed handouts, books and brochures highlighting the importance of saving for children and youth. Within this period, the Deposit Insurance Corporation also held a Question-Answer-Question event for children and youth with a winning prize of savings deposit worth 50,000 MNT. In the “World Savings Day-2018” campaign, 10 commercial banks participated actively and worked towards highlighting the importance of saving for younger generations. For instance, Transportation Development Bank, Trade and Development Bank and Golomt Bank distinguished themselves with exceptional participation in the campaign.

## Financial literacy for youth

- A “Personal Finance” course (worth 1 credit) was developed as a university course for the young generation to cultivate their financial knowledge. Textbook and exercise books were developed and printed. Since initiation of the course in 2018, 13 universities have started teaching the course, such as the National Economics University, Law Enforcement University and the University of Dornod as part of their university curriculum.
- In cooperation with the Ministry of Labor and Social Security, 45 teachers from 21 provinces and 48 teachers from Ulaanbaatar were trained on teaching course on “Personal financial knowledge”, “Personal finance, business, entrepreneurship” and “Economic theory” at polytechnic colleges and vocational education centers. By concluding the training they received certificates of qualification.
- The Bank of Mongolia and the Mongolian Professional Accountant Institute as per the “National Program for Financial Literacy” campaign signed a memorandum of understanding for the purpose to improve national financial literacy rate, to support financial decision making skills, to improve the quality of financial reporting by owners of small-medium sized and micro enterprises, to make suitable financial decision-making and to improve skills of the professionals in the accounting sector.

## Financial literacy for rural residents

- Introductory handouts and books on 9 topics were reviewed and 19,000 printed copies were handed out to rural dwellers. The handouts were improved under the following topics: What does the Central Bank do? How to manage your money? Concepts of household budget, accumulation, saving, loan, prices and exchange rate for your financial knowledge, and household budgeting books.
- Through the local branches of the Bank of Mongolia, financial training is given to local residents, employees of the banking and financial sector and students.
- The Bank of Mongolia, Financial Regulation Committee, Lifelong education center under Ministry of Education, Culture, Science and Sport and the Microfinance Development Fund jointly held trainings for a total of 256 teachers as “Training teacher” at the rural centers in Gobi-Altai, Bayankhongor, Dornod, Sukhbaatar, Khentii, Zavkhan, Selenge, Darkhan-Uul, Bulgan, Orkhon and Ulaanbaatar city. In addition, financial education trainings were constantly held at the rural centers and have reached 22,140 individuals so far.

## Financial literacy through mass communication/media.

A webpage for financial education, [www.sankhuuginbolovsrol.mn](http://www.sankhuuginbolovsrol.mn), is regularly updated.

“Budgeting” application is ready to be used on Android and IOS smartphones. This application provides options to manage personal finance and budget.

Developed and published articles on financial education in the monthly brochure “Information of the Bank of Mongolia”.

Developed 3 videos on financial education and distributed to the public. The topics include exchange rate, credit information database and pension loan.

The “Financial Education” Facebook page is regularly updated with news and information.

### Campaign on “Protection of Financial Consumer”

The Governor of the Bank of Mongolia initiated a nationwide campaign on “Protection of Financial Consumer”, which was held for 5 months between January 2 and May 31, 2018.

The campaign participants include representatives of Financial Regulatory Commission, the Agency for Fair Competition and Consumer Affairs, Mongolian Mortgage Corporation, Mongolian Bankers Association, banks, the Deposit Insurance Corporation, the Microfinance Development Fund, the Bank of Mongolia's branch offices, government and non-governmental organizations, and business entities.



This campaign provided fundamental understanding on financial products and services as well as rights and responsibilities of households, individuals and micro enterprises. Main purpose of the campaign was to provide information on possible risks and benefits of financial products and services in cooperation with financial service providers, so that the financial consumer can better protect themselves from various financial risks that may arise.

A five-month comprehensive plan was made and each month's activities were organized under the following topics:

- Financial service providers disburse information about the products and services they offer;
- Protecting personal information, privacy and security of financial consumers;
- Solve complaints made by financial consumers;
- Payment cards, its proper use and security
- Mortgage loans and credit information database;

These 5 themes of the campaign were regularly distributed through social media, mass media, TV and radio broadcasts, interviews, discussions, training and open-day activities for better accessibility to the public. As a result of the campaign:

- "Good governance" magazine published their seasonal issue on the topic "The current status of the financial consumer protection system, what is the importance of protecting financial consumer? in cooperation with the Microfinance Development Fund". Printed materials on the topic of "For financial consumers" were printed and distributed for public reference, which includes 10,000 handouts, 3000 posters and 5000 brochures. The printed materials reached 17,000 individuals through the provincial government and branches of 14 banks (119 in the city and 852 in remote regions)
- The Microfinance Development Fund, Mongolian Mortgage Corporation and banks co-organized a total of 115 training seminars for target groups, which included university students, trainers, journalists, public servants and entrepreneurs. The trainings reached 45,000 individuals and entities in Ulaanbaatar city and 59600 in the provinces.
- Informative news were regularly broadcasted and distributed through social media and media outlets. A total of 121 TV and radio interview and discussions were broadcasted. Each bank has put an "Information and Security" menu section on their webpages, where informative videos and news are regularly updated, reaching a total of 1,500,000 people.
- Financial Service providers solved a total of 650,000 customer complaints. As per the Governor of the Bank of Mongolia's decree, 410,000 people's one-time non-performing loan history was erased from the Credit Information Database.
- A total of 4000 respondents were surveyed on the draft of law on "Financial consumer protection".
- On the "International financial consumer protection day" March 15, 2018, the Agency for Fair Competition and Consumer Affairs, Deposit Insurance Corporation and the Financial Regulation Commission co-organized a nationwide open-day event under the topic "Protecting financial consumers in cyber networks".
- Banks initiated and developed "Standard in protecting banking sector consumers".

### **Cooperation with international organizations.**

#### ***World Bank***

With the World Bank's technical assistance, recommendations on the first phase of the "Public Financial Baseline Assessment Program" was handed over to the Bank of Mongolia by international experts.

### *German Savings Bank Foundation for International Cooperation*

German Savings Bank Foundation for International Cooperation implements a training development program to improve public financial literacy by empowering bank staff in direct contact with the customer and aims to ensure economic and social sustainability of the project implementing countries. For this purpose, the Bank of Mongolia signed an agreement with the Savings Banks Foundation for International Cooperation to establish a joint project on “Introduction of dual vocational training for bank specialists and of the World Savings Day in Mongolia”

The Bank of Mongolia, the International Cooperation Fund of the Federal Reserve of Germany and the Mongolian Bankers Association jointly concluded the first stage of “Theoretical and practical training of banking professionals in Mongolia and World Savings Day project”.

The Bank of Mongolia, the Mongolian Bankers Association, German Savings Bank Foundation for International Cooperation “Sparkasse” and the “Ostprignitz-Ruppin Sparkasse” signed a “Memorandum of Understanding” for a term of three years.

The Memorandum of Understanding covers:

- Strengthening the development of banking and financial sector in Mongolia by training bank staff and introducing international standards through a financial education program for the youth;
- Maintaining dual vocational training for bank specialists;
- Organizing specialized seminars on topics that are useful for specialists and executives of banks participating in the project;
- Constantly organizing the “World Savings Day” campaign, and expand the scope each year with the support of the Bank of Mongolia and commercial banks;
- “Sparkasse” bank fund will share their expertise through 5 main areas of financial combination;

Within the framework of this project following tasks were conducted in 2018:

- A total of 26 master trainers organized trainings at primary and advanced levels
- A combination of theoretical and practical training was conducted with a total of 41 participants from 12 commercial banks.
- The Bank of Mongolia, the Deposit Insurance Corporation, Mongolian Bankers Association, and German Savings Bank Foundation for International Cooperation “Sparkasse” together with 10 commercial banks co-organized the “World Savings Day-2018” campaign for children and youth, for the purpose of improving basic financial knowledge and informing the benefits that come with saving.

### **Asia Regional Meeting and Asia Social and Financial Education Summit**

The annual Asia Social and Financial Education forum is a platform for exchanging experiences in the financial education field, where the likes of “Aflatoun international” presents the progress of their educational program and Asian countries share their experiences in financial and social educational programs.

This year’s summit was organized between November 11-16 by “Be Better” international organization from China, coinciding with the 4<sup>th</sup> China Education Innovation Expo. It was intended to make the summit part of a grander event. A total of 187 universities and colleges and 50,000 other guests participated in China Education Innovation Expo.

At the Asia Social and Financial Education forum a total of 15 Asian countries including India, Bangladesh, Philippines, Sri-Lanka, Pakistan, Indonesia, Malaysia and China together with their Ministry of Education and the non-governmental organizations presented their financial education activities. The Bank of Mongolia presented Mongolia’s National Program for Financial Literacy as the primary implementer of the program.

**OECD International Network on Financial Education**

As a member of the OECD International Network on Financial Education the Bank of Mongolia attended both the 10<sup>th</sup> OECD-INFE technical committee meeting in Moscow and the OECD-Russia symposium on financial literacy “Global financial awareness: implementation and reform”. The technical committee meeting and the symposium were aimed at finding innovative approaches to improve financial literacy globally.

It discusses financial services and financial education for vulnerable groups such as youth and migrants regarding informed financial decisions and ways to protect consumers, to improve loan decisions and to improve the final outcome. A total of 200 specialists from 50 countries participated. More than 200 experts from over 50 countries attended, including representatives of government, central bank, financial institutions, nonprofit organizations, research institutes, and private and public sector.



## 3.1 CENTRAL BANK BILLS

The Central bank bills (CBBs) is the main instrument of the Bank of Mongolia in implementing its monetary policy, by managing the short-term interest rate and the reserves in the banking system. In 2018, the Bank of Mongolia sold the following types of CBBs with different yields, maturities and trading forms.

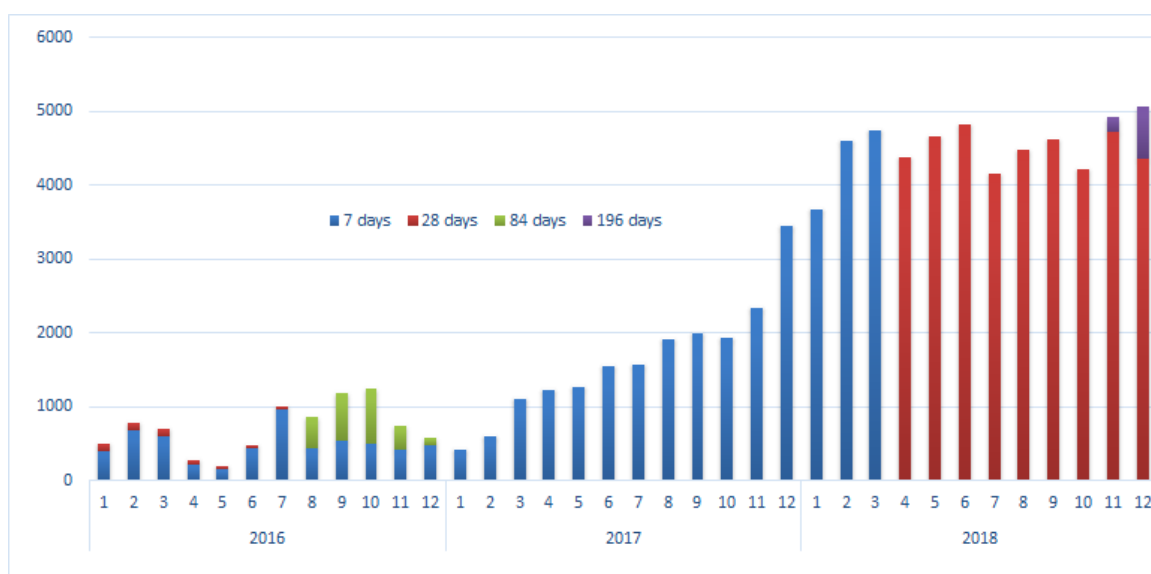
Until March 30, 2018 CBBs with 7-day maturity, interest rate ceiling (policy rate) and no limit on bidding amount, had been auctioned three times (Monday, Wednesday, Friday) a week. The yield of this bill represents the policy rate of the Bank of Mongolia and plays an important role in managing the Bank's reserve and guiding interest rate at the interbank money market.

In order to issue long-term securities at the money market and to create an appropriate yield curve at the interbank market, the Bank of Mongolia issued CBBs with 4-week maturity, starting April 2, 2018. Auctions are held every week on Monday, without limits on bidding amount and interest ceiling.

Since November 28, 2018, while launching 4-week CBBs, the Bank of Mongolia issued 28-week CBBs on every other Wednesdays with the intention of absorbing permanent systemic access reserve, increasing trade of long-term security at the interbank market and determining the yield curve up to 6 months.

Since the end of the 2017, total outstanding amount of CBBs increased by 1,615.7 billion MNT to 5,063.5 billion MNT at the end of 2018. Of which, 86.2 percent were 4-week CBBs and remaining 13.8 percent were CBBs with maturity of 28 weeks. This growth can be mainly attributed to the growth of net foreign asset (supply of 388.3 billion MNT), and expansion of net credit to the government (repayments of government securities 1,746.0 billion MNT).

Figure 1. Total outstanding amount of CBBs (by maturity, in billion MNT)



Source: The Bank of Mongolia

### 3.2 CENTRAL BANK FINANCING

In order to implement monetary policy and to manage the interbank interest rate at an appropriate level, the Bank of Mongolia utilizes instruments such as intraday credit, overnight repo financing, and repo trading, which are instruments that inject liquidity to the banking system. These instruments are differentiated by duration, interest rate and their purpose. All liquidity injecting instruments of the Bank of Mongolia require collaterals which were approved by the decree A-262 of the Governor of Bank of Mongolia on 2018. In the reporting period, 1,142.7 billion MNT was supplied to the commercial banks through monetary policy instruments.

#### Intraday credit

The intraday credit is a financial instrument of the Bank of Mongolia utilized when a bank's regular activities of banking transactions and intermediation is at risk. Intraday credits must be paid back on the same day with zero-interest rate. In the reporting year, the Bank of Mongolia did not finance banks through intraday credit.

#### Repo financing

The overnight repo standing facility is utilized to implement monetary policy, to maintain the interbank rate at a target level and to help banks satisfy their reserve requirements in the short term. Repo financing regulation was revised by the A-192 decree of the governor of the Bank of Mongolia in 2018 and the duration of repo financing was extended up to 90 days. As a result, a relatively long-term fixed financing instrument tied with the policy interest rates was introduced, with the intention of increasing the effect of policy rate on bank deposit rates and improving the interest rate policy transmission to the shorter end of the yield curve at the interbank market.

The overnight repo interest rate is the highest rate of the Central Bank's interest rate corridor and is equivalent to policy rate plus 200 basis points. In 2018, banks received a total of 1,142.7 billion MNT in the form of overnight repo financing from the Bank of Mongolia. The total outstanding amount of repo financing is 254.6 billion MNT at the end of 2018.

#### Overnight deposit

The Central Bank's overnight deposit is a standing facility to manage excess reserves of banks. The transaction to place overnight deposits at the Bank of Mongolia shall be the last transaction of a commercial bank on a particular day, whereas the transaction to return the deposits shall be the first transaction of a commercial bank on the following business day. Interest rate on the overnight deposit is the lowest rate of the Central Bank's interest rate corridor and is equivalent to policy rate minus 200 basis points. In the reporting year, the Bank of Mongolia received a total of 17,119.6 billion MNT of overnight deposit from banks. The total outstanding amount of overnight deposit is 274.5 billion MNT at the end of 2018.

#### Repo trading

The Central Bank's repo trading covers treasury bills owned by the bank, on a promise to sell back at the end of an agreed term at a pre-agreed price. Repo trade provides funding to the banks for a period of up to seven days and is designed to help in times of insufficient capital and limited liquidity in the banking system. In the reporting year, the Bank of Mongolia did not finance banks through repo trading.

#### Secured loan

As a lender of last resort, the Bank of Mongolia provides secured loans to banks in order to support bank's liquidity and thus preventing the solvency problem.

In accordance with the amendment of the Law on Central Bank and international practice, the Secured loan regulation was revised by the A-174 decree of the Governor of the Bank of Mongolia on June 15, 2018.

In 2018, one commercial bank made 14.4 billion MNT repayment, furthermore the Bank of Mongolia did not issue secured loans to banks and as of the end of the year there are no outstanding amount of secured loans.

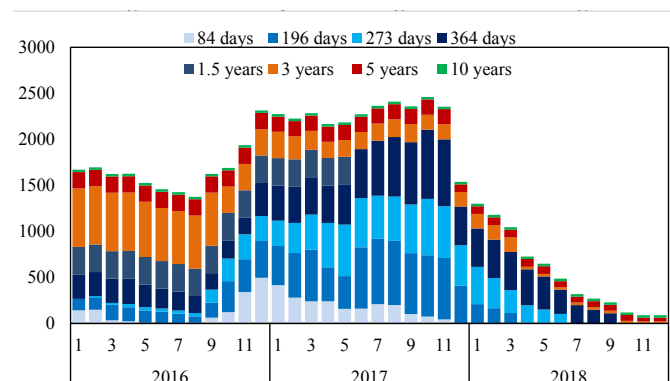
### 3.3 GOVERNMENT SECURITIES

Government securities are considered risk-free investments and interest income earned on GS is exempt from taxation.

As a result of the amendment in the Banking Law, commercial banks have been prohibited from conducting customers investment activities. Thus, GS are traded through the Bank of Mongolia and only commercial banks are allowed to participate. However, citizens and business entities are able to participate in the GS trading which is traded at the Mongolian Stock Exchange (MSE) through brokerage and dealing companies.

The Ministry of Finance's (MOF) decided not to offer trading of GS at the primary market in 2018. Therefore, the stock of GS traded through the Bank of Mongolia decreased by 1,449.7 billion MNT and reached 128.7 billion MNT at the end of the year. Regular trading of GS has significant implications for the monetary policy implementation, since it serves as the basis for yield curve risk-free assets and it helps to absorb excess reserves in the banking system for the long-term.

Figure 2. Outstanding GS amount acquired through the Bank of Mongolia auctions (billion)



Source: The Bank of Mongolia

Table 1. Secondary market activities of GS

Trade in the secondary market of GS /by bundle/			
Date	i/ Short-term	ii/ Long-term	i+ii/ Total
January of 2018	220.00	-	220.00
February of 2018	900.00	-	900.00
March of 2018	-	-	-
April of 2018	-	-	-
May of 2018	-	-	-
June of 2018	-	300.00	300.00
July of 2018	84,500.00	30,704.00	115,204.00
August of 2018	-	-	-
September of 2018	-	-	-
October of 2018	-	704.00	704.00
November of 2018	-	-	-
December of 2018	-	-	-
<b>TOTAL</b>	<b>85,620.00</b>	<b>31,708.00</b>	<b>117,328.00</b>

Source: The Bank of Mongolia

According to "Regulation on Securitization of Government Securities" which is a joint memorandum of the Governor of the Bank of Mongolia, Chairman of the Financial Regulatory Commission and the Minister of Finance, GS worth 117.3 billion MNT was traded in a secondary GS market, in 2018. Of which, 85.6 billion MNT was short-term securities and 31.7 billion MNT was in long-term securities.

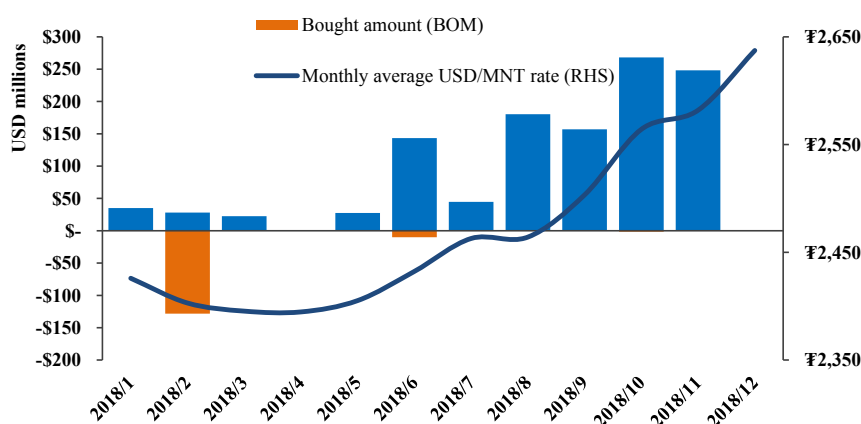
With the intention of eliminating difficulties related to the utilization of GS for monetary policy purposes and supporting the interbank development, the Bank of Mongolia proposed changes in the GS trading system at the secondary market to the MOF and the Mongolian Central Securities Depository (MCSD), based on the Monetary Policy Guidelines for 2018. It was decided that the MCSD would submit information on security owners at the end of each month until the software issue related to GS trading system is resolved.

Additionally, the Development Bank of Mongolia and Deposit Insurance Corporation were included in the “Agreement of Electronic Trading System” and “Repurchase Agreement of Securities”, in order to develop the secondary market of Central bank bills and GSs, and to activate interbank transactions.

### 3.4 FOREIGN EXCHANGE AUCTION

The Bank of Mongolia has been working to ensure that exchange rate of togrog remain flexible, while reflecting the macroeconomic fundamentals. In this regard, the Bank of Mongolia has been intervening in the domestic foreign exchange market in order to mitigate exchange rate fluctuations caused by short-term demand and supply gap. In 2018, the Bank of Mongolia intervened in the FX market through 103 times of auctions amounting to a net of 1,015.6 million USD.

Figure 3. USD and CNY auction / million USD /



Source: The Bank of Mongolia

### Financial derivatives

The Bank of Mongolia introduced short-term financial derivatives in 2010 and long-term swap agreements in 2014, to support short term liquidity of banks, to mitigate exchange rate risk, and to reduce the pressure on spot market and dollarization in the domestic FX market.

Considering the rising cost of external borrowing for banks, in order to accumulate foreign exchange reserves the Bank of Mongolia amended the Long-term swap agreement with the Governor's decree A-69 dating March 9, 2018, and thus reduced cost of swap deals for banks. Reducing cost of converting external funds to MNT for banks, had positive implications on lowering interest rates at the market.

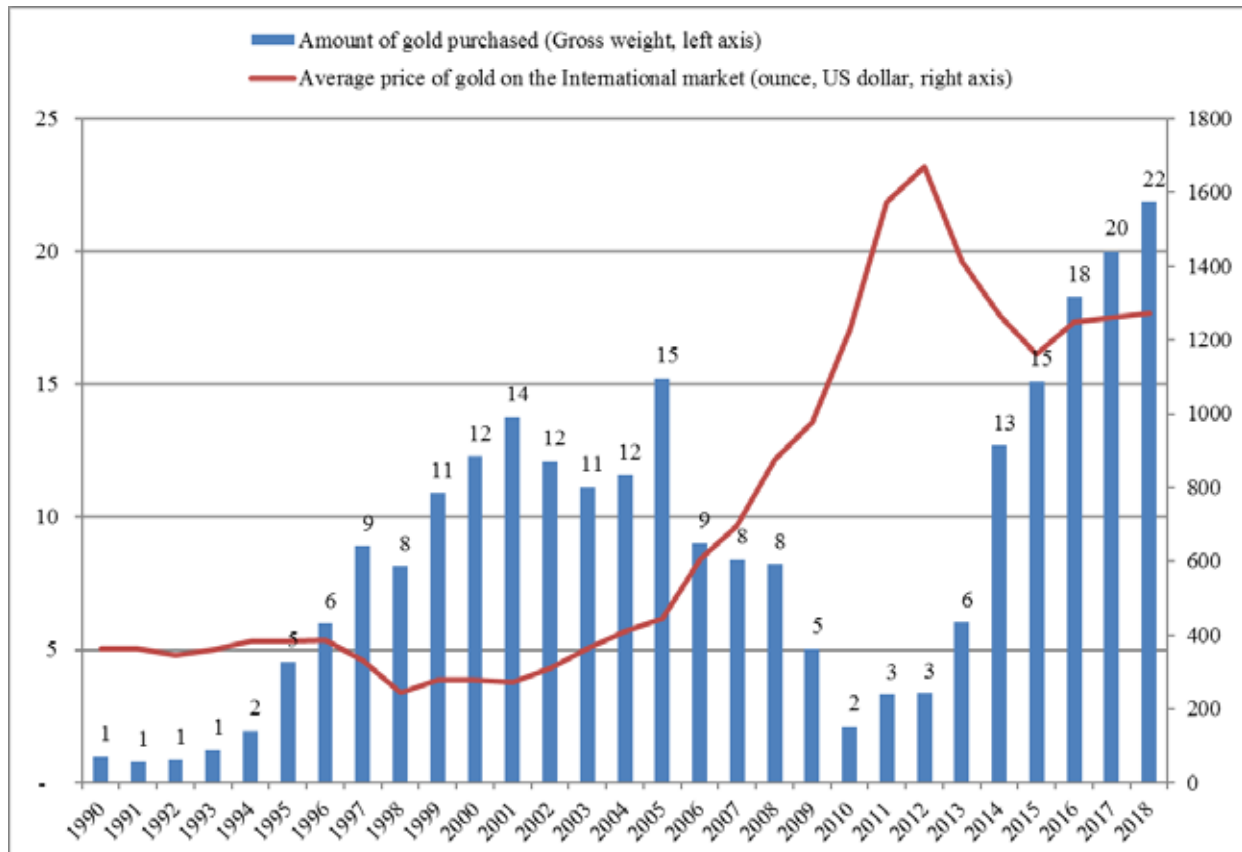
No short-term MNT swap agreements were made in the reporting period. With regards to the long-term swap agreements, commercial banks make agreements with the Bank of Mongolia using external liabilities with over one-year maturity. Therefore, in 2018, the long-term swap agreements between the Bank of Mongolia and banks amounted to 608.4 million USD, of which 551.9 million USD were non-deliverable swaps. Compared to 2017, the total amount of long-term swap agreements increased by twofold or 362.9 million USD. Nonetheless, long-term swaps worth 296.2 million USD were settled and its outstanding amount decreased by 172.4 million USD to 1,580.2 million USD.

### 3.5 GOLD PURCHASES

In 2014, “Law of Mongolia on Minerals” was amended and the primary taxation on mining minerals became 2.5 percent plus additional 0 percent, if the mining proceeds were sold to the Bank of Mongolia or any other entity sanctioned by the Central Bank. As a result, miners were incentivized to sell their gold to the Bank of Mongolia. The gold purchase of the Bank of Mongolia was 13 tons in 2014, 15 tons in 2015, 18 tons in 2016, 20 tons in 2017 and 22 tons in 2018, which is an expansion of 9.5 percent y-o-y (Figure 4).

One of the main factors added to such expansion in gold purchase in 2018, was the fact that “National gold to the Treasury Fund” campaign was successfully conducted nationwide from June 4 to October 30, of 2018. In accordance to the following initiatives, groundwork to encourage inflow of gold was done. For instance, under the framework of a nationwide program “Gold-2”, the Government Resolution No.275 on “Establishing assay laboratory” dated September 5, 2018 and A-108 decree of the Governor of the Bank of Mongolia on “Incentivizing the Purchase of Gold from Local Provinces” dated April 13, 2018, one-stop centers for assaying and purchasing gold were established in Bayankhongor and Darkhan Province in October, 2018. At the end of 2018, the gold purchase of the Bank of Mongolia branch in Darkhan-Uul province and Bayankhongor province was 142 kg and 80 kg, respectively.

Figure 4. Gold purchase by the Bank of Mongolia (annually).



Source: The Bank of Mongolia



## 4.1 THE STRUCTURE AND REFORM OF THE BANK OF MONGOLIA

The Bank of Mongolia operates with 11 departments, 1 center and 3 independent divisions in Ulaanbaatar, 5 divisions and 12 branches in the regional area and 1 representative office abroad.

The Bank of Mongolia carried out a number of activities aimed at reforming the structure and organization under the medium-term reform program for 2018, improving human resources and legal environment, strengthening cooperation and introducing advanced technologies and practices.

The Economic Research and Training Institute (ERTI) was established by the Bank of Mongolia, in order to publish policy research, policy papers on specific issues and organize training, meetings, discussions and conferences on economics and finance, without overlapping with the main topics of the Central Bank. For instance, the topics include fiscal policy, financial markets, economic growth, social development, economic history of the country, demography, labor market, industry, law, economy, health care, education, wealth, regional economy, agriculture and natural resources.

The ERTI's structure and medium-term policy research work plan was developed based on best international practices. Hence the Bank of Mongolia's capacity to provide survey-based policy recommendations on a wide range of macroeconomic issues to the Parliament, Government and other government institutions, and to provide middle and high-level training for public officials and financial sector professionals, was enhanced.

The Bank of Mongolia maintained its policy aimed at improving human resources, governance and working conditions, by supporting their education and attending to their social issues in order to sustain highly qualified personnel. More than 170 employees were involved in training abroad and on-site, and regular training for all employees is organized every week.

In 2017 the Bank of Mongolia initiated a regional seminar and forum and included the directors of Bank of Mongolia departments and divisions and their experts. In 2018, the scope was expanded to include local administrative units, directors of commercial banks as well as representatives of the international banking and financial organizations. During this seminar, monetary policy implementation and other actions taken under the banking sector legal reform agenda were presented, while a forum on "Legal reforms in banking sector, supervision approach, and further cooperation" was conducted.

Reforms in the information technology area are conducted in stages, in order to create accommodative work environment for the Bank of Mongolia employees where the employees can work efficiently in electronic form, make and distribute database effortlessly, and to analyze documents by introducing latest advanced technology. In collaboration with the Asian Development Bank we are implementing Payment System Modernization Project jointly with its project implementation unit. In addition, the Bank of Mongolia is working to improve the legal environment, to one that is conducive for transparency and efficiency of the Central Bank's decision-making process and improved system of oversight.

## 4.2 FOREIGN RELATIONS

### Highlights of international cooperation:

#### International Monetary Fund / World Bank

1. In April 2018, Governor of the Bank of Mongolia took part in the annual meeting of the World Bank and the International Monetary Fund (IMF), had meeting with the IMF Managing Director Madame Christine



Lagarde, World Bank Vice President Madame Victoria Kwakwa and other officials in order to exchange views on implementation of the ongoing Extended Fund Facility, IMF Program in Mongolia.

### **Bank for International Settlement Bank (BIS)**

2. The Governor participated in the 88<sup>th</sup> Annual General Meeting of the International Settlements Bank in Basel, Switzerland in June 2018 and met with Mr. Andrei Carstens, Executive Director of the International Settlements Bank and submitted Mongolia's official request to join the Bank, which was a major step towards widening the cooperation.

### **Europe**

3. In September 2018, Governor participated in the 10<sup>th</sup> International Conference on Alliance for Financial Inclusion held in Sochi, Russia and proposed to revive the Bank of Mongolia's membership.

4. The Governor held a meeting with the First Deputy Governor of the Central Bank of Russia to expand its cooperation. In addition, they signed a Memorandum of Understanding to cooperate on advancing financial literacy and automation of financial services.

5. The Governor paid official visit to the Central Bank of Turkey and restored the Memorandum of Understanding, which led to fruitful cooperation and more involvement of the Bank of Mongolia staff in Istanbul Training Institute programs.

### **Asia**

6. In October 2018, the Governor held a high-level meeting with Mr. Yi Gang, Governor of the People's Bank of China to discuss the cross-currency swap agreement between the central banks, and organization of roundtable meeting between the Central Banks of China and Mongolia celebrating the upcoming 70<sup>th</sup> anniversary of diplomatic cooperation between two countries.

7. In November 2018, the Governor of the Bank of Mongolia attended "Financiers Congress" in the Republic of Kazakhstan as a panelist, which was a first step for fruitful cooperation in the banking sectors.

8. The Bank of Mongolia and the SEACEN Center jointly organized an advanced level training for bank supervisors in Ulaanbaatar during July 16-20, 2018. The training was led by senior officials from Ernst & Young Hong Kong and Bank Negara Malaysia and specialists of the SEACEN Research and Training Center. Supervisors from 8 Asian countries took part in the training, discussing both theoretical and practical aspects in evaluating risks of banking culture and ethics during inspection and learning from experience of other Central Banks.

9. The Bank of Mongolia became a participant in the "Knowledge Exchange Program" implemented by the Bank of Korea under the "Memorandum of Understanding" signed between the banks on August 14, 2011. In the second year of this program experts from the Bank of Mongolia and academics chosen by the Bank of Korea conducted joint research on "Financial Sustainability: Institutional Framework and Macroprudential Policy" and published booklets on the results of the research.

## **4.3 PUBLIC RELATIONS**

In order to sustain the central bank's transparency and accountability, the Bank of Mongolia took following actions explaining policy decisions and its rationale to the public:

### *Improving accessibility of Inflation Report*

One of the key communication instruments of the Bank of Mongolia is the Inflation Report, and starting 2018 the Central Bank started to issue graphics and data used in quarterly inflation reports, in spreadsheet format on its official website. In addition, from the second quarter of 2018, the Bank started to disperse shortened and simplified version of the Inflation Report over its social pages. The report itself is written in economic phrases, and by explaining the economic phrases the Bank intends to inform the public on economic outlook



and inflation, thus manage inflation expectations. Furthermore, as soon as the report is published, the Bank organizes information session for banking sector specialists, researchers and economists, as well as journalists and public.

#### *Explanation Monetary Policy Committee (MPC) decisions*

In 2018 the Central Bank held five press conferences on Monetary Policy Committee's decisions taken in March, June, September, November, and December. Moreover, the Bank of Mongolia published MPC statements and its rationale on its official website and social pages in order to inform economists, experts, investors, public, and all stakeholders of the economy. Furthermore, the members of the MPC and director general of the Monetary Policy Department attended numerous interview sessions to provide information on the decisions and economic outlook. In addition, Bloomberg and Eagle News constantly broadcasted special programs on monetary policy with the Bank of Mongolia's involvement.

#### *Press conference*

In order to expand its transparency, the Bank of Mongolia held monthly press conferences on topics such as statistics of banking and financial sector and current economic topics. In addition, major improvements were made on the Bank's communication through social media in 2018, and press conferences were broadcasted live on Facebook. During the reporting period, a total of 17 press conferences were held, including five on the Monetary Policy Committee decisions.

#### *Research conferences and article contests among journalists*

The Bank of Mongolia successfully organized its annual research conference in May 2018 for students and researchers in economics separately, in order to develop their research skills and increase public awareness about the economy by publishing their work. Moreover, it organized monthly training for journalists and announced an article writing contest to encourage their analytical writing on local economy. The research papers of successful participants are usually dispersed to the public through the media, and considered in further research in the field.

#### *"The Bank of Mongolia's information" Newsletter*

During the reporting period, the Central Bank of Mongolia had released 12 editions of the "Bank of Mongolia's information" newsletter and distributed 6000 copies within the Central Bank's departments, local branches, and to different stakeholders/institutions such as the President's office, the Government, the Parliament, commercial banks, universities, and provincial officials. Furthermore, two 15-minute TV programs called "Central Bank and Togrog" and "Bank of Mongolia's News/Report" were aired bi-monthly on Bloomberg and Eagle News separately.

The Bank of Mongolia initiated several actions in its regional branches to improve its public communication. Under the scope of analyzing the implementation of the Bank of Mongolia's policy decisions in 2017 and 2018, in order to build public awareness of the Central Bank's actions a series of special programs were aired through the media. For instance, in 2018, a special program called "The Central Bank Policy in Central Provinces" was aired in Darkhan-Uul, Orkhon, Selenge and Bulgan provinces, while a program on "Financial education for People in the Gobi Region" was aired in Dornogobi, Dundgobi and Umnugobi provinces. In addition, another 20 minute program called "Homeland Gold to the Treasury Fund" was aired in Uvurkhangai, Bayankhongor, Zavkhan, and Arkhangai provinces.

#### *Student-trainer of the Bank of Mongolia*

In order to introduce operations of the Bank of Mongolia to student and provide trainings on economics and finance, training called "Student-Trainer" was conducted 12 times and a total of 2000 trainees were enrolled, to become trainers in the future. In addition, the Bank held information sessions called "The Bank of Mongolia Hour", which included 1700 students from 15 universities. During these sessions, governors and directors of various departments gave speech and it became an invaluable opportunity for students to hear about the career development of Bank of Mongolia management and policy decisions of the Bank.

#### 4.4 MEASURES OF ANTI-MONEY LAUNDERING AND COMBATING FINANCING OF TERRORISM

Due to the results of the Mongolia's most recent mutual evaluation report (MER) adopted at the Asia/Pacific Group on Money Laundering (APG) Plenary in July 2017, Mongolia has met the criteria for ICRG review, and has entered an observation period of the ICRG.

Mongolia was urged to make amendments to its AML legislation and address the deficiencies identified in its MER.

On 6 December 2017 the Government of Mongolia approved the "Action Plan for Improving Results of MER of Mongolia" developed by the National Council on Combating Money Laundering and Terrorist Financing and the Financial Information Unit (FIU).

On April 26, 2018 the parliament of Mongolia adopted amendments to the Law on Combating Money Laundering and Financing of Terrorism, Law on Infringements, Criminal Law the Anti-Terrorism Law, Customs Law, Post Law, and Law on State Registration of Legal Entities. The amendments lay basis for complying with the FATF Recommendations, extending the scope of the legislation, conducting risk-based supervision, increasing the effectiveness of sanctions.

The Law on Combating Money Laundering and Financing of Terrorism was extended to address financing of proliferation and its prevention. Moreover, the amendments to the Law on Infringements, Criminal Law and Anti-Terrorism Law include sanctions for PF activities. Article 6<sup>1</sup> of the Law on Combating Money Laundering and Financing of Terrorism provides for UNSC Resolutions on targeted financial sanctions.

As of October 2018, 30 activities out of 42 of the Action Plan for Improving Results of MER of Mongolia were completed, while 10 had 80-90 percent performance and 2 had less than 80 percent performance.

In July 2018 the FATF extended the observation period of Mongolia by another 18 months to October 2019. Mongolia is to provide the APG with the enhanced follow-up report by January 2019.

Mongolia requested the APG for re-rating of 20 technical compliance ratings and established Working group responsible for developing Mongolia's follow-up report.

At the end of the observation period, the FATF will assess the degree and quality of progress made by Mongolia. The FATF will review whether Mongolia has made progress towards increasing effectiveness on each Immediate Outcome rated as low or moderately effective in Mongolia's MER. Specifically, the FATF will review the extent to which Mongolia has addressed the key recommended actions for these Immediate Outcomes, and whether the progress initiated or furthered during the observation period has had a positive and tangible impact. The FATF will also assess whether Mongolia has addressed the technical deficiencies identified in Recommendation 6 on targeted financial sanctions related to terrorist financing.

The AML supervision activities of the banks continued throughout 2018. (Table 1). On-site examinations were conducted for 5 banks with relatively high risks, while beneficial owner and targeted financial sanctions implementation were reviewed for other 9 banks. A total of 41 notices and three state inspectors' notices were issued to banks in 2018.

Table 1. AML/CFT supervision

Indicators	2015	2016	2017	2018
Supervisions of commercial banks	12	13	2	14
Supervisions of entities other than banks	116	419	139	1025
Action notices given to banks and reporting entities other than banks	12	14	29	4
Rectification orders given to banks and reporting entities other than banks	213	393	367	272

Source: Bank of Mongolia.

The Financial Regulatory Commission (FRC) conducted supervision of non-bank financial institutions, savings and credit cooperatives, insurance and securities entities in Ulaanbaatar and in rural areas. In cooperation with

the Communications Coordination Committee the FRC also examined providers of international postal and cargo service.

To promote policies for anti-money laundering and combating the financing of terrorism (AML/CFT), the Bank of Mongolia implemented the following activities:

- Approved on and off-site supervision regulations of reporting entities other than banks and on-site supervision regulation of banks' AML and PF activities.
- Developed Guidelines for preventing money laundering and terrorist financing for financial institutions other than bank.
- Developed Handbook for Combating Money Laundering and Terrorist Financing and distributed them to the Bank of Mongolia branches, commercial banks and universities.
- Approved Recommendations for introducing risk-based approaches to banking activities.

In accordance with the duties specified by the AML/CFT law the FIU implemented the following activities:

- Held a total of 8 meetings of the National Cooperation Council (NCC) in 2018 to ensure implementation of Action plan of the Government. With the new members of the (NCTCC and the General Authority for State Registration) the efficiency and the coordination of NCC has significantly improved.
- Launched the process of acquisition of GoAML software for FIU needs.

Reports received by the FIU from reporting entities (RE) in accordance with Article 7 of the AML/CFT law are shown in Table 2.

**Table 2. Reports received by the FIU**

Indicators	2015	2016	2017	2018
Suspicious transaction reports	113	282	203	1,596
Cash transaction reports	1,223,984	838,110	572,181	669,910
Foreign settlement transaction reports	86,329	90,560	98,549	126,944
Customs declaration reports	1,917	1,488	1,533	1,413

*Source: Bank of Mongolia.*

The FIU received 1596 STRs in 2018 which is 7.9-time increase y-o-y, 126944 Foreign Settlement Transaction Reports (increase by 28.8 percent) and 1413 CTRs (increase by 17 percent).

Within its main function of analyzing and disseminating received STRs, the FIU has been supporting the operational needs of law enforcement agencies (LEAs) through the provision of relevant information (see Table 3).

**Table 3. Exchange of information of FIU**

Indicators	2015	2016	2017	2018
STRs analyzed or under analysis	209	245	35	151
Number of reports FIU has passed on to LEAs for investigation	27	166	15	181
Number of requests FIU has received from domestic authorities	1,248	1,200	1,945	2,510
Responses to the requests received from domestic authorities	1,241	1,238	1,834	2,300

*Source: The Bank of Mongolia.*

The FIU worked actively on expanding international cooperation in 2018:

- As a member of the Egmont group (international group of Financial Intelligence Units), the Mongolian FIU exchanged information with foreign FIUs on identifying illicit money inflow and outflows as well as illicit income earned through criminal activities.
- A group of US, Australia, Japan, UK diplomatic corps, European Union, Asian Development Bank (ADB) and World Bank (WB) held regular meetings on technical assistance to Mongolia and international cooperation.

- The ADB offered an assistance on improving the Law on Combating Money Laundering and Financing of Terrorism, establishing a legal basis for combating TF and proliferation financing, developing know your customer (KYC) regulation for RE; drafting guidelines, recommendations and risk assessment tools for FRC.
- Australia's Attorney-General's Department offered an assistance to the FIU, the NCTCC and the Ministry of Justice and Home Affairs of Mongolia on policy and legal drafting related to the development of Mongolia's legal framework to combat proliferation financing.
- The IMF and Office of Technical Assistance (OTA) and Economic Crimes Team (ECT) U.S. Department of the Treasury is providing technical assistance to strengthen capacity of Mongolian FIU, improving legal and supervision framework.

#### 4.5 INTERNAL AUDIT DEPARTMENT

The Internal Audit Department have exercised its main function to reduce operational risks and support the Bank in achieving its goals and objectives by conducting on-site audits and remote surveillance on departments and units, implementing measures as per audit results, and communicating the findings to the management.

In the reporting period, the Internal Audit Department carried out a total of 26 comprehensive on-site audits and 2 partial audits as per annual auditing plan approved by the Governor of the Bank of Mongolia. The audit findings and recommendations were presented at the Board of Directors meetings, further actions and recommendations were issued and its implementations were closely examined.

In addition to the planned audits, a total of 21 partial audits were carried out on specific operation, based on directives of the Bank management. "The Three Step Procedure of Defense in Effective Risk Management" was used to design an annual internal audit plan, audit guidelines, and frequency of activities.

The reports regarding the internal audit of the Bank of Mongolia, recommendations of external audit and its implementation, recommendations of Supervisory Board and its implementation were produced and presented to the Governor and the Supervisory Board. Furthermore, the department took part in organizing external auditing on the Bank of Mongolia financial statements and in preparation of its financial statements according to the IFRS-9.

The "Internal Audit Charter" is updated in accordance with the International Auditing Standards and is approved by the Governor.

#### 4.6 RISK MANAGEMENT

During the reporting year, the Risk Management Unit conducted risk management of foreign exchange reserve, money market and operations, with the purpose of maintaining the lowest risk level. In addition, geopolitical risk analysis was carried out and reported to the Bank management monthly.

##### *Financial risk management*

##### *Credit risk*

##### Management of foreign exchange official reserve

In accordance with the "Regulation on Managing Foreign Exchange Official Reserve" approved by the Governor of the Bank of Mongolia, risk limits were set according to type of investment, counterparties and credit ratings, and the reserves were allocated to central banks, international financial institutions, high rated banks and financial institutions. Within the framework of reserve management, the Bank of Mongolia selected specifically the central banks, international financial institutions, foreign banks and financial institutions, their branches and internationally recognized security settlement institutions as its counterparties. In addition to the credit rating of foreign banks and financial institutions, their performance on Basel III prudential criteria were considered.

### Money market operation

The Bank of Mongolia, as a lender of last resort, provides loans to banks to support their short-term liquidity. During the reporting year, the Risk Management Unit developed the general methodology to estimate value of collateral for loan and financing, which are disbursed to implement monetary policy, and regulate cash reserve surplus and shortage in the money market. Moreover, “The guideline to estimate the value of collateral for loan, financing and securities” was renewed. As a result, credit risk management is improved, given that the value of collateral is calculated in accordance with the appropriate methodology and the collateral valuation is maintained at a reasonable level. Furthermore, the Bank of Mongolia classified collaterals for loans and list of securities according to their type and form of collateral, and the corresponding discount rate is revised to improve credit risk management.

### Scope of potential risks in the Bank of Mongolia balance sheet

During the reporting year, the Bank of Mongolia developed a new methodology to forecast loss on financial assets, in accordance with the International Financial Reporting Standard 9 and approved “Guideline on risk assessment of financial assets”. It is critical to implement this methodology in the Bank of Mongolia’s activity, as it would support forecasting potential losses and establishing appropriate provision for the financial asset and thus enhance opportunities to manage the risk in case it materializes. In addition, the financial statement was prepared in accordance with the new international accounting standard, which became effective starting 2018 worldwide, and received “Unqualified” mark from an external audit organization. It is a noteworthy accomplishment that ensures a reliable reporting of financial performance to public and contributes to ensuring the reliability and accountability of the Central Bank actions.

### *Market risk*

#### Management of foreign exchange official reserve

Estimated market value, risk and return of financial instruments for foreign exchange reserve were assessed on a daily basis and the realization of limits were monitored.

Within the framework of the exchange rate risk management, the portfolio was set up in currencies that provide the minimum risk of exchange rate, considering the Bank of Mongolia’s policy on exchange rate, Government external debt payments, structure of imports, foreign exchange outflow from banks and the structure of domestic foreign exchange market. At the same time, to minimize the impairment risk of investment instruments, risk of interest rate fluctuations was managed by optimizing duration and deviation.

#### Money market operations

The Risk Management Unit sets a daily trading limit for participants in the Online Platform for Interbank Foreign Exchange Trading, changes the main trading dealer on a quarterly basis and monitors operations. In addition, the long-term swap transactions with banks were revalued weekly and adjusted, for the purpose of minimizing exchange rate risk, increasing foreign currency inflows and reducing interest rate and growth of foreign currency denominated credits.

### *Liquidity risk*

#### Management of state foreign exchange reserve

Foreign exchange reserves are allocated in highly liquid financial instruments denominated in convertible foreign currencies and the duration of the portfolio has been monthly rebalanced with the duration of benchmark index.

### *Operational Risk Management*

In order to enhance the operational risk management framework, the Risk Management Unit employs various risk assessment and risk management tools, in accordance with the best practices and standards of other central banks.

Electronic form for Risk Control and Self Assessment, the most commonly used evaluation tool for operational risk management, was filled by all employees of the bank for the second year. The results were consolidated and summarized to make an operational risk assessment for the whole organization. In addition, the Risk Management Unit consolidates and monitors performance of the Key Risk Indicators (KRIs) and provides recommendations to respective units. Reports on KRI performance were presented to the management. Introducing KRI's in operational risk management has significantly assisted us to accurately measure risks and correctly recognize the main causes of risks and identify appropriate actions to manage the risks.

One of the key activities during the reporting year was a business process mapping. We have mapped a cash conveying process to our local branches based on the actual practice, and identified and evaluated all risk in each phase.

Operational risk officers were appointed in all units, and regular meetings and specialized trainings were conducted. This supported to strengthen risk culture and knowledge among all employees of the bank and create a cooperative relationship with all units.

### *Geopolitical risk*

The Bank of Mongolia created a new position for a geopolitical analyst with the purpose of anticipating and managing the potential risk to the national economy caused by policies and interactions of global powers, central bank actions and their influence on the international financial markets, commodity prices, capital flows, and price of precious metals. Within this framework, the geopolitical analyst produces monthly bulletin on global economy, financial markets and change in macro policy of global powers and conducts impact analysis on the stability of Mongolia's economic and financial conditions.

Furthermore, we are aiming to explore and identify channels through which the above mentioned factors would affect Mongolia's economic and financial sustainability, and develop a generic model of external risk factors.

## **4.7 ISSUANCE OF BANKNOTES**

In 2018, to exercise its function of issuing national banknotes, one of the Central Bank's main duties, the Bank of Mongolia conducted following activities.

In nominal terms cash in circulation reached 968.6 billion MNT as of December 31, 2018, reflecting an increase of 62.2 billion MNT or 6.9 percent compared to the same period of the previous year. In terms of number of banknotes, the volume increased by 37.85 million or 9.1 percent. For the past 6 years, value of currency in circulation increased by 3.1 percent annually on average, while its volume expanded by 7.6 percent.

**Table 4. Change in the value of cash in circulation**

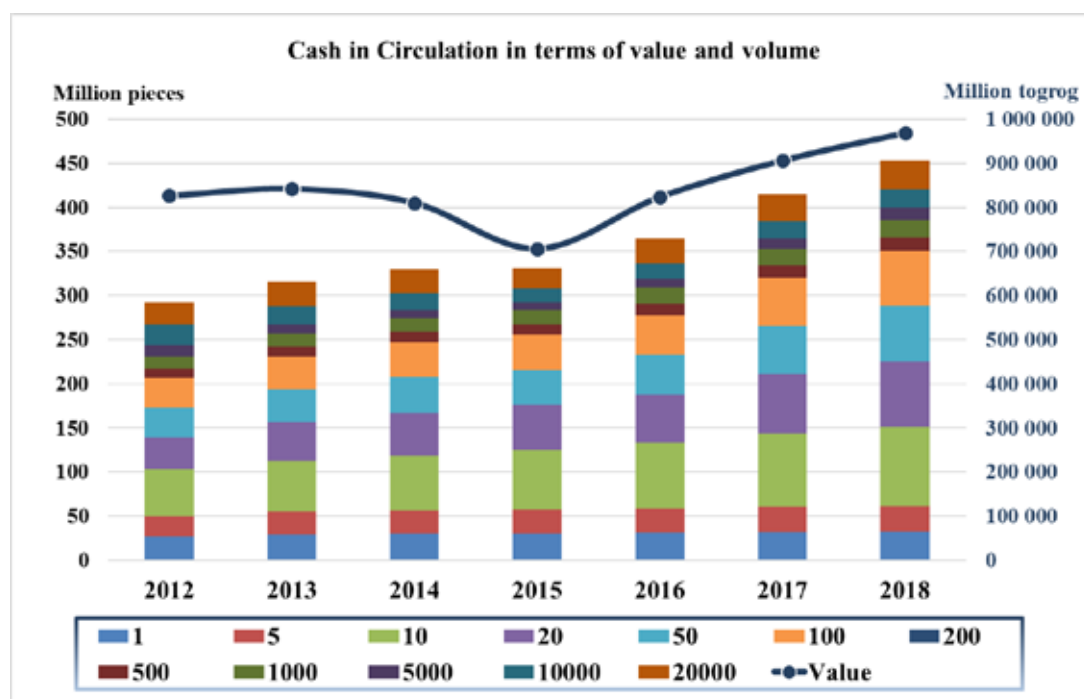
№	Banknote denomination	Cash in circulation by the end of year (million MNT)						
		2012	2013	2014	2015	2016	2017	2018
1	1	26	29	30	30	31	32	32
2	5	12	131	133	136	140	143	146
3	10	527	571	623	680	744	830	900
4	20	736	880	966	1,010	1,086	1,343	1,488
5	50	1,676	1,843	2,016	1,982	2,242	2,725	3,134
6	100	3,375	3,745	3,963	4,039	4,526	5,480	6,138
7	200	68	34	34	35	36	36	36
8	500	5,200	5,661	5,978	5,702	6,390	7,057	7,772
9	1000	13,727	14,263	14,756	16,278	17,962	18,570	19,724
10	5000	64,394	53,975	50,003	43,420	54,091	62,875	68,902
11	10000	234,702	207,230	187,416	148,941	165,678	189,379	213,472
12	20000	501,525	553,908	544,274	484,264	570,665	617,887	646,835
Total		825,969	842,269	810,192	706,517	823,591	906,358	968,580



Table 5. Change in volume of cash in circulation

№	Banknote denomination	Cash in circulation by the end of year (million pieces)						
		2012	2013	2014	2015	2016	2017	2018
1	1	26.44	29.26	29.72	30.30	31.01	31.71	32.32
2	5	23.48	26.24	26.70	27.24	27.97	28.68	29.29
3	10	52.73	57.06	62.31	67.96	74.43	83.05	90.04
4	20	36.80	44.00	48.28	50.50	54.28	67.17	74.40
5	50	33.52	36.86	40.32	39.64	44.85	54.49	62.68
6	100	33.75	37.45	39.64	40.39	45.27	54.80	61.38
7	200	0.34	0.17	0.17	0.18	0.18	0.18	0.18
8	500	10.40	11.32	11.96	11.40	12.78	14.11	15.54
9	1000	13.73	14.26	14.76	16.28	17.96	18.57	19.72
10	5000	12.88	10.79	10.00	8.68	10.82	12.58	13.78
11	10000	23.47	20.72	18.74	14.89	16.57	18.94	21.35
12	20000	25.08	27.70	27.21	24.21	28.53	30.89	32.34
Total		292.62	315.84	329.80	331.69	364.65	415.18	453.02

Changes in value and volume of banknote, by structure:



According to general trend of cash in circulation for the last 6 years, its volume increased permanently and its value decreased during 2014-2015. From 2016 value of cash in circulation increased again following the economic cycle. However, ratio of cash in circulation to money supply and GDP is decreasing gradually year by year.

