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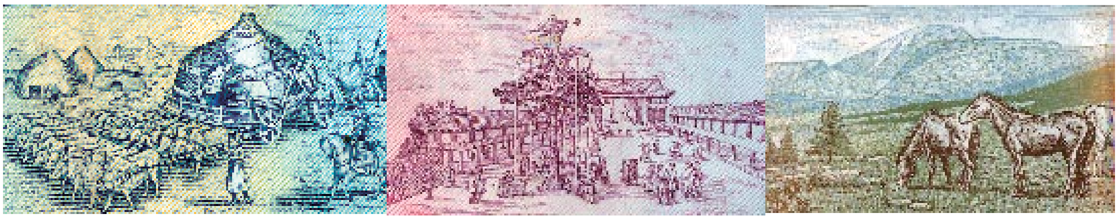


Message of the Chairman of the Representative Governing Board

Mr Fabio Calia

Dear Shareholders,

I am pleased to report that 2004 was a successful year for the Trade and Development Bank of Mongolia. During 2004 the Bank completed its transition to a market-based bank utilizing best international practices and benefiting from the most advanced international banking systems and methods. Today, TDBM has the most sophisticated systems and technology within the Mongolian banking sector. New risk management methods and know-how have been introduced and continue to be developed to ensure that Bank growth is properly managed and any risks are measured and controlled. During the second half of the year, the management team placed great emphasis on the development of commercial activities by focusing on the growth of the Bank's commercial lending and retail banking activities as well as the development of new product initiatives. This has resulted in a measurable improvement in the Bank's financial position as evidenced in the results for the fiscal year ended 31 December, 2004. For 2004, the Bank achieved record revenue with MNT 22.5 billion of combined interest and non-interest income. Similarly the net profit for the year of MNT 5.4 billion was the highest net profit realized by the Bank in its history when excluding one-time gains such as revaluation gains or non-performing loan recoveries.

There were other notable successes. In December, the Asian Development Bank (ADB) and the International Finance Company (IFC) were welcomed as shareholders of the Bank. In addition, the ADB and IFC provided the Bank with an USD 8 million subordinated Loan Agreement, further strengthening its capital base. As a consequence of this event, the growth in capital from the earnings of the Bank and the additional contributions to capital made by the other shareholders of the Bank, TDBM's total capital reached MNT 32 billion at the end of the year.

The Bank's performance in 2004 was made possible through the combined efforts of the Bank's Executive Committee comprised of Mr. Koppa, Chief Executive Officer, Mr. Monhbat, Deputy Chief Executive Officer and President, and Mr. Openshaw, Executive Chief Operating Officer, the Directors of the Bank, and the Bank's dedicated staff.

During 2004 the Bank appointed a new Chief Executive Officer, Mr. Randolph Koppa, who joined to lead the Bank in this new phase of its growth and development. Mr. Koppa brings four decades of banking expertise and experience and we are confident that the Bank's performance will continue to improve under his tenure. May I take this opportunity to also recognize the efforts of the Bank's Executive Chief Operating Officer, Mr. Dennis Openshaw, during the year. The contribution of Mr. Openshaw is visible throughout the Bank and we are very pleased that his efforts were recognized both within and outside of the Bank when he was awarded the prestigious and well-deserved Bank of Mongolia Banker of the Year Award. Mr. Koppa's and Mr. Openshaw's contributions are also part of TDBM's ongoing cooperation with ING Bank of the Netherlands as part of the ongoing Management and Technical Assistance program being provided by ING Bank to TDBM.

During 2004 Mr. Monhbat has built the strongest and most-qualified management team in the Mongolian Banking sector, a team that has demonstrated exceptional potential and which has responded outstandingly to the challenges and opportunities faced by the Bank in the year. The Representative Governing Board recognizes the contribution made by Mr. Monhbat and the Directors, who are the principal representatives of the Bank in its activities with its customers and counterparts. As 2005 progresses Mr. Monhbat will be implementing a variety of new banking products, strategies, and activities and leading the Bank into new sectors and markets that will continue to ensure TDBM's market leadership in Mongolia's financial sector.

Looking ahead to 2005 we fully expect the Bank to continue to produce strong results. The Bank is expanding its scope of activities in areas of operations such as private banking, syndicated lending, trade finance, project finance and investment banking, which will provide continued revenue growth, enable the Bank to recapture market share and compete effectively within the Mongolian financial market. The Bank has already taken steps to further expand its capital base which will allow it to better serve the needs of its customers and clients as well provide a solid foundation capable of responding to any challenges which may arise in the future.

The Bank will continue to invest in its staff by providing training through a variety of initiatives, both under the ING Management and Technical Assistance Agreement and under other programs available.

We look forward to strengthening our relationships with our customers and working harder to meet their needs and to provide them with the best possible service and products.

Similarly we will continue to expand TDBM's collaboration with the banking community in Mongolia to promote our existing ties with our partner banks as well as to develop a stronger and more transparent banking market within Mongolia.

The stable and well-managed regulatory environment in Mongolia has been very good for the development of the banking sector.

We welcome the ongoing involvement of all our shareholders in the activities of the Bank and are confident that the Bank will carry on providing them with an exceptional return on their investment and continued participation in the ownership of the Trade and Development Bank of Mongolia.

March 2005

Message of the Chief Executive Officer

Mr. Randolph Koppa

On behalf of the Trade and Development Bank of Mongolia, I am pleased to present the report on the Bank's performance for the year 2004.

In an ever-changing and challenging business environment, the TDBM has remained the leading corporate and trade bank in Mongolia and was able to report record earnings. After tax earnings were MNT 5.4 billion - a growth of 108.1 percent on 2003.

Average assets grew 17.7 percent to MNT 184.3 billion. Loans reached MNT 88.8 billion at year end, an increase of 60 percent. Average deposits grew 24.7 percent to MNT 135.4 billion.

Particular attention to risk management and collection of non-performing loans resulted in a reduction of past due and non-performing loans by MNT 5.8 billion or 33 percent. Recoveries exceeded new loan loss provisioning requirements, and the non-performing loans at year end were 94 percent covered by the allowance for loan losses.

In late December the Bank increased its capital base through the subscription by the IFC and ADB of USD 1.5 million each in newly issued shares, in addition to providing USD 8.0 million in five year subordinated debt. The aim was to strengthen the Bank's capital base, and increase its ability to meet the credit requirements of its corporate client base. This, plus the full retention of the Bank's earnings for the year, resulted in the Bank attaining a 22.4 percent capital adequacy ratio well above the requirement of 10.0 percent.

We are pleased to welcome the esteemed multilateral financial institutions as shareholders of the Bank, and will strive to use their support to further improve the management and governance of the Bank to meet best international practice, and to continue to increase the Bank's earning capacity through successful adoption of programs and other resources of these organizations.

The Bank will certainly have to face new challenges in 2005 as financial intermediation by the banking sector has significantly increased and competition among banks has became greater than before.

Amidst these challenges and opportunities TDBM has identified priorities for implementation in the near future. These include acquiring and retaining its customers by deepening its relationships and introducing new banking products, such as Private Banking to its upper end customers, syndicated loans through ING and other international financial organizations, telephone banking, leasing, mortgages, and newly featured cards. The Bank will continue increasing the contribution from fee-based operations and making maximum use of the delivery channels available.

Finally, I express our sincere gratitude to all of our esteemed clients and associates for their steadfast support and cooperation, which we trust will continue for years to come.

March 2005

Randolph S. Koppa

Message of the President and Deputy Chief Executive Officer

Mr. Siilegmaa Monhbat

2004 has been a significant year for the development of the Mongolian economy. Favorable world commodity prices of Mongolian major exports and a milder winter for livestock resulted in a near-doubling of GDP growth to 10.6 percent in 2004, making it the highest rate since Mongolia's economic transition began in 1991. This growth was also influenced by increased investment by domestic and international businesses. Mongolia deepened reforms, furthered privatization and improved profitability for enterprises.

The year also witnessed outstanding achievements in all aspects of the Trade and Development Bank of Mongolia. The new management team together with ING Executive Managers has completed almost all of the overall structural change of the Bank in 2004. This change is showing an impact in many areas already – clients receive more business support and cooperation in the form of increased efficiency and proficiency, regulators witness more international standards, best practices are implemented in different areas of the Bank's operations and services, the general public sees a more dynamic bank with tangible international cooperation, and lastly - but certainly not least - shareholders witnessed the Bank's capital base increase both in terms of money and reputation, thus leading to a greater share value.

The Bank has not only maintained its leading position in international activities but expanded it even further. Moreover the Bank become a member of APLMA (Asia Pacific Loan Market Association) and started participating in international syndicated loans in places such as Ukraine, Kazakhstan and South Korea. Our banking relations have been extended to other regional and international export and import banks.

Mongolia began the transition to a market economy only fifteen years ago, and, in spite of the country's growth in 2004, economic development still remains a major issue. Poverty reduction is a priority issue not only of the government but everybody and every socially-responsible institution. Many of the world's scholars, politicians, financiers and bankers agree about the important role played by small and medium enterprises (SME's) in every nation's growth factor. TDBM has been successfully expanding its SME business. Compared with the previous year, the total number of TDBM's SME clients rose by 75 percent in 2004 and the total SME loan portfolio has grown by 70 per cent to MNT 16 billion. We created an independent credit approval process in our Retail Banking Department and now all SME loan decisions are based on a thorough analysis of risks.

It is my pleasure to inform you that TDBM, in cooperation with IFC, is hosting 'SME Toolkit' – a special website designed to help small businesses in their relations with banks and in their approach to their own business endeavor. Our clients who own and run small and medium enterprises will get more support for their business planning, operations, sales and marketing from this product. In fact, we at TDBM believe that this particular product will enable our SME clients to grow and join the ranks of our corporate clients in the not-so-distant future. There are considerable opportunities to increase the cross-selling of retail banking services through our corporate banking network. TDBM is the only bank offering ATM services in Ulaanbataar and two other main industrial and commercial cities, Erdenet and Darkhan. Our cards business has also been successfully expanded in 2004 and the number of TBDM Visa card holders increased by 43 percent compared with the previous year. In addition, we added more features to our cards. We will seek to expand the share of the Bank's overall earnings by developing the existing network and exploiting our strong brand.

I would like to thank all of our management and staff at TDBM for their dedication without which we would not have been able to achieve such remarkable progress. I would also like to thank our loyal customers for their continuing support.

With our commitment to a better life in Mongolia and keeping the Bank in the leading position in the country, I am confident that TDBM will grow even stronger in the years to come and continue to bring the most tangible contribution towards the prosperity of Mongolia.

March 2005

Message of the Executive Chief Operating Officer

Mr. Dennis Openshaw

Since the Trade & Development Bank of Mongolia was privatised three years ago, we've seen firsthand the speed and breadth of its operational change - and learned the importance of adaptability. As a matter of operating philosophy, we seek to make continuous improvement an integral part of our organizational culture.

That's why, across the Bank, we have accelerated the reengineering of its operations and Information Technology throughout 2004 and initiated the development of new services, capabilities and solutions for our customers. In so doing, we believe we can improve the way we approach financial services and deliver TDBM both to our customers and the Mongolian Banking Industry.

Another initiative aimed at strengthening the safety of TDBM's banking system is a heightened focus on business-continuity planning for operations that are crucial to the system as a whole, as well as to the economy. As part of this effort, we as the only Commercial Bank in Mongolia enhanced our own contingency arrangements in support of the essential services that we provide to our customers and other settlement systems.

After an extensive review of the Bank's strategic direction and priorities and its internal organization and controls, the Board of Executive Directors adopted a new medium-term plan in 2004. Covering the years 2004 to 2005, the plan sets out key initiatives that will sharpen the Bank's focus on its core functions, reengineering and foster excellence in all its work.

In 2004, the Bank's employees were again called on to rise to a number of challenges - some planned and some emerging from the turbulent environment around us. I want to thank all of our employees for their considerable efforts during the year. I also want to extend my appreciation to the Representative Governing Board for their support. As a result of all these efforts, the Trade & Development Bank of Mongolia was able to deliver on its commitment to its shareholders and customers in 2004, while enhancing its capacity to meet future challenges.

Executive Operations will continue throughout 2005 to restructure its operations to enhance its focus on the specialised work of human resources, technology, back office functions, finance, and communications to reduce costs and provide staff throughout the Bank with what they need to accomplish their goals.

March 2005

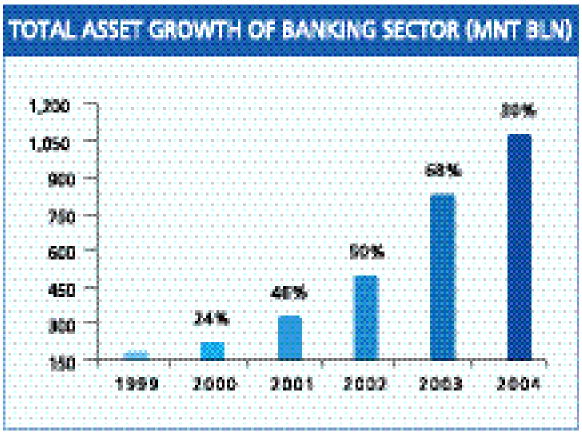
Mission

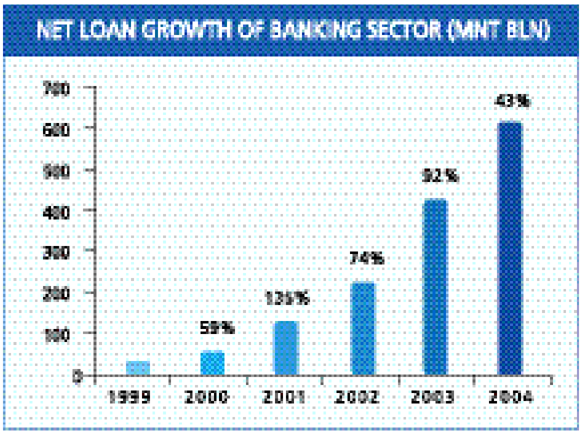
Excellence in Commercial and Trade Banking

Banking Sector Review

In 2004 the total assets of the banking sector increased by MNT 249.9 billion, the equivalent of a growth of 30.3 percent, representing 59.5 percent of GDP. This was reflected in an increase of MNT 156.2 billion in total saving, MNT 56.6 billion in liabilities, and MNT 45 billion in deposits from other banks and financial institutions, representing a respective growth of 42.5 percent, 51 percent and 69.7 percent compared with the previous year.

The top seven banks own 80 percent of the total sector assets and the other ten banks share the remaining 20 percent. TDBM owns the leading 17.1 percent of the total assets of the Mongolian banking sector.





The sector assets consisted of outstanding loans (56.8 percent), deposits from other domestic and international banks (13.7 percent), and cash and placements in the Bank of Mongolia (11.1 percent). This represents a 5.4 point increase in the ratio of total outstanding loans to total assets, although the ratio between other funds and net assets remained largely unchanged.

In recent years, there has been a consistent increase in the ratio of loans to net assets. In 2004, an increase in loans resulted in a growth of 74.7 percent in total assets. Although there has been a decline reported in short-term funds and investment securities, all other assets have increased.

Total liabilities increased by MNT 193.3 million, or 27 percent. This was due to a growth of 80.8 percent in deposits from customers, and a more moderate 23.3 percent increase in deposits from other institutions.

In the reporting period, most of the deposits were placed into loans, a similar trend to that reported in 2003. In addition, there were new trends, including the recategorising of borrowers and an increase in loan type and category. Moreover, the banks are developing new products to increase their income, attract new customers and increase the deposit base.