In the reporting year the Bank of Mongolia paid special attention to the improvement of security features for the banknotes to prevent counterfeiting and issued the banknote of 5000 MNT with new advanced technological security features. The banknote of 5000 MNT was chosen based on restocking needs.

For the purpose of building stocks at its local branches located in 21 provinces, the Bank of Mongolia supplied cash of 205 billion MNT to its local branches in 15 provinces.

#### 4.8 INFORMATION TECHNOLOGY

During the reporting year, the Bank of Mongolia maintained safe, reliable and continuous operation of the interbank payment system, interbank electronic trading system and internal electronic information systems.

The Information Technology Department of the Bank of Mongolia works to ensure the continuity and reliability of the information systems used for interbank and internal operations. In addition, it improved and developed these systems and introduced some modern technologies to the operation. For example, the "Online Platform for Interbank Foreign Exchange Trading" was developed and launched in 2018 in order to activate and improve the interbank foreign exchange trading, to estimate the actual market exchange rate, to reduce transaction costs for foreign exchange trading and to monitor and manage interbank foreign exchange market activities.

With the purpose of improving the reliability of the payment system in Mongolia, a new version of interbank high value RTGS system was successfully installed and launched. In addition, utilizing our own resources we have successfully upgraded the SWIFT system to its new form in a timely manner.

In addition, new web system for gathering data at the Credit Information Database and website for introducing coins to the public were developed. For internal operation needs, software for introducing barcode to register fixed assets and software for registration of banknotes were developed and launched successfully.

Furthermore, the Information Security Division was established to improve the continuity of information technology operation and to improve information security and activities focused at preventing, protecting and responding to viruses and planned attacks.

#### 4.9 SUMMARY OF REGULATIONS APPROVED BY THE BANK OF MONGOLIA IN 2018

Summary of regulations and decisions made by the Bank of Mongolia in 2018

No	Title of regulatory acts	Date	Decree No	Content
<b>Monetary Policy Formulation and Implementation</b>				
1	Setting reserve requirement ratio	2018.03.23	A73	Required reserve ratio for liabilities in domestic and foreign currency were set at 10.5 and 12.0 percent, respectively
2	Revision of regulation on setting, calculating and controlling reserve requirement	2018.03.29	A-80	Bank's regulation on setting and estimating reserve requirement is revised.
3	Determination of premium on reserve requirement	2018.03.29	A-81	Premium on reserve requirement were set at 50 percent of the interest rate on overnight deposit facility of the Central Bank
4	Liabilities to be deducted from reserve requirements	2018.03.29	A-83—A-86	To fulfill the mandate of monetary policy and to build foreign exchange reserves, liabilities equivalent to the amount of concessional loans issued by banks would be deducted from reserve requirement calculations, in its original currency denomination.
5	Regulation on operations of monetary policy committee	2018.05.17	A-143	It regulates the relations pertinent to publicly informing the function, principles, meetings and decision-making procedures of the Monetary Policy Committee.
6	Regulation on Central Bank Repo Financing	2018.07.09	A-192	Implementing monetary policy, managing liquidity surplus or shortage in money market and delivering interbank market interest rates to the intended level.
7	Regulation on methodology to calculate bank interest rates and transparency of interest rate, fees and payments	2018.07.23	A-203	Determine the principles in calculating bank interest rates, and ensure transparency of interest rate and payment information, to protect the interests of customers
8	Approval of the methodology for calculating debt service-to-income ratio	2018.06.20	A-176	This methodology will be used to calculate the debt service-to-income ratio on consumer loans issued by banks.



9	Setting the policy rate and an upper limit on the debt service-to-income ratio	2018.01.01 - 2018.05	Decree of the Monetary Policy Committee	2018.01-Reduce policy rate by 1 percentage point to 10 percent; 2018.02 - Maintain a policy rate of 10 percent and set a 70 percent upper limit on the debt service-to-income ratio of consumption loan; 2018.03 - Maintain a policy rate of 10 percent; 2018.04 - Increase policy rate by 1 percentage points to 11 percent; 2018.05 - Maintain a policy rate of 10 percent;
10	Amendment to the regulation on trading Central Bank bills	2018.03.29	A-79	
11	Amendments to regulation on long-term swap arrangements	2018.03.09	A-69	
<b>Within the framework of issuing credit to banks to support their liquidity</b>				
12	Regulation on issuing collateralized credit to banks, by the Bank of Mongolia.	2018.06.15	A-174	To regulate the issuance of collateralized credit to banks and actions to support their liquidity.
<b>Supervision of banking activities</b>				
13	Decree on determining the percent for the Risk Protection Fund	2018.02.09	A-39	Regulates custodian protection against potential risks in the financial system
14	Banking Supervision Committee regulation	2018.03.26	A-75	Regulates composition and operation of the Bank supervision committee as stated in the Banking law
15	Regulation on bank recapitalization and resolution plan	2018.10.17	A-258	
16	Bank liquidation regulation	2018.11.30	A-302	Regulates procedure on issuing decision of bank liquidation, appointment of the liquidator, its terms of execution, liquidation of bank, settlement of liabilities and termination of the liquidator.
17	Bank resolution regulation	2018.12.06	A-308	Regulates procedure on issuing resolution order, implementation, termination of the resolution plan and communication procedure with other authorities in order to strengthen the stability of the banking system as set out in the Banking Law.
18	Regulation on the operations of the bank provisional administration and commissioner	2018.12.07	A-312	Regulates implementation of provisional administration, appointment and termination of commissioner and measures taken to ensure normal functioning of banks.
19	Regulation on licensing banks	2017.06.29	A-152	Regulates procedures of approving, licensing and refusing to license banks.
20	Regulation on off-site supervision of the Bank of Mongolia of a bank on combating money laundering, financing of terrorism and mass destruction weapons	2018.11.27	A-293	Regulates relations concerning how banks are implementing guidelines and recommendations approved by the Bank of Mongolia.
21	Guidelines on the implementation of risk-based principles for combating money laundering and terrorism financing.	2018.02.06	A-32	Regulates risk-based approach to the Bank's anti-money laundering and terrorism financing activities.
22	Amendment to regulation on bank's prudential ratio and its monitoring	2018.08.03	A-215	Regulates bank's prudential ratio.
23	Regulation on implementing the Bank's prudential governance	2018.08.02	A-211	To implement the Bank's principle on prudential governance.
24	Regulation on electronic money	2018.02.13	A-45	Regulates the procedures to be followed for electronic money and related activities.
25	Regulation of the large-value payment system	2018.03.30	A-88	Create a reliable payment system for its participants.
26	Regulation on Transaction Card of National Electronic Transaction Center	2018.05.10	A-133	A-133 Regulates operations, confidentiality, leverage, and continuity of card payment system.

<b>Regarding its role as a financial intermediary for the government and lending to the government</b>				
27	Regulation for Extension of credit to the government	2018.06.07	A-161	Regulates activities related to the extension of credit to the government from the Bank of Mongolia.
<b>Other</b>				
28	Regulation of Board of Directors of the Bank of Mongolia	2018.04.10		The Board of Director is responsible for advising the Governor on issues related to implementing its mandate and decision-making activities except the issues related to Monetary Policy Committee, Supervisory Board and other designated boards that may have been established.
29	New Code of ethics of the Bank of Mongolia.	2018.05.17	A-144	Code of Ethics sets out the ethical standards of conduct expected of the Bank of Mongolia employees.
30	Regulation on procedures for determining purchasing price of gold and silver for the Bank of Mongolia	2018.05.10	A-138	Regulates the procedures to be followed in determining and calculating a purchasing price of gold and silver and mitigating risks related to purchasing activity.

**BANK OF MONGOLIA**

**INTERNATIONAL FINANCIAL REPORTING STANDARDS  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**31 DECEMBER 2018**

## THE BANK OF MONGOLIA

### NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

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## THE BANK OF MONGOLIA

### NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

#### BOARD OF DIRECTORS' RESPONSIBILITY STATEMENT

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

The financial statements of the Bank of Mongolia ("the Bank") 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 financial position of the Bank as at 31 December 2018 and of its financial performance and its cash flows for the year then ended.

The Board of Directors has 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 accounting policies set out in Note 3 thereto.

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

The Board of Directors considers that in preparing the financial statements on pages on 1 to 85 the appropriate policies have been used, consistently applied, and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed.

Signed on behalf of the Board of Directors:



N. Bayartsaikhan  
Governor, Bank of Mongolia



## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018



## Independent Auditor's Report

To the Board of Directors of the Bank of Mongolia

### Our qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion section of our report, the financial statements present fairly, in all material respects the financial position of the Bank of Mongolia (the "Bank") as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2018;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

### Basis for qualified opinion

In 2018, the Bank performed revaluation of the assets of the Treasury Fund. This resulted in an increase of the Treasury Fund assets by MNT 924,729 million, and corresponding increase of the revaluation reserve for Treasury Fund within equity by the same amount. The Treasury Fund consists of historical, cultural, and inherited valuables and Mongolian coins. The revaluation was performed over top 20 historical items and a total number of 2,054 thousand of silver coins of five different nominal values originally issued in 1925 by the bank of which the Bank of Mongolia is a successor (the "Coins"). The objective of the revaluation of the Coins was to reflect the historical collector value that significantly exceeds their silver metal content value.

The accounting policy of the Bank is that coins and banknotes issued by it are recorded as a liability at their nominal value when they are issued to banks and customers. The Bank does not recognise as an asset the national currency banknotes and coins that it produced and are not in circulation, including banknotes and coins withdrawn from the circulation. As disclosed in notes 4 and 15 to the financial statements, the Management of the Bank is of the opinion that the Coins were donated to the Treasury Fund by the Government and as such despite the fact that they were produced by the legal predecessor of the Bank of Mongolia and put in circulation as an official Mongolian currency they could be recognised as an asset. The Management of the Bank was not able to provide us legal evidence that after 1938 when the Coins were withdrawn from the circulation they were in possession of the third party and they were transferred to the Treasury Fund by the third party and not by the Bank of Mongolia or its legal predecessor and therefore that they would have been recognised as Bank's assets on transition to IFRS. As a result, we were unable to satisfy ourselves that the Coins were correctly recognised in the statement of financial position in accordance with IFRS, and therefore, we were unable to conclude whether the revaluation surplus in the amount of MNT 826,198 million arising on their revaluation to fair value should have been recognised as the revaluation reserve within the Bank's equity. The total value of those Coins after revaluation is MNT 827,886 million.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018



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

### **Independence**

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

### **Other information**

Management is responsible for the other information. The other information comprises Bank's 2018 Annual report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for qualified opinion* section above, we were unable to obtain sufficient appropriate evidence on valuation and recognition of coins at 31 December 2018. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

### *Responsibilities of management and those charged with governance for the financial statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018




error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

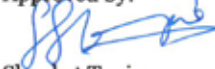
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Signed by:

  
**Bayarmaa Davaa**  
 Executive Director  
 PricewaterhouseCoopers Audit LLC

Approved by:

  
**Shaukat Tapia**  
 Director  
 PricewaterhouseCoopers Audit LLC

Ulaanbaatar, Mongolia  
 29 March 2019



## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

<i>In millions of Mongolian Tugriks</i>	<b>Note</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>ASSETS</b>			
Cash on hand	7	72,027	76,895
Due from foreign financial institutions	8	2,868,239	3,136,251
Loans to local banks	9	442,293	860,358
Investments in debt securities	10	4,677,189	-
Investments in equity securities	11	11,734	-
Financial investments available-for-sale	12	-	2,966,262
Reverse repurchase agreements	13	2,463,612	3,083,987
Gold bullion and precious metals	14	2,185,657	538,948
Treasury Fund	15	931,241	5,259
Derivative financial instruments	16	199,657	55,732
Government securities	17	64,331	163,027
Other assets	18	840,790	694,903
Premises, equipment and intangible assets	19	74,451	34,635
Assets held for sale		4,144	4,778
<b>TOTAL ASSETS</b>		<b>14,835,365</b>	<b>11,621,035</b>
<b>LIABILITIES</b>			
Cash in circulation	20	968,618	906,396
Central bank bills	21	5,005,515	3,444,401
Liabilities due to government organizations	22	1,130,107	1,880,664
Deposits from local banks	23	4,215,585	3,116,298
Derivative financial instruments	16	368,710	311,472
Liabilities due to foreign parties	24	4,906,130	4,737,952
Other liabilities	25	116,695	45,132
<b>TOTAL LIABILITIES</b>		<b>16,711,360</b>	<b>14,442,315</b>
<b>EQUITY</b>			
Charter capital	26	60,000	5,000
Accumulated deficit	26	(3,071,835)	(2,844,603)
Other reserves	26	1,135,840	18,323
<b>TOTAL EQUITY</b>		<b>(1,875,995)</b>	<b>(2,821,280)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>14,835,365</b>	<b>11,621,035</b>

Approved for issue and signed on behalf of the Board of Directors on 29 March 2019.



*N. Bayantsaikhan*  
N. Bayantsaikhan  
Governor, Bank of Mongolia

*Ts. Garid*  
Ts. Garid  
Director of Financial Reporting and  
Accounting Department

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

<i>In millions of Mongolian Tugriks</i>	<b>Note</b>	<b>2018</b>	<b>2017</b>
Interest income calculated using the effective interest method	27	275,154	302,156
Interest expense	27	(823,530)	(523,235)
<b>Net interest expense</b>		<b>(548,376)</b>	<b>(221,079)</b>
Gains less losses from trading in gold bullion and precious metals	28	18,707	23,270
Gold bullion and precious metals revaluation gains less losses	29	164,176	3,957
Gains less losses from derivative financial instruments	30	125,556	673,299
Losses less gains from trading in foreign currencies	31	(116,162)	(148,703)
Translation Gains less losses/ (Losses less gains) in foreign currencies	32	134,175	(175,795)
Reversal of impairment/(Impairment provision) for loans to local banks at amortised cost		4,054	(820)
Impairment of debt instruments at fair value through other comprehensive income		(120)	-
Reversal of impairment for debt instruments at amortised cost		77,932	-
Reversal of provision for impairment		-	61,249
Losses less gains from disposal of financial investments in debt securities	33	(9,641)	(690)
Gains from disposal of government securities		-	2,754
Gains less losses from financial assets at fair value through profit or loss	34	176,997	-
Income from trading of financial investments in debt securities		6,831	-
Other operating income	35	16,003	12,762
Administrative and other operating expenses	36	(41,725)	(51,527)
<b>PROFIT FOR THE YEAR</b>		<b>8,407</b>	<b>178,677</b>
<b>Other comprehensive income/(loss):</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Investments in debt securities:			
- Losses less gains arising during the year		(6,587)	(2,726)
- Gains less losses reclassified to profit or loss upon disposal		9,641	690
<i>Items that will not be reclassified to profit or loss:</i>			
- Revaluation surplus for premises and equipment	26	18,436	-
- Revaluation surplus for treasury fund	26	924,729	-
<b>Other comprehensive income/(loss) for the year</b>		<b>946,219</b>	<b>(2,036)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>954,626</b>	<b>176,641</b>

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

<i>In millions of Mongolian Tugriks</i>	Note	Charter capital	Other reserves	Accumulated deficit	Total equity
<b>Balance at 1 January 2017</b>	26	<b>5,000</b>	<b>16,402</b>	<b>(3,019,323)</b>	<b>(2,997,921)</b>
Profit for the year		-	-	178,677	<b>178,677</b>
Other comprehensive loss		-	(2,036)	-	<b>(2,036)</b>
Total comprehensive income for 2017		-	(2,036)	178,677	<b>176,641</b>
Transfer from accumulated deficit to other reserves	26	-	3,957	(3,957)	-
<b>Balance at 31 December 2017</b>		<b>5,000</b>	<b>18,323</b>	<b>(2,844,603)</b>	<b>(2,821,280)</b>
Adoption of IFRS 9:					
– re-measurement for expected credit losses		-	-	(8,130)	<b>(8,130)</b>
– other effects		-	52	(1,263)	<b>(1,211)</b>
<b>Restated balance at 1 January 2018</b>		<b>5,000</b>	<b>18,375</b>	<b>(2,853,996)</b>	<b>(2,830,621)</b>
Profit for the year		-	-	8,407	<b>8,407</b>
Other comprehensive income	26	-	946,219	-	<b>946,219</b>
Total comprehensive income for 2018		-	946,219	8,407	<b>954,626</b>
Allocation to charter capital from accumulated deficit	4, 26	55,000	-	(55,000)	-
Transfer from accumulated deficit to other reserves	26	-	171,246	(171,246)	-
<b>Balance at 31 December 2018</b>		<b>60,000</b>	<b>1,135,840</b>	<b>(3,071,835)</b>	<b>(1,875,995)</b>

Allocation to charter capital from accumulated deficit relates to the increase in charter capital by isolating the reversal of provision from the accumulated deficit according to the Governor Resolution No.10 dated 10 January 2018. Management believes that the Parliament Resolution No.70 dated 16 November 2017 permits the Bank to increase its charter capital based on the Bank's proposal dated on 25 September 2017. Refer to Notes 4 and 26 for more details.

For more details on revaluation surplus for Treasury Fund, refer to Notes 4 and 15.

Transfers from accumulated deficit to other reserves in 2018 and 2017 relate to unrealized gains less losses arising from revaluation of gold bullion and translation gains less losses in foreign currencies (Note 26).

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

*In millions of Mongolian Tugriks***31 December 2018 31 December 2017****Cash flows from operating activities****Profit for the year:****8,407****178,677***Adjustments to:*

(Gains less losses) from revaluation of Gold bullion and precious metals	(164,176)	(3,957)
(Gains less losses) from Derivative financial instruments	(86,687)	(673,299)
Translation (Gains less losses)/Losses less gains in foreign currencies	(7,070)	180,897
(Gains less losses) from financial assets at fair value through profit or loss	(176,997)	-
Realized losses from revaluation of premises and equipment	411	-
Depreciation of Premises, equipment and intangible assets	3,077	2,624
Premises and equipment written off	4	16
Losses from disposal of Financial investments in debt securities	9,641	-
Losses from disposal of Financial investments available-for-sale	-	690
(Gains) from disposal of Government securities	-	(2,754)
(Reversal of impairment)/Impairment provision for loans to local banks at amortised cost	(4,054)	820
Impairment of debt instruments at fair value through other comprehensive income	120	-
(Reversal) of impairment for debt instruments at amortised cost	(77,932)	-
(Reversal) of provision for impairment	-	(61,249)
Interest income	(275,154)	(302,156)
Interest expense	823,530	523,235

**Cash flows provided from operating activities before changes in operating assets and liabilities****53,120****(156,456)***Changes in operating assets and liabilities:*

Net (increase) in Gold bullion and precious metals	(1,482,533)	(307,723)
Net (increase) in Treasury fund	(1,253)	-
Net decrease/(increase) in Reverse repurchase agreements	795,149	(2,034,511)
Net decrease in Loans to local banks	413,777	225,184
Net (increase) in financial instruments at fair value through other comprehensive income	(608,976)	-
Net (increase) in financial instruments available for sale	-	(18,567)
Net (increase) in Government securities	(5,332)	(12,010)
Net decrease/(increase) in Other assets	140,733	(3,713)
Net increase in Central bank bills	1,545,088	2,866,561
Net (decrease)/increase in Liabilities due to Government organizations	(810,409)	866,898
Net increase in deposits of local banks	1,006,592	445,196
Net (decrease)/increase in Liabilities due to foreign parties	(7,877)	1,056
Net increase/(decrease) in other liabilities	69,922	(4,127)

**Net cash provided from operating activities before tax and interest****1,108,001****1,867,788**

Interest received	236,956	303,247
Interest paid	(815,516)	(447,541)

**Net cash provided from operating activities****529,441****1,723,494****Cash flows used in investing activities**

Acquisition of property, equipment and intangible assets	(25,438)	(6,195)
Proceeds from disposal of property and equipment	566	54
Acquisition of financial instruments at fair value through other comprehensive income	(4,633,328)	-
Acquisition of financial instruments available-for-sale	-	(2,672,486)
Proceeds from sale of financial instruments at fair value through other comprehensive income	3,640,586	-
Proceeds from sale of financial instruments available-for-sale	-	2,405,586
Proceeds from government securities/repayments	103,535	177,977

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

<i>In millions of Mongolian Tugriks</i>	31 December 2018	31 December 2017
<b>Net cash used in investing activities</b>	<b>(914,079)</b>	<b>(95,064)</b>
<b>Cash flows from financing activities</b>		
Decrease of cash in circulation	62,222	82,767
<b>Net cash provided from financing activities</b>	<b>62,222</b>	<b>82,767</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>49,521</b>	<b>8,447</b>
<b>Net increase in cash and cash equivalents</b>	<b>(272,895)</b>	<b>1,719,644</b>
Cash and cash equivalents at the beginning of the period	3,212,984	1,493,340
<b>Cash and cash equivalents at the end of the period</b>	<b>2,940,089</b>	<b>3,212,984</b>

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 1. INTRODUCTION AND OPERATING ENVIRONMENT

**Introduction.** The Bank of Mongolia (the "BOM" or the "Bank") is the central bank of Mongolia and operates in accordance with the constitution of Mongolia, the Law on Central Bank (Bank of Mongolia), and other laws of Mongolia. The Bank was established under the resolution of the Government of Mongolia dated 2 June 1924.

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

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

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

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

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

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

The charter capital of the BOM is fully owned by the State of Mongolia. In accordance with the Law, the main task of the Board of Directors is to develop principles of monetary policy and exercise control over implementation of the monetary policy. In addition, the Governor of BOM approves annually the BOM budget of income and expenditure for the next year, approves annual financial statements of the BOM, report on fulfilment of the BOM budget of income and expenditure and distribution of profit for the reporting year, as well as performs other functions according to its authority defined by the Mongolian legislation.

**Registered address and place of business.** The Bank's registered address is Baga Toiruu 3, 15160, Ulaanbaatar 46, Mongolia.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 1. INTRODUCTION AND OPERATING ENVIRONMENT (CONTINUED)

**Operating environment.** Mongolia displays many characteristics of an emerging market including relatively high inflation and interest rates. After recording steady growth in 2010 and 2011, the Mongolian economy has shown signs of a slowdown in 2012 and 2013 due to declining global commodities prices, concerns over slowing growth in China and changes to the Mongolian Foreign Investment Law made in 2012, which have slowed inbound foreign investment into the country. The slowdown of the economy continued further with the economy being adversely affected by significant decline in global commodity prices that took place in the last quarter of 2014, and further slowdown of the Chinese economy during 2015 and in 2016.

On 30 March 2017, Moody's Ratings Services established Mongolia's sovereign ratings to Caa1 with stable outlook. On 18 January 2018, Moody's upgraded Mongolia's credit rating to B3 from Caa1, and the outlook remains stable reflecting the balanced risks. The key factors driving the rating upgrade are an alleviation in liquidity and external pressures and prospects of attenuated sensitivity of Mongolia's credit metrics to fluctuations in commodity prices.

In the second quarter of 2017, "Extended Fund Facility" was approved by International Monetary Fund (IMF). The whole IMF package (which includes support from Asian Development Bank (ADB), World Bank, Japan, Korea and China) amounts to USD 5,500 million for 3 years to support the country's economic reform program. In 2017, the Mongolian government successfully refinanced its USD bonds by issuing new international bonds with a 5.625% coupon for USD 800 million with maturity in 2023. Foreign Direct Investment (FDI) increased by 164.4 USD million while Mongolia's Direct Investment Abroad expanded by 0.5 USD million in 2018.

One of the pillars of the program is a comprehensive effort to rehabilitate the banking system and strengthen the Bank of Mongolia. As part of the program, the Bank of Mongolia commissioned Diagnostic Studies on Commercial Banks in Mongolia including an Asset Quality Review (AQR). Preliminary summary results were provided to each commercial bank in January 2018. Following the AQR, the BoM performed supervisory inspections of each bank on the banks' financial status as a follow up to the preliminary AQR results. The inspection was completed in June 2018 and results and related implications on the banks' capital have been informed to the commercial banks.

For the purpose of measurement of expected credit losses ("ECL") the Bank uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Note 39 provides more information of how the Bank incorporated forward-looking information in the ECL models.



## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

**2. FINANCIAL REPORTING FRAMEWORK AND BASIS FOR PREPARATION AND PRESENTATION**

**Basis of preparation.** These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of premises and equipment, Treasury Fund, financial instruments categorised at fair value through profit or loss (“FVTPL”) and at fair value through other comprehensive income (“FVOCI”). The principal accounting policies applied in the preparation of these financial statements are set out in Notes 3. Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 effective from 1 January 2018, these policies have been consistently applied to all the periods presented, unless otherwise stated. Refer to Notes 3 and 46.

**Presentation currency.** These financial statements are presented in Mongolian Tugriks (“MNT”) the currency of the primary economic environment in which the Bank operates and the Bank's functional currency.

**Amendments of the financial statements after issue** The Bank's management has the power to amend the financial statements after issue.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Financial instruments – key measurement terms.** *Fair value* is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities, which are quoted in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flows models or models based on recent arm's length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

**Transaction costs** are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

**Amortised cost (“AC”)** is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*The effective interest method* is a method of allocating interest income or interest expense over the relevant period to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest re-pricing date except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortized over the whole expected life of the instrument.

The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired (“POCI”) at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

**Financial instruments – initial recognition.** Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the period established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, which is the date on which the Bank commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

**Financial assets – classification and subsequent measurement – measurement categories.** The Bank classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Bank’s business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

**Financial assets – classification and subsequent measurement – business model.** The business model reflects how the Bank manages the assets in order to generate cash flows – whether the Bank’s objective is: (i) solely to collect the contractual cash flows from the assets (“hold to collect contractual cash flows”), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets (“hold to collect contractual cash flows and sell”) or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of “other” business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Bank undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Bank in determining the business model include. Refer to Note 4 for critical judgements applied by the Bank in determining the business models for its financial assets.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial assets – classification and subsequent measurement – cash flow characteristics.** Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Bank assesses whether the cash flows represent solely payments of principal and interest (“SPPI”). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. Refer to Note 4 for critical judgements applied by the Bank in performing the SPPI test for its financial assets.

**Financial assets – reclassification.** Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model.

**Financial assets impairment – credit loss allowance for ECL.** The Bank assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Bank measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Bank applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter (“12 Months ECL”). If the Bank identifies a significant increase in credit risk (“SICR”) since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any (“Lifetime ECL”). If the Bank determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Bank’s definition of credit impaired assets and definition of default is explained in Note 39. For financial assets that are purchased or originated credit-impaired (“POCI Assets”), the ECL is always measured as a Lifetime ECL. Note 39 provides information about inputs, assumptions and estimation techniques used in measuring ECL model.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial assets – modification.** The Bank sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Bank assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (eg profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Bank derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Bank also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Bank compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Bank recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

**Financial assets – derecognition.** The Bank derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Bank has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

**Financial liabilities – measurement categories.** Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

**Financial liabilities – derecognition.** Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

**Cash and cash equivalents.** For the purposes of reporting cash flows reflecting changes in both foreign and domestic liquidity, cash and cash equivalents include items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include financial assets, which are on demand or with original maturities of less than three months and which are available for use at short notice, as well as demand deposits of government organizations and local banks, denominated in local currency, refer to Note 7. Financial assets that cannot be freely converted into cash due to insufficient liquidity or due to restrictions on their use are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortized cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI using Effective Interest method, and (ii) they are not designated at FVTPL.

**Gold bullion and precious metals.** Gold bullion consists of the stocks of gold bars of international standard held in foreign banks. Gold bullion represents a part of international reserves. Gold bullion is recorded in physical weight in troy ounces and is valued in Tugriks at the official exchange rate of the BOM. The official exchange rate is calculated based on information on gold prices determined (fixed) by participants of the London Bullion Market Association in US dollars translated into MNT at the BOM official MNT/US dollar exchange rate. Apart from holding gold as gold bullion, the Bank purchases unrefined gold and silver from producers and companies in Mongolia and trades in gold and silver (refer to Note 14).

Gold bullion and silver bars of international standard are measured in the statement of financial position at their fair value and revaluation is performed daily. The fair value is determined by taking into consideration the market value of gold and silver. Revaluation gain or loss is recognized in the profit or loss. Annually, unrealized gain or loss on fair value changes is transferred from the accumulated deficit to "Precious Metal Valuation Reserve" within other reserves in equity (refer to Note 26).

Other precious metals including commemorative coins and unrefined gold and silver are recognized as inventory and carried at lower of cost and net realizable value.

**Treasury Fund** Treasury Fund was recognized as inventory and were carried at lower of cost and net realizable value in 2017. Starting from 2018, management decided to use revaluation model under IAS 16 and revalued the Treasury Fund items as per International Valuation Standards. Treasury Fund is subject to regular revaluations, with sufficient regularity to ensure that the carrying amount does not differ materially from that, which would be determined using fair value at the end of the reporting period.

Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognized in other comprehensive income and decrease the previously recognized revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for premises included in equity is transferred directly to accumulated deficit or retained earnings when the surplus is realized.



## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Foreign currency translation.** The functional currency of the Bank is the national currency of the primary economic environment, in which the Bank operates. The functional and presentation currency of the Bank is the national currency of the Mongolia, Mongolian Tugrik (MNT).

Monetary assets and liabilities are translated into functional currency at the official exchange rate of the Tugrik at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into functional currency at year-end official exchange rates of Tugrik, are recognized in profit or loss for the year (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.

At 31 December 2018 and 31 December 2017, the principal rates of exchange used for translating foreign currency balances were:

	31 December 2018 (MNT)	31 December 2017 (MNT)
USD	2,642.92	2,427.13 3,441.48 2,897.87 371.58 21,532,489.53
SDR	3,664.81	3,441.48
EUR	3,028.65	2,897.87
CNY	385.73	371.58
JPY	23.94	21.53

**Due from foreign financial institutions.** Amounts due from other banks are recorded when the BoM advances money to counterparty banks. Amounts due from other banks are carried at AC when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

**Loans and other receivables due from banks and other borrowers.** Loans to banks and other borrowers (such as Ministry of Finance, corporate entities etc.) are recorded when the BOM advances money to originate an unquoted non-derivative receivable from a counterparty bank or other borrower due on fixed or determinable dates and has no intention of trading the receivable.

These items (including government securities issued by the Ministry of Finance) are classified as AC based on the business model and the cash flow characteristics as the loans are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL. Impairment allowances are determined based on the forward-looking ECL models. Note 39 provides information about inputs, assumptions and estimation techniques used in measuring ECL model.

In case of loans and other receivables issued below market rate, loss on initial recognition is not recognized, if related receivables are considered instruments of principal market as defined by IFRS 13 requirements. In case of loans and other receivables issued below market rate that do not meet definition of principal market, loss on initial recognition is recognised in profit or loss account. Loans and other receivables meet definition of principal market when the substance of related transactions relates to the Bank's function of the regulator and of protecting national currency and economy (e.g. performing monetary policy operations, stabilizing inflation and stimulating economic growth, ensuring stability of Mongolian banking sector etc.)

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Loans and other receivables below market rate, not related to the central banking functions, do not meet definition of principal market under IFRS 13 and therefore loss on initial recognition is recognised. For management's judgements refer to Note 4.

***Sale and repurchase agreements and lending of securities.*** Sale and repurchase agreements ("repo agreements") which effectively provide a lender's return to the counterparty are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognized. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or re-pledge the securities, in which case they are reclassified as repurchase receivables.

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the bank are recorded as due from foreign financial institutions or loans to local banks, as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of repo agreements, using the effective interest method.

Based on classification of securities sold under the sale and repurchase agreements, the BOM classifies repurchase agreements into AC.

***Investments in debt securities.*** Based on the business model and the cash flow characteristics, the Bank classifies investments in debt securities as carried at AC and FVOCI. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

***Investments in equity securities.*** Financial assets that meet the definition of equity from the issuer's perspective, i.e. instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer's net assets, are considered as investments in equity securities by the Bank. Investments in equity securities are measured at FVOCI as these investments are held for strategic purposes other than solely to generate investment returns. Fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses and their reversals, if any, are not measured separately from other changes in fair value. Dividends continue to be recognised in profit or loss when the Bank's right to receive payments is established except when they represent a recovery of an investment rather than a return on such investment.

***Government securities.*** This financial asset includes non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank has both the intention and ability to hold to collect. Management determines the classification of government securities at their initial recognition and reassesses the appropriateness of that classification at the end of each reporting period. Government securities are carried at amortized cost.



## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Derivative financial instruments.** Derivative financial instruments primarily include foreign exchange contracts such as foreign currency swaps and cross currency interest rate swaps, entered into with local banks. Derivative financial instruments represent financial instruments at fair value through profit or loss and are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Bank does not apply hedge accounting.

**Other assets.** Other assets mainly consist of receivables and prepayments. Receivables are accounted for on an accruals basis and are carried at amortized cost except for receivables from promissory notes. Receivables are recorded when due under the agreement. Prepayments are recorded on the payment date and are charged to the statement of comprehensive income when the services are provided. Impairment allowances for receivables are determined based on the forward-looking ECL models. Note 39 provides information about inputs, assumptions and estimation techniques used in measuring ECL model.

Receivables from promissory notes are carried at FVTPL. Subsequent measurement at fair value applies discounted cash flow approach at market rate of each reporting period. The market rate for promissory notes was considered to be BOM policy rate +2% mark up.

**Premises and equipment.** Premises are stated at re-valued amounts, as described below, less accumulated depreciation and provision for impairment, where required.

Premises owned by the Bank are initially measured at cost. Premises are subject to regular revaluations, with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognized in other comprehensive income and decrease the previously recognized revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for premises included in equity is transferred directly to accumulated deficit or retained earnings when the surplus is realized. Management believes that carrying amounts of premises as of 31 December 2018 and 31 December 2017 are not materially different from their fair values.

Equipment owned by the Bank is stated at cost less depreciation and provision for impairment, where required. Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalized and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in profit or loss for the year (to the extent it exceeds the previous revaluation surplus in equity, in case of premises). An impairment loss recognized for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognized in profit or loss for the year (within other operating income or expenses).

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Depreciation.** Construction in progress is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	<u>Useful lives in years</u>
Building/Premises	6 – 60 years
Office and computer equipment	3 – 20 years

The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

**Intangible assets.** The Bank's intangible assets have definite useful life and primarily include capitalized computer software licenses. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives of 4 years.

**Cash in circulation.** The amount of banknotes and coins in circulation represents the nominal value of banknotes and coins that can be used as payment instruments and were issued into circulation by the BOM after the introduction of Tugriks into circulation in September 1993. The banknotes and coins in circulation are recorded as a liability at their nominal value when cash is issued by the BOM to banks and clients of the BOM. Cash in national currency held in the BOM's vaults and cash offices is not included in banknotes and coins in circulation.

**Central bank bills.** Central bank bills issued by the BOM are initially recorded at fair value and subsequently are measured at amortized cost using the effective interest method. Amortized 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.

**Liabilities due to government organizations.** Accounts of the Government and other government institutions are non-derivative liabilities to the Government or other customers and are carried at amortized cost using effective interest method. Liabilities due to government organizations mostly relate to long-term loans obtained from the Ministry of Finance, which relate to programmes financed by the International Monetary Fund (IMF), Government of Germany (KfW) and Asian Development Bank (ADB). Refer to Note 19.

**Liabilities due to foreign parties.** Liabilities due to foreign parties are initially recorded at fair value and subsequently are measured at amortized cost using effective interest method. Liabilities due to foreign parties mostly relate to loan obtained from People's Bank of China, (central bank of China, "PBC"). Refer to Note 24.

**Deposits from local banks.** Accounts of banks are recorded when money is advanced to the BOM by counterparty banks. The non-derivative liability is carried at amortized cost.

**Provisions for liabilities and charges.** Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Operations with International Monetary Fund.** As a result of the Bank's role in relationship between Mongolia and International Monetary Fund (IMF), the Bank enters into operations with IMF. IMF related balances, which meet definition of assets and liabilities under IFRS Framework, are recognized in the financial statements of BOM. The Bank does not recognize in its financial statements IMF related balances, which do not meet definition of assets and liabilities under IFRS Framework.

**IMF related assets and liabilities of the Bank.** The IMF asset balances recognized in these financial statements include holdings of Special Drawing Rights (SDR), refer to Note 8. Liabilities due to the IMF include liabilities for allocation of SDRs. Refer to Note 24.

Assets and liabilities denominated in SDRs are translated into Tugriks at the BOM official exchange rate of Tugriks to SDR at the reporting date. The official exchange rate of Tugriks to SDR is calculated based on information on the exchange rate of SDR to USD set by the IMF and the BOM official MNT/USD exchange rate at the reporting date.

**IMF related balances of Government of Mongolia.** Certain IMF related balances do not meet definition of assets and liabilities under IFRS Framework, given that the Bank has no contractual rights and obligations with regard to purchases of related IMF funds. These include IMF quota contribution and Extended Fund Facility (EFF) arrangement loan from IMF. The BOM acts as a depository of the Government of Mongolia in the relationship of Mongolia with the International Monetary Fund (IMF). The Ministry of Finance acts as the fiscal agent of Mongolia. Thus, claims of Mongolia on and liabilities to the IMF in respect of funds received from IMF (such as IMF quota subscription) are not recognized in the financial statements of the BOM, as they represent assets and liabilities of the Ministry of Finance.

**IMF quota subscription.** The quota balance is a special type asset, which represents Mongolia's subscription as a member of the IMF. Quotas vary based on the economic size of each country and are determined by the Board of Governors of the IMF. The quota determines a member's voting power in the Fund, the limits of access to the financial resources of the Fund and a participant's share in the allocation of SDRs, the Fund's unit of account. The major part of Mongolia's quota was paid in the form of non-interest-bearing promissory notes issued to the IMF by the Ministry of Finance, the remainder being credited to the IMF accounts No 1 and No 2. As at 31 December 2018, Mongolia's quota in the IMF amounted to SDR 72.3 million (2017: SDR 72.3 million). Given that quota subscription was paid through issue of promissory notes by the Ministry of Finance of Mongolia, these amounts represent assets of the Ministry of Finance of Mongolia.

**IMF securities issued.** These securities represent IMF's holdings of Mongolia's currency and include promissory notes issued in settlement of quota as described above and holdings arising from use of IMF credit in case of promissory notes issued in settlement of purchase of IMF funds under Extended Fund Facility arrangement.

**IMF accounts No. 1 and No. 2.** IMF account No. 1 is used for IMF transactions including quota subscription payments, purchase and repurchase of funds. Account No. 2 is used for settlements with the IMF in Mongolian currency. Accounts No. 1 and No. 2 are not material as of 31 December 2018 and 31 December 2017.

**Extended Fund Facility (EFF) arrangement.** The Executive Board of the IMF approved a three-year extended arrangement under Extended Fund Facility (EFF) for Mongolia in a total amount of SDR 314.5 million to support the country's economic reform program on 24 May 2017. The EFF arrangement represents loans granted to Mongolia by IMF under the EFF, which bear interest from 1.53% p.a. to 1.59% p.a. The funding was further transferred to relevant accounts opened within the Bank (e.g. accounts of the Ministry of Finance) according to memorandum of understanding between BOM and Ministry of Finance (MOF) dated 25 May 2017.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The loans and repayments are denominated in Special Drawing Rights (“SDR”) and the repayment is done by BOM on behalf of MOF to IMF according to repayment schedule. As at 31 December 2018, liabilities due to MOF under EFF program was SDR 157.9 million, which is equivalent to MNT 578,771 million (2017: 84.0, which is equivalent to MNT 288,976 million) with maturity of 3 years, disclosed in Note 22.

**Charter capital.** Charter capital (fund) is classified as equity. Refer to Note 26.

**General reserve.** In accordance with the Law on Central Bank (Bank of Mongolia), at least 40% of the Bank's net income for the year shall be allocated to the general reserve, while the remaining amount (i.e. maximum 60% of net income) can be transferred to the State Budget account. General reserve includes only such portions of net income accumulated over years over which the Bank has full rights to utilize them. This reserve fund does not include amounts that were distributed to the State budget in the past or which can be distributed in the future, as these portions have been already transferred to the Government in respective years. There were no transfers in 2018 and 2017, as the Bank had accumulated loss in these years.

**Other reserves.** Other reserves consist of unrealized foreign exchange translation gains and losses, unrealized revaluation gains and losses on gold bullion and precious metals (silver), revaluation reserve (related to buildings and Treasury Fund), and reserve for available for sale financial investments. Refer to Note 26. In accordance with its policies, the Bank transfers unrealized revaluation gains and losses on gold bullion and precious metals, previously recognized through profit or loss, to other reserves at the end of the year.

**Credit related commitments.** The Bank enters into credit related commitments, which include letters of credit and the arrangement with the People's Bank of China (central bank of China, “PBC”), which in substance represents a credit facility (line) provided by PBC in Yuan to the BOM and credit facility in MNT by BOM to PBC (refer to Note 37).

At the end of each reporting period, the commitments are measured at (i) the remaining unamortized balance of the amount at initial recognition plus (ii) the amount of the loss allowance determined based on the expected credit loss model. In cases where the fees are charged periodically in respect of an outstanding undrawn commitment, they are recognized as revenue on a time proportion basis over the respective commitment period.

**Income and expense recognition.** Interest income and expense are recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Interest income on debt instruments at FVTPL (promissory notes) calculated at nominal interest rate is presented within ‘Gains less losses from financial assets at FVTPL’ line in profit or loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

**Expenses for money issuance.** The BOM instructs to print its national currency denominated notes to manufacturer and prepayments associated with the banknotes and coins printed are within “Other assets” and charged to the BOM's expenses when produced banknotes and coins are transferred by printing companies to the Central Vault of the BOM.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Staff costs and related contributions.** Wages, salaries and other salary related expenses (including paid annual leave and sick leave, bonuses, and non-monetary benefits) are recognized as an expense in the year, in which the associated services are rendered by the Bank's employees. Short term accumulating compensated absences such as paid annual leave are recognized when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognized when absences occur.

**Employee benefits.** Based on its internal regulations, the Bank allocates certain funds to the Mongolian Social development fund, which is used for improving living and working conditions of the Bank's employees. These funds are used for payment of benefits, reimbursements, work performance remunerations of the Bank's employees, purchasing apartments to guarantee social welfare of employees and to help employees in need etc.

Management believes that Social Development Fund as of 31 December 2018 and 31 December 2017 is sufficient to cover these liabilities and short-term liabilities for which this fund is created and that amount of recognized liability for retirement benefits is not materially different from the amount of present value of the defined benefit obligation at the reporting date less adjustments for unrecognized actuarial gains or losses and past service costs.

**Income taxes.** In accordance with Corporate Income Tax Law of Mongolia, the BOM is exempted from income tax.

**Presentation of statement of financial position in order of liquidity.** The Bank does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. The following table provides information for each line item in the statement of financial position, which combines amounts expected to be recovered or settled before and after twelve months after the reporting period.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

<i>In millions of Mongolian Tugriks</i>	31 December 2018			31 December 2017		
	Amounts expected to be recovered or settled		Total	Amounts expected to be recovered or settled		Total
	Within 12 months after the reporting period	After 12 months after the reporting period		Within 12 months after the reporting period	After 12 months after the reporting period	
Cash on hand	72,027	-	72,027	76,895	-	76,895
Due from foreign financial institutions	2,868,239	-	2,868,239	3,136,251	-	3,136,251
Investments in debt securities	1,206,765	3,470,424	4,677,189	-	-	-
Investments in equity securities	5,139	6,595	11,734	-	-	-
Financial investments available for sale	-	-	-	371,975	2,594,287	2,966,262
Reverse repurchase agreements	2,406,320	57,292	2,463,612	3,019,141	64,846	3,083,987
Gold and precious metals	2,185,657	-	2,185,657	544,207	-	544,207
Treasury Fund	-	931,241	931,241	-	-	-
Derivative financial instruments	50,943	148,714	199,657	12,686	43,046	55,732
Government securities	699	63,632	64,331	105,238	57,789	163,027
Loans to local banks	267,184	175,109	442,293	134,304	726,054	860,358
Other assets	105,510	735,280	840,790	15,215	679,688	694,903
Premises, equipment and intangible assets	-	74,451	74,451	-	34,635	34,635
Assets held for sale	4,144	-	4,144	4,778	-	4,778
<b>Total assets</b>	<b>9,172,627</b>	<b>5,662,738</b>	<b>14,835,365</b>	<b>7,420,690</b>	<b>4,200,345</b>	<b>11,621,035</b>
Cash in circulation	(968,618)	-	(968,618)	(906,396)	-	(906,396)
Central bank bills	(5,005,515)	-	(5,005,515)	(3,444,401)	-	(3,444,401)
Liabilities due to government organizations	(1,100,174)	(29,933)	(1,130,107)	(1,850,408)	(30,256)	(1,880,664)
Deposits from local banks	(4,215,585)	-	(4,215,585)	(3,116,298)	-	(3,116,298)
Derivative financial instruments	(94,592)	(274,118)	(368,710)	(84,706)	(226,766)	(311,472)
Liabilities due to foreign parties	(4,906,130)	-	(4,906,130)	(4,737,952)	-	(4,737,952)
Other liabilities	(114,766)	(1,929)	(116,695)	(41,947)	(3,185)	(45,132)
<b>Total liabilities</b>	<b>(16,405,380)</b>	<b>(305,980)</b>	<b>(16,711,360)</b>	<b>(14,182,108)</b>	<b>(260,207)</b>	<b>(14,442,315)</b>



## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

**4. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

The Bank makes estimates and assumptions that affect the amounts recognized in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

**Going concern.** Management prepared these financial statements on a going concern basis. As of 31 December 2018 and 31 December 2017, the Bank has negative equity position and net current liabilities. Management believes that there is no risk that the Bank will not be able to continue as a going concern in foreseeable future as BOM is the issuer of national currency, and therefore, the Bank is not exposed to MNT liquidity risk.

**ECL measurement for financial instruments in debt securities.** Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 39. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios.

The Bank estimates ECL for all debt instruments classified at AC and FVOCI and regularly reviews the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

The Bank applies the simplified methodology based on credit rating assigned by international rating agencies when estimating ECL since counterparties are either international financial institutions or local banks. The management assumes that forward-looking information is implied in the credit rating of the counterparty based on Probability of Default Implied Rating Research.

Accordingly, the Bank applies single best scenario, taking into account of high probability (80%) to keep the rating for the next 12 months. In order to reach this conclusion, the Bank has performed sensitivity analysis on PD by changing the rating +/- 1 notch and it resulted in insignificant impact of MNT 740 million (2017: MNT 960 million) to ECL. If the LGD would be 10% higher or lower compared to current LGD, the ECL would increase or decrease by MNT 784 million as at 31 December 2018 (2017: MNT 1,200 million).

**Significant increase in credit risk ("SICR").** In order to determine whether there has been a significant increase in credit risk, the Bank compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Bank considers all reasonable and supportable forward-looking information available without undue cost and effort. Refer to Note 39.

**Business model assessment.** The business model drives classification of financial assets. Management applied judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Bank considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimising potential losses due to credit deterioration are considered consistent with the "hold to collect" business model.



## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

**4. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING (CONTINUED)**

Other sales before maturity, not related to credit risk management activities, are also consistent with the “hold to collect” business model, provided that they are infrequent or insignificant in value, both individually and in aggregate. In addition, sales of financial asset expected only in stress case scenario, or in response to an isolated event that is beyond the Bank’s control, is not recurring and could not have been anticipated by the Bank, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

The “hold to collect and sell” business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model’s objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets.

The residual category includes those portfolios of financial assets, which are managed with the objective of realising cash flows primarily through sale, such as where a pattern of trading exists. Collecting contractual cash flow is often incidental for this business model.

On transition to IFRS 9, the Bank divided its portfolio of AFS securities into two sub-portfolios to reflect how these assets are managed. Approximately 60% was identified as a liquidity portfolio and classified as held to collect and sell, while the rest was classified as held to collect based on the assumption that these securities would only be sold in a stress case scenario.

***Assessment whether cash flows are solely payments of principal and interest (“SPPI”).*** Determining whether a financial asset’s cash flows are solely payments of principal and interest required judgement.

The time value of money element may be modified, for example, if a contractual interest rate is periodically reset but the frequency of that reset does not match the tenor of the debt instrument’s underlying base interest rate, for example, a loan pays three months interbank rate but the rate is reset every month. The effect of the modified time value of money was assessed by comparing relevant instrument’s cash flows against a benchmark debt instrument with SPPI cash flows, in each period and cumulatively over the life of the instrument. The assessment was done for all reasonably possible scenarios, including reasonably possible financial stress situation that can occur in financial markets. In case of a scenario with cash flows that significantly differ from the benchmark, the assessed instrument’s cash flows are not SPPI and the instrument is then carried at FVTPL. Instruments that failed the SPPI test are measured at FVTPL. Refer to Note 5.

***Initial recognition of borrowings from the Ministry of Finance and loans to local banks.*** The Bank has borrowings due to the Ministry of Finance in the amount of MNT 40,186 million (2017: MNT 32,326 million) disclosed in Note 22, which relate to the borrowings received by the Ministry of Finance on behalf of the Government of Mongolia, under inter-state project financing from the Government of Germany (KfW) and Asian Development Bank.

These resources are subject to a very low interest ranging from 0.75% to 1% per annum and were conditional on lending to selected sectors of economy or for other specified purposes at low rates.

Management have considered whether gains should arise on initial recognition of such instruments. In making this judgement management made a conclusion that these borrowings should be considered as instruments of a principal market represented by inter-state project, financing aimed to serve the public interest that is often provided at just a token or even free of charge. Further, the funding from these institutions was also available at low interest rates to certain Mongolian local banks for selected sectors or specific purposes. As a result, no initial recognition gains should be recognized.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

**4. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING (CONTINUED)**

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

**Fair value of financial derivatives.** The Bank regularly enters into derivative contracts with mainly local banks for risk management purposes. These derivatives are measured at fair value.

Starting the first quarter of 2014, the Bank participated in a long-term SWAP program with the local banks. The Bank has agreed long-term MNT/USD SWAPS ranging in maturity from 2 years to 5 years. The Bank started entering into a new cross currency interest rate SWAP arrangement with local banks since December 2017. The arrangement is to swap MNT/USD on regular basis based on interest rate formula with maturities ranging from 1 year to 8 years.

The forward price of both arrangements used in fair valuation technique is estimated by BOM Monetary Policy Department, using econometric method. There is no readily available market information on pricing of such long term instruments. Management believes that forward rate estimated using econometric method gives more accurate rate than formula based approach using interest rate parity theory. Information about fair values of instruments valued using assumptions that are not based on observable market data is disclosed in Notes 42.

Management has considered whether gains or losses should arise on initial recognition of such instruments. As the transactions were entered into by willing market participants, management's judgement is that these instruments are at market rates and no initial recognition gains or losses should arise. In making this judgement management also considers that these instruments are a principal market segment.

**Initial recognition of loans to local banks.** Starting from November 2012 the Bank has issued loans in MNT to local banks for further lending to local companies under Price Stabilization Program (PSP). These loans were issued under terms and conditions defined by Government joint resolutions and the Bank has no discretion in defining the terms of these loans. In addition, decisions on participation of particular companies in the program are also taken by the Government, and the entities selected are entitled to obtain loans, which are refinanced by the Bank of Mongolia, from any local bank. As a result, the Bank is able to advance funds to local banks as determined by Government of Mongolia, at advantageous rates at 0.89% per annum to 4% per annum. Management has considered whether gains or losses should arise on initial recognition of such instruments. As the transactions are in accordance with the main function of central bank to formulate and to implement monetary policy by money supply in the economy and to stabilize inflation, management's judgement is that these loans represent principal market. The loans to local banks under PSP amounted to MNT 436,781 million as at 31 December 2018 (2017: MNT 836,153 million) and are disclosed in Note 9. For related accounting policy, refer to Note 3.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 4. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING (CONTINUED)

**Initial recognition of loans to Deposit Insurance Corporation (DIC).** The Bank issued loans to Deposit Insurance Corporation amounting to MNT 119,900 million and MNT 85,000 million on 30 September 2013 with specific purpose of providing State Bank with financial assistance. These loans bear interest rate of 0.5% per annum and zero per annum respectively. Management has considered whether gains or losses should arise on initial recognition of such instruments. As related lending was provided in accordance with the Bank's main function to ensure stability of Mongolian banking sector, act as a lender of the last resort for banks and to organize a system of refinancing, management's judgement is that related lending represents principal market. The loans to DIC as of 31 December 2018 amounted to MNT 193,710 million (2017: MNT 193,709 million) and is disclosed in Note 18.