In the previous year, the total income of the Mongolian banking sector increased by 40.7 percent. The total expenditure increased by slightly more, at 46.5 percent. Overall, the total profit of the sector increased by 14.2 percent, the lowest rate compared to previous years.

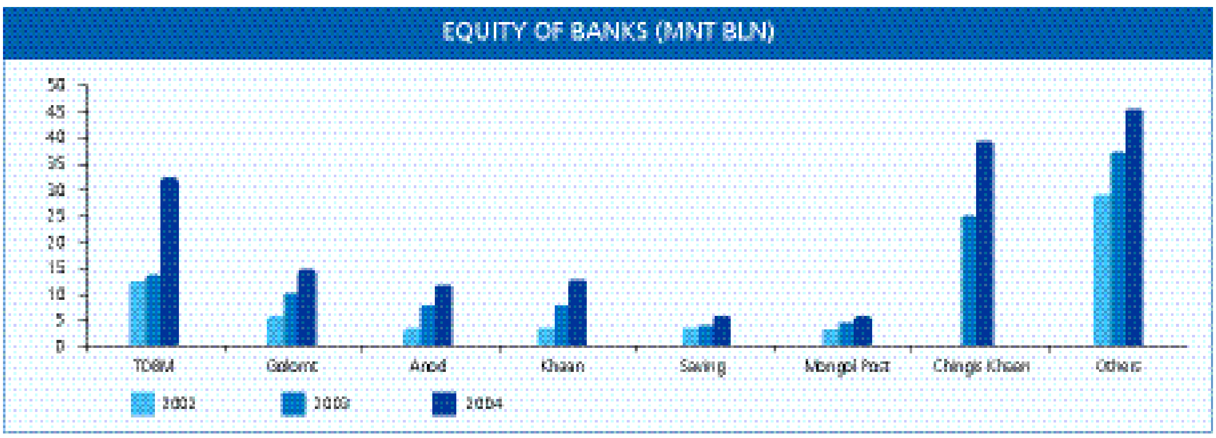
The total profit of the sector was reported at MNT 17.3 billion in 2004. Despite the decline in the weighted average of interest rates and income-related nominal rates, there has been no reduction reported in the interest rate of deposit accounts.

This largely shows that banks have been increasingly focused on expanding their deposit base to establish a good position within the sector.

Due to this competitive activity, the productivity level of the banking sector declined by 0.6 points to 2.5 percent in 2004.

By the end of the reporting period, the capital adequacy ratio of the banking sector was twenty percent, a reduction of 0.4 percent on the previous year. However, it is still ten percent higher than the prudential amount set by the Bank of Mongolia. All Mongolian banks were obliged to raise their paid-in-capital to a minimum of MNT 4 billion by the end of March 2004. Mainly due to this obligation, the banking sector capital base increased by MNT 56.6 billion in 2004, which was higher than in previous years.

Although the capital base increased considerably, the capital adequacy ratio didn't grow significantly because banks increasingly invested their resources in more risky assets, such as loans and deposits with other financial institutions.



Introduction

The Trade and Development Bank of Mongolia commenced commercial banking operations in 1990. It was a time of upheaval as the neighboring Soviet Union was beginning to dismantle and Soviet assistance, at its height one-third of GDP, disappeared almost overnight.

The decade saw Mongolia endure both deep recession due to political inaction and natural disasters, as well as economic growth due to reform-embracing free-market economics and extensive privatization of the formerly state-run economy.

Throughout this transitional period, TDBM remained a consistent, enduring presence, responsive to the market and the needs of its customers. Adaptability in such an unsettled environment was essential to survival.

The pace of banking reform in Mongolia accelerated during the decade; prudential regulations were strengthened, licensing requirements were made more stringent, bank exit policies tightened, and loan recovery became a priority. The Government adopted a comprehensive financial sector strategy that provided a long-term vision and medium-term strategy for the development of the sector.

Since 2000, confidence has grown in the banking sector with a resultant influx of funds in the form of current accounts and time deposits, allowing banks to increase their lending operations.

In 2001, favorable loan and loan collateral legislation was introduced, further progressing the Bank's ability to grant loans.

In December 2001, a majority share of TDBM was bought from the Government of Mongolia, which had owned a 76 percent share in the Bank, by Globull Investment and Development Inc.(SCA), a consortium of Banca Commerciale Lugano and Gerald Metals Inc.

With the involvement of ING bank management and technical support in 2003, the Bank focused on maintaining its leading position in the local banking sector as well as expanding internationally.

Today, TDBM holds the leading position in banking in the country. It always has been and still is the largest commercial bank in Mongolia.

Former Achievements

2001 Best Bank in Mongolia ('The Banker')

2001 New Market Development Award (Visa International)

2002 Best Bank in Mongolia ('The Banker')

2002 Outstanding Marketing Performance (Visa International)

Highlights of the Year

1 The Bank's capital base increased through the contribution of multilateral financial institutions Asian Development Bank (ADB) and International Finance Corporation (IFC), enabling a 49 percent rise in the capital adequacy ratio, taking the rate to 22.4 percent.

2 Relatively low-cost funds raised from the Taiwanese ExIm Bank and the Korean ExIm Bank to support import loans.

3 The Bank was the first in the country to participate in international syndicated loan transactions, along with various international financial institutions such as ING, Deutsche Bank, Citigroup and RZB. Particular deals included projects in South Korea, Ukraine and Kazakhstan.

4 The Bank was the first among Mongolian commercial banks to commence gold export into foreign markets.

5 BANCS banking system introduced, implemented and enhanced.

6 All branches and settlement centers networked to Head Office, Ulaanbaatar.

7 Management information and risk awareness systems introduced and enhanced.

8 Private Banking introduced to upper end customers.

9 The Bank completed the first ever merger and acquisition in Mongolia when InvessCom, a non-banking financial institution, was acquired to strengthen market position.

10 Mr Dennis Openshaw, Executive Chief Operating Officer, named Best Banker of the Year 2004 by the Bank of Mongolia.

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11 Mr Dennis Openshaw, Executive Chief Operating Officer, named Investment Envoy of the Year 2004 by the Foreign Investment and Foreign Trade Agency.

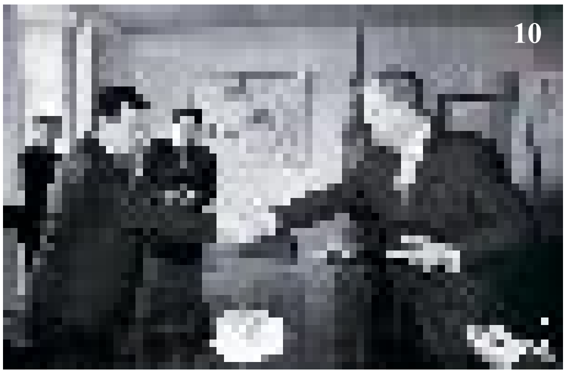
12 Refurbishment and reengineering of commercial, operational and I.T. activities in accordance with best international practice.

13 Policies, procedures, systems and evaluation processes integrated.

14 S.W.I.F.T. worldwide communication systems enhanced and upgraded.

15 New services launched including basic telephone banking and test key faxed payments.

16 TDBM website developed and launched.



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Strategy

Strategic Objectives in 2004

- To strengthen leading position in the banking market.
- To focus on the business development of targeted customers in the selected market by providing a varied range of high quality and technologically advanced products and services.
- To increase the capital base to meet the growing needs of corporate customers and to provide the finance required to respond to the current economic growth and the future potential of the Mongolian corporate sector.
- To strive for greater internal efficiency.
- To develop a strong brand of banking service within the sector by delivering the highest standards of customer care and using leading edge technology.

Corporate Governance

The year 2004 was a special year for the Bank as good corporate governance practices were successfully implemented, shareholder equity increased and operationally the Bank became more open, transparent and accountable.

A new and more functional organizational structure was implemented through the complete segregation of front, support and back-office activities, distinguishing between key areas, e.g. business, operations and risk, with clearer operational guidelines for major support functions. Furthermore, the Representative Governing Board developed and implemented a medium-term strategy emphasizing the role, function and goal of these key business areas.

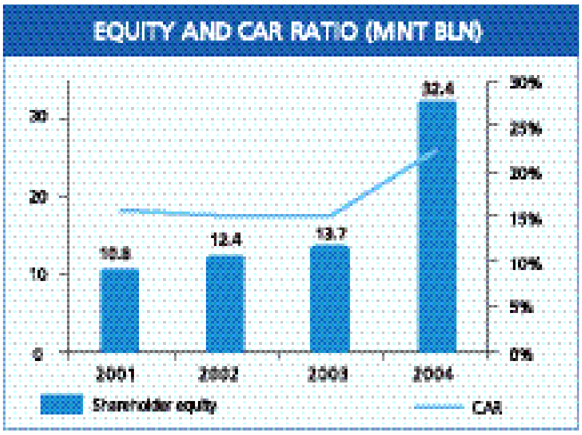
The Charter of the Bank and internal procedures were amended as the structure of the Bank evolved to achieve good corporate governance.

Enhancing shareholder value is one of the key objectives of good corporate governance. In the reporting period the Bank successfully achieved this by earning a net profit of MNT 5.4 billion, and strengthened the capital base by the same amount.

Consistent with international standards, transparency and accountability to shareholders were observed throughout the year.

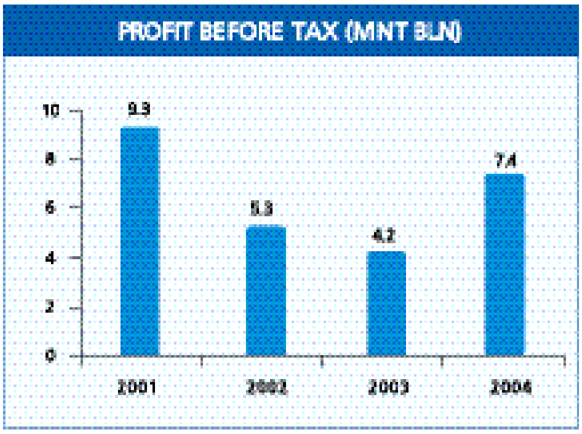
A further significant event was a major change in the shareholder structure when the Bank issued new shares and the multilateral financial institutions Asian Development Bank (ADB) and International Finance Corporation (IFC) acquired 73.2 percent thereof, becoming the second largest shareholders of the Bank next to Globull Investment and Development Inc. (SCA).

In addition, ADB and IFC contributed MNT 9.6 billion to the capital of the Bank in the form of subordinated term debt. IFC's mission is to promote sustainable private sector investment in developing countries with a view to improving the quality of life. This investment in TDBM is their first investment in the Mongolian banking sector to date.



ADB and IFC investment to the Bank has contributed to the following:

- Demonstration of international trust and support of the Mongolian banking sector, its customers and the Mongolian people, which consequently has increased the international reputation of Mongolian banks.
- Stimulation and support of foreign investment into Mongolia.
- Enhanced corporate governance of the Bank through the involvement of multilateral international organisations
- An endorsement of the Bank's international standing and reliability.



Corporate Banking

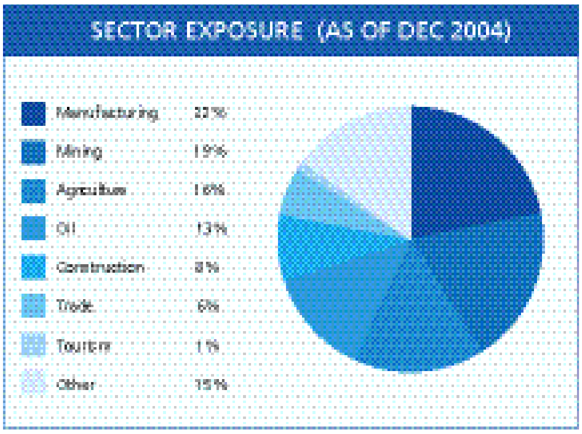
The main objective of the Bank's Corporate Banking Department in 2004 was to offer a fully comprehensive range of services, including business loans and trade finance products and project financing to its strategically important corporate customers while simultaneously striving to attract new customers.

This objective was realised and the Department granted some MNT 153.4 billion to its new and existing corporate customers.

The Department generated 63.4 percent of total interest income, which comprised 46.5 percent of the total Bank revenue.

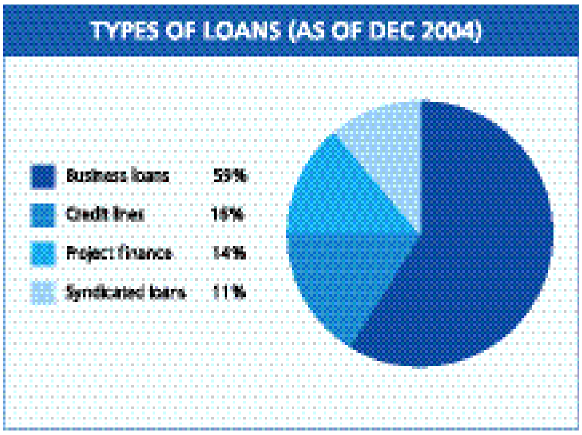
The loan diversification by sector was as follows:

- 22% manufacturing
- 19% mining
- 16% agriculture
- 13% importers of oils and oil products
- 8% construction
- 6% trade
- 1% tourism
- 15% other



Within the portfolio, the types of loans were as follows:

- 59% business loans
- 16% credit line to borrowers
- 14% project financing
- 11% syndicated loans



At the end of 2004 the Bank's corporate loans amounted to MNT 67.9 billion, equivalent to a 60 percent increase on the previous year. This reflects:

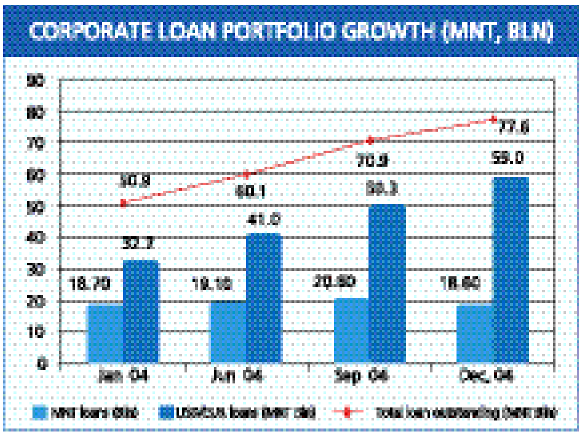
- an increased demand for corporate loans fuelled by the growth of our borrowers' businesses.
- a ten percent GDP growth of the Mongolian economy in the year.
- a new pro-active approach to marketing corporate products not only for existing customers but also potential corporate clients.
- an increased loan limit per borrower facilitated by a capital base increase during the year.
- the development of a new product range with strategic significance in response to the needs of our customers.

In the year, the Bank continued to be one of a few implementing agents for the private sector support programs sponsored by multilateral institutions such as the World Bank and KfW. Under these programs, the existing customers were provided with term project financing facilities to upgrade their production facilities, import new equipment, and to enable new clients to start up in business.

Similar facilities were arranged by the Bank with the Taiwanese Exim and Korean Exim banks to grant corporate clients access to relatively low-cost funds, and to facilitate trade flow from Taiwan and South Korea.

The Bank has participated in international syndicated loan transactions, along with various international financial institutions such as ING, Deutsche Bank, Citigroup and RZB. Particular deals included projects in South Korea, Ukraine and Kazakhstan. When launched, the syndicated loan was a new product in the Mongolian banking sector. It also represented an important step for TDBM in terms of increased cooperation with foreign banks and enhanced the international image of TDBM.

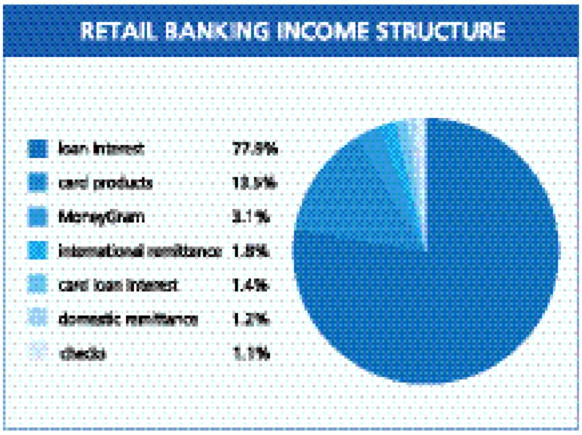
A unit was established to address non-performing loans and high risk borrowers. Consequently, there has been a total reduction of 18.5 percent in non-performing loans and an improvement in the loan portfolio in the year.



Retail Banking

The goal of Retail Banking at the Bank is to provide the target market - SMEs with high business growth who have potential to graduate into the Corporate Banking client base; high-income individuals who are owners, executives and staff of companies which are the Bank's corporate customers; client SME's; and affluent individuals who are unaffiliated with corporate customers - with a full range of banking products that are distinguished by outstanding service.

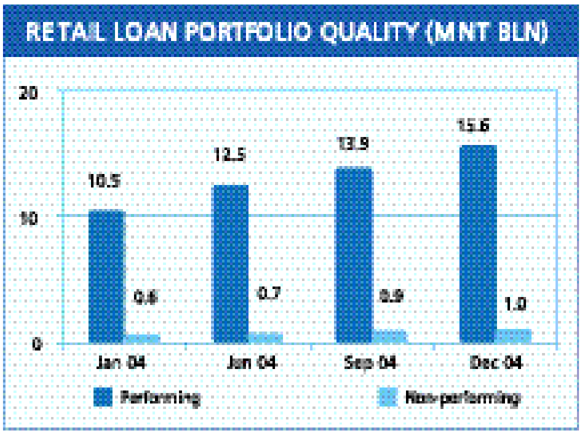
During 2004, the Bank successfully achieved this goal, providing more products, enhanced service and capacity, and generating higher profit from those products.



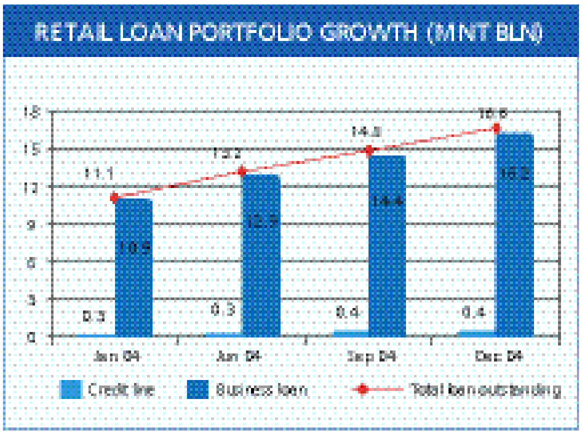
Loans and deposits

The Retail Banking Department issued some MNT 42 billion in loans, equivalent to 21.5 percent of the total loans issued in the reporting period. Retail loans were disbursed through three products: Beginning Loan, Advanced Loan and Partnership Loan. Retail business income amounted to MNT 3.5 billion, which equals 22.4 percent of the total interest income of the Bank.

The increased return of the Retail Banking operation allowed the Bank to increase the maximum size of loans to its client-SMEs and individual businesses from a size of MNT 50 million to MNT 100 million. Moreover, since July 2004, the retail loan interest rate has reduced. Loans are disbursed not only in MNT but also in USD.



TDBM has an extensive savings portfolio, which includes the newly introduced saving plans: Conditional Saving, Rate Saving, Contract Saving and Special Rate Saving. As a result of their introduction, savings from private individuals reached MNT 39.6 billion in 2004.

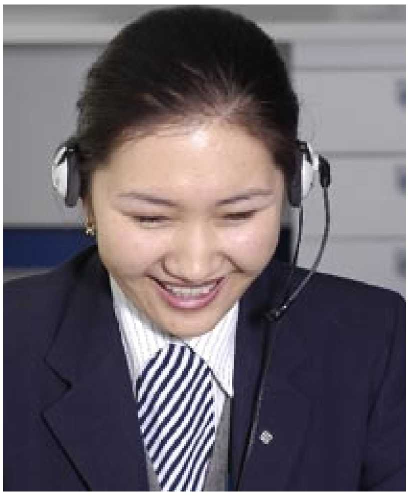


Payment Activities

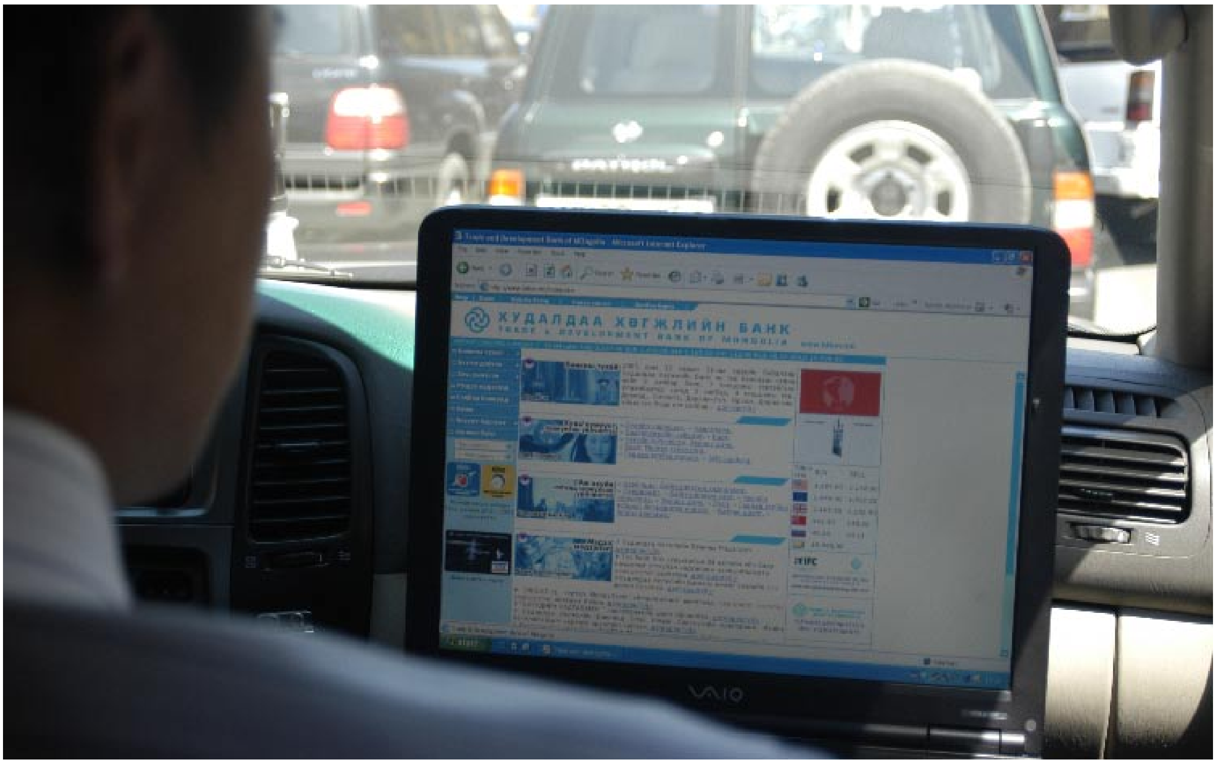
Following the merger of TDBM and InvessCom, the non-banking financial institution, TDBM became the only official agent of MoneyGram money transfer services. There was a renewal of contracts with sub-agent banks that provide MoneyGram services in the Mongolian financial market and the network was consolidated.

The following new facilities were introduced to enhance the products and service offered to customers:

- A 24 hour call centre to provide an information service to customers at anytime on any day of the week.
- Basic internet banking to enable customers to view their account information.
- SMS text banking to allow customers to check their accounts outstanding.
- Acceptance of fax payment instructions.
- Escrow accounts available throughout the Bank.
- The first online authorization process in Mongolia for lost or stolen American Express traveler's cheques.



These initiatives have improved customer response time, reduced costs through automation and will be further enhanced in the future.



Card Activities

Card products have been one of the main emphases of Retail Banking in 2004. TDBM is determined to maintain its leading position in card-related products by improving existing features of cards and introducing new products.

In 2004, the Bank offered the following VISA cards

Domestic cards

- Classic
- Co-branded youth card
- Salary/payroll card

International cards

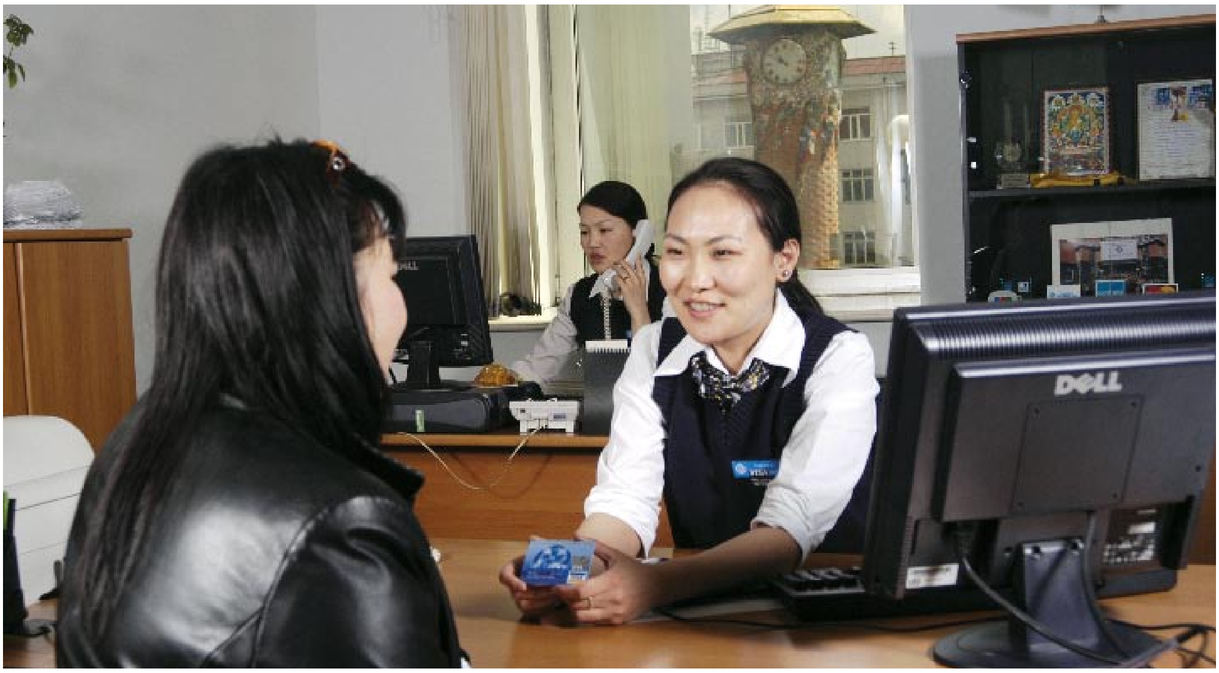
- Classic
- Gold
- Platinum
- VISA and American Express for corporate clients

The number of corporate clients using VISA reached 450 and contracted payroll clients rose to 180. The total number of card users increased to 27,000. Representatives of VISA International have acknowledged that the most actively used card in the Mongolian market is the TDBM VISA.

Furthermore, TDBM is the only bank that allows its clients to accept transactions from all of the cards of the world's leading financial institutions, such as American Express, VISA, Mastercard and JCB.

TDBM was the first to introduce the automated teller machine (ATM) to the Mongolian market and remains the only bank in the country with any ATMs. In 2004, there were seventeen ATMs in Ulaanbaatar and three outside the city. These allow customers to withdraw money, make transfer payments, print statements, check balances, and buy international calling credit.

There is a 30-day limited overdraft on all cards - subject to income - and loans up to five times the salary with a repayment period of up to ten months.



Treasury

The Treasury Management of TDBM consists of cash and liquidity management, market risk management, precious metals trading, foreign exchange, securities trading and asset liability management.

Gold Trading

TDBM has been the main player in the domestic gold market since receiving a gold trading licence in 2000. Moreover, the Bank was the first to start gold exporting among Mongolian commercial banks in 2004, thereby increasing its profits from gold business. A further development was to offer a set of hedge products including options, forwards and structured deals that were necessary to protect mining customers from downside price risk. As a result of these initiatives, the Bank has successfully increased its local market share, which in turn enabled it to penetrate international markets more efficiently. The net trading profit from gold business reached MNT 591 million as of the end of 2004.

Foreign Exchange

Within the Mongolian banking sector, TDBM holds the largest portfolio of foreign assets, making it the leading player in the foreign exchange market.

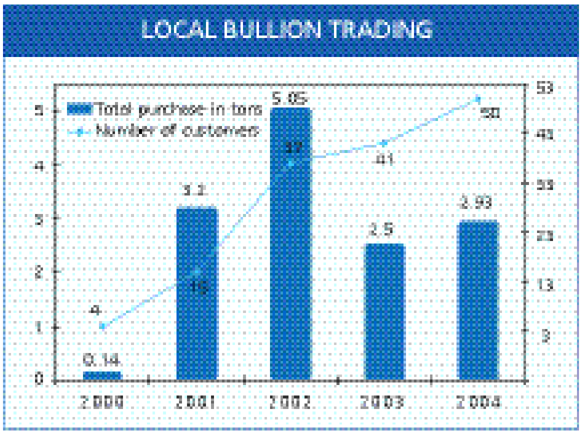
In response to the high volatility in foreign exchange markets, TDBM has taken appropriate measures and introduced trading strategies, which have enabled it to double its profits from exchange activities. This was a result of both vigorous promotional activities in the domestic market and successful proprietary trades in the international markets.

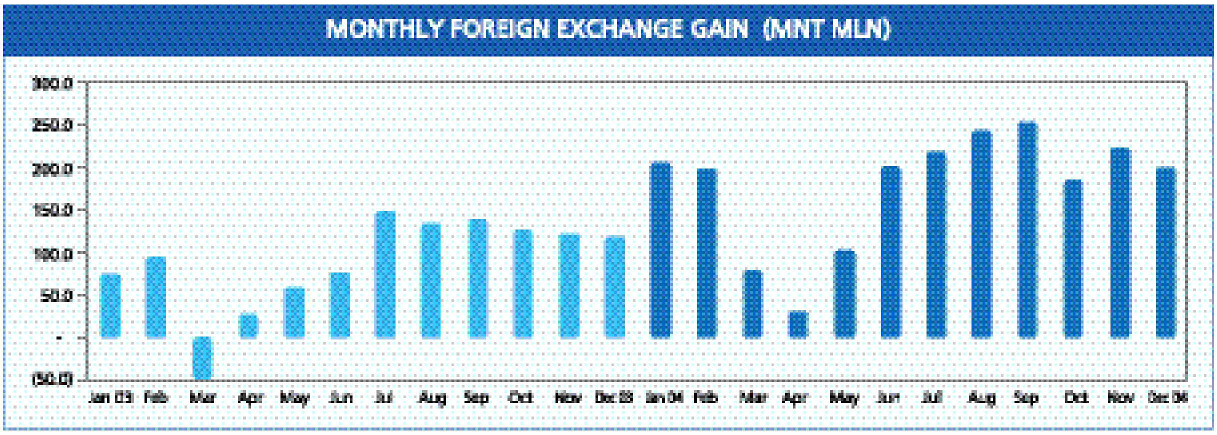
Securities Trading and Liquidity Management

Securities trading plays a significant role in implementing sound cash and liquidity management. Thus we have actively participated in the primary and secondary markets of the Central Bank and government bills. TDBM has been the market maker in the secondary market with total turnover of MNT 235 billion and total income from securities of MNT 1.56 billion as of the end of the year.