**Initial recognition other of financial instruments below market rate.** IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Further, in accordance with its accounting policy (Note 3), management assessed that recognition of loss on initial recognition is necessary in case of the following transactions, as their nature (substance) do not represent functions of the Central Bank:

- On 23 September 2015, the Bank purchased the Development Bank securities in the total nominal amount of MNT 60,000 million with an interest rate of 4% per annum, which is below market rate. The fair value of these securities at initial recognition was MNT 31,397 million. The difference between nominal value of the Development Bank securities and their fair value totaling MNT 28,603 million was recognized as a losses on initial recognition in profit or loss for the year ended 31 December 2015. The carrying value of the securities as at 31 December 2018 is MNT 44,305 million (2017: MNT 39,860 million). For related accounting policy, refer to Note 3 and for more information, refer to Note 10.
- During 2016, the Bank obtained government securities in par value of MNT 453,712 million at coupon rate of 1.0% per annum to 3.0% per annum in order to finance "Sain" program. Management has recognized these financial assets at fair value of MNT 123,668 million with initial loss of MNT 330,044 million. The loss was recognized in profit or loss for the year ended 31 December 2016. As at 31 December 2018, carrying value of the securities related to "Sain" program is MNT 65,265 million (2017: MNT 60,112 million). For related accounting policy, refer to Note 3 and for more information, refer to Note 17.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 4. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING (CONTINUED)

- BOM provided lending to corporate clients through the purchase of their promissory notes for the amount of MNT 350,000 million in 2014 and MNT 465,000 million in 2016 at interest rate, which have had an option to be decreased to below market interest rate in the case specified performance conditions were met. Management assessed at the origination of these assets the appropriate effective interest rate for these loans, taking into consideration the contractual terms and conditions, and the likelihood of specific performance conditions to be met based on available information. Management concluded that the borrowers had high probability of meeting specified conditions. Therefore, these reduced interest rates do not represent the market rate for similar financial instruments in Mongolia, management estimated the loss on initial recognition. As a result, fair value of related receivables at initial recognition was MNT 265,426 million and related loss on initial recognition in 2014 was MNT 84,574 million. The fair value of related lending at initial recognition was MNT 371,722 million and MNT 93,278 million was recognized as losses on initial recognition of assets at rates below market in profit or loss for the year ended 31 December 2016. These receivables were reclassified as FVTPL (mandatory) as per SPPI test from the date of initial application of IFRS 9. Therefore, fair value of the related receivables were estimated as of the transition date. For related accounting policy, refer to Note 3 and for more information, refer to Note 18.
- The Bank entered into reverse repurchase arrangement with local banks in 2016. The arrangement bear floating interest rate at policy rate minus 3% per annum until 30 September 2016 and 11 October 2016 when the rate became fixed at 7.5% per annum and management has considered these are below market. The fair value of related lending at initial recognition was MNT 150,000 million and loss on initial recognition is MNT 23,426 million as at 31 December 2016. Carrying value of the agreements as at 31 December 2018 is MNT 67,403 million (2017: MNT 159,857 million). For related accounting policy, refer to Note 3 and for more information, refer to Note 13.

All above-mentioned losses on initial recognition is recognized as losses on initial recognition of assets at rates below market in profit or loss for the year ended 31 December 2016 and other above mentioned reporting periods.

When determining the amounts of loss on initial recognition in relation to abovementioned transactions, management made the following judgements based on available information on comparable transactions:

- the policy rate of BOM represents reasonable approximation of market interest rate on MNT funding in case of credit (counterparty) risk related to the Government of Mongolia and lending to local banks;
- the policy rate of BOM increased by margin of 2% per annum represents reasonable approximation of market rate on MNT funding in case of credit (counterparty) risk related to corporate entities in relation to promissory notes (Note 15), given the nature and size of their operations, their reputation, likely support by related parties, and collateral.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 4. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING (CONTINUED)

**Control over Deposit Insurance Corporation (DIC).** Management applies judgement to determine whether the substance of the relationship between BOM and DIC indicates whether DIC is controlled by BOM or not. In making this judgement, management takes into account the following:

- power over the DIC;
- exposure, or rights, to variable returns from its involvement with the DIC; and ability to use its power over the DIC to affect the amount of the BOM's returns. BOM has power over DIC if it can direct the relevant activities of DIC. According to the Charter of DIC, the National Committee has seven members, and is chaired by the Deputy Governor of BOM. The remaining six members comprise of the following:
- State Secretary in charge of finance and budget issues;
- Standing Commissioner of the Mongolian Financial Regulatory Commission; Executive Director of DIC;

Three members to be nominated by Governor of BOM, Minister of Finance and Mongolian Bankers Association (an independent Association made up of local banks and financial institutions and does not include BOM) and to be appointed by the joint decisions of the Governor of BOM and Minister of Finance. All decisions concerning the activities of DIC must be approved by vote from each of the seven members of the National Committee and no member has any unilateral power to direct the activities of DIC. Despite BOM having its First Deputy Governor chairing the National Committee, the fact that the Chairman does not have any unilateral power to direct the activities of DIC and that BOM has limited influence in the appointment of the remaining three members of the National Committee sufficiently demonstrates that BOM does not have control or influence over DIC. Therefore, management concluded that DIC should not be consolidated into these financial statements.

**Reversal of impairment provision for financial support to Deposit Insurance Corporation (DIC).** In 2013, the Bank issued loan to DIC in the amount of MNT 119,900 million with 0.5% interest p.a with maturity of 10 years with the sole purpose of ensuring stability of Mongolian banking. Based on contractual terms, this loan is due for the repayment on 30 September 2023 and interest repayments are made on an annual basis. On the same day, the Bank had additionally issued a short-term financial support to DIC in the amount of MNT 85,000 million in support of the Government's decision to acquire shares in State Bank LLC. As a result, DIC owns 75% of State Bank LLC. Based on the agreements, both loans are arranged to be repaid from the proceeds of the privatization of State Bank LLC and earnings related to State Bank LLC.

As the privatization of State Bank LLC has been uncertain in prior periods, the loan of MNT 85,000 million was fully provisioned since 2014 and loan of MNT 119,900 million was fully provisioned since 2016. In May 2018, government session was held and "Privatization of state owned companies/bank in 2018-2020" was supported to be introduced to the Parliament and it is expected to be approved in fall session of Parliament at latest. Therefore, the management reassessed the impairment provision with consideration of progresses occurred in 2018. As a result, loans were assessed at Stage 3 with credit loss allowance of MNT 115,000 million. It resulted in reversal of impairment provision at MNT 78,700 million in profit or loss. Refer to Note 18.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 4. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING (CONTINUED)

**Control over banks under receivership.** Management applies judgement to determine whether the substance of the relationship between BOM and banks under receivership indicates whether these banks are controlled by BOM or not. In making this judgement, management takes into account the following:

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

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

**Increase in charter capital.** The Bank increased its charter capital by MNT 55,000 million by isolating the reversal of provision from the accumulated deficit according to the Governor Resolution No.10 dated 10 January 2018. Management believes that the Parliament Resolution No.70 dated 16 November 2017 permits the Bank to increase its charter capital based on the Bank's proposal dated on 25 September 2017. Implementation of the transaction was confirmed by Economic Standing Committee ("ESC") based on the letter No. 11/2200 dated 4 March 2019. Therefore, the management is of the opinion that the transaction is fully in compliant with applicable law and regulations and the risk of uncertainty on their interpretation is low. Given that Parliament Resolution No.70 does not explicitly assigning the exclusive right of the Parliament to the Bank, management has assessed the risk that Parliament may take different position and declare Order #A-10 to be unenforceable in case any other parties challenge the legal ground of the decision to increase the charter capital of the Bank. Refer to Notes 26, 37 and 42.

**Revaluation of buildings.** The Bank measures its buildings at revalued amounts with changes in fair value being recognized in other comprehensive income (OCI). In 2018, the Bank engaged an independent valuation specialist to assess the fair value of the buildings. Buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the buildings. Revaluation resulted in surplus of MNT 18,500 million, which was recognized in the statement of changes in equity. Refer to Notes 19 and 26.



## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 4. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING (CONTINUED)

**Treasury Fund.** The Bank is a sole body, which is entitled to run day to day operation of the Treasury Fund according to the Law on the State Treasury. Treasury Fund is comprised of heritage assets including historical, cultural, and inherited valuables and silver coins issued in 1925. These are exhibited in the museum to the public, and the proceeds from tickets are recognized as other operating income in the profit or loss of the Bank. Reserve Management Financial Markets Department is responsible for management of the Fund's operation, maintenance, safeguard and security. Therefore, management believes that the Treasury Fund should be recognized as an asset in the statement of financial position of the Bank as economic benefit from the Fund flows to the Bank and the Fund is controlled by the Bank based on the Law on the State Treasury. The coins were withdrawn from the circulation in 1938. The management is of the opinion that these coins, despite the fact that they were produced by the legal predecessor bank of Bank of Mongolia, should be recognized as an asset as in the Management's understanding they were donated to the Treasury Fund by the Government.

Management of the Bank believes that silver coins meet recognition criteria based on following factors:

- Mongolian silver coins issued in 1925 have been withdrawn from the circulation in 1938 based on decision of the Ministry of Finance of Mongolia. Those coins have been replaced with newly issued banknotes.
- Following the decision of the Government to establish the Treasury Fund, these coins were donated to the Fund by the Government with the objective for BoM to control and safeguard them as part of the BoMs responsibility to manage the Fund.
- The Bank has a right to accumulate gains or incur losses from sales/transfers of those coins to the third parties, based on sales or transfers pre-approved by the government.

**Measurement.** The Treasury Fund was carried at lower of cost and net realizable value prior to 2017. Starting from 2018, the Bank decided to measure the Treasury Fund at fair value based on the reports prepared by an internationally recognized valuation company. Carrying value of the Treasury Fund increased from MNT 6,247 million to MNT 931,241 million as a result of revaluation as at 31 December 2018. The valuation was applied direct comparable method and replication method under International Valuation Standards. Information about fair values of items valued using assumptions that are not based on observable market data is disclosed in Note 40.

The management decided to apply the accounting policy prospectively from the earliest date practicable as it was impracticable to determine the cumulative effect, at the beginning of the current period, of applying a new accounting policy to all prior periods. This assessment requires exercise of judgement from management based on their experience on those items as well as other assumptions described in Note 40. Refer to Note 15 for the sensitivity analysis of key inputs used in the valuation.



## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

**Adoption of IFRS 9 “Financial Instruments”.** The Bank adopted IFRS 9, *Financial Instruments*, from 1 January 2018. The Bank elected not to restate comparative figures and recognised any adjustments to the carrying amounts of financial assets and liabilities in the opening retained earnings as of the date of initial application of the standard, 1 January 2018. Consequently, the revised requirements of the IFRS 7, *Financial Instruments: Disclosures*, have only been applied to the current period.

The comparative period disclosures repeat those disclosures made in the prior year. The significant new accounting policies applied in the current period are described in Note 3. Accounting policies applied prior to 1 January 2018 and applicable to the comparative information are disclosed in Note 44.

The following table reconciles the carrying amounts of each class of financial assets as previously measured in accordance with IAS 39 and the new amounts determined upon adoption of IFRS 9 on 1 January 2018.

In millions of Mongolian Tugriks	Measurement category		Carrying value under IAS 39 - 31 December 2017	Effect of adopting IFRS 9				Carrying value under IFRS 9 - 1 January 2018
	IAS 39	IFRS 9		Reclassification		Remeasurement		
				Mandatory	Voluntary	ECL	Other	
Cash and cash equivalents	L&R	AC	76,895	-	-	-	-	76,895
Due from foreign financial institutions	L&R	AC	3,136,251	-	-	-	-	3,136,251
Loans to local banks	L&R	AC	860,358	-	-	(8,130)	-	852,228
Reverse repurchase agreement	L&R	AC	3,083,987	-	-	-	-	3,083,987
Other financial asset								
Promissory notes	L&R	FVTPL	690,933	-	-	-	(1,211)	689,722
Other assets	L&R	AC	9	-	-	-	-	9
Gold bullion and precious metals	HFT	FVTPL	429,440	-	-	-	-	429,440
Derivative Financial Instruments	HFT	FVTPL	55,732	-	-	-	-	55,732
Investments in debt securities								
Bonds issued by Bank for International Settlements	AFS	FVOCI	314,953	-	-	-	-	314,953
US treasury bills	AFS	FVOCI	247,591	-	-	-	-	247,591
RAMP Investment Account Assets	AFS	FVOCI	248,872	-	-	-	-	248,872
Senior RMBS Bonds	AFS	AC	2,103,252	-	-	-	-	2,103,252
Development Bank securities	AFS	AC	39,860	-	-	-	-	39,860
Investments in equity securities								
Equity investment in MMC Holding JSC at fair value	AFS	FVOCI	5,139	-	-	-	-	5,139
Equity investment at cost	AFS	FVOCI	6,595	-	-	-	-	6,595
Government securities	HTM	AC	163,027	-	-	-	-	163,027

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

**5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS (CONTINUED)****(a) *Cash and cash equivalents***

All classes of cash and cash equivalents were reclassified from retired category of loans and receivables (“L&R”) measurement category under IAS 39 to AC measurement category under IFRS 9 with no change in measurement at the adoption date of the standard. The ECLs for Cash and Cash equivalent were disclosed in Note 7.

**(b) *Due from foreign financial institutions***

All classes of due from other banks balances as disclosed in Note 8 were reclassified from retired category of L&R measurement category under IAS 39 to AC measurement category under IFRS 9 with no change in measurement at the adoption date of the standard.

**(c) *Loans to local banks***

Loans to local banks as disclosed in Note 9 were reclassified from retired category of L&R measurement category under IAS 39 to AC measurement category under IFRS 9 with no change in measurement at the adoption date of the standard. The ECL for loans to local banks under IFRS 9 resulted in further increase of MNT 8,130 million as at transition date of 1 January 2018.

**(d) *Reverse repurchase agreement***

Reverse repurchase agreement as disclosed in Note 10 were reclassified from retired category of L&R measurement category under IAS 39 to AC measurement category under IFRS 9 with no change in measurement at the adoption date of the standard.

**(e) *Other financial assets***

Promissory notes were reclassified from L&R measurement category under IAS 39 which was measured at AC to FVTPL measurement category under IFRS 9 as per SPPI test as the contract clause had prescribed possible decrease in interest rates in response to certain operational obligations which does not relate to the compensation for time value of money and credit risk. The fair value was measured as at 1 January 2018 and reclassification effect of MNT 1,211 was reflected in the carrying value.

Other remaining financial assets were reclassified from retired category of L&R measurement category under IAS 39 to AC measurement category under IFRS 9 with no change in measurement at the adoption date of the standard.

**(f) *Gold bullion and precious metals***

Gold bullion and precious metals were reclassified from retired category of Held for Trading (HFT) measurement category under IAS 39 to FVTPL measurement category under IFRS 9 with no change in measurement at the adoption date of the standard.

**(g) *Derivative financial instruments***

Derivative financial instruments were reclassified from retired category of Held for Trading (HFT) measurement category under IAS 39 to FVTPL measurement category under IFRS 9 with no change in measurement at the adoption date of the standard.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS (CONTINUED)

(h) *Investments in debt securities*

The reasons for reclassifications were as follows:

*Securities within the liquidity portfolio identified as held to collect.* Following the assessment of its business model for securities within the Bank's liquidity portfolio, which are mostly held to collect the contractual cash flows and sell, the Bank has identified certain securities which are managed separately and for which the past practice has been (and the Bank's intention remains) hold to collect the contractual cash flows. Consequently, the Bank has assessed that the appropriate business model for this group of securities is held to collect. These securities, which were previously classified as AFS, were reclassified at AC from the date of initial application. The remainder of the Bank's liquidity portfolio is held to collect contractual cash flows and sell.

*Reclassification from retired categories with no change in measurement.* In addition to the above, the following debt instruments have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were retired, with no changes to their measurement basis:

- those previously classified as AFS and now classified as measured at FVOCI; and
- those previously classified as HTM and now classified as measured at AC. (Government securities)

(i) *Investments in equity securities*

The Bank has elected to irrevocably designate some strategic investments in equity securities as at FVOCI as permitted under IFRS 9. These securities were previously classified as AFS. The changes in fair value of such securities will no longer be reclassified to profit or loss when they are impaired or disposed of.

**Reconciliation of provision for impairment at 31 December 2017 and credit loss allowance at 1 January 2018.** Loans to local banks had provision of MNT 964 million measured in accordance with incurred loss model under IAS 39 and the new credit loss allowance measured in accordance with expected loss model under IFRS 9 at 1 January 2018 was MNT 9,094 million. Other financial instruments in debt securities had immaterial difference.

At 31 December 2017, all of the Bank's financial liabilities except for derivatives were carried at AC. The derivatives belonged to the FVTPL measurement category under IAS 39. There were no changes to the classification and measurement of financial liabilities.

The following table analyses the impact of transition to IFRS 9 on reserves and retained earnings as of 1 January 2018.

In millions of Mongolian Tugriks	Attributable to owners of the Bank			
	Charter capital	Accumulated deficit	Other reserves	Total
<b>Amounts at 31 December 2017 prior to adoption of IFRS 9</b>	<b>5,000</b>	<b>(2,844,603)</b>	<b>18,323</b>	<b>(2,821,280)</b>
Remeasurement to fair value for reclassified financial instruments under IFRS 9	-	(1,211)	-	(1,211)
Recognition of ECL under IFRS 9 for debt financial assets at amortized cost and credit related commitments	-	(8,130)	-	(8,130)
<b>At 1 January 2018 (under IFRS 9)</b>	<b>5,000</b>	<b>(2,853,944)</b>	<b>18,323</b>	<b>(2,830,621)</b>

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS (CONTINUED)

***Amendments to IFRS 9 - “Prepayment Features with Negative Compensation” (issued on 12 October 2017 and effective at the latest for annual periods beginning on or after 1 January 2019).*** The amendments were early adopted by the Bank with the date of initial application of 1 January 2018. The amendments enable measurement at amortised cost of certain loans and debt securities that can be prepaid at an amount below amortised cost, for example at fair value or at an amount that includes a reasonable compensation payable to the borrower equal to present value of an effect of increase in market interest rate over the remaining life of the instrument. In addition, the text added to the standard's basis for conclusion reconfirms existing guidance in IFRS 9 that modifications or exchanges of certain financial liabilities measured at amortised cost that do not result in the derecognition will result in a gain or loss in profit or loss. The Bank is therefore not be able to revise effective interest rate for the remaining life of the loan in order to avoid an impact on profit or loss upon a loan modification. The standard did not have a material impact on the Bank.

***Adoption of IFRS 15 “Revenue from Contracts with Customers” (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018) and Amendments to IFRS 15 “Revenue from Contracts with Customers” (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018).*** The Bank has adopted IFRS 15, *Revenue from Contracts with Customers*, with the date of initial application of 1 January 2018. The new standard was applied using the modified retrospective method, with the cumulative effect recognised in retained earnings on 1 January 2018. The standard introduced the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The standard did not have a material impact on the Bank.

The following amended standards became effective for the Bank from 1 January 2018, but did not have any material impact on the Bank:

- Amendments to IFRS 2 “Share-based Payment” (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 4 - “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts” (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 and IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IAS 40 – “Transfers of Investment Property” (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 6. NEW ACCOUNTING PRONOUNCEMENTS

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2019 or later, and which the Bank has not early adopted.

**IFRS 16 "Leases" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019).** The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Bank does not expect a material impact of the amendments on its financial statements.

**IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).** IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.

If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Bank does not expect a material impact of the amendments on its financial statements.

**IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).** IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin).



## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 6. NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Bank does not expect a material impact of the amendments on its financial statements.

***Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures” (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).*** The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in ordinary shares. The Bank does not expect a material impact of the amendments on its financial statements.

***Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).*** The narrow scope amendments impact four standards. IFRS 3 was clarified that an acquirer should re-measure its previously held interest in a joint operation when it obtains control of the business. Conversely, IFRS 11 now explicitly explains that the investor should not re-measure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa. The amended IAS 12 explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, e.g. in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits. The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete. The Bank does not expect a material impact of the amendments on its financial statements.

***Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).*** The amendments specify how to determine pension expenses when changes to a defined benefit pension plan occur. When a change to a plan—an amendment, curtailment or settlement—takes place, IAS 19 requires to re-measure net defined benefit liability or asset. The amendments require using the updated assumptions from this re-measurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Before the amendments, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements. The Bank does not expect a material impact of the amendments on its financial statements.

***Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).*** The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Bank's financial statements. The Bank does not expect a material impact of the amendments on its financial statements.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 7. CASH AND CASH EQUIVALENTS

<i>In millions of Mongolian Tugriks</i>	Note	31 December 2018	31 December 2017
Cash on hand		72,027	76,895
Due from foreign financial institutions:			
- Short term deposits in foreign currency	8	2,081,845	2,034,346
- Demand deposits	8	640,138	956,442
- Special drawing rights holdings	8	146,231	145,301
Total due from foreign financial institutions		2,868,214	3,136,089
Less credit loss allowance		(152)	-
<b>Total cash and cash equivalents</b>		<b>2,940,089</b>	<b>3,212,984</b>

The above balances are presented as cash and cash equivalents for the purposes of the Statement of Cash Flows. Refer to Note 39 for the ECL measurement approach.

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2018. Refer to Note 39 for the description of the Bank's credit risk grading system.

<i>In millions of Mongolian Tugriks</i>	Short term deposits in foreign currency	Demand deposits	Special drawing rights holdings	Total
- Excellent	2,081,845	640,138	146,231	2,868,214
<b>Total due from foreign financial institutions included in cash and cash equivalents, excluding cash on hand</b>	<b>2,081,845</b>	<b>640,138</b>	<b>146,231</b>	<b>2,868,214</b>

For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. The credit quality of cash and cash equivalents balances at 31 December 2017 summarized based on Moody's ratings, was as follows:

<i>In millions of Mongolian Tugriks</i>	Demand deposits	Short term deposits in foreign currency	Total
<i>Neither past due nor impaired</i>			
- Aaa rated	4,790	194,200	198,990
- Aa1 rated	758	-	758
- Aa2 rated	41,631	-	41,631
- Aa3 rated	434,378	167,439	601,817
- A1 rated	284,254	-	284,254
- A2 rated	190,631	1,672,707	1,863,338
<b>Total due from foreign financial institutions included in cash and cash equivalents, excluding special drawing rights holdings and cash on hand</b>	<b>956,442</b>	<b>2,034,346</b>	<b>2,990,788</b>



## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 7. CASH AND CASH EQUIVALENTS (CONTINUED)

When counterparty is a central bank or international financial institution, which is not rated (such as Bank of England), its rating is equivalent to the country credit rating. Cash on hand and special drawing rights holdings in IMF do not expose the Bank to credit risk.

The geographical analysis, currency risk analysis, interest rate risk analysis, and maturity analysis are disclosed in Note 39.

## 8. DUE FROM FOREIGN FINANCIAL INSTITUTIONS

<i>In millions of Mongolian Tugriks</i>	31 December 2018	31 December 2017
Short term deposits in foreign currency	2,081,845	2,034,346
Demand deposits	640,138	956,442
Special drawing rights holdings	146,231	145,301
World Bank subscription	166	152
Other subscriptions	11	10
Less credit loss allowance	(152)	-
<b>Total due from foreign financial institutions</b>	<b>2,868,239</b>	<b>3,136,251</b>

**Short term deposits in foreign currency.** This balance represents short-term time deposits with foreign central banks and other financial institutions, which are denominated in USD, GBP, and CNY with initial maturity periods up to 92 days (2017: 30 days).

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

**Special Drawing Rights Holdings.** This balance represents Mongolia's holding of special drawing rights to supplement existing reserve assets related to the subscription to International Monetary Fund. As at 31 December 2018, the balance is SDR 39.9 million (2017: SDR 42.2 million) and is interest bearing.

**World Bank subscription.** This balance represents the deposits and quota at the World Bank, as part of the condition to be a member of the World Bank group. This amount is matched by a corresponding liability (see Note 24) and is non-interest bearing. This asset will never be impaired as it is placed in the central banks of OECD countries and other reputable international institutions.

**Other subscriptions.** This balance represents the subscription amount when Mongolia joined SWIFT network.

The following table contains an analysis of due from other banks balances by credit quality at 31 December 2018 based on credit risk grades for the purpose of ECL measurement. All balances are included in Stage 1 as funds are placed in the central banks of OECD countries and other reputable international institutions. Refer to Note 39 for the description of credit risk grading system used by the Bank and the approach to ECL measurement, including the definition of default and SICR as applicable to due from other banks balances.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 8. DUE FROM FOREIGN FINANCIAL INSTITUTIONS (CONTINUED)

<i>In millions of Mongolian Tugriks</i>	Short term deposits in foreign currency	Demand deposits	Special drawing rights holdings	World Bank subscription	Other subscriptions	Total
- Excellent	2,081,845	640,138	146,231	166	11	2,868,391
<b>Gross carrying amount</b>	<b>2,081,845</b>	<b>640,138</b>	<b>146,231</b>	<b>166</b>	<b>11</b>	<b>2,868,391</b>
Credit loss allowance	(19)	(131)	(2)	-	-	(152)
<b>Carrying amount</b>	<b>2,081,826</b>	<b>640,007</b>	<b>146,229</b>	<b>166</b>	<b>11</b>	<b>2,868,239</b>

Analysis by credit quality of amounts due from other banks outstanding at 31 December 2017 is disclosed in Note 7. Special drawing rights holdings in IMF, World Bank subscription and other subscriptions do not expose the Bank to credit risk as these are placed in the central banks of OECD countries and other reputable international institutions.

None of these balances are collateralized. The geographical analysis, currency risk analysis, interest rate risk analysis, and maturity analysis are disclosed in Note 39.

## 9. LOANS TO LOCAL BANKS

<i>In millions of Mongolian Tugriks</i>	31 December 2018	31 December 2017
Loans issued under Price Stabilization Program	436,781	836,153
Secured loans	-	13,670
Other loans	10,552	11,499
<b>Gross carrying amount of loans to local banks before credit loss allowance</b>	<b>447,333</b>	<b>861,322</b>
Less credit loss allowance	(5,040)	(964)
<b>Total loans to local banks at AC</b>	<b>442,293</b>	<b>860,358</b>

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 9. LOANS TO LOCAL BANKS (CONTINUED)

Gross carrying amount and credit loss allowance amount for loans to local banks at amortised cost by classes at 31 December 2018 and 31 December 2017 are disclosed in the table below:

<i>In millions of Mongolian Tugriks</i>	31 December 2018			31 December 2017		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Provision for loan impairment	Carrying amount
<b><i>Loans to local banks</i></b>						
Loans under Price Stabilization Program	436,781	(4,887)	<b>431,894</b>	836,153	-	836,153
Secured loans	-	-	-	13,670	(964)	12,706
Other loans	10,552	(153)	<b>10,399</b>	11,499	-	11,499
<b>Total loans and advances to customers at AC</b>	<b>447,333</b>	<b>(5,040)</b>	<b>442,293</b>	<b>861,322</b>	<b>(964)</b>	<b>860,358</b>

***Loans issued under Price Stabilization Program***

Starting from November 2012, Bank of Mongolia has issued loans to local banks for the purposes of further lending to local companies from selected industries (petroleum, food, construction etc.) as part of the Government Price Stabilization Program.

These loans were issued under terms and conditions defined by Government joint resolutions and the Bank has no discretion in defining the terms. In addition, decisions on participation of particular companies in the program are also approved by the Government and the companies selected are entitled to obtain loans, which are refinanced by the Bank of Mongolia, from any local bank. Interest rate at which the loans have been granted to local banks varies between 0.89%- 4.00% per annum varied by sub programs.

Under the Apartment Mortgage Funding Agreement signed by BOM, Government of Mongolia, Mongolian Mortgage Corporation (MMC) and local banks, BOM has received the senior RMBS bonds in settlement of the loans to local banks issued from the Price Stabilization Program.

In 2018 and 2017, the Bank issued only mortgage loan financing under the framework of the Price Stabilization Program. In relation to Extended Fund Facility (EFF) arrangement with International Monetary Fund (IMF), BOM agreed to transfer loan portfolio of mortgage loan financing under Price Stabilization Program to the Ministry of Finance in 2018, as a precondition of the arrangement. In addition, BOM agreed not to fund this lending, but to refinance from the repayment of the existing mortgage loan portfolio.

Outstanding balance as at 31 December 2018 in the amount of MNT 436,781 million (2017: MNT 834,321 million) represent mortgage loan financing under the framework of the Price Stabilization Program and loans bear interest rate of 2% and 4% per annum.

Management has concluded that no loss on initial recognition of these loans should be recognised in its financial statements, in case of Price Stabilization Program. Please refer to related accounting policy in Note 3 and management judgement in Note 4.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 9. LOANS TO LOCAL BANKS (CONTINUED)

*Secured loans*

Outstanding balance as at 31 December 2017 in the amount of MNT 13,670 million represents secured loans to local banks at 12.5% interest rate per annum. These loans were collateralized by performing loan portfolio of respective bank. It was fully repaid during 2018.

*Other loans*

**Loans in local currency.** The loans in local currency included in “Other loans”, consist of loans related to the programs of Asian Development Bank (ADB) in the amount of MNT 1,491 million (2017: MNT 651 million), Government of Germany through KfW in the amount of MNT 7,533 million (2017: MNT 8,115 million).

Loans related to ADB programs were disbursed to various local banks in Mongolia, for further lending to Mongolian enterprises. This funding was made available by Asian Development Bank to create more job opportunities for the people of Mongolia. The loans bear interest at a rate of 7%-10% per annum (2017: 7% per annum) and the repayment terms for each disbursed loan vary according to the date of disbursement.

Loans disbursed to local banks for further lending to Mongolian enterprises to promote small and medium scale companies were made available under two separate I and II programs by the Government of Germany through KfW.

As per loan agreement, BOM has the right to automatically withdraw funds from the accounts of the local banks with BOM when repayments are due.

**Loans in foreign currency.** The loans in foreign currency, included as part of “Other loans”, consist of loans disbursed to local banks under the program of KfW to promote small and medium scale companies in the amount of MNT 719 million (2017: MNT 1,933 million) and loans for improving the local banks' systems and enhancing the capability of banking specialists under the program of ADB in the amount of MNT 809 million (2017: MNT 800 million).

Loans disbursed to local banks for further lending to Mongolian enterprises to promote small and medium scale companies were made available under two separate programs by the Government of Germany through KfW. The loans under both programs bear interest at a rate ranging from 1.25% to 1.75% per annum and are not backed by any security. The loans under both programs are disbursed through three local banks to the borrowers that meet the specific criteria set by KfW. Accordingly, the repayment terms for each disbursed loan vary according to the date of disbursement. For management judgement related to these loans refer to Note 4. As per loan agreement, BOM has the right to automatically withdraw funds from the accounts of the local banks with BOM when repayments are due.

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

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 9. LOANS TO LOCAL BANKS (CONTINUED)

The following table discloses the changes in the gross carrying amount and credit loss allowance for loans to local banks during 2018 between the beginning and the end of the reporting period:

<i>In millions of Mongolian Tugriks</i>	Loans issued under Price Stabilization Program	Secured loans	Other loans	Total
<b>Gross carrying amount at 1 December 2018</b>	<b>836,153</b>	<b>13,670</b>	<b>11,499</b>	<b>861,322</b>
Addition during the year	192,692	-	4,492	<b>197,184</b>
Repayment during the year	(592,064)	(13,670)	(5,439)	<b>(611,173)</b>
<b>Gross carrying amount at 31 December 2018</b>	<b>436,781</b>	<b>-</b>	<b>10,552</b>	<b>447,333</b>
<b>Credit loss allowance at 1 January 2018 (after effect of IFRS 9)</b>	<b>8,861</b>	<b>43</b>	<b>190</b>	<b>9,094</b>
Recovery during the year	(3,974)	(43)	(37)	<b>(4,054)</b>
<b>Credit loss allowance at 31 December 2018</b>	<b>4,887</b>	<b>-</b>	<b>153</b>	<b>5,040</b>

Movements in the provision for loan impairment during 2017 are as follows:

<i>In millions of Mongolian Tugriks</i>	Loans issued under Price Stabilization Program	Secured loans	Other loans	Total
<b>Provision for loan impairment at 1 January 2017</b>	<b>-</b>	<b>144</b>	<b>-</b>	<b>144</b>
Provision for impairment	-	820	-	<b>820</b>
<b>Provision for impairment at 31 December 2017</b>	<b>-</b>	<b>964</b>	<b>-</b>	<b>964</b>

The following table contains an analysis of the credit risk exposure of loans to local Banks measured at AC and for which an ECL allowance is recognised. The carrying amount of loans to local Banks below also represents the Bank's maximum exposure to credit risk on these loans.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 9. LOANS TO LOCAL BANKS (CONTINUED)

The credit quality of loans to local banks carried at amortised cost is as follows at 31 December 2018:

<i>In millions of Mongolian Togrogs</i>	Stage 1 (12-months ECL)		Total
	<i>Loans under Price Stabilization Program</i>	Other loans	
Good	369,574	7,649	377,223
Satisfactory	67,207	2,903	70,110
<b>Gross carrying amount</b>	<b>436,781</b>	<b>10,552</b>	<b>447,333</b>
Credit loss allowance	(4,887)	(153)	(5,040)
<b>Carrying amount</b>	<b>431,894</b>	<b>10,399</b>	<b>442,293</b>

Analysis of loans by credit quality at 31 December 2017 based on Moody's ratings is disclosed as follows:

<i>In millions of Mongolian Tugriks</i>	Loans under Price Stabilization Program	Secured loans	Other loans	Total
<i>Neither past due nor impaired</i>				
Caa1	138,313	-	4,324	142,637
Caa2	529,169	-	4,762	533,931
Unrated	168,671	-	2,413	171,084
<b>Total neither past due nor impaired</b>	<b>836,153</b>	<b>-</b>	<b>11,499</b>	<b>847,652</b>
<i>Past due but not impaired</i>				
- 181 to 360 days overdue	-	13,670	-	13,670
<b>Total individually impaired loans</b>	<b>-</b>	<b>13,670</b>	<b>-</b>	<b>13,670</b>
<b>Less impairment provisions</b>	<b>-</b>	<b>(964)</b>	<b>-</b>	<b>(964)</b>
<b>Total loans to local banks</b>	<b>836,153</b>	<b>12,706</b>	<b>11,499</b>	<b>860,358</b>

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 9. LOANS TO LOCAL BANKS (CONTINUED)

As disclosed in Note 39, the largest Mongolian local banks are rated by international rating agencies. The analysis above was performed based on the lowest of ratings assigned by international rating agencies. In case of unrated Mongolian local banks, the Bank considers financial conditions of related local bank based on the recent financial information, compliance with prudential ratios, and other information available for assessing credit quality of related assets.

None of the loans to local banks are collateralized as at 31 December 2018. Secured loans to local banks in the amount of MNT 13,670 million were collateralized by performing loan portfolio of the debtor as at 31 December 2017.

## 10. INVESTMENTS IN DEBT SECURITIES

<i>In millions of Mongolian Tugriks</i>	<b>2018</b>
Debt securities at FVOCI	2,255,400
Debt securities at AC	2,421,789
<b>Total investments in debt securities</b>	<b>4,677,189</b>

The table below discloses investments in debt securities at 31 December 2018 by measurement categories and classes:

<i>In millions of Mongolian Tugriks</i>	<b>Debt securities at FVOCI</b>	<b>Debt securities at AC</b>	<b>Total</b>
<b>Investment in debt securities:</b>			
Bonds issued by Bank for International Settlements	789,252	-	<b>789,252</b>
US treasury bills	537,676	-	<b>537,676</b>
China government bond	113,770	-	<b>113,770</b>
RAMP Investment Account Assets	814,822	-	<b>814,822</b>
Senior RMBS Bonds	-	2,378,773	<b>2,378,773</b>
Development Bank securities	-	44,305	<b>44,305</b>
<b>Total investments in debt securities at 31 December 2018 (fair value or gross carrying value)</b>	<b>2,255,520</b>	<b>2,423,078</b>	<b>4,678,598</b>
Credit loss allowance	(120)	(1,289)	<b>(1,409)</b>
<b>Total investments in debt securities at 31 December 2018 (carrying value)</b>	<b>2,255,400</b>	<b>2,421,789</b>	<b>4,677,189</b>

## (a) Debt securities at FVOCI

Debt securities at FVOCI are included in Stage 1 and credit risk exposure based on credit risk grades were “excellent”. Refer to Note 39 for the description of credit risk grading system used by the Bank and the approach to ECL measurement:



## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 10. INVESTMENTS IN DEBT SECURITIES (CONTINUED)

**Bonds issued by Bank for International Settlements (BIS)** represent quoted debt securities and thus are measured at fair value, which is based on market price of the bonds. All of the bonds are of short-term nature with up to 94 days of maturity (2017: 63 days) and bear interest rate and yield of approximately 2.44% per annum (2017: 1.32% per annum). The Bank invests into these securities due to their low credit risk and high reputation of the BIS. Accordingly, these investments are considered to be in Stage 1. Bonds are not collateralized. For more information, refer to Note 39.

**US treasury bills** At the end of financial year, this investment account balance consisted of USD 204 million equivalent to MNT 537,875 million (2017: USD 102 million equivalent to MNT 247,591). Maturity of these bonds is 2 year to 3 year (2017: 2 to 3 years) and interest rate and yield of 0.9% to 2.75% per annum (2017: 0.9% to 1.4% per annum). These investments are considered to be in Stage 1. These are not collateralized. For more information, refer to Note 39.

**China Government bond** BOM invested in China Government bond denominated in CNY issued by People's Bank of China (PBoC) during the first quarter of 2018. The account balance as at 31 December 2018 consisted of CNY 291 million equivalent to MNT 112,383 million. Maturity of these bonds range from 1 year to 3 years and interest rate and yield of 1.43% to 3.68% per annum. These investments are considered to be in Stage 1. These are not collateralized. For more information, refer to Note 39.

**Reserves Advisory and Management Program (RAMP) Investment Account Assets** In order to improve and strengthen foreign currency management BOM has been implementing World Bank's "Resource management improvement consulting and resource management" project since 2011.

As at 31 December 2018, the Investment Account Assets consist of cash balance in the amount of USD 0.3 million equivalent to MNT 770 million (2017: USD 0.3 million equivalent to MNT 786 million), and securities in the amount of USD 335 million equivalent to MNT 814,053 million (2017: USD 102 million equivalent to MNT 248,086 million). The custodian of the Investment Account Assets is Federal Reserve Bank of New York.

The securities representing major part of investment account assets mainly include US Treasury bills and securities issued by other governmental agencies.

Credit risk grade of debt securities included in Investment Account Assets are excellent and credit rating ranged from Aa3 to Aaa based on Moody's ratings or equivalents of Standard and Poor's and/or Fitch ratings. For more information, refer to Note 39.

**(b) Debt securities at AC**

The carrying amount of debt securities at AC as at 31 December 2018 are included in Stage 1 and graded at "good" based on credit risk grades. It also represents the Bank's maximum exposure to credit risk. Refer to Note 39 for the description of credit risk grading system used by the Bank and the approach to ECL measurement.

**Senior Residential Mortgage Backed Securities (Senior RMBS) Bonds issued by MMC JSC subsidiaries** The Bank signed the Residential Mortgage Funding Agreement - a three-way agreement with MMC and the local banks in Mongolia on 13 June 2013. Starting from 2016, agreement was renewed and government of Mongolia included in this arrangement. The Bank receives the RMBS Senior Bonds issued by MMC to the local banks in settlement of its soft loans granted to the local banks under Price Stabilization Program disclosed in Note 9. These bonds earn interest rate of 4.5% per annum and have a maturity up to 20 years.

**Development Bank securities** Total par value of the securities amounts to MNT 60,000 million with 6 years of maturity and 4% coupon rate (2017: MNT 60,000 million with 6 years and 4% coupon rate). Coupon payments are paid semi-annually. The carrying value of the securities as at 31 December 2018 is MNT 44,305 million (2017: MNT 39,860 million).

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 11. INVESTMENTS IN EQUITY SECURITIES

At 1 January 2018, the Bank designated all investments in equity securities as equity securities at FVOCI. In 2017, these investments were classified as AFS. Refer to Note 12.

The table below discloses investments in equity securities at 31 December:

<i>In millions of Mongolian Tugriks</i>	<b>Equity securities at FVOCI</b>	<b>Total</b>
Equity investment in Mongolian Mortgage Corporation	5,139	<b>5,139</b>
Other equity investments	6,595	<b>6,595</b>
<b>Total investments in equity securities at 31 December 2018</b>	<b>11,734</b>	<b>11,734</b>

**Equity investment in Mongolian Mortgage Corporation (MIK)** the Bank's equity investment of 421,241 shares (2.03% of total shares) was valued at 5,139 MNT million as at 31 December 2018 (2017: 421,241 shares recorded at fair value of MNT 5,139 million).

**Other equity investments** represent investments in International Investment Bank, International Bank of Economic Co-operation and Mongolian Banking Association.

## 12. FINANCIAL INVESTMENTS – AVAILABLE FOR SALE

<i>In millions of Mongolian Tugriks</i>	<b>31 December 2017</b>
<b>Debt instruments available for sale:</b>	
Bonds of Bank for International Settlements denominated in US dollars	314,953
US treasury bills	247,591
RAMP Investment Account Assets	248,872
Senior RMBS Bonds	2,103,252
Development Bank securities	39,860
<b>Equity securities available for sale:</b>	
Equity investment in Mongolian Mortgage Corporation at fair value	5,139
Equity investments at cost	6,595
<b>Total financial investments available for sale</b>	<b>2,966,262</b>

Debt instruments available for sale are considered to be neither past due nor impaired and none of them are collateralized.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 13. REVERSE REPURCHASE AGREEMENTS

<i>In millions of Mongolian Tugriks</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Federal Reserve Bank of New York	2,141,558	2,849,451
Local banks – in local currency	322,054	234,536
<b>Total reverse repurchase agreements measured at AC</b>	<b>2,463,612</b>	<b>3,083,987</b>

**Federal Reserve Bank of New York** The Bank entered into Automatic Investment Program arrangement in respect of its deposit account held with Federal Reserve Bank of New York. Under this program, amounts exceeding minimum balance of USD 250,000 are to be invested in Repurchase Agreement Pool (“repo pool”) of Federal Reserve Bank of New York.

As at 31 December 2018, the funds invested in repo pool amounted to USD 810 million equivalent to MNT 2,141,558 million (2017: USD 1,174 million equivalent to MNT 2,849,451 million). This investment has 3 days maturity (2017: 4 days) and carries interest rate of 2.43% per annum (2017: 1.46% per annum). Though related investments are effectively collateralized, there is no clear identification of securities purchased using this pool based on the investment program.

These reverse repurchase agreements were considered to be in Stage 1 and were graded at “excellent” as of 31 December 2018 and 31 December 2017, based on credit risk grades. For more information, refer to Note 39.

**Local banks** Reverse repurchase agreements denominated in MNT represents long term and short term loans to local banks secured by DBM bills and government securities.

As at 31 December 2018, overnight reverse repurchase agreements with local banks denominated in MNT amounted to MNT 254,651 million with four days of maturity and interest rate of 13% per annum is included in reverse repurchase agreement in local currency (2017: MNT 74,679 million with five days of maturity at interest rate of 13% per annum). This agreement is secured by government securities.

Reverse repurchase agreements denominated in MNT represents long-term agreements with local banks. Par value of the agreements amount to MNT 75,145 million (2017: MNT 173,425) with maturity of 3 to 6 years (2017: 3 to 6 years) and bears interest rate of 7.5% (2017: 7.5%), and those are secured by bonds issued by Development bank of Mongolia. The fair value of these agreements at initial recognition was MNT 150,000 million.

The difference between the par value and the fair value totalling MNT 23,426 million was recognized to profit or loss for 2016 as loss on initial recognition. For losses on initial recognition recognized on reverse repurchase arrangements with local banks entered in 2016, refer to Note 4. Carrying value of the agreements as at 31 December 2018 is MNT 67,403 (2017: MNT 159,857). Related accounting policy and management’s judgements are disclosed in Notes 3 and 4. These balances are considered to be in Stage 1 and were graded at “good” as of 31 December 2018 and 31 December 2017, based on credit risk grades.

Analysis by credit quality of reverse repurchase agreements at AC is as follows at 31 December 2018.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 14. GOLD BULLION AND PRECIOUS METALS

<i>In millions of Mongolian Tugriks</i>	31 December 2018	31 December 2017
<b>At valuation</b>		
Gold bullion	2,033,388	429,440
Silver	2,362	-
<b>At cost</b>		
Gold and silver purchased from miners	143,244	103,070
Gold in transit for refining	5,030	5,450
Commemorative coins	1,633	988
<b>Total gold bullion and precious metals</b>	<b>2,185,657</b>	<b>538,948</b>

Monetary gold is mainly placed at Bank of England and Bank of Scotia Mocatta. Gold and silver purchased from miners represent non-refined non-monetary gold and silver that is purchased from local gold miners.

Other precious metals including commemorative coins are recognized as inventory and carried at lower of cost and net realizable value.

## 15. TREASURY FUND

<i>In millions of Mongolian Tugriks</i>	Coins	Cultural valuables	Total
<b>Carrying amount at 1 January 2018</b>	<b>2,938</b>	<b>2,321</b>	<b>5,259</b>
Additions	10	1,243	1,253
Revaluation	835,691	89,038	924,729
<b>Carrying amount at 31 December 2018</b>	<b>838,639</b>	<b>92,602</b>	<b>931,241</b>

Treasury Fund is comprised of heritage assets including historical, cultural and inherited valuables and silver coins issued in 1925. These items are exhibited in the museum to the public, and the proceeds from tickets are recognized as an asset in the statement of financial position of the Bank as economic benefit from the Fund flows to the Bank and the Fund is controlled by the Bank based on the Law on the State Treasury. The coins were withdrawn from the circulation in 1938. The management is of the opinion that these coins, despite the fact that they were produced by the legal predecessor bank of Bank of Mongolia, should be recognized as an asset as in the Management's understanding they were donated to the Treasury Fund by the Government.

Coins and cultural valuables held in the Treasury Fund were recognized as inventory and were carried at lower of cost and net realizable value at initial recognition under Gold Bullion and Precious Metals line. Starting from 2018, management decided to use revaluation model under IAS 16 and engaged with external valuation company "Make Difference" LLC to revalue the treasury fund items as per International Valuation Standards. Treasury fund items were valued using direct comparable method and replication method. Direct comparable method is used by reference to market-based evidence including public and online auction houses, using comparable prices adjusted for specific market factors such as origin, condition, symbolical prestige, current possessor and uniqueness of the items. Replication method is a cost approach, which provides value based on estimated current costs to reproduce property of equal quality, utility, and marketability as near as possible to the original items of nature, quality and age of material. Information about fair values of items valued using assumptions that are not based on observable market data is disclosed in Note 40.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 15. TREASURY FUND (CONTINUED)

The Treasury Fund balances as of 31 December 2018 amounted to MNT 931,241 million with revaluation surplus amount of MNT 924,729 million. The surplus is comprised of revaluation of top 20 historic items and Mongolian coins from 1925 amounting to MNT 69,534 million and MNT 827,886 million, respectively. Remaining is related to other coins and cultural valuables. Refer to Note 26.

Certain adjustment is applied when revaluing top 20 historic items and significant adjustment is determined if the impact of adjustment to the value is more than 30%. If the significant adjustments would be 20% higher or lower compared to adjustments taken into account in the valuation report, the carrying value of Treasury Fund would increase or decrease by MNT 720 million as at 31 December 2018.

Certain adjustment is applied when revaluing coins and significant adjustment is determined if the impact of adjustment to the value is more than 25%. If significant adjustments would be 20% higher or lower compared to adjustments taken into account in the valuation report of coins, the carrying value of Treasury Fund would increase or decrease by MNT 36,164 million as at 31 December 2018.

## 16. DERIVATIVE FINANCIAL INSTRUMENTS

Financial derivatives represent the fair value of foreign currency swap transactions with local and foreign banks. Derivatives have potentially favorable (assets) or unfavorable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The table below shows the fair values of financial derivatives recorded as assets and liabilities.

<i>In millions of Mongolian Tugriks</i>	31 December 2018	31 December 2017
<b>Foreign exchange forwards and swaps: fair values, at the end of the reporting period, of</b>		
- Financial assets at fair value through profit or loss	199,657	55,732
- Financial liabilities at fair value through profit or loss	(368,710)	(311,472)
<b>Financial assets at fair value through profit or loss, net</b>	<b>(169,053)</b>	<b>(255,740)</b>

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange forward and swap contracts entered into by the Bank. The table reflects gross positions before netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period.

<i>In millions of Mongolian Tugriks</i>	2018		2017	
	Contracts with positive fair value	Contracts with negative fair value	Contracts with positive fair value	Contracts with negative fair value
<b>Foreign exchange swaps: fair values, at the end of the reporting period, of</b>				
- USD payable on settlement (-)	(399,111)	(2,074,205)	(377,603)	(1,961,774)
- MNT receivable on settlement (+)	598,768	1,705,495	433,335	1,650,302
<b>Net fair value of foreign exchange swaps</b>	<b>199,657</b>	<b>(368,710)</b>	<b>55,732</b>	<b>(311,472)</b>

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 17. GOVERNMENT SECURITIES

<i>In millions of Mongolian Tugriks</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Government securities measured at AC	65,265	163,027
Less credit loss allowance	(934)	-
<b>Total government securities at amortised cost</b>	<b>64,331</b>	<b>163,027</b>

**Government securities at market rate.** Bank of Mongolia purchased government securities with discount and premium from primary and secondary market in 2016. No purchase of government securities was made in 2018 and 2017. As at 31 December 2018, these securities with par value of MNT 101,800 million and interest rate of 9.6% to 10.3% per annum (2017: 9.6% to 10.3%) and maturity of 2 years to 4 years had been fully repaid.

**Government securities at below market rate.** Bank purchased government securities in accordance within the Government conducted “Sain” program with par value of MNT 453,712 million at an coupon rate of 1.0% per annum to 3.0% per annum and maturity from 1 to 15 years in 2016. The fair value of these securities at initial recognition was MNT 123,668 million and difference between the par value and the fair value totalling MNT 330,044 million was recognized to profit or loss for 2016 as loss on initial recognition. As at 31 December 2018, carrying value of the securities related to “Sain” program is MNT 65,265 million (2017: MNT 60,112 million). For related accounting policy and management’s judgement, refer to Note 3 and 4.

The Bank purchased government security with par value of MNT 100,000 million at coupon rate of 14% per annum in 2016, which was below market rate. The fair value of the security at initial recognition MNT 95,349 million and “day 1” loss amounting to MNT 4,651 million was recognized to profit or loss for 2016 as loss on initial recognition. The government security was disposed in 2017 and gains on disposal of government securities in the amount of MNT 2,754 million was recognized in profit or loss account for 2017. These securities are measured at amortized cost using effective interest rate. All of the outstanding balances which represent the maximum exposure to credit risk as of 31 December 2018 are included in Stage 1 and were graded as “good” based on credit risk grade. Refer to Note 39 for the description of credit risk grading system used by the Bank and the approach to ECL measurement.

All of the outstanding balances which represent the maximum exposure to credit risk as of 31 December 2018 are included in Stage 1 and were graded as “good” based on credit risk grade. Refer to Note 39 for the description of credit risk grading system used by the Bank and the approach to ECL measurement.

All of the above balances as at 31 December 2017 were considered neither past due not impaired. None of the government securities are collateralized. For more information on related party transactions, refer to Note 38.



## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 18. OTHER ASSETS

<i>In millions of Mongolian Tugriks</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Other financial assets at AC</b>		
Receivables related to promissory notes	-	703,623
Receivables from Deposit Insurance Corporation	193,710	193,709
Asset received from Anod Bank	60,615	62,798
Receivables from companies	56,352	52,163
Claims on foreign financial institutions	23,106	21,219
Penalty receivable	3,353	-
Less: Allowance for credit losses	(255,851)	(342,570)
<b>Other non-financial assets at AC</b>		
Prepaid expenses	856	1,036
Other	9,993	3,211
Less: Allowance for credit losses	-	(286)
<b>Total other assets at AC</b>	<b>92,134</b>	<b>694,903</b>
<b>Other assets measured at FVTPL</b>		
Promissory notes	748,656	-
<b>Total other assets at FVTPL</b>	<b>748,656</b>	<b>-</b>
<b>Total other assets</b>	<b>840,790</b>	<b>694,903</b>

**Receivables related to promissory notes.** Promissory notes represent promissory notes issued by local companies with details as follows:

As at 31 December 2018, the Bank holds promissory notes issued by five (5) local companies and a local bank, which have a nominal value of MNT 742,500 million (2017: MNT 802,500 million). These notes have a maturity of 5 years to 6 years and earn interest at interest rates defined in related contracts. Most of these contracts specify higher initial interest rate, which can be reduced to below market level, if certain conditions are met. The Bank's management as well as their internal legal departments are of the view that these transactions do not violate any provisions under the Law on Central Bank and other related laws in Mongolia.

In relation to transition to IFRS 9, classification and measurement of promissory notes have been changed from Amortised cost to FVTPL as per SPPI test as the conditions of decrease in interest rates were related to certain operational obligations which do not relate to the compensation for time value of money and credit risk. Reclassification details are described in Notes 4 and 5. As disclosed in Note 4, the fair value is estimated using the Discounted Cash Flows. Refer to Note 34 for the disclosure of gains less losses from reclassification of financial assets from amortised cost to financial assets at fair value through profit or loss.

**Receivables from Deposit Insurance Corporation (DIC).** Receivables from DIC include an initial disbursements of loan amounts in MNT 119,900 million and financial support of MNT 85,000 million. The financial support of MNT 85,000 million had to be repaid by 25 December 2014 from the proceeds of planned privatization of State Bank LLC. However, the privatization of State Bank LLC did not happen and the financial support has not been repaid. The purpose of loan to DIC of MNT 119,900 million was ensuring stability of Mongolian banking sector. Based on the contractual terms, this loan is due for repayment on 30 September 2023. As of 31 December 2017, the loans were assessed under IAS 39 and had full provision for impairment as it was concluded that the high uncertainty of collection existed based on the stagnant process of State Bank privatization (refer to Note 4).



## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 18. OTHER ASSETS (CONTINUED)

In 2018, the privatization of State Bank was accelerated after the government session was held in May, 2018. For management's judgments, refer to the Note 4. As a result of re-assessment based on the consideration of progresses, loans were assessed at Stage 3 with credit loss allowance of MNT 115,000 million, which resulted in reversal of impairment provision at MNT 78,700 million in profit or loss.

**Assets received from Anod Bank.** The Bank received assets with carrying amount of MNT 73,662 million when Anod receivership was terminated in 2015 out of which, MNT 2,183 million and MNT 3,632 million were recovered in 2018 and 2017, respectively. The assets after recovery of MNT 60,615 million (2017: MNT 62,798 million) are fully provisioned same as prior years. Under IFRS 9, the assets are assessed at Stage 3 with 100% of PD and LGD.

**Receivables from companies.** Receivables from other companies include receivables due from gold producing companies that have not fulfilled their obligations under the gold option contracts entered into with the Bank in prior years. These receivables amount to 37,179 million (2017: MNT 34,143 million), are fully provisioned and are assessed at Stage 3 with 100% of PD and LGD as at 31 December 2018.

Remaining balances consist of receivables from non-banking institutions amounting MNT 19,173 million as at 31 December 2018 (2017: MNT 18,020 million). All of these receivables have been fully provisioned in prior years and are considered at Stage 3 as well, with 100% of PD and LGD as at 31 December 2018.

**Claims on foreign financial institutions.** Claims on foreign financial institutions are considered to be non-recoverable and was fully provisioned as at 31 December 2017 since the related foreign institutions were no longer operating. As at 31 December 2018, the bank has assessed this asset at Stage 3 with 100% of PD and LGD.

**Other non-financial assets.** Other non-financial assets consist of the Bank's repayments, advances to staff, consumable materials, stationary supplies and foreclosed assets. Receivables from ADB amounts 3,955 million and project investment amounts 5,045 million as at 31 December 2018.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 18. OTHER ASSETS (CONTINUED)

**Credit loss allowances.** Movements in the credit loss allowances of other financial assets during 2018 are as follows:

<i>In millions of Mongolian Tugriks</i>	Stage 1 (12-months ECL)		Stage 3 (lifetime ECL for credit im-paired)				Total
	Other financial assets	Total	Recei- vables from DIC	Asset received from Anod bank	Recei- vables from companies	Claims on foreign financial institution	
<b>Gross carrying amount at 1 January 2018</b>	-	-	193,709	62,798	52,163	21,219	329,889
Addition (Accrued interest)	3,353	3,353	1	-	-	-	1
Translation	-	-	-	-	4,189	1,887	6,076
Repayment during the year	-	-	-	(2,183)	-	-	(2,183)
<b>Gross carrying amount at 31 December 2018</b>	3,353	3,353	193,710	60,615	56,352	23,106	333,783
<b>Credit loss allowance at 1 January 2018</b>	-	-	193,700	62,798	52,163	21,219	329,880
Translation of provisions denominated in foreign currency	203	203	-	-	4,189	1,887	6,076
Credit loss allowance during the year	575	575	-	-	-	-	-
Recovery during the year	-	-	(78,700)	(2,183)	-	-	(80,883)
<b>Credit loss allowance at 31 December 2018</b>	778	778	115,000	60,615	56,352	23,106	255,073

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 18. OTHER ASSETS (CONTINUED)

Movements in the provision for impairment of other financial and non-financial assets during 2017 are as follows:

<i>In millions of Mongolian Tugriks</i>	Promis- sory notes	Recei- vables from DIC	Asset received from Anod bank	Receivables from companies	Claims on foreign financial institution	Prepaid expense	Other	Total
<b>Provision for loan impairment at 1 January 2017</b>	<b>5,944</b>	<b>199,200</b>	<b>66,430</b>	<b>53,374</b>	<b>21,784</b>	<b>77</b>	<b>210</b>	<b>347,019</b>
Translation of provisions denominated in foreign currency	-	-	-	(1,211)	(545)	(2)	-	(1,758)
Provision for impairment during the year	6,726	-	-	-	-	-	3	6,729
Recovery of impairment during the year	-	(5,500)	(3,632)	-	-	-	(2)	(9,134)
Reclassification	20	-	-	-	(20)	19	(19)	-
<b>Provision for impairment at 31 December 2017</b>	<b>12,690</b>	<b>193,700</b>	<b>62,798</b>	<b>52,163</b>	<b>21,219</b>	<b>94</b>	<b>192</b>	<b>342,856</b>

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 19. PREMISES, EQUIPMENT AND INTANGIBLE ASSETS

<i>In millions of Mongolian Tugriks</i>	Buildings/ premises	Const- ruction in progress	Office and computer equipment	Premises and equipment	Intangible assets	Total
Cost or valuation at 1 January 2017	47,545	82	9,630	57,257	2,166	59,423
Accumulated depreciation/ amortization	(24,950)	-	(4,472)	(29,422)	(1,967)	(31,389)
<b>Carrying amount at 1 January 2017</b>	<b>22,595</b>	<b>82</b>	<b>5,158</b>	<b>27,835</b>	<b>199</b>	<b>28,034</b>
Additions	4,104	1,263	3,913	9,280	15	9,295
Disposals - cost	(384)	-	(1,233)	(1,617)	(1,695)	(3,312)
Write-offs - cost	(7)	-	(72)	(79)	-	(79)
Depreciation/amortization charge	(903)	-	(1,646)	(2,549)	(75)	(2,624)
Disposals - accumulated depreciation	335	-	1,228	1,563	1,695	3,258
Write-offs - accumulated depreciation	7	-	56	63	-	63
Cost or valuation at 31 December 2017	51,258	1,345	12,238	64,841	486	65,327
Accumulated depreciation/ amortization	(25,511)	-	(4,834)	(30,345)	(347)	(30,692)
<b>Carrying amount at 31 December 2017</b>	<b>25,747</b>	<b>1,345</b>	<b>7,404</b>	<b>34,496</b>	<b>139</b>	<b>34,635</b>
Additions	9,145	13,651	2,632	25,428	10	25,438
Disposals - cost	(1,139)	-	(1,251)	(2,390)	-	(2,390)
Revaluation	35,159	-	-	35,159	-	35,159
Write-offs - cost	-	-	(10)	(10)	-	(10)
Depreciation/amortization charge	(925)	-	(2,075)	(3,000)	(77)	(3,077)
Disposals - accumulated depreciation	576	-	1,248	1,824	-	1,824
Revaluation - accumulated depreciation	(17,134)	-	-	(17,134)	-	(17,134)
Write-offs - accumulated depreciation	-	-	6	6	-	6
Cost or valuation at 31 December 2018	94,423	14,996	13,609	123,028	496	123,524
Accumulated depreciation/ amortization	(42,994)	-	(5,655)	(48,649)	(424)	(49,073)
<b>Carrying amount at 31 December 2018</b>	<b>51,429</b>	<b>14,996</b>	<b>7,954</b>	<b>74,379</b>	<b>72</b>	<b>74,451</b>

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 19. PREMISES, EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

The Bank's premises have been revalued at fair value at 31 December 2018. The valuation was carried out by an independent firm of valuers, Growth Finance Audit LLC, who hold a recognised and relevant professional qualification and who have recent experience in the valuation of assets in similar locations and in a similar category. The basis used for the appraisal was market value, replacement cost and discounted cash flow. Fair values were estimated using appropriate valuation techniques and using the following assumptions: For majority of the premises, market approach was assumed to be appropriate as there are sufficient information on comparable assets in the principal market.

For the premises of 2 branches in rural area, cost approach and income approach were used due to the fact that there are insufficient data of similar and comparable assets in their location areas and data obtained had significant difference. For majority of the premises, market approach was assumed to be appropriate as there are sufficient information on comparable assets in the principal market.

Addition of construction in progress with the amount of MNT 13,651 million is related to the construction of head office and branch premises during 2018 (2017: MNT 1,263 million).

At 31 December 2018, the carrying amount of premises would have been MNT 13,098 million (2017: MNT 13,852 million) had the assets been carried at cost less depreciation. The amount reconciles to the carrying value of the premises as follows:

<i>In millions of Mongolian Tugriks</i>	<b>2018</b>	<b>2017</b>
Premises at revalued amount in the statement of financial position	43,429	25,747
Revaluation reserve presented in equity	(30,331)	(11,895)
<b>Premises at cost less accumulated depreciation</b>	<b>13,098</b>	<b>13,852</b>

If average prices would be 20% higher compared to prices taken into account in the current carrying value, the carrying value of buildings and revaluation reserve within other reserves would increase by approximately MNT 10,286 million as of 31 December 2018 (2017: MNT 5,149 million). If average prices would be 20% lower compared to prices taken into account in the current carrying value, management believes that an overall decrease in fair value of the Bank's revaluation reserve would decrease by MNT 10,286 million as of 31 December 2018 (2017: MNT 5,149 million). Management believes that an overall decrease in value of the Bank's building is unlikely under the current economic conditions, while any potential increase in value of buildings (leading to increase in property, equipment and intangible assets and equity) would not have material impact on the financial statements from the perspective of users of financial information.

None of the property, equipment and intangible assets have been pledged as security for borrowings as of 31 December 2018 and 31 December 2017.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 20. CASH IN CIRCULATION

<i>In millions of Mongolian Tugriks</i>	31 December 2018	31 December 2017
Banknotes issued to circulation	1,094,566	972,295
Uncounted banknotes	(125,968)	(65,919)
Coins issued into circulation	20	20
<b>Cash in circulation</b>	<b>968,618</b>	<b>906,396</b>

Cash issued into circulation as at 31 December 2018 and 31 December 2017:

<i>In millions of Mongolian Tugriks</i>	Beginning balance	Increase	Decrease	Ending balance
Issued Banknotes	972,295	2,398,749	(2,276,478)	1,094,566
Uncounted banknotes	(65,919)	(2,333,671)	2,273,622	(125,968)
Issued Coins	20	3	(3)	20
<b>Cash in circulation</b>	<b>906,396</b>	<b>65,081</b>	<b>(2,859)</b>	<b>968,618</b>

## 21. CENTRAL BANK BILLS

<i>In millions of Mongolian Tugriks</i>	31 December 2018	31 December 2017
Central Bank bills issued	5,005,515	3,444,401
<b>Total Central Bank bills</b>	<b>5,005,515</b>	<b>3,444,401</b>

Central bank bills are bills issued by Bank of Mongolia, which are issued to local banks. Such bills have maturities between 7 days to 184 days (2017: 7 days to 8 days) and bear interest rates ranging from 11% to 12% per annum as at 31 December 2018 (2017: 11% per annum).

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 22. LIABILITIES DUE TO GOVERNMENT ORGANIZATIONS

<i>In millions of Mongolian Tugriks</i>	31 December 2018	31 December 2017
Current accounts of Ministry of Finance	504,923	1,553,069
Liabilities to the Ministry of Finance related to borrowings:		
- International Monetary Fund (EFF)	578,771	288,976
- Government of Germany (KfW)	17,017	17,103
- Asian Development Bank (ADB)	23,169	15,223
- International Development Association (IDA)	6,227	6,293
<b>Total liabilities due to government organizations</b>	<b>1,130,107</b>	<b>1,880,664</b>

**Current accounts of Ministry of Finance.** This relates to various current accounts that the Ministry of Finance maintains with BOM. These current accounts are on demand and do not bear any interest except for one account which bears an interest of 4.16% per annum starting from 2018 (2017: no interest).

**Liabilities due to the Ministry of Finance related to borrowings from international organizations.** These liabilities relate to the borrowing agreements signed by the Government of Mongolia with International Monetary Fund (IMF), KfW (acting on behalf of the Government of Germany), Asian Development Bank (ADB) and the International Development Association (IDA). The Ministry of Finance of Mongolia (MOF) acts as the fiscal agent with regard to these agreements, while the Bank of Mongolia acts as the project executing agency.

**International Monetary Fund (IMF).** The Executive Board of the IMF approved a three-year extended arrangement under Extended Fund Facility (EFF) for Mongolia in a total amount of SDR 315 million to support the country's economic reform program on 24 May 2017. The EFF arrangement represent loans granted to Government of Mongolia by IMF under the EFF and bear interest ranging from 1.53% p.a. to 1.59% p.a.

The funding was further transferred to the Bank according to memorandum of understanding between BOM and Ministry of Finance of Mongolia (MOF) dated 25 May 2017. These loans represent obligation of the Ministry of Finance. Given that the Ministry of Finance acts as a fiscal agent of Mongolia, it has signed promissory notes issued to IMF in respect of repayments of loans granted by IMF under EFF arrangement, the Ministry of Finance has the obligation toward IMF with regard to these loans granted by IMF. The loans and repayments are denominated in Special Drawing Rights ("SDR") and the repayment is done by BOM on behalf of MOF to IMF according to repayment schedule. As at 31 December 2018, liabilities due to MOF under EFF arrangement were SDR 158 million which is equivalent to MNT 578,771 million (2017: SDR 84 million, which is equivalent to MNT 288,976 million), with maturity of 3 years.

**Government of Germany (KfW).** The loans received from the KfW under the credit program for small and medium enterprises were made available under two separate programs in 1995 and 2003. The loans under both programs are denominated in Euro with maturity of 30 and 40 years, respectively. The loans bear interest at 0.75% per annum. The repayment of loan principal of the program commenced in 2005 and 2012, respectively.

**Asian Development Bank (ADB).** The loans received from the ADB are mainly for purpose of reducing poverty in Mongolia by developing and promoting private enterprises and providing training and consultancy to the Government, non-government organizations and local banks. The loans bear interest of 1% and 2.5% per annum with maturity ranging from 17 to 27 years.



## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

**22. LIABILITIES DUE TO GOVERNMENT SECURITIES (CONTINUED)**

The Bank's obligations are to the Ministry of Finance of Mongolia and it has no direct obligations toward IMF, KfW and ADB, as the MOF acts as the fiscal agent of the Government of Mongolia. However, the Bank, as project executing agency, is responsible for channelling funds to the local banks, which further channelled the funds to final customers (borrowers) who meet criteria specified by IMF, KfW and ADB.

Based on the arrangement between MOF and BOM, BOM has borrowed related funds from MOF under the same conditions, as MOF has borrowed under the agreement with IMF, KfW and ADB. BOM also acts as a depository, and it is responsible for settling payments from the accounts of the MOF with regards to IMF, KfW and ADB. Loans issued to local banks from these funds are disclosed in Note 9. For management's judgement related to these liabilities to MOF and loans to local banks, refer to Note 4.

*International Development Association (IDA)*. Proceeds of the borrowings received by the MOF on behalf of the Government of Mongolia from International Development Association are for the private sector development project and the financial capacity development project, and are lent by MOF with interest rates of 1% and 3% per annum with maturity ranging from 14 to 15 years.

There were no breaches of covenant as at 31 December 2018 and 31 December 2017.

**23. DEPOSITS FROM LOCAL BANKS**

<i>In millions of Mongolian Tugriks</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Correspondent accounts:		
- in national currency	1,453,953	1,496,262
- in foreign currency	2,487,064	1,561,493
Overnight deposits in national currency	274,568	58,543
<b>Total deposits from local banks</b>	<b>4,215,585</b>	<b>3,116,298</b>

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

Overnight deposits in national currency as at 31 December 2018 represent MNT overnight deposits placed by local banks at an interest rate of 9% per annum with maturity of 2 days (2017: interest rate of 9% per annum with maturity of 5 days) .

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 24. LIABILITIES DUE TO FOREIGN PARTIES

<i>In millions of Mongolian Tugriks</i>	31 December 2018	31 December 2017
Financing from People's Bank of China	4,727,193	4,569,233
Allocation of Special Drawing Rights of IMF	178,685	167,797
Subscription to World Bank	166	152
Subscription to IDA	39	39
Current account of World Bank	43	723
Current account of ADB	4	8
<b>Total liabilities to foreign parties</b>	<b>4,906,130</b>	<b>4,737,952</b>

**Financing from People's Bank of China.** This balance represents a 7 months to 8 months (2017: 5 months to 8 months) financing denominated in CNY from the People's Bank of China that was used by BoM for CNY funding to local banks. Interest rate is based on SHIBOR+200 bps per annum. For more information related to the arrangement, refer to Note 37.

**Allocations of Special Drawing Rights.** (hereinafter referred to as "SDR") IMF member countries are allocated SDR in proportion to their subscription to the IMF. The allocations represents a dormant liability of the Bank to the IMF, against which assets are received in the SDR Holdings account from the IMF as referred in Note 8. The net accumulation of the allocation was MNT 178,685 million equivalent to SDR 48,757 million (2017: MNT 167,797 million equivalent to SDR 48,757 million).

**Subscription to World Bank and IDA** This balance represents the Bank's subscription obligation to World Bank and IDA.

## 25. OTHER LIABILITIES

<i>In millions of Mongolian Tugriks</i>	31 December 2018	31 December 2017
<b>Other financial liabilities</b>		
Deposits by non-banking entities	98,913	29,978
Other payables	15,853	11,969
<b>Other liabilities</b>		
Social development fund	1,929	3,185
<b>Total other liabilities</b>	<b>116,695</b>	<b>45,132</b>

**Deposits non-banking entities.** Deposits by non-banking entities relate to deposits from government organizations, Securities Clearing House Central Depository and DIC.

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

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 26. CHARTER CAPITAL AND OTHER RESERVES

<i>In millions of Mongolian Tugriks</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Charter capital	60,000	5,000

The Charter Fund represents the capital of the Bank. Law of Central Bank states that the Parliament of Mongolia is an authorized body to establish the amount of charter capital according to the proposal from the Bank. The Bank submitted its proposal to the Parliament on 25 September 2017 in order to increase its capital, and the Parliament Resolution No.70 dated 16 November 2017 directed the Bank to increase its capital and to introduce its implementation. Accordingly, the Bank has increased its charter capital by MNT 55,000 million by isolating the reversal of provision from the accumulated deficit according to Governor Resolution No.10 dated 10 Jan 2018. The Bank has submitted its implementation status to the Economic Standing Committee (ESC) of Parliament on 2 August 2018 and 24 December 2018. ESC confirmed the implementation of the transaction based on the letter No. 11/2200 dated 4 March 2019. Refer to Notes 4, 37 and 42.

Other reserves comprise the following:

<i>In millions of Mongolian Tugriks</i>	<b>Note</b>	<b>Available-for-sale security revaluation reserve</b>	<b>Revaluation reserve for investment securities at FVOCI</b>	<b>Revaluation reserve for Premises and Equipment</b>	<b>Revaluation reserve for gold bullion and foreign exchange</b>	<b>Revaluation reserve for Treasury Fund</b>	<b>Total</b>
<b>At 1 January 2017</b>		<b>3,367</b>	<b>-</b>	<b>11,895</b>	<b>1,140</b>	<b>-</b>	<b>16,402</b>
Loss on fair value changes of investments in debt securities		(2,726)	-	-	-	-	(2,726)
Transfer to profit or loss upon disposal		690	-	-	-	-	690
Transfer from accumulated deficit to other reserves	29	-	-	-	3,957	-	3,957
<b>Amounts at 31 December 2017 prior to adoption of IFRS 9</b>		<b>1,331</b>	<b>-</b>	<b>11,895</b>	<b>5,097</b>	<b>-</b>	<b>18,323</b>
Reclassification of investment securities from available-for-sale to FVOCI		(1,331)	1,331	-	-	-	-
<b>At 1 January 2018 (under IFRS 9)</b>		<b>-</b>	<b>1,331</b>	<b>11,895</b>	<b>5,097</b>	<b>-</b>	<b>18,323</b>
Loss on fair value changes of investment securities at FVOCI		-	(6,535)	-	-	-	(6,535)
Transfer to profit or loss upon disposal		-	9,641	-	-	-	9,641
Revaluation surplus on Treasury Fund		-	-	-	-	924,729	924,729
Revaluation surplus on premises and equipment		-	-	18,436	-	-	18,436
Transfer from accumulated deficit	29, 32	-	-	-	171,246	-	171,246
<b>At 31 December 2018</b>		<b>-</b>	<b>4,437</b>	<b>30,331</b>	<b>176,343</b>	<b>924,729</b>	<b>1,135,840</b>

**Revaluation reserve for investment securities at FVOCI.** This reserve comprises changes in fair value of investment securities at FVOCI.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 26. CHARTER CAPITAL AND OTHER RESERVES (CONTINUED)

**Revaluation Reserve for Premises and Equipment.** The revaluation reserve is used to record the surplus arising from the revaluation of the Bank's building. Refer to Note 19 for more information.

**Revaluation Reserve for Gold Bullion and Foreign exchange.** Revaluation reserve is used to record the amount of unrealized gains or losses arising from fair value changes of gold bullion and foreign currency translation of monetary assets and liabilities denominated in foreign currency. Refer to Notes 29 and 32.

**Revaluation Reserve for Treasury Fund.** The revaluation reserve is used to record the surplus arising from the revaluation of the Treasury Fund. Refer to Notes 4 and 15 for more information.

## 27. INTEREST INCOME AND EXPENSE

<i>In millions of Mongolian Tugriks</i>	<b>2018</b>	<b>2017</b>
<b>Interest income calculated using the effective interest method</b>		
Debt securities at AC and at FVOCI	149,675	98,288
Reverse repurchase agreements	44,609	30,912
Due from foreign financial institutions	44,571	11,612
Loans to local banks	20,539	41,924
Government securities	15,760	39,067
Local securities	-	80,353
<b>Total Interest Income calculated using the effective interest method</b>	<b>275,154</b>	<b>302,156</b>
<b>Interest expense</b>		
Central bank bills	(453,313)	(186,720)
Liabilities due to foreign parties	(274,747)	(263,221)
Fulfilment on mandatory reserve requirement to local banks	(55,295)	(65,100)
Liabilities due to government organization	(31,174)	(2,299)
Deposits from local banks	(7,360)	(4,544)
Other interest expense	(1,641)	(1,351)
<b>Total interest expense</b>	<b>(823,530)</b>	<b>(523,235)</b>
<b>Net interest expense</b>	<b>(548,376)</b>	<b>(221,079)</b>

In relation to transition to IFRS 9, classification and measurement of local securities (receivables related to promissory notes) have been changed from Amortised cost to FVTPL as per SPPI test. Therefore, the related interest income of local securities were presented in "Fair value gains less losses". Please refer to Note 34 for more details.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

**28. GAINS LESS LOSSES FROM TRADING IN GOLD BULLION AND PRECIOUS METALS**

<i>In millions of Mongolian Tugriks</i>	<b>2018</b>	<b>2017</b>
Realized gain from disposal of monetary metals	7,244	24,047
Gains/(Losses) on trading of gold and precious metals	538	(375)
Other gains/(losses) on trading of gold and precious metals	10,925	(402)
<b>Gains less losses from trading in gold bullion and precious metals</b>	<b>18,707</b>	<b>23,270</b>

**29. GOLD BULLION AND PRECIOUS METALS REVALUATION GAINS LESS LOSSES**

Gold bullion and precious metals revaluation gains less losses represents unrealized revaluation gains less losses from gold position. Gains less losses during the year comprised MNT 164,176 million (2017: MNT 3,957 million).

**30. GAINS LESS LOSSES FROM DERIVATIVE FINANCIAL INSTRUMENTS**

<i>In millions of Mongolian Tugriks</i>	<b>2018</b>	<b>2017</b>
Changes in fair value of swaps from current and previous periods	125,556	673,299
<b>Gains less losses from derivative financial instruments</b>	<b>125,556</b>	<b>673,299</b>

**31. LOSSES LESS GAINS FROM TRADING IN FOREIGN CURRENCIES**

<i>In millions of Mongolian Tugriks</i>	<b>2018</b>	<b>2017</b>
Foreign exchange trading gains less losses	2,285	34
Realised losses less gains from derivative financial instruments	(118,447)	(148,737)
<b>Losses less gains from trading in foreign currencies</b>	<b>(116,162)</b>	<b>(148,703)</b>

**32. TRANSLATION GAINS LESS LOSSES/ (LOSSES LESS GAINS) IN FOREIGN CURRENCIES**

<i>In millions of Mongolian Tugriks</i>	<b>2018</b>	<b>2017</b>
Realized translation gains less losses on in foreign currencies	127,105	5,102
Unrealized translation gains less losses/ (Losses less gains) in foreign currencies	7,070	(180,897)
<b>Gains less losses/(Losses less gains) from translation in foreign currencies</b>	<b>134,175</b>	<b>(175,795)</b>

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

**33. LOSSES LESS GAINS FROM DISPOSAL OF INVESTMENTS IN DEBT SECURITIES**

Losses less gains from disposal of investments and debt security represent realized losses less gains from revaluation of investment and debt securities. Losses less gains from disposal of investments in debt securities during the year was MNT 9,641 million (2017: MNT 690 million).

**34. GAINS LESS LOSSES FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

<i>In millions of Mongolian Tugriks</i>	<b>Securities at FVTPL</b>
<b>Fair value at 1 January 2018</b>	<b>689,723</b>
Settlements during the year	(118,064)
Gains recognised in profit or loss for the year	176,997
<b>Fair value at 31 December 2018</b>	<b>748,656</b>

**35. OTHER OPERATING INCOME**

<i>In millions of Mongolian Tugriks</i>	<b>2018</b>	<b>2017</b>
Commission income	9,414	6,767
Penalty income from local banks	3,353	4,610
One-off interest income from local banks	1,053	-
Rental income from property and equipment	531	515
Other operating income	1,652	870
<b>Total other operating income</b>	<b>16,003</b>	<b>12,762</b>

The Bank obtains mandatory reserves from local banks as a regulatory body of the banking sector in accordance with the requirements of the Bank. The balances are set at percentages based on a 14-day period. (Refer to Note 23). As of 31 December 2018, penalty income received from the mandatory reserve held with the local banks was MNT 3,353 million (31 December 2017: MNT 4,610 million).

Commission income comprises from commissions on interbank transactions with high and low amounts, cards and foreign currency transactions. Other operating income includes income from banknotes and coin sales.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 36. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

<i>In millions of Mongolian Tugriks</i>	2018	2017
Staff cost	15,320	13,382
Cost of printing banknotes	7,232	5,100
Depreciation and amortisation of premises, equipment and intangible assets	3,077	2,624
Gold transportation and shipping expense	2,353	2,438
Telecommunication and utility expense	1,650	1,697
Transportation and trip expenses	1,217	1,012
Security expenses	1,198	1,217
Membership and professional fees	1,154	11,140
Advertising expenses	1,062	1,004
System maintenance fee	943	778
Facility, arrangement, and refining fees related to gold financing	894	614
Training expenses	541	265
Fixed asset maintenance expense	524	245
Legal service fees	439	7,684
Loss on fixed asset revaluation	411	-
Loss on property and equipment written off and disposal	4	16
Other expenses	3,706	2,311
<b>Total administrative and other operating expenses</b>	<b>41,725</b>	<b>51,527</b>

As part of IMF program, the Bank of Mongolia commissioned Diagnostic Studies on the local commercial banks in Mongolia including an Asset Quality Review (AQR). Expense incurred in relation to AQR was classified as membership and professional fees of 2017. Expense incurred in relation to AQR was not incurred in 2018.

## 37. CONTINGENCIES AND COMMITMENTS

**Legal proceedings.** From time to time and in the normal course of business, claims against the Bank may be received. Since 2008, the Bank acts as defendant in the legal proceedings held in Swiss and German courts in connection with the payments allegedly due under the issued documentary letters of credit to two financial institutions, which operate in these countries. Though the Bank has been vigorously defending its position in these cases, taking into account its contractual obligations under the issued letters of credit, the Bank has created provision in the amount of its full exposure (including interest) in 2009. Bank has derecognized provision amount in the profit or loss for 2017 as litigation related to letter of credit has been finalized in the favour of the Bank at the trial court of Geneva on 25 July 2017. The Bank increased its charter capital by MNT 55,000 million by isolating the reversal of provision from the accumulated deficit according to the Governor Resolution No.10 dated 10 January 2018. Refer to Notes 4, 26 and 42.

Management is not aware of any other legal proceedings as of 31 December 2018, in which the Bank acts as defendant and which could result in material losses to the Bank. Thus, management believes that no provision is necessary in these financial statements.



## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 37. CONTINGENCIES AND COMMITMENTS (CONTINUED)

**Credit related commitments.** The Bank enters into certain credit related commitments, which are deemed to be of importance for the country (e.g. exporting goods and/or services) and/or when such arrangements are requested by the Government of Mongolia or its institutions. The primary purpose of these instruments is to ensure that funds are available to the Government or other relevant parties in these arrangements as required.

Issued letters of credit represent unused portions of authorizations to extend credit in the form of loans or letters of credit, refer to information below. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments.

However, the likely amount of loss is less than the total unused commitments due to low counterparty risk, as outlined below.

Outstanding credit related commitments are as follows:

<i>In millions of Mongolian Tugriks</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Contingent Liabilities</b>		
Import letters of credit	(90,565)	(155,868)
<b>Commitments</b>		
Undrawn credit line of People's Bank of China	(5,400,000)	(5,400,000)
<b>Total credit related commitments</b>	<b>(5,490,565)</b>	<b>(5,555,868)</b>

**Import letters of credit.** Import letters of credit are mainly issued to the Government of Mongolia with regard to import arrangements. Through issued letters of credit, the Bank is obliged to make payment on behalf of the Government or its institutions to foreign legal entities, which provided services or delivered goods to the Government, its institutions or other entities at the Government's request.

**SWAP Agreement with People's Bank of China.** The Bank has entered into "Chinese Yuan/Mongolian Tugriks Bilateral Currency Swap Arrangement" with the People's Bank of China in May 2011. The agreement was renewed in August 2014 and July 2017. Central banks can use this money for financing trade between the two countries, for providing short-term liquidity for stabilization of financial markets, and for other purposes agreed upon by both parties.

Based on the agreement, the People's Bank of China (PBC) and the Bank may, from time to time, conduct transactions involving the purchase and sale, and subsequent repurchase and resale, of CNY (Chinese Yuan) against MNT and of MNT against CNY. According to the agreement, the period of use of funds (i.e. usage period) can be up to twelve months. Each usage is made upon the request of one bank and approval of another bank. The maximum amounts requested for use are limited to the opened limit of CNY 15,000 million (2017: CNY 15,000 million) when BOM is the requesting party and MNT 5,400,000 million (2017: MNT 5,400,000 million) when PBC is the requesting party.

The bank using funds is obliged to pay interest for the used amount on the date of repayment at interest rates specified in the agreement. In the case of BOM requesting to use CNY, the interest rate is equivalent to 200 basis points plus the Shanghai Interbank Offered Rate (SHIBOR) for CNY deposits with corresponding usage period. In the case of PBC requests for use of MNT, the interest rate is equivalent to the Interbank MNT Weighted Rate with corresponding usage period.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 37. CONTINGENCIES AND COMMITMENTS (CONTINUED)

As at 31 December 2018, the used amount of CNY 12,000 million equal to MNT 4,628,760 million (2017: CNY 12,000 million equal to MNT 4,458,960 million) and the unused amount of CNY 3,000 million equivalent to MNT 1,157,190 million (2017: CNY 3,000 million equivalent to MNT 1,114,740 million) represents the Bank's credit related commitment.

The Bank's management believes that fair value of letters of credit and credit line commitments are not material. The total outstanding contractual amount of undrawn credit lines and letters of credit does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. ECL measurement was assessed using the credit conversion factor and ECL for these balances represent an insignificant amount. Therefore, the Bank did not recognise any credit loss allowance for these credit commitments and financial guarantees.

## 38. RELATED PARTY TRANSACTIONS

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

As of 31 December 2018 and 31 December 2017, the Bank has disclosed balances and transactions with the following related parties: Government (which includes organizations, such as Ministry of Finance, which management is appointed by the Government of Mongolia), a local bank State Bank, which is fully owned by Ministry of Finance and management appointed by the Parliament, Development Bank of Mongolia, which is owned by Government of Mongolia and the management is appointed by the government; and DIC, which is fully owned by the government and all decisions concerning the activities of DIC must be approved by vote from each of the seven members of the National Committee chaired by the First Deputy Governor of BOM.

The Bank utilized the amendment in IAS 24 on 'partial exemption from the disclosure requirement for government-related entities'. Thus, individually immaterial transactions with government-related entities are not disclosed in these financial statements.

The income and expense items with related parties for 2018 were as follows:

<i>In millions of Mongolian Tugriks</i>	<b>Government</b>	<b>State Bank</b>	<b>Development Bank of Mongolia</b>	<b>DIC</b>	<b>Total</b>
Interest income	15,760	5,960	6,845	545	<b>29,110</b>
Interest expense	(31,174)	(51,480)	(27,390)	-	<b>(110,044)</b>
Commission income	210	1,248	-	-	<b>1,458</b>
<b>Total</b>	<b>(15,204)</b>	<b>(44,272)</b>	<b>(20,545)</b>	<b>545</b>	<b>(79,476)</b>

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 38. RELATED PARTY TRANSACTIONS (CONTINUED)

At 31 December 2018, the outstanding balances with related parties were as follows:

<i>In millions of Mongolian Tugriks</i>	Government	State Bank	Development Bank of Mongolia	DIC	Total
Government securities	64,331	-	-	-	64,331
Development Bank securities	-	-	44,305	-	44,305
Reverse repurchase agreements	-	7,718	-	-	7,718
Loans to local banks	-	57,565	-	-	57,565
Loans to non-financial entities	-	-	-	193,710	193,710
Swaps made with local banks	-	797	56,044	-	56,841
Central bank bills	-	(668,087)	(558,933)	-	(1,227,020)
Deposits from local banks	-	(233,381)	(1,870)	-	(235,251)
Deposits from non-financial entities	-	-	-	(98,092)	(98,092)
Liabilities due to the government organisations	(1,130,107)	-	-	-	(1,130,107)
<b>Total</b>	<b>(1,065,776)</b>	<b>(835,388)</b>	<b>(460,454)</b>	<b>95,618</b>	<b>(2,266,000)</b>

The income and expense items with related parties for 2017 were as follows:

<i>In millions of Mongolian Tugriks</i>	Government	State Bank	Development Bank of Mongolia	Total
Interest income	39,067	4,535	6,173	49,775
Interest expense	(2,299)	(23,717)	-	(26,016)
Commission income	480	147	10	637
Gains from disposal of government securities	2,754	-	-	2,754
<b>Total</b>	<b>40,002</b>	<b>(19,035)</b>	<b>6,183</b>	<b>27,150</b>

At 31 December 2017, the outstanding balances with related parties were as follows:

<i>In millions of Mongolian Tugriks</i>	Government	State Bank	Development Bank of Mongolia	DIC	Total
Government securities	163,027	-	-	-	163,027
Development Bank securities	-	-	39,860	-	39,860
Reverse repurchase agreements	-	7,721	-	-	7,721
Loans to local banks	-	91,444	-	-	91,444
Central bank bills	-	(379,621)	-	-	(379,621)
Deposit from local banks	-	(217,597)	(21,620)	-	(239,217)
Non-financial institution assets	-	-	-	(29,854)	(29,854)
Liabilities due to government organizations	(1,880,664)	-	-	-	(1,880,664)
<b>Total</b>	<b>(1,717,637)</b>	<b>(498,053)</b>	<b>18,240</b>	<b>(29,854)</b>	<b>(2,227,304)</b>

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

**38. RELATED PARTY TRANSACTIONS (CONTINUED)**

The transactions with related parties arose from the ordinary course of the Bank's operation. Management considers whether gains/losses should arise on initial recognition of transactions with related parties. In making this judgement, management also considers these transactions as a principal market segment. Refer to Notes 4 for details.

Outstanding balances to related parties at year-end are unsecured. There have been no guarantees provided or received for any related party receivables and payables.

**Import Letter of Credit Commitments.** As of 31 December 2018, the Bank has MNT 90,565 million (2017: MNT 155,868 million) of import letter of credits commitments to related parties. Refer to Note 37 for more information.

Key management compensation is presented below:

<i>In millions of Mongolian Tugriks</i>	<b>2018</b>	<b>2017</b>
Salary and wages	790	922
Social and pension fund contribution	106	123
Benefits in-kind	96	194
Other compensation	10	150

**39. FINANCIAL RISK MANAGEMENT**

Risk is inherent in the Bank's activity; however, it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's management to pursue its monetary policy (including control of inflation), financial stability and business continuity of Mongolian banking operations. At certain times, the Bank may be overly exposed to certain risks and/or take disadvantageous positions of fulfilling its primary objectives and responsibilities, which are typical for central banks and consequently the Bank may incur unexpected financial losses, e.g. losses from translation of foreign currency balances. Such financial losses could be incurred with regard to all financial risks.

From the financial point of view, the Bank is exposed to credit risk, liquidity risk and market risk. In addition, it is also subject to operational, reputation and legal risks. Currently, the Bank has a decentralized risk management process. Each department is responsible for the independent control of risks, including monitoring the risk of exposures against their activities. Those risks, which are unique to the Bank as the central bank of Mongolia, are monitored through the Bank's strategic planning process. In addition, the Bank actively explores the possibility of setting up a Risk Committee. Committee, which would have the overall responsibility for the development of the risk strategy, and implementing principles, frameworks, policies and limits, as well as for making relevant decisions related to monitoring and managing risks.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

**39. FINANCIAL RISK MANAGEMENT (CONTINUED)**

At present, the Investment Committee is responsible for development of risk strategy and making decisions on relevant limits, while the Risk Management Unit and Reserve Management Financial Markets Department are in charge of implementing principles, frameworks, policies and limits.

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

**Board of Directors.** The Board of Directors is responsible for the overall risk management approach. Further, it provides recommendations on risk management related issues to the Governor and the First Deputy Governor of the Bank.

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

**Investment Committee.** The Investment Committee is a key body responsible for risk management in the Bank. As such, the Committee is responsible for offering recommendations on the area of risk management policy to the Governor and the Board of Directors. It consists of the First Deputy Governor, Deputy Governor, Director of Risk Management Unit, Director of Reserve Management Financial Markets Department and Director of Financial Reporting and Accounting Department.

The Investment Committee issues the "Annual Investment Policy" and determines acceptable levels of risk. Based on the acceptable risk, the Investment Committee proposes the structure of the international reserve for the Governor's approval. The Committee's proposal defines the currency composition of international reserves and its acceptable variation, asset allocation and its acceptable variance, duration of investments, eligible instruments, counterparties and the counterparty limits. Limits over the foreign currency reserve are approved by the Governor on a quarterly basis and represent the key method used in managing international risk, as well as credit risk, liquidity risk and interest rate risk.

The risks related to the Bank's foreign currency assets (reserves) are a key area of focus, given the proportion of international reserves in the Bank's total assets. Thus, the activities of the Investment Committees and departments involved in the risk management process are mainly focused on monitoring and managing risks related to international reserves. However, the Investment Committee is also responsible for monitoring the activities of the Risk Management Unit and other responsible departments, which address financial risks, related to the Bank's financial assets and liabilities, and overall compliance with the Bank's investment policy. The methods used in managing financial risks are further outlined below.

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

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

**39. FINANCIAL RISK MANAGEMENT (CONTINUED)**

According to the Regulation on International Reserve Management, the objectives of reserve management are subordinated to the Bank's monetary and foreign exchange policies. The main objectives in holding foreign reserves are to:

- Support monetary policy;
- Manage 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 international reserves contributes to these objectives by strategically managing and controlling the exposure to financial and operational risks. The Bank determines strategy for asset selection and allocation to control exposures to external risks. This involves establishing parameters for the currency holding and composition necessary to maintain the ready availability of convertible currencies, the permissible range of investment instruments that meet liquidity and security requirements, and duration requirements for limiting exposure to interest rate risk.

*Reserve Management Financial Markets Department.* Reserve Management Financial Markets Department is responsible for general implementation of the investment policy through its specific units. The Director of Reserve Management Financial Markets Department monitors and manages the general structure of the asset portfolio, including asset composition, instruments, counterparties, maturity, as well as limits over the international reserves.

*Internal Audit Department.* The Bank's internal control mission is to examine and evaluate the adequacy and effectiveness of the risk management system in its activities toward the accomplishment of the Bank's objectives, and fulfilment of policies and plans. Internal Audit Department ("IAD") charter determines its duties to examine the effectiveness of all levels of risk management in planning, organization, coordination and controlling the implementation of the policies and procedures adopted by the Bank, examining the compliance of operations and systems with laws, regulations as well as integrity, and security of financial and operational information. IAD carries out general risk assessment and further assessment focused on specific issues. General risk assessment is undertaken during the development of long-term and annual audit plans to ensure proper allocation of audit resources according to the degree of risk, while assessment focuses on particular issues at the specific level. IAD of the Bank has carried out activities in accordance with audit program and annual audit plan for 2018.

Priorities for audits are determined by applying criteria, which reflect potential and actual degree of risk to which each area of operation is exposed. For these purposes certain criteria are developed and appropriate weights are assigned to each type of criteria in relation to the activities audited. The weighted scores are totalled for each operational area and the degree of risk is classified as high, medium and low accordingly.

The evaluation of internal control system is also a very important aspect of internal audit work. The evaluation is aimed at ensuring the existence of adequate procedures and competent performance, as well as reliability of financial reporting system and compliance of all activities with applicable laws and regulations. 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 undertaking follow-up reviews on the actions taken by management.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 39. FINANCIAL RISK MANAGEMENT (CONTINUED)

**Credit Risk.** Credit risk is the risk that the Bank will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. Exposure to credit risk results from the Bank's lending and other transactions with counterparties, which give rise to financial assets and off-balance sheet credit-related commitments.

The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position. For financial guarantees issued, undrawn credit lines and import letters of credit, the maximum exposure to credit risk is the amount of the commitment.

**Credit risk management.** Credit risk is managed and controlled through proper selection of investment assets, credit quality of investment assets and setting limits on the amount of investment per investment asset. Limits on the level of credit risk by type of investment and counterparty are approved regularly by management. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

**Credit risk grading system.** For measuring credit risk and grading financial instruments by the amount of credit risk, the Bank applies risk grades estimated by external international rating agencies (Moody's, Standard & Poor's - "S&P", Fitch). The Bank has fully suspended trading with certain parties without considering their ratings due to instability of international financial markets, which could lead to a system risk, if counterparty risk is not properly addressed.

External credit ratings are mapped on master scale with a specified range of probabilities of default as disclosed in the table below:

Master scale credit risk grade	Corresponding ratings of external international rating agencies (Moody's)	Corresponding PD interval
Excellent	AAA to A3	0,003% - 0,1%
Good	BAA1 to B3	0,2% - 4,6%
Satisfactory	CAA1 to CAA3	6,9% - 14,8%
Special monitoring	CA to C	21% - 38,4%
Default	Default	100%

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- *Excellent* – strong credit quality with low expected credit risk;
- *Good* – adequate credit quality with a moderate credit risk;
- *Satisfactory* – moderate credit quality with a satisfactory credit risk;
- *Special monitoring* – facilities that require closer monitoring and remedial management; and
- *Default* – facilities in which a default has occurred.



## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

**39. FINANCIAL RISK MANAGEMENT (CONTINUED)**

In order to minimize credit risk, international reserves are invested in securities issued by the “Aaa” to “Aa3” rated governments (or central banks), and “Aaa” rated international institutions and agencies. The credit risk on foreign currency deposits and money market instruments is limited by transacting with counterparties rated “A3” or above by internationally recognized rating agencies. The minimum rating is taken when a counterparty has ratings from more than one rating agency.

For domestic monetary policy operations, the Bank actively uses collateral to reduce its exposure to credit risk. According to the Regulation on Central Bank Refinancing, the main types of collateral used when financial instruments are issued to Mongolian local banks are as follows:

1. Central Bank bills;
2. Government securities;
3. DBM securities; and
4. Loans issued by financial institution

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.

Given that the biggest Mongolian local banks are rated by international rating agencies, financial assets due from local banks are also monitored on this basis. In case of unrated Mongolian local bank, the Bank considers financial conditions of related local bank based on the recent financial information, compliance with prudential ratios, and other information available by the Supervision Department and other relevant departments for assessing credit quality of related assets. At present, the Bank does not use internal credit rating systems for assessing credit quality of financial assets due from local banks.

*Limits.* In respect to international reserves, all counterparties have credit limits, which are set taking into consideration their ratings, capital, and other factors. The credit limits are approved quarterly by the Governor and compliance with the limits is monitored daily by the Risk Management Unit. In order to monitor its credit risk, the Bank also monitors the aging of its financial assets, particularly loans to local banks and other financial assets (refer to Notes 9 and 18). Any significant exposures against counterparties with deteriorating creditworthiness are reported to and reviewed by the Board of Directors, which also makes decisions on necessary actions.

As disclosed in Note 37, the Bank enters into certain credit related commitments, which are deemed to be of importance for the country (e.g. exporting goods and/or services) and/or when such arrangements are requested by the Government of Mongolia or its institutions. The primary purpose of these instruments is to ensure that funds are available to the Government or other relevant parties in these arrangements as required. Issued letters of credit represent irrevocable assurances that the Bank will make payments in the event that the party requesting this arrangement cannot meet its obligations to third parties and expose the Bank to similar risks to loans, which are mitigated by the same control processes and policies. Commitments to extend credit represent unused portions of authorisations to extend credit and relate to the arrangement with the People's Bank of China (Note 37). Based on analysis performed, the Bank's management believes that counterparty risk in case of this arrangement is low.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 39. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Bank's maximum exposure to credit risk is reflected in the carrying amounts of monetary financial assets in the statement of financial position. The credit risk is mitigated by collateral as disclosed in Notes 9. For letters of credit and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment (Note 37).

**Expected credit loss (ECL) measurement.** ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Bank: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor ("CCF"). CCF is a coefficient that shows the probability of conversion of the committed amounts to an on-balance sheet exposure within a defined period. PD is an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider *forward-looking information*, that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

The ECL modelling does not differ for Purchased or Originated Credit Impaired ("POCI") financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as impaired loans acquired in a past business combination.

For purposes of measuring PD, the Company defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- the borrower meets the unlikeliness-to-pay criteria listed below:
  - a missed or delayed disbursement of a contractually-obligated interest or principal payment
  - a bankruptcy filing or legal receivership by the debt issuer or obligor that will likely cause a miss or delay in future contractually-obligated debt service payments;
  - a distressed exchange whereby:
  - a change in the payment terms of a credit agreement or indenture imposed by the sovereign that results in a diminished financial obligation, such as a forced currency re-denomination (imposed by the debtor, or the debtor's sovereign) or a forced change in some other aspect of the original promise, such as indexation or maturity.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

**39. FINANCIAL RISK MANAGEMENT (CONTINUED)**

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been provided by the Bank of Mongolia's regulation on asset classification, provisioning and its disbursement regulation.

The assessment whether or not there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an individual basis and on a portfolio basis. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

The Bank decided not to use the low credit risk assessment exemption for investment grade financial assets. Hence, even assets of an investment grade are assessed whether there has been a SICR.

The Bank considers a financial instrument to have experienced an SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

- 30 and 90 days past due;
- Award of risk grade "Special monitoring";
- Comparison of PD coefficient as at reporting date with PD coefficient at recognition date based on external rating. Two notches decrease of external rating shall be considered as significant increase in credit risk;
- Significant adverse change in business, financial and/or economic conditions in which the business operates;
- Actual or expected significant adverse change in operating results of the entity and its financial indicators;
- If default flag is present, the accounts are allocated to Stage 3

The level of ECL that is recognised in these financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs.

If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Bank monitors whether that indicator continues to exist or has changed.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future month during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month).

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

**39. FINANCIAL RISK MANAGEMENT (CONTINUED)**

This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

***The key principles of calculating the credit risk parameters.*** As there is limited historical data, the Bank uses the simplified approach for its estimation where the credit risk parameters are regulatory or based on external data.

EADs are determined based on the expected payment profile that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products and bullet repayment loans. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation. For revolving products, the EAD is predicted by taking the current drawn balance and adding a "credit conversion factor" that accounts for the expected drawdown of the remaining limit by the time of default.

These assumptions vary by product type, current limit utilisation and other borrower-specific behavioural characteristics.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available default data by external international agencies and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument.

LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. The Bank uses Basel Quantitative Impact Study 3, Technical Guidance, LGD foundation approach for its LGD due to the limited historical data.

***ECL measurement for financial guarantees and loan commitments.*** The ECL measurement for these instruments includes the same steps as described above for on-balance sheet exposures and differs with respect to EAD calculation. The EAD is a product of credit conversion factor ("CCF") and amount of the commitment ("ExOff").

***Principles of assessment based on external ratings.*** Most of the exposures have external credit risk ratings and these are used to estimate credit risk parameter PD from the default statistics published by the respective rating agencies. This approach is applied for all financial instruments in debt securities.

***Market risk.*** Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates or foreign exchange rates. When assessing market risk, as well as liquidity risk, management's main considerations also include intervention needs, structure of the import and current liabilities to foreign parties. The Bank manages and monitors this risk element using sensitivity analyses. Except for the concentrations within foreign currencies, the Bank has no significant concentration of market risk. The Bank is not significantly exposed to other price risk.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 39. FINANCIAL RISK MANAGEMENT (CONTINUED)

**Currency risk.** Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk is managed through diversification of foreign currency portfolio and determination of the below parameters:

- international reserve management.
- maximum share of the managed currency in related assets denominated in foreign currencies for foreign currency reserve and short-term and long-term investment portfolio.

The currency composition of the international reserves is approved by the Investment Committee on an annual basis.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates of foreign currencies and SDRs applied at the end of the reporting period relative to the functional currency of the Bank, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit or loss while a positive amount reflects a net potential increase.

<i>In millions of Mongolian Tugriks</i>	<b>At 31 December 2018 Impact on profit or loss and equity</b>	<b>At 31 December 2017 Impact on profit or loss and equity</b>
USD strengthening by 10% (2017: 10%)	130,316	169,719
USD weakening by 10% (2017: 10%)	(130,316)	(169,719)
CNY strengthening by 10% (2017: 10%)	(410,144)	(402,028)
CNY weakening by 10% (2017: 10%)	410,144	402,028
EUR strengthening by 10% (2017: 10%)	(1,896)	363
EUR weakening by 10% (2017: 10%)	1,896	(363)
SDR strengthening by 10% (2017: 10%)	(62,050)	(32,058)
SDR weakening by 10% (2017: 10%)	62,050	32,058
Other strengthening by 10% (2017: 10%)	201,827	45,706
Other weakening by 10% (2017: 10%)	(201,827)	(45,706)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Bank and monetary balances denominated in SDRs.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 39. FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table indicates the currencies and SDRs to which the Bank had significant exposure at 31 December 2018 on its monetary assets and liabilities.