Asset and Liability Management

TDBM has focused on the effective management of assets and liabilities and the reduction of the interest rate risk. In particular, to optimize the efficiency of the fund management profile, TDBM began trading on the international money market, earning some MNT 52 million from the operation. Moreover, the Bank has created an optimal structure for the balance sheet and has valued products according to variations in both the domestic and international markets. This was the main reason for the increased return in the operation.





Risk Management

Success in banking is not only measured in the scale of products but also in the minimization of risk in borrowing. As such, it could be said that the nature of the banking business is the assessment and management of risk.

In the last quarter of 2003, the Bank established an independent Risk Management Department to identify and assess the risks associated with its activities, and to manage and monitor them all together using international methods and practices. During the reporting period, risk management was fully implemented in the business, in line with international standards.

In accordance with the specific features of the domestic banking sector and TDBM operations, the Risk Management Department categorizes risks as follows:

- Credit risk
- Interest rate risk
- Liquidity risk
- Market risk

Credit Risk

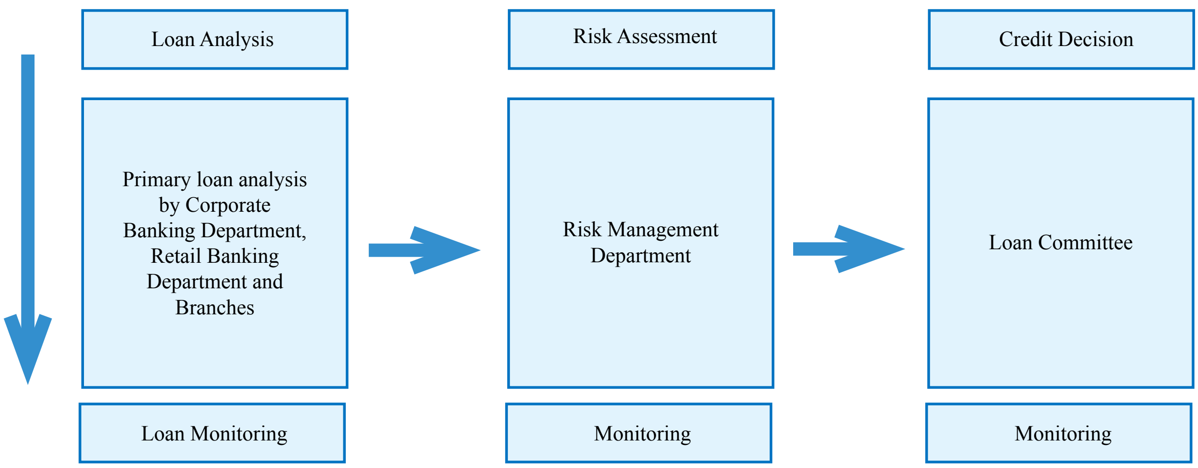
Credit risk is the contingency that the Bank may be unable to recover principal and interest on its loans and other claims outstanding due to the deterioration in the financial condition of the borrower.

TDBM carries out its credit risk management by assessing and controlling the risks of individual and group borrowers and business sectors.

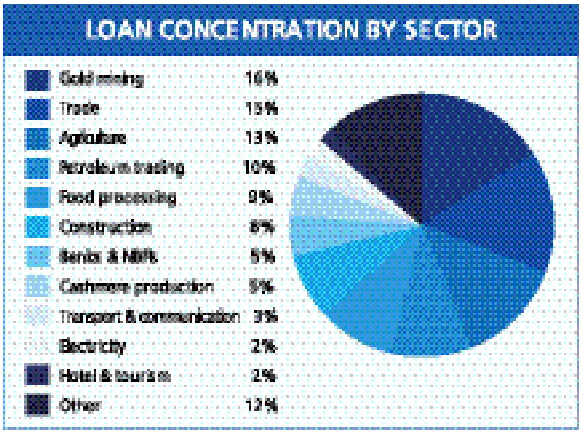
The following initiatives were implemented in 2004 to improve credit risk management:

- Credit decision making process changed to minimize risks.
- Consolidated system of credit risk management introduced.
- Monitoring of distributed loans improved.
- Loan work-out unit restructured to improve the repayment of non-performing loans.

Credit Decision Making Process



TDBM implements its risk management not only to make a decision about new loans but also to monitor disbursed loans until the end of their repayment process. Because of these new risk management activities, there were significant improvements in the loan portfolio quality in 2004. In particular, non-performing loans were reduced by 23.7 percent during the year and the rate of non-performing loans to total loan portfolio was reduced by 80 percent by the end of the year.



Credit risk is managed not only at the individual borrower level but also at portfolio level. To gain the benefit of diversification, the Bank also follows a policy to limit its exposure in a particular business sector to an acceptable level.

Market Risk

TDBM uses the maximum risk method, or VaR method, to manage market risk by monitoring if the risk amount determined by this method is within the accepted VaR limit.

Actual VaR values in the reporting period

Maximum VaR value	Minimum VaR value	Average VaR value
MNT 143.3 million	MNT 5.9 million	MNT 31.6 million

The VaR method measures the amount of next business day probable loss for the total bank portfolio resulting from financial activities and this loss is compared with the VaR value. Normal market conditions are assumed.

Moreover TDBM does back-testing for its VaR method to verify if it measures the true, real market risk. The results confirm that the VaR method used by the Bank determines the actual risk of its market.

Interest Rate and Liquidity Risk

In 2004 interest rate risk management focused on reducing the real effect of interest rate fluctuation on the Bank's income, and the creation and monitoring of a balance sheet structure that would benefit from the fluctuation of interest rates. In other words, the Bank placed particular emphasis on:

- the management of the portfolio to prevent a net interest income decline resulting from interest rate fluctuation.
- the management of a decline in the real value of the Bank portfolio resulting from interest rate fluctuation.

Further to this aim, the interest rate was measured, reported and managed monthly on the basis of GAP and duration GAP methods. By the end of 2004, the interest rate sensitive assets and liabilities were MNT 159 million and MNT 118 million respectively, representing a difference of MNT 41 million.

Furthermore, TDBM fulfilled liquidity requirements throughout the year.

Information Technology

The year 2004 saw extensive development in the I.T. infrastructure of TDBM.

The I.T. department room was divided into discrete areas and a system restricting access was installed. As well as enhancing security, reorganization enabled the server environment to be better managed, maintaining an ideal operating temperature and uninterrupted power supply. Consequently, continuity and reliability of I.T. operations were ensured.

TDBM is the first bank in Mongolia to create a fallback recovery system in a remote location, which guarantees safe and reliable storage of customer data in the event of disruption to the main system.

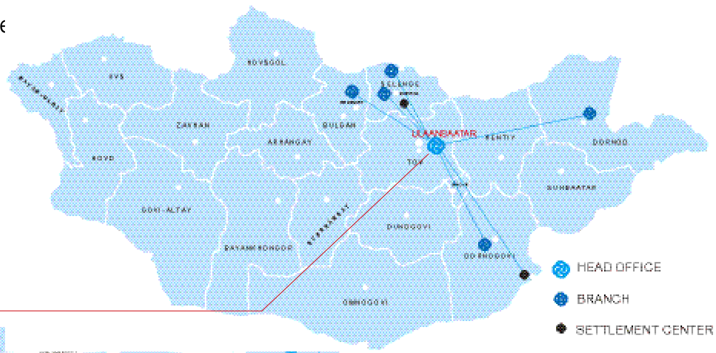
The banking operation was brought up to an international standard by renovating some key modules of the core banking system, BANCS, which was developed by Australian company FNS Co. Ltd.

One of the greatest advances in the I.T. infrastructure was the creation of an online connection betwe

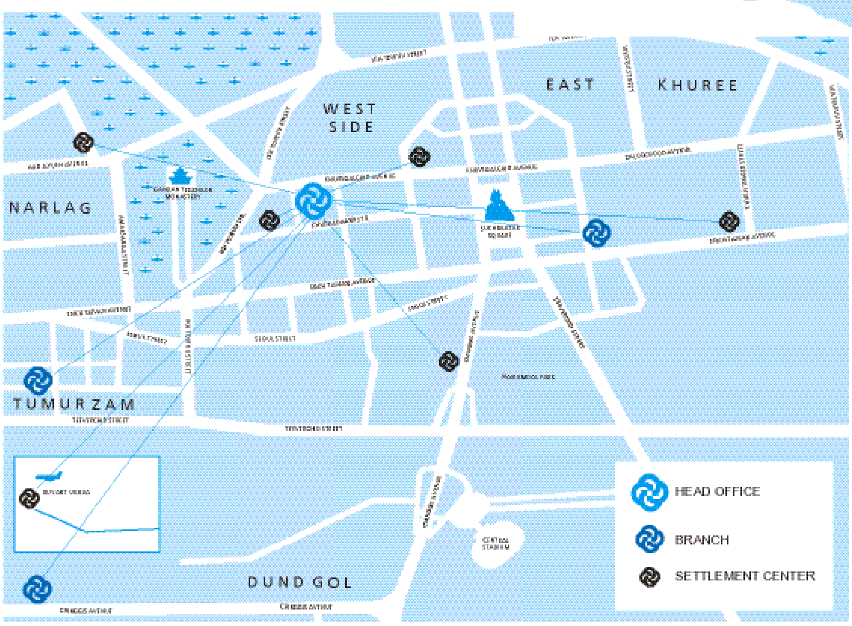
seventeen branches and settlement centers of the Bank. Branch data was consolidated into a centralized database without data redundancy and inconsistency, thus enabling a faster information flow in support of management decisions. Another key advantage of the centralized database is that customer transactions can be done from any branch in real time, which is a major step forward.

New services were tested and introduced, including an internet statement for current and card accounts, and an SMS text statement for current accounts.

The S.W.I.F.T. international settlement system was successfully upgraded to S.W.I.F.T. NET standards and an internally developed program for interface between S.W.I.F.T. NET and BANCS was introduced so that international transactions can be processed much faster from all the branches and settlement centers.



ULAANBAATAR BRANCH NETWORK



Human Resources

The Human Resources Department operates to provide the Bank with highly educated and professional staff. Once employed, it works to develop, motivate, manage and promote them according to performance. Additionally, it is responsible for all other areas of staffing and labour related issues.

The future of the Bank depends on the initiative of its staff, their education, ability and professional skills. Therefore we encourage staff to enjoy their work and to participate in professional development.

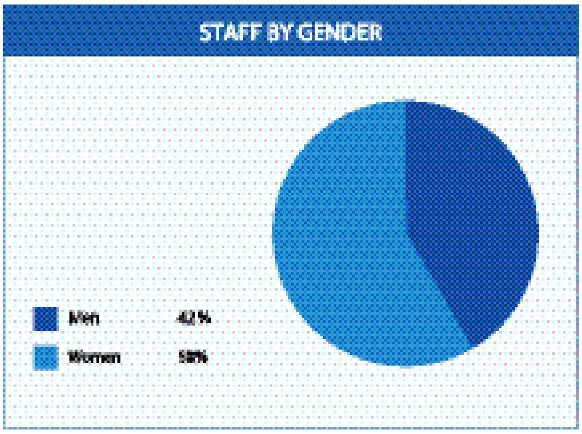
TDBM implemented a competitive salary and remuneration structure based on skills and performance.

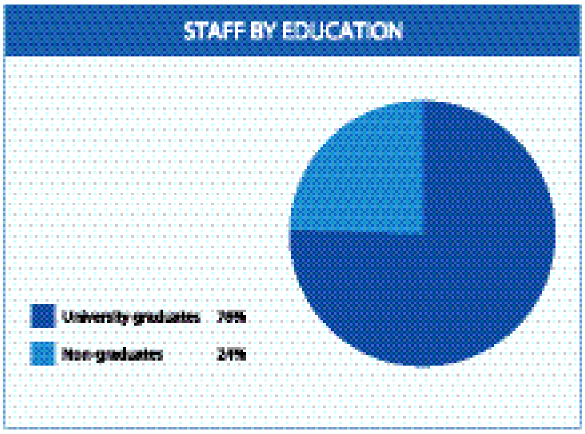
Because of expansion in the year, we recruited many of the best educated and highly skilled graduates in the region. Many existing staff were redeployed or promoted. Fifty-one staff were recruited, 38 left or retired, and the total number of Bank staff rose to 426. Over three quarters of TDBM staff are university graduates or highly educated. Most of the Directors have a post-graduate degree from a UK or US university.

During the reporting period, 276 staff were trained in a domestic training institution or in-house, and nineteen were sent abroad to Gerald Metals Inc., ING and Dell Computers. Training schemes were chosen in accordance with the Bank restructure and strategy. In total, TDBM spent MNT 118.1 million on training and MNT 32.9 million for the support and non-returnable aid of its staff.

A new database of human resource activities is featured on the Bank intranet and human resource information at Head Office and the branches has been updated.

Finally, TDBM was awarded 'Best Human Resource Project' by the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) for its human resource development and training.





The Bank is an enthusiastic supporter of community projects. During 2004, it supported social, religious, environmental and healthcare activities both in Ulaanbaatar and throughout the country.

Auditor's Report

TRADE AND DEVELOPMENT BANK OF MONGOLIA LLC

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

TRADE AND DEVELOPMENT BANK OF MONGOLIA LLC

CORPORATE INFORMATION

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	:	Juulchny Street - 7 Ulaanbaatar - 11 Mongolia
BOARD OF DIRECTORS	:	Fabio Calia Jean Baudois Roberto Bonzi Rick Smith Dashzeveg Zorigt
COMPANY SECRETARY	:	D. Davaajav
AUDITORS	:	Ernst & Young Mongolia Audit LLC Certified Public Accountants

STATEMENT BY DIRECTORS AND EXECUTIVE

We, FABIO CALIA and JEAN BAUDOIS, being two of the directors of TRADE AND DEVELOPMENT BANK OF MONGOLIA LLC ("the Bank"), and DENNIS OPENSHAW, being the officer primarily responsible for the financial management of the Bank, do hereby state that, in our opinion, the accompanying financial statements set out on pages 3 to 41 are drawn up in accordance with applicable International Financial Reporting Standards and the Guidelines and Regulations issued by the Bank of Mongolia so as to give a true and fair view of the financial position of the Bank as at 31 December 2004 and of the results of its operations and its cash flows for the year then ended.

FABIO CALIA JEAN BAUDOIS DENNIS OPENSHAW

Ulaanbaatar

REPORT OF THE AUDITORS

TO THE BOARD OF DIRECTORS OF TRADE AND DEVELOPMENT BANK OF MONGOLIA LLC

ERNST & YOUNG Mongolia Audit Company

Certified Public Accountants
Suite [illegible]
Chinggis Avenue [illegible]
Ulaanbaatar
Mongolia

Phone : [illegible]
Fax : [illegible]
www.ey.com

REPORT OF THE AUDITORS

To the Board of Directors of Trade and Development Bank of Mongolia LLC

We have audited the accompanying financial statements of Trade and Development Bank of Mongolia LLC as at 31 December 2004 set out on pages 3 to 41. These financial statements are the responsibility of the Bank's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements have been properly drawn up in accordance with applicable International Financial Reporting Standards and the Guidelines and Regulations issued by Bank of Mongolia so as to give a true and fair view of the financial position of the Bank as at 31 December 2004 and of the results of its operations and its cash flows for the year then ended.