<i>In millions of Mongolian Tugriks</i>	<b>MNT</b>	<b>USD</b>	<b>CNY</b>	<b>EUR</b>	<b>SDR</b>	<b>Other</b>	<b>Total</b>
Cash on hand	49	66,292	29	722	-	4,935	72,027
Due from foreign financial institutions	-	1,763,160	641,367	131,186	146,229	186,297	2,868,239
Loans to local banks	440,765	809	-	719	-	-	442,293
Investments in debt securities	2,421,706	2,141,713	113,770	-	-	-	4,677,189
Investments in equity securities	5,201	-	-	6,533	-	-	11,734
Reverse repurchase agreements	322,054	2,141,558	-	-	-	-	2,463,612
Gold and precious metals	-	-	-	-	-	2,035,750	2,035,750
Government securities	64,331	-	-	-	-	-	64,331
Other financial assets	829,941	-	-	-	-	-	829,941
<b>Total financial assets</b>	<b>4,084,047</b>	<b>6,113,532</b>	<b>755,166</b>	<b>139,160</b>	<b>146,229</b>	<b>2,226,982</b>	<b>13,465,116</b>
Cash in circulation	(968,618)	-	-	-	-	-	(968,618)
Central bank bills	(5,005,515)	-	-	-	-	-	(5,005,515)
Liabilities due to government organizations	(208,069)	(295,985)	-	(19,737)	(588,042)	(18,274)	(1,130,107)
Deposits from local banks	(1,728,521)	(2,028,829)	(129,414)	(138,385)	-	(190,436)	(4,215,585)
Liabilities due to foreign parties	(85)	(166)	(4,727,194)	-	(178,685)	-	(4,906,130)
Other financial liabilities	(102,688)	(12,078)	-	-	-	-	(114,766)
<b>Total financial liabilities</b>	<b>(8,013,496)</b>	<b>(2,337,058)</b>	<b>(4,856,608)</b>	<b>(158,122)</b>	<b>(766,727)</b>	<b>(208,710)</b>	<b>(16,340,721)</b>
Derivative financial instruments	2,304,263	(2,473,316)	-	-	-	-	(169,053)
<b>Net balance sheet position</b>	<b>(1,625,186)</b>	<b>1,303,158</b>	<b>(4,101,442)</b>	<b>(18,962)</b>	<b>(620,498)</b>	<b>2,018,272</b>	<b>(3,044,658)</b>

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 39. FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table indicates the currencies and SDRs to which the Bank had significant exposure at 31 December 2017 on its monetary assets and liabilities.

<i>In millions of Mongolian Tugriks</i>	<b>MNT</b>	<b>USD</b>	<b>CNY</b>	<b>EUR</b>	<b>SDR</b>	<b>Other</b>	<b>Total</b>
Cash on hand	43	70,588	28	1,512	-	4,724	<b>76,895</b>
Due from foreign financial institutions	-	1,848,552	600,306	194,447	145,301	347,645	<b>3,136,251</b>
Loans to local banks	857,625	800	-	1,933	-	-	<b>860,358</b>
Financial investments available for sale	2,143,112	811,416	-	-	-	-	<b>2,954,528</b>
Reverse repurchase agreements	234,536	2,849,451	-	-	-	-	<b>3,083,987</b>
Gold and precious metals	-	-	-	-	-	429,440	<b>429,440</b>
Government securities	163,027	-	-	-	-	-	<b>163,027</b>
Other financial assets	690,942	-	-	-	-	-	<b>690,942</b>
<b>Total financial assets</b>	<b>4,089,285</b>	<b>5,580,807</b>	<b>600,334</b>	<b>197,892</b>	<b>145,301</b>	<b>781,809</b>	<b>11,395,428</b>
Cash in circulation	(906,396)	-	-	-	-	-	<b>(906,396)</b>
Central bank bills	(3,444,401)	-	-	-	-	-	<b>(3,444,401)</b>
Liabilities due to government organizations	(1,040,687)	(500,590)	(15,328)	(18,577)	(298,084)	(7,398)	<b>(1,880,664)</b>
Deposits from local banks	(1,554,805)	(1,032,408)	(36,047)	(175,685)	-	(317,353)	<b>(3,116,298)</b>
Liabilities due to foreign parties	(769)	(152)	(4,569,234)	-	(167,797)	-	<b>(4,737,952)</b>
Other financial liabilities	(30,855)	(11,092)	-	-	-	-	<b>(41,947)</b>
<b>Total financial liabilities</b>	<b>(6,977,913)</b>	<b>(1,544,242)</b>	<b>(4,620,609)</b>	<b>(194,262)</b>	<b>(465,881)</b>	<b>(324,751)</b>	<b>(14,127,658)</b>
Derivative financial instruments	2,083,637	(2,339,377)	-	-	-	-	<b>(255,740)</b>
<b>Net balance sheet position</b>	<b>(804,991)</b>	<b>1,697,188</b>	<b>(4,020,275)</b>	<b>3,630</b>	<b>(320,580)</b>	<b>457,058</b>	<b>(2,987,970)</b>



## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 39. FINANCIAL RISK MANAGEMENT (CONTINUED)

**Interest rate risk.** Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The main objective when managing the interest rate risk is to maintain stable return on investments while not exceeding the risk levels that can be undertaken per investment policies.

Assets and liabilities of the Bank are predominantly fixed rate or non-interest bearing, which significantly reduces exposure to interest rate risk. Further, in strategic benchmark development process the Bank sets duration requirements for its foreign reserve portfolio in order to limit exposure to interest rate risk. The duration requirement is monitored on a daily basis. The duration of the investment is assessed through the application of horizon analysis. The Bank uses a one-year investment horizon, defined negative return as minimum return and up to 5% of acceptable variance of negative return for calculation of prudential duration.

The table below summarizes the Bank's exposure to interest rate risks. The table presents the aggregated amounts of the Bank's financial assets and liabilities at carrying amounts, categorized by the earlier of contractual interest repricing or maturity dates:

<i>In millions of Mongolian Tugriks</i>	<b>Demand and less than one month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>Over 12 months</b>	<b>Total interest bearing</b>	<b>Non-interest sensitive</b>	<b>Total</b>
<b>31 December 2018</b>							
Total financial assets	5,673,424	2,044,547	433,393	4,591,546	12,742,910	921,863	13,664,773
Total financial liabilities	(9,232,125)	(454,383)	(4,883,667)	(894,174)	(15,464,349)	(1,245,082)	(16,709,431)
<b>Net interest sensitivity gap at 31 December 2018</b>	<b>(3,558,701)</b>	<b>1,590,164</b>	<b>(4,450,274)</b>	<b>3,697,372</b>	<b>(2,721,439)</b>	<b>(323,219)</b>	<b>(3,044,658)</b>
<b>31 December 2017</b>							
Total financial assets	6,822,513	239,719	195,558	4,155,154	11,412,944	38,216	11,451,160
Total financial liabilities	(8,403,956)	(1,328,070)	(3,217,840)	(257,022)	(13,206,888)	(1,232,242)	(14,439,130)
<b>Net interest sensitivity gap at 31 December 2017</b>	<b>(1,581,443)</b>	<b>(1,088,351)</b>	<b>(3,022,282)</b>	<b>3,898,132</b>	<b>(1,793,944)</b>	<b>(1,194,026)</b>	<b>(2,987,970)</b>

Interest is accrued at floating rates on the following assets and liabilities: SDR holdings (Note 8), SDR allocation, and loan from loan from People's Bank of China (Note 21). At 31 December 2018, if interest rates at reporting date had been 200 basis points lower with all other variables held constant, loss for the year would have been MNT 13,471 million lower (2017: MNT 8,882 million), mainly as a result of lower interest expense on variable interest liabilities, primarily loan from People's Bank of China. If interest rates had been 200 basis points higher, with all other variables held constant, loss would have been MNT 13,471 million higher (2017: MNT 8,882 million), mainly as a result of higher interest expense on variable interest liabilities.

Management believes that the Bank's exposure to interest rate risk was not significant in 2018, as assets and liabilities of the Bank were predominantly fixed rate or non-interest bearing, and the Bank had no material interest bearing assets or liabilities at variable rates. The Bank monitors interest rates for its financial instruments.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 39. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below summarizes interest rates at the respective reporting date based on reports reviewed by key management personnel. For quoted securities, the interest rates represent yields to maturity based on market quotations at the reporting date.

In % p.a.	2018					2017				
	MNT	USD	EUR	CNY	Other	MNT	USD	EUR	CNY	Other
<b>Assets</b>										
Due from foreign financial institutions	-	2.52%	-	3.09%	0.68%	-	1.48%	-	2.92%	0.19%
Investments in debt securities	-	1.91%	-	3.57%	-	-	1.20%	-	-	-
Reverse repurchase agreements	10.25%	3.04%	-	-	-	10.00%	1.46%	-	-	-
Government securities	1.00%	-	-	-	-	5.97%	-	-	-	-
Loans to local banks	4.59%	0.75%	1.25%	-	-	6.98%	3.98%	1.25%	-	-
<b>Liabilities</b>										
Central bank bills	11.46%	-	-	-	-	11.00%	-	-	-	-
Liabilities due to government organizations	-	2.17%	0.75%	-	1.00%	-	2.17%	0.75%	-	1.00%
Deposits from local banks	9.00%	-	-	-	-	9.00%	-	-	-	-
Liabilities due to foreign parties	-	-	-	5.51%	-	-	-	-	6.39%	-

The sign “-“ in the table above means that the Bank does not have the respective assets or liabilities in the corresponding currency.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 39. FINANCIAL RISK MANAGEMENT (CONTINUED)

**Geographical risk concentrations.** The geographical concentration of the Bank's financial assets and liabilities at 31 December 2018 is set out below:

<i>In millions of Mongolian Tugriks</i>	<b>Mongolia</b>	<b>OECD</b>	<b>IMF</b>	<b>Non-OECD</b>	<b>Total</b>
<b>Assets</b>					
Cash on hand	72,027	-	-	-	72,027
Due from foreign financial institutions	-	2,079,403	146,229	642,607	2,868,239
Loans to local banks	442,293	-	-	-	442,293
Investments in debt securities	2,421,789	2,141,713	-	113,687	4,677,189
Investments in equity securities	5,201	6,533	-	-	11,734
Reverse repurchase agreements	322,054	2,141,558	-	-	2,463,612
Gold and precious metals	-	2,035,750	-	-	2,035,750
Derivative financial instruments	199,657	-	-	-	199,657
Government securities	64,331	-	-	-	64,331
Other financial asset	829,941	-	-	-	829,941
<b>Total financial assets</b>	<b>4,357,293</b>	<b>8,404,957</b>	<b>146,229</b>	<b>756,294</b>	<b>13,664,773</b>
<b>Liabilities</b>					
Cash in circulation	(968,618)	-	-	-	(968,618)
Central bank bills	(5,005,515)	-	-	-	(5,005,515)
Liabilities due to government organizations	(1,130,107)	-	-	-	(1,130,107)
Deposits from local banks	(4,215,585)	-	-	-	(4,215,585)
Derivative financial instruments	(368,710)	-	-	-	(368,710)
Liabilities due to foreign parties	-	(251)	(178,685)	(4,727,194)	(4,906,130)
Other financial liabilities	(114,766)	-	-	-	(114,766)
<b>Total financial liabilities</b>	<b>(11,803,301)</b>	<b>(251)</b>	<b>(178,685)</b>	<b>(4,727,194)</b>	<b>(16,709,431)</b>
<b>Net balance sheet position as 31 December 2018</b>	<b>(7,446,008)</b>	<b>8,404,706</b>	<b>(32,456)</b>	<b>(3,970,900)</b>	<b>(3,044,658)</b>
<b>Credit related commitments (Note 37)</b>	<b>(90,565)</b>	<b>-</b>	<b>-</b>	<b>(5,400,000)</b>	<b>(5,490,565)</b>

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 39. FINANCIAL RISK MANAGEMENT (CONTINUED)

The geographical concentration of the Bank's financial assets and liabilities at 31 December 2017 is set out below:

<i>In millions of Mongolian Tugriks</i>	<b>Mongolia</b>	<b>OECD</b>	<b>IMF</b>	<b>Non-OECD</b>	<b>Total</b>
<b>Assets</b>					
Cash on hand	76,895	-	-	-	76,895
Due from foreign financial institutions	-	2,388,688	145,301	602,262	3,136,251
Loans to local banks	860,358	-	-	-	860,358
Financial investments available for sale	2,143,112	811,416	-	-	2,954,528
Reverse repurchase agreements	234,536	2,849,451	-	-	3,083,987
Gold and precious metals	-	429,440	-	-	429,440
Derivative financial instruments	55,732	-	-	-	55,732
Government securities	163,027	-	-	-	163,027
Other financial asset	690,942	-	-	-	690,942
<b>Total financial assets</b>	<b>4,224,602</b>	<b>6,478,995</b>	<b>145,301</b>	<b>602,262</b>	<b>11,451,160</b>
<b>Liabilities</b>					
Cash in circulation	(906,396)	-	-	-	(906,396)
Central bank bills	(3,444,401)	-	-	-	(3,444,401)
Liabilities due to government organizations	(1,880,664)	-	-	-	(1,880,664)
Deposits from local banks	(3,116,298)	-	-	-	(3,116,298)
Derivative financial instruments	(311,472)	-	-	-	(311,472)
Liabilities due to foreign parties	-	(921)	(167,797)	(4,569,234)	(4,737,952)
Other financial liabilities	(41,947)	-	-	-	(41,947)
<b>Total financial liabilities</b>	<b>(9,701,178)</b>	<b>(921)</b>	<b>(167,797)</b>	<b>(4,569,234)</b>	<b>(14,439,130)</b>
<b>Net balance sheet position as 31 December 2017</b>	<b>(5,476,576)</b>	<b>6,478,074</b>	<b>(22,496)</b>	<b>(3,966,972)</b>	<b>(2,987,970)</b>
<b>Credit related commitments (Note 37)</b>	<b>(155,868)</b>	<b>-</b>	<b>-</b>	<b>(5,400,000)</b>	<b>(5,555,868)</b>

**Other risk concentrations.** Management monitors concentrations of credit risk through obtaining reports listing exposures to borrowers per counterparty limits, which are disclosed above. The Bank did not have any such significant risk concentrations as of 31 December 2018 and 31 December 2017.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 39. FINANCIAL RISK MANAGEMENT (CONTINUED)

**Liquidity risk.** Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Liquidity risk of foreign currency is the main area of risk faced by the Bank. With respect to the classical investment triad (safety–liquidity–return), the investment policy of the Bank is maximizing returns, which ought to be considered only if all the liquidity and safety requirements are met. In circumstances of high import dependence, constant supply requirement of Government external debt servicing, volatility of demand and supply of foreign exchange in the domestic market, liquidity is the most important concern of foreign exchange reserve management. In order to manage liquidity risk, the Bank divided its foreign reserve portfolio into two sub-portfolios:

- The 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 from a week to twelve month maturity and commodities (monetary gold).
- The Long-term Investment Portfolio: This portfolio is invested in medium to long-term high liquid instruments including government bonds and securities.

The Investment Committee proposes the limits for foreign exchange portfolio. In order to minimize the liquidity risk, the following asset structure is followed in accordance with the regulation on State Foreign Exchange Reserve Management:

- Not less than below limit defined as certain percentage of total assets with short-term maturity (i.e. maturity up to 1 year) shall be placed as current accounts and cash in foreign currency;
- Not less than below limit defined as percentage of total assets with short-term maturity (i.e. maturity up to 1 year) shall be placed as deposits with maturity up to 6 months.

Stop-loss limit of foreign trading is USD 400,000, while the limit of trading unit is USD 100,000 and the limit of one-off trading is USD 50,000, which also reduces liquidity risk.

The table below shows liabilities at 31 December 2018 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received i.e. payments in respect of gross settled forwards and swaps are accompanied by related cash inflows.

Liquidity requirements to support calls under issued letters of credit are considerably less than the amount of the commitment disclosed in the maturity analysis, because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit as included in the maturity table below does not necessarily represent future cash requirements, since these commitments may expire or terminate without being funded.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated, using the spot exchange rate at the end of the reporting period.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 39. FINANCIAL RISK MANAGEMENT (CONTINUED)

The maturity analysis of financial liabilities at 31 December 2018 is as follows:

<i>In millions of Mongolian Tugriks</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>Over 12 months</b>	<b>Total</b>
<b>Liabilities</b>					
Cash in circulation	968,618	-	-	-	<b>968,618</b>
Central bank bills	4,366,535	447,019	250,002	-	<b>5,063,556</b>
Liabilities due to government organizations	507,627	1,655	1,572	623,203	<b>1,134,057</b>
Deposits from local banks	4,215,722	-	-	-	<b>4,215,722</b>
Liabilities due to foreign parties	178,936	-	4,788,532	-	<b>4,967,468</b>
Other financial liabilities	114,766	-	-	-	<b>114,766</b>
<i>Gross settled swaps and forwards:</i>					
- inflows	(37,343)	(265,425)	(167,721)	(1,833,774)	<b>(2,304,263)</b>
- outflows	39,655	288,581	185,903	1,959,177	<b>2,473,316</b>
Credit related commitments					
-Undrawn credit line to PBC	5,400,000	-	-	-	<b>5,400,000</b>
-Other contingent liabilities	90,565	-	-	-	<b>90,565</b>
<b>Total potential future payments for financial obligations</b>	<b>15,845,081</b>	<b>471,830</b>	<b>5,058,288</b>	<b>748,606</b>	<b>22,123,805</b>

The maturity analysis of financial liabilities at 31 December 2017 is as follows:

<i>In millions of Mongolian Tugriks</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>Over 12 months</b>	<b>Total</b>
<b>Liabilities</b>					
Cash in circulation	906,396	-	-	-	<b>906,396</b>
Central bank bills	3,447,800	-	-	-	<b>3,447,800</b>
Liabilities due to government organizations	1,848,165	1,174	1,190	33,033	<b>1,883,562</b>
Deposits from local banks	3,116,327	-	-	-	<b>3,116,327</b>
Liabilities due to foreign parties	278,992	2,283,298	2,313,493	-	<b>4,875,783</b>
Other financial liabilities	41,947	-	-	-	<b>41,947</b>
<i>Gross settled swaps and forwards:</i>					
- inflows	-	(205,433)	(336,648)	(1,553,136)	<b>(2,095,217)</b>
- outflows	-	222,890	391,211	1,736,856	<b>2,350,957</b>
Credit related commitments					
-Undrawn credit line to PBC	5,400,000	-	-	-	<b>5,400,000</b>
-Other contingent liabilities	155,868	-	-	-	<b>155,868</b>
<b>Total potential future payments for financial obligations</b>	<b>15,195,495</b>	<b>2,301,929</b>	<b>2,369,246</b>	<b>216,753</b>	<b>20,083,423</b>

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 39. FINANCIAL RISK MANAGEMENT (CONTINUED)

A significant portion of deposits from local banks and liabilities due to government organizations represent core deposits. Similarly, cash in circulation also represents a stable source of financing, although the Bank does not have unconditional contractual rights to delay payment. Refer to maturity analysis based on expected maturity below.

The Bank does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. Instead, the Bank monitors expected maturities of carrying amounts of financial assets and liabilities and the resulting expected liquidity gap. The table below shows the maturity analysis of financial assets and liabilities based on expected maturity.

Expected maturity of financial liabilities significantly differs from contractual maturity, due to a large amount of core deposits (consisting primarily from deposits from government organizations and local banks) and cash in circulation, as mentioned above. Financial assets that are readily saleable if it should be necessary to meet cash outflows on financial liabilities are included in the maturity analysis based on their expected date of disposal. Impaired loans are included at their carrying amounts net of impairment provisions, and based on the expected timing of cash inflows.

The maturity analysis at 31 December 2018 is as follows:

<i>In millions of Mongolian Tugriks</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>Over 12 months</b>	<b>Total</b>
<b>Assets</b>					
Cash on hand	72,027	-	-	-	72,027
Due from foreign financial institutions	1,477,144	1,391,095	-	-	2,868,239
Investments in debt securities	569,034	535,555	102,176	3,470,424	4,677,189
Investments in equity securities	11,734	-	-	-	11,734
Reverse repurchase agreements	2,396,315	10,111	-	57,186	2,463,612
Gold and precious metals	2,035,750	-	-	-	2,035,750
Derivative financial instruments	-	-	771	198,886	199,657
Government securities	699	-	-	63,632	64,331
Loans to local banks	53	86,207	180,924	175,109	442,293
Other financial assets	10	20,500	85,000	724,431	829,941
<b>Total financial assets</b>	<b>6,562,766</b>	<b>2,043,468</b>	<b>368,871</b>	<b>4,689,668</b>	<b>13,664,773</b>
<b>Liabilities</b>					
Cash in circulation	(968,618)	-	-	-	(968,618)
Central bank bills	(4,345,530)	(424,156)	(235,829)	-	(5,005,515)
Liabilities due to government organizations	(507,947)	(1,052)	(1,052)	(620,056)	(1,130,107)
Deposits from local banks	(4,215,585)	-	-	-	(4,215,585)
Derivative financial instruments	(2,312)	(33,183)	(18,952)	(314,263)	(368,710)
Liabilities due to foreign parties	(178,937)	-	(4,727,193)	-	(4,906,130)
Other financial liabilities	(114,766)	-	-	-	(114,766)
<b>Total financial liabilities</b>	<b>(10,333,695)</b>	<b>(458,391)</b>	<b>(4,983,026)</b>	<b>(934,319)</b>	<b>(16,709,431)</b>
<b>Net liquidity gap</b>	<b>(3,770,929)</b>	<b>1,585,077</b>	<b>(4,614,155)</b>	<b>3,755,349</b>	<b>(3,044,658)</b>



## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 39. FINANCIAL RISK MANAGEMENT (CONTINUED)

The maturity analysis at 31 December 2017 is as follows:

<i>In millions of Mongolian Tugriks</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>Over 12 months</b>	<b>Total</b>
<b>Assets</b>					
Cash on hand	76,895	-	-	-	76,895
Due from foreign financial institutions	3,136,251	-	-	-	3,136,251
Financial investments available for sale	257,905	98,083	10,848	2,587,692	2,954,528
Reverse repurchase agreements	2,924,317	-	94,824	64,846	3,083,987
Gold and precious metals	429,440	-	-	-	429,440
Derivative financial instruments	-	9,094	3,592	43,046	55,732
Government securities	1,192	77,416	26,630	57,789	163,027
Loans to local banks	13,553	61,087	59,664	726,054	860,358
Other financial assets	12,851	2,364	-	675,727	690,942
<b>Total financial assets</b>	<b>6,852,404</b>	<b>248,044</b>	<b>195,558</b>	<b>4,155,154</b>	<b>11,451,160</b>
<b>Liabilities</b>					
Cash in circulation	(906,396)	-	-	-	(906,396)
Central bank bills	(3,444,401)	-	-	-	(3,444,401)
Liabilities due to government organizations	(1,848,164)	(989)	(1,255)	(30,256)	(1,880,664)
Deposits from local banks	(3,116,298)	-	-	-	(3,116,298)
Derivative financial instruments	-	(26,551)	(58,155)	(226,766)	(311,472)
Liabilities due to foreign parties	(168,718)	(1,331,238)	(3,237,996)	-	(4,737,952)
Other financial liabilities	(41,947)	-	-	-	(41,947)
<b>Total financial liabilities</b>	<b>(9,525,924)</b>	<b>(1,358,778)</b>	<b>(3,297,406)</b>	<b>(257,022)</b>	<b>(14,439,130)</b>
<b>Net liquidity gap</b>	<b>(2,673,520)</b>	<b>(1,110,734)</b>	<b>(3,101,848)</b>	<b>3,898,132</b>	<b>(2,987,970)</b>

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 40. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurements are analyzed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorizing financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

(a) *Recurring fair value measurements*

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorized as at 31 December 2018 are, as follows:

<i>In millions of Mongolian Tugriks</i>	31 December 2018			
	Level 1	Level 2	Level 3	Total
<b>ASSETS AT FAIR VALUE</b>				
<b>Financial assets</b>				
-RAMP Investment Account Assets	814,823	-	-	814,823
-Bonds of Bank for International Settlements	788,932	-	-	788,932
-China Government Bond	113,770	-	-	113,770
-US treasury bills	537,875	-	-	537,875
-Equity investment in MMC Holding JSC at fair value	5,139	-	-	5,139
-Other equity investments	-	-	6,595	6,595
-Gold Bullion and Precious Metals at fair value	2,035,750	-	-	2,035,750
-Promissory notes	-	-	748,656	748,656
<b>Non-financial assets</b>				
-Premises and equipment	-	-	74,451	74,451
-Treasury Fund	-	-	931,241	931,241
<b>TOTAL ASSETS WITH RECURRING FAIR VALUE MEASUREMENTS</b>	<b>4,296,289</b>	<b>-</b>	<b>1,760,943</b>	<b>6,057,232</b>
<b>LIABILITIES CARRIED AT FAIR VALUE</b>				
<b>Financial liabilities</b>				
Financial derivatives	-	-	(169,053)	(169,053)
<b>TOTAL LIABILITIES WITH RECURRING FAIR VALUE MEASUREMENTS</b>	<b>-</b>	<b>-</b>	<b>(169,053)</b>	<b>(169,053)</b>

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 40. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The level in the fair value hierarchy into which the recurring fair value measurements are categorized as at 31 December 2017 are, as follows:

<i>In millions of Mongolian Tugriks</i>	31 December 2017			
	Level 1	Level 2	Level 3	Total
<b>ASSETS AT FAIR VALUE</b>				
<b>Financial assets</b>				
-RAMP Investment Account Assets	248,872	-	-	248,872
-Bonds of Bank for International Settlements	314,953	-	-	314,953
-US treasury bills	247,591	-	-	247,591
-Equity investment in MMC Holding JSC at fair value	5,139	-	-	5,139
-Gold Bullion and Precious Metals at fair value	429,440	-	-	429,440
<b>Financial liabilities</b>				
Financial derivatives	-	-	(255,740)	(255,740)
<b>TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS</b>	<b>1,245,995</b>	<b>-</b>	<b>(255,740)</b>	<b>990,255</b>

The description of valuation technique and description of inputs used in the fair value measurement for level 3 measurements at 31 December 2018:

<i>In millions of Mongolian Tugriks</i>	Fair value	Valuation technique	Inputs used
<b>ASSETS AT FAIR VALUE</b>			
<b>Financial assets</b>			
Financial derivatives	199,657	GAP model	Z-spread, LIBOR 12 month, Repo rate/(policy rate), Forward rate using GAP model
Promissory notes	748,656	Discounted Cash Flow	Audited Financial Statements of promissory note issuers, market rate (policy rate+2%) and CF projection according to repayment schedule
<b>Non-financial assets</b>			
-Premises and equipment	74,451	Market and Cost approach	Comparable market prices, and internal research data of the external valuation company
-Treasury Fund	931,241	Market and Cost approach	Comparable market prices, and internal research data of the external valuation company
<b>LIABILITIES CARRIED AT FAIR VALUE</b>			
<b>Financial liabilities</b>			
Financial derivatives	(368,710)	GAP model	Z-spread, LIBOR 12 month, Repo rate/(policy rate), Forward rate using GAP model
<b>TOTAL RECURRING FAIR VALUE MEASUREMENTS AT LEVEL 3</b>	<b>1,585,295</b>		

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 40. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The description of valuation technique and description of inputs used in the fair value measurement for level 3 measurements at 31 December 2017:

<i>In millions of Mongolian Tugriks</i>	Fair value	Valuation technique	Inputs used
<b>ASSETS AT FAIR VALUE</b>			
<b>Financial assets</b>			
Financial derivatives	55,732	GAP model	Z-spread, LIBOR 6 month, Repo rate, Forward rate using GAP model
<b>Financial liabilities</b>			
Financial derivatives	(311,472)	GAP model	Z-spread, LIBOR 6 month, Repo rate, Forward rate using GAP model
<b>TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS AT LEVEL 3</b>	<b>(255,740)</b>		

The sensitivity to reasonably possible changes in input used in the fair value measurement for level 1 measurements is as follows at 31 December 2018. Reasonable possible changes in input (market price of equity instrument) would have impact on the Bank's equity and no impact on the Bank's financial result, as material impairment is considered unlikely.

	31 December 2018	31 December 2017				
<i>In millions of Mongolian Tugriks</i>	Fair value	Reasonable change	Sensitivity of fair value measurement	Fair value	Reasonable change	Sensitivity of fair value measurement
<b>Assets AT FAIR VALUE</b>						
<b>Financial assets</b>						
-RAMP Investment Account Assets	814,823	10%	+/-81,482	248,872	10%	+/-24,887
-Bonds of Bank for International Settlements	788,932	10%	+/-78,893	314,953	10%	+/-31,495
-China Government Bond	113,770	10%	+/-11,377	-	-	-
-US treasury bills	537,875	10%	+/-53,787	247,591	10%	+/-24,759
-Equity investment in MMC Holding JSC at fair value	5,139	10%	+/-514	5,139	10%	+/-514
-Other equity investments	6,594	10%	+/-659	-	-	-
-Gold Bullion and Precious Metals at fair value	2,035,750	10%	+/-203,575	429,440	10%	+/-42,944
-Receivables related to promissory notes	748,656	10%	+/-74,866	-	-	-

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 40. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

*(b) Assets and liabilities not measured at fair value but for which fair value is disclosed*

Fair values analyzed by level in the fair value hierarchy and carrying value of assets not measured at fair value as of 31 December 2018 are as follows:

<i>In millions of Mongolian Tugriks</i>	31 December 2018			Carrying amount
	Level 1	Level 2	Level 3	
<b>FINANCIAL Assets</b>				
<b>Cash and cash equivalents</b>				
-Cash on hand	72,027	-	-	72,027
<b>Due from financial institutions</b>				
-Short term deposits in foreign currency	-	2,081,826	-	2,081,826
-Demand deposits	-	640,007	-	640,007
-Special drawing rights holdings	-	146,229	-	146,229
-World Bank subscriptions	-	166	-	166
-Other subscriptions	-	11	-	11
<b>Loans advances to customers</b>				
- Loans issued under Price Stabilization Program	-	-	431,894	431,894
-Other loans	-	-	10,399	10,399
<b>Gold and precious metal</b>	2,035,750	-	-	2,035,750
<b>Investments</b>				
-Investments in debt instruments	2,421,789	-	-	2,421,789
<b>Reverse repurchase agreements</b>				
-Federal Reserve Bank of New York	-	2,141,558	-	2,141,558
- Local banks	-	322,054	-	322,054
<b>Government securities</b>	-	64,331	-	64,331
<b>Other financial assets</b>	-	81,285	-	81,285
<b>Total financial assets carried at amortized cost</b>	<b>4,529,566</b>	<b>5,477,467</b>	<b>442,293</b>	<b>10,449,326</b>

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 40. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair values analyzed by level in the fair value hierarchy and carrying value of assets not measured at fair value as of 31 December 2017 are as follows:

	31 December 2017			Carrying amount
<i>In millions of Mongolian Tugriks</i>	Level 1	Level 2	Level 3	
<b>FINANCIAL Assets</b>				
<b>Cash and cash equivalents</b>				
-Cash on hand	76,895	-	-	76,895
<b>Due from financial institutions</b>				
-Short term deposits in foreign currency	-	2,034,346	-	2,034,346
-Demand deposits	-	956,442	-	956,442
-Special drawing rights holdings	-	145,301	-	145,301
-World Bank subscriptions	-	152	-	152
-Other subscriptions	-	10	-	10
<b>Loans advances to customers</b>				
- Loans issued under Price Stabilization Program	-	-	836,153	836,153
-Secured loans	-	-	12,706	12,706
-Other loans	-	-	11,499	11,499
<b>Gold and precious metal</b>	429,440	-	-	429,440
<b>Investments – Available for Sale</b>				
-Debt instruments available for sale	851,276	-	2,103,252	2,954,528
-Equity instruments available for sale	5,139	-	6,595	11,734
<b>Reverse repurchase agreements</b>				
-Federal Reserve Bank of New York	-	2,849,451	-	2,849,451
- Local banks	-	234,536	-	234,536
<b>Government securities</b>	-	163,027	-	163,027
<b>Other financial assets</b>	-	690,942	-	690,942
<b>Total financial assets carried at amortized cost</b>	<b>1,362,750</b>	<b>7,074,207</b>	<b>2,970,205</b>	<b>11,407,162</b>

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 40. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair values analyzed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value as of 31 December 2018 are as follows:

<i>In millions of Mongolian Tugriks</i>	31 December 2018			Carrying amount
	Level 1	Level 2	Level 3	
<b>FINANCIAL liabilities</b>				
Cash in circulation	968,618	-	-	968,618
Central bank bills	-	5,005,515	-	5,005,515
<b>Liabilities due to government organizations</b>				
- Liabilities to the Ministry of Finance related to borrowings	-	625,184	-	625,184
- Current accounts of Ministry of Finance	-	504,923	-	504,923
<b>Deposits from local banks</b>				
- Correspondent accounts	-	3,941,017	-	3,941,017
- Time deposits	-	274,568	-	274,568
<b>Liabilities due to foreign parties</b>				
- Financing from People's Bank of China	-	4,727,193	-	4,727,193
- Allocation of Special Drawing Rights of IMF	-	178,685	-	178,685
- Subscription to World Bank	-	166	-	166
- Subscription to IDA	-	39	-	39
- Current account of World Bank	-	43	-	43
- Current account of ADB	-	4	-	4
<b>Other financial liabilities</b>	-	114,766	-	114,766
<b>Total financial liabilities carried at amortized cost</b>	<b>968,618</b>	<b>15,372,103</b>	<b>-</b>	<b>16,340,721</b>

Fair values analyzed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value as of 31 December 2017 are as follows:

<i>In millions of Mongolian Tugriks</i>	31 December 2017			Carrying amount
	Level 1	Level 2	Level 3	
<b>FINANCIAL liabilities</b>				
Cash in circulation	906,396	-	-	906,396
Central bank bills	-	3,444,401	-	3,444,401
<b>Liabilities due to government organizations</b>				
- Liabilities to the Ministry of Finance related to borrowings	-	327,249	-	327,249
- Current accounts of Ministry of Finance	-	1,553,415	-	1,553,415
<b>Deposits from local banks</b>				
- Correspondent accounts	-	3,057,755	-	3,057,755
- Time deposits	-	58,543	-	58,543
<b>Liabilities due to foreign parties</b>				
- Financing from People's Bank of China	-	4,569,233	-	4,569,233
- Allocation of Special Drawing Rights of IMF	-	167,797	-	167,797
- Subscription to World Bank	-	152	-	152
- Subscription to IDA	-	39	-	39
- Current account of World Bank	-	723	-	723
- Current account of ADB	-	8	-	8
<b>Other financial liabilities</b>	-	41,947	-	41,947
<b>Total financial liabilities carried at amortized cost</b>	<b>906,396</b>	<b>13,221,262</b>	<b>-</b>	<b>14,127,658</b>



## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

## 41. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

For the purposes of measurement, IFRS 9 “Financial Instruments” classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition or subsequently.

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2018:

	31-Dec-18				
<i>In millions of Mongolian Tugriks</i>	AC	Debt instruments at FVOCI	Equity instruments at FVOCI	FVTPL (mandatory)	Total
<b>FINANCIAL Assets</b>					
<b>Cash and cash equivalents</b>					
-Cash on hand	72,027	-	-	-	72,027
<b>Due from financial institutions</b>					
-Short term deposits in foreign currency	2,081,826	-	-	-	2,081,826
-Demand deposits	640,007	-	-	-	640,007
-Special drawing rights holdings	146,229	-	-	-	146,229
-World Bank subscriptions	166	-	-	-	166
-Other subscriptions	11	-	-	-	11
<b>Loans advances to customers</b>					
- Loans issued under Price Stabilization Program	431,894	-	-	-	431,894
-Other loans	10,399	-	-	-	10,399
<b>Gold and precious metal</b>	-	-	-	2,035,750	2,035,750
<b>Investments in debt securities</b>					
-Bonds issued by Bank for International Settlements	-	788,932	-	-	788,932
-US treasury bills	-	537,875	-	-	537,875
-China government bond	-	113,770	-	-	113,770
-RAMP Investment Account Assets	-	814,823	-	-	814,823
-Senior RMBS Bonds	2,377,484	-	-	-	2,377,484
-Development Bank securities	44,305	-	-	-	44,305
<b>Investments in equity securities</b>					
-Equity - MIK securities	-	-	5,139	-	5,139
-Other equity investments	-	-	6,595	-	6,595
<b>Reverse repurchase agreements</b>					
- Federal Reserve Bank of New York	2,141,558	-	-	-	2,141,558
- Local banks	322,054	-	-	-	322,054
<b>Government securities</b>	64,331	-	-	-	64,331
<b>Derivative financial asset</b>	-	-	-	199,657	199,657
<b>Other financial assets</b>	81,285	-	-	748,656	829,941
<b>TOTAL FINANCIAL ASSETS</b>	<b>8,413,576</b>	<b>2,255,400</b>	<b>11,734</b>	<b>2,984,063</b>	<b>13,664,773</b>

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

41. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY  
(CONTINUED)

For the purposes of measurement at 31 December 2017, IAS 39 “Financial Instruments: Recognition and Measurement”, classified financial assets into the following categories: (a) L&R; (b) AFS financial assets; (c) financial assets HTM and (d) financial assets at FVTPL (“FVTPL”). Financial assets at FVTPL had two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. In addition, finance lease receivables formed a separate category.

The following table provides a reconciliation of financial assets with the measurement categories at 31 December 2017.

<i>In millions of Mongolian Tugriks</i>	31 December 2017	Available for sale financial assets	Held for trading	Held to maturity	Total
	Loans and receivables				
<b>FINANCIAL Assets</b>					
<b>Cash and cash equivalents</b>					
-Cash on hand					
<b>Due from financial institutions</b>	76,895	-	-	-	76,895
-Short term deposits in foreign currency					
-Demand deposits	2,034,346	-	-	-	2,034,346
-Restricted cash	956,442	-	-	-	956,442
-Special drawing rights holdings	145,301	-	-	-	145,301
-World Bank subscriptions	152	-	-	-	152
-Other subscriptions	10	-	-	-	10
<b>Loans advances to customers</b>					
- Loans issued under Price Stabilization Program	836,153	-	-	-	836,153
-Secured loans	12,706	-	-	-	12,706
-Other loans	11,499	-	-	-	11,499
<b>Gold and precious metal</b>	-	-	429,440	-	429,440
<b>Investments – Available for Sale</b>					
-Debt instruments available for sale	-	2,954,528	-	-	2,954,528
<b>Reverse repurchase agreements</b>					
-Federal Reserve Bank of New York	2,849,451	-	-	-	2,849,451
-Local banks – Overnight reverse repurchase agreements	234,536	-	-	-	234,536
<b>Government securities</b>	-	-	-	163,027	163,027
<b>Derivative financial asset</b>	-	-	55,732	-	55,732
<b>Other financial assets</b>	690,942	-	-	-	690,942
<b>TOTAL FINANCIAL ASSETS</b>	<b>7,848,433</b>	<b>2,954,528</b>	<b>485,172</b>	<b>163,027</b>	<b>11,451,160</b>

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

**42. AS OF 31 DECEMBER 2018 AND 31 DECEMBER 2017, ALL OF THE BANK'S FINANCIAL LIABILITIES WERE CARRIED AT AMORTIZED COST EXCEPT FOR DERIVATIVES, WHICH BELONG TO THE FAIR VALUE THROUGH PROFIT OR LOSS MEASUREMENT CATEGORY.**

**CAPITAL MANAGEMENT**

The capital of the Bank comprises the residual value of the Bank's assets after deduction of all its liabilities. The Bank's objectives when managing capital are to maintain an appropriate level of capital to ensure economic independence of the Bank and ability to perform its functions. The Bank considers total capital under management to be equity shown in the statement of financial position as disclosed in these financial statements.

No external capital requirements exist for the Bank as the central bank. The Law on Central Bank (Bank of Mongolia) defines the minimum amount of statutory capital (charter fund) and minimum portion of annual net income, which needs to be allocated to the Bank's equity.

The Bank submitted its proposal to the Parliament on 25 September 2017 in order to increase its capital, and the Parliament Resolution No.70 dated 16 November 2017 directed the Bank to increase its capital. As disclosed in Note 26, statutory capital of the Bank has been increased by MNT 55,000 million by isolating the reversal of provision from the accumulated deficit according to the Governor Resolution No.10 dated 10 January 2018.

The implementation status of the Parliament Resolution No.70 was submitted to the ESC of Parliament on 2 August 2018 and 24 December 2018. The ESC confirmed the implementation of the transaction through the letter No. 11/2200 dated 4 March 2019 and directed the Bank to further increase its charter capital.

Therefore, management believes that the Parliament Resolution No.70 dated 16 November 2017 permits the Bank to increase its charter capital based on the Bank's proposal dated on 25 September 2017. Management is of the opinion that the transaction is fully in compliant with applicable law and regulations. The statutory capital as at 31 December 2018 is MNT 60,000 million (31 December 2017: MNT 5,000 million), which is above the minimum amount MNT 5,000 million defined by the Law. The Law also states that at least 40% of the Bank's net income has to be allocated to the Bank's equity, while the remaining amount (i.e. maximum 60% of net income) can be transferred to the State Budget account. No transfers were made to the State Budget during 2017 and 2018.

The Bank has earned profit of MNT 8,407 million in 2018 (2017: profit of MNT 178,677 million) and has negative equity position of MNT 1,875,995 million as at 31 December 2018 (2017: 2,821,280 million). Article 38 of the Law stipulates that if a deficit of the Central Bank arises, the Parliament shall make a decision whether the Government has to issue securities in order to cover the difference in the amount of the net deficit. Thus, the Government has no obligation to fund a net deficit of the Bank. However, issuance of government bonds for covering a deficit is a possibility, which could be used by the Parliament, if covering a deficit is necessary to enable the Bank to perform its functions and continue its operations.

According to the Article 37 of the Law, the revaluation fund of the Bank should include the following:

- differences resulting from the foreign currency revaluation of assets and liabilities that are held in gold and in foreign currency due to fluctuations of foreign exchange rate of Mongolian Tugriks;
- differences resulting from the revaluation of fixed assets (i.e. buildings).
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## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

**42. AS OF 31 DECEMBER 2018 AND 31 DECEMBER 2017, ALL OF THE BANK'S FINANCIAL LIABILITIES WERE CARRIED AT AMORTIZED COST EXCEPT FOR DERIVATIVES, WHICH BELONG TO THE FAIR VALUE THROUGH PROFIT OR LOSS MEASUREMENT CATEGORY. CAPITAL MANAGEMENT (CONTINUED)**

According to the Article 37 of the Law, the differences resulting from the revaluation of foreign currency denominated assets and liabilities and gold should not be included in the determination of net distributable income of the Bank.

As a result, the Bank has established a foreign currency revaluation fund, revaluation reserve for precious metals, revaluation reserve for premises and equipment, and revaluation reserve for investments in debt securities, refer to Notes 4, 26 and 37.

**43. EVENTS AFTER THE END OF THE REPORTING PERIOD**

Management is not aware of any other events that occurred after the end of reporting period until 31 March 2019, which would have impact on these financial statements.

**44. ACCOUNTING POLICIES APPLICABLE BEFORE 1 JANUARY 2018**

***Impairment of financial assets carried at amortized cost.*** Impairment losses are recognized in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The objective evidence of impairment of financial assets is information on the following loss events:

- the borrower experiences significant financial difficulties;
- breach of contract by the borrower;
- possibility of bankruptcy or other financial reorganization of the borrower;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider (such as a change in interest rate or extension of payment terms);
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets.

Due to relatively small number of debtors (customers and other debtors), the Bank performs individual assessment on all financial assets i.e. the BOM assesses whether objective evidence of impairment exists individually for all financial assets carried at amortized cost. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss as 'Provision for impairment losses'. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest income' in the profit or loss.

## THE BANK OF MONGOLIA

## NOTES TO THE FINANCIAL STATEMENTS-31 DECEMBER 2018

**44. ACCOUNTING POLICIES APPLICABLE BEFORE 1 JANUARY 2018 (CONTINUED)**

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

***Financial investments available for sale.*** Financial investments available for sale include debt securities and equity investments (investments into share capital of entities which are not associates or subsidiaries), which the BOM intends to hold for an indefinite period of time. Debt securities are initially recorded at fair value plus transaction costs and are subsequently measured at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognized in profit or loss for the year. All other elements of changes in the fair value are recognized in other comprehensive income until the investment is derecognized or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss for the year.

Equity investments are initially recorded at cost and are subsequently measured at cost less provision for impairment, as their fair value cannot be reliably determined, refer to Note 10. Impairment losses are recognized in profit or loss for the year when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognized in profit or loss – is reclassified from other comprehensive income to profit or loss for the year.

**45. MONGOLIAN TRANSLATION**

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

## APPENDIX: STATISTICS

## МӨНГӨНИЙ НИЙЛҮҮЛЭЛТ

## Money supply

сая төгрөг

End-of-period	Currency issued in circulation		Of which			Money (M1)		Of which
	amount	monthly changes %	Bank's vault	Currency outside Dep.corp		amount	monthly changes %	Current account in DC
				amount	monthly changes %			
2000 12	107,394.4	7.8	6,461.0	100,933.4	7.3	130,775.0	8.9	29,841.6
2001 12	119,205.8	5.7	10,045.1	109,160.7	8.2	156,155.3	6.9	46,994.6
2002 12	134,642.8	0.5	13,859.2	120,783.6	1.2	187,727.8	6.9	66,944.1
2003 12	152,826.6	1.1	21,329.9	131,496.7	-2.1	212,833.4	4.4	81,336.7
2004 12	168,521.1	1.7	25,008.4	143,512.7	3.9	221,327.6	0.0	77,814.9
2005 12	191,688.3	3.1	39,318.8	152,369.5	-0.4	269,124.4	6.3	116,754.9
2006 12	245,098.9	5.1	59,972.2	185,126.7	2.6	331,903.4	2.1	146,776.7
2007 12	364,074.4	12.5	80,749.1	283,325.3	8.2	590,471.6	13.6	307,146.3
2008 12	407,210.5	23.0	78,486.5	328,724.0	25.0	647,335.3	18.1	318,611.3
2009 12	371,831.9	2.2	86,838.0	284,993.9	2.3	651,247.0	8.4	366,253.2
2010 12	519,692.4	9.9	131,489.8	388,202.7	10.7	1,157,617.9	16.3	769,415.2
2011 12	713,351.1	5.1	195,857.0	517,494.2	6.1	1,741,075.7	12.1	1,223,581.5
2012 01	656,998.9	-7.9	197,571.7	459,427.3	-11.2	1,565,796.9	-10.1	1,106,369.6
02	673,778.6	2.6	215,380.7	458,397.9	-0.2	1,500,327.8	-4.2	1,041,929.9
03	648,454.6	-3.8	200,372.5	448,082.1	-2.3	1,488,163.7	-0.8	1,040,081.6
04	708,876.4	9.3	210,050.7	498,825.7	11.3	1,595,806.6	7.2	1,096,980.9
05	782,922.5	10.4	187,269.2	595,653.3	19.4	1,741,358.4	9.1	1,145,705.1
06	891,527.8	13.9	228,596.4	662,931.5	11.3	1,797,175.2	3.2	1,134,243.8
07	801,409.3	-10.1	209,693.3	591,716.0	-10.7	1,660,362.3	-7.6	1,068,646.3
08	814,882.5	1.7	223,623.9	591,258.7	-0.1	1,681,086.8	1.2	1,089,828.2
09	745,629.7	-8.5	193,840.6	551,789.1	-6.7	1,658,017.5	-1.4	1,106,228.4
10	717,559.2	-3.8	216,271.6	501,287.6	-9.2	1,578,738.0	-4.8	1,077,450.3
11	722,110.5	0.6	220,890.6	501,220.0	0.0	1,557,134.1	-1.4	1,055,914.1
12	828,450.3	14.7	225,085.0	603,365.3	20.4	1,834,894.1	17.8	1,231,528.8
2013 01	742,095.5	-10.4	226,997.2	515,098.3	-14.6	1,579,396.5	-13.9	1,064,298.2
02	675,601.5	-9.0	209,119.2	466,482.3	-9.4	1,480,366.9	-6.3	1,013,884.6
03	687,718.8	1.8	205,061.0	482,657.7	3.5	1,589,180.2	7.4	1,106,522.4
04	759,822.5	10.5	228,295.1	531,527.4	10.1	1,668,296.9	5.0	1,136,769.5
05	830,979.7	9.4	233,190.4	597,789.3	12.5	1,779,178.3	6.6	1,181,389.0
06	835,813.3	0.6	235,778.9	600,034.4	0.4	2,026,501.7	13.9	1,426,467.3
07	832,173.6	-0.4	245,126.3	587,047.3	-2.2	1,927,518.2	-4.9	1,340,470.8
08	867,821.9	4.3	237,157.0	630,664.9	7.4	1,950,472.6	1.2	1,319,807.8
09	874,965.7	0.8	277,479.2	597,486.4	-5.3	2,016,712.3	3.4	1,419,225.9
10	824,792.1	-5.7	245,402.2	579,389.9	-3.0	1,938,258.2	-3.9	1,358,868.3
11	803,911.5	-2.5	246,227.8	557,683.7	-3.7	1,826,929.8	-5.7	1,269,246.1
12	841,129.3	4.6	259,095.2	582,034.1	4.4	2,093,197.7	14.6	1,511,163.6
2014 01	894,289.7	6.3	274,993.8	619,295.9	6.4	1,963,134.7	-6.2	1,343,838.8
02	756,630.8	-15.4	242,061.1	514,569.7	-16.9	1,755,175.7	-10.6	1,240,606.0
03	801,171.5	5.9	251,357.2	549,814.3	6.8	1,737,315.8	-1.0	1,187,501.5
04	841,608.9	5.0	250,233.8	591,375.0	7.6	1,845,703.9	6.2	1,254,328.9
05	863,001.8	2.5	266,794.7	596,207.0	0.8	1,826,340.0	-1.0	1,230,132.9
06	860,041.0	-0.3	288,893.4	571,147.6	-4.2	1,862,126.7	2.0	1,290,979.1
07	859,579.7	-0.1	404,419.5	455,160.2	-20.3	1,698,459.4	-8.8	1,243,299.2

08	880,080.1	2.4	264,114.0	615,966.1	35.3	1,874,699.0	10.4	1,258,732.9
09	827,298.6	-6.0	291,120.9	536,177.7	-13.0	1,836,379.6	-2.0	1,300,201.8
10	809,649.4	-2.1	321,457.1	488,192.3	-8.9	1,751,772.8	-4.6	1,263,580.5
11	768,989.6	-5.0	345,367.0	423,622.6	-13.2	1,689,756.9	-3.5	1,266,134.3
12	809,657.1	5.3	310,399.4	499,257.7	17.9	1,816,717.7	7.5	1,317,460.1
2015 01	732,356.3	-9.5	263,637.5	468,718.8	-6.1	1,578,978.0	-13.1	1,110,259.2
02	775,894.6	5.9	324,988.7	450,905.9	-3.8	1,586,787.6	0.5	1,135,881.7
03	702,826.6	-9.4	312,276.4	390,550.2	-13.4	1,446,134.1	-8.9	1,055,584.0
04	734,889.1	4.6	342,572.3	392,316.7	0.5	1,481,051.6	2.4	1,088,734.9
05	793,731.9	8.0	275,268.8	518,463.1	32.2	1,689,712.2	14.1	1,171,249.1
06	755,796.8	-4.8	325,285.7	430,511.1	-17.0	1,664,231.3	-1.5	1,233,720.2
07	758,991.0	0.4	305,243.1	453,747.9	5.4	1,654,284.8	-0.6	1,200,536.9
08	774,421.6	2.0	325,636.8	448,784.8	-1.1	1,681,947.5	1.7	1,233,162.7
09	767,877.2	-0.8	360,500.6	407,376.6	-9.2	1,613,674.4	-4.1	1,206,297.8
10	739,719.7	-3.7	271,508.0	468,211.7	14.9	1,630,800.8	1.1	1,162,589.1
11	710,547.7	-3.9	277,664.2	432,883.5	-7.5	1,562,785.8	-4.2	1,129,902.3
12	706,656.4	-0.5	247,989.1	458,667.3	6.0	1,685,442.8	7.8	1,226,775.5
2016 01	713,755.4	1.0	226,981.4	486,773.9	6.1	1,608,105.5	-4.6	1,121,331.5
02	655,521.1	-8.2	241,865.8	413,655.3	-15.0	1,522,934.0	-5.3	1,109,278.7
03	658,588.9	0.5	231,802.8	426,786.1	3.2	1,583,736.7	4.0	1,156,950.6
04	745,071.6	13.1	237,446.4	507,625.1	18.9	1,683,512.1	6.3	1,175,887.0
05	788,318.7	5.8	267,225.9	521,092.8	2.7	1,743,872.3	3.6	1,222,779.5
06	839,237.9	6.5	277,424.2	561,813.6	7.8	1,982,205.0	13.7	1,420,391.3
07	818,169.3	-2.5	252,245.1	565,924.1	0.7	1,941,597.7	-2.0	1,375,673.6
08	817,231.3	-0.1	228,526.1	588,705.3	4.0	1,987,871.0	2.4	1,399,165.7
09	795,795.9	-2.6	230,092.0	565,703.9	-3.9	2,020,542.0	1.6	1,454,838.1
10	806,465.7	1.3	224,771.5	581,694.1	2.8	2,087,630.9	3.3	1,505,936.8
11	768,743.5	-4.7	237,845.7	530,897.8	-8.7	1,928,613.6	-7.6	1,397,715.9
12	823,629.3	7.1	260,753.4	562,875.8	6.0	2,090,124.1	8.4	1,527,248.3
2017 01	736,068.2	-10.6	234,998.5	501,069.7	-11.0	2,013,274.2	-6.3	1,512,204.5
02	944,705.5	28.3	285,617.5	659,088.0	31.5	2,185,647.5	8.6	1,526,559.5
03	788,251.9	-16.6	235,950.1	552,301.8	-16.2	2,124,913.1	-2.8	1,572,611.2
04	834,150.2	5.8	240,499.1	593,651.1	7.5	2,313,340.5	8.9	1,719,689.4
05	875,421.5	4.9	242,869.5	632,552.0	6.6	2,487,796.2	7.5	1,855,244.2
06	914,953.8	4.5	253,768.9	661,184.8	4.5	2,719,731.7	9.3	2,058,546.9
07	887,573.6	-3.0	265,157.5	622,416.0	-5.9	2,584,182.1	-5.0	1,961,766.0
08	899,591.9	1.4	264,261.6	635,330.4	2.1	2,759,045.1	6.8	2,123,714.7
09	878,878.8	-2.3	262,157.5	616,721.2	-2.9	2,800,400.6	1.5	2,183,679.3
10	832,113.4	-5.3	266,180.8	565,932.6	-8.2	2,626,535.8	-6.2	2,060,603.2
11	824,704.4	-0.9	265,799.6	558,904.8	-1.2	2,639,510.8	0.5	2,080,606.1
12	906,396.1	9.9	294,667.9	611,728.2	9.5	2,825,996.8	7.1	2,214,268.6
2018 01	801,899.0	-11.5	250,826.5	551,072.5	-9.9	2,632,705.9	-6.8	2,081,633.4
02	850,408.7	6.0	275,235.1	575,173.6	4.4	2,733,559.1	3.8	2,158,385.5
03	840,444.9	-1.2	265,170.0	575,274.9	0.0	2,776,679.4	1.6	2,201,404.5
04	937,592.1	11.6	291,874.7	645,717.4	12.2	2,870,980.7	3.4	2,225,263.4
05	935,864.1	-0.2	269,416.0	666,448.1	3.2	3,201,484.7	11.5	2,535,036.6
06	931,148.7	-0.5	288,946.7	642,202.1	-3.6	3,352,854.4	4.7	2,710,652.3
07	917,122.0	-1.5	284,767.5	632,354.5	-1.5	3,090,154.7	-7.8	2,457,800.2
08	927,478.8	1.1	283,728.2	643,750.6	1.8	3,222,364.6	4.3	2,578,614.0
09	929,050.7	0.2	277,116.4	651,934.3	1.3	3,423,121.5	6.2	2,771,187.2
10	887,763.0	-4.4	278,457.4	609,305.6	-6.5	3,444,218.3	0.6	2,834,912.7
11	895,070.5	0.8	280,038.7	615,031.8	0.9	3,447,022.3	0.1	2,831,990.5
12	968,618.3	8.2	298,128.4	670,489.9	9.0	4,030,953.6	16.9	3,360,463.8



**МӨНГӨНИЙ НИЙЛҮҮЛЭЛТ**  
**Money supply**  
 үргэлжлэл

End-of-period	Other deposits		Of which					Money (M2)	
	amount	monthly changes %	Time deposit in DC	Of which		Time deposits in FC	Current account in FC	amount	monthly changes %
				Individuals	Corporations				
2000 12	128,067.7	2.1	59,004.3	54,125.9	4,878.4	33,681.9	35,381.5	258,842.6	5.4
2001 12	174,908.9	3.0	87,590.4	79,321.6	8,268.7	47,017.1	40,301.5	331,064.3	4.8
2002 12	282,570.9	3.8	147,384.8	137,355.8	10,029.0	71,147.8	64,038.2	470,298.7	5.0
2003 12	490,499.0	15.8	240,280.1	228,133.5	12,146.6	123,253.9	126,965.0	703,332.4	12.1
2004 12	625,704.9	-0.2	300,976.4	287,894.4	13,082.0	216,434.0	108,294.5	847,032.4	0.9
2005 12	871,014.4	1.6	426,033.6	399,980.0	26053.6*	245,675.0	199,305.8	1140138.8*	2.7
2006 12	1,204,590.0	-4.5	692,483.4	647,774.2	44,709.3	302,921.7	209,184.9	1,536,493.3	-3.1
2007 12	1,810,778.1	5.6	1,113,729.7	1,014,880.8	98,848.9	375,987.2	321,061.2	2,401,249.7	7.4
2008 12	1,620,080.0	-4.2	898,692.5	829,539.3	69,153.1	437,613.3	283,774.2	2,267,415.3	1.3
2009 12	2,228,182.7	5.4	1,234,289.7	1,125,607.8	108,681.9	621,529.5	372,363.5	2,879,429.7	6.1
2010 12	3,522,286.8	19.7	2,001,596.0	1,835,395.4	166,200.6	754,543.5	766,147.4	4,679,904.7	18.8
2011 12	4,670,687.0	2.4	2,912,432.3	2,586,648.3	325,784.0	977,405.8	780,849.0	6,411,762.7	4.9
2012 01	4,580,809.8	-1.9	2,859,121.7	2,614,113.3	245,008.4	1,025,980.4	695,707.7	6,146,606.7	-4.1
02	4,736,401.3	3.4	2,995,538.2	2,743,399.3	252,138.9	998,859.3	742,003.8	6,236,729.1	1.5
03	4,614,971.9	-2.6	2,980,677.6	2,729,166.8	251,510.8	763,974.0	870,320.3	6,103,135.6	-2.1
04	4,765,445.3	3.3	2,981,427.4	2,738,791.9	242,635.5	997,946.3	786,071.6	6,361,251.9	4.2
05	4,986,547.8	4.6	3,023,963.7	2,777,954.3	246,009.3	1,199,232.3	763,351.8	6,727,906.2	5.8
06	5,252,286.5	5.3	3,079,703.5	2,854,980.7	224,722.8	1,286,164.6	886,418.4	7,049,461.7	4.8
07	5,291,403.2	0.7	3,130,714.7	2,905,370.2	225,344.4	1,285,287.0	875,401.5	6,951,765.5	-1.4
08	5,315,104.1	0.4	3,080,989.8	2,854,439.4	226,550.4	1,333,607.1	900,507.2	6,996,191.0	0.6
09	5,452,878.2	2.6	3,082,241.2	2,844,306.5	237,934.7	1,494,990.5	875,646.5	7,110,895.7	1.6
10	5,552,618.1	1.8	3,174,975.0	2,870,656.2	304,318.8	1,486,091.6	891,551.6	7,131,356.1	0.3
11	5,474,801.0	-1.4	3,164,655.0	2,905,593.8	259,061.1	1,431,118.4	879,027.6	7,031,935.1	-1.4
12	5,777,521.7	5.5	3,484,941.2	3,106,163.2	378,777.9	1,433,471.9	859,108.6	7,612,415.7	8.3
2013 01	5,759,992.7	-0.3	3,604,073.1	3,174,610.6	429,462.5	1,331,006.5	824,913.1	7,339,389.2	-3.6
02	5,756,291.3	-0.1	3,696,366.8	3,267,200.1	429,166.7	1,255,980.6	803,944.0	7,236,658.2	-1.4
03	5,710,098.8	-0.8	3,698,789.8	3,299,691.9	399,097.9	1,186,294.1	825,015.0	7,299,279.0	0.9
04	5,514,325.7	-3.4	3,669,698.3	3,280,166.1	389,532.2	1,027,928.7	816,698.8	7,182,622.6	-1.6
05	6,128,046.9	11.1	3,963,729.8	3,306,504.8	657,225.1	1,173,612.5	990,704.6	7,907,225.2	10.1
06	5,975,620.4	-2.5	3,940,370.0	3,348,515.6	591,854.4	1,099,028.4	936,222.0	8,002,122.1	1.2
07	6,159,422.6	3.1	4,013,822.0	3,332,466.6	681,355.4	1,225,873.0	919,727.6	8,086,940.7	1.1
08	6,457,794.2	4.8	3,970,477.2	3,266,783.8	703,693.4	1,396,168.7	1,091,148.3	8,408,266.8	4.0
09	6,463,551.5	0.1	4,084,489.6	3,406,572.0	677,917.6	1,237,477.9	1,141,583.9	8,480,263.9	0.9
10	6,775,951.3	4.8	4,362,390.8	3,385,688.5	976,702.4	1,317,325.9	1,096,234.6	8,714,209.5	2.8
11	7,272,787.6	7.3	4,630,963.4	3,396,388.5	1,234,574.9	1,408,759.8	1,233,064.4	9,099,717.5	4.4
12	7,360,109.4	1.2	4,911,278.7	3,662,325.8	1,248,952.9	1,474,581.8	974,248.9	9,453,307.1	3.9
2014 01	8,056,759.0	9.5	4,964,258.6	3,745,381.8	1,218,876.8	1,905,498.7	1,187,001.8	10,019,893.7	6.0
02	8,090,573.3	0.4	4,918,273.1	3,728,463.9	1,189,809.1	2,022,173.9	1,150,126.3	9,845,749.0	-1.7
03	8,210,103.0	1.5	5,184,155.7	3,695,190.7	1,488,965.0	1,996,469.9	1,029,477.5	9,947,418.8	1.0
04	8,355,513.8	1.8	5,739,985.2	3,672,166.4	2,067,818.9	1,450,674.9	1,164,853.6	10,201,217.7	2.6
05	8,412,067.1	0.7	5,733,096.5	3,653,723.5	2,079,373.0	1,402,575.2	1,276,395.3	10,238,407.0	0.4
06	8,242,769.8	-2.0	5,692,454.7	3,678,622.4	2,013,832.4	1,445,212.6	1,105,102.5	10,104,896.5	-1.3
07	8,377,572.1	1.6	5,553,818.6	3,609,504.3	1,944,314.3	1,560,038.8	1,263,714.6	10,076,031.5	-0.3
08	8,259,169.0	-1.4	5,447,043.9	3,571,024.9	1,876,019.0	1,515,304.4	1,296,820.7	10,133,868.0	0.6
09	8,235,792.9	-0.3	5,218,098.5	3,584,404.8	1,633,693.7	1,753,953.4	1,263,741.0	10,072,172.5	-0.6
10	8,220,342.6	-0.2	5,062,532.4	3,598,710.7	1,463,821.7	1,690,631.4	1,467,178.8	9,972,115.4	-1.0
11	8,237,228.6	0.2	4,977,122.9	3,597,390.1	1,379,732.8	1,874,607.5	1,385,498.2	9,926,985.5	-0.5
12	8,817,943.6	7.0	5,410,251.4	3,838,372.7	1,571,878.7	1,968,637.1	1,439,055.1	10,634,661.4	7.1
2015 01	8,734,409.1	-0.9	5,364,513.1	3,796,974.4	1,567,538.7	2,194,617.9	1,175,278.1	10,313,387.0	-3.0
02	8,642,445.0	-1.1	5,366,428.4	3,892,945.9	1,473,482.5	2,147,622.0	1,128,394.5	10,229,232.5	-0.8
03	8,456,333.8	-2.2	5,187,657.0	3,824,035.7	1,363,621.4	2,181,356.2	1,087,320.5	9,902,467.9	-3.2
04	8,222,719.7	-2.8	5,115,109.3	3,833,327.0	1,281,782.2	2,087,061.1	1,020,549.3	9,703,771.3	-2.0
05	8,154,925.8	-0.8	5,203,300.4	3,971,463.6	1,231,836.8	1,917,084.0	1,034,541.4	9,844,638.1	1.5
06	8,375,838.3	2.7	5,293,155.9	4,074,843.1	1,218,312.9	2,017,547.1	1,065,135.2	10,040,069.6	2.0
07	8,206,490.4	-2.0	5,153,231.8	4,144,260.9	1,008,970.9	2,040,238.2	1,013,020.3	9,860,775.1	-1.8

08	8,281,249.1	0.9	5,074,876.4	4,111,303.8	963,572.7	2,141,597.4	1,064,775.2	9,963,196.5	1.0
09	8,319,632.4	0.5	5,182,903.9	4,186,780.0	996,123.8	2,094,207.4	1,042,521.2	9,933,306.9	-0.3
10	8,268,277.2	-0.6	5,214,577.7	4,179,779.2	1,034,798.6	2,061,043.8	992,655.7	9,899,078.0	-0.3
11	8,245,320.1	-0.3	5,195,724.2	4,196,754.6	998,969.7	2,037,315.5	1,012,280.4	9,808,105.8	-0.9
12	8,363,578.9	1.4	5,434,005.9	4,389,665.2	1,044,340.7	1,947,827.9	981,745.1	10,049,021.8	2.5
2016 01	8,241,458.1	-1.5	5,312,470.8	4,331,999.2	980,471.6	1,983,558.4	945,428.8	9,849,563.5	-2.0
02	8,488,099.0	3.0	5,368,657.2	4,392,630.9	976,026.3	2,064,797.8	1,054,644.0	10,011,033.0	1.6
03	8,528,699.5	0.5	5,467,338.4	4,497,275.7	970,062.6	2,103,615.7	957,745.4	10,112,436.2	1.0
04	8,833,881.1	3.6	5,460,892.0	4,566,787.3	894,104.7	2,167,239.2	1,205,749.9	10,517,393.2	4.0
05	8,913,924.2	0.9	5,574,570.4	4,693,875.7	880,694.7	2,194,895.9	1,144,457.9	10,657,796.5	1.3
06	9,204,169.0	3.3	5,630,987.3	4,766,903.1	864,084.2	2,279,604.9	1,293,576.8	11,186,374.0	5.0
07	9,367,247.1	1.8	5,733,083.0	4,915,882.9	817,200.2	2,472,731.4	1,161,432.7	11,308,844.8	1.1
08	9,390,823.9	0.3	5,573,865.2	4,916,341.5	657,523.6	2,538,282.1	1,278,676.7	11,378,694.9	0.6
09	9,535,322.2	1.5	5,668,086.6	4,986,640.4	681,446.2	2,439,839.1	1,427,396.4	11,555,864.1	1.6
10	9,523,311.0	-0.1	5,714,530.8	5,043,411.3	671,119.5	2,566,744.6	1,242,035.7	11,610,941.9	0.5
11	9,796,358.2	2.9	5,594,721.8	4,969,890.3	624,831.5	2,671,720.7	1,529,915.7	11,724,971.8	1.0
12	10,010,810.5	2.2	5,789,899.4	5,216,115.1	573,784.3	2,789,708.5	1,431,202.6	12,158,529.9	3.7
2017 01	9,960,422.3	-0.5	5,917,905.3	5,378,904.4	539,000.9	2,554,184.1	1,488,333.0	11,973,696.5	-1.5
02	10,139,093.6	1.8	6,293,995.6	5,609,983.3	684,012.2	2,414,995.5	1,430,102.4	12,324,741.1	2.9
03	10,134,430.0	0.0	6,464,252.0	5,677,402.1	786,849.9	2,347,353.8	1,322,824.3	12,259,343.1	-0.5
04	10,154,488.4	0.2	6,557,065.9	5,811,652.9	745,413.0	2,300,941.7	1,296,480.8	12,467,828.9	1.7
05	10,501,971.4	3.4	6,843,684.5	5,996,768.9	846,915.6	2,253,823.7	1,404,463.3	12,989,767.7	4.2
06	10,763,504.3	2.5	7,132,475.5	6,052,396.1	1,080,079.4	2,323,636.9	1,307,391.9	13,483,236.0	3.8
07	11,415,447.5	6.1	7,240,542.0	6,129,474.2	1,111,067.8	2,532,617.8	1,642,287.8	13,999,629.6	3.8
08	11,767,250.6	3.1	7,471,556.5	6,338,458.3	1,133,098.2	2,414,863.0	1,880,831.2	14,526,295.7	3.8
09	11,949,311.8	1.5	7,427,740.6	6,383,404.1	1,044,336.5	2,601,558.9	1,920,012.3	14,749,712.3	1.5
10	11,894,136.6	-0.5	7,682,901.5	6,571,996.0	1,110,905.5	2,488,976.2	1,722,258.9	14,520,672.4	-1.6
11	12,182,336.2	2.4	7,904,498.5	6,651,288.5	1,253,210.0	2,524,161.8	1,753,675.9	14,821,847.0	2.1
12	13,035,201.8	7.0	8,621,980.2	7,055,593.1	1,566,387.1	2,531,883.6	1,881,337.9	15,861,198.5	7.0
2018 01	13,130,283.9	0.7	8,651,954.3	7,162,320.1	1,489,634.2	2,403,997.2	2,074,332.5	15,762,989.9	-0.6
02	13,178,859.5	0.4	8,739,415.3	7,470,341.5	1,269,073.9	2,518,510.0	1,920,934.2	15,912,418.6	0.9
03	13,297,256.3	0.9	8,859,448.8	7,550,444.9	1,309,003.9	2,513,162.4	1,924,645.1	16,073,935.7	1.0
04	13,369,167.0	0.5	8,954,486.9	7,692,157.7	1,262,329.2	2,476,935.3	1,937,744.8	16,240,147.7	1.0
05	13,843,834.6	3.6	9,160,971.0	7,920,029.7	1,240,941.3	2,393,966.6	2,288,897.0	17,045,319.3	5.0
06	13,990,020.1	1.1	9,257,893.9	8,022,863.2	1,235,030.7	2,498,786.9	2,233,339.3	17,342,874.5	1.7
07	14,121,560.8	0.9	9,363,220.0	8,093,940.6	1,269,279.4	2,654,779.5	2,103,561.4	17,211,715.5	-0.8
08	14,218,591.7	0.7	9,417,751.2	8,124,405.7	1,293,345.6	2,640,944.7	2,159,895.7	17,440,956.3	1.3
09	14,497,098.0	2.0	9,512,804.3	8,225,818.5	1,286,985.8	2,709,889.1	2,274,404.6	17,920,219.4	2.7
10	14,888,319.3	2.7	9,442,947.4	8,379,279.5	1,063,667.9	2,731,929.7	2,713,442.2	18,332,537.6	2.3
11	15,204,340.3	2.1	9,641,935.6	8,495,987.0	1,145,948.7	2,919,003.1	2,643,401.6	18,651,362.7	1.7
12	15,443,743.9	1.6	10,156,247.9	8,969,096.2	1,187,151.7	3,019,511.4	2,267,984.7	19,474,697.6	4.4

## ТӨВБАНК, ХАДГАЛАМЖИЙН БАЙГУУЛЛАГУУДЫН ТОЙМ

## Depository Corporations Survey

сая төгрөг

End-of-period	Net foreign assets	Domestic claims (net)	Of which:		
			General Government	Of which: Central Government	Local Government
2000 12	201,696.9	84,831.1	17,171.2		
2001 12	220,165.7	129,259.5	-6,829.1		
2002 12	308,507.4	200,027.4	-32,439.3		
2003 12	256,341.5	514,615.2	96,687.3		
2004 12	311,005.2	647,305.1	40,506.5	45,022.0	-4,515.6
2005 12	570,198.7	769,004.6	-90,847.2	-105,095.1	-3,024.9
2007 12	1,352,046.2	1,311,912.8	-744,148.0	-737,226.1	-6,921.9
2008 12	672,658.8	2,040,226.4	-595,325.1	-588,221.1	-7,104.0
2009 12	1,514,475.2	1,913,917.4	-741,083.0	-733,433.9	-7,649.1
2010 12	2,722,918.5	2,409,968.9	-855,705.0	-849,825.2	-5,879.7
2011 12	3,046,914.4	4,252,580.2	-1,390,777.2	-1,383,487.8	-7,289.3
2012 01	2,862,068.4	4,169,631.0	-1,480,120.9	-1,458,507.2	-21,613.7
02	2,832,454.9	4,246,307.4	-1,461,700.8	-1,428,868.6	-32,832.1
03	3,334,269.0	4,385,666.4	-1,397,613.5	-1,359,076.4	-38,537.1
04	3,417,425.9	4,532,353.4	-1,405,403.2	-1,367,160.9	-38,242.3
05	3,486,840.6	4,791,563.7	-1,331,440.3	-1,290,160.1	-41,280.2
06	3,415,680.1	5,270,634.5	-1,049,354.7	-1,029,149.0	-20,205.7
07	3,184,559.8	5,359,304.9	-1,071,018.6	-1,038,431.6	-32,587.0
08	3,070,307.9	5,609,800.9	-1,067,098.2	-1,040,415.1	-26,683.1
09	2,831,868.4	5,844,631.9	-1,024,532.1	-1,006,299.5	-18,232.6
10	2,538,313.4	5,830,187.4	-1,027,056.7	-1,007,439.1	-19,617.6
11	2,347,715.0	5,955,189.9	-914,275.9	-894,492.1	-19,783.8
12	4,351,527.3	3,932,051.6	-3,060,178.7	-3,044,835.5	-15,343.2
2013 01	4,091,044.6	4,059,627.3	-3,084,062.3	-3,068,267.7	-15,794.5
02	3,974,711.8	4,122,032.5	-3,047,932.9	-3,023,177.6	-24,755.3
03	3,852,637.8	4,354,285.0	-3,030,816.8	-3,008,402.1	-22,414.7
04	3,340,012.9	4,713,219.3	-3,052,313.8	-3,030,877.2	-21,436.6
05	3,098,150.1	5,565,994.7	-2,662,557.3	-2,641,784.6	-20,772.7
06	2,680,990.7	6,056,462.1	-2,553,403.4	-2,534,155.7	-19,247.7
07	2,296,675.6	6,553,959.4	-2,565,339.9	-2,545,235.6	-20,104.3
08	2,153,126.5	7,434,290.4	-2,350,680.5	-2,330,218.7	-20,461.7
09	1,827,195.0	8,086,634.8	-2,293,532.6	-2,275,446.6	-18,086.0
10	1,291,186.1	8,843,965.1	-1,932,678.6	-1,917,338.1	-15,340.5
11	883,354.5	9,718,278.5	-1,320,992.0	-1,305,315.4	-15,676.6
12	766,727.3	10,110,728.3	-976,051.3	-961,924.9	-14,126.4
2014 01	947,765.2	10,437,535.8	-1,004,756.7	-989,393.1	-15,363.7
02	579,823.6	10,897,286.0	-1,052,071.9	-1,018,772.8	-33,299.1
03	241,855.0	11,494,241.5	-671,898.4	-639,627.7	-32,270.7
04	47,886.3	11,939,172.3	-550,510.1	-518,577.8	-31,932.3
05	-428,569.6	12,360,949.2	-429,285.8	-405,911.1	-23,374.7
06	-946,519.8	12,728,753.3	-282,285.4	-258,390.2	-23,895.2
07	-1,327,795.9	12,822,060.0	-322,979.9	-290,901.3	-32,078.7
08	-1,168,645.3	12,962,663.8	-341,489.0	-322,001.9	-19,487.1
09	-1,267,655.0	13,209,403.8	-306,622.0	-285,700.5	-20,921.5
10	-1,745,880.7	13,431,642.4	-450,468.4	-424,659.1	-25,809.3
11	-2,349,713.0	13,815,264.6	-364,668.2	-341,395.2	-23,273.0
12	-2,008,852.7	14,199,825.1	82,515.0	108,478.7	-25,963.7
2015 01	-2,455,805.7	13,743,727.2	33,753.4	59,816.8	-26,063.4
02	-2,795,106.0	13,997,852.5	199,928.6	225,480.5	-25,551.9
03	-3,364,178.0	14,581,921.7	289,413.6	325,612.1	-36,198.4
04	-3,608,431.1	14,651,107.1	352,869.5	388,693.4	-35,824.0
05	-3,465,290.5	14,628,403.5	453,179.4	489,556.4	-36,377.0

06	-3,320,244.8	14,263,326.7	430,591.6	465,451.1	-34,859.5
07	-3,571,657.5	14,637,971.7	536,870.7	566,351.2	-29,480.5
08	-3,543,342.2	14,589,521.0	624,139.6	660,453.2	-36,313.5
09	-3,984,710.1	14,964,927.2	606,047.2	639,618.6	-33,571.4
10	-4,159,283.7	15,095,027.2	776,274.0	807,217.6	-30,943.6
11	-4,179,592.6	14,893,717.9	599,637.7	629,659.3	-30,021.6
12	-4,158,467.8	15,129,219.1	661,162.9	680,965.6	-19,802.7
2016 01	-4,462,041.2	15,214,508.9	710,290.2	727,445.0	-17,154.8
02	-4,565,040.8	15,215,390.5	857,070.8	875,351.0	-18,280.2
03	-4,296,805.1	12,862,112.2	-17,661.3	3,402.6	-21,063.9
04	-2,869,949.1	11,861,954.1	-898,209.0	-875,855.9	-22,353.1
05	-2,685,849.7	11,956,653.8	-733,278.4	-722,122.9	-11,155.5
06	-3,547,676.5	13,472,174.4	-45,859.5	-33,820.1	-12,039.4
07	-3,705,864.6	13,589,542.6	202,508.1	213,536.8	-11,028.7
08	-4,183,338.0	13,726,916.2	81,308.9	84,029.0	-2,720.1
09	-4,399,310.4	14,049,769.5	375,272.6	377,347.2	-2,074.5
10	-4,840,512.6	16,927,526.3	1,229,211.4	1,231,911.1	-2,699.7
11	-4,919,433.7	17,249,343.3	1,420,315.6	1,421,974.2	-1,658.7
12	-4,580,019.8	17,362,594.2	1,850,623.6	1,850,629.1	-5.5
2017 01	-4,794,626.0	17,308,726.3	1,860,793.0	1,860,793.8	-0.8
02	-4,994,257.7	17,762,647.4	2,144,399.0	2,144,399.0	0.0
03	-5,044,935.2	17,811,937.1	2,081,214.4	2,081,214.4	0.0
04	-4,464,701.2	17,589,023.8	1,856,209.5	1,856,209.5	0.0
05	-4,453,764.2	17,665,927.3	1,797,486.3	1,797,486.3	0.0
06	-4,312,366.3	18,199,130.7	1,926,272.2	1,926,272.2	0.0
07	-4,101,088.5	18,229,200.0	1,793,237.7	1,793,237.7	0.0
08	-3,705,048.7	18,140,065.8	1,432,453.6	1,432,453.6	0.0
09	-3,600,140.4	18,344,101.8	1,488,725.8	1,488,725.8	0.0
10	-3,612,980.3	18,210,604.3	1,297,427.2	1,297,427.2	0.0
11	-2,465,504.3	17,541,462.0	292,157.1	292,157.1	0.0
12	-1,252,465.2	16,957,898.7	-365,615.5	-365,615.5	0.0
2018 01	-1,546,517.1	17,098,962.0	-378,162.3	-378,162.3	0.0
02	-1,463,810.2	17,322,517.5	-316,179.2	-316,179.2	0.0
03	-1,469,726.7	17,638,031.3	-260,505.3	-260,505.3	0.0
04	-1,447,662.8	17,831,465.2	-476,410.7	-476,410.7	0.0
05	-787,128.2	17,989,016.4	-819,319.3	-819,319.3	0.0
06	-1,238,755.2	18,644,332.2	-568,938.1	-568,938.1	0.0
07	-1,186,238.8	18,359,114.6	-1,002,325.4	-1,002,325.4	0.0
08	-1,415,661.8	18,582,459.1	-1,168,971.4	-1,168,971.4	0.0
09	-1,437,112.6	19,215,055.5	-1,074,974.2	-1,074,974.2	0.0
10	115,273.6	18,923,245.2	-1,314,127.7	-1,314,127.7	0.0
11	-7,895.6	19,040,796.7	-1,503,570.9	-1,503,570.9	0.0
12	231,432.1	19,581,193.7	-1,328,179.6	-1,328,179.6	0.0

**ТӨВБАНК, ХАДГАЛАМЖИЙН БАЙГУУЛЛАГУУДЫН ТОЙМ**  
**Depository Corporations Survey**  
 үргэлжлэл

End-of-period	Claims on other sectors	Of which:				
		Other financial corporations	Public sector	Private sector	Individuals	Other
2000 12	67,659.9		6,281.5	45,482.9		
2001 12	136,088.6		10,402.0	114,670.4		
2002 12	232,466.6		12,184.9	203,567.2		
2003 12	417,928.0		16,203.6	365,024.4		
2004 12	606,798.6	455.1	13,125.7	365,057.9	210,931.1	17,228.9
2005 12	859,851.8	498.8	34,169.2	489,064.7	321,606.8	14,512.4
2007 12	2,056,060.8	2,828.5	27,331.8	1,166,149.5	838,778.5	20,972.4
2008 12	2,635,551.6	3,412.1	34,794.6	1,570,398.9	1,013,694.2	13,251.7
2009 12	2,655,000.4	4,711.2	20,429.4	1,716,253.8	904,892.3	8,713.7
2010 12	3,265,673.9	14,067.6	17,073.9	1,854,774.6	1,370,128.3	9,629.5
2011 12	5,643,357.3	17,469.1	100,646.0	3,064,543.2	2,454,808.6	5,890.4
2012 01	5,649,751.9	13,745.9	58,975.0	3,095,504.6	2,474,442.8	7,083.7
02	5,708,008.2	15,165.6	58,554.5	3,108,638.6	2,518,447.5	7,201.9
03	5,783,279.9	16,445.1	58,162.4	3,147,441.1	2,554,313.8	6,917.5
04	5,937,756.6	15,218.4	58,984.7	3,246,970.0	2,607,790.6	8,792.8
05	6,123,004.0	16,220.6	63,851.6	3,328,245.3	2,706,203.2	8,483.4
06	6,319,989.1	11,774.3	64,108.9	3,451,365.5	2,784,874.2	7,866.2
07	6,430,323.5	11,883.1	66,356.2	3,541,896.9	2,801,183.9	9,003.3
08	6,676,899.1	10,672.2	71,128.3	3,635,612.4	2,947,241.2	12,244.9
09	6,869,164.0	10,266.3	71,286.3	3,730,255.2	3,046,519.0	10,837.2
10	6,857,244.1	10,249.0	46,185.2	3,723,563.2	3,066,506.6	10,740.1
11	6,869,465.7	9,794.7	48,662.1	3,715,577.6	3,084,618.8	10,812.5
12	6,992,230.3	9,711.6	41,959.8	3,828,069.5	3,100,920.9	11,568.4
2013 01	7,143,689.6	8,142.4	39,665.8	3,884,346.8	3,200,823.4	10,711.2
02	7,169,965.4	9,043.1	14,596.4	3,893,630.0	3,242,165.6	10,530.3
03	7,385,101.8	11,466.9	31,655.3	3,961,354.1	3,370,452.3	10,173.2
04	7,765,533.1	11,087.0	30,540.7	4,215,492.2	3,498,316.0	10,097.2
05	8,228,552.0	10,912.1	44,789.8	4,487,364.7	3,675,348.3	10,137.1
06	8,609,865.5	10,887.0	47,154.6	4,727,167.7	3,813,483.0	11,173.1
07	9,119,299.3	12,288.6	49,332.3	5,021,567.1	4,018,696.0	17,415.3
08	9,784,970.8	13,833.0	51,033.4	5,342,958.7	4,366,917.9	10,227.9
09	10,380,595.5	244,759.8	59,600.5	5,489,504.4	4,569,295.3	17,435.4
10	10,777,071.8	305,273.8	59,399.4	5,652,555.9	4,749,472.6	10,370.1
11	11,039,698.6	236,991.1	78,861.1	5,866,721.7	4,833,514.1	23,610.5
12	11,087,207.7	335,133.3	80,546.4	5,998,812.7	4,665,272.2	7,443.0
2014 01	11,443,034.5	445,596.3	122,899.0	6,008,604.2	4,859,919.7	6,015.2
02	11,954,724.2	820,448.2	74,272.1	6,127,945.5	4,926,324.5	5,733.8
03	12,167,332.5	805,282.4	73,884.3	6,202,327.4	5,080,116.8	5,721.6
04	12,490,110.4	776,560.0	72,619.3	6,388,642.9	5,246,327.1	5,961.1
05	12,790,663.1	738,741.8	73,002.8	6,547,838.4	5,425,329.1	5,751.1
06	13,011,466.7	733,709.6	74,995.9	6,590,853.2	5,604,371.6	7,536.4
07	13,145,468.1	930,897.1	101,306.4	6,610,011.5	5,495,395.1	7,857.9
08	13,304,581.0	980,788.9	116,634.6	6,535,234.5	5,662,985.9	8,937.1
09	13,516,453.9	928,178.4	144,539.8	6,654,878.5	5,779,645.2	9,212.0
10	13,882,538.9	924,313.6	134,796.0	6,916,828.6	5,896,000.2	10,600.4
11	14,185,214.9	1,209,466.3	132,619.9	7,189,420.6	5,643,515.1	10,192.9
12	14,117,738.2	1,287,303.9	128,550.9	6,980,150.6	5,711,496.5	10,236.3
2015 01	13,710,402.0	1,282,695.1	114,879.2	6,939,150.1	5,363,498.9	10,178.7
02	13,798,352.0	1,270,851.2	108,863.5	6,955,216.3	5,453,093.8	10,327.2
03	14,292,936.1	1,669,163.1	97,480.4	6,976,166.5	5,541,940.6	8,185.5
04	14,298,665.8	1,645,728.0	91,993.7	6,941,365.3	5,612,303.8	7,275.0
05	14,175,652.2	1,636,363.1	87,319.5	6,762,170.4	5,684,076.4	5,722.8

06	13,833,163.2	1,522,887.7	95,825.3	6,745,030.2	5,463,777.7	5,642.3
07	14,101,529.1	1,782,026.9	111,498.5	6,724,099.1	5,473,895.0	10,009.6
08	13,966,123.3	1,794,652.5	109,731.3	6,749,581.7	5,301,780.1	10,377.8
09	14,364,246.2	2,090,875.2	176,382.2	6,750,536.0	5,336,183.4	10,269.4
10	14,319,181.3	2,071,432.7	164,341.4	6,750,460.3	5,322,866.8	10,080.2
11	14,294,281.2	2,063,324.7	155,949.7	6,732,904.0	5,332,134.5	9,968.2
12	14,468,257.2	2,437,418.3	223,268.4	6,760,822.0	5,036,971.0	9,777.6
2016 01	14,504,419.7	2,387,138.7	235,728.2	6,732,772.2	5,139,043.1	9,737.5
02	14,358,520.7	2,393,925.3	227,593.5	6,753,669.9	4,973,759.2	9,572.9
03	12,879,974.5	714,404.6	218,528.4	6,814,370.2	5,122,639.4	10,031.9
04	12,760,364.1	612,540.3	188,889.1	6,875,006.8	5,073,072.1	10,855.8
05	12,690,133.3	600,690.7	91,140.8	6,835,512.1	5,152,615.7	10,174.1
06	13,523,088.8	850,255.6	95,291.2	7,281,940.8	5,286,206.4	9,394.8
07	13,387,999.9	637,145.9	87,132.1	7,353,084.0	5,301,276.6	9,361.4
08	13,645,808.2	551,346.4	81,511.0	7,524,210.2	5,478,591.3	10,149.4
09	13,674,697.9	515,773.6	78,599.5	7,498,813.4	5,572,026.5	9,485.0
10	15,698,515.9	2,478,836.3	80,512.3	7,568,127.0	5,565,327.9	5,712.4
11	15,829,228.8	2,454,623.5	77,907.0	7,654,517.1	5,636,512.5	5,668.6
12	15,511,970.6	2,437,013.3	55,662.8	7,324,059.4	5,689,789.5	5,445.5
2017 01	15,447,933.3	2,418,171.6	53,325.3	7,174,634.2	5,795,672.5	6,129.7
02	15,618,248.4	2,377,810.4	56,832.2	7,311,605.6	5,866,081.8	5,918.4
03	15,730,722.8	2,388,972.6	44,396.3	7,345,855.2	5,945,708.1	5,790.6
04	15,732,814.3	2,368,645.5	40,828.0	7,274,882.5	6,043,052.0	5,406.3
05	15,868,441.0	2,506,632.3	91,943.0	7,320,537.5	5,943,151.2	6,177.0
06	16,272,858.5	2,733,881.8	70,445.6	7,334,785.9	6,125,451.6	8,293.5
07	16,435,962.3	2,745,669.5	90,634.4	7,399,951.7	6,191,928.9	7,778.0
08	16,707,612.2	2,783,382.9	44,946.4	7,423,095.4	6,447,743.5	8,444.0
09	16,855,376.0	2,769,433.8	41,753.8	7,416,293.3	6,618,826.6	9,068.4
10	16,913,177.0	2,858,895.3	44,667.4	7,441,114.2	6,559,939.0	8,561.1
11	17,249,304.9	3,078,849.5	43,287.4	7,459,150.2	6,662,809.2	5,208.7
12	17,278,202.3	3,060,758.8	41,040.5	7,454,379.9	6,716,831.9	5,191.2
2018 01	17,477,124.3	3,216,921.4	47,075.7	7,470,390.7	6,737,862.6	4,874.0
02	17,638,696.7	3,208,186.4	47,560.0	7,498,131.5	6,879,345.7	5,473.1
03	17,898,536.6	3,147,420.8	45,274.8	7,613,063.9	7,086,891.5	5,885.6
04	18,307,875.9	3,234,847.3	44,695.7	7,776,653.7	7,246,100.6	5,578.6
05	18,808,335.7	3,215,236.2	45,504.8	8,092,415.6	7,449,831.0	5,348.2
06	19,213,270.3	3,230,546.7	44,317.1	8,340,331.8	7,590,525.2	7,549.5
07	19,361,440.0	3,158,367.2	48,612.4	8,405,125.0	7,740,252.6	9,082.8
08	19,751,430.4	3,199,863.7	52,797.3	8,497,902.5	7,989,861.9	11,005.1
09	20,290,029.6	3,351,232.7	59,140.6	8,639,595.0	8,229,225.2	10,836.2
10	20,237,373.0	3,181,464.4	64,371.0	8,546,718.9	8,432,855.3	11,963.4
11	20,544,367.6	3,230,235.3	62,204.8	8,554,027.6	8,685,608.4	12,291.5
12	20,909,373.3	3,127,834.2	119,606.8	8,594,084.0	9,055,752.0	12,096.2

**ТӨВБАНК, ХАДГАЛАМЖИЙН БАЙГУУЛЛАГУУДЫН ТОЙМ**  
**Depository Corporations Survey**  
 үргэлжлэл

<i>End-of-period</i>	<i>Money</i>	<i>Total deposits &amp; foreign currency current account</i>	<i>IMF Loan Ministry of Finance</i>	<i>Government lending Government lending loans</i>	<i>Other items (net)</i>
2000 12	130,775.0	128,067.7			27,685.4
2001 12	156,155.3	174,908.9			18,360.9
2002 12	187,727.8	282,397.8			38,409.2
2003 12	212,833.4	490,499.0			67,624.3
2004 12	221,327.6	625,704.9			111,277.8
2005 12	269,124.4	871,014.4		0.0	199,064.5
2007 12	590,471.6	1,810,778.1		0.0	262,709.3
2008 12	647,335.3	1,620,080.0		0.0	445,470.0
2009 12	651,247.0	2,228,182.7		0.0	548,962.9
2010 12	1,157,429.0	3,521,254.7		0.0	454,203.7
2011 12	1,740,943.8	4,670,238.5		0.0	888,312.3
2012 01	1,565,667.3	4,580,367.6		0.0	885,664.4
02	1,500,200.6	4,735,972.8		0.0	842,588.9
03	1,488,041.9	4,614,547.2		0.0	1,617,346.2
04	1,595,684.8	4,765,020.5		0.0	1,589,073.9
05	1,741,236.8	4,986,122.9		0.0	1,551,044.5
06	1,797,054.6	5,251,861.0		0.0	1,637,399.1
07	1,660,242.3	5,290,976.6		0.0	1,592,645.8
08	1,680,966.7	5,314,671.8		0.0	1,684,470.3
09	1,657,899.8	5,452,445.0		0.0	1,566,155.6
10	1,578,620.8	5,552,184.5		0.0	1,237,695.5
11	1,557,020.3	5,474,370.6		0.0	1,271,514.0
12	1,834,783.6	5,777,093.4	222,553.6	0.0	449,148.2
2013 01	1,579,287.1	5,759,565.5	207,088.0	0.0	604,731.3
02	1,480,260.1	5,755,863.7	205,208.1	0.0	655,412.4
03	1,589,074.7	5,709,671.0	187,735.4	0.0	720,441.7
04	1,668,191.4	5,513,894.0	178,034.5	0.0	693,112.3
05	1,779,072.5	6,127,613.7	177,966.8	0.0	579,491.8
06	2,026,397.7	5,975,187.9	160,034.4	0.0	575,832.8
07	1,927,089.8	6,159,143.9	153,052.1	0.0	611,349.2
08	1,949,375.0	6,457,356.7	165,082.7	0.0	1,015,602.4
09	2,013,511.2	6,463,108.8	145,018.6	0.0	1,292,619.3
10	1,936,549.9	6,775,494.6	135,628.6	0.0	1,287,906.3
11	1,826,732.3	7,272,483.5	136,952.6	0.0	1,365,892.8
12	2,092,734.9	7,359,816.9	107,751.6	0.0	1,317,580.3
2014 01	1,962,834.4	8,056,458.8	94,740.1	0.0	1,272,009.6
02	1,755,050.3	8,090,573.3	98,774.6	0.0	1,538,077.7
03	1,737,203.9	8,210,103.0	73,890.5	0.0	1,716,091.7
04	1,845,641.3	8,355,513.8	56,998.0	0.0	1,729,333.7
05	1,826,301.3	8,412,067.1	57,268.6	0.0	1,637,170.8
06	1,862,125.7	8,242,769.8	32,409.2	0.0	1,645,356.9
07	1,698,457.2	8,377,572.1	33,007.8	0.0	1,385,655.1
08	1,874,665.5	8,259,169.0	31,725.7	0.0	1,628,886.3
09	1,836,348.3	8,235,792.9	15,777.1	0.0	1,854,258.6
10	1,751,742.1	8,220,342.6	15,935.4	0.0	1,698,169.7
11	1,689,726.2	8,237,228.6	15,952.7	0.0	1,527,926.1
12	1,816,387.1	8,817,943.6	5,234.6	0.0	1,551,835.3
2015 01	1,578,694.5	8,734,409.1	5,249.1	0.0	969,997.0
02	1,586,543.9	8,642,445.0	5,350.8	0.0	968,834.9
03	1,445,928.5	8,456,333.8	0.0	0.0	1,315,909.6
04	1,480,863.4	8,222,719.7	0.0	0.0	1,339,521.0
05	1,689,542.8	8,154,925.8	0.0	0.0	1,319,072.5
06	1,664,079.9	8,375,838.3	0.0	0.0	903,591.8
07	1,654,159.8	8,206,490.4	0.0	0.0	1,206,092.1



08	1,681,847.5	8,281,249.1	0.0	0.0	1,083,824.1
09	1,613,591.6	8,319,632.4	0.0	0.0	1,052,359.3
10	1,630,726.8	8,268,277.2	0.0	0.0	1,037,167.6
11	1,562,732.3	8,245,320.1	0.0	0.0	906,274.0
12	1,685,416.9	8,363,578.9	0.0	0.0	921,956.4
2016 01	1,608,085.9	8,241,458.1	0.0	0.0	903,124.7
02	1,522,926.0	8,488,099.0	0.0	0.0	639,525.7
03	1,583,731.9	8,528,699.5	0.0	0.0	-1,546,923.3
04	1,683,510.6	8,833,881.1	0.0	0.0	-1,525,185.6
05	1,743,872.3	8,913,924.2	0.0	0.0	-1,386,791.4
06	1,982,205.0	9,204,169.0	0.0	0.0	-1,256,821.1
07	1,941,597.7	9,367,247.1	0.0	0.0	-1,424,201.3
08	1,987,871.0	9,390,823.9	0.0	0.0	-1,834,915.8
09	2,020,542.0	9,535,322.2	0.0	0.0	-1,905,204.0
10	2,087,630.9	9,523,311.0	0.0	0.0	476,272.7
11	1,928,613.6	9,796,358.2	0.0	0.0	605,138.8
12	2,147,719.4	10,010,810.5	0.0	0.0	624,044.5
2017 01	2,013,274.2	9,960,422.3	0.0	0.0	540,403.8
02	2,185,647.5	10,139,093.6	0.0	0.0	443,648.6
03	2,124,913.1	10,134,430.0	0.0	0.0	507,658.8
04	2,313,340.5	10,154,488.4	0.0	0.0	656,493.7
05	2,487,796.2	10,501,971.4	92,917.9	0.0	129,477.6
06	2,719,731.7	10,763,504.3	91,127.9	0.0	312,400.5
07	2,584,182.1	11,415,447.5	95,974.1	0.0	32,507.8
08	2,759,045.1	11,767,250.6	96,713.5	0.0	-187,992.1
09	2,800,400.6	11,949,311.8	97,261.7	0.0	-103,012.6
10	2,626,535.8	11,894,136.6	96,267.6	0.0	-19,316.1
11	2,639,510.8	12,182,336.2	96,862.0	0.0	157,248.8
12	2,825,996.8	13,035,201.8	288,630.1	0.0	-444,395.1
2018 01	2,632,705.9	13,130,283.9	294,729.7	0.0	-505,274.7
02	2,733,559.1	13,178,859.5	291,894.2	0.0	-345,605.5
03	2,776,679.4	13,297,256.3	364,621.5	0.0	-270,252.6
04	2,870,980.7	13,369,167.0	363,446.4	0.0	-219,791.7
05	3,201,484.7	13,843,834.6	356,285.6	0.0	-199,716.7
06	3,352,854.4	13,990,020.1	453,395.8	0.0	-390,693.2
07	3,090,154.7	14,121,560.8	452,126.1	0.0	-490,965.9
08	3,222,364.6	14,218,591.7	453,800.7	0.0	-727,959.7
09	3,423,121.5	14,497,098.0	468,879.1	0.0	-611,155.6
10	3,444,218.3	14,888,319.3	465,592.7	0.0	240,388.6
11	3,447,022.3	15,204,340.3	568,168.5	0.0	-186,630.0
12	4,030,953.6	15,443,845.9	576,274.5	0.0	-238,448.3

**ТӨВ БАНКНЫ ТОЙМ**  
**Central Bank Survey**  
 сая төгрөг

End-of-period	Net foreign assets	Foreign Assets	Claims on other depository corporations	Net claims on the general government	Claims on General Government	Claims on other sectors	Of which:		
							Public sector	Private sector	Other financial institutions
2000 12	154,351.8	209,409.6	4,777.0	1,718.8	19,658.8	903.2	903.2	0.0	
2001 12	176,651.1	227,993.2	7,347.6	-3,360.0	13,570.5	1,017.9	867.6	0.0	150.3
2002 12	254,265.6	301,875.6	8,038.0	-33,516.6	0.0	1,016.9	866.6	0.0	150.3
2003 12	150,699.9	237,578.1	12,688.7	72,502.1	164,216.0	556.2	556.2	0.0	
2004 12	198,900.1	252,331.8	22,331.5	52,274.2	105,300.0	0.0			
2005 12	368,537.9	414,620.6	17,743.8	-8,198.1	99,372.9	0.0			
2007 12	1,137,496.4	1,173,166.2	18,549.7	-624,200.4	0.0	0.0			
2008 12	811,901.0	839,502.9	243,076.9	-204,632.3	25,563.5	0.0			
2009 12	1,545,078.4	1,920,619.2	198,448.4	-289,343.7	432,755.2	0.0			
2010 12	2,535,023.5	2,878,003.5	131,316.3	-512,486.6	311,387.4	0.0			
2011 12	3,050,458.4	3,425,417.5	341,506.1	-734,554.6	429,351.8	0.0			
2012 01	2,888,905.3	3,260,041.6	123,249.1	-791,388.7	482,554.4	0.0			0.0
02	2,860,040.9	3,289,603.0	176,856.8	-749,020.7	471,721.5	0.0			0.0
03	3,396,861.3	3,852,140.7	544,486.7	-627,442.1	575,858.3	0.0			0.0
04	3,389,425.6	3,863,026.2	269,817.9	-700,858.8	577,096.2	0.0			0.0
05	3,435,590.5	3,783,422.5	216,370.5	-601,498.0	599,480.7	0.0			0.0
06	3,548,144.7	3,903,416.2	403,609.5	-458,860.7	574,139.2	0.0			0.0
07	3,417,819.6	3,780,978.5	196,885.8	-490,357.0	561,123.5	0.0			0.0
08	3,301,940.4	3,800,750.5	254,375.4	-438,116.3	569,670.6	0.0			0.0
09	3,408,792.6	4,054,262.1	257,528.5	-366,936.9	566,777.0	0.0			0.0
10	3,005,747.2	3,742,348.1	188,822.7	-413,577.4	555,351.5	0.0			0.0
11	3,003,529.8	3,740,877.2	181,954.0	-277,146.2	555,684.1	0.0			0.0
12	5,170,425.4	5,746,562.4	400,642.7	-2,794,072.0	165,614.4	0.0			0.0
2013 01	5,060,610.3	5,684,660.7	707,646.7	-2,927,516.2	165,660.8	0.0			0.0
02	4,996,315.9	5,624,558.9	1,038,194.3	-2,953,048.8	166,798.1	0.0			0.0
03	4,792,238.2	5,357,854.1	1,214,564.9	-2,937,646.0	168,057.3	0.0			0.0
04	4,456,237.2	5,037,440.5	1,261,352.2	-2,968,930.5	169,275.9	0.0			0.0
05	4,187,890.2	4,891,166.2	1,769,917.0	-2,560,606.8	114,086.8	0.0			0.0
06	3,795,926.2	4,491,030.3	2,882,932.9	-2,748,819.2	114,795.0	0.0			0.0

07	3,428,595.4	4,524,858.2	3,048,301.6	-2,839,060.1	0.0	0.0	0.0
08	3,216,470.9	4,403,844.6	3,194,096.6	-2,617,202.4	0.0	0.0	0.0
09	2,928,754.5	4,415,833.5	3,591,701.5	-2,441,624.3	0.0	205,328.1	205,328.1
10	2,543,226.7	4,110,345.3	3,454,824.3	-2,238,235.7	0.0	205,328.1	205,328.1
11	2,161,505.1	4,035,535.8	3,512,321.4	-1,800,842.1	0.0	205,431.4	205,431.4
12	1,947,551.2	3,722,063.7	4,297,025.3	-1,709,229.9	0.0	205,339.8	205,339.8
2014 01	2,357,396.9	4,215,313.9	3,035,121.1	-1,665,387.7	0.0	205,705.2	205,705.2
02	2,011,060.7	3,927,354.3	2,970,799.2	-1,581,554.6	0.0	674,727.9	674,727.9
03	1,584,277.7	3,467,536.9	3,020,498.4	-1,276,056.7	0.0	660,679.5	660,679.5
04	1,382,862.6	3,277,390.7	2,800,865.3	-1,071,487.3	0.0	661,566.2	661,566.2
05	986,779.6	2,901,454.5	2,897,973.6	-1,026,530.1	0.0	663,272.5	663,272.5
06	492,248.9	2,409,845.8	2,913,732.2	-878,523.7	0.0	652,471.8	652,471.8
07	53,413.3	2,342,827.5	2,723,091.0	-925,184.2	0.0	854,549.0	854,549.0
08	178,509.9	2,426,104.6	2,638,437.0	-845,599.9	0.0	856,952.2	856,952.2
09	112,746.7	2,783,851.1	2,744,217.2	-701,170.8	0.0	848,400.2	848,400.2
10	-116,043.5	2,606,695.3	2,751,719.9	-803,370.5	0.0	993,166.1	843,166.1
11	-508,795.5	2,559,381.7	2,117,523.6	-807,773.9	0.0	1,497,957.4	1,143,297.1
12	131,867.8	3,119,755.5	2,607,816.3	-593,820.8	204,828.4	1,491,666.3	1,130,763.5
2015 01	-489,532.4	2,587,647.6	2,159,582.6	-692,018.9	206,262.3	1,494,188.5	367,145.2
02	-729,158.9	2,692,940.3	2,213,001.7	-574,634.6	207,557.3	1,490,931.3	372,783.6
03	-1,171,312.8	2,632,785.8	1,796,532.0	-518,425.5	208,991.2	1,890,545.0	379,026.0
04	-1,608,953.8	2,495,332.0	1,855,113.3	-454,654.5	203,957.8	1,872,247.9	385,067.1
05	-627,867.9	3,038,871.4	1,950,402.9	-451,169.8	235,387.3	1,869,539.3	388,634.2
06	-396,675.9	3,298,088.1	1,907,397.6	-564,344.4	383,902.4	1,704,031.6	383,012.3
07	-497,439.4	3,394,488.4	1,616,695.4	-515,823.5	379,948.8	1,925,371.8	352,144.5
08	-653,016.6	3,449,034.7	1,576,431.2	-350,419.6	384,925.9	1,923,739.3	354,289.0
09	-1,608,594.6	2,826,862.6	1,553,667.7	-166,142.3	387,484.4	2,215,079.8	356,364.4
10	-1,612,111.7	2,810,926.7	1,338,358.0	-226,179.9	270,252.5	2,195,846.9	354,717.8
11	-1,471,869.0	2,914,722.0	1,299,372.8	-310,531.0	272,050.6	2,187,535.9	356,793.2
12	-1,278,073.0	2,647,704.1	1,686,406.9	-495,738.3	206,717.6	2,511,449.3	352,474.7
2016 01	-1,568,733.2	2,661,608.3	1,235,201.2	-434,363.6	203,635.1	2,503,311.5	354,619.2
02	-1,820,458.4	2,445,483.5	1,705,421.2	-276,584.7	204,961.2	2,423,695.7	356,625.3
03	-1,688,641.2	2,601,442.6	920,341.3	-389,460.3	528,946.6	629,515.2	358,769.9
04	-586,604.0	3,117,669.4	767,186.6	-1,160,122.2	407,720.5	805,628.9	538,096.7
05	-728,073.1	2,877,108.0	502,653.5	-696,285.8	542,190.8	936,356.6	670,391.4
							265,965.3