ERNST & YOUNG MONGOLIA AUDIT LLC
ЭРНСТ энд ЯНГ МОНГОЛИЯ АУДИТ ХХК

Ernst & Young Mongolia Audit Co.

Ulaanbaatar

31 MAR 2005

TRADE AND DEVELOPMENT BANK OF MONGOLIA LLC

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	2004 MNT '000	2003 MNT '000
Interest income	4	16,163,121	12,025,680
Interest expense	5	(4,261,748)	(3,366,456)
Net interest income		11,901,373	8,659,224
Non-interest income	6	6,331,178	5,008,694
Operating profit		18,232,551	13,667,918
Operating expenses	7	(8,917,872)	(5,589,954)
Profit before allowances		9,314,679	8,077,964
Allowances	8	(1,924,549)	(3,919,446)
Profit before taxation		7,390,130	4,158,518
Taxation	9	(2,033,343)	(1,584,512)
Net profit for the year		5,356,787	2,574,006

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

TRADE AND DEVELOPMENT BANK OF MONGOLIA LLC

BALANCE SHEET AS AT 31 DECEMBER 2004

	Note	2004 MNT '000	2003 MNT '000
ASSETS			
Cash and short term funds	10	12,190,256	10,726,723
Deposits and placements with other banks and financial institutions	11	48,786,539	74,222,557
Investment securities	12	23,929,116	53,686,304
Loans and advances	13	88,804,485	55,468,039
Other assets	14	2,312,360	396,849
Long term government bonds	15	-	-
Property, plant and equipment	16	8,250,476	8,139,018
TOTAL ASSETS		**184,273,232**	**202,639,490**
LIABILITIES			
Deposits from customers	17	135,373,721	178,585,101
Deposits and placements of other banks and financial institutions	18	3,319,414	1,754,797
Loans from foreign financial institutions	19	11,052,549	8,257,671
Subordinated loan	20	9,695,624	-
Other liabilities	21	1,919,356	404,752
Tax payable		182,040	163,840
TOTAL LIABILITIES		**161,542,704**	**189,166,161**
EQUITY			
Statutory fund	22	5,150,691	2,000,000
Share premium		2,749,721	-
Revaluation surplus		3,152,619	3,152,619
Retained earnings		11,677,497	8,320,710
TOTAL EQUITY		**22,730,528**	**13,473,329**
TOTAL EQUITY AND LIABILITIES		**184,273,232**	**202,639,490**
COMMITMENTS AND OFF BALANCE SHEET ITEMS	**26**	**25,794,184**	**25,740,706**

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

TRADE AND DEVELOPMENT BANK OF MONGOLIA LLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2004

		Non-distributable		Distributable	
	Statutory fund MNT '000	Share premium MNT '000	Revaluation surplus* MNT '000	Retained earnings MNT '000	Total MNT '000
At 1 January 2003	2,000,000		3,152,619	5,746,704	10,899,323
Net profit for the year	-	-	-	2,574,006	2,574,006
At 31 December 2003	2,000,000	-	3,152,619	8,320,710	13,473,329
Net profit for the year	-	-	-	5,356,787	5,356,787
Capitalisation of retained earnings	1,150,691	2,749,721	-	-	3,900,412
Transfer between reserve	2,000,000	-	-	(2,000,000)	-
At 31 December 2004	5,150,691	2,749,721	3,152,619	11,677,497	22,730,528

*Revaluation surplus arises from the revaluation of the Bank's property, plant & equipment carried out by an independent appraiser, Asset Valuation Centre LLC, in 1999.

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

TRADE AND DEVELOPMENT BANK OF MONGOLIA LLC

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

		2004 MNT '000	2003 MNT '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		7,390,130	4,158,518
Adjustments for :-			
Depreciation of property, plant and equipment		814,391	711,198
Property, plant and equipment written off		7,306	44,563
(Writeback)/allowance for loan losses		(388,230)	3,905,741
Allowance for impairment of investment in securities		27,964	10,241
Allowance for impairment of letters of credit and letter of guarantee		5,895	3,464
Allowance for impairment of foreclosed properties		2,246,090	-
Allowance for impairment of other assets		32,830	-
Writeback of allowance for loan losses		-	(70,822)
Loss/(gain) on disposal of property, plant and equipment		53,170	(2)
Operating profit before working capital changes		10,189,546	8,762,901
(Increase)/decrease in operating assets:-			
Loans and advances		(32,777,776)	(13,047,637)
Other assets		(4,191,318)	90,877
Increase/(decrease) in operating liabilities			
Deposits from customers		(43,349,266)	69,581,776
Deposits and placements of other banks and financial institutions		1,564,617	(1,717,340)
Other liabilities		1,445,601	(183,576)
Cash generated from operations		(67,118,596)	63,487,001
Income tax paid		(2,015,904)	(250,000)
Net cash flow from operating activities		(69,134,500)	63,237,001
CASH FLOW FROM INVESTING ACTIVITIES			
Net decrease/(increase) in investment securities		29,729,224	(31,639,275)
Purchase of property, plant and equipment		(880,011)	(817,052)
Proceeds from disposal of property, plant and equipment		168,276	69
Purchase of a non-banking financial institution	A	(205,208)	-
Net cash flow from investing activities		28,812,281	(32,456,258)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in loans from foreign financial institutions		2,753,698	2,671,982
Proceeds from subordinated loan		9,695,624	-
Increase in statutory funds		3,900,412	-
Net cash flow from financing activities		16,349,734	2,671,982
Net increase/(decrease) in cash and cash equivalents		(23,972,485)	33,452,725
Cash and cash equivalents brought forward		84,949,280	51,496,555
Cash and cash equivalents carried forward	B	60,976,795	84,949,280

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

TRADE AND DEVELOPMENT BANK OF MONGOLIA LLC

CASH FLOW STATEMENT (CONTD.) FOR THE YEAR ENDED 31 DECEMBER 2004

A The fair value of the assets acquired and liabilities assumed from the acquisition of the non-banking financial institution is as follows:

	4.6.2004 **MNT '000**
Net assets acquired:	
Property, plant and equipment, net (Note 16)	15,705
Loans and advances	176,335
Deposits and placements with other banks and financial institutions	81,695
Other assets	3,114
Cash and short term funds	113,097
Deposits from customers	(137,886)
Loans from foreign financial institutions	(41,180)
Other liabilities	(69,003)
Tax payable	(761)
Fair value of total net assets	141,116
Goodwill on acquisition	258,884
Total consideration, fully satisfied by cash	400,000
Net cash outflow arising on acquisition:	
Cash consideration	400,000
Cash and cash equivalents of a non-banking financial institution acquired	(194,792)
	205,208

B. Cash and cash equivalents comprises:		
Cash and short term funds	12,190,256	10,726,723
Deposits and placement with other banks and financial institutions	48,786,539	74,222,557
	60,976,795	84,949,280

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

1. CORPORATE INFORMATION

The Bank is principally engaged in the business of provision of banking and financial services pursuant to License No. 13 issued by Bank of Mongolia. There have been no significant changes in the nature of these activities during the financial year.

The Bank is a public limited liability company, incorporated and domiciled in Mongolia.

The holding company of the Bank is Globull Investment and Development (SCA), incorporated in Luxembourg, a joint venture company between Banca Commerciale Lugano of Switzerland and Gerald Metals, Inc. of Stamford.

The financial statements of the Bank for the year ended 31 December 2004 were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 31 March 2005.

2. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards and Guidelines and Regulations issued by Bank of Mongolia.

The financial statements have been prepared under the historical cost convention except for the measurement of financial assets and liabilities at fair value, where applicable, and modified to include the revaluation of property, plant and equipment. The reporting currency used in the financial statements is the Mongolian Togrog, which is denoted by the symbol MNT, shown rounded to the nearest thousand.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge on current events and actions, actual results ultimately may differ from those estimates.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Interest Income and Expense

Interest income and expense are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective yield method. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Interest Income and Expense (contd.)

Interest income is suspended when interest or principal on credit facilities are overdue by more than 90 days. On commencement of suspension, previously accrued interest not received is clawed-back. Recognition of interest subsequent to suspension is on a cash basis. Interest recognition will resume on an accruals basis when the uncertainties surrounding the recoverability are removed and the loan is reclassified as performing.

(b) Fee and Commission Income

Fees and commission income are generally recognised on an accrual basis when the service has been provided. Fees and commission income derived by the Bank relate mainly to money transfer, debit card and credit card service, current account withdrawal, loan processing, and letters of credit and letters of guarantee.

(c) Foreign Currencies

Transactions in foreign currencies are initially recorded in Togrog at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Togrog at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement.

The principal exchange rates used for every unit of foreign currency ruling at the balance sheet date used are as follows:

	2004	2003
United States Dollar	1,209.00	1,168.00
Great Britain Pound	2,320.90	2,073.40
European Euro	1,647.40	1,460.20
Japanese Yen	11.65	10.92
Swiss Francs	1,067.70	935.70
Chinese Yuan	146.10	141.10

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(d) Loans and Advances and Allowance for Loan Impairment

Loans originated by providing money directly to the borrower at draw down and are categorised as loans and advances. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

Originated loans are stated at amortised cost less allowance for impairment.

An allowance for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

The loan impairment allowance also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate. When a loan is uncollectable, it is written off against the related allowance for impairment or recognised as an expense in the income statement. Subsequent recoveries are credited to the allowance for loan losses in the income statement.

If the amount of the impairment subsequently decreases due to an event occurring after the writedown, the release of the allowance is credited as a reduction of the allowance for loan losses.
The maturity of the loan portfolio is presented in Note 13 which shows the remaining period of loans from the balance sheet date to the contractual maturity. Long-term credits are generally not available in Mongolia except where for programs set up by international financial institutions and under government financing arrangements. However, in the Mongolian marketplace, short-term credits are granted with the expectation of renewing loans at maturity.

(e) Taxation

The Bank provides for current income tax based on its income for financial reporting purposes, adjusted for items which are not assessable or deductible for income tax purpose, in accordance with the regulations of the Mongolian Government and is measured using the tax rates that have been enacted at the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Taxation (contd.)

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

(f) Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and short term funds, deposits and placements with other banks and financial institutions.

(g) Investment Securities

All investment securities are initially recognised at cost (which includes transaction costs). Management determines the appropriate classification of its investments at the time of the purchase, being held-to-maturity or available for sale.

Investment securities with fixed maturity where management has both the intent and the ability to hold for yield or capital growth to maturity, are classified as held-to-maturity. Held-to-maturity investments are carried at amortised cost using the effective yield method, less any allowance for impairment. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale.

Available-for-sale financial assets are subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment. When the securities are disposed or deemed impaired, the related accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(g) Investment Securities (contd.)

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate. By comparison, the recoverable amount of an instrument measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

Interest earned on investment securities is reported as interest income. Dividends receivable are included separately in dividend income when a dividend is declared.

(h) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3 (l).

Revaluations are made at least once in every five years based on a valuation by an independent valuer on an open market value basis. Any revaluation increase is credited to equity as a revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is recognised in the income statement to the extent of the decrease previously recognised. A revaluation decrease is first offset against an increase on unutilised earlier valuations in respect of the same asset and is thereafter recognised as an expense. The directors of the Bank are of the opinion that the carrying amount of the assets are reflective of their fair values.

The estimated useful lives used by the Bank are as follows :-

Buildings	40 years
Furniture, fixtures and vehicles	10 years
Computers	5 years

Assets under construction are not depreciated. Depreciation of these assets begins when the related assets are ready for intended use.

Upon disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item may be taken directly to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Sale and repurchase agreements

Securities sold subject to linked repurchase agreements ('repos') are retained in the financial statements as available-for-sale or held-to-maturity securities and the counterparty liability is included in amounts due to other financial instituitions or as appropriate. Securities purchased under agreement to resell ('reverse repos') are recorded as amount due from other financial institutions or as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the life of the repo agreements using the effective yield method.

(j) Customer Deposits

Deposits from customers are stated at cost which is the fair value of the consideration to be paid in the future for deposits received.

(k) Employee Benefits

(i) Short term benefits

Wages, salaries, and other salary related expenses are recognised as an expense in the year in which the associated services are rendered by employees of the Bank. Short term accumulating compensated absences such as paid annual leave are recognised when services rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

(ii) Defined contribution plans

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

(l) Impairment of Assets

The Bank reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is charged to the income statement immediately except where relating to revalued assets. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(m) Financial Instruments

Financial instruments are recognised in the balance sheet when the Bank has become a party to the contractual provisions of the instrument. The accounting policies on recognition and measurement of these items are disclosed in their respective accounting policies.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Bank has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Equity Instruments

Statutory fund is classified as equity and dividends are recognised in equity in the period in which they are declared.

(ii) Derivative Financial Instruments

Derivative financial instruments including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (both written and purchased) and other derivative financial instruments are initially recognised in the balance sheet at cost (including transaction costs) and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond, are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains and losses reported in income.

Changes in the fair value of derivatives held for trading are included in net trading income.

On the date a derivative contract is entered into, the Bank designates certain derivatives as either (1) a hedge of the fair value of a recognised asset or liability (fair value hedge); or, (2) a hedge of a future cash flow attributable to a recognised asset or liability, a forecasted transaction or a firm commitment (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(m) Financial Instruments (contd.)

(ii) Derivative Financial Instruments (contd.)

The Bank's criteria for a derivative instrument to be accounted for as a hedge include:

a) formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is prepared before hedge accounting is applied;
b) the hedge is documented showing that it is expected to be highly effective in offsetting the risk in the hedged item throughout the reporting period; and

c) the hedge is highly effective on an ongoing basis

Changes in the fair value of the effective portions of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to hedged risk, are recorded in the income statement, along with the corresponding change in fair value of the hedged asset or liability that is attributable to that specific hedged risk.

If the hedge no longer meets the criteria for hedge accounting, an adjustment to the carrying amount of a hedged interest-bearing financial instrument is amortised to net profit or loss over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

Changes in the fair value of the effective portion of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk, are recognised in the hedge reserve in equity. Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in equity are transferred to the income statement and classified as revenue or expense in the periods during which the hedged firm commitment or forecasted transaction affects the income statement. Certain derivative transactions, while providing effective economic hedges under the Bank's risk management policies, do not qualify for hedge accounting under the specific rules in IFRS 39 and are therefore treated as derivatives held for trading with fair value gains and losses reported in income.