06	-941,645.8	2,551,589.7	670,353.7	39,401.7	941,320.0	945,069.6	674,159.9	270,909.7
07	-1,028,433.4	2,650,542.7	587,679.4	230,354.8	1,125,785.6	945,265.2	678,190.1	267,075.1
08	-1,403,045.7	2,555,561.0	574,379.0	134,076.1	1,107,343.5	952,276.1	685,710.8	266,565.3
09	-1,517,265.2	2,502,257.8	653,445.1	40,399.6	1,107,502.9	958,584.3	692,988.9	265,595.4
10	-1,579,436.3	2,472,938.1	1,368,011.6	-237,748.0	580,140.7	2,904,401.3	688,664.1	2,215,737.2
11	-1,259,747.5	3,221,963.0	1,392,364.6	-345,713.8	569,840.8	2,886,671.9	690,678.5	2,195,993.4
12	-1,260,242.5	3,235,093.7	1,471,283.3	-349,500.6	658,458.9	2,861,210.6	684,004.7	2,177,205.9
2017 01	-1,754,909.6	2,758,525.2	1,436,931.7	-374,388.5	656,969.9	2,840,177.4	686,418.4	2,153,759.0
02	-1,954,263.3	2,596,049.8	1,462,539.0	13,757.6	658,100.7	2,840,545.2	691,964.7	2,148,580.5
03	-1,755,717.0	2,727,754.7	1,516,366.1	-40,316.7	658,634.1	2,833,804.8	698,105.2	2,135,699.6
04	-1,437,088.7	2,985,820.3	1,519,108.0	-17,844.1	646,055.4	2,800,175.0	692,979.2	2,107,195.8
05	-1,437,341.8	2,973,154.1	1,532,062.9	92,219.1	627,914.3	2,801,624.1	694,132.1	2,107,492.1
06	-1,234,573.7	3,106,940.6	1,538,543.4	134,512.1	600,898.1	2,782,877.1	693,132.1	2,089,745.0
07	-1,216,404.9	3,335,083.0	1,553,675.0	-146,031.6	598,805.8	2,758,650.0	699,253.4	2,059,396.6
08	-719,881.5	3,895,894.7	1,568,853.7	-255,179.3	599,897.1	2,765,163.5	705,394.0	2,059,769.5
09	-639,033.5	4,017,576.2	1,584,177.6	-110,157.9	601,053.7	2,752,644.4	711,336.4	2,041,308.0
10	-493,078.3	4,169,621.7	1,503,867.1	-343,623.5	595,465.6	2,799,459.6	705,895.3	2,093,564.3
11	905,968.3	5,608,090.7	1,172,888.6	-1,328,707.2	485,784.7	3,086,245.4	706,631.0	2,379,614.4
12	2,571,933.6	7,309,885.3	1,269,718.6	-1,399,457.4	479,332.3	3,011,006.6	648,276.0	2,362,730.6
2018 01	1,900,894.2	6,793,908.5	1,015,965.4	-1,154,576.4	479,600.5	3,140,646.1	654,471.7	2,486,174.4
02	2,221,950.0	7,108,853.2	1,090,767.4	-942,561.3	480,514.4	3,140,769.1	660,085.1	2,480,684.0
03	2,217,399.6	7,150,772.0	1,052,753.2	-676,896.7	481,599.0	3,130,972.7	666,300.0	2,464,672.7
04	2,246,069.9	7,169,733.7	922,956.6	-717,202.5	481,307.8	3,200,820.9	654,294.4	2,546,526.4
05	3,019,230.6	7,855,670.5	939,885.3	-927,354.0	481,923.8	3,200,355.5	658,044.1	2,542,311.4
06	2,553,148.0	7,374,030.8	948,622.4	-458,684.6	400,473.9	3,169,918.4	644,884.5	2,525,033.9
07	2,626,161.5	7,287,482.9	968,753.2	-765,315.8	400,285.2	3,137,543.0	650,927.8	2,486,615.2
08	2,548,570.7	7,071,637.6	896,598.0	-890,040.4	400,740.5	3,233,433.6	656,979.2	2,576,454.4
09	2,741,122.8	7,398,135.4	777,985.4	-799,273.4	401,258.5	3,305,220.1	662,835.4	2,642,384.8
10	4,119,124.8	8,765,448.0	731,265.7	-974,561.4	375,300.6	3,257,754.0	655,981.2	2,601,772.7
11	4,344,856.2	9,121,814.2	737,081.5	-1,070,951.9	375,608.0	3,250,790.0	657,389.5	2,593,400.5
12	4,467,924.1	9,374,053.9	937,375.3	-754,580.1	374,699.3	3,277,227.7	638,967.4	2,638,260.3

## ТӨВ БАНКНЫ ТОЙМ

## Central Bank Survey

## үргэлжлэл

End-of-period	Monetary base	Of which:					Time Savings & Foreign currency deposits
		Currency outside Dep.corp	Bank's cash	Banks' deposits	Private sector deposits	Public sector deposits	
2000 12	132,932.4	100,933.4	6,461.0	24,436.3			
2001 12	143,785.4	109,160.7	10,045.1	23,977.1			
2002 12	175,305.4	120,783.6	13,859.2	40,039.9			
2003 12	200,795.5	131,496.7	21,329.9	47,479.2			
2004 12	234,905.4	143,512.7	25,008.4	64,146.1			
2005 12	277,417.8	152,369.5	39,318.8	85,729.5			
2007 12	535,047.7	283,325.3	80,695.9	171,026.5			
2008 12	579,857.8	328,724.0	78,431.5	172,702.3			
2009 12	733,060.9	284,993.9	86,783.7	361,283.4			
2010 12	945,477.3	388,202.7	130,144.9	427,129.7			
2011 12	1,659,753.3	517,494.2	193,967.0	948,292.1			
2012 01	1,553,309.9	459,427.3	195,659.8	898,222.9			
02	1,516,624.6	458,397.9	213,423.1	844,803.6			
03	1,814,594.9	448,082.1	198,432.9	1,168,079.8			
04	1,703,941.4	498,825.7	208,111.5	997,004.2			
05	1,825,322.5	595,653.3	185,079.4	1,044,589.9			
06	2,281,350.3	662,931.5	226,406.8	1,392,012.0			
07	1,947,278.2	591,716.0	207,501.0	1,148,061.2			
08	1,943,101.4	591,258.7	221,106.5	1,130,736.2			
09	2,404,182.6	551,789.1	191,327.0	1,661,066.4			
10	2,148,057.4	501,287.6	213,657.5	1,433,112.4			
11	2,224,661.0	501,220.0	218,667.7	1,504,773.3			
12	2,165,704.9	603,365.3	222,340.6	1,339,999.0			
2013 01	2,165,579.1	515,098.3	223,949.6	1,426,531.2			
02	2,270,599.5	466,482.3	206,353.1	1,597,764.1			
03	2,468,205.6	482,657.7	202,950.9	1,782,597.0			
04	2,469,451.9	531,527.4	226,192.0	1,711,732.5			
05	2,645,873.6	597,789.3	231,088.5	1,816,995.8			
06	2,925,818.4	600,034.4	233,386.9	2,092,397.1			
07	3,101,771.1	587,047.3	242,740.0	2,271,983.8			
08	2,564,935.2	630,664.9	234,764.1	1,699,506.2			
09	2,858,977.0	597,486.4	275,078.3	1,986,412.3			
10	2,615,735.4	579,389.9	243,057.8	1,793,287.8			
11	2,821,509.7	557,683.7	243,894.2	2,019,931.8			
12	3,298,669.2	582,034.1	256,646.8	2,459,988.2			
2014 01	2,949,416.0	619,295.9	272,526.0	2,057,594.0			
02	3,123,233.3	514,569.7	239,607.4	2,369,056.2			
03	3,127,496.7	549,814.3	248,905.9	2,328,776.5			
04	2,522,778.3	591,375.0	247,738.7	1,683,664.6			
05	3,007,819.6	596,207.0	264,260.4	2,147,352.3			
06	2,882,192.7	571,147.6	286,359.4	2,024,685.7			
07	2,905,134.4	455,160.2	401,881.7	2,048,092.5			
08	2,813,486.5	615,966.1	261,023.6	1,936,496.9			
09	2,699,812.0	536,177.7	288,030.2	1,875,604.2			
10	2,707,667.7	488,192.3	318,374.0	1,901,101.4			

11	2,679,463.0	423,622.6	342,283.8	1,913,556.6
12	3,299,028.0	499,257.7	307,325.4	2,492,444.9
2015 01	2,841,127.6	468,718.8	260,549.6	2,111,859.2
02	2,739,526.6	450,905.9	321,868.4	1,966,752.3
03	2,318,403.4	390,550.2	309,157.9	1,618,695.4
04	2,173,088.7	392,316.7	339,465.3	1,441,306.7
05	2,328,869.8	518,463.1	272,662.8	1,537,743.9
06	2,352,185.7	430,511.1	322,679.1	1,598,995.6
07	2,836,152.4	453,747.9	302,289.0	2,080,115.6
08	2,819,846.5	448,784.8	322,677.3	2,048,384.5
09	2,410,134.7	407,376.6	357,540.6	1,645,217.5
10	2,192,211.0	468,211.7	269,124.2	1,454,875.0
11	2,086,998.1	432,883.5	275,291.7	1,378,822.9
12	2,459,596.1	458,667.3	245,615.9	1,755,312.9
2016 01	2,307,731.7	486,773.9	224,586.6	1,596,371.2
02	2,308,444.6	413,655.3	239,958.3	1,654,831.0
03	2,350,734.6	426,786.1	229,895.0	1,694,053.5
04	2,987,810.4	507,625.1	235,531.3	2,244,654.0
05	3,204,683.6	521,092.8	265,336.1	2,418,254.7
06	3,526,106.0	561,813.6	275,537.6	2,688,754.8
07	3,228,260.3	565,924.1	250,358.9	2,411,977.3
08	3,257,518.3	588,705.3	226,516.7	2,442,296.3
09	3,096,354.4	565,703.9	228,083.6	2,302,566.9
10	2,927,311.9	581,694.1	222,763.1	2,122,854.7
11	3,250,399.6	530,897.8	235,735.7	2,483,766.1
12	3,064,435.9	562,875.8	258,641.0	2,242,919.1
2017 01	2,712,102.5	501,069.7	232,875.5	1,978,157.3
02	2,675,173.0	659,088.0	282,615.1	1,733,469.9
03	2,749,861.6	552,301.8	232,962.3	1,964,597.5
04	2,779,941.0	593,651.1	237,519.0	1,948,770.8
05	2,984,657.4	632,552.0	240,277.7	2,111,827.8
06	3,179,512.5	661,184.8	251,167.8	2,267,159.9
07	3,000,564.2	622,416.0	262,557.3	2,115,590.8
08	3,299,225.3	635,330.4	261,414.1	2,402,480.8
09	3,269,759.5	616,721.2	259,306.0	2,393,732.3
10	3,100,551.2	565,932.6	263,340.6	2,271,278.0
11	3,354,853.3	558,904.8	262,358.8	2,533,589.8
12	3,939,093.4	611,728.2	291,230.9	3,036,134.4
2018 01	3,266,373.4	551,072.5	247,527.9	2,467,773.0
02	2,994,726.0	575,173.6	271,923.3	2,147,629.1
03	2,910,731.6	575,274.9	261,865.3	2,073,591.4
04	3,471,229.1	645,717.4	288,849.4	2,536,662.3
05	3,673,755.6	666,448.1	266,410.4	2,740,897.0
06	3,406,216.4	642,202.1	285,929.7	2,478,084.6
07	4,013,137.1	632,354.5	281,488.5	3,099,294.1
08	3,758,442.2	643,750.6	280,453.2	2,834,238.3
09	3,738,745.9	651,934.3	273,837.3	2,812,974.4
10	4,353,187.8	609,305.6	273,196.8	3,470,685.4
11	4,596,439.8	615,031.8	274,790.8	3,706,617.2
12	4,902,514.5	670,489.9	292,877.7	3,939,147.0

**ТӨВ БАНКНЫ ТОЙМ**  
**Central Bank Survey**  
 үргэлжлэл

End-of-period	Central Bank bills (net)	Foreign liabilities	Long-term foreign liabilities	General Government deposits	Government Government lending loans	Capital accounts	Other items (net)
2000 12	21,080.0	55,057.8		17,940.0		42,815.4	-35,077.1
2001 12	50,000.0	51,342.2		16,930.5		41,152.0	-53,280.8
2002 12	61,000.0	47,610.0		33,516.6		33,357.1	-39,858.7
2003 12	79,500.0	86,878.2		91,713.9		41,156.1	-85,004.7
2004 12	69,247.1	53,431.7		53,025.8		32,033.9	-62,680.6
2005 12	125,713.2	42,901.8	3,181.0	107,571.0		45,914.2	-70,961.6
2007 12	103,424.8	29,604.1	6,065.7	624,200.4		82,632.6	-189,259.4
2008 12	119,786.0	25,563.5	2,038.4	230,195.8	0.0	92,164.8	58,537.0
2009 12	392,511.8	262,755.2	112,785.7	722,098.9	0.0	125,415.0	203,195.4
2010 12	1,100,996.9	247,230.3	95,749.6	823,874.0	0.0	-138,456.0	245,835.1
2011 12	879,112.6	269,039.8	105,919.4	1,163,906.4	0.0	42,859.9	75,684.2
2012 01	573,123.3	266,424.9	104,711.4	1,273,943.1	0.0	17,331.0	77,001.6
02	740,916.9	327,617.9	101,944.1	1,220,742.2	0.0	-38,261.0	68,596.5
03	739,823.2	354,257.4	101,022.0	1,203,300.4	0.0	-76,781.7	836,269.6
04	527,576.1	372,691.9	100,908.7	1,277,955.1	0.0	-96,930.3	823,797.6
05	566,460.7	249,439.8	98,392.2	1,200,978.6	0.0	-145,442.4	804,122.2
06	556,755.8	254,944.6	100,326.9	1,032,999.9	0.0	-97,363.2	752,150.6
07	539,621.0	262,635.2	100,523.7	1,051,480.5	0.0	-84,084.4	721,533.6
08	464,194.7	394,836.5	103,973.6	1,007,786.9	0.0	-17,885.0	728,788.4
09	367,385.6	538,103.0	107,366.4	933,713.9	0.0	30,839.1	496,976.9
10	423,314.1	627,866.4	108,734.6	968,928.9	0.0	28,553.4	181,067.4
11	472,860.8	627,033.6	110,313.8	832,830.3	0.0	28,145.5	182,670.3
12	752,151.5	467,733.0	108,404.0	2,959,686.4	0.0	-122,086.4	-18,773.9
2013 01	754,490.0	512,279.0	111,771.4	3,093,176.9	0.0	-138,271.8	58,943.6
02	907,105.2	512,279.0	115,964.0	3,119,846.9	0.0	-163,824.8	67,581.5
03	742,962.9	445,460.0	120,155.9	3,105,703.3	0.0	-173,032.2	31,020.9
04	403,545.7	445,460.0	135,743.3	3,138,206.4	0.0	-195,445.9	71,107.2
05	744,009.0	556,825.0	146,451.0	2,674,693.6	0.0	-221,655.6	228,973.5
06	668,434.6	587,100.0	108,004.1	2,863,614.2	0.0	-270,864.5	606,651.5
07	772,281.4	978,880.0	117,382.8	2,839,060.1	0.0	-261,149.0	24,933.4
08	1,355,933.3	1,055,200.0	132,173.6	2,617,202.4	0.0	-191,587.3	64,084.0
09	1,543,489.8	1,345,100.0	141,979.1	2,441,624.3	0.0	-179,091.3	60,784.3
10	1,531,761.3	1,410,350.0	156,768.5	2,238,235.7	0.0	-229,535.3	47,181.9
11	1,444,592.4	1,719,300.0	154,730.7	1,800,842.1	0.0	-282,044.7	94,358.3
12	1,627,017.4	1,637,280.0	137,232.5	1,709,229.9	0.0	-384,609.8	199,609.6
2014 01	1,214,416.5	1,706,580.0	151,337.0	1,665,387.7	0.0	-390,212.8	159,215.8
02	1,247,426.7	1,750,080.0	166,213.6	1,581,554.6	0.0	-403,399.8	107,773.0
03	1,102,666.2	1,723,080.0	160,179.2	1,276,056.7	0.0	-424,388.3	183,624.3
04	1,439,644.3	1,723,380.0	171,148.1	1,071,487.3	0.0	-436,786.7	248,170.8
05	926,101.5	1,746,300.0	168,374.8	1,026,530.1	0.0	-471,058.7	58,633.1
06	853,911.3	1,762,020.0	155,577.0	878,523.7	0.0	-471,472.0	-84,702.8
07	557,292.6	2,119,460.0	169,954.2	925,184.2	0.0	-556,147.8	-200,410.0
08	575,566.9	2,071,300.0	176,294.7	845,599.9	0.0	-545,841.3	-14,913.0
09	602,330.8	2,507,072.4	164,032.0	701,170.8	0.0	-663,835.2	365,885.7
10	654,350.8	2,546,472.0	176,266.8	803,370.5	0.0	-715,916.6	179,370.1
11	332,971.7	2,889,130.2	179,047.0	807,773.9	0.0	-818,444.5	104,921.5



12	853,781.4	2,822,638.8	165,248.9	798,649.2	0.0	-921,277.9	405,998.2
2015 01	382,554.4	2,894,239.4	182,940.5	898,281.2	0.0	-974,338.7	222,876.6
02	429,589.1	3,220,482.7	201,616.5	782,191.9	0.0	-1,031,119.6	262,143.3
03	384,744.4	3,584,975.2	219,123.4	727,416.7	0.0	-1,109,105.0	403,295.9
04	316,456.6	3,866,723.9	237,561.9	658,612.3	0.0	-1,145,858.6	320,066.1
05	1,169,125.1	3,429,155.7	237,583.6	686,557.1	0.0	-1,582,030.6	824,940.1
06	1,150,516.8	3,482,058.3	212,705.8	948,246.8	0.0	-1,512,598.6	660,305.1
07	459,509.3	3,738,806.7	153,121.0	895,772.3	0.0	-1,585,293.4	818,435.9
08	510,713.6	3,938,028.0	164,023.3	735,345.5	0.0	-1,370,986.4	537,160.6
09	628,604.3	4,279,229.0	156,228.1	553,626.7	0.0	-1,420,562.4	375,834.0
10	655,060.5	4,253,683.6	169,354.8	496,432.3	0.0	-1,466,398.9	315,040.7
11	800,989.6	4,213,982.4	172,608.6	582,581.6	0.0	-1,397,086.9	213,607.9
12	1,024,581.5	3,776,227.6	149,549.5	702,455.9	0.0	-1,423,950.7	363,818.1
2016 01	502,176.5	4,064,865.6	165,475.9	637,998.7	0.0	-1,188,964.7	114,472.3
02	781,061.7	4,098,563.0	167,378.9	481,545.9	0.0	-1,135,436.1	78,003.6
03	691,398.9	4,134,839.2	155,244.5	918,406.9	0.0	-3,871,891.2	301,512.8
04	276,612.1	3,551,865.1	152,408.3	1,567,842.7	0.0	-3,775,750.7	337,417.5
05	192,283.9	3,437,979.7	167,201.4	1,238,476.6	0.0	-3,640,066.8	257,750.5
06	480,525.9	3,316,971.1	176,264.3	901,918.3	0.0	-3,529,872.2	236,419.5
07	1,011,741.9	3,478,344.2	200,632.0	895,430.8	0.0	-3,955,813.5	450,677.2
08	846,881.8	3,729,986.3	228,620.3	973,267.4	0.0	-4,502,462.2	655,747.7
09	1,173,498.1	3,821,775.4	197,747.7	1,067,103.4	0.0	-4,902,190.2	767,501.4
10	1,240,008.4	3,852,090.0	200,284.4	817,888.7	0.0	-2,576,243.7	864,151.9
11	747,234.8	4,293,120.0	188,590.6	915,554.6	0.0	-2,600,814.8	1,276,755.6
12	577,296.8	4,295,520.0	199,816.3	1,007,959.5	0.0	-2,991,972.1	2,072,990.2
2017 01	421,963.5	4,295,280.0	218,154.8	1,031,358.4	0.0	-2,987,047.0	2,000,791.9
02	607,917.8	4,315,440.0	234,873.1	644,343.1	0.0	-3,050,079.3	2,129,567.0
03	1,102,891.2	4,269,600.0	213,871.7	698,950.8	0.0	-3,042,355.0	1,743,739.5
04	1,233,847.0	4,209,000.0	213,908.9	663,899.6	0.0	-2,952,057.9	1,802,620.1
05	1,259,427.3	4,205,040.0	205,455.9	535,695.2	0.0	-2,934,811.4	1,679,291.1
06	1,552,375.2	4,158,720.0	182,794.3	466,386.0	0.0	-2,868,748.0	1,358,219.3
07	1,564,918.4	4,345,320.0	206,167.9	744,837.4	0.0	-3,133,821.3	1,518,227.1
08	1,907,148.5	4,432,440.0	183,336.2	855,076.4	0.0	-3,221,200.2	1,373,782.7
09	1,988,553.5	4,448,640.0	207,969.7	711,211.6	0.0	-3,290,475.1	1,619,792.7
10	1,934,068.3	4,432,200.0	230,500.0	939,089.1	0.0	-3,343,379.9	1,775,385.2
11	2,331,400.4	4,446,720.0	255,402.4	1,814,491.9		-3,349,244.9	1,499,386.2
12	3,444,401.3	4,458,960.0	278,991.7	1,878,789.7		-2,818,096.4	887,803.2
2018 01	3,672,942.8	4,582,320.0	310,694.3	1,634,176.9		-2,953,256.7	1,294,454.0
02	4,594,845.1	4,556,040.0	330,863.2	1,423,075.8		-2,995,152.7	1,273,352.3
03	4,733,868.1	4,576,680.0	356,692.4	1,158,495.7		-3,086,644.4	1,571,605.7
04	4,366,712.3	4,544,760.0	378,903.8	1,198,510.3		-3,081,258.5	1,284,765.9
05	4,647,902.4	4,501,800.0	334,639.9	1,409,277.8		-3,075,155.5	1,431,632.9
06	4,816,481.1	4,461,360.0	359,522.8	859,158.6		-3,048,857.1	1,424,574.4
07	4,147,631.7	4,331,040.0	330,281.4	1,165,601.0		-2,992,947.2	1,275,032.4
08	4,466,404.7	4,342,200.0	180,866.8	1,290,780.9		-3,045,311.4	1,124,931.2
09	4,608,787.7	4,449,960.0	207,052.6	1,200,531.9		-3,086,755.7	1,141,380.5
10	4,198,413.8	4,419,840.0	226,483.2	1,349,862.0		-3,097,812.5	2,155,563.6
11	4,892,500.0	4,525,680.0	251,278.1	1,446,559.9		-3,095,116.3	1,248,246.9
12	5,005,515.3	4,628,760.0	277,369.8	1,129,279.4		-1,871,021.1	1,430,598.6

## ХАДГАЛАМЖИЙН БАЙГУУЛЛАГУУДЫН ТОЙМ

## Other depository corporations survey

сая төгрөг

End-of-period	Reserves	Central Bank bills	Foreign assets	Claims on			
				Government	Of which:		Other financial corporations
					Central Government	Local Government	
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	69,255.6	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
2007 12	251,712.4	102,798.4	423,587.1	24,102.2	24,102.2		2,828.5
2008 12	304,507.1	119,723.3	294,472.1	2,503.9	2,503.9		3,412.1
2009 12	628,426.0	392,215.0	405,127.7	9,185.9	9,185.9		4,711.2
2010 12	770,995.4	1,102,858.3	655,876.3	79,024.9	79,024.9		14,067.6
2011 12	1,145,260.6	879,793.8	711,145.1	275,270.5	275,270.5		17,469.1
2012 01	1,093,882.6	573,640.0	587,118.1	253,117.5	253,117.5		13,745.9
02	1,058,226.7	741,645.0	579,719.1	253,815.5	253,815.5		15,165.6
03	1,364,707.6	740,810.9	562,690.3	254,059.1	254,059.1		16,445.1
04	1,205,115.7	528,057.9	673,857.3	254,879.3	254,879.3		15,218.4
05	1,229,669.2	566,834.7	743,768.5	261,573.7	261,573.7		16,220.6
06	1,619,390.5	557,228.6	619,006.4	383,199.9	383,199.9		11,774.3
07	1,355,562.2	539,660.3	519,300.8	384,871.3	384,871.3		11,883.1
08	1,351,842.7	464,054.1	531,924.3	311,207.4	311,207.4		10,672.2
09	1,852,144.6	367,508.2	582,724.1	261,003.6	261,003.6		10,266.3
10	1,646,827.4	423,365.5	751,358.5	314,112.8	314,112.8		10,249.0
11	1,723,441.1	472,771.5	556,177.5	296,738.6	296,738.6		9,794.7
12	1,564,331.4	747,114.6	758,114.4	667,374.0	667,374.0		9,711.6
2013 01	1,652,480.8	747,768.2	599,637.0	775,217.9	775,217.9		8,142.4
02	1,806,117.2	900,424.4	610,964.0	846,151.2	846,151.2		9,043.1
03	1,987,525.5	734,035.3	690,891.9	878,502.8	878,502.8		11,466.9
04	1,976,554.3	390,891.3	655,448.6	931,817.4	931,817.4		11,087.0
05	2,214,404.8	743,448.8	729,062.2	963,051.7	963,051.7		10,912.1
06	2,911,060.1	668,437.7	685,121.1	1,296,241.5	1,296,241.5		10,887.0
07	2,515,723.8	771,840.4	659,271.8	1,408,047.7	1,408,047.7		12,288.6
08	1,972,454.8	1,356,248.1	868,414.2	1,408,220.1	1,408,220.1		13,833.0
09	2,345,590.6	1,543,481.1	885,988.3	1,366,694.5	1,366,694.5		39,431.7
10	2,064,345.5	1,528,093.3	756,242.3	1,579,507.0	1,579,507.0		99,945.7
11	2,262,946.8	1,445,109.3	846,571.7	1,738,516.7	1,738,516.7		31,559.8
12	2,769,813.1	1,626,606.3	812,646.8	1,822,720.5	1,822,720.5		129,793.6
2014 01	2,342,226.4	1,213,478.1	802,999.7	1,857,000.7	1,857,000.7		239,891.2
02	2,616,550.8	1,246,994.9	874,818.2	2,004,094.8	2,004,094.8		145,720.3
03	2,577,682.2	1,102,311.1	1,019,760.1	2,139,199.4	2,139,199.4		144,602.9
04	2,007,403.1	1,439,480.3	1,027,911.7	2,177,506.0	2,177,506.0		114,993.8
05	2,411,843.2	926,134.0	987,296.8	2,269,118.5	2,269,118.5		75,469.3
06	2,311,039.5	853,934.4	910,633.4	2,276,404.6	2,276,404.6		81,237.8
07	2,449,955.9	557,281.7	1,080,300.8	2,273,464.4	2,273,464.4		76,348.1
08	2,193,077.6	575,282.8	1,088,551.2	2,246,886.6	2,246,886.6		123,836.7
09	2,290,323.4	602,223.7	1,154,110.5	2,184,822.0	2,184,822.0		79,778.2
10	2,293,923.4	654,262.8	931,128.2	2,130,145.5	2,130,145.5		81,147.5
11	2,331,647.1	332,741.9	880,474.7	2,166,786.3	2,166,786.3		66,169.2

	12	3,012,085.1	852,983.5	675,079.7	2,140,844.9	2,140,844.9	156,540.4
2015	01	2,477,190.8	382,390.4	855,210.3	2,161,367.9	2,161,367.9	155,651.8
	02	2,385,492.4	429,574.9	869,351.4	2,226,712.0	2,226,712.0	152,703.5
	03	2,166,627.6	384,618.6	678,991.1	2,221,344.2	2,221,344.2	157,644.1
	04	1,901,156.0	316,311.6	807,647.8	2,192,480.0	2,192,480.0	158,547.2
	05	1,977,990.3	1,169,805.0	834,536.1	2,277,471.7	2,277,471.7	155,458.1
	06	2,009,193.0	1,150,480.3	933,597.8	2,351,942.6	2,351,942.6	201,868.5
	07	2,612,697.8	459,441.2	1,045,590.1	2,334,987.6	2,334,987.6	208,799.7
	08	2,465,327.7	510,485.8	1,206,115.8	2,239,671.1	2,239,671.1	225,202.2
	09	2,096,368.9	628,681.1	1,034,485.9	2,238,863.5	2,238,863.5	232,159.8
	10	1,783,749.4	655,435.5	879,777.6	2,388,672.4	2,388,672.4	230,303.6
	11	1,714,789.3	801,201.3	840,606.4	2,382,531.7	2,382,531.7	232,582.0
	12	2,064,802.2	1,024,770.8	977,926.2	2,610,765.0	2,610,765.0	278,443.6
2016	01	1,884,265.2	502,263.4	972,026.3	2,640,492.2	2,640,492.2	238,446.4
	02	1,955,884.9	781,138.6	1,243,515.3	2,602,736.4	2,602,736.4	326,854.9
	03	1,995,463.7	691,696.6	1,383,684.9	2,619,109.7	2,619,109.7	443,659.2
	04	2,540,539.9	276,623.6	1,600,992.0	2,597,489.4	2,597,489.4	345,008.1
	05	2,743,306.7	192,085.7	1,899,429.6	2,511,913.9	2,511,913.9	334,725.4
	06	3,023,156.9	480,496.8	1,271,772.0	2,435,694.7	2,435,694.7	579,345.9
	07	2,727,528.9	1,011,879.1	1,798,247.3	2,484,190.2	2,484,190.2	370,070.8
	08	2,735,771.0	846,947.0	2,447,883.9	2,322,460.9	2,322,460.9	284,781.1
	09	2,599,182.2	1,173,192.6	2,470,012.0	2,595,277.7	2,595,277.7	250,178.2
	10	2,352,217.7	1,240,397.8	2,282,813.0	2,874,466.5	2,874,466.5	263,099.1
	11	3,015,355.0	746,633.1	1,932,156.3	3,175,159.3	3,175,159.3	258,630.1
	12	2,924,780.2	576,994.4	2,067,068.9	3,589,016.1	3,589,016.1	259,807.4
2017	01	2,583,355.8	422,030.2	2,159,803.8	3,592,693.4	3,592,693.4	264,412.6
	02	2,533,919.7	608,926.5	2,049,315.2	3,496,734.7	3,496,734.7	229,229.9
	03	2,418,279.4	1,103,188.4	1,790,634.7	3,489,244.6	3,489,244.6	253,273.0
	04	2,428,231.9	1,235,098.3	1,933,202.8	3,245,653.6	3,245,653.6	261,449.7
	05	2,639,175.9	1,259,733.2	1,885,051.7	3,295,163.2	3,295,163.2	399,140.2
	06	2,528,327.6	1,552,829.7	1,473,716.6	3,437,111.7	3,437,111.7	644,136.8
	07	2,505,305.0	1,565,327.5	1,909,225.8	3,593,778.1	3,593,778.1	686,272.9
	08	2,736,833.4	1,907,551.0	1,855,895.5	3,574,458.3	3,574,458.3	723,613.4
	09	2,850,193.1	1,989,759.3	2,042,162.6	3,522,380.0	3,522,380.0	728,125.8
	10	2,667,628.9	1,934,510.3	1,920,219.0	3,447,716.2	3,447,716.2	765,331.1
	11	2,864,536.9	2,331,860.3	1,590,763.8	3,385,294.5	3,385,294.5	699,235.0
	12	3,385,865.4	3,445,012.2	1,301,186.0	2,649,147.3	2,649,147.3	698,028.2
2018	01	2,715,301.8	3,673,773.9	1,694,628.7	2,408,791.7	2,408,791.7	730,747.1
	02	2,461,053.7	4,475,055.6	1,578,292.5	2,278,380.1	2,278,380.1	727,502.5
	03	2,498,856.7	4,544,448.7	1,686,757.9	2,071,952.8	2,071,952.8	682,748.1
	04	2,862,512.6	4,063,593.2	1,649,199.8	1,931,774.2	1,931,774.2	688,320.8
	05	3,160,974.6	4,422,491.6	1,642,662.2	1,870,940.1	1,870,940.1	672,924.8
	06	2,897,615.1	4,686,628.6	1,797,196.8	1,774,983.6	1,774,983.6	705,512.7
	07	3,529,736.8	3,984,260.9	1,652,021.6	1,659,516.6	1,659,516.6	671,752.0
	08	3,118,291.6	4,467,090.6	1,409,724.4	1,616,725.1	1,616,725.1	623,409.3
	09	3,086,804.7	4,611,899.0	1,575,549.6	1,611,468.9	1,611,468.9	708,847.9
	10	3,778,915.4	4,139,197.7	1,793,237.2	1,607,923.8	1,607,923.8	579,691.6
	11	3,984,408.0	4,135,375.7	1,829,224.5	1,593,721.1	1,593,721.1	636,834.8
	12	4,506,524.7	4,446,643.3	1,682,778.4	1,521,058.8	1,521,058.8	489,573.9

## ХАДГАЛАМЖИЙН БАЙГУУЛЛАГУУДЫН ТОЙМ

## Other depository corporations survey

үргэлжлэл

End-of-period	Public sector	Private sector	Individuals	Other	Unclassified loans
2000 12	5,378.3	45,482.9			15,895.6
2001 12	9,534.4	114,670.4			10,865.9
2002 12	11,318.3	203,567.2			16,564.2
2003 12	15,647.4	365,024.4			36,700.0
2004 12	13,125.7	365,057.9	210,931.1	17,228.9	
2005 12	34,169.2	489,064.7	321,606.8	14,512.4	
2007 12	27,331.8	1,166,149.5	838,778.5	20,972.4	
2008 12	34,794.6	1,570,398.9	1,013,694.2	13,251.7	
2009 12	20,429.4	1,716,253.8	904,892.3	8,713.7	
2010 12	17,073.9	1,854,774.6	1,370,128.3	9,629.5	
2011 12	100,646.0	3,064,543.2	2,454,808.6	5,890.4	
2012 01	58,975.0	3,095,504.6	2,474,442.8	7,083.7	
02	58,554.5	3,108,638.6	2,518,447.5	7,201.9	
03	58,162.4	3,147,441.1	2,554,313.8	6,917.5	
04	58,984.7	3,246,970.0	2,607,790.6	8,792.8	
05	63,851.6	3,328,245.3	2,706,203.2	8,483.4	
06	64,108.9	3,451,365.5	2,784,874.2	7,866.2	
07	66,356.2	3,541,896.9	2,801,183.9	9,003.3	
08	71,128.3	3,635,612.4	2,947,241.2	12,244.9	
09	71,286.3	3,730,255.2	3,046,519.0	10,837.2	
10	46,185.2	3,723,563.2	3,066,506.6	10,740.1	
11	48,662.1	3,715,577.6	3,084,618.8	10,812.5	
12	41,959.8	3,828,069.5	3,100,920.9	11,568.4	
2013 01	39,665.8	3,884,346.8	3,200,823.4	10,711.2	
02	14,596.4	3,893,630.0	3,242,165.6	10,530.3	
03	31,655.3	3,961,354.1	3,370,452.3	10,173.2	
04	30,540.7	4,215,492.2	3,498,316.0	10,097.2	
05	44,789.8	4,487,364.7	3,675,348.3	10,137.1	
06	47,154.6	4,727,167.7	3,813,483.0	11,173.1	
07	49,332.3	5,021,567.1	4,018,696.0	17,415.3	
08	51,033.4	5,342,958.7	4,366,917.9	10,227.9	
09	59,600.5	5,489,504.4	4,569,295.3	17,435.4	
10	59,399.4	5,652,555.9	4,749,472.6	10,370.1	
11	78,861.1	5,866,721.7	4,833,514.1	23,610.5	
12	80,546.4	5,998,812.7	4,665,272.2	7,443.0	
2014 01	122,899.0	6,008,604.2	4,859,919.7	6,015.2	
02	74,272.1	6,127,945.5	4,926,324.5	5,733.8	
03	73,884.3	6,202,327.4	5,080,116.8	5,721.6	
04	72,619.3	6,388,642.9	5,246,327.1	5,961.1	
05	73,002.8	6,547,838.4	5,425,329.1	5,751.1	
06	74,995.9	6,590,853.2	5,604,371.6	7,536.4	
07	101,306.4	6,610,011.5	5,495,395.1	7,857.9	
08	116,634.6	6,535,234.5	5,662,985.9	8,937.1	
09	144,539.8	6,654,878.5	5,779,645.2	9,212.0	
10	134,796.0	6,766,828.6	5,896,000.2	10,600.4	
11	132,619.9	6,834,760.4	5,643,515.1	10,192.9	
12	128,550.9	6,619,247.8	5,711,496.5	10,236.3	
2015 01	114,879.2	6,572,004.9	5,363,498.9	10,178.7	

02	108,863.5	6,582,432.7	5,453,093.8	10,327.2
03	97,480.4	6,597,140.5	5,541,940.6	8,185.5
04	91,993.7	6,556,298.2	5,612,303.8	7,275.0
05	87,319.5	6,373,536.2	5,684,076.4	5,722.8
06	95,825.3	6,362,017.9	5,463,777.7	5,642.3
07	111,498.5	6,371,954.6	5,473,895.0	10,009.6
08	109,731.3	6,395,292.6	5,301,780.1	10,377.8
09	176,382.2	6,394,171.7	5,336,183.4	10,269.4
10	164,341.4	6,395,742.5	5,322,866.8	10,080.2
11	155,949.7	6,376,110.9	5,332,134.5	9,968.2
12	223,268.4	6,408,347.3	5,036,971.0	9,777.6
2016 01	235,728.2	6,378,153.1	5,139,043.1	9,737.5
02	227,593.5	6,397,044.5	4,973,759.2	9,572.9
03	218,528.4	6,455,600.4	5,122,639.4	10,031.9
04	188,889.1	6,336,910.1	5,073,072.1	10,855.8
05	91,140.8	6,165,120.7	5,152,615.7	10,174.1
06	95,291.2	6,607,780.9	5,286,206.4	9,394.8
07	87,132.1	6,674,893.9	5,301,276.6	9,361.4
08	81,511.0	6,838,499.4	5,478,591.3	10,149.4
09	78,599.5	6,805,824.5	5,572,026.5	9,485.0
10	80,512.3	6,879,462.9	5,565,327.9	5,712.4
11	77,907.0	6,963,838.6	5,636,512.5	5,668.6
12	55,662.8	6,640,054.7	5,689,789.5	5,445.5
2017 01	53,325.3	6,488,215.8	5,795,672.5	6,129.7
02	56,832.2	6,619,640.9	5,866,081.8	5,918.4
03	44,396.3	6,647,749.9	5,945,708.1	5,790.6
04	40,828.0	6,581,903.3	6,043,052.0	5,406.3
05	91,943.0	6,626,405.5	5,943,151.2	6,177.0
06	70,445.6	6,641,653.8	6,125,451.6	8,293.5
07	90,634.4	6,700,698.2	6,191,928.9	7,778.0
08	44,946.4	6,717,701.4	6,447,743.5	8,444.0
09	41,753.8	6,704,956.9	6,618,826.6	9,068.4
10	44,667.4	6,735,218.9	6,559,939.0	8,561.1
11	43,287.4	6,752,519.2	6,662,809.2	5,208.7
12	41,040.5	6,806,103.8	6,716,831.9	5,191.2
2018 01	47,075.7	6,815,918.9	6,737,862.6	4,874.0
02	47,560.0	6,838,046.4	6,879,345.7	5,473.1
03	45,274.8	6,946,763.9	7,086,891.5	5,885.6
04	44,695.7	7,122,359.3	7,246,100.6	5,578.6
05	45,504.8	7,434,371.5	7,449,831.0	5,348.2
06	44,317.1	7,695,447.3	7,590,525.2	7,549.5
07	48,612.4	7,754,197.2	7,740,252.6	9,082.8
08	52,797.3	7,840,923.3	7,989,861.9	11,005.1
09	59,140.6	7,976,759.6	8,229,225.2	10,836.2
10	64,371.0	7,890,737.7	8,432,855.3	11,963.4
11	62,204.8	7,896,638.1	8,685,608.4	12,291.5
12	119,606.8	7,955,116.6	9,055,752.0	12,096.2

## ХАДГАЛАМЖИЙН БАЙГУУЛЛАГУУДЫН ТОЙМ

## Other depository corporations survey

## үргэлжлэл

End-of-period	Demand deposits	Total deposits & foreign currency current account	Foreign liabilities	Long-term foreign liabilities	General Government deposits
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
2007 12	307,146.3	1,810,778.1	202,962.6	6,074.8	144,049.9
2008 12	318,611.3	1,620,080.0	425,131.6	8,582.8	393,196.7
2009 12	366,253.2	2,228,182.7	410,274.3	25,456.6	460,925.3
2010 12	769,226.3	3,521,254.7	446,331.6	21,649.8	422,243.3
2011 12	1,223,449.7	4,670,238.5	683,742.4	30,946.8	931,493.1
2012 01	1,106,240.0	4,580,367.6	590,100.8	23,854.3	941,849.8
02	1,041,802.7	4,735,972.8	585,177.1	22,128.1	966,495.5
03	1,039,959.8	4,614,547.2	594,633.6	30,649.1	1,024,230.6
04	1,096,859.1	4,765,020.5	602,868.4	42,988.6	959,423.6
05	1,145,583.5	4,986,122.9	636,565.4	55,953.0	991,516.0
06	1,134,123.1	5,251,861.0	677,634.7	73,836.3	973,693.9
07	1,068,526.3	5,290,976.6	675,881.8	76,678.8	965,532.9
08	1,089,708.1	5,314,671.8	687,927.4	75,629.4	940,189.3
09	1,106,110.6	5,452,445.0	1,082,062.3	77,586.0	918,598.7
10	1,077,333.2	5,552,184.5	1,138,830.2	79,962.0	927,592.1
11	1,055,800.3	5,474,370.6	1,133,263.3	78,729.0	933,868.3
12	1,231,418.3	5,777,093.4	1,265,398.2	89,060.7	933,480.8
2013 01	1,064,188.8	5,759,565.5	1,262,136.1	99,978.6	931,764.0
02	1,013,777.8	5,755,863.7	1,327,431.8	99,928.2	941,035.3
03	1,106,417.0	5,709,671.0	1,331,116.8	111,640.0	971,673.7
04	1,136,664.0	5,513,894.0	1,456,955.3	136,683.2	1,015,200.7
05	1,181,283.2	6,127,613.7	1,504,245.6	136,589.9	1,065,002.2
06	1,426,363.3	5,975,187.9	1,496,151.8	143,870.4	1,100,825.7
07	1,340,042.5	6,159,143.9	1,486,098.3	152,041.3	1,134,327.5
08	1,318,710.2	6,457,356.7	1,575,962.7	190,713.3	1,141,698.2
09	1,416,024.8	6,463,108.8	1,649,206.1	193,323.2	1,218,602.8
10	1,357,160.0	6,775,494.6	1,469,758.2	402,896.1	1,273,949.9
11	1,269,048.5	7,272,483.5	1,582,513.4	405,256.3	1,258,666.6
12	1,510,700.8	7,359,816.9	1,509,098.9	376,620.2	1,089,541.8
2014 01	1,343,538.5	8,056,458.8	1,742,105.6	375,785.7	1,196,369.8
02	1,240,480.6	8,090,573.3	1,817,291.4	389,989.3	1,474,612.1
03	1,187,389.6	8,210,103.0	1,882,342.9	405,949.4	1,535,041.1
04	1,254,266.2	8,355,513.8	1,904,117.5	401,772.4	1,656,528.8
05	1,230,094.2	8,412,067.1	1,912,616.4	432,761.0	1,671,874.2
06	1,290,978.1	8,242,769.8	1,871,762.0	445,230.9	1,680,166.3
07	1,243,297.0	8,377,572.1	1,933,995.9	494,506.3	1,671,260.1
08	1,258,699.4	8,259,169.0	1,941,401.9	462,578.8	1,742,775.7
09	1,300,170.6	8,235,792.9	1,962,174.5	556,560.6	1,790,273.3
10	1,263,549.8	8,220,342.6	1,990,872.8	554,157.2	1,777,243.4
11	1,266,103.6	8,237,228.6	2,138,253.1	567,186.5	1,723,680.6
12	1,317,129.4	8,817,943.6	2,202,555.2	608,010.5	1,464,509.1

2015 01	1,109,975.7	8,734,409.1	2,210,379.1	605,855.4	1,435,595.5
02	1,135,638.0	8,642,445.0	2,329,028.0	600,919.6	1,452,148.8
03	1,055,378.3	8,456,333.8	2,278,150.6	593,705.6	1,413,505.0
04	1,088,546.7	8,222,719.7	2,244,110.4	563,014.6	1,384,956.1
05	1,171,079.7	8,154,925.8	3,119,781.3	552,177.5	1,373,122.5
06	1,233,568.8	8,375,838.3	3,278,523.0	578,643.7	1,357,006.6
07	1,200,412.0	8,206,490.4	3,487,959.4	631,848.8	1,282,293.4
08	1,233,062.7	8,281,249.1	3,462,889.9	633,551.4	1,265,111.9
09	1,206,215.0	8,319,632.4	2,895,083.4	515,518.1	1,466,673.9
10	1,162,515.1	8,268,277.2	2,857,395.9	569,553.7	1,386,218.5
11	1,129,848.7	8,245,320.1	2,854,340.2	693,989.8	1,472,362.9
12	1,226,749.6	8,363,578.9	3,118,543.8	739,777.3	1,453,863.8
2016 01	1,121,312.0	8,241,458.1	3,639,624.7	225,709.6	1,495,838.4
02	1,109,270.7	8,488,099.0	3,762,459.7	225,638.0	1,469,081.0
03	1,156,945.9	8,528,699.5	3,791,986.1	199,862.8	2,247,310.7
04	1,175,885.4	8,833,881.1	3,673,230.7	211,106.5	2,335,576.2
05	1,222,779.5	8,913,924.2	3,649,593.0	207,613.2	2,548,906.5
06	1,420,391.3	9,204,169.0	3,672,007.3	205,795.4	2,520,955.8
07	1,375,673.6	9,367,247.1	4,257,399.9	218,278.6	2,512,036.8
08	1,399,165.7	9,390,823.9	4,988,339.1	239,837.2	2,375,228.1
09	1,454,838.1	9,535,322.2	5,123,880.7	228,176.5	2,260,404.7
10	1,505,936.8	9,523,311.0	5,308,453.3	235,436.0	1,407,507.1
11	1,397,715.9	9,796,358.2	5,363,092.6	228,749.9	1,409,130.0
12	1,584,843.6	10,010,810.5	5,154,593.8	232,252.3	1,388,891.9
2017 01	1,512,204.5	9,960,422.3	4,967,031.3	232,488.8	1,357,511.9
02	1,526,559.5	10,139,093.6	4,849,065.8	240,243.8	1,366,093.3
03	1,572,611.2	10,134,430.0	4,847,233.5	232,619.4	1,367,713.6
04	1,719,689.4	10,154,488.4	4,726,946.6	233,868.8	1,371,599.9
05	1,855,244.2	10,501,971.4	4,608,445.6	200,110.5	1,589,896.0
06	2,058,546.9	10,763,504.3	4,263,688.8	196,692.4	1,645,351.7
07	1,961,766.0	11,415,447.5	4,483,961.2	213,974.1	1,654,508.8
08	2,123,714.7	11,767,250.6	4,526,809.8	217,539.4	1,886,825.4
09	2,183,679.3	11,949,311.8	4,700,478.3	205,529.4	1,923,496.2
10	2,060,603.2	11,894,136.6	4,737,132.5	206,720.9	1,806,665.4
11	2,080,606.1	12,182,336.2	4,667,943.6	197,430.9	1,764,430.2
12	2,214,268.6	13,035,201.8	4,598,931.9	238,022.9	1,615,305.4
2018 01	2,081,633.4	13,130,283.9	4,615,420.6	231,889.8	1,632,377.7
02	2,158,385.5	13,178,859.5	4,750,291.6	221,867.0	1,651,998.0
03	2,201,404.5	13,297,256.3	4,789,638.8	219,623.9	1,655,561.4
04	2,225,263.4	13,369,167.0	4,755,614.5	223,871.5	1,690,982.3
05	2,535,036.6	13,843,834.6	4,854,451.3	238,284.3	1,762,905.4
06	2,710,652.3	13,990,020.1	4,889,507.4	246,196.8	1,885,237.0
07	2,457,800.2	14,121,560.8	4,762,365.7	249,930.2	1,896,526.2
08	2,578,614.0	14,218,591.7	4,647,695.7	272,460.5	1,895,656.0
09	2,771,187.2	14,497,098.0	5,021,786.7	263,119.2	1,887,169.7
10	2,834,912.7	14,888,319.3	5,062,180.6	269,315.1	1,947,490.1
11	2,831,990.5	15,204,340.3	5,338,858.8	274,948.9	2,026,340.1
12	3,360,463.8	15,443,743.9	5,059,560.3	283,435.6	2,094,760.3



## ХАДГАЛАМЖИЙН БАЙГУУЛЛАГУУДЫН ТОЙМ

## Other depository corporations survey

## үргэлжлэл

End-of-period	Of which:		Credits from Central bank	Capital accounts	Other items (net)
	Central Government deposits	Local Government deposits			
2000 12			0.0	29,947.6	-3,459.4
2001 12			4,094.5	47,173.0	-13,543.9
2002 12			4,326.9	61,289.3	-12,693.8
2003 12			12,839.3	110,392.5	-2,415.0
2004 12	38,478.0	4,515.6	23,838.2	167,101.1	-98,836.5
2005 12	100,064.2	3,024.9	18,149.8	207,075.7	306.4
2007 12	137,127.9	6,921.9	18,935.9	376,385.6	-8,072.2
2008 12	386,092.7	7,104.0	223,815.4	340,566.4	26,773.8
2009 12	453,276.2	7,649.1	190,711.0	230,212.1	177,940.0
2010 12	416,363.6	5,879.7	131,326.2	393,541.1	168,855.9
2011 12	924,203.8	7,289.3	341,256.2	688,911.4	84,789.4
2012 01	920,236.1	21,613.7	123,152.8	707,438.0	84,506.9
02	933,663.4	32,832.1	176,734.6	719,624.1	93,479.7
03	985,693.5	38,537.1	543,890.2	750,910.4	106,727.1
04	921,181.3	38,242.3	267,083.7	777,495.1	87,927.4
05	950,235.8	41,280.2	213,593.6	799,384.6	96,131.1
06	953,488.2	20,205.7	403,380.6	864,426.2	119,858.8
07	932,945.8	32,587.0	196,453.5	878,796.9	76,871.4
08	913,506.2	26,683.1	254,117.3	896,976.2	76,708.1
09	900,366.2	18,232.6	257,507.6	922,118.4	116,115.7
10	907,974.4	19,617.6	188,811.4	937,357.4	90,837.5
11	914,084.5	19,783.8	181,919.9	974,927.1	85,716.0
12	918,137.6	15,343.2	400,402.8	1,002,108.6	30,202.0
2013 01	915,969.5	15,794.5	706,200.5	1,067,177.5	27,782.3
02	916,280.0	24,755.3	1,036,431.0	1,034,923.7	124,230.8
03	949,259.0	22,414.7	1,211,221.3	1,042,309.5	192,008.0
04	993,764.1	21,436.6	1,258,216.7	1,068,828.6	133,802.2
05	1,044,229.5	20,772.7	1,766,223.4	1,091,990.1	5,571.4
06	1,081,578.0	19,247.7	2,878,669.1	1,156,831.9	-7,174.1
07	1,114,223.2	20,104.3	3,044,466.2	1,053,442.3	104,621.0
08	1,121,236.5	20,461.7	3,189,895.1	1,114,753.8	401,218.2
09	1,200,516.8	18,086.0	3,596,648.7	1,227,262.8	552,844.7
10	1,258,609.4	15,340.5	3,450,097.0	1,259,629.8	510,946.2
11	1,242,990.0	15,676.6	3,488,181.6	1,270,574.0	580,687.8
12	1,075,415.4	14,126.4	4,295,526.1	1,400,236.7	372,113.4
2014 01	1,181,006.1	15,363.7	3,033,858.8	1,435,452.4	269,464.7
02	1,441,313.0	33,299.1	2,969,466.0	1,455,565.3	584,476.9
03	1,502,770.4	32,270.7	3,018,831.8	1,555,532.2	550,415.6
04	1,624,596.6	31,932.3	2,799,677.5	1,620,003.9	488,965.2
05	1,648,499.5	23,374.7	2,896,801.9	1,638,048.4	527,520.0
06	1,656,271.1	23,895.2	2,910,066.7	1,810,473.6	459,559.5
07	1,639,181.5	32,078.7	2,722,050.1	1,875,187.5	334,052.8
08	1,723,288.6	19,487.1	2,639,015.9	1,874,321.5	373,464.6
09	1,769,351.8	20,921.5	2,742,997.4	1,924,951.8	386,612.3
10	1,751,434.2	25,809.3	2,750,299.0	1,934,116.4	408,251.4
11	1,700,407.6	23,273.0	2,115,968.0	1,949,191.1	401,296.0

12	1,438,545.4	25,963.7	2,607,088.8	2,153,086.5	136,742.1
2015 01	1,409,532.1	26,063.4	2,157,718.2	2,170,657.4	-332,217.6
02	1,426,596.9	25,551.9	2,209,187.0	2,213,033.6	-363,848.8
03	1,377,306.6	36,198.4	1,790,561.9	2,236,508.0	29,829.4
04	1,349,132.1	35,824.0	1,847,519.2	2,279,757.9	13,388.8
05	1,336,745.5	36,377.0	1,944,364.3	2,355,608.8	-105,143.7
06	1,322,147.1	34,859.5	1,901,378.8	2,344,428.7	-495,042.5
07	1,252,812.9	29,480.5	1,609,533.9	2,367,065.6	-156,729.5
08	1,228,798.3	36,313.5	1,567,750.5	2,323,974.4	-303,605.6
09	1,433,102.5	33,571.4	1,543,760.4	2,398,808.6	-198,126.0
10	1,355,275.0	30,943.6	1,337,840.9	2,429,920.7	-180,752.8
11	1,442,341.3	30,021.6	1,298,377.5	2,400,222.7	-248,588.0
12	1,434,061.2	19,802.7	1,685,268.3	2,447,322.9	-400,032.5
2016 01	1,478,683.6	17,154.8	1,233,686.0	2,347,314.4	-304,787.7
02	1,450,800.7	18,280.2	1,703,338.9	2,356,542.8	-596,329.8
03	2,226,246.8	21,063.9	916,920.1	2,416,166.6	-317,477.4
04	2,313,223.1	22,353.1	765,812.2	2,455,809.3	-480,921.2
05	2,537,751.0	11,155.5	501,599.4	2,466,253.1	-410,156.6
06	2,508,916.4	12,039.4	669,163.4	2,589,896.1	-493,238.9
07	2,501,008.2	11,028.7	569,638.8	2,661,006.9	-496,701.5
08	2,372,508.0	2,720.1	569,719.7	2,697,144.5	-613,663.4
09	2,258,330.1	2,074.5	647,129.8	2,791,703.6	-487,677.4
10	1,404,807.4	2,699.7	1,361,069.8	2,817,472.1	-615,176.4
11	1,407,471.3	1,658.7	1,386,328.2	2,841,416.9	-610,931.1
12	1,388,886.4	5.5	1,470,437.3	2,958,808.8	-992,018.6
2017 01	1,357,511.1	0.8	1,435,436.2	3,049,736.1	-1,149,192.1
02	1,366,093.3	0.0	1,459,534.7	3,134,037.9	-1,248,029.1
03	1,367,713.6	0.0	1,512,815.9	3,113,271.1	-1,082,429.6
04	1,371,599.9	0.0	1,514,113.9	3,114,372.9	-1,060,254.1
05	1,589,896.0	0.0	1,526,227.1	3,150,032.9	-1,285,987.0
06	1,645,351.7	0.0	1,538,450.4	3,077,520.0	-1,061,787.5
07	1,654,508.8	0.0	1,552,393.4	3,110,079.1	-1,141,181.5
08	1,886,825.4	0.0	1,566,383.4	3,086,071.1	-1,157,407.5
09	1,923,496.2	0.0	1,580,399.1	3,150,950.0	-1,186,617.6
10	1,806,665.4	0.0	1,499,058.2	3,193,166.0	-1,313,691.0
11	1,764,430.2	0.0	1,166,929.2	3,196,156.3	-920,317.3
12	1,615,305.4	0.0	1,269,160.9	3,177,680.5	-1,100,165.4
2018 01	1,632,377.7	0.0	1,014,667.8	3,195,453.1	-1,072,751.9
02	1,651,998.0	0.0	1,088,408.4	3,207,302.2	-966,402.6
03	1,655,561.4	0.0	1,049,121.2	3,194,739.5	-837,765.7
04	1,690,982.3	0.0	918,285.6	3,252,420.4	-821,470.0
05	1,762,905.4	0.0	934,039.2	3,295,181.8	-758,684.4
06	1,885,237.0	0.0	948,452.2	3,208,699.6	-678,989.3
07	1,896,526.2	0.0	967,503.4	3,180,781.3	-587,035.0
08	1,895,656.0	0.0	894,179.0	3,075,881.6	-453,250.0
09	1,887,169.7	0.0	774,320.2	3,126,714.0	-470,863.3
10	1,947,490.1	0.0	726,542.0	2,839,926.6	-269,793.3
11	2,026,340.1	0.0	731,224.3	2,854,724.5	-426,120.6
12	2,094,760.3	0.0	937,135.7	3,292,179.8	-682,128.7

## ХАРИЛЦАХ, ХАДГАЛАМЖИЙН ХҮҮ

## Deposit rate

жилийн хүү, хувиар

End-of-period				
	Weighted average rate		Weighted average rate	
	Domestic currency	Foreign currency	Domestic currency	Foreign currency
2000 12				
2001 12				
2002 12				
2003 12				
2004 12				
2005 12				
2006 12				
2007 12				
2008 12	2.4	1.1	13.6	7.4
2009 12	2.6	1.8	12.9	6.4
2010 12	3.2	1.6	10.7	4.0
2011 12	2.8	1.1	10.5	4.5
2012 12	2.7	1.3	11.7	6.1
2013 01	2.9	1.4	11.7	6.2
02	2.9	1.4	11.5	6.6
03	3.0	1.5	12.3	7.0
04	3.0	1.4	12.1	6.0
05	2.8	1.5	12.2	5.4
06	2.8	1.5	12.1	5.6
07	2.8	1.4	11.8	5.5
08	2.7	1.4	12.2	5.5
09	2.7	1.5	12.1	5.4
10	2.6	1.5	12.2	5.3
11	2.8	1.5	12.3	5.4
12	2.6	1.5	12.1	5.4
2014 01	3.0	1.6	12.2	5.5
02	2.9	1.8	12.2	5.4
03	2.8	1.7	12.2	5.6
04	2.7	1.7	12.2	5.3
05	2.7	1.7	12.2	5.6
06	2.5	1.6	12.2	5.6
07	2.6	1.7	12.2	5.4
08	2.7	1.7	12.2	5.5
09	2.6	1.7	12.3	5.5
10	2.7	1.7	12.6	5.6
11	2.8	1.7	12.7	5.7
12	2.8	1.5	12.5	5.8
2015 01	3.0	1.6	12.7	5.9
02	3.1	1.6	12.8	6.0
03	3.0	1.5	12.9	6.0
04	3.0	1.5	12.9	6.0
05	3.0	1.5	12.8	6.2
06	2.9	1.4	12.9	6.3
07	2.9	1.6	12.9	6.3
08	3.0	1.6	13.0	6.5
09	2.9	1.6	13.1	6.5

10	2.9	1.6	13.3	6.7
11	3.0	1.6	13.3	6.8
12	2.9	1.6	13.3	6.6
2016 01	3.1	1.8	13.5	6.7
02	3.1	1.7	13.5	6.7
03	3.1	1.9	13.3	6.6
04	3.0	1.9	13.4	6.5
05	2.9	2.0	13.2	6.5
06	2.6	1.9	13.3	6.3
07	2.7	2.0	13.2	6.3
08	2.8	1.9	13.1	6.4
09	2.6	1.9	13.2	6.5
10	2.7	1.9	13.3	6.2
11	2.8	1.8	13.3	6.0
12	2.8	1.7	13.1	6.0
2017 01	2.9	1.7	13.4	6.0
02	2.8	1.8	13.3	6.0
03	2.8	1.8	13.0	6.2
04	2.8	1.7	13.0	5.9
05	3.0	1.7	12.8	5.8
06	2.9	1.5	12.9	5.6
07	2.8	1.5	12.8	5.5
08	2.9	1.6	12.5	5.5
09	2.9	1.5	13.0	5.4
10	2.6	1.5	13.1	5.2
11	2.7	1.5	13.0	5.6
12	2.6	1.5	12.9	5.4
2018 01	2.8	1.6	12.6	5.8
02	2.9	1.6	12.9	5.2
03	2.9	1.6	12.8	5.2
04	2.7	1.7	12.8	5.3
05	2.7	1.5	12.6	5.2
06	2.7	1.4	12.3	5.2
07	2.7	1.6	12.3	5.2
08	2.8	1.6	12.3	5.1
09	2.8	1.5	12.3	5.4
10	5.0	1.3	12.3	5.4
11	3.1	1.4	12.2	5.3
12	3.9	1.5	12.0	5.3

## ҮНЭТ ЦААСНЫ ХҮҮ

## Security rate

жилийн хүү, хувиар

Central bank's bills rate					Government treasury bill yield (as a trading rate)								
Policy rate	Weighted average rate	By maturity			By maturity								
		1 week	4 week	7 week	12 weeks	28 weeks	39 weeks	1 year	1.4-1.5 year	2 years	3 years	5 years	10 years
	8.6	8.5	10.5										
	8.6	6.8	8.8										
	9.9	10.0	10.9										
	11.5	9.2	11.9										
	15.8	15.5	15.9										
	4.8		3.8										
	6.4												
8.4	9.9	8.4		11.50									
9.8	14.8	9.8		17.77									
10.0	10.8	10.0		10.95									
11.0	11.0	11.0		10.22									
12.3	14.3	12.3		15.28									
13.3	15.5	13.3		16.45	12.9	13.3							
12.5	14.2	13.2		14.98	12.8	12.9		11.7					
12.5	13.5	12.5		14.36	11.0	10.5		11.0					
12.5	13.3	12.5		14.24	10.3	10.3		10.2					
11.5	12.9	12.0	11.5	13.67	10.2	10.4		0.0					
11.5	12.1	11.5	11.6		10.4	10.8		10.4					
10.5	11.4	11.3	11.6		8.8	10.1		10.1			10.5	9.6	
10.5	10.5	10.5	9.9		7.7	7.8		8.0					
10.5	10.6	10.5	10.8		8.8	8.4		9.8					
10.5	10.5	10.5	10.9		9.0	10.5		9.7					
10.5	10.5	10.5	10.7		8.2	8.3		9.2			10.0	10.4	
10.5	10.5	10.5	10.7		8.5	8.4		9.0	10.3		10.7		12.7
10.5	10.5	10.5	10.8		9.2	10.0		0.0			10.7		12.9
10.5	10.5	10.5	10.8		9.2	9.7		10.8			11.1		
10.5	10.6	10.5	10.9		10.6	10.9		11.2				13.0	14.3
10.5	10.6	10.5	10.9		10.6	10.7		12.3			13.6	14.7	
10.5	10.6	10.5	10.9		9.3	10.5		10.0			12.7		17.5
10.5	10.6	10.5	10.8		9.1	9.4		9.5			11.6	13.8	
10.5	10.6	10.5	10.8		9.3	9.8		9.5			11.5	14.8	
12.0	10.6	10.5	10.7		11.2	9.8		12.0				14.8	
12.0	11.8	11.8	12.1		15.1	15.4		15.5					
12.0	12.1	12.0	12.5		15.6	16.2		16.1					
12.0	12.1	12.0	12.5		15.8	16.2		16.4			16.8		
12.0	12.1	12.0	12.5		16.0	16.3		16.7			16.8		
12.0	12.1	12.0	12.5		14.7	16.4		16.7					
13.0	12.3	12.3	12.9		14.8	15.3		16.2					
13.0	13.1	13.0	13.5		15.5	15.8		16.8					
13.0	13.1	13.0	13.5		15.2	15.8		16.4			16.9		
13.0	13.1	13.0	13.5		15.0	15.5		16.0					
13.0	13.0	13.0	13.5		14.7	15.0		15.9			16.7		
13.0	13.0	13.0	13.5		14.4	14.9		15.1					
13.0	13.0	13.0	13.4		14.3	14.3		14.6					
13.0	13.0	13.0	13.4		14.0	14.1		14.7					

13.0	13.0	13.0	13.4		13.8	13.9		14.4	
13.0	13.0	13.0	13.3		13.9	14.3		15.0	15.8
13.0	13.0	13.0	13.3		13.8	13.8		14.9	
13.0	13.0	13.0	13.2		14.9	14.0		15.2	16.0
12.0	12.6	12.6	12.3		13.6	14.1		14.9	
12.0	12.0	12.0	12.4		13.6	15.7		16.0	15.5
12.0	12.0	12.0	12.4		14.5	14.1		16.0	
12.0	12.0	12.0	14.4		13.2		14.4	15.5	
10.5	10.6	10.6	10.8						
10.5	10.5	10.5	10.8						
10.5	10.5	10.5	10.7						
15.0	12.3	11.8	10.6	16.99	16.0				
15.0	16.0	15.0		16.98	15.7	16.9	17.0	17.0	
15.0	16.2	15.0		16.97	16.7	16.9	17.0	17.0	
15.0	16.1	15.0		16.97	17.0	16.9	17.0	17.0	
14.0	14.5	14.5			17.6	17.5		17.5	
14.0	14.0	14.0			13.6	14.1		14.9	
14.0	14.0	14.0			13.6	15.7		16.0	15.5
14.0	14.0	14.0			14.5	14.1		16.0	
14.0	14.0	14.0			13.2		14.4	15.5	
14.0	14.0	14.0							
12.0	12.9	12.9							
12.0	12.0	12.0							
12.0	12.0	12.0			16.0				
12.0	12.0	12.0			15.7	16.9	17.0	17.0	
12.0	12.0	12.0			16.7	16.9	17.0	17.0	
12.0	12.0	12.0			17.0	16.9	17.0	17.0	
11.0	11.7	11.7			17.6	17.5		17.5	
11.0	11.0	11.0							
11.0	11.0	11.0							
10.0	10.8	10.8							
10.0	10.0		10.0						
10.0	10.0		10.0						
10.0	10.0		10.0						
10.0	10.0		10.0						
10.0	10.0		10.0						
10.0	10.0		10.0						
10.0	10.0		10.0						
10.0	10.0		10.0						
11.0	10.1		10.0						
11.0	11.1		11.0						

## ЗЭЭЛИЙН ХҮҮ

## Loan rate

жилийн хүү, хувиар

End of period	Interbank market rate						Weighted average lending rates (issued)						Weighted average lending rates (outstanding)				Paid rate
	Interbank loans	Repos	Central bank bills	Overnight loans	Interbank deposits	Weighted average rate	Domestic currency	Foreign currency	Domestic currency (including price stabilization program)	Foreign currency (including price stabilization program)	Domestic currency	Foreign currency	Domestic currency (including price stabilization program)	Foreign currency (including price stabilization program)	Domestic currency	Foreign currency (including price stabilization program)	
2000 12							34.7	25.8									
2001 12							41.4	22.2									
2002 12	15.9	7.2	5.2	12.0		6.9	33.4	19.8									30.7
2003 12	15.6	9.6	11.9			10.2	31.5	19.6									30.2
2004 12	15.9	15.6	15.7	15.5		15.4	30.0	17.9									25.0
2005 12	13.2	4.4	4.9	6.1		6.1	28.3	14.8									23.5
2006 12	5.8	6.1		6.2		6.1	24.5	15.5									23.0
2007 12	8.4	6.8	8.1	8.7		8.8	19.9	14.2									21.7
2008 12	11.0			19.8		14.7	20.4	16.8									19.3
2009 12	11.0	7.5	9.9	7.2		8.9	20.8	16.5									18.7
2010 12	11.2	10.5	10.3	11.1		6.5	17.9	12.6									19.0
12	11.5	12.7	12.8	12.6		8.1	15.5	12.1									16.6
12		14.8		18.6		9.8	18.2	13.5	14.9	12.2							16.1
2013 01		13.9	13.7	14.9		10.6	18.9	13.6	18.7	13.6							16.1
02		13.3	13.4	13.8		7.2	19.1	13.1	18.1	13.1							16.0
03		12.9	12.5	14.2		7.1	19.6	14.2	19.5	14.2							15.9
04		12.1	12.1	13.9		8.7	19.1	13.2	17.6	13.2							16.0
05		11.5	11.4	12.1		8.1	18.5	13.2	16.2	13.2							16.2
06		10.4	11.4	11.3		8.8	17.9	12.3	15.8	12.3							16.1
07		9.6	9.9	9.5		7.5	17.3	12.8	15.1	12.8							15.2
08		10.9	10.7	10.1		6.7	18.9	12.5	16.0	12.5							15.2
09		10.6	10.7	10.8		8.6	19.0	12.1	15.3	12.1							15.2
10		10.5	10.5	11.0		8.6	18.8	12.0	16.0	12.3							15.2
11		10.5	10.5	10.7		8.1	17.3	12.3	15.7	12.3							15.1
12		10.5	10.5	10.8		7.0	17.4	12.7	14.9	12.7							15.1



2014	01	10.5	10.5	10.5	10.5	8.6	10.3	18.9	12.4	17.0	12.4	15.1
	02	10.5	10.5	10.6	10.6	8.5	10.9	18.4	13.8	16.4	13.7	14.9
	03	10.6	10.5	10.1	8.2	11.1	19.7	12.7	17.8	17.6	12.7	15.0
	04	10.5	10.5	10.5	8.2	9.7	19.4	12.1	17.6	17.6	12.1	14.8
2015	05	10.8	10.5	10.7	9.3	10.4	19.1	12.1	17.2	17.2	12.1	14.7
	06	10.5	10.5	10.9	9.1	10.4	18.8	12.4	17.3	17.3	12.4	14.7
	07	10.6	10.5	10.6	11.4	11.1	19.2	13.3	17.5	17.5	13.3	15.3
	08	12.0	12.2	12.4	12.6	12.8	19.6	13.5	17.6	17.6	13.5	15.3
2016	09	12.0	12.0	12.5	12.4	12.7	18.3	13.8	16.3	16.3	13.8	15.4
	10	12.0	12.2	12.6	12.9	12.7	18.9	12.5	16.9	16.9	12.5	15.4
	11	12.1	12.2	12.5	12.2	12.6	18.6	12.7	17.1	17.1	12.7	15.4
	12	12.0	12.3	12.3	12.0	12.1	19.5	12.9	16.9	16.9	12.9	15.4
2017	01	12.6	12.4	12.8	14.7	13.0	20.0	13.6	16.9	16.9	13.6	15.5
	02	13.1	13.0	13.2	12.9	13.3	19.0	14.2	18.0	18.0	14.2	15.7
	03	13.0	13.0	13.4	13.0	12.1	19.1	11.7	17.6	17.6	11.7	15.7
	04	13.0	13.0	13.4	14.5	12.6	20.2	12.9	18.6	18.6	12.9	15.7
2018	05	13.0	13.0	13.2	14.5	13.6	19.8	12.9	18.4	18.4	12.9	15.8
	06	13.1	13.0	13.4	13.7	13.3	19.8	11.8	18.2	18.2	11.8	15.9
	07	13.2	13.0	13.4	13.7	13.4	19.4	12.6	18.4	18.4	12.6	15.8
	08	13.1	13.0	14.3	13.6	13.8	20.1	12.2	19.1	19.1	12.2	15.9
2019	09	13.1	13.0	13.7	11.9	13.3	18.7	10.5	17.6	17.6	10.5	16.0
	10	13.3	13.0	13.5	13.9	13.5	20.0	11.4	18.6	18.6	11.4	16.1
	11	13.2	13.0	13.5	8.5	12.1	19.5	12.1	18.5	18.5	12.1	16.3
	12	13.3	13.0	13.6	8.7	12.1	19.1	12.0	18.3	18.3	12.0	16.4
2020	01	12.9	12.8	12.6	6.9	12.3	19.7	12.3	19.1	19.1	12.3	16.4
	02	12.9	12.0	12.9	8.9	11.9	20.1	12.6	19.1	19.1	12.6	16.4
	03	13.1	12.1	12.0	13.3	12.7	19.7	12.4	17.9	17.9	12.4	16.5
	04	12.7	12.1	12.9	14.1	13.1	20.0	11.2	17.5	17.5	11.2	16.3
2021	05	11.8	12.0	12.4	10.5	12.4	19.1	11.7	17.2	17.2	11.7	16.3
	06	11.0	10.5	11.4	11.9	11.4	19.1	10.7	16.9	16.9	10.7	16.4
	07	10.9	10.4	11.0	11.2	11.0	19.2	13.2	17.3	17.3	13.2	16.5
	08	13.8	12.6	13.6	15.5	13.6	19.4	13.3	18.4	18.4	13.3	16.3
2022	09	15.5	15.1	16.1	16.0	16.0	20.1	12.5	19.4	19.4	12.5	16.7
	10	15.9	15.0	15.8	14.7	15.6	20.2	12.5	19.7	19.7	12.5	16.6

11	15.6	15.8	16.2	15.5	16.0	20.6	12.8	19.7	12.8	18.5	11.8	16.3	11.8	16.6
12	15.6	15.4	15.7	14.8	15.6	19.7	13.0	19.1	13.0	18.5	12.0	16.3	12.0	16.7
2017 01	14.8	14.0	14.7	15.7	14.5	20.2	12.3	19.6	12.3	18.5	12.1	16.3	12.1	16.7
02	14.4	13.9	15.1	15.2	14.9	20.1	11.4	19.1	11.4	18.6	12.0	16.5	12.0	16.6
03	14.3	14.0	15.4	14.1	14.9	20.2	11.1	19.3	11.1	18.5	11.9	16.5	11.9	16.6
04	14.4	14.0	15.2	14.6	14.9	20.0	13.1	19.4	13.1	18.3	11.9	16.4	11.9	16.9
05	14.5	14.0	15.9	14.0	14.7	20.4	12.1	19.8	12.1	18.7	11.9	16.6	11.9	16.9
06	13.0	13.4	12.8	13.5	12.8	20.3	12.5	19.9	12.5	18.3	11.6	16.5	11.6	17.0
07	11.8	12.0	12.4	12.0	12.2	20.1	11.7	19.7	11.7	18.2	11.6	16.5	11.6	17.0
08	12.0	12.0	12.2	12.8	12.2	20.1	11.7	19.8	11.7	18.2	11.5	16.6	11.5	17.2
09	12.3	11.9	12.1	12.5	12.0	20.0	11.6	19.7	11.6	18.4	11.4	16.7	11.4	16.9
10	12.2	12.0	11.9	12.8	12.1	20.1	9.8	19.7	9.8	18.2	11.3	16.8	11.3	16.9
11	12.1	12.0	11.9	12.3	12.0	19.8	11.8	19.4	11.8	18.1	11.3	16.8	11.3	17.1
12	11.6	11.8	11.4	12.2	11.7	19.0	11.6	18.6	11.6	18.1	11.2	16.8	11.2	17.0
2018 01	11.1	10.9	10.7	11.4	10.8	19.4	10.2	19.2	10.2	18.2	11.2	17.0	11.2	17.2
02	11.2	10.9	11.0	11.1	11.0	19.1	11.0	18.9	11.0	18.1	11.0	17.0	11.0	17.2
03	10.7	10.7	10.7	9.8	10.7	19.1	10.9	18.9	10.9	18.1	11.0	17.0	11.0	17.3
04	10.0	10.0	9.9	9.6	10.0	19.3	10.0	19.1	10.0	18.0	10.8	16.9	10.8	17.4
05	10.0	10.0	10.0	9.8	10.0	18.7	9.9	18.5	9.9	17.9	10.9	16.9	10.9	17.4
06	10.0	10.0	9.9	11.0	10.1	18.0	10.0	17.7	10.0	17.8	10.7	16.8	10.7	17.9
07	10.0	10.0	10.0	10.1	9.8	17.8	10.4	17.6	10.4	17.6	10.7	16.8	10.7	17.4
08	10.0	10.0	9.9	10.1	10.0	18.1	10.2	18.0	10.2	17.6	10.6	16.8	10.6	17.7
09	10.1	10.0	10.0	10.1	10.0	17.7	9.8	17.6	9.8	17.5	10.7	16.8	10.7	17.6
10	10.0	10.0	10.0	10.5	10.0	17.6	10.0	17.5	10.0	17.4	10.7	16.7	10.7	17.3
11	10.2	10.1	10.3	10.8	10.2	17.2	10.5	17.0	10.5	17.3	10.7	16.7	10.7	17.3
12	10.5	11.0	11.0	11.1	10.8	16.9	8.8	16.7	8.8	17.1	10.5	16.5	10.5	17.2

## ХАДГАЛАМЖИЙН БАЙГУУЛЛАГУУДЫН ЗЭЭЛИЙН ҮЛДЭГДЭЛ

## Depository corporations outstanding loan

сая төгрөг

End-of-period	Total loans outstanding		Of which:					
	Amount	Monthly changes	Loans	Of which: By sectors				
				Public sector	Private sector	Individuals	Other financial corporations	Other
2001 12	135,070.7	5.2	124,204.8	9,534.4	108,722.7			5,947.7
2002 12	231,449.8	9.4	214,885.5	11,318.3	194,578.2			8,989.0
2003 12	442,148.1	2.7	405,448.2	15,647.4	335,978.3			53,822.5
2004 12	606,798.6	2.5	546,063.4	12,560.1	320,077.8	196,020.3	454.6	16,950.6
2005 12	859,851.8	4.4	789,451.2	34,112.2	437,639.1	304,817.1	498.3	12,384.4
2006 12	1,223,287.3	3.5	1,129,945.4	36,255.6	594,446.6	483,212.6	1,593.9	14,436.8
2007 12	2,056,060.8	4.8	1,947,669.5	25,939.1	1,089,555.3	810,622.5	2,495.6	19,057.0
2008 12	2,635,551.6	-1.2	2,353,561.2	33,624.9	1,348,449.7	955,037.6	3,348.0	13,101.0
2009 12	2,655,000.4	0.9	2,071,259.4	18,594.3	1,238,995.1	800,490.4	4,665.7	8,513.8
2010 12	3,265,673.9	4.9	2,800,759.3	17,073.9	1,471,293.9	1,293,908.2	14,037.6	4,445.7
2011 12	5,643,357.3	3.7	5,239,659.4	100,646.0	2,745,096.9	2,371,623.3	17,388.0	4,905.1
2012 01	5,649,751.9	0.1	5,249,290.5	58,975.0	2,785,723.9	2,384,813.2	13,679.4	6,099.0
02	5,708,008.2	1.0	5,323,519.3	58,554.5	2,809,389.7	2,434,326.5	15,082.0	6,166.5
03	5,783,279.9	1.3	5,401,679.3	58,162.4	2,845,476.0	2,475,575.9	16,386.3	6,078.6
04	5,937,756.6	2.7	5,549,986.8	51,526.7	2,946,813.5	2,528,526.9	15,165.8	7,953.9
05	6,123,004.0	3.1	5,747,295.1	56,425.5	3,039,112.2	2,628,561.3	16,129.1	7,066.9
06	6,319,989.1	3.2	5,960,375.7	54,763.8	3,171,047.2	2,715,807.7	11,730.2	7,026.8
07	6,430,323.5	1.7	6,039,442.0	58,813.4	3,232,577.5	2,728,521.2	11,411.5	8,118.4
08	6,676,899.1	3.8	6,263,962.7	65,357.4	3,305,357.2	2,872,273.8	10,610.6	10,363.6
09	6,869,164.0	2.9	6,445,870.3	65,459.5	3,385,436.6	2,975,784.0	10,226.3	8,963.9
10	6,857,244.1	-0.2	6,418,601.5	40,378.2	3,365,491.5	2,993,665.0	10,207.9	8,858.9
11	6,869,465.7	0.2	6,423,357.0	42,856.6	3,348,047.8	3,014,259.5	9,754.9	8,438.2
2012 12	6,992,230.3	1.8	6,586,513.8	35,394.4	3,501,852.6	3,030,697.7	9,665.0	8,904.1
2013 01	7,143,689.6	2.2	6,730,405.8	33,239.9	3,551,634.3	3,129,060.3	8,082.7	8,388.7
02	7,169,965.4	0.4	6,753,154.3	13,940.7	3,557,961.4	3,164,004.9	9,000.7	8,246.6
03	7,385,101.8	3.0	6,976,672.1	31,107.6	3,635,804.2	3,291,006.3	11,426.7	7,327.2
04	7,765,533.1	5.2	7,344,188.4	30,001.5	3,878,932.9	3,416,948.8	11,048.9	7,256.3
05	8,228,552.0	6.0	7,764,116.9	44,260.6	4,106,765.7	3,594,914.3	10,850.5	7,325.8
06	8,609,865.5	4.6	8,143,543.1	46,630.4	4,347,974.1	3,729,723.3	10,853.4	8,361.8
07	9,119,299.3	5.9	8,505,312.6	48,819.9	4,497,633.9	3,932,014.1	12,257.0	14,587.7
08	9,784,970.8	7.3	9,133,718.9	50,525.0	4,786,121.0	4,275,879.5	13,803.4	7,390.0
09	10,155,267.4	3.8	9,464,655.5	59,100.1	4,895,735.1	4,475,823.8	19,404.4	14,592.1
10	10,491,743.7	3.3	9,761,636.6	58,899.0	5,028,407.8	4,645,308.9	19,920.5	9,100.5
11	10,824,267.2	3.2	10,090,671.9	78,360.7	5,244,403.4	4,723,730.2	21,528.3	22,649.3
12	10,771,162.9	-0.5	10,087,000.2	80,032.1	5,418,355.6	4,562,686.4	19,067.8	6,858.4
2014 01	11,016,757.1	2.3	10,282,695.1	122,384.7	5,391,599.4	4,743,981.4	19,300.4	5,429.2
02	11,154,865.0	1.3	10,358,025.0	73,827.7	5,452,417.4	4,806,020.1	20,572.6	5,187.2
03	11,381,875.2	2.0	10,507,818.2	73,439.9	5,447,632.3	4,961,759.9	19,810.9	5,175.1
04	11,738,697.2	3.1	10,823,520.4	72,133.9	5,597,210.7	5,123,127.7	25,134.8	5,913.4
05	12,066,831.2	2.8	11,065,845.2	72,007.5	5,671,337.3	5,301,934.4	14,900.0	5,665.9
06	12,303,987.1	2.0	11,298,768.9	74,515.8	5,703,750.0	5,486,792.6	26,222.4	7,488.0
07	12,227,339.0	-0.6	11,077,516.7	97,050.8	5,618,144.8	5,341,749.9	12,762.7	7,808.5
08	12,339,691.4	0.9	11,192,598.4	114,203.7	5,541,687.3	5,511,938.3	15,899.3	8,869.8
09	12,612,837.6	2.2	11,557,814.0	142,294.4	5,757,319.4	5,624,492.1	24,562.0	9,146.1

10	12,833,536.8	1.7	11,776,459.4	132,723.5	5,899,095.9	5,708,780.2	25,311.5	10,548.3
11	12,649,354.1	-1.4	11,584,666.2	129,685.9	5,973,001.6	5,443,580.4	28,265.8	10,132.4
12	12,503,507.9	-1.2	11,608,320.0	128,074.0	5,868,354.0	5,569,749.8	33,976.4	8,165.8
2015 01	12,089,802.8	-3.3	11,114,667.9	114,400.9	5,794,995.4	5,167,934.9	29,241.1	8,095.6
02	12,179,077.0	0.7	11,113,971.7	106,477.0	5,746,378.0	5,228,503.6	24,359.7	8,253.5
03	12,273,555.2	0.8	11,010,959.8	96,684.4	5,533,496.8	5,345,858.5	28,808.3	6,111.7
04	12,298,866.5	0.2	10,964,052.2	91,267.4	5,436,440.7	5,400,689.2	30,440.3	5,214.6
05	12,182,137.1	-0.9	10,842,507.0	86,521.6	5,256,610.4	5,462,804.5	31,041.3	5,529.1
06	11,953,735.2	-1.9	10,575,949.7	95,102.9	5,205,164.4	5,245,520.8	26,467.4	3,694.3
07	11,998,891.5	0.4	10,457,815.0	99,932.8	5,090,562.6	5,227,728.9	31,529.6	8,061.1
08	11,846,582.2	-1.3	10,200,756.8	98,585.9	5,026,250.4	5,036,775.7	29,396.8	9,747.9
09	11,944,275.2	0.8	10,263,145.1	165,304.1	4,978,972.3	5,084,017.8	27,053.6	7,797.3
12	11,706,596.2	-1.6	9,982,779.1	212,494.7	4,930,020.9	4,804,841.5	28,142.6	7,279.5
2016 01	11,789,319.7	0.7	9,956,636.6	224,954.5	4,840,786.0	4,857,378.0	26,317.3	7,200.8
02	11,636,177.6	-1.3	9,734,458.3	216,408.0	4,815,514.8	4,667,672.5	27,866.8	6,996.2
03	11,835,465.1	1.7	9,902,542.1	207,663.1	4,839,057.3	4,820,050.9	28,321.8	7,449.1
04	11,637,256.5	-1.7	9,652,113.5	177,877.9	4,692,459.6	4,746,271.4	27,186.6	8,318.1
05	11,449,736.9	-1.6	9,501,513.1	82,186.8	4,564,081.7	4,820,126.8	27,480.1	7,637.8
06	12,030,355.9	5.1	10,163,110.2	86,373.6	5,069,503.9	4,969,036.7	31,341.9	6,854.1
07	12,104,519.2	0.6	10,238,132.1	87,591.7	5,164,963.4	4,949,114.6	29,621.7	6,840.7
08	12,441,978.0	2.8	10,487,824.8	81,972.6	5,250,706.4	5,116,529.8	30,987.3	7,628.7
09	12,490,873.6	0.4	10,582,537.6	78,919.8	5,234,868.9	5,239,614.0	21,965.1	7,169.7
10	12,565,961.8	0.6	10,535,190.4	80,271.6	5,208,711.2	5,212,048.8	29,140.7	5,018.1
11	12,718,495.9	1.2	10,589,730.5	77,690.7	5,187,028.9	5,288,464.1	31,590.3	4,956.4
12	12,422,719.9	-2.3	10,466,749.7	55,059.6	5,004,367.9	5,373,295.7	28,798.0	5,228.5
2017 01	12,379,975.2	-0.3	10,378,146.2	52,755.6	4,840,244.8	5,445,612.3	33,626.8	5,906.7
02	12,584,005.0	1.6	10,463,540.6	56,263.6	4,878,646.7	5,490,410.3	32,524.8	5,695.3
03	12,678,515.4	0.8	10,647,905.5	43,828.4	4,987,593.4	5,578,300.7	32,605.0	5,578.1
04	12,707,157.3	0.2	10,610,601.8	40,562.3	4,864,166.3	5,666,975.3	33,701.7	5,196.2
05	12,711,501.8	0.0	10,622,901.6	91,739.0	4,910,992.9	5,572,642.3	41,558.6	5,968.8
06	12,903,057.4	1.5	10,973,772.4	70,305.0	5,076,629.9	5,763,744.2	54,951.2	8,142.1
07	13,038,365.9	1.0	10,996,514.2	80,793.0	5,050,530.5	5,812,497.0	45,067.0	7,626.7
08	13,264,967.7	1.7	11,154,711.0	34,906.5	5,018,952.0	6,051,519.0	41,039.6	8,293.9
09	13,421,428.1	1.2	11,424,946.1	32,614.4	5,101,520.5	6,240,161.5	41,729.5	8,920.1
10	13,386,591.2	-0.3	11,243,677.8	35,360.4	4,980,570.7	6,183,332.5	35,945.6	8,468.6
11	13,498,270.6	0.8	11,448,524.4	25,224.0	5,085,825.6	6,299,991.0	32,367.0	5,116.9
12	13,615,069.3	0.9	11,638,788.3	23,519.0	5,179,568.5	6,386,157.5	44,500.8	5,042.5
2018 01	13,654,499.7	0.3	11,524,009.6	29,640.7	5,061,471.2	6,380,738.4	4,788.6	47,370.7
02	13,825,382.6	1.3	11,566,332.2	30,295.9	4,966,466.6	6,513,986.7	5,388.0	50,194.8
03	14,139,487.0	2.3	11,971,758.6	28,506.2	5,176,947.4	6,713,972.4	4,469.9	47,862.7
04	14,475,685.7	2.4	12,290,238.4	28,853.1	5,328,920.1	6,878,111.4	4,163.2	50,190.7
05	14,979,603.6	3.5	12,818,665.5	30,118.7	5,661,878.1	7,085,908.3	3,940.6	36,819.8
06	15,396,970.5	2.8	13,250,408.5	29,377.6	5,924,244.9	7,239,190.5	6,133.2	51,462.2
07	15,605,274.3	1.4	13,237,815.7	24,005.6	5,807,555.5	7,353,127.6	7,666.9	45,460.1
08	15,942,915.1	2.2	13,556,873.3	17,588.6	5,876,159.0	7,610,924.9	10,600.8	41,600.1
09	16,342,356.2	2.5	13,991,902.2	34,000.7	6,035,630.6	7,850,347.7	9,422.8	62,500.5
10	16,455,734.2	0.7	13,451,227.2	41,315.2	5,321,427.2	8,026,954.0	10,559.1	50,971.8
11	16,718,870.5	1.6	13,677,883.3	41,779.3	5,292,017.5	8,275,537.5	10,878.4	57,670.6
12	17,225,673.3	3.0	14,592,431.8	102,573.6	5,725,710.1	8,675,802.9	10,698.8	77,646.3

## ХАДГАЛАМЖИЙН БАЙГУУЛЛАГУУДЫН ЗЭЭЛИЙН ҮЛДЭГДЭЛ

## Depository corporations outstanding loan

сая төгрөг

End-of-period						
	Principal in arrears	Of which: By sectors				
		Public sector	Private sector	Individuals	Other financial corporations	Other
2001 12	1,798.3					
2002 12	4,819.4					
2003 12	15,549.7					
2004 12	21,617.1	209.3	16,685.0	4,709.3		13.6
2005 12	20,929.6	45.8	15,124.4	3,899.4		1,859.9
2006 12	33,320.4	369.9	22,252.8	8,674.6	2.7	2,020.4
2007 12	40,320.0	872.1	32,283.1	7,134.9	30.0	0.0
2008 12	93,323.1	1,046.3	74,988.0	17,278.1	10.8	0.0
2010 12	121,739.5	1,674.9	96,447.6	23,531.9	10.9	74.1
2010 12	90,557.1	0.0	76,197.3	9,212.4	0.0	5,147.3
2011 12	73,736.9	0.0	42,061.7	31,662.7	12.6	0.0
2012 01	73,822.9	0.0	35,550.7	38,269.9	2.4	0.0
02	61,172.1	0.0	29,988.3	31,162.1	21.8	0.0
03	61,438.1	0.0	30,153.9	31,284.2	0.0	0.0
04	71,159.1	7,458.0	32,023.3	31,677.8	0.0	0.0
05	60,055.9	0.0	30,603.6	29,402.4	50.0	0.0
06	51,777.5	1,765.3	31,748.2	18,251.3	12.7	0.0
07	85,133.2	0.0	63,516.6	21,576.6	40.0	0.0
08	100,632.1	0.0	76,887.0	22,724.1	20.0	1,001.0
09	117,001.2	0.0	90,758.3	25,242.2	0.0	1,000.7
10	132,473.5	0.0	103,597.0	27,867.9	0.0	1,008.5
11	147,657.5	0.0	120,898.1	25,217.7	0.0	1,541.7
12	110,620.0	0.0	83,907.5	26,380.7	0.0	331.7
2013 01	105,498.6	0.0	77,928.5	27,555.1	15.0	0.0
02	110,870.7	0.0	79,206.9	31,663.8	0.0	0.0
03	99,851.7	0.0	68,542.1	31,309.6	0.0	0.0
04	110,872.6	0.0	78,117.1	32,755.5	0.0	0.0
05	146,428.0	0.0	114,768.2	31,659.8	0.0	0.0
06	149,744.0	0.0	115,274.5	34,469.5	0.0	0.0
07	161,280.9	0.0	123,918.8	37,347.1	0.0	15.0
08	186,415.5	0.0	145,773.2	40,619.7	0.0	22.6
09	153,448.3	0.0	111,691.1	41,736.6	0.0	20.6
10	169,723.9	0.0	123,037.1	46,003.5	0.0	683.2
11	161,107.9	0.0	111,812.0	48,913.0	8.5	374.5
12	118,206.2	13.9	73,382.6	44,809.7	0.0	0.0
2014 01	152,122.0	13.9	95,845.9	56,262.2	0.0	0.0
02	198,955.9	13.9	139,293.3	59,648.6	0.0	0.0
03	279,596.3	0.0	219,317.5	60,278.7	0.0	0.0
04	299,020.4	41.0	237,629.0	61,350.4	0.0	0.0
05	381,216.6	550.9	316,281.8	64,346.9	0.0	36.9
06	438,255.0	35.7	371,775.3	66,444.0	0.0	0.0
07	550,115.6	3,779.1	446,818.2	99,518.4	0.0	0.0
08	527,090.5	1,954.3	433,814.6	91,302.4	0.0	19.2
09	464,584.0	1,768.8	372,819.0	89,979.0	0.0	17.2

10	450,722.1	1,596.9	330,977.6	118,144.6	0.0	3.0
11	444,661.1	2,458.4	320,018.6	122,173.5	0.0	10.5
12	269,488.7	1.3	196,614.9	70,863.5	0.0	2,009.1
2015 01	317,720.3	2.7	199,686.6	116,011.0	0.0	2,020.0
02	398,087.5	1,910.9	254,870.8	141,295.8	0.0	10.0
03	559,638.8	320.5	449,370.7	109,937.8	0.0	9.8
04	587,771.6	250.7	472,545.7	114,413.2	555.5	6.4
05	600,632.3	157.3	482,596.3	117,733.2	4.6	140.9
06	603,880.2	85.7	491,632.7	110,267.3	0.0	1,894.4
07	716,446.4	11,091.2	577,030.8	126,484.9	0.0	1,839.6
08	780,351.3	11,170.8	630,040.7	139,124.1	0.0	15.6
09	828,662.5	11,103.5	692,903.9	122,585.6	211.4	1,858.0
12	853,976.5	11,228.6	740,931.4	99,881.5	48.7	1,886.3
2016 01	938,733.0	11,199.0	784,060.4	141,249.0	300.0	1,924.6
02	990,644.8	11,579.8	821,655.6	155,445.5	0.0	1,964.0
03	965,059.5	11,281.5	800,658.4	151,092.5	2.6	2,024.5
04	911,322.2	11,429.3	740,916.0	157,005.7	2.1	1,969.2
05	885,530.5	9,444.6	715,791.3	155,506.0	2,865.6	1,923.0
06	831,677.3	9,375.2	682,641.0	137,728.7	0.7	1,931.6
07	836,795.4	0.0	674,451.6	160,272.4	2,014.9	56.5
08	828,020.2	0.0	664,169.3	161,774.5	2,020.9	55.5
09	789,074.2	129.0	645,760.0	140,364.0	2,753.0	68.2
10	890,684.2	650.6	729,173.4	155,193.4	5,586.3	80.6
11	961,760.1	650.9	807,444.0	150,827.9	2,739.8	97.4
12	904,289.8	562.4	781,129.2	119,797.3	2,732.1	68.7
2017 01	945,678.6	528.9	797,843.9	144,441.6	2,767.8	96.4
02	1,050,363.8	527.8	877,953.6	169,036.5	2,769.6	76.3
03	995,134.0	527.1	835,824.0	156,666.7	2,028.2	88.0
04	1,009,297.2	224.8	848,902.6	158,112.4	1,999.4	57.9
05	930,301.8	39.9	782,801.1	145,394.7	1,999.4	66.8
06	796,999.4	38.8	654,246.9	140,648.4	1,999.4	66.0
07	892,132.2	9,800.5	728,156.2	152,110.4	1,999.4	65.8
08	939,100.3	37.9	766,381.1	169,789.4	2,833.3	58.6
09	826,983.2	66.5	674,665.7	149,352.9	2,833.3	64.8
10	969,128.6	267.8	823,450.4	145,406.8	0.0	3.6
11	893,770.4	9,038.0	744,716.2	140,014.3	0.0	1.9
12	823,330.4	8,834.3	696,658.8	116,828.1	944.6	64.7
2018 01	936,914.1	33.6	793,922.4	142,012.5	1.4	944.2
02	992,958.4	8,971.2	835,648.1	146,860.6	1.1	1,477.5
03	935,928.0	9,233.9	769,812.3	152,024.4	1,332.0	3,525.4
04	978,430.7	9,233.1	820,893.4	144,029.7	1,331.8	2,942.7
05	940,774.8	8,830.2	797,392.7	132,278.2	331.5	1,942.3
06	829,547.5	8,830.8	694,688.6	124,078.0	9.1	1,940.9
07	1,035,665.6	19,186.4	858,776.7	155,752.3	9.2	1,940.9
08	1,018,499.0	29,868.2	838,354.3	149,276.4	0.0	1,000.0
09	991,034.6	20,230.5	827,384.6	142,410.3	9.2	1,000.0
10	1,044,054.3	18,572.6	881,800.2	142,681.5	0.0	1,000.0
11	973,965.5	15,856.2	805,358.7	152,741.5	9.2	0.0
12	848,752.3	12,432.0	710,005.7	125,314.6	0.0	1,000.0

## ХАДГАЛАМЖИЙН БАЙГУУЛЛАГУУДЫН ЗЭЭЛИЙН ҮЛДЭГДЭЛ

## Depository corporations outstanding loan

сая төгрөг

End-of-period	Non-performing loans	Of which: By sectors				
		Public sector	Private sector	Individuals	Other financial corporations	Other
2001 12	9,067.6					
2002 12	11,744.9					
2003 12	21,150.3					
2004 12	39,118.0	356.4	28,295.0	10,201.5	0.5	264.6
2005 12	49,471.0	11.1	36,301.1	12,890.3	0.5	268.1
2006 12	60,021.6	106.1	42,320.0	15,682.7	0.6	1,912.2
2007 12	68,071.3	520.7	44,311.1	21,021.2	302.9	1,915.4
2008 12	188,667.2	123.4	146,961.2	41,378.4	53.4	150.8
2010 12	462,001.5	160.2	380,811.0	80,870.0	34.6	125.7
2010 12	374,357.6	0.0	307,283.3	67,007.7	30.0	36.5
2011 12	329,961.1	0.0	277,384.7	51,522.6	68.5	985.3
2012 01	326,638.5	0.0	274,230.0	51,359.8	64.1	984.7
02	323,316.7	0.0	269,260.6	52,958.9	61.8	1,035.4
03	320,162.6	0.0	271,811.2	47,453.7	58.8	838.9
04	316,610.6	0.0	268,133.2	47,585.9	52.6	838.9
05	315,653.0	7,426.1	258,529.5	48,239.5	41.4	1,416.4
06	307,836.0	7,579.8	248,570.2	50,815.2	31.4	839.4
07	305,748.3	7,542.8	245,802.8	51,086.1	431.7	884.9
08	312,304.3	5,770.9	253,368.2	52,243.3	41.6	880.3
09	306,292.5	5,826.8	254,060.3	45,492.8	40.0	872.6
10	306,169.1	5,807.0	254,474.6	44,973.7	41.1	872.7
11	298,451.2	5,805.5	246,631.7	45,141.6	39.8	832.7
12	295,096.5	6,565.5	242,309.4	43,842.5	46.6	2,332.6
2013 01	307,785.2	6,425.9	254,784.0	44,208.1	44.7	2,322.6
02	305,940.3	655.7	256,461.6	46,496.8	42.4	2,283.8
03	308,578.1	547.7	257,007.9	48,136.4	40.2	2,845.9
04	310,472.1	539.2	258,442.2	48,611.7	38.0	2,841.0
05	318,007.1	529.2	265,830.8	48,774.2	61.6	2,811.2
06	316,578.4	524.2	263,919.1	49,290.2	33.6	2,811.3
07	452,705.8	512.4	400,014.4	49,334.8	31.6	2,812.6
08	464,836.4	508.4	411,064.5	50,418.8	29.5	2,815.2
09	537,163.6	500.4	482,078.2	51,734.9	27.3	2,822.8
10	560,383.3	500.4	501,111.0	58,160.2	25.2	586.5
11	572,487.4	500.4	510,506.3	60,870.9	23.0	586.8
12	565,956.4	500.4	507,074.5	57,776.1	20.8	584.7
2014 01	581,940.0	500.4	521,158.8	59,676.0	18.6	586.1
02	597,884.1	430.5	536,234.7	60,655.8	16.4	546.6
03	594,460.8	444.4	535,377.5	58,078.2	14.2	546.4
04	616,156.3	444.4	553,803.2	61,849.0	12.0	47.7
05	619,769.4	444.4	560,219.3	59,047.7	9.8	48.2
06	566,963.3	444.4	515,327.9	51,135.0	7.6	48.4
07	599,706.7	476.6	545,048.6	54,126.7	5.4	49.4
08	620,002.5	476.6	559,732.6	59,745.3	0.0	48.0
09	590,439.5	476.6	524,740.1	65,174.1	0.0	48.7



10	606,355.3	475.6	536,755.1	69,075.4	0.0	49.2
11	620,026.9	475.6	541,740.1	77,761.2	0.0	50.0
12	625,699.2	475.6	554,278.9	70,883.3	0.0	61.4
2015 01	657,414.6	475.6	577,322.9	79,553.0	0.0	63.1
02	667,017.8	475.6	581,184.0	83,294.4	0.0	2,063.8
03	702,956.7	475.6	614,272.9	86,144.2	0.0	2,064.0
04	747,042.7	475.6	647,311.8	97,201.3	0.0	2,054.0
05	738,997.9	640.6	634,329.5	103,538.7	436.4	52.7
06	773,905.3	636.7	665,220.8	107,989.6	4.7	53.5
07	824,630.1	474.5	704,361.2	119,681.2	4.3	108.9
08	865,474.2	474.5	739,001.6	125,880.2	3.5	114.3
09	852,467.6	474.5	722,295.4	129,580.0	3.6	114.0
12	869,840.6	45.1	737,395.0	132,248.0	40.7	111.8
2016 01	893,950.1	74.7	753,306.6	140,416.0	40.6	112.1
02	911,074.4	105.7	759,874.2	150,641.2	340.6	112.7
03	967,863.5	83.8	815,884.7	151,496.0	340.7	58.4
04	1,073,820.8	81.9	903,534.5	169,795.1	340.8	68.4
05	1,062,693.2	9.4	885,247.7	176,982.9	340.0	113.3
06	1,035,568.5	42.3	855,636.0	179,441.0	340.0	109.1
07	1,029,591.7	40.4	835,478.8	191,889.6	218.7	1,964.2
08	1,126,133.1	38.3	923,623.7	200,287.0	218.7	1,965.2
09	1,119,261.8	36.3	925,195.6	192,048.5	220.0	1,761.4
10	1,140,087.3	75.8	941,578.3	198,085.7	219.4	128.0
11	1,167,005.3	51.1	969,365.7	197,220.5	239.0	129.1
12	1,051,680.5	40.8	854,557.6	196,696.5	237.2	148.2
2017 01	1,056,150.4	40.8	850,127.1	205,618.5	237.2	126.7
02	1,070,100.6	40.8	863,040.6	206,635.0	237.2	146.8
03	1,035,475.9	40.8	824,332.5	210,740.8	237.2	124.5
04	1,087,258.3	40.8	868,834.3	217,964.4	266.6	152.2
05	1,158,298.4	164.1	932,611.4	225,114.3	267.2	141.4
06	1,132,285.5	101.8	910,777.0	221,059.1	262.2	85.5
07	1,149,719.5	40.8	922,011.6	227,321.5	260.2	85.5
08	1,171,156.5	10,002.0	932,368.4	226,435.0	2,259.5	91.5
09	1,169,498.7	9,072.9	928,770.6	229,312.2	2,259.5	83.5
10	1,173,784.7	9,039.2	931,197.8	231,199.7	2,259.2	88.9
11	1,155,975.8	9,025.4	921,977.4	222,803.9	2,079.2	89.9
12	1,152,950.6	8,687.2	929,876.6	213,846.4	456.4	84.0
2018 01	1,193,576.1	17,401.3	960,525.3	215,111.7	84.0	453.8
02	1,266,092.0	8,292.9	1,035,931.6	218,498.4	84.0	3,285.1
03	1,231,800.4	7,534.7	1,000,004.3	220,894.6	83.7	3,283.1
04	1,207,016.6	6,609.4	972,545.9	223,959.5	83.7	3,818.2
05	1,220,163.3	6,555.9	975,100.6	231,644.5	1,076.2	5,786.2
06	1,317,014.5	6,108.7	1,076,513.8	227,256.6	1,407.2	5,728.3
07	1,331,792.9	5,420.4	1,087,864.9	231,372.6	1,406.7	5,728.3
08	1,367,542.9	5,340.5	1,126,410.0	229,660.5	404.3	5,727.5
09	1,359,419.4	4,909.4	1,113,744.4	236,467.1	1,404.3	2,894.1
10	1,960,452.7	4,483.3	1,687,510.2	263,219.8	1,404.3	3,835.1
11	2,067,021.7	4,569.3	1,799,262.0	257,329.4	1,404.0	4,457.1
12	1,784,489.2	4,601.2	1,519,400.8	254,634.4	1,397.4	4,455.3