4. INTEREST INCOME

	2004 MNT '000	2003 MNT '000
Loans and advances	13,738,295	9,560,238
Bank of Mongolia Treasury bills	787,036	1,463,065
Government securities	847,102	486,008
Deposits and placements with other banks and financial institutions	708,800	472,011
Sale and repurchase agreements	29,914	44,358
Corporate bonds	51,974	-
	16,163,121	12,025,680

5. INTEREST EXPENSE

	2004 MNT '000	2003 MNT '000
Time and savings deposits	2,508,125	2,052,857
Current account deposits	1,195,635	1,042,988
Others	79,788	
Loans from financial institutions	402,560	199,873
Sale and repurchase agreements	155,428	70,738
	4,261,748	3,366,456

6. NON-INTEREST INCOME

	2004 MNT '000	2003 MNT '000
Fee and commission income:		
Money transfer service charges	659,791	757,570
Current account withdrawals charges	570,742	508,482
Credit cards service charges and fees	556,869	515,829
Commission on letters of credit and guarantee	399,796	350,118
Other fees income	641,789	540,846
Other income:		
Net realised foreign currencies gain	2,199,157	899,661
Net unrealised foreign currencies (loss)/gain	(63,264)	165,454
Net realised precious metal gain	631,589	209,235
Net unrealised precious metal (loss)/gain	(62,986)	(251,335)
Rental income	110,415	93,415
Writeback of allowances	343,971	70,822
Recoveries of loans written-off	226,211	1,123,027
Other non-operating income	117,098	25,570
	3,502,191	2,335,849
Total non-interest income	6,331,178	5,008,694

7. OPERATING EXPENSES

	2004 MNT '000`	2003 MNT '000
Salaries and related expenses	2,066,255	2,206,153
Depreciation	814,391	711,198
Communication	414,804	344,015
Maintenance of information system	347,533	301,478
Cash collection service	226,096	248,765
ING Technical Assistance fees	2,488,350	231,800
Training	237,280	170,993
Service charges to foreign financial institutions	225,966	170,548
Advertising	311,485	159,264
Entertainment	178,205	129,688
Maintenance of property, plant and equipment	60,329	112,455
Rental of premises	272,299	106,386
Utilities	94,122	87,745
Travelling	109,218	80,129
Transportation and fuel supplies	69,207	78,721
Security expenses	76,753	65,279
Stationery	113,705	59,683
Loans collection expenses	332,115	53,327
Membership and audit expenses	220,202	53,116
Refreshment and uniform expenses	14,865	47,395
Property, plant and equipment written-off	7,306	44,563
Insurance expense	42,111	41,336
Property tax	32,939	33,051
Donation	39,719	15,089
Loss on disposal of property, plant and equipment	53,170	-
Other operating expenses	69,447	37,777
	8,917,872	5,589,954

The total number of persons employed by the Bank at the financial year end was made up as follows:

	2004 Number	2003 Number
Directors and head of departments	24	24
Branch managers	14	14
Officers and clerks	401	374
Of which:		
- Head office	272	252
- Branches	167	160
	439	412

8. ALLOWANCES

	2004 MNT '000	2003 MNT '000
Allowance for loan losses	(388,230)	3,905,741
Allowance for impairment of investment in securities	27,964	10,241
Allowance for impairment of foreclosed properties	2,246,090	-
Allowance for impairment of other assets	32,830	-
Allowance for impairment of letters of credit and letters of guarantees	5,895	3,464
	1,924,549	3,919,446

9. TAXATION

	2004 MNT '000	2003 MNT '000
Income tax:		
Current income tax based on results for the year	2,033,343	1,584,512

The Bank provides for income taxes on the basis of its income for financial reporting purposes, adjusted for items which are not assessable or deductible for income tax purposes. The income tax rate for profits of banks is 15% for the first MNT100 million of taxable income, and 30% (2003 : 40%) on the excess of taxable income over MNT100 million. Interest income on government bonds is not subject to income tax. The allowance for loan losses is deductible for income tax purposes.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Bank for the years ended 31 December is as follows:

	2004 MNT '000	2003 MNT '000
Profit before taxation	7,390,130	4,158,518
Tax at statutory income tax rate of 30% (2003: 40%)	2,217,039	1,663,407
Effect of income subject to lower income tax rate	(15,000)	(25,000)
Effect of income not subject to tax	(254,131)	(194,403)
Effect of expenses not allowable for tax purposes	85,435	140,508
Tax expense for the year	2,033,343	1,584,512

9. TAXATION (CONTD.)

Deferred tax is not provided for in the current and previous financial years as there are no temporary differences.

Management believes that the Bank is in substantial compliance with the tax laws affecting its operations.

10. CASH AND SHORT TERM FUNDS

	2004 MNT '000	2003 MNT '000
Cash in hand represented by:		
Local currency	3,350,750	3,454,183
Foreign currencies	8,839,506	7,272,540
	12,190,256	10,726,723

11. DEPOSITS AND PLACEMENTS WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

	2004 MNT '000	2003 MNT '000
Current accounts with Bank of Mongolia	5,209,340	5,949,208
Placements with other banks and financial institutions	43,577,199	68,273,349
	48,786,539	74,222,557

Balances with Bank of Mongolia are maintained in accordance with Bank of Mongolia's requirements and bear no interest. The balances maintained with Bank of Mongolia are determined at set percentages based on 15 days average cash balances.

Placements with other banks and financial institutions represent foreign currencies current accounts maintained with foreign financial institutions. The foreign currency current accounts are generally denominated in United States Dollar ("USD") and bear interest at annual rates ranging from 0.001% to 6% (2003 : 0.001% to 6%) per annum.

12. INVESTMENT SECURITIES

	2004 MNT '000	2003 MNT '000
Securities held-to-maturity:		
Bank of Mongolia Treasury bills	1,661,914	23,428,428
Government securities	16,681,125	28,943,508
Promissory Notes	5,640,804	1,168,000
	23,983,843	53,539,936
Accretion of discounts	1,153	136,067
Allowance for impairment losses	(55,880)	(15,663)
Net securities held-to-maturity	23,929,116	53,660,340
Available-for-sale:		
Quoted shares	-	110,827
Allowance for impairment losses	-	(84,863)
Net securities available-for-sale	-	25,964
	23,929,116	53,686,304

Bank of Mongolia Treasury bills are interest bearing short term bills with maturities of less than three months, and are issued at a discount to the fair value of the bills upon maturity. The effective interest rates of these bills range from 3.8% to 15.9% (2003 : 0.75% to 18%) per annum.

Government securities are issued by the Ministry of Finance and Economy with maturities ranging from 90 days to 270 days. Interest rates are in the range of 12.2% to 13.68% (2003: 2.9% to 15.8%) per annum for securities denominated in local currency and 3.5% to 5.35% (2003: 3.5% to 5.25%) per annum for securities denominated in United States Dollars ("USD").

13. LOANS AND ADVANCES

	2004 MNT '000	2003 MNT '000
Term loans	98,137,769	64,943,639
Staff loans	378,567	280,153
Gross loans and advances	98,516,336	65,223,792
Allowance for loan losses		
- specific	(8,784,335)	(9,197,693)
- general	(927,516)	(558,060)
Net loans and advances	88,804,485	55,468,039

13. LOANS AND ADVANCES (CONTD.)

	2004 MNT '000	2003 MNT '000
Maturity structure		
Maturing within one year	84,374,635	54,502,964
One year to five years	13,521,157	10,180,044
Over five years	620,544	540,784
	98,516,336	65,223,792

Included in loans and advances is accrued interest totalling MNT1.8 billion (2003: MNT1.1 billion).

Gross loans and advances analysed by their economic purposes are as follows:

	2004 MNT '000	2003 MNT '000
Small and medium enterprises	32,374,540	15,066,464
Food and meat processing	21,019,104	14,107,234
Mining related	15,380,907	9,405,712
Construction	8,091,097	6,937,917
Trading	7,320,758	6,662,746
Petroleum importation	9,962,692	6,412,224
Cashmere	4,367,238	6,631,495
	98,516,336	65,223,792

Movements in the past due loans ("PDLs") and non-performing loans ("NPLs") are as follows:

	Past due loans		Non-performing loans	
	2004 MNT '000	2003 MNT '000	2004 MNT '000	2003 MNT '000
Balance at beginning of year	-	-	17,838,854	7,596,258
Reclassified to PDLs/from NPLs	5,745,794	-	(5,745,794)	-
PDLs/NPLs during the year-gross	2,832,151	-	1,473,106	20,540,826
Recoveries/regularised during the year	(5,745,794)	-	(2,138,876)	(8,791,354)
Amount written off	-	-	(45,591)	(1,822,200)
Transferred to other assets	-	-	(2,271,201)	-
Exchange differences	-	-	44,205	315,324
Gross balance at end of year	2,832,151	-	9,154,703	17,838,854
Allowance for loan losses	(137,819)	-	(8,646,516)	(9,197,693)
Net balance at end of year	2,694,332	-	508,187	8,641,161

Gross NPLs ratio as a percentage of gross loans and advances	9.3%	27.4%
Net NPLs ratio as a percentage of net loans and advances	0.6%	15.6%

13. LOANS AND ADVANCES (CONTD.)

Movements in the allowance for loan losses are as follows:

	2004 MNT '000	2003 MNT '000
Specific Allowance		
Balance at beginning of year	9,197,693	7,165,758
Allowance made during the year	3,883,375	4,852,383
Amount written back in respect of recoveries	(4,641,061)	(1,146,764)
Amount written off	(45,591)	(1,822,200)
Transfer from general allowance	-	74,376
Exchange difference	389,919	74,140
Balance at end of year	8,784,335	9,197,693

	2004 MNT '000	2003 MNT '000
General Allowance		
Balance at beginning of year	558,060	432,314
Allowance made during the year	369,456	200,122
Transfer to specific allowance	-	(74,376)
Balance at end of year	927,516	558,060

At 31 December 2004, all loans and advances to borrowers are denominated in Togrog except for foreign currency loans amounting to MNT54.6 billion (2003: MNT37.15 billion). Interest rate ranges from 4.64% to 42% per annum (2003 : 7.75% to 42% per annum).

Loans and advances amounting to approximately MNT 89.3 billion at 31 December 2004 (2003 : MNT47.4 billion) were classified as normal and provided with a 1% loss reserve. Further, loans amounting to MNT9.2 billion (2003 : MNT17.8 billion) were classified as NPLs as at year end and allowances of MNT8.8 billion (2003 : MNT9.2 billion) have been allocated against these NPLs.

The allowance for loan losses is considered adequate by the management based upon their formal reviews and analyses of existing credits using their knowledge of prevailing and anticipated economic conditions.

14. OTHER ASSETS

	2004 MNT '000	2003 MNT '000
Foreclosed properties	2,461,078	412,545
Less: Allowance for impairment of foreclosed properties	(2,331,737)	(406,273)
	129,341	6,272
Other assets	280,272	114,846
Less: Allowance for impairment of other assets	(31,878)	-
	248,394	114,846
Prepaid expenses	265,918	114,988
Inventory	172,693	138,717
Precious metals	1,496,014	22,026
	2,312,360	396,849

The carrying values of the foreclosed properties are based on directors' valuations, taking into consideration estimates of recovery rates and features of these properties in current conditions.

15. LONG TERM GOVERNMENT BONDS

	2004 MNT '000	2003 MNT '000
As at 1 January	399,590	399,590
Written-off against allowance	(26,791)	-
As at 31 December	372,799	399,590
Allowance for impairment losses	(372,799)	(399,590)
	-	-

These government bonds, issued in July 1997 were a result of the conversion of certain directed and inherited loans. As at 31 December 2002, there was a dispute over the amount due from the government and due to the uncertainty on the amount recoverable from the government, a full allowance has been made on the balance.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings MNT '000	Office Equipment and Vehicles MNT '000	Computers MNT '000	Construction in Progress MNT '000	Total MNT '000
At cost/valuation					
At 1 January 2004	6,174,318	1,774,424	2,483,390	129,999	10,562,131
Additions	6,504	197,448	401,823	533,122	1,138,897
Arising from purchase of InvessCom	-	7,430	18,792	-	26,222
Disposals	(64,281)	(121,601)	-	(130,000)	(315,882)
Transfers	54,285	264,367	152,805	(471,457)	-
Write-offs	(33,678)	(209,547)	-	(243,225)	
At 31 December 2004	6,170,826	2,088,390	2,847,263	61,664	11,168,143
Representing:					
At cost	791,018	1,049,269	2,422,827	61,664	4,324,778
At valuation	5,379,808	1,039,121	424,436	-	6,843,365
	6,170,826	2,088,390	2,847,263	61,664	11,168,143
Accumulated depreciation					
At 1 January 2004	603,159	837,519	982,435	-	2,423,113
Charge for the year	154,160	193,617	466,614	-	814,391
Arising from purchase of InvessCom	-	2,502	8,015	-	10,517
Disposals	(3,863)	(90,572)	-	-	(94,435)
Write-offs	-	(26,803)	(209,116)	-	(235,919)
At 31 December 2004	753,456	916,263	1,247,948	-	2,917,667

16. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Buildings MNT '000	Office Equipment and Vehicles MNT '000	Computers MNT '000	Construction in Progress MNT '000	Total MNT '000
Net Book Value					
At 31 December 2004					
At cost	743,662	671,058	1,599,315	61,664	3,075,699
At valuation	4,673,708	501,069	-	-	5,174,777
	5,417,370	1,172,127	1,599,315	61,664	8,250,476
At 31 December 2003					
At cost	762,956	331,821	1,436,371	129,999	2,661,147
At valuation	4,808,203	605,084	64,584	-	5,477,871
	5,571,159	936,905	1,500,955	129,999	8,139,018
Depreciation charge for 2003	154,701	164,112	392,385	-	711,198

Details of the latest independent professional valuations of property, plant and equipment at 31 December 2004, valued by Asset Valuation Centre LLC, are as follows:

Date of Valuation	Description of Property	Valuation Amount MNT'000	Basis of Valuation
10 June 2004	All property, plant and equipment	8,986,546	Market value

The above valuation has not been effected into the financial statements on the grounds of prudence.

Had the revalued property, plant and equipment been carried at historical cost, the net book value of the property, plant and equipment that would have been included in the financial statements of the Bank as at 31 December 2004 would have been MNT2.6 billion (2003 : MNT2.8 billion).

17. DEPOSITS FROM CUSTOMERS

	2004 MNT '000	2003 MNT '000
Current account deposits	91,790,082	137,003,651
Time deposits	25,459,439	22,859,499
Savings deposits	16,706,309	13,883,073
Other deposits	1,417,891	4,838,878
	135,373,72	178,585,101

(i) The maturity structure of time deposits is as follows:

	2004 MNT '000	2003 MNT '000
Due within six months	18,173,275	18,974,265
Six months to one year	7,286,164	3,885,234
	25,459,439	22,859,499

(ii) The deposits are sourced from the following customers:

	2004 MNT '000	2003 MNT '000
Business enterprises	84,844,138	131,827,154
Government Bodies	1,764,514	4,858,455
Individuals	49,127,769	41,899,492
	135,736,421	178,585,101

Current account deposits and other deposits generally bear no interest. However, for depositors maintaining current account balances above a prescribed limit, interest is provided at rates of approximately 1% and 3% (2003 : 1% and 3%) per annum for foreign and local currencies accounts respectively.

Foreign currency time deposits bear interest rates ranging from 4.2% to 5.5% (2003 : 3.7% to 5.5%) per annum, while for local currency time deposits interest rates range from 13.2% to 15.6% (2003 : 14% to 15.4%) per annum.

Savings deposits are interest bearing and may be withdrawn upon demand. Foreign currency savings deposits bear interest rates of approximately 1.8% (2003 : 1.8%) per annum, while local currency saving deposits at approximately 6% (2003 : 6.2%) per annum.

18. DEPOSITS AND PLACEMENTS OF OTHER BANKS AND FINANCIAL INSTITUTIONS

	2004 MNT '000	2003 MNT '000
Foreign currency current account deposits	3,231,909	1,644,585
Local currency current account deposits	45,041	95,095
Foreign currency cheques for selling	42,464	15,117
	3,319,414	1,754,797

Foreign currency and local currency current deposits are placed by local and foreign commercial banks and generally bear no interest.

19. LOANS FROM FOREIGN FINANCIAL INSTITUTIONS

	2004 MNT '000	2003 MNT '000
Foreign funded loans:		
Kreditanstalt fuer Wiederaufbau (KfW)	6,329,225	4,714,206
World Bank Loan I	2,891,956	2,002,778
World Bank Loan II	522,147	571,752
World Bank Loan III	398,618	79,677
Asian Development Bank	182,739	192,976
International Development Association	727,864	696,282
	11,052,549	8,257,671

Kreditanstalt fuer Wiederaufbau (KfW)

As at 31 December 2004, the KfW loan balance amounts to EURO3.8 million or MNT6.3 billion (2003: EUR3.2 million or MNT4.7 billion). This loan was obtained via Bank of Mongolia for the purpose of providing financing to various customers at preferential interest rates. The interest rate of the KfW loan is fixed at an annual rate of 1.75%, of which 0.75% is payable to KfW and 1% to Bank of Mongolia. Principal repayments are on a semi-annual basis and commenced in December 2001 and are in accordance with the repayment schedule for each disbursement made to final borrower, and the amount above will be fully repaid by June 2010

World Bank Loan I

The World Bank USD loan was obtained via the Ministry of Finance and Economy. As at 31 December 2004, this loan balances amounting to USD2.4 million or approximately MNT2.9 billion (2003: USD1.7 million or approximately MNT2 billion). The World Bank loan is channeled to various borrowers under the Private Sector Development Credit programme. The interest rate of the loan is variable and calculated on the LIBOR 6 months USD rate + 3% per annum (2003: LIBOR 6 months USD rate + 3% per annum). Principal repayments of the loan are made quarterly and are in accordance with the repayment schedules with the final payment due in September 2010.

19. LOANS FROM FOREIGN FINANCIAL INSTITUTIONS (CONTD.)

World Bank Loan II

The World Bank MNT loan was obtained via the Ministry of Finance and Economy. As at 31 December 2004, this loan balance amounts to MNT522 million (2003: MNT572 million). The World Bank loan is channeled to various borrowers under the Private Sector Development Credit programme. The interest rate of the loan is variable and calculated on the LIBOR 6 months USD rate + 3% per annum + a margin equal to the last 12 months moving average changes in prices (C.P.I) + a margin to cover the foreign exchange risk (2003: LIBOR 6 months USD rate + 3% per annum + a margin equal to the last 12 months moving average changes in prices (C.P.I) + a margin to cover the foreign exchange risk). Principal repayments on this loan are made quarterly and commenced in December 2004, and the final repayment will be due in December 2008.

World Bank Loan III

The World Bank Training Program loan balance stands at USD329 thousand or MNT399 million (2003: USD68 thousand or MNT80 million). This loan was obtained via the Ministry of Finance and Economy in 2003 for the purpose of financing the Bank's implementation of institutional development programme, including credit management system renewal, staff training, provision of equipment and consultants' services. The interest rate of the loan is fixed at 2% per annum (2003: 2% per annum) with the principal amount paid semi-annually or quarterly over a period of twenty years.

Asian Development Bank ("ADB")

As at 31 December 2004, the ADB loan balance amounts to USD151 thousand or MNT183 million (2003: USD165 thousand or MNT 193 million). The ADB loan was obtained in year 2002 via Bank of Mongolia and it was utilized by the Bank for the purpose of upgrading their accounting information system. The loan is interest free and the principal is to be repaid over 30 annual installments commencing from year 2002.

International Development Association ("IDA")

The IDA loan balance stands at USD581 thousand or MNT728 million (2003: USD595 thousand or MNT696 million). The loan was utilised to finance the Twinning Agreement with Norwegian Banking Resources Ltd ("NBR"), whereby NBR will transfer operational knowledge and technical skills to the Bank. As at 31 December 1999, this twinning program has been satisfactorily completed, the total cost of which amounted to USD581 thousand, or approximately MNT572 million, of which MNT241 million and MNT145 million have been expensed off in 1998 and 1999 respectively. The remaining balance of MNT186 million was expensed off in 2000, to amortise the cost to the benefits derived from the program to their respective years. Principal repayments on this loan will commence in August 2007, and the final date of repayment is in February 2037.

20. SUBORDINATED LOAN

	2004 MNT '000	2003 MNT '000
Loan from Asian Development Bank	5,453,788	-
Loan from International Finance Corporation	4,241,836	-
	9,695,624	-

During the year, the Bank obtained a subordinated loan amounting to USD8.0 million or MNT9,672 million from Asian Development Bank and International Finance Corporation, intended to strengthen the bank's capital base, expand its operational abilities and assist the bank to become a well-managed commercial bank and operate its business according to international best practices. All proceeds of the loan will be utilized for new product development and new lending initiatives. The interest rate is the sum of the "Spread" (7%) and LIBOR on the Interest Determination Date. This loan is to be repaid in full on 15 December 2009.

21. OTHER LIABILITIES

	2004 MNT '000	2003 MNT '000
Provision for bonus	-	140,000
Foreign remittance under request	251,450	58,410
Delay on clearing settlement	616,749	13,033
Other payables	1,051,157	193,309
	1,919,356	404,752

Included in other payables is an amount of USD300,000 or MNT362.7 million due in equal amount to Asian Development Bank and International Finance Corporation respectively. This amount represents 10% of the capital subscription from ADB and IFC held in escrow until the maturity date of 27 January 2005, whereby in the case of the minority additional opting not to purchase the shares issued, ADB and IFC are to use this amount to purchase the additional shares. Included also in other payables is an amount of MNT212.6 million due to Globull Investment and Development SCA, for capital subscription. The amounts are unsecured, interest-free and have no fixed terms of repayment.

22. STATUTORY FUND

	Number of Ordinary Shares		Amount	
	2004	2003	2004 MNT '000	2003 MNT '000
At 1 January	2,000,000	2,000,000	2,000,000	2,000,000
Capitalisation of retained earnings	-	-	2,000,000	-
Issued during the year	575,346	-	1,150,691	-
At 31 January	2,575,346	2,000,000	5,150,691	2,000,000

22. STATUTORY FUND (CONTD.)

During the year, the Bank increased its statutory fund from MNT2 billion to MNT4 billion through capitalisation of retained earnings. In conjunction with the capitalisation of retained earnings, the par value of each ordinary shares was increased from MNT1,000 to MNT2,000.

During the year also, the Bank issued 96,713 and 478,633 new ordinary shares of MNT2,000 each through private placements at issuance prices of MNT6,991 and MNT6,737 per share respectively for cash, for additional working capital purposes. The share premium arising amounted to MNT2,750 million and this has been credited to the share premium account.

Subsequent to the financial year, the Bank issued 83,722 new ordinary shares, of which 2,226 shares were issued to Asian Development Bank and International Finance Corporation each respectively, and 18,881 shares were issued to Globull Investment and Development SCA from the contingent subscription account in other payables held as at the year end.

23. FINANCIAL RISK MANAGEMENT POLICIES

Management of risk is fundamental to the banking business and is an essential element of the Bank's operations. The main risks inherent to the Bank's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Bank's financial risk management policies in relation to those risk are as follows:

Credit risk

The Bank is exposed to credit risk which is the risk that a counter party will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by borrower and product are approved regularly by the Bank's management team.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral.

Apart from deposits and placements with other banks and financial institutions amounting to MNT43.58 billion (2003: MNT67.69 billion), all the banking assets and liabilities are geographically concentrated in Mongolia.

23. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

Derivatives

The Bank maintains strict control limits on net open derivative positions, ie the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Bank (ie assets), which in relation to derivatives is only a small portion of the contracts used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with borrowers, together with potential exposures from market movements. Collateral or other securities are not usually obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties.

Credit related commitments

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

Currency risk

The Bank is exposed to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank's management sets limits on the level of exposure by currencies (primarily USD) and in total. These limits also comply with the minimum requirements of the Bank of Mongolia. The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by currency. The off-balance sheet gap represents the difference between the notional amounts of the foreign currency derivative financial instruments, which are principally used to reduce the Bank's exposure to currency movements, and their fair values.

23. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

Liquidity risk

The Bank is exposed to frequent calls on its available cash resources from current deposits, maturing deposits and loan drawdowns. The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The Bank's Assets and Liabilities Committee sets limits on the minimum proportion of maturing funds available to cover such cash outflows and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. The following table analyses assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

23. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

Interest rate risk

The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest rate risk is measured by the extent to which changes in market interest rates impact margins and net income. To the extent the term structure of interest bearing assets differs from that of liabilities, net of interest income will increase or decrease as a result of movements in interest rates. The Bank's expected repricing and maturity dates do not differ significantly from the contract dates, which are disclosed in the liquidity risk table in the previous page.
Interest rate risk is managed by increasing or decreasing positions within limits specified by the Bank's management. These limits restrict the potential effect of movements in interest rates on interest margin and on the value of interest sensitive assets and liabilities.

The Bank's interest rate policy is reviewed and approved by the Bank's Assets and Liabilities Committee. The Bank's effective interest rates in 2004 and 2003 for monetary financial instruments are as follows:

	2004		2003	
	MNT	Foreign currency	MNT	Foreign currency
Interest earning assets				
Deposits and placement with other				
banks and financial institution	2.99%-16%	0.001%-7%	16%	0.001%-6%
Bank of Mongolia Treasury bills	2.5%-16%	-	0.75%-18%	-
Government securities	12.2%-15.8%	3.5%-5.35%	2.9%-15.8%	3.5%-5.25%
Loans and advances	19.2%-42%	4.64%-27.6%	19.2%-42%	7.75%-27.6%
Interest bearing liabilities				
Deposits from customers	3%-15.6%	1%-5.5%	3%-15.4%	1%-5.5%
Loans from foreign financial institutions	12.3%-15%	1%-4.3%	12.3%-14.4%	1%-7.5%
Subordinated loan	-	9.76%	-	-

23.FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

The Bank's concentration of assets, liabilities and off balance sheet items are as follows:

	Local	Foreign Currencies				
	Currency	USD	EURO	RMB	OTHERS	TOTAL
	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
As at 31 December 2004						
Assets						
Cash and short term funds	3,350,750	5,799,896	529,584	1,840,924	669,102	12,190,256
Deposits and placements of other bank and financial institutions	2,533,813	37,030,816	3,203,415	4,145,686	1,872,809	48,786,539
Investment securities						
- Held-to-maturity	2,059,067	21,870,049	-	-	-	23,929,116
Loans and advances	34,200,987	50,553,067	4,050,431	-	-	88,804,485
Other assets	656,678	(8,250,977)	3,569,916	-	6,336,743	2,312,360
	42,801,295	107,002,851	11,353,346	5,986,610	8,878,654	176,022,756
Liabilities						
Deposits from customers	39,758,121	89,122,605	5,480,206	434,929	577,860	135,373,721
Deposits and placements of other						
banks and financial institutions	45,041	961,039	187,062	1,628,578	497,694	3,319,414
Loans from foreign financial institutions	522,147	4,201,177	6,329,225	-	-	11,052,549
Subordinated loans	-	9,695,624	-	-	-	9,695,624
Other liabilities	527,603	1,157,253	21,699	195,072	17,729	1,919,356
Tax payable	182,040	-	-	-	-	182,040
	41,034,952	105,137,698	12,018,192	2,258,579	1,093,283	161,542,704
Net position	1,766,343	1,865,153	(664,846)	3,728,031	7,785,371	14,480,052
Commitments and other off balance sheet items	6,471,228	17,621,692	886,611	-	814,653	25,794,184

23. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

Currency risk (contd.)

	Local	Foreign Currencies				
	Currency MNT'000	USD MNT'000	EURO MNT'000	RMB MNT'000	OTHERS MNT'000	TOTAL MNT'000
As at 31 December 2003						
Assets						
Cash and short term funds	3,454,183	5,887,791	567,140	686,699	130,910	10,726,723
Deposits and placements of other bank and financial institutions	99,297	67,757,052	4,041,170	548,031	1,777,007	74,222,557
Investment securities						
- Held-to-maturity	23,960,705	29,699,635	-	-	-	53,660,340
- Available-for-sale	25,964	-	-	-	-	25,964
Loans and advances	24,472,076	27,824,574	3,171,389	-	-	55,468,039
Other assets	305,271	91,578	-	-	-	396,849
	52,317,496	131,260,630	7,779,699	1,234,730	1,907,917	194,500,472
Liabilities						
Deposits from customers	52,597,625	121,229,549	3,068,877	9,675	1,679,375	178,585,101
Deposits and placements of other						
banks and financial institutions	95,095	1,519,946	124,413	-	15,343	1,754,797
Loans from foreign						
financial institutions	571,752	2,971,713	4,714,206	-	-	8,257,671
Other liabilities	177,654	164,979	12,802	-	49,317	404,752
Tax payable	163,840	-	-	-	-	163,840
	53,605,966	125,886,187	7,920,298	9,675	1,744,035	189,166,161
Net position	(1,288,470)	5,374,443	(140,599)	1,225,055	163,882	5,334,311
Commitments and other off balance sheet items	6,674,254	15,976,112	2,591,176	-	499,164	25,740,706

23. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

Liquidity Risk (contd.)

The contractual maturites of banking assets and liabilities for the year ended 31 December 2004 are as follows (MNT'000):

As at 31 December 2004	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total
Assets						
Cash and short term funds	12,190,256	-	-	-	-	12,190,256
Deposits and placements with other banks and financial institutions	48,278,759	-	507,780	-	-	48,786,539
Investment securities						
- Held-to-maturity	13,251,073	10,678,043	-	-	-	23,929,116
Loans and advances	23,911,886	23,779,243	29,895,873	10,619,463	598,020	88,804,485
Other assets	2,312,360	-	-	-	-	2,312,360
	99,944,334	34,457,286	30,403,653	10,619,463	598,020	176,022,756
Liabilities						
Deposits from customers	121,720,148	6,367,409	7,286,164	-	-	135,373,721
Deposits and placements of other						
banks and financial institutions	3,319,414	-	-	-	-	3,319,414
Loans from foreign financial institutions	181,904	1,710,707	1,519,927	6,575,224	1,064,787	11,052,549
Subordinated loan	23,624	-	-	9,672,000	-	9,695,624
Other liabilities	1,919,356	-	-	-	-	1,919,356
Tax payable	182,040	-	-	-	-	182,040
	127,346,486	8,078,116	8,806,091	16,247,224	1,064,787	161,542,704
Net liquidity gap	(27,402,152)	26,379,170	21,597,562	(5,627,761)	(466,767)	14,480,052
Accumulated gap	(27,402,152)	(1,022,982)	20,574,580	14,946,819	14,480,052	28,960,104

23. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

Liquidity Risk (contd.)

The contractual maturites of banking assets and liabilities for the year ended 31 December 2003 are as follows (MNT'000):

As at 31 December 2004	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total
Assets						
Cash and short term funds	10,726,723	-	-	-	-	10,726,723
Deposits and placements with other banks and financial institutions	74,222,557	-	-	-	-	74,222,557
Investment securities						
- Held-to-maturity	24,720,815	15,264,373	13,675,152	-	-	53,660,340
- Available-for-sale	-	-	-	-	25,964	25,964
Loans and advances	18,827,549	16,189,974	9,825,791	10,089,349	535,376	55,468,039
Other assets	396,849	-	-	-	-	396,849
	128,894,493	31,454,347	23,500,943	10,089,349	561,340	194,500,472
Liabilities						
Deposits from customers	169,695,382	5,004,485	3,885,234	-	-	178,585,101
Deposits and placements of other banks and financial institutions	1,754,797	-	-	-	-	1,754,797
Loans from foreign financial						
institutions	1,945,976	-	12,258	5,668,834	630,603	8,257,671
Other liabilities	404,752	-	-	-	-	404,752
Tax payable	163,840	-	-	-	-	163,840
	173,964,747	5,004,485	3,897,492	5,668,834	630,603	189,166,161
Net liquidity gap	(45,070,254)	26,449,862	19,603,451	4,420,515	(69,263)	5,334,311
Accumulated gap	(45,070,254)	(18,620,392)	983,059	5,403,574	5,334,311	10,668,622

24. RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank is controlled by Globull Investment and Development (SCA), which owns 62.78% (2003 : 76%) of the Bank.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. These transactions were carried out on commercial terms and at market rates. The volumes of related party transactions, outstanding balances as at the year end, and relating income for the year are listed below:

As at 31 December, balances and transactions with related parties included:

	2004 MNT '000	2003 MNT '000
a) Interest Income - Gerald Metals, Inc.	46,086	16,111
b) Loans to key management personnel		
Repayable		
- within one year	86,814	9,419
- one year to five years	-	-
	86,814	9,419
Allowance for loan losses	(868)	(94)
	85,946	9,325

Total outstanding balance as at 31 December 2004 of loans granted to key management personnel amounts to MNT87 million (2003: MNT9 million). The loans to Bank's employees bear annual interest ranging from 1% to 3.5% (2003: 1% to 3.5%).

Directors' Remuneration

The executive members of the Board of Directors did not receive remuneration during the year (2003 : MNT nil). The non-executive members also did not receive fees during the year (2003: MNT nil).

25. CAPITAL ADEQUACY

The Bank of Mongolia requires commercial banks to maintain a core capital adequacy ratio of 5% and risk weighted capital ratio of 10%, compiled on the basis of total equity and total assets as adjusted for their risk. The capital adequacy ratios of the Bank as at 31 December are as follows:

	2004	2003
Core capital ratio	13.50%	11.53%
Risk weighted capital ratio	22.39%	15.05%
Tier I capital		
Statutory fund	5,150,691	2,000,000
Share premium	2,749,721	-
Retained earnings	11,677,497	8,320,710
Foreign currency risk	(88,419)	-
Total Tier I Capital	19,489,490	10,320,710
Tier II capital		
Revaluation surplus	3,152,619	3,152,619
Subordinated debt over 5 years	9,672,000	-
Total capital base	32,314,109	13,473,329

Breakdown of risk weighted assets in the various categories of risk weights are as follows:

	2004 MNT '000		2003 MNT '000	
	Assets	Risk Weighted	Assets	Risk Weighted
%				
0	19,062,663	-	66,540,723	-
10	-	-	-	-
20	36,690,475	7,338,095	71,515,236	14,303,047
50	13,695,396	6,847,698	3,700,336	1,850,168
100	130,216,714	130,216,714	73,357,687	73,357,687
Foreign currency risk	-	(88,419)	-	-
Total	199,665,248	144,314,088	215,113,982	89,510,902

26. COMMITMENTS AND OFF BALANCE SHEET ITEMS

a) Financial Commitments and Off Balance Sheet Items

In the normal course of business, the Bank makes various commitments and incurs certain contigent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

	2004 MNT '000	2003 MNT '000
Outstanding letters of credit	5,151,218	4,866,798
Guarantees granted	2,036,634	2,361,248
Foreign exchange commitments	-	5,622,058
Other off balance sheet items	18,606,332	12,890,602
	25,794,184	25,740,706

As at 31 December 2004, all the Bank's outstanding letters of credit and guarantees issued are fully collateralised, mainly by cash.

b) Foreign Exchange Commitments and Derivatives

In the normal course of the business, the Bank enters into foreign currency exchange contracts with third parties. As at 31 December 2004, the Bank has no open positions (2003: 4) on foreign currency exchange forward contracts amounting to approximately nil (2003: MNT5.6 billion).

c) Other off balance sheet items.

Included in the other off balance sheet items held by the Bank are mainly on the written off loans amounting to MNT3.44 billion (2003: MNT5.17 billion), credit line amounting to MNT8.98 billion (2003: MNT3.17 billion), interest suspended amounting to MNT4.72 billion (2003: MNT3.09 billion) and written off of provision for foreclosed properties amounting to MNT1.46 billion (2003: MNT1.46 billion).

d) Capital commitments

As at 31 December 2004 and 2003, the Directors have not authorised any capital commitment of significance.

27. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments comprise financial assets and financial liabilities. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale, where quoted market prices are not available, the fair values are measured at discounted rates commensurate with the quality and duration of the assets or liabilities.
A considerable portion of the financial instruments as at 31 December 2004 and 2003 are short term in nature with maturities of less than one year. Based on the assessments as indicated above, the estimated fair values of those financial assets and financial liabilities, both short and long term as at the balance sheet date, approximate their carrying amounts as shown in the balance sheet.

28. SIGNIFICANT EVENT DURING THE YEAR

On 4 June 2004, the Bank acquired the entire equity interest in a non-banking financial institution, InvessCom Finance Company ("InvessCom") for a purchase consideration of MNT400,000,000. Subsequently, the Bank has merged all the assets and liabilities of InvessCom into its operations and InvessCom was liquidated after completion of the merger.

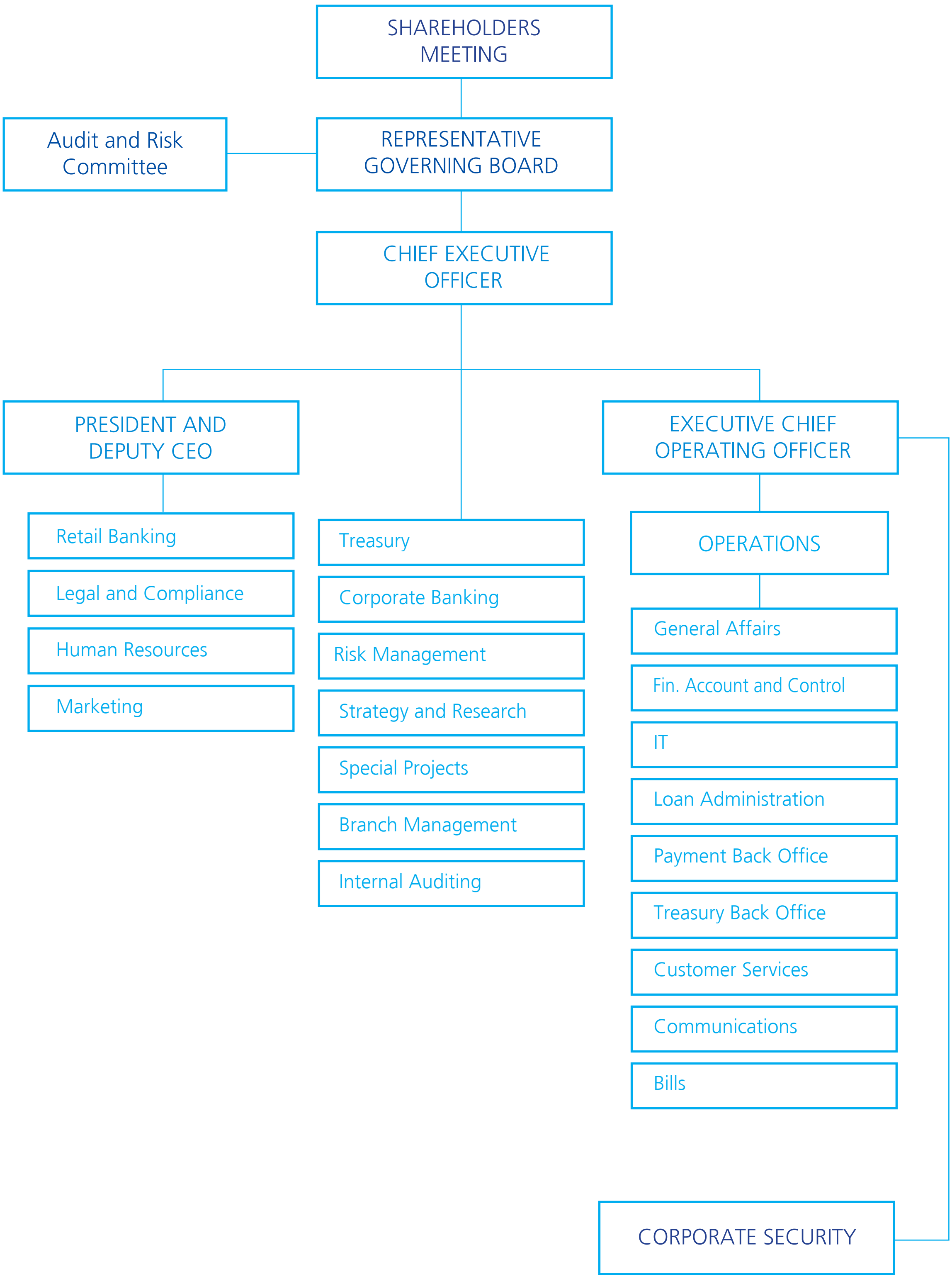
29. CURRENCY

All amounts are in Mongolian Togrog unless otherwise stated.

30. MONGOLIAN TRANSLATION

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

Organisational Structure



Board of Directors

I. Roussine
Deputy Executive Director

B. Javkhlan
Chief Operating Officer

Ch. Sainbileg
Corporate Banking Director

B. Erdenesanaa
Retail Banking Director

J. Bataa
Treasury Director

U. Odonsuren
Risk Management Director

Sh. Enkhtur
Legal and Compliance Director

B. Bayarmaa
Internal Audit Director

M. Bayarmagnai
Marketing Director

D. Enkhbaatar
Human Resources Director

M. Vande Velde
Special Projects Director

D. Davaatulga
Corporate Security Director

D. Enkhtogtoh
Branch Management Director

G. Munkhbayar
Chief Financial Officer

Kh. Lkhagvasuren
Head of Customer Services Unit

E. Enkhbold
Head of Information Technology Unit

Addresses and Contacts

TDBM HEAD OFFICE

Juulchinii Gudamj-7
Baga Touruu-12
Ulaanbaatar, Mongolia

Tel: 976-11-331133, 326289
Fax: 976-11-325449, 328231

www.tdbm.mn
www.mongolianbusinessquide.com

The Department of Corporate Banking

Juulzchinii Gudamj-7
Baga Touruu-12
Ulaanbaatar
Mongolia

Tel: 976-11-326926
Fax: 976-11-326926

The Department of Retail Banking

Juulzchinii Gudamj-7
Baga Touruu-12
Ulaanbaatar
Mongolia

Tel: 976-11-328478
Fax: 976-11-328597

Private Banking Center

Juulzchinii Gudamj-7
Baga Touruu-12
Ulaanbaatar
Mongolia

Tel: 976-11-331144
Fax: 976-11-329803

Branch # 801

Dornod Aimag
Kherlen Soum
Mongolia

Tel: (01582) 23009
Fax: (01582) 236326

Branch # 802

Selenge Aimag
Sukhbaatar Soum
Mongolia

Tel: (01362) 22007
Fax: (01362) 23076

Branch # 803

Darkhan Uul Aimag
Darkhan Soum
Mongolia

Tel: (01372) 33726
Fax: (01372) 37761

Branch # 804

Enkhtaivanii Gudamj 11-A
Ulaanbaatar
Mongolia

Te: 976 -11-312679
Fax: 976 -11-312661

Branch # 805

Zamchnii Gudamj - 36
Bayangol District
Ulaanbaatar
Mongolia

Tel: 976 -11-344867
Fax: 976 -11-944818

Branch # 806

Chingis Avenue -10
Khan-Uul District
Ulaanbaatar
Mongolia

Tel: 341335
Fax: 341295

Branch # 807

Orkhon Aimag
Bayan-Undur Soum
Mongolia

Tel: (01352) 25135
Fax: (01352) 25155

Branch # 808

Dornogovi Aimag
Sainshand Soum
Mongolia

Tel: (01522) 22298
Fax: (01522) 22293

Settlement Center # 1

Buyant Ukhaa Airport
Ulaanbaatar
Mongolia

Tel: 976 -11-379714
Fax: 976 -11-379714

Settlement Center # 2

Juulchnii Gudamj – 7
Ulaanbaatar
Mongolia

Tel: 976 -11-312356
Fax: 976 -11-311025

Settlement Center # 3

Baga Toirog – 17
Ulaanbaatar
Mongolia

Tel: 976 -11-313833
Fax: 976 -11-311994

Zamiin Uud Settlement Center # 4

Dornogovi Aimag
Zamiin - Uud soum
Mongolia

Tel: (015245) 21133
Fax: (015245) 21168

Zuunkharaa Settlement Center # 5

Selenge Aimag
Mandal Soum
Mongolia

Tel: (013647) 22623

Settlement Center # 6

Ard Ayush Avenue
Ulaanbaatar
Mongolia

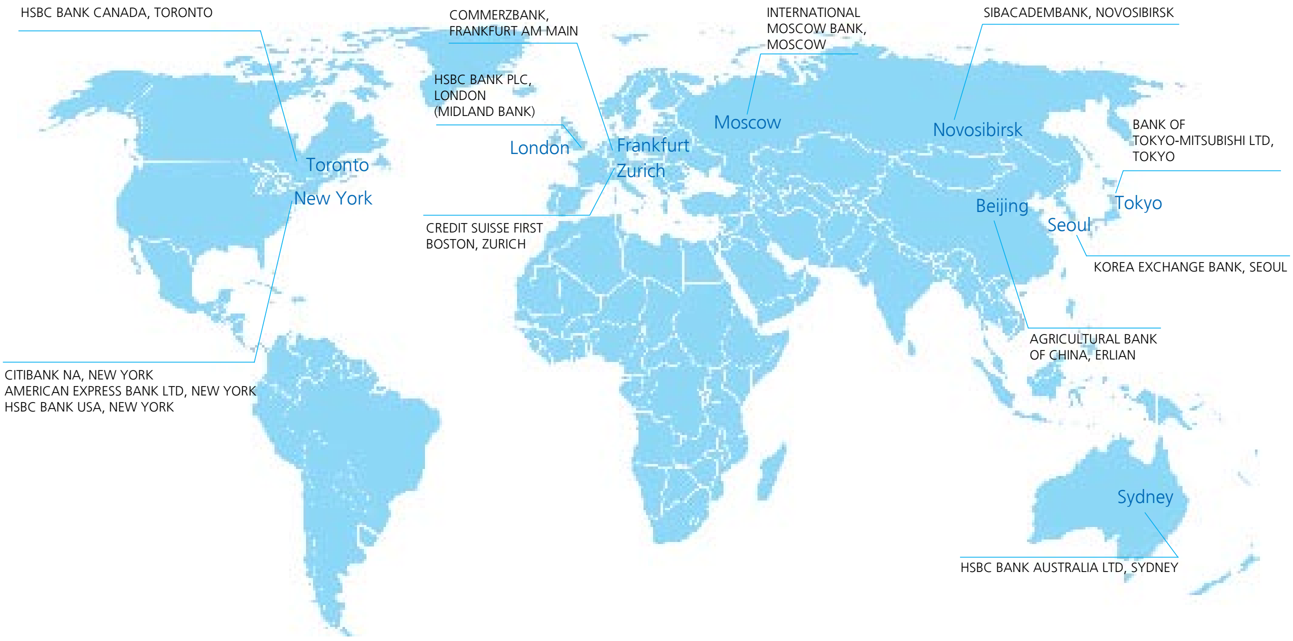
Tel: 976 -11-361968
Fax: 976 -11-361975

Settlement Center # 7

Tokiogiin gudamj
Ulaanbaatar
Mongolia

Tel: 976 -11-320061
Fax: 976 -11-324658

Correspondent Banks



The Trade and Development Bank of Mongolia fully internalized best international banking practice in 2004 and effected a seamless synergy between itself and partners. This is evident in reliability, customer orientation, competitive products and services, professionalism of staff and the sustained profitability of operations.

Lake Khuvsgul